

REVIEW OF THE  
**FISCAL YEAR 2025**  
**PROPOSED BUDGET**

Office of the Independent Budget Analyst | Report 24-09

The City of  
**SAN DIEGO**

**CHARLES MODICA**  
Independent Budget Analyst  
April 26, 2024

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# Overview: IBA Review and Analysis of the Mayor's FY 2025 Proposed Budget

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## **IBA Review and Analysis of the Mayor's FY 2025 Proposed Budget**

Each year, the Independent Budget Analyst (IBA) provides a comprehensive analysis of the Mayor's Proposed Budget for the City Council and the public – reviewing expenditures and revenues, consistency with City Council and community priorities, identifying service level impacts, ensuring the application of City budget policies and best practices, and pointing out potential impacts on future years. This involves significant cooperation from the Executive Branch to understand the workings of the \$5.65 billion Proposed Budget, and we appreciate the time taken by the Department of Finance, Mayor's Office, and all operating departments to meet with our Office and to answer our many questions over the past two weeks.

### **Role of the City Council in the FY 2025 Budget Process**

After release of the Mayor's Proposed Budget on April 12, 2024, the City Charter vests budget authority for finalizing the FY 2025 budget in the hands of the City Council. The Council holds many public hearings reviewing the budget proposals for all City departments, hosts meetings to solicit more feedback from constituents and communities, and fully reviews the Proposed Budget.

Council ultimately is tasked with determining whether modifications to the Proposed Budget are necessary to fund critical community priorities that are not addressed in the Proposed Budget. The Council has the authority to change budget line items and programs, provided the overall budget remains balanced.

Over the next several weeks, Council will hold evening meetings to solicit public feedback, and meet as the Budget Review Committee to hear presentations from operating departments on the budget for their departments. During these meetings, the Office of the IBA will also present issues of interest, areas of concern, and potential questions for each department, with the goal of working with Councilmembers and staff to provide information that assists the Council in making informed decisions. Our Office will also participate in Council Budget Town Halls held throughout the City.

In May, we will also review and analyze the FY 2024 Third Quarter Budget Monitoring Report and evaluate the Mayor's May Revision to the FY 2025 Proposed Budget (scheduled to be released on May 14, 2024). Councilmembers will issue memos to our Office on May 22, 2024 that detail each Council Office's budget modification priorities, and we will issue a final report on recommended modifications to the FY 2025 Proposed Budget and Mayor's May Revision on June 4, 2024.

New for this year, the Council will have an additional meeting as the Budget Review Committee on June 7, 2024 to review those final recommended modifications, during which it can request additional information or suggest additional modifications. Following that meeting, Council is scheduled to consider final adoption of the budget, with any proposed modifications, on June 11, 2024. At that time the Council will have the authority to adopt a

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final budget, including change line items or services and programs in the Proposed Budget, provided the Budget remains balanced. The Mayor has the authority to veto Council changes, but the Council can override the Mayor's veto with six votes of the Council.

## Overview of IBA Review and Analysis

This report provides an overview of the City's revenues, expenditures, and reserves in the Proposed Budget, discusses key citywide issues identified by our Office for Council's consideration, and reviews the proposed budgets for each department in the City.

As our Office noted in its reviews of the Proposed Budgets for FY 2023 and 2024, as well as in our analyses of various Budget Monitoring Reports and Five-Year Financial Outlooks, preparing a balanced budget for FY 2025 that avoids significant cuts to City programming and services was expected to be challenging. Core City services are supported by the City's General Fund, which includes \$2.15 billion in expenditures in the Proposed Budget. While General Fund budgets over the past three years were balanced, avoided significant cuts, and expanded services and programs, those budgets were largely balanced through use of \$299.7 million in one-time federal support from the American Rescue Plan Act (ARPA). ARPA funding was exhausted in FY 2024, and the City is now left to rely on natural growth in its existing revenues to support its services and programs.

The ongoing costs of those services and programs exceed the City's existing ongoing revenues. The City's FY 2025-2029 Five Year Financial Outlook, released in November

2023, projected a baseline deficit for FY 2025 of \$136.8 million; when planned commitments were added to baseline expenditures, that projected deficit increased to \$171.9 million.

Additionally, the City's FY 2024 Mid-Year Budget Monitoring Report, released in February 2024, showed that FY 2024 revenues were projected to come in \$28.3 million under amounts in the FY 2024 Adopted Budget, and that expenditures were trending \$13.2 million above Adopted Budget amounts.

As the City was projected to rely on unallocated Excess Equity left unspent at the end of FY 2024 to help close the projected deficit in FY 2025, the City's administration began implementing immediate mitigation measures, including the requirement for executive approval to fill any non-critical vacancies, the transfer of several expenditures from the General Fund into various other funds, and the suspension of some activities that had been budgeted in FY 2024. Additionally, all City departments were directed to find 2% efficiency reductions in their FY 2024 budgets, and to include those reductions in their FY 2025 budget requests; details on these and other mitigation measures will be provided throughout this report.

The Proposed Budget reflects the tenuous financial position of the City: programmatic additions to City services are limited, and reductions to various City programs – notably many programs established in recent years to address historical inequities in City services – have been proposed. The Proposed Budget also contains a significant structural imbalance, with ongoing revenues and resources insufficient to support ongoing programs and services; many of the deficit mitigation

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strategies employed in the Proposed Budget are one-time in nature.

For years our Office has indicated the need for the City to either pursue a significant new source of revenue, or plan for significant cuts and reductions in City services. The City is currently considering placing two revenue measure on the November 2024 ballot – a measure to increase the sales tax rate in the City, and a measure to create a dedicated funding source for stormwater needs. Revenue from one or both of these measures will be necessary to support existing City services and/or expand services; without such revenue, far deeper cuts than those included in the Proposed Budget will be needed in FY 2026 and beyond.

## General Fund Revenue Overview

The Proposed Budget includes \$2.08 billion in General Fund revenues. Of this amount, \$1.50 billion is derived from the City's four major General Fund revenues: Property Tax, Sales Tax, Transient Occupancy Tax (TOT), and Franchise Fees. These revenues are sensitive to the overall economic condition of the San Diego region, and the Proposed Budget projects moderate growth in all four major General Fund revenues.

In general, major General Fund revenues are proposed to increase by \$54.6 million from the FY 2024 Adopted Budget, and \$80.3 million from year-end projections that were included in the FY 2024 Mid-Year Budget Monitoring Report. Most of this increase is the result of projected growth in Property Tax revenue. Notably, revenue from Sales Tax is projected to come in \$9.0 million *below* amounts included in the FY 2024 Adopted

Budget; during the first half of FY 2024, actual sales tax receipts came in under budget, which reduced both FY 2024 revenue and the base from which future revenue growth is projected. TOT revenue similarly experienced lower-than projected receipts in the first half of FY 2024, though projected General Fund TOT revenue in the Proposed Budget is very slightly (\$1.3 million) above amounts in the FY 2024 Adopted Budget.

Our Office's discussion of these revenues and projected growth rates is included in this report's **General Fund Overview: Revenue** section.

## General Fund Expenditure Overview

Total General Fund expenditures are increasing by \$65.8 million, or 3.2%, from the \$2.08 billion in the FY 2024 Adopted Budget. This includes a net increase in Personnel Expenditures (PE) and a net decrease Non-Personnel Expenditures (NPE).

The net PE increase to the General Fund is \$91.4 million. This represents a 6.5% increase, largely due to previously negotiated increases in employee compensation primarily related to approved contracts with the City's non-public safety Recognized Employee Organizations (REOs) (\$35.5 million); an increase in the City's pension payment/Actuarially Determined Contribution (ADC) (\$29.9 million); net departmental position changes, including the addition of grant reimbursable Employ & Empower program interns (\$20.0 million); estimated compensation increases currently being negotiated with the City's Public Safety REOs (\$10.9 million; this amount is expected to change in the May Revision based on anticipated final agreements

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with the REOs); and a decrease to projected PE savings (\$10.8 million).

Offsetting those PE increases is a decrease in contributions to the City's Other Post Employment Benefit (OPEB) associated with a change in funding strategy that was implemented in FY 2024 (\$11.0 million).

General Fund NPE in the Proposed Budget are *decreasing* by a net of \$25.6 million. This net amount includes not only decreases, but several significant increases, including ongoing support for homeless shelters and services administered by the Homelessness Strategies and Solutions Department (\$26.6 million); capital infrastructure debt financing (\$7.6 million); and public liability costs (\$4.9 million), among many other increases. Those are more than offset by decreases, largely by reductions in City funding to the Housing Commission to administer homelessness programs (\$15.0 million), use of the Infrastructure Fund to support eligible operating expenditures (\$14.7 million), transfers to the Infrastructure Fund associated with decreased sales tax revenue growth (\$11.2 million), and reductions in contributions to the Climate Equity Fund (\$7.7 million), among others. More detail on these changes can be found in this report's *General Fund Overview: Expenditures* section.

## How the Mayor Balanced the FY 2025 Budget

While total General Fund revenues and resources in the Proposed Budget are equal to General Fund Expenditures, and thus the Proposed Budget is balanced, it is critical to note both that the Proposed Budget remains structurally imbalanced (with \$11.7 million in one-time expenditures against \$209.5 million in one-time resources), and that it relies on

scaling back or eliminating many programs and initiatives that the City only recently began implementing.

While the Proposed Budget does include a net increase in expenditures of \$65.8 million, most expenditure increases are non-discretionary, otherwise associated with employee compensation packages that have already been or are currently being negotiated, and pension contributions. Expenditure increases that add or expand services are limited, with significant increases mainly associated with maintaining or expanding homelessness programs given a reduction in state grant funding, and with staffing or operating new facilities (such as parks and fire stations) as they come online.

To fund those expenditures increases, as well as to maintain funding for other core City services, the Proposed Budget relies on extensive mitigation measures, most of which are one-time in nature. Some of the most significant mitigations proposed are:

- Using \$68.7 million in projected year-end Excess Equity, which has been increased through several FY 2024 budget mitigations such as replacement of cash in various Capital Improvements Program (CIP) projects with debt financing (\$25.0 million), deferral of the City's FY 2024 contribution to the General Fund Reserve (\$8.4 million), and a slow-down in filling non-critical vacancies (\$4.5 million);
- Deferring the FY 2025 contributions to the City's General Fund Reserve (\$21.4 million);
- Using the Infrastructure Fund to support operations and maintenance of City infrastructure that had previously been



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supported by the General Fund (\$18.9 million);

- Sweeping fund balance from the Energy Independence Fund and avoiding a FY 2025 contribution to that Fund (\$5.8 million);
- Withholding funding from the Housing Commission that would support homelessness programs administered by the Housing Commission (\$15.0 million);
- Withholding funds for discretionary allocations of Arts, Culture, and Community Festivals (ACCF) and Community Projects, Programs, and Services (CPPS) (\$1.9 million); and
- Reducing or eliminating programs, many of which were designed to address historical inequities throughout the City, including waiving contributions to the Climate Equity Fund (\$8.5 million), eliminating and sweeping all funds from the Community Equity Fund (\$3.1 million), eliminating the Cannabis Social Equity and Economic Development (SEED) Program (\$417,000), eliminating the No Shots Fired Program (\$250,000), and reducing funding for the SD Access 4 All digital equity program (\$57,000), among others.

This is not an exhaustive list of mitigations; these and additional mitigation measures are summarized in this report's ***General Fund: Major Additions, Mitigations & Modification Options*** section, with further detail provided in various ***Department Review*** sections.

It is notable that many of the proposed programmatic reductions reduce or eliminate programs that were implemented over recent years to address historic inequities in the City. Providing additional resources to neglected communities is an appropriate approach to

address inequities when adding programs and funding to a budget; when funding reductions are necessary, however, they should be made in a manner that minimizes negative impacts to those communities that have been neglected in the past. Additional considerations on this are included in this report's ***Key Citywide Issues: Equity*** section.

As noted, many of these mitigations and resources are one-time in nature, and absent a successful revenue measure in FY 2025, significantly deeper cuts will be required moving forward.

## Budget Additions, Mitigations, and Modification Options

To provide Council easier reference to the proposed programmatic additions and mitigation measures in the Proposed Budget, this report includes a new section that shows all programmatic expenditure additions to the General Fund in one table, and all major proposed General Fund mitigation measures in another set of tables. **Additionally, we provide a summary of potential resources and alternative mitigation measures identified by our Office in a separate table;** altogether these resources and alternatives total \$16.8 million in the General Fund, and \$2.7 million in non-General Fund areas.

Additional detail on all of these items is further included throughout the report, but given the reality that Council will need to consider additional budget reductions if it chooses to restore or add programs, we believe there is value to having all of those items presented together in a single section of this report, rather than only being discussed in separate sections spread throughout our report.

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## Key FY 2025 Budget Issues

Our Office has also identified several key issues that merit additional discussion. As noted, the Budget remains structurally unbalanced, and additional resources will be needed to address many of these issues.

### Climate Action Plan

The Proposed Budget includes \$761.0 million in support for the Climate Action Plan, including \$201.0 million in direct support. The vast majority of this support (\$736.5 million) is contained in the CIP, primarily for the Pure Water project. Operating support totals \$24.5 million. Even with this level of support, there is a potential funding gap of \$188.1 million in direct support, the majority of which is for stormwater activities. Climate-related funds also did not receive their full allocation, with the Climate Equity Fund not receiving \$8.5 million from franchise fees, and the Energy Independence Fund both not receiving \$2.3 million and additionally having its \$3.5 million fund balance transferred to the General Fund. Additional considerations are discussed in this report's *Key Citywide Issues: Climate Action Plan* section.

### Council Budget Priorities

In October 2023, the Council approved an initial Budget Priorities Resolution that indicated the priorities it wanted to see reflected in the Mayor's FY 2025 Proposed Budget; that Priorities Resolution was then updated in February 2024. While many priorities were included or maintained in the budget, given the City's budget limitations, not all were. Details on how the Proposed Budget compares to the Council's Budget Priorities are included in this report's *Key Citywide Issues: Council Budget Priorities* section.

## Departmental Vacancies

The City has made significant progress in addressing persistent high vacancy issues through implementing special wage adjustments and other compensation increases over the past several years. Additionally, the City has made several hiring process improvements, such as leveraging career fairs to recruit entry-level positions, expanding the Outstation Program to provide on-site assistance to hiring departments, and improving interview practices by conducting joint interviews for several job classes. The Human Resources and Personnel Departments will also be working with a consultant to study and make further improvements to the City's hiring processes.

While the overall vacancy rate has been trending down post-pandemic, whether this trend will continue is unclear, as the City recently implemented a process that slows hiring for non-critical positions as a budget mitigation measure to balance the FY 2025 budget. Departments are limited to requesting to fill vacancies for classifications/positions that meet certain criteria. This process could result in an increase in vacancy rates as staffing level decrease through attrition. Additional considerations are discussed in this report's *Key Citywide Issues: Departmental Vacancies* section.

## Equity

In our analysis of equity impacts, we identified \$18.7 million in notable equity investments, largely driven by \$9.0 million in citywide development impact fee funds (non-General Funds) for capital improvement projects in Communities of Concern, and \$7.6 million in new homelessness programs. However, we also identified \$36.8 million of

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reductions anticipated to negatively impact the City's equity efforts, which demonstrates that the General Fund budget was, in part, balanced by reversing several equity investments made in previous years when the City had an influx of resources. These reductions also reflect tension between funding core services and maintaining equity investments during more challenging budget environments.

Despite the proposed reductions, the actual impact of equity investments will ultimately be as important to measure as the total dollar amount of those investments. Currently, it is difficult to quantify the impact of equity investments, policies, and progress to date. Additional considerations are discussed in this report's *Key Citywide Issues: Equity* section.

## Homelessness and Housing

The Proposed Budget includes an increase of \$11.5 million over the FY 2024 Adopted Budget for the Homelessness Strategies and Solutions Department. This includes \$9.7 million from the General Fund for existing shelter programs, previously supported by one-time grant funding, but which will be more limited in FY 2025. Annualized costs for existing Safe Sleeping sites and portable restroom services are also included, along with funding for existing non-congregate shelter leases and the Neil Good Day Center. Significant additions for *new* activities include:

- \$4.3 million (of which \$3.7 million is one-time) to add 200 new Safe Parking spaces at H-Barracks
- \$2.8 million (of which \$650,000 is one-time) to begin developing 1,000 new shelter beds at a former industrial facility located at Kettner Street and Vine Street. The Proposed Budget includes operational

funding for 350 shelter beds starting in April 2025. Ongoing operation costs for the full 1,000 beds is estimated at up to \$30.0 million annually.

- \$450,000 for a 39-bed expansion at an existing family non-congregate shelter.

Although not related to an increase in service levels, the Proposed Budget also includes \$1.0 million aimed at increasing shelter staff salaries.

Notably, the Proposed Budget assumes a \$15.0 million reduction in funding provided to the San Diego Housing Commission to administer City shelter programs. At the time of this writing, it remains unclear whether, or how, the proposed funding reduction might impact existing homelessness programs. Other significant budget reductions include:

- \$250,000 from the Homelessness Program for Engaged Educational Resources (PEER) and the Multidisciplinary Outreach Team, which eliminated funding for these programs
- \$702,000 from Safe Storage and Interim Housing for Homeless Adults

Additional considerations are discussed in this report's *Key Citywide Issues: Homelessness and Housing* section.

## Infrastructure Funding Needs

The City faces significant challenges with a \$4.8 billion funding gap identified in the most recent CIP Outlook in addition to projected operating deficits. This gap is largely due to the City's lack of an ongoing, flexible stream of revenue for its infrastructure, which has led to deterioration of assets, and resulted in the need for emergency projects when assets fail.

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The FY 2025 Proposed CIP Budget of \$871.9 million is the largest ever for the City. However, the Proposed Budget includes reductions to mitigate the operating budget deficit, which have reduced the amount of funds the City has available to spend on capital projects. These mitigations include:

- Strategic use of \$19.7 million from the Infrastructure Fund to fund infrastructure-related maintenance.
- Transfer of \$8.5 million to the General Fund that would have otherwise gone to the Climate Equity Fund (CEF) for capital projects (\$1.5 million of the CEF is appropriated for CIP projects).
- Swapping \$25.0 million in cash funded capital projects with bond financing in FY 2024 to provide Excess Equity for FY 2025.

Given fiscal constraints, bond financing for General Fund infrastructure projects is heavily relied on in the Proposed CIP Budget. However, bond financing is not an unlimited resource and is largely constrained by the sufficiency of General Fund revenue to support additional debt and the City's capacity to spend down borrowed proceeds.

The City has been appropriating future bond financing to projects for the past several years, with a \$457.5 million backlog of projects awaiting financing. When including the \$25 million mitigation action described earlier and \$169.6 assumed in the Proposed CIP Budget, this backlog will grow to \$652.2 million, which exceeds the amount of financing proceeds that is anticipated over the next five years. While these additions will not necessarily impact the City's Debt Ratios in the near term given that the amount of debt anticipated to be issued over the next five years is already maximized, our Office has concerns with earmarking debt proceeds this far in

advance.

It is evident that existing revenue sources are not sufficient to address the City's infrastructure needs. Developing a holistic financing plan – including additional revenues – continues to be needed to address the significant and growing capital funding gap. Additional considerations are discussed in this report's **Key Citywide Issues: Infrastructure Funding Needs** section.

## Pension

The FY 2025 Proposed Budget includes \$489.6 million for the City's defined benefit pension payment, a \$41.4 million increase from FY 2024. The General Fund portion is increasing by \$29.9 million, to \$354.9 million. The City's budgeted pension payment amounts are significant: the ADC is 16.5% of budgeted expenditures for the General Fund and 8.7% citywide.

The budget amounts are based on the required pension payment included in a draft actuarial valuation report to the San Diego City Employees' Retirement System (SDCERS), dated December 2023; the final valuation has not yet been approved. There were some significant increases to the pension payment from the prior year, including from higher salary increases that expected and changes in assumption for how the pension is calculated.

Notably, in March the Board took action to modify the methodology for calculating how the non-police portion of the City's unfunded liability is paid, creating consistency with the rest of the pension system. An updated valuation based on the March action is expected presented to the Board for approval on May 10, 2024.

Additional information on the pension payment changes and status, as well as a brief update on the unwinding of Proposition Bis

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included in this report's *Key Citywide Issues: Pension* section.

## Next Steps in the Process – City Council's Role and Community Involvement

**May 1-7:** Budget Review Committee hears "IBA Review of the FY 2025 Proposed Budget" and holds public hearings on City departments, functions, and agency budget proposals. The Budget Review Committee also holds an evening hearing to receive public input on May 1<sup>st</sup>.

**May 8:** City Council holds evening hearing to receive further input from the public.

**May 14:** Mayor releases May Revision and FY 2024 Third Quarter Budget Monitoring Report.

**May 16:** Budget Review Committee hears the Mayor's May Revision and Third Quarter Budget Monitoring Report providing additional context for final budget decisions.

**May 22:** City Councilmembers issue final budget modification priority memoranda, including recommendations for potential budget revisions, to the Office of the IBA.

**June 4:** Office of the IBA releases final report on recommended revisions to the Mayor's FY 2025 Proposed Budget including the May Revision, based on input from City Council memoranda and feedback, public comment, and independent analysis.

**June 7:** Budget Review Committee hears and discusses IBA's report on recommended revisions to the Proposed Budget.

**June 11:** City Council makes final FY 2025 budget decisions and takes action on any FY 2024 budget revisions.

**June 27:** City Council considers and adopts the FY 2025 Appropriations Ordinance.

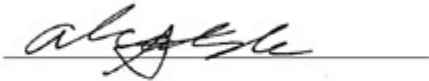
## Additional Reports

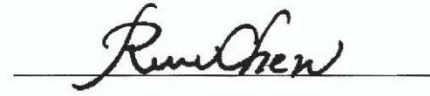
Our Office will also be issuing individual reports for the following agencies prior to their budget hearings, scheduled for May 7, 2024:

- San Diego City Employees' Retirement System
- San Diego Housing Commission
- San Diego Convention Center Corporation


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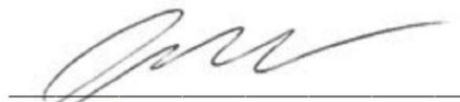
  
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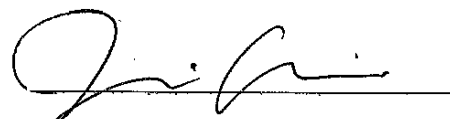
  
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# General Fund Overview: Revenue

## Revenue Overview

SUMMARY OF GENERAL FUND REVENUES (\$ in millions)							
	FY 2024 ADOPTED	FY 2024 MID-YEAR PROJECTED YEAR-END	FY 2025 PROPOSED	CHANGE, ADOPTED/ PROPOSED	% CHANGE, ADOPTED/ PROPOSED	CHANGE, MID-YEAR/ PROPOSED	% CHANGE, MID-YEAR/ PROPOSED
<b>Major General Fund Revenues</b>	\$ 1,441.4	\$ 1,415.7	\$ 1,496.0	\$ 54.6	3.8%	\$ 80.3	5.6%
Property Tax	758.6	768.2	807.4	48.8	6.4%	39.2	5.2%
Sales Tax	401.7	374.0	392.7	(9.0)	-2.2%	18.7	4.6%
Transient Occupancy Tax	172.6	166.2	173.9	1.3	0.8%	7.8	4.5%
Franchise Fees	108.5	107.2	121.9	13.4	12.4%	14.7	13.5%
<b>Other Revenues</b>	\$ 576.4	\$ 573.8	\$ 583.0	\$ 6.6	1.2%	\$ 9.2	1.6%
American Rescue Plan Act Funds	52.1	52.1	-	(52.1)	-100.0%	(52.1)	-100.0%
Other Major Revenues	97.1	101.2	111.4	14.3	14.7%	10.2	10.5%
Departmental Revenues	427.2	420.5	471.6	44.4	10.4%	51.1	12.0%
<b>Total Revenue</b>	\$ 2,017.8	\$ 1,989.4	\$ 2,079.0	\$ 61.2	3.0%	\$ 89.5	4.4%

Table may not total due to rounding.

The FY 2025 Proposed Budget for the General Fund includes approximately \$2.08 billion in revenues, an increase of \$61.2 million or 3.0% above the FY 2024 Adopted Budget. Compared to FY 2024 year-end projections in the Mid-Year Budget Monitoring Report, total General Fund revenues for FY 2025 increase by \$89.5 million or 4.4%. The four largest General Fund revenues – property tax, sales tax, transient occupancy tax (TOT), and franchise fees – are considered Major General Fund Revenues, and total \$1.50 billion, or 72.0% of all General Fund revenues. In FY 2025, major General Fund revenues are projected to increase by \$54.6 million (3.8%) from the FY 2024 Adopted Budget, and \$80.3 million (5.6%) from year-end projections that were included in the FY 2024 Mid-Year Budget Monitoring Report.

This section provides a brief overview of the economic outlook included in the Proposed Budget and a discussion of each of the City’s four major General Fund revenues. Overall, we believe the revenue projections in the Proposed Budget are reasonable.

### Economic Outlook

The revenues projected in the FY 2025 Proposed Budget reflect a return close to historical growth trends. Overall, the economy in FY 2025 is anticipated to slow, but remain positive.

As risk of a recession has largely faded, economists with the UCLA Anderson Forecast predict the economy is starting to enter an expansionary period. Inflation is slowly coming down but remains persistent. Prices increased 3.5% between March 2023 and March 2024, an increase from the 3.2% rate in February. Elevated prices for residential rents, health insurance, air travel, and vehicle repair appear to constrain further declines in inflation. Real personal income and consumption are also generally trending upwards. Although general key economic indicators are performing well, economists predict that higher interest rates will likely restrain economic growth in 2024. Furthermore, uncertainties in interest rates, inflation, and geopolitical events could impact economic growth in FY 2025.

In the San Diego region, the local economy continues to show signs of recovery to pre-pandemic norms and outperform the State in key economic indicators such as employment, business activity, and inflation. Notably, the unemployment rate has been slowly rising. The local unemployment rate in February 2024 was 4.7%, compared to 3.7% in February 2023, which will be discussed later.

Additional details on each of the major General Fund revenues follow.

# General Fund Overview: Revenue

## Property Tax

The FY 2025 Proposed Budget for property tax is \$807.4 million. This represents an increase of \$48.8 million from the FY 2024 Adopted Budget. As of mid-year, FY 2024 property tax revenue is estimated to be \$768.2 million, which is \$9.6 million above the FY 2024 Adopted Budget. The increase in property tax from the FY 2024 mid-year projection to the FY 2025 Proposed Budget is \$39.2 million.

The property tax budget is made up of a 1% tax assessed on property owners, revenue received in lieu of motor vehicle license fees (MVLFF), and residual Redevelopment Property Tax Trust Fund (RPTTF) distributions.

FY 2025 property tax projections are based on real estate activity through calendar year (CY) 2023, due to the lag in time from when new assessed property values are set and when property tax revenue is collected, which can take between 12 to 18 months. Current housing trends in CY 2024 will not materialize in the City's property tax revenues until FY 2026.

The FY 2025 Proposed Budget assumes a 4.37% growth rate in the 1% property tax and MVLFF payment, which together make up \$752.4 million, or 93.2%, of total property tax revenue. This growth rate represents a decrease from the FY 2024 Adopted Budget, which assumed a 5.64% growth rate in receivables for these components. During FY 2024 budget monitoring, the growth rate on the 1% property tax was increased to 6.48% based on higher than anticipated home prices through the end of CY 2022, during which interest rates had remained lower than they have for the past 12-18 months.

Per Proposition 13, the assessed value of a home not otherwise sold or improved cannot increase beyond 2% or the level of inflation, whichever is lower. The index used for

measuring the inflation factor for assessing property values is the California Consumer Price Index (CCPI).

For FY 2025, Proposition 13 growth in assessed values for those homes met the 2% threshold, as the October CCPI was at 3.2%. However, other key economic indicators related to home sales have declined, with sales volumes in CY 2023 down 22.2% from CY 2022, which is the lowest since CY 2013. The volume of sales matters because when a house sells, that triggers a reassessment which can increase property taxes above the Proposition 13 limits of 2% or CCPI. Additionally, the average median home price did increase in CY 2023, but at a more gradual rate than in prior years. Given these factors, the Department of Finance (DOF) lowered the assumed growth rate for FY 2025 to 4.37%.

We do note that the 4.37% assumed in the Proposed Budget is lower than the assumed 4.55% growth rate included in the most recent Five-Year Financial Outlook. However, the increased performance noted during FY 2024 budget monitoring has increased the overall revenue projection from the Outlook by \$6.1 million. Our Office agrees with projections for the 1% property tax and MVLFF assumptions.

The remaining component of property tax revenue is residual distributions from the RPTTF, which total \$55.0 million. This projection incorporates estimates for RPTTF deposits from the Successor Agency and is also updated to include the latest enforceable obligations following the formal adoption of the most recent Recognized Obligation Payments Schedule (ROPS). It should be noted that ROPS must be approved by the State and there could be changes to the RPTTF distributions if the State disallows any items included in the ROPS.

Following release of the Proposed Budget, the County Auditor and Controller released its estimated RPTTF adjustments for the next



# General Fund Overview: Revenue

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period. This included a decrease in total RPTTF deposits of \$16.0 million, offset by a prior period adjustment of \$9.7 million which was removed from enforceable obligations. The impact of these adjustments is an approximately \$1.0 million decrease in RPTTF residuals for FY 2024.

However, RPTTF projections are still in flux as the County must still determine the appropriate level of deposits for the RPTTF, which historically have exceeded initial estimates. Our Office will continue to work with DOF to track any changes to the RPTTF and the fiscal impacts to FY 2024 and FY 2025.

The FY 2025 Proposed Budget also includes \$5.8 million from the assumed sale of Tailgate Park. This allocation has been included in past budgets, but continues to be delayed due to ongoing litigation. Previous budgets transferred these funds to the Bridge to Home program, and thus the delay only impacted that program and not other General Fund operations. However, the Proposed Budget no longer includes that transfer, and any future delay in the sale of the property due to litigation will now directly impact the revenue available to fund General Fund expenses. Our understanding is that the case is expected to be heard for the first time in July of this year.

## Sales Tax

The FY 2025 Proposed Budget for sales tax is \$392.7 million. This is a \$9.0 million, or 2.2%, decrease from the \$401.7 million budgeted in FY 2024, and a \$18.7 million, or 4.6%, increase from the FY 2024 mid-year projection.

The FY 2025 Proposed Budget applies a 4.6% growth rate to prior year's actuals through the currently received disbursements (February 2024). The remaining months are based on projections.

The 4.6% growth rate is higher than the 1.5% growth rate assumed for the FY 2024 Adopted

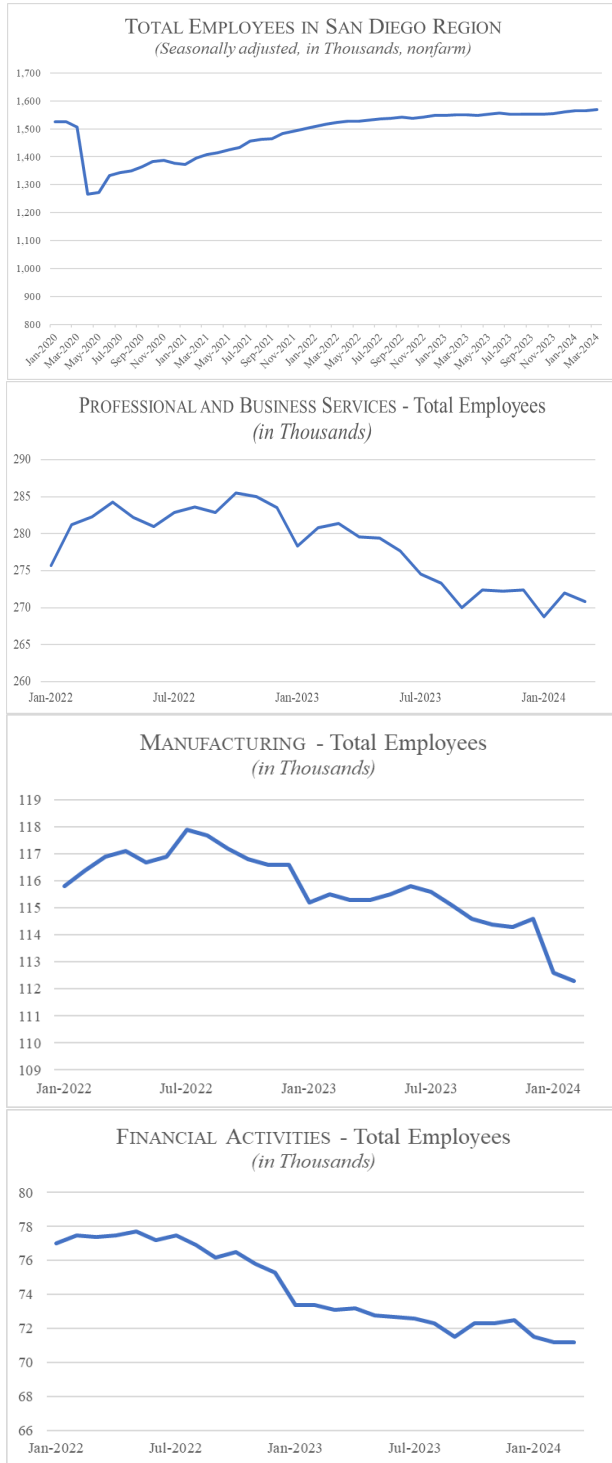
Budget and the 3.4% growth rate assumed in the FY 2023 Adopted Budget. This reflects a continued post-pandemic recovery and steady return to historical trends. The growth rate largely tracks with projections from the City's sales tax consultant's "most likely" scenario. However, we note that since budget development, the "most likely" scenario projection for FY 2025 has been updated to 4.2% – lower than the Proposed Budget's assumed growth rate by 0.4 percentage points. Although the assumed growth rate is reasonable, a lower growth rate would also be reasonable, given that growth from pre-pandemic years hovered between 2.5% and 3.0%.

The Federal Reserve has increased interest rates eleven times since March 2022 to slow consumption and bring prices down. Although consumer spending remained robust most of 2023 despite higher interest rates, consumer spending, especially on goods, slowed down starting in the fourth quarter of FY 2023. More positively, retail spending in February and March 2024 rose from prior months, partially driven by high gas prices. Generally, though, consumer prices are expected to gradually come down. The UCLA Anderson Forecast predicts consumer spending patterns to moderate and quarterly inflation rates in FY 2025 to range between 1.9% and 3.1%. It also expects the Federal Reserve to begin cutting interest rates by the end of calendar year 2024.

Economic indicators such as the unemployment rate and the Consumer Price Index are mixed. As of March 2024, the local unemployment rate was at 4.4%, an increase from 3.5% in March 2023, but a drop from 4.8% in February 2024. The labor force, which includes adults with jobs or actively seeking a job, decreased very slightly since March 2023 by 3,800 residents or -0.2%. Based on data from the US Bureau of Labor Statistics, the Professional, Scientific, and Technical Services sector, which includes scientific research and development, legal services, and administrative and support services, lost

# General Fund Overview: Revenue

10,600 jobs between March 2022 and March 2023. A contributing factor may be layoffs in the biotech and pharmaceutical sector, as



companies make corrections following robust growth during the pandemic, and a slowing of venture capital investment due to high interest rates. As seen in the tables on the left, regional job losses have also affected the manufacturing sector (3,100 jobs lost) and financial activities sector (2,200 jobs lost) between March 2022 and March 2023, but total jobs in the region overall remain steady. The unemployment rate in San Diego is lower than the state of California (5.3%) but higher than the national rate (3.8%).

As for prices, March 2024 prices are up 3.6% from a year ago, compared to 5.3% in March 2023 and 8.3% in May 2022 at the peak of inflation. Consumers are anticipated to continue spending with slower increases in costs of goods in the near term, but the pace of spending is expected to slow down relative to the robust post-pandemic recovery that began regionally in the last quarter of FY 2021.

The FY 2025 sales tax projection of \$392.7 million is close to the City’s sales tax consultant’s “most likely” scenario of \$388.6 million. Our Office will continue to closely monitor sales tax receipts in the current fiscal year to determine impacts for the upcoming fiscal year, and will continue to monitor actual sales tax receipts to determine if any modifications are appropriate to consider during review of the May Revision.

### Impacts to the Infrastructure Fund

The Charter requires that the annual increases in sales tax revenue above a 2016 baseline, adjusted for inflation, be deposited into the Infrastructure Fund. Projections in the Proposed Budget exceed the baseline.<sup>1</sup>

The FY 2025 Proposed Budget includes a \$19.7 million deposit into the Infrastructure Fund, which is smaller than last year’s contribution by \$11.2 million or 36.2%.

<sup>1</sup> The Charter also requires reductions in pension costs as compared to FY 2016 to be deposited into the Infrastructure Fund, but pension costs remain above the baseline and therefore contributions to the Infrastructure Fund are being driven solely by increases in Sales Tax revenue.

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# General Fund Overview: Revenue

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## Transient Occupancy Tax

The FY 2025 Proposed Budget for Transient Occupancy Tax (TOT) revenue is \$330.7 million, of which \$173.9 million is allocated directly to the General Fund (known as General Fund TOT). This is a \$1.3 million increase in General Fund TOT, or a 0.8% increase over the FY 2024 Adopted Budget, and a \$7.8 million, or 4.5%, increase over the FY 2024 Mid-Year Report projection. The FY 2025 General Fund TOT projection reflects an anticipated normalization, with a growth rate of 5.9%, after volatility in recent years attributed to the pandemic and recovery.

The City's TOT – or hotel tax – revenue is derived from a 10.5% tax on short-term stays in the region. That amount is broken into three separate allocations – a 5.5%, General Fund allocation, a 4.0% allocation for Special Promotional Programs that support the promotion of the City's cultural amenities and natural attractions, and a 1.0% "Council Discretionary" allocation that ultimately ends up being allocated to the City's General Fund (the 1.0% "Council Discretionary" allocation is included in 'Other Revenues' row of the earlier chart, along with several other revenue sources). In this section we discuss the General Fund allocation of 5.5%. Please refer to our "Special Promotional Programs" review for a discussion of the remaining 5.0%; that section also includes a discussion of Council's priorities for use of the 1.0% Council Discretionary allocation per updates to Council Policy 100-03.

TOT revenue is driven by the demand for hotel rooms reflected in the price per room, the occupancy rate of rooms, and the supply of rooms. That demand is in turn determined by leisure travel, international travel, business travel, and group travel. While San Diego has historically had high demand across all these travel types, at the height of the pandemic demand for hotel rooms was nearly zero. Following the FY 2021 Third Quarter Report and

the lifting of the State-issued Stay-at-Home-Order, TOT revenue experienced a robust rebound. However, the rebound began to slow in the middle of FY 2023, and FY 2024 started with lower than expected actuals receipts. In the last three months, TOT revenues have started to stabilize, with year-to-date growth at -0.8% as of March 2024, and the Proposed Budget expects this trend to continue.

TOT revenue is driven by demand for hotel rooms reflected in the price per room, occupancy rate of rooms, and supply of rooms. That demand is in turn determined by leisure travel, international travel, business travel, and group travel. The San Diego Tourism Marketing District (TMD), together with Tourism Economics, prepares hotel demand forecasts that take into account type of travel and projected room rates. The April 2024 forecast projected total hotel room revenue in the City to increase 3.9% from FY 2024 to FY 2025 – lower than the Proposed Budget assumed growth rate by 2.0 percentage points.

The Proposed Budget uses a growth rate of 5.9%, which was determined by taking an average of previous year-over-year growth rates for TOT revenues. The years averaged included 2003-2019, and intentionally exclude the volatile pandemic years. The 5.9% increase is applied to FY 2024 actuals and projections.

Our Office believes using a historical average is a reasonable approach as the City and the national economy as a whole appear to be returning to a period of steady economic growth. Given that the City has seen TOT revenues recovering in recent months, and inflation appears to be largely declining, we believe a 5.9% growth rate reasonably balances uncertainty and economic indicators.

We will continue to closely monitor projections before the May Revision for key indicators shifting or further stabilizing.

# General Fund Overview: Revenue

## Franchise Fees

The FY 2025 Proposed Budget projects General Fund franchise fees to total \$121.9 million. This is an increase of \$13.4 million, or 12.4% from the FY 2024 Adopted Budget.

Franchise fee revenue is derived primarily from three sources: 1) a 3% SDG&E surcharge on total gross sales; 2) a 5% surcharge on cable television provider subscriptions in the City; and 3) charges to private refuse haulers based on tonnage of refuse disposed. Additional smaller franchise fees are received from other energy, railroad, and towing franchises in the City.

### SDG&E

The largest source of General Fund franchise fee revenue is the surcharge on San Diego Gas & Electric (SDG&E), which accounts for \$84.7 million or 69.5% of major General Fund franchise fees included in the FY 2025 Proposed Budget. This amount is \$7.8 million, or 10.2%, higher than what is contained in the FY 2024 Adopted Budget.

The most recent quarterly payment from SDG&E came in \$6.9 million higher than expected, representing a calendar year increase of 15.5%. The FY 2024 Adopted Budget assumed a projected increase of 8.05%.

It is not unusual for this franchise fee revenue to vary significantly from its projected growth rate, as historically SDG&E franchise fees have been hard to predict. This is due to both substantial volatility in the energy market, and because SDG&E does not normally share its more detailed financial forecasts for electricity and natural gas rates or sales volume with the City. Previous variations in SDG&E franchise fee revenue have ranged from a 1.3% annual decline in receipts for CY 2019, up to a 29.0% increase for CY 2022. For reference, growth on a fiscal year basis going back to FY 2018 has ranged from negative 4.35% in FY 2020 up to 36.92% in FY 2023. The average

growth rate during that time was 11.3%.

For FY 2025, DOF worked with the Sustainability and Mobility Department to better understand the complexities of energy markets and the potential changes that anticipated rate changes would have on this revenue source. SDG&E is currently seeking an 8.0% overall increase to their rates at the California Public Utilities Commission. This increase, if approved, would not go into effect until the last quarter of CY 2024. As such, DOF is projecting only a limited amount of annual growth overall at 4.62%. This assumption only takes into account the impact of increased rates, and makes no assumptions about any changes in the volume of energy consumption or other potential changes to energy usage.

The Proposed Budget contains an additional \$8.7 million in General Fund franchise fees from the bid amounts for the gas and electric franchise agreements. This amount is \$2.5 million higher than the FY 2024 Adopted Budget, mostly due to the decision to not transfer 20% of the minimum bid proceeds to the Energy Independence Fund. The EIF is also proposed to transfer its entire anticipated fund balance to the General Fund in FY 2025.

### Refuse Franchise Fees

The second largest portion of franchise fee revenue is derived from refuse hauler and landfill disposal fees. Refuse hauling franchise fees are based on the tonnage of refuse disposed. The Proposed Budget includes \$17.8 million, or 14.6% of major General Fund franchise fees, from this source.

The largest change for refuse franchise fees is the proposed transfer of \$4.3 million in Sycamore Facilities fee revenues from the Recycling Fund to the General Fund for FY 2025. This franchise fee was typically split between the two funds, but since FY 2020 has been solely dedicated to the Recycling Fund. Moving this revenue to the General Fund on a one-time basis for FY 2025 is not anticipated to have an operational impact on the activities

# General Fund Overview: Revenue

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funded from the Recycling Fund.

The remaining refuse franchise fee are budgeted at \$13.5 million, which is an increase of \$300,000 from the FY 2024 Adopted Budget. This increase is based on tonnage estimates at the Miramar Landfill. Our Office agrees with this projection.

## **Cable**

The third largest portion of franchise fee revenue is from cable television franchise fees, which totals \$9.9 million or 8.1% of major General Fund franchise fees in the Proposed Budget. This amount assumes a 5.53% decline in cable franchise fee revenue from current FY 2024 projections.

Cable television franchise fee revenue has shown consistent year-over-year declines since FY 2011 (with one exception in FY 2015), as cable television customers have switched to online and streaming services. The decrease in the Proposed Budget reflects this trend. The assumed rate of growth used in the Proposed Budget is based on historical averages. Our Office agrees with this projection.

## **Other Revenues**

Beyond Major General Fund revenues, the FY 2025 Proposed Budget includes \$583.0 million in other revenues. This includes the 1.0% “Council Discretionary” TOT allocation, charges for services provided to non-general fund departments, and various other revenues. Some notable components of ‘Other Revenues’ are discussed below.

## **Lease and Concession Revenues**

The City receives revenues from numerous lease agreements with other entities for the use of City properties. The Proposed Budget includes \$70.9 million in General Fund lease and concession revenue from Mission Bay, Pueblo Lands, Midway/Frontier property, and other parks or open spaces. This is an increase of \$4.8 million from the FY 2024 Adopted

Budget. The increase is largely driven by additional revenues from Mission Bay and Pueblo Lands, netting to \$3.7 million in growth. This revenue increase aligns with increased demand for leisure and concession service compared to the pandemic period.

Per Charter Section 55.2, Mission Bay lease revenue in excess of \$20 million is to be transferred to the San Diego Regional Parks Improvement Fund and the Mission Bay Park Improvement Fund. Based on the Charter formula for this allocation, \$7.4 million and \$13.7 million will be transferred to the Regional Park Improvement Fund and the Mission Bay Park Improvement Fund, respectively.

## **Cannabis Business Tax**

San Diego Voters passed measure N in 2016, which imposed an 8% tax on non-medical cannabis businesses. Businesses that provide services such as manufacturing, transportation, and retail sales of non-medical cannabis in the City of San Diego are subject to this tax, whether the businesses operate from a location within the City or come into the City from an outside location for delivery or distribution. The tax on Cannabis Production Facilities (CPF) was decreased from 8% to 2% on May 1, 2022.

The FY 2025 Proposed Budget includes \$19.4 million in revenues from the Cannabis Business Tax. This amount is \$2.0 million, or 9.3%, lower than what was included in the FY 2024 Adopted Budget. During FY 2024 budget monitoring, year-end revenues for Cannabis Business Tax were adjusted downwards by \$2.3 million, due to a combination of increased competition from other jurisdictions, the illegal cannabis market, delivery services, an oversupply of cannabis goods, and the proliferation of Intoxicating Hemp products. For additional information on Cannabis Business Tax revenues, see the City Treasurer section of this report.

## General Fund Overview: Expenditures

# Expenditures Overview

As shown in the following table, General Fund expenditures are increasing by \$65.8 million, or 3.2%, from \$2.08 billion to \$2.15 billion. Non-Personnel Expenditure (NPE) changes net to a \$25.6 million decrease.

Larger changes are shown below. Personnel Expenditure (PE) changes net to a \$91.4 million increase and are shown in the table on the next page of this section.

<b>GENERAL FUND EXPENDITURE CHANGES</b>				
<i>(dollars in millions)</i>	<b>FTE</b>	<b>PE</b>	<b>NPE</b>	<b>TOTAL</b>
FY 2024 Adopted Budget	8,512.99	\$1,401.4	\$680.5	\$2,081.8
<b>Budget Change Highlights</b>				
<b>FY 2025 PE Increase (See Next Page for Listing)</b>	<b>168.39</b>	<b>91.4</b>	<b>-</b>	<b>91.4</b>
<i>Homeless Shelters and Services (ongoing)</i>	-	-	26.6	26.6
<i>Capital Infrastructure Debt Financing</i>	-	-	7.6	7.6
<i>Public Liability (\$3.8m other operating cost; \$1.1m insurance) - ongoing</i>	-	-	4.9	4.9
<i>Increase in Citywide Elections Costs (ongoing)</i>	-	-	4.7	4.7
<i>Fleet Fees - Usage and Replacement</i>	-	-	3.2	3.2
<i>Corporate Master Lease Rent Increase (ongoing)</i>	-	-	3.2	3.2
<i>Parks &amp; Recreation New Facilities Vehicles &amp; Equipment (\$1.8m one-time; \$1.4m ongoing)</i>	-	-	3.1	3.1
<i>Right-of-Way Permit Reimbursement</i>	-	-	3.0	3.0
<i>Increase in Refuse Disposal Fees (net amount)</i>	-	-	2.8	2.8
<i>Increase in Citywide Information Technology Services</i>	-	-	1.7	1.7
<i>Parks Improvement Funds Transfer (ongoing)</i>	-	-	1.3	1.3
<i>Tree Services - Urban Forestry Air Pollution Control District Settlement</i>	-	-	1.0	1.0
<i>Reduction of Stormwater Engineering &amp; Public Education Consultants</i>	-	-	(1.2)	(1.2)
<i>Reduction of Organic Waste Containers</i>	-	-	(1.9)	(1.9)
<i>Transfer to the Bridge to Home Program (one-time)</i>	-	-	(5.8)	(5.8)
<i>Climate Equity Fund Contribution</i>	-	-	(7.7)	(7.7)
<i>Transfer to the Infrastructure Fund (ongoing)</i>	-	-	(11.2)	(11.2)
<i>Transportation, Stormwater, and City Facilities Eligible Expenditures to be Supported by the Infrastructure Fund</i>	-	-	(14.7)	(14.7)
<i>Funds Withheld from San Diego Housing Commission Allocation</i>	-	-	(15.0)	(15.0)
<b>Largest FY 2024 One-time Cost Removals</b>				
<i>City Council CIP Additions</i>	-	-	(8.0)	(8.0)
<i>Vehicle Purchases: Various Departments</i>	-	-	(4.1)	(4.1)
<i>Eviction Prevention Program</i>	-	-	(3.0)	(3.0)
<i>Transfer of Refuse Packers from Refuse Disposal Fund</i>	-	-	(2.6)	(2.6)
<i>Animal Services Contract</i>	-	-	(2.2)	(2.2)
<i>Smart Streetlights Deployment</i>	-	-	(1.5)	(1.5)
<i>Youth Care and Development Program</i>	-	-	(1.0)	(1.0)
<i>Rental of Police Firearms Training Facility</i>	-	-	(1.0)	(1.0)
<i>Other One-Time Expenditure Adjustments</i>	-	-	(7.3)	(7.3)
<i>Other Budget Changes</i>	-	-	(0.6)	(0.6)
<b>FY 2025 Proposed Budget</b>	<b>8,681.38</b>	<b>\$1,492.8</b>	<b>\$654.8</b>	<b>\$2,147.6</b>
<b>Net Increase (Decrease): FY 2024 to FY 2025 - 3.16% increase</b>	<b>168.39</b>	<b>\$ 91.4</b>	<b>\$(25.6)</b>	<b>\$ 65.8</b>

Note: Table may not total due to rounding.

# General Fund Overview: Expenditures

<b>General Fund Personnel Expenditure (PE) Changes (Salaries/Wages &amp; Fringe Benefits)</b>				
<i>(dollars in millions)</i>	FTE	Wages	Fringe	Total PE
FY 2024 Adopted Budget	8,512.99	\$ 850.1	\$ 551.2	\$ 1,401.4
<b>Net Departmental Position Additions, Reductions, Transfers <sup>1</sup></b>				
<i>Parks &amp; Recreation</i>	45.03	5.6	1.0	6.6
<i>Transportation</i>	28.40	2.4	0.9	3.3
<i>Planning</i>	26.66	2.2	1.2	3.4
<i>Fire-Rescue</i>	17.50	4.6	0.9	5.4
<i>City Attorney</i>	14.80	1.3	0.3	1.6
<i>Council Districts</i>	11.01	-	-	
<i>Library</i>	10.62	(0.4)	(0.5)	(0.8)
<i>Human Resources</i>	7.50	0.3	0.0	0.3
<i>Compliance</i>	5.00	0.6	0.2	0.8
<i>Facilities Services</i>	5.00	0.5	0.2	0.7
<i>Purchasing &amp; Contracting</i>	5.00	0.2	0.1	0.3
<i>Real Estate &amp; Airport Management</i>	3.50	0.2	0.0	0.2
<i>Economic Development</i>	3.50	-	-	-
<i>Commission on Police Practices</i>	2.54	-	-	-
<i>Office of the Mayor</i>	2.45	-	-	-
<i>City Clerk</i>	1.41	0.0	0.0	0.0
<i>Performance &amp; Analytics</i>	1.31	-	-	-
<i>Sustainability &amp; Mobility</i>	1.00	0.2	0.0	0.3
<i>Office of the Chief Operating Officer</i>	0.98	(0.2)	(0.1)	(0.3)
<i>Personnel</i>	0.50	0.1	0.0	0.1
<i>Department of Finance</i>	0.49	(0.2)	(0.1)	(0.2)
<i>Homelessness Strategies &amp; Solutions</i>	0.38	-	-	-
<i>Council Administration</i>	0.37	-	-	-
<i>Ethics Commission</i>	0.25	0.1	(0.0)	0.0
<i>Stormwater</i>	-	0.2	0.0	0.2
<i>Communications</i>	(0.42)	(0.1)	(0.0)	(0.1)
<i>Office of Emergency Services</i>	(0.96)	0.2	0.0	0.2
<i>City Treasurer</i>	(1.00)	(0.1)	(0.0)	(0.1)
<i>Office of Boards &amp; Commissions</i>	(1.00)	(0.1)	(0.0)	(0.1)
<i>Development Services</i>	(1.00)	(0.1)	(0.0)	(0.1)
<i>Office of Race &amp; Equity</i>	(1.50)	(0.3)	(0.1)	(0.3)
<i>Environmental Services</i>	(5.43)	(0.6)	(0.4)	(1.0)
<i>Police</i>	(15.50)	0.7	(1.2)	(0.5)
<b>Subtotal - Net Departmental Position Changes</b>	<b>168.39</b>	<b>\$ 17.5</b>	<b>\$ 2.5</b>	<b>\$ 20.0</b>
<i>Removal of Fringe Above (avoids double counting in this table)</i>	-	-	(2.5)	(2.5)
<i>Other Wage Adjustments (incl. previously negotiated compensation increases, equity increases, step increases, promotions)</i>	-	35.5	-	35.5
<i>Actuarially Determined Contribution (ADC)</i>	-	-	29.9	29.9
<i>Estimated Compensation Increases Being Negotiated</i>	-	10.9	-	10.9
<i>Budgeted PE Savings Decrease (largely Fire-Rescue &amp; Police)</i>	-	10.8	-	10.8
<i>Flexible Benefits Plan Increases</i>	-	-	4.8	4.8
<i>Medicare Insurance</i>	-	-	2.4	2.4
<i>Other Wage and Fringe Adjustments</i>	-	1.2	0.7	1.9
<i>Contributions to the Workers' Compensation Fund(-\$5.1m), Risk Management Fund (\$992k), and Long Term Disability Fund (\$326k)</i>	-	-	(3.7)	(3.7)
<i>Overtime (incl. decreases of \$4.1m in Fire-Rescue and \$3.5m in Police)</i>	-	(7.6)	-	(7.6)
<i>Other Post-Employment Benefits (OPEB)</i>	-	-	(11.0)	(11.0)
<b>FY 2025 Proposed Budget</b>	<b>8,681.38</b>	<b>\$ 918.5</b>	<b>\$ 574.3</b>	<b>\$ 1,492.8</b>
<b>Net Increase/(Decrease) FY 2024 to FY 2025 - 6.52% PE Increase</b>	<b>168.39</b>	<b>\$ 68.4</b>	<b>\$ 23.1</b>	<b>\$ 91.4</b>

Notes: Table may not total due to rounding.

<sup>1</sup> Transfers shown in the table only include those to/from non-General Fund departments. Transfers among General Fund departments are not counted as additions or reductions to the General Fund, including 5 positions transferred from Development Services to Police; 3 positions transferred from Development Services to Race and Equity; and 1 position transferred from Fire-Rescue to the Office of the City Attorney.

# General Fund Overview: Expenditures

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## Personnel Expenditures (PE)

As shown in the table on the preceding page, the net General Fund PE increase (salaries/wages and fringe benefits) from the FY 2024 Adopted Budget to the FY 2025 Proposed Budget is \$91.4 million. This net amount is comprised of a number of increases and offsetting decreases. The largest *increases* are listed below.

- The largest increase, \$35.5 million shown in the bottom portion of the Wages column, is largely related to previously negotiated compensation increases, equity increases, step increases, and promotions. This increase reflects the current Memoranda of Understanding (MOUs) with the City’s three non-public safety Recognized Employee Organizations (REOs), which run through FY 2026,<sup>1</sup> as well as impacts related to unrepresented employees. MOUs for the City’s three public safety REOs<sup>2</sup> are discussed below.
- The second largest increase, \$29.9 million in the bottom portion of the Fringe column, is the increase to the General Fund portion of the FY 2025 Actuarially Determined Contribution (ADC) pension payment. This amount was determined using the ADC included in the draft FY 2023 actuarial valuation, combined with an SDCERS Board action that changes the amortization method related to the pension’s unfunded liability for non-police employees. The resulting ADC is scheduled for final Board approval on May 10, 2024. The \$29.9 million increase is largely related higher than expected salary increases and changes in

assumptions for calculating the ADC, which are partially offset by applying the change in the amortization method for non-police employees. For more on the ADC see the Pension section of this report.

- The third largest increase, \$20.0 million and 168.39 FTEs is shown in the “Subtotal - Net Departmental Position Changes” on the previous table. The largest citywide component, which is spread among various departments, is \$5.3 million and 127.39 hourly intern FTEs related to the Employ & Empower Internship program – see the Equity section of this report for additional information. For a high-level listing of programmatic additions and mitigations across General Fund departments, see General Fund Programmatic Additions and General Fund Major Budget Mitigations tables in the *General Fund: Major Additions, Mitigations, and Modification Options* section. Also, refer to the department sections for further details and analysis of other specific FTE and PE changes.
- \$10.9 million on the “Estimated Compensation Increases Being Negotiated” line, shown in the bottom portion of the Wages column, is related to the City’s recent and ongoing negotiations with its three public safety REOs. Total Proposed Budget compensation increases related to these negotiations, including fringe benefits, is estimated to be \$10.9 million, with the wages portion at \$10.5 million. These amounts assume a 3.05% general wage increase for employees represented by those REOs.

MOUs for the public safety REOs expire at

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<sup>1</sup> The three non-public safety REOs include: American Federation of State, County & Municipal Employees, Local 127 (AFSCME Local 127); Deputy City Attorneys Association (DCAA); and San Diego Municipal Employees Association (MEA).

<sup>2</sup> The three public safety REOs include: San Diego Police Officers Association (POA); International Association of Fire Fighters, Local 145 (IAFF Local 145); and California Teamsters Local 911 which represents the Lifeguards.



# General Fund Overview: Expenditures

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the end of FY 2024 (June 30, 2024); and the City has been negotiating with the REOs over FY 2025 successor MOUs. A Tentative Agreement (TA) has been reached with POA; and negotiations with Local 145 and Local 911 are ongoing.

If resulting TAs are achieved and ratified by all three REOs' memberships, and final agreements are approved by the City Council, the increased compensation will be higher than amounts currently included the Proposed Budget. Any increased cost estimates for anticipated final agreements are expected to be addressed in the May Revision.

- The next largest increase shown in the bottom portion of the Wages column is \$10.8 million in *decreased* Budgeted PE Savings. Budgeted PE Savings is used to balance wage costs by accounting for vacancies and turnover. A decrease in Budgeted PE savings means increased wage expenditures. The decrease in Budgeted PE Savings is largely driven by the Fire-Rescue and Police Departments, at \$8.1 million and \$4.0 million, respectively. See the *Fire-Rescue Department* and *Police Department* sections of this report for additional information.
- Offsetting to the General Fund PE increases is an \$11.0 million decrease related to the City's Other Post Employment Benefit (OPEB), which is a retiree health benefit available to certain eligible employees. A change in funding strategy for this benefit is being implemented in FY 2024, and that strategy is continued in the FY 2025 Proposed Budget. This reduces City contributions for OPEB in earlier years and increases them in later years compared to the prior approach. The anticipated contributions under the new strategy are reduced incrementally over a longer period of time, smoothing

them until FY 2050, rather than sharply reducing them beginning in FY 2035. For additional information, see the [IBA Review of the Mayor's FY 2025-2029 Five-Year Financial Outlook](#), under "Review of Baseline General Fund Expenditures."

## Non-Personnel Expenditures (NPE)

Significant NPE changes are included in the table on the first page of this section. NPEs are decreasing by \$25.6 million in the FY 2025 Proposed Budget. This net decrease includes a number of large offsetting increases and decreases, and several are highlighted below.

Some of the larger *additions* include:

- \$11.6 million net increase for homeless shelters and programs. See the *Homelessness Strategies and Solutions Department* section in this report for more information.
- \$7.6 million for capital infrastructure debt financing, mainly driven by planned 2024A new issuance. See the *Citywide Program Expenditures Department* section in this report for additional information.
- \$4.9 million for ongoing Public Liability costs, including \$3.8 million for claims and operating costs and \$1.1 million for Public Liability insurance costs.
- \$4.7 million for Citywide election costs. See the *Citywide Program Expenditures Department* section in this report for additional information.
- \$3.2 million in increased Fleet fees, including a \$2.4 million increase in charges for vehicle usage and an \$880,000 increase in vehicle replacement costs.
- \$3.2 million in Corporate Master Lease Rent Increase. See the *Citywide Program Expenditures Department* section in this report for additional information.
- \$3.1 million for vehicles & equipment for

## General Fund Overview: Expenditures

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Parks & Recreation new facilities. See the *Parks & Recreational Department* section in this report for additional information.

- \$3.0 million for reimbursements for right-of-way permit inspections performed by City departments.
- \$2.8 million for ongoing Refuse Disposal Fees due to fee increases. See the *Environmental Services Department* section in this report for additional information.
- \$1.7 million increase in Citywide information technology services, including contractual services for desktop support and IT applications services, computers, software licenses, and other IT support.
- \$1.3 million for transfers to the Parks Improvement Funds due to higher Mission Bay revenues.

There are a number of NPE *decreases* year-over-year which more than offset the NPE increase listed above. These larger decreases are related to the removal of FY 2024 one-time costs from the budget. The table on the first page of this section contains \$38.5 million of such one-time cost removals, and many of these removals are addressed in the appropriate department review sections of this report.

General Fund: Major Additions, Mitigations,  
and Modification Options

# Major Additions, Mitigations, and Modification Options

This section provides an overview of the major programmatic additions proposed for the General Fund, budget mitigation measures in the Proposed Budget, and potential resources and alternative mitigation measures identified by our Office. The information is presented in separate tables to provide a snapshot of programmatic funding changes that Council can use to weigh its priorities. It is important to note that **these tables are not inclusive of all budget changes**, and additional information on most of these items is included in separate sections of this report, such as the *General Fund Expenditures Overview*, *General Fund*

*Revenue Overview*, and *Department Review* sections.

The *General Fund Programmatic Additions* table includes \$75.8 million in funding additions to support critical expenditures such as homelessness programs, public safety, new park facilities, and debt financing for capital infrastructure projects. This table summarizes funding additions included in the FY 2025 Proposed Budget that have programmatic impacts. It excludes additions that are offset by revenues, such as the Employ and Empower Program, and non-programmatic adds such as salary increases.

GENERAL FUND PROGRAMMATIC ADDITIONS (without offsetting revenue)				
Department	FTE	PE	NPE	Total Expenditures
<i>Citywide</i>				
Fleet Fees - Usage and Replacement	-	\$ -	\$ 3,245,919	\$ 3,245,919
Increase in Citywide Information Technology Services	-	\$ -	\$ 1,730,785	\$ 1,730,785
<i>City Attorney</i>				
Additional Staffing	1.25	\$ 16,408	\$ 2,500	\$ 18,908
<i>Citywide Program Expenditures</i>				
Capital Infrastructure Debt Financing	-	\$ -	\$ 7,596,287	\$ 7,596,287
Public Liability (\$3.8m operating costs; \$1.1m insurance)	-	\$ -	\$ 4,891,119	\$ 4,891,119
Increase in Citywide Elections Costs	-	\$ -	\$ 4,716,439	\$ 4,716,439
Corporate Master Lease Rent Increase	-	\$ -	\$ 3,202,515	\$ 3,202,515
Right-of-Way Permit Reimbursement	-	\$ -	\$ 3,015,808	\$ 3,015,808
Parks Improvement Funds Transfer	-	\$ -	\$ 1,290,591	\$ 1,290,591
Other Programs	-	\$ -	\$ 1,316,724	\$ 1,316,724
<i>Environmental Services</i>				
Readers for Packers	-	\$ -	\$ 379,389	\$ 379,389
<i>Fire-Rescue</i>				
Torrey Pines Fire Station	12.00	\$ 2,328,180	\$ 239,750	\$ 2,567,930
Addition of Various NPE	-	\$ -	\$ 1,766,697	\$ 1,766,697
<i>General Services - Facilities Services</i>				
Support for Public Utilities Department-SLA & Job Order Contracting	-	\$ -	\$ 229,837	\$ 229,837

## General Fund: Major Additions, Mitigations, and Modification Options

<b>GENERAL FUND PROGRAMMATIC ADDITIONS (without offsetting revenue)</b>				
<b>Department</b>	<b>FTE</b>	<b>PE</b>	<b>NPE</b>	<b>Total Expenditures</b>
<b><i>Homelessness Strategies &amp; Solutions</i></b>				
Continued Shelter Operations	-	\$ -	\$ 9,723,398	\$ 9,723,398
Start-Up Costs for 1,000 Beds and New Safe Parking Site	-	\$ -	\$ 7,125,735	\$ 7,125,735
Safe Sleeping Sites	-	\$ -	\$ 4,033,387	\$ 4,033,387
Public Restrooms in Downtown area	-	\$ -	\$ 3,710,000	\$ 3,710,000
Other Programs (Shelter Staff Salary Increases: \$1.0m ; Day Center: \$500k, Family Shelter Expansion: \$450k)	-	\$ -	\$ 1,999,234	\$ 1,999,234
<b><i>Library</i></b>				
Janitorial and Landscaping Contract Increases	-	\$ -	\$ 1,025,934	\$ 1,025,934
Chilled Water Cost Increase at Central Library	-	\$ -	\$ 200,000	\$ 200,000
<b><i>Parks &amp; Recreation</i></b>				
New Open Space Area	9.00	\$ 757,719	\$ 1,729,732	\$ 2,487,451
New Park Facilities	6.00	\$ 434,350	\$ 802,613	\$ 1,236,963
San Diego River Park Rangers	3.00	\$ 209,521	\$ 525,000	\$ 734,521
Human Resources Support*	2.00	\$ 227,234	\$ 4,200	\$ 231,434
Additional Programming for Memorial Senior Center	2.50	\$ 78,103	\$ 25,000	\$ 103,103
<b><i>Police</i></b>				
Reinstate Rental of Firearms Training Facility	-	\$ -	\$ 975,000	\$ 975,000
<b><i>Stormwater</i></b>				
Bacteria TMDL Time Schedule Order	-	\$ -	\$ 750,000	\$ 750,000
<b><i>Transportation</i></b>				
APCD Settlement - Urban Forestry	-	\$ -	\$ 969,169	\$ 969,169
Mill and Pave Team	10.00	\$ 642,252	\$ 252,950	\$ 895,202
Other Programs	1.00	\$ 217,318	\$ 470,000	\$ 687,318
<b><i>Other Departments</i></b>				
Other Programs	14.25	\$ 902,520	\$ 1,999,585	\$ 2,902,105
<b>Total</b>	<b>61.00</b>	<b>\$ 5,813,605</b>	<b>\$ 69,945,297</b>	<b>\$ 75,758,902</b>

\* The Proposed Budget includes corresponding revenue from the Employ and Empower Grant Program which has been determined to be ineligible for reimbursement by the Human Resources Department; an adjustment to remove this revenue is anticipated in the May Revision.

# General Fund: Major Additions, Mitigations, and Modification Options

The *General Fund Major Budget Mitigation Measures* tables include \$228.7 million in budget mitigation measures that helped

balance the FY 2025 budget. The largest adjustment is the use of all available Excess Equity of \$68.7 million.

GENERAL FUND MAJOR BUDGET MITIGATION MEASURES				
Departmental Adjustments	FTE	PE	NPE	Total Expenditures
<b>Citywide Program Expenditures</b>				
Waive Climate Equity Fund Contribution	-	\$ -	\$ 8,469,702	\$ 8,469,702
Waive Transfer to Bridge to Home	-	\$ -	\$ 5,847,660	\$ 5,847,660
Waive Energy Independence Fund Contribution and Use of Fund Balance	-	\$ -	\$ 5,765,741	\$ 5,765,741
<b>Environmental Services</b>				
Creation of Solid Waste Management Fund	16.00	\$ 1,594,367	\$ 4,553,000	\$ 6,147,367
Reduction of Refuse Disposal Fees	-	\$ -	\$ 2,100,000	\$ 2,100,000
Reduction of Organic Waste Containers	-	\$ -	\$ 1,868,984	\$ 1,868,984
Request to Fill Savings	-	\$ 245,795	\$ -	\$ 245,795
<b>Fire-Rescue</b>				
Reduction in Staffing for Second Helicopter	-	\$ 507,250	\$ 350,000	\$ 857,250
Reduction in Wellness Services	-	\$ -	\$ 720,000	\$ 720,000
Elimination of One Fire Academy	-	\$ -	\$ 431,234	\$ 431,234
Other Reductions	3.00	\$ 875,999	\$ -	\$ 875,999
<b>General Services - Facilities Services</b>				
Reduction of Expenditures to Infrastructure Fund	-	\$ -	\$ 3,046,145	\$ 3,046,145
Other Reductions	-	\$ 128,735	\$ 538,369	\$ 667,104
<b>Homelessness Strategies &amp; Solutions</b>				
Funds Withheld from San Diego Housing Commission Allocation	-	\$ -	\$ 15,000,000	\$ 15,000,000
Request to Fill Savings	-	\$ 28,612	\$ -	\$ 28,612
<b>Library</b>				
Reduction of Personnel Expenditures	10.50	\$ 1,175,224	\$ -	\$ 1,175,224
Request to Fill Savings	-	\$ 329,845	\$ -	\$ 329,845
Other Reductions	-	\$ -	\$ 1,180,295	\$ 1,180,295
<b>Parks &amp; Recreation</b>				
Request to Fill Savings	-	\$ 1,059,445	\$ -	\$ 1,059,445
Eliminate After School Program	13.03	\$ 860,645	\$ 41,784	\$ 902,429
Other Reductions	10.55	\$ 667,461	\$ 125,625	\$ 793,086
<b>Police</b>				
Reduction in Sworn Academies	-	\$ 3,869,810	\$ -	\$ 3,869,810
Staffing Reductions	20.00	\$ 3,599,302	\$ -	\$ 3,599,302
Request to Fill Savings	-	\$ 820,188	\$ -	\$ 820,188
Other Reductions	-	\$ -	\$ 1,152,945	\$ 1,152,945
<b>Stormwater</b>				
Reduction of Expenditures to Infrastructure Fund	-	\$ -	\$ 4,799,562	\$ 4,799,562
Other Reductions	-	\$ 238,512	\$ 1,237,070	\$ 1,475,582
<b>Transportation</b>				
Reduction of Expenditures to Infrastructure Fund	-	\$ -	\$ 11,098,528	\$ 11,098,528
Reduction Target Traffic Signal Cabinets	-	\$ -	\$ 700,000	\$ 700,000
Reduction Target Tree Planting	-	\$ -	\$ 562,000	\$ 562,000
Request to Fill Savings	-	\$ 414,569	\$ -	\$ 414,569
<b>Other Departments</b>				
Reduction to Non-Personnel Expenditures	-	\$ -	\$ 4,449,922	\$ 4,449,922
Additional Reduction of Personnel Expenditures	12.34	\$ 1,917,135	\$ -	\$ 1,917,135
Reduction of City Attorney's Office Personnel Expenditures	-	\$ 1,700,490	\$ -	\$ 1,700,490
Request to Fill Savings	-	\$ 1,097,924	\$ -	\$ 1,097,924
Eliminate Office of Immigrant Affairs	3.00	\$ 520,933	\$ 41,000	\$ 561,933
Eliminate Cannabis Social Equity Program	3.00	\$ 417,139	\$ -	\$ 417,139
<b>Subtotal - Departmental Adjustments</b>	<b>91.42</b>	<b>\$ 22,069,380</b>	<b>\$ 74,079,566</b>	<b>\$ 96,148,946</b>

## General Fund: Major Additions, Mitigations, and Modification Options

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<b>GENERAL FUND MAJOR BUDGET MITIGATION MEASURES</b>	
<b>Mitigation</b>	<b>Amount</b>
Departmental Adjustments (from previous page)	\$ 96,148,946
Use of Excess Equity	\$ 68,668,061
Waive General Fund Reserve Contribution	\$ 21,440,000
Monsanto Class Action Settlement Proceeds	\$ 7,700,000
Use of Fund Balance of Internal Service Funds	\$ 6,093,499
Use of Fund Balance of Civil Penalty Fund	\$ 4,500,000
Sycamore Facility Franchise Revenue	\$ 4,300,000
Use of Fund Balance of Environmental Growth Funds	\$ 3,920,392
Transient Occupancy Tax Fund Balance	\$ 3,773,767
Use of Fund Balance of Community Equity Fund	\$ 3,085,400
Elimate Eviction Prevention Program and PEER Program	\$ 3,250,000
Use of Fund Balance of Concourse & Parking Garage Fund	\$ 2,015,631
Use of Fund Balance of Emergency Medical Services Transportation Fund*	\$ 1,758,334
Waive Workers' Compensation Reserve Contribution	\$ 1,005,253
FY 2024 Youth Care and Development Program	\$ 1,000,000
<b>Total</b>	<b>\$ 228,659,283</b>

\* The Emergency Medical Services Transportation Fund may not be able to support the proposed transfer to the General Fund; see the "Department Review: Fire-Rescue" section of this report for more information.

# General Fund: Major Additions, Mitigations, and Modification Options

As part of our review of the Proposed Budget, our Office identified \$19.4 million in resources for budget modifications consideration, which are summarized in the *FY 2025 Options for Budget Modifications* table below. Our office is not advocating for these modifications, instead we present these as options for Council consideration, given the need to fund

additional Council priorities while maintaining a balanced budget. Many of these proposed modifications would have operational impacts and drawbacks, which are discussed throughout this report in corresponding *Department Review* sections. They are consolidated here for ease of reference.

FY 2025 Options for Budget Modifications						
Department	Description	FTE	PE	NPE	Total Expenditures	Total Revenues
<b>General Fund</b>						
Homelessness Strategies and Solutions	New Safe Parking Delay	-	\$ -	\$ 4,290,000	\$ 4,290,000	\$ -
Homelessness Strategies and Solutions	1,000 New Shelter Bed Delay	-	-	2,835,000	2,835,000	-
Parks and Recreation	Delay additions for New Open Space Areas	9.00	757,719	1,729,732	2,487,451	-
Homelessness Strategies and Solutions	Shelter Contract Compensation Increases Delay	-	-	1,048,784	1,048,784	-
Transportation	Mill and Pave Team Delay	10.00	642,252	252,950	895,202	-
Parks and Recreation	Delay Addition of San Diego River Park Rangers	3.00	209,521	525,000	734,521	-
Parks and Recreation	Parks and Recreation Department Water Expenditure Reduction	-	-	724,415	724,415	-
Homelessness Strategies and Solutions	Expanded Family Shelter Delay	-	-	450,450	450,450	-
Environmental Services	Packer RFID Install - Shift Funding or Delay	-	-	379,389	379,389	-
Development Services	Rent Payments for Proposed New Leases for DSD <sup>1</sup>	-	-	377,000	377,000	-
Economic Development	Contractual Services for Downtown Office Space Analysis	-	-	250,000	250,000	-
Parks and Recreation	Eliminate Addition of Parks & Recreation HR Analysts <sup>2</sup>	2.00	227,234	4,200	231,434	-
Transportation	Air Pollution Control District (APCD) Tree Planting Delay	-	-	114,000	114,000	-
Parks and Recreation	Delay addition of New Programming for Memorial Senior Center	2.50	78,103	25,000	103,103	-
Compliance	Project Labor Agreement Monitoring Program: Vacancy Savings	-	85,000	-	85,000	-
Sustainability and Mobility	Zero Emission Vehicle Position Expected Savings	-	30,000	-	30,000	-
Development Services	Additional Transfer from Civil Penalty Fund	-	-	-	-	1,244,136
City Planning	Revised Revenue Projections Associated with Development Impact Fee Program Transfer	-	-	-	-	346,445
City Clerk	FY 2024 Clerk Revenue Projection	-	-	-	-	154,000
<b>General Fund Totals</b>		<b>26.50</b>	<b>\$ 2,029,829</b>	<b>\$ 13,005,920</b>	<b>\$ 15,035,749</b>	<b>\$ 1,744,581</b>
<b>Non-General Fund</b>						
Special Promotional Programs	TOT Fund Balance	-	-	-	-	496,611
Economic Development	Emergency Rental Assistance Fund (ERA2) <sup>3</sup>	-	-	-	1,611,183	-
Economic Development	FY 2025 HUD Plan - Restore Full CDBG Homeless Set-Aside <sup>4</sup>	-	-	-	318,078	-
Economic Development	HOME-ARP <sup>5</sup>	-	-	-	240,000	-
<b>Non-General Fund Totals</b>		<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,169,261</b>	<b>\$ 496,611</b>

(footnotes to the table on following page)

# General Fund: Major Additions, Mitigations, and Modification Options

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<sup>1</sup> Funding for rent payments associated with proposed new leased spaces for DSD. If new leases are not approved, funding for rent could be reduced as a budget mitigation measure.

<sup>2</sup> The Proposed Budget includes corresponding revenue from the Employ and Empower Grant Program which has been determined to be ineligible for reimbursement by the Human Resources Department; an adjustment to remove this revenue is anticipated in the May Revision. The Council could consider not funding these positions given that they are not cost recoverable.

<sup>3</sup> The American Rescue Plan of 2021 (ARP) was passed on March 11, 2021 and authorized a second round of Emergency Rental Assistance (ERA2) to support housing stability for eligible renters through the COVID-19 pandemic. On January 23, 2023 and April 23, 2023, the US Department of the Treasury informed the City of additional reallocated ERA2 funds, bringing the total balance of ERA2 reallocated funds to \$1.6 million. The City has confirmed with the State that the remaining ERA2 balance is available for programming. Eligible activities include housing stability services, eviction prevention, and specified affordable rental housing purposes.

<sup>4</sup> Council Policy 700-02 requires a set-aside from federal Community Development Block Grant (CDBG) funding for the City's homelessness programs of up to \$1.3 million. The HUD Plan presented to the Community & Neighborhood Services Committee on April 11, 2024, included \$1.0 million for the homelessness set-aside, which is \$318,000 less than the maximum set-aside. As far back as FY 2014, the HUD Plan has set aside the maximum amount of \$1.3 million. Council can consider action to restore the homelessness set-aside to the full \$1.3 million in the FY 2025 HUD Plan.

<sup>5</sup> ARP also established a special one-time allocation of funds to reduce homelessness and increase housing stability. The City received a one-time HOME Investment Partnerships ARP (HOME-ARP) allocation of \$21.0 million funds from the U.S. Department of Housing and Urban Development. Based on available data, we estimate a remaining HOME-ARP balance of \$240,000. Allowable uses include homelessness outreach, supportive services, and tenant-based rental assistance for qualifying populations.



## Reserves: General Fund Reserve

# General Fund Reserve

This section provides background information on the City’s General Fund Reserve policy and Reserve target amounts based on that policy. Following the policy discussion, we review the Reserve’s funding status.

### Background: General Fund Reserve Policy and Reserve Policy Targets

The City’s Reserve Policy<sup>1</sup> was amended and approved by the City Council in December 2022. The target General Fund Reserve level is 16.7% of the most recent three-year average of annual audited General Fund operating revenues. The revised Reserve Policy extended the timeline to reach that target by five years, to FY 2030. For FY 2025, which ends June 30, 2025, the Reserve Policy’s target percentage remains the same as FY 2024, at 13.58% of operating revenues, as shown in the right-most column of the following table.

<b>City Reserve Policy: General Fund Reserve Funding Schedule</b>			
Target Date	Emergency Reserve Target Percent	Stability Reserve Target Percent	Total Reserve Target Percent
June 30, 2022	7.70%	7.20%	14.90%
June 30, 2023	7.43%	6.87%	14.30%
June 30, 2024	7.21%	6.37%	13.58%
June 30, 2025	7.21%	6.37%	13.58%
June 30, 2026	7.50%	6.60%	14.10%
June 30, 2027	7.90%	6.80%	14.70%
June 30, 2028	8.00%	7.35%	15.35%
June 30, 2029	8.00%	8.00%	16.00%
June 30, 2030	8.00%	8.70%	16.70%

The General Fund Reserve has two components: the Emergency Reserve and the Stability Reserve, for which the ultimate Policy goal is to reach 8.0% and 8.7%, respectively.<sup>2</sup> The preceding table shows the Reserve components and scheduled timeframe for reaching the 16.7% total Reserve goal.

Similar to the overall target, the amount of each year’s Reserve target during the phase-in period is based on audited General Fund operating revenues for the prior three fiscal years.

In the following table, the bottom three rows show the applicable three-year average revenues, as well as Reserve target percentages and target amounts, for FY 2024 and FY 2025. The Reserve targets for both fiscal years are 13.58%, though the dollar figures associated

<b>City Reserve Policy: General Fund Reserve Target Calculation (<i>\$ in millions</i>)</b>		
	FY 2024	FY 2025
<i>Revenues</i> <sup>1</sup>		
FY 2024		\$ 1,842.3
FY 2023	\$ 1,771.5	\$ 1,771.5
FY 2022	\$ 1,619.5	\$ 1,619.5
FY 2021	\$ 1,368.5	
<i>3-Year Average of Revenues</i>	\$ 1,586.5	\$ 1,744.4
Reserve Target %	13.58%	13.58%
<b>Reserve Target</b>	<b>\$ 215.4</b>	<b>\$ 236.9</b>

Note: Table may not total due to rounding.

<sup>1</sup> FY 2021 to FY 2023 revenues are based on actual operating revenues, and FY 2024 revenues are based on the mid-year projection for FY 2024.

<sup>1</sup> The City’s Reserve Policy is delineated in [Council Policy 100-20](#).

<sup>2</sup> Per the City’s Reserve Policy, the “Emergency Reserve will be maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other unforeseen catastrophic event,” and the “Stability Reserve will be maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures.”

## Reserves: General Fund Reserve

with that percentage grow from \$215.4 million in FY 2024 to \$236.9 million in FY 2025 due to increases in average revenues. The FY 2025 Reserve target is based on the General Fund operating revenue projected in the FY 2024 Mid-Year Budget Monitoring Report.

### Reserve Funding Status

As shown in the following table, in accordance with the Reserve Policy, the Reserve target *percentage* dips to 13.58% for FY 2024 and FY 2025, as compared to the FY 2023 target of 14.30%. However, increasing operating revenues resulted in increased target *dollar amounts* for both years. For FY 2024, the Mid-Year Budget Monitoring Report assumed a contribution of \$8.4 million, which would bring the total General Fund Reserve balance to \$215.4 million. For FY 2025, an additional contribution of \$21.4 million would be required to meet the FY 2025 Reserve target. However, the Mayor has proposed waiving both the FY 2024 and FY 2025 General Fund Reserve contributions – which together total \$29.8 million – to fund other critical expenditures. If this mitigation is implemented, the FY 2024 and FY 2025 Reserve targets will not be met. The City’s General Fund Reserve level will remain at \$207.1 million, as shown in the table below.

### Excess Equity

Excess Equity, as defined in the City Reserve Policy, “is Unassigned Fund Balance that is

Reserves and is available for appropriation.” Excess Equity generally results from increases to General Fund revenues and/or under-budget General Fund expenditures during any given fiscal year.

In the FY 2024 Mid-Year Budget Monitoring Report, year-end Excess Equity was projected to be \$14.9 million. This amount did not include an estimated \$10.0 million expenditure need for storm recovery efforts, which was determined after the mid-year projections had been completed. The \$10.0 million was requested as an appropriation adjustment, which the Council approved, reducing Excess Equity to \$4.9 million.

The Department of Finance has indicated that Excess Equity is now estimated to be \$68.9 million, a \$64.0 million increase from mid-year. This increase is largely driven by planned financing of formerly cash-funded capital improvement projects; updated FY 2024 major revenue projections; suspending non-essential spending; and waiving the FY 2024 General Fund Reserve contribution. This projection will be refined with updated revenue and expenditure projections in the FY 2024 Third Quarter Budget Monitoring Report. The FY 2025 Proposed Budget includes the use of \$68.7 million in Excess Equity to address revenue shortfalls and fund critical expenditures.

<b>General Fund Reserve Policy vs Reserve Balance (\$ in millions)</b>			
	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Reserve Policy Target Percent</b>	<b>14.30%</b>	<b>13.58%</b>	<b>13.58%</b>
Reserve Policy Target <sup>1</sup>	\$ 207.1	\$ 215.4	\$ 236.9
Reserve Balance (FY 2022) / Reserve Projection (FY 2023 and FY 2024)	\$ 207.1	\$ 207.1	\$ 207.1
<b>Difference: Amount Reserve Balance Is Below the Policy Target</b>	<b>\$ (0.0)</b>	<b>\$ (8.4)</b>	<b>\$ (29.8)</b>
<b>Reserve Balance as Percent of Operating Revenues</b>	<b>14.30%</b>	<b>13.58%</b>	<b>13.58%</b>

Note: Table may not total due to rounding.

<sup>1</sup>The Reserve Policy targets are based on the average of the prior three years' operating revenues.

not otherwise designated as General Fund

# Public Liability Funds

The Public Liability (PL) Funds support costs to the City related to claims against the General Fund. The PL Funds are therefore supported entirely by General Fund contributions, specifically from the Citywide Program Expenditures budget. PL Funds will be discussed in the PL Operating Fund and PL Reserve Fund sections below.

### PL Operating Fund

#### FY 2024 Estimates

FY 2024 available resources for the PL Operating Fund are currently estimated to be \$64.2 million:

- \$50.6 million in transfers from the General Fund for claims and insurance premiums

Note that the FY 2024 Adopted Budget included \$57.0 million in General Fund transfers; however, the City paid \$6.4 million less than the \$30.6 million in insurance premiums budgeted in FY 2024.

- \$7.7 million in beginning cash balance
- \$5.8 million in insurance and other revenues

These resources are not sufficient to cover the PL Operating Fund's \$79.7 million in estimated expenses, claims payouts, and insurance costs for FY 2024, resulting in an estimated \$15.5 million shortfall. If the estimates hold, and monies are needed to support the PL Operating Fund, the Risk Management Department plans to transfer needed funds from the PL Reserve, which could bring the Reserve below its target level (see *PL Reserve Fund* below).

It is important to note that the PL Operating fund can be very volatile and needs to be continually monitored throughout the year. There is uncertainty as to the ultimate costs and timing for resolution of various claims cases, and the Risk Management Department monitors PL Operating Fund projections throughout the year.

#### FY 2025 Mayor's Proposed Budget

The FY 2025 Proposed Budget includes transfers to the PL Operating Fund for insurance costs of \$31.7 million and claims payouts and operating costs of \$30.2 million. These Proposed Budget transfers total \$61.9 million – up \$4.9 million from \$57.0 million in the FY 2024 Adopted Budget. This increase includes \$3.8 million for increased claims estimates for FY 2025, as well as \$1.1 million for higher insurance premiums, which is based on premium estimates that incorporate loss development trends in the insurance market.

Again, the timing and ultimate costs of various claims cases is uncertain, making budgeting for PL claims difficult. The estimates included in the FY 2025 Proposed Budget are based on the best information available at this time.

### PL Reserve Fund

The PL Reserve goal is specified in the City's [Reserve Policy](#) (Council Policy 100-20). The goal is to maintain a balance equal to 50% of the PL actuarial liability, which is based on the most recent three-year average of actuarial liabilities (FY 2021 through FY 2023).

This 50% Reserve policy goal equates to a \$38.4 million target for FY 2024. The FY 2024 Mid-Year Budget Monitoring Report

## Reserves: Public Liability

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projected this target would be met, as the current Reserve balance is \$38.8 million; however, as discussed, current projected expenditures exceed resources by \$9.8 million for the PL Operating Fund. If these projections hold and the PL Reserve were to transfer monies to the PL Operating Fund, the Reserve balance could drop below the 50% Reserve target. FY 2024 PL Operating Fund projections will be updated in conjunction with the FY 2024 Third Quarter Budget Monitoring Report.

Lastly, there is no estimated contribution for the PL Reserve in the Proposed Budget. Note that the FY 2025 Reserve target will not be known until the FY 2024 PL valuation is completed in the fall of 2024.

# Workers' Compensation Fund

Estimated costs for Workers' Compensation (WC) are based on a three-year average of actual annual payments. WC rates are applied to employees' salaries and reflect a blend of claims cost estimates (which are allocated by job classification) and the allocated Reserve contribution, as necessary. The estimated costs are distributed accordingly in the budget system, categorized as fringe benefits expenditures, and subsequently transferred to the WC Fund during the year.

### Citywide Budget

The FY 2025 Proposed Budget for citywide fringe payments to the WC Fund is \$41.2 million, a decrease of \$4.1 million, or 9.0%, from the \$45.3 million included in the FY 2024 Adopted Budget. The \$4.1 million decrease is related to operational costs that are based on a lower three-year average and lower Medicare CPI used for FY 2025 as compared to FY 2024.

Although it is estimated that the WC Reserve target will increase by \$1.2 million for FY 2025, there is no estimated contribution for the WC Reserve in the Proposed Budget. The WC Reserve contribution is being delayed as a budget mitigation to fund other critical General Fund expenditures; additional discussion on the WC Reserve target is provided below.

### General Fund Budget

The General Fund portion of the WC fringe expenditures budget is decreasing by \$5.1 million, from \$37.9 million to \$32.9 million. This General Fund portion is 79.8% of the citywide WC fringe budget for FY 2025 – down from 83.8% in FY 2024.

### WC Reserve

The WC Reserve goal is specified in the

City's [Reserve Policy](#) (Council Policy 100-20). The goal is to maintain a balance equal to 12% of the WC actuarial liability, which is based on the most recent three-year average of actuarial liabilities (FY 2021 through FY 2023). This 12% Reserve Policy target equates to \$35.5 million for FY 2024, and the FY 2024 Mid-Year Budget Monitoring Report projects this target will be met.

The FY 2025 WC Reserve target is projected to be \$36.7 million, \$1.2 million higher than the FY 2024 target. As mentioned, the FY 2025 Proposed Budget does not include a \$1.2 million contribution to the WC Reserve to bring it to the estimated target. Note that the actual FY 2025 Reserve target will not be known until the FY 2024 WC valuation is completed in the fall of 2024.

Additionally, FY 2024 WC Fund operating projections will be updated in conjunction with the FY 2024 Third Quarter Budget Monitoring Report. Any changes from the mid-year projections would change the estimated balance in the Fund and therefore, the estimated amount needed to fund the FY 2025 Reserve target.

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## Reserves: Long-Term Disability Fund

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# Long-Term Disability Fund

Estimated costs for Long-Term Disability (LTD) are based on a three-year average of actual annual payments combined with an annual reserve contribution, as necessary. A single LTD rate is determined and applied to employees' salaries. Estimated LTD costs are distributed accordingly in the budget system, categorized as fringe benefit expenditures, and subsequently transferred to the LTD Fund during the year.

### Citywide Budget

The FY 2025 Proposed Budget for citywide fringe payments to be used for estimated LTD operating costs is \$4.2 million, an increase of \$546,000, or 14.8%, from the \$3.7 million included in the FY 2024 Adopted Budget. The increase is largely due to salary increases and the elimination of the 30-day waiting period for eligible participants with a disability related to pregnancy, childbirth, or a related medical condition. There is no estimated contribution for the LTD Reserve.

### General Fund Budget

The General Fund portion of the LTD fringe expenditures budget is \$2.8 million. The General Fund portion is 65.2% of the citywide LTD fringe budget for FY 2025.

### LTD Reserve

Per the City's [Reserve Policy](#) (Council Policy 100-20), the LTD Reserve goal is to maintain a balance equal to 100% of the LTD actuarial liability, which is based on the most recent three-year average of actuarial liabilities (FY 2021 through FY 2023).

This 100% Reserve Policy target equates to \$5.0 million for FY 2024; and the FY 2024 Mid-Year Budget Monitoring Report projects the LTD Reserve balance will be \$5.0 million

at year-end. Note that the actual FY 2025 Reserve target will not be known until the FY 2024 LTD valuation is completed in the fall of 2024. Since there is no projected increase to the FY 2025 LTD Reserve target, there is no FY 2025 budgeted contribution to the LTD Reserve.

# Key Citywide Issues: Climate Action Plan

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## Climate Action Plan

In August 2022, the City adopted a new Climate Action Plan (CAP) known as CAP 2.0 (the 2022 CAP). CAP 2.0 was the result of an enormous City effort to review and make changes to the City's prior CAP, and to establish new and more aggressive CAP targets while also considering the experiences of the Sustainability and Mobility Department (SuMo) in implementing the first CAP.<sup>1</sup>

One of the largest changes in CAP 2.0 was a new goal for GHG reduction. Whereas the original CAP proposed to reduce GHG by 50% in 2035, the new CAP's goal is for net zero GHG emissions by 2035, in effect doubling the original CAP GHG goal.

CAP 2.0 also contains the following six strategies:

### Strategy 1: Decarbonization of the Built Environment

This strategy addresses natural gas consumption in all buildings, including both new and existing development, and proposes aggressive phase out targets for natural gas.

### Strategy 2: Access to Clean & Renewable Energy

This strategy maintains the existing goal of obtaining 100% renewable energy through San Diego Community Power by 2035, while also proposing targets for zero emission vehicles for both the City fleet and the general public.

### Strategy 3: Mobility & Land Use

This strategy focuses on emissions from transportation and establishes actions that support mode shift through mobility and land use action policies.

### Strategy 4: Circular Economy & Clean

### Communities

This strategy will expand on the City's current zero waste goals and maintain gas capture measures, while also focusing on the City landfill and implementation of mandatory organics recycling under SB 1383.

### Strategy 5: Resilient Infrastructure & Healthy Ecosystems

This strategy will help the City thrive in the face of the impacts of climate change through a greater focus on greening the City, including a particular focus on Communities of Concern.

### Strategy 6: Emerging Climate Actions

This new strategy acknowledges that even if the previous strategies are fully implemented, the City may still not reach its net zero goal by 2035. As such, this strategy focuses on emerging technologies and new opportunities that may arise to help the City meet its overarching goal.

In this section, we review the significant efforts undertaken over the past year on the continued implementation of the CAP, including the development of the Complete Streets Policy, the Mobility Master Plan, the Zero Emission Vehicle Strategy and Fleet Electrification Strategy, and the development of Energy Savings Performance Contracts. This section will also provide an overview on all of the budget allocations related to the CAP in the FY 2025 Proposed Budget and will provide analysis on changes in the Climate Equity and Energy Independence funds.

### **Complete Streets Policy**

A major CAP milestone was the adoption of [Council Policy 900-23: Complete Streets Policy](#) by Council on December 11, 2023. The

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<sup>1</sup> More information on the changes between the two plans, as well as recommendations for implementation and further refinement of the CAP, can be found in [IBA Report 22-19 Climate Action Plan 2.0: Analysis of Changes Proposed and Recommendations for Improved Implementation Planning](#).

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# Key Citywide Issues: Climate Action Plan

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new policy sets the City on a direction to ensure that all modes of transportation are considered when the City is completing projects within the right-of-way.

The policy calls for the establishment of an interdepartmental mobility governance group to provide strategic guidance and oversight of project coordination, and specifically lays out considerations for City staff when designing and implementing projects within the right-of-way.

With the adoption of the policy, SuMo staff have been developing an updated Complete Streets Design Manual that will account for all considerations laid out in the Council Policy. This document, which is a technical document intended for use by engineers and which incorporates other regulatory design standards, is almost complete, and SuMo staff indicate that they will bring it forward as an informational item in the coming months.

## **Mobility Master Plan**

One of the largest efforts over the past year was the development of the draft [Mobility Master Plan](#). This draft plan was presented to the Active Transportation & Infrastructure Committee on November 8, 2023.

The plan contained numerous initiatives, goals, and objectives that the City would seek to achieve, including: increasing opportunities for access to safe modes of transportation for all users; creating safe, connected, and convenient networks for pedestrians, cyclists, and micro-mobility users; increasing public transit use; and other goals. The plan also contained criteria that would be used to develop specific focus areas in the City, within which the plan identified numerous projects.

Staff is currently revising the plan and incorporating feedback from the Council and outreach efforts. SuMo intends to bring the Mobility Master Plan back for Council approval this calendar year.

## **Zero Emission Vehicle Strategy and Fleet Electrification Strategy**

The continued adoption of zero emission vehicles (ZEVs) is a major component of achieving the CAP's goals, including the goal for 25% of all vehicle miles travelled to be zero emission by 2035, and to fully electrify the City's fleet. To this end, two important strategy documents were developed over the last year, one by SuMo and one by the Fleet Services Division within the Department of General Services (Fleet). Both of these items were presented to the Environment Committee on March 14, 2024.

SuMo developed a draft [Zero Emission Vehicle Strategy](#) which focuses on encouraging and supporting the adoption of ZEVs across the public. This strategy identifies five pillars which include policy changes, including building code updates and EV installation guidelines, outreach and partnerships, and the build out of ZEV infrastructure. To help on the last pillar, SuMo is currently seeking Council approval for a public facing EV contract with one competitively selected vendor to provide EV charging stations that will be available to the public at all City facilities (this contract was also heard at the March 14, 2024 Environment Committee meeting). Our Office, at the request of the committee, will be releasing an analysis of that contract proposal.

At the same time, Fleet staff developed the Fleet Electrification Strategy, which is the plan to electrify City-owned vehicles to both meet CAP goals and regulations set by the California Air Resources Control Board (CARB). The Strategy identifies costs for the purchase of these vehicles and the installation of the necessary charging infrastructure at City operations yards. Costs for this charging infrastructure are currently estimated at between \$23.7 million and \$34.9 million, but this does not include potentially necessary utility service upgrades. \$1.0 million in General Fund-backed debt is included in the Proposed CIP Budget for preliminary engineering



# Key Citywide Issues: Climate Action Plan

to electrify the Chollas Operations Yard.

## Energy Performance Savings Contracts

One of the largest sources of GHG reductions in the CAP comes from building decarbonization, and to that end the City has been working on decarbonizing City facilities in line with the Zero Emissions in Municipal Buildings and Operations Policy (ZEMBOP). Over the past two years SuMo has been working with the Department of General Services and other departments to conduct electrification assessments to identify needed energy retrofits and other opportunities to reduce GHGs from City operations.

One strategy that SuMo is pursuing is using Energy Savings Performance Contracts (ESPCs) to complete needed energy retrofits without requiring up front capital. Under ESPCs, the City will select an Energy Service Company (ESCO) which will provide energy retrofits that remove gas lines – in alignment with the City’s CAP goals – and also install projects that increase energy efficiency. These projects would then save the City costs on its utility bills, from which the ESCO gets paid back over a predetermined period of time.

According to a presentation at the Environment Committee on April 11, 2024, the City has selected its first vendor, Willdan, which is in the process of identifying specific projects to be part of the first portfolio of City facilities. A contract to execute these projects is expected to be presented to the City Council sometime next year.

## CAP and the FY 2025 Proposed Budget

[The Citywide Budget Overview section in Volume One of the Proposed Budget](#) contains information on budget adjustments that either directly or indirectly address one of the strategies of the CAP. Unlike last year, but similar to prior years, Volume One’s table only includes those budget adjustments that were included in the Proposed Budget, including both

the operating budget and CIP.

In total, a net of \$761.0 million in new funding was included in the Proposed Budget for CAP related activities, with most of the funding consisting of indirect CAP support. This continues to reflect the fact that most of the expenditures related to the City’s Pure Water project are included as indirect support.

FY 2025 Proposed Budget Direct or Indirect CAP Support	
Direct	\$ 201.0
Indirect	\$ 560.0
<b>Total</b>	<b>\$ 761.0</b>

FY 2025 Proposed Budget CAP Funding Strategy Amount (millions)		
Strategy	Direct	Indirect
<b>Strategy 1 -</b> Decarbonization of the Built	\$ 5.5	\$ 1.1
<b>Strategy 2 -</b> Access to Clean & Renewable Energy	\$ 1.7	\$ (0.8)
<b>Strategy 3 -</b> Mobility & Land Use	\$ 62.9	\$ 13.2
<b>Strategy 4 -</b> Circular Economy & Clean Communities	\$ 8.0	\$ 18.6
<b>Strategy 5 -</b> Resilient Infrastructure & Healthy Ecosystems	\$ 122.9	\$ 528.0
Overarching Implementation	\$ -	\$ (0.1)
<b>Total</b>	<b>\$ 201.0</b>	<b>\$ 560.0</b>

Regarding CAP 2.0 strategies, Strategy 5 – Resilient Infrastructure & Health Ecosystems has the highest level of funding in the Proposed Budget, including \$122.9 million in direct support and \$528.0 million in indirect support. The next highest level of funding is for Strategy 3 – Mobility & Land Use, including \$62.9 million in direct support and \$13.2 million in indirect support.

## Key Citywide Issues: Climate Action Plan

<b>FY 2025 Proposed Budget CAP Expense: Operating v CIP</b>	
<b>Project</b>	<b>Amount (millions)</b>
Departments' Operating Budgets	\$ 24.5
Capital Improvement Projects	\$ 736.5
<b>Total</b>	<b>\$ 761.0</b>

Most of the funding provided within the Proposed Budget is in the CIP, with only \$24.5 million provided in the operating budgets for various departments.

<b>FY 2025 Proposed Budget CAP Funding per Department</b>	
<b>Department</b>	<b>Amount (millions)</b>
Public Utilities	\$ 8.9
Transportation	\$ 7.0
Environmental Services	\$ 5.4
Parks & Recreation	\$ 3.4
Engineering & Capital Projects	\$ 0.8
Sustainability and Mobility	\$ (0.9)
Various Departments*	\$ (0.1)
<b>Total</b>	<b>\$ 24.5</b>

\*Includes Citywide Expenditures, Department of Information Technology, Development Services, General Services, Library, & Police

Of the \$24.5 million, the Public Utilities Department has the largest increase at \$8.9 million. All of this is tied to the City's Pure Water program. The next largest allocation is \$7.0 million for Transportation, which consists of \$4.7 million for utility undergrounding and a net increase of \$1.2 million for tree planting. Environmental Services is allocated \$5.4 million, which is mostly operating funding for the new Organics Processing Facility. Finally, Parks & Recreation received \$3.4 million, mostly for Park Rangers and other support positions for the department's Open Space Division.

The one department with a notable decrease is Sustainability and Mobility, with a decrease of \$0.9 million. This decrease is mostly due to the removal of various planning and

monitoring budgets which are no longer needed because those work products have been completed. More detail on these various adjustments can be found in the corresponding Department Review.

<b>FY 2025 Proposed Budget Operating CAP Funding by Fund</b>	
<b>Department</b>	<b>Amount (millions)</b>
Water Utility Fund	\$ 6.7
Underground Surcharge Fund	\$ 4.7
Infrastructure Fund	\$ 4.5
Refuse Disposal Fund	\$ 2.6
Sewer Utility Fund	\$ 2.2
Recycling Fund	\$ 2.1
Engineering & Capital Projects Fund	\$ 0.8
Solid Waste management Fund	\$ 0.8
General Fund	\$ 0.2
TransNet	\$ 0.2
Fleet Funds	\$ (0.2)
Other Funds	\$ (0.1)
<b>Total</b>	<b>\$ 24.5</b>

As shown in the table above, the majority of new funding for the CAP in the Proposed Budget is coming from various non-General Fund sources in FY 2025, including the Public Utilities Enterprise funds, the Underground Surcharge Fund, and the Environmental Services enterprise funds. The Infrastructure Fund is fully replacing General Fund costs in FY 2025 as well. This is similar to the trend for funding sources in the CIP, although General Fund debt is the third highest source of CIP funding.

# Key Citywide Issues: Climate Action Plan

FY 2025 Proposed Budget CIP CAP Funding by Fund	
Department	Amount (millions)
Water Utility Fund	\$ 352.0
Sewer Utility Fund	\$ 217.7
General Fund Debt	\$ 96.0
Development Impact Fees	\$ 29.1
Mission Bay Park Improvement Fund	\$ 13.7
TransNet	\$ 10.8
Otay Mesa EIFD	\$ 5.4
Refuse Disposal Fund	\$ 5.2
Fleet Services CIP Fund	\$ 2.2
San Diego Regional Parks Imp Fund	\$ 2.1
Climate Equity Fund	\$ 1.5
General Fund	\$ 0.4
Trench Cut Fee	\$ 0.2
Other Funds	\$ 0.2
<b>Total</b>	<b>\$ 736.5</b>

## Potential Funding Gap

A repeated concern of the Council and public continues to be the potential of a funding gap for the CAP. Our Office reviewed this concern in [IBA Report 23-26 FY 2024 Climate Action Plan Expenditures, Funding Gaps, and Other Policy Considerations](#). However, much of the analysis in that report, which used unfunded requests and CIP Outlook gaps, is not easily applied to the FY 2025 Proposed Budget.

First, there were very limited unfunded requests in backup materials for the Proposed Budget, mainly because departments did not submit as many requests for funding given the known General Fund structural deficit. Second, while the Proposed CIP does contain a large amount of funding, other significant actions outside of the Budget process could lead to overstating the CAP deficit without additional review. *Regardless, the most critical action associated with full CAP funding and implementation is resolving the City's ongoing structural budget deficit and infrastructure financing gap.*

The following table compares direct CAP funding by measure with what was called for

in the [Climate Action Implementation Plan \(CAIP\)](#). This table has been updated from our previous report to include all spending departments identified as “Unfunded” in the CAIP, whether or not that funding is being specifically driven by the CAP.

Table 7: Funding by CAP Measure - Direct General Fund Expenditures in Adopted Budget & CAIP (\$ in millions)			
CAP Measure	Adopted Budget	CAIP	Difference
1.1 - Decarbonize Existing	\$ (0.1)	\$ 0.2	\$ (0.3)
1.2 - Decarbonize New Building Development	-	0.1	\$ (0.1)
1.3 - Decarbonize City Facilities	5.6	1.9	\$ 3.7
2.1 - Citywide Renewable Energy Generation	-	-	\$ -
2.2 - Increase Municipal Zero Emission Vehicles	1.6	-	\$ 1.6
2.3 - Increase Electric Vehicle Adoption	0.1	0.4	\$ (0.3)
3.1 - Safe and Enjoyable Routes for Pedestrians and Cyclists	22.2	47.3	\$ (25.1)
3.2 - Increase Safe, Convenient, and Enjoyable Transit Use	0.1	-	\$ 0.1
3.3 - Work From Anywhere	(0.1)	3.0	\$ (3.1)
3.4 - Reduce Traffic Congestion to Improve Air Quality	8.9	35.0	\$ (26.1)
3.5 - Climate-Focused Land Use	26.5	-	\$ 26.5
3.6 - Vehicle Management	-	-	\$ -
Combined 3.1 & 3.4	4.6	-	\$ 4.6
Combined 3.1 & 3.5	0.6	-	\$ 0.6
4.2 - Municipal Waste Reduction	-	0.0	\$ (0.0)
4.3 - Local Food Systems and Food Recovery	-	0.7	\$ (0.7)
4.4 - Zero Waste to Landfill	3.4	0.2	\$ 3.3
4.5 - Capture Methane from Wastewater Treatment Facilities	4.6	-	\$ 4.6
5.1 - Sequestration	0.8	5.6	\$ (4.8)
5.2 - Tree Canopy	1.2	9.6	\$ (8.4)
5.3 - Local Water Supply	120.8	283.6	\$ (162.8)
Overarching Implementation	-	1.5	\$ (1.5)
<b>Total</b>	<b>\$ 201.0</b>	<b>\$ 389.1</b>	<b>\$ (188.1)</b>

When compared to the CAIP, there appears to be a gap of \$188.1 million in direct CAP spending. The largest components of this gap are for Measure 5.3 – Local Water Supply which mostly relates to the City’s stormwater infrastructure deficit, and measures under Strategy 3 which mostly relate to projects to improve pedestrian and cycling routes and to reduce traffic congestion. Needs for FY 2025 have most likely changed since the development of the CAIP, but without a CAIP that is updated yearly in time for the Proposed

# Key Citywide Issues: Climate Action Plan

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Budget, it is difficult to complete a more detailed analysis.

## **Additional CAP Related Funds**

### Climate Equity Fund

The City Council established the Climate Equity Fund (CEF) in March 2021 to provide targeted infrastructure and other CAP related improvements to communities of concern, including those identified in the Climate Equity Index. The resolution adopting the CEF requires that the Mayor and Council, at a minimum, provide CEF funding equal to 10% of the General Fund distribution of franchise fees from gas and electric franchise agreements, and 1% of the total annual revenue received through each of the TransNet and Gas Tax distributions. FY 2022 was the first year of funding for the Climate Equity Fund.

Previous budgets have only provided the revenue appropriation for the CEF based on the 10% of franchise fees allocation. However, in a departure from previous practice, *the Proposed Budget for FY 2025 does not follow the resolution and does not provide this funding.* The only funding provided for the CEF is \$1.5 million from SDG&E, which is provided as part of the franchise agreement above and beyond the base franchise fees. This \$1.5 million is budgeted within the CIP for stormwater projects. Had the budget included the 10% franchise fee allocation, the CEF would have received an additional \$8.5 million. No previous appropriations from prior years are proposed to be changed as part of the Proposed Budget.

### Energy Independence Fund

The Energy Independence Fund (EIF) was established by resolution in April 2022. The resolution requires the Mayor and Council to consider putting into the fund 20% of any minimum bid proceeds received by the City above and beyond the 3% gas and electric franchise fees. This fund may be used for three purposes:

1. To pay for any refunds of franchise fee bid

payments in the event that the electric franchise with SDG&E is terminated before the end of the full 20 years of the agreement.

2. To retain professional services to study possible municipalization of gas and electric transmission systems.
3. To pay for development costs of municipal renewable energy projects, including microgrids, distributed generation, or energy storage projects.

Prior budget appropriations had placed approximately \$4.4 million within the fund, consistent with the requirement for 20% of the General Fund proceeds from the minimum bid payments. The only expenditure from the Fund occurred in FY 2024 – \$1.0 million for the Public Power Feasibility Study.

However, the FY 2025 Proposed Budget not only avoids the \$2.3 million appropriation to the EIF that would be consistent with the 20% requirement, but also proposes to transfer the remaining \$3.5 million fund balance back to the General Fund. This removes funding that could potentially pay for any refunds if the SDG&E franchise agreements are terminated before the end of the full 20 years, and it also leaves the Public Power Feasibility Study unfunded in FY 2025. SuMo indicated that this would mean that all work would stop on the study unless and until another source of funding is identified.

## Key Citywide Issues: Council Budget Priorities

# City Council Budget Priorities

Per the City Charter, the first step for the City Council in the City’s annual budget process is the development of its annual Budget Priorities Resolution. Council approved its initial Budget Priorities Resolution on October 30, 2023 and subsequently had the opportunity to update its priorities, which it did on February 12, 2024. Council’s Updated FY 2025 Budget Priorities Resolution is reflected in [IBA Report 24-02 REV](#).

The following tables compare the City Council’s Updated FY 2025 Budget Priorities to the Mayor’s FY 2025 Proposed Budget. The status of each budget priority is categorized as added to the Proposed Budget (A), partially added to the Proposed Budget (P), maintained at FY 2024 levels (M), reduced from FY 2024 levels (R), or not included in the Proposed Budget (N). Infrastructure priorities are presented first, followed by a table on operating budget priorities.

<b>COMPARISON OF COUNCIL FY 2025 BUDGET PRIORITIES TO MAYOR'S FY 2025 PROPOSED BUDGET</b>		
<i>(A=Added, P=Partial Add, M=Maintained, R=Reduced, N=Not Included)</i>		
<b>City Council Infrastructure Budget Priorities</b>	<b>Status</b>	<b>Notes</b>
<b>Transportation and Mobility Safety</b>		
Pedestrian and Bicycle Safety (including continued implementation of Vision Zero)	P	\$9.4 million is included
Traffic Calming	M	\$6.9 million is included
Streetlights (repairs, upgrades, new installations)	P	\$800,000 is included
Traffic Signals (new, modified, optimized signals)	P	\$8.5 million is included
<b>Streets, Sidewalks, Stormwater</b>		
Streets (including maintenance, repairs, resurfacing)	M	\$112.3 million is included
Sidewalks (including repairs and installations)	P	\$5.0 million is included
Stormwater (including maintenance and capital projects)	P	\$88.4 million is included
<b>Facilities</b>		
Parks & Recreation (including maintenance and repair of existing facilities; new facilities)	P	\$2.5 million is included
Police (including Police Plaza, other facilities)	N	Not included
Fire-rescue (including fire stations and lifeguard towers)	P	\$2.8 million is included
Library (including maintenance, improvement, expansion of existing facilities)	P	\$700,000 is included
<b>Americans with Disabilities Act (ADA)</b>		
ADA Projects	P	\$960,000 included for Junipero Serra Museum ADA improvements

# Key Citywide Issues: Council Budget Priorities

<b>COMPARISON OF COUNCIL FY 2025 BUDGET PRIORITIES TO MAYOR'S FY 2025 PROPOSED BUDGET (A=Added, P=Partial Add, M=Maintained, R=Reduced, N=Not Included)</b>		
City Council Operating Budget Priorities	Status	Notes
<b>Homelessness and Housing</b>		
Housing Instability Prevention Program	M	Funded at FY 2024 levels (\$2.3M), but does not include additional requested funding (\$5.6M), which would have allowed for new participants to enroll
LGBTQ+ Youth Housing and Related Services	M	Funded at FY 2024 level
Eviction Prevention Program	N	Not included
Affordable Housing Preservation and Creation	N	Not included
Old Central Library Redevelopment	N	Not included
Homelessness Outreach	N/M	Multidisciplinary Outreach Team was not funded, but across all other outreach programs, funding remained at FY 2024 levels
Expand Shelter Capacity	A	\$2.8M included for 1,000 new shelter beds at Kettner/Vine site
Tenant Termination Registry	N	Not included
Affordable Housing Universal Application & Navigation System	N	Not included, but SDHC's online portal to search affordable homes launched April 8th
Middle-Income First-Time Homebuyer Programs	N	Not included
<b>Environment and Climate Action</b>		
Flood Disaster Response and Recovery	A	Mostly funding to complete environmental mitigation due to emergency channel clearings
Urban Forestry Program	A/R	Funding added that is either backed by revenue or required as part of APCD settlement. Other tree planting funding outside of Communities of Concern reduced
Climate Action Plan Implementation	R	One time funding from prior years reduced, with no additional funding added
Mobility Master Plan/Mobility Action Plan	M	Existing funding is maintain; no additional resources are included
Heat Action Plan	N	Not Included
Shuttle and Other Transit Programs	N	Not Included in Proposed Budget. May be included in Community Parking Districts (separate item)
<b>Public Safety</b>		
Lifeguards	N	Not Included
Police Recruitment and Retention	N	Not Included
Police Cadet Program	N	Not Included
<b>Neighborhood Services</b>		
Library Support (including library materials, library maintenance, and youth service librarians)	N	Not Included
Weed Abatement	M	Existing funding is maintained; no additional resources are included
Brush Management	M	Existing funding is maintained; no additional resources are included
<b>Arts and Culture</b>		
Penny for the Arts	P	Allocates 4.8% of total TOT revenue to arts and culture, short of 6.5% recommended by Council
<b>Other Operating Budget Priorities</b>		
Office of the City Clerk (including new Deputy Director of Legislative Services and digitization support)	N	Not Included
Enhanced Security at Parkade and City Concourse	M	Two additional security guards have been hired since January 2024 with the \$160,000 funding addition included in the FY 2024 Adopted Budget. Other security measures are also being put into place with existing resources. Additional funding is not required at this point.
City Recruitment, Retention, & Employee Compensation	A	Estimated employee compensation increases are included
Global Sports Event Fund	N	Not included
LGBTQ+ Community Fund	N	Not Included

# Departmental Vacancies

While several City departments continue to face challenges with filling vacant positions with qualified candidates and with retaining staff, the City has made significant progress in addressing persistent issues through implementing special wage adjustments and other compensation programs, improving the hiring processes, and holding career fairs. The overall vacancy rate has been trending down post-pandemic. Whether this trend will continue, however, is unclear as the City recently implemented a process that slows hiring for non-critical positions as a budget mitigation measure to balance the FY 2025 budget. This section discusses challenges and progress toward addressing the City's vacancy issues. More information is covered in the *Department Review* sections of this report.

### Request to Fill Process

On March 11, 2024, the Chief Operating Officer issued a memorandum requiring all departments to obtain Executive approval through a "Request to Fill" process prior to filling vacant positions. Departments are limited to requesting to fill vacancies for classifications/positions that meet the following criteria:

- Critical to operations
- Critical to public health/safety
- Necessary to meet regulatory requirements
- Specialized skillset

This process is implemented to slow down hiring and reduce personnel expenditures in order to fund other critical expenditures. Accordingly, the FY 2025 Proposed Budget includes personnel expenditure reductions across various departments to reflect

anticipated savings from this process. The budgeted savings assumes the "Request to Fill" process will be in place until the end of calendar year 2024. Departments' hiring activities are on hold except for positions that receive Executive approvals or exempted positions such as sworn officers. Consequently, vacancy rates may increase as staffing levels decrease through attrition.

### Progress on Filling Vacant Positions

#### Compensation Increases

Over the past several years, special wage adjustments and other compensation increases have been implemented to address compensation deficits across a large number of targeted positions. Departments can request special wage adjustments to help fill critical vacant positions. The Department of Human Resources, Department of Finance and City management have been considering such requests Citywide in an attempt to address the City's most urgent needs. For instance, the Department of Information Technology noted that special wage adjustments have resulted in an increased number of candidates in recruitment activities. The Engineering and Capital Projects Department noted that special wage adjustments have enhanced their ability to recruit highly qualified candidates. Given the City's limited resources and competing priorities, the City has been unable to increase compensation for all positions to desired levels at once. The endeavor to increase compensation to competitive levels is a multi-year effort that continues today.

Departments also use other programs to help fill vacancies. For example, the General

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## Key Citywide Issues: Departmental Vacancies

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Services Department successfully filled some positions using the City’s Apprenticeship program, which enables staff to fill certain positions once they graduate/become certified, such as HVAC technicians.

### Hiring Process Improvements

The City has made strides toward improving the hiring process and will continue to evaluate issues to achieve further improvements. The Human Resources and Personnel Departments provided several examples of improvements that have been made.

Improvements made by the Human Resources Department to assist in reducing the City’s vacancy rate include:

- Worked with departments to identify positions with high attrition rates that require year-round recruitment efforts.
- Collaborated with hiring managers to customize job descriptions that target the right candidates.
- Utilized LinkedIn and Handshake applicant sourcing platforms for targeted outreach.
- Improved interview practices, including use of cross-departmental interviews and smaller panel formats.

Cross-departmental interviews are part of Recommendation 1.6 in the [Performance Audit of the City’s Classified Employee Hiring Process](#), released by the City Auditor in July 2023.

- Leveraged career fairs to recruit entry level talent, resulting in immediate hires.
- Contacted individuals affected by layoffs

about opportunities within the City.

The Personnel Department has also been working on multiple efforts, and has over 40 upcoming process improvements planned. Some of the Personnel Department’s initiatives and hiring process improvements made in FY 2024 include:

- Expanded the Outstation Program<sup>1</sup> to include Environmental Services and Parks & Recreation, for a total of six supported departments.

Prior departments in the Outstation program were Development Services, General Services, Stormwater, and Transportation.

- Reduced the number of required forms for the hiring department interview process by consolidating and revising forms, as well as designating most forms as optional.

This initiative is in the pilot testing phase with the Library Department. It also addresses Recommendation 2.2 in the City Auditor’s audit of the hiring process.

- Launched the Personnel Change Request (PCR) approval workflow for new hires/re-hires via SAP, which will help expedite onboarding of employees.
- Updated 655 civil service class specifications (job descriptions).
- Expanded pre-employment medical exam appointments to include a Chula Vista location.
- Worked with various departments to conduct joint interview processes for several

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<sup>1</sup> The Outstation Program provides on-site assistance to hiring departments on myriad personnel issues including the development of screening criteria and interview processes, coordinating the screening of candidates and scheduling of interviews, and guiding candidates receiving conditional job offers through the pre-employment process.



# Key Citywide Issues: Departmental Vacancies

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job classes, including Equipment Operator II and Senior/Supervising Management Analyst (addressing Recommendation 1.8 in the City Auditor’s audit of the hiring process).

- Assisted departments with their job fairs and conducted informational sessions with departments and various community groups, to promote City employment opportunities and present information about applying for City positions.

In FY 2024 to date, the Personnel Department has attended 74 job fairs and employment information sessions as part of its recruiting program. Personnel has been collaborating with hiring departments to target specific job classes in their recruiting efforts; and hiring departments have been invited to attend job fairs as appropriate. Personnel assisted in three departmental job fairs, including two for the Police Department and one for the Public Utilities Department.

- Drafted a comprehensive hiring process guide for hiring Classified staff, currently under review by the Library Department (addresses Recommendation 2.3 in the City Auditor’s audit of the hiring process).
- Made presentations to various departments discussing Personnel’s peer-sourced improvements (based on departments’ suggestions), technology improvements, and planned future improvements.

In January 2024, a contract was executed with Partners in Public Innovation (PPi) to assist

the City in improving the process for hiring Classified staff. The project kickoff was February 26, 2024, with regular weekly meetings being held among the consultant and staff from the Human Resources and Personnel Departments, among others. PPi has begun review of the City’s related governing documents. In the coming months, PPi will be engaging frontline City staff to document hiring processes and proposing improvements. This approach should allow the City to more quickly consider and implement recommendations.

## Challenges with Hiring and Retention

### Lengthy Hiring Process

Over the past several years, some departments have noted that the lengthy recruitment and hiring process contributes to challenges filling vacant positions, with candidates accepting other job offers before the City’s hiring process is completed.

The prior section discusses initiatives that have been taken to address process challenges, including some, like the Outstation Program, that assist hiring departments in their portions of the hiring process. In FY 2023 the Mayor proposed additional resources for the Personnel Department, as part of the May Revision the Proposed Budget.<sup>2</sup> These additional resources included 6.00 FTEs to support the Outstation Program. There were also 3.00 FTEs added in the FY 2023 May Revision that directly impacted the Personnel Department’s turnaround of recruitment and delivery of certification lists to hiring

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<sup>2</sup> In FY 2023 to support the Personnel Department’s operations, the Mayor added twelve positions to the budget as part of the May Revision, including 3.00 FTEs directly impacting the Personnel Departments’ certification list KPIs: 2.00 FTEs for the Exam Management Section and 1.00 FTE for the Certification Section. The other positions included those for the Outstation Section (6.00 FTEs), the Recruiting Section (2.00 FTEs), and Equal Employment Investigations Office (1.00 FTE).

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## Key Citywide Issues: Departmental Vacancies

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departments. During FY 2023, despite the addition of 833.44 FTEs to the citywide Adopted Budget, the average days for issuing a certified list to departments when recruitment was needed dropped from 66 to 53 days. See the *Department Review - Personnel* section of this report, under Key Performance Indicators, for further discussion.

As mentioned, Human Resources and Personnel will be working with a consultant to study and make further improvements to the City's processes. The City should continue to monitor improvements made and the impact of those efforts.

### **Addressing Compensation Deficits**

From FY 2010 to FY 2018, the City negotiated agreements with its recognized employee organizations (REOs) that resulted in nine years of citywide freezes on general wage increases, excluding individual promotions and merit increases. There were also several reductions to retirement benefits, including pension and retiree healthcare plans. The general wage freezes from FY 2010 through FY 2013 were implemented in conjunction with an approximate 6% reduction in employee compensation.

In light of the City's recruitment and retention issues and high vacancy levels, the City has been negotiating with its REOs over the last several years to achieve more competitive compensation levels. These efforts have resulted in several years of general wage increases and special salary adjustments for a large number of positions. Recent and ongoing negotiations with the City's public safety REOs are expected to result in additional compensation increases for public safety employees in FY 2025. For a brief background on these recent negotiations, see the *General*

*Fund Expenditures Overview* section of this report, under "Personnel Expenditures (PE)".

In January 2022, the City Council adopted the City's [Compensation Philosophy](#), which states that the City endeavors to pay at least the market median compensation for comparably situated public employees. Further, the Compensation Philosophy states that the "City's goal is to move toward the market median for all classifications that are currently under the market median."

Recently completed total compensation surveys have shown improvements in overall City compensation, but the City's salary levels for some employees are still lower than median levels for surveyed California public agencies (including comparable cities in California and the County of San Diego). It will be important to monitor whether recently approved compensation levels achieve the City's goals.

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## Key Citywide Issues: Equity

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# Equity

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*Equity occurs when we eliminate institutional racism and system disparities, providing everyone with equitable access to opportunity and resources to thrive, no matter where they live or how they identify.*

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The City is working to ensure that consideration of equity, as defined by the Department of Race and Equity above, is incorporated into all levels of the City's operations and decision-making. The FY 2024 Adopted Budget represented the first time the City used a process to incorporate equity as a core consideration in budget development. Efforts have focused on educating and helping departments create Tactical Equity Plans that set goals for providing services and that identify actions departments can take to eliminate equity gaps.

The FY 2025 Proposed Budget continues the inclusion of the Budget Equity Impact Statement for each department which communicate how the budget may or may not be being used to address disparities. Specifically, it includes: 1) equity highlights for the current fiscal year, and 2) a Budget Equity Lens Summary which addresses whether there are opportunities to adjust a department's ongoing operations to address a disparity and whether budget adjustments address a disparity. It is apparent through these statements that departments across the City have dedicated significant and genuine thought to their operations and how they relate to disparities within both underserved communities and the City workforce.

However, FY 2025 is a particularly difficult budget year, as significant one-time federal COVID-19 related resources have been exhausted and the City has many ongoing expenses that were funded with one-time

resources, creating a structural budget deficit. Therefore, the FY 2025 Proposed Budget includes very few programmatic additions in the operating budget and many expenditure reductions, many of which had funded equity initiatives. It should be noted that departments can still adjust ongoing operations and their base budgets to address identified disparities. In this section, we summarize the equity impacts of the FY 2025 Proposed Budget from a citywide perspective.

### **Analysis of Equity Investments in the Proposed Budget**

#### **Budget Additions**

Although there are relatively few budget additions, one significant feature of the Proposed Budget is an equity investment applied citywide through the Employ and Empower Internship Program discussed below.

#### *Employ & Empower Internship Program (Budget Neutral)*

The Employ & Empower Internship Program, launched in 2022, supports paid internships for approximately 500 youth (ages 16-30) annually, to build a pipeline of future public employees. The internships are spread among various City departments. The Program focuses on providing opportunities to individuals from underserved communities and backgrounds. Employ & Empower is managed by the Human Resources Department, including four staff members dedicated to the Program.

# Key Citywide Issues: Equity

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Human Resources shared that as of April 17, 2024, 815 youth have interned across 40 City departments, with 80% of those living or going to school in a community of concern. Of the 815 interns, 358 have completed the internship program; and of those, 64, or 17.9%, have transitioned to permanent City employment.

The City's Employ & Empower Internship Program is reimbursable from a Californians-ForAll grant. For the most recent allotment of funding to the City, Human Resources applied for and received \$7.6 million, to be utilized between July 1, 2024 and December 31, 2025.<sup>1</sup> A second round of funding and six-month extension to June 30, 2026 is anticipated but has not yet occurred.

Although 815 youth have entered internships, there was only a relatively small number of FTEs budgeted for the Program's hourly interns prior to the FY 2025 Proposed Budget. Because they are primarily in hourly part-time positions, most interns only represent a fraction of an FTE. Additionally, in FY 2024, only 14.73 hourly FTEs were budgeted for the Employ & Empower internships – including 7.50 for Human Resources, 6.00 for Stormwater, and 1.23 for Sustainability & Mobility.<sup>2</sup> The City utilized supplemental (unbudgeted) hourly positions to hire most interns; however, program expenditures were considered

cost neutral to the City because the internships are grant-funded.

The FY 2025 Proposed Budget includes the addition of \$5.9 million and 142.91 hourly Management and Student Intern FTEs for the Employ & Empower Program, including \$5.3 million and 127.39 FTEs in the General Fund.<sup>3</sup> Together with budget for the Program that was carried forward from FY 2024, the FY 2025 Proposed Budget includes about \$7.5 million and 166.50 FTEs, of which \$6.8 million and 149.12 FTEs are for the General Fund. Budgets for the Employ & Empower Program are spread over various departments.

## *Additional Notable Increases*

The Proposed Budget includes the following notable equity investments totaling \$18.7 million. These are briefly noted below, and described in more detail in the applicable *Department Reviews* in this report.

### \$9.0 million – Citywide Development Impact Fees (DIF) for Communities of Concern

In the Capital Improvements Program (CIP) budget, \$18.0 million in citywide DIF (non-General Funds) is proposed, of which at least \$9.0 million has been identified to go towards capital improvements in Communities of Concern (e.g. parks, pool, and road improvements).<sup>4</sup> Implementation of the Citywide DIF programs has enabled the City to use citywide

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<sup>1</sup> The City received its initial grant for the Employ & Empower Internship Program with a total award of \$18.6 million to be utilized between July 1, 2022 and September 30, 2024, including a three-month extension. The City's reimbursement requests to the State for the July 1, 2022 through December 31, 2023 timeframe total \$6.8 million.

<sup>2</sup> Additionally, there are 3.00 FTEs carried forward from FY 2024 which are in "non-hourly" (standard hour) Management Trainee positions. These 3.00 positions act as "Digital Navigators", assisting residents as part of the SD Access 4 All program.

<sup>3</sup> During our review we noted that 1.50 FTEs for Employ & Empower interns in the General Fund were erroneously budgeted in "non-hourly" (standard hour) positions, rather than hourly positions. These are anticipated to be corrected in the May Revise; we included them in the total hourly additions.

<sup>4</sup> Typically, Communities of Concern are defined using the Climate Equity Index, however given the limited time for this report, we were unable to verify all projects qualify using the Climate Equity Index. Instead, we identified all projects in Districts 4, 8, and 9 and also included \$1.7 million in Citywide Park DIF dedicated to park deficient communities. Additional projects could be in other districts that are in Communities of Concern based on the index.

# Key Citywide Issues: Equity

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DIF to supplement community-based DIF in various communities. This is the first time citywide DIF has been budgeted in the Proposed Budget since approving the policy change.

## \$7.6 million – New Homelessness Programs

Another significant increase to the FY 2025 Proposed Budget is \$7.6 million for a new permanent homeless shelter, a new safe parking program at H-Barracks, and an expansion of a family shelter. This funding would expand access to resources for all individuals experiencing homeless as well as address the needs of specific homeless populations.

## \$1.8 million – Tree Planting, Transportation Department

Tree planting and maintenance within Communities of Concern will increase in FY 2025, while tree planting activities outside of these communities will cease for at least one year. Funding is a result of the City's recent settlement with the Air Pollution Control District and a federal grant.

## \$167,000 – Reduced Revenue for the 50/50 Sidewalk Program

Reduced General Fund revenue for the Transportation Department is associated with the overhaul of the program to incentivize private parties to repair their respective sidewalks through a self-certification process and a permit fee holiday. Crews that previously worked on the cost share program were redirected to address sidewalk repairs in Communities of Concern.

## \$167,000, 1.00 FTE – Program Coordinator for Your Safe Place

Operated by the City Attorney's Office, Your Safe Place provides emergency services and crisis intervention to vulnerable populations experiencing abuse, violence, and trafficking. This position will develop and manage

programs including volunteer onboarding, client wellness, hygiene drives, and a training program. The position's costs are offset by revenue.

## **Budget Reductions**

When reviewing the FY 2025 Proposed Budget, a key focus for our Office was assessing how budget mitigations and reductions were applied and their impacts to the City's equity efforts. Altogether, we identified \$36.8 million of reductions that are anticipated to negatively impact the City's equity efforts. These are briefly noted below, and described in more detail in the applicable *Department Reviews* in this report.

- \$15.0 million withheld from the San Diego Housing Commission to the extent this prevents funding from being included in a Notice of Funding Availability to be used to create affordable housing for low-income households or impacts other homelessness programs. It is currently unclear how the Housing Commission will implement this reduction.
- \$8.5 million associated with waiving the minimum Climate Equity Fund contribution, which could have otherwise been spent on capital improvements to parks, sidewalks, and traffic signals that enable underserved communities to better respond to the impacts of climate change. (\$1.5 million in Climate Equity Funds is being proposed for a stormwater project in District 9.)
- \$5.8 million associated with waiving the transfer of Tailgate Park sale proceeds to the Bridge to Home program to be used to create affordable housing for low-income households.

## Key Citywide Issues: Equity

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- \$3.1 million associated with the elimination of the Community Equity Fund and transfer of fund balance to the General Fund.
- \$1.0 million associated with elimination of the Youth Care and Development Pilot Program in FY 2024 to increase Excess Equity for use in FY 2025.
- \$902,000 and 13.03 FTEs associated with the elimination of all After School and Teen Center Programs which primarily serves youth in underserved communities.
- \$744,000 in reduced funding for the Day Center and Interim Housing for Homeless Adults.<sup>5</sup>
- \$562,000 and 3.00 FTEs associated with the elimination of the Office of Immigrant Affairs which could reduce the ability for immigrants to get connected to the resources.<sup>6</sup>
- \$417,000 and 3.00 FTEs associated with the elimination of the Cannabis Social Equity and Economic Development (SEED) Program that would have offered eligible equity applicants technical support, regulatory compliance assistance, and assistance with securing capital necessary to begin a business.<sup>7</sup>
- \$250,000 in non-personnel expenditures associated with the No Shots Fired Intervention and Prevention Program is proposed for reduction. This program, which was originally piloted in FY 2022 and funded on an ongoing basis in the FY 2023 Adopted budget, provides outreach and resources to known gang members and offers opportunities for them to exit gang culture and life.
- \$78,000 associated with the reduction of recreation programming for “Come Play Outside” for all sites located in Community Parks I, which currently includes the Linda Vista and Serra Mesa Recreation Centers; this funding supports low to no cost specialty camps (e.g., skate camps, tennis camp, art and robotic camps), classes and youth leagues, and supports park repairs such as basketball court resurfacing, lighting, and turf renovations.<sup>8</sup>
- \$57,000 reduction of non-personnel expenses for the SD Access 4 All digital literacy training which is provided by the San Diego Futures Foundation. Department of IT officials noted that the decrease is anticipated to result in a 90% reduction in services and classes being eliminated at

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<sup>5</sup> Although funded at FY 2024 levels, the Housing Instability Prevention Program (HIPP) would have insufficient funding to assist currently enrolled households at the proposed funding levels, according to the San Diego Housing Commission. HIPP provides up to two years of financial assistance to households experiencing housing instability to prevent homelessness, and typically participants represent racial and ethnic groups most likely to be disproportionately impacted by homelessness. Additionally, there was an unfunded request for the Multidisciplinary Outreach Team. The program is being supported with other resources in FY 2024 which will not be available for FY 2025.

<sup>6</sup> Impacts may be mitigated by relying on the County, as the leader of immigrant efforts in the region, as well as other existing City staff such as the Mayor’s Global Affairs Team in partnership with the Department of Race and Equity and the Government Affairs Department.

<sup>7</sup> Elimination of this program is also expected to require the City sending \$883,000 in grant funds back to the State.

<sup>8</sup> While all funding for Community Parks I is proposed to be eliminated, \$336,000 in funding from the General Fund for Community Parks II locations is maintained. In addition to this funding, \$375,000 in funding from the Opportunity Fund is anticipated for FY 2025, and approximately \$455,000 is expected from the County of San Diego for the “Parks After Dark” program which is held at four sites, including City Heights, Memorial, Linda Vista, and Skyline.

# Key Citywide Issues: Equity

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most sites. Additional requests were also unfunded.<sup>9</sup>

- \$50,000 reduction in external contracts for the Office of Child & Youth Success would result in less community outreach and fewer focus groups and workshops provided to youth, such as the college and career readiness workshops.
- \$31,000 reduction for Department of Race and Equity external contract expenses which was planned to be used to award grants to community-based organizations that would provide race and equity training on behalf of the City to outside organizations and City boards.

Although not technically a reduction, the Proposed Budget does not include funding to continue the Eviction Prevention Program, which provides education and legal services for low-income renters facing eviction. The program was initially funded in FY 2022 (\$5.0 million) in response to the expiration of statewide pandemic-related eviction protections. The FY 2024 Adopted Budget included \$3.0 million on a one-time basis to continue the program for FY 2024. No funding is proposed for FY 2025.

## Issues for Council Consideration

### Tension Between Funding Core Services and Maintaining Equity Investments

As noted, over the last several years, the City has made notable investments in equity efforts, addressing disparities both within the City workforce and throughout the City's neighborhoods. Many of these efforts used or dedicated additional funding to address disparities and promote equitable outcomes. The City has also adopted policies that help ensure new expenditures are made with the consideration of how to ensure historically neglected communities receive a fair share of City resources and programming moving forward.

This is an appropriate way to address equity goals in a context of increasing or abundant resources – those parts of the City that have been neglected should receive a significant portion of new resources. In the context of decreasing or limited resources, however, questions of equity should shift from 'where can additional resources do the *most* to address or reduce disparities' to 'where will cuts or budget reductions do the *least* to increase existing or long-standing disparities.'

Many of the investments and equity-informed decisions of the past several years were made in the context of adding expenditures and programming. The City's financial position moving into FY 2025, however, is different, and cuts to various City programs and

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<sup>9</sup> Unfunded requests: \$227,000 to support the Public Library Hotspot and Chromebook Lending program, which is needed to address AT&T's planned FY 2025 price increases of 49% per unit. Department of IT noted there will be a 25% reduction of inventory due to cost increases if no additional funding is found. \$500,000 needed to continue Public Wi-Fi services at 59 Parks and Recreation sites. Wi-Fi for these sites was originally funded by the Parks Foundation (\$1.4 million for infrastructure and services). No replacement funding has been identified at this time.

## Key Citywide Issues: Equity

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expenditures are needed to ensure the City adopts a balanced budget. As shown above, the Proposed General Fund Budget was, in significant part, balanced by reversing several equity investments in order to fund other significant budget drivers such as employee compensation, pension costs, and an expansion of homelessness programs, as well as to avoid making cuts to other core City services.

Our Office has compiled a list of all significant budget additions and reductions so that Council can clearly weigh the tradeoffs associated with each. We have also compiled a preliminary list of possible options for Council to modify the Budget to restore any of the equity reductions listed above, or to fund any other high priority item. This information is located in the *Major Additions, Mitigations, and Modification Options* section of our report.

### **Tracking Performance of Equity Progress**

As the City continues incorporating a budget equity lens into its budget process and makes corresponding equity investments, the City should see incremental progress made on closing equity gaps. According to the Budget Equity Framework section in Volume I of the budget: “In partnership with the Department of Race & Equity and the Performance & Analytics Department, City departments will use a data-driven approach to track and measure how their work impacts equity gaps.” According to staff, departments will report outcomes in Tactical Equity Plans and update their Key Performance Indicators to track this progress. A publicly accessible dashboard where department Tactical Equity Plans will be displayed is anticipated to be available by the release of the FY 2025 Adopted Budget in June. This will be a significant and positive development because although efforts have been

made in revising Key Performance Indicators this year to be more outcomes based, it remains difficult to quantify the impact of equity investments, policies, and progress to date. We recognize this is made especially difficult given the many reductions in the FY 2025 Proposed Budget to equity initiatives. It will nevertheless be important to measure the impact of equity investments, including within departments’ base budgets, in addressing disparities. The actual impact of these investments will ultimately be as important to measure as the total dollar amount of those investments. Clearly defined disparities, desired outcomes, and metrics will help in this evaluation.

The Government Finance Officer’s Association (GFOA) offers insights on budget equity, including key strategies such as focusing on metrics when defining equity, and identifying transparent reporting methods to determine the success of strategies implemented. Another key suggestion is using preexisting data to define disparities quickly and clearly, while concurrently undertaking more resource intensive data-collection efforts. As an example of a potential metric, Arlington County, Virginia identified disparities in life expectancy across neighborhoods, and continues to use high quality, readily available data from the Census in a publicly available data dashboard to monitor long-term progress towards eliminating disparities.



# Homelessness and Housing

## Homelessness

As of the region's Point-in-Time Count in January 2023, there were a total of 6,500 sheltered and unsheltered homeless individuals. This represents an increase of 35.4% from the count in 2022. Similarly, unsheltered homelessness grew by 31.7% based on the count.

In October 2019, the City Council approved the Community Action Plan on Homelessness (Community Action Plan), giving momentum to systemically address homelessness. The Action Plan includes three goals to be achieved in three years, recommended actions, and key strategies. Goals included decreasing unsheltered homelessness by 50% and ending veteran and youth homelessness.

In November 2023, Council heard the Community Action Plan Update (Update), reflecting progress since the initial plan's release and changes due to the pandemic. According to the Update, the City has made progress by adding 900 shelter beds, 650 rapid rehousing options, and over 3,800 supportive housing beds, but the overarching goals related to reducing homelessness remain more challenging, largely due to setbacks from the pandemic. The Update also identified the need for \$280.0 million annually above current spending levels to support between 465 and 920 new shelter beds, as well as 2,700 diversion, 1,485 prevention, 3,080 rapid rehousing, 3,520 supportive housing, and 340 low-income housing resources.

Looking forward to FY 2025, addressing homelessness remains a top priority for both the Mayor and City Council, even in the face of a challenging budget environment. It will be important to understand changes in the updated Community Action Plan, track progress on implementing the goals identified in the Update, and report on program outcomes and

trends to ensure what the City is doing is working. Particularly given the City's limited budget resources, every existing and new investment should be scrutinized, and various alternatives explored to determine the best set of solutions to address the persistent and complex issue of homelessness. It will be crucial to determine how to best balance addressing immediate rising homelessness and other key components of the homelessness services continuum, particularly prevention, diversion, and permanent housing. Our Office looks forward to deeper discussions on how the City can best navigate these challenging budget times and ensure the City's investment of scarce resources can be most impactful.

Our department review of the Homelessness Strategies and Solutions Department includes significant additional detail on FY 2025 investments to address homelessness. Briefly, the Proposed Budget includes \$55.5 million from the General Fund for the Department to support the City's homelessness efforts. Among other proposals such as a 1,000-bed shelter expansion and a new 200-space Safe Parking program, the Proposed Budget includes a one-time \$15.0 million budget reduction from the allocation provided to the San Diego Housing Commission to administer the City's shelter programs. As of this writing, it is unknown how the Housing Commission will implement this reduction and whether there will be impacts to existing service levels. Our department review provides potential options for Council consideration – see the *Homelessness Strategies and Solutions Department* section for more details.

## Housing

In 2020, the City of San Diego's Regional Housing Needs Allocation goals were updated

## Key Citywide Issues: Homelessness and Housing

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to add 108,000 new units by 2029. Of this total, 10,346 units, or 9.6% of the total needed, were built since 2021 according to the City's 2023 Annual Report on Homes. In recent years, the City has made significant efforts to address the housing affordability crisis with a number of proposals as well as investments in affordable housing. For instance, Complete Communities projects meet specified affordable housing requirements as an incentive to build higher density projects near transit. On January 11, 2023, the Mayor signed Executive Order 2024-1 intended to streamline the permitting and approval process by setting a 30-day requirement to complete all project reviews, along with other specified actions.

That noted, housing *affordability* remains an issue. As outlined in Volume 1 of the Proposed Budget, the City of San Diego's 12-month median home price increased by 3.2%, from \$847,563 in 2022 to \$874,813 in 2023. In calendar year 2023, the number of homes sold declined by 22.2%, from 13,198 homes in 2022 to 10,266 in 2023. Due to a series of interest rate increases enacted by the U.S. Federal Reserve, average mortgage interest rates have increased, resulting in a slow-down in home sales.<sup>1</sup> Higher interest rates and high median home prices have led to potential homebuyers being unable to afford to purchase new homes (i.e. being priced out of the housing market), and have deterred potential sellers who might need to lower the asking price on their current home and then face higher interest rates when looking to buy a new home – overall slowing down the City's housing market and negatively impacting access to affordable housing.

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<sup>1</sup> Federal Reserve Economic Data (FRED), 30-Year Fixed Rate Mortgage Average in the United States, Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/graph/?g=NUh>, Accessed April 19, 2024.

# Infrastructure Funding Needs

### Significant and Growing Capital Funding Gap

The [FY 2025-29 Capital Infrastructure Planning Outlook \(CIP Outlook\)](#) projects that capital infrastructure needs will exceed available funding by \$4.8 billion over the next five years. The CIP Outlook also reports longer term needs of \$6.5 billion in a new “FY 2030 and Beyond” category. Compared with the first [FY 2016-20 CIP Outlook](#), the funding gap has almost tripled, growing from \$1.7 billion to \$4.8 billion. It is clear the City’s total capital needs – and the gap between those needs and funding available – continue to grow.

The significant gap is largely due to the City’s continuing lack of an ongoing, flexible stream of revenue for its infrastructure. This has led to ongoing deferral of needed projects and resulted in continued aging and deterioration of existing assets. It has also resulted in significant funding required for more expensive, emergency projects when assets fail. As an example, funding for stormwater emergency projects averaged about \$20.0 million a year since FY 2020, but grew to \$48.1 million in FY 2024. The Proposed CIP Budget includes \$79.1 million is for emergency or high-risk projects resulting from storms. Ultimately, from FY 2020-2025, the City will have allocated \$206.6 million for stormwater emergency projects. Had the City had the resources to more effectively and proactively maintain its stormwater infrastructure, the need for these costly emergency projects would have been reduced.

### Impacts on the CIP from Operating Budget Balancing Measures

The FY 2025 Proposed CIP Budget of \$871.9 million is the largest ever for the City. Even so, DOF and E&CP officials noted their concerns with current funding limitations and uncertainty of funding in future years. These concerns impacted the approach, leading *existing* projects being strongly prioritized for funding rather than *new* projects (in some cases, even if new projects had a higher priority score).

Mitigating actions to balance the operating budget have impacted the CIP as well. The budget proposes strategic use of the \$19.7 million Infrastructure Fund dollars to fund maintenance for Transportation (\$11.1 million), Stormwater (\$4.8 million), and Facilities Services (\$3.0 million) in the operating budget rather than capital projects.<sup>1</sup> While it has not provided large amounts of funding relative to the City’s CIP needs, the Infrastructure Fund has been a flexible source used in prior years to fund General Fund capital projects such as parks, libraries, and fire stations. DOF officials indicated that capital projects that otherwise could have been funded by the Infrastructure Fund could be considered for bond financing.

In addition to the Infrastructure Fund, the Climate Equity Fund (CEF) has been a flexible funding source for General Fund capital projects since it was created by the City Council in March 2021.<sup>2</sup> The FY 2024 Adopted Budget included \$9.4 million from the CEF for capital improvements to parks, sidewalks,

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<sup>1</sup> Contributions to the Infrastructure Fund were waived in FY 2021 and in FY 2022 due to revenue decreases related to the COVID-19 pandemic and to help balance the City’s operating budget. This was in addition to de-appropriating \$9.3 million in General Fund contributions from various CIP projects as a way to mitigate the deficit in the FY 2020 operating budget, which led to delays to capital projects that lacked alternative funding sources.

<sup>2</sup> The CEF provides annual funding for infrastructure projects in underserved communities (within an area that scores between 0 and 60 on the Climate Equity Index) to effectively respond to the impacts of climate change, such as projects that reduce greenhouse gas emissions, enhance safety in the public right-of-way, and relieve congestion.

# Key Citywide Issues: Infrastructure Funding Needs

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and traffic signals. The CEF is reduced to \$1.5 million in the Proposed Budget (all for stormwater green infrastructure projects), with an \$8.5 million transfer that would have otherwise gone to the CEF instead being put into the General Fund as a mitigation action.

Additionally, as a budget balancing measure, the City is planning to de-appropriate \$25.0 million in cash funded capital projects, and to replace that amount with bond financing. This action will be part of the FY 2024 Year-End CIP Budget Monitoring Report (which will be presented to the Active Transportation and Infrastructure Committee on May 22, 2024). Cash will go to General Fund balance and be used as Excess Equity to mitigate the FY 2025 budget deficit.<sup>3</sup> The swap will not cause delays to the projects since it will occur as one item; however, this will add \$25.0 million to the City's bond financing needs.

Given tight financial constraints in the City, bond financing is heavily relied upon in the FY 2025 Proposed CIP Budget to fund General Fund infrastructure projects, as it provides a flexible, unrestricted funding source to support capital projects. However, absent new revenue, the City's capacity to continue issuing General Fund-backed bonds will be limited, as will be discussed.

## Increased Reliance on Bond Financing and Related Issues

The largest source of funding for the Proposed CIP Budget, besides Water and Sewer Funds, is an increased use of General Fund-supported debt financing, totaling approximately \$169.6 million, or 19.5% of total Citywide funding. The proposed project allocations for this funding primarily includes street resurfacing and reconstruction (\$79.7 million) and flood resilience infrastructure (\$75.2 million).

As our Office has noted previously, General Fund-supported financing (i.e., lease revenue bonds) is not an unlimited resource; continued use is largely constrained by two primary limitations: (1) the sufficiency of General Fund revenue to support additional debt (as evaluated by the City's [Debt Policy](#) identified Debt Ratios); and (2) the City's capacity to spend down borrowed proceeds. Both of these constraints are at, or close to maximum thresholds based on assumptions that were included in the most recent [Five-Year Financial Outlook \(Financial Outlook\)](#). In total, the Financial Outlook included projected debt service costs associated with \$822.0 million in new General Fund Lease Revenue Bond (LRB) issuances over the next five years, including \$288.0 million to meet matching fund requirements for the City's Stormwater Water Infrastructure Finance and Innovation Act (WIFIA) Loan. The overall amount and frequency of non-WIFIA related debt issuances (\$534.0 million) was based on E&CP's current rate of CIP spending (the second of the two limitations described above).

The City has been appropriating future bond financing to projects for the past several years, which has resulted in a significant backlog of projects awaiting financing. To date, approximately \$457.5 million has already been appropriated for various CIP projects in anticipation of future, yet-to-be-issued financing proceeds.<sup>4</sup> An additional \$194.6 million will be added to this should the City Council approve the proposed \$25.0 million mitigation action described above, and the \$169.6 million assumed in the Proposed CIP Budget, which will bring the total amount to \$652.2 million. This overall total exceeds the maximum amount of non-WIFIA related debt (\$534.0 million) that the Outlook assumed could be issued over the next five fiscal years based on

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<sup>3</sup> Excess Equity (as defined in the City's [Reserve Policy](#)) is Unassigned Fund Balance that is not otherwise designated as General Fund Reserves and is available for appropriation.

<sup>4</sup> This amount includes the remaining CIP and equipment/vehicle appropriations that are to be financed with future debt (bonds/ commercial paper proceeds), when it occurs.

# Key Citywide Issues: Infrastructure Funding Needs

Debt Policy Identified Debt Ratios						
Projected Over the Most Recent Five-Year Financial Outlook Period - FY 2025 - 2029						
Metric	Debt Policy Goal	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Debt Ratio <sup>(1)</sup>	< 10%	4.4%	5.6%	6.0%	6.7%	6.2%
Debt Ratio + Pension/OPEB <sup>(2)</sup>	< 25%	22.9%	24.2%	24.1%	24.7%	21.1%

(1) Reflects total annual General Fund supported debt obligations as a percentage of available revenues.

(2) Pension costs include changes made to the City's unfunded pension liability amortization methodology which were approved by the SDCERS Board in March 2024.

Source: Department of Finance, Debt Management Division

E&CP's ability to spend down financing proceeds. Our Office has concerns with earmarking debt proceeds this far in advance, especially considering that this timeframe is beyond the four-year terms of elected City officials.

As shown in the table above, the City's projected Debt Ratio, based on the debt issuance assumptions in the Outlook and updated following the release of the Proposed Budget, remains below the 10% threshold, which suggests additional borrowing is reasonable and within the Debt Policy's 10% goal. Using this ratio, the City has a reasonable amount of outstanding debt. However, when the City's annual pension and OPEB obligations (which have significantly increased in recent years) are included, the City is projected to approach the Debt Policy's 25% limit.<sup>5</sup> Given that the amount of debt anticipated to be issued is already maximized under the Financial Outlook, the addition of \$194.6 million in new General Fund CIP appropriations that are intended to be financed will not necessarily impact the City's Debt Ratios over this period of time. Projecting impacts beyond five-years is difficult given the outsized impact of the City's pension payment on Debt Ratios.

## Need for Financing Strategy with New Revenue

The City faces significant resource and budgetary challenges, both with the \$4.8 billion funding gap in the CIP Outlook and the projected operating deficits in the most recent Financial Outlook. The Proposed Budget includes reductions and efficiencies to mitigate the operating deficit, which have reduced the amount of funds the City has available to spend on capital projects.

For FY 2025, the CIP Outlook identified \$802.0 million for projects that support General Fund capital infrastructure, including transportation, safety and mobility projects, parks, and buildings. The Proposed CIP Budget appropriates \$279.1 million for these projects, \$522.9 million less than the identified needs. It is evident that existing revenue sources are not sufficient to address the City's infrastructure needs.

Without new funding sources, many needs identified in the CIP Outlook will not move forward. As we concluded in our [Review of the FY 2025-29 CIP Outlook](#), having an accurate, executable capital plan is a foundation for beginning to address the City's infrastructure needs, but that plan must be followed by securing the resources and revenues needed to implement it. Developing a holistic financing plan – including additional revenues –

<sup>5</sup> It is important to note that exceeding the Debt Policy's 25% goal does not preclude the City from borrowing additional funds, but it is an important consideration as the City's annual long-term fixed costs are growing as a percentage of the City budget thereby limiting the City's ability to address other public service needs going forward.

# Key Citywide Issues: Infrastructure Funding Needs

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continues to be needed to address the significant and growing capital funding gap.

Notably, the City is currently considering placing a general sales tax measure and a stormwater parcel tax measure on the November 2024 ballot.<sup>6</sup> If successful, both of these measures could provide critical funding for the CIP. For example, a 1% increase to sales tax would double the amount of sales tax revenue the City receives and generate roughly \$392.7 million per year based on the FY 2025 Proposed Budget projections. This could both address projected operating deficits and provide additional capacity to issue capital bonds for needed infrastructure projects which could begin to meaningfully address the City's infrastructure backlog.

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<sup>6</sup> Additional information on the proposed sales tax is included in [IBA Report 24-08 Effective Capital Planning, Financing, and Capital Improvement Program \(CIP\) Delivery](#). Information on the parcel tax and Stormwater needs and potential funding sources is included in [IBA Report 21-04 Analysis of the Stormwater Division Funding Strategy Report](#).

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## Key Citywide Issues: Pension

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# Pension

This section includes the following topics:

- Defined benefit (DB) pension overview
- FY 2024 to FY 2025 increase to the DB Actuarially Determined Contribution (ADC)
- Future ADC considerations
- Unwinding Proposition B

### **DB Pension – Overview**

#### Proposed Budget

The FY 2025 Proposed Budget includes \$489.6 million for the ADC, which is the City’s DB pension contribution requirement. This is an increase of \$41.4 million from the FY 2024 Adopted Budget amount of \$448.1 million.

The General Fund portion of the FY 2025 budgeted payment is \$354.9 million – an increase of \$29.9 million from the FY 2024 Adopted Budget of \$324.9 million. The General Fund portion represents 72.5% of the FY 2025 citywide budgeted payment.

The ADC is 8.7% of total FY 2025 budgeted expenditures for the City and is 16.5% of budgeted expenditures for the General Fund.

The budget amounts are based on the draft FY 2023 actuarial valuation which was presented as an information item to the SDCERS<sup>1</sup> Board of Administration by its actuary, Cheiron, on January 12, 2024. The valuation determined the citywide ADC would be \$526.6 million.

However, Cheiron also presented an amortization policy study, which included several scenarios for changing the amortization method related to the pension’s unfunded liability. On March 8, 2024 the Board approved changing the amortization method for the non-police employees’ portion of the unfunded liability from a level dollar to a level percentage of pay methodology.<sup>2</sup> This change is anticipated to decrease the \$526.6 million ADC presented in January by \$37.0 million, to \$489.6 million, which is the amount included in the Proposed Budget. A revised actuarial valuation is anticipated to be presented for final Board approval on May 10, 2024.

#### Additional Valuation Information

The draft FY 2023 actuarial valuation shows that the pension system’s Unfunded Actuarial Liability (UAL) totals \$3.36 billion as of June 30, 2023 – up from \$2.84 billion the prior year. The City’s pension system liability as of June 30, 2023 is funded at a rate of 74.3% – a decrease from 76.0% at June 30, 2022. The funded ratio decreased because the actuarial value of system assets grew by 7.9% which was less than the liability growth of 10.4%. The liability growth was largely associated with the assumed increase to eventual pension payments because of higher salary increases than expected and changes in actuarial assumptions, as will be discussed below.

### **Increase to the DB ADC**

As mentioned, the FY 2025 ADC budget of

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<sup>1</sup> SDCERS is the San Diego City Employees’ Retirement System.

<sup>2</sup> The Proposition B measure, approved by voters in June 2012, closed the SDCERS pension plan to non-police (and police recruit) new hires – for additional details see the [IBA’s FY 2023 Proposed Budget Review](#) under the *Pension* section. With the unwinding of Proposition B, the pension is now open to non-police employees. Changing the amortization method for the non-police portion of the unfunded liability to a level percentage of pay method reestablishes the method that was in place before Proposition B closed the plan to new non-police employees, making it consistent with the methodology used for the rest of the pension system.

## Key Citywide Issues: Pension

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\$489.6 million is \$41.4 million higher than FY 2024. Changes to the ADC are generally related to two types of factors:

- Changes to actuarial assumptions
- Experience gains and losses (differences between FY 2023 actual results and what was assumed in the FY 2022 valuation)

The *net \$41.4 million increase to the ADC* includes several offsetting components, the largest of which include:

- **\$53.3 million increase** related to a net liability experience loss, largely due to salary increases that were higher than anticipated in the FY 2022 valuation
- **\$23.1 million increase** related to changes in assumptions, which are based on recommendations resulting from the most recent actuarial experience study,<sup>3</sup> which covers FY 2016 through FY 2022

Of the assumption changes included in the valuation, the cost-of-living adjustment (COLA) caused the most significant increase to the ADC. Changes were also made to price and wage inflation assumptions, as well as demographic assumptions.

- **\$4.5 million increase** related to the phasing-in of prior years' investment experience that was not fully included in prior ADCs (The City's valuation utilizes a smoothing method, where asset gains and losses are not recognized immediately, but rather are phased-in to mitigate ADC volatility.)
- **An offsetting \$37.0 million decrease**

related to changing the amortization method for non-police employees, as previously discussed

- **An offsetting \$2.4 million decrease** related to investment returns and member contributions that were greater than expected

### Future ADC Considerations

Two areas of potential future impacts that could affect future ADCs include:

- Experience gains or losses – for instance, if the FY 2024 actual investment return ends up being either higher or lower than the 6.5% return assumed in the FY 2023 valuation, there will be an investment experience gain or loss – which would be a factor that decreases or increases the FY 2025 ADC accordingly.

More specifically, although SDCERS maintains that its diversified portfolio may mitigate a market correction's impact, a significant stock market decline as of June 30, 2024 could have an increasing effect on the FY 2026 ADC. The impact of actual investment returns for FY 2024 will likely be known by December 2024 or January 2025.

- Assumption changes – economic and demographic assumptions are anticipated to be reviewed by the actuary and SDCERS Board every three years through an "experience study".

Assumption changes resulting from the most recently completed experience study (that included the FY 2022 actuarial valuation) were implemented in the FY 2023 valuation. The next experience study (which includes the FY 2025 valuation) is

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<sup>3</sup> An experience study involves historical analysis of pension plan assumptions and a consideration of future expectations and trends, including the rate of investment return, salary inflation, and retirement and mortality rates. The plan experience study is the basis for the actuary's recommended changes to the plan's actuarial assumptions.



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## Key Citywide Issues: Pension

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expected to be completed in the summer of 2026. Any resulting recommendations from the study would impact the FY 2026 valuation, which determines the FY 2028 ADC payment.

Because of the complexity of pension system variables, the total of *all* impacts to the FY 2026 ADC will not be known until the FY 2024 valuation has been completed.

### **Unwinding Proposition B**

A brief description of the June 2012 Proposition B and its unwinding is included in the FY 2025 Proposed Budget. The discussion (titled Proposition B Status) begins on page 65 (pdf page 37) of the Citywide Budget Overview section, which can be found using the following link: [https://www.sandiego.gov/sites/default/files/pb\\_v1cbo.pdf](https://www.sandiego.gov/sites/default/files/pb_v1cbo.pdf).

The unwinding of Proposition B is mostly complete. Eligible active employees who were affected by Proposition B have been transferred into SDCERS and associated costs have either been paid upfront or are being paid as part of the annual ADC as required by SDCERS. Additional details on the costs to unwind Proposition B for active eligible employees can be found in the FY 2024 Adopted Budget, Citywide Budget Overview, on page 62 (pdf page 34) using the following link: [https://www.sandiego.gov/sites/default/files/fy24ab\\_v1cbo.pdf](https://www.sandiego.gov/sites/default/files/fy24ab_v1cbo.pdf)

There are additional unwinding cost impacts related to affected employees who are no longer employed with the City, for which the City has preliminary estimates. These costs include an estimated \$316,000 in FY 2024 for a court-ordered interest penalty. The estimated costs also include \$2.6 million for the pension shortfall (unfunded liability) associated with enrolling those separated employees who have elected to become SDCERS

members. The SDCERS Board will decide whether the City will pay the estimated \$2.6 million shortfall outright or whether it will be amortized and paid annually as part of the ADC. Note that the estimated costs referenced here will be updated once the process for enrolling the separated employees has been completed.

Costs for members of the San Diego Police Officers Association (SDPOA) are unknown, as negotiations with the SDPOA over Proposition B and potential pension benefit changes for SDPOA members have not been finalized.

## Program Review: Capital Improvements Program

# Capital Improvements Program

Multi-Year CIP			
Prior Years	FY 2025 Proposed	Future Years	Total
\$6,570,634,691	\$871,893,655	\$11,751,884,726	\$19,194,413,072

The Capital Improvements Program (CIP) Budget (included as Volume III in the annual Budget release) allocates available revenue to capital projects to rehabilitate, enhance, or expand existing infrastructure such as replacement of aging storm drain pipes, as well as to build new public assets such as a new or expanded libraries and recreation centers.

The City separates the CIP budget from the operating budget because capital infrastructure projects are generally large and expensive, take multiple years to complete, and are supported by financing sources outside of the City's General Fund (the main funding source for core City functions and services included in the operating budget). Because capital projects take multiple years to complete, the CIP is a rolling budget, meaning it includes funding from previous years, the current year budget, and funds needed for future years.

The City's CIP needs far outweigh available resources as evidenced by the \$4.8 billion funding gap in the [FY 2025-29 Capital Infrastructure Planning Outlook \(CIP Outlook\)](#). The City is limited by the amount of resources available for capital infrastructure projects; therefore, the CIP budget helps officials determine which objectives have the highest priority, will meet the greatest needs, and produce the greatest positive impact for the City.

Performance Measures to evaluate CIP execution are included in the [State of the CIP Report](#), which is issued by the Engineering & Capital Projects Department (E&CP) and

presented to the Active Transportation and Infrastructure Committee twice annually.<sup>1</sup>

## Impacts of Mayor's FY 2025 Budget Proposal

The FY 2025 Proposed CIP Budget allocates \$871.9 million of existing funds and anticipated revenues to both new and continuing projects in the City's \$19.2 billion multi-year CIP, as shown in the table above. City Council previously approved \$6.6 billion towards capital projects continuing from prior fiscal years. An estimated \$11.8 billion of additional funding will be needed in future years to complete the projects currently in the CIP and fund annual ongoing capital expenditures, such as major road resurfacing and water pipe replacements.

The CIP budget includes 1,462 active projects, some of which are standalone projects and others which are grouped together into annual allocations/sublets.<sup>2</sup> This budget provides project summaries for 268 projects and adds funding for 94 projects (including 12 new projects and 82 continuing projects). For the first time, the Proposed CIP Budget includes \$592.2 million in Annual Allocations to projects, included as [Appendix A](#).

An additional \$423.8 million of funding, which is not included in the Proposed Budget, is anticipated to be budgeted during Fiscal Year 2025 and will require additional City Council approval. Anticipated funding

<sup>1</sup> Performance measures are listed in the Proposed CIP Budget in the [Profile of the City of San Diego's CIP](#) section.

<sup>2</sup> Projects grouped into "annual allocations" are generally composed of smaller projects that provide ongoing repair and replacement of certain asset types, such as streets and traffic signals.

# Program Review: Capital Improvements Program

includes a variety of sources, such as donations, grants, debt financing, and developer funding.

## Prioritizing Funding for Existing Projects

The FY 2025 Proposed Budget represents the second year that the revised [Council Prioritization Policy: 800-14](#) is being used to rescore projects, which increased weighted factors related to Climate Action Plan (CAP) and Equity goals. E&CP and Department of Finance (DOF) officials generally observed that projects contributing to CAP goals and/or located within communities of concern generally scored highly. *However, they also noted that their primary goal was to fund existing projects so that those projects can be completed/delivered. This primary goal means that existing projects with a lower priority score may receive funding over a higher scored new project.* Officials underscored concerns with initiating new projects, especially given current budgetary constraints and

uncertainty over the availability of future funding.

## Comparison with Prior-Year Budgets

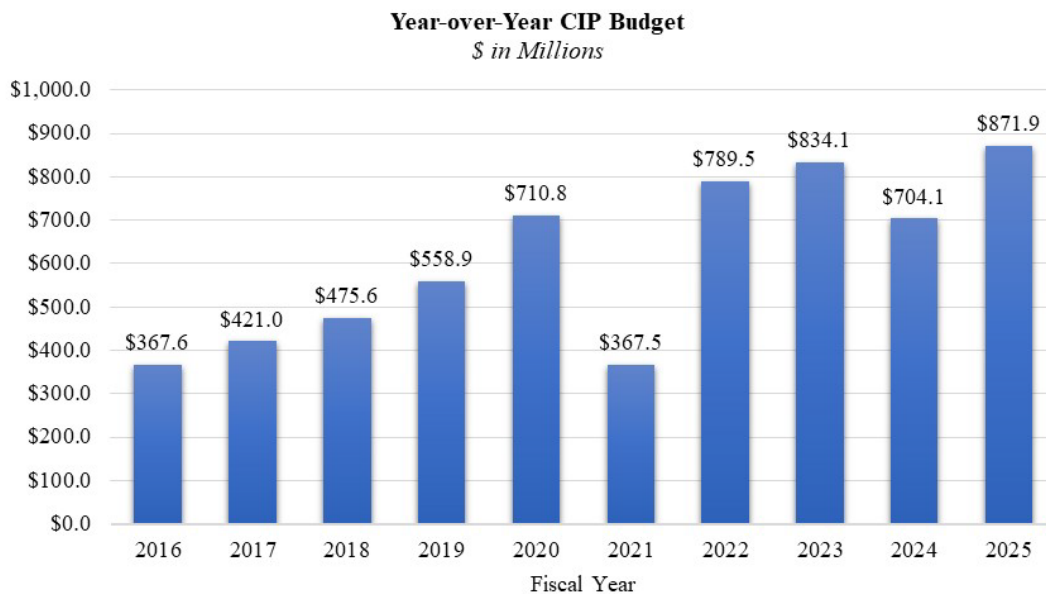
The size of the City’s annual CIP portfolio has grown over previous years.<sup>3</sup> As shown in the figure below, this is the City’s largest CIP budget, and is almost 2.5 times the \$367.6 million FY 2016 Adopted CIP Budget. From the prior year FY 2024 budget of \$704.1 million, the Proposed CIP Budget has increased by \$167.8 million or 23.8%. The increase is primarily driven by Public Utilities Department (PUD) and Stormwater Department projects.

## Proposed CIP Budget by Asset Type

We discuss several key asset types proposed to be funded in FY 2025 in the following sections. These are summarized in the figure at the top of the next page.

### Water, Wastewater, and Potable Reuse

PUD Water and Sewer Enterprise Funds (which generally receive revenues from rates

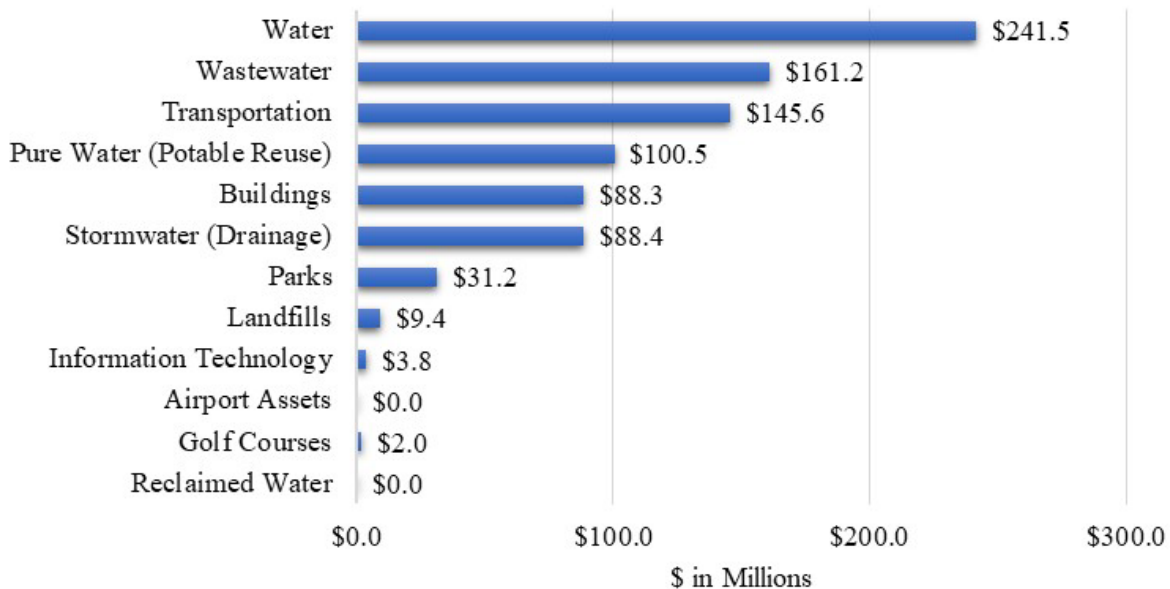


Note: This table compares Adopted CIP Budgets, except for the Proposed Budget in FY 2025. It does not reflect budget added throughout the fiscal year.

<sup>3</sup> The CIP budget decreased by 49.5% from FY 2020 to FY 2021, primarily due to delays with the Pure Water Project which added no additional funding in FY 2021, which were since resolved.

# Program Review: Capital Improvements Program

**FY 2025 Proposed CIP Budget by Asset Type**



charged to customers, debt financing, and grants) provide 57.7% of funding for projects in the Proposed Budget. The asset type with the largest funding allocation in the FY 2025 Proposed CIP Budget is water assets, at \$241.5 million or 27.7% of total funding. Wastewater projects account for \$161.2 million or 18.5% of the total CIP budget. The Proposed CIP Budget includes \$100.5 million for Pure Water, which is the City’s potable reuse project. Funding for Pure Water has decreased over recent years as construction of Phase 1 of the project is nearing completion and facilities are expected to be operational in FY 2027.

Outside of Pure Water, water and wastewater projects largely are designed to meet requirements of the Clean Water Act and to replace and/or rehabilitate aging water and sewer system infrastructure. This includes projects for water and sewer main replacements, which are ramping up this year as part of regular replacement plans.

Significant Public Utilities projects proposed to receive funding include the following:

- Water (\$122.7 million) and Sewer (\$78.0 million) Main Replacements

- Alvarado 2<sup>nd</sup> Extension Pipeline (\$35.0 million)
- Lakeside Valve Station Replacement (\$31.9 million)
- Lake Hodges Dam Replacement (\$20.4 million)
- Murphy Canyon Trunk Sewer (\$19.0 million)

## Transportation

The next largest portion of the FY 2025 Proposed CIP Budget is for Transportation projects, with \$145.6 million, or 16.7%, of the total Proposed CIP Budget. This is a \$15.7 million decrease from the prior year funding of \$161.4 million. This is the second year in a row that the City is allocating significant funding for street repaving (supported through bond financing). E&CP officials told us having this consistent, reliable funding for programs like repaving, stormwater, and water and wastewater programs enables more effective and efficient project delivery.

Importantly, the Transportation Department completed its first [Pavement Management Plan](#) in FY 2024, which provides accurate information on the condition, needs and plan for

# Program Review: Capital Improvements Program

street repaving. Transportation assets' significant needs are reflected in [FY 2025-29 CIP Outlook](#) where the backlog has grown to \$1.8 billion for the outlook period, surpassing Stormwater last year as the largest funding gap.

Transportation projects include street repaving and modifications, traffic calming and signals, sidewalks, streetlights, and bicycle facilities. These projects are proposed to be funded primarily with Bond financing (\$90.8 million), TransNet Funds (\$25.1 million), Regional Transportation Congestion Improvement Program (\$2.4 million) and the Trenchcut/Excavation Fee Fund (\$2.5 million).

We note the Infrastructure Fund, which has been used to fund transportation capital projects in prior years, is being proposed to fund maintenance in FY 2025 in the operating budget. For Transportation, this includes \$11.1 million for materials and contracts associated with sidewalks, streetlights, traffic signals and signage maintenance and \$795,000 to support slurry seal street maintenance.

Since street repaving is an activity that spans both the CIP and operating budgets (overlay within the CIP, and slurry seal within the

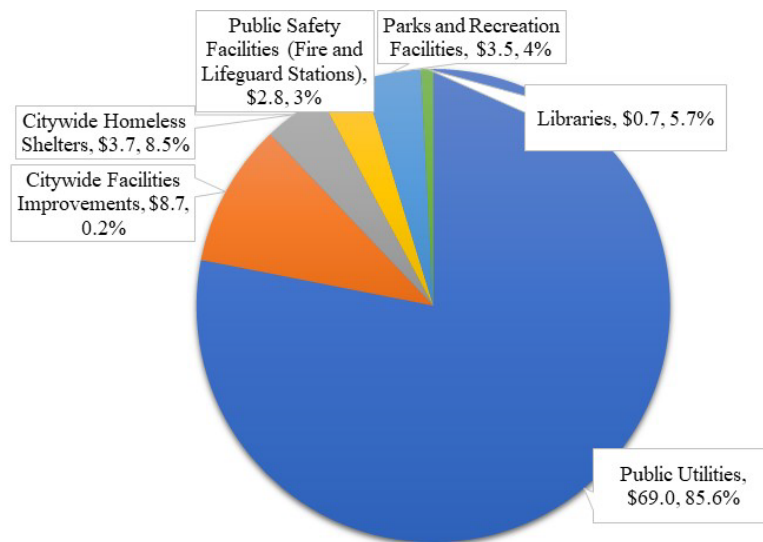
operating), as well as numerous funds, our Office compiled a summary of the street repaving budget and changes between the FY 2024 Adopted Budget and the FY 2025 Proposed Budget, which is included in the *Transportation Department Review* section later in this report. Transportation projects are also discussed in more detail later in this section under *Council Infrastructure Budget Priorities*.

## Buildings

The FY 2025 Proposed CIP Budget includes \$88.3 million for buildings. This is about 10.1% of the total proposed CIP budget. The chart below provides a summary of Proposed funding by building type. Of the total amount, \$69.0 million, or 78.1%, is for improvements to Public Utilities' buildings. These projects are funded by the Water and Sewer funds. General Fund buildings projects are primarily funded with bond financing (\$2.0 million), Development Impact Fees (DIF) (\$2.7 million), Enhanced Infrastructure Finance District revenue (\$1.5 million) and San Diego Regional Park Improvement Funds (\$2.4 million for parks buildings).

The Infrastructure Fund was used in prior years to fund capital projects for General Fund

**FY 2024 Proposed CIP Budget - Buildings**



# Program Review: Capital Improvements Program

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buildings. For FY 2025, \$3.0 million is proposed to fund facility maintenance equipment and contracts in the operations budget.

The relatively small amount of funding (\$19.3 million) for General Fund department buildings is concerning given the City has chronically underfunded General Fund buildings projects, especially in recent years. During our Office's [Review of the FY 2025-29 CIP Outlook](#), we concluded that chronic underfunding of Facilities Services has allowed the continued deterioration of existing facilities, and the most recent condition assessment for existing facilities (conducted in 2014-16) needs to be updated to provide an accurate picture of needs. This and related issues are discussed in the *General Services* section later in this report.

## Stormwater (Drainage)

The FY 2025 Proposed CIP Budget includes \$88.4 million for Stormwater drainage projects. This includes capital improvements for green infrastructure, channels, pump stations and storm drain pipes. Drainage projects are proposed primarily to be funded with bond financing (\$75.7 million); DIF (\$5.2 million); Fleet Services Internal Fund (\$2.2 million); and the Climate Equity Fund (\$1.5 million).

The Infrastructure Fund provided capital funding for stormwater in prior years, and \$4.8 million is proposed for stormwater maintenance in the operating budget.

Stormwater capital needs for FY 2025 identified in the [FY 2025-29 CIP Outlook](#) are \$322.8 million. Total capital needs for Stormwater over the next five years have grown to \$2.2 billion, and the funding gap is \$1.6 billion (the second highest funding gap over the five-year period). This extremely high level of need is driven by much of the City's stormwater infrastructure being beyond its useful life and the chronic underfunding of

maintenance and capital projects for the storm drain system, as well as projects required to comply with water quality targets mandated by various state and federal regulations.

Underfunding of existing infrastructure has resulted in high rates of failure of that infrastructure, as was evidenced during the January 22, 2024 storms. In FY 2024, \$48.1 million was allocated for stormwater emergency projects. The FY 2025 Proposed Budget includes \$79.0 million for stormwater emergency or high-risk projects.

The City has applied for Federal Emergency Management Agency (FEMA) grants to fund about \$50.8 million for two capital projects in flood impacted zones related to Hurricane Hilary in 2023.<sup>4</sup> These areas were heavily impacted by the January 2024 storm as well. However, even if awarded, grant funding is not likely to be received in the near term. These issues are discussed in more detail in the *Stormwater Department Review* section later in this report.

## Parks

The FY 2025 Proposed CIP Budget includes \$31.2 million for Parks projects. This is a decrease of \$17.7 million from the FY 2024 Adopted CIP Budget, which included \$48.9 million for these projects. City Park projects include community parks, mini parks, open space, neighborhood parks, and shorelines. Parks and Recreation has a funding gap of \$773.4 million in FY 2025-29 CIP Outlook over the period.

Key proposed Parks projects include:

- \$13.7 million for Mission Bay Improvements
- \$7.4 million for San Diego Regional Park Improvements
- DIF Funding for various park improvements including \$2.2 million for park

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<sup>4</sup> This includes Chollas Creek Restoration 54th to Euclid (\$22.7 million) and Beta St Channel & Storm Drain Improvements (\$28.2 million).

# Program Review: Capital Improvements Program

improvements and \$1.8 million for Rancho Bernardo Community Park

We note the Infrastructure Fund has been used in prior years to fund capital parks projects.

## CIP Funding for General Fund Departments Has Increased

The CIP budget is driven by available funding and by assessing changes in funding sources that support Enterprise Fund and General Fund departments. As shown in the table below, the FY 2025 Proposed CIP Budget

appropriates \$279.1 million for projects that support General Fund capital infrastructure, including transportation, safety and mobility projects, parks, and buildings. However, to address all capital infrastructure needs for General Fund departments that were identified in the CIP Outlook for FY 2025, the City would need to budget \$802.0 million. While this year’s proposed funding falls short of FY 2024 needs, it is an increase in funding from FY 2024 of \$13.2 million.

CIP CHANGES BY FUNDING SOURCES			
Funding Source	FY 2024 Adopted Budget	FY 2025 Proposed Budget	Change
<b>Supporting Enterprise-Fund Departments</b>			
Airport Funds	\$ 4,614,497	\$ -	\$ (4,614,497)
Fleet Services Internal Service Fund	2,028,631	2,191,678	\$ 163,047
Golf Course Enterprise Fund	4,000,000	2,000,000	\$ (2,000,000)
Recycling Fund	10,000,000	-	\$ (10,000,000)
Refuse Disposal Fund	400,000	9,874,362	\$ 9,474,362
Sewer Funds	136,411,094	223,505,045	\$ 87,093,951
Water Fund	280,753,141	355,226,075	\$ 74,472,934
<b>Subtotal Enterprise-Fund Departments</b>	<b>\$ 438,207,363</b>	<b>\$ 592,797,160</b>	<b>\$ 154,589,797</b>
<b>Supporting Non-Enterprise Fund Departments</b>			
Bond Financing	104,631,689	169,570,171	64,938,482
Bus Stop Capital Improvement Fund	-	140,255	140,255
Climate Equity Fund	9,450,000	1,500,000	(7,950,000)
Development Impact Fees	24,844,796	35,981,692	11,136,896
EDCO Community Fund	325,521	-	(325,521)
Enhanced Infrastructure Financing District Fund	1,150,000	7,468,165	6,318,165
Facilities Benefit Assessments	26,792,948	5,169,866	(21,623,082)
Gas Tax Fund	4,742,656	-	(4,742,656)
General Fund	8,050,000	3,700,000	(4,350,000)
Infrastructure Fund	27,156,372	-	(27,156,372)
Library System Improvement Fund	300,000	745,450	445,450
Loans	6,830,094	-	(6,830,094)
Mission Bay Park Improvement Fund	12,869,721	13,708,605	838,884
OneSD/ERP Funding	-	3,760,000	3,760,000
Other Funding	2,346,515	57,857	(2,288,658)
Redevelopment Funding	713,171	-	(713,171)
Regional Transportation Congestion Improvement Program	50,000	2,389,339	2,339,339
San Diego Regional Parks Improvement Fund	6,329,850	7,381,557	1,051,707
TransNet Funds	27,324,625	25,053,538	(2,271,087)
Trench Cut/Excavation Fee Fund	2,000,000	2,470,000	470,000
Utilities Undergrounding Program Fund	-	-	-
<b>Subtotal</b>	<b>\$ 265,907,958</b>	<b>\$ 279,096,495</b>	<b>\$ 13,188,537</b>
<b>Total</b>	<b>\$ 704,115,321</b>	<b>\$ 871,893,655</b>	<b>\$ 167,778,334</b>

# Program Review: Capital Improvements Program

**Development Impact Fees (DIF)** – The Proposed Budget allocates \$36.0 million of DIF to fund 34 projects and one annual allocation, an increase of \$11.2 million from the FY 2024 Adopted CIP Budget. The implementation of citywide DIF is providing funding for parks, stormwater, sidewalks, and traffic calming in various communities across the City. Citywide DIF is also used to supplement community-based DIF in various communities.

**Infrastructure Fund** – The Infrastructure Fund contribution is \$19.7 million in the FY 2025 Proposed Budget, a decrease from \$27.2 million in the FY 2024 Adopted CIP Budget of \$7.5 million. As noted earlier in this section, the Infrastructure Fund is proposed to fund maintenance rather than capital projects, which is a strategic budget balancing measure to help address the operating budget deficit. The Infrastructure Fund has been a flexible source used to fund General Fund projects, such as parks, libraries, and fire stations. Capital projects that otherwise could have been funded by the Infrastructure Fund could be funded via bond financing in FY 2025. We discuss the City’s increased use of bond financing in the *Infrastructure Funding Needs* section in *Key Citywide Issues* earlier in this report.

## Funding Not Included in the Proposed CIP Budget

Several anticipated funding sources for General Fund projects will be proposed for appropriation in the May Revision to the Mayor’s Proposed Budget. This is because year-end funding availability is sometimes not known when the Proposed Budget is developed. Alternatively, identified funds can be appropriated during the Year-End Consolidated action instead of through the May Revise.

Funding from federal and state sources such as the Infrastructure and Innovation and Jobs Act (IIJA) and Inflation Reduction Act (IRA) is only included if grant funding has been awarded. Funding received from federal and

state sources for projects will likely be appropriated via standalone Council actions.

## Updates on Expenditures for Debt Financed Projects

DOF officials told us that updates on the spend down of debt financing for CIP projects, including Commercial Paper and Lease Revenue bonds, will be provided in the FY 2024 Year-End CIP Budget Monitoring Report which will be presented to the ATI Committee on May 22, 2025.

## Council Infrastructure Budget Priorities

As discussed in our Office’s [report on the FY 2025 Updated City Council Budget Priorities](#), Councilmembers expressed strong support for a wide range of infrastructure needs. These priorities, related FY 2025 needs identified in the CIP Outlook, and Proposed Budget are summarized in the table below.

Asset Type (\$ in Millions)	CIP Outlook FY 2025 Needs	FY 2025 Proposed Budget
<b>Transportation and Mobility Safety</b>		
Pedestrian and Bicycle Safety	\$ 31.5	\$ 9.4
Traffic Calming	1.3	6.9
Traffic Signals	10.5	8.5
Streetlights	74.8	0.8
<b>Streets - Modifications</b>		
Modifications (minus traffic calming)	\$ 19.2	\$ 1.8
Pavement	114.6	110.5
Sidewalks	18.1	5.0
Stormwater	322.8	88.4
<b>Facilities</b>		
Fire-Rescue	\$ 30.2	\$ 2.0
Library	8.7	0.7
Lifeguard	2.5	0.8
Park & Recreation	33.8	2.5
Police	8.2	-
<b>American With Disabilities Act (ADA)</b>		
ADA Projects	\$ 36.5	\$ 1.0
<b>Homelessness Strategies and Solutions</b>		
Expand Shelter Capacity	\$ 11.0	\$ 3.7
<b>Total</b>	<b>\$ 723.7</b>	<b>\$ 242.0</b>

All nine Council members were unanimous in prioritizing transportation and mobility safety, streets, sidewalks, and stormwater



# Program Review: Capital Improvements Program

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maintenance and capital projects.<sup>5</sup> Additionally, a majority of Councilmembers prioritized improvements or expansion of existing facilities managed by Fire-Rescue, Library, Parks & Recreation, and the Police Department, as well as supported expanding homeless shelter capacity.

If the Proposed Budget does not adequately address Council priorities, Council could consider reallocating funds to better align with its infrastructure priorities. To the extent Council would like to make different investments in the CIP than those proposed, it is important to consider the funding sources available and their restrictions.

## Issues for Council Consideration

- We discuss the significant capital funding gap of \$4.8 billion, the City’s reliance on Lease Revenue bonds to fund infrastructure projects, and the need for new revenue to address the backlog in the *Infrastructure Funding Needs* section in *Key Citywide Issues* earlier in this report.
- We discuss the capacity to deliver the CIP in the *Engineering & Capital Projects Department Review* section later in this report.
- We discuss chronic underfunding of General Fund facilities and the need for an updated condition assessment in the *General Services Department Review* section later in this report.

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<sup>5</sup> At the February 7, 2024, Budget and Government Efficiency Committee, Councilmembers recommended Council approve a priorities resolution with heightened focus on stormwater maintenance and flood disaster response. This was approved as part of City Council’s FY 2025 Updated Budget Priorities Resolution on February 12, 2024.

# Department Review: City Attorney

## City Attorney

The City Attorney’s Office serves as the chief legal counsel to the City, including the Mayor, City Council, and all City departments. The City Attorney is also tasked with prosecuting cases and defending the City, as well as prosecuting violations of State and local laws.

### Impacts of the Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the City Attorney totals approximately \$85.7 million, which is a \$1.9 million, or a 2.3%, increase from the FY 2024 Adopted Budget. The largest driver of the increase is salary and benefit increases. FTEs in the Proposed Budget for the Office total 420.53, which is an increase of 13.80 FTEs from FY 2024. Revenue is projected to be \$5.5 million, an increase of \$1.4 million, or 33.5%. The Office receives revenue largely from charges for services provided to other City departments, litigation settlements, code enforcement penalty assessments, forfeitures, grants, and restitution payments.

We note that the City Attorney’s Office made

a number of budget requests that were not included in the Proposed Budget. In total, there were 11.00 FTE positions requested totaling \$1.5 million; of which 7.50 were unbudgeted, supplemental positions. Additional requests were made for non-personnel expenditures bringing the total of unfunded requests to \$1.7 million. As shown in the table below and discussed in the next section, the City Attorney’s Office did receive numerous FTE additions in the Proposed Budget, all of which were either partially or fully offset with other funds.

### Significant Budget Additions

In total, the Proposed Budget adds 13.80 FTEs to the City Attorney’s Office budget, most of which are interns funded through the Employ and Empower Program discussed below. Five FTEs are unbudgeted, supplemental positions being added to the budget as reimbursable positions either by grants or other City departments. Aside from the interns, only 2.00 FTEs are new and are also either partially offset or fully offset by other funds. **The total net budget impact of these positions (when accounting for offsetting revenue) is**

SUMMARY OF CITY ATTORNEY BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	406.73	\$ 77,763,560	\$ 6,045,674	\$ 83,809,234	\$ 4,122,347
<b>Programmatic Changes</b>					
<i>Deputy City Attorneys - CIP</i>	2.00	648,464	9,000	657,464	657,464
<i>Employ and Empower Program Interns</i>	7.55	299,574	-	299,574	299,574
<i>Victim Services Coordinator for Your Safe Place</i>	3.00	250,539	7,500	258,039	258,039
<i>Program Coordinator for Your Safe Place</i>	1.00	164,020	2,500	166,520	166,520
<i>Account Clerk</i>	1.00	72,910	2,500	75,410	-
<i>Budgeted PE Savings to Support Account Clerk</i>	-	(70,216)	-	(70,216)	-
<i>Deputy City Attorney (Make Whole)</i>	0.25	19,030	-	19,030	-
<i>Budgeted PE Savings to Support Deputy City</i>	-	(5,316)	-	(5,316)	-
<i>Budget Mitigation</i>	-	(1,700,490)	-	(1,700,490)	-
<i>Transfer of Resource Access Program</i>	(1.00)	(134,594)	-	(134,594)	-
<b>Other Changes</b>					
<i>Salary and Benefits Adjustments</i>	-	2,083,849	-	2,083,849	-
<i>Other Adjustments</i>	-	(9,659)	139,250	129,591	-
<i>Non-Discretionary - Information Technology</i>	-	-	126,632	126,632	-
<b>FY 2025 Proposed Budget</b>	<b>420.53</b>	<b>\$ 79,381,671</b>	<b>\$ 6,333,056</b>	<b>\$ 85,714,727</b>	<b>\$ 5,503,944</b>
<b>Difference from 2024 to 2025</b>	<b>13.80</b>	<b>\$ 1,618,111</b>	<b>\$ 287,382</b>	<b>\$ 1,905,493</b>	<b>\$ 1,381,597</b>

# Department Review: City Attorney

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## **\$19,000.**

The Proposed Budget include the following significant additions:

### \$657,000, 2.00 FTEs –Deputy City Attorneys to Support the Capital Improvements Program

These are currently supplemental positions that are requested to be included in the budget to support Engineering & Capital Projects with the Capital Improvements Program (CIP). Expenditures totaling \$657,000 are anticipated to be reimbursed from charging staff time to CIP projects.

### \$300,000, 7.55 FTEs – Employ and Empower Interns

The budget adds 7.55 hourly FTE interns for the Employ and Empower Program. A citywide discussion of the Employ and Empower Program is included in the *Equity* section of this report. The expenditures for these positions are considered grant reimbursable; as such, the City Attorney's Office revenue includes a corresponding total of \$300,000.

### \$258,000, 3.00 FTEs – Victim Services Coordinators for Your Safe Place

These are currently supplemental positions which cost \$258,000 in personnel and one-time non-personnel expenditures. Costs of one position would be offset by a California Office of Emergency Services grant. Expenses for the other two positions would be offset by State funding received from the Board of State and Community Corrections which flows into Special Fund 200325 – Family Justice Center.

These positions currently support Your Safe Place by providing emergency services and crisis intervention to vulnerable populations experiencing abuse, violence, and trafficking. They will also begin shifting from providing services on-site to working in mobile clinics.

### \$167,000, 1.00 FTE – Program Coordinator for Your Safe Place

This is a new position being requested to support Your Safe Place; the position would develop and manage programs and services including volunteer onboarding, client wellness, hygiene drives, and a training program. Costs for this position will be offset by Special Fund 200325 – Family Justice Center which is comprised of both donated funds and State funds.

### \$75,000, 1.00 FTE – Account Clerk

This position would add an Account Clerk to the City Attorney's Office, bringing total Account Clerks in the Office to two, to process accounts payable and receivable, among other duties. This position is intended to reduce delays in processing invoices and paying vendors. All costs for this position, *except for \$5,000*, are assumed to be covered by Budgeted Personnel Expenditure Savings in FY 2025. Therefore, the net budget impact of this addition is approximately \$5,000 for FY 2025.

### \$19,000, 0.25 FTE – Make Deputy City Attorney Position Whole

The adjustment converts a 0.75 FTE Deputy City Attorney position a full 1.00 FTE position. The total cost of this adjustment is \$19,000, partially offset by Budget Personnel Expenditure Savings, leaving a net \$14,000 budget impact for FY 2025.

### **Significant Budget Reduction** (\$1,700,000) – Budget Mitigation

As part of the FY 2025 Proposed Budget process, departments were requested to submit operational efficiency reductions totaling 2% of the department FY 2024 Adopted Budget, which for the City Attorney's Office is about \$1.7 million. This reduction is budgeted in Personnel Expenditures.

The City Attorney's Office anticipates

## Department Review: City Attorney

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implementing this reduction by increasing charges for personnel costs to various funding sources related to different types of work (e.g. grants, funding from penalties, and service level agreements with other City departments). Additionally, budgeted positions may be held vacant longer and discretionary expenses would be reduced.

### **Other Significant Budget Adjustments** (\$135,000, 1.00 FTE) – Transfer of Resource Access Program

The Proposed Budget transfers 1.00 Program Manager and \$135,000 to the Fire-Rescue Department associated with the Resource Access Program to better align duties with those performed within the Fire-Rescue Department.

# Department Review: City Auditor

## City Auditor

The Office of the City Auditor conducts performance audits, financial audits, and special investigations to advance its mission of improving the efficiency, effectiveness, and equity of City government. The Office is an independent office that reports to the City Council’s Audit Committee.

### Impacts of Mayor’s FY 2025 Budget Proposal

As shown in the table below, the FY 2025 Proposed Budget for the Office of the City Auditor is approximately \$5.7 million, an increase of \$602,000 or 11.8% from the FY 2024 Adopted Budget. The number of positions remains unchanged from FY 2024 at 24.00 FTEs.

#### Significant Budget Additions

The FY 2025 Proposed Budget includes the following significant expenditure increase:

#### \$180,000 – Independent Legal Counsel Approved by Measure A

On the March 5, 2024 ballot, voters considered a measure to authorize the City Auditor and the Audit Committee to retain and use independent legal counsel, on an as-needed basis, when the Audit Committee determines such use is in the public interest. The measure, known as Measure A, passed with 67.2% voter approval. The Proposed Budget includes \$180,000 for such counsel.

#### Significant Budget Reduction

The Proposed Budget includes the following expenditure reduction:

#### \$68,000 - Budget Mitigation: Savings from Delayed Hiring

As a budget mitigation measure, the Office intends to delay hiring for any vacancies that occur during FY 2025 to reach the intended savings of \$68,000. Although the Office does not currently have any vacancies, based on recent trends, the Office typically sees at least one employee leave each year.

### Issues for Council Consideration

#### Independent Legal Counsel

The Office is currently developing a Request for Proposals (RFP) to issue for independent legal counsel. The Office intends for the RFP process to incorporate feedback from the Audit Committee, which will ultimately approve the RFP for issuance. Given the time needed for these initial steps and completing the RFP process, the Office anticipates likely awarding the contract mid-fiscal year. As a result, the City Auditor has reduced his budget request for independent legal counsel to \$90,000 in FY 2025, to reflect partial year savings. This change is expected to be reflected in May Re-verse. Starting in FY 2026, ongoing funding for independent counsel will be \$180,000.

SUMMARY OF CITY AUDITOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	24.00	\$ 4,462,000	\$ 642,700	\$ 5,104,700	\$ -
<b>Programmatic Changes</b>					
<i>Independent Legal Counsel - Measure A</i>	-	-	180,000	180,000	-
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(68,287)	-	(68,287)	-
<b>Other Changes</b>					
<i>Non-Discretionary Adjustments</i>	-	-	17,737	17,737	-
<i>Salary and Benefit Adjustments</i>	-	473,047	-	473,047	-
<b>FY 2025 Proposed Budget</b>	<b>24.00</b>	<b>\$ 4,866,760</b>	<b>\$ 840,437</b>	<b>\$ 5,707,197</b>	<b>\$ -</b>
<b>Difference from 2024 to 2025</b>	<b>-</b>	<b>\$ 404,760</b>	<b>\$ 197,737</b>	<b>\$ 602,497</b>	<b>\$ -</b>

## Department Review: City Auditor

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Based on our Office's fiscal impact analysis of Measure A, the requested \$180,000 could support between 400 to 500 hours of legal services. These estimates were based on various assumptions due to uncertainties regarding likely need for outside legal services and hourly rates. As the City Auditor and Audit Committee retain and begin to use independent counsel, our Office anticipates revisiting these initial assumptions to assess reasonable funding levels in future years.

### **City Auditor's Budget Process**

City Charter section 39.1 requires that the Audit Committee recommend the City Auditor's budget to the City Council each year. The City Auditor brought his proposed budget to the Audit Committee on January 24, 2024. A majority of the Audit Committee (four out of five Committee members) voted to recommend to the City Council: (1) the addition of \$180,000 ongoing for independent legal counsel and (2) that the 2% reduction target requested of the Office apply on a one-time basis only to the Office's salary budget, which at the time was \$3.4 million. The latter recommendation is due to constraints that limit budget mitigation options for the Office's non-personnel expenditures, which include Charter-mandated financial audit reports, staff trainings to comply with Government Auditing Standards, and maintenance of existing online platforms and the City's Fraud, Waste, and Abuse Hotline. The Audit Committee also recommended that there be no additional budget reductions beyond the 2% salary reduction.

# Department Review: City Clerk

## City Clerk

The City Clerk supports the City Council, coordinates City elections, and manages the City’s records management program, while also functioning as an access point to local government for the public. The Clerk’s Office additionally facilitates hybrid City Council meetings, operates a passport program that allows US citizens to apply for passports, and preserves and digitizes historical City records and materials.

### Impacts of the Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the City Clerk totals \$7.9 million, which is a \$506,000, or 6.9%, increase from the FY 2024 Adopted Budget. The main driver of the budget increase is increases in salaries and benefits. FTEs in the Proposed Budget total 51.73, which is an increase of 1.41 FTEs from FY 2024.

Revenues are projected to be \$369,000, an increase of \$110,000, or 42.3%. Roughly half of this increase is due to an increase seen in passport applications processed by the Clerk’s Office while the other half is revenue from the Employ and Empower grant that offsets costs for hourly intern positions.

### Significant Budget Addition

The Proposed Budget includes the following significant budget addition:

#### \$60,000, 1.50 FTEs – Employ and Empower Program Interns

The Proposed Budget adds 1.50 FTEs for hourly interns for the Employ and Empower Internship Program, which is discussed from a citywide perspective in the *Equity* section of this report. These expenditures are considered grant reimbursable; as such, the Clerk’s Office revenue includes a corresponding total of \$60,000.

### Significant Budget Reduction

As part of the FY 2025 Proposed Budget process, departments were requested to submit operational efficiency reductions totaling 2% of the department Fiscal Year 2024 Adopted General Fund Budget, which for the Office of the City Clerk is about \$148,000. To meet the reduction target, the FY 2025 Proposed Budget includes:

#### (\$152,000) – Budget Mitigation: Maintain Vacancies

The Office of the City Clerk intends to implement the 2% reduction by keeping various positions vacant totaling \$152,000 in salary savings. These positions include:

- 1.00 FTE Deputy City Clerk I in the

SUMMARY OF THE CITY CLERK BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	50.32	\$ 6,012,919	\$ 1,376,347	\$ 7,389,266	\$ 258,934
<b>Programmatic Changes</b>					
<i>Employ and Empower Program Interns</i>	1.50	59,569	-	59,569	59,569
<i>Budget Mitigation: Maintain Vacancies</i>	-	(152,000)	-	(152,000)	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	573,164	-	573,164	-
<i>Non-Discretionary - Information Technology</i>	-	-	(32,993)	(32,993)	-
<i>Non-Standard Hour Personnel Funding</i>	(0.09)	(4,146)	-	(4,146)	-
<i>Other NPE Adjustments</i>	-	-	62,809	62,809	50,000
<b>FY 2025 Proposed Budget</b>	<b>51.73</b>	<b>\$ 6,489,506</b>	<b>\$ 1,406,163</b>	<b>\$ 7,895,669</b>	<b>\$ 368,503</b>
<b>Difference from 2024 to 2025</b>	<b>1.41</b>	<b>\$ 476,587</b>	<b>\$ 29,816</b>	<b>\$ 506,403</b>	<b>\$ 109,569</b>

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## Department Review: City Clerk

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Records Management and Research Division responsible for conducting research for Public Records Act requests for the department which may slow response time.

- 1.00 FTE Associate Management Analyst in the Administrative section responsible for assisting in developing strategies to increase community engagement and analyzing community engagement survey responses.
- 0.33 FTE Administrative Aide II responsible for managing two archival exhibits.

At the time of this writing, the Clerk's Office has an additional five vacant positions that are in the process of being filled.

### Issues for Council Consideration

#### Unfunded Request

\$251,000, 1.00 FTE – Deputy Director of Legislative Services

This is currently an unbudgeted, supplemental position and the City Clerk is requesting the position be included in the budget. This is also a Council budget priority item. When the new City Clerk was appointed in FY 2024, it was determined that a Deputy Director of Legislative Services was needed to assist various offices to plan Council meeting and legislative proceedings, interact with members of the public to ensure access to Council meetings, and to make sure meetings are run smoothly, especially in the hybrid environment. Previously, this position was combined with the Assistant City Clerk.

Prior to adding the supplemental position, this position's duties had been fulfilled by the City Clerk, the Assistant City Clerk, and a provisional Deputy Director of Legislative Services (whose service has ended). We note that the provisional Deputy Director position was, and the supplemental Deputy Director position currently is, being supported by salary savings from the previously vacant Assistant City

Clerk position and the current vacancies of a Deputy City Clerk 1 and Associate Management Analyst positions which will be used to reach the budget mitigation target in FY 2025.

The Clerk's Office anticipates bringing in an additional \$154,000 over what was budgeted in revenue in FY 2024, which could provide additional revenue for City services; if allocated to the Clerk's budget this amount could partially offset the expenses for this position on a one-time basis.



# Department Review: City Council

## City Council

### Impacts of Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for City Council Offices is approximately \$20.0 million, an increase of \$632,000 or 3.3% from the FY 2024 Adopted Budget.<sup>1</sup>

Each Council Office has 15.00 budgeted FTE positions, and the Proposed Budget also adds 11.01 FTEs for interns across various offices for a total of 146.01, which is discussed in the next section. The total operating budget for each Council Office is comprised of salaries/personnel expense (PE), associated fringe benefit expense (Fringe) and non-personnel expense (NPE).

For additional context, during adoption of the FY 2023 Budget, the Council made a number of adjustments to each Council Office budget, including the addition of 5.00 ‘unfunded’ FTE positions to each office. Because each Council Office’s PE budget was set to an equal amount, this addition of FTEs was intended to give Council Offices additional discretion over the composition of their offices, with the expectation that Council Offices would be responsible for remaining at or under expenditure amounts in the Adopted Budget.

This approach carries forward to FY 2025,

and each Council Office will be expected to use its own discretion on how to use its budgeted PE allocation for office wages and salaries.

### Significant Budget Additions

#### \$530,000, 11.01 FTE positions – Employ and Empower Interns

The Proposed Budget adds \$530,000 and a total of 11.01 FTEs for hourly interns for the Employ and Empower Internship Program, which is discussed from a citywide perspective in the *Equity* section of this report. FTEs are distributed among Council Offices 3 through 9, ranging from 0.16 FTE in District 5 to 4.51 FTE in District 9. This distribution is generally based on the number of interns each Council Office has in FY 2024 – District 1 and District 2 currently do not have Employ and Empower interns. These expenditures are considered grant reimbursable; as such, Council Offices’ revenue includes a corresponding total of \$530,000.

### Significant Budget Reductions

#### (\$343,000) – Budget Mitigation

As part of the FY 2025 Proposed Budget process, departments were requested to submit operational efficiency reductions totaling 2% of the department FY 2024 Adopted Budget,

AGGREGATE SUMMARY OF CITY COUNCIL OFFICE BUDGET CHANGES						
Description	FTE	PE	NPE	Total Expense	Revenue	CPPS
FY 2024 Adopted Budget	135.00	\$ 17,573,534	\$ 1,815,971	\$ 19,389,505	-	\$ 2,009,244
<b>Programmatic Changes</b>						
<i>Employ and Empower Program Interns</i>	11.01	530,210	-	530,210	530,210	-
<i>Budget Mitigation</i>	-	(69,823)	(272,942)	(342,765)	-	-
<b>Other Changes</b>						
<i>Non-Discretionary &amp; IT Adjustments</i>	-	-	799,187	799,187	-	-
<i>Salary and Benefit Adjustments</i>	-	329,881	-	329,881	-	-
<i>Removal of One-Time FY 2024 CPPS Funding</i>	-	-	-	-	-	(2,009,244)
<i>Other Changes</i>	-	-	(684,556)	(684,556)	-	-
<b>FY 2025 Proposed Budget</b>	<b>146.01</b>	<b>\$ 18,363,802</b>	<b>\$ 1,657,660</b>	<b>\$ 20,021,462</b>	<b>\$ 530,210</b>	<b>\$ -</b>
<b>Difference from 2024 to 2025</b>	<b>11.01</b>	<b>\$ 790,268</b>	<b>\$ (158,311)</b>	<b>\$ 631,957</b>	<b>\$ 530,210</b>	<b>\$ (2,009,244)</b>

<sup>1</sup> Note – for the purposes of clarity in this review, the budgets for City Council offices and Council Administration are presented separately. Summary tables in Volume 2 of the Proposed Budget include expenses for all Council Offices, Council Administration, and CPPS together, with additional detail provided per Council Office.

# Department Review: City Council

<b>PROPOSED FY 2025 BUDGET FOR EACH COUNCIL OFFICE</b>									
	D1	D2	D3	D4	D5	D6	D7	D8	D9
<b>Personnel</b>	<b>\$ 1,235,520</b>	<b>\$ 1,235,520</b>	<b>\$ 1,235,520</b>	<b>\$ 1,235,520</b>	<b>\$ 1,235,520</b>	<b>\$ 1,235,520</b>	<b>\$ 1,235,520</b>	<b>\$ 1,235,520</b>	<b>\$ 1,235,520</b>
Employ & Empower	-	-	32,607	52,796	6,950	77,282	55,110	63,474	205,529
Reduction to PE	-	-	-	(19,043)	-	(38,085)	(12,695)	-	-
Fringe	753,970	868,874	760,192	726,827	922,110	573,976	784,789	901,037	528,422
NPE									
Non-Discretionary	86,595	90,160	88,086	90,752	81,552	89,138	81,637	105,081	92,601
<b>Discretionary</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>
Reduction to Discr. NPE	(38,085)	(38,085)	(38,085)	(19,042)	(38,085)	-	(25,390)	(38,085)	(38,085)
<b>Expenditure Total</b>	<b>\$ 2,163,000</b>	<b>\$ 2,281,469</b>	<b>\$ 2,203,320</b>	<b>\$ 2,192,810</b>	<b>\$ 2,333,047</b>	<b>\$ 2,062,831</b>	<b>\$ 2,243,971</b>	<b>\$ 2,392,027</b>	<b>\$ 2,148,987</b>
<b>FTE</b>	<b>15.00</b>	<b>15.00</b>	<b>15.00</b>	<b>15.00</b>	<b>15.00</b>	<b>15.00</b>	<b>15.00</b>	<b>15.00</b>	<b>15.00</b>
Employ & Empower	-	-	0.71	1.18	0.16	1.69	1.20	1.56	4.51
<b>FTE Total</b>	<b>15.00</b>	<b>15.00</b>	<b>15.71</b>	<b>16.18</b>	<b>15.16</b>	<b>16.69</b>	<b>16.20</b>	<b>16.56</b>	<b>19.51</b>

\* Bold figures denote equal allocations among Council Offices

which for all nine Council Offices was originally \$388,000. However, the Council Administration budget will take a larger reduction (discussed below), allowing Council Offices to take a smaller reduction which equates to about \$38,000 per office (for a total of \$343,000). Most reductions are anticipated to impact discretionary non-personnel expenditures. However, Districts 4, 6, and 7 have opted to attribute all or a portion of the reduction to their personnel budgets as shown in the table above.

### Unfunded Community Grant Funding

Each Council Office has historically received annual allocations of two types of community grant funding - Community Projects, Programs and Services (CPPS) and Transient Occupancy Tax-supported Arts, Culture, and Community Festivals (ACCF). The Proposed Budget provides neither CPPS or ACCF funding for Council Offices.

CPPS: Council Policy 100-06 governs the allocation of CPPS funding, and allows Councilmembers to award CPPS funding to City departments, public agencies, and non-profit organizations that serve a lawful public purpose to benefit the City’s communities. Additionally, funds can support a variety of community serving purposes including capital improvements; materials, equipment, goods, or supplies; community, social, environmental, cultural, or recreational needs; as well as one-time or ongoing operational expenses of a non-profit organization.

Historically CPPS allocations have varied among each Council Office because they were determined based on the amount of budget savings realized by each Council Office in the prior fiscal year. This changed when Council approved amendments to Council Policy 100-06, which instead requires the Mayor to propose an allocation for CPPS in which each Council Office would receive the same amount. Council Offices could supplement their *current year* CPPS allocations with estimated non-personnel savings within their own budgets for the current year, upon a request to the Department of Finance. Otherwise, CPPS appropriations would not carry forward to the following fiscal year and must be returned to the General Fund. The FY 2024 Adopted Budget allowed Council Offices to maintain savings from the prior year and allocated a minimum of \$150,000 for each district. As a budget mitigation, the Proposed Budget does not include any CPPS allocations, thus the removal of the \$2.0 million that was previously budgeted in FY 2024.

ACCF: The aggregated, proposed funding level for ACCF from the Transient Occupancy Tax Fund for the City Council and the Mayor is included each year in the Special Promotional Programs section of the Proposed Budget. Annual funding and guidelines for use of ACCF funding are provided in City Council Policy 100-23. In FY 2024, each Council Office and the Mayor received \$50,000 of ACCF funding to discretionally award to private nonprofit organizations in

# Department Review: City Council

support of their ongoing operational expenses and/or sponsorship of special events. ACCF funding is not included in the FY 2025 Proposed Budget to mitigate the budget deficit.

## Issues for Consideration

### Equalized Council Office Budgets are Generally Maintained

Historically each Council Office received the same number of budgeted FTE positions, but expenditure allocations for each office varied significantly based on several factors, including employee compensation, staffing levels, staff experience, and differing NPE needs.

The FY 2023 Adopted Budget normalized Council Office budgets so that salaries and NPE across each Council Office were largely equalized. This approach ensures that each Council Office is budgeted the same discretionary operating resources as other Council Offices. The FY 2024 Adopted Budget continued this approach, while also furthering efforts to provide each Council Office with an equal minimum level of CPPS funding.

The FY 2025 Proposed Budget maintains this approach at the baseline budget level. However, the addition of varying levels of interns across Council Offices and different ways of implementing the 2% budget mitigation, hitting both personnel and non-personnel budgets, causes some variation among Council Office budgets. The Proposed Budget for each individual Council Office is displayed in the table on the previous page. As shown in bold, baseline PE expenditures, discretionary NPE,

and FTEs are equal among all Council Offices. However, adjustments are made to apply the 2% budget mitigation and to account for Employ and Empower Program interns. Non-discretionary NPE allocations includes some additional variation, but those allocations are determined outside the control of each office. Fringe costs – those costs associated with employee benefits, which are also out of each office’s control – have a much wider variance among Offices due to things such as whether an employee’s benefits cover just that employee, or that employee and that employee’s spouse or children.

Our Office will continue to track the extent to which Council Office budgets are equalized and highlight major drivers for the differences as offices respond to their unique needs.

## Council Administration

The Council Administration Department provides general office management and critical support services for the City Council. The FY 2025 Proposed Budget for Council Administration totals \$3.0 million, which is an increase of \$284,000 or 1.5% from the FY 2024 Adopted Budget. FTEs in the Department are 14.37, an increase of 0.37 FTE.

### Significant Budget Addition

\$18,000, 0.37 FTE position – Employ and Empower Interns

The Proposed Budget includes the addition of 0.37 FTE position and \$18,000 for a Manage-

SUMMARY OF COUNCIL ADMINISTRATION BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	14.00	\$ 2,170,528	\$ 578,496	\$ 2,749,024	\$ -
<b>Programmatic Changes</b>					
<i>Employ and Empower Program Interns</i>	0.37	18,252	-	18,252	\$ 18,252
<i>Budget Mitigation</i>	-	-	(100,000)	(100,000)	-
<b>Other Changes</b>					
<i>Non-Discretionary Adjustment &amp; IT Support</i>	-	-	430,030	430,030	-
<i>Salary and Benefit Adjustments</i>	-	336,669	-	336,669	-
<i>Other Changes</i>	-	-	(400,806)	(400,806)	-
<b>FY 2025 Proposed Budget</b>	<b>14.37</b>	<b>\$ 2,525,449</b>	<b>\$ 507,720</b>	<b>\$ 3,033,169</b>	<b>\$ 18,252</b>
<b><i>Difference from 2024 to 2025</i></b>	<b>0.37</b>	<b>\$ 354,921</b>	<b>\$ (70,776)</b>	<b>\$ 284,145</b>	<b>\$ 18,252</b>

## Department Review: City Council

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ment Intern for the Employ and Empower Internship Program. These expenditures are considered grant reimbursable; as such, the Department's revenue includes a corresponding total of \$18,000.

### **Significant Budget Reduction**

#### **(\$100,000) – Budget Mitigation**

This reflects the Department's budget reduction target. The initial target for Council Administration was \$55,000, equating to 2% of its FY 2024 budget. However, the Department will take a larger reduction totaling \$100,000, allowing Council District Offices to take a smaller reduction. This reduction is associated with translation services contract costs no longer needed since the Communications Department has a citywide contract in place for these services.

# Department Review: City Planning

## City Planning

The City Planning Department (City Planning) is responsible for the City’s land use planning and policies. The Department develops plans, policies, and regulations that accelerate the creation of more homes and good jobs, further the City’s climate goals, protect the environment, improve public spaces, and advance social equity. The Department’s initiatives are generally considered the first step in comprehensively and strategically planning for safe, enjoyable, healthy, and thriving communities in the City.

### Impacts of the Mayor’s FY 2025 Budget Proposal

City Planning is organized in three divisions based upon their specialties and technical disciplines. These divisions are:

- Community Planning & Housing
- Environmental Policy & Public Spaces
- Community Engagement, Work Culture & Operations

Due to varied work functions and multiple funding sources in the Department, the following analysis is organized by funding source.

The FY 2025 Proposed Budget for the Planning Department totals approximately \$22.9 million, an increase of approximately \$2.0 million (9.8%) from the FY 2024 Adopted Budget. FTEs are budgeted at 92.75, which is an increase of 7.66 FTE positions.

### General Fund

The General Fund budget for City Planning is approximately \$17.6 million, which is a \$6.0 million (51.7%) increase over the FY 2024 Adopted Budget. FTEs budgeted in the General Fund are 92.75, which is an increase of 26.66, or 40.3%. General Fund revenues in the Proposed Budget are projected to total approximately \$7.4 million, an increase of approximately \$3.9 million (110.5%) from the FY 2024 Adopted Budget. This revenue increase is attributable to the anticipated transfer of Development Impact Fee Program into City Planning, as discussed below.

### Significant Budget Additions

#### 19.00 FTE – Transfer of Development Impact Fee Program

The FY 2025 Proposed Budget includes the transfer of the Development Impact Fee Program (also known as the Facilities Financing Program) from City Planning’s Facilities Financing Fund to the General Fund. The transfer includes 19.00 FTEs, \$3.4 million in personnel expenditures, \$453,000 in non-personnel expenditures, and \$3.5 million in revenues. The transfer would consolidate all of City Planning’s FTEs in General Fund.

**We note that this transfer is expected to be cost-neutral to the General Fund.** Currently, budgeted revenues fall short of budgeted expenditures by \$346,000. This is because at the time when the transfer was implemented, revenue projection had not been updated. The

SUMMARY OF CITY PLANNING DEPARTMENT BUDGET CHANGES						
Fund	FY 2024 FTEs	FY 2025 FTEs	Change	FY 2024 Expense	FY 2025 Expense	Change
General Fund	66.09	92.75	26.66	\$ 11,574,291	\$ 17,555,280	\$ 5,980,989
General Plan Maintenance Fund	-	-	-	5,216,000	5,329,600	113,600
Facilities Financing Fund	19.00	-	(19.00)	4,052,022	-	(4,052,022)
<b>Total Combined</b>	<b>85.09</b>	<b>92.75</b>	<b>7.66</b>	<b>\$ 20,842,313</b>	<b>\$ 22,884,880</b>	<b>\$ 2,042,567</b>

# Department Review: City Planning

Department has sufficient work volume to generate revenues needed to cover the costs of the staff and associated non-personnel costs that would be transferred to the General Fund. **A May Revision adjustment will be submitted to reflect revised revenue projections that will fully offset the expenditures.**

Under the current structure, with 19.00 FTEs budgeted in the Facilities Financing Fund and 66.09 FTEs budgeted in the General Fund, City Planning reports being constrained in its ability to adjust staff and resources to accommodate emerging priorities, with staff's opportunities and exposure to projects and work initiatives being restricted due to different accounting requirements created by use of the Facilities Financing Fund. Consolidating Facilities Financing Fund staff and General Fund staff will provide the Department with more flexibility in staff assignments to more effectively support City Planning initiatives.

The Facilities Financing Fund is projected to have a fund balance of roughly \$1.5 million after the proposed transfer. A May Revise adjustment will be proposed to provide authority to appropriate and expend these funds in FY 2025 on DIF Program operational support activity. Once the balance is exhausted, the fund is expected to be closed before the end of FY 2025.

## \$396,000, 8.00 FTEs – Employ and Empower Interns

The Proposed Budget includes the addition of 8.00 FTE positions to support City Planning's Work Program, which includes initiatives to tackle the housing crisis, address inequities among communities, prioritize infrastructure projects, and promote environment-friendly development. This addition provides for 16 Management Intern positions (0.50 FTE each) to be reimbursed through the Employ and Empower Grant Program.

We note that Management Interns are expected to help increase City Planning's capacity to pursue and secure grant funding, which can be prioritized to address inequities such as more homes being planned in higher resource areas, as well as prioritizing community investments in underserved areas and enabling focused public engagement in underserved areas of the City.

## **Significant Budget Reductions**

### (\$313,000) – Budget Mitigation: NPE Savings

The Proposed Budget includes ongoing reductions of \$313,000 in non-personnel expenditures. This includes \$163,000 associated with the restructuring of the Department by transferring the Development Impact Fee (DIF) Program to the General Fund.

The remaining reduction of \$150,000 is associated with contractual services originally

SUMMARY OF CITY PLANNING DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	66.09	\$ 10,432,830	\$ 1,141,461	\$ 11,574,291	\$ 3,520,450
<b>Programmatic Changes</b>					
<i>Transfer of Development Impact Fee Program</i>	19.00	3,389,156	452,766	3,841,922	3,495,477
<i>Employ and Empower Program Interns</i>	8.00	395,989	-	395,989	395,989
<i>Budget Mitigation: NPE Savings</i>	-	-	(312,526)	(312,526)	-
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(38,847)	-	(38,847)	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	1,910,067	-	1,910,067	-
<i>Non-Discretionary Adjustment</i>	-	-	202,694	202,694	-
<i>Support for Information Technology</i>	-	-	18,421	18,421	-
<i>Non-Standard Hour Personnel Funding</i>	(0.34)	(36,731)	-	(36,731)	-
<b>FY 2025 Proposed Budget</b>	<b>92.75</b>	<b>\$ 16,052,464</b>	<b>\$ 1,502,816</b>	<b>\$ 17,555,280</b>	<b>\$ 7,411,916</b>
<b>Difference from 2024 to 2025</b>	<b>26.66</b>	<b>\$ 5,619,634</b>	<b>\$ 361,355</b>	<b>\$ 5,980,989</b>	<b>\$ 3,891,466</b>

# Department Review: City Planning

appropriated for an agreement with the California Coastal Commission (CCC) to fund a position at CCC to expedite review of amendments to the City’s Local Coastal Program (LCP). However, this funding has not been spent due to the inability to reach an agreement with CCC.

## (\$39,000) – Budget Mitigation: Savings from Delayed Hiring

In March 2024, the City implemented a process that requires Executive approval prior to filling all vacant positions to reduce expenditures. Departments are limited to requesting to fill vacancies for the most critical positions as defined by certain criteria. The Proposed Budget for City Planning includes \$39,000 in personnel expenditures savings resulting from this process which is anticipated to continue through December 2024.

A total of four positions are affected by the “Request to Fill Process,” including two Senior Planners to support community planning & housing initiatives, one Associate Planner to support public engagement, and one Associate Planner to support historical preservation efforts. While the reduction is not anticipated to result in operational issues, the delays in hiring may affect City Planning’s ability to carry out its ongoing initiatives and result in increased workload for existing staffing.

## Issues for Council Consideration

### Unfunded Request

#### Staffing to Support Historical Resources Board

City Planning requested 1.00 Administrative Aide 2 that would serve as Secretary to the Historic Resources Board (HRB). At the beginning of FY 2024, 5.0 FTEs in the Historical Resources Section of the Development Services Department (DSD) were transferred to the Heritage Preservation section of the City Planning Department. However, the staff

position that serves as the HRB Secretary was not included in the transfer. As a temporary solution, City Planning has relied on a DSD staff position to perform much of the duties of the HRB Secretary. City Planning staff also take on added responsibilities to cover the functions of the proposed position, which reduces their overall capacity to address other Department needs and priorities.

### Community Plan Updates

City Planning’s current work plan can be found on [the Department’s website](#). The table below shows the target completion dates of community plan updates the Department is currently working on.

COMMUNITY PLAN UPDATES SCHEDULE	
Community Area	Target Completion
Hillcrest	July 2024
University	July 2024
College Area	December 2024
Clairmont	June 2025
Mid-City	2026

### Vacancy Update

City Planning has made considerable progress in retaining staff and filling its vacant positions. The Department currently has 4 vacancies, a vacancy rate of 4.7%.

## General Plan Maintenance Fund

The FY 2025 Proposed Budget for the General Plan Maintenance Fund (GPMF) includes \$5.3 million in expenditures, which is an increase of \$114,000 from the FY 2024 Adopted Budget. The increase in expenditures is associated with City Planning Work Program initiatives scheduled for FY 2025. FY 2025 revenues for GPMF are budgeted at \$4.3 million, a decrease of approximately \$136,000 as a result of the projected decrease in permit application fee revenues.

## Department Review: City Planning

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### **Facilities Financing Fund**

The vast majority of revenues in the Facilities Financing Fund are generated by staff charges to development impact fee accounts to support the administration of the program.

The FY 2025 Proposed Budget includes the transfer of the Development Impact Fee Program (also known as the Facilities Financing Program) from the Facilities Financing Fund to the General Fund, as discussed in detail in the General Fund section above.



# Department Review: City Treasurer

## City Treasurer

The Office of the City Treasurer is responsible for the receipt, custody, and reconciliation of all City revenue; banking and cash management; tax administration; parking administration and parking meter operations; and collection of Citywide delinquent accounts. The City Treasurer is also responsible for the investment of all operating and capital improvement funds and the issuance of Short-Term Residential Occupancy licenses and Sidewalk Vending permits. In addition, the City Treasurer serves as a member of the Funds Commission and Trustee for City's Defined Contributions Plan.

The City Treasurer's Divisions include: Business Operations; Investments; Revenue Collections; Financial Operations; and Treasury Systems.

### Impacts of Mayor's FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the City Treasurer includes the General Fund and Parking Meter Operations Fund revenues and expenditures.

Budgeted expenditures across all funds are approximately \$31.4 million, which is an increase of \$895,000 (or 2.9%) from the FY 2024 Adopted Budget. The Proposed Budget includes 133.00 FTE positions, which is a decrease of 1.00 FTE from FY 2024.

Budgeted revenue across all funds totals \$56.1 million, which represents an increase of \$4.6 million (or 8.9%) from the FY 2024 Adopted Budget.

### General Fund

The General Fund component of the Proposed Budget for the City Treasurer is \$21.9 million, which is an increase of \$280,000 (or 1.3%) from the FY 2024 Adopted Budget. It includes 123.25 FTE positions, a decrease of 1.00 FTE positions from FY 2024 Budget, and revenue that totals \$46.5 million, an increase of \$4.0 million (or 9.4%) from FY 2024.

### Significant Budget Reductions

As part of the FY 2025 Proposed Budget process, departments were requested to submit operational efficiency reductions totaling 2%

SUMMARY OF OFFICE OF CITY TREASURER GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	124.25	\$ 16,140,510	\$ 5,447,665	\$ 21,588,175	\$ 42,454,962
<b>Programmatic Changes</b>					
<i>Budget Mitigation: STRO Compliance</i>	-	-	(230,000)	(230,000)	-
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(146,494)	-	(146,494)	-
<i>Budget Mitigation: 1.00 Executive Asst. Reduction</i>	(1.00)	(91,924)	-	(91,924)	-
<i>Budget Mitigation: Merchant Services</i>	-	-	(50,000)	(50,000)	-
<i>Budget Mitigation: NPE Savings</i>	-	-	(27,785)	(27,785)	-
<i>Budget Mitigation: Reclassification of 1.00 FTE</i>	-	(27,000)	-	(27,000)	-
<i>Budget Mitigation: Security Services</i>	-	-	(20,000)	(20,000)	-
<i>STRO License Revenue Increase</i>	-	-	-	-	6,254,000
<i>TOT Revenue Increase</i>	-	-	-	-	1,050,000
<i>Parking Citation Revenue Reduction</i>	-	-	-	-	(310,000)
<i>Business Tax Revenue Reduction</i>	-	-	-	-	(350,000)
<i>Cannabis Business Tax Revenue Reduction</i>	-	-	-	-	(2,000,000)
<b>Other Changes</b>					
<i>Other Salary and Benefit Adjustments</i>	-	813,222	-	813,222	-
<i>Non-Personnel Expenditure Adjustments</i>	-	-	59,979	59,979	-
<i>Other Revenue Adjustments</i>	-	-	-	-	(645,000)
<b>FY 2025 Proposed Budget</b>	<b>123.25</b>	<b>\$ 16,688,314</b>	<b>\$ 5,179,859</b>	<b>\$ 21,868,173</b>	<b>\$ 46,453,962</b>
<b>Difference from 2024 to 2025</b>	<b>(1.00)</b>	<b>\$ 547,804</b>	<b>\$ (267,806)</b>	<b>\$ 279,998</b>	<b>\$ 3,999,000</b>

## Department Review: City Treasurer

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of the department's FY 2024 Adopted Budget, which for the City Treasurer is about \$432,000. The FY 2025 Proposed Budget includes the following General Fund expenditure reductions totaling \$593,000:

### (\$230,000) – Budget Mitigation: Short-Term Residential Occupancy (STRO) Compliance Contract

The FY 2025 Proposed Budget includes the termination of the STRO compliance contract with Avenu Insights and Analytics (Avenu), resulting in the reduction of \$230,000 in ongoing non-personnel expenditures.

The compliance contract was executed in September 2023 for one year and included four one-year options to renew. Avenu provides the City with bi-weekly reports that identify non-compliant STRO hosts. Without this service, the City may have to rely solely on data provided by individual hosting platforms (e.g., AirBnB and Vrbo), which comes less frequently and capture fewer non-compliant STRO hosts within the City than the reports provided by Avenu.

The Department notes that it is currently assessing alternative procedures that will allow them to review STRO compliance with reports provided solely by hosting platforms, and may remove the need for an outside compliance contract.

### (\$146,000) – Budget Mitigation: Savings from Delayed Hiring

In March 2024, the City implemented a process that requires Executive approval prior to filling all vacant positions to reduce expenditures. Departments are limited to requesting to fill vacancies for critical positions. As of April 2024, the City Treasurer's Office has 18 vacancies, and it anticipates \$146,000 \*in savings from delayed hiring for those vacancies.

### (\$92,000, 1.00 FTE) – Budget Mitigation: Reduction of Executive Assistant

The FY 2025 Proposed Budget includes a reduction of 1.00 FTE Executive Assistant and associated expenditures. This position has been vacant since July 2023 and the tasks and responsibilities associated with this position have been redistributed among the City Treasurer Administrative team. The Department anticipates that there are minimal impacts to service levels regarding this reduction.

### (\$50,000) – Budget Mitigation: Merchant Services

An ongoing reduction included in budget mitigations is the \$50,000 reduction for merchant services costs. The City currently incurs merchant processing fees for in-person transactions paid by credit card. As of April 2024, the Department is negotiating terms for a contract amendment with the City's merchant processor. If the Department's proposal is accepted, the Department would implement an in-person surcharge of 2.95% transaction totals. This will impact the amount paid by the customer and is anticipated to be implemented no later than the First Quarter of FY 2025.

### (\$28,000) – Budget Mitigation: NPE Savings

The Department anticipates a reduction in one-time spending on staff training (\$9,000) and ongoing spending on office supplies (\$11,000) and photocopy services (\$8,000). This reduction is anticipated to have a minimal to impact on the Department's service levels for FY 2025.

### (\$27,000) – Budget Mitigation: Reclassification of Department Operations

To meet the FY 2025 reduction target, the Department is reclassifying of 1.00 FTE Financial Operations Manager to 1.00 FTE Program Manager, which is projected to reduce the Department's ongoing personnel expenditures by \$27,000. According to the Department, this adjustment is also intended to improve efficiency, enhance service delivery, and address gaps in succession planning.

# Department Review: City Treasurer

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## (\$20,000) – Budget Mitigation: Security Services

This reduction is a result of current expense trends for the City Treasurer’s lobby security services. It is proposed as a one-time reduction, as costs for security services continue to rise. This reduction is not anticipated to impact service levels.

## **Significant Revenue Adjustments**

The FY 2025 Proposed Budget includes the following General Fund revenue adjustments:

### \$6.3 million – Short-Term Residential Occupancy (STRO) Program

The STRO Ordinance requires a license for all STRO of a dwelling unit, or part thereof, for less than one month within the City of San Diego. STRO licenses are valid for two years, with the majority of the licenses being renewed every other year. A majority of renewals are set to occur in FY 2025, which is reflected by the \$6.3 million revenue adjustment included in the Proposed Budget. For context, the FY 2024 Adopted Budget only included \$645,000 in STRO license revenue. Since license revenue either significantly rises or falls each consecutive year, the adjustment for FY 2025 is considered one-time in nature.

There are four license types with varying requirements. For two types of STRO licenses, Tier 3 and Tier 4, there is a cap on the number of available licenses. As of mid-April 2024, the license cap has not been met for Tier 3, with 895 licenses still available, which is approximately 1,000 less than it was on mid-April 2023. If the remaining license were to be issued, the City would receive an additional \$958,000 in STRO license revenue.

Volume I of the FY 2025 Proposed Budget characterizes the \$6.3 million in anticipated STRO license revenue as a mitigation to offset General Fund expenses. However, because of the two-year cycle of STRO licenses, this revenue increase was anticipated. We note that STRO license revenue offsets personnel and non-personnel expenditures that support the

STRO program, which has an ongoing cost of approximately \$6.9 million spread across two years. There are no service level impacts to this adjustment.

### \$1.1 million – Reimbursements from Transient Occupancy Tax (TOT)

For FY 2025, total revenue from charges for services is \$2.6 million, which is \$1.1 million (or 39.7%) above the FY 2024 Adopted Budget. This is primarily due to an increase in reimbursements from the TOT Fund.

This increase reflects a full reinstatement of reimbursements to the Department for administrative costs (accounting and revenue compliance) as provided in San Diego Municipal Code section 35.0128. Reimbursement for administering TOT was suspended during the COVID-19 pandemic and only partially restored in FY 2024.

### (\$310,000) – Parking Citation Revenue Reduction

The FY 2025 Proposed Budget includes \$122,00 in Parking Citation revenue, which is \$310,000 (or 71.7%) lower than the FY 2024 Adopted Budget. This reduction is attributed to the Department’s realignment of its core duties in FY 2023, decreasing the number of Parking Meter Technician positions that fiscal year, while also decreasing the number of citations issued.

In FY 2023, the Police Department received an additional 20.00 FTE positions to support parking enforcement. This addition raised the Police Department’s General Fund revenue that year since parking citation revenue flows through the citation issuing department.

### (\$350,000) – Business Tax for Small Businesses

Businesses operating in the City must possess a Business Tax Certificate and pay associated fees. The Proposed Budget includes \$4.0 million in Business Tax revenue from small businesses, which is \$350,000 (or 8.1%) lower

# Department Review: City Treasurer

than the FY 2024 Adopted Budget. The anticipated reduction is primarily due to small businesses not reopening and self-employed or independent contractors suspending or terminating operations, decreasing the number of monthly renewals for small businesses.

## (\$2.0 million) – Cannabis Business Tax (CBT)

The FY 2025 Proposed Budget includes \$19.4 million in Cannabis Business Tax revenue, which reflects a decrease of \$2.0 million (or 9.3%) from FY 2024 CBT revenues. This decline is understood to be a result of a reduction in gross receipts reported by permitted outlets, which is mainly due to increased competition from neighboring municipalities and delivery services. Additional detail on CBT revenue is included in our overview of General Fund revenues.

## Issues for Council Consideration

### STRO Program Enforcement

The City Treasurer noted that without the STRO compliance contract, the City may have to rely on reporting from hosting platforms. If Hosting Platforms fail to comply with the City’s STRO Ordinance reporting requirements, the City may be unable to perform proactive enforcement of the STRO Ordinance.

## Parking Meter Fund

The Parking Meter Fund component of the FY 2025 Proposed Budget includes \$9.6 million of expenditures, which is \$615,000 (or 6.9%) more than the FY 2024 Adopted Budget.

The FY 2025 Proposed Budget anticipates \$9.6 million in parking meter revenue, which is \$600,000 (or 6.7%) more than the FY 2024 Adopted Budget.

### Significant Budget Additions

The FY 2025 Proposed Budget includes the following adjustments to the Parking Meter Fund:

#### \$591,000 – Transfer to Other Funds

The FY 2025 Proposed Budget includes a \$591,000 increase in projected Parking Meter Operations Fund net revenue, for a total of \$4.8 million. In accordance with Council Policy 100-18, 45% of the Fund’s net revenue (projected to be \$2.2 million) must be allocated to the Community Parking Districts within the City to address parking-related needs.<sup>1</sup> The remaining 55% primarily goes to the General Fund departments, particularly the Transportation Department and Stormwater Department, as well as to fund a reserve for Community Parking District expenses.

SUMMARY OF OFFICE OF CITY TREASURER PARKING METER FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	9.75	\$ 1,326,056	\$ 7,617,194	\$ 8,943,250	\$ 9,000,000
<b>Programmatic Changes</b>					
<i>Transfer to Other Funds</i>	-	-	591,480	591,480	-
<i>Parking Meter Operations Program Support</i>	-	-	175,000	175,000	-
<i>Revised Parking Meter Revenue Adjustment</i>	-	-	-	-	600,000
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	(88,256)	-	(88,256)	-
<i>Other Non-Personnel Adjustments</i>	-	-	(63,354)	(63,354)	-
<b>FY 2025 Proposed Budget</b>	<b>9.75</b>	<b>\$ 1,237,800</b>	<b>\$ 8,320,320</b>	<b>\$ 9,558,120</b>	<b>\$ 9,600,000</b>
<b><i>Difference from 2024 to 2025</i></b>	<b>-</b>	<b>\$ (88,256)</b>	<b>\$ 703,126</b>	<b>\$ 614,870</b>	<b>\$ 600,000</b>

<sup>1</sup> City funded Community Parking Districts (CPDs) include: Uptown; Mid-City; Downtown; and Pacific Beach. The CPD FY 2025 Budgets will be brought to City Council in June for approval.

## Department Review: City Treasurer

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### \$175,000 – Parking Meter Operations Program Support

An additional \$175,000 in non-personnel expenditures are included in the Proposed Budget for City-billed services as a result of increased support provided by the Sustainability and Mobility Department (SuMo).

SuMo provides support to the Parking Meter Fund by responding to customer requests for parking studies and curb designation, supporting the Community Parking District Advisory Boards, and creating new parking districts.

### **Significant Revenue Adjustment**

The FY 2025 Proposed Budget includes the following Parking Meter Fund revenue adjustments:

### \$600,000 – Revised Parking Meter Revenue Adjustment

The Department anticipates an increase in parking meter collections revenue due to increased trends in FY 2023 actuals and FY 2024 projections. The primary reason cited for this trend is a shift to mobile payments, which allows customers to be consistently compliant with parking regulations. Total Parking Meter Collections Revenue included in the FY 2025 Proposed Budget is \$9.6 million, which is 6.7% higher than the FY 2024 Adopted Budget.

## Department Review: Citywide Program Expenditures

# Citywide Program Expenditures

The budget for the Citywide Program Expenditures Department (Citywide) is comprised of various programs and activities that provide benefits and services citywide. Programs or activities that are generally not attributable to any single City department are allocated in this budget. The Citywide budget includes only those expenditures funded by the General Fund.

### Impacts of Mayor's FY 2025 Budget Proposal

Citywide's FY 2025 Proposed Budget totals approximately \$206.7 million, an increase of \$446,000, or 0.2%, from the FY 2024 Adopted Budget. Significant areas of Citywide expenditures are discussed in this section.

### Payments for Contracts and Services Corporate Master Lease Rent

The City leases various facilities, such as office space and warehouses, from private parties to house some City employees and to support the daily operations of the City. Additionally, several General Fund-supported departments occupy space at the Montgomery-Gibbs Executive Airport and pay the Airport Fund for space costs. The amount budgeted for these costs totals \$16.5 million, an increase of \$3.2 million from FY 2024. The increase is mainly driven by annual rent increases at various locations and additional space for the Fire-Rescue Department, the Development Services Department, and the Parks & Recreation Department.

We note that the Citywide budget includes

SUMMARY OF "CITYWIDE PROGRAM EXPENDITURES" BUDGET CHANGES			
Budget Changes	FY 2024 Adopted	FY 2025 Proposed	Proposed Change
<b>Payments for Contracts and Services</b>			
<i>Corporate Master Lease Rent/Lease-to-Own</i>	\$ 13,305,531	\$ 16,508,046	\$ 3,202,515
<i>Special Consulting Services</i>	4,735,611	11,910,825	7,175,214
<i>Citywide Elections</i>	4,212,979	8,929,418	4,716,439
<b>Transfers to Public Liability Funds</b>			
<i>Transfer to Public Liability Operating Fund for Insurance</i>	30,619,671	31,699,628	1,079,957
<i>Transfer to Public Liability Operating Fund for Claims</i>	26,400,000	30,211,162	3,811,162
<b>Other Significant Expenditures</b>			
<i>Capital Infrastructure Debt Financing</i>	36,706,250	44,302,537	7,596,287
<i>Transfer to Parks Improvement Funds</i>	19,799,571	21,090,162	1,290,591
<i>Transfer to Infrastructure Fund</i>	30,961,972	19,739,601	(11,222,371)
<i>Climate Equity Fund Contribution</i>	7,688,396	-	(7,688,396)
<i>Transfer to Capital Improvements Programs</i>	8,000,000	-	(8,000,000)
<i>Transfer to Bridge to Home</i>	5,847,660	-	(5,847,660)
<i>Other Expenditures</i> <sup>1</sup>	17,987,899	22,320,431	4,332,532
<b>TOTAL</b>	<b>\$ 206,265,540</b>	<b>\$ 206,711,810</b>	<b>\$ 446,270</b>

<sup>1</sup> The largest FY 2025 Proposed Budget amounts in the "Other Expenditures" line include:

- \$5.9 million for insurance
- \$5.3 million to reimburse City departments for SDG&E right-of-way inspections
- \$5.0 million for property tax administration expense to San Diego County
- \$1.3 million for Public Use Leases
- \$1.3 million for assessments to public property (including Vector Control and MAD and PBID assessments for City-owned property)
- \$1.2 million for memberships (including those with SANDAG, SD County Local Agency Formation Commission, League of CA Cities)
- \$1.2 million for Preservation of Benefits (POB) pension payments
- \$1.0 million for the Supplemental COLA pension benefit payments

# Department Review: Citywide Program Expenditures

\$377,000 for rent payments at two proposed leased office spaces for DSD. However, tenant improvement, furniture, and relocation costs associated with these two spaces are not funded in the FY 2025 Proposed Budget. **Should the proposed relocations not occur in FY 2025, funding of \$377,000 could be reduced from the Citywide Program Expenditures budget as a budget mitigation measure.** See the *Development Services Department* section for more discussion on the proposed relocations.

## Special Consulting Services

The Special Consulting Services budget totals \$11.9 million, an increase of \$7.2 million from FY 2024, as shown in the table below.

The largest increase is \$8.3 million, related to the change in estimated compensation increases that are not distributed among City departments. In FY 2025, \$10.9 million for compensation increases is undistributed in the Citywide budget; this amount is \$8.3 million higher than the \$2.6 million that was undistributed in the FY 2024 Adopted Budget. These cost estimates are related to compensation increases pending completion of negotiations with the City’s Recognized Employee Organizations (REOs) – for FY 2024, these amounts were associated with the City’s non-

public safety REOs, and for FY 2025 with the City’s public safety REOs. The \$10.9 million in the FY 2025 Proposed Budget assumes a 3.05% general wage increase for employees represented by the public safety REOs. For additional discussion on the status of negotiations with the public safety REOs, see the *General Fund Expenditures Overview* section of this report.

The largest decrease in Special Consulting Services is associated with the one-time removal of \$500,000 for Citywide Space Planning and Condition Assessments.

## Citywide Elections

The FY 2025 Proposed Budget for Citywide elections is increasing by \$4.7 million, from \$4.2 million to \$8.9 million. The Citywide elections budget covers estimated costs associated with the November 2024 General Election. The General Election races will include contests for Council Districts 3 and 9, the Mayor, and the City Attorney. Funding is included in the budget for these races as well as for an estimated six ballot measures. Potential ballot measures include one-cent general purpose transactions and use (sales) tax increase, dedicated revenue for stormwater infrastructure and disaster response, amendments to the City Charter regarding the Ethics

SPECIAL CONSULTING SERVICES			
Budget Changes	FY 2024 Adopted	FY 2025 Proposed	Change
Estimated Compensation Increases - Pending Negotiations <sup>1</sup>	\$ 2,574,051	\$ 10,891,581	\$ 8,317,530
Energy-related Costs (Ash St/Golden Hall/Concourse)	586,560	619,244	32,684
Sales Tax Consulting	590,000	400,000	(190,000)
Specialized Consultants - Development Project Analysis	100,000	-	(100,000)
Opioid and Fentanyl Prevention Program/Campaign	135,000	-	(135,000)
Actuarial Services	250,000	-	(250,000)
Citywide Space Planning and Condition Assessments	500,000	-	(500,000)
<b>TOTAL</b>	<b>\$ 4,735,611</b>	<b>\$ 11,910,825</b>	<b>\$ 7,175,214</b>

<sup>1</sup> The City is currently negotiating with several of its recognized employee organizations regarding compensation increases for FY 2025. Since negotiations are not final, a portion of the cost estimates have been included in the Special Consulting Services category, with other cost estimates distributed among City departments.

# Department Review: Citywide Program Expenditures

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Commission, amendments to the City Charter regarding redistricting and amendments to City Charter regarding the election process for members of the Board of Education<sup>1</sup>. Additionally, an initiative to municipalize the gas and electric utility in the City of San Diego is currently being circulated to gather enough signatures from voters to qualify for the ballot.

The FY 2025 Citywide elections budget assumes no special election will be held. It also assumes the low-end cost per ballot measure. **As such, if the actual cost per ballot measure is higher than the current estimate, there could be a funding shortfall for election costs. If the actual number of ballot measures is fewer than the assumed six measures and the per ballot measure cost aligns with the current estimate, there could be expenditure savings.**

Generally, actual election costs can vary significantly, depending on several factors, including the number of participating jurisdictions, the number of candidates for all jurisdictions, the number of registered voters and voter participation rate, the availability of conditional voter registration at polling sites, and the number of vote-by-mail ballots mailed to voters.

## Transfers to Public Liability Funds

The FY 2025 Proposed Budget includes \$31.7 million and \$30.2 million to support the Public Liability (PL) Operating Fund's insurance and claims payments, respectively.

- The \$31.7 million insurance payment budget for FY 2025 has increased by about \$1.1 million, based on premium estimates that incorporate loss development trends in the insurance market.

- The \$30.2 million claims funding transfer has increased by \$3.8 million compared to the FY 2024 Adopted Budget due to increased claims estimates.

There is no budget in FY 2025 for a transfer to the Public Liability Reserve. See the *Public Liability Funds* section of this report for more information on the PL Funds.

## Other Significant Expenditures

### Capital Infrastructure Debt Financing

The FY 2025 Proposed Budget for capital infrastructure debt service includes debt service on bonds (\$42.5 million), as well as loan interest and fees on commercial paper (\$1.8 million). Thus, the total debt service budget is \$44.3 million, an increase of \$7.6 million from the \$36.7 million included in the FY 2024 Adopted Budget.

The primary driver of the Proposed Budget debt service increase is \$8.1 million for the 2024A bond issuance; however, due to the change in assumed interest rates, the estimated debt service payment for 2024A issuance is \$6.7 million, as reflected in the Debt Obligations section within Volume I of the Proposed Budget, resulting in a difference of \$1.4 million. Given the 2024A issuance will not be priced until July 2024 and the potential fluctuations in interest rate, it would be prudent to maintain the debt service funding at the Proposed Budget level.

For reference, \$42.5 million in FY 2025 bond debt service payments are as follows:

- \$6.7 million for the \$103 million 2018A refunding issuance
- \$4.2 million for the \$75 million 2012A and 2020A partial refunding issuance

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<sup>1</sup> Costs related to the potential ballot measure regarding the election process for members of the Board of Education would be paid for by the school district.



# Department Review: Citywide Program Expenditures

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- \$2.2 million for the \$35 million 2013A issuance
- \$6.9 million for the \$120 million 2015 A&B issuance
- \$7.2 million for the \$145 million 2021A issuance
- \$7.2 million for the \$126.8 million 2023A issuance
- \$6.7 million for the planned 2024A issuance up to \$180 million, based on current estimates

## Transfer to the Parks Improvement Funds

The City Charter sets a \$20 million threshold of Mission Bay rents and concession revenues that can be placed into the General Fund for any municipal purpose. Any rent and concession revenue greater than that amount is to be allocated to the San Diego Regional Parks Improvement Fund and the Mission Bay Park Improvement Fund each year.

The amount above the \$20.0 million threshold to be transferred to the Parks Improvement Funds is budgeted in Citywide at \$21.1 million, up from \$19.8 million in FY 2024. The \$1.3 million increase is largely related to additional revenue associated with increased activities at Mission Bay. Revenue from Mission Bay Park rents and concessions is budgeted in the Economic Development Department.

## Transfer to Infrastructure Fund

The Infrastructure Fund was established in accordance with Charter Section 77.1, which was approved by the voters in June 2016 as the Proposition H ballot measure. Allowable uses of these funds include: acquisition of real property, construction, reconstruction, rehabilitation, and repair and maintenance of General Fund infrastructure.

The required transfer for FY 2025, based on

applicable revenues from the FY 2025 Proposed Budget, is \$19.7 million. The Proposed Budget includes the transfer of \$19.7 million to the Infrastructure Fund. The Mayor, however, is proposing to use the Infrastructure Fund contribution to offset General Fund expenditures, including \$18.9 million in expenditures in the Transportation, Stormwater, and General Services Departments. There is also a proposed transfer of \$795,000 for slurry seal projects.

For context, in FY 2024, \$31.0 million was transferred to the Infrastructure Fund to support CIP projects.

## Climate Equity Fund Contribution

The Climate Equity Fund (CEF) provides funding for infrastructure projects in underserved communities to help them respond to the impacts of climate change. The Mayor is proposing to suspend the contribution to the CEF for FY 2025 as a budget mitigation measure. However, outside the Citywide Program Expenditures budget, \$1.5 million in franchise fee revenue is being allocated to the CEF. More discussion on the CEF can be found in the Franchise Fees section of our review of Major General Fund Revenues.

For context, in FY 2024, \$7.7 million in Citywide Program Expenditures and an additional \$1.5 million in franchise fee revenue was allocated to the CEF, for a total contribution of \$9.2 million. Had the FY 2025 Proposed Budget included the CEF Contribution, the CEF would have received \$8.5 million in addition to the \$1.5 million allocation outside of the Citywide Program Expenditures budget.

## Transfer to Bridge to Home

The FY 2024 Adopted Budget included a transfer of \$5.8 million to support the Bridge to Home program. This one-time funding is associated with the sale of the Tailgate Park

# Department Review: Citywide Program Expenditures

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property based on the anticipation that this sale would close in FY 2024. However, the sale of the Tailgate Park is now anticipated to close in FY 2025.

While proceeds from the sale are considered one-time unrestricted General Fund property tax revenue, the City Council approved the sale of Tailgate Park with the condition that City proceeds be transferred and appropriated into the Low and Moderate Income Housing Asset Fund to support affordable housing development through the Bridge to Home program. However, the Mayor is now proposing to use proceeds from the sale to balance the General Fund instead of transferring them to the Bridge to Home Program. As such, there is no contribution included in the FY 2025 Proposed Budget to Bridge to Home. For our review of the Low and Moderate Income Housing Asset Fund, please refer to the *Department Review: Economic Development Department* section of this report.

## Transfer to Capital Improvements Program

Transfers to the Capital Improvements Program, when budgeted, are included in Citywide Program Expenditures. As part of City Council Modifications to the FY 2024 Proposed Budget, \$8.0 million was included in the FY 2024 Adopted Budget to be transferred to the Capital Improvements Program. The FY 2025 Proposed Budget does not include any transfers to Capital Improvements Program, which represents a \$8.0 million decrease from the FY 2024 Adopted Budget. See the *Capital Improvements Program (CIP)* section of this report for more information.

## Other Expenditures

The following are additional expenditure items which are included in the Citywide Program Expenditures budget. Since budget

amounts or changes for these expenditure items are smaller than previous areas discussed, these additional expenditures are listed in the footnote to the table on the first page of this section.

- *Assessments to Public Properties*

The FY 2025 Proposed Budget includes \$1.3 million for Assessments to Public Properties, an increase of \$94,000 from FY 2024. This includes \$1.2 million for assessments on City-owned properties within the Maintenance Assessment Districts (MADs) and Property and Business Improvement Districts (PBIDs), and \$44,000 for County vector control services

- *Public Use Leases*

The FY 2025 Proposed Budget for the public use leases is unchanged from FY 2024, at \$1.3 million, for the use of parking lots in Las Americas.

- *Preservation of Benefits (POB) Pension Payments*

The City makes additional payments to SDCERS<sup>2</sup> to fund any pension payments in excess of IRS limits. The FY 2025 amount for POB is \$1.2 million, a decrease of \$300,000 from FY 2024.

- *Supplemental COLA Pension Benefit Payments*

In 1999, the Supplemental Cost of Living Adjustment (COLA) benefit was created for certain retirees who retired before July 1, 1982. Those retirees' benefits had dropped below 75% of their original purchasing power. When the benefit was created, \$35.0 million was set aside in a special pension reserve that would fund the benefit.

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<sup>2</sup> SDCERS is the San Diego City Employees Retirement System.

## Department Review: Citywide Program Expenditures

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The reserve was depleted in FY 2014, and since then the City has been making additional payments to SDCERS to fund the benefit. FY 2025 Citywide Program Expenditures includes \$960,000 for this benefit, a decrease of \$576,000 from FY 2024.

### General Fund Reserve

Contributions to the General Fund Reserve, if budgeted, are included in the Citywide Program Expenditures Department. However, the Mayor is proposing to waive the Reserve contributions for both FY 2024 and FY 2025 to help balance the FY 2025 budget. For more about this Reserve, see the *General Fund Reserve* section of this report.

### Pension Payment Stabilization Reserve

Contributions to the Pension Payment Stabilization Reserve (PPSR), if budgeted, are also included in Citywide Program Expenditures. Based on the updated Reserve Policy, the City will fund and maintain the PPSR after the 16.7% General Fund Reserve target is met. Given the City will not meet the General Fund Reserve target for several years, there is no contribution included in the FY 2025 Proposed Budget to PPSR.

# Department Review: Communications

## Communications

The Communications Department provides information to educate and engage the public through media and community outreach, video production, graphic design, and live coverage of public meetings. Additionally, the Communications Department oversees the City’s responses to news media and Public Records Act Requests.

### Impacts of Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Communications Department includes the General Fund and Publishing Services Fund revenues and expenditures.

Budgeted expenditures across all funds are approximately \$9.6 million, an increase of \$818,000 (or 9.3%) over the FY 2024 Adopted Budget. The majority of this is due to salary and benefit increases. Revenues are approximately \$2.5 million, which is \$123,000 (or 5.1%) more than the FY 2024 Budget. The Department also has a total of 47.08 FTE positions, which is a decrease of 0.42 FTE from the FY 2024 Adopted Budget.

### General Fund

The General Fund component of the Proposed Budget for the Communications Department is \$7.4 million, which is an increase of

\$842,000 (or 12.8%) from the FY 2024 Adopted Budget. This increase is largely due to an \$889,000 increase in salaries and benefits. The Proposed Budget also includes 37.58 FTE positions, a decrease of 0.42 FTE positions from FY 2024 Budget. General Fund revenues total \$595,000, an increase of \$123,000 (or 26.1%) from FY 2024, largely due to reimbursements from Enterprise Funded Departments.

### Significant Budget Additions

The FY 2025 Proposed Budget includes one addition:

#### \$23,000, 0.58 FTE – Employ and Empower Program Intern

The Proposed Budget includes 0.58 FTE intern positions and \$23,000 as part of the Employ and Empower Program. Costs for these positions would be offset by revenues from the Employ and Empower Grant program.

### Significant Budget Reductions

Despite the 12.8% General Fund budget increase as compared to FY 2024, the Proposed Budget does include some reductions. As part of the FY 2025 Proposed Budget process, departments were requested to submit operational efficiency reductions totaling 2% of their department FY2024 Adopted General Fund Budgets, which for the Communications Department is about \$131,000. To meet the reduction target, the FY 2025 Proposed

SUMMARY OF COMMUNICATIONS GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	38.00	\$ 5,997,425	\$ 576,333	\$ 6,573,758	\$ 472,107
<b>Programmatic Changes</b>					
<i>Employ and Empower Program Interns</i>	0.58	23,014	-	23,014	23,014
<i>Budget Mitigation: Reduction of 1.00 Graphic Designer</i>	(1.00)	(105,744)	-	(105,744)	-
<i>Budget Mitigation: Transfer of NPE to PEG Fund</i>	-	-	(42,516)	(42,516)	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	889,117	-	889,117	-
<i>Non-Discretionary Adjustments</i>	-	-	50,459	50,459	-
<i>Support for Information Technology</i>	-	-	28,013	28,013	-
<i>Reimbursement from Enterprise Departments</i>	-	-	-	-	100,000
<b>FY 2025 Proposed Budget</b>	<b>37.58</b>	<b>\$ 6,803,812</b>	<b>\$ 612,289</b>	<b>\$ 7,416,101</b>	<b>\$ 595,121</b>
<b>Difference from 2024 to 2025</b>	<b>(0.42)</b>	<b>\$ 806,387</b>	<b>\$ 35,956</b>	<b>\$ 842,343</b>	<b>\$ 123,014</b>

# Department Review: Communications

Budget includes one position reduction and a transfer of General Fund expenses to another fund. These reductions total \$149,000 and are detailed below:

(\$106,000, 1.00 FTE) – Budget Mitigation: Reduction of 1.00 Graphic Designer

The Proposed Budget includes the reduction of 1.00 FTE Graphic Designer position. The position (which has been vacant since January 2024) prepares, designs, and illustrates varied graphic arts projects related to citywide activities. This position is part of the Communications Department’s Graphic Designer Team, which also includes three additional Graphic Designers and one Graphic Communications Manager.

The Department notes that this reduction will increase the average Graphic Designer team member’s workload, potentially causing delays in the completion of graphic art requests from other City departments.

(\$43,000) – Budget Mitigation: Transfer of Various Non-Personnel Expenditures to Public, Educational and Governmental Fee Fund

The Proposed Budget includes the transfer of various non-personnel expenditures from the General Fund to the Public, Educational, and Governmental (PEG) Fee Fund on an ongoing basis. These expenditures include cellular operating costs and services relating to news notification and social media analytics.

The PEG Fee Fund is a special revenue fund that is funded by fees paid by video service providers, and funds are restricted to the support of PEG channel (e.g., CityTV) equipment or facilities.

## Significant Revenue Adjustment

The FY 2025 Proposed Budget includes the following revenue adjustment:

\$100,000 – Reimbursements from Enterprise Departments

The Communications Department anticipates Enterprise Funded departments (such as Development Services, and the Public Utilities Department) requiring greater communication services due to an increase in their funding and outreach efforts. These services include pitching stories to the media, writing media advisories and news releases, and coordinating groundbreaking and project completion ceremonies. This adjustment reflects the anticipated increase in reimbursement revenue from Enterprise Funded departments.

## Publishing Services Fund

The Publishing Services component of the Proposed Budget for the Communications Department is \$2.2 million, which is a decrease of \$24,000 (or 1.1%) from the FY 2024 Adopted Budget. This decrease is due to non-programmatic changes, such as salaries and benefit adjustments and non-discretionary adjustments. The Proposed Budget also includes 9.50 FTE positions and revenue that totals \$1.9 million. The Proposed Budget made no FTE or revenue adjustments from the FY 2024 Adopted Budget.

SUMMARY OF COMMUNICATIONS PUBLISHING SERVICES FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	9.50	\$ 844,346	\$ 1,412,271	\$ 2,256,617	\$ 1,947,049
<b>Other Changes</b>					
<i>Support for Information Technology</i>	-	-	42,057	42,057	-
<i>Salary and Benefit Adjustments</i>	-	18,298	-	18,298	-
<i>Non-Discretionary Adjustments</i>	-	-	(84,689)	(84,689)	-
<b>FY 2025 Proposed Budget</b>	<b>9.50</b>	<b>\$ 862,644</b>	<b>\$ 1,369,639</b>	<b>\$ 2,232,283</b>	<b>\$ 1,947,049</b>
<b>Difference from 2024 to 2025</b>	<b>-</b>	<b>\$ 18,298</b>	<b>\$ (42,632)</b>	<b>\$ (24,334)</b>	<b>-</b>

# Department Review: Compliance

## Compliance

The Compliance Department provides enforcement and compliance support for several areas. Enforcement activities include investigations with respect to the City’s Living Wage, Prevailing Wage, and Minimum Wage and Earned Sick Leave Ordinances. The Compliance Department also supports City departments with regard to responses to audits and Grand Jury reports; compliance with external agency regulations; and administrative appeals hearings regarding fines or other civil penalties imposed by City departments. The Compliance Department also oversees the City’s Occupational Safety and Health (OSH) program.

### Impacts of Mayor’s FY 2025 Budget Proposal

The following table presents a summary of the Compliance Department’s budget changes from the FY 2024 Adopted Budget to the FY 2025 Proposed Budget. FTE positions are increasing by 5.00, from 36.00 in FY 2024 to 41.00 in FY 2025. Expenditures are increasing by \$1.6 million – from \$5.7 million to \$7.3 million, or 28.6%; and revenue is increasing by \$1.3 million, or 365.8%. Significant budget

changes are discussed below.

### Significant Budget Additions

The largest expenditure increases in the table below include:

- \$1.2 million and 5.00 FTEs to support the CIP Project Labor Agreement (PLA) – discussed below
- \$508,000 on the “Other Salaries & Wages” line, largely due to FY 2025 general salary increases, equity increases, and job reclassifications

### \$1.2 million, 5.00 FTEs – Project Labor Agreement Monitoring Program

On February 13, 2024 City Council gave final approval for a [PLA](#) that was negotiated with the San Diego County Building and Construction Trades Council and craft unions regarding City-procured capital improvement projects and other projects. The PLA is for a term of seven years, beginning July 1, 2024. The PLA includes provisions for a City-designated “Project Labor Coordinator” to monitor compliance with the PLA as the authorized representative of the City, and to assist with the development and implementation of the

SUMMARY OF COMPLIANCE DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	36.00	\$ 5,351,517	\$ 334,592	\$ 5,686,109	\$ 360,000
<b>Programmatic Changes</b>					
<i>Project Labor Agreement Monitoring Program</i>	5.00	782,485	412,381	1,194,866	676,666
<i>Reimbursements - CIP Prevailing Wage Monitoring</i>	-	-	-	-	640,000
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(185,352)	-	(185,352)	-
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	-	508,419	-	508,419	-
<i>Other Fringe Benefits (includes ADC pension payment)</i>	-	143,243	-	143,243	-
<i>Non-Discretionary - Information Technology</i>	-	-	60,693	60,693	-
<i>Budgeted PE Savings (vacancy savings adjustment)</i>	-	(93,306)	-	(93,306)	-
<i>Other Adjustments</i>	-	-	(3,865)	(3,865)	-
<b>FY 2025 Proposed Budget</b>	<b>41.00</b>	<b>\$ 6,507,006</b>	<b>\$ 803,801</b>	<b>\$ 7,310,807</b>	<b>\$ 1,676,666</b>
<b>Difference from 2024 to 2025</b>	<b>5.00</b>	<b>\$ 1,155,489</b>	<b>\$ 469,209</b>	<b>\$ 1,624,698</b>	<b>\$ 1,316,666</b>

# Department Review: Compliance

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programs referenced in the PLA.

The FY 2025 Proposed Budget includes \$1.2 million in expenditures and \$677,000 in revenues within the Compliance Department for PLA program. Expenditures include:

- \$782,000 in PE for the monitoring team, which includes 1.00 Program Manager overseeing the program, 2.00 Senior Compliance Officers, and 2.00 Associate Compliance Officers

In a related action, on February 6, 2024, City Council approved the exemption from classified service of a Program Manager position to oversee the City's CIP PLA monitoring program.

- \$412,000 in NPE for anticipated costs to ramp up the program, including one-time costs of \$400,000 for a consultant and \$11,000 for IT set-up.

The consultant will provide the Program Manager with advice on best practices and assist in the creation of policies and procedures for the program. Additionally, if there are delays in setting up or filling the budgeted positions, the consultant may be used to assist in further program implementation, monitoring, and reporting functions. Purchasing & Contracting has indicated that expediting the RFP process for this consultant contract could potentially result in an award occurring by the end of July 2024, assuming no process delays.

Reimbursement revenue will be received from applicable CIP projects for the PLA monitoring team's work. Additional information on the budgeted amount for this revenue is included later under *Significant Revenue Adjustments*.

The Compliance Department has indicated that if staffing for the PLA monitoring program were to be reduced, it would likely result in the slowing of the CIP. For example, per the PLA, construction work cannot proceed without each contractor conducting a pre-job conference with labor organizations. These meetings must be attended by the City's designated staff for PLA monitoring, who will address certain PLA programs and goals. A staff reduction would delay occurrence of the required pre-job conferences, resulting in delayed CIP projects.

However, the Compliance Officer positions may not be immediately filled at the beginning of FY 2025. Depending on the timeframe for completion of the job classification study, followed by recruitment, interviews, selection, and background clearance, these positions may not be filled for several months. This could result in additional vacancy savings that are not factored into the Proposed Budget. If the process for filling these positions is started at the end of the April (before FY 2025), depending on whether it takes less or more than the average hiring timeframe, the savings could range from less than \$75,000 to \$100,000, or it could be more. Further, the Compliance Department has indicated it does not anticipate having to pay the consultant more than the budgeted \$400,000 if the consultant is needed to backfill PLA monitoring staff before they are hired, for which work would be reimbursable from the related CIP projects.

## **Significant Budget Reductions**

(\$185,000) – Budget Mitigation: Savings from Delayed Hiring

As part of the citywide effort to effect budgetary savings in FY 2025, departments were required submit operational efficiencies totaling

# Department Review: Compliance

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2% of their FY 2024 Adopted Budget. The Compliance Department submitted the required budget reduction, which is based on delaying the hiring of program staff when vacancies arise. However, with a further adjustment made by the Department of Finance, the total budget reduction related to anticipated hiring delays is \$185,000, or 3.3% of the FY 2024 Adopted Budget. The reduction could impact the workload of remaining staff and the ability to complete related work in a timely manner. Additionally, Compliance has indicated that its annual budget reduction target will be met by slowing the filling of non-reimbursable positions.

## (\$93,000) – Budgeted PE Savings (vacancy savings adjustment)

An additional increase of \$93,000 in Budgeted PE Savings further reduces the Department’s salaries and wages budget.

## **Significant Revenue Adjustments**

### \$677,000 – Project Labor Agreement Monitoring Program

As mentioned, \$677,000 in revenue is budgeted for the PLA Program, including \$575,000 in ongoing revenue and \$102,000 in one-time revenue. The \$575,000 is 100% of the budget for the Compliance Officers; and \$102,000 is about half of the budget for the Program Manager.

### \$640,000 – CIP Prevailing Wage Monitoring

The Prevailing Wage Program charges CIP projects for reimbursable time spent monitoring prevailing wage compliance with respect to contracts under CIP projects. Based on actual reimbursements from FY 2023 and anticipated reimbursements for FY 2024, the Proposed Budget includes an increase of \$640,000 for this revenue – bringing the total revenue for these efforts to \$1.0 million.

## **Issues for Council Consideration**

### **Unfunded Requests**

The Compliance Department requested one position addition which was not included in the Proposed Budget: 1.00 Safety Officer and \$106,000 to provide safety support to small and midsize departments and larger departments without their own safety personnel (10 departments have their own safety personnel). Additionally, this position would facilitate the completion of Recommendation 9 from the City Auditor’s [Performance Audit of Workplace Safety and Workers’ Compensation](#), released May 2022. This recommendation refers to the updating and use of Injury/Illness Investigation forms.

### **Vacancies**

As of mid-April 2024, the Compliance Department had 33.00 filled FTEs as compared to its 36.00 budgeted FTEs. These positions are all “non-hourly” positions (standard hour positions). The 3.00 unfilled FTEs translate to an 8.3% vacancy rate for the Department.

Of the 3.00 unfilled positions, the Department anticipates filling 1.00 Program Coordinator FTE that will set up a data-driven safe driving program, with an expected start date by the end of April 2024. The other 2.00 FTEs will likely be vacant for a good portion of the calendar year, given the COO’s March 11, 2024 requirement for executive approval for filling vacancies.



# Department Review: Cultural Affairs

## Cultural Affairs

The Cultural Affairs Department supports the Commission for Arts and Culture (Commission) and aims to foster equitable and inclusive artistic, creative, and cultural expression and engagement throughout the City. The role of the Commission, which consists of 15 volunteers, is to advise the Mayor and City Council on promoting arts and culture in civic life, including recommending local artists and arts and cultural nonprofit organizations to receive funding, as well as advising on the City’s collections management and public art project management activities.

### Impacts of Mayor’s FY 2025 Budget Proposal

The Proposed Budget for the Cultural Affairs Department totals approximately \$3.0 million, a decrease of \$2.1 million from the FY 2024 Adopted Budget. This represents a decrease of 41.6%, largely attributable to the removal of one-time funding budgeted in FY 2024. The Proposed Budget includes 7.00 FTE positions which is unchanged from the FY 2024 Adopted Budget. The Department currently has one vacancy for a public arts administrator position that it intends to fill by the end of FY 2024.

Cultural Affairs Department operations are primarily funded by the Transient Occupancy

Tax (TOT) Fund, with TOT Fund expenditures totaling \$2.9 million in the Proposed Budget, as reflected in the table below.

The Department also manages the Public Art Fund which is allocated \$85,000 from the TOT Fund in the Proposed Budget. The Public Art fund remains below pre-pandemic funding levels (\$560,000 in FY 2020 Adopted Budget).

### Significant Budget Reductions

Expenditure reductions in the Proposed Budget are due to the removal of one-time funding from FY 2024. In total, the removal of these one-time expenditures amounts to a \$3.1 million budget reduction.

#### \$3.0 Million – Remove One-Time Funding for World Design Capital 2024

San Diego and Tijuana were jointly selected as the World Design Capital 2024 (WDC), which provides the region a year-long showcase of design and innovation in the community and features a series of public events, conferences, exhibitions, summits, and celebrations. The FY 2024 Adopted Budget provided \$3.0 million in one-time funding to support WDC activities, including \$1.0 million for organization operations; \$1.0 million to support event marketing and communications campaigns; and \$1.0 million for a community grant program open to local non-profit, small

SUMMARY OF CULTURAL AFFAIRS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	7.00	\$ 1,069,165	\$ 4,002,996	\$ 5,072,161	\$ 85,000
<b>Programmatic Changes</b>					
<i>World Design Capital Carryforward Funding</i>	-	-	790,000	790,000	-
<i>Removal of Creative City Cultural Plan</i>	-	-	(100,000)	(100,000)	-
<i>Removal of World Design Capital</i>	-	-	(3,000,000)	(3,000,000)	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	112,872	-	112,872	-
<i>Non-Discretionary - Information Technology</i>	-	-	44,781	44,781	-
<i>Other Non-Discretionary Adjustments</i>	-	-	41,718	41,718	-
<b>FY 2025 Proposed Budget</b>	<b>7.00</b>	<b>\$ 1,182,037</b>	<b>\$ 1,779,495</b>	<b>\$ 2,961,532</b>	<b>\$ 85,000</b>
<b>Difference from 2024 to 2025</b>	<b>-</b>	<b>\$ 112,872</b>	<b>\$ (2,223,501)</b>	<b>\$ (2,110,629)</b>	<b>\$ -</b>

# Department Review: Cultural Affairs

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business, and other organizations focused on art, culture, and design. The kickoff event occurred on February 28, 2024 at the Centro Cultural Tijuana arts center, with events planned in San Diego and Tijuana through November 2024. As will be noted below, \$2.2 million of this amount has been expended, but \$790,000 remains unspent and carries forward to FY 2025 in the Proposed Budget.

## \$100,000 – Remove One-Time Funding for Creative City Cultural Plan

In FY 2023, the Department began the development of the City’s first citywide cultural plan, called “The Creative City.” The FY 2024 Adopted Budget included \$100,000 in one-time non-personnel expenditures to complete the plan. According to the Department, plan drafting will begin in June 2024 with a goal of sharing the drafted plan with the public by July 2024. The Department tentatively expects to present the plan to Council in January 2025.

## **Significant Budget Additions**

The Proposed Budget includes expenditure additions for salary and benefits, information technology, and non-discretionary adjustments, with the most notable addition detailed below:

## \$790,000 – World Design Capital Carryforward Funding

Of the \$3.0 million provided for WDC activities in FY 2024, \$790,000 is proposed to carryforward into FY 2025. This funding is considered contractually obligated and includes the following components:

- \$470,000 for additional branding and marketing
- \$200,000 for general WDC operations
- \$120,000 for the community grant program, as a portion of grant awards are withheld to be distributed to grantees and WDC upon final reporting

## Department Review: Department of Finance

# Department of Finance

The Department of Finance provides centralized financial services to the City. It is made up of three divisions: Financial Planning, External Financial Reporting, and Debt Management & Capital Improvements Program (CIP). The Department has four main areas of responsibilities: 1) oversight of the City’s operating and capital budgets, 2) accounting and financial reporting for all City funds, 3) payroll and vendor payments, and 4) financing and management of City debt obligations.

### Impacts of Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Department of Finance is approximately \$29.2 million in General Funds, an increase of \$2.3 million, or 8.4%, over the FY 2024 Adopted Budget. The main driver of the budget increase is salary and benefit adjustments. The budget includes 140.49 FTE positions, reflecting an increase of 0.49 FTE positions from FY 2024. There is \$2.7 million in budgeted revenue, which is a decrease of \$33,000, or 1.2%, from the FY 2024 Adopted Budget.

### Significant Budget Additions

The FY 2025 Proposed Budget provides the

following significant budget adjustments:

#### \$127,000, 1.00 FTE – Support for EMS Alliance Model

The budget adds one Finance Analyst 3 position to support accounting and financial reporting associated with the Emergency Medical Services (EMS) program and the transition to the EMS Alliance model. The position will be cost recoverable by billing the EMS Fund which is budgeted at approximately \$115.6 million in expenditures and \$116.6 million in revenue for FY 2025. The Alliance model is further detailed in this report’s review of the Fire-Rescue Department.

#### \$59,000, 1.49 FTEs – Employ and Empower Interns

The budget includes funding for 1.49 FTEs for hourly Management Intern FTEs for the Employ and Empower Internship Program, which is in line with projected use of the program in FY 2024. A citywide discussion of the Employ and Empower Program is included in the *Equity* section of this report. The expenditures for these positions are considered grant reimbursable; as such, the Department of Finance’s revenue includes a corresponding

SUMMARY OF DEPARTMENT OF FINANCE BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	140.00	\$ 24,857,223	\$ 2,037,164	\$ 26,894,387	\$ 2,758,962
<b>Programmatic Changes</b>					
<i>Finance Analyst to Support EMS Program</i>	1.00	127,385	-	127,385	127,385
<i>Employ and Empower Program Interns</i>	1.49	59,121	-	59,121	59,121
<i>Budget Mitigation: Reduce Positions</i>	(2.00)	(361,325)	-	(361,325)	-
<i>Budget Mitigation: NPE Reduction</i>	-	-	(223,962)	(223,962)	-
<i>Budget Mitigation: Request to Fill Savings</i>	-	(49,616)	-	(49,616)	-
<b>Other Changes</b>					
<i>Salaries and Wages</i>	-	2,108,687	-	2,108,687	-
<i>Other Fringe Benefits (includes ADC pension payment)</i>	-	574,506	-	574,506	-
<i>Other Adjustments</i>	-	-	128,517	128,517	-
<i>Non-Discretionary - Information Technology</i>	-	-	(90,950)	(90,950)	-
<i>Revised Revenue Projections</i>	-	-	-	-	(220,000)
<b>FY 2025 Proposed Budget</b>	<b>140.49</b>	<b>\$ 27,315,981</b>	<b>\$ 1,850,769</b>	<b>\$ 29,166,750</b>	<b>\$ 2,725,468</b>
<b>Difference from 2024 to 2025</b>	<b>0.49</b>	<b>\$ 2,458,758</b>	<b>\$ (186,395)</b>	<b>\$ 2,272,363</b>	<b>\$ (33,494)</b>

# Department Review: Department of Finance

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total of \$59,000.

## Significant Budget Reductions

As part of the FY 2025 Proposed Budget process, departments were requested to submit operational efficiency reductions totaling 2% of the department Fiscal Year 2024 Adopted Budget, which for the Department of Finance is about \$538,000. The FY 2025 Proposed Budget includes a total of \$636,000 in reductions:

### (\$362,000, 2.00 FTE) – Reduce Positions

The Proposed Budget reduces one vacant Program Coordinator position and \$211,000 on the Financial Planning and Analysis team. This position would have augmented to budget team and supported special projects such as contracts oversight and benchmarking with other cities.

The Proposed Budget also reduces a vacant Finance Analyst 2 and \$151,000 in the Internal Controls section which supports a wide range of responsibilities under the Municipal Code that promotes effective governance, financial integrity, and operational efficiency of the City.

These positions were identified for reduction based on having the least impact to core services performed by the department.

### (\$224,000) – Budget Mitigation: NPE savings

This adjustment is made up of the following:

- \$96,000 ongoing reduction to right-size the budget in various non-personnel expenditure categories based on past spending trends;
- \$81,000 one-time reduction of the training budget, leaving \$20,000 remaining;
- \$38,000 ongoing reduction of other various non-personnel expenditures such as supplies and photocopy services due to a reduced need related to the hybrid and remote work environment; and

- \$9,000 one-time reduction to print shop services which will minimize the number of printed copies of the Proposed and Adopted Budgets.

### (\$50,000) – Budget Mitigation: Request to Fill

In March 2024, the City implemented a process that requires Executive approval prior to filling all vacant positions to reduce expenditures. Departments are limited to requesting to fill vacancies for the most critical positions as defined by certain criteria. The Department of Finance anticipates \$50,000 in savings associated with this Request to Fill process. As of this writing, the Department has seven vacancies in addition to the two positions proposed to be eliminated.

## Significant Revenue Adjustment

Revenue for the Department is generated largely by charging other departments or entities for services. The Proposed Budget includes the following revenue adjustment:

### (\$220,000) – Revised Projections

The Department anticipates receiving less funding from other City departments due to a reduction in reimbursements for services associated with service level agreements and more reliance on costs being recovered via the General Government Services Billing (the process by which the General Fund recovers the cost of providing centralized services to Non-General Funds). The reduction puts the Department's revenue projection in line with actual receipts seen in recent years.

# Department of Information Technology

The Department of Information Technology (IT) provides citywide technology strategy; operational support of applications, infrastructure, and wireless technologies; enterprise application services; and management of IT services contracts and assets. This includes providing technology services to 34 City Departments with more than 12,000 employees at over 300 locations.

## Department of IT Funds

Funding for the Department of IT is provided through five different funds, each of which serves a distinct purpose within the department:

- General Fund
- Geographical Information Systems (GIS) Fund
- Information Technology Fund
- OneSD Support Fund
- Wireless Communications Technology

The proposed budget for each of the Department’s funds is summarized in the table below and discussed separately in the following subsections. We note that each of the funds received a 2.0% reduction in personnel expenditures, per the requirement to mitigate the budget deficit, as well as other budget balancing measures discussed in each subsection.

## Impacts of Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Department of IT is \$139.3 million, a \$2.2 million, or 1.6%, increase from the FY 2024 Adopted Budget. Total FTE positions have increased by 0.17 from 135.35 to 135.52. Total department revenue is \$126.5 million, about \$9.8 million less than the prior year.

### General Fund

The Department of IT General Fund budget supports the personal computer (PC) Replacement Program<sup>1</sup> and Digital Equity – SD Access 4 All Program. The FY 2025 Proposed Budget for the Department of IT’s General Fund is approximately \$2.7 million, as shown in the table at the top of the next page. This represents a decrease of approximately \$102,000, or 4.0%, from the FY 2024 Adopted Budget. Budgeted positions remain unchanged from the prior year at 4.00 FTEs. The reduction of \$911,000 in revenue is discussed below.

## Significant Budget Reductions

### Budget Mitigations

The FY 2025 Proposed Budget includes

SUMMARY OF DEPARTMENT OF INFORMATION TECHNOLOGY BUDGET CHANGES						
Fund	FY 2024 FTE	FY 2025 FTE	Change	FY 2024 Expense	FY 2025 Expense	Change
General Fund	4.00	4.00	-	\$ 2,849,519	\$ 2,747,257	\$ (102,262)
GIS Fund	12.00	11.49	(0.51)	5,372,519	5,161,514	(211,005)
Information Technology Fund	47.00	50.78	3.78	87,424,882	87,412,902	(11,980)
OneSD Support Fund (ERP Fund)	29.00	29.25	0.25	29,394,948	32,672,508	3,277,560
Wireless Communications Technology Fund	43.35	40.00	(3.35)	12,048,240	11,282,340	(765,900)
<b>Total Combined</b>	<b>135.35</b>	<b>135.52</b>	<b>0.17</b>	<b>\$ 137,090,108</b>	<b>\$ 139,276,521</b>	<b>\$ 2,186,413</b>

<sup>1</sup> The PC Replacement Program replaces computers/laptops every 5 years (or 20% of computers each year) to align with their expected useful life. The replacement of General Fund personal computers is financed through a five-year laddering lease strategy (currently, there are four concurrent leases).

# Department Review: Dept of Information Technology

SUMMARY OF DEPARTMENT OF INFORMATION TECHNOLOGY GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	4.00	\$ 484,580	\$ 2,364,939	\$ 2,849,519	\$ 911,287
<b>Programmatic Changes</b>					
<i>Budgeted PE Savings (vacancy savings adjustment)</i>	-	(27,592)	-	(27,592)	-
<i>Budget Mitigation: Digital Equity Program NPE Reduction</i>	-	-	(57,000)	(57,000)	-
<b>Other Changes</b>					
<i>Non-discretionary Adjustment</i>	-	-	(9,011)	(9,011)	-
<i>Information Technology Adjustment</i>	-	-	6,341	6,341	-
<i>One-time Annualizations</i>	-	-	(15,000)	(15,000)	(911,287)
<b>FY 2025 Proposed Budget</b>	<b>4.00</b>	<b>\$ 456,988</b>	<b>\$ 2,290,269</b>	<b>\$ 2,747,257</b>	<b>\$ -</b>
<b>Difference from 2024 to 2025</b>	<b>-</b>	<b>\$ (27,592)</b>	<b>\$ (74,670)</b>	<b>\$ (102,262)</b>	<b>\$ (911,287)</b>

several budget reductions to mitigate the budget deficit:

- (\$28,000) Estimated personnel expenditures savings due to vacant positions.
- (\$57,000) Reduction of non-personnel expenses for SD Access 4 All digital literacy training. The 2% required reduction could not come out of the PC replacement lease payment commitments, so the Digital Equity Program was evaluated to meet the reduction target. The \$57,000 reduction is anticipated to result in a 90% reduction in services and classes being eliminated at most sites.

Proposed Budget reductions and other impacts to SD Access 4 All are discussed in *Issues for Council to Consider* at the end of this Department Review.

## Revenue Reduction

Revenue of \$911,000 is being reduced from the Department's General Fund, due to the removal of one-time revenue received from grant funding in FY 2024. This included

\$650,000 from a federal Emergency Connectivity Fund (ECF) grant; federal funding for this program expired in June 2023. FY 2024 one-time revenue also included \$250,000 for the Employ and Empower grant which was used for 3.00 Information Systems Analyst positions that were slated to be underfilled by Management Trainees. These positions will career advance and no longer be eligible for grant revenue.

## GIS Fund

The GIS Fund supports spatial data analytics, workflows and provisioning geographical information systems (GIS) tools and technologies for departments across the City. The costs of these applications along with Department of IT's staff support, are allocated to City departments that use GIS, with approximately 35.0% of the costs allocated to General Fund departments in FY 2025.

As shown in the table below, the FY 2025 Proposed Budget for the GIS Fund is

SUMMARY OF GIS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	12.00	\$ 2,171,727	\$ 3,200,792	\$ 5,372,519	\$ 5,354,732
<b>Programmatic Changes</b>					
<i>Budgeted PE Savings (vacancy savings adjustment)</i>	-	(53,674)	-	(53,674)	-
<i>Budget Mitigation: Reduction of GIS Program Coordinator</i>	(1.00)	(164,020)	-	(164,020)	-
<i>Employ and Empower Program Intern</i>	0.49	19,443	-	19,443	19,443
<i>Support for SanGIS Joint Powers Authority Contract</i>	-	-	40,000	40,000	-
<b>Other Changes</b>					
<i>Information Technology Adjustments</i>	-	-	184,391	184,391	-
<i>One-Time Additions and Annualizations</i>	-	-	(10,000)	(10,000)	204,000
<i>Non-Discretionary Adjustments</i>	-	-	(227,145)	(227,145)	-
<i>Non-Discretionary Revenue Adjustment</i>	-	-	-	-	(1,280,046)
<b>FY 2025 Proposed Budget</b>	<b>11.49</b>	<b>\$ 1,973,476</b>	<b>\$ 3,188,038</b>	<b>\$ 5,161,514</b>	<b>\$ 4,298,129</b>
<b>Difference from 2024 to 2025</b>	<b>(0.51)</b>	<b>\$ (198,251)</b>	<b>\$ (12,754)</b>	<b>\$ (211,005)</b>	<b>\$ (1,056,603)</b>

# Department Review: Dept of Information Technology

approximately \$5.2 million. This is about \$211,000 or 4.0% less than the FY 2024 Adopted Budget. Budgeted positions are 1.00 lower than FY 2024, at 13.00 FTEs. Revenue is budgeted at \$4.3 million, a decrease of about \$1.1 million from the prior year.

## Significant Budget Reductions

### Budget Mitigations

The FY 2025 Proposed Budget includes budget reductions to mitigate the budget deficit:

- (\$54,000) Estimated personnel expenditures savings due to vacant positions.
- (1.00 FTE and \$164,000) Reduction of one GIS Program Coordinator and related personnel expenditures. The majority of the GIS Fund is committed to fund San Diego Geographic Information Source (SanGIS) and ESRI licensing for GIS software; therefore, the Department utilized a vacant Program Coordinator position to meet the required 2% reduction. This position supports spatial data analytics, workflows, and provisioning GIS tools and technologies for City departments across the City. Reducing this position is anticipated to put more pressure on other staff to provide these services.

### Revenue Reduction

The FY 2025 Proposed Budget includes a \$1.3 million revenue decrease in the GIS Fund. The reduction will be offset by the utilization of \$1.0 million in GIS Fund balance for FY 2025.

## Information Technology Fund

The IT Fund supports a variety of information technology related activities for the City,

including:

- Citywide IT Fixed Expenses
- Enterprise IT Sourcing Operations
- Enterprise Resource Planning
- Financial & Support Services
- Information Technology
- IT Contract Management
- Project Management Office

Also included in the IT Fund are Citywide information technology support contracts, technology, and licensing. All costs incurred in this fund are allocated out to City departments. The proportion allocated to the General Fund varies by service, ranging from 29%-65% in FY 2025.<sup>2</sup>

The FY 2025 Proposed Budget for the IT Fund is approximately \$87.4 million, as shown in the table at the top of the next page. This is a decrease of about \$12,000 from the FY 2024 Adopted Budget. The IT Fund has 50.78 FTE positions, or 3.78 more than the prior year. These 3.78 FTE positions are funded through the Employ and Empower Program grant. The IT Fund has offsetting revenue of \$85.7 million in the Proposed Budget, a decrease of \$1.8 million or 2.0% from the prior year.<sup>3</sup>

## Significant Budget Additions

The FY 2025 Proposed Budget for the IT Fund includes following programmatic additions:

- \$608,000 for application development and maintenance contract-related expenses.
- \$360,000 for digital productivity tools.
- \$68,000 for maintenance and support for the City's Get It Done application.

<sup>2</sup> The amounts charged to departments are based on a blended rate of six IT fund non-discretionary (ND) accounts that provide funding for both IT operations and citywide IT Fixed expenditures. Each ND uses a specific allocation methodology to allocate budget/expenses.

<sup>3</sup> The \$1.8 million revenue reduction trues up an error identified in the FY 2024 budget adjustment process. (FY 2024 budget adjustments included a \$1.55 million non-discretionary revenue adjustment, which was erroneously doubled in the individual budget additions.)

# Department Review: Dept of Information Technology

SUMMARY OF INFORMATION TECHNOLOGY FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	47.00	\$ 8,827,216	\$ 78,597,666	\$ 87,424,882	\$ 87,449,131
<b>Programmatic Changes</b>					
<i>Budget Mitigation: NPE Reductions (related to savings, efficiencies, and modernization improvements)</i>	-	-	(3,012,899)	(3,012,899)	-
<i>Employ and Empower Program Intern</i>	3.78	150,026	-	150,026	150,026
<i>Application Development and Maintenance Contract</i>	-	-	607,994	607,994	-
<i>Get It Done Maintenance and Support</i>	-	-	67,583	67,583	-
<i>Digital Productivity Tools</i>	-	-	360,000	360,000	-
<b>Other Changes</b>					
<i>Other Salary and Benefits Adjustment</i>	-	1,449,729	-	1,449,729	-
<i>Information Technology Adjustments</i>	-	-	356,235	356,235	-
<i>Multifunction Device Program Revenue</i>	-	-	-	-	(340,125)
<i>Non-Discretionary Revenue Adjustment</i>	-	-	-	-	(2,116,078)
<i>Non-Discretionary Adjustment</i>	-	-	9,352	9,352	-
<i>One-Time Additions and Annualizations</i>	-	-	-	-	552,380
<b>FY 2025 Proposed Budget</b>	<b>50.78</b>	<b>\$ 10,426,971</b>	<b>\$ 76,985,931</b>	<b>\$ 87,412,902</b>	<b>\$ 85,695,334</b>
<i>Difference from 2024 to 2025</i>	<i>3.78</i>	<i>\$ 1,599,755</i>	<i>\$ (1,611,735)</i>	<i>\$ (11,980)</i>	<i>\$ (1,753,797)</i>

## Significant Budget Reductions

The FY 2025 Proposed Budget for the IT Fund includes a reduction of approximately \$3.0 million in non-personnel expenses related to savings, efficiencies, and modernization improvements. A significant portion of the IT Fund is committed to contracts for citywide software contracts, cloud services, and data center costs. Contracts with technology vendors, such as Microsoft, Salesforce, OnBase, and Cisco have increased costs and could not be considered for reduction proposals. Therefore, the Department focused on identifying opportunities for contract savings and delaying modernization activities to meet the reduction targets.

Department officials noted that modernization delays will impact planned network infrastructure and bandwidth/performance improvements, conference room technology modernization, IT service management automation, uninterruptable power supply replacements at City facilities to keep networks online and stable, Wi-Fi modernization at City facilities, and modernization/migration of City applications to cloud service providers.

## OneSD Support Fund

The OneSD Support Fund is used for ongoing technical support, maintenance, and

management of the City's Enterprise Resource Planning system, SAP. The costs associated with SAP are allocated to City departments, with each department's allocation varying by the types of SAP programs used, the number of FTE positions in each department, and each department's budget. For FY 2025, roughly 42% of these costs are allocated to General Fund departments.

The FY 2025 Proposed Budget for the OneSD Support Fund is \$32.7 million. This is an increase of approximately \$3.3 million, or 11.2%, from the FY 2024 Adopted Budget. The OneSD Support Fund has 29.25 FTE positions in the Proposed Budget, an increase of 0.25 FTE over the prior year for an Employ and Empower Program intern. Revenue has decreased in the Proposed Budget by \$3.3 million, to \$26.0 million. These adjustments are summarized in the table at the top of the next page.

## Significant Budget Additions

The FY 2025 Proposed Budget includes approximately \$3.0 million in non-personnel expenditures for consultant support to initiate the Enterprise Resource Planning (ERP) Modernization Project. The City's current ERP system (SAP) will reach its end of life on December 31, 2027. The City assessed three potential replacement options based on cost, risks, and end of life/future proofing, and



# Department Review: Dept of Information Technology

SUMMARY OF ONESD SUPPORT FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	29.00	\$ 6,324,823	\$ 23,070,125	\$ 29,394,948	\$ 29,235,225
<b>Programmatic Changes</b>					
<i>Budget Mitigation: SAP Maintenance and Support Efficiencies</i>	-	-	-	-	(587,899)
<i>Employ and Empower Program Intern</i>	0.25	9,920	-	9,920	9,920
<i>Support for SAP Modernization Project Implementation</i>	-	-	2,960,000	2,960,000	-
<i>Budget Module Technical Support Consultant</i>	-	-	200,000	200,000	-
<b>Other Changes</b>					
<i>Other Salary and Benefits Adjustments</i>	-	1,329,548	-	1,329,548	-
<i>Information Technology Adjustments</i>	-	-	89,336	89,336	-
<i>One-time Additions and Annualizations</i>	-	-	(1,000,000)	(1,000,000)	(1,000,000)
<i>Non-Discretionary Revenue Adjustment</i>	-	-	-	-	(1,702,378)
<i>Non-Discretionary Adjustments</i>	-	-	(311,244)	(311,244)	-
<b>FY 2025 Proposed Budget</b>	<b>29.25</b>	<b>\$ 7,664,291</b>	<b>\$ 25,008,217</b>	<b>\$ 32,672,508</b>	<b>\$ 25,954,868</b>
<b>Difference from 2024 to 2025</b>	<b>0.25</b>	<b>\$ 1,339,468</b>	<b>\$ 1,938,092</b>	<b>\$ 3,277,560</b>	<b>\$ (3,280,357)</b>

made the recent decision to move forward with an SAP cloud-based solution

The Department anticipates procuring consultant services in FY 2025 to assist with implementation, which will take place over five years (FY 2025-29). Total project costs are estimated to be \$137.0 million. The portion of FY 2025 costs for non-General fund and General Fund departments (which is being bond funded) are shown in the table below.

ERP MODERNIZATION PROJECT	
Funding Source	FY 2025 Proposed Budget
General Fund Departments - Bond Financing	\$ 1,391,200
Non-General Fund Departments	1,568,800
<b>Total</b>	<b>\$ 2,960,000</b>

The ERP Modernization project will take significant effort and resources from the Department of IT and City departments that rely on SAP for their daily operations. Department officials noted that given the importance of the current ERP system in conducting business and its fast-approaching end-of-life date, it is critical to move forward with the modernization project.

## Significant Budget Reductions

### Budget Mitigation

The Proposed OneSD Support Fund Budget includes a revenue reduction of \$588,000 associated with the 2.0% required operational

efficiency target. These savings were identified in an SAP maintenance contract. The Department will need to increase budget adjustment requests in future years in order to meet the costs associated with the upcoming ERP Modernization project.

### Other Revenue Reductions

The FY 2025 OneSD fund budget includes revenue decreases from the prior year, due to the utilization of \$1.7 million from fund balance for FY 2025 and a \$1.0 million reduction in revenue for FY 2024 one-time projects.

## Wireless Communications Technology Fund

The Wireless Communications Technology Fund supports service delivery of public safety wireless radio communications technologies. Costs are allocated to City departments that use the public safety radio system, with about 82% allocated to General Fund Departments in FY 2025.

The FY 2025 Proposed Budget for this fund is approximately \$11.3 million, a decrease of \$766,000, or 6.4% from the FY 2024 Adopted Budget. The Wireless Fund has 40.00 FTE positions budgeted, a decrease of 3.35 FTEs. The Proposed Budget includes offsetting revenue of \$10.5 million, a decrease of approximately \$2.8 million. These changes are summarized

# Department Review: Dept of Information Technology

SUMMARY OF WIRELESS COMMUNICATIONS TECHNOLOGY FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	43.35	\$ 6,317,333	\$ 5,730,907	\$ 12,048,240	\$ 13,342,724
<b>Programmatic Changes</b>					
<i>Budget Mitigation: Reduction of Equipment and Communications Technicians (supports maintenance of Public Safety Radio System)</i>	(3.00)	(310,505)	-	(310,505)	-
<b>Other Changes</b>					
<i>Other Salary and Benefits Adjustments</i>	-	838,433	-	838,433	-
<i>Information Technology Adjustments</i>	-	-	(98,101)	(98,101)	-
<i>Overtime Adjustment</i>	-	20,776	-	20,776	-
<i>Non-Discretionary Revenue Adjustment</i>	-	-	-	-	(1,436,655)
<i>One-Time Additions and Annualizations</i>	-	-	(1,185,607)	(1,185,607)	(1,388,999)
<i>Non-standard Personnel Funding</i>	(0.35)	(53,311)	-	-	-
<i>Non-Discretionary Adjustment</i>	-	-	22,415	22,415	-
<b>FY 2025 Proposed Budget</b>	<b>40.00</b>	<b>\$ 6,812,726</b>	<b>\$ 4,469,614</b>	<b>\$ 11,282,340</b>	<b>\$ 10,517,070</b>
<b>Difference from 2024 to 2025</b>	<b>(3.35)</b>	<b>\$ 495,393</b>	<b>\$ (1,261,293)</b>	<b>\$ (765,900)</b>	<b>\$ (2,825,654)</b>

in the table above.

## Significant Budget Reductions

### Budget Mitigation

The Proposed Wireless Communications Technology Fund Budget includes a reduction of 3.00 FTEs and \$311,000 to meet the required 2% budget reduction target. This includes 1.00 Equipment Technician and 2.00 Communications Technicians that support maintenance of the Public Safety Radio System. A significant portion of the Wireless Communications Fund is committed to contracts, support, and maintenance for the City's radio systems and infrastructure. Therefore, the Department used 3.00 vacant positions. As a result, Department officials noted staff will have reduced availability to maintain critical components of the Public Safety Radio System at mountain top locations and emergency dispatch centers.

### Revenue Reduction

The Proposed Budget reduces revenue by \$2.8 million from the prior year. This includes \$1.4 million in one-time revenue for the FY 2024 Public Safety Radio Modernization Project. This also includes a \$1.4 million revenue reduction due to use of fund balance and right-sizing revenue based on non-discretionary allocations.

## Issues for Council Consideration

### **Reductions in Service Levels for the Digital Equity Program - SD Access 4 All**

The goal of SD Access 4 All is to close the digital divide that, according to census data, leaves 53,000 San Diegans without internet. The Program provides public WiFi access in City parks and libraries, a mobile hotspot lending program, and digital literacy training and navigation services.

The base budget for SD Access 4 All is \$1.6 million, as shown in the table below. We note that budget reductions and unfunded budget requests, which were intended to offset price increases and the loss of other funding for this program, are anticipated to significantly impact service levels.

SD Access 4 All	Base Budget
4.00 FTEs and Related Expenses(1.00 Program Coordinator and 3.00 Digital Navigators)	\$ 456,000
Budget Public Wifi	261,000
Digital Literacy & Digital Navigator Services	199,000
Mobile hotspot program	648,000
Outreach	40,000
<b>Total</b>	<b>\$ 1,604,000</b>

### (\$57,000) Reduction for Digital Literacy Training

The Proposed Budget includes a \$57,000 reduction of non-personnel expenses for the SD Access 4 All digital literacy training (part of the required 2% reduction target). This

# Department Review: Dept of Information Technology

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training is provided by the San Diego Futures Foundation, a local non-profit service provider. Department of IT officials noted that the decrease is anticipated to result in a 90% reduction in services and classes being eliminated at most sites. Based on discussions with the San Diego Futures Foundation, the program would most likely be reduced to one training that would occur every other week.<sup>4</sup>

## Unfunded Budget Requests

Several items requested by the Department of IT to support SD Access 4 All were not funded in the Proposed Budget, which are anticipated to reduce service levels. These are discussed below.

- \$227,000 was requested to support the Public Library Hotspot and Chromebook Lending program.<sup>5</sup> The added funding is needed to address AT&T's planned FY 2025 price increases of 49% per unit. Department of IT officials told us there will be a 25% reduction of inventory due to cost increases if no additional funding is found.
- \$500,000 was requested for Public Wi-Fi, to continue Wi-Fi services at 59 Parks and Recreation sites.<sup>6</sup> Wi-Fi for these sites was originally funded by the Parks Foundation (\$1.4 million for infrastructure and services). No replacement funding has been identified at this time. The Department of IT estimates a cost of \$750,000 to reestablish services if infrastructure is removed and later rebuilt.

The Department of IT anticipates that more San Diegans will be relying on SD Access 4 All programs and services in the near future given that federal Affordable Connectivity Program (ACP) funding will be exhausted in

April 2024. ACP provides a monthly subsidy for home internet services to eligible households, making internet free or low-cost. Currently, 97,000 households are enrolled citywide.

## **Cybersecurity**

Cyber threats to the City have followed national trends, and continue to increase year over year. Threats range from phishing, malware, business email compromise, attempted credential compromise, social engineering, nation-state attacks, ransomware, supply chain and critical infrastructure targeted threats. State and local governments have been targeted more heavily in recent years and intelligence reports indicate an increased targeting of critical infrastructure. Cyber threats generated with the assistance of Artificial Intelligence are also trending upward.

Department of IT officials noted that defending against these increasing cyberattacks continues to be one of their key priorities. The Proposed FY 2025 budget includes approximately \$8 million to support cybersecurity, and officials noted this will allow the Department to maintain current service levels. The City continues to remain vigilant, and works with regional and federal partners for best practices, threat intelligence and information sharing. The Department of IT also maintains a robust portfolio of security tools, services and continue to utilize a Security Operations Center (SOC) for afterhours, weekend and holiday monitoring of the City's environment.

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<sup>4</sup> The specific site and schedules have not been determined. Foundation representatives noted that program marketing may be more challenging because the training will not be offered on a weekly cadence.

<sup>5</sup> The program has 4,000 mobile hotspots available at all library branches across the City and Chromebooks at select locations for check-out for a 90-day period. The Library Department reports program utilization is over 95.0%.

<sup>6</sup> SD Access 4 All provides Public Wi-Fi at over 300 locations including: 64 Parks & Recreation sites, 40 libraries, 10 SD Unified Schools, 255 street level hotspots, etc.

# Department of Race and Equity

The Department of Race and Equity was created with the adoption of the FY 2021 Budget. The Department plays a pivotal role in operationalizing equity in policies, programs, and budget allocations, among other things. In partnership with other City departments, the Department will work to reduce and eliminate systemic racism, inequity, and barriers to the fair and just distribution of resources, access, and opportunity.

The Department of Race and Equity has four primary focus areas:

1. **Learning and Development** which include trainings for City departments.
2. **Equity-Centered Coaching** to City departments to execute Tactical Equity Plans.
3. **Inclusive Community Engagement** by working with other departments and allocating Community Equity Funds to organizations.
4. **Creating Equitable Outcomes** to measure progress of defined equitable goals and strategies.

## Impacts of the Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Department totals \$4.8 million including both General Fund and Climate Equity Fund, which is an increase of \$1.7 million. However, this

increase is driven by a *transfer out* of the Community Equity Fund balance into the General Fund to help mitigate the FY 2025 budget deficit. Without this transfer, the Department’s budget is actually proposed to be reduced by \$1.3 million, or 43.6%, compared to the FY 2024 Adopted Budget.

For historical context, the Department Director was hired in July 2021 (FY 2022) and had two other positions for support. The FY 2023 budget added four positions, for a total of seven. The Proposed Budget increases positions by 1.50 FTE interns for a total of 8.50 FTEs. At the time of this writing, the Department does not have any vacancies or supplemental positions aside from the current Employ and Empower interns.

This review discusses the Department’s General Fund budget first, then the Community Equity Fund budget.

### General Fund

The General Fund component of the Department’s budget, which funds all 8.50 FTE positions, totals \$1.7 million. This is an increase of \$161,000, or 10.3% from the FY 2024 Adopted Budget.

SUMMARY OF DEPARTMENT OF RACE AND EQUITY GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	7.00	\$ 1,283,559	\$ 287,010	\$ 1,570,569	-
<b>Programmatic Changes</b>					
<i>Employ and Empower Program Interns</i>	1.50	102,682	-	102,682	102,682
<i>Transfer in: Cannabis SEED Program</i>	3.00	417,139	-	417,139	-
<i>Budget Mitigation: Eliminate Cannabis SEED Program</i>	(3.00)	(417,139)	-	(417,139)	-
<i>Budget Mitigation: Contracts</i>	-	-	(31,411)	(31,411)	-
<b>Other Changes</b>					
<i>Other Salaries and Wages</i>	-	64,976	-	64,976	-
<i>Non-Discretionary - Information Technology</i>	-	-	22,902	22,902	-
<i>Other Non-Discretionary Adjustments</i>	-	-	2,074	2,074	-
<b>FY 2025 Proposed Budget</b>	<b>8.50</b>	<b>\$ 1,451,217</b>	<b>\$ 280,575</b>	<b>\$ 1,731,792</b>	<b>\$ 102,682</b>
<b>Difference from 2024 to 2025</b>	<b>1.50</b>	<b>\$ 167,658</b>	<b>\$ (6,435)</b>	<b>\$ 161,223</b>	<b>\$ 102,682</b>

# Department Review: Department of Race and Equity

## Significant Budget Addition

### \$103,000, 1.50 FTEs – Employ and Empower Program Interns

The Proposed Budget adds 1.50 FTE interns to assist with curriculum content research used for race and equity training. The \$103,000 cost for these positions is considered reimbursable by the Employ and Empower grant.

## Significant Budget Reductions

As part of the FY 2025 Proposed Budget process, departments were requested to submit operational efficiency reductions totaling 2% of the department FY 2024 Adopted General Fund Budget, which for the Department of Race and Equity is about \$31,000. However, the Proposed Budget includes \$449,000 in total reductions to the Department’s General Fund budget, including:

### (\$417,000, 3.00 FTEs) – Budget Mitigation: Eliminate Cannabis Social Equity and Economic Development (SEED) Program

As part of the FY 2024 budget adoption process the IBA recommended, and Council approved \$600,000 in one-time costs and 3.00 FTEs with \$400,000 in associated costs for the Development Service Department (DSD). This funding and positions were to be used as local matching funds (a new requirement for FY 2024) for the annual State Cannabis Equity Grants for local jurisdictions. Funding would support the development and implementation of a local equity program called Cannabis and Social Equity and Economic Development Program, or SEED, in the City

of San Diego. This program would offer eligible equity applicants technical support, regulatory compliance assistance, and assistance with securing capital necessary to begin a business.

The City Council approved a [Cannabis Equity Assessment](#) in October 2022 which identified recommendations to address barriers to licensure for businesses and employment in the regulated cannabis industry, and established the foundation for development of the SEED program. DSD updated the Economic Development and Intergovernmental Relations Committee in March 2023 on its progress in developing the SEED program. DSD then brought an informational item to the Planning Commission on June 1, 2023, which included proposed updates to the Municipal Code and the Local Coastal Program necessary to create the SEED program.

In December 2023, the program was moved from DSD to the Department of Race and Equity, which reflects the transfer in of 3.00 FTEs shown on the table on the previous page. However, the SEED program is now being proposed for elimination as a budget mitigation, reflected as a reduction of those FTEs on the table.

### SEED Program Unfunded Request

Before the decision to eliminate the program as a budget mitigation, staff submitted a budget request to reallocate any remaining balance of the \$600,000 one-time allocation made in FY 2024 to FY 2025 to provide technical assistance for the SEED program. However, this request was not funded. We note,

SUMMARY OF DEPARTMENT OF RACE AND EQUITY COMMUNITY EQUITY FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	-	-	\$ 1,500,000	\$ 1,500,000	-
<b>Programmatic Changes</b>					
<i>Budget Mitigation: Transfer Fund Balance to GF</i>	-	-	3,085,400	3,085,400	-
<i>Defund Program in FY 2025</i>	-	-	(1,500,000)	(1,500,000)	-
<b>Other Changes</b>					
<i>Other Adjustments</i>	-	-	-	-	-
<b>FY 2025 Proposed Budget</b>	-	\$ -	\$ 3,085,400	\$ 3,085,400	\$ -
<b>Difference from 2024 to 2025</b>	-	\$ -	\$ 1,585,400	\$ 1,585,400	\$ -

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## Department Review: Department of Race and Equity

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though, that the establishment of the program is contingent upon Council approval of the Municipal Code changes which had only been presented to the Planning Commission. Since those changes have not been approved, the program has not begun, and therefore, none of the \$600,000 allocation has been spent. Similarly, none of the \$883,000 State grant awarded in FY 2023 has been spent either. It is likely those funds will need to be paid back to the State if the program is eliminated.

**If Council adopts a final budget that includes the elimination of funding and staffing for the SEED program, the program will have been ended, with a likely repayment of \$883,000 of the State grant.**

### (\$31,000) – Budget Mitigation: External Contract Expenses

This reflects the Department's ongoing operational efficiency reduction equating to 2% of its FY 2024 Adopted General Fund Budget. The reduction will be implemented by reducing contract expenditures dedicated to awarding grants to community-based organizations from \$185,000 to \$154,000. This amount was planned to be used to award grants to community-based organizations that would provide race and equity training to outside organizations and City boards. It is our Office's understanding that since this would have been a new activity, there is no service level reduction associated with this decrease. However, it does reduce the overall budget available to be awarded to community-based organizations. The \$154,000 that remains budgeted for this purpose is expected to be used to award grants to community-based organizations to create or expand race and equity programming in their communities, similar to what the Community Equity Fund program (discussed below) would have done, but on a smaller scale. Our

Office understands that this activity began in FY 2023.

### Community Equity Fund

The Community Equity Fund component of the Department's budget was supposed to be allocated to community-based organizations to deliver equitable outcomes to structurally excluded communities.

According to the Department, in general, the program envisioned funding 8-10 organizations to co-create equity focused outcomes in certain issue areas with clear disparities including: employment (e.g. job readiness, access to trades), childcare, and education. The outcomes would be evaluated by an outside organization that would also host monthly meetings with selected organizations. City departments were also envisioned to align their Tactical Equity Plans with the equity outcomes developed by the selected organizations.

Championed by former Councilmember Montgomery Steppe, the Community Equity Fund was established alongside the creation of the Department in FY 2021, with a \$3.0 million General Fund contribution to this new Fund. After the Department's Director was hired in July 2021 and the subsequent hiring of Department staff through FY 2022 and 2023, this program was expected to begin making expenditures in FY 2024. This time last year, the Department was projecting to release a competitive application for funds at the end of FY 2023 which was delayed to spring 2024. The initial \$3.0 million was never expended and fell to fund balance.

The FY 2023 Adopted Budget included \$1.5 million in Community Equity Fund balance expenditures, with the expectation that the remaining \$1.5 million would be budgeted in FY 2024, thereby providing grants to selected organizations on a two-year evaluation cycle.

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## Department Review: Department of Race and Equity

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As of the FY 2024 Adopted Budget, this two-year cycle was shifted to cover FY 2024 and FY 2025, with \$1.5 million budgeted for FY 2024 and the unexpended \$1.5 million budgeted in FY 2023 being available for FY 2025. However, no expenditures from the Community Equity Fund have been made to date.

The Proposed Budget sweeps all funding that had been set aside in the Community Equity Fund into the General Fund to help mitigate General Fund deficits, effectively ending this program after years of delayed implementation.

### Issues for Council Consideration

#### Several Council Equity Priorities Funded in Prior Years are Eliminated

As discussed in this department review, both the Community Equity Fund and the SEED program are priorities the Council funded in FY 2021 and FY 2024 respectively, and these are now proposed to be eliminated. Due to the time spent ramping up new Department and other competing priorities, initiating use of the Community Equity Fund had been significantly delayed. Conversely, much work had gone into developing the SEED program, but it too, has stopped short of being implemented.

#### Youth Care and Development Program Status

One other program has been eliminated: the Youth Care and Development Pilot Program (also known as youth drop-in centers). Council added \$1.0 million in one-time funding in FY 2024 Adopted Budget for this program. Although this program was not part of the FY 2025 budget, the elimination of the program does have an impact on FY 2025, in that its elimination in the current year increases Excess Equity that could then be used to mitigate the FY 2025 budget deficit.

Funding was initially added to the Office of

Child and Youth Success budget within the Office of the Chief Operating Officer, but in October 2023, the program was transferred to the Department of Race and Equity. As part of [our Office's review of the FY 2024 Mid-Year Budget Monitoring Report](#), we reported on the status of Council modifications, including this program and, at that time our Office was informed that organizations had been identified to contract with, and contract execution was anticipated in April 2024. However, no expenditures have been recorded to date. The Department indicated that it was in the process of creating a nonprofit agreement to begin this program when it was identified as a budget mitigation. Therefore, efforts to get this program off the ground have also ended.

Because this program does not have a direct impact on the FY 2025 Proposed Budget, no communication was provided in the budget regarding the status of the program, in contrast with the elimination of the Community Equity Fund and the SEED program. We note that consistent with Municipal Code section 22.0230 and with the FY 2024 Statement of Budgetary Principles (Principles), prior to any significant reduction in service levels or elimination of programs or services as represented and funded in the FY 2024 Adopted Budget, the Mayor, or designee, should provide written notice to the City Council regarding such reductions and provide a fiscal justification thereof and a description of expected service level impacts. The Principles go further to require the description of service level impacts to include potential unintended consequences and/or burdens that create disproportionate inequity for Communities of Concern.

**Given that Council has provided funding for these three programs in prior Adopted Budgets, and despite limited or even no expenditures for these programs have actually been made, Council should reiterate the importance of the administration**

# Department Review: Department of Race and Equity

actually implementing programs the City has committed to and for which the Council has set aside funding.

## Tracking Performance of Equity Progress

Part of the budget development process included revising Departments’ Key Performance Indicators (KPIs) to make them more outcome based as opposed to measuring inputs. The Department of Race and Equity’s KPIs have been significantly reduced from previous years, from ten to three. The Department’s current KPIs focus on tracking the level of City employees’ participation in trainings and equity-centered coaching, as shown below. Examples of eliminated KPIs include:

- Percent of budget adjustments that actively address identified disparities; and
- Percent of policies and practices developed or revised with an Inclusive equity Lens.

Although the Department’s revised KPIs reflect its core work to provide trainings and coaching to other City Departments, it remains difficult to quantify the impact of equity investments, policies, and progress made to date. We recognize that this is especially difficult since many reductions to the FY 2025 Proposed Budget were equity-related initiatives.

Our Office discusses our observations of equity impacts in the Proposed Budget in the *Equity* section of Key Citywide Issues within this report.

Performance Indicator Definition	Baseline	FY 2024 Performance	Goal
Percentage of employees that participate in at least one in-person Department of Race and Equity (DRE) offering	9%	9%	10%
Percentage of employees that participate in at least one virtual DRE offering	N/A	N/A	15%
Percentage of departments with at least 10 hours of Equity-Centered Coaching sessions	90%	N/A	100%



# Department Review: Development Services

## Development Services

The Development Services Department (DSD) performs review, permit, inspection, and code enforcement services for private and public development projects throughout the City.

The General Fund supports the Building & Land Use Enforcement Division responsible for investigating and enforcing code violations. Code enforcement penalties go into the Civil Penalty Fund, which can support some of their activities.

The Development Services Fund supports development plan review, permit, and inspection services for private and public development projects. The fund is supported by revenue from user fees.

The Local Enforcement Agency Fund is supported by State grants and funds inspection and enforcement of proper waste disposal.

### Impacts of the Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Development Services Department (DSD) includes approximately \$153.5 million in expenditures, an increase of \$12.0 million from the FY 2024 Adopted Budget, and 780.00 FTEs, a decrease of 4.00 FTEs from the FY 2024 Adopted Budget, as shown in the table below. Revenues are projected to total approximately \$127.4 million, an increase of \$7.3 million from the FY 2024 Adopted Budget.

To accommodate the Department’s multiple areas of responsibilities and funding sources,

the Department is arranged into eight primary divisions across three individual funds. The analysis of the FY 2025 Proposed Budget in this section is organized by major fund.

### General Fund

The FY 2025 Proposed Budget for DSD’s General Fund expenditures totals \$12.2 million, a decrease of approximately \$1.0 million from the FY 2024 Adopted Budget, as shown in the table on the next page. Revenues are projected to increase by approximately \$4.3 million, largely due to the transfer of revenues from the Civil Penalties Fund. DSD’s General Fund-supported FTEs are budgeted at 85.00, a decrease of 9.00 FTEs. We note that the Proposed Budget does not include any significant additions to DSD’s General Fund Budget.

### Significant Budget Reductions

(\$101,000, 1.00 FTE) – Budget Mitigation: Reduction of Zoning Investigator 2

The FY 2025 Proposed Budget includes the elimination of 1.00 FTE Zoning Investigator 2 and \$101,000 in expenditures from the Building & Land Use Enforcement Division. This position supports the investigation and enforcement of zoning and land use-related public complaints. We note that this position is currently vacant.

(\$417,000, 3.00 FTEs) – Transfer of Cannabis Social Equity Program

The FY 2025 Proposed Budget includes the transfer of \$417,000 in expenditures and 3.00 FTEs associated with the City’s Cannabis

SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT BUDGET CHANGES						
Fund	FY 2024 FTEs	FY 2025 FTEs	Change	FY 2024 Expense	FY 2025 Expense	Change
General Fund	94.00	85.00	(9.00)	\$ 13,200,072	\$ 12,200,121	\$ (999,951)
Development Services Fund	685.00	690.00	5.00	127,301,399	140,175,337	12,873,938
Local Enforcement Agency Fund	5.00	5.00	-	1,060,009	1,158,462	98,453
<b>Total Combined</b>	<b>784.00</b>	<b>780.00</b>	<b>(4.00)</b>	<b>\$ 141,561,480</b>	<b>\$ 153,533,920</b>	<b>\$ 11,972,440</b>

# Department Review: Development Services

Social Equity and Economic Development (SEED) Program from DSD to the Department of Race and Equity. The transfer was implemented in December 2023 and tasked the Department of Race and Equity with the development and implementation of the SEED Program, which focuses on the inclusion and support of individuals and communities negatively impacted by cannabis criminalization. The responsibilities of administration, permitting and code enforcement activities related to authorized cannabis businesses within the City will remain at DSD. We note that the Proposed Budget also includes the elimination of staffing and resources associated with the SEED Program as a budget mitigation measure. More discussions on this can be found in the *Department of Race and Equity* section of our report.

(\$400,000, 5.00 FTEs) – Transfer of Sidewalk Vending Enforcement

The FY 2025 Proposed Budget includes the transfer of \$400,000 in expenditures and 5.00 FTEs associated with enforcement of the Sidewalk Vending Ordinance from DSD to the Police Department. While the Sidewalk Vending Ordinance was initially proposed with the assumption that enforcement would not be performed by the Police Department,

the transfer is based on a City Attorney Opinion that the Police Department could assist with enforcement of the Ordinance in light of several incidents involving assault and verbal altercations between uncooperative vendors and City staff.

DSD was budgeted 5.00 FTEs for enforcement, including 2.00 FTE Code Compliance Officers, 1.00 FTE Code Compliance Supervisor, 1.00 FTE Program Coordinator, and 1.00 FTE Administrative Aide 2. The Police Department will be reclassifying 2.00 FTEs Code Compliance Officer and 1.00 FTE Code Compliance Supervisor to 3.00 FTEs Police Investigative Service Officer 2 due to the type of enforcement that will be required.

(\$179,000) – Budget Mitigation: NPE Savings

The Proposed Budget includes the reduction of \$179,000 in ongoing funding associated with office supplies, postage, training, computer maintenance contracts, and other miscellaneous expenses. The reduction is based on historical spending and will not result in operational impacts.

(\$147,000) – Budget Mitigation: Savings from Delayed Hiring

In March 2024, the City implemented a process that requires Executive approval prior to

SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	94.00	\$ 11,335,710	\$ 1,864,362	\$ 13,200,072	\$ 660,015
<b>Programmatic Changes</b>					
<i>Transfer of Cannabis Social Equity Program</i>	(3.00)	(417,139)	-	(417,139)	-
<i>Transfer of Sidewalk Vending Enforcement</i>	(5.00)	(390,756)	(9,000)	(399,756)	-
<i>Budget Mitigation: NPE Savings</i>	-	-	(179,170)	(179,170)	-
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(146,754)	-	(146,754)	-
<i>Budget Mitigation: Reduction of 1.00 FTE Zoning Investigator 2</i>	(1.00)	(100,908)	-	(100,908)	-
<i>Revenue from Civil Penalty Fund</i>	-	-	-	-	4,500,000
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	976,208	-	976,208	-
<i>Support for Information Technology</i>	-	-	15,779	15,779	-
<i>Non-Discretionary Adjustment</i>	-	-	(83,586)	(83,586)	-
<i>One-Time Additions and Annualizations</i>	-	-	(664,625)	(664,625)	-
<i>Reimbursement Between Funds/Departments</i>	-	-	-	-	(203,000)
<b>FY 2025 Proposed Budget</b>	<b>85.00</b>	<b>\$ 11,256,361</b>	<b>\$ 943,760</b>	<b>\$ 12,200,121</b>	<b>\$ 4,957,015</b>
<b>Difference from 2024 to 2025</b>	<b>(9.00)</b>	<b>\$ (79,349)</b>	<b>\$ (920,602)</b>	<b>\$ (999,951)</b>	<b>\$ 4,297,000</b>

# Department Review: Development Services

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filling all vacant positions to reduce expenditures. Departments are limited to requesting to fill vacancies for the most critical positions as defined by certain criteria. This process is anticipated to continue through December 2024. The FY 2025 Proposed Budget includes \$147,000 in personnel expenditures savings resulting from this process. As DSD's General Fund Budget houses the Building & Land Use Enforcement Division, which investigates and enforces code violations, this reduction could result in longer response times for staff to investigate public complaints.

## Significant Revenue Additions

### \$4.5 million – Revenue from Civil Penalty Fund

The Proposed Budget includes the transfer of \$4.5 million from the Civil Penalty Fund to support code enforcement activities in DSD. This revenue will allow DSD to avoid additional cuts to code enforcement service levels. The Civil Penalty Fund collected, on average, \$856,000 annually in the past five fiscal years. The current fund balance is \$5.7 million, leaving \$1.2 million after the proposed revenue transfer. **Council may wish to consider increasing the revenue transfer from the Civil Penalty Fund to the General Fund by \$1.2 million to support code enforcement thereby freeing up resources for other General Fund critical expenditures.**

## Issues for Council Consideration

### Unfunded Request

### \$767,000 – Tenant Improvement, Furniture, and Moving Costs Associated with Office Relocations

DSD requested \$767,000 for relocations of office space from the City Operations Building to leased office space at 550 C Street and 7650 Mission Valley. The requested funding is to cover approximately 15% of the estimated costs of relocations, totaling \$5.2 million. The

remaining costs would be covered by DSD's Enterprise Fund (84%) and the Local Enforcement Agency Fund (1%). The relocation costs include \$2.6 million for tenant improvements at the Mission Valley space, \$2.2 million for furniture at both locations, and \$402,000 for moving costs. The Department is currently reevaluating the funding needed for proposed relocations. **A May Revise adjustment will be submitted based on the updated estimation.**

We note that a total of \$377,000 is included in the Proposed Budget in the Citywide Program Expenditures Department for DSD's FY 2025 rent payments at the proposed leased spaces. **Should the proposed relocations not occur in FY 2025, funding of \$377,000 could be reduced from the Citywide Program Expenditures budget as a budget mitigation measure.**

**Additionally, in light of the ongoing discussions about the Civic Center Revitalization and options for a potential new City Hall, Council may wish to learn more about how the proposed relocations fit into the City's Real Estate Management Plan, including the future office space plan.**

DSD's budgeted FTEs across all funds grew from 583.50 in the FY 2020 Adopted Budget to 784.00 in the FY 2025 Proposed Budget, an increase of 200.50 FTEs. The Department has made significant progress in filling vacant positions in recent years, as will be discussed in more detail in the Vacancies Update section below. With additional positions added to the budget and vacancies being filled, DSD lacks sufficient office space to house its staff. Especially given that DSD's existing space at the City Operations Building is outdated and lacks many basic amenities, it will be increasingly important to address the Department's space needs in the near future.

# Department Review: Development Services

## Development Services Fund

The FY 2025 Proposed Budget for the Development Services Fund includes approximately \$140.2 million in expenditures and 690.00 FTEs. Compared to the FY 2024 Adopted Budget, this is an increase of approximately \$12.9 million in expenditures and 5.00 FTEs, as shown in the table at the bottom of this page. Revenues are projected to total \$121.6 million, an increase of approximately \$3.2 million over FY 2024.

### Significant Budget Additions

#### \$419,000, 3.00 FTEs to Support Complete Communities: Housing Solutions

The Proposed Budget includes the addition of 3.00 FTEs, \$401,000 in personnel expenditures, and \$18,000 in non-personnel expenditures to support the Complete Communities Housing: Solutions (CCHS) Program. Revenues to be generated by these positions are expected to fully offset their costs. These 3 positions include:

- 1.00 FTE Development Project Manager 2
- 1.00 FTE Life Safety Inspector 2
- 1.00 FTE Mechanical Inspector 2

CCHS is an opt-in affordable housing incentive program aimed at encouraging the construction of housing near high-frequency transit and infrastructure amenities by

providing incentives such as density bonus, ministerial permit review, and scaling of development impact fees. In December 2023, the City Council approved amendments to CCHS as part of the Housing Action Package 2.0 to further incentivize participation, which will likely result in an increase in DSD’s permit review workload. Additionally, the Mayor signed an Executive Order in January this year requiring all reviews for eligible housing projects under CCHS to be completed within 30 days. The addition of these positions will facilitate permit review and provide additional capacity for housing inspections for development projects opting in the CCHS Program.

From the Program inception in January 2021 to December 2023, DSD issued building permits for 21 housing projects utilizing the CCHS Program, for a total of 1,544 homes, including 287 affordable homes.

#### \$163,000, 1.00 FTE to Support Energy Efficiency Review

The Proposed Budget includes the addition of 1.00 FTE Associate Engineer-Mechanical, \$157,000 in personnel expenditures, and \$6,000 in non-personnel expenditures to support the review of energy calculations for commercial projects per requirements of Title 24 of the California Energy Code. This position will also support the review of certain Accessory Dwelling Unit (ADU) projects that

SUMMARY OF DSD - DEVELOPMENT SERVICES FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	685.00	\$ 99,546,910	\$ 27,754,489	\$ 127,301,399	\$ 118,388,111
<b>Programmatic Changes</b>					
<i>3.00 FTEs to Support Complete Communities: Housing Solutions</i>	3.00	401,025	18,060	419,085	419,085
<i>1.00 FTE to Support Energy Efficiency Review</i>	1.00	156,884	6,020	162,904	162,904
<i>1.00 FTE to Support Land Survey Review</i>	1.00	138,370	6,020	144,390	144,390
<i>Right-of-Way Permit Reimbursements</i>	-	-	-	-	2,499,623
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	14,262,676	-	14,262,676	-
<i>Support for Information Technology</i>	-	-	(111,888)	(111,888)	-
<i>Non-Discretionary Adjustment</i>	-	-	2,686,276	2,686,276	-
<i>One-Time Additions and Annualizations</i>	-	-	(4,689,505)	(4,689,505)	-
<b>FY 2025 Proposed Budget</b>	<b>690.00</b>	<b>\$ 114,505,865</b>	<b>\$ 25,669,472</b>	<b>\$ 140,175,337</b>	<b>\$ 121,614,113</b>
<i>Difference from 2024 to 2025</i>	<i>5.00</i>	<i>\$ 14,958,955</i>	<i>\$ (2,085,017)</i>	<i>\$ 12,873,938</i>	<i>\$ 3,226,002</i>

# Department Review: Development Services

trigger Title 24 requirements. There is currently a backlog of reviews due to the lack of sufficient staffing to accommodate the workload resulting from increasingly complex regulation requirements. The addition of this position will enable the Mechanical and Engineering Permit Review Team to complete these reviews more efficiently while ensuring compliance with State regulations.

## \$144,000, 1.00 FTE to Support Land Survey Review

The Proposed Budget includes the addition of 1.00 FTE Land Surveying Assistant, \$138,000 in personnel expenditures, and \$6,000 in non-personnel expenditures to support land survey review for Public Improvement Project Permits. Over-the-counter permits are currently not reviewed by the DSD Land Survey Review Team for monument preservation purposes, but this review will be required in the future due to State mandates.

## Issues for Council Consideration

### Vacancy Update

Over the past few years, DSD’s vacancy rates have remained high due to the addition of significant numbers of new budgeted positions, as well as difficulty in attracting qualified candidates, employee transfers to other departments, and employee separations. The Department has made considerable progress in filling vacant positions by centralizing all logistical tasks to allow hiring managers to focus on

ideal candidate selection; keeping in constant communication with the Personnel Department regarding positions on certifications lists; and simultaneously conducting recruitment tasks wherever possible.

The table at the bottom of this page shows DSD’s vacancy level across all three funds as of April 2024. Currently, 80 budgeted positions remain unfilled. Among these vacancies, 7 are pending creation or reclassification, and 24 are currently being onboarded. The Department has an overall vacancy rate of 10.3% and a net vacancy rate of 6.3% when positions pending creation or reclassification and positions being onboarded are excluded.

Over 85% of DSD positions are budgeted in the Enterprise Fund, which has historical vacancy rates of 20% to 30%. Since the beginning of FY 2023, vacancy rates have been continuously trending down, as reflected in the table below. The overall vacancy rate decreased by 19.2% from 29.5% to 10.4%, and the net vacancy rate, which excludes positions pending creation or reclassification and

DEVELOPMENT SERVICES FUND VACANCY RATE CHANGES				
	Total Vacancies	Net Vacancies <sup>1</sup>	Net Vacancy Rate <sup>2</sup>	Vacancy Rate <sup>3</sup>
July 2022	192	89	13.7%	29.5%
November 2022	148	113	17.4%	22.8%
April 2023	70	54	8.3%	10.8%
April 2024	71	41	6.0%	10.4%

<sup>1</sup> Net Vacancies are Total Vacancies minus positions pending creation or reclassification, and positions being onboarded.

<sup>2</sup> Net Vacancy Rate is Net Vacancy divided by Budgeted FTEs.

<sup>3</sup> Vacancy Rate is Total Vacancies divided by Budgeted FTEs.

DEVELOPMENT SERVICES DEPARTMENT VACANCY STATUS							
Fund	Budgeted FTEs <sup>1</sup>	Total Vacancies	Pending Creation/ Reclassification	Onboarding	Net Vacancies <sup>2</sup>	Net Vacancy Rate <sup>3</sup>	Vacancy Rate <sup>4</sup>
Enterprise Fund	685	71	7	23	41	6.0%	10.4%
General Fund	86	8	0	1	7	8.1%	9.3%
Local Enforcement Agency Fund	5	1	0	0	1	20.0%	20.0%
<b>Total</b>	<b>776</b>	<b>80</b>	<b>7</b>	<b>24</b>	<b>49</b>	<b>6.3%</b>	<b>10.3%</b>

<sup>1</sup> Budgeted FTEs includes 8.00 FTEs transferred to other departments and excludes positions added or reduced in the FY 2025 Proposed Budget.

<sup>2</sup> Net Vacancies are Total Vacancies minus positions pending creation or reclassification, and positions being onboarded.

<sup>3</sup> Net Vacancy Rate is Net Vacancy divided by Budgeted FTEs.

<sup>4</sup> Vacancy Rate is Total Vacancies divided by Budgeted FTEs.

## Department Review: Development Services

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positions being onboarded, decreased by 7.7% from 13.7% to 6.0%.

### **Local Enforcement Agency Fund**

The FY 2025 Proposed Budget for the Local Enforcement Agency Fund includes approximately \$1.1 million in expenditures, an increase of approximately \$98,000 over FY 2024. Revenues are projected to be \$1.1 million, a decrease of approximately \$233,000 from FY 2024. The City Council will be asked to consider updating DSD's permit fee schedules based on a user fee study in the upcoming weeks. A May Revise adjustment will be submitted to reflect updated revenue projections based on new fee rates. Positions budgeted in the Local Enforcement Agency Fund remain unchanged at 5.00 FTEs.

## Department Review: Economic Development

# Economic Development

The Economic Development Department (EDD) leads the City’s efforts in promoting economic opportunities and encouraging community revitalization. EDD oversees the City’s community and business engagement programs and strategic partnerships. New in FY 2025, the Department of Real Estate & Airport Management will be merged into the EDD. EDD’s responsibilities will expand to include managing the City’s real estate portfolio, the City’s Airports, operations of the City Concourse and Parking Garages, and the Joint Use Management Agreement for PETCO Park.

EDD is organized into the following divisions:

- Acquisitions, Dispositions, and Valuation
- Airports
- Business Expansion, Attraction, and Retention (BEAR)
- Business Operations and Support Services (BOSS)
- Community Development Division (CDD)
- Lease Administration
- Municipal Assets Services
- Strategic Partnerships and Research

## Impacts of the Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Economic Development Department is approximately \$55.4 million, which is a reduction of \$697,000, or 1.2%, from the FY 2024 Adopted Budget. The General Fund supports \$20.4 million, or 36.9%, of the \$53.4 million budget, with the remaining \$34.9 million coming from the Airports Enterprise Fund, Concourse & Parking Garages Fund, PETCO Park Fund, and Successor Agency Administration & Project - CivicSD Fund. The FY 2025 Proposed Budget includes 134.00 FTEs, which is an increase of 8.00 FTEs from FY 2024. Budgeted Revenue increased by \$5.2 million, from \$103.1 million in FY 2024 to \$108.3 million in FY25.

Additionally, the Economic Development Department also received a transfer of \$1.0 million from the Transient Occupancy Tax Fund’s Special Promotional Programs in FY 2025. This includes \$847,000 for the Business Expansion, Attraction, and Retention Program and \$180,000 for economic development program administration. The FY 2025 Proposed Budget does not include any transfer for Economic Development and Tourism Support, which is a decrease of \$1.0 million from FY 2024.

SUMMARY OF ECONOMIC DEVELOPMENT DEPARTMENT BUDGET CHANGES						
Fund	FY 2024 FTEs	FY 2025 FTEs	Change	FY 2024 Expense	FY 2025 Expense	Change
General Fund (Economic Development)	56.00	59.50	3.50	\$ 15,634,233	\$ 12,951,199	\$ (2,683,034)
General Fund (Real Estate )	38.75	42.25	3.50	7,916,692	7,497,081	(419,611)
<b>Subtotal General Fund</b>	<b>94.75</b>	<b>101.75</b>	<b>7.00</b>	<b>\$ 23,550,925</b>	<b>\$ 20,448,280</b>	<b>\$ (3,102,645)</b>
Airports	28.25	30.25	2.00	9,205,221	8,371,263	(833,958)
Concourse & Parking Garages	2.00	2.00	-	3,561,362	5,398,864	1,837,502
PETCO Park	1.00	-	(1.00)	17,801,777	19,203,626	1,401,849
Successor Agency - CivicSD Fund	-	-	-	1,934,326	1,934,326	-
<b>Total Combined</b>	<b>126.00</b>	<b>134.00</b>	<b>8.00</b>	<b>\$ 56,053,611</b>	<b>\$ 55,356,359</b>	<b>\$ (697,252)</b>

# Department Review: Economic Development

## General Fund – Economic Development

### Significant Budget Addition

#### \$690,000 – Business Cooperation Program Rebate

The FY 2025 Proposed Budget includes the addition of \$690,000 for sales and use tax rebates associated with an energy storage project in Barrio Logan. The City entered into a 3-year revenue-sharing agreement with Peregrine Energy Storage, LLC (Peregrine) in December 2023 through the Business Cooperation Program (BCP). The Program is guided by Council Policy 900-21, which enables the City to capture additional local sales and use tax revenues that would otherwise be distributed to other taxing jurisdictions. In return, the City may rebate *up to* 45% of the local 1% sales or use tax revenues. Based on the revenue-sharing agreement, the City will rebate 40% of the local share of sales and use tax paid by Peregrine for eligible purchases.

Based on a Spring 2023 projection, approximately \$146 million of equipment purchases, consisting primarily of battery megapacks, is expected to be made in calendar year 2024,

which will result in \$1.46 million in sales and use tax revenue for the City, through Peregrine’s participation in the BCP. In accordance with the revenue-sharing agreement, the City will rebate Peregrine for an estimated not-to-exceed amount of \$690,000. This will result in a net General Fund revenue increase of \$770,000 for the City. We note that the estimated not-to-exceed amount accounts for potential increases in purchasing costs due to inflation. The actual rebate amount will be based on 40% of the sales and use tax received by the City. **If the actual purchase price is lower than anticipated, there could be a surplus of up to \$106,000, which could be used as a budget mitigation measure.**

EDD estimated that staff would need approximately six months from the purchase date to confirm that the \$1.46 million sales and use tax has been directed to the City. Based on this timeline, rebates are to be provided in FY 2025.

#### \$154,000, 3.50 FTEs – Employ and Empower Program Intern

The Proposed Budget includes the addition of 3.50 FTE Management Intern positions to be reimbursed through the Employ and Empower Grant Program. These positions will support

SUMMARY OF EDD GENERAL FUND - ECONOMIC DEVELOPMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	56.00	\$ 8,970,777	\$ 6,663,456	\$ 15,634,233	\$ 5,969,520
<b>Programmatic Changes</b>					
<i>Business Cooperation Program Rebate</i>	-	-	690,000	690,000	-
<i>Employ and Empower Program Intern</i>	3.50	153,794	-	153,794	153,794
<i>Maintenance Assessment Districts General Benefits</i>	-	-	144,622	144,622	-
<i>Budget Mitigation: Reduction of Eviction Notice Registry</i>	-	-	(400,000)	(400,000)	-
<i>Budget Mitigation: NPE Savings</i>	-	-	(312,685)	(312,685)	-
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(146,975)	-	(146,975)	-
<i>Wayfinding Kiosk Revenue</i>	-	-	-	-	908,042
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	964,365	-	964,365	-
<i>Support for Information Technology</i>	-	-	15,004	15,004	-
<i>Non-Discretionary Adjustment</i>	-	-	8,841	8,841	-
<i>One-Time Additions and Annualizations</i>	-	-	(3,800,000)	(3,800,000)	-
<i>Community Development Block Grant</i>	-	-	-	-	910,000
<b>FY 2025 Proposed Budget</b>	<b>59.50</b>	<b>\$ 9,941,961</b>	<b>\$ 3,009,238</b>	<b>\$ 12,951,199</b>	<b>\$ 7,941,356</b>
<b>Difference from 2024 to 2025</b>	<b>3.50</b>	<b>\$ 971,184</b>	<b>\$ (3,654,218)</b>	<b>\$ (2,683,034)</b>	<b>\$ 1,971,836</b>



# Department Review: Economic Development

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the creation of the San Diego Promise Zone Newsletter, work with the Small Business Engagement team on business outreach, support the Assessment District Program, and assist with administrative tasks.

## \$145,000 – Maintenance Assessment Districts General Benefits

The Proposed Budget includes the addition of \$145,000 in expenditures for the general benefits contribution associated with Maintenance Assessment Districts (MADs). Applicable law prohibits levying assessments to pay for general benefits conferred to the public at large. This addition represents the funding needed beyond EDD’s base budget to bring the City’s general benefits contribution to appropriate levels based on the Assessment Engineer’s Annual Reports. Additional funding is required largely due to the creation of 2 new MADs – Bankers Hill and Greater Hillcrest – and inflation adjustments.

## **Significant Budget Reduction**

### (\$400,000) – Budget Mitigation: Reduction of Eviction Notice Registry

The Proposed Budget includes the reduction of \$400,000 in ongoing funding for the development and implementation of an Eviction Notice Registry. Such a registry would allow the San Diego Housing Commission to receive at-fault and no-fault just-cause eviction notices from landlords. This Registry is needed to implement the Residential Tenant Protection Ordinance, approved by Council on April 25, 2023.

However, development of the Registry is currently on hold, as the implementation will require an exemption from the Transparent and Responsible Use of Surveillance Technology (“TRUST”) Ordinance. **With the elimination of these funds, the Housing Commission would not be able to move forward with the development and implementation of the Eviction Notice Registry should the Council approve the exemption to the TRUST Ordinance.**

In addition to ongoing funding of \$400,000 to support annual administrative costs, one-time funding of \$100,000 would be required to support the start-up costs.

### (\$313,000) – Budget Mitigation: NPE Savings

The Proposed Budget includes the reduction of \$313,000 in ongoing non-personnel expenditures for contractual services. This includes \$172,000 for computer maintenance services. Due to the consolidation of two departments into EDD, there will be no service level impact. The reduction also includes \$141,000 for 2 youth employment programs: TechHire and Connect2Careers; both programs are currently inactive.

### (\$147,000) – Budget Mitigation: Savings from Delayed Hiring

In March 2024, the City implemented a process that requires Executive approval prior to filling all vacant positions to reduce expenditures. Departments are limited to requesting to fill vacancies for the most critical positions as defined by certain criteria.

The Proposed Budget for EDD includes \$147,000 in related personnel expenditures savings. Projected savings assume affected positions would stay vacant until December 2024.

Given the consolidation of the two departments, EDD obtained Executive approval to continue hiring for positions critical to department operations, such as Community Development Specialists. This budget mitigation measure is not anticipated not result in immediate operational impacts.

## **Significant Revenue Adjustment**

### \$908,000 – Wayfinding Kiosk Revenue

The Proposed Budget includes the addition of \$908,000 in revenues from Wayfinding Kiosks to be installed in Downtown San Diego. On June 6, 2023, City Council approved a Corporate Partnership Agreement with the Downtown San Diego Partnership and IKE Smart City for the installation of interactive

# Department Review: Economic Development

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kiosks. Based on the Agreement, the City is to receive 65% of a Minimal Annual Guarantee (starting at \$16,000) per operational kiosk, or 45% of net revenues generated from advertising sales, whichever is greater. Revenues coming to the City are expected to grow as more kiosks are constructed and as revenues from advertising sales outpace the Minimal Annual Guarantee.

Selected kiosk installation locations are currently under Development Services Department review. EDD estimated that 29 kiosks would be operational by the end of FY 2025. **Based on this estimate, the revenue addition included in the Proposed Budget is likely overestimated. Adjustments will be required to align the revenue budget with the projected kiosk installation timeline.** EDD plans to provide ongoing updates as revenues come in quarterly.

## Issues for Council Consideration

### Unfunded Requests

#### Small Business Enhancement Program

EDD requested \$1.2 million in non-personnel expenditures to restore and enhance the Small Business Enhancement Program (SBEP). The SBEP is guided by Council Policy 900-15, which requires that the SBEP receive \$20 per small business (businesses with 12 or fewer employees) registered with the City, and funding for SBEP must not fall below \$1.6 million. As of March 2024, there are over 91,000 small businesses which would necessitate an appropriation of approximately \$1.8 million. EDD has \$765,000 in its base budget for SBEP, representing a funding gap of \$1.2 million to meet Council Policy requirements.

The requested \$1.2 million includes:

- \$450,000 for the Capacity Building Grant Program to support nonprofits serving underserved business communities
- \$330,000 for Business Improvement

Districts support, including reimbursements for City fees and services

- \$220,000 for the Storefront Improvement Program
- \$95,000 for direct outreach, such as business walks
- \$55,000 for disparity study and technical assistance
- \$50,000 for staff training, administration, subscriptions, and memberships

Without funding, programs and support available to small businesses may be limited.

In FY 2024, SBEP was funded at close to \$1.3 million. To provide emergency relief to small businesses and nonprofits impacted by the January 22<sup>nd</sup> storms, the City provided \$370,000 in emergency grants through SBEP.

#### Focused Economic Development Strategy Implementation

EDD requested \$250,000 in one-time non-personnel expenditures to continue the implementation of the Focused Economic Development Strategy that Council adopted in May 2023, which covers a 3-year period from 2023 to 2026. Funding would support increasing access to affordable childcare through collaboration with the Office of Child and Youth Success and the YMCA, cyber security and equal opportunity contracting (EOC) training for small businesses, and the annual Promise Zone Youth Expo.

This funding would have been an extension of \$200,000 in one-time expenditures provided in the FY 2024 Adopted Budget. In FY 2024, related expenditures were focused on programs to provide financial support for students and removing barriers to employment, and youth programs to improve financial literacy and job preparedness.

# Department Review: Economic Development

## General Fund – Real Estate Services

### Significant Budget Addition

#### 1.00 FTE, \$228,000 – Transfer of Assistant Deputy Director

The Proposed Budget includes the transfer of 1.00 FTE Assistant Deputy Director and \$228,000 from the PETCO Park Fund to the General Fund. This transfer is intended to streamline the management of the Acquisitions and Dispositions team. The work to manage the PETCO Park Fund will now be billed through an internal order based on actual hours worked by various positions assigned. Consequently, this transfer also includes \$100,000 in revenues from the PETCO Park Fund to reimburse some of the costs to the General Fund.

This transfer is anticipated to result in operational efficiency by charging the PETCO Park Fund based on actual hours worked instead of dedicating a full-time position to support Petco Park-related work.

#### \$99,000, 2.50 FTEs – Employ and Empower Program Intern

The Proposed Budget includes the addition of 2.50 FTEs Management Intern positions to be reimbursed through the Employ and Empower Grant Program. These positions will support Real Estate divisions with updating insurance

records, public inquiries, data entry, filing and scanning, and special projects.

### Significant Budget Reduction

#### (\$171,000) – Budget Mitigation: Savings from Delayed Hiring

As noted earlier, the City currently requires Executive approval prior to filling vacant positions.

The Proposed Budget includes \$171,000 in personnel expenditures savings for Real Estate Services resulting from this process. Projected savings assume affected positions would stay vacant until December 2024.

#### (\$158,000) – Budget Mitigation: NPE Savings

The Proposed Budget includes the reduction of \$158,000 in ongoing non-personnel expenditures for contractual services and internal City services. This reduction aligns the budget with historical actual spending and is not anticipated to result in any operational impact.

## Issues for Council Consideration

### Potential Budget Mitigation Measure

#### Downtown Office Space Analysis

Council could consider reducing \$250,000 budgeted in FY 2025 for downtown office space analysis as a budget mitigation measure. However, we note that there may be programmatic impacts, as noted below, if a reduction

SUMMARY OF EDD GENERAL FUND - REAL ESTATE SERVICES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	38.75	\$ 5,112,382	\$ 2,804,310	\$ 7,916,692	\$ 66,144,543
<b>Programmatic Changes</b>					
<i>Transfer of 1.00 FTE Assistant Deputy Director</i>	1.00	227,886	-	227,886	100,000
<i>Employ and Empower Program Intern</i>	2.50	99,198	-	99,198	99,198
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(170,766)	-	(170,766)	-
<i>Budget Mitigation: NPE Savings</i>	-	-	(158,334)	(158,334)	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	3,452	-	3,452	-
<i>Non-Discretionary Adjustment</i>	-	-	5,988	5,988	-
<i>Support for Information Technology</i>	-	-	(52,035)	(52,035)	-
<i>One-Time Additions and Annualizations</i>	-	-	(375,000)	(375,000)	-
<i>Revised Revenue</i>	-	-	-	-	4,596,189
<b>FY 2025 Proposed Budget</b>	<b>42.25</b>	<b>\$ 5,272,152</b>	<b>\$ 2,224,929</b>	<b>\$ 7,497,081</b>	<b>\$ 70,939,930</b>
<b>Difference from 2024 to 2025</b>	<b>3.50</b>	<b>\$ 159,770</b>	<b>\$ (579,381)</b>	<b>\$ (419,611)</b>	<b>\$ 4,795,387</b>

# Department Review: Economic Development

is implemented.

The FY 2024 Adopted Budget includes \$250,000 in non-personnel expenditures for continuing an existing consultant contract with Jones Lang LaSalle Americas, Inc. (JLL) for an office space optimization analysis and associated pilot programs in the downtown Civic Core area. The results of the analysis and the pilot programs are expected to inform the City’s future office space need, optimize space utilization in light of the City’s Telework Program, and inform the Civic Center Revitalization Project. The total not-to-exceed value of this contract is \$725,000, with a term not to exceed 5 years. As of February 2024, \$360,000 has been spent on the contract.

The contract includes four phases including 1) Initiation; 2) Demand and Workplace Standards; 3) Pilot and Program Plan; and 4) Pilot Programs. EDD is currently working with JLL and participating City departments to plan and launch Phase 4 of the contract for Pilot Programs based on findings from prior phases. **If this budget mitigation measure is implemented, no pilot programs or actualization of the space optimization analysis would take place. Additionally, no final report on on findings and lessons learned from pilot programs would be produced.**

## 101 Ash Street Building

EDD continues to provide property management functions for the 101 Ash Street building through a third-party contract. The property management contract costs \$2.5 million in FY 2025, an increase of approximately \$97,000 from FY 2024.

## Airports

The Airports Division is responsible for the operations and maintenance of two City-owned airports: Montgomery-Gibbs Executive Airport and Brown Field Airport. Expenditures in the FY 2025 Proposed Budget for airports total approximately \$9.2 million, which is a decrease of approximately \$844,000 from the FY 2024 Adopted Budget. Revenues in the Proposed Budget show a small increase of \$90,000, for total revenues of \$8.9 million. FTE positions are budgeted at 30.25 which is an increase of 2.00 FTEs. The Airports budget is summarized in the table below.

### Significant Budget Addition

\$200,000 – Commercial and Retail Center Repair and Maintenance

The Proposed Budget includes the addition of \$200,000 in ongoing funding for maintenance and repair projects at the Commercial and Retail Center, comprised of 3 commercial

SUMMARY OF ECONOMIC DEVELOPMENT DEPARTMENT AIRPORT FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	28.25	\$ 3,322,737	\$ 5,882,484	\$ 9,205,221	\$ 8,891,602
<b>Programmatic Changes</b>					
<i>Maintenance</i>	-	-	200,000	200,000	-
<i>IT Equipment Upgrade at Brown Field Airport</i>	-	-	90,000	90,000	-
<i>1.00 FTE Clerical Assistant 2</i>	1.00	50,622	-	50,622	-
<i>Employ and Empower Program Intern</i>	1.00	39,679	-	39,679	39,679
<b>Other Changes</b>					
<i>Non-Discretionary Adjustment</i>	-	-	90,409	90,409	-
<i>Support for Information Technology</i>	-	-	24,726	24,726	-
<i>Salary and Benefit Adjustments</i>	-	(199,444)	-	(199,444)	-
<i>One-Time Additions and Annualizations</i>	-	-	(1,129,950)	(1,129,950)	-
<i>Revised Parking Revenue</i>	-	-	-	-	50,000
<b>FY 2025 Proposed Budget</b>	<b>30.25</b>	<b>\$ 3,213,594</b>	<b>\$ 5,157,669</b>	<b>\$ 8,371,263</b>	<b>\$ 8,981,281</b>
<b>Difference from 2024 to 2025</b>	<b>2.00</b>	<b>\$ (109,143)</b>	<b>\$ (724,815)</b>	<b>\$ (833,958)</b>	<b>\$ 89,679</b>

# Department Review: Economic Development

buildings and 1 retail center, at the Montgomery-Gibbs Executive Airport. Repairs and Maintenance are needed to keep facilities up to code and ready to be leased. Repairs may include building exterior work, plumbing, slurry seal and surface work on parking lots, carpeting, painting, HVAC, electrical work, and other unforeseen repairs.

## \$90,000 – IT Equipment Upgrade at Brown-Field Airport

The Proposed Budget includes the addition of \$90,000 in one-time funding for IT equipment upgrades for Customs and Border Protection (CBP) at the Brown Field Airport. CBP leases City-owned space at the Brown Field Airport at no cost and, in return, provides General Aviation Aircraft and Passenger Inspection Services at no cost to the City. The IT equipment upgrade is required pursuant to federal regulations. The cost of the upgrade is recoverable through the fuel flowage revenues brought in by the CBP.

### 1.00 FTE Clerical Assistance 2

The Proposed Budget includes the addition of 1.00 FTE Clerical Assistance 2 and \$51,000 in expenditures to assist with the lease and property management team within the Airports Division. This position will be responsible for responding to tenant requests and performing clerical duties. The addition of this position will allow Property Agents in the Airports Division to focus on lease management activities and provide better customer service

services.

## Concourse & Parking Garages

The FY 2025 Proposed Budget for the Concourse & Parking Garages Operating Fund includes \$5.4 million in expenditures and \$3.2 million in revenues, representing increases of \$1.8 million and \$567,000, respectively, from the FY 2024 Adopted Budget.

The increase in expenditures is largely driven by transferring the fund balance of \$2.0 million to the General Fund to help balance the budget. The increase in revenues is associated with additional parking revenues and reimbursements from the Homeless Strategies and Solutions Department for operation of the shelter at Golden Hall. The table below summarizes the budget for this fund.

## PETCO Park

The FY 2025 Proposed Budget for the PETCO Park Fund includes \$19.2 million in expenditures, an increase of approximately \$1.4 million from FY 2024 Adopted Budget. Revenues are budgeted at \$15.2 million, a decrease of \$2.3 million from FY 2024 Adopted Budget. The only position (1.00 FTE Assistant Deputy Director) in PETCO Park Fund is proposed to be transferred to the General Fund. See the General Fund – Real Estate

SUMMARY OF EDD - CONCOURSE AND PARKING GARAGES OPERATING FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	2.00	\$ 240,747	\$ 3,320,615	\$ 3,561,362	\$ 2,651,073
<b>Programmatic Changes</b>					
<i>Transfer of Fund Balance to General Fund</i>	-	-	2,015,631	2,015,631	-
<b>Other Changes</b>					
<i>Reimbursements for Operating Expenditures</i>	-	-	-	-	300,000
<i>Non-Discretionary Adjustment</i>	-	-	424,108	424,108	-
<i>Salary and Benefit Adjustments</i>	-	11,627	-	11,627	-
<i>One-Time Additions and Annualizations</i>	-	-	(608,000)	(608,000)	(600,000)
<i>Support for Information Technology</i>	-	-	(5,864)	(5,864)	-
<i>Revised Parking Revenue</i>	-	-	-	-	867,194
<b>FY 2025 Proposed Budget</b>	<b>2.00</b>	<b>\$ 252,374</b>	<b>\$ 5,146,490</b>	<b>\$ 5,398,864</b>	<b>\$ 3,218,267</b>
<b>Difference from 2024 to 2025</b>	<b>-</b>	<b>\$ 11,627</b>	<b>\$ 1,825,875</b>	<b>\$ 1,837,502</b>	<b>\$ 567,194</b>

# Department Review: Economic Development

Services section for more details on this transfer.

## Significant Budget Addition

### \$1.5 million – Public Safety Service

The Proposed Budget includes the addition of \$1.5 million in ongoing funding for the provision of public safety services by the Fire-Rescue Department (\$481,000) and the Police Department (\$1.0 million).

Historically, Fire-Rescue services at Petco Park were not covered by the PETCO Park Fund and resulted in a General Fund impact. Based on the Fire-Rescue Department’s estimates, the annual average of unfunded regular duty hours dedicated to Petco Park is 700 hours, or \$202,533. This includes staffing time to attend production meetings, review permits and site plans, and staff baseball games and special events. Additionally, the annual average of unfunded overtime for Padres baseball games is about 2,810 hours, or \$278,000. This accounts for all Fire-Rescue personnel assigned to Padres games, including Fire Inspector 2, Fire Prevention Supervisor, and Assistant Fire Marshal ranks.

Furthermore, this addition also includes \$1.0 million to cover increased personnel expenditures incurred by the Police Department to monitor and patrol Petco Park as special events volume significantly increased post-pandemic.

## Low and Moderate Income Housing Asset Fund

Though not reflected in EDD’s budget, the Department also administers the Low and Moderate Income Housing Asset Fund (LMIHAF). All housing assets transferred from the former redevelopment agency to the City, acting as the housing successor agency, and revenues generated from those housing assets, are required to be kept in LMIHAF for affordable housing purposes. LMIHAF is one of the three main sources of funding that support the City’s Bridge to Home Program, which provides financing for the development of affordable housing.

The FY 2025 Proposed Budget includes \$36.1 million in expenditures, a decrease of \$5.3 million, or 12.8%, as compared to the FY 2024 Adopted Budget.

The LMIHAF is largely supported by:

1. Unencumbered affordable housing bond proceeds issued by the former redevelopment agency prior to its dissolution;
2. Loan repayments and lease payments; and
3. Land disposition proceeds.

The Proposed Budget includes \$1.2 million in LMIHAF revenue, a decrease of \$5.8 million, or 82.9%, as compared to FY 2024. The \$5.8

SUMMARY OF EDD - PETCO PARK FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	1.00	\$ 199,467	\$ 17,602,310	\$ 17,801,777	\$ 17,545,407
<b>Programmatic Changes</b>					
<i>Public Safety Services</i>	-	-	1,506,807	1,506,807	-
<i>Transfer of 1.00 FTE Assistant Deputy Director</i>	(1.00)	(393,285)	100,000	(293,285)	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	193,818	-	193,818	-
<i>Non-Discretionary Adjustment</i>	-	-	(5,232)	(5,232)	-
<i>Support for Information Technology</i>	-	-	(259)	(259)	-
<i>Revised Special Events Revenue</i>	-	-	-	-	3,284,298
<i>Revised Rent Revenue</i>	-	-	-	-	101,645
<i>Transient Occupancy Tax Transfer</i>	-	-	-	-	(5,639,963)
<b>FY 2025 Proposed Budget</b>	-	\$ -	\$ 19,203,626	\$ 19,203,626	\$ 15,291,387
<b>Difference from 2024 to 2025</b>	<b>(1.00)</b>	<b>\$ (199,467)</b>	<b>\$ 1,601,316</b>	<b>\$ 1,401,849</b>	<b>\$ (2,254,020)</b>

## Department Review: Economic Development

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million revenue decrease is associated with the sale of Tailgate Park, which is now anticipated to close in FY 2025. Council's action approving the sale of Tailgate Park included direction that proceeds from the sale were to be appropriated into LMIHAF to support the Bridge to Home program. However, the Mayor is proposing to use proceeds from the sale to balance the General Fund. The only ongoing revenue source in the Proposed Budget for the LMIHAF is loan repayments, lease payments, and interest which are projected to be \$1.2 million in FY 2025.

## Department Review: E&CP

# Engineering & Capital Projects

The Engineering & Capital Projects Department (E&CP) provides engineering, program and construction management, and inspection services for the Capital Improvements Program (CIP) and oversight of the development of public infrastructure and facilities. The CIP is made up of 1,462 capital improvement projects that rehabilitate, restore, improve, and create new capital infrastructure like libraries, parks, and water and sewer pipelines.

E&CP is responsible for planning, design, and construction management of public improvement projects; quality assurance and inspection of public and private work permitted in rights-of-way; surveying and materials testing services.

Goals for the Department include:

- Providing quality, safe, reliable, and equitable infrastructure and related services.
- Providing timely and efficient delivery of projects.
- Cultivating a positive departmental culture that prioritizes diversity and inclusion to foster innovation.

Key Performance Indicators (KPIs) to measure achievement or progress toward these goals were inadvertently not included in the

FY 2025 Proposed Budget but will be included in the May Revise.

### E&CP Special Revenue Fund

Expenses in the Department are billed against CIP projects, and revenue comes in through the E&CP Fund, a special revenue fund. In the case of the E&CP Fund, engineers and other staff that work directly on CIP projects bill the time they work to those respective projects. Staff not working directly on projects are covered by the Department's overhead rate included in the charge to projects.

### Impacts of Mayor's FY 2025 Budget Proposal

The FY 2025 Proposed Budget for E&CP is \$167.1 million, an increase of \$18.9 million or 12.7% above the FY 2024 Adopted Budget. The Proposed Budget includes 836.40 FTE positions, an increase of 49.00 over the prior year. Offsetting revenue from charges to projects totaling \$133.9 million are also included in the Proposed Budget, an increase of \$38.1 million.

Many of the increases relate to the restructure of the Strategic Capital Projects Department (SCP), which will now be part of E&CP. The Department also restructured divisions to

SUMMARY OF ENGINEERING & CAPITAL PROJECTS DEPARTMENT BUDGET CHANGES						
Division	FY 2024 FTE	FY 2025 FTE	Change	FY 2024 Expense	FY 2025 Expense	Change
Architectural Engineering & Parks ( <i>restructured</i> )	104.80	-	(104.80)	\$ 19,649,060	\$ -	\$ (19,649,060)
Business Operations & Employee Services	67.00	63.00	(4.00)	32,146,553	33,844,818	1,698,265
Capital Asset Management	1.00	26.00	25.00	311,029	5,854,387	5,543,358
Construction Engineering Support	143.00	142.00	(1.00)	21,865,519	22,699,054	833,535
Construction Management & Field Engineering	162.00	158.00	(4.00)	28,246,220	29,319,515	1,073,295
Engineering & Capital Projects	3.00	17.00	14.00	588,005	3,604,019	3,016,014
<b>new</b> Facilities & Parks Project Delivery	-	57.00	57.00	-	10,359,474	10,359,474
<b>new</b> Infrastructure Construction Management	-	35.00	35.00	-	7,284,683	7,284,683
Program & Project Development	94.80	67.00	(27.80)	13,512,747	8,923,756	(4,588,991)
<b>new</b> Project Development & Management	-	2.00	2.00	-	496,487	496,487
Project Management Office	72.00	73.00	1.00	10,658,159	11,715,438	1,057,279
<b>new</b> SW & T Project Delivery	-	77.00	77.00	-	14,199,385	14,199,385
Transportation & Utility Engineering ( <i>restructured</i> )	139.80	-	(139.80)	21,247,247	-	(21,247,247)
<b>new</b> Utilities Project Delivery	-	119.40	119.40	-	18,794,180	18,794,180
<b>Total Combined</b>	<b>787.40</b>	<b>836.40</b>	<b>49.00</b>	<b>\$ 148,224,539</b>	<b>\$ 167,095,196</b>	<b>\$ 18,870,657</b>

Office of the Independent Budget Analyst  
April 2024



# Department Review: E&CP

better deliver the CIP for specific project types. A summary of budget changes by division is included in the table on the previous page.

## Budget Mitigations

As a Special Revenue Fund, E&CP was not required to submit FY 2025 budget reductions since all current resources are needed to deliver the CIP. The \$871.9 million Proposed CIP Budget is the largest in the City's history. E&CP officials noted that, in solidarity with the rest of the City, the Department is participating in suspending all nonessential expenditures for the remainder of FY 2024. The Department is also following the request for executive approval to fill any vacant positions.

## Significant Budget Additions

The Proposed Budget includes several programmatic additions, as summarized in the table below.

- 10.00 Employ and Empower FTEs positions (including 9.00 Management Interns and 1.00 Student Intern) and related hourly expenditures and offsetting revenue.
- 35.00 FTE positions and \$7.6 million in total expenditures, and \$5.8 million in related revenue are transferred from SCP to E&CP. Combining the two departments is expected to increase efficiencies, lower administrative and management costs,

ensure consistency in the delivery of the City's CIP, and provide consistent representation when working with the public works industry.

- 3.00 Assistant Deputy Director positions (2.00 Senior Civil Engineers and 1.00 Associate Civil Engineer) and \$803,000 in total expenses and offsetting revenue to support the Pure Water Program. These positions will oversee the construction, design, and management of facilities and treatment plants for the Program. Given the size and complexity of the Pure Water Program, expanded engineering oversight of construction projects is critical to ensure execution and contract compliance in preparation for the successful commissioning of the facilities.
- 1.00 Program Manager and \$223,532 to oversee the Employee Services section within the Business Operations & Employee Services (BOES) Division. E&CP currently has a supplemental Program Manager position that has been filled for the past two years. The supplemental position was created to manage the Employees Services section, which includes training and development, safety, talent acquisition, records management, Public Records Act requests, and general administrative support. The FY 2025 Proposed Budget makes this a permanent budgeted

SUMMARY OF ENGINEERING & CAPITAL PROJECTS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	787.40	\$ 126,350,672	\$ 21,873,867	\$ 148,224,539	\$ 133,858,610
<b>Programmatic Changes</b>					
<i>Employ and Empower Program Support (hourly)</i>	10.00	396,840	-	396,840	396,840
<i>Restructure from Strategic Capital Projects Department</i>	35.00	7,566,483	58,380	7,624,863	5,814,266
<i>Pure Water Program Support</i>	3.00	803,412	13,908	817,320	803,412
<i>Business Operations &amp; Employee Services Support</i>	1.00	223,532	4,636	228,168	-
<i>Computer Aided Design and Drafting (CADD) Transition</i>	-	-	1,076,461	1,076,461	-
<b>Other Changes</b>					
<i>Other Salary and Benefits Adjustments</i>	-	8,895,126	-	8,895,126	-
<i>Revised Reimbursements for Services</i>	-	-	-	-	30,550,499
<i>Right-of-Way Permit Reimbursements Adjustments</i>	-	-	-	-	1,664,608
<i>Non-Discretionary Adjustment</i>	-	-	505,252	505,252	-
<i>Non-standard Hour Personnel Funding</i>	-	11,856	-	11,856	-
<i>One-Time Additions and Annualizations</i>	-	-	(22,080)	(22,080)	(1,148,423)
<i>Information Technology Adjustments</i>	-	-	(663,149)	(663,149)	-
<b>FY 2025 Proposed Budget</b>	<b>836.40</b>	<b>\$ 144,247,921</b>	<b>\$ 22,847,275</b>	<b>\$ 167,095,196</b>	<b>\$ 171,939,812</b>
<b>Difference from 2024 to 2025</b>	<b>49.00</b>	<b>\$ 17,897,249</b>	<b>\$ 973,408</b>	<b>\$ 18,870,657</b>	<b>\$ 38,081,202</b>

# Department Review: E&CP

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position.

- \$979,000 for non-personnel expenditures to transition to a new Computer Aided Design and Drafting (CADD) application, and \$97,000 of non-personnel expenditures for current CADD application services required during the Department's transition to the new provider.

## Issues for Council Consideration

### Capacity to Deliver Projects

To successfully deliver the current CIP (\$871.9 million in the FY 2025 Proposed Budget) and address the City's \$4.8 billion funding gap for capital projects, the City will need to continue investing in capacity. Over the past several years, E&CP has worked to streamline and improve internal operations by creating a Project Management Office (PMO), implementing recommendations from both [WSP's Operational Assessment](#) and the [City Auditor's Report on the Capital Project Approval Process](#).

E&CP officials have noted capacity-related challenges, however, with the pool of bidders on public works projects. The City is receiving a lower-than-average number of bidders on public works contracts. In addition, bids that are submitted are often significantly higher than engineer's estimates. In response to outreach efforts conducted by E&CP, the industry has indicated that there is market saturation and a major labor shortage. Also, new contractors have indicated they are not familiar with the City's Equal Opportunity Contracting (EOC) Program or Small Local Business Enterprise (SLBE) Program Good Faith Effort Guidelines. This has resulted in some bids being deemed non-responsive.

As a result, many projects have gone out to bid several times before a qualifying contractor is selected. In the case where bids come in high, additional funding must be identified before a

contract can be awarded. Both of these scenarios result in delays in starting construction. There could also be negative impacts to other capital projects that gave up funding to support the contract award in another project.

To address these challenges, E&CP is working with P&C to expand outreach and work with industry partners throughout California to increase awareness and interest in City infrastructure projects. E&CP is also working with labor organizations to expand apprenticeship programs and host events to introduce the City's CIP and associated work opportunities to prime and sub-contractors.

### Departmental Vacancies

While significant vacancies have persisted in E&CP since 2016, Department officials told us they are no longer having challenges filling vacant positions and retaining staff. E&CP's vacancy rate has been reduced from 17.0% at the beginning of FY 2024 to 11.5% as of April 19, 2024. E&CP officials noted that recent salary adjustments to the Engineering series have significantly enhanced their ability to recruit highly qualified candidates.

For more information, see the *Departmental Vacancies* section in *Key Citywide Issues* earlier in this report.

# Environmental Services

The Environmental Services Department (ESD) provides waste management and abatement services throughout the City of San Diego. This includes the collection and disposal of residential refuse, including trash, recycling, and organics, as well as the management and operation of the Miramar Landfill and Greenery. Additional services provided by the Department include sidewalk sanitation, homelessness encampment abatement, removal of illegal dumping, and enforcement of City codes and regulations regarding solid waste and recycling.

## Impacts of the Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for ESD is approximately \$192.2 million, an increase of \$10.0 million and 37.21 FTEs from the FY 2024 Adopted Budget. Revenues are projected to total approximately \$88.9 million, an increase of \$3.7 million from the FY 2024 Adopted Budget.

To accommodate the Department’s multiple areas of responsibility and funding sources, the Department is divided into five primary divisions across five individual funds. The analysis of the FY 2025 Proposed Budget in this section is organized by the Department’s five funds.

## General Fund

The FY 2025 Proposed Budget for the Environmental Services Department totals approximately \$103.4 million in the General Fund, a \$1.3 million decrease (1.2%) from the FY 2024 Adopted Budget. The FY 2025 Proposed Budget includes 328.25 FTEs which represents a decrease of 5.43 FTEs from the FY 2024 Adopted Budget.

The Department’s General Fund revenue totaling \$1.5 million for FY 2025 is unchanged from the FY 2024 Adopted Budget.

## Significant Budget Additions

There is only one significant budget addition within the General Fund for ESD. This is the addition of Radio Frequency Identification (RFID) readers to collection packers. The addition includes \$301,000 in one-time expenses and \$78,000 in ongoing expenses, for a total addition of \$379,000 in the General Fund. There is also a corresponding increase of \$101,000 in the Recycling Fund for the packers that are funded from that fund.

The RFID readers connect to chips within each container bin that allow the City to identify specific containers. This enhancement will also tie into other software enhancements that have been added to packers recently, including routing software and geolocation technology. Together, all of these new

ENVIRONMENTAL SERVICES DEPARTMENT FY 2025 PROPOSED BUDGET EXPENDITURES							
Divisions	FTE	General Fund	Solid Waste Management Fund	Automated Refuse Container Fund Replacement	Refuse Disposal Fund	Recycling Fund	TOTAL
Collection Services	264.21	\$ 70,484,251	\$ 5,081,612	\$ 1,950,868	\$ 582,758	\$ 11,857,969	\$ 89,957,458
Disposal & Environmental Protection	161.00	3,249,108	-	-	44,432,897	2,465,110	50,147,115
Clean SD	78.00	22,534,369	-	-	-	-	22,534,369
Environmental Services	62.00	4,006,162	1,065,755	-	5,962,529	4,136,951	15,171,397
Waste Reduction	45.51	3,161,263	-	-	-	11,178,673	14,339,936
<b>TOTAL</b>	<b>610.72</b>	<b>\$ 103,435,153</b>	<b>\$ 6,147,367</b>	<b>\$ 1,950,868</b>	<b>\$ 50,978,184</b>	<b>\$ 29,638,703</b>	<b>\$ 192,150,275</b>

# Department Review: Environmental Services

technologies allow the Department to track the number of bins and type of bins at each residence, confirm that only City of San Diego bins are being collected, and ensure that bins reported missed were not already collected. This tracking will be very useful to the Department when fees for solid waste services are enacted.

This technology does rely on the bins themselves having RFID chips in them. Currently, only those bins that have been replaced or added in the last three to four years have RFID readable chips. This includes all of the green containers rolled out under SB 1383, but not most blue or black bins. However, as part of the process to set service levels for City customers as part of the implementation of a solid waste collection fee, it is anticipated that almost all bins will either be replaced with a new bin that contains an RFID chip, or tagged with an RFID chip by the Refuse Container Crew that is added to the Solid Waste Management Fund.

This addition is being requested in FY 2025 so that RFID readers will be in place in time for fee implementation and to assist the Department with ensuring both customers' eligibility and service levels. There are two potential options to mitigate the General Fund impact of this request. This funding could be transferred to the Solid Waste Management

Fund, since it is related to helping the Department prepare for the implementation of a solid waste management fee. Alternatively, this project could also be delayed by one year since it is an activity that would otherwise be covered by the new fee in the future. **Moving the funding for this project or delaying this project by one year would result in a savings of \$379,000.**

## Significant Budget Reductions

### (\$2.1 million) – Budget Mitigation: Refuse Disposal Fee Discount

The largest budget mitigation for ESD is a decrease of \$2.1 million in refuse disposal fees. Effectively, the City would receive a discount on residential solid waste disposed of at the Miramar Landfill. Due to the anticipated increased costs to be borne by the Refuse Disposal Fund, primarily for the operating costs of the new Organics Processing Facility as well as new regulatory requirements at the Miramar Landfill, ESD proposed - and the City Council adopted - tipping fee increases for waste deposited at the landfill. This included a \$15 per ton increase for FY 2024, and a \$14 per ton increase for FY 2025.

The impacts of these fee increases are allocated through the non-discretionary budget process and represent the impacts from the estimated tonnage collected by Collection Services. Since the City is a major collector and

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	333.68	\$ 40,698,472	\$ 64,004,533	\$ 104,703,005	\$ 1,497,220
<b>Programmatic Changes</b>					
<i>RFID Readers</i>	-	-	379,389	379,389	-
<i>Budget Mitigation - Request to Fill</i>	-	(245,795)	-	(245,795)	-
<i>Restructure to Solid Waste Management Fund</i>	(5.00)	(834,299)	(525,000)	(1,359,299)	-
<i>Budget Mitigation - SB 1383 Containers</i>	-	-	(1,868,984)	(1,868,984)	-
<i>Budget Mitigation - Refuse Disposal Fee Discount</i>	-	-	(2,100,000)	(2,100,000)	-
<i>One Time Adjustments From FY 2024</i>	-	-	(3,881,259)	(3,881,259)	-
<b>Other Changes</b>					
<i>Other Wage and Benefits Adjustments</i>	-	4,151,343	-	4,151,343	-
<i>Non-Discretionary - Refuse Disposal Fees</i>	-	-	3,956,165	3,956,165	-
<i>Restructure to Recycling Fund</i>	(0.43)	(144,671)	-	(144,671)	-
<i>Non-Discretionary Adjustments</i>	-	-	(154,741)	(154,741)	-
<b>FY 2025 Proposed Budget</b>	<b>328.25</b>	<b>\$ 43,625,050</b>	<b>\$ 59,810,103</b>	<b>\$ 103,435,153</b>	<b>\$ 1,497,220</b>
<b>Difference from 2024 to 2025</b>	<b>(5.43)</b>	<b>\$ 2,926,578</b>	<b>\$ (4,194,430)</b>	<b>\$ (1,267,852)</b>	<b>\$ -</b>

## Department Review: Environmental Services

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hauler of waste, ESD in FY 2024 paid the same fees as other haulers when depositing refuse at the landfill (a previous fee discount was discontinued in FY 2023). For FY 2025 only, the City is proposing to temporarily renew the discount at a rate of \$7 per ton, which would effectively phase-in fee increase for City forces over a two-year period. There is still a General Fund increase within ESD of approximately \$4.0 million for FY 2025, due both to the increased tipping fee as well as tonnage estimates for other City dumping services.

### (\$1.9 million) – Budget Mitigation: SB 1383 Containers

The next largest decrease is \$1.9 million to remove the budget allocation for new green bins as part of the rollout of SB 1383. Since these bins were purchased and rolled out over a multi-year period, the budget for these purchases was added on an ongoing basis beginning in FY 2023. Now that the service has been rolled out across the City, this budget for additional containers is no longer needed.

### (\$1.4 million) – Restructure to the Solid Waste Fund

In the FY 2024 Adopted Budget, there was an addition of 5.00 FTEs and \$1.1 million to begin the cost-of-service (COS) process to implement a waste collection fee in accordance with Proposition 218. The addition included positions to provide oversight of the COS process and help with the data collection and implementation of a billing system necessary to implement a fee, as well as \$500,000 on an ongoing basis for a rate consultant. These additions were correlated with the successful passage of Measure B during the November 2022 election, which removed the prohibition on charging a fee for City-provided waste collection services.

For FY 2025, with the introduction of the Solid Waste Management Enterprise Fund, these positions and the consultant funding are

being transferred to that fund. The total transfer includes \$1.4 million in expenditures.

### (\$246,000) – Budget Mitigation: Request to Fill

As part of the mitigations put into place for FY 2024 and FY 2025, the Chief Operating Officer now requires that General Fund departments request permission before they hire most new positions. This order is expected to last six months into FY 2025, resulting in an estimated additional savings of \$246,000 for ESD.

### **Unfunded Budget Requests**

For the General Fund, the Department requested an additional \$2.5 million in expenditures and 7.79 FTEs that were not funded as part of the FY 2025 Proposed Budget. More significant requests include:

#### Asbestos Cleaning and Consultant

ESD requested \$1.6 million in contractual spending authority for cleaning services and comprehensive building surveys related to asbestos contamination. In support of the Municipal Energy Strategy, the Sustainability and Mobility Department is currently conducting building assessments in order to begin energy retrofits and upgrades through Energy Savings Performance Contracts (ESPCs). It is anticipated that some of the selected sites for these projects could be contaminated with asbestos, which would require abatement prior to ESPC work taking place. Not funding these requests could either result in delays to the potential upgrade of sites, or require those sites to have to wait for a future ESPC round.

#### Missed Collections Crew

ESD also requested 6.79 FTEs and \$709,000 for a Missed Collections Crew. This is a crew that would work Tuesday through Saturday with a later start time to specifically address missed collections within 48 hours of reports. Currently, there are no dedicated resources to address missed collections, which requires current drivers to incur unbudgeted overtime.

# Department Review: Environmental Services

Notably, while this request was unfunded in the General Fund, a portion was funded in the Recycling Fund. However, ESD will be unable to form the crew with only partial funding. A decision will need to be made in the May Revision to either remove the crew from the Recycling Fund or add it to the General Fund.

## Clean SD Program Manager

There is also an unfunded request to convert a currently filled Program Manager position in Clean SD from unbudgeted to budgeted in FY 2025. The unbudgeted position was created in FY 2020 and oversees supervisors and Code Compliance Officers within Clean SD. Not adding the position to the budget will require ESD to continue using vacancy savings to pay for this position.

## Solid Waste Management Fund

The Solid Waste Management (SWM) Fund is a new fund in FY 2025, although our Office has been informed that it will actually be formed for FY 2024. This fund contains positions and funding directly related to the development and implementation of a Solid Waste Collection Fee, which is currently being developed in response to the passage of Measure B in November 2022.

The transfer of the 5.00 FTEs and budget from the General Fund were already discussed, and these positions will have already been transferred in FY 2024, generating additional

savings for that contribute to available excess equity. What follows is a discussion of other significant additions for FY 2025 for this fund. It is worth noting that none of the additional position adds are anticipated to be hired until the last quarter of FY 2025.

## **Significant Budget Additions**

### \$3.0 million – Cost of Service Consultant Contract

The largest addition to the SWM Fund is \$3.0 million in one-time funding for the COS consultant contract. The consultant services, which are estimated to total \$3.5 million in FY 2025, will consist of the following:

- \$1.1 million to cover project initiation, research, the development of a Proposition 218 compliant COS study and report, and recommended fee schedules;
- \$1.7 million for extensive community outreach to City residents to solicit input on what services they want and how the City could potentially provide those services with the implementation of a solid waste fee; and
- \$0.7 million for an operational efficiency analysis on the Collection Services Division.

More on the fee development process and timeline is provided under *Issues for Council Consideration*.

### \$1.0 million – Salesforce Upgrades

The other large addition for non-personnel

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - SOLID WASTE MANAGEMENT FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	-	\$ -	\$ -	\$ -	\$ -
<b>Programmatic Changes</b>					
<i>Cost of Service Consultant Contract</i>	-	-	3,000,000	3,000,000	-
<i>Salesforce Upgrades</i>	-	-	1,000,000	1,000,000	-
<i>Positions Restructured from General Fund</i>	5.00	834,299	525,000	1,359,299	-
<i>Refuse Container Crew</i>	6.00	439,127	18,000	457,127	-
<i>Public Information Clerks</i>	3.00	162,114	6,000	168,114	-
<i>Administrative Positions</i>	2.00	158,827	4,000	162,827	-
<b>FY 2025 Proposed Budget</b>	<b>16.00</b>	<b>\$ 1,594,367</b>	<b>\$ 4,553,000</b>	<b>\$ 6,147,367</b>	<b>\$ -</b>
<b>Difference from 2024 to 2025</b>	<b>16.00</b>	<b>\$ 1,594,367</b>	<b>\$ 4,553,000</b>	<b>\$ 6,147,367</b>	<b>\$ -</b>

# Department Review: Environmental Services

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expenditures is \$1.0 million for buildout of the Salesforce software system. This system will serve as the customer portal for determining fees and service levels.

## \$457,000, 6.00 FTEs – Refuse Container Crew

This addition is for a new crew to provide repair and replacement services for automated refuse, recycling, and organics containers. With the development of a solid waste collection fee, container sizes and numbers will likely be directly linked to fees charged. As such, this crew will be specifically assigned to ensuring that all customers have the appropriate size and number of containers, as well as potentially removing containers from ineligible properties. This team will also work with private franchise haulers to coordinate service for those ineligible properties.

## \$168,000, 3.00 FTEs – Public Information Clerks

These positions will handle the increased calls to the Contact Center and process customer requests in Salesforce once the rollout of the new fee is established.

## \$159,000, 2.00 FTEs – Administrative Support

This addition includes and Administrative Aide to coordinate increased training and staffing needs, as well as a Supervising Management Analyst to oversee financial work for the fund, including budget monitoring and liaising with the Department of Finance.

## **Issues for Council Consideration**

### **Measure B and a Solid Waste Collection Fee**

At the November 2022 election, a majority of City residents approved Measure B, a proposition placed on the ballot by the City Council to amend sections of the Municipal Code commonly referred to as the People’s Ordinance. The measure, along with recodifying the City’s responsibilities for waste

management services, provided an option for the City to recover costs for solid waste management services.

Upon passage of Measure B, the City began taking the initial steps consistent with Proposition 218 to develop a fee that could be charged to City residents. Implementing this fee would help City finances: a fee that fully recovered the costs of refuse, recycling, and organics collection could cover the costs of the entire Collection Services budget, *including \$70.5 million currently borne by the General Fund*.

The COS process for this fee is expected to take place during FY 2025 now that the consultant contract has been approved. As part of that process, the Department and its consultant will gather a large amount of data about the current customer base and determine the needs and costs for additional services and processes that are not currently provided, such as billing and customer service. Once these costs are known, a fee will need to be developed that ensures that customers are only charged based upon their impact to the system, similar to how the City currently sets rates for water and sewer services.

Additionally, the COS process is expected to include extensive outreach and considerations for service enhancements, such as increasing recycling services to weekly from biweekly, adding bulk item pickup, or other services. The Department and Council could also consider other changes, such as a potential fee phase-in period, during which operations would need continued General Fund subsidies.

Based on the current timeline, ESD anticipates beginning stakeholder engagement this summer, with the COS study complete by the end of this calendar year. The fee will then be brought forward to the Council for approval, with final approval slated for early summer 2025. This should allow the fee to be

# Department Review: Environmental Services

implemented in time for revenue to be included in the FY 2026 budget.

## Impact of Starting the Solid Waste Management Fund One Year Early

As mentioned, the SWM fund will be put into place in FY 2024, with additional expenditures incurred in FY 2025. This is the fund where future fee revenue will be placed, and where most of the Collection Services budget from both the General Fund and the Recycling Fund will eventually be transferred.

However, by beginning the fund now prior to the fee being implemented, the City will begin incurring costs in the fund without a revenue source. The Department of Finance informed our Office that they intend to let this fund run in the negative until a new fee is put into place, at which time the fee structure would take into account having to pay back any expenses incurred in both FY 2024 and FY 2025. **For FY 2024, this is estimated to be between \$1 million to \$2 million, which will increase the Excess Equity generated from FY 2024.**

Additionally, for accounting purposes, the SWM Fund will require a one-day interfund loan. This loan could come from any fund within the City that has sufficient fund balance to cover the transfer at the end of the

fiscal year, and otherwise does not have a legal prohibition preventing such a transfer. The Department of Finance’s plan is to provide the one-day loans for both FY 2024 and FY 2025 from the Recycling Fund.

If a fee is ultimately not adopted, these expenses would have to be paid back from another revenue source, which most likely would be the General Fund.

## Recycling Fund

The FY 2025 Proposed Budget for the Recycling Fund is approximately \$29.6 million, an increase of \$456,000 from the FY 2024 Adopted Budget. Revenues are projected to total \$24.0 million, which is a decrease of \$3.3 million from FY 2024.

### Significant Budget Additions

#### \$1.0 million – Curbside Recycling Cost Increase

The largest expenditure addition for the Recycling Fund is additional curbside recycling processing fees. The need for this increase is driven by many factors, including increasing costs for the processing contract due to inflationary adjustments and prevailing wage increases, as well as a decrease in the price of recycling commodities. This will increase the

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - RECYCLING FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	97.50	\$ 12,183,885	\$ 16,999,120	\$ 29,183,005	\$ 27,250,760
<b>Programmatic Changes</b>					
<i>Curbside Recycling Cost Increase</i>	-	-	1,000,000	1,000,000	-
<i>Safe Lithium Battery Disposal</i>	-	-	500,000	500,000	-
<i>Household Hazardous Waste Programs</i>	2.00	193,312	214,000	407,312	150,000
<i>Missed Collections Crew</i>	2.21	176,501	23,320	199,821	-
<i>RFID Readers</i>	-	-	100,851	100,851	-
<i>Mattress Recycling Specialists</i>	2.00	100,779	-	100,779	-
<i>Construction &amp; Demolition Revenue True Up</i>	-	-	-	-	500,000
<i>Sycamore Franchise Fee Revenue True Up</i>	-	-	-	-	390,000
<i>Transfer of Sycamore Franchise Fee to General</i>	-	-	-	-	(4,300,000)
<b>Other Changes</b>					
<i>Other Wage and Benefits Adjustments</i>	-	996,427	-	996,427	-
<i>Position Restructure</i>	0.59	330,401	-	330,401	-
<i>One Time Adjustments from FY 2024</i>	-	-	(85,000)	(85,000)	-
<i>Non-Discretionary Adjustments</i>	-	-	(3,094,893)	(3,094,893)	-
<b>FY 2025 Proposed Budget</b>	<b>104.30</b>	<b>\$ 13,981,305</b>	<b>\$ 15,657,398</b>	<b>\$ 29,638,703</b>	<b>\$ 23,990,760</b>
<b>Difference from 2024 to 2025</b>	<b>6.80</b>	<b>\$ 1,797,420</b>	<b>\$ (1,341,722)</b>	<b>\$ 455,698</b>	<b>\$ (3,260,000)</b>



# Department Review: Environmental Services

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total budget for curbside recycling processing from \$5.4 million to \$6.4 million.

## \$500,000 – Safe Lithium Battery Disposal

ESD is adding \$500,000 for a new safe lithium battery disposal program. This program will include an education campaign in various languages and mediums to promote the safe handling of these batteries. This program will also have the potential benefit of limiting operational losses for the City, as residential lithium batteries frequently catch fire in City packers. Eliminating these batteries from the waste stream could lower the rate of these fires, saving the City the costs for having to replace packers.

## \$407,000, 2.00 FTEs – Household Hazardous Waste Programs

These positions will develop an implementation plan to expand the operating hours of the Household Hazardous Waste Transfer Facility to Monday through Saturday beginning in FY 2026. Currently, the Transfer Facility is only open on Saturdays by appointment only. However, demand to use the facility has been increasing, and that demand is anticipated to expand as the Safe Lithium Battery Disposal campaign begins.

There is also additional budget to conduct outreach events on Saturdays in the community, and contractual expense increase tied to prevailing wage requirements. The revenue associated with this addition (\$150,000) is from a service level agreement with the Public Utilities Department for these services.

## \$101,000, 2.00 FTEs – Mattress Recycling Specialists

The final significant supports the new Mattress Recycling Program. This program has been a success, but full coverage Monday through Friday has been a challenge with just two existing positions. These additional positions will ensure that the program has adequate coverage at the site during the week, with the potential to offer extended hours or Saturdays in the future.

## **Significant Revenue Adjustments**

There are three significant revenue adjustments for the Recycling Fund, two of which are related to the Sycamore Facility Franchise Fee.

For the Sycamore Facility Franchise Fee, there is an addition of \$390,000 to align incoming revenue with historical actuals. However, the second adjustment is the one-time removal of this revenue source from the Recycling Fund, and transferring it to the General Fund. Portions of this franchise fee have been split between these two funds in the past, and removing this funding on a one-time basis is not anticipated to impact the operations funded within the Recycling Fund in FY 2025.

The other major adjustment is an increase of \$500,000 from unclaimed Construction and Demolition deposit fees. This adjustment aligns the budget to historical actuals from the prior three years, for a total budget of \$2.6 million.

## **Refuse Disposal Fund**

The FY 2025 Proposed Budget for the Refuse Disposal Fund is approximately \$51.0 million, as increase of approximately \$4.6 million from the FY 2024 Adopted Budget. Revenues are projected to total \$61.8 million, an increase of \$7.0 million from FY 2024.

## **Significant Budget Additions**

All of the significant increases for the Refuse Disposal Fund are related to the staffing and operational needs of the new Organics Processing Facility. This includes 20.00 FTEs and \$1.6 million for new operational staff for the facility. The staff include:

- 7.00 Equipment Operators
- 5.00 Engineers
- 3.00 Laborers, and
- 1.00 each for a Building Maintenance Supervisor, Instrumentation and Control

# Department Review: Environmental Services

Technician, Disposal Site Supervisor, Landfill Equipment Operator, and Utility Worker.

These positions are in addition to 8.00 FTEs that were added in FY 2024. Additional staff may be needed in FY 2026.

Other additions include \$800,000 for electrical work and other costs to power the facility, and \$325,000 for equipment fuel.

### Significant Revenue Adjustments

The revenue increase in the Refuse Disposal Fund is tied to the increase in tipping fees previously discussed under the General Fund. This includes a total increase of \$11.4 million, which is then offset by the \$2.1 million one-time reduction due to the tipping fee discount for City collection services.

## Automated Refuse Container Fund

The FY 2025 Proposed Budget for the Automated Refuse Container Fund is approximately \$2.0 million, which is virtually unchanged from FY 2024. Revenues are also unchanged at \$1.6 million.

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - REFUSE DISPOSAL FUND BUDGET					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	142.33	\$ 16,278,386	\$ 30,052,526	\$ 46,330,912	\$ 54,770,826
<b>Programmatic Changes</b>					
<i>Organics Processing Facility Staff</i>	20.00	1,534,085	40,000	1,574,085	-
<i>Organics Processing Facility Power</i>	-	-	800,000	800,000	-
<i>Organics Processing Facility Fuel</i>	-	-	325,000	325,000	-
<i>Refuse Disposal Fee Revenue - Fee Increase</i>	-	-	-	-	11,396,000
<i>Refuse Disposal Fee Revenue - City Discount</i>	-	-	-	-	(2,100,000)
<b>Other Changes</b>					
<i>Non-Discretionary Adjustments</i>	-	-	3,053,334	3,053,334	-
<i>Other Wage and Benefits Adjustments</i>	-	1,210,583	-	1,210,583	-
<i>Position Restructure</i>	(0.16)	(185,730)	-	(185,730)	-
<i>One Time adjustments from FY 2024</i>	-	-	(2,130,000)	(2,130,000)	(2,308,259)
<b>FY 2025 Proposed Budget</b>	<b>162.17</b>	<b>\$ 18,837,324</b>	<b>\$ 32,140,860</b>	<b>\$ 50,978,184</b>	<b>\$ 61,758,567</b>
<b>Difference from 2024 to 2025</b>	<b>19.84</b>	<b>\$ 2,558,938</b>	<b>\$ 2,088,334</b>	<b>\$ 4,647,272</b>	<b>\$ 6,987,741</b>

# Ethics Commission

The Ethics Commission is responsible for monitoring, administering, and enforcing the City’s governmental ethics laws. It is an independent department which does not report to the Mayor or Council. The Commission is made up of seven appointed members. A staff of six supports the Commission in its work.

## Impacts of Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Ethics Commission is approximately \$1.8 million, an increase of approximately \$219,000 (or 13.7%) from the FY 2024 Adopted Budget. The budget increase is primarily associated with salary and benefit adjustments. The Proposed Budget also includes 6.25 FTE positions, which is 0.25 higher than the FY 2024 Adopted Budget.

### Significant Budget Additions

The FY 2025 Proposed Budget includes the following General Fund expenditure additions:

#### \$36,000, 0.25 FTE – Addition of Incoming Executive Director

This adjustment includes an overall increase of 0.25 FTE and \$36,000 in personnel expenditures consisting of two components. First, an increase 0.42 FTE and \$118,000 in personnel expenditures for the addition of an incoming Executive Director that is anticipated to serve for a total of five months in FY 2025,

including a three-month training period with the current Executive Director. Second, a decrease of 0.17 FTE and \$82,000 reflecting a two-month reduction for the current Executive Director, who is set to retire in the third or fourth quarter of FY 2025.

### Significant Budget Reduction

As part of the FY 2025 Proposed Budget process, departments were requested to submit operational efficiency reductions totaling 2% of the department FY 2024 Adopted Budget, which for the Ethics Commission is about \$32,000. To meet this target the FY 2025 Proposed Budget includes the reduction:

#### (\$32,000) – Budget Mitigation: Contracts Expenditures

The Proposed Budget for the Ethics Commission includes a \$32,000 budget reduction in personnel expenditures. However, the Commission clarified that this reduction target will be met through savings from their contracts budget, which could potentially limit the Commission’s use of outside legal counsel. It may be appropriate for the Mayor to re-classify this reduction as a reduction to NPE instead of PE.

## Issues for Council Consideration

### Budget Mitigation

Though the Proposed Budget includes a \$32,000 contract-related expenditure

SUMMARY OF ETHICS COMMISSION BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	6.00	\$ 1,363,977	\$ 232,089	\$ 1,596,066	\$ -
<b>Programmatic Changes</b>					
<i>Addition of Incoming Executive Director</i>	0.25	35,876	-	35,876	-
<i>Budget Mitigation: Contracts Expenditures</i>	-	(31,921)	-	(31,921)	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	205,585	-	205,585	-
<i>Other NPE Adjustments</i>	-	-	6,874	6,874	-
<i>Support for Mobile Services</i>	-	-	2,600	2,600	-
<b>FY 2025 Proposed Budget</b>	<b>6.25</b>	<b>\$ 1,573,517</b>	<b>\$ 241,563</b>	<b>\$ 1,815,080</b>	<b>\$ -</b>
<b>Difference from 2024 to 2025</b>	<b>0.25</b>	<b>\$ 209,540</b>	<b>\$ 9,474</b>	<b>\$ 219,014</b>	<b>\$ -</b>

## Department Review: Ethics Commission

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reduction, the Ethics Commission indicates that it may be unable to implement that reduction without compromising its operations and the effectiveness of its education, training, auditing, investigation, enforcement, and legislative programs.

From FY 2021 to FY 2023, the Department's actual contracts spending has been under budget by an average of \$72,000 (the total average budget being \$175,000). Most of this budget is for the use of outside legal counsel. Although the Commission's use of outside counsel has been lower than budgeted in recent years, the need for outside counsel fluctuates depending on case load and Commissioner requests. If contract expenditures are in line with recent years, the Department will be able to make its reduction target. However, if the Department needs to bring a case to a hearing, and there are no other offsetting savings, the Department may need to request an appropriation adjustment through the budget monitoring process.

### **Recruitment Process of an Executive Director**

The Ethics Commission's current Executive Director is set to retire in the spring of 2025. A transition plan similar the one developed in FY 2021 upon the retirement of the previous Executive Director is planned for FY 2025.

As of this writing, the current Executive Director is beginning to work with the City's contracted recruitment firm to conduct a nationwide search for the next Executive Director. City staff estimates a total cost of \$25,000 for the recruitment contract, which may be incurred in either FY2024 or FY 2025, with costs being paid out of the Commission's contracts budget.

Next steps include posting the position (possibly in August 2024) with interviews to occur in the following month(s). Commissioners will interview and select a new Executive Director, whose appointment will be confirmed by Council, per the City Charter.

The Ethics Commission projects that the incoming Executive Director will onboard in in the beginning of calendar year 2025 to begin a three-month overlap and onboarding period.

# Department Review: Fire-Rescue

## Fire-Rescue

The Fire-Rescue Department is operated under three funds, including the General Fund, the Fire/Emergency Medical Services Transport Program Fund (EMS Fund), and the Junior Lifeguard Program Fund. Funding for the majority of the Department's operations, including Fire Suppression and Lifeguard Services, is budgeted within the General Fund; operations of the City's EMS program are budgeted within the EMS Fund.

When the Department's funds are combined, the Department's FY 2025 Proposed Budgeted totals \$467.4 million, an increase of approximately \$100.8 million from the Adopted Budget. As discussed later in this Department Review, the significant increase in overall expenditures is primarily associated with City's transition to the Alliance Model for EMS delivery.

### Impacts of Mayor's FY 2025 Budget Proposal

#### General Fund

The FY 2025 Proposed Budget for the Fire-Rescue Department is approximately \$350.9 million for the General Fund, a reduction of \$855,000, or 0.2% from the FY 2024 Adopted Budget. The Proposed Budget includes 1,402.38 FTEs, which is an increase of 18.50 FTEs. Budgeted revenue totaling \$67.8 million represents a reduction of \$2.9 million from FY 2024.

Personnel expenditures totaling \$305.0 million accounts for approximately 87% of the Department's Proposed Budget. We note that this *excludes* employee compensation increases that are anticipated in FY 2025 as a result of ongoing labor negotiations with the International Association of Fire Fighters,

SUMMARY OF FIRE-RESCUE DEPARTMENT- GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	1,383.88	\$ 304,640,120	\$ 47,085,244	\$ 351,725,364	\$ 70,668,602
<b>Programmatic Changes</b>					
<i>New Torrey Pines Fire Station Staffing</i>	12.00	2,328,180	239,750	2,567,930	-
<i>Addition of Various NPE</i>	-	-	1,766,697	1,766,697	-
<i>Addition of Cost Recoverable Fire Personnel</i>	2.00	408,960	53,530	462,490	462,490
<i>Employ and Empower Program Interns</i>	10.38	412,401	-	412,401	412,401
<i>Transfer of Resource Access Program Position</i>	1.00	134,596	-	134,596	-
<i>Overtime Adjustments*</i>	-	(3,738,171)	-	(3,738,171)	-
<i>Budget Mitigation: Helicopter Flight Hour Reduction</i>	-	(507,250)	(350,000)	(857,250)	-
<i>Budget Mitigation: Reduction of Fire Personnel</i>	(3.00)	(745,676)	-	(745,676)	-
<i>Budget Mitigation: Reduction in Wellness Services</i>	-	-	(720,000)	(720,000)	-
<i>Budget Mitigation: Reduction of Fire Academy</i>	-	-	(431,234)	(431,234)	-
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(130,323)	-	(130,323)	-
<i>Budget Mitigation: Revenue from EMS Fund</i>	-	-	-	-	1,182,330
<i>Revised Revenue</i>	-	-	-	-	(275,471)
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	(2.88)	2,255,549	-	2,255,549	-
<i>Discretionary Information Technology</i>	-	-	90,750	90,750	90,750
<i>Non-Discretionary - Information Technology</i>	-	-	(749,421)	(749,421)	-
<i>Other Non-Discretionary Adjustments</i>	-	-	113,998	113,998	-
<i>One-time Removals and Annualizations</i>	-	-	(1,264,004)	(1,264,004)	(4,751,617)
<i>Other Adjustments</i>	(1.00)	(23,203)	-	(23,203)	-
<b>FY 2025 Proposed Budget</b>	<b>1,402.38</b>	<b>\$ 305,035,183</b>	<b>\$ 45,835,310</b>	<b>\$ 350,870,493</b>	<b>\$ 67,789,485</b>
<b>Difference from 2024 to 2025</b>	<b>18.50</b>	<b>\$ 395,063</b>	<b>\$ (1,249,934)</b>	<b>\$ (854,871)</b>	<b>\$ (2,879,117)</b>

\* Excludes \$158,470 in overtime costs that are included under "New Torrey Pines Fire Station Staffing" and the removal of \$500,000 in overtime costs included under "Budget Mitigation: Helicopter Flight Hour Reduction."

# Department Review: Fire-Rescue

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Local 145 (IAFF Local 145) and California Teamsters Local 911 (Local 911) which represents San Diego Lifeguards. An estimate for increases in employee compensation associated with these ongoing negotiations, which assumes a 3.05% increase consistent with the assumption in the FY 2025-2029 Five-Year Outlook, is included in the Proposed Budget for Citywide Program Expenditures; upon agreement and ratification of new MOUs, these amounts would be moved from Citywide Program Expenditures to the Fire-Rescue Department Budget.

## **Significant Budget Additions**

### \$2.6 million, 12.00 FTEs – New Torrey Pines Fire Station Staffing

The FY 2025 Proposed Budget includes the addition of 12.00 FTEs and \$2.6 million in expenditures for the new Torrey Pines Fire Station which is anticipated to open prior to the start of FY 2025.

### \$1.8 million – Addition of Various NPE

The FY 2025 Proposed Budget includes various increases in non-personnel expenditures totaling \$1.8 million. The additions include:

- \$1.3 million in ongoing funding to account for various contractual cost increases associated with wellness services (\$658,000), helicopter maintenance (\$300,000), facilities maintenance (\$190,000), and communications/computer maintenance (\$119,000).
- \$500,000 in ongoing expenditures for personnel protective equipment (PPE) cleaning, repair, and inspections. According to the Department, Cal OSHA recently adopted new standards that require fire-fighting PPE to be cleaned twice per year and independently inspected by a third party once per year.

### Addition of Fire-Rescue Personnel

The FY 2025 Proposed Budget includes the following Fire-Rescue personnel additions:

- 1.00 Special Events Fire Inspector and

\$234,000 in expenditures (of which approximately \$54,000 are one-time costs) to process permits and conduct inspections for PETCO Park baseball games and special events. This position is 100% cost recoverable through revenue from the Petco Park Fund.

- 1.00 Battalion Chief and \$228,000 in personnel expenditures to address the region's challenges associated with alternative energy technologies, including energy storage systems, hydrogen fuel cells, and lithium-ion batteries. This is a permanent position that is anticipated to be 100% cost recoverable through Urban Area Security Initiative (UASI) grant funding. The Department plans to continue to seek funding for this position under future UASI grants and has indicated that the position will be eliminated if future UASI grant funding is not received.

- 1.00 Program Manager and \$135,000 in personnel expenditures transferred from the Office of the City Attorney to oversee the Lifesaving Interventions for Treatment (LIFT) Program which works with the City's first responders and county agencies to identify appropriate treatment pathways for individuals with substance use, mental health, and housing challenges. The services that this program provides are closely related to the Resource Access Program (RAP) in the Fire-Rescue Department.

### \$412,000, 10.38 FTEs – Employ and Empower Program Interns

The FY 2025 Proposed Budget adds 10.38 FTEs and \$412,000 for hourly Student Interns for the Employ and Empower Internship Program, which is discussed from a citywide perspective in the *Equity* section of this report. These expenditures are considered grant reimbursable; as such, the Department's revenue includes a corresponding \$412,000 increase.

# Department Review: Fire-Rescue

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## Significant Budget Reductions

### Overtime Adjustments

The FY 2025 Proposed Budget reduces the Department's budgeted overtime expenditures by \$4.1 million for a total overtime budget of \$44.3 million. This net decrease is attributable to the following adjustments:

- \$1.6 million one-time increase primarily for backfill overtime;
- \$1.3 million ongoing increase to reflect Local 145 and Local 911 salary increases assuming a 3.05% increase (as noted earlier, labor negotiation are still in process);
- \$158,000 ongoing increase to account for the new Torrey Pines Fire Station (categorized in the table on the preceding page under "New Torrey Pines Fire Station Staffing");
- \$500,000 one-time reduction associated with the reduction of helicopter flight hours (categorized in the table on the preceding page under "Budget Mitigation: Helicopter Flight Hour Reduction"); and
- Removal of \$6.7 million in one-time overtime expenditures that were added in FY 2024.

The FY 2024 Mid-Year Budget Monitoring Report projects that the Fire-Rescue Department will exceed its FY 2024 overtime budget by \$3.2 million for a total projected expenditure of \$51.6 million; this projection for FY 2024 is approximately \$7.3 million higher than the expenditure level in the Proposed Budget.

Given that staffing shortfalls are a significant cause for the Department's increased use of overtime, their ability to achieve the reduced level of overtime in the Proposed Budget will largely depend on its ability to reach full staffing. According to the Department, this is currently anticipated to occur during the second quarter of FY 2025. Because this overall reduction may be difficult to achieve, we

recommend continued close monitoring of overtime expenditures during the quarterly budget monitoring process.

### Budget Mitigations

The largest FY 2025 budget reductions for Fire-Rescue are budget mitigations used to help balance the General Fund budget. The Department's expenditure mitigations total \$2.9 million and are discussed below.

#### (\$857,000) – Helicopter Flight Hour Reduction

This includes a reduction of \$500,000 in overtime expenditures and \$350,000 in decreased maintenance expenses by reducing flight hours for Copter 2 by six months (July 2024 through December 2024). The Department indicated that it will still have the ability to deploy Copter 2, when necessary, in anticipation of significant weather events. If this occurs, anticipated savings from this mitigation action would be reduced.

#### (\$746,000, 3.00 FTEs) – Reduction of Fire Personnel

The positions proposed for reduction include 1.00 Fire Captain (serving as a Cancer Health Coordinator), 1.00 Firefighter 3 (Training Logistics), and 1.00 Firefighter 2 (Recruitment). According to the Department, these positions, were strategically identified to minimize operational impacts. The Department plans to transfer sworn staff that are currently filling these positions to other vacancies within the Department.

#### (\$720,000) – Budget Mitigation: Reduction of Wellness Services

This reduction assumes that the frequency of comprehensive wellness exams for all Firefighters and permanent Lifeguards under the age of 30 would be reduced from annual exams to a bi-annual process. This action will be subject to a meet and confer process with Local 145 and Local 911.

# Department Review: Fire-Rescue

## (\$431,000) – Budget Mitigation: Reduction of Fire Academy

This reduction will eliminate one of the three Fire Academies that would have otherwise been budgeted in FY 2025. The Department does not anticipate that this reduction will adversely impact sworn staffing levels. As noted previously, the Department anticipates reaching full staffing during FY 2025 and the remaining two Fire Academies (28 recruits each) are expected to sufficiently address normal attrition (56 sworn departures per year).

## (\$130,000) – Budget Mitigation: Savings from Delayed Hiring

The Proposed Budget includes \$130,000 in assumed vacancy savings from the implementation of the Executive Approval to Fill Vacancies process that will be instituted for the first six months of FY 2025. We note that this only applies to the Department’s civilian vacancies given that sworn positions are exempted from this requirement.

## **Significant Revenue Adjustments**

### \$1.2 million – Budget Mitigation: Revenue from EMS Fund

The FY 2025 Proposed Budget includes a net transfer of \$1.2 million from the EMS Fund as a General Fund budget mitigation. We note that the difference between the net transfer into the General Fund and the net transfer out of the EMS Fund (\$576,000) relates to the correction of an error in the FY 2024 Adopted Budget. Issues concerning this transfer are discussed in more detail under “EMS Fund” below.

### Other Revenue Adjustments

Aside from revenue associated with the transfer from the EMS Fund, the Proposed Budget includes various other revenue adjustments which, when taken together, result in a \$275,000 net revenue reduction. These adjustments include:

- \$272,000 ongoing increase in reimbursement revenue from the Petco Park Fund for required Fire-Rescue Department

services at Petco Park special events and games;

- \$76,000 ongoing increase in the Fire-Rescue Department’s allocation of projected Safety Sales Tax revenue; and
- \$624,000 reduction in reimbursement revenue from the TOT Fund for tourism related safety services.

## **Issues for Council Consideration**

### **Council Budget Priority Items**

There were two items within the Fire-Rescue Department’s Lifeguard Division, which are listed below, that received majority support in Councilmember budget priority memoranda. Neither priority is funded in the Proposed Budget.

- 4.00 Lifeguard III positions, including two on-duty overnight lifeguards to increase night crew staffing; and
- \$400,000 in ongoing funding to establish a dedicated Lifeguard Vessel Replacement Fund.

## **EMS Fund**

The FY 2025 Proposed Budget for the EMS Fund is approximately \$115.6 million, an increase of \$101.6 million, or 727% from the FY 2024 Adopted Budget. The Proposed Budget includes 37.00 FTEs, which is an increase of 14.00 FTEs. Budgeted revenue totaling \$116.6 million represents an increase of \$103.8 million from FY 2024.

## **Significant Budget Additions**

### EMS Alliance Model

The most significant budget adjustments to for the EMS Fund are associated with City’s transition to the Alliance Model for EMS delivery which formally occurred in October 2023. Under the Alliance Model the Fire Rescue Department contracts out ambulance services by purchasing ambulance unit hours to staff the



# Department Review: Fire-Rescue

EMS system. This expense, as well as other new costs associated with operating the Alliance Model, are offset with revenue that the City receives from ambulance service transports.

Of the 14.00 FTEs added in the Proposed Budget, 12.00 FTEs are dispatcher positions that were added supplementally in FY 2024 following the City Council’s approval of transitioning to the Alliance Model in July 2024. The remaining two positions include 1.00 Battalion Chief to oversee EMS contract compliance and 1.00 Fire Captain to manage EMS continuing education efforts.

The expenditure adjustment primarily includes contracted ambulance unit hour costs payable to the City’s service providers (Falck and AMR), billing contractor costs, and costs associated with the City’s participation in the State’s Public Provider Ground Emergency Transportation Inter-Governmental Transfer (PP-GEMT IGT) Program. Revenues under the Alliance Model are received from ambulance patient transports, including enhanced payments under the PP-GEMT IGT Program. According to the Department, budgeted revenues and expenditures will be updated based on more current projections in the May Revision.

### Department of Finance Support

The Proposed Budget includes a \$118,000 increase in City Services Billed within the EMS Fund to support the addition of 1.00 Finance

Analyst 3 in the Department of Finance (General Fund) given increased accounting and financial reporting requirements.

### Transfer to General Fund

The Proposed Budget includes the net transfer of \$1.8 million to the General Fund. This includes an ongoing reduction of \$4.3 million, which was anticipated following the implementation of the Alliance Model, and a one-time addition of \$6.1 million as a General Fund budget mitigation action.

As discussed in [IBA Report 23-19, Proposed Transition to Alliance Model for EMS Delivery](#), revenues generated from ambulance patient transports are generally anticipated to exceed Alliance Model costs. However, given the lag time between when services/transports occur and when revenue from billing/collections is received, the Department is currently anticipating that the EMS Fund will carry a negative balance at the end of FY 2024, which is not accurately reflected within the Revenue and Expense Statement for the EMS Fund that is published in the Proposed Budget (See Volume II, pg. 322). The Department has indicated to our Office that, while EMS Fund revenues are anticipated to exceed expenditures in FY 2025, an overall negative fund balance is anticipated to continue at FY 2025 fiscal year-end. This indicates that the EMS Fund may not be able to support the full \$6.1 million one-time transfer to the General Fund and that a reduction may be required in the May Revision.

SUMMARY OF EMS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	23.00	\$ 5,394,837	\$ 8,572,356	\$ 13,967,193	\$ 12,771,124
<b>Programmatic Changes</b>					
<i>EMS Alliance Model</i>	14.00	1,986,230	99,132,123	101,118,353	103,810,418
<i>EMS Transfer to General Fund</i>	-	-	1,758,334	1,758,334	-
<i>Department of Finance Support</i>	-	-	117,772	117,772	-
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	-	(691,664)	-	(691,664)	-
<i>Non-Discretionary - Information Technology</i>	-	-	(18,596)	(18,596)	-
<i>Other Non-Discretionary Adjustments</i>	-	-	459,434	459,434	-
<i>One-time Removals and Annualizations</i>	-	-	(1,150,000)	(1,150,000)	-
<b>FY 2025 Proposed Budget</b>	<b>37.00</b>	<b>\$ 6,689,403</b>	<b>\$ 108,871,423</b>	<b>\$ 115,560,826</b>	<b>\$ 116,581,542</b>
<b>Difference from 2024 to 2025</b>	<b>14.00</b>	<b>\$ 1,294,566</b>	<b>\$ 100,299,067</b>	<b>\$ 101,593,633</b>	<b>\$ 103,810,418</b>

\* Excludes \$158,470 in overtime costs that are included under "New Torrey Pines Fire Station Staffing" and the removal of \$500,000 in overtime costs included under "Budget Mitigation: Helicopter Flight Hour Reduction."

## Department Review: General Services

# General Services

The Department of General Services includes two divisions – Facilities Services and Fleet Operations – that provide City departments with comprehensive facilities maintenance and fleet management services. The two divisions have three funding sources which provide internal services to other City departments.

- The Facilities Services Division provides maintenance, repair, modernization, and improvements to approximately 1,600 facilities for all asset managing departments and is funded through the General Fund.
- The Fleet Operations Division provides fleet management for over 4,500 motive vehicles and equipment, including repairs, maintenance, fuel, and rental vehicles through the Fleet Operating Fund, and replacements and acquisitions through the Fleet Replacement Fund.

Key departments goals include:

- Providing quality fleet and facilities services efficiently and economically;
- Advancing a Green Fleet and Sustainable Building program;
- Continuing development of a trained and certified team of professionals;
- Improving internal controls and accountability; and
- Providing quality, safe, equitable and reliable facility services.

Key Performance Indicators (KPIs) to measure progress toward these goals are discussed in the related division sections.

## Impacts of Mayor’s FY 2025 Budget Proposal

The Department of General Service’s overall proposed budget for FY 2025 totals approximately \$177.8 million with 410.75 FTE positions. The Proposed Budget for the entire department reflects an increase of 5.00 FTEs and \$4.9 million, or 2.8% in expenditures over the FY 2024 Adopted Budget. Total revenues are \$151.1 million, an increase of \$4.6 million or 3.1% over the FY 2024 Adopted Budget.

A summary of the total FY 2025 Proposed Budget by fund is provided in the table below, and further discussion of specific budget adjustments is provided under write-ups for each division.

### Facilities Services

The FY 2025 Proposed Budget for the Facilities Services Division is approximately \$24.8 million in General Fund expenditures, which is a decrease of \$2.1 million, or 7.8%, from the FY 2024 Adopted Budget, as shown in the on the following page. The proposed budget includes 185.50 FTE positions, which is an increase of 5.00 FTE positions.

The FY 2025 Proposed Budget includes \$4.6 million in revenue, an increase of \$348,000 or 8.2% over the prior year. This increase is related to the addition of revenue reimbursable positions, discussed later in this section.

SUMMARY OF GENERAL SERVICES DEPARTMENT BUDGET CHANGES						
Fund	FY 2024 FTE	FY 2025 FTE	Change	FY 2024 Expense	FY 2025 Expense	Change
Facilities Services - General Fund	180.50	185.50	5.00	\$ 26,918,450	\$ 24,817,089	\$ (2,101,361)
Fleet Operations - Operating Fund	225.25	225.25	-	69,726,117	71,370,053	1,643,936
Fleet Operations - Replacement Fund	-	-	-	76,219,059	81,580,860	5,361,801
<b>Total Combined</b>	<b>405.75</b>	<b>410.75</b>	<b>5.00</b>	<b>\$ 172,863,626</b>	<b>\$ 177,768,002</b>	<b>\$ 4,904,376</b>

# Department Review: General Services

Performance Indicator	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Baseline	Performance FY 2024	Goal FY 2025
Percentage of preventative maintenance activities of overall facilities maintenance activities	28.0%	19.7%	14.0%	12.5%	12.5%	14.0%	70.0%
<i>New</i> Average number of days to complete a request for medium priority (routine) work order repairs	n/a	n/a	n/a	n/a	41	35	30

<sup>a</sup>The overall goal of 70% is a result of incremental yearly goals starting in Fiscal Year 2024 and ending in Fiscal Year 2028. Assumptions include: access to avail resources, having an updated maintenance schedule in SAP, and developing an efficient strategy to support the Preventative Maintenance program.

## Key Performance Indicators

Key Performance Indicators for Facilities Services are shown in the table above. A key historical measure for Facilities has been preventive maintenance as a percentage of overall maintenance activities. Since Facilities Maintenance has been chronically underfunded for many years, the actual percentage of preventive maintenance has been around 12.5%-14.0%. Notably, General services has established a goal of 70% for preventive maintenance, which is in line with industry standards. This is a four-year goal (FY 2024-28), with interim annual goals, and is dependent on Facilities Services receiving needed resources, having an updated maintenance schedule in the Enterprise Asset Management System (EAM), and developing an efficient strategy to support the Preventative Maintenance program.

## Significant Budget Additions

The FY 2025 Proposed Budget adds 5.00 FTE positions and related total expenditures of \$578,000. Of these positions, 3.00 FTEs (1.00 HVAC Technician, 1.00 Plumber, and 1.00

Electrician), will exclusively support repair and maintenance activities for the Public Utilities Department (PUD). Based on Facilities' service level agreement with PUD, the total related expense of \$378,000 is 100% recoverable. Offsetting revenue of \$378,000 is therefore included in the Proposed Budget. While these positions are dedicated to PUD, this addition will allow existing Facilities staff to focus on General Fund department maintenance and repair.

The FY 2025 Proposed Budget also adds 2.00 FTE positions (1.00 Project Officer 1 and 1.00 Program Coordinator) to support the Job Order Contracting (JOC) Citywide facilities maintenance contract. This contract is currently being managed by the Purchasing & Contracting Department (P&C); however, the transfer of this function has not included a corresponding reduction in P&C. P&C officials said this is because they will still have a role with the new JOCs for procurement and task authorizations, therefore positions are still needed.

Management of this contract is being

SUMMARY OF FACILITIES SERVICES (GENERAL FUND) BUDGET CHANGES						
Description	FTE	PE	NPE	Total Expense	Revenue	
FY 2024 Adopted Budget	180.50	\$ 17,849,452	\$ 9,068,998	\$ 26,918,450	\$ 4,223,756	
<b>Programmatic Changes</b>						
<i>Budget Mitigation: NPE Reduction (supplies and services)</i>	-	-	(538,369)	(538,369)	-	
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(128,735)	-	(128,735)	-	
<i>Budget Mitigation: NPE Savings (one-time reduction will be supported by Infrastructure Fund )</i>	-	-	(3,046,145)	(3,046,145)	-	
<i>Addition to Support PUD Repair and Maintenance</i>	3.00	347,962	-	347,962	347,962	
<i>Addition to Support Citywide Facilities Maintenance and Repairs Job Order Contract (JOC)</i>	2.00	229,837	-	229,837		
<b>Other Changes</b>						
<i>Other Salaries and Wages</i>	-	1,855,373	-	1,855,373	-	
<i>Information Technology Adjustments</i>	-	-	(1,347)	(1,347)	-	
<i>One-Time Reductions and Annualizations</i>	-	-	(750,000)	(750,000)	-	
<i>Non-Discretionary Adjustment</i>	-	-	(69,937)	(69,937)	-	
<b>FY 2025 Proposed Budget</b>	<b>185.50</b>	<b>\$ 20,153,889</b>	<b>\$ 4,663,200</b>	<b>\$ 24,817,089</b>	<b>\$ 4,571,718</b>	
<b>Difference from 2024 to 2025</b>	<b>5.00</b>	<b>\$ 2,304,437</b>	<b>\$ (4,405,798)</b>	<b>\$ (2,101,361)</b>	<b>\$ 347,962</b>	

# Department Review: General Services

transferred because Facilities Services has insight on maintenance requests that cannot be done in-house and should be procured via external vendors and contractors. Note, the addition of these positions reflects a similar process in Engineering and Capital Projects Department (E&CP) for managing the JOC Citywide facilities CIP contract.

## Significant Budget Reductions

The FY 2025 Proposed Budget includes several budget reductions to mitigate the budget deficit:

- (\$129,000) - Estimated PE savings in delayed hiring (per implementation of the Executive Approval to Fill Vacancies process).
- (\$538,000) - NPE reduction for supplies and services to meet the operational efficiency budget reduction. We note that since FY 2022, Facilities Services has expended 92% to 100% of its NPE budget. Officials told us reducing budgets to supplies and services is likely to impact the Division's ability to provide core services. Deferred maintenance to Citywide facilities could increase future maintenance costs and/or the need for capital renewal, or lead to asset failure.
- (\$3.0 million) - One-time reduction in NPE for repair and maintenance for electrical, HVAC, plumbing, carpentry, roofing, painting, and plastering. For FY 2025, the \$3.0 million in NPE will be offset by a one-time addition in expenditures in the Infrastructure Fund, so there is no resulting impact to service levels.

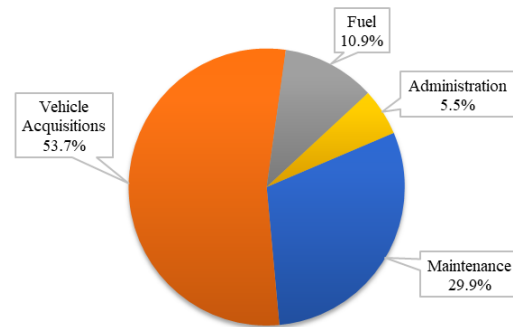
## Requests Not Included in the Proposed Budget

Key items requested by Facilities Services that were not included in the FY 2025 Proposed Budget are related to updating Facilities condition assessments. We discuss these items in more detail under *Issues for Council Consideration* later in this section.

## Fleet Operations

The Fleet Operations Division has two internal service funds—the Fleet Operating Fund which supports vehicle maintenance, repairs, fuel, a vehicle rental pool, and administrative costs, and the Fleet Replacement Fund which is used to purchase replacement vehicles for the City's fleet. Vehicle acquisitions represent 53.7% of the total FY 2025 Proposed Budget for Fleet Operations, as reflected in the following figure. Maintenance represents 29.9% of the budget, and 10.9% is for Fuel.

FLEET OPERATIONS BUDGET BY FUNCTION



The combined FY 2025 Proposed Budget for Fleet Operations is approximately \$153.0 million, an increase of \$7.0 million or 4.8%. The FY 2025 Proposed Budget includes 225.25 FTE positions, which represents no change from the prior year. Budgeted revenue totals \$146.6 million, an increase of \$4.2 million. As an Internal Service Fund, the majority of the Division's revenue is derived from the operating budgets of other City departments. For this year, about 54% of revenue comes from the General Fund.

# Department Review: General Services

Performance Measure	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Baseline	Performance FY 2024	Goal
Greenhouse gas reduction from municipal vehicles (metric tons)	17,736	18,451	17,045	18,049	15,389	17,502	19,788
Fleet Electrification	N/A	N/A	N/A	N/A	3.3%	4.6%	100.0%
Maintain availability of Priority 1 vehicles	89.0%	89.0%	87.0%	84.9%	89.0%	82.1%	90.0%

## Key Performance Indicators

The table above shows Key Performance Indicators for the Fleet Operations Division. While the Fleet Electrification measure is new, and aligns with the City’s Climate Action Plan, the Division continues to monitor both the availability of Priority 1 vehicles as well as the metric tons of Greenhouse Gas emissions reduced within the City fleet. The availability of Priority 1 vehicles continues to fall below the baseline and has degraded since FY 2023. Greenhouse gas reductions within the City Fleet are above the baseline in FY 2024, but lower than those in FY 2023.

## Significant Budget Additions

The largest increase for the Fleet Operations Division is within the Fleet Replacement Fund. The increase is \$6.4 million for vehicle replacements for Police or for other vehicles that are paid for by sources other than the General Fund (General Fund vehicles, except for Police vehicles, are typically financed). This increase aligns the budget with the multiyear vehicle replacement plan. Relatedly, there are

also decreases of \$1.0 in million debt financing expenses for General Fund vehicles.

The remaining significant additions are all within the Fleet Operating Fund. The largest increase is \$810,000 to align the budget for fuel expenses with historical actuals. This also includes \$884,000 in revenue from various departments, with an estimated 78% coming from the General Fund. This increase is due to the continued rising cost for fuel and does not represent a change in usage. However, most of this increase is proposed to be mitigated through more robust enforcement of the City’s anti-idling policy, which is discussed under the Significant Reduction section.

The next largest addition is \$255,000 for the Fleet Management Information System (FMIS). The City recently procured a new contract for this system, and although the same vendor was selected Fleet needs new funding for this contract. The majority of this spending (\$179,000) consists of one-time costs to bring on new features of the system, while the remainder (\$77,000) aligns the

SUMMARY OF FLEET OPERATIONS (OPERATING & REPLACEMENT FUNDS) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	225.25	\$ 27,409,633	\$ 118,535,543	\$ 145,945,176	\$ 142,335,535
<b>Programmatic Changes</b>					
<i>Vehicle Acquisition Expenses</i>	-	-	6,400,898	6,400,898	-
<i>Fuel Expenses</i>	-	-	810,137	810,137	884,455
<i>Fleet Management Information System</i>	-	-	255,508	255,508	-
<i>New Kearny Mesa Facility</i>	-	-	225,000	225,000	-
<i>Budget Mitigation - Auto Supply Changes</i>	-	-	(218,350)	(218,350)	-
<i>Budget Mitigation - Assignment Fees</i>	-	-	(652,474)	(652,474)	(652,474)
<i>Budget Mitigation - Reducing Idle Time</i>	-	-	(809,000)	(809,000)	(873,484)
<i>Vehicle Acquisition Debt Service</i>	-	-	(1,039,097)	(1,039,097)	
<i>Fleet Usage Fee Revenue</i>	-	-	-	-	2,911,473
<i>Fleet Assignment Fees</i>	-	-	-	-	2,068,562
<i>Interest Earning on Reserves</i>	-	-	-	-	(100,000)
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	-	1,758,679	-	1,758,679	-
<i>Non-Discretionary Adjustments</i>	-	-	705,474	705,474	-
<i>Removal of One-Time Expenses from FY 2024</i>	-	-	(431,038)	(431,038)	-
<b>FY 2025 Proposed Budget</b>	<b>225.25</b>	<b>\$ 29,168,312</b>	<b>\$ 123,782,601</b>	<b>\$152,950,913</b>	<b>\$ 146,574,067</b>
<b>Difference from 2024 to 2025</b>	<b>-</b>	<b>\$ 1,758,679</b>	<b>\$ 5,247,058</b>	<b>\$ 7,005,737</b>	<b>\$ 4,238,532</b>

## Department Review: General Services

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budget with expenses contained in the new contract.

There is also the addition of \$225,000 for operating expenses for the new Kearny Mesa Facility. This facility, which opened in March 2024, is required to relocate the repair and maintenance services of heavy-duty fire-apparatus from the Miramar facility where they share space with repair and maintenance of refuse packers. Funding here is mostly for security and other services due to having a separate site, as there were no personnel changes related to this new facility.

### **Significant Budget Reductions**

Since the Fleet Operations Fund has a direct impact on the General Fund, Fleet Operations was also asked to prepare budget reductions to help mitigate the General Fund structural deficit. The following reductions are all within the Fleet Operations Fund.

#### (\$809,000) Budget Mitigation – Reducing Idle Time

The largest mitigation is a reduction of \$809,000 in expenses, and \$873,000 in revenue, due to a renewed emphasis on the City's anti-idling policy. This policy, which is designed to save fuel by preventing City vehicles from operating while idling, already exists, but is not heavily enforced. Due to technology upgrades in recent years, including GPS tracking in many City vehicles, the Fleet Services Division can now more directly track vehicles that are not following this policy, and remind departments that vehicles on when they are not moving. Actually achieving amounts in this this mitigation measure will require significantly more compliance with this policy by numerous City departments.

#### (\$652,000) Budget Mitigation – Assignment Fee Reduction

The next largest reduction is \$652,000 in assignment fees for the Fleet Services division. This results in decreased expenditures for the Fleet Operating Fund, and decreased revenues for the Fleet Replacement Fund. By lowering

these assignment fees, the Fleet Services Division will delay the purchase and replacement of vehicles that are currently beyond their useful lifecycles for one year. This option was not considered for any other departments; since most General Fund vehicles are debt financed as opposed to paid in cash, the potential decrease to General Fund expenditures associated with delaying replacement purchases in FY 2025 is limited.

#### (\$218,000) Budget Mitigation – Auto Parts Supply Costs

The last significant reduction is a decrease in auto parts supply costs of \$218,000. This decrease will result in the Department purchasing generic parts for out-of-warranty vehicles, resulting in expenditure savings.

However, despite this change we note the entire auto parts supply budget is likely too low. In FY 2024, the Department received \$2.1 million in additional budget for supplies, which at that point aligned its budget with actual expenses. The Department has continued to see cost increases for these supplies this fiscal year, both due to inflationary pressures as well as the fact that the City's overall fleet is growing. These increases were noted in the most recent Mid-Year Budget Monitoring Report. Given that actual costs for supplies are increasing while the budget for them is decreasing, it may be difficult for the Fleet Services Division to stay within its FY 2025 Proposed Budget for supplies, and other expenditure reductions may be needed throughout the year to balance this need.

### **Significant Revenue Adjustments**

Overall revenue adjustments for the Fleet Services Division total \$4.2 million and include \$2.9 million in usage fee increases and \$2.1 million in assignment fee charges for vehicle replacements. These revenue changes are aligned with the non-discretionary allocations for all City departments in the Proposed Budget for each of these funds.

The remaining revenue changes are related to

## Department Review: General Services

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previously mentioned expenditure changes, including changes to the fuel expenses budget and the reduction in assignment fee revenue for Fleet Operations. The last remaining revenue change is a decrease of \$100,000 in interest earnings to align the budget with actuals. In prior years, the Fleet Operations Fund carried a large fund balance, but that fund balance was mostly returned to the General Fund as a resource for Council Modifications in FY 2021. Without this large balance, interest earned on the fund's balance has decreased.

### **Fleet Requests Not Included in the Proposed Budget**

The Fleet Operations Division requested two additions which were not included in the FY 2025 Proposed Budget.

The first is the addition of 3.00 FTEs and \$367,000 for additional positions to assist the Department with the development of electric vehicle (EV) charging, EV purchases, and compressed natural gas fueling infrastructure. Currently, the Department has one dedicated position tracking the Department's various EV initiatives, and that individual is also responsible for planning and operational tasks assigned with EVs, including filling out rebate forms on each EV purchased and responding to regulators with vehicle purchase data. These positions would have alleviated much of the administrative burden of that program.

The other request was for 1.00 FTE and \$138,000 for additional FMIS support (the FMIS contract was discussed earlier in this Department Review). This position would have assisted in the onboarding of new FMIS programs as well as ensuring data connectivity between FMIS and other Fleet operating systems.

### **Issues for Council Consideration**

#### **Departmental Vacancies**

Filling vacant positions with qualified staff and retaining staff continues to be a challenge

for General Services, particularly for skilled trade job classifications. The Department has 55.50 total vacancies for a vacancy rate of 13.7%, including 28.50 vacant FTEs for Facilities (22.0%) and 27.00 vacant FTEs for Fleet (12.0%).

The Department has not been able to fill key vacant positions primarily due to challenges competing for qualified staff given current City salaries and benefits in comparison to other agencies and private companies. Fleet Technicians in particular continue to be difficult to recruit due to a labor market shortage, which affects not only the City but the entire industry.

To address this issue, in FY 2022 Special Salary Adjustments (SSAs) were provided for some job classifications, including Electricians, HVAC Technicians, Plumbers, and the Fleet Technician series. Department officials noted they have successfully filled some positions using the City's Apprenticeship program, which enables staff to fill positions, such as HVAC technicians, once they graduate/become certified. General Services has participated in numerous Job Fairs to recruit potential candidates to fill vacant positions and anticipate participating in more of these recruiting events in the future.

While this has helped to fill vacancies, General Services is also reporting challenges with retention of staff. This is due to a shortage of skilled trades labor and competition for these staff both from other City departments, such as with PUD, and with outside organizations.

Filling vacancies is a significant challenge for several departments. For more information, see the *Departmental Vacancies* section in *Key Citywide Issues* earlier in this report.

#### **Prioritizing Facilities Condition Assessments**

During our Office's [Review of the FY 2025-29 CIP Outlook](#), we concluded that chronic underfunding of Facilities Services has

## Department Review: General Services

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allowed the continued deterioration of existing facilities. Further, the most recent condition assessment for existing facilities was conducted in 2014-16, and therefore the City no longer has an accurate picture of needs for existing City facilities. Industry standards recommend conducting building condition assessments every five years, making the City's 8–10-year-old condition assessment data old and overdue to be updated.

Having accurate information on the condition of assets is critical for making decisions about needed repairs, maintenance, and capital improvements, and for estimating related costs. It is also needed to help staff identify and address needs before they become higher cost emergencies.

Facilities Services requested \$3.5 million for condition assessments as part of the FY 2025 Proposed Budget process, which was not funded. This request included:

- \$2.2 million to update the FY 2014-16 Facilities Condition Assessment report;
- \$1.0 million for assessing the City's three major services yards (Chollas, 20<sup>th</sup> and B, and Rose Canyon).
- \$330,000 for approximately 60 assessments of General Fund facilities that were not previously assessed; and

Facilities officials also noted that not funding updated condition assessments impacts the Division's ability to achieve equity goals, given that many of the City's oldest buildings are in Communities of Concern.

Facilities Services is currently working with P&C to develop a request for proposals (RFP) for an as-needed contract so that condition assessments can be conducted as funding is identified, and so that costs can be spread over several years. Council may want to consider prioritizing funding to get this assessment process started.



# Government Affairs

The Government Affairs Department manages the City’s State and federal legislative priorities as they are developed by the Mayor and City Council. Government Affairs directs the City’s lobbying teams and collaborates with other local and regional government entities such as SANDAG, the Port, and the San Diego County Water Authority.

The Department advocates at all levels of government on key City issues such as infrastructure, cross-border collaboration, affordable housing, homelessness, workforce development, water supply, energy, regulatory relief, public safety, economic development, protection of City resources, and grant funding.

Key departmental goals include:

- Implementing the City of San Diego’s legislative platform.
- Engaging at all levels of government to maximize advantages for the City and minimize negative impacts.
- Serving departments and stakeholders to promote, support, and enhance grant applications and competitiveness.

KPIs to measure progress toward these goals are shown in the table on the following page.

## Impacts of Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Government Affairs Department is approximately \$1.4 million, a decrease of \$47,000 or 3.0%

from the FY 2024 Adopted Budget, as shown in the table below. Total positions in the Department remain unchanged at 7.00 FTEs, and there are no current vacancies.

Revenue of \$319,000 is being eliminated because work that Government Affairs does to support non-General Fund departments, such as the Public Utilities Department (PUD) will be recovered through General Government Services Billing (GGSB) rather than revenue reimbursements via a service level agreement.

### Significant Budget Reductions

The FY 2025 Proposed Budget includes two budget reductions to mitigate the budget deficit. Department officials indicated that neither is anticipated to impact service levels.

- (\$27,000) Adjustment to reflect savings resulting from vacant positions.
- (\$28,000) Reduction of PE due to operational efficiencies.

### Key Accomplishments

Government Affairs accomplishments related to securing funding for homelessness, storm disaster relief, and other notable key issues include the following:

- Secured \$25.8 million in state member-directed spending and \$21.2 million in federal member-directed spending.
- Secured \$55.8 million from the State’s Homekey program to convert a broad range of housing and building types into

SUMMARY OF GOVERNMENT AFFAIRS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	7.00	\$ 1,345,051	\$ 71,662	\$ 1,416,713	\$ 319,094
<b>Programmatic Changes</b>					
<i>Mitigation</i>	-	(28,334)	-	(28,334)	
<i>Budget PE Savings (vacancy savings adjustment)</i>	-	(26,635)	-	(26,635)	
<b>Other Changes</b>					
<i>NPE Adjustments</i>	-	-	4,755	4,755	-
<i>Information Technology Adjustment</i>	-	-	3,414	3,414	-
<i>Revenue Adjustment</i>	-	-	-	-	(319,094)
<b>FY 2025 Proposed Budget</b>	<b>7.00</b>	<b>\$ 1,290,082</b>	<b>\$ 79,831</b>	<b>\$ 1,369,913</b>	<b>\$ -</b>
<b><i>Difference from 2023 to 2024</i></b>	<b>-</b>	<b>\$ (54,969)</b>	<b>\$ 8,169</b>	<b>\$ (46,800)</b>	<b>\$ (319,094)</b>

## Department Review: Government Affairs

Performance Measure	Actual FY 2020	Actual FY 2021	Actual FY 2022	Actual FY 2023	Baseline	Performance FY 2024	Goal FY 2025
Number of bills where the City takes a position	17	25	26	39	27	30	30
On time legislative reports to Council and departments	75%	75%	80%	75%	76%	75%	80%
Number of grant application memos reviewed and approved	74	79	90	104	87	70	80
Total value of grants the City applies for in a year	\$195.0M	\$195.3M	\$265.4M	\$354.2M	\$252.5M	\$300M	\$200M

housing to support individuals experiencing homelessness, as well as \$20.1 million from the State’s Encampment Resolution Fund Program shared across the City, County, and other entities to provide additional serves to individuals living in encampments along the San Diego River and in the Mid-City area. (Details on HHAP funding can be found in this report’s *Department Review of the Homelessness Strategies and Solutions Department*).

- Secured a Major Disaster Declaration from the federal government, which has provided monetary relief to City residents impacted by the January 22, 2024 storms.
- Secured passage of SB 43, which updated the state’s conservatorship laws to ensure to help those with debilitating mental illness or addiction issues.

# Homelessness Strategies and Solutions Department

Formed in FY 2021, the Homelessness Strategies and Solutions Department (HSSD) oversees homelessness programs that provide emergency shelter, outreach and case management, and other supportive services. The Department works to ensure that the City’s homelessness policies are reflected in and coordinated across the work of other departments citywide.

Typically, a portion of the City’s funding for homelessness is transferred to the San Diego Housing Commission to administer. The City and Housing Commission first entered into a Memorandum of Understanding in 2010 for the administration of service provider contracts for the City’s homelessness programs.

A significant portion of program funding for homelessness comes from the City’s General Fund and is included in the HSSD Proposed Budget and approved as part of the budget

process. However, the City’s homelessness efforts are funded through a variety of other sources as well, including federal, State, and County grants. As part of the FY 2025 budget process, Council is only being asked to approve General Fund allocations to homelessness programs. Requests to approve additional funding streams come separately.

Our Office will additionally review the Housing Commission’s FY 2025 Proposed Budget in a separate report that will be released in early May.

## Impacts of Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget includes \$55.5 million in General Fund expenditures, an increase of \$11.5 million, or 26.1%, from the FY 2024 Adopted Budget. The Proposed Budget also includes 16.38 FTE positions, an

SUMMARY OF HOMELESSNESS STRATEGIES AND SOLUTIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue*
FY 2024 Adopted Budget	16.00	\$ 2,466,562	\$ 41,540,892	\$ 44,007,454	\$ 34,271,312
<b>Programmatic Changes</b>					
<i>Continued Shelter Operations - Grant Funding Replacement</i>	-	-	9,723,398	9,723,398	-
<i>New Activities - New Permanent Shelter, H-Barracks Safe Parking, Family Shelter Expansion</i>	-	-	7,576,185	7,576,185	-
<i>Existing Programs with Annualized Costs - Safe Sleeping, Public Restrooms</i>	-	-	7,743,387	7,743,387	-
<i>Non-Discretionary - Non-Congregate Shelter Leases</i>	-	-	2,842,045	2,842,045	-
<i>Shelter Contracts Compensation Increases</i>	-	-	1,048,784	1,048,784	-
<i>Day Center Operations</i>	-	-	500,000	500,000	-
<i>Employ and Empower Program Interns</i>	0.38	15,078	-	15,078	15,078
<i>Budget Mitigation: San Diego Housing Commission</i>	-	-	(15,000,000)	(15,000,000)	-
<b>Other Changes</b>					
<i>Removal of One-Time Funding and Revenue</i>	-	-	(3,384,859)	(3,384,859)	(610,383)
<i>Transient Occupancy Tax Transfer</i>	-	-	-	-	4,986,617
<i>Grant Administration Reimbursement</i>	-	-	-	-	363,000
<i>Opioid Settlement Funds</i>	-	-	-	-	197,000
<i>Salaries and Benefit Adjustments**</i>	-	262,871	-	262,871	-
<i>Other Non-Discretionary Adjustments</i>	-	-	147,991	147,991	-
<b>FY 2025 Proposed Budget</b>	<b>16.38</b>	<b>\$ 2,744,511</b>	<b>\$ 52,737,823</b>	<b>\$ 55,482,334</b>	<b>\$ 39,222,624</b>
<b>Difference from 2024 to 2025</b>	<b>0.38</b>	<b>\$ 277,949</b>	<b>\$ 11,196,931</b>	<b>\$ 11,474,880</b>	<b>\$ 4,951,312</b>

\* Reflects additional Transient Occupancy Tax transfer since the release of the FY 2025 Proposed Budget, which will be included in May Revise.

\*\* Includes budget mitigation from executive approval to fill vacancies, resulting in savings of \$28,612.

## Department Review: Homelessness Strategies and Solutions

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increase of 0.38 FTE over FY 2024 for an Employ and Empower Program Management Intern position.

The Proposed Budget allocates \$36.4 million in Transient Occupancy Tax (TOT) funds for homelessness programs as a Special Promotional Programs reimbursement, an increase of \$5.0 million or 15.9% relative to FY 2024 levels. Special Promotional Programs funds typically support the promotion of tourism and attracting economic activity to the City.

Budgeted revenues are \$39.2 million, an increase of \$5.0 million from the FY 2024 Adopted Budget. Revenue increases are primarily attributed to the \$5.0 million TOT transfer.

### **Significant Budget Additions**

The Proposed Budget broadly includes three categories of significant budget additions: (1) continued existing operations, (2) new or expanded homelessness activities, and (3) other changes. The sections below detail significant expenditures under these categories.

#### Continued Existing Operations

##### \$9.7 million – Continued Shelter Operations, Replacement of Grant Funds

The City's fifth and most recent allocation of one-time State Homeless Housing, Assistance and Prevention Program (HHAP 5.0) grant funds totaled \$29.9 million, but due to changes in State guidance, only half of the HHAP 5.0 allocation will be available in FY 2025. Consequently, the Proposed Budget includes \$9.7 million to cover the following existing programs, which previously received HHAP funding:

- Rosecrans Sprung Shelter – \$4.9 million
- LGBTQ+ Youth Shelter – \$1.8 million
- 17<sup>th</sup> and Imperial Bridge Shelter – \$1.6 million
- Youth Shelters –\$777,000
- Golden Hall (Upstairs) –\$616,000

##### \$4.0 million – Safe Sleeping Program Annualized Expenditures

In the past year, the City opened two new Safe Sleeping sites – the 20<sup>th</sup> and B Street Lot in June 2023 and “O” Lot at Balboa Park in October 2023. Although the 20<sup>th</sup> and B Street Lot was initially planned to operate temporarily for six months, upgrades at the site, such as the addition of platforms and upgraded tents, allow the site to operate year-round. The Proposed Budget reflects the annualized cost to operate both Safe Sleeping sites in FY 2025.

##### \$2.8 million – Non-Congregate Shelter Leases

The FY 2024 Adopted Budget included new leases for two non-congregate shelters as one-time expenditures. The Proposed Budget maintains funding for the two leases to support family non-congregate shelter (open August 2023) and senior non-congregate shelter (December 2022) totaling \$2.8 million in non-discretionary lease expenditures in FY 2025.

##### \$3.7 million – Public Restrooms Annualized Expenditures (One-Time)

In FY 2024, the Department took over administration of portable restroom contracts from the Parks and Recreation Department. Additionally, due to public health concerns related to hepatitis A at the beginning of 2023, the County requested the City deploy additional hand-washing stations and portable restrooms to serve the unsheltered. The Department set up 13 portable restrooms in the Downtown area in late spring of 2023. The Proposed Budget includes a one-time increase of \$3.7 million to continue operating the Downtown portable restrooms.

##### \$500,000 – Neil Good Day Center (One-Time)

Although the Proposed Budget maintains General Fund funding levels for the Day Center, reductions in federal grant allocations and limited General Fund resources result in a reduction of \$541,000 or 52.0% in total funding

## Department Review: Homelessness Strategies and Solutions

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for the Day Center compared to FY 2024. According to the Department, there will be operational impacts to the Day Center, likely a reduction in hours. Consistent with past years, proposed funding is on a one-time basis.

### New Activities

#### *\$4.3 million – 200 New Safe Parking Spaces at H-Barracks (\$3.7 Million One-Time)*

The Proposed Budget includes \$4.3 million to fund start-up and operations for 200 new Safe Parking spots at H-Barracks. Of this amount, \$3.7 million is a one-time General Fund contribution for Capital Improvement Project expenditures related to site preparation. According to the Department, the site is intended to include spaces for recreational vehicles (RVs), and the additional Safe Parking would satisfy a recent settlement agreement under *Bloom v. City of San Diego*, which was approved by Council on January 23, 2024. If funded, this would be the City's fifth Safe Parking lot.

According to the City Attorney's Office, the *Bloom* settlement agreement requires the City to spend up to \$850,000 on additional Safe Parking. As part of the settlement, the City agreed to make a good effort to provide Safe Parking for RVs and oversized vehicles. The addition of Safe Parking RV spaces would make the City's Vehicle Habitation Ordinance enforceable during the nighttime hours.

We note that the FY 2024 Adopted Budget included \$841,000 in ongoing funding to support new Safe Parking that has not been implemented yet and is available for Safe Parking programming in FY 2025.

#### *\$2.8 million – 1,000 New Shelter Beds at Kettner/Vine (\$650,000 One-Time)*

The Proposed Budget allocates \$2.8 million to fund start-up and initial operations for a portion of 1,000 new shelter beds to be added in FY 2025 at a former industrial facility at Kettner Street and Vine Street (Kettner/Vine) that

the Mayor is proposing to lease and convert into the City's first permanent shelter. Early estimates for ongoing operational costs once all 1,000 new shelter beds are operational are around \$30.0 million annually, but final costs will likely vary depending on various shelter factors, such as configuration, service level, and specific populations served. Of the proposed funding, approximately \$2.2 million ongoing is to operate 350 beds planned to start in April 2025, and \$650,000 one-time is to cover start-up costs.

Notably, this \$2.8 million does not include costs for tenant improvements that would be necessary to operate the site as a shelter, nor does it include rent payments that would eventually be required should the City move forward with the proposal.

#### *\$450,000 – Family Shelter Expansion*

The Proposed Budget includes \$450,000 to fund operational costs for a 39-bed expansion at Haven Interim Housing, a non-congregate shelter for families. The added capacity would allow the shelter to serve nine additional households. The shelter currently does not receive funding from the City's General Fund, but the Housing Commission's Proposed Budget provides \$429,000 to operate the existing family shelter, which consists of nine fully furnished apartments.

### Other Changes

#### *\$1.0 million – Shelter Contracts Compensation Increases*

The Proposed Budget includes a cost-of-living adjustment of approximately 3.0% for frontline shelter staff, totaling \$1.0 million, which reflects a March 2023 Housing Commission study on Homelessness Services Compensation. Although funds are intended for staff compensation increases, the City has limited authority over how, or whether, funds will ultimately be used to increase staff pay. Instead, the funds would be allocated to service providers to use at their discretion. This

## Department Review: Homelessness Strategies and Solutions

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funding would not change existing levels of service but could help with shelter staff retention and recruitment.

### **Significant Budget Reductions**

The Proposed Budget includes a notable budget mitigation action affecting the Housing Commission, eliminates funding for two programs that mainly affect the Housing Commission, and reduces funding for two programs.

#### (\$15.0 million) – Budget Mitigation: Funding Withheld from San Diego Housing Commission

The Proposed Budget offsets General Fund impacts from homelessness expenditures by reducing \$15.0 million from the allocation the Housing Commission receives to administer City programs on a one-time basis. As of this writing, it is unknown how the Housing Commission will implement this reduction and what the associated impacts are to programs.

#### Eliminated Program Funding

The Proposed Budget eliminated funding for the following two programs:

#### (\$1.1 million) - Multidisciplinary Outreach Team

This program received carryforward savings from FY 2023 for FY 2024 operations, but the request to include funding in the Proposed Budget went unfunded. This program is overseen by the Housing Commission.

#### (\$250,000) – Homelessness Program for Engaged Educational Resources (PEER)

The PEER Program is a collaboration between the Housing Commission and San Diego City College to establish a pipeline to prepare participants to work in the homelessness field.

#### Reduced Program Funding

The Proposed Budget reduced funding for the following two programs:

#### (\$499,000) – Between Storage Connect 1 and Storage Connect 2

This reduction reflects lower contract costs with a new operator. We note that Storage Connect 2 is anticipated to close after FY 2025 due to the upcoming expiration of *Arun-del* settlement terms that required the City to operate a third Safe Storage site.

#### (\$203,000) – Interim Housing for Homeless Adults

Due to the diversion of other funding in the HSSD Proposed Budget to support the previously mentioned Kettner/Vine development, HSSD and the Housing Commission are in discussions regarding an appropriate funding level for the Interim Housing shelter.

### **Many Other Homelessness Programs are Funded in FY 2025 Outside the Budget Process**

With the approval of HSSD’s \$55.5 million budget, partial or full funding will be provided to a subset of the homelessness programs the City offers. Before the end of FY 2025, Council will be asked to approve funding allocations from the fifth round of State HHAP funds totaling \$29.9 million. Staff project to use a total of \$18.1 million in State HHAP grant funds between this new round of funding and carryforward from previous rounds of funding in FY 2025. This represents a decrease of 14.6 million or 44.8% relative to FY 2024.

Other funding sources that will support homelessness programs in FY 2025 include the State Family Challenge Grant, the State Encampment Resolution Grant, the County Capital Grants, Affordable Housing Funds, and federal grants, as well as Housing Commission funds such as federal Moving to Work and local discretionary funding.

# Department Review: Homelessness Strategies and Solutions

## Issues for Council Consideration

### Community Action Plan Update

In October 2019, the City Council approved the Community Action Plan on Homelessness (Community Action Plan), which intends to systemically address homelessness. The Action Plan includes three goals to achieve in three years, recommended actions, and key strategies. Goals include decreasing unsheltered homelessness by 50% and ending veteran and youth homelessness.

In November 2023, Council heard the Community Action Plan Update (Update), reflecting progress since the initial plan's release and changes due to the pandemic. According to the Update, the City has made progress by adding 900 shelter beds, 650 rapid rehousing options, and over 3,800 supportive housing beds, but the overarching goals related to ending or reducing homelessness remain more challenging, largely due to setbacks from the pandemic. The Update also identified the need for \$280.0 million in additional funding above current spending levels each year to support between 465 and 920 new shelter beds, as well as 2,700 diversion, 1,485 prevention, 3,080 rapid rehousing, 3,520 supportive housing, and 340 low-income housing resources. Although the Proposed Budget largely focuses on the Update's shelter goals, the Update calls for significantly more resources for prevention, diversion, and permanent housing.

### New/Expanded Programs Could Set Unsteady Fiscal Path Moving Forward

To better understand the City's overall spending trends on homelessness, our Office

analyzed the Proposed Budget at the aggregated program level *removing the \$15.0 million SDHC funding reduction*, relative to FY 2024 Adopted Budget.<sup>1</sup> **As seen in the table below, the Proposed Budget would provide \$70.5 million for homelessness programs, representing a \$26.5 million or 60.2% increase above FY 2024 Adopted Budget, had SDHC received its full allocation.**

Overall Homelessness Budget Changes (Excluding \$15M SDHC Reduction)	
FY 2024 Adopted Budget	\$ 44,007,454
New/Expanding Programs	8,624,969
Existing Programs - Total Increases	25,386,856
Existing Programs - Total Reductions	(6,036,946)
FY 2025 Proposed Budget	\$ 70,482,334

\* Table excludes \$1.5 million that was included in the FY 2024 Adopted Budget for site preparation for shelter relocations. This funding was reallocated in the FY 2025 Proposed Budget to New/Expanding Programs and/or Existing Programs - Total Increases. Therefore, table amounts do not sum.

Based on this analysis, the Proposed Budget identifies \$6.0 million in reductions to existing programs, relative to FY 2024. This generally reflects:

- Lower contract costs due to a new service operator, as seen for Safe Storage
- Eliminated funding for the Multidisciplinary Outreach Team and the PEER program
- Transferring expenditures from the General Fund to newly awarded, eligible grant funds, such as the State Encampment Resolution Grant outreach activities, as well as the County and State grants used to support the domestic violence shelter

However, this analysis shows the Proposed Budget also includes \$25.4 million in expenditure *increases* across existing programs, relative to FY 2024. For FY 2025, a driver of expenditure increases is the use of \$9.7 million from the General Fund to offset less

<sup>1</sup> Specifically, this analysis allows for total cost reductions and total cost growth to be isolated, rather than using a net difference which can obscure these underlying components. Among existing programs, the analysis aggregated funding differences from programs that saw reduced funding between the FY 2024 Adopted Budget and FY 2025 Proposed Budget to determine the total reductions in the Proposed Budget. The same approach was used for aggregating programs that saw growth in their funding levels to determine total increases among existing programs. Full funding for new or expanding programs, including the new shelter contract compensation increases, was aggregated as a third component.

## Department Review: Homelessness Strategies and Solutions

available HHAP funding. Although this significant transfer of expenditures to the General Fund could be unique to FY 2025, the use of one-time grant funding to support ongoing operational costs exerts pressure on the General Fund when grant funding is not renewed.

Notably, the transfer of previously HHAP grant-covered expenditures to the General Fund only accounts for 38.3% of total existing program increases. The remaining \$15.7 million in increases are due to other cost drivers, such as

- Increased operator costs, as seen for ancillary services for showers, laundry, janitorial services, and security at several shelters
- Site repair and maintenance costs, such plumbing and repair needs at Golden Hall
- Annualized operation costs for programs that started or had partial funding in FY 2024, such as the Safe Sleeping sites and public restrooms
- The use of the General Fund to offset other funding sources diverted to other priorities, such as \$250,000 from the General Fund to replace Low- and Moderate-Income Housing Asset Fund funding diverted from the Homelessness Response Center to the Kettner/Vine project
- Added costs to address County requests related to public health, such as the operation of additional restrooms, with more frequent servicing and sanitation in response to potential public health concerns at the “O” Lot Safe Sleeping site

Given the total expenditure reductions and increases across *existing* programs, the FY 2025 Proposed Budget would have included an increase of \$17.8 million, or 40.6%, relative to

FY 2024 for existing homelessness programs absent the \$15.0 million reduction in support for programs administered by the Housing Commission.

The Proposed Budget goes beyond existing programs, and includes funding for new and expanded homelessness programs and other changes, which further add strain on General Fund resources. These new activities include the Kettner/Vine shelter, new Safe Parking at H-Barracks, and the expansion of family shelter, along with new shelter contract compensation increases, all of which total \$8.6 million in additional proposed expenditures.

*These trends in the HSSD Proposed Budget are unsustainable without a new ongoing revenue source, especially given the notable cost drivers affecting existing programs.* The Proposed Budget relies on the one-time \$15.0 million reduction to the SDHC allocation to curb the General Fund impact of higher program costs and new activities in FY 2025. The new activities, as proposed, will require additional ongoing operation costs in FY 2026 and beyond. The HSSD budget has rapidly grown over the past several years. As seen in the table below, the Proposed Budget is 207.0%, or three times the size, of the FY 2022 Adopted Budget.

Measure C on the March 3, 2020 ballot proposed an increase to San Diego’s Transient Occupancy Tax to, among other things, provide additional funding for homelessness services. The City is currently awaiting a final determination from the courts on whether Measure C is an approved citizens’ initiative. If the City obtains a favorable court judgment or outcome in the lawsuit (which could take two or three more years), proceeds could

Homelessness Strategies & Solutions	FY 2022	FY 2023	FY 2024	FY 2025	
	Adopted	Adopted	Adopted	Proposed	Difference from FY 2022 (%)
Personnel Expenditures	\$ 1,755,338	\$ 2,255,554	\$ 2,466,562	\$ 2,744,511	56.4%
Non-Personnel Expenditures	\$ 16,316,486	\$ 22,902,053	\$ 41,540,892	\$ 52,737,823	223.2%
<b>Total</b>	<b>\$ 18,071,824</b>	<b>\$ 25,157,607</b>	<b>\$ 44,007,454</b>	<b>\$ 55,482,334</b>	<b>207.0%</b>



## Department Review: Homelessness Strategies and Solutions

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become a viable ongoing funding source for homelessness programs. If successful, based on the latest projections, Measure C could generate between \$36.5 million to \$45.6 million annually for the first five years, which would help provide significant funding for homelessness programs, but this amount would nevertheless be insufficient to fully cover all existing program costs, especially given uncertainty over future State HHAP funds.

Additionally, on June 5, 2024, the Rules Committee will consider action on a proposed sales tax measure that would raise the local sales tax by 1 cent. If approved by voters on the November 2024 ballot, the sales tax increase would generate additional ongoing General Fund revenue for the City. Our Office is developing preliminary fiscal and operational analyses to accompany the measure when heard by the Rules Committee. For reference, the Proposed Budget assumes the City will collect \$392.7 million in sales tax revenue in FY 2025 from the 1 cent the City collects from the current 7.75% sales tax rate. (The remaining sales tax revenue is distributed to other entities.)

### Other Issues

This section raises additional considerations for Council, based on our review of the HSSD Proposed Budget.

#### Merits of Permanent Shelter Require Additional Study

With significant operational costs associated with a potential permanent shelter at Kettner/Vine, **Council should ask if the Administration has conducted a comprehensive cost-benefit analysis of permanent shelter compared to the City's current shelter approach.** A permanent shelter may provide benefits to the City and individuals experiencing homelessness by avoiding service disruptions due to relocations and unanticipated inclement weather or disasters. However, the

City would also have to bear additional costs associated with permanent shelter, notably facility repair and maintenance. For the Kettner/Vine proposal, an estimated \$18.0 million in upfront tenant improvements is required to make the industrial buildings suitable for shelter, and ongoing rent and operations costs in excess of \$30.0 million annually would be required in future years. Both short-term and long-term costs should be evaluated when considering such a significant investment of City resources, potentially over several decades.

#### Plan for Replacement Beds in FY 2025 Appears Unclear

The City's Comprehensive Shelter Strategy, released June 2023, identified 930 shelter beds at five shelters that need to be relocated by December 2024 due to various site-specific reasons, such as operating on temporary fire permits or construction occurring on or nearby the site. HSSD intends to maintain a one-to-one bed replacement ratio for relocated shelters. The Department indicated that the December 2024 deadline is more fluid for some shelter sites than others. However, it remains unclear what shelter relocation activities the Department will need to pursue in FY 2025, when relocations will occur, whether any additional resources are needed to facilitate relocations, and what alternative locations will be explored. Additionally, given that the Kettner/Vine project is being presented as 1,000 completely new beds, **Council should seek clarity on the plans to find replacement beds for shelter relocations and, potentially, request an update to the Comprehensive Shelter Strategy to reflect the latest relocation plans.**

#### Shelters With High Per Bed Night Costs

The Proposed Budget includes funding for 17 existing City-funded emergency shelters. Our analysis found a wide range in per bed night costs compared to the shelter systemwide

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average of approximately \$68 per bed night. Slightly more than one-third of City funded

shelter beds (36.0%) operate at higher than the average per bed night rate. As seen in the table below, the highest per bed night costs are at the City’s youth shelters, behavioral health shelters, and senior non-congregate shelter. Since year-over-year increases in shelter operation costs contribute to growth in the HSSD budget, **Council may wish to understand possible levers to encourage shelter service providers to identify and utilize outside funding sources, when possible.** Such measures could reduce ongoing pressure on the General Fund.

FY 2025 Proposed Budget - Per Bed Night Shelter Costs		
Emergency Shelter	Number of Beds	Per Bed Night
Youth Shelter	52	\$ 154.02
Harm Reduction Interim Shelter	44	149.86
LBGTQ+ Youth Services and Shelter	40	126.25
Seniors Landing Non-Congregate Shelter	60	104.80
Rosecrans Sprung Shelter	150	93.00
Bridge Shelter - 17th & Imperial	128	82.28
Winter Weather Shelter	36	80.36
Women's Shelter	40	76.78
Family Non-Congregate Shelter	160	69.96
Domestic Violence Shelter	160	69.52
Golden Hall Upstairs	272	67.05
Bridge Shelter - 16th & Newton	324	63.40
Bishops Shelter	28	60.95
Youth Shelter for Unaccompanied Minors	17	57.46
Safe Haven	22	53.04
Connections Interim Housing	80	41.92
Interim Housing for Homeless Adults	350	17.57

## Other Program Updates

The Proposed Budget also assumes two additional program changes. **Council may wish to ask about the rationale behind these changes and how they align with the Update.**

## Wind Down of Rapid Rehousing

Rapid Rehousing provides rental assistance and services ranging from one to two years and is considered a permanent housing resource under the Update. The Proposed Budget signals the wind-down of the City’s Rapid Rehousing program beginning FY 2025 and assumes \$773,000 in grant funds,

representing a \$1.2 million decrease in HHAP funds or 61.2% decrease in total funding from FY 2024. According to the Department, the wind-down of Rapid Rehousing is due to the lack of sustainable, ongoing funding, following the reduction in available HHAP funding in FY 2025.

## Housing Instability Prevention Program (HIPP) Funding Impacts

Although the Proposed Budget maintains funding levels from the FY 2024 Adopted Budget, HIPP received \$1.8 million in carryforward savings from the prior year, resulting in \$4.0 million in total program funding. According to the Housing Commission, the \$2.3 million proposed for FY 2025 would not be sufficient to support financial assistance for current participants enrolled in HIPP and new program enrollment have to be suspended.

## **Options for Council Consideration**

The Proposed Budget encompasses many aspirations shared by the Mayor and Council regarding expanding emergency shelter capacity, but the proposed new activities also come with tradeoffs, including the potential impacts of a \$15.0 million reduction to the Housing Commission. New affordable housing development could also be impacted, depending on how the Housing Commission chooses to shoulder any funding reduction.

To assist Council’s budget deliberations, our Office developed four possible options that Council may wish to consider. These options offer different approaches towards balancing the priorities of expanding shelter capacity, setting the City on a fiscally sound path, and mitigating operational impacts to the Housing Commission.

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OPTIONS FOR COUNCIL CONSIDERATION
<b>OPTION 1: Approve Proposed Budget – Resulting SDHC Funding Reduction: \$15.0M</b>
<p><b>Implications:</b> The City would pursue a 1,000 bed permanent shelter at the Kettner/Vine site and add 200 Safe Parking spots at H-Barracks. This would require the San Diego Housing Commission (SDHC) to either find other funding sources to offset the proposed \$15.0 million, or potentially reduce service levels if offsetting funding cannot be identified.</p>
<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>• City would pursue permanent shelter, which would likely minimize disruptions due to shelter relocations and unexpected disasters or emergencies.</li> <li>• City would meet shelter goals under the Community Action Plan Update.</li> <li>• Additional beds could reduce overall numbers of unsheltered individuals in the City.</li> <li>• City would comply with <i>Bloom</i> settlement terms related to new Safe Parking sites.</li> </ul>
<p><b>Tradeoffs</b></p> <ul style="list-style-type: none"> <li>• Depending on the funding sources used by SDHC to offset proposed funding reductions, there could be negative impacts on new affordable housing development and other SDHC-run programs, such as prevention and diversion efforts. This could run counter to Community Action Plan Update goals.</li> <li>• City would be heavily reliant on a new ongoing revenue source being available starting FY 2026, or otherwise face cuts to other City services to sustain homelessness programs.</li> </ul>
<p><b>Questions for Council to Consider</b></p> <p>Council may wish to further understand the following regarding the Proposed Budget:</p> <ul style="list-style-type: none"> <li>• What are the consequences if the SDHC funding reduction remains at \$15.0 million?</li> <li>• How will the City cover future operating expenses, if no new ongoing revenue becomes available?</li> <li>• Has City Administration conducted a comprehensive evaluation of more cost-efficient alternatives to a permanent shelter at Kettner/Vine and Safe Parking at H-Barracks?</li> <li>• How do the costs of permanent shelter (e.g., upkeep of facility, unexpected repairs, routine maintenance) compare to the City's current shelter approach?</li> <li>• Do the benefits of a new permanent shelter differ in a scenario where its shelter beds represent replacement beds as opposed to new beds (see Option 3 below)?</li> <li>• What are the implications if the City meets the Community Action Plan Update goals for shelter but makes little/no progress on prevention, diversion, and permanent housing?</li> <li>• How would program outcomes be tracked, given the large capacity of the shelter?</li> </ul>
<b>OPTION 2: Postpone New Activities Until New Ongoing Funding Is Available – Resulting SDHC Funding Reduction: \$6.4M</b>
<p><b>Implications:</b> The City would maintain existing service levels, while maintaining the program reductions included in Proposed Budget. In addition to postponing new activities, City would also postpone shelter contract compensation increases. This would reduce FY 2025 expenditures by \$8.6 million. The City would be required to add new Safe Parking under the <i>Bloom</i> settlement and could use ongoing funding included in the FY 2024 Adopted Budget for this purpose. To mitigate General Fund impact, the SDHC funding reduction would be reduced to \$6.4 million, assuming General Fund resources remain the same as Proposed Budget.</p>
<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>• City would be on a more sustainable fiscal trajectory and only pursue new/expanded programs when there is ongoing revenue available to support those programs, aligned with best budgetary practices. This also limits negative repercussions to other core City services.</li> <li>• Reduced impact to SDHC programs, and potentially new affordable housing development.</li> <li>• City would comply with <i>Bloom</i> settlement while avoiding significant capital costs to make H-Barracks suitable for a Safe Parking program.</li> <li>• If new ongoing revenue becomes available, City could explore options to purchase a property for permanent shelter or rehabilitate a City-owned facility, likely at a lower cost than leasing a facility over the long-run.</li> </ul>
<p><b>Tradeoffs</b></p> <ul style="list-style-type: none"> <li>• City may need to find another permanent shelter site due to the timing sensitivity of the Kettner/Vine proposal.</li> <li>• City would not be closer to meeting Community Action Plan Update goals for shelter.</li> <li>• Foregoing shelter contract compensation increases could increase shelter staff vacancies.</li> </ul>

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## Questions for Council to Consider

Council may wish to further understand the following regarding this approach:

- What are the consequences if the SDHC funding reduction is lowered to \$6.4 million?
- How might the City look for cost efficiencies in the existing shelter system to serve more individuals experiencing homelessness at current resource levels?

## OPTION 3: Pursue Permanent Shelter as a Consolidation of Existing Shelter Programs – Resulting SDHC Funding Reduction: \$7.0M

**Implications:** The City would pursue permanent shelter at Kettner/Vine site but use the site to consolidate existing shelter programs. The proposed \$650,000 one-time funding for start-up costs would remain to support the transition, but the estimated \$2.2 million ongoing for operation costs would be reduced from FY 2025 expenditures, as existing shelter operational costs would be redirected to Kettner/Vine. The City would not pursue H-Barracks in FY 2025, reducing FY 2025 expenditures by \$4.3 million in operation and capital expenditures. The City would also forego shelter contract compensation increases and the family non-congregate shelter expansion, reducing FY 2025 expenditures an additional \$1.0 million and \$450,000, respectively. However, the City would be required to add new Safe Parking under the *Bloom* settlement and could use ongoing funding included in the FY 2024 Adopted Budget for this purpose. To mitigate General Fund impact, the SDHC funding reduction would be reduced to \$7.0 million, assuming General Fund resources remain the same as Proposed Budget.

## Benefits

- City would pursue permanent shelter, which would likely minimize disruptions due to shelter relocations and unexpected disasters or emergencies.
- Could result in some ongoing operational savings after ramp-up period. For instance, if the City consolidated a combination of shelter programs planned for relocation and larger sprung shelters at Kettner/Vine, there potentially could be operational savings in the low millions of dollars, assuming Kettner/Vine would operate at the shelter systemwide average of \$68 per bed night.<sup>2</sup> These estimates would need to be further developed and would likely not include major facility improvements or repairs. Consolidation of smaller shelters might result in additional operational savings from reaching economies of scale, but we also note that preliminary analysis suggests smaller shelters tend to have better housing outcomes.
- City would be on a more sustainable fiscal trajectory and could pursue new/expanded programs when there is ongoing revenue available to support the programs. This also limits negative repercussions to other core City services.
- Somewhat reduced impact to SDHC programs, relative to the Proposed Budget.
- City would comply with *Bloom* settlement.

## Tradeoffs

- Depending on the funding sources used by SDHC to offset proposed funding reductions, there could be negative impacts on new affordable housing development or other SDHC-run programs, such as prevention and diversion efforts. This could run counter to Community Action Plan Update goals.
- City would not be closer to meeting Community Action Plan Update goals for shelter.
- Foregoing shelter contract compensation increases could increase shelter staff vacancies.

## Questions for Council to Consider

Council may wish to further understand the following regarding this approach:

- What are the consequences if the SDHC funding reduction is lowered to \$7.0 million?
- How do the costs of permanent shelter (e.g., upkeep of facility, unexpected repairs, routine maintenance) compare to the City's current shelter approach?
- How would program outcomes be tracked, given the large capacity of the shelter?
- What might be the other consequences of consolidating existing shelter operations at the site?

<sup>2</sup> The Proposed Budget reflects a per bed night average of \$68, which is used in our analysis. The Community Action Plan Update uses a higher average of \$84 per bed night, which removes certain outliers – due to factors such as high utilization of outside funding which reduces City funding or highly intensive service which increases costs. If the shelter beds at Kettner/Vine operate closer to \$84 per bed night, operational costs would be *higher* than existing shelter costs by the low millions of dollars. If the highest cost shelter programs, which includes non-congregate shelter, were consolidated at Kettner/Vine, operational savings would likely be less than \$1.0 million relative to current operational costs.

# Department Review: Homelessness Strategies and Solutions

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**OPTION 4: Pursue Lower Cost Proposals Such as Family Shelter Expansion and New Safe Parking – Resulting SDHC Funding Reduction: \$11.2M**

**Implications:** The City would pursue the two more cost efficient proposals based on ongoing operational costs – new Safe Parking at H-Barracks (estimated at \$32.23 per space per night, \$2.4 million ongoing) and the family shelter expansion (\$31.64 per bed night, \$450,000 ongoing). The City would not pursue the Kettner/Vine project and would forego shelter contract compensation increases, reducing FY 2025 expenditures by \$2.8 million and \$1.0 million, respectively. To mitigate General Fund impact, the SDHC funding reduction would be reduced to \$11.2 million, assuming General Fund resources remain the same as Proposed Budget.

**Benefits**

- Expansion of family shelter is consistent with Community Action Plan Update goals for shelter.
- City would be on a more sustainable fiscal trajectory and could pursue new/expanded programs when there is ongoing revenue available to support the programs. This also limits negative repercussions to other core City services.
- Somewhat reduced impact to SDHC programs, relative to the Proposed Budget.
- City would comply with *Bloom* settlement.

**Tradeoffs**

- Depending on the funding sources used by SDHC to offset proposed funding reduction, there could be negative impacts on new affordable housing development or other SDHC-run programs, such as prevention and diversion efforts. This could run counter to Community Action Plan Update goals.
- Foregoing shelter contract compensation increases could increase shelter staff vacancies.

**Questions for Council to Consider**

Council may wish to further understand the following regarding this approach:

- What are the consequences if the SDHC funding reduction is lowered to \$11.2 million?
- How does new Safe Parking at H-Barracks align with the Community Action Plan Update?
- How would new Safe Parking address the most pressing needs among individuals experiencing homelessness, especially relative to those who are unsheltered?

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FY 2025 Anticipated Funding for Homelessness (Subject to Change)								
System Component	Programs	Maximum Program Capacity	FY 2025 Proposed Budget General Fund	FY 2025 Other Funds	FY 2025 Total	FY 2024 Total	Difference from 2024 to 2025 (%)	
<b>Housing &amp; Services</b> \$3.8 million	Housing Instability Prevention Program <sup>1</sup>		\$ 2,250,000	-	\$ 2,250,000	\$ 2,250,000	0%	
	Rapid Rehousing - City Programs		-	773,330	773,330	1,992,012	-61%	
	Diversion - Family Reunification <sup>2</sup>		-	750,000	750,000	763,812	-2%	
<b>Crisis Response &amp; Stabilization</b> \$70.8 million	<b>Shelters</b>							
	Bridge Shelter - 16th and Newton	326 beds	406,334	7,091,562	7,497,896	7,494,706	0%	
	Bridge Shelter - Golden Hall (Upstairs)	272 beds	6,656,803	-	6,656,803	4,790,729	39%	
	Family Non-Congregate Shelter	42 rooms/168 beds	2,858,084	1,227,348	4,085,432	4,022,199	2%	
	Domestic Violence Shelter <sup>3</sup>	160 beds	60,000	4,000,000	4,060,000	1,727,372	135%	
	Bridge Shelter - 17th and Imperial	140 beds	1,688,692	2,155,657	3,844,349	3,641,624	6%	
	New Permanent Shelter/Kettner & Vine <sup>4</sup>	1,000 beds	2,775,735	-	2,775,735	-	<i>Newly proposed</i>	
	Youth Case Management & Shelter <sup>5</sup>	46 beds	776,689	1,978,222	2,754,911	2,754,911	0%	
	Seniors Landing Non-Congregate Shelter	33 rooms/60 beds	2,052,240	242,847	2,295,087	2,656,817	-14%	
	Interim Housing for Homeless Adults	350 beds	1,617,006	627,223	2,244,229	2,447,299	-8%	
	LGBTQ+ Youth Services and Shelter	23 beds (interim) (45 at capacity)	1,843,260	-	1,843,260	1,843,260	0%	
	Connections Interim Housing	80 beds	1,224,023	-	1,224,023	1,196,387	2%	
	Women's Shelter	40 beds	1,120,998	-	1,120,998	1,067,617	5%	
	Winter Weather Shelter	34 beds	753,070	302,850	1,055,920	1,500,056	19%	
	Bishops Shelter	28 beds	622,900	-	622,900	622,900	0%	
	Family/Women's Shelter Expansion	32 beds (71 beds expanded)	450,450	-	450,450	-	<i>Newly proposed</i>	
	<b>Safe Sleeping Programs</b>							
	"O" Lot	Up to 400 tents	8,847,638	-	8,847,638	-	5,000,000	132%
	20th and B Lot	133 tents	2,733,507	-	2,733,507	-	-	-
	<b>Substance Use Disorder Shelters &amp; Services</b>							
	Rosecrans Sprung Shelter	150 beds	5,091,735	-	5,091,735	4,858,466	5%	
	Harm Reduction Interim Shelter	44 beds	2,406,819	-	2,406,819	2,584,237	-7%	
	Safe Haven	22 beds	425,937	-	425,937	413,501	3%	
	Serial Inebriate Program		290,000	-	290,000	290,000	0%	
	<b>Safe Parking Programs</b>							
	H-Barracks New Safe Parking Program <sup>4</sup>	200 spots, incl. RVs	4,350,000	-	4,350,000	-	-	<i>Newly proposed</i>
	Safe Parking Programs	221 spots/12 RVs	975,000	2,338,990	3,313,990	3,414,396	3%	
	New Safe Parking for Families	TBD	840,944	-	840,944	840,944	0%	
	<b>Engagement Services</b> \$21.3 million	<b>Outreach</b>						
		Coordinated Street Outreach		650,000	2,457,500	3,107,500	3,125,000	-1%
Other Outreach <sup>6</sup>			1,805,000	-	1,805,000	2,080,256	-13%	
Multidisciplinary Outreach Team <sup>7</sup>			-	-	-	-	0%	
<b>Storage</b>								
Storage Connect Center I		500 bins	1,592,100	-	1,592,100	1,769,481	-10%	
Storage Connect Center II		257 bins	523,000	-	523,000	844,433	-45%	
Think Dignity Storage Facility		400 bins	243,252	-	243,252	243,252	0%	
<b>Other</b>								
Encampment Resolution Grant Programs <sup>8</sup>			-	4,982,456	4,982,456	1,988,409	151%	
Homelessness Response Center			1,659,258	-	1,659,258	1,659,258	0%	
Public Restrooms			5,832,587	-	5,832,587	-	<i>Newly proposed</i>	
Shelter Contract Compensation Increases <sup>9</sup>			1,048,784	-	1,048,784	-	<i>Newly proposed</i>	
Neil Good Day Center			500,000	-	500,000	1,041,250	-52%	
PEER College Course		-	-	-	250,000	-100%		
<b>Administration</b> <sup>10</sup> \$4.3 million	HSSD Administration		3,510,489	-	3,510,489	3,084,549	14%	
	SDHC Administration		-	603,579	603,579	1,753,053	-66%	
	HMIS Set-Aside <sup>11</sup>		-	149,592	149,592	-	<i>Newly proposed</i>	
	SDHC Withheld Funds		(15,000,000)	-	(15,000,000)	-	<i>Newly proposed</i>	
<i>Adjustments for Funding only in FY 2024<sup>12</sup></i>					\$ 6,371,310			
<b>Total Expenses</b>			<b>\$ 55,482,334</b>	<b>\$ 29,681,155</b>	<b>\$ 85,163,489</b>	<b>\$ 82,383,497</b>	<b>3%</b>	

[Table notes can be found on the following page.]

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**Note:** Changes in program funding level may reflect a variety of factors that may or may not have operational impacts. Percent change between FY 2024 and FY 2025 is provided in this table to provide a general understanding of the trends in the FY 2025 Proposed Budget. Additionally, ancillary costs (including lease costs) are included in the respective program operation allocations.

<sup>1</sup> In FY 2024, the Housing Instability Prevention Program received approximately \$4.0 million, including \$2.3 million from City General Fund and \$1.8 million from FY 2023 carryover program savings.

<sup>2</sup> FY 2024 savings anticipated to carryforward into FY 2025 to hold funding levels constant with current year.

<sup>3</sup> Reflects full year operations and expenditures.

<sup>4</sup> Program budget reflects preliminary estimates regarding capacity and operational costs.

<sup>5</sup> Includes Transitional-Age Youth Shelters 1.0 (\$525,000) and 2.0 (\$1.9 million), as well as the Youth Emergency Shelter (\$357,000).

<sup>6</sup> Includes PATH Coordinated Street Outreach (\$3.6 million), San Diego Downtown Partnership Street Outreach (\$1.2 million), Caltrans Outreach (\$600,000), and City CARE events and outreach hub (\$25,000).

<sup>7</sup> In FY 2024, the Multidisciplinary Outreach Team received \$1.1 million from FY 2023 carryover savings and \$750,000 from the 2023-2024 State Budget.

<sup>8</sup> All Encampment Resolution Grant funded activities are included in this item: housing and services contract (\$3.4 million), outreach (\$800,000), and Health Care in Action mobile medical services (\$800,000).

<sup>9</sup> FY 2024 Adopted Budget included \$458,000 embedded in three shelter contracts intended for shelter worker compensation increases.

<sup>10</sup> Excludes proposed to be funds withheld from San Diego Housing Commission in FY 2025.

<sup>11</sup> HMIS: Homeless Management Information System; set-aside required under recently allocated State grant funds.

<sup>12</sup> From the FY 2024 Adopted Budget, this includes \$1.8 million for shelter transition site preparations and \$4.6 million for Golden Hall downstairs, which was relocated April 2024. These funds were redirected to other programs/services in the FY 2025 Proposed Budget.

<b>FY 2025 Proposed San Diego Housing Commission Homeless Services (Subject to Change)</b>			
<b>Housing and Services</b>	<b>Permanent Housing</b>	Federal Voucher Support	\$ 95,467,380
		Permanent Supportive Housing CoC Program	4,397,800
		Landlord Engagement	2,757,583
		Capacity Building	50,000
	<b>Rapid Rehousing</b>	Rapid Rehousing	2,713,246
		Rapid Rehousing CoC	3,303,689
	<b>Prevention &amp; Diversion</b>	Prevention and Diversion	3,946,969
		Flexible Spending	195,248
	<b>Supportive Services</b>	Various Supportive Services	949,324
<b>Crisis Response</b>	<b>Shelter</b>	Transitional Housing	357,169
		Family Non-Congregate Shelter	429,000
<b>Administration</b>	<b>Administration</b>	SDHC Admin	3,759,939
<b>Other</b>	<b>Other</b>	PEER Program	187,553
<b>Total</b>			<b>\$ 118,327,347</b>

## Department Review: Human Resources

# Human Resources

The Human Resources Department is responsible for several functions related to the City’s workforce. These include labor relations and bargaining with the City’s recognized employee organizations (unions); employee learning and development; disability management and reasonable accommodations; the Employee Assistance Program (EAP); talent acquisition and proactive recruitment for unrepresented employees; retention efforts; and citywide internship and volunteer programs.

### Impacts of Mayor’s FY 2025 Budget Proposal

The following table presents a summary of Human Resources’ budget changes from the FY 2024 Adopted Budget to the FY 2025 Proposed Budget. The number of FTE positions are increasing by 7.50, from 57.50 in FY 2024 to 65.00 in FY 2025. Expenditures are increasing by \$787,000 – from \$10.8 million to \$11.6 million, or 7.3%; and revenue is increasing by \$323,000, or 37.1%. Significant budget changes are discussed below.

#### Significant Budget Additions

The largest expenditure increase in the table

below is \$793,000 on the “Other Salaries & Wages” line, largely due to FY 2025 general salary increases and equity increases. The next largest increase is for the Department’s FTE additions, which are addressed below.

#### \$298,000, 7.50 FTEs – Employ & Empower Program Interns

The Proposed Budget adds \$298,000 and 7.50 FTEs for hourly Management Interns for the Employ & Empower Internship Program, which is discussed from a citywide perspective in the *Equity* section of this report. These expenditures are considered grant reimbursable; as such, the Department’s revenue includes a corresponding \$298,000 increase.

The Department also has 7.50 hourly Student Intern FTEs carried forward from the FY 2024 Adopted Budget. Employ & Empower is managed by the Human Resources Department, including four staff members dedicated to the Program.

#### Significant Budget Reductions

##### Budget Mitigations

As part of the citywide effort to effect budgetary savings in FY 2025, departments were

SUMMARY OF HUMAN RESOURCES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	57.50	\$ 9,042,185	\$ 1,787,849	\$ 10,830,034	\$ 871,221
<b>Programmatic Changes</b>					
<i>Employ &amp; Empower Program Interns</i>	7.50	297,592	-	297,592	297,592
<i>Employ &amp; Empower Revenue Adjustment</i>	-	-	-	-	25,582
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(165,857)	-	(165,857)	-
<i>Budget Mitigation: Recruiting &amp; Compensation Program</i>	-	-	(149,826)	(149,826)	-
<i>Budget Mitigation: Management Academy Elimination</i>	-	-	(54,775)	(54,775)	-
<i>Budget Mitigation: Training and Travel</i>	-	-	(12,000)	(12,000)	-
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	-	793,051	-	793,051	-
<i>Other Fringe Benefits (includes ADC pension payment)</i>	-	230,060	-	230,060	-
<i>Non-Discretionary - Information Technology</i>	-	-	68,077	68,077	-
<i>Other Non-Discretionary Adjustments</i>	-	-	3,676	3,676	-
<i>Budgeted PE Savings (vacancy savings adjustment)</i>	-	(223,041)	-	(223,041)	-
<b>FY 2025 Proposed Budget</b>	<b>65.00</b>	<b>\$ 9,973,990</b>	<b>\$ 1,643,001</b>	<b>\$ 11,616,991</b>	<b>\$ 1,194,395</b>
<b>Difference from 2024 to 2025</b>	<b>7.50</b>	<b>\$ 931,805</b>	<b>\$ (144,848)</b>	<b>\$ 786,957</b>	<b>\$ 323,174</b>



# Department Review: Human Resources

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required submit operational efficiencies totaling 2% of the department's FY 2024 Adopted Budget. The Human Resources Department submitted the required budget reductions; however, the total budget mitigations are \$382,000, or 3.5% of the FY 2024 Adopted Budget. Specific mitigations are outlined below.

- \$166,000 in savings based on delayed hiring of vacancies
- \$150,000 for the Recruiting and Compensation Program

The Department's planned reductions include the Handshake applicant sourcing platform, which connects early career job seekers with employers, and Payscale.com, which the Department uses for compensation market analysis. The Department has been using Handshake and LinkedIn Recruiter for targeted outreach efforts, including to historically underrepresented populations. This reduction will impact the Department's ability to actively recruit for positions and perform compensation market analysis.

- \$55,000 for the City's Management Academy, eliminating the program
- \$12,000 for travel and training expenses

(\$223,000) – Budgeted PE Savings (vacancy savings adjustment)

Additionally, a \$223,000 Budgeted PE Savings increase for the Department further reduces the Department's salaries and wages budget. The Department will need to evaluate its overall departmental workload to align their positions with the highest needs.

## Issues for Council Consideration

### Vacancies

As of mid-April 2024, Human Resources had

44.00 filled non-hourly FTEs as compared to its 50.00 budgeted positions. These positions are all "non-hourly," standard hour positions. The 6.00 unfilled FTEs translate to a 12.0% vacancy rate for the Department.

Of the 6.00 unfilled positions, 4.00 are Program Coordinator positions and 2.00 are Program Manager positions; and 5.00 of the 6.00 positions are in the Employee Experience section, which focuses on retention, including working with employee surveys, the rewards and recognition program, and the Employee Assistance Program, or EAP. Currently, there are conditional offers for 2.00 of the positions, 2.00 are in the interview process, and 2.00 are in the COO's request to fill process.

# Department Review: Library

## Library

### Impacts of Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Library Department totals approximately \$77.6 million, an increase of \$4.5 million or 6.1% from the FY 2024 Adopted Budget. The FY 2025 Proposed Budget includes 481.62 FTE positions, which is an increase of 10.62 FTEs from the FY 2024 Adopted Budget. Budgeted revenue totaling \$2.8 million represents an increase of approximately \$717,000 compared to FY 2024.

#### Significant Budget Additions

##### \$1.0 million – Janitorial and Landscaping Services

The FY 2024 Proposed Budget includes \$1.0 million in ongoing funding to account for contractual increases associated with the cost of janitorial services (\$731,000) and landscaping services (\$295,000).

##### \$557,000, 14.02 FTEs – Employ and Empower Program Interns

The FY 2025 Proposed Budget adds 14.02 FTEs and \$557,000 for hourly Student Interns and hourly Management Interns for the Employ and Empower Internship Program, which is discussed from a citywide perspective in the *Equity* section of this report. These expenditures are considered grant reimbursable; as such, the Department’s revenue includes a corresponding \$557,000 increase.

#### Significant Budget Reductions

##### Budget Mitigations

The largest FY 2025 budget reductions are budget mitigations used to help balance the General Fund budget. The Department’s expenditure budget mitigations total \$2.7 million and are discussed below.

##### (\$914,000, 10.50 FTEs) – Reduction of Vacant Positions

10.50 FTEs and \$914,000 in personnel expenditures is proposed for reduction as budget

SUMMARY OF LIBRARY DEPARTMENT - BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	471.00	\$ 51,899,268	\$ 21,261,594	\$ 73,160,862	\$ 2,050,199
<b>Programmatic Changes</b>					
<i>Janitorial and Landscaping Services</i>	-	-	1,025,934	1,025,934	-
<i>Employ and Empower Program Interns</i>	14.02	556,672	-	556,672	556,672
<i>Parking Services</i>	-	-	103,000	103,000	160,000
<i>Budget Mitigation: Reduction of Vacant Positions</i>	(10.50)	(914,302)	-	(914,302)	-
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(590,767)	-	(590,767)	-
<i>Budget Mitigation: Various NPE Reductions</i>	-	-	(630,295)	(630,295)	-
<i>Budget Mitigation: Reduction to Donation Match</i>	-	-	(300,000)	(300,000)	-
<i>Budget Mitigation: Reduction to Library Programming</i>	-	-	(250,000)	(250,000)	-
<i>Staffing Consolidations</i>	-	(116,475)	-	(116,475)	-
<i>Security Services Program Manager</i>	1.00	133,453	(171,536)	(38,083)	-
<i>Special Event Revenue</i>	-	-	-	-	100,000
<b>Other Changes</b>					
<i>Salaries and Benefit Adjustments</i>	-	\$5,014,527	-	5,014,527	-
<i>Hourly Wages</i>	6.10	534,055	-	534,055	-
<i>Chilled Water Cost Increase at Central Library</i>	-	-	200,000	200,000	-
<i>Printing Services</i>	-	-	(17,000)	(17,000)	(100,000)
<i>Non-Discretionary - Information Technology</i>	-	-	197,909	197,909	-
<i>Other Non-Discretionary Adjustments</i>	-	-	(67,763)	(67,763)	-
<i>One-time Reductions and Annualizations</i>	-	-	(254,000)	(254,000)	-
<b>FY 2025 Proposed Budget</b>	<b>481.62</b>	<b>\$ 56,516,431</b>	<b>\$ 21,097,843</b>	<b>\$ 77,614,274</b>	<b>\$ 2,766,871</b>
<b>Difference from 2024 to 2025</b>	<b>10.62</b>	<b>\$ 4,617,163</b>	<b>\$ (163,751)</b>	<b>\$ 4,453,412</b>	<b>\$ 716,672</b>

# Department Review: Library

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mitigations. These positions include 17 half-time Library Assistant Is (8.50 FTEs) across various branch locations, two half-time Library Assistant IIIs (1.00 FTE) , and 1.00 full-time Information Systems Tech. According to the Department, these positions, all of which are currently vacant, were strategically identified to minimize operational impacts.

## (\$591,000) – Budget Mitigation: Savings from Delayed Hiring

The Proposed Budget includes \$591,000 in assumed vacancy savings from delayed hiring that will be implemented to provide budgetary relief. This includes approximately \$330,000 as a result of the Executive Approval to Fill Vacancies process that will be instituted for the first six months of FY 2025. In addition to this, the Department plans to hold additional positions vacant that would provide \$261,000 in additional personnel expenditure savings.

## (\$630,000) – Various NPE Reductions

Proposed NPE reductions, totaling approximately \$630,000, include the following:

- \$221,000 one-time reduction for window cleaning at the Central Library;
- \$200,000 one-time reduction as a result of forgoing the annual replacement of approximately 175 public use computers;
- \$65,000 ongoing reduction in security services;
- \$53,000 one-time reduction in the Department’s training budget;
- \$41,000 ongoing reduction in office supplies;
- \$25,000 one-time reduction in tree trimming;
- \$15,000 ongoing reduction in print shop services; and
- \$9,000 ongoing reduction in transportation allowances.

## (\$300,000) – Reduction to Donation Match

The Proposed Budget includes a \$300,000 reduction to the Department’s annual budget for the City’s match for library donations, reducing the maximum match from \$1.2 million to \$900,000. Of the proposed \$300,000 reduction, \$200,000 is proposed as an ongoing reduction and \$100,000 is one-time.

City matching funds are used, not only to incentivize philanthropic donations, but also to serve as a means of more equitably providing resources to branch locations that typically do not receive significant donations. While half of all Library donation matching funds get directed to the branch/purpose for which the donation was provided under Council Policy 100-12, the other 50% is used to support branch locations with the greatest needs, or for a systemwide purpose, using an equity focused distribution model.

We note that the Department received a total of \$1.1 million in donations in FY 2023 and it is expected that a similar level could be reached in FY 2024 (approximately \$812,000 has been received through the end of March 2024); therefore, by implementing this reduction, the City could lose up to \$200,000 in future donations.

## (\$250,000) – Reduction to Library Programming

The Proposed Budget includes a \$250,000 one-time reduction in Library programming. The Department indicated that it plans to utilize donations and City matching funds, to the extent that they are available, to help mitigate the impacts from this reduction.

## **Other Adjustments**

### Central Library Chilled Water Cost Increase

The FY 2025 Proposed Budget includes a \$200,000 increase in on-going expenses to right-size the Department’s budget for Chilled Water Services at the Central Library.

# Department Review: Library

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## Security Guard Services

The FY 2025 Proposed Budget includes the addition of 1.00 Program Manager and \$187,000 in personnel expenditures for a position that will be responsible for system-wide security operations for the Library Department. This position was recommended by our Office in [\*IBA Report 23-20: Response to Request for Analysis of City Security Services\*](#). The addition of this position will alleviate the need for a Post Commander, which is employed by the City's security services vendor and assigned to the Central Library to provide security expertise to serve as a liaison between Library Department management and the vendor, and manage security operations at the Central Library. Given the removal of the contracted Post Commander, the Department anticipates the reduction of approximately \$173,000 in contracted security services costs. Additionally, this budget adjustment includes approximately \$54,000 in Budgeted PE Savings which amounts to a vacancy of approximately 3.5 months. Taken together, the net budgetary impact in FY 2025 amounts to a reduction of approximately \$38,000. The Department indicates that it hopes to fill this position as soon as possible following the start of FY 2025, given the critical need for the position. If successful, the amount of savings budgeted for assumed vacancy may not be realized.

## Parking Services

The FY 2025 Proposed Budget includes \$103,000 in non-personnel expenditures, and \$160,000 in revenue, to support parking services at the Central and Mission Hills branch libraries. Contract expenditures have increased to support the additional staff hours required to collect revenue and keep parking garages clean as use increases based on additional concerts, Padres games, and special events happening in and around the libraries.

## Staffing Consolidation

The FY 2025 Proposed Budget includes a net reduction of approximately \$116,000 in

personnel expenditures associated with a staffing consolidation that would convert 14 half-time Library Assistants into seven full-time positions in an effort to improve staffing retention and recruitment for these positions.

## Hourly Wages

The FY 2025 Proposed Budget includes the addition of 6.10 hourly FTEs and \$534,000 in personnel expenditures. This adjustment corrects an error which mistakenly reduced these positions in FY 2024.

## **Issues for Council Consideration**

### **Council Budget Priority Items**

Support for increasing the Library Department's operating budget was unanimously included in Councilmember budget priority memoranda. While the Department's overall operating budget is proposed to increase in FY 2025, none of the specific additions that received majority support were included in the Proposed Budget. These included: (1) \$250,000 for library materials; (2) \$500,000 for library maintenance; and (3) the addition of full-time Youth Service Librarians to ensure that each library branch is equitably staffed with 1.00 FTE per location to provide youth, family and teen services.

# Office of Boards and Commissions

The Office of Boards and Commissions supports the day-to-day operations of the City’s 50 boards and commissions and serves as an access point to volunteer appointees. Boards and Commissions often also have a City staff liaison.

## Impacts of Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Office is \$801,000, a 7.2% decrease, which is driven by proposed budget mitigations. The Office is currently staffed with 5.00 FTE positions; however, the Proposed Budget includes the reduction of an Executive Assistant, leaving a total of 4.00 FTEs. The four remaining positions include: one Associate Management Analyst and one Department Director supporting the Office’s day-to-day operations, and two Executive Directors that oversee the Commission on Gang Prevention and Intervention and the Citizens Advisory Board on Police/Community Relations.

The Proposed Budget includes \$8,000 for an online-hosted web portal (OnBoard). The portal has been used since FY 2022, but the Office was not provided a budget allocation until this Proposed Budget. The portal is used for application processing, administrative management, and tracking of Boards and Commission information, such as term expirations and board members’ information. Both

Offices of the City Clerk and Boards and Commissions use this portal. The budgeted amount aligns with previous spending trends.

### Significant Budget Reductions

As part of the FY 2025 Proposed Budget process, departments were requested to submit operational efficiency reductions totaling 2% of the department Fiscal Year 2024 Adopted Budget, which for the Office of Boards and Commissions is about \$17,000. Total reductions to the Office in the Proposed Budget are \$114,000 and are discussed below:

(\$108,000, 1.00 FTE) – Budget Mitigation: Reduction of an Executive Assistant

The Proposed Budget includes the reduction of an Executive Assistant which supports the Gang Commission, Human Relations Commission, and the Office of Boards and Commissions.

(\$7,000) – Budget Mitigation: Eliminate Various Non-personnel Expenditures

To further mitigate the budget deficit, the Proposed *eliminates* the budget for various non-personnel expenditures such as transportation allowances, cell phone costs, photocopying services, and training.

SUMMARY OF OFFICE OF BOARDS AND COMMISSIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	5.00	\$ 818,466	\$ 45,078	\$ 863,544	\$ -
<b>Programmatic Changes</b>					
<i>Budget Mitigation - Reduce Executive Assistant</i>	(1.00)	(107,609)	-	(107,609)	-
<i>Budget Mitigation - Non-personnel Expenditures</i>	-	-	(6,643)	(6,643)	-
<b>Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	48,376	-	48,376	-
<i>ClerkBase Software Contract</i>	-	-	8,000	8,000	-
<i>Non-Discretionary - Information Technology</i>	-	-	(4,641)	(4,641)	-
<i>Other Changes</i>	-	-	438	438	-
<b>FY 2025 Proposed Budget</b>	<b>4.00</b>	<b>\$ 759,233</b>	<b>\$ 42,232</b>	<b>\$ 801,465</b>	<b>\$ -</b>
<b>Difference from 2024 to 2025</b>	<b>(1.00)</b>	<b>\$ (59,233)</b>	<b>\$ (2,846)</b>	<b>\$ (62,079)</b>	<b>\$ -</b>

# Office of the Chief Operating Officer

The Office of the Chief Operating Officer (COO) includes:

- The City’s Chief Operating Officer
- The Chief Financial Officer (CFO)
- Four Deputy Chief Operating Officers (DCOOs)
- The Docketing Office
- The Office of Immigrant Affairs
- The Office of Child & Youth Success (OC&YS)

The COO manages the day-to-day operations of the City and reports to the Mayor. The Deputy Chief Operating Officers, the Police Chief, and the Fire Chief report to the COO.

## Impacts of Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Office of the COO includes approximately \$6.5 million in General Fund expenditures, a decrease of \$309,000 (or 4.6%) from the FY 2024 Adopted Budget.

The Proposed Budget includes \$138,000 in revenue, due to grant funding from the Employ & Empower Program, and 21.33 FTE positions, reflecting an increase of 0.98 FTE

positions from the FY 2024 Adopted Budget.

### Significant Budget Additions

The Proposed Budget includes the following significant budget additions:

#### \$138,000, 3.15 FTEs – Employ and Empower Program Interns

The Proposed Budget includes 3.15 FTE intern positions and \$138,000 as part of the Employ and Empower Program. Costs for these positions would be offset by revenue from the Employ and Empower Grant.

#### \$8,000, 1.00 FTE – Personnel Changes in the Office of Child & Youth Services

The Proposed Budget includes a net increase of \$8,000 in expenditures and net increase of 1.00 FTE position for OC&YS. This reflects costs related to the addition of 1.00 FTE Community Development Specialist 2 and 1.00 FTE Associate Management Analyst for \$221,000 in personnel expenditures (PE), offset by the reduction of 1.00 FTE Senior Management Analyst for \$137,000, \$57,000 for contract services, and \$19,000 in budgeted PE savings.

The Department notes that the Associate Management Analyst position is meant to replace the Senior Management Analyst position to appropriately fit the duties performed by OC&YS, while the Community Development

SUMMARY OF OFFICE OF THE CHIEF OPERATING OFFICER BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	20.35	\$ 4,987,216	\$ 1,772,469	\$ 6,759,685	\$ -
<b>Programmatic Changes</b>					
<i>OC&amp;YS - Employ and Empower Program Interns</i>	3.15	138,411	-	138,411	138,411
<i>OC&amp;YS - Personnel Changes</i>	1.00	64,976	(57,308)	7,668	-
<i>Rmvl of One-Time Youth Care and Development Program</i>	-	-	(1,002,000)	(1,002,000)	-
<i>Budget Mitigation: Office of Immigrant Affairs</i>	(3.00)	(520,933)	(41,000)	(561,933)	-
<i>Budget Mitigation: Reduction of Asst to the COO (Hourly)</i>	(0.17)	(83,694)	-	(83,694)	-
<i>Budget Mitigation: Reduction of Youth Programming</i>	-	-	(50,000)	(50,000)	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	1,161,972	-	1,161,972	-
<i>Hourly Wages</i>	-	23,752	-	23,752	-
<i>Other Non-Personnel Expenditure Adjustments</i>	-	-	57,104	57,104	-
<b>FY 2025 Proposed Budget</b>	<b>21.33</b>	<b>\$ 5,771,700</b>	<b>\$ 679,265</b>	<b>\$ 6,450,965</b>	<b>\$ 138,411</b>
<b>Difference from 2024 to 2025</b>	<b>0.98</b>	<b>\$ 784,484</b>	<b>\$ (1,093,204)</b>	<b>\$ (308,720)</b>	<b>\$ 138,411</b>

# Department Review: Office of the Chief Operating Officer

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Specialist 2 position will support the implementation of Measure H, which relates to childcare and early learning opportunities, and also support certain services previously provided by a contractor (e.g., workforce readiness workshops, youth empowerment programs, and education and career pathway programs). However, the Community Specialist 2 position may not fully compensate for the various services provided by multiple contractors and services; as such, certain workshops and youth programs, may be stalled during the time it takes to fill the position.

## Significant Budget Reductions

As part of the FY 2025 Proposed Budget process, departments were requested to submit operational efficiency reductions totaling 2% of the department FY 2024 Adopted Budget, which for the Office of the COO is about \$135,000. The Proposed Budget includes a total of \$1.7 million reductions listed below:

### (\$1.0 million) – Removal of the One-Time Youth Care and Development Pilot Program

As part of the baseline budget development process, one-time allocations in FY 2024 are removed for FY 2025. One of the adjustments removed was the \$1.0 million in one-time funds Council added to the FY 2024 Adopted Budget for the creation of the Youth Care and Development Pilot Program. The program was designed to support adolescents and young adults in Southeast San Diego with education, after-school programs, youth development programs, and access to mental health and trauma-informed care. It was initially budgeted to the Office of Child & Youth Success, but was transferred to the Department of Race and Equity in October 2023. The program was not started in FY 2024 and was instead identified as a budget mitigation to increase Excess Equity in FY 2024. Please see the budget review for the Department of Race and Equity for additional details.

### (\$562,000, 3.00 FTEs) – Budget Mitigation: Elimination of the Office of Immigrant Affairs (OIA)

The FY 2025 Proposed Budget includes the elimination of the Office of Immigrant Affairs (OIA). This includes the reduction one Executive Director, one Program Coordinator, one Senior Management Analyst, and related non-personnel expenditures. As of April 2024, all three positions are filled.

The OIA was established in July 2022 to support immigrant families. The focus of the Office is to implement the Welcoming San Diego Plan, a grant funded strategic plan designed to promote the advancement of immigrants in the region. Examples of day-to-day activities include linking stakeholders to resources at the local, State and federal levels and acting as a liaison with the California Border Patrol.

Certain duties and responsibilities of the OIA are assumed, or will be assumed, by other City departments. For example, the City's Government Affairs Department currently serves the role of liaison with other agencies regarding immigrant and refugee affairs, and the Department of Race and Equity will partner with the Mayor's Global Affairs team to implement the remaining recommendations in the Welcome San Diego Plan. Additionally, members of the public could be referred to the County's Office of Immigrant and Refugee Affairs (OIRA), which serves as the regional lead in immigrant and refugee affairs, for services.

### (\$84,000, 0.17 FTE) – Budget Mitigation: Reduction of Assistant to the Chief Operating Officer (Hourly)

The Proposed Budget reduces the 0.35 FTE Assistant to the Chief Operating Officer (hourly) position by half, to 0.18 FTE.

The addition of an hourly Assistant to the COO was intended to help with the transition of the newly hired COO in FY 2023. The position currently supports special projects, primarily the Downtown Core Revitalization

# Department Review: Office of the Chief Operating Officer

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effort.

## (\$50,000) – Budget Mitigation: Reduction of Youth Programming

In addition to the \$57,000 contracts budget reduction associated with the previously discussed personnel changes in OC&YS, the Proposed Budget includes another \$50,000 contracts reduction to the OC&YS budget. This reduction would, in turn, reduce support to the following youth programs:

- College Readiness Workshops (\$5,000)
- Career Readiness Workshops for Young Women of Color (\$18,000)
- Community Outreach and Focus Groups for Youth (\$27,00)

This would negatively impact the City's equity efforts by reducing the number of youth being offered these programs.

## **Issues for Council Consideration**

### **Equity Impact of Budget Reductions**

The COO's budget includes various reductions that could have an impact on equity. The \$50,000 reduction in outside contracts for the OC&YS would result in less community outreach and fewer focus groups and workshops provided to youth, such as the college and career readiness workshops.

Additionally, the elimination of the OIA could reduce the ability for immigrants to get connected to the right resources, however, this could be mitigated by relying on the County, as the leader of immigrant efforts in the region, as well as other existing City staff such as the Mayor's Global Affairs Team and the Government Affairs Department.



# Office of the Commission on Police Practices

The Commission on Police Practices (Commission) provides independent oversight of the San Diego Police Department with the authority to investigate police officer misconduct, review complaints against officers, and make recommendations on police officer discipline, police policies, and Police Department legal compliance. The Office of the Commission on Police Practices (OCCP) is an independent department that is responsible for managing and coordinating the day-to-day operations of the Commission.

## Impacts of the Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the OCCP is approximately \$2.1 million, a reduction of \$101,000 or 4.5% from the FY 2024 Adopted Budget. The FY 2024 Proposed Budgeted includes 14.54 FTEs which is an increase of 2.54 FTEs from FY 2024.

### Significant Budget Addition

\$117,000, 2.54 FTEs – Employ and Empower Program Interns

The FY 2025 Proposed Budget includes the addition 2.54 hourly FTEs (interns) and approximately \$117,000 in personnel expenditures which are fully supported by grant revenue through the Employ and Empower Program.

### Significant Budget Reduction

(\$45,000) – Budget Mitigation: Reduction of Professional Services

To help balance the General Fund budget, the Proposed Budget includes the reduction of approximately \$45,000 to OCCP’s Miscellaneous Professional/Technical Services budget. This reduction is not anticipated to impact OCCP operations. The Proposed Budget for professional services totals \$89,000 which is anticipated to be utilized primarily for contracted investigative services; actual expenditures through the first ten months of FY 2024 total approximately \$55,000.

## Issues for Council Consideration

### Staffing Update

Of the 12.00 FTEs budgeted in FY 2024, only 5.00 FTEs, including the Interim Executive Director, Chief Investigator, Community Engagement Coordinator, Administrative Aide, and Executive Assistant, are currently filled. The OCCP is currently in the process of recruiting for its permanent Executive Director, two Investigators and one Senior Management Analyst, with the expectation of filling these positions by the start of FY 2025. Three other positions, including General Counsel, Performance Auditor, Policy Analyst, are

SUMMARY OF OFFICE OF THE COMMISSION ON POLICE PRACTICES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	12.00	\$ 1,742,795	\$ 499,022	\$ 2,241,817	\$ -
<b>Programmatic Changes</b>					
<i>Budget Mitigation: Reduction of Professional Services</i>	-	-	(44,836)	(44,836)	
<i>Employ and Empower Interns</i>	2.54	116,746	-	116,746	116,746
<b>Other Changes</b>					
<i>Other Salaries and Wages</i>	-	28,622	-	28,622	-
<i>Budgeted PE Savings (vacancy savings adjustment)</i>		(122,061)		(122,061)	-
<i>One-time Removals and Annualizations</i>	-		(92,500)	(92,500)	-
<i>Non-Discretionary Adjustments</i>	-	-	12,702	12,702	-
<b>FY 2025 Proposed Budget</b>	<b>14.54</b>	<b>\$ 1,766,102</b>	<b>\$ 374,388</b>	<b>\$ 2,140,490</b>	<b>\$ 116,746</b>
<b>Difference from 2024 to 2025</b>	<b>2.54</b>	<b>\$ 23,307</b>	<b>\$ (124,634)</b>	<b>\$ (101,327)</b>	<b>\$ 116,746</b>

## Department Review: Office of the CPP

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expected to be filled after the first quarter of FY 2025 once the new permanent Executive Director has been appointed. The Deputy Executive Director position is expected to remain vacant. The FY 2025 Proposed Budget includes an increase of approximately \$122,000 in Budget PE Savings, which is effectively a reduction of personnel expenditures, to account for anticipated savings from these vacancies.

# Office of the IBA

The Office of the Independent Budget Analyst (IBA) provides budgetary and policy analysis for the City Council, and strives to implement good government principles by ensuring that the public has access to information and the ability to participate in the decision-making process.

Work of the IBA includes review and analysis of the annual budget, review of all items docketed for consideration by the City Council and the Housing Authority, ongoing monitoring of City monthly and quarterly financial updates, and support for each of the City Council’s committees.

The IBA also provides supplemental information, findings, and recommendations to further educate decision-makers and the public, and participates in a number of public town-halls and crash-courses to help explain the City’s budget, procedures, and policies.

## Impacts of Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Office of the IBA totals \$2.9 million, which is a \$112,000 (or 4.1%) increase from the FY 2024 Adopted Budget. FTEs in the Proposed Budget total 11.00, which represents no change from FY 2024.

## Significant Budget Reduction

The Proposed Budget includes the following budget reduction:

### (\$55,000) – Budget Mitigation: NPE Savings

As part of the FY 2025 Proposed Budget process, departments were requested to submit operational efficiencies totaling 2% of the department FY 2024 Adopted Budget. The IBA anticipates reduced spending on discretionary items such as postage, office supplies, training and related travel expenses, and miscellaneous professional services to meet the reduction target. This reduction is not anticipated to have an impact on the Office’s service levels for FY 2025. However, sustaining this reduction beyond FY 2025 would require additional evaluation.

For context, in FY 2021, a 4% budget reduction was included in the budget for all non-Mayoral departments, which includes the Office of the IBA. Only half of the reduction was restored on an ongoing basis in FY 2023.

SUMMARY OF OFFICE OF THE INDEPENDENT BUDGET ANALYST BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	11.00	\$2,554,258	\$ 195,952	\$ 2,750,210	\$ -
<b>Programmatic Changes</b>					
<i>Budget Mitigation: NPE Savings</i>	-	-	(55,004)	(55,004)	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	139,145	-	139,145	-
<i>Other Non-Personnel Expenditure Adjustments</i>	-	-	27,429	27,429	-
<b>FY 2025 Proposed Budget</b>	<b>11.00</b>	<b>\$ 2,693,403</b>	<b>\$ 168,377</b>	<b>\$ 2,861,780</b>	<b>\$ -</b>
<b>Difference from 2024 to 2025</b>	<b>-</b>	<b>\$ 139,145</b>	<b>\$ (27,575)</b>	<b>\$ 111,570</b>	<b>\$ -</b>

# Office of the Mayor

The Office of the Mayor consists of three teams: Communications, Community Engagement, and Policy. The Communications team is focused on open and transparent communication between the City and its residents on behalf of the Mayor; the Community Engagement team attends functions on the Mayor’s behalf and provides information to community groups; and the Policy team works with City staff and the Council to develop and implement policies.

## Impacts of the Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Office of the Mayor is approximately \$4.3 million, which is an increase of \$175,000 or 4.3% from the FY 2024 Adopted Budget. Aside from the addition of the Employ and Empower Program interns discussed below, a major driver of the increase in budget is salary and benefit increases.

### Significant Budget Addition

\$108,000, 2.45 FTEs – Employ and Empower Interns

The Proposed Budget adds \$108,000 and 2.45 FTE for hourly interns for the Employ and Empower Internship Program, which is discussed from a citywide perspective in the *Equity* section of this report. These expenditures are grant reimbursable; as such, the Office’s revenue includes a corresponding total of \$108,000.

### Significant Budget Reduction

The Proposed Budget includes the following significant budget reduction:

(\$82,000) – Budget Mitigation: Savings from Delayed Hiring

As part of the FY 2025 Proposed Budget process, departments were requested to submit operational efficiency reductions totaling 2% of the department FY 2024 Adopted Budget, which for the Mayor’s Office is about \$82,000. The target is anticipated to be met by keeping its 1.00 FTE Mayor Representative 2 vacant.

### Unfunded Community Grant Funding

Typically, Arts, Culture, and Community Festivals (ACCF) grant funding is supported by the Transient Occupancy Tax Fund for the City Council and the Mayor in the Special Promotional Programs section of the Proposed Budget. Annual funding and guidelines for use of ACCF funding are provided in City Council Policy 100-23. In FY 2024, each Council Office and the Mayor received \$50,000 of ACCF funding to discretionally award to private nonprofit organizations in support of their ongoing operational expenses and/or sponsorship of special events. To mitigate the budget deficit, the Proposed Budget does not include ACCF funding for either Council Offices or the Mayor.

SUMMARY OF OFFICE OF THE MAYOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	20.00	\$ 3,783,001	\$ 328,325	\$ 4,111,326	\$ -
<b>Programmatic Changes</b>					
<i>Employ and Empower Program Interns</i>	2.45	107,653	-	107,653	107,653
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(82,227)	-	(82,227)	-
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	116,658	-	116,658	-
<i>Other Changes</i>	-	-	36,226	36,226	-
<i>Non-Discretionary &amp; Information Technology</i>	-	-	(3,504)	(3,504)	-
<b>FY 2025 Proposed Budget</b>	<b>22.45</b>	<b>\$ 3,925,085</b>	<b>\$ 361,047</b>	<b>\$ 4,286,132</b>	<b>\$ 107,653</b>
<b>Difference from 2024 to 2025</b>	<b>2.45</b>	<b>\$ 142,084</b>	<b>\$ 32,722</b>	<b>\$ 174,806</b>	<b>\$ 107,653</b>

## Department Review: Parks & Recreation

# Parks & Recreation

The Parks and Recreation Department is organized under several funds, including the General Fund, the Golf Course Fund, the Los Penasquitos Reserve Fund, and the Environmental Growth Funds. When these funds are combined, the Department’s FY 2025 Proposed Budget totals \$262.1 million, an increase of approximately \$32.6 million from the FY 2024 Adopted Budget.

### Impacts of Mayor’s FY 2025 Budget Proposal

#### General Fund

The FY 2025 Proposed Budget for the Parks and Recreation Department totals approximately \$188.5 million in the General Fund, an increase of \$10.2 million, or 5.7% from the FY 2024 Adopted Budget. The FY 2025 Proposed Budget includes 1,105.48 FTEs which

represents an increase of 45.03 FTEs from the FY 2024 Adopted Budget. The Department’s General Fund revenue totals \$61.0 million, an increase of \$10.8 million from FY 2024.

The Parks and Recreation Department has historically been organized into five divisions, including Administrative Services, Community Parks I, Community Parks II, Developed Regional Parks, and Open Space. Last year, the Department reorganized to include two new divisions - Citywide Recreation Services and Citywide Maintenance Services - to focus on centralized maintenance and recreation services. This was done, in part, to increase equity and eliminate differences between services provided in different geographic areas of the City.

For FY 2025, the Department is proposing additional changes to its organizational structure that will eliminate the Developed Regional

SUMMARY OF PARK AND RECREATION DEPARTMENT EXPENDITURE BUDGET CHANGES						
	FY 2024 FTE	FY 2025 FTE	CHANGE	FY 2024 BUDGET	FY 2025 PROPOSED	CHANGE
<b>General Fund</b>						
<i>Administrative Services</i>	33.75	41.81	8.06	\$ 7,825,541	\$ 9,088,725	\$ 1,263,184
<i>Balboa Park Division</i>	-	111.92	111.92	\$ -	\$ 14,068,276	\$ 14,068,276
<i>Citywide Maintenance Services</i>	123.00	128.00	5.00	\$ 19,310,077	\$ 21,099,361	\$ 1,789,284
<i>Citywide Recreation Services</i>	35.00	58.64	23.64	\$ 4,001,145	\$ 5,439,032	\$ 1,437,887
<i>Community Parks I</i>	212.17	210.99	(1.18)	\$ 37,342,329	\$ 37,551,365	\$ 209,036
<i>Community Parks II</i>	311.21	292.33	(18.88)	\$ 58,269,051	\$ 55,247,833	\$ (3,021,218)
<i>Developed Regional Parks</i>	263.50	-	(263.50)	\$ 33,702,410	\$ -	\$ (33,702,410)
<i>Mission Bay &amp; Shoreline Parks</i>	-	112.60	112.60	\$ -	\$ 17,817,106	\$ 17,817,106
<i>Open Space</i>	81.82	98.84	17.02	\$ 17,838,603	\$ 21,669,680	\$ 3,831,077
<i>Park Ranger Division</i>	-	50.35	50.35		\$ 6,502,090	\$ 6,502,090
<b>Subtotal General Fund</b>	<b>1,060.45</b>	<b>1,105.48</b>	<b>45.03</b>	<b>\$ 178,289,156</b>	<b>\$ 188,483,468</b>	<b>\$ 10,194,312</b>
<b>Non-General Fund</b>						
<i>Environmental Growth Fund 1/3</i>	-	-	-	\$ 9,053,200	\$ 14,064,694	\$ 5,011,494
<i>Environmental Growth Fund 2/3</i>	-	-	-	\$ 16,832,654	\$ 30,758,243	\$ 13,925,589
<i>Golf Course Fund</i>	119.92	122.92	3.00	\$ 24,967,944	\$ 28,759,202	\$ 3,791,258
<i>Los Penasquitos Canyon Preserve Fund</i>	2.00	-	(2.00)	\$ 342,141	\$ 15,125	\$ (327,016)
<b>Subtotal Non-General Fund</b>	<b>121.92</b>	<b>122.92</b>	<b>1.00</b>	<b>\$ 51,195,939</b>	<b>\$ 73,597,264</b>	<b>\$ 22,401,325</b>
<b>TOTAL PARK AND RECREATION</b>	<b>1,182.37</b>	<b>1,228.40</b>	<b>46.04</b>	<b>\$ 229,485,095</b>	<b>\$ 262,080,732</b>	<b>\$ 32,595,637</b>

# Department Review: Parks & Recreation

Parks Division and, in its place, create three new divisions: Balboa Park Division, Mission Bay Park and Shoreline Beaches Division, and Park Rangers Division. The positions and non-personnel expenditures previously budgeted in the Developed Regional Parks Division are distributed among the three new divisions in the Proposed Budget.

The Balboa Park Division will support Balboa Park, Presidio Park, and Mission Hills Park. The Mission Bay Park and Shoreline Parks Division will be responsible for all other regional parks, including 13 miles of beaches from Ocean Beach to Jolla Shores, and shoreline parks adjacent to the beach. The Park Ranger Division will be responsible for centralized park ranger services at all park locations, including sidewalk vending ordinance education and enforcement.

## Significant Budget Additions

\$2.5 million, 9.00 FTEs – New Open Space Areas

The FY 2025 Proposed Budget includes the addition of 9.00 FTEs and \$2.5 million in expenses (of which approximately \$605,000 are one-time costs) to operate and maintain new open space areas, including:

- 4.00 FTEs and \$1.1 million for Los Penasquitos Open Space;
- 3.00 FTEs and \$827,000 for the Multi-Habitat Planning Area (MHPA) and Famosa Slough; and
- 2.00 FTEs and \$554,000 for East Elliot Open Space.

Services for each open space area generally include Park Ranger patrols, resource and vegetation management, and trail management, among other services.

SUMMARY OF PARK AND RECREATION DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	1,060.45	\$ 98,751,842	\$ 79,537,314	\$ 178,289,156	\$ 50,218,753
<b>Programmatic Changes</b>					
<i>New Open Space Areas</i>	9.00	757,719	1,729,732	2,487,451	587,324
<i>Employ and Empower Program</i>	44.26	1,905,070	4,200	1,909,270	1,909,270
<i>New Park Facilities</i>	6.00	434,350	802,613	1,236,963	-
<i>San Diego River Park Rangers</i>	3.00	209,521	525,000	734,521	-
<i>Transfer - Los Penasquitos Canyon Preserve Fund</i>	2.00	307,667	-	307,667	308,037
<i>Addition of Land Acquisition Program Coordinator</i>	1.00	183,481	2,300	185,781	185,781
<i>Additional Programming for Memorial Senior Center</i>	2.50	78,103	25,000	103,103	-
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(1,059,445)	-	(1,059,445)	-
<i>Budget Mitigation: After School/Teen Center Program</i>	(13.03)	(860,645)	(41,784)	(902,429)	-
<i>Budget Mitigation: Swimming Pool Programming</i>	(5.55)	(334,500)	(45,000)	(379,500)	(70,437)
<i>Budget Mitigation: Park Maintenance Staffing</i>	(5.00)	(332,961)	(2,500)	(335,461)	-
<i>Budget Mitigation: Recreation Programming</i>	-	-	(78,125)	(78,125)	-
<i>Portable Restrooms/Handwashing Stations</i>	-	-	(948,968)	(948,968)	-
<i>EGF Reimbursement Revenue</i>	-	-	-	-	12,496,741
<i>Revised Revenue</i>	-	-	-	-	386,000
<i>TOT Reimbursable Revenue</i>	-	-	-	-	(5,000,000)
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	0.85	8,691,176	-	8,691,176	-
<i>Non-Discretionary - Information Technology</i>	-	-	718,378	718,378	-
<i>Other Non-Discretionary Adjustments</i>	-	-	2,293,616	2,293,616	-
<i>One-Time Additions and Annualizations</i>	-	-	(5,057,980)	(5,057,980)	-
<i>Other Adjustments</i>	-	-	288,294	288,294	-
<b>FY 2025 Proposed Budget</b>	<b>1,105.48</b>	<b>\$ 108,731,378</b>	<b>\$ 79,752,090</b>	<b>\$ 188,483,468</b>	<b>\$ 61,021,469</b>
<b>Difference from 2024 to 2025</b>	<b>45.03</b>	<b>\$ 9,979,536</b>	<b>\$ 214,776</b>	<b>\$ 10,194,312</b>	<b>\$ 10,802,716</b>

# Department Review: Parks & Recreation

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## \$1.9 million, 44.26 FTEs – Employ and Empower Program

The FY 2025 Proposed Budget adds 42.26 FTEs and \$1.7 million for hourly Student Interns and hourly Management Interns for the Employ and Empower Internship Program, which is discussed from a citywide perspective in the *Equity* section of this report. These expenditures are considered grant reimbursable; as such, the Department's revenue includes a corresponding \$1.7 million increase.

Also included are 2.00 Associate Department HR Analysts and \$231,000 in expenses to help the Department manage this program. Corresponding grant revenue is assumed to offset the cost of these positions in the Proposed Budget; however, the Human Resources Department has indicated to our Office that these positions are not eligible for grant reimbursement, which will require a \$231,000 reduction in departmental revenue in the May Revise.

## \$1.2 million, 6.00 FTEs – New Facilities

The FY 2025 Proposed Budget includes 6.00 FTEs and \$1.2 million in expenses (of which approximately \$480,000 are one-time costs) to operate and provide maintenance to eight new or expanded park facilities throughout the City, including four new Joint Use (JU) Facilities.

The new parks are as follows:

- Canon Street Pocket Park
- Navel Training Center (NTC) Esplanade
- Balboa Park Botanical Building
- Ocean Air Community Park Enhancements
- Boone Elementary JU
- Pacific View Elementary JU
- Spreckles Elementary JU
- Whitman Elementary JU

The Mayor's FY 2025-2029 Five-Year Outlook (Outlook) anticipated that two additional parks would open in FY 2025. These parks include Hidden Trail Neighborhood Park (delayed to FY 2026) and Dennery Ranch Neighborhood Park (delayed to FY 2027).

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## \$735,000, 3.00 FTEs – San Diego River Park Rangers

The FY 2025 Proposed Budget includes the addition of 3.00 Park Rangers and \$735,000 (of which \$414,000 are one-time costs) to support the expanded River Park area by addressing, among other issues, homeless encampments in Mission Valley near SDSU's Snapdragon Stadium, as well as other locations along the river.

## \$186,000, 1.00 FTE – Addition of Reimbursable Land Acquisition Program Coordinator

The FY 2025 Proposed Budget includes the addition of 1.00 Land Acquisition Program Coordinator and \$186,000 in expenditures. The position, which is reimbursable from Citywide Park DIF, will be responsible for developing a program to acquire park land by identifying new and existing sources of funding, including DIF-funded purchases.

## \$103,000, 2.50 FTEs – Additional Programming for Memorial Senior Center

The FY 2025 Proposed Budget includes the addition of 2.50 hourly Recreation Leader 1 position and \$103,000 to provide extra staffing for Age Friendly San Diego programming at the Memorial Senior Center.

## **Significant Budget Reductions**

### Budget Mitigations

The most significant FY 2025 budget reductions are budget mitigations used to help balance the General Fund budget. The Department's expenditure mitigations total \$2.8 million and are discussed below.

### (\$1.1 million) – Budget Mitigation: Savings from Delayed Hiring

The Proposed Budget includes \$1.1 million in assumed vacancy savings from the implementation of the Executive Approval to Fill Vacancies process that will be instituted for the first six months of FY 2025.

### (\$902,000, 13.03 FTEs) – Elimination of After School and Teen Center Programs

The Proposed Budget includes the elimination

## Department Review: Parks & Recreation

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of all After School and Teen Center Programs which primarily serves youth in underserved communities, through the reduction of 13.03 hourly positions and \$902,00 in expenditures. Programs are currently occurring at 17 recreation centers, of which 16 are within the Community Parks II Division (includes park facilities located in Council District 3, 4, 8, and 9). According to the Department, 66,602 youth/teens participated in programming during FY 2023.

### (\$380,000, 5.55 FTEs) – Reduction of Swimming Pool Programming

5.55 hourly positions and \$380,000 in proposed reductions are associated with the reduction of swim and water polo programs during the non-summer months. This includes all City pools with the exception of the Ned Baumer/Miramar College Pool due to contractual requirements. According to the Department, in FY 2023 there were 365 individuals who participated in water polo and 627 who participated in swim team programs.

### (\$335,000, 5.00 FTEs) – Reduction of Park Maintenance Positions

The FY 2025 Proposed Budget includes the reduction of 5.00 FTEs responsible for various park maintenance activities and \$335,000 in expenses. The positions include 2.00 Grounds Maintenance Workers within the Open Space Division responsible for general trail maintenance; 1.00 Grounds Maintenance Worker assigned to Robb Field; and 2.00 Equipment Operator/Technicians responsible for Citywide turf and irrigation maintenance. Two of these positions are currently filled; the Department plans to transfer these individuals to other vacant positions.

### (\$78,000) – Reduction of Recreation Programming

The Proposed Budget includes a \$78,000 reduction in “Come Play Outside” recreation programming for all sites located in Community Parks I Division, which currently includes the Linda Vista and Serra Mesa

Recreation Centers. This funding supports low to no cost specialty camps (e.g., skate camps, tennis camp, art and robotic camps), classes and youth leagues, as well as park repairs such as basketball court resurfacing, lighting, and turf renovations. While all funding for Community Parks I will be eliminated as a result of the proposed reduction, \$336,000 in funding from the General Fund for Community Parks II locations is maintained. In addition to this funding from the General Fund, \$375,000 in funding from the Opportunity Fund is anticipated for FY 2025 and approximately \$455,000 is expected from the County of San Diego for the “Parks After Dark” program, which is held at four sites, including City Heights, Memorial, Linda Vista, and Skyline.

### **Other Budget Adjustments**

#### Portable Restrooms and Handwashing Stations

The FY 2025 Proposed Budget for Parks & Recreation includes the reduction of approximately \$949,000 in non-personnel expenditures associated with portable restrooms (\$898,000) and handwashing stations (\$51,000). The Homeless Strategies and Solutions Department (HSSD) assumed responsibilities for these portable facilities in FY 2024; this adjustment in the Proposed Budget effectuates this transfer budgetarily, and there is an associated increase in the HSSD Budget.

### **Significant Revenue Adjustments**

The FY 2025 Proposed Budget includes a net revenue increase of \$7.9 million resulting from a \$12.5 million increase in reimbursements from the Environmental Growth Funds, a \$386,000 increase in permit revenue based on FY 2024 projections, and a \$5.0 million reduction in reimbursable revenue from the TOT Fund.



# Department Review: Parks & Recreation

## Issues for Council Consideration

### Options for Council Modifications

#### Expanded Service Levels

While the Proposed Budget includes significant service level reductions due to the General Fund's structural budget imbalance, it also includes increases for various programs. The Council will have to carefully weigh what is worth reducing in order to support increases in other areas. Some notable increases for the Parks and Recreation Department, each of which was discussed earlier in this Department Review, include the following:

- 9.00 FTEs and \$2.5 million to support new open space areas;
- 3.00 FTEs and \$735,000 for additional San Diego River Park Rangers;
- 2.50 FTEs and \$103,000 to increase programming at the Memorial Senior Center; and
- 2.00 Associate Department HR Analysts and \$231,000 in expenses which the Human Resources Department has indicated are not eligible for reimbursement under the Employ and Empower Grant.

Council may wish to hear more information from the Department regarding the criticality of these additions, and whether implementation can be scaled back, or delayed to a future date.

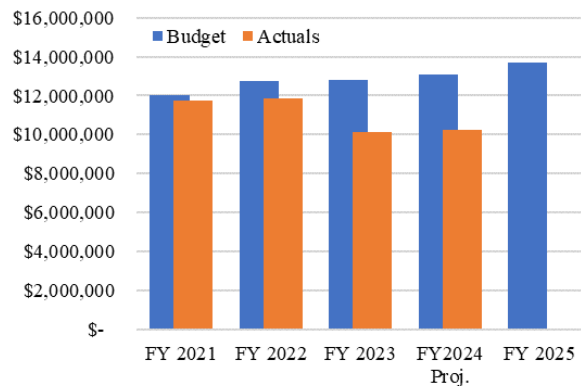
#### Water Usage

The Department's budget for non-discretionary water expenditures is proposed to increase by approximately \$623,000 in FY 2025 based on anticipated water rate increases. However, as reflected in the chart to the right, actual expenditures have come in under budget over the last several years, including a significant variance of \$2.7 million in FY 2023 and a projected FY 2024-year end variance of \$2.9

million, primarily due to increased rainfall leading to less irrigation.

While future rainfall is difficult to predict, given trends since FY 2021 it would be reasonable to consider reductions to water expenditures assumed in the Proposed Budget. If the budget were to reflect the average amount of irrigation over the last four years, total water expenditures would come to \$13.0 million, which would free up approximately \$724,000 for other uses. Our Office will work with the Parks and Recreation Department and Public Utilities Department further investigate the potential for savings here.

Historical Water Expenditures  
FY 2021- FY2025



## Environmental Growth Funds

The Environmental Growth Funds (EGFs) are projected to receive approximately \$31.6 million in franchise fees from San Diego Gas & Electric (SDG&E) which represents one-quarter of the total SDG&E franchise fees (including minimum bid payments) received by the City, in accordance with Charter Section 103.1a. This revenue projection is an increase of approximately \$2.7 million from the FY 2024 Adopted Budget given the increase in projected franchise fees from SDG&E.

The EGFs are allocated into a one-third and

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## Department Review: Parks & Recreation

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two-thirds portion, to reflect Charter provisions that allow up to two-thirds of revenues to be pledged for bonds for acquisition, improvement and maintenance of park or recreational open space.

To the extent funds exist over and above the requirements for debt service, the Charter provides that they may be used for other purposes so long as those purposes preserve and enhance the environment and are approved by the City Council.

In FY 2009, the Environmental Growth Fund retired the 1004 San Diego Open Space Facilities District No. 1 General Obligation Bonds. Since that time, available revenues have historically been used to reimburse the General Fund for eligible park and open space maintenance activities; however, FY 2024 mid-year General Fund appropriation adjustments included the use of \$3.1 million in EGF to support wetland compensatory mitigation efforts following impacts from emergency stormwater channel maintenance. This was the first time that EGF funding has been used for a purpose other than Parks and Recreation. For FY 2025, \$6.2 million from the EGF is proposed for additional wetland mitigation for prior stormwater channel maintenance, and \$35.5 million is being transferred to the Parks and Recreation General Fund budget. Additional funds are budgeted for reimbursement to Maintenance Assessment Districts.

### Golf Course Fund

The FY 2025 Proposed Budget for the Golf Course Fund totals \$28.8 million, representing an increase of approximately \$3.8 million over the FY 2024 Adopted Budget. Golf Course Fund revenues total \$28.5 million, which is an increase of \$3.7 million from FY 2024 based on revised revenue projections which align the budget to reflect prior year actuals more closely.

#### Significant Budget Additions

The FY 2025 Proposed Budget for the Golf Course Fund includes the following significant expenditure additions:

- \$1.3 million increase in Non-Discretionary Expenses primarily associated with water usage (\$795,000) and rent expense (\$353,000) which is a land use fee paid to the General Fund; and
- \$710,000 for various Mission Bay and Balboa Park Golf Course maintenance, repairs, and other improvements; and
- 3.00 FTEs and \$184,000 to support operations and maintenance activities. This includes 2.00 Golf Operations Supervisors allow an additional supervisor to be on property at the Mission Bay and Balboa park Golf Courses during peak times such as weekends and holidays, and 1.00 Golf Course Greenskeeper which will be responsible for maintenance of the new Mission Bay clubhouse and general landscaping maintenance responsibilities at the newly upgraded facility.

# Department Review: Performance and Analytics

## Performance and Analytics

Through data collection and analysis, strategic planning, customer engagement, and research, the Performance and Analytics Department (PandA) aims to make City services more efficient and open to the public.

### Impacts of Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for PandA is approximately \$5.7 million, which is a \$385,000 (or 7.3%) increase from the FY 2024 Adopted Budget. The increase is driven by salary and benefit increases. Proposed staffing levels increase from 18.00 FTE positions in FY 2024 to 19.31 FTE in FY 2025.

#### Significant Budget Addition

The FY 2025 Proposed Budget includes one budget addition:

\$52,000, 1.31 FTE – Employ and Empower Program Intern

The Proposed Budget includes 1.31 FTE intern positions and \$52,000 as part of the Employ and Empower Program. Costs for these positions would be offset by revenue from the Employ and Empower Grant.

#### Significant Budget Reductions

As part of the FY 2025 Proposed Budget process, departments were requested to submit operational efficiency reductions totaling 2% of the department FY 2024 Adopted Budget, which for PandA is about \$106,000.

The FY 2025 Proposed Budget includes the following budget mitigation reductions totaling \$228,000:

(\$128,000) – Budget Mitigation: Savings from Delayed Hiring

To meet the reduction target, PandA anticipates delaying filling 1.00 FTE Program Coordinator vacancy, which is anticipated to result in \$106,000 in expenditure savings. PandA is currently carrying a vacancy associated with an employee currently being on an interim assignment as a Deputy Director in the Human Resources Department. PandA notes that this vacancy will remain open for as long as that staff member continues to serve in the interim assignment, which is anticipated to be long enough to accrue enough vacancy savings to meet reduction targets. A delay in filling this position is not expected to significantly impact service levels.

Additionally, in March 2024, the City implemented a process that requires Executive approval prior to filling all vacant positions in an effort to reduce expenditures. Departments are limited to requesting to fill vacancies for critical positions. This process is anticipated to continue through the first half of FY 2025. Due to this temporary Request to Fill process, the Proposed Budget has included a \$22,000 reduction in personnel expenditures.

SUMMARY OF PERFORMANCE AND ANALYTICS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	18.00	\$ 3,266,318	\$ 2,024,336	\$ 5,290,654	\$ 175,167
<b>Programmatic Changes</b>					
<i>Employ and Empower Program Intern</i>	1.31	51,980	-	51,980	51,980
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(127,863)	-	(127,863)	-
<i>Budget Mitigation: OpenGov</i>	-	-	(100,000)	(100,000)	-
<b>Other Changes</b>					
<i>Other Salary and Benefit Adjustments</i>	-	538,650	-	538,650	-
<i>Other Adjustments</i>	-	-	21,793	21,793	-
<b>FY 2025 Proposed Budget</b>	<b>19.31</b>	<b>\$ 3,729,085</b>	<b>\$ 1,946,129</b>	<b>\$ 5,675,214</b>	<b>\$ 227,147</b>
<b>Difference from 2024 to 2025</b>	<b>1.31</b>	<b>\$ 462,767</b>	<b>\$ (78,207)</b>	<b>\$ 384,560</b>	<b>\$ 51,980</b>

# Department Review: Performance and Analytics

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## (\$100,000) – Budget Mitigation: OpenGov

This adjustment would reduce ongoing non-personnel expenditures that support the City’s online performance dashboard and budget tool, OpenGov.

OpenGov provides tools the City uses for community engagement and transparency. One of these tools is Department of Finance’s budget visualizations and interactive reporting tools. According to the PandA, the impact of this reduction will be the elimination of the public-facing interactive budget tool.<sup>1</sup>

Additionally, OpenGov’s Open Town Hall tool is used to support community engagement and surveying efforts for City departments, such as City Planning, Parks and Recreation, Planning, Race and Equity, and Development Services.<sup>2</sup> This reduction could limit the City’s transparency initiatives and ability to gather the public’s service priorities.

## **Issues for Council Consideration**

### **Support for Get It Done Expansion**

As the City moves beyond FY 2025, Council should keep in mind the expenses required to maintain the Get It Done App, which has become the City’s primary service request intake platform. As Get It Done has expanded over the years, so has the need for increased expenditures for technical support and maintenance. According to the PandA, funding to maintain the Get It Done App has not kept pace with its expansion, and additional funding will likely be required in future years.

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<sup>1</sup> The interactive budget tool for the FY 2025 Proposed Budget can be found [here](#).

<sup>2</sup> Open Town Hall’s list of community surveys can be found [here](#).

# Department Review: Personnel Department

## Personnel Department

In accordance with the City Charter, the Personnel Department reports to the Civil Service Commission (CSC) and is charged with overseeing the selection, promotion, and removal of all classified employees, as well as maintaining a competitive merit system that provides equal opportunity for all applicants. Personnel performs a number of functions, some of which include: onsite assistance to hiring departments; review of position duties for appropriate job classifications; recruiting and exam management; certification of eligible lists of qualified candidates; maintenance of employee master data; coordination of CSC meetings and disciplinary appeal hearings; and investigation of complaints involving discrimination based on legally protected classes.

### Impacts of Mayor’s FY 2025 Budget Proposal

The following table presents a summary of the Personnel Department’s budget changes from the FY 2024 Adopted Budget to the FY 2025 Proposed Budget. The number of FTE positions are increasing by 0.50, from 85.99 in FY 2024 to 86.49 in FY 2025. Expenditures are

increasing by \$1.3 million – from \$14.6 million to \$15.9 million, or 9.0%. The Department has relatively minimal revenue.

### Significant Budget Additions

The largest expenditure increase in the table is \$952,000 on the “Other Salaries & Wages” line, largely due to FY 2025 general salary increases, merit increases, and promotions. The two programmatic increases are addressed below.

#### \$401,000 – Medical Examinations: Increased Contract Costs

The NPE column of the table includes a \$401,000 increase for contracted pre-employment medical examinations and random drug and alcohol testing. Increased hiring has led to increased contract costs; and the Department has exceeded its budget for several years. Additionally, price increases for various medical exams included in the latest contract with the medical provider are expected to further increase overall costs.

Personnel has requested a May Revise adjustment to further increase its contracted services budget by approximately \$110,000 for the

SUMMARY OF PERSONNEL BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	85.99	\$ 13,225,059	\$ 1,335,186	\$ 14,560,245	\$ 5,390
<b>Programmatic Changes</b>					
<i>Medical Examinations - Increased Contract Costs</i>	-	-	400,613	400,613	-
<i>Employ and Empower Program Interns</i>	0.50	19,839	-	19,839	19,839
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(291,205)	-	(291,205)	-
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	-	951,667	-	951,667	-
<i>Other Fringe Benefits (includes ADC pension payment)</i>	-	94,842	-	94,842	-
<i>Non-Discretionary - Information Technology</i>	-	-	86,457	86,457	-
<i>Bilingual and Special Assignment Pay</i>	-	54,650	-	54,650	-
<i>Pay-in-Lieu of Annual Leave &amp; Termination Pay</i>	-	53,548	-	53,548	-
<i>Budgeted PE Savings (vacancy savings adjustment)</i>	-	(51,071)	-	(51,071)	-
<i>Other Non-Discretionary Adjustments</i>	-	-	(2,606)	(2,606)	-
<b>FY 2025 Proposed Budget</b>	<b>86.49</b>	<b>\$ 14,057,329</b>	<b>\$ 1,819,650</b>	<b>\$ 15,876,979</b>	<b>\$ 25,229</b>
<b>Difference from 2024 to 2025</b>	<b>0.50</b>	<b>\$ 832,270</b>	<b>\$ 484,464</b>	<b>\$ 1,316,734</b>	<b>\$ 19,839</b>

# Department Review: Personnel Department

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medical exam and random drug testing services. The Department indicated that the contracted cost increases were not fully factored into its Proposed Budget request.

The Department, however, is looking for ways to increase efficiencies and reduce costs for the pre-employment medical exam and drug screening processes. In a [follow-up response](#) to recommendation 2.4 of the [Performance Audit of the City's Classified Employee Hiring Process](#), released by the City Auditor July 2023, the Department conveyed that it is working with management and the City Attorney's Office to examine potential policy changes. If it is decided that certain medical exams would no longer be required as part of the background check process, there may be resulting savings; but this has not yet been determined. In any case, the Personnel Department plans to take any recommended process improvements to the CSC by the end of the year.

## \$20,000, 0.50 FTEs – Employ and Empower Program Interns

The Proposed Budget adds \$20,000 and 0.50 FTEs for hourly Management Interns for the Employ and Empower Internship Program, which is discussed from a citywide perspective in the *Equity* section of this report. These expenditures are considered grant reimbursable; as such, the Department's revenue includes a corresponding \$20,000 increase.

## **Significant Budget Reductions**

### (\$291,000) – Budget Mitigation: Savings from Delayed Hiring

As part of the citywide effort to effect budgetary savings in FY 2025, departments were required to submit operational efficiencies totaling 2% of the department's FY 2024 Adopted

Budget. The Personnel Department submitted the required budget reduction, which is based on keeping several positions vacant.

### (\$51,000) – Budgeted PE Savings (vacancy savings adjustment)

Additionally, Budgeted PE Savings has been increased for the Department, which reduces the Department's budget by \$51,000 for additional vacancy savings. As mentioned, the Department plans to hold three positions vacant, which will lead to indefinite delays, including with respect to the following:

- The addition of another hiring department to the Outstation Program:

The Outstation Section provides on-site assistance to hiring departments on myriad personnel issues including the development of screening criteria and interview processes, coordinating the screening of candidates and scheduling of interviews, and guiding candidates receiving conditional job offers through the pre-employment process. The Outstation Program is currently implemented in six departments: General Services, Stormwater, Transportation, DSD, ESD and Parks & Recreation.

- Work on Recommendation 1.6 of the City Auditor's hiring process audit with respect to the creation of a centralized bank of job analyses,<sup>1</sup> job/interview factors, and interview questions.

- Processing times of equal employment complaints:

Timeframes will be extended for investigation of complaints involving discrimination based on legally protected classes.

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<sup>1</sup> Job analyses worksheets are created by hiring departments to evaluate what competencies are needed for the position for which interviews will be conducted.

# Department Review: Personnel Department

## Issues for Council to Consider

### Key Performance Indicators

The following table shows two performance measures and includes the measures' goals and actual results for several years. The first row shows the average timeframe for issuing certified lists of eligible candidates to hiring departments when recruitment is required. For this KPI, the goal is an average timeframe of 57 days. Applications for jobs in the City have increased over the years shown, as have the number of citywide FTEs and recruitments.

During the pandemic, the Actual FY 2021 average increased to 74 days from the FY 2020 54-day average. There was improvement in FY 2022, with a drop to a 66-day average timeframe. In FY 2023, 3.00 FTEs directly impacting the Personnel Departments' certification list KPIs were added to the Personnel Department's budget.<sup>2</sup> For FY 2023, despite the addition of 833.44 FTEs to the citywide Adopted Budget, the average days for issuing a certified list to departments when recruitment was needed dropped to 53 days.

### Unfunded Requests

The Personnel Department requested one position addition which was not included in the Proposed Budget: 1.00 Payroll Audit Specialist 2 and an associated \$85,000 to assist in

processing new hires, rehires, promotions, transfers, and separations in SAP. These activities support City departments as employees enter and leave the City workforce. As recent workload has increased with increased hirings, the Department underfilled this position supplementally, and requested it be added to the budget. Additionally, as the Department continues to move forward with technology-based improvements in its processes, this position could support design and testing efforts.

### Vacancies

As of mid-April 2024, the Personnel Department had 80.00 filled FTEs as compared to its 83.00 budgeted FTEs. These positions are all "non-hourly," standard hour positions. The 3.00 unfilled FTEs translate to a 3.6% vacancy rate for the Department. As mentioned, the Department anticipates holding several positions vacant during FY 2025 to achieve its budget mitigation.

### Budget Equity

The Department's Budget Equity Impact Statement includes examples of how Personnel has been or will be facilitating access to certain services. For example, Personnel has added an alternative location in Chula Vista for pre-employment medical exams. The Department is also exploring next steps towards allowing fingerprinting to be done at other locations statewide, for which the Department

Performance Measure	Goal	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual
Number of days to issue certification list to hiring departments: when recruitment is required	57	54	74	66	53
Number of days to issue certification list to hiring departments: without recruitment	12	11	16	17	12

<sup>2</sup> In FY 2023 to support the Personnel Department's operations, the Mayor added twelve positions to the budget as part of the May Revision, including 3.00 FTEs directly impacting the Personnel Departments' certification list KPIs: 2.00 FTEs for the Exam Management Section and 1.00 FTE for the Certification Section. The other positions included those for the Outstation Section (6.00 FTEs), the Recruiting Section (2.00 FTEs), and Equal Employment Investigations Office (1.00 FTEs).

## Department Review: Personnel Department

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anticipates additional costs, as well as potential meet and confer requirements. This endeavor is in alignment with Recommendation 2.4 in the City Auditor's audit of the hiring process. Additionally, Personnel will be working with the Library and Parks & Recreation Departments to visit their facilities and promote City employment opportunities, as well as help applicants with the online application process.



# Department Review: Police

## Police

### Impacts of Mayor’s FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Police Department is approximately \$651.3 million for the General Fund, an increase of \$28.4 million or 4.6% from the FY 2024 Adopted Budget. The Proposed Budget includes 2,676.64 FTEs, which is a reduction of 10.50 FTEs. Budgeted revenue totaling \$52.9 million represents a \$251,000 increase from FY 2024. Personnel expenditures totaling \$563.5 million account for approximately 87% of the Department’s Proposed Budget. We note that this *excludes* anticipated employee compensation increases expected to result from ongoing labor negotiations with the San Diego Police Officers Association (POA). An estimated 3.05% general salary increase for POA, consistent with the FY 2025-2029 Five-Year Outlook, *is* included in the Proposed Budget for Citywide Program Expenditures; upon agreement and ratification of new MOU, these amounts would be moved from Citywide Program Expenditures to the Police Department Budget.

### Significant Budget Additions

#### \$975,000 - Police Firearm Training Facility Rental

The FY 2025 Proposed Budget includes the addition of \$975,000 in ongoing non-personnel expenditures associated with the continued rental of a private firing range to serve as the Police Firearm Training Facility. This was funded in the FY 2024 Adopted Budget on a one-time basis, therefore this adjustment is necessary to convert this funding into an ongoing expense.

The Department has been leasing a private firing range located in the City of Poway since mid-2022 after the Department’s longtime firing range was shut down. Finding a more permanent solution is a high priority for the Department given State mandated firearm training requirements for police officers. According to the Department, they are still exploring options for a permanent firing range which could include building a new facility (potentially co-located at Police Plaza, the former

SUMMARY OF POLICE DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	2,687.14	\$ 534,395,359	\$ 88,513,403	\$ 622,908,762	\$ 52,720,310
<b>Programmatic Changes</b>					
<i>Overtime Adjustments</i>	-	(3,535,642)	-	(3,535,642)	-
<i>Police Firearm Training Facility Rental</i>	-	-	975,000	975,000	-
<i>Transfer of Sidewalk Vending Enforcement</i>	5.00	390,756	9,000	399,756	-
<i>Employ and Empower Program Interns</i>	4.50	178,555	-	178,555	178,555
<i>Budget Mitigation: Reduction in Sworn Academy</i>	-	(3,869,810)	-	(3,869,810)	-
<i>Budget Mitigation: Staffing Reductions</i>	(20.00)	(3,599,302)	-	(3,599,302)	-
<i>Budget Mitigation: Savings from Delayed Hiring</i>	-	(820,188)	-	(820,188)	-
<i>Budget Mitigation: Change to Patrol Vehicles</i>	-	-	(753,593)	(753,593)	-
<i>Budget Mitigation: No Shots Fired Program</i>	-	-	(250,000)	(250,000)	-
<i>Revised Revenue</i>	-	-	-	-	72,519
<b>Other Changes</b>					
<i>Salary and Benefit Adjustments</i>	-	40,340,443	-	40,340,443	-
<i>Civilian Staffing Reclassifications</i>	-	(6,533)	-	(6,533)	-
<i>Non-Discretionary Adjustments</i>	-	-	2,062,916	2,062,916	-
<i>One-Time Additions and Annualizations</i>	-	-	(2,708,000)	(2,708,000)	-
<b>FY 2025 Proposed Budget</b>	<b>2,676.64</b>	<b>\$ 563,473,638</b>	<b>\$ 87,848,726</b>	<b>\$ 651,322,364</b>	<b>\$ 52,971,384</b>
<b>Difference from 2024 to 2025</b>	<b>(10.50)</b>	<b>\$ 29,078,279</b>	<b>\$ (664,677)</b>	<b>\$ 28,413,602</b>	<b>\$ 251,074</b>

# Department Review: Police

Chargers headquarters), purchasing an existing firing range, or continued leasing.

**\$400,000, 5.00 FTEs - Transfer of Sidewalk Vending Enforcement**

The FY 2025 Proposed Budget includes the transfer of 5.00 FTEs and approximately \$400,000 in expenditures from the Development Services Department’s Code Enforcement Division (General Fund) so that the Police Department can assume Sidewalk Vending Ordinance enforcement responsibilities in all areas not covered by Park Rangers. The transfer of these positions already occurred earlier this fiscal year; this adjustment will effectuate the change budgetarily.

**\$179,000, 4.50 FTEs - Employ and Empower Program Interns**

The FY 2025 Proposed Budget adds 4.50 FTEs and \$179,000 for hourly Management Interns for the Employ and Empower Internship Program, which is discussed from a citywide perspective in the *Equity* section of this report. These expenditures are considered grant reimbursable; as such, the Department’s revenue includes a corresponding \$179,000 increase.

**Significant Budget Reductions**

**Net Reduction in Overtime**

The FY 2025 Proposed Budget reduces the Department’s budgeted overtime expenditures by \$3.5 million for a total overtime budget of \$45.8 million. This net decrease is attributable to the following adjustments:

- \$1.8 million ongoing increase to reflect POA and MEA salary increases; given that labor negotiation with POA are still in process, this adjustment assumes a 3.05% increase;

- \$5.2 million ongoing reduction in Extension of Shift and Patrol Staffing Backfill overtime;
- Removal of \$147,000 in overtime expenditures that was initially funded in FY 2023 to conduct shared mobility device enforcement as a budget mitigation.

Also included is an adjustment that converts approximately \$5.0 million in Patrol Staffing Backfill overtime that was funded on a one-time basis in the FY 2024 Adopted Budget to an ongoing expense.

The Department indicated that it plans to move towards a more centralized planning of overtime to better prioritize and more efficiently deploy its overtime allocation. By implementing this change, which was a recommendation in the City Auditor’s recent [Performance Audit of SDPD Overtime](#), the Department hopes it will be able to achieve this level of overtime expenditure reduction.

We note that the FY 2024 Mid-Year Budget Monitoring Report projected that the Police Department will exceed its FY 2024 overtime budget by \$7.8 million, for a total projected expenditure of \$57.1 million in FY 2024; this projection is approximately \$11.3 million higher than the expenditure level in the Proposed Budget.

As shown in the table below, actual overtime expenditures have increased significantly over the past decade and, with the exception of FY 2021, have consistently exceeded budgeted levels. While the specific causes for these overages have differed over this period of time, overages in the last three years (FY 2022 through FY 2024) are primarily due to sworn staffing shortages. As discussed in the “Issues

<b>Police Overtime - Historical Budget vs. Actuals (in Millions)</b>										
	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019*</b>	<b>FY 2020*</b>	<b>FY 2021*</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Actual</b>	\$25.0	\$26.0	\$29.7	\$31.9	\$44.8	\$37.2	\$40.9	\$50.8	\$57.1	-
<b>Budget</b>	\$18.0	\$21.0	\$26.3	\$24.6	\$35.9	\$38.1	\$30.7	\$40.2	\$49.3	\$45.8
<b>Overage</b>	<i>\$7.0</i>	<i>\$5.0</i>	<i>\$3.4</i>	<i>\$7.3</i>	<i>\$8.9</i>	<i>(\$0.9)</i>	<i>\$10.2</i>	<i>\$10.7</i>	<i>\$7.8</i>	-

\* FY 2019, FY 2020 and FY 2021 included \$2.7 million, \$3.9 million and \$4.3 million, respectively, budgeted in the Seized Asset Fund

for Council Consideration” section below,

# Department Review: Police

these staffing issues are likely to continue in FY 2025 given current recruitment challenges. Without a significant improvement in sworn staffing levels, it will likely be difficult for the Department to meet its budgeted expenditure level for overtime, even with the anticipated changes regarding overtime planning.

### Budget Mitigations

The largest FY 2025 budget reductions are budget mitigations used to help balance the General Fund budget. The Department’s expenditure budget mitigations total \$9.2 million and are discussed below.

### (\$3.9 million) – Reduction in Sworn Academy Size

This budget mitigation reduces the number of budgeted Police Recruits by 13 recruits per academy for each of the Department’s four academies held each year, from 43 to 30 recruits. This adjustment is meant to right-size the budget for Police Academies given a recent downward trend in starting academy sizes, as shown in the table below.

Historical Police Academies			
Academy	Graduation	Start #	Graduates
126	6/25/2021	52	50
127	10/7/2021	48	44
128	2/10/2022	48	43
129	5/20/2022	47	42
130	8/16/2022	52	44
131	11/23/2022	39	38
132	2/17/2023	36	30
133	5/25/2023	38	30
134	8/23/2023	30	29
135	11/28/2023	39	28
136	2/27/2024	33	29
137	6/3/2024	42	38*
138	8/28/2024	26	25*

\* Reflects current size of academy which has not completed

We note that the FY 2024 Adopted Budget included \$225,000 in one-time funding to retain

a consultant to develop a marketing strategy for a new recruitment campaign. That consultant, which is now under contract, has begun targeted digital marketing and is in the process of conducting market research and developing a new long-term marketing strategy. If those efforts are successful, the Department expects to see academy sizes increase and they intend to absorb any costs for additional recruits in FY 2025. While our Office agrees that this is prudent given SDPD’s current sworn staffing shortfalls, anticipated savings from this mitigation will be reduced.

### (\$3.6 million, 20.00 FTEs) – Staffing Reductions

The Proposed Budget includes the reduction of various sworn and civilian personnel including:

- 8.00 Police Officer IIs and \$1.6 million associated with a reduction to the Juvenile Services Team (JST). JST officers are staffed at each Patrol Division and are responsible for proactively reducing juvenile crime by addressing and diverting criminal behavior through education, intervention, and selective enforcement. There will be 13.00 JST Officers and 7.00 JST Sergeants remaining after this reduction. The Department plans to transfer sworn staff in these positions to other vacant positions within the Department;
- 7.00 Police Officer IIs and \$1.6 million associated with the closure of the front counters at seven Patrol Divisions, including Central, Eastern, Mid-City, Northeastern, Northwestern, Northern, Southeastern, Southern, and Western. The Department plans to transfer sworn staff in these positions to other vacant positions within the Department; and
- 5.00 Police Investigative Service Officers (PISOs) and \$414,000 in personnel expenditures. PISOs assist sworn personnel by, among other functions, conducting

# Department Review: Police

lower-level investigative work and responding to lower-priority calls, which frees up sworn officers to move on to higher-priority calls/cases. This reduction will reduce the total budgeted number of PISOs from 28.00 to 23.00 positions. All 5.00 FTEs opposed for reduction are currently vacant.

*(\$820,000) – Budget Mitigation: Savings from Delayed Hiring*

The Proposed Budget includes \$820,000 in assumed vacancy savings from the implementation of the Executive Approval to Fill Vacancies process that will be instituted for the first six months of FY 2025. We note that this only applies to the Department’s civilian vacancies given that sworn positions are exempted from this requirement.

*(\$754,000) – Reduced Patrol Vehicles on Duty*

This budget mitigation will reduce the overall number of patrol vehicles on duty in order to generate \$784,000 in fuel savings. This is proposed to be achieved by mandating that all patrol units be staffed with two officers per vehicle. Currently, patrol units with one officer are generally used to respond to lower priority, non-emergency calls and patrol units with two officers are used to respond to higher priority calls. Implementing this change is likely to have detrimental impacts to police response times given that the change to two officer units would tie up more officers on non-emergency calls and would increase the likelihood a patrol vehicle is responding from a greater distance. As reflected in the table below, SDPD response times currently exceed the Department’s goals for all but the highest

priority calls (Priority 0).

The Department was unable to estimate how many patrol units would be reduced as a result of this change when asked by our Office but indicated that it is in the process of estimating this impact. Our Office recommends that the City Council receive this information, as well more information concerning potential impacts to response times, before final budget approval.

*(\$250,000) – Reduction of No Shots Fired Program*

\$250,000 in non-personnel expenditures associated with the No Shots Fired Intervention and Prevention Program is proposed for reduction. This program, which was originally piloted in FY 2022 and funded on an ongoing basis in the FY 2023 Adopted Budget, provides outreach and resources to known gang members and offers opportunities for them to exit gang culture and life.

**Significant Revenue Adjustments**

The FY 2025 Proposed Budget includes a net revenue increase totaling approximately \$73,000, including the following adjustments:

- \$195,000 ongoing increase in municipal court revenues based FY 2024 Mid-Year Projections;
- \$112,000 ongoing increase in reimbursement revenue from the TOT Fund for tourism related safety services;
- \$76,000 ongoing increase in the Police Department’s allocation of projected Safety Sales Tax revenue; and
- \$311,000 ongoing reduction in revenue from various Police issued licenses and permits based FY 2024 Mid-Year Projections, including alarm permits, entertainment, adult entertainment, and tobacco retailers.

<b>SDPD Response Times (in Minutes)</b>		
<b>Call Priority</b>	<b>FY 2024</b>	<b>Goal</b>
Priority 0	6.5	7
Priority 1	34	14
Priority 2	111.1	27
Priority 3	167.4	80
Priority 4	112.2	90

# Department Review: Police

## Issues for Council Consideration

### Council Budget Priority Items

There were two items pertaining to the Police Department that received majority support in Councilmember budget priority memoranda. Neither priority is funded in the Proposed Budget.

- Funding for Police recruitment and retention; specific items that were proposed included financial incentives, such as the establishment of a take-home vehicle program, and funding to develop a local college/university recruitment strategy; and
- Additional resources for the Department’s Cadet Program, including the addition of 1.00 Police Sergeant and \$50,000 in non-personnel expenditures for recruiting, training, and purchasing uniforms and equipment for new cadets.

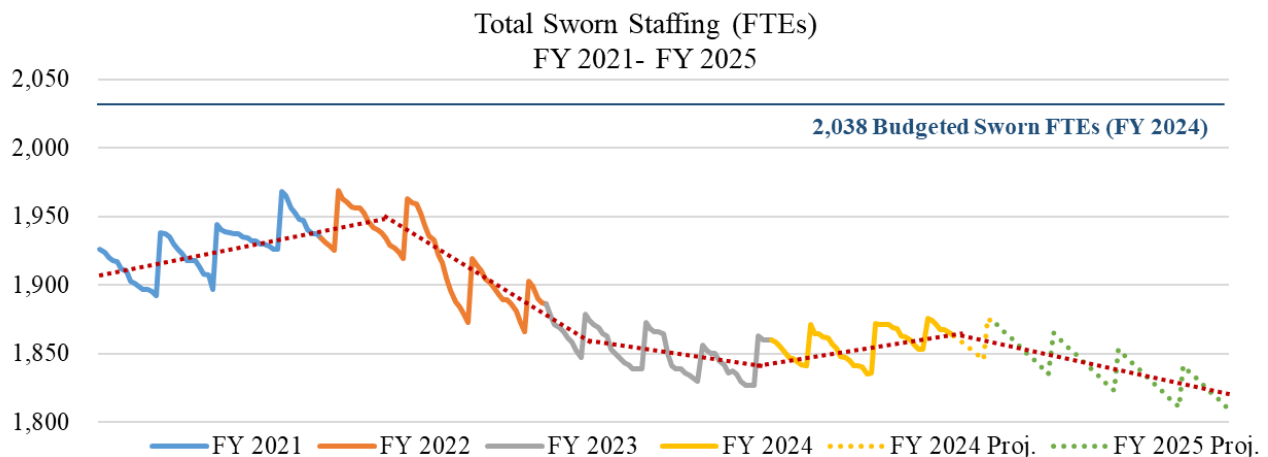
### Sworn Officer Retention and Recruitment

As of April 15, 2024, the Department has 175 sworn vacancies (1,863 of 2,038 positions are filled), with an average of 10 officers leaving the Department per month in FY 2024. This level of attrition represents a significant decrease over prior years; a significantly higher number of officers left in FY 2022 (15 per month) and FY 2023 (20 per month). The

Department attributes this reduction to several factors including the end of the vaccination mandate, salary increases, greater retention of employees with seniority, and a lower number of DROP employees eligible for retirement in in FY 2024. For FY 2025, the Department anticipates attrition increasing to 12 per month (144 departures total) primarily due to the number of anticipated DROP retirements (67 retirements anticipated in FY 2025 and 72 in FY 2026). This remains below the Department’s historical level of attrition which averaged 13 per month between FY 2013 and 2021.

As discussed earlier, the Proposed Budget includes the reduction of 13 budgeted recruits per Police Academy, from 43 to 30 recruits in each of the Department’s four Police Academies. This amounts to 120 potential graduates, which would result in a potential net loss of 24 officers over the course of FY 2025.

As noted earlier, the FY 2024 Adopted Budget included \$225,000 in one-time funding to retain a consultant to develop a marketing strategy for a new recruitment campaign. The Department is hopeful that this effort, which has only recently begun, will increase the overall number of qualified recruits up to 40-50 recruits per academy. The Department requested \$225,000 to continue these activities in FY 2025 but did not receive this requested funding in the Proposed Budget.



# Department Review: Public Utilities

## Public Utilities

The Public Utilities Department is responsible for providing water and sewer services throughout the City of San Diego. Three major enterprise funds support the Public Utilities Department’s operations: the Metropolitan Sewer Utility Fund, Municipal Sewer Revenue Fund, and the Water Utility Operating Fund. Additionally, the Department manages recreational use of the City’s reservoirs via the General Fund.

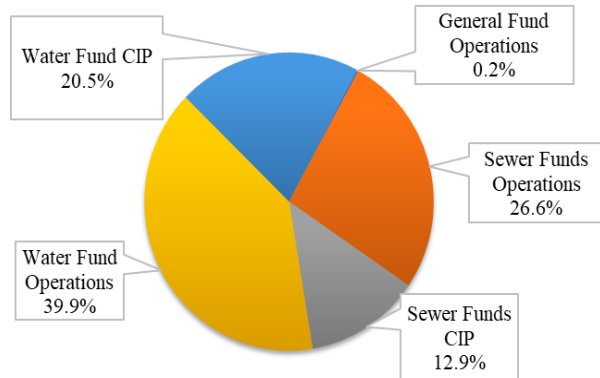
### Impacts of Mayor’s FY 2025 Budget Proposal

A summary of operating budget expenditure and position changes for the Public Utilities Department (PUD) is shown in the table below broken out by fund. For FY 2025, the Proposed Operating Budget for all funds combined is approximately \$1.16 billion, which is an increase of \$55.6 million, or 5.0%, from the FY 2024 Adopted Budget. Positions are increased by 41.54 FTEs to a total of 1,973.75 FTEs.

The table below only includes the operating budget for PUD, which will be discussed in this section. However, the pie chart to the right displays the allocation of the Department’s full \$1.7 billion FY 2025 Proposed Budget, including new allocations for the Capital Improvements Program (CIP). For more information on the CIP, see the *Capital Improvements Program* section earlier in this report.

The CIP represents approximately 33.3% of the Department’s proposed expenditures for FY 2025. When combined, the operating and CIP components of the Water Fund represent

**PUBLIC UTILITIES FY 2025 PROPOSED BUDGET**



60.4% of the Department’s total proposed budget, with Sewer operations and CIP constituting 39.4% of expenditures. The General Fund, at \$3.1 million, represents 0.2% of the Department’s total proposed budget for FY 2025.

The following discussion of budget adjustments will start with the General Fund, followed by Department-wide activities that span both the Sewer and Water Funds, followed by adjustments that are unique to each funding source.

### General Fund

The City offers recreational use of the Department’s water reservoirs. Recreational activities are fully supported by the General Fund to avoid any impacts on PUD’s enterprise funds or rate payers. Expenses are partially offset by recreation fees.

The FY 2025 Proposed Budget for the reservoir recreation program is \$3.1 million, which is an increase of \$146,000 from the FY 2024

SUMMARY OF PUBLIC UTILITIES DEPARTMENT OPERATING BUDGET						
Fund	FY 2024 FTE	FY 2025 FTE	Change	FY 2024 Expense	FY 2025 Expense	Change
General Fund	-	-	-	\$ 2,973,740	\$ 3,119,696	\$ 145,956
Sewer Funds	952.35	969.54	17.19	440,177,510	461,295,615	21,118,105
Water Fund	979.86	1,004.21	24.35	658,916,714	693,255,987	34,339,273
<b>Combined Public Utilities Funds</b>	<b>1,932.21</b>	<b>1,973.75</b>	<b>41.54</b>	<b>\$ 1,102,067,964</b>	<b>\$ 1,157,671,298</b>	<b>\$ 55,603,334</b>

# Department Review: Public Utilities

Adopted Budget.

Revenue to support the program is budgeted at approximately \$1.8 million for FY 2025, which is the same as the FY 2024 Adopted Budget. There are no staff budgeted in this program as the General Fund reimburses Water Fund staff for running the program.

### Significant Budget Addition

The majority of the increase for the General Fund is an additional \$195,000. This increase is to recognize that the personnel costs for the positions that charge the General Fund have increased, and thus in order to prevent the recreational program from impacting the enterprise funds, the General Fund allocation also needed to increase.

### Significant Budget Reduction

In order to meet the requirement that all General Fund departments submit spending reductions of 2%, PUD submitted a 2% reduction to the recreational program budget, resulting in a reduction of \$59,000. It is unclear at this time how this reduction will be absorbed.

## Department-Wide Activities

The table on the top right of this page summarizes the total Department impact of various budget adjustments that span both the Sewer and Water Funds. For specific amounts by fund, including the breakdown of personnel and non-personnel expenses for these activities, refer to each detailed fund summary tables shown later in this section.

For the purposes of this review, we will discuss these department-wide activities

DEPARTMENT-WIDE ACTIVITIES		
Description	FTE	Expense
Pure Water Phase 1 Operations	14.00	\$ 4,881,194
Pure Water Phase 2	-	4,000,000
GIS Editing and Digitizing	2.00	923,202
Street Preservation Ordinance Changes	11.00	(160,863)
Laboratory Information Management System	-	370,500

wholistically across the Department, rather than by fund.

### Significant Budget Additions

#### \$4.9 million, 14.00 FTEs – Pure Water Phase 1 Operations

The largest department-wide increase includes 14.00 FTEs and \$4.9 million in funding for Pure Water Phase 1. With construction of Phase 1 currently just over 50% complete, the Department has been adding personnel each year in order to be completely ready to run the new facilities upon completion. Adding these positions now, as well as additional equipment and supplies costs, allows these individuals to complete training prior to the facilities opening, and to gain additional insight into the facilities as they are constructed.

Pure Water Phase 1 is expected to begin water deliveries toward the end of FY 2026, with full capacity being reached in FY 2027.

#### \$4.0 million – Pure Water Phase 2

The next largest increase is for startup costs related to Pure Water Phase 2. This increase, totaling \$4.0 million across the sewer and water funds, is to cover start-up tasks for a program management consultant. This increase is

SUMMARY OF PUBLIC UTILITIES GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	-	\$ -	\$ 2,973,740	\$ 2,973,740	\$ 1,786,075
<b>Programmatic Changes</b>					
<i>Billable Services Increase</i>	-	-	194,683	194,683	-
<i>Budget Mitigation - 2% Reduction</i>	-	-	(59,475)	(59,475)	-
<b>Other Changes</b>					
<i>Non-Discretionary Adjustments</i>	-	-	10,748	10,748	-
<b>FY 2025 Proposed Budget</b>	-	\$ -	<b>\$ 3,119,696</b>	<b>\$ 3,119,696</b>	<b>\$ 1,786,075</b>
<b><i>Difference from 2024 to 2025</i></b>	-	\$ -	<b>\$ 145,956</b>	<b>\$ 145,956</b>	<b>\$ -</b>

## Department Review: Public Utilities

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needed as planning efforts have begun on the next phase of the Pure Water system, which is projected to provide 50 million gallons of water per day by 2035.

### \$923,000, 2.00 FTEs – GIS Editing and Digitizing

This addition is for 2.00 Geographic Information Systems (GIS) Analysts, as well as additional contracting capacity, to begin the digitizing of various maps and construction drawings. There is currently a backlog of more than 400 improvement drawings, construction plans, easement records, and others that need to be digitized in order to assist in the development of Capital Improvement Projects and help alleviate the burden on other operational staff.

### \$1.1 million, 11.00 FTEs – Street Preservation Ordinance Changes

Last year, the Transportation Department updated the City's Street Preservation Ordinance (SPO) to clarify and improve the work that needs to be done to repair the City's streets following trenching work. Since adoption of the prior SPO, the Transportation Department has maintained a Service Level Agreement (SLA) with PUD whereby PUD pays Transportation to have Transportation crews complete trenching repair work.

Given the new requirements of the SPO and the many needs that Transportation has for its current crews, City management decided that PUD will begin to hire and manage its own trench restoration teams. This will allow current Transportation staff to focus on other street repair tasks and maintenance. This is the first addition for that new policy, totaling 11.00 FTEs and \$1.1 million in personnel and other operating costs. This is offset, however, by a reduction in the billing costs to the Transportation department of \$1.2 million, resulting in a net reduction of \$161,000 for PUD. There is a resulting General Fund revenue reduction within the Transportation Department.

Relatedly, there is also an addition of 12.00

FTEs and \$1.0 million in Transportation for another paving crew that would do work for PUD under the SPO. This team would be addressing the backlog of SPO trench repair requests that currently exists. However, the expenditure to cover that team in the General Fund is currently not contained within the Proposed Budget for PUD. This will require either an expenditure adjustment in the May Revision, or PUD could have to absorb this cost within its current budget. *Given the potential revenue and expenditure challenges for PUD in FY 2025, which could require additional rate increases in the future, particularly within the Water Utility, the addition in Transportation might warrant delay.*

### \$371,000 – Laboratory Information Management System

The final department-wide adjustment is \$371,000 for new hardware and software for the Laboratory Information Management System (LIMS). This system will allow the Department to better track and maintain various regulatory tests and results, resulting in more expeditiously and accurately reported data.

### **Significant Revenue Adjustments**

There are very few significant revenue adjustments for either the Sewer or Water Funds in the Proposed Budget. This is because the full extent of potential revenue changes was not known in time to be submitted during budget development. The only revenue changes are in the Sewer Funds and are associated with \$70.0 million in decreases from one-time financing proceeds.

PUD expects to include all of its revenue updates in the May Revision. Our Office asked for the potential adjustments in advance in order to better understand potential rate implications. Anticipated changes are provided below.



# Department Review: Public Utilities

Revenue Comparison Table (\$ in millions)			
	Proposed Budget	Adjustments	Adjusted Budget
<b>Sewer Utility Funds</b>			
Sewer Service Charge	\$ 286.4	\$ 17.2	\$ 303.6
Metropolitan Charges	95.0	4.2	99.2
Bonds Issued	20.0	290.0	310.0
Transfer In	174.2	-	174.2
Other Revenues	38.7	-	38.7
<b>Total Sewer Revenue</b>	<b>\$ 614.3</b>	<b>\$ 311.4</b>	<b>\$ 925.7</b>
<b>Water Utility Fund</b>			
Water Sales	\$ 557.2	\$ 30.0	\$ 587.2
Bonds Issued	329.0	(58.2)	270.8
Transfer In	49.2	-	49.2
Other Revenue	35.3	-	35.3
<b>Total Water Revenue</b>	<b>\$ 970.7</b>	<b>\$ (28.2)</b>	<b>\$ 942.5</b>

Two notable changes from the most recent [PUD Five-year Financial Outlook](#) give some level of concern. First, the expected budget for water sales is well below the Outlook's projection: the Outlook projected \$644.5 million in water sales, which is \$57.3 million higher than the adjusted Proposed Budget amount of \$587.2 million. This is due to decreasing water sales resulting from wetter than usual weather, although this projection is subject to additional revision as more data on current water sales are collected. Additionally, sewer service charges are about \$19.7 million below

the Outlook, with an adjusted Proposed Budget of \$303.6 million compared to an Outlook projection of \$323.3 million. Both of these revenue declines, without offsetting expenditure adjustments, could require additional rate increases. More discussion on rates is provided under the *Issues for Council Consideration* section.

## Sewer Funds

The FY 2025 Proposed Budget for operating expenditures in the combined Metropolitan and Municipal Sewer Utility Funds totals \$461.3 million, which is an increase of \$21.1 million, or 4.8%, from FY 2024. Revenues in the Sewer Funds are budgeted at \$636.8 million, which is a decrease of \$70.0 million from FY 2024 as previously discussed. Positions are proposed to increase by 17.19 FTEs to 969.54 FTEs for FY 2025.

### Significant Budget Additions

Department-wide activities that were discussed previously under the *Department-Wide Activities* header are noted by an asterisk in the table below, and additional support for

SUMMARY OF SEWER FUNDS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	952.35	\$ 118,975,648	\$ 321,201,862	\$ 440,177,510	\$ 706,817,933
<b>Programmatic Changes</b>					
<i>Wastewater Treatment Chemicals Contracts</i>	-	-	5,500,000	5,500,000	-
<i>Pure Water Phase 2 Implementation*</i>	-	-	1,520,000	1,520,000	-
<i>Equipment Upgrades and Replacement</i>	-	-	1,220,000	1,220,000	-
<i>GIS Editing and Digitizing*</i>	1.08	141,622	681,100	822,722	-
<i>Pump Station 2 Support</i>	9.00	822,443	-	822,443	-
<i>Pure Water Phase 1 Operations*</i>	1.00	91,563	600,000	691,563	-
<i>Equipment Maintenance</i>	-	-	555,000	555,000	-
<i>Metropolitan Wastewater Master Plan</i>	-	-	500,000	500,000	-
<i>Laboratory Information Management System*</i>	-	-	282,500	282,500	-
<i>Pt Loma Wastewater Treatment Plan Overtime Support</i>	2.00	202,795	-	202,795	-
<i>Street Preservation Ordinance Changes*</i>	5.83	410,189	(261,739)	148,450	-
<i>Ocean Outfall Support</i>	1.00	91,563	-	91,563	-
<i>Removal of Incorrect Vehicle Purchase Budget</i>	-	-	(500,000)	(500,000)	-
<b>Other Changes</b>					
<i>Other Salary and Benefit Adjustments</i>	1.28	10,386,834	-	10,386,834	-
<i>Non-Discretionary Adjustments</i>	-	-	638,347	638,347	-
<i>Hourly Intern Adjustments</i>	(4.00)	(173,387)	-	(173,387)	-
<i>Removal of Prior Year One-Time Adjustments</i>	-	-	(1,590,725)	(1,590,725)	(70,000,000)
<b>FY 2025 Proposed Budget</b>	<b>969.54</b>	<b>\$ 130,949,270</b>	<b>\$ 330,346,345</b>	<b>\$ 461,295,615</b>	<b>\$ 636,817,933</b>
<b>Difference from 2024 to 2025</b>	<b>17.19</b>	<b>\$ 11,973,622</b>	<b>\$ 9,144,483</b>	<b>\$ 21,118,105</b>	<b>\$ (70,000,000)</b>

\* Department-wide activity

## Department Review: Public Utilities

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those activities is provided by the Water Fund. This section discusses adjustments that are unique to the sewer system. All of these major changes are specifically within the Metropolitan Sewer Utility Fund.

### \$5.5 million – Wastewater Treatment Chemicals

The largest adjustment within the Sewer Funds is the addition of \$5.5 million in expenditures associated with additional costs for treatment chemicals. Over the past two years, the costs for various chemicals vital to the wastewater treatment process – including chlorine, peroxide, and peptides – have dramatically increased as a result of supply chain shortages and other factors. This led the Department to bring numerous contract modifications to Council to allow for higher prices, and the Department continues to bring new contracts forward that are being competitively bid but still resulting in higher costs. The budgeted increase reflects the costs for these chemicals and does not represent an increase in the quantity of purchased chemicals. All new contracts and contract modifications which included higher prices have included price verification clauses, so if the costs for the suppliers to purchase the chemicals go down, City's costs should also decrease.

### \$1.7 million – Equipment Upgrades, Replacement, and Maintenance

A total of \$1.7 million is being added for new equipment and maintenance at various wastewater treatment facilities. This includes \$1.2 million in one-time additions for upgrades and replacement equipment, including new air handling units, fans, centrifuges, draining systems, and other equipment. The majority of this new equipment is for either the Point Loma Wastewater Treatment Plant or the South Bay Water Reclamation Plant.

Additionally, there is also \$555,000 in ongoing budget added to fund preventative maintenance at these facilities. This funding will help extend the lifecycle of both existing and new

equipment, particularly the lifecycle and reliability of electoral equipment.

### \$822,000, 9.00 FTEs – Pump Station 2 Support

The next major addition is 9.00 FTEs and \$822,000 for new positions to help run the power plant at Pump Station 2. These positions will provide greater coverage and improve the reliability for Pump Station 2's power production facility, which includes two natural gas generators and two diesel generators that are required in case the pump station loses its connection to the electrical grid.

### \$500,000 – Metropolitan System Master Plan

\$500,000 is proposed to fund the Metropolitan Wastewater Plan (MWP) in FY 2025. Currently, the Department has an Integrated Master Plan, which covers the water utility and municipal wastewater system. However, the Metropolitan System, which is owned and operated by the City but serves numerous other jurisdictions and agencies, does not have an updated master plan to guide long term facility needs and CIP projects.

### Other Additions

There are two small additions to the sewer funds in FY 2025. The first is 2.00 FTEs for the Point Loma Wastewater Treatment Plant. This facility requires 24-hour coverage and is currently only covered in two shifts that last 12 hours each. Adding these two positions would allow the Department to change from two 12-hour shifts to three 8-hour shifts, which is in line with practices at other PUD facilities that require 24-hour coverage.

The second addition is 1.00 FTE for the Department's ocean mooring monitoring system. This system was developed by UCSD under contract, but that contract is set to expire in 2027. In preparation, the Department is adding one position per year to take over the responsibilities required under the contract.

# Department Review: Public Utilities

## Water Fund

Expenditures in the FY 2025 Proposed Budget for the Water Utility Operating Fund total \$693.3 million, which is an increase of \$34.3 million, or 5.2%, from FY 2024. Revenues in the Water Fund are proposed at \$986.7 million, which is unchanged from the FY 2024 Adopted Budget, as previously addressed. Positions are proposed to increase by 24.35 FTEs to 1,004.21 FTEs for FY 2025.

### Significant Budget Additions

Department-wide activities were discussed previously under the *Department-Wide Activities* section and are noted by an asterisk in the table below, and additional support for those activities is provided by the Sewer Funds. Notable FY 2025 budget adjustments unique to the water system are discussed below.

#### \$6.0 million – Water Treatment Chemicals

Similar to chemical costs in the Sewer Funds, costs for water treatment chemicals have also been increasing. The Proposed Budget includes \$6.0 million for these costs.

#### \$3.6 million, 4.00 FTEs – Dam Repairs and Replacement

The Proposed Budget includes 4.00 FTEs and

\$3.6 million for new positions and equipment related to the repair and replacement of the City’s dams. These positions will support the overall dam program, and include three engineers and one environmental biologist. However, most of the funding (\$3.2 million) is for one-time costs to procure significant amounts of equipment required to implement projects to maintain and prolong the life of PUD dams.

These additions supplement additions from last year that covered a wide range of functions, including overseeing the maintenance of dams and the planning and implementation of dam repair and rehabilitation projects, many of which are vital maintenance projects required by the Division of Dam Safety and are not otherwise covered under the CIP.

The Department is currently conducting condition assessments on dams owned and operated by the City, and there is an expectation that some dams will require extensive repairs or replacement, with eventual costs expected to range from hundreds of millions to over a billion dollars. The first dam likely to require complete replacement is Lake Hodges, and efforts are underway to begin designing that project, with a financing plan expected within the next three years. Other reservoirs that could require replacement in the future, and

SUMMARY OF WATER FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	979.86	\$ 120,795,132	\$ 538,121,582	\$ 658,916,714	\$ 986,652,877
<b>Programmatic Changes</b>					
<i>Water Treatment Chemicals Contracts</i>	-	-	6,000,000	6,000,000	-
<i>Pure Water Phase 1 Operations*</i>	13.00	1,164,631	3,025,000	4,189,631	-
<i>Dam Repairs and Replacement</i>	4.00	410,750	3,200,000	3,610,750	-
<i>Water Treatment Plant Maintenance</i>	-	-	2,500,000	2,500,000	-
<i>Pure Water Phase 2 Implementation*</i>	-	-	2,480,000	2,480,000	-
<i>GIS Editing and Digitizing*</i>	0.92	100,480	-	100,480	-
<i>Laboratory Information Management System*</i>	-	-	88,000	88,000	-
<i>Street Preservation Ordinance Changes*</i>	5.17	363,731	(673,044)	(309,313)	-
<b>Other Changes</b>					
<i>Non-Discretionary Adjustments</i>	-	-	12,485,177	12,485,177	-
<i>Other Salary and Benefit Adjustments</i>	(1.24)	8,431,907	-	8,431,907	-
<i>Hourly Intern Adjustment</i>	2.00	92,459	-	92,459	-
<i>Position Adjustment</i>	0.50	30,582	-	30,582	-
<i>Removal of Prior Year One-Time Adjustments</i>	-	-	(5,360,400)	(5,360,400)	-
<b>FY 2025 Proposed Budget</b>	<b>1,004.21</b>	<b>\$ 131,389,672</b>	<b>\$ 561,866,315</b>	<b>\$ 693,255,987</b>	<b>\$ 986,652,877</b>
<b>Difference from 2024 to 2025</b>	<b>24.35</b>	<b>\$ 10,594,540</b>	<b>\$ 23,744,733</b>	<b>\$ 34,339,273</b>	<b>\$ -</b>

\* Department-wide activity

## Department Review: Public Utilities

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are pending condition assessments, include El Capitan, Lake Murray, and Lake Morena. It will be important to monitor cost estimates for these projects as condition assessments are completed.

### \$2.5 million – Water Treatment Plant Maintenance

The last significant addition is \$2.5 million to support the filter media replacement at the Otay Water Treatment Plant. This replacement is required to meet state regulatory requirements.

## Issues for Council Consideration

### Future Rate Increases

In order to meet the financial needs for the wastewater and water systems, PUD goes through a cost-of-service (COS) process to determine the reasonable costs for each system, distribute those costs among the appropriate customer classes, and then generate rates that ensure that the appropriate customer classes are paying their proportionate share of the cost of each system. For the wastewater (sewer) system, the last cost-of-service study (COSS) was completed in 2021 and approved in September of 2021; it included rate increases ranging from 3.0% to 5.0% from January 1, 2022, through January 1, 2025. A water COSS was completed in 2023 and approved in September 2023; it included a 5.2% increase on December 1, 2023, a 5.0% increase on July 1, 2024, and an 8.7% increase on January 1, 2025. These rate increases have all been incorporated into the adjusted revenue budgets that were previously discussed.

Even with these rate increases, the most recent [Public Utilities Department Five-year Financial Outlook](#) projected that additional rate increases would be needed for FY 2026 and beyond. These future rate increases included ranges of 7.4% to 11.8 % for the water system and 6.0% and 7.0% for the wastewater system on an annual basis. The need for these rate

increases is driven by both increased cost pressures on the utility systems, including operating cost increases for personnel expenses, supplies such as treatment chemicals, and energy costs, as well as other cost pressures including construction inflation within the CIP and water purchases cost increases (more discussion on water purchases is provided below).

In the FY 2025 Proposed Budget, the cash needs for operating and capital expenditures are in line with the Outlook. However, PUD informed our Office that additional changes to debt service and water purchases are likely coming in the May Revision, which may increase cash needs for FY 2025. If revenues continue to come in under projections while costs increase, the next Outlook and COSS are likely to project the need for even higher rate increases. **Our Office plans to do a more detailed analysis on the impact of revenue adjustments, water purchases, and other changes in our review of the May Revision, which could include recommendations to mitigate the magnitude of rate increases in future years.**

PUD expects to bring a new COSS for both the water and wastewater systems forward for approval during FY 2025. According to PUD's schedule, COSS reports would be released in conjunction with the next PUD Outlook in November. Our Office will retain an independent consultant to review the COSS reports and provide any recommendations for changes or improvements, as was done for the previous COSS reports.

**If Council is concerned about the need for future rate increases, it should begin asking PUD for recommendations on how to make changes to the PUD budget this year that could forestall the need for larger rate increases in the future.** For suggestions on how to mitigate these needs, please refer to [IBA Report 23-28: IBA Review of the Public Utilities Department FY 2025-2029 Five-Year](#)

## Department Review: Public Utilities

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### Financial Outlook.

#### **Water Purchases and the San Diego County Water Authority**

The largest single non-personnel expense for the entire City is the purchase of water supplies from the San Diego County Water Authority (SDCWA). Even with declining sales and additional rainfall captured in the City reservoirs, the City must still purchase between 80-90% of its water supply from SDCWA.

SDCWA is also facing its own cost pressures. Similar to the City, SDCWA's revenues are directly tied to the amount of water it sells in a given year. With the last two years of wetter-than-average weather, local water agencies across the region have been buying less as their supplies are up and overall consumer sales are down. However, while a local water agency like the City can change how much water it purchases as demands shift, SDCWA does not have that flexibility.

As detailed in IBA Report 23-28, SDCWA must pay for a minimum supply of 325,700 acre feet (AF) of water every year. This is a combination of the water purchases required under the Quantification Settlement Agreement (QSA) and the agreement to purchase water from the Carlsbad Desalination Plant.

However, the actual water sales of the SDCWA are far below that minimum. According to recent materials presented to the Board of Directors, actual sales in calendar year 2023 were 27% below projections at 291,387 AF.<sup>1</sup> For calendar year 2024, sales are only projected to total 314,000 AF, which is below the budgeted projection of 362,000 AF. And for calendar year 2025, projections have been lowered to 325,000 AF, reduced from 360,000 AF. All of these years have demand below the amounts that SDCWA receives from the QSA and desalination plant. Of note, there are numerous water recycling

projects happening in the County, including the City's Pure Water program, that will lower the sales demand even further. It should also be noted that unlike the supplies provided by SDCWA, water recycling projects provide both drinking water supplies and reduce wastewater discharges, and thus provide multiple benefits.

With costs being split across fewer sales, SDCWA has informed member agencies that their preliminary cost allocations will be higher than previously projected. For the City, water purchase costs are projected to be approximately \$53.1 million higher than what is currently in the Proposed Budget. This represents an increase of 20.5%, compared to the increase of 7.0% that had been included in the last PUD Outlook. These numbers are still preliminary as SDCWA's Board of Directors has not set a new budget and rates, but an adjustment is expected in the May Revision for water purchases.

Since the City is the largest purchaser of water from SDCWA, it also has the largest contingent on the Board of Directors, and thus can have a large impact on the decisions made by that board. In IBA Report 23-28, our Office made two recommendations to the City of San Diego board members that we reiterate here again.

*First, the City's representatives should remain focused on ensuring that additional CIP projects beyond those necessary to maintain and repair current systems are not authorized in order to prevent additional SDCWA cost escalation.*

*And second, the City's representatives should focus on right-sizing SDCWA's water supply and purchasing costs, including swapping more expensive supplies for cheaper ones, and selling excess supplies.*

Our Office was encouraged by the

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<sup>1</sup> [https://www.sdcwa.org/wp-content/uploads/2023/10/2024\\_03\\_28FormalBoardPacket.pdf](https://www.sdcwa.org/wp-content/uploads/2023/10/2024_03_28FormalBoardPacket.pdf)

# Department Review: Public Utilities

SUMMARY OF PUBLIC UTILITIES ENTERPRISE FUNDS BUDGETS					
Fund	FTE	Operating Expense	CIP Expense	Total Expense	Revenue*
Sewer Funds	969.54	\$ 461,295,615	\$ 223,505,045	\$ 684,800,660	\$ 636,817,933
Water Funds	1,004.21	693,255,987	355,226,075	1,048,482,062	986,652,877
<b>Total FY 2025 Proposed Budget</b>	<b>1,973.75</b>	<b>\$ 1,154,551,602</b>	<b>\$ 578,731,120</b>	<b>\$ 1,733,282,722</b>	<b>\$ 1,623,470,810</b>

*\*Revenues include AB 1600 revenues of \$22.5 million for the Sewer Funds and \$16.0 million for the Water Fund.*

announcements recently that SDCWA was involved in plans to leave some water in the Colorado River (which is the source of the QSA water) in favor of buying water from the State Water Project. Additionally, we are also encouraged that SDCWA is exploring an agreement to sell additional supplies to an Orange County-based water district. However, on the latter front, we were discouraged to hear from the leadership of SDCWA that they saw this sale as a potential way to increase the output of the desalination plant. *Increasing any water supplies to the region at this point, given that multiple water recycling projects are already in process, would not be beneficial to the region.* Right-sizing SDCWA’s supplies means lowering them, not increasing them. **The City’s representatives should make sure that SDCWA does not increase the amount of water the agency is required to purchase.**

### **Enterprise Funds - Combined CIP and Operating Budgets for FY 2025**

The table at the top of the page shows the combined budgets for the Capital Improvements Program (CIP) and operating budgets of the water and sewer funds, totaling \$1.7 billion in proposed appropriations for FY 2025. The revenue amounts reflected in the previous tables for the Sewer and Water Funds support both operations and the Public Utilities Department’s substantial CIP. The combined revenue for operations and CIP is proposed at \$1.6 billion for FY 2025.

# Department Review: Purchasing and Contracting

## Purchasing and Contracting

The Purchasing & Contracting Department (P&C) oversees transactions for procuring and/or contracting goods and services, the procurement of Capital Improvement Program (CIP) construction contracts, minor repairs, and associated professional consulting services, as well as contract management functions to ensure contracts are meeting the City’s needs. It also manages the centralized advertising and award of all contracts for goods, services, and public works in conformance with the City’s Charter and Municipal Code.

In addition, the Department manages the Equal Opportunity Contracting (EOC) and Central Stores programs and provides important services to City departments and residents.

Key departmental goals include:

- Promoting transparency regarding requirements within the procurement process.
- Increasing efficiency of the procurement process.
- Promoting small and local, disadvantaged, minority, and woman-owned business participation in City procurement.
- Ensuring excellent customer service.

### Impacts of Mayor’s FY 2025 Budget Proposal

P&C’s budget is supported by both the General Fund and the Central Stores Fund; combined P&C’s proposed budget for FY 2025 totals \$23.2 million. As shown in the table below, this reflects an increase of approximately \$4.5 million in expenditures, or 24.1% from the FY 2024 Adopted Budget. The significant increase is primarily related to an increase for non-personnel expenditures in the Central Stores Fund, as discussed later in this section.

Total FTEs have increased in the Proposed Budget to 90.00, an increase of 5.00 from the prior year. Offsetting revenues of \$13.2 million are included in the Proposed Budget, an increase of \$3.2 million over the prior year.

### General Fund

The FY 2025 Proposed Budget for the Department’s General Fund activities is \$11.3 million and includes funds for Purchasing & Contracting and the EOC Program. This is an increase of \$396,000, or 3.6%, from the prior year. FTEs have increased by 5.00 to 69.00. General Fund revenue remains the same at

SUMMARY OF PURCHASING & CONTRACTING DEPARTMENT BUDGET CHANGES						
Fund	FY 2024 FTE	FY 2025 FTE	Change	FY 2024 Expense	FY 2025 Expense	Change
General Fund						
Purchasing & Contracting	53.00	56.00	3.00	9,335,450	9,963,783	628,333
Equal Opportunity Contracting	11.00	13.00	2.00	1,576,979	1,344,848	(232,131)
General Fund Total	64.00	69.00	5.00	\$ 10,912,429	\$ 11,308,631	\$ 396,202
Central Stores Fund						
Central Stores	20.00	20.00	-	7,666,889	8,301,484	634,595
Purchasing & Contracting	1.00	1.00	-	106,507	3,581,392	3,474,885
Central Stores Fund Total	21.00	21.00	-	\$ 7,773,396	\$ 11,882,876	4,109,480.00
<b>Total Combined</b>	<b>85.00</b>	<b>90.00</b>	<b>5.00</b>	<b>\$ 18,685,825</b>	<b>\$ 23,191,507</b>	<b>\$ 4,505,682</b>

# Department Review: Purchasing and Contracting

SUMMARY OF PURCHASING & CONTRACTING GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	64.00	\$ 9,208,149	\$ 1,704,280	\$ 10,912,429	\$ 2,422,363
<b>Programmatic Changes</b>					
<i>Budgeted PE Savings (vacancy savings adjustment)</i>	-	(61,028)	-	(61,028)	-
<i>Budget Mitigation: Reduction of Consulting Services Contract</i>	-	-	(600,000)	(600,000)	-
<i>Support for Goods and Services Division</i>	3.00	261,551	-	261,551	-
<i>Support for Project Labor Agreement</i>	2.00	229,540	-	229,540	-
<b>Other Changes</b>					
<i>Other Salary Adjustments</i>	-	373,195	-	373,195	-
<i>Information Technology Adjustments</i>	-	-	154,144	154,144	-
<i>Non-Discretionary Adjustment</i>	-	-	38,800	38,800	-
<b>FY 2025 Proposed Budget</b>	<b>69.00</b>	<b>\$ 10,011,407</b>	<b>\$ 1,297,224</b>	<b>\$ 11,308,631</b>	<b>\$ 2,422,363</b>
<b>Difference from 2024 to 2025</b>	<b>5.00</b>	<b>\$ 803,258</b>	<b>\$ (407,056)</b>	<b>\$ 396,202</b>	<b>\$ -</b>

\$2.4 million. These adjustments are summarized in the table above.

## Significant Budget Additions

The Department's General Fund budget has a proposed programmatic addition of 5.00 FTEs and personnel expenses of \$491,000. This includes 3.00 Associate Procurement Contracting Officers and \$262,00 in related personal expenditures to enable the Goods and Services Division to address contract and purchase order requests.

The General Fund also adds 1.00 Senior Contract Specialist and 1.00 Associate Contract Specialist and \$230,000 in related personnel expenditures to enable the Construction Contracts Division to manage Job Order Contracts (JOC) that are *not* subject to a Project Labor Agreement.

Department officials noted these positions are critical because existing staff are not able to keep up with the volume of work, and this has impacted customer service to both contractors and client City departments.

## Significant Budget Reductions

The FY 2025 Proposed Budget includes several budget reductions to mitigate the budget deficit:

- (\$61,028) - Estimated personnel expenditures vacancy savings due to delayed hiring. No impact to current service levels is

anticipated.

- (\$600,000) - Reduction of non-personnel expenditures to keep the Small Business Bonding Assistance Program in house rather than procuring services as was initially intended. This was a separate decision but coincided with the required budget reductions. Note that P&C repurposed an existing Program Manager position for this program. If additional staff are needed as the program grows, P&C will submit budget requests in future years.

## Central Stores

The Central Stores Fund has a proposed FY 2025 budget of \$11.9 million. This is an increase of \$4.1 million, or 52.9%, above the FY 2024 Adopted Budget. FTEs remain unchanged at 21.00. Offsetting revenue is \$10.8 million, which is \$3.2 million, or 41.8% above the prior year. A summary of significant budget changes for the Central Stores Fund is included in the table at the top of the next page.

## Significant Budget Additions

The FY 2025 Proposed Budget includes a programmatic addition of \$3.5 million in ongoing non-personnel expenditures for warehouse inventory and supplies to meet increased citywide demand.<sup>1</sup> This also includes \$3.2 million in offsetting revenue. Central Stores

<sup>1</sup> Demand for obtaining products through Central Stores has increased in the past few years as many department staff have returned to the office, compared with a significant reduction in demand during the Pandemic.



# Department Review: Purchasing and Contracting

SUMMARY OF CENTRAL STORES FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	21.00	\$ 1,550,242	\$ 6,223,154	\$ 7,773,396	\$ 7,636,763
<b>Programmatic Changes</b>					
<i>Budget Mitigation: NPE Transfer to General Fund</i>	-	\$ -	\$ 485,000	\$ 485,000	\$ -
<i>Central Stores Inventory (additon of NPE to meet demand)</i>	-	-	3,469,154	3,469,154	-
<i>Security Guard Services (for Chollas Yard)</i>	-	-	115,000	115,000	-
<b>Other Changes</b>					
<i>Other Salaries and Benefits Adjustments</i>	-	\$ 56,708	\$ -	\$ 56,708	\$ -
<i>Information Technology Adjustments</i>	-	-	1,449	1,449	-
<i>Non-Discretionary Adjustments</i>	-	-	(17,831)	(17,831)	-
<i>Revised Revenue</i>	-	-	-	-	3,188,878
<b>FY 2025 Proposed Budget</b>	<b>21.00</b>	<b>\$ 1,606,950</b>	<b>\$ 10,275,926</b>	<b>\$ 11,882,876</b>	<b>\$ 10,825,641</b>
<b>Difference from 2024 to 2025</b>	<b>-</b>	<b>\$ 56,708</b>	<b>\$ 4,052,772</b>	<b>\$ 4,109,480</b>	<b>\$ 3,188,878</b>

serves as the primary conduit for some of the goods and supplies needed for departments, and works directly with vendors to obtain volume-based discounts. Department officials indicated the \$3.5 million increased amount is based on several years of Central Stores going overbudget.

## Significant Budget Reductions

The FY 2025 Proposed Budget includes a \$485,000 transfer out of non-personnel expenditures from the Central Stores Fund (leveraging available fund balance) as an efficiency measure to support the General Fund.

## Issues for Council Consideration

### Departmental Vacancies

P&C continues to experience a high number of vacancies. The Department currently has 22.00 vacancies out of 85.00 budgeted positions, for a vacancy rate of 26.0%. The Department is currently interviewing Associate Analysts, Auto Messengers, and Contract Specialists, and anticipates filling vacant positions soon. However, officials noted the largest challenges are filling Contract Specialist and Auto Messenger positions.

Significant progress has been made in the past year to fill vacant positions in the EOC Program, by reclassifying Management Analyst series positions to a Contract Compliance Officer job classification. Pay for the new classification was also adjusted to be commensurate

with the work being performed. The EOC Program, which has 13.00 budgeted FTEs, previously only had 2.00 positions filled. Currently, the Program has 9.00 filled positions and 4.00 vacant positions.

# Department Review: Risk Management

## Risk Management

The Risk Management Department manages the City’s self-insured Workers’ Compensation Program; coordinates public liability and loss control measures; and oversees the City’s insurance program, flexible benefits, employee savings plans, and the Long-Term Disability Plan.

The Risk Management Administration (RMA) Fund is an internal service fund from which risk management administration costs are paid. In order to operate, an internal service fund needs sufficient revenues to cover expenditures.

City departments contribute to RMA Fund revenues, on a per employee basis, as part of fringe benefit expenditures.<sup>1</sup> The FY 2025 amount budgeted for these fringe benefit contributions is \$16.4 million, including \$10.8 million from the General Fund (65.7%) and \$5.6 million from non-general fund departments (34.3%). There is also \$693,000 in reimbursement revenue, yielding total available revenue of \$17.1 million.

### Impacts of Mayor’s FY 2025 Budget Proposal

The following table presents a summary of Risk Management’s budget changes from the FY 2024 Adopted Budget to the FY 2025 Proposed Budget. The number of FTE positions are increasing by 0.23, from 94.00 in FY 2024 to 94.23 in FY 2025, with the addition of an hourly Clerical Assistant 2 to support the Workers’ Compensation Division. Expenditures are increasing by \$1.7 million – from \$15.4 million to \$17.1 million, or 11.1%; and revenue is increasing by \$2.2 million, or 15.0%. Significant budget changes are discussed below.

#### Significant Budget Additions

##### Personnel Expenditure (PE) Increases

Two of the largest expenditure increases in the following table appear in the PE column and include:

- \$839,000 on the “Other Salaries & Wages” line, largely related to FY 2025

SUMMARY OF RISK MANAGEMENT (RM) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	94.00	\$ 13,342,780	\$ 2,012,794	\$ 15,355,574	\$ 14,870,720
<b>Programmatic Changes</b>					
<i>Increased Citywide Fringe Contributions to RMA Fund</i>	-	-	-	-	1,613,665
<i>Retiree Health Administration (third party contract)</i>	-	-	600,000	600,000	600,000
<i>Hourly Clerical Assistant 2 - Workers' Compensation</i>	0.23	12,582	-	12,582	-
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	-	839,316	-	839,316	-
<i>Other Fringe Benefits (includes ADC pension payment)</i>	-	398,182	-	398,182	-
<i>Non-Discretionary - Rent Expense</i>	-	-	164,456	164,456	-
<i>Non-Discretionary - Information Technology</i>	-	-	(166,962)	(166,962)	-
<i>Budgeted PE Savings (vacancy savings adjustment)</i>	-	(89,148)	-	(89,148)	-
<i>Other Adjustments</i>	-	-	(50,920)	(50,920)	14,000
<b>FY 2025 Proposed Budget</b>	<b>94.23</b>	<b>\$ 14,503,712</b>	<b>\$ 2,559,368</b>	<b>\$ 17,063,080</b>	<b>\$ 17,098,385</b>
<b>Difference from 2024 to 2025</b>	<b>0.23</b>	<b>\$ 1,160,932</b>	<b>\$ 546,574</b>	<b>\$ 1,707,506</b>	<b>\$ 2,227,665</b>

<sup>1</sup> Fringe benefits are non-wage costs related to personnel, such as Workers’ Compensation, Long-Term Disability, the Actuarially Determined Contribution (ADC) pension payment, Flexible Benefits, and Medicare.

# Department Review: Risk Management

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general salary increases

- \$398,000 on the “Other Fringe Benefits” line, largely related to the FY 2025 ADC pension payment increase

## \$600,000 – Retiree Health Administration

The NPE column of the table includes a \$600,000 increase for third-party administration of the City’s retiree health benefits, including \$75,000 for one-time implementation costs. Beginning in FY 2025, the new third-party administrator will manage health insurance benefits for retirees, including the administration of open enrollments, paying City-sponsored retiree health plans, and processing insurance reimbursements for privately secured plans. Because this expenditure will be offset by reimbursement from the OPEB Fund, there is a corresponding \$600,000 revenue increase to the RMA Fund.

Retiree health benefits have historically been administered by the San Diego City Employees’ Retirement System (SDCERS); the Department anticipates savings from moving to the third-party administrator will be between \$250,000 and \$300,000 annually.

The Department hopes to docket this contract for City Council approval by May 2024. The anticipated cost for FY 2026 is about \$545,000.

## **Significant Revenue Adjustments**

As discussed, most of the RMA Fund’s revenue comes from fringe benefit contributions from City departments. As shown in the revenue column of the table on the preceding page, these contributions to the RMA Fund are increasing by \$1.6 million in FY 2025, largely related to increased expenditures. The increased revenue need is also due to FY 2024 budgeted revenue being about \$485,000 lower than expenditures due to use of anticipated

fund balance.

The second largest revenue increase is the \$600,000 reimbursement from the OPEB Fund to the RMA Fund for the retiree health administration contract discussed earlier.

## **Issues for Council Consideration**

### **Unfunded Requests**

Risk Management requested 15.00 additional FTEs and \$1.5 million for the Public Liability and Loss Recovery Division; these were not included in the FY 2025 Proposed Budget.

Included in these requests is 1.00 Liability Claims Representative 2 to investigate and recover costs associated with third-party damage to City assets or injury to employees and to pursue claims against the City’s insurance carriers. Currently, Loss Recovery adjusters, on average, are handling 163 more cases than the industry standard. This has hindered the Loss Recovery Section’s ability to pursue damages against third parties within the statute of limitations.

The remainder of the positions requested are to support City’s Public Liability program. Public Liability adjusters, on average, are handling 132 more cases than the industry standard. The Department has indicated that high caseloads are causing significant delays in responding to claims, and adjusters are often unable to respond to claims within the timeframe set in the California Government Code.

### **Vacancies**

As of mid-April, Risk Management had 84.00 filled FTEs as compared to its 94.00 budgeted FTEs. These positions are all “non-hourly,” standard hour positions. The 10.00 unfilled FTEs translate to a 10.6% vacancy rate for the Department. Eight of the ten unfilled positions

## Department Review: Risk Management

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either have been or, by the end of April, will be submitted for request to fill approval. The two remaining positions are intended to be filled in FY 2025.

### **Other Risk Management Funds**

Risk Management oversees the Public Liability, Workers' Compensation, and Long-Term Disability Funds. Information on these three funds is included in this report's *Reserves* section.

# Department Review: Special Promotional Programs

## Special Promotional Programs

Special Promotional Programs includes a collection of programs focused on increasing tourism, promoting artistic and cultural amenities, attracting businesses and economic

activity, and supporting visitor-related facilities. These programs are intended to spur additional TOT and other revenue in the City and receive allocations from the TOT Fund.

SUMMARY OF SPECIAL PROMOTIONAL PROGRAMS/TOT FUND BUDGET CHANGES				
	FY 2024 ADOPTED	FY 2025 PROPOSED	CHANGE (\$)	(%)
<b>Revenue</b>				
<i>Transient Occupancy Tax (TOT) - (5.0 cents)</i>	\$ 155,548,915	\$ 156,767,175	\$ 1,218,260	1%
<i>Use of Fund Balance</i>	21,509,481	3,514,007	(17,995,474)	-84%
<i>Transfer from Trolley Extension Fund Closing</i>	-	147,147	147,147	0%
<i>Special Events Department</i>	120,000	120,000	-	0%
<b>Total Revenue</b>	<b>\$ 177,178,395</b>	<b>\$ 160,548,329</b>	<b>\$ (16,630,067)</b>	<b>-9%</b>

<b>Allocations</b>				
<b>Arts, Culture, and Community Festivals</b>				
	\$ 18,255,651	\$ 15,664,277	\$ (2,591,374)	-14%
<i>Organizational Support</i>	10,163,648	10,163,648	-	0%
<i>Cultural Affairs Department (Arts &amp; Culture)</i>	4,966,091	2,874,717	(2,091,374)	-42%
<i>Creative Communities San Diego</i>	2,040,912	2,040,912	-	0%
<i>Impact Pilot</i>	500,000	500,000	-	0%
<i>Public Art Fund</i>	85,000	85,000	-	0%
<i>ACCF - Mayoral / Council Allocations</i>	500,000	-	(500,000)	-100%
<b>Major Events Revolving Fund</b>	<b>\$ 150,000</b>	<b>\$ -</b>	<b>\$ (150,000)</b>	<b>-100%</b>
<b>Capital Improvements</b>				
	\$ 22,120,300	\$ 20,388,135	\$ (1,732,165)	-8%
<i>Convention Center Debt Service</i>	12,092,175	12,099,510	7,335	0%
<i>PETCO Park Debt Service</i>	9,290,125	8,288,625	(1,001,500)	-11%
<i>Mission Bay Park/Balboa Park Imps. Debt Service</i>	738,000	-	(738,000)	-100%
<b>Economic Development Programs</b>	<b>\$ 2,027,200</b>	<b>\$ 1,027,200</b>	<b>\$ (1,000,000)</b>	<b>-49%</b>
<i>Business Expansion, Attraction, and Retention</i>	847,200	847,200	-	0%
<i>Other Economic Development Program Admin.</i>	180,000	180,000	-	0%
<i>Economic Development &amp; Tourism Support (EDTS)</i>	1,000,000	-	(1,000,000)	-100%
<b>Safety &amp; Maintenance of Visitor-related Facilities</b>	<b>\$ 46,447,455</b>	<b>\$ 37,876,138</b>	<b>\$ (8,571,316)</b>	<b>-18%</b>
<i>Discretionary TOT Support for General Fund Activities</i>	30,609,783	31,353,435	743,652	2%
<i>Convention Center</i>	8,984,045	4,066,085	(4,917,961)	-55%
<i>Special Events &amp; Filming Department</i>	1,426,338	1,500,682	74,344	5%
<i>Mission Bay Park/Balboa Park Imps. Operations</i>	709,826	862,937	153,111	22%
<i>Risk Management Fund</i>	79,000	93,000	14,000	18%
<i>PETCO Park Operations</i>	4,638,463	-	(4,638,463)	-100%
<b>TOTAL ALLOCATIONS</b>	<b>\$ 89,000,606</b>	<b>\$ 74,955,751</b>	<b>\$ (14,044,855)</b>	<b>-16%</b>

<b>General Fund Reimbursements</b>				
<i>Reimbursements for Homelessness Services</i>	\$ 31,413,383	\$ 36,400,000	\$ 4,986,617	16%
<i>Reimbursements for Fire-Rescue (Lifeguards)</i>	32,963,617	29,376,423	(3,587,194)	-11%
<i>Reimbursements for Parks &amp; Recreation (Tourism Sup.)</i>	20,000,000	15,000,000	(5,000,000)	-25%
<i>Reimbursement for City Treasurer (TOT Fund Admin)</i>	1,250,000	2,300,000	1,050,000	84%
<i>Reimbursement for Storm Water (Street Sweeping)</i>	1,572,790	1,572,790	-	0%
<i>Reimbursement for Special Events (Public Safety)</i>	600,000	712,512	112,512	19%
<i>Reimbursement for Facilities (Tourism Sup.)</i>	300,000	300,000	-	0%
<i>Reimbursement for Mission Bay Park Security Services</i>	78,000	78,000	-	0%
<b>TOTAL ALLOCATIONS</b>	<b>\$ 88,177,790</b>	<b>\$ 85,739,725</b>	<b>\$ (2,438,065)</b>	<b>-3%</b>

<b>TOTAL</b>	<b>\$ 177,178,396</b>	<b>\$ 160,695,476</b>	<b>\$ (16,482,920)</b>	<b>-9%</b>
<i>Ending TOT Fund Balance</i>	<i>\$ 8,074,369</i>	<i>\$ 496,611</i>	<i>\$ (7,577,758)</i>	<i>-94%</i>

# Department Review: Special Promotional Programs

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## Impacts of the Mayor’s FY 2025 Budget Proposal

The Proposed Budget for Special Promotional Programs is approximately \$156.3 million, which is a decrease of \$14.5 million or 8.5% from the FY 2024 Adopted Budget. Total expenditures from the TOT Fund also include transfers of \$4.4 million (outside of Special Promotional Programs portion of the TOT Fund) to support the Cultural Affairs and Special Events and Filming Departments, bringing total TOT Fund expenditures to \$160.7 million, as reflected in the table on the previous page. The decrease is primarily due to less available TOT Fund balance from prior years.

Funding for Special Promotional Programs comes from 5.0 of the 10.5 cents of TOT revenue received by the City. Per the San Diego Municipal Code, 5.5 cents of the City’s 10.5 cent TOT are deposited directly into the General Fund to support general government services, while the remaining 5.0 cents is deposited into the TOT Fund. Of this 5.0 cents, the Municipal Code requires that 4.0 cents be used solely for the purpose of promoting the City, while the remaining 1.0 cent can be used for any purpose as directed by the City Council. The total amount of TOT revenue budgeted in FY 2025 is \$330.7 million, with the General Fund portion being \$173.9 million and the non-General Fund portion being \$156.8 million.

The expenditure budget displayed in the table on the previous page incorporates allocations that support the FY 2025 proposed operating budget for the Cultural Affairs Department (included under Arts, Culture, and Community Festivals), the Special Events and Filming Department (included under Safety and Maintenance of Visitor-Related Facilities), as well as reimbursement to the City Treasurer (for the administration of the fund).

## Discretionary TOT to the General Fund

In the Proposed Budget, all revenue from the 1.0 cent of City Council discretionary TOT is transferred to the General Fund. The transfer is approximately \$31.4 million, a \$744,000 increase over the FY 2024 Adopted Budget. In recent years, Mayoral and Council allocations for Arts, Culture, and Community Festivals of \$500,000 was funded with the 1.0 cent City Council Discretionary TOT; however, these allocations are not included in the Proposed Budget. Additional discussion of this allocation in comparison to Council’s priorities set according to the updated Council Policy 100-03 follows on the next page.

## Reimbursements from TOT Fund to the General Fund

The Proposed Budget includes a \$85.7 million transfer from the TOT Fund to the General Fund for eligible promotion-related expenditures, reflecting a decrease of 2.8% compared to the FY 2024 Adopted Budget.

The three departments receiving the largest TOT reimbursement are Homelessness Strategies and Solutions (\$36.4 million), Fire-Rescue/Lifeguards (\$29.4 million) and Parks & Recreation (\$15.0 million).

## Program and Department Budgets

A number of promotional programs, agencies, and City departments are supported wholly or in part by the TOT Fund. The following sections discuss FY 2025 arts and culture funding, Council’s recommendation for the Penny for the Arts – Blueprint goal, funding for visitor-related capital improvements, and economic development program funding.

## Arts and Culture Funding

The proposed FY 2025 Arts and Culture funding is approximately \$15.7 million, a decrease of \$2.6 million or 14.2% from the FY 2024 Adopted Budget.

Of the \$15.7 million proposed, \$2.9 million is

# Department Review: Special Promotional Programs

PENNY FOR THE ARTS - BLUEPRINT GOAL: 9.52% OF TOT	
	FY 2025 PROPOSED
<i>Penny for the Arts Blueprint Goal (\$, based on goal of 9.52%)</i>	\$ 31,353,435
<i>Council Recommendation (\$, based on goal of 6.5%)</i>	21,398,719
<i>Penny for the Arts Budgeted Funding (\$)</i>	15,664,277
<b>Additional Funding Needed to Meet Council Recommendation</b>	<b>\$ 5,734,442</b>

directed to support the Cultural Affairs Department. The remaining \$12.8 million will be allocated to the Organizational Support Programs (OSP) with \$10.2 million, Creative Communities San Diego (CCSD) with \$2.0 million, \$500,000 for an Impact Pilot, and \$85,000 for the Public Art Fund.

### Penny for the Arts Goal Is Not Met

On December 5, 2023, Council approved amendments to [Council Policy 100-03](#), “*Transient Occupancy Tax*.” In the accompanying resolution ([Resolution 315257](#)), Council establishes a legislative process whereby our Office includes “an analysis of whether the Council’s recommendation on the allocation of the 1 cent TOT in the budget priorities resolution has been met.” The 1 cent TOT is equal to 9.52% of total TOT revenue.

On February 12, 2024, as part of Council’s FY 2025 budget priorities process, Council approved a recommendation from the Economic Development and Intergovernmental Relations Committee to allocate 6.5% of total TOT revenue for Arts, Culture, and Community Festivals, with the remaining 3.0% (at the time, \$10.0 million) to help balance the General Fund budget. Additional information on Council’s FY 2025 Penny for the Arts budget priority can be found in [IBA Report 24-02 REV](#)), entitled *FY 2025 Updated City Council Budget Priorities Report*.

The Proposed Budget falls short of meeting Council’s recommendation regarding the Penny for the Arts goal, as shown on the table above. It proposes allocating \$15.7 million or 4.8% of total TOT revenue (equal to 0.5 cent TOT) to arts and culture. To reach the funding level recommended by Council, an additional \$5.7 million TOT allocation for Arts, Culture,

and Community Festivals would be required, as seen in the table above. In both FY 2023 and FY 2024, the Adopted Budget allocated 5.6% of total TOT revenue towards the Penny for the Arts goal.

### Debt Service for Capital Improvements

The Capital Improvements component of the TOT Fund includes debt service payments related to improvements of visitor-related facilities. The Proposed Budget includes \$20.4 million for capital improvement debt service, a \$1.7 million or 7.8% decrease from FY 2024. The decrease is attributable to the use of fund balance from PETCO Park operating revenue to cover \$1.0 million in associated debt service payments in FY 2025, as well as the retirement of debt service for Mission Bay Park/Balboa Park improvements.

### Economic Development Funding

The FY 2025 proposed funding for Economic Development Programs is approximately \$1.0 million, a decrease of \$1.0 million or 49.3% from FY 2024. The decrease is the result of not including funding for Economic Development and Tourism Support (EDTS), which was allocated \$1.0 million in FY 2024. Other allocations include \$847,000 for Business Expansion, Attraction & Retention (BEAR), and \$180,000 for other economic development programs.

# Department Review: Stormwater

## Stormwater

The Stormwater Department is responsible for the maintenance and upkeep of storm drains and associated pump stations for flood risk management, and leads the City’s efforts to protect and improve water quality in the City’s waterways and the ocean, including activities that ensure compliance with various water quality measurements, such as Total Daily Maximum Loads (TMDL), sediment regulations, and other compliance requirements set by the Regional Water Quality Control Board (RWQCB) and other regulators.

### Impact of the Mayor’s FY 2025 Proposed Budget

Expenditures in the Proposed Budget for the Department total \$63.5 million, which is an increase of \$1.6 million (2.6%). The total number of positions is 305.00 FTEs, which is unchanged from FY 2024. Department revenues increased by \$1.1 million to a total of \$13.8 million in the Proposed Budget.

### Significant Budget Additions \$750,000 – Time Schedule Order

The only programmatic increase for Stormwater is \$750,000 for expenditures required

by a Time Schedule Order (TSO) to address missed compliance deadlines from the RWQCB. This TSO is required due to the City’s noncompliance with the Dry Water Bacteria TMDL, for which the City has not met its interim or final dry weather regulatory discharge requirements by either compliance deadline (April 2019 and April 2021, respectively). The Stormwater Department previously put significant resources towards attempting to achieve these requirements, as well as negotiating with the RWQCB to establish requirements that are manageable and feasible for the City to achieve. However, even with negotiations, the Department indicates that more resources will be needed to achieve compliance in the future. Stormwater permit compliance issues are discussed in more detail later in this section.

Due to missed deadlines, the City is currently subject to Mandatory Minimum Penalties of at least \$3,000 per violation per location per day, which began accruing on April 4, 2021, and were potentially accruing up until the TSO was approved by the RWQCB in March 2024. The City will now receive additional time to

SUMMARY OF STORMWATER BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	305.00	\$ 34,850,358	\$ 27,003,144	\$ 61,853,502	\$ 12,649,052
<b>Programmatic Changes</b>					
<i>Bacteria Time Schedule Order</i>	-	-	750,000	750,000	-
<i>Budget Mitigation - Request to Fill</i>	-	(238,512)	-	(238,512)	-
<i>Budget Mitigation - Reduction Target</i>	-	-	(1,237,070)	(1,237,070)	-
<i>Budget Mitigation - Infrastructure Fund Transfer</i>	-	-	(4,799,562)	(4,799,562)	-
<i>Capital Improvement Program Revenue</i>	-	-	-	-	1,250,000
<i>Community Parking District Revenue</i>	-	-	-	-	500,000
<i>WFLA Program Revenue</i>	-	-	-	-	344,390
<i>Employ and Empower Intern Program</i>	-	-	-	-	280,320
<i>Parking Citation Revenue</i>	-	-	-	-	(1,250,000)
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	-	5,140,142	-	5,140,142	-
<i>Hourly Wages</i>	-	45,684	-	45,684	-
<i>Removal of One-Time Expenses from FY 2024</i>	-	-	(4,500)	(4,500)	-
<i>Non-Discretionary Adjustments</i>	-	-	1,962,919	1,962,919	-
<b>FY 2025 Proposed Budget</b>	<b>305.00</b>	<b>\$ 39,797,672</b>	<b>\$ 23,674,931</b>	<b>\$ 63,472,603</b>	<b>\$ 13,773,762</b>
<b>Difference from 2024 to 2025</b>	<b>-</b>	<b>\$ 4,947,314</b>	<b>\$ (3,328,213)</b>	<b>\$ 1,619,101</b>	<b>\$ 1,124,710</b>



# Department Review: Stormwater

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come into compliance through the TSO, but in order to do so it must fully implement and comply with all requirements listed in the TSO. This will require additional funding of \$750,000, which will be combined with \$2.5 million that was provided in the FY 2024 Adopted Budget on an ongoing basis. Of note, funding in the Proposed Budget does not include any penalty payments, which are still to be assessed by the RWQCB.

## Significant Budget Reductions

There are three budget reductions within the General Fund for Stormwater that are mitigations for the City General Fund's budget deficit for this year. These reductions total \$6.3 million in the General Fund, although as further explained the largest reduction does not impact service levels but instead reflects the transfer of expenses to the Infrastructure Fund.

### (\$4.8 million) – Budget Mitigation: Infrastructure Fund Transfer

The largest budget mitigation action is the removal of \$4.8 million from the General Fund budget for Stormwater. This funding will instead be funded out of the Infrastructure Fund for one year. Therefore, there is no direct impact to the operations from this action.

### (\$1.2 million) – Budget Mitigation: Reduction Target

As part of budget development, all General Fund departments submitted reductions totaling 2% of their General Fund budgets. For Stormwater, this reduction is \$1.2 million.

The majority of this reduction will come from stopping work on the Integrated Drainage and Engineering Assessment (IDEA) plan for the San Diego River Watershed. This plan, which would cost about \$1.0 million, identifies known drainage and water quality issues within a given watershed, which then directly feeds into the needs assessments for CIP projects and other stormwater needs. These plans have been completed for most other watersheds; this reduction will delay the plan on the

San Diego River by at least one year.

The remaining amount of this reduction will be absorbed by other operating costs for the Department, such as travel/training budgets or requiring less advanced environmental monitoring reports.

### (\$239,000) – Budget Mitigation: Request to Fill

As part of the mitigations put into place for FY 2024 and FY 2025, the Chief Operating Officer now requires that General Fund departments request permission before they hire most vacant positions. This order is expected to last six months into FY 2025, resulting in an estimated additional savings of \$239,000 for Stormwater.

## Significant Revenue Adjustments

Total revenue for the Department in the Proposed Budget increased by \$1.1 million. This is made up of a total of \$2.4 million in revenue increases that are offset by one decrease of \$1.3 million.

### Revenue Increases

Revenue increases for Stormwater are mostly to true up revenue reimbursements from other funds for work done by the Stormwater Department. These include:

- \$1.3 million in revenue from the CIP,
- \$500,000 from Community Parking Districts, and
- \$344,000 from the WIFIA CIP.

The other revenue increase is \$280,000 for the Employ and Empower Intern Program (EEIP). The Department currently has 6.00 FTEs for management interns, which is a similar level of FTEs from FY 2024. However, in FY 2025 these positions are funded by the EEIP.

### Revenue Decreases

There is one revenue decrease for Stormwater: \$1.3 million in street sweeping parking citation revenue. This is mostly due to a prior year budget adjustment that assumed a proposed

# Department Review: Stormwater

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increase in parking citation fees from \$52.50 to \$63.00. That increase was not passed by the City Council. This reduction corrects the total revenue assumption to reflect the current fee rate.

## Unfunded Budget Requests

As has been the case for many years, the Stormwater Department continues to have a much higher level of need than what is funded in the Proposed Budget. However, given projected General Fund deficits, this year the Department limited its requests to only very specific items that it considered to be the highest priority items.

The first of these requests was for 2.00 FTEs and \$288,000 for individuals that would develop a re-inspection fee. As part of the Department's current duties, it conducts inspections and re-inspections of commercial and industrial businesses to ensure compliance with stormwater mandates. A recent audit suggested that the Department develop a cost recoverable fee for re-inspections, which could potentially generate up to \$700,000 in annual revenue. The positions that were requested for FY 2025 are needed to develop the fee program, but will not be covered by revenue until the program is developed and implemented over the next year, so revenue would not be realized until FY 2026.

The second request was for 1.00 FTE and \$173,000 to bring safety training in house by hiring a Safety Officer. Other departments conduct their mandatory trainings with in-house staff, but Stormwater contracts out for these services. Adding this position, however, would only result in a \$30,000 reduction in FY 2025 contractual expenses.

The vast majority of requests from prior years are still considered major needs for the Department. These include large additions for levee maintenance, green infrastructure maintenance, channel clearing and maintenance, structure repairs, trash capture devices, and a third pipe repair team. More context on

what drives Stormwater's needs is provided in the *Issues for Council Consideration* section of this department review.

## Issues for Council Consideration

### Storm Water Permit Compliance

In May 2012, the Municipal Storm Water Permit (permit) was adopted by the RWQCB. This permit mandates stringent regulations which require a significant increase in expenditures over the next several decades to ensure compliance.

In FY 2014, the Department prepared a Watershed Asset Management Plan (WAMP) that incorporated both the costs of permit compliance and the costs of flood risk management activities. The WAMP is used as a planning tool to project how much funding is necessary for permit compliance, including costs associated with TMDLs, Areas of Special Biological Significance, upcoming compliance deadlines, the deferred capital backlog, and the Department's operational activities. As part of the lead up to release of the Funding Strategy report in January 2021, the WAMP underwent an extensive update.

Total WAMP compliance cost estimates through FY 2042 total almost \$10.9 billion. This includes \$2.0 billion for flood risk management and other existing stormwater infrastructure needs, and \$8.9 billion for water quality compliance needs. The City does not currently have a dedicated revenue to cover these costs.

While the Department has received some resources, and in particular received significant additional operating resources in FY 2023, the Department is still not at the operations funding levels envisioned by the WAMP. The Proposed Budget of \$63.5 million is \$136.2 million below the \$199.7 million in operating funding called for in the WAMP.

Notably, there is also a projected \$1.6 billion

# Department Review: Stormwater

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stormwater infrastructure deficit projected in the latest Five-Year CIP Outlook, which assumed funding for the financing resources required under the WIFIA program. The FY 2025 Proposed Budget does contain almost \$88.4 million for the Stormwater CIP beyond the WIFIA program, including \$75.8 million in General Fund Debt Financing. However, the vast majority of this funding (almost \$80.0 million) is for emergency projects and very high-risk projects, which are costs that are not captured by the WAMP or included within the CIP Outlook.

There are numerous compliance deadlines looming for the Department as well, including a potential abatement order on sediment in the San Diego Bay, a deadline to install about 1,500 trash capture devices by 2030, and the Wet Weather Bacteria TMDL compliance deadline in 2031. The City is already out of compliance with the Dry Bacteria TMDL, which is the reason why the City must now spend funding for the TSO for the Dry Bacteria TMDL and is potentially subject to penalties of up to \$10,000 per day per violation.

As future deadline approach, the City's non-compliance could lead to additional fines, or requirements to begin funding investigative order tasks, such as the TSO, at which point the City has less control over potential costs incurred. **The Department should comment on its ability – or lack thereof – to continue to meet these compliance deadlines, rectify noncompliant orders, and avoid fines given existing funding constraints.**

## Impacts from the Recent Winter Storms

The past winter continued to be wetter than usual, including a storm on January 22 that brought historical amounts of rainfall in a very short period of time that caused catastrophic damage across the region, in particular to certain neighborhoods in southeastern areas of the City. This caused the City to extensively mobilize across almost all departments in

response. While the intensity of this response has subsided, lingering impacts remain, both for the community and for the Stormwater Department.

### Pipe Repair Moved to Channel Maintenance

In the immediate aftermath of January 22, during the declared state of emergency the Stormwater Department cleared approximately 17 miles of channels, which included 66 individual segments. This was done to both mitigate damage caused to channels from that rain event as well as to ensure that the damage caused to the channels did not result in additional flooding from the regular rainfall that came later. Typically, the Department only clears 4 channels per year, mostly due to timelines regarding permitting and wetland mitigation requirements.

Given the level of investment in clearing these channels this year, the Department has made the operational decision to move one of the Department's two existing pipe repair teams away from its current duties to more proactive channel maintenance.

This should prevent the need for more extensive clean up later, but more importantly it will prevent the City from having to pay for additional mitigation beyond what the emergency clean up required.

Notably, the Pipe Repair Team was added in response to the 2018 audit from the City Auditor, who noted that more proactive pipe repair would prevent the City from having to spend extensive resources on emergency projects from when those pipes fail. Even with this second team, the Department was requesting a third team as recently as last year because the current staff is not sufficient to repair or abate the level of emergencies occurring. Shifting one of the pipe repair teams to channel maintenance is likely to lead to increases in stormwater pipe failures and emergency repairs of those pipes if resources are not developed to cover additional pipe repair needs.

# Department Review: Stormwater

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Emergency costs have been increasing over a number of years: over last five years costs of emergency repairs have ranged between \$7.5 million and \$29.3 million. These emergencies require existing CIP resources to be reallocated, taking funding away from other needed projects.

The Department indicated that it will seek additional outside resources to maintain its level of pipe repair, but it is uncertain if outside contracting will be able to cover the lost productivity of the reallocated pipe repair team. Having to redirect existing resources in an already severely underfunded system from one critical need to another highlights the type of lose-lose decisions the Stormwater Department has been constantly confronted with given its lack the dedicated resources. **Council should ask the Stormwater Department for additional information on the benefits and risks, both operationally and financially, that led the Department to make the decision to shift pipe repair resources to channel maintenance.**

## Emergency Repairs

The cost to repair stormwater infrastructure after emergencies has been increasing over a number of years. However, due to the amount of rainfall over the last two years, and the intensity of rainfall this year, the number of required emergency repairs funded in FY 2025 at \$79.0 million is more than double the amount from prior. This will mostly be funded with debt financing, which is a critical funding source not just for Stormwater as part of the WIFIA program, but for other General Fund assets as well.

Emergencies are occurring throughout the City, and are difficult for the Department to manage because during an emergency contract the Department is only allowed to specifically address the emergency itself, and it cannot wholistically fix all related parts of a system. Limiting emergencies is a major goal of the Department, but limited resources hinder

its ability to do so.

We also discuss stormwater emergencies, in the *Infrastructure Funding Needs* section in *Key Citywide Issues* and *Capital Improvement Program* section earlier in this report.

## Mitigation Requirements

When stormwater channels become overgrown, channel clearing triggers federal and state regulations that require the City to pay for wetland mitigations to account for the impact to wetlands that have developed in those channels.

\$6.9 million in mitigation spending is included in the Environmental Growth Funds, which will mitigate requirements for prior work done by the Department. However, the emergency clearing from this year alone will require another 10 acres of mitigation, which will require additional funds that have not yet been identified.

## **Potential Storm Water Funding Measure**

The City continues to lack a dedicated funding source sufficient to address the full costs of compliance detailed in the WAMP.

In response to an audit recommendation, as well as previous IBA reports on this issue, in January 2021 Stormwater released an initial Funding Strategy document, which included a comprehensive assessment of stormwater needs, as well as an initial analysis on various funding mechanisms the City could pursue to close this funding gap. An important conclusion of this Funding Strategy is that the City will likely need to seek a ballot measure to increase fees related to the stormwater system.

Following Council approval of the document, the Department began working on a proposed ballot measure that would create a dedicated stormwater funding mechanism. Their work included designing a measure, determining how much revenue it would generate, and seeking public feedback on the measure to see if it was viable. In February 2022, the

## Department Review: Stormwater

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Department presented its final analysis of a potential ballot measure, which focused on the creation of a tax on properties in the City at a rate between 4 to 5 cents per square foot of impermeable surface. Such a measure, which would cost the typical single-family residence between \$10 and \$14 per month, and generate between \$74 million to \$93 million per year for stormwater activities. Currently, the City's storm drain fee costs single family residences less than \$1 per month and generates approximately \$5.7 million annually.

Following the January 22 storms, a stormwater funding measure was brought forward to the Rules Committee meeting on February 21, at which point our Office was directed to work with District 9 and the Stormwater Department to furnish background information, provide preliminary fiscal and operational analyses of the proposal, and report back to Committee. Our Office used the previous Funding Strategy and ballot measure and developed a basic model to determine the approximate revenue generation that a variety of rates could provide.

This information was brought back to the Rules Committee on April 18, and the Committee directed the City Attorney and our Office to continue working with District 9 and District 1 on ballot language and a tax rate.

Ensuring appropriate funding is available for stormwater will only become more important in future years, as the debt service payments on capital financing such as the WIFIA program come due. Based on the estimate provided when the WIFIA program was approved, total annual repayments for the program could be as high as \$35 million (including WIFIA repayment as well as matching lease revenue bond repayments) starting in FY 2029.

Significantly more revenue will be required to lower Stormwater's compliance and capital funding gap. The City has many needs that cannot be fully supported by existing revenue,

and the need to establish a funding source that can provide for those needs – including clear regulatory demands like those for Stormwater – is critical.

We discuss the City's reliance on Lease Revenue bonds to fund infrastructure projects and related limitations and the need for new revenue to address the capital backlog in the *Infrastructure Funding Needs* section in *Key Citywide Issues* earlier in this report.

## Department Review: Sustainability and Mobility

# Sustainability and Mobility

The Sustainability and Mobility Department (SuMo) was created in the FY 2023 Adopted Budget, following the decision to combine the formerly separate Sustainability Department and Mobility Department. The combined department leads implementation of the City's Climate Action Plan (CAP) and facilitates innovative efforts across multiple City departments to enhance economic, social, and environmental sustainability. These efforts promote renewable electricity; water and energy efficiency; zero waste; bicycling, walking, transit, smart growth, and land use; and resiliency measures. This Department also directly oversees the entire City's energy use and oversees discreet programs such as Americans with Disabilities Act (ADA) Compliance, Parking Meter Districts, and Shared Mobility Device regulations.

### Impact of Mayor's FY 2025 Budget Proposal

The FY 2025 Proposed Budget for the Department is approximately \$18.0 million, which is an increase of \$0.9 million (5.4%) from the

FY 2024 Adopted Budget. The Proposed Budget includes 63.80 FTE positions, which is an increase of 1.00 FTE positions from FY 2024.

The budget for SuMo is split among four funds: the General Fund, the Climate Equity Fund, the Energy Independence Fund, and the Energy Conservation Program Fund. For this Departmental Review, we focus on the main operating funds for the Department: the General Fund and the Energy Conservation Program Fund, which is one of the City's internal service funds. A discussion of the changes to the Climate Equity Fund and the Energy Independence Fund can be found in our discussion of *Key Citywide Issues: Climate Action Plan*.

### General Fund

The General Fund Proposed Budget for the Sustainability and Mobility Department is \$7.8 million, which is a slight decrease of less than \$55,000 (0.7%) from the FY 2024 Adopted Budget. Total FTEs within the General Fund increase by 1.00.

SUMMARY OF SUSTAINABILITY AND MOBILITY (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	33.09	\$ 5,142,056	\$ 2,734,198	\$ 7,876,254	\$ 2,607,228
<b>Programmatic Changes</b>					
<i>Zero Emission Vehicle Strategy Position</i>	1.00	125,650	(35,000)	90,650	58,090
<i>Employ and Empower Program Interns</i>	1.23	54,047	-	54,047	54,047
<i>Budget Mitigation - Request to Fill</i>	-	(36,563)	-	(36,563)	-
<i>Budget Mitigation - Climate Action Plan Monitoring</i>	-	-	(50,000)	(50,000)	-
<i>Budget Mitigation - Building Strategy Reduction</i>	-	-	(50,000)	(50,000)	-
<i>Budget Mitigation - Bicycle Master Plan</i>	-	-	(157,525)	(157,525)	-
<i>Budget Mitigation - Complete Streets Design Manual</i>	-	-	(250,000)	(250,000)	-
<i>Sweep Contract Reduction</i>	-	-	(260,000)	(260,000)	-
<i>Reductions for One Time FY 2024 Expenses</i>	-	-	(562,000)	(562,000)	(112,228)
<i>Community Parking District Funds</i>	-	-	-	-	175,000
<i>Comprehensive Multi-Corridor Plan Support</i>	-	-	-	-	(145,000)
<i>Shared Mobility Devices Revenue Reduction</i>	-	-	-	-	(790,000)
<b>Other Changes</b>					
<i>Other Wage and Benefit Adjustments</i>	-	1,236,615	-	1,236,615	-
<i>Other Hourly Personnel Changes</i>	(1.23)	(39,098)	-	(39,098)	-
<i>Non-Discretionary Adjustments</i>	-	-	(31,230)	(31,230)	-
<b>FY 2025 Proposed Budget</b>	<b>34.09</b>	<b>\$ 6,482,707</b>	<b>\$ 1,338,443</b>	<b>\$ 7,821,150</b>	<b>\$ 1,847,137</b>
<b>Difference from 2024 to 2025</b>	<b>1.00</b>	<b>\$ 1,340,651</b>	<b>\$ (1,395,755)</b>	<b>\$ (55,104)</b>	<b>\$ (760,091)</b>

# Department Review: Sustainability and Mobility

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## **Significant Budget Addition**

\$91,000 in expenses, 1.00 FTE, \$58,000 in revenue – Zero Emission Vehicle Strategy Position

The only increase in General Fund expenditures is 1.00 FTE and \$91,000 for a new position to support the City’s Zero Emission Vehicle (ZEV) Strategy. This position is the last position that was called for in the 2021 CAP staffing analysis.

In particular, this position will support the City’s oversight of the public facing electric vehicle (EV) contract, which is currently pending Council approval, as well as the other strategies and policy proposals contained in the ZEV Strategy. The personnel funding of \$126,000 would be partially offset by a decrease of contractual expenses of \$35,000 since this position would do work previously contracted out. There is also revenue reimbursement budgeted at \$58,000 from the EV contract and another grant.

Our Office noticed that there are no budgeted personnel expenditure savings associated with this position. Our understanding is that this position would not be hired until at least four to five months into the next fiscal year. **Spending for this position could be reduced by \$30,000.**

## **Significant Budget Reductions**

(\$260,000) – Sweep Contract for Shared Mobility Devices

The largest reduction for the Department is \$260,000 for the Sweep Contract. This contract provides the City with removal and impounding services for Shared Mobility Devices (SMDs). SMD deployment in the City is currently at zero as all of the companies with licenses to operate within the City have either decided to no longer deploy devices or are currently going through bankruptcy proceedings that need to be resolved before they return to the market. Given these changes, the Department restructured the contract with Sweep to change the payment methods and

lower the overall expected spend. The remaining contract amount of \$220,000 is rightsized in anticipation that at least two vendors will return to the City in the second half of FY 2025.

Additionally, there is also a revenue reduction of \$790,000 related to this program to right size the budgeted revenue to expected SMD activity. This leaves a total revenue budget of \$560,000.

## \$580,000 – Budget Mitigations: Planning and Monitoring Contract Reductions

The majority of reductions proposed for the Department are for various planning and monitoring services. These allocations are no longer necessary to the operations of the Department due to the completion of work, grants received by the Department, or new staff able to conduct this work. All together, these reductions total \$508,000. The reduction are as follows:

- \$250,000 for the Complete Streets Design Manual. Work on this item is mostly complete and will be presented to Council in the upcoming months.
- \$158,000 for the Bicycle Master Plan. This amount is projected to be covered by grants that have been received by the Department, so no impact to the Bicycle Master Plan itself is expected.
- \$50,000 for costs related to the Building De-carbonization Strategy. This work is anticipated to be covered by Department staff, including the position that was added in FY 2024.
- \$50,000 for CAP monitoring. These costs were for the development of a CAP reporting dashboard. The dashboard is now near completion, and there is enough budget to maintain the system in FY 2025.

## \$37,000 – Budget Mitigation: Request to Fill

As part of the mitigations put into place for FY 2024 and FY 2025, the Chief Operating

# Department Review: Sustainability and Mobility

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Officer requires that General Fund departments request permission before hiring most vacant positions. This order is expected to last six months into FY 2025, resulting in an estimated additional savings of \$37,000 for Sustainability and Mobility.

## Unfunded Requests

### ADA Grant Match

The largest unfunded request for the Department is a total of \$245,000 in matching non-personnel expenditures (NPE) for two grants. These grants are for updating the City's ADA self-evaluation for projects within the right-of-way and are discussed below.

The first grant is for the CalTrans Cycle 6 Active Transportation Program, which would develop Accessibility Safety Plans for Individuals with Disabilities in Disadvantaged Communities, focusing on the southern part of the City. The total project cost is \$850,000, with an anticipated required match of \$145,000 (17%).

The second grant would come from the Department of Transportation Safe Streets for All grant, which would focus on the northern part of the City. This project is estimated at \$500,000, with a required match of \$100,000 (20%).

While the NPE matches were not included in the Proposed Budget, the Department indicates that they *will be able to count staffing costs* as part of the matching requirement, and thus they do not anticipate this unfunded request will impact either grant. However, if not enough staff hours are put towards match requirements, then additional resources will need to be provided, which could impact other operations.

### Community Parking District Position

The other substantial unfunded request is 1.00 FTE and \$123,000 for an Assistant Engineer to assist with the potential expansion of Community Parking Districts (CPDs) citywide. Recently, the City has been either forming or

studying the formation of additional CPDs, including a new CPD in Pacific Beach and a potential CPD in San Ysidro. This position would have supported that effort and would have been cost recoverable from future CPD revenues.

## Significant Revenue Adjustments

The largest revenue adjustment is related to SMDs and is discussed in the Significant Budget Reductions section. There are two other significant revenue adjustments within the General Fund for the SuMo Department.

The first is an increase of \$175,000 in additional CPD revenue. This increase would align the budget with historical actuals, and the CPD budgets have adequate resources to fund this addition. There is no anticipated increase in services associated with this revenue increase.

The second is a net decrease in revenue from the San Diego Association of Governments (SANDAG) for support on the Multi-Corridor Plan. The revenue estimates associated with supporting this plan change every year depending on needs from SANDAG. This year's estimated revenue is \$55,000, while FY 2024 included \$200,000, resulting in the net reduction of \$145,000.

## Energy Conservation Program Fund

The FY 2025 Proposed Budget for the Energy Conservation Program Fund (ECPF) is \$6.8 million, which is an increase of \$135,000 (2.0%) from the FY 2024 Adopted Budget. Total FTEs supported by the ECPF are 29.71, which represents no change from FY 2024. The ECPF is an internal service fund of the City, with revenue derived from charging other City departments based on their respective energy use. A decrease in revenue of \$499,000 is mostly due adjustments in the amount charged to other City departments.



# Department Review: Sustainability and Mobility

SUMMARY OF ENERGY CONSERVATION PROGRAM FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	29.71	\$ 4,957,043	\$ 1,675,558	\$ 6,632,601	\$ 5,711,423
<b>Programmatic Changes</b>					
<i>Employ and Empower Program Interns</i>	1.85	81,291	-	81,291	82,068
<i>Other Hourly Personnel Changes</i>	(1.85)	(63,342)	-	(63,342)	(67,192)
<i>Budget Mitigation - Building Assessments</i>	-	-	(160,000)	(160,000)	-
<i>Program Charges</i>	-	-	-	-	(513,629)
<b>Other Changes</b>					
<i>Other Wage and Benefit Adjustments</i>	-	247,479	-	247,479	-
<i>Non-Discretionary Adjustments</i>	-	-	29,518	29,518	-
<b>FY 2025 Proposed Budget</b>	<b>29.71</b>	<b>\$ 5,222,471</b>	<b>\$ 1,545,076</b>	<b>\$ 6,767,547</b>	<b>\$ 5,212,670</b>
<b><i>Difference from 2024 to 2025</i></b>	<b>-</b>	<b>\$ 265,428</b>	<b>\$ (130,482)</b>	<b>\$ 134,946</b>	<b>\$ (498,753)</b>

## Significant Budget Reductions

### (\$160,000) – Budget Mitigation: Building Assessments

The only significant expenditure change with the ECPF is a reduction of \$160,000 for electrification building assessments. These assessments were being completed in FY 2024 to support the Zero Emissions Municipal Buildings and Operations Policy (ZEMBOP) in anticipation of work to be done under Energy Savings Performance Contracts. These assessments have been completed, and no operational impact is expected from this reduction.

# Department Review: Transportation

## Transportation

The Transportation Department operates and maintains assets within the City’s right-of-way, including streets, sidewalks, streetlights, traffic signals, and street trees; plans and coordinates the activities of other entities within the City’s rights-of-way including public and private utilities; and performs traffic and transportation engineering. The Department has four main divisions: Administration, Right-of-Way (ROW) Management, Street, and Transportation Engineering Operations (TEO).

In addition to the General Fund, the Department receives operating and Capital Improvement Program (CIP) funds from various sources, including the Underground Surcharge Fund, the Gas Tax, the Road Maintenance and Rehabilitation Act (RMRA) Fund,

and TransNet. This Department Review will also provide an overview of those funds and significant programmatic changes.

### General Fund

### Impact of the Mayor’s FY 2025 Proposed Budget

The Proposed FY 2025 General Fund Budget for Transportation is \$103.5 million, which is an increase of \$1.7 million (1.7%) over the FY 2024 Adopted Budget. The total number of positions for the Department is 509.34, which is an increase of 28.40 FTEs.

SUMMARY OF TRANSPORTATION GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	480.94	\$ 55,666,533	\$ 46,159,385	\$ 101,825,918	\$ 61,449,177
<b>Programmatic Changes</b>					
<i>Street Preservation Ordinance Changes</i>	12.00	972,856	29,470	1,002,326	(232,457)
<i>Urban Forestry (APCD Settlement)</i>	-	-	969,169	969,169	-
<i>Mill and Pave Team</i>	10.00	642,252	252,950	895,202	-
<i>Urban Forestry - Ready, Set, Grow Program</i>	5.00	813,178	-	813,178	813,178
<i>Trench Cut Fees for Cable Companies</i>	-	-	470,000	470,000	-
<i>Assistant Deputy Director Position - Street Division</i>	1.00	217,318	-	217,318	-
<i>Employ and Empower Program Interns</i>	0.40	15,872	-	15,872	15,872
<i>Budget Mitigation - Request to Fill</i>	-	(414,569)	-	(414,569)	-
<i>Budget Mitigation - Tree Planting</i>	-	-	(562,000)	(562,000)	-
<i>Budget Mitigation - Traffic Cabinet Replacement Reduction</i>	-	-	(700,000)	(700,000)	-
<i>Budget Mitigation - Expenses Transferred to the Infrastructure Fund</i>	-	-	(6,805,419)	(6,805,419)	4,293,109
<i>TransNet Revenue Changes</i>	-	-	-	-	3,222,960
<i>Gas Tax Revenue Changes</i>	-	-	-	-	1,071,843
<i>Budget Mitigation - Gas Tax and TransNet from Slurry Seal</i>	-	-	-	-	974,518
<i>QECB Revenue</i>	-	-	-	-	(34,750)
<i>Code Compliance Backlog</i>	-	-	-	-	(130,000)
<i>Sidewalk 50/50 Cost Share Program</i>	-	-	-	-	(167,000)
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	-	5,492,808	-	5,492,808	-
<i>Hourly Personnel Adjustments</i>	-	33,923	-	33,923	-
<i>Non-Discretionary Adjustments</i>	-	-	1,058,284	1,058,284	-
<i>Removal of One-Time FY 2024 Items</i>	-	-	(772,190)	(772,190)	-
<b>FY 2025 Proposed Budget</b>	<b>509.34</b>	<b>\$ 63,440,171</b>	<b>\$ 40,099,649</b>	<b>\$103,539,820</b>	<b>\$ 71,276,450</b>
<b>Difference from 2024 to 2025</b>	<b>28.40</b>	<b>\$ 7,773,638</b>	<b>\$ (6,059,736)</b>	<b>\$ 1,713,902</b>	<b>\$ 9,827,273</b>

# Department Review: Transportation

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## **Significant Budget Additions**

\$1.0 million in expenses, 12.00 FTEs, (\$232,000) in revenue – Street Preservation Ordinance Changes

Last year, Transportation updated the City's [Street Preservation Ordinance \(SPO\)](#) to clarify and improve the work needed to improve the City's streets following trenching work, as well as making trench cut fees cost recoverable.

As part of these changes, the City is also currently reworking its own compliance with the SPO, particularly for trenching work done by the Public Utilities Department (PUD). Since the adoption of the last SPO, Transportation has had a Service Level Agreement (SLA) with PUD whereby PUD pays Transportation to have Transportation crews do the trenching repair work.

Given the new requirements of the SPO and the many needs that Transportation has for its current crews, City management has determined that PUD should begin to hire and manage its own trench restoration teams. This will allow Transportation staff currently doing this work to focus on General Fund-related, priority street repair maintenance tasks. Accordingly, there is an increase of 11.00 FTEs and \$1.1 million within the PUD budget to establish the first of these teams.

In the interim, Transportation has been unable keep up with work requested by PUD, and with enhanced SPO requirements; consequently, additional positions are needed to ensure that the City is complying with the SPO. Thus, the Proposed Budget adds 12.00 FTEs and \$1.0 million for a team in the Transportation Department that will address the backlog of SPO-related work orders from PUD while PUD is in the process of adding their teams.

There are also revenue changes associated with these additions that net to a decrease of \$232,000. This is a combination of an increase in revenue of \$1.0 million from PUD to cover the new team in Transportation, offset by a

decrease of \$1.3 associated with fewer ongoing reimbursements from PUD.

However, the expenditures required to cover this team are not currently contained in the PUD Proposed Budget. As discussed in the PUD Review section, there are anticipated to be additional cost and revenue pressures included in the May Revision that could potentially require higher water and sewer rate increases for PUD than previously assumed. *Given the potential revenue and expenditure challenges for PUD in FY 2025, which could require additional rate increases in the future, particularly within the Water Utility, this addition might warrant delay.*

## \$969,000 – Urban Forestry: Air Pollution Control District (APCD) Settlement

The next largest increase is \$969,000 for funding related to an agreement with APCD. This settlement was agreed to in FY 2023 and requires the City to spend \$4.7 million over five years on tree planting, watering, and outreach. This funding is in addition to \$1.1 million that was added last year, almost all of which is ongoing, resulting in a total Proposed Budget in FY 2025 of \$2.0 million. This request will put the program at full capacity of planting roughly 2,000 trees.

This settlement requires the City to spend \$4.7 million for tree planting, watering, personnel costs, and other associated costs by December 31, 2028. Since trees typically require three years of watering, Transportation is planning to have all trees in the ground by December 31, 2025. The current planning schedule includes the 700 trees planted in FY 2024, 2,000 trees planted with the FY 2025 Proposed Budget allocation, and then another 717 trees in FY 2026.

Based on existing staff and resources, the Department indicates that they can plant a maximum of 1,000 trees in a six-month period. In order to make the deadlines of the settlement, it would be possible to defer 283 trees to the next fiscal year. This would require the

## Department Review: Transportation

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Department to hit all other tree planting targets in the interim to remain on schedule. **Delaying these trees could result in saving \$114,000.**

### \$895,000, 10.00 FTEs – Mill and Pave Team

The next largest addition for Transportation is 10.00 FTEs and \$895,000 for a new Mill and Pave team. This team was called for in the Department's [Pavement Management Plan \(PMP\)](#), which included an analysis that the City could produce savings by bringing in-house certain road repaving activities. This team will augment existing mill and pave teams, including their work conducting intensive maintenance on specific troubled sections of pavement that have high levels of degradation. Current City crews can repair approximately 4.7 miles per year. The addition of this team is expected to increase that output to 7.5 miles per year.

This is one of the few enhancements to existing City service levels in the Proposed Budget. While having this crew would improve the City's ability to correct pavement deficiencies, this is an addition that is not being driven by legal requirements or other urgent needs. **If the Council desires to free up resources to restore other City services, this addition is one option for a spending reduction that would not reduce current service levels.**

### \$813,000 in expenses and revenue, 5.00 FTEs – Urban Forestry: Ready, Set, Grow

The Proposed Budget also adds 5.00 FTEs and \$813,000 to oversee the new Ready, Set, Grow program. This program will take advantage of a new federal grant of \$10.0 million to plant, water, and maintain trees within Communities of Concern. These positions are covered by the grant for five years; if they are maintained at the conclusion of that five years they will have to be covered by the General Fund when the grant runs out.

### \$470,000 – Trench Cut Fees for Cable Companies

As previously mentioned, the updated SPO contained higher trench cut fees in order to make the fees more cost recoverable. It was subsequently determined that cable companies that operate within the City under state franchise agreements should have their fees credited against their franchise payments that current accrues as revenue to the General Fund. Therefore, the City will be transferring \$470,000 from the General Fund to the Trench Cut Fund, which is the amount that these companies would have otherwise paid in fees.

The City has taken a similar approach for San Diego Gas & Electric (SDG&E) due to a specific section within SDG&E's franchise agreements that exempts them from this fee. However, no analysis has been done to see if the budget for these transfers matches the expected amount of fees that SDG&E or the cable companies would actually incur if they were subject to trench cut fees. The current budget for these transfers is \$300,000, which represents the total amount estimated for SDG&E. Actuals in the prior year were higher than this amount, and that reflected fees before they were increased with the SPO update. At the time of the update, our Office estimated that the total transfer could potentially increase by \$883,000 for SDG&E alone.<sup>1</sup> **Our Office recommends that Transportation provide an analysis that justifies the total amount currently budgeted to be transferred to the Trench Cut Fund for SDG&E and the cable companies.**

### \$217,000 – Assistant Deputy Director for Street Division

The last significant budget addition is 1.00 FTE and \$217,000 for an Assistant Deputy Director position within the Street Division. This position was requested in the FY 2024 budget but was not funded. Subsequently, the Department added a supplemental position

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<sup>1</sup> See [IBA Report 23-17: Review of Amendments to the Street Preservation Ordinance and Damage Fee](#)

# Department Review: Transportation

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which was subsequently filled but remains an unbudgeted position.

## **Significant Budget Reductions**

(\$6.8 million) in expenditures; \$4.3 million in revenue – Budget Mitigation: Expenses Transferred to the Infrastructure Fund

The largest budget reduction for Transportation's General Fund expenditures is the transfer of various expenses from the General Fund to the Infrastructure Fund for FY 2025. This action includes reducing General Fund expenses by \$6.8 million, as well as increasing General Fund revenue by \$4.3 million to cover the personnel costs for various Transportation employees, resulting in a total impact to the Infrastructure Fund of \$11.1 million. There are no direct impacts to the operations of the Transportation Department from this action.

(\$700,000) – Budget Mitigation: Traffic Cabinet Replacements<sup>2</sup>

The largest proposed reduction that impacts service levels is \$700,000 for traffic cabinet replacements. Starting with the FY 2023 budget, Transportation received funding that would allow the Department to replace 160 traffic cabinets per year, with a goal of replacing every traffic cabinet within ten years. This action will reduce the amount of traffic cabinet replaced in FY 2025 from 160 to 80.

(\$562,000) – Budget Mitigation: Tree Planting

The next largest reduction is \$562,000 for tree planting activities. While the Department has received additional funding for tree planting for both the APCD settlement and the federal grant, both of those programs are limited to specific communities. With this action, there will be no tree planting outside of those communities in FY 2025. This funding would have been used to plant approximately 1,000 trees.

(\$415,000) – Budget Mitigation: Request to

## Fill

As part of the mitigations put into place for FY 2024 and FY 2025, the Chief Operating Officer now requires that General Fund departments request permission before they hire any vacant positions. This order is expected to last six months into FY 2025, resulting in an estimated additional savings of \$415,000 for Transportation.

## **Significant Revenue Adjustments**

Beyond revenue adjustments that were tied to specific expenditure actions, there were other revenue adjustments for Transportation. The largest included additional transfers to support operations from both TransNet (\$3.2 million) and the Gas Tax (\$1.1 million), due to either new revenue assumptions or changes in programmatic spending. This also included a specific action to transfer a total of \$975,000 from both of those funding sources out of slurry seal to operations as part of the Department's attempt to achieve a 2% reduction to their operating costs. A wholistic discussion of the budget changes for these revenue sources is provided in the *Issues for Council Consideration* section.

Additionally, there are also two smaller revenue reductions in the Proposed Budget. The first is a reduction of \$130,000 for revenues related to Code Compliance inspections. There is currently a backlog of cases causing delays in re-inspections, which gives responsible parties longer to achieve compliance. This results in fewer citations, thus lowering General Fund revenue.

The second reduction is the removal of \$167,000 from the Department's 50/50 cost share program for sidewalk repairs. As part of an overhaul to incentivize private parties to repair sidewalks, Transportation initiated a self-certification process and permit fee holiday for private property owners to repair sidewalks that are their responsibility to fix.

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<sup>2</sup> A traffic signal cabinet houses the control equipment at an individual intersection.

# Department Review: Transportation

Performance Measure	Baseline	FY 2023 Actual	FY 2024 Performance	Goal
Citywide Pavement Condition	63	63	63	70
Total Sidewalk Locations Repaired Compared to Total Need	4%	N/A	5%	100%
Average Number of Days to Abate Graffiti in the Right-of-Way	7	7	3	3
Percentage of Streetlights Functioning Correctly	88%	N/A	90%	100%

Additionally, as part of this action, Transportation redirected City crews that previously took part in the cost share program to begin addressing sidewalk repairs in communities of concern. In FY 2024, the Department completed its previous commitments under the 50/50 program and anticipates addressing 20 locations with City crews. To date, 19 permits have been issued under the self-certification process, with 13 of those completed.

## Issues for Council Consideration

### Unfunded Requests and Potential Service Level Impacts

Because of the anticipated General Fund deficit for FY 2025, the Transportation Department submitted far fewer budget requests than last year. Only three significant requests were not funded as part of the Proposed Budget. Those requests are:

- \$263,000 for security services at the Chollas Operations Yard due to contractual expense increases on the new security contract;
- \$200,000 for additional high priority maintenance needs at the Chollas Operations Yard; and
- \$190,000 and 1.00 FTE for a Program Coordinator to assist with budget and contract management activities within the Department.

The requests related to Chollas will require the Department to find resources within its current budget to pay for those needs, particularly the security services.

While there were only three unfunded requests for FY 2025, it is worth noting that the

Department did not submit all of their actual operational needs due to the known structural deficit within the General Fund. For context, in FY 2024, the Department requested an additional 57.00 FTEs and \$13.7 million that was not funded. This included many needs for assets with significant deterioration and liabilities, including a Sidewalk High Priority Repair team, additional electrical engineering support, and various other requests.

Transportation informed our Office that while much for the recent policy focus has been on street paving and resurfacing activities which remain underfunded, the Department also has tremendous needs for other assets, particularly sidewalks and streetlights. These needs can be seen in the Department’s Key Performance Indicators, particularly for sidewalks where only 5% of the locations known to need repair have been addressed.

### Street Repaving Program

Street repaving continues to be a high priority for the Council and public. Since street repaving is an activity that spans many funds across both the CIP and operating budget (overlay is in the CIP, and slurry seal is in the operating budget), our Office compiled a summary of the street repaving budget and changes between the FY 2024 Adopted Budget and the FY 2025 Proposed Budget, displayed on the table on the next page.

For slurry seal, there is a small net increase in total new appropriations in FY 2025, although funding sources remain mostly unchanged. Funding from the Road Maintenance and Rehabilitation Act (RMRA) continues to be the primary source of funding. Some other funding sources have been swapped out, with TransNet funding being removed in favor on

# Department Review: Transportation

ROAD REPAVING ALLOCATIONS		
<b>Slurry Seal</b>		
<b>Funding Source</b>	<b>FY 2024</b>	<b>FY 2025</b>
<i>Continuing Available Appropriations</i>	\$47,231,932	\$8,100,000
TransNet Fund	1,427,976	-
GF/Infrastructure/Other	-	795,366
RMRA Fund	34,125,003	35,328,918
<i>Total New Appropriations</i>	\$35,552,979	\$36,124,284
<b>Total</b>	<b>\$82,784,911</b>	<b>\$44,224,284</b>
<b>Overlay/Reconstruction</b>		
<b>Funding Source</b>	<b>FY 2024</b>	<b>FY 2025</b>
<i>Continuing Available Appropriations</i>	\$66,154,953	\$87,933,690
Financing	83,381,689	86,187,101
Gas Tax Fund	4,742,656	-
TransNet Fund	10,110,851	15,927,900
Trench Cut Fund	2,000,000	2,470,000
GF/Infrastructure/Other	4,364,805	-
<i>Total New Appropriations</i>	104,600,001	104,585,001
<b>Total</b>	<b>170,754,954</b>	<b>192,518,691</b>

increased operating support for the General Fund, while an additional appropriation is provided from the Infrastructure Fund.

Most notably, the continuing appropriation for slurry seal has dramatically declined. This is because Transportation is completing more miles this year than they have in previous years, at an estimated total of 250 miles. The Department attributes its ability to fulfill this level of miles to more efficient practices as well as a better span of control that was implemented in the Streets Division. This includes the addition of the supplemental Assistant Deputy Director position previously discussed.

For overlay projects, which are funded in the CIP, the FY 2025 Proposed Budget contains similar funding levels. Financing continues to be the primary source of funds, with an increase of approximately \$2.8 million. Additional TransNet funding has also been placed into the appropriation for road repair, but since TransNet funding is projected to be flat in FY 2025, this means that funding for other Transportation CIP projects have declined in

the Proposed Budget. Other sources such as the Infrastructure Fund and Gas Tax have been reallocated to either support the General Fund or maintain other allocations despite declining resources.

The continuing appropriation has increased from the beginning of FY 2024, but given that the level of new appropriations provided in FY 2024 was significantly above historical actuals, this level of continuing appropriation is reasonable.

### Transportation Fund Allocations

The table below provides a summary of various transportation related funds, as well as a comparison of the programmatic activities that they support.

There are a couple of notable changes in the programmatic funding for these funds in FY 2025.

- First, under the Gas Tax, all funding for overlay activities has been removed, and additional funding has been added for operational support, Maintenance Assessment Districts, and crack seal and traffic

TRANSPORTATION FUNDS		
<b>Gas Tax</b>	<b>FY 2024</b>	<b>FY2025</b>
Fund Admin	66,250	66,250
Street Median Maintenance	1,279,318	1,278,509
Traffic Engineering Support	5,742,077	6,813,920
Streets Maintenance	26,016,998	26,510,970
MADs	1,612,444	1,749,194
Streets Crack Seal/Traffic Loop Replacement	-	1,800,000
CIP - Overlay	4,742,656	-
<b>Total</b>	<b>\$39,459,743</b>	<b>\$38,218,843</b>
<b>RMRA</b>	<b>FY 2024</b>	<b>FY2025</b>
Streets Slurry Seal	\$34,125,003	\$35,328,918
<b>TransNet</b>	<b>FY 2024</b>	<b>FY2025</b>
RAMS	\$67,600	\$67,600
Fund Administration	460,060	471,300
Traffic Engineering Support	3,283,730	5,500,000
Bikes and Signals	750,000	750,000
Streets Maintenance	12,511,719	13,997,610
Bike STAT Team	1,100,000	1,100,000
Slurry Seal	1,427,976	-
CIP Projects	27,522,298	25,243,490
<b>Total</b>	<b>\$47,123,383</b>	<b>\$47,130,000</b>

*RAMS: Regional Arterial Management System*

# Department Review: Transportation

loops within streets. Overall, total Gas Tax revenues are anticipated to decline by \$1.2 million.

- Overall TransNet revenues are projected to remain unchanged, but there are some significant programmatic adjustments. As previously mentioned, TransNet support for various CIP projects has decreased, and entirely removed for slurry seal, resulting in funding being shifted to operational support for the General Fund.
- RMRA funds are anticipated to increase, with the entirety of appropriations proposed for the slurry seal program, which is consistent with prior years for the funding source.

## Underground Surcharge Fund

### Impact of the Mayor's FY 2025 Proposed Budget

The Underground Surcharge Fund collects fees that are contributed by electricity rate payers for the purpose of undergrounding electric utility lines. The FY 2025 Proposed Budget for the Underground Surcharge Fund includes \$75.8 million in expenditures and 24.74 FTEs. This is an increase of \$4.8 million and 0.58 FTEs from the FY 2024 Adopted Budget.

Revenues total \$113.5 million, which is an increase of \$12.5 million from FY 2024. This increase in franchise fee revenue is due to the same factors that are contributing to increased

Franchise Fee revenue in the General Fund. For more information, refer to the *General Fund Revenues Overview* section.

The only significant expenditure increase is \$4.7 million to increase the proposed appropriation to what the Department expects to expend within the next year.

As was noted in the [Status of the Utilities Undergrounding Program](#) presented to the Environment Committee in June 2023, undergrounding projects are ramping up following the adoption of the Undergrounding Memorandum of Understanding with SDG&E. However, the costs for these projects are also increasing, from approximately \$2.4 million per mile to \$6.9 million per mile. The number of projects that can happen at any one time is a matter of fund balance available rather than appropriation amounts, and as such if additional appropriations are necessary, staff will propose adjustments during FY 2025. The projected funding balance at the beginning of FY 2025 is \$331.3 million.

SUMMARY OF UNDERGROUND SURCHARGE FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2024 Adopted Budget	24.16	\$ 3,844,448	\$ 67,103,743	\$ 70,948,191	\$ 100,985,751
<b>Programmatic Changes</b>					
<i>Align Expenses with Expected Actuals</i>	-	-	4,704,600	4,704,600	-
<i>Revenue Adjustment Based on Franchise Fee</i>	-	-	-	-	12,526,087
<b>Other Changes</b>					
<i>Other Salaries &amp; Wages</i>	-	134,411	-	134,411	-
<i>Hourly Wages</i>	0.58	23,523	-	23,523	-
<i>Removal of One-Time Expenditures from FY 2023</i>	-	-	(4,470)	(4,470)	-
<i>Non-Discretionary Adjustments</i>	-	-	(49,936)	(49,936)	-
<b>FY 2025 Proposed Budget</b>	<b>24.74</b>	<b>\$ 4,002,382</b>	<b>\$ 71,753,937</b>	<b>\$ 75,756,319</b>	<b>\$ 113,511,838</b>
<b>Difference from 2024 to 2025</b>	<b>0.58</b>	<b>\$ 157,934</b>	<b>\$ 4,650,194</b>	<b>\$ 4,808,128</b>	<b>\$ 12,526,087</b>



# Other Departments

### Office of Emergency Services

The FY 2025 Proposed Budget for the Office of Emergency Services (OES) is approximately \$3.9 million, a reduction of \$145,000, or 3.6% from the FY 2024 Adopted Budget. Budgeted revenue totaling \$1.6 million is largely unchanged. The proposed expenditure reduction is primarily attributable to budgetary mitigations including \$81,000 in various non-personnel expenditures (NPE) and \$41,000 in assumed vacancy savings from the implementation of the Executive Approval to Fill Vacancies process that will be instituted for the first six months of FY 2025. OES indicated that while these reductions represent a significant portion of its discretionary NPE budget, it will be able to continue day-to-day operational activities with its budget as proposed for FY 2025; however, budgetary flexibility will be limited and will likely leave OES unable to address any unforeseen circumstances or other requirements.

provisional employee during May Revise. The Special Events and Filming Department is funded with TOT funds and is budgeted in Special Promotional Programs. Additional information on Special Promotional Programs funding is included in the corresponding section of this report.

### Special Events and Filming

The FY 2025 Proposed Budget for Special Events and Filming is approximately \$1.5 million, an increase of \$48,000 or 3.3% from the FY 2024 Adopted Budget. The budget increase is largely attributed to \$32,000 in salary and benefit adjustments. Other proposed budget changes are non-discretionary in nature, namely a \$41,000 reduction in IT expenditures and a \$27,000 increase for other non-discretionary items. The Proposed Budget also includes 0.75 FTE related to two Employ and Empower Program Management Intern positions and removes 0.35 FTE associated with a provisional employee. The Department intends to request 0.17 FTE for a