



THE CITY OF SAN DIEGO

Report to the City Council

DATE ISSUED: February 12, 2016 REPORT NO: 16-012
ATTENTION: Budget and Government Efficiency Committee
Agenda of February 24, 2016
SUBJECT: Fiscal Year 2016 Mid-Year Budget Monitoring Report
REFERENCE: Fiscal Year 2016 First Quarter Budget Monitoring Report, # 15-094

REQUESTED ACTION:

Approve the requested actions and recommendation for the use of budgetary surplus as outlined in the Fiscal Year 2016 Mid-Year Budget Monitoring Report, # 16-012.

STAFF RECOMMENDATION:

Approve the requested actions.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

The Fiscal Year 2016 Mid-Year Budget Monitoring Report (Mid-Year Report) presents year-end projections of revenues and expenditures for funds with budgeted personnel expenditures.

Per City Council Budget Policy (Policy No. 000-02), Quarterly Reports are presented to the Budget and Government Efficiency Committee and the City Council each fiscal year. The purpose of the Mid-Year Report is to compare year-end projections to the current fiscal year's budget. This report is an integral part of the budget process; it provides transparency into the City's budget and finances and delivers critical data for informed decision-making. The report recommends a use of projected General Fund budgetary surplus and an appropriation for the Homeless Veterans Initiative as well as revisions to Capital Improvement Projects (CIP) reallocating funding between projects resulting from the City's enhanced CIP cash management efforts.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal # 1: Provide high quality public service

Objective # 2: Improve external and internal coordination and communication

Goal # 3: Create and sustain a resilient and economically prosperous City

FISCAL CONSIDERATIONS:

See attached Report: Fiscal Year 2016 Mid-Year Budget Monitoring Report, # 16-012

EQUAL OPPORTUNITY CONTRACTING INFORMATION (if applicable):

N/A

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

N/A

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

N/A

signature on file

Originating Department

signature on file

Deputy Chief/Chief Operating Officer

Attachment: Fiscal Year 2016 Mid-Year Budget Monitoring Report, # 16-012

Fiscal Year 2016 Mid-Year Budget Monitoring Report



City of San Diego Financial Management Department February 2016

signature on file

Scott Chadwick
Chief Operating Officer

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Mary Lewis
Chief Financial Officer

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Tracy McCraner
Financial Management Director

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Vanessa Montenegro
Budget Coordinator

INTRODUCTION

The Fiscal Year 2016 Mid-Year Budget Monitoring Report (Mid-Year Report) presents year-end projections of revenues and expenditures for funds with budgeted personnel expenditures.

Per City Council Budget Policy (Policy No. 000-02), Quarterly Reports are presented to the Budget and Government Efficiency Committee and the City Council each fiscal year. The purpose of the Mid-Year Report is to compare year-end projections to the current fiscal year's budget. This report is an integral part of the budget process, provides transparency to the City's budget and finances and delivers critical data for informed decision-making. The report recommends a use of projected General Fund budgetary surplus and an appropriation for the Homeless Veterans Initiative as well as revisions to CIP projects reallocating funding between projects resulting from the City's enhanced CIP cash management efforts.

Financial Management (FM) produces this report, in collaboration with all City departments, to forecast year-end results between budget and actual revenues and/or expenditures. The Mid-Year Report is compiled using six months of actual activity in budgeted operating departments, combined with FM and departmental projections of anticipated spending and revenue trends for the remainder of the fiscal year. Statistical data, economic analysis, professional judgment and expertise from economic consultants, professional organizations and other resources support the projections of year-end revenue and expenditure estimates. This report provides the detail and analysis of the year-end projections and additional recommendations necessary to maintain budgetary control and balance throughout the fiscal year. In addition, attached are financial schedules prepared by the City Comptroller's Office comparing Fiscal Year 2016 unaudited actual revenue and expenditures against prior year actual revenue and expenditures and current year actuals versus the current budget as of December 31, 2015.



The following discussions, analysis, and recommendations are in this report:

- A high-level summary of projected revenues and expenditures, including the impact of this projected activity on excess equity and reserve targets
- Details on the major General Fund revenues and assumptions
- Discussion of General Fund revenue variances by department
- Discussion of variances by expenditure category
- Discussion on significant variances projected for non-general funds (significant variances is defined as greater than \$500,000)
- Updates to the Risk Management Reserves
- Program updates from the First Quarter Budget Monitoring Report (First Quarter Report), issued November 13, 2015
- Revisions to CIP projects to reallocate funding between projects as a result of the City's enhanced CIP cash management efforts
- Recommended use of projected General Fund budgetary surplus and an appropriation for the Homeless Veterans Initiative

GENERAL FUND

OVERVIEW

The General Fund projects a budgetary surplus of \$7.6 million by fiscal year-end as reflected in Table 1: Summary of FY 2016 General Fund Projections. The \$7.6 million budgetary surplus is a result of a net increase in revenue of \$3.7 million and a decrease in expenditures of \$3.9 million.

Summary of FY 2016 General Fund Projections					
<i>Table 1</i>					<i>in millions</i>
Revenue/Expenditures	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Resources					
Revenue	\$ 1,281.9	\$ 1,281.9	\$ 1,285.6	\$ 3.7	0.3%
Budgeted Use of Excess Equity	6.2	6.2	6.2	-	0.0%
Total Resources	1,288.1	1,288.1	1,291.8	3.7	0.3%
Expenditures	1,288.0	1,288.0	1,284.1	3.9	0.3%
Net Projected Activity	\$ -	\$ -	\$ 7.7	\$ 7.6	

Revenues are projected to exceed budget primarily due to increased receipts realized in the City's major General Fund revenues of \$4.9 million which are partially offset with an under collection of revenues of \$1.2 million in departmental revenue. An increase in transient occupancy tax revenue is the primary contributor to the increase in General Fund revenue due to gains in occupancy and room rates, and an increase in overnight visitors to San Diego during calendar year 2015. The decreased expenditure projection is primarily due to savings in energy and utilities primarily attributed to decreases in the cost per gallon in motor fuels and a savings in electrical services by fiscal year-end. These savings are reduced by an increase in personnel expenditures primarily due to an increase in fringe benefit expenditures required to fund the Worker's Compensation reserve target as well as increases in non-personnel expenditures to fund the public liability operating fund and emergency contracts and supply expenditures resulting from the El Niño storm conditions.

The mid-year projections include six months of actual activity; revenues and expenditures will vary as the year progresses. The City has strong controls and monitoring processes in place to maintain a balanced budget. The analysis and projections presented in this report, combined with FM's continued monitoring of departmental projections of revenues and expenditures are critical to maintaining financial discipline and a balanced budget, which supports the delivery of essential community services.

MID-YEAR ORDINANCE

In accordance with Municipal Code Section 22.028: Mid-Year Amendments to the Adopted General Fund Budget, staff recommends the use of \$5.8 million of the projected General Fund budgetary surplus of \$7.6 million. The projected budgetary surplus of \$7.6 million is a result of a net increase in revenue of \$3.7 million and a decrease in expenditures of \$3.9 million.

The \$5.8 million is proposed to partially fund the required contribution for the Fiscal Year 2016 Public Liability Reserve to achieve an ending balance of \$28.7 million, or 31.0%, of the Fiscal Year 2013 through 2015 outstanding actuarial liability. This contribution is part of a phased plan to meet the Fiscal Year 2016 Public Liability reserve target of 40.0%, and supports our goal of funding to the 50.0% target in Fiscal Year 2019 per the Reserve Policy. Financial Management

will continue to monitor and provide an update in the upcoming Fiscal Year 2016 Year-End Budget Monitoring Report and will include recommendations to use Excess Equity in order to ensure the Fiscal Year 2016 reserve targets are met. This recommendation is consistent with the City Council Budget Policy (Policy No. 000-02) regarding the use of one-time and ongoing revenues in the General Fund for one-time priority expenditures.

Recommended Use of FY 2016 Projected Budgetary Surplus	
<i>Table 2</i>	<i>in millions</i>
FY 2016 Projected Budgetary Surplus	\$ 7.6
Fund the Public Liability Reserve	5.8
Remaining Budgetary Surplus	\$ 1.8

As reflected in Table 2: Recommended Use of FY 2016 Projected Budgetary Surplus, the remaining budgetary surplus of \$1.8 million is projected to close to fund balance at year end in the General Fund. This approach accounts for possible revenue variances and unanticipated expenditures not included in the current projection, particularly any increased costs resulting from the El Niño storm system expected through April 2016. FM will continue to monitor and provide an update of the excess equity projection in the upcoming Fiscal Year 2016 Year-End Budget Monitoring Report.

ECONOMIC UNCERTAINTIES

The adoption of the Fiscal Year 2016 budget reflected moderate improvement in local economic indicators; however, the level of improvement was slower than what the City had experienced in prior fiscal years. Overall, the current year-end projections for major General Fund revenues align with the moderate level of improvement anticipated when the budget was developed. The City has been fiscally responsible by establishing reserves and developing a plan to fund reserves to targeted levels. The Mayor will be focused on ensuring reserve targets, as discussed in the Reserve Policy, are priority funded in the Fiscal Year 2017 Proposed Budget. Additionally, Financial Management will present a revised Reserve Policy to the Budget and Government Efficiency Committee in March 2016 to recommend a funding plan for a new pension reserve and a plan to increase the General Fund reserve to 16.7% phased in over several years from the current level of 14.0%, as proposed and approved by City Council.

General Fund Revenues

General Fund revenues are projected to exceed budget by \$3.7 million at fiscal year-end. This is primarily attributed to an over budget collection of \$4.9 million in major General Fund revenues offset with an under budget projection of \$1.2 million in departmental revenue. Assumptions influencing the major General Fund revenues are detailed in this report, including any significant variances from the adopted budget. The current forecast for General Fund revenues projects modest increases over budget cumulatively; however, there could be potential impacts from undetermined economic factors which could negatively impact these projections. Continued decreases in oil prices, unknown impacts of Senate Bill 107 (SB 107) on residual payments from the Redevelopment Property Tax Trust Fund (RPTTF), impacts of El Niño driven winter storms on overtime or emergency services, and other factors discussed in this report. As an enhancement to the Mid-Year Report, each of the major General Fund revenue sources includes a sensitivity analysis for potential impacts to projections should changes in the local economy occur during the second half of the fiscal year. This provides additional information on the sensitivity of City revenues to varying economic conditions.

FY 2016 General Fund Revenue Projections					
<i>Table 3</i>					<i>in millions</i>
Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
General Fund Major Revenues	\$ 1,009.2	\$ 1,009.2	\$ 1,014.1	\$ 4.9	0.5%
Departmental Revenue	272.7	272.7	271.5	(1.2)	-0.4%
Total	\$ 1,281.9	\$ 1,281.9	\$ 1,285.6	\$ 3.7	0.3%

MAJOR GENERAL FUND REVENUES

The City's major General Fund revenues are projected to exceed budget by \$4.9 million primarily the result of increased transient occupancy tax (TOT) and miscellaneous revenue, which are projected to exceed budget by \$3.9 million and \$5.1 million, respectively. The excess budget revenue projections are offset by decreases in sales tax and property tax of \$3.2 million and \$2.3 million, respectively. Table 4: FY 2016 Major General Fund Revenue Projections summarizes this information.

FY 2016 Major General Fund Revenue Projections					
<i>Table 4</i>					<i>in millions</i>
Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Property Tax	\$ 470.1	\$ 470.1	\$ 467.8	\$ (2.3)	-0.5%
Sales Tax	285.8	285.8	282.5	(3.2)	-1.1%
Transient Occupancy Tax ¹	102.2	102.2	106.0	3.9	3.8%
Franchise Fees ²	79.4	79.4	79.8	0.4	0.5%
Property Transfer Tax	8.4	8.4	9.4	1.0	12.3%
Miscellaneous Revenue	63.4	63.4	68.5	5.1	8.0%
Total	\$ 1,009.2	\$ 1,009.2	\$ 1,014.1	\$ 4.9	0.5%

¹ Total City FY 2016 current revenue budget for transient occupancy tax is \$195.0 million and the projection is \$202.4 million. The balance is budgeted in the Transient Occupancy Tax Fund.

² Total City FY 2016 current revenue budget for franchise fees is \$160.1 million and the projection is \$163.5 million. The balance is budgeted in the Environmental Growth and Underground Surcharge Funds.

The major General Fund revenue projections are based on the most recent economic information available and actual revenue distributions to the City during the first six months of the fiscal year. The Fiscal Year 2016 budget for the major General Fund revenues reflected a continued, modest improvement in the local, state, and national economies. The projections indicate that the positive signs shown by the local economic indicators during the development of the budget have generally continued through the first half of the fiscal year as reflected in Table 5: Local Unemployment Economic Indicators and Table 6: Local Real Estate Market Indicators.

Local Unemployment Economic Indicators			
<i>Table 5</i>			
Economic Indicator	December 2014	December 2015	Change %
City of San Diego Unemployment	5.2%	4.5%	-0.7%
City of San Diego Number of Unemployed	36,000	31,700 ¹	-11.9%

Source: California Employment Development Department

¹ Preliminary number provided as of December 2015 and is subject to change.

When compared to December 2014, the City of San Diego unemployment rate for December 2015 has decreased to 4.5%. Additionally, the total number of unemployed has decreased by 11.9%. Both indicators are positive signs that the local employment market continues to improve.

Local Real Estate Market Indicators			
<i>Table 6</i>			
Economic Indicator	Calendar Year 2014	Calendar Year 2015	Change %
City of San Diego Median Home Price	\$445,521	\$472,854	6.1%
City of San Diego Home Sales	15,337	16,355	6.6%
San Diego County Foreclosures	2,036	1,853	-9.0%
San Diego County Notices of Default	5,855	5,142	-12.2%

Source: San Diego County Assessor/Auditor/Recorder's Office

When compared to calendar year 2014, the median home price for calendar year 2015 has increased by 6.1%. Home sales for calendar year 2015 also experienced an increase of 6.6% when compared to calendar year 2014. This growth in home sales is consistent with the increase in property tax-related revenues the City received during the first half of the fiscal year. In addition, there continues to be significant decreases in both foreclosures and notices of default as the local real estate market continues to improve.

Overall, the local economy shows improvements in the real estate market and the City anticipates similar growth trends for the remainder of the fiscal year. Nonetheless, the City will continue to closely monitor economic indicators for potential impacts to the major General Fund revenues.

Property Tax

FY 2016 Property Tax Revenue Projections					
<i>Table 7</i>					<i>in millions</i>
Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Property Tax Growth Rate	5.0%	5.0%	5.0%	0.0%	N/A
Property Tax Projection	\$ 470.1	\$ 470.1	\$ 467.8	\$ (2.3)	-0.5%

Overall, Property Tax revenue is projected to be slightly under budget at year-end primarily due to a decrease in the distribution of residual funds from the Redevelopment Property Tax Trust Fund (RPTTF).

The Fiscal Year 2016 budget reflects a projected 5.0% property tax growth rate; however, the City has experienced an increase in assessed value of 6.1% for calendar year 2015. This is 1.1% higher than the 5.0% budgeted property tax growth rate leading to the slight increase in the 1.0% property tax base, the Motor Vehicle License Fee (MVLf) backfill payment, and the projected RPTTF tax sharing pass-through payments as displayed in Table 8: FY 2016 Property Tax Revenue Projection Details.

FY 2016 Property Tax Revenue Projection Details					
<i>Table 8</i>					<i>in millions</i>
Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
1.0% Property Tax	\$ 331.3	\$ 331.3	\$ 333.9	\$ 2.6	0.8%
MVLf Backfill	121.1	121.1	122.3	1.2	1.0%
RPTTF Tax Sharing Pass-through Payments	3.8	3.8	4.9	1.1	28.9%
RPTTF Residual Property Tax	13.9	13.9	6.7	(7.2)	-51.8%
Total	\$ 470.1	\$ 470.1	\$ 467.8	\$ (2.3)	-0.5%

The residual property tax payment is the City's allocation of funds remaining in the RPTTF after the Recognized Obligation Payments Schedule (ROPS) requirements have been met. The projected residual property tax payment is \$6.7 million. The residual property tax payment is projected to be \$7.2 million under budget due to the approval of State Bill 107 (SB 107). SB 107 modified various aspects of the statewide redevelopment wind-down process. Specifically, the bill allows enforceable obligations previously denied by the California Department of Finance (DOF) to be placed on the ROPS for reconsideration. If approved, the enforceable obligations included on the ROPS will increase, leading to a decrease in the RPTTF residual balance available for distribution to local entities, including the City. The projected increase in enforceable obligations lowers the City's projection of RPTTF residual payment by \$7.2 million.

Sensitivity Analysis

The projections for property tax revenues displayed in Table 8: FY 2016 Property Tax Revenue Projection Details reflect the current estimates the City anticipates to receive this fiscal year. All local real estate economic indicators continue to show growth; however, projections in Fiscal Year 2016 could be impacted by the actual collection rate and the amount of refunds for the 1% base property tax although not expected to be of a material amount. The most significant variable influencing the current year-end projection for property tax revenue is the amount of the RPTTF residual payment. The RPTTF residual payment projection is based on the tenth ROPS (ROPS 10) as approved by the City Council on January 19, 2016 and the Oversight

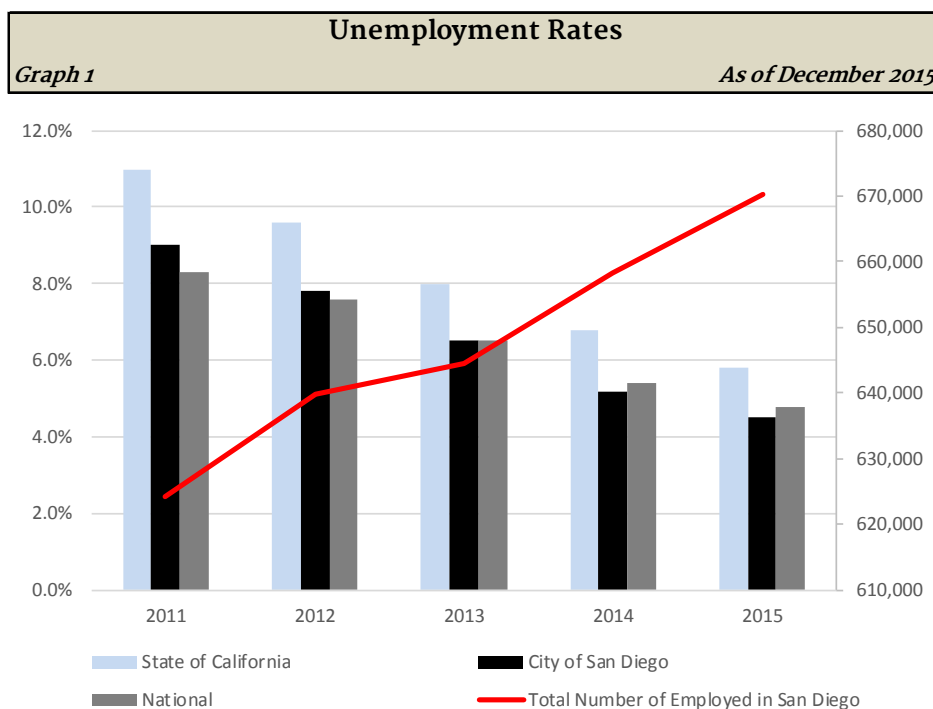
Board on January 25, 2016 but is still dependent upon approval by the DOF. If any of the enforceable obligations included on the ROPS were denied, the City would receive additional funds through the distribution of residual funds from the RPTTF of an indeterminable amount and would be a positive impact to the General Fund.

Sales Tax

FY 2016 Sales Tax Revenue Projections					
<i>Table 9</i>					<i>in millions</i>
Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Sales Tax Growth Rate	4.0%	4.0%	4.0%	0.0%	N/A
Sales Tax Projection	\$ 285.8	\$ 285.8	\$ 282.5	\$ (3.2)	-1.1%

Sales tax revenue is projected to be under budget at fiscal year-end by \$3.2 million, or 1.1%, primarily due to decreased revenue attributed to lower fuel prices. Offsetting the lower fuel prices are gains in new vehicle sales, as well as sales tax revenue from continued increases in spending for the hotel and restaurant business sectors.

Major local economic drivers of the City’s sales tax receipts include the unemployment rate, consumer confidence, and consumer spending. As of December 2015, the San Diego unemployment rate was 4.5%, as reported by the California Employment Development Department. The unemployment rates for both the State of California and the nation are 5.8% and 4.8%, respectively, as shown in Graph 1: Unemployment Rates. As the local unemployment rate continues to improve, consumer confidence is anticipated to continue increasing, and is expected to lead to growth in the City’s sales tax receipts in Fiscal Year 2016.



Source: State of California, Employment Development Department

The City continues to experience a moderate increase in sales tax revenue when compared to Fiscal Year 2015, with increases reported in all but one of the economic sectors as displayed in Table 10: Quarterly Sales Tax Revenue. However, the increased receipts are not quite at the 4.0% growth rate expected in the Fiscal Year 2016 adopted budget almost entirely due to continued decreases in oil prices. Decreased global demand for crude oil brought on by over-production and gains in fuel efficiency is responsible for lower retail gas and jet fuel prices that continued to negatively impact sales tax in the fuel and service stations economic category for the fourth straight quarter. Sales tax data from HdL Companies, the City's sales tax consultant, indicates that expected gains in taxable sales from restaurants and hotels, automobile sales, food and drugs, and construction materials should help mitigate this trend throughout the remainder of Fiscal Year 2016.

Quarterly Sales Tax Revenue			
<i>Table 10</i>	<i>in millions</i>		
Economic Category	CY 2014 Q1-Q3	CY 2015 Q1-Q3	Variance %
General Consumer Goods	\$ 43.3	\$ 43.7	0.8%
Restaurants and Hotels	31.4	34.1	8.5%
Business and Industry	27.8	28.7	3.1%
Autos and Transportation	23.7	25.3	7.0%
Fuel and Service Stations	19.2	15.2	-20.8%
Building and Construction	12.7	13.0	3.0%
Food and Drugs	9.1	9.4	3.5%
Total	\$ 167.1	\$ 169.3	1.3%

Source: HdL Companies

In March 2004, California voters approved Proposition 57, the California Economic Recovery Bond Act, which authorized the issuance of up to \$15.0 billion in bonds to close the State's budget deficit. The bonds were paid via a quarter-percent reduction in local sales tax to the City that was recovered through a series of revenue swapping procedures, referred to as the "triple-flip". As of January 1, 2016, the triple-flip has ended and the City has reverted back to the full one-cent Bradley Burns Tax. The City will begin receiving these allocated payments directly from the State Board of Equalization in March 2016 for the first quarter of calendar year 2016 taxable sales. As a result of the City's accounting accrual policy, the City anticipates a one-time increase of \$12.7 million in sales tax revenue recognized in this fiscal year.

Sensitivity Analysis

The projections for sales tax revenues displayed in Table 9: FY 2016 Sales Tax Revenue Projections reflect the current estimates the City anticipates to receive this fiscal year. However, actual growth rates could be impacted by a variety of factors including the level of consumer confidence; significant shifts in online sales versus sales transactions at brick and mortar stores; or continued changes in fuel prices. If the growth rate were to be adjusted +/- 0.5% for each of the upcoming quarters, sales tax projections could change by approximately \$600,000. Any potential increase or decrease in local taxable sales performance will directly impact the City's sales tax projection and will be reflected in the Fiscal Year 2016 Year-End Budget Monitoring Report and considered for the Fiscal Year 2017 Proposed Budget.

Transient Occupancy Tax (TOT)

FY 2016 Transient Occupancy Tax (TOT) Revenue Projections					
<i>Table 11</i>					<i>in millions</i>
Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
TOT Growth Rate	6.0%	6.0%	7.0%	1.0%	N/A
TOT Projection	\$ 102.2	\$ 102.2	\$ 106.0	\$ 3.9	3.8%

General Fund TOT revenue is projected to exceed budget at fiscal year-end by \$3.9 million, or 3.8%, primarily due to gains in occupancy and room rates, and an increase in overnight visitors to San Diego during calendar year 2015. San Diego hotels continue to maintain and outpace premium occupancy rates and prices compared to both California and the U.S. through October 2015. As a result of the positive tourism trends, the growth rate of 6.0% included in the Fiscal Year 2016 Adopted Budget has been increased to 7.0% for the remainder of the fiscal year to reflect trends in actual receipts through the first half of the fiscal year.

Major economic drivers of TOT include hotel occupancy rates, daily room rates, business travel, and conventions. Sustained positive tourism growth has occurred since the economic turnaround began in Fiscal Year 2010 and this trend is expected to continue through fiscal year-end, according to the December 2015 Quarterly Travel Forecast from the San Diego Tourism Authority (SDTA) and Tourism Economics, Inc. Table 12: San Diego County Visitor Industry provides a summary of the projected growth in economic indicators that impact the City's transient occupancy tax receipts.

San Diego County Visitor Industry				
<i>Table 12</i>				
	CY 2013	CY 2014	CY 2015	CY 2016 ²
Visitors				
Total Visits (millions)	33.1	33.8	34.2	35.7
Overnight Visits (millions)	16.4	17.0	17.1	17.9
Hotel Sector				
Average Occupancy	71.6%	74.6%	76.6%	77.0%
Average Daily Rate	\$ 134.94	\$ 141.38	\$ 149.70	\$ 157.76
Revenue PAR ¹	\$ 96.62	\$ 105.47	\$ 114.67	\$ 121.48
Room Demand (growth)	2.4%	6.4%	3.8%	2.6%

Source: San Diego Tourism Authority and Tourism Economics

¹Revenue Per Available Room (Average Occupancy multiplied by Average Daily Rate)

²Forecast - Tourism Economics, December 2015

Sensitivity Analysis

The projections for TOT revenues displayed in Table 11: FY 2016 Transient Occupancy Tax (TOT) Revenue Projections reflect the current estimates the City anticipates to receive this fiscal year. While the tourism market is very strong, other economic indicators are volatile and could indirectly affect tourism in a negative manner in the second half of the fiscal year. If the growth rate were to be adjusted +/- 1.0% for the remainder of the fiscal year, TOT projections could change by approximately \$500,000. Any potential increase or decrease in the travel industry will directly impact the City's TOT projection and will be reflected in the Fiscal Year 2016 Year-End Budget Monitoring Report and considered for the Fiscal Year 2017 Proposed Budget.

Franchise Fees

FY 2016 Franchise Fee Revenue Projections					
<i>Table 13</i>					<i>in millions</i>
Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
SDG&E Growth Rate	2.0%	2.0%	2.0%	0.0%	N/A
Cables Growth Rate	0.0%	0.0%	0.0%	0.0%	N/A
Franchise Fee Projection	\$ 79.4	\$ 79.4	\$ 79.8	\$ 0.4	0.5%

Franchise fee revenue is projected to be over budget by \$400,000 primarily due to revenue from refuse hauler franchise fees. Franchise fee revenue is generated from agreements with private utility companies and refuse haulers in exchange for the use of the City’s rights-of-way. Currently, the City has franchise agreements with SDG&E, Cox Communications, Time Warner Cable, AT&T, and refuse haulers. Approximately 85.0% of franchise fee revenue is comprised of receipts from SDG&E and cable companies. Revenue received from the agreements with SDG&E and the cable companies is based on a percentage of gross sales while the revenue received from refuse haulers is based on tonnage.

The current year-end projection for franchise fee revenue from SDG&E is under budget primarily due to a reduction in consumption; however, offsetting the under budget SDG&E projection is franchise fees from refuse haulers, which are projected to end the fiscal year over budget.

Sensitivity Analysis

The projections for franchise fee revenues displayed in Table 13: FY 2016 Franchise Fee Revenue Projections reflect the current estimates the City anticipates to receive this fiscal year. However, fluctuations in franchise fees can be experienced due to price adjustments and consumption levels in purchases of electricity. As mentioned previously, revenue received from SDG&E is based on a percentage of gross sales and received in equal aspects throughout the year; a clean up payment is received after the end of the calendar year. Based on this calculation, the amount for the next three quarters (into Fiscal Year 2017) is known. Revenue from cable franchise fees can and have been impacted by the number of subscriptions, which supports the 0.0% growth rate; however, if subscription levels changed significantly, a +/- 0.5% adjustment in cable franchise fee could result in an increase or decrease of approximately \$100,000.

Property Transfer Tax

FY 2016 Property Transfer Tax Projections					
<i>Table 14</i>					<i>in millions</i>
Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Property Transfer Tax Growth Rate	3.0%	3.0%	3.0%	0.0%	N/A
Property Transfer Tax Projection	\$ 8.4	\$ 8.4	\$ 9.4	\$ 1.0	12.3%

Property transfer tax is a levy on the sale of residential and commercial real estate property and is highly reflective of the activity in the housing market, which makes property transfer tax revenues generally more volatile to market changes than the 1.0% property tax levy. The

County of San Diego collects \$1.10 per \$1,000 of the sale price when any real property is sold. The City is credited \$0.55 per \$1,000 against the County's charge, giving both the County and City each \$0.55 per \$1,000 of the sale price. The County collects the funds and transfers the City's portion on a monthly basis.

For Fiscal Year 2016, property transfer tax revenue is projected to be over budget at year-end. The increase is due to actual receipts exceeding budgeted amounts during the first half of the fiscal year. The growth in property transfer tax revenue is consistent with the rise in home sales and median home prices as displayed in Table 15: Local Real Estate Market Indicators.

Local Real Estate Market Indicators			
<i>Table 15</i>			
Economic Indicator	Calendar Year 2014	Calendar Year 2015	Variance %
City of San Diego Median Home Price	\$445,521	\$472,854	6.1%
City of San Diego Home Sales	15,337	16,355	6.6%
San Diego County Foreclosures	2,036	1,853	-9.0%
San Diego County Notices of Default	5,855	5,142	-12.2%

Source: San Diego County Assessor/Auditor/Recorder's Office

Sensitivity Analysis

The projections for property transfer tax revenue displayed in Table 14: FY 2016 Property Transfer Tax Projections reflect the current estimates the City anticipates to receive this fiscal year. However, the volume of home sales and home prices can influence the amount of property transfer tax. If the growth rate for the remaining months is adjusted +/- 1.0%, the impact is approximately \$50,000.

Other Major Revenue

FY 2016 Other Major Revenue Projections					
<i>Table 16</i>					
					<i>in millions</i>
Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Other Major Revenue Projections	\$ 63.4	\$ 63.4	\$ 68.5	\$ 5.1	8.0%

The Other Major Revenue category includes General Governmental Services Billing (GGSB), which is a reimbursement from other City funds that use General Fund services, one-cent TOT transfer into the General Fund, interest earnings attributable to the General Fund from the City's investment pool, and refuse collector business tax.

The Other Major Revenues category is projected to end the year over budget primarily due to the return of a \$3.3 million Community Development Block Grant (CDBG) loan payment that had been "clawed back" in Fiscal Year 2014 by the DOF as part Non-Housing Due Diligence Review process of the dissolution of the City's redevelopment agencies. This was an impact of the SB 107 legislation, which benefitted the General Fund in its entirety as the General Fund was used as the funding source when initially denied by the DOF.

Economic Uncertainties

The adoption of the Fiscal Year 2016 budget reflected moderate improvement in local economic indicators; however, the level of improvement was slower than what the City had experienced in prior fiscal years. Overall, the current year-end projections for major General Fund revenues align with the moderate level of improvement anticipated when the budget was developed.

As identified in the FY 2017 – 2021 Five-Year Financial Outlook (“Five-Year”), General Fund revenues are projected to continue the assumption that the economy will continue to moderately improve. The City is monitoring concerns about the condition of the national and state economies and the potential impact on the City. Recently the Legislative Analyst’s Office (LAO) stated that “the possibility now exists for some revenue deterioration between now and the May Revision” based on income tax data for January that was less than the State’s budget estimates. In a similar but more tepid tone, in the USD Burnham-Moores Center for Real Estate’s Index of Leading Economic Indicators, USD said recent gains compared to declines in the index during the summer “suggested a slowing of growth in the local economy as opposed to a downturn.”

City staff is currently in the process of developing revenue projections to be utilized in the upcoming Fiscal Year 2017 Proposed Budget. Assumptions for growth are being analyzed and specific adjustments are being incorporated. For purposes of this discussion, we focused on understanding the financial impact of changing economic indicators utilizing Fiscal Year 2018 data as documented in the Five-Year. In total, the Five-Year assumed major General Fund revenues would grow by 4.5% from Fiscal Years 2017 to 2018:

- Overall, if this growth assumption was reduced to 2.5% instead of 4.5%, the City could anticipate a loss of approximately \$19.5 million General Fund revenues. Likewise,
 - If the growth rate for the City’s largest source of revenue, Property Tax, was reduced to 2.0% from 4.5%, the City could anticipate a loss of approximately \$14.5 million.
 - If the growth rate for the City’s second largest source of revenue, Sales Tax, was reduced to 2.0% from 4.0%, the City could anticipate a loss of approximately \$5.5 million.

As a result of economic uncertainties the City projects a conservative growth. The LAO’s report titled “The 2016-17 Budget: California’s Fiscal Outlook” states that the State is better prepared for an economic downturn than it has been at any point in decades. Additionally, it states that “projected reserves provide a major cushion” against an economic or stock market downturn. Similarly, the City has been fiscally responsible by establishing reserves and developing a plan to fund reserves to targeted levels. The Mayor will be focused on ensuring reserve targets, as discussed in the Reserve Policy, are priority funded in the Fiscal Year 2017 Proposed Budget. Additionally, Financial Management will present a revised Reserve Policy to the Budget and Government Efficiency Committee in March 2016 to recommend a funding plan for a new pension reserve and a plan to increase the General Fund reserve to 16.7% phased in over several years from the current level of 14.0%, as proposed and approved by City Council.

DEPARTMENTAL REVENUE

FY 2016 Significant General Fund Revenue Variances by Department					
<i>Table 17</i>					<i>in millions</i>
Department	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
City Comptroller	\$ 2.8	\$ 2.8	\$ 2.0	\$ (0.8)	-29.6%
Economic Development	7.5	7.5	6.9	(0.6)	-7.7%
Environmental Services	2.2	2.2	1.5	(0.7)	-33.1%
Fire-Rescue	26.8	26.8	29.1	2.3	8.6%
Police	51.6	51.6	53.5	1.8	3.6%
Transportation and Storm Water	57.1	57.1	54.6	(2.5)	-4.3%
All Other General Fund Departments	124.7	124.7	124.0	(0.7)	-0.6%
Total	\$ 272.7	\$ 272.7	\$ 271.5	\$ (1.2)	-0.4%

City Comptroller

The Office of the City Comptroller projects revenue under budget by \$820,000 by fiscal year-end primarily due to the following factors:

- \$440,000 decrease in revenue from city departments as a result of less than anticipated reimbursable work
- \$300,000 decrease in reimbursable revenue due to the delay in implementing the Infrastructure Asset Management (IAM) project

Economic Development

The Economic Development Department projects revenue under budget by \$580,000 at fiscal year-end primarily attributed to less than anticipated revenue reimbursements for Successor Agency activities performed by Civic San Diego.

Environmental Services

The Environmental Services Department projects revenue under budget by \$740,000 at fiscal year-end due to the following factors:

- \$900,000 decrease for the Compressed Natural Gas (CNG) project as a result of cash funding the project this fiscal year. This is a reduction from the equipment vehicle-financing program proceeds

The decrease is partially offset by the following increases:

- \$83,000 due to payroll support provided to other funds and staff charging the Automated Refuse Container Fund when performing work related to refuse container sales
- \$40,000 in delivery fees for automated refuse containers
- \$30,000 due to higher than anticipated building permit application fees related to the Lead Enforcement Program

Fire-Rescue

The Fire-Rescue Department projects revenue at a net increase of \$2.3 million at fiscal year-end due to the following factors:

- \$1.3 million increase in Strike Team deployment reimbursements from the California Office of Emergency Services; this is partially offset by a \$1.0 million decrease in the transfer of fund balance from the Fire/Emergency Medical Services Transport Program Fund
- \$940,000 increase in reimbursement revenue from the Fire/Emergency Medical Services Transport Program Fund due to paramedic rotation activity
- \$520,000 increase in Urban Area Security Initiative (UASI) grant reimbursements for operations training and prior year grant reimbursements
- \$400,000 increase in revenue for Fire-Rescue services to the Airport Authority from prior fiscal year

Police

The Police Department projects revenue to exceed budget by \$1.8 million at fiscal year-end primarily due to the following:

- \$1.0 million net increase associated with policing services for special events primarily at Qualcomm Stadium.
- \$720,000 increase due to an unanticipated increase in average monthly parking citations
- \$390,000 increase associated with Assembly Bill 109 Public Safety Realignment (AB109). The associated revenue and offsetting overtime expenditures were not budgeted for Fiscal Year 2016 due to the timing of the confirmation from the State that the City would receive the revenue

These increases are partially offset by the following decreases:

- \$410,000 decrease in municipal court revenue due to a reduction in vehicle code violations
- \$330,000 decrease related to grant revenue not expected to be received this fiscal year

Transportation and Storm Water Department

The Transportation and Storm Water Department projects revenue under budget by \$2.5 million at fiscal year-end. The decrease is primarily attributed to less reimbursable work performed on capital improvement projects, service level agreements with non-general fund departments and reimbursable preliminary engineering work, this decrease is primarily due to vacant positions during the first half of the fiscal year.

GENERAL FUND EXPENDITURES

General Fund expenditures are projected under budget by \$3.9 million at fiscal year-end. This is attributed to an over budget projection in personnel expenditures of \$1.2 million mitigated by an under budget projection in non-personnel expenditures of \$5.1 million. The following section highlights the significant expenditure variances in the General Fund by expenditure category.

PERSONNEL EXPENDITURES

The current projection for personnel expenditures is over budget by \$1.2 million due to unbudgeted cost increases in fringe benefits, as displayed on Table 18: FY 2016 General Fund Personnel Expenditure Projections.

FY 2016 General Fund Personnel Expenditure Projections					
<i>Table 18</i>					<i>in millions</i>
Expenditure Category	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Salaries and Wages	\$ 522.4	\$ 522.4	\$ 522.4	\$ 0.0	0.0%
Fringe Benefits	356.3	356.3	357.5	(1.2)	-0.3%
Total	\$ 878.7	\$ 878.7	\$ 879.9	\$ (1.2)	-0.1%

Salaries and Wages

The salaries and wages expenditure category is comprised of five distinct types of wages: salaries, hourly wages, overtime, pay-in-lieu of annual leave, and termination pay. Salaries include compensation for benefited employees, while hourly wages include compensation for non-benefited employees. The expenditures in overtime include the total compensation at time and a half for both salaried and hourly employees. Pay-in-lieu of annual leave and termination pay represent compensation in-lieu of use of annual leave. Termination pay expenditures occur upon the employees' separation from the City.

Salaries and wages expenditures are projected to be at budget by fiscal year-end as displayed in Table 19: FY 2016 General Fund Salaries & Wages Expenditure Projections. The Salaries category is projected to have a surplus of \$12.3 million, or 2.7% of current budget, at fiscal year-end offset by over spending in the other four personnel expenditure categories.

The variances in the personnel expenditure categories are primarily due to the following factors:

- Salary savings of \$5.7 million in the Police Department and \$2.0 million in the Transportation and Storm Water Department due to vacancies
- \$9.0 million increase in overtime expenditures are as follows:
 - \$6.0 million in the Police Department
 - \$0.6 million in the Fire-Rescue Department
 - \$1.6 million in the Transportation and Storm Water Department for emergency-related overtime
- \$410,000 in over budget hourly expenditures in the Park and Recreation Department; which is offset with \$200,000 in revenue for non-hours of operation or donated hour of operation hours
- \$120,000 in over budget hourly expenditures in the Office of the City Attorney
- \$480,000 in over budget pay-in-lieu expenditures in the Office of the City Attorney

- \$180,000 in over budget termination pay in the Office of the City Attorney
- \$240,000 and \$480,000 in the Fire-Rescue and Police Departments, respectively, in over budget termination pay

FY 2016 General Fund Salaries & Wages Expenditure Projections					
<i>Table 19</i>		<i>in millions</i>			
Personnel Expenditure Category	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Salaries	\$ 450.7	\$ 450.7	\$ 438.4	\$ 12.3	2.7%
Overtime	50.2	50.2	59.2	(9.0)	-17.9%
Hourly	13.9	13.9	14.4	(0.5)	-3.5%
Pay in lieu	5.1	5.1	6.8	(1.7)	-32.6%
Termination Pay	2.5	2.5	3.6	(1.1)	-46.4%
Total	\$ 522.4	\$ 522.4	\$ 522.4	\$ 0.0	0.0%

Fringe Benefits

The fringe benefits category is projected to exceed budget by \$1.2 million due to increases in fixed fringe benefits as displayed in Table 20: FY 2016 General Fund Fringe Benefits Projections. Fixed fringe benefits expenditures, such as the pension payment and retiree health contributions, are adjusted to meet the targeted amounts by fiscal year-end.

FY 2016 General Fund Fringe Benefits Projections					
<i>Table 20</i>		<i>in millions</i>			
Fringe Benefits Expenditure Category	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Fixed	\$ 256.5	\$ 256.5	\$ 259.8	\$ (3.3)	-1.3%
Variable	99.8	99.8	97.7	2.1	2.1%
Total	\$ 356.3	\$ 356.3	\$ 357.5	\$ (1.2)	-0.3%

Variances from the fixed target is primarily due to an increase in the Workers' Compensation operation costs and the Fiscal Year 2016 reserve contribution of \$4.7 million (\$5.1 million citywide, based on increased operating needs of \$2.0 million and a reserve contribution of \$3.1 million). The Workers' Compensation Fund reserve target has been updated to include the most recent actuarial valuation for Fiscal Year 2015. The Fiscal Year 2016 reserve target is the average value of the annual actuarial liability for the most recent three fiscal years, 2013 through 2015, in accordance with the City's Reserve Policy. The current reserve target has increased due to the 2015 actuarial valuation projecting increased liabilities primarily resulting from a combination of the change in amortization and increased claim costs.

The Workers' Compensation increase is partially offset by a decrease of \$1.5 million in the General Fund allocation of the Actuarially Determined Contribution (ADC) to the San Diego City Employees Retirement System (SDCERS). The decrease in the General Fund allocation of the ADC is primarily due to a shift in ADC-eligible employees out of the General Fund to non-general funds from what was assumed in the Fiscal Year 2016 budget. The total ADC does not change, only the cost allocation between General Fund and non-general funds.

Variances from the variable fringe budget are projected to be under budget by \$2.1 million. This is due primarily to the following:

- \$3.6 million in lower flexible benefits expenditures than expected. Flexible benefits are budgeted based on the health coverage selections of employees at the time the budget is developed. Variances to actuals can be attributable to changes in coverage selections during open enrollment, which occurs subsequently to the adoption of the budget.
- \$900,000 and \$470,000 in over budget expenditures in Medicare and SPSP respectively. In general, Medicare and SPSP expenditures will exceed budget due to over budget overtime expenditures primarily in the Fire-Rescue Department. SPSP expenditures correlate to over budget overtime expenditures for Prop B employees only and the City’s defined contribution plan (SPSP-H) requirement to include all pay, including overtime, in the City’s match to the defined contribution plan

NON-PERSONNEL EXPENDITURES

The General Fund non-personnel expenditures are projected under budget by \$5.1 million at fiscal year-end, or 1.2% of current budget. This is primarily attributed to savings in energy and utilities, offset with increases in supplies and contracts. The following section discusses the variances for non-personnel expenditures by category, highlighting the significant variances within the General Fund departments.

FY 2016 General Fund Non-Personnel Expenditure Projections					
<i>Table 21</i>		<i>in millions</i>			
Expenditure Category	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Supplies	\$ 28.7	\$ 29.8	\$ 31.8	\$ (2.0)	-6.7%
Contracts	220.3	219.0	223.4	(4.4)	-2.0%
Information Technology	26.8	27.4	26.2	1.2	4.4%
Energy and Utilities	47.1	47.1	38.7	8.4	17.8%
Transfers Out	71.3	72.6	71.0	1.6	2.2%
Other	5.6	5.6	5.2	0.3	5.4%
Debt	3.7	3.7	3.6	0.1	2.7%
Capital Expenditures	5.8	4.2	4.2	(0.1)	-2.4%
Total	\$ 409.4	\$ 409.3	\$ 404.2	\$ 5.1	1.2%

Supplies

The supplies category is projected to exceed budget by \$2.0 million, or 6.7% of current budget, at fiscal year-end primarily due to the following factors:

- \$1.2 million increase in the Transportation and Storm Water Department for pump station supplies, including portable generators and pumps, in response to the recent winter storms
- \$350,000 increase in the Police Department for additional uniform allowance expenses for new police recruits
- \$190,000 increase in the Park and Recreation Department for drought tolerant plants, other landscape materials and irrigation supplies

Contracts

The contracts category is projected to exceed budget by \$4.4 million, or 2.0% of current budget, at fiscal year-end primarily due to the following factors:

- \$3.1 million increase in the Citywide Program Expenditures Department due to a contribution to the Public Liability Operating Fund based on increased claims and settlement payments in Fiscal Year 2016
- \$2.2 million increase in the Transportation and Storm Water Department primarily for additional costs for drainage studies in preparation for winter storms and for increased contracts of \$1.0 million to purchase emergency equipment; this \$1.0 million excess is offset with savings in transfers out
- \$840,000 increase in the Police Department primarily due to \$250,000 to complete a feasibility study for the replacement of the Traffic Division facility located on Aero Drive, \$350,000 for photocopy services and \$150,000 for reimbursement costs related to Peace Officers Standards and Training (POST) travel expenditures for Police officers
- \$660,000 increase in the Environmental Services Department primarily due to \$400,000 for roof replacement at the Miramar Place vehicle maintenance building and \$260,000 for equipment maintenance due to the holdover of vehicles past the replacement lifecycle

The over budget projections noted above are partially offset by projected savings as described below:

- \$920,000 decrease in the Economic Development Department due to less than anticipated Civic San Diego and Successor Agency activity
- \$580,000 decrease in the Real Estate Assets Department due to a delay in office relocations/tenant improvements for various City departments
- \$400,000 decrease in the Office of the City Treasurer as a result of streamlining the monthly bank analysis, reduced banking service costs and a reduction in the printing budget

Information Technology

The information technology category is projected to be under budget by \$1.2 million or 4.4% of current budget at fiscal year-end primarily due to the following factors:

- \$700,000 decrease in the Purchasing and Contracting Department for not purchasing new software applications and effectively utilizing current resources
- \$420,000 decrease in the Office of the City Treasurer primarily due to delays in the implementation of multiple treasury projects such as the centralized payment processing system project
- \$140,000 decrease in the Environmental Services Department due to a delay in the replacement of the current systems associated with the Infrastructure Asset Management (IAM) project which is pending further review
- \$200,000 increase due to unbudgeted 9-1-1 Call Manager system maintenance expenditures in the Police Department

Energy and Utilities

The energy and utilities category is projected under budget by \$8.4 million or 17.8% of current budget at fiscal year-end due to a combination of electrical, water and fuel expenditure savings as follows:

- \$2.8 million due to a continued lower cost per gallon in motor fuels
- \$3.5 million savings in water and sewer expenditures as a result of water conservation efforts primarily in the Park and Recreation Department

- \$1.9 million savings in electricity due to lower than anticipated rate increases in January 2016 than what was previously budgeted

The City will continue to monitor the energy and utilities expenditures throughout the fiscal year and provide further updates in the Fiscal Year 2016 Year-End Budget Monitoring Report.

Transfers Out

The transfers out category is projected under budget by \$1.6 million, or 2.2% of current budget by fiscal year-end primarily due to a decrease of \$1.3 million in the Transportation and Storm Water Department primarily for equipment purchases which were budgeted in the transfers out category but will be expended under contracts. In addition, the Park and Recreation Department is projecting a decrease of \$300,000 due to less than anticipated Maintenance Assessment District (MADs) contributions to the General Fund.

Other

The other category is projected under budget by \$300,000, or 5.4% of current budget, at fiscal year-end primarily in the Citywide Program Expenditures Department due to a lower than anticipated payment for the Supplemental Cost of Living Adjustment (COLA).

Debt

The debt category is projected slightly under budget by \$60,000, or 2.7% of current budget, at fiscal year-end due to savings in the Fire-Rescue Department as a result of principal and interest savings related to the Marine III lifeguard vessel debt payments.

Capital Expenditures

The capital expenditures category is projected over budget by \$60,000, or 2.4% of current budget at fiscal year-end primarily due to the following factors:

- \$130,000 increase in the Police Department for the purchase of four vehicles used by the Homeless Outreach Team, Early Identification and Intervention System Unit and Criminal Intelligence Unit/Narcotics Task Force
- \$70,000 decrease in the Transportation and Storm Water Department due to the cost of purchased office trailers being less than anticipated

GENERAL FUND RESERVES

The following section details the projected reserves and Excess Equity for the General Fund in accordance with the City's Reserve Policy (Council Policy 100-20). It also takes into account the projected activity for this fiscal year.

Total General Fund reserves include the Emergency Reserve and the Stability Reserve. The City's Reserve Policy requires the total General Fund reserves equal 14.0% of the most recent three-year average of annual audited operating revenues. The Emergency Reserve target is 8.0% and the Stability Reserve target is 6.0%.

The Fiscal Year 2015 Comprehensive Annual Financial Report (CAFR) audit is complete and the Fiscal Year 2016 reserve target has been updated to reflect the average of Fiscal Year 2013 through Fiscal Year 2015 audited operating revenues in accordance with the Reserve Policy. The Fiscal Year 2016 reserve target has slightly increased by \$400,000 from the First Quarter Report based on the modest increase in audited operating revenues. The audited Fiscal Year 2015 ending fund balance is \$196.5 million, which is 17.3% of the three-year average of Fiscal Year 2013 through Fiscal Year 2015 audited General Fund operating revenues. The \$196.5 million in ending Fiscal Year 2015 fund balance includes a \$5.1 million reduction for the obligation to pay Public Utilities Department (PUD) low flow diversion capacity charges due from the Transportation and Storm Water (TSW) Department. Generally Accepted Accounting Principles (GAAP) require full recognition of the amount owed to PUD, \$5.1 million, as a use of fund balance reported in the CAFR at fiscal year ending June 30, 2015. This accounting standard is different than that for budgetary expenditures, which will be \$1.0 million transferred each year for the next five years per mutual agreement between TSW and PUD. This difference between accounting and budgetary basis will be adjusted each year in the fund balance reconciliation to ensure the payment is not double counted against General Fund balance.

The Fiscal Year 2016 projected ending fund balance is \$199.0 million, which projects excess equity of \$33.7 million, or 3.0%, after taking into account the following:

- \$1.5 million net projected Fiscal Year 2016 activity
- \$1.0 million adjustment for low flow diversion capacity charges to offset accounting accrual in Fiscal Year 2015
- \$159.0 million, or 14.0%, required reserve target
- \$5.2 million for the Fiscal Year 2016 budgeted use of excess equity
- \$1.0 million required in Fiscal Year 2017 as a carryover to support the Community Projects, Programs and Services

Table 22: FY 2016 General Fund Reserve Estimates illustrates this information.

FY 2016 General Fund Reserve Estimates		
<i>Table 22</i>		<i>in millions</i>
Description	Amount	Revenue %
FY 2015 Audited Ending Fund Balance¹	\$ 196.5	17.3%
FY 2015 Projected Activity		
Projected Revenue	1,285.6	
Projected Expenditures	1,284.1	
Net Projected Activity	\$ 1.5	
Adjustment for Low-Flow	1.0	
Diversion Capacity Charges		
FY 2016 Projected Ending Fund Balance	\$ 199.0	17.5%
Emergency Reserve	90.9	8.0%
Stability Reserve	68.2	6.0%
FY 2016 Required Reserve Level²	\$ 159.0	14.0%
FY 2016 Budgeted Use of		
Excess Equity	5.2	
Community Projects, Programs, and Services	1.0	
FY 2016 Projected Ending Excess Equity	\$ 33.7	3.0%

¹Based on accounting standards, the FY 2015 Audited Ending Fund Balance includes an accrual of \$5.1 million for the low flow diversion capacity charges due from the Transportation and Storm Water Department to the Public Utilities Department.

²Based on FY 2013 through FY 2015 audited operating revenues in accordance with the City's Reserve Policy (CP 100-20).

The Fiscal Year 2016 General Fund reserve estimates and excess equity calculation will be updated in May 2016 as part of the Fiscal Year 2016 Year-End Budget Monitoring Report.

NON-GENERAL FUNDS

Central Stores Fund

in millions

Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Revenue	\$ 13.3	\$ 13.3	\$ 12.6	\$ (0.7)	-5.0%
Personnel Expenditures	1.6	1.6	1.6	(0.0)	-1.0%
Non-Personnel Expenditures	11.7	11.7	10.7	1.0	8.9%
Expenditures	13.3	13.3	12.3	1.0	7.7%
Net Year-End Projection	\$ -	\$ -	\$ 0.4	\$ 0.4	

Revenue:

The Central Stores Fund projects revenue under budget by \$670,000 at fiscal year-end. This is primarily due to a decline in the demand for storeroom items by City departments.

Expenditures:

Personnel expenditures in the Fund are projected at budget by fiscal year-end.

Non-personnel expenditures are projected under budget by \$1.0 million due to a continued decrease in demand for storeroom items. The Fund is currently projected to maintain lower inventory levels in order to adjust to the level of demand anticipated.

Development Services Fund

in millions

Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Revenue	\$ 52.1	\$ 52.1	\$ 55.6	\$ 3.5	6.7%
Personnel Expenditures	42.3	42.3	43.3	(1.0)	-2.4%
Non-Personnel Expenditures	13.0	13.0	13.6	(0.6)	-4.2%
Expenditures	55.3	55.3	56.9	(1.6)	-2.8%
Net Year-End Projection	\$ (3.2)	\$ (3.2)	\$ (1.3)	\$ 1.9	

Revenue:

The Development Services Fund projects revenue to exceed budget by \$3.5 million at fiscal year-end primarily due to the following factors:

- \$3.0 million increase in additional plan reviews and building permits as a result of the improving economy
- \$390,000 increase in reimbursable revenue for services to City departments

Expenditures:

Personnel expenditures in the Development Services Fund are projected to exceed budget by \$1.0 million at fiscal year-end primarily due to the following factors:

- \$890,000 increase in overtime due the new hours of operation for service counter customer service requests in order to meet the demand for expedited projects

- \$280,000 increase in pay-in-lieu of annual leave

The Fund projects non-personnel expenditures over budget by \$550,000 at fiscal year-end primarily due to the following factors:

- \$270,000 increase in contractual services for an unbudgeted expense related to the departments Project Tracking System replacement contract
- \$80,000 increase in information technology
- \$70,000 increase in office supplies

Overall, the fund projects an increase to fund balance at fiscal year-end of \$1.9 million.

Engineering and Capital Projects Fund

in millions

Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Revenue	\$ 75.7	\$ 75.7	\$ 69.1	\$ (6.6)	-8.8%
Personnel Expenditures	64.7	64.7	60.4	4.3	6.6%
Non-Personnel Expenditures	11.0	11.0	10.2	0.8	7.3%
Expenditures	75.7	75.7	70.6	5.1	6.7%
Net Year-End Projection	\$ -	\$ -	\$ (1.5)	\$ (1.5)	

Revenue:

The Engineering and Capital Projects Fund revenue is projected under budget by \$6.6 million, due to vacant reimbursable positions. A total of 104.00 FTE positions were added to the budget in Fiscal Year 2016 to support the City's infrastructure needs. The hiring of these positions typically takes several months, as promotions and transfers create new vacancies. The majority of the current vacant positions are projected to be hired by fiscal year-end and the remaining 27 vacant positions are projected to be hired in Fiscal Year 2017.

Expenditures:

The Fund projects personnel expenditures under budget by \$4.3 million at fiscal year-end primarily due to the following factors:

- \$4.8 million salary and fringe related savings due to current vacancies
- \$470,000 savings in hourly wages
- \$720,000 increase cost in pay-in-lieu of annual leave
- \$350,000 increase in overtime costs

Non-personnel expenditures are projected under budget by \$820,000 primarily attributed to relocation expenditures for office space located at Chesapeake and 525 B Street for the new employees that are projected to be hired in Fiscal Year 2016 and 2017. This savings in relocation expenses is primarily attributed to vacancies within the Department.

Fleet Services Operating Fund

in millions

Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Revenue	\$ 50.4	\$ 50.4	\$ 46.8	\$ (3.6)	-7.2%
Personnel Expenditures	19.7	19.7	19.3	0.4	1.9%
Non-Personnel Expenditures	32.2	32.2	28.1	4.1	12.8%
Expenditures	51.9	51.9	47.4	4.5	8.6%
Net Year-End Projection	\$ (1.5)	\$ (1.5)	\$ (0.6)	\$ 0.9	

Revenue:

The Fleet Services Operating Fund revenue is projected under budget by \$3.6 million at fiscal year-end primarily attributed to decreases in fuel sales revenue due to a continued decrease in fuel costs.

Expenditures:

Personnel expenditures in the Fund are projected under budget by \$370,000 due to the following factors:

- \$1.2 million decrease in salaries and fringe benefit expenditures due to vacant positions that are projected to be hired by fiscal year-end
- \$490,000 increase in overtime due to vacancies, required training for new hires and the work on critical vehicle maintenance to meet service level standards
- \$300,000 increase in pay-in-lieu of annual leave and termination pay

Non-personnel expenditures for the Fleet Services Operating Fund are projected under budget by \$4.1 million at fiscal year-end due to the following factors:

- \$4.4 million decrease in fuel cost as a result of the continued decrease in the cost per gallon for motor fuels
- \$570,000 decrease resulting from savings related to various maintenance service contracts
- \$220,000 decrease due to cost savings efforts in information technology discretionary expenses

Parking Meter Operations Fund

in millions

Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Revenue	\$ 10.2	\$ 10.2	\$ 10.7	\$ 0.6	5.9%
Personnel Expenditures	1.3	1.3	1.2	0.2	13.9%
Non-Personnel Expenditures	8.9	8.9	8.4	0.4	5.0%
Expenditures	10.2	10.2	9.6	0.6	6.2%
Net Year-End Projection	\$ -	\$ -	\$ 1.2	\$ 1.2	

Revenue:

The Parking Meter Operations Fund projects revenue over budget by \$550,000 at fiscal year-end primarily due to the following factors:

- \$880,000 increase due to the installation of the new smart parking meters, which accept credit cards as forms of payment
- \$340,000 decrease due to fewer customers using the prepaid parking cards as a result of the installation of the new smart parking meters

Expenditures:

Personnel expenditures in the Parking Meter Operations Fund are projected under budget by \$190,000 at fiscal year-end primarily due to two vacancies, which are anticipated to remain vacant for the remainder of the fiscal year. In addition, the Fund is projecting savings in overtime due to departmental operational efficiencies.

Non-personnel expenditures are projected under budget by \$450,000 at fiscal year-end. The under budget projection is primarily due to a \$360,000 savings in banking merchant card costs associated with smart parking meters and a \$90,000 savings in parking meter repair parts due to the replacement of single head meters with new smart parking meters, which are covered under an extended warranty in Fiscal Year 2016.

Petco Park Fund

in millions

Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Revenue	\$ 15.2	\$ 15.2	\$ 16.6	\$ 1.4	9.2%
Personnel Expenditures	0.1	0.1	0.1	(0.0)	-0.6%
Non-Personnel Expenditures	16.2	16.2	17.9	(1.7)	-10.5%
Expenditures	16.4	16.4	18.0	(1.7)	-10.4%
Net Year-End Projection	\$ (1.1)	\$ (1.1)	\$ (1.5)	\$ (0.3)	

Revenue:

The Petco Park Fund projects revenue to exceed budget by \$1.4 million at fiscal year-end primarily due to an increase in other rents and concessions directly related to special events that took place in fall 2015.

Expenditures:

The Fund projects personnel expenditures at budget by fiscal year-end.

The Fund projects non-personnel expenditures to exceed budget by \$1.7 million due to \$1.1 million for the delayed refunding of the ballpark bonds which are expected to be issued later in Fiscal Year 2016. In addition, \$600,000 is projected over budget for a contractual obligation for Special Event Traffic Controller labor expenses provided by the Police Department, which will post directly to the Petco Fund to properly capture all costs for Petco events in the fund receiving these services. This projection represents full reimbursement to the General Fund.

Qualcomm Stadium Operations Fund

in millions

Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Revenue	\$ 18.0	\$ 18.0	\$ 18.5	\$ 0.5	2.8%
Personnel Expenditures	3.6	3.6	3.4	0.1	3.8%
Non-Personnel Expenditures	15.8	15.8	17.3	(1.6)	-9.8%
Expenditures	19.3	19.3	20.8	(1.4)	-7.3%
Net Year-End Projection	\$ (1.4)	\$ (1.4)	\$ (2.3)	\$ (0.9)	

Revenues:

The Qualcomm Stadium Operations Fund projects revenue over budget by a net \$530,000 at fiscal year-end primarily due to an increase in contractual obligations for policing services. This adjustment is to reflect payment from tenants for policing services related to events held at the stadium.

Expenditures:

Personnel expenditures in the Fund are projected slightly under budget by \$130,000 due to a savings in salary of \$120,000 and fringe benefit expenditures of \$83,000, which is offset by an increase in overtime of \$31,000 and pay-in-lieu of annual leave of \$36,000.

The Fund projects non-personnel expenditures over budget by \$1.6 million as a result of full reimbursement to the General Fund for policing services of Qualcomm special events. In the past, expenditures were posted directly to the General Fund to support the full labor costs associated with Qualcomm special events. The expenditures will now post directly to the Qualcomm Fund to account for the full cost of all services, including policing services related to Qualcomm events. This unbudgeted cost will be mitigated with fund balance.

Recycling Fund

in millions

Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Revenue	\$ 20.6	\$ 20.6	\$ 20.9	\$ 0.3	1.3%
Personnel Expenditures	10.0	10.0	9.4	0.6	5.9%
Non-Personnel Expenditures	12.9	12.9	11.9	1.0	7.8%
Expenditures	22.9	22.9	21.3	1.6	6.9%
Net Year-End Projection	\$ (2.2)	\$ (2.2)	\$ (0.4)	\$ 1.9	

Revenue:

The Recycling Fund is projected to exceed budget by \$270,000 at fiscal year-end primarily due to an unanticipated reimbursement from the State of California's Container Redemptions Value (CRV) program. The Fund has implemented new and expanded existing recycling programs. This revenue source will be monitored for impact on future budgets as more information becomes available.

Expenditures:

Personnel expenditures in the Recycling Fund are projected under budget by \$590,000 at fiscal year-end. The under budget projection is primarily due to vacant positions which are anticipated to be filled by April 2016. Also contributing to the under budget projections are savings in hourly and overtime expenditures, which are partially offset by an increase in pay-in-lieu of annual leave.

Non-personnel expenditures are projected under budget by \$1.0 million at fiscal year-end primarily due to the following factors:

- \$340,000 decrease primarily attributed to fuel savings due to a lower cost per gallon than assumed in the budget
- \$280,000 decrease of disposed hazardous waste material removal costs, due to non-City paint care programs providing used paint disposal alternatives to the public
- \$180,000 decrease in information technology expenditures due to delays in replacing software and delays in the Infrastructure Asset Management (IAM) project

Refuse Disposal Fund

in millions

Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Revenue	\$ 32.1	\$ 30.6	\$ 30.6	\$ 0.0	0.0%
Personnel Expenditures	14.3	14.3	14.4	(0.1)	-0.9%
Non-Personnel Expenditures	18.0	18.0	15.7	2.3	12.9%
Expenditures	32.2	32.3	30.1	2.2	6.8%
Net Year-End Projection	\$ (0.1)	\$ (1.6)	\$ 0.6	\$ 2.2	

Revenue:

Revenue in the Refuse Disposal Fund is projected at budget at fiscal year-end.

Expenditures:

The Fund projects personnel expenditures over budget by \$130,000 at fiscal year-end primarily as a result of increased overtime at the Miramar Landfill which operates 7-days a week, including most holidays. The increase is due to vacancies in the process of being filled and to backfill for staff on light duty.

Non-personnel expenditures in the Fund are projected under budget by \$2.3 million at fiscal year-end primarily due to the following factors:

- \$1.0 million decrease due to a new ordinance authorizing the Fund to pledge revenues in lieu of a cash transfer to the Closure/Post Closure Fund
- \$920,000 decrease in expenditures primarily attributed to meeting the Refuse Disposal Fund reserve target earlier than anticipated
- \$380,000 decrease in information technology expenditures due to delays in replacing software and postponement in the Infrastructure Asset Management (IAM) project

Sewer Utility Funds

in millions

Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Revenue	\$ 403.3	\$ 403.3	\$ 401.1	\$ (2.3)	-0.6%
Personnel Expenditures	85.9	85.9	89.9	(3.9)	-4.6%
Non-Personnel Expenditures	282.0	280.9	246.8	34.2	12.2%
Expenditures	367.9	366.9	336.6	30.3	8.2%
Net Year-End Projection	\$ 35.4	\$ 36.5	\$ 64.5	\$ 28.0	

Revenue:

The Sewer Utility Funds revenue is projected under budget by \$2.3 million at fiscal year-end primarily due to a \$2.6 million decrease in sewer service charges as a result of water conservation. The decrease in revenue is partially offset by an increase in revenue from higher than anticipated State Revolving Fund loan reimbursements.

Expenditures:

Personnel expenditures in the Sewer Utility Funds are projected to exceed budget by \$3.9 million at fiscal year-end primarily due to increases in fringe benefits of \$1.1 million, \$1.9 million in overtime expenditures, and \$600,000 in pay-in-lieu of annual leave. Expenditures are partially offset by savings in salaries due to vacant positions.

Non-personnel expenditures in the Sewer Utility Funds are projected under budget by \$34.2 million at fiscal year-end primarily due to the following factors:

- \$15.4 million decrease in contracts due to a delay in facility projects due to a timing in the bidding process, condition assessments, environmental projects, central support warehouse expenditures, and liability insurance claims
- \$6.5 million decrease in contractual services due to the Advanced Metering Infrastructure project (AMI) which was originally budgeted in the operating budget; however, it has now been determined that this project can qualify as a CIP project. As a result, an action will be taken to Council in the Spring of 2016 to de-appropriate \$6.5 million from the operating budget and to appropriate \$6.5 million to a newly established CIP
- \$4.6 million decrease due to interest earning credits on debt service reserve funds that are applied to the debt service payments by the trustee
- \$3.5 million decrease in the contingency budget. This item is budgeted annually to support fluctuations in operations; however, at this time the contingency is not needed
- \$3.3 million decrease in electrical service cost due to credits received on current billings from SDG&E as a result of overcharging accounts in Fiscal Year 2015
- \$810,000 decrease in supplies due to savings in building materials, equipment and tools, machine parts and reduced chemical purchases

Revenue in the Sewer Utility Funds supports both operating and CIP expenditures; however, only operating expenditures are reflected in this report.

Transient Occupancy Tax Fund

in millions

Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Revenue	\$ 93.0	\$ 93.0	\$ 96.4	\$ 3.5	3.8%
Personnel Expenditures	1.6	1.6	1.3	0.3	16.6%
Non-Personnel Expenditures	96.0	95.9	96.4	(0.5)	-0.5%
Expenditures	97.6	97.4	97.7	(0.2)	-0.2%
Net Year-End Projection	\$ (4.6)	\$ (4.5)	\$ (1.2)	\$ 3.3	

Revenue:

The Transient Occupancy Tax Fund is projected to exceed budget in revenue by \$3.5 million at fiscal year-end. As discussed in the Major General Fund Revenues section, the growth rate of 6.0% included in the Fiscal Year 2016 Adopted Budget was increased to 7.0% for the remainder of the fiscal year due to sustained positive tourism growth in the City. This positive tourism growth has also resulted in an increase from the Fiscal Year 2016 First Quarter Report.

Expenditures:

Personnel expenditures in the Transient Occupancy Tax (TOT) Fund are projected to end the fiscal year slightly under budget due to savings in salaries due to vacant positions projected to be filled by fiscal year-end.

Non-personnel expenditures are projected to exceed budget by \$500,000, which will be used to reimburse the General Fund for tourism related expenditures.

Underground Surcharge Fund

in millions

Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Revenue	\$ 63.4	\$ 63.4	\$ 64.7	\$ 1.3	2.1%
Personnel Expenditures	0.9	0.9	0.7	0.3	27.9%
Non-Personnel Expenditures	57.5	57.5	42.3	15.2	26.4%
Expenditures	58.4	58.4	42.9	15.4	26.4%
Net Year-End Projection	\$ 5.0	\$ 5.0	\$ 21.7	\$ 16.7	

Revenue:

The Underground Surcharge Fund is projecting revenue to exceed budget by \$1.3 million at fiscal year-end primarily due to the increase in revenue received from the franchise agreement with SDG&E.

Expenditures:

Personnel Expenditures are projected under budget by \$260,000 at fiscal year-end due to vacancies within the department, which are projected to be filled by the end of the fiscal year.

Non-personnel expenditures are projected under budget by \$15.2 million at fiscal year-end due to the time it takes to complete the environmental and design phases of the undergrounding projects. A large number of projects are currently being designed by SDG&E and these projects

do not incur any expenses until they go into construction. In addition, limited resources at the participating utilities contribute to delays in projects execution.

Water Utility Operating Fund

in millions

Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Revenue	\$ 501.8	\$ 501.8	\$ 456.8	\$ (45.0)	-9.0%
Personnel Expenditures	74.4	74.4	75.0	(0.6)	-0.8%
Non-Personnel Expenditures	432.1	431.4	401.8	29.7	6.9%
Expenditures	506.5	505.8	476.7	29.0	5.7%
Net Year-End Projection	\$ (4.7)	\$ (4.0)	\$ (20.0)	\$ (16.0)	

Revenue:

The Water Utility Operating Fund revenue is projected under budget by \$45.0 million at fiscal year-end. This is primarily due to a \$53.3 million decrease in water sales which is attributed to the budget not reflecting updated water sales as a result of conservation impacts. The Fiscal Year 2016 year-end projection reflects the Council approved 9.8% rate increase effective January 1, 2016. The under budget revenue projection is partially offset by a \$1.9 million projected increase in the wholesale of reclaimed water, \$1.7 million in reimbursements from other agencies, and \$4.0 million in unanticipated grants receipts and higher than anticipated State Revolving Fund loan reimbursements.

Expenditures:

Personnel expenditures in the Water Utility Operating Fund are projected to exceed budget by \$610,000 at fiscal year-end primarily in fringe benefits, which are partially offset by savings in salaries due to vacancies.

Non-personnel expenditures are projected under budget by \$29.6 million at fiscal year-end due to the following factors:

- \$11.1 million decrease due to a decline in water purchases from continued water conservation
- \$1.0 million decrease in supplies due to purchasing less than anticipated chemicals
- \$6.5 million decrease in contractual services due to the Advanced Metering Infrastructure (AMI) project, which was originally budgeted in the operating budget, but has now been determined that this project could qualify as a CIP project. As a result, an action will be taken to Council in the spring of 2016 to de-appropriate \$6.5 million from the operating budget and to appropriate \$6.5 million to a newly established CIP
- \$2.0 million decrease in electrical services due to credits received on current billings from SDG&E as a result of overcharging accounts in Fiscal Year 2015
- \$3.5 million decrease in the contingency budget. This item is budgeted annually to support fluctuations in operations; however, at this time the contingency is not needed
- \$4.4 million decrease due to interest earning credits on debt service reserve funds that are applied to the debt service payments by the trustee

Revenue in the Water Utility Operating Fund supports both operating and CIP expenditures; however, only operating expenditures are reflected in this report. The Fund is projected to end the fiscal year with expenditures in excess of revenue, which will be mitigated by the use of

reserves. This use of reserves will not negatively impact the reserve requirements within the Water Utility Operating Fund.

Any significant adjustments to revenues or expenditures throughout the five-year current rate period will be monitored and included in the Review of Funds by an independent consultant.

RISK MANAGEMENT RESERVES

The Long-Term Disability, Public Liability and Workers' Compensation Funds provide funding sources for certain claims made against the City. The City's Reserve Policy (CP 100-20), sets the required reserve level target for each fund. All Risk Management reserves are based on the average value of the annual actuarial liability for the three most recent fiscal years. The reserve targets for the Long-Term Disability, Public Liability and Workers' Compensation Funds have been updated to incorporate the recently received Fiscal Year 2015 actuarial valuation.

Description	Fund Name	Reserve Type	Year-End	
			Projection	Target
Risk Management	Long-Term Disability Fund	Liability Reserve	\$ 14.9	\$ 14.9
	Public Liability Fund	Liability Reserve	28.7	36.7
	Workers' Compensation Fund	Liability Reserve	51.5	54.5

Long-Term Disability Reserve

The Long-Term Disability reserve provides non-industrially disabled City employees with income and flexible benefits coverage. The Fiscal Year 2016 reserve target is \$14.9 million or 100.0% of the average actuarial liability for the three most recent fiscal years. This reserve target amount has decreased by \$3.4 million from the Fiscal Year 2016 target included in the adopted budget as a result of incorporating the Fiscal Year 2015 actuarial valuation in the three year average value of the annual actuarial liability. As of June 30, 2015, the balance in the Long-Term Disability reserve was \$18.4 million, exceeding the Fiscal Year 2016 Long-Term Disability reserve target.

Public Liability Reserve

The Public Liability Reserve is funded by the General Fund to support claims arising from real or alleged acts on the part of the City, including claims for bodily injury, property damage, inverse condemnation, false arrest, and errors and omissions. For Fiscal Year 2016, the City's Reserve Policy requires that the Public Liability reserve equal 40.0% of the average value of the annual actuarial liability for the three most recent fiscal years, or \$36.7 million. This reserve target has decreased by \$1.2 million from the Fiscal Year 2016 target included in the adopted budget as a result of incorporating the Fiscal Year 2015 actuarial valuation in the three-year average value of the annual actuarial liability. As of June 30, 2015, the balance of the Public Liability Fund Reserve was approximately \$37.9 million exceeding the Fiscal Year 2016 Public Liability Fund Reserve target.

After taking into account the pending claims and projected expenditures, which includes the Council approved use of \$15.0 million in reserves for the Aglio settlement, the Public Liability reserve projected ending balance is \$28.7 million, or 31.0% of the Fiscal Year 2013 through 2015 outstanding actuarial liability. This projected ending balance includes the recommendation to contribute \$5.8 million to the reserve from the General Fund budgetary surplus. Financial Management will continue to monitor and provide an update in the upcoming Fiscal Year 2016 Year-End Budget Monitoring Report.

Workers' Compensation Reserve

The Workers' Compensation reserve provides funding for medical and disability costs for injuries and illnesses occurring in the workplace. For Fiscal Year 2016, the City's Reserve Policy target is 25.0% of the most recent three-year average of the annual actuarial liability, or \$54.5 million. This reserve amount has increased by \$6.1 million from the Fiscal Year 2016 target included in the adopted budget as a result of incorporating the Fiscal Year 2015 actuarial valuation in the three year average of the annual actuarial liability. As of June 30, 2015, the balance of the Workers' Compensation reserve is approximately \$48.4 million. An additional contribution of \$3.1 million is included in the Fiscal Year 2016 Mid-Year Report.

Financial Management will continue to monitor and provide an update in the upcoming Fiscal Year 2016 Year-End Budget Monitoring Report and will include recommendations to use Excess Equity in order to ensure the Fiscal Year 2016 reserve targets are met. Recommendations to budget Excess Equity in the Fiscal Year 2016 Year-End Budget Monitoring Report will be considered as well as any revisions to the Reserve Policy, which will be discussed at the Budget and Government Efficiency Committee and Council meetings.

FISCAL YEAR 2016 PROGRAM UPDATES

The Fiscal Year 2016 budget includes additional funding for new City programs as a result of positive economic growth in the City's major revenue sources. The status of the restorations and enhancements, as well as any updates from the First Quarter Report, are discussed below.

1,000 Miles of Street Repair

One of the Mayor's top initiatives is to repair 1,000 miles of city streets, or one-third of the City's entire street network, over the next five years. The Street Division within the Transportation and Storm Water Department began working towards this goal in Fiscal Year 2016. The City plans to repair slightly over 300 of the 1,000 miles by June 2016 through asphalt overlay, slurry seal, and concrete street repairs with expenditures of \$74.0 million projected in Fiscal Year 2016. A number of funding sources including TransNet, Gas Tax, lease revenue bonds, as well as contributions from the General Fund are accessed to support this goal.

Through the first half of Fiscal Year 2016, the Street Division has initiated the repair of 217 miles of city streets and has fully completed the repair of over 90 of those initiated miles. The Division is currently in the process of initiating an additional 91 miles of road repair, all of which are expected to be completed by the end of Fiscal Year 2016. This brings the total to more than 300 miles expected to be repaired by fiscal year-end.

Addition of Assistant Recreation Center Directors for Increased Service Levels and Programming

All 36 Assistant Recreation Center Director (ARCD) positions included in the Fiscal Year 2016 budget have been hired. With this additional staff, customer service has been enhanced at recreation centers through increased hours of operation. A supervisory staff member is now scheduled to be on site at all times the recreation centers are open. With this additional supervisory coverage, the Department is able to improve the following:

- quickly respond to inquiries and permit requests
- work closely with permit holders in field and facility preparation
- focus on park development projects, with ARCDs attending project design meetings and providing additional staff input with a focus on program amenities
- provide additional information for recreation center websites, including online calendars which allow patrons real time access into facility availability

With the additional supervisory level staff, the Department is able to work closely with schools and libraries to build better and more connected working relationships and create more robust park program. Lastly, the ARCDs provide an opportunity for staff development to learn the skills necessary to successfully promote into higher-level positions.

During the second quarter of Fiscal Year 2016, the Department added additional winter programming, including enhanced winter and holiday events. The Department is also in the planning stages of additional summer events, including a Parks Fit kick-off event.

Advanced Metering Infrastructure Program

The Advanced Metering Infrastructure (AMI) uses radio-based technology to read water meters, resulting in the elimination of manual water meter reads. The Public Utilities Department has completed final user acceptance testing of the initial implementation phase of the AMI Program in November 2015. The initial implementation phase of the program included the fitting of approximately 11,000, or 4.0% of water meters, out of a total population of approximately 275,000 water meters with AMI transmitters. Installation primarily occurred

for larger water meters used in commercial, industrial and multi-family locations, which are often more challenging and costly to read by visual inspections.

In addition, approximately 1,000 meters in Rancho Bernardo have been fitted with the AMI technology to evaluate any benefits to residential customers that are billed bi-monthly. The customers were selected because they are within one pressure zone, which facilitates a smoother evaluation of the program's technology.

The Department is currently working on the procurement process for a full citywide implementation of the AMI system. The full implementation phase is anticipated to begin in mid-calendar year 2016 with a project completion date estimated to occur by the end of calendar year 2017.

Do Your Homework @ the Library After-School Program Summer Expansion

The Do Your Homework @ the Library Program places education trained learning coordinators in various San Diego libraries where curriculum-aligned resources, technology and community partnerships work in tandem to support students. For School Year 2015-2016, from September 14th through January 16th, 18 fully staffed homework center locations offered 11,195 sessions to 3,206 unique users for a total 13,515 service hours. Additional funding was included in the Fiscal Year 2016 budget to expand this after school program into the summer at 10 libraries.

From July 6th through September 10th, ten fully staffed homework center locations offered 2,042 student sessions to an additional 589 unique users and 138 first-time library users. During August 2015, select homework centers offered summer learning camps to targeted grade-level groups between K-12. Staff and volunteers planned and led the activities at these camps; students pre-registered for the camps of their choice and parents were encouraged to attend. The theme of each camp was different, focusing on select common core standards at grade-level. Students and their families participated in each camp for two hours a day, for four consecutive days.

Additionally, funding has been allocated to keep select homework centers open through June 2016 in order to continue to provide academic support to students in year-round schools and to support the program staff/teachers in planning activities for the Summer Learning Camps and Kindergarten Readiness Boot Camp. These camps will take place during July 2016 when school districts are in recess.

Energy Cost Analysis

Electrical services expenditures are projected to be under budget for Fiscal Year 2016 by approximately \$14.9 million citywide. During the development of the Fiscal Year 2016 budget significant region-wide increases in electricity costs were expected to continue per SDG&E comments. However, SDG&E's projected January 2016 rate increases, which were also incorporated into the Fiscal Year 2016 budget, have been delayed. Instead, SDG&E's rates have decreased for the second half of Fiscal Year 2016. Other factors contributing to the under budget projections include continued reductions in consumption due to citywide conservation and operational efficiencies and an anticipated credit from SDG&E due to billing discrepancies during Fiscal Years 2014 and 2015. Environmental Services continues to work with the City's affected departments and SDG&E to resolve overcharges, which artificially inflated costs incorporated in the Fiscal Year 2015 projections and Fiscal Year 2016 budget.

Expanded Hours at Libraries

The Fiscal Year 2016 budget included the addition of 22.53 FTE positions and total expenditures of \$2.3 million to add three additional service hours per week on Saturdays at 23 branch libraries and two additional service hours on both Fridays and Saturdays (for a total of four hours) at the Central Library. Positions added to the Fiscal Year 2016 budget are in various stages of the hiring process and are anticipated to be filled by early April 2016. The implementation date of expanded service hours was January 3, 2016 and was determined upon the recent completion of the mandatory meet and confer process with the San Diego Municipal Employees Association.

Facility Condition Needs/Assessments

The General Services Department has expended \$500,000 fiscal year-to-date and anticipates to fully expend the \$1.1 million budgeted in Fiscal Year 2016 to support the condition needs/assessments of City Facilities by fiscal year-end. It is estimated that the approximately 700 remaining facility condition assessments will be completed by year-end. The condition and needs assessments provide detailed deferred capital and maintenance backlog information which will be incorporated into future budget requests.

San Diego Film Office

The Fiscal Year 2016 budget included the addition of a Filming Program Manager and \$100,000 in non-personnel expenditures for support of the regional San Diego Film Office. The Filming Program Manager position has been hired and began November 30, 2015. A Request for Information (RFI) seeking Statements of Ideas (SOI) for the creation of a dynamic and sustainable program to support filming in the San Diego region was issued on October 15, 2015. The deadline for the RFI feedback was December 15, 2015. The responses are currently being reviewed to determine the next steps in the development of a viable program to support filming in the San Diego region.

Fleet Vehicle Maintenance Mechanics

The Fleet Services Operating Fund has 16.00 Fleet Technician series positions currently vacant. The interview process for the positions has been conducted and the Department is in the process of selecting candidates. The Department anticipates hiring all 17.00 Fleet Technicians by March 2016.

Fuel Cost Analysis

The Fleet Services Operating Fund is projecting a \$4.3 million citywide savings in fuel expenditures by fiscal year-end. The projected savings is primarily due to lower costs in motor fuels than anticipated during the development of the Fiscal Year 2016 budget. The mid-year fuel expenditure projection assumes an inflation rate of 4.0% during the fiscal year to allow for price fluctuations in the cost per gallon for the remainder of the fiscal year. This is an increase of \$1.1 million in savings from the First Quarter Report as a result of a continued decrease in the fuel cost per gallon. The Fleet Services Division will continue to monitor the fuel expenditures throughout the fiscal year and provide quarterly updates.

Market Street Sidewalks

The Market Street Sidewalk Improvements Phase 1 (from Euclid St. to 54th St.) is currently under construction and will be completed in February 2016. The scope of work for Phase 2 (from 54th St. to Pitta St.) has been revised and is currently in design. The proposed

construction start date is by the second quarter of Fiscal Year 2016, pending completion of the design and environmental clearance.

Park Ranger Positions

In Fiscal Year 2016, one Senior Park Ranger and two Park Rangers were added to the Developed Regional Parks Division of the Park and Recreation Department. All three new positions have been filled. The two Park Rangers expanded coverage to Chicano Park and Tourmaline Surfing Park to Sunset Cliffs Natural Park. The Park Rangers assist with patrol, coordinating issues with the Police Department, interpretative programs, general maintenance and serves as a liaison to community groups and the public.

The Senior Park Ranger supervises three Park Rangers who are assigned to park and beach areas from Sunset Cliffs Natural Park to Torrey Pines City Park. The Senior Park Ranger is responsible for creating an effective park ranger program, assisting with patrolling shoreline parks, coordinating issues with San Diego Police Department and serving as a liaison with community groups and the public.

Penny for the Arts

A total of \$1.2 million was distributed across the Organizational Support (OSP) and Creative Communities San Diego (CCSD) programs resulting in higher funding levels to non-profit organizations that were approved for funding. Fiscal Year 2016 Penny for the Arts funding was also directed to the Arts Education Enrichment Initiative, the Arts and Culture Contractor Incubator, as well as the Public Art Fund and Cultural Tourism Promotions.

Petco Park Fund - Debt Service

The Fiscal Year 2016 budget includes an estimated reduction in debt service payments of \$1.1 million due to the planned Ballpark Refunding Bonds Series 2015, authorized by City Council on March 2, 2015. On May 18, 2015, San Diegans for Open Government filed a lawsuit in the San Diego Superior Court to invalidate the City Council resolution and ordinance authorizing the refunding bonds. On January 21, 2016, the San Diego Superior Court upheld the validity of the bonds and related documents. The court ruling has been appealed by the plaintiff to the California Court of Appeal. The City Attorney's Office and the bond transaction counsel agree that the City will prevail. In anticipation of a favorable ruling, the City is moving forward with the refunding and expects to execute the transaction in March/April 2016. The Fiscal Year 2016 debt service payment on the existing bonds will be made during this timeframe resulting in no savings being realized in Fiscal Year 2016 and the creation of an over budget expense of \$1.1 million as a direct result in the delay of refunding the bonds. Savings in debt service payments are anticipated in Fiscal Year 2017 as a result of the refunding.

Police Body Worn Cameras

A total of \$2.1 million in Citizens Option for Public Safety (COPS) funding was included in the Fiscal Year 2016 budget for the purchase of additional body worn cameras. Fiscal year-to-date, approximately \$1.6 million has been expended to outfit 400 additional uniformed patrol officers. The remaining \$500,000 is anticipated to be expended in February 2016 to purchase an additional 144 body worn cameras to outfit graduates from the Police Academy. The San Diego City Council approved the extension of the current contract for the purchase of these additional cameras, as needed, through the end of Fiscal Year 2020. This approval took place on January 12, 2016, which created a delay in the expected purchase of body worn cameras from January to February 2016. In all, the Department expects to have 1,100 body worn cameras deployed by spring 2016.

Pure Water San Diego Program

Pure Water San Diego is the City's phased, multi-year program to use proven water purification technology to produce a safe and sustainable high-quality water supply for San Diego. The Fiscal Year 2016 operating budget included the addition of \$15.0 million in total expenditures to support the implementation of the Pure Water San Diego Program. Fiscal year-to-date, approximately \$1.2 million has been expended for the implementation of this project and is projected to be at budget by fiscal year-end. In January 2015, the Public Utilities Department hired an external consultant for as-needed engineering consultation services to assist with the implementation of the Pure Water San Diego Program. Several task orders related to the pre-design of the North City Pure Water Facilities have been issued to date and the pre-design is expected to be completed by July 2016.

Water Conservation

On April 1, 2015, Governor Brown issued Executive Order B-29-15, mandating substantial water reductions across the State of California in order to achieve a 25.0% reduction in water use statewide. As a result, the City is required to meet a reduction goal of 16.0% this fiscal year when compared to water usage in calendar year 2013. The City has exceeded the State mandated water reduction goal of 16.0% since the effective date of the executive order. Specifically, the City has achieved the following benchmarks in Fiscal Year 2016:

- All City departments reduced water usage by 39.0% in September 2015, 40.0% in October 2015, 33.0% in November 2015, and 18.0% in December 2015 when compared to the same months in 2013
- From June 2015 through December 2015, the City achieved a cumulative reduction in overall water usage of 20.0% when compared to June through December 2013
- City staff continues to receive and follow up on water waste complaints. Since implementing Drought Response Level 2 restrictions in November 2015, a total of 7,586 complaints have been received and processed resulting in 262 issued citations

The Public Utilities Department continues to provide water conservation programs and services to allow its customers to make informed decisions about water usage. Specifically, the City completes an average of 106 residential surveys a month to help customers identify ways to conserve water at home.

Winter Storms Related Expenditures

Due to anticipated winter storms, the City anticipates to incur additional expenditures beyond what was budgeted in Fiscal Year 2016 as follows:

- \$7.0 million increase in emergency capital improvement projects reallocated from delays in existing projects
- \$1.2 million increase in non-personnel expenditures for pump station maintenance supplies, portable generator and pumps in anticipation for projected winter storms in the Transportation and Storm Water Department
- \$200,000 increase in winter storm related overtime in the Transportation and Storm Water Department
- \$60,000 increase in winter related overtime for the Fire-Rescue Department, primarily incurred by the Lifeguard Division's River Rescue Team for work related to flooding and other water hazards

There will be an update on any additional expenditures incurred and impacts included in the Fiscal Year 2016 Year-End Budget Monitoring Report. FM and all impacted departments are closely monitoring these and other potential costs of the storms throughout the remainder of Fiscal Year 2016.

APPROPRIATION ADJUSTMENTS

This following section discusses the appropriation adjustments recommended in the Mid-Year Report. The required budget adjustments include increases to departments and funds that are projecting over budget and require budget increases in order to maintain budgetary control through the end of the fiscal year. This section also includes revisions to CIP projects, which are requested to reallocate funding between projects as a result of the City's enhanced CIP cash management efforts in accordance with Municipal Code Section 22.029: Mid-Year Amendments to the Adopted General Fund Budget.

REQUIRED BUDGET ADJUSTMENTS

Increases in appropriations are required for certain General Fund and non-general fund departments to support projected over budget expenditures. All adjustments are balanced by either an increase in budgeted revenues or a decrease in budgeted expenditures due to projected savings. The requested changes are summarized in Table 24: FY 2016 Mid-Year Appropriation Adjustments.

FY 2016 Mid-Year Appropriation Adjustments			
<i>Table 24</i>			<i>in millions</i>
Fund/Department	Expenditures Increase/(Decrease)	Revenue	Net Impact
General Fund			
Major General Fund Revenues	\$ -	\$ 3,300,000	\$3,300,000
Citywide Program Expenditures	5,800,000	-	(5,800,000)
Park and Recreation	(2,500,000)	-	2,500,000
General Fund Total	\$ 3,300,000	\$ 3,300,000	\$ -

General Fund Appropriation Adjustments

Major General Fund Revenues

The major General Fund revenues require a \$3.3 million increase in revenue to balance the expenditure appropriation increases in General Fund departments. This is supported by an over budget projection due to the return of a \$3.3 million Community Development Block Grant (CDBG) loan payment that has been "clawed back" in Fiscal Year 2014 by the DOF as part of Non-Housing Due Diligence Review process of the dissolution of the City's redevelopment agencies.

Citywide Program Expenditures

The Citywide Program Expenditures Department requires an increase in expenditure appropriations of \$5.8 million primarily due to contributions to the Public Liability Reserve due to increased projected claims and settlement payments in Fiscal Year 2016. Per the City's Reserve Policy (Council Policy 100-20), the required reserve goal for the Public Liability Fund is 50.0% of the value of outstanding public liability claims, or \$46.0 million. A \$13.8 million contribution is needed to meet the reserve target in Fiscal Year 2016, which includes the Council approved use of reserves of \$15.0 million for the Aglio settlement. The \$5.8 million recommended would partially fund the required contribution for Fiscal Year 2016, to achieve a 31.0% funding target, or \$28.7 million. Additional contributions may be proposed in the Fiscal Year 2016 Year-End Budget Monitoring Report.

Park and Recreation

The Park and Recreation Department requires a \$2.5 million decrease in expenditure appropriations due to savings in water and sewer expenditures as a result of water conservation efforts.

Non-General Fund Appropriation Adjustment

Low Income Housing Lease Revenue Fund

The 1,000 Homeless Veterans Initiative will provide housing opportunities for up to 1,000 homeless Veterans in the City within one year. This initiative will invest close to \$12.5 million in Federal, City and San Diego housing Commission (SDHC) resources to provide housing in the City (ZIP code 92037 and ZIP codes that begin with 921, excluding 92118) for Veterans who are living on the streets or living in shelters. The 1,000 Homeless Veterans Initiative will assist:

- 300 Chronically homeless Veterans with an honorable discharge and a disabling condition who need supportive services and who qualify for the Veterans Affairs Supportive Housing (VASH) voucher program of the U.S. Department of Housing and Urban Development (HUD), which is administered by SDHC
- 100 Veterans who are eligible for the HUD Sponsor-Based Housing Voucher program, which is administered by SDHC. Veterans will receive supportive services, such as case management
- Up to 600 additional homeless Veterans who will also be provided with housing opportunities through the Rapid Re-housing Assistance program. Homeless Veterans need not have an honorable discharge to be eligible for Rapid Re-housing Assistance

City Council approval is requested to appropriate \$4.0 million in Fund 200398 Low Income Housing Lease Revenue Fund for the Homeless Veterans Initiative, which will be administered by SDHC.

Capital Improvement Projects (CIP)

Revisions to CIP projects are requested to reallocate funding between projects as a result of the City's enhanced CIP cash management efforts.

Police Firing Range

Authority is requested to transfer up to \$1.0 million from L12002, SDFD Station Alerting, Fund 400265, CIP Contributions from General Fund to S10118, Police Range Refurbishment for construction and administration of phase 1 of the Police Range Refurbishment. Phase 1 consists of building improvements, utilities upgrades, parking improvements, and Americans with Disabilities Act improvements. The SDFD Station Alerting project is currently in the technically complete phase, and the \$1.0 million requested to be reallocated is not required to close the project.

This action will not fund phase 2 of the Police Firing Range Refurbishment to replace the existing four firing ranges and bullet retrieval system. The \$7.0 million in unidentified funding for this project will remain on the Underfunded CIP Projects List (also known as the Waterfall List) until further funds are identified.

Storm Drain Reallocation

Authority is requested to transfer up to \$2.0 million from the annual allocation for Watershed CIP, ACC00001 to the annual allocation for Drainage Projects, ACA00001 as follows: \$1,100,000 from fund 400859, PFFA Lease Revenue Bond 2015A and \$863,230.48 from Fund 400860, PFFA Lease Revenue Bond 2015B. As a result of the emergency repairs related to the El Niño storms,

there are additional needs to fund drainage improvements in Fiscal Year 2016. Available funding has been identified in Watershed CIP as a result of delays in construction of watershed improvements in Maple Canyon until the third quarter of Fiscal Year 2017.

CONCLUSION

The General Fund is projected to be within 1.0% of the adopted budget at fiscal year-end. General Fund revenues are projected slightly over budget and expenditures are projected under budget. The Mayor has recommended the use of \$5.8 million of the General Fund Fiscal Year 2016 projected budgetary surplus of \$7.6 million to partially fund the Public Liability reserve, which is below the Fiscal Year 2016 reserve target. The Public Liability Reserves requires \$13.8 million in additional funds to reach the 40.0% reserve target by fiscal year-end. Additional contributions may be proposed in the Fiscal Year 2016 Year-End Budget Monitoring Report.

The remaining budgetary surplus of \$1.8 million is projected to increase Excess Equity for the General Fund. This approach will account for any unknown risks to major revenues as discussed in the sensitivity analysis earlier in the report, as well as unanticipated expenditures not included in the current projection. The excess equity projection will be updated in May 2016 as part of the Fiscal Year 2016 Year-End Budget Monitoring Report. This will allow for a timely discussion of Excess Equity and its potential use during the Fiscal Year 2017 budget deliberations with City Council and the community.

ATTACHMENTS

- I. General Fund Projected Revenues
- II. General Fund Projected Expenditures
- III. Non-General Fund Projections
- IV. Non-General Fund Reserves
- V. Fiscal Year 2016 Charter 39 Supporting Schedules, as of December 31, 2015

Department	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
General Fund Projected Revenues					
General Fund Major Revenues					
Charges for Current Services	\$ 25,083,204	\$ 25,083,204	\$ 24,889,185	\$ (194,019)	-0.8%
Franchise Fees ¹	79,388,945	79,388,945	79,805,997	417,052	0.5%
Interest and Dividends	462,262	462,262	462,262	-	0.0%
Motor Vehicle License Fees	-	-	1,068,324	1,068,324	100.0%
Fines, Forfeitures, and Penalties	-	-	-	-	0.0%
Other Revenue	60,000	60,000	3,310,000	3,250,000	5416.7%
Property Tax	470,068,579	470,068,579	467,808,670	(2,259,909)	-0.5%
Property Transfer Tax	8,371,562	8,371,562	9,398,724	1,027,162	12.3%
Refuse Collector Business Tax	750,000	750,000	956,000	206,000	27.5%
Revenue from Federal and Other Agencies	-	-	2,545	2,545	100.0%
Revenue from Money and Property	589,729	589,729	589,729	-	0.0%
Sales Tax	285,770,943	285,770,943	282,524,937	(3,246,006)	-1.1%
Transfers In	36,492,418	36,492,418	37,239,884	747,466	2.0%
Transient Occupancy Tax ²	102,163,864	102,163,864	106,021,365	3,857,501	3.8%
<i>Subtotal Major General Fund Revenues</i>	<u>\$ 1,009,201,506</u>	<u>\$ 1,009,201,506</u>	<u>\$ 1,014,077,622</u>	<u>\$ 4,876,116</u>	<u>0.5%</u>
City Auditor	\$ -	\$ -	\$ 5,079	\$ 5,079	100.0%
City Clerk	69,575	69,575	115,251	45,676	65.7%
City Comptroller	2,772,259	2,772,259	1,953,001	(819,258)	-29.6%
Citywide Program Expenditures	-	-	-	-	0.0%
Communications	1,565,333	1,565,333	1,372,953	(192,380)	-12.3%
Council Administration	-	-	939	939	100.0%
Council District 1	-	-	-	-	0.0%
Council District 1 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 2	-	-	-	-	0.0%
Council District 2 - Community Projects, Programs, and Services	-	-	-	-	0.0%
Council District 3	-	-	-	-	0.0%
Council District 3 - Community Projects, Programs, and Services	-	-	-	-	0.0%
Council District 4	-	-	-	-	0.0%
Council District 4 - Community Projects, Programs, and Services	-	-	-	-	0.0%
Council District 5	-	-	(1,366)	(1,366)	100.0%
Council District 5 - Community Projects, Programs, and Services	-	-	-	-	0.0%
Council District 6	-	-	-	-	0.0%
Council District 6 - Community Projects, Programs, and Services	-	-	-	-	0.0%
Council District 7	-	-	-	-	0.0%
Council District 7 - Community Projects, Programs, and Services	-	-	-	-	0.0%
Council District 8	-	-	-	-	0.0%
Council District 8 - Community Projects, Programs, and Services	-	-	-	-	0.0%

General Fund Projected Revenues
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Department	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Council District 9	\$ -	\$ -	\$ -	\$ -	0.0%
Council District 9 - Community Projects, Programs, and Services	-	-	-	-	0.0%
Debt Management	711,645	711,645	719,739	8,094	1.1%
Department of Information Technology	-	-	-	-	0.0%
Development Services	596,269	596,269	692,722	96,453	16.2%
Economic Development	7,470,912	7,470,912	6,895,615	(575,297)	-7.7%
Environmental Services	2,241,946	2,241,946	1,500,657	(741,289)	-33.1%
Ethics Commission	-	-	2,600	2,600	100.0%
Financial Management	-	-	721	721	100.0%
Fire-Rescue	26,792,214	26,792,214	29,103,925	2,311,711	8.6%
Human Resources	-	-	397	397	100.0%
Infrastructure/Public Works	209,997	209,997	199,785	(10,212)	-4.9%
Internal Operations	-	-	-	-	0.0%
Library	4,175,753	4,175,753	4,414,286	238,533	5.7%
Neighborhood Services	-	-	79	79	100.0%
Office of Homeland Security	1,280,029	1,280,029	1,166,925	(113,104)	-8.8%
Office of the Assistant Chief Operating Officer	370,000	370,000	312,905	(57,095)	-15.4%
Office of the Chief Financial Officer	-	-	-	-	0.0%
Office of the Chief Operating Officer	-	-	-	-	0.0%
Office of the City Attorney	4,056,165	4,056,165	4,284,179	228,014	5.6%
Office of the City Treasurer	19,297,104	19,297,104	19,306,943	9,839	0.1%
Office of the Independent Budget Analyst	-	-	-	-	0.0%
Office of the Mayor	328,245	328,245	328,480	235	0.1%
Park and Recreation	35,504,155	35,510,775	35,381,319	(129,456)	-0.4%
Performance and Analytics	-	-	708	708	100.0%
Personnel	1,000	1,000	4,676	3,676	367.6%
Planning	3,841,766	3,841,766	3,588,681	(253,085)	-6.6%
Police	51,618,318	51,618,318	53,467,393	1,849,075	3.6%
Public Utilities Reservoir Recreation	940,000	940,000	940,000	-	0.0%
Public Works - Contracting	1,117,530	1,117,530	1,126,475	8,945	0.8%
Public Works - General Services	3,673,786	3,673,786	3,309,735	(364,051)	-9.9%
Purchasing and Contracting	1,550,772	1,550,772	1,291,757	(259,015)	-16.7%
Real Estate Assets	45,437,930	45,437,930	45,426,457	(11,473)	0.0%
Transportation and Storm Water	57,053,300	57,053,300	54,601,050	(2,452,250)	-4.3%
Total General Fund Revenues	\$ 1,281,877,509	\$ 1,281,884,129	\$ 1,285,591,688	\$ 3,707,559	0.3%

The current budget presented in this table is as of January 2016 (accounting period 6) unless otherwise noted.

¹Total City FY 2016 current revenue budget for franchise fees is \$160.1 million and the projection is \$163.5 million. The balance is budgeted in the Environmental Growth and Underground Surcharge Funds.

²Total City FY 2016 current revenue budget for transient occupancy tax is \$195.0 million and the projection is \$202.4 million. The balance is budgeted in the Transient Occupancy Tax Fund.

General Fund Projected Expenditures					
Department	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
City Auditor	\$ 3,717,660	\$ 3,717,660	\$ 3,519,718	\$ 197,942	5.3%
City Clerk	5,396,136	5,397,361	5,298,256	99,105	1.8%
City Comptroller	11,111,938	11,111,938	11,402,828	(290,890)	-2.6%
Citywide Program Expenditures	89,609,808	89,609,808	92,854,134	(3,244,326)	-3.6%
Communications	3,563,052	3,563,052	3,458,878	104,174	2.9%
Council Administration	2,059,166	2,059,166	2,166,743	(107,577)	-5.2%
Council District 1	1,065,841	1,065,841	966,593	99,248	9.3%
Council District 1 - Community Projects, Programs and Services	78,653	76,824	76,824	-	0.0%
Council District 2	1,096,968	1,096,968	1,027,519	69,449	6.3%
Council District 2 - Community Projects, Programs and Services	90,149	77,098	77,098	-	0.0%
Council District 3	1,226,435	1,226,435	1,167,628	58,807	4.8%
Council District 3 - Community Projects, Programs and Services	76,851	52,345	52,345	-	0.0%
Council District 4	1,065,776	1,065,776	851,088	214,688	20.1%
Council District 4 - Community Projects, Programs and Services	63,581	47,228	47,228	-	0.0%
Council District 5	1,065,628	1,065,628	944,472	121,156	11.4%
Council District 5 - Community Projects, Programs and Services	202,276	200,176	200,176	-	0.0%
Council District 6	1,065,761	1,065,761	913,823	151,938	14.3%
Council District 6 - Community Projects, Programs and Services	196,954	161,151	161,151	-	0.0%
Council District 7	1,131,197	1,131,197	978,566	152,631	13.5%
Council District 7 - Community Projects, Programs and Services	90,725	72,725	72,725	-	0.0%
Council District 8	1,117,617	1,117,617	1,034,267	83,350	7.5%
Council District 8 - Community Projects, Programs and Services	67,391	67,391	67,390	1	0.0%
Council District 9	1,065,774	1,065,774	1,002,932	62,842	5.9%
Council District 9 - Community Projects, Programs and Services	108,720	97,583	97,583	-	0.0%
Debt Management	2,758,828	2,758,828	2,688,289	70,539	2.6%
Department of Information Technology	500,000	500,000	468,325	31,675	6.3%
Development Services	6,991,059	6,991,059	6,528,551	462,508	6.6%
Economic Development	13,823,681	13,823,681	12,770,822	1,052,859	7.6%
Environmental Services	36,627,831	36,631,631	35,873,167	758,464	2.1%
Ethics Commission	1,047,777	1,047,777	1,131,927	(84,150)	-8.0%
Financial Management	4,394,566	4,394,566	4,055,689	338,877	7.7%
Fire-Rescue	229,258,665	229,268,765	234,595,228	(5,326,463)	-2.3%
Human Resources	3,268,272	3,268,272	3,280,405	(12,133)	-0.4%
Internal Operations	396,361	396,361	407,002	(10,641)	-2.7%
Library	49,315,373	49,324,289	48,086,940	1,237,349	2.5%
Infrastructure/Public Works	1,105,896	1,105,896	897,452	208,444	18.8%
Neighborhood Services	857,024	857,024	891,077	(34,053)	-4.0%
Office of Homeland Security	2,333,408	2,333,408	2,214,452	118,956	5.1%
Office of the Assistant Chief Operating Officer	1,805,479	1,805,479	1,722,547	82,932	4.6%
Office of the Chief Financial Officer	580,839	580,839	543,613	37,226	6.4%
Office of the Chief Operating Officer	1,043,163	1,043,163	1,042,212	951	0.1%
Office of the City Attorney	46,709,688	46,709,688	47,874,492	(1,164,804)	-2.5%
Office of the City Treasurer	16,259,232	16,259,232	15,388,374	870,858	5.4%
Office of the Independent Budget Analyst	1,833,176	1,833,176	1,802,936	30,240	1.6%
Office of the Mayor	4,305,649	4,305,649	4,291,899	13,750	0.3%
Park and Recreation	105,599,710	105,655,516	101,865,559	3,789,957	3.6%

General Fund Projected Expenditures						
Department	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %	
Performance and Analytics	\$ 1,968,094	\$ 1,968,094	\$ 1,864,580	\$ 103,514	5.3%	
Personnel	7,434,136	7,434,136	7,864,612	(430,476)	-5.8%	
Planning	10,323,118	10,323,118	9,862,700	460,418	4.5%	
Police	435,501,139	435,540,691	433,623,876	1,916,815	0.4%	
Public Utilities Reservoir Recreation	2,549,736	2,549,736	2,576,376	(26,640)	-1.0%	
Public Works - Contracting	2,158,822	2,158,822	1,977,884	180,938	8.4%	
Public Works - General Services	26,507,783	26,507,783	25,775,547	732,236	2.8%	
Purchasing and Contracting	7,612,535	7,612,535	6,530,222	1,082,313	14.2%	
Real Estate Assets	6,181,599	6,181,599	5,404,102	777,497	12.6%	
Transportation and Storm Water	130,652,333	130,662,333	131,768,231	(1,105,898)	-0.8%	
Total General Fund Expenditures	\$ 1,288,039,029	\$ 1,288,045,649	\$ 1,284,109,051	\$ 3,936,598	0.3%	

The current budget presented in this table is as of January 2016 (accounting period 6) unless otherwise noted.

Non-General Fund Projections						
Fund	Revenue/ Expenditu	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Airports Fund	Revenue	\$ 4,881,882	\$ 4,881,882	\$ 4,883,007	\$ 1,125	0.0%
	Expenditures	5,301,907	5,301,907	5,467,968	(166,061)	-3.1%
Central Stores Fund	Revenue	13,307,156	13,307,156	12,639,947	(667,209)	-5.0%
	Expenditures	13,307,156	13,307,156	12,283,673	1,023,483	7.7%
Concourse and Parking Garages Operating Fund	Revenue	3,774,659	3,774,659	3,779,159	4,500	0.1%
	Expenditures	4,439,017	4,439,017	4,423,624	15,393	0.3%
Department of Information Technology Fund	Revenue	12,723,508	12,723,508	12,719,647	(3,861)	0.0%
	Expenditures	13,363,897	13,363,897	13,170,233	193,664	1.4%
Development Services Fund	Revenue	52,063,381	52,063,381	55,567,581	3,504,200	6.7%
	Expenditures	55,309,067	55,309,067	56,880,240	(1,571,173)	-2.8%
Energy Conservation Program Fund	Revenue	2,252,875	2,252,875	2,217,525	(35,350)	-1.6%
	Expenditures	2,622,983	2,622,983	2,690,293	(67,310)	-2.6%
Engineering and Capital Projects Fund	Revenue	75,734,886	75,734,886	69,091,583	(6,643,303)	-8.8%
	Expenditures	75,734,886	75,734,886	70,640,547	5,094,339	6.7%
Facilities Financing Fund	Revenue	2,185,240	2,185,240	2,161,894	(23,346)	-1.1%
	Expenditures	2,185,240	2,185,240	2,159,317	25,923	1.2%
Fire/EMS Transportation Program Fund	Revenue	11,552,358	11,572,242	12,063,672	491,430	4.2%
	Expenditures	11,821,063	11,840,947	12,122,172	(281,225)	-2.4%
Fleet Services Operating Fund	Revenue	50,428,181	50,428,181	46,795,366	(3,632,815)	-7.2%
	Expenditures	51,908,246	51,908,246	47,421,752	4,486,494	8.6%
GIS Fund	Revenue	1,743,644	1,743,644	1,669,971	(73,673)	-4.2%
	Expenditures	2,062,574	2,062,574	1,768,361	294,213	14.3%
Golf Course Fund	Revenue	18,260,747	18,260,747	18,358,782	98,035	0.5%
	Expenditures	16,802,439	16,802,439	16,685,534	116,905	0.7%
Junior Lifeguard Program Fund	Revenue	595,591	595,591	601,387	5,796	1.0%
	Expenditures	595,591	595,591	597,275	(1,684)	-0.3%
Local Enforcement Agency Fund	Revenue	786,417	786,417	647,593	(138,824)	-17.7%
	Expenditures	766,313	766,313	700,261	66,052	8.6%
Los Peñasquitos Canyon Preserve Fund	Revenue	186,000	186,000	186,000	-	0.0%
	Expenditures	226,846	226,846	223,942	2,904	1.3%
OneSD Support Fund	Revenue	26,525,692	26,525,692	26,564,201	38,509	0.1%
	Expenditures	25,441,074	25,441,074	25,406,897	34,177	0.1%
Parking Meter Operations Fund	Revenue	10,197,852	10,197,852	10,748,790	550,938	5.4%
	Expenditures	10,197,852	10,197,852	9,566,829	631,023	6.2%

Non-General Fund Projections						
Fund	Revenue/ Expenditu	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Petco Park Fund	Revenue	\$ 15,207,773	\$ 15,207,773	\$ 16,572,535	\$ 1,364,762	9.0%
	Expenditures	16,353,469	16,353,469	18,049,997	(1,696,528)	-10.4%
Publishing Services Fund	Revenue	3,221,261	3,221,261	3,501,573	280,312	8.7%
	Expenditures	3,666,496	3,666,496	3,251,973	414,523	11.3%
Qualcomm Stadium Operations Fund	Revenue	17,957,446	17,957,446	18,483,835	526,389	2.9%
	Expenditures	19,347,918	19,347,918	20,763,789	(1,415,871)	-7.3%
Recycling Fund	Revenue	20,637,651	20,637,651	20,908,803	271,152	1.3%
	Expenditures	22,874,778	22,874,778	21,288,112	1,586,666	6.9%
Refuse Disposal Fund	Revenue	32,132,449	30,638,650	30,641,370	2,720	0.0%
	Expenditures	32,247,312	32,253,513	30,055,807	2,197,706	6.8%
Risk Management Administration Fund	Revenue	10,558,878	10,558,878	10,125,990	(432,888)	-4.1%
	Expenditures	10,558,878	10,558,878	10,443,071	115,807	1.1%
Sewer Utility Funds ¹	Revenue	403,337,222	403,337,222	401,082,600	(2,254,622)	-0.6%
	Expenditures	367,949,239	366,869,239	336,615,941	30,253,298	8.2%
Transient Occupancy Tax Fund						
Commission for Arts and Culture Department	Revenue	\$ -	\$ -	\$ 864	\$ 864	100.0%
Special Events Department	Revenue	75,000	75,000	65,322	(9,678)	-12.9%
Special Promotional Programs	Revenue	92,876,240	92,876,240	96,383,059	3,506,819	3.8%
<i>Total Transient Occupancy Tax Fund Revenue</i>		<u>\$ 92,951,240</u>	<u>\$ 92,951,240</u>	<u>\$ 96,449,245</u>	<u>\$ 3,498,005</u>	
Commission for Arts and Culture Department	Expenditures	\$ 1,056,549	\$ 1,056,549	\$ 915,167	\$ 141,382	13.4%
Special Events Department	Expenditures	1,523,928	1,523,928	1,426,378	97,550	6.4%
Special Promotional Programs	Expenditures	95,008,476	94,863,476	95,309,839	(446,363)	-0.5%
<i>Total Transient Occupancy Tax Fund Expenditures</i>		<u>\$ 97,588,953</u>	<u>\$ 97,443,953</u>	<u>\$ 97,651,384</u>	<u>\$ (207,431)</u>	
Underground Surcharge Fund	Revenue	\$ 63,388,541	\$ 63,388,541	\$ 64,659,505	\$ 1,270,964	2.0%
	Expenditures	58,388,541	58,388,541	42,948,487	15,440,054	26.4%
Water Utility Operating Fund ¹	Revenue	501,763,491	501,763,491	456,760,601	(45,002,890)	-9.0%
	Expenditures	506,486,810	505,778,310	476,735,662	29,042,648	5.7%
Wireless Communications Technology Fund	Revenue	6,622,249	6,622,249	6,643,697	21,448	0.3%
	Expenditures	8,149,464	8,149,464	8,317,541	(168,077)	-2.1%

The current budget presented in this table is as of January 2016 (accounting period 6) unless otherwise noted. Capital Improvements Program expenditure budgets are excluded.

¹ Revenues in the Sewer Utility and Water Utility Operating Funds support both Operating and Capital Improvements Program (CIP) activity; however, only operating expenditures are reflected in this report.

Non-General Fund Reserves

in millions

Description	Fund Name	Reserve Type	FY 2016	
			Target	Status
Development Services	Development Services Fund	Operating Reserve	\$ 3.2	On Target
Golf Course	Golf Course Fund	Operating Reserve	2.3	On Target
Environmental Services	Recycling Enterprise Fund	Operating Reserve	3.1	On Target
	Refuse Disposal Fund	Operating Reserve	4.6	On Target
Public Utilities	Sewer Utility Funds	Emergency Operating Reserve	48.3	On Target
		Emergency Capital Reserve	5.0	On Target
		Rate Stabilization Fund Reserve	18.2	On Target
	Water Utility Funds	Emergency Operating Reserve	40.1	On Target
		Emergency Capital Reserve	5.0	On Target
		Rate Stabilization Fund Reserve ¹	22.8	On Target
		Secondary Purchase Reserve	13.6	On Target

¹Water Cost of Service Study approved by City Council on November 17, 2015 anticipated an ending Fiscal Year 2016 balance of \$6.5 million due to use of rate stabilization funds with contributions to reserve in Fiscal Year 2018, 2019, and 2020 to replenish back to Policy dictated levels at the end of Fiscal Year 2020.