



2022 Adopted Budget

Mayor's Message - Fiscal Year 2022 Budget

Dear San Diegans,

There is no question that the COVID-19 pandemic has devastated our local economy and made an enormous impact on everything we do. Last March, our tourism industry came to a halt, unemployment more than tripled and we saw one of the sharpest drops in consumer spending in recent history. This has had a crushing effect on our local businesses and has disproportionately affected individuals and families who rely on the service sector or simply do not have the opportunity to work from home. It has also resulted in an unprecedented loss of tax revenues that the City relies on to provide vital services to San Diegans.

With the release of this budget, we see positive signs of a subsiding pandemic and the beginning of an economic recovery. Now more than ever, we need steady leadership and vision to bring the City together, strengthen our economy, invest in our communities and, get our City back on track. This budget seeks to do just that.

The approximately \$300 million in federal relief funds that the City received will allow us to jumpstart San Diego's economic recovery, provide aid to small businesses and help our most vulnerable residents. We will use federal relief funds responsibly over the next two years, allowing us to ensure City employees continue to provide the vital services residents deserve while investing in a stronger and more equitable future for our communities.

The Back to Work SD plan I developed before becoming your mayor is serving as our blueprint for this budget to strengthen San Diego's economy by providing \$10 million in small business loans for hardest hit industries like gyms and restaurants, providing technical assistance for street vendors, and restoring the small business enhancement program – all with a focus on investments in historically underserved communities. We will add dedicated staff to make it easier for local businesses to navigate the pathways to success. Our focus will be to make the City a resource that helps new and existing businesses thrive.

We will continue to partner with the San Diego Housing Commission to use federal and state dollars to provide nearly \$92.2 million in relief for families and individuals who've been devastated financially by the pandemic. This is on top of \$13.7 million in emergency rental assistance that helped 3,700 San Diego households in 2020.

This budget also sets the foundation to bring equity to all our neighborhoods. We will focus on our youth by establishing a new Office of Child and Youth Success, expanding summer recreational programs, and providing funding for community-based organizations that serve chronically underserved youth in communities of concern through employment, internship and scholarship opportunities.

A hallmark of this budget is our attention to the City's long-neglected homelessness crisis. The City will

continue to leverage federal and State funding and invest an additional \$10 million in General Fund dollars towards our most vulnerable residents. We will base our actions on nationally proven strategies, focusing resources on proven solutions that get people off the streets and make progress toward ending chronic homelessness. We will examine the housing inventory and look at ways to take advantage of existing public health and addiction services to better serve our homeless population.

San Diego will move to coordinate all its efforts through the People Assisting the Homeless (PATH) program, sending out a coordinated team of caseworkers assigned to different neighborhoods, to build rapport and trust with the homeless community. This is a substantial change in how the City has been dealing with a crisis that City-led programs have not been able to alleviate for over a decade. The City will now lead with a “housing first” model that has worked in other cities across the world, connecting people with immediate services.

Each neighborhood in San Diego deserves “sexy” streets, which means slurry seal to maintain good roads, overlays for roads that need new paving, and reconstruction for roads that need a complete makeover. My “Sexy Streets for All of Us” initiative is a down payment in our communities of concern, a \$10 million investment in historically underserved neighborhoods that haven’t seen quality road repairs for years. This in addition to the nearly \$30 million in financing funded in this budget. Funding will go toward paving longstanding decrepit roads with new overlay and road reconstruction in communities of concern. Along with investing in our roads, Sexy Streets will also bundle opportunities for Complete Streets to include traffic calming and congestion improvements, new sidewalk connections, necessary sidewalk repairs, new and upgraded bicycle infrastructure, and investments in our stormwater system. This investment will be prioritized based on critical transit and multimodal routes and is an essential step toward righting historic wrongs in our most marginalized and underinvested communities while improving sustainable infrastructure needed to meet our Climate Action Plan goals.

For too long, our underserved communities have been disproportionately impacted by the effects of climate change. This budget includes \$7 million towards the newly created climate equity fund to help these communities effectively respond to the impacts of climate change. This is an important step to ensure underserved communities directly benefit from our efforts around climate action.

All San Diegans deserve clean air, water, and a climate-safe environment. The City will update its Climate Action Plan including aggressive new goals and strategies to implement them. When I authored the plan as interim Mayor seven years ago, I dreamt of a sustainable future with good-paying green jobs for generations to come. We are going to have to take bold steps if we are going to meet our targets to reduce greenhouse gas emissions.

As part of this budget, the City will accelerate the adoption of electric vehicles, incentivize employees to work remotely, encourage the use of alternative modes of transportation, and have all City facilities use 100 percent clean energy through San Diego Community Power when it comes online.

This year, the City will ramp up construction on its Pure Water project, the largest water recycling program in California and the City’s biggest infrastructure project in history. It will provide nearly half of San Diego’s drinking water when it is completed.

City employees are this organization’s most valuable resource. Without them, we cannot provide core neighborhood services like road repair, trash pickup or public safety. Unfortunately, after close to a decade of stagnant salaries, employee compensation is not competitive when compared to other agencies throughout the region. Our City has become the training ground for employees who join the City for a couple of years and then leave to work for other agencies that pay more. We are losing our best and most experienced employees to other local governments. Not only do we want to prevent this continuous attrition, but we want to attract the best and the brightest employees to transform this City into the best-in-class organization San Diegans deserve. We understand that we will not be able to solve this challenge in a

single year. But this budget begins to address this fundamental issue and includes compensation increases to begin to align employee salaries with the current employment market.

This budget includes approximately 8.9 million in General Fund budget reductions resulting from minimal service level reductions, savings from operational reorganizations and efficiencies, and new revenue sources identified by City departments.

Conclusion

The City, like many families and businesses across the nation, faces a huge economic challenge ahead. The Fiscal Year 2022 Adopted Budget takes a fiscally responsible, multi-year approach that uses federal relief funds strategically to allow for the City's major revenues to begin recovery while maintaining the services that our residents rely on. Though federal relief funds are one-time funding, we are committed to using them as the foundation for long-term stability. These investments will provide greater equity throughout our communities.

San Diego has overcome financial crisis before. I was proud to serve as Interim Mayor during that time and get our city back on track. We know San Diego is up for the challenge, and I look forward to leading our city through our recovery. Together, we will beat back COVID-19, recover from the pandemic and begin to transform San Diego into not just a "fine" city, but a truly great city for all of us.

Sincerely,

Todd

Gloria

Mayor

Published on August 26, 2021

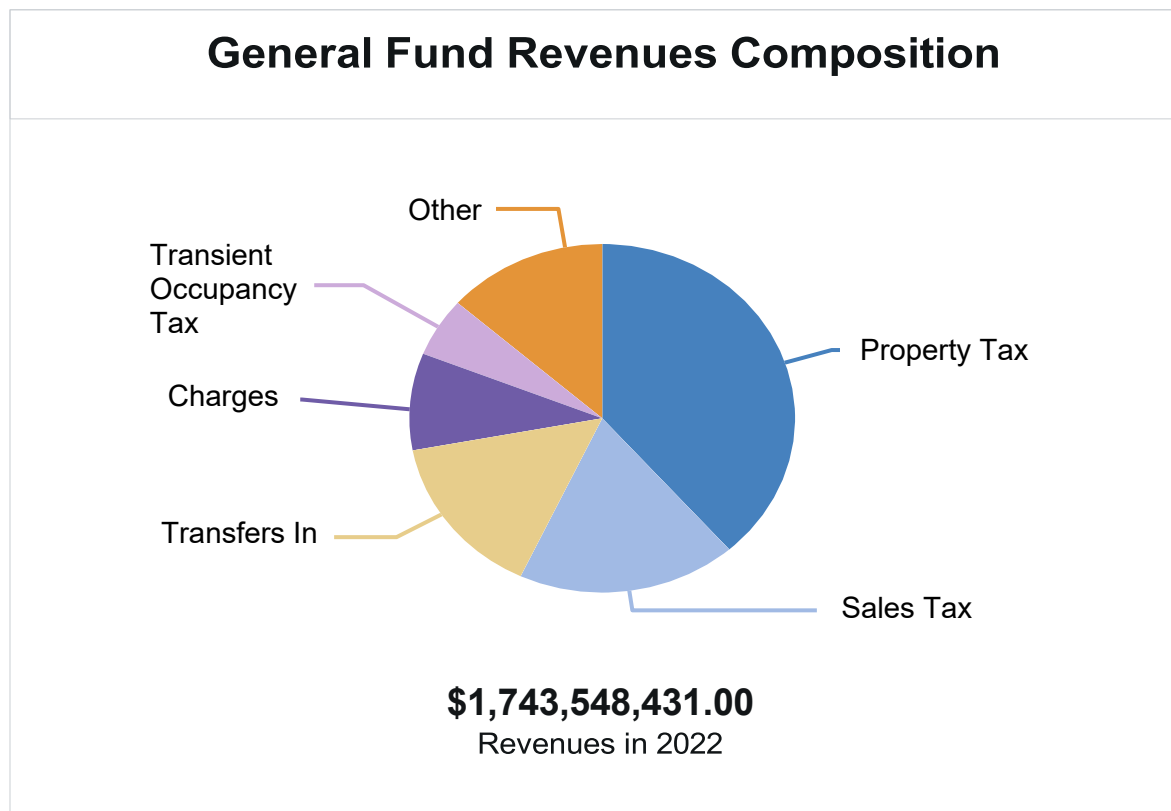
Economic Recovery

In the spring of 2020, San Diego's local economy was deeply impacted by the COVID-19 pandemic resulting in a significant decline in City revenues and projected revenue shortfalls in future years. As the economy continues to show signs of recovery, reaching pre-pandemic levels in some cases, the City has revised the major General Fund revenue projections to reflect the positive impacts from the opening of the California state economy on June 15, 2021, the acceleration of the vaccine distribution, FDA approval of the Pfizer-BioNTech COVID-19 Vaccine, and the allocation of relief funds to the City of San Diego due to the passing of the American Rescue Plan Act. However, the City continues to monitor the situation closely with the recent rise in COVID-19 infection rates due to the Delta variant. Due to continued uncertainty, the development of the Fiscal Year 2022 Adopted Budget reflects a multi-year analysis that addresses the projected revenue shortfalls across the next five years, funds critical expenditures, and responsibly uses the one-time resources from the American Rescue Plan Act.

General Fund Revenues

Departments within the General Fund provide essential City services including police, fire, refuse collection, homeless services, library services, and parks and recreation programs. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees. These sources account for 67.0 percent of the City's General Fund revenue in the Fiscal Year 2022 Adopted Budget and are projected to increase by \$103.6 million, or 9.6 percent, from the Fiscal Year 2021 Adopted Budget.

The increases in the major General Fund revenues is primarily based on the start of the economic recovery from the COVID-19 pandemic. In addition to the increase in the major General Fund revenues is an increase of \$149.3 million in Coronavirus State and Local Fiscal Recovery Funds. The relief funds are provided through the American Rescue Plan Act of 2021, a bill passed by the federal government on March 11, 2021. The American Rescue Plan Act provides additional relief to address the continued impact of COVID-19 and aid to states and local governments for direct and flexible relief, enabling the City to use these funds in the form of revenue replacement for general government services in accordance with the Interim Final Rule released by the Department of Treasury on May 10, 2021 and updated Frequently Asked Questions (FAQs) on July 19, 2021.



Critical Expenditures

The Fiscal Year 2022 Adopted Budget for General Fund expenditures is \$1.7 billion, which represents an increase of \$122.6 million or 7.6 percent from the Fiscal Year 2021 Adopted Budget. These expenditures are primarily supported by major General Fund revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees. The list on the right highlights some of the General Fund critical expenditures.

Highlights of General Fund Critical Expenditures

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| Animal Services Contract | Funding in non-personnel expenditures to support the animal services contract and deferred maintenance at the City's animal shelter facility. |
| Back to Work SD | Funding in non-personnel expenditures for programs to get San Diegans back to work through a variety of initiatives that support small businesses and summer youth programs. |
| California Coastal Commission Support | Funding in non-personnel expenditures that will support the review and approval of City of San Diego programs, projects, and permitting requests. |
| City Attorney Positions | Funding in positions to reduce the need for outside counsel and retain institutional knowledge and experience. |
| Citywide Program Expenditures | Funding in non-personnel expenditures to comply with Governmental Accounting Standard Board (GASB) Statement 87. |
| Citywide Park Facilities | Funding in positions and non-personnel expenditures for new Facilities, Play All Day Sites, and Join Use Facilities. |
| Climate Equity Fund | Funding in non-personnel expenditures for disadvantaged communities to adapt to climate change and for related actions. |
| Code Compliance Officers | Funding of positions to enforce and investigate code violations. |
| Convention Center Corporation Operational Support | Funding to support the operations of the San Diego Convention Center Corporation. |
| COVID-19 Support | Funding to support upstaffing and emergency medical services to continue to respond to the COVID-19 pandemic, as needed. |
| Fire Academies | Funding for two additional Fire Academies to increase staffing levels. |
| Homeless Programs and Services | Funding in one-time non-personnel expenditures associated with crisis intervention and housing investment opportunities. |
| Employee Compensation | Funding related to employee compensation increases. |
| Fire Helicopter Maintenance | Restoration of funding to maintain Helicopter 1. |
| Library Materials and Programming | Funding in non-personnel expenditures associated to e-materials and equity focused virtual and expanded programming. |
| Mobility Action Plan | Funding in non-personnel expenditures associated with the Mobility Action Plan. |
| New Office of the Commission On Police Practices | Funding of positions and non-personnel expenditures associated to the establishment of the Office of the Commission on Police Practices. |
| New Office of Child and Youth Success | Funding of positions and non-personnel expenditures associated to the establishment of the Office of Child and Youth Success. |
| Park Rangers | Funding of positions to provide adequate oversight and support for encampment and abatement activities at open spaces and regional parks. |
| Pay Equity Study | Funding in non-personnel expenditures to conduct a pay equity study. |
| Public Power Feasibility | Funding in non-personnel expenditures associated to a feasibility study to pursue public power. |
| Public Safety Radios | Funding in non-personnel expenditures for the acquisition of public safety radios for the Police and Fire-Rescue Departments. |
| Safe & Sustainable Transportation All Ages & Abilities Team (STAT) | Funding of positions and non-personnel expenditures to install safe and sustainable transportation improvements. |
| SB1383 - Organics Collection | Initial Funding in non-personnel expenditures to support the implementation of organics collection to comply with State Bill 1383. |
| "Sexy" Streets Funding | Funding for streets in communities of concern. |
| Small Business Ombudsman Program | Funding for positions to provide small business ombudsman services. |

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| Storm Water Pipe Repair | Funding of positions and non-personnel expenditures for repair citywide storm drainpipe repairs. |
| Street Condition Assessment | Funding of one-time non-personnel expenditures for a street condition assessment. |
| Supplemental Positions | Funding for existing supplemental positions in various departments. |
| Support for Arts and Culture | Additional funding for arts, culture, and community festivals through support to organizations and creative communities. |
| Surveillance Ordinance Implementation | Funding of position and non-personnel expenditures to support the implementation of the Surveillance Ordinance. |

Budget Reductions

In order to offset shortfalls in major General Fund revenues due to the COVID-19 pandemic and support the critical expenditures mentioned above, the Fiscal Year 2022 Adopted Budget includes budget reductions that were strategically chosen to minimize impacts to core service levels. The list below includes budgeted reductions from the Fiscal Year 2021 Adopted Budget and total \$8.9 million.

| Reduction | Description |
|------------------------|---|
| General Fund | |
| Executive Management | Reduction of 2.00 FTE positions associated with a restructure of operations and changes in organizational management. |
| Police | Reduction in overtime expenditures associated to extension of shift, neighborhood policing, and Clean SD. |
| Environmental Services | Reduction of non-personnel expenditures associated with efficiencies in Clean SD sanitation services |

General Fund Departments

The Fiscal Year 2022 Adopted Budget for General Fund expenditures is \$1.7 billion, which represents an increase of \$122.6 million or 7.6 percent from the Fiscal Year 2021 Adopted Budget.

| General Fund Expense Budget by Department Group | |
|--|------------------|
| Group | Budget |
| Public Safety | \$901,987,392.00 |
| Neighborhood Services | \$212,672,443.00 |
| Infrastructure | \$195,186,964.00 |
| Finance | \$192,009,778.00 |
| Non-Mayoral | \$112,290,875.00 |
| Other | \$129,400,979.00 |

Balanced Budget and Conclusion

The Fiscal Year 2022 Adopted Budget continues to focus on the City's goals and make one-time investments to respond to the continued impacts from the COVID-19 pandemic and help residents get back to work. This balanced budget includes funding to maintain current services and fund new critical expenditures, with limited budget reductions. The Adopted Budget addresses the shortfalls in Fiscal Year 2021 and Fiscal Year 2022 and responsibly uses the one-time funding from the American Rescue Plan Act. However, to maintain a balanced budget in future years it will require even further mitigations beyond the federal relief funds, such as use of reserves, additional budget reductions, or the identification of new revenue sources.

