

Review of the

FY2020 PROPOSED **BUDGET**

Office of the Independent Budget Analyst • Report 19-06

The City of
SAN DIEGO 

*Andrea Tevlin
Independent Budget Analyst
April 26, 2019*

Page Intentionally Left Blank

Table of Contents

IBA Review and Analysis of the Mayor's FY 2020 Proposed Budget.....	1
Comparing Mayor's Proposed Budget to Council Budget Priorities Resolution.....	14
General Fund Review.....	18
Expenditures Overview.....	18
Revenue Overview.....	23
Reserves.....	28
General Fund Reserve.....	28
Public Liability Funds.....	29
Workers' Compensation Fund.....	30
Long-Term Disability Fund.....	31
Pension Payment Stabilization Reserve.....	32
Key Citywide Issues.....	33
Homelessness Programs.....	33
Climate Action Plan.....	39
Capital Improvements Program.....	43
Vacancies and Staffing Issues.....	49
Pension.....	51
Facilities Updates.....	55
Department Reviews.....	59
City Attorney.....	59
City Auditor.....	61
City Clerk.....	62
City Council.....	63
City Treasurer.....	65
Citywide Program Expenditures.....	67
Communications.....	72
Debt Management.....	73
Department of Finance.....	74
Department of Information Technology.....	76
Development Services.....	81
Economic Development.....	84
Environmental Services.....	87
Fire-Rescue.....	94
Fleet Operations.....	99
Government Affairs.....	103

Table of Contents

Human Resources.....	105
Library.....	106
Low/Mod Income Housing Asset Fund.....	109
Office of Boards and Commissions (<i>incl. Arts & Culture</i>).....	111
Office of the Mayor.....	114
Parks & Recreation.....	115
Performance & Analytics.....	120
Personnel.....	122
Planning.....	124
Police.....	127
Public Utilities.....	131
Public Works - Department.....	138
Public Works - Contracts.....	140
Public Works - Engineering & Capital Projects.....	142
Public Works - Facilities.....	145
Purchasing & Contracting.....	146
Real Estate Assets.....	150
Risk Management.....	159
Special Promotional Programs.....	161
Sustainability.....	164
Transportation & Storm Water.....	167
Other Departments.....	176
<i>DCOO: Infrastructure/Public Works</i>	
<i>DCOO: Internal Operations</i>	
<i>DCOO: Neighborhood Services</i>	
<i>Ethics Commission</i>	
<i>Office of the Assistant Chief Operating Officer</i>	
<i>Office of the Chief Financial Officer</i>	
<i>Office of the Chief Operating Officer</i>	
<i>Office of the Independent Budget Analyst</i>	
<i>Office of Homeland Security</i>	
<i>Special Events and Filming</i>	

Overview: IBA Review and Analysis of the Mayor's FY 2020 Proposed Budget

ROLES OF THE MAYOR, COUNCIL, IBA AND THE PUBLIC IN THE BUDGET PROCESS

The City's Charter calls for the Mayor to prepare an annual budget each fiscal year and release it to the City Council and the public no later than April 15th. The Mayor issued the FY 2020 Proposed Budget on April 12, 2019. The Proposed Budget including General Fund and Non-General Fund resources totals \$4.3 billion—an 11.7% increase over the FY 2019 Adopted Budget. The General Fund portion, which funds vital community services such as Police, Fire, Parks and Recreation and Libraries, is \$1.5 billion—an increase of 7.9% compared to the FY 2019 Adopted Budget.

Upon release of the Mayor's Proposed Budget, the City Council has the authority to hold public hearings to examine all departments' budgets, host additional hearings and town halls to solicit feedback from the community, fully review and evaluate the budget working with the Office of the Independent Budget Analyst (IBA) and Mayoral staff, and revise the Proposed Budget as determined necessary.

If the Council determines that modifications to the budget are warranted, the Council has the authority to change budgeted line items or services and programs proposed in the Mayor's budget provided the budget is balanced. Per the Charter the Council is responsible for reviewing and approving the Proposed Budget on or before June 15th. In the Strong Mayor form of government, the City Council has final budget authority.

To assist the Council throughout the

budget review process, two weeks following release of the Proposed Budget, the Office of the IBA provides the Council and public with a comprehensive analysis of the Mayor's Proposed Budget. The IBA analysis involves reviewing all revenues and expenditures, assuring the budget is structurally balanced, evaluating consistency with City Council and community priorities, ensuring best financial practices and policies have been applied, identifying impacts on service levels, and highlighting issues for further discussion during the upcoming budget review process.

The following sections of this Overview present a high-level review of our analysis and touch on key issues for consideration.

EXPENDITURES OVERVIEW

Total General Fund expenditures are increasing by \$115.5 million, or 7.9%—from the \$1.46 billion FY 2019 Adopted Budget to the \$1.57 billion FY 2020 Proposed Budget. Changes include a net increase to Non-Personnel Expenditures (NPE) of \$35.0 million, as well as a net increase in Personnel Expenditures (PE) of \$80.5 million.

“Despite the fiscal challenge, the Mayor's FY 2020 Proposed Budget maintains funding or increases funding for numerous high priority programs and community services while keeping a balanced budget.”

Overview: IBA Review and Analysis of the Mayor's FY 2020 Proposed Budget

PE increases include \$36.7 million in base salary increases for positions that were included in the FY 2019 Adopted Budget. This increase is largely due to effects of labor agreements with the City's employee organizations and also includes merit increases and promotions.

The next largest change in General Fund PE, \$26.1 million, is the increase to the Actuarially Determined Contribution (ADC) pension payment.

There were also 106.74 FTE increases (\$12.7 million in salaries and fringe), offset by 44.35 FTEs that were part of the departments' budget reduction proposals (\$3.9 million in salaries and fringe), yielding a net FTE addition of 62.39.

The largest NPE increase is \$11.3 million for the increased General Fund Reserve contribution, largely resulting from pre-funding the FY 2019 Reserve contribution in FY 2018.

Listings of significant changes in PE and NPE are included in the General Fund Overview, Expenditures section of this report. A brief discussion of PE adjustments is included in that section, and additional details can also be found in the Department Review sections of this report.

REVENUE OVERVIEW

The Proposed Budget includes \$1.54 billion in General Fund revenues. Of this amount, \$1.12 billion is derived from the city's four

major General Fund revenues: Property Tax, Sales Tax, Transient Occupancy Tax (TOT), and Franchise Fees. These revenues are sensitive to the overall economic condition of the San Diego region, and are discussed in greater detail in our report's overview of revenue. In general, the projections reflect a positive but slowing economic forecast that is tempered by known risks, including further increases in interest rates, the potential impacts of federal economic and trade policies, increased volatility in financial markets, and the sustainability of the current period of economic expansion. Overall, our Office believes that General Fund revenue projections included in the FY 2020 Proposed Budget are appropriate based on FY 2019 revenue projections and the current economic forecast.

HOW THE MAYOR BALANCED THE FY 2020 PROPOSED BUDGET

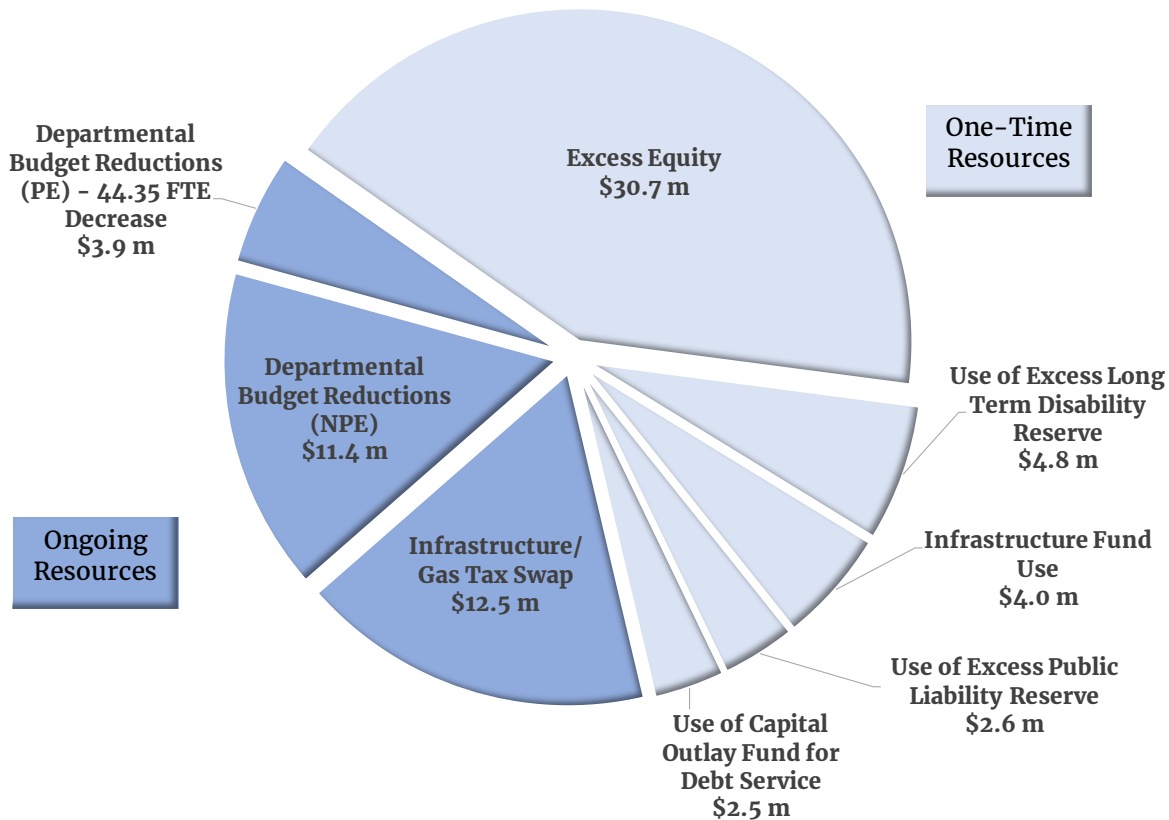
For the past three years the Mayor has been faced with General Fund deficits in developing the annual budgets. This year, for FY 2020, our Office has calculated the deficit (proposed expenditures over available resources) to be \$72.4 million before balancing actions. The table below describes the last three years of deficits in the Proposed Budget as a percentage of the Proposed Budget, before balancing actions.

While the deficits represent a relatively

General Fund Deficit in Proposed Budget	FY 2018	FY 2019	FY 2020
Deficit amount (before balancing actions, in millions)	\$81.0	\$46.4	\$72.4
Deficit as a percentage of the Proposed Budget	5.7%	3.2%	4.6%

Overview: IBA Review and Analysis of the Mayor's FY 2020 Proposed Budget

General Fund Balancing Resources - \$72.4 Million



small percentage of the budget, it is nonetheless challenging to identify sufficient mitigating actions to bring the budget into balance given competing General Fund needs and funding constraints. While revenues are growing, community needs continue to grow as well.

Resources Used to Eliminate the FY 2020 Deficit

Increased costs in the Proposed Budget as compared to the Outlook Baseline include the ADC, Infrastructure Fund transfers, and Workers' Compensation payments among others. Additionally, there were programmatic additions such as increases in FTEs and the expansion of the Clean SD

program. Combined, these adjustments produced the \$72.4 million preliminary deficit (before balancing actions).

The chart above displays eight major fiscal actions that were necessary to balance the FY 2020 Proposed Budget. The chart also shows that 38% of balancing actions are ongoing resources while 62% are one-time. Brief descriptions of each action are provided below.

- Use of excess equity—\$30.7 million
- Use of Excess Long Term Disability Reserve—\$4.8 million
- Use of Infrastructure Fund, allowing

Overview: IBA Review and Analysis of the Mayor's FY 2020 Proposed Budget

for related expenditure reductions in the General Fund—\$4.0 million

- Use of Excess Public Liability Reserve—\$2.6 million
- Use of Capital Outlay Fund for debt service—\$2.5 million
- Infrastructure/Gas Tax swap—\$12.5 million
- Departmental NPE reductions—\$11.4 million
- Departmental PE reductions (44.35 FTE)—\$3.9 million

Use of All Excess Equity Early in the Budget Process

The Mayor utilized all \$30.7 million of the estimated excess equity to balance the Proposed Budget, as shown in the table below in the right-most column. This table includes multiple years of excess equity projected at the third quarter, actual excess equity at year-end, excess equity amounts used in the following year's *Proposed* Budget, and the amount remaining after the Proposed Budget use. In comparing the years, we can see that FY 2019 is the first of several recent years where all ending excess equity is utilized.

In the past excess equity has been an important resource for the Mayor to address necessary changes in the May Revise. Ex-

cess equity has also been an important one-time resource for the City Council as they work to identify resources for final modifications to the budget. Finally, it can serve as a cushion if there are expenditure or revenue adjustments necessary based on year-end actuals. Typically, the Department of Finance (DOF) updates the excess equity year-end projection for the Mayor's May Revise which can be considered for funding Council modifications. It is not certain that will occur this year.

On April 16, 2019, Tracy McCraner, DOF Director and City Comptroller, issued a memo to department directors stating:

“The Department of Finance does not anticipate any increases in revenue as part of the May Revision and all projected excess equity from FY 2019 was included in the FY 2020 Budget. This means any budget addition requests will need to be evaluated against budget reductions or reprioritization of additions already incorporated in the Mayor's Fiscal Year 2020 Proposed Budget.”

In recent discussions with the DOF Director and Comptroller, she has confirmed that, at this time, she expects no new resources to be identified this fiscal year. Finding resources for City Council's final modifications will be challenging. Later in this section we discuss some resources that our office is exploring for considera-

Excess Equity Projections, Actuals, and Use in the Following Year's Proposed Budgets				
	FY 2016	FY 2017	FY 2018	FY 2019
Projected at the Third Quarter	\$7.5 ¹	\$26.4	\$22.7	n/a
Actual Excess Equity at Year-End Before Use of Excess Equity in the Following Year's Proposed Budget (FY 2019 Excess Equity is as of the Mid-Year Report)	\$28.0	\$43.2	\$33.5	\$30.7
Excess Equity Used in the Following Year's Proposed Budget	\$0.0	(\$8.3)	(\$12.3)	(\$30.7)
Excess Equity Remaining After Following Year's Proposed Budget	\$28.0	\$34.9	\$21.2	\$0.0

¹ Before FY 2016 additional appropriations, Excess Equity was projected to be \$30.3 million. Council appropriated \$22.8 million of this in FY 2016, leaving \$7.5 million of Excess Equity projected for year-end as of the third quarter.

Overview: IBA Review and Analysis of the Mayor's FY 2020 Proposed Budget

tion should the Council recommend budget modifications.

OVERVIEW OF MAJOR PROGRAMMATIC ACTIONS

Despite the fiscal challenge, the Mayor's FY 2020 Proposed Budget maintains funding or increases funding for numerous high priority programs and community services while keeping a balanced budget. Following is a snapshot of the Mayor's funding priorities. These items are discussed in greater detail in the departmental review sections of this report.

Largest Capital Improvements Program in Proposed Budget

The Capital Improvements Program of \$716 million in the FY 2020 Budget is the largest CIP Proposed Budget. However, after the FY 2018 Budget was adopted, subsequent actions resulted in a final FY 2018 CIP budget of \$925 million. Almost three-quarters of the funding added for FY 2020 comes from the following projects:

- Pure Water Program, including pooled contingency: \$387 million
- Water and sewer main Replacements: \$96 million
- Pipeline rehabilitation: \$35 million

Pure Water Program

The Budget continues to implement the Pure Water Program. Phase 1 Pure Water will provide a new reliable City-owned water source, and help to lower costs of water in the future. The project, including its pooled contingency, will make up 54% of the Proposed CIP Budget.

Street Funding

Repaving the City's streets remains the highest General Fund capital priority. The program is fully funded at \$80 million to fix a total of 430 miles in FY 2020. (Note that this is operating and capital funding.)

Community Service Levels Maintained

Service levels, reduced in the past and restored in recent years, have been maintained for priority community services such as library service hours, recreation center hours and swimming pool hours.

Clean SD Expanded

Although it is budgeted as one-time only, the Proposed Budget expands the Clean SD Program significantly, including \$2.7 million in the Environmental Services Department (ESD). For ESD, this expansion will include contractual services to provide litter removal 24 hours per day, seven days per week, as well as a second daily waste abatement shift.

The Proposed Budget also adds \$3.5 million in one-time overtime expenditures to the Police Department related to Clean SD. A discussion of this Police component of Clean SD is provided in the "Actions in the Proposed Budget that Raise Questions" section of this overview.

Enhanced Homelessness Services Continue

The Budget continues enhanced service levels for the Police Department's Neighborhood Policing Division that were expanded in FY 2019. This includes an ongoing increase to the Homeless Outreach Team and continuing to serve the communities around the Storage Connect Center and the Housing Navigation Center using

Overview: IBA Review and Analysis of the Mayor's FY 2020 Proposed Budget

one-time funds. The budget also provides three positions to focus on program coordination for the City's growing homelessness programs.

General Fund Reserves Fully Funded

The Proposed Budget provides funding to General Fund Reserves to achieve the City's FY 2020 target policy level. The FY 2019 target percentage is 15.25% of operating revenues, which equates to a \$192.8 million Reserve requirement. In accordance with the Reserve Policy's phase-in plan (to achieve the City's 16.7% target by FY 2025), the FY 2020 Reserve target increases to 15.5%, and is estimated to be \$204.7 million.

The combination of the \$192.8 million FY 2019 Reserve and \$11.9 million in FY 2020 budgeted Reserve contribution is anticipated to bring the Reserve to its projected FY 2020 target balance of \$204.7 million.

New Park Facilities to Open

Four new park facilities which are scheduled to open in FY 2020, including three Joint Use facilities and the North Park Mini Park, have been allocated sufficient funds to open and operate.

Disparity Study Funding Increased

The Mayor has allocated \$800,000 to undertake a City Disparity Study, a priority for several Councilmembers and members of the community. At issue, though, is the funding source for the study, which is the Engineering & Capital Projects Fund. This

limits the City to studying CIP contracts but not contracts for professional services and goods and supplies. There may be interest on the Council in broadening the scope to other City procurements. We discuss this in greater detail in the Purchasing and Contracting Department Review.

New Immigrant Affairs Manager Funded

A new Immigrant Affairs Program Manager was proposed by the Mayor and approved by the City Council as a mid-year budget adjustment on February 11, 2019. This position will be responsible for coordination between immigrant and refugee communities,

“After analyzing the budget, holding numerous hearings and soliciting feedback from the public, Councilmembers are in the position to consider the feedback received from the public, and determine whether significant community priorities have been omitted.”

intergovernmental agencies, and service providers to recommend policies and programs that facilitate successful integration of immigrants and refugees in San Diego into the civic, economic, and cultural life of the City. The position is currently in the process of being hired and has been included in the FY 2020 Proposed Budget within the Government Affairs Department.

101 Ash Renovation and Move-In on Schedule and within Budget

A year ago, renovation of the 101 Ash Street building, to house City employees and reduce City rental costs, was stalled due to a larger scope of renovations resulting in higher, unbudgeted costs. In August 2018, City Council approved renovating all 19 floors of the building. Construction is anticipated to be completed this summer and City staff will move into

Overview: IBA Review and Analysis of the Mayor's FY 2020 Proposed Budget

the building in the fall.

ACTIONS IN THE PROPOSED BUDGET THAT RAISE QUESTIONS

In our review we also identify fiscal actions in the Proposed Budget that raise questions or concerns. We recommend these and other items be discussed during the Budget Reviews. Following is a snapshot of several key issues we have noted in our report.

Use of All Available Excess Equity

As noted previously, the Mayor has utilized all available excess equity of \$30.7 million to balance the budget. A small amount of excess equity has been an important resource for funding the Mayor's May Revise and Council final budget modifications, and serves as a cushion for adjustments in year-end projections. DOF has stated they expect no new resources to be identified in FY 2019, including excess equity.

Storm Water Channel Maintenance Reductions and Other Storm Water Programs

Significant funding reductions, totaling \$2.0 million, have been made to Storm Water programs, including storm channel maintenance, Habitat Mitigation Credits, and special monitoring and investigation programs. The Outlook, released in November 2018, originally planned for all of these expenditures to be continuing, as well as providing significant increases of \$3.5 million in FY 2023 and \$2.0 million in FY 2024.

Police Overtime Added for Clean SD and Homelessness

The Proposed Budget adds \$3.5 million in Police overtime for the Clean SD expansion. As noted previously in our discussion of Clean SD, this expenditure is budgeted as one-time although it is unclear whether the work will or will not continue in future fiscal years. Similarly, the Budget includes a separate one-time expenditure of \$4.3 million in Police overtime for the Neighborhood Policing Division. The Police Department has indicated this addition for Neighborhood Policing is largely related to two homeless programs, the Storage Connect Center and the Housing Navigation Center, which are ongoing programs. Council may wish to get clarity on the one-time nature of these activities.

We note that the Council may also wish to get more clarity on the different services provided by Police Officers conducting Neighborhood Policing Division work versus Clean SD work, as there appears to be some overlap between these two programs and their approaches to providing homelessness services.

Staff Reductions in Facilities Maintenance

Reductions to Facilities Services staff will likely not allow the City to increase the amount of preventative maintenance performed, which extends the useful life of facilities and mitigates future capital repair costs. Maintenance staff has also been reduced in FY 2018 and FY 2019.

Tree Trimming Reduction

Tree trimming, a high priority for the community and Council, has been reduced by \$1.1 million by eliminating non-palm tree routine trimming contracts. This pro-

Overview: IBA Review and Analysis of the Mayor's FY 2020 Proposed Budget

gram has been reduced for the past three years and restored by Council each time.

Reduction of Park Maintenance Staff

A reduction to Citywide Park Maintenance Staff, including Balboa Park and Open Space Park Rangers, will likely impact response times for service needs.

Companion Unit Fee Waiver

On April 30, 2018 the Council unanimously voted to exempt Development Impact Fees and Facility Benefit Assessment Fees and waive General Plan Maintenance Fees and water and Sewer capacity fees to encourage the construction of companion units with the goal of providing more affordable housing. The FY 2019 budget included \$300,000 in one-time funding to reimburse PUD for the sewer and water capacity fees for construction of 80 companion units. That amount was expended as of December 2018 and permits for additional units remain in the pipeline. The FY 2020 Proposed Budget includes another one-time amount of \$300,000. Given the expenditure rate for the current year, additional funding should be considered for this important program in FY 2020. Consideration for ongoing funding rather than one-time may also want to be considered. Making companion units more affordable will help to incentivize their construction and provide for more affordable housing opportunities.

“Council’s authority to make modifications is a critical part of the budget process.”

COMPARING THE PROPOSED BUDGET TO CITY COUNCIL BUDGET PRIORITIES RESOLUTION

The FY 2020 City Council Budget Priorities Resolution, which identifies the highest-priority fiscal and policy items identified by Councilmembers for the upcoming fiscal year, was adopted by Council on February 11, 2019. A comparison of the Mayor's FY 2019 Proposed Budget to the Council Budget Priorities Resolution is provided in the next major section of this report.

POTENTIAL RESOURCES FOR COUNCIL MODIFICATIONS

Given the likelihood of there being no remaining excess equity, the Council and the IBA will need to identify appropriate alternative resources for final budget modifications. The Mayor's Proposed Budget each year has incorporated many of the Council's and community's priorities. Nonetheless the City Council's consideration of modifications is important and is consistently modest as a percentage of the budget, as shown in the table below.

Council's authority to make modifications is a critical part of the budget process. After analyzing the budget, holding numerous hearings and soliciting feedback from

City Council Budget Modifications	FY 2017	FY 2018	FY 2019
Amount (in millions)	\$3.0	\$15.3	\$5.7
% of Adopted Budget	0.22%	1.07%	0.39%

Overview: IBA Review and Analysis of the Mayor's FY 2020 Proposed Budget

the public, Councilmembers are in the position to consider the feedback received from the public, and determine whether significant community priorities have been omitted. For the budget to remain balanced, Council modifications will require that appropriate funding be identified.

Listed are several of the resource options our office is exploring:

- Utilize \$9.4 million in the Capital Budget originally set aside for Plaza de Panama, which is now available for other capital projects
- Determine if additional capital outlay funds from land sales are available to be used for General Fund debt service
- Consider using a portion of the Pension Payment Stabilization Reserve Fund to help pay for a portion of the FY 2020 ADC increase, freeing up General Fund monies for one-time uses
- Reallocate funding from items proposed by the Mayor in favor of alternative priorities identified by the City Council

POTENTIAL FUTURE BUDGET IMPACTS BEYOND FY 2020

While the FY 2020 Proposed Budget is balanced, a number of financial issues will have effects beyond FY 2020. The following factors could contribute to a potential future deficit in FY 2021 and beyond, or provide future new revenue.

Potential Increased Costs to City Labor Agreements

The City is currently negotiating with the Deputy City Attorneys Association (DCAA) regarding its labor contract (MOU), which

affects the compensation of DCAA members. The FY 2020 Proposed Budget includes a placeholder amount of \$1.0 million for any negotiated increases to compensation. However, the amount may increase or decrease depending upon the results of negotiations.

Additionally, the MOUs with the City's other five employee organizations all expire at the end of FY 2020. Contract negotiations with these other labor groups are set to begin mid-FY 2020 in anticipation of agreements being reached before FY 2021. Any negotiated compensation increases would increase the City's expenditures beginning in FY 2021.

ADC Pension Payments

There are a couple of items that could potentially impact the City's most recent estimate for the FY 2021 ADC (most recently projected to be \$355.5 million citywide).

- Changes to assumptions used in the actuarial valuation for FY 2019
- FY 2019 "experience gains and losses" (the differences between actual results and what was assumed in the FY 2018 valuation)

For example, if FY 2019 investment return ends up being either higher or lower than the 6.5% return assumed in the FY 2018 valuation, there will be an investment experience gain or loss—which would be a factor that decreases or increases the FY 2021 ADC, accordingly. Whatever the FY 2019 investment return ends up being, the preliminary impact will likely be quantifiable by the fall of 2019.

For an example of a potential assumption change, the SDCERS Board has previously

Overview: IBA Review and Analysis of the Mayor's FY 2020 Proposed Budget

discussed further reducing the discount rate assumption. Assumption changes are scheduled to be discussed with the "experience study" that includes the June 30, 2019 actuarial valuation (anticipated for the spring of 2020). Any assumption changes subsequently implemented in the FY 2020 valuation would impact the ADC for FY 2022.

Possibility of a Recession or Significant Economic Slowdown

The U.S. economy has experienced steady growth since June of 2009 and the City's major revenues have benefited annually from this expansion. The duration of the current economic expansion is going on ten years, which is twice the average duration of an expansion cycle. The General Fund Revenue section of the FY 2020 Proposed Budget quotes a UCLA Anderson Forecast from March 2019 which indicates "there is a very real risk of a recession in late 2020."

While the expert consensus is for an economic slowdown in FY 2020 and not a recession, it would not be prudent for the City to rely on the continuation of recent annual revenue growth rates. The City must begin to contingency plan for the fiscal implications associated with a significant slowdown in revenue growth or the possibility of a recession. Our report briefly touches on some of the risks to the San Diego economy in the Economic Outlook section of the Revenue Overview.

Potential Increases in Resources SDCCU Stadium Site Sale

The City is currently negotiating with San Diego State University (SDSU) for the sale of the SDCCU Stadium site in accordance

with the terms of Measure G which was approved by the voters on November 6, 2018. Should the sale of the Stadium site to SDSU be completed early in 2020, the City will likely eliminate the annual operating deficit for the Stadium (approximately \$4.8 million for FY 2020), exclusive of the remaining annual debt service costs. Further, depending on the negotiated sales price, the City could potentially cover all remaining debt service payments, which are \$4.0 million per year until FY 2027, with the resulting revenue being deposited on a one-time basis into the Capital Outlay Fund.

Ballot Measure Proposing to Increase the City's Transient Occupancy Tax (TOT)

On April 15, 2019, the City Council adopted a resolution of intention to place the "For a Better San Diego" Initiative on the March 2020 ballot. If approved by the voters, the measure would increase the City's TOT from 12.5% to as high as 15.75% depending on the location of the hotel. The resulting tax proceeds, which could be collected for up to 42 years, would be used to expand the Convention Center (59% of tax proceeds), address homelessness needs in the City (41% of the proceeds for the first 5 years, 31% thereafter), and to make street repairs (10% of the proceeds, years 6 through 42).

Preliminary forecasts estimate \$1.8 billion of tax proceeds to address homelessness needs and \$546 million to address City street repairs over 42 years. Travel industry consultants project an expanded Convention Center will generate significant additional tax revenue for the City's General Fund due to increased Convention Center activity and related visitor expendi-

Overview: IBA Review and Analysis of the Mayor's FY 2020 Proposed Budget

tures. If approved by the voters, the City would begin receiving this revenue early in FY 2021.

NEXT STEPS IN THE PROCESS AND COUNCIL'S ROLE

The Office of the IBA appreciates the timely responses from City departments and agencies to our questions over the past two weeks. We look forward to working with the City Council, the Mayor, CFO, Department of Finance, City departments, and our residents to ensure that the City's budget is structurally balanced, is responsible and responsive to our diverse communities, and maintains the City's excellent and efficient services and programs. Throughout the City Council budget process we are available to support the City Council, Council staff, and members of the public including answering questions, discussing our report findings, researching issues and attending hearings or other meetings in the community.

The Mayor has proposed his budget, now the Council has the authority to either approve the budget as submitted, or modify it in whole or in part. The Council may increase or decrease any item, provided the budget remains structurally balanced with ongoing expenditures funded with ongoing resources. Then the Mayor can approve, veto, or modify any line item approved by Council. Finally, the Council can override the Mayor's veto with a two-

thirds vote.

Important next steps in the annual budget process are outlined below:

May 1-3, 6-7 (May 8 if needed): Budget Review Committee hears "IBA Review of the FY 2020 Proposed Budget" and holds public hearings on City departments, functions, and agency budget proposals, including an additional evening meeting of the Budget Review Committee on May 1.

May 13: City Council holds an evening hearing to receive further input from the public.

May 17: Budget Review Committee reviews the Mayor's May Revise and Year-End Budget Monitoring Report for consideration in final budget decisions.

May 20: City Councilmembers issue final budget modification priority memoranda, including recommendations for potential budget revisions, to the Office of the IBA.

June 3: Office of the IBA issues final report on recommended revisions to the Mayor's FY 2019 Proposed Budget including the May Revise, based on input from City Council memoranda and feedback, public comment, and independent analysis.

June 10: City Council makes final FY 2020 budget decisions and takes action on any FY 2019 budget revisions.

June 25: City Council introduces and adopts the FY 2020 Appropriation Ordinance.

"The Mayor has proposed his budget, now the Council has the authority to either approve the budget as submitted, or modify it in whole or in part"

Overview: IBA Review and Analysis of the Mayor's FY 2020 Proposed Budget

Additional Reports

Our Office will also be issuing individual reports for the following City agencies prior to their budget hearing dates:

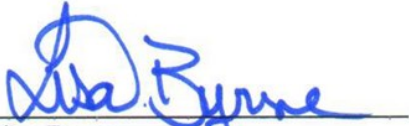
Convention Center (May 3, 2019)

Housing Commission (May 6, 2019)

SDCERS (May 6, 2019)

Civic San Diego/Successor Agency (May 7, 2019)

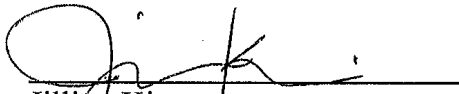
Overview: IBA Review and Analysis of the Mayor's FY 2020 Proposed Budget



Lisa Byrne
Fiscal & Policy Analyst



Angela Colton
Fiscal & Policy Analyst



Jillian Kisseel
Fiscal & Policy Analyst




Jordan More
Fiscal & Policy Analyst




Chris Olsen
Fiscal & Policy Analyst



Baku Patel
Fiscal & Policy Analyst



Andrea Tevlin
Independent Budget Analyst



Jeff Kavar
Deputy Director

Comparing the Mayor's Proposed Budget to the Council Budget Priorities Resolution

City Council Budget Priorities

The FY 2020 City Council Budget Priorities Resolution, which identifies the highest – priority fiscal and policy items identified by Councilmembers for the upcoming fiscal year, was adopted by Council on February 11, 2019. For FY 2020, Councilmembers unanimously supported three broad priorities:

- Programs related to homelessness and housing
- Infrastructure improvements for Parks and Recreation Department facilities (parks, recreation centers, and senior centers)
- Infrastructure improvements related to transportation safety

In addition, a majority of Councilmembers prioritized funding for other categories, which are detailed later in this section. We also note that several Councilmembers cited an overarching theme of examining budget requests from the perspective of seeking to provide equity across all Council Districts and communities.

A comparison of the Mayor's FY 2020 Proposed Budget to the Council Budget Priorities Resolution is provided in the form of a matrix on the following pages.

FY 2020 City Council Budget Priorities

COMPARISON OF COUNCIL FY 2020 BUDGET PRIORITIES RESOLUTION TO MAYOR'S FY 2020 PROPOSED BUDGET (Y=Yes, N=No, P=Partial Funding)		
GENERAL FUND BUDGET PRIORITIES (FIVE OR MORE COUNCILMEMBER MENTIONS)	FUNDED IN FY 2020 BUDGET	NOTES
Arts and Culture		
Increase funding or maintain at FY 2019 level	Y	The Proposed Budget includes \$14.2 million for Arts and Culture funding. While this is a slight decrease from the FY 2019 overall funding level of \$14.5 million, there is no change to the amount of funding available for allocation towards Creative Communities San Diego and Organizational Support programs.
Clean SD and Other Neighborhood Clean-Up Items		
General support for Clean SD	Y	Proposed Budget includes \$2.7 million in additional one-time funding within the Environmental Services Department to expand Clean SD to provide litter removal 24 hours per day, seven days per week, as well as a second daily waste abatement shift. \$3.5 million in added Police overtime is also attributed to Clean SD.
Add Code Enforcement Officer positions and filling existing positions	Y	The Proposed Budget includes 3.00 term-limited (non-permanent) FTEs, including 2.00 Code Compliance Officers and 1.00 Code Compliance Supervisor.
Continue sidewalk sanitation for Hepatitis A	Y	Sidewalk sanitation service frequency that is currently being conducted will continue in FY 2020.
Expand Clean SD in new areas	P	While Clean SD is not expected to expand to any specific new areas, more as-needed requests can be responded to Citywide given the additional funding for litter removal and waste abatements.
Increase efforts to alleviate graffiti and illegal dumping	P	As discussed above, one-time funding for increased litter removal and waste abatement service levels to address illegal dumping are included in the Proposed Budget. With respect to graffiti abatement, one-time funding of \$300,000 added by the City Council in FY 2019 was not continued in the Proposed Budget.
CAP Strategy 3: Bicycling, Walking, Transit, and Land Use		
Increase funding for bicycle infrastructure	Y	\$2.5 million in operating and capital expenditures as part of Vision Zero (CIP).
Add Traffic Engineer positions	N	Not included in Proposed Budget.
Support for sidewalk improvements for mobility	Y	\$2.4 million in new walkways and \$1.0 million to address ADA complaints, located in the CIP. No allocation for repair and replacement to reduce the sidewalk backlog.
Improved tracking and administration of mobility goals	P	Additional \$100,000 for general CAP monitoring and performance measurement.
CAP Strategy 5: Climate Resiliency		
Increase urban tree canopy	P	While reduced initially, tree planting will be maintained at the current level.
Increase tree inspection and care	N	All routine, non-palm tree trimming contracts were reduced, totaling \$1.1 million.
Add positions for urban forestry, specifically 1.00 Arborist/Horticulturalist	N	No positions added.
Fill Vacant Positions in Key Departments		
General support for prioritizing filling vacancies	N	Proposed Budget eliminates several vacant positions but does not add resources specifically for filling vacant positions.

FY 2020 City Council Budget Priorities

COMPARISON OF COUNCIL FY 2020 BUDGET PRIORITIES RESOLUTION TO MAYOR'S FY 2020 PROPOSED BUDGET (Y=Yes, N=No, P=Partial Funding)		
GENERAL FUND BUDGET PRIORITIES (FIVE OR MORE COUNCILMEMBER MENTIONS)	FUNDED IN FY 2020 BUDGET	NOTES
Get it Done and 311		
General support for Get It Done or similar programs such as 311	N	Funding reduced, enhancements will be delayed.
Add positions to City departments that respond to requests submitted via the app	P	The Refuse Disposal Fund and the Recycling Fund each received 1.00 Public Information Clerk (2 FTEs total) to address incoming telephone and Get It Done requests. However, numerous TSW requests for positions to support Get It Done were unfunded.
Homelessness and Housing		
Fund outreach, bridge shelters, permanent supportive housing, safe parking programs	Y	Proposed Budget continues service levels from FY 2019. Expansion of safe parking programs and outreach is funded through a state grant (HEAP funds). Permanent supportive housing and outreach is provided through San Diego Housing Commission.
Expand Police Department services related to homelessness such as Serial Inebriate Program (SIP), Homeless Outreach Team (HOT), and other Neighborhood Policing Division activities	P	No expansion to SIP but the Proposed Budget continues service levels that were expanded in FY 2019 for HOT and Neighborhood Policing Division.
Add Community Paramedic positions to Fire-Rescue for the Resource Access Program (RAP)	N	No expansion of RAP in the Proposed Budget.
Support for Accessory Dwelling Units (ADUs)	P	\$300,000 in one-time funding continued in FY 2020 at same level as in FY 2019.
Infrastructure: Library Facility Improvements		
Fund facility improvements at various City libraries	P	Rancho Penasquitos Library Skylight Replacement included \$250,000 in the CIP annual allocation for City Facilities Improvements.
Infrastructure: Parks, Recreation Centers, and Senior Centers		
Fund facility improvements at various parks, recreation centers, and senior centers	Y	\$14.7 million in for park CIP projects, including Mission Bay Improvements, plus two subprojects within the CIP annual allocation for City Facilities Improvements.
Fund design and construction of new facilities	N	Not included in Proposed Budget.
Infrastructure: Sidewalks		
Fund sidewalk repair, replacement, and new construction	Y	\$2.4 million in new walkways and \$1.0 million to address ADA complaints, located in the CIP. No allocation for repair and replacement to reduce the sidewalk backlog.
Infrastructure: Street Lights		
Fund street light installation	Y	\$200,000 in the CIP.
Infrastructure: Transportation Safety		
Support for Vision Zero, including crosswalks, traffic calming, measures to improve pedestrian and bicycle safety, and traffic signal improvements	Y	\$11.9 million in operating and capital expenses.

FY 2020 City Council Budget Priorities

COMPARISON OF COUNCIL FY 2020 BUDGET PRIORITIES RESOLUTION TO MAYOR'S FY 2020 PROPOSED BUDGET (Y=Yes, N=No, P=Partial Funding)		
GENERAL FUND BUDGET PRIORITIES (FIVE OR MORE COUNCILMEMBER MENTIONS)	FUNDED IN FY 2020 BUDGET	NOTES
Libraries: Programming and Hours		
Maintain or increase Library programming and hours	Y	Library programing funding (\$100,000) and hours are maintained at FY 2019 levels in the Proposed Budget.
Libraries: Materials and Technology		
Increase funding for Library materials and technology	N	No additional Library materials or technology resources in the Proposed Budget.
Public Safety: Police Recruitment and Retention		
Continue or expand efforts to improve Police Department recruitment and retention	Y	Proposed Budget includes \$20.7 million in salary-related expenditure increases for San Diego Police Officers Association members. \$400,000 for a new lateral recruitment incentive program is also included.
Support for a housing incentive program	N	Not included in Proposed Budget.
Expand efforts to increase diversity in hiring	N	No new initiatives included in Proposed Budget.
Public Safety: Lifeguard Positions		
Add positions to Lifeguard Division, including staff for Boating Safety Unit, Dive Team, and Lifeguard 3s at key beach locations	N	No positions added for Lifeguards.

General Fund Overview: Expenditures

Expenditures Overview

Total General Fund expenditures are increasing by \$115.5 million, or 7.9%—from the \$1.46 billion FY 2019 Adopted Budget to the \$1.57 billion FY 2020 Proposed Budget. Changes included in the Non-Personnel Expenditures (NPE) increase (netting to \$35.0 million) are highlighted below, and Personnel Expenditures (PE) changes (netting to \$80.5 million) are shown on the following page. A brief discussion of some of these major changes begins on the third page of this section.

GENERAL FUND EXPENDITURE CHANGES				
(dollars in millions) Note: Table may not total due to rounding.	FTE	PE	NPE	TOTAL
FY19 Adopted Budget	7,614.12	\$ 1,027.1	\$ 432.1	\$ 1,459.2
Budget Change Highlights				
<i>PE Increase (See Next Page for Listing)</i>	62.39	80.5	-	80.5
<i>General Fund Reserve Contribution Increase</i>	-	-	11.3	11.3
<i>Increased Transfer to Infrastructure Fund - Prop H (including \$2.9m for FY18 true-up)</i>	-	-	7.0	7.0
<i>Removal of FY19 One-time Use of Fleet Operations Fund Balance</i>	-	-	4.6	4.6
<i>Non-Discretionary (ND) Fleet Costs Increases - Replacement Fund Contributions (\$3.6m); Fuel (\$1.1m); Operations (\$692k)</i>	-	-	5.3	5.3
<i>IT ND Increases - Cyber Security (\$2.4m); Data Center (\$914k); Applications (\$738k); & Other</i>	-	-	4.4	4.4
<i>Increase for Corporate Master Lease Rent (including CCP, new leases, scheduled increases)</i>	-	-	3.7	3.7
<i>Increase in Transfer to Parks Improvement Funds</i>	-	-	3.2	3.2
<i>Discretionary IT Increase (maint, hardware/software, & professional svcs for various depts)</i>	-	-	2.9	2.9
<i>Clean SD Expansion - Environmental Svcs Dept non-personnel expenditures (onetime)</i>	-	-	2.5	2.5
<i>Increases for Electric Services (\$1.6m) and Water Services (\$891k)</i>	-	-	2.4	2.4
<i>Animal Service Contract (one-time start-up costs)</i>	-	-	2.2	2.2
<i>Capital Lease Increase (largely Fire-Rescue SCBA & helicopter-related; and 311 project)</i>	-	-	2.1	2.1
<i>Increases in Deferred Capital Bond Payments (\$837k) and Commercial Paper Costs (\$800k)</i>	-	-	1.6	1.6
<i>Increase in Fire-Rescue Helicopter-related Maintenance (\$820k) & Pilot Training (\$520k)</i>	-	-	1.3	1.3
<i>Increases to Citywide Elections (\$430k) & Community Projects, Programs, & Svcs (\$637k)</i>	-	-	1.1	1.1
<i>Citywide Special Consulting Svcs Increases Not Included Elsewhere - Bridge Shelters (\$304k); Stadium Negotiations (\$250k); Energy-related Costs for Civic Center Theater(\$457k)</i>	-	-	1.0	1.0
<i>Consultant for SDG&E Energy Franchise Agreement Negotiations (one-time cost)</i>	-	-	1.0	1.0
<i>Disparity Study Funding (one-time cost; to be reimbursed by E&CP)</i>	-	-	0.8	0.8
<i>Pension Payment Stabilization Reserve - Replenishment Funding Increase</i>	-	-	0.7	0.7
<i>Consulting Reductions for Analyses Relating to Storm Water Regulations</i>	-	-	(0.5)	(0.5)
<i>Reductions for Habitat Mitigation Credits (related to storm water channel maintenance)</i>	-	-	(0.5)	(0.5)
<i>Street Damage Fees (pymts to Trench Cut Excavation Fee Fund for SDG&E trenching)</i>	-	-	(0.5)	(0.5)
<i>Decrease to PC Replacement (\$899k) - Switching to Lease-to-Own Procurement Model</i>	-	-	(0.9)	(0.9)
<i>Storm Water Channel Maintenance (reduction from 6 to 4 estimated channels annually)</i>	-	-	(1.0)	(1.0)
<i>Tree Trimming Services (45% reduction to budget for contracted tree trimming)</i>	-	-	(1.1)	(1.1)
<i>Removal of FY19 One-time Funding for Transfers to CIP for IT Projects</i>	-	-	(1.2)	(1.2)
<i>Removal of FY19 One-time Funding - Brush Management (\$555k); Graffiti Abatement (\$300k); Mixed Income Housing Density Program Funding (\$250k)</i>	-	-	(1.1)	(1.1)
<i>GE Master Lease Agreement Reduction (energy efficiency lighting installation delays)</i>	-	-	(1.6)	(1.6)
<i>Decrease in One-time Funding for 101 Ash Relocation Costs (from \$2.1m to \$689k in FY20)</i>	-	-	(1.4)	(1.4)
<i>Deferred Capital Bond Pymts from Capital Outlay Fund (\$2.5m one-time) & DSD (\$415k)</i>	-	-	(2.9)	(2.9)
<i>Reduction to Public Liability Operating Expenses (one-time use of excess reserve)</i>	-	-	(2.6)	(2.6)
<i>One-time Infrastructure Fund Use (maint/repair of sidewalks, street lights, signals, signage)</i>	-	-	(4.0)	(4.0)
<i>ND IT Decreases - SAP (\$1.4m); Wireless (\$1.2m); General IT Svcs (\$1.6m)</i>	-	-	(4.2)	(4.2)
<i>FY19 One-time Removals Not Included Elsewhere</i>	-	-	(3.8)	(3.8)
<i>Net Other Budget Changes</i>	-	-	3.1	3.1
FY20 Proposed Budget	7,676.51	\$ 1,107.6	\$ 467.1	\$ 1,574.8
Net Increase from FY19 to FY20	62.39	\$ 80.5	\$ 35.0	\$ 115.5

Office of the Independent Budget Analyst

April 2019

General Fund Overview: Expenditures

GENERAL FUND PERSONNEL EXPENDITURE (PE) CHANGES (Salaries/Wages & Fringe Benefits)				
(dollars in millions) Note: Table may not total due to rounding.	FTE	Wages	Fringe	Total PE
FY19 Adopted Budget	7,614.12	\$ 589.1	\$ 438.0	\$ 1,027.1
FTE Additions (departmental additions below do not include FTE/PE increases for transfers)				
City Treasurer - 5.0 Short Term Residential Occupancy Tax Compliance Staffing (2.0 Administrative Aide 2, 1.0 Principal Accountant, 1.0 Accountant 4, 1.0 Collections Investigator 2)	5.00	0.4	0.1	0.5
Department of Finance - 1.0 Finance Analyst 2 to Support Internal Controls	1.00	0.1	0.0	0.1
Econ Development - 1.0 Ass't Deputy Director (position supported by CDBG & Successor Agency)	1.00	0.1	0.0	0.2
ESD - 3.0 FTEs for Clean SD (2.0 Code Compliance Officers & 1.0 Code Compliance Supervisor)	3.00	0.2	0.1	0.2
Fire-Rescue - 52.0 FTEs Anticipated to Support Reducing Overtime (37.0 Staffing Model/Relief Pool, 9.0 Fire Academy, and 6.0 Bomb Squad Positions)	52.00	4.1	2.2	6.3
Fire-Rescue - 6.0 revenue supported Fire Prevention Inspector 2s (2.0 CEDMAT Inspectors, 2.0 High-rise Program Inspectors, 1.0 new construction liaison to DSD, 1.0 Fire Inspector to assist in meeting state mandates)	6.00	0.5	0.2	0.8
Fire-Rescue - 3.0 Other FTEs (2.0 Payroll Specialist 2s, 1.0 Fire Battalion Chief supported by grant funding for the San Diego Urban All Hazard Incident Management Team)	3.00	0.2	0.1	0.3
Government Affairs - 1.0 Immigrant Affairs Program Manager	1.00	0.1	0.0	0.1
Human Resources - 4.0 Program Managers for Labor & Employment Support (2.0 specific to PUD)	4.00	0.5	0.1	0.6
Neighborhood Services - 4.0 FTEs including 1.0 Program Manager for Department Mgmt & 3.0 FTE for Homelessness Coordination (2.0 Associate Mgmt Analysts & 1.0 Senior Mgmt Analyst)	4.00	0.3	0.1	0.4
Office of Homeland Security - 2.0 grant reimbursable FTEs (1.0 Program Coordinator & 1.0 Associate Management Analyst for city emergency plans, Cyber-Security, Unmanned Aircraft System, & Smart City Efforts)	2.00	0.2	0.1	0.2
Office of the Assistant COO - 1.0 Assistant Chief Operating Officer for Oversight of the Internal Operations, Neighborhood Services, and Smart & Sustainable Communities Branches	1.00	0.2	0.2	0.5
Parks & Recreation - 8.0 FTEs for Citywide Maintenance for New Facilities (1.0 Equipment Operator 1, 2.0 Utility Worker 1s, 1.0 Equipment Technician 1, 2.0 Light Equipment Operators, 1.0 Tree Trimmer, 1.0 Pesticide Applicator)	8.00	0.3	0.2	0.5
Parks & Recreation - 2.17 Other FTEs (1.67 Grounds Maintenance Worker 2s to Support Joint Use & Mini Parks and 0.5 Recreation Specialist to Support the East Fortuna Staging Area Field Station)	2.17	0.1	0.1	0.2
Police - 3.0 Civilian FTEs for Crime Analysis (1.0 Interview & Interrogation Specialist 3, 1.0 Geographic Information Systems Analyst 3, 1.0 Information Systems Analyst 3)	3.00	0.2	0.1	0.3
Police - 1.0 Other FTE including 0.5 Police Lead Dispatcher, and 0.5 Word Processing Operator to Support Communications and Internal Affairs	1.00	0.1	0.0	0.1
Real Estate Assets - 1.0 Property Agent to Support the Leasing of Property to Telecom Carriers	1.00	0.1	0.0	0.1
Net Hourly FTE Additions	1.86	0.7	0.1	0.8
Net Transfers From Non-General Funds	6.71	0.5	0.1	0.6
Subtotal - FTE Additions	106.74	8.7	4.0	\$ 12.7
Other Changes				
Net Reductions to Non-Hourly FTEs (see department list in Proposed Budget, Vol I, pg 49)	(44.35)	(2.4)	(1.5)	(3.9)
Base Salary Increases for Positions in the FY19 Budget - \$22.0m for Police (POA-represented) & \$14.6m for Non-Police (includes negotiated general salary increases, merit increases, promotions)	-	36.7	-	36.7
Net Police Overtime Increase	-	7.5	-	7.5
Police Special Pay Increase for Officers with 20+ Years of Sworn Service (5% add-on pay)	-	3.0	-	3.0
Other Special Pay Increases	-	2.9	-	2.9
Placeholder for DCAA Negotiations (\$1.0m); Special Salary Adjstmnts Approved April 2019 (\$525k)	-	1.5	-	1.5
Net Fire-Rescue Overtime Decrease	-	(1.5)	-	(1.5)
Net Vacancy Savings Increase (a decrease to salaries expense)	-	(3.2)	-	(3.2)
Actuarially Determined Contribution (ADC) Increase	-	-	26.1	26.1
Workers' Compensation Increase	-	-	6.9	6.9
Supplemental Pension Savings Plan (SPSP) Increase	-	-	2.2	2.2
Risk Management Admin Contributions Increase (1.2m) & Medicare Cost Increase (\$963k)	-	-	2.1	2.1
Adjustment to Remove Fringe Included Above (to avoid double counting in this table)	-	-	(2.5)	(2.5)
Flexible Benefits Decrease (primarily due to POA flexible benefits replaced by increased salaries)	-	-	(10.1)	(10.1)
Net Other Changes	-	(0.8)	0.9	0.1
FY20 Proposed Budget	7,676.51	\$ 641.5	\$ 466.1	\$ 1,107.6
Net Increase from FY19 to FY20	62.39	\$ 52.4	\$ 28.1	\$ 80.5

General Fund Overview: Expenditures

Personnel Expenditures (PE)

As shown in the table on the preceding page, the net General Fund PE change (salaries/wages and fringe benefits) from the FY 2019 Adopted Budget to the FY 2020 Proposed Budget is \$80.5 million.

The largest increase included in that total, \$36.7 million in the Wages column, is the base salary increase for positions that were included in the FY 2019 Adopted Budget. This increase is largely due to effects of labor agreements with the City's employee organizations (general salary increases and special salary adjustments), and also includes merit increases and promotions. For a brief discussion on the labor agreements, refer to Volume I of the FY 2020 Proposed Budget, beginning on page 93.

The next largest change in General Fund PE, \$26.1 million in the Fringe column, is the increase to the Actuarially Determined Contribution (ADC) pension payment. This increase is largely due to two factors.

- A SDCERS Board-approved reduction in the discount rate assumption, from 6.75% to 6.5% for the FY 2018 valuation
- Pay increases for employees, in large part related to sizable negotiated pay increases for members of the Police Officers Association (POA)

For more on the ADC and pension information, see the Pension section under Key Citywide Issues.

Also, a net 62.39 FTEs have been added to the Proposed Budget, including various increases listed on the previous page and partially offsetting decreases.

There were 106.74 FTE increases (\$12.7 million in salaries and fringe):

- 98.17 non-hourly FTE additions to various departments—\$11.3 million in salaries and fringe (which are highlighted in the table on the previous page)
- 6.71 FTEs net transfers of positions from non-general funds to the General Fund—\$646,000 in salaries and fringe
- 1.86 net hourly FTE additions—\$770,000 in salaries and fringe

These FTE increases are partially offset by the following decrease:

- 44.35 FTEs that were part of the departments' budget reduction proposals—\$3.9 million in salaries and fringe (The number of FTE reductions by department is listed in the FY 2020 Proposed Budget, Volume 1, page 49.)

A detailed list of General Fund FTE reductions, as well as additions, is included in Attachment A to Volume 1 of the Proposed Budget, beginning on page 246.

Other significant increases and decreases in PE are shown in the preceding table and/or highlighted in the following paragraphs. Additional details are discussed in the Department Review sections of this report.

Salaries and Wages

General Fund salaries and wages are increasing by a net \$52.4 million from the FY 2019 Adopted Budget. Included in this increase is the previously mentioned \$36.7 million related to labor agreements, merit increases, and promotions:

- \$22.0 million related to POA-member

General Fund Overview: Expenditures

salary increases

- \$14.6 million related to salary increases for non-POA employee organizations

Other salaries and wages increases include:

- \$8.7 million in salaries resulting from the addition of the 106.74 FTEs listed on the second page of this section
- \$7.5 million net Police overtime increase (see the Police section under Department Reviews)
- \$3.0 million Police special pay increase for Officers with 20 or more years of sworn service (negotiated 5% add-on pay)
- \$2.9 million in other special pay increases due to negotiated special pay increases, as well as the effects of negotiated general salary increases
- \$1.5 million, including a \$1.0 million placeholder for the ongoing negotiations with the Deputy City Attorneys Association and \$525,000 for additional special salary adjustments approved in April 2019 for specific job classifications

These salaries and wages increases are partially offset by:

- \$3.2 million net vacancy savings increase (which decreases salaries)—adjusted to reflect recent trends
- \$2.4 million in salaries for the 44.35 FTEs that were part of the departments' budget reduction proposals
- \$1.5 million net decrease in Fire-

Rescue overtime (see the Fire-Rescue section under Department Reviews)

Fringe Benefits

The City's budgeting system provides a relatively precise allocation of the ADC, and other fringe benefits, among employees and their respective departments. For example, the ADC budget distribution is based on actual filled positions and is calculated based on percentages of salaries, from information contained in the pension system's actuarial valuation.

Fringe Benefits are increasing by \$28.1 million in the FY 2020 Proposed Budget. The largest increases include:

- \$26.1 million for the ADC, as mentioned previously
- \$6.9 million for Workers' Compensation (WC)—about \$2.6 million related to an increase in budgeted operational expenditures, \$3.1 million related to the decreased use of excess WC Reserve balance, and the remainder due to re-allocation of costs between the General Fund and non-general funds
- \$2.2 million for Supplemental Pension Savings Plan (SPSP) increases—related to increasing base salaries and the assumption that vacant and new positions will be filled by employees in the interim defined contribution retirement plan (for employees hired after implementation of Proposition B)
- \$2.1 million—\$1.2 million for Risk Management Administration costs and \$963,000 for Medicare costs

These increases are partially offset with \$10.1 million in flexible benefits decreases,

General Fund Overview: Expenditures

which is largely related to POA compensation increases that are shifting from flexible benefits to increased salaries in accordance with the negotiated labor agreement.

Non-Personnel Expenditures (NPE)

NPE changes are highlighted on the table on the first page of this section. For additional discussion, see the Department Review sections of this report, as well as Volume 1 of the FY 2020 Proposed Budget.

General Fund Overview: Revenue

Revenue Overview

The FY 2020 Proposed Budget for the General Fund includes approximately \$1.54 billion in revenues, an increase of \$107.6 million or 7.5% above the FY 2019 Adopted Budget. The four major General Fund revenues—property tax, sales tax, transient occupancy tax (TOT), and franchise fees—total \$1.12 billion, or 72.3% of all General Fund revenues. In FY 2020, major General Fund revenues are proposed to increase by \$67.7 million or 6.4% over the FY 2019 Adopted Budget.

This section provides a brief overview of the economic outlook included in the Proposed Budget and a discussion of each of the City’s four major General Fund revenues. Cannabis Business Tax, which was previously discussed in this section, is now included in our review of the City Treasurer later in this report.

Economic Outlook

The FY 2020 Proposed Budget continues trends in the FY 2019 Adopted Budget by including major General Fund revenue projections that assume a positive but slowing economic forecast. That forecast encompasses a number of factors, includ-

ing: an increase in home prices offset by fewer home sales, continued low unemployment rates, high but volatile consumer confidence, and lower forecasted tourism activity as forecasted by the San Diego Tourism Authority. Risks to San Diego’s economy could include uncertainty associated with further increases in interest rates, the potential impacts of federal economic and trade policies, increased volatility in financial markets, and the sustainability of the current period of economic expansion. Major economic forecasts for the region have not reached a consensus on when the next recession may develop, with some predicting one as early as within FY 2020 and some not predicting one for the next 18–24 months, if not longer.

Overall General Fund revenue in the FY 2020 Proposed Budget is higher than the projections included in the FY 2020–2024 Five-Year Financial Outlook, including other General Fund revenues derived from the various City departments. A more detailed discussion of each of the City’s four major General Fund revenues is included on the following pages.

SUMMARY OF GENERAL FUND REVENUES (\$ in millions)					
	FY 2019 ADOPTED	FY 2019 MID-YEAR PROJECTED YEAR-END	FY 2020 PROPOSED	CHANGE, ADOPTED/ PROPOSED	CHANGE, PROJECTED/ PROPOSED
Major General Fund Revenues	\$1,049.3	\$1,079.8	\$1,117.0	\$67.7	\$37.2
Property Tax	560.0	566.7	600.7	40.7	34.0
Sales Tax	282.1	301.9	297.7	15.6	(4.2)
Transient Occupancy Tax	128.4	130.3	136.9	8.5	6.6
Franchise Fees	78.8 ¹	80.9 ¹	81.7	2.9	0.8
Property Transfer Tax	11.0	10.2	11.0	-	0.8
Other General Fund Revenue	376.2	387.7	416.1	39.9	28.4
Total Revenue	\$1,436.5	\$1,477.7	\$1,544.1	\$107.6	\$66.4

¹ These numbers do not match the Mid-Year Monitoring Report due to the inclusion of departmental franchise fees.

General Fund Overview: Revenue

The graph below contains the Major Revenues as projected in the Adopted Budget for fiscal years 2016-2019, as well as the FY 2020 Proposed Budget. This graphic illustrates how even with the softening economic growth factors, revenues in FY 2020 are rising faster than they have in previous years.

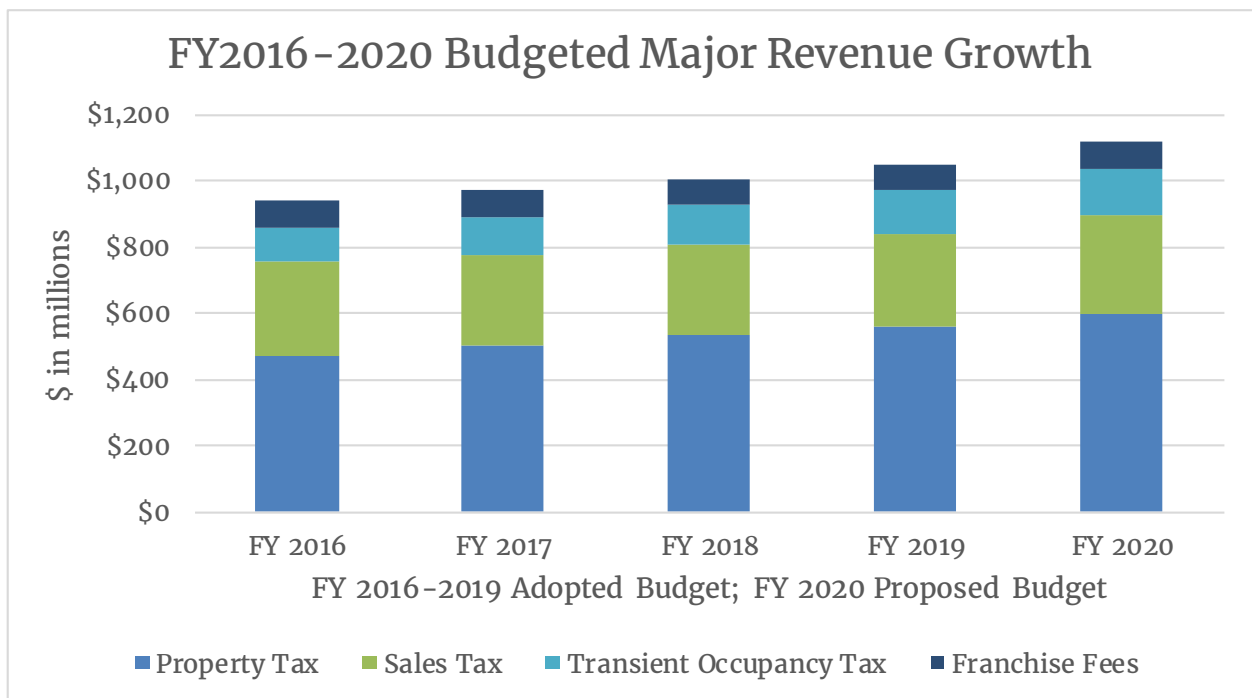
Property Tax

The FY 2020 Proposed Budget for property tax is \$600.7 million. This represents an increase of \$40.6 million or approximately 7.3% from the FY 2019 Adopted Budget. The FY 2019 projection for property tax, as of mid-year, was \$566.7 million, which is slightly over budget.

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

While property tax values continue to increase, the growth in home sales as well as the number of foreclosures are slowing. With Proposition 13 (passed in 1979), the assessed value of a home cannot increase more than 2% per year unless the home is sold or improved. The FY 2020 Proposed Budget assumes a 5.25% growth in the 1% property tax and in-lieu of motor vehicle license fees payment, which make up 95%, or \$570.3 million, of the total property tax revenue. This is the same growth rate projected in the Fiscal Year 2020-2024 Five-Year Financial Outlook. Our Office believes the revised projections to be appropriate for FY 2020.

The remaining component of the property tax budget are residual distributions from the RPTTF which total \$30.4 million. This projection is higher than the amounts projected in the Fiscal Year 2020-2024 Five-Year Financial Outlook due to slightly higher passthrough payments for the City as well as higher projected proceeds from property sales, which are projected at \$1.3 million.



General Fund Overview: Revenue

However, the RPTTF projections should change with the May Revision. First, the projected proceeds from property sales includes at least one property which will no longer be moving forward, reducing the one-time projected revenue by \$885,000. This, however, could be offset by various rejections from the Recognized Obligation Payment Schedule (ROPS) that were recently determined by the State. Of the three rejected items, the City plans on appealing two of them. The one rejection that the City will not be appealing will result in additional revenue of \$771,000 for FY 2019, which pending other unknown expenditure changes could be additional excess equity in FY 2020 for the May Revision.

Of those items that the City is appealing, one involves a large capital project with a total outstanding obligation of \$20.7 million. If the City were to lose its appeal, this would result in an estimated \$3.7 million in RPTTF revenue for the City.

Property Transfer Tax

The FY 2020 Proposed Budget for property transfer tax is \$11.0 million, which is 0.1% growth over the current Adopted Budget, but reflects 1.5% growth over the most recent FY 2019 projection. This tax is received when property is sold and is based on the sale price. The Fiscal Year 2020–2024 Five-Year Financial Outlook projected \$11.5 million in property transfer tax for FY 2020. However, the Mid-Year projection lowered the FY 2019 amount from \$11.0 million to \$10.2 million. Recent payments have increased this projection to \$10.8 million, which is what the FY 2020 allocation is based upon. Our office believes the revised projections to be appropriate for FY 2019.

Sales Tax

The FY 2020 Proposed Budget for sales tax revenue is approximately \$297.7 million. This is a \$15.6 million or 5.5% increase from the FY 2019 Adopted Budget but a reduction from the projection in the FY 2019 Mid-Year Budget Monitoring Report. FY 2019 sales tax revenues have been significantly over budget due to receiving FY 2018 receipts in the current year as a result of the changes made by the California Department of Tax and Fee Administration. In developing the FY 2020 Proposed Budget for sales tax, the Department of Finance took into account FY 2019 revenues which should have been received in FY 2018 and projected growth based on the adjusted amount.

Sales tax revenue is highly sensitive to economic conditions, including job growth, consumer spending, and business investment. The overall economy in the San Diego region has continued to grow, and taxable sales have largely tracked that overall economic growth. While consumer confidence has recently reflected some volatility, unemployment remains low. Online retail sales continue to increase as a share of taxable sales, and sales taxes on these purchases are paid into a county pool which is then allocated to cities on a pro-rata basis based on their overall county-wide proportion of brick-and-mortar retail sales. While the City does not receive the entire share of sales taxes for online purchases that are delivered to City residents, resulting ‘lost’ sales tax receipts are somewhat offset by receipt of a portion of sales tax revenue for online purchases that are delivered to non-City residents in the County.

General Fund Overview: Revenue

The Proposed Budget assumes an overall 3.75% growth rate over the FY 2019 adjusted revenues. Of this, 1.75% represents projected year-over-year growth in the base sales tax receipts and 2.0% is a projected increase in taxes from online sales as a result of the South Dakota v. Wayfair decision. This U.S. Supreme Court decision allows for the collection of taxes on out-of-state online sales and accounts for \$6.0 million of the additional revenue budgeted for FY 2020. The base growth of 1.75% is a significant slow down from the 3% growth rate assumed in the FY 2019 Adopted Budget. These growth rates closely track with projections prepared by the City's sales tax consultant Avenu (MuniServices). Our office believes that these growth rates are appropriate, though as always it will be important to monitor actual sales tax performance throughout the fiscal year and to make adjustments to projections as merited by actual receipts.

Transient Occupancy Tax

The FY 2020 Proposed Budget for transient occupancy tax (TOT) revenue to the General Fund is \$136.9 million. This reflects 5.5 cents of the total 10.5 cents per dollar levied on taxable rent for stays of less than a month. The total TOT budget for FY 2020 is \$260.4 million, with the balance budgeted in Special Promotional Programs.

The FY 2020 Proposed Budget reflects an increase of approximately \$8.6 million, or 6.7%, over the FY 2019 Adopted Budget. The FY 2020 projection is based on a 3.0% growth rate, which is down from the 5.3% growth assumed in the FY 2019 Adopted Budget and the 9+% growth seen in the prior two years. The FY 2020 growth rate is lower than prior years due to a continu-

ing slow down in actual receipts and updated information from the San Diego Tourism Authority which reflects a significant slowdown in the growth of overnight visitors to hotels/motels. Based on the information recently provided by the local tourism industry, our office believes this projection to be appropriate for FY 2020. In addition, \$2.4 million of increased revenue is anticipated from notifying Short Term Residential Occupancy Units of the requirement to pay TOT.

Franchise Fees

The FY 2020 Proposed Budget projects General Fund franchise fees to total \$81.7 million. This is an increase of \$2.9 million or 3.7% over the FY 2019 Adopted Budget of \$78.8 million, but only a 1.0% increase from the Mid-Year projection of \$80.9 million.

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

SDG&E

The largest source of General Fund franchise fee revenue is the surcharge on SDG&E, which accounts for \$51.1 million or 62.5% of General Fund franchise fees included in the FY 2020 Proposed Budget. This amount is based on a 3.2% calendar-year annual growth rate in SDG&E franchise fees. The amount in the Proposed Budget is \$3.4 million or 7.1% above amounts included in the FY 2019 Adopted

General Fund Overview: Revenue

Budget, and \$1.1 million, or 2.2% over the FY 2019 Mid-Year Projection.

While FY 2019 SDG&E franchise fee revenues have experienced significant growth, SDG&E revenues have historically been difficult to accurately forecast, due to substantial volatility in the energy market, and because SDG&E, as a publicly traded company, does not share its financial forecasts for electricity and natural gas rates or sale volumes with the City. Franchise fee revenue from SDG&E has varied significantly from year-to-year, with a 6.9% annual decline in receipts in FY 2017 followed by projected growth of 7.1% in FY 2018. The 3.2% calendar year growth rate used to forecast the FY 2020 Proposed Budget's SDG&E revenues is appropriately conservative.

Cable

The second largest portion of franchise fee revenue is from cable television franchise fees, which total \$14.7 million or 18.0% of General Fund franchise fees in the Proposed Budget. This amount assumes a 2.2% decline in cable franchise fee revenue from current FY 2019 projections.

Cable television franchise fee revenue showed year-over-year declines from FY 2011 through FY 2014. While there was growth in these revenues in FY 2015, declines continued in FY 2016-2019. The proposed decline in the Proposed Budget tracks the average of these declines; this revenue source should be monitored throughout the year to track any further changes in receipts.

Refuse Hauling

The third largest portion of franchise fee revenue is derived from refuse hauler and landfill disposal fees. The Proposed Budget includes \$13.5 million, or 16.5% of General Fund franchise fees, from this source. This

is an increase of \$150,000 over the FY 2019 Adopted Budget.

These revenues are based on total refuse tonnage hauled and disposed. Tonnage is directly tied to activity in the residential and commercial construction market and general economic activities, as residents renovate homes and buildings, purchase new consumer goods, and/or replace older items that are discarded.

The variance between FY 2019 and FY 2020 is due to two major changes. First, there is a projected \$800,000 increase in the general refuse collection fee for a \$1/ton increase per the Franchise Hauler Agreement. This is offset by a decrease of \$650,000 since FY 2019 is the last year of collection of a franchise fee for the Sycamore Landfill.

Reserves: General Fund Reserve

General Fund Reserve

The City Reserve Policy’s overall General Fund (GF) Reserve goal is 16.7% of operating revenues, which is to be phased-in through FY 2025. The City’s Reserve requirement is based on the past three fiscal years’ audited GF operating revenues. It is the product of the three-year revenue average and the City Reserve Policy’s target percentage for the applicable year.

The FY 2019 target percentage is 15.25% of operating revenues, which equates to a \$192.8 million Reserve requirement. In accordance with the Reserve Policy’s phase-in plan, the FY 2020 Reserve target increases to 15.5%, and is estimated to be \$204.7 million.

The combination of the \$192.8 million FY 2019 Reserve and \$11.9 million in FY 2020 budgeted Reserve contribution is anticipated to bring the Reserve to its projected FY 2020 target balance of \$204.7 million.

Estimated Excess Equity

As reflected in the table in the top right of the page, projected FY 2019 Excess Equity as of the Mid-Year Report is \$30.7 million. This projection is derived by first reducing the FY 2019 beginning Reserve balance of \$227.5 million by the \$4.0 million use of Excess Equity to support FY 2019 expenditures in excess of revenue.

FY 2019 Year-End Excess Equity Estimate (\$ in millions)	
FY 2019 Beginning Reserve Balance	\$227.5
FY 2019 Projected Use of Excess Equity ¹	(\$4.0)
FY 2019 Year-End Reserve Estimate	\$223.5
FY 2019 15.25% Reserve Requirement	(\$192.8)
FY 2019 Year-End Excess Equity Estimate	\$30.7

¹ Based on the Mid-Year Report.

The resulting year-end Reserve estimate is \$223.5 million. Then comparing this estimated year-end Reserve to the \$192.8 million Reserve requirement yields projected Excess Equity of \$30.7 million for FY 2019—again based on the projections from the Mid-Year Report.

The FY 2020 Proposed Budget utilizes all of the \$30.7 million FY 2019 estimated Excess Equity, as shown in the table below in the right-most column. This table includes multiple years of Excess Equity projected at the third quarter, actual Excess Equity at year-end, Excess Equity amounts used in the following year’s *Proposed Budget*, and the amount remaining after the Proposed Budget use. In comparing the years, we can see that FY 2019 is the first of several recent years where all projected ending Excess Equity is utilized.

Excess Equity Projections, Actuals, and Use in the Following Year's Proposed Budgets				
	FY 2016	FY 2017	FY 2018	FY 2019
Projected at the Third Quarter	\$7.5 ¹	\$26.4	\$22.7	n/a
Actual Excess Equity at Year-End Before Use of Excess Equity in the Following Year's Proposed Budget (FY 2019 Excess Equity is as of the Mid-Year Report)	\$28.0	\$43.2	\$33.5	\$30.7
Excess Equity Used in the Following Year's Proposed Budget	\$0.0	(\$8.3)	(\$12.3)	(\$30.7)
Excess Equity Remaining After Following Year's Proposed Budget	\$28.0	\$34.9	\$21.2	\$0.0

¹ Before FY 2016 additional appropriations, Excess Equity was projected to be \$30.3 million. Council appropriated \$22.8 million of this in FY 2016, leaving \$7.5 million of Excess Equity projected for year-end as of the third quarter.

Public Liability Funds

The Public Liability (PL) Funds support costs to the City related to claims against the General Fund. The PL Funds are therefore supported entirely by General Fund contributions, specifically from the Citywide Program Expenditures budget.

PL Funds will be discussed in the PL Operating Fund and PL Reserve Fund sections below.

Public Liability Operating Fund

The FY 2020 Proposed Budget includes \$25.4 million to support FY 2020 PL operating expenses—down \$2.6 million from the \$28.0 million in the FY 2019 Adopted Budget. This decrease is due to the use of excess PL Reserves to cover a portion of the operating expenses.

For FY 2019, estimated claims payouts, expenses, and insurance for the PL Operating Fund are \$46.9 million. These PL costs are offset with the \$28.0 million budgeted to be transferred from the General Fund in FY 2019, as well as the following sources:

- \$18.3 million in beginning cash balance
- \$570,000 in reimbursements

It is important to note that the PL Operating fund can be very volatile and needs to be continually monitored throughout the year.

Public Liability Reserve Fund

The PL Reserve goal is specified in the City Reserve Policy (Council Policy 100-20). The goal is to maintain a balance equal to 50% of the PL actuarial liability—which is based on the most recent three-year aver-

age of actuarial liabilities (FY 2016 through FY 2018).

The FY 2020 50% Reserve target amount is currently estimated to be \$32.1 million, which is equal to the projected FY 2020 year-end Reserve balance. As previously discussed, the FY 2020 Proposed Budget anticipates transferring \$2.6 million of excess PL Reserves to support operating costs, which will reduce the Reserve to its \$32.1 million target amount in FY 2020.

Workers' Compensation Fund

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

Citywide Budget

The \$31.3 million budgeted in the FY 2020 Proposed Budget for citywide fringe payments to the WC Fund has increased by \$6.7 million (from \$24.6 million in the FY 2019 Adopted Budget).

About \$3.1 million of this increase relates to operational expenditures, and is largely due to increases in medical costs/claims' severity. The remaining \$3.6 million relates to reduced budgeted use of excess WC Reserve balance to partially cover operational costs—from \$5.0 million budgeted use of Reserve in FY 2019 to \$1.4 million in FY 2020. Total WC operational costs citywide are estimated to be \$32.7 million in FY 2020.

General Fund Budget

The General Fund portion of the WC fringe expenditures budget is increasing by \$6.9 million, from \$19.7 million to \$26.6 million. This General Fund portion is 85% of the citywide WC fringe budget for FY 2020—up from 80% in FY 2019.

WC Reserve

The WC Reserve goal is specified in the City Reserve Policy (Council Policy 100-

20). The goal is to maintain a balance equal to 12% of the WC actuarial liability—which is based on the most recent three-year average of actuarial liabilities (FY 2016 through FY 2018). This 12% Reserve policy goal equates to \$31.3 million for FY 2019 and is estimated to be \$31.8 million for FY 2020.

The 12% funding goal was approved by the City Council on February 13, 2017, when it replaced the prior funding goal of 25%. This City Reserve Policy amendment produced excess WC Reserve, which has provided budget relief through FY 2020.

This budget relief began in FY 2018, with \$12.0 million of excess Reserve transferred back to contributing funds, of which \$10.1 million was transferred to the General Fund to offset contributions to the Public Liability and General Fund Reserves. Additionally, the FY 2018 budget included utilization of \$4.6 million in excess WC Reserve to partially cover WC operational costs. As stated previously, \$5.0 million was utilized in FY 2019; and the remaining \$1.4 million of estimated excess Reserve is included in the FY 2020 Proposed Budget.

Long-Term Disability Fund

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

FY 2020 citywide LTD operational costs are estimated to be \$2.7 million. As in FY 2019, the FY 2020 Proposed Budget does not include funding for LTD fringe benefits payments to cover these costs, as excess LTD Reserve will be utilized to cover them.

LTD Reserve

Per the City Reserve Policy (Council Policy 100-20), the LTD Reserve goal is to maintain a balance equal to 100% of the LTD actuarial liability—which is based on the most recent three-year average of actuarial liabilities (FY 2016 through FY 2018). Currently, this 100% Reserve policy goal equates to \$3.9 million.

Compared to the FY 2019 projected LTD Reserve balance of \$13.2 million, the \$3.9 million Reserve target level is projected to be exceeded by \$9.3 million. Subsequently utilizing \$2.7 million of this excess for estimated LTD costs in FY 2020 would bring the excess Reserve to an estimated \$6.6 million.

The FY 2020 Proposed Budget is transferring back most of this excess Reserve to the contributing funds, including \$4.8 million in one-time resources for the General Fund.

We have noted in prior reports that the City is currently negotiating with its recognized employee organizations regarding an interim death and disability benefit for employees who were hired on or after July 20, 2012, and, per the parameters of Proposition B (passed by the voters in June 2012), are not eligible for the defined benefit pension. Excess LTD Reserve amounts had previously been anticipated as a funding source for the new interim death and disability benefit; but these funds are no longer anticipated to be required.

Other Future Considerations

For future budget cycles, we recommend consideration be given to adjusting the allocation of LTD fringe benefits costs among departments. We suggest allocating LTD fringe costs among departments based upon historical LTD costs associated with each department, or an alternate allocation method, rather than the current method of assigning a single rate to all City employees.

Aligning fringe costs paid by each department with the proportion of LTD costs incurred by each department would allow for more precise cost matching of LTD fringe expenditures.

Pension Payment Stabilization Reserve

The purpose of the Pension Payment Stabilization Reserve (PPSR) is to have a source of funds available “to mitigate service delivery risk due to increases in the annual pension payment, the Actuarially Determined Contribution (ADC).” The PPSR was incorporated into the City’s Reserve Policy (Council Policy 100-20) in April 2016.

For historical context, in FY 2016 the \$16.0 million General Fund portion of the PPSR was funded, and was subsequently fully employed in the FY 2018 Adopted Budget as a resource to mitigate the ADC increase. The FY 2018 General Fund portion of the ADC had increased by \$45.2 million, two-thirds of which was primarily related to mortality assumption changes.

Within a year of (full or partial) depletion of the PPSR, the Mayor is required, per the City Reserve Policy, to prepare a plan for its replenishment. The plan to replenish the PPSR over a five-year period was presented in the 2019-2023 Five-Year Outlook.

The objective of this plan is to increase the percentage of required funding on hand in the PPSR by 20% in each of the five replenishment years (i.e. 20%, 40%, 60%, 80%, 100% funded). The FY 2019 Budget amount for the PPSR was \$3.6 million; and the FY 2020 Proposed Budget amount is \$4.3 million—for a total of \$7.9 million. With FY 2020 being the second year of the replenishment plan, the aim is that the PPSR hold 40% of the funding that is esti-

mated to be required at the fifth year.

FY 2020 Budget Considerations

In FY 2020, the General Fund portion of the ADC has increased by \$26.1 million. Since the reason for having PPSR funds available is to mitigate service delivery risk caused by ADC increases, the City could consider utilizing amounts that are currently held in the PPSR to fund a portion of the \$26.1 million increase. This would free-up \$3.6 million in General Funds that were contributed to the PPSR in FY 2019. Alternatively, the City could consider not funding the replenishment amounts included in the FY 2020 Proposed Budget.

For the General Fund, the total one-time resource that would be generated from utilizing the existing PPSR and not funding it in FY 2020 would be approximately \$7.9 million (\$3.6 million from FY 2019 and \$4.3 million from FY 2020, as previously mentioned).

Key Citywide Issues: Homelessness

Homelessness Programs

The City of San Diego supports homelessness by providing funding within the annual budget, allocations through the Community Development Block Grant (CDBG), and through programs administered by the San Diego Housing Commission.

This section highlights the changes included in the FY 2020 Proposed Budget for Homelessness Programs. Because funding in the City's annual budget only reflects a portion of the City's broader strategy, we

have included additional related funding information at the end of this section that could be helpful to Council in its consideration of the budget for homelessness.

The Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget provides \$13.8 million, of which \$9.6 million is in General Funds, for various homelessness programs. This is a \$2.8 million, or 25.6%,

FY 2019 and FY 2020 Proposed Budget for Homelessness Programs

Program	FY 2019 Adopted Budget	FY 2019 Mid-Year Appropriation	FY 2019 Total Budget	FY 2020 Proposed	Change
<i>General Fund</i>					
Positions for Homelessness Program Coordination ¹	\$ 297,000	-	\$ 297,000	\$ 586,464	\$ 289,464
Bridge Shelters	2,762,000	300,000	3,062,000	3,066,385	4,385
Homeless Shelters and Services Programs ²	2,287,106	-	2,287,106	2,218,493	(68,613)
Safe Parking Program ³	410,667	-	410,667	-	(410,667)
Housing Navigation Center	300,000	-	300,000	300,000	-
SMART Program ⁴	40,000	-	40,000	-	(40,000)
Consultant for Select Committee on Homelessness ⁵	38,000	-	38,000	-	(38,000)
Police Department Homeless Outreach Team	1,924,902	-	1,924,902	3,012,199	1,087,297
Police Department Community Impact Strategies related to Storage and Navigation Centers and Quality of Life Issues ⁶	-	-	-	447,000	447,000
General Fund Subtotal	8,059,675	300,000	8,359,675	9,630,541	1,270,866
<i>Low to Moderate Income Housing Asset Fund</i>					
Housing Navigation Center	250,000	-	250,000	250,000	-
Low to Moderate Income Housing Asset Fund Subtotal	250,000	-	250,000	250,000	-
<i>Seized Asset Funds</i>					
Police Department Community Impact Strategies related to Storage and Navigation Centers and Quality of Life Issues	-	2,350,000	2,350,000	3,880,000	1,530,000
Seized Asset Funds Subtotal	-	2,350,000	2,350,000	3,880,000	1,530,000
Total	\$ 8,309,675	\$ 2,650,000	\$ 10,959,675	\$ 13,760,541	\$ 2,800,866

¹ Positions are supplemented with HEAP funding (\$160,929)

² Programs that receive City General Fund but are operated by the San Diego Housing Commission include: the City's Year-Round Interim Housing Program; Interim Bed Program at Connections Housing Downtown; the transitional storage center located at 252 16th Street; and the Serial Inebriate Program

³ FY 2020 shows a decrease in General Funds since HEAP funds will provide temporary funding for this program.

⁴ FY 2019 provided one-time funding for San Diego Misdemeanants At Risk Track to supplement the Proposition 47 state grant to outfit the motel for the program.

⁵ Committee ended.

⁶ Costs for improved cleanliness associated with the community impact strategies are funded within CleanSD and are not being tracked separately at this time, and therefore are not included in the table. We note that \$3.5 million in one-time General Funds is proposed for Police to work with ESD employees as they perform CleanSD functions, including during abatement of unattended property for security.

⁷ Table does not include all homelessness-related staff, such as Economic Development Department, Parks and Recreation Department, and the Office of the City Attorney.

Key Citywide Issues: Homelessness

increase over the FY 2019 budget, including the appropriations made in the FY 2019 Mid-Year Budget Monitoring Report, as reflected in the table on the previous page. We note that although there is an increase in funding, this largely reflects the annualization of Mid-Year appropriations and the inclusion of other salary adjustments. Homelessness services as reflected in the table continue the service levels expanded during FY 2019, except for the additional positions provided to enhance program coordination. We note that, not reflected in the table, is the Clean SD program which is being expanded in FY 2020 and also relates to homelessness. These issues are discussed further in this section.

Increase in Police Department for Neighborhood Policing

Community Impact Strategies and Quality of Life Issues

The Proposed Budget includes \$4.3 million (\$3.8 million in *one-time* Seized Asset Funds and \$447,000 in *one-time* General Funds) in overtime expenditures for the Police Department's Neighborhood Policing Division to address community impact strategies and quality of life issues associated with homelessness.

Upon approval of the Storage Connect Center (March 20, 2018) and the Housing Navigation Center (November 13, 2018), memoranda were issued to Councilmembers detailing the Mayor's commitment of providing improved security and cleanliness to the communities around both facilities. The commitment is referred to as a community impact strategy.

The Neighborhood Policing Division within the Police Department provides outreach to homeless individuals as well as enforcement of crimes largely driven by community complaints. This division car-

ries out activities related to the community impact strategies including outreach, increased police presence, and enforcement.

Costs related to these activities were not included in the FY 2019 Adopted Budget, but an appropriation was made in the FY 2019 Mid-Year Budget Monitoring Report due to projected overbudget overtime expenditures for Police activities. The \$4.3 million in the Proposed Budget continues the \$2.1 million provided in FY 2019 to provide outreach and enforcement around the storage facility and annualizes the projection for the anticipated costs related to the community near the Housing Navigation Center (plus other salary adjustments). The Mid-Year Report's projections were based on the assumption that the Housing Navigation Center would be open in spring 2019. The center is now expected to open in summer 2019.

Our office raises concerns with the continued use of one-time resources for activities to address community impact strategies and quality of life issues in FY 2020. These activities were considered necessary for the approval of the Storage Connect Center and the Housing Navigation Center, which are ongoing programs. **Council may wish to get clarity on whether these activities are expected to continue in future years.**

The Environmental Services Department (ESD) provides enhanced cleanliness for the respective communities through the existing CleanSD program. The community impact strategies call for waste abatement, priority for cleanup in the community, litter removal, and sanitization. The areas surrounding the Storage Connect Center and the Housing Navigation Center are hotspots which the department proactively serves through the program. These costs are currently not being tracked separately,

Key Citywide Issues: Homelessness

so they are not reflected in the table on the front page.

The FY 2020 Proposed Budget increases the ongoing CleanSD program for ESD with \$2.7 million on a one-time basis, largely to increase the frequency of litter removal as well as waste abatements, primarily related to homeless camps. As a result, communities around the storage center and the Housing Navigation Center will be served more frequently in FY 2020 as compared to FY 2019.

We note that additional one-time funding is also proposed for the Neighborhood Policing Division to work with ESD employees as they perform CleanSD functions, including accompanying ESD employees during abatement of unattended property for security.

More information on the role of the Neighborhood Policing Division is included in our review of the Police Department, and further discussion of the scope of the CleanSD program is provided in our review of the ESD budget.

Homeless Outreach Team

The Proposed Budget includes an increase of \$1.1 million in General Funds for the Homeless Outreach Team within the Police Department. This adjustment includes the transfer of 5.50 FTE positions within the Police Department to increase HOT services and general salary increases. At the FY 2019 Mid-Year Budget Monitoring Report, the team was expected to go over budget by \$620,000 because 4.00 FTE positions and two provisional employees had been added to HOT since the adoption of the FY 2019 budget. The FY 2020 Proposed Budget reflects the position transfer and continues the same level of service.

Additional Positions for Homelessness Program Coordination

The Proposed Budget also includes the addition of 3.00 FTE positions and \$286,000 in expenditures to support the coordination and management of the City's growing homelessness program, including the implementation of the State Homeless Emergency Aid Program (HEAP). The budget provides one ongoing Associate Management Analyst which was transferred from the Corporate Partnerships and Development Program. This position is currently filled and operational. One-quarter of its personnel expenditures will be funded by HEAP and the remaining costs are funded with General Funds.

The two other positions are limited term for the duration of the HEAP grant. HEAP funds are required to be spent by June 2021. HEAP will cover 75% of the positions' personnel expenditures and the remaining position costs are funded with the General Funds. The budget reflects \$161,000 in revenue for the HEAP contribution. Please refer to the last page of this section to see the Council-approved HEAP allocations.

Continued Funding for Bridge Shelters

The FY 2020 Proposed Budget includes \$304,000 additional General Fund expenditures for the Bridge Shelter Program as compared to the FY 2019 Adopted Budget, but this is the same level of funding after taking into account the FY 2019 Budget Monitoring Report appropriation of \$300,000 for laundry pump and utilities services at the *existing sites*. The \$304,000 provided in the Proposed Budget is attributed to additional services (e.g. laundry and storage) needed at the *new site* for the Father Joe's Village Single Women and Families Bridge Shelter. The City did not need to provide these services at the old

Key Citywide Issues: Homelessness

site. This shelter is expected to move from the interim Golden Hall site to the new site at the beginning of FY 2020.

3% Reduction to Homeless Shelters and Services Programs

The Proposed Budget also decreases the amount of General Fund it will transfer to the San Diego Housing Commission (SDHC) to carry out various homeless programs. The reduction will be applied to the storage center located at 252 16th Street. However, HEAP funds will backfill this reduction so there will be no fiscal impact to the program.

Issues for Consideration

Ongoing Funding Plan Needed for Bridge Shelters and Storage Connect Center

On November 14, 2017, Council approved the establishment of the three bridge shelters. At that time, it was in response to the hepatitis A outbreak and it was unknown how long they would be in place. On March 20, 2018, Council approved the establishment of the Storage Connect Center.

Both programs are funded by the SDHC, except for \$3.1 million in General Funds included in the FY 2020 Proposed Budget. This funding is for the bridge shelters' rented equipment and facilities.

The SDHC funded FY 2018 and part of FY 2019 costs for these programs by reallocating \$6.5 million that had previously been budgeted for permanent supportive housing projects. Funding for the remainder of FY 2019 came from the SDHC's property reserves. Property reserves are funded with revenue generated from properties the SDHC owns and is set aside for major capital improvement needs, replacements, enhancements, and repairs.

The SDHC's FY 2020 Proposed Budget, pending SDHC Board approval, includes a

total of \$5.2 million from the SDHC's property and contingency reserves and \$8.0 million from one-time federal Moving to Work funds to support the bridge shelters and the Storage Connect Center.

As a designated Moving to Work public housing authority, the SDHC has flexibility to use a portion of its federal housing assistance voucher funding more innovatively and efficiently to provide federal housing assistance to low-income families. For example, in 2018 the SDHC used some of its funds to create a rapid-rehousing program to provide housing subsidy to families at risk of homelessness. For FY 2020, \$8.0 million is planned to support the bridge shelters, which was identified as a planned use in the FY 2020 Moving to Work Annual Plan, approved by the SDHC Board on March 8, 2019. We note that this does not affect the amount available for vouchers. SDHC has a set number of vouchers, and funds those first before using its additional flexibility for other initiatives.

As a result, the impacts of the SDHC funding the bridge shelters and the Storage Connect Center are beginning to affect other programs besides the upkeep of the SDHC's properties.

City Backfill for SDHC Support of Bridge Shelters and Storage Center

The City has committed to backfilling the SDHC for FY 2018 and FY 2019 costs of both programs which are authorized through June 30, 2019. Before the execution of contracts for the extension of the Storage Connect Center that covers FY 2020, staff is required to report on efforts to open another facility in FY 2020. Staff is also requested to report back on opening other additional facilities. The staff report for this extension stated that the City will make every effort to replenish the FY 2020

Key Citywide Issues: Homelessness

costs. In the coming months, Council will be asked to extend the operating agreements for continuation of the bridge shelters, which will likely continue the intention that the City backfill these costs.

So far, the City has allocated \$15.5 million towards the backfill in Low-to-Moderate Income Housing Asset Fund (LMIHAF) and CDBG. An additional \$2.0 million in LMIHAF was budgeted in the FY 2019 Adopted Budget and another \$1 million is proposed in the FY 2020 budget. We note that we do not know of any planned projects for these additional LMIHAF funds.

These sources provide a total backfill amount of \$18.5 million either allocated or budgeted by the City. The total cumulative expenditures for both programs is \$31.6 million, from FY 2018 to FY 2020, thereby falling short by \$13.1 million.

We note that the FY 2020 CDBG allocations, approved by Council on April 23, 2019, include \$10.0 million to go to the SDHC for an Affordable Housing Revolving Loan Fund but at the time of this writing,

it is unclear whether it is intended to be included in the backfill since the use of the allocation will be pursuant to a pending MOU between the City and SDHC.

A stable funding plan has not been secured for the bridge shelters and the Storage Connect Center. Continued support of these programs with SDHC property reserves is unsustainable, as seen with the use of federal MTW funds proposed for FY 2020. The current practice of backfilling the SDHC on an annual basis with limited or one-time funding is not a viable long term strategy.

The following tables display additional homelessness funding for Council's and the public's reference.

FY 2019 and FY 2020 Funding for Key Homeless Programs

Fund Source	Bridge Shelters	Storage Connect Center	Housing Navigation Center
SDHC Local Funds (Property Reserves) ¹	\$ 3,532,303	\$ 1,683,174	\$ 58,908
SDHC Federal Moving to Work Funds	8,000,000	-	-
City General Funds	3,066,385	-	300,000
Low-to-Moderate Income Housing Asset Fund	-	-	250,000
Federal CDBG	-	-	1,000,000
Total FY 2020 Proposed Budget	\$ 14,598,688	\$ 1,683,174	\$ 1,608,908
FY 2019 Adopted Budget	12,880,610	1,689,410	1,550,000
Revised FY 2019 Budget ²	14,163,366	-	-
Change from FY 2019	\$ 435,322	\$ (6,236)	\$ 58,908

¹ SDHC funding pending SDHC Board approval. SDHC funding for the Housing Navigation Center is for administration.

² The revised budget for the Bridge Shelters includes \$983,000 related to the Council-approved contract extension that incorporated recommended staffing changes. This also includes a \$300,000 General Funds appropriation in the FY 2019 Mid-Year Budget Monitoring Report.

Key Citywide Issues: Homelessness

State Homeless Emergency Aid Program Funding Allocations Approved by Council December 4, 2018

Program	Funding
Outreach and Connections to Social Security Benefits	\$ 1,611,000
Storage ¹	1,150,000
Diversion ²	1,450,000
Prosecution and Law Enforcement Assisted Diversion Services Criminal Diversion Program ³	300,000
Safe Parking ⁴	1,360,000
Flexible Spending for Housing	2,000,000
Landlord Engagement	500,000
Rapid Rehousing	2,728,356
Bridge Shelter Relocation	1,600,000
Youth Programs	705,521
Adminstration	705,521
Total	\$ 14,110,398

¹ Temporary General Fund relief for site located at 252 16th Street for two years. Funding will also provide for one or two sites.

² Builds upon SDHC's family reunification program to focus on outside of downtown and additional funding for SDHC for diversion.

³ Partnership with County for pilot program.

⁴ Expand to new lots and fund continuation of existing lots for two years.

⁵ Note: Funds outlined above are required to be spent by June 30, 2021.

FY 2019 and FY 2020 CDBG Allocations Approved by Council April 23, 2019

Program	FY 2019	FY 2020	Change
Multifamily Rehabilitation Revolving Loan Fund	\$ -	\$ 10,000,000	\$ 10,000,000
Homeless Facility/PSH Acquisition/Rehabilitation ¹	10,000,000	-	(10,000,000)
Housing Navigation Center ²	1,000,000	-	(1,000,000)
Homeless Facility Acquisition and/or Operations ³	-	1,000,000	1,000,000
Homeless-related Nonprofit Projects	585,337	429,227	(156,110)
CDBG Homeless Set Aside Per Council Policy 700-02			
Day Center for Homeless Adults	541,250	541,250	-
Connections Housing Interim Bed Program	303,575	303,575	-
Interim Housing for Homeless Adults	267,351	267,351	-
Cortez Hill Family Center	205,902	205,902	-
Total	\$ 12,903,415	\$ 12,747,305	\$ (156,110)

¹ PSH is Permanent Supportive Housing

² Unspent carry forward funding to FY 20.

³ The use for this funding is to be determined.

Climate Action Plan

In December 2015, the City Council adopted the Climate Action Plan (CAP) for the City of San Diego. The CAP is an organized plan with defined strategies, goals, actions, and targets. With a primary goal of greenhouse gas (GHG) reduction, the CAP establishes GHG reduction goals of 15% by 2020, 40% by 2030, and 50% by 2035 from measured 2010 baseline amounts.

The CAP includes a requirement for an Annual Monitoring Report to provide an updated status on the City's progress toward achieving identified goals. The most recent assessment is presented in the Appendix to the 2018 CAP Annual Report. Among other things, this Appendix provides GHG measurements for calendar year 2017.

The Appendix indicates GHG emissions in the City in 2017 represent a 21.5% decrease from the City's 2010 baseline. The 2017 measurement was 10.2 MT CO₂e (metric tons of carbon dioxide equivalent), which is roughly the same as the 2016 revised measurement, and 0.8 MT CO₂e under the 2020 target.

San Diego's GHG Emission Measurements & Targets				
	2010	2017	2020	2035
Communitywide greenhouse gas emission (MT CO ₂ e)	13	10.2	11	6.5
*MT CO ₂ e - Million metric tons of carbon dioxide equivalent, a standard unit of measurement for greenhouse gas emissions.				
Baseline/2017 measurements from 2018 Annual Report Appendix				

The 2018 CAP Annual Report indicates the 21.5% reduction in GHG is largely due to higher vehicle efficiency standards, increases in renewable energy generation (SDG&E's higher renewable content and increases in distributed solar systems in the City), and a higher solid waste diversion rate. It should be noted that more than two-thirds of the identified GHG

emission targets in the CAP are to result from State and Federal actions (e.g., legislation mandating lower vehicle emission standards).

CAP Strategies & Goals

The CAP seeks to leverage existing City programs (street/sidewalk repair, energy efficient street lights, Free Tree Program) and also develop/implement new plans and programs (Pure Water Program, implementation of Advanced Metering Infrastructure). While GHG reduction is a primary goal, the CAP is a diversified plan that additionally aspires to create well-paying green/clean jobs, address social equity, and achieve environmental sustainability. The following five CAP strategies establish goals, actions and targets for the City to pursue:

Strategy 1: Energy & Water Efficient Buildings

Goals: Reduce residential building consumption, establish a residential energy conservation ordinance, and reduce water consumption.

Strategy 2: Clean & Renewable Energy

Goals: Achieve 100% renewable energy by 2035, convert City passenger fleet to zero emission, convert municipal packers/vehicles to low emission fuel (CNG).

Strategy 3: Bicycling, Walking, Transit & Land Use

Goals: Increase mass transit, commuter walking, and bicycling; and reduce miles traveled by vehicle.

Strategy 4: Zero Waste

Goals: Divert solid waste from the landfills and capture methane from Wastewater Treatment.

Key Citywide Issues: Climate Action Plan

Strategy 5: Climate Resiliency

Goal: Increase urban tree canopy coverage.

CAP in the FY 2020 Proposed Budget

The FY 2020 Proposed Budget attributes \$392.2 million of new expenses to CAP-related projects, programs and activities. These are new expenditures as opposed to pre-existing funding built into the base budget from prior fiscal years. This amount is up significantly from the FY 2019 Adopted Budget, which included \$152.9 million in new CAP-related expenditures. However, this increase is almost entirely due to spending on the Pure Water program.

These CAP-related expenditures often involve several departments, programs and functions within the City. In order to report on the annual budget for CAP-related expenses, staff must assign a percentage of the expenditure that is attributed to the CAP. Expenses are either characterized as “direct” if they directly address CAP goals (e.g., landfill gas capture) or “indirect” if they indirectly address CAP goals (e.g., Pure Water Program).

The following tables provide a breakdown of the \$392.2 million in the FY 2020 Proposed Budget. The first table provides a breakdown of direct and indirect expenditures. The second table shows the amounts attributable to department operating

FY 2020 Proposed Budget Direct or Indirect CAP Support	
Direct	\$17.2
Indirect	\$375.0
Total	\$392.2

FY 2020 Proposed Budget CAP Expense: Operating v CIP	
Project	Amount (millions)
Departments' Operating Budgets	\$9.3
Capital Improvement Projects	\$382.9
Total	\$392.2

budgets and the CIP.

Staff will post the supporting detail for the \$392.2 million figure in the FY 2020 Proposed Budget, including any changes, to the Sustainability page on the City’s website following adoption of the budget. In reviewing this detail, CAP-related expenditures are found in several departments as

FY 2020 Proposed Budget CAP Funding per Department	
Department	Amount (millions)
City Council (CPPS Funds)	\$0.2
Economic Development	\$0.1
Environmental Services	\$7.8
Public Utilities	\$368.8
Public Works	\$0.2
Sustainability	\$0.6
Transportation & Storm Water	\$14.4
Various Departments*	\$0.1
Total	\$392.2

*Includes Park and Recreation, Planning, and Real Estate Assets

shown in the table below:

The following table shows how identified CAP-related expenditures are assigned to

FY 2020 Proposed Budget CAP Funding Strategy		
Strategy	Amount (millions)	
	Direct	Indirect
Strategy 1 - Energy & Water Efficient Buildings	\$1.0	-
Strategy 2 - Clean/Renewable Energy	\$0.8	-
Strategy 3 - Transit & Land Use	\$5.3	\$9.1
Strategy 4 - Zero Waste	\$9.8	\$0.0 ¹
Strategy 5 - Climate Resiliency	\$0.0 ²	\$365.8
Overarching Implementation	\$0.3	\$0.1
Total	\$17.2	\$375.0

¹ Total amount is \$10,000

² Total amount is \$17,000

Key Citywide Issues: Climate Action Plan

the five CAP strategies, including direct and indirect costs:

The disproportional allocation in each of the above tables reflects the fact that \$356.8 million, or 91.0% of the \$392.2 million budgeted for CAP is for the Pure Water Program in the Public Utilities Department—a program that provides indirect support.

While these tables highlight the amount of funding that has been added to the budget for CAP related expenditures, what they do not show is the total change (additions net of reductions) in CAP related expenditures for the Proposed Budget. For example, the Transportation & Storm Water budget includes a proposed reduction of \$1.1 million for tree trimming services, which is directly attributable to CAP Strategy 5. If this reduction were taken into account, the change in direct funding for this strategy would be a reduction, not the addition of \$17,000 referenced in the prior table.

There are other potential reductions that could be taken into account as well, including storm channel maintenance and various CIP projects. It is difficult to determine the City's actual effort on implementing the CAP without a complete look at how expenditures related to the various CAP Strategies have changed from one year to the next.

Looking Forward

On March 8, 2018, our Office presented an initial draft of a five-year CAP Expenditure Outlook to the Environment Committee. In making the presentation, our Office cited a number of challenges in developing the initial CAP Expenditure Outlook and made recommendations to assist in developing more useful CAP expenditure planning tools going forward. One of the recommendations was to consider asking the CFO to incorporate anticipated CAP-related expenditures into an addendum to

the annual Five-Year Financial Outlook. Another recommendation was to better develop implementation timelines and associated cost estimates for the City's existing strategic plans (e.g., the Bicycle Master Plan or the Urban Forestry Plan). However, the most recent Five-Year Financial Outlook still did not include the addendum. The Outlook also did not identify any future known needs in the Critical Strategic Expenditures section or any other new General Fund expenditures in support of the CAP. However, at the presentation of the Five-Year Outlook Finance staff mentioned that they are committed to creating such an addendum, and in the coming year would be working towards that goal for future outlooks.

The City's 100% renewable energy goal is a critical component of the City's CAP, and in particular is one of the largest contributors to the lowering of carbon emissions over the CAP timeframe. In pursuit of this goal, the Sustainability Department staff began working to assess the feasibility of Community Choice Aggregation (CCA). CCA is a policy that has been pursued in other cities within California where the City would procure its own energy from the wholesale market, thus giving the City the ability to control the sources of energy as well as potentially bring down the costs of that energy.

On February 25, 2019, the Mayor brought to Council a resolution relating to implementation of a CCA program, including the acceptance and adoption of the CCA Business Plan, adopting the Joint Powers Authority (JPA) as the City's preferred approach to be further pursued, and authorizing the Mayor or his designee to commence discussions and negotiations with other local governments in joining the City's JPA. The Proposed Budget contains \$200,000 in the Sustainability Department

Key Citywide Issues: Climate Action Plan

to provide consulting and technical support in relation to this resolution, which was adopted by the City Council.

The Proposed Budget also contains \$100,000 to support reporting, monitoring and expansion of metrics for the CAP. These funds will also be used to begin the process of updating the CAP as well, including the possible addition of new strategies and action items.

A copy of the City's CAP and the 2018 CAP Annual Report can be found on the Sustainability page of the City's webpage using the following link:

<https://www.sandiego.gov/sustainability>

Capital Improvements Program

This section provides an overview and analysis of funding included for the Capital Improvements Program (CIP) in the FY 2020 Proposed Budget.

FY 2020 Proposed CIP Budget

The City's CIP is a compilation of over 1,300 capital improvement projects and their funding sources. Capital improvement projects are construction projects that provide long-term improvements or additions of a fixed or permanent nature, such as a new or expanded library.

Some of the City's 1,300 projects are grouped together into annual allocations which provide ongoing repair and replacements to certain asset types, such as streets. Together there are 334 stand-alone projects and annual allocations published in the FY 2020 Proposed Budget. Because projects are implemented over multiple years, the annual CIP budget adds funding to projects in need so that they can continue to move forward.

Proposed CIP Budget is a 28% Increase Over FY 2019

The FY 2020 Proposed CIP Budget adds \$715.8 million to 72 projects. This is a \$156.9 million increase, or 28.1%, over the FY 2019 Adopted Budget and represents 16.7% of total proposed expenditures in

the FY 2020 Proposed Budget.

We note that although this is the largest Proposed CIP Budget that the City has seen, the final FY 2018 CIP Budget was \$924.7 million. This includes the Adopted Budget and subsequent appropriations made through CIP Budget Monitoring Reports and separate Council actions (including the addition of \$88.5 million in commercial paper, \$23.6 million in Tobacco Settlement Revenue Bond proceeds, and developer impact fees).

New for this Year

Four new projects are proposed to receive funding for the first time in FY 2020 and are listed in the table below.

The Kearny Mesa Repair Facility is related to the Othello site that was identified by staff to serve as a new maintenance and repair facility for fire apparatus.

Council may wish to ask staff for additional information on the plan related to this capital project.

Overview

92% of the Funding Added to the CIP is for Water and Sewer Projects

Of the proposed amount to be added to the

New Projects Proposed to Receive Funding in FY 2020

Project Number	Project Name	Funding
S20000	Kearny Mesa Trunk Sewer	\$ 500,000
S20001	Otay 2nd Pipeline Phase 4	500,000
P20000	Kearny Mesa Repair Facility ¹	1,000,000
S20002	University Heights Reservoir Rehabilitation	500,000

¹The Kearny Mesa Repair Facility is otherwise known as Othello.

Key Citywide Issues: Capital Improvements Program

CIP budget, \$655.1 million, or 92% is from Water and Sewer funds which must go to projects to support the water and wastewater systems. The pie chart below shows the proportion of the Proposed CIP Budget going to support each asset-managing department. The largest segment is for the Public Utilities Department (PUD) to support water and sewer projects, including pipeline rehabilitation, and sewer and water main replacements.

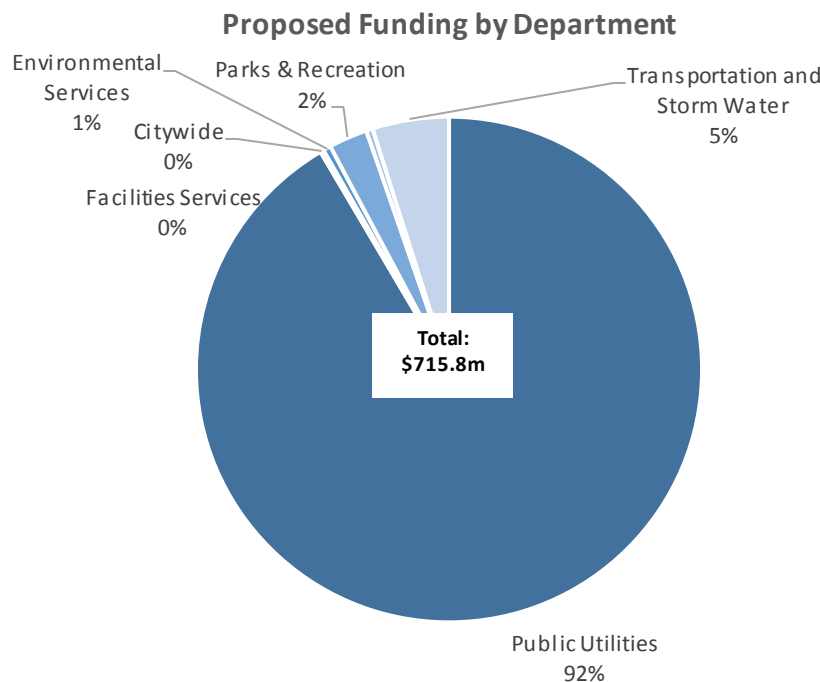
The Pure Water Project alone (including the pooled project contingency) makes up 54% of the funding added, totaling \$386.8 million. According to the FY 2020—2024 Five-Year Capital Infrastructure Planning Outlook (CIP Outlook), the Pure Water Project is expected to continue to drive the growth of the CIP through FY 2021 and start to taper off until completion of the first phase of the project in FY 2024.

We note that there are some major revenue sources are not included in the Proposed Budget. In recent years, the City has approved Development Impact Fee and

Facilities Benefit Assessments during the fiscal year and outside of the normal budget process through appropriations in Budget Monitoring Reports. For example, in the FY 2019 Mid-Year Budget Monitoring Report, \$15 million was appropriated to projects from these sources.

\$19 million Less Available for General Fund Department Capital Projects

There is always very limited flexible funding available for General Fund Department capital projects, for assets such as parks, streetlights, and improvements to public facilities like libraries. These departments do not generate their own revenue from fee-paying customers like Enterprise Departments. However, in FY 2020 there is even less flexible funding available than in FY 2019 due to fiscal actions that were used to balance the Proposed Budget. The table on the following page reflects key funding sources in FY 2019 and FY 2020 that can be used to meet General Fund Department capital needs, as well as Council priorities. As shown, \$19.3 million less is available in FY 2020.



Key Citywide Issues: Capital Improvements Program

One of the most flexible funding sources within the CIP is the Infrastructure Fund. Of the \$24.1 million in Infrastructure Funds, \$7.6 million is proposed for capital projects which makes up only 1% of the proposed capital budget.

In FY 2019, the Infrastructure Fund was used exclusively to fund General Fund department capital projects, whereas the Proposed Budget uses a large portion of the fund to support ongoing operating costs for the Transportation and Storm Water Department (TSW). Specifically, the Infrastructure Fund is taking on \$4.0 million of TSW's ongoing costs for materials on a one-time basis to achieve General Fund savings. It also funds a significant portion of the pavement program's maintenance costs for slurry sealing City streets. This relieves the traditional funding source used for slurry seal, Gas Tax, so that it can provide General Fund relief to the TSW operating budget. Staff considers this an ongoing adjustment. Together, this has the effect of reducing the amount of funding available for capital projects.

The Capital Outlay Fund is also a flexible funding source for capital projects. Revenues that come into this fund are derived from the sale of City-owned property. Instead of funding capital projects, the FY 2020 Proposed Budget provides a one-time allocation of \$2.5 million to pay debt

service on deferred capital bonds to relieve the General Fund of this payment.

TransNet and Gas Tax funds are more restrictive than the Infrastructure Fund and the Capital Outlay Fund. Gas Tax funds are used to restore streets, reduce congestion, improve safety, and provide for the construction of assets within the public-right-of-way. The Road Maintenance and Rehabilitation Fund, included within Gas Tax, can be used for streets repair, safety projects, active transportation, and traffic control devices. TransNet funds are used to reduce congestion. Funds can be used for such things as road improvements, bicycle facilities, bridges, pedestrian facilities, and traffic signals.

Council has the discretion to approve or modify all proposed funding in the CIP budget, but most of the funding is restricted for certain uses. After removing the most restrictive sources, the table below reflects the least restrictive funding sources available to meet Council priorities.

Though limited funding is available for General Fund capital needs, we note that the street repaving program is fully funded at \$79.9 million (\$46.9 million of which is capital) to repair 430 miles.

FY 2019 and FY 2020 Funding Available for General Fund Capital Projects

Fund	FY 2019 Adopted	FY 2020 Proposed	Change
Infrastructure Fund	\$ 17,091,000	\$ 7,601,000	\$ (9,490,000)
Capital Outlay Fund	2,300,000	-	(2,300,000)
TransNet Funds	19,787,000	20,589,000	802,000
Gas Tax Fund ²	12,511,000	4,156,000	(8,355,000)
Total	\$ 51,689,000	\$ 32,346,000	\$ (19,343,000)

¹ General Fund is excluded since recent allocations to the CIP support capitalizable IT projects.

² Includes the Road Maintenance and Rehabilitation Funds (SB 1)

Key Citywide Issues: Capital Improvements Program

Significant Flexible Funding Remains from Previous Appropriations

Though less funding in the FY 2020 Proposed Budget is available for General Fund capital projects, the City is continuing to spend down commercial paper. Commercial paper is a short-term financing mechanism that allows the City to borrow when funds are needed for projects instead of issuing the full amount of project costs upfront using long-term bonds.

In May and August of 2018, the City Council approved a total of \$88.5 million in commercial paper funding to be used for General Fund capital projects over a two year period (FY 2019 and FY 2020). As of the writing of this report, \$70.7 million in commercial paper funding remains in project budgets that is unencumbered and available to be spent.

The FY 2020 Proposed CIP Budget shows additional commercial paper funding anticipated for FY 2020. This reflects the intent, as outlined in the FY 2020—FY 2024 Five-Year Financial Outlook, to seek budget authority and project approval for the second phase of borrowing, though issuance of the debt is planned for FY 2021.

CIP Allocations Generally Align with Council Priorities

The FY 2020 Proposed CIP Budget meets several of the Council's priorities as expressed in budget priority memoranda submitted to our office. The following allocations hit broad areas of interest expressed by Council:

- Park infrastructure totaling \$14.7 million, including Mission Bay Improvements. Some projects include: Sherman Heights Community Center Playground; Egger/South Bay Community Park ADA; Hickman Fields Athletic Area Improvements; and Olive Grove Community Park ADA

- Street light installation funding of \$200,000
- One library facility improvement project, Rancho Penasquitos Library Sky-light Replacement for \$250,000
- Transportation safety projects totaling \$11.5 million associated with Vision Zero and additional mobility projects totaling \$1.0 million to address sidewalk ADA complaints

We note that sidewalks, specifically, were prioritized by Council (and are included in the figures above). The Proposed Budget includes \$2.4 million for new sidewalks (likely to produce around one mile of new sidewalks) and \$1.0 million to address ADA complaints. **No funding is proposed that will make additional progress on the sidewalk backlog**, as identified in the 2015 sidewalk condition assessment. However, we do note that currently there is \$6.8 million in unencumbered funds available in the sidewalk repair and replacement budget that could be spent down in FY 2020.

To assist Council in its consideration of limited flexible funding sources within the CIP to meet its priorities, the table on the following page reflects the proposed allocations for the Infrastructure Fund and TransNet by asset type, including where the remaining commercial paper funding resides.

Issues for Consideration

In the broader context of the CIP, the most recent CIP Outlook identified a \$1.86 billion funding gap in which projected needs exceed revenue available over the five-year period. The funding gap is attributed to General Fund department assets. Although there exists significant General Fund capital needs and the Proposed Budget makes less funding available for

Key Citywide Issues: Capital Improvements Program

these projects in the coming year, the City is continuing to spend down significant commercial paper funding added to the FY 2018 budget.

Unfunded Infrastructure Projects

As Council considers the trade-offs of off-setting operating costs with the Infrastructure Fund, we note the following unfunded projects requested for the Infrastructure Fund:

- \$1.1 million to replace all 52 street light series circuits to meet modern electrical standards
- \$2.6 million for storm drain pipe lining repair which would extend their useful life (of this request \$867,000 was funded)
- \$1.0 million in parking lot ADA improvements
- \$1.4 million for basketball and tennis court repairs

However, according to Department of Fi-

nance staff there is sufficient funding for these activities through FY 2020.

We also note the Underfunded List on page 40 of Volume 3 of the Proposed Budget. These projects (e.g. Fire Station 54, La Paz Mini Park, San Carlos Library, Los Penasquitos Canyon Preserve Restoration, NTC Aquatic Center, and San Carlos Branch Library) cannot proceed without additional funding.

Sidewalks

TSW also requested \$5.0 million for sidewalk repair and replacement in FY 2020. This is the same amount that was funded in the FY 2019 Adopted Budget. We agree with not funding the request since, as stated earlier, the budget for sidewalk capital repairs has \$6.8 million available to spend. However, we recognize that there is a significant need to address the sidewalk maintenance and capital backlog identified in the last condition assessment. According to the department, the capital portion alone is \$93.9 million. Defective

Key Proposed Flexible Funding and Remaining Allocations

Asset Type	FY 2020 Proposed Infrastructure Fund	FY 2020 Proposed TransNet	Remaining Commercial Paper
Street Repaving	\$ 1,122,000	\$ 8,919,000	\$ 30,878,000
Storm Water Facilities ¹	867,000	-	21,530,000
Parks	965,000	-	11,822,000
Sidewalks ²	3,248,000	-	5,406,000
Median Installation	1,000,000	2,375,000	-
Traffic Calming	-	800,000	-
Bike Facilities ³	250,000	500,000	272,000
Streetlight Installation	-	2,335,000	-
Traffic Signal Interconnect System	-	200,000	-
Traffic Signal Installation and Modification	-	1,00,000	-
Road Improvements	-	1,500,000	-
Guardrail	-	3,660,000	425,000
Bridge Rehab	-	-	367,000
CNG Fueling Station for Refuse & Recycling	-	200,000	-
Total	\$ 7,600,000	\$ 20,589,000	\$ 70,700,000

¹ Projects include improvements to fire stations, libraries, and comfort stations.

² The Infrastructure Fund allocation supports projects that were initiated by an ADA complaint. TransNet will provide new sidewalks.

³ Includes the Coastal Rail Trail project (\$2 million).

⁴ The shaded area reflects new Vision Zero investments for FY 2020. Infrastructure Fund allocations for sidewalks and traffic calming are not considered Vision Zero projects.

Key Citywide Issues: Capital Improvements Program

sidewalks can lead to additional liability costs from trip and fall incidents.

As stated in a memorandum distributed to Councilmembers in September 2018, the department plans to present a report to the Active Transportation and Infrastructure Committee on the updated sidewalk maintenance and capital needs in the coming months.

In our Office's report that reviewed proposed changes to the City's sidewalk maintenance policy (18-35), we recommended that that TSW prepare a detailed plan to address the sidewalk backlog and ongoing maintenance plan. We believe this will inform how much is needed to budget each fiscal year, taking into account the department's capacity to spend, and where the greatest need for investment exists.

Vacancies and Staffing Issues

For the prior two completed years, both FY 2017 and FY 2018, budgeted vacancy savings was about \$30 million, as compared to actual vacancy savings, which was over \$45 million in both years.

The *actual* vacancy savings translates to around 10% of budgeted salaries, compared to *budgeted* vacancy savings, which has been approximately 6.5% of budgeted salaries.

As we have noted in prior reports, additional vacancy savings above what was budgeted (about \$16 million in FY 2017 and \$20 million in FY 2018) has been available to partially offset overages in overtime and other wage costs.

We have suggested taking a look at these areas, including adjusting vacancy savings for the length of time to hire new positions and other factors. However, if we budget more in vacancy savings (i.e. reduce budget for salaries), the City would need to ensure wage areas with historical overages, such as overtime, have adequate budget.

Within the FY 2020 Proposed Budget, adjustments have been made. Vacancy savings has increased to \$36.4 million (which reduces budget for salaries by that amount); and there have been 44.35 FTE reductions, which decrease budgeted salaries expenditures by \$2.4 million. As alluded to above, more vacancy savings budget (i.e. reduced salaries budget) leaves less of a cushion for wage areas with overages, such as overtime.

Future Considerations

The Budget and Government Efficiency Committee (B&GE) has requested that the City form a working group to look into vacancy issues; and Councilmembers have previously mentioned the following issues among others:

- How much more compensation is needed to attract talent?
- How are vacancies affecting service delivery?
- What are the costs of maintaining service levels through the use of overtime versus the filling of positions?
- Does the City need to fill all funded positions, or could some positions be eliminated?

A number of other issues include:

- A limited number of candidates in a tight market and inability to pay market rate
- Some staff may have difficulty finding enough time to move the hiring process along faster
- Other hiring process issues include how to better:
 - Use technology to streamline processes
 - Handle disagreements between the Personnel Department and hiring departments

Additionally, the City Auditor's Citywide Human Capital Factbook (released July

Key Citywide Issues: Vacancies and Staffing Issues

2018) is a good resource for ideas regarding other information that could be examined, such as turnover rates for different jobs. The Factbook also includes survey results regarding employee satisfaction, and management impressions of compensation levels, recruitment, retention, and employee development. Some specific information included in the Factbook:

- The average tenure among employees quitting career positions with the City declined from about nine years in 2010 to five years in 2017
- Most employee survey respondents did not agree that poor performance is dealt with effectively
- Only 60% of employees would recommend the City as a place to work

A citywide examination of the issues of hiring, vacancies, overtime, and staffing is a large and complex task; and it is difficult to determine which issues and departments to examine first. A working group could help to identify which departments and issues are of greatest concern and report potential solutions to the Committee.

During the April 10, 2019 B&GE meeting, the Department of Finance took the first step related to pending analysis of vacancies and staffing issues by presenting a “Vacancies 101” informational report to the Committee (Item 5, Introduction to the Vacancy Factor).

B&GE has requested that a working group, consisting of staff from a number of City offices, including the IBA, be convened to begin analyzing issues related to staffing and vacancies. Councilmember Bry, Chair of B&GE, has requested the IBA lead this effort, working closely with the appropriate City staff. Due to the timetable of the

upcoming budget process, the working group will be formed and work will begin after the budget process is completed in June.

Key Citywide Issues: Pension

Pension

This pension section includes the following topics:

- Overview of the defined benefit (DB) pension
- Causes of the FY 2019 to FY 2020 increase to the DB Actuarially Determined Contribution (ADC)
- Recent SDCERS¹ Board decisions affecting future ADCs
- Other future ADC considerations
- Proposition B and related pension impacts—including discussion regarding the related defined contribution (DC) retirement plan
- Legal challenge to Proposition B

DB Pension—Overview

The FY 2020 Proposed Budget includes \$350.5 million for the ADC, which is the City's DB pension contribution requirement. This is an increase of \$27.6 million from the FY 2019 Adopted Budget amount of \$322.9 million.

The General Fund portion of the FY 2020 budgeted payment is \$265.0 million—an increase of \$26.1 million from the FY 2019 Adopted Budget of \$238.9 million. The General Fund portion is 75.6% of the FY 2020 budgeted payment. This percentage has increased from 74.0% in FY 2019, which is the reason why the General Fund portion of the payment makes up most of the increase (rather than 75.6% of it). The shift in proportion toward the General Fund is largely due to substantive pay increases that had been negotiated for mem-

bers of the Police Officers Association (POA).

The FY 2020 ADC of \$350.5 million is based on the FY 2018 actuarial valuation. The valuation shows that the pension system's Unfunded Actuarial Liability (UAL) totals \$2.98 billion as of June 30, 2018—up from \$2.76 billion.

The City's pension system liabilities as of June 30, 2018 are funded at a rate of 70.8%—a decrease from the 71.2% funding ratio at June 30, 2017. The ADC is 8.2% of total FY 2020 budgeted expenditures for the City and is 16.8% of budgeted expenditures for the General Fund.

The City's budgeting system provides a relatively precise allocation of the ADC, and other fringe benefits, among employees. The ADC budget distribution is based on actual filled positions and is calculated based on percentages of salaries, from information contained in the pension system's actuarial valuation.

Increase to the DB ADC

As mentioned above, the FY 2020 ADC of \$350.5 million is \$27.6 million higher than the FY 2019 ADC. A number of offsetting increases and decreases bring the ADC to its FY 2020 level. Changes to the ADC relate to two types of factors:

- Changes to assumptions used in the actuarial valuation for FY 2018
- FY 2018 “experience gains and losses” (the differences between actual results and what was assumed in the FY 2017 valuation)

¹SDCERS is the San Diego City Employees Retirement System.

Key Citywide Issues: Pension

The *net \$27.6 million increase to the ADC* includes the following changes:

- An *\$18.4 million ADC increase* related to a SDCERS Board-approved reduction in the discount rate assumption—from 6.75% to 6.5% for the FY 2018 valuation
- A *\$17.5 million ADC increase* largely related to the POA salary increases mentioned previously
- An offsetting *\$2.3 million ADC decrease*, related to a higher than assumed investment return for FY 2018—The FY 2018 investment return of 8.4% was higher than the 6.75% return assumed in the FY 2017 valuation.
- A further offsetting *\$5.7 million ADC decrease* related to the phasing-in of recent prior years' positive investment experience that had not yet been included in the ADC. (The City's valuation utilizes a smoothing method, where asset gains and losses are not recognized immediately, but rather are phased-in to mitigate ADC volatility.)

Recent SDCERS Board Decisions Affecting Future ADCs

On January 11, 2019 the SDCERS Board of Administration discussed methods for quicker pay-down of the pension system's UAL, as well as overall approaches to the pension plan funding. The meeting resulted in Board approval of changes to the UAL's funding plan. However, these changes do not impact the FY 2020 ADC.

Highlights of the approved assumption changes include:

- The Board voted to set a contribution floor, such that the UAL payment for each year will be no less than the UAL

payment included in the June 30, 2018 actuarial valuation. This requirement will remain in place until a 100% funding ratio is achieved – i.e. when the UAL is paid off. Based on current assumptions, the estimated date for UAL pay-off with this contribution floor in place is around FY 2037 (as opposed to FY 2048 without the contribution floor in place). Note also that according to current projections, the impact of this decision will likely not be significant until FY 2029.

- The Board voted to set the amortization period for assumption/methodology changes to 20 years (from 30 years) for *new* UAL amortization layers identified in and after the FY 2019 actuarial valuation. The SDCERS staff report for this item cited an example of potential impact had the recent reduction of the investment rate of return from 6.75% to 6.5% been amortized over 20 years rather than 30 years. In this case, the increase in the annual ADC would have been an estimated \$4 million citywide (approximately \$3 million General Fund portion).

The Board also voted to set the *expectation* (rather than changing the assumption built into valuations) that full funding be achieved on or before June 30, 2037.

Additional details describing the January 11, 2019 Board discussion and actions can be found in the January 22, 2019 IBA memo to the City Council.

Other Future ADC Considerations

There are a couple of items that could potentially impact the City's most recent estimate for the FY 2021 ADC (most recently projected to be \$355.5 million citywide).

Key Citywide Issues: Pension

- Experience gains or losses: For example, if the FY 2019 investment return ends up being either higher or lower than the 6.5% return assumed in the FY 2018 valuation, there will be an investment experience gain or loss—which would be a factor that decreases or increases the FY 2021 ADC, accordingly. Whatever the FY 2019 investment return ends up being, the preliminary impact will likely be quantifiable by the fall of 2019.
 - Many investment consultants believe a market correction is possible in the next five years. Although SDCERS maintains that its diversified portfolio may mitigate a market correction’s impact, if actual investment earnings are lower than assumed in the actuarial valuation, future ADCs could be further increased.
- Assumption changes: For example, the SDCERS Board has previously discussed further reducing the discount rate. Assumption changes are scheduled to be discussed with the “experience study” that includes the June 30, 2019 actuarial valuation (anticipated for the spring of 2020). Any assumption changes subsequently implemented in the FY 2020 valuation would impact the ADC for FY 2022.

Pension Changes Due to Proposition B

Below is a brief summary of some of the pension effects of Proposition B, which was approved by voters in June 2012.

The following pension changes were negotiated with the City’s employee organizations and agreement for an interim DC

(defined contribution) plan was reached. This interim plan is anticipated to be in effect until a permanent plan can be negotiated.

Employees hired on or after July 20, 2012, except police officers, are no longer eligible to participate in the DB pension plan. Instead they participate in the Supplemental Pension Savings Plan H (SPSP-H), which was previously for hourly employees but was modified to include these new participants. Both the City and employees contribute 9.2% and 11% of eligible compensation for general members and safety members, respectively.

The FY 2020 proposed SPSP-H budget is \$23.4 million citywide. This figure includes amounts for the interim defined contribution plan, as well as for hourly workers (\$22.5 million and \$934,000, respectively). The SPSP-H budget for the interim DC plan has increased by \$4.4 million from FY 2019, which is related to increasing base salaries and the assumption that vacant and new positions will be filled by employees in the interim defined contribution retirement plan.

Some terms of the interim DC plan include that employee contributions are mandatory, employees are 100% vested at all times, and the terms of future negotiated disability and death benefits will be retroactive.

Additionally, although new sworn Police Officers continue to be eligible for the defined benefit plan, Proposition B prescribes pension plan changes for new sworn officers hired on or after July 1, 2013. Provisions in Proposition B include a cap on sworn officer pensions: 80% of the average of the highest 36 consecutive months’ compensation. This cap is reduced by 3% for each year the employee

Key Citywide Issues: Pension

retires prior to age 55.

Legal Challenge to Proposition B

Proposition B was challenged by four of the City's recognized employee organizations (Unions), alleging a violation of the Meyers-Milias-Brown Act (MMBA)—the State law that governs collective bargaining for public agency employers, like the City. On December 29, 2015 the Public Employment Relations Board (PERB)—the State administrative body that enforces the MMBA—decided that the City violated the MMBA by refusing to meet and confer prior to placement of Proposition B on the June 2012 ballot.

On April 11, 2017 the California Court of Appeal ruled in favor of the City—concluding that Proposition B, a citizen's initiative, was not subject to meet and confer before the City Council placed it on the ballot. The City's Unions subsequently requested that the California Supreme Court review the appellate court decision.

The California Supreme Court subsequently reviewed and overturned the Court of Appeal's decision on August 2, 2018, remanding the PERB case back to the California Court of Appeal to "address the appropriate judicial remedy for the [City's] violation".

The Court of Appeal affirmed the PERB order with modifications. Based on the Court of Appeal's decision, the City is now required "to meet and confer over the effects of the [Proposition B] Initiative and to pay the affected current and former employees represented by the Unions the difference, plus seven percent annual interest, between the compensation, including retirement benefits, the employees would have received before the Initiative became effective and the compensation the em-

ployees received after the Initiative became effective."

Additionally, the City is ordered "to cease and desist from refusing to meet and confer with the Unions and, instead, to meet and confer with the Unions upon the Unions' request before placing a charter amendment on the ballot that is advanced by the City and affects employee pension benefits and/or other negotiable subjects."

The ultimate cost for resolution of this matter is dependent upon the pending negotiations with the Unions and compliance with federal tax laws and regulations with respect to retirement plans. There are no budgeted cost impacts included in the FY 2020 Proposed Budget.

A final note regarding the Proposition B case: the City also petitioned the United States Supreme Court to review the matter; however in March 2019 the U.S. Supreme Court declined review, leaving the case to be decided by the California courts.

Facilities Updates

The Office of the IBA continues to monitor the status of select facility improvements which have had significant delays or funding shortfalls. Our Review of the Fiscal Year 2019 Proposed Budget (Report 18-08) discussed the status and funding needs for 101 Ash Street Building, Civic Center Plaza and Othello Avenue Fire Fleet Repair Facility (renamed to Kearny Mesa Repair Facility).

Following are updates on those facilities as well as the status of the Housing Navigation Center. The FY 2020 Proposed Budget includes funding for the Housing Navigation Center, 101 Ash Street Building and Othello Avenue Fire Fleet Repair Facility. However, improvements to Civic Center Plaza are on hold pending a new plan and updated cost estimates.

101 Ash Street Building

In October 2016, the City entered into a 20-year lease-to-own agreement for the 21-story 101 Ash Street office building with the goal of moving employees from rental space to that building. The original plan proposed renovation of five floors (1, 2, 17, 18, and 19), which was estimated to cost around \$5.0 million and could be accomplished relatively quickly for a July 2017 phased-in move-in schedule. The remaining floors were represented as needing minimal refurbishments.

Following Council approval, staff began working with a space planner/design architect and with impacted City departments, which spanned most of 2017. From this work effort, staff determined that all 19 floors of office space should be renovated in order to increase the number of work stations from 800 to 1,150.

In January 2018, the City put the project out to bid based on the 19 floor renovation. As bids began to be received, staff updated the total project cost estimate to \$32 million. Due to the significant cost increase, all of the initial bids were rejected.

Staff provided an updated cost estimate to the Infrastructure Committee in May 2018 which also included different options for improvements to the building, with varying cost estimates. The Infrastructure Committee supported requesting bids to

- a) Make improvements to 5 floors as planned when the City Council approved the lease-to-own agreement or
- b) Make improvements to all 19 floors of the building to maximize the number of City employees that could be moved into the building.

In June 2018, City Council agreed with the Infrastructure Committee's recommendation for bids on the two potential scopes of work and also authorized an increase in CIP appropriations of \$13.2 million to be combined with the tenant allowance of \$5.0 million that was already appropriated for the 101 Ash Street Building.

In August 2018, City Council was presented with the results of the RFP and asked to determine which scope of work to approve. A third option was also presented to City Council, which was to cancel the bid and move City employees into the building with no improvements. The costs of these options varied from \$2.8 million to \$25.9 million in building improvements. Our office recommended and City Council approved making tenant improvements to the entire building at a capital cost of

Key Citywide Issues: Facilities Updates

\$25.9 million with an estimated moving expense of \$1.5 million.

Construction began at the 101 Ash Street building in September 2018 and is estimated to be completed in summer 2019. Additional detail about this capital improvement project can be found in the FY 2020 CIP Proposed Budget in Volume III—101 Ash Improvements (S17009).

Over 1,157 City employees are anticipated to move into the building in the fall of 2019. The FY 2020 Proposed Budget includes \$1.5 million for moving expenses. The General Fund portion of approximately \$689,000 is included in Real Estate Assets, the remaining portions are in the respective non-general fund departments, the largest of which is Development Services at an estimated \$606,000.

Civic Center Plaza

In January 2015, the City entered into a lease-to-own agreement for the Civic Center Plaza (CCP) building where many City employees were and are still housed. At that time, staff estimated that \$15 million in capital costs would be required to maximize space efficiencies to accommodate 245 additional City employees, implement ADA improvements and Title 24 requirements, and allow for remediation of asbestos. Condition assessments of CCP determined at the time that up to \$6.4 million in additional capital improvements were also expected to be required during the first five years of operations. Staff indicated they planned to evaluate CCP's needs regularly and to submit additional CIP funding requests as part of the City's budget process.

During review of the FY 2019 Proposed Budget, it was our understanding that CCP improvements were on hold until the 101 Ash Street Building was completed and

DSD staff moved out of the City Operations Building (COB), which would be used as swing space during renovations at CCP. City staff are scheduled to move into the 101 Ash Street building this upcoming fall of 2019; however, no funding has been included in the FY 2020 Proposed Budget for improvements to CCP.

The Real Estate Assets Department informed us that they are re-evaluating the approach to implementing improvements to the building in light of the health and safety concerns that arose during the asbestos remediation done at the Executive Complex building while City staff still occupied the space. Further, the costs to re-configure CCP to make room for additional City employees may no longer result in cost savings compared to leasing space elsewhere for City staff. Real Estate Assets also indicated that a reconfiguration of CCP may be part of a larger "wholistic" look at the entire City Concourse, which would include COB and City Hall.

The Land Use and Housing Committee may want to request an update from the Real Estate Assets Department on CCP, including updated cost estimates for the improvements that were planned at the time City Council authorized the lease-to-own agreement.

Othello Avenue Fire Fleet Repair Facility

In April 2017, the City entered into a 10-year, \$10.4 million lease of the facility on Othello Avenue which was intended to serve as a new maintenance and repair facility for heavy-duty fire apparatus. This was in response to findings by CST Fleet Services, a fleet consultant hired by the City, that separate shop space would increase maintenance efficiency for the City's 100+ heavy duty fire-apparatus, ra-

Key Citywide Issues: Facilities Updates

ther than sharing space with the refuse packers at the Miramar facility. The report, issued in April 2016, states that *“the current set up for performing the maintenance on both Fire and Refuse fleets at the Miramar Shop is not adequate to allow the technicians to be successful in keeping both fleets serviced, and meet the departments’ needs. ... In addition, without running a second shift, the Fire technicians do not have enough bay space to adequately do their jobs.”*

At the time City Council approved the lease, staff estimated the cost of improvements to be \$6.5 million. During our review of the FY 2019 Proposed Budget, we noted that the project had been placed on hold due to a significantly higher estimate of \$17.0 million for construction based on input from an industrial designer. The \$6.5 million of funding budget in FY 2018 to improve the site was unspent and had been used to balance the FY 2019 General Fund Budget. In the meantime, the facility had been repurposed as warehouse space for other departments and for housing City employees who were moved out of the Executive Complex and awaiting office space at the 101 Ash Street Building.

In August 2018, the Fleet Operations Department provided an update to the Public Safety and Livable Neighborhoods Committee which outlined what had occurred to-date and identified next steps towards the improvement of the Othello Avenue site. The immediate actions were to:

- Review and evaluate the design, cost estimate and project timeline
- Identify funding
- Negotiate a lease extension

Staff anticipated the project to begin in November 2018; however, this did not occur. Work continues on the three items outlined above.

The FY 2020 Proposed Budget includes \$1.0 million towards a new capital improvements project, titled Kearny Mesa Repair Facility (found in the FY 2020 CIP Proposed Budget in Volume III—P20000) to fund the design work for the Othello Avenue site. The Fleet Operations Department estimates this will be sufficient funding to complete the design work in FY 2020 and will request construction funding for FY 2021. Construction is estimated to take 18 months, resulting in possible move-in to the facility mid-FY 2022. At this time, staff do not have an updated construction cost estimate for the project (previously estimated at \$6.5-17.0 million).

The Active Transportation and Infrastructure Committee may want to request another status update regarding improvements at the Kearny Mesa Repair Facility located on Othello Avenue.

Housing Navigation Center

The Housing Navigation Center is intended to secure homeless individuals with permanent housing and other longer-term housing opportunities. It is envisioned that through partnering agencies, the Center will offer access to services and additional case management that are centralized at the facility.

Council approved the purchase of the Housing Navigation Center property on January 29, 2018 for \$7.0 million in federal Community Development Block Grant (CDBG) funds. An additional \$300,000 in CDBG was provided to make tenant improvements to the facility.

On November 13, 2018, Council approved the establishment of the Housing Navigation Program under several conditions, including that the Housing Authority is notified of when partner agency commit-

Key Citywide Issues: Facilities Updates

ments are secured, as well as the schedules and the services they will provide. According to staff, these commitments are in the process of being secured and the center is expected to open in summer 2019.

Department Review: City Attorney

City Attorney

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget for the City Attorney's Office is \$59.6 million, an increase of nearly \$1.0 million or 1.6% from the FY 2019 Adopted Budget. The Proposed Budget includes 375.73 FTE positions, with no change from FY 2019. Budgeted revenue totals \$3.9 million, reflecting a reduction of approximately \$304,000.

Significant Budget Additions

An estimated \$1.0 million is included in the Proposed Budget as a placeholder for potential salary and/or benefit increases. Negotiations are currently underway with the Deputy City Attorneys Association.

Significant Budget Reductions

The FY 2020 Proposed Budget includes a few reductions to the City Attorney's Office which are primarily budget corrections with no changes to service levels.

- \$63,000 is transferred to the Police Department for parking expenses at the Family Justice Center. This is related to the budget restructure which took place in the FY 2019 Adopted Budget.

- A reduction of nearly \$250,000 in revenue is associated with less Successor Agency projects that reimburse the City Attorney's Office. This was reduced in FY 2018 and reinstated in FY 2019 but the City Attorney's Office will not receive this revenue and is projecting a revenue shortfall in the FY 2019 Mid-Year Budget Monitoring Report.
- The reimbursement associated with the formation of the Otay Mesa Enhanced Infrastructure Financing District is reduced by \$54,500 to just \$1,500 for FY 2020.

Issues for Council Consideration

Funding Requests Not Budgeted

The City Attorney's Office requested 11.25 FTE positions and associated non-personnel expenses, totaling \$1.6 million, which were not included in the FY 2020 Proposed Budget. Of these, 2.00 FTE positions were also requested in FY 2019 but not approved, the rest are new requests this fiscal year. According to the City Attorney's Office, all but 1.00 FTE position are currently filled as supplemental (over

SUMMARY OF CITY ATTORNEY BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	375.73	\$ 55,070,254	\$ 3,604,510	\$ 58,674,764	\$ 4,215,963
Programmatic Changes					
Placeholder for DCAA Negotiations	-	1,016,074	-	1,016,074	-
Transfer to Police for Family Justice Center parking	-	-	(63,000)	(63,000)	-
Reimbursement for Successor Agency Projects	-	-	-	-	(249,667)
Otay Mesa Enhanced Infrastructure Financing District	-	-	-	-	(54,500)
Vacancy Savings	-	(598,909)	-	(598,909)	-
Other Changes					
Salary and Benefit Adjustments	-	325,213	-	325,213	-
Information Technology Adjustments	-	-	318,751	318,751	-
Non-Discretionary Adjustments	-	-	(40,156)	(40,156)	-
FY 2020 Proposed Budget	375.73	\$ 55,812,632	\$ 3,820,105	\$ 59,632,737	\$ 3,911,796
Difference from 2019 to 2020	-	\$ 742,378	\$ 215,595	\$ 957,973	\$ (304,167)

Department Review: City Attorney

budget) positions. The positions requested are:

- 1.00 FTE Assistant City Attorney (requested in FY 2019)
- 7.25 FTE Deputy City Attorneys
- 2.00 FTE Program Coordinators (1.00 FTE requested in FY 2019)
- 1.00 FTE Senior Legal Intern (vacant)

The City Attorney's Office has absorbed the expenses of these filled positions within their current year budget and were projecting \$1.3 million of budgetary savings as of the FY 2019 Mid-Year Budget Monitoring Report. However, the Department of Finance has increased the budgeted Vacancy Savings for the City Attorney's Office by \$599,000, to \$1.2 million in FY 2020. While the increase in budgeted Vacancy Savings is still less than the projected savings in the current year and should not create a budget constraint for the City Attorney's Office in FY 2020, continuing the practice of over budget positions is not transparent.

Our office recommends the Department of Finance add the filled supplemental positions to the budget and increase the budgeted vacancy factor by an equivalent amount in order to provide visibility to the positions while still maintaining a balanced budget.

Department Review: City Auditor

City Auditor

Impacts of Mayor's FY 2020 Budget Proposal

As shown in the table below, the FY 2020 Proposed Budget for the Office of the City Auditor is approximately \$4.0 million, a decrease of \$73,000 from the FY 2019 Adopted Budget. The Office has no budgeted revenue. The number of positions remains unchanged from FY 2019, at 22.00 FTEs.

On November 28, 2018 the City Auditor's Office presented the Audit Committee with a recommended approach to the FY 2020 Budget, recognizing the Chief Operating Officer's (COO) request that departments submit 3% budget reduction proposals for FY 2020. The Interim City Auditor conveyed to the Committee that the budget consists of Personnel Expenditures (PE), non-discretionary Non-Personnel Expenditures (NPE), and discretionary NPE.

He stated further that cutting PE would reduce the number of audits that can be accomplished. Non-discretionary NPE includes costs that are allocated by servicing departments, such as Information Technology, and cannot be reduced by departments receiving such services. Additional-

ly, \$350,000 of NPE is for the City's non-discretionary Comprehensive Annual Financial Report (CAFR).

Any cuts to the remaining budget, discretionary NPE (including training, electronic workpaper system, the Fraud Hotline provider, and consulting services), would lead to the reduction of critical office operations expenditures and competitiveness with regard to the provision of professional training funds. In FY 2018, the City Auditor's Office sustained a 3% budget reduction (not including CAFR contract costs), which significantly reduced the discretionary portion of the Office's NPE budget.

The Committee discussed that although there was a request from the COO for 3% budget reduction proposals for FY 2020, the impact of cutting the City Auditor's Office budget would be too adverse for the Office and for the City.

The Audit Committee recommended that the City Council adopt a FY 2020 budget for the Office of the City Auditor with no cuts from the FY 2019 Adopted Budget.

SUMMARY OF CITY AUDITOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expenditures	Revenue
FY 2019 Adopted Budget	22.00	\$ 3,469,931	\$ 625,309	\$ 4,095,240	\$ -
Budget Changes					
<i>Salaries Adjustment (includes merit increases, 3.3% general salary increase, and promotions)</i>	-	130,809	-	130,809	-
<i>Fringe Decreases (includes retirement ADC)</i>	-	(213,283)	-	(213,283)	-
<i>Net Other Adjustments</i>	-	2,731	6,352	9,083	-
FY 2020 Proposed Budget	22.00	\$ 3,390,188	\$ 631,661	\$ 4,021,849	\$ -
<i>Difference from 2019 to 2020</i>	-	\$ (79,743)	\$ 6,352	\$ (73,391)	\$ -

Department Review: City Clerk

City Clerk

Performance Measure	Target FY 2018	Actual FY 2018	Target FY 2019	Estimated FY 2019	Target FY 2020
Percentage of legal requirements adhered to including state and local mandates and deadlines related to city government	98%	98%	100%	100%	100%
Percentage of customer service provided with accurate and thorough responses in a courteous, timely, and user-friendly manner	92%	95%	94%	95%	92%

The City Clerk supports the City Council, coordinates City elections, and manages the City's records management program, while also functioning as an access point to local government for the public. The Clerk's office additionally provides immediate information about the disposition of items in Council, operates a passport program that allows US citizens to apply for passports, and preserves and digitizes historical City records and materials.

Significant Budget Additions

The FY 2020 Proposed Budget includes an increase of \$28,500 in discretionary information technology expenditures. This increase is mostly related to software upgrades in order to make legacy systems compatible with the latest computer operating systems.

Impacts of Mayor's FY 2020

Budget Proposal

The FY 2020 Proposed Budget for the Office of the City Clerk totals approximately \$6.0 million, which is an increase of approximately \$125,000 over the FY 2019 Adopted Budget. The number of FTE positions in the Office is 47.32, which represents no change from FY 2019.

SUMMARY OF CITY CLERK BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	47.32	\$ 4,835,350	\$ 1,039,821	\$ 5,875,171	\$ 157,582
Programmatic Changes					
<i>Reduced revenues in charges for services</i>	-	-	-	-	(2,000)
Other Changes					
<i>Information Technology (Discretionary)</i>	-	-	28,505	28,505	-
<i>Non-Discretionary Adjustments</i>	-	-	42,704	42,704	-
<i>Salary and Benefit Adjustments</i>	-	53,835	-	53,835	-
<i>Non-Standard Hourly Personnel</i>	-	537	-	537	-
FY 2020 Proposed Budget	47.32	\$ 4,889,722	\$ 1,111,030	\$ 6,000,752	\$ 155,582
<i>Difference from 2019 to 2020</i>	-	\$ 54,372	\$ 71,209	\$ 125,581	\$ (2,000)

Office of the Independent Budget Analyst

April 2019

Department Review: City Council

City Council

Council Offices

The FY 2020 Proposed Budget for the City Council is approximately \$13.1 million, an increase of approximately \$684,000 or 5.5% from the FY 2019 Adopted Budget. The proposed increase is attributable to a \$47,000 increase in non-personnel expense (NPE) and a \$637,000 increase in Community Projects, Programs and Services (CPPS).

Each Council Office has an operating budget (comprised of PE and NPE) and a CPPS budget. In FY 2020, the proposed combined operating budget for the nine Offices is approximately \$11.5 million, a \$47,000 or 0.4% increase from the FY 2019 Adopted Budget. Each Council District Office has 10.00 FTE positions in the FY 2020 Proposed Budget for a total of 90.00 positions, unchanged from FY 2019.

Although each Council Office has the same number of budgeted positions (10.00), annual operating budgets vary in amount. There is a \$333,000 difference between the highest and lowest operating budget in the FY 2020 Proposed Budget. This differential is primarily explained by differences in

fringe benefits costs for employees that are based on staff hire dates.

Excluding CPPS and fringe benefit costs (which typically vary based on prior year operating budget expenditures and staff hire dates for each Council Office), there is an \$143,000 difference between the highest and lowest Council Office budget in the FY 2020 Proposed Budget. Budget adjustments have been made in recent years to narrow the differences in Council Office operating budgets.

CPPS Budget Policy & Allocations

City Council Policy 100-06 establishes guidelines for the annual appropriation and expenditure of CPPS funding for each Council district. CPPS funds may be provided to City departments, public agencies, and to non-profit community organizations for one-time community, social, environmental, cultural, or recreational needs which serve a lawful public purpose.

The proposed combined CPPS budget for the nine Offices in FY 2020 is approximately \$1.6 million, a \$637,000 or 65.0% increase from the FY 2019 Adopted Budget.

In developing the annual CPPS budget for each district office, unexpended PE and NPE from each office's prior year operat-

SUMMARY OF CITY COUNCIL OFFICE BUDGET CHANGES					
Description	FTE	PE	NPE & CPPS	Total Expense	Revenue
FY 2019 Adopted Budget	90.00	\$ 9,900,783	\$ 2,489,377	\$ 12,390,160	\$ -
Other Changes					
Salary Adjustments	-	319,093	0	319,093	-
Budgeted Pay-in-Lieu Expense	-	24,885	0	24,885	-
Other Fringe Adjustments (including Retirement ADC)	-	(344,029)	0	(344,029)	-
NPE Adjustments	-	0	47,117	47,117	-
CPPS Adjustments	-	0	636,812	636,812	-
FY 2020 Proposed Budget	90.00	\$ 9,900,732	\$ 3,173,306	\$ 13,074,038	\$ -
<i>Difference from 2019 to 2020</i>	-	\$ (51)	\$ 683,929	\$ 683,878	\$ -

Office of the Independent Budget Analyst

April 2019

Department Review: City Council

ing budget becomes the CPPS budget allocation for each office in the following fiscal year. Variances in annual CPPS funding between Council offices are therefore explained by the differences in prior year operating budget savings.

term in November 2018 and no longer requires an allocation of funds for consultant services.

Council Administration

The Council Administration Department provides general office management and critical support services for the City Council. The FY 2020 Proposed Budget for Council Administration is approximately \$2.7 million, a \$54,000 or 2.0% increase from FY 2019. This increase results from \$51,000 of personnel expense adjustments and an additional \$3,000 of NPE.

Council Administration has 17.37 FTE positions in the FY 2020 Proposed Budget, unchanged from FY 2019. These positions include 8.00 Committee Consultants who are responsible for organizing and facilitating regular meetings for eight City Council Committees. The other 9.37 staff plan and organize City Council meetings, administer CPPS allocations, provide information technology services, and otherwise provide multi-faceted support to the nine City Council offices.

The FY 2020 Proposed Budget includes a one-time reduction of \$38,000 in NPE for consulting services for the Select Council Committee on Homelessness. This special issue Committee completed its two-year

SUMMARY OF CITY COUNCIL ADMINISTRATION BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	17.37	\$ 2,348,486	\$ 328,186	\$ 2,676,672	\$ -
Other Changes					
<i>Salary Adjustments</i>	-	41,636	-	41,636	-
<i>Budgeted Pay-in-Lieu Expense</i>	-	28,054	-	28,054	-
<i>Other Fringe Adjustments (including Retirement ADC)</i>	-	(18,587)	-	(18,587)	-
<i>Elimination of Homelessness Committee Consultant</i>	-	-	(38,000)	(38,000)	-
<i>Other NPE Adjustments</i>	-	-	41,237	41,237	-
FY 2020 Proposed Budget	17.37	\$ 2,399,589	\$ 331,423	\$ 2,731,012	\$ -
<i>Difference from 2019 to 2020</i>	-	\$ 51,103	\$ 3,237	\$ 54,340	\$ -

Department Review: City Treasurer

City Treasurer

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget for the City Treasurer includes General Fund and Parking Meter Operations Fund revenues and expenditures. The FY 2020 Proposed Budget for the City Treasurer (all funds) is approximately \$29.4 million, an increase of \$1.3 million or 4.6% from the FY 2019 Budget. The FY 2020 Proposed Budget includes 141.00 FTE positions, an increase of 2.00 FTE positions over FY 2019. Budgeted revenue (all funds) totaling \$44.2 million represents an increase of \$6.3 million.

General Fund

The General Fund component of the FY 2020 Proposed Budget for the City Treasurer includes \$18.6 million and 128.00 FTE positions, an increase of \$1.0 million (5.8%) and 4.00 FTE positions over FY 2019. The most significant budget changes are described below.

Addition of Positions for Short Term Residential Occupancy Tax Compliance Program

The FY 2020 Proposed Budget adds 5.00

FTE positions and \$605,000 in associated expenditures to support the City Treasurer's Short Term Rental Tax Compliance efforts. The added positions include 2.00 Administrative Aide 2s, 1.00 Principal Accountant, 1.00 Accountant 4, and 1.00 Collections Investigator 2. The additional positions will assist with increasing tax compliance for short term rentals. Additional revenue collected as a result of these added positions will be received as Citywide TOT/TMD revenue.

The FY 2020-2024 Five-Year Financial Outlook included the addition of 8.00 FTE positions for both compliance and licensing related to the Short Term Residential Occupancy Tax Program. The City Treasurer has indicated that because their duties are anticipated to include only tax compliance, not licensing, in FY 2020, they requested 5.00 FTE positions for tax compliance only.

Reduction of Senior Clerk/Typist Position

The FY 2020 Proposed Budget includes a reduction of 1.00 Senior Clerk/Typist and \$141,000 in associated expenditures in the Business Tax Program. The reduction was submitted by the City Treasurer as a budg-

SUMMARY OF CITY TREASURER GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	124.00	\$ 12,909,511	\$ 4,642,571	\$ 17,552,082	\$ 26,915,957
Programmatic Changes					
Short Term Residential Occupancy Tax Program	5.00	516,872	88,000	604,872	-
Reduction of Senior Clerk/Typist	(1.00)	(62,996)	(77,866)	(140,862)	-
Cannabis Business Tax Revenue Increase	-	-	-	-	5,903,909
Other Changes					
Non-Discretionary Adjustment/ Support for IT	-	-	762,126	762,126	-
Salary and Benefit Adjustments	-	466,483	-	466,483	-
One-Time Reductions and Annualizations	-	-	(709,100)	(709,100)	-
Other Adjustments	-	33,750	-	33,750	91,640
FY 2020 Proposed Budget	128.00	\$ 13,863,620	\$ 4,705,731	\$ 18,569,351	\$ 32,911,506
Difference from 2019 to 2020	4.00	\$ 954,109	\$ 63,160	\$ 1,017,269	\$ 5,995,549

Office of the Independent Budget Analyst

April 2019

Department Review: City Treasurer

et reduction proposal, and the position is currently vacant. The City Treasurer has indicated that this position reduction will not have a service level impact because the Senior Clerk/Typist duties will be absorbed by the 2.00 Administrative Aide 2 positions added in the FY 2020 Proposed Budget to support the Cannabis Business Tax program.

Addition of Increased Cannabis Business Tax Revenue

The FY 2020 Proposed Budget includes increased Cannabis Business Tax revenue of \$5.9 million, for a total of \$11.9 million anticipated to be received in FY 2020. The projected increase is due largely to the fact that the tax rate will increase from 5% to 8% of gross receipts beginning July 1, 2019. Other factors affecting projected revenue growth include increases in the number of permitted Marijuana Outlets and Marijuana Production Facilities and only allowing medical exemptions for patients that have a valid State of California Medical Marijuana Identification Card. According to the City Treasurer, the number of Marijuana Outlets remitting Cannabis Business Tax to the City is expected to increase from 14 to 16 in FY 2020.

Parking Meter Operations Fund

The Parking Meter Operations Fund is a special revenue fund that was created in FY 2015 to increase the transparency of parking meter operations and revenue. The FY 2020 Proposed Budget for the Fund includes \$10.9 million and 13.00 FTE positions, an increase of \$263,000 (2.5%) and a decrease of 2.00 FTE positions compared to FY 2019.

Addition of Intelligent Parking Systems Contract Expenditures

The FY 2020 Proposed Budget includes the addition of \$457,000 in increased expenditures related to the City's contract with Intelligent Parking Systems (IPS) for the operation of smart parking meters. The City Treasurer has indicated that this increase is intended to better align budgeted expenditures with recent actuals.

Reduction of Parking Meter Technician Positions

The FY 2020 Proposed Budget includes a reduction of 2.00 Parking Meter Technicians and \$136,000 in associated expenditures in the Parking Meter Operations Fund, as this function has been performed by the Police Department since FY 2019.

SUMMARY OF PARKING METER OPERATIONS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	15.00	\$ 1,578,566	\$ 9,019,074	\$ 10,597,640	\$ 11,017,852
Programmatic Changes					
<i>Intelligent Parking Systems Contract</i>	-	-	457,000	457,000	-
<i>Reduction of Parking Meter Technicians</i>	(2.00)	(136,896)	-	(136,896)	-
<i>Revised Revenue</i>	-	-	-	-	280,000
Other Changes					
<i>IT Adjustments</i>	-	-	3,309	3,309	-
<i>Non-Discretionary Adjustment</i>	-	-	103,024	103,024	-
<i>Salary and Benefit Adjustments</i>	-	51,823	-	51,823	-
<i>One-Time Reductions and Annualizations</i>	-	-	(214,935)	(214,935)	-
FY 2020 Proposed Budget	13.00	\$ 1,493,493	\$ 9,367,472	\$ 10,860,965	\$ 11,297,852
Difference from 2019 to 2020	(2.00)	\$ (85,073)	\$ 348,398	\$ 263,325	\$ 280,000

Citywide Program Expenditures

Mayor's FY 2020 Proposed Adjustments

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

Citywide's FY 2020 Proposed Budget totals

\$149.1 million, an increase of \$23.4 million, or 18.6%, from the FY 2019 Adopted Budget. Some of the significant budget areas of this Department are discussed in the next few pages.

Payments for Contracts and Services

Corporate Master Lease Rent

The City leases various facilities, such as office space and warehouses, from private parties to house some City employees and support the daily operations of the City.

SUMMARY OF "CITYWIDE PROGRAM EXPENDITURES" BUDGET CHANGES			
Budget Changes (dollars in millions)	FY 2019 Adopted	FY 2020 Proposed	Change
Payments for Contracts and Services			
Corporate Master Lease Rent/Lease-to-Own	\$ 19.8	\$ 23.4	\$ 3.7
Citywide Elections	1.8	2.2	0.4
Special Consulting Services	5.7	7.7	2.1
Transfers to Public Liability Funds			
Transfer to Public Liability Operating Fund for Claims	17.1	14.5	(2.6)
Transfer to Public Liability Operating Fund for Insurance	10.9	10.9	-
Other Significant Expenditures			
Transfer to Infrastructure Fund (Proposition H)	17.1	24.1	7.0
Deferred Capital Debt Service	19.8	18.5	(1.3)
General Fund Reserve	0.6	11.9	11.3
Pension Payment Stabilization Reserve	3.6	4.3	0.7
Transfer to Parks Improvement Funds	10.1	13.4	3.2
Additional Expenditures ¹	19.3	18.2	(1.2)
TOTAL	\$ 125.7	\$ 149.1	\$ 23.4

¹The largest FY 2020 Proposed Budget amounts in the "Additional Expenditures" line include:

- \$4.6 million for property tax administration expense to San Diego County
- \$3.9 million for Commission for Arts & Culture Funding
- \$2.3 million for insurance
- \$1.6 million for Public Use Leases
- \$1.5 million for Preservation of Benefits (POB) pension payments
- \$1.3 million for the Supplemental COLA pension benefit payments

Department Review: Citywide Program Expenditures

The Citywide Program Expenditures budget amount for corporate master lease rent is increasing by \$3.7 million, from \$19.8 million in FY 2019 to \$23.4 million in the FY 2020 Proposed Budget. Components of the increase include:

- \$1.1 million for new leases (600B Street and Police Department traffic and evidence storage at Ruffin Road);
- \$1.7 million operating cost increase for Civic Center Plaza (mostly related to elevator improvements);

The remainder of the increase is largely related to scheduled annual increases for various leases.

Citywide Elections

The FY 2020 Proposed Budget for citywide elections is increasing from the FY 2019 Adopted Budget by \$430,000, from \$1.8 million to \$2.2 million.

The FY 2020 citywide elections budget of \$2.2 million covers the March 2020 Primary Election. This includes funding for an estimated four measures and two peti-

tions. The Primary Election races will include contests for Mayor and City Attorney, as well as Council Districts 1, 3, 5, 7, and 9.

In general, the elections cost will vary depending on a number of elections factors including: the number of participating jurisdictions; the total number of ballot measures and candidates for all jurisdictions; the number of pages for the ballot measures; the voter participation rate in an electronic voter pamphlet subscription service; the number of registered voters; and whether there are additional translation requirements from the State. The cost will be borne by the City's General Fund.

Actual elections costs can vary significantly. For FY 2020, elections issues and costing will be closely monitored by the City Clerk as information becomes available.

Special Consulting Services

The Special Consulting Services budget is increasing by \$2.1 million—from \$5.7 million to \$7.7 million, as shown in the following table. The changes include a \$1.0

Budget Changes	FY 2019 Adopted	FY 2020 Proposed	Change
Bridge Shelter Services	\$ 2,762,000	\$ 3,066,385	\$ 304,385
Energy Franchise Agreement Consultant	-	1,000,000	1,000,000
Legal/Professional Services	900,000	900,000	-
Sales Tax Consulting	650,000	650,000	-
Special Salary Increases - General Fund Estimate	-	525,081	525,081
Energy-related Costs for Civic Center Theater	-	457,092	457,092
Labor-related Contracts	376,000	376,000	-
Actuarial Services	250,000	250,000	-
Stadium Sale Negotiations Consultant	-	250,000	250,000
Contingency	219,000	219,000	-
Disclosure Counsel	50,000	50,000	-
Executive Complex Relocation	450,000	-	(450,000)
TOTAL	\$ 5,657,000	\$ 7,743,558	\$ 2,086,558

Department Review: Citywide Program Expenditures

million increase for a consultant to assist with SDG&E energy franchise agreement negotiations. Other services and related changes in funding from FY 2019 to FY 2020 are included in the table.

Transfers to Public Liability Funds

The FY 2020 Proposed Budget includes \$14.5 million and \$10.9 million to support the Public Liability (PL) Operating Fund's claims and insurance payments, respectively. The \$10.9 million insurance payment portion is unchanged from FY 2019.

The claims funding transfer has been reduced by \$2.6 million, from \$17.1 million to \$14.5 million, due to the use of excess PL Reserves to cover a portion of the operating expenses.

There is no budget in FY 2020 for a transfer to the Public Liability Reserve, as it is projected to be funded to its target level. See the Public Liability Funds section of this report (under Reserves) for more information.

Other Significant Expenditures

Infrastructure Fund Transfer— Proposition H

The FY 2020 Proposed Budget includes a \$24.1 million transfer to the Infrastructure Fund, an increase of \$7.0 million from the \$17.1 million FY 2019 Adopted Budget. Of this increase \$2.9 million is an adjustment to the FY 2018 transfer based on actual revenues.

The Infrastructure Fund was established in accordance with Charter Section 77.1, which was approved by the voters in June 2016 (as the Proposition H ballot measure). Allowable uses of these funds include: acquisition of real property, con-

struction, reconstruction, rehabilitation, and repair and maintenance of General Fund infrastructure. See the Capital Improvements Program section of this report (under Key Citywide Issues) for more information on Infrastructure Fund uses for FY 2020.

Deferred Capital Debt Service

The FY 2020 Proposed Budget for deferred capital debt service totals \$18.5 million, down from \$19.8 million in the FY 2019 Adopted Budget. A few offsetting changes explain the net \$1.3 million decrease.

- \$2.5 million is a one-time budget reduction for amounts that will be covered by the Capital Outlay Fund.
- \$415,000 is an ongoing reduction for debt service that will be covered by the Development Services Department.
- \$837,000 is an offsetting increase to bring bond payment amounts up to the \$20.1 million debt service schedule amounts.
- \$800,000 is an offsetting increase to bring commercial paper costs to the \$1.3 million budgeted amount (\$930,000 in interest costs and \$390,000 in ongoing costs of issuance)

For reference, the \$20.1 million in FY 2020 debt service payments for deferred capital bonds are as follows:

- \$6.4 million for the \$100 million 2018A refunding issuance (known as "DC1")
- \$4.6 million for the \$75 million 2012A issuance (known as "DC2")
- \$2.2 million for the \$35 million 2013A issuance (known as "DC2A")

Department Review: Citywide Program Expenditures

- \$6.9 million for the \$120 million 2015 A&B issuance (known as “DC3”)

General Fund Reserve

A General Fund Reserve contribution of \$11.9 million is budgeted for FY 2020, up from \$554,000 in FY 2019. The increased contribution amount is primarily the result of the City’s decision to prefund \$10.3 million of the FY 2019 contribution in the FY 2018 Budget. For more about this Reserve, see the General Fund Reserve section of this report (under Reserves).

Pension Payment Stabilization Reserve

The Pension Payment Stabilization Reserve (PPSR) was incorporated into the City’s Reserve Policy (Council Policy 100-20) in April 2016. The \$16.0 million General Fund (GF) portion of the PPSR was funded in FY 2016, and was fully employed in the FY 2018 Adopted Budget as a resource to mitigate the ADC increase.

As part of the Mayor’s plan to replenish the PPSR over five years, the FY 2020 Proposed Budget includes \$4.3 million for the PPSR. For more information about the PPSR see the Pension Payment Stabilization Reserve section of this report (under Reserves).

Transfer to the Parks Improvement Funds

The City Charter sets the threshold amount of Mission Bay rents and concession revenues that are to be placed into the General Fund for any municipal purpose, without restriction, at \$20.0 million. The remainder of funds greater than the threshold amount will be allocated to the San Diego Regional Parks Improvement Fund and the Mission Bay Park Improvement Fund each year.

The amount above the \$20.0 million threshold to be transferred to the Parks Improvement Funds is budgeted in Citywide at \$13.4 million, up from \$10.1 million in FY 2019. Revenue from Mission Bay Park rents and concessions is budgeted in the Real Estate Assets Department.

Additional Expenditures

The following are additional expenditure items which are included in the Citywide Budget. Because they do not have significant changes, these expenditures are listed in the footnote to the table on the first page of this section.

- Public Use Leases:

The public use lease expenditures are related to the use of parking lots in Las Americas and Imperial Marketplace for the park and ride program. The FY 2020 Proposed Budget for the public use leases is \$1.6 million, unchanged from FY 2019.

- Supplemental COLA Pension Benefit Payments:

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

The reserve was depleted in FY 2014, and since then the City has been making additional payments to SDCERS to fund the benefit. The FY 2020 Proposed Budget in Citywide

Department Review: Citywide Program Expenditures

Program Expenditures for this benefit is \$1.3 million, down \$236,000 from FY 2019. Approximately \$400,000 in additional budget is included in the City's non-general funds.

- Preservation of Benefits (POB) Pension Payments:

The City also makes additional payments to SDCERS to fund any pension payments in excess of IRS limits. The FY 2020 Proposed Budget for POB is \$1.5 million, unchanged from FY 2019.

Department Review: Communications

Communications

Impacts of Mayor’s FY 2020 Budget Proposal

The FY 2020 proposed budget for the Communications Department is approximately \$4.7 million and includes 32.00 FTE positions. This is a decrease of 1.00 FTE and an increase of \$45,000 over FY 2019. The Department has approximately \$417,000 in budgeted revenue in FY 2020, which is unchanged from the FY 2019 Adopted Budget.

Budget Expenditure Reductions

Reduction of Senior Public Information Officer

– As a part of the Department's effort to address the City shortfall projected in FY 2020, the FY 2020 Proposed Budget includes the reduction of 1.00 Senior Public Information Officer and \$97,000 in expenses. The position became vacant just recently and the workload has been spread among the Department’s other Public Information Officers (11 FTEs). The proposed reduction will not impact a specific project but may result in potential delays in services and communication to City staff and the public. We note that this is the third consecutive fiscal year in which a Public Information Officer position has been reduced.

Department Requests Not Funded

Public Records Act Program Support- For the FY 2020 Proposed Budget the Department requested the addition of 2.00 Program Coordinators and \$272,000 in expenses to supplement existing Public Records Act (PRA) Program staff. The PRA Program, which coordinates the City’s timely response to PRA requests and consists of 1.00 Program Manager and 2.00 Program Coordinators, was transferred from the Human Resources Department in the FY 2019 Adopted Budget. According to the Department, the incoming number of PRA requests are increasing by over 20% per year, and a significant backlog of over 400 open PRA requests dating back to 2017 currently exists.

SUMMARY OF COMMUNICATIONS DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	33.00	\$ 4,356,564	\$ 335,213	\$ 4,691,777	\$ 417,384
Programmatic Changes					
<i>Reduction of Sr. Public Information Officer</i>	(1.00)	(96,596)	-	(96,596)	-
Other Changes					
<i>Other Salaries & Wages</i>	-	50,964	-	50,964	-
<i>Non-Discretionary Adjustments</i>	-	-	27,200	27,200	-
<i>Other Adjustments</i>	-	-	63,529	63,529	-
FY 2020 Proposed Budget	32.00	\$ 4,310,932	\$ 425,942	\$ 4,736,874	\$ 417,384
<i>Difference from 2019 to 2020</i>	<i>(1.00)</i>	<i>\$ (45,632)</i>	<i>\$ 90,729</i>	<i>\$ 45,097</i>	<i>\$ -</i>

Department Review: Debt Management

Debt Management

Impacts of Mayor's FY 2020

Proposed Budget

The FY 2020 Proposed Budget for the Debt Management Department is approximately \$2.9 million, a reduction \$167,000 or 5.4% from the FY 2019 Adopted Budget. This decrease is due to a \$155,000 reduction in personnel expenses and a \$12,000 reduction in non-personnel expenses (NPE). There are 20.00 FTE positions in the Department, unchanged from FY 2019.

Reductions in Budgeted Revenue

Total budgeted revenue in the Department is reduced by \$167,000. Approximately \$130,000 of this amount is attributable to the elimination of one-time revenue in FY 2019 for services provided in support of the Enhanced Infrastructure Financing District (EIFD) in Otay Mesa. The remaining \$38,000 reflects an expected reduction in reimbursements from other departments or programs receiving financing services from the Department (e.g., the Public Utilities Department).

SUMMARY OF DEBT MANAGEMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	20.00	\$ 2,846,806	\$ 257,113	\$ 3,103,919	\$ 1,041,456
Other Changes					
<i>One-time Reduction in Revenue for Services to EIFD</i>	-	-	-	-	(129,811)
<i>Reduction in Reimbursement for Services Provided</i>	-	-	-	-	(37,645)
<i>Salary Adjustments</i>	-	37,277	-	37,277	-
<i>Other Fringe Adjustments (Includes Retirement ADC)</i>	-	(214,983)	-	(214,983)	-
<i>Budgeted Pay-in-Lieu Expense</i>	-	22,366	-	22,366	-
<i>Budget Reduction</i>	-	-	(5,000)	(5,000)	-
<i>Other NPE Adjustments</i>	-	-	(6,837)	(6,837)	-
FY 2020 Proposed Budget	20.00	\$ 2,691,466	\$ 245,276	\$ 2,936,742	\$ 874,000
<i>Difference from 2019 to 2020</i>	-	\$ (155,340)	\$ (11,837)	\$ (167,177)	\$ (167,456)

Office of the Independent Budget Analyst

April 2019

Department Review: Finance

Department of Finance

The Department of Finance (DoF) was established as a new department in the FY 2019 Adopted Budget. By merging the Office of the City Comptroller with the Financial Management Department, the goal was to maximize efficiencies and minimize redundancies within the fiscal management of the City. The mission of the DoF is “to provide the highest quality financial services with integrity, transparency, and accountability.”

Impacts of Mayor’s FY 2020 Budget Proposal

The FY 2020 Proposed Budget for the DoF is approximately \$19.8 million, an increase of \$3.2 million or 19.4% from the FY 2019 Adopted Budget. This change is attributable to salary increases resulting from internal restructuring and job reclassifications, the 3.3% general salary increase, and adjustments to fringe benefits. Department staffing remains at 113.27 FTE positions, unchanged from FY 2019.

Budgeted revenue increases by approximately \$95,000 from \$2.0 million in FY 2019 to \$2.1 million in FY 2020. The additional revenue results from a projected \$150,000 increase in reimbursements from other departments/funds that is partially offset by a \$55,000 reduction in one-time revenue added in FY 2019.

Budget Impact of Internal Restructuring and Reclassifications

In order to develop the envisioned operational and organizational structure for the new department, numerous positions have been repurposed and reclassified within the Department. Additionally, a new classification was approved to reflect the reorganized responsibilities of staff.

In last year’s review of the FY 2019 Proposed Budget, our Office identified \$157,000 of increased salary expense associated with the repurposing of 13.00 senior positions within the new department. Subsequently, in October of 2018,

SUMMARY OF DEPARTMENT OF FINANCE BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expenditures	Revenue
FY 2019 Adopted Budget	113.27	\$ 15,353,011	\$ 1,209,847	\$ 16,562,858	\$ 2,004,808
Programmatic Changes					
Budget Reduction of 1.00 Finance Analyst 2	(1.00)	(105,419)	-	(105,419)	-
Budget Add of 1.00 Supplemental Finance Analyst 2	1.00	90,521	-	90,521	-
Other Changes					
Estimated 3.3% General Salary Increases	-	295,924	-	295,924	-
Estimated Salary Increases Resulting from Restructuring	-	1,271,351	-	1,271,351	-
Budgeted Pay-In-Lieu	-	140,232	-	140,232	-
Adjustment in Hourly Wages	-	(1,264)	-	(1,264)	-
Other Salary Adjustments	-	148,639	-	148,639	-
Other Fringe Adjustments (Includes Retirement ADC)	-	1,370,368	-	1,370,368	-
Miscellaneous Adjustments to NPE	-	-	9,097	9,097	-
Revised Reimbursement Revenue Projections	-	-	-	-	150,000
Removal of One-Time Revenue From FY 19	-	-	-	-	(52,000)
Other Revenue Adjustments	-	-	-	-	(2,808)
FY 2020 Proposed Budget	113.27	\$ 18,563,363	\$ 1,218,944	\$ 19,782,307	\$ 2,100,000
Difference from 2019 to 2020	-	\$ 3,210,352	\$ 9,097	\$ 3,219,449	\$ 95,192

Office of the Independent Budget Analyst

April 2019

Department Review: Finance

the City Council approved the Department's request (recommended by the Personnel Department and approved by the Civil Service Commission) to create new Finance Analyst (1, 2, 3, & 4) classifications. This new classification series includes an increased salary structure to reflect the Personnel Department's analysis of reconfigured responsibilities for staff within the new department.

The FY 2020 Proposed Budget shows the elimination of prior classifications (52.00 Accountants 2, 3, & 4; 7.00 Associate Budget Analysts; and 11.00 Senior Budget Analysts) and the addition of 67.00 Finance Analysts (2, 3, & 4). This change, coupled with the reclassification of other positions within the Department, results in an estimated salary increase of approximately \$1.3 million or 14.2%. This increase in salaries is over and above the general 3.3% salary increase; however, a portion of the \$1.3 million salary increase in the FY 2020 Proposed Budget was previously authorized last April as a special salary adjustment for the Accountant 2, 3, and 4 classifications.

Proposed Addition of 1.00 Internal Controls Support Position

The Department currently has a supplemental (unbudgeted) position providing citywide internal controls support. The associated personnel cost for this position is \$91,000. The FY 2020 Proposed Budget adds this position (a Finance Analyst 2) to the Department's budget thereby changing the characterization of the position from supplemental to budgeted.

Budget Reduction of 1.00 Finance Analyst 2

A reduction of 1.00 Finance Analyst 2 has been proposed in response to the request for 3% budget reductions made to all General Fund departments. The associated personnel cost for this position is

\$105,000 or 0.64% of the Department's FY 2019 Adopted Budget. This position supports development of the annual budget. Although the position is currently filled, Department management believes there will be other promotional opportunities within the Department for the impacted employee prior to July 1, 2019.

The Department indicates the loss of this position will result in the loss of the following services unless staff overtime is authorized:

- Eliminating and scaling back programmatic and department specific write-up in Volume I of the annual budget
- Eliminating the annual Technical Budget Review of the City's four agencies (Civic SD, Housing Commission, SDCERS, and the Convention Center)
- Eliminating support for reports developed on behalf of departments during internal budget review meetings

Department of Information Technology

Impacts of the Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget for the Department of Information Technology is approximately \$103.1 million. This is a \$48.8 million, or 89.9%, increase from the FY 2019 Adopted Budget. Revenue is similarly increased by \$44.5 million or 82.9%. This large increase in expenditures and revenues is primarily due to a new practice for FY 2020 whereby all fixed information technology expenses will be made out of the Information Technology Fund and reimbursed by other City departments. This is discussed in more detail later in this section under Information Technology Fund. There are 129.21 FTE positions in the department's Proposed Budget, reflecting an increase of 9.21 FTE positions.

The Department of Information Technology is comprised of five different funds:

- General Fund
- GIS Fund
- Information Technology Fund
- OneSD Support Fund
- Wireless Communications Technology Fund

Each fund serves a distinct purpose and the proposed budgets for each will be discussed separately.

General Fund

The Department of Information Technology's General Fund budget is entirely dedicated to purchasing desktop computer replacements for General Fund departments in the City. There are no positions budgeted in this fund. The FY 2020 Proposed Budget is approximately \$267,000. This is a reduction of over \$899,000 from the \$1.1 million budget in FY 2019.

The FY 2019 Adopted Budget provided for cash funding replacement of 20% of the City's General Fund desktop computers. The goal is to replace computers every 5 years. The FY 2018 and FY 2017 budgets only provided funding to replace 9.3% and 10% of General Fund computers, respectively.

The FY 2020 Proposed Budget reduces funding back down to those levels; however, the Department of Information Technology intends to lease desktop computers, achieving the 20% replacement goal at a reduced cost for FY 2020. This will be a pilot program in FY 2020. It should be

SUMMARY OF DEPARTMENT OF INFORMATION TECHNOLOGY BUDGET CHANGES						
Fund	FY 2019 FTE	FY 2019 FTE	Change	FY 2019 Budget	FY 2019 Proposed	Change
General Fund	-	-	-	\$ 1,139,200	\$ 267,172	\$ (872,028)
GIS Fund	2.00	9.83	7.83	2,643,379	3,795,848	\$ 1,152,469
Information Technology Fund	45.00	45.00	-	12,954,174	61,904,003	\$ 48,949,829
OneSD Support Fund	29.00	30.00	1.00	28,225,091	27,138,777	\$ (1,086,314)
Wireless Communications Technology Fund	44.00	44.38	0.38	9,332,446	10,018,483	\$ 686,037
Total Combined	120.00	129.21	9.21	\$ 54,294,290	\$ 103,124,283	\$ 48,829,993

Department Review: Dept of Information Technology

noted, that if this practice continues and all General Fund desktops computers are placed into the lease plan by the 5th year, the total cost would be approximately \$1.3 million per year based on the current estimates.

GIS Fund

The GIS Fund is used to support management of geographical information systems (GIS) used by various City departments. The costs of these applications, plus Department of Information Technology's staff support, are allocated to the City departments that use GIS. The FY 2020 Proposed Budget for the GIS Fund is approximately \$3.8 million with a roughly equivalent amount of revenue. This is approximately \$1.2 million higher, or 43.6%, than the FY 2019 Adopted Budget.

Significant Budget Additions

Staffing levels are increasing in the GIS Fund by 12.00 FTE positions.

- The department is adding 10.00 FTE GIS Analysts to standardize data capture and quality assurance, as well as coordinate and collaborate with regional agencies. The positions will be filled throughout the year; therefore, 5.83 FTE positions are added in FY 2020 and the balance of 4.17 FTE positions will be annualized in the FY 2021

budget. This work is currently being done by vendors and the Department anticipates a reduction in contract expenses starting in FY 2021 or FY 2022 once the team of City staff is up and running.

- 2.00 FTE positions are reallocated from the Information Technology Fund to the GIS Fund to better align the positions with the function they support.
- Revenue is increased by approximately \$1.2 million to balance out the increase in expenditures in the GIS Fund. This is allocated to the various City departments that use GIS.

Information Technology Fund

The Information Technology Fund supports the operational budget for Department of Information Technology staff who provide a variety of information technology related activities for the City. In order to reimburse the Information Technology Fund for costs incurred, departments are assigned a budgetary allocation each year based on their prior-year amount of information technology spending.

The FY 2020 Proposed Budget for the Information Technology Fund is \$61.9 mil-

SUMMARY OF GIS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	2.00	\$ 216,440	\$ 2,426,939	\$ 2,643,379	\$ 2,581,074
Programmatic Changes					
GIS Analysts	5.83	567,649	41,500	609,149	-
Transfer from Information Technology Fund	2.00	452,358	-	452,358	-
Other Changes					
Information Technology Adjustments	-	-	82,098	82,098	-
Salary and Benefit Adjustments	-	6,427	-	6,427	-
Non-Discretionary Adjustments	-	-	2,437	2,437	-
Revised Revenue	-	-	-	-	1,186,914
FY 2020 Proposed Budget	9.83	\$ 1,242,874	\$ 2,552,974	\$ 3,795,848	\$ 3,767,988
Difference from 2019 to 2020	7.83	\$ 1,026,434	\$ 126,035	\$ 1,152,469	\$ 1,186,914

Office of the Independent Budget Analyst

April 2019

Department Review: Dept of Information Technology

lion. This is an increase of \$48.9 million, or 79.1%, from the FY 2019 Adopted Budget. The revenue budget is similarly increased by approximately \$47.1 million, bringing the total revenue budget to \$60.3 million for FY 2020. The Information Technology Fund has 45.00 FTE positions.

Fixed Information Technology Expenses

Beginning in FY 2020, all fixed information technology expenses will be made out of the Information Technology Fund and be reimbursed by other City departments. In the past, these expenses were made directly out of each City department/fund. With the conversion to SAP Ariba, only one line of accounting can be used. The department states that this change will improve tracking, accounting and efficiencies. In order to effect this change, the spending authority in the Information Technology Fund is increased by \$49.3 million, with an equal increase in revenue reimbursement from other City departments.

Data Center Transition

The Information Technology Fund budget includes \$821,000 for transition of the data center in FY 2020. This is almost entire-

ly offset by revenue from other City departments, with the remainder being Department of Information Technology's portion of the cost.

Cyber Security

Cyber security enhancements result in a net budget increase of \$513,000 in the Information Technology Fund for FY 2020 with offsetting revenue of \$509,000 from other City departments. This includes:

- Centralized security, control, management and monitoring of city account access to critical systems, which is required to comply with audit findings and follow best practices;
- Consulting to appraise the City's cyber "posture" and mitigate risks, which fulfills audit recommendations and compliance requirements; and
- Cyber security and network monitoring to address security gaps.
- These are offset by savings from the consolidation of disk storage for email retention and reduction of cyber security tools due to operational efficiencies.

SUMMARY OF INFORMATION TECHNOLOGY FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	45.00	\$ 7,034,149	\$ 5,920,025	\$ 12,954,174	\$ 13,188,511
Programmatic Changes					
Citywide Fixed IT Expense Pass-through	-	-	49,267,162	49,267,162	49,267,162
Data Center Transition	-	-	820,750	820,750	806,996
Cyber Security	-	-	513,036	513,036	509,181
Web Hosting & Support	-	-	218,000	218,000	-
Program Coordinator for Phone Systems	1.00	143,730	4,150	147,880	143,149
Program Coordinator to Expand Digital Strategies	1.00	135,894	4,150	140,044	-
Transfer to GIS Fund	(2.00)	(452,358)	-	(452,358)	-
Other Changes					
Salary and Benefit Adjustments	-	334,912	-	334,912	-
Non-Discretionary Adjustments	-	-	10,786	10,786	-
Other Adjustments	-	-	(246,111)	(246,111)	(3,362,971)
Information Technology Reductions	-	-	(1,804,272)	(1,804,272)	(225,435)
FY 2020 Proposed Budget	45.00	\$ 7,196,327	\$ 54,707,676	\$ 61,904,003	\$ 60,326,593
Difference from 2019 to 2020	-	\$ 162,178	\$ 48,787,651	\$ 48,949,829	\$ 47,138,082

Office of the Independent Budget Analyst

April 2019

Department Review: Dept of Information Technology

Significant Budget Additions

Other notable increases in the Information Technology Fund's FY 2020 Proposed Budget are:

- \$218,000 for web hosting and support of the sandiego.gov website
- 1.00 FTE Program Coordinator to manage customer facing phone systems, address issues as they arise, and coordinate with City departments and vendors
- 1.00 FTE Program Coordinator to expand the City's digital services strategy on the City's website with self-services and automation for businesses and residents and also creating efficiencies through the use of electronic signatures to automate paper/manual processes

Significant Budget Reductions

The FY 2020 Proposed Budget for the Information Technology Fund includes the following reductions and savings:

- 2.00 FTE positions transferred to the GIS Fund to better align the positions with the function they support.
- \$1.8 million of reductions in information technology expenses from efficiencies and implementing cost saving measures, including consolidating

servers and modernizing telephone service.

OneSD Support Fund

The OneSD Support Fund is used for ongoing technical support, maintenance and management of the City's Enterprise Resource Planning system, SAP. The costs associated with SAP are allocated to City departments, with each department's allocation varying by the types of SAP programs used, the number of full-time equivalent positions in each department, and each department's budget.

The FY 2020 Proposed Budget for the OneSD Support Fund is approximately \$27.1 million. This is a reduction of 3.8%, or \$1.1 million from the FY 2019 Adopted Budget. Revenue has also been reduced, by approximately \$2.7 million. The OneSD Support Fund has 30.00 FTE positions in the Proposed Budget, an increase of 1.00 FTE position from FY 2019.

Significant Budget Additions

The FY 2020 Proposed Budget for the OneSD Support Fund includes the following increases:

- \$225,000 in one-time expense to improve the Enterprise Asset Management (EAM) Work Manager mobile de-

SUMMARY OF ONESD SUPPORT FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	29.00	\$ 5,177,677	\$ 23,047,414	\$ 28,225,091	\$ 27,824,407
Programmatic Changes					
Enterprise Asset Manager (EAM) Work Manager	-	-	225,000	225,000	-
Program Coordinator for Payroll System	1.00	151,991	4,150	156,141	-
Other Changes					
Information Technology Adjustments	-	-	232,636	232,636	-
Salary and Benefit Adjustments	-	167,004	-	167,004	-
Other Adjustments	-	-	(98,000)	(98,000)	(2,700,326)
Reductions	-	-	(846,808)	(846,808)	-
Non-Discretionary Adjustments	-	-	(922,287)	(922,287)	-
FY 2020 Proposed Budget	30.00	\$ 5,496,672	\$ 21,642,105	\$ 27,138,777	\$ 25,124,081
Difference from 2019 to 2020	1.00	\$ 318,995	\$ (1,405,309)	\$ (1,086,314)	\$ (2,700,326)

Office of the Independent Budget Analyst

April 2019

Department Review: Dept of Information Technology

vice solution for City staff based on feedback received from the users

- 1.00 FTE Program Coordinator to support the payroll system and work concurrent with the City's consultant, with the eventual goal of bringing all of the work in-house

Significant Budget Reductions

The OneSD Support Fund has net reductions of \$847,000 due to efficiencies and other cost-saving measures that will not impact service delivery.

contract. The Public Safety Radio System supports Police, Fire-Rescue, and other City departments. The Public Utilities Department's portion of the cost increase is \$200,000, which is budgeted as revenue to the Wireless Communications Technology Fund.

Significant Budget Reductions

The Wireless Communications Technology Fund is reducing overtime by \$36,000, or half of the overtime budget. Technicians are on call 24/7 and this overtime is used for unplanned events.

Wireless Communications Technology Fund

The Wireless Communications Fund supports service delivery of public safety wireless communications technologies. The FY 2020 Proposed Budget for this fund is \$10.0 million, with offsetting revenue of approximately \$9.0 million and 44.38 FTE positions. The FY 2020 budget reflects an increase of 6.8%, or roughly \$686,000, from FY 2019 with an increase of 0.38 FTE hourly positions.

Significant Budget Additions

An increase of \$500,000 is included in the Wireless Communications Technology Fund's FY 2020 Proposed Budget for the Public Safety Radio System's maintenance

SUMMARY OF WIRELESS COMMUNICATION TECHNOLOGY FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	44.00	\$ 5,530,406	\$ 3,802,040	\$ 9,332,446	\$ 10,115,149
Programmatic Changes					
Public Safety Radio System	-	-	500,000	500,000	200,000
Reduction of Overtime	-	(36,000)	-	(36,000)	-
Other Changes					
Salary and Benefit Adjustments	-	146,896	-	146,896	-
Non-Discretionary Adjustments	-	-	57,366	57,366	-
Other Adjustments	0.38	61,061	(51,679)	9,382	(1,285,693)
Information Technology Adjustments	-	-	8,393	8,393	-
FY 2020 Proposed Budget	44.38	\$ 5,702,363	\$ 4,316,120	\$ 10,018,483	\$ 9,029,456
Difference from 2019 to 2020	0.38	\$ 171,957	\$ 514,080	\$ 686,037	\$ (1,085,693)

Office of the Independent Budget Analyst

April 2019

Department Review: Development Services

Development Services

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget for the Development Services Department (DSD) includes \$85.9 million in expenditures and 540.50 FTEs. This is an increase of approximately \$4.6 million in expenditures and a net reduction of 8.60 FTE from the FY 2019 Adopted Budget.

To accommodate the Department's multiple areas of responsibility and funding sources, the Department is arranged into seven primary divisions across three individual funds. Due to the complex budget structure and funding sources, the analysis of the FY 2020 Proposed Budget in this section is organized by major funds.

General Fund

The FY 2020 Proposed Budget totals approximately \$7.9 million, representing a decrease of approximately \$216,000 from the FY 2019 Adopted Budget. The FY 2020 Proposed Budget includes 70.00 FTEs, which is a reduction of 3.00 FTE from the FY 2019 Adopted Budget. Revenues are projected to total approximately \$600,000,

which represent no change from the FY 2019 Adopted Budget.

Significant Budget Expenditure Reductions

Reduction of Code Enforcement Staff- The FY 2020 Proposed Budget includes the reduction of code enforcement staff, consisting of 2.00 Combination Inspector 2's, 1.00 Code Enforcement Officer, and \$264,871 in expenses as a part of the Department's efforts to address the City's shortfall projected in FY 2020. All three positions are currently vacant.

The Department has indicated that it expects to be able to manage their current case load effectively with remaining staff. Direct code enforcement resources will total 50.00 FTEs after this reduction of which four positions are currently in the process of being filled; all five code enforcement positions added in the FY 2019 Adopted Budget by the City Council have been filled.

We note that this reduction is contrary to several Councilmembers budget priority memoranda which recommended additional resources be allocated to code enforcement work.

SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	73.00	\$ 7,134,551	\$ 992,447	\$ 8,126,998	\$ 600,369
Programmatic Changes					
<i>Reduction of Code Enforcement Staff</i>	(3.00)	(264,871)	-	(264,871)	-
<i>Project Tracking System (Accela)</i>	-	-	200,000	200,000	-
<i>One-time Reductions and Annualizations</i>	-	-	(200,000)	(200,000)	-
Other Changes					
<i>Other Salaries & Wages</i>	-	230,959	-	230,959	-
<i>Non-Discretionary Adjustments</i>	-	-	(182,559)	(182,559)	-
FY 2020 Proposed Budget	70.00	\$ 7,100,639	\$ 809,888	\$ 7,910,527	\$ 600,369
<i>Difference from 2019 to 2020</i>	<i>(3.00)</i>	<i>\$ (33,912)</i>	<i>\$ (182,559)</i>	<i>\$ (216,471)</i>	<i>\$ -</i>

Department Review: Development Services

Other Budget Adjustments

Project Tracking System (Accela)- The FY 2020 Proposed Budget includes \$200,000 in expenses representing the General Fund's final payment towards the Accela System acquisition.

Development Services (Enterprise Fund)

The FY 2020 Proposed Budget is approximately \$77.0 million, an increase of approximately \$4.6 million and a decrease of 5.60 FTEs from the FY 2019 Adopted Budget. Revenues are projected to be approximately \$73.9 million, an increase of approximately \$9.4 million over the FY 2019 Adopted Budget.

Significant Budget Additions

Relocation Expenses to 101 Ash Street - The FY 2020 Proposed Budget includes approximately \$606,000 for moving costs and additional furniture associated with the Department's anticipated relocation to 101 Ash Street in Fall 2019. \$1.4 million was funded in FY 2019 for the same purpose, however, it was not spent due to relocation delay.

101 Ash Street Tenant Improvement Transfer- The FY 2020 Proposed Budget includes approximately \$415,000 in expenses which represents the Fund's first semi-annual payment towards its interfund loan with the General Fund to finance its portion of 101 Ash Street tenant improvements.

Regional Water Quality Control Board Penalty - The FY 2020 Proposed Budget includes \$361,000 in one-time expenses related to the July 2016 settlement with the Regional Water Quality Control Board for City infractions related to project inspections and storm water run-off. The FY 2020 amount is the last of three annual funding requirements for supplemental environmental projects.

Reorganizations/Operational Changes

Park Development Project- The FY 2020 Proposed Budget includes the transfer of 1.00 Park Designer and \$111,000 to the Parks and Recreation Department to centralize the development of park projects.

Significant Revenue Changes

Revised Revenue - The FY 2020 Proposed Budget includes the addition of approximately \$9.4 million in additional revenue.

SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT - ENTERPRISE FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	470.10	\$ 51,535,205	\$ 20,909,965	\$ 72,445,170	\$ 64,479,323
Programmatic Changes					
Relocation to 101 Ash Street	-	-	606,035	606,035	-
101 Ash Street Tenant Improvement Transfer	-	-	415,000	415,000	-
Regional Water Quality Control Board Penalty	-	-	360,840	360,840	-
Park Development Project (Transfer to Parks and Rec.)	(1.00)	(110,586)	-	(110,586)	-
Project Tracking System (Accela)	-	-	-	-	200,000
One-Time Reductions and Annualizations	-	-	(2,488,152)	(2,488,152)	(243,439)
Revised Revenue	-	-	-	-	9,447,769
Other Changes					
Other Salaries & Wages	(4.60)	5,795,911	-	5,795,911	-
Non-Discretionary Adjustments	-	-	(1,162,646)	(1,162,646)	-
Support for Information Technology	-	-	1,335,789	1,335,789	-
Other Adjustments	-	-	(171,666)	(171,666)	-
FY 2020 Proposed Budget	464.50	\$ 57,220,530	\$ 19,805,165	\$ 77,025,695	\$ 73,883,653
Difference from 2019 to 2020	(5.60)	\$ 5,685,325	\$ (1,104,800)	\$ 4,580,525	\$ 9,404,330

Office of the Independent Budget Analyst

April 2019

Department Review: Development Services

This adjustment is based on FY 2019 year-end revenue projections and assumes the full 4.5% allowable fee increase for FY 2020 is enacted, plus a 3.7% Consumer Price Index (CPI) increase. Total revenues are projected to be \$73.9 million in the Proposed Budget. This represents a \$3.1 million deficit compared to expenses totaling \$77.0 million. The impact of this deficit is absorbed through the full use of the Fund's \$2.9 million operating reserve and a \$215,000 use of fund balance.

Please see the "Development Services Fund Five-Year Outlook" section below for additional information concerning the fee increase assumed for this revenue adjustment.

Other

One-Time Reductions and Annualizations—The FY 2020 Proposed budget includes One-Time Reductions and Annualizations totaling \$2.5 million in expenditures and \$243,000 in revenues. The reduction in expenditures is primarily related to the \$1.4 million in one-time funding in the FY 2019 Adopted Budget for relocation costs to the 101 Ash Street building (as noted previously, this amount was not spent), \$500,000 for Accela consulting services and \$361,000 for the Regional Water Quality Control Board penalty. The reduction in revenues is related to one-time transfers for the Accela financing payment in FY 2019.

Issues for Council Consideration

Development Services Fund Five-year Outlook

In June 2018, the City Council approved adjustments to the Department's fee structure, which included an increase of 6% in FY 2019, as well as not-to-exceed

thresholds of up to 4.5% in FY 2020 and up to 3.5% in FY 2021. Also included are annual increases tied to the CPI. Based on our Office's recommendation, the City Council required that the Department submit a memorandum including an analysis of the Fund's Five-Year Outlook used to determine the actual fee increases proposed for FY 2020 and FY 2021 prior to Council's review of each proposed budget.

The Department is in the process of finalizing this analysis for FY 2020 and expects to release it prior to the Department's Budget Review Committee date on May 1, 2019. Although, given the necessity to use both operating reserves and fund balance, as discussed previously in this review, it is evident that the full 4.5% fee increase for FY 2020 will be necessary. Less clear however is the impact of recently approved special salary increases which were not known when the fee increases were approved in June 2018. The Department has indicated that this will be addressed in their analysis.

Local Enforcement Agency Fund

The FY 2020 Proposed Budget is approximately \$1.0 million, a decrease of approximately \$139,000 from the FY 2019 Adopted Budget. There is no change in the number of staff from FY 2019 (6.00 FTEs). Department revenues are projected to be unchanged from the FY 2019 Adopted Budget.

Economic Development

Impacts of Mayor’s FY 2020 Budget Proposal

The FY 2020 Proposed Budget for the Economic Development Department is approximately \$15.3 million. The Economic Development Department has two funds. Operations and program support, including positions, are budgeted in the General Fund at approximately \$13.3 million proposed for FY 2020. Support for Civic San Diego (CivicSD) is budgeted in the Successor Agency Admin & Project—CivicSD Fund at approximately \$2.0 million for FY 2020. These funds are discussed separately in the following sections.

General Fund

The General Fund component of the Economic Development Department provides funding for the staff and financial support for various economic and community development programs. The FY 2020 Pro-

posed Budget is approximately \$13.3 million, which is an increase of approximately \$6,000, or 0.04% from the FY 2019 Adopted Budget. The proposed budget has 61.00 FTE positions to support operations, an increase of 1.65 FTE positions from the FY 2019 Adopted Budget. The General Fund portion of Economic Development is supported by approximately \$6.1 million of revenue, reflecting an increase of approximately \$557,000 from the FY 2019 Adopted Budget.

Homelessness Programs

The Economic Development Department’s FY 2019 Adopted Budget included \$3.0 million in funding support for various homelessness programs. However, the FY 2020 Proposed Budget has reduced this amount to \$2.5 million. The majority of this decrease is due to the shifting of funding for the Safe Parking Program (\$410,667) from the General Fund to the Homeless Emergency Aid Program (HEAP) as part of the department’s contribution to

SUMMARY OF ECONOMIC DEVELOPMENT (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	59.35	\$ 7,155,403	\$ 6,097,352	\$ 13,252,755	\$ 5,590,753
Programmatic Changes					
Safe Parking Program Transfer to HEAP	-	-	(410,667)	(410,667)	-
Reduction of Subsidy to Office of Sustainability	-	-	(264,469)	(264,469)	-
San Diego Misdemeanants At Risk Track (SMART) One-Time Removal	-	-	(40,000)	(40,000)	-
New Assistant Director for Community Development	1.00	165,991	-	165,991	165,931
Corporate Partnerships and Development Restructure	1.00	172,473	23,298	195,771	391,021
Reduction of 3% for CONNECT2CAREERS	-	-	(9,720)	(9,720)	-
Reduction of 3% for SD Economic Development Corp	-	-	(4,500)	(4,500)	-
Reduction of 3% for SD Housing Commission	-	-	(68,613)	(68,613)	-
Other Changes					
Salary and Benefit Adjustments	-	490,810	-	490,810	-
Non-Discretionary Adjustments	-	-	(49,623)	(49,623)	-
Non Standard Hourly Personnel (Zero-based)	(0.35)	(18,514)	-	(18,514)	-
Information Technology Adjustments	-	-	19,413	19,413	-
FY 2020 Proposed Budget	61.00	\$ 7,966,163	\$ 5,292,471	\$ 13,258,634	\$ 6,147,705
Difference from 2019 to 2020	1.65	\$ 810,760	\$ (804,881)	\$ 5,879	\$ 556,952

Department Review: Economic Development

the 3% cost savings reduction. There are also reductions of \$40,000 for the San Diego Misdemeanants At Risk Track (SMART) Program, as this funding was for start-up costs and was considered one-time only, as well as \$69,000 for the Housing Commission, which will be back-filled with other HEAP funding.

The remaining \$2.5 million in ongoing funding is for the following programs:

- Interim Housing & Services (\$1.6 million)
- Housing Navigation Center (\$300,000)
- Connections Housing (\$272,000)
- Serial Inebriate Program (\$290,000)
- Transitional Storage Center (\$125,000)

For a more complete picture of how homelessness initiatives are funded in the proposed budget, refer to the Homelessness Programs section earlier in this report.

Transfer of Climate Action Plan (CAP) to the Sustainability Department

The FY 2019 Adopted Budget transferred CAP staff out of the Economic Development Department and into the newly formed Sustainability Department. This included a transfer in non-personnel expenditures to provide General Fund support to the new Sustainability Department, which is budgeted in the Energy Conservation Program Fund, in order to pay for the CAP positions. With the Sustainability Department receiving its own General Fund appropriation in the FY 2020 Proposed Budget, this transfer is removed from the Economic Development budget, resulting in a reduction of approximately \$264,000 in expenditures.

Significant Budget Reductions

Economic Development's proposed budget includes 3% operating reductions in support for various pass-through entities as listed below. According to Economic Development, these entities were notified of these pending reductions well ahead of time, and most of them have indicated that they will either be able to absorb these reductions or find other funding sources.

- \$9,720 reduction in support for the CONNECT2Careers (C2C) program. The remaining allocation in Economic Development's General Fund budget for C2C is \$314,000. The FY 2020 CDBG Reinvestment Initiative allocations, approved by City Council on April 23, 2020, include \$225,000 for C2C and \$350,000 for a new C2C mentorship program.
- \$4,500 reduction for the San Diego Economic Development Corporation (SDEDC). According to Economic Development, SDEDC is hopeful of obtaining an outside grant in order to backfill this reduction.
- Approximately \$69,000 reduction in support to the Housing Commission as previously mentioned. These funds will be backfilled with HEAP funding.

Issues for Council Consideration

Economic Development operates the Small Business Enhancement Program (SBEP). The FY 2020 Proposed Budget contains \$1.2 million for SBEP, which is the same amount contained in the FY 2019 Adopted Budget. This amount, however, is lower than what Council Policy 900-15 dictates, which specifies that SBEP receive \$20 for

Department Review: Economic Development

each small business in the City. Based on the most recent estimate provided by Economic Development, there are over 99,000 small businesses (those with 12 employees or fewer) which would necessitate an appropriation of almost \$2.0 million. **This is**

Successor Agency Fund

a policy consideration for the City Council.

The Successor Agency Admin & Project—CivicSD Fund was established in the FY 2018 Budget to allow for better transparency in monitoring the administrative and project management expenses associated with Civic San Diego's work for the City on redevelopment wind down functions. The proposed allocation for FY 2020 is approximately \$2.0 million of expenditures with an equal amount of revenues from the Recognized Obligation Payment Schedule (ROPS) and the Property Management Fund.

Comparing Civic San Diego's FY 2020 budget of approximately \$2.0 million to the FY 2019 budget of approximately \$2.0 million, shows an approximate \$28,000 increase. A more detailed review of the Civic San Diego FY 2020 budget will be issued by the IBA during the week of April 29, 2019.

Environmental Services

Impacts of Mayor’s FY 2020 Budget Proposal

The FY 2020 Proposed Budget for the Environmental Services Department (ESD) is approximately \$115.6 million, an increase of approximately \$10.2 million and 5.56 FTE positions from the FY 2019 Adopted Budget. Revenues are projected to total approximately \$59.3 million, an increase of \$2.7 from the FY 2019 Adopted Budget.

To accommodate the Department’s multiple areas of responsibility and funding sources, the Department is divided into four primary divisions across four individual funds. The analysis of the FY 2020 Proposed Budget in this section is organized by the Department’s four funds.

General Fund

The FY 2020 Proposed Budget for the General Fund is approximately \$47.9 million, an increase of approximately \$3.3 million from the FY 2019 Adopted Budget. The FY 2020 Proposed Budget includes 172.08 FTE

positions which represents no material change from the FY 2019 Adopted Budget. Department revenues are projected to total approximately \$1.6 million, an increase of \$290,000 from the FY 2019 Adopted Budget.

Significant Budget Additions

Clean SD Expansion— The FY 2020 Proposed Budget includes 3.00 FTEs and approximately \$2.7 million in one-time expenditures for the Environmental Services Department to expand the Clean SD Program. In addition, \$3.5 million is included in the Police Department’s FY 2020 Proposed Budget as an additional component of the Clean SD Program expansion. This is discussed in the “Police Department” section of this report.

The majority of the funding for the program’s expansion, \$2.5 million, is proposed to be directed toward non-profit contractors to perform waste abatements and litter removal. 3.00 *term-limited* FTEs, including 2.00 Code Compliance Officers and 1.00 Code Compliance Supervisor, will be expected to monitor the performance of these contractors.

ENVIRONMENTAL SERVICES DEPARTMENT FY 2020 PROPOSED BUDGET EXPENDITURES						
Divisions	FTE	General Fund	Automated Refuse Container Fund Replacement	Refuse Disposal Fund	Recycling Fund	TOTAL
Collection Services	199.80	\$ 34,472,830	\$ 1,333,324	\$ 1,224,324	\$ 20,247,794	\$ 57,278,272
Disposal & Environmental Protection	104.00	1,820,758	-	26,819,085	1,623,456	30,263,299
Environmental Services	35.00	2,359,079	-	4,362,906	2,723,772	9,445,757
Waste Reduction	90.26	9,253,087	-	6,824,409	2,546,211	18,623,707
TOTAL	429.06	\$ 47,905,754	\$ 1,333,324	\$ 39,230,724	\$ 27,141,233	\$ 115,611,035

Department Review: Environmental Services

According to the Department, certain service levels that are currently in place will continue, while others will be increased in FY 2020 given the additional one-time funding.

New Service Levels

- *Scheduled Waste Abatements*– Currently, scheduled waste abatements occur in the downtown area daily, in riverbeds and canyons twice per week and other areas as requested. This will continue at this level in FY 2020, however, a second shift will be contracted to perform waste abatements from 2.00 p.m. to 10:30 p.m. These waste abatement are primarily associated with homeless camps.
- *Flexible Litter Removal Crews*– Currently, five crews, consisting of two City crews (10 FTEs) and three crews that are contracted with Urban Corps, respond to requests received through the Department’s call center and the Get It Done application to remove illegal

dumping and perform litter removal Citywide. For FY 2020, the contractual crews will increased to provided litter removal 24 hours per day, seven days per week.

Continuing Service Levels

- *Sidewalk Sanitization*– Service occurs weekly in East Village and once every other week downtown. Other areas of the City are sanitized once per week on a request basis, with a general focus on beach areas, Sports Arena, Uptown, Logan Heights and San Ysidro. This service frequency is expected to continue in FY 2020. Annual expenses for these services are approximately \$1.3 million under a five year contract with Clean Harbors.
- *Riverbed Clean-up*– Currently occurs twice per week in the San Diego River and smaller channels such as Chollas Creek and this will continue at this level in FY 2020.

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	171.72	\$ 16,889,681	\$ 27,729,399	\$ 44,619,080	\$ 1,329,345
Programmatic Changes					
Clean SD Expansion	3.00	230,409	2,470,415	2,700,824	-
Reduction in Tipping Fee	-	-	(900,000)	(900,000)	-
Mission Beach Trash Collection	-	40,000	30,000	70,000	70,000
CNG Fuel Station Maintenance Contract	-	-	210,000	210,000	-
Reduction of Senior Code Compliance Supervisor	(1.00)	(75,517)	-	(75,517)	-
Reduction of Assistant Engineer-Mechanical	(0.60)	(93,081)	-	(93,081)	-
Reduction of Asbestos and Lead Inspector 2	(1.00)	(150,498)	-	(150,498)	-
Reduction of Utility Worker 2	(1.00)	(63,494)	-	(63,494)	-
One-Time Reductions and Annualizations	-	-	(360,000)	(360,000)	-
Reduction in HUD Grant Revenue	-	-	-	-	(155,000)
Facility Franchise Agreement Establishment	-	-	-	-	290,000
Revised Revenue	-	-	-	-	85,000
Other Changes					
Other Salaries & Wages	0.96	576,564	-	576,564	-
Non-Discretionary Adjustments	-	-	1,570,371	1,570,371	-
Other Adjustments	-	-	(198,495)	(198,495)	-
FY 2020 Proposed Budget	172.08	\$ 17,354,064	\$ 30,551,690	\$ 47,905,754	\$ 1,619,345
Difference from 2019 to 2020	0.36	\$ 464,383	\$ 2,822,291	\$ 3,286,674	\$ 290,000

Department Review: Environmental Services

- *Curbside Community Clean-Ups/Collection* – A total of 43 curbside collection events are expected to be held by the end of FY 2019. For these events a neighborhood/area is selected for residents to leave bulky items that do not fit in the City’s refuse containers curbside for collection by the Department. In FY 2020, the number of events are expected to remain the same from FY 2019.

The Clean SD Program originally evolved from the Litter and Graffiti Abatement Pilot Program that was initially funded by the General Fund in the FY 2018 Adopted Budget in the amount of \$800,000 (one-time). Later, various clean-up and sanitization efforts that the City undertook in response to the hepatitis A outbreak, as well as other waste abatement efforts the Department had previously been conducting, were rebranded under the “Clean SD” umbrella and supplemented with 16.00 FTEs and \$4.2 million (\$3.9 million ongoing) in the FY 2019 Adopted Budget to deliver the specific *ongoing* service levels that are largely outlined above.

For FY 2020, one-time funds totaling \$2.7 million, including the addition of 3.00 term-limited (non-permanent) FTE positions, are proposed to further expand the Clean SD Program. Through this addition, service levels for litter removal and waste abatement will be increased, albeit only temporarily given the use of one-time funds.

While we recognize that additional funding for Clean SD activities was a priority for a majority of Councilmembers in their budget priority memoranda, our Office raises some concern with this approach. For one, the increased service levels being proposed are to occur at a very specific frequency (i.e., litter removal 24 hours/7

days per week and a second waste abatement shift daily) and do not seem of a one-time nature. Furthermore, we understand from the Department that the overall amount of litter and waste currently being collected is not slowing significantly when viewed on a month-to-month basis: an indication that it is likely additional funding would be required on an ongoing annual basis to maintain a similar level of street and sidewalk cleanliness. Using one-time funds to increase these types of service levels for an ongoing program such as Clean SD raises public expectations for ongoing service levels.

Compressed Natural Gas (CNG) Fueling Station Maintenance– The FY 2020 Proposed Budget includes \$210,000 in ongoing expenditures to provide both preventative and as-needed maintenance for the CNG fueling station. Given that the fueling station supports the Department’s fleet of both refuse and recycling vehicles, this funding from the General Fund represents 60% of the total maintenance costs; the Recycling Fund is responsible for the balance (40%).

Mission Beach Trash Collection– The FY 2019 Proposed Budget includes \$70,000 in one-time funding to perform two collections per week during the summer months. This is the same level of service that was funded in the FY 2018 Adopted Budget.

Significant Budget Expenditure Reductions

Delay in Reduction to Tipping Fee Discount – From FY 2009 to FY 2016, all City departments received a \$5 per ton disposal discount for loads delivered to the Miramar Landfill. To support the financial health and programs of the Refuse Disposal Fund, the City approved the elimination of the \$5 per ton discount to City Forces over three years (FY 2016 through FY 2018). However,

Department Review: Environmental Services

to mitigate the impact to the General Fund, the final portion of the discount elimination was postponed in both the FY 2018 and FY 2019 Adopted Budgets; currently a \$2/ton discount remains.

The Mayor's FY 2020-2024 Five-Year Outlook contemplated the elimination of the current \$2/ton discount over FY 2020 and FY 2021. This will not occur. The FY 2020 Proposed Budget delays the discount reduction and, as a General Fund budget mitigation measure, includes an additional \$1/ton discount resulting in a total discount of \$3/ton. This equates to \$900,000 in reduced expenditures (each \$1/ton discount equals \$300,000).

Reduction of Positions - As a part of the Department's efforts to address the City's shortfall projected in FY 2019, the Proposed Budget includes a reduction of \$383,000 in expenditures due to elimination of 3.60 FTEs: 1.00 FTE Senior Code Compliance Supervisor, 1.00 FTE Asbestos and Lead Inspector 2, and 0.6 FTE Assistant Engineer-Mechanical. The impacts are expected to be minimal as a result of these reductions.

One-Time Reductions and Annualizations- The FY 2020 Proposed Budget includes One-Time Reductions and Annualizations totaling \$360,000. This reduction is primarily attributable to \$290,000 in one-time funding for vehicles associated with the Clean SD Program in FY 2019.

Significant Revenue Changes

New Facility Franchise Agreements- The FY 2020 Proposed Budget includes \$290,000 in additional one-time revenue. The Department is currently in the process of negotiating Facility Franchise Agreements for four new privately-owned recycling facilities. These agreements, which are anticipated to be finalized in FY 2020, in-

clude requirements for franchises to make one-time payments to the City.

The FY 2020 Proposed Budget also includes \$35,000 in additional ongoing revenue as a result of these new Facility Franchise Agreements. This adjustment is captured with the "Revised Revenue" line-item in the Summary of Environmental Services Department General Fund Budget Changes table.

Reduction in HUD Grant Revenue- The FY 2020 Proposed Budget includes the reduction of \$155,000 in revenue as a result of the expiration of a U.S. Housing and Urban Development (HUD) Lead Hazard Reduction and Control Grant. The Department has indication that this grant opportunity is no longer available.

Issues for Council Consideration

Department Requests Not Funded

Additional Staff to Support Zero Waste Plan- For the FY 2020 Proposed Budget, the Department requested the addition of 1.00 Program Manager, 2.00 Code Compliance Officers and expenditures of approximately \$349,000, with \$87,000 being one-time expenditures, to support the Zero Waste Plan and Climate Action Plan. The addition of these positions, which would provide enforcement of the City Recycling Ordinance as recommended under the plan. This request was not funded. As a result, there may be a delay in the City achieving its 75% diversion goal by 2020.

Department Review: Environmental Services

Automated Refuse Container Fund

The FY 2020 Proposed Budget for the Automated Refuse Container Fund is approximately \$1.3 million, an increase of approximately \$33,000 over the FY 2019 Adopted Budget. Department revenues are projected to total approximately \$1.0 million, representing no change from the FY 2019 Adopted Budget.

Recycling Fund

The FY 2020 Proposed Budget for the Recycling Fund is approximately \$27.1 million, an increase of approximately \$1.3 million over the FY 2019 Adopted Budget. Department revenues are projected to total approximately \$23.6 million, an increase of approximately \$1.3 million over the FY 2019 Adopted Budget.

Significant Budget Additions

Pension Payment Stabilization Reserve— The FY 2020 Proposed Budget includes \$67,000 representing the Fund’s contribution towards the replenishment of the

Pension Payment Stabilization Fund.

Compressed Natural Gas (CNG) Fueling Station Maintenance— The FY 2020 Proposed Budget includes \$140,000 in ongoing expenditures representing the Recycling Fund’s 40% share of total maintenance costs; the General Fund is responsible for the balance (60%).

Addition of 1.00 FTE Public Information Clerk— The FY 2020 Proposed Budget adds 1.00 FTE Public Information Clerk and approximately \$84,000 in expenditures to provide additional staffing in the Department’s Customer Service Contact Center. The Center has experienced a 25% increase in incoming contacts primarily from the Get It Done app.

Addition of 1.00 FTE Associate Management Analyst— The FY 2020 Proposed Budget add 1.00 FTE Associate Management Analyst and approximately \$84,000 in expenditures to support the Construction and Demolition Ordinance Program.

Significant Revenue Change

Revised Revenue— The FY 2020 Proposed Budget includes an increase of approximately \$4.0 million in revenue. The primary drivers of the increase are as follow:

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - RECYCLING FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	111.48	\$ 11,050,007	\$ 14,756,439	\$ 25,806,446	\$ 22,343,726
Programmatic Changes					
<i>Pension Payment Stabilization Reserve</i>	-	-	66,617	66,617	-
<i>CNG Fuel Station Maintenance</i>	-	-	140,000	140,000	-
<i>Addition of Associate Management Analyst</i>	1.00	83,752	2,000	85,752	83,103
<i>Addition of Public Information Clerk</i>	1.00	57,181	-	57,181	-
<i>One-Time Reductions and Annualizations</i>	-	-	(56,163)	(56,163)	(6,075)
<i>Revised Revenue due to China National Sword Policy</i>	-	-	-	-	(2,750,000)
<i>Revised Revenue</i>	-	-	-	-	3,961,006
Other Changes					
<i>Other Salaries & Wages</i>	1.10	53,335	-	53,335	-
<i>Non-Discretionary Adjustments</i>	-	-	1,356,804	1,356,804	-
<i>Other Adjustments</i>	(0.10)	(7,701)	(361,038)	(368,739)	-
FY 2020 Proposed Budget	114.48	\$ 11,236,574	\$ 15,904,659	\$ 27,141,233	\$ 23,631,760
<i>Difference from 2019 to 2020</i>	<i>3.00</i>	<i>\$ 186,567</i>	<i>\$ 1,148,220</i>	<i>\$ 1,334,787</i>	<i>\$ 1,288,034</i>

Department Review: Environmental Services

- *Sycamore Canyon Facility Franchise Fee Revenue*— An increase of \$1.3 million to finalize the phased return of revenue from the General Fund.
- *AB 939 Franchise Revenue*— An increase of \$1.7 million, of which approximately \$800,000 is due to a recent change assessing AB939 fees on all tonnage collect rather than tonnage disposed. The balance is due to a \$1/ton CPI increase (\$800,000) and an adjustment to bring the budget closer inline with prior year actuals.
- *AB 939 Non-Franchise Revenue*— An increase of \$540,000, of which \$180,000 is due to a \$1/ton CPI increase and \$360,000 to bring the budget closer inline with prior year actuals.
- *AB939 City Revenue*— An increase of \$280,000 due to a \$1/ton CPI increase.

Revenue Impact From China's National Sword Policy— The FY 2020 Proposed Budget includes a \$2.7 million reduction in revenue from the sale of curbside recycling materials as a result of China's National Sword Policy which imposed strict limitations on the import of certain recyclable materials. This effectively eliminates the entire revenue budget from this source. While this reduction in revenue is significant representing more than 10% of Recycling Fund's total revenues, the impact is largely mitigated through the revenue revisions outline above.

Going forward, the Department is currently in the Request for Proposals (RFP) process to identify a new contractor(s) for the processing of recyclable materials from the City's curbside collection. While the City has historically received revenue through the sale of these materials, due to the changing market dynamics as a result

of China's National Sword Policy, it is now expected that the new contract for curbside recyclable materials processing will require payment from the City in order to process, market and ultimately find a destination for these materials. The impact from this change could ultimately have significant implications on the overall health of the Recycling Fund depending upon the RFP process results and the terms agreed upon under the new contract. Mitigating measures will likely include AB 939 fee increases.

Refuse Disposal Fund

The FY 2020 Proposed Budget for the Refuse Disposal Fund is approximately \$39.2 million from the FY 2019 Adopted Budget. Department revenues are projected to total approximately \$33.0 million, an increase of approximately \$1.1 million over the FY 2019 Adopted Budget.

Significant Budget Additions

Miramar Landfill Equipment— The FY 2020 Proposed Budget includes \$2.2 million in one-time expenditures for the purchase of two pieces of specialized heavy equipment. These purchases will replace identical existing equipment that are nearing the end of their useful lives (they were previously purchased in 2013 and 2014). The Department indicated that this is proprietary equipment for which no leasing options are available.

Miramar Landfill Gas Collection System Operations— The FY 2020 Proposed Budget includes \$1.0 million in expenditures to fund a consultant services agreement with SCS Engineers, Inc. to provide interim landfill gas system operations, maintenance, and gas supply services at the Miramar Landfill until the competitive process to select a new long-term contractor is complete. The

Department Review: Environmental Services

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - REFUSE DISPOSAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	140.30	\$ 14,361,912	\$ 19,320,075	\$ 33,681,987	\$ 31,866,974
Programmatic Changes					
Miramar Landfill Equipment	-	-	2,200,000	2,200,000	-
Miramar Landfill Gas Collection System Operations	-	-	1,000,000	1,000,000	-
Miramar Landfill Power Supply Services	-	-	800,000	800,000	-
Bulldozer Lease	-	-	500,000	500,000	-
Landfill Engineering Support	-	-	100,000	100,000	-
Pension Payment Stabilization Reserve	-	-	82,560	82,560	-
Addition of Senior Civil Engineer	1.00	124,485	-	124,485	-
Addition of Senior Disposal Site Representative	1.00	62,418	-	62,418	-
Addition of Public Information Clerk	1.00	57,181	-	57,181	-
One-Time Reductions and Annualizations	-	-	(71,962)	(71,962)	(34,784)
Reduction in Tipping Fee Revenue	-	-	-	-	(900,000)
Revised Revenue	-	-	-	-	2,062,183
Other Changes					
Salary and Benefit Adjustments	(0.80)	527,278	-	527,278	-
Non-Discretionary Adjustments	-	1,549	519,064	520,613	-
Other Adjustments	-	-	(353,836)	(353,836)	-
FY 2020 Proposed Budget	142.50	\$ 15,134,823	\$ 24,095,901	\$ 39,230,724	\$ 32,994,373
<i>Difference from 2019 to 2020</i>	<i>2.20</i>	<i>\$ 772,911</i>	<i>\$ 4,775,826</i>	<i>\$ 5,548,737</i>	<i>\$ 1,127,399</i>

City Council approved the two-year contract not-to-exceed \$2 million in July 2018.

The FY 2020 Proposed Budget also includes \$800,000 in expenditures to fund power supply and stand-by electrical services at the Miramar Landfill in the interim until the long-term contractor is in place.

Bulldozer Lease- The FY 2020 Proposed Budget includes \$500,000 million in expenditures to lease a second bulldozer for the Miramar Landfill.

Pension Payment Stabilization Reserve— The FY 2020 Proposed Budget includes \$83,000 representing the Fund’s contribution towards the replenishment of the Pension Payment Stabilization Fund.

Significant Revenue Change

Revised Revenue - The FY 2020 Proposed Budget includes an increase of approximately \$2.1 million in revenue. The primary driver of the increase (\$1.2 million) is based on revised projections for the receipt of tipping fees and annual CPI rate adjustments.

Reduction in Tipping Fee Revenue- The FY 2020 Proposed Budget includes \$900,000 in reduced tipping fee revenues reflecting the \$3/ton discount provided to the General Fund.

Department Review: Fire-Rescue

Fire-Rescue

Performance Measure	Target FY 2018	Actual FY 2018	Target FY 2019	Estimated FY 2019	Target FY 2020
Percentage of 911 calls answered in 15 seconds or less after transfer to Fire dispatch	100%	100%	100%	100%	100%
Percentage of Fire-Rescue first responder arrival on emergencies 7:30 minutes from the receipt of the 911 call in Fire dispatch	90%	74%	90%	72%	90%
Percentage of structure fires confined to area or room of origin	80%	71%	80%	61%	80%

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget for the Fire-Rescue Department is approximately \$284.4 million for the General Fund, an increase of \$14.7 million or 5.5% from the FY 2019 Budget. The FY 2020 Proposed Budget includes 1,301.52 FTE positions, an increase of 61.00 FTE positions over FY 2019. Budgeted revenue totaling \$54.8 million represents an increase of \$11.9 million.

Proposed changes to the Fire-Rescue budget include position additions and increased fire academies to support the Department's efforts to reduce overtime expenditures, focused primarily on establishing a new Firefighter Relief Pool staffing model. Other additions, described later in this section, are intended to maintain or improve current public safety service levels. Proposed budget reductions are not anticipated to have significant service impacts. No new fire stations, Fast Response Squads, or other units such as Peak

SUMMARY OF FIRE-RESCUE DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	1,240.52	\$ 234,362,871	\$ 35,370,114	\$ 269,732,985	\$ 42,915,524
Programmatic Changes					
Addition of 52.00 FTEs Anticipated to Support Reducing Overtime (37.00 Relief Pool, 9.00 Academy Positions, 6.00 Bomb Squad Positions)	52.00	6,283,318	-	6,283,318	-
Helicopter-Related Expenses (Maintenance and Pilot Training)	-	-	1,340,052	1,340,052	-
Addition of 6.00 Fire Prevention Inspectors (2.00 CEDMAT, 2.00 Highrise Program, 1.00 Construction Liaison to DSD, 1.00 Community Risk Reduction)	6.00	778,114	32,916	811,030	787,564
Addition of Fire Academy Non-Personnel Expenditures	-	-	862,648	862,648	-
Addition of 2.00 Payroll Specialist 2s	2.00	128,493	-	128,493	-
Addition of 1.00 Fire Battalion Chief (grant-funded)	1.00	153,013	-	153,013	148,357
Zuniga Shoals Jetty Patrol	-	-	200,000	200,000	-
Advanced Lifeguard Academy	2.88	129,142	113,350	242,492	-
Transfer of 1.00 Paramedic Coordinator	1.00	199,494	-	199,494	-
Reduction of Paramedic School Participants	-	-	(802,700)	(802,700)	-
Reduction of EMS Fire Captain	(1.00)	(317,526)	(7,925)	(325,451)	-
Other Changes					
Salary and Benefit Adjustments	-	4,814,087	-	4,814,087	-
Non-Discretionary Adjustments	-	4,263,367	-	4,263,367	-
Increased TOT Revenue for Lifeguards	-	-	-	-	9,218,777
Non-Standard Hour Personnel Funding	(2.88)	(47,527)	-	(47,527)	-
Other Adjustments (Including Anticipated Overtime Reductions Discussed Further in this Section)	-	(9,451,760)	6,023,653	(3,428,107)	1,775,019
FY 2020 Proposed Budget	1,301.52	\$ 241,295,086	\$ 43,132,108	\$ 284,427,194	\$ 54,845,241
Difference from 2019 to 2020	61.00	\$ 6,932,215	\$ 7,761,994	\$ 14,694,209	\$ 11,929,717

Office of the Independent Budget Analyst
April 2019

Department Review: Fire-Rescue

Hour Engines are anticipated to become operational in FY 2020.

Addition of Firefighter Relief Pool, Fire Academy Instructors and Third Fire Academy to Support Reducing Overtime

The FY 2020 Proposed Budget includes a variety of added positions and academies to support the Fire-Rescue Department's plan to recruit and establish a Firefighter Relief Pool. The intent of the Relief Pool is to reduce Department overtime expenditures by increasing the number of available Firefighters. This is anticipated to reduce the Department's historical reliance on backfill overtime due to constant staffing. The Department anticipates achieving net savings in personnel expenditures by shifting costs from overtime (premium pay) to salaries (regular pay).

The Relief Pool staffing model was included in the FY 2020-2024 Five-Year Financial Outlook as a Critical Strategic Expenditure and is fully funded in the FY 2020 Proposed Budget.

The Relief Pool is reflected in the FY 2020 Proposed Budget in the following areas:

Addition of 37.00 Firefighter Positions

The Budget adds 37.00 Firefighter Positions to establish a Relief Pool at a cost of approximately \$4.4 million in salaries and fringe. This expenditure increase is offset by an anticipated reduction in overtime expenditures of approximately \$4.7 million, with a net budget savings of roughly \$300,000.

Addition of 9.00 Fire Academy Instructors

The Budget adds 9.00 firefighter positions to serve as full-time fire academy instructors and coordinators. This is a change from the current practice of running acad-

emies using existing positions on an overtime basis. The 9.00 FTE positions are associated with \$1.1 million in salaries and fringe expenditures, offset by savings in overtime of \$1.6 million, for a net budget savings of roughly \$500,000.

Total of Three Fire Academies

The FY 2020 Proposed Budget includes ongoing funding for two fire academies, which represents a continuation of academy levels from FY 2019 (in FY 2019, one ongoing academy was included in the Adopted Budget and a second ongoing academy was added at Mid-Year). These two ongoing academies are intended to maintain staffing levels and account for attrition. The FY 2020 Proposed Budget adds one-time funding for a third academy intended to recruit and hire the 37.00 added Relief Pool positions. The Budget includes approximately \$863,000 in non-personnel expenditures and \$576,000 in overtime expenditures to support the third academy. Other changes to the way fire academies will be budgeted in FY 2020 and beyond are described in the next section.

Addition of Bomb Squad Positions to Eliminate Cross-Staffing

The FY 2020 Proposed Budget adds 6.00 FTE positions (3.00 Fire Captains and 3.00 Engineers) to create a dedicated pool of Bomb Squad Technicians and Unmanned Aerial System (also known as drones) Pilots to staff the Fire-Rescue Department's Bomb Squad on a full-time basis. Currently, the Bomb Squad is cross-staffed with existing firefighter positions who also perform other duties. The resulting backfill of those duties when firefighters are called to work as part of the Bomb Squad incurs significant overtime expenditures. The elimination of cross-staffing is anticipated to reduce dependence on overtime

Department Review: Fire-Rescue

and improve public safety service levels within the Bomb Squad.

The Budget adds 6.00 Bomb Squad positions at a cost of approximately \$774,000 in salaries and fringe. This expenditure increase is offset by an anticipated reduction in overtime expenditures of \$392,000, with a net budget impact of \$381,000.

Overtime Expenditure Adjustments

The FY 2020 Proposed Budget includes \$36.6 million in overtime expenditures for the Fire-Rescue Department. This represents a \$1.5 million decrease from the FY 2019 overtime budget.

The Fire-Rescue Department's overtime budget and actual expenditures have increased significantly over the past several fiscal years, as shown in the table below. Our Office has noted in several reports, most recently during the FY 2019 Mid-Year budget adjustment process, that Fire overtime should be closely monitored and appropriately budgeted.

When compared to projected year-end actual expenditures for FY 2019, the FY 2020 Proposed Budget for Fire overtime is \$9.3 million less than prior-year actuals. Although the Department proposes to initiate a number of measures to reduce overtime in FY 2020, it may be difficult to achieve such a large expenditure reduction in one year. We recommend continued close monitoring of Fire-Rescue overtime in

quarterly budget monitoring. The FY 2019 Third Quarter Report, scheduled to be released on May 14, 2019, will contain an updated year-end projection for Fire-Rescue overtime that the Council may wish to consider during FY 2020 Budget deliberations.

Addition of Helicopter-Related Expenses

The FY 2020 Proposed Budget adds \$820,000 in ongoing non-personnel expenditures to support maintenance for the Fire-Rescue Department's new Sikorsky helicopter, which was acquired in FY 2019. This expenditure was included in the FY 2020-2024 Five-Year Financial Outlook as a Critical Strategic Expenditure.

The Budget also adds approximately \$520,000 in a mixture of one-time and ongoing expenditures for initial ground school and flight training for the new Sikorsky helicopter and the existing Bell helicopters, as well as recurrent training required by the Federal Aviation Administration.

Addition of User Fee-Supported Fire Prevention Inspectors

The FY 2020 Proposed Budget adds 6.00 FTE Fire Prevention Inspectors and \$811,000 in associated expenditures to expand various user fee-supported fire inspection programs. The added expenditures are offset by new budgeted user fee revenue for the services these positions provide, totaling \$788,000. The 6.00 posi-

Fire-Rescue Overtime – Historical Budget vs. Actuals (in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Budget	\$23.7	\$26.7	\$29.9	\$30.1	\$32.8	\$38.1	\$36.6
Actual	\$29.7	\$31.5	\$31.8	\$32.5	\$45.4	\$45.9 (projected)	-

Department Review: Fire-Rescue

tions include 2.00 Fire Prevention Inspector 2s for the Combustible, Explosive and Dangerous Materials (CEDMAT) Program, 2.00 Fire Prevention Inspector 2s for the High-Rise Program, 1.00 Fire Prevention Inspector 2 to serve as a Construction Liaison to the Development Services Department, and 1.00 Fire Prevention Inspector 2 for the Community Risk Reduction Program.

Addition of Grant-Funded Fire Battalion Chief

The FY 2020 Proposed Budget includes the addition of 1.00 Fire Battalion Chief and \$153,000 in associated expenditures to manage the San Diego Urban Area All Hazard Incident Management Team. This position is funded by the Urban Area Security Initiative (UASI) grant and therefore has associated revenue of approximately \$148,000. This position was added to the Fire-Rescue Department in FY 2018 and is now being reflected in the Budget.

Addition of Payroll Specialists

The FY 2020 Proposed Budget adds 2.00 Payroll Specialist 2 positions and \$128,493 in associated personnel expenditures to support the Fire-Rescue Department's payroll functions. The Department has indicated that the current workload has necessitated the use of supplemental unbudgeted positions to augment payroll staff and that the added positions will alleviate workload issues.

Zuniga Shoals Jetty Patrol

The FY 2020 Proposed Budget includes the addition of \$200,000 in non-personnel expenditures to support enforcement of new prohibitions against abandoned boats at Zuniga Jetty Shoal, which were approved by City Council in April 2019. The Fire-Rescue Department has indicated that this expenditure is intended to support a

future contract with the Harbor Police to conduct enforcement and abatement.

Advanced Lifeguard Academy

The FY 2020 Proposed Budget includes the addition of 2.88 Lifeguard 1-Hourly positions and \$242,000 in expenditures to support an Advanced Lifeguard Academy. The academy provides advanced training for existing lifeguards in areas of law enforcement, cliff rescue, and swift water rescue. In FY 2019, an Advanced Lifeguard Academy was funded as a one-time expenditure, added to the Budget in the May Revision. In FY 2020, the academy is budgeted as an ongoing expenditure.

Reduction of Paramedic School Participants

The FY 2020 Proposed Budget includes a reduction of \$803,000 in overtime expenditures associated with firefighters attending the Fire-Rescue Department's Paramedic School. This reduction was submitted by the Department as a budget reduction proposal. Fire-Rescue has indicated that it will seek to minimize service level impacts by selecting new Fire Recruits with existing paramedic certifications and utilize more rated paramedics (Fire Captains and Engineers) in its staffing model.

TOT Revenue Transfer Increase

In FY 2018, the Fire-Rescue Department began receiving reimbursements from the TOT Fund for tourism-related safety services performed by the Lifeguard Division. In FY 2020, the Proposed Budget includes an increase of approximately \$9.2 million to this revenue transfer for a total of \$24.4 million in TOT revenue reimbursements to the Fire-Rescue Department

Department Review: Fire-Rescue

Issues for Council Consideration

Peak-Hour Engines Not Funded as Anticipated by Five-Year Outlook

The FY 2020-2024 Five-Year Financial Outlook included the addition of three Peak-Hour Engines (24.00 FTE and \$3.3 million in expenditures) as a Critical Strategic Expenditure in FY 2020. The FY 2020 Proposed Budget does not include this expenditure.

Peak-Hour Engines are fire engines that do not operate out of a fire station but are instead flexibly deployed in various areas based on need for 12 hours per day. They are a new deployment concept that has not yet been utilized by the Fire-Rescue Department, and were a key recommendation of the 2017 Citygate Report. The Department has indicated that Peak-Hour Engines remain a priority, but due to limited resources in FY 2020 other higher-priority needs were funded.

Council Budget Priority Items

A majority of Councilmember budget priority memoranda identified two priorities for the Fire-Rescue Department. The following list describes the priority items and their funding status in the FY 2020 Proposed Budget:

- **Additional Resources for the Resource Access Program (RAP)** — The FY 2020 Proposed Budget does not include additional resources for RAP. RAP identifies chronic, high-volume users of the City's emergency medical services system and works to connect those individuals with appropriate resources for their needs. The Fire-Rescue Department has stated that RAP is currently staffed with 1.00 Program Manager position and the City's ambulance provider and the County of San Diego have

provided an unspecified number of dedicated employees to RAP. The Department has indicated it will partially assign two single-role paramedics to RAP in FY 2019. Additionally, the Department has stated that a RAP component is included in the upcoming RFP for the EMS system, which is anticipated to be submitted to County and State authorities for review in May 2019.

- **Increased Lifeguard Services Staff** — the FY 2020 Proposed Budget does not include additional staff for the Lifeguard Services Division. A majority of Councilmembers' priority memoranda identified the addition of various Lifeguard positions as priority items. Requests included additional staff for the Boating Safety Unit, Dive Team, and several suggestions for additional Lifeguard 3 positions at key beach locations.

Department Review: Fleet Operations

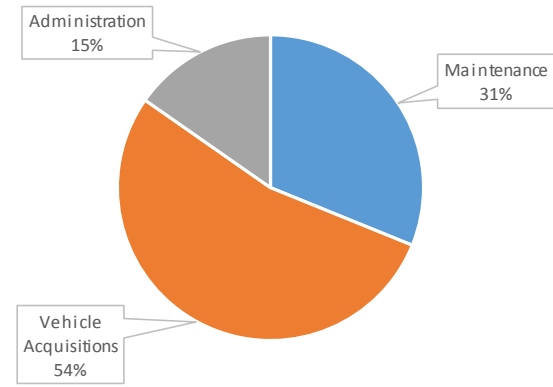
Fleet Operations

Impacts of Mayor's FY 2020 Budget Proposal

The Fleet Operations Department has two internal service funds—the Fleet Operating Fund which supports vehicle maintenance, repairs, fuel, a vehicle rental pool and administrative costs and the Fleet Replacement Fund which is used to purchase replacement vehicles for the City's fleet. Vehicle acquisitions represent approximately 53.6% of the total FY 2020 Proposed Budget for Fleet Operations.

The combined FY 2020 Proposed Budget for Fleet Operations is approximately \$124.0 million, an increase of nearly \$26.0 million or 26.5% from the FY 2019 Adopted Budget. This is primarily due to a change in the budgeting practice for vehicle acquisitions which is discussed in further detail on the following pages. The FY 2020 Proposed Budget includes 206.25 FTE positions, an increase of 0.50 FTE positions from FY 2019. Budgeted revenue to-

FLEET OPERATIONS BUDGET BY FUNCTION



tals \$102.5 million, an increase of \$17.1 million.

Othello Avenue Fire Fleet Repair Facility

Last year, our review of the FY 2019 budget identified that funding for improvements of the Othello Avenue site had been removed from Fleet Operation's budget and was being used to balance the General Fund for FY 2019. Since that time, Fleet Operations reported to Public Safety and

SUMMARY OF FLEET OPERATIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	205.75	\$ 22,648,272	\$ 75,407,700	\$ 98,055,972	\$ 85,414,356
Programmatic Changes					
Vehicle Acquisitions	-	-	24,141,090	24,141,090	-
Fuel Expenses	-	-	2,500,051	2,500,051	2,147,462
Auto Repair Supplies & Maintenance Services	-	-	2,074,400	2,074,400	2,074,400
Fleet Focus Program Coordinator	1.00	150,986	-	150,986	150,405
Reinstate Full Vehicle Usage Charge Revenue	-	-	-	-	6,146,431
Remove FY 2019 Pay Booth Funding	-	-	(250,000)	(250,000)	-
Reduction in Diesel Fuel	-	-	(300,000)	(300,000)	(300,000)
Remove FY 2019 Transfer to General Fund	-	-	(3,400,000)	(3,400,000)	-
Other Changes					
Information Technology Adjustments	-	-	555,044	555,044	-
Salary and Benefit Adjustments	(0.50)	291,559	-	291,559	-
Non-Discretionary Adjustments	-	-	189,804	189,804	-
Vehicle Assignment Fee Revenue	-	-	-	-	5,188,459
Other Adjustments	-	-	-	-	1,708,700
FY 2020 Proposed Budget	206.25	\$ 23,090,817	\$ 100,918,089	\$ 124,008,906	\$ 102,530,213
Difference from 2019 to 2020	0.50	\$ 442,545	\$ 25,510,389	\$ 25,952,934	\$ 17,115,857

Department Review: Fleet Operations

Livable Neighborhoods Committee in August 2018 that they were evaluating the site design, working to identify funding and negotiating a lease extension. Fleet Operations planned to return to City Council in November 2018 with an updated timeline and funding plan. That has not happened. Fleet Operations indicates that they continue to work on the site design, cost estimates, funding plan and lease extension.

Funding of \$1.0 million has been added to the FY 2020 Proposed Budget in a new capital improvement project titled the Kearny Mesa Repair Facility (P20000, found in Volume III of the FY 2020 Proposed Budget). This funding will be used for design and permitting of the facility during FY 2020. Additional funding will be needed in FY 2021 for construction; however, a cost estimate is not available at this time. Previous cost estimates ranged from \$6.5-17.0 million. Construction is estimated to take 18 months. Based on this timeline, it is estimated that Fleet Operations may be able to move the heavy-duty fire apparatus out of the Miramar Shop and into this Kearny Mesa Repair Facility in mid-FY 2022.

Currently, the space is being used by other City departments for staff displaced from Executive Complex and for storage. **The Active Transportation and Infrastructure Committee may want to request another status update regarding improvements at the Kearny Mesa Repair Facility located on Othello Avenue.** A more detailed discussion of the Othello Avenue site is discussed in the *Facilities Updates* section earlier in this report.

Vehicle Acquisitions Budget

The FY 2020 Proposed Budget reflects an increase of \$24.1 million in the budget for vehicle purchases. This is due to a change

in budgeting practice. The Fleet Replacement Fund functions similar to a CIP project, in that budgets are allocated for vehicle acquisition but may not be fully expended in a single fiscal year. In the past, all unspent budget was carried forward from one fiscal year into the next. This has gradually increased the vehicle purchase budget to an unnecessarily high amount.

Beginning with year-end FY 2019 and rolling into the FY 2020 budget, Fleet Operations intends to only carry-forward sufficient appropriations to cover existing encumbrances. As a result, the annual budget allocation for vehicle purchases needs to be increased to properly reflect the amount needed for scheduled vehicle replacements in FY 2020.

The carry-forward budget from FY 2018 was nearly \$79.0 million, which was added to the FY 2019 Adopted Budget of \$44.8 million for a total expenditure authority of \$123.7 million in FY 2019. Fleet Operations estimates will spend or encumber \$104.4 million this fiscal year, resulting in \$19.3 million of excess appropriations.

VEHICLE ACQUISITIONS	
FY 2019	Budget
Carry-forward from FY 2018	\$ 78,978,597
FY 2019 Adopted Budget	44,759,750
FY 2019 Spending Authority	\$ 123,738,347
FY 2019 Expenditure Estimate	67,696,781
FY 2019 Encumbrance Estimate	36,739,484
FY 2019 Spending Estimate	\$ 104,436,265
<i>Excess Budget (estimated)</i>	<i>\$ 19,302,082</i>
FY 2020	Budget
Estimated carry-forward from FY 2019	\$ 36,739,484
FY 2020 Proposed Budget	65,864,521
FY 2020 Spending Authority	\$ 102,604,005

Rather than simply carry that forward into FY 2020, Fleet Operations intends to reduce the budget at year end and has instead requested a higher budget addition for FY 2020. This change in budgeting

Department Review: Fleet Operations

practice will make the budget more transparent as we will see the amount intended to initiate purchase of scheduled vehicle replacements in the proposed and annual budget each year.

The total proposed budget for replacements in FY 2020 is \$65.9 million. In addition, the department estimates approximately \$36.7 million encumbered and carried forward from FY 2019 into FY 2020, for a combined total of approximately \$102.6 million, which is similar to the \$104.4 estimated expenditure and encumbrance activity in FY 2019.

While this is a large increase in the annual budget, it does not reflect a spike in vehicle purchases. As of January 2019, the number of vehicles scheduled for replacement in FY 2019 was 767 and for FY 2020 is 812.

Removal of Prior Year One-Time Support to the General Fund

The FY 2020 Proposed Budget removes one-time support from Fleet Operations to the General Fund.

- Removal of \$3.4 million one-time transfer to the General Fund. This \$3.4 million was transferred into the Fleet Replacement Fund in FY 2018 to be used for improvements of the Othello Avenue fire fleet repair facility. The funds were returned to the General Fund in FY 2019 since the project was on hold. The FY 2020 Proposed Budget removes this allocation.
- Vehicle usage charges are reinstated to full cost-recovery levels for FY 2020. In FY 2019, the fees charged to City departments which reimburse the Fleet Operations Department for maintenance and management of the City's fleet were reduced by an estimated \$6.3 million, providing approximately

\$4.6 million (roughly 73% of total usage fees) in relief to the General Fund. This required Fleet Operations to consume fund balance in FY 2019. For FY 2020, revenue from vehicle usage charges have increased by \$6.1 million, accounting for other changes in operational expenses, to bring the fund back to full cost-recovery.

Fleet Focus Program Coordinator

The FY 2020 Proposed Budget adds 1.00 FTE Program Coordinator to manage the Fleet Focus Enterprise Asset Management System. This is in response to recommendation #5 of the *Performance Audit of the Fleet Operations' Vehicle Acquisition Process*, dated September 24, 2018, which states in part *"The Fleet Operations Department (Fleet Operations) should work with the Personnel Department to develop an additional position to fill its FleetFocus EAM personnel needs. This position should . . . program the FleetFocus EAM system to perform critical reporting functions and produce analytical reports that will help Fleet Operations have the information it needs to become more efficient. . . . utilize FleetFocus EAM's capabilities to perform analysis of fleet data for capital planning, utilization, and lifecycles."*

City Council approved the Program Coordinator position be exempted from classified service in January 2019 and the department is currently recruiting to fill the position.

Significant Budget Adjustments

Other notable changes to the Fleet Operations budget include:

- \$2.5 million increase in fuel expenses due to projected inflation
- \$2.1 million increase in auto repair supplies and maintenance services based on current year expenditure projections, partially due to vehicles added

Department Review: Fleet Operations

to the fleet in recent years without the associated maintenance funding being added to Fleet Operations' budget plus rising costs

- \$250,000 reduction of one-time FY 2019 funding for critical repairs to the paint booth
- \$300,000 reduction in diesel due to the planned replacement of refuse packers with compressed natural gas vehicles

Issues for Council Consideration

Improvements Needed at Fleet Repair Facilities

The FY 2020–2024 Five-Year Financial Outlook and FY 2020–2024 Five-Year Capital Infrastructure Planning Outlook identified a combined \$3.8 million of repair needs for various fleet facilities. The FY 2020 Proposed CIP Budget adds approximately \$271,000. Fleet Operations indicated that, upon further evaluation, there is sufficient funding already in the CIP to continue efforts towards the needed repairs and additional funding can wait for a future year.

Status of Fleet Operations Department Transformations

CST Fleet services conducted an evaluation of fleet operations and made recommendations to the City in April 2016. Fleet Operations subsequently issued a report to City Council in September 2016 outlining action items to align with the consultant's recommendations. Many of the items are still in process and a full update from the department is recommended. Some items of note are:

- Vehicle replacement plans—The department has a goal of maintaining 85% of vehicles within their designated life cycle. The projection for FY 2019 is 66%. The department also indicates

that they have returned to lease purchasing General Fund vehicles while non-general fund vehicles will continue to be cash funded .

- The fleet asset management software has been upgraded but full implementation of all modules is contingent upon hiring the Fleet Focus Program Manager, discussed earlier in this section.
- The vehicle steering committee has been delayed and will be evaluated, among other priorities, for FY 2020.
- All inventories are now conducted using automated handheld devices, which was a goal for the department at this time last year.

Climate Action Plan

The Climate Action Plan includes a goal of having zero emission vehicles for 50% of the City's fleet by 2020 in order to achieve greenhouse gas (GHG) reductions. As of January 2019, there were only 269 zero or low emission vehicles either in service or on order with another 30 vehicles planned in FY 2020, which reflects less than 7% of the City's fleet.

Fleet Operations indicated that they are working on revising this goal because not all City vehicle types are available in zero emissions. However, the department indicated they had achieved the GHG reduction target for 2020 through conversion to renewable diesel at the fuel stations operated by Fleet Operations Department and are also replacing the City's refuse packers with compressed natural gas vehicles.

Aluminum and Steel Costs

The Fleet Operations Department also continues to monitor costs of aluminum and steel which could have significant impacts on vehicle and parts costs.

Department Review: Government Affairs

Government Affairs

The Government Affairs Department was established as a new department in the FY 2019 Adopted Budget. The Department manages the City's state and federal legislative priorities as they are developed by the Mayor and City Council. Additionally, the Department advocates and collaborates with other local government organizations (SANDAG, Port, Airport, etc.), maintains relationships with the government of Mexico, and develops/supports grant opportunities.

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget for Government Affairs is approximately \$1.1 million, an increase of \$323,000 or 40.5% from the FY 2019 Adopted Budget. This increase includes \$144,000 to add an Immigrant Affairs Program Manager position, \$143,000 for other adjustments to personnel expense, and a \$36,000 increase to non-personnel expense. Budgeted FTE positions are proposed to increase from 5.00 in FY 2019 to 6.00 in FY 2020.

Budgeted revenue for the Department increases by \$172,000 based on an understanding that the Public Utilities Department (PUD) will reimburse the Depart-

ment for approximately 30% of their costs as approximately 30% of staff time involves advocacy and support for PUD objectives.

In order to better align the FY 2020 Proposed Budget for the new department with actual expense levels incurred in FY 2019, budgeted travel expense was increased by \$30,000 as travel is critical to the operations of the Department.

Department Staffing

Of the 5.00 FTE positions included in the FY 2019 Adopted Budget, 3.00 positions are filled and 2.00 positions remain vacant. The 3.00 filled positions are the Department Director, Public Policy Manager, and the Bi-National Affairs Manager. The Department is currently in the process of hiring for the two vacant positions—a Grants Coordinator position and a Water Advocacy Manager (the incumbent left the City in January). The Director anticipates being able to fill both of these positions before the end of FY 2019, probably in May.

The Grants Coordinator position will be responsible for coordinating grant writing and external advocacy efforts regarding grants and the creation of grant programs within the City.

SUMMARY OF GOVERNMENT AFFAIRS DEPARTMENT BUDGET					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	5.00	\$ 787,335	\$ 10,170	\$ 797,505	\$ 147,260
Programmatic Changes					
Addition of 1.00 Immigrant Affairs Program Manager	1.00	143,620	-	143,620	-
Other Changes					
Additional Revenue from PUD for Staff Support	-	-	-	-	171,834
Other Salary Adjustments	-	31,020	-	31,020	-
Other Fringe Adjustments (Includes Retirement ADC)	-	111,915	-	111,915	-
Travel Expenses to Support Departmental Operations	-	-	30,000	30,000	-
Other NPE Adjustments	-	-	6,240	6,240	-
FY 2020 Proposed Budget	6.00	\$ 1,073,890	\$ 46,410	\$ 1,120,300	\$ 319,094
Difference from 2019 to 2020	1.00	\$ 286,555	\$ 36,240	\$ 322,795	\$ 171,834

Office of the Independent Budget Analyst

April 2019

Government Affairs

The new Immigrant Affairs Program Manager position was approved by the City Council as a mid-year budget adjustment on February 11, 2019. The position “will be responsible for coordination between immigrant and refugee communities, inter-governmental agencies, and service providers to recommend policies and programs that facilitate successful integration of immigrants and refugees in San Diego into the civic, economic, and cultural life of the City.”

Although the Council President was informed recruitment for the new position could begin immediately in February, the position first required review for class recommendation by the Civil Service Commission. The Civil Service Commission recommended the position be exempted from classified service on April 4, 2019. The recommendation for the position to be unclassified now needs approval by the City Council before the recruiting and hiring process can begin. The Director indicates this action is in the process of being docketed for City Council approval and the recruiting/hiring process will begin immediately thereafter.

Department Review: Human Resources

Human Resources

Impacts of Mayor's FY 2020 Budget Proposal

The Human Resources Department's FY 2020 Proposed Budget totals approximately \$5.5 million, an increase of \$500,000 from the FY 2019 Adopted Budget. This is largely due to the addition of 4.00 Program Managers that will be working on labor and employment issues for the City. Note that two of these Program Managers will be specific to the Public Utilities Department (PUD), which will reimburse the General Fund for their services.

The increase of 4.00 Program Managers is partially offset with a decrease in 1.00 Employee Assistance Program Manager. The removal of this position reduces the Employee Assistance Program (EAP) from two to one position, a Program Coordinator. This remaining position will coordinate a revamped and contracted out EAP, be available for emergency walk-ins and critical incidents, and perform other functions, such as oversight and coordination of the City's temporary light duty pro-

gram. The EAP contract is estimated to cost \$250,000, which was requested during the budget process but not included in the Proposed Budget. However, the Department will be requesting funding for this in the May Revise. The Department has indicated the EAP program will be an enhanced one. For example, counseling services will now be available 24/7.

Other changes to the Human Resources Department budget are shown in the table below.

SUMMARY OF HUMAN RESOURCES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expenditures	Revenue
FY 2019 Adopted Budget	29.72	\$ 4,637,094	\$ 359,821	\$ 4,996,915	\$ 320,081
Programmatic Changes					
<i>4.0 Program Managers for Labor & Employment Responsibilities (2.0 reimbursable, specific to PUD)</i>	4.00	590,718	-	590,718	-
<i>Elimination of Employee Assistance Program Manager</i>	(1.00)	(100,345)	-	(100,345)	-
Other Changes					
<i>Salaries Adjustment (includes 3.3% general salary increase)</i>	-	75,129	-	75,129	-
<i>Other Fringe Decreases (includes retirement ADC)</i>	-	(89,545)	-	(89,545)	-
<i>Revenue for the 2.0 Program Managers for PUD</i>	-	-	-	-	294,199
<i>Net Other Increases</i>	-	1,660	22,170	23,830	-
FY 2020 Proposed Budget	32.72	\$ 5,114,711	\$ 381,991	\$ 5,496,702	\$ 614,280
Difference from 2019 to 2020	3.00	\$ 477,617	\$ 22,170	\$ 499,787	\$ 294,199

Department Review: Library

Library

Impacts of Mayor’s FY 2020 Budget Proposal

The FY 2020 Proposed Budget for the Library Department totals approximately \$55.7 million, an decrease of \$172,000 from the FY 2019 Adopted Budget. The FY 2020 Proposed Budget includes 444.22 FTE positions which represents no material change from the FY 2019 Adopted Budget. Budgeted revenue totaling \$2.7 million represents an increase of approximately \$358,000 compared to FY 2019.

Significant Budget Reductions

Maintenance & Repair Services– The FY 2020 Proposed Budget includes the reduction of \$50,000 for incidental maintenance and repair needs for the central and branch libraries. This includes services, such as HVAC and elevator service, and equipment replacements, such as book sorters and other equipment used by library patrons. \$172,000 will be available for these needs after this reduction.

Landscaping Services– The FY 2020 Proposed Budget includes the reduction of \$40,000 for landscaping and tree trimming services that are typically required on an emergency basis after storms. These services had previously been reduced in the FY 2018 and FY 2019 Adopted Budget and are currently projected to be over budget by approximately \$40,000 by year-end given the severity of weather events this year.

Significant Budget Additions

New Libraries— The FY 2020 Proposed Budget includes \$345,000 in non-personnel expenditures to operate two new libraries: Mission Hills Library (opened January 2019) and San Ysidro Library (anticipated to open Summer 2019). Full staffing for these facilities, as well as one-time partial year non-personnel expenditures, was included in the FY 2019 Adopted Budget. This additional expense will provide annualized on-going funding. We note that this includes funding for security at these facilities.

SUMMARY OF LIBRARY DEPARTMENT - BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	444.59	\$ 38,707,064	\$ 17,148,088	\$ 55,855,152	\$ 2,384,919
Programmatic Changes					
<i>New Mission Hills Library</i>	-	-	202,140	202,140	-
<i>New San Ysidro Library</i>	-	-	143,193	143,193	-
<i>Parking Services (Mission Hills Library)</i>	-	-	50,000	50,000	78,468
<i>Reduction of Maintenance & Repair Services</i>	-	-	(50,000)	(50,000)	-
<i>Reduction of Landscaping Services</i>	-	-	(40,000)	(40,000)	-
<i>Reimbursements from Transient Occupancy Tax</i>	-	-	-	-	533,993
<i>Revised Revenue</i>	-	-	-	-	(155,000)
<i>One-time Reductions and Annualizations</i>	-	-	(125,895)	(125,895)	(99,607)
Other Changes					
<i>Other Salaries & Wages</i>	(0.37)	850,851	-	850,851	-
<i>Non-Discretionary</i>	-	-	(148,458)	(148,458)	-
<i>IT Support Adjustments</i>	-	-	(1,015,474)	(1,015,474)	-
<i>Other Adjustments</i>	-	-	(38,360)	(38,360)	-
FY 2020 Proposed Budget	444.22	\$ 39,557,915	\$ 16,125,234	\$ 55,683,149	\$ 2,742,773
<i>Difference from 2019 to 2020</i>	<i>(0.37)</i>	<i>\$ 850,851</i>	<i>\$ (1,022,854)</i>	<i>\$ (172,003)</i>	<i>\$ 357,854</i>

Department Review: Library

Parking Services for Mission Hills Library—The FY 2020 Proposed Budget includes \$50,000 for parking services to be provided by a 3rd party contractor at the facility's underground parking garage. This expense is offset by \$78,000 in projected parking revenue.

Significant Revenue Changes

The FY 2020 Proposed Budget includes the following significant revenue changes:

- An addition of \$534,000 in TOT revenue for tourism related programs and activities held at library facilities.
- A reduction of \$155,000 in building use fee revenue generated by special events.

Issues for Council Consideration

Library Security

Security at the central and branch libraries has been a topic of interest for the City Council over the last several years. During final deliberations for the FY 2019 Adopted Budget, the Council added \$288,000 in one-time funding which raised the overall security budget for the Department to \$1.6 million. This \$288,000 in funding was not carried forward into FY 2020. After factoring in this reduction of FY 2019 one-time security expenditures, and accounting for annualizations and security costs included in the budget increases for the new Mission Hills and San Ysidro, the total FY 2020 Proposed Budget for security totals \$1.5 million (approximately \$111,000 reduction from the FY 2019 Adopted Budget). This matches the Library Department's portion of annual security costs included in the Citywide Security Service Agreement that was recently at the Budget & Government Efficiency Committee on April 10, 2019. Under the new agreement,

hourly costs are lower than the Department current security service provider, while also providing higher caliber "upgraded" guards which are more specially trained. Due to the lower hourly costs, the total number of service hours will remain unchanged from FY 2019, despite the reduction in funding.

Council Priority Memoranda Items Addressed

A majority of the Councilmembers' FY 2020 budget priority memoranda recommended maintaining or increasing funding for library programming and hours.

The FY 2020 Proposed Budget maintains the library programming budget of \$100,000 that the City Council restored on an ongoing basis in the FY 2019 Adopted Budget. This funding will continue supporting existing core programs, such as Spring into STREAM, the Summer Reading Program, 1000 Books Before Kindergarten, and Out of the Shadows, among others. In addition, the Library plans to add two new programs: "STEAM Stations," which will create space within each branch to provide STEAM educational learning opportunities in the form of games; and "Maker Kits," which will provide program-in-a-box materials to encourage adults to develop hobbies and increase skills.

Library hours for central and branch libraries have also been maintained.

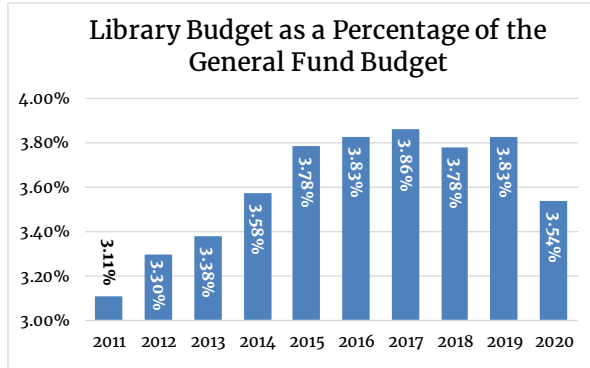
Council Priority Memoranda Items Not Addressed

A majority of the Councilmembers' FY 2020 budget priority memoranda recommended increased funding for library materials and technology. The FY 2020 Proposed Budget does not address this priority.

Department Review: Library

Library Ordinance

The Library Ordinance requires the Library Department budget to be equal to no less than 6% of the total General Fund expenditure budget. This requirement has been waived every year since FY 2004.



Based on the FY 2020 Proposed Budget, the Library Department Budget of \$55.7 million represents approximately 3.54% of the General Fund Budget. The following table illustrates the Library Department Budget as a percentage of the General Fund since FY 2011. An appropriation of 6% of the FY 2020 Proposed General Fund Budget would require a Library budget of approximately \$94.5 million, an increase of \$38.8 million over the FY 2020 Proposed Budget.

Service Level Impacts and Performance Measures

The performance measures provided in the following table reflect patron attendance at juvenile library programs; usage of the library materials; and the total number of operating hours targeted by the Department.

Performance Measure	Actual FY 2018	Target FY 2019	Estimated FY 2019	Target FY 2020
Annual circulation per capita	5.45	5.00	5.63	5.00
Annual attendance at juvenile programs	269,511	300,000	290,095	300,000
Total Library hours per week:				
-Central Library	61	61	61	61
-Branch libraries	1,844	1,844	1,844	1,844

Low and Moderate Income Housing Asset Fund

Beginning with FY 2019, the Low and Moderate Income Housing Asset Fund (LMIHAF) is included in the Proposed Budget and the Appropriations Ordinance. The budget publication states that inclusion of the fund is to provide increased oversight.

As a result of the dissolution of redevelopment agencies in 2012, housing assets were transferred from the former redevelopment agency to the City, acting as the housing successor agency, in January 2013. All housing funds and revenue generated from the housing assets are required to be kept in the LMIHAF for affordable housing purposes. Civic San Diego (CivicSD) administers and monitors the fund.

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget includes \$42.0 million in expenditures and \$4.4 million in revenue for the LMIHAF. In addition, there is an estimated fund balance of \$4.1 million in FY 2020.

The following is a breakdown of proposed expenditures:

- \$40.4 million for low-income development housing loans for several Council-approved affordable housing projects as well as unallocated funding for additional projects.
- \$1.3 million for administrative support related to negotiating agreements, property management, and staff time to administer the fund.
- \$325,000 for legal, consultant, and staff time costs related to developing

and drafting disposition and developer agreements (DDAs). In addition these costs are associated with construction management consultant services.

Also, included in the administrative support allocation is \$250,000 to partially support the operation of a Housing Navigation Center. The center will connect homeless individuals to permanent supportive housing opportunities and other services.

Issues for Consideration

The LMIHAF is largely supported by: 1) unencumbered affordable housing bond proceeds issued by the former redevelopment agency prior to its dissolution; 2) loan repayments and lease payments; and 3) land disposition proceeds. The only ongoing funding sources are loan repayments, which are minimal, and lease payments, which are expected to significantly decrease. In FY 2020, there is a one-time payment of \$2.5 million in revenue from a property that was formerly occupied by the federal government, resulting in a higher projected fund balance for FY 2020 than FY 2019. However, ongoing revenues only total roughly \$1.9 million, with \$800,000 based upon interest payments of the fund. With ongoing expenditures of \$1.6 million, future resources for new affordable housing production using this fund are limited.

With these limited revenues, the LMIHAF is estimated to have a fund balance of \$4.1 million at the end of FY 2020. However, of the amount appropriated for affordable housing, currently \$4.5 million is unallocated, while an additional \$3.0 million has been set aside for affordable housing projects for veterans and is intended to back-fill the Housing Commission for its sup-

Low and Moderate Income Housing Asset Fund

port for the bridge shelters and Storage Connection Shelter. However, there is no projected specified for these funds. In addition, some of the projects budgeted to receive funds do not have finalized agreements, and may require additional funding if delays in the projects lead to an increase in total project costs. These agreements and allocations will come to Council for approval as they become ready. Staff is also evaluating other projects which would utilize the remaining balance. Altogether, there is a total of \$11.6 million in affordable housing funds for which there is no specific project identified.

The City Council may wish to inquire as to what the Mayor's plan is for these additional affordable housing funds.

Department Review: Boards & Commissions

Office of Boards & Commissions

The Office of Boards & Commissions was established in the FY 2019 Adopted Budget. The Office is intended to support the day-to-day operations of the City's 49 boards and commissions and also serve as an access point to the volunteer members appointed by the Mayor and City Council. These boards and commissions serve the City in a fiduciary, regulatory, policy-setting and/or advisory capacity.

The mission of the Office is “to train, equip, partner, and promote all city advisory boards to foster public policy decision-making, volunteerism, and civic engagement.”

Impacts of Mayor's FY 2020 Budget Proposal

The General Fund portion of the FY 2020 Proposed Budget for the Office of Boards & Commissions is approximately \$1.5 million, an increase of \$165,000 or 12.0% from the FY 2019 Adopted Budget. This increase is attributable to a \$190,000 increase in personnel expense which is partially offset by a \$25,000 reduction in non-personnel expense (NPE). A summary of the General Fund portion of the budget for the Office is provided in the table below.

There are 18.00 FTE positions in the Office, unchanged from FY 2019. Of the 18.00 total positions, 10.00 are budgeted in the Gen-

eral Fund and 8.00 are funded in the Transient Occupancy Tax (TOT) Fund to provide dedicated staff support to the Arts & Culture Commission (see table on next page). 9.00 of the 10.00 General Fund positions provide dedicated staff support to the four boards and commissions described below. The Executive Director position is the only position available to provide over-arching support to the City's other 44 boards and commissions.

Budget Reductions

The Office achieved their requested 3% General Fund budget reduction by cutting approximately \$41,000 from several NPE accounts. This budget cut reduced total NPE in the Office by 20.4%. The reduction in NPE limits the ability of staff to attend beneficial conferences, provide interpretation services, make photocopies, and otherwise support meetings of the boards and commissions.

Boards and Commissions with Dedicated Staff Support

As noted above, four of the 49 boards and commissions have dedicated General Fund staff support—executive directors, executive assistant, and other support staff for the Accessibility Advisory Board. A brief overview of the four boards and commissions that currently have dedicated staff support follows:

SUMMARY OF OFFICE OF BOARDS AND COMMISSIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	10.00	\$ 1,248,597	\$ 122,295	\$ 1,370,892	\$ -
Other Changes					
Salary Adjustments	-	91,271	-	91,271	-
Budget Reductions	-	-	(41,127)	(41,127)	-
Budgeted Pay-in-Lieu Expense	-	13,328	-	13,328	-
Other Fringe Increases (including Retirement ADC)	-	85,012	-	85,012	-
Other NPE Adjustments	-	-	16,163	16,163	-
FY 2020 Proposed Budget	10.00	\$ 1,438,208	\$ 97,331	\$ 1,535,539	\$ -
<i>Difference from 2019 to 2020</i>	<i>-</i>	<i>\$ 189,611</i>	<i>\$ (24,964)</i>	<i>\$ 164,647</i>	<i>\$ -</i>

Office of the Independent Budget Analyst

April 2019

Department Review: Boards & Commissions

Accessibility Advisory Board

This Board is supported by 5.00 staff in the Office of ADA Compliance & Accessibility (Office of C&A) who seek to ensure that every City-operated or funded facility, program, service, and activity is accessible to, and usable by, people with disabilities in accordance with all federal, State, and local codes and laws, including the Americans with Disabilities Act (ADA). Under Title II of ADA, the Office of C&A administers the City's Transition Plan to improve accessibility in the City and manages accessibility complaints filed by people with disabilities.

Citizens' Review Board on Police Practices (CRB)

The CRB is supported by 1.00 Executive Director and shared support staff. CRB provides for civilian oversight through review and evaluation of complaints brought by members of the public against officers of the San Diego Police Department, including officer-involved shootings and in-custody deaths, and evaluation of discipline arising from such events. The CRB recommends improvements in policies, procedures, or training of officers to promote fair and humane policing.

Commission on Gang Prevention & Intervention

The Commission is supported by 1.00 Executive Director and shared support staff. This Commission develops strategic, coordinated, and collaborative efforts between the City, law enforcement agencies, social service providers, and the general public

with the objective of significantly curtailing gang involvement and its negative impact in the City of San Diego.

Human Relations Commission (HRC)

The HRC is supported by 1.00 Executive Director and shared support staff. This Commission conducts and promotes activities that foster mutual understanding and increase diversity, equity, and inclusion for all. The HRC works to address prejudice, intolerance, and discrimination against any individual or group. Community collaboration, community education, and advice to the Mayor and City Council are at the core of HRC's work to create a safe and respectable environment in San Diego.

Administration for Arts & Culture Programs

The Commission for Arts & Culture was established to advise the Mayor and City Council on a wide range of arts-related initiatives, programs, and policies. City staff advised by the Commission administer arts and culture funding programs and the Public Arts program.

As shown in the table below, the FY 2020 Proposed Budget for Arts & Culture Administration is approximately \$1.3 million, a \$169,000 or 11.2% decrease from FY 2019. This reduction is primarily attributable to a \$119,000 reduction in fringe benefits and a \$47,000 reduction in NPE.

SUMMARY OF ARTS AND CULTURE ADMINISTRATION BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	8.00	\$ 1,001,281	\$ 505,658	\$ 1,506,939	\$ -
Other Changes					
Expenditures to Support Relocation to 101 Ash Street	-	-	22,473	22,473	-
Reduction in Professional Services	-	-	(30,314)	(30,314)	-
Salary Adjustments	-	(2,858)	-	(2,858)	-
Other Fringe Adjustments (including Retirement ADC)	-	(119,298)	-	(119,298)	-
Other NPE Adjustments	-	-	(39,386)	(39,386)	-
FY 2020 Proposed Budget	8.00	\$ 879,125	\$ 458,431	\$ 1,337,556	\$ -
Difference from 2019 to 2020	-	\$ (122,156)	\$ (47,227)	\$ (169,383)	\$ -

Office of the Independent Budget Analyst

April 2019

Department Review: Boards & Commissions

The budget for Arts & Culture Administration is funded by the TOT Fund. There are 8.00 FTE positions in Arts & Culture Administration in the FY 2020 Proposed Budget, unchanged from FY 2019.

Public Art Fund

The Public Art Fund receives an allocation of approximately \$556,000 from the TOT Fund in the FY 2020 Proposed Budget. This Fund enables the Arts & Culture Commission to support artwork repair, conservation, installation, and other professional arts collection management practices.

Department Review: Office of the Mayor

Office of the Mayor

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget for the Office of the Mayor is approximately \$4.1 million, an increase of \$352,000 or 9.4% from the FY 2019 Adopted Budget. This increase is attributable to a \$413,000 increase in personnel expense (PE) in the form of salary and fringe benefit adjustments. This increase is partially offset by a \$61,000 reduction in non-personnel expense (NPE).

Total positions in the Office are slightly reduced by 0.32 FTE from 24.32 in FY 2019 to 24.00 in FY 2020. This minor reduction reflects the removal of hourly funding. Budgeted revenue is increased by \$148,000 from \$180,000 in FY 2019 to \$328,000 in FY 2020.

Budget Reduction

As described on page 115 of Volume I of the FY 2020 Proposed Budget, the Office of the Mayor is taking a budget reduction of approximately \$113,000 or 3%. The reduction is comprised of \$32,000 in miscellaneous NPE and \$81,000 in PE reductions related to "anticipated salary adjustments to unclassified staff in FY 2020." The Office can

achieve this PE reduction by hiring unclassified staff at lower salaries than budgeted or by increasing vacancy savings.

Reductions in Budgeted Revenue

In previous budget years, the Office of the Mayor's budget included the City's lobbying contracts. Because the City's lobbying efforts benefit the goals and objectives of other non-General Fund departments, the Office received annual pro rata reimbursements from the benefitting non-General Fund departments.

The City began direct billing benefitting departments for their proportional share of the City's lobbying contracts in FY 2019. This resulted in a \$148,000 reduction in budgeted revenue for the Office of the Mayor in the FY 2019 Budget.

In developing the FY 2020 Proposed Budget, the same \$148,000 was erroneously added backed to the Office of the Mayor's budget in FY 2020. The IBA has discussed this with the Department of Finance and understands the error will be corrected in the May Revise. This \$148,000 will be available as one-time revenue and can be reallocated to another one-time expenditure need.

SUMMARY OF OFFICE OF THE MAYOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	24.32	\$ 3,376,522	\$ 378,545	\$ 3,755,067	\$ 180,000
Other Changes					
Reimbursement Revenue tied to Lobbying Contract	-	-	-	-	148,245
Budget Reductions	-	(80,652)	(32,000)	(112,652)	-
Budgeting for Projected Pay-in-Lieu Expense	-	77,246	-	77,246	-
Decrease in Hourly Positions/Wages	(0.32)	(9,894)	-	(9,894)	-
Salary Adjustments	-	314,396	-	314,396	-
Other Fringe Adjustments (including Retirement ADC)	-	111,535	-	111,535	-
Other NPE Adjustments	-	-	(28,936)	(28,936)	-
FY 2020 Proposed Budget	24.00	\$ 3,789,153	\$ 317,609	\$ 4,106,762	\$ 328,245
Difference from 2019 to 2020	(0.32)	\$ 412,631	\$ (60,936)	\$ 351,695	\$ 148,245

Department Review: Parks & Recreation

Parks and Recreation

Impacts of Mayor's FY 2020 Budget Proposal

The Department is organized under several funds, including the General Fund, the Golf Course Fund, the Los Penasquitos Reserve Fund, and the Environmental Growth Funds. When the Department funds are combined, the Department budget totals \$157.8 million, an increase of approximately \$7.2 million from the FY 2019 Adopted Budget.

General Fund

The FY 2020 Proposed Budget for the Parks and Recreation Department General Fund totals approximately \$121.6 million in the General Fund, an increase of approximately \$5.2 million over the FY 2019 Adopted Budget. The FY 2020 Proposed Budget includes 919.97 FTEs which represents an addition of 11.92 FTEs from the FY 2019 Adopted Budget.

The Department's General Fund revenue totaling \$45.5 million includes an increase of approximately \$1.1 million from the FY 2019 Adopted Budget.

Significant Budget Expenditure Reductions

Reduction of Citywide Park Maintenance Staff

The FY 2020 Proposed Budget includes the reduction of 4.00 FTEs and approximately \$325,000 in expenditures related to citywide park maintenance staff as a part of the Department's efforts to reduce departmental expenditures per the Mayor's request. The positions being reduced include:

- 1.00 Park Ranger at Balboa Park/ Presidio Park— This reduction is expected to impact response times in Balboa Park and Presidio Park. Park Rangers typically provide support for special events at the park, address homelessness issues, and provide supervision of large volunteer group projects. The workload for this filled po-

SUMMARY OF PARK AND RECREATION DEPARTMENT EXPENDITURE BUDGET CHANGES						
	FY 2019 FTE	FY 2020 FTE	CHANGE	FY 2019 BUDGET	FY 2020 PROPOSED	CHANGE
General Fund						
<i>Administrative Services</i>	23.00	25.75	2.75	\$ 4,227,316	\$ 4,693,958	\$ 466,642
<i>Community Parks I</i>	216.26	217.26	1.00	\$ 30,055,014	\$ 30,534,321	\$ 479,307
<i>Community Parks II</i>	272.24	272.91	0.67	\$ 28,529,915	\$ 29,990,869	\$ 1,460,954
<i>Developed Regional Parks</i>	328.23	337.23	9.00	\$ 40,478,759	\$ 43,374,734	\$ 2,895,975
<i>Open Space</i>	68.32	66.82	(1.50)	\$ 13,099,540	\$ 13,001,690	\$ (97,850)
Subtotal General Fund	908.05	919.97	11.92	\$ 116,390,544	\$ 121,595,572	\$ 5,205,028
Non-General Fund						
<i>Environmental Growth Fund 1/3</i>	-	-	-	\$ 4,854,402	\$ 5,254,180	\$ 399,778
<i>Environmental Growth Fund 2/3</i>	-	-	-	\$ 10,203,909	\$ 10,903,909	\$ 700,000
<i>Golf Course Fund</i>	102.08	104.33	2.25	\$ 18,856,067	\$ 19,825,519	\$ 969,452
<i>Los Penasquitos Canyon Preserve Fund</i>	2.00	2.00	-	\$ 266,597	\$ 237,153	\$ (29,444)
Subtotal Non-General Fund	104.08	106.33	2.25	\$ 34,180,975	\$ 36,220,761	\$ 2,039,786
TOTAL PARK AND RECREATION	1,012.13	1,026.30	14.17	\$ 150,571,519	\$ 157,816,333	\$ 7,244,814

Office of the Independent Budget Analyst

April 2019

Department Review: Parks & Recreation

sition will be spread among the six other Park Rangers that cover these parks.

- 2.00 Open Space Park Rangers– The reduction of these positions will impact open space resource protection, as well as the interpretation and enforcement in the City’s major Regional Open Space Park and smaller open space canyons. The workload for these filled positions will be spread among the 24 other Park Rangers that cover open space areas in the City.
- 1.00 Aquatic Technician— This position is unfilled following the operational transfer of the Murphy Canyon Road Training Facility, which includes a half-Olympic sized swimming pool, to the Police Department for use by the Neighborhood Policing Division.

We note that a reduction of 4.00 FTEs to citywide park maintenance staff also occurred in the FY 2019 Adopted Budget. The FY 2019 reductions were specific primarily to mowing and pesticide application staff, which are largely restored

through the additions to citywide maintenance for new facilities, discussed on following page.

Significant Budget Additions

New Parks - The FY 2020 Proposed Budget includes 1.67 FTEs and \$241,000 in expenses to operate and provide maintenance to four new parks, including:

- Innovation (MacDowell) Middle School Joint Use (JU) Facility
- Audubon Elementary JU Facility
- Longfellow Elementary JU Facility
- North Park Mini Park

The Mayor’s FY 2020–2024 Five Year Outlook (Outlook) anticipated 13 new parks opening in FY 2020, however, nine parks identified in the Outlook have been delayed into FY 2021 for various reasons out of the City’s control. We note that the Department anticipates Bay Terraces Recreation and Senior Center to open in October 2020, the Dennery Ranch Neighborhood Park in September 2020, and East Village Greens in November 2020. All other delayed parks are JU Facilities.

SUMMARY OF PARK AND RECREATION DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	908.05	\$ 71,399,086	\$ 44,991,458	\$ 116,390,544	\$ 44,348,891
Programmatic Changes					
New Joint-Use Parks	1.50	114,564	107,149	221,713	-
North Park Mini Park	0.17	12,729	6,363	19,092	-
Citywide Maintenance for New Facilities	8.00	497,764	794,000	1,291,764	-
Reduction of Citywide Park Maintenance Staff	(4.00)	(314,771)	(10,000)	(324,771)	-
Addition of Recreation Specialist	0.50	44,603	10,000	54,603	1,000
Facility Maintenance Restructure	3.00	297,142	-	297,142	-
Park Project Development	3.00	319,877	-	319,877	-
Reengineering of Maintenance Assessment Districts	-	-	202,504	202,504	-
Environmental Growth Funds Transfer	-	-	-	-	1,000,000
TOT Reimbursable Revenue	-	-	-	-	135,939
One-Time Reductions and Annualizations	-	-	(861,782)	(861,782)	(22,500)
Other Changes					
Other Salaries & Wages	(0.25)	524,049	-	524,049	-
Non-Discretionary Adjustments	-	-	3,032,536	3,032,536	-
Other Adjustments	-	-	428,301	428,301	-
FY 2020 Proposed Budget	919.97	\$ 72,895,043	\$ 48,700,529	\$ 121,595,572	\$ 45,463,330
Difference from 2019 to 2020	11.92	\$ 1,495,957	\$ 3,709,071	\$ 5,205,028	\$ 1,114,439

Office of the Independent Budget Analyst

April 2019

Department Review: Parks & Recreation

Citywide Maintenance for New Facilities– The FY 2020 Proposed Budget includes 8.00 FTEs and approximately \$1.3 million in expenses (of which \$747,000 are one-time costs related to vehicle purchases) to add additional mowing and specialty maintenance staff (tree trimming, pesticide application, etc.) to primarily address needs generated by new parks. These positions will support the new parks Citywide.

Other Budget Adjustments

The FY 2020 Proposed Budget also includes the following Adjustments:

- An increase of \$203,000 related to the re-engineering of the City’s Maintenance Assessment Districts (MADs). This was included in the FY 2020 Proposed Budget as a projection for the required general benefit funding level. The actual funding requirement has since been finalized by the Assessment Engineer resulting in a lower funding requirement of \$66,000. This change will be updated in the May Revise.
- The increase of 0.5 FTE Recreation Specialist and \$55,000 in expenses, of which \$10,000 is one-time, to staff the new East Fortuna Staging Area Field Station in Mission Trails Regional Park. The facility is anticipated to open in September 2019.
- An increase of approximately \$3.0 million in non-discretionary expenditures. Primary contributors to the increase include \$1.5 million for vehicle costs and \$1.2 million for electrical costs.
- A reduction of approximately \$862,000 in expenses and \$23,000 in revenue due to the removal of one-time additions in the FY 2019 Adopted Budget and annualization of expenses. The primary component of the reductions

is the removal of \$555,000 for brush management services. This is discussed further in the “Funding Requests Not Made” section of this department review.

Reorganizations Changes

Facility Maintenance Restructure– The FY 2020 Proposed Budget includes the transfer of 3.00 FTEs and \$297,000 in expenses from the Public Works Department for specialized facilities maintenance functions. These positions were previously transferred from Parks and Recreation to Public Works in FY 2019 in an effort to centralize all facilities maintenance functions citywide. However, these positions were determined to be parks specific and therefore they are being returned. Other facilities maintenance positions that were centralized under Public Works in FY 2019 have been reorganized within the Real Estate Assets Department in the FY 2020 Proposed Budget

Park Development Project– The FY 2020 Proposed Budget includes the transfer 3.00 FTEs from three separate departments into the Parks and Recreation Department. The transfer includes 1.00 FTE Project Officer I from Public Works Department, 1.00 FTE Park Designer from Development Services Department and 1.00 FTE Park Designer from Planning Department. These positions will work with Parks and Recreation Department staff to centralize the development of park projects.

Significant Revenue Changes

Environmental Growth Funds Transfer—An increase of approximately \$1.0 million in projected revenue from increased allocations from Environmental Growth Funds.

TOT Reimbursable Revenue— An additional \$136,000 is included in the FY 2020 Proposed Budget as a transfer from the TOT

Department Review: Parks & Recreation

Fund to the Parks and Recreation Department. In total, the Department received \$24.4 million in TOT funding.

Issues for Consideration

Funding requests Not Made

Brush Management— One-time funding of \$555,000 was added by the City Council to the FY 2019 Adopted Budget to increase the frequency of brush abatement from 24 months (452 acres) to 21 months (509 acres). For the FY 2020 Proposed Budget, the Department requested \$678,000 in expenses to maintain brush abatement at FY 2019 levels (509 acres), however, this funding request was not included in the FY 2020 Proposed Budget.

Golf Course Fund

The Golf Course Fund maintains the three City golf courses operated by the City: Mission Bay, Balboa Park, and Torrey Pines (future site of the 2021 U.S. Open Championship).

The FY 2020 Proposed Budget for the Golf Course Fund totals \$19.8 million, representing an increase of approximately \$1.0 million over the FY 2019 Adopted Budget. Department revenues are anticipated to remain materially unchanged at \$20.5 million.

Significant Budget Additions

Addition of Positions— The FY 2020 Proposed Budget includes the addition of 2.00 FTEs and associated expenses totaling \$136,000. The positions include 1.00 Golf Starter Supervisor to support weekend operations Torrey Pines Golf Course and 1.00 Account Clerk that is necessary to due to an increased volume of payments and accounts receivable deposits.

Pension Payment Stabilization Reserve— The FY 2020 Proposed Budget includes \$56,000 representing the Fund's contribution towards the replenishment of the Pension Payment Stabilization Fund.

Environmental Growth Funds

The Environmental Growth Funds (EGFs) are projected to receive approximately \$17.0 million in franchise fees from San Diego Gas & Electric which represents one-quarter of the total SDG&E franchise fees received by the City, in accordance with Charter Section 103.1a. This revenue projection is a increase of approximately \$1.1 million over the FY 2019 Adopted Budget. Additional information related to the franchise fees can be found in the Franchise Fee portion of the "General Fund Revenues" Overview Section in our Report.

SUMMARY OF PARK AND RECREATION DEPARTMENT - GOLF FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	102.08	\$ 8,107,905	\$ 10,748,162	\$ 18,856,067	\$ 20,475,022
Programmatic Changes					
Addition of Account Clerk	1.00	61,212	5,000	66,212	-
Addition of Golf Starter Supervisor	1.00	64,499	5,000	69,499	-
Pension Payment Stabilization Transfer	-	-	55,829	55,829	-
One-Time Reductions and Annualizations	-	-	(48,250)	(48,250)	(4,675)
Other Changes					
Other Salaries & Wages	-	403,227	-	403,227	-
Non-Discretionary Adjustments	-	-	371,548	371,548	-
Other Adjustments	0.25	51,387	-	51,387	-
FY 2020 Proposed Budget	104.33	\$ 8,688,230	\$ 11,137,289	\$ 19,825,519	\$ 20,470,347
Difference from 2019 to 2020	2.25	\$ 580,325	\$ 389,127	\$ 969,452	\$ (4,675)

Office of the Independent Budget Analyst

April 2019

Department Review: Parks & Recreation

The EGFs are allocated into a one-third and two-thirds portion, to reflect Charter provisions that up to two-thirds of revenues can be pledged for bonds for acquisition, improvement and maintenance of park or recreational open space.

To the extent funds exist over and above the requirements for debt service, the Charter provides that they may be used for other purposes so long as it preserves and enhances the environment and is approved by the City Council.

In FY 2009, the Environment Growth Fund retired the 1004 San Diego Open Space Facilities District No. 1 General Obligation Bonds. Since the time the bonds have been repaid in 2009, available revenues have been utilized to reimburse the General Fund for eligible park and open space maintenance activities. For FY 2020, \$1.0 million of the total overall projected revenue increase is being transferred to Parks and Recreation budget (General Fund).

Additional funds are budgeted for reimbursement to Maintenance Assessment Districts and for transfer to the Los Penasquitos Canyon Preserve Fund.

Performance & Analytics

Impacts of Mayor’s FY 2020 Budget Proposal

The FY 2020 Proposed Budget for the Performance & Analytics Department is approximately \$3.9 million, with a \$42,000 or 1.1% increase from the FY 2019 Adopted Budget. Staffing levels remain unchanged from 14.00 FTE positions in FY 2019. The department functions primarily as internal City consultants with the goals of simplifying the customer experience, championing data-informed decision-making and promoting a culture of continuous improvement and accountability.

Get It Done

One of the most notable, customer-facing initiatives overseen by the Performance & Analytics Department is Get It Done. The FY 2020 Proposed Budget includes the following significant changes in allocations for Get It Done:

- The debt payment for Get It Done increases from \$190,500 in FY 2019 to \$448,834 for FY 2020.
- Funding for system enhancements is reduced by \$117,000. This will limit or delay enhancements and new functionality that can be implemented in

FY 2020 such as Spanish translation and streamlining Development Services code enforcement requests. This reduction also limits enhancements to Open Data and the Resident Satisfaction Survey.

- In FY 2019, all General Fund department licenses for Get It Done were budgeted in Performance & Analytics. These have been moved into the respective departments’ budgets for FY 2020.

Following are some statistics from Performance & Analytics regarding Get It Done:

- 20,000 reports per month on average
- 416,398 reports since launch (May 2016—March 2019)
- 65,000 mobile downloads since launch (May 2016—March 2019)
- 55.3% of issues reported via mobile, 27.9% of issues reported via web
- Top issues reported in January–March 2019 were potholes, 72-hour vehicle violations, graffiti, illegal dumping and parking zones

SUMMARY OF PERFORMANCE & ANALYTICS DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	14.00	\$ 2,168,480	\$ 1,703,883	\$ 3,872,363	\$ -
Programmatic Changes					
Debt Payment for Get It Done	-	-	258,334	258,334	-
Reduction in Get It Done Enhancements	-	-	(117,000)	(117,000)	-
Transfer of Get It Done Licenses	-	-	(280,346)	(280,346)	-
Other Changes					
Information Technology Adjustments	-	-	318,805	318,805	-
Non-Discretionary Adjustments	-	-	(2,926)	(2,926)	-
Salary and Benefit Adjustments	-	(134,491)	-	(134,491)	-
FY 2020 Proposed Budget	14.00	\$ 2,033,989	\$ 1,880,750	\$ 3,914,739	\$ -
<i>Difference from 2019 to 2020</i>	-	\$ (134,491)	\$ 176,867	\$ 42,376	\$ -

Department Review: Performance & Analytics

Issues for Council Consideration

An issue that has been surfacing but is not addressed in the FY 2020 Proposed Budget are the workload impacts to departments as a result of the implementation of Get It Done. In addition to staffing to complete the increased number of work requests, departments have also raised the need for staff to assist in managing the requests. A couple of examples that have been discussed are civilian staff to alleviate the sworn officers in the Police Department and dispatch staff for Transportation and Storm Water.

Department Review: Personnel

Personnel

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget for the Department of Personnel totals approximately \$9.6 million. This is an increase of \$560,000 over the FY 2019 Adopted Budget. The Department has minimal budgeted revenue.

Personnel Expenditures (PE)

The number of Personnel Department positions has decreased by 1.0 FTE, from 69.99 in the FY 2019 Adopted Budget to 68.99 in the FY 2020 Proposed Budget. The decrease includes the elimination of 1.00 Associate Personnel Analyst in the Classification and Compensation Section. The impact of this reduction is discussed in the following paragraphs.

Associate Personnel Analyst Position Background

For historical reference, in FY 2017 3.00 FTEs were added to the Personnel Department's budget to handle its workload, including increases in the number of citywide budgeted positions. From the FY 2013 Adopted Budget to the FY 2017 Adopted Budget, the number of budgeted FTEs rose by about 1,225 citywide.¹

The Associate Personnel Analyst position was included in the FY 2017 Adopted Budget as part of the Classification and Compensation section of the Department. However, it was subsequently eliminated in the FY 2018 Adopted Budget. The reduction of this position made it more difficult for the Department to timely produce classification studies, reclassifications, and the increased special salary adjustment

¹ Note that the increase in FTEs from the FY 2013 Adopted Budget to the FY 2020 Proposed Budget is 1,600.

SUMMARY OF PERSONNEL BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expenditures	Revenue
FY 2019 Adopted Budget	69.99	\$ 8,077,357	\$ 998,340	\$ 9,075,697	\$ 6,200
Programmatic Changes					
<i>Reduction of Associate Personnel Analyst in the Classification and Compensation Section</i>	(1.00)	(93,357)	-	(93,357)	-
Other Changes					
<i>Salaries Adjustment (includes 3.3% general salary increase, promotions, SSAs*, and merit increases)</i>	-	454,850	-	454,850	-
<i>Other Fringe Increases (includes retirement ADC)</i>	-	55,302	-	55,302	-
<i>Vacation Pay-in-Lieu (now included in the department budget due to a change in the annual leave program)</i>	-	85,746	-	85,746	-
<i>Net Other Increases</i>	-	22,814	34,582	57,396	-
FY 2020 Proposed Budget	68.99	\$ 8,602,712	\$ 1,032,922	\$ 9,635,634	\$ 6,200
<i>Difference from 2019 to 2020</i>	<i>(1.00)</i>	<i>\$ 525,355</i>	<i>\$ 34,582</i>	<i>\$ 559,937</i>	<i>\$ -</i>

* SSAs are Special Salary Adjustments to certain job classifications that were approved as part of the Salary Ordinance process.

Department Review: Personnel

requests that occurred with the expiration of the general salary freezes that had been in place from July 1, 2009 through June 30, 2018.

Further, elimination of this position in FY 2018 impacted other areas of the Department, as assignments needed to be continually shifted to other employees, causing delays in their respective work areas.

During the FY 2019 budget process, this Associate Personnel Analyst position was added back to the Adopted Budget; however, 1.00 Personnel Assistant 2 in the Liaison Section was eliminated from the budget.

Now, as part of the FY 2020 budget reduction proposals, the Associate Personnel Analyst position has again been eliminated.

The Department has indicated that there has been a continuation of its heightened workload—especially as relates to analysis of special salary adjustment requests and related updates that must be made to the personnel system for any salary increases approved as part of the annual Salary Ordinance. Therefore, the Department is increasing its estimate for the number of days that it takes for classification and compensation studies to be completed—from 19 actual days in FY 2018 to 23 days in FY 2019.

Position Request Not Included in the FY 2020 Proposed Budget

Furthermore, Personnel requested a budget addition of 1.00 Program Coordinator for oversight of the background/medical pre-employment evaluation process. This position is responsible for oversight of the fingerprinting contract with the California Department of Justice, as well as the

contract with the City's medical provider (drug and alcohol testing, tuberculosis testing, physical exams etc.). The position is also responsible for reviewing State and Federal laws and ensuring the City's processing of candidates is in compliance with those laws.

This position has actually been utilized by the Department since FY 2017, but it has not been included in the Adopted Budget as a budgeted position. The use of this position has helped the Department improve the pre-employment process timeframe by four days—decreasing turnaround time (from the time of fingerprinting) from an average of 16 days in FY 2017 to 12 days in FY 2018. Without the addition of this position and related funding to the budget, the Department anticipates exceeding its budget.

The Department has determined its staffing needs based on its current workload, which has led to continual reallocation of staff to the most urgent and changing needs, as well as its expectations regarding continuing the implementation of automated processes.

Given the preceding discussion, Council may wish to discuss with the Personnel Director the potential impacts of not increasing the budget for the Program Coordinator, as well as discuss the impacts of eliminating the Associate Personnel Analyst position.

Department Review: Planning

Planning

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget categorizes the Planning Department into three divisions based upon their respective work functions. These divisions are:

- Community Planning & Implementation Division
- Environment & Mobility Planning Division
- Planning Division

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

General Fund

The FY 2020 Proposed Budget for the Planning Department totals approximately \$9.6 million, a decrease of approximately \$261,000 from the FY 2019 Adopted Budget. Revenues are projected to total \$1.2

million, a decrease of approximately \$110,000 from the FY 2019 Adopted Budget. The FY 2020 Proposed Budget includes 62.75 FTEs, which is a reduction of 2.20 FTE from the FY 2019 Adopted Budget.

Significant Budget Expenditure Reductions

Non-Personnel Expenditures- As a part of the Department's efforts to address the City's shortfall projected in FY 2020, the FY 2020 Proposed Budget includes the reduction of \$297,000 in non-personnel expenditures for community planning. While this reduction will not impact any projects currently underway, it may have an effect on which long-range planning initiatives (including community plan updates) can be supported in FY 2020 Work Program with available funding. Additional revenue from the General Plan Maintenance Fund fee increase, which was approved by the City Council on April 8, 2019, will be taken into consideration by the Department when developing the FY 2020 Work Program in order to mitigate the impact of this reduction.

SUMMARY OF PLANNING AND FACILITIES FINANCING EXPENDITURE BUDGET CHANGES						
	FY 2019 FTE	FY 2020 FTE	CHANGE	FY 2019 BUDGET	FY 2020 PROPOSED	CHANGE
General Fund (Planning)						
<i>Community Planning & Implementation</i>	26.95	27.75	0.80	\$ 4,049,261	\$ 4,122,830	\$ 73,569
<i>Environmental & Mobility Planning</i>	27.00	24.00	(3.00)	\$ 3,859,782	\$ 3,434,343	\$ (425,439)
<i>Planning</i>	11.00	11.00	-	\$ 1,998,258	\$ 2,089,311	\$ 91,053
General Fund	64.95	62.75	(2.20)	\$ 9,907,301	\$ 9,646,484	\$ (260,817)
General Plan Maintenance Fund						
<i>Community Planning & Implementation</i>	-	-	-	\$ 1,743,508	\$ 2,297,508	\$ 554,000
<i>Environmental & Mobility Planning</i>	-	-	-	\$ 906,492	\$ 306,492	\$ (600,000)
General Plan Maintenance Fund	-	-	-	\$ 2,650,000	\$ 2,604,000	\$ (46,000)
Facilities Financing Fund						
<i>Public Facilities Planning</i>	18.00	18.00	-	\$ 3,071,961	\$ 3,105,671	\$ 33,710
Facilities Financing Fund	18.00	18.00	-	\$ 3,071,961	\$ 3,105,671	\$ 33,710

Department Review: Planning

SUMMARY OF PLANNING DEPARTMENT - BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	64.95	\$ 8,263,712	\$ 1,643,589	\$ 9,907,301	\$ 1,323,287
Programmatic Changes					
Housing Affordability Program	-	-	100,000	100,000	-
Park Project Development (Transfer to Parks & Rec.)	(1.00)	(110,586)	-	(110,586)	-
Contractual Services Reduction for Citywide Planning	-	-	(297,219)	(297,219)	-
One-Time Reductions and Annualizations	-	-	(250,000)	(250,000)	(30,000)
Revised Revenue	-	-	-	-	(80,000)
Other Changes					
Other Salaries & Wages	(1.20)	175,580	-	175,580	-
Non-Discretionary Adjustments	-	-	121,408	121,408	-
Other Adjustments	-	-	-	-	-
FY 2020 Proposed Budget	62.75	\$ 8,328,706	\$ 1,317,778	\$ 9,646,484	\$ 1,213,287
<i>Difference from 2019 to 2020</i>	<i>(2.20)</i>	<i>\$ 64,994</i>	<i>\$ (325,811)</i>	<i>\$ (260,817)</i>	<i>\$ (110,000)</i>

Significant Budget Additions

Housing Affordability Program– The FY 2020 Proposed Budget includes \$100,000 in one-time expenses to support the development of additional housing affordability initiatives under the Housing SD plan. This funding level is lower than the \$250,000 that was included in the Mayor’s FY 2020–2024 Five-Year Outlook for FY 2020. As a result, the Department may need to prioritize initiatives which require less technical and environmental analysis when developing their FY 2020 Work Program. Additional revenue from the recent GPMF fee increase will also be taken into consideration by the Department to supplement this funding for Housing SD initiatives.

Reorganization

Park Development Project– The FY 2019 Proposed Budget includes the transfer of 1.00 Park Designer and \$111,000 to the Parks and Recreation Department to centralize the development of park projects.

Revenue Change

The FY 2020 Proposed Budget includes \$80,000 in reduced revenues which is primarily attributable to a \$50,000 County Health Works grant which expired during FY 2019.

Department Work Schedule

The Department’s FY 2020 Work Program, which will include a work schedule for community plan updates, is expected to be released in June 2019. Additional information on the Department’s current work schedule (FY 2019) can be found on the City’s website within the Planning Department section.

General Plan Maintenance Fund (GPMF)

The FY 2020 Proposed Budget totals \$2.6 million for the GPMF. Revenue is also projected to total approximately \$2.6 million, representing a reduction of \$46,000 from the FY 2019 Adopted Budget. As the GPMF is a Special Revenue Fund, budgeted revenue will mirror budgeted expenses.

GPMF Fee Increase

The City Council approved the Department’s Fee and Deposit Schedule on April 8, 2019, which included an increase to the GPMF fee from \$275 to \$450 per applicable permit application. Given the timing, additional revenue from this fee increase is not included in the FY 2020 Proposed Budget but will be reflected in the May Revision.

Department Review: Planning

Facilities Financing

The FY 2020 Proposed Budget totals approximately \$3.1 million for the Facilities Financing Fund, which represents no material change from the FY 2019 Adopted Budget.

As Facilities Financing is a Special Revenue Fund, budgeted revenue will mirror budgeted expenses. Budgeted revenue totals approximately \$3.1 million.

Budget Additions

Relocation to 101 Ash Street - While the FY 2019 Proposed Budget includes approximately \$33,710 for moving costs and additional furniture needed at the new location, this move will likely not occur in FY 2019. \$72,000 was funded as a one-time expense in FY 2019 for the same purpose, however, it was not spent due to relocation delay.

Department Work Schedule

The Department's FY 2020 Work Program, which will include a work schedule for facilities financing plans, is expected to be released in June 2019. Additional information on the Department's current work schedule (FY 2019) can be found on the City's website within the Planning Department section.

Issues for Council Consideration

Climate Adaptation Plan

The Mayor's FY 2020-2024 Five-Year Outlook included \$310,000 in FY 2020 to fund the development of a Climate Adaptation & Resiliency Plan (Adaptation Plan) which is not funded in the FY 2020 Proposed Budget. The Adaptation Plan, which is a component of the Climate Resiliency strategy within the Climate Action Plan (CAP), is intended to assist the City in identifying vulnerabilities and risks associated with changes to the City's environmental and socioeconomic system, planning for early action, and engaging in collaboration with other agencies. The Department has indicated that it plans to continue to collaborate with the Sustainability Department to seek grant opportunities to fund this effort. Additionally, the Department will consider using GMPF funds, as eligible.

SUMMARY OF FACILITIES FINANCING FUND - BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	18.00	\$ 2,306,560	\$ 765,401	\$ 3,071,961	\$ 3,071,961
Programmatic Changes					
<i>Relocation to 101 Ash Street</i>	-	-	33,710	33,710	-
<i>Revenue Adjustment</i>	-	-	-	-	33,710
<i>One-Time Reductions and Annualizations</i>	-	-	(71,975)	(71,975)	-
Other Changes					
<i>Other Salaries & Wages</i>	-	1,301	-	1,301	-
<i>Non-Discretionary Adjustments</i>	-	-	61,991	61,991	-
FY 2020 Proposed Budget	18.00	\$ 2,307,861	\$ 789,127	\$ 3,096,988	\$ 3,105,671
<i>Difference from 2019 to 2020</i>	-	\$ 1,301	\$ 23,726	\$ 25,027	\$ 33,710

Department Review: Police

Police

Performance Measure	Target FY 2018	Actual FY 2018	Target FY 2019	Estimated FY 2019	Target FY 2020
Percentage of 911 calls answered within 10 seconds	95%	90%	95%	90%	90%
Average response time to Priority E calls (in minutes)	7.0	N/A	7.0	N/A	7.0
Average response time to Priority 1 calls (in minutes)	14.0	N/A	14.0	N/A	14.0
Part I violent crimes per 1,000 residents	4.0	3.8	4.0	3.8	4.0

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget for the Police Department is approximately \$539.1 million for the General Fund, an increase of \$65.3 million or 13.8% from the FY 2019 Budget. The FY 2020 Proposed Budget includes 2,655.14 FTE positions, a decrease of 1.87 FTE positions from FY 2019. Budgeted revenue totaling \$46.3 million represents an decrease of \$1.4 million.

Proposed changes to the Police budget include the addition of significant overtime expenditures to address the expansion of Police-related homelessness services initiated in FY 2019 and proposed to continue in FY 2020, an increase in Neighborhood Policing Division duties, and the expansion of the Clean SD program. As discussed later in this section, Police Department over-

time in the Proposed Budget totals \$35.9 million and represents a historical high. Other budget changes include increased maintenance expenditures for facilities, added hourly sworn positions to support select units, and new civilian positions to support operations. These additions are offset by reductions in other civilian positions that are anticipated to be vacant by the start of FY 2020.

The FY 2020 Budget also includes increased compensation for Police officers as a result of the City's agreement with the San Diego Police Officers Association (POA), which is intended to strengthen ongoing Police recruitment and retention efforts. In FY 2020, salary-related expenditures for POA members are increasing by approximately \$20.7 million. A new lateral recruitment incentive program is also included at a cost of \$400,000.

SUMMARY OF POLICE DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	2,657.01	\$ 411,674,314	\$ 62,148,049	\$ 473,822,363	\$ 47,718,041
Programmatic Changes					
Addition of General Fund Overtime (an additional \$3.9M increase is reflected in the Seized Assets Fund)	-	7,492,338	-	7,492,338	-
Addition of Ongoing Maintenance at Police Plaza (former Chargers Headquarters facility)	-	-	408,139	408,139	-
Lateral and Recruitment Incentive Programs	-	-	400,000	400,000	-
Addition of Provisional Hourly Positions	2.88	316,195	-	316,195	-
Addition of Civilian Supplemental Positions	3.00	276,660	6,060	282,720	-
Addition of Communications and Internal Affairs Support	1.00	70,685	-	70,685	-
Reduction in Civilian Positions	(8.75)	(634,235)	-	(634,235)	-
Other Changes					
Salary and Benefit Adjustments	-	52,861,934	-	52,861,934	-
Non-Discretionary Adjustments	-	-	1,097,958	1,097,958	-
Other Adjustments	-	493,164	2,484,104	2,977,268	(1,395,781)
FY 2020 Proposed Budget	2,655.14	\$ 472,551,055	\$ 66,544,310	\$ 539,095,365	\$ 46,322,260
Difference from 2019 to 2020	(1.87)	\$ 60,876,741	\$ 4,396,261	\$ 65,273,002	\$ (1,395,781)

Office of the Independent Budget Analyst

April 2019

Department Review: Police

Addition of Overtime Expenditures for Maintaining Service Levels and Expanding Neighborhood Policing and Clean SD

The FY 2020 Proposed Budget adds \$11.4 million in overtime expenditures (\$7.5 million from the General Fund and \$3.9 million from the Seized Assets Fund) for a total overtime budget of \$35.9 million. As shown in the table below, Police overtime has increased significantly over the past several years, and has also consistently exceeded budgeted levels.

For FY 2020, net increased overtime of \$11.4 million is attributed to the following additions and reductions:

- \$6.2 million to reflect salary increases and to maintain current service levels
- \$4.3 million for expanded Neighborhood Policing efforts
- \$3.5 million for expanded Clean SD efforts
- -\$2.3 million in reduced overtime due to patrol staffing backfill
- -\$0.5 million in reduced overtime for SWAT training

The \$4.3 million overtime increase for Neighborhood Policing is made up of \$3.9 million from the Seized Assets Fund and approximately \$450,000 from the General Fund. The Police Department has indicated that the increase for Neighborhood Policing is intended to address public safety needs in FY 2020 related to the Transitional Storage Facility, the Housing Navi-

gation Center, operations around the San Diego Riverbed, and general Neighborhood Policing Division Support.

The Police Department describes the Neighborhood Policing Division’s work as being focused on addressing quality of life issues associated with homelessness. The Division provides outreach and resources to individuals experiencing homelessness, and also addresses crime such as open drug and alcohol use, lewd conduct, urinating and defecating in public, littering, aggressive or threatening behavior, encroachment, and illegal lodging through enforcement. The Department notes that quality of life enforcement is driven largely by community complaints.

Our Office notes that similar Police activity, notably related to the Transitional Storage Center’s Community Impact Strategy, has incurred over-budget Police overtime in FY 2019 of approximately \$2.1 million. This overtime is expected to continue in FY 2020 and is included in the \$4.3 million overtime increase for Neighborhood Policing. We note that this increased overtime funding is budgeted as a one-time expenditure using largely one-time revenue from the Seized Assets Fund. Should these activities continue in future fiscal years, increased General Fund support or another funding source may be required.

With regard to the \$3.5 million overtime increase for the expansion of Clean SD, our office also notes this is budgeted as a one-time expense in FY 2020. The Police De-

Police Overtime – Historical Budget vs. Actuals (in millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Budget	\$11.8	\$11.1	\$18.0	\$21.0	\$26.3	\$24.6	\$35.9
Actual	\$17.8	\$23.1	\$25.0	\$26.1	\$29.7	\$33.2 (projected)	-

Department Review: Police

partment has described Clean SD work as differing from standard Neighborhood Policing work in that it involves police officers working together with ESD employees as they perform Clean SD functions. Officers report areas needing cleaning or sanitation to ESD, and accompany ESD employees during abatement of unattended property for security. Further discussion of the scope of the Clean SD program is provided in this report's review of the Environmental Services Department budget.

The FY 2020 overtime budget for Police also includes a reduction of \$2.3 million in backfill overtime and a \$450,000 reduction in overtime for SWAT training overtime as a budget reduction proposal. The backfill overtime reduction is anticipated to be implemented by more efficiently scheduling officers' shifts. SWAT training will continue to take place, but will be done during regular working hours and not on an overtime basis, as was the previous practice.

Addition of Ongoing Maintenance at Police Plaza

The FY 2020 Proposed Budget adds approximately \$408,000 in ongoing non-personnel expenditures for maintenance at San Diego Police Plaza, formerly known as the Chargers Headquarters Facility. The Police Department moved into the facility in FY 2019 and has used the space to consolidate Neighborhood Policing Division staff in one location.

Addition of Lateral and Recruitment Incentive Programs

The FY 2020 Proposed Budget includes the addition of \$400,000 in one-time expenditures to support the Lateral and Recruitment Incentive Programs, which were approved by the City Council on December 11, 2018. The programs are intended to im-

prove police officer recruitment and retention efforts by providing lateral hires a \$15,000 incentive and existing officers a \$3,000 to \$4,000 incentive for successfully referring new police officers to the Department.

Addition of Various Sworn and Civilian Positions to Support Operations

The FY 2020 Proposed Budget adds 6.88 FTE sworn and civilian positions and \$670,000 in associated expenditures to support Police Department operations. The added positions include 2.88 hourly sworn provisional Police Detective and Police Officer 2 positions to supplement several units of the Department, including Domestic Violence, Sex Crimes, Backgrounds, Collision Investigation, and the Homeless Outreach Team (HOT). HOT service hours will not increase as a result of this budget addition. Provisional positions allow retired police officers to perform work for the Department on a limited basis.

Civilian additions include 1.00 Interview and Interrogation Specialist, 1.00 Geographic Information Systems Specialist 3, 1.00 Information Systems Specialist 3, 0.50 Police Lead Dispatcher, and 0.50 Word Processing Operator.

Reduction in Civilian Positions

The FY 2020 Proposed Budget includes a reduction of 8.75 civilian positions and \$634,235 in ongoing expenditures. This reduction was submitted by the Police Department as a budget reduction proposal. The Department has indicated that all the positions proposed to be reduced are either already vacant or projected to be vacant by FY 2020. The position reductions encompass a variety of position types, including 4.00 Police Investigative Service Officer (PISO) positions. Prior to this reduction,

Department Review: Police

the Department had increased PISO positions in recent years, most significantly in FY 2016. The FY 2020 Proposed Budget reduces the total number of PISOs from 26.00 to 22.00 positions. The Department has indicated that the workload of these reduced positions will be redistributed to other staff.

Issues for Council Consideration

Police Officer Recruitment and Retention

The City continues to face challenges in reaching its budgeted sworn staffing level for the Police Department. However, compared to recent years, police officer hiring and attrition have improved. As of April 15, 2019, there were 1,847 filled police officer positions out of a total of 2,043 budgeted positions. The Department is currently losing an average of 10-11 officers per month to retirements, separations, or departures for other agencies. This is an improvement from the same time last year, when attrition was approximately 14 to 15 departures per month. The FY 2020 Proposed Budget assumes a sworn attrition rate of 11 departures per month.

The Budget includes a number of items to improve Police recruitment and retention. As in FY 2019, the FY 2020 Proposed Budget includes funding for four academies of 43 recruits each, for a total of 172 recruits per year. The Department's Recruiting Unit consists of 1.00 Police Sergeant and 5.00 Police Officers, and has a budget of \$50,000 per year for recruiting efforts including attendance at events, printed materials, and travel. In June 2018, the City Council approved a two-year agreement with Loma Media (with three additional one-year extensions) for Police recruitment marketing services. These

marketing services will continue in FY 2020.

Other recruitment and retention items in the FY Proposed Budget include increased compensation for Police officers as a result of the City's agreement with the San Diego Police Officers Association (POA). In FY 2020, salary-related expenditures for POA members are increasing by approximately \$20.7 million. The Lateral and Recruitment Incentive program, discussed previously in this report, is also budgeted with \$400,000 in expenditures.

Council Budget Priority Items

A majority of Councilmember budget priority memoranda identified support for Police recruitment and retention efforts as a priority item in FY 2020. A discussion of the status of the Police Department's current efforts in this area, and related items funded in the FY 2020 Proposed Budget, is provided in the previous section.

Another Council priority item was the expansion of the Police Department's Homeless Outreach Team (HOT). The FY 2020 Proposed Budget adds 1.15 FTE hourly position funding for HOT, however HOT service hours will not be expanded in FY 2020.

Some Key Performance Indicators Missing Data

Due to the new Computer Aided Dispatch (CAD) system, some key performance indicators for the Police Department are not available for publication in the Proposed Budget. The Department has indicated it is in the process of hiring an Information Systems Analyst 3 (included in the FY 2020 Proposed Budget) to work on reporting Performance Indicators using the new system, and that data for reporting is expected to be available in calendar year 2020.

Public Utilities

The Public Utilities Department is responsible for providing water and sewer services throughout the City of San Diego. Three major enterprise funds support the Public Utilities Department’s operations: the Metropolitan Sewer Utility Fund, Municipal Sewer Revenue Fund, and the Water Utility Operating Fund. Additionally, the Department manages recreational use of the City’s reservoirs via the General Fund.

Impacts of Mayor’s FY 2020 Budget Proposal

The breakout of proposed expenditures from each funding source is shown on the table below. This table shows both operating expenditures and proposed Capital Improvement Program (CIP) expenditures. For FY 2020, the Proposed Operating Budget is \$946.3 million and the Proposed CIP Budget is \$655.1 million. The combined Proposed Budget of \$1.6 billion for all funds in the Public Utilities Department represents just over 1/3 of the total City FY 2020 Proposed Budget.

For the purposes of analyzing the Department’s operations in the Proposed Budget, those initiatives which affect all of the enterprise funds will be discussed up front, followed by fund-specific adjustments. The Metropolitan and Municipal Sewer Funds will be reviewed together, while operations supported by the Water Fund and

the City’s General Fund will be reviewed separately. *Note that the General Fund component, found at the end, includes a proposed service level reduction for FY 2020.*

Department-wide Initiatives

The Public Utilities Department has major department-wide initiatives impacting the FY 2020 Proposed Budget across the enterprise funds. These items are discussed here as overall impacts to the department and the amounts impacting each of the funds’ FY 2020 Proposed Budgets can be found in their respective tables later in this section.

Organization Restructure

Beginning in the summer of 2018, the Mayor directed a review of the Public Utilities Department “management structure, internal controls, processes and protocols, and employee oversight” per a memo from Kris Michell, Chief Operating Officer, dated July 16, 2018. This was in response to concerns raised in an audit regarding customer service and billing. Meanwhile, the City Auditor conducted an audit of the water meter lid and box replacement program, which found more areas of concern within the Public Utilities Department.

In February 2019, City Council was notified of a new organizational structure being implemented with the goal of achieving a “customer-focused, mission-driven” de-

SUMMARY OF PUBLIC UTILITIES DEPARTMENT BUDGET				
Fund	FTE	Operating Expenditures	CIP Expenditures	Revenues*
Water Fund	804.03	\$ 569,775,574	\$ 344,777,064	\$ 1,010,243,291
Sewer Funds	904.29	373,785,188	310,278,460	610,912,622
General Fund	-	2,712,536	-	1,345,146
Total	1,708.32	\$ 946,273,298	\$ 655,055,524	\$ 1,622,501,059

*Revenues include AB 1600 revenues of \$17.5 million for the Sewer Funds and \$14.4 million for the Water Fund.

Department Review: Public Utilities

partment. An organizational chart showing the new structure can be found on the last page of Volume I of the FY 2020 Proposed Budget as Attachment B.

The key goals are:

- Provide appropriate managerial oversight for efficient decision-making
- Increase accountability
- Streamline operations

A new Executive Assistant Director has been added, and is included in the FY 2020 Proposed Budget. The Customer Support Division will report to the Executive Assistant Director. Water meter reading is moved into the Water Construction and Maintenance Division, functions from the Long Range Planning Division have been moved into other areas of the department, and internal support functions have been consolidated.

The FY 2020 Proposed Budget identifies a net reduction of 2.00 FTE positions for approximately \$317,000 across the Water and Sewer Funds as a result of this restructuring activity. In addition, the department is adding positions to support functions that provide service to the entire department:

- 4.00 FTE positions (\$451,000) to support the Enterprise Asset Management system;
- 3.00 FTE Human Resource Analysts (\$278,000) to support the department in filling vacancies, providing injury case management, and coordinating performance evaluations; and
- 2.00 FTE positions and warehouse facilities (\$963,000) to support inventory expansion and improve procurement.

Pure Water Implementation

The Pure Water program is one of the City's most important projects, with the eventual goal of producing 83 million gallons of potable water per day by 2035 while also eliminating the need to make upgrades to the Point Loma Wastewater Treatment Plant that could cost approximately \$2 billion. This will provide approximately 1/3 of the City's total potable water needs from a locally controlled source. Phase I alone is expected to produce 30 million gallons of purified water by February 2024, which is anticipated to reduce the cost of water purchases by approximately \$45 million annually.

Work continues to implement Phase I (a \$1.6 billion CIP project) of the Pure Water Program. Earlier this fiscal year, City Council approved financing for the project as well as a construction contract valued up to \$1.1 billion. In FY 2020, the Public Utilities Department plans to begin construction for the majority of Phase I. In addition, the department has created a new division for Pure Water and is beginning to add and reallocate staff to support the Program.

Across both the Water and Sewer Funds, the FY 2020 Proposed Budget includes the addition of 13.00 FTE positions, at approximately \$1.6 million in operating expenditures, and \$356.8 million in capital expenditures to support the City's Pure Water program. The positions added include:

- 6.00 FTE positions for the Pure Water Demo facility, which will also support Pump Station 64;
- 5.00 FTE positions for the Industrial Wastewater Control Program to sustain Point Loma waiver requirements; and
- 2.00 FTE Assistant Chemists for lab support.

Department Review: Public Utilities

Rate Case

The Proposed FY 2020 Budget includes approximately \$735,000 toward consultant services to continue reviewing the projected cost of providing water and sewer services and to evaluate any potential changes to the rates charged to customers. The current City Council approved water rate increases extend through FY 2020. The Public Utilities Department anticipates bringing a proposal for new rate adjustments to City Council in early calendar year 2020.

As part of City Council's approval of the current series of water rate increases, the Public Utilities Department was requested to prepare an analysis of potential different water rate structures that could adjust the proportion of fixed and volumetric water rates charged to customers, and to include potential adjustments to the current tiering system for volumetric rates. **Council may wish to request this information be presented when the next set of rate increases is brought forward.**

We also note that the \$735,000 budget allocation for rate case consulting services includes \$200,000 for the Office of the IBA to hire an independent rate consultant on an as-needed basis to assist with the review of any proposed rate adjustments, as approved by City Council in April 2017.

Facilities Maintenance Consolidation

The Public Utilities Department is transferring 8.00 FTE positions to the Facilities Services Division of the Real Estate Assets Department as part of a City-wide consolidation of building maintenance activities. Personnel expenditures are reduced by \$796,000 in the Water and Sewer Funds.

In order to reimburse the General Fund for providing this service, the Public Utilities

Department adds \$1.2 million in expenditures. This results in a notable increase in expense to the Public Utilities Department as a result of the overhead rate charged by Facilities Services. The Public Utilities Department indicated that they will monitor and review all charges for services to ensure they are appropriate.

Water Fund

Expenditures in the FY 2020 Proposed Budget for the Water Utility Operating Fund total \$914.6 million (this is an increase of \$109.3 million from the FY 2019 Adopted Budget). Of this, \$569.8 million are for operating expenses (an increase of \$27.1 million over FY 2019), and \$344.8 million are for capital expenditures (an increase of \$82.2 million from FY 2019). Within the Proposed CIP Budget, the most significant change is \$179.7 million added to the Pure Water project.

Revenues in the Water Fund are proposed at \$1.0 billion, which represents an increase of \$301.6 million from the FY 2019 Adopted Budget.

This section will outline the main causes for revenue and expenditure changes from the FY 2019 Adopted Budget that have not already been discussed as a department-wide initiative. A table detailing significant changes to the Water Fund's Operating Budget can be found on the next page.

Revenue Review

For FY 2020, the revenue budget is increasing by \$301.6 million, or nearly 43%. The most significant driver is funding to implement CIP projects. The City has acquired low-interest financing for CIP projects through the following sources:

- \$148.6 million Water Infrastructure

Department Review: Public Utilities

Finance and Innovation Act (WIFIA),

- \$74.8 million commercial paper,
- \$13.7 million bond proceeds, and
- \$12.5 million State Revolving Fund loan reimbursements.

In addition, water sales are estimated to generate an additional \$50.0 million of revenue.

Expenditure Review

Operating expenditures for the Water Fund in the Proposed Budget total \$569.8 million, with an increase of 5.0% over the FY 2019 Adopted Budget. This increase includes the following significant adjustments:

- \$4.6 million for maintenance of vari-

ous water assets, including the City's nine reservoirs, the Miramar Water Treatment Plant, water pumps, the Alvarado Water Treatment Plant, water transmission mains, and the Otay Water Treatment Plant

- \$2.5 million for resource protection of water resources and watersheds
- 25.00 FTE positions (\$2.1 million) in the Water Operations—Construction and Maintenance Division to address maintenance issues quickly, in response to audit findings regarding water meters
- \$1.7 million in equipment for water construction maintenance and water systems operations

SUMMARY OF PUBLIC UTILITIES WATER FUND OPERATING BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	784.18	\$ 80,827,044	\$ 461,819,395	\$ 542,646,439	\$ 708,692,928
Programmatic Changes					
Maintenance of Water Assets	-	-	4,555,000	4,555,000	-
Equipment for Maintenance & Water Systems	-	-	1,733,000	1,733,000	-
Facility Upgrades & Security Enhancements	-	-	967,240	967,240	-
Resource Protection Initiatives	-	-	2,525,000	2,525,000	-
Water Meter Construction & Maintenance Staff	25.00	2,136,913	-	2,136,913	-
Water Treatment Facility Staff	20.00	1,637,850	-	1,637,850	-
Pure Water Phase I Implementation	4.75	453,649	302,000	755,649	-
Rate Case Consulting	-	-	494,285	494,285	-
Inventory Expansion & Procurement Improvements	0.94	83,636	356,730	440,366	-
MyWaterEasy Credit Card Processing Fees	-	-	400,000	400,000	-
Enterprise Asset Management (EAM) Support	1.88	212,164	-	212,164	-
Develop Low-income Turf Replacement Program	-	-	200,000	200,000	-
Human Resource Analysts	1.41	130,658	-	130,658	-
Transfer to Facilities Maintenance	(3.50)	(354,064)	460,387	106,323	-
Organization Restructure	(27.23)	(2,717,906)	72,690	(2,645,216)	-
Revenue Adjustments					
WIFIA, Commercial Paper, Bonds & SRF for CIP	-	-	-	-	249,669,300
Water Sales	-	-	-	-	49,567,700
Other Changes					
Non Discretionary and Information Technology	-	-	21,408,832	21,408,832	-
Salary and Benefit Adjustments	-	1,904,162	-	1,904,162	-
Other Adjustments	(3.40)	(122,934)	1,621,048	1,498,114	2,492,800
One Time Adjustments and Annualizations	-	-	(457,306)	(457,306)	(179,437)
Water Purchases	-	-	(4,334,667)	(4,334,667)	-
Reductions in Non-Personnel Expenses	-	-	(6,539,232)	(6,539,232)	-
FY 2020 Proposed Budget	804.03	\$ 84,191,172	\$ 485,584,402	\$ 569,775,574	\$ 1,010,243,291
Difference from 2019 to 2020	19.85	\$ 3,364,128	\$ 23,765,007	\$ 27,129,135	\$ 301,550,363

Office of the Independent Budget Analyst
April 2019

Department Review: Public Utilities

- 20.00 FTE positions (\$1.6 million) in the Water System Operations Division, including an Assistant Deputy Director, to increase staffing at water treatment facilities and mitigate potential risks
- \$1.0 million for upgrades and security enhancements at various water facilities
- \$400,000 in credit card payment processing fees for MyWaterEasy
- \$200,000 to develop a low-income turf replacement program (water conservation rebate program)

The FY 2020 Proposed Budget for the Water Fund also includes nearly \$10.9 million in reductions. Of this, \$4.3 million is related to water purchases. The Public Utilities Department is anticipating rate increases from the County Water Authority (CWA); however, the City is able to use water collected in the reservoirs from the recent rains, thereby reducing the amount of water purchased from CWA. The department reports that over 50,000 acre feet of water was collected since October 2018.

Other budgetary reductions in the Water Fund are expected to have no operational impact as they are either associated with budget amounts that are no longer needed or operational efficiencies.

Sewer Funds

The Proposed Budget for expenditures in the combined Metropolitan and Municipal Sewer Utility Funds totals \$684.1 million, which is an increase of \$107.7 million from FY 2019. Of this, \$373.8 million are for operating expenses (an \$11.8 million increase from FY 2019), and \$310.3 million are for capital expenditures (an increase of \$96.5

million from FY 2019). Within the Proposed CIP Budget, \$177.1 million is added to the Pure Water project. Significant changes in operational expenditures, which were not already reviewed as a department-wide initiative, are discussed below.

Revenues in the Sewer Funds are budgeted at \$610.9 million, which is an increase of \$161.7 million over FY 2019. This increase is largely due to the Metropolitan Sewer Fund's expected receipt of \$163.1 million in State SRF loan proceeds, which will be used to support CIP projects.

A table detailing significant changes to the Operating Budget of the combined Sewer Funds is displayed on the following page.

Expenditure Review

Operating expenditures in the FY 2020 Proposed Budget for the Sewer Funds total \$373.8 million, which is an increase of 3.1% over FY 2019. Significant expenditure adjustments include:

- \$6.0 million for mandatory removal of bio solid material and hazardous waste
- \$2.6 million for digester cleaning to remove buildup of inorganic material (one-time)
- \$2.4 million for upgrades and security enhancements at various sewer facilities
- \$1.9 million for repairs at various sewer assets, including the North City Water Reclamation Plant, Metropolitan Bio Solids Center, sewer pump stations, automated chlorination facilities, and the Recycled Water System
- \$605,000 in lab supplies and certification fees
- \$500,000 to replace five vector sewer

Department Review: Public Utilities

cleaning trucks used to prevent sewer overflows

- \$500,000 for a condition assessment of the Point Loma Wastewater Treatment Plant
- \$400,000 in credit card payment processing fees for MyWaterEasy

In addition, the Sewer Funds have nearly \$8.0 million in budgetary reductions that are expected to have no operational impact as they are either associated with budget amounts that are no longer needed or result from operational efficiencies.

General Fund

The City offers recreational use of the reservoirs. These activities are supported by

the General Fund with no impact on Public Utilities Department's enterprise funds or the rate payers. The expenses are partially offset by fees from recreation patrons.

The FY 2020 Proposed Budget for the reservoir recreation program is \$2.7 million, which is an increase of \$106,000 over FY 2019. Revenue to support the program is budgeted at \$1.3 million for FY 2020. There are no staff budgeted in this program as expenses reimburse Water Fund staff for running the program.

Significant Budget Reductions

The Mayor's budget proposes to close each of the City's nine reservoirs to recreational activities one additional day a month. Days of operation vary at each reservoir, ranging from 3 days/week up to 7 days/week, with some seasonal closures or reductions

SUMMARY OF PUBLIC UTILITIES SEWER FUNDS OPERATING BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	871.74	\$ 95,524,683	\$ 267,073,015	\$ 362,597,698	\$ 449,180,767
Programmatic Changes					
Removal of Bio Solid Material & Hazardous Waste	-	-	6,000,000	6,000,000	-
Facility Upgrades & Security Enhancements	-	-	2,405,860	2,405,860	-
Repairs of Sewer Assets	-	200,000	1,650,000	1,850,000	-
Digester Cleaning	-	-	2,550,000	2,550,000	-
Organization Restructure	25.23	2,313,584	14,310	2,327,894	-
Pure Water Phase I Implementation	8.25	747,911	75,000	822,911	-
Lab Supplies & Certification Fees	-	-	604,676	604,676	-
Replace 5 Vector Sewer Cleaning Trucks	-	-	500,000	500,000	-
Condition Assessment - Point Loma Wastewater Plant	-	-	500,000	500,000	-
Inventory Expansion & Procurement Improvements	1.06	94,311	401,320	495,631	-
MyWaterEasy Credit Card Processing Fees	-	-	400,000	400,000	-
Transfer to Facilities Maintenance	(4.50)	(442,237)	775,837	333,600	-
Rate Case Consulting	-	-	240,405	240,405	-
Enterprise Asset Management (EAM) Support	2.12	239,250	-	239,250	-
Human Resource Analysts	1.59	147,339	-	147,339	-
Revenue Adjustments					
State Revolving Fund Loan Proceeds for CIP	-	-	-	-	163,060,400
Other Changes					
Salary and Benefit Adjustments	-	2,216,975	-	2,216,975	-
Other Adjustments	(1.20)	(61,517)	800,440	738,923	(1,194,600)
One Time Adjustments and Annualizations	-	-	(547,205)	(547,205)	(133,945)
Non Discretionary and Information Technology	-	-	(2,654,087)	(2,654,087)	-
Reductions in Non-Personnel Expenses	-	-	(7,984,682)	(7,984,682)	-
FY 2020 Proposed Budget	904.29	\$ 100,980,299	\$ 272,804,889	\$ 373,785,188	\$ 610,912,622
Difference from 2019 to 2020	32.55	\$ 5,455,616	\$ 5,731,874	\$ 11,187,490	\$ 161,731,855

Office of the Independent Budget Analyst

April 2019

Department Review: Public Utilities

in days. The closure of one additional day per month at each of the nine reservoirs is a budget reduction of \$78,000.

Significant Budget Increases

There is an increase of \$150,000 for wastewater disposal from the portable restrooms at the reservoirs and a \$17,000 increase in contributions to the San Diego Joint Powers Authority.

Issues to Consider

Unfunded Requests

The Public Utilities Department requested the following two items for the reservoir recreation program which were not included in the FY 2020 Proposed Budget:

- \$50,000 to replace two patrol boats used to ensure public safety at the reservoirs, and
- \$24,500 for a consultant to study the fee structure, which could be used to adjust user fees and increase General Fund revenue by up to \$1.3 million to make the program more cost recoverable.

SUMMARY OF PUBLIC UTILITIES GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	-	\$ -	\$ 2,606,490	\$ 2,606,490	\$ 1,605,146
Programmatic Changes					
<i>Wastewater Disposal from Portable Restrooms</i>	-	-	150,000	150,000	-
<i>Reduce Reservoir Recreation 1 day/Month/Location</i>	-	-	(78,195)	(78,195)	-
<i>San Deguito Joint Powers Authority</i>	-	-	17,086	17,086	-
Other Changes					
<i>Non Discretionary and Information Technology</i>	-	-	9,155	9,155	-
<i>Other Adjustments</i>	-	-	8,000	8,000	(260,000)
FY 2020 Proposed Budget	-	\$ -	\$ 2,712,536	\$ 2,712,536	\$ 1,345,146
Difference from 2019 to 2020	-	\$ -	\$ 106,046	\$ 106,046	\$ (260,000)

Department Review: Public Works

Public Works

Performance Measure	FY 2018 Target	FY 2018 Actual	FY 2019 Target	FY 2019 Estimated	FY 2020 Target
Number of information-sharing meetings with industries supporting City infrastructure (new measure)	N/A	N/A	N/A	13	12
Percentage of all Construction Change Orders due to changed/unforeseen conditions and design errors	4.0%	3.6%	4.0%	4.0%	4.0%
Percentage of Capital Improvement Projects delivered on baseline Project Charter schedule	80.0%	74.4%	80.0%	70.0%	80.0%
Average number of days to award contracts	90	98	90	90	90

As of April 2019, the Public Works Department is comprised of the following two branches:

- **Contracts**—Procures construction and consulting services specifically for Capital Improvement Program (CIP) projects and provides other related services. This branch also provides support to other departments that is unrelated to Engineering & Capital Projects (E&CP).
- **Engineering and Capital Projects (E&CP)**—Provides engineering services for implementing the City’s CIP and quality control and inspection of private work permitted in the public right-of-way.

Expenses in both branches are billed against CIP projects. The revenue comes in through the E&CP Fund.

The General Services Branch is being dissolved with the transfer of Publishing Services to the Purchasing and Contracting Department in the FY 2019 Adopted Budget and the transfer of personnel that maintain the City’s facilities to the Real Estate Asset Department in April 2019.

The FY 2020 Proposed Budget aligns any remaining positions in the General Services Branch with E&CP.

The changes included in the FY 2020 Proposed Budget would remove all positions funded by the General Fund. Therefore, the 826.50 FTE positions proposed for the

SUMMARY OF PUBLIC WORKS DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
<i>Contracting Branch</i>					
FY 2019 Adopted Budget	29.00	\$ 2,968,746	\$ 446,872	\$ 3,415,618	\$ 3,415,618
FY 2020 Proposed Budget	37.00	3,885,551	1,224,192	5,109,743	5,109,743
Difference from 2019 to 2020	8.00	916,805	777,320	1,694,125	1,694,125
<i>Engineering & Capital Projects Branch</i>					
FY 2019 Adopted Budget	745.75	\$ 83,050,364	\$ 15,771,962	\$ 98,822,326	\$ 98,822,326
FY 2020 Proposed Budget	789.50	93,073,618	17,653,297	110,726,915	110,726,915
Difference from 2019 to 2020	43.75	10,023,254	1,881,335	11,904,589	11,904,589
<i>Facilities Services¹</i>					
FY 2019 Adopted Budget	223.50	\$ 19,947,786	\$ 6,264,019	\$ 26,211,805	\$ 6,574,799
FY 2020 Proposed Budget	210.50	18,349,221	6,073,893	24,423,114	7,304,653
Difference from 2019 to 2020	(13.00)	(1,598,565)	(190,126)	(1,788,691)	729,854

¹As of April 2019, Facilities Services has been transferred to the Real Estate Asset Department. Figures are shown here to be consistent with the Proposed Budget display.

Department Review: Public Works

department would be solely funded with the E&CP Fund.

The Proposed Budget for each branch is detailed in the individual sections that follow. However, we highlight one overarching issue for Council consideration below.

Issues for Council Consideration

E&CP Fund Deficit

The E&CP Fund is a special revenue fund. Special revenue funds contain revenues that are received for a specific purpose. In the case of the E&CP Fund, engineers and other staff that work directly on capital improvement projects bill the time they work on the respective project. The charges include an overhead rate to account for other costs to do business, including staff that do not directly work on CIP projects (e.g. management, analysts, and payroll). The overhead rate for FY 2020 will be 155.9%. Therefore, for every dollar charged to CIP projects, an additional \$1.56 is charged to cover indirect expenditures. Not all positions within Public Works are able to bill to CIP projects, and many bill at different rates depending on the type of work they do. Through this structure, charges to the CIP for Public Work staff time is one of several factors that impact the cost of CIP projects.

The FY 2020 Proposed Budget reflects a \$13.0 million deficit at the end of the budget year. According to the department's latest projections, the deficit is anticipated to be reduced \$11.5 million at the end of the fiscal year. The budget states that FY 2020 overhead rates have increased as part of a multi-year plan to eliminate the fund's deficit.

The E&CP Fund was established in the FY 2015 Adopted Budget. Prior to this, the de-

partment was funded by the General Fund. The fund deficit has accumulated and rolled over each year since the establishment of the fund.

The department has increased the overhead rate from 94.7% in FY 2018 to 155.9% in FY 2020. It anticipates the deficit to be eliminated within two years. Our Office will continue to monitor this issue.

Public Works - Contracts

Most of the services provided by the Contracts Division support the Capital Improvements Program (CIP). The division provides centralized procurement for construction and professional consulting services, as well as contract management services.

Impact of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget includes \$5.1 million in expenditures, which is an increase of \$1.7 million, or 49.6% over the FY 2019 Adopted Budget. The budget also provides an additional 8.00 FTE positions for a total of 37.00 FTE positions. The budget increase is due to the transfer of positions from the E&CP Branch.

The Contracts Branch's expenditures are supported with \$5.1 million in revenue from the E&CP Fund. The E&CP Fund is a special revenue fund in which work provided by the E&CP Branch related to the CIP is charged to the individual CIP project budget. Operations work is charged to the respective department.

The Significant Budget Additions

The proposed budget includes the follow-

ing significant budget addition:

- One-time increase of \$800,000 to fund a citywide disparity study.

This is in addition to the \$200,000 the Purchasing and Contracting Department received through an appropriation in the FY 2019 Mid-Year Budget Monitoring Report intended to initiate the study. The Purchasing and Contracting Department would use the \$800,000 from the E&CP Fund to contract out for the study. Given the funding source, the study appears to be limited to contracts used for the Capital Improvements Program. This is discussed further in our review of the Purchasing and Contracting Department budget.

Other adjustments include:

- Transfer 10.00 FTE positions and \$983,000 from E&CP to the Contracts Branch. This adjustment is intended to align contract-related positions under the appropriate branch.
- A technical adjustment to transfer 2.00 FTE positions and \$205,686 from the Contracts Branch to the E&CP Branch to better meet department needs.

Streamlining Efforts

One of the department's streamlining efforts is establishing procedures to re-

SUMMARY OF PUBLIC WORKS - CONTRACTING BRANCH BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	29.00	\$ 2,968,746	\$ 446,872	\$ 3,415,618	\$ 3,415,618
Programmatic Changes					
<i>Disparity Study</i>	-	-	800,000	800,000	-
<i>Restructure - Transfer Positions into Contracts Branch</i>	10.00	983,498	-	983,498	-
<i>Restructure - Transfer to E&CP Branch</i>	(2.00)	-205,686	-	(205,686)	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	138,993	-	138,993	-
<i>One-time Additions and Annualizations</i>	-	-	(18,180)	(18,180)	-
<i>Non-Discretionary Adjustment</i>	-	-	(4,500)	(4,500)	-
<i>Revised Revenue</i>	-	-	-	-	1,694,125
FY 2020 Proposed Budget	37.00	\$ 3,885,551	\$ 1,224,192	\$ 5,109,743	\$ 5,109,743
Difference from 2018 to 2019	8.00	\$ 916,805	\$ 777,320	\$ 1,694,125	\$ 1,694,125

Office of the Independent Budget Analyst

April 2019

Department Review: Public Works - Contracts

duce the time it takes to procure consultant contracts. The department is studying its process to identify inefficiencies and expects to start implementing process improvements by the end of the 2019 calendar year.

The department has also recently finished creating procedures for evaluating the performance of consultants providing architecture and engineering services. The evaluations are intended to improve future selection processes.

Public Works - Engineering & Capital Projects

The Engineering & Capital Project (E&CP) Branch provides engineering services to support construction for capital improvement projects in the Capital Improvement Program (CIP). The branch supports a wide range of projects through planning, designing, project management; inspections of public and private work permitted in the right-of-way; and surveying and materials testing. The branch is comprised of six divisions:

- Architectural Engineering & Parks
- Right-of-Way Design
- Construction Management & Field Engineering
- Engineering Support & Technical Services
- Business Operations Support Services
- Capital Asset management Division

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget includes \$110.7 million in expenditures from the E&CP Fund, which is an increase of \$11.9 million, or 12.0%, over the FY 2019 Adopted Budget. Similarly, the Proposed Budget includes \$110.7 million in revenue reflecting charges to CIP projects for services. A total of 789.50 FTE positions are provided, which is an increase of 43.75 FTE positions, or 5.5%, over prior year.

Significant Budget Additions

The Proposed Budget includes a *net* increase of 43.75 FTE positions. Most adjustments are related to restructuring and additional staff, as described below. There is also one-time expenditures of \$34,000 attributed to relocating some staff to the 101 Ash Street building—though which staff is planning to move is currently unknown. Expenditures of \$130,000 is in-

SUMMARY OF PUBLIC WORKS - E&CP BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	745.75	\$ 83,050,364	\$ 15,771,962	\$ 98,822,326	\$ 98,822,326
Programmatic Changes					
CIP Support	47.25	4,366,786	366,566	4,733,352	262,000
Restructure - Transfer Positions into E&CP Branch	10.00	1,384,486	71,861	1,456,347	-
Restructure - Transfer Positions to Contracts Branch	(10.00)	(983,498)		(983,498)	-
Transfer Position to Parks and Recreation Department	(1.00)	(92,708)	(5,997)	(98,705)	-
Regional Water Quality Control Board Penalty	-	-	130,303	130,303	-
Moving Expenses to 101 Ash St			33,710	33,710	
Support for IT			1,271,531	1,271,531	
Other Changes					
Non-Standard Hour Personnel Funding	(2.50)	(6,534)	-	(6,534)	-
Other Salary and Benefit Adjustments		5,354,722		5,354,722	
Nondiscretionary Adjustment			403,564	403,564	
Other Adjustments	-	-	(390,203)	(390,203)	(19,275)
Revised Revenue	-	-	-	-	11,661,864
FY 2020 Proposed Budget	789.50	\$ 93,073,618	\$ 17,653,297	\$ 110,726,915	\$ 110,726,915
Difference from 2019 to 2020	43.75	\$ 10,023,254	\$ 1,881,335	\$ 11,904,589	\$ 11,904,589

Office of the Independent Budget Analyst

April 2019

Department Review: Public Works - E&CP

cluded for a Regional Water Quality Control Board Penalty due to violation of construction project sites which the City was responsible for providing oversight. FY 2020 is the final payment to the Board.

Restructuring

Because the General Services Branch is being dissolved with the transfer of Facilities Services out of the Public Works Department and into the Real Estate Asset Department (READ), the Proposed Budget transfers the remaining 10.00 FTE positions and \$1.4 million into the E&CP Branch. This includes IT support which also served Facilities Services, especially related to the Enterprise Asset Management System. Facilities has indicated it will need some IT support within READ.

The Proposed Budget also transfers 10.00 and \$983,000 positions out of E&CP into the Contracts Branch to centralize as-needed, Job Order Contract (JOC), and Multiple Award Construction Contract (MACC) services. Finally it transfers 1.00 FTE and \$99,000 to the Parks and Recreation Department.

Additional Positions

The Proposed Budget includes 47.25 new FTE positions for FY 2020. Other adjustments bring the net increase in FTE positions to 43.75. According to the department, the need for these positions is driven by continued growth of the Capital Improvements Program budget. The additional positions address a variety of functions within the E&CP Branch.

Specifically, the new positions include:

- 10.00 FTE positions and \$962,000 to support land surveying. Land surveyors use precise measurements to determine property boundaries.

- 6.00 FTE positions and \$587,000 to provide support for 5G internet permit inspections.
- 6.00 FTE positions and \$508,000 to ensure contracts comply with prevailing wage requirements. We note that the FY 2019 Adopted Budget included a transfer of 6.00 FTE positions from Purchasing and Contracting Department to E&CP for this purpose. According to the department, these positions were previously serving the Public Works Department and the transfer in FY 2019 provided no increase in support. This adjustment is in addition to the support for prevailing wage contract compliance provided in FY 2019. All these positions are expected to be transferred to the Contracts Branch in the May Revision.
- 5.00 FTE positions and \$563,000 to add a management position and augment the Capital Asset Management Support division working with the Enterprise Asset Management system, focusing on GIS and project tracking. This is in addition to the related 8.00 FTE positions that were provided in the FY 2019 Adopted Budget.
- 5.00 FTE positions and \$471,000 to coordinate construction contracts for the Pure Water project. This is in addition to the 6.00 FTE positions that were provided in the FY 2019 Adopted Budget. According to the department, the intent was to phase in support for Pure Water.
- 4.00 FTE positions and \$336,000 to augment the Preliminary Engineering section.
- 3.00 FTE positions and \$324,000 to support asset management planning

Department Review: Public Works - E&CP

for City facilities.

- 2.00 FTE positions and \$229,000 to support the Underground Utility Program with project management and design for paving and ADA compliance. This is in addition to the position provided in the FY 2019 Adopted Budget.

Additional single positions are proposed to cover a variety of functions throughout the E&CP Branch, totaling 6.25 FTE positions and \$803,000.

Issues for Council Consideration

E&CP Growth and Remaining Vacancies

The FY 2020 Proposed Budget adds another net 43.75 FTE positions to the E&CP Branch while it currently has a vacancy rate of 13%, or 100.50 FTE positions. At this time last year, the vacancy rate was about the same. According to the department, it is requesting additional positions despite the number of existing vacancies so that when the market adjusts it can be ready to hire and increase the percentage of work completed with in-house staff.

The E&CP's workload is driven by the CIP. The CIP has experienced significant growth in recent years as expenditures from FY 2015 to FY 2018 have increased almost 80%. Also, the final FY 2018 Adopted Budget was the largest to date totaling \$924.7 million (together with the Adopted Budget and subsequent appropriations through Council items and those included in the CIP Budget Monitoring Reports). The CIP is projected to reach a peak in FY 2021 due to implementation of Phase I of the Pure Water project.

Though additional FTE positions may be warranted due to the 28% increase in the

Proposed FY 2020 CIP Budget from the FY 2019 Adopted Budget, the department can address much of this demand by filling its current 100.50 vacancies. However, the department has had difficulty hiring in the current competitive market conditions. Many positions that have been hired come from internal promotions, thereby not improving the overall vacancy rate. If the branch is unable to fill its positions as the CIP continues to grow, it will have to meet the demand with greater reliance on consulting services. In FY 2018, the department performed 54% of its design and construction management work in-house.

The City recently approved increased specialty pay compensation for engineers and for land surveyors to help address these issues. However, the department anticipates that hiring will remain a challenge in this economic climate.

Council could consider waiting to approve the additional positions until the branch is able to increase its hiring. Otherwise, Council could approve the requested positions (which is on top of the existing 100.50 FTE vacancies), with the recognition that unless they can be filled, increased work capacity would be very limited.

Public Works - Facilities Services

The Public Works General Services Branch included two divisions for part of FY 2019: Facilities Services and General Services Administration. Facilities Services provides maintenance, repair, modernization, and improvement services for facilities Citywide. General Services Administration includes administrative staff that serve the whole department as well as the Department Director and other management.

In April 2019, Facilities Services was transferred from the General Services Branch of the Public Works Department to the Real Estate Asset Department. Adjustments included in the FY 2020 Proposed Budget for Facilities Services dissolve the General Services Division by transferring remaining positions into the Public Works Engineering & Capital Projects Branch.

Please refer to our review of the Real Estate Assets Department for our analysis of the Proposed Budget for Facilities Services.

Purchasing & Contracting

Impacts of the Mayor's FY 2020 Budget Proposal

The Purchasing & Contracting Department's proposed budget for FY 2020 totals approximately \$29.7 million. The department has three funding sources, with distinct functions:

- General Fund for procurement, living wage and equal opportunity contract compliance, and oversees the animal services contract,
- Central Stores maintains an inventory of various supplies for City departments, and
- Publishing Services provides printing and graphics services to City departments.

The FY 2019 Proposed Budget for the entire department reflects an increase of approximately \$2.5 million, or 9.3%, primarily due to one-time expenses associated with the animal services contract and addition of funding for a disparity study. Positions are reduced by 4.00 FTE from restructuring of procurement functions. Changes to each fund are discussed in more detail as follows.

General Fund

Purchasing & Contracting's General Fund FY 2020 Proposed Budget is approximately

\$20.0 million. This is an increase of nearly \$2.9 million from the FY2019 Budget, which represents a 16.7% increase. The department's General Fund budget has a proposed net reduction of 4.00 FTE positions for FY 2020. Revenue has been reduced by \$800,000. (See table next page.)

Animal Services Contract

In April 2018, City Council approved a new animal services contract with the San Diego Human Society (SDHS) to begin July 2018. This was in response to notification from the County of San Diego that they would stop providing services to the City at the end of FY 2018. The initial term of the contract with the SDHS is for 18 months, from July 2018 through December 2019. This contract was set up for an 18-month term to allow both the City and SDHS to re-evaluate the performance standards and compensation. Based on successful operations thus far, Purchasing & Contracting intends to negotiate to extend the contract. The contract cost for July-December 2019 operations is approximately \$5.5 million and the FY 2020 Proposed Budget maintains the nearly \$11.0 million of budget from FY 2019 as an estimate to cover a full fiscal year's operations in FY 2020.

The contract also allows for nearly \$2.2 million in FY 2020 to reimburse SDHS for start-up costs associated with purchasing vehicles and equipment and leasing shelter space in order to provide this service to the

SUMMARY OF PURCHASING & CONTRACTING DEPARTMENT BUDGET CHANGES						
Fund	FY 2019 FTE	FY 2020 FTE	Change	FY 2019 Budget	FY 2020 Proposed	Change
General Fund	52.96	48.96	(4.00)	\$ 17,096,098	\$ 19,957,673	\$ 2,861,575
Central Stores Fund	20.00	20.00	-	7,532,994	7,492,798	\$ (40,196)
Publishing Services Fund	9.00	9.00	-	2,498,422	2,206,440	\$ (291,982)
Total Combined	81.96	77.96	(4.00)	\$ 27,127,514	\$ 29,656,911	\$ 2,529,397

Department Review: Purchasing & Contracting

City of San Diego. The Proposed Budget includes a one-time increase of approximately \$2.2 million in the General Fund for this purpose.

Disparity Study

During the FY 2019 Mid-Year Budget Monitoring Report, \$200,000 from the General Fund was allocated to the Purchasing & Contracting Department to “begin the process of conducting a disparity study”. Our office noted that, based on prior research conducted in 2016 and presented in IBA Report 16-08 *Disparity Study: An Overview of Municipalities and Government Agencies*, a disparity study for the City of San Diego would cost a minimum of \$1.0 million. Further, it was unclear what would be accomplished with the \$200,000 allocation in FY 2019.

Purchasing & Contracting has now developed a timeline for initiating the disparity study in CY 2019:

- June: Scope of work finalized
- July: Release RFP
- August/September: Evaluate proposals
- September/October: City Council approval and execute contract

Based on this timeline, the \$200,000 budgeted in FY 2019 will not be spent. This \$200,000 could be re-appropriated to a

one-time use in FY 2020 or carried over should the study require additional funding in FY 2020.

The FY 2020 Proposed Budget adds \$800,000 for the disparity study, to be funded by the Engineering & Capital Projects Fund. This fund receives revenue from capital improvement projects as a reimbursement for staff time in managing and implementing those projects. *As a result, the scope of the disparity study will be limited to contracts within the CIP.* These will include capital construction contracts and architectural and engineering design consulting agreements. However, other contracted activities of the City which support operations would not be included, such as security, janitorial, professional information technology, outside legal, and all other consulting services. Some cities have conducted studies that include the full breath of procurement—construction, architectural and engineering, professional services, goods and supplies, while others have focused on construction contracts only.

In addition, a complete cost estimate is unknown at this time. Based on our research in 2016 (IBA Report 16-08), we estimated that a disparity study will cost at least \$1.0 million but costs have likely increased and the scope of the study will impact the cost. It is likely that \$800,000 will

SUMMARY OF PURCHASING & CONTRACTING (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	52.96	\$ 5,251,881	\$ 11,844,217	\$ 17,096,098	\$ 1,093,716
Programmatic Changes					
<i>Animal Services Contract (one-time)</i>	-	-	2,174,519	2,174,519	-
<i>Disparity Study</i>	-	-	800,000	800,000	800,000
<i>Restructure of Procurement Positions</i>	(4.00)	(254,511)	-	(254,511)	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	356,365	-	356,365	-
<i>Non-Discretionary Adjustments</i>	-	-	(44,695)	(44,695)	-
<i>Information Technology Adjustments</i>	-	-	(170,103)	(170,103)	-
FY 2020 Proposed Budget	48.96	\$ 5,353,735	\$ 14,603,938	\$ 19,957,673	\$ 1,893,716
Difference from 2019 to 2020	(4.00)	\$ 101,854	\$ 2,759,721	\$ 2,861,575	\$ 800,000

Department Review: Purchasing & Contracting

not be sufficient funding to complete the study, even if the scope is limited to CIP, and more funding will likely be needed to complete the study. The Purchasing and Contracting Department estimates the study will take 18 months to complete, therefore, continuing into FY 2021. Any balance of funding required could be added in FY 2021. The exact amount needed will be known when the results of the RFP are received in the fall.

Our office recommends that Purchasing & Contracting issue an RFP for the disparity study which requests bids on two scopes of work—one for just CIP contracts and the other for the full breadth of procurement services, then return to Council with the results and recommended funding sources for each option. In addition, we recommend that the \$200,000 of General Fund budget added in FY 2019, which will not be spent, be re-budgeted in FY 2020 as a potential funding source for the disparity study should the approved scope include more than just the CIP.

As an additional note, should the results of the disparity study support a new program at the City, additional staff or other resources may be needed in order to monitor and/or implement a new program. Further, the disparity study would need to be updated every few years.

Restructure of Procurement Positions

The FY 2020 Proposed Budget includes a net reduction of 4.00 FTE procurement positions as a result of restructuring the procurement functions within the department. The following position changes result in a net reduction of approximately \$255,000 to the General Fund.

According to Purchasing & Contracting, procurement work has become more com-

FTE	Job Classification
8.00	Program Coordinators
(1.00)	Principal Procurement Specialist
(3.00)	Supervising Procurement Contracting Officers
(1.00)	Senior Procurement Contracting Officer
(6.00)	Associate Procurement Contracting Officers
(1.00)	Assistant Procurement Contracting Officer
(4.00)	Total

plex, thus requiring a level of positions that can “liaise, provide guidance to departments, make reports to executive management and City Council while handling policy and navigating political issues”. In addition, the implementation of Ariba has automated a significant portion of the more entry-level type procurement work, resulting in procurement efficiencies. The proposed restructure of positions will create a new layer of Program Coordinators reporting to the Director or Deputy Director, with the Procurement Contracting Officers reporting to the new Program Coordinators.

Central Stores Fund

The Central Stores Fund has a proposed FY 2020 budget of \$7.5 million. This is a reduction of approximately \$40,000, or 0.5%, from the FY 2019 Adopted Budget. There are no changes to the 20.00 FTE positions. Revenue is increased by approximately \$99,000 based on the amounts other City departments pay for delivery services and interoffice mail. (See table next page.)

Significant Budget Reductions

The Central Stores FY 2020 Proposed Budget includes a reduction of nearly \$68,000, or 0.9% of the Store’s budget, in non-personnel expenditures associated with services from other City departments, equipment maintenance, office supplies and professional/technical services. Pur-

Department Review: Purchasing & Contracting

SUMMARY OF CENTRAL STORES FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	20.00	\$ 1,642,020	\$ 5,890,974	\$ 7,532,994	\$ 7,533,914
Programmatic Changes					
Expenditure Reduction	-	-	(67,500)	(67,500)	-
Other Changes					
Salary and Benefit Adjustments	-	72,897		72,897	-
Information Technology Adjustments	-	-	(6,555)	(6,555)	-
Non-Discretionary Adjustments	-	-	(39,038)	(39,038)	-
Other Adjustments	-	-		-	99,433
FY 2020 Proposed Budget	20.00	\$ 1,714,917	\$ 5,777,881	\$ 7,492,798	\$ 7,633,347
<i>Difference from 2019 to 2020</i>	-	\$ 72,897	\$ (113,093)	\$ (40,196)	\$ 99,433

chasing & Contracting indicates that this reduction will have no impact on the services provided to other City departments.

Central Stores Fund Balance

For FY 2020, the Central Stores Fund is budgeted to receive approximately \$140,000 of revenue in excess of expenditures. The fund ended FY 2018 with a negative balance of roughly \$199,000 and projected an additional \$146,000 expense over revenue in the FY2019 Mid-Year Budget Monitoring Report. This would result in an ending FY 2019 balance of nearly \$345,000 to the negative. Purchasing & Contracting has indicated that the FY 2019 projections are looking better than they were in the Mid-Year Report and the additional revenue in FY 2020 will assist towards bringing the fund back into alignment. Our office will continue to monitor the projections and fund balance. An increase in charges to other City departments may be needed to fully recoup costs.

Publishing Services Fund

The FY 2020 Proposed Budget for the Publishing Fund is \$2.2 million with approximately \$2.5 million in revenue and 9.00 FTE positions. A \$75,000 reduction is proposed, which the department indicates will have no service level impacts. The equipment budget is being reduced entirely, by \$42,000, and the paper budget is reduced by 11% or \$33,000.

SUMMARY OF PUBLISHING SERVICES FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	9.00	\$ 759,005	\$ 1,739,417	\$ 2,498,422	\$ 2,498,676
Programmatic Changes					
Reduction to Equipment and Paper	-	-	(75,000)	(75,000)	-
Other Changes					
Salary and Benefit Adjustments	-	(4,697)	-	(4,697)	-
Information Technology Adjustments	-	-	(80,006)	(80,006)	-
Non-Discretionary Adjustments	-	-	(82,279)	(82,279)	-
Other Adjustments	-	-	(50,000)	(50,000)	-
FY 2020 Proposed Budget	9.00	\$ 754,308	\$ 1,452,132	\$ 2,206,440	\$ 2,498,676
<i>Difference from 2019 to 2020</i>	-	\$ (4,697)	\$ (287,285)	\$ (291,982)	\$ -

Department Review: Real Estate Assets

Real Estate Assets

The Real Estate Assets Department manages the City’s real estate portfolio, including the administration of leases, permits and operating agreements. The Department also provides direction for operations of SDCCU Stadium, the City Concourse and Parking Garages, the City’s Airports, and the Joint Use Management Agreement for PETCO Park. New this year, the Facilities Services Division has been transferred from Public Works into the Real Estate Assets Department effective April 2019.

The table below summarizes the entire budget of the Real Estate Assets Department. In the FY 2019 Adopted Budget, there were 59.00 FTE positions and expenditures of \$49.5 million. With the transfer of the Facilities Services Division, the FY 2020 Proposed Budget for the Department has grown to 269.50 FTE positions and expenditures of \$73.2 million. The budgets for each of these areas is discussed on the following pages.

Real Estate Assets (General Fund)

The FY 2020 Proposed Budget for the General Fund portion of Real Estate Assets is

approximately \$6.8 million with 31.00 FTE positions. This is a reduction of nearly \$1.2 million, or 15.0%, from the FY 2019 Adopted Budget and a net reduction of 1.00 FTE position. Revenue has been increased by \$3.8 million, or 7.4%, to \$55.1 million for FY 2020 (see table next page).

Relocation to 101 Ash Street Building

A one-time increase of approximately \$689,000 in expenditures is to cover the costs of moving General Fund City departments into the 101 Ash Street building. The total estimate for all City staff being relocated to is \$1.5 million. The balance of the cost is budgeted in other funds, such as Development Services, Information Technology, Special Promotional Programs, Engineering & Capital Projects and Facilities Financing. The move is anticipated to occur in the fall of 2019.

This budget increase is offset by removal of the \$2.1 million that was budgeted in FY 2019 (but will not be spent) to move staff into the 101 Ash Street building. The moving cost estimate was updated to a lower amount in May 2018 as well as the timeline for the project. Further information on the status of 101 Ash Street building improvements is discussed in the *Facilities Updates* section earlier in this report.

SUMMARY OF REAL ESTATE ASSETS DEPARTMENT BUDGET CHANGES						
Fund	FY 2019 FTE	FY 2020 FTE	Change	FY 2019 Budget	FY 2020 Proposed	Change
Real Estate Assets (General Fund)	32.00	31.00	(1.00)	\$ 7,962,132	\$ 6,765,959	\$ (1,196,173)
Facilities Maint. (General Fund)*	-	210.50	210.50	-	24,423,114	24,423,114
Airports	22.00	23.00	1.00	5,438,025	6,005,651	567,626
Councourse & Parking Garages	2.00	2.00	-	3,802,506	4,322,301	519,795
PETCO Park	1.00	1.00	-	17,261,837	17,337,420	75,583
Stadium Operations	2.00	2.00	-	\$ 15,056,106	14,351,335	(704,771)
Total Combined	59.00	269.50	210.50	\$ 49,520,606	\$ 73,205,780	\$ 23,685,174

*Restructured from Public Works into Real Estate Assets in April 2019.

Department Review: Real Estate Assets

Significant Budget Additions

- The revenue budget increase of \$3.8 million for FY 2020 is primarily from Mission Bay leases. Revenue from the Mission Bay RV Park had not been budgeted in the past, this accounts for \$1.6 million of the increase. Another \$1.6 million is an estimated increase in revenue from the Mission Bay hotels and Sea World. The balance is primarily due to a projected increase in lease revenue from Pueblo Lands.
- An increase of approximately \$181,000 in expenditures is the General Fund's portion of maintenance costs for the central plant which provides electricity, air conditioning, and heating to the City Administration Building, the City Operations Building, the Concourse and Parkade, and the Civic Theatre.
- 1.00 FTE Property Agent is added to the Asset Management section to assist with new FCC requirements for telecommunication leases and a projected increase in the number of leases coming over the next 3 years.

Significant Budget Reductions

Two positions are proposed for reduction totaling approximately \$187,000:

- 1.00 FTE Associate Management Analyst that tracks City-owned land, including updating the inventory and GIS layer. This is likely to cause delays in requests from City Council and others regarding the City's land holdings.
- 1.00 Property Agent that delivers property rights for City CIP projects. This may cause delays to the execution of CIP projects.

Unfunded Requests

The Real Estate Assets Department requested 1.00 FTE Supervising Property Agent at an estimated cost of \$99,000 to increase staffing in the Dispositions section. This position would assist with finding City property that could be used for housing and homeless support purposes, as well as possibly increase the number of City properties sold thereby increasing contributions to the Capital Outlay Fund.

The FY 2020-2024 Five-Year Financial Outlook included an estimated \$1.8 million for removal of mobile homes from De Anza Cove. Since that time, a short-term lease has been established and the leaseholder will pay the costs to remove the mobile homes and do other site improvements.

SUMMARY OF REAL ESTATE ASSETS (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	32.00	\$ 3,899,706	\$ 4,062,426	\$ 7,962,132	\$ 51,289,438
Programmatic Changes					
General Fund Dept Relocation to 101 Ash Street Building	-	-	689,152	689,152	-
Remove FY19 One-Time for Relocation to 101 Ash Street	-	-	(2,100,000)	(2,100,000)	-
Revenue Increases	-	-	-	-	3,814,853
Central Plant Maintenance	-	-	180,786	180,786	-
Property Agent	1.00	90,082	-	90,082	-
Reduction of Property Agent & Assoc Mgmt Analyst	(2.00)	(186,955)	-	(186,955)	-
Other Changes					
Salary and Benefit Adjustments	-	167,723	-	167,723	-
Information Technology Adjustments	-	-	25,694	25,694	-
Non-Discretionary Adjustments	-	-	12,345	12,345	-
Remove FY19 One-Time for Civic Theatre Maintenance	-	-	(75,000)	(75,000)	-
FY 2020 Proposed Budget	31.00	\$ 3,970,556	\$ 2,795,403	\$ 6,765,959	\$ 55,104,291
Difference from 2019 to 2020	(1.00)	\$ 70,850	\$ (1,267,023)	\$ (1,196,173)	\$ 3,814,853

Office of the Independent Budget Analyst

April 2019

Department Review: Real Estate Assets

We also note that no funding has been allocated or requested for improvements to the Civic Center Plaza building. Those improvements have been on hold pending completion of the 101 Ash Street building. The status of Civic Center Plaza is discussed in more detail in the *Facilities Updates* section earlier in this report.

Facilities Services (General Fund)

The Public Works General Services Branch included two divisions for part of FY 2019: Facilities Services and General Services Administration. Facilities Services provides maintenance, repair, modernization, and improvement services for facilities Citywide. General Services Administration includes administrative staff that serve the whole department as well as the Department Director and other management.

In April 2019, Facilities Services was transferred from the General Services Branch of the Public Works Department to the Real Estate Asset Department. Adjustments included in the FY 2020 Proposed Budget for Facilities Services dissolve the General Services Division by transferring remaining positions into the Public Works

Engineering & Capital Projects Branch (E&CP).

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget includes \$24.4 million in General Fund expenditures, which is a decrease of \$1.8 million, or 6.8%. The decrease is driven by a reduction of 10.00 FTE positions and a transfer of remaining positions in the General Services Branch to E&CP.

The FY 2020 Proposed Budget also includes \$7.3 million in revenue which is an increase of \$730,000, or 11.1%, from the FY 2019 Adopted Budget. The increase is associated with the transfer of Public Utilities Department maintenance staff to Facilities Services. Facilities Services receives revenue from the positions that serve enterprise departments.

There are three significant adjustments in Facilities Services being proposed which are described in more detail in the following sections.

Final Consolidation of Facilities Maintenance Services

The FY 2020 Proposed Budget includes a transfer of 8.00 FTE positions and \$796,000 from the Public Utilities Depart-

SUMMARY OF FACILITIES SERVICES (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget*	223.50	\$ 19,947,786	\$ 6,264,019	\$ 26,211,805	\$ 6,574,799
Programmatic Changes					
<i>Transfer Staff from Public Utilities Department</i>	8.00	796,301	-	796,301	1,236,224
<i>Return Staff to Park & Recreation Department</i>	(3.00)	(297,142)	-	(297,142)	-
<i>Transfer General Services Admin to Public Works-ECP</i>	(8.00)	(1,178,800)	(9,072)	(1,187,872)	(262,000)
<i>Reduction of Staffing & Supplies</i>	(10.00)	(776,448)	(14,225)	(790,673)	-
Other Changes					
<i>Information Technology Adjustments</i>	-	-	201,373	201,373	-
<i>Salary and Benefit Adjustments</i>	-	(142,476)	-	(142,476)	-
<i>Non-Discretionary Adjustments</i>	-	-	(368,202)	(368,202)	-
<i>Reduction in Reimbursement from Stadium</i>	-	-	-	-	(244,370)
FY 2020 Proposed Budget	210.50	\$ 18,349,221	\$ 6,073,893	\$ 24,423,114	\$ 7,304,653
Difference from 2019 to 2020	(13.00)	\$ (1,598,565)	\$ (190,126)	\$ (1,788,691)	\$ 729,854

*Restructured from Public Works into Real Estate Assets in April 2019.

Department Review: Real Estate Assets

ment to Facilities Services. This is the final shift of maintenance personnel into Facilities Services, allowing all such services to be consolidated under one entity.

The FY 2019 Adopted Budget included an increase of 60.50 FTE positions for the consolidation of facilities maintenance from the Stadium, Library Department, Police Department, Fire-Rescue Department, and Parks and Recreation Department.

We note that the 3.00 FTE positions that were transferred to Facilities Services in FY 2019, are proposed to be transferred back to the Parks and Recreation Department. Staff indicate that these positions do not have experience maintaining buildings, but rather park-specific structures and are better suited under the Parks and Recreation Department.

The transferred positions from the various departments will continue to provide services at their respective departments. In future years as needs change, such as the pending sale of the Stadium, these positions could be used for other City facilities maintenance functions.

We note that Facilities Services has indicated they will need IT support which it used to receive from the Public Works General Services Division, especially related to its work with the Enterprise Asset Management System.

Significant Budget Expenditure Reductions

The proposed budget includes the following significant budget reduction:

- 10.00 vacant FTE positions and \$776,000 associated expenditures. These positions include: a painter, carpenter, an HVACR technician, a Stadium Turf Manager, building services

technicians, plumbers, and electricians.

Issues for Council Consideration

Maintenance and repair of public facilities is an essential City function. When this work is goes undone, deterioration of buildings is accelerated leading to increased costs for repair and increases to the City's deferred capital backlog. The best estimate the City has regarding its facility maintenance and capital needs is from a condition assessment that was conducted between 2014 and 2016. According to the assessment, an investment of \$828.7 million is needed to bring facilities to a good condition, as defined by a Council-approved condition index.

Between FY 2014 and FY 2017, Facilities Services received 53.00 FTE positions to increase maintenance and repair services levels. However, in recent years vacant positions have been eliminated to achieve General Fund savings. With the proposed reduction, Facilities will have lost 20.00 FTE positions since FY 2018. The table below reflects the historical change over the years.

Facilities Services FTE Postions from FY 14 through FY 20

Year	Positions
FY 14	9.00
FY 15	7.00
FY 16	16.00
FY 17	21.00
FY 18	(5.00)
FY 19	(5.00)
FY 20	(10.00)
Total	33.00

Department Review: Real Estate Assets

FACILITIES KEY PERFORMANCE MEASURES					
Performance Measure	FY 2018 Target	FY 2018 Actual	FY 2019 Target	FY 2019 Estimate	FY 2020 Target
Percentage of preventative maintenance activities of overall facilities maintenance activities	20%	30%	20%	30%	30%

Although positions have been provided in the past, Facilities Services has experienced difficulty hiring certain classifications. Facilities currently has 28.00 vacant FTE positions out of the 223.50 FTE positions budgeted for FY 2019. To address hiring challenges, Council approved a salary increase for HVAC personnel that went into effect in January 2019 but staff indicates that competing with outside agencies remains a barrier to hiring.

Without additional hired personnel, Facilities Services expects to remain reactive to system repairs and failures. It will not be able to take on larger rehabilitation projects or increase preventative maintenance to extend the useful life of facilities.

Facilities Services has actually shown improvement in the percentage of its work that is preventative maintenance. In FY 2017 it was 16% while FY 2018 was 30%. Staff attributes the improvement to the Enterprise Asset Management software which provides more detailed information to personnel on maintenance needs, allowing them to address the need more efficiently. Also, due to prior year cuts to supplies and contracts (totaling \$568,000 in FY 2018) less work is being done on minor in-house projects, and more on preventative maintenance. Staff expects this metric to remain at 30% in FY 2020 with the reduction of vacant positions.

Funding Requests Not Budgeted

As with previous years, the Facilities Services requested 21.00 FTE positions and one-time costs for the purchase of vehicles, for a total of \$3.4 million. These positions were not added to the budget and

alternatively 10.00 FTE positions are being eliminated. This additional staffing would allow the City to move closer to the goal of maintaining facilities in a good condition and avoid costly repairs in the future, but hiring remains the challenge.

The department also made the following requests that were not budgeted:

- 1.00 FTE position and \$194,000 for support and equipment for emergency generators for Fire, Police, and Communications
- \$150,000 in contract costs for asbestos remediation
- \$700,000 for various rehabilitation projects
- \$250,000 to conduct various facility condition assessments
- 1.00 FTE position and \$96,000 for a supervisor of staff that maintain the Central Library

All but the last request were funded in the FY 2020—FY 2024 Five-Year Financial Outlook. The last request was not submitted at the time of the Outlook.

Airports

The Airports Division is responsible for operations and maintenance of the two City-owned airports: Montgomery-Gibbs Executive Airport and Brown Field Airport. Expenditures in the FY 2020 Proposed Budget for both airports total approxi-

Department Review: Real Estate Assets

mately \$6.0 million, which is a \$568,000 increase from the FY 2019 Adopted Budget. Airports Fund revenue is budgeted at nearly \$4.9 million, a \$52,000 decrease from FY 2019.

Significant Budget Adjustments

Proposed budget adjustments for FY 2020 include:

- \$457,000 for consulting services to conduct the Environmental Impact Report for the Airport Master Plan, land development at both airports, and develop a mitigation plan for small mammals at Brown Field.
- 1.00 FTE Asset Manager (budgeted as a Program Manager) to manage real estate assets at both airports, which include 170 leases and another 59 expected in the near future.
- \$80,000 in one-time purchases for security cameras and lighting at Brown Field, and mowing equipment for Montgomery-Gibbs Executive Airport.
- Removal of \$250,000 in prior-year budget for structural repairs to the Brown Field Airport terminal.

Requested Reductions

The Airports Division requested reductions

in non-personnel expenses totaling \$170,000. The division conducted a review of past spending and determined that these budget allocations are no longer needed and can be removed; however, the reduction was not included in the FY 2020 Proposed Budget.

Concourse & Parking Garages Operating Fund

The FY 2020 Proposed Budget for the Concourse & Parking Garages Operating Fund is \$4.2 million, which is an increase of approximately \$520,000 from the FY 2019 Adopted Budget. Revenues for the Fund total \$4.2 million, an increase of \$250,000, and the Fund supports 2.00 FTE positions.

Significant Budget Additions

The most notable adjustments to the budget for FY 2020 are:

- \$234,000 for 150 City employee parking spaces at Horton Plaza, which is partially offset by revenue.
- \$37,000 for the Concourse & Parking Garages Fund's portion of maintenance costs for the central plant which pro-

SUMMARY OF AIRPORTS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	22.00	\$ 2,199,731	\$ 3,238,294	\$ 5,438,025	\$ 4,934,289
Programmatic Changes					
Consulting Services	-	-	457,000	457,000	-
Asset Manager	1.00	143,620	-	143,620	-
Equipment (One-Time)	-	-	80,000	80,000	-
Remove FY19 One-Time for Brown Field Terminal	-	-	(250,000)	(250,000)	-
Other Changes					
Salary and Benefit Adjustments	-	106,755	-	106,755	-
Information Technology Adjustments	-	-	40,285	40,285	-
Allocation of Branch Management Expense	-	-	15,632	15,632	-
Non-Discretionary Adjustments	-	-	(10,930)	(10,930)	-
Other Adjustments	-	-	(14,736)	(14,736)	(52,407)
FY 2020 Proposed Budget	23.00	\$ 2,450,106	\$ 3,555,545	\$ 6,005,651	\$ 4,881,882
Difference from 2019 to 2020	1.00	\$ 250,375	\$ 317,251	\$ 567,626	\$ (52,407)

Office of the Independent Budget Analyst

April 2019

Department Review: Real Estate Assets

vides electricity, air conditioning, and heating to the City Administration Building, the City Operations Building, the Concourse and Parkade, and the Civic Theatre.

- \$35,000 increase in expenditures at the Concourse and Parkade for security services during Naturalization Ceremonies and other events at Golden Hall and bi-weekly power washing of walkways and stairwells.

PETCO Park

The FY 2020 Proposed Budget for the PETCO Park Fund includes \$17.3 million in expenditures, an increase of approximately \$76,000 from the FY 2019 Adopted Budget. Revenues are projected to total \$16.2 million, which is a reduction of \$786,000, or 4.6%, from the FY 2019 Adopted Budget.

Significant Budget Adjustments

Significant adjustments include:

- \$1.0 million in decreased revenues from the Special Promotional Programs Transient Occupancy Tax (TOT) Fund. The difference between ongoing expenditures and ongoing revenue will be made up from fund balance due to prior unforeseen revenue increases

from special events at PETCO Park.

- \$87,000 in increased expenditures for the City's contractually obligated portion of the Joint Use Management Agreement (JUMA) expenditures.

SDCCU Stadium

The Stadium Operations Fund is a special revenue fund that supports the day-to-day operations of the San Diego County Credit Union (SDCCU) Stadium (Stadium). Management of the Stadium is provided by the Real Estate Assets Department. As in prior years, the FY 2020 Proposed Budget does not include any performance measures for the Stadium.

Following the passage of Measure G on November 6th, 2018, the City has entered into negotiations with San Diego State University (SDSU) pursuant to the measure for the sale of a portion of the Stadium site (132 acres). These negotiations are expected to last until early 2020, which is when all of the required environmental reviews are expected to be completed. If the City and SDSU can come to an agreement on the terms and price for the sale of the property, the City will no longer be the operator of the Stadium. However, based

SUMMARY OF CONCOURSE & PARKING GARAGES FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	2.00	\$ 211,839	\$ 3,590,667	\$ 3,802,506	\$ 3,993,726
Programmatic Changes					
Horton Plaza Parking for City Employees	-	-	234,000	234,000	76,500
Central Plant Maintenance	-	-	37,000	37,000	-
Security & Power Washing Services	-	-	35,000	35,000	-
Other Changes					
Non-Discretionary Adjustments	-	-	115,185	115,185	-
Information Technology Adjustments	-	-	24,717	24,717	-
Salary and Benefit Adjustments	-	7,593	-	7,593	-
Other Adjustments	-	-	66,300	66,300	174,000
FY 2020 Proposed Budget	2.00	\$ 219,432	\$ 4,102,869	\$ 4,322,301	\$ 4,244,226
Difference from 2019 to 2020	-	\$ 7,593	\$ 512,202	\$ 519,795	\$ 250,500

Office of the Independent Budget Analyst

April 2019

Department Review: Real Estate Assets

on the currently projected timeline, there are no savings projected for FY 2020.

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 proposed expenditure budget for Stadium Operations is approximately \$14.4 million, a reduction of approximately \$705,000 or 4.7% from the FY 2019 Adopted Budget. This reduction in expenditures is attributable to lower property maintenance costs and overtime for the Stadium.

FY 2020 Stadium Fund revenues are projected at \$7.1 million, a reduction of \$3.7 million from FY 2019. This reduction is mainly attributable to significantly lower support from the Special Promotional Programs TOT Fund, which has typically supported Stadium operations and debt service.

The Stadium's FY 2020 budgeted expenditures are in excess of budgeted revenues by \$7.3 million, a deficit that will be mitigated through use of fund balance.

Significant Budget Expenditure Reductions

- A reduction of approximately \$293,000

in expenditures is made for the allocation of work performed by Facilities employees for the Stadium. In FY 2019, 33.00 FTE positions were shifted from Stadium personnel to the General Services Division in Public Works. The Stadium Fund continues to reimburse the General Fund for Stadium shift work performed by these employees. This reduction is primarily due to the FY 2020 3% reductions that were requested from departments in order to help balance the budget. Specifically, this reduction is targeted for the Stadium Turf Manager and a Building Service Technician.

- A reduction of approximately \$165,000 in budget overtime for event management. This is based on recent trends and is tied to a lack of special events projected to occur at the Stadium.

Significant Budget Revenue Adjustments

- A reduction of \$5.3 million from the Special Promotional Programs TOT Fund. This reduction is the result of a higher than expected fund balance within the Stadium Operations Fund as a result of the Chargers termination

SUMMARY OF STADIUM OPERATIONS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	2.00	\$ 553,189	\$ 14,502,917	\$ 15,056,106	\$ 10,619,263
Programmatic Changes					
TOT Fund Support Reduction	-	-	-	-	(5,341,488)
Reduction in Facilities Maintenance	-	-	(292,917)	(292,917)	-
Reduction in overtime for event management	-	(164,604)	-	(164,604)	-
Other Changes					
Salary and Benefit Adjustments	-	12,741	-	12,741	-
Vacation Pay In Lieu	-	8,016	-	8,016	-
Required Reductions for Auto Repair, Capital Improvement Materials, and Anticipated Debt Payment Savings	-	-	(49,932)	(49,932)	-
Non-Discretionary and IT Adjustments	-	-	(218,075)	(218,075)	-
Revised Revenue Projections	-	-	-	-	2,434,983
Removal of FY 2019 One-Time Revenues	-	-	-	-	(662,385)
FY 2020 Proposed Budget	2.00	\$ 409,342	\$ 13,941,993	\$ 14,351,335	\$ 7,050,373
Difference from 2019 to 2020	-	\$ (143,847)	\$ (560,924)	\$ (704,771)	\$ (3,568,890)

Office of the Independent Budget Analyst

April 2019

Department Review: Real Estate Assets

payment, which had been planned to be used to pay debt service in FY 2020, as well as unforeseen revenue increases and expenditure savings.

- An increase of \$2.4 million in higher revenues, mostly for increased rent for SDSU and additional concessions revenue.
- A reduction of approximately \$662,000, mainly related to revenue from concerts and other sporting events.

Department Review: Risk Management

Risk Management

The Risk Management (RM) Department manages the City's self-insured Workers' Compensation Program; coordinates public liability and loss control measures; and administers employee health and safety programs, employee savings plans, and the Long-Term Disability Plan.

The RM Administration Fund is an internal service fund from which risk management administration costs are paid. In order to operate, an internal service fund needs sufficient revenues to cover expenditures.

City departments contribute to the RM Ad-

¹ Fringe benefits are non-wage costs related to personnel, such as Workers' Compensation, Long-Term Disability, the Actuarially Determined Contribution (ADC) pension payment, Flexible Benefits, and Medicare.

ministration Fund revenues, on a per employee basis, as part of fringe benefits.¹ General Fund fringe benefits contributions of \$8.3 million comprise about 63% of the revenues to the RM Administration Fund, with Non-General Fund departments contributing \$4.5 million, or about 34%. The remaining revenues, totaling \$344,000 are largely reimbursement-related.

Impacts of Mayor's FY 2020 Budget Proposal

The table below presents a summary of

SUMMARY OF RISK MANAGEMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expenditures	Revenue
FY 2019 Adopted Budget	86.23	\$ 9,778,299	\$ 2,143,079	\$ 11,921,378	\$ 11,130,932
Programmatic Changes					
<i>Revenue Increase to Maintain Operations</i>	-	-	-	-	1,884,361
<i>Program Coordinator to Support the City's Claims Management System & Finance Activities</i>	1.00	134,126	-	134,126	-
<i>Program Coordinator to Support Retiree Health Benefits Administration</i>	1.00	133,916	-	133,916	-
<i>Claims Representative 2 to Support Loss Recovery</i>	1.00	82,403	-	82,403	-
<i>Transfer of Transportation Alternatives Program Account Clerk from Transportation & Storm Water</i>	1.00	94,961	-	94,961	-
<i>Reduction of Employee Benefits Specialist 2</i>	(1.00)	(94,013)	-	(94,013)	-
Other Changes					
<i>Salaries Adjustment (includes 3.3% general salary increase, promotions, SSAs*, and merit increases)</i>	-	405,150	-	405,150	-
<i>Other Fringe Increases (includes retirement ADC)</i>	-	295,031	-	295,031	-
<i>Vacation Pay-in-Lieu (now included in the dept budget due to a change in the annual leave program)</i>	-	46,508	-	46,508	-
<i>Vacancy Savings Increase (decreases salaries)</i>	-	(34,143)	-	(34,143)	-
<i>Net Non-Discretionary NPE Increases</i>	-	-	123,242	123,242	-
<i>Loss Recovery Revenue included in Significant Budget Adjustments (to be removed in May Revise)</i>	-	-	-	-	185,000
<i>Net Other Adjustments</i>	-	(7,166)	34,554	27,388	-
FY 2020 Proposed Budget	89.23	\$ 10,835,072	\$ 2,300,875	\$ 13,135,947	\$ 13,200,293
Difference from 2019 to 2020	3.00	\$ 1,056,773	\$ 157,796	\$ 1,214,569	\$ 2,069,361

* SSAs are Special Salary Adjustments to certain job classifications that were approved as part of the Salary Ordinance process.

Department Review: Risk Management

budget changes from the FY 2019 Adopted Budget to the FY 2020 Proposed Budget. The number of FTE positions has increased by 3.00, from 86.23 in FY 2019 to 89.23 in FY 2020.

Revenues and expenditures in RM's FY 2020 Proposed Budget total approximately \$13.2 million and \$13.1 million, respectively. Revenues that exceed expenditures would become part of the RM fund balance, which is expected to be around \$465,000 at year-end for FY 2020.

Highlights of budget changes are discussed in the next sections.

Personnel Expenditures (PE)

As previously stated, there has been a net increase of 3.00 FTEs in the RM Administration Proposed Budget:

- Addition of 1.00 Program Coordinator to support the City's claims management system and finance activities—This position will oversee the City's claims management and new reporting system, including the implementation of proper internal controls to ensure compliance with security policies and legislative mandates.
- Addition of 1.00 Program Coordinator to support retiree health insurance benefits administration—This position will oversee contract management with a third party administrator that will manage retiree health benefits for the City, as well as administer the citywide Wellness Program. Currently, the San Diego City Employees Retirement System (SDCERS) manages the City's retiree health benefits. This change in approach is expected to result in cost savings to the City, for which there is not an available estimate at this time.

- Addition of 1.00 Claims Representative 2 to support the Loss Recovery section—This position will support the loss recovery function in the Department.
- Transfer of the Transportation Alternatives Program and 1.00 Account Clerk from the Transportation & Storm Water Department to RM Administration.
- Reduction of 1.00 Employee Benefits Specialist 2 as part of the budget reduction proposals—The work related to this position will be absorbed by the remaining 6.00 Employee Benefits Specialist 2 positions.

Other Risk Management Funds

RM Administration oversees the Public Liability, Workers' Compensation, and -Term Disability Funds. Information on these three funds is included in this report, under Reserves.

Department Review: Special Promotional Programs

Special Promotional Programs

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 proposed budget allocation for Special Promotional Programs is approximately \$128.8 million, a \$5.5 million or 4.4% increase over FY 2019. This increase is primarily due to the projected

continued growth of transient occupancy tax (TOT) revenue.

The expenditure and revenue budgets displayed in the table below incorporates the projected use of approximately \$1.3 million in fund balance in FY 2020 as well as allocations that support the FY 2020 proposed

SUMMARY OF SPECIAL PROMOTIONAL PROGRAMS BUDGET CHANGES			
	FY 2019 ADOPTED	FY 2020 PROPOSED	CHANGE
Revenue			
<i>Transient Occupancy Tax (TOT)</i>	\$ 116,698,815	\$ 123,463,883	\$ 6,765,068
<i>Special Events Department</i>	75,000	75,000	-
<i>Transfer from General Fund</i>	3,949,600	3,949,600	-
<i>Use of TOT Fund Balance</i>	2,535,605	1,274,037	(1,261,568)
Total Revenue	\$ 123,259,020	\$ 128,762,520	\$ 5,503,500
Allocations			
<i>Arts, Culture, and Community Festivals</i>	14,459,909	14,245,318	(214,591)
<i>Creative Communities San Diego</i>	1,388,935	1,388,935	-
<i>Organizational Support</i>	10,065,625	10,065,625	-
<i>Commission for Arts and Culture Department</i>	1,506,939	1,337,556	(169,383)
<i>Arts, Culture and Community Festivals</i>	920,000	897,396	(22,604)
<i>Public Art Fund</i>	578,410	555,806	(22,604)
<i>Capital Improvements</i>	28,386,088	24,209,100	(4,176,988)
<i>Convention Center Complex</i>	12,561,050	12,560,300	(750)
<i>Mission Bay Park/Balboa Park Improvements</i>	1,423,475	1,430,751	7,276
<i>PETCO Park</i>	9,293,350	9,292,250	(1,100)
<i>Stadium Operations</i>	4,044,213	-	(4,044,213)
<i>Trolley Extension Reserve</i>	1,064,000	925,799	(138,201)
<i>Economic Development Programs</i>	1,710,000	2,042,200	332,200
<i>Safety and Maintenance of Visitor-related Facilities</i>	78,703,023	88,265,902	9,562,879
<i>Discretionary TOT to General Fund</i>	22,939,763	24,292,777	1,353,014
<i>Mission Bay Park/Balboa Park Improvements</i>	460,209	424,702	(35,507)
<i>Convention Center</i>	2,575,968	2,064,845	(511,123)
<i>PETCO Park</i>	4,445,549	3,435,627	(1,009,922)
<i>Stadium Operations</i>	2,894,741	1,585,081	(1,309,660)
<i>Special Events Department</i>	1,228,615	1,229,564	949
<i>TOT Administration and Promotional Activities</i>	44,158,178	55,233,306	11,075,128
Total Allocations	\$ 123,259,020	\$ 128,762,520	\$ 5,503,500

Department Review: Special Promotional Programs

operating budgets for the Commission for Arts and Culture (\$1.3 million included in under Arts, Culture, and Community Festivals) and the Special Events and Filming Department (\$1.2 million).

Funding for Special Promotional Programs comes from available fund balance and from 5.0 of the 10.5 cents of TOT revenue received by the City. Per the San Diego Municipal Code, 5.5 cents of the City's 10.5 cent TOT levy are deposited into the General Fund to support general government services, while the remaining 5.0 cents is deposited into the TOT Fund. Of this 5.0 cents, the Municipal Code requires that 4.0 cents be used solely for the purpose of promoting the City, while the remaining 1.0 cent can be used for any purpose as directed by the City Council.

Discretionary TOT to the General Fund

The majority of the revenue from the 1.0 cent of City Council discretionary TOT is transferred to the General Fund. In FY 2020 this transfer is approximately \$24.3 million, a \$1.4 million or 5.9% increase over the FY 2019 Adopted Budget. The increase in this transfer is a result of the projected increase in TOT revenue for FY 2020.

Program and Department Budgets

A number of promotional programs, agencies, and City departments are supported wholly or in part by the TOT Fund. The following sections discuss FY 2020 arts and culture funding (Penny for the Arts), and funding allocated to the Mission Bay Park/Balboa Park Improvements Fund and for TOT administration and promotional activities. Details on the changes to TOT funding for the Commission for Arts & Culture Department, PETCO Park, SDCCU

Stadium, Police Department, Fire-Rescue Department and the City's Special Events Department can be found in Volume 2 of the FY 2020 Proposed Budget and in the "Office of Boards and Commissions," "Real Estate Assets," "Police," "Fire-Rescue," and "Other Departments" sections of this report. A discussion of Convention Center revenues, including the FY 2020 TOT allocation to the Convention Center, will be included in our Office's forthcoming report "Review of City Agencies FY 2020 Budgets: Convention Center," to be released during the week of April 29th.

Arts and Culture Funding

The FY 2020 proposed Arts and Culture funding is approximately \$14.2 million, a decrease of \$215,000 or 1.5% from the FY 2019 funding level of \$14.5 million. This funding reduction is attributable to a \$169,000, or 11% decrease in the Commission for Arts and Culture Department (which is organized within the Office of Boards and Commissions), \$23,000 reduction from the Public Art Fund for department initiated public art projects, and \$23,000 from the Arts, Culture and Community Festivals allocation. There is no change in funding to be made available for allocation to Creative Communities San Diego and Organizational Support programs.

The overall arts and culture reduction is not significant and is in fact lower than the Mayor's 3% expenditure reduction request from all City departments; however, our Office notes that this reduction to overall arts and culture funding is occurring while TOT revenue is projected to increase. This divergence further impacts the "Penny for the Arts" goal. This goal was based on a Five-Year Blueprint (Blueprint) that was adopted by the City Council in 2012, with a goal of restoring

Department Review: Special Promotional Programs

PENNY FOR THE ARTS - BLUEPRINT GOAL: 9.52% OF TOT			
	FY 2019 ADOPTED	FY 2020 PROPOSED	CHANGE
<i>Transient Occupancy Tax Projection (10.5 cents)</i>	245,067,511	260,388,402	15,320,891
<i>Percent of TOT Funding in Budget</i>	5.90%	5.47%	-0.43%
<i>Penny for the Arts Blueprint Goal (\$, based on goal of 9.52%)</i>	23,330,427	24,788,976	1,458,549
<i>Penny for the Arts Budgeted Funding (\$, based on percent of TOT funding)</i>	14,459,909	14,245,318	(214,591)
Variance in Budgeted Funding from the Blueprint Goal (\$)	\$ (8,870,518)	\$ (10,543,658)	\$ (1,673,140)

Arts and Culture funding to 2002 levels, or one cent of the City 10.5 cent TOT (approximately 9.52%), by FY 2017. While the goal was not reached in FY 2017, the funding amount did reach its highest level at \$15.1 million (7.00% of TOT). Since then, funding has subsequently reduced to \$14.6 million in the FY 2018 Adopted Budget (6.32% of TOT), \$14.5 million in the FY 2019 Adopted Budget (5.90% of TOT), and \$14.2 million in the FY 2020 Proposed Budget (5.47%).

Use of One-time Transfers from General Fund

A one-time transfer of \$3.9 million from the General Fund was used to supplement the \$10.3 million base budget for arts and culture funding in FY 2020. This is now the third consecutive year that this amount has been transferred from the General Fund in order to return funding levels near FY 2017 levels. Our Office believes that ongoing resources should be considered for this purpose in the future.

Mission Bay Park/Balboa Park Improvements Fund (Improvements Fund)

The Improvements Fund budget includes debt service payments, maintenance of the Balboa Park tram, and other miscellaneous costs. In the FY 2020 Proposed Budget, the Improvements Fund totals approximately \$1.9 million, a decrease of \$7,000 from FY 2019 due to changes in non-discretionary expenditures charged to the fund. Budget adjustments to the Improvements Fund also includes \$28,000 in reduced revenue from the TOT Fund. Use of fund balance is used to mitigate this revenue reduction.

TOT Administration and Promotional Activities

A portion of the 4 cents of TOT is allocated to the General Fund to support promotional activities such as the maintenance of parks and facilities in areas frequently visited by tourists, in compliance with the Municipal Code requirement for promotional funding.

The FY 2020 allocation for TOT Administration and Promotional Activities is approximately \$55.2 million, a \$11.1 million, or 25% increase over FY 2019. This significantly increased allocation is attributed to the projected increase in the City's TOT revenue, as well as reductions in the amount of TOT transferred out to several funds, primarily including the Stadium Operations Fund, Petco Park Fund, and Convention Center Expansion Administration Fund. The reduction in TOT transfers for these funds is offset through the use of fund balance for each individual fund.

The increased allocation for TOT Administration and Promotional Activities (\$11.1 million) is primarily directed to the following departments for various tourism related purposes:

- Fire-Rescue Lifeguards—\$9.2 million
- Transportation & Storm Water—\$1.1 million for street sweeping in high tourist areas
- Library- \$534,000 for tourism related programs and activities held at library locations

Sustainability

Impacts of Mayor’s FY 2020 Budget Proposal

Created in FY 2019, the Department of Sustainability leads the implementation of the City’s Climate Action Plan (CAP) which aims to achieve the greenhouse gas reduction targets set forth by the state of California. The new centralized department combined existing City staff from the Environmental Services and Economic Development departments who work on projects/programs in support of CAP objectives. It also added staff in FY 2019.

As described in the FY 2020 Proposed Budget, Sustainability facilitates innovative efforts across multiple City departments to enhance economic, social, and environmental sustainability. These efforts promote renewable electricity; water and energy efficiency; zero waste; bicycling, walking transit, smart growth and land use; and resiliency measures.

The FY 2020 Proposed Budget for the Department of Sustainability is approximately \$5.5 million, which is an increase of \$515,000 from the FY 2019 Adopted Budget. The Department includes 26.25 FTE positions in FY 2020, which is an increase of 0.90 FTE positions from the FY 2019 Adopted Budget.

General Fund

Beginning in FY 2020, the Department is budgeted to receive an appropriation from the General Fund directly. This includes \$755,000 in expenditures and 4.00 FTE positions. Previously, the entire Department of Sustainability was budgeted in the Energy Conservation Program Fund (ECPF), with that fund receiving a transfer from the General Fund that was contained in the Economic Development budget.

The General Fund budget will support the activities associated with the implementation and monitoring of the CAP, which includes the 4.00 FTE positions and \$491,000 in expenditures transferred from the ECPF. Other General Fund increases include \$154,000 in information technology costs, as well as \$100,000 to support reporting, monitoring and expansion of metrics for the CAP. These funds will also be used to begin the process of updating the CAP.

Issues to Consider

Currently, the Department of Sustainability and the Department of Planning are beginning to develop a climate resiliency plan for the City known as ResilientSD (formerly the Climate Adaptation and Re-

SUMMARY OF SUSTAINABILITY (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	-	\$ -	\$ -	\$ -	\$ -
Programmatic Changes					
Sustainability Restructure	4.00	491,202	-	491,202	-
Climate Action Plan Support	-	-	100,000	100,000	-
Non-Discretionary Adjustments	-	-	9,109	9,109	-
Information Technology Adjustments	-	-	154,500	154,500	-
FY 2020 Proposed Budget	4.00	\$ 491,202	\$ 263,609	\$ 754,811	\$ -
<i>Difference from 2019 to 2020</i>	<i>4.00</i>	<i>\$ 491,202</i>	<i>\$ 263,609</i>	<i>\$ 754,811</i>	<i>\$ -</i>

Department Review: Sustainability

siliency Plan). Writing this plan is one of the strategies outlined in the CAP. While Planning has secured grants for their portion of the project, Sustainability requested \$310,000 in General Fund support that was included in the Fiscal 2020-2024 Outlook for Planning, but was not funded in the budget. Without this funding, both Planning and Sustainability will have to seek additional grants to complete ResilientSD.

Sustainability also operates the GE Lighting Upgrade and Installation Project, which includes the retrofit of lighting fixtures to Adaptive Control light-emitting diode (LEDs) and the installation of smart sensors. In the FY 2020 Proposed Budget, there is a decrease of \$1.6 million in General Fund expenditures across various departments (primarily Transportation and Storm Water) for debt service payments related to this expenditure. This tracks with information provided in the Mid-Year Budget Monitoring Report which indicated that this project is behind schedule due to delays and unforeseen difficulties surrounding the installation of these platforms on various streetlights throughout

the City. In conjunction, energy costs are also anticipated to be higher since incandescent light bulbs will continue to burn more energy until they are replaced. In addition, Sustainability, along with the Police Department and other departments, are developing new policies related to the use of the data and metadata derived from this project.

Energy Conservation Program Fund

The FY 2020 proposed budget for the ECPF is \$4.7 million, which is a decrease of \$240,000 from the FY 2019 Adopted Budget. This includes a total of 22.25 FTE positions, which is a decrease of 3.10 FTE positions from FY 2019. As mentioned previously, there is a decrease of \$491,000 in expenditures, \$264,000 in revenue, and 4.00 FTE positions associated with the restructuring of the budget for Sustainability to include the General Fund.

Significant Budget Additions

The FY 2020 Proposed Budget contains \$200,000 in expenditures for a consultant contract to provide assistance to the City

SUMMARY OF SUSTAINABILITY (ENERGY CONSERVATION PROGRAM FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	25.35	\$ 3,381,123	\$ 1,560,043	\$ 4,941,166	\$ 4,442,544
Programmatic Changes					
Sustainability Restructure	(4.00)	(491,202)	-	(491,202)	(264,469)
Addition of 1.00 Program Coordinator	1.00	116,692	-	116,692	116,629
Addition of 1.00 Senior Management Analyst	1.00	90,716	-	90,716	-
Increase for Energy Consulting Contract for CCA	-	-	200,000	200,000	150,000
Reduce Maintenance Budget	-	-	(25,000)	(25,000)	-
Other Changes					
Salary and Benefit Adjustments	-	115,198	-	115,198	-
Non-Standard Hour Personnel (Zero-Based)	(1.10)	(33,884)	-	(33,884)	-
101 Ash Moving Expenses	-	-	33,710	33,710	-
Non-Discretionary Adjustments (Incl. Rent)	-	-	137,975	137,975	-
Information Technology Adjustments	-	-	116,026	116,026	-
One-Time Removal	-	-	(500,000)	(500,000)	(17,608)
Revised Revenue Assumptions	-	-	-	-	(246,357)
FY 2020 Proposed Budget	22.25	\$ 3,178,643	\$ 1,522,754	\$ 4,701,397	\$ 4,180,739
Difference from 2019 to 2020	(3.10)	\$ (202,480)	\$ (37,289)	\$ (239,769)	\$ (261,805)

Department Review: Sustainability

as it begins the process of implementing Community Choice Aggregation (CCA). This consultant will provide regulatory and technical support related to the formation and negotiations surrounding the Joint Powers Authority. Additionally, \$150,000 in revenue will be provided by the CCA program for these expenditures.

There are 2.00 new FTE positions proposed to be added to the Sustainability budget. This includes 1.00 FTE position for a Program Coordinator that will support grant writing and applications for related energy efficiency projects. This position, budgeted for \$117,000 in expenditures, is entirely supported by grant revenues that have already been secured by the department.

The FY 2020 Proposed Budget also includes 1.00 new FTE position for a Senior Management Analyst. This position will address audit findings regarding the City's energy billing, which is centrally handled by Sustainability. Further, this position will improve Sustainability's ability to provide analysis and forecasting for energy use, and improve the energy efficiency of the City overall.

Department Review: Transportation & Storm Water

Transportation & Storm Water

Transportation & Storm Water (TSW) is responsible for the operations and maintenance of streets, sidewalks, street trees, storm drains, and plans and coordinates the City's rights-of-way. The Department also performs traffic and transportation engineering, and leads efforts to protect and improve water quality in the City's waterways and the ocean. To accomplish these goals, TSW has four divisions:

- Administration & Right of Way (ROW) Management
- Storm Water
- Street
- Transportation Engineering Operations (TEO)

In addition to the General Fund, the Department receives both operating and Capital Improvement Fund (CIP) funds from various sources, including transfers from the Underground Surcharge Fund, the Gasoline Tax, TransNet, the Storm Drain Fund, and the Infrastructure Fund.

SUMMARY OF TRANSPORTATION & STORM WATER DEPARTMENT GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	637.70	\$ 61,565,870	\$ 64,573,757	\$ 126,139,627	\$ 56,569,418
Programmatic Changes - Admin/ROW					
Transfer of the Street Damage Fee	-	-	(500,000)	(500,000)	-
Flores Case Payments	-	101,254	-	101,254	-
Street Preservation Ordinance Revenue	-	-	-	-	80,000
Transnet Revenue	-	-	-	-	13,030
Programmatic Changes - Storm Water					
Reduce Storm Channel Maint. From 6 to 4 Annually	-	-	(1,000,000)	(1,000,000)	-
Policy Consultant Reduction	-	-	(150,000)	(150,000)	-
Reduction for Street Sweeping	-	(122,000)	(28,000)	(150,000)	-
Reductions for Special Monitoring and Investigations	-	-	(310,000)	(310,000)	-
Reduction for Habitat Mitigation Credits	-	-	(495,000)	(495,000)	-
Increase TOT Support for Street Sweeping	-	-	-	-	1,126,979
Programmatic Changes - Street					
Reduction of Tree Trimming	-	-	(1,101,389)	(1,101,389)	-
Reduction for Tree Planting (Urban Corps)	-	-	(77,800)	(77,800)	-
Public Right of Way Costs Transferred to Infrastructure Fund	-	-	(3,995,198)	(3,995,198)	-
Increase in Gas Tax Revenue from State	-	-	-	-	13,949,704
Elimination of Private Graffiti Abatement	-	-	(300,000)	(300,000)	-
Transnet Revenue	-	-	-	-	558,360
QECB Bond Revenue	-	-	-	-	(62,941)
Programmatic Changes - TEO					
Transfer of the TAP Program to Risk	(1.00)	(94,961)	-	(94,961)	-
Other Changes					
Salary and Benefit Adjustments	-	2,120,143	-	2,120,143	-
Non-Discretionary and IT Costs	-	-	1,772,610	1,772,610	-
One-Time Reductions, Non-Standard Hourly & Other	-	17,633	(42,900)	(25,267)	24,0
FY 2020 Proposed Budget	636.70	\$ 63,587,939	\$ 58,346,080	\$ 121,934,019	\$ 72,234,790
Difference from 2019 to 2020	(1.00)	\$ 2,022,069	\$ (6,227,677)	\$ (4,205,608)	\$ 15,665,372

Office of the Independent Budget Analyst

April 2019

Department Review: Transportation & Storm Water

Mayor's FY 2020 Proposed Adjustments

The FY 2020 Proposed Budget for TSW includes both General Fund and Underground Surcharge Fund expenditures and revenues. A summary of General Fund changes by division is included on the previous page, and a summary of changes to the Underground Surcharge Fund is shown below. Expenditures in the Proposed Budget for both funds combined total \$182.3 million, which is a decrease of \$3.9 million from the FY 2019 Adopted Budget. Combined revenues in the Proposed Budget total \$137.4 million, which is an increase of \$14.5 from FY 2019.

A review of the FY 2020 Proposed Budget and significant programmatic changes in each TSW division follows.

Admin & ROW Management

The Administration & ROW Management Division is responsible for right-of-way planning, control, and coordination between City departments, franchise utilities, developers, and other private entities that perform work in the public right-of-way. The Division also plans and manages the Utilities Undergrounding Program, which is funded through the Underground Surcharge Fund.

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget for ROW Management includes \$5.4 million in General Fund expenditures and 21.77 FTE positions, which is a decrease of \$395,000 from the FY 2019 Adopted Budget.

The Proposed Budget for the Underground Surcharge Fund includes \$60.3 million in expenditures and 22.16 FTE positions, which is an increase of \$354,000 and 0.01 FTE positions from FY 2019. Revenues for the Underground Surcharge Fund are \$65.2 million, a decrease of \$1.2 million over FY 2019.

Significant Budget Adjustments

- A reduction of \$500,000 in expenditures for transfers to the Trench Cut Excavation Fund. This is to align the General Fund allocation of SDG&E street cutting fees to the most recent actual.
- An increase of \$101,000 in expenditures for payments related to the Flores Case (cash-in-lieu of benefits payments for overtime).
- An increase of \$34,000 from the Underground Surcharge Fund and 0.58 FTE positions to provide additional support to staff managing undergrounding projects and perform entry-level professional engineering tasks.

SUMMARY OF UNDERGROUND SURCHARGE FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2019 Adopted Budget	22.15	\$ 2,179,659	\$ 57,784,136	\$ 59,963,795	\$ 66,374,970
Programmatic Changes					
<i>Addition of Junior Civil Engineer</i>	0.58	33,606	-	33,606	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	313,765	-	313,765	-
<i>Non-Standard Hourly Personnel (Zero-Based)</i>	(0.57)	(16,590)	-	(16,590)	-
<i>Non-Discretionary, IT, & One-Time Adjustments</i>	-	-	23,257	23,257	-
<i>Revised Revenue</i>	-	-	-	-	(1,179,000)
FY 2020 Proposed Budget	22.16	\$ 2,510,440	\$ 57,807,393	\$ 60,317,833	\$ 65,195,970
<i>Difference from 2019 to 2020</i>	<i>0.01</i>	<i>\$ 330,781</i>	<i>\$ 23,257</i>	<i>\$ 354,038</i>	<i>\$ (1,179,000)</i>

Office of the Independent Budget Analyst

April 2019

Department Review: Transportation & Storm Water

Issues for Council Consideration

The Administration & ROW Management division had numerous unfunded requests for FY 2020. These included:

- \$250,000 in expenditures for the development of a citywide Transportation Optimization Program (STOP) Guide. The STOP Guide would serve as guidance for planning, prioritization, implementation and operation of future transportation projects. This funding was also identified as a Critical Strategic Expenditure in the Five-Year Financial Outlook.
- \$102,000 in expenditures and 1.00 FTE positions to provide departmental IT support and fulfill critical roles as Business Process Coordinators supporting the new Enterprise Asset Management (EAM) platform.
- \$83,000 and 1.00 FTE position for a Zoning Investigator to support the continued implementation of the Street Preservation Ordinance (SPO). This would increase the number of investigators from one to two. It should also be noted that the department is projecting an increase in revenue from the SPO of \$80,000 with just the one investigator.
- \$24,000 and 0.77 FTEs for a student engineer to perform Street Damage Fee collection and assist in project coordination.

Storm Water

The Storm Water Division leads the City's efforts to protect and improve water quality in the City's waterways and water bodies. The Division's efforts are focused on ensuring compliance with the Municipal Storm Water Permit and other surface water quality regulations issued by governing bodies, as well as engaging in flood risk management activities.

In May 2013, the new Municipal Storm Water Permit (permit) was adopted by the San Diego Regional Water Quality Control Board (Regional Board). This permit mandates more stringent regulations which require a significant increase in expenditures over the next several decades to comply with permit requirements.

In FY 2014, TSW prepared a Watershed Asset Management Plan (WAMP) that incorporates both the costs of permit compliance and the costs of flood risk management activities. The WAMP is used as a planning tool to project how much funding is necessary for permit compliance, including costs associated with Total Maximum Daily Loads (TMDLs), Areas of Special Biological Significance (ASBS), upcoming compliance deadlines, the deferred capital backlog, and the Storm Water Division's operational activities. This WAMP is updated periodically.

Estimated compliance costs through FY 2035 total \$3.1 billion. TSW staff proac-

STORM WATER DIVISION KEY PERFORMANCE MEASURES					
Performance Measure	Target FY 2018	Actual FY 2018	Target FY 2019	Estimated FY 2019	Target FY 2020
Number of Failed Storm Drain Pipes	0	5	0	7	0
Percentage of progress towards achieving the final bacteria TMDL wet weather storm sample compliance threshold	81%	87%	81%	TBD	84%
Miles of streets swept annually	117,000	112,500	117,000	105,000	117,000

Department Review: Transportation & Storm Water

tively works with environmental stakeholders and the Regional Board to refine regulations and decrease compliance costs. TSW staff has been effective in achieving future compliance cost reductions—the \$3.1 billion cost estimate identified above has been reduced from \$3.9 billion when the WAMP was initially prepared, as a result of changes to the Chollas Creek metals TMDL that TSW staff worked with the Regional Board to implement. Additional amendments to other TMDLs are in discussions, including the Collas Creek Dissolved Metals TMDL and the Chollas Creek Bacteria TMDL. If approved, these amendments are likely to further decrease costs. Even with such reductions, however, compliance costs will remain high. The City lacks a dedicated source of funding that is sufficient to fully address compliance requirements.

Development of the Division's FY 2020 Proposed Budget was guided in part by the WAMP, which was reflected in the City's Five-Year CIP Outlook. The Outlook identified \$118.3 million in needs for capital projects alone (not including operating expenses) to ensure compliance with storm water permits.

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget for the Storm Water Division totals \$51.7 million and includes 209.25 FTE positions, which is a decrease of \$310,000 in expenditures from the FY 2019 Adopted Budget.

Significant Budget Reductions

- \$1.0 million in reduced expenditures for storm channel maintenance and mitigation. This reduction will lower the number of storm channels maintained annually from 6 to 4. At this

time, the department indicates that this should not have an impact for channel maintenance specifically during this fiscal year due to a combination of reduced funding needed for habitat mitigation and because the City is focusing on non-permitted maintenance, such as invasive plant removal.

- \$495,000 in reduced expenditures for the acquisition of habitat mitigation credits. Mitigation credits allow the City to meet its mitigation requirements by purchasing credits at a bank where wetland mitigation has already taken place. This reduction will reduce the ability to purchase these credits if opportunities become available.
- \$310,000 in reduced expenditures for special monitoring studies and investigations. These funds are typically used to identify pollutant sources and develop the technical basis for negotiating regulatory modifications with the Regional Board. This action will reduce the department's ability to conduct proactive monitoring as well as human waste and bacteria source identification. It should be noted that these negotiations in the past have significantly lowered the City's overall compliance costs, such as the decrease from \$3.9 billion to \$3.1 billion through FY 2035 for the implementation of the WAMP.
- \$150,000 in reduced expenditures for consultant support related to proposed updates to federal and state proposed regulations and rules.
- \$150,000 in reduced expenditures for street sweeping, which was initially part of the CleanSD program. These funds are no longer required due to efficiencies gained by the placement of

Department Review: Transportation & Storm Water

“No Parking” signs.

Significant Budget Additions

- \$1.1 million in increased revenues from the Special Promotional Programs Transient Occupancy Tax (TOT) Fund for street sweeping activities. This is one of many transfers from the TOT Fund to support various General Fund activities related to tourism. However, it is worth noting that there is no increased expenditures for street sweeping activities associated with this revenue increase.

Issues for Council Consideration

Storm Water Permit Compliance

As noted earlier, the City is not currently making all the expenditures necessary to ensure compliance with its storm water permits, and absent a new source of revenue dedicated to storm water permit compliance, it is unlikely the City will have the means to make all expenditures necessary for permit compliance. Penalties for not complying with storm water permit requirements are up to \$10,000 per day per violation.

Multiple TMDL deadlines are approaching over the next several years—the Chollas Creek Metals TMDL and first phase of the Chollas Creek Bacteria TMDL have compliance deadlines that began in FY 2019. Deadlines associated with the Los Penasquitos Sediment TMDL will begin in FY 2020. Additional deadlines associated with the Chollas Creek Bacteria TMDL and the Dry Weather Bacteria TMDL for San Dieguito, Los Penasquitos, San Diego River, and Mission Bay exist in FY 2021, with the Nutrients/Eutrophication Alternative TMDL deadline in FY 2022 and the Shelter Island Yacht Basin Copper TMDL has a compliance deadline of FY 2023. The City

is currently on track to meet these TMDLs with the exception of the Chollas Creek metals TMDL, which is still awaiting final approval from the State Water Resources Control Board and the US Environmental Protection Agency (USEPA), and the FY 2021 deadline associated with the Chollas Creek bacteria TMDL. As we noted earlier, TSW staff is currently pursuing amendments to this TMDLs, which would bring them on track for compliance, as well as working with the USEPA to extend other compliance deadlines to reduce annual funding needs.

Storm Water Budget Requests

It should also be noted that TSW made a number of requests for funding in the FY 2020 Proposed Budget that were unfulfilled. Many of these requests concerned the ongoing maintenance of the current storm water infrastructure. The Key Performance Indicators (KPIs) on a previous page include the number of failed pipes, of which there were 5 in FY 2018 and an estimated 7 in FY 2019. This indicates that more needs to be done to address the storm drain infrastructure which the City currently is responsible for maintaining.

The unfunded requests concerning storm water included:

- \$2.4 million in expenditures and 12.00 FTE positions to complete the pipe repair team that was appropriated in FY 2019. This would have included \$1.2 million in one-time equipment purchases.
- \$2.6 million in General Fund expenditures in the CIP for storm drain pipe lining. The department would use this funding to repair and extend the useful life of pipes that are minimally impacted or compromised in a way that is less evasive and requires no permit-

Department Review: Transportation & Storm Water

STREET DIVISION KEY PERFORMANCE MEASURES					
Performance Measure	Target FY 2018	Actual FY 2018	Target FY 2019	Estimated FY 2019	Target FY 2020
Miles of Streets repaired	349	330	390	350	430
Number of Trees Trimmed	44,000	43,506	44,000	37,000	25,000
Average number of days to mitigate a reported sidewalk hazard	15	63	20	50	20
Square Feet of sidewalks replaced/repaired	170,000	160,707	170,000	170,000	170,000

ting. While no General Funds are included, the CIP does include \$867,000 from the Infrastructure Fund.

- \$500,000 in one-time expenditures for consulting services to initiate the development of a long-term funding strategy to meet the present and future capital and operational needs of the WAMP. Without this funding, the department indicates that it is still working on a long-term funding strategy, but that this strategy will not be completed until January 2021.
- \$120,000 and 1.00 FTE position for a project officer to support the inclusion of storm water asset information into the Asset Management Planning (AMP) of the EAM.

Street

The Street Division maintains and repairs all streets, alleys, sidewalks, bridges, guardrails, and fences. This includes administering annual resurfacing and slurry seal contracts, performing traffic lane striping, and painting and removing traffic markings and legends. Street Division also maintains and repairs street lights, traffic signals, signs, and street trees.

In addition to the General Fund, the Street division receives funds from other sources, including:

- TransNet

- Gasoline Tax
- Infrastructure Fund

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget for Street Division totals \$55.1 million, a decrease of \$3.4 million from FY 2019. The Proposed Budget includes 337.43 FTE positions in the Division, which represents no change from FY 2019.

Significant Budget Reductions

- \$4.0 million in one-time expenditures for public right-of-way costs (including sidewalks, streetlights, and other infrastructure maintenance in the right-of-way). These expenditures are budgeted in the Infrastructure Fund for FY 2020. This reduction is part of a larger mitigation strategy to utilize the Infrastructure Fund for maintenance projects as opposed to CIP projects. This strategy is discussed more in regards to the increase in Gas Tax revenues for the General Fund.
- \$1.1 million reduction in funding for the City's contract to trim street trees. The FY 2019 Proposed Budget included a similar reduction, but the funding was ultimately restored using one-time funding in the Adopted Budget.

This reduction applies to broad-leaf and conifer trees, and will reduce the frequency those trees are trimmed from once every 9 years to once every

Department Review: Transportation & Storm Water

43 years, effectively eliminating scheduled non-palm tree trimming. The number of non-palm trees expected to be trimmed in FY 2020 will fall from roughly 20,000 to 4,000 as a result of this reduction in funding.

TSW indicates that it will still trim and maintain trees that could have immediate public safety impacts regardless of whether the particular tree posing a safety hazard is scheduled for periodic trimming. Nevertheless, reductions in regular tree maintenance can increase the likelihood of safety hazards and may increase the City's related liabilities.

Also, there is a reduction of \$78,000 for tree planting in the Proposed Budget. However, detail provided in the budget indicates that this reduction was done in error and will be restored with the May Revision.

- \$300,000 reduction in funding for graffiti abatement. The FY 2019 Proposed Budget included a similar reduction, but the funding was ultimately restored using one-time funding in the Adopted Budget. This reduction will reduce the scope of the department's graffiti abatement contract with Urban Corps by eliminating abatement of graffiti on residential private property.

Significant Budget Additions

- \$13.9 million increase in revenue from the Gas Tax Fund. As discussed below, the Infrastructure Fund and the Road Maintenance and Rehabilitation (RMRA) Fund are providing the majority of the funding for the City's slurry seal and other major street repair projects, which have typically been funded through the Gas Tax Fund. The resulting revenue balance is utilized to pro-

vide support for the General Fund operations of the department. However, there is no corresponding increase in any programs or expenditures associated with this revenue increase.

Issues for Council Consideration

Department Requests Not Funded

Sidewalk Repairs

The FY 2019 Adopted Budget included the addition of 2.00 FTE positions to work on sidewalk capital projects, as well as a \$5.0 million transfer from the Infrastructure Fund to the Sidewalks CIP project. Unfunded TSW requests in the FY 2020 Proposed Budget included \$4.4 million and an additional 18.00 FTE positions to continue to support of sidewalk repair efforts. This request included \$1.9 million in one-time costs for equipment. A portion of this request (4.0 FTE positions and \$2.1 million) was included in the Five-Year Financial Outlook as a Critical Strategic Expenditure.

This request is being made at a time when sidewalk repair continues to be a major need. The sidewalk condition assessment completed in FY 2017 found \$46.8 million in needed funding for sidewalk repairs and missing sidewalks. Further, the average number of days to mitigate a reported sidewalk hazard was 63 days in FY 2018, and is estimated to be 50 days in FY 2020. The capital budget for sidewalk repair is also decreased in the FY 2020 Proposed Budget. It is worth noting that sidewalks and sidewalk repair were mentioned in a majority of Council Budget Priority memoranda.

Administrative Support Requests

The Streets division requested numerous positions to fulfill administrative and supervisory duties for FY 2020 that were un-

Department Review: Transportation & Storm Water

funded. These included the following:

- \$91,000 in expenditures and 1.00 FTE position to provide support for the EAM and planning repairs associated with incoming service requests.
- \$135,000 in expenditures and 1.00 FTE position to support litigation and Public Records Act responses. This funding was included in the Fiscal Five-Year Financial Outlook as a Critical Strategic Expenditure.
- \$158,000 in expenditures and 1.00 FTE position or an additional Assistant Deputy Director to support Urban Forestry, Graffiti Abatement, Sidewalk Repair, the Get It Done Application, EAM, and other work. Since FY 2013, the amount of personnel in the Streets Division has increased 30%.
- \$128,000 in expenditures and 1.00 FTE position for a Safety Officer to implement a more proactive approach to injury prevention and ensure compliance with safety and training requirements.
- \$71,000 in expenditures and 1.00 FTE for a Public Works Dispatcher. With the adoption of the EAM, Get It Done, and other initiatives, requests for work have generated an average of 150 hours of overtime per pay period. This funding was also identified as a Critical Strategic Expenditure in the Five-Year Financial Outlook.

Street Repair and Maintenance

The Proposed Budget assumes 430 miles of street repairs, in the following amounts:

- 330 miles of slurry seal maintenance work (slurry seal repairs costs roughly \$100,000 per mile).
- 100 miles of asphalt overlay (asphalt overlay costs approximately \$400,000

per mile).

The Mayor's pledge to resurface 1,000 miles of streets in 5 years was already met in October 2018. This funding would be both maintaining streets at a overall condition index (OCI) of 70 or higher, as well as moving well beyond the Mayor's initial pledge. TSW did request \$500,000 for a pavement condition assessment to reassess the OCI, which was included in the Five-Year Financial Outlook as a Critical Strategic Expenditure, but this request was unfunded.

As mentioned previously, funding for the slurry seal maintenance is mostly coming from the RMRA Fund as well as the Infrastructure Fund. This is notable since slurry seal is considered maintenance rather than CIP related work, and was previously funded through the Gas Tax Fund. By utilizing the Infrastructure Fund for slurry seal and the Gas Tax Fund to support ongoing General Fund operations, less funding is programmed for more typical infrastructure projects from the Infrastructure Fund.

Transportation Engineering Operations

Transportation Engineering Operations (TEO) serves as the asset manager of the City's roadway infrastructure within the public right-of-way. These responsibilities include performing operational functions for the City's transportation systems and planning and programming CIP projects.

Impacts of Mayor's FY 2020 Budget Proposal

The FY 2020 Proposed Budget for TEO in-

Department Review: Transportation & Storm Water

cludes \$9.6 million in expenditures and 68.25 FTE positions. This is a decrease of \$103,000 in expenditures and 1.00 FTE positions from the FY 2019 Adopted Budget.

Significant Budget Reductions

\$95,000 in reduced expenditures and 1.00 FTE position associated with the transfer of the Transit Alternatives Program from TSW to the Risk Management Department. This was done to better align this benefit program with the other benefit programs in the City.

Issues for Council Consideration

Similar to the other functions of TSW, TEO also had an unfunded request. \$190,000 in expenditures and 2.00 FTE positions were requested to accomplish the additional demands as a result of the Get It Done application, the CAP, Vision Zero goals, and the Pedestrian Safety Audit. Without these positions, the number of demands met by the department within 90 days are expected to drop from 90% to 75%.

Other Departments

DCOO: Infrastructure/ Public Works

The FY 2020 Proposed Budget for the Deputy Chief Operating Officer (DCOO) for Infrastructure/Public Works is approximately \$562,000, a decrease of \$92,000 or 14.0% from the FY 2019 Adopted Budget. The decrease largely results from a \$113,000 reduction in contractual services associated with the Enterprise Asset Management (EAM) Project. Approximately \$292,000 of budgeted revenue is being added to the Department to reflect the cost allocation of branch management expenditures to non-General Fund departments. The Department is comprised of 2.00 FTE positions: 1.00 DCOO and 1.00 Executive Assistant.

DCOO: Internal Operations

Approximately \$270,000 is included in the FY 2020 Proposed Budget for the Deputy Chief Operating Officer (DCOO) of the Internal Operations Branch, a decrease of \$203,000 or 42.9% from the FY 2019 Adopted Budget. The decrease primarily relates to a reduction in salary and fringe expense. About \$16,000 of budgeted revenue has been added to reflect the allocation of related branch management expense to non-General Fund departments. The Department is comprised of 1.50 FTE positions: 1.00 DCOO and 0.50 Executive Assistant.

DCOO: Neighborhood Services

The FY 2020 Proposed Budget for the Deputy Chief Operating Officer (DCOO) of the Neighborhood Services Branch is approximately \$1.3 million, an increase of \$352,000 or 37.2% from the FY 2019 Adopted Budget. The increase reflects the addition of 1.00 Associate Management Analyst and other increases in personnel expense. Total FTE positions in the budget increases from 6.00 in FY 2019 to 7.00 in FY 2020. This includes 1.00 DCOO, 1.00 Program Manager, and 5.00 positions which comprise the Homeless Services Coordination Program (2.00 of these positions are new and limited depending on potential future receipt of State Homeless Emergency Aid Program (HEAP) funds).

Budgeted revenue is reduced by approximately \$212,000 due to the allocation of \$18,000 of branch management expenditures which is more than offset by a \$230,000 reduction of revenue associated with the restructuring of several positions.

Internal restructuring within the Branch involves: the transfer out of 1.00 Executive Director for the Corporate Partnerships and Development Program (CPD) to the Economic Development Department; the repurposing of 1.00 CPD Program Manager (grants administration); the elimination of 1.00 CPD Associate Management Analyst; and the addition of 1.00 Senior Management Analyst and 2.00 limited Associate Management Analysts to support the Homeless Services Coordination Program.

Department Review: Other Departments

Ethics Commission

The FY 2020 Proposed Budget for the Ethics Commission is approximately \$1.2 million, a decrease of \$61,000 from the FY 2019 Adopted Budget. The decrease is attributable to a \$57,000 decrease in salary and fringe expenses and a \$4,000 decrease in NPE. The Department is comprised of 5.00 FTEs.

For the FY 2020 Proposed Budget, the Commission requested, but did not receive funding for the addition of 1.00 Program Manager and \$155,000 in expenses as a part of its succession plan associated with the anticipated retirement of its current Education and Advice Program Manager in early 2021. The Ethics Commission has indicated that not funding this additional position may cause delays in responding to requests for advice and may potentially lead to inaccurate or incomplete advice being provided, resulting in potential violations of the City's campaign, ethics, and lobbying laws.

Office of the ACOO

The FY 2020 Proposed Budget for the Office of the Assistant Chief Operating Officer (ACOO) is approximately \$1.1 million, an increase of \$427,000 or 66.7% from the FY 2019 Adopted Budget. The increase reflects the addition of 1.00 ACOO position, miscellaneous increases in personnel expense, and a reduction in NPE. The Office maintains 3.00 FTE positions: 2.00 ACOOs and 1.00 Executive Assistant.

Office of the CFO

The FY 2020 Proposed Budget for the Office of the Chief Financial Officer (CFO) is approximately \$608,000, relatively unchanged from the FY 2019 Adopted Budget. A slight increase in personnel expense is offset by a similar decrease in NPE. The Office maintains 2.00 FTE positions: 1.00 CFO and 1.00 Executive Assistant.

Office of the COO

The FY 2020 Proposed Budget for the Office of the Chief Operating Officer (COO) is approximately \$1.3 million, an increase of \$15,000 or 1.2% from the FY 2019 Adopted Budget. The increase is due to a \$35,000 increase in personnel expense which is partially offset by a \$20,000 reduction in NPE. The Office maintains 5.00 FTE positions: 1.00 COO, 1.00 Executive Assistant, and 3.00 positions supporting City Council docket operations.

Office of the IBA

The FY 2020 Proposed Budget for the Office of the Independent Budget Analyst (IBA) is approximately \$2.2 million, an increase of \$64,000 or 3.0% from the FY 2019 Adopted Budget. The change is attributable to \$69,000 increase in salary and fringe expense which is partially offset by a \$5,000 reduction in NPE. The Office is comprised of 10.00 FTE positions, unchanged from FY 2019.

Department Review: Other Departments

Office of Homeland Security

The FY 2020 Proposed Budget for the Office of Homeland Security (OHS) is approximately \$3.2 million, an increase of \$348,000 or 12.3% from the FY 2019 Adopted Budget. Budgeted revenue totaling \$1.2 million represents an increase of \$215,000. The FY 2020 Proposed Budget increases OHS staff by 2.22 FTE positions, from 118.05 FTEs to 20.27 FTEs. Added positions are all grant-supported and include 1.00 Program Coordinator and 1.00 Associate Management Analyst for the Office's Advanced Initiatives section, as well as 1.28 FTE Management Intern positions. Reductions include 1.00 Supervising Management Analyst vacant position and 0.06 FTE in non-standard hour personnel funding.

Special Events and Filming

The FY 2020 Proposed Budget for the Special Events and Filming Department is approximately \$1.2 million, an increase of \$1,000 from the FY 2019 Adopted Budget. The increase is attributable to a \$45,000 increase in salary and fringe expense which is offset by a \$44,000 decrease in NPE. The Department is comprised of 6.00 FTEs.