

REVIEW OF THE

Fiscal Year 2021 Proposed Budget

*Analysis by the
Office of the Independent Budget Analyst
Report 20-06*



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Acknowledgements

The Office of the IBA would like to begin our report by thanking Rolando Charvel, Chief Financial Officer; Matt Vespi, Department of Finance Director and City Comptroller; the entire Department of Finance staff; and Jessica Lawrence, Mayor's Director of Policy & Council Affairs for keeping us in the loop given how quickly things have been changing on the financial front, and for quickly responding to our never-ending questions during these challenging, unique weeks.

The same goes for all City department directors who, despite how busy you were and still are helping to keep our city safe, you always took time to meet with us and respond to our numerous budget questions. And we must not forget the Department of Information Technology and Brett Sismey in Council Administration who provided critical assistance in getting us set up to work remotely, without them, we would not have been able to produce this report.

What the IBA Analysis Involves

To assist the Council throughout the budget review process, two weeks following the release of the Mayor's Proposed Budget, the Office of the IBA provides the Council and public with a comprehensive analysis of the Mayor's Proposed Budget. The focus of the discussion this year is the significant impacts of the COVID-19 epidemic on the City's current and future financial status and the mitigating actions used to address the revenue shortfall in Fiscal Year 2020 and Fiscal Year 2021.

The IBA analysis involves reviewing all projected revenues and expenditures, assuring the budget is structurally balanced, determining consistency with City Council and community priorities, ensuring financial practices and

policies have been applied, identifying impacts on service levels, evaluating all of the Mayor's mitigation actions, and highlighting issues for further discussion during the upcoming budget review process. Additionally, we will provide a discussion of key financial challenges associated with the economic impacts of COVID-19, as well as opportunities moving forward.

The FY 2021 Budget Process: From Release of the Mayor's Proposed Budget to City Council Adoption

Per the City Charter, upon release of the Mayor's Proposed Budget, budget authority is in the hands of the City Council. The Council has the authority to hold public hearings, which they do consistently each year; to hold community meetings and town halls to solicit feedback from their districts; to fully review and evaluate the Mayor's budget working with the Independent Budget Analyst and the Mayor's Office; and to develop Council proposals for modifying the Mayor's Proposed Budget if determined appropriate. If the Council determines that revisions to the budget are warranted, the Council has the authority to change budget line items or services and programs provided the budget is balanced. Per the Charter the Council is responsible for reviewing and approving the Proposed Budget on or before June 15th of each year.

Looking Back to November 2019 and the Mayor's FY 2021-2025 Five-Year Financial Outlook

Per the City Charter, the Mayor is required to annually prepare a multi-year financial outlook for the General Fund projected revenues and expenditures in future years. This Outlook

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serves as a fiscal roadmap and a basis for the following year's proposed budget. The Mayor's FY 2021-2025 Outlook, released in November 2019, projected the City's FY 2021 deficit to be \$83.7 million. The deficit was based on \$21.2 million needed to maintain critical existing services while \$62.5 million was attributable to the Mayor including funding to expand existing programs and/or initiate new programs.

Due to the lack of resources, for FY 2021 the Mayor was unable to fund most of the new or expanded programs that he had prioritized in November of 2019. Some of the Mayor's FY 2021 priorities, referred to as Critical Strategic Expenditures, not funded in the FY 2021 budget are: funding for the Climate Action Plan; Peak Hour Fire Engines; additional security guards for the libraries; a new Storm Water Pipe Repair Team; Public Safety Radio Equipment Replacement; marketing and recruitment for Police; Phase 2 of the Enterprise Asset Management system; and Police overtime for docking mobility enforcement.

Revenue Overview and Analysis of the Mayor's Proposed Budget

Due to COVID-19, City Revenues Begin to Plummet in March 2020

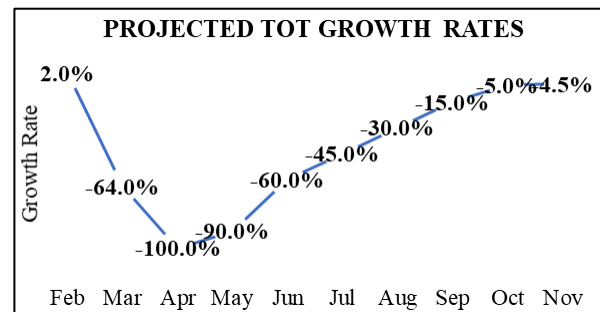
As recently as February, consumer confidence was on the rise and unemployment was at a new low. Then, the stay-at-home and social distancing guidelines related to the COVID-19 pandemic went into effect in the middle of March. Since that time, numerous non-essential businesses have closed, unemployment has dramatically increased, and many sectors of the economy have come to a sudden halt.

By the end of March, shortly after the Mayor and staff had begun to develop the FY 2021 budget, the Mayor reported that the financial impacts to the City, largely as a result of this

crisis, were projected at a revenue loss of \$109 million for FY 2020 and an additional \$149 million for FY 2021. Revenues were falling so quickly that the Department of Finance had to revise projections more than a dozen times during the month of March alone.

The majority of those announced losses were from sales tax and the Transient Occupancy Tax (TOT) revenues. Most of these declines are related to the decline in the tourism industry, which SANDAG recently evaluated in their analysis of the COVID-19 impact to the economy. They concluded that *"there are significant short-term and long-term impacts on the tourism sector, and travel for business and pleasure will be affected. Cancellation of conventions and significant reductions in business travel, along with postponement or cancellation of vacation travel, will significantly impact economic activity in this sector."*

The majority of the decline is in TOT revenue which is projected to substantially decline in FY 2020, with a significant hit to revenue for the month of March 2020 (-64%), no TOT revenue projected for April 2020 (-100%), and then a slow recovery beginning in May (-90%) and lasting through September (-15%) before evening off at -5.0% to -4.5%, as shown in the graph below.



As the Charter requires the Mayor to release a balanced budget to the Council and the public no later than April 15th of each year, at some point the staff had to stop making revenue revisions and work on balancing the budget. The projections made in the Proposed Budget are

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based on the most current revenue assumptions projected as of March 30, 2020.

Our Office has reviewed all of the major revenue projections for the General Fund, which we agree were reasonable at the time, while also acknowledging the high degree of uncertainty with respect to future impacts of COVID-19 on the City's budget.

Further Tourism Cancellations Significantly Impacting Mayor's Proposed Budget

This uncertainty has continued to be borne out in the continued cancellation of further conventions and other tourist events, including the cancellation of Comic-Con and the ESRI convention.

On Tuesday, April 21, the Mayor announced to the public the projected impact of these cancellations to be an additional revenue loss of \$50 million in FY 2021, increasing the overall losses due to COVID-19 to above \$300 million. The Mayor will be addressing the \$50 million shortfall and proposing mitigations in the May Revision, which he will release on May 19.

While this report is focused primarily on the actions in the Mayor's Proposed Budget, we will be participating in and reviewing potential uses of the \$248 million that the City recently received from the Federal Government CARES Act. It is important to note that while we have received this funding in whole, the eligibility regulations must still be met to expend the funds.

For a more detailed analysis on all of the major General Fund revenues, refer to the General Fund Overview: Revenues section.

CARES Act

The City continues to strive to better understand and estimate the magnitude and duration of the ongoing reduction in City revenues caused by the COVID-19 pandemic.

Fortunately, the federal government approved the Coronavirus Aid, Relief and Economic Security (CARES) Act on March 27, 2020. This Act provides \$248 million in Coronavirus Relief Funds for eligible City expenditures made in response to the pandemic (see the chart in the CARES Act section of this report under Key Citywide Issues for a breakdown of CARES Act relief funding).

While the CARES Act will provide relief funding for COVID-19 related City expenditures that have already been made, and will continue to be made through December 30, 2020, it is not available to backfill the significant and ongoing reduction of City revenue attributable to the pandemic. As is often the case when federal emergency relief funding is first made available, local government struggles to clearly understand which expenditures are eligible for the relief funding. City staff has been asked to charge their COVID-19 time to special job order numbers for the past month. The Mayor recently established a senior management team to more broadly and accurately capture eligible COVID-19 related expenditures.

On April 21, the Mayor received an updated revenue forecast and informed the Council that his Proposed FY 2021 Budget was no longer balanced and a \$50 million shortfall was projected. This caused the Department of Finance Director to request an additional \$50 million of budget reductions primarily from General Fund departments. In response, the Council President issued a memorandum to the Mayor on April 24 urging him to maximize the tracking and processing of all CARES eligible City expenditures so as to minimize the need for further budget reductions that would result in additional job losses and public service reductions. She also requested the IBA be included in all discussions related to the spending of CARES Act relief dollars. Our Office stands ready to assist as needed.

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Expenditure Overview and Analysis of the Mayor's Proposed Budget

Total General Fund expenditures are decreasing by \$50.2 million, or 3.2%, from the \$1.59 billion FY 2020 Adopted Budget to the \$1.54 billion FY 2021 Proposed Budget. Changes include a net decrease to Non-Personnel Expenditures (NPE) of \$54.2 million. Offsetting this NPE decrease is a net increase in Personnel Expenditures (PE) of \$4.0 million. The number of positions in the proposed General Fund budget is 7,449.99 FTE, a decrease of 277.87 from the 7,727.86 FTE positions in the FY 2020 Adopted Budget.

The largest NPE decreases include elimination of contributions to the Infrastructure Fund (\$24.1 million in FY 2020) and the General Fund Reserve (\$11.9 million in FY 2020). There is also a \$13.2 million decrease in funding for deferred capital bond payments, as a large part of the bond payments are anticipated to be covered by proceeds from the Stadium sale.

PE increases include \$14.2 million that is largely due to effects of labor agreements with the City's employee organizations, such as annualization of Police Officers Association (POA) general salary increases and Police Officers' holiday credit on days off, as well as annualization of special salary adjustments and add-on pays for other labor groups. The increase also includes promotions and merit increases.

The next largest PE increase, \$12.8 million, is the increase to the Actuarially Determined Contribution (ADC) pension payment. PE increases are partially offset by a net decrease in positions, totaling 277.87 FTE positions and \$19.0 million.

Listings of significant changes in PE and NPE, as well as positions 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.

Mitigating Actions for Addressing FY 2020 Revenue Shortfall of \$109 million

To address the revenue shortfalls currently projected for FY 2020, the Mayor has proposed numerous mitigation actions to balance FY 2020. A final accounting of the measures needed to balance FY 2020 will be provided in the FY 2020 Third Quarter Budget Monitoring Report, which will also include any required Council actions. The mitigation measures include:

- Expenditure reductions of \$4.5 million, including a hiring freeze for non-public safety departments (\$1.5 million) and a freeze on all nonessential non-personnel expenditures (\$3.0 million);
- Defunding General Fund CIP projects and replenishing them with Commercial Paper (\$10.0 million). Council will be asked to approve the request to temporarily defund these projects in the FY 2020 CIP Year-End Budget Monitoring Report. The affected projects are intended to be paid back with the second round of commercial paper financing that is planned to go to Council for approval sometime in FY 2021;
- Use of FY 2020 Mid-Year Projection Excess Equity (\$27.9 million). Based on revenue declines currently projected in FY 2020, there is no longer excess equity at year-end;
- Delaying the FY 2020 Contribution for General Fund Reserve (\$12.8 million); and

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- Use of General Fund Emergency Reserve (\$54.0 million). The two actions pertaining to the General Fund Reserve will leave the reserve balance at \$138.8 million, which is \$66.8 million below the initial reserve target.

More information on these actions can be found in our section on Mitigating Actions as well as other sections of this report.

Mitigating Actions for Addressing FY 2021 Revenue Shortfall of \$149 million

In addition to the FY 2020 mitigating actions, the Mayor has also proposed numerous mitigation measures for FY 2021. These include:

- Various budget reductions, which total \$63.7 million in both General Fund reductions and non-General Fund reductions which have a direct impact on the General Fund (this also includes 354.93 FTE positions);
 - Library (\$7.0 million and 96.51 FTE positions) mostly due to reduced branch hours;
 - Police (\$6.3 million and 23.00 FTE positions) mostly due to reduced overtime and the elimination of the STAR/PAL unit;
 - Parks and Recreation (\$5.9 million and 88.79 FTE positions) mostly due to reduced recreation center hours;
 - Storm Water (\$4.9 million) in contracts related to consulting and drainage projects;
 - Transportation (\$4.0 million and 1200 FTE positions) related to various right-of-way maintenance activities; and

- Non-mayoral Departments (\$3.9 million) all of which received a non-specified 4% reduction.
- Waiving the Infrastructure Fund Contribution (\$29.5 million). By waiving the contribution, funds would go to other General Fund purposes to mitigate the FY 2021 budget shortfall. Suspension of the Infrastructure Fund requires a two-thirds vote of City Council;
- Use of Stadium Sale Proceeds (\$20.9 million) which includes utilizing \$4.0 million for Stadium debt and \$16.9 million for other various other debt payments in FY 2021 only. Our Office would note that the Stadium sale proceeds are currently over budgeted by \$2.4 million, and the mitigation plan will need to be addressed in the May Revision;
- Delaying the General Fund Reserve Contribution for FY 2021 (\$13.6 million), which will leave the reserve balance at \$138.8 million. This is \$74.6 million below the initial reserve target for FY 2021;
- Use of the Pension Payment Stabilization Reserve and delaying the FY 2021 contribution (\$12.2 million total) which will use all of the current Pension Payment Stabilization Reserve payment (\$7.9 million) as well as delay additional contributions (\$4.3 million) to address ADC increases in FY 2021. The FY 2021 ADC increase is \$15.1 million, of which \$12.8 million is in the General Fund.
- Use of the Fleet Replacement Fund Balance (\$4.2 million) which is not expected to have any service level impacts;
- Reducing OPEB contributions (\$1.0 million) due to an actuarial analysis of current cash and investments held in the various affected funds; and

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- Increasing the vacancy factor by \$3.2 million, or 8.3% above the budget vacancy savings in the FY 2020 Adopted Budget.

More information on all of the FY 2021 mitigations can be found in the Mitigating Actions section, as well as in other sections of this report.

Notable Funding and Staffing Increases for Some Departments

While the Proposed Budget necessarily includes significant service level reductions due to the drastic and unanticipated revenue losses, it also includes increases for some high priority programs. This then creates a difficult balancing act for City Council's consideration: what is worth reducing in order to support increases in other areas, since revenues alone are not enough to continue all existing programs.

Some of the notable funding increases in the Mayor's Proposed Budget include:

Police: Additional \$5.4 million in ongoing overtime funding, \$3.5 million of this is to maintain the expanded Clean SD efforts, funded on a one-time basis in FY 2020.

Environmental Services: Additional 4.00 FTEs and \$321,000 in new one-time expenditures for the Clean SD Program. 3.00 FTEs and \$2.9 million funded on a one-time basis in FY 2020 is also carried over in FY 2021 for total of 7.00 FTEs and \$3.2 million.

Storm Water: With the proposed separation of the Storm Water function from the Transportation Department, a new Director position and \$382,000 have been included in Storm Water's budget.

Mobility Department: With the creation of this new department, their budget includes

\$551,000 and 2.50 FTE positions for a new Director position and support staff.

Economic Development: \$2.0 million in General Funds were added to the department's budget for the Small Business Relief Program.

Parks and Recreation: With the planned opening of three new facilities in FY 2021, \$297,000 and 2.42 FTE positions have been added to the Park and Recreation Department's budget.

Fire-Rescue: 9 FTE positions and \$1.5 million in expenditures are funded to open and operate the new North University City fire station.

Importance of Service Levels for Decision-Making

Over the years our office has consistently advocated for departmental service level data to be a major component of the City Council's portion of the budget process. Service levels are always valuable for consistently monitoring the performance of operations. With the City now projected to be facing a loss of \$300 million in revenue between FY 2020 and FY 2021, service level data is critical for prioritizing and making informed decisions as to balancing the City's budget. Working with departments, our Office was able to identify the service level impacts of some of the proposed budget reductions for this report as shown in the following table.

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Service Level Reductions			
Reduction	Measure	2020 Level	2021 Level
<i>Tree Trimming - Shade</i>	# of Planned Trees Trimmmed	20,000	0
<i>Tree Trimming - Palm</i>	# of Years for Maintenance Cycle	2 years	8 years
<i>Weed Abatement - Routine</i>	# of Sites Abated	300 Sites	0 sites
<i>Weed Abatement - Fire Marshal</i>	All Sites Funded?	Yes	Partial
<i>Graffiti Abatement - Public</i>	# of Business Days to Respond	8 days	10 days
<i>Graffiti Abatement - Private</i>	Site Abatement Funded?	Yes	No
<i>Pothole Repair</i>	# of Business Days to Respond	10 days	12 days

However, given the tight turnaround of the Proposed Budget, most had not had enough time to determine impacts of their reductions. The Department of Finance recently issued a memo to the departments for the upcoming budget hearings requesting departments to provide service level data including the potential impacts of the departments' budget reductions.

Comparing the Proposed Budget to City Council Budget Priorities Resolution

The FY 2021 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 3, 2020, prior to any known economic impacts from COVID-19. A comparison of the Council's FY 2021 Budget Priorities to the Mayor's FY 2021 Proposed Budget is provided later in this report. Council priority items receiving additional funding are CleanSD programs and

capital projects. Most other priority areas are being reduced, such as library hours, while a few are maintained at current levels, such as slurry seal and overlay funding.

Other Issues for Consideration: Key Financial Challenges

Continued COVID-19 Uncertainty

As mentioned in this Overview, as well as in the Revenue Overview section, the COVID-19 crisis has already had a dramatic impact upon not just the budget, but the entire San Diego economy and our daily lives. Unfortunately, the uncertainty around the crisis is far from over, and thus the uncertainty regarding the impact of the crisis on the budget is also far from over.

The current revenue projections in the Proposed Budget are as of March 30. While there are going to be substantial changes to projections in the May Revision, these changes will most likely not be the last. It is still unclear how long the stay-at-home orders are going to last, and even more unclear what the economy does after they are lifted. While most economic projections are pointing towards a recession, the question of how deep of a recession, or how prolonged of a recession remains.

There is also the unique impact of this crisis to San Diego. Our budget relies heavily on TOT revenues and other tourism activities. However, the timing or speed at which tourism recovers is an educated guess based on past recessions. This is a different situation, as we do not have a history of the economic impacts from a health pandemic upon which to base assumptions, and people's willingness to travel when restrictions are lifted is yet to be seen. San Diego also receives a large portion of visitors from overseas and we may see local travel rebound sooner than foreign visitors. But with a potential resurgence of COVID-19

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possible in the fall or winter, even large events already scheduled for that time of year may see a reduction in participation as people and businesses are reluctant to make plans and financial investments in travel-related activities that could be cancelled.

All of the impacts of the crisis on City resources must be monitored closely during the next few weeks and months.

Impact on Pension Payment

There are a couple of items that could potentially impact the City's most recent estimate for the FY 2022 Actuarially Determined Contribution (ADC) (most recently projected to be \$364.8 million citywide).

- Changes to assumptions used in the actuarial valuation for FY 2020
- FY 2020 "experience gains and losses" (the differences between actual results and what was assumed in the FY 2019 valuation)

For example, if the FY 2020 investment return ends up being either higher or lower than the 6.5% return assumed in the FY 2019 valuation, there will be an investment experience gain or loss, which would be a factor that decreases or increases the FY 2022 ADC, accordingly. Whatever the FY 2020 investment return ends up being, the preliminary impact will likely be quantifiable by the fall of 2020.

For an example of potential assumption changes: salary increases over the past couple years have been higher than anticipated, and adjustments to related assumptions may be recommended by the San Diego City Employees' Retirement System (SDCERS) actuary. 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.

Labor Negotiations

Memorandums of Understanding (MOUs) regarding terms and conditions of employment with each of the City's six recognized employee organizations run through FY 2020; and successor contract negotiations are currently underway. The City's management team began labor negotiations with all six of its recognized employee organizations between September and November of 2019; and it is uncertain when negotiations will conclude. The Proposed Budget does not contain funding for any potential new negotiated compensation increases for FY 2021. Should negotiations produce compensation increases for employees represented by any or all of the employee organizations, funding would need to be identified in the FY 2021 Budget.

Use of One Times

According to the City's Budget Policy, the City's goal is "to achieve a long-term structurally balanced budget, where ongoing expenditures are supported by ongoing revenues." As a result of the COVID-19 pandemic and corresponding declining General Fund revenues, the City has run up against the challenge of the General Fund Budget utilizing one-time resources to support ongoing expenditures.

Such one-time resources include \$7.9 million in Pension Payment Stabilization Reserve funds and \$16.9 million in anticipated stadium sale proceeds to cover deferred capital debt service. Regarding homelessness services, the City has \$26.6 million in available State funds that are restricted to homelessness uses. Once these funds are exhausted, continuation of programs will need to be covered by the General Fund or another identified funding source. See the Homeless Strategies Department for more information.

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Additionally, there are other General Fund costs not included in the FY 2021 Proposed Budget which will need to be funded in the future, such as the Infrastructure Fund, General Fund Reserve, and Pension Payment Stabilization Reserve.

101 Ash Street Building

City staff were moved out of the 101 Ash Street building in mid-January due to asbestos concerns. At this time, staff are reviewing a draft report from Shefa Enterprises, Inc., the asbestos consultant, to inform the next steps in addressing asbestos concerns. In addition, they intend to conduct condition assessments of the building to see if there is other work that should be performed before staff move back in. The plan, timeline and cost estimate for getting the building operational are pending and the FY 2021 Proposed Budget does not include funding for construction or remediation work.

Capital Infrastructure Needs

The proposed investment of \$65.8 million in General Fund infrastructure for FY 2021 falls dramatically short of the \$296.6 million in priority General Fund capital needs identified for FY 2021 in the Five-Year Capital Infrastructure Planning Outlook (Capital Outlook). Priority capital needs address life, safety, and legal mandates, and could potentially impact the core operation of a critical facility. They can also be Mayoral or Council priorities. FY 2021 discretionary needs are another \$172.0 million. It would take a significant revenue source to close even the priority needs funding gap. However, more importantly, it would require increased capacity of the Public Works Department to spend any additional revenues obtained. According to the department, capacity has been constrained due to the competitiveness of the construction industry as well as their own vacancies.

Looking out into the next five years, the Capital Outlook identified a \$2.16 billion funding

gap between capital needs and anticipated funding sources. Of \$2.16 billion, \$1.29 billion is identified as priority needs. Storm water, existing facilities, and traffic signals make up almost 90% of the priority needs funding gap. Given that the proposed investment of \$65.8 million in General Fund infrastructure for FY 2021 falls well below the needs identified, the gap is expected to grow as projects continue to be deferred.

Focusing on Key Goals and Objectives Going Forward

This is a particularly challenging budget year requiring an extraordinary combination of fiscal actions (use of emergency reserves, sale of real property, public service reductions, waiver of Infrastructure Fund, use of federal emergency relief funding) to satisfy our Charter requirement for a balanced budget. These actions will enable us to balance the FY 2021 Budget, but much uncertainty remains going forward and our recovery could be slower than many expect. As our economy slowly recovers from this pandemic, it will be particularly important for the City to refocus its planning efforts to make steady progress on several longstanding and critical goals including but not limited to the following:

- 1) **Restoring the City's General Fund reserves to healthy levels:** Over the last decade, the City has made steady and commendable progress toward a GFOA recommended 16.7% reserve. Before the pandemic struck, we were on track to grow to 15.75% in FY 2021 and 16.7% by FY 2025. It appears we will now be back to approximately 10.25% in FY 2021. The City needs to recalibrate its plan to grow to 16.7% as soon as possible.
- 2) **Developing a long-term plan to better maintain and address our growing backlog of General Fund infrastructure needs:** This goal may have slipped from the forefront in recent years but a review

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of the last several Five-Year Capital Outlooks shows an enormous and growing backlog of unaddressed need. The challenge is multi-faceted involving the City's capacity to take on additional projects, the aging of our infrastructure, escalating project costs, and insufficient dedicated annual funding.

- 3) **Providing ongoing shelter and services for our homeless citizens:** In the last few weeks, the City has remarkably converted its Convention Center into a shelter for over 1,000 homeless individuals in response to the COVID-19 pandemic. As we slowly emerge from this crisis, the City and its partners must develop a sound exit strategy to provide continued services and shelter for these citizens. A sound plan is needed not only to ensure the well-being of these individuals but also facilitates returning the Convention Center to its intended purpose and rebuilding the City's tourism economy, and in so doing, the City's revenue base.
- 4) **Making significant and measurable progress on Climate Action Plan (CAP) goals and objectives:** In recent years, the City has claimed credit for close to \$400 million annually of new budgeted expenditures to further strategies identified in the CAP. Yet over 90% of these budgeted expenditures have been for the Pure Water Program which does not directly address the major goals of the CAP. There appears to be some opportunity for real progress with the advent of San Diego Community Power, the upcoming restructuring or renewal of the City's franchise agreement, and even lessons learned in adapting to the circumstances of the pandemic (e.g., telecommuting). As the City updates its CAP, there will be an opportunity to develop a better spending plan that more directly

relates to achieving CAP goals and objectives.

- 5) **Develop a long-term plan to better address the City's human capital needs:** The City has approximately 11,500 employees. Employees represent about 70% of all General Fund expenditures and are our most important resource in providing excellent public service to our citizens. The City Auditor recently released a performance audit of Strategic Human Capital Management which made a few key findings including widespread uncompetitive compensation and workforce data deficiencies. The City appears to have fallen behind other cities in compensation competitiveness.

Vacancies

In the FY 2021 Councilmembers' budget priority memoranda released in January (see IBA Report #20-02), five Councilmembers expressed support for examining challenges associated with the City's vacancy levels, filling vacancies, and/or adjusting budgeted vacancy savings to match operating needs. For example, increases to vacancy savings would better align salaries with historical trends, but doing so would require careful consideration.

In past years, vacancy/salary savings have offset overages in overtime and other wage categories (special pays, hourly wages, vacation pay-in-lieu, termination pay). Decreasing salaries (either through position cuts or increased budgeted vacancy savings) would leave less of a cushion for overages in the other wage categories if they are not adequately funded.

Proposed Budget Adjustments to Salaries

With the COVID-19 pandemic and declining General Fund revenues, the Proposed Budget includes \$11.5 million (270.19 FTE positions) in net programmatic reductions for the General Fund salaries budget. For non-Fire-Rescue Departments, the net salaries reduction is

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\$15.2 million (314.86 FTE positions) - without Fire-Rescue's net additions of \$3.6 million (44.67 FTE position additions). The Proposed Budget adjusts vacancy savings for departments, with some increasing and others decreasing. It will be worth monitoring how departments are able to manage vacancy savings, as well as expenditures in other wage categories.

Of the positions that have been cut from the General Fund budget, 111.50 FTE positions are vacant and 132.83 FTE positions are filled (97.60 FTE positions are hourly, for a total of 341.93). Most of the filled FTE positions are classified positions, which means there will be a reduction in force process to eliminate those positions. This process will be administered by the Personnel Department. Employees with more seniority rights to specific positions will have higher priority for those vacant positions that are still existing in the budget (including such vacant positions in non-general fund departments).

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

The Office of the IBA appreciates the timely responses from City departments and agencies to our questions over the past two weeks, especially considering the many other things departments are focused on right now. 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, maintains core services and has the least impactful reductions to service levels as is possible given the drastic revenue declines. 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 virtual community meetings.

The Mayor has proposed his budget and we anticipate updates in the Mayor's May Revision. Council has the authority to either approve the budget as submitted by the Mayor (inclusive of the May Revision), or modify it in whole or in part. The Council may increase or decrease any item. 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:

April 30: Budget Review Committee holds an evening hearing to receive input from the public.

May 4-8: Budget Review Committee hears "IBA Review of the FY 2021 Proposed Budget" and holds public hearings on City departments, functions, and agency budget proposals.

May 11: City Council holds an evening hearing to receive further input from the public.

May 21: Budget Review Committee hears the Mayor's May Revision and Third Quarter Budget Monitoring Report for consideration in final budget decisions.

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

June 3: Office of the IBA issues final report on recommended revisions to the Mayor's FY 2021 Proposed Budget including the May Revision, based on input from City Council memoranda and feedback, public comment, and independent analysis.

June 8: City Council makes final FY 2021 budget decisions and takes action on any FY 2020 budget revisions.

Overview: IBA Review and Analysis of the Mayor's FY 2021 Proposed Budget

June 29: City Council introduces and adopts the FY 2021 Appropriation Ordinance.

Additional Reports

Our Office will also be issuing individual reports for the following City agencies prior to their budget hearings, scheduled for May 7, 2020:

- Convention Center
- Housing Commission
- SDCERS

Final Thoughts

This year's budget process is truly unique as economic factors are constantly evolving while we are still in the midst of the world-wide COVID-19 pandemic. Information is being changed and revised, even as we evaluate what has just recently been presented. The Department of Finance has already projected further revenue declines, as stated during their presentation of the FY 2021 Proposed Budget to City Council on April 21, 2020, particularly in TOT and sales tax as a result of conferences and other large events continuing to cancel, most notably the cancellation of Comic-Con. In response, the Department of Finance has requested further reductions be submitted by departments for consideration in the Mayor's May Revision. We are likely to see significant changes to the Mayor's Proposal in the May Revision this year.


In addition, further information and analysis is needed regarding eligible uses for the \$248 million in CARES Act funding that is estimated for the City. However, despite all the unknowns and changing factors, we have presented in the following pages an analysis of the Mayor's budget as proposed at this time. Information regarding service level impacts of budget reductions and other issues for City Council's consideration are identified, which can be used to inform the budget review

process. We will continue to monitor further changes throughout the budget process, conduct a thorough analysis of the changes presented in the May Revision, evaluate City Council members requested changes, and make our recommendations for City Council's final budget in our report on June 3, 2020.

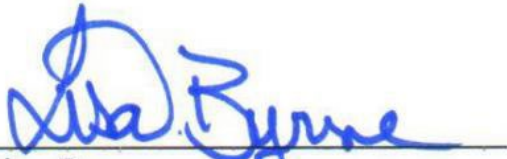
Overview: IBA Review and Analysis of the Mayor's FY 2021 Proposed Budget



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Mitigating Actions for FY 2020 and FY 2021

FY 2020 Mitigations

Since the stay-at-home orders were issued in mid-March due to the onset of COVID-19, the Department of Finance estimates that the City has lost approximately \$109 million in FY 2020 revenues, mostly from the sales and Transient Occupancy Tax (TOT) sources. In response, the Mayor has proposed numerous mitigation measures for FY 2020 to close the revenue gap. These measures are included below, and further elaborated on in the appropriate sections elsewhere in the report. A final accounting of the measures needed to balance FY 2020 will be provided in the FY 2020 Third Quarter Budget Monitoring Report, which will also include any required Council actions.

Hiring Freeze - \$1.5 million

Beginning in March, the Mayor instituted a hiring freeze for all General Fund positions, with the exclusion of public safety positions (Police & Fire-Rescue). This action is projected to save \$1.5 million.

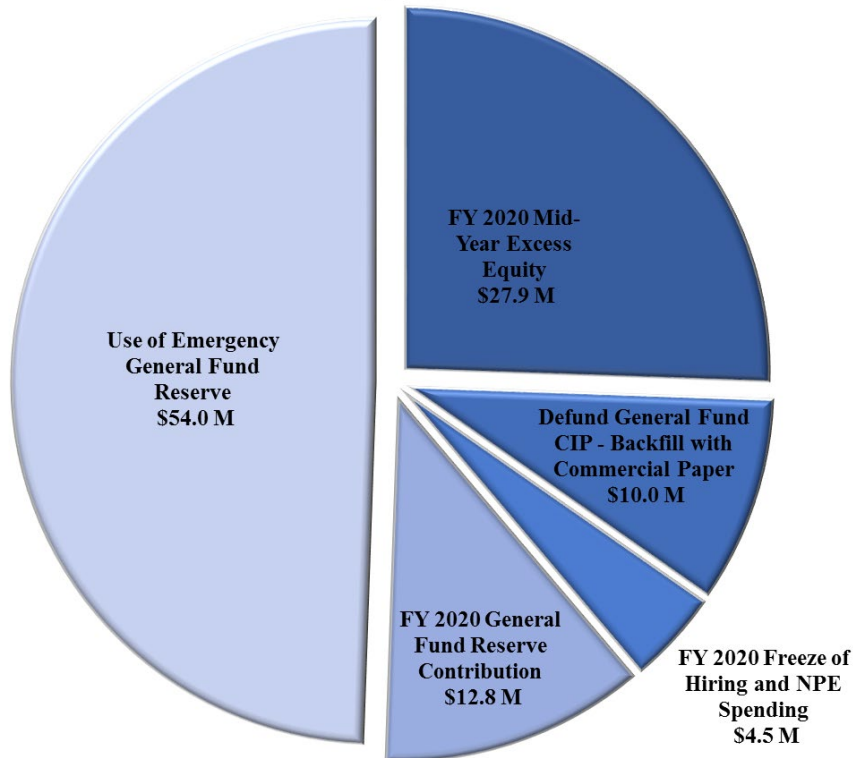
Non-personnel Expenditure Freeze - \$3.0 million

At the same time as the hiring freeze, the Mayor also instituted a freeze on all nonessential non-personnel expenditures. This action is projected to save approximately \$3.0 million.

Defund General Fund CIP Projects, Replenish with Commercial Paper - \$10.0 million

The Mayor plans to take \$10 million in General Funds from existing Capital

FY 2020 Mitigation Actions



Mitigating Actions for FY 2020 and FY 2021

Improvements Program (CIP) projects to mitigate the FY 2020 budget shortfall. These projects are intended to be paid back with the second round of commercial paper financing that is planned to go to Council for approval sometime in FY 2021. The list of projects from which the \$10 million is planned to be taken has not been finalized. Staff indicate that funds would likely come from the following annual allocations: Installation of City Owned Street Lights, Sidewalk Repair and Replacement, and Regional Park Improvements. Council will be asked to approve the request to temporarily defund these projects in the FY 2020 CIP Year-End Budget Monitoring Report.

Use of FY 2020 Mid-Year Excess Equity - \$27.9 million

In the Mid-year Budget Monitoring Report, excess equity was projected to be at \$27.9 million. Excess equity, as defined in the City Reserve Policy, “is Unassigned Fund Balance that is not otherwise designated as General Fund Reserves and is available for appropriation.” It is the surplus fund balance after projected activity for the current year, and satisfaction of the current year’s Reserve target. However, based on revenue declines currently projected for FY 2020, there is no longer excess equity at year-end.

Delay the FY 2020 Contribution for General Fund Reserves - \$12.8 million

The Mayor is also proposing to delay the General Fund contribution to the Reserves for FY 2020. This amount is \$12.8 million, and this action, along with the use of General Fund Emergency Reserve (below) will delay the City’s ability to meet its reserve targets.

Use of General Fund Emergency Reserve - \$54.0 million

The General Fund Reserve has two components: the Emergency Reserve, which is 8% of operating revenues, and the Stability Reserve, for which the ultimate policy goal is to reach 8.7%. The Mayor is proposing to use \$54.0

million from the Emergency Reserve in order to mitigate the FY 2020 revenue shortfalls. This action, along with the delay of the FY 2020 contribution, will leave the FY 2020 Ending Reserve at \$138.8 million, which is \$66.8 million below the initial reserve target. For more information, refer to our section on the General Fund Reserve.

FY 2021 Mitigations

The impacts of the COVID-19 crisis are not projected to just impact FY 2020 revenues, but also substantially impact all revenues in FY 2021 as well. For the FY 2021 Proposed Budget, staff estimated a shortfall of \$149 million, based off revenue estimates as of March 30. The following actions listed below are proposed by the Mayor to solve for the \$149 million.

On Tuesday, April 21, the Mayor announced to the public the projected impact of these cancellations to be an additional revenue loss of \$50 million, increasing the overall losses due to COVID-19 to above \$300 million. The Mayor will be addressing the \$50 million shortfall and proposing mitigations in the May Revision, which he will release on May 19.

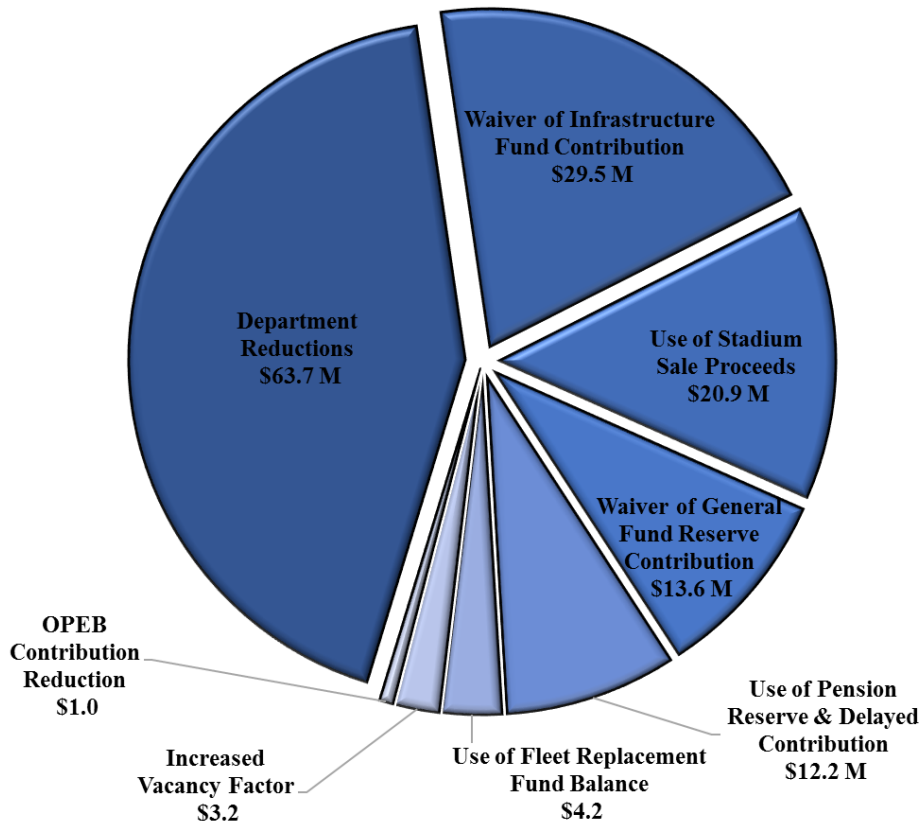
Budget Reductions - \$63.7 million (354.93 FTEs)

The largest mitigation action is through budget reductions across the entire City budget, both in the General Fund as well as in other City funds that directly impact the General Fund. These reductions total \$63.7 million and include the reduction of 354.93 FTEs. Departments that have significant reductions include:

- Library (\$7.0 million and 96.51 FTEs) mostly as a result of reduction library hours by closing all branches on Sundays and Mondays;

Mitigating Actions for FY 2020 and FY 2021

FY 2021 Mitigation Actions



- Police (\$6.3 million and 23.00 FTEs) mostly as a result of reduced overtime and the elimination of the STAR/PAL unit;
- Parks and Recreation (\$5.9 million and 88.79 FTEs) mostly due to a reduction of recreation center hours at various sites from 60 to 45 hours a week, as well as brush management reductions;
- Storm Water (\$4.9 million) for contracts related to consulting and drainage engineering work, as well as other activities;
- Transportation (\$4.0 million and 12.00 FTEs) for various activities, the largest of which include tree trimming, weed abatement, and traffic installation positions; and
- Non-mayoral Departments (\$3.9 million), all of which received a non-specified 4% reduction.

More information on these reductions, as well as all of the budget reductions included in the Proposed Budget, can be found in the specific Department Reviews.

Waiver of the Infrastructure Fund Contribution - \$29.5 million

The Proposed Budget states that the Mayor is requesting a one-year suspension of the requirements of Charter Section 77.1 which governs how much General Fund revenue must be transferred into the Infrastructure Fund for improvements to infrastructure such as streets, sidewalks, bridges, bike paths, storm water systems, and public buildings like libraries. For FY 2021, the estimated required deposit into the Infrastructure Fund is \$29.5 million. By waiving the contribution, funds would go to other General Fund purposes to mitigate the FY 2021 budget shortfall. Suspension of the Infrastructure Fund requires a two-thirds vote of City Council.

Mitigating Actions for FY 2020 and FY 2021

Counterintuitively, the Infrastructure Fund contribution for FY 2021 grew from \$19.8 million in the FY 2021 – FY 2025 Financial Outlook, to \$23.8 million in the FY 2021 Proposed Budget, after adjusting for preliminary impacts of COVID-19. There is an additional \$5.7 million payment needed to reconcile the FY 2019 contribution based on actual revenues, which brings the FY 2021 total to \$29.5 million.

The contribution is currently being driven by year-over-year growth in property tax, unrestricted franchise fees, and General Fund Transient Occupancy Tax (TOT). The piece influencing the higher required payment for FY 2021 is the one being hardest hit by the pandemic: General Fund TOT. This is because FY 2020 revenue projections had to be significantly adjusted downward due to COVID-19 impacts, while revenues are projected to slowly come back in FY 2021, creating a large year-over-year increase.

The calculation for a particular year is typically reconciled once actual revenues are known. Therefore, when the FY 2020 reconciliation is complete, it is possible that the required contribution for FY 2020 was overpaid in the Adopted Budget, which could discount the FY 2022 payment.

Use of Stadium Sale Proceeds - \$20.9 million

The anticipated sale of the Stadium is being utilized in the FY 2021 Proposed Budget as a significant mitigation measure. In determining the amount of revenue that would be generated from the sale, staff relied on an earlier estimate that anticipated the General Fund share of the sale to be 63%. This led to the inclusion of \$55.2 million in revenue for the Capital Outlay Fund. The uses for this revenue are provided in the chart below. The \$20.9 million includes \$4.0 million for debt service payments on the Stadium, which have previously been funded by TOT revenues, as well as \$16.9 million for various debt service

commitments.

Stadium Mitigations (in millions)	
Description	Funding
Stadium Debt Service*	\$ 28.3
Funding for City commitments contained in draft PSA	\$ 10.0
One-time funding for various debt service commitments	\$ 16.9
Total	\$ 55.2

*Includes \$4 million for FY 2021. The remainder will be saved for future payments.

However, the final amount of revenue that will be collected from the sale of the Stadium is still under negotiation. The latest information from the negotiating team projects the proceeds due to the Capital Outlay Fund for General Fund purposes will only be \$52.8 million, mostly due to a change in the General Fund share of the proceeds from a more accurate accounting of the acreage owned by the General Fund. **While the final terms of the deal are still in flux, it is likely that the total revenue realization will be \$2.4 million less than what is included in the Proposed Budget, which will require changes to the mitigation plan.**

Delay General Fund Reserve Contribution - \$13.6 million

Similar to the FY 2020 mitigation action, the Mayor is proposing to delay the General Fund Reserve contribution again in FY 2021. This action, which totals \$13.6 million, will leave the reserve at \$138.8 million, which is \$74.6 million below the initial reserve target for FY 2021. For more information, refer to the General Fund Reserve section.

Use of Pension Reserve and Delayed Contribution - \$12.2 million

The Pension Payment Stabilization Reserve is designed to mitigate service delivery risk due to increases in the ADC as calculated by the San Diego City Employees' Retirement System's actuary. The reserve currently has \$7.9 million and was anticipated to receive a

Mitigating Actions for FY 2020 and FY 2021

contribution of \$4.3 million in FY 2021. The Mayor is proposing to both delay the contribution and to utilize the \$7.9 million for the ADC, which has an annual increase of \$15.1 million citywide, of which \$12.8 million is in the General Fund.

Use of Fleet Replacement Fund Balance - \$4.2 million

The General Fund Fleet Replacement Fund utilizes the City's Equipment Vehicle Financing Program to purchase vehicles for all General Fund departments, with the exception of certain Police vehicles. Due to a change in the financing structure of the fund, there is a resulting excess and available fund balance, which will be utilized to provide rate relief to General Fund departments. There are no service level impacts expected from this action. More information on this action can be found in the Department Review for Fleet.

Reduced OPEB Contributions - \$1.0 million

Anticipated contributions for Other Post-Employment Benefit (OPEB) contributions are projected to be lower by \$1.0 million due to an actuarial analysis of current cash and investments held in the various affected funds.

Increase Vacancy Factor - \$3.2 million

The budgeted vacancy factor is increased by \$3.2 million, or 8.3%, from the Fiscal Year 2020 Adopted Budget level. Vacancies and vacancy savings have been an ongoing issue and a priority for various Councilmembers. Increasing vacancy savings to better align with historical actuals has been suggested in the past but doing so should require careful consideration. In past years, vacancy savings for non-public safety departments have been used to offset overages in overtime and other wage categories for the whole General Fund. If other wage categories, especially overtime, are not adequately funded in the Proposed Budget, the proposed increase in vacancy savings will leave less of a cushion for covering these wage categories. It will be worth

monitoring to see how departments are able to manage vacancy savings, as well as expenditures in other wage categories.

Comparing Mayor's Proposed Budget to Council Budget Priorities Resolution

City Council's Budget Priorities

The FY 2021 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 3, 2020, prior to any known economic impacts from COVID-19. For FY 2021, Councilmembers unanimously supported:

- Transportation Safety and Mobility

In addition, a majority of Councilmembers prioritized funding for the following:

- Addressing Vacancies
- Arts and Culture
- Clean Communities
- Climate Action Plan
- De Anza Revitalization Plan
- Fire-Rescue Facilities
- Homelessness
- Library
- Parks and Recreation Facilities
- Public Safety
- Sidewalks
- Streets

A comparison of the Council's FY 2021 Budget Priorities to the Mayor's FY 2021 Proposed Budget is provided in the form of a matrix on the following pages.

In light of recent changes to the economic landscape and the significant amount of reductions included in this Proposed Budget in order to address reduced revenues, we have assigned different categories in the matrix this year. An "A" represents an addition or increase to the priority area, an "M" indicates that it has been maintained at FY 2020 budget or service levels, and an "R" indicates a reduction. The additions reflected in the following matrix are in CleanSD programs and capital projects. Most other areas are being reduced, while a few are maintained at current levels.

Comparing Mayor's Proposal to Council's Priorities

COMPARISON OF COUNCIL FY 2021 BUDGET PRIORITIES TO MAYOR'S FY 2021 PROPOSED BUDGET (A=Added, M=Maintained, R=Reduced)		
General Fund Budget Priorities (mentioned by five or more Councilmembers)	Status in FY 2021 Budget	Notes
Addressing Vacancies		
Challenges filling positions and budgeted vacancy savings	R	Positions were reduced and vacancy savings increased.
Arts and Culture		
Increase funding or maintain at FY 2020 level	R	Funding for Arts and Culture grant programs was reduced by approximately 50% to \$5.8 million.
Clean Communities		
Clean SD and neighborhood cleanliness programs	A	4.00 FTEs and \$321,000 in expenditures were added to the Clean SD Program within the Environmental Services' General Fund Budget and an additional 2.00 FTEs and \$719,000 was added in the Refuse Disposal Fund; additions are to increase operational efficiencies of the program and vehicle purchases; no service level increases
Climate Action Plan (CAP)		
Implementation and expansion of reporting	R	One-time FY 2020 funding removed, no additional funding added.
Maintain and expand the Urban Forestry program	R	Tree trimming contracts significantly reduced for both shade and palm trees. Only funding for about 25% of regular palm tree maintenance and emergency response included.
De Anza Revitalization Plan		
Include "Wildest" option as an alternative in the EIR	M	No funding allocated for this purpose; however, the Department has indicated that they are pursuing other funding sources that may allow include this alternative in the EIR.
Fire Rescue Facilities		
Increase funding to repair and improve facilities	R	One-time funding for facilities removed, no additional funding included. Unfunded request from Facilities Services to repair elevators.
Homelessness		
Maintain or expand existing homelessness programs	R	Homelessness programs are not fully budgeted so unable to determine completely. 3.00 FTE positions added with the creation of a new department. 3.00 FTE positions reduced from San Diego Housing Commission. \$200,000 in General Funds for Wheels for Change program within CleanSD is not included.
Library		
Increase funding for materials and technology upgrades	R	One-time funding from FY 2020 removed; no additional funding included
Increase funding for programming	R	One-time funding from FY 2020 removed; no additional funding included
Maintain Library hours	R	Library hours significantly reduced; Central and Branch library hours all closed on Sunday's and Monday's; permanent closure of Mountain View/Beckwourth Library
Funding for facility improvements at City libraries	M	No funding for capital projects
Park and Recreation Facilities		
Facility improvements at parks and recreation centers	A	\$3.2 million in San Diego Regional Park Improvement Funds and \$7.9 million in Mission Bay Park Improvement funds for capital projects.
Public Safety		
Maintain or increase brush management	R	Transportation weed abatement funding reduced to only most critical Fire Marshal sites and spot spraying of medians. Parks and Recreation brush management frequency reduced from 21 months (509 acres) to 26 months (412 acres).
Add Lifeguard positions in Boating Safety Unit	M	No additional lifeguard positions.

Comparing Mayor's Proposal to Council's Priorities

COMPARISON OF COUNCIL FY 2021 BUDGET PRIORITIES TO MAYOR'S FY 2021 PROPOSED BUDGET (A=Added, M=Maintained, R=Reduced)		
General Fund Budget Priorities (mentioned by five or more Councilmembers)	Status in FY 2021 Budget	Notes
Sidewalks		
Maintenance, repair, replacement and new sidewalks	M/A	No new funding for sidewalk repair; \$2.5 million for new walkways capital projects.
Streets		
Resurfacing, slurry seal, and paving unpaved roads	M	Funding targets for slurry seal and overlay retained, assuming use of future commercial paper financing. No additional funding for unpaved roads
Transportation Safety and Mobility		
Vision Zero programs and projects	R/A	5.00 FTEs reduced for traffic installations, including new signs and striping that would improve mobility; \$8.8 million in funded capital projects.

General Fund Overview: Expenditures

Expenditures Overview

**General Fund Programmatic Reductions - \$45.7M (2.9%): \$27.4M PE, \$18.3M NPE
341.93 FTE (132.83 filled, 111.50 vacant, 97.60 hourly)**

As shown in the right column of the following table, total General Fund expenditures are decreasing by \$50.2 million, or 3.2%, from the \$1.59 billion FY 2020 Adopted Budget to the \$1.54 billion FY 2021 Proposed Budget. Non-Personnel Expenditures (NPE) changes,

which net to a \$54.2 million decrease, are shown below. Offsetting Personnel Expenditures (PE) changes net to a \$4.0 million increase and are shown on the following page. A brief discussion of some of these changes begins on the third page of this section.

GENERAL FUND EXPENDITURE CHANGES				
<i>(dollars in millions)</i>	FTE	PE	NPE	TOTAL
FY 2020 Adopted Budget	7,727.86	\$ 1,111.9	\$ 478.1	\$ 1,590.0
Budget Change Highlights				
<i>PE Increase (See Next Page for Listing)</i>	(277.87)	4.0	-	4.0
<i>Increases to Non-Discretionary Information Technology (including network, help desk, data center, wireless, general IT, SAP support)</i>	-	-	10.6	10.6
<i>Increased Funding for the Veterans' Village Bridge Shelter</i>	-	-	5.7	5.7
<i>Removal of FY 2020 One-time Infrastructure Fund Use for Right of Way Maintenance</i>	-	-	4.0	4.0
<i>Increase for Public Liability Insurance Expense</i>	-	-	3.4	3.4
<i>Removal of FY 2020 One-time Use of Excess Public Liability Reserve for Expenditure Rate Relief</i>	-	-	2.6	2.6
<i>Small Business Relief Fund</i>	-	-	2.0	2.0
<i>Increase to Citywide Elections Costs</i>	-	-	1.8	1.8
<i>Smart Street Light Program Operations and Maintenance</i>	-	-	1.4	1.4
<i>Reimbursement to E&CP for Right of Way Inspections for SDG&E Permits</i>	-	-	1.1	1.1
<i>Companion Unit Fee Waiver Program</i>	-	-	(0.8)	(0.8)
<i>Decrease in Fleet Fuel Costs</i>	-	-	(1.0)	(1.0)
<i>Removal of FY 2020 One-time Funding: Disparity Study</i>	-	-	(1.0)	(1.0)
<i>Removal of FY 2020 One-time Funding: Mobility Expenditures</i>	-	-	(1.3)	(1.3)
<i>Removal of FY 2020 One-time Funding: Community Projects, Programs, & Services (CPPS)</i>	-	-	(1.5)	(1.5)
<i>Reduction in Bridge Shelter Funding (funded by State grants)</i>	-	-	(2.1)	(2.1)
<i>Decr. Tree Trimming (\$1.9m) & Landscaping Svcs.(\$1.8m) Contracts</i>	-	-	(3.7)	(3.7)
<i>Removal of FY 2020 One-time Funding: Arts & Culture Commission</i>	-	-	(3.9)	(3.9)
<i>Removal of FY 2020 One-time Funding: Pension Payment Reserve</i>	-	-	(4.3)	(4.3)
<i>Reductions in Storm Water (including consulting and professional/technical services)</i>	-	-	(4.9)	(4.9)
<i>Removal of FY 2020 One-time Funding: Transfer to Capital Budget</i>	-	-	(5.6)	(5.6)
<i>Elimination of General Fund Reserve Contribution (budget balancing action)</i>	-	-	(11.9)	(11.9)
<i>Reduction of Deferred Capital Bond Payments (largely covered by stadium sale)</i>	-	-	(13.2)	(13.2)
<i>Elimination of Infrastructure Fund Transfer (budget balancing action)</i>	-	-	(24.1)	(24.1)
<i>FY 2020 Other One-time Removals (items less than \$1.0m)</i>	-	-	(7.9)	(7.9)
<i>Net Other Budget Changes</i>	-	-	0.5	0.5
FY 2021 Proposed Budget	7,449.99	\$ 1,115.9	\$ 423.9	\$ 1,539.8
Net Increase (Decrease): FY 2020 to FY 2021 (Total decr. is 3.2%)	(277.87)	\$ 4.0	\$ (54.2)	\$ (50.2)

Note: Table may not total due to rounding.

General Fund Overview: Expenditures

GENERAL FUND PERSONNEL EXPENDITURE (PE) CHANGES (Salaries/Wages & Fringe Benefits)				
<i>(dollars in millions)</i>	FTE	Wages	Fringe	Total PE
FY 2020 Adopted Budget	7,727.86	\$ 645.1	\$ 466.8	\$ 1,111.9
Net Departmental Changes <i>(Does Not Include Transfers Between Departments Within the General Fund)</i>				
<i>Fire-Rescue</i>	41.15	3.7	1.8	5.5
<i>Mobility</i>	2.50	0.4	0.1	0.6
<i>Homelessness Strategies</i>	3.00	0.4	0.1	0.5
<i>Storm Water</i>	1.00	0.2	0.2	0.4
<i>Ethics Commission</i>	0.75	0.1	(0.0)	0.1
<i>Office of Homeland Security</i>	(0.29)	0.1	0.0	0.1
<i>City Attorney ¹</i>	0.75	0.0	(0.0)	(0.0)
<i>Communications</i>	(1.00)	(0.1)	(0.0)	(0.1)
<i>Office of the COO</i>	(1.00)	(0.1)	(0.1)	(0.1)
<i>Environmental Services (incl. 0.85 transfer from ESD non-gen funds)</i>	0.85	(0.1)	(0.3)	(0.3)
<i>Human Resources</i>	(3.72)	(0.2)	(0.1)	(0.4)
<i>Debt Management</i>	(3.50)	(0.3)	(0.1)	(0.4)
<i>Internal Operations</i>	(1.00)	(0.2)	(0.2)	(0.4)
<i>Economic Development</i>	(5.00)	(0.3)	(0.2)	(0.4)
<i>Office of the Mayor (including 1.00 transfer to Cultural Affairs)</i>	(3.00)	(0.4)	(0.1)	(0.5)
<i>Purchasing & Contracting</i>	(5.00)	(0.3)	(0.2)	(0.5)
<i>Real Estate Assets</i>	(6.00)	(0.5)	(0.2)	(0.6)
<i>City Treasurer</i>	(9.00)	(0.5)	(0.3)	(0.7)
<i>Department of Finance</i>	(7.80)	(0.5)	(0.3)	(0.8)
<i>Transportation</i>	(12.00)	(0.5)	(0.4)	(0.9)
<i>Planning</i>	(10.00)	(0.7)	(0.3)	(1.0)
<i>Development Services (including 3.00 transfers to Dev. Svcs. Fund)</i>	(19.00)	(1.1)	(0.7)	(1.8)
<i>Police</i>	(21.00)	(1.5)	(1.3)	(2.7)
<i>READ-Facilities Services</i>	(37.00)	(2.0)	(1.5)	(3.5)
<i>Parks and Recreation</i>	(86.04)	(3.2)	(2.1)	(5.3)
<i>Library</i>	(96.51)	(4.2)	(1.3)	(5.5)
Subtotal - Net Departmental Changes	(277.87)	(11.6)	(7.4)	\$ (19.0)
<i>Other Salaries/Wages Changes (negotiated , merit increases, promotions)</i>	-	14.2	-	14.2
<i>Actuarially Determined Contribution (ADC) Increase</i>	-	-	12.8	12.8
<i>Removal of Fringe Included Above (avoids double counting in this table)</i>	-	-	7.4	7.4
<i>Workers' Compensation and Long-Term Disability Fringe Increase</i>	-	-	4.6	4.6
<i>Supplemental Pension Savings Plan (SPSP) Increase - Prop B Employees</i>	-	-	1.5	1.5
<i>Police Vacancy Factor Decrease (an increase to salaries)</i>	-	1.5	-	1.5
<i>Net Other Changes (not included elsewhere in this table)</i>	-	(0.3)	0.5	0.2
<i>Decrease in Fringe Contributions to Risk Management Administration</i>	-	-	(1.1)	(1.1)
<i>Net Vacancy Factor Increase to Other Depts. (a decrease to salaries)</i>	-	(1.8)	-	(1.8)
<i>Termination Pay and Vacation Pay in Lieu Decreases</i>	-	(1.8)	-	(1.8)
<i>Flexible Benefits Decrease</i>	-	-	(2.5)	(2.5)
<i>Fire-Rescue Vacancy Factor Increase (a decrease to salaries)</i>	-	(3.2)	-	(3.2)
<i>4% Applied Reduction for Non-Mayoral Departments</i>	-	(3.9)	-	(3.9)
<i>Net Fire-Rescue Overtime Decrease</i>	-	(4.9)	-	(4.9)
FY 2021 Proposed Budget	7,449.99	\$ 633.2	\$ 482.6	\$ 1,115.9
Net Increase/(Decrease) from FY 2020 to FY 2021 (0.4% PE increase)	(277.87)	\$ (11.8)	\$ 15.8	\$ 4.0

Note: Table may not total due to rounding.

¹ Budget neutral City Attorney adjustment (1.00 Senior Legal Intern decrease, 1.75 hourly Legal Intern increase).

General Fund Overview: Expenditures

Personnel Expenditures (PE)

As shown in the table on the preceding page, the net General Fund PE increase (salaries/wages and fringe benefits) from the FY 2020 Adopted Budget to the FY 2021 Proposed Budget is \$4.0 million. This net amount is comprised of a number of increases and offsetting decreases. The largest increases are listed below.

- The largest increase, \$14.2 million in the Wages column, is largely due to effects of labor agreements with the City's employee organizations, such as annualization of Police Officers Association (POA) general salary increases and Police Officers' holiday credit on days off, as well as annualization of special salary adjustments and add-on pays for other labor groups. The increase also includes promotions and merit increases. The IBA's review of the 2021-2025 Five Year Financial Outlook (IBA Report #19-28) includes background information on the labor agreements and estimated costs at the time of the report.
- The next largest increase in General Fund PE, \$12.8 million in the Fringe column, is the increase to the FY 2021 Actuarially Determined Contribution (ADC) pension payment, which was determined by the FY 2019 actuarial valuation. This increase is largely due to the negotiated pay increases for POA members, as well as other pay increases (negotiated or otherwise) for employees which were higher than anticipated in the FY 2018 valuation. For more on the ADC and pension information, see the Pension section under Key Citywide Issues.
- The third largest increase, of \$4.6 million, relates to increased fringe benefits payments by departments to the Workers' Compensation (WC) and Long-Term Disability (LTD) Funds. The WC increase of \$2.8 million is largely due to the use of excess WC Reserve to partially fund FY 2020

costs, as well as an estimated increase in medical costs. The \$1.8 million LTD increase is due to the use of excess LTD Reserve to fully fund FY 2020 costs. Excess LTD Reserve is anticipated to be depleted, and funding is now budgeted for departmental fringe contributions in FY 2021.

General Fund PE increases are partially offset with net departmental reductions. These net reductions total 277.87 FTE and \$19.0 million, as shown in the Net Departmental Changes section of the table on the previous page. The net reductions are primarily related to the following offsetting changes:

- Programmatic reductions of 341.93 FTE and \$27.4 million
- Additions of 71.74 FTE and \$8.6 million

Only changes that add to or subtract from the General Fund are included in the Net Departmental Changes section of the previous table. Transfers of positions between General Fund departments (which may increase or decrease a specific department's FTEs and PE) are not shown within department line items in the table, as they do not change the overall General Fund FTE level.

To see a summary of various types of changes that impact each department, including transfers between General Fund departments, refer to page four (the next page) of this section. The summary table on page four includes the following components affecting each department: reductions, additions, and transfers.

Further, to see a summary of General Fund department additions, see the table on the last page of this section.

Also refer to the department sections of this report for further details and analysis of specific FTE and PE changes.

General Fund Overview: Expenditures

GENERAL FUND FULL-TIME EQUIVALENT (FTE) CHANGES						
Department	FY 2020	Reductions ¹	Additions	Transfers ²	FY 2021	Net Change
<i>City Attorney</i>	385.98	-	0.75	-	386.73	0.75
<i>City Auditor</i>	22.00	-	-	-	22.00	-
<i>City Clerk</i>	47.32	-	-	-	47.32	-
<i>City Treasurer</i>	128.00	(9.00)	-	-	119.00	(9.00)
<i>Communications</i>	33.00	(1.00)	-	-	32.00	(1.00)
<i>Council Administration</i>	19.37	-	-	-	19.37	-
<i>City Council Districts 1-9</i>	90.00	-	-	-	90.00	-
<i>Debt Management</i>	20.00	(3.50)	-	-	16.50	(3.50)
<i>Department of Finance</i>	113.27	(7.80)	-	1.00	106.47	(6.80)
<i>Development Services</i>	72.00	(16.00)	-	(3.00)	53.00	(19.00)
<i>Economic Development</i>	61.00	(5.00)	-	(3.00)	53.00	(8.00)
<i>Environmental Services</i>	172.68	(8.00)	8.00	0.85	173.53	0.85
<i>Ethics Commission</i>	5.50	-	0.75	-	6.25	0.75
<i>Fire-Rescue</i>	1,307.52	(5.85)	47.00	1.00	1,349.67	42.15
<i>General Services</i>	-	-	-	1.50	1.50	1.50
<i>Government Affairs</i>	7.00	-	-	-	7.00	-
<i>Homelessness Strategies</i>	-	-	3.00	6.00	9.00	9.00
<i>Human Resources</i>	33.72	(3.72)	-	-	30.00	(3.72)
<i>Internal Operations</i>	1.50	(1.00)	-	(0.50)	-	(1.50)
<i>Library</i>	444.22	(96.51)	-	-	347.71	(96.51)
<i>Mobility</i>	-	-	2.50	14.00	16.50	16.50
<i>Neighborhood Services</i>	11.00	-	-	(9.50)	1.50	(9.50)
<i>Office of Boards & Commissions</i>	5.00	(1.00)	1.00	2.00	7.00	2.00
<i>Office of Homeland Security</i>	20.27	(0.29)	-	(1.00)	18.98	(1.29)
<i>Office of the Assistant COO</i>	3.00	-	-	(1.00)	2.00	(1.00)
<i>Office of the CFO</i>	2.00	-	-	-	2.00	-
<i>Office of the COO</i>	5.00	(1.00)	-	-	4.00	(1.00)
<i>Office of the IBA</i>	10.00	-	-	-	10.00	-
<i>Office of the Mayor</i>	24.00	(2.00)	-	(2.00)	20.00	(4.00)
<i>Parks and Recreation</i>	924.97	(88.79)	2.74	-	838.92	(86.05)
<i>Performance & Analytics</i>	15.00	-	-	-	15.00	-
<i>Personnel</i>	69.99	-	-	-	69.99	-
<i>Planning</i>	65.75	(10.00)	-	(8.00)	47.75	(18.00)
<i>Police</i>	2,655.14	(23.00)	2.00	-	2,634.14	(21.00)
<i>Public Works & Utilities</i>	2.00	-	-	(0.50)	1.50	(0.50)
<i>Purchasing & Contracting</i>	52.96	(5.00)	-	(1.00)	46.96	(6.00)
<i>READ-Facilities Services</i>	211.50	(40.00)	3.00	-	174.50	(37.00)
<i>Real Estate Assets</i>	32.00	(6.00)	-	-	26.00	(6.00)
<i>Smart & Sustainable</i>	10.50	-	-	-	10.50	-
<i>Storm Water</i>	-	-	1.00	212.25	213.25	213.25
<i>Sustainability</i>	4.00	-	-	-	4.00	-
<i>Transportation</i>	639.70	(12.00)	-	(212.25)	415.45	(224.25)
General Fund Totals	7,727.86	(346.46)	71.74	(3.15)	7,449.99	(277.87)

Note: Table may not total due to rounding.

¹ Department reductions shown in this table total 346.46 FTE as compared to the 341.93 department reductions presented in the FY 2021 Proposed Budget. Additional reductions in this table include hourly FTEs in the following departments: 3.52 FTE in Fire-Rescue, 0.72 FTE in Human Resources, and 0.29 FTE in the Office of Homeland Security.

² The 3.15 FTE decrease in the transfers column is the net transfer from the General Fund to non general funds. Other transfers in the column are among various General Fund departments.

General Fund Overview: Expenditures

The right-most column of the previous table shows the net 277.87 FTE reductions in the General Fund from the FY 2020 Adopted Budget to the FY 2021 Proposed Budget. The table summarizes the following year-over-year components, by department:

- 346.46 FTE reductions (Note that this figure is slightly higher than the 341.93 FTE departmental reductions presented in the FY 2021 Proposed Budget, Attachment II. The additional reductions in this table include hourly FTEs in the following departments: 3.52 FTE in Fire-Rescue, 0.72 FTE in Human Resources, and 0.29 FTE in the Office of Homeland Security.)
- 71.74 FTE additions
- 3.15 FTE net transfers from the General Fund to non-general funds (Other transfers in the column are among various General Fund departments and net to zero.)

As stated previously, a summary of General Fund department additions is provided in the table on the last page of this section. Also refer to the department sections of this report for further details and analysis of specific FTE and PE changes.

In addition to the net FTE reductions just discussed, there are a few other significant changes to PE (salaries/wages and fringe benefits), which are shown in the lower part of the table on page 2 of this section. A few of those changes are highlighted in the following

paragraphs.

Salaries and Wages

The table at the bottom of this page displays the various components of the PE salaries and wages category.

Overall General Fund salaries and wages are decreasing by a net \$11.8 million from the FY 2020 Adopted Budget. This net decrease is comprised of a number of offsetting decreases and increases to various expenditures, as outlined below.

The largest *decreases* include:

- \$17.3 million for the salaries/wages component of the 341.93 FTE programmatic reductions that were previously discussed
- \$3.9 million for the 4% applied reduction to non-Mayoral departments, the largest of which is \$2.4 million for the City Attorney’s Office
- \$4.9 million net Fire-Rescue overtime decrease – see the Fire-Rescue section under Department Reviews)
- \$3.5 million net vacancy savings increase (which decreases salaries), largely a combination of the following offsetting components:
 - \$3.2 million additional vacancy savings for Fire-Rescue (a salaries decrease)

General Fund Salaries and Wages					
Description	FY 2019 Adopted Budget	FY 2020 Adopted Budget	FY 2021 Proposed Budget	Budget Change	Percent Change
Standard Hour Wages	\$ 500.5	\$ 548.8	\$ 544.3	\$ (4.5)	(0.8%)
Hourly Wages	13.5	14.2	11.9	(2.3)	(16.4%)
Vacancy Factor	(33.2)	(38.0)	(41.2)	(3.2)	8.3%
Add on Pays	32.3	38.4	43.8	5.5	14.3%
Overtime	66.6	72.9	67.4	(5.5)	(7.5%)
Vacation Pay in Lieu	6.9	6.6	5.2	(1.4)	(21.6%)
Termination Pay	2.4	2.2	1.8	(0.4)	(18.7%)
Total Salaries and Wages	\$ 589.1	\$ 645.1	\$ 633.2	\$ (11.8)	(1.8%)

General Fund Overview: Expenditures

- \$1.5 million reduced vacancy savings for Police (a salaries increase)
- \$1.8 million additional vacancy saving for other departments (a salaries decrease) – This includes a \$319,000 City Attorney salary reduction that is not included in the Proposed Budget presentation of vacancy factor.
- \$1.8 million for decreased estimates for termination pay and vacation pay-in-lieu expenditures
- \$2.5 million for other add-on pays
- \$5.8 million for the salaries/wages component of the 71.74 FTE additions previously discussed and listed on the last page of this section

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.

Overall fringe benefits are increasing by \$15.8 million in the FY 2021 Proposed Budget. This net increase is comprised of a number of offsetting increases and decreases to various expenditures, as outlined below.

The largest offsetting ***increases*** include:

- \$14.2 million previously mentioned as largely related to labor agreements, merit increases, and promotions, including:
 - \$4.9 million related to POA-member salary increases and \$3.0 million for the holiday credit on days off (add on pay)
 - \$3.7 million related to salary increases for non-POA employees

The largest ***increases*** include:

General Fund Fringe Benefits					
Description	FY 2019 Adopted Budget	FY 2020 Adopted Budget	FY 2021 Proposed Budget	Budget Change	Percent Change
Fixed					
Retirement ADC	\$ 238.9	\$ 264.8	\$ 277.6	\$ 12.8	4.8%
Retiree Health/Other Post-Employment Benefits	41.7	42.3	42.8	0.5	1.2%
Workers' Compensation	19.7	26.5	29.3	2.8	10.6%
Risk Management Administration	7.2	8.3	7.2	(1.1)	(13.5%)
Long-Term Disability	-	-	1.8	1.8	100.0%
Unemployment Insurance	0.8	0.8	0.8	0.0	1.4%
Subtotal Fixed	308.3	342.7	359.5	16.8	4.9%
Variable					
Flexible Benefits	94.1	84.7	82.2	(2.5)	(2.9%)
Supplemental Pension Savings Plan - Prop B	10.9	13.6	15.1	1.5	11.3%
Medicare	7.1	8.1	9.0	0.9	10.9%
Supplemental Pension Savings Plan - Other	8.7	8.7	8.1	(0.5)	(6.1%)
Employee Offset Savings	6.0	6.2	6.0	(0.3)	(4.7%)
Retirement DROP	1.9	1.7	1.6	(0.1)	(7.9%)
Retiree Medical Trust	0.9	0.9	0.9	0.0	3.7%
Retirement 401 Plan	0.2	0.2	0.2	(0.0)	(7.3%)
Subtotal Variable	129.7	124.1	123.1	(1.0)	(0.8%)
Total Fringe Benefits	\$ 438.0	\$ 466.8	\$ 482.6	\$ 15.8	3.4%

General Fund Overview: Expenditures

- \$12.8 million for the ADC, as mentioned previously
- \$2.8 million for fringe benefits payments by departments to WC Fund – see the WC section under Reserves for additional information
- \$1.8 million for fringe benefits payments by departments to the LTD Fund – see the LTD section under Reserves for additional information
- \$1.5 million for Supplemental Pension Savings Plan (SPSP-H) increases for post-Proposition B employees and \$882,000 for Medicare costs – largely related to Firefighters’ overtime costs, combined with increasing membership in the interim defined contribution retirement plan (for employees hired after implementation of the June 2012 Proposition B)

The largest offsetting *decreases* include:

- \$2.5 million in flexible benefits decreases, which is largely related to net decreases in General Fund positions
- \$1.1 million for fringe benefits payments by departments to support the Risk Management (RM) Administration Fund – See the RM Department section for additional information on this Fund.

Non-Personnel Expenditures (NPE)

Significant NPE changes are included in the table on the first page of this section, as well as the table at the bottom of this page. NPEs are decreasing by \$54.2 million in the FY 2021 Proposed Budget. This *net decrease* includes a number of large offsetting increases and decreases, and a few are highlighted below.

The bulk of the *decreases* are in the transfers out category and include elimination of contributions to the Infrastructure Fund (\$24.1 million in FY 2020), the General Fund Reserve (\$11.9 million in FY 2020), the Pension Reserve (\$4.3 million in FY 2020), and the Commission for the Arts (\$3.9 million in FY 2020). There is also a \$13.2 million decrease in deferred capital bond payments, as a large part of the bond payments are anticipated to be covered by proceeds from the stadium sale.

The largest *increase* is \$10.6 million in non-discretionary information technology (IT) costs. These costs include voice/data network, help desk, data center, wireless, general IT services, and SAP support. The cost increases are largely due to increased vendor costs – see the IT Department section of this report for additional information. Increases in discretionary departmental IT costs partially offset this increase.

General Fund Non-Personnel Expenditures (NPE)					
Description	FY 2019 Adopted Budget	FY 2020 Adopted Budget	FY 2021 Proposed Budget	Budget Change	Percent Change
Supplies	\$ 30.2	\$ 27.3	\$ 29.8	\$ 2.5	9.2%
Contracts	240.7	246.9	244.8	(2.1)	(0.8%)
Information Technology	32.0	39.1	47.5	8.5	21.7%
Energy and Utilities	49.3	51.5	51.2	(0.4)	(0.7%)
Other	5.2	5.3	4.9	(0.4)	(8.0%)
Transfers Out	63.1	86.1	23.2	(62.9)	(73.0%)
Capital Expenditures	2.1	1.7	1.5	(0.2)	(12.8%)
Debt	9.6	20.1	20.9	0.8	4.1%
Total NPE	\$ 432.1	\$ 478.1	\$ 423.9	\$ (54.2)	(11.3%)

General Fund Overview: Expenditures

GENERAL FUND FULL-TIME EQUIVALENT (FTE) ADDITIONS				
Department	FTE	Salaries & Wages	Fringe Benefits	Total PE
Fire-Rescue				
<i>Staffing Model & Relief Pool</i>	37.00	2,992,989	1,553,788	4,546,777
<i>North University Fire Station</i>	9.00	719,271	375,920	1,095,191
<i>CAD Program Manager</i>	1.00	109,117	33,335	142,452
Subtotal Fire-Rescue	47.00	3,821,377	1,963,043	5,784,420
Mobility				
<i>Executive Director</i>	1.00	215,325	45,715	261,040
<i>Program Manager</i>	0.50	90,650	20,874	111,524
<i>Program Coordinator</i>	0.50	82,091	19,957	102,048
<i>Senior Management Analyst</i>	0.50	59,150	16,851	76,001
Subtotal Mobility	2.50	447,216	103,397	550,613
Environmental Services				
<i>Code Compliance Officers</i>	6.00	238,368	147,406	385,774
<i>Code Compliance Supervisor</i>	1.00	45,760	24,819	70,579
<i>Environmental Health Inspector 2</i>	1.00	58,760	26,051	84,811
Subtotal Environmental Services	8.00	342,888	198,276	541,164
Homelessness Strategies				
<i>Program Managers</i>	2.00	280,000	73,870	353,870
<i>Program Coordinator</i>	1.00	100,589	32,442	133,031
Subtotal Homeless Strategies	3.00	380,589	106,312	486,901
Parks and Recreation				
<i>Bay Terraces Senior Center Staffing</i>	1.66	58,565	32,492	91,057
<i>Grounds Maintenance Worker 2 for Harriet Tubman Charter Joint Use Park</i>	0.50	16,942	20,961	37,903
<i>Annualization of 0.50 Grounds Maintenance Worker 2 for North Park Mini Park</i>	0.33	11,294	14,120	25,414
<i>Grounds Maint. Worker 2 for 14th Street Promenade</i>	0.25	8,471	10,480	18,951
Subtotal Parks and Recreation	2.74	95,272	78,053	173,325
Other Departments				
<i>Police: Criminalist 2s for Sexual Assault Evidence Testing</i>	2.00	213,075	63,442	276,517
<i>Storm Water: Department Director</i>	1.00	192,067	190,215	382,282
<i>READ-Facilities Services: PUD Facilities Maintenance Support</i>	3.00	141,232	77,886	219,118
<i>Office of Boards & Commissions: Associate Management Analyst</i>	1.00	57,699	25,955	83,654
<i>Ethics Commission ¹</i>	0.75	91,826	(33,030)	58,796
<i>City Attorney ²</i>	0.75	17,009	(18,728)	(1,719)
General Fund Totals	71.74	5,800,250	2,754,821	8,555,071

Note: Table may not total due to rounding.

¹ Additions for the Ethics Commission include 0.50 FTE for the annualization of 1.00 Program Manager that was included in the FY 2020 May Revision and approved as part of the FY 2020 Adopted Budget. A further 0.25 FTE is for costs to overlap the outgoing Executive Director with the successor Executive Director for three months.

² The City Attorney FTE increase is a budget neutral adjustment (1.00 decrease for Senior Legal Intern, 1.75 increase for hourly Legal Intern).

General Fund Overview: Revenue

Revenue Overview

SUMMARY OF GENERAL FUND REVENUES (\$ in millions)					
	FY 2020 ADOPTED	FY 2020 MID-YEAR PROJECTED YEAR-END	FY 2021 PROPOSED	CHANGE, ADOPTED/ PROPOSED	CHANGE, MID-YEAR/ PROPOSED
Major General Fund Revenues	\$ 1,116.7	\$ 1,120.8	\$ 1,103.0	\$ (13.7)	\$ (17.8)
<i>Property Tax</i>	601.9	607.4	629.6	27.7	22.2
<i>Sales Tax</i>	297.9	300.2	282.2	(15.7)	(18.0)
<i>Transient Occupancy Tax</i>	136.9	133.6	123.0	(13.9)	(10.6)
<i>Franchise Fees</i>	80.0	79.6	68.2	(11.8)	(11.4)
<i>Departmental Revenue</i>	432.6	441.0	436.8	4.2	(4.2)
Total Revenue	\$ 1,549.3	\$ 1,561.8	\$ 1,539.8	\$ (9.5)	\$ (22.0)

The FY 2021 Proposed Budget for the General Fund includes approximately \$1.5 billion in revenues, a decrease of \$9.5 million or 0.6% below the FY 2020 Adopted Budget. The four largest General Fund revenues – property tax, sales tax, transient occupancy tax (TOT), and franchise fees – total \$1.1 billion, or 71.6% of all General Fund revenues. In FY 2021, major General Fund revenues are proposed to decrease by \$13.7 million.

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.

Economic Outlook

A comparison of the FY 2021 Proposed Budget with the revenues forecasted just this past November during the Mayor’s FY 2021-2025 Five-Year Financial Outlook illustrates the major impact of the current COVID-19 crisis on the City’s revenue sources. All major revenue projections have been lowered in response to the effect that the crisis is having on the local, national, and global economy.

In recent presentations, the Department of Finance has indicated that the current crisis results in a cumulative loss of \$250 million in revenue, with the primary losses coming from sales and TOT revenues. This includes \$109 million in FY 2020 losses, and \$141 million

in various major revenue losses in FY 2021.

This is a dramatic shift from prior years when major revenues were growing faster than most projections. Consumer confidence was rising, and unemployment was at a new low as recently as December 2019. However, that all changed with the imposition of stay-at-home orders in March and the complete shutdown of the tourism economy. All major conventions at the Convention Center have been cancelled through at least July, including the major medical conventions that drive hotel occupancy numbers higher than otherwise, as well as Comic-Con, which is also a major boon to the tourism economy. As presented in more detail under our discussion of TOT revenues, hotel occupancy has plummeted, and there are no expected revenues for the entire month of April and almost no revenue anticipated in May. With revised projections anticipated in the May Revision, this level of zero hotel dollars is likely to extend into June and July.

The current crisis has impacted more than just the tourism economy. Unemployment has hit record highs since the middle of March. As of April 23, more than 26 million individuals have filed for unemployment nationwide, and the unemployment rate for San Diego county is currently predicted to be higher than 20%, as entire sectors of the economy are shut down, from dine-in restaurants and bars to

General Fund Overview: Revenue

GENERAL FUND REVENUES COMPARED TO FIVE-YEAR OUTLOOK (\$ in millions)				
	FY 2021 OUTLOOK FORECAST	FY 2021 PROPOSED	CHANGE, OUTLOOK/ PROPOSED	% CHANGE
Major General Fund Revenues	\$ 1,171.0	\$ 1,103.0	\$ (68.0)	-5.8%
<i>Property Tax</i>	636.1	629.6	(6.5)	-1.0%
<i>Sales Tax</i>	311.1	282.2	(28.9)	-9.3%
<i>Transient Occupancy Tax</i>	141.8	123.0	(18.8)	-13.3%
<i>Franchise Fees</i>	82.0	68.2	(13.8)	-16.8%

sporting events, concerts, and other businesses that rely on large groups of individuals to gather in one place. This surge in unemployment, as well as the general stay-at-home orders, has also led to decreased spending in most sectors of the economy. Housing sales have slowed, car sales have slowed, and most dramatically, sales of gasoline have plummeted to new lows as the number of miles travelled by individuals hit rock bottom. At one point, the going price for a barrel of oil even went negative.

All of these factors will have an effect on the revenues that the City collects, as described in more detail concerning each revenue below. Additionally, the Department of Finance indicated, at the City Council hearing of April 21, 2020, that updated factors could lead to an additional \$50 million in losses compared to the FY 2021 Proposed Budget from TOT, sales, and other departmental revenues as projections are updated in anticipation for the May Revision. The Mayor and Department of Finance have indicated that additional reductions to what is already included in the Proposed Budget will likely be necessary. Both the Department of Finance and our Office will continue to monitor revenues over the next few weeks to ensure that projections remain as accurate as possible given what we know in this constantly evolving environment.

Property Tax

The FY 2021 Proposed Budget for property tax is \$629.6 million. This represents an increase of \$27.7 million from the FY 2020 Adopted Budget. There is no anticipated

decrease in FY 2020 from the impact of COVID-19 as property tax lags behind other revenues when it comes to recessionary impacts.

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.

The FY 2021 Proposed Budget assumes a 4.25% growth in the 1% property tax and in-lieu of motor vehicle license fees payment, which make up 94%, or \$592.8 million, of the total property tax revenue. The projection, however, assumes a lower growth rate than what was assumed in the Five-Year Financial Outlook, which assumed a 5.00% growth rate. This reduction of the growth rate is due to the expected slowdown of home sales from the COVID-19 crisis and a potential recession. The overall revenue projection is also lower than previous forecasts due to an assumption that collection rates will be lower during the crisis. The 4.25% growth rate is higher than the County's current projection of 4.00%, which is appropriate for the City since historically property values, and thus property tax receipts, have historically grown faster within the City than within the whole County.

The remaining component of the property tax budget is the residual distributions from the RPTTF which total \$36.8 million. This projection is slightly higher than the Five-Year Financial Outlook due to slightly higher residual payments following the formal adoption of the most recent Recognized Obligation Payments Schedule (ROPS). This latest ROPS

General Fund Overview: Revenue

has already been approved by the State Department of Finance, and thus there are no expected large changes for RPTTF receipts for the remainder of this fiscal year. Our Office believes that the overall property tax projections are appropriate for FY 2021.

Sales Tax

The FY 2021 Proposed Budget for sales tax is \$282.2 million. This is a 5.3% decline from the \$297.9 million budgeted in FY 2020 and an \$18.0 million or 6.0% decline from the FY 2020 Mid-Year projection. More significantly, the Proposed Budget amount represents a drop of \$28.9 million from the \$311.1 million forecasted in the Five-Year Financial Outlook in November.

Sales tax revenue is highly sensitive to economic conditions, including job growth, consumer spending, and business investment. With shops closed and high unemployment resulting from COVID-19 physical distancing and stay-at-home orders, sales tax is taking a large hit. The State of California Employment Development Department (EDD) issued a report on April 17, 2020 stating that the unemployment rate for the San Diego-Carlsbad Metropolitan Statistical Area had risen to 4.1% in March with over 10,000 jobs lost. Professional and business services were the hardest hit with construction following close behind. Just two days after the EDD report on March statistics, CBS8 reported that the San Diego Workforce Partnership was reporting an increase to a 4.7% unemployment rate in San Diego. These are sharp increases from the all-time low unemployment rate of 2.7% that we were experiencing in December 2019.

The Department of Finance indicates in the Proposed Budget that the average growth rate applied to FY 2021 is -13.53%. This is a large swing from the positive 3.4% growth that was forecasted in the Five-Year Financial Outlook. For this Proposed Budget, vastly different growth rates were applied to various

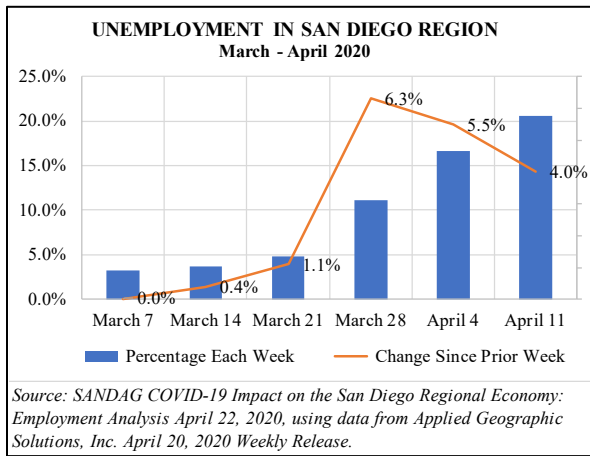
sectors of the market, ranging from -70% for brick-and-mortar apparel stores to a positive 10% growth for drug stores. The impacts by sector estimated by the Department of Finance are similar to those forecasted by SANDAG in their April 8, 2020 report on COVID-19 impacts to retail sales and TransNet revenues. The Department of Finance projection assumes the last quarter of FY 2020 will be hit the hardest with recovery beginning to occur in the first quarter of FY 2021. The first quarter of FY 2021 has a blended growth rate of -23% with the remainder of the year budgeted at -4% growth. However, with the continuation of stay-at-home orders, continuing rise in unemployment, and cancellation of large summer events, the Department of Finance has indicated that the revenue projections will be revised further downward in the May Revision.

More recently, on April 22, 2020, SANDAG issued a report analyzing COVID-19 impacts on employment in the San Diego region. They estimate that 24% of the regions job are high-contact-intensity and the most directly impacted, with 49% of jobs in medium-contact-intensity sectors. High job losses are noted in transportation services (airlines and taxi drivers), food and beverage services (restaurants and catering), and personal care services (childcare and hairdressers) that require close proximity to customers. Using data from the San Diego Workforce Partnership as of April 16, 2020, SANDAG analyzed the geographic areas most impacted by layoffs, noting Downtown, Mission Valley and Pacific Beach as the three areas largest hit due to high concentrations of hospitality, restaurant and retail establishments.

SANDAG also reports that approximately 300,000 new unemployment claims had been filed since the COVID-19 began and Applied Geographic Solutions reported an estimated 20.6% unemployment in the San Diego region as of April 11, 2020. The following chart shows the unemployment rate for each week since March 7. Overlaid on top is the

General Fund Overview: Revenue

percentage change each week. We see a sharp increase the week of March 28 and the rate of increase is declining in subsequent weeks.



Now that things are shifting to looking at ways to re-open businesses, rather than continuing to expand restrictions, we may see some improvements in the next month or so, but with so many unknowns, it is difficult to predict or rely on an optimistic picture. Another interesting thing to watch will be the shift of sales from brick-and-mortar to online during the stay-at-home order, which may temper some of the predicted sales tax shortfall due to storefront closures.

Transient Occupancy Tax

The General Fund transient occupancy tax (TOT) budget proposed for FY 2021 is \$123.0 million. This is a reduction of \$13.9 million, or 10.2% from the FY 2020 Adopted Budget. The General Fund portion of TOT 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 2021 is \$233.7 million, with the balance budgeted in Special Promotional Programs.

TOT is arguably the revenue source most visibly impacted by the COVID-19 stay-at-home orders. Airports and hotels are practically empty. Large events, such as conventions and concerts which draw tourists to San Diego, have been cancelled. At the time of the Five-

Year Financial Outlook (November 2019), TOT revenue was projected at \$141.8 million for FY 2021 based on a 3.0% growth in FY 2020 and 3.8% growth rate in FY 2021 from an increase in the average daily room rate and supply of available rooms. The FY 2020 Mid-Year Budget Monitoring Report (January 2020) revised current year projections downward slightly from 3.0% growth to 2.0% growth for the remainder of FY 2020. This represented a drop of \$3.3 million in FY 2020 due to lower actual TOT receipts and data on tourism trends. This was anticipated to create an approximately \$10.0 million reduction in the TOT projection for FY 2021, from the \$141.8 million projected in the Five-Year Financial Outlook to roughly \$131.8 million.

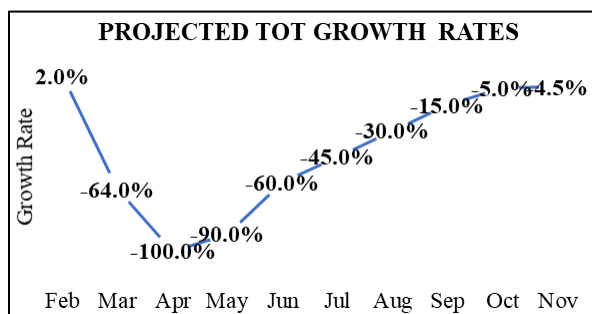
FY 2021 TOT PROJECTIONS (in millions)		
FY 2020 Adopted	\$ 136.9	
Timeline	Projection	Change
Five-Year Outlook (Nov)	\$ 141.8	\$ 4.9
Mid-Year (Jan)	\$ 131.8	\$ (5.1)
Proposed Budget (April)	\$ 123.0	\$ (13.9)

Then COVID-19 came and with it, stay-at-home orders, resulting in a steep decline in tourism and TOT revenue. The Department of Finance recalculated TOT projections multiple times in late March and early April before landing on the \$123.0 million in the Proposed Budget. This was based on the impacts of COVID-19 known at the time and reflect a drop in annual revenue of \$13.9 million from the FY 2020 Adopted Budget with an average annual growth rate of -10.91% for FY 2021.

The TOT projection for FY 2021 was calculated using specific growth rates for each month of the fiscal year. The assumption was a significant hit to revenue for the month of March 2020 (-64%) with no TOT revenue projected for April 2020 (-100%) then slow recovery in May (-90%) and June (-60%). Then beginning FY 2021 with some continued recovery in July (-45%), August (-30%), September (-15%) then evening off at -5.0% to -4.5% for most of the remainder of the fiscal

General Fund Overview: Revenue

year. The graph below shows the sharp decline in March and April and slow recovery anticipated through November.



However, since the preparation of the Proposed Budget, additional conventions have cancelled, most notably Comic-Con and ESRI which were both scheduled for July. The Department of Finance indicated during their budget presentation to City Council on April 21, 2020, that they will be revising the revenue projection for the May Revision. It is likely that projections for May, June and July will be revised downward to reflect little to no revenue for those months. As stay-at-home orders continue with no clear idea of when travel may resume, we may need to revisit this projection again throughout the budget process and even into the beginning of next fiscal year. Further, the timing or speed at which tourism recovers is an educated guess based on past recessions; however, this is a different situation. We do not have a history of the economic impacts from a health pandemic upon which to base assumptions, and people's willingness to travel when restrictions are lifted is yet to be seen. San Diego also receives a large portion of visitors from overseas and we may see local travel rebound sooner than foreign visitors. But with a potential resurgence of COVID-19 possible in the fall or winter, even large events already scheduled for that time of year may see a reduction in participation as people and businesses are reluctant to make plans and financial investments in travel-related activities that could be cancelled.

Franchise Fees

The FY 2021 Proposed Budget projects General fund major franchise fees to total \$68.2 million. This is a decrease of \$11.8 million, or 14.8% from the Adopted Budget.

Franchise fee revenue is derived primarily from three sources: 1) a 3% SDG&E surcharge on total gross sales; 2) charges to private refuse haulers based on tonnage of refuse disposed; and 3) a 5% surcharge on cable television provider subscriptions in the City. 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 \$47.3 million or 60.5% of major General Fund franchise fees included in the FY 2021 Proposed Budget. This amount is \$9.8 million lower than what is contained in the FY 2020 Adopted Budget based on two factors.

The first factor contributing to lower franchise fee revenues from SDG&E is that the most recent quarterly payment from SDG&E came in \$2.9 million lower than expected, representing a calendar year decline of 1.3%. The projected growth was 3.2%.

This is not unusual for this franchise fee since historically SDG&E franchise fees have been hard to predict. This is due to both substantial volatility in the energy market, and because SDG&E, as a publicly traded company, does not share its financial forecasts for electricity and natural gas rates or sale volume with the City. Previous variations in SDG&E franchise fee revenue have gone from a 6.9% annual decline in receipts in FY 2017, up to a 7.1% increase the following year in FY 2018.

In addition to this most recent calendar year decline, the second factor contributing to the declining projection is that the Department of

General Fund Overview: Revenue

Finance is projecting that the next year of SDG&E franchise fee revenue will decline by an additional 9.47%. This decline is based on a historical analysis of the prior recession in 2008, when consumption of electricity and gas decreased anywhere from 1% to 12%. This percentage assumes that the current COVID-19 crisis will lead to consumption decreases towards the high end of that spectrum.

However, recent data from the California Independent Service Operator (CAISO), which controls energy prices and distribution within the State, indicates that consumption declines as a result of this crisis have been far less than 9.47% so far. Overall weekday electricity consumption has averaged a reduction of 4.5%, with peak hour reductions of 7%. Weekend consumption reductions range between 0.5% and 3%.

Again, historically there has been high volatility when it comes to year over year changes with SDG&E franchise fees. Our Office will continue to monitor energy consumption trends in order to further analyze the appropriate level of projected decline for this revenue source.

Refuse Hauling

The second largest portion of the franchise fee revenue is derived from refuse hauler and landfill disposal fees. The Proposed Budget includes \$13.5 million, or 19.8% of major General Fund franchise fees, from this source. This is the same amount as included in the FY 2020 Adopted Budget.

Refuse hauling franchise fees are based on the tonnage of refuse disposed. Currently, due to the COVID-19 stay-at-home orders, residential tonnage is increasing, while commercial tonnage is declining. What is not known, however, is the degree to which these changes are offsetting one another. This switch will have to be monitored closely over the next few months.

Cable

The third largest portion of franchise fee revenue is from cable television franchise fees, which total \$13.0 million or 19.1% of major General Fund franchise fees in the Proposed Budget. This amount assumes a 9.4% decline in cable franchise fee revenue from current FY 2020 projections.

Cable television franchise fee revenue has shown consistent year-over-year declines since FY 2011 (with one small exception in FY 2015). The decline in the Proposed Budget continues this trend, albeit on a steeper projection than historical averages due to the predicted impacts of the coming recession and COVID-19.

Departmental Revenues

Departmental revenues include all revenues that are generated by either work that departments do for other funds, or revenue sources that departments generate directly. This ranges from fines and ticketing violations, recreation fees, and certain permitting expenses, to reimbursements from other City funds, most notably CIP and TOT funds. This category also includes citywide revenues that are not included in the major revenue categories, such as the overhead billed to non-General Fund departments for support they receive from the General Fund, as well as other items such as interest earned on General Fund reserves and deposits, and the Cannabis Business Tax.

Departmental revenues combined are projected to increase by \$4.2 million in the FY 2021 Proposed Budget, up to \$436.8 million. This represents approximately 28.4% of all General Fund revenues.

Many department revenue sources are also anticipated to be impacted by the current COVID-19 crisis. However, as more fully described in the various departmental reviews, not all of these revenue sources have been

General Fund Overview: Revenue

updated to include COVID-19 related projections. Some substantial revenue sources that will potentially be reduced in the May Revise due to updated projections include:

- Gas Tax, including Road Maintenance and Rehabilitation Act funds
- TransNet
- Performance-based rents and leases
- Additional TOT losses that result in decreased General Fund support from the Special Promotional Programs budget
- User fees associated with City services and facilities that are currently closed
- Parking citations

Our Office will continue to monitor for any necessary changes for these revenue sources. More information on these revenues can be found in the appropriate Department Review section.

Reserves: General Fund Reserve

General Fund Reserve

General Fund Reserve Funding Schedule			
Target Date	Emergency Reserve Target Percent	Stability Reserve Target Percent	Total Reserve Target Percent
June 30, 2019	8%	7.25%	15.25%
June 30, 2020	8%	7.5%	15.5%
June 30, 2021	8%	7.75%	15.75%
June 30, 2022	8%	8%	16%
June 30, 2023	8%	8.25%	16.25%
June 30, 2024	8%	8.5%	16.5%
June 30, 2025	8%	8.7%	16.7%

Overview: General Fund Reserve Policy and Reserve Targets

The City Reserve Policy¹ goal for the General Fund Reserve is to reach 16.7% of operating revenues, which is to be phased-in through FY 2025. To accomplish this phase-in, over the past several years, the Policy's Reserve target percentage has been increasing by 0.25% annually. For FY 2020, which ends June 30, 2020, the City's General Fund Reserve target increased from 15.25% to 15.5% of operating revenues, as shown in the right-most column of the following table.

The General Fund Reserve has two components: the Emergency Reserve, which is 8% of operating revenues, and the Stability Reserve, for which the ultimate Policy goal is to reach 8.7%.² The table below shows the reserve components and scheduled timeframe for reaching the 16.7% total Reserve goal.

The amount of each year's Reserve target is based on the audited General Fund operating

revenues for the prior three fiscal years. It is the product of the three-year revenue average and the City Reserve Policy's target percentage for the applicable year.

In the table on the following page, the bottom four rows show the applicable three-year average revenues, as well as Reserve target percentages, target amounts, and target increases for FY 2019 through FY 2021. Again, the FY 2020 target percentage is 15.5% of operating revenues, which equates to a \$205.6 million Reserve target amount. In accordance with the Reserve Policy's phase-in plan, the FY 2021 Reserve target increases to 15.75%, and is currently estimated to be \$213.4 million.

However, as a result of declining revenue projections due to the recent COVID-19 pandemic, instead of building the Reserve balance, the FY 2021 Proposed Budget utilizes some of the General Fund Reserve to maintain its operations. The following sections briefly discuss measures to address the

¹ The City Reserve Policy is delineated in Council Policy 100-20.

² Per the City Reserve Policy, the "Emergency Reserve will be maintained for the purpose of sustaining General Fund operations in the case of a public emergency

such as a natural disaster or other unforeseen catastrophic event", and the "Stability Reserve will be maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures."

Reserves: General Fund Reserve

General Fund Reserve Target Calculation			
<i>(\$ in millions)</i>	FY 2019	FY 2020	FY 2021
FY 2020 - Projected Revenues			\$ 1,348.6
FY 2019 - Audited Revenues		\$ 1,406.8	\$ 1,406.8
FY 2018 - Audited Revenues	\$ 1,309.4	\$ 1,309.4	\$ 1,309.4
FY 2017 - Audited Revenues	\$ 1,264.2	\$ 1,264.2	
FY 2016 - Audited Revenues	\$ 1,218.5		
3-Year Average Revenues	\$ 1,264.1	\$ 1,326.8	\$ 1,354.9
Reserve Target Percent	15.25%	15.5%	15.75%
Reserve Target Amount	\$ 192.8	\$ 205.6	\$ 213.4
Increase from Prior Year			
Reserve Target	n/a	\$ 12.8	\$ 7.7

Note: Table may not total due to rounding.

projected revenue declines and how the Reserve will be impacted.

Effects of Recent Economic Downturn on General Fund Revenue

The City's Department of Finance has been continuously monitoring the recent economic downturn related to the COVID-19 pandemic. The most recent FY 2020 revenue projections (discussed in the Revenue section under General Fund Overview), show a \$109.2 million decline from the projections in the FY 2020 Mid-Year Budget Monitoring Report. This revenue decline is anticipated to be covered with the resources included in the following table.

Effects on Excess Equity and General Fund Reserve

The mid-year estimate for excess equity was \$27.9 million after projected activity, as shown in the Mid-Year Projection column of table on the next page. Excess equity, as defined in the City Reserve Policy, "is Unassigned Fund Balance that is not otherwise designated as General Fund Reserves and is available for appropriation." It is the surplus fund balance after projected activity for the current year, and satisfaction of the current year's Reserve target. However, based on revenue declines currently projected for FY 2020, there is no longer excess equity at year-end. Rather, there is a projected General Fund Reserve deficit of \$66.8 million.

Balancing the Projected FY 2020 Revenue Shortfall (\$ in millions)	
<i>FY 2020 Projected General Fund Revenue Shortfall</i>	\$ 109.2
<i>FY 2020 Sources for Balancing</i>	
Mid-Year Projection for Excess Equity	27.9
Use of CIP with no Activity for Funding	10.0
FY 2020 Expenditure Reductions ¹	4.5
Foregoing the FY 2020 Contribution to the General Fund Reserve ²	12.8
Use of Additional General Fund Reserve ²	54.0
<i>Total FY 2020 Sources for Balancing</i>	\$ 109.2

Note: Table may not total due to rounding.

¹ The \$4.5 million reduction in expenditures between the mid-year and current projections includes \$3.0 million in non-personnel expenditures and \$1.5 million resulting from a hiring freeze.

² Combining the balancing sources of 1) foregoing the \$12.8 million FY 2020 Reserve contribution and 2) the additional \$54.0 million from the General Fund Reserve yields a total of \$66.8 million from the General Fund Reserve. Note that Reserve contribution amounts are maintained in/added to the Reserve and are not actual expenditures.

Reserves: General Fund Reserve

FY 2020 General Fund Projection Comparison (\$ in millions)			
	Mid-Year Projection	Current Projection	Difference
Audited Beginning Fund Balance at June 30, 2019	\$ 256.5	\$ 256.5	\$ -
Less: 15.5% Reserve Target for FY 2020	(205.6)	(205.6)	-
Fund Balance Before FY 2020 Projected Activity	50.9	50.9	-
<i>FY 2020 Projected Activity (Use of Fund Balance)</i>			
Projected Revenue	1,561.8	1,452.7	(109.2)
Use of CIP with no Activity as a Funding Source	-	10.0	10.0
Projected Expenditures	(1,584.9)	(1,580.4)	4.5
Projected Use of Fund Balance - Excess Equity/General Fund Reserve ¹	(23.0)	(117.7)	(94.7)
FY 2020 Projected Year-End Excess Equity/(Reserve Deficit)	\$ 27.9	\$ (66.8)	\$ (94.7)

Note: Table may not total due to rounding.

¹ The FY 2020 "Mid-Year Projection" column includes \$23.0 million projected use of FY 2019 excess equity. The components of the \$117.7 million use of fund balance in the "Current Projection" column include the \$23.0 million in FY 2019 excess equity; use of \$27.9 million in projected FY 2020 excess equity; forgoing the \$12.8 million FY 2020 Reserve contribution; and another \$54.0 million of General Fund Reserve.

Impacts to the General Fund Reserve Balance

The following table shows projected General Fund Reserve deficits for both FY 2020 and FY 2021, by comparing the projected ending Reserve balances to the Reserve targets for both years. The City projects an ending Reserve balance of \$138.8 million for FY 2020 (or 10.46% of operating revenues), as compared to the \$205.6 million (15.5%) reserve target. Since the FY 2021 Proposed Budget does not include a General Fund Reserve contribution (or use of the Reserve), the FY 2021 ending Reserve is anticipated to remain at \$138.8 million (or 10.24% of operating revenues), as compared to an estimated \$213.4 million (15.75%) Reserve target.

Projected General Fund Reserve Activity (\$ in millions)				
	FY 2020		FY 2021	
	Amount	% of Operating Revenues	Amount	% of Operating Revenues
Beginning Fund Balance ¹	\$ 256.5		\$ 138.8	
Less: Use of Fund Balance - Excess Equity/Reserve	(117.7)		-	
Ending Reserve Balance	138.8	10.46%	138.8	10.24%
<i>Reserve Target</i>	<i>205.6</i>	<i>15.5%</i>	<i>213.4</i>	<i>15.75%</i>
Year-End Reserve Deficit	\$ (66.8)	(5.04%)	\$ (74.6)	(5.51%)

Note: Table may not total due to rounding.

¹ The beginning Fund Balance is the audited amount for FY 2020 and estimated amount for FY 2021.

Reserves: Public Liability

Public Liability Funds

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

PL Operating Fund

The PL Operating Fund's expenses, claims payouts, and insurance for FY 2020 are anticipated to be covered by the following estimated resources, totaling \$44.2 million:

- \$25.4 million in budgeted FY 2020 transfers from the General Fund
- \$14.2 million in beginning cash balance
- \$2.6 million of excess PL Reserve transferred to the operating fund
- \$1.8 million insurance reimbursement for prior year claims expenditures
- \$190,000 in other revenue

The Risk Management Department is currently working on PL operating projections for FY 2020 year-end. There is potential for expenditures to come in less than the anticipated resources, in which case there could be available funds to help balance the FY 2021 General Fund budget. This information is anticipated to be available in the May Revise.

As it stands, the FY 2021 Proposed Budget includes transfers to the PL Operating Fund totaling \$31.4 million – up \$6.0 million from the

\$25.4 million in the FY 2020 Adopted Budget. This increase includes \$3.4 million for higher insurance premiums, which is based on premium estimates that incorporate loss development trends in the insurance market. The increase also includes \$2.6 million related to the use of excess PL Reserve to cover a portion of operating expenses in FY 2020 (via a transfer to the PL Operating Fund).

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 average of actuarial liabilities (FY 2017 through FY 2019).

This 50% Reserve policy goal equates to a \$33.8 million target for FY 2020. Previously, as of the FY 2020 Adopted Budget, the Reserve target was estimated to be \$32.1 million. However, it was increased by \$1.7 million in the fall of 2019 after receipt of the FY 2019 PL actuarial valuation. Because of the increase to the Reserve target, \$1.7 million needs to be transferred from the General Fund to the PL Reserve during FY 2020. Anticipated FY 2020 activity in the PL Reserve is shown in the following table.

Public Liability (PL) Reserve (\$ in millions)	
<i>FY 2020 Beginning PL Reserve Balance</i>	<i>\$ 34.7</i>
FY 2020 Budgeted Transfer to the PL Operating Fund	(2.6)
Increase Needed to Reach the Revised PL Reserve Target	1.7
<i>FY 2020 Ending PL Reserve Target</i>	<i>\$ 33.8</i>

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

Total WC Fund operational costs are estimated to be \$33.7 million in FY 2021, which corresponds to the \$33.7 million included in the FY 2021 Proposed Budget for citywide fringe payments to the WC Fund. The WC budget has increased \$2.4 million from \$31.3 million in the FY 2020 Adopted Budget.

Approximately \$980,000 of this increase relates to operational expenditures and is largely due to estimated increases in medical costs. The remainder of the increase of \$1.4 million is related to budgeted use of excess WC Reserve to partially cover operational costs in FY 2020.

General Fund Budget

The General Fund portion of the WC fringe expenditures budget is increasing by \$2.8 million, from \$26.5 million to \$29.3 million. This General Fund portion is 86.8% of the citywide WC fringe budget for FY 2021 – up from 84.6% in FY 2020. The \$2.8 million General Fund increase is higher than the \$2.4 million overall citywide increase in WC fringe benefits expenditures.

The increasing allocation to the General Fund is largely due to negotiated pay increases for members of the Police Officers Association in FY 2019 and FY 2020, which shifts some of

the WC fringe costs to the General Fund.

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 2017 through FY 2019). This 12% Reserve policy goal equates to \$32.0 million for FY 2020 and is estimated to be \$32.6 million for FY 2021.

History of Reserve Funding Goal and Depletion of Excess WC Reserve

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 provided budget relief through FY 2020. The excess Reserve is now depleted.

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. Subsequently, \$5.0 million was utilized in FY 2019.

With FY 2020 estimated use of \$1.5 million of excess Reserve, the FY 2020 ending excess Reserve is estimated to be negligible. Additionally, the FY 2021 Proposed Budget does not include funding to increase the WC Reserve to its estimated \$32.6 million target for FY 2021. Therefore, for FY 2021, the WC Reserve is estimated to be below target by about \$440,000.

Reserves: Long-Term Disability Fund

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.

Citywide Budget

The FY 2021 Proposed Budget for citywide fringe payments to the LTD Fund is \$2.7 million, to be used for estimated LTD operating costs. LTD Fund operating costs for the FY 2020 budget were also estimated to be \$2.7 million. However, there was no FY 2020 citywide budget for LTD fringe benefits expenditures, because excess LTD Reserve was used to cover operating costs.

General Fund Budget

The General Fund portion of the LTD fringe expenditures budget is increasing from \$0 to \$1.8 million, again because excess LTD Reserve was used to cover FY 2020 operating costs. The General Fund portion is 68.8% of the citywide LTD fringe budget for FY 2021.

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 2017 through FY 2019). This 100% Reserve policy goal equates to \$3.8 million for FY 2020.

Depletion of Excess LTD Reserve

The LTD Reserve balance at the beginning of FY 2020 was \$13.1 million, \$9.3 million

higher than the Reserve target. As stated previously, the FY 2020 Adopted Budget included utilization of \$2.7 million of excess Reserve for estimated LTD costs, as well the transfer of \$6.5 million back to contributing funds for budget relief. With those reductions, it is estimated that the Reserve will be left with about \$3.8 million, equal to its Reserve target.

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. A five-year plan to replenish the FY 2018 use of the PPSR was presented in the 2019-2023 Five-Year Outlook.

The objective of this plan was 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 and FY 2020 Budget amounts for the PPSR were \$3.6 million and \$4.3 million – for a total of \$7.9 million. With FY 2021 being the third year of the replenishment plan, the anticipation was that the FY 2021 PPSR would hold 60% of the estimated funding requirement for FY 2023 (the fifth and final phase-in year).

FY 2021 Budget Considerations

As has been discussed in our report, over the past couple months, the City’s financial situation has significantly changed. As a result of declining revenue projections due to the recent COVID-19 pandemic, the Mayor plans to utilize \$54.0 million of the General Fund Reserve to maintain operations during FY 2020. Mitigating actions have also been included in the FY 2021 budget, as outlined earlier in our report. As follows, there is further risk to City operations in FY 2021 resulting from the \$12.8 million General Fund ADC increase in FY 2021. Since the reason for having PPSR funds available is to mitigate service delivery risk caused by ADC increases, the Proposed Budget also includes the use of the \$7.9 million PPSR.

Because the City is depleting the PPSR, it will also forgo the FY 2021 \$4.3 million phase-in contribution. The combination of \$7.9 million currently held in the PPSR and elimination of the \$4.3 million PPSR contribution totals \$12.2 million in one-time General Fund resources to balance the FY 2021 Proposed Budget.

Key Citywide Issues: Capital Improvements Program

Capital Improvements Program

The Capital Improvements Program (CIP) is a compilation of over 1,400 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 1,400 projects are grouped together into annual allocations which are smaller projects that provide ongoing repair and replacements to certain asset types, such as streets and traffic signals. 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 New Projects

The following is a list of new projects proposed to be included for FY 2021:

- Otay 2nd pipeline phase 5
- Water SCADA Upgrade Phase 1
- S. Mission Valley Trunk Sewer Phase 2
- Carroll Canyon Road Planning Study
- 5th Avenue Promenade

We note that the \$1.5 million included for 5th Avenue Promenade is seed money and will likely need more funding to continue.

Impacts of Mayor's FY 2021 Budget Proposal

Proposed Budget Adds Half as Much as Last Year Due to Pure Water

The FY 2021 Proposed Budget adds \$358.9 million to 63 projects. This represents a decrease of \$351.9 million in funds added to the CIP from the FY 2020 Adopted Budget, or a 49.5% reduction. Table 1 provides a summary of year-over-year changes by department.

As discussed in the Proposed Budget, the CIP budget, even after adoption, will need to be revised as COVID-19 impacts to the program's funding sources become known.

As indicated in the table below, the largest reduction is to the Public Utilities Department. The Pure Water Project is the most significant driver of the Public Utilities Department's net budget change as well as the CIP as a whole. The FY 2020 Adopted Budget added a total of \$386.8 million for the project and no additional funding is proposed in FY 2021. The

Table 1: Changes from FY 2020 to FY 2021 Proposed Budget by Department			
<i>(\$ in millions)</i>			
Asset-Owning Department	FY 2020 Adopted Budget	FY 2021 Proposed Budget	Change
Citywide	1.5	9.5	8.0
Environmental Services	3.6	0.0	(3.6)
Library	0.8	0.0	(0.8)
Parks & Recreation	19.5	12.5	(7.0)
Public Utilities	644.3	281.5	(362.7)
Real Estate Assets - Facilities Services	3.1	0.9	(2.2)
Transportation & Storm Water	38.1	54.5	16.4
Total	\$ 710.8	\$ 358.9	\$ (351.9)

Key Citywide Issues: Capital Improvements Program

Pure Water project has been on hold due to litigation, and any activity in FY 2021 will draw upon carryover fund balances.

Significant Fund Balances May Allow Spending Levels to Continue

Though the amount proposed to be added to the CIP is cut in half as compared to FY 2020, there is significant funding within the CIP to continue implementing projects. Therefore, spending could remain in line with recent years. As referenced in the Proposed Budget, there is about \$1.9 billion in funds appropriated for projects from prior fiscal years that the program continues to spend down.

Although construction is continuing during COVID-19, the economic impacts of the pandemic on the construction industry are unknown and could have an impact on project delivery and associated spending levels.

Actions Were Taken to Mitigate Budget Shortfall That Impacted the CIP

In his Proposed Budget, among other actions, the Mayor uses the Infrastructure Fund and Capital Outlay funds to mitigate the General Fund operating budget. The Mayor is requesting to suspend the requirements of a Charter section that transfers \$29.4 million in General Funds into the Infrastructure Fund to support General Fund infrastructure, such as sidewalks, parks, and streetlights. Instead, these funds are proposed to go to other General Fund purposes. Waiving this requirement will take two-thirds vote of Council. Similarly, the budget uses \$16.9 million in Capital Outlay Funds to pay for capital financing costs, that could otherwise be used for General Fund infrastructure.

Proposed Investment in General Fund Infrastructure is More Than FY 2020

Despite the actions to mitigate the budget shortfall, proposed funding of \$65.8 million

Table 2: FY 2021 Proposed Budget for General Fund Infrastructure (\$ in millions)		
Project	FY 21 Proposed Budget	Fund Source
Street Resurfacing and Reconstruction / AID00005	28.4	Gas Tax / TransNet Funds / Trenchcut Excavation Fees
Coastal Rail Trail / S00951	4.5	TransNet Funds
New Walkways / AIK00001	2.5	
Market Street-47th to Euclid-Complete Street / S16061	2.0	
Traffic Signals Modification / AIL00005	1.5	
Drainage Projects / ACA00001	1.0	
Traffic Signals - Citywide / AIL00004	1.0	
University Avenue Complete Street Phase1 / S18001	0.6	
Median Installation / AIG00001	0.5	
Traffic Calming / AIL00001	0.5	
Bridge Rehabilitation / AIE00001	0.2	
Installation of City Owned Street Lights / AIH00001	0.2	
Utilities Undergrounding Program / AID00001	10.0	Utilities Undergrounding Program Fund
Mission Bay Improvements / AGF00004	7.9	Mission Bay Park Improvement Fund
City Facilities Improvements / ABT00001	0.3	Junior Lifeguard Program Fund
5th Avenue Promenade / P21001	1.5	Parking Meter District - Downtown
Improvements to San Diego Regional Parks	3.2	San Diego Regional Parks Improvement Fund
Total	\$65.8	
Vision Zero Projects Total (shaded blue)	\$8.8	

Key Citywide Issues: Capital Improvements Program

for General Fund infrastructure exceeds what was allocated in the FY 2020 Adopted Budget, \$58.2 million. However, this is substantially lower than the \$296.6 million in priority General Fund capital needs identified for FY 2021 in the Five-Year Capital Infrastructure Planning Outlook (Capital Outlook). Priority capital needs address life, safety, and legal mandates, and could potentially impact the core operation of a critical facility. They can also be Mayoral or Council priorities.

Table 2 on the previous page summarizes the proposed allocations. However, given that Gas Tax funds and TransNet are being impacted by COVID-19, they will have to be revised to align with projected loss in revenue. **Specifically, TransNet capital funding will be reduced by \$3.4 million in the May Revision.** Funds supported by concessions and rents like Mission Bay Park Improvement Fund and San Diego Regional Parks Improvement Fund could also see a negative impact.

Some Council Priorities are Addressed

The proposed General Fund infrastructure investments address some Councilmembers' budget priorities that were expressed prior to the onset of COVID-19. The following reflects funded priorities:

- \$26.4 million for street overlay and reconstruction;
- \$11.1 million for park improvements through San Diego Regional Park Improvement Funds and Mission Bay Park Improvement Funds; and
- \$8.8 million related to Vision Zero projects.

In addition to \$26.4 million for street repaving, there is planned use of future commercial paper financing and prior year appropriations, to get to the total funding need of \$67.8 million to maintain streets in good condition. We note that funding for streets has become more expensive. According to staff, the cost per mile of street overlay has increased from

\$400,000 to \$600,000 per mile, and from \$1 million to \$6 million for reconstruction.

The following Council priorities are not funded in the Proposed Budget:

- Maintenance of City facilities, including Fire-Rescue, and Library;
- Sidewalk repair and replacement; and
- Bicycle facilities.

Though the bicycle facilities annual allocation is not funded in the capital budget, \$200,000 is in the operating budget. In addition, through the course of implementing the City's Street Maintenance Program, Utilities Undergrounding Program, and water and sewer pipeline replacement projects, smaller bicycle facilities projects are implemented wherever possible, also through the operating budget. Finally, there is a significant investment in the Coastal Rail Trail project which provides a segment of a regional 40-mile bicycle corridor.

The Proposed Budget Identifies \$281 Million in Anticipated Funding

The Proposed Budget discusses \$281.0 million in funding anticipated to be added to the CIP throughout FY 2021. Of this, \$100 million is related to additional budget authority for commercial paper financing. The Proposed Budget allocates the \$100 million to the projects listed in Table 3. Because these allocations were determined before COVID-19, it did not include the \$10.0 million in General Funds that is planned to be taken from projects

Table 3: Anticipated Commercial Paper Budgeted for FY 2021 <i>(\$ in millions)</i>	
Street Resurfacing and Reconstruction / AID00005	39.4
Drainage Projects / ACA00001	32.9
Kearny Mesa Facility Improvements / S20009	13.8
Watershed CIP / ACC00001	4.9
Modernization of Civic Center Plaza elevators within ABT00001	4.6
Police Range Refurbishment Phase II / S18005	3.3
Governmental Funded IT Projects / ATT00001	1.2
Total	\$100.0

Key Citywide Issues: Capital Improvements Program

to mitigate the FY 2020 budget shortfall and paid back with commercial paper financing. It is unclear how this will impact the final proposed allocations for Council approval.

To date, \$39.5 million has been spent of the \$87.9 million commercial paper financing authorized in 2018, leaving \$48.4 million to be spent. The exact timing for the next commercial paper budget authorization has not been determined.

Issues for Council Consideration

Impact on Capital Projects During the Economic Downturn

The short-term impacts of COVID-19 on the City's operating budget resulted in the planned transfer of \$10.0 million from existing CIP projects to mitigate the FY 2020 shortfall. Due to the multi-year nature of the CIP budget, there are carryover funds to continue with existing projects that mitigate other short-term impacts to the program. However, revenue coming into the CIP from at least some sources will be reduced, such as TransNet and Gas Tax, and potentially others. As those impacts become more defined, the CIP budget will be revised.

Continuing forward, staff plans to analyze all projects within the CIP and staff may need to prioritize projects that address public safety, are further along in project delivery, and do not create long-term fiscal impacts, such as bringing new facilities online requiring substantial operating costs.

We note that another significant challenge facing the CIP that exacerbates the economic downturn is the City's aging infrastructure. This is evident in the 10 storm water emergency projects the City had in FY 2019, requiring funds to be taken from storm water and other projects to fund the emergencies, and identifying funds to pay back lending projects. Those emergency projects are also paid at a premium cost. The more the City can

replace assets proactively, the further limited funding will go towards projects.

Proposed Budget Lacks Information Required by CIP Transparency Policy

Council Policy 000-31 "Capital Improvement Program Transparency," among other things, specifies a list of summary sheets required to be provided with the Proposed Budget to facilitate transparency and easily accessible CIP information. Due to the sudden impacts of COVID-19, the entire City's Proposed Budget is reduced, and most of these summary sheets have been omitted.

Notably, the Proposed Budget does not include a listing of planned construction contracts for FY 2021 as the normal publication includes. The list was included within the Council policy when it was adopted in 2012 in exchange for an increase in the Mayor's authority to award construction contracts up to \$30 million, as long as the Council had approved the project and its budget. The list keeps Council apprised of contracts under \$30 million expected to go forward.

Another summary sheet that could be useful to Council in its consideration of the CIP budget is the Unfunded Needs list. This list summarizes existing projects that lack sufficient funding to be completed.

Council may wish to request the planned construction contract list and Unfunded Needs list to be aware of the construction contracts expected to be awarded in FY 2021 and to keep track of existing unfunded needs.

In an effort assist Council with its review of the CIP Proposed Budget, Table 4 on the next page summarizes the proposed allocations for capital projects.

Key Citywide Issues: Capital Improvements Program

Table 4: FY 2021 CIP Proposed Budget			
Water Projects	Funding	Fund Source	
30th Street Pipeline Replacement / S12010	\$1,250,000	Water Fund	
Cielo & Woodman Pump Station / S12012	\$1,200,000		
El Monte Pipeline No 2 / S10008	\$2,000,000		
Enterprise Funded IT Projects / ATT00002	\$441,281		
La Jolla Scenic Drive 16inch Main / S12009	\$500,000		
La Jolla View Reservoir / S15027	\$2,837,500		
Large Diameter Water Transmission PPL / AKA00003	\$6,558,557		
Montezuma/Mid-City Pipeline Phase II / S11026	\$21,000,000		
Morena Pipeline / S16027	\$15,364,419		
Otay 1st/2nd PPL West of Highland Avenue / S12016	\$14,627,449		
Otay 2nd Pipeline Phase 4 / S20001	\$5,000,000		
Otay 2nd Pipeline St Replacement Ph 5 / S21000	\$100,000		
Pacific Beach Pipeline South (W) / S12015	\$500,000		
Pressure Reduction Facility Upgrades / AKA00002	\$1,200,000		
Standpipe and Reservoir Rehabilitations / ABL00001	\$1,861,000		
University Heights Reservoir Rehabilitation / S20002	\$5,400,000		
Water Department Security Upgrades / S00050	\$1,000,000		
Water Main Replacements / AKB00003	\$71,644,734		
Water Pump Station Restoration / ABJ00001	\$800,000		
Water SCADA Upgrade Phase I / S21001	\$100,000		
Sewer Projects			
EMTS Boat Dock Esplanade / S00319	\$2,012,316	Sewer Funds	
Enterprise Funded IT Projects / ATT00002	\$7,208,500		
MBC Dewatering Centrifuges Replacement / S00339	\$300,000		
MBC Equipment Upgrades / S17013	\$1,961,315		
Metro Treatment Plants / ABO00001	\$3,200,000		
NCWRP Improvements to 30 mgd / S17012	\$755,291		
PS2 Power Reliability & Surge Protection / S00312	\$12,955,568		
Alvarado Trunk Sewer Phase IV / S15019	\$24,660,000		
Enterprise Funded IT Projects / ATT00002	\$802,750		
Harbor Drive Trunk Sewer / S18006	\$4,000,000		
Kearny Mesa Trunk Sewer / S20000	\$2,000,000		
Metropolitan Waste Water Department Trunk Sewers / AJB00001	\$6,000,000		
Pipeline Rehabilitation / AJA00002	\$9,944,307		
Pump Station Restorations / ABP00001	\$2,800,000		
Sewer Main Replacements / AJA00001	\$55,904,294		
South Mission Valley Trunk Sewer Ph II / S21002	\$100,000		
Tecolote Canyon Trunk Sewer Improvement / S15020	\$2,000,000		
Transportation Projects			
Bridge Rehabilitation / AIE00001	\$200,000	TransNet	
Coastal Rail Trail / S00951	\$4,500,000		
Drainage Projects / ACA00001	\$1,000,000		
Installation of City Owned Street Lights / AIH00001	\$200,000		
Market Street-47th to Euclid-Complete Street / S16061	\$2,000,000		
Median Installation / AIG00001	\$500,000		
New Walkways / AIK00001	\$2,500,000		
Street Resurfacing and Reconstruction / AID00005	\$7,498,904		
Traffic Calming / AIL00001	\$500,000		
Traffic Signals - Citywide / AIL00004	\$1,000,000		
Traffic Signals Modification / AIL00005	\$1,500,000		
University Avenue Complete Street Phase I / S18001	\$625,000		
Street Resurfacing and Reconstruction / AID00005	\$18,929,301		Gas Tax Funds
Utilities Undergrounding Program / AID00001	\$10,000,000		Underground Surcharge CIP Fund
Street Resurfacing and Reconstruction / AID00005	\$2,000,000		Trench Cut Fees/Excavation Fee
5th Avenue Promenade / P21001	\$1,500,000	Parking Meter District - Downtown	
Parks			
City Facilities Improvements / ABT00001	\$625,000	San Diego Regional Parks Improvement Fund	
Coastal Erosion and Access / AGF00006	\$850,000		
EB Scripps Pk Comfort Station Replacement / S15035	\$200,000		
Regional Park Improvements / AGF00005	\$1,075,000		
Resource-Based Open Space Parks / AGE00001	\$450,000		
Mission Bay Improvements / AGF00004	\$7,900,000	Mission Bay Park Improvement Fund	
Other Projects			
City Facilities Improvements / ABT00001	\$250,000	Junior Lifeguard Program Fund	
Accela Implementation Phase 2 / T19003	\$1,073,165	Development Services-CIP	
Mission Bay Golf Course / S01090	\$2,063,816	Mission Bay Golf Course CIP Fund	
Total	\$358,929,467		

Key Citywide Issues: CARES Act Funding

CARES Act Funding

Coronavirus Aid, Relief, and Economic Security Act (CARES) was signed into federal law on March 27, 2020. It is a \$2.2 trillion relief package that, among many things, creates several additional funding sources available for local government use. The table below summarizes currently known funding that is available to the City.

Coronavirus Relief Fund

The largest funding source available is the Coronavirus Relief Fund. The fund allows local governments with over 500,000 people to receive a direct payment from the United States Department of Treasury.

Federal CARES Act Relief Funding <i>(\$ in millions)</i>		
Program	Amount	General Eligible Activities
Coronavirus Relief Fund	248.0	Coronavirus-related expenses, may not backfill loss of revenue
FEMA Public Assistance	<i>75% Cost Recovery</i>	Overtime, equipment or supplies for activities such as: Emergency Operation Center costs, training, disinfection of eligible public facilities, movement of supplies and persons. City has been approved to submit for reimbursement. <i>*City is also seeking 18.75% cost recovery through CA Disaster Assistance Act</i>
Community Development Block Grant ¹	7.2	- Capital improvement for testing or treatment - Assistance to Business - New or Increased Public Services like job training for health care workers and testing
Emergency Solutions Grants Program ¹	3.6	Homeless assistance grant. Examples include: build more emergency shelters, operate emergency shelters, provide hotel/motel vouchers, provide services, prevent homelessness
Byrne-Justice Assistance Grant Program Coronavirus Emergency Supplemental	<i>Application submitted for \$1.2 million</i>	Law enforcement grant. Examples include: overtime, equipment, hiring, supplies, training, travel expenses
Airports	0.2	Montgomery Field and Brown Field operating costs
FEMA - Assistance to Firefighter Grants COVID-19 Supplemental Program	<i>Competitive Grant Process</i>	Personal protective equipment and related supplies
Total	\$259.0	

¹ Additional future funds may become available.

² The City will also receive \$682,662 for the Housing Opportunities for Persons With AIDS (HOPWA) Program which is administered by the County.

Key Citywide Issues: CARES Act Funding

The City received a payment of \$248 million on April 22 which must only be spent on eligible activities. Council was asked to provide input on spending these funds in a memorandum from the Department of Government Affairs dated April 23.

The legislation allows funds to be used for costs related to COVID-19 between March 1, 2020 and December 30, 2020. Costs also must not have been planned for in the FY 2020 budget and may not backfill revenue losses. Examples of eligible expenses include mitigating the effects of COVID-19 on the homeless population and improving telework capabilities to comply with health precautions.

Staff continues to gather comprehensive information on the City's COVID-19 related costs. They are also working to better understand federal eligibility guidance for the use of CARES Act relief funding. Once an estimate of eligible City costs incurred to date has been determined, we expect it will be considered in developing the Third Quarter Budget Monitoring Report. We further anticipate there will be eligible COVID-19 related costs that will be incurred in FY 2021, that can reasonably be considered in developing the May Revision and the final budget FY 2021 budget.

Process for Accessing and Spending CARES Act Relief Funding

Reacting to a worsening City revenue assessment and in an effort to address a growing budget deficit in FY 2021, the Director of the Department of Finance issued a memorandum on April 22, 2020 requesting further budget reduction proposals from all General Fund, and some non-General Fund, departments. In response, Council President Georgette Gomez issued a memorandum to the Mayor on April 24, 2020 urging him to maximize the processing of all CARES eligible/reimbursable City expenses in order to minimize further budget reductions.

The Council President expressed concern about the impact of increased budget reductions to both City services and valuable City employee positions. She stated that her budget priorities centered around investing in our most vulnerable communities by providing and enhancing key City services and prioritizing much needed infrastructure projects. Finally, she requested that the Independent Budget Analyst be involved in all conversations related to the spending of CARES Act funding to ensure the City Council receives the most comprehensive information and analysis of potential reimbursement as it relates to development of the City's FY 2021 Budget.

The IBA stands ready to be involved and be of assistance wherever possible. We recognize the importance of aggressively maximizing CARES Act reimbursement and support using the resulting proceeds to retain valuable City employees and minimize reductions in public services.

Key Citywide Issues: Climate Action Plan

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 2019 CAP Annual Report. Among other things, this Appendix provides GHG measurements for calendar year 2018.

The Appendix indicates GHG emissions in the City in 2018 represent a 24% decrease from the City's 2010 baseline. The 2018 measurement was 9.8 MT CO₂e (metric tons of carbon dioxide equivalent), which is 3.0% lower than the revised 2017 estimate.

San Diego's GHG Emission Measurements & Targets				
	2010	2018	2020	2035
Communitywide greenhouse gas emission (MT CO ₂ e)	13.0	9.8	11.0	6.5
*MT CO ₂ e - Million metric tones of carbon dioxide equivalent, a standard unit of measurement for greenhouse gas emissions.				
Baseline/2018 measurements from 2019 Annual Report Appendix				

The 2019 CAP Annual Report indicates the 24% 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 streetlights, 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.

Strategy 5: Climate Resiliency

Goal: Increase urban tree canopy coverage.

Key Citywide Issues: Climate Action Plan

CAP in the FY 2021 Proposed Budget

As of the publication of this report, additional CAP funding included in FY 2021 is not yet available. The FY 2021 Proposed Budget went through significant revisions leading up to its release in response to the COVID-19 crisis, which the Sustainability Department is currently working on in order to determine if any additional funds are CAP related. However, it can be assumed that there is little additional funding for CAP initiatives as most of the funding that was added last year was either not continued or reduced due to cashflow needs. For example, the Pure Water program, which made up the bulk of CAP related spending increases in FY 2020, is projecting to spend significantly less in FY 2021.

Additionally, one-time funding for CAP issues, including the Climate Adaptation and Resiliency Plan as well as additional CAP support, totaling \$400,000, was not continued in the FY 2021 Proposed Budget. While this funding was characterized as one-time in the Adopted Budget, similar items were included as significant Critical Strategic Expenditures (CSEs) in the Mayor's Five-Year Financial Outlook. The CSEs included funding for additional support for the City's Climate Adaptation and Resiliency plan, as well as additional support for further CAP Implementation, which included reporting system upgrades, additional reports, and an update to the CAP itself. These additions totaled \$0.8 million in expenditures and included 2.00 FTEs.

Looking Forward

One significant change in the FY 2021 Proposed Budget is the addition of the new Mobility Department. This department was created to emphasize the integration of mobility initiatives into Transportation and other projects. This department, which is mainly made up of transfers from Planning, Economic Development, and the Office of ADA Compliance, could potentially help the City employ more mobility solutions than it has previously achieved, which should help with the further

implementation of CAP goals, especially Goal 3.

However, one initiative that has still not come to fruition is the development and publication of a five-year CAP Expenditure Outlook. 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. Staff indicates that they are continuing to work on the product and will publish it as soon as it is ready.

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.

In September 2019, the cities of San Diego, Chula Vista, Imperial Beach, La Mesa, and Encinitas formed a new Joint Powers Authority (JPA), which is called San Diego Community Power. The JPA has held monthly

Key Citywide Issues: Climate Action Plan

meetings since that time and is currently seeking authorization from the California Public Utilities Commission to begin serving customers in phases beginning in March 2021, with all customers migrating to the new CCA by November 2021.

A copy of the City's CAP and the 2019 CAP Annual Report can be found on the Sustainability page of the City's webpage using the following link:

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

Facilities Updates

The Office of the IBA continues to monitor the status of select facility improvements which have had significant delays or funding shortfalls. Following are brief status updates on the 101 Ash Street Building, Kearny Mesa Repair Facility and Civic Center Plaza.

101 Ash Street Building

We continue to monitor this project, especially since City staff were moved out of the 101 Ash Street building in mid-January due to asbestos concerns. Various consultants have been hired to assist, including Hugo Parker, LLP and Shefa Enterprises, Inc. In our IBA Review of the FY 2020 Mid-Year Budget Monitoring Report (IBA Report 20-05, issued May 5, 2020), we provided an estimated cost of \$1.7 million from moving staff out of the building, paying rents at other locations through June 2020, and hiring consultants to evaluate what occurred and advise on next steps.

Since that time, our Office has received regular updates from the Mayor's Executive Team regarding the status of this building and actions taken. At this time, staff are reviewing a draft report from Shefa Enterprises, Inc. to inform the next steps in addressing asbestos concerns. In addition, they intend to conduct condition assessments of the building to see if there is other work that should be performed before staff move back in. At this time, the plan, timeline and cost estimate for getting the building operational are pending, as the assessments will all inform the development of a plan. We note that the FY 2021 Proposed Budget does not include any funding for construction, additional tenant improvements or remediation, nor does it set aside funding for moving costs. Once a plan is developing, funding will need to be identified and brought forward for Council approval.

Kearny Mesa Repair Facility (Othello Avenue Fire Fleet Repair Facility)

The FY 2020 Capital Improvements Budget included \$1.0 million of funding for the design of converting the site at Othello Avenue into a maintenance and repair facility for heavy-duty fire apparatus. There had been significant delays in getting to this point, from the time the City entered into the lease in April 2017, due to changing cost estimates, resulting in insufficient funding and the need to re-evaluate the preliminary design plans for the site. In the meantime, this location has served as a space to house staff displaced from other office spaces and a storage warehouse.

As we discussed in our review of the FY 2021-2025 Five-Year Capital Infrastructure Planning Outlook, the latest cost estimate is now \$14.8 million and this project requires approximately \$13.8 million in additional funding to proceed into construction and complete the project. The FY 2021 Proposed Budget reflects \$13.8 million of "anticipated" funding needed in FY 2021. The Fleet Operations Department and Department of Finance informed us that they plan to allocate funding to this project when the next round of General Fund commercial paper debt financing is approved by City Council. *(Note: This project is not eligible for debt financing because the City is leasing the property. Debt financing will be proposed to replace budget in other projects, thereby freeing up eligible funding for this project.)*

Civic Center Plaza

When the City entered into a lease-to-own agreement for Civic Center Plaza (CCP) in January 2015, \$15 million of capital costs were expected in order to maximize space

Key Citywide Issues: Facilities Updates

efficiencies to accommodate 245 additional City employees, implement ADA improvements and Title 24 requirements, and allow for remediation of asbestos. Condition assessments at that time estimated up to \$6.4 million in additional capital improvements would be required during the first five years of operations.

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 the City Operations Building (COB) would be vacant and available as swing space during renovations at CCP. Last year, the Real Estate Assets Department informed us that they were re-evaluating the approach to implementing improvements at CCP while City staff still occupied the space because of health and safety concerns that during renovations at the Executive Complex building. They were also going to re-evaluate the cost effectiveness of reconfiguring CCP to make room for additional staff versus leasing additional space elsewhere.

Large scale improvements to CCP are still on hold, as is the possibility of reconfiguration to accommodate additional staff. However, the Real Estate Assets Department anticipates moving forward with a capital improvements project to retrofit the elevators in CCP when the next round of General Fund commercial paper is brought forward to City Council.

Key Citywide Issues: Pension

Pension

This pension section includes the following topics:

- Overview of the defined benefit (DB) pension
- Causes of the FY 2020 to FY 2021 increase to the DB Actuarially Determined Contribution (ADC)
- 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 2021 Proposed Budget includes \$365.6 million for the ADC, which is the City’s DB pension contribution requirement. This is an increase of \$15.1 million from the FY 2020 Adopted Budget amount of \$350.5 million.

The General Fund portion of the FY 2021 budgeted payment is \$277.6 million – an increase of \$12.8 million from the FY 2020 Adopted Budget of \$264.8 million. The General Fund portion is 75.9% of the FY 2021 budgeted payment.

The FY 2021 ADC of \$365.6 million is based on the FY 2019 actuarial valuation. The valuation shows that the pension system’s Unfunded Actuarial Liability (UAL) totals \$3.0 billion as of June 30, 2019 – up from \$2.98 billion.

The City’s pension system liabilities as of June 30, 2019 are funded at a rate of 71.6% – an increase from the 70.8% funding ratio at June 30, 2018. The ADC is 9.3% of total FY

2021 budgeted expenditures for the City and is 18.0% of budgeted expenditures for the General Fund.

Increase to the DB ADC

As mentioned above, the FY 2021 ADC of \$365.6 million is \$15.1 million higher than the FY 2020 ADC. The changes to the ADC relate to FY 2019 “experience gains and losses” (the differences between actual results and what was assumed in the FY 2018 valuation). The ***net \$15.1 million increase to the ADC*** includes the following components, which are partially offset:

- ***A \$10.0 million ADC increase*** largely related to negotiated POA salary increases
- ***A \$5.8 million ADC increase*** related to non-police salary increases
- ***A \$2.4 million ADC increase*** related to other experience losses (mortality, retirement, termination), as well as increases in normal cost

An offsetting ***\$3.8 million ADC decrease*** is related to the phasing-in of prior years’ investment experience that was not fully included in prior ADCs. The City’s valuation utilizes a smoothing method, where asset gains and losses are not recognized immediately, but rather are phased-in, to mitigate ADC volatility.

Future ADC Considerations

There are a couple of items that could potentially impact the City’s most recent estimate for the FY 2022 ADC (most recently projected to be \$364.8 million citywide).

- Experience gains or losses – for example, if the FY 2020 actual investment return ends up being either higher or lower than the 6.5% return assumed in the FY 2019 valuation, there will be an investment experience gain or loss – which would be a factor that decreases or increases the FY

Key Citywide Issues: Pension

2022 ADC, accordingly. The preliminary impact of the actual investment return for FY 2020 will likely be quantifiable by the fall of 2020.

Although SDCERS¹ maintains that its diversified portfolio may mitigate a market correction's impact, a significant stock market decline as of June 30, 2020 could have an increasing effect on the FY 2022 ADC. For example, a 0% return on assets (versus the assumed 6.5% return), with all other variables unchanged, would yield an increase to the ADC of approximately \$12.8 million. Because of the complexity of the pension system variables, the total of *all* impacts to the FY 2022 ADC will not be known until the FY 2020 valuation has been completed.

- Assumption changes – for example, salary increases over the past couple years have been higher than anticipated, and adjustments to related assumptions may be recommended by the SDCERS actuary.

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 2021 proposed SPSP-H budget is \$25.7 million citywide. This figure includes amounts for the interim defined contribution plan, as well as for hourly workers (\$24.8 million and \$870,000, respectively). The SPSP-H budget for the interim DC plan has increased by \$1.5 million from FY 2020, which is largely related to Firefighters' overtime costs, combined with increasing membership 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 retires prior to age 55.

¹ SDCERS is the San Diego City Employees Retirement System.

Key Citywide Issues: Pension

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.

Heeding a related California Supreme Court decision on August 2, 2018, the California Court of Appeal directed the City “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 employees 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.”

However, despite the Court of Appeal directives, Proposition B is still part of the San Diego City Charter. To remove Proposition B from the City Charter, the Unions have pursued a quo warranto process. The State Attorney General granted authority for the Unions to sue on August 15, 2019; and the complaint in quo warranto was filed on September 27, 2019. Pursuant to Council direction, on November 18, 2019 the City Attorney's Office response to the Unions' complaint in quo warranto included language supporting a judgment that invalidates and removes Proposition B amendments from the City Charter.

The ultimate cost for resolution of the

Proposition B legal challenges is dependent upon the pending negotiations with the Unions and compliance with federal tax laws and regulations with respect to retirement plans. The issues are not expected to be resolved for several years.

Department Review: City Attorney

City Attorney

General Fund Reductions of \$2.4M (4.0%): \$2.4M PE, \$0.0M NPE

Impacts of Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the City Attorney's Office is \$60.7 million, an increase of approximately \$360,000 or less than 1% from the FY 2020 Adopted Budget. The Proposed Budget includes 386.73 FTE positions, an increase of 0.75 FTE positions from FY 2020. Budgeted revenue totals \$3.9 million, reflecting a reduction of approximately \$1,500.

Significant Budget Reductions

As with all non-mayoral departments, a 4% reduction was applied to the City Attorney's Office's proposed budget for FY 2021. This amounts to \$2.4 million and is reflected as a reduction in the personnel expenditures budget. It will be up to the City Attorney's Office to determine how to implement this reduction. City Attorney's Office staff indicated they are conducting a review to determine which services are legally required per the City Charter and which activities may be considered more discretionary in nature. The Office anticipates that any area(s) reduced will result in a service level impact and are unsure if they will still be able to meet their Charter obligations with this reduction. In addition, the Office indicated they were looking for potential new revenue sources which could

offset. We encourage the Office to clearly communicate any potential impacts to City Council, City Departments and our citizens during the budget hearings.

Other Significant Adjustments

The City Attorney's Office has swapped 1.00 FTE Senior Legal Intern for 1.75 FTE Legal Interns. While this is an increase in positions, it results in minor cost savings of \$1,700 due to the differences in pay between the job classifications. The Legal Interns will be part of the City Attorney's Office's internship program, which is intended to help with recruitment. The Senior Legal Intern position being reduced is currently vacant.

Issues for Council Consideration

Budgeted Vacancy Savings

The vacancy savings budgeted in the City Attorney's Office is essentially unchanged in the Mayor's proposal. The FY 2021 Proposed Budget amount is approximately \$2.4 million. This is a reduction of \$120,000 from the approximately \$2.5 million budgeted in FY 2020 but still a significant jump from the \$600,000 that had been budgeted in FY 2019. We brought up concerns with the large increase in the budgeted vacancy savings during our review of the proposed budget last year,

SUMMARY OF CITY ATTORNEY BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	385.98	\$ 56,480,968	\$ 3,822,605	\$ 60,303,573	\$ 3,911,796
Programmatic Changes					
<i>4% Applied Reduction for Non-Mayoral Departments</i>	-	(2,412,143)	-	(2,412,143)	-
<i>Swap 1.00 Senior Legal Intern for 1.75 Legal Interns</i>	0.75	(1,719)	-	(1,719)	-
Other Changes					
<i>Other Salary and Benefit Adjustments</i>	-	1,980,621	-	1,980,621	-
<i>Information Technology Adjustments</i>	-	-	606,702	606,702	-
<i>Vacancy Savings Adjustment</i>	-	120,369	-	120,369	-
<i>Other Non-Personnel Adjustments</i>	-	-	65,955	65,955	-
<i>Revenue Adjustment</i>	-	-	-	-	(1,500)
FY 2021 Proposed Budget	386.73	\$ 56,168,096	\$ 4,495,262	\$ 60,663,358	\$ 3,910,296
Difference from 2020 to 2021	0.75	\$ (312,872)	\$ 672,657	\$ 359,785	\$ (1,500)

Department Review: City Attorney

when it was doubled while supplemental positions which were being funded by vacancy savings had not been budgeted. In our final budget recommendations, we supported the budgeting of those supplemental positions with an offsetting increase in the budgeted vacancy savings in order to increase transparency.

In the FY 2020 Mid-Year Budget Monitoring Report, the City Attorney's Office was projecting to go over budget in salaries and wages based on the anticipated timing of filling positions. They indicated that more recent projections still trend to going overbudget in salaries and wages. Our Office will evaluate the City Attorney's Office projections presented in the Third Quarter Budget Monitoring Report (scheduled to be released in May). However, we wanted to raise the concern, at this time, that the vacancy savings may be budgeted too high for this Office.

Family Justice Center Requests Not Budgeted

The City Attorney's Office requested a security guard and clerical support for the Family Justice Center. The contracted expense for an armed security guard is estimated at \$56,600 and would provide an additional layer of protection for Family Justice Center clients who are fleeing abusive situations. The request for 2.00 FTE Clerical Assistant 2s plus associated non-personnel expense would cost \$115,000 to assist with front-desk reception duties, intake of new clients, addressing approximately 19,000 telephone calls per year, thereby alleviating the Victim Services Coordinators from reception and intake functions so they may serve clients.

Department Review: City Auditor

City Auditor

General Fund Reductions of \$161,000 (4.0%): \$161,000 PE, \$0 NPE

Impacts of Mayor’s FY 2021 Budget Proposal

As shown in the table below, the FY 2021 Proposed Budget for the Office of the City Auditor is approximately \$3.7 million, a decrease of \$293,000, or 7.3%, from the FY 2020 Adopted Budget. The Office has no budgeted revenue. The number of positions remains unchanged from FY 2020, at 22.00 FTEs.

The Proposed Budget applies a 4% budget reduction to non-Mayoral departments. For the City Auditor, this equates to a \$161,000 decrease in salaries and wages expenditures, as shown in the following table. Additionally, there is a \$91,000 increase to vacancy savings (which decreases salaries and wages). Combined, these two figures decrease the salaries and wages budget by \$252,000 – roughly equivalent to 2.00 Performance Auditors and 1.00 Assistant to the Director (i.e. administrative aide).

Any cuts to Personnel Expenditures (PE), including salaries and wages, could reduce the size of the City Auditor’s Office. This would result in fewer completed audits and investigations that may identify cost savings, increased revenues, or improved efficiencies in

City operations. If the Proposed Budget cuts were approved, the City Auditor’s Office would have to leave unfilled its two current vacant positions plus eliminate a filled position, or alternatively, reduce all staff salaries to achieve sufficient savings.

Any cuts to the discretionary NPE (including training, electronic workpaper system, the Fraud Hotline provider, and consulting services) could lead to the reduction of funds for critical operational areas, including training needed to meet the Governmental Auditing Standards’ continuing professional education requirements and technical expertise needed for certain audits, such as the planned audit involving the 101 Ash building.

City Charter section 39.1 requires that the Audit Committee recommend the City Auditor’s budget to the City Council each year. On December 11, 2019, the City Auditor’s Office presented the Audit Committee with a proposed budget for the Office, containing no new audit positions or new budgetary additions. While acknowledging the estimated FY 2021 General Fund budget shortfall included in the 2021-2025 Five-Year Outlook, as well as the anticipation that the Chief Operating Officer would be requesting budget reduction

SUMMARY OF CITY AUDITOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	22.00	\$ 3,384,756	\$ 631,661	\$ 4,016,417	\$ -
Programmatic Changes					
<i>4% Applied Reduction for Non-Mayoral Departments</i>	-	(160,657)	-	(160,657)	-
<i>Vacancy Savings Increase</i>	-	(91,333)	-	(91,333)	-
<i>Professional/Technical Services & Discretionary IT</i>	-	-	(1,918)	(1,918)	-
Other Changes					
<i>Other Salaries & Wages Adjustments</i>	-	8,001	-	8,001	-
<i>Fringe Benefits Adjustments</i>	-	(75,582)	-	(75,582)	-
<i>Non-Discretionary Adjustments</i>	-	-	28,474	28,474	-
FY 2021 Proposed Budget	22.00	\$ 3,065,185	\$ 658,217	\$ 3,723,402	\$ -
Difference from 2020 to 2021	-	\$ (319,571)	\$ 26,556	\$ (293,015)	\$ -

Department Review: City Auditor

proposals from departments, the City Auditor's Office asked that the Audit Committee recommend to the City Council that its budget remain intact for FY 2021 – with no cuts from the FY 2020 Adopted Budget. In FY 2018, the City Auditor's Office sustained a 3% budget reduction (not including Comprehensive Annual Financial Report contract costs), which significantly reduced the discretionary portion of the Office's Non-Personnel Expenditures (NPE) budget.

During the December meeting, Audit Committee Chair Sherman reasoned that cutting the City Auditor's budget would be “penny wise and pound foolish”, given the benefits that the Office provides the City. The Audit Committee unanimously recommended that the City Council adopt the FY 2021 budget as proposed by the Office of the City Auditor, with no discretionary cuts or new additions to the FY 2020 Adopted Budget.

If supported, Council would have to make this revision to the FY 2021 Mayor's Proposed Budget during the final FY 2021 Council budget modifications process in June.

Department Review: City Clerk

City Clerk

General Fund Reductions of \$0.2M (4.0%): \$0.2M PE, \$0.0M NPE

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.

Impacts of Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Office of the City Clerk totals approximately \$6.2 million, which is an increase of approximately \$169,000 over the FY 2020 Adopted Budget. The number of FTE positions in the Office is 47.32, which represents no change from FY 2020.

Significant Budget Reductions

As part of the FY 2021 Proposed Budget, the Mayor included an across the board, non-specified 4% reduction for all non-Mayoral departments. Within the Office of the City Clerk, this amount totals \$239,660. The Office indicates that they do not believe that they will be able to absorb this reduction. While the Office typically has achieved a savings to budget of approximately \$277,000 each year, due to the current COVID-19 crisis they are

projecting to be at budget both this year and next year.

Service Level Impacts

If the Office is to absorb this reduction, there could be service level reductions, which could result in the inability to accommodate emergency Council meetings and other legal requirements. Some examples of unanticipated events that increase costs for the Office, and which may suffer include:

- Support for unanticipated meetings or agenda items, such as Special Council Meetings or late incoming docket material. These activities sometime require overtime expenditures for the Office.
- Support for elections, including additional City ballot measures and initiatives submitted by the public. If proper support is not provided for an election, there is the possibility of lawsuits, which could increase costs.
- Support for the Redistricting Commission. This Commission must meet during FY 2021, and per the Charter must use City staff to the practicable extent possible. While there are no increases in the City Clerk budget, there is an increase in Citywide expenditures for this item (\$198,000). However, this increase is less than the 4% reduction.

SUMMARY OF CITY CLERK BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	47.32	\$ 4,880,481	\$ 1,111,030	\$ 5,991,511	\$ 155,582
Programmatic Changes					
<i>4% Applied Reduction for Non-Mayoral</i>	-	(239,660)	-	(239,660)	-
<i>Increased Passport Fee Revenue</i>	-	-	-	-	30,000
Other Changes					
<i>Fringe Benefits (Includes Retirement ADC)</i>	-	163,091	-	163,091	-
<i>Other Salary Adjustments</i>	-	50,763	-	50,763	-
<i>Non-Discretionary Adjustments</i>	-	-	199,124	199,124	-
<i>Information Technology Costs</i>	-	-	(4,498)	(4,498)	-
FY 2021 Proposed Budget	47.32	\$ 4,854,675	\$ 1,305,656	\$ 6,160,331	\$ 185,582
Difference from 2020 to 2021	-	\$ (25,806)	\$ 194,626	\$ 168,820	\$ 30,000

Department Review: City Council

City Council

City Council General Fund Reductions of \$458,000 (4.0%): \$458,000 PE, \$0 NPE
Council Administration Reductions of \$121,000 (4.0%): \$121,000 PE, \$0 NPE

Impacts of Mayor’s FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the City Council is approximately \$11.9 million, an increase of \$416,000 or 3.6% from the FY 2020 Adopted Budget. It is important to note that the FY 2021 Proposed Budget does not allocate Community Projects, Programs and Services (CPPS) or Transient Occupancy Tax supported Arts, Culture, and Community Festivals (ACCF) funding for Councilmembers to allocate in support of worthwhile nonprofit organizations (NPOs), local agencies, festivals, and events in accordance with Council Policies 100-06 and 100-23. This funding totaled to about \$1.9 million (\$1.5 million CPPS; \$360,000 ACCF) in FY 2020 and was projected/anticipated to be more than \$1.2 million in FY 2021.

Each Council Office has 10.00 budgeted FTE positions for a total of 90.00 positions, unchanged from the FY 2020 Adopted Budget. The total operating budget for each Council office is comprised of salaries/personnel expense (PE), associated fringe benefit expense (Fringe) and non-personnel expense (NPE). While each Council office has the same number of budgeted FTE positions, the budgets for each office vary annually based on several

factors (compensation decisions, staffing levels, staff experience, and differing NPE needs). The budgets for each Council office are shown in the table at the top of the next page along with projected CPPS and ACCF funds that were not allocated in the FY 2021 Proposed Budget.

Significant Budget Additions

There are no significant budget additions.

Significant Budget Reductions

In addition to the decision not to allocate CPPS and ACCF funds to the Council, the FY 2021 Proposed Budget includes a 4% budget reduction in PE for all non-mayoral departments. Multiplying last year’s City Council budget of \$11.4 million by 4% equates to the proposed \$458,000 budget reduction. City Council offices have historically not been asked to reduce their relatively small budgets to balance the much larger City budget. Our Office was informed that this decision was driven by the significant impact of the COVID-19 pandemic on City revenues. It should be noted that this reduction has been input by the Department of Finance as an ongoing (as opposed to a one-time) reduction. Even in the event City revenues recover by next year, the 4% City Council budget reduction is programmed to remain as a permanent reduction.

AGGREGATE SUMMARY OF CITY COUNCIL OFFICE BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	CPPS
FY 2020 Adopted Budget	90.00	\$ 9,887,183	\$ 1,555,331	\$ 11,442,514	\$ 1,491,803
Programmatic Changes					
<i>Budget Reduction: 4% of FY 2020 Council Budgets</i>	-	(457,701)	-	(457,701)	-
Other Changes					
<i>Other Salary Related Adjustments</i>	-	311,977	-	311,977	-
<i>Other Fringe Adjustments (Includes Retirement ADC)</i>	-	421,101	-	421,101	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	140,995	140,995	-
FY 2021 Proposed Budget	90.00	\$ 10,162,560	\$ 1,696,326	\$ 11,858,886	\$ -
Difference from 2020 to 2021	-	\$ 275,377	\$ 140,995	\$ 416,372	\$ (1,491,803)

Office of the Independent Budget Analyst
April 2020

Department Review: City Council

PROPOSED FY 2021 BUDGET FOR EACH CITY COUNCIL OFFICE						UNALLOCATED FUNDS*	
Description	FTE	PE	FRINGE	NPE	Total Budget	CPPS	ACCF
Council District 1	10.00	\$ 702,630	\$ 541,765	\$ 156,724	\$ 1,401,119	\$ 208,790	\$ 40,000
Council District 2	10.00	664,539	392,372	204,630	\$ 1,261,541	91,537	40,000
Council District 3	10.00	700,780	297,615	159,822	\$ 1,158,217	27,875	40,000
Council District 4	10.00	651,403	564,473	169,402	\$ 1,385,278	75,609	40,000
Council District 5	10.00	676,842	282,205	207,357	\$ 1,166,404	107,447	40,000
Council District 6	10.00	756,826	295,285	182,603	\$ 1,234,714	182,628	40,000
Council District 7	10.00	777,414	318,582	180,633	\$ 1,276,629	89,360	40,000
Council District 8	10.00	626,879	561,801	260,918	\$ 1,449,598	4,684	40,000
Council District 9	10.00	648,084	703,065	174,237	\$ 1,525,386	75,347	40,000
FY 2021 Proposed Budget	90.00	\$ 6,205,397	\$ 3,957,163	\$ 1,696,326	\$ 11,858,886	\$ 863,277	\$ 360,000

*CPPS funds, as determined by projected Council Office savings, are being used to balance the FY 20 budget shortfall instead of being included in the FY 2021 Proposed Budget for Councilmembers to allocate to community serving organizations and events in accordance with CP 100-06. Additionally, \$40,000 in ACCF funds has historically been annually allocated to each Council Office for arts and culture nonprofit events in accordance with CP 100-23.

CPPS & TOT: Uses & Council Policies

With few exceptions, CPPS and ACCF funds have always been allocated to each Council office in the Proposed Budget. These funds are a limited and important discretionary resource that each Councilmember may judiciously use to support NPOs, agencies, festivals, and events providing benefits to communities and citizens. Rules to ensure the appropriate use of these funds are detailed in Council Policies 100-06 (CPPS) and 100-23 (TOT).

CPPS funding recommendations are determined by Council office budget savings in the prior fiscal year. Councilmembers typically endeavor to finish the year under budget to ensure they will have some discretionary funding in the next fiscal year to support worthwhile organizations and events. Given the pandemic induced revenue shortfall, a decision was made to use these funds to balance the FY 2020 Budget. As you can see in the table above, total CPPS and ACCF funding was anticipated to be in excess of \$1.2 million.

Council Administration

The Council Administration Department provides general office management and critical support services for the City Council. The FY 2021 Proposed Budget for Council Administration is approximately \$2.8 million, a 6.8% reduction from the FY 2020 Adopted Budget. This reduction results from a \$254,000 reduction in PE which is partially offset by a \$47,000 increase in NPE.

The department has 19.37 FTE positions, unchanged from FY 2020. These positions include 8.00 Committee Consultants who are responsible for organizing and facilitating regular meetings for eight City Council Committees, 1.00 Council Communications position, and 1.00 Council Government Affairs position. The other 9.37 staff plan and organize City Council meetings, administer CPPS and

SUMMARY OF COUNCIL ADMINISTRATION DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	19.37	\$ 2,693,060	\$ 331,423	\$ 3,024,483	\$ -
Programmatic Changes					
<i>Budget Reduction: 4% of total FY 20 Budget</i>	-	(120,979)	-	(120,979)	-
Other Changes					
<i>Increase in Pay-in-Lieu and Vacancy Factor</i>	-	(33,051)	-	(33,051)	-
<i>Other Salary Related Adjustments</i>	-	(11,288)	-	(11,288)	-
<i>Other Fringe Adjustments (Includes Retirement ADC)</i>	-	(88,724)	-	(88,724)	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	47,225	47,225	-
FY 2021 Proposed Budget	19.37	\$ 2,439,018	\$ 378,648	\$ 2,817,666	\$ -
Difference from 2020 to 2021	-	\$ (254,042)	\$ 47,225	\$ (206,817)	\$ -

Department Review: City Council

ACCF allocations, provide information technology services, and otherwise provide multifaceted support to the nine City Council offices.

As a non-mayoral department, Council Administration also received a proposed 4% budget reduction of \$121,000 in PE. As this proposed budget reduction exceeds the Department's total discretionary NPE, the Director would not be able to fill the 1.00 currently vacant position in the Department and would additionally need to take other actions to finish the year under budget.

Issues for Council Consideration

The Council must decide whether they agree with the Mayor's decision to impose a 4% budget reduction on some or all non-mayoral departments (Council, Council Administration, City Attorney, City Clerk, City Auditor, Personnel, Ethics Commission, and IBA). The 4% budget reductions have already been incorporated into the FY 2021 Proposed Budget for each of the non-mayoral departments. If a decision is made to reduce some or all of the proposed budget reductions, alternative resources will need to be identified in order to balance the FY 2021 Budget. The proposed 4% budget reduction for all non-mayoral departments would provide approximately \$3.9 million in General Fund savings.

If a decision is made to accept the proposed 4% budget reductions in light of the COVID-19 pandemic, then Council may wish to inform the Department of Finance that they would like the budget reduction to be treated as a one-time reduction as opposed to an ongoing reduction thereby ensuring that their budgets return to normal levels when City revenues recover from the pandemic. Additionally, the Council should think about the circumstances under which they are willing to accept a mayoral decision to not allocate

CPPS funds (savings achieved in their Council office budgets) to balance the current year budget shortfalls. If this year sets a precedent, then Councilmembers should at least be informed of this possibility so they can make optimal decisions regarding the use of their annual budgets earlier in the fiscal year.

Department Review: City Treasurer

City Treasurer

General Fund Reductions of \$0.9M (4.9%): \$0.80M PE, \$0.07M NPE

9.00 FTE (0.00 filled)

Non-General Fund Reductions of \$0.2M (2.1%): \$0.20M PE, \$0.00M NPE

3.00 FTE (2.00 filled)

Impacts of Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the City Treasurer includes General Fund and Parking Meter Operations funds revenues and expenditures. The FY 2021 Proposed Budget for the City Treasurer (all funds) is approximately \$27.9 million, which is a decrease of \$1.2 million or 4.0% from the FY 2020 Adopted Budget. The FY 2021 Proposed Budget includes 129.00 FTE positions, which is a decrease of 12.00 FTE positions over FY 2020. Budgeted revenue (all funds) total \$52.0 million represents an increase of \$7.5 million.

General Fund

The General Fund component of the FY 2021 Proposed Budget for the City Treasurer includes \$17.4 million and 119.00 FTE positions, which is a decrease of \$0.9 million (4.9%) and 9.00 FTE positions over the FY 2020 Adopted Budget. The most significant budget changes are described in the next section.

Reduction of Positions Across Various Sections

The FY 2021 Proposed Budget includes FTE reductions to various sections within the department totaling \$723,000 in associated personnel expenditures as follows:

- 1.00 Account Clerk, 1.00 Senior Account Clerk, and 1.00 Administrative Aide I in the Treasury Accounting section
- 1.00 Clerical Assistant II, and 1.00 Collections Investigator I in the Delinquent Accounts section
- 1.00 Accountant II in the Revenue Audit section
- 1.00 Public Information Clerk in the Parking Administration section
- 1.00 Public Information Clerk in the Business Tax section
- 1.00 Assistant Director overseeing the Treasury Accounting & Business Tax Sections

SUMMARY OF CITY TREASURER GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	128.00	\$ 13,839,114	\$ 4,455,731	\$ 18,294,845	\$ 33,311,506
Programmatic Changes					
<i>Reduction of Positions Across Various Sections</i>	(9.00)	(723,007)	(98,682)	\$ (821,689)	-
<i>Cannabis Business Tax Revenue Increase</i>	-	-	-	-	7,487,702
Other Changes					
<i>Other Personnel & Fringe Adjustments</i>	-	(368,494)	-	\$ (368,494)	-
<i>Travel, Training, & Contractual Expenditures</i>	-	-	(77,700)	\$ (77,700)	-
<i>Other Adjustments</i>	-	-	362,564	\$ 362,564	-
FY 2021 Proposed Budget	119.00	\$12,747,613	\$ 4,641,913	\$ 17,389,526	\$40,799,208
Difference from 2020 to 2021	(9.00)	\$ (1,091,501)	\$ 186,182	\$ (905,319)	\$ 7,487,702

Department Review: City Treasurer

Service Level Impacts

The General Fund Budget reductions for the department includes the 9.00 FTEs mentioned above. At this time, there are very minimal service level impacts associated with the reduced positions as the duties were absorbed by other existing classifications within the department. The department notes that some of the impacts relate to customer service on the service level side related to positions that primarily interact with the public, such as those that provide assistance over the phone. There may also be a delay in response times, and longer lines for over the counter services. Additionally, the Accountant II and Collections Investigator I are revenue generating positions that have been continually vacant.

Cannabis Business Tax Revenue

The FY 2021 Proposed Budget includes an increase in Cannabis Business Tax (CBT) revenue of \$7.5 million, for a total of \$19.7 million anticipated to be received in FY 2021 which is in line with the projection in the most recent Five-Year Outlook. The department notes that COVID-19 has had no impact on the sales of cannabis and there was an increase in sales the second week of March. This increase is likely due to the assumption that cannabis retailers would be temporarily shut down, but the Governor deemed it an essential service. As a result, CBT revenue will likely retain its normal levels in April. Moving forward, it is currently unknown if the COVID-19 outbreak will impact consumer spending habits as the unemployment rate continues to increase which may impact the cities current estimated CBT revenue.

Additionally, another potential impact to this revenue source stems from other cities opening additional outlets within their respective jurisdictions. Currently, there are 20 marijuana outlets remitting cannabis business tax within the City of San Diego.

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 2021 Proposed Budget includes \$10.6 million, a \$268,000 decrease of 2.6%, and 10.00 FTE positions, which is a decrease of 3.00 FTE when compared to FY 2020. Additionally, revenue remains the same as the FY 2020 Adopted Budget at \$11.3 million, assuming that parking meters resume their normal schedule requiring payment.

Reduction of Parking Meter Technician Positions

The FY 2021 Proposed Budget includes the reduction of 3.00 FTE Parking Meter Technicians along with \$224,000 in related personnel expenditures. The positions were responsible for collecting parking meter coins, issuing citations, and performing parking meter repairs, and maintenance. With the advent of smart meters, coins are infrequently used when compared to credit cards leading to a reduction in the necessity of collecting coins which further reduces the tasks of the position.

SUMMARY OF CITY TREASURER PARKING METER OPERATIONS FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	13.00	\$ 1,490,398	\$ 9,367,472	\$ 10,857,870	\$ 11,297,852
Programmatic Changes					
<i>Reduction of Parking Meter Technicians</i>	(3.00)	(224,297)	-	(224,297)	-
Other Changes					
<i>Other Personnel & Fringe Adjustments</i>	-	(12,258)	-	(12,258)	-
<i>Other Adjustments</i>	-	-	(31,617)	(31,617)	-
FY 2021 Proposed Budget	10.00	\$ 1,253,843	\$ 9,335,855	\$ 10,589,698	\$ 11,297,852
Difference from 2020 to 2021	(3.00)	\$ (236,555)	\$ (31,617)	\$ (268,172)	\$ -

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Citywide Program Expenditures

Impacts of Mayor's FY 2021 Budget Proposal

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 2021 Proposed Budget totals \$93.8 million, decrease of \$59.4 million, or 38.8%, from the FY 2020 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. A few of the facilities include Civic Center Plaza, 101 Ash Street, and 600B Street.

Citywide Elections

The FY 2021 Proposed Budget for citywide elections is increasing by 1.8 million, from \$2.2 million to \$4.0 million.

The FY 2021 citywide elections budget of \$4.0 million covers the November 2020 General Election, for which there is an anticipated rise in voter turnout. The General Election races will include contests for Mayor and City

SUMMARY OF "CITYWIDE PROGRAM EXPENDITURES" BUDGET CHANGES			
Budget Changes (dollars in millions)	FY 2020 Adopted	FY 2021 Proposed	Change
Payments for Contracts and Services			
<i>Corporate Master Lease Rent/Lease-to-Own</i>	\$ 23.4	\$ 23.0	\$ (0.5)
<i>Citywide Elections</i>	2.2	4.0	1.8
<i>Special Consulting Services</i>	7.2	2.7	(4.4)
Transfers to Public Liability Funds			
<i>Transfer to Public Liability Operating Fund for Claims</i>	14.5	17.1	2.6
<i>Transfer to Public Liability Operating Fund for Insurance</i>	10.9	14.3	3.4
Other Significant Expenditures			
<i>Transfer to Infrastructure Fund (Proposition H)</i>	24.1	-	(24.1)
<i>General Fund Reserve</i>	11.9	-	(11.9)
<i>Pension Payment Stabilization Reserve</i>	4.3	-	(4.3)
<i>Commission for Arts and Culture</i>	3.9	-	(3.9)
<i>Transfer to Parks Improvement Funds</i>	11.8	12.2	0.4
<i>Deferred Capital Debt Service</i>	18.5	5.3	(13.2)
<i>Additional Expenditures ¹</i>	20.5	15.3	(5.2)
TOTAL	\$ 153.2	\$ 93.8	\$ (59.4)

¹ The largest FY 2021 Proposed Budget amounts in the "Additional Expenditures" line include:

- \$4.6 million for property tax administration expense to San Diego County
- \$2.7 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
- \$1.3 million for transfers to Engineering & Capital Projects

Department Review: Citywide Program Expenditures

Attorney, as well as Council Districts 1, 3, 5, 7, and 9. Funding is included in the budget for these races, as well as for ballot measures and petitions. The citywide elections budget also includes funding of \$198,000 for the work of the Redistricting Commission, to which members are anticipated to be appointed by November 1, 2020.

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. There is also the possibility for the COVID-19 pandemic to have an impact. For FY 2021, 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 decreasing by \$4.4 million, from \$7.2 million to \$2.7 million, as shown in the following table. Services and related changes in funding from FY 2020 to FY 2021 are included. The largest decrease was a transfer of \$3.0 million for bridge shelter services to the new

Homelessness Strategies Department.

Additionally, funding for consultant fees related to the renegotiation of the electricity and gas franchises is being transferred to the Smart & Sustainable Communities Office. This \$1.0 million in the FY 2020 Citywide Program Expenditures budget is reduced to zero for FY 2021; and the FY 2021 budget for the Smart & Sustainable Communities Office is increasing by \$750,000. The decrease in consulting fee budget is due to a reevaluation of the amount of work that will be necessary in FY 2021 based on work already completed in FY 2020.

Transfers to Public Liability Funds

The FY 2021 Proposed Budget includes \$17.1 million and \$14.3 million to support the Public Liability (PL) Operating Fund's claims and insurance payments, respectively. The \$14.3 million insurance payment budget for FY 2021 has increased by \$3.4 million, based on premium estimates that incorporate loss development trends in the insurance market.

The \$17.1 million claims funding transfer for FY 2021 has increased by \$2.6 million, as excess PL Reserves were used to cover \$2.6 million of operating expenses in FY 2020.

There is no budget in FY 2021 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.

SPECIAL CONSULTING SERVICES			
Budget Changes	FY 2020	FY 2021	Change
Bridge Shelter Services	\$ 3,066,385	-	\$ (3,066,385)
Energy Franchise Agreement Consultant	1,000,000	-	(1,000,000)
Legal/Professional Services	900,000	900,000	-
Sales Tax Consulting	650,000	650,000	-
Energy-related Costs for Civic Center Theater	457,092	77,416	(379,676)
Labor-related Contracts	376,000	376,000	-
Actuarial Services	250,000	250,000	-
Zuniga Jetty	200,000	200,000	-
Contingency	219,000	219,000	-
Disclosure Counsel	50,000	50,000	-
TOTAL	\$ 7,168,477	\$ 2,722,416	\$ (4,446,061)

Department Review: Citywide Program Expenditures

Other Significant Expenditures

Infrastructure Fund Transfer-Proposition H

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

The Mayor may request a one-year suspension of Charter Section 77.1 requirements, and such request may be approved by a vote of two-thirds of the City Council. As a result of declining revenue projections due to the recent COVID-19 pandemic, the Mayor has not included any funding for a transfer to the Infrastructure Fund in the FY 2021 Proposed Budget. For reference, the FY 2020 Adopted Budget included a \$24.1 million transfer.

Deferred Capital Debt Service

The FY 2021 Proposed Budget for deferred capital debt service totals \$5.3 million, down from \$18.5 million in the FY 2020 Adopted Budget. A few offsetting changes explain the net \$13.2 million decrease.

- \$16.9 million *decrease* that is anticipated to be covered by a portion of the proceeds from the sale of the Mission Valley stadium property site to San Diego State University in accordance with the November 2018 Measure G
- \$2.5 million *increase* for the removal of a one-time budget reduction for amounts that were covered by the Capital Outlay Fund in FY 2020
- \$560,000 *increase* to bring commercial paper costs to the FY 2021 \$1.9 million budgeted amount, which includes \$1.3 million in interest costs and \$580,000 in ongoing costs of issuance (Embedded in these figures is \$250,000 for interest and \$250,000 for fees related to a potential FY 2021 commercial paper issuance of up to

\$88.0 million.)

- \$415,000 *increase* related to the removal of a FY 2020 budget reduction for amounts anticipated to be covered by the Development Services Department
- \$249,000 *increase* to bring bond payment amounts up to the \$20.3 million debt service schedule amounts

For reference, the \$20.3 million in FY 2021 debt service payments for deferred capital bonds are as follows:

- \$6.7 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”)
- \$6.9 million for the \$120 million 2015 A&B issuance (known as “DC3”)

General Fund Reserve

Another result of the declining revenue projections due to the recent COVID-19 pandemic is that the Mayor has not included any funding for a General Fund Reserve contribution in the FY 2021 Proposed Budget. For reference, the FY 2020 Adopted Budget included \$11.9 million.

For more about this Reserve, see the General Fund Reserve section of this report.

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 FY 2018 Actuarially Determined Contribution (ADC) increase (or defined benefit pension payment increase).

Subsequently, the Mayor initiated a plan to

Department Review: Citywide Program Expenditures

replenish the PPSR over five years, beginning in FY 2019. The FY 2019 and FY 2020 budget amounts for the General Fund portion of the PPSR were \$3.6 million and \$4.3 million – for a total of \$7.9 million.

As stated previously, the Mayor has not included any funding for a General Fund Reserve contribution in the FY 2021 Proposed Budget, due to the City’s declining revenue projections. As follows, there is further risk to City operations resulting from the \$12.8 million increase to the General Fund ADC in FY 2021.

Since the reason for having PPSR funds available is to mitigate service delivery risk caused by ADC increases, the Proposed Budget includes a transfer of the \$7.9 million PPSR to the General Fund. Because the City is depleting the PPSR, it will also forgo the planned FY 2021 PPSR contribution.

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 \$12.2 million, up from \$11.8 million in FY 2020. 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 2021 Proposed Budget for the public use leases is \$1.6 million, unchanged from FY 2020.

- 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 SDCERS¹ to fund the benefit. The FY 2021 Citywide Program Expenditures amount for this benefit is \$1.3 million, unchanged from FY 2020.

- 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 2021 Citywide Expenditures amount for POB is \$1.5 million, unchanged from FY 2020.

¹ SDCERS is the San Diego City Employees Retirement System.

Department Review: Communications

Communications

**General Fund Reductions of \$0.1M (2.9%): \$0.01M PE, \$0.09M NPE
1.00 FTE (1.00 filled)**

Impacts of Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Communications Department is approximately \$4.7 million, which is a 5.1% decrease from the FY 2020 Adopted Budget. The budget also includes 32.00 FTE, which is a decrease of 1.00 FTE position. The department also has \$372,000 in budgeted revenue in FY 2021 which is a 10.8% decrease compared to FY 2020 due to the proposed FTE reduction.

Budget Reduction

The FY 2021 Proposed Budget includes a reduction of 1.00 Senior Public Information Officer and \$102,000 in associated personnel expenses. This position supported the Public Information Section and has the potential to impact department revenue from service level agreements totaling \$45,000. The proposed reduction would result in other team members within the section absorbing the work which includes, but is not limited to, developing written public information programs, disseminating reports, and producing television and slideshow presentations. We note that this will be the fourth consecutive fiscal year in which a Public Information Officer position has been reduced.

Service Level Impacts

The Communications Department is projecting service level impacts related to the 1.00 FTE budgetary reduction, along with the \$92,000 reduction in NPE related to supplies, contracts, and transportation allowance expenditures. The department notes these General Fund reductions will impact response times to Council and reduces staff's ability to effectively perform public outreach and engagement. This includes limiting the tools needed to promote social media and limiting their ability to procure additional contracts to support the departments outreach capabilities.

Department Requests Not Funded

The Communications department requested a Translation Services Contract for \$100,000 as part of the FY 2021 Proposed Budget. This Contract would allow for Spanish translation services during City events, and external documents. We note that this is the second consecutive year this request has been made.

SUMMARY OF COMMUNICATIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	33.00	\$ 4,434,337	\$ 529,842	\$ 4,964,179	\$ 417,384
Programmatic Changes					
<i>Reduction of Senior Public Information Officer</i>	(1.00)	(101,803)	-	(101,803)	-
Other Changes					
<i>Other Personnel & Fringe Adjustments</i>	-	18,187	-	18,187	\$ -
<i>Supplies, Contracts, Transit Allowance</i>	-	-	(91,506)	(91,506)	-
<i>Revised Revenue</i>	-	-	-	-	(45,277)
<i>Other Adjustments</i>	-	-	(76,364)	(76,364)	-
FY 2021 Proposed Budget	32.00	\$ 4,350,721	\$ 361,972	\$ 4,712,693	\$ 372,107
Difference from 2020 to 2021	(1.00)	\$ (83,616)	\$ (167,870)	\$ (251,486)	\$ (45,277)

Department Review: Cultural Affairs

Cultural Affairs

Cultural Affairs is a new department in the FY 2021 Proposed Budget funded with TOT. The new department merges Arts and Culture Commission program staff (A&C) with the Office of Special Events & Filming (OSEF) to centralize the City’s engagement with the arts, culture and creative industries.

When asked, the Director more clearly described this new department as follows: “Merging Arts & Culture and Special Events & Filming into one new department will create internal efficiencies and more cohesive customer service for external partners. The new department will be the City’s primary funding source for arts and culture, parades, film, festivals and special events, while also providing event, tourism and film industry support. Further positioning San Diego as a global cultural and event destination, the department will also provide staff support to two commissions, the International Affairs Board and the Commission for Arts & Culture. Ultimately, the new department will be positioned to advance the city’s creative economy, including arts and culture, artists and creative entrepreneurs, creative place-making and citywide special events.”

Impacts of Mayor’s FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Cultural Affairs Department is approximately \$3.0 million, with 13.00 FTE positions and \$75,000 of budgeted revenue.

A few position modifications occurred in facilitating the merge: 1:00 Executive Director in A&C was reclassified to 1.00 Department Director; and 1.00 Associate Management Analyst position was eliminated and 1.00 Program Coordinator position was added in A&C using 1.00 Representative 2 that was transferred/repurposed from the Mayor’s Office.

Although the merge is largely budget neutral, \$420,000 of NPE was added to the Department to satisfy the City’s obligation to operate the Lyceum Theatre. Also, 1.00 Public Information Clerk (PIC) position was eliminated from OSEF thereby reducing total combined positions from 14.00 to 13.00 FTEs. The Department of Finance has indicated the PIC reduction was not intended and plans to reinstate the position (cost: approximately \$66,000) in the May Revise.

SUMMARY OF CULTURAL AFFAIRS DEPARTMENT BUDGET					
NEW Department	FTE	PE	NPE	Total Expense	Revenue
Department Director - Jonathon Glus	1.00	193,627	-	193,627	-
Commission for Arts and Culture					
<i>Executive Assistant</i>	1.00	71,072	-	71,072	-
<i>Program Manager</i>	1.00	153,798	-	153,798	-
<i>Public Art Program Administrator</i>	2.00	214,925	-	214,925	-
<i>Associate Management Analyst</i>	2.00	184,316	-	184,316	-
<i>Program Coordinator</i>	1.00	116,560	-	116,560	-
Office of Special Events and Filming					
<i>Executive Director</i>	1.00	165,587	-	165,587	-
<i>Program Manager</i>	2.00	264,571	-	264,571	-
<i>Senior Planner</i>	1.00	127,684	-	127,684	-
<i>Associate Management Analyst</i>	1.00	151,703	-	151,703	-
<i>Revenue</i>	-	-	-	-	75,000
Other Changes					
<i>Add NPE to contract for operation of Lyceum Theatre</i>	-	-	420,000	420,000	-
<i>Other PE Adjustments and Miscellaneous NPE</i>	-	(4,768)	915,559	910,791	-
FY 2021 Proposed Budget	13.00	\$ 1,639,075	\$ 1,335,559	\$ 2,974,634	\$ 75,000

Department Review: Debt Management

Debt Management

**General Fund Reductions of \$408,000 (13.9%): \$385,000 PE, \$23,000 NPE
3.50 FTE (1.50 filled)**

Impacts of Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Debt Management Department is approximately \$2.1 million, a reduction of \$851,000 or 29.0% from the FY 2020 Adopted Budget. There are 16.50 total FTE positions in the Department, reflecting a proposed reduction of 3.50 FTE positions from FY 2020. Budgeted revenue decreases by \$96,000 to \$779,000 in FY 2021 due to a reduction in reimbursements for services provided to other departments.

Significant Budget Additions

There are no significant budget additions.

Significant Budget Reductions

The FY 2021 Proposed Budget includes the following proposed reductions which include 3.50 FTE positions (the Department currently has 3.00 FTE position vacancies) and \$23,000 of NPE totaling \$408,000 or 13.9% of the FY 2020 Adopted Budget:

- (\$148,000) Reduction of 1.00 Program Manager position supporting the State Revolving Loan Program. This position co-

ordinates the timely completion and submission of loan applications while managing post-issuance compliance activities for each State loan. These responsibilities are proposed to be absorbed by other Program Managers and Debt Coordinators within the Department.

- (\$104,000) Reduction of 1.00 Senior Management Analyst in the Bond Finance and Administration section
- (\$96,000) Reduction of 1.00 Associate Economist (vacant) working on a cross-functional basis, so there is no specific program or service that the reduction of this position would impact.
- (\$36,000) Reduction of 0.50 Clerical Assistant II supporting department operations.
- (\$23,000) Reduction in non-personnel expense (NPE) for travel, training, and contracts for professional/technical services related that are no longer required.

The Department Director indicates the proposed staffing/budget is sufficient for anticipated debt related responsibilities in FY 2021.

SUMMARY OF DEBT MANAGEMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	20.00	\$ 2,687,060	\$ 245,276	\$ 2,932,336	\$ 874,000
Programmatic Changes					
<i>Budget Reduction: State RLF Program Manager</i>	(1.00)	(148,469)	-	(148,469)	-
<i>Budget Reduction: Senior Management Analyst</i>	(1.00)	(103,645)	-	(103,645)	-
<i>Budget Reduction: Associate Economist</i>	(1.00)	(96,083)	-	(96,083)	-
<i>Budget Reduction: Clerical Assistant 2</i>	(0.50)	(36,288)	-	(36,288)	-
<i>Budget Reduction: NPE - Travel/Training/Contracts</i>	-	-	(23,443)	(23,443)	-
Other Changes					
<i>Reduction in Reimbursement for Services Provided</i>	-	-	-	-	(95,500)
<i>Salary Adjustments (Staff & Position Changes, etc.)</i>	-	(66,600)	-	(66,600)	-
<i>Fringe Adjustments (Includes Retirement ADC)</i>	-	(389,106)	-	(389,106)	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	13,106	13,106	-
FY 2021 Proposed Budget	16.50	\$ 1,846,869	\$ 234,939	\$ 2,081,808	\$ 778,500
Difference from 2020 to 2021	(3.50)	\$ (840,191)	\$ (10,337)	\$ (850,528)	\$ (95,500)

Department Review: Department of Finance

Department of Finance

**General Fund Reductions of \$789,000 (4.0%): \$789,000 PE, \$0 NPE
7.80 FTE (0.00 filled)**

Impacts of Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Department of Finance is approximately \$18.7 million, a decrease of \$1.1 million or 5.4% from the FY 2020 Adopted Budget. There are 106.47 total FTE positions in the Department, reflecting a proposed net reduction of 6.80 FTE positions from the FY 2020 Adopted Budget. Revenue budgeted for reimbursements from other departments/funds remains virtually unchanged at \$2.1 million.

Significant Budget Additions

The Department adds 1.00 Financial Analyst 4 (FA4) in their Systems section. This add partially offsets the reduction of 2.00 Financial Analyst 2s (FA2) providing support for internal controls. The FA4 is expected to transition into a vacant Program Coordinator position that was added in the FY 2020 Budget.

Additionally, the Department is restructuring and reclassifying a Buyers Aide 1 (BA1) position from the Purchasing & Contracting

Department in order to add 1.00 Administrative Aide 2 (AA2) to provide support for the City's new vendor management module known as Ariba.

Significant Budget Reductions

The FY 2021 Proposed Budget includes a proposed reduction of \$789,000 (7.80 vacant FTE positions) which is exactly 4.0% of the FY 2020 Adopted Budget. The 7.80 FTE budget reduction is the net of 8.80 FTE position reductions offset by the addition of 1.00 FA4.

The Department indicates these reductions will result in reduced department support and personnel costings but will not impact the budget process/document. In addition to reduced customer support for General Fund departments, there will also be reduced support for capital improvement projects and non-public utility enterprise funds. The loss of 1.00 FA3 will reduce support for the Personnel Expenditure Planning (PEP) section.

Cost detail for all adds and reductions is provided in the Summary Table below.

SUMMARY OF DEPARTMENT OF FINANCE BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	113.27	\$ 18,524,327	\$ 1,218,944	\$ 19,743,271	\$ 2,100,000
Programmatic Changes					
<i>Budget Reduction: FA2 - support for Internal Controls</i>	(2.00)	(214,816)	-	(214,816)	-
<i>Budget Reduction: FA2 - support for Customer Support</i>	(2.00)	(225,787)	-	(225,787)	-
<i>Budget Reduction: FA3 - support for Customer Support</i>	(1.00)	(181,334)	-	(181,334)	-
<i>Budget Reduction: FA3 - support for PEP Section</i>	(1.00)	(118,682)	-	(118,682)	-
<i>Budget Reduction: AAC - support for AP/Fixed Assets</i>	(2.00)	(170,561)	-	(170,561)	-
<i>Budget Reduction: Hourly support for the Department</i>	(0.80)	(24,303)	-	(24,303)	-
<i>Addition of FA4 to support Systems Section</i>	1.00	146,213	-	146,213	-
<i>Restructure BA1 to AA2 to support Ariba</i>	1.00	75,566	-	75,566	-
Other Changes					
<i>Salary Adjustments</i>	-	(365,811)	-	(365,811)	-
<i>Other Fringe Adjustments (Includes Retirement ADC)</i>	-	(93,111)	-	(93,111)	-
<i>Miscellaneous Adjustments to NPE</i>	-	-	113,048	113,048	-
<i>Adjustment to Revenue</i>	-	-	-	-	6,353
FY 2021 Proposed Budget	106.47	\$17,351,701	\$ 1,331,992	\$18,683,693	\$ 2,106,353
Difference from 2020 to 2021	(6.80)	\$ (1,172,626)	\$ 113,048	\$ (1,059,578)	\$ 6,353

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Department of Information Technology

Impacts of Mayor’s FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Department of Information Technology is approximately \$113.9 million. This is a \$10.7 million, or 10.4%, increase from the FY 2020 Adopted Budget. The largest contributor to cost increases is the estimated cost of new contracts for citywide desktop/help desk services, the datacenter and cloud, and application development. *(This is discussed further under the Information Technology Fund)*

There are 134.73 FTE positions in the department’s Proposed Budget, reflecting an increase of 5.52 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 2021 Proposed Budget is approximately \$251,000. This is a slight reduction of \$16,000 from the FY 2020 Budget.

Computer Replacements Suspended

In FY 2020, the Department switch to a lease program for replacement of General Fund desktop computers. The goal is to replace computers every 5 years (or 20% of computers each year) with a 5-year lease, to match the expected useful life of the computers. The FY 2021 Proposed Budget reflects the second-year lease payment for desktop computers replaced in FY 2020. There is no funding for desktop computer replacements in FY 2021. There are over 1,000 computers that are over 5 years old and due to be replaced.

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.

SUMMARY OF DEPARTMENT OF INFORMATION TECHNOLOGY BUDGET CHANGES						
Fund	FY 2020 FTE	FY 2021 FTE	Change	FY 2020 Expense	FY 2021 Expense	Change
General Fund	-	-	-	267,172	251,030	(16,142)
GIS Fund	9.83	15.00	5.17	3,793,850	4,381,769	587,919
Information Technology Fund	45.00	44.00	(1.00)	61,891,341	71,617,243	9,725,902
OneSD Support Fund	30.00	30.00	-	27,129,825	27,763,597	633,772
Wireless Communications Technology Fund	44.38	45.73	1.35	10,105,542	9,909,621	(195,921)
Total Combined	129.21	134.73	5.52	\$ 103,187,730	\$ 113,923,260	\$ 10,735,530

Department Review: Dept of Information Technology

The FY 2021 Proposed Budget for the GIS Fund is approximately \$4.4 million with a roughly equivalent amount of revenue. This is approximately \$588,000 higher, or 15.5%, than the FY 2020 Adopted Budget.

The FY 2021 Proposed Budget reflects the annualization of positions added in the FY 2020 Budget but only funded for half of the fiscal year. The 5.00 FTE represents the other half of the budget year for the 10.00 FTE positions that were added to standardize data capture and quality assurance, plus coordinating and collaborating with regional agencies.

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 2021 Proposed Budget for the Information Technology Fund is \$71.6 million. This is an increase of \$9.7 million, or 15.7%, from the FY 2020 Adopted Budget. The revenue budget is similarly increased by approximately \$11.4 million, bringing the total revenue budget to \$71.7 million for FY 2021. The Information Technology Fund has 45.00 FTE positions with no change from the prior year.

Requests for Proposals (RFP)

The most significant budgetary change for FY 2021 is the estimated cost of transitioning services for desktop/help desk support, datacenter/cloud, and application development/management to new vendors. The Department of IT has issued RFPs to solicit bids for these services. The current timeline estimated by the Department is:

- RFP Review/Selection: April–October 2020
- City Council Approvals: November–December 2020
- Start Transition to New Vendor: January 2021
- Complete Transition: March 2022

The Department has estimated \$6.4 million in one-time costs to transition services from existing vendors to new vendors (based on results of the RFP). Ongoing costs of the new contracts are anticipated to result in large budget increases in FY 2022.

Other Significant Adjustments

Other notable changes in the budget for the Information Technology Fund include:

- Reduction of 1.00 Information Systems Analyst II and
- Increases in non-discretionary costs for citywide IT services/fees paid by the Information Technology Fund and reimbursed by other City departments.

SUMMARY OF INFORMATION TECHNOLOGY FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	45.00	\$ 7,183,665	\$ 54,707,676	\$ 61,891,341	\$ 60,326,593
Programmatic Changes					
<i>New RFP - Help Desk & Desktop Support Transition</i>	-	-	2,914,377	2,914,377	2,914,377
<i>New RFP - Data Center Transition</i>	-	-	2,688,953	2,688,953	2,688,953
<i>New RFP - Application Support Transition</i>	-	-	789,398	789,398	789,398
<i>Reduction of Information Systems Analyst II</i>	(1.00)	(91,397)	-	(91,397)	-
Other Changes					
<i>Vacancy Savings Increase</i>	-	(220,847)	-	(220,847)	-
<i>Other Adjustments</i>	-	(31,968)	3,677,386	3,645,418	5,049,816
FY 2021 Proposed Budget	44.00	\$ 6,839,453	\$ 64,777,790	\$ 71,617,243	\$ 71,769,137
Difference from 2020 to 2021	(1.00)	\$ (344,212)	\$ 10,070,114	\$ 9,725,902	\$ 11,442,544

Department Review: Dept of Information Technology

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 2021 Proposed Budget for the OneSD Support Fund is approximately \$27.8 million. This is an increase of 634,000, or 2.3%, from the FY 2020 Adopted Budget. Revenue has also been increased to \$27.7 million. The OneSD Support Fund has 30.00 FTE positions in the Proposed Budget, with no change from FY 2020.

Wireless Communications Technology Fund

The Wireless Communications Fund supports service delivery of public safety wireless communications technologies. The FY 2021 Proposed Budget for this fund is \$9.9 million, with offsetting revenue of approximately \$9.7 million and 45.73 FTE positions. The FY 2021 budget reflects a reduction of 1.2%, or roughly \$196,000, from FY 2020 with a net increase of 1.35 FTE positions.

Budget Reductions

The Wireless Communications Technology Fund's Proposed Budget reduces 2.00 FTE

Equipment Technicians who install the mobile radio systems in Police and Fire vehicles. As a result of this reduction, the workload will have to be absorbed by the remaining staff, resulting in longer turn-around times to get new vehicles into service.

The reduction in public safety contract services is associated with slowing down infrastructure projects. *(see discussion under "Issues for Consideration below)*

Budget Additions

The Proposed Budget includes the addition of 3.00 FTE positions to bring the work for installing, terminating connections, testing, and repairing voice and data cabling in-house to city employees. The Department determined that it would be more cost effective to add staff rather than continuing to contract out this work. Departments who need this service will now go to the Department of Information Technology with no budgetary impact to those departments who will reimburse the Wireless Communications Fund for the work performed.

Issues for Council Consideration

Delayed Projects

As a result of the economic downturn from the COVID-19 outbreak, projects that were deemed critical in the Mayor's FY 2021-2025 Five-Year Financial Outlook have been placed on hold. These include:

Public Safety Radio

This project was considered critical in order to

SUMMARY OF WIRELESS COMMUNICATIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	44.38	\$ 5,689,422	\$ 4,416,120	\$ 10,105,542	\$ 9,129,456
Programmatic Changes					
<i>Reduction of 2.00 FTE Equipment Technicians</i>	(2.00)	(135,997)	-	(135,997)	-
<i>Reduction in Public Safety Contract Services</i>	-	-	(268,428)	(268,428)	-
<i>Positions for City Cabling</i>	3.00	220,594	40,000	260,594	259,130
Other Changes					
<i>Vacancy Savings Adjustment</i>	-	7,086	-	7,086	-
<i>Other Adjustments</i>	0.35	79,610	(138,786)	(59,176)	276,329
FY 2021 Proposed Budget	45.73	\$ 5,860,715	\$ 4,048,906	\$ 9,909,621	\$ 9,664,915
Difference from 2020 to 2021	1.35	\$ 171,293	\$ (367,214)	\$ (195,921)	\$ 535,459

Department Review: Dept of Information Technology

keep the City's emergency radio and dispatch system operational, maintain FCC licensing and be eligible for grant funding. The Outlook estimated \$2.6 million would be needed in the first year and the project would take five years to complete.

Enterprise Asset Management (EAM) Phase 2

The Outlook included an estimate of \$5.7 million for implementation of Phase II of the Enterprise Asset Management (EAM) system to add the following departments: Police, Environmental Services, Library, Information Technology, Fire, and Parks & Recreation which would allow for additional asset types to be added to the system.

Support During COVID-19

The Department of Information Technology has been dealing with significant operational changes this past month during stay-at-home orders. They acquired remote working access for over 2,000 City employees and have provided computer support for the new homeless shelter at the Convention Center. At the time of this report, the Department wasn't sure yet what the cost implications would be but were working to include estimates in the FY 2020 Third Quarter Budget Monitoring Report. It will be important to assess what portion of any expenses will now become ongoing vs one-time "emergency" expenses during this outbreak and if any additional infrastructure, equipment or services needs to be considered in the event there is a resurgence or some other emergency requiring the City to quickly mobilize employees for remote work.

Department Review: Development Services

Development Services

**General Fund Reductions of \$1.6M (20.2%): \$1.6M PE, \$0.1M NPE
16.00 FTE (9.00 filled)**

Impacts of the Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Development Services Department (DSD) is approximately \$89.4 million and 567.50, a decrease of approximately \$1.4 million and 24.00 FTE from the FY 2020 Adopted Budget. Revenues are projected to total approximately \$87.9 million, an increase of \$5.7 from the FY 2020 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. The analysis of the FY 2021 Proposed Budget in this section is organized by major funds.

General Fund

The FY 2021 Proposed Budget for DSD totals approximately \$6.6 million in the General Fund, a \$1.4 million decrease from the FY 2020 Adopted Budget. The FY 2021 Proposed Budget includes 53.00 FTEs which represents a decrease of 19.00 FTEs from the FY

2020 Adopted Budget.

The Department's General Fund revenue totaling \$2.2 million represents a decrease of approximately \$827,000 from the FY 2020 Adopted Budget.

Significant Budget Reductions

Code Enforcement Staff

The FY 2021 Proposed Budget includes the reduction of code enforcement staff, consisting of 13.00 Zoning Investigator 2 positions, and \$1.3 million in expenditures. 42.00 code enforcement positions, of which 16.00 are Zoning Investigator 2s, will remain budgeted after this reduction. The Department indicated that these Zoning Investigator positions were identified given that zoning investigations are less essential for life safety compared to Combination Inspectors positions which focus on higher priority state building code inspections. 9.00 of the 13.00 positions proposed to be reduced are currently filled. Zoning investigations are likely to see significant delays given the sizable reduction in filled Zoning Investigators.

Additional Budget Reductions

The FY 2021 Proposed Budget includes the

SUMMARY OF DEVELOPMENT SERVICES - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	72.00	\$ 7,236,609	\$ 809,888	\$ 8,046,497	\$ 3,000,369
Programmatic Changes					
<i>Reduction of Code Enforcement Staff</i>	(13.00)	(1,294,001)	-	(1,294,001)	-
<i>Reduction of Administrative Support Staff</i>	(2.00)	(170,827)	-	(170,827)	-
<i>Reduction of NPE and Overtime</i>	-	(50,000)	(50,000)	(100,000)	-
<i>Reduction of Public Information Clerk</i>	(1.00)	(56,924)	-	(56,924)	-
<i>Department Restructure</i>	(3.00)	(306,564)	147,000	(159,564)	-
<i>Reduction in Shared Mobility Revenue</i>	-	-	-	-	(827,250)
Other Changes					
<i>Other Salaries & Wages</i>	-	309,498	-	309,498	-
<i>Non-Discretionary Adjustments</i>	-	-	54,171	54,171	-
<i>Other Adjustments</i>	-	-	(2,974)	(2,974)	-
FY 2021 Proposed Budget	53.00	\$ 5,667,791	\$ 958,085	\$ 6,625,876	\$ 2,173,119
Difference from 2020 to 2021	(19.00)	\$ (1,568,818)	\$ 148,197	\$ (1,420,621)	\$ (827,250)

Department Review: Development Services

following additional budget reductions:

- *Administrative Staff*- 2.00 FTEs and approximately \$171,000 in expenditures; both positions are currently vacant.
- *Public Information Clerk* – 1.00 FTE and \$57,000. This position currently vacant
- \$100,000 including a \$50,000 reduction for various NPE and \$50,000 for code enforcement overtime

Reorganization

For FY 2021, the Department is reorganizing payroll and analytical functions across its three funds. Under the restructure, 3.00 FTEs from the General Fund, including 1.00 Payroll Specialist 2, 1.00 Senior Management Analyst, and 1.00 Assistant Management Analyst, and 1.00 Account Clerk from the Local Enforcement Agency Fund (LEAF), will be transferred to the Development Services Fund (4.00 FTEs total). In turn, the General Fund and LEAF will be billed for these services. For the General Fund, this results in a net savings of \$160,000.

Significant Revenue Change

The FY 2021 Proposed Budget includes an \$827,000 reduction in revenue associated with Shared Dockless Mobility Device Permits. This reduction accounts for shared mobility device operators that have left the San Diego market. \$2.4 million in revenue from Shared Dockless Mobility Device Permits was initially added in the FY 2020 May Revise.

Development Services Fund

The FY 2021 Proposed Budget for the Development Services Fund is approximately \$81.9 million and 509.50 FTEs, an increase of approximately \$147,000 and 4.00 FTEs over the FY 2020 Adopted Budget. Revenues are projected to total \$84.9 million, an increase of approximately \$6.5 million over FY 2020.

Significant Budget Additions

The FY 2021 Proposed Budget includes the following additions:

- \$500,000 contribution towards the replenishment of the Pension Payment Stabilization Reserve. Although the General Fund's contribution to this reserve is delayed in the Proposed Budget as a budget mitigation measure, enterprise funds, such as the Development Services Fund, are continuing their contributions.
- 4.00 FTEs and \$403,000 in expenses related to the Department's reorganization, discussed under General Fund above. \$147,000 in additional revenue is associated with this adjustment.

Significant Revenue Change

The FY 2021 Proposed Budget includes the addition of \$6.6 million in additional revenue. This adjustment includes a CPI increase of 2.7%. Total revenues are projected to total \$84.9 million, exceeding budgeted expenditures \$3.0 million.

In June 2018, the City Council authorized a series of fee increases of 6% in FY 2019, up to 4.5% in FY 2020 and up to 3.5% in FY 2021. While the fee increases of 6% and 3.5% were instituted in FY 2019 and FY 2020, respectively, the FY 2021 Proposed Budget does not assume a fee increase. However, the Department has indicated that they will be revising revenue projections and the need for a fee increase in the May Revise given current circumstances.

Other

The FY 2021 Proposed budget includes One-Time Reductions and Annualizations totaling \$1.2 million in expenditures. The reduction in expenditures is primarily related to the \$606,000 in one-time funding for relocation costs to the 101 Ash Street Building and \$361,000 for the Department's final Regional Water Quality Control Board penalty payment stemming from a 2016 settlement.

Department Review: Development Services

Local Enforcement Agency Fund

The FY 2021 Proposed Budget for the Local Enforcement Agency Fund includes approximately \$894,000 and 5.00 FTEs, a decrease of approximately \$116,000 and 1.00 FTE from the FY 2020 Adopted Budget. Revenues are projected to total \$786,000 million which is unchanged from FY 2020.

The expenditure change and 1.00 FTE reduction is primarily related to the Department reorganization discussed under General Fund above.

Issues for Council Consideration

Companion Unit Fee Waiver Program

The FY 2020 Adopted Budget included \$800,000 in one-time funds for the Companion Unit Fee Waiver Program which is not carried forward in the FY 2021 Proposed Budget.

The funding for this program, which is budgeted in Citywide Program Expenditures, is utilized to reimburse the Public Utilities Department for water and sewer capacity fees that cannot be waived and that otherwise would need to be paid by companion unit permittees. We note that this has been a popular program; the full \$800,000 waiver allowance for FY 2020 was spent down less than halfway through the fiscal year and translated to more than 200 units benefitting from the program.

Department Review: Economic Development

Economic Development

**General Fund Reductions of \$1.1M (8.1%): \$0.4M PE, \$0.7M NPE
5.00 FTE (2.00 filled)**

Impacts of the Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Economic Development Department is approximately \$10.5 million, which is an overall decrease of \$3.2 million, or 23.1%, from the FY 2020 Proposed Budget.

Significant Budget Reductions

General Fund reductions for the Department total \$1.1 million and include the reduction of 5.00 FTE positions. This includes 3.00 regular full-time positions, including two Community Development Specialists and one Word Processing Operator, all of which are currently vacant, and reduce expenditures by \$347,000.

The Community Development Specialists provide front line services to the business community, and the reduction could result in reduced service levels and response times to that community. The other position serves as a front desk position and could reduce the level of customer service provided by the Department.

In addition, there is a reduction of 2.00 FTE which make up four different management interns within the Department. While these positions are interns, and thus temporary, all four internships will be ending early due to this reduction. These interns provide research and support throughout the Department. The reduction in expenditures totals \$68,000.

The largest non-personnel reduction is \$485,000 from the Small Business Enhancement Program (SBEP). This reduction affects three specific SBEP programs as follows:

- \$255,000 for City fees and bookkeeping fees paid for on behalf of various Business Improvement Districts (BIDs). These funds assist BIDs in holding special events throughout the year. In order to maintain these events, BIDs would have to pay for these expenses out of their budgets or raise fees to cover them.
- \$180,000 for the Storefront Improvement Program. This is a program that provides architectural assistance to small businesses to help them complete projects on

SUMMARY OF ECONOMIC DEVELOPMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	61.00	\$ 7,997,556	\$ 5,712,577	\$ 13,710,133	\$ 6,186,684
Programmatic Changes					
<i>Small Business Relief Program</i>	-	-	2,000,000	2,000,000	-
<i>Small Business Enhancement Program Reduction</i>	-	-	(485,000)	(485,000)	-
<i>Business Cooperation Program Reduction</i>	-	-	(210,000)	(210,000)	-
<i>Employee Reduction</i>	(3.00)	(347,390)	-	(347,390)	-
<i>Management Intern Reduction</i>	(2.00)	(68,432)	-	(68,432)	-
<i>Positions Restructured to Mobility Department</i>	(3.00)	(413,481)	-	(413,481)	(377,384)
<i>Funding Restructured to Homlessness Strategies</i>	-	-	(2,938,599)	(2,938,599)	-
Other Changes					
<i>Other Salary and Benefit Changes</i>	-	(798,678)	-	(798,678)	-
<i>Information Technology (Discretionary)</i>	-	-	19,075	19,075	-
<i>Non-Discretionary Adjustments</i>	-	-	78,559	78,559	-
<i>Management Intern Reimbursement</i>	-	-	-	-	14,025
<i>Other Internal Redistributions</i>	-	19,000	(19,000)	-	-
FY 2021 Proposed Budget	53.00	\$ 6,388,575	\$ 4,157,612	\$ 10,546,187	\$ 5,823,325
Difference from 2020 to 2021	(8.00)	\$ (1,608,981)	\$ (1,554,965)	\$ (3,163,946)	\$ (363,359)

Department Review: Economic Development

their storefronts. This program will no longer exist with this reduction.

- \$50,000 for Maintenance Assessment District (MAD) formulation funds. These funds assist MADs with the technical documents that they need to begin their formulation process. Currently, all potential MADs in process do not need these funds, so the impact of this reduction would only be on potential MADs that have not even begun.

It is also worth noting that the SBEP is a program which is guided by Council Policy 900-15, which dictates that the SBEP receive \$20 for each small business in the City. Based on the most recent estimate provided by the Department, there are over 99,000 small businesses (those with 12 employees or fewer) which would necessitate an appropriation of almost \$2.0 million. The FY 2021 Proposed Budget for the SBEP includes \$2.8 million, which includes the \$2.0 million for the Small Business Relief Program (SBRP), which is discussed more below. However, it should be noted that the SBRP supports business up to 100 employees, while the rest of the SBEP funding focuses on business only up to 12 employees.

There is also a reduction of \$210,000 for the Business Cooperation Program. This is a program which was recently overhauled in response to an audit finding that provides financial incentives for businesses to change their sales tax reporting in order to increase the share of sales tax revenues that accrue to the City. Currently, there are only three companies that have agreements in place, which all predate the overhaul. This reduction would eliminate the program, and thus cause the City to break its commitment to those three companies. The amount needed to maintain the commitment is approximately \$115,000.

In addition to these General Fund reductions, there is also \$1.0 million in Economic Development Funding that is reduced from the

Transient Occupancy Tax (TOT) Fund. This includes \$700,000, which supports the Economic Development and Tourism Support program, as well as \$315,000 which supports the Citywide Economic Development Support program. These two reductions will effectively eliminate funding for both programs.

Significant Budget Additions

The FY 2021 Proposed Budget includes the addition of \$2.0 million in General Funds for the SBRP. The SBRP was developed in response to the COVID-19 pandemic and was initially funded with Community Development Block Grant, Workforce Development Fund, and Small Business Region Revolving Loan Fund dollars. In FY 2020, these contributions totaled \$6.1 million. The program provides small grants and forgivable loans to small businesses with less than 100 full-time equivalent employees, and the focus of these grants is on job retention and other measures. The Proposed Budget addition would be the first infusion of General Fund dollars into the fund.

Restructures

Some of the largest changes in Economic Development are the result of the creation of two new departments within the FY 2021 Proposed Budget which are both receiving funding from this department. The new Mobility Department is receiving 3.00 FTEs and approximately \$413,000 in expenditures, as well as \$377,000 in revenue. These positions will manage the Community Parking Districts and the Shared Mobility Device Program in the new department.

The other major adjustment is the transfer of homelessness program funding, totaling \$2.9 million, to the Homelessness Strategies Department. This funding covers interim housing and other services that have traditionally received General Fund support.

Department Review: Environmental Services

Environmental Services

**General Fund Reductions of \$1.5M (3.1%): \$1.0M PE, \$0.5M NPE
8.00 FTE (1.00 filled)**

Impacts of the Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Environmental Services Department (ESD) is approximately \$119.6 million, an increase of approximately \$3.9 million and 1.00 FTE from the FY 2020 Adopted Budget. Revenues are projected to total approximately \$67.7 million, an increase of \$8.4 from the FY 2020 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 2021 Proposed Budget in this section is organized by the Department's four funds.

General Fund

The FY 2021 Proposed Budget for the Environmental Department totals approximately \$49.3 million in the General Fund, a \$1.2 million increase from the FY 2020 Adopted Budget. The FY 2020 Proposed Budget includes 173.53 FTEs which represents an increase of 0.85 FTEs from the FY 2020 Adopted Budget.

The Department's General Fund revenue totaling \$1.5 million represents a decrease of approximately \$98,000 from the FY 2020 Adopted Budget.

Significant Budget Reductions

Reduction of Sanitation Drivers

The FY 2021 Proposed Budget includes the reduction of 7.00 Sanitation Driver 2s and approximately \$877,000 in expenditures which

SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	172.68	\$ 17,381,315	\$ 30,751,690	\$ 48,133,005	\$ 1,619,345
Programmatic Changes					
<i>Reduction of Residential Refuse Collection Sanitation Drivers</i>	(7.00)	(876,711)	-	(876,711)	-
<i>Sidewalk Sanitation Savings</i>	-	-	(200,000)	(200,000)	-
<i>Reduction of Various Non-Personnel Expenditures</i>	-	-	(140,921)	(140,921)	-
<i>Reduction in Contracts</i>	-	-	(138,535)	(138,535)	-
<i>Reduction of Hazmat Inspector 2</i>	(1.00)	(106,150)	-	(106,150)	-
<i>CNG Fueling Station Maintenance Savings</i>	-	-	(35,000)	(35,000)	-
<i>Clean SD Program - Maintain Services</i>	3.00	199,171	2,670,415	2,869,586	-
<i>Clean SD Program - Addition of 4.00 FTEs</i>	4.00	257,182	63,600	320,782	-
<i>Lead Abatement Programs</i>	1.00	84,811	117,250	202,061	201,556
<i>Department Reorganization</i>	0.85	133,559	-	133,559	-
<i>One-Time Reductions and Annualizations</i>	-	(40,000)	(2,700,415)	(2,740,415)	(360,000)
<i>Revised Revenue</i>	-	-	-	-	60,000
Other Changes					
<i>Other Salaries & Wages</i>	-	75,144	-	75,144	-
<i>Non-Discretionary - Refuse Disposal Fees</i>	-	-	1,637,339	1,637,339	-
<i>Non-Discretionary Adjustments</i>	-	-	36,720	36,720	-
<i>Other Adjustments</i>	-	-	156,145	156,145	-
FY 2021 Proposed Budget	173.53	\$ 17,108,321	\$ 32,218,288	\$ 49,326,609	\$ 1,520,901
Difference from 2020 to 2021	0.85	\$ (272,994)	\$ 1,466,598	\$ 1,193,604	\$ (98,444)

Department Review: Environmental Services

support weekly residential refuse collection. All 7.00 positions are currently vacant and no service impacts to collection are anticipated. After this reduction, 65.00 Sanitation drivers will remain in the Department's budget.

Additional Budget Reductions

The FY 2021 Proposed Budget includes the following additional budget reductions:

- *Hazmat Inspector 2* - 1.00 FTEs and approximately \$106,000 in expenditures; This position, which is currently filled, oversees hazardous waste storage and trains City staff to meet regulatory requirements. The workload for this position will be spread among the Department's 6.00 remaining Hazmat Inspectors.
- \$141,000 for various Non-Personnel Expenditures.
- \$139,000 for contracts supporting the Collection Services and Waste Reduction Divisions.
- \$200,000 in efficiency savings related to Clean SD sidewalk sanitation; no service level impacts.
- \$35,000 for CNG Fueling Station Maintenance savings; no service level impacts.

Significant Budget Additions

Clean SD

The FY 2020 Proposed Budget includes 7.00 *term-limited* (non-permanent) FTEs and approximately \$3.2 million in *one-time* expenditures for the Clean SD Program in the Environmental Services Department's General Fund budget.

In addition, 2.00 FTEs and \$719,000 is included in the Refuse Disposal Funds which is discussed later in this Department Review. \$3.6 million is included in the Police Department's FY 2021 Proposed Budget as an additional component of Clean SD. This is discussed in the "Police Department" section of this report.

The majority of the addition for ESD's General Fund, \$2.9 million and 3.00 FTEs, is to maintain service levels that were expanded in FY 2020. Services include, \$2.7 million which is directed toward non-profit contractors to perform litter removal 24 hours/7 days per week and provide a second waste abatement shift daily. The 3.00 term-limited FTEs monitor the performance of these contractors on site and all three are currently filled.

For FY 2021, an additional 4.00 term-limited FTEs and \$321,000 in one-time expenditures is proposed. No additional service levels are associated with this addition; however, operational efficiency is expected to be increased by staffing these positions together with Neighborhood Policing officers when homeless camp abatements occur.

Total FY 2021 funding for the Clean SD program in the Department's General Fund Proposed Budget is \$6.8 million, a net increase of \$121,000 from FY 2020. According to the Department, all service levels under the Clean SD program will continue unchanged from FY 2020, including those related to sidewalk sanitation, riverbed/channel clean-ups, scheduled waste abatements, flexible litter removal crews, and curbside community clean-ups.

As noted above, one-time funds totaling \$3.2 million, including the addition of 7.00 term-limited (non-permanent) FTE positions, is contemplated to continue Clean SD at FY 2020 service levels. Our Office continues to have concerns regarding the use of one-time funds for an ongoing program such as Clean SD. Should these activities continue in future fiscal years, increased General Fund support or another funding source may be required.

Other Budget Additions

The FY 2021 Proposed Budget includes the following other additions:

- \$1.6 million in non-discretionary Refuse Disposal Fee expenditures. \$600,000 is associated with an expected \$2/ton AB

Department Review: Environmental Services

939 fee (see discussion of Recycling Fund later in the Department Review).

- 1.00 Environmental Health Inspector 2 and \$202,000 in expenditures which are reimbursable through state revenues to be received under the Santa Clara Lead Paint Lawsuit Settlement Agreement. The position will develop and administer Lead Abatement Programs.

Reorganization

For FY 2021, the Department is reorganizing the funding for 2.00 FTEs among the General Fund, Refuse Disposal Fund, and the Recycling Fund to better allocate the positions based on actual work performed for each fund. This includes 1.00 Finance Program Manager and 1.00 Senior Hazardous Materials Inspector. As a result of this reorganization, the General Fund will have an increase of 0.85 FTEs, the Refuse Disposal Fund will have a net decrease of 0.66 FTEs, and the Recycling Fund will have a net decrease of 0.19 FTEs.

Issues for Council Consideration

Funding Requests Not Budgeted

One-time funding of \$70,000 for a second weekly trash collection in Mission Beach during the summer months has been included in the last several Adopted Budgets through a transfer from the TOT Fund. For the FY 2021 Proposed Budget, the Department requested funding for this service, however, it was not included. Through our review, our Office found that the transfer of this funding was in fact included in the Special Promotional Programs Budget; however, the Department of Finance has indicated that this was an oversight and plans to make this correction in the May Revise. Should Council wish to fund this service, funding is currently available in the Special Promotional Programs Budget.

Recycling Fund

The FY 2021 Proposed Budget for the Recycling Fund is approximately \$30.9 million, an increase of approximately \$3.8 million over the FY 2020 Adopted Budget. Revenues are projected to total \$28.2 million, an increase of approximately \$4.6 million over FY 2020.

Significant Budget Additions

Citywide Curbside Recycling Contract

The FY 2021 Proposed Budget includes the addition of \$4.6 million to fund new Citywide Curbside Recycling Contracts that were approved by the City Council in July 2019. Historically, the City had received net revenues under past contracts for these services; however, given the impact China's National Sword Policy has had on the recyclables market, the new contracts now require payment from the City's Recycling Fund in order to process, market, and ultimately find a destination for recyclable materials.

To offset the costs associated with these contracts, the Department plans to seek AB 939 fee increases, including a \$2/ton increase for FY 2021 which is projected to generate \$2.8 million. This increase, as well as a \$1/ton CPI increase (from FY 2020) are included in the FY 2021 Proposed Budget for a combined \$4.3 million in increased revenue. As discussed earlier in this Department Review, these AB 939 increases impact the General Fund given that the City collects more than 300,000 tons of materials annually that are subject to AB 939 fees.

Other Budget Adjustments

The FY 2021 Proposed Budget includes the following adjustments:

- \$260,000 contribution to the Recycling Fund's Operating Reserve to meet the Policy Target of 15%
- \$104,000 contribution towards the replenishment of the Pension Payment

Department Review: Environmental Services

Stabilization Reserve. Although the General Fund's contribution to this reserve is delayed as a budget mitigation measure in the Proposed Budget, enterprise funds, such as the Recycling Fund and Refuse Disposal Funds, are continuing to make their contributions.

- \$260,000 reduction in supplies and Contractual Services.

Refuse Disposal Fund

The FY 2021 Proposed Budget for the Refuse Disposal Fund is approximately \$37.9 million, a decrease of approximately \$1.3 million from the FY 2020 Adopted Budget. Revenues are projected to total \$36.8 million, an increase of approximately \$3.8 million over FY 2020.

Significant Budget Additions

The FY 2021 Proposed Budget includes the following significant additions:

- 2.00 FTEs and \$719,000 in expenses related to Clean SD. The 2.00 FTEs are to service Clean SD waste containers and \$600,000 in one-time expenditures are for three additional vehicle purchases to support illegal dumping abatements and community clean-ups.
- \$1.8 million 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.
- \$100,000 contribution to the Refuse Disposal Fund's Operating Reserve to meet the Policy Target of 15%.
- \$76,000 contribution towards the replenishment of the Pension Payment Stabilization Reserve.

Significant Budget Reductions

The FY 2021 Proposed Budget includes the following reductions:

- \$495,000 reduction in various NPE including contracts and miscellaneous professional services.
- 1.00 Word Processing Operator and \$97,000; the position is currently filled.

Significant Revenue Additions

The FY 2021 Proposed Budget includes an increase of approximately \$3.8 million in revenue. The primary drivers of the increase include:

- \$2.0 million related to an increase in Clean Fill Dirt Program Fees which was increased from \$50 per load to \$100 per load for truck without trailers.
- \$1.0 million based on annual CPI rate adjustment on tipping fees.

Automated Refuse Container Fund

The FY 2021 Proposed Budget for the Automated Refuse Container Fund is approximately \$1.5 million, an increase of approximately \$200,000 over FY 2020. Revenues are projected to total \$1.2 million, an increase of \$200,000. The increase in both expenditures and revenues are associated with the purchase of refuse containers by residents.

Department Review: Executive Management Team

Executive Management Team

**Total General Fund Reductions of \$0.6M (8.3%): \$0.5M PE, \$0.1M NPE
2.00 FTE (2.00 filled)**

Impacts of Mayor's FY 2021 Budget Proposal

This section is comprised of the Executive Management Team which consists of the Office of the Chief Operating Officer, Office of the Assistant Chief Operating Officer, Office of the Chief Financial Officer, and the offices of the five Deputy Chief Operating Officers.

The combined FY 2021 Proposed Budget for the Executive Management Team is \$6.8 million, which is a decrease of \$1.1 million or 13.9% from the FY 2020 Adopted Budget. Additionally, the budget for the Executive Management Team includes 23.00 FTE, which is a decrease of 12.00 FTE from the Executive Team. More information on the respective offices are found below.

Office of the COO

The FY 2021 Proposed Budget for the Office of the Chief Operating Officer (COO) is approximately \$1.2 million, a decrease of \$72,000 or 5.7% from the FY 2020 Adopted Budget largely attributable to reductions in personnel expenditures. The FY 2021 Proposed Budget also includes the reduction of 1.00 Docket Office Senior Legislative Recorder totaling \$135,000 in personnel expenditures. This position will have very minimal

service level impacts as the duties will be absorbed by the remaining staff. The Office now has 4.00 FTE positions: 1.00 COO, 1.00 Confidential Secretary, 1.00 Senior Management Analyst, and 1.00 Program Manager.

Office of the ACOO

The FY 2021 Proposed Budget for the Office of the Assistant Chief Operating Officer (ACOO) is approximately \$631,000, a decrease of \$435,000 or 40.8% from the FY 2020 Adopted Budget. This decrease is primarily due to the reduction of 1.00 ACOO position and associated personnel expenditures. The Office now has 2.00 FTE positions: 1.00 ACOO and 1.00 Associate Management Analyst.

Office of the CFO

The FY 2021 Proposed Budget for the Chief Financial Officer (CFO) is approximately \$638,000, which is a slight increase of \$32,000 attributable to an increase in Personnel Expenditures with the shift of the Executive Assistant to Program Coordinator. The Office maintains 2.00 FTE positions: 1.00 CFO and 1.00 Program Coordinator.

SUMMARY OF EXECUTIVE MANAGEMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget (Combined)	35.00	\$ 6,857,084	\$ 1,020,808	\$ 7,877,892	\$ 2,333,632
Programmatic Changes					
<i>Executive Management Restructure*</i>	(12.00)	(2,046,194)	-	(2,046,194)	-
Other Changes					
<i>Revenue Adjustments</i>	-	-	-	-	\$ 292,830
<i>Other Adjustments</i>	-	274,649	673,212	947,861	-
FY 2021 Proposed Budget	23.00	\$ 5,085,539	\$ 1,694,020	\$ 6,779,559	\$ 2,626,462
Difference from 2020 to 2021	(12.00)	\$ (1,771,545)	\$ 673,212	\$ (1,098,333)	\$ 292,830

*10.00 of the listed positions have went to other departments in the City, and 2.00 are proposed reductions.

Office of the Independent Budget Analyst
April 2020

Department Review: Executive Management Team

DCOO: General Services

The FY 2021 Proposed Budget for the Deputy Chief Operating Officer (DCOO) of General Services is approximately \$499,000. There are no prior year expenditures associated with this position because the restructuring of the executive team resulted in a management shift of the branches. This Office manages 101 Ash as the lead, Fleet Operations, and Public Works. The Department is comprised of 1.50 FTE positions: 1.00 DCOO, and 0.50 Program Coordinator.

DCOO: Internal Operations

There are no planned expenditures for the Deputy Chief Operating Officer (DCOO) of the Internal Operations branch for the FY 2021 Proposed Budget due to the Executive Branch restructuring and shifting the duties to the ACOO, CFO, and DCOO of Smart & Sustainable Communities. Currently, there are no plans to fill this vacant position and the FY 2021 Proposed Budget requests to reduce the 1.00 DCOO FTE position and its \$412,000 in associated personnel cost.

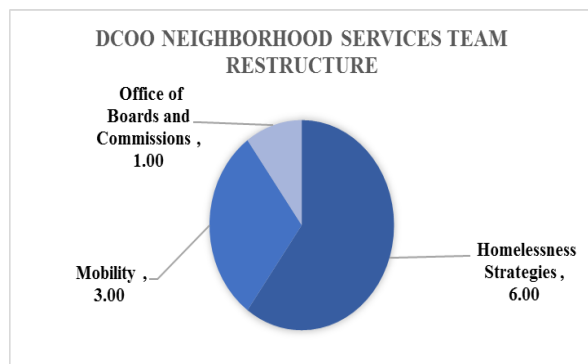
DCOO: Neighborhood Services

The FY 2021 Proposed Budget for the Deputy Chief Operating Officer (DCOO) of the Neighborhood Services Branch is approximately \$584,000, a decrease of 69.7% from the FY 2020 Adopted Budget. This is due to the department restructuring and shifting positions to other departments within the City. The restructuring breakdown is as follows below and indicated in the chart:

- Total of 6.00 FTE to the newly created Homelessness Strategies department: 1.00 Program Coordinator, 1.00 Associate Management Analyst, 1.00 Program

Manager, 1.00 Senior Management Analyst, 1.00 Assistant Management Analyst, and 1.00 Word Processing Operator

- Total of 3.00 FTE to the newly created Mobility department: 1.00 Project Assistant, 1.00 Project Officer 2, and 1.00 Executive Director
- Total of 1.00 Associate Management Analyst position to Office of Boards and Commissions
- Repurpose of 0.50 FTE Executive Assistant position to a Program Coordinator within the department.



The Department is now composed of 1.50 FTE positions: 1.00 DCOO and 0.50 Program Coordinator.

DCOO: Public Works & Utilities

The FY 2021 Proposed Budget for the Deputy Chief Operating Officer (DCOO) for Public Works & Utilities is \$520,000, a decrease of \$42,000, or 7.4% from the FY 2020 Adopted Budget. The decrease largely results from a \$22,000 reduction in contractual services associated with the Enterprise Asset Management (EAM) project. Additionally, \$118,000 of budgeted revenue is being added to the Department to reflect the cost allocation of branch management expenditures on General Fund departments. The FY 2021 Proposed Budget also repurposes 0.50 FTE Executive

Department Review: Executive Management Team

Assistant position to 0.50 Program Coordinator. The composition of the Department is now 1.50 FTE positions: 1.00 DCOO, and 0.50 Program Coordinator.

DCOO: Smart & Sustainable Communities

The FY 2021 Proposed Budget for the Deputy Chief Operating Officer (DCOO) of Smart & Sustainable Communities is approximately \$2.7 million which is an increase of \$741,000, or 37.5% from the FY 2020 Adopted Budget. This is primarily due to an increase in contractual expenditures for consulting services related to negotiating the San Diego Gas & Electric franchise agreement. The Department maintains the same staffing levels as the FY 2020 Adopted Budget with 10.50 FTE: 1.00 DCOO, 1.00 Supervising Management Analyst, 1.00 Deputy Director, 1.00 Assistant Deputy Director, 3.00 Program Managers, and 3.50 Program Coordinators. Additionally, as part of the FY 2021 Proposed Budget, the prior 0.50 Executive Assistant Position is requested to be repurposed as a 0.50 Program Coordinator.

Department Review: Fire-Rescue

Fire-Rescue

**General Fund Reductions of \$0.6M (0.2%): \$0.5M PE, \$0.1M NPE
2.33 FTE (2.33 filled)**

Impact of the Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Fire-Rescue Department is approximately \$285.9 million for the General Fund, an increase of \$1.0 million (0.4%) from the FY 2020 Adopted Budget. The Proposed Budget includes 1,349.67 FTEs, which is an increase of 42.15 FTEs.

Significant Budget Additions

The Fire-Rescue Department includes some significant budget additions, in FTEs and/or expenditures during FY 2021. For positions, there are an additional 48.00 FTEs added to the FY 2021 Proposed budget. This includes:

- 37.00 FTEs for the continued staffing of

the Relief Pool, which seeks to limit over-time spending by adding regular fire personnel that can backfill for other firefighters instead of utilizing overtime. This addition, however, results in a net decrease of \$0.5 million in expenditures as the decrease in overtime payments is greater than the costs for additional personnel;

- 9.00 FTEs and \$1.5 million in expenditures for the new north University City fire station. This addition assumes that the station will open in September, and will require the addition of 3.00 FTEs in the FY 2022 budget to fully staff the position on an annual basis;
- 1.00 FTE for a program manager for the Computer Aided Dispatch system. This

SUMMARY OF (FIRE-RESCUE) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	1,307.52	\$ 241,783,617	\$ 43,122,108	\$ 284,905,725	\$ 54,845,241
Programmatic Changes					
<i>Relief Pool</i>	37.00	(934,751)	431,324	(503,427)	-
<i>North Univeristy City Fire Station</i>	9.00	1,333,170	123,750	1,456,920	-
<i>Trasferred Position from Homeland Security</i>	1.00	151,509	-	151,509	-
<i>Personal Protective Equipment Replacement</i>	-	-	237,986	237,986	-
<i>Port Boat Grant Match</i>	-	-	250,000	250,000	-
<i>Airport Training (Reimbursable)</i>	-	-	138,000	138,000	138,000
<i>Internal Position Reclassifications</i>	-	44,588	-	44,588	-
<i>Computer Aided Dispatch Program Manager</i>	1.00	142,452	(195,132)	(52,680)	-
<i>South UC Fast Response Squad Reduction</i>	(2.33)	(366,471)	(22,715)	(389,186)	-
<i>Swift Water Rescue Team Training Reduction</i>	-	-	(115,090)	(115,090)	-
<i>Mobile Operations Team Reduction</i>	-	(112,087)	-	(112,087)	-
<i>Removal of FY 2020 One-Time Expenditures</i>	(2.88)	(234,940)	(1,805,758)	(2,040,698)	-
<i>Increased Vacancy Factor</i>	-	(3,173,320)	-	(3,173,320)	-
<i>Public Safety Sales Tax Adjustment</i>	-	-	-	-	241,744
<i>One-Time Revenue Adjustments</i>	-	-	-	-	(966,217)
Other Changes					
<i>Fringe Benefit Adjustments</i>	-	4,890,653	-	4,890,653	-
<i>Other Salary Changes</i>	-	(69,929)	-	(69,929)	-
<i>Information Technology (Discretionary)</i>	-	-	588,441	588,441	-
<i>Hourly Personnel Changes</i>	(0.64)	126,934	-	126,934	-
<i>Non-Discretionary Adjustments</i>	-	-	(386,330)	(386,330)	-
<i>Other Changes</i>	-	(3,501)	3,501	-	-
FY 2021 Proposed Budget	1,349.67	\$ 243,577,924	\$42,370,085	\$285,948,009	\$54,258,768
Difference from 2020 to 2021	42.15	\$ 1,794,307	\$ (752,023)	\$ 1,042,284	\$ (586,473)

Department Review: Fire-Rescue

position offsets the need for additional contracting services, and thus results in a net decrease of approximately \$53,000; and

- 1.00 FTE for a program manager transferred from the Office of Homeland Security. This position will oversee the Employee Services Section of the Department.

In addition to the position increases, there are also two personnel changes that while they result in no FTE increases, do reclassify positions into a higher pay range. The first is a reclassification of a Battalion Chief into a Deputy Fire Chief, who will oversee the Emergency Medical Services, Training, and Health & Safety Divisions and the Professional Standards Unit. The Battalion Chief is no longer necessary due to the reorganization of the Emergency Command Data Center. The second reclassification is from an Information Systems Analyst 3 to a Fire Dispatch Administrator, which will handle the increased workload and management of the Command Center. Both position changes are in response to span of control needs which require different management structures to efficiently and effectively oversee increased operations. The two changes increase expenditures by just less than \$45,000.

The Department also received various increases in non-personnel expenditures for various items. This includes \$237,986 for personal protective equipment replacement, which is part of a multi-year approach to replacing basic firefighter protective equipment that has exceeded its useful life. For the sake of clarity, this is equipment that is used to fight fires, and is not related to the current COVID-19 crisis.

The Department also received funding to match a grant for the purchase of a new port security boat (\$250,000). This funding is matching a grant of \$750,000 that would otherwise have been lost without matching funds.

Lastly, there is an increase to conduct mandated aircraft firefighter training and operations in conjunction with the Airport Authority, which is fully reimbursable (\$138,000).

Significant Budget Reductions/Service Level Reductions

There are three significant reductions that will result in some service level impacts for the department. The first is the elimination of the South University City Fast Response Squad (FRS), which results in a reduction of \$389,000 and 2.33 FTEs. While the service level impact of this reduction will be somewhat mitigated by the addition of the North University City Fire Station, the FRS was still deemed necessary to meet response time demands in the most recent Citygate report. The FRS will only be phased out once the new fire station is completed. Further, while these positions are currently filled, the department indicates that the personnel currently in these positions will be reassigned to other vacant positions within the department.

The second reduction is for the Mobile Operations Detail, which is mobile unit that provides operational cover in and around the Gaslamp district during high call volume times, mainly overnight on the weekend. This unit prevents the Gaslamp Fire Station from having to respond to every call, many of which do not necessitate a full fire station response. Without this detail, the full four-man crew from that fire station will have to respond instead.

Finally, there is a reduction of \$115,000 for out-of-state training for the Swift Water Rescue Team. This training is required to certify the team to a national level. However, this will not impact the team's ability to respond to emergencies within the City or the state as they will still receive all of the certifications that they need to operate within California.

Beyond those reductions, there are two other large reductions to the Fire-Rescue Department. The first reduction is the removal of

Department Review: Fire-Rescue

one-time funding for one-time items in FY 2020, totaling \$2.0 million. These reductions include:

- \$864,808 in one-time costs for personnel added in FY 2020;
- \$300,000 for the wellness contract;
- \$242,490 for the advanced lifeguard academy, which is not being continued in FY 2021 due to budgetary constraints;
- \$185,400 for initial helicopter pilot training due to the addition of new helicopters to the fleet;
- \$160,000 for the expansion of the dispatch center to accommodate new positions;
- \$150,000 for gender diversity training; and
- \$138,000 for Citygate to conduct a facility needs assessment for the Emergency Command and Data Center.

Of these items, the only ones that were not true one-time needs are the wellness contract and the advanced lifeguard academy. Without additional funding, the current wellness contract will be underfunded in FY 2021. However, due to changes this year with the contract, as well as the fact that the current COVID-19 crisis has postponed most wellness events, the full amount of the contract in FY 2020 will not be expended. The Department indicates that they will work with the provider to maintain the service levels to what funding is provided in the FY 2021 budget.

The advanced lifeguard academy provides critical training to 15 Lifeguard 1s each year. Without this funding, those training recruits would not receive critical training elements to meet job requirements and would not be able to meet certain hiring requirements when vacancies occur.

The other large reduction is \$3.2 million in increased vacancy savings. This would increase total budget vacancy savings from \$6.6

million to \$9.8 million. While the Department has been experiencing vacancy savings higher than what has been budgeted for many years, and higher than what is contained in the Proposed Budget, these unbudgeted savings are normally utilized to cover overbudget overtime costs and other salary changes. However, as discussed more below, the overtime budget has been reduced in FY 2021, which may present a problem.

Unfunded Critical Strategic Expenditures

In addition to the reductions, there was one item included as a Critical Strategic Expenditures in the most recent Five-Year Financial Outlook that were not included in the FY 2021 Proposed Budget for the Fire-Rescue Department. FY 2021 was supposed to be the first year of a three-year phase in for the Peak Hour Engines (PHEs), with the addition of 16.00 FTEs and \$2.2 million in expenditures.

PHEs were a key recommendation of the 2017 Citygate Report, and the Department had previously indicated that they would utilize the PHE concept to supplement rather than replace fire stations and existing FRS units. Initially, FY 2021 was supposed to be the year for the full implementation of 6 PHE teams, which would include 48.00 FTEs and \$6.6 million in expenditures. However, this item was not funded in FY 2020, and the exclusion of the item in FY 2021 will further delay the implementation of these teams.

Issue for Council Consideration

Overtime Expenditure Budget Potentially Too Low to Cover Known Costs

An issue that our Office has continued to raise is the pattern for overtime expenditures to consistently exceed the budget. In recent years, this has not caused a significant budget issue because when overtime expenditures have increased, salary expenditures have decreased below budget enough to cover for it.

Department Review: Fire-Rescue

SALARY AND OVERTIME BUDGET AND PROJECTION COMPARISON						
	FY 2020			FY 2021		
	Adopted Budget	Mid-Year Projection	Difference	Proposed Budget	Modified Projection ²	Difference
<i>Overtime</i>	36,589,653	42,328,853	5,739,200	31,694,867	37,551,293	5,856,426
<i>Salary</i> ¹	86,422,760	81,627,754	-4,795,006	86,352,840	81,851,375	-4,501,465
Total	123,012,413	123,956,606	944,193	118,047,707	119,402,668	1,354,961
¹ Salary includes Salaried Wages and Budgeted Vacancy Factor						
² Modified Projection includes the Mid-year projection, adjusted for known changes included in the FY 2021 Proposed Budget (new positions, vacancy savings, and overtime changes)						

Within the Fire-Rescue department, these two budgetary trends have tracked one another, since it is unexpected vacancies that have, in many instances, been the reason for the increase in overtime expenses. As an agency that requires 24 hour staffing levels, having firefighter positions vacant necessitates the need for overtime for other firefighters. This is the issue that the Relief Pool is specifically addressing.

As noted previously, the Proposed Budget includes a significant increase in the amount of vacancy savings expected for the department, decreasing salary expenditures by \$3.2 million. However, overtime expenditures are also decreased by \$4.9 million, largely as a result of the decreased overtime expectancy with the addition of additional Relief Pool firefighters. Our worry, however, is that this significant increase in vacancy may leave the department without enough budget to cover potential overtime costs.

The chart on this page displays the amounts for salaries and overtime in the FY 2020 Adopted Budget, the latest expectation for FY 2020 in the Mid-year Budget Monitoring Report, the FY 2021 Proposed Budget, and a modified projection for FY 2021 based on the FY 2020 projection and known FY 2021 budget changes. As shown in the chart, the modified projection for FY 2021 is currently \$1.4 million higher than the Proposed Budget. If current overtime and salary spending trends continue, then the Proposed Budget currently does not have enough budget included to

cover these expenses. This is an issue that the Fire-Rescue Department and the Department of Finance should very closely monitor, both for the FY 2020 Year-end Budget Monitoring Report and for the May Revision.

Fleet Operations

Impacts of Mayor’s FY 2021 Budget Proposal

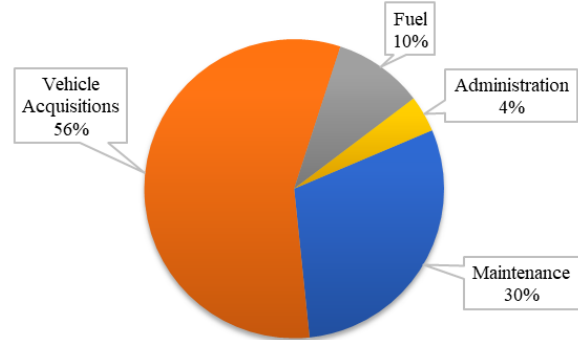
The Fleet Operations Department has two internal service funds—the Fleet Operating Fund which supports vehicle maintenance, repairs, fuel, a vehicle rental pool and administrative costs and the Fleet Replacement Fund which is used to purchase replacement vehicles for the City’s fleet. Vehicle acquisitions represent approximately 56% of the total FY 2021 Proposed Budget for Fleet Operations, as reflected in the graph on the right.

The combined FY 2021 Proposed Budget for Fleet Operations is approximately \$129.6 million, an increase of \$2.4 million or 2.0% from the FY 2020 Adopted Budget. This is primarily due to an increase in vehicle acquisitions offset by savings in fuel. The FY 2021 Proposed Budget includes 206.25 FTE positions, with no change from prior year. Budgeted revenue totals \$129.6 million, a reduction of \$1.2 million.

Use of General Fund Replacement Fund Balance

The General Fund’s Replacement Fund balance is being drawn down in order to provide rate relief to General Fund Departments, thereby reducing their expenditures for FY 2021. The Replacement Funds were established to serve as a savings account where

FLEET OPERATIONS BUDGET BY FUNCTION



funds are set aside for the future replacement of a vehicle. Departments pay into this savings account through “assignment fees” which are calculated based on anticipated replacement cost and useful life of the vehicle. Each City fund with vehicles has its own Replacement Fund in order to properly account for the assets. For example, only General Fund assignment fees paid into the General Fund Replacement Fund are used to purchase General Fund vehicles like Fire trucks.

The General Fund, however, has switched almost entirely to replacing vehicles using a debt financing program. Since most General Fund vehicles are no longer purchased with cash, there is no need to hold this significant amount of cash in the Replacement Fund, especially in light of the reductions proposed throughout General Fund departments due to

SUMMARY OF FLEET OPERATIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	206.25	\$ 23,183,447	\$ 100,918,089	\$ 124,101,536	\$ 130,780,375
Programmatic Changes					
<i>Use of General Fund Replacement Fund Balance</i>	-	-	-	-	(4,800,000)
<i>Reduction in Cost of Fuel</i>	-	-	(2,434,670)	(2,434,670)	(2,136,662)
<i>Debt Reimbursement Revenue Increase</i>	-	-	-	-	6,336,661
<i>Increase for Vehicle Acquisitions</i>	-	-	5,831,160	5,831,160	-
Other Changes					
<i>Vacancy Savings Increase</i>	-	(581,039)	-	(581,039)	-
<i>Other Adjustments</i>	-	(274,339)	(92,012)	(366,351)	(579,160)
FY 2021 Proposed Budget	206.25	\$22,328,069	\$104,222,567	\$126,550,636	\$129,601,214
Difference from 2020 to 2021	-	\$ (855,378)	\$ 3,304,478	\$ 2,449,100	\$ (1,179,161)

Department Review: Fleet Operations

revenue shortfalls from the impacts of COVID-19.

In order to provide some relief to the General Fund, \$4.8 million of the General Fund's Replacement Fund balance will be use this year and department's assignment fees reduced by the same amount. This will have no service level impacts and scheduled vehicle replacements will continue as planned.

Reduction in Fuel Costs

The FY 2021 Proposed Budget for fuel includes a \$2.4 million reduction because current fuel prices are very low. The Fleet Operations Department indicated that they have not seen a reduction in usage of vehicles, this is directly tied to the recent drop in the price of fuel, not consumption. The initial fuel budget submitted for FY 2021 pre-COVID-19, was an increase of \$1.7 million which the Department was prepared to absorb by redistributing budget from other areas.

The Department, using information from the Federal government's U.S. Energy Information Administration website, has estimated that the lower fuel prices will continue through the first quarter of FY 2021 and this resulted in lower the FY 2021 fuel budget by \$2.4 million. This cost savings is also reflected in other City departments' fuel budgets. The prices for leaded and unleaded fuel each dropped by more than \$1/gallon just in the month leading up to the release of the Proposed Budget.

Vehicle Acquisitions

The budget for vehicle purchases has increased by \$5.8 million, or 11%, from the \$52.4 million acquisition budget in FY 2020. This is based on scheduled replacements of vehicle that have reached the end of their useful life. Revenue has also been increased to reflect proceeds from debt financing of vehicle replacements. Currently, approximately 68% of the City's fleet of vehicles are within their useful life. The department continues to make efforts to increase the number of vehicles

within useful life, which will reduce maintenance costs.

Issues for Council Consideration

Kearny Mesa Repair Facility

As noted in the Facilities Updates section earlier in this report, the Kearny Mesa Repair Facility on Othello Avenue, requires \$13.8 million of funding to complete the project.

The FY 2020 Capital Improvements Budget included \$1.0 million of funding for the design of converting the site at Othello Avenue into a maintenance and repair facility for heavy-duty fire apparatus. There had been significant delays in getting to this point, from the time the City entered into the lease in April 2017, due to changing cost estimates, resulting in insufficient funding and the need to re-evaluate the preliminary design plans for the site. In the meantime, this location has been used as a space to house staff displaced from other office spaces and a storage warehouse.

As we discussed in our review of the FY 2021-2025 Five-Year Capital Infrastructure Planning Outlook, the latest cost estimate to complete the project is now \$14.8 million and the project requires approximately \$13.8 million in additional funding to proceed into construction and complete the project. The FY 2021 Proposed CIP Budget for this project reflects \$13.8 million of "anticipated" funding needed in FY 2021. The Fleet Operations Department and Department of Finance informed us that they plan to allocate funding to this project when the next round of General Fund commercial paper debt financing is approved by City Council. *(Note: This project is not eligible for debt financing because the City is leasing the property. Debt financing will be proposed to replace budget in other projects, thereby freeing up eligible funding for this project.)*

Department Review: Fleet Operations

Fleet had hoped to execute a construction contract in July but this may be delayed based on the timing of favorable pricing in the bond market. Once initiated, construction is estimated to take 12-18 months.

Unfunded Capital Needs

The Fleet Operations Department has a backlog of unfunded capital repairs needed at various fleet repair facilities that service the City's fleet of vehicles. Nearly \$5.0 million in funding was requested for the Proposed Budget but was not funded.

Department Review: Government Affairs

Government Affairs

The Government Affairs Department was established as a new department with the adoption of the FY 2019 Budget. The Department manages the City’s state and federal legislative priorities as they are developed by the Mayor and the City Council. Additionally, the Department collaborates with other local government entities (SANDAG, the Port, the County Water authority, etc.), maintains important relationships with the government of Mexico and works to address intergovernmental issues, and otherwise advocates at all levels of government on issues of importance to the City. With the adoption of the FY 2020 Budget, the Department added an Immigrant Affairs Program Manager to manage immigrant affairs policies and programs.

Significant Budget Additions

There are no significant budget additions.

Significant Budget Reductions

The Department was not asked to take a 4% budget reduction. When our Office asked why the Department was exempted from a budget reduction, it was explained that the Mayor’s Office preferred to increase their percentage reduction (to approximately 8.9%) to avoid a staff reduction in the Government Affairs Department.

Impacts of Mayor’s FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Government Affairs Department is approximately \$1.3 million, a slight increase of \$5,000 or 0.5% from the FY 2020 Adopted Budget. Total positions in the Department remains unchanged at 7.00 FTE positions.

Budgeted revenue for the Department also remains unchanged at \$319,000. This amount is based on an understanding that the Public Utilities Department (PUD) will reimburse the Department for their time spent advocating and supporting PUD objectives.

SUMMARY OF GOVERNMENT AFFAIRS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	7.00	\$ 1,200,143	\$ 53,613	\$ 1,253,756	\$ 319,094
Programmatic Changes					
	-	-	-	-	-
Other Changes					
<i>Salary Adjustments</i>	-	57,161	-	57,161	-
<i>Other Fringe Adjustments (Includes Retirement ADC)</i>	-	(66,404)	-	(66,404)	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	15,238	15,238	-
FY 2021 Proposed Budget	7.00	\$ 1,190,900	\$ 68,851	\$ 1,259,751	\$ 319,094
<i>Difference from 2020 to 2021</i>	-	\$ (9,243)	\$ 15,238	\$ 5,995	\$ -

Department Review: Homelessness Strategies

Homelessness Strategies

**General Fund Reduction of \$420,000 NPE
3.00 FTE (1.00 filled to be absorbed) at San Diego Housing Commission**

Impacts of Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget creates a new department, consolidating homeless-related programs that exist in the Citywide and Economic Development departments into a Homelessness Strategies Department.

The budget includes \$10.4 million in General Funds, an increase of \$9.7 million, or 13.0%, from the Homelessness Coordination Division's funding level in the FY 2020 Adopted Budget. The Proposed Budget includes 9.00 FTE positions, an increase of 4.00 from FY 2020. Budgeted revenues are intended to total \$648,000 but will be updated in the May Revision to reflect this. This is an increase of approximately \$487,000. Revenues come from one-time state funds.

The table below shows the General Fund budget changes that were taken to bring the Homelessness Coordination Division to a new department being proposed for FY 2021. As shown, certain homeless program budgets

have been transferred into the new department, and other adjustments have been made.

As described in the Proposed Budget, staff is currently reevaluating the use of \$26.6 million in state grant funds (Homeless Emergency Aid Program and Homeless, Housing Assistance and Prevention Program) due to changing needs arising from responding to COVID-19. **Therefore, a full picture of all FY 2021 homelessness programs is not provided in the Proposed Budget.**

The budget lists the programs that still need allocations, which include continued operations for three of the four bridge shelters. The bridge shelters are currently consolidated at the Convention Center and state grant funds are supplementing the existing Bridge Shelter Program budget. Additional federal resources are also becoming available to mitigate the impacts of COVID-19. According to the Proposed Budget, staff is determining how best to use all resources, which will inform the FY 2021 budget allocations for the bridge shelters and other homelessness programs.

SUMMARY OF HOMELESSNESS STRATEGIES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	5.00	\$ 731,649	\$ 14,500	\$ 746,149	\$ 160,929
Programmatic Changes					
<i>Staff for Program Support and Fiscal Oversight</i>	3.00	486,901	-	486,901	487,340
<i>One Position Transfer from Office of ADA</i>	1.00	98,675	-	98,675	-
<i>Transfer in Bridge Shelter Budget</i>	-	-	3,066,385	3,066,385	-
<i>Bridge Shelters Offset with State Funds</i>	-	-	(2,117,698)	(2,117,698)	-
<i>Relocate and Operate VVSD Bridge Shelter</i>	-	-	5,687,965	5,687,965	-
<i>Transfer in EDD Related Budget</i>	-	-	2,634,599	2,634,599	-
<i>Reduce 3 Positions at SDHC</i>	-	-	(420,106)	(420,106)	-
<i>Think Dignity Storage Offset with State Funds</i>	-	-	(56,387)	(56,387)	-
<i>Transfer in Housing Navigation Center Budget</i>	-	-	300,000	300,000	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	17,948	-	17,948	-
<i>Miscellaneous Adjustment</i>	-	-	(3,600)	(3,600)	-
FY 2021 Proposed Budget	9.00	\$ 1,335,173	\$ 9,105,658	\$ 10,440,831	\$ 648,269
Difference from 2020 to 2021	4.00	\$ 603,524	\$ 9,091,158	\$ 9,694,682	\$ 487,340

* FY 2021 Proposed Budget totals vary slightly from what is reflected in the budget publication. Adjustments will be made in the May Revision.

Department Review: Homelessness Strategies

Adjustments are expected to be made in the May Revision.

However, unlike the City's Proposed Budget, the San Diego Housing Commission's (SDHC) FY 2021 Proposed Budget includes the use of \$22.0 million in state grant funds. The SDHC's budget assumes continuation of FY 2020 service levels for respective homelessness programs, acknowledging that budget revisions are anticipated. Our Office will be doing a separate review of the SDHC's Proposed Budget.

Significant Budget Reduction

The FY 2021 Proposed Budget includes the following reduction to the Homelessness Strategies Department's budget:

- \$420,000 ongoing reduction in General Funds for three positions at the SDHC for homeless program support.

In the FY 2020 May Revision, the Mayor originally requested these positions to be housed at the City. City Council reallocated the funding for the positions to the SDHC in the final FY 2020 Adopted Budget. The SDHC had planned to use the positions to support implementation of the City's Community Action Plan on the Homelessness. According to SDHC, it has recently hired one of the three positions. Despite the proposed cut, it will work to keep the filled position by absorbing it within the SDHC's budget. However, according to SDHC, its budget will not be able to absorb the other two positions, so those positions will be lost. The impact of losing the remaining two positions on implementing the Community Action Plan on Homelessness is unclear, as the focus has been to respond to the COVID-19 crisis and adapt to the ever-changing environment.

Significant Budget Additions

The Proposed Budget includes the following additions:

- \$5.7 million in one-time General Funds, to support the relocation and operation of the

Veterans Villages of San Diego (VVSD) bridge shelter. Though this is a one-time adjustment, about \$4 million of these costs are ongoing.

- 3.00 ongoing FTE positions using \$487,000 in one-time revenue coming from state grant funds.

As of this writing, all four bridge shelters – its services and tenants – have been temporarily relocated to the Convention Center in response to COVID-19. It is unknown how long individuals will remain there. When the shelters vacate the Convention Center, the VVSD shelter will need to be relocated because, according to staff, its lease ends on June 30, 2020. The \$5.7 million budget change is a *net adjustment* that accounts for \$2.5 million in relocation costs (**the plan for which Council may wish to get more information**), the shelter's \$3.4 million operating budget, and \$728,000 in ancillary (i.e. equipment rental, and laundry) and other costs. Additional, unknown costs will be incurred to move the remaining three shelters back to their original sites.

The requested 3.00 FTE positions are intended to provide additional program support and fiscal oversight. We note that Homelessness Strategies currently has one unbudgeted supplemental position which would step into one of these positions beginning in FY 2021, if approved.

With the consolidation of homeless programs, the new department would take on the additional administrative workload of managing respective contracts that the Parks and Recreation Department currently helps with, and the Economic Development Department administers. Staff indicate that the positions would allow for adequate financial monitoring and reporting for the City, as well as the state for related grants. The positions are also intended to be significantly involved in implementing the Community Action Plan on Homelessness.

Department Review: Homelessness Strategies

Finally, staff indicate that the requested positions are responsive to the recent City audit on the City's efforts to address homelessness. The audit observed that Homelessness Strategies is currently understaffed to oversee existing actions to address homelessness, let alone to implement the Community Action Plan on Homelessness. One audit recommendation was to conduct an analysis of needed staff.

Other Budget Adjustments

Also noteworthy, are the following reductions in the General Fund, proposed to be offset by one-time state grant funds:

- \$2.1 million ongoing reduction of City ancillary costs for three bridge shelters run by the Alpha Project and by Father Joe's Villages. Funds will be needed once the state money is exhausted.
- \$56,000 one-time reduction to the Think Dignity Storage Facility.

Outside of the Homelessness Strategies Department

The San Diego Police Department's Homeless Outreach Team is maintained at \$3.0 million in the FY 2021 Proposed Budget. Funding for Neighborhood Services Community Impact Strategies of \$4.3 million was inadvertently omitted from the budget and will be included in the May Revision to maintain FY 2020 activities, anticipated to be supported by one-time Seized Assets Funds.

The Wheels for Change program within CleanSD, is currently funded with \$200,000 in General Funds, is not included in the Proposed Budget. The Wheels for Change program was a priority of the Mayor's in the FY 2021 – FY 2025 Five Year Financial Outlook released this past fall.

Finally, \$250,000 is budgeted within the Low and Moderate Income Housing Asset Fund and is one of three funding sources that support the Housing Navigation Center.

Issues for Council Consideration

COVID-19 Impacts on Homelessness Programs and the Strategic Plan

COVID-19 has required the City's homelessness programs to undergo dramatic and immediate change, and continues to adapt daily, to protect the particularly vulnerable homeless population. Despite the challenges, the public health crisis has brought about unprecedented funding, regional coordination, and political will to house homeless individuals.

Coordinating with the County is a key item for immediate consideration raised in the Community Action Plan on Homelessness, particularly related to a lack of behavioral health and other health services needed to properly serve certain homeless individuals. The Convention Center is an example of even broader coordination occurring as the City, County, Regional Task Force on the Homeless, and the SDHC are combining funds and resources to work to quickly house its residents. This provides an opportunity to build on partnerships at a systemwide level, beyond this project.

Vision for Homelessness Staff

The FY 2021 Proposed Budget includes government restructuring and the creation of several new departments: a Mobility Department, a Storm Water Department, a Cultural Affairs Department, and a Homelessness Strategies Department. As Council determines whether these changes and additional positions will result in more effective operations, it should

*"...the **public health crisis** has brought about unprecedented funding, regional coordination, and political will to house homeless individuals."*

Department Review: Homelessness Strategies

consider its vision and expectations for homelessness staff.

Reducing the number of City departments that are responsible for portions of homelessness services and consolidating those responsibilities under one department would reasonably provide more system-level consistency.

Considering the vast number of existing homelessness programs requiring fiscal and programmatic oversight; funding streams with reporting requirements; actions to be taken in the Community Action Plan on Homelessness; and the immediate need to respond and adapt programs to COVID-19, an additional 3.00 FTE positions appears reasonable. The lasting impacts of COVID-19 are unknown, but workload is unlikely to significantly decrease.

Funding Issues for Homelessness Department and Programs

Convention Center Exit Strategy

As we emerge from this crisis, a sound exit strategy from the Convention Center must be implemented to provide continued services and shelter for these citizens. The City's four bridge shelters currently provide 865 beds nightly and the Convention Center project has a capacity goal of 1,500. Depending on the successful exits of residents, the City may need to accommodate for the expanded program, while considering any required public health protocols, when the shelters are required to vacate from the Convention Center.

Use of One-Time Funds

The Proposed Budget describes \$26.6 million in state funds that was planned for numerous existing homelessness programs. **Once state funds are exhausted, this will become a budget problem to solve in the future if programs and services are to be maintained.**

Although we believe the proposed positions are reasonable and acknowledge that they are budget neutral for FY 2021, they rely upon one-time state funds. If the additional

positions are approved, a total of 5.00 FTE positions out of 10 would be supported by limited-time state funds. This creates an ongoing obligation when the state funds are exhausted.

Department Review: Human Resources

Human Resources

**General Fund Reductions of \$400,000 (6.8%): \$359,000 PE, \$42,000 NPE
3.72 FTE (2.00 filled)**

Impacts of Mayor’s FY 2021 Budget Proposal

The Human Resources Department’s FY 2021 Proposed Budget totals approximately \$5.5 million, a decrease of \$313,000, or 5.4%, from the FY 2020 Adopted Budget. Changes to the Human Resources Department budget are shown in the table below. The largest decreases include the elimination of the following positions:

- 1.00 Associate Department Human Resources Analyst – This position assists with department liaison activity and is currently filled.
- 1.00 Program Coordinator for the City’s Childcare Program that was added in the FY 2020 Adopted Budget – The position was in the process of being filled. However, efforts are halted, and the Proposed Budget does not include funding for this program.

- 1.00 Word Processing Operator in the Labor Relations Section – This is currently filled.
- 0.72 hourly Management Intern position supporting the Volunteer and Internship Program – A Program Manager and Program Coordinator will continue operating this program.

The largest non-personnel expenditure (NPE) reduction is \$29,000 for the City’s Management Academy, which puts the program on hold.

During the budget process, the Department had requested additional funding that was not incorporated in the Proposed Budget, including:

- 1.00 Program Manager for labor relations and contract negotiations – This position was recommended for exemption from classified service by the Civil Service Commission, and it was subsequently

SUMMARY OF HUMAN RESOURCES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	33.72	\$ 5,221,415	\$ 631,991	\$ 5,853,406	\$ 614,280
Programmatic Changes					
<i>CDBG and California Coast Credit Union Reimbursements for Volunteer & Internship Program</i>	-	-	-	-	(75,000)
<i>Support for the City’s Management Academy</i>	-	-	(29,418)	(29,418)	-
<i>Training and Membership Fees</i>			(12,124)	(12,124)	
<i>Associate Department Human Resources Analyst</i>	(1.00)	(158,336)	-	(158,336)	-
<i>Program Coordinator for City Childcare Program</i>	(1.00)	(116,560)	-	(116,560)	-
<i>Word Processing Operator</i>	(1.00)	(65,387)	-	(65,387)	-
<i>Hourly Wages for Volunteer & Internship Program</i>	(0.72)	(18,657)	-	(18,657)	-
<i>Vacancy Savings Increase</i>	-	(57,707)	-	(57,707)	-
Other Changes					
<i>Vacation Pay-in-Lieu and Termination Pay</i>	-	35,135	-	35,135	-
<i>Other Salaries & Wages Adjustments</i>	-	113,358	-	113,358	-
<i>Other Fringe Benefits Adjustments</i>	-	(16,199)	-	(16,199)	-
<i>Net Other Adjustments (largely non-discretionary)</i>	-	-	12,531	12,531	-
FY 2021 Proposed Budget	30.00	\$ 4,937,062	\$ 602,980	\$ 5,540,042	\$ 539,280
Difference from 2020 to 2021	(3.72)	\$ (284,353)	\$ (29,011)	\$ (313,364)	\$ (75,000)

Department Review: Human Resources

approved by City Council (September 10, 2019). However, the position was not included in the FY 2020 Adopted Budget. During the FY 2021 budget development process, Human Resources requested the addition of this position, but it was not approved. This supplemental position is currently filled.

- \$73,000 for state-mandated citywide sexual harassment prevention training
- \$57,000 for printing of Memorandums of Understanding (MOUs) with the City's six employee organizations
- \$5,000 for substance abuse services for public safety (largely for Firefighters)

Department Review: Library

Library

**General Fund Reductions of \$7.0M (12.4%): \$5.5M PE, \$1.5 NPE
96.51 FTE (76.01 filled)**

Impacts of the Mayor’s FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Library Department totals approximately \$52.8 million, a decrease of \$3.6 million from the FY 2020 Adopted Budget. The FY 2021 Proposed Budget includes 347.71 FTE positions which is a decrease of 96.51 FTEs from the FY 2021 Adopted Budget. Budgeted revenue totaling \$2.6 million represents a revenue loss of approximately \$149,000 compared to FY 2020.

Significant Budget Reductions

Reduction of Library Hours Systemwide

The FY 2021 Proposed Budget includes the reduction of 93.01 FTEs and approximately \$6.4 million in expenditures associated with the reduction in hours of operations at the Central Library and all branch locations. Hours for all locations (including Central) would be reduced to 42.5 hours weekly, including closures on Sundays and Mondays and 8.5 open hours all other days. Currently, the Central Library is open 61 hours per week; branch locations are open either 55.5 hours per week (13 branches with extended

weekend service) or 51 hours per week (21 branches). Specific open and closing times have not yet been finalized though they are expected to be uniform for all locations and begin on July 1, if allowable.

According to the Department, other options involving the reduction in hours were considered. One alternative was to substantially reduce daily hours but not fully close (e.g., hours reduced to 9am-2pm); however, the Department indicated that budgetary savings would not be as significant and there would be operational/staff scheduling difficulties. Another option was to divide weekly open days between libraries located in close proximity (e.g., North Clairemont and the Balboa branch libraries). Ultimately, it was determined that uniformity in operating hours among all locations would provide the most consistency and least confusion for patrons.

Of the 93.01 FTEs proposed to be reduced, 21.00 FTEs represent full or half-time positions of which only one is currently filled. The balance represents hourly positions of which all are filled.

SUMMARY OF LIBRARY DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	444.22	\$ 39,783,689	\$ 16,625,234	\$ 56,408,923	\$ 2,742,773
Programmatic Changes					
<i>Reduction of Library Hours Systemwide</i>	(93.01)	(5,198,159)	(1,173,158)	(6,371,317)	-
<i>Permanent Closure of Mountain View/Beckwourth Library</i>	(3.50)	(326,163)	(109,000)	(435,163)	-
<i>Reduction of Professional Services</i>	-	-	(150,000)	(150,000)	-
<i>Reduction of Maintenance & Repair Services</i>	-	-	(45,000)	(45,000)	-
<i>One-time Reductions and Annualizations</i>	-	-	(400,000)	(400,000)	-
<i>Revised Revenue</i>	-	-	-	-	(149,000)
Other Changes					
<i>Other Salaries & Wages</i>	-	2,454,728	-	2,454,728	-
<i>Non-Discretionary</i>	-	-	1,175,104	1,175,104	-
<i>Other Adjustments</i>	-	-	169,525	169,525	-
FY 2021 Proposed Budget	347.71	\$ 36,714,095	\$ 16,092,705	\$ 52,806,800	\$ 2,593,773
Difference from 2020 to 2021	(96.51)	\$ (3,069,594)	\$ (532,529)	\$ (3,602,123)	\$ (149,000)

Department Review: Library

Permanent Closure of Mountain View/Beckwourth Library

The FY 2021 Proposed Budget includes the reduction of 3.50 FTEs and \$435,000 in expenditures related to the permanent closure of the Beckwourth Library. As a budget reduction proposal, this location was chosen for closure by the Department given that it is the smallest branch location in the system and it consistently has the lowest circulation and attendance numbers. In addition, the facility operates under a lease with the San Diego Community College District and not owned by the City. The nearby Valencia Park/Malcolm X Branch Library, which is significantly larger, would likely pick up Beckwourth patrons. The 3.50 FTEs proposed to be reduced include one (1) full time and four (5) half time positions; all are currently filled except one (1) half time position (0.5 FTE).

Additional Budget Reductions

The FY 2021 Proposed Budget includes the following additional budget reductions:

- \$150,000 for as-needed professional services; the remaining budget for these services will be \$1.4 million after this reduction.
- \$45,000 for as-needed maintenance and repairs; the remaining budget for these services will \$105,000, nearing a level where any further reductions may not be prudent.

Significant Revenue Changes

The FY 2021 Proposed budget includes a reduction of \$149,000 based on updated projections for parking revenue at the Central Library and Mission Hills/Hillcrest Branch Library.

Issues for Council Consideration

Library Security

Security at the central and branch libraries

continues to be a concern. Although the Department's security budget was reduced slightly in FY 2020 to \$1.5 million, no service level changes occurred given savings that were realized under a new Citywide security service agreement. This allowed expanded FY 2019 security hours to be maintained in FY 2020 and provided "upgraded" guards that are more specially trained.

As discussed in our report on the Mayor's FY 2021-2025 Outlook, after seeking input from the Police Department in early-FY 2020, the Department upgraded to armed guards at the Central Library given the security needs at the facility. As a result, the FY 2020 budget for security services was estimated to be over budget by approximately \$300,000. The Outlook included funding for this change, as well as additional security hours for branch locations totaling \$457,000; however, this funding request was not included in the Proposed Budget. The Department plans to continue to utilize armed guards at central given the security need and plans to redistribute hours at other branches to account for the change. The total FY 2021 security services budget is \$1.1 million, a reduction of \$416,000 attributed to the reduction in library hours system wide and the closure of Mountain View/Beckwourth Library.

Library Programming

Funding for Library Programming in the FY 2020 Adopted Budget totaled \$400,000, including \$200,000 in ongoing funding and \$200,000 with one-time funds allocated by the Council during final budget deliberations. For FY 2021, ongoing funding of \$200,000 for Library Programming is maintained in the Proposed Budget. The majority of this funding will continue the Campaign for Grade Level Reading which includes Summer Reading and 1000 Books before Kindergarten. \$200,000 of one-time funds added in FY 2020 is not carried forward into FY 2021.

Department Review: Library

New Pacific Highlands Ranch Library

The Outlook identified 2.00 FTEs and \$206,000 as Critical Strategic Expenditures necessary to begin preparations for the opening of the Pacific Highlands Ranch Library which is currently expected to open in February 2022. These positions and related expenditures were not funded in the Proposed Budget. The Department stated that they will need to utilize existing staff to perform these functions, which include purchasing materials and developing service models.

Low and Moderate Income Housing Asset Fund

Beginning with FY 2019, the Low and Moderate Income Housing Asset Fund (LMIHAF) was included in the Proposed Budget and the Appropriations Ordinance. Inclusion of the fund is intended 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.

Impacts of Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget includes \$42.1 million in expenditures and \$3.0 million in revenue for the LMIHAF.

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.
- \$360,000 for legal, consultant, and staff time costs related to developing and drafting disposition and developer agreements. 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 connects homeless individuals to permanent supportive housing opportunities and other services.

Issues for Council 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, and lease payments, which are projected to be \$3.0 million in FY 2021. With ongoing expenditures of \$1.7 million, future resources for new affordable housing production using this fund are limited.

Department Review: Mobility

Mobility

General Fund Reductions of \$0.0M (0.0%): \$0.00M PE, \$0.00M NPE

Impacts of Mayor’s FY 2021 Budget Proposal

The Mayor has created a new Mobility Department with the goal of implementing the city’s shared mobility plan in one consolidated department. 2.50 FTE positions which includes 1.00 Executive Director, and other support staff have been included in the FY 2021 Proposed Budget at a cost of \$551,000 in personnel expenditures. The FY 2021 Proposed Budget for the new Mobility Department is approximately \$2.9 million and includes 16.50 FTE positions. The department has approximately \$1.6 million of budgeted revenue in FY 2021.

Service Level Impacts

There are no service level impacts related to the creation of this department because it pulls from existing positions in departments which includes Planning, Economic Development, and Office of ADA Compliance. The workload from the positions will be carried over into the new department.

Issues for Council Consideration

The Mayor created the Mobility department

for the City to have a centralized mobility function as a result of a combined request from mobility advocates to move forward on bigger mobility projects. Prior to the creation of the department, there was no direct person in the City that managed all aspects of a mobility project. For example, there are multiple departments that play a critical role in managing shared mobility devices such as Economic Development, Development Services, Transportation Stormwater, and PANDA.

In the FY 2021 Proposed Budget, department staffing includes 16.50 FTEs of which 14.00 FTE are from various City departments and 2.50 FTEs are new positions:

- 8.00 FTE from the Planning Department which includes, 3.00 Senior Traffic Engineers, 2.00 Associate Traffic Engineers, 2.00 Assistant Traffic Engineers, and 1.00 Junior Engineer Civil totaling \$1.3 million.
- 3.00 FTE from the Economic Development Department which includes 1.00 Program Manager, 1.00 Senior Traffic Engineer, and 1.00 Junior Civil Engineer totaling \$413,000.
- 3.00 FTE from the Office of ADA

SUMMARY OF MOBILITY BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	-	\$ -	\$ -	\$ -	\$ -
Programmatic Changes					
<i>Position Additions to the Mobility Department</i>	2.50	550,613	-	550,613	-
<i>Transfer from Other City Departments</i>	14.00	2,249,275	-	2,249,275	-
Other Changes					
<i>Shared Mobility Device Fee</i>	-	-	-	-	150,650
<i>General Plan Maintenance Fund</i>	-	-	-	-	615,000
<i>Community Parking District Revenue</i>	-	-	-	-	377,384
<i>Other Revenue Adjustments</i>	-	-	-	-	489,756
<i>Contracts & Supplies</i>	-	-	145,843	145,843	-
<i>Other Adjustments</i>	-	328	7,900	8,228	-
FY 2021 Proposed Budget	16.50	\$ 2,800,216	\$ 153,743	\$ 2,953,959	\$ 1,632,790
Difference from 2020 to 2021	16.50	\$ 2,800,216	\$ 153,743	\$ 2,953,959	\$ 1,632,790

Department Review: Mobility

Compliance which includes 1.00 Project Assistant, 1.00 Project Officer II, and 1.00 Executive Director totaling \$552,000.

The remaining requested 2.50 FTE includes additions to the department which consist of 1.00 Executive Director, 0.50 Senior Management Analyst, 0.50 Program Manager, and 0.50 Program Coordinator totaling \$550,000 in personnel expenditures. We note that the Council may wish to ask for more clarity on these additional requested positions.

Department Review: Boards and Commissions

Office of Boards & Commissions

**General Fund Reductions of \$124,000 (15.4%): \$124,000 PE, \$0 NPE
1.00 FTE (0.00 filled)**

The Office of Boards & Commissions was established in the FY 2019 Adopted Budget to support the day-to-day operations of more than 40 City boards and commissions. The Office serves 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.

Impacts of Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Office of Boards & Commissions is approximately \$993,000, an increase of \$191,000 from the FY 2020 Adopted Budget; however, 1.00 Associate Management Analyst position was erroneously added to this budget and will be removed in the May Revise according to the Department of Finance. Adjusting for this error, the Office's budget is \$893,000 which is an increase of approximately \$91,000 or 11.4%. There are 6.00 FTE positions in the Office, a net increase of 1.00 position over FY 2020.

Significant Budget Additions

The Office adds 2.00 transfer positions from other departments. A Mayors Representative 2 position transfers in from the Office of the

Mayor and will be budgeted as an Executive Director supporting the Citizen's Advisory Board for Police/Community Relations. This position change was approved by the City Council on January 7, 2020. The employee in this position has been serving in this capacity for some time, so this transfer better matches job title and duties within the appropriate City department.

An Associate Management Analyst position transfers back to the Office of Boards & Commissions from the Office of ADA Compliance. The director indicates this position will provide budget support by preparing, administering, and analyzing the operating budget, and preparing other budget deliverables for the Office

Significant Budget Reductions

The FY 2021 Proposed Budget includes a \$124,000 budget reduction for 1.00 Administrative Aide 2. Although the position is currently vacant, the Office indicates the loss of the position will result in limited administrative support for the Gang Commission, Human Relations Commission, and Citizens' Review Board.

SUMMARY OF OFFICE OF BOARDS & COMMISSIONS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	5.00	\$ 708,096	\$ 93,588	\$ 801,684	\$ -
Programmatic Changes					
<i>Budget Reduction: Administrative Aide 2</i>	(1.00)	(123,581)	-	(123,581)	-
<i>Transfer from Mayor to become Executive Director</i>	1.00	134,812	-	134,812	-
<i>Transfer of AMA from Office of ADA Compliance</i>	1.00	83,654	-	83,654	-
<i>Erroneous Add of AMA - will correct in May Revise</i>	1.00	99,494	-	99,494	-
Other Changes					
<i>Salary Adjustments</i>	-	(13,551)	-	(13,551)	-
<i>Other Fringe Adjustments (Includes Retirement ADC)</i>	-	3,974	-	3,974	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	6,111	6,111	-
FY 2021 Proposed Budget	7.00	\$ 892,898	\$ 99,699	\$ 992,597	\$ -
Difference from 2020 to 2021	2.00	\$ 184,802	\$ 6,111	\$ 190,913	\$ -

Department Review: Office of the Mayor

Office of the Mayor

**General Fund Reductions of \$364,000 (8.9%): \$364,000 PE, \$0 NPE
2.00 FTE (2.00 filled)**

Impacts of Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Office of the Mayor is approximately \$3.5 million, a reduction of \$597,000 or 14.6% from the FY 2020 Adopted Budget. There are 20.00 total FTE positions proposed for the Department, a reduction of 4.00 FTE positions from FY 2020 (2.00 of these positions are being eliminated as budget reductions and 2.00 are being transferred to other departments as discussed below). Budgeted revenue remains unchanged in FY 2021 at \$180,000.

Significant Budget Additions

There are no significant budget additions.

Significant Budget Reductions

The FY 2021 Proposed Budget includes the elimination of 2.00 Mayors Representative 2 (MR2) positions. The associated cost of these positions is \$364,000 which is approximately 8.9% of the FY 2020 Adopted Budget. The IBA was informed the Office of the Mayor opted for a reduction percentage above the requested 4% to offset and avoid any budget/staff cuts in the Government Affairs Department which did not receive a budget re-

duction. The elimination of these 2.00 positions from the Office of the Mayor is not expected to have a significant service level impact.

In addition to the budget reductions, 2.00 other MR2 positions are being transferred to other City departments. One position will be transferred to the Office of Boards & Commissions. This position will continue to serve as the Executive Director for the Citizen's Advisory Board for Police/Community Relations. The transfer more properly characterizes the position as an Executive Director in the budget and includes it in the department charged with supporting the City's 40+ boards and commissions.

The other MR2 position is being transferred to the new Cultural Affairs Department where it will be repurposed to serve as a Program Coordinator. The repurposed position will serve as a coordinator for outreach, research, and special initiatives which the director indicates requires a Program Coordinator job description.

SUMMARY OF OFFICE OF THE MAYOR BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	24.00	\$ 3,782,509	\$ 317,609	\$ 4,100,118	\$ 180,000
Programmatic Changes					
<i>Budget Reduction: Mayor's Representative 2 (MR2)</i>	(2.00)	(364,481)	-	(364,481)	-
<i>Transfer MR2 to OB&C to become Executive Director</i>	(1.00)	(131,713)	-	(131,713)	-
<i>Transfer MR2 to CA to become Program Coordinator</i>	(1.00)	(122,686)	-	(122,686)	-
	-	-	-	-	-
Other Changes					
<i>Salary Adjustments</i>	-	42,515	-	42,515	-
<i>Other Fringe Adjustments (Includes Retirement ADC)</i>	-	(20,382)	-	(20,382)	-
<i>Other Miscellaneous Adjustments to NPE</i>	-	-	(391)	(391)	-
FY 2021 Proposed Budget	20.00	\$ 3,185,762	\$ 317,218	\$ 3,502,980	\$ 180,000
Difference from 2020 to 2021	(4.00)	\$ (596,747)	\$ (391)	\$ (597,138)	\$ -

Office of the Independent Budget Analyst
April 2020

Department Review: Parks & Recreation

Parks & Recreation

**General Fund Reductions of \$5.9M (4.8%): \$5.5M PE, \$0.4 NPE
88.79 FTE (45.00 filled + 22.79 hourly)**

Impacts of the Mayor's FY 2021 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 \$151.6 million, a decrease of approximately \$6.9 million from the FY 2020 Adopted Budget.

General Fund

The FY 2021 Proposed Budget for the Parks and Recreation Department totals approximately \$117.4 million in the General Fund, a \$4.9 million decrease from the FY 2020 Adopted Budget. The FY 2020 Proposed Budget includes 838.60 FTEs which represents a net decrease of 86.05 FTEs from the

FY 2020 Adopted Budget.

The Department's General Fund revenue totaling \$34.5 million represents a decrease of approximately \$11.1 million from the FY 2020 Adopted Budget.

Significant Budget Reductions

Reduction of Recreation Center Hours

Most significantly, the FY 2021 Proposed Budget includes the reduction of 56.25 FTEs and approximately \$3.4 million in expenditures to reduce the hours of operations at 46 recreation centers from 60 to 45 hours per week beginning on July 1. Changes in operating hours will vary for each impacted facility, including later openings, early closing times, and Sunday closures. With this reduction, all 58 recreation centers systemwide will operate at 45 hours per week given that the 12 non-impacted centers are already at this level. The Department indicates that it chose this service level reduction as a means to most equitably

SUMMARY OF PARKS AND RECREATION DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	924.97	\$ 73,149,484	\$ 49,098,793	\$ 122,248,277	\$ 45,672,621
Programmatic Changes					
<i>Reduction of Recreation Center Hours of Operation</i>	(56.25)	(3,353,718)	(71,326)	(3,425,044)	(1,777)
<i>Reduction of Swimming Pool Hours of Operation</i>	(11.54)	(428,609)	(58,377)	(486,986)	(129,235)
<i>Reduction of Various Developed Regional Parks</i>	(13.00)	(1,007,401)	-	(1,007,401)	-
<i>Reduction of Administrative Support Staff</i>	(2.00)	(293,846)	-	(293,846)	-
<i>Reduction of Various Park Maintenance Staff</i>	(5.00)	(306,416)	(25,000)	(331,416)	-
<i>Reduction of Mission Trails Park Ranger</i>	(1.00)	(79,052)	-	(79,052)	-
<i>Reduction of Brush Management</i>	-	-	(411,473)	(411,473)	-
<i>New Facility: Bay Terraces Senior Center</i>	1.67	91,057	57,467	148,524	-
<i>New Joint-Use Park: Harriet Tubman Charter</i>	0.50	37,903	62,767	100,670	-
<i>New Facility: 14th Street Promenade</i>	0.25	18,951	29,127	48,078	-
<i>One-Time Reductions and Annualizations</i>	-	-	(760,316)	(760,316)	(135,939)
<i>Environmental Growth Funds Reimbursement</i>	-	-	-	-	(2,246,945)
<i>TOT Reimbursable Revenue</i>	-	-	-	-	(8,634,422)
Other Changes					
<i>Other Salaries & Wages</i>	0.32	947,991	-	947,991	-
<i>Non-Discretionary Adjustments</i>	-	-	742,613	742,613	-
<i>Other Adjustments</i>	-	-	(84,150)	(84,150)	-
FY 2021 Proposed Budget	838.92	\$ 68,776,344	\$ 48,580,125	\$ 117,356,469	\$ 34,524,303
Difference from 2020 to 2021	(86.05)	\$ (4,373,140)	\$ (518,668)	\$ (4,891,808)	\$ (11,148,318)

Department Review: Parks & Recreation

spread budgetary impacts park system-wide across all communities.

While programmatic impacts at the recreation centers are expected, the full extent is not yet known. The Department will develop a communications plan to identify local impacts with the various Recreation Advisory Groups regarding recreation center programming and is currently exploring the best means to engage with the groups given the current social distancing requirements.

Recreation Center operating hours were previously increased from 45 to 60 hours per week in the FY 2016 (35 sites) and FY 2017 (11 sites) Budgets.

Of the 56.25 FTEs proposed to be reduced, 45.00 FTEs are Assistant Recreation Center Directors, of which all but 4.00 FTEs are currently filled, and 11.25 FTEs represent hourly Recreation Leaders.

Reduction of Swimming Pool Service Levels

The FY 2021 Proposed Budget includes the reduction of 11.54 FTEs and \$487,000 in expenditures to reduce service levels at City Swimming Pools, including the following three components:

- Closure of all pools for a 14-week period (October-March) during the off-peak season; excludes Ned Baumer Aquatic Center due to contractual obligations under a Joint Use Agreement for this facility.
- Reduction to pool hours of operation of three (3) hours per week during the off-peak winter season and four (4) hours per week during the peak summer season, likely resulting in Saturday or Sunday closures. Total open hours would be reduced to either 37 or 47 hours per week depending on the Pool's current hours.
- Elimination of Swim Team and Water Polo Programs during the winter off-peak season.

A loss in revenue of approximately \$129,000

is associated with these service level reductions. This results in a net budgetary savings of \$358,000. All 11.54 FTEs proposed to be reduced are hourly positions.

Additional Budget Reductions

The FY 2021 Proposed Budget includes the following additional budget reductions:

- *Various Developed Regional Parks Staff* - 13.00 FTEs and approximately \$1.0 million in expenditures; 3.00 positions identified in the Proposed Budget are currently filled; however, the Department plans to replace those with vacant positions within the same job class in the May Revise.
- *Various Park Maintenance Staff* – 5.00 FTEs, of which all are vacant, and approximately \$294,000 in expenditures.
- *Administrative Support Staff* – 2.00 FTEs, of which 1.00 is currently filled, and approximately \$294,000 in expenditures.
- *Mission Trails Park Ranger* – 1.00 FTEs which is current vacant, and \$79,000 in expenditures.
- *Brush Management* – a reduction of \$411,000 in non-personnel expenditures which will reduce the frequency of brush abatement from 21 months (509 acres) to 26 months (412 acres). Note that Attachment 2 to the Proposed Budget inaccurately states the reduction from 509 to 466 acres.

Significant Budget Additions

The FY 2021 Proposed Budget includes 2.42 FTEs and \$297,000 in expenses to operate and provide maintenance to three new parks, including:

- Bay Terraces Senior Center – Anticipated to open November 2020
- Harriet Tubman Charter School Joint Use (JU) Facility – Anticipated to open July 2020

Department Review: Parks & Recreation

- 14th Street Promenade – Anticipated to open January 2021.

Budgeted expenditures are prorated based on each facility’s projected opening date.

The Mayor’s FY 2021-2025 Five Year Outlook (Outlook) anticipated 20 new parks opening in FY 2021, however, 17 parks identified in the Outlook have been delayed into FY 2022 for various reasons out of the City’s control.

Significant Revenue Changes

The FY 2021 Proposed budget includes a reduction of \$8.6 million in reimbursable revenue from the TOT Fund and a reduction of \$2.2 million in reimbursable revenue from the Environment Growth Funds. These changes are due to significant reductions in projected TOT and SDG&E franchise fee revenue in the Proposed Budget.

Golf Course Fund

The FY 2021 Proposed Budget for the Golf Course Fund totals \$20.2 million, representing an increase of approximately \$325,000 over the FY 2020 Adopted Budget. Department revenues total \$20.9 million, an increase of \$400,000.

Significant Budget Additions

The FY 2021 Proposed Budget includes the following additions:

- \$250,000 for staff overtime anticipated for FY 2021 golf tournaments, namely the 2021 U.S Open Championship (June 2021).
- \$250,000 for turf maintenance and clubhouse enhancements at Torrey Pines Golf Course.
- \$100,000 to fund a temporary trailer while the Mission Bay Clubhouse is under construction (anticipated to begin September 2020).

- \$50,000 for additional tree trimming services across all courses.

Environmental Growth Fund

The Environmental Growth Funds (EGFs) are projected to receive approximately \$13.8 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 decrease of approximately \$3.2 million from the FY 2020 Adopted Budget given the significant reduction in projected franchise fees from SDG&E. 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.

For FY 2021, the Parks and Recreation budget (General Fund) reimbursement is reduced by the \$2.2 million given the total overall projected EGF revenue decrease.

Department Review: Performance & Analytics

Performance & Analytics

General Fund Reductions of \$0.2M (4.7%): \$0.0M PE, \$0.2M NPE

Impacts of Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Performance & Analytics Department is approximately \$4.3 million, which is an 8% decrease from the FY 2020 Adopted Budget. Staffing levels remain unchanged from 15.00 FTE positions in FY 2020. The mission of the department is to, "challenge the status quo and exceed expectations" by simplifying the customer experience, applying data to make data informed decisions, and streamlining work efforts to promote a culture of continuous improvement and accountability.

Budget Reductions

Get It Done

Managing the Get It Done application and its components is one of the core functions of the department, averaging 25,000 reports per month in Fiscal Year 2020. Funding for system enhancements has been reduced by \$150,000 leaving \$450,000 for remaining tasks such as providing Spanish language support which has an anticipated release of Summer 2020. We note that reductions in funding to the Get It Done application will likely reduce the Department's capacity to implement additional requests from customers, internal departments and council offices limiting or delaying planned enhancements. Some of the

potential projects that may be delayed are:

- ESD Mobile Worker Application: would provide "after photos" to customers for more services, and adds more ESD Field Crews to the mobile worker application
- Integration of Parks & Recreation into the Get It Done system to handle and track work requests related to park maintenance such as graffiti, and water fountains

Open Data Programs

As part of the General Fund budget reductions, a total of \$65,000 will be reduced from Open Data programs resulting in potential impacts to government transparency, as discussed below:

- \$35,000 reduction to OpenGov, which is an online public budget visualization tool
- \$30,000 elimination of Carto Software used as a mapping tool to track community data

Reducing the budget for these two data visualization tools will impact the public's accessibility to the City's budget through the Open Data portal.

SUMMARY OF PERFORMANCE & ANALYTICS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	15.00	\$ 2,180,191	\$ 2,481,350	\$ 4,661,541	\$ -
Programmatic Changes					
<i>Reduction in Get It Done Enhancements</i>	-	-	(150,000)	(150,000)	-
<i>Reduction to Open Data Programs</i>	-	-	(65,000)	(65,000)	-
Other Changes					
<i>Information Technology Costs</i>	-	-	200,018	200,018	-
<i>Other Salary & Fringe Benefit Adjustments</i>	-	(68,748)	-	(68,748)	-
<i>Other Adjustments</i>	-	-	(309,149)	(309,149)	-
FY 2021 Proposed Budget	15.00	\$ 2,111,443	\$ 2,157,219	\$ 4,268,662	\$ -
Difference from 2020 to 2021	-	\$ (68,748)	\$ (324,131)	\$ (392,879)	\$ -

Office of the Independent Budget Analyst
April 2020

Department Review: Performance & Analytics

Service Level Impacts

The current hiring freeze impacts the department's ability to hire 2.00 vacant Program Coordinators in the Performance & Management section. Those positions are responsible for handling performance measures, data analyses, and supporting the Operational Framework Team. Work is currently being redistributed to other staff in the section to compensate for the vacancy.

Department Review: Personnel Department

Personnel Department

General Fund Reductions of \$389,000 (4.0%): \$389,000 PE, \$0 NPE

Impacts of Mayor's FY 2021 Budget Proposal

As shown in the table below, the FY 2021 Proposed Budget for the Personnel Department is approximately \$9.6 million, a decrease of \$93,000, or 1.0%, from the FY 2020 Adopted Budget. The Department has minimal budgeted revenue. The number of positions remains unchanged from FY 2020, at 69.99 FTEs.

The Proposed Budget applies a 4% budget reduction to non-Mayoral departments. For the Personnel Department, this equates to a \$389,000 decrease in salaries and wages expenditures, as shown in the following table. Additionally, there is a \$34,000 increase to vacancy savings, which is also a decrease to the salaries and wages budget.

The Proposed Budget reduction of approximately \$389,000 is the equivalent of five of the 19 budgeted Associate Personnel Analyst positions and 7.5% of the Department's total budgeted standard hour positions. If the Proposed Budget reductions were to be approved, there could be negative impacts on the Department's ability to maintain service levels in the following areas: issuing certification

lists to hiring departments; analyzing requests for position classification and salary studies; reviewing applications; administering examinations, including those for public safety; investigating complaints of discrimination and harassment; updating position attributes and organization structures in SAP (for example, with the FY 2021 citywide departmental restructures); and administering a citywide reduction in force process.

Position Request Not Included in the FY 2021 Proposed Budget

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 finger printing contract with the California Department of Justice, as well as the contract with the City's medical provider (for 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

SUMMARY OF PERSONNEL DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	69.99	\$ 8,683,638	\$ 1,032,922	\$ 9,716,560	\$ 6,200
Programmatic Changes					
<i>4% Applied Reduction for Non-Mayoral Departments</i>	-	(388,662)	-	(388,662)	-
<i>Vacancy Savings Increase</i>	-	(33,613)	-	(33,613)	-
Other Changes					
<i>Vacation Pay-in-Lieu and Termination Pay</i>	-	(8,750)	-	(8,750)	-
<i>Other Salaries & Wages Adjustments</i>	-	118,166	-	118,166	-
<i>Fringe Benefits Adjustments</i>	-	197,037	-	197,037	-
<i>Non-Discretionary Adjustments</i>	-	-	22,848	22,848	-
FY 2021 Proposed Budget	69.99	\$ 8,567,816	\$ 1,055,770	\$ 9,623,586	\$ 6,200
Difference from 2020 to 2021	-	\$ (115,822)	\$ 22,848	\$ (92,974)	\$ -

Department Review: Personnel Department

position. The use of this supplemental position has helped the Department maintain service levels and ensure the timely hiring of candidates. The Department has determined its staffing needs based on its current workload, which leads to continual reallocation of staff to the most urgent and changing needs, as well as adjustment of expectations regarding continued implementation of automated processes.

Department Review: Planning

Planning

**General Fund Reductions of \$1.5M (14.7%): \$1.0M PE, \$0.5 NPE
10.00 FTE (5.00 filled)**

Impacts of the Mayor’s FY 2021 Budget Proposal

The FY 2021 Proposed Budget categorizes the Planning Department into three divisions based upon their respective work functions. These divisions are:

- Community Planning & Implementation Division
- Environment Division & 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 2021 Proposed Budget for the Planning Department totals approximately \$7.5 million, a decrease of approximately \$2.5 million from the FY 2020 Adopted Budget. Revenues are projected to total approximately

\$2.0 million, an increase of \$425,000 from the FY 2020 Adopted Budget. The FY 2021 Proposed Budget includes 47.75 FTEs, which is a reduction of 18.00 FTE from the FY 2020 Adopted Budget.

Significant Budget Reductions

The FY 2021 Proposed Budget includes reductions in staffing and non-personnel expenditures. Staff reductions include the following:

- *Planning Staff* - 7.00 FTEs, of which 3.00 are filled, and approximately \$756,000 in personnel expenditures.
- *Administrative Support Staff* – 3.00 FTEs, of which 2.00 are filled, and approximately \$242,000 in personnel expenditures.

The Department has stated that they expect to be able to complete their current Work Program with existing filled positions; however, there could be moderate delays to department Work Program initiatives or turnaround times as a result of the reductions.

SUMMARY OF PLANNING DEPARTMENT - GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	65.75	\$ 8,708,467	\$ 1,267,778	\$ 9,976,245	\$ 1,602,166
Programmatic Changes					
<i>Reduction of Planning Staff</i>	(7.00)	(755,806)	-	(755,806)	-
<i>Reduction to Park Master Plan Contracts</i>	-	-	(399,050)	(399,050)	-
<i>Reduction to Administrative Support Staff</i>	(3.00)	(241,716)	-	(241,716)	-
<i>Reduction to CPG Support</i>	-	-	(71,000)	(71,000)	-
<i>Transfer of 8.00 FTEs to Office of Mobility</i>	(8.00)	(1,283,958)	-	(1,283,958)	-
<i>One-Time Reductions and Annualizations</i>	-	-	-	-	-
<i>Revised Revenue</i>	-	-	-	-	425,000
Other Changes					
<i>Other Salaries & Wages</i>	-	182,613	-	182,613	-
<i>Non-Discretionary Adjustments</i>	-	-	68,105	68,105	-
<i>Other Adjustments</i>	-	-	41,318	41,318	-
FY 2021 Proposed Budget	47.75	\$ 6,609,600	\$ 907,151	\$ 7,516,751	\$ 2,027,166
Difference from 2020 to 2021	(18.00)	\$ (2,098,867)	\$ (360,627)	\$ (2,459,494)	\$ 425,000

Department Review: Planning

Non-Personnel Expenditure reductions include the following:

- \$399,000 reduction for Park Master Plan Contractual Services. The Department has indicated they are currently under budget and ahead of schedule on the completion of the Parks Master Plan and that no funding is required in FY 2021. The Plan is expected to be brought for City Council consideration in July 2020.
- \$71,000 reduction in expenditures to support Community Planning Groups. \$50,000 of this reduction in funding relates to the translation services which the Council included in the FY 2020 Adopted Budget. The remaining \$21,000 funds the current budget allocations for each Community Planning Group which amount to \$500 for each. The Department plans to continue to offer both these services using General Plan Maintenance Funds (GPMF) in FY 2021.

Reorganization

The FY 2021 Proposed Budget includes the transfer of 8.00 FTEs and \$1.3 million to the newly formed Mobility Department. The positions include 3.00 Senior Traffic Engineers, 2.00 Associate Engineers - Traffic, 2.00 Assistant Engineers – Traffic, and 1.00 Junior Engineer – Civil.

Revised Revenue

The FY 2021 Proposed Budget includes \$425,000 in increased revenues. This addition is primarily attributable to an increase in \$500,000 from the GPMF based on projected reimbursable activities.

Department Work Schedule

The Department’s planned work schedule for community plan updates in FY2021 is provided to the right. Additional information related to the Department’s Work Schedule can be found on the City’s website under the Planning Department.

Issues for Council Consideration

A majority of Councilmembers’ FY 2021 budget memoranda supported providing additional funding to include the “Wildest” option proposed by Rewild Mission Bay as an alternative within the De Anza Revitalization Plan Environmental Impact Report (EIR). The FY 2021 Proposed Budget does not allocate funding for this purpose; however, the Department has indicated that they are pursuing other funding sources that may allow include this alternative in the EIR.

General Plan Maintenance Fund (GPMF)

The FY 2021 Proposed Budget totals \$4.1 million for the GPMF representing a reduction of \$233,000 from FY 2020. Revenue is projected to total approximately \$4.0 million which is unchanged from FY 2020. The difference between revenue and expenditures, approximately \$171,000, represents the use of anticipated carry forward fund-balance.

Facilities Financing Fund

The FY 2020 Proposed Budget totals approximately \$3.1 million for the Facilities Financing Fund, which represents no material change from the FY 2020 Adopted Budget. Similarly, there is no material change in revenues at \$3.1 million.

COMMUNITY PLAN UPDATE WORK SCHEDULE	
Community Plan Updates	FY 2021 Status
Kearny Mesa	To be completed
Clairemont Mesa	To be completed
University	In progress
Mira Mesa	In progress
Hillcrest Focused Plan	In progress
College Area	In progress

Department Review: Police

Police

**General Fund Reductions of \$6.3M (1.2%): \$4.8M PE, \$1.5 NPE
23.00 FTE (17.00 filled)**

Impacts of the Mayor's FY 2021 Budget Proposal

The FY 2021 Proposed Budget for the Police Department is approximately \$566.5 million for the General Fund, an increase of \$27.3 million or 5.0% from the FY 2020 Budget. The FY 2021 Proposed Budget includes 2,634.14 FTE positions, a decrease of 21.00 FTE positions from FY 2020. Budgeted revenue totaling \$47.4 million represents an increase of \$1.1 million.

Significant Budget Reductions

The FY 2021 Proposed Budget includes the following reductions:

- \$1.8 million, or approximately 13%, of budgeted extension of shift overtime. This category of overtime extends officer shifts beyond normal start/end times and is scheduled in advance. In order to achieve the reduction, commanding officers will

need to ensure extension of shift overtime is only approved when necessary.

- Elimination of the STAR/PAL Unit including 7.00 FTEs and \$1.4 million in expenditures. The positions include 6.00 sworn FTEs (1.00 Police Sergeant and 5.00 Police Officer 2s) and 1.00 Word Processing Operator (civilian). This reduction would impact 17 programs for more than 3,000 inner-city and at-risk youth annually. All positions are currently filled. The Department plans to transfer sworn staff in these positions to other vacant positions within the Department.
- Elimination of the Trolley Team including 3.00 sworn FTEs and \$615,000 in expenditures. SDPD's Trolley Team participate in Metropolitan Transit System's (MTS) Joint Agency Task Force (JATF) which is intended to suppress criminal activity and prevent terrorism-related incidents involving the MTS trolley system. The positions

SUMMARY OF POLICE DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	2,655.14	\$ 472,318,619	\$ 66,944,310	\$ 539,262,929	\$ 46,322,260
Programmatic Changes					
<i>Reduction of Extension of Shift Overtime</i>	-	(1,826,099)	-	(1,826,099)	-
<i>Reduction of STAR/PAL Unit</i>	(7.00)	(1,386,015)	-	(1,386,015)	-
<i>Reduction of Civilian Positions</i>	(13.00)	(1,017,981)	-	(1,017,981)	-
<i>Reduction of Helicopter Maintenance</i>	-	-	(900,000)	(900,000)	-
<i>Reduction of Air Support Flight Hours</i>	-	-	(547,500)	(547,500)	-
<i>Reduction of Trolley Team (Sworn)</i>	(3.00)	(614,784)	-	(614,784)	-
<i>Clean SD Neighborhood Policing Overtime</i>	-	3,549,407	-	3,549,407	-
<i>Addition of Overtime to Maintain Service Levels</i>	-	1,899,731	-	1,899,731	829,691
<i>Sexual Assault Kit Testing</i>	2.00	276,517	66,344	342,861	-
<i>Restoration of Holiday Credit on Day Off Benefit</i>	-	3,011,628	-	3,011,628	-
<i>One-Time Reductions and Annualizations</i>	-	(3,996,457)	(1,076,260)	(5,072,717)	-
<i>Revised Revenue</i>	-	-	-	-	235,231
Other Changes					
<i>Other Salaries & Wages</i>	-	22,581,986	-	22,581,986	-
<i>Non-Discretionary Adjustments</i>	-	-	6,788,200	6,788,200	-
<i>Other Adjustments</i>	-	-	422,194	422,194	-
FY 2021 Proposed Budget	2,634.14	\$ 494,796,552	\$ 71,697,288	\$ 566,493,840	\$ 47,387,182
Difference from 2020 to 2021	(21.00)	\$ 22,477,933	\$ 4,752,978	\$ 27,230,911	\$ 1,064,922

Office of the Independent Budget Analyst
April 2020

Department Review: Police

include 1.00 Police Sergeant and 2.00 Police Officer 2s all of which are currently filled. The Department plans to transfer sworn staff in these positions to other vacant positions within the Department.

- Reduction of 13.00 civilian positions and \$1.0 million in expenditures. The position reductions encompass a variety of position types, including 7.00 Police Investigative Service Officer (PISO) positions of which 6.00 are currently filled. This reduction will reduce the total budgeted number of PISOs from 20.00 to 13.00 positions. The department has indicated that workload of these positions will need to be redistributed to other staff, including sworn officers.

The other 6.00 civilian positions perform clerical and administrative functions within the Narcotics, Records, and Domestic Violence Units. 1.00 position is currently filled.

- Non-personnel expenditure reductions include \$900,000 related to helicopter maintenance and \$548,000 attributable to reduced air support hours from 10 to 7 hours per day. The helicopter maintenance savings are primarily the result of the purchase of a new replacement helicopter which was recent approved by the City Council. The new aircraft is expected to be received in July 2020.

Addition of Overtime Expenditures to Maintain Service Levels

The FY 2021 Proposed Budget includes the addition of \$5.4 million in ongoing overtime expenditures. Of this addition, \$3.5 million is to maintain the expanded Clean SD efforts funded on a one-time basis in the FY 2020 Adopted Budget; no Clean SD service level

changes are proposed. The balance, approximately \$1.9 million, provides for overtime related salary and benefit changes, of which is partially offset with \$830,000 in projected increased reimbursement revenue from special events/Petco Park activities.

After accounting for these additions and the \$1.8 million reduction in extension of shift overtime proposed as a budget mitigation measure (discussed on the previous page), total General Fund overtime in the Proposed Budget is \$31.7 million, a \$347,000 reduction from FY 2020. However, the Department has indicated that an additional \$4.3 million should have been budgeted in the Seized Assets Fund to maintain and continue the expanded Neighborhood Policing efforts funded on a one-time basis in the FY 2020 Adopted Budget (\$3.9 million from the Seized Assets Fund and \$447,000 in the General Fund). An adjustment is expected in the May Revise to make this correction which would bring total Police overtime to \$36.0 million, representing an increase of approximately \$100,000 rather than a reduction of \$347,000. As shown in the table below, Police overtime continues to increase as it has over the last several years and has also consistently exceeded budgeted levels.

The Police Department's Clean SD work 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.

Separate from Clean SD activities, the overtime for Neighborhood Policing (\$4.3 million

Police Overtime - Historical Budget vs. Actuals (in Millions)								
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020*	FY 2021*
Budget	\$11.8	\$11.1	\$18.0	\$21.0	\$26.3	\$24.6	\$35.9	\$36.0
Actual	\$17.8	\$23.1	\$25.0	\$26.0	\$29.7	\$31.9	\$37.6 (proj.)	-
Overage	\$6.0	\$12.0	\$7.0	\$5.0	\$3.4	\$7.3	\$1.6	-

* FY 2020 included \$3.9 million in the Seized Asset Fund. FY 2021 includes an expected adjustment in the May Revise to fund \$4.3 million in the Seized Asset Fund.

Department Review: Police

which is expected to be funded by the Seized Asset Fund in the May Revise) is intended to continue the Department's Community Impact Strategy activities associated with homeless facilities and to address other quality of life issues related 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 discussed the appropriateness of continuing these activities given recent guidance provided by the Centers for Disease Control and Prevention (CDC) which encouraged cities not to clear homeless camps during the community spread of COVID-19 unless they can move those living there into housing. The Department stated that they believe circumstances for the City are unique and the general CDC guidance may not be as applicable given the size of San Diego's homeless population. Their concern lies in the potential for significant growth in the size of homeless encampments, if not addressed. According to the Department, management of individual encampment sites allows ESD teams to clean and sanitize sidewalks on a regular basis and prevents the type of gatherings and unsanitary conditions that contribute to rapid spread of communicable disease. It also prevents encampments from growing into larger skid-row type environments causing health and safety risks for all citizens. In addition, they note that they are connecting interested homeless individuals with social distancing compliant shelter, meals, COVID-19 screening and other behavioral health services at the San Diego

Convention Center, which aligns with CDC guidance.

Sexual Assault Evidence Kit Testing

The FY 2021 Proposed Budget includes the addition of 2.00 FTEs and \$343,000 in expenditures to ensure that the Department is able to meet SB 22 mandates which require sexual assault evidence (SART) kits to be tested within 120 days. The Proposed Budget assumes a starting date of January 2021 (half-year) for 4.00 positions so they are therefore reflected as four 0.5 FTE positions (2 FTEs total). An additional \$277,000 will need to be included in the FY 2022 Budget to annualize these positions.

While this additional staff will perform testing on SART kits going forward, the Department is currently outsourcing the testing of its current backlog of approximately 1,800 kits to a private laboratory. A budget adjustment was included in the FY 2020 Mid-Year Budget Monitoring Report for \$285,000 to test 225 of the 1,800 SART kits. For FY 2021, the Department plans to seek an additional \$1.1 million in funding from the Citizens Option for Public Safety (COPS) Fund to test an additional 900 kits.

Issues for Council Consideration

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 20, 2020, there were 1,913 filled police officer positions out of a total of 2,043 budgeted positions which is an improvement from the recent past, as shown in the table on the following page. The Department is currently losing an average of 12-13 officers per month to retirements, separations, or departures for other agencies. While this attrition rate is relatively

Department Review: Police

Sworn Staffing - Historical Budget vs. Actuals (FTEs)						
	July 1, 2015	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019	April 20, 2020
Budget	2,036	2,039	2,040	2,043	2,043	2,043
Actual	1,857	1,854	1,817	1,821	1,871	1,913

unchanged from last year, the fact that academy sizes have well exceeded the department's goals is notable. The FY 2021 Proposed Budget assumes a sworn attrition rate of 13 departures per month.

As in FY 2020, the FY 2021 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.

Department Requests Not Funded

For the FY 2021 Proposed Budget, the Department requested \$225,000 in funding related to Police Officer recruitment efforts. This included \$50,000 in additional funding to enhance the Department's Recruiting Unit (discussed above) and \$175,000 for continued marketing and recruitment services from Loma Media to assist in branding the Police Department and marketing itself to potential police officer candidates. Neither request, both of which were included in the Mayor's FY 2021-2025 Five-Year Outlook, were funded in the Proposed Budget.

Also, included in the Outlook but unfunded in the Proposed Budget, was the Department's request for \$170,000 in overtime expenditures for the continuation of the Department's dockless mobility enforcement program created in Fiscal Year 2020 to reduce dockless mobility violations and improve safety for all roadway users.

Department Review: Public Utilities

Public Utilities

General Fund Reductions of \$0.6M (23.9%): \$0M PE, \$0.7M NPE

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 2021 Budget Proposal

A summary of operating budget expenditure and position changes for the Public Utilities Department is shown in the table below broken out by fund. For FY 2021, the Proposed Operating Budget is \$952.8 million which is less than a 1% change from the FY 2020 Adopted Budget. Positions are reduced by 8.12 FTE positions to a total of 1,709.43 FTE positions in the Department. *Note: This table does not include the Capital Improvement Program component of the enterprise funds.*

Expenditure changes in the Sewer and Water Funds each reflect less than a 2% overall change from FY 2020. The significant budgetary change in the Public Utilities Department for this upcoming budget year is in the General Fund, with a 26% reduction in operating expenses. As such, the General Fund will be discussed first with information on the enterprise funds following.

General Fund

The City offers recreational use of the reservoirs. The recreational activities are fully 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. (*see General Fund table on the next page*)

The FY 2021 Proposed Budget for the reservoir recreation program is \$2.0 million, which is a reduction of \$703,000 from FY 2020. Revenue to support the program is budgeted at \$1.3 million for FY 2021. There are no staff budgeted in this program as expenses reimburse Water Fund staff for running the program.

Budget Reductions

In response to the General Fund revenue shortfalls projected due to COVID-19, significant reductions are being taken in the reservoir recreation program for FY 2021 totaling \$718,000 for the General Fund, which is roughly a quarter of the program's budget. These reductions have direct service level impacts to residents who enjoy recreation activities at the City's water reservoirs.

- All recreation activities at the Sutherland and Barrett Reservoirs will be closed for the full year, including all land activities such as hiking and picnicking.

SUMMARY OF PUBLIC UTILITIES DEPARTMENT OPERATING BUDGET						
Fund	FY 2020 FTE	FY 2021 FTE	Change	FY 2020 Expense	FY 2021 Expense	Change
General Fund	-	-	-	2,712,536	2,009,354	(703,182)
Sewer Funds	908.72	902.86	(5.86)	374,454,750	369,746,367	(4,708,383)
Water Funds	808.83	806.57	(2.26)	570,305,118	581,086,474	10,781,356
Total Combined	1,717.55	1,709.43	(8.12)	\$ 947,472,404	\$ 952,842,195	\$ 5,369,791

Department Review: Public Utilities

SUMMARY OF PUBLIC UTILITIES GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	-	\$ -	\$ 2,712,536	\$ 2,712,536	\$ 1,345,146
Programmatic Changes					
<i>Reduction in Recreation Days at Reservoirs</i>	-	-	(400,000)	(400,000)	-
<i>Eliminate Water Contact Prog at El Capitan & Barrett</i>	-	-	(178,033)	(178,033)	(69,532)
<i>Reduction in Wastewater Disposal Service at Reservoirs</i>	-	-	(140,000)	(140,000)	-
Other Changes					
<i>Other Adjustments</i>	-	-	14,851	14,851	-
FY 2021 Proposed Budget	-	\$ -	\$ 2,009,354	\$ 2,009,354	\$ 1,275,614
<i>Difference from 2020 to 2021</i>	-	\$ -	\$ (703,182)	\$ (703,182)	\$ (69,532)

- The Water Contact Program at El Capitan Reservoir will be eliminated, including boating and fishing activities.
- The Waterfowl Hunting Season at Barrett Reservoir will be eliminated.
- The one extra day/month closure at the reservoirs that was implemented in FY 2020 will continue at the seven reservoirs that remain open to public recreation activities.
- The wastewater removal contract for the public restrooms at the reservoirs is reduced.

The Public Utilities Department indicated that they targeted reservoirs outside of the City and those that produce less revenue for the closures. No staff reductions will occur as a result of these program changes. All of the staff supporting reservoir recreation activities are budgeted in the Water Fund and they will be reassigned to other work. In addition, the Water Fund will take on any necessary unfunded maintenance activities at the water reservoirs as part of their responsibility to provide safe drinking water to customers.

Sewer Funds

The Proposed Budget for operating expenditures in the combined Metropolitan and Municipal Sewer Utility Funds totals \$369.7 million, which is a reduction of \$4.7 million, or 1%, from FY 2020. Revenues in the Sewer Funds are budgeted at \$409.2 million, which is a reduction of \$201.7 million from FY 2020. Positions are reduced by 5.86 FTE positions to 902.86 FTE positions for FY 2021.

The Department has indicated that there are no significant operational changes for FY 2021. They are continuing “business as usual” while they continue to evaluate department operations, expenses and revenues in preparing the next cost of service study (*see update later in this section*).

Significant Budget Adjustments

The most notable changes to the Sewer Funds operating budget for FY 2021 are:

- Removal of budget for prior year one-time revenues in support of the Capital Improvements Program, primarily related to funding the Pure Water project, approximately \$209.9 million;

SUMMARY OF SEWER FUNDS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	908.72	\$ 101,656,861	\$ 272,797,889	\$ 374,454,750	\$ 610,912,622
Programmatic Changes					
<i>Removal of One-Time Revenues for CIP Projects</i>	-	-	-	-	(209,884,000)
Other Changes					
<i>Vacancy Savings Increase</i>	-	(2,789,608)	-	(2,789,608)	-
<i>Other Adjustments</i>	(5.86)	219,801	(2,138,576)	(1,918,775)	8,161,800
FY 2021 Proposed Budget	902.86	\$ 99,087,054	\$ 270,659,313	\$ 369,746,367	\$ 409,190,422
<i>Difference from 2020 to 2021</i>	(5.86)	\$ (2,569,807)	\$ (2,138,576)	\$ (4,708,383)	\$ (201,722,200)

Department Review: Public Utilities

- An increase in the budgeted vacancy savings of \$2.8 million; and
- Reduction of 5.86 FTE positions which are primarily reductions of hourly positions.

are primarily reductions of hourly positions.

Water Fund

Expenditures in the FY 2021 Proposed Budget for the Water Utility Operating Fund total \$581.1 million, which is an increase of \$10.8 million, or 2%, from the FY 2020 Adopted Budget. Revenues in the Water Fund are proposed at \$833.8 million, a reduction \$176.4 million from the FY 2020 Adopted Budget. Positions are reduced by 2.26 FTE positions to 806.57 positions.

The Department has indicated that there are no significant operational changes for FY 2021. They are continuing “business as usual” while they continue to evaluate department operations, expenses and revenues in preparing the next cost of service study (*see update later in this section*).

Significant Budget Adjustments

The most notable changes to the Water Funds operating budget for FY 2021 are:

- Removal of budget for prior year one-time revenues in support of the Capital Improvements Program, primarily related to funding the Pure Water project, approximately \$187.2 million;
- An increase in the budgeted vacancy savings of \$3.2 million;
- Reduction of 2.26 FTE positions which

Department-Wide Initiatives

Following are brief updates on major initiatives currently being undertaken by the Public Utilities Department.

Rate Case/Cost of Service Study

The Public Utilities Department is currently conducting a cost of service study and evaluating water and sewer rates. They plan to release the study in early FY 2021. They are continuing to evaluate operations and update projections. The timeline for bringing the cost of service study forward may be impacted by COVID-19 related activities. The Department does not anticipate requesting any rate increases for FY 2021. They may be needed for FY 2022 but are still evaluating. The Office of the IBA has retained the services of Stantec to conduct an independent review of the cost of service study and any proposed rate increases that may be included, as requested by City Council and the Independent Rates Oversight Committee.

Pure Water Implementation

The Pure Water Phase 1 project has been on hold due to litigation. The Public Utilities Department is hoping to go out to bid in the fall and begin construction in the spring of 2021. The project has been estimated at \$1.4 billion for both Water and Sewer. However, costs may be different at the time a bid is issued due to the delays. If additional funding is needed, Public Utilities would likely pursue bond financing. They currently have a combination

SUMMARY OF WATER FUNDS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	808.83	\$ 84,683,666	\$ 485,621,452	\$ 570,305,118	\$ 1,010,243,291
Programmatic Changes					
<i>Removal of One-Time Revenues for CIP Projects</i>	-	-	-	-	(187,182,100)
Other Changes					
<i>Vacancy Savings Increase</i>	-	(3,188,924)	-	(3,188,924)	-
<i>Other Adjustments</i>	(2.26)	469,032	13,501,248	13,970,280	10,766,600
FY 2021 Proposed Budget	806.57	\$ 81,963,774	\$ 499,122,700	\$ 581,086,474	\$ 833,827,791
Difference from 2020 to 2021	(2.26)	\$ (2,719,892)	\$ 13,501,248	\$ 10,781,356	\$ (176,415,500)

Department Review: Public Utilities

SUMMARY OF PUBLIC UTILITIES ENTERPRISE FUNDS BUDGETS					
Fund	FTE	Operating Expense	CIP Expense	Total Expense	Revenue*
Sewer Funds	902.86	369,746,367	136,604,341	506,350,708	409,190,422
Water Funds	806.57	581,086,474	153,384,940	734,471,414	833,827,791
Total FY 2021 Proposed	1,709.43	\$ 950,832,841	\$ 289,989,281	\$ 1,240,822,122	\$ 1,243,018,213

**Revenues include AB 1600 revenues of \$17.5 million for the Sewer Funds and \$14.5 million for the Water Fund.*

of WIFIA (\$614 million), SRF (anticipate \$646 million), and State Prop 68 (\$30 million) funds to complete the support the project. Phase I is estimated to be completed in FY 25.

Enterprise Funds Combined CIP and Operating Budgets for FY 2021

The table above shows the combined budgets for the Capital Improvements Program (CIP) and operating budgets of the water and sewer funds, as a significant portion of annual revenues go to support the Public Utilities Department's substantial CIP.

Department Review: Public Works

Public Works

Non-General Fund Reduction of \$1.6M (1.4%): \$1.6M NPE

The Public Works Department is comprised of two branches: Contracts and Engineering & Capital Projects (E&CP).

The Contracts Branch is responsible for procuring construction and consulting services and providing contract management needed to implement the City’s Capital Improvements Program (CIP). It also centralizes advertising and award of infrastructure-related construction and consultant contracts.

The E&CP Branch provides engineering services for implementing the CIP, which is comprised of over 1,400 capital improvement projects. The Branch also provides quality control and inspection of public and private work permitted in the public right-of-way.

Impacts of Mayor’s FY 2021 Budget Proposal

Information for the Public Works Department’s budget can be identified in the abbreviated budget publication by its sole funding source: the E&CP Fund.

The FY 2021 Proposed Budget for the Public Works Department is \$115.7 million, only a slight increase of about \$6,000, from the FY 2020 Adopted Budget. The Proposed Budget includes 825.50 FTE positions, unchanged

from FY 2020. However, the budget includes revenue totaling \$123.7 million, an increase of \$7.9 million or 6.8% over FY 2020. Our Office has been informed that revenues will be adjusted downward in the May Revision.

Significant Budget Reductions

The FY 2021 Proposed Budget includes a one-time reduction of \$1.6 million in training, computer accessories, and other various expenses.

Significant Budget Additions

As previously noted, the department’s revenue estimate will be adjusted in the May Revision. However, there are two noteworthy adjustments to its revenues:

- \$1.1 million transfer from the General Fund to reimburse E&CP Fund for inspections done by staff in the right-of-way for utility permits issued to San Diego Gas and Electric (SDG&E); and
- \$124,000 one-time increase to reimburse the Purchasing & Contracting Department for the disparity study. This reflects half of the cost to complete the study. Please refer to our review of the Purchasing & Contracting Department for more information on the status of the disparity study.

The \$1.1 million SDG&E adjustment is a

SUMMARY OF PUBLIC WORKS DEPARTMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	825.50	\$ 96,831,251	\$ 18,877,489	\$ 115,708,740	\$ 115,836,658
Programmatic Changes					
<i>Disparity Study</i>	-	-	124,393	124,393	-
<i>One-time Reduction of Supplies and Other Costs</i>	-	-	(1,600,163)	(1,600,163)	-
Other Changes					
<i>Salary and Benefit Adjustments</i>	-	490,776	-	490,776	-
<i>Non-Discretionary</i>	-	-	1,365,181	1,365,181	-
<i>Miscellaneous Adjustments</i>	-	-	(374,669)	(374,669)	-
<i>SDG&E Reimbursement</i>	-	-	-	-	1,096,258
<i>Revised Revenue</i>	-	-	-	-	6,768,470
FY 2021 Proposed Budget	825.50	\$ 97,322,027	\$ 18,392,231	\$ 115,714,258	\$ 123,701,386
<i>Difference from 2020 to 2021</i>	-	\$ 490,776	\$ (485,258)	\$ 5,518	\$ 7,864,728

Department Review: Public Works

reimbursement for ongoing services that is more appropriately being budgeted in the Proposed Budget, as opposed to one-time adjustments made in budget monitoring reports.

Issues for Council Consideration

Update on Vacancies

The department has a total of 825.50 FTE positions. As of this writing, the Public Works Department has 139.00 FTE position vacancies. Of these, 120.00 FTE positions are attributed to the E&CP Branch. Within the E&CP Branch, about 60% of the vacancies come from the following job classifications: Assistant Engineer-Civil, Principal Engineering Aide, and Land Surveying Assistant. At this time last year, the number of vacant positions was at about 100, but the FY 2020 Adopted Budget added another 36.75 FTE positions to the E&CP Branch. Due to COVID-19 and related budget impacts, there is currently a hiring freeze.

Since 2016, the City has added nearly 300 FTE positions to the E&CP Branch. There has also been a corresponding increase in CIP demand during this time, with an average annual budget added to the CIP of \$676.1 million. CIP expenditures have also increased from \$398.3 million to \$574.7 million, between FY 2016 and FY 2019.

The FY 2021 – FY 2025 Five-Year Capital Infrastructure Planning Outlook discussed the limitations to Public Works Department’s capacity to deliver projects. In recent years, good economic conditions have created a regionally strong CIP, making it challenging to compete for staff, consultants, and contractors to meet the growing demand of the CIP. The department discussed plans to increase the CIP output by reducing its vacancies by 5% each year.

However, as discussed in Key Citywide Issues: Capital Improvements Program the

impacts of COVID-19 on the construction industry are unknown. Although construction is continuing during the pandemic, there may be future economic impacts that affect the department’s ability to deliver CIP projects.

Update on E&CP Fund Deficit

Our Office continues to monitor the E&CP Fund deficit. The FY 2020 Adopted Budget projected the fund to be in a \$11.5 million deficit by the end of the fiscal year. According to staff, updated projections indicate that the deficit will be reduced to \$8.8 million by the end of FY 2020. The department has reduced the deficit largely by increasing the overhead rate that it charges CIP projects.

Department Review: Purchasing & Contracting

Purchasing & Contracting

**General Fund Reductions of \$0.5M (2.7%): \$0.5M PE, \$0.0M NPE
5.00 FTE (4.00 filled)**

**Non-General Fund Reductions of net \$0.9M (40%): \$0.5M PE, \$0.4M NPE
6.00 FTE (6.00 filled)**

Impacts of Mayor's FY 2021 Budget Proposal

The Purchasing & Contracting Department's proposed budget for FY 2021 totals approximately \$24.3 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 2021 Proposed Budget for the entire department reflects a reduction of approximately \$18.5 million, or 18.5%, and 12.00 FTE positions. Positions are reduced by 6.00 FTE positions each in the General Fund and Publishing Services Fund in response to the economic changes from COVID-19. Other adjustments in the General Fund are primarily related to re-aligning the budgets for the animal services contract and disparity study. The Central Stores Fund is reducing inventory budget by \$2.6 million with no service level impacts. All of these adjustments are discussed in further detail under each fund header.

General Fund

Purchasing & Contracting's General Fund FY 2021 Proposed Budget is approximately \$18.2 million. This is a reduction of \$1.9 million from the FY 2020 Budget, which represents a 9.5% decrease from the \$20.2 million FY 2020 Budget. The department's General Fund budget has a proposed reduction of 6.00 FTE positions. For FY 2020, General Fund revenue is reduced by \$1.6 million. *(see table next page)*

Budget Reductions

As part of the citywide General Fund reductions, 5.00 FTE positions (1.00 FTE filled, 4.00 FTE vacant) and \$34,000 in non-personnel budget are being reduced. The positions support procurement efforts, the Living Wage Program and administrative functions for the department. Purchasing & Contracting has indicated that they are evaluating workloads and will redistribute work from the cut positions to other staff. They were not sure if client departments would experience a slow-down in getting work done as they are still evaluating the impacts of the reductions. The non-personnel funds were being used for training, supplies and professional contractual support.

Disparity Study

The disparity study, which was initiated in FY 2020 will continue into FY 2021 and has been funded in the Proposed Budget. The budget

SUMMARY OF PURCHASING & CONTRACTING DEPARTMENT BUDGET CHANGES						
Fund	FY 2020 FTE	FY 2021 FTE	Change	FY 2020 Expense	FY 2021 Expense	Change
General Fund	52.96	46.96	(6.00)	20,150,112	18,242,814	(1,907,298)
Central Stores Fund	20.00	20.00	-	7,489,187	4,730,124	(2,759,063)
Publishing Services Fund	9.00	3.00	(6.00)	2,205,276	1,340,551	(864,725)
Total Combined	81.96	69.96	(12.00)	\$ 29,844,575	\$ 24,313,489	\$ (5,531,086)

Department Review: Purchasing & Contracting

includes two adjustments. The first is to remove the one-time funding that was included in the FY 2020 budget for the study and the second is to budget the \$249,000 needed to complete the study in FY 2021. It is estimated that half of the work conducted will be eligible for reimbursement from the Public Works Department and, as such, revenue is budgeted to offset half the cost.

The Purchasing & Contracting Department stated that the study is on schedule and that data review will continue into the fall. They anticipate having a report to Council in January or February 2021.

Animal Services Contract

The animal services contract is fully funded for FY 2021 based on the contract that Council approved in December 2019. The budget includes two adjustments, similar to the disparity study. The first budget revision removes the prior year one-time funding and the second budgets \$1.8 million as an ongoing expense.

The Purchasing & Contracting department also requested \$733,000 to address deferred maintenance at the animal shelter; however, this was not funded.

Restructuring Adjustments

Two additional adjustments were made in the

Purchasing & Contracting department that are restructuring in nature.

- A vacant position is being transferred to the Department of Finance to support Ariba (vendor management system); and
- The Department's service level agreement with the Public Utilities Department is being discontinued and Public Utilities will no longer have dedicated purchasing staff.

Central Stores

The Central Stores Fund has a proposed FY 2021 budget of \$4.7 million. This is a reduction of approximately \$2.8 million, or 37%, from the FY 2020 Adopted Budget. There are no changes to the 20.00 FTE positions. Revenue is also reduced by approximately \$2.8 million. (*see table next page*)

Budget Reductions

The significant budget change this year is a reduction of \$2.6 million in the budget to purchase an inventory of supplies for City departments. Departments can and do order directly from vendors using Citywide purchase orders. This is more cost effective and efficient for departments than going through Central Stores. This reduces the inventory budget in Central Stores by half.

SUMMARY OF PURCHASING & CONTRACTING GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	52.96	\$ 5,346,174	\$ 14,803,938	\$ 20,150,112	\$ 1,893,716
Programmatic Changes					
<i>Animal Services Contract</i>	-	-	1,842,910	1,842,910	-
<i>Disparity Study (rebudget from FY 2020)</i>	-	-	248,785	248,785	124,393
<i>Reduction in contractual svcs, supplies & training</i>	-	-	(33,865)	(33,865)	-
<i>Transfer Position to DOF for Ariba Support</i>	(1.00)	(63,239)	-	(63,239)	-
<i>Reduction of Assoc Procurement Contracting Officer</i>	(1.00)	(97,061)	-	(97,061)	-
<i>Reduction of Living Wage Program Sr Mgmt Analyst</i>	(1.00)	(102,887)	-	(102,887)	-
<i>Reduction of Senior Procurement Contracting Officer</i>	(1.00)	(104,733)	-	(104,733)	-
<i>Reduction of Administrative Staff</i>	(2.00)	(194,671)	-	(194,671)	-
<i>Removal of FY 2020 One-Time for Disparity Study</i>	-	-	(1,000,000)	(1,000,000)	(800,000)
<i>Removal of FY 2020 One-Time for Animal Svcs Cont</i>	-	-	(2,174,519)	(2,174,519)	-
<i>Discontinuation of SLA with Public Utilities Dept</i>					(693,462)
Other Changes					
<i>Vacancy Savings Increase</i>	-	(208,465)	-	(208,465)	-
<i>Other Adjustments</i>	-	(88,798)	69,245	(19,553)	(225,000)
FY 2021 Proposed Budget	46.96	\$ 4,486,320	\$ 13,756,494	\$ 18,242,814	\$ 299,647
Difference from 2020 to 2021	(6.00)	\$ (859,854)	\$ (1,047,444)	\$ (1,907,298)	\$ (1,594,069)

Department Review: Purchasing & Contracting

SUMMARY OF CENTRAL STORES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	20.00	\$ 1,711,306	\$ 5,777,881	\$ 7,489,187	\$ 7,633,347
Programmatic Changes					
<i>Reduction of Inventory</i>	-	-	(2,641,302)	(2,641,302)	(2,809,081)
Other Changes					
<i>Vacancy Savings Increase</i>	-	(57,090)	-	(57,090)	-
<i>Other Adjustments</i>	-	(141,056)	80,385	(60,671)	-
FY 2021 Proposed Budget	20.00	\$ 1,513,160	\$ 3,216,964	\$ 4,730,124	\$ 4,824,266
<i>Difference from 2020 to 2021</i>	-	\$ (198,146)	\$ (2,560,917)	\$ (2,759,063)	\$ (2,809,081)

Publishing Services

The FY 2021 Proposed Budget for the Publishing Fund is \$1.3 million with approximately \$2.1 million in revenue and 3.00 FTE positions. This is a reduction of \$865,000, or 39%, from the FY 2020 Budget and a reduction of 6.00 FTE positions.

Budget Reductions

The Department has observed a decline in request for publishing services. They were at 60% in FY 2019 and continue to drop. At the beginning of the budget process, pre-COVID-19, the department requested to reduce 1.00 FTE Senior Press Operator position that is expected to be vacant by the beginning of FY 2021 in order to begin to better align staffing levels with available workload. The Department intended to analyze the operations and develop a plan for rightsizing over the next year.

However, with the significant economic impacts from COVID-19 and shift to City employees telecommuting, using electronic forms of communication and approvals, and

avoiding discretionary spending, printing requests slowed further. Essentially, the changes brought about by COVID-19 hastened the need for the Department to re-evaluate the workload that would be available to fund the operations. The reduction in workforce for Publishing Services was then increased to 6.00 FTE positions and approximately \$367,000 in non-personnel expenditure budget for paper and contracted printing services.

This represents a two-thirds reduction in workforce, leaving 3.00 FTE positions to provide printing services to City departments in FY 2021. However, the Department does not expect to see any service level impacts for client departments due to the decline in service requests. The department believes this reduction will re-align staff with the amount of service requests expected in FY 2021.

All six positions are currently filled, although one is expected to be vacant by the end of this fiscal year.

The Department also noted that they need to correct the revenue budget to reflect the

SUMMARY OF PUBLISHING SERVICES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	9.00	\$ 753,144	\$ 1,452,132	\$ 2,205,276	\$ 2,498,676
Programmatic Changes					
<i>Reduction of printing paper & contracted print svcs</i>	-	-	(367,393)	(367,393)	-
<i>Reduction of 1.00 Print Shop Supervisor</i>	(1.00)	(155,102)	-	(155,102)	-
<i>Reduction of 2.00 Senior Press Operators</i>	(2.00)	(141,408)	-	(141,408)	-
<i>Reduction of 1.00 Graphic Designer</i>	(1.00)	(80,188)	-	(80,188)	-
<i>Reduction of 1.00 Administrative Aide 1</i>	(1.00)	(72,637)	-	(72,637)	-
<i>Reduction of 1.00 Publishing Specialist 2</i>	(1.00)	(64,907)	-	(64,907)	-
<i>Revenue Reduction</i>	-	-	-	-	(364,167)
Other Changes					
<i>Other Adjustments</i>	-	3,146	13,764	16,910	-
FY 2021 Proposed Budget	3.00	\$ 242,048	\$ 1,098,503	\$ 1,340,551	\$ 2,134,509
<i>Difference from 2020 to 2021</i>	<i>(6.00)</i>	<i>\$ (511,096)</i>	<i>\$ (353,629)</i>	<i>\$ (864,725)</i>	<i>\$ (364,167)</i>

Department Review: Purchasing & Contracting

reduction in work requests and intend to include this in the May Revision. They also continue to evaluate the non-personnel budget to see if further reductions would be appropriate based on the work being requested.

Department Review: Real Estate Assets

Real Estate Assets

**General Fund Reductions of \$1.8M (5.9%): \$4.3M PE, \$0.3M NPE, \$2.8M Rev
46.00 FTE (25.00 filled)**

**Non-General Fund Reductions of \$4.8M (33.7%): \$0.4M PE, \$9.9M NPE, \$5.7M Rev
2.00 FTE (2.00 filled)**

The Real Estate Assets Department manages the City’s real estate portfolio, including the administration of leases, permits and operating agreements, in addition to maintenance of City-owned facilities. 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.

Impacts of Mayor’s FY 2021 Budget Proposal

The table below summarizes the entire budget of the Real Estate Assets Department. In the FY 2020 Adopted Budget, there were 271.50 FTE positions and expenditures of \$72.9 million. The FY 2021 Proposed Budget for the Department is reduced to 226.50 FTE positions and expenditures of \$52.8 million primarily from the pending sale of SDCCU Stadium. The budgets for each of these areas is discussed on the following pages.

Facilities Services (General Fund)

Facilities Services was transferred from the Public Works Department to the Real Estate Assets Department in FY 2019. Facilities

Services provides maintenance, repair, modernization, and improvements to the City’s about 1,600 facilities.

The FY 2021 Proposed Budget includes \$22.4 million in General Fund expenditures, which is a decrease of \$2.1 million, or 8.7%. The budget also includes 174.50 FTE positions which is a decrease of a net 37.00 FTE positions. The FY 2021 Proposed Budget includes \$4.9 million in revenue which is a decrease of \$2.4 million, or 32.6%, from the FY 2020 Adopted Budget. (See table next page.)

Significant Budget Reductions

The Proposed Budget includes a reduction of 40.00 FTE positions and \$3.9 million. Of the 40 positions, 30 are due to the sale of the Stadium. The remaining 10 positions are proposed for reduction to achieve General Fund savings. The table below summarizes the proposed General Fund reductions, including a breakdown of the positions.

Significant Budget Addition

The Proposed Budget also includes the following budget addition:

- 3.00 FTE positions and \$219,000 in General Funds to support Public Utilities Department (PUD) facilities. PUD would provide \$456,000 in revenue, with the surplus funds going to offset other personnel

SUMMARY OF REAL ESTATE ASSETS DEPARTMENT BUDGET CHANGES						
Fund	FY 2020 FTE	FY 2021 FTE	Change	FY 2020 Expense	FY 2021 Expense	Change
Facilities Maintenance (General Fund)	211.50	174.50	(37.00)	24,531,875	22,395,139	(2,136,736)
Real Estate Assets (General Fund)	32.00	26.00	(6.00)	6,342,319	4,402,191	(1,940,128)
Airports	23.00	23.00	-	6,001,481	5,180,677	(820,804)
Councourse & Parking Garages	2.00	2.00	-	4,321,921	3,260,079	(1,061,842)
PETCO Park	1.00	1.00	-	17,337,201	17,592,413	255,212
Stadium Operations	2.00	-	(2.00)	14,350,466	-	(14,350,466)
Total Combined	271.50	226.50	(45.00)	\$ 72,885,263	\$ 52,830,499	\$ (20,054,764)

Department Review: Real Estate Assets

expenses in the General Fund for PUD-related facility maintenance.

Issues for Council Consideration

Impacts of Proposed Position Cuts

Of the 10.00 FTE positions that are proposed to be cut, three are filled. If all 10 positions were filled, Facilities Services could do more preventative maintenance, which reduces costs for future repair, and mitigates growth of the City's deferred capital backlog. The most recent assessment of the City's deferred capital backlog for General Fund facilities totals \$828.7 million.

According to staff, losing the three filled positions would not have a significant impact on current operations, as two existing Electrician positions will be reassigned into other positions. The remaining position, a Construction Estimator, is due to retire, at which point workload would be absorbed among other staff.

Of the 30.00 FTE positions that currently support the Stadium proposed to be cut, 22 are filled. The table below summarizes the positions proposed for reduction and whether they

are filled.

Position Reduction	
Non Stadium - Filled	(3.00)
Non Stadium - Vacant	(7.00)
Stadium - Filled	(22.00)
Stadium - Vacant	(8.00)
Total	(40.00)

Impact on Public Facilities

Beginning in FY 2014, there was a significant interest in investing in public facilities. The City invested a total of \$2 million in General Funds for facilities condition assessments and 53 positions for Facilities Services between 2014 and 2017. However, since 2018, Facilities Services will have lost 30 positions, if proposed position reductions are approved.

As stated earlier, preventative maintenance can avoid more costly repairs in the future. However, Facilities Services has seen a drop in the percentage of work completed that is preventative. In FY 2018 preventative maintenance made up 30% of the work completed by Facilities. However, in FY 2019 it was 19%. Staff indicate that contributing to this decrease is shifting priorities to work on major projects,

SUMMARY OF FACILITIES SERVICES (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	211.50	\$ 18,457,982	\$ 6,073,893	\$ 24,531,875	\$ 7,304,653
Programmatic Changes					
<i>Additional Staff to Support PUD Facilities</i>	3.00	219,118	-	219,118	455,936
<i>Reduce Stadium Staff</i>	(30.00)	(2,841,151)	-	(2,841,151)	(2,836,833)
<i>Reduce Apprentice Electricians</i>	(2.00)	(167,738)	-	(167,738)	-
<i>Reduce Electrician Supervisor</i>	(1.00)	(93,198)	-	(93,198)	-
<i>Reduce Plasterer</i>	(1.00)	(74,055)	-	(74,055)	-
<i>Reduce Admin Aide</i>	(1.00)	(110,090)	-	(110,090)	-
<i>Reduce Construction Estimators</i>	(2.00)	(182,474)	-	(182,474)	-
<i>Reduce Painter</i>	(1.00)	(80,861)	-	(80,861)	-
<i>Reduce Apprentice HVACR Technician</i>	(2.00)	(173,435)	-	(173,435)	-
<i>Reduction of Supplies and Fuel</i>	-	-	(154,158)	(154,158)	-
Other Changes					
<i>One-Time Adjustments</i>	-	641,471	(2,874,730)	(2,233,259)	-
<i>Non-Discretionary Adjustments</i>	-	-	3,692,835	3,692,835	-
<i>IT Discretionary</i>	-	-	62,245	62,245	-
<i>Salary and Benefit Adjustments</i>	-	(515)	-	(515)	-
FY 2021 Proposed Budget	174.50	\$ 15,595,054	\$ 6,800,085	\$ 22,395,139	\$ 4,923,756
Difference from 2020 to 2021	(37.00)	\$ (2,862,928)	\$ 726,192	\$ (2,136,736)	\$ (2,380,897)

Department Review: Real Estate Assets

as well as having lost institutional knowledge from retired employees.

Unfunded requests submitted by Facilities Services provides a more tangible impact of reducing investment in public facilities. An unfunded request of \$700,000 in contracts and materials would have allowed the following projects to be completed:

- Major elevator repairs for the Fire Department and Police Department
- Fire suppression system at Scripps Library
- Various roof repairs and replacements
- Electrical and HVAC projects
- Lighting retrofits

Real Estate Assets (General Fund)

The FY 2021 Proposed Budget for the General Fund portion of Real Estate Assets is approximately \$4.4 million with 26.00 FTE positions. This is a reduction of \$1.9 million, or 30.6%, from the FY 2020 Adopted Budget of \$6.3 million and includes the reduction of 6.00 FTE positions. Revenues are increased by \$781,000 in the Proposed Budget.

Significant Budget Reductions

The Mayor's Proposed Budget includes the reduction of 6.00 FTE positions - 2.00 FTE Supervising Property Agents and 4.00 FTE Property Agents. These positions are responsible for acquisition, disposition and asset

management. Reducing these positions will slow down land sales. Real Estate Assets estimates they can only do about 10 each year. Lease renewals will also be delayed, resulting in more month-to-month holdovers. These positions are all vacant at this time.

The contractual expense for maintenance of the Central Plant is reduced by \$254,000 in the Proposed Budget. This is primarily from shifting the cost of maintenance for the City Operations Building HVAC system (approximately \$181,000) to the Development Services Department and a \$73,000 reduction in budget for unanticipated maintenance needs for other components of the Central Plant. The Department does not anticipate any impacts from this reduction.

The other large budget change reflected in this year's Proposed Budget is the removal of \$689,000 that was budgeted in FY 2020 to move General Fund staff into the 101 Ash Street Building.

Issues for Council Consideration

Lease Revenues

The Proposed Budget assumed increased revenue of approximately \$781,000 primarily from Mission Bay hotels, Sea World and Campland. These revenue projections were prepared prior to the health concerns and stay-at-home orders in response to the COVID-19 outbreak. Performance-based leases will be directly impacted by the economic slow-down and lack of tourism. In addition, rent deferrals

SUMMARY OF REAL ESTATE ASSETS (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	32.00	\$ 4,086,466	\$ 2,255,853	\$ 6,342,319	\$ 53,603,163
Programmatic Changes					
<i>Reduction in Acquisition, Disposal & Asset Mgmt</i>	(6.00)	(621,278)	-	(621,278)	-
<i>Reduction in Central Plant Maintenance</i>	-	-	(253,693)	(253,693)	-
<i>Removal of FY 2020 One-Time for Move to 101 Ash St</i>	-	-	(689,152)	(689,152)	-
Other Changes					
<i>Revenue Increases</i>	-	-	-	-	781,080
<i>Vacancy Savings Increase</i>	-	(197,920)	-	(197,920)	-
<i>Other Adjustments</i>	-	(155,405)	(22,680)	(178,085)	-
FY 2021 Proposed Budget	26.00	\$ 3,111,863	\$ 1,290,328	\$ 4,402,191	\$ 54,384,243
Difference from 2020 to 2021	(6.00)	\$ (974,603)	\$ (965,525)	\$ (1,940,128)	\$ 781,080

Department Review: Real Estate Assets

SUMMARY OF AIRPORTS BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	23.00	\$ 2,445,936	\$ 3,555,545	\$ 6,001,481	\$ 4,881,882
Programmatic Changes					
<i>Removal of FY 2020 One-Time Expenses</i>	-	-	(537,000)	(537,000)	-
<i>Reduction in Maintenance</i>	-	-	(150,000)	(150,000)	-
<i>Reduction in Miscellaneous Professional/Technical Svcs</i>	-	-	(90,059)	(90,059)	-
Other Changes					
<i>Vacancy Savings Increase</i>	-	(74,161)	-	(74,161)	-
<i>Other Adjustments</i>	-	2,058	28,358	30,416	-
FY 2021 Proposed Budget	23.00	\$ 2,373,833	\$ 2,806,844	\$ 5,180,677	\$ 4,881,882
Difference from 2020 to 2021	-	\$ (72,103)	\$ (748,701)	\$ (820,804)	\$ -

will impact revenue in the current year (FY 2020). Real Estate Assets is developing new projections for the FY 2020 Third Quarter Budget Monitoring Report and we expect revenue reductions will be included in the Mayor's May Revision.

101 Ash Street Building

The Real Estate Assets Department continues to perform property management functions for the 101 Ash Street building. A more detailed discussion of the status of the 101 Ash Street building can be found in the "Key Citywide Issues" section earlier in this report.

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 2021 Proposed Budget for both airports total approximately \$5.2 million, which is a \$821,000 reduction from the FY 2020 Adopted Budget. Airports Fund revenue is budgeted at nearly \$4.9 million and the Airports are supported by 23.00 FTE positions.

Significant Budget Reductions

The budget reductions are due to two main factors:

- The removal of \$537,000 in prior-year one-time expenditures for consulting services and equipment, and
- Budgetary reductions of \$150,000 in maintenance due to re-modernization of both airport terminal buildings and \$90,000 in miscellaneous professional and technical services based on historical spending trends.

Issues for Council Consideration

Airports staff indicated that they will be receiving over \$200,000 in one-time grant funds from the FAA as a result of the CARES Act. The funding is anticipated to be received in the current fiscal year (FY 2020).

Concourse & Parking Garages

The FY 2021 Proposed Budget for the Concourse & Parking Garages Operating Fund is

SUMMARY OF CONCOURSE & PARKING GARAGES BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	2.00	\$ 219,052	\$ 4,102,869	\$ 4,321,921	\$ 4,244,226
Programmatic Changes					
<i>Reduction in Transfer to the General Fund</i>	-	-	(1,155,553)	(1,155,553)	-
<i>Reduction in Concourse & Parking Garage Revenue</i>	-	-	-	-	(331,212)
<i>Reduction in Lease Revenue</i>	-	-	-	-	(209,955)
Other Changes					
<i>Other Adjustments</i>	-	1,339	92,372	93,711	51,000
FY 2021 Proposed Budget	2.00	\$ 220,391	\$ 3,039,688	\$ 3,260,079	\$ 3,754,059
Difference from 2020 to 2021	-	\$ 1,339	\$ (1,063,181)	\$ (1,061,842)	\$ (490,167)

Department Review: Real Estate Assets

nearly \$3.3 million, which is a reduction of approximately \$1.1 million from the FY 2020 Adopted Budget. Revenues for the Fund total \$3.8 million, a reduction of \$490,000, and the Fund supports 2.00 FTE positions.

Significant Budget Reductions

The Concourse & Parking Garages Operating Fund transfers excess revenue to the General Fund each year. For FY 2021, that budget is revised downwards by \$1.2M, to just over \$244,000. This is directly tied to reductions in revenue, primarily as a result of using the space at the Concourse for a homeless shelter as opposed to event space. The Department is also revising revenue projections downward by \$541,000 due to no longer holding events at the concourse and the performance of leases for City property around the concourse.

PETCO Park

The FY 2021 Proposed Budget for the PETCO Park Fund includes \$17.6 million in expenditures, an increase of approximately \$0.3 million (1.5%) from the FY 2020 Adopted Budget. Revenues to the Fund are also budgeted to increase by approximately \$800,000, to \$17.0 million.

Significant Budget Additions

The expenditure increases to the PETCO Park Fund include \$131,000 for Joint Ball-park Operations Expenses and \$121,000 for landscaping maintenance, both of which are based on obligations contained in the Joint Use Management Agreement between the City and the Padres.

Revenue increases include \$113,000 in Special Event revenue based on historical projections, and \$671,000 from the Transient Occupancy Tax (TOT) Fund to cover increased costs.

It should be noted that the Special Events Revenue projections have not been updated in response to the COVID-19 crisis and the subsequent closure and cancellation of events and

the ballpark. The expenses for PETCO Park contained in the Proposed Budget are not expected to decline due to the crisis, and thus any decrease in Special Event Revenue will have to be made up from either the TOT Fund or another revenue source.

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 Stadium (Stadium).

Significant Budget Reductions

The City is currently in negotiations with San Diego State University (SDSU) for the sale of the Stadium site, per the passage of Measure G in November 2018. As part of those negotiations, SDSU made as part of their offer that, if the sale of the site is not completed by July 1, 2020, SDSU would enter into a new lease agreement with the City whereby SDSU would assume all operating costs and obligations for the Stadium on July 1, 2020. In accordance with this provision, the FY 2021 Proposed Budget has removed all expenses and revenues for the Stadium Operations Fund. This includes the removal of \$14.3 million in expenditures, 2.00 FTEs, which are currently both filled, and \$7.1 million in revenue.

For the two positions contained in the Stadium Operations Fund, one position is expected to retire before the end of this fiscal year, and the position will no longer be needed. For the other position, the Department is currently attempting to find a vacant position to transfer the individual within the Department.

The largest impact to expenditures will be the removal of the operating costs transferred from the Stadium Operations Fund to the Facilities Division to pay for Facilities personnel at the Stadium, which was approximately \$7.1 million in FY 2020. The reductions in Facilities personnel are discussed in the Facilities

Department Review: Real Estate Assets

Services Section.

While the transfer for debt service payments are removed from the Stadium Operations Fund, the City is still liable for approximately \$28.3 million worth of debt service on the Stadium. These payments are budgeted to be paid out of the Capital Outlay Fund with proceeds from the sale of the Stadium to SDSU.

For the revenue reductions, the majority of the revenue reduction is for Stadium generated revenues since the FY 2020 Adopted Budget utilized fund balance to pay for operating and debt service costs. Typically, the difference between the Stadium generated revenues and expenses has been made up by the TOT Fund. The operating deficit for the Stadium (total expenses minus Stadium generated revenues) in FY 2020 is approximately \$8.9 million.

Issues for Council Consideration

Negotiations on the Sale of the Stadium

Following the passage of Measure G on November 6th, 2018, the City and SDSU have been involved in extensive negotiations over the sale of the Stadium site. Since that time, there have been multiple offers and proposals presented by SDSU and/or City staff to the City Council, to which the City Council has provided extensive feedback. A timeline of important events includes:

- On October 14, the Council heard and informational item containing an appraisal of the Stadium site, and an initial offer letter from SDSU (more information on the appraisal can be found in IBA reports 19-24REV, “Analysis of the Existing Stadium Site Appraisal”).
- On November 18, the Council received a presentation from City staff and SDSU on a revised offer letter (for more information on the offer letter, refer to IBA Report 19-27 “Analysis of the Updated Offer for the

SDCCU Stadium Site in Mission Valley”).

- At the November 18 meeting, Council made a motion directing the City Attorney to draft a Purchase and Sale Agreement (PSA) addressing all concerns raised by the City Attorney and the IBA, including an outside closing date of December 31, 2020, and returning to Council in mid-December.
- On December 16, the City Attorney and City staff presented an informational item to receive additional Council feed-back on the draft PSA.
- On January 27, the draft PSA was presented to Council, and Council made additional motions concerning specific policy recommendations.
- Following the January 27 meeting, City staff presented the draft PSA to SDSU, and began the negotiating process over that document.
- Detailed updates followed in the form of a memo from the City Attorney on February 18, and an information item in front of Council on March 9.

Currently, the City and SDSU are in final negotiations for the sale of the Stadium, with an expected return to Council for final policy issues some time in mid to late May, followed by the final approval of the PSA and Environmental Impact Report thereafter.

The anticipated sale of the Stadium is being utilized in the FY 2021 Proposed Budget as a significant mitigation measure, both for expenditure reductions and as a revenue source. In determining the amount of revenue that would be generated from the sale, staff relied on an earlier estimate that anticipated the General Fund share of the sale to be 63%. This led to the inclusion of \$55.2 million in revenue for the Capital Outlay Fund. The uses for this revenue are provided in the chart below.

Department Review: Real Estate Assets

However, the final amount of revenue that will be collected from the sale of the Stadium is still under negotiation. The latest information from the negotiating team projects the proceeds due to the Capital Outlay Fund for General Fund purposes will only be \$52.8 million, mostly due to a change in the General Fund share of the proceeds from a more accurate accounting of the acreage owned by the General Fund. **While the final terms of the deal are still in flux, it is likely that the total revenue realization will be \$2.4 million less than what is included in the Proposed Budget, which will require changes to the mitigation plan.**

Stadium Mitigations (in millions)	
Description	Funding
<i>Stadium Debt Service*</i>	\$ 28.3
<i>Funding for City commitments contained in draft PSA</i>	\$ 10.0
<i>One-time funding for various debt service commitments</i>	\$ 16.9
<i>Total</i>	\$ 55.2

**Includes \$4 million for FY 2021. The remainder will be saved for future payments.*

Also, as mentioned, the budget is predicated on the sale and/or lease of the Stadium to SDSU by July 1, 2020. Currently, the lease has not been officially signed, and the current lease requires the City to pay for the operations of the Stadium through December 31, 2020. If a new lease agreement, or final sale cannot be completed by July 1, then the City will incur costs above budget for the operation of the Stadium. **The Department should comment on the status of the negotiations, especially the new lease agreement which is included as a major budget reduction.**

Department Review: Risk Management

Risk Management

**Non-General Fund Reductions of \$1.0M (7.9%): \$781,000 PE, \$260,000 NPE
5.00 FTE (5.00 vacant)**

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 Administration Fund revenues, on a per employee basis, as part of fringe benefits.¹ General Fund fringe benefits contributions of \$7.2 million comprise 65.5% of the revenues to the RM Administration Fund, with Non-General Fund departments contributing \$3.6 million,

or 33.1%. The remaining 1.4% of revenues, totaling \$159,000, are largely reimbursement related.

Impacts of Mayor's FY 2021 Budget Proposal

The following table presents a summary of budget changes from the FY 2020 Adopted Budget to the FY 2021 Proposed Budget. The number of FTE positions has decreased by 5.00, from 89.23 in FY 2020 to 84.23 in FY 2021.

Revenues and expenditures in RM's FY 2021 Proposed Budget total \$11.0 million and \$12.0 million, respectively. Expenditures exceed revenues in the Proposed Budget by approximately \$1.0 million, and the difference is anticipated to be covered by RM fund balance at FY 2020 year-end. Highlights of budget

SUMMARY OF RISK MANAGEMENT BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	89.23	\$ 10,815,276	\$ 2,300,875	\$ 13,116,151	\$ 13,200,293
Programmatic Changes					
<i>Citywide Fringe Contributions to Risk Management</i>	-	-	-	-	(2,015,293)
<i>Temporary Staffing</i>	-	-	(190,000)	(190,000)	-
<i>Vendor for Transportation Alternatives Program</i>	-	-	(70,000)	(70,000)	-
<i>Employee Benefits Specialist 2</i>	(2.00)	(299,880)	-	(299,880)	-
<i>Claims Representative 2</i>	(2.00)	(188,576)	-	(188,576)	-
<i>Payroll Specialist 1</i>	(1.00)	(74,362)	-	(74,362)	-
<i>Vacancy Savings Increase</i>	-	(218,535)	-	(218,535)	-
<i>Additional Salaries and Wages Budget Adjustment</i>	-	(90,000)	-	(90,000)	-
Other Changes					
<i>Loss Recoveries Collected by Asset Owning Depts.</i>	-	-	-	-	(185,000)
<i>Other Salaries & Wages Adjustments</i>	-	164,539	-	164,539	-
<i>Other Fringe Benefits Adjustments</i>	-	(301,705)	-	(301,705)	-
<i>Non-Discretionary Adjustments</i>	-	-	253,492	253,492	-
<i>Net Adjustments for IT Services and Hardware</i>	-	-	(96,786)	(96,786)	-
FY 2021 Proposed Budget	84.23	\$ 9,806,757	\$ 2,197,581	\$ 12,004,338	\$ 11,000,000
Difference from 2020 to 2021	(5.00)	\$ (1,008,519)	\$ (103,294)	\$ (1,111,813)	\$ (2,200,293)

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.

Department Review: Risk Management

changes are discussed below.

Non-personnel expenditure (NPE) reductions include:

- \$190,000 for temporary staffing
- \$70,000 for a vendor to administer the Transportation Alternatives Program, which the City is now handling through payroll deductions

For Personnel Expenditures (PE), the budget is reduced by \$219,000 for increased vacancy savings (a decrease to salaries and wages), as well as a \$90,000 salaries/wages adjustment that is anticipated to be reversed in the May Revise (as it applies to other RM funds).

As previously stated, there has been a decrease of 5.00 FTEs in the RM Administration Proposed Budget:

- 2.00 Employee Benefits Specialist 2s that support City employees with benefits assistance
- 2.00 Claims Representative 2s that support the Public Liability and Loss Recovery Division
- 1.00 Payroll Specialist 1 that supports payroll functions in the Department

Reducing these positions may cause a heavier workload for remaining staff, reduced loss recovery revenues, reduced litigation prevention, and other negative impacts to the City.

Requests Not Included in the FY 2021 Proposed Budget

The Department requested the following resources which were *not funded* in the Proposed Budget.

- 1.00 WC Claims Representative 2
- 1.00 WC Claims Aide
- 1.00 Claims Representative 2 for the

Public Liability and Loss Recovery Division

- 1.00 Safety and Training Manager for loss prevention
- \$81,000 in PC replacements and other hardware
- \$59,000 in employee benefits enrollment upgrades (in SAP)
- \$44,000 in systems enhancements and \$15,000 in systems training for Workers' Compensation and Public Liability processing

The budget reduction for temporary staffing was intended as a trade-off for acquiring 2.00 FTEs for handling WC claims and 1.00 FTE for the Public Liability and Loss Recovery Division. (These FTEs are included in the *“not funded”* list above.) Although the temporary staffing was removed in the Proposed Budget, the corresponding FTEs were not funded. Staff caseloads are already higher than industry standards, and a heavier caseload could lead to State mandated deadlines not being met and potential penalties.

Other Risk Management Funds

RM Administration oversees the Public Liability, Workers' Compensation, and Long-Term Disability Funds. Information on these three funds is included in this report, under Reserves.

Department Review: Special Promotional Programs

Special Promotional Programs

Non-General Fund Reductions of \$8.2M (6.3%): \$8.2M NPE

Impacts of the Mayor's FY 2021 Budget Proposal

The FY 2021 proposed budget allocation for Special Promotional Programs is approximately \$110.8 million, a \$18.0 million or 13.9% decrease from FY 2020. This decrease

is primarily due to a 10.3% projected reduction of transient occupancy tax (TOT) revenue from the FY 2020 Adopted Budget. \$8.2 million, or a 6.3% decrease from overall FY 2020 funding, represents reductions made to Arts and Culture and Economic Development program allocations as budget mitigation

SUMMARY OF SPECIAL PROMOTIONAL PROGRAMS BUDGET CHANGES				
	FY 2020 ADOPTED	FY 2021 PROPOSED	CHANGE (\$)	(%)
Revenue				
<i>Transient Occupancy Tax (TOT) - (5.0 cents)</i>	\$ 123,423,722	\$ 110,717,198	\$ (12,706,524)	-10.3%
<i>Cultural Affairs Department Revenue</i>	75,000	75,000	-	0.0%
<i>Transfer from General Fund</i>	3,949,600	-	(3,949,600)	-100.0%
<i>Use of TOT Fund Balance</i>	1,304,028	-	(1,304,028)	-100.0%
Total Revenue	\$ 128,752,350	\$ 110,792,198	\$ (17,960,152)	-13.9%
Allocations				
Arts, Culture, and Community Festivals	\$ 14,244,323	\$ 7,936,869	\$ (6,307,454)	-44.3%
<i>Arts and Culture Programs (CCSD & OSP)</i>	11,454,560	5,765,978	(5,688,582)	-49.7%
<i>Cultural Affairs Department (Arts & Culture)</i>	1,336,596	2,170,891	834,295	62.4%
<i>Arts, Culture and Community Festivals (ACCF)</i>	497,396	-	(497,396)	-100.0%
<i>ACCF - Mayoral / Council Allocations</i>	400,000	-	(400,000)	-100.0%
<i>Public Art Fund</i>	555,771	-	(555,771)	-100.0%
Economic Development Programs	\$ 2,042,200	\$ 1,027,200	\$ (1,015,000)	-49.7%
<i>Economic Development Programs (CEDS & EDTS)</i>	1,015,000	-	(1,015,000)	-100.0%
<i>Business Expansion, Attraction, and Retention</i>	847,200	847,200	-	0.0%
<i>Other Economic Development Program Admin.</i>	180,000	180,000	-	0.0%
Capital Improvements	\$ 24,209,100	\$ 24,348,730	\$ 139,630	0.6%
<i>Convention Center Debt Service</i>	12,560,300	12,560,300	-	0.0%
<i>Mission Bay Park/Balboa Park Imps. Debt Service</i>	1,430,751	1,432,430	1,679	0.1%
<i>PETCO Park Debt Service</i>	9,292,250	9,291,500	(750)	0.0%
<i>Stadium Debt Service</i>	-	-	-	0.0%
<i>Trolley Extension Reserve Debt Service</i>	925,799	1,064,500	138,701	15.0%
Safety & Maintenance of Visitor-related Facilities	\$ 8,738,677	\$ 8,737,075	\$ (1,602)	0.0%
<i>Mission Bay Park/Balboa Park Imps. Operations</i>	424,702	432,406	7,704	1.8%
<i>Convention Center Operating Support Transfer</i>	2,064,845	3,232,890	1,168,045	56.6%
<i>PETCO Park Operations</i>	3,435,627	4,107,012	671,385	19.5%
<i>Stadium Operations</i>	1,585,081	-	(1,585,081)	-100.0%
<i>Cultural Affairs Department (Special Events)</i>	1,228,422	964,767	(263,655)	-21.5%
TOTAL ALLOCATIONS	\$ 49,234,300	\$ 42,049,874	\$ (7,184,426)	-14.6%
Transfers to General Fund				
<i>Discretionary TOT to General Fund</i>	24,284,744	22,143,440	(2,141,304)	-8.8%
<i>TOT Administration and Promotional Activities</i>	55,233,306	46,598,884	(8,634,422)	-15.6%
TOTAL TRANSFER TO GENERAL FUND	\$ 79,518,050	\$ 68,742,324	\$ (10,775,726)	-13.6%
TOTAL	\$ 128,752,350	\$ 110,792,198	\$ (17,960,152)	-13.9%

Department Review: Special Promotional Programs

measures. These reductions are discussed later in this section.

Funding for Special Promotional Programs comes from 5.0 of the 10.5 cents of TOT revenue received by the City. Per the San Diego Municipal Code, 5.5 cents of the City's 10.5 cent TOT 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.

The expenditure budget displayed in the table on the previous page incorporates allocations that support the FY 2021 proposed operating budget for the newly formed Cultural Affairs Department which consists of the former Commission for Arts and Culture Department (included under Arts, Culture, and Community Festivals) and the Special Events and Filming Department (included under Safety and Maintenance of Visitor-Related Facilities). We note that the \$3.1 million allocation for the new Cultural Affairs Department in the Special Promotional Program's Proposed Budget is approximately \$161,000 higher than the actual Proposed Budget for the Cultural Affairs Department (\$2.9 million). This error is expected to be addressed in the May Revise.

Discretionary TOT to the General Fund

In the FY 2021 Proposed Budget, all revenue from the 1.0 cent of City Council discretionary TOT, or \$22.1 million, is transferred to the General Fund. This represents a \$2.1 million or 8.8% decrease from the FY 2020 Adopted Budget. In past years, Mayoral and Council allocation for Arts, Culture, and Community Festivals of \$40,000 for each office (\$400,000 total) was funded with the 1.0 cent City Council Discretionary TOT; however, these allocations were not included in the Proposed Budget.

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 2021 arts and culture funding, economic development program funding, 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 new Cultural Affairs Department, Parks and Recreation Department, PETCO Park, and SDCCU Stadium, can be found in the "Cultural Affairs," "Parks and Recreation," and "Real Estate Assets" sections of this report. A discussion of Convention Center revenues, including the FY 2021 TOT allocation to the Convention Center, will be included in our Office's forthcoming report "Review of City Agencies FY 2021 Budgets: Convention Center," to be released during the week of May 4th.

Arts and Culture Funding

The FY 2021 proposed Arts and Culture funding is approximately \$7.9 million, a significant decrease of \$6.3 million, or 44.3%, from the FY 2020 funding level of \$14.2 million. This reduction to arts and culture was proposed by the Mayor as a significant resource for mitigating the projected FY 2021 deficit.

Of the \$7.9 million in FY 2021 funding, \$2.2 million is directed in the Proposed Budget to support the Arts and Culture Division of the new Cultural Affairs Department. The remaining \$5.8 million will be allocated to Creative Communities San Diego (CCSD) and Organizational Support Programs (OSP), representing a 50% reduction to the arts and culture grants programs. No funding is included for Arts, Culture and Community Festivals (including Mayoral and Council allocations as previously discussed) or the Public Arts Fund.

This reduction in the Proposed Budget is a

Department Review: Special Promotional Programs

departure from the funding allocated to arts and culture in FY 2021 in the Mayor's Five-Year Financial Outlook (\$14.2 million ongoing), as well as a divergence from the priority of a majority of Councilmembers who requested in their budget priority memoranda that arts and culture funding be increased or remain consistent with the FY 2020.

Arts and culture funding as a percent of Citywide TOT in the Proposed Budget equates to 3.4% as shown in the table below. We note that this percentage is smaller than the FY 2013 funding level of 5% that was in place the year that Council adopted the Penny for the Arts Blueprint in October 2012. Reduced funding will mean that organizations approved for arts and culture funds will be drawing from a reduced pool of resources and will very likely have a smaller allocation from the prior fiscal year.

Should Council be interested in allocating additional arts and culture funding, our Office notes that:

- Any ongoing increase to funding above what was included in the Proposed Budget will need to be supported by an ongoing resource (either new funding source or an off-setting ongoing reduction elsewhere); and
- Council may consider a one-time increase for FY 2021 with available one-time resources.

Economic Development Funding

The FY 2021 proposed funding for Economic Development Programs is approximately \$1.0 million, a decrease of \$1.0 million, or 49.7%, from the FY 2020 funding level of \$2.0 million. The reduced funding fully eliminates

both the Economic Development and Tourism Support (EDTS) and Citywide Economic Development Support (CEDTS) programs which have historically utilized their TOT allocations to promote San Diego as a business and tourism destination. This reduction was proposed by the Mayor as a resource for mitigating the projected FY 2021 deficit. The FY 2021 funding in the Proposed Budget will continue to fund administrative costs associated with the Business Expansion, Attraction, and Retention Program (\$847,000) and other economic development programs (\$180,000) at the same levels as FY 2020.

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 2021 Proposed Budget, the Improvements Fund totals approximately \$1.9 million, which is materially unchanged from FY 2020.

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 \$46.6 million, a \$8.6 million, or 15.6% reduction from FY 2020 due to the projected decrease in TOT revenue. This reduction solely impacts the Parks and Recreation Department, whose funding is reduced from \$26.4 million to \$17.7 million.

PENNY FOR THE ARTS - BLUEPRINT GOAL: 9.52% OF TOT			
	FY 2020 ADOPTED	FY 2021 PROPOSED	CHANGE
<i>Transient Occupancy Tax Projection (10.5 cents)</i>	\$ 260,304,063	\$ 233,716,535	\$ (11,350,976)
<i>Percent of TOT Funding in Budget</i>	5.47%	3.40%	-2.50%
<i>Penny for the Arts Blueprint Goal (\$, based on goal of 9.52%)</i>	24,780,947	22,249,814	(1,080,613)
<i>Penny for the Arts Budgeted Funding (\$)</i>	14,244,323	7,936,869	(6,523,040)
Variance in Budgeted Funding from the Blueprint Goal (\$)	\$ (10,536,624)	\$ (14,312,945)	\$ (5,442,427)

Department Review: Storm Water

Storm Water

General Fund Reductions of \$4.9M (9.3%): \$0.0M PE, \$4.9M NPE

Impact of the Mayor's FY 2021 Proposed Budget

The Storm Water Department is a new department created in the FY 2021 Proposed Budget. Previously contained within the Transportation & Storm Water (now Transportation) Department, Storm Water is responsible for the maintenance and upkeep of storm drains as well as leads efforts to protect and improve water quality in the City's waterways and the ocean. Prior to FY 2012, Storm Water was a separate department from Transportation. The Proposed Budget proposed to divide the departments again in order to provide more focus and attention on storm water issues, including the upcoming release of the new funding strategy and the revamp of the Watershed Asset Management Plan (WAMP).

The Proposed Budget for the Department is \$48.0 million, which is a decrease of \$4.5 million (8.5%) net of the transfer of funds and positions from Transportation. The total number of positions is 213.25 FTEs, which is a net increase 1.00 FTE. This increase is for a new department director position and adds

approximately \$382,000 in expenditures to the Proposed Budget. This is the only addition in Storm Water.

In the Cityside Budget Overview presented by the Mayor, it lists this addition as a savings of \$16,086. This is due to inclusion of additional revenue in the Storm Water budget from the Community Parking Districts. However, this revenue increase is not directly tied to the addition of a new director position but is due to truing up the budget with the actual parking meter revenue that the Department received in FY 2018 and 2019.

Significant Budget Reductions/Service Level Reductions

Budget reductions, not including the removal of one-time costs for FY 2020, totals \$4.9 million. There are no FTE changes as a result of these reductions.

Drainage Engineering, Channel Maintenance and Flood Risk Reductions

The largest set of reductions are for contracts related to drainage engineering, channel maintenance, and other flood risk mitigation efforts. These reductions could all potentially

SUMMARY OF STORM WATER BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	-	\$ -	\$ -	\$ -	\$ -
Programmatic Changes					
<i>Transfer from Transportation</i>	212.25	22,344,792	30,098,873	52,443,665	13,678,462
<i>New Director Position</i>	1.00	382,282	-	382,282	-
<i>Drainage Engineering and Flood Risk Reductions</i>	-	-	(1,862,364)	(1,862,364)	-
<i>Watershed Planning & Consulting Reductions</i>	-	-	(1,395,500)	(1,395,500)	-
<i>Habitat Mitigation Reduction</i>	-	-	(750,000)	(750,000)	-
<i>Water Quality Monitoring Reductions</i>	-	-	(700,000)	(700,000)	-
<i>Street Sweeping Reductions</i>	-	-	(165,000)	(165,000)	-
<i>Removal of One-Time FY 2020 Costs</i>	-	-	(501,411)	(501,411)	(491,383)
<i>Parking Meter District Revenue Adjustment</i>	-	-	-	-	396,000
Other Changes					
<i>Other Salary and Benefit Changes</i>	-	895,877	-	895,877	-
<i>Non-Discretionary Adjustments</i>	-	-	(362,744)	(362,744)	-
<i>Information Technology (Discretionary)</i>	-	-	(21,607)	(21,607)	-
FY 2021 Proposed Budget	213.25	\$ 23,622,951	\$ 24,340,247	\$ 47,963,198	\$ 13,583,079
Difference from 2020 to 2021	213.25	\$ 23,622,951	\$ 24,340,247	\$ 47,963,198	\$ 13,583,079

Department Review: Storm Water

Service Level Reductions		
Reduction Category	Impact	Reduction
<i>Drainage Engineering, Channel Maintenance, and Flood Risk</i>	Increased risk of flooding and erosion, especially if deferred maintenance results in asset failure.	\$1,862,364
<i>Watershed Planning & Consulting</i>	Delays in the production and implementation of new plans for watershed quality. Could result in fines or increased costs to come into compliance	1,395,500
<i>Habitat Mitigation</i>	Delays payment for mitigation. If found in non-compliance, could result in fines or delays to channel maintenance projects.	750,000
<i>Water Quality Monitoring</i>	Limits the City's ability to respond to Regional Water Quality Control Board regulations and improve compliance. Could result in either fines or significantly increased project costs to come into compliance	700,000
<i>Street Sweeping</i>	Limits the City's ability to optimize and improve street sweeping operations.	165,000

lead to increased risk of flooding and erosion, as referenced in the Service Level Reduction table, and total \$1.9 million. Reductions include:

- \$395,000 for the purchase of new pumps and materials (the Department planned to replace three pumps in FY 2021);
- \$381,000 for rentals, materials, supplies and services related to storm drain repair and pump replacement;
- \$300,000 for hydrology and hydraulic studies, which includes the analysis or erosion after rain events and the assessment of corrugated metal pipe, increasing the current backlog of 300 surface drainage requests;
- \$206,364 for specialized equipment rentals used for larger and more complex channel maintenance projects, threatening the ability of the department to complete the six planned channel clearing in FY 2021;
- \$200,000 for drainage engineering analyses designed to abate flooding and water quality issues;
- \$130,000 for safety and specialized televising inspection equipment for storm drains;
- \$100,000 for consulting work related to Storm Water Asset Ownership verification research;

- \$100,000 for an Urban Corp trash removal and debris cleaning in channels; and
- \$50,000 for GIS mapping, which was intended to help the Department realize efficiencies and cost savings from digitizing storm drain data.

Watershed Planning & Consulting Reductions

The next set of reductions are \$1.4 million in consulting and other contracts which help the City prepare and revise the various plans for the six watersheds which are partially or wholly within City limits. Reductions in this category could result in fines or increased project costs to come into compliance with regulations developed by the Regional Water Quality Control Board (RWQCB). These reductions include:

- \$495,000 for watershed consulting services related to Water Quality Improvement Plans (WQIP) and Jurisdictional Runoff Maintenance Plans annual reporting and future pilot studies;
- \$350,000 for Watershed Asset Management Plan (WAMP) and Capital Improvement Plan (CIP) development, potentially delaying the final update of the WAMP by over a year;
- \$260,500 for consulting services related to the Trash Implementation Plan, WQIP implementation, grant application support, and sponsorship of local organizations;
- \$250,000 for the development of the

Department Review: Storm Water

Alternative Compliance Program; and

- \$40,000 for consulting work related to the development of a Storm Water reinspection Fee which will delay the development of a cost-recovery fee for the inspection of businesses that are initially found to be out of compliance with storm water regulations.

Habitat Mitigation Reduction

There is a reduction of \$750,000 in habitat mitigation payments in the Proposed Budget. These mitigation payments need to be made as part of the permitting process for channel maintenance projects. However, this reduction will result in delaying the payment to a subsequent fiscal year, with the possibility that the Department may be found to be out of compliance for overall habitat mitigation in FY 2021, which could delay channel clearing projects.

Water Quality Monitoring Reductions

The next category of reductions involves water quality monitoring reductions, which limit the City's ability to respond to regulations and ensure that the water quality in the waterways is up to the standards set by the RWQCB. These reductions total \$700,000 and include:

- \$305,000 for overall monitoring, analysis, and reporting services, as well as technical support for business;
- \$175,000 for policy consulting services related to technical storm water studies and analysis;
- \$120,000 for bacteria Total Maximum Daily Load (TMDL) testing, which supports the Department's response to RWQCB regulations and deadlines within FY 2021 and helps set new regulations; and
- \$100,000 for Chollas Creek water effect ratio testing and support. Currently, the City is attempting to develop a specific

dissolved metals TMDL for Chollas Creek, which this funding supports. If the City cannot provide sufficient documentation and analysis on a new TMDL, the City would have to meet the current requirement which is matched to a statewide standard. Currently, the City is out of compliance with the statewide TMDL standard for this watershed, and the Department estimates that it may cost up to \$870 million to bring the watershed into compliance.

Street Sweeping Reductions

The final category of reductions involve street sweeping functions within the department. These reductions total \$165,000 and include:

- \$90,000 for catch basin street sweeping data, which develops maintenance plans for street sweeping and storm drain cleaning; and
- \$75,000 for the street sweeping optimization task order, which improves the efficiency of the City's street sweeping routes and processes.

Unfunded Critical Strategic Expenditures

The Five-Year Financial Outlook also included two major items for the Department that were requested but not funded in the FY 2021 Proposed Budget. These included the addition of 24.00 FTEs and \$7.0 million in expenditures for a storm water pipe repair team, as well as 2.00 FTEs and \$0.2 million in additional street sweeping support to comply with RWQCB regulations.

Issues for Council Consideration

Storm Water Permit Compliance

In May 2012, the new Municipal Storm Water Permit (permit) was adopted by the RWQCB. This permit mandates more stringent regulations which require a significant increase in expenditures over the next several decades to

Department Review: Storm Water

comply with permit requirements.

In FY 2014, the Department prepared a WAMP that incorporated both the costs of permit compliance and the costs of flood risk management activities. The WAMP is used as a planning tool to project how much funding is necessary for permit compliance, including costs associated with TMDLs, Areas of Special Biological Significance, upcoming compliance deadlines, the deferred capital backlog, and the Department's operational activities. The WAMP is currently undergoing an extensive update, which will be delayed due to budget reductions.

Estimated compliance costs through FY 2035 total \$3.1 billion. Typically, Department staff proactively work with environmental stakeholders and the RWQCB to refine regulations and decrease compliance costs. One major achievement of staff was a reduction in the overall cost estimate from \$3.9 billion to \$3.1 billion as a result of changes to the Chollas Creek Dissolved Metals TMDL. Staff continues to work with the RWQCB to reduce other costs and targets. Even with further reductions, however, compliance costs will remain extensive. The City currently lacks a dedicated funding source sufficient enough to address the full costs of compliance. Penalties for not complying with the permit could be up to \$10,000 per day per violation.

Multiple TMDL deadlines are approaching within FY 2021, including the Chollas Creek Bacteria TMDL and the Dry Weather Bacteria TMDL for multiple watersheds. As mentioned in this report, the Proposed Budget contains reductions in consulting services directly related to complying with both of these deadlines. However, the Department indicates that, during interim testing, they were in compliance with the Chollas Creek Dissolved Metals TMDL, and were in compliance with all of the Dry Weather TMDLs, with the exception of the San Diego River Watershed. **The Department should comment on its ability to**

continue to meet these compliance deadlines, and if the reductions will significantly hamper the Department's ability to ensure compliance and avoid fines.

Storm Water Funding Strategy

As mentioned previously, the City currently lacks a dedicated funding source sufficient enough to address the full costs of compliance currently contained in the WAMP. In Report 20-03, "IBA Review of the FY 2021-2025 Five-Year Capital Infrastructure Planning Outlook", our Office noted that there was a projected deficit over the next five years of \$53.3 million in operating needs, and \$857.2 million in capital costs. It should be noted that both of these projections did not include the reductions contained in the Proposed Budget in response to the current COVID-19 crisis, which will increase these gaps.

In response to an audit recommendation as well as previous IBA reports on this very issue, the Department is currently both updating the WAMP in order to provide a new, up to date estimate of total compliance costs, as well as developing a funding strategy, which should be released in January 2021. However, as a result of budget reductions contained in the Proposed Budget, the WAMP update is currently scheduled to be delayed by 12-18 months. **The Department should comment on how the resulting delays from budget reductions will affect the timing of the funding strategy and WAMP update, and if a funding strategy can be fully complete prior to an update of the full compliance costs.**

Department Review: Sustainability

Sustainability

Non-General Fund Reductions of \$0.1M (2.9%): \$0.0M PE, \$0.1M NPE

Impact of Mayor’s FY 2021 Budget Proposal

The Department of Sustainability leads the implementation of the City’s Climate Action Plan (CAP) and facilitates innovative efforts across multiple City departments to enhance economic, social, and environmental sustainability. These efforts promote renewable electricity; water and energy efficiency; zero waste; bicycling, walking, transit, smart growth and land use; and resiliency measures.

They FY 2021 Proposed Budget for the department is approximately \$6.9 million, which is an increase of \$1.2 million (20.8%) from the FY 2020 Adopted Budget. The Department includes 26.75 FTE positions in FY 2021, which is an increase of 0.50 FTE positions from FY 2020.

General Fund

The General Fund Proposed Budget for the Department of Sustainability is \$1.9 million, which is an increase of \$0.9 million (84.1%) from the FY 2020 Adopted Budget. There are no changes for General Fund supported FTEs.

Significant Budget Additions

The large increase in General Fund expenditures is due to the inclusion of all General Fund operating costs for the Smart Streetlights Program within the Department. This increase, totaling \$1.4 million, supports the operation of the program, which is currently over budget in FY 2020 by approximately \$1.5 million. However, the final overbudget amount could be lower if the Department is able to renegotiate contracts for these services, or find other funds to cover costs, such as Community Parking District funds.

In FY 2020, the operating costs for the Smart Streetlights Program are spread out amongst numerous departments, including Transportation & Storm Water, Police, Economic Development, and Sustainability. However, there was no budget included for these costs, and thus all of these departments are currently overspending on these items within their current budgets.

For FY 2021, all of the General Fund costs for the Smart Streetlights program have been consolidated into the Sustainability Department. These costs include:

- \$566,180 for the API/data hosting by GE Current for the CityIQ sensors, which include the cameras and other data

SUMMARY OF SUSTAINABILITY (GENERAL FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	4.00	\$ 490,858	\$ 563,609	\$ 1,054,467	\$ -
Programmatic Changes					
<i>Smart Streetlights Program</i>	-	-	1,358,280	1,358,280	-
<i>Removal of FY 2020 One-Time Costs - Resiliency</i>	-	-	(300,000)	(300,000)	-
<i>Removal of FY 2020 One-Time Costs - CAP Support</i>	-	-	(100,000)	(100,000)	-
<i>Additional Grant Revenue</i>	-	-	-	-	150,000
Other Changes					
<i>Other Salary and Fringe Benefit Changes</i>	-	67,663	-	67,663	-
<i>One-Time Reduction - Information Technology</i>	-	-	(154,500)	(154,500)	-
<i>Non-Discretionary Adjustments</i>	-	-	24,614	24,614	-
<i>Other Adjustments</i>	-	-	(8,749)	(8,749)	-
FY 2021 Proposed Budget	4.00	\$ 558,521	\$ 1,383,254	\$ 1,941,775	\$ 150,000
Difference from 2020 to 2021	-	\$ 67,663	\$ 819,645	\$ 887,308	\$ 150,000

Department Review: Sustainability

development components;

- \$360,500 to operate the Lightgrid system, which manages the LED lights and adaptive controls (these funds are currently double budgeted in Transportation, which will be corrected in the May Revise);
- \$345,600 for AT&T backhaul and data connections;
- \$50,000 for node replacements; and
- \$36,000 for software development.

There is also an additional \$825,055 for API/date hosting charges located in the Community Parking District funds, bringing the total budget for data hosing to \$1,391,235 and the total budget for the program to \$2,183,335.

It should be noted that these costs are above and beyond the energy savings that the program produces since those savings are only large enough to cover the debt payments that the City incurs for the initial purchase of the equipment, which is not included in these costs.

According to the Department, the only way to significantly reduce these operating costs would be to permanently turn off the sensors, in effect cancelling the program. However, the City would still be responsible for the initial financing payments for the equipment.

Significant Budget Reductions/Service Level Impacts

Most of the significant reductions for the Department are the removal of one-time costs from FY 2020. However, while these programs were considered one-time expenses in FY 2020, the Five-Year Financial Outlook included Critical Strategic Expenditures for these items, indicating that these reductions could have an impact on future service levels.

The first reduction is \$300,000 which was included in the budget by the City Council to support the development of a Climate

Resiliency Plan. While the Climate Resiliency Plan is substantially completed and the development of the plan itself does not require additional funding, the Outlook included a new position and additional expenditures for ongoing Climate Adaptation and Resiliency support. This funding would have been used to pursue any of the mitigation measures that the plan might recommend.

In addition, there is a \$100,000 reduction in support for further implementation of the CAP. This reduction will slow the City's progress on updating and improving the CAP. While this funding was considered one-time funding in FY 2020, the Department had hoped to continue receiving this funding in order to help the Department complete an overhaul and reevaluation of the CAP itself, which is currently five years old. The Outlook also included an additional position and \$358,000 in the Critical Strategic Expenditures for this purpose. The FY 2020 funding allowed the Department to improve its reporting on CAP related measures, as well as produce the first Climate Equity Report. Without additional support funding, endeavors such as additional reports, reporting systems upgrades, and the CAP update will be significantly delayed. The Department indicates that they are seeking grant funding to continue any of these improvements.

Energy Conservation Program Fund

The FY 2021 Proposed Budget for the Energy Conservation Program Fund (ECPF) is \$5.0 million, which is an increase of \$0.3 million (6.4%) from the FY 2020 Proposed Budget. There is also an increase of 0.50 FTEs, bring the total number of FTEs supported by the ECPF to 22.75.

Significant Budget Reductions

Within the ECPF, there is a reduction of \$137,000 for energy consulting contracts. These consulting agreements allow the

Department Review: Sustainability

Department to conduct energy regulatory engagement by analyzing energy rate cases and influencing decisions in the City's favor. This reduction will partial hamper the City's ability to continue to engage on these matters.

Since the ECPF is an internal service fund, approximately 38% of this reduction will benefit the General Fund.

Significant Budget Additions

The Department, within the ECPF, received an additional position in FY 2021. The FTE is for an Information Systems Analyst 3, which will engage with the Department of Information Technology regarding energy management software pilots, building automation systems, and scoping other hardware and software needs. This position is funded through grant dollars.

Further, there were additional dollars included for hourly positions within the Department, although there is a reduction of 0.50 FTEs.

SUMMARY OF SUSTAINABILITY (ENERGY CONSERVATION PROGRAM FUND) BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	22.25	\$ 3,146,050	\$ 1,522,754	\$ 4,668,804	\$ 4,180,739
Programmatic Changes					
<i>New Position</i>	1.00	91,397	-	91,397	90,890
<i>Hourly Position Adjustment (Zero-Based)</i>	(0.50)	51,143	-	51,143	-
<i>Energy Consulting Services</i>	-	-	(137,461)	(137,461)	-
<i>Removal of FY 2020 One-Time Costs</i>	-	(13,826)	(33,710)	(47,536)	-
<i>Revised Revenue</i>	-	-	-	-	278,455
Other Changes					
<i>Other Salary and Benefit Adjustments</i>	-	127,016	-	127,016	-
<i>Non-Discretionary Adjustments</i>	-	-	199,627	199,627	-
<i>Information Technology (Discretionary)</i>	-	-	16,220	16,220	-
<i>Other Adjustments</i>	-	-	-	-	-
FY 2021 Proposed Budget	22.75	\$ 3,401,780	\$ 1,567,430	\$ 4,969,210	\$ 4,550,084
Difference from 2020 to 2021	0.50	\$ 255,730	\$ 44,676	\$ 300,406	\$ 369,345

Department Review: Transportation

Transportation

**General Fund Reductions of \$4.0M (5.4%): \$0.9M PE, \$3.1M NPE
12.00 FTE (0.00 filled)**

Impact of the Mayor's FY 2021 Proposed Budget

The Transportation Department (formerly the Transportation & Storm Water Department) is responsible for the operations and maintenance of streets, sidewalks, street trees, plans and coordinates the City's rights-of-way, and performs traffic and transportation engineering. The Department has three main divisions: Administration & Right-of-way (ROW), Street, and Transportation Engineering Operations (TEO). By re-separating the Transportation Department from the Storm Water Department, management hopes to achieve greater emphasis on the discrete missions of each department. For Transportation, that includes a greater focus on the operations that take place within the right-of-way, including street repaving and mobility improvements.

The creation of a new Mobility Department should also help with this emphasis.

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, the Road Maintenance and Rehabilitation Act (RMRA) Fund, and TransNet.

General Fund

The FY 2021 Proposed General Fund Budget for Transportation is \$72.4 million, which is a decrease of \$1.1 million (1.5%) net of the transfer of funds and positions to the new Storm Water Department. The total number of positions for the Department is 415.45, which is a net decrease of 12.00 FTEs.

SUMMARY OF TRANSPORTATION GENERAL FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	639.70	\$ 64,238,037	\$ 61,725,880	\$ 125,963,917	\$ 72,234,790
Programmatic Changes					
<i>Transfer to Storm Water</i>	(212.25)	(22,344,792)	(30,098,873)	(52,443,665)	(13,678,462)
<i>Tree Trimming Reduction</i>	-	-	(1,817,193)	(1,817,193)	-
<i>Weed Abatement Reduction</i>	(1.00)	(56,228)	(700,000)	(756,228)	-
<i>Traffic Installation Position Reduction</i>	(5.00)	(416,650)	(14,000)	(430,650)	-
<i>Trench Cut Fees</i>	-	-	(400,000)	(400,000)	-
<i>Graffiti Abatement Reduction</i>	(2.00)	(117,917)	(150,000)	(267,917)	-
<i>Pothole Repair Position Reduction</i>	(2.00)	(130,649)	-	(130,649)	-
<i>Street Engineering Position Reduction</i>	(1.00)	(87,900)	-	(87,900)	-
<i>Heavy Truck Driver Position Reduction</i>	(1.00)	(70,733)	-	(70,733)	-
<i>Removal of FY 2020 One-Time Costs</i>	-	(250,000)	(1,225,000)	(1,475,000)	-
<i>Smart Streetlight (Lightgrid Software Costs)</i>	-	-	360,500	360,500	-
<i>Restoration of Supplies from Infrastructure</i>	-	-	3,995,198	3,995,198	-
<i>TransNet Revenue Adjustment</i>	-	-	-	-	629,137
<i>Parking Meter District Revenue Adjustment</i>	-	-	-	-	225,000
Other Changes					
<i>Other Salary and Benefit Adjustments</i>	-	(187,197)	-	(187,197)	-
<i>Non-Discretionary Adjustments</i>	-	-	(25,797)	(25,797)	-
<i>Information Technology (Discretionary)</i>	-	-	182,084	182,084	-
<i>Qualified Energy Conservation Bond Revenue</i>	-	-	-	-	(31,000)
FY 2021 Proposed Budget	415.45	\$ 40,575,971	\$ 31,832,799	\$ 72,408,770	\$ 59,379,465
Difference from 2020 to 2021	(224.25)	\$ (23,662,066)	\$ (29,893,081)	\$ (53,555,147)	\$ (12,855,325)

Department Review: Transportation

Service Level Reductions			
Reduction	Measure	2020 Level	2021 Level
<i>Tree Trimming - Shade</i>	# of Planned Trees Trimmmed	20,000	0
<i>Tree Trimming - Palm</i>	# of Years for Maintenance Cycle	2 years	8 years
<i>Weed Abatement - Routine</i>	# of Sites Abated	300 Sites	0 sites
<i>Weed Abatement - Fire Marshal</i>	All Sites Funded ?	Yes	Partial
<i>Graffiti Abatement - Public</i>	# of Business Days to Respond	8 days	10 days
<i>Graffiti Abatement - Private</i>	Site Abatement Funded?	Yes	No
<i>Pothole Repair</i>	# of Business Days to Respond	10 days	12 days

Significant Budget Reductions/Service Level Reductions

There are numerous General Fund reductions within the Department, which total \$4.0 million and 12.00 FTEs, all of which are currently vacant. Quantifiable service level reductions are provided in a table on the following page.

The largest reduction is for tree trimming at \$1.8 million. This reduction will negate the City's ability to do all routine maintenance of shade trees throughout the City and will effectively increase the cycle of routine palm tree maintenance from 2 years to 8 years. The Department will mostly be able to conduct only reactive and emergency trimming.

This reduction has been proposed by the Mayor in previous budgets going back to FY 2018, and was restored by the Council on either a one-time, or in FY 2020 mostly on an ongoing basis. However, this is the first time that the Mayor has proposed reducing the budget for both shade and palm tree trimming, as previous years only included shade tree trimming reductions.

The next largest reduction is for weed abatement, which totals \$756,000 and includes 1.00 FTE. This reduction will only allow the Department to respond to the most crucial Fire Marshal requests, as well as right-of-way spraying. This reduction will leave no resources for manual removal of weeds on the median or road shoulders.

The next reduction is the removal of 5.00 FTE Traffic Installation Positions, totaling \$430,000. These positions install new traffic

striping and signs, as determined by TEO, and include traffic improvements such as continental crosswalks, scooter corrals, bike lanes, curb painting, and new signs. This will slow the installation of these features.

The next reduction is \$400,000 in trench cut fees, which brings the trench cut fee transfer down to \$100,000. This transfer represents the payments that SDG&E would have made to the Trench Cut Fund, if not for the current franchise agreement which substitutes the franchise fee in lieu of these payments. This fee has been declining due to the fact that SDG&E has been doing less work requiring the cutting of streets, as well as doing work on older streets, both of which lower the trench cutting fees.

The next reduction is for graffiti abatement, which includes 2.00 FTEs and \$268,000, which is 25% of the current workforce. This reduction, along with the removal of one-time funding provided in FY 2020, will eliminate the City's ability to respond to all graffiti abatement on private property, as well as increase the average number of days it takes for the City to respond to a graffiti complaint from 8 business days to 10 business days.

The next reduction is 2.00 FTEs and \$131,000 for two pothole repair positions, which will cut one of the nine 2-person crews that conduct this service. This reduction will increase the average response time for pothole repair from 10 business days to 12 business days.

Finally, the last two reductions are one street engineering position (1.00 FTE, \$88,000) and

Department Review: Transportation

one heavy truck driver (1.00 FTE, \$71,000). The street engineering position improved the efficiency of the planning process for repaving projects by doing mark out and other work that would typically have to be contracted out. This process will slow down. The elimination of the heavy truck driver will result in slower and less efficient in-house paving.

Beyond these reductions, there are also numerous items that were included as one-time spending in FY 2020 that are not continued in the FY 2021 proposed budget. These items include:

- \$350,000 in additional brush management funds, which is included in the service level reduction table;
- \$300,000 for graffiti removal, which is included in the service level table;
- \$250,000 for the El Cajon Blvd bus lane, which is completed;
- \$250,000 for the Mobility Action Plan 2.0 (formerly the STOP Guide), which has been slowed by the cessation of non-essential expenditures due to the COVID-19 pandemic, but will require \$140,000 to complete in the future;
- \$225,000 for mobility monitoring; and
- \$100,000 for tree trimming services, which is included in the service level reduction table.

The majority of these items were added to the FY 2020 Adopted Budget during the May Revise, with the exception of the mobility monitoring and tree trimming additions, which were added by the City Council.

Other Significant Changes

There is one large addition to the Transportation Department, which is the restoration of funding for supplies and equipment that was removed on a one-time basis in FY 2020. These funds, totaling \$4.0 million, were funded in the Infrastructure Fund in FY 2020.

There is also an additional \$360,500 for Light-grid software costs, which is part of the Smart Streetlights program. However, this funding was accidentally double budgeted within the Sustainability Department and will be removed in the May Revise.

Unfunded Critical Strategic Expenditures

The Proposed Budget does not include two items identified as Critical Strategic Expenditures in the Five-Year Financial Outlook. This includes the addition of 21.00 FTE positions and \$4.4 million in spending for sidewalk repair and replacement teams, as well as 7.00 FTEs and \$0.8 million in expenditures to support additional street resurfacing goals.

In addition, the Department requested, but did not receive \$200,000 for the continuation of the Sidewalk Repair Incentive Program, which is a new program that was proposed in the Mid-year Budget Monitoring Report.

Issues for Council Consideration

Departmental Revenue Shortfalls

The Transportation Department depends on numerous revenue sources to fund its operations throughout the year, and this reliance is currently budgeted to continue in the FY 2021 Proposed Budget. Some of these revenue sources include the Gas Tax, TransNet, and the CIP. However, at this time most of these sources are either overestimated or are in doubt.

For the Gas Tax and TransNet, the revenue assumptions that are included in the Proposed Budget predate the onset of the COVID-19 crisis. While these will be updated with the May Revise, the Department has already indicated that, based on currently available knowledge, both are set for major decline. The Gas Tax, which provides over \$27.0 million in support for General Fund street maintenance activities, is expected to decline, potentially dramatically. The latest projection

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provided by SANDAG has the City’s share of TransNet projected to decline by about \$5 million.

Further, reliance on the CIP for General Fund revenue could be optimistic. The CIP is also strained for funding, due to such actions as the defunding of the Infrastructure Fund and the pull back on General Fund support for various projects, and also faces similar revenue issues since the CIP also receives funding from the Gas Tax, RMRA (which is also a gasoline tax), and TransNet. **The Department should comment on its revenue sources and any changes that may be necessary.**

time uses of \$11.0 million.

There is also a step decline in revenue of \$9.6 million (14.7%) this year for the Underground Surcharge Fund. This is due to the same factors which are contributing to declining Franchise Fee revenue in the General Fund. For more information, refer to the General Fund Revenues Overview. The variance between revenues and expenditure will be made up with fund balance.

Utility Surcharge Fund

Impact of the Mayor’s FY 2021 Proposed Budget

The Underground Surcharge Fund collects fees that are contributed by electricity rate payers within the City for the purpose of undergrounding the electric utility lines within the City. The FY 2021 Proposed Budget for the Underground Surcharge Fund includes \$107.7 million in expenditures and 22.16 FTEs. This is an increase of \$5.4 million (5.3%) from the FY 2020 Adopted Budget.

The only major expenditure change is an additional \$15.3 million in construction funding in order to keep up with the pace of SDG&E undergrounding activities. This is partially offset by reductions in expenditures for one-

SUMMARY OF UNDERGROUND SURCHARGE FUND BUDGET CHANGES					
Description	FTE	PE	NPE	Total Expense	Revenue
FY 2020 Adopted Budget	22.16	\$ 2,514,623	\$ 99,807,393	\$ 102,322,016	\$ 65,195,970
Programmatic Changes					
<i>Additional Construction Funding</i>	-	-	15,305,000	15,305,000	-
<i>Removal of One-Time FY 2020 Costs</i>	-	-	(11,000,000)	(11,000,000)	-
<i>Revenue Adjustment Based on Franchise Fee</i>	-	-	-	-	(9,583,254)
Other Changes					
<i>Salary and Benefit Changes</i>	-	247,498	-	247,498	-
<i>Non-Discretionary Adjustments</i>	-	-	855,392	855,392	-
<i>Information Technology (Discretionary)</i>	-	-	(5,157)	(5,157)	-
FY 2021 Proposed Budget	22.16	\$ 2,762,121	\$ 104,962,628	\$107,724,749	\$55,612,716
Difference from 2020 to 2021	-	\$ 247,498	\$ 5,155,235	\$ 5,402,733	\$ (9,583,254)

Other Departments

Ethics Commission

The FY 2021 Proposed Budget for the Ethics Commission is approximately \$1.4 million, an increase of approximately \$70,000 from the FY 2020 Proposed Budget. Ethics Commission staff is increased by 0.75 FTEs from 5.50 FTEs to 6.25 FTEs. The expenditure increase is primarily associated with the annualization of the Education and Advice Program Manager that was budgeted for a half-year (0.5 FTE) in FY 2020 and has since been filled. The remaining 0.25 FTE increase is associated with the Commission's succession plan for the current Executive Director who is anticipated to retire in February 2021. The addition would allow for a three month overlap once a new Executive Director is identified in late-CY 2020. A net reduction of approximately \$15,000 in personnel expenditures is assumed.

To achieve the 4% budgetary reduction requested by the Mayor for non-mayoral departments, the Commission has proposed reducing its budget for contracts by \$52,000. The Commission has indicated that this reduction may have an adverse impact on operations if the Commission needs to schedule administrative hearings which would necessitate incurring additional legal fees and other professional fees (e.g., administrative law judges, court reporters, etc.). The Commission's remaining budget for Legal Fees and Miscellaneous Professional Services would be reduced to approximately \$148,000 and \$20,000, respectively.

Office of Homeland Security

The Office of Homeland Security (OHS) was reorganized during the FY 2020 May

Revision process to operate within the Police Department; however, it is budgeted independently.

The FY 2021 Proposed Budget for the OHS is approximately \$2.7 million, a reduction of \$422,093 or 13.7% from the FY 2020 Adopted Budget. Budgeted revenue totaling \$1.3 million represents an increase of \$52,000. Budgeted positions in the Proposed Budget total 18.89 FTEs, a decrease of 1.29 FTEs from FY 2020. Reductions include the transfer of 1.00 vacant Program Manager and \$152,000 in expenditures to the Fire-Rescue Department as a part of their Employee Services reorganization, and 0.29 FTE in non-standard hour personnel funding.

Office of the IBA

The FY 2021 Proposed Budget for the Office of the Independent Budget Analyst (IBA) is approximately \$2.2 million, which is a slight increase of \$36,000, or 1.6% from the FY 2020 Adopted Budget. This is attributable to an increase in salary and fringe benefits. Additionally, the Mayor has included a budget reduction of 4.0% or \$88,000 which has been applied to all Non-Mayoral departments in the City. The Office is comprised of 10.00 FTE positions, unchanged from FY 2020.