

REVIEW OF THE FISCAL YEAR 2011 PROPOSED BUDGET

**ANALYSIS BY THE
OFFICE OF THE
INDEPENDENT BUDGET ANALYST**

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City Planning and Community Investment

The Fiscal Year 2011 Proposed General Fund Budget for CP&CI is \$13.1 million, reflecting a net reduction of \$1.7 million from the FY 2010 Adopted Budget. Department staffing has been reduced by a net 3.70 positions, while revenues have declined by nearly \$260,000.

The CP&CI Department also consists of several non-General Fund components, including the City Redevelopment Division, the HUD Programs Administration Fund, and the Facilities Financing Program. The FY 2011 Proposed Budget for the Redevelopment Division is discussed in the Redevelopment Agency sections of this report.

December 2009 Approved Adjustments

In December 2009, the City Council approved the reduction of \$1.2 million from CP&CI's FY 2011 Budget. Significant reductions included:

- Elimination of 7.20 positions and \$566,000 in personnel expense;
- Elimination of an annual Redevelopment lease agreement payment (\$257,000);
- Reduction in GF rent obligation by consolidating staff into CAB (\$139,000);
- Elimination of overtime budget (\$73,000).

These reductions have been implemented in the FY 2011 Proposed Budget.

Mayor's FY 2011 Proposed Adjustments

Beyond the December 2009 reductions that have been implemented in the FY 2011 Proposed Budget, other significant adjustments to CP&CI's General Fund budget include the following:

- A \$1.7 million reduction in contracts for professional services as a result of the zero-based budget process;
- Addition of 1.00 Program Manager to serve as the City's Small Business Ambassador;
- A \$343,000 reduction in revenue due to reduced reimbursable planning services to other funds;
- A \$50,000 increase in revenue due to an inflationary increase in the General Plan Maintenance Fee.

In addition to these adjustments, 2.50 FTE have been added as part of the conversion of temporary and hourly funding.

Department Review

Facilities Financing Program

Significant adjustments in FY 2011 Proposed Budget for the Facilities Financing program include the following:

- A reduction of 1.00 vacant Senior Management Analyst;
- A reduction of \$76,000 in non-personnel expenditures;
- A reduction of \$150,000 in DIF revenue due to reduced development activity and facility financing plan updates.

The Facilities Financing Fund has struggled with declining revenues during the recent economic downturn. Despite the reduction of one position and non-personnel expenditures, the Fund is still at risk of ending the fiscal year with a negative fund balance.

Issues to Consider

In FY 2010, approximately \$3.4 million was added to the CP&CI budget for Community Plan Updates. This funding was subsequently removed from the FY 2011 Proposed Budget as part of the zero-based review of the contracts budget. However, due to the length of time required to get consultant contracts in place, as well as ongoing concerns about possible budget reductions, this funding was not fully expended as anticipated in FY 2010.

While the department requested that this funding be restored in the FY 2011 Proposed Budget to allow for these Community Plan Updates to proceed, funding was

only partially restored. The IBA is concerned about the impact that this reduction will have on the Community Plan Update program. We recommend that the department provide further information on the status of Community Plan Updates, and how the reduction in funding may impact the program in FY 2011.

Another significant initiative facing the CP&CI Department is updating the City's Economic Development Strategy. The previous Economic Development Strategy was updated in FY 2002, and is significantly outdated. The department has indicated that they will begin updating the Economic Development Strategic Plan in FY 2011. On May 19, 2010, the Rules Committee will be holding a workshop to provide input on the Economic Development Strategy.

City Agencies

Budget for this position. However, Agency staff have confirmed that funding is available and included in the Agency's budget, and that this position is anticipated to be filled in FY 2011.

Centre City Development Corporation

The FY 2011 Proposed Budget for the CCDC is \$154.6 million, a decrease of \$4.9 million from the FY 2010 Adopted Budget. Tax increment revenues are budgeted at \$125.3 million, an \$8.2 million reduction from FY 2010, while revenues from interest earnings reflect a reduction of \$6.1 million from FY 2010. These declines in revenue are partially offset by a \$13.6 million increase in prior year revenue.

The proposed budget for non-housing capital projects is \$45.5 million, a \$10.6 million decrease from FY 2010. Affordable housing projects are budgeted at \$15.6 million, a \$1.9 million reduction. Tax sharing payments are budgeted at \$25.2 million, a \$6.1 million increase from FY 2010. This increase primarily reflects CCDC's share of the FY 2011 ERAF payment of \$8.2 million.

The FY 2011 proposed administrative budget for CCDC is \$10.8 million, including \$2.2 million for payments for City services and \$1.4 million for other administrative expenses, such as insurance, audit expenses and county administration fees. The budget for administration reflects a decline of approximately \$532,000, primarily related to the elimination of 5.75 positions in the cur-

rent year. One new position, a Contract Administrator, was added to the FY 2011 Proposed Budget, resulting in a net reduction of 4.75 positions.

Other payments to the City, including the \$11.3 million for the PETCO Park Bonds and \$2 million for the estimated CDBG repayment, are also reflected in FY 2011 Proposed Budget.

Issues to Consider

The FY 2011 Proposed Capital Projects Budget for project areas managed by CCDC includes approximately \$2.5 million for economic development programs, including \$1.5 million in FY 2011 funding. CCDC's FY 2011 work program for economic development includes acquiring or leasing a building for a small business incubator program, and developing a comprehensive Economic Development and Business Attraction program. We encourage CCDC to align the development of such a comprehensive Economic Development program with the City's effort to update the Economic Development Strategy to ensure consistency and coordination of economic development programs and goals.

Southeastern Economic Development Corpora-

The FY 2011 Proposed Budget for SEDC is \$10.7 million, a reduction of nearly \$4.5 million from the FY 2010 Adopted Budget. Total tax increment revenues are budgeted at \$5.6 million, a reduction of approximately