

The logo of the City of San Diego, featuring a circular seal with the text "SAN DIEGO • STATE OF CALIFORNIA" and "SEMPER VIGILANS".

The City of
San Diego
America's Finest City



City of San Diego FY 2014-2018 Five-Year Financial Outlook

October 24, 2012

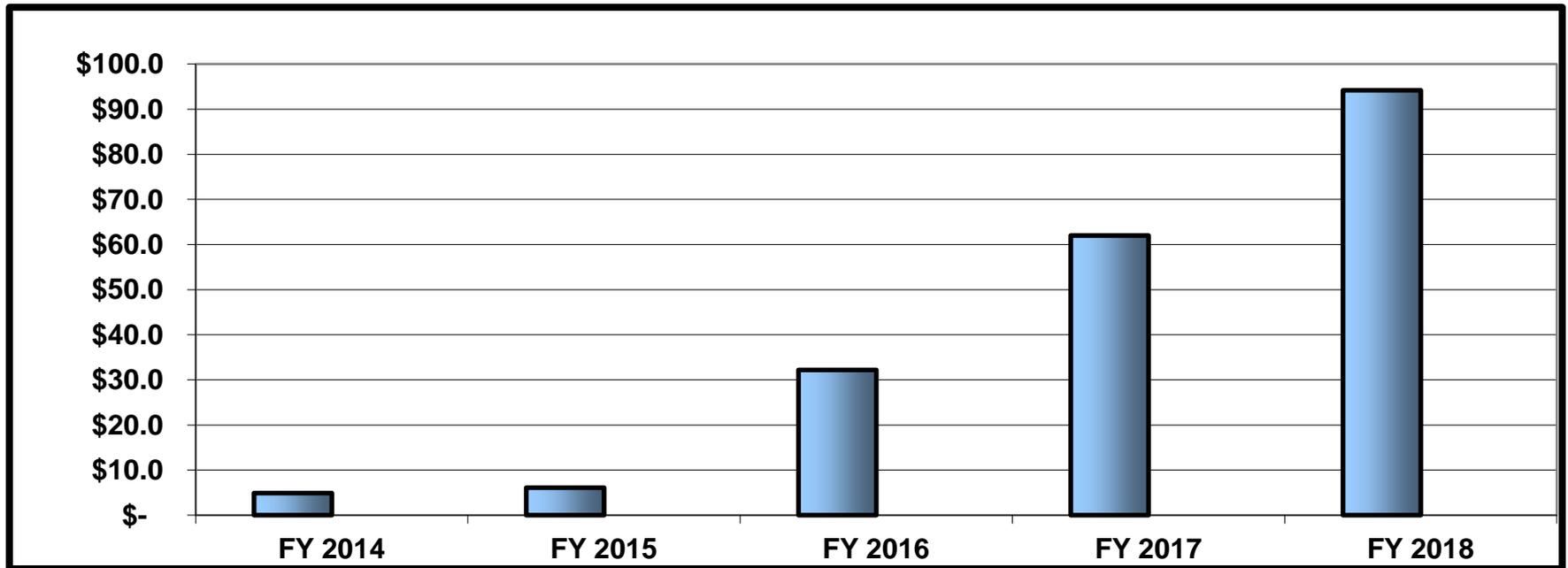


Forecast Assumptions

- **Continued moderate economic recovery**
- **Inflation at 5% (utilities), 1% (contracts/supplies)**
- **Public Liability/Workers' Comp/Long Term Disability contributions per reserve policy**
- **June 30, 2011 ARC valuation estimates**
- **Additional \$25 million bond issuance for General Fund capital improvements**
- **Deferred capital maintenance 'Enhanced Option B'**
- **MOU required step increases**
- **Managed competition/IT sourcing savings**
- **Selective departmental additions**



FY 2014-2018 Surplus/(Deficit)



(\$ in millions)

Fiscal Year	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018
Projected Outlook Surplus	\$4.9	\$6.1	\$32.2	\$62.0	\$94.2



April 2012 - October 2012 Outlook Change

(\$ in millions)

FY 2014 Surplus - April 2012	\$ 2.0
<u>Revenue Changes</u>	
Sales Tax Revenue	\$ 0.5
TOT Revenue	\$ 5.7
Other Revenue Adjustments	\$ 1.4
Total Revenue Change	\$ 7.6
<u>Expense Changes</u>	
Increased Recruits for Police Academy	\$ 0.8
Windows 7 Upgrade	\$ 2.7
Transportation & Stormwater Compliance	\$ 2.2
Reduction in Public Liability Reserve Contribution	\$ (4.5)
Additional Bond Issuance Debt Service	\$ 1.8
May Revision Ongoing Service Restorations	\$ 2.8
Street and Sidewalk Maintenance Managed Competition Savings	\$ (0.9)
Other Expenditure Adjustments	\$ (0.2)
Total Expense Change	\$ 4.7
FY 2014 Surplus - October 2012	\$ 4.9

FY 2014 Major Revenue Assumptions

- **Property Tax**
 - Growth: 1.5% (Oct'12) vs. 2.5% (April'12). Gradual increases in median home prices, home sales, continued declines in foreclosures.
- **Sales tax**
 - Growth: 5.5% (Oct'12) vs. 5.0% (April'12). Continued growth in taxable sales from general retail and autosales, while construction continues flat or negative.
- **Transient Occupancy Tax**
 - Growth: 5.5% (Oct'12) vs. 5.0% (April'12). Projected increases in business and tourism spending, hotel occupancy and room rates.

Major Revenue Growth Rates	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Property Tax	1.5%	2.5%	3.5%	4.5%	4.5%
Sales Tax	5.5%	5.5%	6.0%	6.0%	6.0%
TOT	5.5%	5.5%	6.0%	6.0%	6.0%



Departmental Additions

- **City Council**
 - Council District 9 annualized costs.
- **Citywide Program**
 - City elections in FY 2016 & FY 2017.
- **Department of Information Technology**
 - Windows 7 upgrade/desktop replacements
- **Development Services**
 - Community Plan Updates.
- **Environmental Services**
 - General Fund impact of proposed fee increases.



Departmental Additions (cont'd)

- **Library**
 - New Central Library costs (offset by revenue).
 - New facilities costs (branch libraries).
- **Park & Recreation**
 - New facilities costs.
- **Police**
 - Increased number of recruits.
 - CAD replacement.
- **Transportation & Storm Water**
 - TMDL mandated costs.



Reserves

- **General Fund Reserve**
 - FY 2013 beginning reserve balance \$153.4 million (13.3%).
 - In excess of 8.0% reserve policy target.
 - Major revenues, RDA distributions, department savings
- **Reserve contributions (WC, PL, LTD) per reserve policy**
 - Public Liability Reserve: \$27 million Wildfire Settlement decreases annual GF contributions by \$4.5 million.



Uncertainties

- **Future Retirement ARC Payments**
 - Based on 6-30-11 SDCERS valuation.
 - Lower investment earnings/Proposition B impact TBD.
 - FY 2014 impact up to \$37 million (\$29 million General Fund).
 - New SDCERS estimates January 2013.
- **RDA Dissolution Impact**
 - Petco Park & Convention Center Phase II Expansion debt service support.
 - \$13.8 million in FY 2013 Budget (increases \$0.5 million per year)
- **Economy**
 - Still uncertain housing market.
 - Strength, duration of recovery.



Conclusion

- **Outlook projects annual surpluses through FY 2018.**
 - FY 2014: \$4.9 million projected surplus
- **FY 2013 General Fund reserve: 13.3%.**
- **Uncertainties remain:**
 - Future retirement ARC payments
 - RDA dissolution
 - Economy
- **Updated information will be incorporated into the FY 2014 budget development process.**



City of San Diego

FY 2014-2018

Five-Year Financial Outlook

Questions?