

DATE ISSUED: July 18, 2001

REPORT NO. 01-150

ATTENTION: Honorable Mayor and City Council
Dockets of July 23 and July 24, 2001

SUBJECT: Fiscal Year 2002 Annual Appropriation Ordinance

SUMMARY

Issue:

Should the City Council adopt the Fiscal Year 2002 Annual Appropriation Ordinance reflecting decisions reached during the budget review meetings, including resulting modifications necessary to balance the budget?

Manager's Recommendation:

Adopt the Fiscal Year 2002 Annual Appropriation Ordinance.

Other Recommendations: None.

Fiscal Impact:

The adoption of this ordinance will result in a Net Total Combined Budget of \$2,185,902,750 for Fiscal Year 2002 which reflects reductions of \$45,357,028 from the Proposed Budget approved at the June 18, 2001 Council Budget Deliberations. The General Fund for Fiscal Year 2002 totals \$727,360,433.

BACKGROUND

The Fiscal Year 2002 Proposed Budget was submitted to the City Council on May 1, 2001. This included a Net Total Combined Budget of \$2,231,259,778, comprised of:

- \$727,894,819 in the General Fund
- \$1,049,239,445 in the Non-General Fund Operating Budgets
- \$741,416,390 for the Capital Improvements Program
- Less \$98,636,003 due to the Internal Service Funds
- Less \$188,654,873 due to Interfund Transactions

On May 1, 2001, the Fiscal Year 2002 Proposed Budget was presented to the Mayor and City Council. The Proposed Budget highlighted five major areas of emphasis:

Public Safety
Neighborhood Services
Long Range Planning
Protection of the Environment
Energy

Several Community Budget Forums were held in each Council District to provide information to citizens and to answer questions on the City of San Diego's budget. The City Council held budget hearings in May and June, and citizen input was received on the budget at that time. Final budget decisions were made during the City Council budget deliberation meeting of June 18, 2001 (see Attachment A). This report summarizes the decisions that have occurred and the resulting changes to the Proposed Fiscal Year 2002 Budget.

DISCUSSION

After review and discussion of the Fiscal Year 2002 Proposed Budget, several changes occurred. The changes are presented as follows:

1. Fiscal Year 2002 General Fund Adjustments
 - a) Revenue
 - b) Expenditures
2. Fiscal Year 2002 Non-General Fund Adjustments
3. Capital Improvements Program Changes
4. Infrastructure Funds
5. State Budget
6. Changes Between Proposed and Final Budget

FISCAL YEAR 2002 GENERAL FUND REVENUE ADJUSTMENTS

In my Revision Memorandum to the Mayor and City Council dated June 15, 2001, \$3,644,539 in available General Fund revenues were identified for use in the Fiscal Year 2002 Budget, consisting of additional revenue, General Fund expenditure changes, and General Fund "Wish List" adjustments.

During budget deliberations, the Mayor presented a memorandum which outlined recommendations for the allocation of the \$3,644,539 in available revenues. The Mayor and City Council allocated a portion of these revenues for several Non- General Fund activities, including infrastructure, capital improvements, and the purchase of new vehicles. As a result, revenue has been moved out of the General Fund into several Non-General Funds.

The Fiscal Year 2002 Final Budget reflects a decrease in General Fund revenues of \$534,386 from the Proposed Budget as outlined in the accompanying table.

FISCAL YEAR 2002 GENERAL FUND EXPENDITURE ADJUSTMENTS

As outlined in my Revision Memorandum dated June 15, 2001 to the Mayor and City Council, General Fund expenditures of \$1,200,789 were recommended for reduction. Consistent with the Mayor's memorandum of June 18, 2001, the Mayor and City Council allocated these available funds for an increase in staffing for District 1, funding for District 6, and a new budget liaison position.

The Park and Recreation Department was provided with additional monies for matching funds for community projects in District 1, and for hiring necessary staff for Chollas Park and Mission Trails Regional Park.

Due to the Mayor and City Council's decisions for Fire and Life Safety Services, the City of San Diego will provide a share of the funds to purchase a Fire Helicopter jointly with other municipalities. Automatic External Defibrillators will be purchased for placement and use in City facilities. Additionally, the Lifeguard Service will receive funds for hourly staffing for North Pacific Beach during the summer.

Funds have been allocated for Information Technology and Communications to enhance the City Council Cablecasts. These funds will provide for closed-captioning and services for the hearing impaired for televised Council Meetings.

On recommendation of the Select Committee and the Zero Based Management Reviews (ZBMR), the Mayor and City Council voted to reduce the vehicle fleet in several areas. The resultant savings in vehicle assignment and usage fees will be placed in a Vehicle Replacement Fund. This will help to address issues pertaining to the City's over-age and problematic vehicle fleet.

The Mayor and City Council also voted to increase funding for the Equal Opportunity Contracting Program, which recruits, evaluates and monitors contractors and subcontractors for compliance with City, State and Federal laws.

The Fiscal Year 2002 Final General Fund Budget reflects a net decrease of \$534,386 and 5.86 positions from the Proposed Budget. The chart above reflects the General Fund expenditure changes made between the Proposed and Final Budget.

FISCAL YEAR 2002 NON-GENERAL FUND ADJUSTMENTS

A summary of the changes to Non- General Funds made as a result of the City Council deliberations is shown to the right.

Funds from Transient Occupancy Tax, in Special Promotional Programs, will be used to create a Regional Parks Infrastructure Fund. Special Promotional Programs will use monies for a Grants Writer to secure future funding and augmentation for Festivals and Celebrations.

Attachment B reflects changes made since the Proposed Budget, by fund and department, and represents the Final Budget for Fiscal Year 2002. It is presented in two sections to reflect both operational and CIP changes.

CAPITAL IMPROVEMENTS PROGRAM CHANGES

The Capital Improvements Program (CIP) received funds to improve infrastructure, such as bridges, streets and medians. Monies will also be used for repair of the Otay Nestor Library and installation of new turf for the Pacific Beach Elementary School. The Mayor and City Council applied portions of their infrastructure allocations to the CIP projects outlined below during budget deliberations.

The chart below reflects a summary of changes by department to the Capital Improvements Program (CIP) Budget that occurred between the publication of the Proposed Budget and the adoption of the Final Budget. The budget change for each affected department is included, for a total program reduction of \$58,787,565. Much of the reduction is attributable to changes in the Fiscal Year 2002 allocations in the Metropolitan Wastewater and Water Departments. Several of the projects in these departments are phase-funded. Projects that are to be phase-funded in Fiscal Year 2002 are not identified until the conclusion of Fiscal Year 2001. The identification of those projects between the Proposed and Final Budgets has resulted in a decrease for phase-funded contracts, which facilitates cash management for the Water and Sewer funds. The Capital Improvements Program budgets for these departments for Fiscal Year 2002 will be increased once the phased projects reach the next stage in their contracts.

INFRASTRUCTURE FUNDS

The Mayor and City Council emphasized the improvement of the City of San Diego's infrastructure in the Final Fiscal Year 2002 Budget. As a result, several funds were created to address the City's infrastructure needs.

The Infrastructure Improvement Fund is created for capital improvements and major maintenance of streets, sidewalks, park facilities, libraries and other projects identified by the Mayor and City Council. Funding is allocated for each Council District and for the Mayor for Citywide use. Monies can be used as directed by either the Mayor or each Councilmember throughout the year. The total appropriation for this fund is \$1,833,500.

The Regional Parks Infrastructure Fund will benefit park facilities in addition to maintenance of regional parks and open space. The funds will be expended on projects identified by Council Resolution. The appropriation for the Regional Parks Infrastructure Fund is \$500,000.

The Citywide Deferred Maintenance Fund will address the City's need to maintain and improve facilities. Funds will be provided for projects identified by the City Manager on a prioritized list. \$1,000,000 is appropriated for the Citywide Deferred Maintenance Fund.

STATE BUDGET

As of July 18, 2001, the State Budget has not yet been passed. However, on July 16, 2001, the Assembly did pass the State Budget, and the Senate is scheduled to vote on the budget on July 18, 2001. As passed by the Assembly, the budget bill still includes a list of projects for the City of San Diego. Further updates will be forthcoming as events occur.

CHANGES BETWEEN PROPOSED AND FINAL BUDGET

The following table summarizes the changes to the City's total Operating, Capital and Combined Budgets, and the changes to the number of positions from the Fiscal Year 2002 Proposed Budget.

	FY 2002 Proposed Budget	FY 2002 Final Budget	Change
General Fund	\$727,894,819	\$727,360,433	(\$534,386)
Gross Total Operating Expenditures	\$1,777,134,264	\$1,790,192,996	\$13,058,732
Total Capital Improvements Program	\$741,416,390	\$682,628,825	(\$58,787,565)
(Less Internal Service Funds)	(\$98,636,003)	(\$98,546,234)	\$89,769
Total Combined Budget	\$2,419,914,651	\$2,374,275,587	(\$45,639,064)
(Less Interfund Transactions)	(\$188,654,873)	(\$188,372,837)	\$282,036
Net Total Combined Budget	\$2,231,259,778	\$2,185,902,750	(\$45,357,028)
General Fund Positions	7,100.40	7,094.54	(5.86)
Total City Positions	11,009.44	11,000.12	(9.32)

SUMMARY

As a result of the changes to the Fiscal Year 2002 Proposed Budget, the Final Net Total Combined Budget for Fiscal Year 2002 now totals \$2,185,902,750, which is comprised of:

- \$727,360,433 in the General Fund
- \$1,062,832,563 in the Non-General Fund Operating Budgets
- \$682,628,825 for the Capital Improvements Program
- Less \$98,546,234 due to the Internal Service Funds
- Less \$188,372,837 due to Interfund Transactions

The increase from the Final Fiscal Year 2001 Net Total Combined Budget is \$19,065,020. An itemization of all changes made to the Proposed Budget is contained in Attachment B.

As in previous years, we will continue to monitor budgetary expenditures throughout the year and will keep the Mayor and City Council advised of our budgetary status through financial reports provided throughout the fiscal year.

APPROPRIATION ORDINANCE ADOPTION

Section 71 of the City Charter mandates the adoption of the Annual Appropriation Ordinance by the City Council during the month of July. To adopt the Annual Budget, two public hearings are required. The first hearing is scheduled for July 23, 2001, and the second hearing is scheduled for July 24, 2001. At the conclusion of the second public hearing, it is recommended that the Annual Appropriation Ordinance be adopted.

Respectfully submitted,

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MICHAEL T. UBERUAGA
City Manager

ATTACHMENTS

Note: The attachments are not available in electronic format. A copy is available for review in the Office of the City Clerk.

Attachment A Fiscal Year 2002 Council Budget Deliberation Minutes for June 18, 2001
(Blue)

Attachment B Summary of Changes to the Fiscal Year 2002 Proposed Operational and
Capital Improvements Program Budget (Yellow)