

DATE ISSUED: July 24, 2002

REPORT NO. 02-171

ATTENTION: Honorable Mayor and City Council
Dockets of July 29 and July 30, 2002

SUBJECT: Fiscal Year 2003 Annual Appropriation Ordinance

SUMMARY

Issue: Should the City Council adopt the Fiscal Year 2003 Annual Appropriation Ordinance?

Manager's Recommendation: Adopt the Fiscal Year 2003 Annual Appropriation Ordinance.

Other Recommendations: None.

Fiscal Impact: The adoption of this ordinance will result in a Net Total Combined Budget of \$1,951,138,845 for Fiscal Year 2003, which reflects additions of \$38,185,939 from the Fiscal Year 2003 Proposed Budget. The General Fund for Fiscal Year 2003 totals \$729,330,522.

BACKGROUND

The Fiscal Year 2003 Proposed Budget was submitted to the City Council on May 6, 2002. This included a Net Total Combined Budget of \$1,912,952,906, comprised of:

- \$732,822,323 in the General Fund
- \$1,085,916,552 in Non-General Fund Operating Budgets
- \$373,368,303 for the Capital Improvements Program
- Less \$103,877,193 related to Internal Service Funds
- Less \$175,277,079 related to Interfund Transactions

Community Budget Forums were held in each Council District to provide information to citizens and answer questions on the City of San Diego's budget. The City Council held budget workshops 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 24, 2002 (Attachment A). This report summarizes the decisions that have occurred and the resulting changes to the Proposed Fiscal Year 2003 Budget.

DISCUSSION

After review and discussion of the Fiscal Year 2003 Proposed Budget, several changes occurred. The changes are presented as follows:

1. Fiscal Year 2003 General Fund Adjustments
 - a) Revenue
 - b) Expenditures
2. Fiscal Year 2003 Non-General Fund Adjustments
3. Capital Improvements Program Changes
4. TransNet Infrastructure Improvement Fund
5. State Budget

FISCAL YEAR 2003 GENERAL FUND REVENUE ADJUSTMENTS

In the City Manager's Fiscal Year 2003 Proposed Budget June Revision Memorandum to the Mayor and City Council dated June 20, 2002, no additional General Fund revenues were identified for use in the Fiscal Year 2003 Budget (Attachment B). Furthermore, the Fiscal Year 2002 Transient Occupancy Tax revenue was less than expected due to the economy and the events of September 11, 2001, which impacted the Fiscal Year 2003 revenue forecast. The Fiscal Year 2003 Transient Occupancy Tax revenue has been revised downward by approximately \$5.5 million from the original estimate in the Fiscal Year 2003 Proposed Budget.

As identified in the Fiscal Year 2003 Proposed Budget June Revision memorandum dated June 20, 2002, the following items compensate for the reduction in Transient Occupancy Tax revenue:

- Appropriation Savings - \$3.5 million
Staff re-estimated personnel appropriations required to fund Fiscal Year 2003. This revised estimate resulted in a decrease in requirements of \$3.5 million, due primarily to not reaching a labor agreement with the Police Officers' Association.
- Transfers from Other Funds
 - \$0.5 million repayment of an advance to one of the City's health insurance funds.
 - \$0.5 million from the City Venture Fund. This amount resulted from the accumulation of interest earnings in this fund.
 - \$1.0 million from citywide Data Processing Project Fund. Monies in this fund finance the City's computer systems development projects.

FISCAL YEAR 2003 GENERAL FUND EXPENDITURE ADJUSTMENTS

The Fiscal Year 2003 Final General Fund Budget reflects a net decrease of \$3,491,801 and a net increase of 1.32 positions from the Fiscal Year 2003 Proposed Budget. The summary of expenditure changes to the General Fund as a result of the City Council Budget Deliberations is shown below.

	POSITIONS	EXPENDITURES
FY 2003 PROPOSED GENERAL FUND	7,170.23	\$732,822,323
June Revision		
Federal Economic Development (EDA) Grant: Community Development Specialist (contingent upon receipt of EDA grant)	1.00	\$88,094
Appropriation Savings – Meet and Confer	0.00	(\$3,565,000)
Subtotal June Revision	1.00	(\$3,476,906)
Council Deliberations		
Revised Transportation Department 2% Reduction	0.50	\$295
Reduction of funding for Kate Sessions Dog Park	(0.18)	(\$15,190)
Subtotal Council Deliberations	0.32	(\$14,895)
Total General Fund Position and Expenditure Changes	1.32	(\$3,491,801)

The Fiscal Year 2003 Final Budget Change Letter (Attachment C) reflects changes made since the Proposed Budget, by fund and department, and represents the Final Budget for Fiscal Year 2003. It is presented in two sections to reflect both operational and Capital Improvements Program (CIP) changes. The Change Letter also reflects the City Council-directed reorganization of the Park and Recreation Department.

In order to improve Police Department support, 10.00 positions were identified for reduction in General Fund departments, in order to enable the addition of 10.00 non-sworn positions in the Police Department without a fiscal impact to the General Fund. The positions identified for reduction were those likely to have the least impact on the operations of the respective departments; however, these reductions will likely require the redistribution of work loads. The departments that identified these

positions are to be commended for their cooperation and sense of community. The positions and

departments are as follows:

POSITIONS REDUCED FROM GENERAL FUND DEPARTMENT BUDGETS		
Number	Job Classification	Department
-0.25	Word Processing Operator	Community & Economic Development
-1.00	Clerical Assistant II	Development Services
-1.00	Clerical Assistant II	Engineering & Capital Projects
-1.00	Area Refuse Collection Supervisor	Environmental Services
-0.50	Associate Management Analyst	Equal Opportunity Contracting
-0.25	Administrative Aide II	Financial Management
-1.00	Fire Prevention Inspector	Fire & Life Safety Services
-1.00	Electrician	General Services
-0.25	Administrative Aide II	Human Resources
-0.25	Equipment Technician I	Information Technology & Communications
-1.00	Grounds Maintenance Worker II	Park & Recreation
-1.00	Information Systems Analyst II	Planning
-0.50	Senior Management Analyst	Real Estate Assets
-1.00	Clerical Assistant II	Transportation
-10.00	TOTAL	

The addition of the following 10.00 non-sworn positions to the Police Department will enable 10.00 budgeted, sworn personnel who are currently performing administrative functions to return to law enforcement activities:

POSITIONS ADDED TO POLICE DEPARTMENT BUDGET		
Number	Job Classification	Department
3.00	Information Systems Analyst III	Police
2.00	Information Systems Analyst II	Police
1.00	Associate Management Analyst	Police
1.00	Word Processing Operator	Police
1.00	Public Information Clerk	Police
2.00	Police Code Compliance Officer	Police
10.00	TOTAL	

There is no dollar impact to the General Fund. The Police Department is working in conjunction with the Personnel Department to expedite the filling of these non-sworn positions.

FISCAL YEAR 2003 NON-GENERAL FUND ADJUSTMENTS

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

FY 2003 SUMMARY OF COUNCIL CHANGES TO NON-GENERAL FUND EXPENDITURES AND POSITIONS		
Council Deliberations	POSITIONS	EXPENDITURES
Expenditure Changes		
South County Economic Development Corporation	0.00	(\$22,051)
Special Promotion Allocation, Council District 8	0.00	(\$10,000)
Special Promotion Allocation, Council District 2	0.00	(\$10,000)
Pacific Beach Block Party, Council District 2	0.00	(\$19,388)
Otay Mesa Chamber of Commerce, Council District 8	0.00	\$32,051
Veteran's Parade, Council District 2	0.00	\$6,000
Hall of Champions, Council District 2	0.00	\$10,000
Mission Hills Concert Studies, Council District 2	0.00	\$3,388
Suzuki Rock'n'Roll Marathon, Council District 2	0.00	\$10,000
Reinstate Landscape Review Program – Senior Planner (1.00) and Associate Planners (6.00)	7.00	\$507,544
Continued support for FY 2001 Council-mandated expansion of Equal Opportunity Contracting	0.00	\$88,889
Community Development Block Grant – Community Development Specialist IV	1.00	\$87,885
Emergency Medical Service Transport Program – Fire Captain (0.75) and Paramedic II (1.00)	1.75	\$262,619
Urban Forestry Program - Public Information Officer	1.00	\$200,000
Summary of Significant Non-General Fund Position and Expenditure Changes	10.75	\$1,146,937

CAPITAL IMPROVEMENTS PROGRAM CHANGES

The chart below reflects a summary of changes by department to the 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 increase of \$38,032,118. Please see the Capital Improvements Program Change Letter for detail of project changes by department (Attachment C).

Several of the projects in these departments are phase-funded. Projects that are to be phase-funded in Fiscal Year 2003 are not identified until the conclusion of Fiscal Year 2002. 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 2003 will be increased once the phased projects reach the next stage in their contracts.

CAPITAL IMPROVEMENTS PROGRAM SUMMARY BY DEPARTMENT			
Changes between FY 2003 Proposed Budget and FY 2003 Final Budget			
	FY 2003	FY 2003	
	PROPOSED	FINAL	CHANGE
Community and Economic Development	\$3,277,151	\$9,903,290	\$6,626,139
Development Services	75,000	179,400	104,400
Engineering and Capital Projects	1,010,884	1,918,304	907,420
Environmental Services	9,612,000	9,612,000	0
Fire and Life Safety Services	13,644,415	16,283,183	2,638,768
General Services	2,066,000	2,066,000	0
Library	27,901,660	35,036,410	7,134,750
Metropolitan Wastewater	165,987,167	137,326,082	(28,661,085)
Park and Recreation	16,428,671	25,272,583	8,843,912
Planning	610,983	1,840,983	1,230,000
Police	5,479,403	5,993,563	514,160
QUALCOMM Stadium	625,400	625,400	0
Real Estate Assets – Airports	1,300,000	1,300,000	0
Special Projects	10,550,000	10,550,000	0
Transportation	43,557,452	90,986,441	47,428,989
Water	71,242,117	62,506,782	(8,735,335)
TOTAL	\$373,368,303	\$411,400,421	\$38,032,118

TRANSNET INFRASTRUCTURE IMPROVEMENT FUND

During the Fiscal Year 2003 budget deliberations, the identification of additional revenues enabled the allocation of TransNet funding to each Council District in the amount of \$200,000, and to the Mayor in the amount of \$400,000, for the funding of TransNet eligible projects to be identified and prioritized by the Mayor and the respective Council Members.

The following projects were identified by Council Members during budget deliberations to receive portions of their respective TransNet infrastructure allocations:

FY 2003 TransNet Infrastructure Improvement Funding
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CIP Number	Project Title	Council District	Amount
60-201.0	Conversion of City Street Lights from Low to High Pressure Sodium	2	\$50,000
60-201.0	Conversion of City Street Lights from Low to High Pressure Sodium	3	\$70,000
60-201.0	Conversion of City Street Lights from Low to High Pressure Sodium	7	\$50,000
52-336.0	District Three 75/25 Sidewalk Program	3	\$30,000
52-406.0	Thorn Street Median Improvements	3	\$100,000
TransNet Infrastructure Improvement Funding			\$300,000

STATE BUDGET

As of July 22, 2002, the State Budget has not yet been passed. The State Senate has approved a budget bill that still includes limited funding for the City of San Diego, all of which was accounted for in the City Manager's Fiscal Year 2003 Proposed Budget June Revision Memorandum to the Mayor and City Council dated June 20, 2002 (Attachment B). The State Assembly is scheduled to vote on the budget the week of July 22, 2002. The budget package will then be forwarded to the Governor for review and signature. Further updates will be forthcoming as events occur. Revenues and expenditures may be adjusted throughout Fiscal Year 2003 to mitigate any changes the State may make.

SUMMARY

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 2003 Proposed Budget.

	FY 2003 Proposed Budget	FY 2003 Final Budget	Change
General Fund	\$732,822,323	\$729,330,522	(\$3,491,801)
Gross Total Operating Expenditures	\$1,818,738,875	\$1,812,571,773	(\$6,167,102)
Total Capital Improvements Program	\$373,368,303	\$411,400,421	\$38,032,118
(Less Internal Service Funds)	(\$103,877,193)	(\$103,515,352)	(\$361,841)
Total Combined Budget	\$2,088,229,985	\$2,120,456,842	\$32,226,857
(Less Interfund Transactions)	(\$175,277,079)	(\$169,317,997)	(\$5,959,082)
Net Total Combined Budget	\$1,912,952,906	\$1,951,138,845	\$38,185,939
General Fund Positions	7,170.23	7,171.55	1.32
Non-General Fund Positions	4,053.49	4,064.24	10.75
Total City Positions	11,223.72	11,235.79	12.07

As a result of the changes to the Fiscal Year 2003 Proposed Budget, the Final Net Total Combined Budget for Fiscal Year 2003 now totals \$1,951,138,845, which is comprised of:

- \$729,330,522 in the General Fund
- \$1,083,241,251 in the Non-General Fund Operating Budgets
- \$411,400,421 for the Capital Improvements Program
- Less \$103,515,352 related to the Internal Service Funds
- Less \$169,317,997 related to Interfund Transactions

The decrease from the Final Fiscal Year 2002 Net Total Combined Budget is \$234,328,214. An itemization of all changes made to the Proposed Budget is contained in Attachment C.

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 29, 2002, and the second hearing is scheduled for July 30, 2002. At the conclusion of the second public hearing, it is recommended that the Annual Appropriation Ordinance be adopted.

Respectfully submitted,

Michael T. Uberuaga
City Manager

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

ATTACHMENTS

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| Attachment A | Fiscal Year 2003 Council Budget Deliberation Minutes for June 24, 2002 (Blue) |
| Attachment B | Fiscal Year 2003 Proposed Budget June Revision with attachments |
| Attachment C | Summary of Changes to the Fiscal Year 2003 Proposed Operational and Capital Improvements Program Budget (Yellow) |