

DATE ISSUED: July 16, 2003

REPORT NO.

ATTENTION: Honorable Mayor and City Council
Dockets of July 21 and July 22, 2003

SUBJECT: Fiscal Year 2004 Annual Appropriation Ordinance

SUMMARY

- Issue:
- 1) Should the City Council adopt the Fiscal Year 2004 Annual Appropriation Ordinance?
 - 2) Should the City Council adopt a resolution directing the City Clerk to revise the ratebook of city fees and charges to add fees charged for special events applications, private events on public property, and Fire-Rescue Department operational support fees?
 - 3) Should the City Council adopt an ordinance amending Chapter 2, Article 2, Division 40, of the San Diego Municipal Code by amending Sections 22.4006 and 22.4022 relating to Special Events?
 - 4) Should the City Council adopt an ordinance amending Chapter 6, Article 3, Division 1, of the San Diego Municipal Code by amending Section 63.0102 relating to use of public parks and beaches?

Manager's Recommendation:

- 1) Adopt the Fiscal Year 2004 Annual Appropriation Ordinance.
- 2) Adopt a resolution directing the City Clerk to revise the ratebook of city fees and charges to add fees charged for special events applications, private events on public property, and Fire-Rescue Department operational support fees.
- 3) Adopt an ordinance amending Chapter 2, Article 2, Division 40, of the San Diego Municipal Code by amending Sections 22.4006 and 22.4022 relating to Special Events.

- 4) Adopt an ordinance amending Chapter 6, Article 3, Division 1, of the San Diego Municipal Code by amending Section 63.0102 relating to use of public parks and beaches.

Other Recommendations: None.

Fiscal Impact: The adoption of this ordinance will result in a Net Total Combined Budget of \$2,097,220,186 for Fiscal Year 2004, which reflects a net reduction of \$23,597,441 from the Fiscal Year 2004 Proposed Budget. The General Fund for Fiscal Year 2004 totals \$743,013,269.

BACKGROUND

The Fiscal Year 2004 Proposed Budget was submitted to the City Council on May 5, 2003. This included a Net Total Combined Budget of \$2,120,817,627 comprised of:

- \$739,846,953 in the General Fund
- \$1,158,003,606 in Non-General Fund Operating Budgets
- \$502,335,451 for the Capital Improvements Program
- Less \$106,800,621 related to Internal Service Funds
- Less \$172,567,762 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 March and April, 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 23, 2003 (Attachment A). This report summarizes the decisions that have occurred and the resulting changes to the Proposed Fiscal Year 2004 Budget.

DISCUSSION

After review and discussion of the Fiscal Year 2004 Proposed Budget, several changes occurred. The changes are presented as follows:

1. Fiscal Year 2004 General Fund Adjustments
 - a) Revenue
 - b) Expenditures
2. Fiscal Year 2004 Non-General Fund Adjustments
 - a) Revenue
 - b) Expenditures
3. Capital Improvements Program Changes

FISCAL YEAR 2004 GENERAL FUND REVENUE ADJUSTMENTS

In the City Manager's Fiscal Year 2004 Proposed Budget June Revision Memorandum to the Mayor and City Council, dated June 20, 2003, additional General Fund revenues were identified for use in the Fiscal Year 2004 Budget (Attachment B).

The City Manager recommended fee revisions during the City Council budget deliberations. The majority of the proposed fees were approved by the City Council on June 23, 2003. There will not be a corresponding increase to the General Fund from the approval of the increases to fees and fines as these were previously included in the Fiscal Year 2004 Proposed Budget. The fees include all proposed Library Department fees; all special events on public property and special event support services fees; the Police Department Support Services Rate Revision; all Park and Recreation Department fees; and all Real Estate Assets Department Services fees for a total of \$1,530,370. Transportation Department Parking Management Division fees and fines were also approved for a total of \$2,600,000.

FISCAL YEAR 2004 GENERAL FUND EXPENDITURE ADJUSTMENTS

On June 20, 2003, the City Manager presented the June Revision which identified \$2,334,238 that was available to offset Fiscal Year 2004 proposed service reductions. This included a reduction in expenditures of \$406,278 that could be reallocated and additional revenue of \$1,927,960. Also in the June Revision were organizational and administrative adjustments such as the Water Department/Park and Recreation Department concession agreement; the reorganization of Engineering and Capital Projects Department; and the restoration of reductions to the Community Service Centers program. These changes resulted in a net change of 24.09 positions, \$815,144 in expenses and \$816,890 in revenues.

During subsequent budget deliberations, the Mayor and City Council approved the restoration of reductions in the Park and Recreation, Library and Fire-Rescue Departments as identified in a memo issued by the Mayor on June 23, 2003 (Attachment C). These restorations were funded using the available \$2,334,238 identified by the City Manager in the June Revision. The net adjustment was the restoration of 44.78 positions, \$2,030,124 in expenditures and a transfer of \$305,860 of revenue out of the General Fund to fund the Balboa Park Tram, and Capital Improvements in the Park and Recreation Department.

Additionally, the Mayor and City Council authorized the addition of 8.75 collection staff (11.5 on an annualized basis) to the City Treasurer Department to enhance revenues citywide by approximately \$1,600,000.

The total effect of these changes to the Fiscal Year 2004 Final General Fund Budget reflects a net increase of \$3,166,316 and 77.62 positions from the Fiscal Year 2004 Proposed Budget. A summary of changes between the Fiscal Year 2004 Proposed and Final Budgets is below.

	POSITIONS	EXPENDITURES	REVENUES
FY 2004 PROPOSED GENERAL FUND	6,964.92	\$739,846,953	\$739,846,953
June Revision - City Manager Sources of Funding (Attachment B)	0.00	(\$406,278)	\$1,927,960
June Revision - Organizational and Administrative Changes (Attachment B)	24.09	\$815,144	\$816,890
Council Program Restorations (Attachment C)	44.78	\$2,030,124	(\$305,860)
Council Program Additions - City Treasurer Collection Program	8.75	\$727,326	\$727,326
FY 2004 FINAL GENERAL FUND	7,042.54	\$ 743,013,269	\$ 743,013,269

The Fiscal Year 2004 Final Budget Change Letter (Attachment D) reflects changes made since the Proposed Budget, by fund and department, and represents the Final Budget for Fiscal Year 2004. It is presented in two sections to reflect both operational and Capital Improvements Program (CIP) changes. The Change Letter also reflects the reorganizations of the Park and Recreation Department, Development Services Department, Information Technology and Communications Department, and Engineering and Capital Projects Department.

FISCAL YEAR 2004 NON-GENERAL FUND ADJUSTMENTS

A summary of the changes to Non-General funds made between the Fiscal Year 2004 Proposed and Final Budgets is shown below; including the expansion of the Development Services Department as a result of the Mayor and City Council approved Development Services Fee Proposal on May 20, 2003. Additional adjustments include the transfer of Fire Safety Plan Check from the General Fund into the Development Services Enterprise Fund, as well as the expansion of the Emergency Medical Services Program.

FY 2004 PROPOSED NON-GENERAL FUND	POSITIONS	EXPENDITURES
June Revision - City Manager Proposed Revisions (Attachment B)	115.65	\$10,623,127
Council Program Restoration (Attachment C) - Balboa Park Tram	0.00	\$50,000
FY 2004 TOTAL NON-GENERAL FUND ADJUSTMENTS	115.65	\$10,673,127

CAPITAL IMPROVEMENTS PROGRAM CHANGES

The chart below reflects a summary of changes by department to the Capital Improvements Program 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 decrease of \$34,768,215. Significant budget revisions were made to reflect the following:

Phase Funding

Projects that are to be phase-funded in Fiscal Year 2004 are not identified until the conclusion of Fiscal Year 2003. The identification of the phase-funded contracts in those projects between the Proposed and Final Budgets has resulted in a net decrease of \$37,559,867, facilitating cash management for the Water and Sewer funds.

TransNet Commercial Paper

TransNet Commercial Paper as a funding source is not automatically carried over from one fiscal year

to the next. It was deappropriated at the conclusion of Fiscal Year 2003, and reprogrammed into the Fiscal Year 2004 budget. The total amount of Commercial Paper reprogrammed into Fiscal Year 2004 is \$29,345,662.

Library Donations

A \$3.6 million increase in the Library Department Capital Improvements Program can be attributed to an increase in anticipated donations for the Skyline Hills Branch Library, CIP 35-107.0.

CAPITAL IMPROVEMENTS PROGRAM SUMMARY BY DEPARTMENT			
Changes between FY 2004 Proposed Budget and FY 2004 Final Budget			
	FY 2004	FY 2004	
	PROPOSED	FINAL	CHANGE
Community and Economic Development	\$ 8,656,376	\$ 7,018,794	(\$ 1,637,582)
Development Services	\$0	\$ 179,400	\$ 179,400
Engineering and Capital Projects	\$ 37,963,642	\$ 38,250,782	\$ 287,140
Environmental Services	\$ 5,663,000	\$ 5,663,000	\$ 0
General Services	\$ 1,000,000	\$ 2,341,937	\$ 1,341,937
Information Technology & Communications	\$ 1,900,000	\$ 1,900,000	\$ 0
Library	\$ 86,466,632	\$ 90,117,453	\$ 3,650,821
Metropolitan Wastewater	\$ 164,628,735	\$ 117,420,162	(\$ 47,208,573)
Park and Recreation	\$ 16,566,754	\$ 15,611,000	(\$ 955,754)
Planning	\$ 112,300	\$ 38,000	(\$ 74,300)
Police	\$ 8,011,093	\$ 8,011,093	\$ 0
QUALCOMM Stadium	\$ 625,400	\$ 625,400	\$ 0
Real Estate Assets – Airports	\$ 400,000	\$ 490,000	\$ 90,000
San Diego Fire-Rescue	\$ 9,101,382	\$ 8,730,807	(\$ 370,575)
Transportation	\$ 73,979,189	\$ 103,214,663	\$ 29,235,474
Water	\$ 87,260,948	\$ 67,954,745	(\$ 19,306,203)
TOTAL	\$502,335,451	\$467,567,236	(\$34,768,215)

Please see the Capital Improvements Program Change Letter for detail of project changes by department (Attachment D).

STATE BUDGET

As of July 16, 2003, the State Budget has not yet been passed. The most recent analysis of potential impacts to the City’s budget based on the State’s currently projected \$38.2 billion shortfall between revenues and expenditures is included as Attachment E. The City Manager will present a revised

Fiscal Year 2004 Budget to the Mayor and City Council, once the State's budget is passed. Revenues and expenditures may be adjusted throughout Fiscal Year 2004 to address any changes necessary to maintain a balanced budget.

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 2004 Proposed Budget.

	FY 2004 Proposed Budget	FY 2004 Final Budget	Change
General Fund	\$ 739,846,953	\$ 743,013,269	\$ 3,166,316
Gross Total Operating Expenditures	\$ 1,897,850,559	\$ 1,911,580,006	\$ 13,729,447
Total Capital Improvements Program	\$ 502,335,451	\$ 467,567,236	(\$ 34,768,215)
(Less Internal Service Funds)	(\$ 106,800,621)	(\$ 106,850,394)	(\$ 49,773)
Total Combined Budget	\$ 2,293,385,389	\$ 2,272,296,848	(\$ 21,088,541)
(Less Interfund Transactions)	(\$ 172,567,762)	(\$ 175,076,662)	(\$ 2,508,900)
Net Total Combined Budget	\$ 2,120,817,627	\$ 2,097,220,186	(\$ 23,597,441)
General Fund Positions	6,964.92	7,042.54	77.62
Non-General Fund Positions	4,111.70	4,226.49	114.79
Total City Positions	11,076.62	11,269.03	192.41

As a result of the changes to the Fiscal Year 2004 Proposed Budget, the Final Net Total Combined Budget for Fiscal Year 2004 now totals \$2,097,220,186 which is comprised of:

- \$743,013,269 in the General Fund
- \$1,168,566,737 in the Non-General Fund Operating Budgets
- \$467,567,236 for the Capital Improvements Program
- Less \$106,850,394 related to the Internal Service Funds
- Less \$175,076,662 related to Interfund Transactions

The increase from the Final Fiscal Year 2003 Net Total Combined Budget is \$146,081,341. An itemization of all changes made to the Proposed Budget is contained in the Change Letter (Attachment D).

The Final Budget document will be distributed in October 2003. As in previous years, departments will continue to monitor budgetary expenditures throughout the year and will keep the Mayor and City Council advised of the City's budgetary status through financial reports provided during the fiscal year.

APPROPRIATION ORDINANCE ADOPTION

Section 71 of the City Charter mandates the adoption of the Annual Appropriation Ordinance by the Mayor and City Council during the month of July. To adopt the Annual Budget, two public hearings are required. The first hearing is scheduled for July 21, 2003, and the second hearing is scheduled for July 22, 2003. At the conclusion of the second public hearing, it is recommended that the Annual Appropriation Ordinance be adopted.

Respectfully submitted,

Lisa Irvine
Financial Management Director

Approved: Michael T. Uberuaga
City Manager

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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 2004 Council Budget Deliberation Minutes for June 23, 2003 (Blue)
Attachment B	Fiscal Year 2004 Proposed Budget June Revision with attachments
Attachment C	Mayor's Memo June 23, 2003
Attachment D	Summary of Changes to the Fiscal Year 2004 Proposed Operational Budget (Green) and Capital Improvements Program Budget (Yellow)
Attachment E	Fiscal Year 2003-2004 State Budget Update, July 2, 2003

NOTE: Due to the size of the attachments, the distribution will be limited to the City Council binders. Additional copies are available for review in the Office of the City Clerk.