

DATE ISSUED: July 14, 2004

REPORT NO. 04-159

ATTENTION: Honorable Mayor and City Council
Dockets of July 19 and July 20, 2004

SUBJECT: Fiscal Year 2005 Annual Appropriation Ordinance

SUMMARY

Issue: Should the Mayor and City Council adopt the Fiscal Year 2005 Annual Appropriation Ordinance?

Manager's Recommendation:

Adopt the Fiscal Year 2005 Annual Appropriation Ordinance.

Other Recommendations:

None.

Fiscal Impact: The adoption of the Fiscal Year 2005 Annual Appropriation Ordinance will result in a Net Total Combined Budget of \$2,294,168,035 for Fiscal Year 2005, which reflects a net increase of \$32,807,233 from the Fiscal Year 2005 Proposed Budget. The General Fund for Fiscal Year 2005 totals \$817,432,989. A significant portion of the increase to the total City budget is due to changes in the Capital Improvements Program.

BACKGROUND

The Fiscal Year 2005 Proposed Budget was submitted to the City Council on May 3, 2004. This included a Total Combined Budget of \$2,449,023,177 comprised of:

- \$814,413,216 in the General Fund
- \$773,389,118 in Enterprise Funds
- \$548,308,182 in Capital Improvements Funds
- \$298,364,067 in Special Revenue Funds
- \$14,548,594 in Debt Service and Tax Funds

Community Budget Forums were held throughout Council Districts 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 public input was received on the budget at that time.

The Fiscal Year 2005 Proposed Budget was reviewed and adjusted in 13 public budget hearing meetings. Changes were approved by the Mayor and City Council and were summarized in various memos distributed throughout the process. Final budget decisions were made during the City Council budget deliberation meeting of June 22, 2004 (Attachment E).

DISCUSSION

The changes are presented in the following order so as to be consistent with the memoranda that were issued throughout the budget process:

1. Fiscal Year 2005 **General Fund** Adjustments
 - a) Fiscal Year 2005 Proposed State Impact Solutions Memorandum (Attachment A)
 - b) Fiscal Year 2005 Proposed Budget Update Memorandum (Attachment B)
 - c) Fiscal Year 2005 Proposed Budget June Revision Memorandum (Attachment C)
 - d) Mayor's FY '05 Budget Revisions Memorandum (Attachment D)
 - e) Other General Fund Adjustments
2. Fiscal Year 2005 **Non-General Fund** Adjustments
3. Capital Improvements Program Changes

FISCAL YEAR 2005 GENERAL FUND ADJUSTMENTS

Fiscal Year 2005 Proposed State Impact Solutions Memorandum – June 9, 2004 (Attachment A)

In the City Manager's *Proposed State Impact Solutions* memorandum to the Mayor and City Council, dated June 9, 2004, the City Manager outlined the anticipated impact of the State of California's budget decisions on the City's Fiscal Year 2005 and 2006 budgets. The total anticipated impact in Fiscal Year 2005 is \$19.8 million; however, the \$2.5 million revenue loss related to the "Triple-Flip" was already included in the Fiscal Year 2005 Proposed Budget, leaving a shortfall of \$17.3 million to be addressed.

In response to this anticipated revenue loss to the State, General Fund revenues were reduced by \$17.3 million. The following table depicts the alternative sources of funding identified to offset this reduction and balance the Fiscal Year 2005 General Fund budget. While the numbers utilized in the Fiscal Year 2005 Proposed State Impact Solutions memorandum were rounded, the following table reflects actual adjustments. In addition, an increase in Fiscal Year 2005 Major Revenue projections and an increase in Business Tax Processing Fees were identified subsequent to the release of that memorandum. As a result, a combined balance of \$141,335 was made available to restore some service level impacts proposed for Fiscal Year 2005. Part of the approved State impact solutions was the additional reduction of 3.40 positions in the Equal Opportunity Contracting, Financial Management, General Services, and Personnel

Departments, as well as various other non-personnel reductions. It also included new departmental revenues being generated by the Auditor’s Office and City Treasurer’s Department.

Description	Positions	Expenditures	Revenues	Net Available Funds
Major Revenue Reductions - State Impacts	0.00	\$0	(\$17,329,941)	(\$17,329,941)
Major Revenue Growth	0.00	\$0	\$6,352,835	\$6,352,835
Additional Program Reductions	(3.40)	(\$744,821)	\$255,084	\$999,905
State Contingency Reserve Fund	0.00	\$0	\$3,900,000	\$3,900,000
Business Tax Processing Fee	0.00	\$0	\$3,185,000	\$3,185,000
SDDPC General Fund Savings	0.00	(\$1,986,986)	\$0	\$1,986,986
Parking Meter District Increase Waiver	0.00	(\$546,550)	\$0	\$546,550
Mission Bay Ordinance Waiver	0.00	\$0	\$500,000	\$500,000
Sub-Total State Impacts Memo	(3.40)	(\$3,278,357)	(\$3,137,022)	\$141,335

Fiscal Year 2005 Proposed Budget Update Memorandum – June 9, 2004 (Attachment B)

Based on Mayor and City Council discussions through June 9, 2004, the City Manager also issued the Fiscal Year 2005 Proposed Budget Update memorandum. In the memorandum, the City Manager recommended restoration of 4.00 General Fund positions in the Community and Economic Development Department, and 2.00 positions in the Planning Department. The restorations for both departments are fully cost recoverable and will not negatively impact the General Fund. The net adjustment was the restoration of 6.00 positions and \$579,182 in both expenditures and revenues.

The City Manager also presented information on the reduction in the General Fund of 11.74 unclassified, senior, and middle level positions. These reductions resulted in savings of \$1,403,870, which had been included in the Fiscal Year 2005 Proposed Budget. Note: these reductions are also reflected in the Fiscal Year 2005 Final Budget Change Letter under the line-item “Citywide Personnel Reductions” in the respective departments.

All of these items were approved by the Mayor and City Council.

Department/Program	Positions	Expenditures	Revenues
Initial Management Reductions*	(11.74)	\$106,130	\$0
Community & Economic Development Department Restorations	4.00	\$408,754	\$408,754
Planning Department Restorations	2.00	\$170,428	\$170,428
Sub-Total Manager’s Budget Update Memo	(5.74)	\$685,312	\$579,182

*Proposed Budget included estimated reduction of \$1,510,000. This action will remove the positions and adjust the expenditures to reflect actual savings of \$1,403,870, for a net change of \$106,130.

Fiscal Year 2005 Proposed Budget June Revision Memorandum – June 18, 2004 (Attachment C)

Issued by the City Manager on June 18, the June Revision provided more detail on changes outlined in the Fiscal Year 2005 Budget Update memorandum, as well as the following recommendations:

- An additional 5.00 General Fund unclassified, senior, and middle level position reductions amounting to an additional \$624,367 in savings to the General Fund. Note: these reductions are also reflected in the Fiscal Year 2005 Final Budget Change Letter under the line-item “Citywide Personnel Reductions” in the respective departments.
- A one-year waiver of the Mission Bay Ordinance. On May 18, 2004, the Mayor and City Council approved a proposal by Councilmembers Frye and Zucchet and Deputy City Mayor Atkins that allocated \$1.3 million of the resultant available revenues (including existing fund balances from both the Regional Park Fund and the Mission Bay Improvement Fund) to restoration of some Park and Recreation Department reductions, with the remaining \$500,000 to be applied toward the General Fund’s State Impact Solutions (see State Impacts table). The Park and Recreation restorations included 23.73 positions at a cost of \$1,289,302.
- A loan repayment of \$3 million from the Redevelopment Agency, negotiated with Centre City Development Corporation by the Mayor and Councilmembers Lewis, Maienschein and Zucchet, was identified as available for application to the Fiscal Year 2005 General Fund budget. This funding is to be allocated to the acquisition of fire-rescue apparatus.
- Fee revisions were recommended during the City Council budget deliberations. Included in the Fiscal Year 2005 Proposed Budget were \$5,900,000 in cost recoverable fees and charges. During budget deliberations held on May 25 and June 15, 2004, the Mayor and City Council approved \$6,010,000 in new cost recoverable fees and charges. A balance of \$110,000 would have been available to restore some service level impacts proposed for Fiscal Year 2005. However, subsequent to the Mayor and City Council approval of the proposed fees, a City Attorney opined that the proposed Fire-Rescue Publication Copies fee was not viable. This resulted in a reduction of \$56,000, leaving a balance of \$54,000.
- Approved fee proposals included the addition of 1.00 Clerical Assistant II position to the Fire-Rescue Department and 0.35 Lifeguard I position to the Park and Recreation Department. Since the projected revenue benefit to the General Fund was net of the cost of these positions, the departments’ additional generated revenues will cover the position costs.

The net result of the above adjustments is as follows:

Description	Positions	Expenditures	Revenues
Additional Management Reductions	(5.00)	(\$624,367)	\$0
Mission Bay Ordinance Waiver (incl. fund balances)		\$0	\$1,300,000
Park & Recreation Department Restorations	23.73	\$1,289,302	\$0
Redevelopment Loan Repayment		\$0	\$3,000,000
Fire-Rescue Apparatus Additions	0.00	\$3,000,000	\$0
Fire-Rescue Department Fee-Related Addition	1.00	\$50,396	\$50,396
Park & Recreation Department Fee-Related Addition	0.35	\$23,000	\$23,000
Additional Revenues - Fees	0.00	\$0	\$54,000
Sub-Total June Revision Memo	20.08	\$3,738,331	\$4,427,396

Mayor's FY '05 Budget Revisions Memorandum – June 18, 2004 (Attachment D)

In a memorandum distributed to the City Council, the Mayor recommended for approval items previously discussed by the Mayor and City Council.

During budget deliberations, the Mayor and City Council offered a reduction in the Fiscal Year 2005 allocation for Council Administration (\$50,000) to partially fund the restoration of the Citizens' Assistance Route Slip Coordinator. Council District 1 also offered a reduction to their allocation (\$82,406) to be used for street repairs in Council District 1. This allocation will be placed in the Infrastructure Improvement Fund to be used for street maintenance activities within Council District 1.

The Mayor and City Council approved the restoration of a portion of the Community Service Centers Program, with the retention of one Community Service Center per council district, for a net increase of 14.00 positions, \$1,048,405 in expenditures, and \$394,405 in revenues to be generated by the Community Service Centers.

The Mayor and City Council also approved the restoration of Sunday hours at libraries. Councilmember Inzunza chose to have one additional Community Service Center remain open in Council District 8 in lieu of restoration of Sunday library hours. Councilmember Maienschein also indicated he would be pursuing funding to maintain two Community Service Centers in Council District 5 under the condition that it does not impact the General Fund. These items were approved by the Mayor and City Council on June 21.

The following table depicts the adjustments as approved by the Mayor and City Council:

Description	Positions	Expenditures	Revenues
Reduction to Council Administration Budget for Restoration of Citizens' Assistance Route Slip Coordinator	0.00	(\$50,000)	\$0
Citizens' Assistance Route Slip Coordinator Restoration	1.00	\$60,023	\$0
Reduction to Council District 1 Budget for Street Repairs	0.00	(\$82,406)	(\$82,406)
Community Service Center Restorations	14.00	\$1,048,405	\$394,405
Library Restorations	0.00	\$218,000	\$0
Sub-Total Mayor's Budget Revisions Memo	15.00	\$1,194,022	\$311,999

Other General Fund Adjustments

On May 18, 2004, the Mayor and City Council approved Councilmember Madaffer's motion that ranger positions proposed for elimination in the Park and Recreation Department not be reduced, but be kept unfunded in the budget. This action included 3.00 Park Rangers in Open Space Management Services, 1.00 Open Space support position, 0.50 of a position in the San Diego River Valley and 1.00 Mission Bay Park Ranger, which was included in Councilmembers Frye's, Zucchet's and Deputy Mayor Atkins' memo dated May 17, 2004.

Of these positions, all but the 1.00 Mission Bay Park Ranger will be restored without funding; the Mission Bay Park Ranger will be funded utilizing a portion of the revenue made available by the waiver of the Mission Bay Ordinance.

On June 21, 2004, the Mayor and City Council also approved a one-year restoration of 3.00 positions in the Neighborhood Code Compliance Department to address minor violations. These positions are fully cost recoverable through the Civil Penalties Code Enforcement Fund.

Subsequent to the budget deliberations, several items have been finalized and are included in this report and the Appropriation Ordinance. Approval of the Appropriation Ordinance by the Mayor and City Council will provide the legal approval of these items in the Fiscal Year 2005 Annual Budget.

The Neighborhood Code Compliance Department (NCCD) has identified available funding that can be used to partially restore the provision of graffiti removal services on private property. This service, provided at no cost to property owners through a contract with the Urban Corps, was reduced in Fiscal Year 2004, and was proposed for elimination for Fiscal Year 2005.

The field investigation staff from the NCCD generate revenue from fines and penalties, which is currently deposited into a special revenue fund titled the Civil Penalties Code Enforcement Fund. The City Manager may exercise flexibility in the allocation of these funds provided the use supports code enforcement staff and activities.

The City Manager recommends appropriation of \$250,000 from the Civil Penalties Code Enforcement Fund to the Graffiti Control Program for this purpose. This amount is included in the General Fund budget as presented in the Fiscal Year 2005 Appropriation Ordinance and in

this report.

The City Attorney's Office has also proposed a departmental revenue increase of \$73,386 based on revised projections. This amount is included in the General Fund budget as presented in the Fiscal Year 2005 Appropriation Ordinance and in this report.

An administrative transfer from the Naval Training Center (NTC) fund will provide an additional \$200,000 in General Fund revenues. The NTC fund accumulates lease revenues from tenants. These lease revenues then go into the General Fund.

The Mayor has designated that \$180,000 of the Mayor's Office's Community Development Block Grant (CDBG) funding be allocated for the acquisition of fire apparatus. This amount is included in the General Fund budget as presented in the Fiscal Year 2005 Appropriation Ordinance and in this report.

The Mayor and City Council also approved the restoration of 6.00 positions in order to maintain operational hours at Balboa Park and keep swimming pools open for an additional two weeks in Fiscal Year 2005, from November 1 through November 15, 2004, at a cost of \$300,000.

The restoration of the Park and Recreation Department's Showmobile operations, which includes the restoration of 3.00 positions and \$176,258 in expenditures, is also included in the General Fund budget as presented in the Fiscal Year 2005 Appropriation Ordinance and in this report. The summarization of these adjustments is as follows:

Department/Program	Positions	Expenditures	Revenues
Open Space Park Management - Park Ranger Position Restorations (unfunded)	4.50	\$0	\$0
Neighborhood Code Compliance Department Restorations - Minor Violations	3.00	\$177,207	\$177,207
Neighborhood Code Compliance - Contract for Graffiti Removal on Private Property	0.00	\$250,000	\$250,000
City Attorney Revenue Adjustment	0.00	\$0	\$73,386
Administrative Transfer from NTC	0.00	\$0	\$200,000
Addition of Mayor's CDBG Funding for Fire Apparatus	0.00	\$0	\$180,000
Park & Recreation Department Maintenance of Balboa Park/Swimming Pool Hours	6.00	\$300,000	\$180,625
Park & Recreation Department Showmobile Operations	3.00	\$176,258	\$0
Reduction of CDBG Funding for Fire Apparatus	0.00	(\$223,000)	(\$223,000)
Sub-Total Other General Fund Adjustments	16.50	\$680,465	\$838,218

General Fund Summary

The following summarizes the changes made to the General Fund between the Fiscal Year 2005 Proposed and Fiscal Year 2005 Final Budgets:

Description	Positions	Expenditures	Revenues
FY 2005 PROPOSED GENERAL FUND	6,912.87	\$814,413,216	\$814,413,216
SUB-TOTAL STATE IMPACTS	(3.40)	(\$3,278,357)	(\$3,137,022)
SUB-TOTAL MANAGER'S BUDGET UPDATE	(5.74)	\$685,312	\$579,182
SUB-TOTAL JUNE REVISION	20.08	\$3,738,331	\$4,427,396
SUB-TOTAL MAYOR'S BUDGET REVISIONS	15.00	\$1,194,022	\$311,999
SUB-TOTAL OTHER GENERAL FUND ADJUSTMENTS	16.50	\$680,465	\$838,218
TOTAL GENERAL FUND INCREASES	42.44	\$3,019,773	\$3,019,773
FY 2005 FINAL GENERAL FUND	6,955.31	\$817,432,989	\$817,432,989

As a result of the above revisions to the General Fund, an additional contribution must be made to the General Fund Reserve to maintain the Reserve at three percent of the General Fund. This additional contribution will be approximately \$90,000 and has been set aside from the General Fund major revenue growth and identified as a General Fund Unappropriated Reserve contribution.

FISCAL YEAR 2005 NON-GENERAL FUND ADJUSTMENTS

A summary of the changes to Non-General Funds made between the Fiscal Year 2005 Proposed and Final Budgets is shown below.

FY 2005 PROPOSED NON-GENERAL FUNDS	4,162.79	\$1,198,022,699
FY 2005 June Revision - Management Reductions	(11.76)	(\$1,204,371)
SDDPC Non-General Fund Savings	0.00	(\$2,657,172)
PETCO Park Budgetary Increases	0.00	\$980,000
San Diego Fire-Rescue EMS FY 2005 Annual Budget	(10.90)	(\$41,220)
CDBG - Disability Services	0.00	\$28,000
Water Department 45-Day Operating Reserve Adjustment	0.00	(\$94,417)
Restoration of Organization Effectiveness Specialist II	0.70	\$60,714
Restoration of Street Maintenance Funding	0.00	\$326,046
Increased Transfer to Safety and Maintenance of Visitor Related Facilities	0.00	\$99,905
FY 2005 FINAL NON-GENERAL FUNDS	4,140.83	\$1,195,520,184

CAPITAL IMPROVEMENTS PROGRAM ADJUSTMENTS

The chart below reflects a summary of changes by departments 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 increase of \$34,984,169. Significant budget revisions were made to reflect the

following:

CAPITAL IMPROVEMENTS PROGRAM SUMMARY BY DEPARTMENT			
Changes between FY 2005 Proposed and FY 2005 Final Budget			
	FY 2005	FY 2005	
DEPARTMENT	PROPOSED	FINAL	CHANGE
Community and Economic Development	\$3,339,186	\$4,303,380	\$964,194
Development Services	\$0	\$60,000	\$60,000
Engineering and Capital Projects	\$148,637,156	\$170,395,990	\$21,758,834
Environmental Services	\$7,080,000	\$7,080,000	\$0
General Services	\$2,495,800	\$2,495,800	\$0
Information Technology and Communications	\$9,000,000	\$9,000,000	\$0
Library	\$91,250,056	\$103,124,344	\$11,874,288
Metropolitan Wastewater	\$166,129,321	\$151,125,399	(\$15,003,922)
Park and Recreation	\$24,688,567	\$32,621,784	\$7,933,217
Police	\$12,583,764	\$7,504,814	(\$5,078,950)
QUALCOMM Stadium	\$500,000	\$500,000	\$0
Real Estate Assets – Airports	\$490,000	\$490,000	\$0
San Diego Fire-Rescue	\$24,467,255	\$28,678,680	\$4,211,425
Transportation	\$1,798,000	\$2,801,643	\$1,003,643
Water	\$55,849,077	\$63,110,517	\$7,261,440
TOTAL	\$548,308,182	\$583,292,351	\$34,984,169

Phase Funding

Projects that are to be phase-funded in Fiscal Year 2005 are not identified until the conclusion of Fiscal Year 2004. The identification of phase-funded contracts in those projects between the Proposed and Final Budgets has resulted in a net decrease of \$6,698,134, facilitating cash management for the Water and Sewer funds.

TransNet Commercial Paper

TransNet Commercial Paper is not a funding source that is automatically carried over from one fiscal year to the next. It was deappropriated via City Council Action at the conclusion of Fiscal Year 2004, and reprogrammed into the Fiscal Year 2005 budget. The total amount of Commercial Paper reprogrammed into Fiscal Year 2005 is \$19,622,152. This accounts for much of the \$21.7 million increase to the Engineering and Capital Projects Department budget.

Library Grants

Of the \$11.8 million increase to the Library Department budget, \$10 million can be attributed to the addition of California State Proposition 14 – Library Bond Act of 2000 funding to CIP 35-082.0, San Diego Main Library.

Facilities Benefit Assessments

Many of the department budgets, particularly San Diego-Fire Rescue and Park and Recreation, also reflect changes to Facilities Benefit Assessment funding. Changes to this funding source occur throughout the fiscal year, based on updates to the various community Public Facility Financing Plans.

OVERALL 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 2005 Proposed Budget.

	FY 2005 PROPOSED BUDGET	FY 2005 FINAL BUDGET	CHANGE
General Fund	\$814,413,216	\$817,432,989	\$3,019,773
Gross Total Operating Expenditures	\$2,012,435,915	\$2,012,953,173	\$517,258
Total Capital Improvements Program	\$548,308,182	\$583,292,351	\$34,984,169
(Less Internal Service Funds)	(\$111,720,920)	(\$110,832,282)	\$888,638
Total Combined Budget	\$2,449,023,177	\$2,485,413,242	\$36,390,065
(Less Interfund Transactions)	(\$187,722,375)	(\$191,245,207)	(\$3,522,832)
Net Total Combined Budget	\$2,261,300,802	\$2,294,168,035	\$32,867,233
General Fund Positions	6,912.87	6,955.31	42.44
Non-General Fund Positions	4,162.79	4,140.83	(21.96)
Total City Positions	11,075.66	11,096.14	20.48

As a result of the changes to the Fiscal Year 2005 Proposed Budget, the Final Net Total Combined Budget for Fiscal Year 2005 totals \$2,294,168,035 which is comprised of:

- \$817,432,989 in the General Fund
- \$1,326,439,924 in the Non-General Fund Operating Budgets
- \$583,292,351 for the Capital Improvements Program
- Less \$110,832,282 related to the Internal Service Funds
- Less \$191,245,207 related to Interfund Transactions

An itemization of all changes made to the Proposed Budget is contained in the Fiscal Year 2005 Final Budget Change Letter (Attachment F). The increase from the Final Fiscal Year 2004 Net Total Combined Budget is \$196,947,849.

The Final Budget document will be distributed in October 2004. 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.

During the budget deliberations for Fiscal Year 2005, reference was made to Council Policy 000-20, “Annual Council Programming”. This policy calls for the identification of budgetary goals, objectives and program priorities at least seven months in advance of budget implementation. The policy calls for a report from the City Manager in November of each year that would include current goals and objectives, a summary of allocated funds, forecasts of revenues and expenditures, and suggested service improvements and/or cutbacks. This report would then serve as the basis for budgetary programming. The City Manager is preparing a report regarding

Council Policy 000-20 for the Rules Committee in early fall of this 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 19, 2004, and the second hearing is scheduled for July 20, 2004. 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: P. Lamont Ewell
City Manager

ATTACHMENTS

Note: Attachment F is not available in electronic format. A copy is available for review in the Office of the City Clerk.

[Attachment A](#) [Fiscal Year 2005 Proposed State Impact Solutions Memorandum](#)

[Attachment B](#) [Fiscal Year 2005 Proposed Budget Update Memorandum](#)

[Attachment C](#) [Fiscal Year 2005 Proposed Budget June Revision Memorandum](#)

[Attachment D](#) [Mayor's FY '05 Budget Revisions Memorandum](#)

[Attachment E](#) [Fiscal Year 2005 Mayor and City Council Budget Deliberation
Minutes for June 22, 2004 \(Blue\)](#)

Attachment F Summary of Changes to the Fiscal Year 2005 Proposed
Operational Budget (Green) and Capital Improvements Program
Budget (Yellow)

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.