

DATE ISSUED: June 9, 2005

REPORT NO. 05-144

ATTENTION: Honorable Mayor and City Council  
Docket of June 14, 2005

SUBJECT: Fiscal Year 2006 Proposed San Diego Data Processing Corporation  
Budget

SUMMARY:

Issue - Should the City Council approve the \$50,780,000 Fiscal Year 2006 Proposed San Diego Data Processing Corporation (SDDPC) Budget?

Manager's Recommendation – Approve the \$50,780,000 Fiscal Year 2006 Proposed SDDPC Budget.

Fiscal Impact – Budget figures reflect anticipated City and non-City expenditures for products and services to be rendered by SDDPC in FY 2006. The City of San Diego represents approximately 97% of SDDPC's revenues.

BACKGROUND

During the development of City agency budgets, City Manager staff works with City agencies in an effort to ensure that the budget requests conform to City policies. The review of the Fiscal Year 2006 SDDPC Proposed Budget was conducted by City staff with regard to proposed adjustments from Fiscal Year 2005 budgeted levels. This budget represents the anticipated level of funding for SDDPC operations in Fiscal Year 2006 and reflects the requests for IT services by the City of San Diego. Actual services provided by SDDPC to the City are billed directly to City departments based on agreed upon rates.

DISCUSSION

**Revenue**

SDDPC's total budgeted gross revenue of \$50,780,000 proposed in their Fiscal Year 2006 budget is \$9,489,000 or 16% less than their Fiscal Year 2005 budget. Proposed FY 2006 operating revenue, which excludes revenue from goods and services SDDPC procures on behalf of the City, is \$40,443,000 or 11% less than FY 2005. Labor revenue, the largest component of

operating revenue, is 19% less in the proposed budget. FY 2006 Procured Services revenue is proposed to decrease by 30%. These reductions in SDDPC revenues reflect the overall budgetary challenges facing the City in FY 2006.

The following table exhibits a breakdown of Fiscal Year 2006 Proposed Revenue:

<b>Description</b>	<b>Fiscal Year 2005 Budgeted Revenue</b>	<b>Fiscal Year 2005 Estimated Actual</b>	<b>Fiscal Year 2006 Proposed Revenue</b>
Labor	\$26,659,000	\$20,728,000	\$21,610,000
Network Access	\$9,624,000	\$9,798,000	\$9,781,000
Telecommunications	\$3,187,000	\$3,092,000	\$2,820,000
Data Center	\$5,064,000	\$5,058,000	\$5,496,000
Procured Services Fees	\$1,029,000	\$1,160,000	\$724,000
Interest/Other	\$12,000	\$30,000	\$12,000
<b>Total Operating Revenue</b>	<b>\$45,575,000</b>	<b>\$39,865,000</b>	<b>\$40,443,000</b>
Procured Services	\$14,694,000	\$17,255,000	\$10,337,000
<b>Gross Revenues</b>	<b>\$60,269,000</b>	<b>\$57,120,000</b>	<b>\$50,780,000</b>

The following table exhibits a comparative breakdown of revenue by customer category:

<b>Customer</b>	<b>FY 2005 Budgeted Revenue</b>	<b>FY 2006 Proposed Revenue</b>
City - General Fund	\$19,218,000	\$16,345,000
City - Non-General Fund	\$38,484,000	\$32,030,000
<b>Total City (Non-ARJIS)</b>	<b>\$57,702,000</b>	<b>\$48,375,000</b>
County	\$569,000	\$426,000
Interest Income	\$12,000	\$12,000
ARJIS <sup>1</sup>	\$1,986,000	\$1,967,000
<b>Total Non-City &amp; ARJIS</b>	<b>\$2,567,000</b>	<b>\$2,405,000</b>
<b>TOTAL</b>	<b>\$60,269,000</b>	<b>\$50,780,000</b>

<sup>1</sup> Automated Regional Justice Information System (ARJIS) is the Joint Powers Agency that provides the regional criminal justice information system used by 38 local, State and federal agencies in the San Diego region. The City of San Diego funds 41% of ARJIS.

**Expense**

**Personnel Expenses**

The \$23,755,000 Fiscal Year 2006 Proposed Budget for Personnel Expense represents a decrease of \$2,851,000, or 11% from the Fiscal Year 2005 Budget. Relative to the Fiscal Year 2005 Budget, which included 279 positions, the total budgeted staffing of 250 positions in Fiscal Year 2006 equates to a total reduction of 29 positions. In addition, the number of external contractors has been reduced from 7 to 6 staff in FY 2006.

**Non-Personnel Expenses**

The Non-Personnel Expense budget of \$27,024,000 has decreased by \$6,638,000 or 20% in Fiscal Year 2006. Significant changes include a lower volume of procured services such as hardware, software and third party consulting services (\$4,357,000) and decreased depreciation expense resulting from prior year capital assets becoming fully depreciated and from the deferral of current year capital purchases (\$1,143,000).

The following table exhibits a comparative breakdown of Fiscal Year 2006 Proposed Expenses:

<b>Personnel and Non-Personnel Expense Breakdown</b>			
<b>Expense Category</b>	<b>Fiscal Year 2005 Budget</b>	<b>Fiscal Year 2006 Proposed</b>	<b>Increase/Decrease</b>
<b>Personnel Expense</b>	<b>26,606,000</b>	<b>23,755,000</b>	<b>(\$2,851,000)</b>
Professional Services	\$2,544,000	\$1,827,000	(\$717,000)
Equipment	\$2,158,000	\$1,603,000	(\$555,000)
Software	\$3,005,000	\$2,857,000	(\$148,000)
Depreciation	\$4,807,000	\$3,664,000	(\$1,143,000)
Interest	\$35,000	\$35,000	0
Facility Expenses	\$1,430,000	\$1,334,000	(\$96,000)
Supplies	\$89,000	\$76,000	(\$13,000)
Data Network / Telecommunications	\$4,314,000	\$4,640,000	\$326,000
Other	\$586,000	\$652,000	\$65,000
<b>Total Operating Expenses</b>	<b>\$45,574,000</b>	<b>\$40,443,000</b>	<b>(\$5,132,000)</b>
Cost of Procured Services	\$14,694,000	\$10,337,000	(\$4,357,000)
<b>Total Expenses</b>	<b>\$60,269,000</b>	<b>\$50,780,000</b>	<b>(\$9,489,000)</b>

CONCLUSION

The \$50,780,000 Fiscal Year 2006 Proposed San Diego Data Processing Corporation Budget is submitted for your review and is recommended for approval.

Respectfully submitted,

---

Rey Arellano  
Deputy City Manager & Chief Information Officer

---

Ronald H. Villa  
Financial Management Director  
(Acting)

RA/jc