



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: January 27, 2006 REPORT NO.: 06-015

ATTENTION: The Committee on Budget and Finance of the City Council
of the City of San Diego
February 1, 2006

SUBJECT: Assessment of San Diego impacts of Governor's Fiscal Year 2007
State Budget Proposal - INFORMATION REPORT

REFERENCE:

REQUESTED ACTION: Information only

STAFF RECOMMENDATION: Accept Report.

SUMMARY: This report summarizes fiscal impacts of proposed state budget in four areas:

- City of San Diego General Fund programs
- City of San Diego Special fund programs
- City of San Diego access to bond & other special revenues
- Regional Transportation Funds

FISCAL CONSIDERATIONS:

1. City revenues for the fiscal year beginning July 1, 2006 would be affected as follows:
 - General Fund could increase by \$22.8 million
 - Special Funds could benefit by \$11.7 billion
2. The City will be eligible to compete for State Water Bonds if the proposed funding level is approved.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

KEY STAKEHOLDERS & PROJECTED IMPACTS (if applicable):

Originating Department

Deputy Chief/Chief Operating Officer

- State Bond Programs: Funding is provided for competitive grants in Proposition 50: Water

4. Three special funds that could benefit the City continue to be funded below historic levels:

<u>Program Beneficiary</u>	<u>Expected Funding</u>	<u>Change from FY 06</u>	<u>Historic/High Funding level</u>
• Libraries			
○ Public Library Fund	\$514,150	0	\$1.7 m
○ California Teleconnect	\$133,980	+\$9,480	
• Arts & Culture	\$0	0	\$159-122,000
• Public Safety: COPS	\$1.9 million	0	\$2.6 million

Regional Transportation Funds:

The governor proposes to repay \$920 million of the \$2.3 billion in Gasoline Sales Tax funds borrowed from transportation accounts to resolve budget deficits in each of the last 2 fiscal years. The Share of funds that will flow to the San Diego region is being calculated by SANDAG. The funds will be allocated to the San Diego Regional Transportation Plan, for highway and transit projects in San Diego County.

Analysis & Assessment

General Fund Impacts

The City of San Diego receives over half of its General Fund Revenues from sources allocated by the State of California. The annual State budget cycle is the usual, though not exclusive, way in which these funding levels are determined. The following table displays City revenues from state allocated revenues sources in the current (FY 06) year:

Table of CURRENT YEAR (FY 06) revenues from State Controlled sources:

<u>Source</u>	<u>FY 06 City Projection</u>	<u>General Fund %</u>
Property Tax	\$290.4 million	33.9%
Sales Tax	\$144.1 million	16.8%
Motor Vehicle Fees	\$ 9.5 million	1.1%
Safety Sales Tax	\$ 6.1 million	0.7%
Booking Fees	\$ 0	0.6%
Total	\$455.3 million	53%

City General Fund revenues in FY 07 would ***INCREASE*** by \$22.8 million over last year if the following proposals are adopted:

1. Full Local Property Tax Pass-through: \$17.6 million in property taxes usually allocated to the City of San Diego were confiscated by the state in each of the last 2 fiscal years to address state budget deficits. The Governor proposes to send these funds to local government in FY 07.
2. Booking Fees: The Governor’s proposal reinstates the booking fee reimbursement program that was suspended last year and funds it at \$40 million. The City of San Diego’s share of these funds is approximately \$5.22 million.

Preview of major revenue sources controlled by the State:

- Property Tax: City’s share of property taxes would be restored to 2004 level.
- Sales Tax: City share of state sales tax appropriated, as expected
- Motor Vehicles License Fees: City share of Motor Vehicle License Fees appropriated, as expected Fees are collected at existing rate of .66% (2/3 of 1%) rate – and distributed to local government – as required by the State Constitution.
- Safety Sales Tax (Prop 172): City share of Safety Sales Tax appropriated, as expected.
- Booking Fees: Funding restoration PROPOSED – INCREASING City of San Diego General Fund Revenues by \$5.22 million.

Special Fund Impacts

Special funds will ***INCREASE*** by \$11.7 million over last year if all proposals are adopted. A variety of City enterprise funds and departments benefit from state allocations in ways that do not appear in the City’s General Fund. These allocations are often for capital projects or special programs.

Source	Expected FY07 Revenues	Gain/(Loss)
Local Streets/Roads	\$5.5 million	+\$5.5 million
Redevelopment Tax Increment		
CCDC	\$56,900,000	\$3.7 million
City of SD	\$12,900,000	\$903,000
SEDC	\$4,292,000	\$306,000

Other special funded projects will have flat or only slightly increased funding levels – leaving in place past funding reductions:

Source	Expected FY07 Revenues	Gain/(Loss)
Libraries		
• Public Library Fund	\$514,150	\$0
• California Teleconnect	\$133,980	+\$9,480
Arts & Culture	\$0	\$0
• Public Safety: COPS	\$1.9 million	\$0
		(\$122,032)

4. Libraries: Two programs within the State Budget benefit local library systems: the Public Library Fund and the California Teleconnect Fund.

- \$14.36 million is proposed for the Public Library Fund. This program provides funding for staff and non-personnel fundraising costs within the City's Library Department. Estimated benefit to San Diego is \$514,150.
- \$22 million is proposed for the California Teleconnect Fund. The fund allows libraries to apply for a 50 percent discount on phone and computer network services, including Centrex, PBX trunks, and other phone lines plus Integrated Services Digital Network (ISDN), DSL and T-1 services which provide access to the Internet. Estimated benefit to the City is \$133,980.

5. Arts & Culture: The Governor's proposal is the same as last year's - \$1.14 million for the California Arts Council. This allocation provides no grant opportunity for the City for the 4th straight year. No funds are expected.

6. Public Safety: Citizen's Option for Public Safety (COPS) is proposed to be funded at \$100 million in FY07 which equates to a City benefit of approximately \$1.9 million.

State Bonds & Other Special Revenues

The budget proposal includes bond funding, for which San Diego may be eligible to compete, in the following areas:

- Water (Proposition 50):
 - The Water Security, Clean Drinking Water, Coastal and Beach Protection Fund (Proposition 50) and the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act (Proposition 13) - The Budget includes \$56.6 million in local assistance funding from Proposition 50 and Proposition 13 to fund projects that improve water quality in the following categories: CALFED drinking water and watershed protection programs, non-point source pollution control, clean beaches, water recycling, and groundwater monitoring.
- CALFED:
 - The CALFED Bay-Delta Program is a combined effort among 25 state and federal agencies to improve water supplies in California and the health of the San Francisco Bay-Sacramento-San Joaquin River Delta watershed. The Budget provides \$29.8 million from Proposition 50 and Proposition 13 bond funds, and State Water Project funds for conveyance, water quality, ecosystem restoration, and surface storage programs
 - CALFED Water Use Efficiency Program - The Budget provides \$32.2 million from Proposition 50 bond funds for grants to local water districts and other applicants to support urban and agricultural water conservation programs. Water use efficiency motivates water suppliers and water users to implement conservation practices that benefit the public and are consistent with CALFED goals.

- Major Program Changes
 - Flood Control Strategic Improvements - As part of a three-year plan to further protect property and prevent future floods, the Budget provides \$35 million General Fund and 30.4 positions for levee maintenance activities, including San Francisco Bay-Sacramento-San Joaquin River Delta levees, engineering evaluations of the structural integrity and capacity of levees, improved emergency response capabilities, and floodplain mapping.
 - All-American Canal - The Budget provides \$84.1 million General Fund for the lining of the All-American and Coachella canals, and other projects considered essential to reduce the state's use of Colorado River water. This funding is consistent with the Quantification Settlement Agreement (QSA), which is a comprehensive agreement among the federal government, state, and various water agencies to reduce California's use of Colorado River water. These canal lining projects are estimated to save approximately 100,000 acre feet of Colorado River water.

Priorities

The Government Relations Department anticipates three principal priorities in the coming budget debate:

1. Sustaining Governor's proposal to re-establish the booking fee program
2. Sustaining transportation funding
3. Working with relevant departments to prepare applications for bond funding