



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: January 23, 2008 REPORT NO: 08-005

ATTENTION: Budget and Finance Committee
Agenda of January 30, 2008

SUBJECT: Fiscal Year 2008 Mid-Year Budget Monitoring Report

REFERENCE: Fiscal Year 2008 First Quarter Budget Monitoring Report, #07-184
Financial Performance Report (Charter Section 39 Report): Period 5 Fiscal
Year 2008

REQUESTED ACTION:

1. Accept the Report from the Mayor on Fiscal Year 2008 Mid-Year Budget Monitoring.
2. Authorize the City Comptroller to complete the financial transactions listed in this report.
 - a. Amend the Fiscal Year 2008 Appropriation Ordinance to authorize the City Comptroller to increase General Fund (100) appropriations by \$14,283,000, as discussed in this report, from the following sources: \$5,608,000 in additional revenues for the Environmental Services and Fire-Rescue Departments and \$8,675,000 from the General Fund unallocated reserve.
 - b. Amend the Fiscal Year 2008 Appropriation Ordinance to authorize the City Comptroller to increase Publishing Services Internal Service Fund (50020) appropriations by \$1,107,000 from the following sources: additional revenue of \$710,218 and the remainder from fund balance.
 - c. Amend the Fiscal Year 2008 Appropriation Ordinance to authorize the City Comptroller to increase the appropriations of the Golf Course Enterprise Fund (41400) by \$120,000 from fund balance.

STAFF RECOMMENDATION:

1. Accept the Report from the Mayor on Fiscal Year 2008 Mid-Year Budget Monitoring.
2. Authorize the City Comptroller to complete the financial transactions listed in this report.

SUMMARY:

The following report presents projections of year-end revenues and expenditures based on actual (unaudited) data through period five (July 1, 2007 to November 16, 2007). Departmental information regarding spending patterns and operations, including the impacts of the Southern California wildfires and Soledad Mountain Road landslide, were used to develop these projections. This report includes discussion of significant projected year-end variances from the

revised annual budget for the General Fund and other budgeted funds with staff. A significant variance is defined as under or over budget revenues or expenditures of 10 percent or greater with a minimum variance of \$100,000, or over \$500,000 for a General Fund department and over \$750,000 for the non-general funds, whichever is less.

GENERAL FUND

The year-end projection for the General Fund, based on analysis of revenues and expenditures through period five, shows projected expenditures to be \$21.6 million over projected revenues, as reflected in Table 1: Summary of FY 2008 General Fund Projections. Actions taken through period five, including the creation of the Appropriated Reserve, increased the expenditure budget by \$9.7 million over the revenue budget. These actions were funded by the unallocated reserves and are discussed in further detail later in this report. In addition, expenditures are projected to exceed the revised budget by \$13.2 million, primarily due to unexpected expenses resulting from the wildfires, while revenues are currently projected to be over budget by \$1.3 million. This results in a net negative variance of \$12.0 million over actions already taken for the General Fund. Revenues and expenditures are anticipated to total \$1.108 billion and \$1.129 billion, respectively, by year-end.

This report incorporates wildfire and landslide expenditures and anticipated partial federal and State funding into the year-end expenditure and revenue projections. The very preliminary expenditure estimates for the wildfires and the landslide in the first quarter totaled \$57.2 million citywide. The estimated impact of the wildfires has been revised and instead of a total cost of \$31.2 million that was presented in the First Quarter Report, the new estimate is \$24.5 million, bringing the total estimated cost of these disasters down to \$50.5 million. Of this, \$44.9 million is estimated to impact the General Fund. Reimbursements to the General Fund of \$6.6 million, which are anticipated to be received this fiscal year, are included in the projections. While additional reimbursements are expected from the State and federal governments, the amount and timing of these reimbursements are not known at this time and, therefore, are not included in the revenue projections. Further detail on the impacts of these events is provided later in this report.

The First Quarter Report projected a positive net variance of \$3.0 million at year-end, exclusive of the wildfires and landslide. Mid-year projections, including the effects of the wildfires and landslide, show projected expenditures to be \$21.6 million over projected revenues. This includes \$1.3 million in estimated repayments to non-general funds for fee waivers provided to City residents impacted by the wildfires. Updated estimates and required appropriation adjustments will be included in the Year-End Report. While many of the wildfire-related expenditures have already been incurred, others such as debris removal, are ongoing and the timing and reimbursement estimates are still preliminary. Future monitoring reports will continue to present the status of continuing expenditures and updated reimbursement estimates.

Summary of FY 2008 General Fund Projections
Table 1

Revenue/Expenditures	Revised Budget	Year-End Projection	Variance Amount	Variance %
Projected Revenue	\$ 1,106,330,952	\$ 1,107,591,168	\$ 1,260,216	0%
Projected Expenditures				
Salaries	499,191,889	495,430,521	3,761,368	1%
Fringe and Non-Personnel	616,807,403	633,794,729	(16,987,326)	3%
Subtotal	\$ 1,115,999,292	\$ 1,129,225,250	\$ (13,225,958)	1%
Net Year-End Projection	\$ (9,668,340)	\$ (21,634,082)	\$ (11,965,742)	

GENERAL FUND REVENUES

For Fiscal Year 2008, the total General Fund revenue budget is \$1.106 billion. Revenues are under budget by \$51.2 million or 25 percent through period five due to the timing of receipts of major General Fund revenues, such as transient occupancy tax and sales tax. Year-end projections show revenues exceeding budget by \$1.3 million as displayed in Table 2: FY 2008 General Fund Revenue. Reimbursements for wildfire expenses are the main contributor to the total over budget revenue projection in the General Fund. Department revenues are projected to conclude the fiscal year \$5.0 million or 2 percent over budget. If disaster reimbursement revenue of \$6.6 million was not included, department revenues would be projecting a negative variance of \$1.6 million. This is a significant improvement from the projected negative department revenue variance of \$3.9 million reported in the First Quarter Report. Conversely, major General Fund revenues are projected to conclude the fiscal year \$3.7 million under budget. This is greater than the \$1.4 million negative major revenue variance reported in the first quarter. The variance in major revenues will be monitored continually throughout the remainder of the fiscal year.

FY 2008 General Fund Revenue
Table 2

Actual/Projection	Budget	Actual/Projection	Over Budget/ (Under Budget)	Variance %
Actual through Period 5	\$ 204,894,526	\$ 153,706,806	\$ (51,187,720)	25%
Year-End Projection	1,106,330,952	1,107,591,168	1,260,216	0%

Major Revenues

The four major revenue sources – property tax, sales tax, transient occupancy tax and franchises – account for nearly \$779.8 million or 71 percent of total General Fund budgeted revenues for Fiscal Year 2008. The major revenues are shown below in Table 3: FY 2008 Major General Fund Revenue Projections. Property tax revenue is expected to exceed budget by \$6.1 million and property transfer tax revenue is projected to exceed budget by \$1.9 million. However, as

discussed in the First Quarter Report, sales tax revenue is projected to be significantly under budget by the end of the fiscal year. The year-end projections of the major revenue sources are described following the table.

FY 2008 Major General Fund Revenue Projections				
Table 3				
Revenue Source	Revised Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Property Tax	\$ 385,688,853	\$ 391,805,306	\$ 6,116,453	2%
Sales Tax	239,485,958	229,130,717	(10,355,241)	4%
Transient Occupancy Tax ¹	85,184,936	85,390,733	205,797	0%
Franchises	69,431,697	68,544,095	(887,602)	1%
Safety Sales Tax	8,401,528	8,014,079	(387,449)	5%
Motor Vehicle License Fees	7,938,333	7,513,575	(424,758)	5%
Property Transfer Tax	7,570,860	9,554,858	1,983,998	26%
Other Revenue	68,706,741	68,747,723	40,982	0%
Total	\$ 872,408,906	\$ 868,701,086	\$ (3,707,820)	0%

¹ Total City transient occupancy tax revenue budget for FY 2008 is \$162.6 million and the projection is \$163.0 million. The balance is budgeted in the Transient Occupancy Tax Fund.

Property Tax

The property tax revenue received as of mid-year reflects a higher than budgeted revenue for the period. Based on the latest receipts, it is forecasted that property tax revenue will be approximately \$6.1 million or 2 percent over budget by the end of the fiscal year. This is an increase compared to initial projections presented in the First Quarter Report. The projected positive variance is mainly due to a slightly higher than projected assessed valuation, as estimated by the County Assessor's Office. Although median home prices in the county have dropped by 11.8 percent in the past year, property sales are still capturing the increased valuation from prior years, thereby maintaining a positive growth rate. The property tax revenue will be closely monitored and updated information will be provided in the Year-End Report.

Property Transfer Tax

Property transfer tax revenue is projected to be \$9.5 million or 26 percent over budget at year-end due to the higher than anticipated receipts in the first half of the year. Unlike property taxes, property transfer taxes are more sensitive to home sales activity and more quickly reflect the slow down in the housing market. It is anticipated, however, that receipts will decline during the remainder of the fiscal year as a result of the continued drop in home prices and real estate sales. This account will be closely monitored in the coming months and projections may be revised.

Sales Tax and Safety Sales Tax

Sales and use tax revenues are projected to be \$10.4 million or 4 percent below the \$239.5 million budget due to a lower than expected cleanup payment from the State. The projected rate has been revised downward from the budgeted rate to a negative 1 percent to reflect the weaker taxable sales in the new vehicle, construction material, and home remodeling sectors.

Similarly, safety sales tax is projected to be \$387,000 or 5 percent under budget at year-end. Safety sales tax receipts generally follow the same economic trends as taxable sales and are impacted by weaker taxable sales in the retail sector countywide. Sales and safety sales tax information received to-date does not reflect the results of the holiday season since there is a lag in the receipt of these revenues. These revenues will be closely monitored and updated information will be provided in the Year-End Report.

Transient Occupancy Tax

The General Fund transient occupancy tax (TOT) budget is approximately 52 percent of all TOT revenues, or \$85.2 million for Fiscal Year 2008. Based on the latest receipts, TOT revenues are expected to end the year slightly above budget. TOT revenues will be closely monitored and updated information will be provided in the Year-End Report.

Franchises

The Fiscal Year 2008 franchise fees budget is \$69.4 million. The projected year-end estimate is \$887,000 below budget primarily due to lower than anticipated revenue of \$600,000 from refuse collection franchise fees. Additionally, franchise fee revenues from cable TV providers are anticipated to be under budget by \$287,000.

Motor Vehicle License Fees

The Fiscal Year 2008 motor vehicle license fees (MVLFF) budget is \$7.9 million. MVLFF revenue is projected to be slightly below budget at the end of the fiscal year due to weaker performance in vehicle sales.

Other Revenue

Other revenue includes revenue sources such as reimbursement for booking fees, revenue received from employee pickup savings resulting from the tobacco revenue securitization, reimbursements from State-mandated programs, and interest from investments and dividends. These revenues are anticipated to be near budget at year-end. The City is working with the County to resolve the booking fee issue, which may result in a reduction of \$5.2 million to both revenues and expenses with a cost-neutral impact to the General Fund. Staff will continue to monitor and analyze these General Fund revenues as more data becomes available and will revise projections as required and report findings to Council in future reports.

Department Revenues

The following table, Table 4: FY 2008 Significant General Fund Revenue Variances, displays departments with projected under or over budget revenue variances of \$500,000 or greater, or 10 percent or more with a minimum variance of \$100,000. These variances are discussed following the table.

FY 2008 Significant General Fund Revenue Variances

Table 4

Department	Revised Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Environmental Services	\$ 513,582	\$ 6,562,272	\$ 6,048,690	100%
Fire-Rescue	9,114,413	11,968,612	2,854,199	31%
General Services	42,532,708	40,533,890	(1,998,818)	5%
Engineering and Capital Projects	26,999,153	28,743,824	1,744,671	6%
Police	41,642,463	40,333,046	(1,309,417)	3%
City Attorney	6,163,262	5,249,205	(914,057)	15%
Purchasing and Contracting	1,376,981	576,002	(800,979)	58%
City Auditor and Comptroller	2,750,837	2,383,679	(367,158)	13%
Debt Management	1,526,389	1,279,303	(247,086)	16%
Office of Homeland Security	983,992	748,139	(235,853)	24%
DSD - Neighborhood Code Comp.	1,321,088	1,449,012	127,924	10%

Environmental Services

The Environmental Services Department is projecting a \$6.0 million or 100 percent positive revenue variance resulting from advances from the State for the debris removal program offered to City residents impacted by the wildfires. Currently, an action is going before Council for the authority to increase both expenditures and revenue appropriations by \$3.0 million to reflect the revenue already received. An additional advance from the State is anticipated for \$2.8 million. As it is probable that the department will receive the additional \$2.8 million advance, it has been included in the projection. These advances, totaling \$5.8 million, will offset the projected debris removal expense of \$8.4 million. If additional reimbursement is not received by the end of the fiscal year, the City will need to absorb \$2.6 million in unanticipated costs for Fiscal Year 2008.

Fire-Rescue

Similar to the trend presented in the First Quarter Report, the Fire-Rescue Department is projecting revenues to be \$2.9 million or 31 percent over budget primarily due to continuing emergency medical services reimbursements exceeding those anticipated in the Fiscal Year 2008 Budget. Presently, more Fire-Rescue personnel are staffing ambulances, generating approximately \$2.0 million in additional revenue for the department. However, because the use of Rural Metro employees instead of Fire-Rescue Department employees fluctuates, this revenue is difficult to forecast. In addition, partial reimbursement of \$800,000 from other agencies for services provided during the wildfires through mutual aide agreements has been received to-date. The department has also submitted reimbursement requests to FEMA, the State, and through mutual aide agreements totaling over \$4.3 million dollars; however, due to the unknown timing of payment, that revenue has not been included in the revenue projections in this report.

General Services

The General Services Department is projecting a \$2.0 million or 5 percent unfavorable revenue variance, similar to that reflected in the First Quarter Report. The Fiscal Year 2008 Budget includes \$1.0 million of reimbursement for work on ADA projects. These projects have become the responsibility of the Engineering and Capital Projects Department. As such, the \$1.0 million

in revenue associated with these projects will be received by the Engineering and Capital Projects Department. Other reimbursable projects that have not been scheduled or are not anticipated to be completed by fiscal year-end are contributing to the other \$1.0 million of under performing revenues. The projected shortfall may be reduced by unanticipated requests for tenant improvements from non-general fund departments.

Engineering and Capital Projects

The Engineering and Capital Projects Department is projecting a positive year-end revenue variance of \$1.7 million or 6 percent. Of this amount, \$1.0 million is due to reimbursement for work performed on ADA projects. These projects were previously the responsibility of the General Services Department and, as such, the budget associated with this revenue is currently in the General Services Department. The remaining over budget revenue is due to greater than expected reimbursements for staff work period-to-date.

Police

A negative revenue variance of \$1.3 million or 3 percent is projected for the Police Department, reflecting some improvement over the revenue projection provided in the First Quarter Report. The negative variance is primarily the result of lower than anticipated parking citations revenue. The significant period-to-date variance in revenue is due to delays in the posting of September through December deposits resulting from the implementation of a new Parking Citation Management System in the Office of the City Treasurer. The distribution of revenue from these months' citations and regular monthly deposits are expected to resume in the next period. Based on data through period five, the monthly average deposit was \$1.2 million, compared to the budgeted monthly deposit amount of \$1.6 million. Over budget revenues in other areas partially offset this variance. Vacant Parking Enforcement Officer positions have contributed to lower monthly average deposits.

City Attorney

The office of the City Attorney's projected negative revenue variance of \$914,000 or 15 percent is attributed to the department not receiving budgeted Service Level Agreements (SLA) revenue. Contracts that were anticipated at the time the budget was developed were not established this fiscal year. The department is unable to receive reimbursable revenues as budgeted.

Purchasing and Contracting

The Purchasing and Contracting Department is projected to be under budget in revenues by \$801,000 or 58 percent, which is a slight improvement over the projection in the First Quarter Report. The First Quarter Report identified a potential structural issue with the amount of revenue budgeted in this department resulting from restructuring. It has been determined that the budget was not established correctly and will be addressed for the Fiscal Year 2009 Budget.

City Auditor and Comptroller

The office of the City Auditor and Comptroller is projecting a \$367,000 or 13 percent negative revenue variance. This is largely the result of vacancies in revenue-generating positions, which is offset by lower expenditures. The department is actively working to fill these positions before the end of the fiscal year.

Debt Management

The year-end projected unfavorable revenue variance of \$247,000 or 16 percent for Debt Management is attributed to less work than anticipated on reimbursable activities.

Office of Homeland Security

The Office of Homeland Security is projecting to conclude the fiscal year \$236,000 or 24 percent under budget in revenues. Grant reimbursable positions were vacant earlier in the year resulting in less revenue than anticipated. In addition, less staff time has been spent performing grant related activities due to being reassigned to work related to the wildfires.

DSD – Neighborhood Code Compliance

The Neighborhood Code Compliance Division of the Development Services Department is projecting a positive year-end revenue variance of \$128,000 or 10 percent. This is the result of reimbursements from Proposition A funding for graffiti removal in the public right-of-way.

GENERAL FUND EXPENDITURES

For Fiscal Year 2008, the total General Fund revised expenditure budget is \$1.116 billion. The expenditure budget has been increased by \$9.7 million from the unallocated reserves through approved Council actions, including the establishment of the Appropriated Reserves. Expenditures are under the period-to-date budget by \$36.1 million or 9 percent through period five due to vacancies and the timing of non-personnel expenditures. Year-end projections show over budget expenditures of \$13.2 million or 1 percent as displayed in Table 5: FY 2008 General Fund Expenditures. The main contributor to the total over budget expenditure projection in the General Fund is wildfire expenses. Salaries are projected to be under budget by \$3.8 million while fringe and non-personnel expenditures are projected to be over budget by \$17.0 million, as displayed in Table 1: Summary of FY 2008 General Fund Projections earlier in this report. Further discussion of expenditure variances follows.

FY 2008 General Fund Expenditures

Table 5

Actual/Projection	Budget	Actual/ Projection	Under Budget/ (Over Budget)	Variance %
Actual through Period 5	\$ 423,995,800	\$ 387,912,443	\$ 36,083,357	9%
Year-End Projection	1,115,999,292	1,129,225,250	(13,225,958)	1%

Salary and Fringe

Departmental personnel expenses and vacancy rates through period five continue to reflect a higher than anticipated vacancy rate; however, fringe expenses are still trending over budget. For the General Fund, the overall vacancy factor established for Fiscal Year 2008 was slightly above 4 percent. Current vacancy levels are over 5 percent. Higher than anticipated vacancy rates have resulted in \$5.6 million of salary savings to-date throughout the General Fund. Despite the

unexpected salary expenditures related to the recent wildfires, salaries are still projected to be under budget by \$3.8 million at year-end.

Over budget period-to-date expenses in numerous fringe accounts are due to structural under budgeting and higher than necessary rates to expense fixed budgets. Financial Management will be requesting appropriation adjustments for the accounts requiring attention in the Year-End Report. Despite over budget expenses in certain fringe accounts, the General Fund is still showing under budget period-to-date expenditures of \$2.9 million. The current year-end fringe projection for the General Fund is \$6.0 million or 2 percent over budget primarily due to the expense rates for retirement and workers' compensation which are discussed below. Additional information on these and other fringe accounts with significant variances follows.

Retirement and Workers' Compensation

The Fiscal Year 2008 Budget includes a citywide retirement contribution of \$165.0 million and a workers' compensation expense of \$26.1 million. Maintaining the current rates established to expense these amounts across all city departments would exceed the annual requirements by over \$1.6 million for retirement and \$3.9 million for workers' compensation. The combined impact of these excess collections would impact City funds by \$5.5 million.

The rates for retirement and workers' compensation to expense the fixed budget are established at the beginning of the fiscal year based on the budgeted hours of salary expense. These rates are adjusted throughout the year to reflect changes in staff hours. The retirement and workers' compensation accounts are currently being collected too rapidly. Financial Management will work with the City Comptroller to adjust the rates to realign collection amounts with the required contributions for the fiscal year. Projections provided in the Year-End Report will reflect the impacts of this rate adjustment.

Supplemental Pension Savings Plan (SPSP)

The Fiscal Year 2008 General Fund budget for SPSP is \$10.8 million. The period-to-date expense of \$4.9 million exceeds the period-to-date budget by \$0.5 million. Based on actual expenses to-date, the projected year-end expense will exceed the budget by \$1.9 million. The over budget period-to-date and projected expenditures result from a larger than necessary adjustment to SPSP accounts from the Fiscal Year 2008 vacancy factor. The departments most negatively impacted are the Police and Fire-Rescue Departments, with projected over budget expenditures of \$1.0 million and \$0.7 million, respectively. Appropriation adjustments may be necessary for these departments if sufficient savings are not available in other fringe accounts or non-personnel expenditures. Adjustments may be requested in the Year-End Report, once the effects of the fringe expense rate adjustments discussed previously are determined.

Long Term Disability

The Fiscal Year 2008 Budget for long term disability is \$2.6 million, of which \$1.8 million is the General Fund portion. The period-to-date expense exceeds the budget by \$212,000 citywide and \$158,000 in the General Fund alone. The year-end expense is projected to be \$528,000 over budget citywide, while the General Fund is projected to be \$407,000 over budget. The overage is caused by overly aggressive reductions in this fringe account as a result of the vacancy factor and historical under-budgeting of this account.

Department Expenditures

The following table, Table 7: FY 2008 Significant General Fund Expenditure Variances, displays the departments with projected over or under budget expenditure variances of \$500,000 or greater, or 10 percent or more with a minimum variance of \$100,000. These variances are discussed following the tables.

FY 2008 Significant General Fund Expenditure Variances

Table 7

Department	Revised Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
Environmental Services	\$ 40,793,354	\$ 47,718,670	\$ (6,925,316)	17%
Fire-Rescue	179,943,098	185,927,900	(5,984,802)	3%
General Services	108,049,461	105,988,250	2,061,211	2%
Police	392,336,695	393,841,273	(1,504,578)	0%
City Planning and Community Inv.	16,716,335	17,802,141	(1,085,806)	6%
Park and Recreation	87,520,141	88,399,117	(878,976)	1%
Office of the City Treasurer	14,441,916	13,583,324	858,592	6%
Library	37,630,664	38,418,570	(787,906)	2%
Financial Management	4,117,777	3,446,964	670,813	16%
Citywide Program Expenditures	50,480,202	51,102,033	(621,831)	1%
Public Safety	3,053,186	2,715,360	337,826	11%
Office of the Chief Fin. Officer	1,067,349	822,131	245,218	23%
Public Works	854,530	748,283	106,247	12%

While the main purpose of this report is to present the projected year-end status of departments and funds in comparison to annual appropriations, additional information regarding the period-to-date expenditures of several departments is included in order to provide further information about departments discussed in the Comptroller's Charter Section 39 report. Following is a table presented in the Comptroller's *Financial Performance Report (Charter Section 39 Report): Period 5 Fiscal Year 2008* which highlights period-to-date variances of select departments.

General Fund Expenditure Period-to-Date Variance Analysis

	PTD Budget	FY08 Actuals	Variance	%
General Services	\$ 35,553,241	\$ 22,137,675	\$ 13,415,566	38%
Office the Chief Information Officer	15,165,656	8,359,609	6,806,047	45%
Police	143,709,797	138,128,930	5,580,867	4%
San Diego Fire-Rescue	69,953,468	74,492,157	(4,538,689)	-6%
City Planning and Community Investment	6,551,558	4,091,708	2,459,850	38%
Remaining Departments	150,369,770	141,306,942	9,062,828	6%
Total General Fund Expenditures	\$ 421,303,490	\$ 388,517,021	\$ 32,786,469	8%

Environmental Services

The Environmental Services Department projects to end the year \$6.9 million or 17 percent over the expenditure budget. The department is managing a debris removal program to assist residents

with wildfire recovery. This debris removal is estimated to cost \$8.4 million. This unbudgeted expense is partially offset by projected under budget spending in the Collection Services Division. As reported in the First Quarter Report, lower than expected tonnage collected, reducing the landfill disposal fee expense, and vacancies have reduced projected expenses in the Division by \$1.3 million. As discussed in the revenue section of this report, the department has received an advance reimbursement from the State of \$3.0 million and is requesting an additional \$2.8 million. These revenues will alleviate, but not absorb, the total over budget expenses and are included in the department's revenue projections.

Fire-Rescue

The year-end expenditure projection for the Fire-Rescue Department is \$6.0 million or 3 percent over budget. Period-to-date expenditures are \$4.5 million or 6 percent over the period-to-date budget. The department reports that the main contributor to this negative variance is \$3.4 million of increased expenses in salaries, associated fringe and other resources required for the wildfires. Prior to the wildfires, the department projected to be within budget for salaries and wages. However, Fire-Rescue's fringe budget contains a shortfall of approximately \$2.6 million that was exacerbated by the additional staffing and hours required to fight the wildfires. As discussed previously, a larger than necessary vacancy factor adjustment to SPSP accounts is contributing to projected over budget fringe expenditures in the Fire-Rescue Department. An appropriation adjustment for this fringe account may be requested in the Year-End Report.

General Services

The General Services Department is projecting a \$2.1 million or 2 percent favorable expenditure variance at year-end. This is primarily due to personnel expense savings from vacancies throughout the department. The department is planning on filling vacant positions before the end of the fiscal year but not as quickly as was assumed during the First Quarter Report. The projected year-end variance has doubled from that reported in the first quarter. The period-to-date variance of \$13.4 million or 38 percent is also impacted by contracts that are planned to be presented to Council during periods seven or eight (January or February), later than originally anticipated. These contracts are projected to be fully expended or encumbered by year-end.

Police

The Police Department is projecting to expend \$1.5 million over budget by year-end. Prior to the wildfires, the department was projected to end the year under budget. As mentioned in the discussion of fringe accounts, a structural issue exists creating a projected over budget expense of \$4.6 million in the Police Department's fringe accounts. Savings in all other areas largely offset this negative variance. Adjustments to the collection rates in certain fringe accounts should reduce this projected variance; however, it is likely the department will need an appropriation adjustment at year-end. The period-to-date positive expenditure variance of \$5.6 million or 4 percent is primarily due to salary savings from vacant positions and delays in the purchases of supplies and services. The year-end projection includes increased expenditures from the 2 percent salary increase and anticipated expenses related to the US Open and Biotech events taking place at the end of this fiscal year.

City Planning and Community Investment

The City Planning and Community Investment Department is projecting a \$1.1 million or 6 percent negative year-end expenditure variance. This is in contrast to the \$2.5 million or 38 percent period-to-date positive variance. The period-to-date variance is due to the delay in a \$2.0 million transfer. The projected over budget expenditures are due to \$500,000 in anticipated consultant expenses for the Grantville community plan amendments. In addition, budgeted expenditures for the Small Business Enhancement Program are lower than the budgeted revenue. In order to comply with Council Policy 900-15 an appropriation adjustment of \$574,000 is necessary. Financial Management staff is working with these departments to resolve this structural budget issue for Fiscal Year 2009.

Park and Recreation

The Park and Recreation Department is projecting a year-end unfavorable expenditure variance of \$879,000 or 1 percent. This is largely due to unexpected expenses for dredging the La Jolla Children's Pool, tree trimming in Mission Bay Park, and preliminary planning for a Beach Sand Replenishment Study to be run by SANDAG. The projection also includes over budget personnel expenses from overtime incurred in response, recovery and mitigation efforts related to the wildfires and energy expenses for new facilities which were not incorporated into the Fiscal Year 2008 Budget.

Office of the City Treasurer

The projection for the Office of the City Treasurer shows expenditures under budget by \$859,000 or 6 percent. This positive variance is the result of vacancies that the department is actively trying to fill and projected under budget spending on supplies and services and data processing associated with the vacancies. This projected positive variance is slightly higher than the 5 percent reported in the First Quarter Report.

Library

The Library Department is projecting to conclude the fiscal year \$788,000 or 2 percent over budget in expenditures, as was reported in the First Quarter report. The predominant cause of this variance is over budget personnel expenses. Current year personnel expenses are trending closely with prior year expenditures. The variance between projected expenditures and the annual budget is primarily caused by the vacancy factor applied to the Library Department for Fiscal Year 2008. The budgeted vacancy factor is 2.4 percent; however, the department would be near budget if this vacancy factor had not been applied. This vacancy factor rate will be reassessed for Fiscal Year 2009.

Financial Management

The Financial Management Department is projecting a \$671,000 or 16 percent year-end positive expenditure variance due to vacancies. The department is currently in the process of filling all vacant positions; however, significant personnel expense savings have already been experienced to-date and will not be exhausted by year-end.

Citywide Program Expenditures

The Citywide Program Expenditures Department is projecting year-end over budget expenditures of \$622,000 or 1 percent. The primary contributor to this variance is updated election cost

estimates of \$3.5 million, which is \$800,000 above the budget for this expense. This projected overage is partially offset by savings in insurance. An updated election cost projection and appropriation adjustment request, if necessary, will be provided in the Year-End Report.

Public Safety

The Public Safety Department projects a favorable year-end expenditure variance of \$338,000 or 11 percent. This projected positive variance is predominantly the result of curtailed supplies and services spending. Additionally, a large portion of the budget used to subsidize the Emergency Medical Services program will be left unexpended. It was anticipated that the MediCare and MediCal reimbursement rates would be reduced for Fiscal Year 2008, requiring the City to pay an increased portion of program costs; however, those reimbursements were not reduced as expected.

Office of the Chief Financial Officer

The Office of the Chief Financial Officer projects a \$245,000 or 23 percent positive expenditure variance. This variance is caused by the vacancies of the budgeted Executive Secretary and Chief Financial Officer. At this time, the Chief Financial Officer position has been filled and recruitment has begun for the Executive Secretary position.

Public Works

A positive year-end expenditure variance of \$106,000 or 12 percent is projected in the Public Works Department. This is due to the recently vacated Assistant Deputy Chief Operating Officer position, which will not be filled this fiscal year.

Office of the Chief Information Officer

The Office of the Chief Information Officer experienced under budget expenditures of \$6.8 million or 45 percent through period five. The period-to-date variance is due to a delay in data processing expenditures. The department is projected to end the year within 1 percent of budget.

GENERAL FUND RESERVES

At the start of Fiscal Year 2008, General Fund working capital reserves were estimated at \$90.6 million. During the first half of the year, City Council approved the appropriation of \$688,000 for audit services provided by Macias, Gini & O'Connell, LLP, \$2.0 million for the Charger's settlement, and \$7.0 million to establish the appropriated reserve. These actions have brought the unallocated and emergency reserves balance to approximately \$81.0 million. The City Reserve Policy requires that \$55.0 million be set aside into an Emergency Reserve by fiscal year end and a \$3.3 million reserve contribution is budgeted in the Citywide Program Expenditures Department. This report requests to appropriate an additional \$8.7 million from the unallocated reserves to support over budget expenditures related to the wildfires and other unexpected expenses. These actions would bring the unallocated reserve balance to approximately \$14.0/ million.

The appropriated reserve was established in November with Council's approval of the City Reserve Policy. Through mid-January, the following four actions allocated funding from the appropriated reserve: \$2.0 million for the Soledad Mountain Road landslide project, \$800,000

for the Otay Mesa Community Plan update, \$2.2 million for court ordered legal fees for SDCERS board members, and \$370,000 for outside disclosure counsel provided by Hawkins, Delafield & Wood. The remaining appropriations available in the appropriated reserve, at the time this report was released, are \$1.3 million.

SOUTHERN CALIFORNIA WILDFIRES AND SOLEDAD MOUNTAIN ROAD LANDSLIDE

Preliminary cost estimates for the Southern California wildfires and the Soledad Mountain Road landslide total \$50.5 million. Of this amount, \$24.5 million is the updated wildfire estimate which has been reduced from the \$31.2 million initial estimate included in the First Quarter Report. The revised estimate includes \$6.1 million for police and fire emergency services, already incurred, and \$10.5 million for debris removal. The damage estimate for the Soledad Mountain Road landslide remains at \$26.0 million, of which \$21.0 million is for slope stabilization and road reconstruction. The following table, Table 6: Disaster Estimates, shows estimated costs compared to actual costs incurred through period five and anticipated revenues for Fiscal Year 2008.

Disaster Estimates			
Table 6			
Disaster/Department	Estimated Costs	Actual Expenses as of Period 5¹	Estimated FY08 Revenue
Southern California Wildfires			
Environmental Services	\$ 10,511,500	\$ -	\$ 5,754,000
Fire-Rescue	3,488,000	3,046,793	800,000
Water	3,251,829	-	-
Police	2,636,165	3,204,624	-
Engineering and Capital Proj.	2,350,000	-	-
Development Services	700,000	-	-
various	650,000	-	-
Metropolitan Wastewater	303,492	-	-
Office of Homeland Security	274,286	38,507	-
General Services	206,483	-	-
Park and Recreation	79,216	-	-
Office of the Chif Inf. Officer	32,534	-	-
Wildfires Total	\$ 24,483,505	\$ 6,289,924	\$ 6,554,000
Soledad Mountain Road Landslide	\$ 26,000,000	\$ 1,322,888	\$ -
Combined Disasters Total	\$ 50,483,505	\$ 7,612,812	\$ 6,554,000

¹ Source: Comptroller's Financial Performance Report (Charter Section 39 Report): Period 5 Fiscal Year 2008

These preliminary estimates have been submitted to the Governor's Office of Emergency Services and the Federal Emergency Management Agency (FEMA); however, at this time it is unknown how much will be determined eligible for reimbursement. The wildfires may be determined eligible for FEMA reimbursements at 75.0 percent of total eligible costs and State

reimbursements at 18.75 percent of total eligible costs. The maximum reimbursement for the wildfires would be 93.75 percent, or approximately \$23.0 million, assuming all costs submitted are eligible.

The landslide may be determined eligible for Federal Highway Administration reimbursements at 88.53 percent of eligible costs for road work and California Disaster Assistance Act reimbursements at 75.0 percent of the remaining eligible costs. The maximum reimbursement for the landslide would be approximately \$22.3 million, assuming all submitted costs are eligible.

The combined reimbursements could total as much as \$45.3 million. The City could be responsible for between \$5.2 million and \$50.5 million estimated expenses. The amount eligible for reimbursement will be determined at a later date. In addition, estimates on the timing of the reimbursements to the City, since not all of the reimbursements will be received this fiscal year, will be included in future reports. To-date the Environmental Services Department has received advanced funding of \$3.0 million and anticipates another \$2.8 million for debris removal. Fire-Rescue has received \$800,000 from other agencies through mutual aide agreements. Only known revenues have been included in the mid-year forecast. Updated information will be provided in the Year-End Report.

NON GENERAL FUNDS

Projections based on the first five periods of Fiscal Year 2008 are provided in Attachment III: Non-General Fund Projections for all non-general funds with staff. The majority of non-general funds are expected to remain within budget. Those with significant budgetary variances in revenues or expenditures of \$750,000 or more, or over 10 percent with a minimum variance of \$100,000 are displayed in Tables 8-23 and are discussed below.

City Airport Fund

FY 2008 City Airport Fund				
Table 8				
Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 2,037,008	\$ 2,274,418	\$ 237,410	12%
Year-End Projection	4,867,958	5,114,951	246,993	5%
Expenditures				
Actual through Period 5	1,772,651	861,242	911,409	51%
Year-End Projection	4,664,304	3,752,895	911,409	20%

The City Airport Fund is projecting a year-end positive expenditure variance of \$911,000 or 20 percent. This variance is the result of vacancies earlier in the fiscal year and capital expenditures that will carry forward into future years. The period-to-date savings will carry forward for the

remainder of the year. Projected year-end revenues in the City Airport Fund exceed projected expenditures by approximately \$1.4 million.

Development Services Enterprise Fund

FY 2008 Development Services Enterprise Fund
Table 9

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 16,670,809	\$ 18,890,446	\$ 2,219,637	13%
Year-End Projection	45,557,453	47,728,468	2,171,015	5%
Expenditures				
Actual through Period 5	19,691,155	18,130,238	1,560,917	8%
Year-End Projection	53,047,886	51,209,456	1,838,430	3%

Projected year-end expenditures for the Development Services Enterprise Fund show a positive variance of \$1.8 million or 3 percent. Revenues for this fund are projected to end the year with a positive variance of \$2.2 million or 5 percent. The fund is projecting to increase future expenditures to normal budgeted levels, leaving period-to-date savings of \$1.0 million unexpended. The projected over budget revenue is due to higher than anticipated underground trenching work in the recent periods. Year end projections for this fund show expenditures to exceed revenues by \$3.5 million.

Engineering and Capital Projects Internal Service Fund

FY 2008 Engineering and Capital Projects Internal Service Fund
Table 10

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 8,543,565	\$ 5,895,180	\$ (2,648,385)	31%
Year-End Projection	25,487,865	23,555,897	(1,931,968)	8%
Expenditures				
Actual through Period 5	8,437,587	6,713,008	1,724,579	20%
Year-End Projection	25,487,865	24,242,630	1,245,235	5%

The Engineering and Capital Projects Internal Service Fund has projected to conclude the fiscal year with expenses under budget by \$1.2 million or 5 percent and revenues under budget by \$1.9 million or 8 percent. The positive expenditure variance and the resulting negative revenue variance are the result of vacancies that are planned to be filled in the immediate future. The net

effect of the year-end revenue and expenditure projections is negative impact of \$687,000 to the fund.

Facilities Financing Fund

FY 2008 Facilities Financing Fund
Table 11

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 905,379	\$ 816,566	\$ (88,813)	10%
Year-End Projection	2,403,569	2,117,065	(286,504)	12%
Expenditures				
Actual through Period 5	864,699	700,854	163,845	19%
Year-End Projection	2,687,127	2,329,164	357,963	13%

The Facilities Financing Fund projects to end the year with a favorable expenditure variance of \$358,000 or 13 percent and an under budget revenue variance of \$287,000 or 12 percent. The expenditure variance is due to vacancies and reduced expenditures. The revenue variance is also due to the vacancies which are in reimbursable positions. The year end projections for this fund reflect expenditures exceeding revenues by \$212,000.

Library Grants Fund

FY 2008 Library Grants Fund
Table 12

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ -	\$ 2,721	\$ 2,721	100%
Year-End Projection	753,000	505,131	(247,869)	33%
Expenditures				
Actual through Period 5	268,845	237,717	31,128	12%
Year-End Projection	731,373	607,395	123,978	17%

The Library Grants Fund projects under budget revenues of 33 percent or \$248,000. This negative projected revenue variance is due to a reduction in State funding for the Library. This reduction in revenue contributes to year-end projected negative net variance of \$102,000 which will be covered by fund balance.

Municipal Parking Garage Fund

FY 2008 Municipal Parking Garage Fund

Table 13

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 1,204,290	\$ 1,194,624	\$ (9,666)	1%
Year-End Projection	3,257,035	3,247,369	(9,666)	0%
Expenditures				
Actual through Period 5	1,088,067	543,127	544,940	50%
Year-End Projection	2,826,170	2,107,856	718,314	25%

The Municipal Parking Garage Fund is projecting a positive year-end expenditure variance of \$718,000 or 25 percent due to a budgeted contingency reserve which is not planned to be spent. Overall, the fund is projecting to end the year with \$1.1 million of revenue in excess of expenditures.

PETCO Park Fund

FY 2008 PETCO Park Fund

Table 14

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 3,958,569	\$ 4,766,175	\$ 807,606	20%
Year-End Projection	15,668,826	16,489,161	820,335	5%
Expenditures				
Actual through Period 5	8,454,023	6,149,331	2,304,692	27%
Year-End Projection	20,222,143	16,887,021	3,335,122	16%

The PETCO Park Fund is projecting year-end positive variances in expenditures of \$3.3 million or 16 percent and in revenues of \$820,000 or 5 percent. The projected variance in expenditures is due to prior year appropriations of \$2.8 million which are not planned to be spent. Over budget revenue projections result from Transient Occupancy Tax Fund reimbursements for police and traffic services provided for the 2004 through 2006 baseball seasons. This fund is projecting year-end expenditures to exceed revenues by \$398,000, which will be covered by fund balance.

Publishing Services Internal Service Fund

FY 2008 Publishing Services Internal Service Fund

Table 15

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 1,730,770	\$ 1,711,695	\$ (19,075)	1%
Year-End Projection	4,500,000	5,210,218	710,218	16%
Expenditures				
Actual through Period 5	1,575,520	2,150,609	(575,089)	37%
Year-End Projection	4,193,823	5,300,295	(1,106,472)	26%

Expense projections for the Publishing Services Internal Service Fund show a negative variance of \$1.1 million or 26 percent while revenues are projected to be \$710,000 or 16 percent over budget. Over budget expenses are due to increased requests for publishing services. As reported in the First Quarter Report, the fund's rates were not fully recovering the costs associated with the services provided to City departments. Rate changes have been approved and will be implemented by the end of the fiscal year. The fund continues to incur over budget expenses operating under the current rate structure. Period-to-date revenue is trending on budget. Based on the implementation of the updated cost recoverable rates, revenue projections have increased from the department's initial projections of 9 percent in the First Quarter Report. The fund is currently projecting to end the year with \$91,000 of expenditures in excess of revenues.

QUALCOMM Stadium Operating Fund

FY 2008 QUALCOMM Stadium Operating Fund

Table 16

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 6,727,078	\$ 3,652,090	\$ (3,074,988)	46%
Year-End Projection	16,203,448	16,440,461	237,013	1%
Expenditures				
Actual through Period 5	8,751,524	7,800,877	950,647	11%
Year-End Projection	18,491,579	17,567,260	924,319	5%

The QUALCOMM Stadium Operating Fund is projecting a positive expenditure variance of \$924,000 or 5 percent. This is the result of reduced expenditures in personnel expense and supplies and services. The fund is working to fill vacant positions before the end of the fiscal year. The fund is projecting to end the year with \$1.1 million of expenditures over revenues.

Risk Management Administration Fund

FY 2008 Risk Management Administration Fund

Table 17

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 3,489,975	\$ 3,442,866	\$ (47,109)	1%
Year-End Projection	9,073,934	9,026,825	(47,109)	1%
Expenditures				
Actual through Period 5	3,385,956	3,001,758	384,198	11%
Year-End Projection	9,073,934	8,147,645	926,289	10%

The Risk Management Administration Fund's expenditure projection is under budget by \$926,000 or 10 percent. The projected variance is in personnel expenses due to a high turn over rate and the resulting vacancies. The fund is currently working to fill the vacancies by the end of this fiscal year. The fund projects to end the year with \$879,000 of revenue in excess of expenditures.

Recycling Fund

FY 2008 Recycling Fund

Table 18

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 8,482,916	\$ 9,378,914	\$ 895,998	11%
Year-End Projection	21,000,700	21,507,882	507,182	2%
Expenditures				
Actual through Period 5	6,956,413	7,281,796	(325,383)	5%
Year-End Projection	24,005,762	21,663,845	2,341,917	10%

A positive expenditure variance of \$2.3 million or 10 percent is projected in the Recycling Fund. This is primarily credited to vacant positions and staff being reassigned to the General Fund. The fund is also projecting under budget expenses associated with lower than anticipated greenery tonnage being collected. The fund is projected to end the year with \$156,000 of expenditures in excess of revenues.

Refuse Disposal Fund

FY 2008 Refuse Disposal Fund

Table 19

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 16,719,980	\$ 15,137,475	\$ (1,582,505)	9%
Year-End Projection	37,230,149	36,476,362	(753,787)	2%
Expenditures				
Actual through Period 5	10,514,617	8,572,213	1,942,404	18%
Year-End Projection	33,832,489	33,144,149	688,340	2%

The Refuse Disposal Fund projects under budget revenues of \$754,000 or 2 percent. This variance is attributed to a projected decline in overall tonnage being deposited in the city landfill. This projected negative variance in revenues is offset by a projected positive variance in expenditures. The fund is projected to end the year with \$3.3 million of revenues in excess of expenditures.

Sewer Funds

FY 2008 Sewer Funds

Table 20

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 137,740,006	\$ 153,299,560	\$ 15,559,554	11%
Year-End Projection	359,030,423	373,137,081	14,106,658	4%
Expenditures				
Actual through Period 5	103,706,823	104,964,010	(1,257,187)	1%
Year-End Projection	539,058,792	390,928,584	148,130,208	27%

The Sewer Funds are projecting positive year-end variances in expenditures of \$148.1 million or 27 percent and in revenues of \$14.1 million or 4 percent. The positive variance in expenditures is partly due to the budgeted contingency reserve of \$31.6 million that is not planned to be spent. The timing of capital improvement projects contributes to the other \$116.5 million of projected under budget spending. Capital improvement projects budgeted in Fiscal Year 2008 are not expected to be fully expended by year-end and funds will carry forward into future years. The over budget revenue is due to prior year bond proceeds that are coming into the funds to support capital improvement projects. The fund projects to end the year with \$17.8 million of expenditures in excess of revenues, which will be covered with fund balance.

Solid Waste Local Enforcement Agency Fund

FY 2008 Solid Waste Local Enforcement Agency Fund

Table 21

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 475,892	\$ 354,204	\$ (121,688)	26%
Year-End Projection	846,028	725,219	(120,809)	14%
Expenditures				
Actual through Period 5	379,134	151,460	227,674	60%
Year-End Projection	931,929	793,724	138,205	15%

The Solid Waste Local Enforcement Agency Fund is projecting a \$138,000 or 15 percent positive expenditure variance and a \$121,000 or 14 percent negative revenue variance. These variances are due to vacancies that negatively affect the number of inspections and services provided to other agencies. The fund is planning to fill these revenue generating positions prior to year-end. The fund is projecting to end the year with \$69,000 of expenditures in excess of revenues which is slightly lower than what was anticipated when the budget was developed.

Utilities Undergrounding Program Fund

FY 2008 Utilities Undergrounding Program Fund

Table 22

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 385,151	\$ 398,121	\$ 12,970	3%
Year-End Projection	1,540,602	2,013,923	473,321	31%
Expenditures				
Actual through Period 5	573,236	471,163	102,073	18%
Year-End Projection	1,540,602	1,455,003	85,599	6%

The Utilities Undergrounding Program Fund is projecting over budget revenues of \$473,000 or 31 percent. This is due to additional staff time being charged to reimbursable projects. The fund is projected to end the year with \$559,000 of revenue in excess of expenditures.

Water Department Fund

FY 2008 Water Department Fund

Table 23

Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Revenue				
Actual through Period 5	\$ 151,422,602	\$ 149,344,994	\$ (2,077,608)	1%
Year-End Projection	462,174,462	426,056,849	(36,117,613)	8%
Expenditures				
Actual through Period 5	141,897,247	119,641,891	22,255,356	16%
Year-End Projection	603,834,166	406,340,011	197,494,155	33%

The Water Department Fund projects a year-end under budget expenditure variance of \$197.5 million or 33 percent and an under budget revenue variance of \$36.1 million or 8 percent. The expenditure variance is primarily due to capital improvement project funding budgeted in Fiscal Year 2008 that is not expected to be fully expended by year-end. This funding will carry forward and be expended in future years as the projects progress. Additionally, anticipated requirements for bond debt issuance have been delayed, resulting in significant under budget expenditures and under budget revenues. It should be noted that Water Sales revenue is projected to be slightly higher than the budgeted amount. The fund is projecting to end the year with \$19.7 million of revenue in excess of expenditures.

APPROPRIATION ADJUSTMENT REQUESTS

At this time, appropriation adjustments are requested to cover only over budget expenditures related to the wildfires and landslide and other unexpected expenses. As mentioned in the salary and fringe section of this report, further adjustments may be requested in the year-end report to correct structural discrepancies in some departmental fringe budgets once the impacts of the rate adjustments are determined. The net impact of the General Fund adjustments is an appropriation from the unallocated reserves of \$8.7 million. Details on the requested adjustments follows the table.

FY 2008 Mid-Year Appropriation Adjustments
Table 24

Fund/Department	Revenue Increase/(Decrease)	Expenditures	Amount of Reserves Needed
General Fund			
Fire-Rescue	\$ 2,854,000	\$ 5,985,000	\$ 3,131,000
Environmental Services	2,754,000	3,926,000	1,172,000
Police	-	1,505,000	1,505,000
City Planning and Com. Inv.	-	1,086,000	1,086,000
Park and Recreation	-	879,000	879,000
Library	-	788,000	788,000
Family Justice Center	-	51,000	51,000
Office of the IBA	-	47,000	47,000
Council Administration	-	16,000	16,000
General Fund Total	\$ 5,608,000	\$ 14,283,000	\$ 8,675,000
Publishing Services Int. Svc. Fund	\$ 710,218	\$ 1,107,000	396,782
Golf Course Enterprise Fund	-	120,000	120,000

GENERAL FUND

Fire-Rescue

The Fire-Rescue Department requires a \$6.0 million increase in expenditure appropriations and a \$2.9 million increase in revenue appropriations. The expenditure increase is to fund over budget expenses associated with the response to the wildfires of approximately \$3.4 million. The remaining increase of \$2.6 million will address the structural under budgeting of fringe. The revenue increase is primarily to realize \$2.0 million in additional revenue from emergency medical services reimbursements due to increased Fire-Rescue personnel staffing ambulances. The remaining \$800,000 revenue adjustment is for revenue received from other agencies for services provided during the wildfires under mutual aide agreements. The net impact of these adjustments is \$3.1 million.

Environmental Services

A \$3.9 million increase in expenditure appropriations and a \$2.8 million increase in revenue appropriations is requested for the Environmental Services Department. The expenditure increase is to fund debris removal services provided to city residents impacted by the wildfires. The revenue increase is to realize an additional reimbursement advance from the State for providing these services. An action is current being taken to Council to appropriate the first \$3.0 million of reimbursement advance and related expenditures. Of the total estimated \$8.4 million cost for debris removal, \$5.8 million is covered by reimbursement advances and approximately \$1.5 million can be absorbed by the department from savings in other areas. The net impact to the General Fund in this fiscal year is under \$1.2 million.

Police

The Police Department requires a \$1.5 million increase in expenditure appropriations. The expenditure increase is to fund over budget expenses associated with the response to the wildfires which totaled \$3.2 million through period five. The increase will also address the structural under budgeting of fringe.

City Planning and Community Investment

A \$1.1 million increase in expenditure appropriations is requested for the City Planning and Community Investment Department. An adjustment of \$574,000 is requested to be compliant with Council Policy 900-15 by bringing the budgeted program expenditures in line with budgeted Small Business Tax revenue. Another \$500,000 is needed to complete community plan amendments for Navajo and Tierrasanta communities.

Park and Recreation

An \$879,000 increase in expenditure appropriations is requested for the Park and Recreation Department. This adjustment will provide \$250,000 toward dredging the La Jolla Children's Pool, \$200,000 for tree trimming expenses in Mission Bay Park, and \$200,000 for a Beach Sand Replenishment Study. The remaining funds will support other unexpected expenses, such as overtime incurred from the wildfires.

Library

The Library Department requires a \$788,000 increase in expenditure appropriations. This adjustment will primarily correct the Fiscal Year 2008 Budget which contained an overly aggressive vacancy factor of \$683,000 for this department.

Family Justice Center

The Family Justice Center requires a \$51,000 increase in expenditure appropriations to support the contracted security guard that was requested by Council during the Fiscal Year 2008 Budget hearings. The estimated annual cost for the security guard is \$56,000.

Office of the Independent Budget Analyst

The Office of the Independent Budget Analyst requests an expenditure appropriation increase of \$47,000 to fund an additional staff member for the remainder of the fiscal year.

Council Administration

The Council Administration Department requests an additional \$16,000 to fund the Committee Consultant for the Fire Ad Hoc Committee.

NON-GENERAL FUND**Publishing Services Internal Service Fund**

A \$1.1 million increase in expenditure appropriations and a \$710,000 increase in revenue appropriations is requested for the Publishing Services Internal Service Fund due to increased requests for publishing services. This adjustment is supported by revenues already budgeted in excess of the expenditure budget.

Golf Course Enterprise Fund

The Golf Course Enterprise Fund requires a \$120,000 increase in expenditure appropriations. Additional maintenance staff is needed to prepare for the 2008 US Open. Projected year-end revenues exceed projected expenditures by over \$2.2 million providing sufficient funding for this requested adjustment.

FISCAL CONSIDERATIONS: The net impact of the General Fund adjustments requested is an appropriation from the unallocated reserves of \$8.7 million. Adjustments are also requested for the Publishing Services Internal Service Fund and Golf Course Enterprise Fund.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: None.

Nader Tirandazi
Financial Management Director

Mary Lewis
Chief Financial Officer

Angela Colton
Financial Manager

- Attachments: I. General Fund Projected Revenues
II. General Fund Projected Expenditures
III. Non-General Fund Projections

General Fund Projected Revenues					
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Department	Adopted Budget	Revised Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Major General Fund Revenues					
Franchises	\$ 69,431,697	\$ 69,431,697	\$ 68,544,095	\$ (887,602)	1%
Interest Earnings	7,777,122	7,777,122	7,777,122	-	0%
Motor Vehicle License Fees	7,938,333	7,938,333	7,513,575	(424,758)	5%
Property Tax	385,688,853	385,688,853	391,805,306	6,116,453	2%
Property Transfer Tax	7,570,860	7,570,860	9,554,858	1,983,998	26%
Refuse Collector Business Tax	2,000,000	2,000,000	2,000,000	-	0%
Safety Sales Tax	8,401,528	8,401,528	8,014,079	(387,449)	5%
Sales Tax	239,485,958	239,485,958	229,130,717	(10,355,241)	4%
Transfers from Other Funds	58,754,619	58,754,619	58,754,619	-	0%
Transient Occupancy Tax ¹	85,184,936	85,184,936	85,390,733	205,797	0%
Miscellaneous	175,000	175,000	215,982	40,982	23%
TOTAL	\$ 872,408,906	\$ 872,408,906	\$ 868,701,086	\$ (3,707,820)	0%
Business and Support Services					
Business Operations and Administration	25,000	25,000	23,077	(1,923)	8%
Customer Services	676,814	676,814	702,688	25,874	4%
Labor Relations	-	-	-	-	0%
Library	1,694,422	1,694,422	1,574,193	(120,229)	7%
Office of the Chief Information Officer	-	-	-	-	0%
Park and Recreation	20,953,228	20,953,228	20,886,211	(67,017)	0%
Personnel	-	-	-	-	0%
Purchasing and Contracting	1,376,981	1,376,981	576,002	(800,979)	58%
Community and Legislative Services					
Community and Legislative Services	258,900	258,900	258,900	-	0%
Special Events	287,000	287,000	268,054	(18,946)	7%
Land Use and Economic Development					
City Planning and Community Investment	3,719,778	3,719,778	3,654,864	(64,914)	2%
DSD - Neighborhood Code Compliance	1,321,088	1,321,088	1,449,012	127,924	10%
Land Use and Economic Development	-	-	-	-	0%
Real Estate Assets	39,194,996	39,194,996	39,147,278	(47,718)	0%

General Fund Projected Revenues
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Department	Adopted Budget	Revised Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Non-Mayoral					
City Attorney	\$ 6,163,262	\$ 6,163,262	\$ 5,249,205	\$ (914,057)	15%
City Clerk	54,625	54,625	48,914	(5,711)	10%
City Council - District 1	-	-	-	-	0%
City Council - District 2	-	-	-	-	0%
City Council - District 3	-	-	-	-	0%
City Council - District 4	-	-	-	-	0%
City Council - District 5	-	-	-	-	0%
City Council - District 6	-	-	-	-	0%
City Council - District 7	-	-	-	-	0%
City Council - District 8	-	-	-	-	0%
Council Administration	-	-	-	-	0%
Ethics Commission	-	-	-	-	0%
Office of the Independent Budget Analyst	-	-	-	-	0%
Office of Ethics and Integrity					
Office of Ethics and Integrity	859,466	859,466	866,242	6,776	1%
Office of the Chief Financial Officer					
Appropriated Reserves	-	-	-	-	0%
City Auditor and Comptroller	2,750,837	2,750,837	2,383,679	(367,158)	13%
Citywide Program Expenditures	-	-	-	-	0%
Debt Management	1,526,389	1,526,389	1,279,303	(247,086)	16%
Financial Management	116,658	116,658	38,072	(78,586)	67%
Office of the Chief Financial Officer	350,000	350,000	349,996	(4)	0%
Office of the City Treasurer	30,584,549	30,584,549	30,991,482	406,933	1%
Other					
Mayor	-	-	-	-	0%
Public Safety and Homeland Security					
Family Justice Center	-	-	31,384	31,384	100%
Fire-Rescue	9,114,413	9,114,413	11,968,612	2,854,199	31%

General Fund Projected Revenues					
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Department	Adopted Budget	Revised Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Public Safety and Homeland Security (continued)					
Office of Homeland Security	\$ 983,992	\$ 983,992	\$ 748,139	\$ (235,853)	24%
Police	41,642,463	41,642,463	40,333,046	(1,309,417)	3%
Public Safety	221,742	221,742	221,743	1	0%
Public Works					
Engineering and Capital Projects	26,999,153	26,999,153	28,743,824	1,744,671	6%
Environmental Services	513,582	513,582	6,562,272	6,048,690	100%
General Services	42,532,708	42,532,708	40,533,890	(1,998,818)	5%
Public Works	-	-	-	-	0%
Total General Fund Revenues	\$ 1,106,330,952	\$ 1,106,330,952	\$ 1,107,591,168	\$ 1,260,216	0%

¹Total City transient occupancy tax revenue budget for FY 2008 is \$162.6 million and the projection is \$163.0 million. The balance is budgeted in the Transient Occupancy Tax Fund.

Department	Adopted Budget	Revised Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
Business and Support Services					
Business Operations and Administration	\$ 2,383,091	\$ 2,383,091	\$ 2,368,126	\$ 14,965	1%
Customer Services	2,523,132	2,523,132	2,551,772	(28,640)	1%
Labor Relations	809,621	809,621	809,971	(350)	0%
Library	37,630,664	37,630,664	38,418,570	(787,906)	2%
Office of the Chief Information Officer	29,063,056	29,063,056	28,745,273	317,783	1%
Park and Recreation	87,520,141	87,520,141	88,399,117	(878,976)	1%
Personnel	6,620,002	6,620,002	6,620,000	2	0%
Purchasing and Contracting	5,613,499	5,613,499	5,631,720	(18,221)	0%
Community and Legislative Services					
Community and Legislative Services	4,380,533	4,380,533	4,257,003	123,530	3%
Special Events	497,980	497,980	500,696	(2,716)	1%
Land Use and Economic Development					
City Planning and Community Investment	16,716,335	16,716,335	17,802,141	(1,085,806)	6%
DSD - Neighborhood Code Compliance	6,703,916	6,703,916	6,818,887	(114,971)	2%
Land Use and Economic Development	698,999	698,999	687,351	11,648	2%
Real Estate Assets	4,261,462	4,261,462	3,916,134	345,328	8%
Non-Mayoral					
City Attorney	36,911,174	36,911,174	37,166,143	(254,969)	1%
City Clerk	4,408,261	4,408,261	4,419,822	(11,561)	0%
City Council - District 1	990,000	990,000	937,119	52,881	5%
City Council - District 2	990,000	990,000	941,126	48,874	5%
City Council - District 3	990,000	990,000	968,927	21,073	2%
City Council - District 4	990,000	990,000	969,124	20,876	2%
City Council - District 5	990,000	990,000	920,683	69,317	7%
City Council - District 6	990,000	990,000	943,824	46,176	5%
City Council - District 7	990,000	990,000	953,042	36,958	4%
City Council - District 8	990,000	990,000	952,215	37,785	4%
Council Administration	1,849,471	1,849,471	1,865,368	(15,897)	1%
Ethics Commission	1,021,106	1,021,106	944,548	76,558	7%

General Fund Projected Expenditures					
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Department	Adopted Budget	Revised Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
Non-Mayoral (continued)					
Office of the Independent Budget Analyst	\$ 1,316,334	\$ 1,316,334	\$ 1,362,813	\$ (46,479)	4%
Office of Ethics and Integrity					
Office of Ethics and Integrity	2,400,537	2,400,537	2,257,324	143,213	6%
Office of the Chief Financial Officer					
Appropriated Reserves	-	7,000,000	7,000,000	-	0%
City Auditor and Comptroller	11,511,090	11,511,090	11,236,802	274,288	2%
Citywide Program Expenditures					
Annual Audit	681,805	1,369,805	1,369,805	-	0%
Assessments to Public Property	300,500	300,500	450,500	(150,000)	50%
Citywide Elections	2,700,000	2,700,000	3,500,000	(800,000)	30%
Deferred Maintenance	5,000,000	5,000,000	5,000,000	-	0%
Employee Personal Property Claims	5,000	5,000	5,000	-	0%
Insurance	1,840,000	1,840,000	1,340,000	500,000	27%
Memberships	630,000	630,000	685,000	(55,000)	9%
Outside Office Space/Master Lease	6,688,027	6,688,027	6,688,027	-	0%
Property Tax Administration	3,027,643	3,027,643	3,027,643	-	0%
Public Liability Claims Fund Transfer	18,000,000	19,980,340	19,980,340	-	0%
Reserve Contribution	3,328,641	3,328,641	3,328,641	-	0%
Special Consulting Services	2,883,169	2,883,169	3,000,000	(116,831)	4%
TRANS Interest Expense Transfer	2,449,000	2,449,000	2,449,000	-	0%
Transportation Subsidy	278,077	278,077	278,077	-	0%
TOTAL	\$ 47,811,862	\$ 50,480,202	\$ 51,102,033	\$ (621,831)	1%
Debt Management	2,730,401	2,730,401	2,732,863	(2,462)	0%
Financial Management	4,117,777	4,117,777	3,446,964	670,813	16%
Office of the Chief Financial Officer	1,067,349	1,067,349	822,131	245,218	23%
Office of the City Treasurer	14,441,916	14,441,916	13,583,324	858,592	6%
Other					
Mayor	627,891	627,891	574,294	53,597	9%

Department	Adopted Budget	Revised Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
Public Safety and Homeland Security					
Family Justice Center	\$ 537,358	\$ 537,358	\$ 588,034	\$ (50,676)	9%
Fire-Rescue	179,943,098	179,943,098	185,927,900	(5,984,802)	3%
Office of Homeland Security	1,781,242	1,781,242	1,728,729	52,513	3%
Police	392,336,695	392,336,695	393,841,273	(1,504,578)	0%
Public Safety	3,053,186	3,053,186	2,715,360	337,826	11%
Public Works					
Engineering and Capital Projects	35,424,428	35,424,428	35,035,802	388,626	1%
Environmental Services	40,793,354	40,793,354	47,718,670	(6,925,316)	17%
General Services	108,049,461	108,049,461	105,988,250	2,061,211	2%
Public Works	854,530	854,530	748,283	106,247	12%
Additional Wildfire Expenses¹					
Repayment to Development Services Enterprise Fund	-	-	500,000	(500,000)	100%
Repayment to Recycling and Refuse Disposal Funds	-	-	805,700	(805,700)	100%
Total General Fund Expenditures	\$ 1,106,330,952	\$ 1,115,999,292	\$ 1,129,225,250	\$ (13,225,958)	1%

¹ Anticipated repayments to non-general funds for building permit, demolition permit, waste disposal, and recycling fee waivers.

Non-General Fund Projections

Fund		Adopted Budget	Revised Budget	Year-End Projection	Variance Amount	Variance %
Business and Support Services						
Central Stores Internal Service Fund	Revenues	\$ 23,927,238	\$ 23,927,238	\$ 24,224,834	\$ 297,596	1%
	Expenditures	23,829,301	23,829,301	24,420,144	(590,843)	2%
Golf Course Enterprise Fund	Revenues	15,430,800	15,430,800	15,351,399	(79,401)	1%
	Expenditures	12,846,992	12,846,992	13,102,360	(255,368)	2%
Information Technology Fund	Revenues	15,776,599	15,776,599	15,946,380	169,781	1%
	Expenditures	15,137,320	15,137,320	14,634,499	502,821	3%
Library Grants Fund	Revenues	753,000	753,000	505,131	(247,869)	33%
	Expenditures	731,373	731,373	607,395	123,978	17%
Los Peñasquitos Canyon Preserve Fund	Revenues	176,000	176,000	203,598	27,598	16%
	Expenditures	226,695	226,695	221,130	5,565	2%
Community and Legislative Services						
Commission for Arts and Culture ¹	Revenues	112,997	112,997	152,036	39,039	35%
	Expenditures	915,767	915,767	900,141	15,626	2%
Land Use and Economic Development						
City Airport Fund	Revenues	4,867,958	4,867,958	5,114,951	246,993	5%
	Expenditures	4,664,304	4,664,304	3,752,895	911,409	20%
Development Services Enterprise Fund	Revenues	45,557,453	45,557,453	47,728,468	2,171,015	5%
	Expenditures	53,047,886	53,047,886	51,209,456	1,838,430	3%
Facilities Financing Fund	Revenues	2,403,569	2,403,569	2,117,065	(286,504)	12%
	Expenditures	2,687,127	2,687,127	2,329,164	357,963	13%
Municipal Parking Garage Fund	Revenues	3,257,035	3,257,035	3,247,369	(9,666)	0%
	Expenditures	2,826,170	2,826,170	2,107,856	718,314	25%
PETCO Park Fund	Revenues	15,668,826	15,668,826	16,489,161	820,335	5%
	Expenditures	20,222,143	20,222,143	16,887,021	3,335,122	16%
QUALCOMM Stadium Operating Fund	Revenues	16,203,448	16,203,448	16,440,461	237,013	1%
	Expenditures	18,491,579	18,491,579	17,567,260	924,319	5%

Non-General Fund Projections

Fund		Adopted Budget	Revised Budget	Year-End Projection	Variance Amount	Variance %
Land Use and Economic Development (continued)						
Redevelopment Fund	Revenues	\$ 3,661,696	\$ 3,661,696	\$ 3,454,193	\$ (207,503)	6%
	Expenditures	3,661,696	3,661,696	3,701,506	(39,810)	1%
Solid Waste Local Enforcement Agency Fund	Revenues	846,028	846,028	725,219	(120,809)	14%
	Expenditures	931,929	931,929	793,724	138,205	15%
Office of the Chief Financial Officer						
Risk Management Administration Fund	Revenues	9,073,934	9,073,934	9,026,825	(47,109)	1%
	Expenditures	9,073,934	9,073,934	8,147,645	926,289	10%
Public Safety and Homeland Security						
Emergency Medical Services Fund	Revenues	7,375,472	7,375,472	6,911,100	(464,372)	6%
	Expenditures	6,667,968	6,667,968	6,604,718	63,250	1%
Unlicensed Driver Vehicle Impound Fees Fund	Revenues	1,200,000	1,200,000	1,122,771	(77,229)	6%
	Expenditures	1,327,904	1,327,904	1,310,598	17,306	1%
Public Works						
E&CP - Internal Service Fund	Revenues	25,487,865	25,487,865	23,555,897	(1,931,968)	8%
	Expenditures	25,487,865	25,487,865	24,242,630	1,245,235	5%
Energy Conservation Program Fund	Revenues	2,244,984	2,244,984	2,450,420	205,436	9%
	Expenditures	2,244,984	2,244,984	2,121,234	123,750	6%
Equipment Internal Service Fund	Revenues	50,080,035	50,080,035	49,820,560	(259,475)	1%
	Expenditures	49,772,502	49,772,502	49,499,621	272,881	1%
Publishing Services Internal Service Fund	Revenues	4,500,000	4,500,000	5,210,218	710,218	16%
	Expenditures	4,193,823	4,193,823	5,300,295	(1,106,472)	26%
Recycling Fund	Revenues	21,000,700	21,000,700	21,507,882	507,182	2%
	Expenditures	24,005,762	24,005,762	21,663,845	2,341,917	10%
Refuse Disposal Fund	Revenues	37,230,149	37,230,149	36,476,362	(753,787)	2%
	Expenditures	33,832,489	33,832,489	33,144,149	688,340	2%

Non-General Fund Projections

Fund		Adopted Budget	Revised Budget	Year-End Projection	Variance Amount	Variance %
Public Works (continued)						
Sewer Funds	Revenues	\$ 359,030,423	\$ 359,030,423	\$ 373,137,081	\$ 14,106,658	4%
	Expenditures	401,606,737	539,058,792	390,928,584	148,130,208	27%
Utilities Undergrounding Program Fund	Revenues	46,042,347	1,540,602	2,013,923	473,321	31%
	Expenditures	1,540,602	1,540,602	1,455,003	85,599	6%
Water Department Fund	Revenues	462,174,462	462,174,462	426,056,849	(36,117,613)	8%
	Expenditures	535,916,421	603,834,166	406,340,011	197,494,155	33%

¹ The Commission for Arts and Culture is funded by the Transient Occupancy Tax (TOT) Fund.