



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: June 5, 2008

REPORT NO: 08-080
REVISED v. II

ATTENTION: City Council
Agenda of June 9 and June 16, 2008

SUBJECT: Fiscal Year 2008 Year-End Budget Monitoring Report

REFERENCE: Fiscal Year 2008 First Quarter Budget Monitoring Report, #07-184
Fiscal Year 2008 Mid-Year Budget Monitoring Report, #08-005
Financial Performance Report (Charter Section 39 Report): Period 9 Fiscal
Year 2008

REQUESTED ACTION:

1. Accept the Report from the Mayor on Fiscal Year 2008 Year-End Budget Monitoring.
2. Amend the Fiscal Year 2008 Appropriation Ordinance (O-19652) to authorize the City Comptroller to:
 - a. Reduce General Fund (100) expenditure appropriations by \$2,907,340 and reduce revenue budget by \$6,034,051 from \$3,126,711 of General Fund unallocated reserves, as follows:
 - i. Increase Fire-Rescue Department (120) expenditure appropriations by up to \$4,362,000 and increase revenue budget by \$2,900,000,
 - ii. Increase City Attorney Department (45) expenditure appropriations by up to \$498,000 and reduce revenue budget by \$3,400,000,
 - iii. Increase Library Department (310) expenditure appropriations by up to \$405,000,
 - iv. Increase Development Services Department, Neighborhood Code Compliance Division (75) expenditure appropriations by up to \$371,000 and increase revenue budget by \$102,000,
 - v. Increase Citywide Program Expenditures Department (601) expenditure appropriations by up to \$233,000 and transfer up to the same amount to the Recycling and Refuse Disposal Funds (41210 and 41200) for reimbursement of waste disposal and recycling fee waivers,
 - vi. Increase Family Justice Center Department (47) expenditure appropriations by up to \$37,000 and increase revenue budget by \$34,000,
 - vii. Increase Special Events Department (80) expenditure appropriations by up to \$17,000,
 - viii. Reduce General Services Department (various) expenditure appropriations by \$3,000,000 and reduce revenue budget by \$1,200,000,
 - ix. Reduce Citywide Program Expenditures Department (601) expenditure appropriations by \$1,980,339.60 and reduce prior transfer of same amount to the Public Liability Fund (81140),

- x. Reduce Office of the City Treasurer (52) expenditure appropriations by \$1,750,000 and reduce revenue budget by \$2,700,000,
- xi. Reduce Engineering and Capital Projects Department (various) expenditure appropriations by \$900,000,
- xii. Reduce City Auditor and Comptroller Department (50) expenditure appropriations by \$600,000 and reduce revenue budget by \$450,000,
- xiii. Reduce Financial Management Department (55) expenditure appropriations by \$600,000,
- xiv. Reduce Major General Fund Revenues (1) revenue budget by \$1,320,051;
- b. Transfer appropriations between General Fund (100) departments as necessary where the net transfer does not result in an increase to either department's current budget;
- c. Adjust the City Planning and Community Investment Department (General Fund 100, Dept 65) expenditure appropriation to Community Parking Districts as necessary and from appropriate sources;
- d. Increase Appropriated Reserves (General Fund 100, Dept 602) expenditure appropriations by up to \$55,000,000 from the General Fund unallocated reserve and transfer up to \$55,000,000 to the General Fund Emergency Reserve Fund (101);
- e. Carryover up to \$1,200,000 of City Planning and Community Investments Department (General Fund 100, Dept 65) expenditure appropriations to the allocated reserve to fund community plan updates;
- f. Increase the Special Promotional Programs (Transient Occupancy Tax Fund 10220, Dept 924) expenditure appropriations by an amount not exceed the 1 cent of Transient Occupancy Tax (TOT) discretionary funding from additional revenues and transfer up to the 1 cent of discretionary TOT funding to the General Fund;
- g. Increase Central Stores Internal Service Fund (50010) expenditure appropriations by up to \$4,815,000 from an equal amount of additional revenues;
- h. Increase Qualcomm Stadium Fund (10330) expenditure appropriations by up to \$450,000 from fund balance and transfer up to \$1,980,339.60 from the Qualcomm Stadium Fund (10330) to the Public Liability Fund (81140) for payment to the San Diego Chargers;
- i. Increase Redevelopment Fund (10275) expenditure appropriations by up to \$139,300 from an equal amount of additional revenues;
- j. Increase appropriations from appropriate available sources for any additional, unforeseen needs and to make any additional appropriation adjustments and fund transfers that may be necessary to reconcile revenues to expenditures;
- k. Remove \$21,779,180 of TransNet I Commercial Paper (Fund 30306) appropriations in the Capital Improvements Program in the projects and amounts listed in Attachment V: TransNet I Commercial Paper Appropriations.
- l. Transfer Council Districts 1 through 8 (General Fund 100) available budget to the respective Infrastructure Improvement Fund and increase the appropriations of the Infrastructure Improvement Fund for purposes identified by the individual Council Districts.

STAFF RECOMMENDATION:

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

SUMMARY:

The Fiscal Year 2008 Year-End Budget Monitoring Report presents year-end projections of revenues and expenditures. Based on actual (unaudited) data through period nine (July 1, 2007 to March 7, 2008), the projections are determined using departmental information regarding spending trends and operations, including the impacts of the Southern California wildfires and Soledad Mountain Road landslide. This report includes descriptions of year-end projections which vary significantly 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, whichever is less.

GENERAL FUND

The General Fund is estimated to conclude the fiscal year with expenditures exceeding revenues by \$22.0 million. This estimate is based on the analysis of revenues and expenditures through period nine. Wildfire and landslide expenditures and anticipated partial federal and State funding are included in projections and are discussed in further detail later in this report. The General Fund year-end projection is summarized in Table 1: Summary of FY 2008 General Fund Projections.

Actions taken to-date, including the creation of and increase in the Appropriated Reserve and additional appropriations for the transfer to the Public Liability Fund, increased the expenditure budget by \$18.8 million over the revenue budget. These actions were funded by the unallocated reserves and are discussed in further detail later in this report. Expenditures are projected to conclude the year \$20.1 million below the revised budget, due primarily to salary savings, while revenues are expected to be \$23.3 million under budget. This results in a net negative variance of \$3.1 million over actions already taken for the General Fund. At year-end, revenues and expenditures are anticipated to total \$1.090 billion and \$1.112 billion, respectively.

Summary of FY 2008 General Fund Projections				
Table 1				
Revenue/Expenditures	Revised Budget	Year-End Projection	Variance Amount	Variance %
Projected Revenue	\$ 1,113,476,452	\$ 1,090,222,920	\$ (23,253,532)	2%
Projected Expenditures				
Salaries	\$ 499,214,888	\$ 486,581,829	\$ 12,633,059	3%
Fringe and Non-Personnel	633,101,908	625,608,146	7,493,762	1%
Subtotal	\$ 1,132,316,796	\$ 1,112,189,975	\$ 20,126,821	2%
Net Year-End Projection	\$ (18,840,344)	\$ (21,967,055)	\$ (3,126,711)	

GENERAL FUND REVENUES

The General Fund revenue budget for Fiscal Year 2008 is \$1.113 billion. Revenues through period nine are under budget by \$126.1 million or 20 percent due to the timing and decline of receipts of major General Fund revenues, such as transient occupancy tax and sales tax. Based on current trends, year-end revenues are projected to be below budget by \$23.3 million or 2 percent as displayed in Table 2: FY 2008 General Fund Revenue. Projected under budget departmental revenues of \$9.7 million or 4 percent account for 42 percent of the total revenue variance. In addition, major General Fund revenues are projected to conclude the fiscal year \$13.5 million or 2 percent under budget. In combination, current projections reflect a significant decline from the projected positive revenue variance of \$1.3 million reported in the Mid-Year Report. The following sections discuss the variances between revenue projections and revised annual budget.

FY 2008 General Fund Revenue

Table 2

Actual/Projection	Budget	Actual/ Projection	Over Budget/ (Under Budget)	Variance %
Actual through Period 9	\$ 640,882,707	\$ 514,764,269	\$ (126,118,438)	20%
Year-End Projection	1,113,476,452	1,090,222,920	(23,253,532)	2%

Major Revenues

Four major revenue sources, property tax, sales tax, transient occupancy tax (TOT) and franchise fees, account for 70 percent or \$779.8 million of the total General Fund revenue budget. The major revenues are shown below in Table 3: FY 2008 Major General Fund Revenue Projections.

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	\$ 389,761,519	\$ 4,072,666	1%
Sales Tax	239,485,958	226,623,939	(12,862,019)	5%
Transient Occupancy Tax ¹	85,184,936	83,420,799	(1,764,137)	2%
Franchises	69,431,697	64,659,081	(4,772,616)	7%
Safety Sales Tax	8,401,528	7,787,297	(614,231)	7%
Motor Vehicle License Fees	7,938,333	6,647,171	(1,291,162)	16%
Property Transfer Tax	7,570,860	8,415,776	844,916	11%
Other Revenue	68,706,741	71,587,415	2,880,674	4%
Total	\$ 872,408,906	\$ 858,902,997	\$ (13,505,909)	2%

¹ Total City transient occupancy tax revenue budget for FY 2008 is \$162.6 million and the projection is \$159.3 million. The balance is budgeted in the Transient Occupancy Tax Fund.

Property tax revenue is expected to have a favorable variance to budget of \$4.1 million. Conversely, sales tax and transient occupancy tax are expected to have an unfavorable variance of \$12.9 million and \$1.8 million, respectively. Also projecting negative variances are franchise fees, \$4.8 million, and vehicle license fees, \$1.3 million. The status of all major revenue sources is described below.

Property Tax

The Fiscal Year 2008 property tax budget is \$385.7 million based on 6 percent growth over Fiscal Year 2007 year-end projections and an assumed slowdown in the local real estate market, reduction in the median housing price and reduction in the number of home sales. The City receives property tax revenue from the County on a monthly basis with major allocations of funds received in December and April. Based on the recent data and receipts, it is projected that property tax revenue will have a favorable variance of \$4.1 million by year-end. The projected surplus is mainly due to a higher home appreciation rate as provided by the County Assessor's Office.

Property Transfer Tax

The Fiscal Year 2008 property transfer tax budget is \$7.6 million and is based on a nearly 50 percent reduction from the Fiscal Year 2007 Budget. The Fiscal Year 2008 Budget assumed a slowdown in local real estate market activity and a reduction in the median home price. Unlike property taxes, property transfer taxes are highly reflective of the housing market and have a direct correlation with current market conditions. The property transfer tax is disbursed by the County of San Diego on a monthly basis. Property transfer tax is projected approximately \$800,000 above budget.

Sales Tax and Safety Sales Tax

Based on a 3 percent growth rate over the Fiscal Year 2007 year-end estimated revenues, the Fiscal Year 2008 sales tax budget is \$239.5 million. As of accounting period nine, the sales tax receipts were below the period budget by nearly \$12.9 million and are anticipated to result in a year-end unfavorable variance of \$12.9 million. The decline in receipts is due to a slowdown in the economy and weaker performance of local taxable sales, particularly in new automobile sales, construction wholesale and home remodeling industries. Safety sales tax receipts generally follow the same economic trends as taxable sales and as a result, year-end revenue projections are \$600,000 below budget.

Transient Occupancy Tax (TOT)

The General Fund transient occupancy tax (TOT) budget for Fiscal Year 2008 of \$85.2 million is based on 7.5 percent growth over the Fiscal Year 2007 year-end projections. The City receives TOT revenue on a monthly basis and as of accounting period nine, General Fund TOT revenue is projected to be under budget by approximately \$1.8 million due to the weakening visitor market in San Diego. As reported by the San Diego Convention and Visitors Bureau, average occupancy and daily room rates show slight decreases resulting in reduced TOT revenue for the City.

TOT Transfer to the General Fund

In addition to the TOT revenue budgeted in the General Fund (equivalent to 5.5 cents of the total 10.5 cents of TOT), the Municipal Code and Council Policy 100-03 stipulate that 5.0 cents of

TOT revenue must be deposited in the TOT Fund. Of this amount, 4.0 cents must be used to promote the City as a visitor destination. In Fiscal Year 2008, the 4.0 cent portion is equivalent to \$62.0 million of budgeted TOT revenue and is budgeted in the Special Promotional Programs Department. With the approval of the Tourism Marketing District (TMD) by the City Council, the San Diego lodging industry began collecting an additional 2 percent (or 2.0 cent) fee beginning January 1, 2008. The TMD contract allows the TOT Fund to be reimbursed for up to \$5.3 million of marketing and promotional expenses incurred after establishment of the TMD.

The Municipal Code and Council Policy also stipulate that the remaining 1.0 cent of TOT revenue can be used for any purpose at the discretion of City Council. In Fiscal Year 2008, this 1.0 cent is equivalent to \$15.5 million of budgeted TOT revenue; however, only \$10.6 million was budgeted to be transferred to the General Fund since budgeted revenues from the 4.0 cent portion were not sufficient to cover the marketing and promotional activities in Special Promotional Programs. The City Council resolution adopting the Fiscal Year 2008 Budget directed that the TMD revenue should be removed from the budget since the TMD had not been approved by Council. This action reduced the amount of TOT discretionary funds available for transfer to the General Fund. Based on the latest projections, which assume reimbursement of \$5.3 million from the TMD, the transfer to the General Fund is expected to be \$14.3 million. This results in an increase of \$3.7 million to the budgeted \$10.6 million transfer to the General Fund.

Franchises

Franchise fee revenue is estimated to be \$4.8 million below budget at the conclusion of the fiscal year. Revenue from franchise fees is anticipated to be under budget primarily from a shortfall in the payment from San Diego Gas & Electric. Another component of franchise fees is revenue received through refuse haulers which as of accounting period nine, is also projected to conclude the year below budget. This reduction stems from a discontinuation of operations by one of the commercial accounts.

Motor Vehicle License Fees (VLF)

The Fiscal Year 2008 (VLF) budget is \$7.9 million based on a 3.95 percent growth rate over the Fiscal Year 2007 year-end estimated revenues. The City receives VLF revenue on a monthly basis. It is projected that this revenue source will end the year below budget by approximately \$1.3 million due to a slowdown in the automobile sales industry.

Other Revenue

The other revenue category 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. Revenue from booking fees is budgeted at \$5.2 million in Fiscal Year 2008; however, as this revenue source will not be realized, a resulting unfavorable variance will be experienced. Revenue attributable to employee pickup savings and tobacco revenue securitization is expected to match budget by the end of the year. Finally, projections show that by year-end, interest earnings will have a favorable variance of \$4.6 million.

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 %
City Attorney	\$ 6,163,262	\$ 2,786,678	\$ (3,376,584)	55%
Fire-Rescue	10,505,913	13,423,819	2,917,906	28%
Real Estate Assets	39,194,996	36,464,420	(2,730,576)	7%
Office of the City Treasurer	30,584,549	27,907,147	(2,677,402)	9%
General Services	41,475,018	40,283,287	(1,191,731)	3%
Police	41,642,463	40,973,749	(668,714)	2%
Office of Ethics and Integrity	859,466	375,395	(484,071)	56%
City Auditor and Comptroller	2,750,837	2,299,370	(451,467)	16%
Purchasing and Contracting	1,376,981	952,963	(424,018)	31%
Debt Management	1,526,389	1,111,199	(415,190)	27%
Office of Homeland Security	983,992	642,080	(341,912)	35%
Special Events	287,000	179,561	(107,439)	37%

City Attorney

The projected negative variance for the office of the City Attorney of \$3.4 million or 55 percent has significantly increased from the status reported mid-year. The unfavorable variance is still attributed to the department not receiving budgeted Service Level Agreements (SLA) revenue. The department is unable to receive reimbursable revenues as budgeted because contracts anticipated at the time the budget was developed were not established. Additionally, revenue expected to be received from judgments and settlements filed by the Civil Division's Trial Unit on behalf of the General fund are not anticipated to be realized by year-end. It should be noted that the City Attorney is also projecting expenditures to be in excess of budget by \$498,000 or 1 percent due to higher than budgeted salaries and terminal leave payouts impacting the department.

Fire-Rescue

The Fire-Rescue Department projects revenues to be \$2.9 million or 28 percent over budget. This is primarily the result of mutual aid agreement and continuing emergency medical services (EMS) reimbursements exceeding those anticipated in the Fiscal Year 2008 Budget. The EMS payments continue to contribute to the better than anticipated revenue performance. As discussed in the Mid-Year Report, the use of Fire-Rescue personnel to staff ambulances, as a substitute for Rural Metro employees, results in the additional revenue for the department. Reimbursement resulting from FEMA and State OES for the October wildfires is not included as it is expected that these revenues will be received in Fiscal Year 2009.

Real Estate Assets

The Real Estate Assets Department is projecting a \$2.7 million or 7 percent unfavorable year-end variance. Revenues associated with percentage based leases predicated on the performance of lessee business during each season, including the Mission Bay leases, are lower than anticipated due to a slowing economy. Additionally, work requests from other departments for capital improvement and grant projects are lower than anticipated. This declining trend has been addressed in the Fiscal Year 2009 Proposed Budget.

Office of the City Treasurer

The Office of the City Treasurer is projecting a \$2.7 million or 9 percent unfavorable variance mainly due to a timing issue with the receipt of Franchise Tax Board program revenues and a reduction in the number of parking citation accounts referred for collection. This reduction has significantly reduced both the amount of collection referral fees and interest received.

General Services

Similar to the situation presented mid-year, the General Services Department is projecting a \$1.2 million or 3 percent unfavorable revenue variance. Reimbursable tenant improvement projects that have not been scheduled, and as a result will not be completed by fiscal year-end, are the main source of the underperforming revenues.

Police

Reflecting improvement over the revenue projection provided in the Mid-Year Report, the Police Department projects to conclude the year with a \$669,000 or 2 percent unfavorable variance. The negative variance is primarily the result of underperforming parking citation revenue associated with outdated handheld device and system synchronization equipment, which can result in the loss of electronic citations that have been issued. Moreover, potential abuse of handicap placards and continued, yet improved, vacancies within the Parking Enforcement Officer job classification have negatively impacted revenues. Current vacancy levels of 19 percent contribute to the revenue deficit in parking citation revenue. The department has reported there is a plan in place to mitigate the higher than desired vacancies.

Office of Ethics and Integrity

The Office of Ethics and Integrity projects to conclude the year with a \$484,000 or 56 percent unfavorable variance due to General Governmental Services Billing not established. This billing, if established, would have collected revenue for all Diversity University training provided to non-general fund participants.

City Auditor and Comptroller

Similar to the variance projected in the Mid-Year Report, the office of the City Auditor and Comptroller is projecting a \$451,000 or 16 percent negative revenue variance. This is largely the result of less than anticipated services performed throughout the fiscal year. The reduced service can be largely credited to vacancies experienced in the department in the earlier part of the fiscal year.

Purchasing and Contracting

An improvement from the position presented in the Mid-Year Report, the Purchasing and Contracting Department has projected to be under budget in revenues by \$424,000 or 31 percent. The revenue budgeted in this department was not revised to accurately reflect the restructuring that occurred, as identified in both previously issued reports. This issue has been corrected for the Fiscal Year 2009 Budget by reducing the department's total revenue.

Debt Management

The Debt Management Department projects an unfavorable year-end variance of \$415,000 or 27 percent due to the elimination of reimbursement for short-term financing and a shift in the work assignments on reimbursable activities. Work that formerly was performed by higher paid staff members or those who received overtime is now conducted by those who are reimbursed at a lower rate.

Office of Homeland Security

Projecting a slight decline in revenue from that presented mid-year, the Office of Homeland Security projects to conclude the fiscal year \$342,000 or 35 percent under budget in revenues due to continued vacancies in grant reimbursable positions. The department expects to fill vacancies by year-end so this trend should not continue into the next fiscal year.

Special Events

The Special Events Department is projecting a \$107,000 or 37 percent unfavorable variance. This is the result of revenue being directed to other departments, such as Police and Fire-Rescue, which provide support services to special events held in the City. This change in practice was made to decentralize the function of special events and expedite the reimbursements to departments providing services.

GENERAL FUND EXPENDITURES

The total Fiscal Year 2008 General Fund revised expenditure budget is \$1.132 billion. This includes an increase of \$18.8 million in expenditures appropriated through previous Council actions from the unallocated reserves. Actions impacting the revised expenditure budget include the establishment of the Appropriated Reserves and the appropriation of funds recommended in the Mid-Year Budget Monitoring Report. Total expenditures through period nine are below the period-to-date budget by \$43.6 million or 6 percent. Salary savings experienced from vacancies account for \$9.1 million or 21 percent of the period-to-date savings and the other \$34.5 million or 79 percent is due to the timing of non-personnel expenditures. Projections display under budget expenditures of \$20.1 million or 2 percent as shown in Table 5: FY 2008 General Fund Expenditures. The total under budget expenditure projection in the General Fund is due to under budget salary expenditures, projected to be under budget by \$12.6 million or 3 percent, and under budget fringe and non-personnel expenditures, projected to be under budget by \$7.5 million or 1 percent. This data is displayed in Table 1: Summary of FY 2008 General Fund Projections earlier in this report. Further, detailed 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 9	\$ 771,535,913	\$ 727,911,456	\$ 43,624,457	6%
Year-End Projection	1,132,316,796	1,112,189,975	20,126,821	2%

Personnel Expenditures

Vacancy Savings

The vacancy savings budgeted in Fiscal Year 2008 in salaries and wages is \$30.5 million in the General Fund. Salary expenditures from the General Fund as of period nine total approximately \$335.0 million, or 67 percent of budgeted salaries. Year-end General Fund expenditures in salaries and wages are projected to be under budget by \$12.8 million. This indicates, as stated in the Mid-Year Report, that actual vacancy rates continue to reflect a higher than budgeted vacancy savings. This is largely due to vacant budgeted positions maintained due to attrition, leaves of absence, under-filled positions, and newly hired employees who may start at a salary base lower than the average budgeted salary for classified positions. The projected General Fund salary savings is primarily attributed to these departments: Police (\$4.1 million), General Services (\$2.7 million), Office of the City Treasurer (\$1.3 million), Park and Recreation (\$889,000), City Auditor and Comptroller (\$651,000), and Financial Management (\$519,000).

Terminal Leave

In the past, the City had not fully budgeted the additional expense of terminal leave that is paid to employees who end their employment with the City with large balances of accrued leave. While a portion of terminal leave expense has been absorbed in departmental budgets, some departments, such as Fire-Rescue, are experiencing a larger number of employees retiring this fiscal year. While the Fire-Rescue Department has \$700,000 budgeted for terminal leave, as of period nine, the department has over expended this allocation by \$580,000. The department is projected to expend an additional \$300,000 by the conclusion of the fiscal year in terminal leave. The Fiscal Year 2009 Proposed Budget includes increased funding for this expense in the General Fund.

Workers' Compensation

Workers' compensation expense charged to the City departments is trending over budget as a result of the internal workers compensation rates being set too high. The budgeted amount of \$26.0 million is still projected to be the actual cost for workers compensation this fiscal year. As of period nine, \$20.7 million of workers' compensation revenues was collected with an average pay period collection rate of \$1.2 million. The Risk Management Department determined that the current collection rate is too high and if continued, collection would exceed the budgeted revenue of \$26.0 million by approximately \$4.0 million, of which \$3.0 million would be from the General Fund. An adjustment to cease collection of workers' compensation is scheduled to take affect after the pay period ending May 15, 2008 (which will post on May 30, 2008). This adjustment will allow for actual expenditures to balance with budgeted revenues by the end of

the fiscal year. Some departments, such as Library, Fire-Rescue, Public Safety, City Clerk, and Special Events, have or will exceed the budgeted amount in workers' compensation, which is offset by lower than budgeted amounts in other departments.

Supplemental Pension Savings Plan (SPSP)

The Fiscal Year 2008 Budget for SPSP is \$10.8 million in the General Fund. Based on actual expenses to-date, the projected year-end expense will exceed the budget by \$1.8 million. As stated in the Mid-Year Report, the over budget period-to-date and projected expenditures result from a larger than necessary negative adjustment to SPSP accounts from the application of the Fiscal Year 2008 vacancy savings adjustment. The department most negatively impacted by this adjustment is the Fire-Rescue Department, with projected over budget expenditures of \$700,000 in this category. While other departments, such as Police, are negatively impacted by this issue, other savings within their respective budgets are able to absorb the over budget SPSP expense.

Long Term Disability

The Fiscal Year 2008 Budget for long term disability is \$1.8 million in the General Fund. The year-end expense is projected to be \$400,000 over budget in the General Fund. The overage is caused by higher reductions made to the budget for this fringe account as a result of applying the vacancy factor and also the historical under-budgeting of this account. The variance affects the Library, Fire-Rescue, Public Safety, City Clerk, and Special Events departments.

Flexible Benefits

The Fiscal Year 2008 General Fund budget for flexible benefits is \$40.4 million of which \$26.8 million had been expended through period nine. This fringe account is directly impacted by the current enrollment of employees in the Flexible Benefits Plan. Vacancies of benefited positions result in a year-end projection of \$1.2 million under budget.

The Library Department, however, is projected to experience an over expenditure of \$200,000 in flexible benefits. This is the result of the department hiring benefited part-time employees in full-time budgeted positions to meet staffing needs. Under the current terms of the Flexible Benefits Plan, all benefited employees receive the full allotment for flexible benefits regardless of an employees status (i.e. half, three-quarter or full time). The department has indicated that in order to maintain adequate coverage of evening and weekend library hours, recruiting part-time benefited employees has proven to be more effective than hiring hourly staff. In prior years, the Library Department was able to absorb this doubling of flexible benefit expenditures with other personnel expense savings; however, due to the budgeted vacancy savings, this issue can no longer be absorbed by the department's personnel budget.

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 6

Department	Revised Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
General Services	\$ 108,049,461	\$ 101,724,873	\$ 6,324,588	6%
Police	390,726,695	384,998,401	5,728,294	1%
Fire-Rescue	182,944,598	187,306,214	(4,361,616)	2%
Citywide Program Expenditures	57,753,952	54,851,350	2,902,602	5%
Office of the City Treasurer	14,441,916	12,281,156	2,160,760	15%
Engineering and Capital Projects	35,424,428	33,376,179	2,048,249	6%
City Auditor and Comptroller	11,511,090	10,540,001	971,089	8%
Financial Management	4,117,777	3,385,191	732,586	18%
Office of the Chief Info. Officer	29,063,056	28,358,541	704,515	2%
Environmental Services	48,719,354	48,170,761	548,593	1%
Real Estate Assets	4,261,462	3,852,236	409,226	10%
Office of Ethics and Integrity	2,400,537	1,998,875	401,662	17%
Office of the Chief Fin. Officer	1,067,349	746,920	320,429	30%
Ethics Commission	1,021,106	863,078	158,028	15%

To provide as thorough and meaningful information as possible about departments, additional information regarding the period-to-date expenditures of several departments discussed in the Comptroller's Charter Section 39 report is included. While the main purpose of this report is to present the projected year-end status of departments and funds in comparison to annual appropriations, the coordination of reported data and explanations allows for a more informed review and analysis. Following is a table presented in the Comptroller's *Financial Performance Report (Charter Section 39 Report): Period 9 Fiscal Year 2008* which highlights period-to-date variances of select departments as of March 7, 2008.

General Fund Expenditure Period-to-Date Variance Analysis

	<u>PTD Budget</u>	<u>FY08 YTD Actuals</u>	<u>Variance</u>	<u>%</u>
General Services	\$ 74,401,859	\$ 44,114,841	\$ 30,287,018	41%
San Diego Fire-Rescue	123,606,960	132,104,283	(8,497,323)	-7%
Park and Recreation	59,480,243	56,378,151	3,102,092	5%
Engineering and Capital Projects	25,020,512	22,855,471	2,165,041	9%
City Treasurer	9,752,771	7,784,159	1,968,612	20%
Remaining Departments	477,840,085	465,281,210	12,558,875	3%
Total General Fund Expenditures	<u>\$ 770,102,430</u>	<u>\$ 728,518,115</u>	<u>\$ 41,584,315</u>	<u>5%</u>

General Services

Reflecting an increase from the Mid-Year Report, the General Services Department is projecting a \$6.3 million or 6 percent favorable variance mainly attributed to savings in personnel expenses due to vacancies throughout the department. The department is still actively recruiting to fill vacant positions before the end of the fiscal year but existing savings will remain. Compared to the information reported mid-year, the projected year-end variance has more than doubled. The period-to-date variance of \$30.3 million or 41 percent is explained by the continuing delay in the

establishment of contracts. The department's projections include \$23.2 million in encumbrances for slurry seal and overlay contracts and other miscellaneous purchase orders.

Police

The Police Department projects to conclude the fiscal year with a \$5.7 million or 1 percent positive variance. As mentioned in the discussion of fringe accounts, a larger than necessary vacancy factor adjustment to SPSP accounts is contributing to projected over budget fringe expenditures in the department. This has been corrected in the Fiscal Year 2009 Proposed Budget. In addition, the projected transfer to the Police Decentralized Fund for the payment of booking fees has been reduced to \$2.3 million, offsetting the over budget fringe expenses. This reduced amount remains to pay the portion of the County's expenses that were not supported by State resources.

Fire-Rescue

The year-end expenditure projection for the Fire-Rescue Department is \$4.4 million or 2 percent over budget. Period-to-date expenditures are \$8.5 million or 7 percent over the period-to-date budget. As stated in and partially mitigated by actions taken with the Mid-Year Report, the department reports that the main contributor to this negative variance is increased expenses in reimbursable strike team mutual aide activities and emergency medical services. Other contributors to the over budget expenditures are costs associated with new services provided for Chula Vista fire dispatch and increasing diesel fuel costs. Additionally, resembling the Police Department, Fire-Rescue's fringe budget contains a projected shortfall of approximately \$2.6 million.

Citywide Program Expenditures

The Citywide Program Expenditures Department projects a year-end under budget expenditure variance of \$2.9 million or 5 percent mainly due to the transfer of the \$2.0 million Chargers settlement expense to the QUALCOMM Stadium Fund. In addition, the projected transfer to the Mission Bay and Regional Park Improvement Funds for deferred maintenance is lower than budgeted due to projected lower than budgeted Mission Bay Lease revenues.

Office of the City Treasurer

The Office of the Treasurer projects a positive variance of \$2.2 million or 15 percent, an increase from the 6 percent projected mid-year. The period-to-date and projected under budget expenditures are a result of salary savings due to vacancies, which are anticipated to be filled by year-end, and continued under budget spending on supplies and services and data processing.

Engineering and Capital Projects

Through period nine, the Engineering and Capital Projects Department experienced under budget expenditures of nearly \$2.2 million or 9 percent, which is projected to be reduced to \$2.0 million or 6 percent by year-end. The majority of this variance can be attributed to savings in personnel expenses resulting from vacancies. Additional savings are the result of a timing issue for a large contract for the Red Light Photo Enforcement program. The installation of Red Light Photo Enforcement sites has not occurred as expected; therefore, not all associated expenses have been incurred.

City Auditor and Comptroller

The office of the City Auditor and Comptroller projects a \$971,000 or 8 percent favorable variance for year-end. The under budget expenditures are a result of vacancies experienced throughout the year and associated savings in non-personnel expenses. While the department expects to fill all vacancies by year-end, related savings will remain unexpended.

Financial Management

Displaying a slight increase from the mid-year projection of 16 percent, the Financial Management Department expects to conclude the year \$733,000 or 18 percent under budget related to vacancies experienced throughout the first three quarters of the year. The department has filled all vacant positions but existing savings will not be exhausted by year-end.

Office of the Chief Information Officer

The Office of the Chief Information Officer projects a \$705,000 or 2 percent favorable variance. Consolidation of web infrastructure has allowed the department to shed equipment, licensing and support and lower costs in the miscellaneous contractual services area.

Environmental Services

The Environmental Services Department is projecting a \$549,000 or 1 percent positive variance. The over budget expenses are associated with the department's management of the debris removal program established to assist residents with wildfire recovery. The department received a mid-year adjustment of \$3.9 million to offset the majority of these expenses. Along with previously discussed savings associated with vacancies and lower than expected landfill disposal fee expenses, the department was able to absorb the bulk of the unanticipated expenses.

Real Estate Assets

The Real Estate Assets Department is projecting a \$409,000 or 10 percent favorable variance resulting from savings experienced from vacancies. Additionally, the department projects savings related to a contract with a lease specialist consultant not being initiated this fiscal year as anticipated.

Office of Ethics and Integrity

The Office of Ethics and Integrity is projecting to conclude the year with a \$402,000 or 17 percent favorable variance due to vacancies within the department and associated non-personnel expense savings. Furthermore, the department will experience savings due to funding for a disability services contract not being utilized. A reduction has been incorporated into the Fiscal Year 2009 Proposed Budget.

Office of the Chief Financial Officer

The Office of the Chief Financial Officer projects a \$320,000 or 30 percent year-end favorable variance due to the vacancies of the Executive Secretary and Chief Financial Officer at the beginning of the fiscal year; however, both positions have been filled. In addition, savings were also realized due to the cancellation of a budgeted consultant contract.

Ethics Commission

The Ethics Commission expects to end the year with a \$158,000 or 15 percent favorable variance as a result of salary savings from vacancies experienced earlier in the year. The vacant positions have since been filled, but current savings will remain.

Park and Recreation

The Park and Recreation Department expenses through period nine reflect a notable positive variance of \$3.1 million or 5 percent. This is the result of the seasonality of the department's operations not entirely taken into account during the establishment of period budgets. Additionally, expenses for equipment purchases are being postponed until year-end to ensure adequate funding is available for other priorities. The department projects to end the year on budget.

GENERAL FUND RESERVES

In November 2007, City Council approved the City Reserve Policy (O-19679). This policy established three General Fund reserves: Unallocated, Appropriated and Emergency. It also set goals for increasing General Fund reserve levels. The goal for Fiscal Year 2008 is to end the year with an amount equivalent to 6.0% of total revenues in the combined General Fund reserves. Following the discussion of year-end reserve projections is Table 7: General Fund Reserve Estimates that shows actions approved by City Council through April as well as pending actions scheduled to occur before fiscal year-end.

Fiscal Year 2008 beginning General Fund working capital reserves were estimated at \$91.1 million. During this fiscal year, City Council approved the appropriation of \$18.8 million from the unallocated reserve, including \$7.0 million to establish the Appropriated Reserve. As of May 19, 2008, these actions have resulted in an unallocated reserve balance of approximately \$74.8 million. As of the release of this report, remaining appropriations available in the Appropriated Reserve are \$2.6 million, which includes the recent addition of \$2.5 million to the Appropriated Reserve. The current combined General Fund reserve balance is estimated to be \$74.9 million.

This report requests authority to appropriate an additional \$3.1 million from the unallocated reserves to balance under budget revenues. In addition, a \$3.3 million reserve contribution is budgeted in the Citywide Program Expenditures Department. These actions combined with other pending actions result in a projected working capital reserves balance of approximately \$73.7 million at year-end. This is approximately 6.8% of projected General Fund revenues, slightly above the 6.0% goal for Fiscal Year 2008. In addition, the City Reserve Policy requires the establishment of an Emergency Reserve by fiscal year end. This report requests authority to appropriate and transfer \$55.0 million to the General Fund Emergency Reserve Fund. This action will leave an estimated \$18.7 million in the unallocated reserve. **It is important to note that these are projections of the General Fund fund balance and reserve amounts based upon an estimate of year-end spending and revenues. The actual reserve amount will not be determined until the year-end closing is finalized.**

General Fund Reserve Estimates (in Millions)

Table 7

Action	Unallocated Reserve	Approp. Reserve	Emergency Reserve	Combined
FY 2008 Beginning Balance	\$ 91.13	\$ -	\$ -	\$ 91.13
Actions Taken				
Macias, Gini & O'Connell, LLP Audit Services	\$ (0.69)	\$ -	\$ -	\$ (0.69)
Charger's Settlement	(1.98)	-	-	(1.98)
Establish Appropriated Reserve	(7.00)	7.00	-	-
Soledad Mountain Road	-	(2.00)	-	(2.00)
Otay Mesa Community Plan Update	-	(0.80)	-	(0.80)
Legal Fees for SDCERS Board Members	-	(2.22)	-	(2.22)
Hawkins, Delafield & Wood	-	(0.37)	-	(0.37)
Additional Independent Budget Analyst Staff	-	(0.05)	-	(0.05)
Ad Hoc Fire Prevention Committee Consultant	-	(0.04)	-	(0.04)
Mid-Year Adjustments for Wildfire Expenses	(2.17)	-	-	(2.17)
Leibert Cassidy Whitmore Agreement	-	(0.18)	-	(0.18)
Grantville Master Plan Update	-	(0.79)	-	(0.79)
Office of Homeland Security Wildfire Expenses	-	(0.48)	-	(0.48)
Transfer to Public Liability Fund	(4.50)	-	-	(4.50)
Increase Appropriated Reserve	(2.50)	2.50	-	-
Current Balance	\$ 72.29	\$ 2.57	\$ -	\$ 74.85
Pending Actions				
Year-End Adjustments	\$ (3.13)	\$ -	\$ -	\$ (3.13)
Grant Thorton, LLP	-	(0.40)	-	(0.40)
Macias, Gini & O'Connell, LLP Audit Services	-	(0.98)	-	(0.98)
Budgeted Reserve Contribution	3.33	-	-	3.33
Establish Emergency Reserve	(53.81)	(1.19)	55.00	-
FY 2008 Ending Balance	\$ 18.68	\$ -	\$ 55.00	\$ 73.68

SOUTHERN CALIFORNIA WILDFIRES AND SOLEDAD MOUNTAIN ROAD LANDSLIDE

The following information was obtained through working with the Office of Homeland Security.

Departments are projecting a total of \$21.3 million for Fiscal Year 2008 expenses related to the Southern California wildfires and the Soledad Mountain Road Landslide. The updated wildfire estimate is \$25.7 million. Of this, \$18.3 million has been submitted for reimbursement under Federal Emergency Management Agency's (FEMA) Public Assistance Program and the California Disaster Assistance Act Program. The revised estimate includes \$4.5 million for police and fire emergency services and \$5.8 million for debris removal. The damage estimate for the Soledad Mountain Road landslide remains at \$26.2 million, of which \$21.0 million is for slope stabilization and road reconstruction. The following table, Table 8: FY 2008 Disaster Projections, shows projected expenses incurred versus projected revenues anticipated for Fiscal

Year 2008 and Attachment IV: Disaster Estimates shows total projected disaster expenses and anticipated reimbursements.

FY 2008 Disaster Projections
Table 8

Disaster/Department	Projected FY08 Expense	Projected FY08 Revenue	Net Amount
Southern California Wildfires			
General Fund			
Engineering and Capital Proj	\$ 56,031	\$ -	56,031
Environmental Services	10,688,200	7,249,073	3,439,127
Fire-Rescue	3,401,488	-	3,401,488
General Services	183,085	-	183,085
Office of Homeland Security	1,225,729	-	1,225,729
Office of the Chief Inf Officer	78,928	-	78,928
Park and Recreation	8,713	-	8,713
Police	1,965,077	-	1,965,077
General Fund Subtotal	\$ 17,551,220	\$ 7,249,073	\$ 10,302,147
Non-General Funds			
Development Svcs Ent Fund	\$ 825,000	\$ -	\$ 825,000
Sewer Funds	241,737	-	241,737
Water Fund	1,934,426	-	1,934,426
Non-General Fund Subtotal	\$ 3,001,163	\$ -	\$ 3,001,163
Wildfires Total	\$ 20,552,383	\$ 7,249,073	\$ 13,303,310
Soledad Mountain Road Landslide			
General Fund			
Appropriated Reserve (CIP)	\$ 2,000,000	\$ -	\$ 2,000,000
City Attorney	38,757	-	38,757
Engineering and Capital Proj	361,842	-	361,842
Police	140,944	-	140,944
Fire-Rescue	105,122	-	105,122
General Fund Subtotal	\$ 646,665	\$ -	\$ 646,665
Non-General Funds			
Water Fund	\$ 39,375	\$ -	\$ 39,375
Sewer Funds	100,000	-	100,000
Non-General Fund Subtotal	\$ 139,375	\$ -	\$ 139,375
Landslide Total	\$ 786,040	\$ -	\$ 786,040
General Fund Total	\$ 18,197,885	\$ 7,249,073	\$ 10,948,812
Non-General Fund Total	3,140,538	-	3,140,538
Combined Disasters Total	\$ 21,338,422	\$ 7,249,073	\$ 14,089,349

Note: Table does not include capital expenditures. Please see attachment IV for further detail.

These preliminary expense estimates have been submitted to the Governor's Office of Emergency Services and 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 \$15.0 million, assuming all costs currently submitted are eligible.

The landslide has been determined eligible for Federal Highway Administration reimbursements at 88.53 percent of eligible costs for road work and may be eligible for California Disaster Assistance Act reimbursements at 75.0 percent of the remaining eligible costs. The maximum reimbursement for the landslide would be approximately \$23.3 million, assuming all submitted costs are eligible.

The combined reimbursements could total as much as \$38.3 million. The City could be responsible for between \$13.7 million and \$30.0 million estimated expenses. The amount eligible for reimbursement has not been fully determined by federal and State agencies. 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 updated as information becomes available. To-date the Environmental Services Department has received advanced funding of \$5.8 million for debris removal and \$1.3 million in insurance claim proceeds from property owners who participated in the debris removal program.

NON GENERAL FUNDS

Projections based on the first nine 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 \$500,000 or more, or over 10 percent with a minimum variance of \$100,000 are displayed in Table 9: FY 2008 Significant Non-General Fund Expenditure Variances and are discussed below.

Central Stores Internal Service Fund

The Central Stores Internal Service Fund is projecting to conclude the year with a \$4.8 million or 20 percent unfavorable expenditure variance and a \$4.9 million or 20 percent favorable revenue variance. The variances are due to increased demand for inventory from customer departments which will be offset by revenues from associated sales. The fund projects year-end revenues to exceed projected expenditures by approximately \$150,000.

City Airport Fund

The City Airport Fund is projecting a year-end positive expenditure variance of \$1.5 million or 32 percent and a \$575,000 or 12 percent favorable revenue variance. The expenditure variance is the result of vacancies experienced throughout the year and delayed runway repair projects that will carry forward into future years. Projected year-end revenues in the fund exceed projected expenditures by approximately \$2.3 million.

Development Services Enterprise Fund

Projected year-end expenditures for the Development Services Enterprise Fund show a positive variance of \$2.8 million or 5 percent and revenues are projected to end the year with a positive variance of \$2.4 million or 5 percent. The fund has been controlling discretionary spending to minimize the use of fund balance at the conclusion of the fiscal year. The projected over budget

revenue is due to the new fees received for storm water plan checks, which are now mandatory for every project. Year-end expenditure projections for this fund exceed revenue projections by \$2.3 million.

FY 2008 Significant Non-General Fund Expenditure Variances

Table 9

Fund	Revenue/Expenditure	Budget	Actual/ Projection	Variance Amount	Variance %
Central Stores Int Svc Fund	Rev	23,927,238	28,793,817	4,866,579	20%
	Exp	23,829,301	28,644,196	(4,814,895)	20%
City Airport Fund	Rev	4,867,958	5,442,573	574,615	12%
	Exp	4,664,304	3,163,367	1,500,937	32%
Development Svcs Ent Fund	Rev	45,557,453	47,981,781	2,424,328	5%
	Exp	53,047,886	50,296,956	2,750,930	5%
Energy Conserv Prog Fund	Rev	2,244,984	2,469,135	224,151	10%
E&CP-Internal Service Fund	Rev	25,487,865	24,263,063	(1,224,802)	5%
	Exp	25,487,865	22,898,393	2,589,472	10%
Equipment Int Svc Fund	Rev	50,080,035	49,030,514	(1,049,521)	2%
	Exp	49,772,502	48,183,393	1,589,109	3%
Facilities Financing Fund	Rev	2,403,569	2,108,394	(295,175)	12%
Information Tech Fund	Exp	15,137,320	13,579,147	1,558,173	10%
Library Grants Fund	Rev	753,000	509,368	(243,632)	32%
	Exp	731,373	551,957	179,416	25%
PETCO Park Fund	Rev	15,668,826	16,514,244	845,418	5%
Recycling Fund	Rev	21,000,700	23,797,588	2,796,888	13%
	Exp	24,005,762	21,764,271	2,241,491	9%
Refuse Disposal Fund	Exp	33,832,489	31,940,114	1,892,375	6%
Risk Mgmt Admin Fund	Exp	9,073,934	8,248,723	825,211	9%
STOP Fund	Rev	1,200,000	963,651	(236,349)	20%
Sewer Funds	Rev	359,030,423	380,963,115	21,932,692	6%
	Exp	538,852,894	332,244,426	206,608,468	38%
Solid Waste LEA Fund	Exp	931,929	654,692	277,237	30%
Utilities Und Prog Fund	Rev	1,540,602	2,515,605	975,003	63%
Water Department Fund	Rev	462,174,462	371,672,542	(90,501,920)	20%
	Exp	603,834,166	389,286,146	214,548,020	36%

Energy Conservation Program Fund

The Energy Conservation Program Fund projects a \$224,000 or 10 percent favorable revenue variance due to higher than anticipated reimbursements and payments for managing the fund. In total, revenues are projected to surpass expenditures by \$414,000.

Engineering and Capital Projects Internal Service Fund

The Engineering and Capital Projects Internal Service Fund has projected to conclude the fiscal year with expenses under budget by \$2.6 million or 10 percent and revenues under budget by \$1.2 million or 5 percent. The positive expenditure variance and associated negative revenue variance are the result of consistently high vacancy levels that are expected to be reduced by the end of the year. The net effect of the year-end projections is positive impact of \$1.4 million to the fund.

Equipment Internal Service Fund

The Equipment Internal Service Fund is projecting a \$1.6 million or 3 percent favorable expenditure variance and a \$1.0 million or 2 percent unfavorable revenue variance. The variances can be attributed to reduced levels of services requested by and provided to other departments. The year-end projections result in a positive net impact to the fund of \$847,000.

Facilities Financing Fund

The Facilities Financing Fund projects to end the year with an unfavorable revenue variance of \$295,000 or 12 percent. The revenue variance is due to the vacancies in revenue generating positions. The projected year-end status of this fund reflects expenditures exceeding revenues by \$376,000.

Information Technology Fund

Under budget expenditures of \$1.6 million or 10 percent are projected for the Information Technology Fund. The favorable variance is due to vacancies in the department that have contributed to significant personnel expense and associated non-personnel expense savings. The fund projects to conclude the year with a favorable net variance of \$2.4 million.

Library Grants Fund

The Library Grants Fund is projecting under budget expenditures and revenues of \$179,000 or 25 percent and \$244,000 or 32 percent, respectively. The projected positive expenditure and negative revenue variances are due to the loss of State funding for the Library, resulting in reduced expenditures. This reduction in revenue contributes to year-end projected negative net variance of \$43,000 which will be covered by fund balance.

PETCO Park Fund

The PETCO Park Fund projects a year-end positive variance in revenues of \$845,000 or 5 percent, a slight improvement from the variance presented mid-year. The over budget revenue is due to reimbursements received from the Padres for police and traffic services provided for the 2004 through 2006 baseball seasons. This fund is projecting year-end expenditures to exceed revenues by \$778,000, which will be covered by fund balance.

Recycling Fund

Positive variances of \$2.2 million or 9 percent in expenditures and \$2.8 million or 13 percent in revenues are projected in the Recycling Fund. The under budget expenditures are primarily the result of 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 over budget revenue are credited to higher than anticipated proceeds from

recyclable commodities sales. The fund is projected to end the year with \$2.0 million of revenues in excess of expenditures.

Refuse Disposal Fund

The Refuse Disposal Fund is projecting a favorable expenditure variance of \$1.9 million or 6 percent. The variance is mainly due to reduced expenses associated with a decline in refuse tonnage and favorable interest earnings, decreasing the transfer to the Miramar Closure Fund. The fund is projected to end the year with \$5.7 million of revenues in excess of expenditures.

Risk Management Administration Fund

The Risk Management Administration Fund projects to conclude the year with an \$825,000 or 9 percent favorable expenditure variance. The savings exist in personnel expenses and are the result of a high turn over rate and the resulting vacancies. The fund projects to end the year with \$774,000 of revenue in excess of expenditures.

Serious Traffic Offender Program (STOP) Fund

A year-end under budget variance of \$236,000 or 20 percent in revenue is based upon a reduced number of vehicles impounded for specific vehicle code sections due to shortages in officers working patrol assignments and changes in Police Department policy regarding vehicle impounds when the driver is taken into custody. The net year-end impact to the fund is a negative variance of \$272,000. (Note: This fund was previously titled the Unlicensed Driver Vehicle Impound Fees Fund.)

Sewer Funds

The Sewer Funds are projecting positive year-end variances in expenditures of \$206.6 million or 38 percent and in revenues of \$21.9 million or 6 percent. The variance is in part due to personnel expense savings experienced in the fund. In this fiscal year, the Sewer Fund did not have a vacancy factor applied to the budget, resulting in large salary and associated fringe variances. As discussed mid-year, the positive variance in expenditures is also 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 remaining 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 interest earnings and prior year bond proceeds that are coming into the fund to support capital improvement projects. The fund projects to end the year with \$48.7 million of revenues in excess of expenditures.

Solid Waste Local Enforcement Agency Fund

The Solid Waste Local Enforcement Agency Fund is projecting a \$277,000 or 30 percent positive expenditure variance. This variance has increase from the mid-year, due to continued vacancies in the fund negatively impacting the number of inspections and services provided to other agencies. Projected revenues in excess of expenditures reveal a positive net variance of \$168,000.

Utilities Undergrounding Program Fund

The Utilities Undergrounding Program Fund is projecting over budget revenues of \$975,000 or 63 percent which is the result of more than anticipated staff time being charged to reimbursable projects. The fund is projected to end the year with \$1.1 million of revenue in excess of expenditures.

Water Department Fund

The Water Department Fund projects year-end under budget variances of \$214.5 million or 36 percent in expenditures and \$90.5 million or 20 percent in revenues. As reported in the Mid-Year Report, the variance in expenditures is mainly the result of capital improvement project funding budgeted in Fiscal Year 2008 not expected to be fully expended by year-end. Additionally, these delays in capital projects have affected bond debt issuance, which has resulted in significant under budget expenditures and revenues. Contrary to the department's mid-year projections, Water Sales revenue is projected to be lower than the budgeted amount also negatively impacting total revenue. The fund is projecting to end the year with expenditures exceeding revenues by \$17.6 million.

REQUESTED AUTHORITIES AND APPROPRIATION ADJUSTMENTS

The following appropriation adjustments and authorities are requested to bring the General Fund, departments, and other funds into balance at year-end.

FY 2008 Year-End Appropriation Adjustments
Table 10

Fund/Department	Expenditures Increase/(Decrease)	Revenue	Amount of Reserves Needed
General Fund (a)			
Fire-Rescue (i)	\$ 4,362,000	\$ 2,900,000	\$ 1,462,000
City Attorney (ii)	498,000	(3,400,000)	3,898,000
Library (iii)	405,000	-	405,000
DSD-Neighborhood Code (iv)	371,000	102,000	269,000
Citywide-Reimbursement (v)	233,000	-	233,000
Family Justice Center (vi)	37,000	34,000	3,000
Special Events (vii)	17,000	-	17,000
General Services (viii)	(3,000,000)	(1,200,000)	(1,800,000)
Citywide-Public Liability (ix)	(1,980,340)	-	(1,980,340)
Office of the City Treasurer (x)	(1,750,000)	(2,700,000)	950,000
Engineering & Capital Proj (xi)	(900,000)	-	(900,000)
City Auditor & Compt (xii)	(600,000)	(450,000)	(150,000)
Financial Management (xiii)	(600,000)	-	(600,000)
Major General Fund Rev (xiv)	-	(1,320,051)	1,320,051
General Fund Total	\$ (2,907,340)	\$ (6,034,051)	\$ 3,126,711
Central Stores Int Svc Fund (g)	\$ 4,815,000	\$ 4,815,000	-
QUALCOMM Stadium Fund (h)	450,000	-	450,000
Redevelopment Fund (i)	139,300	139,300	-

GENERAL FUND APPROPRIATION ADJUSTMENTS (item a)

It is requested that a total of \$2.9 million of expenditure appropriations and \$6.0 million of revenue budget be reduced. This will require \$3.1 million from the General Fund unallocated reserve. A significant positive year-end expenditure variance is projected in the General Fund; however, the projected negative variance in revenue exceeds this amount. Departments with large projected positive expenditure variances (over 3 percent of department budget and over \$500,000) are recommended for appropriation reductions in order to minimize the variance between year-end projections and actual year-end expenditures. Revenue budget adjustments are recommended for departments with requested expenditure appropriation adjustments. Finally, a reduction in revenue budget in the Major General Fund Revenues is requested to bring the net year-end projection variance to zero.

Fire-Rescue (sub-item i)

The Fire-Rescue Department requires a \$4.4 million increase in expenditure appropriations with an offsetting increase of \$2.9 million in revenue budget. The projected negative expenditure variance is primarily attributed to strike team incidents, other than the October wildfires, and emergency medical services costs which are cost-recoverable. The remaining over budget expense is due to the structural under budgeting of fringe. The net impact of these adjustments is \$1.5 million.

City Attorney (sub-item ii)

The City Attorney Department requires a \$498,000 increase in expenditure appropriations and a \$3.4 million reduction in revenue budget. The projected over budget expenditures are due to higher than budgeted salaries and terminal leave payouts. The projected negative revenue variance is due to Service Level Agreements anticipated during budget development that were not established. The net impact of these adjustments is \$3.9 million.

Library (sub-item iii)

The Library Department requires a \$405,000 increase in expenditure appropriations. The vacancy factor for this department was set too high in the Fiscal Year 2008 Budget. In addition, the budget does not contain sufficient fringe benefits for part-time benefited staff filling full-time budgeted positions. The net impact of this adjustment is \$405,000.

Development Services – Neighborhood Code Compliance (sub-item iv)

The Neighborhood Code Compliance Division of the Development Services Department requires a \$371,000 increase in expenditure appropriations with an offsetting increase of \$102,000 in revenue budget. The projected negative expenditure variance is due to reimbursing the Development Services Enterprise Fund for staff performing work for the General Fund. The over budget revenue is due to reimbursement from Proposition A funding for graffiti removal in the public right-of-way. The net impact of these adjustments is \$269,000.

Citywide Program Expenditures (sub-items v and ix)

A net reduction of \$1.7 million in expenditure appropriations is requested in Citywide Expenditure Programs. Additional appropriations of \$233,000 will allow the General Fund to reimburse the Recycling and Refuse Disposal Funds for wildfire related waste disposal and

recycling fee waivers. Sufficient funds are available in the QUALCOMM Stadium Fund to pay the settlement with the San Diego Chargers for the 2002 through 2005 football seasons due to the ADA renovations. Authority is requested to transfer \$2.0 million back to the General Fund from the Public Liability Fund and reduce the expenditure appropriation in Citywide Program Expenditures. This will reduce General Fund expenses by \$2.0 million, offsetting over budget expenditures and under budget revenues in other departments. (See the discussion on the requested QUALCOMM Stadium Fund appropriation adjustment for additional information.) The net impact of these adjustments is a positive \$1.7 million.

Family Justice Center (sub-item vi)

The Family Justice Center requires a \$37,000 increase in expenditure appropriations with an offsetting increase of \$34,000 in revenue. The projected expenditure variance is due to the contracted security guard that was requested by Council during the Fiscal Year 2008 Budget hearings. The additional revenue is from federal grants for the Encourage Arrest Policies and Enforcement of Protection Orders Program. The net impact of these adjustments is \$3,000.

Special Events (sub-item vii)

The Special Events Department requires a \$17,000 increase in expenditure appropriations due to a structural under budgeting of fringe.

Reductions (sub-items viii and x-xiii)

It is requested that expenditure appropriations be reduced in departments with significant projected under budget expenditures. These adjustments will partially offset the expenditure appropriation increases needed in other General Fund departments and should minimize the variance between year-end projections and actual year-end expenditures. The reductions are recommended for departments with a projected positive variance of over \$500,000. The reduction amounts will not reduce the projected variance below 3 percent of the department's budget, allowing for any unforeseen year-end expenditures. If the department is also projecting under budget revenue, a revenue adjustment is included. The departments recommended for adjustment are: General Services (\$3.0 million in expenditures and \$1.2 million in revenue), Office of City Treasurer (\$1.8 million in expenditures and \$2.7 million in revenue), Engineering and Capital Projects (\$900,000 in expenditures), City Auditor and Comptroller (\$600,000 in expenditures and \$450,000 in revenue), and Financial Management (\$600,000 in expenditures). The net impact of these adjustments is a positive \$2.5 million.

Major General Fund Revenues (sub-item xiv)

A reduction of \$1,320,000 in budgeted Major General Fund Revenues is requested. This will balance the previous General Fund appropriation adjustments with the projected net year-end variance for the General Fund, bringing the General Fund projections into balance.

OTHER APPROPRIATION ADJUSTMENTS AND REQUESTED AUTHORITIES

Transfer of Appropriations Among General Fund Departments (item b)

Authority is requested to transfer salary appropriations in one General Fund department for fringe and/or non-personnel appropriations in another General Fund department with no net increase to either departments' total budget. This will allow departments to remain balanced,

within the Charter requirement that salary appropriations may not be used for any other purpose. For example, non-personnel savings in the Police Department may be transferred to the Park and Recreation Department with an offsetting transfer of Park and Recreation Department salary savings transferred to the Police Department. Both departments' total budgets remain as approved by Council; however, the Park and Recreation Department would receive non-personnel appropriations to balance its over budget expenditures in that category.

Community Parking Districts (item c)

Council Policy 100-18, Community Parking District Policy, allocates 45 percent of parking meter revenues generated within each district to the Community Parking District (CPD). Authority to adjust the appropriated expenditure to the CPDs within the City Planning and Community Investment Department is requested in order to comply with this Council Policy.

Emergency Reserve Fund (item d)

The City Reserve Policy (approved on November 20, 2007, O-19679) requires the contribution of funds from the General Fund unallocated reserve to establish the General Fund Emergency Reserve in Fiscal Year 2008. The funds deposited in the Emergency Reserve will only be used for qualifying emergencies as declared by the Mayor and/or the City Council and ultimately approved by the City Council. Approval by at least two-thirds of the City Council will be required to access these funds and they will not be used to meet operating shortfalls or to fund new programs or personnel. In order to establish the Emergency Reserve, it is necessary to provide the authority to increase the Appropriated Reserve expenditure appropriations by the amount necessary, up to an additional \$55.0 million, to be transferred to the Emergency Reserve. Any remaining unspent appropriations in the Appropriated Reserve will be used to minimize the additional amount appropriated from the General Fund unallocated reserve. The impact to the General Fund unallocated reserves is currently estimated at approximately \$53.8 million, as reflected in Table 7: General Fund Reserve Estimates in the General Fund Reserves section of this report. This \$55.0 million expense has not been included in the General Fund projections.

City Planning and Community Investments Carryover (item e)

It is requested to carryover up to \$1.2 million for the City Planning and Community Investments Department into the allocated reserve. These funds were appropriated in Fiscal Year 2008 for Uptown and Otay Mesa Community Plan updates; however, the contracts will not be issued until the next fiscal year. The estimated impact to the General Fund is \$1.2 million.

Special Promotional Programs Transfer to the General Fund (item f)

The Municipal Code and Council Policy 100-03 identify 1 cent, of the 10.5 cents of Transient Occupancy Tax (TOT), to be available for any purpose the City Council directs. Based on current TOT revenue projections, 1 cent represents \$15.2 million of TOT funds. The Fiscal Year 2008 Special Promotional Programs, TOT Fund, budget includes an appropriated transfer of \$10.6 million of this 1 cent allotment to the General Fund. The Tourism Marketing District (TMD) will reimburse Special Promotional Programs by nearly \$5.3 million for contract related expenses incurred after the establishment of the TMD. This additional revenue is offset by the projected under budget TOT revenue. Current projections estimate that approximately \$3.7 million of additional TOT revenue will be available to transfer to the General Fund. This amount has been included in the Major General Fund Revenue projections. Authority is requested to

increase the budgeted transfer to the General Fund, based on available TOT revenues, in an amount not to exceed the 1 cent allowable by Municipal Code and Council Policy.

Central Stores Internal Service Fund (item g)

The Central Stores Internal Service Fund requires a \$4.8 million increase in expenditure appropriations with an equal increase in revenue budget. Central Stores is projecting \$4.8 million of over budget expenditures due to increased demand for inventory from other City departments. The over budget expenditures are offset by additional revenue. These adjustments will have no net impact on the fund.

QUALCOMM Stadium Fund (item h)

An increase in expenditure appropriations of \$450,000 from fund balance is requested in the QUALCOMM Stadium Fund. Sufficient funds are available in the QUALCOMM Stadium Fund to pay the \$2.0 million settlement with the San Diego Chargers for the 2002 through 2005 football seasons due to the ADA renovations. Existing expenditure appropriations are available for \$1.5 million of this cost due to lower than anticipated payments to the Chargers and vacancies. The remaining \$450,000 is available in fund balance for this expense. In addition, authority is requested to transfer the \$2.0 million to the Public Liability Fund to replace the General Fund contribution previously authorized. (See the discussion on the Citywide Program Expenditures appropriation adjustment for additional information.) The net impact of this adjustment is \$450,000.

Redevelopment Fund (item i)

The Redevelopment Fund requires a \$139,300 increase in expenditure appropriations with an equal increase in revenue budget. This adjustment will fund unbudgeted rent expenses and the Southeastern Economic Development Corporation performance audit. The Redevelopment Agency will fully reimburse these expenses. These adjustments will have no net impact on the fund.

Increase Appropriations from Available Sources (item j)

This authority is requested in order to allow the City Comptroller to adjust appropriations as needed for unforeseen events in order to close Fiscal Year 2008 with funds in balance.

TransNet I Commercial Paper (item k)

The de-appropriation of TransNet I Commercial Paper from capital projects is necessary due to the completion of the TransNet I program at the end of this fiscal year. All TransNet I Commercial Paper issuances have been closed and no further issuance will occur from the TransNet I program prior to the end of Fiscal Year 2008. The affected projects have been reprogrammed and/or reprioritized as reflected in the Fiscal Year 2009 Proposed Budget. The affected projects and amounts are listed in Attachment V: TransNet I Commercial Paper Appropriations.

Carryover to Council Infrastructure Improvement Fund (item l)

The authority is requested to carryover any available budget balances for Council Districts 1 through 8 into their respective Infrastructure Improvement Fund. The purpose of this carryover is to finance capital improvements and major maintenance of streetlights, sidewalks, traffic signals,

libraries, park and recreation facilities, roadways, or other purposes as identified by individual Council Districts. The estimated impact to the General Fund is approximately \$600,000.

FISCAL CONSIDERATIONS: The net impact of the General Fund year-end projections and requested adjustments, including the carryover of \$1.8 million, is \$3.1 million from the General Fund unallocated reserve. The appropriation and transfer of up to an additional \$55.0 million from the General Fund unallocated reserve is necessary to establish the Emergency Reserve. Adjustments are also requested for the TOT Fund, Central Stores Internal Service Fund, QUALCOMM Stadium Fund, and Redevelopment Fund. In addition, it is requested to de-appropriate TransNet I Commercial Paper.

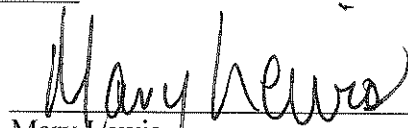
PREVIOUS COUNCIL and/or COMMITTEE ACTION: None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None.

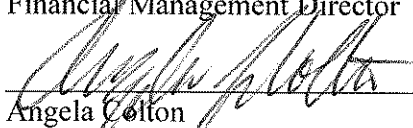
KEY STAKEHOLDERS AND PROJECTED IMPACTS: None.



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
 - IV. Disaster Estimates
 - V. TransNet I Commercial Paper Appropriations