



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: May 23, 2012 REPORT NO: 12-068

ATTENTION: City Council
Agenda of May 25, 2012

SUBJECT: Fiscal Year 2012 Year-End Budget Monitoring Report

REFERENCE: Fiscal Year 2012 Mid-Year Budget Monitoring Report, #12-018
Fiscal Year 2012 First Quarter Budget Monitoring Report, #11-154

REQUESTED ACTION:

Accept the report on Fiscal Year 2012 Year-End Budget Monitoring and approve the requested budget adjustments and authorities.

STAFF RECOMMENDATION:

Accept the report and approve the recommended actions.

SUMMARY:

The following report presents projections of year-end revenues and expenditures for the General Fund and other funds with budgeted staff. Projections were developed using actual (unaudited) data from July 2011 through March 2012, which provides nine accounting periods of activity, and departments' information regarding expected spending trends and operations for the remainder of the fiscal year. This report includes discussion of year-end revenue and expenditure projections that vary from the current Fiscal Year 2012 budget by \$500,000 or more.

The General Fund is projecting a net surplus of \$17.8 million of revenue in excess of expenditures at fiscal year-end. This is a slight increase from the \$16.5 million projected surplus included in the Mid-Year Report. The current projections include the addition of \$5.0 million in restored services and one-time expenses, as approved in the Mid-Year Report, and an increase of \$1.4 million in retiree health expenses resulting from the loss of funding from the Early Retiree Reinsurance Program. Offsetting these expenditure increases are additional savings in personnel, due to a higher number of retirements than what was anticipated in the Mid-Year Report, and lower energy and utility expenses. As a result, bottom-line General Fund projections reflect an improvement from those presented in the previous report.

In accordance with the Reserve Policy (Council Policy 100-20), the status of the General Fund Reserves is also included in this report. Based on the revenue and expenditure projections mentioned above, the General Fund reserve is projected to reach \$131.7 million at fiscal year end, which exceeds the 8 percent reserve target. Information about other funds' reserve levels are provided in Attachment IV at the end of the report.

No use of the projected General Fund surplus is recommended for the remainder of this fiscal year; however, the Fiscal Year 2013 Proposed Budget and Mayor's May Revision incorporate the use of \$12.8 million of the surplus. Approximately \$3.7 million will be re-budgeted in Fiscal Year 2013 for expenses that have been delayed and will be incurred next fiscal year, which includes the re-appropriation of unspent City Council office budgets. In addition, \$8.3 million will be added to deferred capital projects and \$800,000 for the General Fund Appropriated Reserve in Fiscal Year 2013. The remaining \$5.0 million of projected Fiscal Year 2012 General Fund surplus is recommended to fall to reserves to be available for unforeseen circumstances or to mitigate the potential impact resulting from the State's determination regarding former Redevelopment Agency enforceable obligations.

FISCAL CONSIDERATIONS:

Appropriation adjustments and authorities are requested to bring the General Fund and other funds into balance at year-end. These adjustments address over budget year-end projections, as discussed throughout the report. The requested adjustments for General Fund departments are offset by revenue and adjustments for non-general funds are supported by additional revenues or fund balance. Also included are requests to close incomplete capital projects and to de-appropriate excess funding in capital projects. Finally, actions are included that are typically requested at year-end to allow for unexpected adjustments.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None

KEY STAKEHOLDERS AND PROJECTED IMPACTS: None



Angela Colton
Financial Manager



Mark Leonard
Financial Management Director



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Attachment: Fiscal Year 2012 Year-End Budget Monitoring Report

Fiscal Year 2012 Year-End Budget Monitoring Report



**City of San Diego
Financial Management Department
May 2012**

GENERAL FUND

The General Fund is projected to end the year with \$17.8 million of revenue in excess of expenditures as reflected in Table 1: Summary of FY 2012 General Fund Projections. Revenue is projected to exceed budget by \$13.0 million, or 1 percent, and expenditures are projected to end the year \$11.6 million, or 1 percent, under budget. This is a \$24.6 million improvement from the current budget, which includes the use of \$1.8 million in General Fund Reserves (included in the Adopted Budget) and \$5.0 million from the projected surplus in the Fiscal Year 2012 Mid-Year Budget Monitoring Report (Mid-Year Report).

Summary of FY 2012 General Fund Projections				
<i>Table 1</i>				<i>in millions</i>
Revenue/Expenditures	Current Budget	Year-End Projection	Over/(Under) Budget	Variance %
Projected Revenue				
Major General Fund Revenues	\$ 817.7	\$ 826.2	\$ 8.4	1%
Departmental Revenue	306.9	311.4	4.5	1%
Subtotal	\$ 1,124.6	\$ 1,137.6	\$ 13.0	1%
Projected Expenditures				
Salaries	\$ 510.0	\$ 503.7	\$ (6.4)	-1%
Fringe and Non-Personnel	621.4	616.1	(5.3)	-1%
Subtotal	\$ 1,131.4	\$ 1,119.8	\$ (11.6)	-1%
Net Year-End Projection	\$ (6.8)	\$ 17.8	\$ 24.6	

The current projected General Fund surplus of \$17.8 million is slightly higher than the \$16.5 million estimated in the Mid-Year Report. Table 2: Comparison of FY 2012 General Fund Projections illustrates the differences in the projections between the two reports. Both revenue and expenditure projections decreased significantly due to a reallocation of \$11.8 million in Gas Tax funding to capital projects, which has no net impact on the General Fund. After accounting for this revision, the General Fund revenue projection increased by \$871,000 and the expenditure projection was reduced by approximately \$456,000 since the Mid-Year Report.

Comparison of FY 2012 General Fund Projections				
<i>Table 2</i>				<i>in millions</i>
Revenue/Expenditures	Mid-Year Report	Year-End Report	Change¹ Amount	Change %
Projected Revenue	\$ 1,148.5	\$ 1,137.6	\$ (10.9)	-1%
Projected Expenditures	1,132.1	1,119.8	(12.3)	-1%
Net Year-End Projection	\$ 16.5	\$ 17.8	\$ 1.3	

¹ Subsequent to the Mid-Year Report, \$11.8 million of Gas Tax revenue and the associated expenses were reallocated to capital projects.

While the bottom-line projections have only changed slightly since the Mid-Year Report, this represents a significant improvement because \$5.0 million of additional expenses were added at mid-year. In addition, \$1.4 million of over budget retiree health expenses became known after

FY 2012 Mid-Year Report Actions
Table 3 *in millions*

Description	Amount
Projected Surplus Revenue	\$ 16.5
Surplus Used	(5.0)
Retiree Health Increase	(1.4)
Adjusted Projected Surplus	\$ 10.1

the release of the Mid-Year Report. As shown in Table 3: FY 2012 Mid-Year Report Actions, these adjustments reduced the projected General Fund surplus to \$10.1 million at the time of the Mid-Year Report. As a result, the current projections represent a positive swing of \$7.7 million.

Two significant factors contribute to the change in projections since the Mid-Year Report, as reflected in the Table 4: Changes in FY 2012 Projections. The most notable change is a \$4.7 million reduction in personnel expense projections due to an increase in the number of retirements than was assumed in the previous report. The Mid-Year Report included projected savings associated with retirements in 84.00 FTE positions for the second half of the fiscal year but current estimates are for retirements in 170.00 FTE positions during the same time frame. Due to the timing of these retirements, it is likely that most of these positions will remain vacant until the beginning of next fiscal year. The other notable change is a reduction of \$1.9 million in energy and utility projections. The reduction occurs primarily in the projections for the Park and Recreation Department, which include a \$1.0 million correction to water billing and approximately \$568,000 in additional gas and electricity savings, primarily due to milder weather. As a result of these and other adjustments to projections, the Fiscal Year 2012 General Fund surplus is currently projected to be \$17.8 million.

Changes in FY 2012 Projections
Table 4 *in millions*

Description	Amount
Adjusted Mid-Year Surplus	\$ 10.1
Personnel	4.7
Energy and Utilities	1.9
Other	1.1
Current Projected Surplus	\$ 17.8

As previously mentioned, General Fund Revenues are projected to exceed budget by \$13.0 million. All department revenues combined are projected to exceed budget by \$4.5 million, or 1 percent, this fiscal year. The most notable over budget department revenue is the one-time \$4.4 million in deferred tow referral fee revenue for the Police Department. Major General Fund revenues are projected to exceed budget by \$8.4 million, or 1 percent, primarily in sales tax, \$5.9 million, and property tax, \$2.0 million. Overall, General Fund revenues are trending similar to the projections included in the Mid-Year Report.

Department expenditures are projected to end the fiscal year \$11.6 million below budget. The largest savings are anticipated in salaries and wages and the contracts category, with projections under budget by \$6.4 million and \$5.2 million, respectively. The actions taken with the Mid-Year Report increased department expenditure budgets by \$9.8 million, with offsetting revenue, to address over budget projections at that time. Those budgetary corrections, combined with additional salary savings from retirements, contribute to the significant under budget expenditure projection at this time.

While the current projected General Fund surplus is \$17.8 million, it should be noted that this does not incorporate any fiscal impacts resulting from the dissolution of the Redevelopment Agency of the City of San Diego (RDA), in accordance with Assembly Bill x1 26 (AB 26). Final

approval of the Enforceable Obligation Payment Schedule (EOPS) submitted by the City has not yet been obtained. There is a risk that payments for the administrative costs associated with former RDA agencies and City department support will not be approved at the level submitted and any remaining costs not approved in the EOPS will fall to the City's General Fund. A similar risk exists for costs associated with payments toward City debt included in the EOPS, such as for Petco Park. If the General Fund is required to pick up these additional administrative and/or debt support costs in the current fiscal year, the projected surplus would be reduced.

GENERAL FUND RESERVES

The Fiscal Year 2011 ending fund balance for the General Fund was \$113.9 million. Based on current revenue and expenditure projections, an additional \$17.8 million would be contributed to reserves at the end of this fiscal year, as reflected in Table 5: FY 2012 General Fund Reserve Estimates. The projected \$131.7 million General Fund reserve balance for Fiscal Year 2012 represents over 11 percent of Fiscal Year 2012 projected revenue and exceeds the 8 percent reserve target by \$40.7 million.

A portion of the current year expenditure savings, which will fall to fund balance at the end of the current fiscal year, will be re-budgeted in Fiscal Year 2013. The Council Community Projects, Programs and Services allocations; Kinder Morgan litigation; and community plan updates account for \$3.7 million of the projected savings this fiscal year. In response to City Council's request, an additional \$8.3 million will be budgeted for deferred capital projects in Fiscal Year 2013 using the projected surplus from this fiscal year. In addition, \$800,000 will be added to the Fiscal Year 2013 Appropriated Reserve. These actions will utilize \$12.8 million of the projected \$17.8 million Fiscal Year 2012 General Fund surplus, reducing the projected reserve level to \$118.9 million. The remaining \$5.0 million of projected Fiscal Year 2012 General Fund surplus is recommended to remain in reserves to mitigate the potential impacts resulting from the State's determination regarding former Redevelopment Agency enforceable obligations.

FY 2012 General Fund Reserve Estimates	
<i>Table 5</i>	<i>in millions</i>
Description	Amount
FY 2011 Ending Balance	
Unassigned Balance	\$ 58.9
Emergency Reserve	55.0
Subtotal	\$ 113.9
FY 2012 Projected Activity	
Projected Revenue	\$ 1,137.6
Projected Expenditures	(1,119.8)
Subtotal ¹	\$ 17.8
Projected Ending Balance	\$ 131.7
FY 2013 Budget from FY 2012 Savings	
Deferred Capital Projects	\$ (8.3)
Council CPPS	(1.5)
Kinder Morgan	(1.4)
Community Plan Updates	(0.9)
Appropriated Reserve	(0.8)
Subtotal	\$ (12.8)
Revised Reserve Projection	\$ 118.9

¹ The FY 2012 Adopted Budget assumed an impact of \$1.8 million and \$5.0 million was added in the Mid-Year

GENERAL FUND REVENUES

The current General Fund revenue budget for Fiscal Year 2012 is \$1.1 billion. Revenues are projected to be over budget by \$13.0 million, or 1 percent, at year end. The current year-end projection for General Fund revenues is \$10.9 million less than the projection in the Mid-Year Report primarily due to a reallocation of \$11.8 million in Gas Tax funds from General Fund

operations to capital projects. This action, approved by City Council in March 2012, reduced both the revenue and expenditure budget in the Transportation and Storm Water Department with no net impact to the General Fund.

Major General Fund revenues are projected to conclude the fiscal year at \$8.4 million, or 1 percent, over budget primarily in sales and property tax revenues offset by the loss of motor vehicle license fee revenue that was eliminated in the State’s Fiscal Year 2012 Budget Overall, the projections for major revenues are similar to those included in the Mid-Year Report with a significant increase in sales tax that is offset by reductions in the transient occupancy tax and property tax projections. Department revenues are projected to be over budget by \$4.5 million, or 1 percent. The most significant increase in department revenues is the one-time \$4.4 million in deferred tow referral fee revenue for the Police Department. Taking into account this one-time revenue, the City’s department revenues are projected to be at budget. Combined, department revenues have increased by \$691,000 since the Mid-Year Report (after accounting for the reduction in Gas Tax revenue as discussed above), primarily due to an increase in the Police Department’s revenue projection for Abandoned Vehicle Abatement (AVA) reimbursements. The following sections discuss the variances between revenue projections and the current budget for both major and department revenues, which are detailed in Attachment I: General Fund Projected Revenues.

Major Revenues

The year-end projection for the General Fund major revenues is \$826.2 million, which is 1 percent or \$8.4 million over the current budget. The projections for General Fund major revenues are based on the most recent economic information and revenue distributions to the City through nine months of the fiscal year and are reflected in Table 6: FY 2012 Major General Fund Revenue Projections.

FY 2012 Major General Fund Revenue Projections				
<i>Table 6</i>	<i>in millions</i>			
Revenue Source	Current Budget	Year-End Projection	Over/(Under) Budget	Variance %
Property Tax	\$ 383.4	\$ 385.4	\$ 2.0	1%
Sales Tax	216.9	222.8	5.9	3%
Transient Occupancy Tax ¹	76.8	77.5	0.7	1%
Franchise Fees ²	67.7	67.9	0.2	0%
Property Transfer Tax	5.1	5.8	0.7	14%
Motor Vehicle License Fees	3.3	-	(3.3)	-100%
Other Major Revenue	64.5	66.7	2.2	3%
Total	\$ 817.7	\$ 826.2	\$ 8.4	1%

¹ Total City FY 2012 current revenue budget for transient occupancy tax is \$144.8 million and the projection is \$147.9 million. The balance is budgeted in the Transient Occupancy Tax Fund.

² Total City FY 2012 current revenue budget for franchise fees is \$124.7 million and the projection is \$130.0 million. The balance is budgeted in the Environmental Growth and Underground Surcharge Funds.

As a result of the actions in the Mid-Year Report, the budget for major revenues was increased by \$9.8 million to offset expenditure increases in General Fund departments. The following

discussion of budgetary variances is based on the current revenue budget of \$817.7 million. Overall, the projections for major revenues are similar to those included in the Mid-Year Report, with the current projections showing a slight increase of \$181,000 from what was previously reported.

Sales and property taxes are the primary contributors to the positive variance, with anticipated receipts of \$5.9 million and \$2.0 million, respectively, in excess of the current budget. Increases are also projected in transient occupancy tax, franchise fees, property transfer tax and other revenues, which are partially offset by the shortfall in motor vehicle license fees. It should be noted that even with these projected improvements, the City's major General Fund revenue sources are still below their high points in Fiscal Years 2008 and 2009.

The Fiscal Year 2012 Adopted Budget for major General Fund revenues incorporated an improved economic forecast compared to previous fiscal years. Since development of the budget, spending in both consumer goods and tourism, including business travel, has improved which is evidenced by increased sales tax and transient occupancy tax revenues. However, these improved economic factors are tempered by continued mixed signals from housing market statistics. While some State and national indicators of economic growth have slowed through the first half of the fiscal year, there are continued signs of improvement locally when comparing local indicators over a longer time period, as shown in Table 7: Local Economic Indicators.

Local Economic Indicators			
<i>Table 7</i>	<i>in millions</i>		
Economic Indicator	March 2011	March 2012	% Change
Unemployment	10.1%	9.5%	-1%
Total Labor Force	707,500	711,500	1%
Number of Unemployed	71,200	67,900	-5%
San Diego County Home Sales	3,051	3,237	6%
San Diego County Median Home	\$333,558	\$327,447	-2%
Foreclosures	1,141	716	-37%
Notices of Default	2,102	1,773	-16%

Source: California Employment Development Department, DataQuick Information Systems, USD Index of Leading Economic Indicators, San Diego County Assessor/Auditor/Recorder's Office

A year-over-year comparison of the local employment market continues to show movement in a positive direction, as evidenced by the 0.6 percent drop in the City of San Diego's unemployment rate from 10.1 percent in March 2011 to 9.5 percent in March 2012. This improvement in the local unemployment rate is supported by a decrease in the number of unemployed and an increase in the total labor force, signifying that previously discouraged workers are returning to the labor force. However, the improvement in a year-over-year comparison of unemployment is somewhat tempered by a slight increase in the unemployment rate from the 9.0 percent reported in December 2011. [Note, on May 18, 2012, unemployment for the City of San Diego was reported at 8.7 percent.] In addition, a review of the local housing market continues to provide mixed signals. While there has been an increase in the number of

sales and a decrease in notices of defaults and foreclosures, there has also been a decrease in median home price.

While the year-end projections for the General Fund’s major revenue sources exceed Fiscal Year 2011 actual receipts and the Fiscal Year 2012 Adopted Budget, there are some decreases when comparing current projections to the Mid-Year Report, as reflected in Table 8: Comparison of FY 2012 Major General Fund Revenue Projections. These variances are discussed in detail in the following sections.

Comparison of FY 2012 Major General Fund Revenue Projections				
<i>Table 8</i>	<i>in millions</i>			
Revenue/Expenditures	Mid-Year Report	Year-End Report	Change Amount	Change %
Property Tax	\$ 386.2	\$ 385.4	\$ (0.8)	0%
Sales Tax	220.7	222.8	2.2	1%
Transient Occupancy Tax	78.7	77.5	(1.2)	-2%
Franchise Fees	68.1	67.9	(0.2)	0%
Property Transfer Tax	5.5	5.8	0.3	6%
Motor Vehicle License Fees	-	-	-	0%
Other Major Revenue	66.9	66.7	(0.2)	0%
Total	\$ 826.0	\$ 826.2	\$ 0.2	0%

Property Tax

The year-end projection for property tax revenue is \$385.4 million, which is a 1 percent or \$2.0 million increase from the current budget of \$383.4 million. This is a \$752,000 decrease from the projection included in the Mid-Year Report. Since release of the Mid-Year Report, the San Diego County Assessor/Recorder/County Clerk’s Office has continued to process property owner applications for reductions in their assessed value. The processing of these applications has resulted in an increase in refunds during the third quarter of the fiscal year and therefore a reduction in the year-end projection for property tax receipts. Although refunds increased during the third quarter, a year-to-date comparison of Fiscal Year 2012 refunds against Fiscal Year 2011 shows a significant decrease. While the City does not anticipate a large amount of additional property tax refunds, the total amount of refunds remaining to be processed in Fiscal Year 2012 is unknown.

Although the current year-end projection is lower than the Mid-Year Report, the City still projects a 98 percent collection rate for property taxes compared to the 96.8 percent collection rate assumed in the Fiscal Year 2012 Adopted Budget. This is based on the Fiscal Year 2011 actual property tax revenue collection rate which was 98 percent and is anticipated to continue through Fiscal Year 2012.

Property Transfer Tax

The year-end projection for property transfer tax revenue is \$5.8 million, which is a 14 percent or \$697,000 increase from the current budget of \$5.1 million. This is a \$332,000 increase from the property transfer tax projection included in the Mid-Year Report. The current projection is based

on actual receipts through the third quarter of the fiscal year and is reflective of an increase in home sales.

Property transfer tax is levied on the sale of residential and commercial real estate property and is highly reflective of the activity in the housing market, making property transfer tax revenues generally more volatile than the 1 percent property tax levy. Accordingly, appreciation or depreciation in property values and sales volume in the local real estate market affect property transfer tax revenues. These changes in the market place are reflected in the monthly property transfer tax revenue receipts.

According to DataQuick Information Systems, the number of single family homes sold in San Diego County in March 2012 was 3,237, which is a 6 percent increase over the March 2011 home sales volume of 3,051. Notices of default and foreclosures have been declining from their record high levels during the recession. In March 2012, there were 1,773 notices of default, which is a 16 percent decrease from the 2,102 notices of default in March 2011. There were 716 foreclosures in March 2012, which is a 37 percent decrease from the March 2011 foreclosure count of 1,141. The total number of notices of default and foreclosures recorded during the first three months of calendar year 2012 has decreased 18 percent and 29 percent, respectively, from calendar year 2011 numbers for the same time period. While there has been some improvement in home sales, notices of default and foreclosures, the median home price has decreased slightly. As of March 2012, the median home price was \$347,447, which is a 2 percent decrease from the median home price of \$333,558 in March 2011. It is assumed that the continued declines in notices of default and foreclosures, along with the increases in home sales, will continue for the remainder of the fiscal year, leading to an improvement in the market with the potential for median home prices to stabilize.

Sales Tax

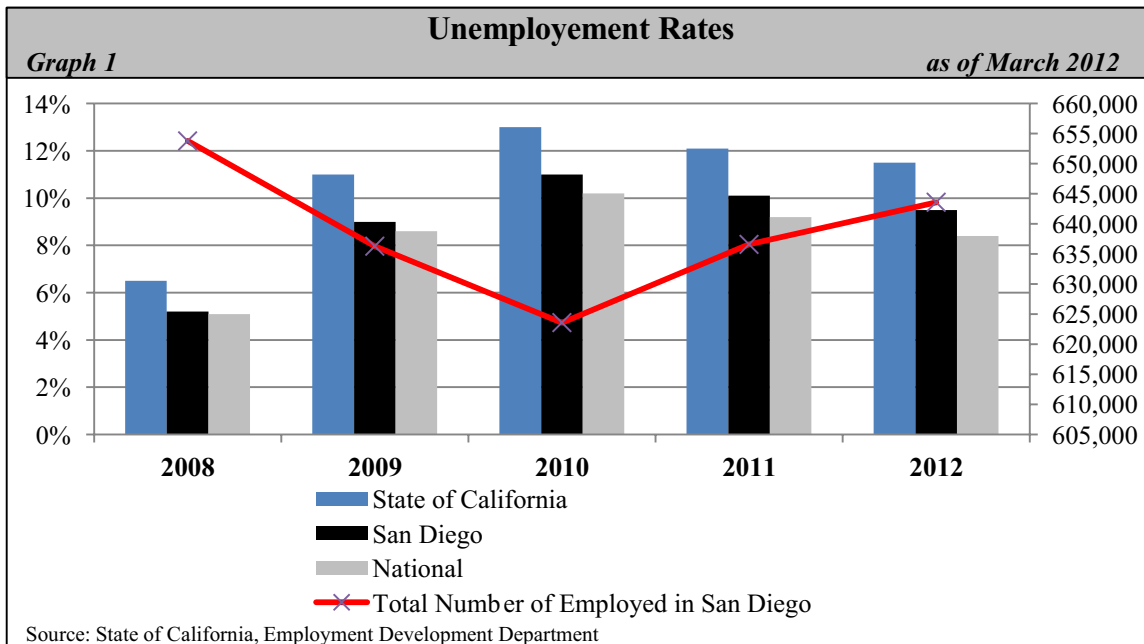
The year-end projection for sales tax is \$222.8 million, which is a 3 percent, or \$5.9 million, increase from the current budget amount of \$216.9 million. This is a \$2.2 million increase from the sales tax projection included in the Mid-Year Report. The City experienced positive growth in sales tax revenue throughout Fiscal Year 2011 and that trend has continued through the third quarter of Fiscal Year 2012, with gains reported in all economic sectors as shown in Table 9: Quarterly Sales Tax Revenue.

Quarterly Sales Tax Revenue			
<i>Table 9</i>			<i>in millions</i>
Economic Category	4th Qtr CY 2010	4th Qtr CY 2011	% Change
General Retail	\$ 16.1	\$ 16.9	5%
Food Products	10.3	11.2	8%
Transportation	8.9	10.0	13%
Business to Business	8.1	8.1	0%
Construction	3.1	3.4	9%

Source: MuniServices, LLC

The transportation sector has led the way in sales tax gains for the majority of the fiscal year, as new automobile and service station sales have both increased. Despite meager retail sales in December 2011, U.S. automakers reported a significant rise in new automobile sales, giving the impression of a modest, but lengthy economic recovery (MuniServices, LLC).

A steady rate of consumer spending throughout Fiscal Year 2012 has resulted in sales tax receipts above projected amounts. The City’s projections for the remainder of the fiscal year reflect a moderate growth rate of 6.0 percent over Fiscal Year 2011 actual receipts, which is an increase from the 4.5 percent growth rate that was incorporated in the Mid-Year Report. Even though California’s unemployment rate is estimated to remain close to 11.6 percent through calendar year 2012, total employment levels are expected to grow by 2.1 percent in calendar year 2013 (UCLA Anderson Forecast). Increased employment levels should lead to additional discretionary spending and therefore increased sales tax receipts. In March 2012, the California Employment Development Department reported San Diego’s unemployment rate at 9.5 percent and the State of California’s unemployment rate at 11.5 percent, as shown in Graph 1: Unemployment Rates.



Transient Occupancy Tax (TOT)

The year-end projection for total City TOT is \$147.9 million. The General Fund portion of this revenue is \$77.5 million, which is a 1 percent or \$664,000 increase from the current budget amount of \$76.8 million. This is a \$1.2 million decrease from the TOT projection included in the Mid-Year Report. Following the release of the Mid-Year Report, the Fiscal Year 2012 TOT projection was revised downward to correct for a reporting discrepancy resulting from the transition to the new TOT reporting system. The reduced TOT projection was used as the base for the Fiscal Year 2013 Proposed Budget TOT projection. Following the current year reduction, 18.7 percent growth in March 2012 receipts over March 2011 resulted in an increase to the year-end projection, partially offsetting the reduction made earlier.

Incorporating both the correction and the strong March receipts, Fiscal Year 2012 year-to-date TOT receipts are 6.9 percent greater than the previous fiscal year. Furthermore, forecast information from Tourism Economics for San Diego County continues to project growth in tourism levels. For these reasons, the growth rate for the remainder of the fiscal year has been increased to 5.5 percent, from the 5.0 percent included in the Mid-Year Report, above Fiscal Year 2011 actual receipts.

Overall, visitor growth in the San Diego region during calendar year 2012 is projected at 1.8 percent with overnight visitor growth of 1.4 percent from calendar year 2011 levels. Growth in room demand is projected to be 2.7 percent for calendar year 2012. As a result of the increase in demand, with very little added to the room supply in recent years, the average daily rate is expected to rise to \$128.80 in calendar year 2012, an increase of 2.6 percent over calendar year 2011 according to the March 2012 Quarterly Travel Forecast report from the San Diego Convention and Visitors Bureau. Table 10: San Diego County Visitor Industry provides statistics used to develop the TOT projection.

San Diego County Visitor Industry				
<i>Table 10</i>	<i>by calendar year</i>			
	2009	2010	2011	2012 ¹
Visitors				
Total Visits (millions)	29.6	29.9	31.1	31.7
Overnight Visits (millions)	14.4	15.1	15.8	16.0
Hotel Sector				
Average Occupancy	62.8%	66.4%	68.9%	70.3%
Average Daily Rate	\$ 124.28	\$ 121.40	\$ 125.54	\$ 128.80
Revenue PAR ²	\$ 78.11	\$ 80.61	\$ 86.50	\$ 90.55
Room Demand (growth)	-5.8%	6.7%	3.9%	2.7%

Source: San Diego Convention and Visitors Bureau and Tourism Economics

¹ Forecast - Tourism Economics, March 2011

² Revenue Per Available Room (Average Occupancy multiplied by Average Daily Rate)

Franchise Fees

The year-end projection for General Fund franchise fee revenue is \$67.9 million, which is a \$201,000 increase, or less than a percent, from the current budget amount of \$67.7 million. This projection reflects a \$171,000 decrease from the projection in the Mid-Year Report due to a change in forecasted revenue from cable franchise fees. Growth in cable revenues remains positive when compared to Fiscal Year 2011, although it is not projected to reach the level reflected in the Fiscal Year 2012 Adopted Budget. This decrease in cable fees is partly mitigated by additional revenue from SDG&E, which is based on SDG&E's gross revenues for calendar year 2011.

Motor Vehicle License Fees

The motor vehicle license fees (MVLFF) budget is \$3.3 million, which was based on the State of California MVLFF revenue estimates published in the Fiscal Year 2012 Proposed Governor's Budget. However, subsequent to finalizing the City of San Diego's Fiscal Year 2012 Adopted Budget, Senate Bill 89 was passed as a part of the State of California's Fiscal Year 2012

Adopted Budget, which eliminated all MVLFF allocations to cities. The State is redirecting this funding to support public safety grants.

Other Major Revenues

The combined year-end projection for all other major revenues is \$66.7 million, which is a 3 percent, or \$2.2 million, increase from the current budget. Other revenues include general governmental services billing (GGSB), which is a reimbursement from other City funds that utilize General Fund services; the one-cent Transient Occupancy Tax (TOT) transfer into the General Fund; interest earnings attributable to the General Fund from the City investment pool; and refuse collector business tax. The current projection is \$179,000 lower than the projection in the Mid-Year Report due primarily to a reduction in the anticipated one-cent transfer of TOT funds to the General Fund.

Department Revenues

Combined department General Fund revenues are projected to exceed budget by \$4.5 million. This is similar to the \$3.8 million over budget departmental revenue projected in the Mid-Year Report. The largest contributor to the increased projection over the Mid-Year Report is an additional \$1.0 million of Abandoned Vehicle Abatement (AVA) reimbursements included in the Police Department’s year-end revenue projection. Table 11: FY 2012 Significant General Fund Revenue Variances by Department displays departments with projected under or over budget revenues of \$500,000 or greater. These variances are discussed following the table.

FY 2012 Significant General Fund Revenue Variances by Department
Table 11 *in millions*

Department	Current Budget	Year-End Projection	Over/(Under) Budget	Variance %
Park and Recreation	\$ 30.1	\$ 32.6	\$ 2.5	8%
Transportation and Storm Water	52.7	54.6	1.9	4%
Police	45.8	47.2	1.5	3%
Development Services	1.9	2.9	1.0	56%
Public Works - Eng & Cap Projects	57.3	56.7	(0.6)	-1%
Fire-Rescue	29.3	28.7	(0.6)	-2%

Park and Recreation

The Park and Recreation Department projects revenues to exceed budget by \$2.5 million, or 8 percent. This variance is primarily due to \$1.8 million of additional Transient Occupancy Tax (TOT) revenue available to reimburse the Park and Recreation Department for promotional activities. The department also projects to receive \$373,000 in reimbursements for opening recreation centers outside of budgeted operating hours and \$120,000 in increased fees for the Learn-to-Swim Program. The department’s revenue projection has declined by \$605,000 since the Mid-Year Report due to lower TOT projections that are partially offset by the increase in Learn-to-Swim Program fees.

Transportation and Storm Water

The Transportation and Storm Water Department expects to conclude the fiscal year with \$1.9 million, or 4 percent, of revenue over budget. This projected revenue variance is \$200,000 less than the amount discussed in the Mid-Year Report due to a slight decrease in Storm Drain Fees and parking citation revenues. However, parking citation revenue continues to be the primary cause of the over budget revenue projection. This is primarily due to enhanced tracking of parking citation revenue resulting in a more accurate allocation of this revenue among the departments that issue citations. The \$2.3 million of over budget parking citation revenue projected for the Transportation and Storm Water Department partially offsets the \$5.4 million projected shortfall in the Police Department. Overall, General Fund parking citation revenue is projected to be under budget by \$3.1 million. It should also be noted that both the budget and projected revenue for the Transportation and Storm Water Department have been reduced by \$11.8 million since the Mid-Year Report as a result of reallocating Gas Tax funds to capital projects. The expenditure budget and projections have also been reduced, resulting in no impact to the General Fund.

Police

The Police Department projects revenues to exceed budget at year end by \$1.5 million, or 3 percent. This projection increased by \$1.8 million from the Mid-Year Report primarily due to \$1.0 million of Abandoned Vehicle Abatement (AVA) reimbursements and \$396,000 in additional grant revenue. The overall positive variance is comprised of \$4.4 million in one-time deferred tow referral fee revenue, \$1.5 million from the Stonegarden grant and \$1.0 million in reimbursements for AVA, which offset the \$5.4 million shortfall in parking citation revenue in the Police Department. As discussed in the Mid-Year Report, the Public Works – Transportation and Storm Water Department is receiving a higher proportion of parking citation revenue than currently budgeted, resulting in a combined projection for General Fund parking citation revenue that is \$3.1 million under budget.

Development Services

Development Services is projecting revenues to be over budget by \$1.0 million, or 56 percent, at year end. This variance is primarily due to increased reimbursements for services to other funds, contributing to nearly \$480,000 in additional revenue. Other factors contributing to the positive variance are increases in code enforcement revenue and building permit activity of approximately \$331,000 and \$172,000, respectively.

Public Works-Engineering and Capital Projects

The Public Works-Engineering and Capital Projects Department expects revenues to be under budget at fiscal year-end by \$609,000, or 1 percent. Reimbursements for services are trending at Fiscal Year 2011 levels; however, this amount is lower than the Fiscal Year 2012 budget. The projection has increased by approximately \$708,000 since the Mid-Year Report. Approximately \$436,000 of this increase can be attributed to the department's efforts to improve tracking and billing of reimbursable staff time and \$176,000 is from one-time reimbursements for engineering staff support to the Development Services Fund and additional work on a Centre City Development Corporation project.

Fire-Rescue

The Fire-Rescue Department expects to conclude the fiscal year with \$577,000, or 2 percent, of revenue under budget. The department is expecting a \$716,000 shortfall in alarm permit fee revenue, which will be partially offset by \$217,000 in reimbursable revenue for medical transport services. In the Mid-Year Report, the department projected revenues to be slightly over budget. The decline in the revenue projection is due to updated estimates for alarm permit fees. At mid-year, the fee was new and expected to come in at budget; since then, the projection has been revised based on actual fee activity.

GENERAL FUND EXPENDITURES

The total Fiscal Year 2012 General Fund current expenditure budget is \$1.1 billion. Year-end projections show under budget expenditures of \$11.6 million, or 1 percent. Personnel expenditures are projected to be \$5.0 million under budget and non-personnel expenditures are projected to be below budget by \$6.6 million at fiscal year end. These year-end expenditure projections are summarized below in Table 12: FY 2012 General Fund Expenditure Projections Summary.

FY 2012 General Fund Expenditure Projections Summary				
<i>Table 12</i>	<i>in millions</i>			
Expenditure Type	Current Budget	Year-End Projection	Over/(Under) Budget	Variance %
Personnel	\$ 820.7	\$ 815.7	\$ (5.0)	-1%
Non-Personnel	310.8	304.1	(6.6)	-2%
Total	\$ 1,131.4	\$ 1,119.8	\$ (11.6)	-1%

The current projection is \$12.3 million less than the expenditures projected in the Mid-Year Report, as displayed in Table 13: Comparison of FY 2012 General Fund Expenditure Projections. The largest factor contributing to this change is \$11.8 million of Gas Tax reimbursable work that was reallocated from operating to capital projects. This action, approved by City Council in March 2012, reduced both the expenditure and revenue budget in the Transportation and Storm Water Department, with no net impact to the General Fund. In addition, \$5.0 million of expenditures were added in the Mid-Year Report and retiree health expenses have increased by \$1.4 million. These increases are offset by reductions in other areas, primarily a \$4.7 million decline in personnel expenses and \$1.9 million less in energy and utility projections. As a result of these adjustments, and after accounting for the \$11.8 million reallocation of Gas Tax work, the expenditure projections have decreased by approximately \$456,000 since the Mid-Year Report. The following sections discuss the significant variances between expenditure projections and the current budget by categories of expenditures and by department, as detailed in Attachment II: General Fund Projected Expenditures.

Comparison of FY 2012 General Fund Expenditure Projections
Table 13 *in millions*

Expenditure Type	Mid-Year Report	Year-End Report	Change¹ Amount	Change %
Personnel	\$ 818.3	\$ 815.7	\$ (2.7)	0%
Non-Personnel	313.7	304.1	(9.6)	-3%
Total	\$ 1,132.1	\$ 1,119.8	\$ (12.3)	-1%

¹ Subsequent to the Mid-Year Report, \$11.8M of Gas Tax reimbursable expenditures were reallocated to capital projects.

Expenditures by Category

The \$5.0 million of projected personnel expenditure savings, as discussed previously, are entirely from salaries and wages, primarily due to vacancies from retirements. The salary and wages savings are partially offset by an over budget projection in fringe benefits due to the increase in retiree health. The \$6.6 million of projected non-personnel savings are primarily in the area of contracts and energy and utilities, offset by overages in supplies. This data is displayed in Table 14: FY 2012 General Fund Expenditure Projections by Category. A detailed discussion of expenditure variances follows.

FY 2012 General Fund Expenditure Projections by Category
Table 14 *in millions*

Expenditure Category	Current Budget	Year-End Projection	Over/(Under) Budget	Variance %
Salaries and Wages	\$ 510.0	\$ 503.7	\$ (6.4)	-1%
Fringe Benefits	310.6	312.0	1.4	0%
Contracts	162.6	157.4	(5.2)	-3%
Transfers Out	56.4	54.9	(1.5)	-3%
Energy and Utilities	34.8	32.8	(1.9)	-6%
Information Technology	23.2	23.1	(0.0)	0%
Supplies	20.3	22.6	2.3	11%
Other	6.1	6.0	(0.1)	-2%
Debt	5.9	5.8	(0.1)	-2%
Capital Expenditures	1.5	1.4	(0.0)	-3%
Total	\$ 1,131.4	\$ 1,119.8	\$ (11.6)	-1%

Salaries and Wages

Salaries and wages are projected to be under budget by \$6.4 million, or 1 percent, primarily due to vacant positions. The number of retirements is higher than was anticipated in the Mid-Year Report and departments continue to experience delays in filling vacant positions. The Mid-Year Report estimated approximately 84.00 FTE retirements and \$3.7 million in associated termination pay due to changes in the Retiree Health Ordinance. Current estimates are for 170.00 FTE retirements and \$4.3 million in projected termination pay. While the termination pay is expected to be \$2.1 million over budget, this is offset by salary savings from the vacancies. Salary savings are projected in the Police, Library, Transportation and Storm Water, and Public

Works—Engineering and Capital Projects Departments due to higher than anticipated vacancies, which are partially offset by increased overtime, hourly wages, pay-in-lieu of vacation, and termination pay expenditures. As a result of the budget increase included in the Mid-Year Report, the Fire-Rescue Department is now projected to remain within its salary and wages budget.

Fringe Benefits

General Fund fringe benefits are projected to end the fiscal year \$1.4 million, or less than 1 percent, over budget. The primary cause for the over budget projection is the loss of \$2.0 million in anticipated funding through the Early Retiree Reinsurance Program (ERRP) to offset the City’s retiree health costs. As discussed during presentation of the Mid-Year Report, this has an estimated impact of \$1.4 million to the General Fund. Other fringe benefits accounts are also projected to be over budget, such as Supplemental Pension Savings Plan (SPSP), Medicare and SDCERS Annual Required Contribution (ARC); however, these overages are offset by savings in other accounts, such as Flexible Benefits, and the \$1.7 million fringe benefits budget increase included as part of the Mid-Year Report. As noted in the Mid-Year Report, the SPSP account is projecting a significant variance due to more employees selecting the City’s SPSP mandatory contribution for their 6 percent compensation reduction than was assumed in the Fiscal Year 2012 Adopted Budget. As a result, SPSP expenditures are projected to be 22 percent over budget. The increase in SPSP expense is offset by savings in the salaries category due to employees choosing furlough or salary reduction; however, those salary savings are not evident because of increases in overtime, hourly wages, termination pay and pay-in-lieu of vacation. Table 15: FY 2012 General Fund Fringe Benefits Projections includes the projections for the most significant fringe benefits accounts.

FY 2012 General Fund Fringe Benefits Projections					
<i>Table 15</i>					<i>in millions</i>
Fringe Benefits Account	Current Budget	Year-End Projection	Over/(Under) Budget	Variance %	
Retirement ARC ¹	\$ 178.3	\$ 178.9	\$ 0.5	0%	
Flexible Benefits	38.5	36.9	(1.6)	-4%	
Retiree Healthcare Contribution	24.7	26.3	1.6	7%	
Workers' Compensation	16.5	16.7	0.2	1%	
Other Post-Employment Benefits	14.5	14.5	0.0	0%	
Employee Offset Savings	9.1	8.6	(0.5)	-6%	
Supplemental Pension Savings Plan	9.0	10.9	2.0	22%	
Risk Management Administration	6.5	6.5	0.0	0%	
Medicare	5.5	6.4	0.9	17%	
Long-Term-Disability	2.5	2.5	(0.0)	0%	
Other Fringe Benefits	3.9	3.8	(0.1)	-3%	
Mid-Year Adjustment ²	1.7	-	(1.7)	-100%	
Total	\$ 310.6	\$ 312.0	\$ 1.4	0%	

¹ Total City FY 2012 projection for the Retirement ARC is \$231.1 million. The balance is projected in the non-general funds.

² The fringe benefits budget was increased by \$1.7 million in the Mid-Year Report, actual expenses occur in the other fringe accounts.

Variations for fixed or obligated fringe benefits are attributed to differences between budgeted positions and personnel expenses compared to actual filled positions and personnel expenses. The fixed or obligated fringe benefits include SDCERS Annual Required Contribution (ARC), Retiree Healthcare Contribution (Pay-Go), Workers' Compensation, Other Post-Employment Benefits (OPEB), Risk Management Administration, Long-Term Disability, and Unemployment Insurance. The total City requirement for the fixed or obligated fringe benefits is \$322.1 million. The General Fund is projected to incur \$244.6 million of the City's total fixed or obligated fringe benefit expenses with the balance allocated to other City funds. Collection rates for these fringe benefits are adjusted as necessary throughout the fiscal year to ensure they are fully collected by fiscal year end and allocated appropriately among City funds.

Contracts

The contracts category is projected to be \$5.2 million, or 3 percent, under budget, which is similar to the projection in the Mid-Year Report. Reduced expenditures in this category are primarily due to slower expenditures for legal services related to the Kinder Morgan litigation in Citywide Program Expenditures and delays in community plan updates in the Development Services Department. Funding for these activities will be re-budgeted in Fiscal Year 2013. Two departments have significant changes in their year-end projections for contracts since the Mid-Year Report and the changes offset each other. The Police Department's contracts projection increased by \$2.3 million, primarily due to a re-categorization of the tow program pass through expenses from transfers out to the contracts category, which is offset by a decrease in the projection for the transfers out category. In contrast, the Transportation and Storm Water Department's projection for contracts has decreased by \$1.1 million due to delays in awarding sidewalk contracts, which offsets over budget expenses in the supplies category.

Supplies

Supplies expenditures are projected to end the fiscal year \$2.3 million, or 11 percent over budget. The projection for supplies has increased by \$917,000 since the Mid-Year Report. The Transportation and Storm Water Department's supplies projection is \$1.6 million over budget, which is an increase of \$517,000 since the Mid-Year Report. This is primarily due to a continued increase in road repair work, which is offset by a reduction in the contracts category. The Fire-Rescue Department is projected to exceed their supplies budget by \$430,000, similar to the projection in the Mid-Year Report, due to expenses to replace critical personal protective equipment, which is offset by savings in the contracts category. Both the Public Works-General Services and Police Departments received budget increases in the Mid-Year Report to cover over budget projections at that time. The Police Department also received \$561,000 of additional supplies appropriations to support additional recruits in the April academy; however, the department's supplies projection has only increased by \$350,000.

Energy and Utilities

The energy and utilities category is projected to be \$1.9 million, or 6 percent, under budget at year end. This is a significant change from the over budget projection included in the Mid-Year Report. The Park and Recreation Department's energy and utilities projection has declined by \$1.6 million since the Mid-Year Report due to a water billing correction of \$1.0 million and increased electricity and gas savings of approximately \$568,000 due to mild weather. The Fire-Rescue Department received a \$1.0 million budget increase for over budget diesel fuel costs,

because of this increase, the department is projecting to be at budget at year end in the energy and utilities category. The Transportation and Storm Water Department’s year-end projection has remained consistent with the Mid-Year Report, projecting to be over budget by \$643,000 at year end due to delayed installation of energy saving street lights.

Transfers Out

The projection for the transfers out category is \$1.5 million, or 3 percent, under budget. This is primarily due to re-categorizing the pass through expenses associated with the Police Department's tow program to the contracts category. This is a change from the Mid-Year Report. In addition, \$3.7 million of transfers were budgeted in the Mid-Year Report to support capital projects. These expenses are included in the current projections.

Other Expenditure Categories

General Fund projections reflect spending in the areas of information technology, debt, capital and other to be at or slightly below the current budget.

Department Expenditures

Table 16: FY 2012 Significant General Fund Expenditure Variances by Department displays the departments with expenditures projected to be over or under budget by \$500,000 or more. These variances are discussed following the table.

FY 2012 Significant General Fund Expenditure Variances by Department	
<i>Table 16</i>	<i>in millions</i>

Department	Current Budget	Year-End Projection	Over/(Under) Budget	Variance %
Library	\$ 37.4	\$ 35.1	\$ (2.3)	-6%
Transportation and Storm Water	87.7	85.8	(2.0)	-2%
Citywide Program Expenditures	53.9	52.5	(1.4)	-3%
Development Services	15.0	13.9	(1.2)	-8%
Fire-Rescue	206.4	206.9	0.5	0%

Library

The Library Department is projected to end the year 6 percent, or \$2.3 million, under budget primarily due to vacant positions. As of period 9, the department had 44 vacant positions. While the department is actively working to fill those positions, overtime and hourly staffing are used to continue services, reducing the amount of savings realized from the vacancies. The savings from these vacancies more than offsets the \$237,000 increase for additional branch library hours which was approved as part of the Mid-Year Report. The current expenditure projection is approximately \$719,000 less than the projection included in the Mid-Year Report due to the continued vacancies.

Transportation and Storm Water

The Transportation and Storm Water Department projects to expend \$2.0 million, or 2 percent, under budget by year end. This is due to approximately 72 vacant positions in the Street, Storm

Water, and Transportation Engineering Operations Divisions. The projected savings has increased by \$1.2 million since the Mid-Year Report due to retirements, delays in filling vacant positions and delays in awarding sidewalk contracts. It should also be noted that both the budget and projected expenditures for the Transportation and Storm Water Department have been reduced by \$11.8 million since the Mid-Year Report as a result of reallocating Gas Tax funds to capital projects. The revenue budget and projections were also reduced, resulting in no impact to the General Fund.

Citywide Program Expenditures

The expenditure projection for Citywide Program Expenditures is \$1.4 million, or 3 percent, under budget. This is due to delayed legal services related to the Kinder Morgan litigation, resulting in \$1.4 million of expenditures that are expected to occur next fiscal year rather than this year. This is a slight increase from the \$1.2 million under budget projection included in the Mid-Year Report due to additional delays with the litigation. The \$1.4 million will be re-budgeted in Fiscal Year 2013. Also included in the current projection for Citywide Program Expenditures is the \$1.0 million transfer to the Capital Improvements Program for the newly established CIP Emergency Reserve project, as approved in the Mid-Year Report.

Development Services

The Development Services Department projects to end the fiscal year 8 percent, or \$1.2 million, under budget. This is primarily due to delays in several community plan updates as well as personnel savings from retirements. These factors have reduced the expenditure projection by \$347,000 since the Mid-Year Report. Approximately \$924,000 will be re-budgeted in Fiscal Year 2013 to continue the community plan updates.

Fire-Rescue

The Fire-Rescue Department is projected to be \$502,000, or less than 1 percent, over budget at year end. The department received a budget increase of \$5.8 million in the Mid-Year Report to cover the over budget expenditures in overtime and fuel costs projected at that time. The current projected overage of \$502,000 is primarily the result of increased fringe expenses resulting from a reallocation of fringe among departments due to current staffing levels. The Fire-Rescue Department's fringe projection is \$1.6 million higher than the Mid-Year Report but is offset by additional salary savings from 38 unanticipated retirements. The department also received an additional \$2.7 million in the Mid-Year Report for the SDFD Station Alerting project, which is included in the current projections.

NON-GENERAL FUNDS

Projections based on the first nine accounting periods of Fiscal Year 2012 are provided in Attachment III: Non-General Fund Projections for all non-general funds with staff. This information addresses operating expenditures only. Capital Improvements Program expenditures are not included in the current budget or projections provided in this report. Those funds with significant budgetary variances in revenues or expenditures of \$500,000 or more are displayed in Table 17: FY 2012 Significant Non-General Fund Variances and are discussed below. In addition, the status of certain funds' reserve levels as required by the City's Reserve Policy (Council Policy 100-20), are provided in Attachment IV. Non-General Fund Reserves.

FY 2012 Significant Non-General Fund Variances						
<i>Table 17</i>		<i>in millions</i>				
Fund	Revenue/Expenditure	Current Budget	Year-End Projection	Over/(Under) Budget	Variance %	
Airports	Exp	\$ 4.7	\$ 3.2	\$ (1.6)	-33%	
Central Stores	Rev	24.1	10.7	(13.3)	-55%	
	Exp	24.1	11.1	(12.9)	-54%	
Development Services	Rev	46.6	43.0	(3.5)	-8%	
	Exp	41.5	38.2	(3.3)	-8%	
Fleet Services Operating	Rev	51.9	52.9	1.0	2%	
	Exp	51.3	50.6	(0.7)	-1%	
Golf Course	Rev	16.0	17.2	1.3	8%	
Information Technology	Exp	5.6	4.9	(0.7)	-13%	
PETCO Park	Exp	17.4	16.7	(0.6)	-4%	
Publishing Services	Rev	5.2	3.6	(1.5)	-30%	
	Exp	5.2	3.6	(1.5)	-30%	
Recycling	Rev	19.3	20.2	0.9	5%	
	Exp	20.8	19.5	(1.3)	-6%	
Redevelopment	Exp	3.8	2.9	(0.8)	-22%	
Refuse Disposal	Rev	29.7	26.8	(2.9)	-10%	
	Exp	34.6	31.3	(3.3)	-10%	
Sewer Utility	Rev	473.2	414.4	(58.7)	-12%	
	Exp	328.9	304.9	(24.0)	-7%	
Transient Occupancy Tax	Rev	68.1	70.5	2.4	3%	
	Exp	68.1	70.5	2.4	3%	
Underground Surcharge	Rev	45.4	48.5	3.1	7%	
	Exp	58.8	48.3	(10.5)	-18%	
Water Utility Operating	Rev	508.9	568.5	59.6	12%	
	Exp	451.6	398.2	(53.5)	-12%	

Airports Fund

Expenditures are projected to be \$1.6 million, or 33 percent under budget for the Airports Fund. As mentioned in the Mid-Year Report, the Fiscal Year 2012 Adopted Budget for the Airports Fund included \$1.6 million for the maintenance of facilities, runways, and taxiways; however, the current projected maintenance needs are less than originally anticipated due to less emergency repairs. This has also contributed to a reduction of \$522,000 from the previous expenditure projection. The fund is projected to end the fiscal year with \$1.0 million of revenues in excess of expenditures.

Central Stores Fund

The Central Stores Fund is projected to end the fiscal year with revenues under budget by \$13.3 million, or 55 percent, and expenditures under budget by \$12.9 million or 54 percent. As mentioned in the Mid-Year Report, this is primarily due to discontinuation of the Citywide open purchase order program. Each City department now establishes their own purchase orders, which has reduced expenses in the Central Stores Fund as well as the revenue reimbursement received from other City departments. This change in practice has no impact on the expenses in other City departments. Rather than reimburse Central Stores, the departments now purchase materials directly from vendors. Additionally, there are projected savings in salary and fringe from three and a half vacant positions that will not be filled this fiscal year. The projected expenditure savings noted in the Mid-Year Report decreased slightly due to costs incurred to consolidate delivery services into the Central Stores Fund and to purchase additional inventory for the water meter program. Year-end expenditures are projected to exceed revenues by \$401,000.

Development Services Fund

The Development Services Fund is projected to have under budget revenues of \$3.5 million, or 8 percent, and under budget expenditures of \$3.3 million, or 8 percent, at year end. The revenue projection has declined by \$4.1 million since the Mid-Year Report because the previous projection utilized the prior fiscal year's higher overhead rates, which is partially offset by an increase in construction permitting revenue. As discussed in the Mid-Year Report, the department is not projecting to spend the \$1.2 million Appropriated Reserve. The under budget expenditure projection is also due to approximately \$1.5 million in personnel savings from delays in filling vacant positions, \$203,000 in lower than anticipated expenses for the Transportation Alternative Program and conservative spending in supplies and capital purchases. The expenditure projection declined from the Mid-Year Report primarily due to 6.00 unanticipated retirements. The fund is projected to end the fiscal year with revenues in excess of expenditures by \$4.8 million.

Fleet Services Operating Fund

The Fleet Services Operating Fund is projected to end the fiscal year with \$1.0 million, or 2 percent, of revenues over budget and \$675,000, or 1 percent of expenditures under budget. The additional revenue is primarily due to increased billable vehicle repairs, outfitting of new vehicles per client department requests, and motor pool rentals, as discussed in the Mid-Year Report. Approximately \$800,000 of the surplus revenue will be transferred to the Fleet Replacement Fund for future replacement of pool vehicles. Expenditures are projected to be under budget at year end due to vacant positions and conservative supply spending. The fund is projected to end the fiscal year with \$2.4 million of revenues in excess of expenditures.

Golf Course Fund

The Golf Course Fund's revenue is projected to be \$1.3 million, or 8 percent over budget. As discussed in the Mid-Year Report, this is primarily due to an increase in user fee revenue at the Balboa Park Golf Course resulting from recent course enhancements. In addition, the fund is realizing increased revenue at all City golf courses because of the dryer weather and improved economic conditions, which has raised the revenue projection by \$526,000 since the Mid-Year Report. The fund is projected to end the fiscal year with \$2.6 million of revenue in excess of expenditures.

Information Technology Fund

The Information Technology Fund's expenditures are projected to be under budget by \$701,000, or 13 percent. This is primarily due to personnel savings of approximately \$581,000 from 5.00 FTE vacant positions and \$124,000 for the Identity & Access Management System project which began earlier than expected, resulting in costs incurred last fiscal year and savings in the current year. The expenditure projection decreased since the Mid-Year Report due to delays in filling vacancies. Year-End revenues are projected to exceed expenditures by \$656,000.

PETCO Park Fund

The PETCO Park Fund is projecting expenditures to be under budget at year end by \$635,000, or 4 percent. The costs of the Ballpark Operating Agreement are less than what was estimated at the time the budget was developed due to a lower Consumer Price Index. Year-end revenues are projected to exceed expenditures by \$1.3 million.

Publishing Services Fund

The Publishing Services Fund's revenue and expenditures are projected to be \$1.5 million, or 30 percent, under budget. As mentioned in the Mid-Year Report, the projected reduction in expenses, and associated reduction in revenue reimbursements from other City departments, is primarily due to the new convenience and production copier contract. Additional savings are being realized by using SAP functionality rather than installing the new network management system. The fund is projected to end the fiscal year with revenues equal to expenditures.

Recycling Fund

The Recycling Fund's revenue is projected to be over budget by \$905,000, or 5 percent, and expenditures are projected to be under budget by \$1.3 million, or 6 percent. Additional revenue was received from the State and County of San Diego to support recycling programs. This revenue was not anticipated due to State budget cuts. Approximately \$537,000 of the projected expenditure savings are due to reduced vehicle assignment charges because of delays in receiving replacement vehicles, as discussed in the Mid-Year Report. The projected expenditures have declined since the previous report due to unanticipated retirements, accounting for \$502,000 of the projected savings, and \$224,000 less in purchases of recycling and greenery collection containers. Year-end revenues are projected to exceed expenditures by \$757,000.

Redevelopment Fund

The Redevelopment Fund is projected to end the year with expenditures under budget by \$829,000, or 22 percent. Due to the dissolution of the Redevelopment Agency, no further expenses are anticipated for the remainder of the fiscal year.

Refuse Disposal Fund

The Refuse Disposal Fund is projected to end the fiscal year with \$2.9 million, or 10 percent, of revenue under budget and \$3.3 million, or 10 percent, of expenditures under budget. These variances are primarily due to less tonnage deposited in the City landfill than budgeted, which has declined further since the Mid-Year Report. Tipping fee revenue from refuse deposited at the landfill is projected to be under budget by approximately \$3.2 million this fiscal year. Also as a result of the current tonnage levels, equipment rental expenses are down \$2.5 million and regulatory fees to CalRecycle, the Local Enforcement Agency and the County of San Diego are approximately \$200,000 lower. Savings are also projected in salaries due to vacancies and reductions in purchases of machine parts. Expenditures have increased since the Mid-Year Report due to a \$1.0 million transfer to the Miramar Closure Fund to meet State requirements. The fund is projecting expenditures to exceed revenues by approximately \$4.5 million, which will be covered by fund balance.

Sewer Utility Fund

The Sewer Utility Funds are projected to end the fiscal year with revenues under budget by \$58.7 million, or 12 percent, and operating expenditures under budget by \$24.0 million, or 7 percent. The exhaustion of Public Facilities Financing Act (PFFA) funds, used for capital projects, accounts for \$46.3 million of the projected revenue deficit. Additionally, \$4.5 million of the projected revenue shortfall is due to rebates to residential sewer customers to satisfy the Shames litigation settlement. The slight reduction in the revenue projection since the Mid-Year Report is due to revised estimates for State Revolving Fund Loan proceeds, related to sewer pipeline rehabilitation, based upon actual invoice activity in the third quarter and projected invoice activity in the fourth quarter. Additional changes are attributable to higher rainfall than expected in winter and spring, which generally lowers a customer's sewer bill because sewer charges are determined in part by consumer water consumption. Changing needs and costs for chemical supplies and machine parts account for \$4.5 million of the projected expenditure savings. In addition, the \$4.9 million of the Appropriated Reserve and CIP contingencies are not anticipated to be spent this fiscal year. Approximately \$3.0 million of savings is anticipated in maintenance contracts, which accounts for most of the change in projections since the Mid-Year Report. Additional savings are anticipated in personnel and energy costs. Year-end revenues are expected to exceed operating expenditures by \$109.5 million. This revenue, combined with fund balance, supports the Sewer Utility Capital Improvements Program.

Transient Occupancy Tax Fund

Both revenues and expenditures in the Transient Occupancy Tax Fund are projected to exceed budget by 3 percent, or \$2.4 million. The total City transient occupancy tax (TOT) projection is \$147.9 million, of which \$70.5 million is in the Transient Occupancy Tax Fund. As discussed in the General Fund Revenues section earlier in this report, the TOT projection has been revised downward slightly since the release of the Mid-Year Report. The projection was reduced to correct for a reporting discrepancy but this is partially offset by a subsequent increase in the

projection due to the 18.7 percent growth seen in the March 2012 TOT receipts over the prior year. The majority of the additional revenue will be used to reimburse the Park and Recreation Department for promotional activities supported by the General Fund. A portion will be transferred to the General Fund as part of the one-cent of discretionary TOT funding. The remainder of the over budget revenue will be used to offset over budget operational expenditures within the Transient Occupancy Tax Fund. The fund is projected to end the fiscal year with expenditures equal to revenues.

Underground Surcharge Fund

The Underground Surcharge Fund is projecting to end the fiscal year with revenues over budget by \$3.1 million, or 7 percent, and expenditures under budget by \$10.5 million, or 18 percent. Revenue is projected to exceed budget based on the scheduled payments from SDG&E. This is a \$3.2 million increase from the revenue projection in the Mid-Year Report. The expenditure projection has been revised downward by \$9.3 million since the Mid-Year Report to align expenditures with the actual revenues received from SDG&E. Year-end revenues are projected to exceed expenditures by \$198,000.

Water Utility Operating Fund

The Water Utility Operating Fund is projected to end the fiscal year with revenues \$59.6 million over budget, which is a 12 percent variance, and expenditures to be \$53.5 million under budget, or 12 percent. Grants and State Revolving Fund loan proceeds are projected to exceed budget by \$50.3 million and Public Facilities Financing Act (PFFA) funds are projected to be over budget by \$5.8 million. The change in the revenue projection since the release of the Mid-Year Report is due to identifying additional projects for reimbursements from the PFFA fund and an additional \$5.0 million in State grants for the Miramar Water Treatment Plant Upgrade and Expansion project. Expenditure savings of \$21.6 million are anticipated for water purchases due to using more local water. The Appropriated Reserve and CIP contingencies account for \$8.7 million of the under budget expenditure projection and another \$12.4 million in the contracts budget category is not anticipated to be needed this fiscal year. Additional savings are anticipated in personnel, energy and bond credits. The expenditure projection has declined slightly since the Mid-Year Report due to more accurate estimates for energy and supplies, as more of the fiscal year has passed, and delays in contract expenditures. Year-end revenues are expected to exceed operating expenditures by approximately \$170.3 million. This revenue, combined with fund balance, supports the Water Utility Capital Improvements Program.

APPROPRIATION ADJUSTMENTS

The following appropriation adjustments and authorities are requested to bring the General Fund and other funds into balance at year-end. These adjustments address over budget year-end projections, as discussed throughout this report. The requested adjustments for General Fund departments are offset by revenue and adjustments for non-general funds are supported by additional revenues or fund balance. Also included are requests to close incomplete capital projects and to de-appropriate excess funding in capital projects. Finally, actions are included that are typically requested at year-end to allow for unexpected adjustments.

General Fund Appropriation Adjustments

Increases of expenditure appropriations are required for certain General Fund departments to support projected over budget expenditures. These increases are offset by a revenue increase in the Major General Fund Revenues. The requested changes are summarized in Table 18: FY 2012 Year-End General Fund Appropriation Adjustments.

FY 2012 Year-End General Fund Appropriation Adjustments			
<i>Table 18</i>			
Department	Expenditures Increase/(Decrease)	Revenue	Net Impact
Fire-Rescue	\$ 502,000	\$ -	\$ (502,000)
Council Administration	90,000	-	(90,000)
Office of the Assistant COO	5,000	-	(5,000)
Major General Fund Revenues	-	597,000	597,000
Total	\$ 597,000	\$ 597,000	\$ -

Fire-Rescue

An increase of \$502,000 in expenditure appropriations is required in the Fire-Rescue Department. This increase will support the increased fringe expenses resulting from a reallocation of fringe among departments due to current staffing levels.

Council Administration

An increase of \$90,000 is requested for the Council Administration Department, which will be transferred to the City Facilities Improvements capital project to provide additional funding for the reconfiguration of the 10th floor of the City Administration Building to accommodate offices for the 9th Council District.

Office of the Assistant Chief Operating Officer

The Office of the Assistant Chief Operating Officer requires an increase of \$5,000 in expenditure appropriations due to increased pay-in-lieu of vacation.

Major General Fund Revenues

It is requested to increase the revenue budget in Major General Fund Revenues by \$597,000 to balance the expenditure appropriation increases in General Fund Departments. Major General

Fund Revenues are currently projected to exceed budget by \$8.4 million primarily due to increase sales, property and transient occupancy taxes.

Non-General Fund Appropriation Adjustments

Adjustments for non-general funds are supported by additional revenues or fund balance. The requested changes are displayed in Table 19: FY 2012 Year-End Non-General Fund Appropriation Adjustments.

FY 2012 Year-End Non-General Fund Appropriation Adjustments			
<i>Table 19</i>			
Fund	Expenditures	Revenue	Net Impact
	Increase/(Decrease)		
Fire/EMS Transportation Program	\$ 241,000	\$ 133,000	\$ (108,000)
Los Peñasquitos Canyon Preserve	3,000	3,000	-
Transient Occupancy Tax	2,380,000	2,380,000	-
Prop 42 - Transportation Relief	(5,297,742)	-	NA
ERP and ERP Capital	14,000	-	(14,000)

Fire/Emergency Medical Services Transportation Program Fund

The Fire/Emergency Medical Services (EMS) Transportation Program Fund requires an increase in expenditure appropriations of \$241,000 for over budget personnel costs related to special pay. The over budget personnel costs will be partially offset by a \$133,000 increase in revenue budget with the remaining amount supported by fund balance.

Los Peñasquitos Canyon Preserve Fund

The Los Peñasquitos Canyon Preserve Fund requires an increase of \$3,000 in expenditure appropriations with an equal increase in revenue appropriations to support over budget fringe expenses.

Transient Occupancy Tax Fund

The Transient Occupancy Tax Fund (TOT) requires an increase in expenditure appropriations, equal to actual revenue received, in order to transfer the additional revenue earned to the General Fund. The TOT Fund is currently projecting to be over budget in revenue by \$2.4 million at year-end.

Proposition 42-Transportation Relief Fund

The Proposition 42-Transportation Relief Fund's prior year budgets were higher than the amount of revenue received from the State. A budget reduction of \$5.3 million will align the budget with the actual amount of funding available.

Consolidate OneSD Funds

In order to consolidate all the OneSD funds into one fund, authority is requested to appropriate all of the remaining fund balance in the ERP Capital Project and ERP Funds, transfer the balances to the main OneSD Support Fund, and close the two ERP Funds. The ERP Fund was established in May 2007 for the cash funding portion of the acquisition of the City's ERP

System. The ERP Capital Project Fund was established in June 2007 with IBM Credit Facility funds to support the Enterprise Resource Planning System Core Capital Project (S-09999). Both of these activities have been completed and the approximately \$14,000 of fund balances are no longer needed in these funds.

Capital Improvements Program (CIP) Appropriation Adjustments

Revisions to CIP projects are requested to close certain projects and reduce appropriations that are no longer needed or exceed available funds. Requested changes to CIP project budgets are summarized in Table 20: FY 2012 Year-End CIP Appropriation Adjustments.

FY 2012 Year-End CIP Appropriation Adjustments	
<i>Table 20</i>	
Description	Increase/(Decrease)
Close Incomplete Projects	\$ (23,789,323)
De-Appropriate Water Utility CIP Fund	(104,104,653)
De-Appropriate Sewer Utility CIP Fund	(12,000,000)
De-Appropriate Capital Outlay Fund	(12,676,708)
CD9 Office - City Facilities Improvements (ABT00001)	
General Fund Contributions to CIP	90,000
Total	\$ (152,480,684)

Close Incomplete Projects

Authority is requested to close 55 abandoned and/or cancelled CIP projects, reduce the Fiscal Year 2012 CIP budget by approximately \$23.8 million and return the unused funds to their original source. Attachment V. Incomplete Projects to Close contains a list of all of the projects with estimated amounts of funding to de-appropriate.

De-Appropriate Water and Sewer Projects

The Public Utilities Department requests authority to reduce the Fiscal Year 2012 CIP budget by \$104.1 million in Water CIP projects and \$12.0 million in Sewer CIP projects, and return the funds to their original source. The projects have excess funds due to a combination of delays, bids coming in lower and/or completion or closure of sub-phases. De-appropriating and returning these funds to their original source will make them available for other projects that are ready to move forward. A list of the specific projects and amounts can be found in Attachment VI. Water and Sewer Projects to De-Appropriate.

De-Appropriate Capital Outlay

The CIP budget in the Capital Outlay Fund is higher than the amount of funding available. Land sales anticipated when the budget was developed in prior years have not produced the amount of revenue that was expected. It is requested to reduce Capital Outlay Fund appropriations of \$12.7 million in the City Facilities Improvements annual allocation (ABT00001). Excess appropriations will remain in the ADA Improvements annual allocation to be funded by future land sales.

Council District 9 Office – City Facilities Improvements (ABT00001)

An additional \$90,000 of funding is needed from the General Fund to complete the build-out, including modular furniture, of the offices for the 9th Council District on the 10th floor of the City Administration Building.

Requested Authorities

Additional authorities are requested to allow for budget transfers among General Fund departments and to address unforeseen events that may occur prior to year-end.

Transfer of Appropriations Among General Fund Departments

Salary and Non-Personnel Budget Swaps

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 department's total budget. This will allow departments to remain balanced, within the Charter Section 73 requirement that salary appropriations may not be used for any other purpose. For example, non-personnel savings in department A may be transferred to department B with an offsetting transfer of salary savings from department B to department A. Both departments' total budgets remain as approved by Council; however, department B would receive non-personnel appropriations to balance its over budget expenditures in that category.

Bottom Line Re-Appropriations

Authority is requested to transfer excess appropriations from one General Fund department to offset a deficit in another General Fund department during fiscal year closing. This will result in a change to the bottom-line department budgets; however, there will be no net change to the bottom-line General Fund budget. For example, savings in department A may be transferred to department B to cover a deficit in department B. The bottom-line appropriation transfer authority is to be used at fiscal year close, if necessary, after salary appropriations budget swaps have been applied.

Increase Appropriations from Available Sources

Authority is requested to adjust appropriations as needed for unforeseen events in order to close Fiscal Year 2012 with departments and funds in balance.

CONCLUSION

The General Fund is projecting a net surplus of \$17.8 million of revenue in excess of expenditures at fiscal year-end. This is a slight increase from the \$16.5 million projected surplus included in the Mid-Year Report. The current projections include the addition of \$5.0 million in restored services and one-time expenses, as approved in the Mid-Year Report, and an increase of \$1.4 million in retiree health expenses resulting from the loss of funding from the Early Retiree Reinsurance Program. Offsetting these expenditure increases are additional savings in personnel, due to a higher number of retirements than what was anticipated in the Mid-Year Report, and lower energy and utility expenses. As a result, bottom-line General Fund projections reflect an improvement from those presented in the previous report.

No use of the projected General Fund surplus is recommended for the remainder of this fiscal year; however, the Fiscal Year 2013 Proposed Budget and Mayor's May Revision incorporate the use of \$12.8 million of the surplus. Approximately \$3.7 million will be re-budgeted in Fiscal Year 2013 for expenses that have been delayed and will be incurred next fiscal year, which includes the re-appropriation of unspent City Council office budgets. In addition, \$8.3 million will be added to deferred capital projects and \$800,000 for the General Fund Appropriated Reserve in Fiscal Year 2013. The remaining \$5.0 million of projected Fiscal Year 2012 General Fund surplus is recommended to fall to reserves to be available for unforeseen circumstances or to mitigate the potential impact resulting from the State's determination regarding former Redevelopment Agency enforceable obligations.

Appropriation adjustments and authorities are requested to bring the General Fund and other funds into balance at year-end. These adjustments will address over budget year-end projections, as discussed throughout the report. The requested adjustments for General Fund departments are offset by revenue and adjustments for non-general funds are supported by additional revenues or fund balance. Also included are requests to close incomplete capital projects and to de-appropriate excess funding in capital projects. Finally, actions are included that are typically requested at year-end to allow for unexpected adjustments.

ATTACHMENTS

- I. General Fund Projected Revenues
- II. General Fund Projected Expenditures
- III. Non-General Fund Projections
- IV. Non-General Fund Reserves
- V. Incomplete Projects to Close
- VI. Water and Sewer Projects to De-Appropriate

General Fund Projected Revenues

Department	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Major General Fund Revenues					
Charges for Current Services	\$ 22,709,930	\$ 22,709,930	\$ 23,718,433	\$ 1,008,503	4.4%
Franchise Fees ¹	67,688,948	67,688,948	67,889,699	200,751	0.3%
Interest and Dividends	1,888,098	1,888,098	2,480,414	592,316	31.4%
Motor Vehicle License Fees	3,264,364	3,264,364	-	(3,264,364)	-100.0%
Other Revenue	346,400	346,400	360,200	13,800	4.0%
Property Tax	380,908,544	383,408,544	385,427,072	2,018,528	0.5%
Property Transfer Tax	5,147,851	5,147,851	5,845,267	697,416	13.5%
Refuse Collector Business Tax	650,000	650,000	650,000	-	0.0%
Revenue from Money and Property	523,973	523,973	523,973	-	0.0%
Sales Tax	211,589,835	216,931,835	222,839,317	5,907,482	2.7%
Transfers In	38,386,670	38,386,670	38,975,651	588,981	1.5%
Transient Occupancy Tax ²	74,787,161	76,787,161	77,451,094	663,933	0.9%
<i>Subtotal Major General Fund Revenues</i>	<u>\$ 807,891,774</u>	<u>\$ 817,733,774</u>	<u>\$ 826,161,120</u>	<u>\$ 8,427,346</u>	<u>1.0%</u>
Administration	420,465	420,465	758,249	337,784	80.3%
Business Office	-	-	-	-	0.0%
City Attorney	5,607,163	5,607,163	5,313,848	(293,315)	-5.2%
City Auditor	222,323	222,323	222,408	85	0.0%
City Clerk	18,352	18,352	25,088	6,736	36.7%
City Comptroller	2,541,760	2,541,760	2,258,283	(283,477)	-11.2%
City Treasurer	24,672,674	24,672,674	24,727,893	55,219	0.2%
Citywide Program Expenditures	-	-	-	-	0.0%
Council Administration	-	-	-	-	0.0%
Council District 1	-	-	-	-	0.0%
Council District 1 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 2	-	-	-	-	0.0%
Council District 2 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 3	-	-	-	-	0.0%
Council District 3 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 4	-	-	150	150	100.0%
Council District 4 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 5	-	-	-	-	0.0%
Council District 5 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 6	-	-	-	-	0.0%
Council District 6 - Community Projects, Programs and Services	-	-	-	-	0.0%
Council District 7	-	-	-	-	0.0%

General Fund Projected Revenues

Department	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Council District 7 - Community Projects, Programs and Services	\$ -	\$ -	\$ -	\$ -	0.0%
Council District 8	-	-	-	-	0.0%
Council District 8 - Community Projects, Programs and Services	-	-	-	-	0.0%
Debt Management	889,645	889,645	615,603	(274,042)	-30.8%
Department of Information Technology	-	-	-	-	0.0%
Development Services	1,875,313	1,875,313	2,916,703	1,041,390	55.5%
Disability Services	-	-	15,467	15,467	100.0%
Economic Development	3,142,715	3,142,715	3,142,715	-	0.0%
Environmental Services	1,157,903	1,157,903	1,228,710	70,807	6.1%
Ethics Commission	-	-	22,700	22,700	100.0%
Financial Management	67,180	67,180	5,698	(61,482)	-91.5%
Fire-Rescue	29,282,954	29,282,954	28,706,029	(576,925)	-2.0%
Human Resources	-	-	-	-	0.0%
Library	1,212,707	1,212,707	1,066,121	(146,586)	-12.1%
Office of Homeland Security	1,087,593	1,087,593	788,493	(299,100)	-27.5%
Office of the Assistant Chief Operating Officer	-	-	-	-	0.0%
Office of the Chief Financial Officer	800,000	800,000	468,388	(331,612)	-41.5%
Office of the Chief Operating Officer	-	-	-	-	0.0%
Office of the Independent Budget Analyst	-	-	150	150	100.0%
Office of the Mayor	1,355,700	1,355,700	1,356,330	630	0.0%
Park and Recreation	30,141,660	30,141,660	32,639,447	2,497,787	8.3%
Personnel	6,000	6,000	5,479	(521)	-8.7%
Police	45,767,911	45,767,911	47,222,322	1,454,411	3.2%
Public Utilities - Reservoir Recreation	1,100,000	1,100,000	950,075	(149,925)	-13.6%
Public Works - Engineering and Capital Projects	57,287,009	57,287,009	56,678,427	(608,582)	-1.1%
Public Works - General Services	4,924,543	4,924,543	4,560,623	(363,920)	-7.4%
Purchasing and Contracting	893,550	893,550	1,252,334	358,784	40.2%
Real Estate Assets	39,702,791	39,702,791	39,877,638	174,847	0.4%
Transportation and Storm Water	64,533,381	52,733,381	54,613,668	1,880,287	3.6%
Total General Fund Revenues	\$ 1,126,603,066	\$ 1,124,645,066	\$ 1,137,600,159	\$ 12,955,093	1.2%

The current budget presented in this table is as of March 2012 (accounting period 9) unless otherwise noted.

¹ Total City FY 2012 current revenue budget for franchise fees is \$124.7 million and the projection is \$130.0 million. The balance is budgeted in the Environmental Growth and Underground Surcharge Funds.

² Total City FY 2012 current revenue budget for transient occupancy tax is \$144.8 million and the projection is \$147.9 million. The balance is budgeted in the Transient Occupancy Tax Fund.

General Fund Projected Expenditures

Department	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Administration	\$ 2,395,873	\$ 2,395,873	\$ 2,255,713	\$ (140,160)	-5.9%
Business Office	1,012,879	1,012,879	984,308	(28,571)	-2.8%
City Attorney	42,032,583	42,127,494	42,089,404	(38,090)	-0.1%
City Auditor	3,553,524	3,553,524	3,450,536	(102,988)	-2.9%
City Clerk	4,777,051	4,777,051	4,708,134	(68,917)	-1.4%
City Comptroller	10,068,224	10,444,224	10,438,627	(5,597)	-0.1%
City Treasurer	18,910,764	18,910,764	18,468,132	(442,632)	-2.3%
Citywide Program Expenditures					
Assessments to Public Property	463,235	463,235	463,235	-	0.0%
Business Cooperation Program	350,000	350,000	350,000	-	0.0%
Citywide Elections	2,875,000	2,878,700	2,878,700	-	0.0%
Corporate Master Leases Rent	9,550,342	9,550,342	9,549,157	(1,185)	0.0%
Employee Personal Property Claims	5,000	5,000	5,000	-	0.0%
Insurance	1,197,107	1,197,107	1,166,960	(30,147)	-2.5%
McGuigan Settlement	7,970,716	7,970,716	7,970,716	-	0.0%
Memberships	630,000	630,000	657,423	27,423	4.4%
Park Improvement Funds Transfer	2,281,433	2,281,433	2,441,610	160,177	7.0%
Preservation of Benefits	1,600,000	1,600,000	1,600,000	-	0.0%
Property Tax Administration	5,102,711	5,102,711	5,451,806	349,095	6.8%
Public Liability Claims Transfer	14,506,208	14,506,208	14,506,208	-	0.0%
Redistricting Commission	313,500	218,589	156,240	(62,349)	-28.5%
Special Consulting Services	4,200,000	4,640,521	2,685,522	(1,954,999)	-42.1%
TRANS Interest Expense Transfer	1,444,151	999,930	999,930	-	0.0%
Transfer to Capital Improvements Program	-	1,000,000	1,130,040	130,040	13.0%
Transportation Subsidy	459,179	459,179	459,179	-	0.0%
<i>Subtotal Citywide Program Expenditures</i>	<u>\$ 52,948,582</u>	<u>\$ 53,853,671</u>	<u>\$ 52,471,726</u>	<u>\$ (1,381,945)</u>	<u>-2.6%</u>
Council Administration	1,719,451	2,283,451	2,261,140	(22,311)	-1.0%
Council District 1	1,021,617	1,021,617	880,119	(141,498)	-13.9%
Council District 1 - Community Projects, Programs and Services	218,032	188,467	188,467	-	0.0%
Council District 2	994,401	994,401	752,666	(241,735)	-24.3%
Council District 2 - Community Projects, Programs and Services	192,688	156,332	156,332	-	0.0%
Council District 3	1,110,608	1,110,608	949,360	(161,248)	-14.5%
Council District 3 - Community Projects, Programs and Services	182,778	125,869	125,869	-	0.0%
Council District 4	1,086,541	1,086,541	852,148	(234,393)	-21.6%
Council District 4 - Community Projects, Programs and Services	162,167	152,644	152,644	-	0.0%
Council District 5	1,026,526	1,026,526	768,827	(257,699)	-25.1%

General Fund Projected Expenditures

Department	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Council District 5 - Community Projects, Programs and Services	\$ 222,249	\$ 222,249	\$ 222,249	\$ -	0.0%
Council District 6	1,068,402	1,068,402	963,991	(104,411)	-9.8%
Council District 6 - Community Projects, Programs and Services	153,764	153,764	153,764	-	0.0%
Council District 7	1,093,564	1,093,564	984,797	(108,767)	-9.9%
Council District 7 - Community Projects, Programs and Services	175,023	175,023	175,023	-	0.0%
Council District 8	1,102,939	1,102,939	888,858	(214,081)	-19.4%
Council District 8 - Community Projects, Programs and Services	305,617	305,617	305,617	-	0.0%
Debt Management	2,372,729	2,372,729	2,232,538	(140,191)	-5.9%
Department of Information Technology	190,453	190,453	190,453	-	0.0%
Development Services	15,027,049	15,027,049	13,876,349	(1,150,700)	-7.7%
Disability Services	2,026,004	2,026,004	1,998,976	(27,028)	-1.3%
Economic Development	4,731,584	4,731,584	4,626,038	(105,546)	-2.2%
Environmental Services	33,333,848	33,334,798	33,291,838	(42,960)	-0.1%
Ethics Commission	914,970	914,970	780,473	(134,497)	-14.7%
Financial Management	4,158,297	4,158,297	3,975,974	(182,323)	-4.4%
Fire-Rescue	197,853,201	206,354,666	206,856,384	501,718	0.2%
Human Resources	1,919,653	1,919,653	1,848,695	(70,958)	-3.7%
Library	37,202,217	37,439,217	35,138,431	(2,300,786)	-6.1%
Office of Homeland Security	1,815,520	1,815,520	1,558,508	(257,012)	-14.2%
Office of the Assistant Chief Operating Officer	311,204	311,204	315,382	4,178	1.3%
Office of the Chief Financial Officer	884,899	884,899	762,995	(121,904)	-13.8%
Office of the Chief Operating Officer	539,994	539,994	528,390	(11,604)	-2.1%
Office of the Independent Budget Analyst	1,684,697	1,684,697	1,618,247	(66,450)	-3.9%
Office of the Mayor	5,819,761	5,819,761	5,677,742	(142,019)	-2.4%
Park and Recreation	84,757,317	84,913,199	84,504,455	(408,744)	-0.5%
Personnel	6,446,245	6,645,245	6,586,736	(58,509)	-0.9%
Police	393,821,101	396,947,582	396,585,140	(362,442)	-0.1%
Public Utilities - Reservoir Recreation	1,740,160	1,740,160	1,740,160	-	0.0%
Public Works - Engineering and Capital Projects	59,870,378	59,870,378	59,651,848	(218,530)	-0.4%
Public Works - General Services	14,632,853	15,424,853	15,050,923	(373,930)	-2.4%
Purchasing and Contracting	5,018,108	5,018,108	4,964,815	(53,293)	-1.1%
Real Estate Assets	4,266,067	4,266,067	4,026,021	(240,046)	-5.6%
Transportation and Storm Water	99,514,118	87,735,693	85,764,806	(1,970,887)	-2.2%
Total General Fund Expenditures	\$ 1,128,388,274	\$ 1,131,430,274	\$ 1,119,800,768	\$ (11,629,506)	-1.0%

The current budget presented in this table is as of March 2012 (accounting period 9) unless otherwise noted.

Non-General Fund Projections

Fund	Revenues/ Expenditure	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
Airports Fund	Revenues	\$ 4,476,334	\$ 4,476,334	\$ 4,189,232	\$ (287,102)	-6.4%
	Expenditures	4,740,207	4,740,207	3,160,735	(1,579,472)	-33.3%
Central Stores Fund	Revenues	24,052,960	24,052,960	10,732,573	(13,320,387)	-55.4%
	Expenditures	24,052,960	24,052,960	11,133,597	(12,919,363)	-53.7%
Concourse and Parking Garages Operating Fund	Revenues	2,945,804	2,945,804	2,907,285	(38,519)	-1.3%
	Expenditures	2,787,003	2,787,003	2,705,544	(81,459)	-2.9%
Development Services Fund	Revenues	46,553,370	46,553,370	43,043,107	(3,510,263)	-7.5%
	Expenditures	41,548,110	41,548,110	38,201,923	(3,346,187)	-8.1%
Energy Conservation Program Fund	Revenues	3,037,617	3,037,617	3,061,653	24,036	0.8%
	Expenditures	2,476,657	2,476,657	2,154,273	(322,384)	-13.0%
Facilities Financing Fund	Revenues	2,067,205	2,067,205	2,051,688	(15,517)	-0.8%
	Expenditures	2,067,205	2,067,205	2,051,688	(15,517)	-0.8%
Fire/EMS Transportation Program Fund	Revenues	7,870,926	12,238,926	12,371,945	133,019	1.1%
	Expenditures	11,215,596	15,583,596	15,824,404	240,808	1.5%
Fleet Services Operating Fund	Revenues	51,914,527	51,914,527	52,941,301	1,026,774	2.0%
	Expenditures	51,258,674	51,258,674	50,583,268	(675,406)	-1.3%
Golf Course Fund	Revenues	15,957,225	15,957,225	17,209,006	1,251,781	7.8%
	Expenditures	14,848,817	14,848,817	14,615,405	(233,412)	-1.6%
Information Technology Fund	Revenues	5,585,381	5,585,381	5,533,673	(51,708)	-0.9%
	Expenditures	5,578,211	5,578,211	4,877,419	(700,792)	-12.6%
Local Enforcement Agency Fund	Revenues	795,693	795,693	735,950	(59,743)	-7.5%
	Expenditures	826,716	826,716	812,101	(14,615)	-1.8%
Los Peñasquitos Canyon Preserve Fund	Revenues	132,000	132,000	149,786	17,786	13.5%
	Expenditures	200,738	200,738	203,501	2,763	1.4%
OneSD Support Fund	Revenues	21,250,474	21,250,474	21,379,156	128,682	0.6%
	Expenditures	21,242,793	21,242,793	20,816,137	(426,656)	-2.0%
PETCO Park Fund	Revenues	18,260,280	18,260,280	18,059,624	(200,656)	-1.1%
	Expenditures	17,361,608	17,361,608	16,726,289	(635,319)	-3.7%
Publishing Services Fund	Revenues	5,158,804	5,158,804	3,631,710	(1,527,094)	-29.6%
	Expenditures	5,158,804	5,158,804	3,631,710	(1,527,094)	-29.6%

Non-General Fund Projections

Fund	Revenues/ Expenditure	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
QUALCOMM Stadium Operating Fund	Revenues	\$ 14,916,309	\$ 14,916,309	\$ 15,027,571	\$ 111,262	0.7%
	Expenditures	15,939,227	15,939,227	15,476,762	(462,465)	-2.9%
Recycling Fund	Revenues	19,320,794	19,320,794	20,225,804	905,010	4.7%
	Expenditures	20,801,747	20,801,747	19,469,063	(1,332,684)	-6.4%
Redevelopment Fund	Revenues	3,768,383	3,768,383	3,471,730	(296,653)	-7.9%
	Expenditures	3,768,383	3,768,383	2,939,864	(828,519)	-22.0%
Refuse Disposal Fund	Revenues	29,707,888	29,707,888	26,758,589	(2,949,299)	-9.9%
	Expenditures	34,562,075	34,562,075	31,277,010	(3,285,065)	-9.5%
Risk Management Administration Fund	Revenues	9,225,761	9,225,761	9,225,761	-	0.0%
	Expenditures	9,225,761	9,225,761	9,026,309	(199,452)	-2.2%
Sewer Utility Funds ¹	Revenues	473,166,000	473,166,000	414,427,400	(58,738,600)	-12.4%
	Expenditures	328,362,612	328,884,969	304,932,360	(23,952,609)	-7.3%
Transient Occupancy Tax Fund						
Commission for Arts and Culture Department	Revenues	-	-	3,268	3,268	100.0%
Special Events Department	Revenues	150,000	150,000	104,854	(45,146)	-30.1%
Special Promotional Programs	Revenues	67,988,329	67,988,329	70,410,086	2,421,757	3.6%
<i>Total Transient Occupancy Tax Fund Revenues</i>		<u>\$ 68,138,329</u>	<u>\$ 68,138,329</u>	<u>\$ 70,518,208</u>	<u>\$ 2,379,879</u>	<u>3.5%</u>
Commission for Arts and Culture Department	Expenditures	871,683	871,683	875,637	3,954	0.5%
Special Events Department	Expenditures	590,603	590,603	603,439	12,836	2.2%
Special Promotional Programs	Expenditures	66,676,043	66,676,043	69,039,131	2,363,088	3.5%
<i>Total Transient Occupancy Tax Fund Expenditures</i>		<u>\$ 68,138,329</u>	<u>\$ 68,138,329</u>	<u>\$ 70,518,208</u>	<u>\$ 2,379,879</u>	<u>3.5%</u>
Underground Surcharge Fund	Revenues	45,354,656	45,354,656	48,470,674	3,116,018	6.9%
	Expenditures	58,756,514	58,756,514	48,272,652	(10,483,862)	-17.8%
Water Utility Operating Fund ¹	Revenues	508,905,000	508,905,000	568,480,899	59,575,899	11.7%
	Expenditures	451,642,397	451,642,397	398,155,605	(53,486,792)	-11.8%
Wireless Communications Technology Fund	Revenues	9,530,218	9,530,218	9,779,669	249,451	2.6%
	Expenditures	10,043,210	10,043,210	9,621,741	(421,469)	-4.2%

The current budget presented in this table is as of March 2012 (accounting period 9) unless otherwise noted. Capital Improvements Program expenditure budgets are excluded.

¹ Revenues in the Sewer Utility and Water Utility Operating Funds support both Operating and Capital Improvements Program (CIP) activity; however, only Operating expenditures are reflected in this report.

Non-General Fund Reserves

Fund	Reserve Type	FY 2012 Target	Status
Development Services Fund	Appropriated Reserve	\$ 1,186,138	Budgeted
Public Liability Fund	Fund Balance	17,100,000	On Target
Workers' Compensation Fund	Fund Balance	34,300,000	On Target
Long-Term Disability Fund	Fund Balance	8,110,000	On Target
Water Utility Funds	Appropriated Reserve	3,500,000	Budgeted
	Operating Reserve	30,400,000	On Target
	Capital Reserve	5,000,000	Budget
	Rate Stabilization Reserve	20,500,000	On Target
	Secondary Purchase Reserve	12,503,886	On Target
	Dedicated Reserve from Efficiency & Savings ¹	15,126,948	NA
Sewer Utility Funds	Appropriated Reserve	3,500,000	Budgeted
	Operating Reserve	35,200,000	On Target
	Capital Reserve	5,000,000	Budgeted
	Rate Stabilization Reserve	21,300,000	On Target
	Dedicated Reserve from Efficiency & Savings ¹	36,272,893	NA
Refuse Disposal Fund	Appropriated Reserve	920,000	Budgeted
	Fund Balance	1,840,000	On Target
Recycling Enterprise Fund	Appropriated Reserve	480,000	Budgeted
	Fund Balance	960,000	On Target

¹ The Dedicated Reserve from Efficiency Savings reserves do not have targets, amounts above reflect the balance as of June 30, 2009.

Incomplete Projects to Close

CIP Project	Estimated Remaining Budget
Audible Pedestrian Signals / S01027	\$ -
Audible Pedestrian Signals-Citywide / S01024	-
Audible Pedestrian Signals-Citywide / S01033	-
Bernardo Trail Dr & Pomerado Rd TS / S11040	262,921
Camino Ruiz from n/o Reagan to Jade Coast / S01018	-
Centre City Intersection Improvements / S00895	14,941
Chollas Lake Athletic Area / S01020	-
Colina Del Sol Pool ADA / S01047	6,000
Cypress Canyon Neighborhood Park Phase 2/ S10046	2,384,466
Debt Service for Commerical Paper Funded Projects / S00883	270,000
Debt Service for TransNet Bond Funded Projects / S00874	-
Del Mar Heights Road Center Median / S00884	224,658
Del Mar Mesa Neighborhood Park / S00648	2,065,378
El Capital Potable Water Segment / S12007	250,000
Eligible Street Lights in District 3 / S01038	-
Eligible Street Lights in District 7 / S01037	566
Encanto Community Park Concession Expansion / S01056	4,191
Euclid Avenue Corridor Improvements / S00904	-
Fiesta Island Causeway Parking Lot / S00622	24,765
Friars Road/Pacific Highway Bicycle Path / S00947	-
Girl Scouts Imperial Council / S01030	-
Golden Hill Community Center / S01022	-
Grandee Pl & Pomerado Rd Traffic Signal / S11039	264,695
Inspiration Point Precise Plan / S00615	293
Kensington Pressure Regulator / S10059	31,564
La Jolla Parking Structure / S00897	50,000
Linda Vista Parking Lot / S01081	-
Mar Ave-Soledad Ave Intersection Improve / S10097	1
Marshall Elementary School-Joint Use Improvements / S10080	700,000
Meter Boxes / AKB00005	139,935
Mission Bay Golf Course Driving Range Upgrade / S10043	1,000,000
MOC Building / S11023	3,000,000
Modernize Elevators at CAB and Parkade / S00696	-
Montgomery Field NW Heliport / S00679	1,002,038
Napa St. from Linda Vista Rd to Morena Blvd / S00849	8,296
North City Water Reclamation Plant EDR Upgrade / S00324	1,041,513
North Ocean Beach Gateway / S01058	-
OB Commerical Revit-Newport Ave / S01077	-
Pacific Highway Bicycle Route / S11036	2,406
Pershing Drive/Redwood Street Intersection / S00885	54,646
Prospect Street/Silverado Street Roundabout / S00924	8,001
Public Roads Supporting Park Access / S00660	-
Pump Station 64 Electrical Upgrades / S00307	239,200
Ray Street Improvements / S01078	-
San Diego 17 Flow Control Facility / S00038	8,883,057
San Diego Automotive Museum / S01053	-
San Diego River Multi-Use Path / S00929	53
Saturn Boulevard- Palm Av to Coronado / S00861	-
Scripps Miramar Library Parking / S01035	-
SD Children/SD Family Justice Center / S01026	-
South County Raw Water Reservoir Intertie Study / S00066	780,000

Incomplete Projects to Close

CIP Project	Estimated Remaining Budget
Torrey Pines Golf Course Irrigate & Fence Upgrades / S01065	\$ 242,012
Torrey Pines North and South Golf Paths / S10045	800,000
Traffic Count Station-Various Locations / S10098	-
Westview Park Shade Structure / S01066	33,727

Water and Sewer Projects to De-Appropriate

Fund/CIP Project	Amount to De-Appropriate
Water Utility CIP	
30th Street Pipeline Replacement / S12010	\$ 100,000
Alvarado Water Treatment Plant Upgrade & Expansion / S00021	17,685,486
Barrett Flume Cover / S10013	100,000
Catalina 12inch Cast Iron Mains / S12008	100,000
Cielo & Woodman Pump Station / S12012	100,000
Corrosion Control / AKA00001	300,000
Dams & Reservoirs / ABK00001	689,000
El Capitan Pipeline #2 Valves / S10005	754,981
Groundwater Asset Development Program / ABM00001	1,800,000
Kearny Mesa Pipeline Upgrade / S10011	2,729,801
Kensington Pressure Regulator / S10059	31,564
La Jolla Scenic Drive 16inch Main / S12009	100,000
Lower Otay Reservoir Emergency Outlet Improvements / S00044	4,000,000
Miramar Water Treatment Plant Upgrade & Expansion / S00024	26,208,774
Montezuma Pipeline/Mid-City Pipeline Phase II / S11026	394,931
North City Reclamation System / AHC00002	13,300,000
Otay 1st/2nd PPL Abandon West of Highland Avenue / S12016	100,000
Otay 2nd Pipeline Improvements / S00032	1,238,380
Otay Water Treatment Plant Upgrade & Expansion / S00030	993,552
Pressure Reduction Facility Upgrades / AKA00002	750,000
Reclaimed Water Extension / AHC00001	3,780,140
Seismic Upgrades / AKB00004	1,802,886
Standpipe and Reservoir Rehabilitations / ABL00001	1,557,588
Torrey Pines Road/La Jolla Blvd Main Replacement / S00003	382,047
Water Main Replacements / AKB00003	20,000,000
Water Pump Station Restoration / ABJ00001	5,105,524
<i>Subtotal Water Utility CIP</i>	<i>\$ 104,104,653</i>
Sewer Utility CIP	
East Point Loma Trunk Sewer / S00329	4,000,000
Lake Muray Trunk Sewer / S00335	7,000,000
South Mission Valley Trunk Sewer / S00302	1,000,000
<i>Subtotal Sewer Utility CIP</i>	<i>\$ 12,000,000</i>
Total Water & Sewer CIP De-Appropriations	
	\$ 116,104,653