



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: July 11, 2013 REPORT NO: 13-062

ATTENTION: Budget and Finance Committee  
Agenda of July 17, 2013

SUBJECT: Fiscal Year 2014 Appropriation Ordinance and City Council Requested  
Changes and Information

REFERENCE: None

REQUESTED ACTION:  
Approve the Fiscal Year 2014 Appropriation Ordinance.

STAFF RECOMMENDATION:  
Approve the requested action.

SUMMARY:

**I. Fiscal Year 2014 Appropriation Ordinance**

The Appropriation Ordinance (Attachment A) defines the legal levels at which the Mayor and Chief Financial Officer (CFO) are allowed to control operational and capital expenditures. Pursuant to Section 71 of the Charter of the City of San Diego, the Appropriation Ordinance shall be adopted during the month of July. Authorities are requested to allow for the financial transactions required to conduct the affairs of the City of San Diego throughout Fiscal Year 2014. The following section summarizes the significant changes made from the Fiscal Year 2013 Appropriation Ordinance and additional authorities requested in the Fiscal Year 2014 Appropriation Ordinance, which can be identified in the strikeout version of the ordinance (Attachment B).

1. (Section 2.A.7) Revised language to clarify the authority to modify revenue or expenditure appropriations for the purpose of transferring funds to Civic San Diego upon request from the City of San Diego in its capacity as a Successor Agency.
2. (Section 2.B.2) Updated language from Fiscal Year 2013 to Fiscal Year 2014 regarding the execution of appropriate agreements for activities associated with Transient Occupancy Tax (TOT) Fund allocations.

3. (Section 2.B.(F)) Deleted language regarding the Redevelopment Cooperation Agreement Funds due to the dissolution of the Redevelopment Agency. This language was deleted as it is not relevant and/or applicable for Fiscal Year 2014.
4. (Section 2.C.2) The table in this section was replaced with Attachment III: Underfunded CIP Projects to Receive Funding from Closed Projects.
5. (Section 2.C.3) Revised language to clarify that the authority to transfer and appropriate budget is based upon completion and/or closure of Capital Improvements Program (CIP) projects.
6. (Section 2.C.8) Revised language regarding the appropriation and expenditure of interest earnings from any bond construction funds to support debt service payments. This revision generalizes the language regarding the appropriation and expenditure of interest earnings from any bond construction funds to support debt service payments. Previous language only included a list of existing bond construction funds by fund name and number.
7. (Section 2.C.9) Added language to authorize the transfer of unexpended capital bond fund appropriations from completed and closed CIP projects to an Annual Allocation of the same asset type in order to expedite the expenditure of capital bond funds which have a three-year time restriction.
8. (Section 2.D.3.(c)) Added language to authorize the transfer of CIP appropriations and associated fund balances from the Water and Sewer operating funds to the respective CIP funds. This reallocation will not change the CIP project budget nor the funding source.
9. (Section 2.G.(b)) Revised language to clarify the authority for the CDBG funds regarding CIP projects. This revision clarifies the authority to transfer the CDBG funds allocated to projects that are completed or ineligible to Unobligated CDBG funds to be re-appropriated by the City Council.
10. (Section 13) Revised language regarding the appropriation and expenditure of residual fund balances from obsolete or inactive funds with the purpose of returning residual fund balances to the original source. The previous language did not specify this action and authorized the CFO only to close obsolete or inactive funds.

## **II. City Council Requested Changes and Information**

### **A. Five-Year Labor Agreements**

On June 10, 2013, the City Council approved the tentative agreements that were reached with the International Association of Fire Fighters Local 145 (IAFF Local 145); the San Diego Municipal Employees Association (MEA); the Deputy City Attorneys Association (DCAA); the San Diego Police Officers Association (POA); the American Federation of State, County, and Municipal

Employees Local 127 (AFSCME Local 127); and the California Teamsters (Teamsters Local 911). Each of the tentative agreements on a successor Memorandum of Understanding (MOU) is for a five-year term to include non-pensionable compensation increases consistent with the passage of Proposition B. All tentative agreements provide an option to reopen the MOUs to meet and confer regarding increases to non-pensionable compensation for Fiscal Years 2017 and 2018.

The Supplement to the May Revision to the Fiscal Year 2014 Proposed Budget, which was released on June 5, 2013 and approved by City Council on June 10, 2013, included the estimated budgetary changes for Fiscal Year 2014 resulting from the tentative agreements. The table below reflects the actual budgetary changes included in the Fiscal Year 2014 Adopted Budget based on the implementation of the terms of the tentative agreements in the City's budget system and the projected budgetary impact to the City for Fiscal Year 2015 through Fiscal Year 2018. The projected impacts will be reflected in the Five-Year Financial Outlook which is scheduled to be released in November 2013.

<b>Five-Year Labor Agreement Estimates</b>						
<b>(\$Millions)</b>						
	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	
	<b>Adopted</b>	<b>Projection</b>	<b>Projection</b>	<b>Projection</b>	<b>Projection</b>	<b>Total</b>
	<b>Budget</b>					
FY14 Compensation Increase	\$9.8	\$9.8	\$9.8	\$9.8	\$9.8	\$49.0
FY15 Compensation Increase		\$7.3	\$7.3	\$7.3	\$7.3	\$29.2
FY16 Compensation Increase			\$9.5	\$9.5	\$9.5	\$28.5
FY17 Compensation Increase				\$1.7	\$1.7	\$3.4
FY18 Compensation Increase					\$1.7	\$1.7
<b>General Fund</b>	<b>\$9.8</b>	<b>\$17.1</b>	<b>\$26.6</b>	<b>\$28.3</b>	<b>\$30.0</b>	<b>\$111.8</b>
FY14 Compensation Increase	\$3.1	\$3.1	\$3.1	\$3.1	\$3.1	\$15.5
FY15 Compensation Increase		\$3.2	\$3.2	\$3.2	\$3.2	\$12.8
FY16 Compensation Increase			\$3.0	\$3.0	\$3.0	\$9.0
FY17 Compensation Increase				\$0.0	\$0.0	\$0.0
FY18 Compensation Increase					\$0.0	\$0.0
<b>Non-General Fund</b>	<b>\$3.1</b>	<b>\$6.3</b>	<b>\$9.3</b>	<b>\$9.3</b>	<b>\$9.3</b>	<b>\$37.3</b>
<b>Total City</b>	<b>\$12.9</b>	<b>\$23.4</b>	<b>\$35.9</b>	<b>\$37.6</b>	<b>\$39.3</b>	<b>\$149.1</b>

**B. Impacts of SDCERS Decision on Fiscal Year 2014 Budget**

On June 28, 2013, the San Diego City Employees' Retirement System (SDCERS) Board did not approve the revised City of San Diego actuarial valuation reflecting the five-year labor agreements impact on the actuary's wage inflation assumption which included a Pension Annual Required Contribution (ARC) of \$250.1 million. As a result, the City paid the Pension ARC of \$275.4 million on July 1, 2013 as stated in the original actuarial valuation.

In addition to the higher Pension ARC, the following \$4.0 million in ongoing expenses that were approved by City Council as part of the adoption of the Fiscal Year 2014 budget were not included in the Fiscal Year 2014 Adopted Budget. These expenses were contingent upon the SDCERS Board's approval of the revised actuarial valuation, which included a reduced Pension ARC as a result of the five-year labor agreements with the City's six recognized unions.

1. \$200,000 to increase the hours at the Central Library from 49 to 52 hours per week.
2. \$2.9 million to increase the service hours at all branch libraries from 44 to 48 hours per week.
3. \$712,000 to increase the number of recruits in each of the four police academies from 34 to 36 and to allow for funding flexibility in the event that attrition is lower than assumed.
4. \$200,000 to restore funding for overnight camping at Mission Trails Regional Park and for improvements to the Mission Trails Regional Park Visitor Center.

The non-pensionable compensation increases of \$12.9 million (\$9.8 million for the General Fund) approved by City Council for Fiscal Year 2014 are funded from the reserves/fund balances from each of the respective funds as previously communicated in the Supplement to the May Revision to the Fiscal Year 2014 Proposed Budget memorandum.

### **C. General Fund Reserves**

For Fiscal Year 2014 year-end, the General Fund Reserves are projected to be \$145.9 million or 12.1% of the Fiscal Year 2014 Adopted General Fund revenues (Attachment E).

### **Conclusion**

The Fiscal Year 2014 Appropriation Ordinance appropriates the Fiscal Year 2014 Adopted Budget. If not passed, City departments will not have the authority to expend the appropriations set forth in the Fiscal Year 2014 Adopted Budget approved by the City Council via Resolution No. R-308247 (Attachment D) on June 19, 2013.

*signature on file*  
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Jeff Sturak  
Financial Management Director

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Irina Kumits  
Deputy Director

*signature on file*  
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Greg Bych  
Interim Chief Financial Officer

Attachments:

- A. Fiscal Year 2014 Appropriation Ordinance (Clean)
  - I. Fiscal Year 2014 Operating and Capital Appropriations
  - II. Excerpt from Council Policy 100-03: Transient Occupancy Tax
  - III. Underfunded CIP Projects to Receive Funding from Closed Projects
- B. Fiscal Year 2014 Appropriation Ordinance (Strikeout)
- C. Fiscal Year 2014 Adopted Budget Change Letter
- D. Fiscal Year 2014 Budget Resolution R-308247
- E. Fiscal Year 2014 Projected General Fund Reserves