



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

DATE ISSUED: February 26, 2015 REPORT NO: 15-017 REV  
ATTENTION: City Council Agenda of March 2, 2015  
SUBJECT: Fiscal Year 2015 Mid-Year Budget Monitoring Report and Mid-Year Budget Adjustments  
REFERENCE: Fiscal Year 2015 First Quarter Budget Monitoring Report, #14-068

REQUESTED ACTION:

Approve the requested actions and recommendation for the use of budgetary surplus as outlined in the Fiscal Year 2015 Mid-Year Budget Monitoring Report, # 15-017 REV.

STAFF RECOMMENDATION:

Approve the requested actions.

SUMMARY:

The Mid-Year Report presents year-end projections of revenues and expenditures for funds with budgeted personnel expenditures. It also includes requests for budget adjustments for those departments and funds with over budget projections in order to continue operations through the end of fiscal year.

The Mid-Year Report has been revised to reflect the recommendations of the Budget and Government Efficiency Committee meeting held Wednesday, February 25, 2015. The request for additional authority to be granted to the Chief Financial Officer related to reallocating Capital Improvement Program (CIP) budgets has been removed from the Report as well as other minor updates due to new information available since the original release of the report. The revised pages are attached to the revised Report as Addendum A.

The CIP action removed from the Mid-Year Report will be presented along with a larger CIP related report in upcoming Budget and Government Efficiency and Infrastructure Committee meetings.

FISCAL CONSIDERATIONS:

See attached Report: Fiscal Year 2015 Mid-Year Budget Monitoring Report, # 15-017 REV

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

This item was heard at Budget and Government Efficiency Committee on February 25, 2015 and will be heard at City Council on March 2, 2015. This item does not require two Council hearings and will be amending the budget via resolution.

The Budget and Government Efficiency Committee forwarded the Mid-Year Report and the requested actions as outlined in the Report to City Council with the exception of the requested authority related to the CIP. As a result the Report has been revised. The revised pages are attached to the revised Report as Addendum A.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

N/A

Attachment: Fiscal Year 2015 Mid-Year Budget Monitoring Report, # 15-017 REV

# Fiscal Year 2015 Mid-Year Budget Monitoring Report



## City of San Diego Financial Management Department February 2015

*signature on file*

Scott Chadwick  
Chief Operating Officer

*signature on file*

Mary Lewis  
Chief Financial Officer

*signature on file*

Tracy McCraner  
Financial Management Director

*signature on file*

Alia Khouri  
Budget Coordinator

## INTRODUCTION

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Per City Council Budget Policy (Policy No. 000-02) the FY 2015 Mid-Year Budget Monitoring Report is presented to the Budget and Government Efficiency Committee and the City Council each fiscal year. This report is an integral part of the budget process that provides critical data to allow for informed decision-making and continues to support strong financial discipline in delivering essential community services.

Financial Management produces this report, in collaboration with all City departments, to forecast year-end results and recommend budget adjustments to address significant variances between budget and actual revenues and/or expenditures. The Mid-Year Report is developed using six months of actual activity in budgeted operating departments, combined with departmental projections of anticipated spending trends for the remainder of the fiscal year. Statistical data, economic analysis, and professional judgment and expertise are gathered from our economic consultants, professional organizations and other resources to project the year-end revenue estimates. This report provides the detail and analysis of the mid-year projections and recommends actions necessary to maintain budgetary control and balance throughout the fiscal year.



The following discussions, analysis, and recommendations can be found in this report:

- A high-level summary of projected revenues and expenditures, including the impact of this projected activity on Excess Equity and reserve targets
- Detail on the major General Fund revenues and assumptions utilized
- Summary of the status of the citywide vacancies as of January 5, 2015
- Discussion on significant variances projected for departments and funds (Significant is defined as greater than \$500,000)
- Updates to the Mayor's priority budget initiatives if there has been a change from the First Quarter Budget Monitoring Report (First Quarter Report), issued November 14, 2014
- Appropriation adjustments and authorities recommending budget adjustments necessary to maintain budgetary control and balance for all budgeted funds

The FY 2015 Mid-Year Budget Monitoring Report projects the General Fund to be within 1.0% of the adopted budget at fiscal year-end. General Fund revenues continue to project modestly over budget and expenditures have also continued to project over budget; however, expenditures are increasing at a slower pace. The Mayor has recommended the use of the General Fund FY 2015 projected budgetary surplus to pre-fund critical reserves for both the Public Liability and

Long-Term Disability Funds. This, if approved, will provide additional resources for priority initiatives during the FY 2016 budget process. Per the City Charter, the Mayor will be presenting a balanced FY 2016 Proposed Budget to City Council by April 15, 2015.

# GENERAL FUND

## OVERVIEW

The General Fund is projected to end the fiscal year with \$8.9 million of expenditures in excess of revenue as reflected in Table 1: Summary of FY 2015 General Fund Projections. This represents a \$4.9 million improvement from the FY 2015 adopted budget, which projected to use \$13.9 million in Excess Equity. The \$13.9 million budgeted use of Excess Equity included \$12.8 million to pre-fund the Public Liability Reserve and \$1.7 million for the City Council Districts Community Projects, Programs, and Services, and a small decrease in fringe benefit expenditures of \$600,000.

<b>Summary of FY 2015 General Fund Projections</b>					
<i>Table 1</i>					<i>in millions</i>
<b>Revenue/Expenditures</b>	<b>Adopted Budget</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Variance</b>	<b>Variance %</b>
Resources					
Revenue	\$ 1,188.6	\$ 1,188.6	\$ 1,202.8	\$ 14.2	1.2%
Excess Equity	13.9	13.9	13.9	-	0.0%
<b>Total Resources</b>	<b>1,202.4</b>	<b>1,202.4</b>	<b>1,216.7</b>	<b>14.2</b>	<b>1.2%</b>
<b>Expenditures</b>	<b>1,202.4</b>	<b>1,202.4</b>	<b>1,211.7</b>	<b>(9.3)</b>	<b>-0.8%</b>
<b>Surplus</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4.9</b>	<b>\$ 4.9</b>	

The \$4.9 million improvement in the General Fund financial condition is the result of increased projected revenues of \$14.2 million offset by increased projected expenditures of \$9.3 million. The improved revenue projection mitigates the increased expenditure projection and does not necessitate using all of the Excess Equity budgeted. The projected budgetary surplus of \$4.9 million is the difference between the \$13.9 million budgeted use of Excess Equity expected in the adopted budget and the lower projected use of \$8.9 million in Excess Equity resulting from the current projected activity. The Mayor is recommending that City Council approve the use of \$3.9 million of this projected budgetary surplus to pre-fund critical risk management reserves. If approved this would allow for additional resources for other critical priorities in the FY 2016 budget deliberations.

The excess revenue projection is primarily the result of increased receipts realized in the City's major General Fund revenues of \$10.7 million. Excess franchise fee revenue is the primary contributor making up 50.0% of this increase, or \$5.4 million. The excess expenditure projection is primarily due to continued increases to personnel expenditures in public safety departments, projected to exceed budget by \$16.1 million for both the Police and Fire-Rescue Departments. A portion of the increased personnel expenditures are offset by unanticipated revenue received for public safety reimbursements for strike team deployments and from the Assembly Bill 109 Public Safety Realignment Act. Savings in election costs of \$1.7 million and delayed debt service payments of \$2.5 million in Citywide Program Expenditures are reducing the negative impact of the increased personnel expenditures to the General Fund.

This projection includes six months of actual activity and expenditure and revenues will vary as the year progresses. The City has strong controls and processes in place to maintain a balanced budget. The analysis and projections presented in this report, combined with Financial Management’s continued monitoring and departmental projections of revenues and expenditures are critical to maintaining financial discipline and a balanced budget, which supports the delivery of essential community services.

**Changes Since the First Quarter Report**

The current projection has improved \$5.1 million compared to the projections in the First Quarter Budget Monitoring Report (First Quarter Report) as reflected in Table 2: Comparison of FY 2015 General Fund Projections. The primary driver is an improved revenue projection of \$11.8 million. Almost half of this increase is attributed to \$5.4 million in additional franchise fee revenue in the major General Fund Revenues. Other factors are departmental revenue increases of \$1.5 million in the Fire-Rescue Department and \$1.3 million in the Economic Development Department. The Office of the City Treasurer and the Office of the City Attorney also project increased revenue since the First Quarter Report of \$600,000 and \$500,000, respectively.

<b>Comparison of FY 2015 General Fund Projections</b>				
<i>Table 2</i>		<i>in millions</i>		
<b>Revenue/Expenditures</b>	<b>First Quarter</b>	<b>Mid-Year Report</b>	<b>Variance</b>	<b>Change %</b>
Resources				
Projected Revenue	\$ 1,191.0	\$ 1,202.8	\$ 11.8	1.0%
Excess Equity	13.9	13.9	-	0.0%
<b>Total Resources</b>	<b>1,204.9</b>	<b>1,216.7</b>	<b>11.8</b>	<b>1.0%</b>
<b>Projected Expenditures</b>	<b>1,205.0</b>	<b>1,211.7</b>	<b>6.7</b>	<b>0.6%</b>
<b>Net Year-End Projection</b>	<b>\$ (0.1)</b>	<b>\$ 4.9</b>	<b>\$ 5.1</b>	

Partially reducing the improved revenue projections are increases in expenditure projections of \$6.7 million. The primary factors are projected increases in personnel costs in the Police, and Fire-Rescue Departments of \$3.9 million, and \$1.6 million, respectively. Less significant increases in expenditures of \$1.0 million each are projected in the Park and Recreation, Transportation and Storm Water, and Economic Development Departments, which are partially reduced by savings in Citywide Program Expenditures of \$1.4 million.

Details of the changes from the prior quarter summarized by department are included in the General Fund Summaries by Department section, later in this report.

**Mid-Year Ordinance**

In accordance with Municipal Code Section 22.029: Mid-Year Amendments to the Adopted General Fund Budget, a recommendation is provided for \$3.9 million of the projected budgetary surplus of \$4.9 million. This \$3.9 million is recommended to be applied to one-time expenditures to pre-fund risk management reserves as displayed in Table 3: Summary of FY 2015 Excess Equity and Budgetary Surplus. This recommendation is consistent with the City Council Budget Policy (Policy No. 000-02) regarding the use of one-time and ongoing revenues in the General Fund for one-time priority expenditures. This recommendation also expedites the funding targets

set in the City's Reserve Policy (Policy No 100-20) for both the Public Liability Fund Reserve and the Long-Term Disability Reserves by one fiscal year.



The remaining budgetary surplus of \$1.0 million is projected to increase Excess Equity for the General Fund, as it is not needed to meet the 14.0% reserve target. The Excess Equity projection will be updated again in May 2015 as part of the FY 2015 Year-End Budget Monitoring Report. This will allow for the most timely and transparent discussion of Excess Equity and its potential use during the FY 2016 budget deliberations with City Council and the community. The status of the General Fund fund balance and reserves are discussed in the General Fund Reserves section beginning on page 21 of this report. Specific details regarding the recommended use of the budgetary surplus can be found in the Appropriation Adjustments section beginning on page 45 of this report.

<b>Summary of FY 2015 Excess Equity and Budgetary Surplus</b>	
<i>Table 3</i>	<i>in millions</i>
Budgeted Use of Excess Equity	\$ 13.9
Projected Use of Excess Equity	8.9
<b>FY 2015 Projected Budgetary Surplus</b>	<b>\$ 4.9</b>
Public Liability Fund Reserve Contribution	2.8
Long-Term Liability Fund Reserve Contribution	1.1
<b>Recommended Use of Budgetary Surplus</b>	<b>\$ 3.9</b>
<b>Remaining Budgetary Surplus</b>	<b>\$ 1.0</b>

## MAJOR GENERAL FUND REVENUES

The City’s major General Fund revenues are projected to exceed budget by \$10.7 million primarily the result of increased franchise fees from San Diego Gas & Electric (SDG&E), transient occupancy tax (TOT), and sales tax revenues, which are projected to exceed budget by \$5.4 million, \$2.2 million, and \$2.0 million, respectively. The excess revenue projections are offset by a decrease in property transfer tax revenue of \$1.1 million. Table 4: FY 2015 Major General Fund Revenue Projections summarizes this information.

<b>FY 2015 Major General Fund Revenue Projections</b>						
<i>Table 4</i>						<i>in millions</i>
<b>Revenue Source</b>	<b>Adopted Budget</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Variance</b>	<b>Variance %</b>	
Property Tax	\$ 445.4	\$ 445.4	\$ 446.6	\$ 1.2	0.3%	
Sales Tax	257.1	257.1	259.1	2.0	0.8%	
Transient Occupancy Tax <sup>1</sup>	92.3	92.3	94.5	2.2	2.3%	
Franchise Fees <sup>2</sup>	70.7	70.7	76.1	5.4	7.7%	
Property Transfer Tax	9.2	9.2	8.1	(1.1)	-11.8%	
Other Major Revenue	62.2	62.2	63.2	1.0	1.6%	
<b>Total</b>	<b>\$ 936.9</b>	<b>\$ 936.9</b>	<b>\$ 947.6</b>	<b>\$ 10.7</b>	<b>1.1%</b>	

<sup>1</sup> Total City FY 2015 current revenue budget for transient occupancy tax is \$176.3 million and the projection is \$180.4 million. The balance is budgeted in the Transient Occupancy Tax Fund.

<sup>2</sup> Total City FY 2015 current revenue budget for franchise fees is \$137.1 million and the projection is \$151.6 million. The balance is budgeted in the Environmental Growth and Underground Surcharge Funds.

The major General Fund revenue projections are based on the most recent economic information and actual revenue distributions to the City for six months. The FY 2015 budget for the major General Fund revenues incorporated a continued, modest improvement in the local, state, and national economies. The over budget projections indicate that the positive signs shown by the local economic indicators during the development of the budget have generally continued through the first half of the fiscal year as reflected in Table 5: Local Unemployment Economic Indicators and Table 6: Local Real Estate Market Indicators.

<b>Local Unemployment Economic Indicators</b>			
<i>Table 5</i>			
<b>Economic Indicator</b>	<b>December 2013</b>	<b>December 2014</b>	<b>Change %</b>
City of San Diego Unemployment	6.5%	5.2%	-1.3%
City of San Diego Number of Unemployed	45,700	37,000	-19.0%

Source: California Employment Development Department

When compared to December 2013, the City of San Diego unemployment rate for December 2014 has decreased to 5.2%. Additionally, the total number of unemployed has decreased by 19.0%. Both indicators are positive signs that the local employment market continues to improve.

<b>Local Real Estate Market Indicators</b>			
<i>Table 6</i>			
<b>Economic Indicator</b>	<b>Calendar Year 2013</b>	<b>Calendar Year 2014</b>	<b>Change %</b>
San Diego County Median Home Price	\$413,198	\$450,902	9.1%
San Diego County Home Sales	43,031	37,961	-11.8%
San Diego County Foreclosures	3,236	2,036	-37.1%
San Diego County Notices of Default	7,614	5,855	-23.1%

Source: DataQuick Information Systems, San Diego County Assessor/Auditor/Recorder's Office

When compared to calendar year 2013, the median home price for calendar year 2014 has increased by 9.1%. Meanwhile, the total volume of home sales for calendar year 2014 has decreased by 11.8% compared to calendar year 2013. This decrease in home sales is consistent with the actual decrease in the Property Transfer Tax revenues the City has received during the first half of the fiscal year. While home sales have slowed, there continues to be significant decreases in both foreclosures and notices of default, as the local real estate market continues to improve.

It is anticipated that this overall improvement in the local economy will continue through the remainder of the fiscal year, but will continue to be closely monitored these for potential impacts to the major General Fund revenues.

## Property Tax

<b>FY 2015 Property Tax Revenue Projections</b>					
<i>Table 7</i>					
<i>in millions</i>					
<b>Revenue Source</b>	<b>Adopted Budget</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Variance</b>	<b>Variance %</b>
Property Tax Growth Rate	5.1%	5.1%	5.1%	0.0%	N/A
Property Tax Projection	\$ 445.4	\$ 445.4	\$ 446.6	\$ 1.2	0.3%

Property tax revenue is projected to be slightly above budget at year-end. The projected increase from the current budget is primarily due to a residual distribution from the Redevelopment Property Tax Trust Fund (RPTTF) and an increase in Motor Vehicle License Fee (MVLFF) backfill payment. The mid-year projection also reflects a \$2.9 million increase from the projection in the First Quarter Report due to a \$2.8 million increase in RPTTF revenue and a \$100,000 increase in the 1.0% base property tax receivables.

The year-end projection for the 1.0% base property tax varies from the current budget by \$400,000 due to slight variations in the current secured and unsecured categories. The MVLFF

backfill payment varies from the current budget by \$1.4 million as a result of the actual payment being higher than budgeted.

The property tax projection includes a total tax sharing pass-through payment of \$4.2 million from the former Redevelopment Agency based on projections for the upcoming Recognized Obligation Payments Schedule (ROPS) and is reflected in the current budget. In addition to tax sharing pass-through payments, the City will also receive residual property tax payments. The residual property tax payment is the City’s proportionate share of funds remaining in the RPTTF after the ROPS requirements have been met. The projected residual property tax payment is approximately \$13.1 million, \$200,000 over budget.

The \$200,000 increase in property tax is the net result of a decrease in the City’s proportionate share of the RPTTF residual balance from 21.2% to 17.5%, which is then offset by an increase in the residual RPTTF balance due to reduced enforceable obligations. The decrease in the City’s proportionate share of the RPTTF residual balance is due to the San Diego County Auditor-Controller implementing a court decision in a lawsuit between Los Angeles Unified School District and the County of Los Angeles. The increase in residual tax sharing revenue is due to the Department of Finance denial of the reinstatement of two loan agreements as enforceable obligations: 1) Naval Training Center Purchase Loan and 2) Miscellaneous Long Term Debt Agreement. These amounts have been removed from the ROPS as enforceable obligations, thus increasing the City’s residual RPTTF revenue.

As result of the increase in ROPS residual distributions, the year-end projection includes a total residual property tax payment of \$17.3 million, a \$200,000 increase over the current budget. Combined, these components in the property tax projection result in an over budget projection of \$1.2 million, as displayed in Table 8: FY 2015 Property Tax Revenue Projection Details.

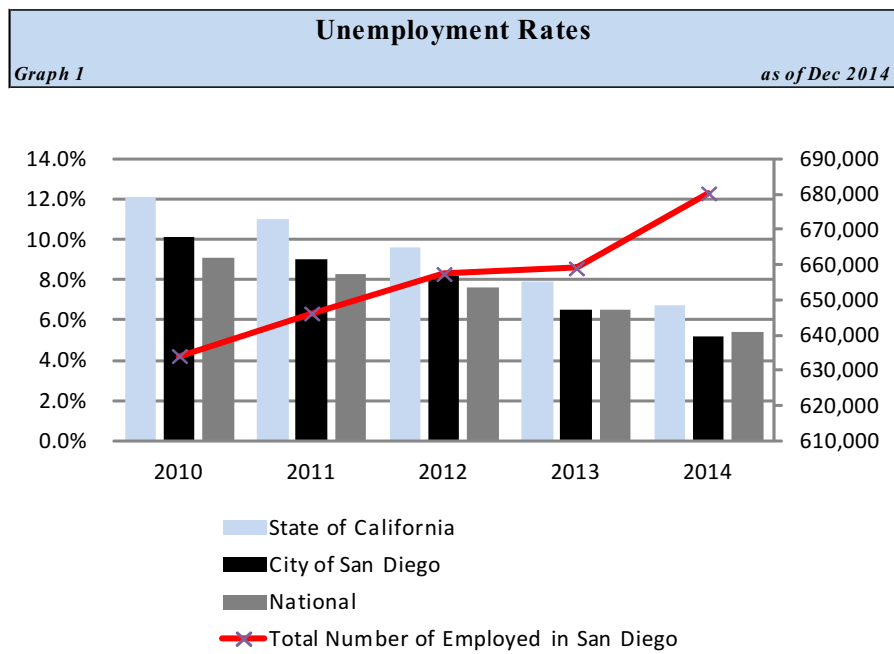
<b>FY 2015 Property Tax Revenue Projection Details</b>					
<i>Table 8</i>					<i>in millions</i>
<b>Revenue Source</b>	<b>Adopted Budget</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Variance</b>	<b>Variance %</b>
1.0% Property Tax	\$ 314.3	\$ 314.3	\$ 314.0	\$ (0.4)	-0.1%
MVLF Backfill	114.0	114.0	115.3	1.4	1.2%
RPTTF Tax Sharing Pass-through Payments	4.2	4.2	4.2	(0.0)	-0.3%
RPTTF Residual Property Tax	12.9	12.9	13.1	0.2	1.5%
<b>Total</b>	<b>\$ 445.4</b>	<b>\$ 445.4</b>	<b>\$ 446.6</b>	<b>\$ 1.2</b>	<b>0.3%</b>

## Sales Tax

<b>FY 2015 Sales Tax Revenue Projections</b>					
<i>Table 9</i>	<i>in millions</i>				
Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Sales Tax Growth Rate	4.5%	4.5%	4.5%	0.0%	N/A
Sales Tax Projection	\$ 257.1	\$ 257.1	\$ 259.1	\$ 2.0	0.8%

Sales tax revenue is projected to exceed budget at fiscal year-end by \$2.0 million, or less than 1.0%, primarily due to continued stable growth in consumer spending in almost all industry groups. A notable decrease in gas prices was experienced across the nation during the first half of the fiscal year due to expanded North American oil production and gains in fuel efficiency. The direct revenue impact to the City due to lower fuel prices will be closely monitored in the second half of the fiscal year. Having not seen the actual impact of this significant decrease in gas prices, a projected small increase of sales taxes of \$2.0 million has been maintained for the remainder of the fiscal year. There is the possibility that the year-end projection for sales tax will be lowered once we have more actual experience data to analyze.

Major local economic drivers of the City’s sales tax receipts include the unemployment rate, consumer confidence, and consumer spending. As of December 2014, the San Diego unemployment rate was 5.2%, as reported by the California Employment Development Department. The unemployment rates for both the State of California and the nation are 6.7% and 5.4%, respectively, as shown in Graph 1: Unemployment Rates. As the local unemployment rate continues to improve, consumer confidence is anticipated to continue increasing, and is anticipated to lead to continued growth in the City’s sales tax receipts.



Source: State of California, Employment Development Department

The City of San Diego continues to experience a steady but moderate increase in sales tax revenue when compared to FY 2014, with gains reported in nearly all economic sectors, except for construction as displayed in Table 10: Quarterly Sales Tax Revenue. Sales tax data from HdL Companies, the City’s sales tax consultant, reports that the impact of falling gas prices on the City’s revenue may be partially offset by purchases of taxable items in other economic categories, such as general consumer goods and vehicle sales.

<b>Quarterly Sales Tax Revenue</b>				
<i>Table 10</i>				<i>in millions</i>
<b>Economic Category</b>	<b>3rd Quarter CY 2013</b>	<b>3rd Quarter CY 2014</b>	<b>Variance %</b>	
General Retail	\$ 14.6	\$ 15.1	3.4%	
Food Products	13.7	14.2	3.8%	
Transportation	13.9	14.8	6.7%	
Business to Business	9.0	9.7	7.4%	
Construction	4.5	4.4	-1.1%	
<b>Total</b>	<b>\$ 55.6</b>	<b>\$ 58.2</b>	<b>4.6%</b>	

Source: HdL Companies

In March 2015, the City is set to receive sales tax information containing a full quarter of taxable sales since the drop in fuel price, as well as holiday season sales, which will provide further indication of economic growth and consumer confidence. Any potential increase or decrease in local taxable sales performance will directly impact the City’s sales tax projection and will be reflected in the FY 2015 Year-End Budget Monitoring Report and considered for the FY 2016 budget.

### Transient Occupancy Tax (TOT)

<b>FY 2015 Transient Occupancy Tax (TOT) Revenue Projections</b>					
<i>Table 11</i>					<i>in millions</i>
<b>Revenue Source</b>	<b>Adopted Budget</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Variance</b>	<b>Variance %</b>
TOT Growth Rate	5.5%	5.5%	5.5%	0.0%	N/A
TOT Projection	\$ 92.3	\$ 92.3	\$ 94.5	\$ 2.2	2.3%

General Fund TOT revenue is projected to exceed budget at fiscal year-end by \$2.2 million, or 2.3%, primarily due to gains in occupancy and room rates, and an increase in overnight visitors to San Diego during calendar year 2014. San Diego hotels continue to maintain and outpace premium occupancy rates and prices compared to both California and the U.S. through October 2014.

Major economic drivers of TOT include hotel occupancy rates, daily room rates, business travel, and conventions. Sustained positive tourism growth has occurred since the economic turnaround began in FY 2010 and this trend is expected to continue through fiscal year-end, according to the December 2014 Quarterly Travel Forecast from the San Diego Tourism Authority (SDTA) and

Tourism Economics, Inc. Table 12: San Diego County Visitor Industry provides a summary of the projected growth in economic indicators that impact the City’s transient occupancy tax receipts.

<b>San Diego County Visitor Industry</b>				
<i>Table 12</i>				
	CY 2012	CY 2013	CY 2014	CY 2015 <sup>2</sup>
<b>Visitors</b>				
Total Visits (millions)	32.3	33.1	33.8	34.6
Overnight Visits (millions)	16.1	16.4	17.0	17.2
<b>Hotel Sector</b>				
Average Occupancy	70.5%	71.6%	74.7%	76.3%
Average Daily Rate	\$ 131.22	\$ 134.94	\$ 142.61	\$ 150.52
Revenue PAR <sup>1</sup>	\$ 92.56	\$ 96.61	\$ 106.46	\$ 114.78
Room Demand (growth)	2.9%	2.4%	5.7%	3.2%

Source: San Diego Tourism Authority and Tourism Economics

<sup>1</sup> Revenue Per Available Room (Average Occupancy multiplied by Average Daily Rate)

<sup>2</sup> Forecast - Tourism Economics, December 2014

## Franchise Fees

<b>FY 2015 Franchise Fee Revenue Projections</b>					
<i>Table 13</i>					
<i>in millions</i>					
Revenue Source	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
SDG&E Growth Rate	2.0%	2.0%	2.0%	0.0%	N/A
Cables Growth Rate	3.5%	3.5%	4.4%	0.9%	N/A
Franchise Fee Projection	\$ 70.7	\$ 70.7	\$ 76.1	\$ 5.4	7.7%

A surplus of \$5.4 million is projected for franchise fee revenue at year-end as compared to the current budget. Franchise fee revenue is generated from agreements with private utility companies and refuse haulers in exchange for the use of the City’s rights-of-way. Currently, the City has franchise agreements with SDG&E, Cox Communications, Time Warner Cable, AT&T, and refuse haulers. Approximately 83.0% of franchise fee revenue is comprised of receipts from SDG&E and cable companies. Revenue received from the agreements with SDG&E and the cable companies is based on a percentage of gross sales while the revenue received from refuse haulers is based on tonnage.

The over budget projection for franchise fees is attributed to increases in revenue from SDG&E and cable companies. The increase in SDG&E franchise fee revenue is primarily due to increased energy rates and consumption. The increase in cable franchise fees is due to increased receipts from all cable providers. The current projection also reflects a \$5.0 million increase from the projection in the First Quarter Report due to a \$4.5 million increase in SDG&E franchise fee revenue, a \$400,000 increase in cable franchise fee revenue, and a \$100,000 increase in refuse hauler franchise fee revenue. SDG&E has implemented several rate increases approved by the

Public Utilities Commission after the adoption of the FY 2015 budget. The increase in franchise fee revenues is partially offset with increases in electricity costs for all City departments; however, the electricity costs are largely born by non-general funds such as Public Utilities.

### Property Transfer Tax

<b>FY 2015 Property Transfer Tax Projections</b>					
<i>Table 14</i>		<i>in millions</i>			
<b>Revenue Source</b>	<b>Adopted Budget</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Variance</b>	<b>Variance %</b>
Property Transfer Tax Growth Rate	11.0%	11.0%	11.0%	0.0%	N/A
Property Transfer Tax Projection	\$ 9.2	\$ 9.2	\$ 8.1	\$ (1.1)	-11.8%

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, which makes property transfer tax revenues generally more volatile to market changes than the 1.0% property tax levy. The County of San Diego collects \$1.10 per \$1,000 of the sale price when any real property is sold. The City is credited \$0.55 per \$1,000 against the County's charge, giving both the County and City each \$0.55 per \$1,000 of the sale price. The funds are collected by the County upon a sale of real property within the City limits and transferred to the City on a monthly basis.

Property transfer tax revenue is projected to be under budget at year-end. The decreased year-end projection is due to actual receipts not reaching budgeted amounts during the first half of the fiscal year. The decrease in property transfer tax is consistent with the decline in home sales and the slowing in growth of the median home price experienced during calendar year 2014 as displayed in Table 15: Local Real Estate Market Indicators. As a result, the FY 2015 budget growth rate of 11.0% is being decreased for the mid-year projection to 0.0% for the remainder of the fiscal year. Property transfer tax receipts will be closely monitored during the second half of the fiscal year; any projected increase or decrease will be reflected in the FY 2015 Year-End Budget Monitoring Report.

<b>Local Real Estate Market Indicators</b>			
<i>Table 15</i>			
<b>Economic Indicator</b>	<b>Calendar Year 2013</b>	<b>Calendar Year 2014</b>	<b>Variance %</b>
San Diego County Median Home Price	\$413,198	\$450,902	9.1%
San Diego Home Sales	43,031	37,961	-11.8%
San Diego County Foreclosures	3,236	2,036	-37.1%
San Diego County Notices of Default	7,614	5,855	-23.1%

Source: DataQuick Information Systems, San Diego County Assessor/Auditor/Recorder's Office



## Other Major Revenue

<b>FY 2015 Other Major Revenue Projections</b>					
<i>Table 16</i>		<i>in millions</i>			
<b>Revenue Source</b>	<b>Adopted Budget</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Variance</b>	<b>Variance %</b>
Other Major Revenue Projections	\$ 62.2	\$ 62.2	\$ 63.2	\$ 1.0	1.6%

The other major revenue categories include General Governmental Services Billing (GGSB), which is a reimbursement from other City funds that use General Fund services, one-cent TOT transfer into the General Fund, interest earnings attributable to the General Fund from the City investment pool, and refuse collector business tax. Other Major Revenues is projected to end the year over budget primarily due to disaster recovery reimbursements from previous fiscal years, which are offset by under budget interest earnings attributable to the General Fund and a decrease in GGSB.

## EXPENDITURES

General Fund expenditures are projected to exceed budget by \$9.3 million at fiscal year-end. An over budget projection in personnel expenditures of \$12.7 million is partially mitigated by an under budget projection in non-personnel expenditures of \$3.4 million.

### Personnel Expenditures

The current projection for personnel expenditures is over budget by \$12.7 million consisting of \$8.3 million in salaries and wages, and \$4.4 million in fringe benefits, as displayed on Table 17: FY 2015 General Fund Personnel Expenditure Projections.

FY 2015 General Fund Personnel Expenditure Projections						
<i>Table 17</i>						<i>in millions</i>
Expenditure Category	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %	
Salaries and Wages	\$ 493.4	\$ 496.6	\$ 504.9	\$ (8.3)	-1.7%	
Fringe Benefits	339.9	339.9	344.3	(4.4)	-1.3%	
<b>Total</b>	<b>\$ 833.3</b>	<b>\$ 836.5</b>	<b>\$ 849.2</b>	<b>\$ (12.7)</b>	<b>-1.5%</b>	

### Salaries and Wages

The salaries and wages expenditure category is comprised of five distinct types of wages: salaries, hourly wages, overtime, pay-in-lieu of annual leave, and termination pay. Salaries include compensation for benefited employees, while hourly wages include compensation for non-benefited employees. The expenditures in overtime include the total compensation at time and a half for both salaried and hourly employees. Pay-in-lieu of annual leave and termination pay represent compensation in-lieu of taking leave. Termination pay expenditures occur upon the employees' separation from the City.

Salaries and wages are projected to exceed budget by \$8.3 million primarily due to the following factors:

- \$11.4 million increase in overtime primarily in public safety
- \$2.0 million increase in termination pay primarily in public safety
- \$1.8 million increase in pay-in-lieu of annual leave city-wide
- \$800,000 increase in hourly wages primarily in public safety and the Park and Recreation Department
- \$7.7 million decrease in salaries resulting from vacancies which are expected to be filled in the next six months or are the result of new vacancies from recent promotions, transfers, terminations or retirements

As of January 5, 2015, 867.75 FTE positions were vacant city-wide as presented on Table 18: FY 2015 Mid-Year Vacancies. Departments expect to fill 614.25 FTE of these vacant positions, or 70.8%, by the end of the fiscal year. In the General Fund, 354.99 FTE positions, or 75.4%, are expected to be filled by the end of the fiscal year, leaving 115.75 FTE positions remaining to be filled. The majority of these remaining vacancies are in the public safety departments. The Police Department anticipates filling about half of the 69.00 FTE positions by August 2015, and the other half by February 2016. All of these remaining vacancies are sworn positions for detective

and sergeant positions. Traditionally, promotional classifications in the Police Department are promoted in groups twice per year. The Fire-Rescue Department promotes sworn positions based on a ranked-order list; promotional assessments are conducted on a monthly basis and implemented based on operational needs, as a result, the Department does not anticipate filling 30.00 FTE positions this fiscal year.

<b>FY 2015 Mid-Year Vacancies</b>				
<i>Table 18</i>	<i>As of January 5, 2015</i>			<i>FTE</i>
	Vacancies	Filled by Fiscal Year-End <sup>1</sup>	Filled %	Rem aining Vacancies
<b>General Fund</b>				
Fire-Rescue	69.00	39.00	56.5%	30.00
Library	16.50	14.50	87.9%	2.00
Park and Recreation	32.75	32.00	97.7%	0.75
Police	221.50	152.50	68.8%	69.00
Transportation and Stormwater	54.00	52.00	96.3%	2.00
Other	76.99	64.99	84.4%	12.00
Total	<b>470.74</b>	<b>354.99</b>	<b>75.4%</b>	<b>115.75</b>
<b>Non-General Funds</b>				
Development Services	103.75	33.75	32.5%	70.00
Environmental Services <sup>2</sup>	25.76	21.76	84.5%	4.00
Engineering and Capital Projects	50.00	49.00	98.0%	1.00
Public Utilities <sup>3</sup>	136.75	104.00	76.1%	32.75
Other	80.75	50.75	62.8%	30.00
Total	<b>397.01</b>	<b>259.26</b>	<b>65.3%</b>	<b>137.75</b>
<b>Total FTE Positions<sup>4</sup></b>	<b>867.75</b>	<b>614.25</b>	<b>70.8%</b>	<b>253.50</b>

<sup>1</sup> Positions are in various stages of the hiring process and are anticipated to be filled by June 30, 2015.

<sup>2</sup> Environmental Services includes the Energy Conservation Program, Recycling, and Refuse Disposal Funds.

<sup>3</sup> Public Utilities includes the Sewer Utility and Water Utility Funds.

<sup>4</sup> Excludes non-mayoral departments.

In the non-general funds, 259.26 of the 397.01 FTE positions, or 65.3%, are expected to be filled by the end of the fiscal year. The Engineering and Capital Projects and Public Utilities Departments anticipate filling 98.0% and 76.1%, respectively, of their vacant positions by fiscal year-end. The Development Services Department anticipates filling only 32.5% by fiscal year-end; however, 70.00 FTE positions will remain vacant until revenues are sufficient to support these positions. These vacant positions are budgeted in the Development Services Department and are available to fill immediately in direct response to customer demand, which fluctuates based on the current economy.

Financial Management will release a vacancy report the week of February 23, 2015 providing additional information and detailing the vacancies as of January 5, 2015. The report will also present the status of filling new positions added in FY 2015 as well as a status of vacancies presented in the prior vacancy report released May 2, 2014.

Overall, personnel expenditures are consistent with projections included in the First Quarter Report with the exception of increases in overtime and hourly wages from public safety. A

summary of the projection for these departments is included in the General Fund Summaries by Department section later in this report.

**Fringe Benefits**

The fringe benefits category is projected to exceed budget by \$4.4 million due to increases in fixed fringe benefits as displayed in Table 19: FY 2015 General Fund Fringe Benefits Projections. Fixed fringe benefits expenditures, such as the pension payment and long-term disability reserve contributions, are adjusted to meet the targeted amounts by fiscal year-end. Variances from the fixed targets are primarily due to an increase required to meet the reserve targets in the Workers’ Compensation of \$2.2 million and Long-Term Disability Funds reserves of \$1.4 million, as well as an increase of \$700,000 in the Actuarially Determined Contribution (ADC) to the San Diego City Employees Retirement System (SDCERS). The increase is primarily due to a shift in ADC eligible employees from non-general funds to the General Fund from what was assumed in the FY 2015 budget.

FY 2015 General Fund Fringe Benefits Projections					
<i>Table 19</i>					<i>in millions</i>
Fringe Benefits Expenditure Category	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Fixed	\$ 249.7	\$ 249.7	\$ 254.2	\$ (4.5)	-1.8%
Variable	90.2	90.2	90.1	0.1	0.1%
<b>Total</b>	<b>\$ 339.9</b>	<b>\$ 339.9</b>	<b>\$ 344.3</b>	<b>\$ (4.4)</b>	<b>-1.3%</b>

The Workers’ Compensation and Long-Term Disability Funds reserve targets are based on updated actuarial valuations recently received for FY 2014 and are higher than when the FY 2015 budget was developed. The FY 2015 reserve targets are based on the average value of the annual actuarial liability for the most recent three fiscal years, 2011 through 2013, in accordance with the City’s Reserve Policy. The current reserve targets include the FY 2014 actuarial liability, which is an increase to the target due to increased liabilities.

The Workers’ Compensation and Long-Term Disability three fiscal year average increased by 12.5% and 8.2%, respectively. Slight variances for other fixed fringe benefits are attributed to differences between budgeted positions and actual filled positions.

**Non-Personnel Expenditures**

The General Fund non-personnel expenditures are projected to be \$3.4 million, or less than 1.0%, under budget at fiscal year-end, as displayed in Table 20: FY 2015 General Fund Non-Personnel Expenditure Projections. This is primarily due to lower than anticipated expenditures in contracts and transfers out.

- \$2.5 million decrease in debt service payments due to the delay in issuing infrastructure bonds
- \$1.7 million decrease in elections costs
- \$900,000 decrease due to lower than anticipated Civic San Diego activity
- \$700,000 decrease due to lower Maintenance Assessment District (MAD) expenditures
- \$1.7 million increase due to unbudgeted costs for low flow diversion usage fees in the Transportation and Storm Water Department

- \$1.6 million increase in unanticipated costs for upgrades to the City’s 9-1-1 call manager system in the Police Department

<b>FY 2015 General Fund Non-Personnel Expenditure Projections</b>					
<i>Table 20</i>		<i>in millions</i>			
Expenditure Category	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Supplies	\$ 27.0	\$ 25.0	\$ 26.7	\$ (1.7)	-6.8%
Contracts	173.7	175.0	172.9	2.1	1.2%
Information Technology	25.9	27.2	27.0	0.2	0.7%
Energy and Utilities	40.5	40.5	39.9	0.5	1.2%
Transfers Out	89.2	87.2	85.1	2.0	2.3%
Other	5.4	5.4	5.4	-	0.0%
Debt	4.1	4.1	3.7	0.4	9.8%
Capital Expenditures	3.4	1.6	1.8	(0.1)	-6.1%
<b>Total</b>	<b>\$ 369.1</b>	<b>\$ 365.9</b>	<b>\$ 362.5</b>	<b>\$ 3.4</b>	<b>0.9%</b>

The following section discusses the variances for non-personnel expenditures by category, highlighting the significant variances within each group.

### Supplies

The supplies category is projected to be over budget by \$1.7 million, or 6.8%, by fiscal year-end due to the following factors:

- \$840,000 increase in the Transportation and Storm Water Department primarily due to an increase in asphalt and concrete repair materials and supplies. These expenditures have increased due to an increase for mill and pave repairs anticipated to be completed this fiscal year.
- \$480,000 increase in the Police Department primarily due to over budget projections in uniform allowance of \$350,000 and increased costs of \$130,000 due to the relocation of training facilities to the Naval Training Center (NTC). Police Recruit training has taken place at Miramar College for several years; however, expansion at the College has resulted in the displacement of the police training facility.
- \$240,000 increase in the Park and Recreation Department as a result of the prolonged warm weather, which has caused increased use of Park and Recreation facilities thereby increasing expenditures. The supplies include items such as irrigation parts, pool chemicals, machine parts, and janitorial supplies.
- \$130,000 increase in the General Services Department related to the Maintenance, Repair, and Operation (MRO) contracts and an increase in required repairs for various City facilities.

### Contracts

The contracts category is projected to be under budget by \$2.1 million, or 1.2%, by fiscal year-end due to the following factors:

- \$1.3 million decrease in the Transportation and Storm Water Department related to costs to support channel maintenance studies, which vary due to changes to policies and/or changes to mitigation requirements

- \$910,000 decrease in the Economic Development Department primarily due to less than anticipated Civic San Diego and Successor Agency activity.
- \$620,000 decrease due to savings in election costs in Citywide Program Expenditures partially offset with additional expenditures for property tax administration, rent increases due to a renegotiated lease for the Civic Center Plaza building, and unanticipated costs in outside counsel legal fees.
- \$410,000 decrease in expenditures due to program delays related to stakeholder involvement, availability of staff in specialized disciplines and longer than anticipated contracting process time frames for several contracts supporting a variety of community plan updates and amendments.

The under budget projections noted above are partially offset by over budget projections as described below:

- \$1.7 million increase in the Transportation and Storm Water Department due to the Public Utilities Department for low-flow diversion usage and capacity fees.
- \$1.6 million increase in the Police Department to support the unbudgeted costs to upgrade the City's 9-1-1 call manager system.

### **Information Technology**

The information technology category is projected to be under budget by \$220,000, or less than 1.0%, due to a variety of minor fluctuations in activity. Most significant is an under budget projection of \$90,000 in the Fire-Rescue Department for data center costs, which are trending lower.

### **Energy and Utilities**

The energy and utilities category is projected to be under budget by \$530,000, or 1.2%, by fiscal year-end due to savings in fuel costs city-wide due to a lower cost per gallon. This decrease is partially offset by increased electricity costs due to an anticipated rate increase approved by the Public Utilities Commission after the adoption of the FY 2015 budget.

### **Transfers Out**

The transfers out category is projected to be under budget by \$2.0 million, or 2.3% by fiscal year-end due to the following factors:

- \$2.5 million decrease in debt service payments in Citywide Program Expenditures due to the delay in issuing General Fund infrastructure bonds. This delay is due to litigation, which has recently concluded, and the City is moving forward with securing the bond; however, the debt service will not be expended this fiscal year.
- \$1.2 million decrease in transfers to Park Improvements Funds due to a decline in Mission Bay lease revenue attributed to the marine life captivity controversy affecting Sea World attendance.
- \$1.8 million increase to support funding of CIP projects:
  - \$1.2 million to support the unbudgeted expenditures to upgrade the City's 9-1-1 call manager system
  - \$250,000 to support unbudgeted expenditures for a critical slope repair
  - \$340,000 to support the design of the Jamacha Drainage Channel Upgrade Project

**Other**

The other category is projected to be at budget by fiscal year-end.

**Debt**

The debt category is projected to be under budget by \$420,000, or 9.8%, by fiscal year-end due to the following factors:

- \$260,000 decrease in interest due to the refinance of a lease for a Fire-Rescue helicopter
- \$150,000 decrease in debt service payments for California Energy Commission loans for energy efficient facility improvements posting in the transfers out category while budgeted in the debt category in the Library Department.

**Capital Expenditures**

- The capital expenditures category is projected to be over budget by \$120,000, or 6.1%, by fiscal year-end due to an increase in expenditures for the Downtown Portland Loos restroom project in the Public Works — General Services Department. The expenditures are partially offset with a revenue reimbursement from Civic San Diego.

## GENERAL FUND RESERVES

The following section details the projected reserves and Excess Equity for the General Fund in accordance with the City’s Reserve Policy (Council Policy 100-20). It also takes into account the projected activity for this fiscal year.

Total General Fund reserves include the Emergency Reserve and the Stability Reserve. The City’s Reserve Policy requires the total General Fund reserves equal 14.0% of the most recent three-year average of annual audited operating revenues. The Emergency Reserve target is 8.0% and the Stability Reserve target is 6.0%.

The audited FY 2014 ending fund balance is \$182.5 million which is 17.1% of the target average of FY 2011 through FY 2013 audited General Fund operating revenues. After meeting the reserve target of 14.0%, the Excess Equity is \$32.7 million. Of the total Excess Equity, \$13.9 million was budgeted in FY 2015 primarily to support the pre-funding of the Public Liability Reserve as discussed previously. Based on the projected activity for FY 2015 only \$8.9 million of the budgeted Excess Equity will be needed. As previously discussed, this is primarily the result of improved revenue projections. Table 21: FY 2014 General Fund Ending Fund Balance summarizes this information.

<b>FY 2014 General Fund Ending Fund Balance</b>		
<i>Table 21</i>		<i>in millions</i>
<b>Description</b>	<b>Amount</b>	<b>Revenue</b>
Emergency Reserve	85.6	8.0% <sup>1</sup>
Stability Reserve	64.2	6.0% <sup>1</sup>
<b>FY 2014 Required Reserve Level</b>	<b>\$ 149.8</b>	<b>14.0% <sup>1</sup></b>
FY 2014 Excess Equity	32.7	3.1% <sup>1</sup>
<b>FY 2014 Ending Fund Balance</b>	<b>\$ 182.5</b>	<b>17.1% <sup>1</sup></b>

Reserve Policy (CP 100-20).

After reducing the fund balance by \$8.9 million due to the updated FY 2015 projected activity, and the recommended use of surplus of \$3.9 million for the pre-funding of risk management reserves, the projected FY 2015 ending fund balance is \$169.7 million.

The FY 2014 CAFR audit is complete and the FY 2015 reserve target has been updated to reflect the average of FY 2012 through FY 2014 operating revenues. The FY 2015 reserve target has increased \$7.6 million due to the increased operating revenues in FY 2014. The projected \$169.7 million FY 2015 ending fund balance equals 15.1% of FY 2012 through FY 2014 audited General Fund operating revenues. Table 22: FY 2015 General Fund Reserve Estimates summarizes this information.

The required General Fund Reserve is now \$157.4 million, an increase of \$7.6 million over FY 2014; \$4.3 million in the Emergency Reserve and \$3.3 million in the Stability Reserve for a total



increase of \$7.6 million to the General Fund reserves. The FY 2015 projected ending Excess Equity is \$11.3 million, or 1.0%, after taking into account the following:

- \$8.9 million projected use of prior year Excess Equity
- \$7.6 million increase in the reserve target based on FY 2012 through FY 2014 average operating revenues
- \$3.9 million recommended use of budgetary surplus
- \$1.1 million required in FY 2016 to support the City Council Districts Community, Projects, Programs, and Services

<b>FY 2015 General Fund Reserve Estimates</b>		
<i>Table 22</i>		<i>in millions</i>
Description	Amount	Revenue %
<b>FY 2014 Audited Ending Fund Balance</b>	<b>\$ 182.5</b>	<b>17.1% <sup>1</sup></b>
FY 2015 Projected Activity		
Projected Revenue	1,202.8	
Projected Expenditures	(1,211.7)	
	\$ (8.9)	
Recommended Use of Budgetary Surplus	(3.9)	
<b>FY 2015 Projected Ending Fund Balance</b>	<b>\$ 169.7</b>	<b>15.1% <sup>2</sup></b>
Emergency Reserve	89.9	8.0% <sup>2</sup>
Stability Reserve	67.5	6.0% <sup>2</sup>
<b>FY 2015 Required Reserve Level</b>	<b>\$ 157.4</b>	<b>14.0% <sup>2</sup></b>
Projected FY 2016 City Council Community Projects, Programs, and Services	1.1	
<b>FY 2015 Projected Ending Excess Equity</b>	<b>\$ 11.3</b>	<b>1.0% <sup>2</sup></b>

<sup>1</sup> Based on FY 2011 through FY 2013 audited operating revenues in accordance with the City's Reserve Policy (CP 100-20).

<sup>2</sup> Based on FY 2012 through FY 2014 audited operating revenues in accordance with the City's Reserve Policy (CP 100-20).

As discussed previously, the Excess Equity calculation will be updated again in May 2015 as part of the FY 2015 Year-End Budget Monitoring Report. This will allow for a more current estimate, which can then be openly discussed at the public budget meetings for FY 2016. In addition, given the size of the City's General Fund budget, of \$1.2 billion, this Excess Equity is roughly 1.0% and could still reasonably be needed for unanticipated yet critical FY 2015 needs.

## GENERAL FUND SUMMARIES BY DEPARTMENT

### Citywide Program Expenditures

*in millions*

Expenditures	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Assessments to Public Property	\$ 0.6	\$ 0.6	\$ 0.6	\$ -	0.0%
Business Cooperation Program	0.4	0.4	0.4	-	0.0%
Citywide Elections	1.8	1.8	0.1	1.7	94.4%
Corporate Master Leases Rent	7.2	7.2	7.5	(0.3)	-4.2%
Deferred Capital Debt Service	14.5	14.5	12.0	2.5	17.2%
Employee Personal Property Claims	0.0	0.0	-	-	0.0%
Engineering & Capital Projects	2.2	1.4	1.4	-	0.0%
Insurance	2.2	2.2	2.2	-	0.0%
Leverage of Employee Pick-up Savings	8.0	8.0	8.0	-	0.0%
Memberships	0.7	0.7	0.7	-	0.0%
Preservation of Benefits	1.7	1.7	1.7	-	0.0%
Property Tax Administration	3.8	3.8	4.0	(0.2)	-5.2%
Public Liability Claims Transfer - Claims Fund	14.5	14.5	14.5	-	0.0%
Public Liability Claims Transfer - Reserves	12.8	12.8	12.8	-	0.0%
Public Use Leases	1.6	1.6	1.6	-	0.0%
Special Consulting Services	3.0	3.0	3.5	(0.5)	-16.8%
Supplemental Cost of Living Adjustment (COLA)	1.6	1.6	1.6	-	0.0%
Transfer to Park Improvement Funds	10.0	10.0	8.8	1.2	11.9%
Transfer to Capital Improvements Program	-	-	0.3	(0.3)	-100.0%
Transportation Subsidy	0.5	0.5	0.5	-	0.0%
<b>Total</b>	<b>\$ 87.1</b>	<b>\$ 86.2</b>	<b>\$ 82.1</b>	<b>\$ 4.1</b>	<b>4.8%</b>

#### *Revenue:*

This Department does not budget or receive revenue.

#### *Expenditures:*

Citywide Program Expenditures are projected to be under budget by \$4.1 million at fiscal year-end due to the following factors:

- \$2.5 million decrease in debt service payments for the General Fund infrastructure bonds, which were delayed due to litigation. The litigation has concluded and the City is moving forward with securing the bond; however, the debt service will not be expended this fiscal year.
- \$1.7 million decrease in election costs due to lack of city-wide propositions on the ballot
- \$1.2 million decrease in the transfer of Mission Bay rent and concession revenue to Park Improvement Funds primarily due to low attendance at Sea World
- \$500,000 increase in consultant expenditures for outside legal services
- \$300,000 increase in rent costs due to the renegotiated lease at Civic Center Plaza (CCP)
- \$300,000 increase in transfers to Storm Drain CIP ACA00001 – Drainage Projects in the Capital Improvements Program (CIP) project
- \$200,000 increase in property tax administration fees paid to the County

The current projected expenditure savings has increased by \$1.4 million from the First Quarter Report. This is the combined impact of \$2.5 million in savings for debt service payments related to the delay of the General Fund infrastructure bonds offset by increased expenditures related to legal services, rent at CCP, transfers for a critical storm drain CIP, and property tax administration fees.

## Communications

*in millions*

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>FTE</b>			<b>Revenue</b>	\$ 1.6	\$ 1.6	\$ 0.2	\$ (1.4)	-88.9%
0.00	4.00	4.00	Personnel Expenditures	3.2	3.2	0.8	2.4	73.8%
			Non-Personnel Expenditures	0.2	0.2	0.1	0.1	38.4%
			<b>Expenditures</b>	\$ 3.4	\$ 3.4	\$ 1.0	\$ 2.5	71.5%

### Revenue:

The Communications Department projects revenue under budget at fiscal year-end by \$1.4 million due to a delay in the implementation of the FY 2015 department restructure as similarly reported in the First Quarter Report. The restructure of the City’s public communications function centralizes the Public Information Officers (PIO) into one department. The meet and confer process has been delayed pending the hiring of the Department’s Director, thereby resulting in a delay in transferring the reimbursable PIO positions into the Communications Department. The Director was hired in November 2014; however, the meet and confer process has not been completed.

### Expenditures:

The Communications Department projects personnel expenditures under budget by \$2.4 million at fiscal year-end, which is a \$100,000 increase from the First Quarter Report due to vacancies. As previously mentioned the PIO positions have not transferred into the Department due to a delayed start of the meet and confer process, as well as other vacancies. Personnel expenditures for the filled PIO positions are included in their original Department’s projections. Non-personnel expenditures are projected slightly under budget due to vacant PIO positions.

## Economic Development

*in millions*

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>FTE</b>			<b>Revenue</b>	\$ 8.6	\$ 8.6	\$ 7.7	\$ (0.9)	-10.5%
2.50	5.00	2.50	Personnel Expenditures	5.6	5.6	5.1	0.5	9.1%
			Non-Personnel Expenditures	8.5	8.7	7.8	0.9	10.5%
			<b>Expenditures</b>	\$ 14.1	\$ 14.2	\$ 12.8	\$ 1.4	10.0%

### Revenue:

The Economic Development Department projects revenue under budget at fiscal year-end by \$900,000. \$400,000 is due to less than anticipated revenue reimbursements reserved for Successor Agency activities performed by Civic San Diego (Civic SD). Civic SD cites the lower activity is a result of delays in projects due to vacancies and other factors at the State level; however, most vacancies have been filled and activity is projected to increase for the remainder of the fiscal year, which has resulted in an increase in the projections included in the First

Quarter Report. Additionally, \$480,000 of the under budget revenue projection is a related to the reimbursable revenue associated with Housing Successor Agency being recognized in a non-general fund.

*Expenditures:*

The Economic Development Department projects personnel expenditures to be under budget by \$500,000 at fiscal year-end due to five vacancies, one of which is anticipated to remain vacant for the remainder of the fiscal year.

Non-personnel expenditures are projected under budget by \$910,000 at fiscal year-end. As stated above, this under budget projection is a result of decreased Successor Agency activities performed by Civic SD and Housing Successor Agency activity being recognized in a non-general fund. This projection is increased from the First Quarter Report by \$200,000 due to increases in Civic SD activity related to recent new hires and filling vacancies.

**Fire-Rescue**

			<i>in millions</i>						
Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %	
<i>FTE</i>			<b>Revenue</b>	\$ 27.0	\$ 27.0	\$ 30.1	\$ 3.0	11.3%	
81.00	69.00	-12.00	Personnel Expenditures	185.1	185.1	195.0	(9.9)	-5.3%	
			Non-Personnel Expenditures	33.4	33.5	33.0	0.6	1.7%	
			<b>Expenditures</b>	\$ 218.5	\$ 218.6	\$ 228.0	\$ (9.3)	-4.3%	

*Revenue:*

The Fire-Rescue Department projects revenue to exceed budget by \$3.0 million at fiscal year-end for the following factors:

- \$1.3 million increase related to reimbursements from prior years for strike team deployments for assistance provided to other agencies for natural disasters and Urban Search and Rescue (USAR) task force activity; as well as, reimbursements for prior year training costs from Urban Area Security Initiative (UASI) grants.
- \$800,000 increase due to public assembly permits and alarm permit fees, which are higher due to increased activity. This revenue has increased since the First Quarter Report by \$484,000 due to the availability of more recent data, which is displaying a positive trend.
- \$500,000 increase of Fire-Rescue services to the Port Authority
- \$375,000 increase in Service Authority for Freeway Emergencies (SAFE) revenue to support helicopter services. This is an increase from the First Quarter Report due to a change in the timing of disbursements of this revenue from the San Diego Association of Governments.

The increases noted above are partially offset by a decrease in the transfer of fund balance from the Fire/Emergency Medical Services Transportation (EMS) Program Fund. As a result of increased personnel expenditures in the EMS Fund, less funds are available for transfer to the Fire-Rescue Department than originally budgeted. Paramedic Services are higher this fiscal year than assumed in the FY 2015 budget due to the increased fringe benefit expenditures related to Workers' Compensation and Long-Term Disability. The fund balance will be used to reimburse

the Department for paramedic services. The net effect to the Fire-Rescue Department revenue projection is a decrease of approximately \$300,000.

*Expenditures:*

The Department projects personnel expenditures to exceed budget by \$9.9 million, for the following factors:

- \$4.0 million increase in fringe benefits primarily due to Workers’ Compensation and Long-Term Disability fringe related costs. This is a \$1.1 million decrease from the First Quarter Report due to shifts in staffing levels city-wide.
- \$4.0 million increase in overtime due to strike team deployments and the related backfill, as well as overtime needed to meet regular constant staffing needs. The current projection is an increase of \$3.0 million from the projections presented in the First Quarter Report. This increase is primarily due to overtime needed to meet regular constant staffing needs and backfill for leave and/or training, as well as backfill for firefighters on strike team deployments.
- \$1.1 million increase in salaries due to increased staffing levels resulting from the two additional recruit academies added in the FY 2015 budget.
- \$700,000 increase in termination pay

The Department projects non-personnel expenditures under budget by \$600,000. The savings are due to lower debt service payments of \$250,000 as a result of a refinance of the lease on Copter 2, lower tank storage fees of \$200,000, and lower water costs of \$280,000. These savings are partially offset by \$300,000 in unbudgeted costs to support the upgrade to the City’s 9-1-1 call manager system and other public safety network improvements.

**Office of the City Treasurer**

			<i>in millions</i>					
Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<i>FTE</i>			<b>Revenue</b>	\$ 18.3	\$ 18.3	\$ 19.0	\$ 0.7	3.9%
5.00	5.75	0.75	Personnel Expenditures	9.8	10.0	10.1	(0.2)	-1.5%
			Non-Personnel Expenditures	5.6	5.6	5.4	0.2	4.2%
			<b>Expenditures</b>	\$ 15.5	\$ 15.6	\$ 15.5	\$ 0.1	0.5%

*Revenue:*

The Office of the City Treasurer projects revenue to exceed budget by \$700,000 at fiscal year-end, for the following factors:

- \$330,000 increase due to collections of delinquent parking citations through a new program with the Department of Motor Vehicles (DMV), which demands payment at the time of registration renewal, which is also an increase from the First Quarter Report.
- \$140,000 increase in reimbursements for services performed for the Transient Occupancy Tax and Tourism Marketing District.
- \$100,000 increase in Business Tax revenue as a result of more businesses registering with the City due to the Department’s improved compliance efforts.
- \$200,000 increase in parking citation revenue, which is similar to the first quarter projections. This revenue is budgeted in the new Parking Meter Operations Fund;

however, the revenue will be realized in the General Fund. Adjustments to both budgets will be made in the next fiscal year to accurately account for this change.

*Expenditures:*

The Office of the City Treasurer projects personnel expenditures to exceed budget by \$150,000 at fiscal year-end. The projection is primarily due to increased expenditures in salaries due to filling vacancies quicker than was anticipated when the budget was developed; as well as, increases in pay-in-lieu of annual leave, and fringe benefits. Partially offsetting the over budget expenditure projection is savings in overtime and hourly wages.

The Office of the City Treasurer projects non-personnel expenditures under budget by \$240,000 at fiscal year-end. During the first quarter, non-personnel expenditures were projected at budget. The current savings in expenditures are due to a credit received for banking services booked in FY 2014 and unanticipated delays in upgrading the Citywide Call Center, which is now expected to occur in FY 2016.

**Park and Recreation**

			<i>in millions</i>					
Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<i>FTE</i>			<b>Revenue</b>	\$ 32.7	\$ 32.7	\$ 32.9	\$ 0.2	0.5%
33.50	32.75	-0.75	Personnel Expenditures	55.6	55.6	57.8	(2.1)	-3.8%
			Non-Personnel Expenditures	42.4	42.5	42.5	-	0.0%
			<b>Expenditures</b>	\$ 98.0	\$ 98.1	\$ 100.3	\$ (2.2)	-2.2%

*Revenue:*

The Park and Recreation Department projects revenue to exceed budget by \$200,000 at fiscal year-end primarily due to the increased use of park and recreation facilities attributed to the extended warm weather. The warm weather is having a positive effect on the Department’s projected revenue; however, this projection is a slight decrease from what was reported in the First Quarter Report due to the availability of additional data.

*Expenditures:*

The Department projects personnel expenditures to exceed budget by \$2.1 million at fiscal year-end for the following factors, which are similar to the first quarter except where noted:

- \$900,000 increase in fringe benefits primarily due to Workers’ Compensation and Long-Term Disability fringe related costs
- \$540,000 increase in hourly wages due to additional staffing during non-standard hours to staff facility rentals, which are reimbursable. This is an increase from the first quarter and is attributed to an increase in participation of youth sports.
- \$270,000 increase in salaries as a result of filling vacancies at a faster rate than assumed in the budget through improved hiring strategies
- \$240,000 increase in overtime due to staffing required on holidays and special events
- \$120,000 increase in pay-in-lieu of annual leave

The Department projects non-personnel expenditures to be at budget at fiscal year-end, which is an increase from the First Quarter Report of \$800,000. The savings previously projected in the First Quarter Report was primarily due to less general benefit expenditures related to



Maintenance Assessment District (MADs). The budget includes \$2.0 million to reimburse the MADs for the maintenance of property deemed to be a general benefit; however, a re-engineering study released later concluded that the increased general benefit cost to the City was \$1.3 million resulting in savings of \$700,000.

The current year-end projection now assumes using all of these savings primarily due to increased electricity and water expenditures, which have increased by \$400,000 each. Electricity costs are up due to projected rate increases approved by the Public Utilities Commission after the adoption of the FY 2015 budget and increases in consumption due to the extremely hot weather. Water expenditures increased due to the unbudgeted maintenance of parks transferred to the City from the MADs, and increased watering required for field renovations. These expenditures are partially offset by savings in fuel.

## Planning

			<i>in millions</i>					
Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>FTE</b>			<b>Revenue</b>	\$ 3.8	\$ 3.8	\$ 3.6	\$ (0.2)	-4.9%
0.00	9.00	9.00	Personnel Expenditures	7.5	7.5	6.8	0.7	8.7%
			Non-Personnel Expenditures	1.8	1.8	1.3	0.5	27.9%
			<b>Expenditures</b>	\$ 9.3	\$ 9.3	\$ 8.2	\$ 1.2	12.5%

### *Revenue:*

The Planning Department projects revenue under budget by \$200,000 at fiscal year-end due to vacant reimbursable positions. The current projection is an improvement from the First Quarter Report of \$250,000 primarily due to an increase in general plan maintenance fee revenue as a result of the improving economy.

### *Expenditures:*

The Planning Department projects personnel expenditures under budget by \$650,000 at fiscal year-end, which represents a decrease in the expenditure projection of \$150,000 from the First Quarter Report. The under budget projection is primarily due to vacancies as discussed earlier in this report. The reduced savings compared to the first quarter is due to the Department projecting to fill vacancies later than actually experienced since the First Quarter Report. This is partially offset by over budget projections in pay-in-lieu of annual leave and termination pay of \$130,000 combined.

Non-personnel expenditures are projected to be under budget by \$500,000 at fiscal year-end primarily due to the following factors:

- Program delays related to stakeholder involvement
- Availability of staff in specialized disciplines
- Longer than anticipated contracting process time frames for several contracts supporting a variety of community plan updates and amendments

The current projection has decreased by \$500,000 from the First Quarter Report, as these delays were not anticipated during the prior reporting period. Additional savings are projected to be realized due the delays mentioned above; however, these are slightly offset by increased expenditures for Phyllis Place, the Climate Action Plan, and the Vernal Pool Habitat

Conservation Plan. Delayed contracts involve the Uptown, North Park, and Golden Hill community plan updates (CPUs), and the new as-needed consultant contracts which will be used for the Mission Valley and subsequent plan updates and amendments. The Grantville Focused Plan is projected to be completed and presented to City Council by the end of this fiscal year; and Southeastern and Encanto CPUs are to be completed and presented to City Council during FY 2016.

## Police

*in millions*

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<i>FTE</i>			<b>Revenue</b>	\$ 44.6	\$ 44.6	\$ 45.9	\$ 1.3	2.9%
124.00	221.50	97.50	Personnel Expenditures	352.8	355.9	360.9	(5.0)	-1.4%
			Non-Personnel Expenditures	66.7	63.6	65.4	(1.9)	-2.9%
			<b>Expenditures</b>	\$ 419.5	\$ 419.5	\$ 426.3	\$ (6.8)	-1.6%

### Revenue:

The Police Department projects revenue to exceed budget by \$1.3 million by fiscal year-end primarily due to the following factors:

- \$1.1 million increase associated with Assembly Bill 109 Public Safety Realignment (AB109). AB109 revenue from the State was received in FY 2014 and again in FY 2015; however, this revenue and the offsetting overtime expenditures were not budgeted due to the timing of confirmation from the State that the City would receive the revenue.
- \$1.5 million increase in unanticipated federal and state grants and other reimbursable revenue for various task forces
- \$570,000 increase from a one-time deposit of parking citation revenue from a reconciliation of FY 2013 and FY 2014 receipts by the Office of the City Treasurer.
- Offsetting the increases is a one-time decrease of \$2.1 million in Community Oriented Policing Services (COPS) grant revenue from the State. Finance and Police worked together on changing the current practice of reporting grant funds in the General Fund. It is more transparent and easier to review grant activity in a separate Special Revenue Fund.

### Expenditures:

The Police Department projects personnel expenditures to exceed budget by \$5.0 million at fiscal year-end for the following factors:

- \$2.6 million increase in fringe benefits primarily due to Workers' Compensation and Long-Term Disability fringe related costs. This current projection has decreased slightly from the first quarter due to shifts in staffing levels city-wide.
- \$2.4 million increase in salaries and wages primarily due to over budget overtime of \$6.4 million and termination pay of \$900,000. Offsetting these increases in expenditures are salary savings of \$5.4 million due to vacancies.
- \$460,000 increase in hourly wages for sworn provisional staff

The overtime projection has increased by \$5.0 million since the First Quarter Report primarily due to the following:



- Shift extensions to increase the focus on training and support for newer officers, allowing new and seasoned officers to work together.
- Work performed on state and federal task forces partially offset with revenue as discussed above

The Department projects non-personnel expenditures to exceed budget by \$1.9 million at fiscal year-end. The over budget projection is primarily due to the \$1.6 million needed for the upgrade and maintenance of the City’s 9-1-1 call manager system. The over budget projections are partially mitigated with savings in fuel costs.

## Real Estate Assets

			<i>in millions</i>					
Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<i>FTE</i>			<b>Revenue</b>	\$ 45.1	\$ 45.1	\$ 43.9	\$ (1.2)	-2.6%
1.00	4.00	3.00	Personnel Expenditures	3.3	3.3	3.2	0.1	1.6%
			Non-Personnel Expenditures	1.4	1.5	1.3	0.2	13.4%
			<b>Expenditures</b>	\$ 4.7	\$ 4.8	\$ 4.5	\$ 0.2	5.0%

### Revenue:

The Real Estate Assets Department projects revenue under budget by \$1.2 million at fiscal year-end. This is primarily due to a decline in Mission Bay lease revenue from Sea World. As reported in the First Quarter Report, attendance at Sea World is down due to the marine life captivity controversy. This trend is expected to continue through the second half of the fiscal year.

### Expenditures:

The Department projects personnel expenditures slightly under budget by fiscal year-end.

Non-personnel expenditures are projected under budget by \$200,000 primarily due to less maintenance and repairs for the San Diego Theatres. At this time, the Department is projecting a slight decrease in expenditures from the first quarter due to a decrease in demand for appraisal services.

## Transportation and Storm Water

			<i>in millions</i>					
Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<i>FTE</i>			<b>Revenue</b>	\$ 48.2	\$ 48.2	\$ 49.7	\$ 1.4	2.9%
21.00	54.00	33.00	Personnel Expenditures	43.1	42.2	42.5	(0.3)	-0.7%
			Non-Personnel Expenditures	61.0	61.1	62.8	(1.7)	-2.8%
			<b>Expenditures</b>	\$ 104.1	\$ 103.3	\$ 105.3	\$ (2.0)	-1.9%

### Revenue:

The Transportation and Storm Water Department projects revenue to exceed budget by \$1.4 million at fiscal year-end primarily due to the following factors:

- \$1.2 million increase in revenue from reimbursable work related to minor construction projects such as accessible curb ramps and parking lot maintenance. This is a \$300,000 increase over the first quarter projection.
- \$200,000 increase for reimbursements from the repair and maintenance of storm water infrastructure. The storm water infrastructure often crosses over multiple municipalities. The reimbursements come from those municipalities' share of the repair and maintenance work where City of San Diego forces performed the service.

*Expenditures:*

The Transportation and Storm Water Department projects personnel expenditures to be over budget by \$280,000 by fiscal year-end for the following factors:

- \$750,000 decrease in salaries related to vacancies within the department, which is an increase in expenditures of \$900,000 from the First Quarter Report.
- \$690,000 increase in overtime expenditures related to emergency storm water channel maintenance in the Murphy Canyon and Sorrento Valley Creeks, and extra street sweeping assignments due to rainstorms.
- \$180,000 increase in pay-in-lieu of annual leave

The Department projects non-personnel expenditures to exceed budget by \$1.7 million by fiscal year-end primarily due to low flow diversion usage fees for wastewater discharge at pump stations as reported in the First Quarter Report. This will be an on-going expenditure in the future. Although the total variance has not changed significantly since the first quarter, expenditures have been reallocated due to the following factors:

- \$1.3 million decrease in expenditures for channel maintenance studies, which vary due to changes to policies and/or changes to mitigation requirements.
- \$840,000 increase in asphalt and concrete repair materials and supplies. These expenditures have increased due to an increase for mill and pave repairs anticipated to be completed this fiscal year. The Department originally assumed mill and pave repairs to be performed on 200,000 square feet; however, the Department projects now to complete approximately 400,000 square feet of mill-and-pave repairs by fiscal year-end.
- \$340,000 increase to fund the design costs for the Jamacha Drainage Channel Upgrade CIP.

## NON-GENERAL FUNDS

### Development Services Fund

*in millions*

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>FTE</b>			<b>Revenue</b>	\$ 48.4	\$ 48.4	\$ 48.1	\$ (0.3)	-0.6%
100.50	102.75	2.25	Personnel Expenditures	37.8	37.8	39.5	(1.8)	-4.6%
			Non-Personnel Expenditures	12.0	12.0	11.8	0.3	2.4%
			<b>Expenditures</b>	49.8	49.8	51.3	(1.5)	-2.9%
			<b>Net Year-End Projection</b>	\$ (1.4)	\$ (1.4)	\$ (3.1)	\$ (1.7)	

*Revenue:*

The Development Services Fund is projected to be slightly under budget at fiscal year-end due to the following factors:

- \$2.7 million decrease in reimbursable revenue for services to City departments. Due to the increased demand for plan reviews and building permits staff is focusing their efforts to over the counter customer service requests. The projection for this revenue has decreased slightly since the First Quarter Report due to a revised forecast of activity based on six months of actuals.
- Sales of various documents such as Environmental Impact Reports (EIRs), Public Records Act Reports, and property plans are projected to slightly exceed budget; however, the projection is lower than the first quarter by \$200,000 due to a revised forecast of activity based on six months of actuals.
- \$650,000 decrease due to a Governmental Accounting Standards Board (GASB) change in accounting treatment for bond proceeds. GASB no longer allows bond proceeds to be recorded as revenue and requires a balance sheet only entry. This is a one-time correction due to changes in accounting principles.

The decreases noted above are offset by a \$3.1 million increase in plan reviews and building permit activity as a result of the improving economy.

*Expenditures:*

Personnel expenditures in the Fund are projected to exceed budget by \$1.8 million. The over budget projection is primarily due to increased staffing levels to meet the increased demand for plan reviews and building permits as a result of the improving economy. Service counter hours of operation have also been adjusted to enhance services to the community. The new hours began September 2014 offering permit and plan review services on the second and fourth Saturday of each month and evening hours on Thursdays. The personnel expenditures projection has decreased since the First Quarter Report by \$860,000 due to filling vacancies at a slower pace than originally assumed.

Non-personnel expenditures in the Fund are projected under budget by \$290,000 due to delays in awarding a consultant contract for updates to the Fund’s Project Tracking System (PTS). The savings from the delay in the consultant contract are partially offset with increased electricity costs due to electricity rates approved by the Public Utilities Commission after the FY 2015 budget was adopted as well as increased consumption during the extremely hot summer months.

## Fire/Emergency Medical Services (EMS) Transportation Program Fund

*in millions*

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<i>FTE</i>			<b>Revenue</b>	\$ 11.6	\$ 11.6	\$ 11.6	\$ -	0.0%
0.00	16.00	16.00	Personnel Expenditures	4.9	4.9	5.5	(0.6)	-13.3%
			Non-Personnel Expenditures	7.8	7.8	6.1	1.7	21.8%
			<b>Expenditures</b>	12.7	12.7	11.6	1.1	8.4%
			<b>Net Year-End Projection</b>	\$ (1.2)	\$ (1.2)	\$ (0.1)	\$ 1.1	

*Revenue:*

The revenue in the Fire/EMS Transportation Program Fund is projected to be at budget at fiscal year-end.

*Expenditures:*

Personnel expenditures in the Fund are projected to exceed budget by \$650,000 primarily due to fringe benefits due to Workers' Compensation and Long-Term Disability fringe related costs.

Non-personnel expenditures are projected to be \$1.7 million under budget primarily due to a decrease in the transfer of accrued fund balance to the Fire-Rescue Department. The reduction in the transfer is due to FY 2014 year-end fund balance being lower than assumed in the FY 2015 budget as a result of posting of unanticipated prior year expenditures and increased fringe benefits. The reduction in the transfer of the fund balance to the General Fund also ensures that the Fire/EMS Fund has sufficient fund balance to address any contingencies that may arise in future fiscal years.

## Engineering and Capital Projects Fund

*in millions*

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<i>FTE</i>			<b>Revenue</b>	\$ 64.4	\$ 64.4	\$ 64.0	\$ (0.4)	-0.6%
23.00	50.00	27.00	Personnel Expenditures	55.8	55.8	55.0	0.8	1.4%
			Non-Personnel Expenditures	8.6	8.6	8.7	(0.2)	-2.3%
			<b>Expenditures</b>	64.4	64.4	63.8	0.6	0.9%
			<b>Net Year-End Projection</b>	\$ -	\$ -	\$ 0.2	\$ 0.2	

*Revenue:*

The Engineering and Capital Projects Fund revenue is projected under budget by \$390,000, due to vacant reimbursable positions. Positions were added to the budget in FY 2015 to support the City's infrastructure needs. The hiring of these positions typically takes several months to fill as promotions create new vacancies. The Fund is working in collaboration with the Personnel Department to ensure the vacancies are filled as expeditiously as possible.

*Expenditures:*

The Fund projects personnel expenditures under budget by \$760,000 at fiscal year-end primarily due to vacancies as previously discussed.

Non-personnel expenditures are projected over budget by \$170,000 due to \$800,000 in moving costs to consolidate staff from office space at the Executive Complex Building to 525 B Street.

These moving costs were not included in the FY 2015 budget, as the decision to consolidate was not known at the time. These expenditures are partially offset by savings of \$600,000 in General Government Services Billing (GGSB) due to a change in process to charge this expense directly to customer departments.

## Fleet Services Operating Fund

*in millions*

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>FTE</b>			<b>Revenue</b>	\$ 50.2	\$ 50.2	\$ 48.7	\$ (1.5)	-3.0%
0.00	12.00	12.00	Personnel Expenditures	17.5	17.5	19.2	(1.7)	-10.0%
			Non-Personnel Expenditures	33.3	33.3	29.9	3.4	10.3%
			<b>Expenditures</b>	50.8	50.8	49.2	1.7	3.3%
			<b>Net Year-End Projection</b>	\$ (0.6)	\$ (0.6)	\$ (0.4)	\$ 0.2	

### Revenue:

The Fleet Services Operating Fund Revenue is projected under budget by \$1.5 million by fiscal year-end due to the following factors:

- \$1.2 million decrease in fuel sales revenue due to a decrease in fuel costs
- \$440,000 decrease in lease payments for Fire-Rescue apparatus vehicles resulting from the expiration of the lease term and return of the vehicles

### Expenditures:

Personnel expenditures in the Fund are projected to exceed budget by \$1.7 million at fiscal year-end primarily due to the following factors:

- \$870,000 increase in overtime
- \$440,000 increase in fringe benefits primarily due to Workers' Compensation and Long-Term Disability fringe related costs
- \$230,000 increase in salaries primarily due to more positions filled than budgeted

The FY 2015 budget assumed full implementation of the Most Efficient Government Operation (MEGO); however, due to meet and confer delays, the savings have not been realized. The projection also assumes the MEGO will be implemented this fiscal year; as a result, one-time transition costs for training and moving to the new location are also contributing to the variance.

Non-personnel expenditures in the Fund are projected under budget by \$3.4 million at fiscal year-end due to the following factors:

- \$440,000 decrease in maintenance costs for the Fire-Rescue Department vehicles which have been returned to the leasee
- \$1.3 million decrease resulting from savings related to several new contracts for various maintenance services
- \$2.2 million decrease in fuel costs

The non-personnel expenditures projection has decreased by \$1.2 million since the First Quarter Report due to additional savings related to fuel. The First Quarter Report assumed an inflation rate of 4.0% in fuel; however, fuel actual expenditures through the first six months of the fiscal year have continued to decrease resulting in lower fuel expenditures. Due to the volatile price of fuel, it is unknown how long the low fuel prices will remain, therefore a 4.0% inflation rate is

applied in the mid-year projection to allow for minor fluctuations in the costs per gallon, which historically increases during the summer months due to the transition to the summer blend fuel.

## Golf Course Fund

*in millions*

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>FTE</b>			<b>Revenue</b>	\$ 17.5	\$ 17.5	\$ 20.0	\$ 2.4	13.8%
2.00	3.50	1.50	Personnel Expenditures	7.3	7.3	7.3	0.0	0.0%
			Non-Personnel Expenditures	9.4	9.4	9.4	0.0	0.2%
			<b>Expenditures</b>	16.7	16.7	16.6	0.0	0.1%
			<b>Net Year-End Projection</b>	\$ 0.9	\$ 0.9	\$ 3.3	\$ 2.5	

### Revenue:

Revenue in the Golf Course Fund is projected to exceed budget by \$2.4 million primarily due the postponement of the renovation project at the Torrey Pines Golf Course North from April to June 2015. A decline in revenue was anticipated this fiscal year during the renovation project; however, due to the delays, additional revenue is being realized. Improved course conditions are also contributing the to the increased revenue projection.

### Expenditures:

Personnel and non-personnel expenditure projections are expected to meet budget by fiscal year-end.

## Recycling Fund

*in millions*

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>FTE</b>			<b>Revenue</b>	\$ 18.4	\$ 18.4	\$ 19.3	\$ 0.9	4.8%
5.88	5.85	-0.03	Personnel Expenditures	10.0	10.0	9.8	0.2	2.3%
			Non-Personnel Expenditures	12.6	12.6	11.7	0.9	6.8%
			<b>Expenditures</b>	22.6	22.6	21.5	1.1	4.8%
			<b>Net Year-End Projection</b>	\$ (4.1)	\$ (4.1)	\$ (2.2)	\$ 2.0	

### Revenue:

The Recycling Fund is projected to exceed the revenue budget by \$880,000 at fiscal year-end primarily due to an unanticipated reimbursement from the State of California’s Container Redemptions Value (CRV) program. The State’s CRV program was in deficit during development of the FY 2015 budget, therefore the revenue was not included in the budget. This revenue source will be monitored and addressed in future budgets, as more information is available.

### Expenditures:

Personnel expenditures in the Recycling Fund are projected under budget by \$230,000 at fiscal year-end. The under budget projection is primarily due to vacancies which is partially offset by over budget pay-in-lieu of annual leave and termination pay.

Non-personnel expenditures are projected to be under budget by \$850,000 at fiscal year-end due to the following factors:

- \$590,000 decrease in vehicle replacement costs due to postponing the replacement of 23 vehicles which are currently still in use.

- \$280,000 decrease in General Government Services Billing (GGSB) expenditures
- \$160,000 decrease in fuel costs due to lower cost per gallon than assumed in the budget

## Refuse Disposal Fund

*in millions*

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>FTE</b>			<b>Revenue</b>	\$ 28.2	\$ 28.2	\$ 29.7	\$ 1.4	5.1%
8.38	16.76	8.38	Personnel Expenditures	14.0	14.0	14.6	(0.6)	-4.6%
			Non-Personnel Expenditures	17.2	17.2	17.4	(0.2)	-1.4%
			<b>Expenditures</b>	31.1	31.1	32.0	(0.9)	-2.8%
			<b>Net Year-End Projection</b>	\$ (2.9)	\$ (2.9)	\$ (2.3)	\$ 0.6	

### Revenue:

The Refuse Disposal Fund is projected to exceed the revenue budget by \$1.4 million at fiscal year-end primarily due to an increase in waste from private haulers. The majority of this increase is the result of the improving economy and a portion is due to revenue for clean-fill dirt, which was previously not accepted. This is an improvement from the First Quarter Report of \$2.0 million, primarily due to having six months of actual activity to support a revised forecast.

### Expenditures:

Similar to the First Quarter Report, personnel expenditures in the Refuse Disposal Fund are projected to be over budget by \$640,000 at fiscal year-end as a result of the following factors:

- \$350,000 increase in overtime from backfilling staff on light-duty or long-term disability
- \$180,000 increase in fringe benefits primarily due to Workers' Compensation and Long-Term Disability fringe related cost.
- \$150,000 increase in pay-in-lieu of annual leave

Non-personnel expenditures in the Fund are projected over budget by \$240,000 at fiscal year-end, primarily due to unanticipated roof replacement costs, which were not projected in the First Quarter Report.

## Sewer Utility Funds

*in millions*

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>FTE</b>			<b>Revenue</b>	\$ 421.6	\$ 421.6	\$ 413.6	\$ (8.0)	-1.9%
39.44	83.26	43.82	Personnel Expenditures	86.1	86.1	87.5	(1.4)	-1.6%
			Non-Personnel Expenditures	259.6	259.7	247.9	11.8	4.5%
			<b>Expenditures</b>	345.7	345.8	335.4	10.4	3.0%
			<b>Net Year-End Projection</b>	\$ 76.0	\$ 75.8	\$ 78.2	\$ 2.4	

### Revenue:

Revenue in the Sewer Utility Funds is projected \$8.0 million under budget at fiscal year-end. This is primarily due to lower State Revolving Fund (SRF) loan reimbursements due to revised cost estimates for several Metropolitan Biosolid Center projects. The under budget SRF revenue is partially offset by low flow diversion usage fee revenue of \$1.7 million from the Transportation and Storm Water Department for wastewater discharge at pump stations. This revenue was unbudgeted in



FY 2015; however, adjustments will be made in FY 2016 to account for this revenue. This projection reflects an increase of \$4.0 million from the First Quarter Report due to updated project execution and reimbursement schedules and as a result of the low flow diversion usage fee revenue.

*Expenditures:*

Personnel expenditures in the Sewer Utility Funds are projected \$1.4 million over budget at fiscal year-end primarily due to increased overtime of \$2.4 million as a result of higher vacancies than expected and the requirement to respond to utility needs which are often outside of normal operating hours. The over budget overtime is partially offset by savings from vacancies of \$1.4 million. Also contributing to the over budget projection is \$710,000 in pay-in-lieu of annual leave, which is not budgeted. The current projection has increased by \$1.0 million from the first quarter primarily due to the increased overtime.

Non-personnel expenditures in the Funds are projected under budget by \$11.8 million at fiscal year-end. The projection has increased by \$600,000 since the First Quarter Report primarily due to revised projections related to the Enterprise Asset Management (EAM) project than was previously forecasted. The EAM project and other factors contributing to the under budget projection are listed below.

- \$3.5 million decrease in the contingency budget. This item is budgeted annually to support fluctuations in operations; however, at this time the contingency is not needed.
- \$2.3 million decrease due to a delay in the condition assessment project.
- \$2.2 million decrease due to savings in building materials, non-capitalized pumps and other machine parts.
- \$1.8 million decrease related to EAM and Geographic Information Source (GIS) programs due to delays. However, due to increased activity on other EAM projects the projections for these programs have increased by \$900,000 from the first quarter.
- \$1.4 million decrease in SRF debt service payments due to revised project timelines and cost estimates.
- \$1.1 million decrease is due to expenditures occurring later than anticipated in contractual services for Regents of UCSD, Shimadzu, and Thermo Electron North America LLC.
- \$1.0 million decrease in central support expenditures due to fewer materials requested for the operating of facilities.
- \$900,000 decrease in information technology costs due to delays in implementing the EAM project and savings for PC replacements, which occurred in FY 2014. This represents a \$400,000 increased projection from the first quarter.
- \$800,000 decrease in insurance claims not anticipated this fiscal year, which is \$200,000 less than projected in the first quarter.

Since the First Quarter Report, the energy and utilities expenditure projections have increased by \$7.8 million due to increased energy costs attributed to electricity rates approved by the Public Utilities Commission after the FY 2015 budget was adopted, as well as consumption increases due to severe weather. These increases are partially mitigated by additional savings in fuel costs.

The Sewer Utility Funds are projected to end the fiscal year with revenue in excess of expenditures by \$78.2 million. Revenue in the Sewer Utility Funds supports both operating and Capital Improvements Program (CIP) expenditures; however, only operating expenditures are reflected in this report.



## Transient Occupancy Tax Fund

*in millions*

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>FTE</b>			<b>Revenue</b>	\$ 84.1	\$ 84.1	\$ 86.0	\$ 1.9	2.3%
0.00	2.00	2.00	Personnel Expenditures	1.2	1.4	1.3	0.1	8.3%
			Non-Personnel Expenditures	90.6	90.3	92.4	(2.1)	-2.3%
			<b>Expenditures</b>	91.7	91.7	93.7	(1.9)	-2.1%
			<b>Net Year-End Projection</b>	<b>\$ (7.6)</b>	<b>\$ (7.6)</b>	<b>\$ (7.6)</b>	<b>\$ -</b>	

### Revenue:

The Transient Occupancy Tax Fund is projected to exceed budget in revenue by \$1.9 million, or 2.3%. As discussed in the Major General Fund Revenues section, this is due to sustained positive tourism growth in the City of San Diego. This positive tourism growth has also resulted in an increase in the revenue projection presented in the First Quarter Report.

### Expenditures:

Personnel expenditures in the Transient Occupancy Tax Fund are projected to end the fiscal year slightly under budget due to savings in salaries as a result of vacancies.

Non-personnel expenditures are projected to exceed budget by \$1.9 million. Of this, \$175,000 will be transferred to the Mission Bay/Balboa Park Improvement Fund to support increased operating expenditures related to the Balboa Park trams and the remainder will be used to reimburse the General Fund for tourism related expenditures.

## Water Utility Operating Fund

*in millions*

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>FTE</b>			<b>Revenue</b>	\$ 478.3	\$ 478.3	\$ 482.5	\$ 4.2	0.9%
32.45	53.49	21.04	Personnel Expenditures	68.1	68.2	70.1	(1.9)	-2.7%
			Non-Personnel Expenditures	394.6	394.5	386.4	8.1	2.1%
			<b>Expenditures</b>	462.7	462.7	456.5	6.2	1.3%
			<b>Net Year-End Projection</b>	<b>\$ 15.6</b>	<b>\$ 15.5</b>	<b>\$ 26.0</b>	<b>\$ 10.4</b>	

### Revenue:

The revenue in the Water Utility Operating Fund is projected to exceed budget by \$4.2 million, at fiscal year-end. The over budget revenue projection is due to an increase in State Revolving Fund (SRF) reimbursements for the University Avenue, Harbor Drive, and Lindbergh field projects. This is a \$1.4 million increase from the First Quarter Report due to updated project execution and reimbursement schedules.

### Expenditures:

The personnel expenditures are projected to be over budget by \$1.9 million at fiscal year-end primarily in fringe benefits, overtime, and pay-in-lieu of annual leave, which are partially offset by savings in salaries due to vacancies. This is an increase of \$900,000 from the First Quarter Report primarily due to less vacancies resulting in increased salaries and fringe benefits.

The non-personnel expenditures are projected to be under budget by \$8.1 million at fiscal year-end due to the following factors:

- \$3.5 million decrease in the contingency budget. This item is budgeted annually to support fluctuations in operations; however, at this time the contingency is not needed.
- \$1.2 million savings due to a delay in the pipeline condition assessment project schedule and postponed equipment and vehicle-type procurements, which represents a \$900,000 further decrease from the first quarter projection.
- \$900,000 increase in electricity expenditures which is partially offset by savings in fuel. This represents a \$1.0 million increase from the First Quarter Report due to rate increases anticipated in the second half of the fiscal year as explained throughout this report.
- \$900,000 decrease in information technology costs due to delays in implementing the EAM project and savings for PC replacements, which occurred in FY 2014.
- \$800,000 million decrease primarily due to delays in the EAM and GIS programs.

The Fund is projected to end the fiscal year with revenue in excess of expenditures by \$26.0 million. Revenue in the Water Fund supports both operating and CIP expenditures; however, only operating expenditures are reflected in this report.

### Wireless Communications Technology Fund

*in millions*

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>FTE</b>			<b>Revenue</b>	\$ 7.4	\$ 7.4	\$ 8.2	\$ 0.8	10.6%
2.00	4.00	2.00	Personnel Expenditures	4.9	4.9	4.6	0.3	5.8%
			Non-Personnel Expenditures	3.5	3.5	3.7	(0.2)	-5.4%
			<b>Expenditures</b>	8.4	8.4	8.3	0.1	1.1%
			<b>Net Year-End Projection</b>	\$ (1.0)	\$ (1.0)	\$ (0.1)	\$ 0.9	

*Revenue:*

The revenue in the Wireless Communications Technology Fund is projected to exceed budget by \$790,000, due to a reimbursement from Sprint Wireless, as a result of a Federal mandate to reband the public safety communication systems to the City of San Diego. This is a one-time reimbursement that is projected by year-end.

*Expenditures:*

Personnel expenditures in the Fund are projected under budget by \$290,000 at fiscal year-end due to vacant positions that will remain vacant throughout the year.

Non-personnel expenditures are projected to be over budget by fiscal year-end. This is primarily due to an increase in electricity costs due to projected rate increases approved by the Public Utilities Commission after the adoption of the FY 2015 budget. This increase in expenditures is slightly offset with savings in contracts due to conservative spending within the Department

## **FY 2015 PRIORITY BUDGET INITIATIVES: UPDATES FROM THE FIRST QUARTER REPORT**

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The FY 2015 budget includes additional funding for new initiatives as a result of positive economic growth in the City's major revenue sources. The FY 2015 budget puts neighborhoods first by prioritizing funding to four priority initiatives: Infrastructure Investments, Public Safety, Neighborhood Services, and Open Data. A status of these initiatives were included in the First Quarter Report. The following section includes updates for initiatives where the status may have changed since the First Quarter Report.

### **INFRASTRUCTURE INVESTMENTS**

Investing in the City's infrastructure is a top priority of the FY 2015 budget; this priority intends to improve the quality of life in neighborhoods throughout the City of San Diego. More than 50.0% of major revenue growth is dedicated to funding storm drain and facilities maintenance, street and sidewalk maintenance and repairs, streetlights, and park infrastructure. In addition, the budget includes funding for condition and needs assessments of streets, sidewalks, park assets, and City facilities.

#### **Condition and Needs Assessments of Sidewalks**

- Due to vacancies, the assessments have been delayed; however, the assessment is more than 90.0% complete and is anticipated to be complete by March 2015.

#### **Sidewalk and Street Light Improvements**

- The Transportation and Storm Water Department expects to install approximately 40 of the 135 street lights by October 2015. The remaining 95 street lights are anticipated to be installed by June 2017. The installation of street lights can require the request for aerial easements and coordination with SDG&E. This process can take up to eight months per street light. Additionally, when the power source is underground, full design is required in addition to coordination with SDG&E; this process can take up to 24 months.
- Two of the five new sidewalk installations are complete. A third sidewalk installation is projected to be completed by February 2015. The remaining two sidewalks are expected to be constructed by the end of October 2015.
- There have been approximately 250 tree-damaged sidewalk locations that were repaired during the first half of the fiscal year. The Department anticipates completing an additional 250 sites by October 2015.

#### **Street and Sidewalk Maintenance Managed Competition Alternative Proposal**

- The FY 2015 budget added 14 positions to implement the street and sidewalk maintenance alternative proposal to managed competition.
- The alternative proposal is an efficiency plan for providing street and sidewalk maintenance services as an alternative to the Street/Sidewalk Managed Competition proposal. The proposal includes accelerating pothole response time and increasing the quantity of street milling and paving. This proposal is anticipated to improve the overall condition of street pavement surfaces and includes City parking lots for an enhanced level of service.

- All of the 14 positions added to the budget have been hired and the reorganization was completed in September 2014.
- The Department has completed 200,000 square feet of mill-and-pave repairs and is projecting to complete a total of 400,000 squarefeet by fiscal year-end.

## **PUBLIC SAFETY**

Increasing the support for Public Safety is another top priority in the FY 2015 budget for the City of San Diego. The FY 2015 budget addresses this initiative by allocating more resources for the City's public safety needs for police, fire, and lifeguard services.

The FY 2015 budget includes funding for police officers' retention programs, police academies, sworn and civilian positions, and body worn cameras. The budget also includes increased funding for two additional fire academies to address expected retirements in FY 2015 and allocates funding to the Fast Response Program to help improve emergency response times.

In addition, the FY 2015 budget includes additional lifeguard positions to serve as emergency support for summer months and periods of increased activity in order to provide the highest quality safety services in the coastal and aquatic environment.

### **Police Academy Size Increase**

- The FY 2015 budget was increased to support an increase in the Police Recruit academy size from 34 to 43 for each of the four academies anticipated this fiscal year. This increase allows for a total of 36 additional recruits this fiscal year in an effort to mitigate the impact from retirees leaving the force.
- The first academy of the fiscal year began in August 2014 with 46 recruits. The 101st Academy graduated on February 6, 2015 with 39 graduate recruits.
- The second academy began in October 2014 with 39 recruits. Currently, the 102nd Academy has 32 recruits and they are anticipated to graduate on April 16, 2015.
- The last two academies, anticipated to begin in February and May of 2015, will increase in size by an additional seven for a total academy class size of 50 each.

### **Police Body Worn Cameras**

- Approximately 600 cameras have been purchased to date through FY 2014 and FY 2015 funding. These purchases are on track with the Department's goal to equip every patrol officer with a body worn camera by FY 2016. The Department is requesting funds in FY 2016 to purchase 400 additional cameras for patrol officers for a total of approximately 1,000 cameras, and an additional 230 cameras for patrol sergeants and new officers.
- The cameras are to be replaced every 2.5 years and annual maintenance costs are estimated to be \$50,000 in FY 2015 and \$85,000 in FY 2016 through FY 2018.
- A policy for video retention and accessibility guidelines regarding the new body worn cameras has been developed.
- Training for officers equipped with body worn cameras occurs as cameras are deployed. Approximately 600 officers have been trained upon receiving cameras.

### **Police Officers Retention Program**

- \$3.2 million included in the FY 2015 budget to support the continuation of the Police retention program was approved to support the restoration of Holiday Premium Pay.
- A compensation study was released in November 2014 that analyzes the compensation of police officers in San Diego compared to other jurisdictions.
- The City of San Diego and the San Diego Police Officers Association reached a tentative agreement on a compensation package that will strengthen recruiting and retention of San Diego police officers. The Memorandum of Understanding (MOU) with the aforementioned compensation package is anticipated to be presented to City Council in March 2015.

### **Fire-Rescue Fast Response Squad Program**

- A six-month review of the year-long pilot program operations indicates the Fast Response Squad is performing well on all incident types. The program has decreased the response time by an average of 2 minutes and 14 seconds.
- Funding to support two Fast Response Squads are being considered for inclusion in the FY 2016 budget.

### **Skyline Temporary Fire Station**

- The Skyline temporary fire station is now scheduled to open late April 2015 instead of the original January 2015 date. The delay is due to the first contract not meeting the project's funding allocation; a new bidding process is underway.
- The fire station is still anticipated to be staffed with current Fire-Rescue personnel and supported with overtime budget.

### **Windansea Beach Lifeguard**

- The 1.00 Lifeguard III position for Windansea Beach was hired in January 2015. The Fire-Rescue Department indicated in the First Quarter Report that this new position for FY 2015 was hired in July 2014. However, the lifeguard patrol coverage for this area of the coastline began July 2014 with relief lifeguards and overtime; the actual position was not filled until January 2015.

## **NEIGHBORHOOD SERVICES – Revitalizing Communities**

Libraries, park and recreation facilities, after-school programs and community planning are key to creating healthy and vibrant neighborhoods. The FY 2015 budget includes funding to expand library hours, support after school programs at libraries, and support community plan updates. The budget also increases homeless services, by including funding for programs and services focusing on permanent solutions to ending homelessness.

### **Brush Management Program**

- The FY 2015 budget includes \$1.0 million to support increased brush management contractual costs from \$2,051 per acre to \$6,012 per acre.
- A vendor was awarded the contract in FY 2014. This contract was awarded in 2013 with renewal options through 2018; however, the vendor declined the option to renew their contract for FY 2015. The Park and Recreation Department in cooperation with the Purchasing and Contracting Department quickly rebid this contract and received City Council approval of a new vendor in December 2014.

- A new vendor began work January 2015. The Brush Management program has completed approximately 111 of the 452-acre goal as of February 11, 2015.
- To ensure the goal is met by June 2015, the new contract calls for an increased pace of 10 acres per week through the end of the fiscal year.

### **Community Plan Updates CEQA Processing**

- Two of the five positions, added to the FY 2015 budget to support California Environmental Quality Act (CEQA) processing for CPUs, have been hired. The remaining three positions are anticipated to be hired by March 2015.
- The additional CEQA-focused staff will perform environmental reviews for all discretionary actions pending City Council approval, and Environmental Impact Reviews (EIRs) for Southeastern and Encanto CPUs, Grantville Community Plan amendments, and the Morena Station special project.

### **Do Your Homework @ the Library After School Program**

- On November 17, 2014, The Do Your Homework @ the Library After School Program began at five branches, expanding to a total of 18 branches in January 2015. Participation in the program has been phenomenal and is exceeding expected demand.
- Attendance at sites such as San Ysidro, Logan Heights, Linda Vista, North Clairemont, and Central Libraries is averaging between 14-35 students daily. Other information regarding student attendance, grade range, subjects covered (e.g., math, reading), and schools served is being collated.
- A more extensive progress report will be available for the FY 2015 Year-End Budget Monitoring Report.

### **Expansion of Library Hours**

- The FY 2015 budget includes funding to support extended hours on Saturdays and Sundays at 12 branch libraries. The new Central Library received funding in FY 2015 to support three additional hours. Due to operational and scheduling efficiencies, the Library Department has increased by two additional hours for a total increase of five hours per week without requesting additional funding.
- All of the positions added to the FY 2015 budget have been hired and the extended hours of operation began November 8, 2014.

### **Neighborhood Parking Protection Ordinance (NPPO)**

- All of the required signs have been installed and the online permitting system is in use.
- Full enforcement of the NPPO began in August 2014.
- As of February 2015, 3,563 permits, 1023 warnings, and 1,143 violations have been issued.

### **Tree Trimming**

- The Transportation and Storm Water Department is currently overseeing one contract to provide right-of-way tree trimming services. A second tree trimming contract expired earlier this fiscal year.
- The Department's goal for tree trimming is 15,000 trees by fiscal year end. Approximately 7,868 palm trees have been trimmed to-date in addition to the trimming and maintenance of other trees.



### **Zoning Investigator Position to Support Residential Rental Properties**

- The Zoning Investigator 2 position was hired September 2014 and has assumed city-wide enforcement responsibilities for nuisance residential rental properties.
- Since July 2014, 70 cases have been opened for violations related to nuisance residential rental properties.

### **TRANSPARENCY AND OPEN DATA**

Another priority of the FY 2015 budget is to increase transparency using technology and provide information and updates to residents. The goal is for the public to have access to online resources to easily search and track City projects, public contracts, budgets, capital assets, long-term planning, and financial information.

#### **Open Data Officer Position**

- The Open Data Officer position was hired November 2014.
- The Open Data Policy, was created and approved by City Council January 2014, via R-308684 and implemented December 2014 via R-309441. The Open Data Policy will create a process for making City Data available online. Guidelines are anticipated to be released March 2015.

### **OTHER PRIORITY INITIATIVES**

The FY 2015 budget includes other significant adjustments related to the prevailing wage and living wage programs, and the Public Liability Fund reserve.

## APPROPRIATION ADJUSTMENTS

This section discusses the appropriation adjustments recommended in the Mid-Year Report. The required budget adjustments include increases to departments and funds that are projecting over budget and require budget increases in order to maintain budgetary control through the end of the fiscal year. Also discussed is the Recommended Use of Projected General Fund Budgetary Surplus in accordance with Municipal Code Section 22.029: Mid-Year Amendments to the Adopted General Budget, a recommendation is provided for a portion of the budgetary surplus.

### REQUIRED BUDGET ADJUSTMENTS

Increases in appropriations are required for certain General Fund and non-general fund departments to support projected over budget expenditures. All adjustments are balanced by either an increase in budgeted revenues or a decrease in budgeted expenditures due to projected savings. The requested changes are summarized in Table 23: FY 2015 Mid-Year Appropriation Adjustments.

<b>FY 2015 Mid-Year Appropriation Adjustments</b>				
<i>Table 23</i>		<i>in millions</i>		
<b>Fund/Department</b>	<b>Expenditures Increase/(Decrease)</b>	<b>Revenue</b>	<b>Net Impact<sup>1</sup></b>	
<b>General Fund</b>				
Fire-Rescue	\$ 9,400,000	\$ 3,000,000	\$ (6,400,000)	
Police	6,900,000	1,100,000	(5,800,000)	
Public Utilities - Reservoir Recreation	360,000	-	(360,000)	
Office of Homeland Security	120,000	120,000	-	
Economic Development	(480,000)	(480,000)	-	
Citywide Program Expenditures	(3,560,000)	-	3,560,000	
Major General Fund Revenues	-	9,000,000	9,000,000	
General Fund Total	\$ 12,740,000	\$ 12,740,000	\$ -	
<b>Non-General Funds</b>				
Refuse Disposal Fund	900,000	900,000	-	
Concourse and Parking Garages Operating Fund	240,000	240,000	-	
Mission Bay/Balboa Park Improvement Fund	175,000	175,000	-	

<sup>1</sup> Remaining balances in non-general funds will be offset by available fund balance.

### General Fund Appropriation Adjustments

#### Fire-Rescue

The Fire-Rescue Department requires a \$9.4 million increase in expenditure appropriations to support the projected over budget salaries, overtime, hourly wages, and fringe benefits. The Department will also require a \$3.0 million increase in reimbursable revenue primarily due to strike team deployments.



**Police**

The Police Department requires a \$6.9 million increase in expenditure appropriations due to overtime, fringe benefits and costs related to the City's 9-1-1 call manager system. The Department will also require a \$1.1 million increase in revenue due to Assembly Bill 109 Public Safety.

**Public Utilities Reservoir Recreation**

The Public Utilities reservoir recreation requires a \$360,000 increase in budgeted expenditures. This increase for expenditures will balance the department's budget by taking into account the State and City Council approved subsidies for lakes and reservoir activities.

**Office of Homeland Security**

The Office of Homeland Security requires a \$120,000 increase in revenue and expenditures. This will have a net zero impact to the General Fund.

**Economic Development**

The Economic Development Department requires a \$480,000 decrease in revenue and expenditure appropriations due to reimbursable activities associated with Housing Successor Agency being recognized in a non-general fund.

**Citywide Program Expenditures**

The Citywide Program Expenditures Department requires a decrease in expenditure appropriations of \$3.6 million primarily due to a decrease in debt services payments resulting from the delay in the General Fund infrastructure bonds and savings projected in election costs due to lack of city-wide propositions on the ballot.

**Major General Fund Revenues**

The major General Fund revenues require a \$9.0 million increase in revenue to balance the expenditure appropriation increases in General Fund departments. This is supported by the over budget projections in franchise fees, transient occupancy tax, sales tax, and property tax as discussed previously in this report.

**Non-General Fund Appropriation Adjustments****Refuse Disposal Fund**

The Refuse Disposal Fund requires an increase in expenditures and revenues of \$900,000. This increase will support the over budget personnel expenditures in overtime and non-personnel expenditures for roof replacement costs. The increase in revenue is due to the increase in tonnage.

**Concourse and Parking Garages Operating Fund**

The Concourse and Parking Garages Operating Fund requires an increase in expenditures and revenues of \$240,000. This increase will support projected over budget expenditures due to the revised rent as a result of the purchase of the Civic Center Plaza building and a corresponding increase in revenue for rent received.

**Mission Bay/Balboa Park Improvement Fund**

The Mission Bay/Balboa Park Improvement Fund requires an increase in expenditures and revenues of \$175,000. This increase will support the increased costs related to the Balboa Park trams due to increased fuel projections and additional drivers. The increased expenditures are supported by increased revenues received from the Transient Occupancy Tax Fund.

**RECOMMENDED USE OF PROJECTED GENERAL FUND BUDGETARY SURPLUS**

This section discusses the recommended use of General Fund projected budgetary surplus. The Mayor is recommending the use of \$3.9 million of the projected \$4.9 million in budgetary surplus this fiscal year as displayed in Table 24: Recommended Use of FY 2015 Projected Budgetary Surplus.

<b>Recommended Use of FY 2015 Projected Budgetary Surplus</b>	
<i>Table 24</i>	<i>in millions</i>
<b>FY 2015 Projected Budgetary Surplus</b>	<b>\$ 4.9</b>
Pre-fund Public Liability Reserve	\$ (2.8)
Fully fund Long Term Disability Reserve	(1.1)
Subtotal	\$ (3.9)
<b>Remaining Budgetary Surplus</b>	<b>\$ 1.0</b>

**Public Liability Fund Reserve Contribution: \$2,800,000**

Per the City’s Reserve Policy (Council Policy 100-20), the required reserve target for the Public Liability Fund is 50.0% of the value of outstanding public liability claims, or \$47.4 million. The \$2.8 million recommended above would pre-fund the required contribution for FY 2016 reaching the 40.0% funding target one year earlier than planned in the policy. The pre-funding of the Public Liability Reserve with one-time budgetary surplus will also provide additional funds to be allocated to other budget priorities during the fiscal year 2016 budget deliberations.

**Long-Term Disability Fund Reserve Contribution: \$1,100,000**

Per the City’s Reserve Policy (Council Policy 100-20), the required reserve target for the Long-Term Disability Fund is \$17.0 million. Annual contributions of \$1.6 million beginning in FY 2015 and ending in FY 2016 are required to reach the target. The General Fund portion of the required contributions is approximately 68.8%. The \$1.1 million recommended from the projected surplus is the required contribution from the General Fund for FY 2016; the non-general fund contribution of \$500,000 can be absorbed within the non-general fund departments’ current budgets. The pre-funding of the Long-Term Liability Reserve with one-time Excess Equity will also provide additional funds to be allocated to other budget priorities during the fiscal year 2016 budget deliberations.

## CONCLUSION

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The General Fund is projected to be within 1.0% of the adopted budget at fiscal year-end. General Fund revenues continue to project modestly over budget and expenditures have also continued to project over budget, however, expenditures are increasing at a slower pace. The Mayor has recommended the use of \$3.9 million of the General Fund FY 2015 projected budgetary surplus of \$4.9 million to pre-fund critical reserves for both the Public Liability and Long-Term Disability Funds. This, if approved, will provide additional resources for priority initiatives during the FY 2016 budget process.

The remaining budgetary surplus of \$1.0 million is projected to increase Excess Equity for the General Fund, as it is not needed to meet the 14.0% reserve target. The Excess Equity projection will be updated again in May 2015 as part of the FY 2015 Year-End Budget Monitoring Report. This will allow for a timely and transparent discussion of Excess Equity and its potential use during the FY 2016 budget deliberations with City Council and the community.

## ATTACHMENTS

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- I. General Fund Projected Revenues
- II. General Fund Projected Expenditures
- III. Non-General Fund Projections
- IV. Non-General Fund Reserves
- V. Addendum A

Department	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>General Fund Projected Revenues</b>					
General Fund Major Revenues					
Charges for Current Services	\$ 26,021,312	\$ 26,021,312	\$ 25,154,728	\$ (866,584)	-3.3%
Franchise Fees <sup>1</sup>	70,662,949	70,662,949	76,112,697	5,449,748	7.7%
Interest and Dividends	1,414,251	1,414,251	335,998	(1,078,253)	-76.2%
Motor Vehicle License Fees	-	-	942,257	942,257	100.0%
Fines, Forfeitures, and Penalties	-	-	1,389	1,389	100.0%
Other Revenue	60,000	60,000	692,809	632,809	1054.7%
Property Tax	445,428,691	445,428,691	446,591,984	1,163,293	0.3%
Property Transfer Tax	9,176,035	9,176,035	8,094,176	(1,081,859)	-11.8%
Refuse Collector Business Tax	700,000	700,000	750,000	50,000	7.1%
Revenue from Federal and Other Agencies	-	-	1,094	1,094	100.0%
Revenue from Money and Property	572,552	572,552	572,552	-	0.0%
Sales Tax	257,106,087	257,106,087	259,122,600	2,016,513	0.8%
Transfers In	33,420,683	33,420,683	34,754,062	1,333,379	4.0%
Transient Occupancy Tax <sup>2</sup>	92,332,290	92,332,290	94,497,578	2,165,288	2.3%
<i>Subtotal Major General Fund Revenues</i>	<u>\$ 936,894,850</u>	<u>\$ 936,894,850</u>	<u>\$ 947,623,927</u>	<u>\$ 10,729,077</u>	<u>1.1%</u>
City Auditor	\$ -	\$ -	\$ 85	\$ 85	100.0%
City Clerk	42,404	42,404	56,487	14,083	33.2%
City Comptroller	2,468,547	2,468,547	2,496,948	28,401	1.2%
Citywide Program Expenditures	-	-	-	-	0.0%
Communications	1,565,333	1,565,333	173,551	(1,391,782)	-88.9%
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	-	-	-	-	0.0%
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%
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%

### General Fund Projected Revenues

Department	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Council District 9	\$ -	\$ -	\$ -	\$ -	0.0%
Council District 9 - Community Projects, Programs, and Services	-	-	-	-	0.0%
Debt Management	683,645	683,645	952,711	269,066	39.4%
Department of Information Technology	-	-	-	-	0.0%
Development Services	629,824	629,824	783,632	153,808	24.4%
Economic Development	8,566,363	8,566,363	7,667,023	(899,340)	-10.5%
Environmental Services	1,194,714	1,194,714	1,377,592	182,878	15.3%
Ethics Commission	-	-	63,950	63,950	100.0%
Financial Management	5,000	5,000	5,098	98	2.0%
Fire-Rescue	27,034,577	27,034,577	30,084,106	3,049,529	11.3%
Human Resources	-	-	104	104	100.0%
Internal Operations	-	-	-	-	0.0%
Library	4,125,753	4,125,753	4,125,753	-	0.0%
Infrastructure/Public Works	123,135	123,135	21,098	(102,037)	-82.9%
Neighborhood Services	-	-	2,549	2,549	100.0%
Office of Homeland Security	930,957	930,957	1,110,167	179,210	19.3%
Office of the Assistant Chief Operating Officer	450,000	450,000	220,906	(229,094)	-50.9%
Office of the Chief Financial Officer	-	-	-	-	0.0%
Office of the Chief Operating Officer	-	-	-	-	0.0%
Office of the City Attorney	3,256,169	3,256,169	3,738,023	481,854	14.8%
Office of the City Treasurer	18,296,151	18,296,151	19,015,311	719,160	3.9%
Office of the Independent Budget Analyst	-	-	-	-	0.0%
Office of the Mayor	308,400	308,400	318,858	10,458	3.4%
Park and Recreation	32,708,616	32,708,616	32,866,104	157,488	0.5%
Performance and Analytics	-	-	-	-	0.0%
Personnel	6,000	6,000	11,962	5,962	99.4%
Planning	3,831,968	3,831,968	3,646,025	(185,943)	-4.9%
Police	44,570,440	44,570,440	45,876,494	1,306,054	2.9%
Public Utilities Reservoir Recreation	940,000	940,000	830,012	(109,988)	-11.7%
Public Works - Contracting	1,053,393	1,053,393	1,104,231	50,838	4.8%
Public Works - General Services	3,881,596	3,881,596	3,830,554	(51,042)	-1.3%
Purchasing and Contracting	1,607,856	1,607,856	1,170,171	(437,685)	-27.2%
Real Estate Assets	45,129,495	45,129,495	43,942,636	(1,186,859)	-2.6%
Transportation and Storm Water	48,245,274	48,245,274	49,662,264	1,416,990	2.9%
<b>Total General Fund Revenues</b>	<b>\$ 1,188,550,460</b>	<b>\$ 1,188,550,460</b>	<b>\$ 1,202,778,329</b>	<b>\$ 14,227,869</b>	<b>1.2%</b>

The current budget presented in this table is as of December 2014 (accounting period 6) unless otherwise noted.

<sup>1</sup> Total City FY 2015 current revenue budget for franchise fees is \$137.1 million and the projection is \$151.6 million. The balance is budgeted in the Environmental Growth and Underground Surcharge Funds.

<sup>2</sup> Total City FY 2015 current revenue budget for transient occupancy tax is \$176.3 million and the projection is \$180.4 million. The balance is budgeted in the Transient Occupancy Tax Fund.

General Fund Projected Expenditures					
Department	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
City Auditor	\$ 3,575,202	\$ 3,637,202	\$ 3,270,000	\$ 367,202	10.1%
City Clerk	5,341,256	5,341,256	5,357,791	(16,535)	-0.3%
City Comptroller	10,735,280	10,904,280	11,150,659	(246,379)	-2.3%
Citywide Program Expenditures	87,094,071	86,219,071	82,091,629	4,127,442	4.8%
Communications	3,444,543	3,444,543	980,845	2,463,698	71.5%
Council Administration	2,122,912	2,122,912	1,870,302	252,610	11.9%
Council District 1	992,681	992,681	895,900	96,781	9.7%
Council District 1 - Community Projects, Programs and Services	122,527	95,739	95,739	-	0.0%
Council District 2	1,194,251	1,194,251	1,123,680	70,571	5.9%
Council District 2 - Community Projects, Programs and Services	249,704	173,154	173,154	-	0.0%
Council District 3	1,264,259	1,264,259	1,180,689	83,570	6.6%
Council District 3 - Community Projects, Programs and Services	233,180	233,180	233,180	-	0.0%
Council District 4	1,032,409	1,032,409	977,402	55,007	5.3%
Council District 4 - Community Projects, Programs and Services	3,680	2,880	2,881	(1)	0.0%
Council District 5	1,034,295	1,034,295	828,850	205,445	19.9%
Council District 5 - Community Projects, Programs and Services	360,026	357,015	357,015	-	0.0%
Council District 6	1,056,158	1,056,158	872,626	183,532	17.4%
Council District 6 - Community Projects, Programs and Services	170,309	110,319	110,319	-	0.0%
Council District 7	1,112,712	1,117,712	996,672	121,040	10.8%
Council District 7 - Community Projects, Programs and Services	105,737	76,047	76,047	-	0.0%
Council District 8	1,109,450	1,132,450	1,052,552	79,898	7.1%
Council District 8 - Community Projects, Programs and Services	183,687	183,687	183,687	-	0.0%
Council District 9	1,063,375	1,063,375	936,725	126,650	11.9%
Council District 9 - Community Projects, Programs and Services	242,152	189,469	189,469	-	0.0%
Debt Management	2,448,214	2,521,214	2,590,039	(68,825)	-2.7%
Department of Information Technology	500,000	500,000	489,111	10,889	2.2%
Development Services	7,011,989	7,011,989	6,859,913	152,076	2.2%
Economic Development	14,088,718	14,248,718	12,829,498	1,419,220	10.0%
Environmental Services	35,164,939	35,265,239	35,173,793	91,446	0.3%
Ethics Commission	991,862	1,023,862	1,017,808	6,054	0.6%
Financial Management	4,109,395	4,233,395	4,167,163	66,232	1.6%
Fire-Rescue	218,533,401	218,639,551	227,976,429	(9,336,878)	-4.3%
Human Resources	3,129,024	3,129,024	3,162,514	(33,490)	-1.1%
Internal Operations	388,217	388,217	400,728	(12,511)	-3.2%
Library	45,498,448	45,639,393	46,100,214	(460,821)	-1.0%
Infrastructure/Public Works	1,543,754	1,662,754	1,425,481	237,273	14.3%
Neighborhood Services	970,898	970,898	760,636	210,262	21.7%
Office of Homeland Security	2,018,755	2,076,755	2,189,833	(113,078)	-5.4%
Office of the Assistant Chief Operating Officer	1,116,966	1,119,966	1,073,414	46,552	4.2%

General Fund Projected Expenditures					
Department	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Office of the Chief Financial Officer	\$ 566,161	\$ 566,161	\$ 559,295	\$ 6,866	1.2%
Office of the Chief Operating Officer	924,312	973,312	936,669	36,643	3.8%
Office of the City Attorney	45,902,055	46,025,055	46,203,391	(178,336)	-0.4%
Office of the City Treasurer	15,455,696	15,615,696	15,531,611	84,085	0.5%
Office of the Independent Budget Analyst	1,733,699	1,813,699	1,791,029	22,670	1.2%
Office of the Mayor	4,265,207	4,277,207	4,175,739	101,468	2.4%
Park and Recreation	97,970,148	98,130,418	100,284,656	(2,154,238)	-2.2%
Performance and Analytics	1,437,206	1,437,206	1,299,696	137,510	9.6%
Personnel	7,106,828	7,106,828	7,275,864	(169,036)	-2.4%
Planning	9,325,617	9,325,617	8,162,452	1,163,165	12.5%
Police	419,459,222	419,484,495	426,289,807	(6,805,312)	-1.6%
Public Utilities Reservoir Recreation	2,005,200	2,005,200	2,358,834	(353,634)	-17.6%
Public Works - Contracting	2,111,792	2,132,792	1,966,621	166,171	7.8%
Public Works - General Services	17,745,338	17,776,913	18,018,050	(241,137)	-1.4%
Purchasing and Contracting	6,291,735	6,291,735	5,809,352	482,383	7.7%
Real Estate Assets	4,669,197	4,769,197	4,530,332	238,865	5.0%
Transportation and Storm Water	104,094,587	103,281,587	105,285,876	(2,004,289)	-1.9%
<b>Total General Fund Expenditures</b>	<b>\$ 1,202,422,436</b>	<b>\$ 1,202,422,436</b>	<b>\$ 1,211,703,661</b>	<b>\$ (9,281,225)</b>	<b>-0.8%</b>

The current budget presented in this table is as of December 2014 (accounting period 6) unless otherwise noted.

<b>Non-General Fund Projections</b>
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Fund	Revenue/ Expenditure	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Airports Fund	Revenue	\$ 4,778,882	\$ 4,778,882	\$ 4,788,922	\$ 10,040	0.2%
	Expenditures	5,227,795	5,227,795	5,062,320	165,475	3.2%
Central Stores Fund	Revenue	13,341,277	13,341,277	13,345,522	4,245	0.0%
	Expenditures	13,341,277	13,341,277	13,327,142	14,135	0.1%
Concourse and Parking Garages Operating Fund	Revenue	2,713,422	2,713,422	3,031,485	318,063	11.7%
	Expenditures	2,709,263	2,709,263	2,945,075	(235,812)	-8.7%
Department of Information Technology Fund	Revenue	8,673,318	8,673,318	8,679,767	6,449	0.1%
	Expenditures	10,488,568	10,488,568	10,028,018	460,550	4.4%
Development Services Fund	Revenue	48,391,352	48,391,352	48,120,245	(271,107)	-0.6%
	Expenditures	49,801,190	49,801,190	51,262,711	(1,461,521)	-2.9%
Energy Conservation Program Fund	Revenue	2,253,884	2,253,884	2,471,471	217,587	9.7%
	Expenditures	2,645,182	2,845,182	2,589,207	255,975	9.0%
Engineering and Capital Projects Fund	Revenue	64,367,237	64,367,237	63,974,960	(392,277)	-0.6%
	Expenditures	64,367,237	64,367,237	63,774,747	592,490	0.9%
Facilities Financing Fund	Revenue	2,275,110	2,275,110	1,800,689	(474,421)	-20.9%
	Expenditures	2,275,110	2,275,110	1,796,166	478,944	21.1%
Fire/EMS Transportation Program Fund	Revenue	11,552,358	11,552,358	11,588,925	36,567	0.3%
	Expenditures	12,702,437	12,702,437	11,641,526	1,060,911	8.4%
Fleet Services Operating Fund	Revenue	50,229,234	50,229,234	48,730,117	(1,499,117)	-3.0%
	Expenditures	50,837,774	50,837,774	49,159,665	1,678,109	3.3%
GIS Fund	Revenue	1,801,061	1,801,061	1,727,871	(73,190)	-4.1%
	Expenditures	1,905,499	1,905,499	1,812,328	93,171	4.9%
Golf Course Fund	Revenue	17,540,747	17,540,747	19,967,912	2,427,165	13.8%
	Expenditures	16,653,723	16,653,723	16,630,878	22,845	0.1%
Junior Lifeguard Program Fund	Revenue	595,779	595,779	595,779	-	0.0%
	Expenditures	595,779	595,779	584,760	11,019	1.8%
Local Enforcement Agency Fund	Revenue	786,417	786,417	698,321	(88,096)	-11.2%
	Expenditures	754,953	754,953	725,305	29,648	3.9%
Los Peñasquitos Canyon Preserve Fund	Revenue	186,000	186,000	186,000	-	0.0%
	Expenditures	221,661	221,661	224,772	(3,111)	-1.4%
Parking Meter Operations Fund	Revenue	9,111,535	9,111,535	9,135,886	24,351	0.3%
	Expenditures	9,111,535	9,111,535	8,920,886	190,649	2.1%



Non-General Fund Projections						
Fund	Revenue/ Expenditure	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Petco Park Fund	Revenue	\$ 15,723,720	\$ 15,723,720	\$ 15,833,182	\$ 109,462	0.7%
	Expenditures	17,542,842	17,542,842	17,545,869	(3,027)	0.0%
Publishing Services Fund	Revenue	3,221,261	3,221,261	3,351,123	129,862	4.0%
	Expenditures	3,221,261	3,221,261	3,306,196	(84,935)	-2.6%
Qualcomm Stadium Operations Fund	Revenue	16,652,809	16,652,809	16,659,876	7,067	0.0%
	Expenditures	17,963,564	17,963,564	17,852,015	111,549	0.6%
Recycling Fund	Revenue	18,427,651	18,427,651	19,310,663	883,012	4.8%
	Expenditures	22,561,192	22,561,192	21,476,034	1,085,158	4.8%
Refuse Disposal Fund	Revenue	28,236,434	28,236,434	29,678,483	1,442,049	5.1%
	Expenditures	31,135,093	31,135,093	32,017,488	(882,395)	-2.8%
Risk Management Administration Fund	Revenue	9,314,487	9,314,487	9,238,489	(75,998)	-0.8%
	Expenditures	10,265,929	10,265,929	9,989,931	275,998	2.7%
SAP Support Fund	Revenue	19,918,068	19,918,068	19,918,780	712	0.0%
	Expenditures	20,728,100	20,728,100	20,254,326	473,774	2.3%
Sewer Utility Funds <sup>1</sup>	Revenue	421,631,100	421,631,100	413,591,096	(8,040,004)	-1.9%
	Expenditures	345,671,783	345,837,925	335,420,707	10,417,218	3.0%
Transient Occupancy Tax Fund						
Commission for Arts and Culture Department	Revenue	\$ -	\$ -	\$ -	\$ -	0.0%
Special Events Department	Revenue	150,000	150,000	114,267	(35,733)	-23.8%
Special Promotional Programs	Revenue	83,938,446	83,938,446	85,906,889	1,968,443	2.3%
<i>Total Transient Occupancy Tax Fund Revenue</i>		<u>\$ 84,088,446</u>	<u>\$ 84,088,446</u>	<u>\$ 86,021,156</u>	<u>\$ 1,932,710</u>	
Commission for Arts and Culture Department	Expenditures	\$ 1,054,761	\$ 1,054,761	\$ 989,738	\$ 65,023	6.2%
Special Events Department	Expenditures	1,044,801	1,044,801	985,855	58,946	5.6%
Special Promotional Programs	Expenditures	89,638,019	89,638,019	91,694,698	(2,056,679)	-2.3%
<i>Total Transient Occupancy Tax Fund Expenditures</i>		<u>\$ 91,737,581</u>	<u>\$ 91,737,581</u>	<u>\$ 93,670,291</u>	<u>\$ (1,932,710)</u>	
Underground Surcharge Fund	Revenue	\$ 50,592,739	\$ 50,592,739	\$ 50,592,739	\$ -	0.0%
	Expenditures	50,592,739	50,592,739	50,434,480	158,259	0.3%
Water Utility Operating Fund	Revenue	478,268,700	478,268,700	482,475,359	4,206,659	0.9%
	Expenditures	462,671,644	462,719,632	456,477,907	6,241,725	1.3%
Wireless Communications Technology Fund	Revenue	7,436,710	7,436,710	8,226,322	789,612	10.6%
	Expenditures	8,412,052	8,412,052	8,316,045	96,007	1.1%

The current budget presented in this table is as of December 2014 (accounting period 6) unless otherwise noted. Capital Improvements Program expenditure budgets are excluded.

<sup>1</sup> 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

*in millions*

Description	Fund Name	Reserve Type	FY 2015	
			Target	Status
Development Services	Development Services Fund	Operating Reserve	\$ 2.6	On Target
Golf Course	Golf Course Fund	Operating Reserve	2.1	On Target
Risk Management <sup>1</sup>	Long-Term Disability Fund	Liability Reserve	16.7	On Target
	Public Liability Fund	Liability Reserve	35.1	On Target
	Workers' Compensation Fund	Liability Reserve	48.5	On Target
Environmental Services	Recycling Enterprise Fund	Operating Reserve	2.4	On Target
	Refuse Disposal Fund	Operating Reserve	4.6	On Target
Public Utilities	Sewer Utility Funds	Emergency Operating Reserve	44.4	On Target
		Emergency Capital Reserve	5.0	On Target
		Rate Stabilization Fund Reserve	25.2	On Target
	Water Utility Funds	Emergency Operating Reserve	31.7	On Target
		Emergency Capital Reserve	5.0	On Target
		Rate Stabilization Fund Reserve	21.7	On Target
		Secondary Purchase Reserve	13.6	On Target

<sup>1</sup>The FY 2015 reserve targets for the Risk Management Funds are based on updated actuarial valuations recently received for FY 2014.

## GENERAL FUND

### OVERVIEW

The General Fund is projected to end the fiscal year with \$8.9 million of expenditures in excess of revenue as reflected in Table 1: Summary of FY 2015 General Fund Projections. This represents a \$4.9 million improvement from the FY 2015 adopted budget, which projected to use \$13.9 million in Excess Equity. The \$13.9 million budgeted use of Excess Equity included \$12.8 million to pre-fund the Public Liability Reserve and \$1.7 million for the City Council Districts Community Projects, Programs, and Services, and a small decrease in fringe benefit expenditures of \$600,000.

<b>Summary of FY 2015 General Fund Projections</b>					
<i>Table 1</i>					<i>in millions</i>
Revenue/Expenditures	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
Resources					
Revenue	\$ 1,188.6	\$ 1,188.6	\$ 1,202.8	\$ 14.2	1.2%
Excess Equity	13.9	13.9	13.9	-	0.0%
<b>Total Resources</b>	<b>1,202.4</b>	<b>1,202.4</b>	<b>1,216.7</b>	<b>14.2</b>	<b>1.2%</b>
<b>Expenditures</b>	<b>1,202.4</b>	<b>1,202.4</b>	<b>1,211.7</b>	<b>(9.3)</b>	<b>-0.8%</b>
<b>Surplus</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4.9</b>	<b>\$ 4.9</b>	

The \$4.9 million improvement in the General Fund financial condition is the result of increased projected revenues of \$14.2 million offset by increased projected expenditures of \$9.3 million. The improved revenue projection mitigates the increased expenditure projection and does not necessitate using all of the Excess Equity budgeted. The projected budgetary surplus of \$4.9 million is the difference between the \$13.9 million budgeted use of Excess Equity expected in the adopted budget and the lower projected use of \$8.9 million in Excess Equity resulting from the current projected activity. The Mayor is recommending that City Council approve the use of \$3.9 million of this projected budgetary surplus to pre-fund critical risk management reserves. If approved this would allow for additional resources for other critical priorities in the FY 2016 budget deliberations.

The excess revenue projection is primarily the result of increased receipts realized in the City's major General Fund revenues of \$10.7 million. Excess franchise fee revenue is the primary contributor making up 50.0% of this increase, or \$5.4 million. The excess expenditure projection is primarily due to continued increases to personnel expenditures in public safety departments, projected to exceed budget by \$16.1 million for both the Police and Fire-Rescue Departments. A portion of the increased personnel expenditures are offset by unanticipated revenue received for public safety reimbursements for strike team deployments and from the Assembly Bill 109 Public Safety Realignment Act. Savings in election costs of \$1.7 million and delayed debt service payments of \$2.5 million in Citywide Program Expenditures are reducing the negative impact of the increased personnel expenditures to the General Fund.

This projection includes six months of actual activity and expenditure and revenues will vary as the year progresses. The City has strong controls and processes in place to maintain a balanced budget. The analysis and projections presented in this report, combined with Financial Management’s continued monitoring and departmental projections of revenues and expenditures are critical to maintaining financial discipline and a balanced budget, which supports the delivery of essential community services.

**Changes Since the First Quarter Report**

The current projection has improved \$5.1 million compared to the projections in the First Quarter Budget Monitoring Report (First Quarter Report) as reflected in Table 2: Comparison of FY 2015 General Fund Projections. The primary driver is an improved revenue projection of \$11.8 million. Almost half of this increase is attributed to \$5.4 million in additional franchise fee revenue in the major General Fund Revenues. Other factors are departmental revenue increases of \$1.5 million in the Fire-Rescue Department and \$1.3 million in the Economic Development Department. The Office of the City Treasurer and the Office of the City Attorney also project increased revenue since the First Quarter Report of \$600,000 and \$500,000, respectively.

<b>Comparison of FY 2015 General Fund Projections</b>				
<i>Table 2</i>		<i>in millions</i>		
<b>Revenue/Expenditures</b>	<b>First Quarter</b>	<b>Mid-Year Report</b>	<b>Variance</b>	<b>Change %</b>
Resources				
Projected Revenue	\$ 1,191.0	\$ 1,202.8	\$ 11.8	1.0%
Excess Equity	13.9	13.9	-	0.0%
<b>Total Resources</b>	<b>1,204.9</b>	<b>1,216.7</b>	<b>11.8</b>	<b>1.0%</b>
<b>Projected Expenditures</b>	<b>1,205.0</b>	<b>1,211.7</b>	<b>6.7</b>	<b>0.6%</b>
<b>Net Year-End Projection</b>	<b>\$ (0.1)</b>	<b>\$ 4.9</b>	<b>\$ 5.1</b>	

Partially reducing the improved revenue projections are increases in expenditure projections of \$6.7 million. The primary factors are projected increases in personnel costs in the Police, and Fire-Rescue Departments of \$3.9 million, and \$1.6 million, respectively. Less significant increases in expenditures of \$1.0 million each are projected in the Park and Recreation, Transportation and Storm Water, and Economic Development Departments, which are partially reduced by savings in Citywide Program Expenditures of \$1.4 million.

Details of the changes from the prior quarter summarized by department are included in the General Fund Summaries by Department section, later in this report.

**Mid-Year Ordinance**

In accordance with Municipal Code Section 22.029: Mid-Year Amendments to the Adopted General Fund Budget, a recommendation is provided for \$3.9 million of the projected budgetary surplus of \$4.9 million. This \$3.9 million is recommended to be applied to one-time expenditures to pre-fund risk management reserves as displayed in Table 3: Summary of FY 2015 Excess Equity and Budgetary Surplus. This recommendation is consistent with the City Council Budget Policy (Policy No. 000-02) regarding the use of one-time and ongoing revenues in the General Fund for one-time priority expenditures. This recommendation also expedites the funding targets

- \$910,000 decrease in the Economic Development Department primarily due to less than anticipated Civic San Diego and Successor Agency activity.
- \$620,000 decrease due to savings in election costs in Citywide Program Expenditures partially offset with additional expenditures for property tax administration, rent increases due to a renegotiated lease for the Civic Center Plaza building, and unanticipated costs in outside counsel legal fees.
- \$410,000 decrease in expenditures due to program delays related to stakeholder involvement, availability of staff in specialized disciplines and longer than anticipated contracting process time frames for several contracts supporting a variety of community plan updates and amendments. delays in Equal Opportunity Contracting Program (EOCP) approvals for a several contracts supporting a variety of community plan updates, as discussed in the Planning Department section.

The under budget projections noted above are partially offset by over budget projections as described below:

- \$1.7 million increase in the Transportation and Storm Water Department due to the Public Utilities Department for low-flow diversion usage and capacity fees.
- \$1.6 million increase in the Police Department to support the unbudgeted costs to upgrade the City's 9-1-1 call manager system.

### **Information Technology**

The information technology category is projected to be under budget by \$220,000, or less than 1.0%, due to a variety of minor fluctuations in activity. Most significant is an under budget projection of \$90,000 in the Fire-Rescue Department for data center costs, which are trending lower.

### **Energy and Utilities**

The energy and utilities category is projected to be under budget by \$530,000, or 1.2%, by fiscal year-end due to savings in fuel costs city-wide due to a lower cost per gallon. This decrease is partially offset by increased electricity costs due to an anticipated rate increase approved by the Public Utilities Commission after the adoption of the FY 2015 budget.

### **Transfers Out**

The transfers out category is projected to be under budget by \$2.0 million, or 2.3% by fiscal year-end due to the following factors:

- \$2.5 million decrease in debt service payments in Citywide Program Expenditures due to the delay in issuing General Fund infrastructure bonds. This delay is due to litigation, which has recently concluded, and the City is moving forward with securing the bond; however, the debt service will not be expended this fiscal year.
- \$1.2 million decrease in transfers to Park Improvements Funds due to a decline in Mission Bay lease revenue attributed to the marine life captivity controversy affecting Sea World attendance.
- \$1.8 million increase to support funding of CIP projects:
  - \$1.2 million to support the unbudgeted expenditures to upgrade the City's 9-1-1 call manager system
  - \$250,000 to support unbudgeted expenditures for a critical slope repair

## Fire/Emergency Medical Services (EMS) Transportation Program Fund

in millions

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>FTE</b>			<b>Revenue</b>	\$ 11.6	\$ 11.6	\$ 11.6	\$ -	0.0%
0.00	16.00	16.00	Personnel Expenditures	4.9	4.9	5.5	(0.6)	-13.3%
			Non-Personnel Expenditures	7.8	7.8	6.1	1.7	21.8%
			<b>Expenditures</b>	12.7	12.7	11.6	1.1	8.4%
			<b>Net Year-End Projection</b>	\$ (1.2)	\$ (1.2)	\$ (0.1)	\$ 1.1	

### Revenue:

The revenue in the Fire/EMS Transportation Program Fund is projected to be at budget at fiscal year-end.

### Expenditures:

Personnel expenditures in the Fund are projected to exceed budget by \$650,000 primarily due to fringe benefits due to Workers' Compensation and Long-Term Disability fringe related costs.

Non-personnel expenditures are projected to be \$1.7 million under budget primarily due to a decrease in the transfer of accrued fund balance to the Fire-Rescue Department. The reduction in the transfer is due to FY 2014 year-end fund balance being lower than assumed in the FY 2015 budget as a result of posting of unanticipated prior year expenditures and increased fringe benefits. The reduction in the transfer of the fund balance to the General Fund also ensures that the Fire/EMS Fund has sufficient fund balance to address any contingencies that may arise in future fiscal years.

## Engineering and Capital Projects Fund

in millions

Budgeted Vacancies	Current Vacancies	Variance	Rev/PE/NPE	Adopted Budget	Current Budget	Year-End Projection	Variance	Variance %
<b>FTE</b>			<b>Revenue</b>	\$ 64.4	\$ 64.4	\$ 64.0	\$ (0.4)	-0.6%
23.00	50.00	27.00	Personnel Expenditures	55.8	55.8	55.0	0.8	1.4%
			Non-Personnel Expenditures	8.6	8.6	8.7	(0.2)	-2.3%
			<b>Expenditures</b>	64.4	64.4	63.8	0.6	0.9%
			<b>Net Year-End Projection</b>	\$ -	\$ -	\$ 0.2	\$ 0.2	

### Revenue:

The Engineering and Capital Projects Fund revenue is projected under budget by \$390,000, due to vacant reimbursable positions. Positions were added to the budget in FY 2015 to support the City's infrastructure needs. The hiring of these positions typically takes several months to fill as promotions create new vacancies. The Fund is working in collaboration with the Personnel Department to ensure the vacancies are filled as expeditiously as possible.

### Expenditures:

The Fund projects personnel expenditures under budget by \$760,000 at fiscal year-end primarily due to vacancies as previously discussed.

Non-personnel expenditures are projected over budget by \$170,000 due to \$800,000 in moving costs to consolidate staff from office space at the Executive Complex Building to 525 B Street.

**Police**

The Police Department requires a \$6.9 million increase in expenditure appropriations due to overtime, fringe benefits and costs related to the City's 9-1-1 call manager system. The Department will also require a \$1.1 million increase in revenue due to Assembly Bill 109 Public Safety.

**Public Utilities Reservoir Recreation**

The Public Utilities reservoir recreation requires a \$360,000 increase in budgeted expenditures. This increase for expenditures will balance the department's budget by taking into account the State and City Council approved subsidies for lakes and reservoir activities.

**Office of Homeland Security**

The Office of Homeland Security requires a \$120,000 increase in revenue and expenditures. This will have a net zero impact to the General Fund.

**Economic Development**

The Economic Development Department requires a \$480,000 decrease in revenue and expenditure appropriations due to reimbursable activities associated with Housing Successor Agency being recognized in a non-general fund.

**Citywide Program Expenditures**

The Citywide Program Expenditures Department requires a decrease in expenditure appropriations of ~~\$3.0 million~~ \$3.6 million primarily due to a decrease in debt services payments resulting from the delay in the General Fund infrastructure bonds and savings projected in election costs due to lack of city-wide propositions on the ballot.

**Major General Fund Revenues**

The major General Fund revenues require a ~~\$9.6 million~~ \$9.0 million increase in revenue to balance the expenditure appropriation increases in General Fund departments. This is supported by the over budget projections in franchise fees, transient occupancy tax, sales tax, and property tax as discussed previously in this report.

**Non-General Fund Appropriation Adjustments****Refuse Disposal Fund**

The Refuse Disposal Fund requires an increase in expenditures and revenues of \$900,000. This increase will support the over budget personnel expenditures in overtime and non-personnel expenditures for roof replacement costs. The increase in revenue is due to the increase in tonnage.

**Concourse and Parking Garages Operating Fund**

The Concourse and Parking Garages Operating Fund requires an increase in expenditures and revenues of \$240,000. This increase will support projected over budget expenditures due to the revised rent as a result of the purchase of the Civic Center Plaza building and a corresponding increase in revenue for rent received.



**Mission Bay/Balboa Park Improvement Fund**

The Mission Bay/Balboa Park Improvement Fund requires an increase in expenditures and revenues of \$175,000. This increase will support the increased costs related to the Balboa Park trams due to increased fuel projections and additional drivers. The increased expenditures are supported by increased revenues received from the Transient Occupancy Tax Fund.

**REQUESTED AUTHORITIES**

**Capital Improvements Program (CIP)**

Authority is requested authorizing the CFO the flexibility to transfer available budget out of technically completed CIP projects to either fund balance or another CIP project or annual allocation of the same asset type. This authority is in alignment with CIP streamlining improvements and developing cash management policies. It will also aid in ensuring that available cash is reallocated to projects in need of funding.

**RECOMMENDED USE OF PROJECTED GENERAL FUND BUDGETARY SURPLUS**

This section discusses the recommended use of General Fund projected budgetary surplus. The Mayor is recommending the use of \$3.9 million of the projected \$4.9 million in budgetary surplus this fiscal year as displayed in Table 24: Recommended Use of FY 2015 Projected Budgetary Surplus.

<b>Recommended Use of FY 2015 Projected Budgetary Surplus</b>	
<i>Table 24</i>	<i>in millions</i>
<b>FY 2015 Projected Budgetary Surplus</b>	<b>\$ 4.9</b>
Pre-fund Public Liability Reserve	\$ (2.8)
Fully fund Long Term Disability Reserve	(1.1)
Subtotal	\$ (3.9)
<b>Remaining Budgetary Surplus</b>	<b>\$ 1.0</b>

**Public Liability Fund Reserve Contribution: \$2,800,000**

Per the City’s Reserve Policy (Council Policy 100-20), the required reserve target for the Public Liability Fund is 50.0% of the value of outstanding public liability claims, or ~~\$48.3 million~~ 47.4 million. The \$2.8 million recommended above would pre-fund the required contribution for FY 2016 reaching the 40.0% funding target one year earlier than planned in the policy. The pre-funding of the Public Liability Reserve with one-time budgetary surplus will also provide additional funds to be allocated to other budget priorities during the fiscal year 2016 budget deliberations.

**Long-Term Disability Fund Reserve Contribution: \$1,100,000**

Per the City’s Reserve Policy (Council Policy 100-20), the required reserve target for the Long-Term Disability Fund is \$17.0 million. Annual contributions of \$1.6 million beginning in FY 2015 and ending in FY 2016 are required to reach the target. The General Fund portion of the required contributions is approximately 68.8%. The \$1.1 million recommended from the