



THE CITY OF SAN DIEGO

## Report to the City Council

DATE ISSUED: June 21, 2017 REPORT NO:17-036(Revised)

ATTENTION: Budget and Government Efficiency Committee  
Agenda of June 21, 2017

SUBJECT: Fiscal Year 2018 Appropriation Ordinance

REQUESTED ACTION:  
Approve the Fiscal Year 2018 Appropriation Ordinance.

STAFF RECOMMENDATION:  
Approve the requested actions.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:  
The Fiscal Year 2018 Appropriation Ordinance (AO) appropriates the Fiscal Year 2018 Adopted Budget and defines the legal levels at which the Mayor and Chief Financial Officer (CFO) are allowed to control operational and capital expenditures. Pursuant to Section 69 of the Charter of the City of San Diego, the AO shall be adopted by June 30. Additionally, the AO includes authorities delegated to the Mayor and CFO that allow for the financial transactions required to conduct the affairs of the City of San Diego throughout fiscal year. The following summarizes the changes made from the Fiscal Year 2017 AO and additional authorities requested in the Fiscal Year 2018 AO.

Attachments to the AO include: (I) Operating and CIP Appropriations and (II) Excerpt from Council Policy 100-03. On June 26, 2017, City Council is scheduled to review the proposed AO (with attachments) and adopt the Fiscal Year 2018 Budget.

To provide additional context, the AO also includes: (A) the Change Letter detailing adjustments to the Mayor's Proposed Budget, (B) the FY 2018 Budget Resolution, and (C) the AO strikeout showing changes to the FY 2017 AO. It is anticipated that items (A) and (B) will be available on June 21, 2017, along with the other previously mentioned AO Attachments.

### SUMMARY OF CHANGES:

The following section summarizes the recommended changes made to the Fiscal Year 2017 AO and additional authorities requested in the Fiscal Year 2018 AO. AO changes are categorized as either I. Capital Improvements Program (CIP) Cash Management or II. Technical Adjustments. The recommended changes are primarily in the CIP section of the AO and have been identified through a review of the four Semi-Annual CIP Budget Monitoring Reports that have been issued since Fiscal Year 2016. These changes are intended to continue to improve cash management within the CIP by enhancing the administration of funding sources and accounting within the CIP. City Council action will still be required to add projects to the CIP,

close CIP projects that are ongoing, or substantively increase/decrease the overall CIP budget as well as individual CIP budgets for ongoing projects.

I. CIP Cash Management

1. Section 2.C.2 and 2.C.3 Completed/Technically Completed (TECO) Projects.

This change establishes a replacement for the underfunded projects list, also known as the waterfall list. Up to \$100,000 in funds from completed and TECO projects will be sent to an Annual Allocation of the same asset type as the project where the savings are identified. This authority is expected to be used primarily for less restricted funds that are flexible enough to be repurposed for existing projects in need of additional funding within Annual Allocations. The language in this staff report and the AO has been updated to reflect the recommended amendments from the Independent Budget Analyst that were approved at the Budget and Government Efficiency Committee meeting on June 21, 2017.

2. Section 2.C.4 Annual Allocations

This change authorizes the CFO to return unexpended project balances that were allocated to an Annual Allocations in a prior Fiscal Year and are not allocated to a specific sub-project in the current Fiscal Year to the appropriate reserve or to fund balance. This authority is expected to be used primarily for more restricted funds that cannot be easily repurposed within the Annual Allocation. The CFO will report transfers made with this authority to the City Council. The language in this staff report and the AO has been updated to reflect the recommended amendments from the Independent Budget Analyst that were approved at the Budget and Government Efficiency Committee meeting on June 21, 2017.

3. Section 2.C.8 CIP Funding Swaps

This change authorizes the CFO to appropriate revenue sources to CIP projects from fund balance, and to return existing revenue sources to fund balance within the same CIP project so there is no net change in the overall project budget. As Comptroller and Financial Management review funds, it is useful to administratively budget and expend restricted funds in eligible projects. This improves fund administration by freeing up less restricted funds, and does not result in overall budget changes to CIP projects. The less restricted funds will be returned to fund balance and will require Council authorization to be reprogrammed for a different use.

4. Section 2.C.9 Development Impact Fee Community Funds

This change adds language that explicitly allows the CFO to close CIP projects consistent with a Council approved Public Facilities Financing Plan or Impact Fee Study. The current language allows modification of project appropriations or addition of new projects.

5. Section 2.C.11 Closing Funds

This change expands the authority to fully expend fund balances for the purpose the fund was created, and close funds that are no longer receiving revenue. This authority would apply to any fund, so long as the purpose is to close that fund. The threshold will be increased from \$15,000 to \$25,000 to increase the number of funds that can use this authority.

6. Section 2.C.14 CIP Project Accounting

This change authorizes the CFO to modify the accounting of CIP projects, once they have completed preliminary engineering, to ensure the use of the most appropriate project type. This authority will also be used to adjust legacy CIP projects to the use the most appropriate project type.

7. Section 2.C.15 Convert Sub-Project to Standalone CIP

This change authorizes the CFO to transfer appropriations from an Annual Allocation to establish a new CIP project if that project is for the same asset type. This authority will be used when a project that is initiated under an Annual Allocation is determined to have a large enough scope or cost that the additional transparency of a standalone page in the CIP Budget would be desirable. Currently, Council approval is needed to convert projects from a sub-project to a standalone project. The language in this staff report and the AO has been updated to reflect the recommended amendments from the Independent Budget Analyst that were approved at the Budget and Government Efficiency Committee meeting on June 21, 2017.

II. Technical Adjustments

8. Section 2.A.7(b) City Council Community Projects, Programs and Services

This change replaces the wording from “implement the project, program, or service” to “supplement the project, program, or service”, in regards to the CFO’s authority to transfer and appropriate from a Councilmember’s Community Projects, Programs, and Services funds to other General Fund departments, Non General Funds, and/or existing capital improvement projects. Per the City Attorney’s Office, this change will help clarify the current authority language.

9. Section 2.B.1(a) Transient Occupancy Tax Fund

This removes language related to the CONNECT2Careers Program, as Transient Occupancy Tax is no longer a funding source for the program.

10. Section 2.B.4 Maintenance Assessment District Funds

This change removes paragraph (c) because it no longer applies. Maintenance Assessment District (MAD) Capital Projects Funds were consolidated with MAD Funds in Fiscal Year 2017.

11. Section 2.B.7 Road Maintenance and Rehabilitation Fund

This change authorizes the CFO to adjust operating appropriations at the end of the fiscal year in the new Road Maintenance and Rehabilitation Fund (RMRF). This authority currently applies to the Proposition 42 Replacement Fund.

12. Section 2.C.10 Regional Park Improvements Fund

This section has been updated to reflect the updated list of capital improvements in San Diego Regional Parks, as recommended and prioritized by the San Diego Regional Park Improvement Fund Oversight Committee, pursuant to Charter section 55.2.

13. Section 2.E.2 and 2.E.3 Internal Service Funds

This change adds funds 720058 and 720059 to the list of Fleet Services Replacement Funds.

14. All Sections

Throughout the AO, there are minor grammatical corrections that do not impact authority language.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S): Goal#3: Create and sustain a resilient and economically prosperous City.

Objective#1: Create dynamic neighborhoods that incorporate mobility, connectivity, and sustainability.

FISCAL CONSIDERATIONS: The Fiscal Year 2018 Appropriation Ordinance appropriates the Fiscal Year 2018 Adopted Budget.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE): Not applicable.

PREVIOUS COUNCIL and/or COMMITTEE ACTION (describe any changes made to the item from what was presented at committee): The Budget and Government Efficiency Committee unanimously recommended approving this item as modified with the proposed amendments from the Independent Budget Analyst on June 21, 2017. It is further anticipated that the item will then be heard by the City Council on June 26, 2017.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

N/A

*signature on file* \_\_\_\_\_

Originating Department

*signature on file* \_\_\_\_\_

Deputy Chief/Chief Operating Officer