



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

DATE ISSUED: May 20, 2010 REPORT NO: 10-076

ATTENTION: Budget and Finance Committee  
Agenda of May 26, 2010

SUBJECT: Fiscal Year 2010 Year-End Budget Monitoring Report

REFERENCE: Fiscal Year 2010 Mid-Year Budget Monitoring Report, #10-021  
Fiscal Year 2010 Budget Amendments, #09-173  
Fiscal Year 2010 Budget Amendment Report and Fiscal Year 2011  
General Fund Budget, #09-167  
Fiscal Year 2010 First Quarter Budget Monitoring Report, # 09-162

REQUESTED ACTION:

Accept the report from the Mayor on Fiscal Year 2010 Year-End Budget Monitoring.

STAFF RECOMMENDATION:

Accept the report from the Mayor on Fiscal Year 2010 Year-End Budget Monitoring.

SUMMARY:

The following report presents projections of year-end revenues and expenditures. Projections are determined using actual (unaudited) data from July 2009 through March 2010, or through accounting period nine, and departmental information regarding spending trends and operations. The reductions to appropriations and changes in operations approved by City Council in December 2009 (Ordinance O-19917) are included. This report includes discussion of year-end projections that vary significantly from the current budget for the General Fund and other budgeted funds with staff. For this report, a significant variance is defined as under or over budget revenues or expenditures of \$500,000 or greater.

FISCAL CONSIDERATIONS:

None, this report is an information item. A subsequent report will incorporate solutions to mitigate the projected General Fund shortfall. This report will also include the required budgetary adjustments and appropriation authorities to bring General Fund departments and other funds into balance by year-end.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: None.

*signature on file*  
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Jay M. Goldstone  
Chief Operating Officer

*signature on file*  
\_\_\_\_\_  
Angela Colton  
Financial Manager

Attachment: Fiscal Year 2010 Year-End Budget Monitoring Report

# Fiscal Year 2010 Year-End Budget Monitoring Report

## GENERAL FUND

Projections included in this report are based on actual expenditure and revenue information through the third quarter of Fiscal Year 2010. The last report presented to the Budget and Finance Committee and City Council was based on six months of financial information. The Fiscal Year 2010 Mid-Year Budget Monitoring Report (Mid-Year Report) projected an \$11.2 million year-end shortfall for the General Fund. At that time, there was no request for the City Council to take any corrective actions associated with this projected shortfall. It was felt to be pre-mature given the uncertainty of the local economy and management's belief that the shortfall could be mitigated through stronger fiscal belt-tightening to avoid further service reductions beyond those already taken by the City. Through efforts such as selective filling of vacant positions, controlling travel and contractual service expenses, other cost containment measures such as improved efficiencies, and the identification of additional General Fund revenues, approximately \$14.2 million of additional savings were achieved. This is summarized in Table 1: Solutions to FY 2010 Mid-Year Report Projected General Fund Shortfall.

<b>Solutions to FY 2010 Mid-Year Report Projected General Fund Shortfall</b> <b>Table 1</b>
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Description	Amount (in millions)
<b>Estimated Shortfall in FY 2010 Mid-Year Report</b>	<b>\$ (11.2)</b>
Additional Revenues	
Public Liability Fund Surplus	\$ 1.3
Correction to Miramar Operation Station Lease	1.0
Convention Center Funding for Dewatering	0.9
Fleet Acquisition Fund Surplus	0.9
Storm Drain Funding for Storm Water Activities	0.5
General Fund Contributions to CIP Surplus	0.1
Subtotal	\$ 4.6
Additional Expenditure Savings (net offsetting revenue)	\$ 9.6
<b>Subtotal of Solutions</b>	<b>\$ 14.2</b>
<b>Anticipated FY 2010 Projected Ending Surplus</b>	<b>\$ 3.0</b>

During the third quarter, however, the City experienced several unexpected setbacks to General Fund revenue that further negatively impacted the City's budget. The largest was in the area of franchise fee revenue from San Diego Gas and Electric (SDG&E). The most recent receipt from SDG&E was \$5.4 million less than originally projected. According to SDG&E, there was a reduction in revenue related to the decrease in natural gas prices and usage as well as increased refunds to customers in calendar year 2009. Other revenue adjustments have been from

departments that have revised their year-end revenue projections downward, including litigation awards, performance based leases and general fees. While the mitigation efforts during these past several months successfully addressed and even exceeded the amounts needed to mitigate the identified shortfall in the Mid-Year Report, the additional drop in franchise fees and department revenues has resulted in a new year-end shortfall projection of \$7.8 million.

This \$7.8 million projected deficit is the result of revenues projected to be less than expenditures by the end of the fiscal year. In response to the anticipated revenue shortfall resulting from the continued decline in the economy, cost containment measures were implemented early in the fiscal year to achieve expenditure savings and offset the decline in revenues. These cost containment measures were increased in the past few months in response to the deficit anticipated at the time of the Mid-Year Report. Additional revenue declines since the release of the Mid-Year Report, such as the payment from SDG&E, were unexpected. Revenues are now projected to be \$66.8 million, or 6 percent, under budget compared to the \$59.3 million variance reported in the Mid-Year Report.

On the other hand, expenditures are projected to end the year with a positive variance of \$27.5 million. This reflects increased savings from the \$16.6 million anticipated in the Mid-Year Report as a result of the stronger cost containment efforts implemented recently in response to the deficit anticipated at the time of the Mid-Year Report. The current expenditure projection is 2 percent under budget, which is primarily due to savings associated with vacant positions. The projected expenditure savings of \$27.5 million combined with the release of \$31.5 million of carry-forward appropriations offset the projected revenue shortfall of \$66.8 million, resulting in the approximately \$7.8 million net shortfall in Fiscal Year 2010. These estimates are displayed below in Table 2: Summary of FY 2010 General Fund Projections.

<b>Summary of FY 2010 General Fund Projections</b>				
<b>Table 2</b>				
<b>Revenue/Expenditures</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Variance Amount</b>	<b>Variance %</b>
Projected Revenue	\$ 1,111,994,517	\$ 1,045,227,601	\$ (66,766,916)	6%
Projected Expenditures				
Salaries	\$ 503,735,049	\$ 493,815,177	\$ 9,919,872	2%
Fringe and Non-Personnel	606,592,533	590,724,938	15,867,595	3%
Appropriated Reserve	1,666,935	-	1,666,935	100%
Subtotal	\$ 1,111,994,517	\$ 1,084,540,116	\$ 27,454,401	2%
<b>Net Year-End Projection</b>		<b>\$ (39,312,515)</b>		
Release Carry-Forward Budget		\$ 31,524,767		
<b>Total FY 2010 Projected Activity</b>		<b>\$ (7,787,748)</b>		

Despite successful efforts to address the previously reported \$11.2 million projected year-end shortfall, the decline in General Fund revenue perpetuates the fiscal stress the City has faced for

the past several years. Table 3: Comparison of FY 2010 General Fund Projections illustrates the change between the mid-year and year-end projections. Projected expenditure savings have increased significantly since the Mid-Year Report primarily through additional scrutiny of discretionary spending. Additional revenues of \$4.6 million from a variety of sources, including Public Liability, Convention Center, Fleet Acquisition, and correction of the Miramar Operation Station lease agreement, have been identified. The combined impact of increased expenditure savings and new revenue sources is approximately \$14.2 million, as displayed previously in Table 1, which would have resolved the gap identified in the Mid-Year Report. However, revenues continued to decline, resulting in the current net year-end projected shortfall of \$7.8 million.

<b>Comparison of FY 2010 General Fund Projections</b>				
<b>Table 3</b>				
<b>Revenue/Expenditures</b>	<b>Mid-Year</b> (as of December)	<b>Year-End</b> (as of March)	<b>Change</b> <b>Amount</b>	<b>Change</b> <b>%</b>
Projected Revenue	\$ 1,052,689,633	\$ 1,045,227,601	\$ (7,462,032)	1%
Projected Expenditures				
Salaries	\$ 491,305,702	\$ 493,815,177	\$ 2,509,475	1%
Fringe and Non-Personnel	604,135,318	590,724,938	(13,410,380)	2%
Appropriated Reserve	-	-	-	0%
Subtotal	\$ 1,095,441,019	\$ 1,084,540,116	\$ (10,900,903)	1%
<b>Net Year-End Projection</b>	<b>\$ (42,751,386)</b>	<b>\$ (39,312,515)</b>	<b>\$ 3,438,871</b>	<b>8%</b>
Release Carry-Forward Budget	\$ 31,524,767	\$ 31,524,767		
<b>Total FY 2010 Projected Activity</b>	<b>\$ (11,226,619)</b>	<b>\$ (7,787,748)</b>	<b>\$ 3,438,871</b>	

As described in the Mid-Year Report, Fiscal Year 2010 year-end projections account for the \$22.7 million of budget reductions approved by City Council in December 2009 through Ordinance O-19917. This action was in response to the projected Fiscal Year 2011 General Fund deficit of \$179.1 million identified in the Fiscal Years 2011-2015 Five-Year Financial Outlook released in October 2009. The Fiscal Year 2010 budget revisions included a variety of operational, service level and other changes, including:

- Reduction of 274.99 FTE positions
- Increases in vehicle replacement lifecycles and reduction of underutilized vehicles
- Implementation of rolling “brown-outs” at fire stations
- Reduction of civilian positions in the Police Department
- Reduction of branch library hours to 36 hours per week
- Established a Fiscal Year 2011 General Fund Reserve Fund of \$24.6 million

The complete list of Fiscal Year 2010 budget reductions is available in the Fiscal Year 2010 Budget Amendments report (09-173) and the associated service level impacts are discussed in the Fiscal Year 2010 Budget Amendment Report and Fiscal Year 2011 General Fund Budget

(09-167). These reductions are continued into the Fiscal Year 2011 Proposed Budget and, combined with the \$24.6 million of revenue set aside in the reserve fund this fiscal year, contributed towards addressing the projected Fiscal Year 2011 budget deficit.

As discussed in previous Fiscal Year 2010 monitoring reports, the Chief Financial Officer instituted a new procedure regarding the treatment of prior year encumbrances. The City of San Diego historically used prior year budgets as a means to preserve appropriations for encumbered commitments that were in place at the end of a fiscal year. These prior year budgets were held separate from the current year budget and not previously included in monitoring reports. This is inconsistent with best practices and creates difficulties for tracking and monitoring. As a result, this practice has been discontinued. All financial activity is captured and reported as current year activity. In addition, all carry-forward appropriations in the General Fund will be removed this fiscal year and are excluded from this report.

Expenditures associated with commitments that continued from Fiscal Year 2009 and prior years have been included in the expenditure projections provided in this report. These expenditures are legally authorized expenditures that were approved by City Council in previous fiscal years; however, the appropriations to support these expenses may not exist in the current fiscal year. This has two impacts on the bottom-line General Fund expenditure projections during this transition year: 1) expenditures will be higher than expected due to the prior year commitments being expensed; and 2) the \$31.5 million of carryover appropriations will be released to fund balance to offset these expenditures, as displayed previously in Table 2.

The current estimated General Fund reserve balance is \$77.1 million. This is a combination of the Unallocated Reserve of \$22.1 million and the Emergency Reserve of \$55.0 million. The current balance of \$77.1 million is over 7 percent of projected General Fund revenue, which includes the \$24.6 million of property tax revenue set aside for Fiscal Year 2011, and meets the reserve goal for Fiscal Year 2010.

Staff is still analyzing various options to close the new \$7.8 million deficit and is not prepared at this time to provide specific solutions. A separate report will be presented to City Council in early June. All necessary steps will be taken to ensure that the General Fund ends Fiscal Year 2010 in balance.

## **GENERAL FUND REVENUES**

The current General Fund revenue budget for Fiscal Year 2010 is \$1.112 billion. Revenues through March are under the period-to-date budget by \$106.5 million or 15 percent primarily due to the impact of the continued economic downturn and timing of deposits. As displayed in Table 4: FY 2010 Actual and Projected General Fund Revenue, year-end revenues are projected to be below budget by \$66.8 million, or 6 percent.

**FY 2010 Actual and Projected General Fund Revenue**

**Table 4**

<b>Actual/Projection</b>	<b>Budget</b>	<b>Actual/ Projection</b>	<b>Over Budget/ (Under Budget)</b>	<b>Variance %</b>
Actual through March	\$ 706,040,464	\$ 599,513,697	\$ (106,526,767)	15%
Year-End Projection	1,111,994,517	1,045,227,601	(66,766,916)	6%

Departmental revenues are projected to be under budget by \$28.5 million, or 10 percent, primarily due to declines in Transient Occupancy Tax, TransNet, Gas Tax and other reimbursable revenue sources. Major General Fund revenues are projected to conclude the fiscal year at \$38.3 million, or 5 percent, under budget. The following sections discuss the variances between revenue projections and the current budget for both major revenues and departmental revenues. Table 5: FY 2010 General Fund Revenue Projections by Category summarizes the revenue variances by category, which are detailed in Attachment I: General Fund Projected Revenues.

**FY 2010 General Fund Revenue Projections by Category**

**Table 5**

<b>Revenue Source</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over Budget/ (Under Budget)</b>	<b>Variance %</b>
Major General Fund Revenues	\$ 821,007,167	\$ 782,752,539	\$ (38,254,628)	5%
Departmental Revenue	290,987,350	262,475,062	(28,512,288)	10%
<b>Total</b>	<b>\$ 1,111,994,517</b>	<b>\$ 1,045,227,601</b>	<b>\$ (66,766,916)</b>	<b>6%</b>

## Major Revenues

The Fiscal Year 2010 year-end projection for the General Fund major revenues is \$782.8 million, or 5 percent below the current budget, as reflected in Table 6: FY 2010 Major General Fund Revenue Projections. The year-end projections for General Fund major revenues are based on current economic information and the most recent distributions of revenue to the City. Trends in the unemployment rate, the USD San Diego County index of leading economic indicators, and median housing prices, among others, have shaped current year-end revenue forecasts. These indicators have changed significantly throughout Fiscal Year 2010 and have offered a continuously mixed picture of the direction in which the San Diego's regional economy is headed.

**FY 2010 Major General Fund Revenue Projections**

**Table 6**

<b>Revenue Source</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over Budget/ (Under Budget)</b>	<b>Variance %</b>
Property Tax <sup>1</sup>	\$ 358,047,711	\$ 366,052,210	\$ 8,004,499	2%
Sales Tax	210,141,169	185,041,634	(25,099,535)	12%
Transient Occupancy Tax <sup>2</sup>	76,168,836	65,979,584	(10,189,252)	13%
Franchise Fees <sup>3</sup>	73,586,929	66,114,250	(7,472,679)	10%
Safety Sales Tax	7,057,580	6,403,728	(653,852)	9%
Property Transfer Tax	4,511,178	4,722,971	211,793	5%
Motor Vehicle License Fees	3,900,000	3,930,030	30,030	1%
Other Major Revenue	87,593,764	84,508,132	(3,085,632)	4%
<b>Total</b>	<b>\$ 821,007,167</b>	<b>\$ 782,752,539</b>	<b>\$ (38,254,628)</b>	<b>5%</b>

<sup>1</sup> Total City FY 2010 current revenue budget for property tax is \$382.6 million and the projection is \$390.6 million. The balance is budgeted in the FY 2011 General Fund Reserve Fund.

<sup>2</sup> Total City FY 2010 current revenue budget for transient occupancy tax is \$145.2 million and the projection is \$126.0 million. The balance is budgeted in the Transient Occupancy Tax Fund.

<sup>3</sup> Total City FY 2010 current revenue budget for franchise fees is \$137.0 million and the projection is \$129.8 million. The balance is budgeted in the Environmental Growth and Utilities Undergrounding Program Funds.

While some weakness in certain indicators of economic health still exists, the majority have shown stabilization or improvement in the past months. The Fiscal Year 2010 year-end projection for General Fund major revenues is \$782.8 million, which is a decline of \$1.8 million, or less than a percent, from the Mid-Year Report projection of \$784.5 million. This decline is due mainly to a reduction in franchise fee revenues received in the third quarter of Fiscal Year 2010. Table 7: Comparison of FY 2010 Major General Fund Revenue Projections summarizes the change in projections for the major revenue sources.

**Comparison of FY 2010 Major General Fund Revenue Projections**

**Table 7**

<b>Revenue/Expenditures</b>	<b>Mid-Year (as of December)</b>	<b>Year-End (as of March)</b>	<b>Change Amount</b>	<b>Change %</b>
Property Tax <sup>1</sup>	\$ 366,048,530	\$ 366,052,210	\$ 3,680	0%
Sales Tax	185,048,181	185,041,634	(6,547)	0%
Transient Occupancy Tax	66,115,157	65,979,584	(135,573)	0%
Franchise Fees	70,037,853	66,114,250	(3,923,603)	6%
Safety Sales Tax	6,232,514	6,403,728	171,214	3%
Property Transfer Tax	4,454,718	4,722,971	268,253	6%
Motor Vehicle License Fees	3,081,296	3,930,030	848,734	28%
Other Major Revenue	83,521,077	84,508,132	987,055	1%
<b>Total</b>	<b>\$ 784,539,326</b>	<b>\$ 782,752,539</b>	<b>\$ (1,786,787)</b>	<b>0%</b>

<sup>1</sup> As a result of the budget adjustments approved by City Council on December 14, 2009, O-19917, \$24.6 million of property tax revenue has been redirected to the FY 2011 General Fund Reserve Fund.



### **Property Tax**

The Fiscal Year 2010 year-end projection for property tax revenue is \$366.1 million and has not changed significantly since the Mid-Year Report. Increased reassessment applications reviewed by the County Assessor negatively impact the current fiscal year's property tax revenue levels due to an increased number of refunds paid back to property owners. However, this is offset by an increase in collection rates of property taxes paid during the current fiscal year. Collection rates in Fiscal Year 2009 were at historically low levels due to foreclosures and property owners' inability to pay property taxes. The Fiscal Year 2010 year-to-date property tax collection rates are higher than the same time period in Fiscal Year 2009 by approximately 0.4 percent.

### **Property Transfer Tax**

The Fiscal Year 2010 year-end projection for property transfer tax is \$4.7 million, a \$268,000 increase from the Mid-Year Report. The year-end projected property transfer tax revenue for Fiscal Year 2010 was based on the assumption that average home sales and median prices in the City would increase marginally throughout the remainder of the fiscal year. Both home sales and median home prices in San Diego County have increased at a favorable rate. County-wide home sales have increased 8 percent over the last few months compared to the prior year, while the median home price in the County has increased 15 percent over the prior year. This increase in both sales and median prices has created a positive revenue variance for property transfer tax revenue.

### **Sales Tax**

The Fiscal Year 2010 year-end projection for sales tax revenue is \$185.0 million and has not changed significantly since the Mid-Year Report. Consumer spending on goods in the City of San Diego declined approximately 18 percent in the first quarter of Fiscal Year 2010, which significantly affected the City's projection for total sales tax revenue to be received in the current fiscal year. This was taken into consideration in the First Quarter Report and the sales tax projection was adjusted downwards. Based on this decline, the updated sales tax projection for the remaining quarters of Fiscal Year 2010 has remained conservative and is in line with the State Department of Finance. The projections for the second and third quarter of the current fiscal year were very close to actual results.

### **Safety Sales Tax**

The Fiscal Year 2010 year-end projection for safety sales tax is \$6.4 million, a \$171,000 increase from the Mid-Year Report. The increase in the year-end projection is primarily attributable to an increase in the latest revenue receipts.

### **Transient Occupancy Tax (TOT)**

The year-end projection for General Fund transient occupancy tax (TOT) revenue is \$66.0 million, a decline of \$136,000 from the Mid-Year Report. (The total year-end City TOT projection is \$126.0 million.) The decline in business and consumer discretionary spending has affected the City's TOT revenues significantly since the onset of the recession in late 2007. The current projection for TOT revenue is based on the forecast for the two main factors that drive revenue levels: room demand and the average daily room rate (ADR). A forecasted increase in room demand of 4 to 6 percent for the final two quarters of Fiscal Year 2010 is tempered by a forecasted decrease of 3 to 10 percent in ADR for the same period. This decrease in room rates

offsets the gains in revenue that the forecasted increase in demand would generate, producing the current forecast that is slightly less than the revised budget.

### **Franchise Fees**

The Fiscal Year 2010 year-end projection for General Fund franchise fee revenue is \$66.1 million, a \$3.9 million decline from the Mid-Year Report. The revised revenue projection is due almost entirely to lower than anticipated San Diego Gas & Electric (SDG&E) franchise fee revenues of approximately \$4.1 million.

Recent information provided by SDG&E since the Mid-Year Report describe a decrease in natural gas prices and usage in calendar year 2009 that lowered projected revenues for franchise fee payments to the City. From calendar year 2008 to 2009 average SDG&E natural gas prices declined 19 percent and total volume sold declined 18 percent. The decline in natural gas prices also resulted in over collection of fees by SDG&E leading to a major increase in refunds to SDG&E customers. This further reduced SDG&E's gross revenues in calendar year 2009, which, in turn, impacts the City franchise fees that are based on SDG&E's gross revenues. The extent of the customer refunds and the decline in natural gas revenues on SDG&E gross receipts were not communicated to the City until receipt of the third quarter payment from SDG&E. As a result, SDG&E franchise fee revenues were revised downward by \$4.1 million.

The Fiscal Year 2010 projection for cable TV franchise fee revenue is \$17.2 million, a \$200,000 increase from the Mid-Year Report. The increase in projected revenue from cable TV franchise fees to the City is based on higher revenue receipts received since the Mid-Year Report.

### **Motor Vehicle License Fees (MVLFF)**

The Fiscal Year 2010 year-end projection for MVLFF is \$3.9 million, an \$849,000 increase from the Mid-Year Report. This increased projection is based on an increase in actual receipts received since January 2010 as compared to projected receipts. Actual revenue receipts since this time have increased 73 percent from the same period a year ago due to decreased administrative fees and increased registration of new automobiles in California (registrations in the first quarter of calendar year 2010 have improved 20 percent from the same time period in 2009).

### **Other Major Revenue**

The Fiscal Year 2010 year-end projection for other major General Fund revenue sources, such as reimbursements to the General Fund for services to other funds and transfers to the General Fund, is \$84.5 million and has increased by approximately \$987,000 from the Mid-Year Report. The increase is primarily attributable to \$2.3 million of additional revenues identified in response to the General Fund shortfall reported in the Mid-Year Report, as discussed earlier in this report. However, these additional revenues are offset by other reductions.

## **Department Revenues**

Combined departmental revenues are projected to be under budget by \$28.5 million, contributing to the \$66.8 million projected shortfall in General Fund revenues. This is primarily due to revenue sources outside of departmental control, such as less than anticipated Transient Occupancy Tax (TOT), \$8.5 million, TransNet, \$2.1 million, Gas Tax, \$1.7 million, and

Environmental Growth Fund (EGF), \$1.3 million, reimbursements and the decline in Mission Bay performance-based lease revenues, \$4.4 million. Other revenue shortfalls include the suspension of the Business Tax and Rental Unit Business Tax processing fee, \$3.2 million, in accordance with Resolution R-305330; lower than anticipated Police Department's traffic citation revenues, \$2.8 million; and unrealized litigation awards, \$1.6 million. Table 8: FY 2010 Significant General Fund Revenue Variances by Department displays departments with projected under or over budget revenue variances of \$500,000 or greater. These variances are discussed following the table.

**FY 2010 Significant General Fund Revenue Variances by Department**

**Table 8**

<b>Department</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Over Budget/ (Under Budget)</b>	<b>Variance %</b>
Park and Recreation	\$ 29,843,493	\$ 21,913,994	\$ (7,929,499)	27%
General Services	42,602,581	36,955,928	(5,646,653)	13%
Real Estate Assets	41,794,909	37,350,997	(4,443,912)	11%
City Treasurer	26,236,217	22,839,588	(3,396,629)	13%
Engineering and Capital Projects	63,400,000	60,234,637	(3,165,363)	5%
Police	38,956,001	36,174,864	(2,781,137)	7%
City Attorney	6,183,020	4,047,874	(2,135,146)	35%
Fire-Rescue	16,155,140	17,418,025	1,262,885	8%
Environmental Services	1,144,105	2,219,864	1,075,759	94%
Water - Reservoir Recreation	1,835,513	1,206,790	(628,723)	34%

**Park and Recreation**

The Park and Recreation Department's revenue budget is \$29.8 million. The department is projecting revenues to be under budget at year-end by \$7.9 million, or 27 percent. This is primarily due to Transient Occupancy Tax (TOT) reimbursements which are expected to be \$6.4 million below budget due to the overall decline in TOT revenue. In addition, reimbursements from the Environmental Growth Fund are projected to be \$1.3 million under budget due to the reduced San Diego Gas & Electric (SDG&E) franchise fee revenues. This resulted in an increase in the unfavorable variance from the Mid-Year Report.

**General Services**

The General Services Department is projecting revenues to be under budget at year-end by \$5.6 million, or 13 percent. The unfavorable variance is primarily due to less than anticipated Gas Tax, TransNet and Transient Occupancy Tax (TOT) reimbursements. The decline in these revenue sources is due to the downturn in the economy. In addition, the department is unable to realize an estimated \$650,000 in reimbursable revenue related to reassignment of staff to reimbursable projects, as reflected in the Fiscal Year 2010 budget reductions, due to vacancies and an unexpected delay in implementation due to meet and confer. The unfavorable variance increased by \$549,000 from the Mid-Year Report as a result of the continued decline in work requests from other City departments.

**Real Estate Assets**

The Real Estate Assets Department is projecting revenue to be under budget by \$4.4 million. This is an 11 percent variance from the department's current budget of \$41.8 million. The performance-based lease revenues from Mission Bay, Sea World and various hotels are lower than anticipated due to the economic downturn. As a result, revenue to the City is projected to decrease significantly. The unfavorable revenue variance increased \$713,000 from the Mid-Year Report due to the continued decrease in performance-based lease revenues.

**City Treasurer**

The City Treasurer Department is projecting to end the fiscal year \$3.4 million, or 13 percent, of revenue under the revised budget of \$26.2 million, which is comparable with the Mid-Year Report. The unfavorable variance is the direct result of the City's response to the Fourth District Court of Appeal in *Weisblat v. City of San Diego*, 176 Cal. App. 4th 1022 (2009) ruling. As a result, the City suspended collection of the Business Tax and Rental Unit Business Tax Processing Fee per Resolution R-305330. In addition, the City will be issuing refunds of the Rental Unit Business Tax Processing Fee in accordance with Resolution R-305331.

**Engineering and Capital Projects**

The Engineering and Capital Projects Department is projecting revenues to be under budget at year-end by \$3.2 million, or 5 percent. The unfavorable variance is primarily due to less than anticipated TransNet reimbursement as a result of the downturn in the economy. In addition, the department's projection includes a decrease in reimbursable revenue due to vacancies, which is offset by projected expenditures savings.

**Police**

The Police Department expects to conclude the fiscal year with \$2.8 million, or 7 percent, of revenue under budget which is similar to the Mid-Year Report projection. The unfavorable variance is due to a decline in traffic citation revenue.

**City Attorney**

The City Attorney is projecting \$2.1 million, or 35 percent, of revenue under the revised budget of \$6.2 million. The department's revenue projection decreased by \$2.2 million from the Mid-Year Report, which is primarily attributed to less than anticipated litigation awards and reimbursable service level agreement activity.

**Fire-Rescue**

The Fire-Rescue Department is projecting to receive \$1.3 million, or 8 percent, of revenue over budget. This is a result of reimbursements for Strike Team deployment and Emergency Medical Transport services. The favorable variance decreased by \$1.7 million from the mid-year projection due to less than anticipated inspection fee revenue associated with explosive material and high-rise inspections.

**Environmental Services**

The Environmental Services Department is projecting \$1.1 million of over budget revenue. The department's revenue projection increased by \$1.2 million from the Mid-Year Report due to a calculation error discovered in the Environmental Services Operations Station lease agreement.

### Water - Reservoir Recreation

The Reservoir Recreation Program is projecting revenues of \$629,000, or 34 percent, under budget, which is \$343,000 less than the Mid-Year Report. This unfavorable variance is a result of less than anticipated user fee revenue generated by various lake recreational fees.

### GENERAL FUND EXPENDITURES

The total Fiscal Year 2010 General Fund current expenditure budget is \$1.112 billion. Year-end projections show under budget expenditures of \$27.5 million, or 2 percent, as shown in Table 9: FY 2010 Actual and Projected General Fund Expenditures. These projections include expenditures associated with the commitments that continued from Fiscal Year 2009 and prior fiscal years. As previously discussed, approximately \$31.5 million of projected expenditures will be offset by the liquidation of prior year carry-forward appropriations.

**FY 2010 Actual and Projected General Fund Expenditures**

**Table 9**

<b>Actual/Projection</b>	<b>Budget</b>	<b>Actual/ Projection</b>	<b>Under Budget/ (Over Budget)</b>	<b>Variance %</b>
Actual through March	\$ 833,426,428	\$ 800,902,660	\$ 32,523,768	4%
Year-End Projection	1,111,994,517	1,084,540,116	27,454,401	2%

### Expenditures by Category

The favorable expenditure projection in the General Fund is primarily due to reductions in salary and fringe expenditures, projected to be under budget by \$19.3 million, resulting from cost-cutting steps taken by the City. In addition, contracts and capital expenditures are projected to be under budget primarily due to less than anticipated costs associated with community plan updates; savings due to the new contract awarded to San Diego Medical Services Enterprise, LLC for emergency medical transport services; postponing an upgrade of the Fire-Rescue Department's Station Alerting System; and conservative spending in various departments. This data is displayed in Table 10: FY 2010 General Fund Expenditure Projections by Category. A detailed discussion of expenditure variances follows.

**FY 2010 General Fund Expenditure Projections by Category**  
**Table 10**

<b>Expenditure Type</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Under Budget/ (Over Budget)</b>	<b>Variance %</b>
Salaries and Wages	\$ 503,735,049	\$ 493,815,177	\$ 9,919,872	2%
Fringe Benefits	268,713,542	259,332,953	9,380,589	3%
Supplies	23,650,901	22,816,976	833,925	4%
Contracts	178,445,878	174,494,497	3,951,381	2%
Information Technology	31,931,021	32,348,369	(417,348)	1%
Energy and Utilities	32,450,551	32,425,090	25,461	0%
Other	62,239,726	62,770,302	(530,576)	1%
CIP Contingency	2,500	-	2,500	100%
Capital Expenditure	4,905,701	2,363,260	2,542,441	52%
Debt	4,252,713	4,173,491	79,222	2%
Appropriated Reserve	1,666,935	-	1,666,935	100%
<b>Total</b>	<b>\$ 1,111,994,517</b>	<b>\$ 1,084,540,116</b>	<b>\$ 27,454,401</b>	<b>2%</b>

**Salaries and Wages**

Citywide expenses in the category of salaries and wages are projected to reach \$658.4 million by fiscal year-end resulting in a variance between budgeted and actual expenses of \$18.5 million, or 3 percent. The General Fund makes up three quarters of this amount with projected salary expenses of \$493.8 million, creating a positive variance of \$9.9 million, or 2 percent, from budget. These projected savings result from the hiring freeze (effective as of September 2009) for General Fund and internal service fund departments which was implemented to produce additional savings to offset projected revenue shortfalls. Vacant positions that exist in the City may be filled internally or with the approval of the Chief Operating Officer throughout the year. Additionally, the resolution amending the Fiscal Year 2010 Annual Budget permanently reduced the salaries and wages budget through the removal of 458.74 FTE positions citywide. However, because many of the employees filling these positions were moved to vacant positions throughout the City, the projected salaries and wages savings has decreased.

A significant contributor to the projected General Fund salary savings is the Police Department with approximately \$10.2 million of projected savings. This amount is mainly due to approximately 118 vacant FTE positions in both sworn and non-sworn positions. Additionally, the Engineering and Capital Projects Department is projecting salary savings of approximately \$2.1 million due to 47 vacant FTE positions within the department. Conversely, Fire-Rescue is projecting to exceed budgeted salaries and wages by approximately \$5.5 million. This is primarily due to over-budget expenditures caused by strike team responses that are reimbursed by the state, additional staffing of ambulances with fire fighters that will be reimbursed by the Emergency Medical Services Fund, and the delay with the implementation of the rolling “brown-outs”. Other departments, such as General Services, City Attorney, Environmental Services and Development Services, are projecting savings of approximately \$2.7 million due to vacant positions.

The labor concession terms included in the Fiscal Year 2010 Annual Budget provide Municipal Employee Association (MEA) employee's with the option of a reduction in salary or a reduction in the City's match to the Supplemental Pension Savings Plan (SPSP). The Fiscal Year 2010 Annual Budget assumed a three percent reduction in salaries and associated fringe for all MEA positions. The objective was to provide flexibility in allowing City Council to approve a transfer of fringe appropriations, due to savings, towards salary deficits, if necessary, and remain in accordance with the City Charter provision in Article VII Section 73 specifying that salary appropriations cannot be transferred toward another purpose except in a public emergency. The allocation of the three percent salary reduction for permanent budgeted MEA positions in the Fiscal Year 2010 Annual Budget was \$4.6 million in the General Fund and \$7.8 million citywide. The majority of MEA employees have chosen to waive the City's SPSP matching contribution, resulting in fringe savings in SPSP and other associated fringe that is variable to salary rates that offset the lack of higher salary savings.

### **Fringe Benefits**

Citywide year-end fringe projections total \$348.1 million with \$259.3 million in the General Fund. Table 11: FY 2010 General Fund Fringe Benefits Budget and Projections illustrates General Fund budgeted fringe and projected expenditures for Fiscal Year 2010.

<b>FY 2010 General Fund Fringe Benefits Budget and Projections</b>				
<b>Table 11</b>				
<b>Fringe Benefits Account</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Under Budget/ (Over Budget)</b>	<b>Variance %</b>
Retirement ARC	\$ 124,871,402	\$ 121,622,624	\$ 3,248,778	3%
Flexible Benefits	39,007,082	38,377,757	629,325	2%
Retiree Healthcare Contribution	22,320,912	21,232,272	1,088,640	5%
Workers' Compensation	20,418,061	19,873,147	544,914	3%
OPEB	17,384,195	17,711,523	(327,328)	2%
SPSP	13,189,891	9,566,590	3,623,301	27%
Medicare	6,850,557	6,089,955	760,602	11%
Risk Management Administration	5,408,541	5,598,284	(189,743)	4%
Retirement Offset Contribution	5,101,219	4,591,642	509,577	10%
Long-Term-Disability	2,954,884	2,992,056	(37,172)	1%
Unemployment Insurance	902,884	554,636	348,248	39%
Unused Sick Leave	329,274	395,999	(66,725)	20%
Employee Offset Payment	9,974,640	10,726,469	(751,829)	8%
<b>Total</b>	<b>\$ 268,713,542</b>	<b>\$ 259,332,953</b>	<b>\$ 9,380,589</b>	<b>3%</b>

The hiring freeze implemented in the third month of the fiscal year has yielded projected fringe expense savings. Many fringe accounts are expected to produce savings as the obligation for the expenses is based on a position being filled. These fringe accounts include Medicare, Employee Offset Payment, Retirement Offset Contribution, Unemployment Insurance, and Unused Sick Leave. The projected total savings from these accounts is \$800,000 in the General Fund.

The Supplemental Pension Savings Plan (SPSP) budgeted fringe account is projecting savings of \$6.5 million citywide with \$3.6 million in the General Fund. These savings are largely due to MEA employees electing to waive their right to the City's matching contribution to the SPSP.

Certain fringe accounts are projected to be fully expended regardless of the number of vacancies due to fixed or obligated commitments related to settlement requirements and the City's Reserve Policy. These fixed fringe accounts include Workers' Compensation, Long-Term Disability, SDCERS Annual Required Contribution (ARC), OPEB, Retiree Healthcare Pay-Go Contribution, and the Risk Management Administration. These budgeted expenditures total \$249.0 million citywide. Collection rate adjustments will continue to occur as necessary to ensure these fringe accounts are fully expended by fiscal year-end. As a result, "savings" in the General Fund fringe expenses are caused by the redistribution of fringe costs to all funds based on filled positions citywide, which changes from the time the budget is established.

### **Supplies**

General Fund departments are projected to be \$834,000, or 4 percent, under budget in supply expenditures at year-end. Departmental expenditures decreased by \$1.1 million from the Mid-Year Report due to conservative spending across many departments to offset the projected General Fund deficit.

### **Contracts**

General Fund departments are projected to be \$4.0 million, or 2 percent, under budget in contracts at year-end. The favorable variance is primarily due to less than anticipated costs associated with community plan updates, savings due to a new contract awarded to San Diego Medical Services Enterprise, LLC for emergency medical transport services and conservative spending. The variance improved by \$7.6 million from the Mid-Year Report due to less than anticipated expenses related to storm water and brush management contracts, refuse disposal fees for asphalt and concrete as a result of increased recycling, community plan updates, and conservative spending.

### **Information Technology**

General Fund departments are projected to be \$417,000, or 1 percent, over budget in information technology at year-end. The unfavorable variance is primarily due to carry-forward encumbrances which will be expended in Fiscal Year 2010 and will be offset by the release of prior year appropriations to the General Fund reserve. The majority of the carry-forward encumbrances are for annual maintenance and new or upgraded computer software for various departments. The unfavorable variance declined by \$718,000 from the Mid-Year Report due to less than anticipated expenditures associated with upgraded computer software.

### **Other**

General Fund departments are projected to be \$531,000, or 1 percent, over budget in this category at year-end. The unfavorable variance is primarily due to carry-forward encumbrances which will be expended in Fiscal Year 2010 and offset by the release of prior year appropriations to the General Fund reserve. The majority of the carry-forward encumbrances are for transfers to storm water capital improvement projects. The unfavorable variance decreased by \$2.5 million from the Mid-Year Report primarily due to a lower transfer to Mission Bay and Regional Park



Improvement Funds, which is contingent on the Mission Bay Rents and Concession revenue that dramatically decreased due to the economic downturn.

### Capital Expenditure

General Fund departments are projected to be \$2.5 million, or 52 percent, under budget. The majority of these savings are due to postponing an upgrade of the Fire-Rescue Department’s Station Alerting System and conservative spending in various departments. The favorable variance increased by \$1.6 million from the Mid-Year Report due to the postponement of the Station Alerting System. The Fire Department is currently evaluating a pilot Station Alerting System and will proceed with implementation department-wide in Fiscal Year 2011.

### Energy and Utilities, CIP Contingency and Debt

General Fund projections reflect spending in the areas of energy and utilities, CIP contingency and debt to be on target with the current budget and are comparable with the Mid-Year Report.

### Department Expenditures

Table 12: FY 2010 Significant General Fund Expenditure Variances by Department, displays the departments with projected over or under budget expenditure variances of \$500,000 or greater. These variances are discussed following the table. Attachment II: General Fund Projected Expenditures includes projections for all General Fund departments.

**FY 2010 Significant General Fund Expenditure Variances by Department**  
Table 12

Department	Current Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
Police	\$ 393,161,435	\$ 373,065,638	\$ 20,095,797	5%
Storm Water	36,165,274	40,213,613	(4,048,339)	11%
Citywide Program Expenditures	52,921,079	49,747,347	3,173,732	6%
City Planning and Community Inv.	14,261,202	12,376,897	1,884,305	13%
Administration	3,812,779	2,645,560	1,167,219	31%
Engineering and Capital Projects	62,650,957	61,557,155	1,093,802	2%
City Attorney	37,785,738	36,806,307	979,431	3%
Park and Recreation	84,426,134	85,347,226	(921,092)	1%
General Services	65,556,678	66,263,153	(706,475)	1%
City Auditor	2,531,204	3,220,451	(689,247)	27%
DSD-Neighborhood Code Comp.	6,399,880	5,767,165	632,715	10%
Environmental Services	36,872,562	36,252,162	620,400	2%

### Police

The Police Department is projecting to end the year with expenditures under budget by \$20.1 million, or 5 percent, which is similar to the Mid-Year Report. This variance is attributed to \$21.1 million in projected salary and fringe savings resulting from an average 118 vacant sworn and non-sworn FTE positions per month due to a combination of attrition and the City’s hiring freeze.

### **Storm Water**

The Storm Water Department is projecting to end the fiscal year with expenditures \$4.0 million, or 11 percent, over the current budget of \$36.2 million. The projected expenditure variance is associated with the carry-forward encumbrances for storm water related contracts and will be offset by the release of prior year appropriations to the General Fund reserve. The unfavorable variance decreased by \$2.6 million from the Mid-Year Report due to less than anticipated costs associated with storm water related contracts in this fiscal year.

### **Citywide Program Expenditures**

The total year-end projection for Citywide Program Expenditures is \$49.7 million, which represents a favorable variance of \$3.2 million or 6 percent of the \$52.9 million budget. The favorable variance is primarily due to a lower transfer to Mission Bay and Regional Park Improvement Funds, which is contingent on the Mission Bay Rents and Concession revenue that dramatically decreased due to the economic downturn.

### **City Planning and Community Investment**

The City Planning and Community Investment Department is projecting to end the fiscal year with expenditures \$1.9 million, or 13 percent, under the current budget of \$14.3 million. Department savings increased by \$419,000 compared to the Mid-Year Report due to community plan update contracts that will not be in place by the end of the fiscal year.

### **Administration**

The Administration Department is projecting to end the year with expenditures under budget by \$1.2 million, or 31 percent, which is similar to the Mid-Year Report. This is due to a new contract awarded to San Diego Medical Services Enterprise, LLC for Emergency Medical Transport Services, which resulted in estimated savings of over \$1.0 million.

### **Engineering and Capital Projects**

The Engineering and Capital Projects Department is projecting to end the fiscal year with expenditures \$1.1 million, or 2 percent, under the current budget of \$62.7 million. The favorable variance is mainly attributed to the current vacancies throughout the department.

### **City Attorney**

The City Attorney is projecting to end the fiscal year with expenditures under budget by \$979,000 or 3 percent of the current budget of \$37.8 million. The favorable variance increased by \$882,000 from the Mid-Year Report as a result of vacancy savings, conservative spending and delayed implementation of the new civil case management system.

### **Park and Recreation**

The Park and Recreation Department's current budget is \$84.4 million. The department projects to end the fiscal year with \$921,000, or 1 percent, of expenditures over the current budget. The unfavorable variance is primarily due to carry-forward expenses related to landscape maintenance contracts which will be expended in Fiscal Year 2010 and offset by the release of prior year appropriations to the General Fund reserve. The department's expenditures decreased by \$1.6 million from the Mid-Year Report due to delays related to a brush management contract.

### **General Services**

The General Services Department's current budget is \$65.6 million. The department projects to end the fiscal year with \$706,000, or 1 percent, of expenditures over budget, which is similar to the Mid-Year Report. The projected expenditure variance is due to carry-forward encumbrances for slurry seal contracts and asphalt materials, which are offset by the release of prior year appropriations to the General Fund reserve.

### **City Auditor**

The City Auditor is projecting to end the fiscal year with expenditures over budget by \$689,000 or 27 percent, which is similar to the Mid-Year Report. The variance is primarily attributed to the expenses for the Fiscal Year 2009 annual audit, which will be offset by the release of prior year appropriations to the General Fund reserve.

### **Development Services – Neighborhood Code Compliance**

The Neighborhood Code Compliance Division is projecting expenditures to be 10 percent, or \$633,000 under the current budget, which is comparable to the Mid-Year Report. This favorable variance is primarily due to vacancies which are not planned to be filled this fiscal year.

### **Environmental Services**

The Environmental Services Department is projecting to end the year with expenditures under budget by \$620,000 or 2 percent. The favorable variance is primarily due to vacancy savings and conservative spending. The department's projected expenditures increased by \$233,000 from the Mid-Year Report due to increased tonnage collected.

## **NON-GENERAL FUNDS**

Projections based on the first nine accounting periods of Fiscal Year 2010 are provided in Attachment III: Non-General Fund Projections for all non-general funds with staff. Non-general funds have also included expenditures associated with prior year encumbrances in the Fiscal Year 2010 projections. In contrast to the General Fund, non-general funds will retain prior year appropriations during this transition year and the carry-forward budgets are included in this report. The new procedure regarding the treatment of prior year encumbrances will be fully implemented for non-general funds in Fiscal Year 2011. Also note that expenditures associated with the Capital Improvements Program are not included in the current budget or projections provided below or in the attachment. Those funds with significant budgetary variances in revenues or expenditures of \$500,000 or more are displayed in Table 13: FY 2010 Significant Non-General Fund Expenditure Variances and are discussed below.

### **Central Stores Fund**

The Central Stores Fund expenditure projection is under budget by \$10.8 million or 31 percent of the current budget of \$34.2 million. The favorable expenditure variance is due to the carry-forward budget for citywide open purchase order encumbrances. These encumbrances are not anticipated to be fully expended until next fiscal year. Projected year-end revenues in the Central Stores Fund exceed projected expenditures by \$131,000.

**FY 2010 Significant Non-General Fund Expenditure Variances**

**Table 13**

<b>Fund</b>	<b>Revenue/Expenditure</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Variance Amount</b>	<b>Variance %</b>
Central Stores	Exp	\$ 34,194,715	\$ 23,437,452	\$ 10,757,263	31%
City Airport	Exp	4,214,381	5,152,562	(938,181)	22%
Development Services	Rev	45,868,370	40,685,099	(5,183,271)	11%
	Exp	44,476,673	34,832,213	9,644,460	22%
Emergency Medical Services	Rev	7,327,295	6,125,179	(1,202,116)	16%
	Exp	8,921,076	5,892,413	3,028,663	34%
Fleet Services	Rev	47,378,809	46,086,675	(1,292,134)	3%
	Exp	56,400,566	46,820,532	9,580,034	17%
PETCO Park	Exp	23,426,528	22,081,412	1,345,116	6%
QUALCOMM Stadium	Rev	18,528,129	17,212,381	(1,315,748)	7%
	Exp	18,951,939	18,309,717	642,222	3%
Recycling	Rev	15,866,794	18,597,766	2,730,972	17%
	Exp	22,549,656	19,465,077	3,084,579	14%
Refuse Disposal	Exp	39,559,227	32,585,330	6,973,897	18%
Sewer	Rev	449,332,556	414,236,357	(35,096,199)	8%
	Exp	381,517,639	346,837,759	34,679,880	9%
Water	Rev	513,630,272	440,890,175	(72,740,097)	14%
	Exp	389,809,898	350,989,153	38,820,745	10%
Wireless Com. Technology	Rev	8,824,943	9,454,849	629,906	7%

**City Airport Fund**

The City Airport expenditure projection is over budget by \$938,000 or 22 percent of the current budget of \$4.2 million. The unfavorable expenditure variance is primarily due to an unanticipated Federal Aviation Administration (FAA) requirement to remove gypsum at Brown Field Airport. Projected year-end revenues in the City Airport Fund exceed projected expenditures by approximately \$547,000.

**Development Services Enterprise Fund**

The year-end expenditure projection for the Development Services Enterprise Fund is \$9.6 million, or 22 percent, under the current budget of \$44.5 million. Revenues are projected to be \$5.2 million, or 11 percent, under the revenue budget. The expenditure variance is due to fringe savings associated with staffing vacancies captured in the \$9.2 million vacancy reduction from the salary category. In addition, the fund is projecting savings in contract expenditures due to less than anticipated development permit activity. The under budget revenue is due to a decrease in licenses and permits as a result of the current economic downturn, which is partially offset by \$2.1 million in fee increases approved by City Council. Projected year-end revenues in the

Development Services Enterprise Fund exceed projected expenditures by approximately \$5.9 million.

### **Emergency Medical Services Fund**

The Emergency Medical Services Fund's expenditure projection is under budget by \$3.0 million or 34 percent of the current budget of \$8.9 million and the revenue projection is under budget by \$1.2 million or 16 percent. This favorable projected expenditure variance is primarily due to anticipated overtime savings. The under budget revenue is due to a reduction in the General Fund transfer as a result of a new contract awarded to San Diego Medical Services Enterprise, LLC for emergency medical transport services. This new contract resulted in an estimated savings of over \$1.3 million. The fund projects to end the year with \$233,000 of revenue in excess of expenditures.

### **Fleet Services Internal Service Fund**

The year-end expenditure projection for the Fleet Services Internal Service Fund is \$9.6 million, or 17 percent, under the current budget of \$56.4 million. Revenues are also projected to be under budget by \$1.3 million or 3 percent. The expenditure variance is primarily due to less than anticipated fuel costs. The unfavorable revenue variance is due to less reimbursement from the Fire-Rescue Department as the result of a correction to vehicle usage charges. This fund projects year-end expenditures to exceed revenues by \$734,000, which will be covered by fund balance.

### **PETCO Park Fund**

The year-end expenditure projection for the PETCO Park Fund is \$1.3 million, or 6 percent, under the current budget of \$23.4 million. The expenditure variance is due to less than anticipated expenses as a result of a decline in attendance. Year-end expenditures are projected to exceed revenues by approximately \$4.7 million, which will be covered by fund balance.

### **QUALCOMM Stadium Operating Fund**

The QUALCOMM Stadium Operating Fund is projecting under budget expenditures of \$642,000 or 3 percent. The favorable expenditure variance is due to delays in contracts and less than anticipated gas and electricity costs. Year-end revenues are projected to be under budget by \$1.3 million, or 7 percent, as a result of losing several major stadium events. Year-end expenditures are projected to exceed revenues by approximately \$1.1 million, which will be covered by fund balance.

### **Recycling Fund**

The Recycling Fund projects expenditures to end the year \$3.1 million, or 14 percent, under the current budget of \$22.5 million. Similarly, a \$2.7 million, or 17 percent, favorable variance is projected in revenue. The positive variance in expenditures is primarily attributed to vacant positions in the department due to efficiencies. In addition, the fund is realizing less than anticipated assignment fees for over age vehicles that have not been replaced. The projected over budget revenue is primarily due to an increase from the sale of recyclable commodities and higher than anticipated tonnage. The fund projects to end the year with \$867,000 of expenditures in excess of revenues, which will be covered by fund balance.

### **Refuse Disposal Fund**

The Refuse Disposal Fund projects \$7.0 million, or 18 percent, of expenditures to end the year under the current budget of \$39.6 million. This variance is attributed to reduced costs associated with a decline in tonnage being deposited in the City landfill. Year-end expenditures are projected to exceed revenues by approximately \$1.0 million, which will be covered by fund balance.

### **Sewer Funds**

The Sewer Funds are projecting year-end expenditures to be under the \$381.5 million current budget by \$34.7 million, or 9 percent. Under budget revenues of \$35.1 million, or 8 percent, are also projected. The expenditure variance is due to delayed contracts and less than expected maintenance supplies for wastewater plants. There are additional savings resulting from the budgeted contingency reserve that is not planned to be spent, vacancies in the department, and efficiencies resulting from the restructure with the Water Fund. The under budget revenue is primarily due to a decrease in reimbursement of bond proceeds based on a lower capital improvement projects execution rate, commercial and residential permit activities, users adherence to water conservation efforts and less than anticipated revenue from participating agencies for wastewater treatment.

### **Water Department Fund**

The Water Department Fund projects year-end under budget expenditures of \$38.8 million, or 10 percent, of the \$389.8 million budget. An unfavorable revenue variance of \$72.7 million, or 14 percent, is also projected. The expenditure variance is primarily due to a revised allocation of the Indirect Potable Reuse Project (IPR) expenses from a single year (Fiscal Year 2010) to multiple years (Fiscal Years 2010 – 2012). Other contributing factors include the budgeted contingency reserve that is not planned to be spent, savings in energy due to the delay in ozone generation and vacancy savings. The unfavorable revenue variance is primarily due to a decline in the capacity fee charge as the result of a decrease in large-scale commercial building permit activity and less than anticipated interest earnings. Additionally, the Water Department Fund is projecting less than anticipated reimbursement revenue from various service level agreements, a decrease in reimbursement of bond proceeds based on a lower capital improvement projects execution rate, and users adherence to water conservation resulting in reduced water sales.

### **Wireless Communications Technology Fund**

The Wireless Communications Technology Fund revenues are projected to be over budget by \$630,000, or 7 percent. The favorable variance is due to unanticipated revenue from outside agencies for wireless communication services. Year-end expenditures are projected to exceed revenues by approximately \$97,000, which will be covered by fund balance.

## **ATTACHMENTS**

- I. General Fund Projected Revenues
- II. General Fund Projected Expenditures
- III. Non-General Fund Projections

<b>General Fund Projected Revenues</b>
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Business Center/Department	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
<b>Major General Fund Revenues</b>					
Franchise Fees <sup>1</sup>	\$ 73,586,929	\$ 73,586,929	66,114,250	\$ (7,472,679)	10%
Interest Earnings	4,091,471	4,091,471	4,091,471	-	0%
Motor Vehicle License Fees	3,900,000	3,900,000	3,930,030	30,030	1%
Property Tax <sup>2</sup>	382,627,885	358,047,711	366,052,210	8,004,499	2%
Property Transfer Tax	4,511,178	4,511,178	4,722,971	211,793	5%
Refuse Collector Business Tax	1,000,000	1,000,000	780,000	(220,000)	22%
Safety Sales Tax	7,057,580	7,057,580	6,403,728	(653,852)	9%
Sales Tax	210,141,169	210,141,169	185,041,634	(25,099,535)	12%
Transfers from Other Funds	82,408,793	82,502,293	79,636,661	(2,865,632)	3%
Transient Occupancy Tax <sup>3</sup>	75,907,285	76,168,836	65,979,584	(10,189,252)	13%
<b>TOTAL</b>	<b>\$ 845,232,290</b>	<b>\$ 821,007,167</b>	<b>782,752,539</b>	<b>\$ (38,254,628)</b>	<b>5%</b>
<b>City Planning and Development</b>					
City Planning and Community Investment	2,762,148	2,762,148	2,331,713	(430,435)	16%
Development Services - Neighborhood Code Compliance	810,134	810,134	985,090	174,956	22%
<b>Community Services</b>					
Library	1,539,418	1,539,418	1,304,738	(234,680)	15%
Park and Recreation	29,893,493	29,843,493	21,913,994	(7,929,499)	27%
<b>Non-Mayoral</b>					
City Attorney	6,183,020	6,183,020	4,047,874	(2,135,146)	35%
City Auditor	122,323	122,323	237,529	115,206	94%
City Clerk	30,352	49,550	34,148	(15,402)	31%
City Council - District 1	-	-	-	-	0%
City Council - District 2	-	-	-	-	0%
City Council - District 3	27,486	27,486	27,486	-	0%
City Council - District 4	-	-	-	-	0%
City Council - District 5	32,000	32,000	32,000	-	0%
City Council - District 6	32,000	32,000	32,000	-	0%
City Council - District 7	32,000	32,000	32,000	-	0%
City Council - District 8	32,000	32,000	32,000	-	0%

General Fund Projected Revenues					
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Business Center/Department	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
<b>Non-Mayoral (continued)</b>					
Council Administration	\$ 59,212	\$ 59,212	\$ 59,212	\$ -	0%
Ethics Commission	-	-	30,450	30,450	100%
Independent Budget Analyst	-	-	-	-	0%
Personnel	73,500	73,500	211,810	138,310	100%
<b>Office of the Assistant Chief Operating Officer</b>					
Administration	253,500	253,500	274,089	20,589	8%
Assistant Chief Operating Officer	-	-	-	-	0%
Business Office	-	-	-	-	0%
Human Resources	-	-	150,000	150,000	100%
Information Technology	-	-	-	-	0%
Purchasing and Contracting	796,856	796,856	907,142	110,286	14%
<b>Office of the Chief Financial Officer</b>					
Chief Financial Officer	500,000	500,000	535,243	35,243	7%
City Comptroller	2,723,824	2,632,792	2,633,291	499	0%
City Treasurer	26,298,217	26,236,217	22,839,588	(3,396,629)	13%
Citywide Program Expenditures	-	-	-	-	0%
Debt Management	1,137,885	1,137,885	1,065,057	(72,828)	6%
Financial Management	371,695	331,341	200,110	(131,231)	40%
<b>Office of the Chief of Staff</b>					
Community and Legislative Services	1,587,244	1,587,244	1,587,258	14	0%
<b>Office of the Mayor and Chief Operating Officer</b>					
Mayor and Chief Operating Officer	-	-	-	-	0%
<b>Public Safety and Homeland Security</b>					
Fire-Rescue	16,155,140	16,155,140	17,418,025	1,262,885	8%
Office of Homeland Security	915,742	915,742	595,194	(320,548)	35%
Police	38,956,001	38,956,001	36,174,864	(2,781,137)	7%



Business Center/Department	Adopted Budget	Current Budget	Year-End Projection	Over Budget/ (Under Budget)	Variance %
<b>Public Utilities</b>					
Water - Reservoir Recreation	\$ 1,835,513	\$ 1,835,513	\$ 1,206,790	\$ (628,723)	34%
<b>Public Works</b>					
Engineering and Capital Projects	63,400,000	63,400,000	60,234,637	(3,165,363)	5%
Environmental Services	1,144,105	1,144,105	2,219,864	1,075,759	94%
General Services	35,865,128	42,602,581	36,955,928	(5,646,653)	13%
Public Works	-	-	-	-	0%
Real Estate Assets	41,794,909	41,794,909	37,350,997	(4,443,912)	11%
Storm Water	9,109,240	9,109,240	8,814,941	(294,299)	3%
<b>Total General Fund Revenues</b>	<b>\$ 1,129,706,375</b>	<b>\$ 1,111,994,517</b>	<b>\$ 1,045,227,601</b>	<b>\$ (66,766,916)</b>	<b>6%</b>

The current budget presented in this table is as of March 2010 (accounting period 9).

<sup>1</sup> Total City FY 2010 current revenue budget for transient occupancy tax is \$145.2 million and the projection is \$126.0 million. The balance is budgeted in the Transient Occupancy Tax Fund.

<sup>2</sup> Total City FY 2010 current revenue budget for property tax is \$382.6 million and the projection is \$390.6 million. The balance is budgeted in the FY 2011 General Fund Reserve Fund.

<sup>3</sup> Total City FY 2010 current revenue budget for franchise fees is \$137.0 million and the projection is \$129.8 million. The balance is budgeted in the Environmental Growth and Utilities Undergrounding Program Funds.

<b>General Fund Projected Expenditures</b>
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<b>Business Center/Department</b>	<b>Adopted Budget</b>	<b>Current Budget</b>	<b>Year-End Projection</b>	<b>Under Budget/ (Over Budget)</b>	<b>Variance %</b>
<b>City Planning and Development</b>					
City Planning and Community Investment	\$ 14,802,681	\$ 14,261,202	\$ 12,376,897	\$ 1,884,305	13%
Development Services - Neighborhood Code Compliance	6,530,597	6,399,880	5,767,165	632,715	10%
<b>Community Services</b>					
Library	37,068,257	35,307,936	35,229,828	78,108	0%
Park and Recreation	85,952,859	84,426,134	85,347,226	(921,092)	1%
<b>Non-Mayoral</b>					
City Attorney	37,790,631	37,785,738	36,806,307	979,431	3%
City Auditor	2,531,417	2,531,204	3,220,451	(689,247)	27%
City Clerk <sup>1</sup>	4,404,528	4,316,948	4,326,151	(9,203)	0%
City Council - District 1 <sup>2</sup>	939,500	939,371	939,371	-	0%
City Council - District 2 <sup>2</sup>	939,500	939,371	939,371	-	0%
City Council - District 3 <sup>2</sup>	966,986	966,857	966,857	-	0%
City Council - District 4 <sup>2</sup>	939,500	939,371	939,371	-	0%
City Council - District 5 <sup>2</sup>	971,500	971,384	971,384	-	0%
City Council - District 6 <sup>2</sup>	971,500	971,371	971,371	-	0%
City Council - District 7 <sup>2</sup>	971,500	971,371	971,371	-	0%
City Council - District 8 <sup>2</sup>	971,500	971,371	971,371	-	0%
Council Administration	1,712,081	1,699,420	1,560,911	138,509	8%
Ethics Commission	891,287	865,912	911,415	(45,503)	5%
Independent Budget Analyst <sup>1</sup>	1,453,234	1,453,105	1,476,172	(23,067)	2%
Personnel	6,227,456	6,105,563	6,157,048	(51,485)	1%
<b>Office of the Assistant Chief Operating Officer</b>					
Administration	3,915,763	3,812,779	2,645,560	1,167,219	31%
Assistant Chief Operating Officer	526,242	429,150	276,348	152,802	36%
Business Office	1,456,057	1,295,819	881,469	414,350	32%
Human Resources	2,466,151	2,331,903	2,452,506	(120,603)	5%
Information Technology	16,511,184	16,234,995	16,231,582	3,413	0%
Purchasing and Contracting	4,267,264	4,054,049	3,627,126	426,923	11%

General Fund Projected Expenditures					
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Business Center/Department	Adopted Budget	Current Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
<b>Office of the Chief Financial Officer</b>					
Chief Financial Officer	\$ 879,473	\$ 878,434	\$ 878,434	\$ -	0%
City Comptroller <sup>1</sup>	10,598,676	10,467,361	10,523,046	(55,685)	1%
City Treasurer	17,866,743	17,402,504	17,392,659	9,845	0%
<b>Citywide Program Expenditures</b>					
Assessments to Public Property	450,235	450,235	450,235	-	0%
Annual Audit	-	98,703	98,703	-	0%
Citywide Elections	2,000,000	2,000,000	917,394	1,082,606	54%
Corporate Master Leases Rent	9,350,765	9,350,765	9,282,359	68,406	1%
Employee Personal Property Claims	5,000	5,000	1,323	3,677	74%
Insurance	1,358,129	1,358,129	1,274,935	83,194	6%
McGuigan Settlement	-	-	1,001,835	(1,001,835)	100%
Memberships	630,000	531,297	695,574	(164,277)	31%
Preservation of Benefits	1,425,000	1,425,000	1,358,000	67,000	5%
Property Tax Administration	4,639,984	4,639,984	4,907,833	(267,849)	6%
Public Liability Claims Fund Transfer	25,071,350	25,071,350	25,071,350	-	0%
Special Consulting Services	1,350,000	1,350,000	1,983,398	(633,398)	47%
TRANS Interest Expense Transfer	1,326,331	1,326,331	1,326,331	-	0%
Transfer to Park Improvement Funds	5,036,208	5,036,208	1,100,000	3,936,208	78%
Transportation Subsidy	278,077	278,077	278,077	-	0%
<b>TOTAL</b>	<b>\$ 52,921,079</b>	<b>\$ 52,921,079</b>	<b>\$ 49,747,347</b>	<b>\$ 3,173,732</b>	<b>6%</b>
Debt Management	2,632,092	2,527,035	2,399,173	127,862	5%
Financial Management	3,788,279	3,685,854	3,652,769	33,085	1%
<b>Office of the Chief of Staff</b>					
Community and Legislative Services	5,878,025	5,877,548	5,671,233	206,315	4%
<b>Office of the Mayor and Chief Operating Officer</b>					
Mayor and Chief Operating Officer	642,234	642,195	627,988	14,207	2%

Business Center/Department	Adopted Budget	Current Budget	Year-End Projection	Under Budget/ (Over Budget)	Variance %
<b>Public Safety and Homeland Security</b>					
Fire-Rescue	191,092,571	183,017,067	182,579,198	437,869	0%
Office of Homeland Security	1,536,220	1,536,069	1,149,690	386,379	25%
Police	398,258,568	393,161,435	373,065,638	20,095,797	5%
<b>Public Utilities</b>					
Water - Reservoir Recreation	\$ 1,994,583	\$ 1,994,583	\$ 1,845,142	\$ 149,441	7%
<b>Public Works</b>					
Engineering and Capital Projects	63,344,067	62,650,957	61,557,155	1,093,802	2%
Environmental Services	37,270,592	36,872,562	36,252,162	620,400	2%
General Services	61,393,308	65,556,678	66,263,153	(706,475)	1%
Public Works	314,407	309,388	336,153	(26,765)	9%
Real Estate Assets	3,798,100	3,679,355	3,420,934	258,421	7%
Storm Water	37,651,248	36,165,274	40,213,613	(4,048,339)	11%
<b>Total General Fund Expenditures</b>	<b>\$ 1,128,039,440</b>	<b>\$ 1,110,327,582</b>	<b>\$ 1,084,540,116</b>	<b>\$ 25,787,466</b>	<b>2%</b>
<b>General Fund Appropriated Reserve</b>	<b>1,666,935</b>	<b>1,666,935</b>	<b>-</b>	<b>1,666,935</b>	<b>100%</b>
<b>General Fund Expenditures + Appropriated Reserve</b>	<b>\$ 1,129,706,375</b>	<b>\$ 1,111,994,517</b>	<b>\$ 1,084,540,116</b>	<b>\$ 27,454,401</b>	<b>2%</b>

The current budget presented in this table is as of March 2010 (accounting period 9).

<sup>1</sup> Over budget variance due entirely to fringe which is offset by fringe savings in other departments.

<sup>2</sup> Projections reflect transfer of year-end savings to the Council District's Infrastructure Improvement Funds.

<b>Non-General Fund Projections</b>
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Business Center/Fund		Adopted Budget	Current Budget	Year-End Projection	Variance Amount	Variance %
<b>City Planning and Development</b>						
Development Services Enterprise Fund	Revenues	\$ 45,868,370	\$ 45,868,370	\$ 40,685,099	\$ (5,183,271)	11%
	Expenditures	44,009,130	44,476,673	34,832,213	9,644,460	22%
Facilities Financing Fund	Revenues	2,337,579	2,337,579	1,898,646	(438,933)	19%
	Expenditures	2,473,364	2,476,627	2,383,637	92,990	4%
HUD Programs Administration Fund	Revenues	2,358,969	2,358,969	1,962,078	(396,891)	17%
	Expenditures	2,300,196	2,300,196	1,962,078	338,118	15%
Redevelopment Fund	Revenues	3,399,596	3,399,596	3,294,545	(105,051)	3%
	Expenditures	3,399,596	3,403,272	3,254,575	148,697	4%
Solid Waste Local Enforcement Agency Fund	Revenues	857,528	857,528	543,240	(314,288)	37%
	Expenditures	894,705	895,086	701,418	193,668	22%
<b>Community Services</b>						
Golf Course Enterprise Fund	Revenues	17,013,019	17,013,019	16,731,398	(281,621)	2%
	Expenditures	13,685,717	14,034,111	13,575,670	458,441	3%
Los Peñasquitos Canyon Preserve Fund	Revenues	176,000	176,000	192,000	16,000	9%
	Expenditures	194,838	194,838	168,190	26,648	14%
<b>Office of the Assistant Chief Operating Officer</b>						
Central Stores Internal Service Fund	Revenues	23,780,557	23,780,557	23,568,071	(212,486)	1%
	Expenditures	23,780,557	34,194,715	23,437,452	10,757,263	31%
Information Technology Fund	Revenues	3,164,595	2,990,226	3,029,644	39,418	1%
	Expenditures	4,304,839	4,407,373	4,270,756	136,617	3%
<b>Office of the Chief Financial Officer</b>						
OneSD Support Fund	Revenues	12,898,704	12,898,704	12,873,275	(25,429)	0%
	Expenditures	12,592,861	12,592,861	12,561,766	31,095	0%
Risk Management Administration Fund	Revenues	7,895,579	7,759,270	7,770,761	11,491	0%
	Expenditures	9,100,205	9,237,566	9,345,139	(107,573)	1%

<b>Non-General Fund Projections</b>
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Business Center/Fund		Adopted Budget	Current Budget	Year-End Projection	Variance Amount	Variance %
<b>Office of the Chief of Staff</b>						
Commission for Arts and Culture <sup>1</sup>	Revenues	\$ -	\$ -	\$ 13,138	\$ 13,138	100%
	Expenditures	836,326	795,999	787,130	8,869	1%
Special Events <sup>1</sup>	Revenues	150,000	150,000	135,697	(14,303)	10%
	Expenditures	567,314	532,307	532,307	-	0%
<b>Public Safety and Homeland Security</b>						
Emergency Medical Services Fund	Revenues	7,327,295	7,327,295	6,125,179	(1,202,116)	16%
	Expenditures	7,154,723	8,921,076	5,892,413	3,028,663	34%
<b>Public Utilities</b>						
Sewer Funds	Revenues	449,332,556	449,332,556	414,236,357	(35,096,199)	8%
	Expenditures	359,271,205	381,517,639	346,837,759	34,679,880	9%
Water Department Fund	Revenues	513,630,272	513,630,272	440,890,175	(72,740,097)	14%
	Expenditures	384,541,038	389,809,898	350,989,153	38,820,745	10%
<b>Public Works</b>						
City Airport Fund	Revenues	5,434,888	5,434,888	5,699,852	264,964	5%
	Expenditures	3,100,398	4,214,381	5,152,562	(938,181)	22%
Concourse and Parking Garages Operating Fund	Revenues	3,323,005	3,323,005	3,205,011	(117,994)	4%
	Expenditures	3,984,236	4,139,358	4,126,011	13,347	0%
Energy Conservation Program Fund	Revenues	2,002,305	2,002,305	1,939,980	(62,325)	3%
	Expenditures	1,845,379	2,068,855	1,688,943	379,912	18%
Fleet Services Internal Service Fund	Revenues	48,318,809	47,378,809	46,086,675	(1,292,134)	3%
	Expenditures	51,362,815	56,400,566	46,820,532	9,580,034	17%
PETCO Park Fund	Revenues	17,701,165	17,701,165	17,394,856	(306,309)	2%
	Expenditures	23,423,234	23,426,528	22,081,412	1,345,116	6%
Publishing Services Internal Service Fund	Revenues	5,475,862	5,475,862	5,000,000	(475,862)	9%
	Expenditures	5,475,862	5,759,784	5,428,545	331,239	6%

<b>Non-General Fund Projections</b>
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Business Center/Fund		Adopted Budget	Current Budget	Year-End Projection	Variance Amount	Variance %
<b>Public Works (continued)</b>						
QUALCOMM Stadium Operating Fund	Revenues	\$ 18,672,629	\$ 18,528,129	\$ 17,212,381	\$ (1,315,748)	7%
	Expenditures	18,080,125	18,951,939	18,309,717	642,222	3%
Recycling Fund	Revenues	15,866,794	15,866,794	18,597,766	2,730,972	17%
	Expenditures	21,695,273	22,549,656	19,465,077	3,084,579	14%
Refuse Disposal Fund	Revenues	31,094,511	31,094,511	31,554,697	460,186	1%
	Expenditures	36,765,823	39,559,227	32,585,330	6,973,897	18%
Utilities Undergrounding Program Fund	Revenues	50,030,432	50,030,432	50,165,114	134,682	0%
	Expenditures	1,173,395	1,175,758	1,094,320	81,438	7%
Wireless Communications Technology Fund	Revenues	8,967,673	8,824,943	9,454,849	629,906	7%
	Expenditures	10,055,665	9,912,935	9,551,358	361,577	4%

The current budget presented in this table is as of March 2010 (accounting period 9). Budgets carried forward from FY 2009 are included while Capital Improvement Program expenditure budgets are excluded.

<sup>1</sup> The Commission for Arts and Culture and Special Events Department are funded by the Transit Occupancy Tax (TOT) Fund.