

A PUBLIC GUIDE TO THE BUDGET PROCESS & FY 2023 ADOPTED BUDGET

**OFFICE OF THE INDEPENDENT BUDGET
ANALYST**

202 C STREET, 3RD FLOOR • SAN DIEGO, CA

TEL. (619) 236-6555

WWW.SANDIEGO.GOV/IBA

TWITTER @ SANDIEGOIBA

UPDATED: JAN 2023

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Introduction

Introduction

Each year the City of San Diego (City) must forecast the revenues it will receive and the expenditures it will incur for the upcoming fiscal year. The resulting official document is known as the Municipal Budget.

The budget is a management and planning tool. Because the City is limited by the amount of resources available, the budget aids officials in determining which objectives have the highest priority, will meet the greatest needs, and produce the greatest positive impact in the community. The annual budget document serves as a plan for how the monies that come into the City of San Diego will be spent to operate and maintain the City.

This guide, created by the Office of the Independent Budget Analyst (IBA), is designed to help interested residents gain a better understanding of the City of San Diego's Fiscal Year (FY) 2023 Adopted Budget, and the process by which the annual operating budget is developed each year. This guide provides residents with the following:

- An overview of the FY 2023 Adopted Budget
- A description of the annual budget process
- Information about how you can become more involved in the City's budget process
- Assistance in how to access and interpret budget documents

The City's improving financial condition in addition to American Rescue Plan Act (ARPA) funding pushed revenues and expenditures to all-time highs in this year's budget (the FY 2023 Adopted Budget). Though this year's budget has enough revenues to carry out and, in some cases, expand City services, in the future it may be more challenging to fund the needs of the City. These future challenges will be discussed in detail at several points throughout the guide.

Since this guide focuses on the FY 2023 operating budget, it excludes details regarding the FY 2023 Capital Improvements Program (CIP) budget. Capital infrastructure projects funded by the CIP budget are generally large and expensive, take multiple years to complete, and are supported by financing sources outside the City's General Fund (the main funding source for core City functions and services included in the operating budget). The IBA's [Guide to Infrastructure](#) provides an in-depth explanation of the CIP and its annual budget process. It may be used in conjunction with this guide to learn more about how the City formulates and funds major components of the annual budget. This guide to the budget is also available on the IBA's website:

www.sandiego.gov/iba

For additional information regarding the City's annual budget and other important topics, contact our office at:



Office of the Independent Budget Analyst

202 C Street, MS 3A • San Diego, CA 92101

(619) 236-6555 • www.sandiego.gov/iba

sdiba@sandiego.gov • Twitter: [@SanDiegoIBA](https://twitter.com/SanDiegoIBA)

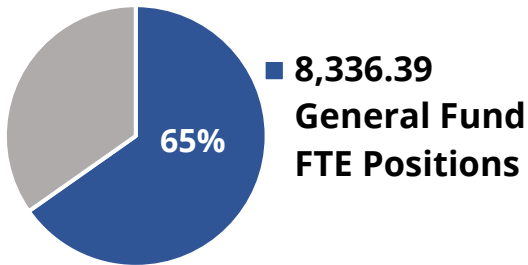
FY 2023 Adopted Budget at a Glance

How large is the City's FY 2023 Budget?



How many full time-equivalent (FTE) positions are included in the budget?

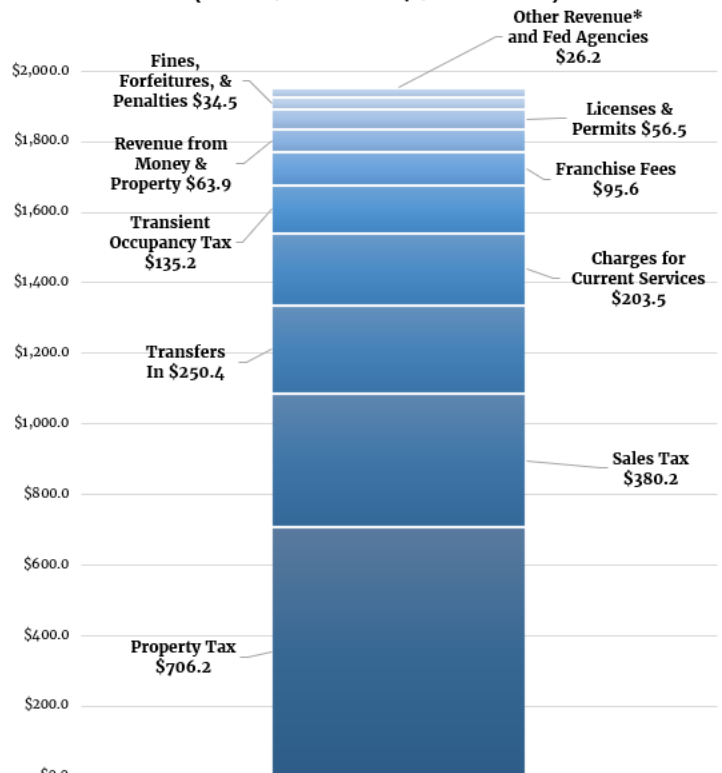
Percentage of General Fund FTE



12,777.15 Total FTE Positions

What are the City's major General Fund resources?

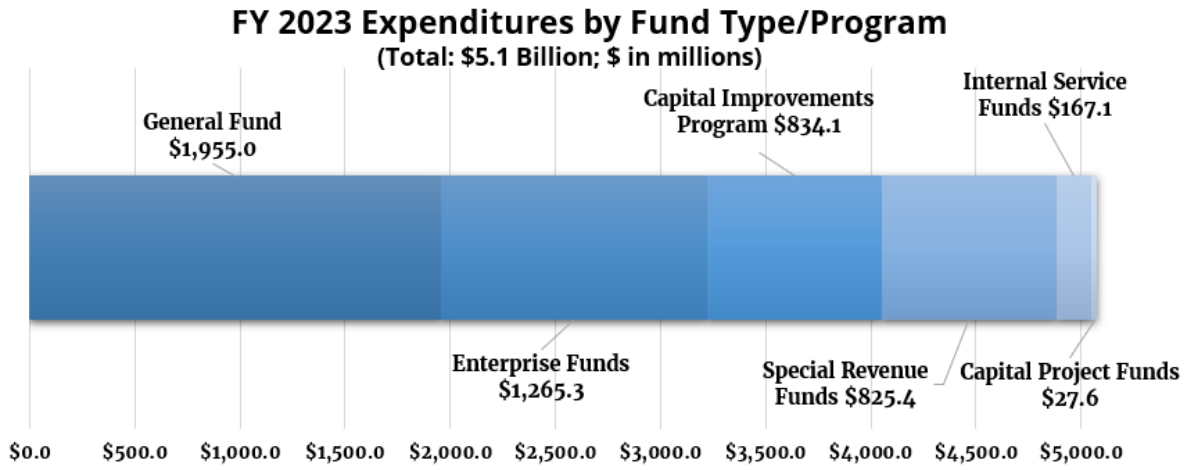
FY 2023 General Fund Revenue
(Total: \$1.95 Billion; \$ in millions)



* The other revenue category is composed of several ongoing and one-time revenue sources including property transfer tax, revenue from other agencies, and interest earnings.

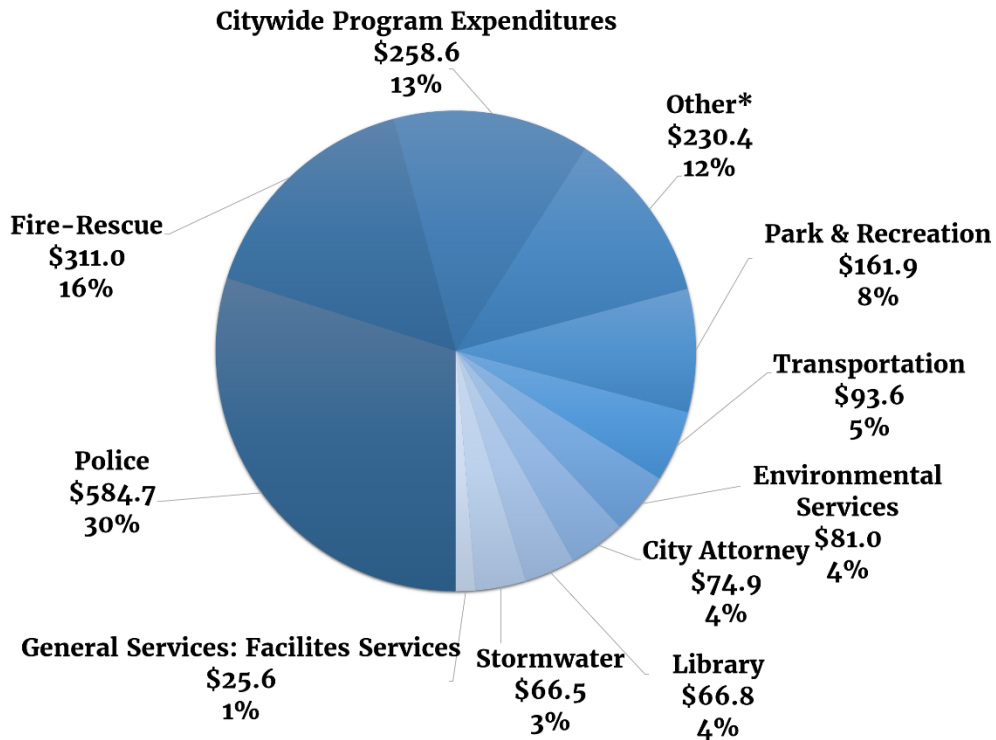
FY 2023 Adopted Budget at a Glance

How much is budgeted for operations and capital expenditures?



How much is budgeted to carry out General Fund Department Programs and Services?

FY 2023 General Fund Expenditures by Department
(Total: \$1.96 Billion; \$ in millions)



*Other includes: READ-Facilities Services, Economic Development, Department of Finance, Purchasing & Contracting, City Treasurer, City Council, Personnel, Development Services, Planning, City Clerk, Human Resources, Communications, Real Estate Assets, Performance & Analytics, City Auditor, Office of Race & Equity, Office of the Mayor, Mobility, Public Utilities, Smart & Sustainable Communities, Office of Homeland Security, Office of the IBA, Debt Management, Ethics Commission, Government Affairs, Office of the COO, Office of Boards & Commissions, Sustainability, Department of Information Technology, Office of the Assistant COO, Office of the CFO, Neighborhood Services, General Services, Public Works & Utilities, and Internal Operations.

FY 2023 Adopted Budget Highlights

The FY 2023 budget reflects the progress the City is making moving past the worst of the financial impacts from the COVID-19 pandemic and provides increased resources across almost all City functions. Overall, this year's revenues and expenditures in the budget are at all-time highs. Even though revenues as a whole have grown, it is important to look at each source of revenue to understand the long-term financial standing of the City. The focus of this year's budget is building on the City's continuing recovery from the pandemic while investing in enhancements to services and infrastructure.

Challenges in Balancing the Budget

This year's budget process dealt with the continued impact that the world-wide COVID-19 pandemic has had on City revenues and operations. With the continued recovery from the pandemic, and significant assistance from the American Rescue Plan Act, the Mayor and Council adopted a balanced budget for FY 2023 of \$5.07 billion, which is an estimated 8.4% increase from the FY 2022 Adopted Budget.

The City is required by law to balance its budget each year. There were several resources that allowed the City to meet that requirement in FY 2023, including one-time funds. The largest source of one-time funds is the planned use of \$147.6 million in federal American Rescue Plan Act (ARPA) funding, out of the City's total allocation of \$299.7 million. After use of this amount, and \$100 million spent in FY 2022, only \$52.1 million is anticipated to be available to balance any FY2024 revenue shortfalls.

One-time vs. Ongoing Funding

When forming the City's annual budget, it is considered best practice to fund ongoing expenses with ongoing funding resources. For instance, when adding new facilities or programs to the budget, the City must consider what ongoing operational costs are associated, and find an appropriate ongoing revenue source (e.g. an anticipated increase in property tax revenues) to fund it.

Through this best practice, the City can avoid using "temporary fixes" to fund ongoing programs, resulting in a more stable financial environment and a structurally balanced budget.

For more information about the City's best practices regarding budget formation, refer to the financial policy descriptions later in this report, and to [IBA Report 10-18](#).

For more information on these funds, please refer to the American Rescue Plan Act Funding section of this report.

The City of San Diego's FY 2023 Adopted Budget totals \$5.07 billion. Of this amount the City's General Fund, which provides essential City functions and services such as public safety (including police and fire), parks and recreation, City streets, storm water management, and trash collection, totals \$1.96 billion.

Enterprise Funds, which support water delivery, wastewater collection, and development services, total \$1.27 billion,

and approximately \$834.1 million is budgeted in the Capital Improvements Program (CIP) for capital projects across the City. Another \$1.02 billion is budgeted across several Special Revenue and Internal Service funds for specific and dedicated uses.

In the Mayor's FY 2023-2027 Five-Year Financial Outlook (Outlook), which was released in November 2021, the FY 2023 General Fund budget was projected to have a deficit of \$66.8

FY 2023 Adopted Budget Highlights

million. These projections help the City start planning for ways to mitigate the deficits or allocate surpluses, since the City has to adopt a balanced budget at a later stage in the budget process.

While the Outlook that was prepared in November 2021 projected a deficit for FY 2023, the FY 2023 Budget that was adopted in June 2022 is balanced and increases funding for many City programs and services from FY 2022. Federal funding through ARPA, delaying contributions to City's reserves, and increased revenues rebounding from the COVID-19 pandemic helped to close the deficit the City was originally facing. Due to the availability of ARPA funds, Departments were not asked to submit budget reduction requests for the Fiscal Year 2023 budget development process. A detailed overview and analysis of revenue projections, ARPA funding, and City programs are provided in [the IBA's Review of the FY 2023 Proposed Budget](#).

Moving beyond FY 2023, City revenues are expected to continue to experience moderate growth. However, there are other important factors to consider about future economic conditions. Due to persistent, high inflation and federal efforts to combat it, there is a heightened risk of a recession. A recession or economic slowdown would impact the City's finances, but with today's uncertainty and information available to date, that exact impact is hard to predict.

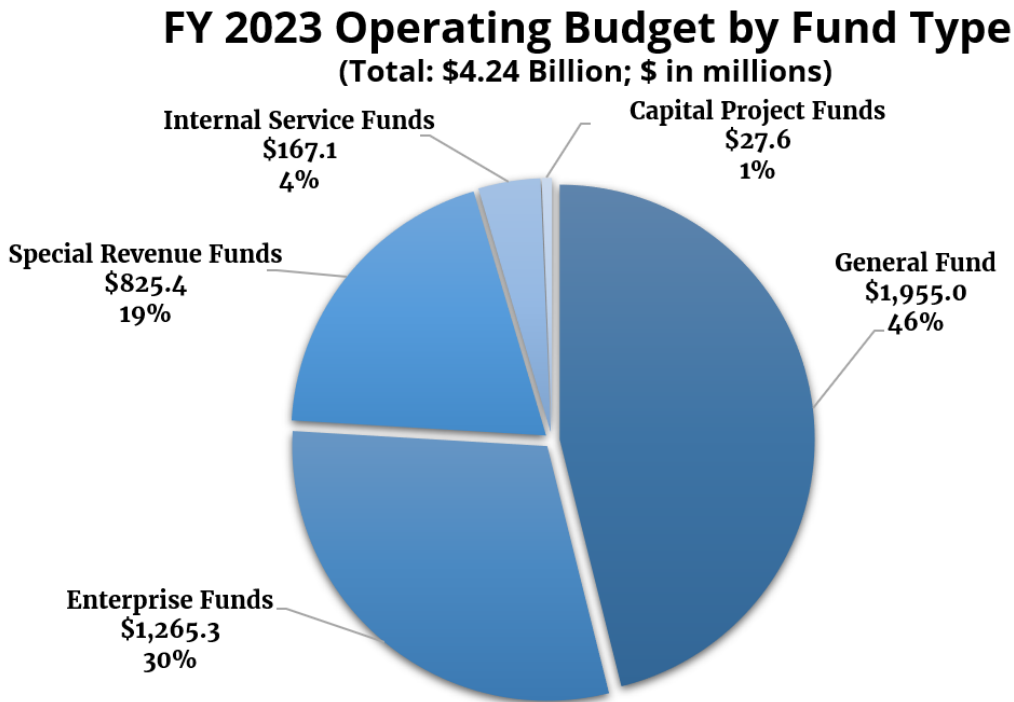
As the City continues to adapt to a post-pandemic environment, the potential for volatility in the City's economy and in associated City revenues continues. While ARPA funding helped mitigate revenue losses and potential deficits – as well as allowed for program enhancements – there is only one more year of funding available in FY 2024 (estimated \$52.1 million which is \$95.5 million less than what is planned for use in FY 2023). Additionally, in FY 2023 the City is using \$38.2 million in *one-time* resources to support *ongoing* expenditures, resulting in a structural budget deficit. Structural budget deficits occur when ongoing and sustainable revenue sources are not enough to support ongoing expenses. In future fiscal years beyond FY 2023, the City will still need to ensure that it maintains operations that are in balance with its ongoing revenues to ensure structurally balanced budgets are possible. Continuing to use one-time funds for ongoing expenditures invites challenges in future fiscal years.

The City's Operating Budget

The \$4.2 billion operating budget provides a plan for how the monies coming into the City (revenues) will be spent in order to operate and maintain City functions and services, such as police, fire, parks, and libraries. In addition to the \$4.2 billion operating budget, \$834.1 million is set aside for the Capital Improvements Program (CIP) budget, which allocates available revenue for the rehabilitation, improvement or construction of new public infrastructure such as streets, libraries, parks, and water pipes. It is common for cities to separate the operating budget and the CIP budget, as capital infrastructure projects are large and costly, require multiple years to complete, and generally utilize financing sources outside of the City's main operating fund, the General Fund. In contrast, the operating budget focuses on revenues and expenditures needed to carry out City services & programs for a specific fiscal year. For more information regarding the CIP, refer to the [IBA's Guide to Infrastructure](#).

FY 2023 Adopted Budget Highlights

The operating budget consists of five types of funds, including the General Fund. It is necessary to have multiple fund types as certain monies can only be used for specific purposes. For example, revenue generated by the Gas Tax is deposited in a Special Revenue Fund and is used to repair streets, and maintain streetlights, signals, and markings. The pie chart below depicts the portion of the operating budget that is comprised of each fund type.



The General Fund

The General Fund is the most commonly discussed fund in the municipal budget. It is the largest of the five types of funds that the City of San Diego maintains, representing approximately 46% of the operating budget for FY 2023. The General Fund is usually at the forefront of budget discussions because it is the City's main operating fund and is funded through the City's general tax revenues. Changes in General Fund revenues play a large part in the City's ability to pay for and maintain core community services such as public safety, roads and storm drains, parks and recreation, library services, and trash collection, which use most of the City's tax revenue. Each year the Mayor, City Council, and City staff must forecast the coming year's General Fund expenditures and incorporate those estimates into the budget, taking into account available funds that are projected to be collected from tax revenue.

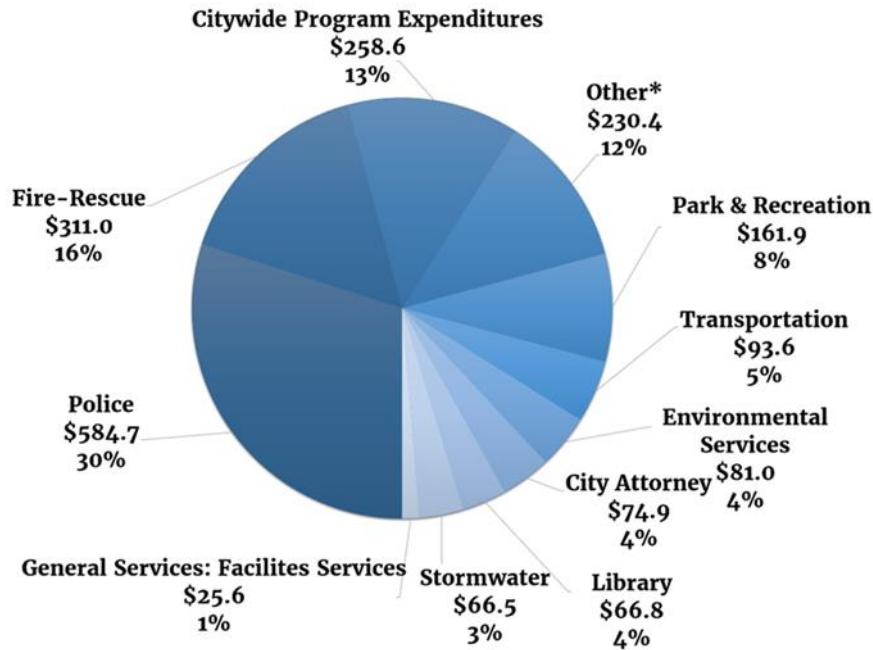
General Fund Expenditures

The General Fund is the largest operating fund with \$1.96 billion in budgeted expenditures for FY 2023. This is a \$211.5 million or 12.1% increase from the FY 2022 Adopted Budget. The money is expended through departments within the General Fund that provide core

FY 2023 Adopted Budget Highlights

community services. The pie chart below illustrates the main General Fund expenditures by department for FY 2023. Approximately 46% of the City's General Fund resources are dedicated to Police and Fire-Rescue services, vital functions of City government.

FY 2023 General Fund Expenditures by Department
(Total: \$1.96 Billion; \$ in millions)



*Other includes: READ-Facilities Services, Economic Development, Department of Finance, Purchasing & Contracting, City Treasurer, City Council, Personnel, Development Services, Planning, City Clerk, Human Resources, Communications, Real Estate Assets, Performance & Analytics, City Auditor, Office of Race & Equity, Office of the Mayor, Mobility, Public Utilities, Smart & Sustainable Communities, Office of Homeland Security, Office of the IBA, Debt Management, Ethics Commission, Government Affairs, Office of the COO, Office of Boards & Commissions, Sustainability, Department of Information Technology, Office of the Assistant COO, Office of the CFO, Neighborhood Services, General Services, Public Works & Utilities, and Internal Operation

The FY 2023 General Fund budget includes costs associated with 8,336.39 budgeted full-time equivalent (FTE) positions, an increase of 605.36 FTE positions from the FY 2022 General Fund budget.

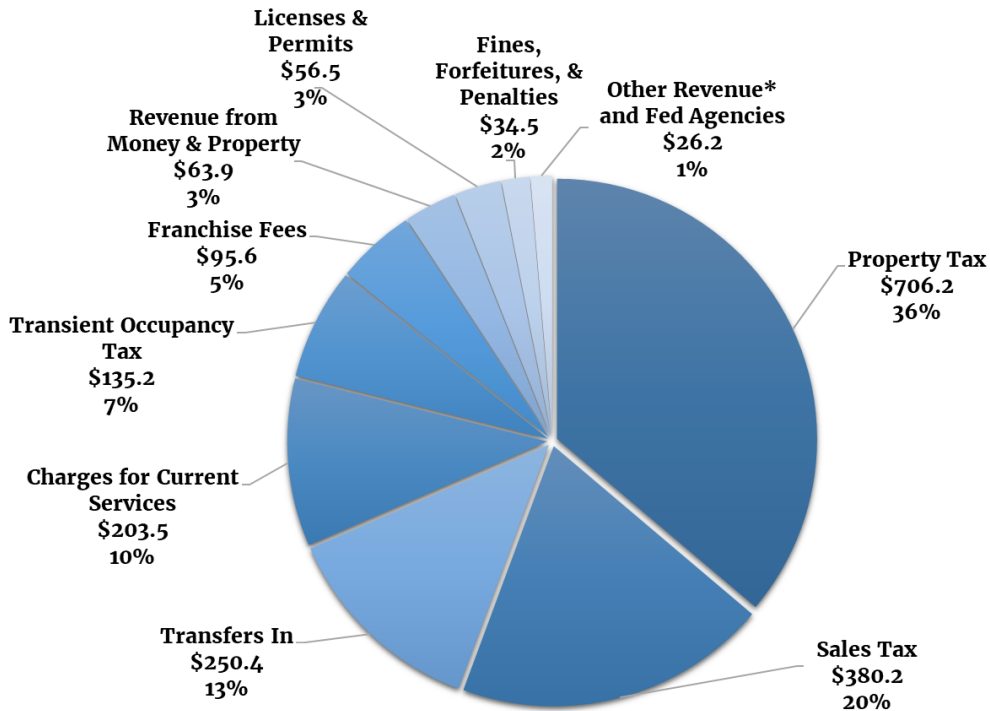
General Fund Revenue

The FY 2023 Adopted Budget for the General Fund includes approximately \$1.95 billion in revenues, a \$205.3 million or 11.8% increase from the previous fiscal year. The City has four major single sources of General Fund revenue: property taxes, sales taxes, transient occupancy taxes (TOT), and franchise fees. These sources account for approximately 68% of the Fiscal Year 2023 Adopted Budget General Fund revenues and are projected to increase by \$148.7 million, or 12.7%, from the Fiscal Year 2022 Adopted Budget.

FY 2023 Adopted Budget Highlights

FY 2023 General Fund Revenue

(Total: \$1.95 Billion; \$ in millions)



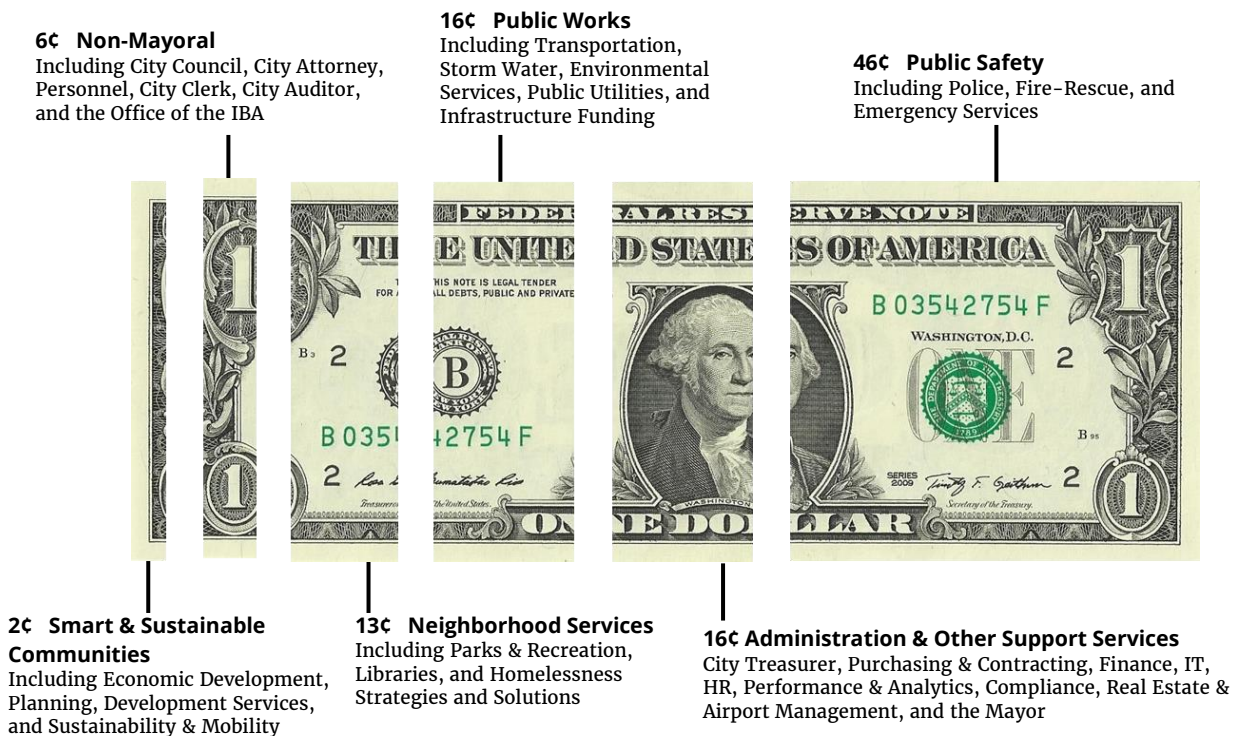
* Other Revenue includes Property Transfer Tax, revenue from other agencies, and interest earnings.

Core City services funded through the General Fund’s budget are supported by a variety of revenue sources as shown in the pie chart above. The four major General Fund revenues are dependent on the economic environment and can fluctuate from year-to-year. Other General Fund revenue sources are impacted by the economic environment as well, but not to the same degree. Other sources of revenue for the General Fund include charges for current services; transfers in (from other funds); revenue from money and property; fines, forfeitures, and penalties; licenses and permits; and other smaller revenues such as property transfer tax. See [pages 75-85 in Volume 1](#) of the FY 2023 Adopted Budget for a detailed description of these revenue sources.

FY 2023 Adopted Budget Highlights

General Fund Tax Dollars at Work

The diagram below depicts General Fund services provided by the City of San Diego and how a dollar of your taxes is split among those services in FY 2023.



Other Funds

In addition to the General Fund, the City of San Diego's FY 2023 Adopted Budget includes four other fund types and the CIP. It is necessary to have separate funds due to specific restrictions on how certain funds may be used. The following descriptions summarize the operating budgets of the other four types of funds, what they may be used for, and how they acquire revenue. For additional information regarding these funds, please refer to [Volume 1 of the FY 2023 Adopted Budget](#).

Enterprise Funds

These funds apply to specific services that are funded directly through user fees. Enterprise Funds are intended to be fully self-supporting and not subsidized by the General Fund. Examples include Water, Sewer, Development Services, Refuse Disposal, Recycling, Golf Course, and Airport Funds. For FY 2023, Enterprise Funds are budgeted at \$1.27 billion, an increase of \$71.6 million or 6% over the FY 2022 Adopted Budget.

Special Revenue Funds

Special Revenue Funds account for revenue that is received for a specifically identified purpose. Examples include the Gas Tax Fund that is used for the repair of streets and the maintenance of street lighting, traffic signals, traffic signs, and markings; Transient Occupancy Tax Funds for Special Promotional Programs that are used to promote tourism in

FY 2023 Adopted Budget Highlights

the City of San Diego; and the Infrastructure Fund which can be used for the acquisition of real property, and the construction, reconstruction, rehabilitation, and repair and maintenance of General Fund infrastructure. The FY 2023 Adopted Budget includes \$825.4 million for these Special Revenue Funds, which is an increase of \$81.5 million or 11% from the FY 2022 Adopted Budget. This net increase is primarily due to increases in the Transient Occupancy Tax Fund to support reimbursements for eligible expenditures such as public safety and visitor related facilities.

Internal Service Funds

Internal Service Funds support the City's operations internally on a cost-reimbursable basis. The Fiscal Year 2023 Adopted Budget for Internal Service Funds totals \$167.1 million, which is an increase of \$10.0 million, or 6.3%, from the Fiscal Year 2022 Adopted Budget. Some of the increase is due to increased costs for fuel and to support the City's vehicle fleet.

Capital Project Funds

Capital Project Funds are primarily used for the acquisition or construction of major capital facilities. These funds typically make up a small portion of the overall CIP, which can be supported by all fund types. The Fiscal Year 2023 Adopted Budget for Capital Project Funds is \$27.6 million, which is an increase of \$7.4 million, or 36%, from the Fiscal Year 2022 Adopted Budget. This increase is primarily due to an increase in the TransNet Extension Funds. TransNet is a one-half cent local sales tax used for traffic congestion relief and transportation improvements.

For more information on funding for capital projects, refer to the IBA's [Guide to Infrastructure](#).

American Rescue Plan Act Funding

The American Rescue Plan Act of (ARPA) of 2021 was signed into law on March 11, 2021, and allocated \$299.7 million in Coronavirus State and Local Fiscal Recovery Funds to the City. ARPA funds must be used by December 31, 2024 and are available to provide government services by replacing much of the City revenue lost because of the COVID-19 pandemic.

Of this amount, the City spent \$100 million in FY 2022 and plans to use \$147.6 million to provide an array of public services included in the FY 2023 Adopted Budget. This leaves the remaining \$52.1 million to be used by December 31, 2024. The City's Five-Year Financial Outlook for FY 2024-2028 projects that the remaining ARPA funds will be used in FY 2024 to mitigate projected revenue shortfalls.

Highlights of Services Included in the FY 2023 Budget

In FY 2023, the Adopted Budget includes a number of public services, some of which are highlighted in the following sections. Due to the availability of ARPA funds Departments were not asked to submit budget reduction requests for Fiscal Year 2023 and therefore residents should not experience decreases to service levels.

FY 2023 Adopted Budget Highlights

Public Safety

Ensuring public safety is a primary function of the City's General Fund, with around half of the General Fund budget being utilized by the Police and Fire-Rescue Departments. A persistent resource issue for Public Safety over the past few fiscal years has been allocating funds for overtime for both Fire-Rescue and Police. Both Departments will continue to need funds for overtime when service-level needs are above the capacity of current staff.

The FY 2023 budget for the Police Department includes an overall net decrease in funding for police of \$7.0 million. Reduced pension costs led the Police Department to have an overall net decrease in budgeted expenditures even though there were significant budget additions. Some of these significant additions to the Department's budget include increased funding for overtime expenses and parking enforcement activities.



The Fire-Rescue Department received funding to replace aging fire equipment, conduct fire station facilities maintenance, and additional Lifeguard Sergeants to support all City beaches. Other notable items include increased funding for the Fire-Rescue wellness physical exams, a new boating safety locker room trailer, and additional safety supplies. The Fire-Rescue Department did not have any significant budget reductions in FY 2022.

Funding for Homelessness Programs and Services

The City provides funding for Homelessness Programs and Services in several ways. Funding is provided in the City's annual adopted budget, the San Diego Housing Commission's annual adopted budget, and through approval of individual funding requests outside of the budget process. Funding for these programs also come from a variety of funding sources. In total, \$172.7 million is allocated in FY 2023 for Homelessness Programs and Services across multiple entities and funding sources, as detailed in [IBA Report 22-20](#). Of this amount, the FY 2023 Adopted Budget includes \$29 million in General Funds to continue existing programs including operating 14 shelters, inclement weather support, serial inebriate program, and a homelessness response center.

Beyond City General Funds, the City also has access to resources from the State of California. Homeless Housing, Assistance and Prevention (HHAP) funding comes from the State and according to the FY 2023 Adopted Budget, \$41.4 million in HHAP funds are planned. Of the HHAP funds, \$30.1 million will be allocated to support 1,250 of the City's 1,666 shelter beds, \$3.2 million will be allocated for storage centers,



\$1.3 million will be allocated for the safe parking program, and the remaining funding will be allocated across other programs. We note that HHAP funds are only available on a one-time

FY 2023 Adopted Budget Highlights

basis. Therefore, as these funds are used to continue and expand homelessness services, the City will need to find other funds in future years to maintain these services. To illustrate, barring additional grant funds becoming available beyond FY 2024, there is an anticipated funding cliff for homelessness programs in which an estimated \$54 million in currently unidentified funding is needed in FY 2025 to maintain existing programs.

Parks, Recreation Centers, and Libraries

The City operates and maintains over 40,000 acres of park assets, 59 recreation centers, 14 pools and 7 skate parks. A list of recreation centers and details about hours and services at each location can be found on [Parks & Recreation's website](#). For FY 2023, the Parks and Recreation Department added funding to operate and maintain new parks and Joint Use Facilities, which include Salk Neighborhood Park, Dennery Ranch Neighborhood Park, Mission Bay High Tennis Courts, Wagenheim Middle School, and Taft Middle School. Equity has become a key component of the Department's plan for providing recreation services going forward and the FY 2023 budget included 5 FTE positions and \$550,000 of funding to support the equity work.

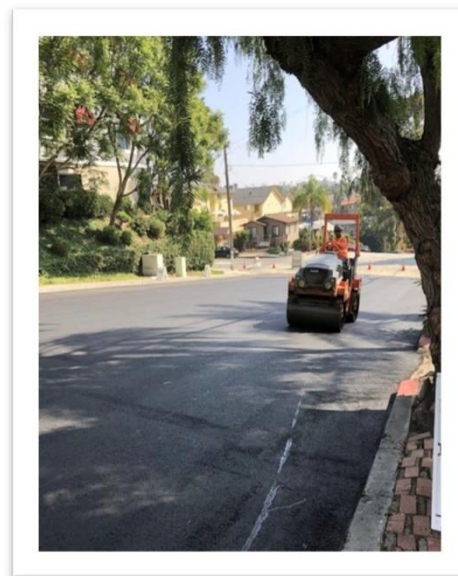
The Library Department's FY 2023 budget includes significant budget additions for replacements of public-use computers, new materials, funds to match library donations, security services, and window washing. Additionally, the Library Department is close to being fully staffed after conducting a new staff plan that allowed for more salaried positions. A list of all the branches and their respective hours can be found on the [Library's website](#).



Infrastructure Funding

Infrastructure includes the basic physical structures, systems, and facilities needed to provide critical services to the community such as sidewalks, streets, parks, libraries, fire stations, police facilities, and water and wastewater systems. Funding for the City's infrastructure supports a variety of needs, including new infrastructure projects, projects to repair or maintain existing infrastructure, condition assessments to determine the state of the City's assets, technology systems to support planning and management of assets, and employees to manage and implement these infrastructure projects.

One significant investment in infrastructure for FY 2023 is for stormwater which aims to mitigate flooding and runoff into the ocean and to comply with strict water quality improvement targets set by the Regional Water Quality Control Board. The Stormwater Department's



FY 2023 Adopted Budget Highlights

Adopted Budget increased by 42.75 FTEs and \$14.9 million above the FY 2022 Adopted Budget. The increase is primarily attributable to various new positions and programming, including a ramp up of the CIP program in anticipation of enhanced funding (15.00 FTEs, \$8.8 million), additional pump repair station and automation staff (20.00 FTEs and \$4.2 million), and additional street sweeping resources (10.00 FTEs and \$4.1 million).

Additional information on infrastructure funding in the FY 2023 budget can be found in the IBA's [Guide to Infrastructure](#).

State Senate Bill 1383 – Organics Collection

In September 2016, Governor Brown signed into law State Senate Bill 1383 (SB 1383) establishing methane emissions reduction targets in a statewide effort to reduce emissions of Short-lived Climate Pollutants. SB 1383 establishes targets of a 50% reduction in the level of the statewide disposal of organic waste from 2020, with a 75% reduction by 2025. The Fiscal Year 2023 Adopted Budget includes a total of \$17.4 million across various funds to support implementation of SB 1383. Certain services the City must implement due to SB 1383 include: expanding organics collection citywide, adopting of an enforcement mechanism, and establishing an edible food recovery program.

Climate Action Plan

The City originally adopted the Climate Action Plan (CAP) in December 2015. The CAP is an organized plan with defined strategies, goals, actions, and targets, with a primary goal of greenhouse gas reduction of 50% by 2035 from measured 2010 baseline amounts. In FY 2023 Adopted Budget, \$83 million of direct funds are allocated for the five CAP Strategies. These strategies include: energy and water efficient buildings; clean and renewable energy; biking, walking, transit, and land use; zero waste; and resiliency.

Among these expenditures, the greatest investment of the CAP is \$41 million for biking, walking, transit, and land use. The next largest investment is \$23 million to fund efforts to divert solid waste from the landfill, which will contribute towards the City's Zero Waste Plan. Beyond funds directly allocated, there are indirect expenditures that will help the City reach the net zero goal by 2035 and these funds total \$393 million in the FY 2023 Adopted Budget.

On August 2, 2022 the City Council adopted the new 2022 CAP, setting a new goal of reaching net zero for greenhouse gas emissions by 2035. The 2022 CAP contains new strategies, measure, and targets that have been updated from the original CAP, and staff is developing an Implementation Plan that will include further information on funding needs, performance metrics, time frame, and implementation pathways.

New Department

The FY 2023 Adopted Budget introduced the creation of the Sustainability and Mobility Department, discussed below. Per [Charter Section 26](#), new departments included in the Adopted Budget must be approved via ordinance by a majority, or two-thirds vote by council.

FY 2023 Adopted Budget Highlights

Sustainability and Mobility Department

The Sustainability and Mobility Department is a newly formed department that combines the previous Sustainability Department and the Mobility unit of Smart and Sustainable Communities. As part of this restructure, the new department will create four new divisions which include, Administrative Services, Energy, Climate Action, and Mobility. The implementation of the restructure is intended to accurately track the cost of energy and mobility projects and programs and allow department management to identify efficiencies and cost saving opportunities.

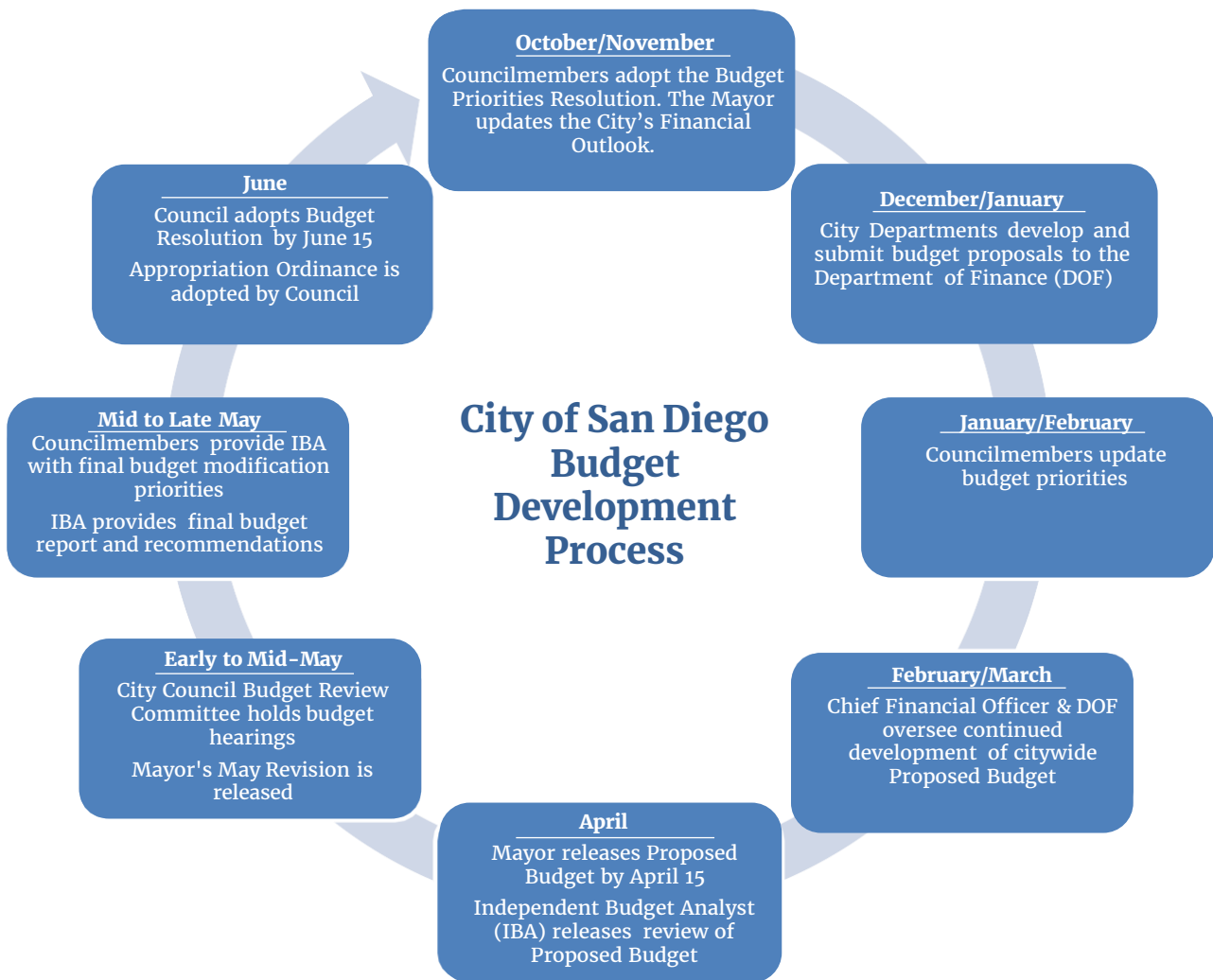
Overview of the Budget Process

Overview of the Budget Process

How is the Budget Created?

The City of San Diego's fiscal year runs from July 1 through June 30. As shown in the chart below, the budget process begins in October with Council's adoption of a resolution identifying their budget priorities for the upcoming fiscal year, and concludes in June with Council's adoption of the Budget Resolution and the Appropriation Ordinance.

The Mayor, City Council, City staff, Office of the IBA, and residents of San Diego all play a significant role in the formation of the budget.



Overview of the Budget Process

Public's Role

In order for the Mayor and City Council to discern which programs and issues are of the highest priority to residents, it is important for members of the public to play an active role in the budget process. Residents are encouraged to provide their input through multiple forums including:

- Contacting the Office of the Mayor and relevant City staff as the Proposed Budget is being developed
- Contacting your City Councilmember to weigh in on important issues in your community
- Attending and participating in City Council meetings, Budget & Government Efficiency Committee meetings, and annual Budget Review Committee hearings to provide input to the City Council as budget discussions are being held.

In order to fully understand what is important to the residents of San Diego, the Mayor, City Council, and City staff need input from residents like yourself. Writing, calling, or emailing any of these officials is the first step in solving problems that are important to you. Additionally, becoming involved by attending public meetings is an opportunity to provide input, make suggestions, and become more knowledgeable about City affairs.

Please refer to the *Important Resources* section of this guide to find out how to contact the Mayor's office, your City Councilmember, and other key City staff.

Mayor's Role

The Mayor is the Chief Executive Officer of the executive branch of the City's government. The Mayor and the Mayor's staff are responsible for:

- Developing the City's Five-Year Financial Outlook, which outlines the Mayor's fiscal priorities for the next five years and presents a forecast for anticipated revenues and expenditures
- Creating the Proposed Budget by working with the Chief Financial Officer (CFO), Chief Operating Officer (COO), and other City staff
- Providing the City Council with a May Revision to the Proposed Budget for its consideration
- Implementing the Adopted Budget
- Monitoring the Adopted Budget throughout the year and proposing modifications as necessary to ensure that it is balanced
- Managing the City's day-to-day operations

City Council's Role

The City Council serves as the legislative branch of the City's government, and is responsible for setting policy and adopting the City's annual budget. Each Councilmember represents the residents that live in his or her district. The Council's responsibilities include:

- Adopting the Budget Priorities Resolution in October and January for the Mayor's consideration in the development of his or her Proposed Budget
-
-

Overview of the Budget Process

- Reviewing the Mayor's Proposed Budget
- Holding public hearings to gather input from residents and understand City department priorities and needs
- Considering and recommending changes to the Proposed Budget after public budget hearings
- Adopting the annual budget after consideration of public input, research, and policy priorities
- Accepting or rejecting proposed budget modifications throughout the year
- Providing policy direction for the governance of City operations through legislative actions

IBA's Role

The Office of the IBA assists the City Council throughout the budget process by providing research, objective analysis, and recommendations for the budget. The IBA performs the following functions:

- Analyzes and issues a report on the Mayor's Five-Year Financial Outlook
- Reviews and analyzes quarterly budget monitoring reports produced by the Department of Finance and prepares reports for the Council and the public
- Prepares the City Council Budget Priority Resolution in October and January based on individual budget priorities of the Council members and their communities which is released to the Mayor for his or her consideration.
- Prepares preliminary and final reports on the Mayor's Proposed Budget for consideration by the City Council
- Provides analysis and recommendations year-round on legislative items that have financial and policy impacts to the City of San Diego
- Conducts an annual budget crash course for the public; attends and participates in City Council Town Halls on the Mayor's Proposed Budget; and meets with groups as requested to better explain the budget process and the Mayor's budget.

Additionally, the Office of the IBA, working with various key departments¹ releases a draft timeline of the [FY 2024 Budget Development Process & FY 2023 Budget Monitoring Calendar](#). This includes key dates related to the release of budget-related reports from both the operating and Capital Improvements Program (CIP) budgets and are based on timelines required by the City Charter.

¹This includes Department of Finance, Engineering & Capital Projects, Public Utilities, Human Resources, the Budget and Government Efficiency Committee Consultant, the Active Transportation and Infrastructure Committee Consultant, the Office of the City Attorney, and the Director of Legislative Affairs.

Overview of the Budget Process

What are the Key Components of the Budget Documents?

Annual budget documents (including the Proposed and Adopted Budgets) are produced by the Department of Finance with direction from the Mayor. There are three main parts to the City of San Diego's annual budget. These parts include:

Volume 1: Budget Overview and Schedules

[Volume 1](#) provides an overview of the operating budget and CIP budget. Schedules are included that provide quick access to some of the general financial information for the City. It is an easy reference point for information about all components of the annual budget.

Volume 2: Department Detail for the City's Operating Budget

The Operating Budget contains estimates of the total value of resources required for the City to provide services to its residents, and estimates of how much revenue the City will collect. This volume is broken down by department, and includes total budgeted revenues, expenditures, and positions for the fiscal year, noting any change from the prior fiscal year. A guide to reading the Operating Budget can be found at the beginning of [Volume 2](#).

Volume 3: The Capital Improvements Program (CIP) Budget

A capital improvement is a project that refurbishes or improves City infrastructure, for example, the replacement of streetlights or the development of a new City park. The Capital Improvements Program (CIP) budget is the long-range plan for all individual capital improvements projects and funding sources. Further explanation of the CIP Budget, its process, funding sources, and other details can be found in the IBA's [Guide to Infrastructure](#). Additionally, the beginning of [Volume 3](#) includes an introduction to facilitate comprehension of this component of the annual budget.



Volume I: Budget Overview and Schedules

Volume II: Department Detail

Volume III: Capital Improvements Program

Does the Annual Budget Have to be Balanced?

The City is required by law to balance its budget each year. The budget is monitored throughout the year to determine whether the city is spending more or less than its revenues. The City then makes adjustments to its spending in order to ensure that at the end of the year there are sufficient resources to cover the expenditures and the budget remains balanced.

Overview of the Budget Process

Who Monitors the Budget?

In order to maintain a high level of transparency and accountability in government, the City of San Diego has multiple methods to ensure that taxpayer dollars are being used to achieve the best results from the resources available.

City Council

As the Legislative Branch of City government, the City Council is responsible for setting policy direction; enacting, reviewing, and modifying legislation as appropriate; and adopting the annual budget. The Council provides a check and balance to the City's Executive Branch, which is run by the Mayor.

Ten committees are comprised of City Councilmembers to help the Council analyze specific legislative matters in a focused and efficient manner. Four of the Council Committees are specifically charged with overseeing major components of City financial operations.

Audit Committee

The Audit Committee was created in January 2007 to oversee the City's finances. Members of the Audit Committee provide independent legislative oversight for the City's accounting, financial reporting processes, internal controls, as well as the results of program audits.

Budget & Government Efficiency Committee

The Budget and Government Efficiency Committee was created to oversee legislative issues that directly impact the annual budget. Committee responsibilities include the annual budget, financial reports, purchasing and contracting, and equal opportunity contracting, among other issues.

Budget Review Committee

The Budget Review Committee, which is composed of all members of the City Council, is responsible for reviewing the annual budget, and includes the public budget hearings held each May. These Committee meetings allow members of the City Council to receive feedback from the public relating to budget priorities, and provide an opportunity for the Council to study, analyze, and evaluate the budget.

Active Transportation and Infrastructure Committee

The Active Transportation & Infrastructure Committee began meeting in 2013 and is focused on the condition of the City's capital assets—such as streets, sidewalks, parks and libraries—and identifies resources for addressing different capital needs. It is charged with reviewing the Five-Year Capital Infrastructure Planning Outlook (CIP Outlook), and oversees asset management, additional streamlining opportunities, infrastructure financing strategies, among other related topics.

Council Committees

Active Transportation and Infrastructure

Audit

Budget and Government Efficiency

Budget Review

Community and Neighborhood Services

Economic Development & Intergovernmental Relations

Environment

Land Use and Housing

Public Safety

Rules

Overview of the Budget Process

City Attorney

The [City Attorney](#) serves the residents of San Diego as both the Chief Legal Advisor and misdemeanor prosecutor. The office is divided into divisions, including: the Advisory Division provides advice to City Departments; the Civil Litigation Division prosecutes or defends civil lawsuits in which the City is a party; the Criminal Division prosecutes criminal misdemeanors and infractions committed within the City limits; and the Community Justice Division prosecutes cases that the community has identified as important to quality of life.

City Auditor

The [City Auditor](#) is charged with providing audit services to promote accountability to the public and to improve the efficiency, effectiveness, and equity of City government. Through performance audits, financial audits, and special investigations, this office provides essential information to assist the City Council in its decision-making process.

Office of the IBA

The [Office of the IBA](#) assists the City Council by providing analysis, reports, and recommendations on issues that affect the budget. Reports on numerous fiscal and policy matters are presented at City Council meetings, and during budget hearings and Committee meetings.

Office of the Mayor

The [Mayor](#) serves as the City's Chief Executive Officer. Through the Chief Operating Officer, the Mayor oversees the City's daily operations, and implements programs and initiatives to carry out the City's policy objectives. The Mayor is also responsible for proposing the City's Annual Budget by April 15th of each year, revising it as appropriate after input from the public and City Council through the May budget hearings, and producing the final Adopted Budget that is approved by the City Council in June.

Chief Financial Officer (CFO)

The CFO provides the City with public services in the areas of financial reporting, auditing, management, and stewardship of City assets. All operations financial departments are organized under the CFO. The CFO is responsible for maintaining the financial records of the City, the development of the City's financial statements, external audit functions, preparing annual budgets, developing debt financing proposals, managing the City's investments, revenue collection and tracking, and long-range financial planning.

Department of Finance

The [Department of Finance](#) (DOF) provides services to the Mayor and serves as an internal fiscal consultant to other City Departments. DOF prepares the Proposed and Adopted Budgets in accordance with the City Charter each year. During the fiscal year, DOF monitors the City's expenditures and revenue receipts, oversees budget transfers and adjustments, and reviews requests for City Council and Mayoral actions for both the operating budget and the Capital Improvements Program. The DOF also prepares the City's Annual Comprehensive Financial Report (ACFR) at the end of each fiscal year and updates the City's Five-Year Financial Outlook for future years.

Overview of the Budget Process

Performance & Analytics

The [Performance & Analytics Department](#) (PandA) supports the improvement of City operations and customer service through its Citywide Engagement, Data and Analytics, Operational Excellence, Performance Management, and 311 Customer Experience programs. P&A directly supports the annual budget in a number of ways, such as working with DOF to develop the [online budget visualization tool](#) that displays budget information from 2011 and later, and its performance management team coordinates the inclusion of department narratives and Key Performance Indicators in Volume 2 of the Proposed and Adopted Budgets.

What Financial Policies Guide the Budget Process?

The City of San Diego has adopted several financial policies that serve as a guide to the Mayor and City Council in making policy decisions that affect the fiscal health of the City. They can be found on the Department of Finance's website at:

www.sandiego.gov/finance/about

City Budget Policy

The City's Budget Policy ([Council Policy 000-02](#)) assists the City in achieving its current and future goals in a fiscally responsible and sustainable manner. These policies establish guidelines for developing and monitoring the City's annual operating and capital budgets.

City Reserve Policy

Appropriate reserves are a key attribute of a financially stable organization. The City's reserve policy ([Council Policy 100-20](#)) recommends that the City establish and maintain appropriate reserves for its major funds. Adequate reserve levels allow the City to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies, such as natural disasters, catastrophic events caused by human activity, or excessive liabilities or legal judgments against the organization.

User Fee Policy

The City charges a range of fees for services provided to residents and businesses. These fees are imposed as a result of a public need, such as recreational services, rental uses, and other types of services. The User Fee Policy ([Council Policy 100-05](#)) outlines the method for establishing fees and the extent to which they recover the cost of the service provided.

City Debt Policy

The City's CFO executes debt instruments, administers debt proceeds, manages ongoing disclosure and debt compliance, and makes debt service payments, acting with prudence and diligence and with attention to prevailing economic conditions. Debt is an equitable means of financing projects and represents an important means of meeting fiscal responsibilities. The Debt Policy ([2021 Update via Resolution R-313616](#)) primarily addresses debt instruments and securities issued by the City in public or private bond markets.

Structural Budget Deficit Elimination Guiding Principles

These principles, adopted by the City Council in February 2010, guided the development of a comprehensive plan to eliminate the City's structural budget deficit. The Mayor's Office

Overview of the Budget Process

worked with the Office of the IBA, the Budget & Finance Committee (now the Budget & Government Efficiency Committee) and the full City Council in the development and implementation of this plan. Although the City is in a better financial position than it was at the time of adoption, these principles for fiscal responsibility continue to be an important structure when formulating and making decisions about the annual budget. These principles can be found in [IBA Report 10-18](#) or by referring to Resolution R-305615. They are also incorporated into the Statement of Budgetary Principles approved by Council each year for the upcoming fiscal year.

Important Resources

Important Resources

Contact Information

Todd Gloria Mayor

•202 C Street, 11th Floor • San Diego, CA • 92101
Website: <https://www.sandiego.gov/mayor/>
Phone: (619)-236-6330
Email: MayorToddGloria@sandiego.gov

Mara W. Elliott City Attorney

•1200 3rd Ave, Suite 1620 • San Diego, CA • 92101
Website: <https://www.sandiego.gov/cityattorney>
Phone: (619)-236-6220
Email: cityattorney@sandiego.gov

Charles Modica Independent Budget Analyst

•202 C Street, 3rd Floor • San Diego, CA • 92101
Website: <https://www.sandiego.gov/iba>
Phone: (619)-236-6555
Email: sdiba@sandiego.gov

Diana Fuentes Interim City Clerk

•202 C Street, 2nd Floor • San Diego, CA • 92101
Website: <https://www.sandiego.gov/city-clerk>
Phone: (619)-533-4000
Email: cityclerk@sandiego.gov

Andy Hanau City Auditor

•600 B Street, 13th Floor • San Diego, CA • 92101
Website: <https://www.sandiego.gov/auditor>
Phone: (619)-533-3165
Fraud hotline: 866-809-3500
Email: cityauditor@sandiego.gov



Eric Dargan Chief Operating Officer

•202 C Street, 11th Floor • San Diego, CA • 92101
Phone: (619)-236-6249

Matthew Vespi Chief Financial Officer

•202 C Street, 9th Floor • San Diego, CA • 92101
Phone: (619)-236-5941

Rolando Charvel Director, Department of Finance

•202 C Street, 8th Floor • San Diego, CA • 92101
Website: <https://www.sandiego.gov/finance>
Phone: (619)-236-6218
Email: rcharvel@sandiego.gov

Kirby Brady Director, Performance & Analytics

•202 C Street, 8th Floor • San Diego, CA • 92101
Website: <https://www.sandiego.gov/panda>
Phone: (619)-236-5587
Email: panda@sandiego.gov

Important Resources

City Council Offices

City Council offices are located on the 10th floor of the City Administration Building at: 202 C Street, San Diego, CA 92101. For more information about the City Council, or to find your Council District, please visit <https://www.sandiego.gov/citycouncil>.



**Councilmember
Joe LaCava**

District 1

JoeLaCava@sandiego.gov



**Councilmember
Jennifer Campbell**

District 2

JenniferCampbell@sandiego.gov



**Councilmember
Stephen Whitburn**

District 3

StephenWhitburn@sandiego.gov



**Council President Pro Tem
Monica Montgomery Steppe**

District 4

MMontgomerySteppe@sandiego.gov



**Councilmember
Marni von Wilpert**

District 5

MarnivonWilpert@sandiego.gov



**Councilmember
Kent Lee**

District 6

KentLee@sandiego.gov



**Councilmember
Raul Campillo**

District 7

RaulCampillo@sandiego.gov



**Councilmember
Vivian Moreno**

District 8

VivianMoreno@sandiego.gov



**Council President
Sean Elo-Rivera**

District 9

SeanEloRivera@sandiego.gov



Important Resources

Locating Budget Documents

The Annual Budget

Annual budget documents, including the Proposed and Adopted budgets of current and prior fiscal years, can be found on the Department of Finance's website: www.sandiego.gov/finance. You can also find budget monitoring reports and the City's Five-Year Financial Outlook on this website.

City Council & Committee Meeting Agendas

City Council and Committee meeting agendas and related materials, including those for the Audit, Budget & Government Efficiency, Budget Review, and Active Transportation & Infrastructure Committees, can be found on the City Clerk's website: www.sandiego.gov/city-clerk/councilcomm.

IBA Reports and Presentations

IBA reports and presentations on the budget and other fiscal and policy matters can be found at: www.sandiego.gov/iba. For updates when new reports are released, follow the IBA on Twitter [@SanDiegoIBA](https://twitter.com/SanDiegoIBA), or sign up for email updates on our website.

Interactive Online Budget Visualization Tool

In April 2016, the City released an online budget visualization tool so residents can see how tax dollars are budgeted. You can access the City's budget data from 2011 and later on the Open Data website at: <https://data.sandiego.gov/>

Glossary

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Adopted Budget

The Mayor and City Council's approved plan for the City's financial operations, which includes an estimate of expenditures and revenues for a given fiscal year.

American Rescue Plan Act (ARPA)

The President signed the American Rescue Plan Act of 2021 (ARPA) into law on March 11, 2021. Similar to, but much larger than, last year's Coronavirus Aid, Relief, and Economic Security Act (CARES), ARPA is estimated to provide the City with \$299.7 million in Coronavirus State and Local Fiscal Recovery Funds.

Annual Comprehensive Financial Report (ACFR)

A report prepared by the Department of Finance that summarizes financial data for the previous fiscal year in a standardized format. The ACFR is organized by fund and contains two basic types of information: a balance sheet and an operating statement.

Appropriation

A legal authorization to make expenditures and to incur obligations for specific purposes.

Appropriation Ordinance

The official enactment by the City Council to establish legal authority for City officials to obligate and expend resources

Balance (Fund Balance)

Revenues and assets in excess of the expenditure and reserve obligations of a fund at year end.

Balanced Budget

The amount of budgeted expenditures is equal to or less than the amount of budgeted revenues plus available fund balance.

Bond

A funding tool representing a written promise to pay a specific sum (face value or principal amount) in the future (maturity date), plus interest. In California, municipal government bonds are only used to finance capital improvements.

Budget

Proposed plan of expenditure and revenue over a specified period of time such as a fiscal year or accounting period.

Budget Priorities Resolution

A resolution in which the City Council has adopted a set of priorities for the annual budget. Priorities of each Councilmember are compiled by the Office of the IBA and transmitted to the Mayor for consideration when forming the proposed budget.

Capital Improvement Project

A capital improvement is generally a large construction project such as the development of

Glossary

park land, the construction of an overpass, the installation of a traffic signal, the acquisition of land, or the construction or remodeling of a City building.

Capital Improvements Program (CIP)

The long-range plan for all individual capital improvement projects and funding sources. CIP projects are unique construction projects that aim to install new, replace old, or rehabilitate existing infrastructure. Information regarding the City of San Diego's CIP can be found in Volume 3 of the City's Annual Budget document.

Expenditure

The actual outlay of monies from the City treasury.

Expenses

Charges incurred for operations, maintenance, interest, or other charges.

Fiscal Year (FY)

A 12-month timeframe designating the beginning and ending period for recording financial transactions. The City of San Diego has specified July 1 through June 30 as the fiscal year.

Five-Year Financial Outlook

The Five-Year Financial Outlook includes revenue and expenditure forecasts which are based on various assumptions. It serves as a long-range planning tool which identifies priorities, economic trends, risks and opportunities, and guides the City in the development of future budgets.

Franchise Fees

Fees resulting from agreements with private utility companies in exchange for use of the City's rights-of-way.

Fund

A fiscal and accounting entity with a self-balancing set of accounts to record revenue and expenditures.

General Fund

The City's main operating fund that pays for basic City services that use most of the City's tax revenue, such as public safety, parks, and library services.

Grant

A contribution by a government or other organization to support a particular function.

Infrastructure

The basic structures and underlying facilities needed for the functioning of a community and its economy, such as public facilities, streets, roads, bridges, tunnels, parks, storm drains, and water and sewer systems.

One-Time Expenditures and/or Revenues

Expenditures and/or revenues for one-time projects or services. After the project or service is completed, expenditures and/or revenues are terminated and are not considered part of the budget for the following year.

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Ongoing Expenditures and/or Revenues

Expenditures and/or revenues that are recurring and continue over more than one fiscal year.

Operating Budget

Authorized expenditures for ongoing municipal services such as public safety, street maintenance, parks, and libraries. The detail of the City of San Diego's operating budget can be found in Volume 2 of the City's annual budget document.

Proposed Budget

The Mayor's recommendation for the City's financial operations, which includes an estimate of proposed expenditures and revenues for a given fiscal year.

Reserve

An account used to indicate that a portion of a fund's balance is legally restricted for a specific purpose and is, therefore, not available for general appropriation.

Revenue

Funds received from various sources and treated as income to finance expenditures.

Schedules

Schedules provide a summary of revenues, expenditures, and positions for the operating budgets of all departments and budgeted funds, and reflect the funding sources and spending areas of the Capital Improvements Program.

Transient Occupancy Tax (TOT)

A tax that is imposed on occupants of hotel and motel rooms in the City of San Diego.

User Fee

A charge for services provided by the City to residents and businesses.