City Manager’s Budget Message

Honorable Mayor and City Council of the City of San Diego, California

The Fiscal Year 1999 Total Combined Budget is $1,708,321,319, including $576.1 million for General Fund expenditures, $746.1 million for Non-General Fund operations, $386.2 million for City-funded Capital Improvements Program expenditures, $161.5 million in interfund transactions, and 10,083 positions. This represents an increase of $240,810,153 and 162 positions over the Fiscal Year 1998 Budget.

The highest budgeting priorities identified by our citizens and the Mayor and City Council are Public Safety and Health, Neighborhood Pride and Protection, and Economic Development. Each of these areas has been enhanced in the Fiscal Year 1999 Budget. Some highlights include:

- An additional 15.00 Police Officers to enhance support for Juvenile Services.
- The Fire truck company, initially reduced in the Fiscal Year 1998 Budget, has been restored.
- $3.5 million has been added to staff and operate new Library and Park and Recreation facilities which became operational during Fiscal Year 1998 and new Park and Recreation facilities which are scheduled to open in Fiscal Year 1999.
City Manager’s Budget Message

- Transient Occupancy Taxes will fund the planned expansion of the Convention Center, which is projected to bring in an additional $330 million annually into the regional economy.

Outlined below are the sources used to fund the City’s total Fiscal Year 1999 Budget:

The City’s budget is financed by the use of various types of funds for its operations. Outlined below is a summary of these major expenditure areas:

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<tr>
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</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$576,078,000</td>
<td>+$31,410,000</td>
<td>6,566</td>
<td>+62</td>
</tr>
<tr>
<td>Enterprise Funds</td>
<td>$514,796,000</td>
<td>+$51,522,000</td>
<td>2,431</td>
<td>+64</td>
</tr>
<tr>
<td>Debt Service/Tax Funds</td>
<td>$10,778,000</td>
<td>+$2,022,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Special Revenue Funds</td>
<td>$220,508,000</td>
<td>+$65,569,000</td>
<td>524</td>
<td>+9</td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>$386,161,000</td>
<td>+$90,287,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Funds</td>
<td>(1)</td>
<td>(1)</td>
<td>562</td>
<td>+27</td>
</tr>
<tr>
<td><strong>TOTAL</strong>(2)</td>
<td><strong>$1,708,321,000</strong></td>
<td><strong>+$240,810,000</strong></td>
<td><strong>10,083</strong></td>
<td><strong>+162</strong></td>
</tr>
</tbody>
</table>

(1) Costs for these positions are included in other funds outlined above.
(2) Includes $161,523,000 in interfund transactions.

As the above table shows, approximately 86% of the $240,810,000 increase in the City’s budget occurred outside the General Fund.
Economic and Revenue Outlook

U.S. Economy

The Federal Reserve has cut interest rates, and there are expectations that further reductions may come in the near future. Japan has announced plans to fix its troubled banks, and Congress is taking measures to stabilize economies abroad. The global economy’s weakness is likely to slow growth in the U.S. economy, but the outlook reflects a modest pace of sustainable growth, and a recession is now considered avoidable.

Consumer optimism, which has dipped in recent months, continues at elevated levels. Strong consumer spending is expected to continue in 1998, though slowing in 1999. Consumer spending generates about two-thirds of the U.S. economic activity. This consumer optimism stems from the fact that the economic basic fundamentals—low interest rates, unemployment and inflation—are all expected to continue. In addition, housing starts are expected to slow in 1999, with automobile and light truck sales expected to rise slightly in 1999.

California Economy

Factors which had been predicted to negatively impact California’s economy have not materialized in the magnitude expected. El Niño storms did not measure up to other natural disasters, such as the earthquakes of recent years, and Asian trade with California has shown moderate losses due to the Asian financial crisis. Overall, Asian trade is expected to provide long run strength for the state. It is evidence of the economy’s resilience that the combined blows of the Asian economic crisis and El Niño have thus far failed to produce visible damage to major macroeconomic indicators.

California’s unemployment rate continues to decline. Strong increases have been seen in income growth and consumer spending – strongest since the mid-1980’s. Indicators of real estate and construction activity, while far below historic highs, are the most improved economic measures in California during the past year.

Income growth for the 1998 – 2000 period will more than accommodate the improved housing market and will leave some room for relatively strong retail spending, and will provide for an improved revenue outlook for state and local governments. Taxable sales are expected to maintain a 6% trend rate of increase through 2000.

San Diego Economy

Until the recession of the early 1990’s, the San Diego economy generally outperformed the national and California economies, with higher job growth during periods of economic growth, and shorter/shallower recessions. During the period 1993 to mid-1996, San Diego’s unemployment rate was above the national level, but still below the statewide rate.
Through the first half of this year, San Diego’s unemployment rate averaged 3.6%, compared with 4.4% during the first half of 1997. San Diego’s rate of 3.6% was also well below California’s 6.1% and the United States rate of 4.7%.

Fiscal Year 1998 may be the best year for San Diego construction in recent history. Fiscal Year 1998 saw a dramatic increase in residential construction activity. The total valuation of permits issued for the first half of this year was up 34.2% over 1997. A total of 1,537 single family units were authorized during this same period, representing a 16.5% increase over the prior year. Multiple family unit authorizations for the first half of this year totaled 1,201, compared with 737 multiple units during the same time frame in 1997.

The region’s economy, once dependent on defense, has been transformed and become diverse and broad-based, now including strong sectors of high-technology electronics, telecommunications, biotech and manufacturing firms.

**General Fund Revenues**

The Fiscal Year 1999 General Fund Revenue Budget is shown below. Major revenue sources, which comprise 59.7% of the total General Fund revenue budget, include property tax, sales tax, transient occupancy tax, and motor vehicle license fees.
The following table reflects budgeted and projected growth rates for the major General Fund revenues. Additionally, the projected growth rates for four other large California cities are shown for comparative purposes. This comparative data was collected at the time the proposed budget was prepared. As the chart shows, San Diego’s projections exceed the average of these four cities in every category.

<table>
<thead>
<tr>
<th>Major General Fund Revenue Sources</th>
<th>Fiscal Year 1998 Budget Growth Rate</th>
<th>Fiscal Year 1999 Projected Growth Rate (Four Large California Cities)</th>
<th>Fiscal Year 1999 Projected Growth Rate (City of San Diego)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>2.30%</td>
<td>3.00%</td>
<td>8.00%</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>5.55%</td>
<td>4.23%</td>
<td>6.00%</td>
</tr>
<tr>
<td>Transient Occupancy Tax</td>
<td>4.50%</td>
<td>6.60%</td>
<td>8.00%</td>
</tr>
<tr>
<td>Motor Vehicle License Fees</td>
<td>4.00%</td>
<td>3.83%</td>
<td>4.00%</td>
</tr>
</tbody>
</table>

The net increase in General Fund revenues of $31.4 million comes primarily from growth in major revenue sources.

Economic indicators reflect that the local economy is continuing to improve. The pace of new construction increased dramatically in Fiscal Year 1998, with approximately $1.5 billion in permits issued. This represents an increase of 43.7% from the prior year, and the highest annual total since Fiscal Year 1990. The total valuation of permits issued is an indicator of relative strength in the construction industry and overall economy.

Tourism activity has also shown record gains, with hotels reporting an average occupancy rate of 79% by the end of Fiscal Year 1998. This represents an increase of 3.5%, following an increase of 5.6% during Fiscal Year 1997. The trend in average occupancy rates, along with the number of room nights and average daily room rates is an indicator of potential growth in Transient Occupancy Tax revenues.
Credit Rating
The City of San Diego’s traditionally strong bond ratings were even further enhanced this year when Fitch IBCA announced that the firm had rated the City AA+ on its outstanding general obligation bonds. In a recent press release, Fitch IBCA said the new rating “reflects the City’s strong economy, including a positive near-term outlook for continued growth, low debt burden, and sound financial position.”

Fitch IBCA noted that the City has made a strong economic recovery, has an unemployment rate below statewide levels and on par with the national average, has created new high-wage employment opportunities in high technology areas, has had strong growth in tourism, an initial upturn in home values, and growth in military spending from base closure consolidation. The City’s debt levels and financial management were also cited as reasons for the strong rating. Consistent with my own analysis, Fitch IBCA’s press release said “City efforts to reduce spending through consolidation and greater efficiency have been effective.”

Fitch IBCA is one of the three top rating agencies that assign credit ratings. The City’s general obligation bonds are currently rated AA1 and AA by Moody’s Investor Service and Standard & Poor’s, respectively.

Despite past economic conditions, the City continues to maintain its strong credit rating among large cities in California. Based on the positive economic outlook, the City’s continued commitment to prudent fiscal management and consideration of my proposed five-year budget strategy, the City should continue to retain these strong ratings.

Bonding Program
Debt Management is an important component of a large city’s financial management practices. Cities use the option of debt financing to pay for large projects, such as police stations and water system upgrades and replacement, when paying for these projects out of current revenues would be impractical. For a large city, such as the City of San Diego, good debt management is important to ensure that: 1) the amount of debt issued by the City is affordable given the City’s anticipated revenue levels and operating needs; 2) the City issues debt at the lowest possible interest cost; and 3) the City issues debt in compliance with all relevant laws and regulations. As of June 30, 1998, the City of San Diego has $78.6 million aggregate principal amount of General Obligation Bonds outstanding and $213.8 million aggregate principal amount of General Fund lease obligations outstanding.
General Fund Operating Expenditures

The Fiscal Year 1999 General Fund Expenditure Budget totals $576,077,751 and includes 6,566 positions. This represents an increase of $31.4 million, and 62 positions. As shown in the following chart, more than half of the General Fund Budget is allocated to Public Safety expenditures.

General Fund Personnel Expenses

The Fiscal Year 1999 General Fund Budget is comprised of $423.5 million for personnel expenses and $152.6 million for non-personnel expenses. As the chart here shows, personnel costs account for more than 70% of the General Fund Budget.
Because personnel accounts for the largest portion of the General Fund budget, highlighted below are the major components that make up this expense:

<table>
<thead>
<tr>
<th>Personnel Expense</th>
<th>FY 1999 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Wages</td>
<td>$294,655,000</td>
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<tr>
<td>Special Pay</td>
<td>$10,325,000</td>
</tr>
<tr>
<td>Annual/Sick Leave</td>
<td>$2,452,000</td>
</tr>
<tr>
<td>Hourly Wages/Temporary Help</td>
<td>$11,039,000</td>
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<tr>
<td>Overtime</td>
<td>$8,366,000</td>
</tr>
<tr>
<td>Pension &amp; Retirement</td>
<td>$51,650,000</td>
</tr>
<tr>
<td>Health &amp; Disability</td>
<td>$44,991,000</td>
</tr>
<tr>
<td><strong>Total Personnel Expense</strong></td>
<td><strong>$423,478,000</strong></td>
</tr>
</tbody>
</table>

**General Fund Budget Priorities**

The City’s commitment to maintain services to the citizens and increase public safety spending continues with the Fiscal Year 1999 Budget.Outlined below are the City’s budgeting priorities, along with the budget enhancements and recent accomplishments made in these areas.

**Public Safety and Health**

Essential public safety services and functions continue to be the City’s highest budget priority, including Police, Fire and Life Safety Services. Health includes Refuse Collection, Health and Animal Control.

- The addition of 15.00 Police Officers will enhance support for Juvenile Services.
- The restoration of one Fire truck company reduced in Fiscal Year 1998 will improve the ability to respond to emergencies.
- Addition of $423,000 for Lifeguard Services will provide for the creation of a Staff Training Section, a Drowning Prevention Program, and increased hours of lifeguard protection at bays and beaches.
- The addition of $30,000 for Lifeguard Services will permit continuation of the successful “Learn to Swim for Free” Program for inner-city youth.
- Recently installed state-of-the-art digital audio logging equipment to support the Emergency Medical Dispatch Program in Fire and Life Safety Services by improving communication capabilities.
City Manager’s Budget Message

• The addition of $1 million for Animal Control Services to reflect the County of San Diego contract requirements.

• A new Neighborhood Prosecution Unit was recently formed in the City Attorney’s Office to work closely with the Police Department to proactively seek solutions to crime and prosecute criminals.

• The addition of $50,000 for weed abatement services on City-owned property will reduce potentially hazardous weed and brush growth throughout the City.

• The addition of $1 million will provide personal safety equipment for the City’s police officers.

Neighborhood Pride and Protection

Programs include maintenance of library programs and hours; maintenance of recreation center programs and hours; preservation of after school playground programs; graffiti removal improvement project; implementation of homework centers; the DARE program, and maintenance and operation of the City’s jail. These expenditures are budgeted within the Police, Library and Park and Recreation Departments.

• Addition of 29.76 positions and $2.6 million for new Park and Recreation facilities, including the City Heights Urban Village, San Ysidro Larsen Field Extension, Carmel Valley Town Center, and the Balboa Park Activity Center. This funding also provides for other parks, playgrounds, swimming pools, comfort stations, picnic shelters, landscape and lighting improvements, turfing of athletic fields, and upgrades at tot lots and playgrounds.

• Addition of 4.51 positions and $382,000 for annualization of the City Heights Swimming Pool and the Kumeyaay Lake Campground and Day Use Facility added in Fiscal Year 1998.

• Addition of 4.35 positions and $490,000 for annualization of the City Heights Branch Library and City Heights Black Box Theatre added in Fiscal Year 1998.

• Addition of 0.50 Park Ranger and $30,000 for Black Mountain Open Space Park.

• Addition of 3.50 positions and $200,000 for Library staffing and materials.

• Additional funding of $300,000 for Park and Recreation to increase funding for the matching program to take advantage of increased private contributions.

• In Fiscal Year 1997, volunteers provided more than 115,000 hours of service to the Library and over 246,000 to Park and Recreation. The total value of these hours is approximately $5 million. In addition, Library received more than $1 million in donations to purchase materials and equipment. The use of volunteers and donations continues to save the City money each year.
• Library received more than $1 million in grants from the state and federal government to augment library operations in Fiscal Year 1998. In Fiscal Year 1999, grant receipts are estimated at $871,000.

• In Park and Recreation, grant awards totaled $1.7 million in Fiscal Year 1998.

• Additional funding in Park & Recreation for Balboa Park promotions ($20,000); downtown restroom enhancements ($70,600); Presido Park Master Plan ($60,000); and San Diego Municipal Pier maintenance ($20,000).

**Economic Development**

Expenditures in these areas are intended to stimulate business activity.

• The planned expansion of the Convention Center is projected to infuse $1 billion annually into the regional economy, up from $680 million at present. In addition, it is expected to generate 4,000 new and permanent jobs.

• $380,000 is budgeted to continue the Naval Training Center planning effort.

• By following a strategy of proactive, targeted business retention and expansion, the City of San Diego in the last three years has created more new jobs than were lost in the previous five years of recession. This strategy, which aims at small businesses as well as large industries, is based on an ongoing analysis of the changing high technology industry clusters and on making San Diego a business-friendly city.

Shown here are the General Fund budget allocations to departments where these priorities have been funded for Fiscal Years 1995 through 1999.
Since Fiscal Year 1993, expenditures in the public safety area have received 65% of the total growth in the General Fund budget, an increase of $70.5 million out of the total growth of $108.5 million over this six-year period.

Since 1992 through the Fiscal Year 1999 Budget, the General Fund has experienced a gross reduction of 1,098 positions, including managerial, supervisory, professional and administrative support employees. The ratio of General Fund employees to population is now almost 21% less than in 1960 (excluding sworn positions). During this same time period, the ratio of sworn positions to population has increased by more than 50%. The City continues to maintain one of the lowest number of employees per capita among the major western cities, currently at 5.36 General Fund employees, including sworn positions and 8.23 total City employees per 1,000 population.

The Fiscal Year 1999 Budget is a good example of the trend that has developed in the past seven years. Approximately 44 positions have been reduced in the area of supervision and staff support and reductions in operations due to efficiency improvements. However, 81 positions and expenses have been added due to increased police staffing, fire and lifeguard services, and the growing number of new facilities.

Other General Fund enhancements and reductions include:

**Enhancements**

- Addition of $5.7 million for the Public Liability Claims Fund.

- Funding of $1 million for the “Six-to-Six” Extended School Day programs at 31 elementary schools.

- Addition of $250,000 to establish the Equal Opportunity Compliance Unit to address and remedy the finding of disparate treatment identified in the MBE/WBE Disparity and Post Disparity reports.

- Addition of $687,000 for Landfill Disposal increased refuse collection tonnage.

- Addition of 3.00 positions and $250,000 for the Multiple Species Conservation Program.

- Addition of $200,000 to update the General Plan.
City Manager’s Budget Message

• Addition of $100,000 for continuation of Zero Based Management Reviews.

• Addition of 2.00 positions and additional funding for City Attorney services.

• Addition of 1.00 reimbursable position for Engineering and Capital Projects contract processing and awards.

Reductions

• City Council directed 3/4 % General Fund reduction resulted in budgetary cutbacks totaling $4.1 million, including 6.72 positions in Park & Recreation and 1.00 position in Community & Economic Development; and additional revenue of $400,000.

• Reduction of 16.74 positions due to expansion of the Automated Refuse Collection Program.

• Reduction of the Community & Economic Development Urban Design Manager and secretarial support.

• Reduction of 5.00 positions and approximately $300,000 for Citywide support services, including auditing, treasurer, purchasing, financial, and technical services.

• Reduction of 1.00 position due to technological advances for traffic safety reports.

Non-General Fund Operating Expenditures

Although the General Fund is the City’s main operating fund and remains the primary focus when developing the budget each fiscal year, the City maintains other funds which also perform significant operating functions. Highlights of some of these Non-General Fund departments are described below:

Water

On August 12, 1997, the Mayor and City Council adopted a City Manager recommended series of water rate increases for Fiscal Years 1998, 1999 and 2000. The adopted increases were designed to increase the revenues generated by retail water sales within the City by 6% annually for three successive years. The City Council directed the Manager to generate the adopted 6% increases in annual revenue by raising the fixed base fee component of the water rate structure. The consumption rates will be adjusted only to account for increases in the cost of purchased water.

The Water Department’s Fiscal Year 1999 Budget includes a department-wide reorganization designed to improve operations and increase efficiency. The most significant changes include the consolidation of two divisions into one; Water Production and Water Distribution have been combined to form the new Water Operations Division. In addition, a new CIP Program Management Division has been created which will provide design and construction oversight for the repair, replacement, upgrade and expansion of the existing water delivery system. Projects
scheduled over the next eight years, totalling approximately $773 million, will include water treatment plants, storage and delivery systems, storage reservoirs, pump plants and cast iron water main replacements. These improvements will allow the Water Department to continue to reliably supply San Diegans with safe, clean water meeting the requirements of the 1996 Safe Drinking Water Act.

The Water Department’s Operating Budget includes a net increase of $35.9 million and 29.21 positions. Major expenditure increases include: $5.0 million for staffing and support for the Department’s new Capital Improvements Program Management Division; $4.6 million for increased water purchases; $3.9 million for department-wide information system enhancements; $800,000 for contractual services; $393,000 to fund the communications infrastructure improvements at the department’s headquarters; and $215,000 for the creation and maintenance of a data library. As a consequence of issuing debt for the Water Capital Improvements Program, the Water Department’s budget was also increased by $9.6 million for debt service and $10.8 million for an emergency operating reserve. In addition, the Water Department currently maintains a $3 million reserve which is used to fund unanticipated operating and capital expenses. Historically, these reserves have primarily been used to fund capital projects.

**Metropolitan Wastewater**

Metropolitan Wastewater’s Fiscal Year 1999 Operating Budget includes the net addition of $7.4 million. Increased funding is attributable to wastewater collection efforts which are responsible for the collection and transportation of wastewater generated within the San Diego service area and reduction of sewer overflows; increased costs to provide for capital improvements program support; department-wide operations and maintenance support; as well as automation and equipment needs. These additions are offset by a net reduction of 29.50 positions resulting from “Bid-to-Goal” efforts.

In March 1998, the City Council approved the City Manager’s recommendation to implement an innovative pilot program for the Operations and Maintenance Division of the Metropolitan Wastewater Department. This program, termed “Bid-to-Goal” was developed in conjunction with the City’s Competition Program, the San Diego Municipal Employees Association and the American Federation of State, County and Municipal Employees - Local 127. In essence, Bid-to-Goal incorporates the most desirable aspects of the public and private sectors and is most appropriate for a large, complex operation concerned with public health and safety. Bid-to-Goal is a six year agreement between the City and a management-labor partnership to operate and maintain the regional wastewater treatment system at specified service and budget levels. These levels were competitively benchmarked utilizing data from both public and private operators across the nation. Optimization measures in the employee submitted bid to meet this goal included: process streamlining and automation; centralization of major maintenance and warehousing functions; increased emphasis on predictive and preventative maintenance; more efficient procurement and inventory control practices; a more business oriented approach to managing risks; a pilot performance pay program; and an enhanced management-labor partnership. Achievement of the goal is projected to yield annual savings increasing from $8.8 million in Fiscal Year 1998 to $15.4 million in Fiscal Year 2003, with a cumulative six year total savings of $77.7 million.
Metropolitan Wastewater’s Capital Improvement Program Budget has decreased by $59.7 million due to completion of several projects. Accomplishments in the past year include the completion of the North City Water Reclamation Plant, the first large-scale water reclamation facility in San Diego’s history and the largest sewerage system expansion in the area in more than 30 years. In addition, the Metro Biosolids Center and the Fiesta Island Replacement Project (the system designed to replace the Fiesta Island Sludge Processing Center) are near completion. The groundbreaking for the South Bay Water Reclamation Plant has taken place and is scheduled to produce water for non-potable use in 2001.

Metropolitan Wastewater currently maintains over $27 million in reserves. $18.4 million is allocated for the department’s 45-day operating reserve and $5 million for the Capital Improvement Program (CIP) Bond Issuance Reserve. Both of these are required as part of the evaluation process for the issuance of Sewer Revenue Bonds. The 45-day reserve can only be used for emergency operating expenses and must immediately be replenished. The CIP reserve is used for the purpose of funding emergency capital requirements, such as an outfall break, and must not impair the City’s ability to repay debt service requirements. The unallocated reserve totals $4.3 million and may be used to fund both operating and capital project needs within the Sewer Fund.

Development Services

Since Fiscal Year 1992, Development Services has experienced a steady increase in total building valuation. In Fiscal Year 1998 total building valuation represented an increase of 44% over 1997. Currently, year-to-date valuation is up 93% over the same period last fiscal year. Most of this increase is attributable to new residential valuation. Other key measurements of workload are reflecting similar increases.

Development Services’ Fiscal Year 1999 Budget includes the addition of $5.4 million and 64.25 positions in order to address the increase in workload and maintain customer service levels. This represents a 19.7% increase in staff and reflects the minimum staffing needed to maintain customer service levels for anticipated sustained workload increases. These increases have impacted all service areas within the department, including plan check, inspection, and land development. By the end of Fiscal Year 1999, Development Services projects to have a $2 million reserve designated for future year needs. This sets aside a minimal 6.2% of the enterprise fund budget to ensure the fund’s stability through fluctuations in activity from year to year.

Environmental Services

The Fiscal Year 1999 Budget for the Environmental Services Department reflects recent changes to the solid waste financing system. A recycling fee (AB 939) was established and the Recycling, Household Hazardous Waste and Greens Collection Programs were transferred from the Refuse Disposal Enterprise Fund to the newly created Recycling Fund to improve program accountability.

Environmental Services maintains the Refuse Disposal Landfill Closure Reserve Fund, currently totalling $17,581,700. Required by state law, this fund accumulates annual contributions and
interest earnings to ensure that adequate monies are available to close Miramar Landfill at the end of its expected life. Contributions to the reserve fund are budgeted in the Refuse Disposal Division operating budget.

**Equipment Division**

The Equipment Division of the Transportation Department is responsible for the acquisition, maintenance and repair of the City’s 2,300 non-emergency vehicle fleet. Equipment Division has been able to maintain an overall fleet availability rate close to 95%. In addition, during Fiscal Year 1999 Equipment Division plans to lease and/or purchase 90 General Fund vehicles at a cost of $3 million and 189 Non-General Fund vehicles at a cost of $8.2 million.

**Capital Improvements Program**

The Fiscal Year 1999 Capital Improvements Program (CIP) Budget totals $455,414,505, which includes $386.2 million in City funded and $69.2 million in non-City funded projects.

The City takes a phased approach to CIP budgeting whereby monies are appropriated in the fiscal year in which the various stages of a project are scheduled, rather than appropriating all project costs in a single fiscal year. This has allowed the City to better match revenue flows with actual expenditure plans. Highlights of the Fiscal Year 1999 Capital Improvements Program are as follows:

**Sewer**

$190.8 million to continue the $2.5 billion upgrade of the City’s metropolitan and municipal wastewater system. This includes the South Bay Water Reclamation Plant, Metro Biosolids Center, continuation of the South Bay Ocean Outfall, and commencing of the Dairy Mart Road and Bridge improvements.

**Water**

The Fiscal Year 1999 CIP Water Budget is $124.4 million. Over the next eight years $773 million is scheduled for CIP Water projects, including water treatment plants, storage and delivery systems, storage reservoirs, pump plants and cast iron water main replacements. These improvements will allow the Water Department to continue to reliably supply San Diegans with safe, clean water, meeting the requirements of the 1996 Safe Drinking Water Act.
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Storm Drain and Flood Patrol

To provide for repair of damages caused by the recent “El Niño” storms.

Police

$4.9 million for design and construction of the Central Area Police Station.

Library

Final design and construction of the San Diego Main Library is pending further City Council action.

Fire

Provide two fire stations to serve the Mira Mesa and Miramar Ranch North/Scripps Ranch communities.

Convention Center Expansion

The expansion of the Convention Center is now underway, which will increase the existing facility by 931,864 gross square feet, increase the loading dock by 80%, and provide a 40,000 square foot ballroom.

Transportation

• $35 million provides for the east/west connection between Interstate 5 and Interstate 15 for State Route 56 - Carmel Valley to Black Mountain Road.

• $10.5 million for lane widening on Genesee Avenue - Interstate 5 crossing.

• $7.2 million in storm drain projects, including Beach Area Low Flow projects which will allow for sewer overflows and low flow storm runoff to return to the sewer, preventing pollution in the beach areas.

• $4.9 million for the widening of lanes and drainage improvements on La Jolla Village Drive - Torrey Pines Road to Villa La Jolla Drive.

• $4.5 million for the demolition, reconstruction and widening of the North Torrey Pines Road Bridge over Los Peñasquitos Creek.
Agency Budgets

During the development of City agency budgets, Financial Management staff works with the agencies in an effort to ensure that their budget requests are in conformance with various City policies prior to submission to the Mayor and City Council. Outlined below are the agencies currently reviewed by City staff:

San Diego Housing Commission
The San Diego Housing Commission was created by the City Council in 1979 to consolidate the City’s housing programs and to improve their effectiveness and delivery to those being served. Since that time, the Housing Commission has become a nationally recognized, high performing housing agency that helps more than 40,000 San Diegans attain affordable housing each year. The Housing Commission provides affordable housing to very low, low and moderate-income families, seniors, persons with disabilities, and those with special needs, including the homeless population and people living with AIDS. The San Diego Housing Commission’s Fiscal Year 1998 Budget totals $114,742,722.

Redevelopment Agency of the City of San Diego
The Redevelopment Agency was established by the City Council in 1958. Although the City Council serves as the Redevelopment Agency Board, the Agency is a separate, legal entity operating under the authority of California’s Community Redevelopment Law (Health and Safety Code Sec. 33000, et seq.). There are currently fifteen redevelopment projects areas encompassing more than 6,000 acres, and there are two areas of approximately 1,600 acres which are being studied for their feasibility as project areas. City staff serve as officers and staff to the Agency. The Agency has a unique system for project management by contracting with the City and with two public non-profit corporations: Centre City Development Corporation (CCDC) which manages redevelopment projects in the downtown area; and Southeastern Economic Development Corporation (SEDC) which manages projects in the southeastern area of the City. The Redevelopment Division, within the City’s Community and Economic Development Department, provides staff support to the Agency and implements redevelopment projects in the areas of the City not covered by the corporations. The Redevelopment Agency’s Fiscal Year 1998 Budget totals $137,282,000 (including continuing appropriations) and consists of $5,498,000 for the Redevelopment Division, $111,980,000 for CCDC and $19,804,000 for SEDC.

San Diego Convention Center Corporation
The San Diego Convention Center Corporation (SDCCC) was created by the City of San Diego to market, operate, and maintain the San Diego Convention Center. The Convention Center is currently a 760,000 square foot West Coast facility designed to attract and serve major conventions and trade shows within the City of San Diego and provide a positive community asset. On November 24, 1989, the Center opened its doors for business. Since that time, it has attracted more than 2.2 million out-of-town delegates attending 410 conventions and trade shows. In total, more than 6.3 million guests have attended over 1,939 events with an estimated financial impact to the region in excess of $1.7 billion. When the doors opened, the Center was the largest facility of its kind on the West Coast. Today, San Diego ranks fourth in size behind centers in
Anaheim, San Francisco, and Los Angeles. Expansion plans would increase the existing facility by 931,864 gross square feet, increase the loading dock by 80%, and provide a 40,000 square foot ballroom.

The SDCCC took over operations of the San Diego Concourse in 1993. The Concourse contains 300,000 square feet and includes the 2,996-seat Civic Theatre, Golden Hall and Plaza Hall, and 18 meeting rooms. The facility opened in 1965 and is a multi-purpose complex designed to serve convention and trade shows, meetings and seminars, performing arts, food and beverage events, community events, and other activities. The San Diego Convention Center Corporation’s Fiscal Year 1999 Budget totals $22,288,085, and was approved by the Mayor and City Council on September 8, 1998.

San Diego Data Processing Corporation
The mission of San Diego Data Processing Corporation (SDDPC) is to excel at providing quality information technology services for the benefit of the City of San Diego and the region. The Corporation was established by the City Council in 1979 as a not-for-profit public benefit corporation. Although the City is the sole member of the Corporation, SDDPC is a separate, legally constituted body which operates under authority granted by state law. In conjunction with the City, SDDPC has helped to manage and support several City projects, including 1) Year 2000 Conversion; 2) City “A” list priority projects, including the On-Line Purchasing Information System (OPIS), Financial Management Information Management System (FMIS), and the Jobs On Line Tracking System (JOLTS); 3) Increase of regional support for Law Enforcement Information Systems by re-energizing activities associated with the Area Regional Justice Information System (ARJIS); 4) Implementation of the Sewer/Water Infrastructure Management (SWIM) system; 5) Support to the City’s Parking Ticket System; and 6) Support to the City’s ongoing development of its award-winning City of San Diego Internet site. San Diego Data Processing Corporation’s Fiscal Year 1998 Budget totals $52,206,604.
Conclusion

The City has compensated for recessionary revenue losses and the State of California’s diversion of local revenues through increased efforts to stimulate business activity and the use of various programs designed to increase efficiency, reduce costs and enhance services. Despite these funding challenges, the City has continued its ongoing efforts and commitment to provide high quality services to its residents, businesses, and visitors. The City has conducted Citywide surveys the last three years to determine our residents’ level of satisfaction with major services. The most recent survey, conducted in October of 1997, found that 95% of citizens are satisfied with the overall services provided by the City—an increase over previous surveys. We look forward to even greater achievements and citizen satisfaction in Fiscal Year 1999.

Respectfully Submitted,

Michael T. Uberuaga
City Manager