

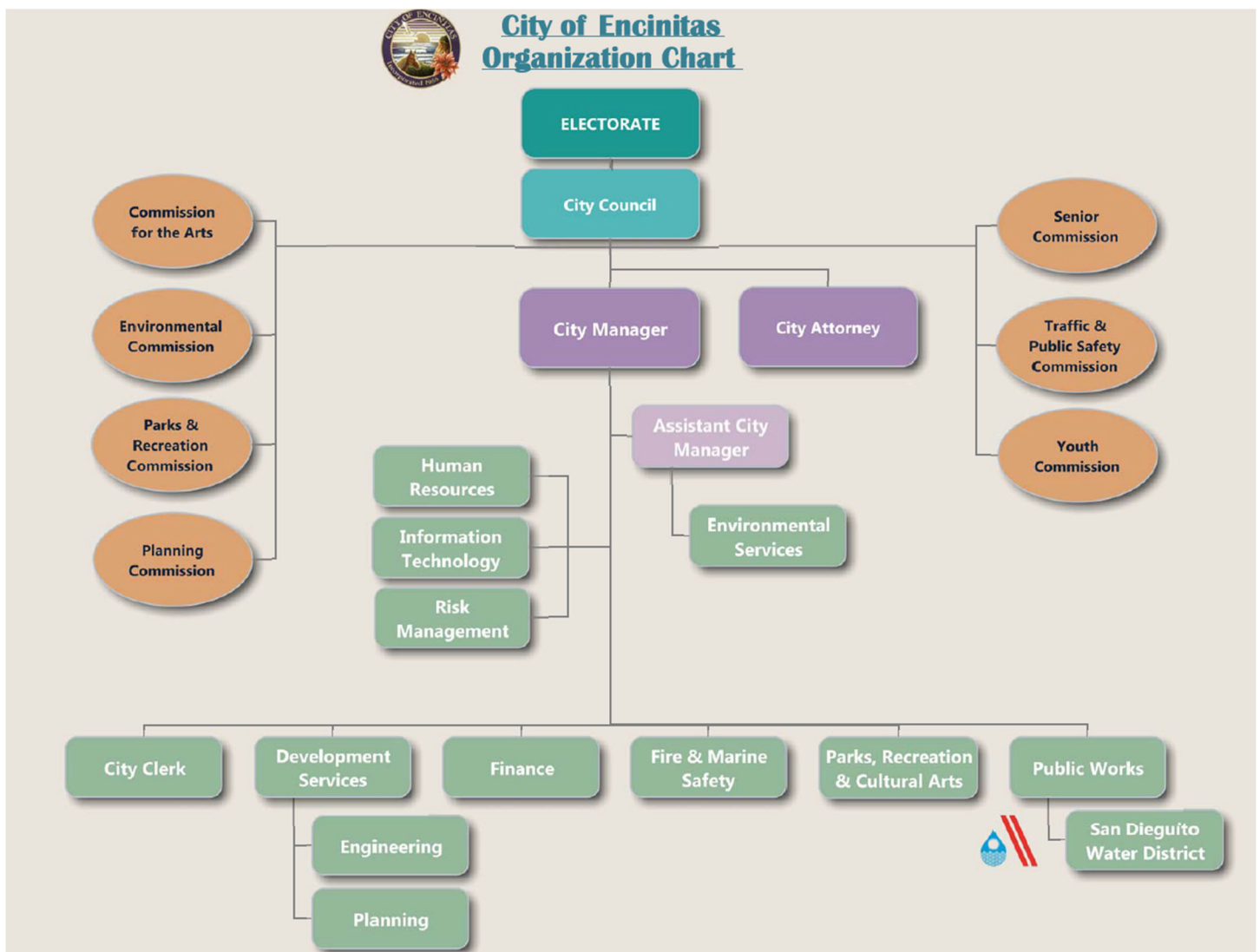
Organization Chart

The organization chart displays the structure of the City and its subsidiary districts. It reflects:

- Overall responsibilities of the City Council including district oversight; and
- Relationships between Advisory Commissions and their respective department divisions.

Organizational charts for each department are presented in the Department Section of this document and on the [Human Resources Division](#) webpage.

This year, the City Manager recommended reclassifications and organizational changes to streamline and focus services to the community; recognize increased duties in several job classifications; as well as to ensure continuity of operations in several departments including development services.

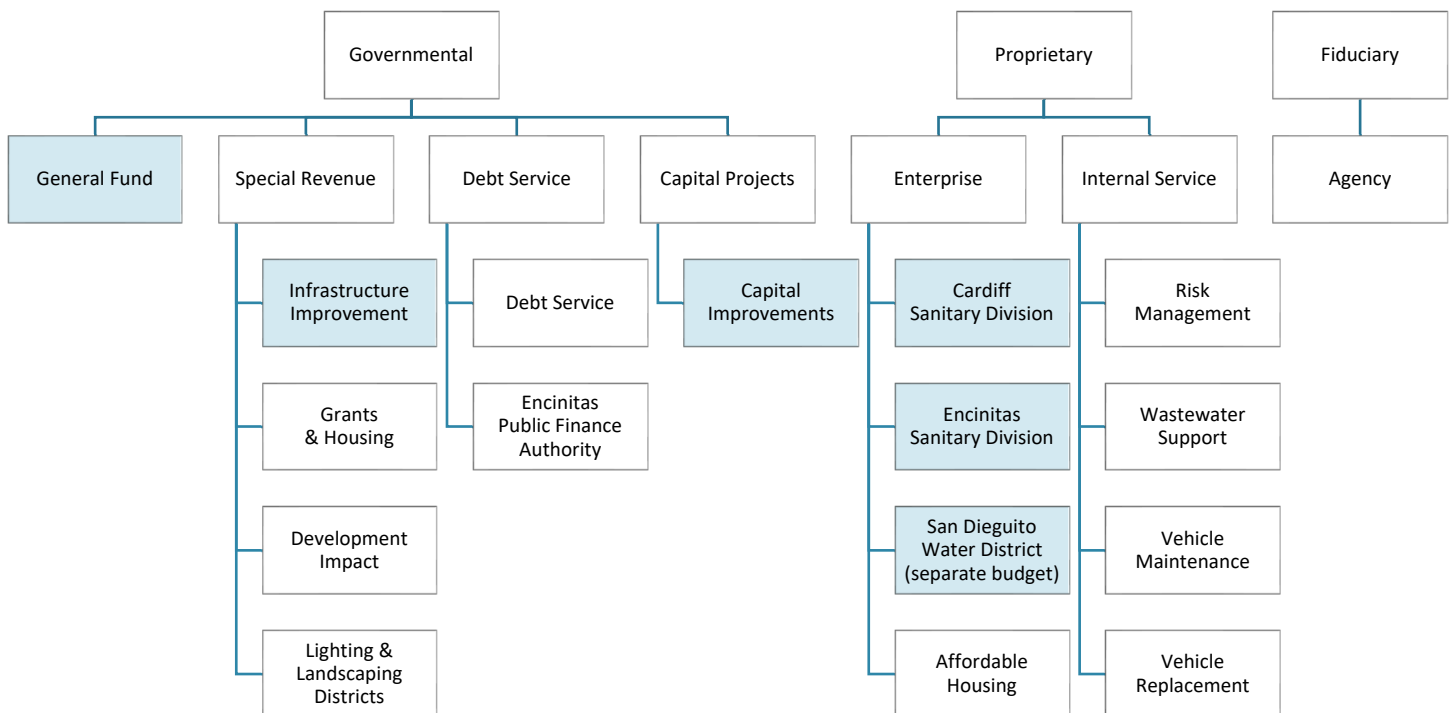


Fund Structure

This diagram represents funds reported in the Annual Comprehensive Financial Report.

Shaded boxes represent major funds.

The following pages provide fund descriptions, including the relationship between funds reported in the financial statements versus funds budgeted.



Fund Descriptions

Governmental Funds

General Fund

The General Fund is used to account for resources traditionally associated with general government which are not required to be accounted for in a separate fund including: sales tax, property tax, transient occupancy tax, licenses and permits, fines and forfeitures. This fund is used to finance most of the basic municipal functions, such as general administration, public safety, parks and recreation, and capital projects.

Special Revenue Funds

Infrastructure Improvement Fund (Major)

Infrastructure Improvements Special Revenue Fund is a major fund used to account for fees or grant proceeds that are legally restricted for specific purposes. For budget purposes, the individual funds below are budgeted based on the revenue source and combined for financial statement purposes.

Highway Users Tax Account (Gas Tax) Fund is derived from the State tax on gasoline sales. The funds are allocated to cities based on Sections 2105, 2106, 2107, and 2107.5 of the California Street and Highway Code. In FY 2016-17, Section 2030 was added to the Highway Users Tax Account (HUTA) revenues. This 2017 Act establishes a new Road Maintenance and Rehabilitation Account (RMRA). Gas Tax funds are restricted for use in the construction, improvement, and maintenance of public streets. The fund supports both annual operating costs and capital projects.

State Capital Grants Fund is made up of contributions of cash or other assets from state agencies and are to be used or expended for a specified purpose, activity, or facility.

TransNet Fund was originally a twenty-year local transportation sales tax program approved by San Diego County voters in 1988. The one-half percent sales tax increase can be used for establishing, operating, and maintaining transportation programs or facilities. Funds are collected by the State and reallocated to the local governments by San Diego Association of Governments (SANDAG). In November 2004 voters approved the extension of the funds for an additional 40 years. The Transportation Development Act (TDA) Grant fund is discretionary TransNet money that is distributed on a competitive grant basis by SANDAG.

Coastal Zone Management Fund was established following an election in November 1998 to increase the City's hotel tax from eight to ten percent. The additional two percent is used for beach sand replenishment and stabilization programs.

Federal Capital Grants Fund is based on the actual reimbursement requests for actual expenditures incurred from various granting agencies.

Grants and Housing Fund (Non-Major)

Grants and Housing Fund is a non-major fund used to account for grant proceeds that are legally restricted for specific purposes. For budget purposes, the individual funds below are budgeted based on the revenue source and combined for financial statement purposes.

State Law Enforcement Grant Fund appropriates funds for local jurisdictions to supplement law enforcement services. This is an annual block grant and the funds can be used to offset additional law enforcement costs and relieve the General Fund.

Governmental/Educational Access Fund was established to account for the monies received from cable communication companies as part of franchise renewal agreements. The funds are used to obtain capital equipment and support operating expense to televise city council meetings.

Solid Waste Fund tracks revenues and expenditures related to solid waste disposal, recycling household hazardous waste programs and all grants associated with the program.

Senior Nutrition Grant Fund tracks revenues and expenditures for the Senior Nutrition Program. The program is funded through a grant from the County of San Diego, participant donations and a transfer from the General Fund.

Community Development Block Grant Fund are allocated to local governments on a formula basis and are required to be used within the broad functional area of community development. The City has utilized the funds for safe walk to school projects as well as citywide sidewalk programs.

Federal Law Enforcement Grant Fund appropriates funds from the Federal Justice Assistance Grant program for local jurisdictions to supplement law enforcement services. This is an annual U.S. Department of Justice federal law enforcement Justice Assistance Grant of \$10,000 and used by the City to fund services on law enforcement radio communications systems.

Donations and Contributions Fund Tracks revenues and expenditures associated with donations received by the City that are restricted for a specific use.

CSA17 Fire Operations Fund established to track revenue and expenditures related to the County Service Area 17. Revenue is collected through the Emergency Management Services (EMS) Agreement with the County of San Diego for Advance Life Support (ALS) first responders, EMS support services, and annual monitor-defibrillator maintenance agreement coverage. Expenditures include costs associated with providing ALS first responder services--including facilities, medical supplies, equipment, and EMS training for fire and lifeguards.

Development Impact Fund (Non-Major)

Development Impact Fund is a non-major fund used to account for fees received from developers/builders to defray the costs of infrastructure for new development. For budget purposes, the individual funds are budgeted based on the revenue source and combined for financial statement purposes.

Park Improvement Fees Fund These fees are required of a developer/builder to defray the estimated costs of developing new or rehabilitating existing parkland and recreational facilities.

Park Acquisition Fees Fund These fees are required of a developer/builder to defray the costs of acquiring recreational facilities or parkland.

Traffic Mitigation Fees Fund These fees are required of a developer/builder to defray the actual or estimated costs of constructing planned infrastructure to serve new development. These funds may be used only for the construction of roadways and roadway-related facilities, such as signals, stop signs, etc.

Regional Traffic Congestion Improvement Program (RTCIP) Fund is a regional traffic mitigation fee as required by the San Diego Association of Governments (SANDAG) Ordinance 04-01, which is intended to ensure that future development will contribute its share toward funding and mitigating new traffic impacts on the regional arterial system. Local jurisdictions must comply with this requirement to receive their fair share of TransNet funding.

Open Space Acquisition Fees Fund These fees are collected from developer/builder of residential property for the purpose of defraying the cost of acquiring community assets of open space land.

Recreation Trails Fees Fund These fees are collected from developer/builder of residential property for the purpose of defraying the cost of acquiring land for or developing recreational trails.

Community Facilities Fees Fund These fees are specifically earmarked for debt service payments on the library.

Fire Mitigation Fees Fund These fees are specifically earmarked for debt service payments for fire station bond financing.

Flood Control Fees Fund These fees are required of a developer/builder to defray the actual or estimated costs of constructing drainage facilities to serve the new development. These funds are used for the construction of drainage facilities.

In Lieu Fees Curb Gutter Sidewalks Fund These fees are collected from builders or developers to defray the actual or estimated costs of constructing curb, gutter, and sidewalk facilities to serve the new development.

In Lieu Underground Fees Fund These fees are collected on certain development projects where it is impractical for the applicant to underground utilities.

In Lieu Fees Affordable Housing Fund Collected from builders or developers to provide a subdivider's fair share contribution towards meeting the City's affordable housing assistance objective in lieu of providing units reserved for lower-income tenants.

Lighting and Landscaping Fund (Non-Major)

Lighting and Landscaping Fund is a non-major fund used to account for assessments collected within an assessment district for the purpose of providing for the maintenance of landscaping, traffic signals and streetlights. For budget purposes, the individual funds below are budgeted based on the revenue source and combined for financial statement purposes.

Villanitas Road Lighting and Landscaping Fund tracks revenues and expenditures associated with the localized landscaping improvements such as neighborhood parks, entryway landscaping, streetscape landscaping within the Villanitas assessment district.

Cerro Street Lighting and Landscaping Fund tracks revenues and expenditures associated with the localized landscaping improvements within the developed parcels within the Cerro Street assessment district.

Village Park Lighting and Landscaping Fund tracks revenues and expenditures associated with the localized landscaping improvements such as neighborhood parks, entryway landscaping, streetscape landscaping within the Village Park assessment district.

Wiro Park Lighting and Landscaping Fund tracks revenues and expenditures associated with the localized landscaping improvements such as neighborhood parks, entryway landscaping, streetscape landscaping within the Wiro Park assessment district.

Encinitas Lighting and Landscaping District Fund is used for the maintenance and improvement of streetlights, traffic signals and landscaping within the street right of way.

Encinitas Ranch Lighting and Landscaping District Fund is used for the maintenance and improvement of street lights, traffic signals and landscaping within the Encinitas Ranch Specific Plan Area.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the repayment of general long-term debt, interest, and related costs.

City Debt Service Fund

The City Debt Service Fund is used to record principal and interest payments on all City debt.

Encinitas Public Financing Authority Fund

The Encinitas Public Financing Authority Fund is used to record the financing provided for public capital improvements for the City.

Capital Improvements Fund (Major)

Capital Improvements Fund

The Capital Improvements Fund is a major fund and is used to account for financial resources to be used for the acquisition and/or construction of major capital facilities and facility maintenance. Bond proceeds and/or capital grants may fund the construction. Projects usually span several years. Budgets are adopted by project, not by year.

For budget purposes, it is comprised of the following three funds and combined for financial statement purposes.

Multi-Year Capital Improvements Fund tracks capital and work projects that are budgeted and completed on a multi-year basis.

Annual Capital Improvements Fund tracks capital and work projects that are budgeted for one year and can be completed within one year.

Facilities Capital Maintenance Fund provides funding for City facilities maintenance through annual transfers from the General Fund.

Proprietary Funds

Enterprise Funds

Enterprise Funds account for the acquisition, operation and maintenance of government facilities and services which are self-supported by user charges.

The Cardiff Sanitary Division Fund (Major) is a major fund and provides wastewater collection and treatments services. Revenues are generated from user fees, which are adjusted periodically to meet the costs of administration, operation, maintenance, and capital improvements to the system.

The Encinitas Sanitary Division Fund (Major) is a major fund and provides wastewater collection and treatments services. Revenues are generated from user fees, which are adjusted periodically to meet the costs of administration, operation, maintenance, and capital improvements to the system.

The San Dieguito Water District Fund (Major) is a major fund and provides potable water and recycled water. Revenues are derived from a bi-monthly service availability charge, which covers the costs for the maintenance of meters water lines, and storage facilities. The SDWD operating and capital improvement budgets are presented in a separate document.

The Affordable Housing Fund (Non-Major) is a non-major fund used to account for low to moderate income housing. For budget purposes, the individual funds below are budgeted based on the revenue source and combined for financial statement purposes.

Section 8 Housing Administration Fund tracks administrative funds issued to the Encinitas Housing Authority (EHA). These are federal entitlement grant funds from the U.S. Department of Housing and Urban Development used to pay for the administrative costs of overseeing the Section 8 voucher program. Costs include accepting and reviewing applications, recertifying eligibility, and inspecting the rental units. The Section 8 Rental Housing Choice Voucher program increases affordable housing choices for very low-income households by allowing families to choose privately owned rental housing. Families apply to the EHA for a Section 8 certificate. The EHA pays the landlord the difference between 30 percent of the household's adjusted income and the unit's rent.

Section 8 Housing Assistance Payment (HAP) Fund tracks Housing Assistance Payment (HAP) funds issued to the Encinitas Housing Authority. These are federal entitlement grant funds from the U.S. Department of Housing and Urban Development (HUD) that are used to pay the landlord the amount equal to the difference between the tenant portion of the rent and the contract rent. HUD-Held and Set Aside funding is available to the EHA to draw from, should the EHA require additional funding.

Pacific Pines Affordable Housing Fund covers the cost of management and maintenance of 16 affordable units managed by the City. In 2003, the Encinitas Housing Authority (EHA) acquired 16 condominium units at Pacific Pines complex located on South El Camino Real. The purpose of acquiring the units was to provide affordable rental housing opportunities for low-income Encinitas households, particularly those households which are participants in the Section 8 Housing Choice Voucher (HCV) Program.

Internal Service Funds

Internal Service Funds account for the goods and services provided by one department or agency to other department or agencies on a cost reimbursement basis.

Risk Management (Self-Insurance) Fund provides a tracking of revenue and expenditures associated with claims adjustments, legal defense costs, and safety programs.

Wastewater Support Fund accounts for the services provided by City personnel to the Cardiff Sanitary Division and the Encinitas Sanitary Division. The services include administration, sewer line cleaning and maintenance and equipment usage charges. This fund does not accrue any fund balance, reimbursement revenues equal expenses.

Vehicle Maintenance Fund accounts for the services provided by City personnel to departments and activities that utilize vehicles and/or equipment in their operations. The services include routine maintenance and repairs to the fleet, which includes Fire apparatus and Wastewater and Stormwater

heavy equipment. This fund does not accrue any fund balance; reimbursement revenues equal expenses.

Vehicle Replacement Fund was established to centralize the budgeting and purchasing of City vehicles and equipment. A replacement charge is calculated and charged annually to the General Fund and Wastewater and is recorded as revenue to the Replacement Funds. Vehicles, equipment, and fire apparatus are purchased when the existing unit has reached the end of its useful life. Any additions to the fleet must be approved by the City Council in advance. The following individual funds below are budgeted based on the equipment type and combined for financial statement purposes.

Vehicle Replacement Fund was established for the replacement of the City's light duty vehicles as determined by a vehicle longevity table and replacement guidelines. The fund operates as an internal cost allocation and departments contribute funds based on a replacement schedule.

Machinery Equipment Replacement Fund was established for the replacement of the City's major equipment. This fund also operates as an internal cost allocation and departments contribute funds based on a replacement schedule.

Fire Apparatus Replacement Fund was established for the replacement of the City's fire apparatus. This fund operates as an internal cost allocation, and the Fire Department contributes funds based on a replacement schedule. Replacements are made in accordance with the Council approved Fire Apparatus Replacement and Financing Program.

Fiduciary Funds

Fiduciary funds are custodial in nature, and therefore are not budgeted.

Department / Fund Relationship

SHADED BOXES Represent Major Funds

	Fund	GENERAL GOVERNMENT					PLANNING	ENGINEERING	PUBLIC SAFETY		PUBLIC WORKS	PARKS & REC	INTEREST
		City Council	City Manager	City Clerk	Finance	Non-Departmental	Dev Svcs Planning	Dev Svcs Engineering	Law Enforcement	Fire & Marine Safety	Public Works	Parks Recreation & Cultural Arts	Long-Term Debt Service
GENERAL	101 - GENERAL FUND	X	X	X	X	X	X	X	X	X	X	X	
SPECIAL REVENUE Infrastructure	201 - STATE GASOLINE TAXES					X							
	203 - STATE CAPITAL GRANTS					X							
	211 - TRANSNET PROGRAM					X							
	212 - COASTAL ZONE MANAGEMENT		X			X							
	223 - FEDERAL CAPITAL GRANT					X							
SPECIAL REVENUE Grants & Housing	202 - STATE LAW ENF GRANT								X				
	213 - GOVERNMENT EDUCATION ACCESS	X				X							
	214 - SOLID WASTE RECYCLING & HHW										X		
	221 - SENIOR NUTRITION GRANT											X	
	228 - FEDERAL LAW ENF GRANT								X				
	229 - RESTRICTED DONATIONS & CONTRIB					X						X	
	230 - CSA-17 BENEFIT FEES					X				X			
SPECIAL REVENUE Development Impact	231 - PARK DEVELOPMENT FEES					X							
	232 - PARKLAND ACQUISITION FEES					X							
	233 - TRAFFIC MITIGATION FEES					X							
	234 - REGIONAL TRAFFIC MITIG FEE					X							
	235 - OPEN SPACE ACQUISITION FEES					X							
	236 - RECREATIONAL TRAILS FEES					X							
	237 - COMMUNITY FACILITIES FEES					X							
	238 - FIRE MITIGATION FEES					X							
	239 - FLOOD CONTROL MITIGATION FEES					X							
	251 - IN LIEU FEES CURB GUTTER SIDEW					X							
	252 - IN LIEU FEES UNDERGROUND UTIL					X							
	253 - IN LIEU FEES AFFORDABLE HOUSIN					X							

Department / Fund Relationship

SHADED BOXES Represent Major Funds

Fund	GENERAL GOVERNMENT					PLANNING	ENGINEERING	PUBLIC SAFETY		PUBLIC WORKS	PARKS & REC	INTEREST
	City Council	City Manager	City Clerk	Finance	Non-Departmental	Dev Svcs Planning	Dev Svcs Engineering	Law Enforcement	Fire & Marine Safety	Public Works	Parks Recreation & Cultural Arts	Long-Term Debt Service
SPECIAL REVENUE Municipal Improvement Districts												
	291 - VILLANITAS ROAD MID										X	
	292 - CERRO STREET MID										X	
	293 - VILLAGE PARK MID										X	
	294 - WIRO PARK MID										X	
	295 - ENCINITAS LLD				X		X			X	X	
	297 - ENC RANCH LLD						X			X	X	
DEBT SERVICE												
	301 - DEBT SERVICE FUND											X
	302 - ENC PUBLIC FINANCE AUTHORITY											X
CAPITAL PROJECTS												
	403 - FACILITIES CAPITAL MAINTENANCE				X					X		
ENTERPRISE CSD	511 - CSD OPERATIONS				X					X		X
	512 - CSD CAPITAL REPLACEMENT				X					X		
ENTERPRISE ESD	521 - ESD OPERATIONS				X					X		
	523 - ESD CAPITALEXPANSION				X					X		
ENTERPRISE	551 - SECTION 8 HOUSING ADMIN					X						
	552 - SECTION 8 HOUSING HAP					X						
	561 - PAC PINES AFFORDABLE HOUSING				X	X						X
INTERNAL SERVICE												
	601 - SELF INSURANCE		X		X							
	611 - WASTEWATER SUPPORT				X					X		
	621 - FLEET MAINTENANCE									X		
	622 - VEHICLE REPLACEMENT				X					X		
	623 - MACH EQUIPMENT REPLACEMENT				X					X		
	624 - FIRE APPARATUS REPLACEMENT				X					X		X

Basis of Budgeting

Basis of Accounting

The term "basis of accounting" is used to describe the timing of recognition, that is, when the effects of transactions or events should be recognized.

All governmental funds are accounted for on a spending—or “current financial resources”—measurement focus and the modified accrual basis of accounting.

- Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collectible within the current period or soon enough thereafter to pay liabilities of the current period.
- Expenditures are generally recorded when a liability is incurred.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting.

- Revenue is recorded when earned.
- Expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board, the accepted standard-setting body for establish governmental accounting and financial reporting standards.

Basis of Budgeting

The basis of budgeting is consistent with the basis of accounting discussed above.

Any budgeted funds that are not expensed by the end of the first year of the two-year budget can be “carried over” to the second year by Council approval of a continuing appropriation request. All other unexpended appropriations lapse at the end of the year.

Any variations between budgeted and actual revenues and expenditures are reported at year end, following the City’s annual audit, to the City Council. A status report of the operating budget and all capital projects is presented to the City Council quarterly.

Budget presentation follows the recommendations of the Government Finance Officers Association, a professional organization that recommends policies and develops best practices to advance excellence in public finance.

Some component units and funds that are reported in the City's financial statements are not included in the City's budget document.

Please refer to the Fund Structure chart on page 10 and Fund Descriptions on page 11 for more information about the relationship between funds reported in the financial statements versus funds budgeted.

Financial Policies

Structurally Balanced Budget

A balanced budget is one that balances revenues with expenditures. A structurally balanced budget is one that supports financial sustainability for multiple years into the future, not just the current budget period.

The City of Encinitas defines a balanced operating budget as one where recurring revenues equal or exceed recurring expenditures. One-time revenue and reserves should not be used for ongoing operations. Using reserves to balance the budget may be considered but only in the context of a plan to return to structural balance, replenish fund balance, and ultimately remediate the negative impacts of any other short-term balancing actions that may be taken.

Policy Compliance Checklist

City Council Resolutions and Administrative Policies provide specific direction that governing bodies and staff need in order to meet long-term financial goals. The following matrix shows how the proposed budget complies with related long-term financial policies:

Policy	Policy Requirements	Budget Complies?	Comments
State Requirement	Legal authorization. A public agency may not spend public funds without the legal authorization to do so. A budget appropriates public funds, providing the legal authorization from the governing body to expend these funds	Yes	City Council Resolution 2021-070 Adoption of the FY 2021-22 Operating Budget & CIP Budget 6/23/2021
State Requirement	Appropriations Limit (Gann Limit). Each city must annually establish its appropriations limit pertaining to the proceeds from taxes in compliance with Article XIII B of the California Constitution and Cal. Government Code Sec 7910.	Yes	City Council Resolution 2021-071 Adoption of the FY 2021-22 Gann Limits 6/23/2021
F005 Admin Policy	Operating and CIP Budget Procedures. Each department submits budget requests, reviewed/proposed by City Manager, and approved by Council. No department is authorized to commit or spend funds beyond the Council-approved budget appropriation.	Yes	2021-06-09 Special Meeting Item 04A Introduction of Operating Budget
010 Admin Policy	Reserves – General Fund:		
	<i>Contingency Reserve</i> will be budgeted each year, target is 20% of operating expenditures.	Yes	20%
	<i>Budget Stabilization Reserve</i> , target is 2% of operating revenues.	Yes	2%

Policy	Policy Requirements	Budget Complies?	Comments
F005 Admin Policy	Funding Capital Improvement and Work Projects. Restrictive funding sources are to be used before less-restrictive sources. Projects finance through the issuance of bonds will be <i>financed for a period not to exceed the expected useful life of the project.</i>	N/A to operating budget	CIP Budget is in compliance
F019 Admin Policy	Investment Policy. Provides guidelines for investing excess public funds.	Yes	
F028 Admin Policy	Continuing Appropriations. Allows for carryover of unexpended operating appropriations from the first year to the second year of the two-year operating budget. Amounts must be greater than \$5,000. Does not apply to Capital Budget.	N/A	Proposed budget is first year of the two-year cycle.
F030 Admin Policy	Debt Management Policy:		
	Borrowings mature over a <i>term that does not exceed the economic life</i> of the improvements they finance.	Yes	
	City does not issue debt to finance improvements with a value of <i>\$300,000 of less or with a probable useful life of less than four years.</i> The City <i>does not issue debt to finance operational needs</i>	Yes	
	Debt service on bonds and notes paid each year <i>shall not exceed 15 percent of the General Fund budget</i> of the City excluding: <ul style="list-style-type: none"> Tax anticipation notes and other indebtedness with a maturity of one year or less. Bond or other indebtedness of the City payable from revenues for special taxing or assessment districts. Self supporting bonds or other debt. 	Yes	5% of General Fund as of June 30, 2021. With proposed financing from IBank for Leucadia Streetscape, the City will still be below the limit.
	City may use other forms of financing, including lease financing in any of its forms.	Yes	
	City may refinance outstanding long-term debt when such refinancing allows the City to realize significant debt service saving	Yes	Refinanced two bonds in July 2021
	City will make every reasonable effort to maintain its high-quality credit ratings	Yes	AAA
Reso 2018-067	Unfunded Pension Liabilities Policy. Policy to pay off the current unfunded pension liabilities annually for Classic Tier 2 and PEPRA plans. <u>Resolution adopted by City Council on 6/20/2018</u>	Yes	At City Council's discretion, additional payments are made to reduce the unfunded liability.

Budget Process

The City of Encinitas prepares a two-year budget. The proposed budget includes key operational requests, directs resources to meet Council priorities, addresses focus areas and goals in the Strategic Plan, and supports City Council initiatives. Staff takes a conservative approach in estimating revenues and expenditures. This often means that year end revenues are slightly higher than budget projections and that expenditures are slightly lower.

Two-Year Budget Cycle

The City shifted to a two-year budget cycle in FY 2001-02. As part of this process, two separate twelve-month budgets are prepared and submitted to the City Council every other year. However, the City Council can only adopt one year at a time in accordance with State of California statute.

How is a budget prepared?

The City's budget process begins several months prior to the adoption. The City Manager meets with the Executive Team to outline budget goals and directives for the operating budget development. The process also includes a detailed review of the current Capital Improvement Program and six-year cash flow for all City funds.

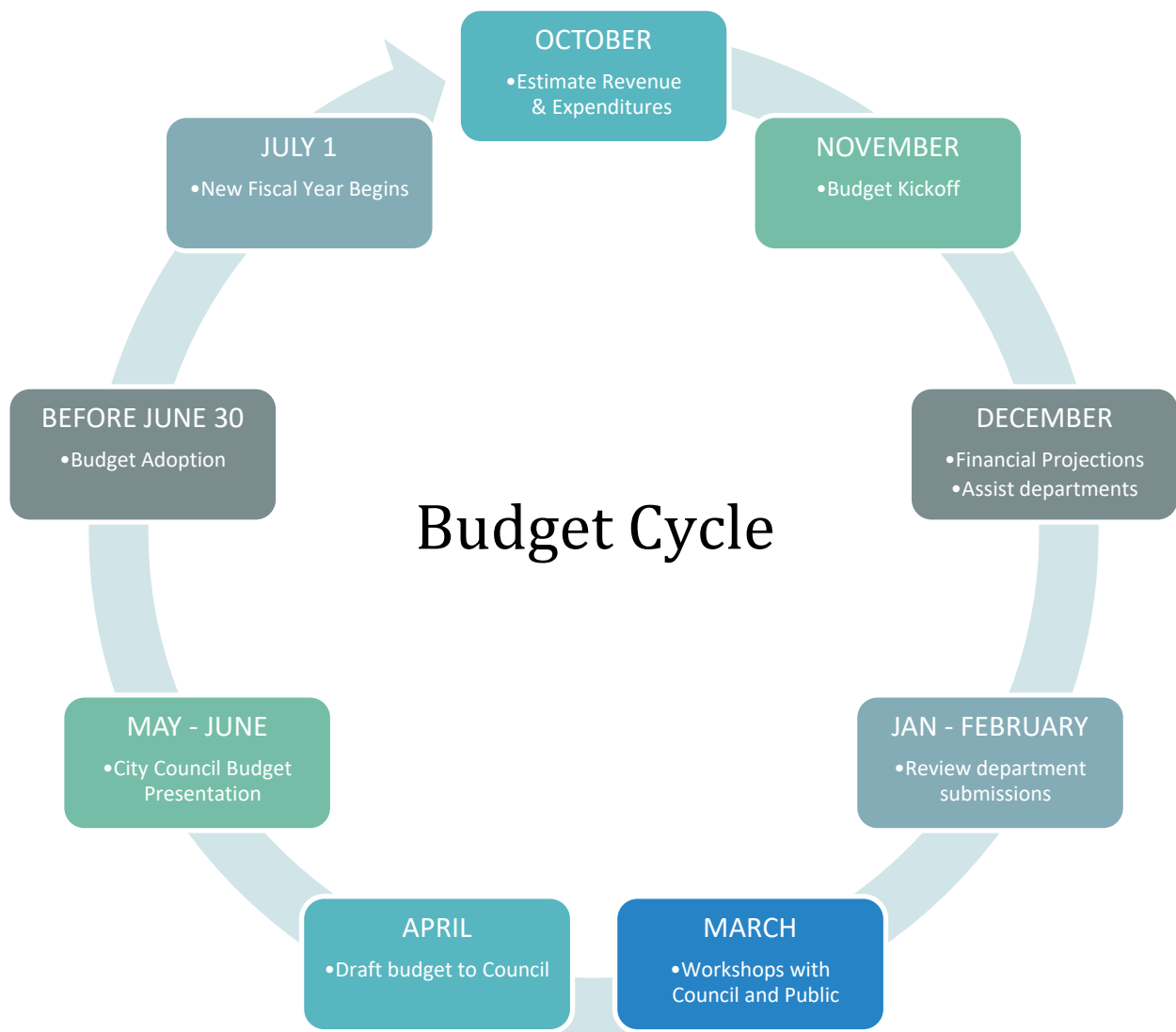
Finance provides departments with guidelines and a calendar for the budget process. Departments submit their revenue projections and expenditure requests electronically through the City's Enterprise Resource Planning system, Tyler Munis. Payroll budgeting is controlled by the Finance department and calculated within the financial software.

Staff begins developing the proposed budgets which include:

- Analysis of all revenue funding sources to estimate available funds over a six-year period based on a set of assumptions.
- Identifying all target reserves, including contingency reserves and budget stabilization reserves which will be calculated and included in cash flow.
- Using current year budget and last year actuals as the base for the development of the two-year budget to calculate the current level of services or core business functions including public safety, such as law enforcement and fire protection; infrastructure, such as streets, drainage, sewer, information technology; continuous park and recreation services; and continuous service at the City's civic center.
- Calculating personnel costs based on current labor contracts. The City Manager and Department Directors will identify and agree on requests for new Full Time Equivalent positions (FTEs), position reclassifications, and vacancies that should remain vacant.
- Identifying fixed expenditures— such as debt service and capital outlay—to be included in budgets.

- Preparing proposals for first-time programs or services that will be introduced to Council as New Programs. These include both initial and projected ongoing operating expenditures and are presented in public workshops for City Council approval.
- Submitting budget expenditure requests to Finance to review for consistency and accuracy. Revenue projections are reviewed and finalized with the City Manager's Office. The City Council participates in informational operating and CIP budget workshops as determined by the City Manager.

Timeline for preparing the budget



Public Involvement

In the State of California, while cities are not required to have a budget hearing, there are many opportunities for public to participate in the budget process.

In the City of Encinitas, the City Manager holds strategy sessions with City Council early in the budget process to define priorities for the next budget. This is an opportunity for the public to provide comments on how they value these priorities.

Using this feedback, staff develops a draft budget aligning the City's Strategic Plan and other needs that may arise. The draft budget presentation to City Council is another opportunity for the public to provide feedback on the proposed budget.

Staff incorporates changes directed by Council and the City Manager, then the final budget is returned to City Council for final approval.

Amending the Budget Throughout the Year

Amendments to the budget may be brought to the City Council for consideration throughout the fiscal year. Amendments are generally submitted as part of the updated revenue and expenditure forecasts prepared each quarter. This helps to ensure that adequate funding sources are identified prior to recommending that the City Council authorize additional expenditures.

Long-Range Financial Planning

The City's revenue and expenditure budgets are comprised of many unique elements that respond to a variety of external factors such as population growth, development, inflation, and interest rates.

Operating Financial Plan

The City's long-range financial plan is maintained for major funds that include revenue assumptions for revenue sources and operating expenditures over a 15-year period.


The plan is prepared before the budget is drafted and is used as a guide as to ensure that revenues are sufficient to meet expenditure needs. Expenditures for future years include known contract increases and factor for inflation. The plan also ensures that the City's important financial policies and Council's strategic goals are met. The plan is maintained and updated throughout the year as amendments are made or as new revenue sources or programs are known.

The following table below reflects the assumptions applied for projecting key revenue and expenditure sources:

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Revenues						
Property Taxes	4.0%	5.0%	5.0%	7.0%	4.0%	4.0%
Sales Tax	8.2%	4.8%	1.0%	3.0%	1.0%	1.0%
Transient Occupancy Tax (TOT)	92.2%	4.5%	3.5%	12.0%	3.4%	3.4%
Franchise Fees	5.5%	0.5%	0.0%	0.0%	0.0%	0.0%
Highway User Tax (Gas Tax)	1.6%	2.0%	2.0%	2.0%	3.0%	3.0%
Expenditures						
Personnel	Per contract agreements					
Sheriff Contract through County	5.4%	5.0%	5.0%	5.0%	5.0%	5.0%
Contracts & Services (except Sheriff)	12.5%	2.3%	2.5%	2.5%	2.5%	2.5%
Materials and Supplies	24.2%	(3.8%)	2.0%	2.0%	2.0%	2.0%

Capital Financial Plan

The long-range financial plan includes capital projects over the next six years. It allows the City to ensure that future capital projects meet the City Council's strategic goals. The plan identifies funding for future projects and the impact to the operating budget once a project is completed. As projects are identified, departments complete project sheets like the example below. The information on the sheets helps us build the capital budget as well as any operating costs.

PARKS AND BEACHES PROJECTS FY 2021-22 THROUGH FY 2026-27									
Project Title: El Portal Undercrossing Public Art		Project Number: New							
Environmental Considerations: There is no environmental impact to this project.		Division: Cultural Arts							
Project Description: Design and fabricate mosaic bands in the walls of the El Portal undercrossing. Installation will be provided by the contractor and is included in the undercrossing construction budget.									
Project Justification: This project supports the Strategic Plan, Arts Master Plan and Leucadia Streetscape by the addition of public art in the undercrossing. Public art installations allow Encinitans to become active participants in arts and culture.									
General Plan Consistency: Recreation Element				Location: Leucadia					
Strategic Plan Focus Area: Arts and Culture				Community: Leucadia					
COSTS	Prior Appropriations	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	6 Year Total	Project Total
520 Land								-	-
530 Design								-	-
540 Construction								-	-
550 Construction Support								-	-
560 Project Management								-	-
580 Other		129,800						129,800	129,800
592 Consultant Studies								-	-
Total Project Cost	-	129,800	-	-	-	-	-	129,800	129,800
SOURCE OF FUNDS									
101 GENFUND		129,800						129,800	129,800
								-	-
								-	-
Total Funding Source(s)	-	129,800	-	-	-	-	-	129,800	129,800
Anticipated Future Operating Expenses:			1,700	1,700	1,700	1,800	1,800	8,700	