



# DRAFT BUDGET

MAYOR TODD GLORIA

## VOLUME 1 Citywide Budget Overview



HOUSING | PROTECT & ENRICH | INFRASTRUCTURE | SUSTAINABILITY | PROSPERITY



# Citywide Budget Overview

## Citywide Budget Overview

The City of San Diego's Fiscal Year 2026 Draft Budget of \$6.04 billion is comprised of the following five operating fund types and the Capital Improvements Program (CIP):

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds

**Table 1** - shows the change in expenditures from Fiscal Year 2024 to Fiscal Year 2026 by fund type/program.

**Table 1 - Change in Total City Expenditures from Fiscal Years 2024 - 2026 by Fund Type/Program**

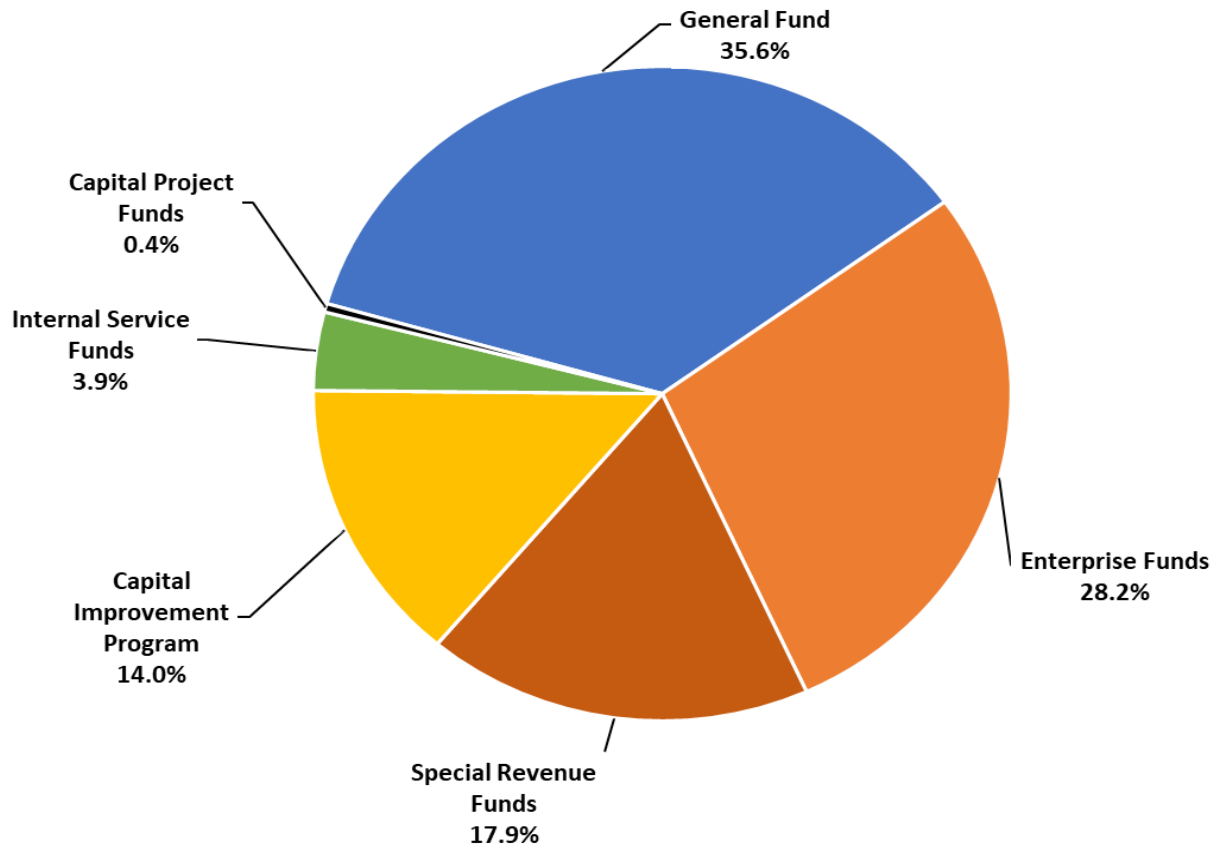
Fund Type	FY 2024 Actual	FY 2025 Adopted Budget	FY 2026 Draft Budget	FY 2025 – FY 2026 Change	Percent Change
General Fund	\$ 2,054,683,680	\$ 2,160,943,165	\$ 2,148,613,701	\$ (12,329,464)	(0.6%)
Special Revenue Funds	844,061,562	1,003,444,590	1,082,996,361	79,551,771	7.9%
Capital Project Funds	22,992,976	26,294,758	25,151,428	(1,143,330)	(4.3%)
Enterprise Funds	1,322,314,700	1,483,153,343	1,702,313,623	219,160,280	14.8%
Internal Service Funds	171,303,124	191,947,579	233,845,919	41,898,340	21.8%
Capital Improvement Program	1,044,036,400	949,965,273	845,949,106	(104,016,167)	(10.9%)
<b>Total</b>	<b>\$ 5,459,392,442</b>	<b>\$ 5,815,748,708</b>	<b>\$ 6,038,870,138</b>	<b>\$ 223,121,430</b>	<b>3.8%</b>



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**Figure 1** - displays the Fiscal Year 2026 Draft Expenditure Budget by Fund Type/Program.

**Figure 1 - Fiscal Year 2026 Draft Expenditure Budget by Fund Type/Program**



Note: Percentages may not add to 100% due to rounding.

**Table 2** - presents the Change in City Revenue from Fiscal Year 2024 to Fiscal Year 2026 by Fund Type.

**Table 2 - Changes in Total City Revenue from Fiscal Years 2024 - 2026 by Fund Type**

Fund Type	FY 2024 Actual	FY 2025 Adopted Budget	FY 2026 Draft Budget	FY 2025 - FY 2026 Change	Percent Change
General Fund	\$ 2,030,836,546	\$ 2,076,498,262	\$ 2,148,613,701	\$ 72,115,439	3.5%
Special Revenue Funds	1,003,143,124	956,807,857	1,025,322,800	68,514,943	7.2%
Capital Project Funds	64,700,044	68,220,162	67,541,512	(678,650)	(1.0%)
Enterprise Funds	1,859,209,209	2,170,770,060	2,024,939,460	(145,830,600)	(6.7%)
Internal Service Funds	171,069,710	184,096,945	199,269,126	15,172,181	8.2%
<b>Total<sup>1</sup></b>	<b>\$ 5,128,958,633</b>	<b>\$ 5,456,393,286</b>	<b>\$ 5,465,686,599</b>	<b>\$ 9,293,313</b>	<b>0.2%</b>

<sup>1</sup> Operating revenue may be less than operating expenditures due to the use of fund balance in excess of reserves.  
Expenditure Overview by Fund Type/Program

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## General Fund

Departments supported by the General Fund provide core community services such as police, fire-rescue, parks and recreation, library services, as well as vital support functions such as financial, legal, and human resources. Core services are primarily supported by major revenue sources including property tax, sales tax, transient occupancy tax, and franchise fees. The City's Fiscal Year 2026 Draft Budget reflects General Fund expenditures totaling \$2.15 billion, which is a decrease of \$12.3 million, or 0.6 percent, from the Fiscal Year 2025 Adopted Budget. Details on the total net decrease in the General Fund are described in the General Fund Expenditures section of this Volume.

## Special Revenue Funds

Special Revenue Funds account for revenues received for specific purposes. The five largest special revenue funds are the Engineering & Capital Projects Fund, Transient Occupancy Tax Fund, Fire/Emergency Medical Services Transport Program Fund, Information Technology Fund, and Underground Surcharge Fund. The Fiscal Year 2026 Draft Budget for Special Revenue Funds is \$1.08 billion, representing an increase of \$79.6 million, or 7.9 percent, from the Fiscal Year 2025 Adopted Budget. This net increase is primarily due to the following adjustments:

- \$82.4 million increase in the TOT Convention Center and TOT Homelessness Funds that were created as a result of Measure C that increases the TOT which will be used to support homelessness services and the Convention Center.
- \$18.5 million increase in the Parking Meter Operations Fund as a result of increasing parking meter rates, expanded parking meter hours, and having special event-based pricing for parking meters. This will support General Fund eligible expenditures associated to parking meter districts.
- \$12.7 million increase in the Engineering and Capital Projects Fund primarily associated with citywide compensation increases and pension contribution increases.
- \$12.0 million increase in the Fire/Emergency Medical Services Transport Program Fund associated to contractual services for ambulance services and the transfer to the General Fund.
- \$20.3 million decrease in the Infrastructure Fund associated with not contributing from the General Fund as a result of a decrease in sales tax revenue.
- \$19.7 million decrease in the Environmental Growth Funds associated with the one-time reimbursement of General Fund eligible expenditures in Fiscal Year 2025 resulting from a decrease in SDG&E Franchise Fees.

## Capital Project Funds

Capital Project Funds are primarily used to account for financial resources that are restricted, committed, or assigned to the expenditure for the acquisition or construction of major capital facilities but can also fund related operating costs. Examples of these funds include: Capital Outlay Fund, TransNet Extension Funds, and Mission Bay Park and San Diego Regional Parks Improvement Funds. The budget in this expenditure category reflects eligible operating expenditures funded by these restricted sources, with the capital component use reported as part of the Capital Improvements Program (CIP). The Fiscal Year 2026 Draft Budget for Capital Project Funds is \$25.2 million, which is a decrease of \$1.1 million, or 4.3 percent, from the Fiscal Year 2025 Adopted Budget. This decrease is primarily due to a decrease in TransNet revenue.

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## Enterprise Funds

Enterprise Funds account for specific services funded directly by user fees. These funds include Water, Sewer, Development Services, Refuse Disposal, Recycling, Solid Waste Management, Golf Course, and Airports. Typically, these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2026 Draft Budget for Enterprise Funds is \$1.70 billion, representing an increase of \$219.2 million, or 14.8 percent, from the Fiscal Year 2025 Adopted Budget. This net increase is primarily due to the following adjustments:

- \$133.2 million in the created Solid Waste Management Fund, which is associated with the amendment to the People's Ordinance; and costs associated with providing waste collection services. The increase in the breakdown is attributed to the following:
  - \$74.1 million increase associated with the restructure of expenditures from of the General Fund,
  - \$42.6 million increase primarily associated with ramp up costs,
  - \$12.6 million increase associated with the restructure of expenditures from the Recycling Fund, and
  - \$2.0 million increase associated with the restructure of expenditures from the Automated Refuse Container Fund.
- \$76.0 million in the Water Utility Operating Fund primarily associated with the following: citywide compensation and pension contribution increases, water purchases, support for phase 1 of Pure Water Operations and associated energy consumption increases, and support for dams and reservoirs.
- \$10.3 million in the Development Services Fund primarily associated with citywide compensation and pension contribution increases.

## Internal Service Funds

Internal Service Funds support the City's internal operations on a cost-reimbursable basis. The Fiscal Year 2026 Draft Budget for Internal Service Funds totals \$233.8 million, which is an increase of \$41.9 million, or 21.8 percent, from the Fiscal Year 2025 Adopted Budget. This net increase is primarily due to increases in the Fleet Replacement Fund associated with the acquisition of vehicles and refuse packers that will support the Solid Waste Management Fund, and various vehicles that support the General Fund.

## Capital Improvements Program

The CIP Budget allocates available revenue to rehabilitate, restore, improve, enhance, and increase the City's capital assets. The Fiscal Year 2026 Draft Budget is comprised of various funding sources, such as sewer and water rate fees, a one half-cent local sales tax for transportation improvements (TransNet Extension), and developer fees. The Fiscal Year 2026 Draft CIP Budget appropriates a total of \$845.9 million above the \$3.42 billion in carry forward appropriations previously approved by the City Council. The Fiscal Year 2026 Draft CIP Budget reflects a decrease of \$104.0 million, or 10.9 percent, when compared to the Fiscal Year 2025 Adopted CIP Budget of \$950.0 million. This is primarily due to a decrease in General Fund Debt and Citywide DIF appropriations.



The CIP budget project pages in Volume 3 of the Fiscal Year 2026 Draft Budget include anticipated funding information for CIP projects. For Fiscal Year 2026, a total of \$251.4 million in funding for CIP projects is anticipated but has not been appropriated in the Fiscal Year 2026 Draft Budget. Anticipated funding includes a variety of funding types, such as commercial paper, lease revenue bonds, revenue bonds and

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notes, General Fund contributions, donations, grants, and developer funding. Not all anticipated funding materializes; however, as anticipated sources of funds are received, separate City Council actions will be brought forward to appropriate the funding in Fiscal Year 2026.

## City Department Reorganization/Restructure

The Fiscal Year 2026 Draft Budget reflects city department reorganizing/restructuring, renaming, merging or creation determined by mayoral or executive management priorities and department-initiated requests. The reorganizations refine programs and processes and provide comprehensive organizational improvements. Reorganizations are a means to restructure a department's major divisions and programs but can also include modifications that are less substantial. The following provides an overview of the reorganizations implemented in the Fiscal Year 2026 budget process. Per [Charter Section 26](#), all newly created departments included in the Adopted Budget must be approved by ordinance by a two-thirds vote of the City Council.

## Cultural Affairs Department

The Cultural Affairs Department is responsible for the City's arts, culture, and creative industries, advancing an equitable and inclusive creative economy and arts ecosystem that reflects the region's cultural diversity and informs San Diego's brand as a [global city](#). Cultural Affairs is now a program in the Economic Development Department.

## Environmental Services Department

The Environmental Services Department will transfer 262.08 FTE positions and non-personnel expenditures from the General Fund, Recycling Fund, and Refuse Disposal Fund related to solid waste collection activities to the Solid Waste Management Fund in Fiscal Year 2026. The fund was created in Fiscal Year 2024 to incur the expenditures associated with solid waste collection services to residents and revenue to receive the fees paid by residents in single-family homes and small complexes. Measure B (amendment of the People's Ordinance) was passed by voters in 2022, which allows the City to collect a fee to recover the cost of waste collection services. Fiscal Year 2026 is anticipated to be the first full year that services will be provided beginning in July 2025, after the review of the cost-of-service study and approval of fees by the City Council.

## Office of the Mayor

In Fiscal Year 2026, the Office of the Chief Operating Officer, Government Affairs, and the Office of Boards and Commissions will now be divisions in the Office of the Mayor as part of a departmental restructure. This consolidation will result in the transfer of 22.00 FTE positions and associated non-personnel expenditures from the three departments to the Office of the Mayor. Additionally, the Mayor has eliminated the Chief Operating Officer position, assuming the responsibilities of that role.

## Office of Child and Youth Success

The Office of Child & Youth Success will transfer 3.00 FTE positions and non-personnel expenditures from the Office of the Chief Operating Officer to the Library Department.

## Sustainability and Mobility Department

The Sustainability and Mobility Department will transfer 48.00 FTE positions and non-personnel expenditures to various city departments including: City Planning, Engineering & Capital Projects, General Services, and Transportation. This merger aims to streamline operations and strengthen the city's commitment to sustainability and mobility initiatives, reinforcing the City's dedication to sustainability, mobility, and equitable access.

## Department of Race and Equity

The Department of Race and Equity will transfer 5.00 FTE positions and non-personnel expenditures to the Human Resources Department. The Human Resources Department will incorporate the Race and Equity

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Program into its employee development programming to promote and support the advancement of racial and social equity in the City of San Diego. The Community Equity Fund, which was overseen by the Department of Race and Equity will also be transferred to the Human Resources Department. Additionally, the vacant Director and Program Coordinator positions have been eliminated.

## Fiscal Year 2026 General Fund Draft Budget

The Fiscal Year 2026 General Fund Draft Budget reflects a multi-year analysis that addresses the Fiscal Year 2026 baseline shortfall that was projected in the Fiscal Year 2026-2030 Five-Year Financial Outlook (Outlook) and revises projections based on updated revenues for Fiscal Year 2025 and 2026, as well as funding decisions made in Fiscal Year 2026. The multi-year analysis also includes a comprehensive review of critical expenditure requests submitted by various departments in Fiscal Year 2026 and incorporates other resources and mitigation actions to help address the projected revenue shortfall in Fiscal Year 2026. There is an ongoing need to reach a structurally balanced budget where ongoing expenditures are supported by ongoing revenues. To achieve a balanced budget in future fiscal years the City will need to explore additional mitigation actions, which could include additional budget reductions, and the pursuit of additional ongoing revenue sources. The following sections provide additional details considered in the Fiscal Year 2026 General Fund Draft Budget.

## Fiscal Year 2026-2030 Five -Year Financial Outlook

In December 2024, the Fiscal Year 2026-2030 Five-Year Financial Outlook (Five-Year Outlook) was released. The report included a projected baseline shortfall—in which baseline expenditures exceed baseline revenues—in each of the fiscal years. As displayed in **Table 3 - Fiscal Year 2026-2030 Five-Year Financial Outlook**, baseline revenue growth is expected to slightly exceed baseline expenditure growth in all years of the Outlook. To help mitigate the projected deficits, the Five-Year Outlook included the use of one-time resources in Fiscal Year 2026; however, going forward other types of mitigation actions will need to be explored.

**Table 3 - Fiscal Year 2026-2030 Five-Year Financial Outlook**

	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2028	Fiscal Year 2030
Baseline Revenues	\$ 2,074.7	\$ 2,146.1	\$ 2,218.4	\$ 2,303.8	\$ 2,384.4
Baseline Expenditures	2,332.9	2,363.7	2,435.3	2,475.9	2,553.8
<b>Baseline (Shortfall) /Surplus</b>	<b>\$ (258.2)</b>	<b>\$ (217.6)</b>	<b>\$ (216.9)</b>	<b>\$ (172.1)</b>	<b>\$ (169.4)</b>
New Facilities/ Planned Commitments	71.1	84.9	90.5	101.8	107.0
<b>(Shortfall) /Surplus</b>	<b>\$ (329.3)</b>	<b>\$ (302.6)</b>	<b>\$ (307.4)</b>	<b>\$ (273.9)</b>	<b>\$ (276.3)</b>

Since the release of the Five-Year Outlook, projected revenues for the Fiscal Year 2026 Draft Budget have been updated, and additional critical expenditures have been added via the Fiscal Year 2026 Draft budget process. The reductions to the budget are intended to help balance the budget and to a lesser degree sustain the progress the City has made during the last four years in prioritizing homelessness, infrastructure, housing affordability and public safety. Achieving a balanced budget for Fiscal Year 2026 required a combination of additional revenue sources and one-time resources. Additionally, the Fiscal Year 2026 Draft Budget includes budget reductions in departments, while striving to minimize service level impacts to residents as much as possible.

**Table 4 - Updated Fiscal Year 2026-2030 Five-Year Financial Outlook** displays the updated projected net position of the General Fund over the next five fiscal years. The updated Fiscal Year 2026 baseline has seen a decrease in expenditures primarily due to: restructure of collection services into the Solid Waste



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Management Fund, the waiving of the reserve contribution, budget reductions, new revenue sources and a decrease in the transfer to the Infrastructure Fund. These decreases offset certain expenditure increases that were not included in the Five-Year Outlook such as a portion of general wage increases, higher pension payment, and homelessness services increases.

Moreover, the bottom-line shortfall has decreased in Fiscal Year 2026 and beyond primarily due to increased revenues and budget reductions.

**Table 4 - Updated Fiscal Year 2026-2030 Five-Year Financial Outlook**

	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030
Revenues	\$ 2,148.6	\$ 2,200.3	\$ 2,254.9	\$ 2,323.5	\$ 2,383.4
Expenditures	2,148.6	2,254.3	2,320.1	2,353.6	2,426.4
<b>Updated Baseline (Shortfall) / Surplus</b>	-	(54.0)	(65.2)	(30.2)	(43.1)

Note: Fiscal Year 2026 Revenues and Expenditures include one-time additions that do not carry forward to Fiscal Year 2027 and beyond.

The Fiscal Year 2026 Draft Budget reflects additional revenue of \$73.9 million primarily associated with revenue reimbursements from TOT associated with Measure C, expanded parking meter revenue, Balboa Park paid parking, parking citation revenue, user fee increases, and other one-time resources. These ongoing revenue increases are also reflected in future fiscal years.

As reflected in **Table 4 - Updated Fiscal Year 2026-2030 Five-Year Financial Outlook**, expenditures are projected to be \$184.3 million lower in Fiscal Year 2026 than originally projected in the Five-Year Outlook. The primary changes to Fiscal Year 2026 expenditures and beyond include: the transfer of waste collection services to the Solid Waste Management Fund associated with Measure B, budget reductions, not contributing to the Infrastructure Fund due to a decrease in sales tax and waiving the General Fund reserve contribution. Additional details are included in the General Fund Revenues and General Fund Expenditures sections of this Volume. The new facilities and planned commitments in Table 4 include those identified in the Five-Year Outlook.

The updated Outlook continues to project deficits through Fiscal Year 2030, although they have been significantly mitigated through the various actions included in the Fiscal Year 2026 Draft Budget. These updated Outlook projections demonstrate the importance of developing multi-year strategies to resolve the projected structural budget deficits, where ongoing expenditures exceed ongoing revenues, and demonstrate the City's need for additional ongoing available resources to support the critical needs of the City. In Fiscal Year 2027, a \$54.0 million deficit is projected, and the City may need to consider additional ongoing reductions, waiving contributions to reserves, among other actions so that ongoing revenues can fully support ongoing expenditures, in order to achieve a structurally balanced General Fund budget.

A full update to the Five-Year Outlook for Fiscal Years 2027-2031 will be released by the end of calendar year 2025.

## General Fund and Risk Management Reserves

The City's Reserve Policy was adopted by the City Council in 2002 to establish essential reserves, strengthen the City's financial position and address unexpected emergencies and liabilities. Maintaining strong reserves positions 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 City.



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## General Fund Reserves

In December 2022, the City Council approved updates to the Reserve Policy to modify the annual funding targets for the General Fund's Emergency Reserve and Stability Reserve. The updated policy kept the goal of achieving a combined reserve balance equal to 16.7 percent of the most recent three-year average of annual audited General Fund operating revenues, which is a best practice per the Government Finance Officers Association (GFOA); however, the timeline to achieve that goal was extended from Fiscal Year 2025 to Fiscal Year 2030.

After the updates to the Reserve Policy, the planned contribution for Fiscal Year 2024 was suspended in order to preserve excess equity to help balance the Fiscal Year 2025 budget. Likewise, the Fiscal Year 2025 Adopted Budget waived the estimated contributions to the reserves to maintain available resources for planned use to help mitigate the projected deficit anticipated for Fiscal Year 2026.

Similarly, the Fiscal Year 2026 Draft Budget includes a recommendation to delay the planned reserve contribution, which was estimated to be approximately \$55.6 million based on the Mid-Year Report and assuming the City meets the target percentage for Fiscal Year 2026 in the Reserve Policy. This recommendation would allow the City to maintain its current reserve levels, while also limiting additional reductions to operations, which would negatively impact service levels for City residents.

**Table 5 – General Fund Reserves** shows the impact on the reserve's level and percentage due to the planned delay of the Fiscal Year 2024 through 2026 General Fund Reserve contributions.

**Table 5 - General Fund Reserves (in millions)**

Target Date	Emergency Reserve	Stability Reserve	Total General Fund Reserve	Reserve Percentage	Reserve Policy Target	Reserve Policy Percentage
June 30, 2024	\$106.1	\$99.5	\$207.1	13.05%	\$215.5	13.58%
June 30, 2025	\$106.1	\$99.5	\$207.1	11.80%	\$238.3	13.58%
June 30, 2026	\$106.1	\$99.5	\$207.1	11.11%	\$262.7	14.10%

## Risk Management Reserves

The City's Reserve Policy includes additional reserves that are maintained by the Risk Management Department and provide support to address certain claims made against the City. The Public Liability Reserve is funded by the General Fund and supports claims arising from real or alleged acts on the part of the City, including claims of bodily injury, property damage, inverse condemnation, false arrest, and errors and omissions. The Workers' Compensation and Long-Term Disability reserves are funded by citywide contributions and support medical and disability costs for industrial injury claims, and non-industrially disabled City employees with income and flexible benefits coverage, respectively.

The target levels for each reserve utilize a smoothing methodology that incorporates the outstanding claims from the respective annual actuarial liability valuations for the three most recent fiscal years. The target percentages for the Public Liability, Workers' Compensation, and Long-Term Disability reserves are 50 percent, 12 percent, and 100 percent, respectively.

Due to the General Fund being a primary contributor to each Risk Management reserve, the Fiscal Year 2025 Adopted Budget delayed any additional contributions to the funds in excess of those intended to support annual operating expenditures. Additionally, as first discussed in the Fiscal Year 2024 Year-End Performance Report and detailed in subsequent budget monitoring reports, the Public Liability Reserve fund has issued an interest-bearing interfund loan to the Sewer Utility's Municipal Fund to fund the Industrial Wastewater Control Program (IWCP) subsidy while the program's fees are gradually increased until they become fully cost recoverable. As a result of the delayed contributions and the interfund loan,

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the Public Liability, Workers' Compensation, and Long-Term Disability reserves are anticipated to end Fiscal Year 2025 below reserve target levels of \$8.5 million, \$2.9 million, and \$1.8 million, respectively.

Similarly, the Fiscal Year 2026 Draft Budget includes a recommendation to continue to delay contributions to the funds beyond those intended to support annual operating expenditures. Based on the average growth rate of the outstanding actuarial liability for each of the respective reserves, it is anticipated that even while maintaining reserves at current dollar levels the required reserve target amounts for each of the funds will increase as a percentage of the respective actuarial liabilities, resulting in each reserve falling further below the target percentages noted in the Reserve Policy.

**Table 6 – Risk Management Reserves** shows projected reserve levels for each respective Risk Management Reserve Fund for Fiscal Year 2026.

**Table 6 – Risk Management Reserves (in millions)**

Reserve Fund	FY 2026 Projected Reserve Balance	Reserve Percentage	FY 2026 Est. Reserve Policy Target	Reserve Policy Percentage
Public Liability <sup>1</sup>	\$28.2	34.3%	\$41.1	50.0%
Workers' Compensation	\$34.4	10.5%	\$39.4	12.0%
Long-Term Disability	\$3.7	59.3%	\$6.3	100.0%

<sup>1</sup>Without the IWCP loan, the FY 2026 Projected Reserve Balance for Public Liability would be \$38.4 million, or 46.7% of the reserve target.

## Other Fiscal Considerations

This section highlights other fiscal matters that are included in the Fiscal Year 2026 Draft Budget including revenue impacts and other policy items of interest.

### TOT Increase (Measure C):

Measure C was a 2020 citizens' initiative to raise the Transient Occupancy Tax in San Diego. The increased tax is expected to support the expansion of the San Diego Convention Center, create a dedicated funding source for homelessness programs and services, and fund necessary road repairs across the City, through at least Fiscal Year 2061.

The measure was included on the March 3, 2020, ballot with legal uncertainty regarding the approval level required by San Diego voters; subsequent legal rulings indicated that a simple majority was needed for the measure to pass because it was a citizens' initiative, as opposed to a City-sponsored initiative which requires a two-thirds super-majority vote. In August 2023, the California State Court of Appeal declared that Measure C, as a citizens' initiative subject to a simple majority vote. The appellate court returned the case for additional proceedings to determine if the measure was a citizens' initiative. On August 30, 2024, the Judge issued the order and judgment in the Measure C trial in favor of the City on all issues, which declared Measure C to have been duly enacted by the voters and the City to have the authority and an obligation to impose and collect the TOT. On September 26, 2024, opponents of the Measure appealed the trial court judgment. A motion to expedite the appellate case has been granted, with briefings completed in February 2025, and a final decision expected in summer of 2025.

The measure is proposed to increase the City's current 10.5 percent Transient Occupancy Tax to 11.75 percent, 12.75 percent, and 13.75 percent, depending on the hotel's location in one of the three geographic zones. The revenue from the tax increase will be allocated as follows for the first five years from implementation:

- 59.0 percent to the Convention Center expansion, modernization, promotion, and operations; and
- 41.0 percent for homelessness services and programs.

Starting in year six from implementation, the tax increase will be allocated as follows:

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- 59.0 percent to the Convention Center expansion, modernization, promotion, and operations; and
- 31.0 percent for homelessness services and programs; and
- 10.0 percent for street repairs.

If the case is affirmed in the City's favor on appeal, an estimated \$192.1 million could be generated in the first five years for homelessness programs and services, which would reduce the funding gap for existing programs and services and could lessen impacts to the General Fund and an estimated \$276.4 million could be generated in the first five years for the Convention Center. The Fiscal Year 2026 Draft Budget assumes a full year of Measure C revenue, with approximately \$33.8 million supporting homelessness programs and services in the General Fund and \$48.6 million supporting the convention center. If the final decision is delayed this could impact the revenue that is anticipated to be received in Fiscal Year 2026.

## People's Ordinance (Measure B):

During the November 2022 election, a majority of City voters approved Measure B, a proposition placed on the ballot by the City Council to amend sections of the Municipal Code commonly referred to as the People's Ordinance. The measure, along with recodifying the City's responsibilities for waste collection services, allowed for the City to recover costs to perform refuse collection services. Implementing a cost-recoverable fee will eliminate the burden on the General Fund, which currently provides a cost-free service to a portion of the population. Implementation of a new fee structure is a multi-year process that is contingent on Proposition 218 compliance and City Council adoption.

The Fiscal Year 2026 Draft Budget moves General Fund related costs of \$74.1 million and 181.00 FTE positions to the Solid Waste Management Fund to support solid waste collection services. Revenue from the collection service fees (expected to begin on July 1, 2025, subject to City Council approval) will support those expenditures, contributing to a significant reduction in the General Fund.

## Parking Management

The Fiscal Year 2026 Draft Budget anticipates an increase to parking meter revenue in Fiscal Year 2026 based on parking meter rate increase to \$2.50 per hour at most parking meters in the City. This is anticipated to bring in over \$9.6 million annually. Parking meter revenue can only be spent in the parking meter zone in which it is collected and only for those activities necessary for parking management and enforcement as identified in SDMC 82.08 and 82.09. The Draft Budget also identifies additional parking meter revenue around \$6.3 million coming from implementation of a special events rate for areas impacted by extremely high parking demand due to a special event such as sporting event, concerts or entertainment event, or large conventions. Additionally, the Draft Budget also anticipates \$2.6 million in revenue associated to adding meter rates for Sundays and expanded hours to meet demand. The revenue associated to adding Sunday and expanded hours includes an assumption of a six-month delay prior to implementation during Fiscal Year 2026 to establish alternative solutions for residents significantly impacted by expanded enforcement. These new revenue sources are contingent on the City Council adoption of the parking management reform package. In total, the Fiscal Year 2026 Draft Budget anticipates \$18.4 million in additional parking meter revenue to help balance the General Fund.

In addition to the parking reform package, the Parks & Recreation Department is preparing a proposal for paid parking in Balboa Park and conducting public outreach. The Fiscal Year 2026 Draft Budget estimates approximately \$11.0 million of new parking revenue which is contingent on the City Council adoption of the program.

## User Fee Update

In accordance with Council Policy 100-05: User Fee Policy, the Department of Finance coordinates a Comprehensive User Fee Study every three to five years that identifies the cost of services for activities that charge a user fee. The study develops a rate that will make the service cost recoverable to the City. Variables that impact user fees can include changes to staff salaries and wages, cost of supplies, energy and fuel

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rates, and a variety of other factors. While the Comprehensive User Fee Study occurs every three to five years, which is a Government Finance Officers Association (GFOA) best practice, recent revisions to Council Policy 100-05 require departments to perform an annual review, as part of the budget process, to analyze and update user fees based on Consumer Price Index (CPI) or other annually adjusted inflators.

During calendar year 2024, the Department of Finance conducted a Comprehensive User Fee Study, in which all General Fund and Non-General Fund Departments that charge user fees participated. The study required departments to evaluate the impact of citywide salary and wage increases, updated pension contributions, and inflation on the cost of providing government services, and the results of the study are incorporated into the Fiscal Year 2026 Budget. An updated comprehensive user fee schedule was approved by the City Council in March 2025. Additionally, the City Council approved an annual CPI adjustment at the beginning of each fiscal year to account for increased costs; this will help the General Fund by allowing some fees to increase to account for cost increases and help reduce significant increases to fees in future fiscal years.

Lastly, the Parks and Recreation Department plans to bring forward a comprehensive user fee study on all recreation and miscellaneous fees in Fiscal Year 2026 with the goal of achieving higher cost recovery for its programs.

## General Liability and Excess Insurance Programs

Changes have been made to the City's General Liability and Excess Insurance Programs. This included the elimination of the Excess Workers' Compensation Insurance and increasing the General Liability Self-Insured Retention (SIR) to \$7.5 million from the current \$5.0 million. Additionally, 14.00 FTE positions were added to the Risk Management Department to provide increased support to address claims against the City. These actions, net of the required staffing increase in Risk Management, result in net budgetary savings of approximately \$3.4 million in the General Fund from what the budget would have required had this mitigating action not been implemented.

## Fiscal Year 2026 Critical Expenditures

In addition to solving the baseline shortfall, the Fiscal Year 2026 Draft Budget prioritizes the maintenance of current core services, while allowing for select budget additions needed to comply with various mandates, address quality of life issues, provide public safety, support homelessness programs and services, and operate new facilities. Program summaries for the Infrastructure Fund, Climate Equity Fund, Homelessness Programs and Services, Climate Action Plan, Vision Zero, the Use of One-Time Resources, and Citywide Personnel Expenditures are included in the following sections.

For a summary of all significant budget adjustments included in the General Fund, please refer to the General Fund Expenditures section of this Volume.

## Infrastructure Fund (Charter Section 77.1)

In June 2016, voters approved Proposition H, requiring the City to dedicate specific sources of revenue to fund new General Fund infrastructure, such as streets, sidewalks, bridges, buildings, and the maintenance and repair of such infrastructure.

The calculation to fund the Infrastructure Fund is based on the following:

- Sales Tax Increment – an amount equal to the annual change in sales tax revenue when compared to the sales tax baseline of Fiscal Year 2016 actual receipts, adjusted by the California Consumer Price Index (CCPI) for Fiscal Year 2018 through Fiscal Year 2042.
- General Fund Pension Cost Reduction – for Fiscal Year 2018 through Fiscal Year 2042, any amount



# Citywide Budget Overview

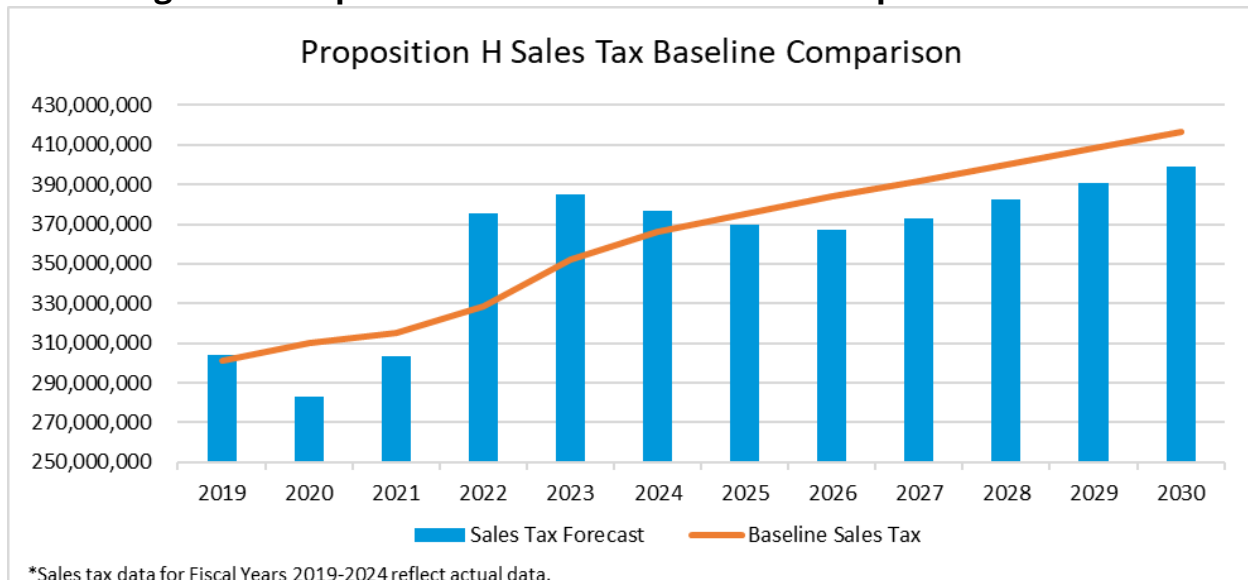
of pension costs below the base year of Fiscal Year 2016.

Prior to Fiscal Year 2024, the calculation to fund the Infrastructure Fund included a Major Revenues Increment based on an amount equal to 50.0 percent of the year over year growth in property tax revenues, unrestricted General Fund TOT, and unrestricted franchise fees. However, the City Charter only required this increment for Fiscal Year 2018 through Fiscal Year 2022.

Based on the current calculation, there is no required Infrastructure Fund contribution for Fiscal Year 2026. This is due to sales tax revenue decreasing and the General Fund Pension Cost Reduction calculation remaining above the base year of Fiscal Year 2016. At the end of each fiscal year, the Department of Finance conducts a reconciliation of Sales Tax Increment (actual revenue versus the calculated base). If a contribution is determined to be needed based on improved sales tax revenue performance, the true-up contribution will be proposed during the next budget cycle in Fiscal Year 2027.

**Figure 2: Proposition H Sales Tax Baseline Comparison Outlook** illustrates a comparison outlook between the calculated baseline for sales tax and the contribution to the Infrastructure Fund. The baseline sales tax is subject to change and adjusted by the California Consumer Price Index (CCPI) for each fiscal year of the outlook years.

**Figure 2 - Proposition H Sales Tax Baseline Comparison Outlook**



## Climate Equity Fund

The goal of the Climate Equity Fund (CEF) is to provide additional funding for City infrastructure projects to enable underserved communities to better respond to the impacts of climate change. Currently, to be eligible to receive CEF funding, projects must have an impact on reducing greenhouse gas emissions, enhancing safety in the public right-of-way, relieving congestion, or addressing other climate equity concerns and be in a Community of Concern as identified using the Climate Equity Index. City staff work with community-based organizations, Council offices, and City departments to decide which projects to fund. In accordance with the City Council resolution, the minimum annual allocation to CEF eligible projects is shown below, unless the Mayor recommends, and City Council approves, the suspension for one fiscal year:

- 1 percent of the total annual revenue received through TransNet
- 1 percent of the total annual revenue received through Gas Tax
- 10 percent of the total General Fund revenue received through the annual gas and electric

# Citywide Budget Overview

franchise fees

In addition, the fund receives \$1.5 million from the SDGE Electric Franchise Agreement through Fiscal Year 2026 to further the City's Climate Action and Climate Equity Goals. The Fiscal Year 2026 Draft Budget includes the suspension of the minimum annual allocation to the CEF but includes \$1.5 million from the SDGE Electric Franchise Agreement for CEF-eligible projects in the CIP. Project expenditure allocations will be made as part of the May Revision.

## Street Pavement

In the Fiscal Year 2026 Draft Budget, the Transportation Department has allocated \$100.5 million for the Street Pavement Program. The Department's long-term goal is to maintain the City's Street network in good condition, which equates to an average network pavement condition index (PCI) of 70 or above. Once Fiscal Year 2025 repair miles are completed, the City-wide average PCI is projected to be 65, a 2-point increase from the 2023 pavement condition assessment. This increase is a result of the recent additional investments in paving over the last couple of years and demonstrates the City's commitment to maintaining the pavement condition.

The Street Pavement Program consists of maintenance activities including asphalt repair, asphalt trench restoration, pothole repair, and slurry seal road repair and capital activities including overlay and reconstruction road repair. These activities repair, maintain, and improve the City's 6,600 lane miles of streets and alleys to provide high-quality infrastructure that individuals can safely drive, walk, and ride on. Transportation Department employees also support other divisions and departments citywide to ensure that all individuals are provided a safe, reliable, and accessible roadway network throughout the City, responding daily to roadway repair needs, and improving the transportation system to promote efficient movement of people and goods. **Table 7 - Street Pavement Program** displays the allocation of funding to each maintenance and capital activity.

**Table 7 – Street Pavement Program**

Street Pavement Program	Full Time Employees	Personnel Expenditures	Non-Personnel Expenditures	Total Expenditures
Asphalt and Pothole Repair	50.00	\$5,546,933	\$6,072,964	\$11,619,897
Asphalt Trench Restoration	44.00	5,501,174	140,524	5,641,698
Slurry and Scrub Seal Road Repair	0.00	-	36,347,892	36,347,892
Overlay and Reconstruction Road Repair	0.00	-	46,843,560	46,843,560
<b>Total Street Pavement Program</b>	<b>94.00</b>	<b>\$11,048,107</b>	<b>\$89,404,940</b>	<b>\$100,453,047</b>

Each of the activities in the Street Pavement Program is funded through various revenue sources, such as the Road Maintenance & Rehabilitation Account (RMRA), Gas Tax, TransNet, General Fund revenues, and debt financing. The Fiscal Year 2026 Draft Budget does not allocate funds for upgrading unimproved streets and alleys across the City.

## Homelessness Programs and Services

For Fiscal Year 2026, \$105.3 million is allocated to support homelessness programs and services, including \$71.1 million budgeted in the General Fund for the Homelessness Strategies & Solutions, Police, Environmental Services, and Economic Development Departments; and \$34.2 million in grant funding and other resources.

# Citywide Budget Overview

**Table 8 - Homelessness Programs and Services by Department and Funding Source**

General Fund	FY 2026 Budget
Homeless Shelters and Services Programs	\$ 36,170,432
Supportive Services and Navigation Programs	\$ 5,049,967
Coordinated Outreach	\$ 2,025,000
Prevention Services	\$ 5,800,000
Coordination of City Homelessness Programs and Services	\$ 4,181,931
<b>Homelessness Strategies &amp; Solutions Department Total</b>	<b>\$ 53,227,330</b>
Homeless Outreach Team	\$ 5,154,725
<b>Police Department Total</b>	<b>\$ 5,154,725</b>
Eviction Prevention Program	\$ 3,000,000
<b>Economic Development Department Total</b>	<b>\$ 3,000,000</b>
Clean SD – Encampment and Sidewalk Cleaning	\$ 9,737,802
<b>Environmental Services Department Total</b>	<b>\$ 9,737,802</b>
<b>General Fund Total</b>	<b>\$ 71,119,857</b>
<b>Grant Funding and Other Resources</b>	
Community Development Block Grant (CDBG)	\$ 700,000
Emergency Solutions Grant (ESG)*	\$ 1,026,731
Encampment Resolution Funding (ERF) Grant	\$ 3,281,465
County of San Diego Domestic Violence Shelter Project	\$ 3,000,000
AB179 Domestic Violence Pass-through Grant	\$ 500,000
Homeless Housing, Assistance and Prevention (HHAP)	\$ 25,681,278
<b>Total Grant Funding and Other Resources</b>	<b>\$ 34,189,474</b>
<b>Total Citywide Resources</b>	<b>\$ 105,309,331</b>

Note: Table is not intended to capture all complementary Homelessness Programs and Services related costs within the City.

\*Estimated budget pending final allocations from HUD.

## General Fund

The Fiscal Year 2026 Draft Budget includes \$71.1 million from the General Fund in the Homelessness Strategies & Solutions, Police, Economic Development, and Environmental Services Departments for the following homelessness programs and services:

- Homeless Shelters and Services Programs
- Supportive Services and Navigation Programs
- Coordinated Outreach
- Prevention Services
- Coordination of City Homelessness Programs and Services
- Homeless Outreach Team in the Police Department
- Eviction Prevention Program in the Economic Development Department
- Encampment & Sidewalk Cleaning through Clean SD in the Environmental Services Department
- Eviction Prevention Program in the Economic Development Department

# Citywide Budget Overview

## Homeless Shelters and Services Program

The City of San Diego partners with agencies to operate congregate and non-congregate shelters that serve individuals experiencing homelessness. These shelters provide meals, restrooms, showers, case management, housing navigation, and mental health and substance abuse services and referrals.

In Fiscal Year 2026, the City's General Fund will provide \$36.2 million to support beds at the following shelters:

- Connections Interim Housing Shelter
- Bishops Interim Housing Shelter
- Bridge Shelters for Single Adults
- Safe Haven
- Women's & Youth Shelter
- Emergency Harm Reduction Center
- Shelters for Youth
- Safe Parking Locations
- Safe Sleeping Locations
- New shelter bed capacity

## Supportive Services and Navigation Programs

In addition to these shelter programs, the General Fund will provide \$5.0 million to fund Supportive Services and Navigation Programs. These programs are designed to support unsheltered individuals through system navigation, connecting clients to housing and other resources, and ensuring the health and safety of individuals through increased access to restrooms, showers, safe storage for belongings, and daily needs. These programs include the following:

- Homelessness Response Center
- Day Center for Homeless Adults
- Storage Facilities
- Portable Restroom Facilities

## Coordinated Outreach

The City's Coordinated Street Outreach Program uses trained social workers and peer specialists to connect unsheltered residents with shelter, housing, and supportive services. Street-based case managers practice "Housing First" principles, working with clients to build individualized plans to move people from unsheltered conditions into housing. The program takes a coordinated approach to ensure adequate and equitable coverage of outreach teams and works to identify trends and proactively respond to critical areas throughout the city. The Coordinated Street Outreach Program includes the San Diego Housing Commission's Multidisciplinary Outreach Program, Caltrans outreach and street outreach from bridge shelters.

The Fiscal Year 2026 Draft Budget includes \$2.0 million in the General Fund to support this program in the Homelessness Strategies & Solutions Department.

## Prevention Services

The Housing Instability Prevention Program (HIPP) pays a shallow rental subsidy for families in the City of San Diego with low income, experiencing a housing crisis and at risk of homelessness. The San Diego Housing Commission (SDHC) operates HIPP for the City of San Diego.

The Fiscal Year 2026 Draft Budget includes \$5.8 million in the General Fund to support this program.



# Citywide Budget Overview

## Coordination of City Homelessness Programs and Services

The Fiscal Year 2026 Draft Budget also includes \$4.2 million in the Homelessness Strategies & Solutions Department associated with staff coordination of citywide homelessness programs and services. The Fiscal Year 2026 Draft Budget includes 16.00 FTE positions in the department for total personnel expenditures of \$3.4 million. Also included are \$792,000 in non-discretionary expenditures, including information technology services and utilities for shelter sites throughout the city. These costs are determined outside of the department's control and are managed by provider departments within the City of San Diego.

## Homelessness Outreach Team in Police Department

The Police Department's Homeless Outreach Team (HOT) uses a community-oriented policing approach to address the unique needs of the City's homeless population. HOT team leaders bring together behavioral health clinicians from the Psychiatric Emergency Response Team (PERT), public health nurses, and social workers from the County of San Diego Health and Human Services Agency to provide outreach and engagement services throughout the City of San Diego, to connect unsheltered individuals with available services. HOT engages with individuals who may otherwise be subject to enforcement action for violation of various local ordinances and State statutes. Its approach is a means to connect individuals with services in a way that avoids contact with the criminal justice system.

The Fiscal Year 2026 Draft Budget includes \$5.2 million from the General Fund to support personnel and non-personnel expenditures in the San Diego Police Department.

## Eviction Prevention Program in the Economic Development Department

The Eviction Prevention Program assists renters with low income in the City of San Diego who are facing eviction. Operated by Legal Aid Society of San Diego through a contract with the San Diego Housing Commission, the program serves as a one-stop shop, offering free legal and related services aimed at preventing evictions and homelessness.

The Fiscal Year 2026 Draft Budget includes \$3.0 million from the General Fund for the Eviction Prevention Program in the Economic Development Department.

## Clean SD - Encampment & Sidewalk Cleaning

The Clean SD Division of the Environmental Services Department (ESD) oversees three programs directly related to homelessness:

- **Encampment Abatements:** ESD provides at least 24-hour notice to individuals in homeless encampments located on public or city-owned property, advising them to relocate and secure their personal belongings before an abatement occurs. During abatements, waste is removed, and the area is sanitized. If personal items are found during this process and qualify for storage, an Impound Notice will be posted detailing the steps for claiming the items. The items will then be cataloged and stored for at least 90 days and will be available to be reclaimed by the owner.
- **Enhanced Hot Spots:** ESD provides public right-of-way large waste removal focused specifically on areas most heavily impacted by waste resulting from homeless encampments.
- **Sidewalk Sanitizing:** Sidewalks are sanitized, either proactively or following an encampment abatement, to reduce the potential presence of pathogens, bacteria, and communicable diseases.
- **Incidental Hazardous and Biohazardous Waste Removal:** The removal and disposal of incidental hazardous and biohazardous waste from the public right-of-way, primarily consisting of human waste and hypodermic needles.
- **Sidewalk Resets:** Power washing services to remove heavily impacted debris from the sidewalk to allow the sidewalk sanitizing process to be more effective.

# Citywide Budget Overview

The Fiscal Year 2026 Draft Budget includes 32.00 FTE positions, totaling \$3.5 million in personnel expenditures budget, and an additional \$6.2 million in contractual services budget in the General Fund to support these programs in ESD.

## Grant Funding and Other Resources

In Fiscal Year 2026, the City is anticipated to leverage a total of \$34.2 million in grant funding to address the immediate emergency needs of individuals and families experiencing homelessness, or at imminent risk of homelessness, including State and federal grant funding to support homeless shelters and services.

## Community Development Block Grant (CDBG) and Emergency Solutions Grant Funding

In Fiscal Year 2026, \$700,000 in CDBG funding, and \$1.0 million in Emergency Solutions Grant (ESG) allocations are anticipated to fund homelessness programs, services, and projects, as well as to support family and single adult shelter and Rapid Rehousing.

## Homeless Housing, Assistance and Prevention (HHAP) Funding

Homeless Housing, Assistance, and Prevention (HHAP) grants are one-time block grants that provide local jurisdictions in the State of California with funding to support regional coordination and expand or develop local capacity to address their immediate homelessness challenges. The City of San Diego was previously awarded approximately \$22.5 million in HHAP Round 1 grant funds in 2020; approximately \$10.6 million in Round 2 grant funds in 2021; approximately \$27.5 million in Round 3 grant funds in 2022; and approximately \$22.5 million in Round 4 grant funds in 2023. In February 2024, the City of San Diego received notification of an additional \$29.9 million grant allocation for a fifth round of HHAP funding, \$15.0 million of which is projected to be used in Fiscal Year 2026. Additionally, the City received notification of an award of a sixth round of HHAP funding for \$25.8 million of which \$13.6 million is budgeted in Fiscal Year 2026. In total, the Fiscal Year 2026 Draft Budget includes \$25.7 million in HHAP funding to be used to support the following:

**Shelters and Services** - \$21.1 million to support the following programs:

- Bridge Shelter at 16th & Newton
- Bridge Shelter at 17th & Imperial
- Women's and Family Shelter
- Single Adult and Senior Interim Shelter
- Youth Shelters and Case Management
- Safe Parking program

### **Coordinated Street Outreach Program**

HHAP funding of \$3.1 million is designated for the Coordinated Street Outreach Program to amplify the General Fund contribution and ensure adequate and equitable coverage of outreach teams across the City.

### **Family Reunification Program**

The Family Reunification Program seeks to connect homeless individuals with family members and support systems across the United States. HHAP funding in the amount of \$834,000 will continue to support this program in Fiscal Year 2026.

# Citywide Budget Overview

## **Administrative Costs**

A total of \$685,000 in costs to administer the HHAP programs are planned for Fiscal Year 2026. These costs are charged by City staff and staff from the San Diego Housing Commission.

## **Encampment Resolution Funding (ERF) and Family Homelessness Challenge Grant (FHCG)**

In Fiscal Year 2026, \$3.3 million in Encampment Resolution Funding (ERF) grant program allocations are anticipated to fund homelessness programs, services, and projects. ERF funding will support contracted outreach teams, rental subsidies and case management, and housing navigation services. Two distinct programs will be administered through this grant program, including a program initiated in District 3 in Fiscal Year 2023, and programs initiated in District 7 and District 9 in Fiscal Year 2024.

## **County of San Diego Domestic Violence Grant Funding, AB 179 Grant Funding and County of San Diego Capital Grant Funding**

In Fiscal Year 2026, it is projected that \$500,000 in Assembly Bill 179 funding and \$3.0 million in County of San Diego Domestic Violence grant funding will be used for startup and operational costs for an emergency shelter for domestic violence victims.

## **Implementation of the Climate Action Plan**

On August 2, 2022, the City Council adopted the 2022 Climate Action Plan (CAP), setting a new community-wide goal of net-zero emissions by 2035, committing San Diego to an accelerated trajectory for greenhouse gas reductions. Achieving net-zero emissions will improve the air we breathe, the communities we live in, and our overall quality of life. The CAP identifies six (6) equity-focused strategies to achieve a goal of net zero emissions by 2035 by reducing and avoiding GHG emissions:

- Strategy 1: Decarbonization of the Built Environment
- Strategy 2: Access to Clean and Renewable Energy
- Strategy 3: Mobility and Land Use
- Strategy 4: Circular Economy and Clean Communities
- Strategy 5: Resilient Infrastructure and Healthy Ecosystems
- Strategy 6: Emerging Climate Actions

Staff developed an Implementation Plan that provided further information on funding needs, performance metrics, time frame, and implementation pathways. Staff released a draft Implementation Plan and Implementation Cost Analysis (ICA) in February 2024. The final versions of the Implementation Plan and ICA can be found here: <https://www.sandiego.gov/sustainability-mobility/climate-action/cap>

Over the next five years of implementation of the CAP, City staff will report on progress to City Council and the public through annual progress reports and comprehensive GHG emissions inventories, depending on data availability. Additionally, in response to the 2020 CAP audit, staff have prepared an Administrative Regulation (AR) to establish annual department-level work plans for the implementation of the CAP with established responsibilities for overall CAP implementation. Information from the work plans is incorporated into the Climate Dashboard that can be found at the following link: <https://climatedashboard.sandiego.gov>.

The City will accelerate the adoption of electric vehicles, incentivize employees to work remotely, and encourage the use of alternative modes of transportation. The City has successfully shifted all eligible city accounts to 100 percent clean energy through San Diego Community Power.

# Citywide Budget Overview

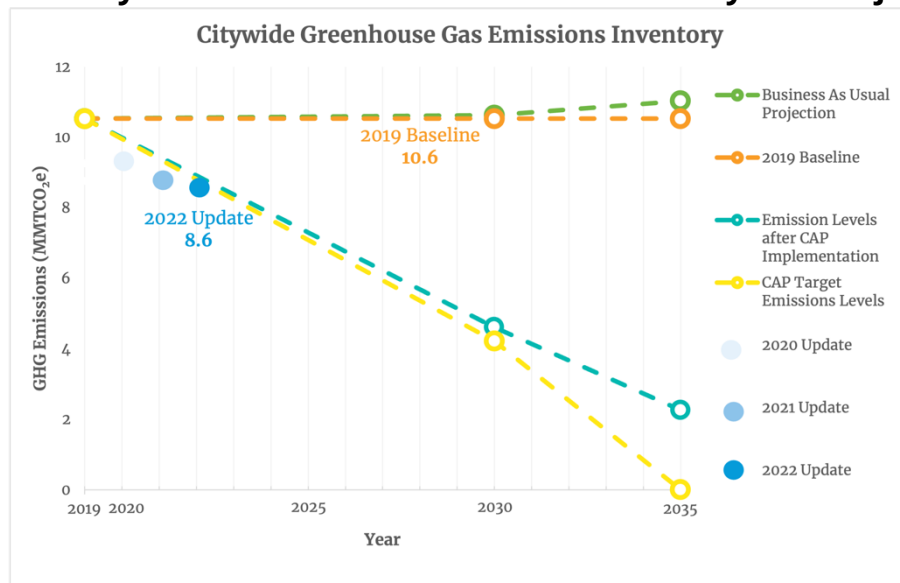
Principles of sustainability, and projects that reduce GHG emissions or improve the City's economic, social, or environmental sustainability are woven throughout many departments and functions within City operations. However, the City's budget is structured by functional departments rather than by sectors or initiatives. Because the efforts that support the CAP cross many departments and are embedded in many different projects and initiatives, the CAP Implementation Budget Summary presented here highlights new funding which is requested through the City's official budget process to support the various strategic areas of the CAP, to facilitate a discussion about implementation of the CAP. Of note, throughout the year there are other funding sources (e.g., Departments' existing operating budgets and grants) or budget adjustments that are not captured in this report but do assist in achieving the City's CAP goals.

San Diego's CAP is considered a national model. The City is breaking new ground in policies, programs, and methodologies to implement the plan. As a national leader, techniques for implementing evolve and improve over time as processes are established, metrics are created or enhanced, and annual monitoring begins. The Fiscal Year 2026 Draft Budget demonstrates that the City remains committed to keeping the economic, social, and environmental principles of sustainability at the forefront of decision-making.

## Progress Towards Achieving Climate Action Plan Goals

**Figure 3 - Citywide Greenhouse Emissions Inventory and Projections** shows the most recent citywide GHG inventory. The total GHG emissions from San Diego in 2022 were approximately 8.6 million metric tons CO<sub>2</sub>e (MMT CO<sub>2</sub>e), a 34 percent decrease from 2010 and a 19 percent decrease from the updated 2019 baseline measure. A two percent year-over-year reduction in GHG emissions resulted from decreases in electricity consumption, natural gas use, transportation, solid waste, and wastewater production that offset a small increase in emissions from water use. The budget analysis incorporated below was developed using the strategies and actions from the 2022 CAP.

**Figure 3 - Citywide Greenhouse Emissions Inventory and Projections**



## Summary of Climate Action Plan Draft Budget

**Table 9 - CAP Budget Changes Across City Departments** is a summary of investments across City departments in Fiscal Year 2026 that support the six strategic areas of the CAP. The investment amounts represent new resources included in the Fiscal Year 2026 Draft Budget. These changes are added to existing CAP investments in the departments' baseline and continuing appropriation budgets. CAP-related budget changes included in the Fiscal Year 2026 Draft Budget total \$299.6million and include operating and capital expenditure budgets.



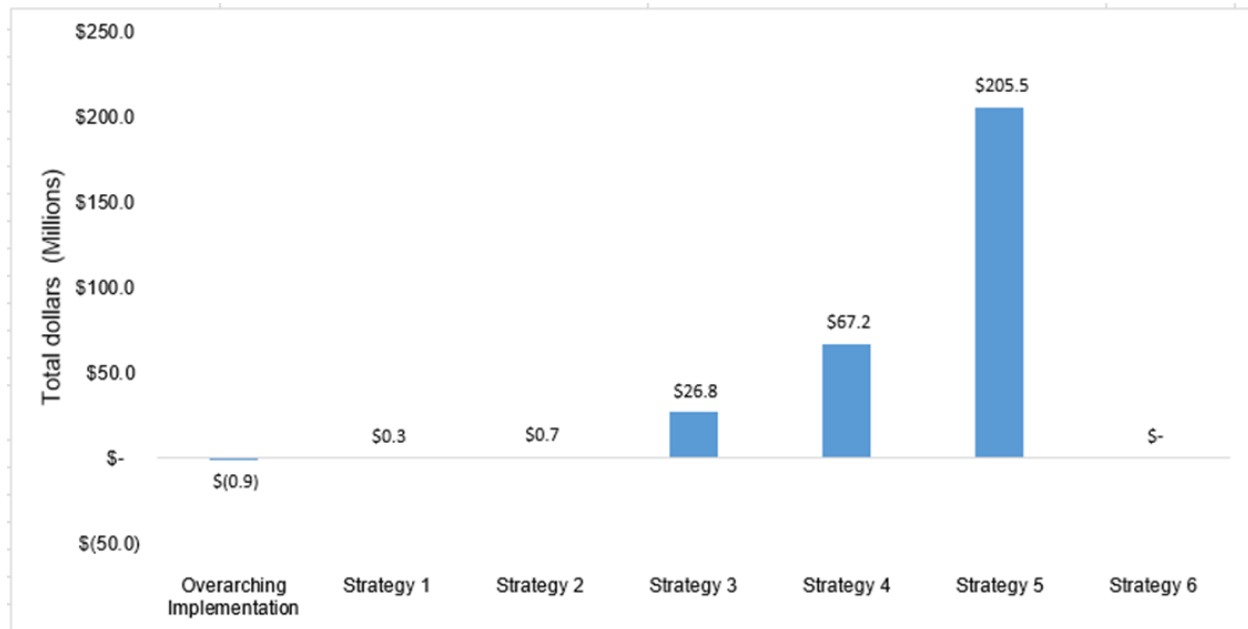
# Citywide Budget Overview

**Table 9 - CAP Budget Changes Across City Departments**

Climate Action Plan Fiscal Year 2026 Draft Budget			
Strategy	Direct	Indirect	Total
Overarching Implementation	-	\$(899,275)	\$(899,275)
Strategy 1 – Decarbonization of the Built Environment	(535,663)	852,724	317,061
Strategy 2 - Access to Clean & Renewable Energy	520,914	192,134	713,048
Strategy 3 - Mobility & Land Use	30,385,503	(3,599,116)	26,786,387
Strategy 4 - Circular Economy & Clean Communities	65,628,970	1,589,151	67,218,121
Strategy 5 – Resilient Infrastructure and Healthy Ecosystems	89,871,126	115,635,325	205,506,450
Strategy 6 – Emerging Climate Actions	-	-	-
<b>Total</b>	<b>\$185,870,850</b>	<b>\$113,770,943</b>	<b>\$299,641,792</b>

This budget analysis identifies both direct and indirect CAP efforts. Direct CAP efforts are explicitly identified as actions in the CAP (e.g., landfill gas capture) or directly support the CAP GHG reduction goals (e.g., increasing sidewalks or bikeways to increase walking or biking). Indirect CAP efforts are not explicitly referenced in the CAP or only partially support the CAP through climate change efforts (e.g., funding for pump station or sewer pipe repairs that will indirectly impact water facilities). **Figure 4 - Climate Action Plan Draft Budget Changes by Strategy** represents these investments by each CAP strategy.

**Figure 4 - Climate Action Plan Draft Budget Changes by Strategy<sup>1</sup>**



<sup>1</sup>Strategy titles noted in Table 9.

## Vision Zero

The City remains committed to Vision Zero efforts to eliminate all traffic fatalities and severe injuries in San Diego.

In the Fiscal Year 2026 Draft Budget, \$26.7 million is being allocated to implement the City's Vision Zero goals, including \$1.2 million for bicycle facilities, \$13.5 million for sidewalks, \$1.0 million for streetlights,

# Citywide Budget Overview

\$1.2 million for traffic calming measures, \$7.9 million for traffic signals, \$1.5 million for median installation, \$28,691 for bridges, and \$250,000 for street and road modifications. **Table 10 – Vision Zero Projects** displays the allocation of funds to applicable Vision Zero projects.

**Table 10 - Vision Zero Projects**

Vision Zero Project Type/Grouping	Project ID	FY 2026 Budget <sup>1</sup>
<b>Bicycle Facilities</b>		
Bike Striping Citywide	O&M	\$ 250,000
Safe & Sustainable Transportation All Ages & Abilities Team (STAAT)	O&M	850,000
<b>Bicycle Facilities</b>	<b>AIA00001</b>	<b>106,413</b>
Lake Murray Improv 2 (BL)	B24000	49,667
South Mission Beach SD Replacement (BL)	B23088	9,920
University City Improv 1 (BL)	B22105	46,826
Interstate 5 Underpass-Bikeway/Ped Conn	S00982	10,000
<b>Bicycle Facilities Total</b>		<b>\$ 1,216,413</b>
<b>Sidewalks</b>		
<b>New Walkways</b>	<b>AIK00001</b>	<b>\$ 598,942</b>
Wabaska-Voltaire St to Tennyson Sidewalks	B19030	350,000
Wightman-Ogden to Shiloh Sidewalk	B18039	248,942
<b>Sidewalk Repair and Reconstruction</b>	<b>AIK00003</b>	<b>7,020,000</b>
ADA Improvement Group 2601	New	650,000
ADA Improvement Group 2602	New	720,000
Citywide Curb Ramp Improvements	New	2,000,000
Sidewalk Replacement Group 1902-CM	B19013	450,000
Sidewalk Replacement Group 2330	B23091	600,000
Sidewalk Replacement Group 2331	B23092	400,000
Sidewalk Replacement Group 2530	New	2,200,000
Streamview Drive Improvements Phase 2	S18000	5,914,615
<b>Sidewalks Total</b>		<b>\$ 13,533,557</b>
<b>Street Lights</b>		
<b>Installation of City Owned Street Lights</b>	<b>AIH00001</b>	<b>\$ 285,588</b>
Installation of City Owned SL 2201 (NSG)	B22149	285,588
<b>Street Light Circuit Upgrades</b>	<b>AIH00002</b>	<b>734,000</b>
Pacific Beach 1 SL Series Circuit Conversion	B16119	734,000
<b>Street Lights Total</b>		<b>\$ 1,019,588</b>
<b>Signals - Calming/Speed Abatement</b>		
<b>Traffic Calming</b>	<b>AIL00001</b>	<b>\$ 1,243,283</b>
Milton St Burgener Blvd Curb Ext (NSG)	B22135	797,200
Osler Street Traffic Calming	B23147	34,483
Otay Mesa Rd Pedestrian Improvements	B23148	411,600
<b>Signals - Calming/Speed Abatement Total</b>		<b>\$ 1,243,283</b>
<b>Traffic Signals</b>		

# Citywide Budget Overview

Vision Zero Project Type/Grouping	Project ID	FY 2026 Budget¹
Traffic Signal Modification	O&M	\$ 300,000
<b>Install Traffic Signal Interconnect System</b>	<b>AIL00002</b>	<b>700,000</b>
Install Interconnect & Ethernet Network	B18052	200,000
Transportation Management Center	B24058	500,000
<b>Traffic Signals -- Citywide</b>	<b>AIL00004</b>	<b>1,864,775</b>
47th St & Hartley St HAWK	B23145	40,476
Division St & Osborn St Traffic Signal	B15047	668,999
Washington & Albatross HAWK	B24118	1,155,300
<b>Traffic Signals Modification</b>	<b>AIL00005</b>	<b>5,002,923</b>
32nd St & Market St Intersection Upgrade	B23076	700,000
Palm (I-5 to Georgia St) Traffic Sig Mod (VZ)	B21120	908,997
Traffic Signal Mods Grp 19-01	B19069	1,383,827
Traffic Signal Mods Grp 20-01	B20075	345,675
TS Upgrades – Camino Ruiz & TX Madison	B24107	1,664,424
<b>Traffic Signals Total</b>		<b>\$ 7,867,698</b>
<b>Medians</b>		
<b>Median Installation</b>	<b>AIG00001</b>	<b>\$ 1,528,072</b>
6th Ave @ Juniper St Roundabout	B20142	944,072
Carmel Mtn @ Carmel Country Roundabout	B21102	500,000
Foothill Blvd & Loring St Roundabout	B18008	84,000
<b>Medians Total</b>		<b>\$ 1,528,072</b>
<b>Bridges</b>		
El Camino Real to Via De LaValle (1/2 mile)	S00856	28,691
<b>Bridges Total</b>		<b>\$ 28,691</b>
<b>Street and Road Modifications</b>		
Fenton Pkwy Ext to Camino Del Rio N	RD23000	250,000
<b>Street Road Modifications Total</b>		<b>\$ 250,000</b>
<b>Total Vision Zero Project Type/Grouping</b>		<b>\$ 26,687,302</b>

## Compensatory Wetland Mitigation

The Stormwater Department oversees the repair, maintenance, and replacement of the City's stormwater system, which requires a comprehensive set of environmental protocols, mitigation measures, and permits. The Fiscal Year 2026 Draft Budget includes \$7.0 million in the Environmental Growth Funds to support compensatory wetland mitigation.

Stormwater facilities can support sensitive habitats that can be negatively impacted by maintenance activities. Local, State, and federal regulatory permits are typically required to perform maintenance. The following projects and additional maintenance and monitoring costs are planned to begin construction in Fiscal Year 2026. The construction schedule of these projects is an estimate and is contingent upon approval and permitting from regulatory resource agencies. These projects will provide the required compensatory wetland mitigation for past channel maintenance impacts and allow for future and emergency maintenance to occur within the City's stormwater facilities:

# Citywide Budget Overview

- \$2.5 million for Sefton Field Wetland Mitigation Site
- \$4.0 million for Montongo Mitigation Site
- \$500,000 Maintenance and Monitoring costs associated with Mitigation Site Work

## Updates to Council Policy 100-03 Transient Occupancy Tax

Transient Occupancy Tax (TOT) is levied at 10.5 cents per dollar on taxable rent for a transient's stay of less than one month. The use of TOT is guided by the City's Municipal Code (SDMC) Section 35.0128(b), which stipulates that of the 10.5 cents of collected TOT, 5.5 cents is to be applied toward general government purposes, 4.0 cents towards promoting the City as a tourist destination, and the remaining 1.0 cent towards any purposes approved by the City Council.

In December 2023, the Council Policy on Transient Occupancy Tax (Council Policy 100-03) was updated to establish a legislative process for the City Council to recommend the use of the 1.0 percent of the TOT, which is commonly referred to as the 1.0 cent Council discretionary allocation. The updated policy requests that the Mayor and Department of Finance, as part of the Budget, provide the Council with a report on the proposed use of the 1.0 cent of the 10.5 cents of TOT, within the annual budget as it relates to meeting the Council's stated goals for the use of this funding source in the budget priorities resolution.

As requested in the Council Policy, this section provides a report on the proposed use of the 1.0 cent of the 10.5 cents of TOT, as it relates to meeting the Council's stated goals for the use of this funding source in the budget priorities resolution. The entirety of the 1.0 cent Council discretionary allocation is proposed to be transferred to the General Fund for general government purposes. The Fiscal Year 2026 Draft Budget includes reductions in departments to help balance the budget and allocating the entirety of the 1.0 cent Council discretionary allocation to the General Fund for general government purposes (including public safety, homelessness services, and infrastructure operations and maintenance) helps reduce the need for additional cuts to operations which would negatively impact service levels for City residents.

Although the 1.0 cent Council discretionary allocation was not proposed to support Arts, Culture, and Community Festivals, the Fiscal Year 2026 Draft Budget for Special Promotional Programs includes \$13.8 million for Arts-related programming funded through the 4.0 cents of TOT, including: \$9.6 million for Organizational Support; \$1.7 million for Creative Communities San Diego; \$500,000 for the Impact Program; and \$2.0 million for the Cultural Affairs Department.

## Mitigation Actions

City staff completed a comprehensive review to develop mitigation actions to address the baseline shortfall and fund the critical expenditures mentioned above. The Fiscal Year 2026 Draft Budget includes waiving the reserve contributions and using fund balances from special revenue and internal service funds.

## One-Time Resources and Uses – General Fund

The Fiscal Year 2026 Draft Budget includes \$106.9 million in one-time resources in the General Fund as displayed in **Table 11 – Fiscal Year 2026 One-Time Resources**. This compares to approximately \$6.5 million in General Fund one-time uses as displayed in **Table 12 – Fiscal Year 2026 One-Time Uses**.

**Table 11 - Fiscal Year 2026 One-Time Resources**

One-Time Resources	Amount
Waive General Fund Reserve Contribution	\$55,620,000
2024 Winter Storm's CalOES Reimbursements	8,055,998
Bond Issuance Timing Savings	7,800,000

# Citywide Budget Overview

One-Time Resources	Amount
Waive Climate Equity Fund Contribution	6,628,747
Sycamore Facility Franchise Fee Transfer	4,300,000
Waive Workers' Compensation Reserve Contribution	3,980,199
Employ & Empower Grant Revenue	3,575,135
Waive Public Liability Reserve Contribution	2,682,946
Strike Team Deployments Reimbursements	2,148,770
Shelter Operations Alternative Funding	1,919,599
Waive Energy Independence Fund Contribution and Use of Fund Balance	1,787,940
Waive the Long-Term Disability Reserve Contribution	1,676,644
Short-Term Residential Occupancy Program License Revenue	1,191,550
Reduction of Refuse Disposal Fees	800,000
Department of Transportation Grant Funding	600,000
Concourse & Parking Garage Fund Use of Fund Balance	522,866
Ready, Set, Grow San Diego: US Forest Service Grant	518,798
Opioid Settlement Funding	456,872
Civil Penalty Fund Use of Fund Balance	451,963
Housing Assistance and Encampment - State Grants	450,000
GIS Fund Use of Fund Balance	445,479
Workers' Rights Enforcement Grant	417,452
Transient Occupancy Tax Fund Use of Fund Balance	192,068
Information Technology Fund Use of Fund Balance	191,512
Board of State Community Corrections Funding - Your Safe Place	189,978
Energy Conservation Fund Use of Fund Balance	161,483
Budget Software Implementation Reimbursement	100,000
Gun Violence Response Unit Grant	50,583
<b>Total</b>	<b>\$106,916,583</b>

**Table 12 - Fiscal Year 2026 One-Time Uses**

One-Time Uses	Amount
Termination Pay	\$1,133,948
Downtown Portable Restrooms	750,000
Tree Planting	727,816
Mobility Support and Bike Master Plan	600,000
Day Center Operations	527,774
PLEADS Program	456,872
Housing Assistance Support	450,000
Workers' Rights Enforcement Support	417,452
Support for Balboa Park Parking	325,000
Comprehensive User Fee Study of Recreation Services	216,000
Police's Northwestern Division Consolidation	199,800
Use of Transient Occupancy Tax Fund Balance	192,068
Your Safe Place Support	189,978
Advanced Lifeguard Academy	130,028

# Citywide Budget Overview

One-Time Uses	Amount
SDG&E Biannual Franchise Audit	114,000
Gun Violence Response Unit Support	50,583
Sports Arena Redevelopment Financial Consultant	38,250
Gun Violence Response Unit	12,500
<b>Total</b>	<b>\$6,532,069</b>

The information shown in the table above reflects that there is \$100.4 million more in one-time resources than uses, or about 4.7% of the General Fund Draft Budget which is indicative of the General Fund's continued structural budget deficit. This is a significant improvement from the prior year fiscal year where one-time resources exceeded uses by \$203.7 million or about 9.4% of the Fiscal Year 2025 Adopted Budget. Continuing to address this issue will require reevaluating current expenditure patterns, potentially delaying salary increases, and exploring new and enhanced sources of revenue.

Significant investments are needed to rebuild and properly maintain essential infrastructure like stormwater systems and roads and to provide vital services that the City's residents depend on daily. It will be important to address the City's financial challenges through additional ongoing revenue or other means, to provide services that are expected from residents and make necessary investments in City infrastructure. The City will continue to monitor revenues during Fiscal Year 2026 and will continue to address structural budget shortfalls during next year's budget process and beyond.

## Citywide Personnel Expenditures

The Fiscal Year 2026 Draft Budget includes a total of \$1.46 billion in budgeted salaries and wages, and \$878.0 million for fringe benefit expenditures, resulting in a total citywide personnel budget of \$2.34 billion.

**Table 13 – Fiscal Year 2026 Personnel Expenditures Budget** illustrates the budgeted FTE positions, salaries and wages, fringe benefits, and total personnel expenditures by fund type.

**Table 13 - Fiscal Year 2026 Personnel Expenditures Budget**

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Fringe Benefits	Budgeted Personnel Expenses
General Fund	8,165.10	\$ 953,963,527	\$ 599,771,757	\$ 1,553,735,284
Special Revenue Funds	1,014.91	135,155,120	71,539,899	206,695,019
Enterprise Funds	3,373.94	323,800,899	181,887,422	505,688,321
Internal Service Funds	387.23	36,053,758	20,446,476	56,500,234
Other Funds	53.00	8,096,578	4,313,063	12,409,641
<b>Total</b>	<b>12,994.18</b>	<b>\$ 1,457,069,882</b>	<b>\$ 877,958,617</b>	<b>\$ 2,335,028,499</b>

<sup>1</sup> Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

**Table 14– Total City FTE Position Changes Fiscal Year 2025 – 2026** presents the change in positions from Fiscal Year 2025 to Fiscal Year 2026.



# Citywide Budget Overview

**Table 14 - Total City FTE Position Changes Fiscal Year 2025 - 2026**

Fund Type	FY 2025 Adopted Budget	Additions	Reductions	Reorganizations	FY 2026 Draft Budget	FY 2025 - FY 2026 Change	Percent Change
General Fund	8,733.16	72.42	(440.74)	(199.74)	8,165.10	(568.06)	-6.5%
Special Revenue Funds	1,088.66	1.50	(78.00)	2.75	1,014.91	(73.75)	-6.8%
Enterprise Funds	3,097.18	122.36	(44.59)	198.99	3,373.94	276.76	8.9%
Internal Service Funds	380.19	22.00	(12.96)	(2.00)	387.23	7.04	1.9%
Other Funds	53.00	-	-	-	53.00	0.00	0.0%
<b>Total</b>	<b>13,352.19</b>	<b>218.28</b>	<b>(576.29)</b>	<b>0.00</b>	<b>12,994.18</b>	<b>(358.01)</b>	<b>-2.7%</b>

<sup>1</sup> Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE positions.

**Table 15 - Fiscal Year 2026 Budgeted Salaries and Wages** displays the Fiscal Year 2026 Draft Budget breakdown for salaries and wages by fund type.

**Table 15 - Fiscal Year 2026 FTE Positions by Labor Group**

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds <sup>1</sup>	Labor Group Total
MEA	2,853.35	799.99	1,949.49	155.73	25.00	5,783.56
AFSCME LOCAL 127	1,042.60	36.75	1,195.75	174.00	-	2,449.10
POA	2,019.23	-	-	-	-	2,019.23
IAFF LOCAL 145	1,054.00	14.00	-	-	-	1,068.00
Unclassified / Unrepresented	664.16	121.17	133.08	29.50	24.00	971.91
Classified / Unrepresented	171.73	43.00	95.62	28.00	4.00	342.35
Teamsters Local 911	173.03	-	-	-	-	173.03
DCAA	176.00	-	-	-	-	176.00
Elected Officials	11.00	-	-	-	-	11.00
<b>Fund Total</b>	<b>8,165.10</b>	<b>1,014.91</b>	<b>3,373.94</b>	<b>387.23</b>	<b>53.00</b>	<b>12,994.18</b>

<sup>1</sup> Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

For details on all position changes, refer to **Attachment A - Fiscal Year 2026 Changes in Full-time Equivalent (FTE) Positions** in the Appendix.

## Salaries and Wages

The Fiscal Year 2026 Draft Budget includes \$1.46 billion in budgeted salaries and wages, with \$954.0 million, or 65.5 percent, budgeted in the General Fund. **Table 16 - Fiscal Year 2026 Budgeted Salaries and Wages** displays the Fiscal Year 2026 Draft Budget breakdown for salaries and wages by fund type.

# Citywide Budget Overview

**Table 16 - Fiscal Year 2026 Budgeted Salaries and Wages**

Salary and Wage Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds <sup>1</sup>	Budgeted Salaries and Wages
Salaries/Add-on-Pays	\$ 884,335,834	\$ 135,635,739	\$ 342,361,881	\$ 37,956,722	\$ 8,015,724	\$ 1,408,305,900
Budgeted Personnel Expenditure Savings	(57,893,163)	(5,056,360)	(33,365,272)	(3,104,801)	-	(99,419,596)
Salary Savings	(3,290,704)	(436,886)	(1,346,849)	(58,832)	(22,441)	(5,155,712)
Vacation Pay In Lieu	9,654,307	2,054,097	3,022,514	371,141	100,917	15,202,976
Termination	4,400,362	377,015	864,543	126,291	-	5,768,211
Hourly Wages	16,795,483	443,551	719,708	36,445	2,378	17,997,565
Overtime	99,961,408	2,137,964	11,544,374	726,792	-	114,370,538
<b>Total</b>	<b>\$ 953,963,527</b>	<b>\$ 135,155,120</b>	<b>\$ 323,800,899</b>	<b>\$ 36,053,758</b>	<b>\$ 8,096,578</b>	<b>\$1,457,069,882</b>

<sup>1</sup> Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

The Fiscal Year 2026 Draft Budget includes general wage increases and special salary adjustments approved in the Municipal Employees Association (MEA); American Federation of State, County, and Municipal Employees (AFSCME Local 127); the International Association of Firefighters (Local 145); the Police Officers Association (POA); Teamsters (Local 911); and Deputy City Attorneys Association (DCAA) MOUs. Additionally, the Fiscal Year 2026 Draft Budget includes a recommended general wage increase for most unrepresented and unclassified positions to avoid potential compaction/compression issues related to the MOU-approved increases.

## Budgeted Personnel Expenditure Savings

Budgeted Personnel Expenditure Savings are used as a budgeting tool to allocate resources that are projected to remain unspent to other priority needs. As part of the development of the Fiscal Year 2026 Draft Budget, the City estimates an amount of personnel savings by department that is attributed to the following: vacancies, normal attrition, leaves of absence, under-filled positions, delays in the creation/filling of positions, time-dependent add-ons, unplanned termination pay and overtime, and variances in all personnel salary groups due to unforeseen circumstances. These estimates will require that departments monitor Fiscal Year 2026 personnel expenditures against available allocated appropriations; however, this does not prohibit departments from filling any budgeted positions. The Fiscal Year 2026 Draft Budget for Budgeted Personnel Expenditure Savings is \$99.4 million, representing a decrease of \$11.4 million, or 10.3 percent, from the Fiscal Year 2025 Adopted Budget. Budgeted Personnel Expenditure Savings by Fund Type is included in **Table 16 - Fiscal Year 2026 Budgeted Salaries and Wages**.

**Table 17 - Budgeted Personnel Expenditure Savings Fiscal Year 2024 - 2026** displays the budgeted personnel expenditure savings by Department and Fund from Fiscal Year 2024 through Fiscal Year 2026.

# Citywide Budget Overview

**Table 17 - Budgeted Personnel Expenditure Savings  
Fiscal Year 2024 – 2026**

Departments/Funds	FY 2024 Adopted Budget	FY 2025 Adopted Budget	FY 2026 Draft Budget
City Attorney	\$ 1,518,940	\$ 1,604,131	\$ 1,797,067
City Auditor	359,273	-	-
City Clerk	231,502	194,057	103,828
City Council	-	-	96,107
City Planning	646,955	241,971	403,778
City Treasurer	654,091	976,463	878,012
Commission on Police Practices	298,093	420,154	368,944
Communications	137,527	124,841	-
Compliance	101,101	266,037	330,460
Department of Finance	79,717	135,393	124,095
Development Services	945,808	830,476	-
Economic Development	325,213	474,284	811,858
Environmental Services	1,366,525	1,250,080	632,890
Facilities Services	2,082,957	1,916,344	2,109,850
Fire-Rescue	17,251,312	9,147,929	13,404,451
Homelessness Strategies & Solutions	74,763	119,501	-
Human Resources	401,164	790,062	-
Library	1,630,066	2,024,984	1,997,852
Office of Emergency Services	116,027	306,211	-
Office of the Chief Operating Officer	82,066	19,103	-
Parks & Recreation	4,913,364	6,857,248	5,482,897
Performance & Analytics	274,464	252,704	184,472
Personnel	57,624	108,695	93,344
Police	32,194,363	28,987,991	24,002,118
Purchasing & Contracting	1,154,240	1,678,258	1,400,402
Real Estate & Airports Management	522,696	960,079	182,408
Stormwater	3,005,521	2,035,477	1,488,198
Sustainability & Mobility	568,480	207,035	-
Transportation	4,096,226	3,663,166	2,000,132
<b>Total General Fund</b>	<b>\$ 75,090,078</b>	<b>\$ 65,592,674</b>	<b>\$ 57,893,163</b>
Airports Fund	\$ 232,182	\$ 369,978	\$ 178,826
Central Stores Fund	277,042	264,026	289,926
Development Services Fund	7,404,446	6,000,331	2,473,413
Energy Conservation Program Fund	82,066	125,387	275,000
Engineering & Capital Projects Fund	9,853,148	8,998,167	3,004,790
Fire/Emergency Medical Services Transport Program Fund	-	396,746	485,427
Fleet Operations Operating Fund	1,953,734	2,001,613	1,702,654
GIS Fund	-	124,841	309,702
Golf Course Fund	530,535	572,150	513,916

# Citywide Budget Overview

Departments/Funds	FY 2024 Adopted Budget	FY 2025 Adopted Budget	FY 2026 Draft Budget
Information Technology Fund	475,311	295,313	591,701
Maintenance Assessment District (MAD) Management Fund	-	-	76,608
Metropolitan Sewer Utility Fund	6,012,133	6,584,580	6,978,441
Municipal Sewer Revenue Fund	4,601,650	4,690,308	4,971,278
OneSD Support Fund	348,081	-	311,766
Parking Meter Operations Fund	-	58,117	67,748
Publishing Services Fund	-	65,589	-
Recycling Fund	651,808	697,087	487,219
Refuse Disposal Fund	1,290,167	1,993,331	3,243,763
Risk Management Administration Fund	415,877	505,025	837,221
Solid Waste Management Fund	-	293,544	2,500,000
Underground Surcharge Fund	166,409	124,841	-
Water Utility Operating Fund	8,951,512	10,822,229	12,018,416
Wireless Communications Technology Fund	455,298	210,105	208,618
<b>Total Non-General Fund</b>	<b>\$ 43,701,399</b>	<b>\$ 45,193,308</b>	<b>\$ 41,526,433</b>
<b>Total</b>	<b>\$ 118,791,477</b>	<b>\$ 110,785,982</b>	<b>\$ 99,419,596</b>

## Total Budgeted Fringe Allocations

Total budgeted fringe allocations are personnel costs that are non-wage related. The budgeted fringe allocation is composed of fixed fringe and variable fringe costs. Fixed fringe costs are targeted amounts that are set by specific obligations established through agreements with recognized employee organizations, City Ordinances, or the City's Reserve Policy. The targeted amounts are independent of current FTE position count or salary amounts. Fixed fringe costs include: the San Diego City Employees' Retirement System's (SDCERS) Actuarially Determined Contribution (ADC); as well as contributions for Workers' Compensation, Long-Term Disability (LTD), Other Post-Employment Benefits (OPEB), Unemployment Insurance, and Risk Management Administration (RMA). These expenditures account for \$656.5 million, or 74.8 percent, of budgeted fringe allocations in Fiscal Year 2026. The remaining budgeted fringe allocations are variable fringe costs that are dependent on payroll activity, such as reductions or additions in staff, and salary increases or decreases. **Table 18 – Fiscal Year 2026 Annual Budgeted Fringe by Fund Type** displays the citywide fringe allocation, which totals \$878.0 million for Fiscal Year 2026, of which \$599.8, or 68.3 percent, is budgeted in the General Fund.

**Table 18 - Fiscal Year 2026 Annual Budgeted Fringe by Fund Type**

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds <sup>1</sup>	Fringe Totals
Retirement ADC	\$ 377,522,773	\$ 43,431,930	\$ 99,544,292	\$ 9,947,242	\$ 2,715,909	\$ 533,162,146
Flexible Benefits	100,997,947	14,055,701	40,651,672	5,130,478	792,713	161,628,511
Retiree Health/Other Post-Employment Benefits	30,190,147	3,922,456	12,221,570	1,468,874	217,459	48,020,506

# Citywide Budget Overview

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds <sup>1</sup>	Fringe Totals
Supplemental Pension Savings Plan	9,653,507	2,888,809	6,139,478	667,443	142,324	19,491,561
Workers' Compensation	37,622,661	1,227,278	8,048,056	1,432,983	60,546	48,391,524
Risk Management Administration	12,199,544	1,585,037	4,938,781	593,564	87,874	19,404,800
Medicare	13,956,380	1,944,936	4,662,519	530,448	115,900	21,210,183
Employee Offset Savings	5,715,487	479,525	718,979	81,349	53,096	7,048,436
Retirement DROP	1,860,440	218,943	538,616	58,765	9,538	2,686,302
Unemployment Insurance	753,707	114,979	284,654	33,501	7,579	1,194,420
Retiree Medical Trust	2,244,989	233,567	536,176	67,858	13,937	3,096,527
Retirement 401 Plan	3,032,115	823,214	2,083,231	255,231	55,753	6,249,544
Long-Term Disability	4,022,060	613,524	1,519,398	178,740	40,435	6,374,157
<b>Fund Type Totals</b>	<b>\$ 599,771,757</b>	<b>\$ 71,539,899</b>	<b>\$ 181,887,422</b>	<b>\$ 20,446,476</b>	<b>\$ 4,313,063</b>	<b>\$ 877,958,617</b>

<sup>1</sup> Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE positions.

## Retirement ADC

The City's payment for retirement benefits in the Fiscal Year 2026 Draft Budget is \$533.2 million, and its components are described in further detail below.

The Actuarial Valuation Report as of June 30, 2024, prepared by the San Diego City Employees' Retirement System's (SDCERS) actuary, was released in February 2025. The valuation calculated the City's Actuarially Determined Contribution (ADC) to be \$533.2 million, an increase of \$46.9 million from the Fiscal Year 2025 Adopted Budget; approximately \$377.5 million, or 70.8 percent, of the ADC is budgeted in the General Fund. The prior actuarial valuation had projected an ADC increase for Fiscal Year 2026 of \$11.4 million. The significant change from the prior valuation is primarily due to the liability experience loss driven largely by salary increases that exceeded assumptions which increased the pension payment by \$37.2 million. Additionally, the SDCERS Board adopted additional contributions of \$0.6 million to be made with the Fiscal Year 2026 ADC at the November 15, 2024, meeting to fund the plan for the City's missed normal cost and estimated shortfall due to non-police employees who were hired on or after July 20, 2012, terminated employment prior to July 10, 2021, and opted into SDCERS as a deferred member or were since rehired. Partially offsetting these was a decrease in the pension payment of \$2.3 million due to an investment experience gain resulting from investment returns exceeding assumptions.

## Flexible Benefits

An Internal Revenue Service (IRS) qualified cafeteria-style benefits program is offered to all eligible employees. All employees in one-half, three-quarter, or full-time status are eligible. The Fiscal Year 2026 Draft Budget for Flexible Benefits is \$161.6 million, which represents an increase of \$2.4 million from the Fiscal Year 2025 Adopted Budget due to position additions/reductions, changes in coverage selections of employees, and negotiated increases to Flexible Benefit Plans.

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Through the Flexible Benefits Plan, the City currently offers healthcare coverage to all of its full-time, three-quarter-time, half-time, and non-standard-hour employees working an average of at least 30 hours per week or 130 hours per month, per the Affordable Care Act (ACA). Most City employees qualify for the Plan, thus complying with a key component of the ACA. The City continues to monitor ACA mandates and clarifications to assess the impacts on City benefit plans.

## **Workers' Compensation**

State Workers' Compensation laws ensure that employees who suffer work-related injuries or illnesses are provided with medical treatment and monetary awards. State Workers' Compensation statutes establish this framework of laws for the City. The workers' compensation contribution included in the Fiscal Year 2026 Draft Budget is \$48.4 million, which represents an increase of \$7.2 million from the Fiscal Year 2025 Adopted Budget due to expected increases in operating costs based on a three-average growth rate.

## **Retiree Healthcare/Other Post-Employment Benefits (OPEB)**

In Fiscal Year 2012, the City entered a 15-year memorandum of understanding with the REOs (Healthcare MOU) and provided the same terms to unrepresented employees regarding reforms to the retiree healthcare benefit for health-eligible employees. Pursuant to the Healthcare MOU, members retiring after April 1, 2012, were required to make an irrevocable election between three retiree healthcare benefit plan options, Options A, B, and C. Options A and B are defined benefit plans and Option C is a defined contribution plan. The City's defined benefit plans and the Option C defined contribution plan are closed to employees hired on or after July 1, 2005. For general members hired on or after July 1, 2009, the City established a new defined contribution plan through a trust vehicle (Retiree Medical Trust Plan).

The City has pre-funded future post-employment healthcare benefits for defined benefit plan costs through the California Employers' Retiree Benefit Trust (CERBT), an investment trust administered by the California Public Employees' Retirement System (CalPERS). Other than the amounts pre-funded through the CERBT, the City pays for retiree healthcare costs on a pay-as-you-go basis. If the City's annual contribution and employee contributions for the Option A and B Plans do not fully cover the annual costs of the defined benefit plans and Option C Plan, the City withdraws funds from the CERBT to cover the difference. The Fiscal Year 2026 Draft Budget for these plans is \$48.0 million, which represents a decrease of \$1.0 million from the Fiscal Year 2025 Adopted Budget. The City engaged with actuarial consultants who analyzed the City's planned funding strategy and provided a revised funding plan that would stop pre-funding the benefit and rely on the strategic use of retiree healthcare trust funds and pay-as-you-go contributions for retiree healthcare costs that will continue to decrease over time as the City meets its obligations and the plan membership decreases.

## **Medicare**

Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers are required to pay. The application of this rate applies to all City employees and is based on earned income, including any earned income related to overtime or other employee special pays. The Fiscal Year 2026 Draft Budget for Medicare is \$21.2 million, which represents an increase of \$1.8 million from the Fiscal Year 2025 Adopted Budget primarily due to the MOU-approved salary and wage increases.

## **Supplemental Pension Savings Plan (SPSP) and New Retirement Plans**

In 1982, the City opted out of Social Security and established the Supplemental Pension Savings Plan (SPSP). SPSP accounts provide a way for eligible employees to add to savings for retirement income, which is in addition to SDCERS' benefits. Employees hired before July 1, 2009, must contribute a mandatory 3.0 percent. Employees hired on or before July 1, 1986, can voluntarily contribute up to an additional 4.5 percent, and if hired after July 1, 1986, an additional 3.05 percent. This amount is deducted from employees'



# Citywide Budget Overview

paychecks and placed into an SPSP account for the employee. The City also matches these contributions. The Fiscal Year 2026 Draft Budget for SPSP is \$16.0 million, which represents a decrease of \$70,000 from the Fiscal Year 2025 Adopted Budget.

As part of the unwinding of Proposition B, some general members elected to stay in the defined contribution retirement plan, also known as the SPSP-H Plan, in lieu of joining SDCERS. These general members are required to contribute to the plan a percentage of compensation based on SDCERS member contribution rates, which is matched by a 9.2 percent employer contribution. The Fiscal Year 2026 Draft Budget includes the City's contribution match of \$2.5 million for those employees who elected to remain in the SPSP-H Plan, which represents a decrease of \$944,000 from the Fiscal Year 2025 Adopted Budget.

Additionally, the Fiscal Year 2026 Draft Budget includes \$919,000 in the SPSP-H account for hourly employees, which is a decrease of \$126,000 from the Fiscal Year 2025 Adopted Budget. **Table 16 – Fiscal Year 2026 Annual Budgeted Fringe by Fund Type** reflects a total budgeted amount of \$19.5 million, which represents a decrease of \$1.1 million from the Fiscal Year 2025 Adopted Budget, which includes SPSP, SPSP-H and hourly SPSP-H contributions. Lastly, City employees hired after July 10, 2021, with no prior City service, are now automatically placed in SDCERS.

## Risk Management Administration

The Risk Management Administration (RMA) contribution was established to support the programs and services provided by the Risk Management Department, which is an Internal Service Fund. These services include the administration of Workers' Compensation, Public Liability and Loss Recovery, Employee Benefits, Savings Plans, and Long-Term Disability. The Fiscal Year 2026 Draft Budget for Risk Management Administration is \$19.4 million, which represents an increase of \$3.0 million from the Fiscal Year 2025 Adopted Budget. The increase is primarily due to the restructuring of the benefits consulting services and the addition of positions to support the Public Liability Program.

## Employee Offset Savings (EOS)

Labor negotiations in Fiscal Year 2005 resulted in the reduction of the City's Retirement Offset Contribution; in exchange, the savings the City realizes as a result of this reduction must be used to address the City's pension UAAL. Each City department contributes based upon its respective payroll and these funds are transferred into the EOS Fund. The Fiscal Year 2026 Draft Budget includes Employee Offset Savings of \$7.0 million, which is unchanged from the Fiscal Year 2025 Adopted Budget and is budgeted as an expense to all City departments and revenue to the respective funds. The \$7.0 million will be transferred to the General Fund to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006.

## Long-Term Disability

Long-term disability is an employee benefit plan designed to provide partial salary replacement to eligible employees who are unable to work due to a disability as a result of injury, illness, or pregnancy. The Long-Term Disability (LTD) contribution in the Fiscal Year 2026 Draft Budget is \$6.4 million, which represents an increase of \$2.1 million from the Fiscal Year 2025 Adopted Budget. This contribution funds the pay-go requirements for the LTD Fund.

## Retirement 401 Plan

As a result of the unwinding of Proposition B, most general members hired on or after July 1, 2009, receive a hybrid retirement plan which includes a reduced defined benefit retirement plan as well as a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll, which the City matches. The Fiscal Year 2026 Draft Budget for the City's contribution match is \$6.2 million based on 6,130.50 FTE general members, which represents an increase of \$758,000 from the Fiscal Year 2025 Adopted Budget.

# Citywide Budget Overview

## Retiree Medical Trust (RMT)

The Fiscal Year 2026 Draft Budget for retiree health trust contributions is \$3.1 million, which represents an increase of \$1.0 million from the Fiscal Year 2025 Adopted Budget. General members, hired on or after July 1, 2009, must contribute 0.25 percent of payroll into a retiree medical trust, which the City matches. The Fiscal Year 2026 Draft Budget for the City's contribution match to general members is \$1.6 million. In addition, \$1.5 million is included in the Fiscal Year 2026 Draft Budget for contributions to the Southern California Firefighters Benefit Trust for each active Local 145 member.

## Retirement DROP

In accordance with the Deferred Retirement Option Program (DROP) adopted in Fiscal Year 1997, the City is required to match 3.05 percent of the DROP participants' salary. The Fiscal Year 2026 Draft Budget for Retirement DROP contributions is unchanged from the Fiscal Year 2025 Adopted Budget and set at \$2.7 million, or 3.05 percent of the current DROP participants' salaries of \$88.1 million.

## Unemployment Insurance

Unemployment Insurance provides temporary unemployment benefits to eligible workers who are unemployed and meet State law eligibility requirements to receive the benefit. Consistent with the Fiscal Year 2025 Adopted Budget, the Fiscal Year 2026 Draft Budget for Unemployment Insurance is \$1.2 million.

## Other Retirement-Related Contributions

While not reflected in **Table 16 – Fiscal Year 2026 Annual Budgeted Fringe by Fund Type**, the Fiscal Year 2026 Draft Budget includes other retirement-related contributions that are not classified as fringe benefits. These include \$1.0 million for the Preservation of Benefits Plan contribution to SDCERS to cover benefit payments in excess of Internal Revenue Service (IRS) limits. Additionally, \$1.3 million has been included to fund the pay-go costs for the supplemental Cost of Living Adjustment (COLA) benefit, which increases the monthly retirement allotment for retirees who retired before July 1, 1982, with at least ten years of service credit or industrial disability retirees with less than ten years of service credit, and whose benefits had fallen below 75.0 percent of their original purchasing power. A reserve of \$35.0 million was originally established in Fiscal Year 1999, when this benefit was established by San Diego Ordinance O-18608, with surplus earnings from previous fiscal years. In response to projections that the reserve would be depleted as early as October 2013, Ordinance O-20282 was adopted on July 23, 2013, which established as part of the annual budget process, the City would determine whether to appropriate the funds necessary to pay the supplemental COLA. The City has funded the supplemental COLA benefit annually ever since the reserve was depleted in Fiscal Year 2015.