



DRAFT BUDGET

MAYOR TODD GLORIA

VOLUME 1 Executive Summary



HOUSING | PROTECT & ENRICH | INFRASTRUCTURE | SUSTAINABILITY | PROSPERITY

Executive Summary

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

Total City Expenditures Fiscal Years 2025-2026 by Fund Type/Program (in millions)

Fund Type/Program	FY 2025	FY 2026
General Fund	\$ 2,160.9	\$ 2,148.6
Special Revenue Funds	1,003.4	1,083.0
Capital Project Funds	26.3	25.2
Enterprise Funds	1,483.2	1,702.3
Internal Service Funds	191.9	233.8
Capital Improvement Program	950.0	846.0
Total	\$ 5,815.7	\$ 6,038.9

Numbers may not foot due to rounding.

The Fiscal Year 2026 Draft Budget represents an increase of \$223.1 million, or 3.8%, compared to the Fiscal Year 2025 Adopted Budget. This is primarily due to increases in the Enterprise Funds, Special Revenue Funds, and Internal Service Funds, partially offset with a decrease in the Capital Improvements Program (CIP). The increase in the Enterprise Funds is associated with the following: implementation of Measure B in the Solid Waste Management Fund; water purchases, Pure Water Phase 1 operations, salary and benefit increases, debt, energy consumption, and support for dams and reservoirs in the Water Utility Operating Fund; and increased salary and benefits in the Development Services Fund.

The increases in the Special Revenue Funds are primarily associated with the following: increased revenue and expenditures associated with an increase in the Transient Occupancy Tax related to Measure C; increased revenue and expenditures in the Parking Meter Operations Fund associated with increasing and expanding parking meter rates; increase in the transfer to the General Fund from the Fire/Emergency Medical Services Transport Program Fund; and increased salary and fringe benefits in the Engineering and Capital Projects Fund. These increases are offset with a decrease in reimbursements to the General Fund in the Environmental Growth Funds due to a projected decline in franchise fee revenue and a reduction in expenditures in the Infrastructure Fund associated with not contributing from the General Fund as a result of a decrease in sales tax revenue. The decrease in the CIP is primarily due to a decrease in General Fund Debt and Citywide DIF appropriations.

Personnel Expenditure Changes

The Fiscal Year 2026 Draft Budget includes a total citywide personnel budget of \$2.33 billion, with \$1.46 billion for salaries and wages and \$878.0 million for fringe benefits. The General Fund accounts for the largest portion, which is \$1.55 billion, or 66.8%, in personnel expenditures. It includes a total of 12,994.18 Full-Time Equivalent (FTE) positions, representing a decrease of 358.01 FTE positions, or 2.7%, compared to the Fiscal Year 2025 Adopted Budget. This net decrease is primarily due to the following: a 568.06 FTE position decrease in the General Fund associated with budget reductions, the restructure of positions to the Solid Waste Management Fund, a decrease in Employ and Empower interns; a decrease of 73.75 FTE positions in the Special Revenue Funds primarily associated with position reductions in the Engineering and Capital Projects Fund. These decreases are offset by an increase of 276.76 FTE positions in the Enterprise Funds primarily associated with support for Pure Water Phase 1 Operations, and support for the missed

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collection crew, automated refuse container management program, and the restructure of positions from the General Fund into the Solid Waste Management Fund. The Budgeted Personnel Expenditures Savings total at \$99.4 million in Fiscal Year 2026 Draft Budget, a decrease from the Fiscal Year 2025 Adopted Budget associated with less projected vacant positions in Fiscal Year 2026 due to improved recruitment and retention, which in turn will result in increased personnel costs of \$11.3 million for the City. Fringe benefits include fixed costs (e.g., retirement contributions, workers' compensation) and variable costs (dependent on payroll). The total citywide fringe allocation for Fiscal Year 2026 is \$878.0 million, with \$599.8 million (68.3%), budgeted in the General Fund.

Total City FTE Positions Fiscal Years 2025-2026 by Fund Type

Fund Type	FY 2025	FY 2026
General Fund	8,733.16	8,165.10
Special Revenue Funds	1,088.66	1,014.91
Enterprise Funds	3,097.18	3,373.94
Internal Service Funds	380.19	387.23
Other Funds	53.00	53.00
Total	13,352.19	12,994.18

General Fund Overview

The General Fund is the primary operating fund of the City, supporting core community services such as police, fire-rescue, parks and recreation, and library services, along with essential support functions. These services are primarily funded by major revenue sources including property tax, sales tax, transient occupancy tax (TOT), and franchise fees. The FY 2026 Draft Budget for General Fund expenditures totals \$2.15 billion, a decrease of \$12.3 million (0.6%), from the FY 2025 Adopted Budget.

General Fund revenues are projected to be \$2.15 billion in FY 2026, an increase of \$72.1 million, or 3.5 percent, from the FY 2025 Adopted Budget. This increase is primarily driven by a \$79.3 million (13.7%) increase in other revenue sources, which offsets a \$7.2 million (0.5%) decrease in major revenues. The four major General Fund revenue sources (property taxes, sales taxes, TOT, and franchise fees) account for \$1,491.7 million, or 69.4 percent, of the FY 2026 Draft Budget General Fund revenues. These major revenues are projected to decrease by \$7.2 million primarily due to decreases in sales tax revenue of \$26.2 million and franchise fee revenue of \$17.9 million, partially offset by a \$34.6 million increase in property tax revenue. The FY 2026 Draft Budget incorporates a stable yet slowing economic outlook. Projected growth rates for major revenues in the Fiscal Year 2026 Draft Budget are as follows:

- Property Tax: 3.81 percent
- Sales Tax: -0.70 percent
- Transient Occupancy Tax (TOT): 3.0 percent
- Franchise Fees:
- SDG&E: 0.0 percent
- Cable: -6.79 percent

The remainder of the revenues in the General Fund are generated by a variety of sources. After incorporating all adjustments, the Fiscal Year 2026 Draft Budget maintains a balanced budget. Additional details for both revenue and expenditure adjustments are provided later in this Volume.

Financial Outlook and Stability

The Fiscal Year 2026-2030 Five-Year Financial Outlook projected baseline shortfalls. While updated projections reflect a decrease in expenditures in Fiscal Year 2026, deficits are still projected through Fiscal Year 2030. Addressing the projected structural budget deficits, where ongoing expenditures exceed ongoing revenues, remains a critical need. The Fiscal Year 2026 Draft Budget includes a recommendation to delay the planned General Fund reserve contribution of approximately \$55.6 million to maintain current reserve levels and limit operational reductions. Risk Management Reserves are anticipated to end Fiscal Year 2025 below target levels, and the Fiscal Year 2026 Draft Budget recommends continuing to delay risk management reserve contributions of approximately \$8.4 million beyond annual operating expenditures. The Fiscal Year 2026 Draft Budget includes \$106.9 million in one-time resources, including the waiver of General Fund and Risk Management Reserves in the General Fund totaling \$64.0 million, compared to \$6.5 million in one-time uses, indicating a continued structural budget deficit, although improved from the prior year. When excluding reserves, one-time resources of \$42.9 million support \$6.5 million in one-time uses for a net structural deficit of about \$36.4 million or about 1.4% of General Fund expenditures

Mitigation Actions

To close the projected Fiscal Year 2026 Draft Budget General Fund shortfall, the City has implemented a combination of expenditure reductions, new revenue generation, and strategic financial actions. The Fiscal Year 2026 Draft Budget reflects departmental restructuring through reorganization, renaming or merging organizational units. Significant reductions totaling \$111.9 million and 310.13 FTE Positions are proposed across General Fund departments. Additional mitigation measures include waiving reserve contributions and leveraging fund balances. General Fund costs for solid waste collection services—\$74.1 million and 181.00 FTEs—are shifted to the newly established Solid Waste Management Fund, supported by new collection service fees.

The Draft Budget also includes \$94.9 million in new and increased revenue to support General Fund operations. These include \$33.8 million in Transient Occupancy Tax from Measure C (pending final court affirmation), \$29.6 million from new parking meter rates and implementation of paid parking in Balboa Park, \$19.4 million from increased parking citation fines and other user fee adjustments, \$8.1 million in reimbursements from CalOES for winter storm recovery, and \$4.0 million in additional Cannabis Business Tax revenue.

As a key revenue measure, the Draft Budget assumes implementation of Measure C, a 2020 citizens' initiative to increase the Transient Occupancy Tax. If upheld, Measure C could generate \$192.1 million for homelessness programs and \$276.4 million for the Convention Center over five years. The Fiscal Year 2026 Draft Budget anticipates \$33.8 million for homelessness services and \$48.6 million for the Convention Center; however, delays in the final court decision may impact this revenue.

Budget Process

The annual operating budget is developed in conjunction with the Mayor, City Council, City departments, Independent Budget Analyst, and the public. The Budget Development Process consists of three main phases: Budget Development, Budget Review, and Budget Adoption.

The Budget Development phase began with the Fiscal Year 2026-2030 Five-Year Financial Outlook (Outlook) in the Fall of 2024, which is prepared each year as a long-range fiscal planning guide and serves as the framework for the development of the Fiscal Year 2026 Draft Budget for the General Fund. The Outlook projected a Fiscal Year 2026 General Fund baseline deficit of \$258.2 million. City departments submitted budget adjustment requests to the Department of Finance in January 2025, which City Management analyzed, reviewed, and prioritized in February 2025 and presented to the Mayor in March 2025 for further evaluation, discussion, and approval. Once budget decisions were finalized, projected General Fund

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revenues and expenditures were balanced and included in the Fiscal Year 2026 Draft Budget, along with changes to the non-general funds and CIP.

During the Budget Review phase, the City Council will hold a series of public meetings from April through June 2025 to obtain the public's input on spending priorities. The Mayor and City Council will use the information presented and recommend changes to the Fiscal Year 2026 Draft Budget through the May Revision and City Council modifications, respectively. The City Council will modify and adopt the budget in June 2025, which will be enacted into law via the Appropriation Ordinance.

Critical Expenditures

The Fiscal Year 2026 Draft Budget includes funding to maintain current service levels. Expanded services include the operations of new facilities.

The list below highlights some of the General Fund critical expenditure additions.

Administrative Support

Labor Negotiations	Funding of non-personnel expenditures to support labor negotiations and support services.
Revenue Audit Support	Funding of positions to conduct TOT and lease revenue audits.
Successor Agency Support	Funding of positions to oversee accounting and financial transactions of all Successor Agency Funds.

Climate Action Plan

Tree Planting	Funding of non-personnel expenditures to support tree planting associated with the Air Pollution Control District settlement.
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Equity and Diversity

Employ and Empower Intern Program	Funding of positions citywide to support the Employ and Empower Internship Program.
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Homelessness and Housing

Day Center	Funding of one-time non-personnel expenditures to support operations at the Day Center.
Eviction Prevention Program	Funding of one-time non-personnel expenditures to provide education and legal services for low-income renters facing eviction.
Portable Restrooms	Funding of non-personnel expenditures to provide portable restroom facilities in Downtown.
Rental Assistance	Funding of non-personnel expenditures to provide rental assistance for individuals at risk of homelessness.

Independent Departments

Digital Evidence Management System	Funding of non-personnel expenditures for a digital evidence management system.
Gun Violence Response Unit	Funding of positions and expenditures to support the Gun Violence Response Unit and the regional Firearm Relinquishment Task Force.

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Livable Neighborhoods

Balboa Park Paid Parking	Funding of non-personnel expenditures to implement paid parking in Balboa Park.
New Parks and Joint-Use Facilities	Funding of positions and expenditures to operate and maintain new parks and joint-use facilities.

Public Safety

Advanced Lifeguard Academy	Funding of positions and expenditures for advanced bi-annual lifeguard training.
Wellness Services	Funding for Fire-Rescue wellness services and annual exams.

Waste and Recycling

Clean SD	Funding of positions and expenditures to support homeless encampment abatements.
Lifeline Rate Assistance Program	Funding for financial assistance to minimize the financial impact of new refuse collection service fees on low-income property owners.

Budget Reductions

The Fiscal Year 2026 Draft Budget includes expenditure reductions to achieve a balanced budget for Fiscal Year 2026. The list below highlights some of the budget reductions by departments.

Citywide Reductions	One-time discount on refuse disposal fees, bond issuance savings, rent savings, and waiving the transfer to the General Fund Reserves and Climate Equity Fund.
City Auditor	Reduction of personnel expenditures.
City Clerk	Reduction of personnel expenditures.
City Planning	Reduction of personnel expenditures associated with the City Planning Work Program.
City Treasurer	Reduction of personnel and various non-personnel expenditures associated with operational efficiencies.
Commission on Police Practices	Reduction of professional, legal, and Information technology services.
Communications	Reduction of Public Information Officers, and training and professional services.
Compliance	Reduction of Occupational Safety and Health positions.
Council Admin and Council Districts	Reduction of personnel expenditures.
Department of Finance	Reduction of positions, office space, and overtime expenditures.
Department of Information Technology	Reduction to the PC Replacement Program.
Development Services	Reduction of zoning and code enforcement positions and associated expenditures.
Economic Development	Reduction of the Small Business Enhancement Program.
Environmental Services	Reduction of mulch spreading.
Fire-Rescue	Reduction of Fast Response Squads, Bomb Squad Unit cross staffing, and positions that support staffing and community resources.

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General Services	Reduction of positions, facility repairs and maintenance, and vehicle usage.
Homelessness Strategies & Solutions	Reduction to the Caltrans outreach program and the use of other funding sources.
Human Resources	Reduction of positions and non-personnel expenditures associated with compensation surveys, office supplies, training, and employee-centered programs.
Library	Reduction of positions and non-personnel expenditures associated with operating hours, homework program, and supplies.
Office of Emergency Services	Reductions of grant-reimbursable positions.
Office of the Chief Operating Officer	Reduction of the Chief Operating Officer and Executive Director positions associated with the consolidation of departments.
Office of the IBA	Reduction of personnel expenditures.
Office of the Mayor	Reduction of positions associated with government affairs, communications, and policy.
Parks and Recreation	Reduction of positions and expenditures related to decreased recreation center hours, park maintenance, restroom closures, security services, beach fire ring program, and brush management.
Performance and Analytics	Reduction of positions and non-personnel expenditures associated with Get It Done application enhancements and Open Data Portal.
Personnel	Reduction of positions and non-personnel expenditures associated with recruiting and hiring.
Police	Reduction in extension of shift and patrol backfill operations overtime.
Public Utilities	Reductions associated with recreational programming at City lakes.
Purchasing & Contracting	Reduction of positions that support Small Local Business Enterprise Program and contract oversight.
Race and Equity	Reduction of Department Director and various non-personnel expenditures associated with the consolidation of departments.
Stormwater	Reduction associated with various as-needed services and consultants.
Sustainability & Mobility	Reduction of Department Director and positions associated with the consolidation of departments.
Transportation	Reduction associated with tree planting services.

Non-General Fund Overview

In addition to the General Fund, the Fiscal Year 2026 Draft Budget includes the following major changes, in excess of \$10.0 million, in non-General Funds.

Non-General Fund Overview

Environmental Growth Funds	Reduction of reimbursements to the General Fund associated with the one-time use of fund balance in Fiscal Year 2025.
Fire/Emergency Medical Services Transport Fund	Addition of non-personnel expenditures to support ambulance services and transfer to the General Fund.
Fleet Replacement Fund	Addition non-personnel expenditures associated with the acquisition of vehicles to support refuse collection, public utilities, transportation, and stormwater operations.
Infrastructure Fund	Reduction of non-personnel expenditures associated with a decrease in sales tax revenue.

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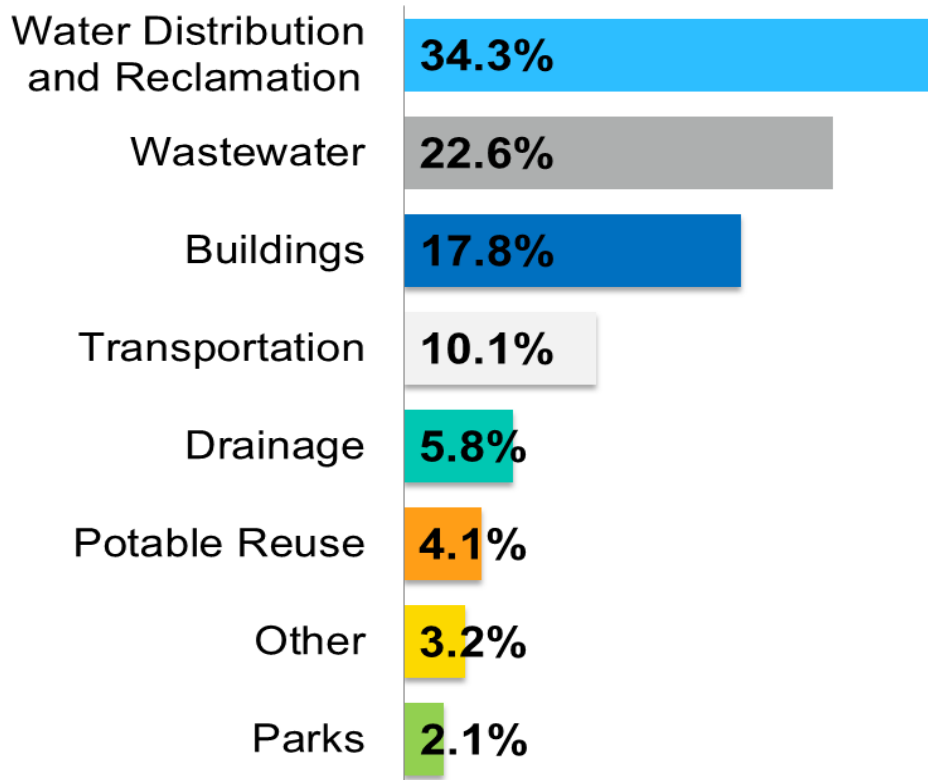
Parking Meter Operations Fund	Addition of revenue and non-personnel expenditures associated with expanded parking meter revenue and reimbursements to the General Fund for services provided to parking meter districts.
Solid Waste Management Fund	Addition of revenue and expenditures associated with charging for refuse collection services and to support operations of refuse collection services.
TOT Convention Center Fund	Addition of revenue and expenditures associated to Measure C to support the San Diego Convention Center.
TOT Homelessness Fund	Addition of revenue and expenditures associated to Measure C to support homelessness programs and services.
Water Utility Operating Fund	Addition of expenditures associated to citywide compensation increases, actuarial determined contribution increases, water purchases, Pure Water Phase 1 Operations, dam and reservoir maintenance and operations, and projected energy consumption.

Capital Improvements Program Overview

The Fiscal Year 2026 Draft CIP Budget for all funds is \$845.9 million, which is a decrease of \$104.0 million from the Fiscal Year 2025 Adopted Budget. This is primarily due to a decrease in General Fund Debt and Citywide DIF appropriations. This budget allocates existing funds and anticipated revenues to both new and continuing projects. The allocation of funds is based upon an analysis of available funding sources, as well as a review of project needs and priorities.

Fiscal Year 2026 Draft Budget by Project Type¹

¹Figures may not foot due to rounding.



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Conclusion

The Fiscal Year 2026 Draft Budget aims to protect the progress made in recent fiscal years including public safety, homelessness, housing, and infrastructure. This balanced budget includes budget reductions and mostly maintains funding for the aforementioned areas; additionally, it utilizes a mix of one-time and ongoing resources to balance the budget. Looking forward, the City may need to consider additional ongoing reductions or waiving contributions to reserves as revenues catch up, in order to achieve a structurally balanced General Fund budget. Additional details are included throughout this Volume.