



A Message to San Diegans from Mayor Todd Gloria Fiscal Year 2026 Draft Budget

My Fellow San Diegans,

In accordance with the City Charter, I am presenting the Draft Budget for Fiscal Year 2026. This is an early proposal, developed using economic data available at the time — and it will evolve in the months ahead as new, more current financial information becomes available at both the local and national levels.

Today, I want to share how we are responsibly addressing the serious fiscal challenges before us — with transparency, discipline, and a focus on preserving the neighborhood services that matter most to you and your families.

Following the voters' November 2024 decision not to increase the local sales tax through Measure E, the City of San Diego is adjusting its budget to reflect that outcome. We are committed to living within our means. This draft budget takes decisive, responsible steps to preserve essential services, operate more efficiently, and place San Diego on a sustainable financial path — making thoughtful, strategic decisions that protect our core responsibilities.

As part of this work, and in keeping with the City Charter, I have formally assumed the duties of City Manager. With this transition, I eliminated the Chief Operating Officer (COO) position and restructured the City's executive team to report directly to me. This action improves accountability, aligns with our voter-approved Strong Mayor form of government, and streamlines management.

In this budget, we have reorganized several departments to reduce overhead, consolidate programs, and improve efficiency:

- The Office of the Mayor, COO, Government Affairs, and Boards & Commissions have been combined.
- The Sustainability and Mobility Department has been integrated into Transportation, City Planning, General Services, and Engineering and Capital Projects.
- The Department of Race and Equity is now part of Human Resources, continuing its focus on training and policy development.
- The Office of Child and Youth Success moves to the Library Department's Youth and Family Services Division.
- The Department of Cultural Affairs now operates within Economic Development, where its grant programs align with broader economic initiatives.

Together, these reorganizations reduce 31 positions and generate over \$5.3 million in annual savings — savings that allow us to continue providing core neighborhood services without compromising public safety.

Alongside these reforms, we are advancing a broader strategy to stabilize City finances and significantly reduce our structural budget deficit while continuing to invest in San Diego's future.

Thanks to voter-approved Measure B (2022), we are beginning the long-overdue transition of residential trash collection costs out of the City's General Fund — for the first time in over a century. These services will now be funded by directly assessed fees, freeing up millions of dollars to support public safety, neighborhood services, and infrastructure.

Through Measure C (2020), starting May 1, the City will begin collecting a higher transient occupancy tax from hotel and lodging stays, with new revenue dedicated to expanding homelessness services — helping more people move off the streets and into housing and support programs.

We're also implementing revenue measures like an increase to the City's cannabis business tax and generating additional income by managing City-owned assets more effectively — including improved parking revenues and updated user fees that better reflect the cost of services.

Even with these new revenues, difficult reductions were necessary to balance this budget. Every decision was made with the goal of minimizing impacts to residents and protecting essential services.

We are maintaining core staffing in Police and Fire-Rescue, with significant budget increases for both to keep officers on the beat and fire stations staffed. We've also invested in important public safety programs, including the Advanced Lifeguard Academy and the Firefighter Wellness Program.

To combat homelessness, this budget expands prevention and outreach programs, adding support for rental assistance and eviction prevention services aimed at keeping people housed and reducing the risk of homelessness.

At the same time, to close the budget gap, we've made targeted reductions:

- Library hours will be reduced by closing all branches on Sundays and Mondays.
- Recreation centers will see shorter hours, especially mornings and weekends.
- Certain lower-priority programs in stormwater management and sustainability — such as turf rebates and the Think Blue public education campaign — will be scaled back to prioritize maintenance and flood prevention.
- Park maintenance and restroom services will be adjusted, with seasonal closures implemented where necessary.
- Code enforcement staffing will be reduced for lower-priority zoning cases.

Throughout, we've made sure to protect critical services, especially in communities that rely on them the most.

This draft budget also reflects our ongoing commitment to investing in San Diego's future through the Capital Improvement Program, with nearly \$846 million in citywide investments. This includes:

- \$656.4 million for water and sewer infrastructure
- \$48.8 million in stormwater and flood resilience projects
- \$46.8 million for street resurfacing and reconstruction, in addition to \$36.3 million for street maintenance, for a total of 388.8 miles of street repair
- Over \$11 million for Mission Bay improvements
- Nearly \$6 million for the new Oak Park Library
- \$2 million for the Mission Beach Lifeguard Station upgrade
- Major investments in sidewalks, bikeways, traffic signals, and street lighting

We're also modernizing the City's technology infrastructure, with over \$17.7 million in IT improvements that will improve digital operations and resident services. Together, these investments support economic recovery, job creation, public safety, and quality of life for San Diegans in every neighborhood.

While this budget requires shared sacrifice, it also preserves our values. It protects public safety. It continues our work to address homelessness. It makes targeted, high-impact investments in parks, libraries, and city infrastructure — including maintaining free public Wi-Fi at 59 park sites and opening new parks and joint-use fields already under construction.

Public hearings on the budget will take place in April and May, with a revised proposal released on May 14. The City Council will vote on a final budget by June 10. I encourage every San Diegan to stay engaged, share your feedback, and be a part of this process.

San Diego has a long history of resilience. We've faced economic challenges before — and overcome them by working together. I am confident that we'll do the same now. This draft budget is balanced, responsible, and realistic. It reflects the seriousness of our financial situation, but also our enduring optimism, strength, and determination to keep San Diego moving forward for everyone.

Sincerely,



TODD GLORIA
Mayor

City of San Diego Budget

The City of San Diego's Fiscal Year 2026 Draft Budget is \$6.04 billion and is comprised of five operating fund types and the Capital Improvements Program (CIP). The Fiscal Year 2026 Draft Budget represents an increase of \$223.1 million, or 3.8 percent, 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 salaries and fringe benefit increases 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 making a contribution 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.

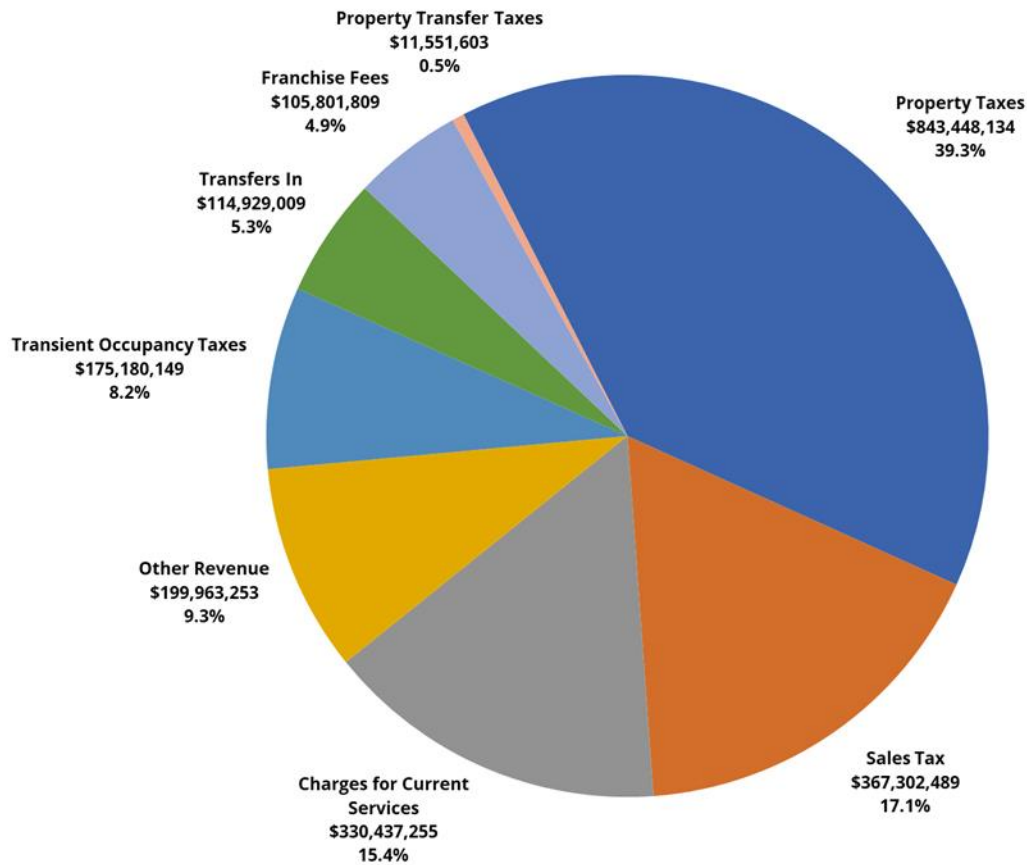
General Fund Revenues

The Fiscal Year 2026 Draft General Fund revenue budget is \$2.15 billion, which represents an increase of \$72.1 million, or 3.5 percent, from the Fiscal Year 2025 Adopted Budget. General Fund revenues are comprised of four major revenue sources, and a series of other revenue sources, which are primarily generated by departments. The City's four major General Fund revenue sources are property taxes, sales taxes, transient occupancy taxes (TOT), and franchise fees. These sources account for 69.4 percent of the Fiscal Year 2026 Draft Budget General Fund revenues and are projected to decrease by \$7.2 million, or 0.5 percent, from the Fiscal Year 2025 Adopted Budget. The decrease in major General Fund revenues from the Fiscal Year 2025 Adopted Budget is primarily due to decreases in sales tax revenue of \$26.2 million and franchise fee revenue of \$17.9 million, partially offset with an increase in property tax revenue of \$34.6 million. Fiscal Year 2026 Draft Budget revenues are based on projections included in the Fiscal Year 2025 Mid-Year Budget Monitoring Report (Mid-Year Report), and the most recent economic data available at the time of development.

In addition to increases in the major General Fund revenues, other revenue sources reflect a net increase of \$79.3 million, or 13.7 percent. The increase in other revenues is associated with a \$33.8 million in revised revenue for homelessness services as a result of the Transient Occupancy Tax (TOT) tax rate increases associated with Measure C; \$18.4 million in revised revenue due to parking meter enforcement and new parking meter regulations; \$11.3 million increase in parking citation revenue primarily in the Police Department; \$11.2 million in a transfer from the Fire/Emergency Medical Services Transport Fund; \$11.0 million in new revenue associated with proposed parking fees generated in Balboa Park; \$9.1 million in one-time reimbursement revenue to support street resurfacing activities; and \$8.1 million in one-time funding from California's Office of Emergency Services. These increases are primarily offset by a decrease of \$19.4 million in one-time Fiscal Year 2025 transfers to the General Fund from various non-General Funds and a one-time removal of \$6.3 million for the Short-Term Residential Occupancy (STRO) Program budgeted in Fiscal Year 2025, where licenses are valid for two years with fees due at the beginning of January, every two years after applications are submitted and a lottery on those applications occurs.

General Fund Revenue

Total \$2,148,613,701



General Fund Expenditures

The Fiscal Year 2026 Draft Budget for General Fund expenditures is \$2.15 billion, representing a decrease of \$12.3 million, or 0.6 percent, from the Fiscal Year 2025 Adopted Budget. These expenditures are primarily supported by major General Fund revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees.

The Fiscal Year 2026 Draft Budget prioritizes funding to preserve core 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.

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.
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.

Balanced Budget and Conclusion

The Fiscal Year 2026 Draft Budget aims to preserve core services including public safety, homelessness, housing, and infrastructure. This balanced budget includes budget reductions while prioritizing 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.