



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: 1

Recommended City Council Modifications to the Mayor's Proposed FY 2026 Budget and Review of the May Revision

This report presents the IBA's final FY 2026 budget review and recommendations for Council budget modifications. Recommendations reflect updates to revenues based on the latest actual receipts, adjustments to various expenditures to align them with likely spending in FY 2026, and potential adjustments to both resources and expenditures based on our review of Councilmember budget modification memoranda that were submitted to our Office on May 21, 2025. Those memoranda are released separately as [IBA Report 25-19](#). This report also reflects feedback from the public, City staff, and City Councilmembers received during the Budget Review Committee hearings. Recommendations are also based on our analysis of the May Revision to the FY 2026 Proposed Budget ([May Revision](#)), the FY 2025 Third Quarter Budget Monitoring Report ([Third Quarter Report](#)), and the initial [FY 2026 Proposed Budget](#).

This report is released at the end of a budget development process that included extensive review of the Mayor's FY 2026 Proposed Budget by the City Council and the IBA, including:

- The IBA's review of the Mayor's FY 2026 Proposed Budget issued on April 29, 2025 as [IBA Report 25-11](#)
- Departmental and agency budget hearings with the Budget Review Committee that took place on May 5-9, 2025
- An evening Budget Review Committee meeting held on May 5, 2025 and an evening City Council meeting held on May 19, 2025 to solicit input from the community on the Mayor's budget proposals and City Council's budget priorities for FY 2026
- Department of Finance responses to Budget Review Committee requests for additional information released following Budget Review Committee hearings

- The discussion of the FY 2025 Year-End Capital Improvement Program (CIP) Budget Monitoring Report at the Active Transportation and Infrastructure Committee on May 22, 2025
- The discussion of the May Revision and Third Quarter Report (both of which were released on May 14, 2025) at the City Council meeting on May 19, 2025 (Our review of the Third Quarter Report is presented in [IBA Report 25-20](#))

On June 6, 2025, the City Council will convene as the Budget Review Committee to review and discuss this report as an informational item. Then, on June 10, 2025, the Council will review the recommendations in this report, consider any additional modifications to the Mayor's FY 2026 Proposed Budget, and vote to adopt a final Budget.

OVERVIEW

As has been repeatedly noted throughout the FY 2026 budget process, adopting a balanced budget will be particularly challenging. While actions have been taken to generate additional revenues, thereby offsetting the need for *some* expenditure reductions, any balanced budget for FY 2026 will require cuts to various City service levels and programs. This is discussed in greater detail in our Office's [Review of the FY 2026 Proposed Budget](#).

This report presents the IBA's recommended budget modifications, as well as other budget modification priorities that were included in a majority (five or more) of Councilmembers' budget modification memoranda. The total cost of all majority-supported modifications exceeds available resources.

Because resources are limited, we begin the discussion with a review of revenue and resource modifications. This resources section includes a total of \$18.5 million in additional resources across all sources (\$10.5 million of which is in the General Fund); we also discuss other potential resources that were identified in Councilmember's budget modification memoranda, some of which we quantify and all of which have various drawbacks.

This is followed by a section that discusses expenditure modifications. This section includes the recommendation for an additional \$12.5 million in budgeted expenditures (\$4.6 million in the General Fund), consisting of technical corrections, more realistic expenditure projections, and various Councilmember budget modification requests, leaving \$6.0 million (\$5.8 million ongoing) in IBA-identified resources available for additional modifications.

A number of additional potential expenditure additions – all related to the restoration of services and programs reduced in the Proposed Budget – is also discussed, with potential partial-restoration scenarios for particularly desired services including library hours, recreation center hours, public restrooms, and recreational use of City reservoirs. While some combination of these can be funded with resources identified, it is critical to note that not all of those programs can be supported in full.

Finally, we discuss additional considerations and note potential risks the City remains vulnerable to, including trends that suggest the use of more conservative overtime and personnel expenditure projections moving forward, the reliance on revenue sources that have yet to be established, and the potential of an economic downturn or recession that would require further cuts to FY 2026 expenditures at mid-year.

REVENUE ADJUSTMENTS AND RESOURCE MODIFICATIONS

This report recommends the net addition of \$10.5 million in General Fund resources and \$7.9 million in non-General Fund resources. Additionally, we identify a further \$6.4 million in potential one-time General Fund resources, though tapping into that additional \$6.4 million carries significant impacts and potential drawbacks, and **therefore while we present those resources we do not make recommendations on whether they should be pursued.**

RECOMMENDED RESOURCES

Table 1 below lists the IBA-recommended resources available for budget modifications. The identified General Fund resources are largely revenue increases; several revenue decreases due to updated projections are also included.

This table also deducts from remaining available resources the IBA's recommended expenditure modifications, including \$4.6 million for the General Fund and \$7.9 million for non-general funds. Each resource is discussed following the table. Individual components and discussion of the IBA's recommended expenditure modifications are included in the following section – *Expenditure Modifications*.

Table 1: Recommended Resources for Modifications to FY 2026 Budget	
General Fund Resources	Amount
<i>Ongoing Resources</i>	
Solid Waste Fund Debt Repayment	\$ 6,458,000
Revised Sales Tax Projection	3,728,000
Reconsideration of Public Safety Special Event Fees for Non-Profits	2,106,000
Reconsideration of Fines for Expired Parking Meters	2,000,000
Daylighting Citation Revenue	850,000
Remove Vacant Deputy Director Position in Transportation	239,000
Remove Vacant Council Rep 1 in Council Administration	136,000
Department of Finance Office Consolidation	(282,000)
Reduced Revenue from Measure C TOT Homelessness Fund	(526,000)
Cannabis Business Tax Revenue Decrease	(900,000)
Revised TOT Projection (<i>includes Special Promo Reimbursements</i>)	(3,446,000)
<i>Subtotal Ongoing Resources</i>	<i>10,364,000</i>
IBA Recommended Use of Ongoing Resources	(4,562,000)
<i>Ongoing Resources Remaining</i>	<i>\$ 5,802,000</i>
<i>One-Time Resources</i>	
Civil Penalty Fund Balance Transfer	91,000
City Auditor: Available Independent Legal Counsel Resources	60,000
<i>Subtotal One-Time Resources</i>	<i>151,000</i>
IBA Recommended Use of One-Time Resources	-
<i>One-Time Resources Remaining</i>	<i>\$ 151,000</i>
Total Identified General Fund Resources	\$ 10,514,000
Total IBA Recommended Use of General Fund Resources	(4,562,000)
Total General Fund Resources Remaining	\$ 5,953,000
Non General Fund Resources	
Amount	
<i>One-Time Resources</i>	
Neighborhood Enhancement Fee Revenue (restricted)	\$ 5,000,000
Opioid Settlement Fund Balance	1,592,000
Economic Workforce Development Funds	750,000
North Park DIF	530,000
Uptown DIF	70,000
<i>Subtotal One-Time Resources</i>	<i>7,942,000</i>
IBA Recommended Use of One-Time Resources	(7,942,000)
Total Non-General Fund Resources Remaining	\$ -
Total Identified Resources	\$ 18,456,000

Remaining resources after IBA-recommended expenditure modifications total approximately \$6.0 million for the General Fund. *These remaining resources can be used for any other Council priorities, though given the Budget's structural imbalance we stress the importance of constraining the addition of any new ongoing expenditures.* Additionally, Council may wish to consider leaving a portion of this amount unallocated to provide a buffer that could help absorb potential expenditure overages or revenue declines in FY 2026.

General Fund Resources

Solid Waste Fund Debt Repayment – \$6,458,000 (ongoing)

The budget for the Solid Waste Management Fund includes expenditures to pay partial costs for ongoing General Fund debt service payments. As part of the rollout of weekly organics collection, the City used General Fund backed Lease Revenue Bonds to support the purchase of new packers and green containers. With the establishment of the new enterprise fund, the Solid Waste Management Fund included a portion of those debt service costs directly related to the portion of bond revenue that was used for the new packers and containers.

While expenditures for these payments were included in the Solid Waste Management Fund's budget, there was no corresponding reduction in General Fund debt service or recognition of revenue reimbursements coming from the Solid Waste Management Fund to the General Fund, which had the effect of double-counting these expenses. This item corrects this error by recognizing the payment already budgeted in the Solid Waste Management Fund as offsetting revenue within the General Fund.

Revised Sales Tax Projection – \$3,728,000 (ongoing)

As discussed in our review of the Third Quarter Report, May 2025 sales tax receipts came in \$4.4 million above projections, resulting in additional positive General Fund revenue for FY 2025. Preliminary data suggests that this increase could be related to consumers making purchases ahead of the federal administration's tariff policy taking effect, although how much of the increase is directly related is unclear.

Because FY 2026 revenue projections use FY 2025 receipts as a base, we have updated FY 2026 projections accordingly. However, our Office assumes a slightly lower year-over-year growth rate in the third quarter of FY 2026 to account for some one-time pre-tariff purchasing, although much of any related decrease in consumption is anticipated to be offset by higher prices from tariffs.

Our Office recommends a revised sales tax projection of \$374.5 million, which is \$3.7 million higher than the May Revise projection, resulting in a growth rate of 0.3% (almost flat) from FY 2025. This updated sales tax projection brings the total closer to the sales tax consultant's "most likely" scenario but remains slightly under due to recent actual revenues.

Reconsidered User Fee: Public Safety Special Event Fees for Non-Profits – \$2,106,000 (ongoing)

In March 2025, Council approved new user fees and adjustments to several existing user fee rates. This included setting fees related to public safety support at special events organized by both San Diego County-based nonprofit organizations and those based outside the County. These organizations may pay a discounted fee to the City for crowd and traffic control services provided by the Police Department’s Special Events Unit (both civilian and sworn personnel) and for event permitting issued by the Fire-Rescue Department.

As part of its action in March, the Council chose to forego increasing special event fees for non-profits to 100% cost recovery. However, a majority of Councilmembers’ final budget memos expressed support for this increase.

If the Council decides to raise special events user fees for non-profit organizations to cover the full costs of the services provided by City departments in FY 2026, the Department of Finance anticipates a \$2.1 million increase in revenue. The table below shows that calculation:

Department	Fee Title	Projected Volume of Fee	Current Fee	Proposed Fee	Projected Annual Revenue from Current Fee	Projected Annual Revenue from Proposed Fee	Projected Additional Revenue from Proposed Fee
Police Department	Special Events Civilian - Non-profit (San Diego County Based)	31,632	\$38.00	\$76.00	\$1,202,016	\$2,404,032	\$1,202,016
Police Department	Special Events Civilian - Non-profit (Non-San Diego County Based)	0	\$57.00	\$76.00	\$0	\$0	\$0
Police Department	Special Events Sworn - Non-profit (San Diego County Based)	8,773	\$103.00	\$205.00	\$903,619	\$1,798,465	\$894,846
Police Department	Special Events Sworn - Non-profit (Non-San Diego County Based)	0	\$154.00	\$205.00	\$0	\$0	\$0
Fire-Rescue	Special Events-Non-Profits/Local Community Groups (San Diego County Based)	58	50% of Permit Cost	100% of Permit Cost	\$9,483	\$18,966	\$9,483
Fire-Rescue	Special Events-Non-Profits/Local Community Groups (Non-San Diego County Based)	0	75% of Permit Cost	100% of Permit Cost	\$0	\$0	\$0
Total					\$2,115,118	\$4,221,463	\$2,106,345

Note that Council is anticipated to reconsider the special events user fee for non-profits at the June 9, 2025 Council meeting. If action is not taken to increase these fees, this revenue should be removed in any final budget action.

Reconsidered User Fee: Fines for Expired Parking Meters – \$2,000,000 (ongoing)

Similar to the special event fees discussed above, fines for several parking violations were also considered by Council in March 2025. Council raised several parking citation fines, though it chose to forego increasing fines for parking at expired meters by approximately 80%, from \$30.00 to \$54.50. This increase, however, is also anticipated to be reconsidered on the June 9, 2025 Council meeting. If action is not taken to increase these fines, this revenue should be removed in any final budget action.

The Department of Finance projects a \$2.0 million revenue increase if parking citation fines for expired meters were to increase to \$54.50 beginning in FY 2026. This projection is based on an 80% increase of FY 2024 parking citation revenue from expired meters. For context, from July

2024 to April 2025, an average of 6,497 citations for expired meter violations were issued per month, resulting in an average monthly revenue of \$224,000.

Daylighting Citation Revenue – \$850,000 (ongoing)

California Assembly Bill 413 (AB 413) prohibits parking of vehicles within 20 feet of any marked or unmarked crosswalk, and within 15 feet of any crosswalk where a curb extension is present. This measure, known as *daylighting*, enhances visibility for drivers, allowing them to see pedestrians entering roadways more clearly.

AB 413 applies to any intersection with a marked or unmarked cross walk within the City. Though the law went into effect on January 1, 2025, the City only began enforcing it on March 1, 2025. The fine for daylighting violations within the City is \$77.50, which includes a \$65.00 City-imposed fine and a \$12.50 State-mandated administrative fee. From March 1 to late-May, 6,133 citations have been issued, 3,504 of which have been paid, which equates to \$297,000 in FY 2025 General Fund revenue.¹

The FY 2026 Proposed Budget does not include revenue collected from daylighting citations. As daylighting violations were not enforced before March 1st, it was challenging to project the number of citations that would be issued when developing the FY 2026 Proposed Budget. Given an additional three months' worth of daylighting citation data, our Office projects daylighting citations could bring in \$850,000 in FY 2026. This is a conservative projection, based on monthly revenue collected to-date and discounting that revenue over the next twelve months. As the public becomes more aware of daylighting regulations, we anticipate that fewer citations will be issued, resulting in declining revenue.

Remove Vacant Deputy Director Position in Transportation – \$239,000 (ongoing)

A majority of Councilmembers supported considering reductions to unclassified management positions. After reviewing vacant unclassified positions (see Attachment 2 to this report, which includes a table on General Fund Vacant Unrepresented-Unclassified Positions), our Office believes a vacant Deputy Director in the Transportation Department can be reduced. This position was transferred to Transportation from the Sustainability and Mobility Department as part of the Mayor's budget mitigations, and previously oversaw the Mobility Division in the former Sustainability and Mobility Department. While this position was transferred to Transportation, along with four other positions specific to parking and curb management, most positions that used to report to this Deputy Director were transferred to City Planning. The remaining positions for parking and curb management can be integrated into the remaining Transportation Department operations.

¹ \$297,000 includes late fees and does not include for the \$12.50 State-mandated administrative fee.

Remove One Council Representative I Position in Council Administration – \$136,000 (ongoing)

In addition to the position noted above, one position within Council Administration could be reduced to achieve ongoing savings in FY 2026 of \$136,000, as shown in Attachment 2. There are no plans to hire this position.

Civil Penalty Fund Balance Transfer – \$91,000 (one-time)

The Civil Penalty Fund has a fund balance of \$812,000 as of May 2025. The Proposed Budget included a transfer of \$567,000 to the General Fund to support code enforcement activities in DSD. The May Revision includes an additional transfer of \$154,000 from this fund balance to the General Fund for a total transfer of \$721,000. As of May 2025, the remaining available fund balance is \$91,000, which can be used to support code enforcement activities, thereby freeing up General Fund resources to support other critical expenditures.

City Auditor: Available Independent Legal Counsel Resources – \$60,000 (one-time)

The City Auditor indicated that \$60,000 of the total \$180,000 budgeted for Independent Legal Counsel is available for one-time use in FY 2026. The full budgeted amount will not be required given that procurement of counsel is not likely to be completed until fall 2025. This was anticipated to offset the \$163,000 reduction in personnel expenditures to the City Auditor's budget, which is discussed later in this report. The use of the \$60,000 and restoration of the net \$102,000 was approved by the Audit Committee on April 23, 2025, as part of the City Auditor's revised budget. Note, the full \$180,000 for Independent Legal Counsel is anticipated to be required in future years.

Department of Finance Office Consolidation – (\$282,000) (ongoing)

The Proposed Budget includes \$282,000 in revenue and \$114,000 in cost savings associated with Department of Finance (DoF) staff vacating the 6th floor of the City Administrative Building and consolidating into office space on the 7th floor. The revenue assumes rent will be paid by a non-General Fund department moving into the 6th floor; cost savings are associated with fewer costs allocated to the General Fund. DoF plans to move out of the 6th floor by June 30th. However, it is currently unclear which department will replace DoF on the 6th floor, or when the 6th floor will be occupied. Although there is potential to generate revenue and cost savings for the General Fund during FY 2026, until a plan is put into place, this revenue should not be relied on.

Revise Measure C TOT Homelessness Fund Projection – (\$526,000) (ongoing)

The revenue projection for FY 2026 Measure C TOT revenue assumes a 3.0% annual growth rate, which is higher than the 2.2% growth rate for the rest TOT projections. We recommend growth rates across all components of TOT revenue be consistent. This revision reduces General Fund revenue transferred from the Fund by \$526,000.

Cannabis Business Tax – (\$900,000) (ongoing)

Cannabis business tax (CBT) is imposed on non-medical cannabis businesses that provide services such as manufacturing, transporting, and retail sales of non-medical cannabis in the City of San Diego. The FY 2026 Proposed Budget includes \$22.2 million in CBT revenue, reflecting a net \$2.8 million, or 14.3%, increase over the FY 2025 Adopted Budget. However, there are risks associated with that projection.

First, the May Revision projects a \$1.7 million increase in CBT revenue due to the anticipated extension of retail outlets' operating hours from 7:00 a.m.-9:00 p.m. to 6:00 a.m.-10:00 p.m. This projection was based on the hourly sales of one retail outlet on one weekday in March 2025. We have since received updated data on cannabis sales reflecting the City's CBT increase effective May 1st and found the \$1.7 million increase associated with extended hours to be reasonable. However, Council would still need to amend the Municipal Code before extended hours could be implemented. We note that an item related to the extension of cannabis retail outlets' operating hours is anticipated to be heard at Council in late June 2025. Any delay in the passage of the amendment could potentially decrease CBT revenue.

Second, the revised projections do not account for a potential 4% increase (from 15% to 19%) in the State's cannabis excise tax rate for retail outlets, which is anticipated to take effect on July 1, 2025. Given that the City recently increased CBT rates for City retail outlets from 8% to 10% in May 2025, additional taxes imposed to cannabis businesses may accelerate a decrease in gross taxable receipts due to competition from the illicit market. Furthermore, projected FY 2026 revenues brought in by the increased hours (\$1.7 million) and the 2% CBT rate increase for retail outlets operating within the City (\$4.0 million) are largely based on current sales activity. If the State raises its excise tax and sales activity decreases in FY 2026, actual revenues brought in by the two aforementioned actions may be lower than projected. We do note that there is an effort to delay the State's cannabis excise tax increase through proposed [State legislation](#), which we will continue to monitor.

Given these factors and year-over-year CBT revenue decreases since FY 2022, our Office believes that CBT revenue included in the May Revision may be optimistic. If the FY 2025 Third Quarter Report's year-end CBT revenue projection of \$16.5 million is used as a base for FY 2026, rather than the FY 2025 Budget amount of \$19.4 million, and assuming that the year-end projection has already accounted for lower revenues, as were captured by the \$2.0 million decrease assumed in the May Revision, FY 2026 CBT revenue may only be \$21.3 million, which is approximately \$900,000 less than what is included in the May Revision. Our Office will continue to monitor CBT revenue throughout the upcoming fiscal year.

<i>(\$ in millions)</i>	Revised FY 2026 Proposed Budget	Adjusted FY 2026 Projection^a	Difference
Base CBT revenue	\$ 19.4	\$ 16.5	\$ (2.9)
Budget Adjustment: Decrease due to competition and oversupply of cannabis products	(1.2)	(1.2)	-
Budget Adjustment: Increase due to 2% CBT Rate Increase for Retail outlets	4.0	4.0	-
May Revision: Continued decrease due to competition and oversupply of cannabis products ^b	(2.0)	-	2.0
May Revision: Increase from Extended Hours	1.7	1.7	-
May Revision: Increase from Projected Penalties	0.3	0.3	-
Total	\$ 22.2	\$ 21.3	\$ (0.9)

^a FY 2026 adjusted projection uses FY 2025 Third Quarter Report estimated revenue as a base.

^b Assumes FY 2025 year-end projection accounts for continued revenue decrease.

Revised Transient Occupancy Tax (TOT) Projection – (\$3,446,000) (ongoing)

Since the Third Quarter Report was released, TOT receipts have continued to come in under projections. Incorporating the most recent FY 2025 actual receipts further reduces the base upon which FY 2026 revenues grow, reducing total TOT projected revenues to \$323.6 million. For the proportion of TOT revenues that flow directly (5.5 cent TOT) and indirectly (1 cent TOT) to the General Fund, this represents a \$1.6 million decrease from the May Revise.

This revision *also* reflects a \$1.9 million reduction to General Fund reimbursements from the Special Promotional Programs portion of TOT revenues. This is made up of \$930,000 associated with a decline in FY 2025, making less fund balance available going forward, and \$958,000 associated with impacts in FY 2026. Combining the \$1.9 million reduced projection for reimbursement revenue from Special Promotional Programs with the \$1.6 million reduction discussed in the previous paragraph yields a projected \$3.4 million in reduced General Fund revenues related to TOT receipts.

Additionally, the projected reduction in TOT receipts means that FY 2026 TOT Fund revenues and expenditures should be decreased by \$1.2 million and \$2.1 million, respectively.²

Non-General Fund Resources

Neighborhood Enhancement Fee (NEF) Revenue – \$5,000,000 (one-time)

NEF is collected as part of Complete Communities – Housing Solutions and includes a 50% set-aside for affordable housing preservation. By the end of February 2025, there was \$5.2 million available in the NEF affordable housing set-aside. As detailed later, the NEF affordable housing set-aside can be used to fund an Affordable Housing Preservation Fund.

² The TOT Fund revenue decrease of \$1.2 million is comprised of \$958,000 for the 4 cent TOT and \$239,000 for the 1 cent TOT that flows into the TOT Fund but is transferred out to the General Fund. The TOT Fund expenditure decrease of \$2.1 million is comprised of \$1.9 million from the combined 4 cent TOT impacts in FY 2025 and FY 2026, and the \$239,000 impact from the 1 cent TOT.

Opioid Settlement Fund Balance – \$1,592,000 (one-time)

The City receives opioid settlement funds as part of several national settlement agreements with pharmaceutical manufacturers, distributors, and pharmacy chains. Following additional opioid settlement payments in FY 2025, the City's Opioid Settlement Fund is anticipated to end FY 2025 with a \$11.1 million fund balance. In FY 2026, proposed Opioid Settlement Fund expenditures include \$2.5 million ongoing for the Emergency Harm Reduction and Safe Haven shelters, and \$457,000 one-time for the Prosecution and Law Enforcement Assisted Diversion Services (PLEADS) program. Accounting for these proposed expenditures in FY 2026, the remaining fund balance would be roughly \$8.1 million, *prior* to \$4.3 million in new revenue anticipated in FY 2026. Given the fund balance, there is sufficient funding to provide \$1.1 million from the Fund to support the UCSD Health Transition Partnership expansion on a one-time basis.

Additionally, although the Proposed Budget includes \$2.5 million for two shelters that provide substance use disorder treatment, proposed expenditures at Emergency Harm Reduction and Safe Haven shelters exceed \$2.5 million by \$488,000. We recommend the additional drawdown of \$488,000 from the Opioid Settlement Funds to free up General Fund resources that can then help fund other Council budget modification requests, particularly a request for \$500,000 in one-time expenditures to support a two-month wind-down at the Rosecrans Shelter, to be discussed later in this report. Our recommended use of Opioid Settlement Funds in FY 2026 is therefore \$1.6 million above funding levels in the Proposed Budget and May Revise.

Economic Workforce Development Funds – \$750,000 (one-time)

The Economic Development Department identified \$750,000 in available Economic Workforce Development Funds to support the Small Business Enhancement Program (SBEP) in FY 2026. This funding was [originally allocated](#) to the Water and Sewer Capacity Bank in FY 2017. The purpose was to allow the City to sell discounted water and sewer capacity to other businesses that need to expand or establish new facilities, but the funds remain available and SBEP is an eligible use. This would provide a base budget for SBEP.

Community Based Developer Impact Fees - \$600,000 (one-time)

Development Impact Fees (DIFs) are charges assessed on new development projects to help fund the public facilities needed to serve a growing community. These fees ensure that new development contributes its fair share toward infrastructure such as parks, libraries, fire stations, and transportation improvements.

The Department of Finance identified \$70,000 in available Uptown DIF funds and \$530,000 in North Park DIF funds that could be allocated toward a feasibility study for the intersection at Park Boulevard, Normal Street, and El Cajon Boulevard.

OTHER POTENTIAL RESOURCES

Beyond the resources that we recommend above, we also identify additional resources that could be used to support Council budget modifications, as noted on Table 2 below. These resources come with significant potential drawbacks, and as such we make no recommendation on whether they

should be pursued, and Council will need to balance the benefits of programs and services that could be funded with these resources against the impacts that tapping into these resources could have. Importantly, resources *quantified* here are *one-time* resources, and to avoid exacerbating the City's structural budget imbalance they should not be used to support ongoing expenditures.

Table 2: Additional Potential Resources	
General Fund Resources	Amount
<i>Potential Operating Resources</i>	
Unclassified-Unrepresented Mandatory One-Week Furlough (<i>one-time</i>)	\$ 1,855,000
Communications Department Reductions (<i>ongoing</i>)	TBD
Reduction of Vacant Unclassified-Unrepresented Positions (<i>ongoing</i>)	TBD
<i>Subtotal Potential Operating Resources</i>	<i>1,855,000</i>
<i>Potential Capital Resources</i>	
De-appropriate General Fund Notes/Bonds for Capital Equipment	\$ 4,572,000
<i>Subtotal Potential Capital Resources</i>	<i>4,572,000</i>
<i>Total Additional Potential Resources</i>	<i>\$ 6,427,000</i>

Unclassified-Unrepresented Mandatory One-Week Furlough – \$1,855,000 (one-time)

A majority of Councilmembers supported implementing a mandatory one-week furlough for unclassified-unrepresented employees. The estimated one-time budgetary savings from this action is approximately \$1.9 million. If this or a similar action is approved by the full Council, our Office will work with the City Attorney's Office, Department of Finance, and other appropriate departments regarding implementation.

Communications Department Reorganization/Reductions - \$TBD (ongoing)

Several Councilmembers' budget memos supported the reorganization of the Communications Department to garner budgetary savings. A majority of Councilmembers requested the decentralization of Public Information Officers (PIOs)³ into applicable City departments to mirror the staffing structure in place prior to the establishment of the Communications Department. Other requests included the reduction of unclassified positions and the reduction of PIOs that support non-public facing departments.

For context, prior to FY 2015, PIOs were decentralized and assigned to individual departments. A [2013 Report to Council](#) noted that this staffing model was *not designed in a way that best meets the City's internal and external communication needs* and proposed consolidating all 22.00 PIO positions into a Communications Department. The creation of the Communications Department addressed several challenges identified in the 2013 Report, allowing for quicker and more coordinated release of information and outreach to residents.

³ Public Information Officers (PIOs) provide information to educate and engage the public and City employees on City initiatives, programs, events and services.

In addition to those functions, the Communications Department also manages City TV operations, the Public Records Act Program, and Publishing Services. The Department also administers the City's social media accounts and translation & interpretation services contract. The Department indicated that centralizing communications staff, graphic designers, Publishing Services, and multimedia staff allows for easier collaboration on work products.

The Department's services differ from the Mayor's separate Communication Team, in that the Communications Department provides support to individual City departments, including some mandatory communications, such as Proposition 218 mailers, while the Mayor's Team, solely supports the Mayor's communication needs, such as press releases and newsletters.

The FY 2026 Proposed Budget for the Communications Department's work supporting other City departments includes 13.00 classified PIO positions and 8.00 unclassified positions, including 1.00 Deputy Director and 1.00 Director. The Department noted that unclassified positions provide support for departments like the Police and Fire-Rescue departments that need 24-hour availability. Excluding the Deputy Director and the Director, the number of positions that provide communications support to City departments (19.00 FTEs) is three fewer than the number of PIOs prior to the establishment of the Communications Department.

Although decentralizing PIOs could lead to some potential savings through the reduction of management positions, those savings would be limited and would come with tradeoffs. While there are five existing Supervising PIOs, those positions would still be needed under a decentralized model since they also provide direct support to departments. PIOs currently have portfolios of multiple departments;⁴ as such, if they were decentralized and reassigned back to current-client departments, the City would likely have to add positions to provide the same level of coverage. PIOs also currently backup other PIOs when they are out of office; decentralization could minimize or eliminate the ability to provide backup coverage and response times to the public could increase.

Given these benefits and the limited savings related to decentralization, **our Office does not recommend the decentralization of PIOs.** However, if Council wishes to pursue additional savings from the Communications Department, it could consider a reduction in the level of services provided by eliminating positions from the Department.

The table below outlines communication-related positions within the Department, including proposed number of FTEs for FY 2026, salaried wages range, classification status (classified or unclassified), and a brief description of the position. We note that all positions listed are currently filled and the FY 2026 Proposed Budget already decreased communication-related positions by 1.00 PIO and 1.00 Supervising PIO. The table does not include positions for Public Records Act

⁴ Notably, several non-public facing departments such as Panda and DoIT are consolidated into PIO portfolios that include multiple departments; consequently, even if PIO coverage for such departments were eliminated, it would not necessarily lead to a one-to-one reduction in the number of PIO positions needed.

requests (4.00 FTEs), graphic design (5.00 FTEs), multimedia services (5.00 FTEs), or Publishing Services positions (5.50 FTEs).

Position	FTEs in FY 2026	FY 2026 Salaried Wages	Classification Status	Description
Public Information Officer (PIO)	2.00	\$90,000 - \$91,000	Classified	Supports all of the communications needs for the City's operational departments, excluding public safety departments and HSSD. 1.00 Senior PIO supports Marketing and Social Media Manager.
Senior PIO	7.00	\$106,000 - \$113,000		
Supervising PIO	4.00	\$122,000 - \$124,000		
Community Engagement Coordinator	1.00	\$160,000	Unclassified	Handles the citywide translation and interpretation contracts, manages purchase orders and invoices, and responds to requests from all City operational departments for language access.
Media Services Coordinator	2.00	\$153,000 - \$160,000	Unclassified	1.00 Media Services Coordinator manages the communications needs for all of the City's homelessness programs and services. 1.00 Media Services Coordinator provides secondary communications support for homelessness and Fire-Rescue.
Media Services Manager	2.00	\$167,000	Unclassified	1.00 Media Services Manager manages the communications needs of Fire-Rescue. 1.00 Media Services Manager provides PD and OES with communications support.
Marketing and Social Media Manager	1.00	\$167,000	Unclassified	Manages the City's Marketing and Social Media Program, which includes managing contracts for digital and social media advertising on behalf of the City's operational departments, the City's presence on hiring platforms, and other advertising content, such as the IKE Kiosks.

Reduction of Vacant Unclassified-Unrepresented Positions - \$TBD (ongoing)

A majority of Councilmembers' memos supported the reduction of vacant unclassified-unrepresented positions. As of May 22nd, there are 60.22 of these vacant FTEs in the City, which are listed in Attachment 2 of this report. Attachment 2 also includes a brief description and/or impacts of eliminating each position, as well as estimated savings from eliminating each position. Note that two positions listed in the Attachment have already been recommended by our Office for reductions to garner additional savings and have been included in Table 1 above.

Capital Resource - Debt Financing: De-appropriate General Fund Notes/Bonds for Capital Equipment – \$4,572,000 (one-time)

Our Office identifies \$4.6 million in debt that was issued for capital costs associated with SB 1383 implementation and fire engine replacements that is no longer needed. This funding was [originally appropriated](#) in FY 2022 and can be reallocated to alternative capital projects without affecting the City's current debt ratios.

Council may request that the Department of Finance de-appropriate these funds as part of the FY 2026 Mid-Year Budget Adjustment, allowing the funds to be repurposed for other priorities. While Council could consider using these funds for other capital projects, it is important to note that these resources cannot support the addition of any *operating* expenditures. **Our Office recommends reserving the amount for future emergency needs related to stormwater or other critical infrastructure.**

Billboard Digital Advertising - \$N/A

A majority of Councilmembers supported implementing billboard digital advertising to attain additional General Fund revenue. While we encourage Council to pursue further development of this proposal, given that there is no current proposal there is no estimated revenue at this time. Consequently this item is not included in Table 2.

Private Refuse Hauler Franchise Fee Increase - \$N/A

One potential resource that received majority support from Councilmembers is an increase to franchise fees charged to private refuse haulers that operate in the City. A recent report from the City Auditor recommended that these fees be increased to reflect inflation, which would potentially generate \$4.0 million. However, the City Attorney's Office has since advised that these fees can only be increased following completion of a comprehensive fee study or the provision of other documentation. Given the time it will take to complete a fee study and the City Attorney's legal advice, this revenue should not be incorporated into the FY 2026 budget. Accordingly it is not included in Table 2.

EXPENDITURE MODIFICATIONS

Following the release of the May Revision and Council's subsequent review on May 19, 2025, Councilmembers submitted budget modification memoranda to our Office on May 21, 2025. Our Office reviewed all budget priorities mentioned in Councilmembers' memos and determined those that had majority support (five or more Councilmembers). The modification memos identified up to \$35.4 million in majority-supported expenditure additions that were not included in the FY 2026 Proposed Budget or May Revision. Sufficient resources do not exist to fund all majority-supported modifications in FY 2026; further, our Office identified several budgeted expenditure that are insufficiently funded in the Proposed Budget that should also be addressed. In this section we recommend various expenditure modifications that can be supported with resources identified and recommended above. We then present, without specific funding recommendations, additional potential modifications supported by a majority of Councilmembers that could be supported with any remaining resources.

RECOMMENDED EXPENDITURE MODIFICATIONS

Our Office recommends expenditure modifications totaling \$12.5 million, \$4.6 million in the General Fund and \$7.9 million for non-general funds, as summarized in Table 3 below. Descriptions of recommended expenditure modifications are presented following Table 3. We consulted with various impacted departments regarding appropriate funding levels for the programs supported.

Table 3: IBA Recommended Expenditure Modifications		
General Fund Expenditures	FTEs	Amount
<i>Ongoing Operating Budget Items</i>		
Animal Services Contract	-	\$ 2,097,000
Fleet Fee Adjustments	-	1,410,000
City Attorney's Office	-	500,000
Office of the City Auditor	-	163,000
Independent Budget Analyst's Office	-	143,000
Parks and Recreation Electrician (May Revision Correction) ^a	1.00	136,000
Department of Finance Office Consolidation	-	114,000
Total General Fund Expenditure Modifications	1.00	\$ 4,562,000
Non-General Fund Expenditures	FTE	Amount
<i>One-Time Items</i>		
Affordable Housing Preservation Fund (supported by Neighborhood Enhancement Fee Revenue)	-	\$ 5,000,000
Expansion of the UCSD Health Transition Partnership (supported by Opioid Settlement Fund Balance)	-	1,104,000
Small Business Enhancement Program (supported by Economic Workforce Development Funds)	-	750,000
Feasibility Study for Park Blvd, Normal St, and El Cajon Blvd Intersection (supported by Community Based DIF)	-	600,000
Rosecrans Shelter Wind-Down (GF expenditures offset via transfer from Opioid Settlement Fund) ^b	-	488,000
Total Non-General Fund Expenditure Modifications	0.00	\$ 7,942,000
Total Recommended Expenditure Modifications: All Funds	1.00	\$ 12,504,000

^a This position restructure consists of 0.75 Electrician and \$102,000 in personnel expenditures from the Maintenance Assessment District Management Fund and 0.25 Electrician and \$34,000 in personnel expenditures from the Golf Course Fund to be moved to the General Fund (1.00 FTE and \$136,000 in total).

^b The Rosecrans expenditure would be supported by freeing up General Fund monies using \$488,000 in Opioid Settlement Funds to reimburse eligible GF expenses for the Harm Reduction and Safe Haven shelters.

General Fund Modifications

IBA-recommended expenditure additions for the General Fund largely reflect technical modifications to operating budget items that were insufficiently funded as of the May Revision, though several of these items were also supported by a majority of Councilmember memoranda.

Animal Services Contract - \$2,097,000 (ongoing)

Four Councilmembers prioritized the restoration of proposed reductions to the City's annual contractual expense for animal services through the San Diego Humane Society (SDHS). With the partial restoration of \$2.0 million in the May Revision, the remaining reduction amounts to \$1.5 million. The Parks and Recreation Department has indicated that it is scheduled to meet with SDHS in early-June to negotiate service level reductions and other mitigating measures. One service level

reduction that has been identified is the removal of the Dedicated Park Patrol Program related to off-leash dog enforcement which would reduce expenditures by approximately \$325,000; other potential options include increasing SDHS user fees (subject to Council approval), which when taken together could offset the proposed reduction by up to \$500,000. More information regarding the City's negotiations with SDHS is expected to be known before Council's final budget decisions.

As discussed in the *May Revision Changes: General Fund Expenditures* section of Attachment 1 to this report, the Parks and Recreation Department's budget for this contractual expenditure is *currently* underfunded by \$2.1 million due to unbudgeted contractual cost increases that incurred since the contract was executed in 2023. Irrespective of the outcome of negotiations with SDHS, the budget for this non-discretionary contractual expense will likely be short by at least \$2.1 million, and thus we recommend this increase.

Fleet Fee Adjustments - \$1,410,000 million (ongoing)

As part of the May Revision, the Department of Finance adjusted the non-discretionary charges for various City departments due to an over allocation to the General Fund. However, upon review our Office determined the allocation for the Environmental Services Department's remaining General Fund operations (Clean SD) was zeroed out. This makes the FY 2026 Proposed Budget for the General Fund \$1.4 million lower than it should be, and we therefore recommend this adjustment.

City Attorney's Office - \$500,000 (ongoing)

The City Attorney's Office is expected to offset its current year expenditure overages driven by its \$1.7 million budget reduction largely by increasing billing to grants and special funds. However, the Office's budget reduction increases in FY 2026 by \$2.6 million with only about \$900,000 increase in revenues projected over the amount assumed in the Third Quarter Report, which falls short of covering the increased budget reduction by \$1.7 million.

To address this gap, the City Attorney's Office plans to keep current and future anticipated vacancies open. Additionally, it plans to identify eligible expenses to charge to Opioid Settlement Funds, though this amount is yet to be determined. There remains a \$500,000 gap in the City Attorney's FY 2026 budget that lacks a plan for mitigation. Therefore, we recommend funding this \$500,000 in FY 2026 budget.

City Auditor's Office - \$163,000 (ongoing)

The Proposed Budget includes a \$163,000 ongoing reduction to the City Auditor's personnel budget which would be challenging to meet given the Office has no vacant positions and about 85.6% of its total proposed budget is comprised of personnel expenditures. To address this reduction, the City Auditor presented an updated budget to the Audit Committee on April 23, 2025, and recommended two options.

Both options included a one-time reduction of \$60,000 of non-personnel expenditures of the total \$180,000 budgeted for Independent Legal Counsel, and this has been reflected in the IBA General Fund Identified Resources section. In addition to the \$60,000 in non-personnel expenditures, Option 1 would not require any additional reductions (resulting in a net \$102,000 restoration). Option 2 would have required an additional one-time reduction of \$140,000 from mandatory furloughs of 80 hours for all 24 staff and the remaining \$33,000 would be covered through natural attrition. The Audit Committee approved Option 1, although these adjustments are not reflected in the May Revision. Five Councilmembers support a \$102,000 restoration and our Office believes this is a more reasonable assumption.

Independent Budget Analyst's Office - \$143,000 (ongoing)

The Proposed Budget includes a \$143,000 reduction to the Office of the Independent Budget Analyst's (IBA's) personnel budget. The total amount of this reduction could only be met by eliminating one out of the office's 11 positions, all of which are filled.

One-time personnel expenditure reductions of \$78,000 could be achieved through a mandatory two-week furlough for all IBA staff. However, if a one-week furlough is implemented for unclassified staff Citywide, as has been noted as a potential resource by a majority of Councilmembers, we would recommend that IBA's furlough be consistent with the rest of the City. Our Office therefore includes the restoration of this \$143,000.

Parks and Recreation Electrician (May Revision Correction) - \$136,000 (ongoing)

The May Revision restored 1.00 Electrician that was reduced in the Proposed Budget and reallocated 0.75 of that FTE to the Maintenance Assessment District (MAD) Management Fund and 0.25 FTE to the Golf Course Fund. This adjustment had the effect of transferring the position out of the General Fund, and was made erroneously. This position is currently filled and is the only budgeted Electrician responsible for ball field and other park facility lighting/electrical repairs. We recommend correcting this error by moving 0.75 Electrician and \$102,000 in expenditures from the MAD Management Fund and 0.25 Electrician and \$34,000 in expenditures from the Golf Course Fund to the General Fund (1.00 FTE and \$136,000 in total).

Department of Finance Office Consolidation - \$114,000 (ongoing)

As mentioned earlier, the Proposed Budget includes \$282,000 in revenue and \$114,000 in cost savings associated with DoF staff vacating the 6th floor of the City Administrative Building and consolidating office space on the 7th floor. Since it is currently unclear which department will move into the floor and when, this revenue should not be relied on; thus, we recommend restoring \$114,000 funding for the related expenditures.

Non-General Fund Modifications

Affordable Housing Preservation Fund - \$5,000,000 (one-time)

Six Councilmembers requested \$5.0 million from the Neighborhood Enhancement Fee (NEF) Fund be allocated to the San Diego Housing Commission to establish an Affordable Housing Preservation Fund (Preservation Fund). The Preservation Fund would assist the City's efforts to

retain existing naturally occurring affordable housing and deed-restricted housing. As previously mentioned, NEF is collected as part of Complete Communities – Housing Solutions and includes a 50% set-aside for affordable housing preservation. By the end of February 2025, there was \$5.2 million available in the NEF affordable housing set-aside. Council will likely need to approve an agreement authorizing SDHC’s use of these funds for the Preservation Fund in FY 2026. By the time Council takes such action, additional NEF funds could be available for this purpose meaning that funds available will be *at least* \$5.2 million.

Expansion of the UCSD Health Transition Partnership - \$1,104,000 (one-time)

Eight Councilmembers support the use of \$1.1 million from Opioid Settlement Funds to help expand the UCSD Health Transition Partnership. The City provided \$350,000 to support the FY 2025 pilot year, during which UCSD provided in-kind peer navigator, clinician support time, administrative costs, and facilities. The program engages patients at the Hillcrest and Jacobs Medical Center Emergency Rooms after an overdose emergency.

The expansion would enhance direct coordination of addiction treatment support for patients leaving the hospital or emergency room following an overdose event. Specifically, the expansion would primarily increase staffing from 2.00 Clinicians in the pilot to a total of 6.00 staff, including 4.00 clinicians, 1.00 Pharmacist Consultant, and 1.00 Psychiatric Mental Health Nurse Practitioner. We note, although this request is for one-time funds, the supported expenditures are ongoing in nature.

UCSD has indicated it will likely continue to seek Opioid Settlement Funds in the future, and potentially explore State funds, federal funds, or a clinical billing model to sustain operations. Under the pilot, over 120 individuals receive services each month; the expansion would target to serve over 300 individuals each month. As previously mentioned, Opioid Settlement Fund balance is available to support this modification, contingent on a review of eligible expansion activities by the Department of Finance and City Attorney’s Office.

Small Business Enhancement Program (SBEP) - \$750,000 (one-time)

Six Councilmembers supported restoration of the Small Business Enhancement Program (SBEP). As noted in the revenues section above, the Economic Development Department identified \$750,000 in available Economic Workforce Development Funds to fund the SBEP for FY 2026. This funding was [originally allocated](#) to the Water and Sewer Capacity Bank in FY 2017.

Feasibility Study for Park Blvd, Normal St, and El Cajon Blvd Intersection - \$600,000 (one-time)

Eight Councilmembers requested \$600,000 for a feasibility study at the intersection of Park Boulevard, Normal Street, and El Cajon Boulevard – one of the most dangerous and complex intersections in the City. The convergence of three major corridors creates significant safety and navigation challenges for drivers. This amount can be supported by balances in the North Park and Uptown DIF, discussed above as Community Based Developer Impact Fees.

In parallel, the Mayor's Office is pursuing grant funding for the project, though a determination is not expected for several months. If awarded, a grant could allow the project scope to expand to include initial environmental review and design.

Rosecrans Shelter Wind-Down - \$488,000 (one-time)

Five Councilmembers requested \$500,000 for a two-month wind-down of the Rosecrans Shelter proposed to be eliminated. The wind-down would allow the San Diego Housing Commission and HSSD to identify alternative housing arrangements and appropriately relocate current shelter residents prior to closure. As of end of May 2025, 131 beds (out of 150 beds) remain occupied at Rosecrans, and SDHC has identified 103 available beds/tents at other sites for relocated residents, likely to begin the week of June 2nd. SDHC and the County are in early discussions around the use of County funding to also support wind-down activities. We recommend increasing drawdown of Opioid Settlement Funds by \$488,000 for two other shelters – Emergency Harm Reduction and Safe Haven – to free up General Fund resources that can be used to fund the wind-down of the Rosecrans shelter, previously detailed in this report. SDHC indicated that the revised amount of \$488,000 (based on resources freed up from the use of Opioid Settlement Funds for eligible uses) will sufficiently cover the two-month wind-down of Rosecrans.

ADDITIONAL MAJORITY-SUPPORTED EXPENDITURE MODIFICATIONS

While our Office recommends resource modifications that provide an additional \$10.5 million in unrestricted General Fund resources, which exceeds the \$4.6 million in recommended General Fund expenditure modifications and leaves \$6.0 million in remaining resources, there are insufficient resources to fund all items that received support from a majority of Councilmembers. Our Office therefore presents additional detail and context on majority-supported expenditures here without assuming funding for them. We also provide partial funding scenarios for restoration of library and recreation center hours.

Table 4: Other Majority-Supported Expenditure Modifications <i>(Dollars and FTEs are up-to amounts; partial restorations would be lower)</i>			
General Fund Expenditures	# CMs in Support	FTEs	Amount
<i>Operating Budget Items</i>			
Restoration of Library Hours	8	70.50	\$ 8,579,000
Restoration of Recreation Center Hours	8	53.70	4,834,000
Restoration of Parks & Recreation Public Restrooms	8	13.00	1,682,000
Recreational Use of Reservoirs	8	-	622,000
Restoration of Beach Fire Rings	6	1.00	135,000
Restoration of Library Donation Matching Funds (one-time)	6	-	118,000
Restoration of Park Maintenance	5	49.50	6,413,000
Restoration of DSD Nuisance Abatement Units	5	10.00	1,518,000
Community Projects, Programs, and Services (CPPS) (one-time)	5	-	900,000
Restoration of Do Your Homework @ the Library Program	5	6.10	567,000

Note that all but two of these items should be considered ongoing; funding for any of these items should be supported with ongoing resources or alternative ongoing cuts to avoid exacerbating the City's structural budget imbalance.

Restoration of Library Hours - up to \$8,579,000 (ongoing) – 8 Supporting

Eight Councilmembers prioritized the restoration of Monday library hours and seven Councilmembers prioritized the restoration of Sunday hours. Fully restoring the reductions associated with both Monday and Sunday library hours would require 70.50 FTEs and \$8.6 million.

As funding is not available to support a full restoration, several Councilmembers offered different approaches on how to equitably prioritize restorations for targeted library locations. Based on that information and discussions with Library staff, we have identified 14 library locations for Monday hour restorations, primarily focused on the ten library locations that currently offer Do Your Homework @ the Library (DYH@L) services. The tables below include a list of these locations and the funding necessary to restore Monday hours at each location, for either full-day or a half-day (4 hours). If funding is identified, Council can determine which specific combination of locations should be targeted for restoration. If all 14 locations were to be restored, a total of \$3.1 million is required for the full day and \$2.2 million for a half day.

Restoration of Full-Day Monday Library Hours						
Council District	Location/Branch	DYH@L	FTEs	PE	NPE	TOTAL
1	Carmel Valley	No	1.50	\$ 162,669	\$ 8,552	\$ 171,221
2	Point Loma	No	1.00	118,283	25,955	144,238
3	Central Library	No	13.50	1,140,274	138,437	1,278,711
4	Oak Park	Yes	1.00	97,896	25,955	123,851
	Skyline	Yes	1.00	97,896	23,675	121,570
	Valencia Park / Malcolm X	Yes	1.50	145,445	25,955	171,401
5	Rancho Bernardo	No	1.00	109,159	10,832	119,991
6	Mira Mesa	Yes	1.50	145,445	25,955	171,401
7	Linda Vista	Yes	1.00	101,059	23,675	124,734
	San Carlos	Yes	2.00	189,684	8,552	198,236
8	Logan Heights	Yes	1.00	97,896	25,955	123,851
	San Ysidro	Yes	1.00	76,416	23,675	100,091
9	City Heights	Yes	1.00	101,059	43,886	144,945
	College-Rolando	Yes	1.00	80,672	25,955	106,627
Totals:			29.00	\$ 2,663,854	\$ 437,014	\$ 3,100,868

Restoration of Half-Day Monday Library Hours						
Council District	Location/Branch	DYH@L	FTEs	PE	NPE	TOTAL
1	Carmel Valley	No	1.50	\$ 162,677	\$ 8,552	\$ 171,229
2	Point Loma	No	1.00	118,289	18,394	136,683
3	Central Library	No	6.50	612,794	69,218	682,013
4	Oak Park	Yes	1.00	97,901	18,394	116,294
	Skyline	Yes	1.00	97,901	16,113	114,014
	Valencia Park / Malcolm X	Yes	1.50	145,453	18,394	163,846
5	Rancho Bernardo	No	1.00	109,165	10,832	119,997
6	Mira Mesa	Yes	1.50	145,453	18,394	163,846
7	Linda Vista	Yes	1.00	101,064	16,113	117,178
	San Carlos	Yes	1.00	72,576	8,552	81,128
8	Logan Heights	Yes	1.00	97,901	18,394	116,294
	San Ysidro	Yes	0.00	-	16,113	16,113
9	City Heights	Yes	1.00	101,064	27,359	128,424
	College-Rolando	Yes	1.00	80,676	18,394	99,070
Totals:			20.00	\$ 1,942,913	\$ 283,217	\$ 2,226,129

Restoration of Recreation Center Hours - up to \$4,834,000 (ongoing) – 8 Supporting

Eight Councilmembers prioritized the restoration of Recreation Center operating hours which would require the addition of 53.70 FTEs and \$4.8 million to fully restore.

Our Office requested that the Parks and Recreation Department prepare various scenarios for targeted restorations at different funding levels ranging from \$322,000 to \$3.2 million. The table below summarizes the potential options and lists the specific facilities that could be restored should the necessary amount of funding be identified. Attachment 3 to this report is a Memorandum

prepared by the Parks and Recreation Department that provides additional detail regarding these restoration options; our Office adjusted the funding amounts for each scenario in the table below to better reflect actual anticipated costs associated with potential restorations.

Recreation Center Restoration Scenarios							
Option	Description	FTE	PE	NPE	Total	Revenue	Net Cost
1A	Restore 3 ACDs at: Skyline (4), Larsen Field (8), and City Heights (9)	3.00 ACD 0.48 RLI 0.50 RLII-B	\$ 320,184	\$ 4,500	\$ 324,684	\$ 2,206	\$ 322,478
1	Restore 6 ACDs at Muni Gym (3) Skyline (4), Linda Vista (7), Memorial (8), Larsen Field (8), and City Heights (9)	6.00 ACD 0.48 RLI 0.50 RLII-B 2.00 RLI-B	\$ 698,832	\$ 7,462	\$ 706,294	\$ 2,206	\$ 704,088
2	Restore 8 ACDs to cover the following 16 sites: Muni Gym/BPAC (3), MLK/Encanto (4), Skyline/Paradise Hills (4), Linda Vista/Kearny Mesa (7), Memorial/Southcrest (8), Waller/South Bay (8), Chavez/Silver Wing (8), City Heights/Colina (9)	8.00 ACD 0.95 RLI 0.50 RLII-B 2.00 RLI-B	\$ 848,983	\$16,462	\$ 865,445	\$ 9,742	\$ 855,703
3	Restore 10 ACDs; 1 for each of the nine Council Districts (two in CD8 because it's so split geographically): (1) Carmel Valley, (2) North Clairemont, (3) Muni Gym, (4) Skyline, (5) Canyonside, (6) Doyle, (7) Linda Vista, (8) Memorial, (8) Chavez/Larsen Field, (9) City Heights	10.00 ACD 2.00 RL1-B 0.50 RLII-B 0.64 RLI	\$1,010,474	\$17,847	\$1,028,321	\$ 24,261	\$ 1,004,060
4	Restore 10 ACDs to cover 20 sites: (1) Carmel Valley/Pacific Highlands Ranch; (2) North Clairemont/Robb Field; (3) Muni Gym/BPAC; (4) Skyline/Paradise Hills; (5) Canyonside/Rancho Bernardo; (6) Doyle/Hourglass; (7) Linda Vista/Allied Gardens; (8) Memorial/Southcrest; (8) Chavez/Silver Wing; (9) City Heights/Colina	10.00 ACD 2.00 RL1-B 1.00 RLII-B 1.20 RLI	\$1,052,909	\$31,214	\$1,084,123	\$ 44,953	\$ 1,039,170
5	Full restoration in Council Districts 3, 4, 8, 9 (15 recreation centers out of 17; all except North Park and Golden Hill)	15.00 ACD 2.00 RLII-B 2.38 RLI	\$1,546,736	\$22,500	\$1,569,236	\$ 11,000	\$ 1,558,236
6	Half restoration of all ACD's; coverage will be split between 2 adjacent sites. Large and the majority of medium sites in the 9 council districts are addressed with the pairing of sites assigned geographically.	23.00 ACD 1.60 RLI 1.00 RLII-B 2.00 RLI-B	\$2,079,216	\$51,254	\$2,130,470	\$ 75,541	\$ 2,054,929
7	Full restoration in Council Districts: 4, 7, 8, 9 and split in Council Districts: 1, 2, 3, 5, 6	33.00 ACD 3.50 RL1-B 3.04 RLI 2.00 RLII-B	\$3,201,729	\$69,634	\$3,271,363	\$ 114,936	\$ 3,156,427

Restore Parks and Recreation Public Restrooms - up to \$1,682,000 (ongoing) – 8 Supporting
Eight Councilmembers prioritized the restoration of public restroom services maintained by the Parks and Recreation Department. The specific service level reductions by locations, along with the necessary funding requirement to restore each, is listed below.

- Mission Bay Park: 5.68 FTEs and \$517,000 to restore the closure of 13 of the 28 permanent restrooms;
- Fiesta Island: \$18,000 to restore the removal of 7 of 14 portable restrooms;
- Shoreline Beach: 1.82 FTEs and \$148,000 to restore the closure of all five restrooms located along Shoreline Beach, including the Children’s Pool restroom where four of eight restroom stalls would close;
- Balboa Park: 5.50 FTEs and \$466,000 to restore the closure of 7 of 14 permanent comfort stations, including three of six comfort stations located in Balboa Park’s East Mesa, three of five comfort stations located in the Central Mesa, and one of three comfort stations located in the West Mesa; and \$15,000 to restore the removal of portable restrooms placed in and around Balboa Park; and
- Downtown: \$518,000 in total, to restore the closure of the Gaslamp Square restroom (\$258,000), reduction of operating hours for the Civic Center restroom from 24 hours to 16 hours per day (\$245,000), and other various portable restrooms (\$16,000).

Recreational Use of Reservoirs - up to \$622,000 (ongoing) – 8 Supporting

Eight Councilmembers supported the restoration of 7-day-per-week recreational access to the Lake Murray and Lake Miramar reservoirs, and five Councilmembers supported a more wholesale restoration of recreational access to all of the City’s reservoirs. Restoring access to all reservoirs would have a net impact of \$622,000 on the General Fund, while restoring access to only Lake Murray and Lake Miramar would have a \$414,000 impact. Given constrained resources, if recreational access to City reservoirs is restored for FY 2026, we recommend it be restored at the two locations supported by 8 Councilmembers.

Restore Beach Fire Ring Program - \$135,000 (ongoing) – 6 Supporting

Six Councilmembers supported the addition of 1.00 FTE and \$135,000 to restore the Beach Fire Ring Program. To the extent funding is available, our Office recommends that Parks and Recreation Department restorations should focus on returning Recreation Center operating hours and/or public restroom services, which received greater Councilmember support.

Restoration of Library Donation Matching Funds - \$118,000 (one-time) – 6 Supporting

Six Councilmembers supported the addition of approximately \$118,000 to restore the reduction to the Library Department’s annual budget for the City’s match for library donations. To the extent funding is available, our Office recommends that Library Department restorations be focused on returning library operating hours which received greater Councilmember support.

Restore Park Maintenance Reduction - \$6,413,000 (ongoing) – 5 Supporting

The Proposed Budget included maintenance-related reductions to several Parks and Recreation Department Divisions. Five Councilmembers supported the restoration of these park maintenance reductions which would require the addition of 49.50 FTEs and \$6.4 million. To the extent funding is available, Parks and Recreation Department restorations should focus on returning Recreation Center operating hours and/or public restroom services, which received greater Councilmember support.

Restore DSD Nuisance Abatement Units - \$1,518,000 (ongoing) – 5 Supporting

Five Councilmembers supported the restoration of 12.00 FTEs from DSD zoning enforcement proposed for reduction, along with the restructuring of these positions to be cost recoverable. The restoration would allow for enforcement of [Priority 3](#) complaints, deemed to have an adverse impact on quality of life but no imminent life safety risks. Of the 12.00 FTEs identified for restoration, 2.00 FTEs are currently vacant (1.00 Senior Planner and 1.00 Zoning Investigator 2), and DSD has indicated reducing these 2.00 FTEs will have no impact on service levels as existing staff can continue to absorb the workload of these positions; therefore, these 2.00 FTEs are appropriate for reduction. The remaining 10.00 FTEs consist of two zoning enforcement teams. Zoning enforcement teams are not structured to be cost recoverable, as fines are intended to act as a deterrence for violations and ultimately facilitate code compliance. Given that no specific details have been shared about how these positions could be restructured to be cost-recoverable, we are not recommending the restoration of the remaining 10.00 FTEs associated with \$1.5 million in ongoing expenditures, unless there are ongoing General Fund resources available. For reference, the Proposed Budget includes \$115,000 ongoing from the Civil Penalty Fund to support DSD code enforcement operations; though not available as a resource for restoring positions, this amount would at most restore *one* Zoning Investigator 2 position with associated personnel expenditures of \$115,000.

Community Projects, Programs and Services (CPPS) - \$900,000 (one-time) – 5 Supporting

Five Councilmembers supported the restoration of CPPS funding at a level of \$100,000 per Council Office, or \$900,000 total. Given budget constraints and limited funding available, no appropriation is being recommended, but we note that Council Offices can use projected FY 2026 non-personnel savings within their budgets as a CPPS allocation in FY 2026, upon a request to the Department of Finance. It will likely be too late to establish an agreement with a nonprofit by the time savings are identified, and as a consequence any FY 2026 CPPS allocations would likely be limited to being made to other City departments.

Restore Do Your Homework @ the Library Program - \$567,000 (ongoing) – 5 Supporting

Five Councilmembers supported the addition of 6.10 FTEs and \$567,000 associated with the restoration of the DYH@L Program back to FY 2025 budgeted levels. However, the Library Department is currently offering these services at ten locations, which is less than the 18 locations that this program is currently budgeted for, due to staffing shortfalls. To the extent funding is available, our Office recommends that Library Department restorations be focused on returning library operating hours which received greater Councilmember support.

ADDITIONAL CONSIDERATIONS AND POTENTIAL RISKS

As discussed in our review of the initial FY 2026 Proposed Budget, a number of mitigations used to balance the budget rely on items that have yet to be implemented or that include new revenues that have not yet been implemented. Additionally, certain expenditure projections may reflect optimistic assumptions. This section discusses potential risks associated with those assumptions, as well as the vulnerability the FY 2026 budget has to potential economic downturns or recession.

Public Safety Overtime

The FY 2025 Third Quarter Report projects year-end overtime expenditures for both the Police and Fire-Rescue Departments to exceed what is projected in the FY 2026 Proposed Budget. Our Office has repeatedly noted this ongoing pattern of overtime overruns. Historically, overages have been covered by savings within department budgets or other General Fund sources. However, this may not be possible in FY 2025, given that up to \$10.1 million in General Fund reserves was projected to be needed to balance the FY 2025 budget at year-end. This underscores the critical need to both accurately budget for and contain public safety overtime costs.

The Police Department's proposed FY 2026 overtime budget is \$45.3 million – \$12.5 million less than FY 2025 projected spending when adjusted for expected salary increases. While the Police Chief has recently implemented new overtime controls and has committed to staying within the Department's FY 2026 Proposed budget, the difference remains significant; achieving this reduction may be challenging, especially given the Department's ongoing sworn staffing shortages which have been the primary driver of overtime overages in recent years.

Similarly, the Fire-Rescue Department's proposed overtime budget for FY 2026, including May Revision adjustments, is \$50.1 million - about \$8.6 million below FY 2025 projected spending after accounting for salary and operational adjustments. Overtime use in this Department is also largely driven by staffing shortfalls. As full staffing is not anticipated until the fourth quarter of FY 2027, significant reductions in overtime spending are unlikely in the near term.

While our report does not recommend modifications to the public safety overtime budgeted amounts, we highlight the potential for both the Police and Fire-Rescue departments actual expenditures to exceed budgeted amounts; consequently these expenditures should be closely monitored throughout FY 2026 so that any necessary offsetting budget adjustments can be identified early on.

Reliance on Future Revenues

As noted in our review of the initial Proposed Budget, the FY 2026 Budget relies on several new, yet-to-be-approved revenue sources to remain balanced. These include Measure B revenue to offset General Fund refuse collection costs (\$75.0 million) and expected revenue from parking reforms in meter zones and at Balboa Park (\$29.4 million). Continued funding for homelessness services is also heavily dependent on Measure C revenue (\$32.6 million), which is still pending a final court decision. Additional resources recommended in this report—such as increased General

Fund reimbursements from the Solid Waste Fund (\$6.5 million) and user fee and citation revenue (\$4.1 million)—also require Council action.

While it is reasonable to budget for revenues the City expects to receive in FY 2026, and several key items will be heard by Council on June 9th, one day before budget adoption, implementation of these revenue measures will be critical. Avoiding deeper budget cuts is contingent on approval and timely implementation of these revenues. If they do not materialize, significant mid-year reductions may be necessary.

Potential of an Economic Downturn or Recession

In the last several months, San Diego's economy has grown increasingly volatile due to national and international developments – particularly shifting federal policies and trade tensions. This volatility impacts City revenues, especially Sales Tax and Transient Occupancy Tax (TOT), which are closely tied to broader economic conditions.

While projected revenues for both these sources are reasonable, it should be acknowledged that the national economy faces a heightened risk of an economic downturn or recession. Should a recession occur, there is very little buffer between revenue decreases and the need to identify mid-year expenditure cuts.

Additionally, a meaningful proportion of San Diego's tourism economy is supported by international travel. Increased tension and declining relationships between the United States and other countries may make San Diego a less attractive destination for international business and leisure travelers. Especially given the increased reliance on TOT revenue (including reimbursements from Special Promotional Programs and assumed Measure C revenue), it will be important to closely monitor actual TOT revenue on a monthly basis. Declines in TOT revenue would present significant risks to City operations, particularly so for homelessness services.

FINAL BUDGET ACTIONS

In order to adopt a final FY 2026 Budget, we recommend the City Council take the following actions:

1. Approve the Mayor's FY 2026 Proposed (Draft) Budget, as modified by the Mayor's May Revision.
2. Approve the IBA's recommended final budget expenditure modifications included in this report, as summarized in Table 3 (*Recommended Expenditure Modifications*; page 16) as supported by recommended resources identified in Table 1 (*Recommended Resources for Modifications to FY 2026 Budget*; page 4).
3. Allocate the remaining \$6.0 million in identified resources to Council's other selected budget modifications.
4. To effectuate actions 2 and 3 above, we recommend:

- a. \$6.5 million be transferred from the Solid Waste Management Fund to the General Fund for debt repayment in FY 2026.
- b. FY 2026 TOT Fund revenues and expenditures be decreased by \$1.2 million and \$2.1 million, respectively. Of the \$2.1 million expenditure reduction, \$1.9 million is decreased reimbursements to the General Fund and \$239,000 is a reduced transfer of the 1 cent TOT to the General Fund.
- c. \$91,000 be transferred from the Civil Penalty Fund to the General Fund in support of eligible activities in FY 2026.
- d. General Fund expenditures be increased by \$488,000 for the Rosecrans Shelter Wind-Down, and \$488,000 be transferred from the Opioid Settlement Fund to the General Fund to reimburse eligible expenses for the Harm Reduction and Safe Haven Shelters.
- e. 0.75 FTE Electrician and \$102,000 in personnel expenditures from the Maintenance Assessment District Management Fund and 0.25 FTE Electrician and \$34,000 in personnel expenditures from the Golf Course Fund be moved to the General Fund (1.00 FTE and \$136,000 in total).

CONCLUSION

This report represents the IBA's final FY 2026 budget review and recommendations for Council budget modifications. In it we identify \$10.5 million in net available General Fund resources that can be used to fund modifications to the Proposed Budget. Of this amount we recommend the use of \$4.6 million to account for technical corrections, more realistic expenditure projections, and various Councilmember budget modification requests – which leaves \$6.0 million for other General Fund expenditure modifications. Additionally, we identify \$7.9 million in non-General Fund resources, including \$5.0 million for the Affordable Housing Preservation Fund, \$1.1 million for the expansion of the UCSD Health Transition Partnership, and \$750,000 for the Small Business Enhancement Program.

Beyond these *recommended* resource and expenditure modifications, we *also* present additional potential resources and expenditures that were included in a majority of Councilmember budget modification memoranda. The total cost of all majority-supported modifications exceeds available resources recommended in our report. While we identify potential additional resources that could be used to further support additional Council budget modifications, those resources – which largely consist of a potential furlough of unclassified-unrepresented positions and/or the elimination of various positions – come with significant potential drawbacks; as such we make no recommendation on whether they should be pursued. Council will need to balance the benefits of programs and services that could be funded with these resources against the negative impacts associated with those resource options.


Importantly, remaining majority-supported expenditure additions – all of which are related to the restoration of services and programs that were reduced in the Proposed Budget – can be *partially*

restored with recommended resources. Partial-restoration scenarios for particularly desired services, including library hours, recreation center hours, public restrooms, and recreational use of City reservoirs, are presented. While some combination of these can be funded with resources identified, it is critical to note that all of those programs cannot be supported in full.

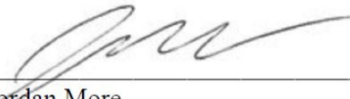
Finally, we note potential risks to which the City remains vulnerable, including recent trends that suggest a more conservative projection of public safety overtime should be used moving forward, the budget's reliance on revenue sources that have yet to be established, and the potential of a recession or economic downturn that would require further cuts to FY 2026 expenditures at mid-year. While the budget being presented makes progress towards closing the structural deficit, additional work will be needed over the next several years to achieve full structural balance and to resume contributions to the City's reserves.

Additional detail on revenue and expenditure adjustments in the Mayor's May Revision to the Proposed Budget is included as Attachment 1 to this report; we also provide analysis of current FY 2025 year-end financial projections in our review of the FY 2025 Third Quarter Budget Monitoring Report ([IBA Report 25-20](#)).

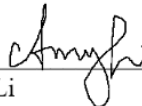
Our Office would like to thank staff from all City departments who responded to our many questions throughout the budget process, as well as each Council Office for your budget modification memoranda, and your participation in the many budget hearings, town-halls, and Council meetings. Our Office remains available to assist Council as it moves forward with adoption of a final FY 2026 Budget.



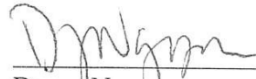
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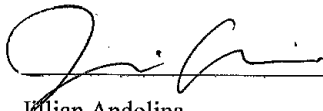
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- Attachment 1: IBA Review of the May Revision to the FY 2026 Proposed Budget
Attachment 2: General Fund Vacant Unrepresented-Unclassified Positions as of 5-22-25
Attachment 3: Memorandum from Parks and Recreation Director titled, “*Revised – Assistant Recreation Director Restoration Options after May Revise*”

IBA Review of the May Revision to the FY 2026 Proposed Budget

The Mayor's May Revision ([May Revise](#)) contains recommended changes to the FY 2026 Proposed Budget based on financial information and economic assumptions available after the Proposed Budget's initial release in April. This attachment reflects our Office's review of the May Revise.

We begin by discussing each revenue identified in the May Revision, categorized as either one-time or ongoing. This is followed by a discussion of expenditure items included in the May Revise. We note that the May Revise includes \$4.3 million in additional resources and expenditures. Resources are largely one-time, at \$3.0 million, and are offset by \$119,000 in one-time expenditures. The remaining \$2.8 million in excess one-time revenues increases the Proposed Budget's structural deficit to \$103.2 million.

MAY REVISION CHANGES: GENERAL FUND REVENUES

The following table shows May Revision adjustments to General Fund revenues, which net to a \$4.3 million increase over the FY 2026 Proposed Budget. Summary information is provided after the table.

General Fund Revenue Adjustments in the May Revision		
Item Description	Department	Amount
One-time Revenues		
Additional Trench Restoration Revenue ^a	Transportation	\$ 1,500,000
Additional Transfers from TOT	HSSD	654,000
Additional Parking Meter Revenue	Stormwater/Transportation	422,290
Employ and Empower Internship Program: Grant Revenue ^a	Multiple Departments	330,037
Additional Transfers From EMS Fund	Fire-Rescue	280,000
Additional Transfers from Development Impact Fee Funds ^a	City Planning	200,000
Additional Transfers from Civil Penalties Fund	Development Services	153,959
Reduced Transfers from Concourse Parking Garage Fund	Citywide	(80,000)
Reduction of Caltrans Grant Revenue	City Planning	(500,000)
Subtotal One-time Revenues		2,960,286
Ongoing Revenues		
Increase in Sales Tax	Citywide	3,502,685
Telecom Program - Revenue from New Site Builds	Economic Development	1,200,000
Increase in Franchise Fees	Citywide	614,094
911 Phone System Maintenance Reimbursement ^a	Fire-Rescue/Police	590,724
HazMat Incident Response Team and Port District Reimbursements	Fire-Rescue	495,756
Increased in Parking Citation Revenue	City Treasurer	456,480
Increase in Property Transfer Tax	Citywide	333,223
Increase in Property Tax	Citywide	312,160
Parking Meter Fund Transfer to Support Elevator Maintenance ^a	General Services	300,000
Increase in Refuse Collection Fee Revenue	Citywide	160,000
Revised Facility Franchise Revenue	Environmental Services	80,000
Decrease in Measure C TOT Revenue	HSSD	(653,892)
Revised Revenue from Decreased Internal Orders	Purchasing & Contracting	(1,772,163)
Decrease in Other TOT Revenue	Citywide	(4,247,269)
Subtotal Ongoing Resources		1,371,798
Total General Fund Revenue Adjustments		\$ 4,332,084

^a Revenue includes corresponding expenditures.

One-time Revenues

- *\$1,500,000 Additional Trench Restoration Revenue, Transportation:* According to the Department of Finance, this revenue adjustment should align Transportation's General Fund revenue budget with the Public Utilities Department's expenditure budget for trench restoration services. It should be noted that Public Utilities is in the process of hiring and standing up its own trench restoration teams, and thus the revenue under this Service Level Agreement could be lower than budgeted.
- *\$654,000 Additional Transfers from TOT, Homelessness Strategies and Solutions:* The May Revision reflects an increase of \$654,000 million in TOT funds to reimburse eligible City homelessness expenditures, related to safety and maintenance of tourism-related facilities. This increase follows a corresponding decrease in TOT revenue anticipated from Measure C based on revised projections.

- *\$422,290 Additional Parking Meter Revenue, Stormwater/Transportation:* This is additional revenue from the Parking Meter Operations fund balance that will support activities performed by these departments within the right-of-way for FY 2026 only.
- *\$330,037 Employ and Empower Internship Program Grant Revenue, multiple departments:* This internship program is grant reimbursable. See more detail later in the *Expenditure Additions with Corresponding Revenue* section.
- *\$280,000 Additional Transfers from EMS Fund, Fire-Rescue:* The May Revision includes \$280,000 in additional transfers out of the EMS Fund as a budget mitigation. Transfers to the General Fund to reimburse eligible expenditures in FY 2026 will total approximately \$11.5 million including this increase, bringing the EMS Fund's projected FY 2026-ending Fund Balance to \$132,000.
- *\$200,000 Additional Transfers from Development Impact Fee Funds, City Planning:* The May Revision increase of \$200,000 from administrative Development Impact Fee (DIF) funds will fund the completion of an in-progress upgrade to the outdated DIF collection tracking system, to be detailed later.
- *\$153,959 Additional Transfers from Civil Penalties Fund to Support Code Enforcement, Development Services:* The Proposed Budget included a transfer of \$567,000 from the Civil Penalty Fund to the General Fund to support code enforcement activities in DSD. The May Revision includes an additional transfer of \$154,000 from the Civil Penalty Fund balance to the General Fund, which along with the Proposed Budget results in a total transfer of \$721,000.
- *(\$80,000) Reduced Transfers from Concourse Parking Garage Fund, Citywide:* The transfer from Concourse Parking Garage Fund balance is being reduced to accommodate a FY 2025 appropriation discussed in the Third Quarter Report that will upgrade the automatic parking payment system.
- *(\$500,000) Reduction of Caltrans Grant Revenue, City Planning:* Caltrans grant revenue funds eligible staff time for work initially under the Sustainability and Mobility Department (SuMo) to support the Bicycle Master Plan, Slow Streets pilot, and other mobility-related support for transportation projects. Following the recent consolidation of some functions from SuMo under City Planning, May Revision reduces anticipated grant reimbursements by \$500,000 to better align with current staffing capacity to charge grant funds for staff time. Grant funds not drawn down in FY 2026 will remain available in FY 2027.

Ongoing Revenue

- *\$3,502,685 Increase in Sales Tax, Citywide:* The May Revision increases the sales tax projection based on 1) actual receipts from FY 2025 which feed into the base revenue for FY 2026, and 2) increased assumed growth rates throughout FY 2026 to align with the City's sales tax consultant growth rate assumptions. Although the growth rates align with the consultant's projection, the May Revision projection remains \$5.8 million lower than the sales tax consultant's projection. We note that since the May Revision has been released, the City has

received higher-than-expected receipts for May in FY 2025 which increases the base upon which the FY 2026 projection grows.

- *\$1,200,000 Telecom Program – Revenue from New Site Builds, Economic Development:* Prior to building Wireless Communication Facilities on City-owned land, an applicant must sign a lease with the City. The Department is streamlining processes to more quickly address the projects in the pipeline to help generate additional lease income.
- *\$614,094 Increase in Franchise Fees, Citywide:* This increase is primarily driven by increases from refuse haulers (\$500,000) based on increased tonnage collected in FY 2025, as well as increased cable provider revenue (\$114,000) also based on FY 2025 receipts. These align with changes seen in the Third Quarter Budget Monitoring Report.
- *\$590,724 911 Phone System Maintenance Reimbursement, Fire-Rescue/Police:* Annual maintenance costs for Police and Fire-Rescue's respective 911 call centers were previously funded and paid by the California Office of Emergency Services (CalOES) directly; however, CalOES is now requiring that payment occur on a reimbursement basis. This ongoing reimbursement revenue will fully offset the equivalent amount of maintenance expenses that are added in the May Revision.
- *\$495,756 HazMat Incident Response Team and Port District Reimbursements, Fire-Rescue:* Based on CPI increases for services provided by the City under a Joint Powers Agreement with the County of San Diego for HazMat Incident Response and for fire and emergency services provided to the Port of San Diego.
- *\$456,480 Increased in Parking Citation Revenue, City Treasurer:* Increase in parking citation revenue is primarily due to increased enforcement efforts. 2.00 Parking Meter Technicians that were hired in Winter 2024/2025 have been fully trained and have begun issuing citations as of Spring 2025. Additionally, the CTO has rolled out a modified approach that allows these technicians to issue citations while performing core functions, such as repairing parking meters.
- *\$333,223 Increase in Property Transfer Tax, Citywide:* Based on updated projections included in the FY 2025 Third Quarter Monitoring Report.
- *\$312,160 Increase in Property Tax, Citywide:* Based on updated projections included in the FY 2025 Third Quarter Monitoring Report.
- *\$300,000 Parking Meter Fund Transfer to Support Harbor Drive Pedestrian Bridge Elevator Maintenance, General Services:* This is additional revenue from the Parking Meter Operations fund balance that will support repair, maintenance, cleaning, and security services for the Harbor Drive Pedestrian Bridge elevator, which had been reduced in the Proposed Budget, to help avoid shutdowns and maintain public access to cross Harbor Drive.
- *\$160,000 Increase in Refuse Collection Business Tax Revenue, Citywide:* Based on the latest projections from the Third Quarter Budget Monitoring Report.

- *\$80,000 Revised Facility Franchise Revenue, Environmental Services:* This revenue increase aligns the budget with anticipated revenues from the Sycamore Canyon facility, which are anticipated to increase due to inflation.
- *(\$653,892) Decrease in Measure C TOT Revenue, Homelessness Strategies and Solutions:* As previously mentioned, this decrease reflects revised projections of Measure C TOT revenue.
- *(\$1,772,163) Revised Revenue from Decreased Internal Orders, Purchasing & Contracting:* The reduction aligns the FY2026 revenue budget with actual trends. Approximately \$1.6 million is due to the Public Utilities Department discontinuing billing for General Fund contracts, citing General Government Services Billing coverage. The remaining \$620,000 reflects expected project cancellations that would reduce billable hours for construction contracting support.
- *(\$4,247,269) Decrease in Other TOT Revenue, Citywide:* Reduction based on updated actuals experienced in FY 2025 plus an assumed reduced year-over-year growth rate from 3.0% to 2.2%. We note that since the Third Quarter Report has been released, TOT receipts have continued to decline. Incorporating the most recent FY 2025 actual receipts further reduces the base upon which FY 2026 revenues grow by \$1.6 million (and an additional \$958,000 in the TOT Fund supporting Special Promotional Programs).

MAY REVISION CHANGES: GENERAL FUND EXPENDITURES

Before discussing the details of the May Revision changes to General Fund expenditures, there is one area for which we would note some overall concerns: the animal services contract. The City's annual contractual cost for animal services provided by the San Diego Humane Society (SDHS) in FY 2026 is anticipated to total \$18.2 million. This includes approximately \$2.1 million in *unbudgeted* contractual costs increases associated with CPI and living wage/minimum wage adjustments since the contract was executed in 2023. As later in this section, the May Revision includes a partial restoration totaling \$2.0 million of the \$3.5 million reduction to this expense that was included in the Proposed Budget. This leaves a \$1.5 million net reduction bringing the FY 2026 budget to \$14.6 million, a shortfall of \$3.6 million.

The Parks and Recreation Department has indicated that this contract has significantly impacted core park operations given the need to absorb annual cost increases. The Council should seek to right-size the budget for known costs associated with this non-discretionary expenditure based on the outcome of current negotiations. Additionally, the Council should consider transferring this annual contractual expense to the Citywide Program Expenditures Budget to mitigate the impact to park operations; animal services contract management responsibilities should continue under the Parks and Recreation Department.

The following table shows May Revision adjustments to General Fund expenditures, which net to a \$4.3 million increase over the FY 2026 Proposed Budget. We provide summary information after the table, followed by a review of the funding changes and potential programmatic impacts for homelessness programs, as well as a discussion on overall funding for items that have been adjusted in the May Revision.

General Fund Expenditure Adjustments in the May Revision			
Description <i>(items are ongoing unless noted as one-time)</i>	Department	FTEs	Amount
Mitigating Adjustments			
Transfer of LinkedIn Learning to IT Department	Human Resources	-	\$ (150,000)
Transfer of Employee Assistance Program to Risk Management	Human Resources	-	(281,255)
Reduction of 1.00 Exec. Asst. and 1.00 Assoc. Mgmt. Analyst	Mayor's Office	(2.00)	(321,110)
Reduction to Off-Peak Helicopter Operations (one-time)	Fire-Rescue	-	(857,250)
Postponement of New Facilities (one-time)	Parks & Recreation	(3.50)	(928,815)
Restorations			
Partial Restoration of Animal Services Contract	Parks & Recreation	-	2,000,000
Bomb Squad Cross-Staffing Restoration	Fire-Rescue	6.00	781,268
Partial Restoration of the Northwestern Division	Police	4.00	773,529
Restoration of Vice Operations ^a	Police	(0.88)	252,322
Restoration of the Community Resources Fire Captain	Fire-Rescue	1.00	207,684
Restoration of 1.00 EOC Program Coordinator	P&C	1.00	169,752
Swaps of Proposed Budget's Filled Position Reductions with Vacant Position Reductions			
Library Position Reduction Swaps	Library	(0.50)	311,120
San Pasqual Fast Response Squad Position Reduction Swaps	Fire-Rescue	-	127,701
Staffing Unit Position Reduction Swaps	Fire-Rescue	-	80,207
Various Position Reduction Swaps	Parks & Recreation	-	45,737
Expenditure Additions with Corresponding Revenue			
Overtime for Trench Restoration Services (one-time)	Transportation	-	750,000
911 Phone System Maintenance	Fire-Rescue & Police	-	590,724
Employ and Empower Internship Adjustments (one-time)	Multiple	2.42	330,997
Harbor Drive Pedestrian Bridge Elevator Maintenance	General Services	-	300,000
Development Impact Fee System Upgrade (one-time)	City Planning	-	200,000
Other Programmatic Additions/Changes			
Electric & Gas Services for the City Operations Building	Citywide Program	-	728,953
Increased Rent	Citywide Program	-	690,940
Real Estate Management Software Upgrade (one-time)	Economic Development	-	624,361
Reporter and Sexual Harassment Prevention Training	Human Resources	-	19,000
Position Reduction Swap ^b	Communications	-	17,949
Substance Abuse Services	Human Resources	-	5,000
Addition of Hourly Clerical Assistant 2	City Clerk	0.06	3,832
Re-budget Expiring Pacific Inn Lease to New Women & Senior's Shelter (\$1.0m)	HSSD	-	-
Other Adjustments			
Various Non-Discretionary IT Adjustments - Net Amount	Multiple	-	1,148,446
Dumpster Services Increase (incl. \$626k for Parks & Rec)	Multiple	-	838,258
Restoration and Transfer of Electrician Position ^c	Parks & Recreation	-	(80)
Reclassification of Assistant Director to Deputy Director	P&C	-	(59,845)
Stormwater Low Flow Diversion Cost Reduction	Stormwater	-	(1,000,000)
Decrease in Enterprise Resource Planning (ERP) Support	Multiple	-	(1,417,616)
Fleet Fees - Net Vehicle Usage Decrease	Environmental Svcs.	-	(1,585,886)
Net Other Adjustments	Multiple		(63,839)
Total General Fund Expenditure Adjustments		7.60	\$ 4,332,084

^a Reinstatement of 2.00 full-time Detectives and reduction of 2.88 provisional Detectives and Police Officer IIs.

^b Restoration of Supervising Public Information Officer, offset with reduction of Senior Management Analyst.

^c Restoration and transfer of 1.00 Electrician from General Fund to Golf Course and MAD Funds.

Mitigating Adjustments

- *(\$150,000) Transfer of LinkedIn Learning to IT Department, Human Resources:* The contract management for LinkedIn Learning is being moved to the Department of IT, which centrally manages similar Software as a Services (SaaS) contracts, and will be allocated annually to each department based on usage and access. Human Resources will continue to manage LinkedIn Learning as the system administrator. Note that all departments will have uninterrupted access to the training.
- *(\$281,255) Transfer of Employee Assistance Program (EAP) to Risk Management, Human Resources:* The contract for EAP, which provides support services for City employees and their families, was previously administered by Human Resource and is being moved to Risk Management in FY 2026. The Proposed Budget added \$139,000 for the program for Risk Management, and the May Revision adjusts to the full amount required. The Proposed Budget did not have a corresponding reduction for Human Resources, which is addressed by the May Revision adjustment.
- *(\$321,110) Reduction of 1.00 Executive Assistant and 1.00 Associate Management Analyst, Mayor's Office:* These positions are both filled and are associated with the Office of Boards and Commissions which has been consolidated into the Mayor's Office. The Executive Assistant was originally reduced in FY 2025, then restored in the FY 2026 Proposed Budget, and now reduced in the May Revision. According to staff, the duties of these positions can be absorbed within the newly consolidated department.
- *(\$857,250) Reduction to Helicopter Operations (one-time), Fire-Rescue:* This includes a reduction of \$500,000 in overtime expenditures and \$350,000 in decreased maintenance expenses by reducing flight hours for Copter 2 by six months (July 2025 through December 2025). This reduction was previously implemented in the FY 2025 Adopted Budget as a budget mitigation action. When necessary, the Department maintains the ability to deploy Copter 2 in anticipation of significant weather events.
- *(\$928,815) Postponement of New Facilities (one-time), Parks & Recreation:* The May Revision includes the reduction of 3.50 FTEs and \$929,000 based on current anticipated opening timeframes for new park facilities that were included in the Proposed Budget. The opening of Eastbourne Neighborhood Park, Federal Boulevard Pocket Park, and Pacific Beach Elementary Joint Use park have been delayed into FY 2027 and the associated costs have been fully reduced. Costs associated with Rowan Elementary Joint Use park has also been fully reduced, although this facility is anticipated to open in March 2026. If this facility is completed on time, staff will utilize existing resources for the final three months of FY 2026. Funding for East Village Green, which is anticipated to open in January 2026, has been prorated for a half year of operations. Additionally, 1.00 FTE for East Village Green has been eliminated.

Restorations

- *\$2,000,000 Partial Restoration of Animal Services Contract, Parks & Recreation:* The May Revision includes a partial restoration totaling \$2.0 million of the \$3.5 million reduction to this

expense that was included in the Proposed Budget. Additional information regarding this contractual expense can be found on page 5.

- *\$781,268 Bomb Squad Cross-Staffing Restoration, Fire-Rescue:* Proposed reductions associated with cross staffing the Bomb Squad are fully restored.
- *\$773,529 Partial Restoration of the Northwestern Division, Police:* This adjustment includes the restoration of 4.00 FTEs and \$973,000 in personnel expenditures, consisting of 1.00 Police Lieutenant, 2.00 Police Sergeants, and 1.00 Police Detective, which is offset by the removal of \$200,000 in one-time non-personnel expenditures that were included in the Proposed Budget associated with relocation expenses. The reduction of 2.00 FTEs and \$917,000 in personnel expenditures is maintained in the May Revision, including 1.00 Police Captain and 1.00 Police Sergeant. According to the Police Department, the Northwestern Division will operate the same as other patrol divisions, despite these reductions.
- *\$252,322 Restoration of Vice Operations, Police:* This adjustment includes the restoration of 2.00 Police Detectives and \$657,000 in the Vice Operations Unit and is offset by the reduction of 2.88 provisional hourly-FTEs and \$405,000 including 1.73 FTE hourly Police Detective assigned to Domestic Violence and 1.15 FTE hourly Police Officer IIs assigned to the Homeless Outreach Team (HOT). According to the Police Department, only one of the restored Police Detective positions is expected to be filled; the other has been vacant since 2021 due to staffing shortages and there is no immediate plan to fill the vacancy until staffing improves.
- *\$207,684 Restoration of the Community Resources Fire Captain, Fire-Rescue:* 1.00 Fire Captain is restored in the May Revision which will allow the Fire-Rescue Department's Community Resources Program to continue.
- *\$169,752 Restoration of 1.00 EOC Program Coordinator, Purchasing & Contracting:* The May Revision restores the Equal Opportunity Contracting Program Coordinator position, originally created in FY 2024 in response to the 2020 Disparity Study. The role supports monitoring, outreach, and performance efforts to improve outcomes for small, minority-, and woman-owned businesses.

Swaps of Proposed Budget's Filled Position Reductions with Vacant Position Reductions

- *\$311,120 Library Position Reduction Swaps, Library:* This adjustment reduces 18.00 vacant FTEs, including 15 full-time and six half-time positions, and restores 17.50 filled FTEs (35 half-time positions) that were reduced in the Proposed Budget in association with the elimination of Monday library hours.
- *\$127,701 San Pasqual Fast Response Squad Position Reduction Swaps, Fire-Rescue:* This adjustment reflects a correction to the Proposed Budget.
- *\$80,207 Staffing Unit Position Reduction Swaps, Fire-Rescue:* This adjustment reflects a correction to the Proposed Budget.
- *\$45,737 Parks & Recreation Position Reduction Swaps, Parks & Recreation:* This adjustment reduces 7.00 vacant FTEs, including 2.00 Grounds Maintenance Worker 2s, 1.00 Senior

Management Analyst, 1.00 Associate Management Analyst, 1.00 Assistant Recreation Center Director (Chollas Lake), 1.00 Park Ranger, and 1.00 Environmental Biologist 3, and restores 7.00 filled FTEs that were reduced in the Proposed Budget, including 3.00 Grounds Maintenance Worker 2s, 2.00 Area Managers, 1.00 Assistant Recreation Center Director (Cathy Hopper Senior Center), and 1.00 Project Officer 2.

Expenditure Additions with Corresponding Revenue

- *\$750,000 Overtime for Trench Restoration Services (one-time), Transportation:* Aligns budget with anticipated overtime spending for the Public Utilities Department trench restorations covered by the Transportation Department. This addition is linked to the revenue adjustment previously discussed.
- *\$590,724 911 Phone System Maintenance, Fire-Rescue & Police:* As discussed above, annual maintenance costs for Police and Fire-Rescue's respective 911 call centers were previously funded and paid by the California Office of Emergency Services (CalOES) directly; however, CalOES is now requiring that payment occur on a reimbursement basis. This ongoing maintenance expense is fully offset with reimbursement revenue that is included in the May Revision.
- *\$330,997 Employ and Empower Internship Adjustments (one-time), multiple departments:* This adjustment includes a net increase of 2.42 FTEs. This net expenditure increase is largely driven by the addition of 3.00 Employ and Empower Intern positions for the Transportation Department and expenditure increases to several departments' Employ and Empower funding already included in the Proposed Budget. The additions are partially offset by a reduction of a 0.58 FTE Employ and Empower Intern position from the City Treasurer's Office. Additional information on this program can be found in [our review of the FY 2026 Proposed Budget](#) on page 56.
- *\$300,000 Harbor Drive Pedestrian Bridge Elevator Maintenance, General Services:* The May Revision restores \$300,000 in contractual expenses and a corresponding increase in revenue associated with repair, maintenance, cleaning, and security services for the Harbor Drive Pedestrian Bridge elevator, which had been reduced in the Proposed Budget. This restoration will provide repair and maintenance support for the elevators and help to avoid shutdowns and maintain public access to cross Harbor Drive.
- *\$200,000 Development Impact Fee System Upgrade (one-time), City Planning:* In FY 2025, City Planning began upgrading the Fee Data Information System (FDIS), a 20-year-old system used to track the collection of DIF that is no longer suitable given changes in fee structures and administrative processes. The modernized system will streamline processes associated with DIF collection and improve data accuracy and overall efficiency. The May Revision increase of \$200,000 will fund the completion of the FDIS upgrade in FY 2026 through DIF funds as an administrative expense.

Other Programmatic Additions/Changes

- *\$728,953 Electric & Gas Services for the City Operations Building, Citywide Program:* The increase in non-discretionary expenditures is mainly due to updated assumptions regarding the Development Services Department (DSD) move out of the City Operations Building (COB). Although occupancy has decreased, the building's heating and cooling systems are not independently zoned, so energy use remains constant. As a result, utility costs have shifted from the DSD Fund to the General Fund.
- *\$690,940 Increased Rent, Citywide Program:* This increase reflects revised General Fund savings estimates related to vacating most of the leased space at 525 B Street. Additionally, staff indicate that the increase is also related to the Transportation Department moving into Montgomery-Gibbs airport space due to increased staff.
- *\$624,361 Real Estate Management Software Upgrade (one-time), Economic Development:* This software upgrade is considered critical by the Department to enhance lease and account management and accommodate the needs of different departments including multiple divisions within Economic Development, the Public Utilities Department to manage its land, Office of the City Treasurer for revenue audits, and the Department of Finance for financial reporting. Of this amount, about \$500,000 is for the system upgrade and \$125,000 is for professional IT consultant services to support implementation. The Department plans to conduct a procurement solicitation in FY 2026 with anticipated deployment of the system in FY 2027.
- *\$19,000 Reporter and Sexual Harassment Prevention Training, Human Resources:* The May Revision adds \$19,000 in non-personnel expenditures, including \$16,000 for Sexual Harassment Prevention Training, which is mandated by the State of California for all employees, and \$3,000 for the employee Mandated Reporter training module, which is required to comply with California State laws.
- *\$17,949 Position Reduction Swap, Communications Department:* This adjustment restores 1.00 filled Supervising Public Information Officer and reduces 1.00 filled Senior Management Analyst. Note that both of these positions are classified positions.
- *\$5,000 Substance Abuse Services, Human Resources:* The May Revision adds \$5,000 in non-personnel expenditures to provide support to City employees who are referred to American Substance Abuse Professionals (ASAP) for a drug and/or alcohol violation.
- *\$3,832 Addition of Hourly Clerical Assistant 2, City Clerk:* This hourly position would staff the public information counter located in the lobby of the City Administration Building during peak periods or staff absences.
- *\$0 Re-budget Expiring Pacific Inn Lease to New Women & Senior's Shelter (\$1.0m), Homelessness Strategies and Solutions:* The May Revision reallocates \$1.0 million previously budgeted for non-discretionary leasing costs at Pacific Inn, where the now relocated Seniors Landing non-congregate shelter previously operated, to cover newly leased space for the Rachel's Promise Center for Women and Children shelter. The total FY 2026 program budget for Rachel's Promise will remain consistent with Proposed Budget at \$5.6 million, as Proposed

Budget previously contemplated the use of other funds in anticipation of the May Revision reallocation.

Other Expenditure Adjustments

- *\$1,148,446 Various Non-Discretionary IT Adjustments - Net Amount, multiple departments:* These adjustments totaling \$1.1 million are associated with the General Fund's portion of the non-discretionary IT reconciliation performed each year. The Department of IT develops the initial IT allotments that get distributed to departments for the following year's draft budget in October. During the May Revision, adjustments for contractual increases and budget reductions that were approved during the Proposed Budget are reconciled. Also in May, personnel projections (such as approved salary increases) and allotted non-discretionary funding are applied to the operating budgets of all Department of IT service funds, which are passed through to benefiting departments. Those adjustments, along with the use of fund balance to reduce department allotments, are reconciled in the May revision.
- *\$838,258 Dumpster Services Increase, multiple departments:* This addition aligns charges for dumpster services with the new contracting prices contained in the most recently approved contract with Republic Services.
- *(\$80) Restoration and Transfer of Electrician Position, Parks & Recreation:* The May Revision restores 1.00 Electrician that was reduced in the Proposed Budget and reallocates 0.75 FTE to the Maintenance Assessment District (MAD) Management Fund and 0.25 FTE to the Golf Course Fund. This adjustment, which transferred this position out of the General Fund was in error, which we recommend correcting in the Adopted Budget.
- *(\$59,845) Reclassification of Assistant Director to Deputy Director, Purchasing & Contracting:* This adjustment reclassifies the Assistant Director position in the Proposed Budget to a Deputy Director position. The new Deputy Director will assume oversight of Systems, Administration, Central Stores, and citywide contract monitoring. This would allow the existing Deputy Director to focus exclusively on Goods and Services Procurement, effectively splitting responsibilities for improved management.
- *(\$1,000,000) Stormwater Low Flow Diversion Cost Reduction, Stormwater:* This reduction is based on an updated study of the volumes of low flow diversion facilities throughout the Mission Bay watershed. Stormwater must pay the Public Utilities Department for dry weather flows that are diverted to the sanitary sewer for treatment. While the study indicated that lower payments could be expected, the Public Utilities Department still needs to conduct further evaluations on the study. Final costs are therefore unknown at this time.
- *(\$1,417,616) Decrease in Enterprise Resource Planning (ERP) Support, multiple departments:* The non-discretionary IT allotments for departments were reduced during the May Revision because the OneSD Fund (which supports ERP) had net reductions in the Proposed Budget. The decrease is also related to the use of fund balance, which was identified in the third quarter budget monitoring process.

- *(\$1,585,886) Fleet Fees - Vehicle Usage Decrease, multiple departments:* This reduction is partially based on an initial overcharge of Fleet Usage Fees to the Environmental Services Department, which required minor changes to the budgets of other departments. However, the majority of this decrease (\$1.5 million) was due to an error in inputting the amounts into the budget and leaving the allocation for Environmental Services blank. This is addressed further previously in this report.

MAY REVISION CHANGES: NON-GENERAL FUNDS

Development Services Fund

As the Proposed Budget included \$4.9 million in expenditures beyond revenues for the Development Services Fund, the May Revision includes several adjustments aimed at structurally balancing the Fund in FY 2026. This includes a \$6.0 million reduction in proposed expenditures relative to Proposed Budget, resulting in total expenditures of \$144.1 million, and a \$1.1 million reduction in projected revenues, totaling \$144.1 million in revenues to reach structural balance.

Regarding expenditure reductions, the May Revision eliminates an additional 24.00 FTE positions and \$3.8 million in associated personnel expenditures. The position reductions are detailed in the table below and identified from a range of department operations and functions. Of the proposed reductions, 5.00 FTEs support land use, zoning, environmental, and landscaping permitting reviews; 4.00 FTEs work on residential developments; and 2.00 FTEs are associated with each of the following functions: administrative services, division management, engineering permit review, and land use and development records.

Development Services Fund May Revision Position Reductions	FTEs
Accountant 1	(1.00)
Administrative Aide 1	(3.00)
Assistant Engineer-Civil	(2.00)
Assistant Planner	(4.00)
Assistant to the Development Services Director	(1.00)
Associate Engineer-Civil	(1.00)
Associate Planner	(1.00)
Clerical Assistant 1	(2.00)
Combination Inspector 1	(1.00)
Development Project Manager 1	(3.00)
Junior Engineer-Electrical	(1.00)
Program Coordinator	(1.00)
Senior Civil Engineer	(1.00)
Structural Engineering Associate	(1.00)
Trainer	(1.00)
Total FTE Reductions	(24.00)

According to staff, reductions were identified to minimize impacts on department operations while maintaining key priorities. These priorities include permit submittal and issuance, which continue to face backlogs and delays in meeting key performance goals, as well as mechanical inspections,

which could stall permit progress if inspectors are unavailable. Additionally, teams that were more fully staffed, where workload from a position reduction could potentially be absorbed by remaining staff, were also considered. Altogether, staff anticipate the proposed reductions to slightly increase permit processing times. The ability of remaining staff to absorb the workload associated with the eliminated positions could be limited, as DSD plans to continue restricting overtime as a budget mitigation measure. All but two positions – 1.00 Program Coordinator and 1.00 Junior Electrical Engineer – proposed for reduction are currently filled. In the context of position reductions identified between the Proposed Budget and May Revision, DSD total positions would be reduced by 59.00 FTEs in FY 2026, relative to FY 2025. This consists of 47.00 positions funded by the Development Services Fund (of which 25.00 are currently vacant) and 12.00 positions from the General Fund (of which 2.00 are currently vacant).

Additional expenditure reductions in May Revision include \$594,000 associated with budgeted personnel expenditure savings and increasing the allowable time staff may request for voluntary furloughs, \$238,000 due to rent credits at the newly leased office space at 550 West C Street based on the completion of tenant improvements in late May, and \$63,000 in additional non-essential NPE savings (e.g., reduction in print shop services and promotional advertising).

Revised revenue projections reflect a \$1.1 million decrease from Proposed Budget. This decrease is driven by a \$12.5 million reduction based on revised projections of permitting demand, which are assumed to be down 8% to 12% compared to the current fiscal year; the decrease is mostly offset by a \$11.3 million revenue increase from a 12.3% DSD user fee increase that took effect May 5, 2025. The recent DSD user fee increases factor in growth in salaries, fringe benefits, and inflation. Revenues associated with DSD's right-of-way permit activities and labor costs related to SDG&E were reduced by \$580,000 following updated submittal reports for qualifying reimbursable activities.

Although the May Revision adjustments aim to structurally balance the Development Services Fund, uncertainties remain due to general economic risks and potential continued declines in development activity. Additionally, the depletion of the Development Services Reserve, which could buffer against unanticipated changes in revenues or expenditures, adds to these uncertainties. However, the Department notes that the upcoming implementation of dynamic pricing for DSD user fees starting July 1, 2025, could provide additional revenue. As discussed in our review of the Proposed Budget, dynamic pricing would charge permit applicants based on the fee schedule in effect at the time associated costs are incurred, rather than fixing user fees at the time an application is deemed complete. This additional revenue is not factored into the FY 2026 revenue projections at the May Revision, as additional monitoring will be required to accurately project revenue increases generated by dynamic pricing. However, these additional revenues could offset potential revenue declines below projections. The Department will begin to update any fees assessed but not yet invoiced to reflect the current fee schedule. Due to the added uncertainty to projects, since the total fee charges would not be known upfront, stakeholders suggested that DSD develop a user fee estimator tool that factors in anticipated updates to the user fee schedule. DSD plans to pursue such a tool once resources become available.

Low and Moderate Income Housing Fund

The May Revision includes \$22.0 million in Low and Moderate Income Housing Asset Funds (LMIHAF) for the production of affordable housing through the Bridge to Home program. Per the LMIHAF Annual report delivered via memo dated March 24, 2025 addressed to the City Council from Deputy Chief Operating Officer Casey Smith, the City is preparing to issue the Round 6 Bridge to Home Notice of Funding Availability (NOFA) in Summer 2025 for about \$10.0 million and the Round 7 Bridge to Home NOFA in early 2026 for about \$12.0 million.

HOMELESSNESS UPDATES

Although not reflected in May Revision, there are two pending updates that could affect the FY 2026 HSSD budget that will be accommodated within existing resources:

- **Interim Family/Women's Shelter:** As discussed in our review of the Proposed Budget and during the May 8th Budget Review Committee Meeting, the San Diego Housing Commission (SDHC) submitted an unfunded request to increase funding for the interim family/women's shelter by \$308,000 to continue operating 32 shelter beds currently funded by SDHC federal funds. HSSD is exploring the use of \$250,000 already budgeted from Low and Moderate Income Housing Asset Funds, as well as carryforward HOME-ARP funds from an allocation of \$240,000 in the FY 2025 Adopted Budget, to continue funding these beds.
- **Homelessness Response Center (HRC):** The Proposed Budget reflects \$481,000 in savings associated with relocating the HRC to co-locate services to other existing service sites or make services available virtually. During the inception of HRC, federal Community Development Block Grant (CDBG) funds were used for facility acquisition and renovation, thereby [obligating](#) services to be provided to low and moderate-income households at the site for at least five years. Although the HRC began operating in December 2019, due to the operational interruptions during the pandemic, there is ambiguity over whether the City needs to continue service operations at the current HRC site until December 2025 (assuming a one-year pause during the pandemic) or if HRC was in operation long enough to satisfy the five-year requirement. If the City is required to continue providing services at the site after FY 2025, HSSD and EDD are currently exploring options to meet the federal CDBG requirements without any funding augmentations.

General Fund Vacant Unrepresented-Unclassified Positions as of 5-22-25						
Position ID	Position Business Area Name	FTE	Vacancy Begin Date ^a	Position Job Classification in FY 2026 Budget (as of May Revision)	Estimated Savings for Position Removal	Notes
IBA Recommended Position Reductions ^b						
30000099	Council Administration	1.00	1/4/2025	Council Representative 1	136,028	This position could be an option to reduce. There are no plans to fill the position.
31015926	Transportation (from Sustainability & Mobility)	1.00	5/13/2024	Deputy Director	238,713	This position would be overseeing the parking management team within Transportation that was transferred from Sustainability and Mobility. Previously, this position was over the entire Mobility Division within SuMo, but most of those positions were moved to City Planning. The Parking Management Team already includes a Program Manager, and can be overseen by other Deputy Directors within Transportation. This position is therefore an opportunity to reduce.
Other Positions in Mayoral Departments/Offices						
31009817	Compliance	1.00	8/7/2024	Deputy Director	238,713	Considered a critical position due to the makeup of two programs the department oversees, the City's Administrative Hearing Program and the Office of Labor Standards and Enforcement (OLSE). OLSE may need to use the City's Administrative Hearing program when they have labor issues (i.e., debarment proceedings). To avoid conflicts, it's critical to have each of these programs report to two different people (one program reports to the deputy director, the other to the director.) The position is also required to assist the director to cover the significant workload of the department. Interviews were held and a candidate identified, but the position has not been filled due to the hiring freeze. The director plans to hire as soon as possible.
30000472	Department of Finance	1.00	11/9/2024	Financial Operations Manager	287,177	Considered critical by department. Position leads annual budget development and Five-Year Outlook. Continuing to absorb workload among existing staff is not sustainable. Plan to hire after strategic hiring freeze.

General Fund Vacant Unrepresented-Unclassified Positions as of 5-22-25						
Position ID	Position Business Area Name	FTE	Vacancy Begin Date ^a	Position Job Classification in FY 2026 Budget (as of May Revision)	Estimated Savings for Position Removal	Notes
Other Positions in Mayoral Departments/Offices (<i>cont'd</i>)						
30000470	Department of Finance	1.00	4/3/2025	Principal Accountant	258,170	Considered critical by department. Position oversees highly technical accounting work tied to debt issuance and compliance. Plan to hire after strategic hiring freeze.
30003615	Environmental Services	0.22	11/11/2024	Program Manager	55,959	Considered critical by department. This position is the finance lead for all of Environmental Services, providing budgetary and financial oversight over the multiple funds that support the department's operations.
31017950	Homelessness Strategies & Solutions	1.00	4/19/2025	Program Coordinator	208,670	Request to Fill submitted in April; responsible for operations at shelter sites and services including portable restrooms; leads the multi-disciplinary Joint Hazard Assessment Team (JHAT), performing monthly site visits at shelters and other facilities; assesses conditions including the safety and performance of building systems, along with cleanliness. Without position, inspection of electrical, HVAC, fire safety, and plumbing systems at facilities will be impacted, potentially leading to local and state compliance issues and delayed City responses to address facilities issues. These facilities issues were raised in 2023 City Auditor's Report.

General Fund Vacant Unrepresented-Unclassified Positions as of 5-22-25						
Position ID	Position Business Area Name	FTE	Vacancy Begin Date ^a	Position Job Classification in FY 2026 Budget (as of May Revision)	Estimated Savings for Position Removal	Notes
Other Positions in Mayoral Departments/Offices (<i>cont'd</i>)						
31004731	Human Resources	1.00	11/20/2024	Deputy Director	268,714	This position (which oversees the Workforce Support Services division) is not vacant – the incumbent is serving in a temporary assignment in another department and is anticipated to return in 2-3 months. Per the City's Temporary Assignment Process for Unclassified Positions, the position of an employee serving in a temporary assignment should not be permanently filled while the employee is serving in the interim or acting capacity. The duties of the deputy director are temporarily being absorbed by the leadership team, but this workload is not sustainable. Note, the department had position reductions in the Mid-Year and Proposed Budget totaling a 23.5% staff reduction.
31013259	Office of Emergency Services	1.00	2/28/2025	Program Coordinator	178,702	This position is funded through the Urban Area Security Initiative (UASI) Grant Program and serves as the UASI Regional Training Manager. The vacancy has been filled with a start date on June 9, 2025.
30000005	Office of the Mayor	1.00	2/4/2025	Confidential Secretary to the Mayor	132,794	-
30002240	Parks & Recreation	1.00	4/25/2025	Deputy Director	312,890	Considered critical by Parks and Recreation. This position is responsible for managing the Community Parks II Division.
31021192	Parks & Recreation	1.00	2/5/2025	Program Manager	252,848	Considered critical by Parks and Recreation. This is the Department's Fiscal and Budget Program Manager responsible for managing the Department's operating budget.

General Fund Vacant Unrepresented-Unclassified Positions as of 5-22-25						
Position ID	Position Business Area Name	FTE	Vacancy Begin Date ^a	Position Job Classification in FY 2026 Budget (as of May Revision)	Estimated Savings for Position Removal	Notes
Other Positions in Mayoral Departments/Offices (cont'd)						
31009251	Performance & Analytics	1.00	5/14/2025	Program Coordinator	229,459	Considered critical by PandA. Position's responsibilities include overseeing the Monitoring & Evaluation Program, the Workforce Report, the Pay Equity Study, and the Citywide Survey Program. PandA anticipates position to be filled in FY 2026. Request to Fill process has yet to begin as of late-May 2025.
31015300	Performance & Analytics	1.00	7/22/2023	Program Manager	-	\$184,472 budgeted salary is offset with Budgeted PE Savings; position is currently vacant as the employee previously filling this position is temporarily serving as PandA's Deputy Director. This is due to the Executive Director (ED) being on an interim assignment at ESD. Once the ED returns to PandA, the employee currently acting as Deputy Director will resume their role as a Program Manager.
31023655	Purchasing & Contracting	1.00		Program Coordinator	168,809	This position was originally reduced in the FY 2026 Proposed Budget but was restored in the May Revision. Created in FY 2024 in response to the 2020 Disparity Study but never filled. Responsibilities include support monitoring, outreach, and performance efforts aimed at improving outcomes for small, minority-, and woman-owned businesses.

General Fund Vacant Unrepresented-Unclassified Positions as of 5-22-25						
Position ID	Position Business Area Name	FTE	Vacancy Begin Date ^a	Position Job Classification in FY 2026 Budget (as of May Revision)	Estimated Savings for Position Removal	Notes
Other Positions in Mayoral Departments/Offices (cont'd)						
31025380	Transportation	1.00	3/10/2025	Assistant Deputy Director	300,250	This position oversees all activities related to safety and litigation for Transportation, and was added in FY 2024. The position recently became vacant when the individual transferred to another department. Previously, this individual tracked and oversaw all deposition and litigation involving the public right-of-way, which currently stands at more than 200 cases. Since this position has become vacant, these activities are being managed by more senior positions within the Department. This position also oversees safety training programming.
Other Positions in City Council Offices						
31023261	Council Administration	1.00		Council Representative 1		\$96,107 budgeted salary is offset with Budgeted PE Savings. Viable option to reduce as there are no plans to hire. If reduced, savings would be in FY 2027.
various	Council Offices	40.00	Various	Council Assistant & Various Council Representative Positions		Each office has 5.00 'unfunded' FTE positions where up to 15.00 FTEs can be hired but offices are funded for 10.00 FTEs. Vacancies represent unfunded positions not filled.
Other Positions in Independent Offices						
30002435	City Attorney	1.00	1/27/2025	Deputy City Attorney - Unrepresented	331,235	CAO plans to keep vacant to help meet budget reduction.
31019929	Commission on Police Practices	1.00	4/15/2025	General Counsel	234,507	The OCPP's General Counsel is currently serving as Interim Executive Director and will return to this position when a permanent Executive Director is identified.
31019927	Commission on Police Practices	1.00		Program Manager	-	This position is expected to serve as the OCPP's Deputy Executive Director and is expected to be held vacant as a budget mitigation measure; \$184,472 budgeted salary is offset with Budgeted PE Savings.

General Fund Vacant Unrepresented-Unclassified Positions as of 5-22-25						
Position ID	Position Business Area Name	FTE	Vacancy Begin Date ^a	Position Job Classification in FY 2026 Budget (as of May Revision)	Estimated Savings for Position Removal	Notes
Other Positions in Independent Offices (<i>cont'd</i>)						
31023780	Commission on Police Practices	1.00		Program Manager	-	This is expected to serve as the OCPP's Performance Auditor and is expected to be held vacant as a budget mitigation measure; \$184,472 budgeted salary is offset with Budgeted PE Savings.
TOTAL		60.22			3,833,638	

Note: Analysis includes vacant budgeted positions that have not already been reduced in the FY 2026 Budget.

^a Positions that have no date in the "Vacancy Begin Date" column have never been filled or have not been filled as of the December 2009 SAP go-live date.

^b See the Recommended Resources section of this report for additional information.



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: May 20, 2025

TO: Kristina Peralta, Deputy Chief Operating Officer

FROM: Andy Field, Director, Parks and Recreation
via Baku Patel, Senior Fiscal & Policy Analyst, Office of the Independent Budget Analyst

SUBJECT: **Revised** – Assistant Recreation Center Director Restoration Options after May Revise

The following memorandum outlines several options that the Office of the IBA could consider in reviewing the May revision of the proposed draft budget for Fiscal Year 2025, including the associated cost analysis and revenue for each proposal (attachment 1). Please note that estimated net impacts exclude fixed fringe expenditures.

OPTION 1: Restoration of services to one recreation center for each community of concern, council in Districts 3, 4, 7, 8, 9

The restoration of services to 6 sites in communities of concern that offer Parks After Dark programming. These sites are high-volume use sites offering significant program registration and permit processing for the main park and associated parks. Restore operations to 60 hours for the 6 sites and 40 hours of operation for the remaining 50 sites.

Location	Positions	Estimated Net Impact ¹
Restore 6 ACDs at Muni Gym (CD3), Skyline (CD4), Linda Vista (CD7), Memorial (CD8), Larsen Field (CD8), and City Heights (CD9)	6.00 ACD 0.48 RLI 0.50 RLII-B 2.00 RLI-B	\$616,355

Option 2: Restoration of services to 16 recreation centers with ARCD split shifts

The restoration of 16 sites by restoring 8 ARCDs in communities of concern, Parks After Dark programming, high-volume use sites, offering significant program registration and permit processing for the main park and associated parks. Pending meet and confer for splitting the ARCD assignment between multiple sites. Recommended 50-55 hours of operations for the 16 sites with the ARCD split assignment. 40 hours of operation for the remaining 40 sites.

Location	Positions	Estimated Net Impact ¹
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¹Estimated Net Impact excludes fixed fringe expenditures.

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Restore 8 ACDs to cover the following 16 sites: Muni Gym/BPAC (CD3), MLK/Encanto (CD4), Skyline/Paradise Hills (CD4), Linda Vista/Kearny Mesa (CD7), Memorial/Southcrest (CD8), Waller/South Bay (CD8), Chavez/Silver Wing (CD8), City Heights/Colina (CD9)	8.00 ACD, 0.95 RLI 0.50 RLII-B, 2.00 RLI-B	\$744,424
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Option 3: Restoration of services in each Council District and in the South Bay, no split shift

The restoration of 10 sites by restoring 10 ARCDs, one in each of the nine Council Districts (two in Council District 8 for geographic split) in communities of concern, Parks After Dark programming, high-volume use sites, offering significant program registration and permit processing for the main park and associated parks. Full restoration, no splitting of ARCD between multiple sites. 60 hours of operation for the 10 fully restored sites and 40 hours of operation for the remaining 46 sites.

Location	Positions	Estimated Net Impact¹
Restore 10 ACDs; 1 for each of the nine Council Districts (two in CD8 because it's so split geographically): (1) Carmel Valley, (2) North Clairemont, (3) Muni Gym, (4) Skyline, (5) Canyonside, (6) Doyle, (7) Linda Vista, (8) Memorial, (8) Chavez/Larsen Field, (9) City Heights.	10.00 ACD, 2.00 RL1-B 0.50 RLII-B, 0.64 RLI	\$874,247

Option 4: Restoration of services in 20 sites, with split shifts for ARCDs

The restoration of 20 sites by restoring 10 ARCDs, one in each of the nine Council Districts (two in Council District 8 for geographic split) by splitting the time between two sites in communities of concern, Parks After Dark programming, high-volume use sites, and sites with significant program registration and permits processing for the main park and associated parks. Pending a meet and confer for splitting the ARCD assignment between multiple sites. Recommended 50-55 hours for the 20 sites with the ARCD split assignments. 40 hours of operation for the remaining 36 sites.

Location	Positions	Estimated Net Impact¹
Restore 10 ACDs to cover 20 sites: (CD1) Carmel Valley/Pacific Highlands Ranch; (CD2) North Clairemont/Robb Field; (CD3) Muni Gym/BPAC; (CD4) Skyline/Paradise Hills; (CD5) Canyonside/Rancho Bernardo; (CD6) Doyle/Hourglass; (CD7) Linda	10.00 ACD, 2.00 RL1-B 0.50 RLII-B, 0.64 RLI	\$964,124

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Vista/Allied Gardens; (CD8) Memorial/Southcrest; (CD8) Chavez/Silver Wing; (CD9) City Heights/Colina.		
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Option 5: Full Restoration of services in 15 sites, except North Park and Golden Hill

The restoration of 15 sites by restoring 15 ARCDs, one in each of the nine Council Districts (two in Council District 8 for geographic split) in communities of concern, Parks After Dark programming, high-volume use sites, significant program registration and permit processing for the main park and associated parks. This option results in 60 hours of operation for the 15 sites and does not include the ARCD splitting assignments. The remaining 41 sites will reduce hours of operation to 40 hours.

Location	Positions	Estimated Net Impact ¹
Full restoration in each Council District (15 recreation centers out of 17; all except North Park and Golden Hill)	15.00 ACD 2.00 RLII-B 2.38 RLI	\$1,356,177

Option 6: Partial restoration of services in 56 sites, split shifts

The restoration of 23 ARCDs, splitting shifts with 2 adjacent sites, in each of the nine Council Districts (two in Council District 8 for geographic split) in communities of concern, Parks After Dark programming, high-volume use sites, significant program registration and permits processing for the main park and associated parks. Pending meet and confer for splitting ARCD assignment between multiple sites. Recommended hours of operations between 50-55 hours per site.

Location	Positions	Estimated Net Impact ¹
Half restoration of all ACDs; coverage will be split between 2 adjacent sites. Large and the majority of medium sites in the 9 council districts are addressed with the pairing of sites assigned geographically.	23.00 ACD 1.60 RLI 1.00 RLII-B 2.00 RLI-B	\$1,770.889

Option 7: Full Restoration of ARCDs CD 4, 7, 8, 9, Partial split shifts CD 1, 2, 3, 5, 6

The restoration of 33 ARCDs, splitting shifts with for CD 1, 2, 3, 5 6, supporting all districts, all communities of concern, Parks After Dark programming, high-volume use sites, high to medium program registration and permit processing for the main park and associated parks. Pending meet and confer for splitting ARCD assignment between multiple sites in Council Districts 1,2,3,5,6. 60 hours of operation for the sites in CD 4,7,8,9 and 50-55 recommended hours of operation for the sites with split ARCD assignments.

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Kristina Peralta, Deputy Chief Operating Officer
May 20, 2025

Location	Positions	Estimated Net Impact ¹
Full restoration in Council Districts: 4, 7, 8, 9 and split in Council Districts: 1, 2, 3, 5, 6	33.00 ACD 3.50 RLI-B 3.04 RLI 2.00 RLII-B	\$2,751,248

The Department appreciates this opportunity to share the options listed above with the IBA to communicate ways to mitigate some service reductions. The goal is to provide the best possible outcomes in this budgetary process.

If you have any questions or would like to schedule a briefing to discuss this further, please contact me at afield@sandiego.gov or (619) 235-1110. Thank you for your consideration.



Andy Field
Parks and Recreation Director

Attachment 1: ARCD Restoration Options, dated May 20, 2025

Option	Title	FTE	PE	NPE	TOTAL	REVENUE	<u>NET RESTORATION</u>
							<u>COST</u>
1	Restore 6 ACDs at Muni Gym (3) Skyline (4), Linda Vista (7), Memorial (8), Larsen Field (8), and City Heights (9)	6.00 ACD 0.48 RLI 0.50 RLII-B 2.00 RLI-B	611,099.48	\$7,462	\$618,561	\$2,206	\$616,355
2	Restore 8 ACDs to cover the following 16 sites: Muni Gym/BPAC (3), MLK/Encanto (4), Skyline/Paradise Hills (4), Linda Vista/Kearny Mesa (7), Memorial/Southcrest (8), Waller/South Bay (8), Chavez/Silver Wing (8), City Heights/Colina (9)	8.00 ACD 0.95 RLI 0.50 RLII-B 2.00 RLI-B	737,703.72	\$16,462	\$754,166	\$9,742	\$744,424
3	Restore 10 ACDs; 1 for each of the nine Council Districts (two in CD8 because it's so split geographically): (1) Carmel Valley, (2) North Clairemont, (3) Muni Gym, (4) Skyline, (5) Canyonside, (6) Doyle, (7) Linda Vista, (8) Memorial, (8) Chavez/Larsen Field, (9) City Heights	10.00 ACD 2.00 RL1-B 0.50 RLII-B 0.64 RLI	880,661.41	\$17,847	\$898,508	\$24,261	\$874,247
4	Restore 10 ACDs to cover 20 sites: (1) Carmel Valley/Pacific Highlands Ranch; (2) North Clairemont/Robb Field; (3) Muni Gym/BPAC; (4) Skyline/Paradise Hills; (5) Canyonside/Rancho Bernardo; (6) Doyle/Hourglass; (7) Linda Vista/Allied Gardens; (8) Memorial/Southcrest; (8) Chavez/Silver Wing; (9) City Heights/Colina	10.00 ACD 2.00 RL1-B 1.00 RLII-B 1.20 RLI	977,862.89	\$31,214	\$1,009,077	\$44,953	\$964,124
5	Full restoration in Council Districts 3, 4, 8, 9 (15 recreation centers out of 17; all except North Park and Golden Hill)	15.00 ACD 2.00 RLII-B 2.38 RLI	1,344,676.92	\$22,500	\$1,367,177	\$11,000	\$1,356,177
6	Half restoration of all ACD's; coverage will be split between 2 adjacent sites. Large and the majority of medium sites in the 9 council districts are addressed with the pairing of sites assigned geographically.	23.00 ACD 1.60 RLI 1.00 RLII-B 2.00 RLI-B	1,795,175.50	\$51,254	\$1,846,430	\$75,541	\$1,770,889
7	Full restoration in Council Districts: 4, 7, 8, 9 and split in Council Districts: 1, 2, 3, 5, 6	33.00 ACD 3.50 RLI-B 3.04 RLI 2.00 RLII-B	2,796,549.61	\$69,634	\$2,866,184	\$114,936	\$2,751,248