



ADOPTED BUDGET

MAYOR TODD GLORIA

VOLUME 1 Executive Summary



HOUSING | PROTECT & ENRICH | INFRASTRUCTURE | SUSTAINABILITY | PROSPERITY

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The City of San Diego's Fiscal Year 2026 Adopted Budget is \$6.10 billion and is comprised of five operating fund types (listed below), and the Capital Improvements Program (CIP):

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

Fund Type/Program	FY 2025 Adopted	FY 2026 Adopted	FY 2025-FY 2026 Change
General Fund	\$ 2,160.9	\$ 2,167.4	\$ 6.5
Special Revenue Funds	1,003.4	1,102.7	99.3
Capital Project Funds	26.3	25.2	(1.1)
Enterprise Funds	1,483.2	1,730.5	247.3
Internal Service Funds	191.9	234.1	42.2
Capital Improvements Program	950.0	843.7	(106.3)
Total	\$ 5,815.7	\$ 6,103.7	\$ 288.0

Numbers may not foot due to rounding.

The Fiscal Year 2026 Adopted Budget represents an increase of \$288.0 million, or 5.0%, compared to the Fiscal Year 2025 Adopted Budget. This is primarily due to increases in the Enterprise Funds, Special Revenue Funds, and Internal Service Funds, partially offset with a decrease in the Capital Improvements Program (CIP).

The increase in the Enterprise Funds is associated with the following: implementation of Measure B in the Solid Waste Management Fund; water purchases, Pure Water Phase 1 operations, salary and benefit increases, debt, energy consumption, and support for dams and reservoirs in the Water Utility Operating Fund; and increased salary and benefits in the Development Services Fund.

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

The decrease in the CIP is primarily due to a decrease in General Fund Debt and Citywide DIF appropriations.

Personnel Expenditure Changes

The Fiscal Year 2026 Adopted Budget includes a total citywide personnel budget of \$2.34 billion, with \$1.46 billion for salaries and wages and \$879.1 million for fringe benefits. The General Fund accounts for the largest portion, which is \$1.56 billion, or 66.8%, in personnel expenditures. It includes a total of 13,062.48 Full-Time Equivalent (FTE) positions Citywide, representing a decrease of 289.71 FTE positions, or 2.2%, compared to the Fiscal Year 2025 Adopted Budget. This net decrease is primarily due to the following: a 471.76 FTE position decrease in the General Fund associated with budget reductions, the restructure of positions to the Solid Waste Management Fund, and a decrease in Employ and Empower interns; a decrease of 71.75 FTE positions in the Special Revenue Funds primarily associated with position reductions in the

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Engineering and Capital Projects Fund. These decreases are offset by an increase of 248.76 FTE positions in the Enterprise Funds primarily associated with support for Pure Water Phase 1 Operations, and support for the missed collection crew, automated refuse container management program, and the restructure of positions from the General Fund into the Solid Waste Management Fund. The Budgeted Personnel Expenditures Savings total \$100.0 million in the Fiscal Year 2026 Adopted Budget, a decrease from the Fiscal Year 2025 Adopted Budget. The decrease is reflective of fewer projected vacant positions in Fiscal Year 2026 due to improved recruitment and retention, which, in turn, will result in increased personnel costs of \$10.7 million. Fringe benefits include fixed costs (e.g., retirement contributions, workers' compensation) and variable costs (dependent on payroll). The total citywide fringe allocation for Fiscal Year 2026 is \$879.1 million, with \$602.3 million, or 68.5%, budgeted in the General Fund.

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

Fund Type	FY 2025 Adopted	FY 2026 Adopted
General Fund	8,733.16	8,261.40
Special Revenue Funds	1,088.66	1,016.91
Enterprise Funds	3,097.18	3,345.94
Internal Service Funds	380.19	388.23
Other Funds	53.00	50.00
Total	13,352.19	13,062.48

General Fund Overview

The General Fund is the primary operating fund of the City, supporting core community services such as police, fire-rescue, transportation and stormwater infrastructure, parks and recreation, and library services, along with essential support functions. These services are primarily funded by major revenue sources including property tax, sales tax, transient occupancy tax (TOT), and franchise fees. The FY 2026 Adopted Budget for General Fund expenditures totals \$2.17 billion, an increase of \$6.5 million 0.3 percent, from the FY 2025 Adopted Budget.

General Fund revenues are projected to be \$2.17 billion in FY 2026, an increase of \$90.9 million, or 4.4 percent, from the FY 2025 Adopted Budget. This increase is primarily driven by a \$79.3 million (13.7%) increase in other revenue sources, which offsets a \$7.2 million, or 0.5% decrease in major revenues. The four major General Fund revenue sources (property taxes, sales taxes, TOT, and franchise fees) account for \$1,495.9 million, or 69.0 percent, of the FY 2026 Adopted Budget General Fund revenues. These major revenues are projected to decrease by \$3.0 million primarily due to decreases in sales tax revenue of \$18.9 million and franchise fee revenue of \$17.2 million, partially offset by a \$35.7 million increase in property tax revenue. The FY 2026 Adopted Budget incorporates a stable yet slowing economic outlook. Projected growth rates for major revenues in the Fiscal Year 2026 Adopted Budget are as follows:

- Property Tax: 4.48 percent
- Sales Tax: 0.3 percent
- Transient Occupancy Tax (TOT): 2.2 percent
- Franchise Fees:
 - SDG&E: 0.0 percent
 - Cable: -6.79 percent

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

Financial Outlook and Stability

The Fiscal Year 2026-2030 Five-Year Financial Outlook projected baseline shortfalls with deficits projected through Fiscal Year 2030. Addressing the projected structural budget deficits, where ongoing expenditures exceed ongoing revenues, remains a critical need. In order to limit additional operational reductions, the Fiscal Year 2026 Adopted Budget delays the planned General Fund reserve contribution of approximately \$55.6 million, which would have been needed to fund reserve levels at target levels identified in the reserve policy for Fiscal Year 2026. Risk Management Reserves are anticipated to end Fiscal Year 2025 below target levels, and the Fiscal Year 2026 Adopted Budget also delays risk management reserve contributions of approximately \$10.7 million beyond annual operating expenditures. The Fiscal Year 2026 Adopted Budget includes \$115.2 million in one-time resources, including the waiver of General Fund and Risk Management Reserves in the General Fund totaling \$66.4 million, compared to \$11.6 million in one-time uses, indicating a continued structural budget deficit, although improved from the prior year. When excluding reserves, one-time resources of \$48.8 million supports \$11.6 million in one-time uses for a net structural deficit of about \$37.3 million or about 1.7% of General Fund expenditures

Mitigation Actions

To close the projected Fiscal Year 2026 Adopted Budget General Fund shortfall, the City has implemented a combination of expenditure reductions, new revenue generation, and strategic financial actions. The Fiscal Year 2026 Adopted Budget reflects departmental restructuring through reorganization, renaming or merging organizational units. Significant reductions totaling \$114.7 million and 327.51 FTE positions are included across General Fund departments. Additional mitigation measures include waiving reserve contributions and leveraging non-General Fund balances. General Fund costs for solid waste collection services—\$80.8 million and 181.00 FTEs—are shifted to the newly established Solid Waste Management Fund, supported by new collection service fees.

The Adopted Budget also includes nearly \$100.0 million in new and increased revenue to support General Fund operations. These primarily include \$32.6 million in Transient Occupancy Tax from Measure C (pending final court affirmation), \$34.9 million from new parking meter rates and implementation of paid parking in Balboa Park, \$20.3 million from increased parking citation fines and other user fee adjustments, \$8.1 million in reimbursements from CalOES for winter storm recovery, and \$1.9 million in additional Cannabis Business Tax revenue.

As a key revenue measure, the Adopted Budget assumes a successful outcome of the litigation regarding Measure C, a 2020 citizens' initiative to increase the Transient Occupancy Tax. If upheld, Measure C could generate \$192.1 million for homelessness programs and \$276.4 million for the expansion of the Convention Center over five years. The Fiscal Year 2026 Adopted Budget anticipates \$32.6 million for homelessness services and \$47.7 million for the Convention Center; however, delays in the final court decision may impact this revenue.

Budget Process

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

The Budget Development phase began with the release of the Fiscal Year 2026-2030 Five-Year Financial Outlook (Outlook) in the Fall of 2024, which is prepared each year as a long-range fiscal planning guide and

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serves as the framework for the development of the Fiscal Year 2026 Adopted Budget for the General Fund. The Outlook projected a Fiscal Year 2026 General Fund baseline deficit of \$258.2 million. City departments submitted budget adjustment requests to the Department of Finance in January 2025, which City Management analyzed, reviewed, and prioritized in February 2025 and presented to the Mayor in March 2025 for further evaluation, discussion, and approval. Once budget decisions were finalized, projected General Fund revenues and expenditures were balanced and included in the Fiscal Year 2026 Draft Budget, along with changes to the non-general funds and CIP.

During the Budget Review phase, the City Council held a series of public meetings from April through June 2025 to obtain the public's input on spending priorities. The Mayor and City Council used the information presented and recommended changes to the Fiscal Year 2026 Draft Budget through the May Revision and City Council modifications, respectively. Subsequently, the Mayor exercised his authority to line-item veto several City Council modifications. The City Council overrode a number of the Mayor's line-item vetoes and adopted the budget in June 2025, which was enacted into law via the Appropriation Ordinance.

Critical Expenditures

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

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

Administrative Support

Labor Negotiations	Funding of non-personnel expenditures to support labor negotiations and support services.
Revenue Audit Support	Funding of positions to conduct TOT and lease revenue audits.
SDGE Biannual Independent Audit	Funding of professional services to conduct an independent performance audit of the SDG&E franchise agreement.
Successor Agency Support	Funding of positions to oversee accounting and financial transactions of all Successor Agency Funds.

Climate Action Plan

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

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

Central Elementary Safe Parking	Funding of one-time non-personnel expenditures to operate the Central Elementary Safe Parking site.
Day Center Operations	Funding of one-time non-personnel expenditures to support operations at the Day Center.
Eviction Prevention Program	Funding of non-personnel expenditures to provide education and legal services for low-income renters facing eviction.
Housing Instability Prevention Program	Funding of non-personnel expenditures to provide rental assistance for individuals at risk of homelessness.
Portable Restrooms	Funding of non-personnel expenditures to provide portable restroom facilities in Downtown.
Women and Senior Center Shelter	Funding of non-personnel expenditures to cover a new lease for a Women's and Senior shelter.

Independent Departments

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

Livable Neighborhoods

Animal Services Contract	Funding of non-personnel expenditures associated with contractual and cost of living increases.
Balboa Park Paid Parking	Funding of non-personnel expenditures to implement paid parking in Balboa Park.
Comprehensive User Fee Study	Funding of non-personnel expenditures to conduct a comprehensive user fee study of parks and recreation services and programs.
New Park Facilities	Funding of positions and expenditures to operate and maintain new parks and joint-use facilities.

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Public Safety

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

Transportation

Revised PUD Service Level Agreement (SLA)	Funding of non-personnel expenditures to support trench restoration services for the Public Utilities Department.
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Waste and Recycling

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

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Budget Reductions

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

Citywide Reductions	One-time discount on refuse disposal fees, bond issuance savings, rent savings, and waiving the transfer to the General Fund Reserves and Climate Equity Fund.
City Attorney	Reduction of personnel expenditures.
City Auditor	Reduction of personnel and outside legal counsel expenditures.
City Clerk	Reduction of personnel expenditures.
City Planning	Reduction of personnel expenditures associated with the City Planning Work Program.
City Treasurer	Reduction of personnel and various non-personnel expenditures associated with operational efficiencies.
Commission on Police Practices	Reduction of professional and legal services.
Communications	Reduction of positions, training, and professional services.
Compliance	Reduction of Deputy Director and Occupational Safety and Health positions.
Council Admin and Council Districts	Reduction of Council Representative and non-personnel expenditures.
Department of Finance	Reduction of positions, office space, and overtime expenditures.
Department of Information Technology	Reduction to the PC Replacement Program.
Development Services	Reduction of zoning and code enforcement positions and associated expenditures.
Environmental Services	Reduction of overtime, mulch spreading, and second residential refuse collection during summer months.
Fire-Rescue	Reduction of cellular and IT expenditures, helicopter staffing in off peak season, and positions supporting Fast Response Squads and administrative support.
General Services	Reduction of position associated with operations and maintenance activities.
Homelessness Strategies & Solutions	Reduction of Program Coordinator, Caltrans outreach program, and the use of other funding sources for expenditures otherwise funded by the General Fund.

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Human Resources	Reduction of positions and non-personnel expenditures associated with compensation surveys, office supplies, training, employee-centered programs.
Library	Reduction of positions and non-personnel expenditures associated with operating hours, supplies, computer replacement, and equipment maintenance.
Office of Emergency Services	Reductions of grant-reimbursable positions.
Office of the Mayor	Reduction of positions associated with executive management, government affairs, communications, administrative, and policy.
Parks and Recreation	Reduction of positions and expenditures related to park maintenance, downtown restroom closures, security services, and brush management.
Performance and Analytics	Reduction of Program Coordinator and non-personnel expenditures associated with the 3-1-1 phone system, Get It Done application enhancements, and Open Data Portal.
Personnel	Reduction of positions and non-personnel expenditures associated with recruiting and hiring.
Police	Reduction in logistics and operations positions and extension of shift and patrol backfill operations overtime.
Purchasing & Contracting	Reduction of positions that support contract oversight.
Race and Equity	Reduction of Program Coordinator and various non-personnel expenditures associated with the consolidation of the department.
Stormwater	Reduction of various as-needed services, consultants, and water treatment fees.
Sustainability & Mobility	Reduction of Department Director and positions associated with the consolidation of these functions into various other departments.
Transportation	Reduction of tree planting services and traffic signal cabinet supplies.

Non-General Fund Overview

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

Engineering & Capital Projects Fund	Addition of expenditures associated with citywide compensation increases, actuarially determined contribution increases, and to support stormwater projects, tenant improvements, and construction management.
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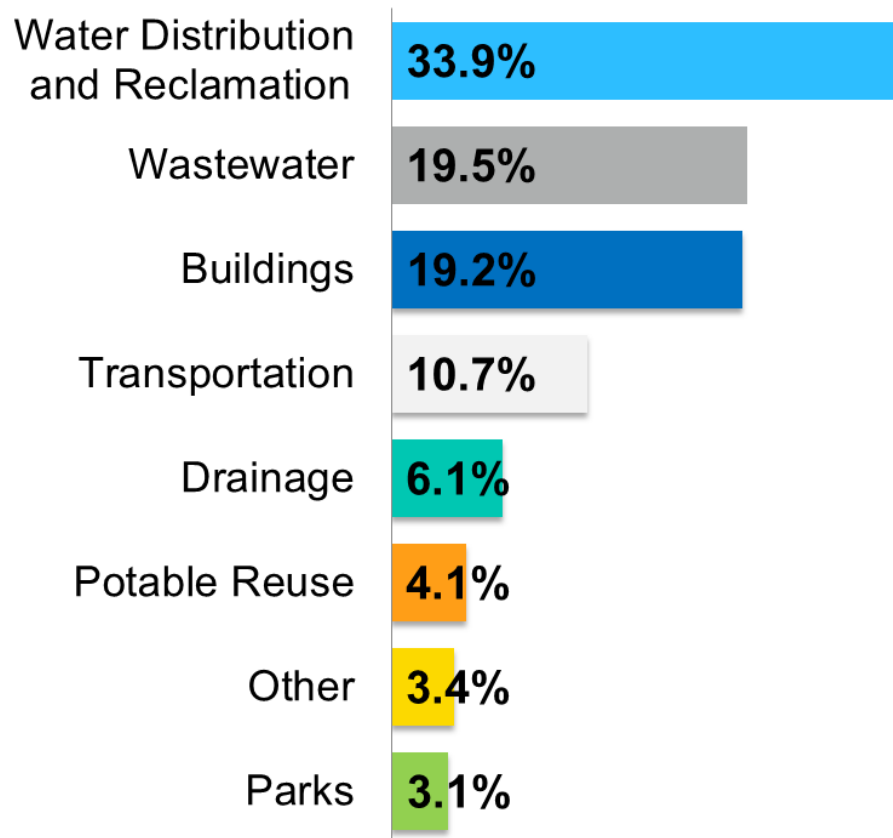
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Environmental Growth Funds	Reduction of reimbursements to the General Fund associated with the one-time use of fund balance in Fiscal Year 2025.
Fire/Emergency Medical Services Transport Fund	Addition of expenditures to oversee operations and support ambulance services and transfer to the General Fund.
Fleet Replacement Fund	Addition of non-personnel expenditures associated with the acquisition of vehicles to support refuse collection, public utilities, transportation, and stormwater operations.
Infrastructure Fund	Reduction of non-personnel expenditures associated with a decrease in sales tax revenue.
Low- & Moderate-Income Housing Asset Fund	Addition of non-personnel expenditures for long-term affordable housing projects.
Parking Meter Operations Fund	Addition of revenue and non-personnel expenditures associated with expanded parking meter revenue and reimbursements to the General Fund for services provided to parking meter districts.
Solid Waste Management Fund	Addition of expenditures associated with charging for refuse collection services and to support operations of refuse collection services.
TOT Convention Center Fund	Addition of revenue and expenditures associated with Measure C to support the San Diego Convention Center.
TOT Homelessness Fund	Addition of revenue and expenditures associated with Measure C to support homelessness programs and services.
Water Utility Operating Fund	Addition of expenditures associated with citywide compensation increases, actuarial determined contribution increases, water purchases, Pure Water Phase 1 Operations, dam and reservoir maintenance and operations, and projected energy consumption.

Capital Improvements Program Overview

The Fiscal Year 2026 Adopted CIP Budget for all funds is \$843.7 million, which is a decrease of \$106.2 million from the Fiscal Year 2025 Adopted Budget. This is primarily due to a decrease in General Fund Debt and Citywide DIF appropriations. This budget allocates existing funds and anticipated revenues to both new and continuing projects. The allocation of funds is based upon an analysis of available funding sources, as well as a review of project needs and priorities.

Fiscal Year 2026 Adopted Budget by Project Type¹



¹Figures may not foot due to rounding.

Conclusion

The Fiscal Year 2026 Adopted Budget protects the progress made in recent fiscal years including public safety, homelessness, housing, and infrastructure. This balanced budget includes budget reductions and mostly maintains funding for the aforementioned areas; additionally, it utilizes a mix of one-time and ongoing resources to balance the budget. Looking forward, the City may need to consider additional ongoing reductions, seek new revenue streams or wave reserve contributions in order to achieve a structurally balanced General Fund budget. Additional details are included throughout this Volume.