



## **A Message to San Diegans from Mayor Todd Gloria Fiscal Year 2026 Adopted Budget**

My Fellow San Diegans,

In accordance with the City Charter, I am presenting the Adopted Budget for Fiscal Year 2026. This budget responsibly addresses the serious fiscal challenges before us — with transparency, discipline, and a focus on preserving the neighborhood services that matter most to you and your families.

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

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

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

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

Together, these reorganizations reduce 31 positions and generate over \$6.6 million in annual savings — savings that allow us to continue providing core neighborhood services without compromising public safety.

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

City has seen its structural budget deficit decrease from \$203.7 million in Fiscal Year 2025 to \$38.0 million in Fiscal Year 2026, or an 81 percent decrease year over year.

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

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

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

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

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

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

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

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

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

This budget also reflects our ongoing commitment to investing in San Diego's future through the Capital Improvement Program, with nearly \$843 million in citywide investments. This includes:

- \$650.5 million for water and sewer infrastructure
- \$50.8 million in stormwater and flood resilience projects

- \$46.8 million for street resurfacing and reconstruction, in addition to \$36.3 million for street maintenance, for a total of 388.8 miles of street repair
- Over \$11.2 million for Mission Bay improvements
- Nearly \$6.0 million for the new Oak Park Library
- \$2.0 million for the Mission Beach Lifeguard Station upgrade
- \$2.2 million for Landfill Improvements
- \$1.7 million for Marie Wildman Comfort Station
- \$2.5 million for Officer Jeremy Henwood Park Play Area
- Major investments in sidewalks, bikeways, traffic signals, and street lighting

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

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

Public hearings on the budget took place in April and May, with a revised proposal released on May 14. The City Council voted on a final budget on June 23 and restored various community services supported by multiple revenue sources and some targeted reductions. I thank every San Diegan who stayed engaged, shared their feedback, and was part of this process.

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

Sincerely,



TODD GLORIA  
Mayor

### **City of San Diego Budget**

The City of San Diego's Fiscal Year 2026 Adopted Budget is \$6.10 billion and is comprised of five operating fund types and the Capital Improvements Program (CIP). The Fiscal Year 2026 Adopted Budget represents an increase of \$288.0 million, or 5.0 percent, compared to the Fiscal Year 2025 Adopted Budget. This is primarily due to increases in the Enterprise Funds, Special Revenue Funds, and Internal Service Funds, partially offset with a decrease in the Capital Improvements Program (CIP). The increase in the Enterprise Funds is associated with the following: implementation of Measure B in the Solid Waste Management Fund; water purchases, Pure Water Phase 1 operations,

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

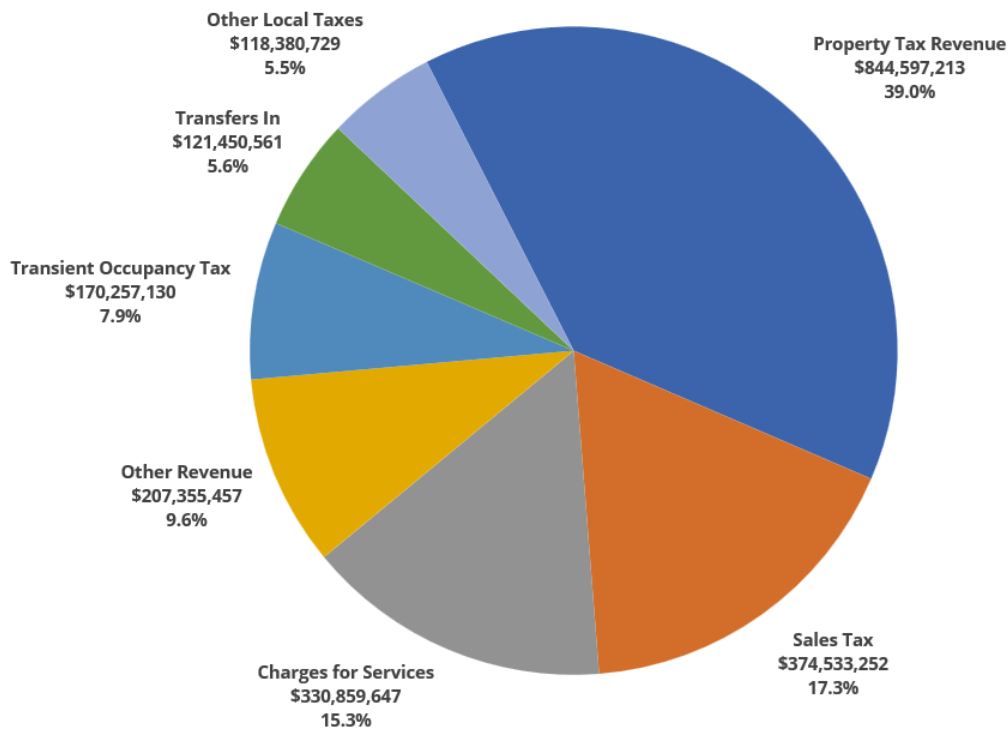
### **General Fund Revenues**

The Fiscal Year 2026 Adopted Budget General Fund revenue budget is \$2.17 billion, which represents an increase of \$90.9 million, or 4.4 percent, from the Fiscal Year 2025 Adopted Budget. General Fund revenues are comprised of four major revenue sources, and a series of other revenue sources, which are primarily generated by departments. The City's four major General Fund revenue sources are property taxes, sales taxes, transient occupancy taxes (TOT), and franchise fees. These sources account for 69.0 percent of the Fiscal Year 2026 Adopted Budget General Fund revenues and are projected to decrease by \$3.0 million, or 0.2 percent, from the Fiscal Year 2025 Adopted Budget. The decrease in major General Fund revenues from the Fiscal Year 2025 Adopted Budget is primarily due to decreases in sales tax revenue of \$18.9 million and franchise fee revenue of \$17.2 million, partially offset with an increase in property tax revenue of \$35.7 million. Fiscal Year 2026 Adopted Budget revenues are based on projections included in the Fiscal Year 2025 Third Quarter Budget Monitoring Report (Third Quarter Report), and the most recent economic data available at the time of development.

In addition to increases in the major General Fund revenues, other revenue sources reflect a net increase of \$94.0 million, or 16.3 percent. The increase in other revenues is associated with a \$32.6 million in revised revenue for homelessness services as a result of the Transient Occupancy Tax (TOT) tax rate increases associated with Measure C; \$19.9 million in revised revenue due to an increase in parking meter fees to reimburse eligible General Fund expenditures; \$15.5 million in new revenue associated with proposed parking fees generated in Balboa Park and at the San Diego Zoo; \$13.6 million increase in parking citation revenue primarily in the Police Department; \$11.5 million from a transfer from the Fire/Emergency Medical Services Transport Fund; \$9.1 million in one-time reimbursement revenue to support street resurfacing activities; and \$8.1 million in one-time funding from the California Office of Emergency Services. These increases are primarily offset by a decrease of \$19.4 million in one-time Fiscal Year 2025 transfers to the General Fund from various non-General Funds and a one-time removal of \$6.3 million for the Short-Term Residential Occupancy (STRO) Program budgeted in Fiscal Year 2025, where licenses are valid for two years with fees due at the beginning of January, after applications are submitted and a lottery on those applications occurs.

## General Fund Revenue

Total \$2,167,433,989



### General Fund Expenditures

The Fiscal Year 2026 Adopted Budget for General Fund expenditures is \$2.17 billion, representing an increase of \$6.5 million, or 0.3 percent, from the Fiscal Year 2025 Adopted Budget. These expenditures are primarily supported by major General Fund revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees.

The Fiscal Year 2026 Adopted Budget prioritizes funding to preserve core service levels. Expanded services include the operations of new facilities.

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

### Administrative Support

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

## Climate Action Plan

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

<b>Employ and Empower Intern Program</b>	Funding of positions citywide to support the Employ and Empower Internship Program.
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## Homelessness and Housing

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

## Independent Departments

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

## Livable Neighborhoods

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

## Public Safety

<b>Advanced Lifeguard Academy</b>	Funding of positions and expenditures for advanced bi-annual lifeguard training.
<b>Brush Management</b>	Funding of positions for brush management.

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**Wellness Services**

Funding for Fire-Rescue wellness services and annual exams.

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**Transportation**

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**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**

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**Clean SD**

Funding of positions and expenditures to support homeless encampment abatements.

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**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.

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**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.

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**City Attorney**

Reduction of personnel expenditures.

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**City Auditor**

Reduction of personnel and outside legal counsel expenditures.

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**City Clerk**

Reduction of personnel expenditures.

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**City Planning**

Reduction of personnel expenditures associated with the City Planning Work Program.

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**City Treasurer**

Reduction of personnel and various non-personnel expenditures associated with operational efficiencies.

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**Commission on Police Practices**

Reduction of professional and legal services.

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**Communications**

Reduction of positions, training, and professional services.

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**Compliance**

Reduction of Deputy Director and Occupational Safety and Health positions.

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**Council Admin and Council Districts**

Reduction of Council Representative and non-personnel expenditures.

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**Department of Finance**

Reduction of positions, office space, and overtime expenditures.

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**Department of Information Technology**

Reduction to the PC Replacement Program.

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**Development Services**

Reduction of zoning and code enforcement positions and associated expenditures.

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**Environmental Services**

Reduction of overtime, mulch spreading, and second residential refuse collection during summer months.

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**Fire-Rescue**

Reduction of cellular and IT expenditures, helicopter staffing in off peak season, and positions supporting Fast Response Squads and administrative support.

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**General Services**

Reduction of position associated with operations and maintenance activities.

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<b>Homelessness Strategies &amp; Solutions</b>	Reduction of Program Coordinator, Caltrans outreach program, and the use of other funding sources for expenditures otherwise funded by the General Fund.
<b>Human Resources</b>	Reduction of positions and non-personnel expenditures associated with compensation surveys, office supplies, training, employee-centered programs.
<b>Library</b>	Reduction of positions and non-personnel expenditures associated with operating hours, supplies, computer replacement, and equipment maintenance.
<b>Office of Emergency Services</b>	Reductions of grant-reimbursable positions.
<b>Office of the Mayor</b>	Reduction of positions associated with executive management, government affairs, communications, administrative, and policy.
<b>Parks and Recreation</b>	Reduction of positions and expenditures related to park maintenance, downtown restroom closures, security services, and brush management.
<b>Performance and Analytics</b>	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.
<b>Personnel</b>	Reduction of positions and non-personnel expenditures associated with recruiting and hiring.
<b>Police</b>	Reduction in logistics and operations positions and extension of shift and patrol backfill operations overtime.
<b>Purchasing &amp; Contracting</b>	Reduction of positions that support contract oversight.
<b>Race and Equity</b>	Reduction of Program Coordinator and various non-personnel expenditures associated with the consolidation of the department.
<b>Stormwater</b>	Reduction of various as-needed services, consultants, and water treatment fees.
<b>Sustainability &amp; Mobility</b>	Reduction of Department Director and positions associated with the consolidation of these functions into various other departments.
<b>Transportation</b>	Reduction of tree planting services and traffic signal cabinet supplies.

### **Balanced Budget and Conclusion**

The Fiscal Year 2026 Adopted Budget aims to preserve core services including public safety, homelessness, housing, and infrastructure. This balanced budget includes budget reductions while prioritizing the aforementioned areas; additionally, it utilizes a mix of one-time and ongoing resources to balance the budget. Looking forward, the City may need to consider additional ongoing reductions or waiving contributions to reserves as revenues catch up, in order to achieve a structurally balanced General Fund budget.