



COUNCIL PRESIDENT JOE LACAVA

FIRST COUNCIL DISTRICT

MEMORANDUM

DATE: September 24, 2025

TO: Jillian Andolina, Independent Budget Analyst, Deputy Director

FROM: Council President Joe LaCava *Joe LaCava*

SUBJECT: FY2027 Budget Priorities – Limited Resources, Maximized Services

In Fiscal Year 2026 (FY2026), we made significant progress to close the structural budget deficit; however, several challenges continue to impact the General Fund — economic headwinds driven by federal tariffs and recession uncertainty, lower than expected initial revenue from key sources, and implementation challenges for portions of the adopted budget. As Council President, I have committed to docket budgetary adjustments outside of the mid-year or next budget cycle. We cannot wait for these uncertainties to manifest to unmanageable scale, we must give ourselves and the public as much runway to react and to adjust. The conversations will not be easy and the public may be frustrated, yet we must make the tough choices that we were elected to do.

I have long been aware that, with our current resources, the City is unable to provide services at the level our residents want. Along with a handful of my Council colleagues, I have cast unpopular but critical votes to address the structural deficit while providing needed revenue and protecting infrastructure. I have done this by prioritizing the safety and best interest of residents and not shying away from the difficult conversations to keep recreation centers and libraries open, Police and Fire-Rescue staffed, and ensure our residents have water in their taps.

As we await the FY2025 Year-End report and the FY2026 First Quarter Budget Monitoring report, a budget memo at this moment must set the framework for the FY2027 rather than dive into the specifics of revenue, expenditures, neighborhood services, or infrastructure. In this next fiscal year, I remain focused on setting expectations, reasonable revenue, responsible cuts, and the preservation of core services. Though we may be faced with **Limited Resources**, we can still deliver **Maximized Services** for San Diegans.

Below is a framework for the preparation of the FY2027 budget:

Expenditures

Critical Services

Funding **Police and Fire-Rescue Departments** remains a top priority, including retaining the Northwestern Division.

As we saw in the FY2026 budget conversations including the Mayor's Proposed budget, the Council's deliberations, and the public's input, **Stormwater** continues to take a back seat to more prominent, public-facing infrastructure. The Stormwater Department's work over the past 21 months is laudable and represents a sea-change in maintenance, repairs, and replacements. But it is not enough. Through every funding source at our disposal, we must increase the budget for Stormwater.

Core Service Preservation

I remain open to the proposal to shift to "zero-based budgeting," and I call for the Department of Finance, perhaps with the assistance of the City Auditor and Independent Budget Analyst, to develop new tools to assess operational efficiency and effectiveness. While improving business processes will always be important, we must focus on those that have a direct impact on delivering city services.

The Mayor and Operations took important steps, including surgical cuts, to close a projected deficit in developing the Proposed FY2026 budget. That work must continue. This includes halting hiring of General Fund positions for services deemed non-essential, while maintaining the core community services a majority of Council fought to protect. Further, our conversations must focus not on employees or positions but on programs to ensure they are meeting the expectations that inspired their formation. Budget decisions must flow from the efficacy of programs.

Revenue

Paid Beach & Bay Parking

Initiate a paid beach and bay parking program, based on a vetted and developed program to facilitate Coastal Commission approval. Initial revenue estimates should be based on only a non-resident paid parking program, presuming beach access as free for San Diegans. In developing the program, at a minimum, staff should assess the following: a low-income permit program, low-cost ways to maintain coastal access, non-resident rates, a "beachgoer badge" that recognizes frequent users, credit card pass through, and CPI increases.

- ❖ The City of Del Mar has paid parking near the beach with a \$4 hourly and \$20 daily rates.
- ❖ The City of Oceanside charges different rates based on different lots with a range of \$2 to \$15 and options for hourly and daily.
- ❖ The County of Los Angeles charges different amounts for beach parking based on seasonality and time of the week. Daily rates range from \$3 to \$9 in the winter months and \$3 to \$18 in the summer months, with holiday rates up to \$20.

Paid Parking at Balboa Park

Following the Council's action on September 15, Operations should move expeditiously to implement the resident portal, credit card pass-through, and an annual or quarterly "parkgoer pass." I recognize that the adopted rates are projected to be short of the revenue assumed in the FY2026 budget. Once implemented, staff should provide monthly updates on revenue received, including fines, broken down by resident and non-resident.

Discussion of Revenue Measures that Would Require Voter Approval

As Chair of the Rules Committee, I will agendize conversations about revenue measures that would need to go before the voters for approval. This may include sales tax increase, general obligation bond, special tax increases, or other proposals.

Cannabis Revenue

We must take action against illegal delivery operations. We can drive business back to the legal dispensaries that responsibly went through our City permit process to reverse the decline of legal delivery revenue and, ultimately, contribute to our tax base.

Private Investment in the City

As a City, we must identify creative ways to bring private investment to San Diego, including corporate, philanthropic, or public-private partnerships. We should continue to encourage lessee improvements on public lands and maximize revenue through lease renegotiations. Further, I am finalizing a new Council Policy in collaboration with City departments to streamline and facilitate nonprofits investing in our public infrastructure and facilities, recognizing the capacity for private philanthropy to achieve projects for which the City does not currently have the resources.

Additional requests

My office has received funding requests from community-based organizations, agency partners, and our recognized employee organizations. These asks are rooted in carrying out the City's mission; however, consideration of these should be taken once we have a clearer understanding of fiscal health from the upcoming monitoring reports.

It is clear the revenue ideas we have explored this year are unpopular with the public; still, San Diegans have made it clear that they expect us to deliver city services. It is our responsibility to understand how to balance these and to make hard decisions.

I look forward to the discussions with the Mayor, my Council colleagues, the Independent Budget Analyst, and our residents on how to responsibly **maximize services with limited resources**.

Thank you, Ms. Andolina, for your time and attention to this budget framework.

CC: Mayor Todd Gloria
Chief Financial Officer Matt Vespi