

The City of
SAN DIEGO



FISCAL YEAR 2027-2031
FIVE-YEAR FINANCIAL OUTLOOK



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NOVEMBER 2025

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EXECUTIVE SUMMARY

The City of San Diego's Fiscal Year 2027-2031 Five-Year Financial Outlook Report (Outlook) is a long-range fiscal planning guide that serves as the framework for developing the Fiscal Year (FY) 2027 Adopted Budget for the General Fund. The report provides an outlook on the City's General Fund finances over the next five years as forecasted.

The Outlook focuses on baseline revenues and expenditures, including updated forecasts for revenues and expenditures necessary to maintain the City's service levels as reflected in the FY 2026 Adopted Budget. In addition to the baseline forecast, the Outlook includes projected costs for new and expanded facilities and homelessness programs and services. The Outlook was developed based on information available and known at the time of the preparation of the report; however, risks to the projections include events that may or will occur during the outlook period whose outcomes are unpredictable or cannot be reasonably quantified at this time. Some of these risks and priorities are discussed in the *Potential Impacts to the Outlook* and *Future Fiscal Considerations* sections of this report.

The Outlook is a planning tool that assists in budget decisions related to the allocation of General Fund resources and should not be considered a budget. The Outlook provides the Mayor, City Council, key stakeholders, and the public with information at the start of the budget development process to facilitate a discussion regarding the coming year's General Fund budget allocations. The City Charter requires that a balanced budget be proposed. Therefore, to the extent projected expenditures exceed estimated revenues in any given year of the Outlook, the City will need to address these shortfalls through mitigating actions. Some potential mitigation options are discussed in the *Potential Mitigation Actions* section of this report.

There are many additional priorities, services, and operational needs beyond those included in this report. However, given the City's limited resources, the City will need to explore additional mitigating actions, which could require reevaluating current expenditure patterns, ongoing budget reductions, reducing or prioritizing other expenditures instead of those included in the baseline, and exploring future revenue enhancing initiatives. In addition, revenue projections are based on current economic indicators, historical trends, industry research, and information from the City's Property Tax and Sales Tax consultants. To the extent any of the underlying assumptions change, actual revenues could change significantly.

Any new expenditures assumed in the Outlook for FY 2027 will be considered during the FY 2027 Budget Development process and will be dependent upon available resources and consistent with the priorities outlined in the City's Strategic Plan, which include the following five priority areas of focus:

- Create Homes for All of Us
- Protect & Enrich Every Neighborhood
- Advance Mobility & Infrastructure
- Champion Sustainability
- Foster Regional Prosperity

The FY 2027 budget process will consider the City Council's budget priorities, which were released by the Office of the Independent Budget Analyst on October 10, 2025 and scheduled to be presented to, and adopted by, the City Council on November 18, 2025. As required by the City Charter, the Mayor will present a balanced budget to the City Council by April 15, 2026. The decisions made for the FY 2027 budget will have an impact on the entire outlook period and will be reflected in the FY 2028-2032 Five-Year Financial Outlook Report.

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Summary of Key Financial Assumptions in Baseline

The Outlook projects moderate increases in both baseline revenues and expenditures, which are required to maintain the City's service levels as reflected in the FY 2026 Adopted Budget. Any anticipated growth is highlighted within each baseline revenue and expenditure category throughout the Outlook.

As discussed later in the report, the Outlook was developed based on information available and known at the time of the preparation of the report. General Fund revenue and expenditure forecasts are based on growth assumptions and anticipated adjustments to the FY 2026 Adopted Budget. The overall economic assumptions included in the report are in line with information received from various industry experts. Projections were developed using economic and industry research, available data, historical trend analysis, and reasonable assumptions; however, risks to the projections include events that may or will occur during the outlook period whose outcomes are unpredictable or cannot be reasonably quantified at this time. Examples of these events include an economic downturn, pension cost increases due to updated actuarial assumptions, and salary increases above those assumed in the Outlook.

As depicted in **Table 1.1 – Fiscal Year 2027 – 2031 Financial Outlook, Summary of Key Financial Data**, a projected baseline shortfall, in which baseline expenditures exceed baseline revenues, is projected in FY 2027 through FY 2031.

The following key assumptions are included in the Outlook:

- One-time resources and expenditures included in the FY 2026 Adopted Budget were removed;
- An annual 2.94 percent salary increase for future MOU negotiations in FYs 2027 through 2031 based on the average annual Consumer Price Index growth for the San Diego-Carlsbad region over the last fifteen years;
- Pension contributions, or annual Actuarially Determined Contribution (ADC), as projected in the SDCERS City of San Diego Actuarial Valuation Report as of June 30, 2024;
- No City Charter-required Infrastructure Fund (Proposition H) contributions throughout the outlook period;
- No General Fund or Risk Management reserve contributions throughout the outlook period; and
- Revenues associated with a resolution to the litigation and full implementation of Measure C (Transient Occupancy Tax) to support homelessness programs and services, convention center expansion, and street repair.

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Table 1.1 - Fiscal Year 2027-2031 Financial Outlook Summary of Key Financial Data (\$ in Millions)					
	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031
Property Tax	\$883.8	\$914.1	\$952.4	\$992.2	\$1,033.6
Sales Tax	\$383.6	\$395.1	\$407.7	\$420.7	\$434.2
Transient Occupancy Tax	\$170.9	\$174.3	\$177.7	\$181.3	\$185.8
Franchise Fees	\$99.2	\$100.9	\$102.8	\$104.7	\$114.0
All Other Revenue Categories	\$658.2	\$671.4	\$697.1	\$707.3	\$725.8
BASELINE GENERAL FUND REVENUES	\$2,195.5	\$2,255.7	\$2,337.7	\$2,406.3	\$2,493.4
Salaries & Wages	\$997.7	\$1,027.9	\$1,059.0	\$1,090.9	\$1,123.8
Retirement Actuarially Determined Contributions (ADC)	\$383.0	\$394.4	\$340.1	\$338.6	\$339.0
All other Personnel Expenditures	\$234.2	\$240.1	\$246.8	\$254.3	\$262.9
Non-Personnel Expenditures	\$669.4	\$700.3	\$744.1	\$777.7	\$824.6
BASELINE GENERAL FUND EXPENDITURES	\$2,284.3	\$2,362.6	\$2,390.1	\$2,461.6	\$2,550.3
(AMOUNT TO BE MITIGATED) / AVAILABLE RESOURCES	(\$88.8)	(\$106.9)	(\$52.4)	(\$55.3)	(\$57.0)

Throughout the report, tables may not foot due to rounding.

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Report Outline

The Outlook includes a discussion of General Fund baseline projections for revenues and expenditures, necessary to maintain the City's current service levels. The *Baseline Projections* section of the Outlook consists of the City's projections for the next five fiscal years for ongoing revenues and expenditures, as displayed in **Table 1.1 – Fiscal Year 2027 – 2031 Financial Outlook, Summary of Key Financial Data**. The *Baseline Projections* section includes baseline revenue and expenditure growth, and anticipated adjustments to the FY 2026 Adopted Budget. Examples of anticipated adjustments in the baseline projections include the removal of one-time resources and expenditures included in the FY 2026 Adopted Budget.

Additionally, the Outlook identifies planned future fiscal commitments identified over the next five years in the *Priorities Beyond the Baseline Expenditures* section of the report. These commitments include:

- New and expanded Fire-Rescue, Library, and Parks and Recreation facilities scheduled to open within the outlook period; and
- Maintaining homelessness programs and services.

The Outlook Report also identifies potential funding sources and other strategic options to mitigate projected revenue shortfalls in the *Potential Mitigation Actions* section of the Report. Mitigation actions will be necessary to address the City's structural budget deficit, ensure the City has a balanced budget in FY 2027 and beyond, and safeguard the City's financial health for the future.

The Outlook Report includes the *General Fund Infrastructure Needs* section which outlines certain components of the City's infrastructure needs from a range of asset types, including streets, sidewalks, streetlights, stormwater infrastructure, and City facilities. Unfunded capital needs are not isolated challenges; they also compete directly with the budget allocated to General Fund operations such as public safety and neighborhood services. The inclusion of certain components of the City's infrastructure needs is aimed at providing a more holistic view of the City's financial landscape and better reflect the magnitude of the General Fund's structural budget deficit.

Lastly, the *Potential Impacts to the Outlook* and *Future Fiscal Considerations* sections of the report detail significant factors that could impact the projections reflected in the Outlook such as an economic downturn, salary increases above those assumed in the baseline, increases in ADC, and fiscal impacts from implementing the City's Climate Action Plan. Any new expenditures or enhancements to services will be considered during the upcoming FY 2027 budget development process and will be dependent upon available resources and consistent with the priorities outlined in the City's Strategic Plan.

Per the City Charter, the Mayor will present a balanced budget for the City Council's consideration by April 15, 2026.

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BASELINE PROJECTIONS

The *Baseline Projections* section describes forecasted General Fund revenue and expenditure changes based on growth assumptions and anticipated adjustments to the FY 2026 Adopted Budget at the time of this report's preparation. This section provides forecasted growth rates for revenues including an overview of each revenue category, key economic trends, and a discussion of various scenarios that could impact the forecast for major revenue categories. General Fund expenditures are reviewed thereafter, including significant changes required to maintain current service levels and growth assumptions, as applicable, within each expenditure category.

Unless otherwise noted, baseline projections assume growth based on the FY 2026 Adopted Budget with one-time resources and expenditures removed. **Attachment 1: One-Time Resources and Expenditures** provides details about the one-time resources and expenditures that were included in the FY 2026 Adopted Budget and removed for the development of the FY 2027-2031 Five-Year Financial Outlook baseline.

Baseline General Fund Revenues

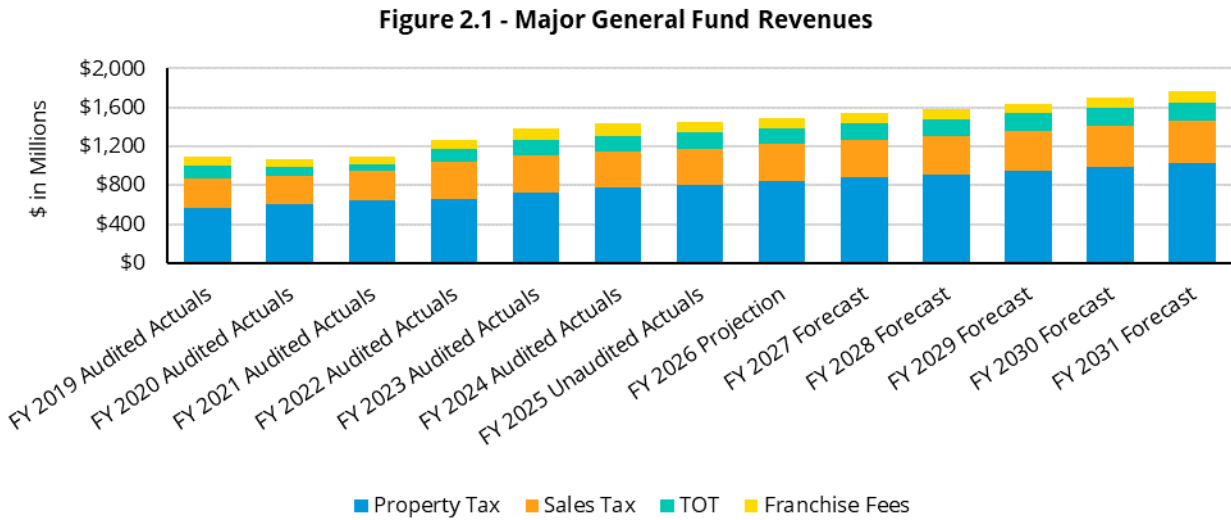
The following section provides details on the Outlook's baseline General Fund revenue projections. This includes a description of the revenue source, factors impacting the revenue source, and the projected growth rates.

The City's revenue sources are anticipated to grow at moderate rates throughout the outlook period. Similar to the FY 2026 Adopted Budget, the Outlook's revenue forecast balances favorable, yet softening, economic conditions with moderate growth in the City's General Fund revenues.

In addition to growth rates applied in each of the major revenue categories, other adjustments have been included based on significant known and anticipated events that are detailed within each category. To assist in evaluating the potential variability of revenue projections, "High" and "Low" projection scenarios have been included for the City's major revenue sources, including property tax, sales tax, and transient occupancy tax (TOT). Although the "High" and "Low" projections provide a range of possibilities within the current economic parameters, they do not account for a potential recession.

The City's four major General Fund revenue sources, property tax, sales tax, TOT, and franchise fees, represent 69.0 percent of the City's FY 2026 Adopted Budget for the General Fund. As depicted in **Figure 2.1 – Major General Fund Revenues**, the four major revenue sources are projected to increase throughout the outlook period, with sales tax and TOT projected to slightly decrease in FY 2026 when compared to the Adopted Budget, before moderately increasing throughout the outlook period. Consistent with the FY 2026 First Quarter Report, the Outlook uses updated major revenue projections as the baseline for the Outlook forecast. The overall economic assumptions included in the report are in line with information received from industry experts representing the four major revenue categories and overall regional economy, including the City's property tax consultant, HdL Coren & Cone; the City's sales tax consultant, HdL Companies; the San Diego Tourism Authority's tourism forecasts, prepared by Tourism Economics; San Diego Gas & Electric; and the UCLA Anderson

Forecast. In addition to the major revenue projections, the baseline projections for the General Fund's other departmental revenue sources are based on various economic assumptions, known and anticipated events, and historical trend analyses.



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Property Tax

Property Tax is the City's largest revenue source, representing 39.0 percent of the General Fund FY 2026 Adopted Budget. The primary component of the Property Tax category is the 1.0-percent levy on the assessed value of all real property within City limits. The Property Tax category also includes the Motor Vehicle License Fee (MVLFF) backfill payment, which is property tax revenue received from the State of California to replace the MVLFF that was repealed in 2004. Additionally, the category includes pass-through and residual property tax payments deposited into the Redevelopment Property Tax Trust Fund (RPTTF) due to the dissolution of Redevelopment Agencies (RDAs) statewide.

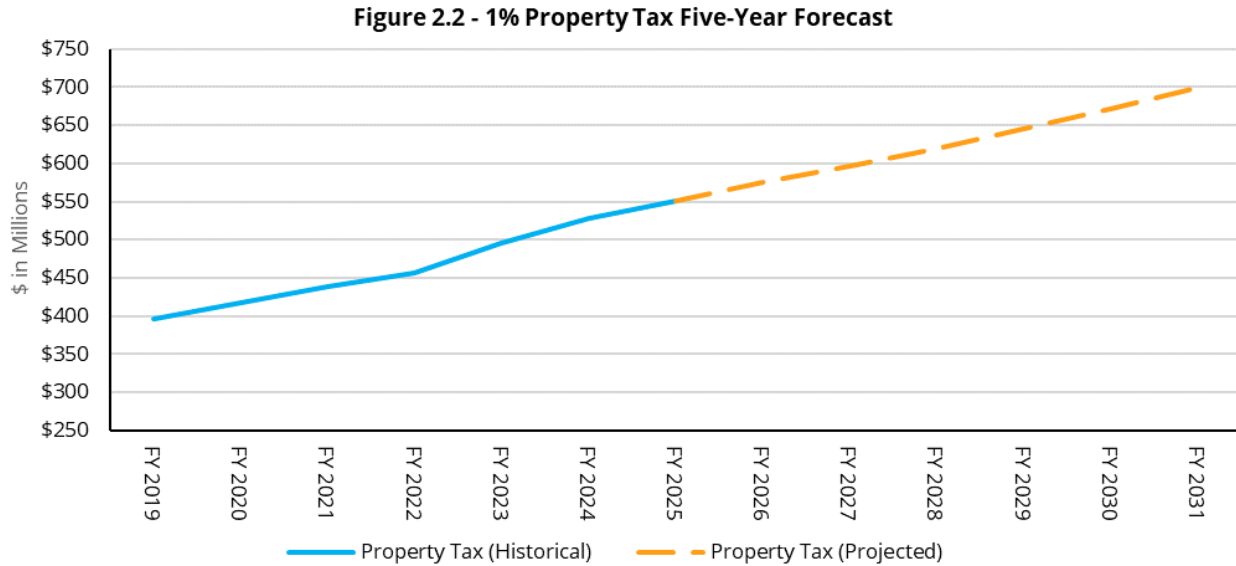
Forecast

The Outlook for Property Tax assumes growth based upon the updated FY 2026 projection for property tax included in the FY 2026 First Quarter Report, and economic assumptions available at the time of the preparation of this report. **Table 2.1 - Property Tax Five-Year Forecast** displays the FY 2026 Adopted Budget and year-end projection, as well as the forecast for FY 2027 through FY 2031 for the Property Tax category.

Table 2.1 - Property Tax Five-Year Forecast (\$ in Millions)							
	FY 2026 Adopted	FY 2026 Projection	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Growth Rate	4.5%	4.8%	4.1%	4.1%	4.2%	4.2%	4.2%
Projection	\$ 844.6	\$ 846.1	\$ 883.8	\$ 914.1	\$ 952.4	\$ 992.2	\$ 1033.6

As reported in the FY 2026 First Quarter Report, the Property Tax category is projected at \$846.1 million, which represents an increase of \$1.5 million from the FY 2026 Adopted Budget and serves as the baseline for the Outlook forecast. Due to a lag between the time assessed valuation is set by the County Assessor's Office and Property Tax revenue is received by the City, property tax growth for FY 2026 and outer years is based on real estate activity through calendar year 2024. Moreover, the FY 2026 projection includes an increase in the MVLFF back-fill payment based on the most recent calculation and payment schedule provided by the County of San Diego. These adjustments are considered in the baseline projections for the outlook period. The Property Tax category is projected at \$883.8 million in FY 2027, which represents a net increase of \$39.2 million from the FY 2026 Adopted Budget. The increase is primarily attributed to the projected growth applied to the overall Property Tax category.

The growth that is applied to the FY 2026 First Quarter projection to develop the Outlook forecast is based on an analysis of historical assessed valuation growth, followed by adjustments based on economic factors discussed in the *Economic Trends* section below. **Figure 2.2 – 1% Property Tax Five-Year Forecast** represents the historical and projected 1.0-percent property tax amounts.

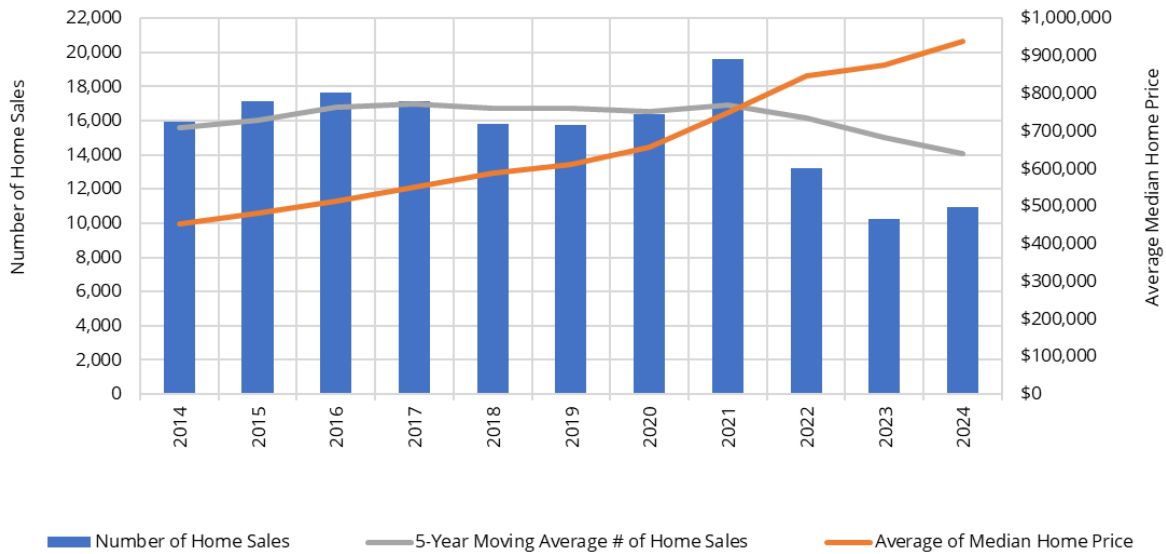


Economic Trends

The major economic drivers of Property Tax revenue are the California Consumer Price Index (CCPI), home sales, home prices, foreclosures, and defaults. The CCPI plays an important role in the assessed valuation of properties that do not sell or are not improved within a given year. Specifically, Proposition 13 specifies that a property's value may increase at the rate of the CCPI, but cannot exceed 2.0 percent per year unless the property is improved or sold to establish a new assessed value. In compliance with Revenue and Taxation Code section 51, the San Diego County Assessor's Office uses the October CCPI to assess property values under Proposition 13. However, at the time that this report was prepared, the October 2025 CCPI had not yet been released. The latest CCPI released by the California Department of Finance (CA DOF) as of August 2025 is 354.456, a 3.3 percent increase from the August 2024 CCPI of 343.108. As a result, the Outlook applies the 2.0-percent maximum specified in Proposition 13 to the assessed value of all properties not sold or improved within the given year.

As depicted in **Figure 2.3 - City of San Diego Home Sales (CY)**, home sales began decreasing in calendar year 2022 and continued to decrease through calendar year 2023 before slightly increasing by 6.8 percent in calendar year 2024. The restrained growth in property sales is primarily attributed to continued elevated interest rates resulting in unfavorable lending conditions, which, when coupled with high median home prices, has further reduced the affordability of homes in the region. As borrowing costs rise, monthly mortgage payments become more expensive, discouraging new buyers from entering the market. Additionally, existing homeowners are less likely to sell, as many hold mortgages with lower rates, thus creating lower inventory in the housing market. The low inventory has also contributed to decreasing home sales across the City. These factors combined have led to a slowdown in the overall housing market. Any future changes in interest rates could further reduce or increase the number of home sales and potentially impact median home prices.

Figure 2.3 - City of San Diego Home Sales (CY)



Mortgage rates, changes to federal monetary policy, and property tax refunds are all factors considered in the development of the revenue projections for Property Tax. The 30-year mortgage rate has remained elevated through the past year as inflation led the Federal Reserve to keep the federal funds rates steady in an effort to combat inflation and bring the Personal Consumption Expenditures price index to a target rate of 2.0 percent. More recently, in October 2025, the Federal Open Market Committee (FOMC) decreased the target range for the federal funds rate by 25 basis points, following a cut of the same size in September 2025, aiming to address a weakening job market. This was the second interest rate cut in the year after holding the federal funds rate steady since the previous rate cut in December 2024. It is unknown at this time if there will be an additional rate cut by year-end at the FOMC's December meeting. It is possible for additional rate cuts to favor property tax revenues in future years. In their October 2025 statement, the Federal Reserve stated:

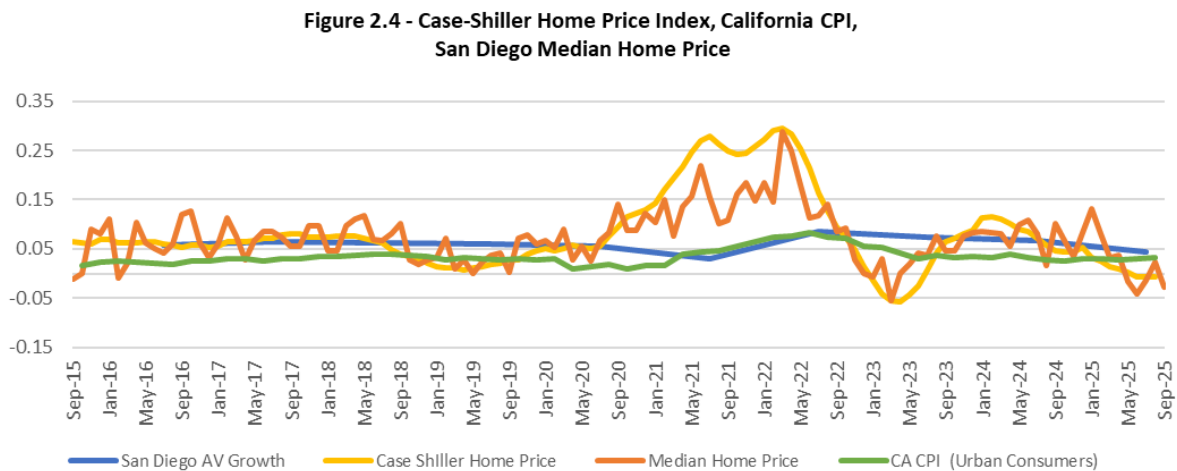
In support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 3-3/4 to 4 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee decided to conclude the reduction of its aggregate securities holdings on December 1. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.¹

At the start of calendar year 2025, the City experienced growth in home prices, which has remained stable through the calendar year. The median home price as of September 2025 was reported at \$925,000, which is a decrease of 2.6 percent compared to \$950,000 in September 2024. The median home price has fluctuated month to month but remained steady through the year and is projected to remain relatively steady through the remainder of the calendar year. Despite the recent year-over-

¹ Federal Reserve Issues FOMC Statement. Board of Governors of the Federal Reserve System. [Federal Reserve issues FOMC statement](#). October 29, 2025.

year increase in calendar year 2024 of 6.8 percent, when comparing year-to-date home sales, calendar year 2025 sales have remained relatively flat at a slight increase of 0.7 percent.

Figure 2.4 – Case-Shiller Home Price Index, California CPI, San Diego Median Home Price displays the correlation of several economic factors described above since 2015 and the resulting impact on the City’s assessed valuation. The graph shows that while the Case-Shiller Home Price Index and the median home price have fluctuated significantly over the years, the CCPI has remained relatively stable, slightly increasing in calendar year 2022, before improving in calendar year 2024 and remaining stable through the outlook period. CCPI is a key driver of change in the City’s assessed valuation as long as it remains above the 2.0 percent cap dictated by Proposition 13, which allows the annual change in assessed valuation to remain steady relative to changes in the market-based Case-Shiller Home Price Index and the local median home price. Notably, the graph displays a lag of approximately 12 to 18 months between activity in the local real estate market and the resulting impact on the City’s assessed valuation, as noted earlier in the *Property Tax Forecast* section.



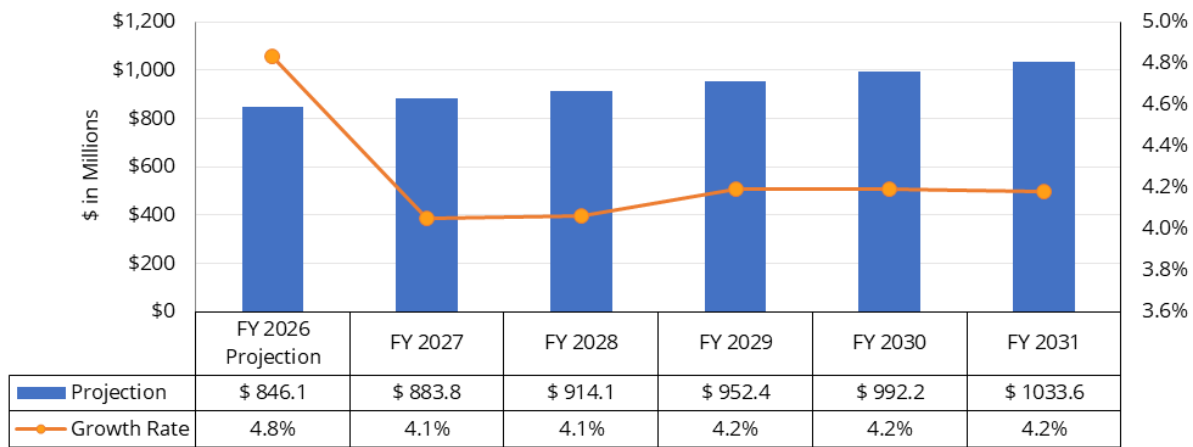
Additionally, the year-to-date foreclosures and notices of default have slightly increased when compared to the same period in calendar year 2024. This trend is expected to continue to hold steady, considering economic factors such as stable unemployment.

In addition to the above factors, due to the dissolution of RDAs, pass-through and residual property tax payments to the City from the RPTTF are included in the Property Tax forecast. Pass-through payments are agreements between former redevelopment areas and the local entities to provide payments from the RPTTF deposits to local entities. The residual property tax payment is the City’s proportionate share of funds remaining in the RPTTF after the Recognized Obligation Payment Schedule (ROPS) requirements have been met. As ROPS obligations are paid off, residual RPTTF revenues will grow. **Table 2.2 – Property Tax Components** and **Figure 2.5 – Property Tax Revenue Projections: Fiscal Years 2027 - 2031** provide details on the components of the FY 2026 Adopted Budget and year-end projection, as well as the forecasted Property Tax revenue for FY 2027 through FY 2031. The current growth rates incorporate a 12 to 18-month lag time between the time that the assessed valuation is set by the County Assessor’s Office and the time that property tax revenue is received by the City.

Table 2.2 - Property Tax Components (\$ in Millions)							
	FY 2026 Adopted	FY 2026 Projection	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Growth Rate	4.5%	4.8%	4.1%	4.1%	4.2%	4.2%	4.2%
1% Property Tax	\$ 574.2	\$ 574.7	\$ 596.0	\$ 619.7	\$ 645.2	\$ 671.9	\$ 699.6
MVLF Backfill	\$ 212.1	\$ 213.1	\$ 221.7	\$ 230.8	\$ 240.4	\$ 250.5	\$ 261.0
RPTTF Pass-Through Tax Sharing Payment	\$ 13.6	\$ 13.6	\$ 14.2	\$ 14.8	\$ 15.4	\$ 16.0	\$ 16.7
RPTTF Residual Property Tax Payment	\$ 44.7	\$ 44.6	\$ 51.8	\$ 48.8	\$ 51.3	\$ 53.7	\$ 56.3
Total Property Tax Projection	\$ 844.6	\$ 846.1	\$ 883.8	\$ 914.1	\$ 952.4	\$ 992.2	\$ 1033.6

Figure 2.5 - Property Tax Revenue Projections: Fiscal Years 2027 - 2031

Projections including Redevelopment Property Tax Trust Fund (RPTTF)



Scenario Analysis

The factors described above were used in the development of the projection; however, should one or several of these factors not perform as projected, Property Tax revenues will vary from the current projection. To account for variances in these factors, “High” and “Low” projections were also prepared.

Figure 2.6 – Property Tax Revenue Five-Year Forecast: Fiscal Years 2027 - 2031 reflects the current scenario as well as the “High” and “Low” scenario. In addition, **Table 2.3 – Property Tax Five-Year Forecast: Growth Rate Scenarios** details the assumed growth rates for each scenario for FY 2027 through FY 2031.

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**Figure 2.6 - Property Tax Revenue Five-Year Forecast:
Fiscal Years 2027 - 2031**

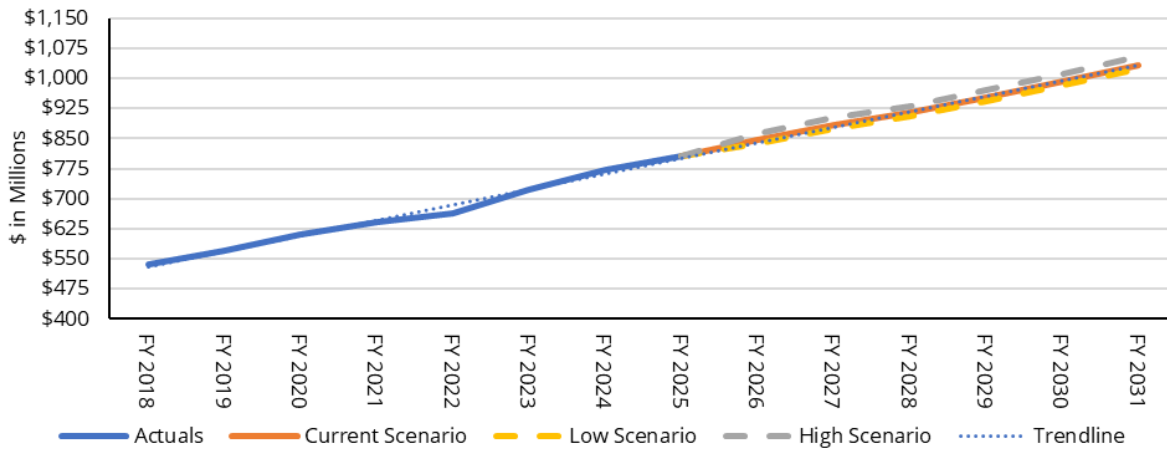


Table 2.3 - Property Tax Five-Year Forecast: Growth Rate Scenarios

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Current Growth Rate	4.1%	4.1%	4.2%	4.2%	4.2%
High Growth Rate	6.1%	6.1%	6.2%	6.2%	6.2%
Low Growth Rate	3.1%	3.1%	3.2%	3.2%	3.2%

The current growth rates were developed based on the most recent housing market conditions and data available at the time of the preparation of the report. As a result of the 12 to 18-month lag time for this growth to be recognized in the City’s Assessed Valuation, it is expected that property tax will see the impacts from current year trends beginning in FY 2027. The assumption incorporates the following housing statistics: an increase of 0.7 percent in year-to-date home sales and a decrease of 2.6 percent in median home prices as of September 2025².

The “Low” scenario assumes an increase in mortgage interest rates over the next year. Increased mortgage rates raise the cost of home ownership, thereby slowing the number of home sales. A lower supply in homes for sale also has the potential to negatively impact home sales. Further contributing to the “Low” scenario is that elevated prices are changing home ownership behaviors and reducing turnover. High interest rates and lower turnover could result in lower annual assessed valuation growth rates for FY 2027 through FY 2031. A “Low” scenario would reduce Property Tax projections by \$8.4 million in FY 2027 and a cumulative total of \$138.6 million throughout the outlook period.

A “High” scenario assumes homes sales and valuations increase, with slightly restrained growth, as a result of decreased interest rates and high demand for housing, further fueled by continued growth in higher income labor markets. A “High” scenario would increase Property Tax projections by \$16.7 million in FY 2027 and a cumulative total of \$288.3 million throughout the outlook period.

² San Diego Residential Home Sale Activity by Month. HDL Coren & Cone. Retrieved October 2025.

Another factor that may influence the Property Tax forecast is the California Department of Finance's decisions related to enforceable obligations on the ROPS. If enforceable obligations are denied, the ROPS payment will decrease, the RPTTF residual balance available for distribution to local entities will increase, and the City's RPTTF residual payment will increase throughout the Outlook. A significant variable in the ROPS enforceable obligations is the dollar amount and repayment terms of various outstanding loan agreements.

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Sales Tax

The City's second largest revenue source is sales tax, which represents 17.3 percent of the General Fund revenue in the FY 2026 Adopted Budget. Sales tax is collected at the point-of-sale and remitted to the California Department of Tax and Fee Administration, which allocates tax revenue owed to the City in monthly payments. Sales tax revenue is also collected for online sales from out-of-state businesses that meet a threshold in cumulative sales and deliver goods in California. The total citywide sales tax rate in San Diego is 7.75 percent, of which the City receives 1.0 percent of all point-of-sale transactions within the City.

Forecast

The Outlook for Sales Tax assumes growth based on the updated FY 2026 projection for Sales Tax included in the FY 2026 First Quarter Report, and economic assumptions available at the time of the preparation of this report. **Table 2.4 – Sales Tax Five-Year Forecast** displays the FY 2026 Adopted Budget and year-end projection, as well as the forecast for FY 2027 through FY 2031 for the Sales Tax category.

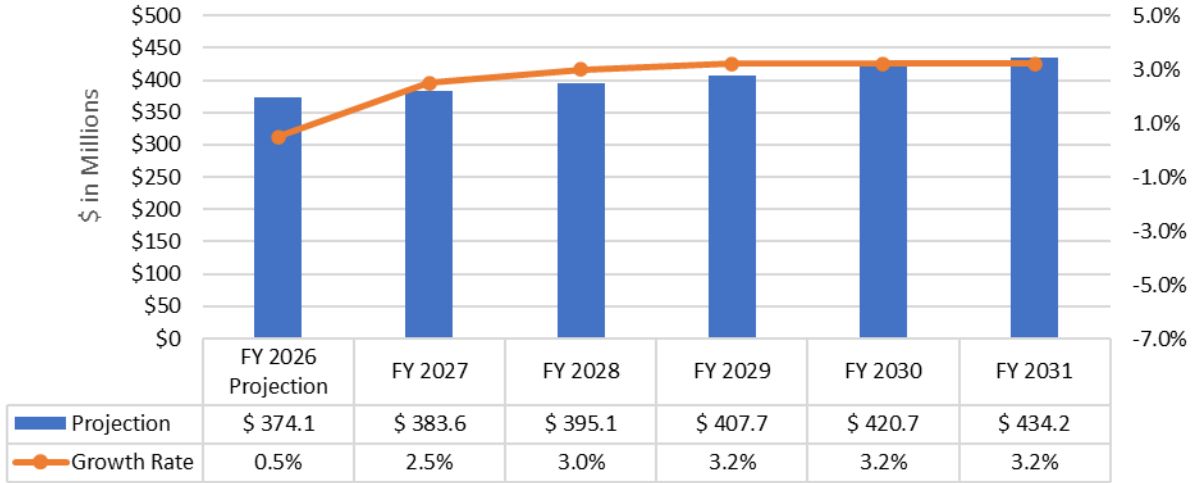
Table 2.4 - Sales Tax Five-Year Forecast (\$ in Millions)							
	FY 2026 Adopted	FY 2026 Projection ¹	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Growth Rate	0.3%	0.5%	2.5%	3.0%	3.2%	3.2%	3.2%
Projection	\$ 374.5	\$ 374.1	\$ 383.6	\$ 395.1	\$ 407.7	\$ 420.7	\$ 434.2

¹The FY 2026 Adopted Budget sales tax growth rate is based on the change between the FY 2025 year-end projection used as the base during development and the FY 2026 Adopted Budget. In contrast, the Year-End Projection growth rate reflects the year-over-year change between FY 2025 unaudited actuals and the first quarter year-end projection.

As reported in the FY 2026 First Quarter Report, the Sales Tax category is projected at \$374.1 million, which is a slight decrease of \$393,000 from the FY 2026 Adopted Budget. The FY 2026 projected decrease is primarily attributed to persistent inflationary pressures and a slowdown in the labor market affecting consumers' willingness to spend. Notably, as prices remain high in many non-taxable areas such as housing and healthcare, consumers may reduce discretionary spending on taxable goods, impacting sales tax collected. These adjustments are considered in the baseline projections for the outlook period.

The Sales Tax baseline is increased by moderate growth rates throughout the Outlook period to reflect a softening of the economy and continued economic uncertainty. **Figure 2.7 – Sales Tax Revenue Projection: Fiscal Years 2027 - 2031** displays the relationship between the projected Sales Tax receipts and the forecasted growth rates.

Figure 2.7 - Sales Tax Revenue Projection: Fiscal Years 2027 - 2031



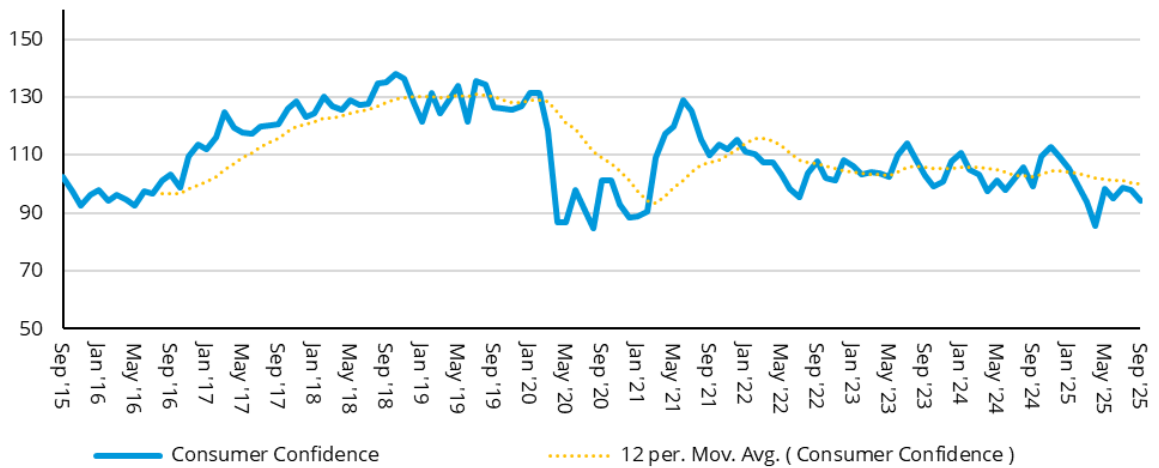
Economic Trends

The primary economic indicators for consumer spending and growth in sales tax receipts include the unemployment rate, consumer confidence, and the San Diego Consumer Price Index (CPI). As preliminarily reported by the California Employment Development Department, the August 2025 unemployment rate for the City of San Diego of 4.9 percent remained unchanged from August 2024. The City's unemployment has remained stable despite fluctuating month-to-month, averaging 4.4 percent from September 2024 through August 2025.

Moreover, consumer confidence, a measurement of consumers' willingness to spend, continues to fluctuate month-to-month as consumers react to economic uncertainty and federal policy. As shown in **Figure 2.8 – Consumer Confidence**, consumer confidence peaked at 112.8 in November 2024 before steadily decreasing in the first half of 2025. As of September 2025 consumer confidence has decreased to 95.6, a 3.6-percent decrease from the September 2024 and a 2.2-percent decrease from August 2025.

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Figure 2.8 - Consumer Confidence



Source: The Conference Board – Consumer Confidence Survey ®

The San Diego CPI, a metric that measures costs across many consumer items, was 390.747 in September 2025, a 3.9-percent increase from September 2024—continuing a high inflation trend experienced in recent years. This increase in CPI is consistent with recent economic reports, including the UCLA Anderson Forecast’s October 2025 Economic Forecast which projects CPI will continue to hover around 3.0 percent before reaching 3.2 percent in calendar year 2026 and then dropping to 2.9 percent in calendar year 2027.

The forecast for sales tax reflects a moderate yet steady growth in business activity from various sectors. Local business activity, including sectors like restaurants, transportation, construction, and business-to-business are anticipated to experience moderate growth through FY 2027 before steadily growing through the outlook period. These assumptions are consistent with the most recent quarterly projection report received in October 2025 from the City’s Sales Tax consultant, HdL Companies.

Sales tax revenues from online retailers are distributed to the City through the county pool. These online taxable sales result in a smaller portion of revenues for the City relative to in-store point-of-sales within city limits, assuming for any given purchase a consumer has a choice between purchasing online or a traditional brick and mortar location. The Outlook assumes that online spending will remain steady through the outlook period.

Scenario Analysis

The factors described above combine to make up the sales tax projection; however, should one or several of these factors not perform as projected, sales tax revenues will vary from the current projection. To account for variances in these factors, “High” and “Low” projections were prepared using a growth rate exceeding 4.0 percent—assuming optimistic economic conditions—for the “High” projection and relatively flat growth rate for the “Low” projection. **Figure 2.9 – Sales Tax Projections: Fiscal Years 2027 – 2031** reflects the current scenario as well as the “High” and “Low” scenario. In

addition, **Table 2.5 – Sales Tax Five-Year Forecast: Growth Scenarios** details the assumed projections for each scenario for FY 2027 through FY 2031.

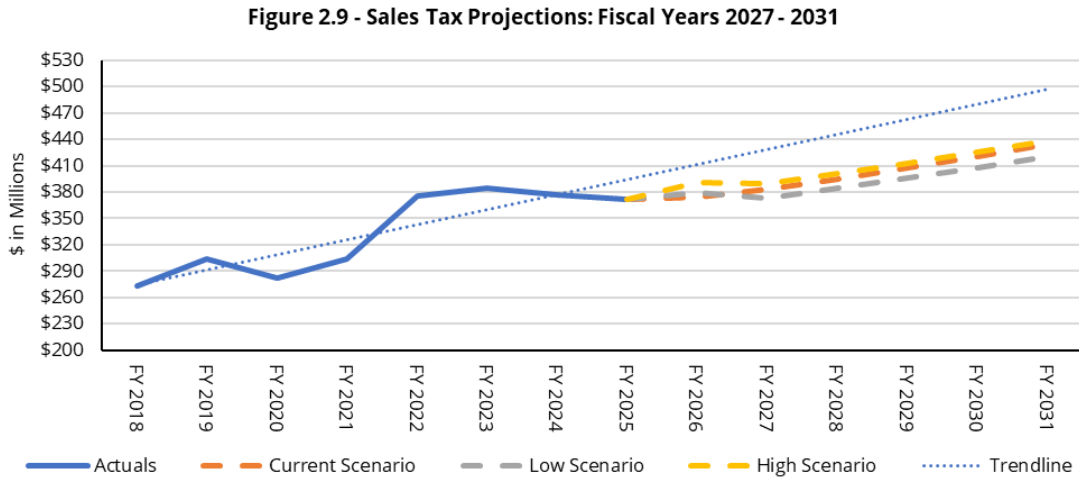


Table 2.5 - Sales Tax Five-Year Forecast: Growth Scenarios (\$ in Millions)					
	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Current Projection	\$ 383.6	\$ 395.1	\$ 407.7	\$ 420.7	\$ 434.2
High Scenario Projection	\$ 389.1	\$ 401.6	\$ 413.0	\$ 425.4	\$ 438.2
Low Scenario Projection	\$ 373.1	\$ 385.1	\$ 396.0	\$ 407.9	\$ 420.1

The “Low” scenario would reduce sales tax projections by \$10.5 million in FY 2027 and a cumulative \$59.1 million throughout the outlook period. This scenario considers impacts from consumers’ willingness to cut back on spending, higher unemployment, and lower consumer confidence in the local and State economies.

The “High” scenario would increase sales tax projections by \$5.5 million in FY 2027 and a cumulative \$25.9 million throughout the outlook period. This scenario assumes CPI and the unemployment rate decrease, and consumer confidence and wages begin to rise, fueling an increase in consumer spending.

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Transient Occupancy Tax (TOT)

TOT represents 7.9 percent of the City's General Fund FY 2026 Adopted Budget. TOT is levied at 10.5 cents per dollar on taxable rent for a transient's stay of less than one month in properties such as hotels, Short Term Residential Occupancy (STRO) locations, and Recreational Vehicle (RV) parks. The use of TOT is guided by the City's Municipal Code which stipulates that of the 10.5 cents of collected TOT, 5.5 cents is to be applied toward general governmental purposes, 4.0 cents towards promoting the City as a tourist destination, and the remaining 1.0 cent towards any purposes approved by the City Council. TOT from RV parks is levied at 10.5 cents which is applied entirely towards general governmental purposes.

This section does not include projected revenue associated with Measure C, an initiative passed in 2020 to increase the City of San Diego's current 10.5 percent hotel visitor tax. Details on the revenue associated with Measure C is included in the *Measure C* section later in this report.

Forecast

The Outlook for TOT assumes growth based upon the updated projection included in the FY 2026 First Quarter Report, and economic assumptions available at the time of the preparation of this report.

Table 2.6 – Transient Occupancy Tax (TOT) Five-Year Forecast displays the General Fund TOT budget and year-end projection for FY 2026, and the forecast for FY 2027 through FY 2031.

Table 2.6 - Transient Occupancy Tax (TOT) Five-Year Forecast (\$ in Millions)							
	FY 2026 Adopted	FY 2026 Projection	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Growth Rate	2.2%	0.8%	2.1%	2.0%	2.0%	2.0%	2.5%
Projection	\$ 170.3	\$ 167.4	\$ 170.9	\$ 174.3	\$ 177.7	\$ 181.3	\$ 185.8

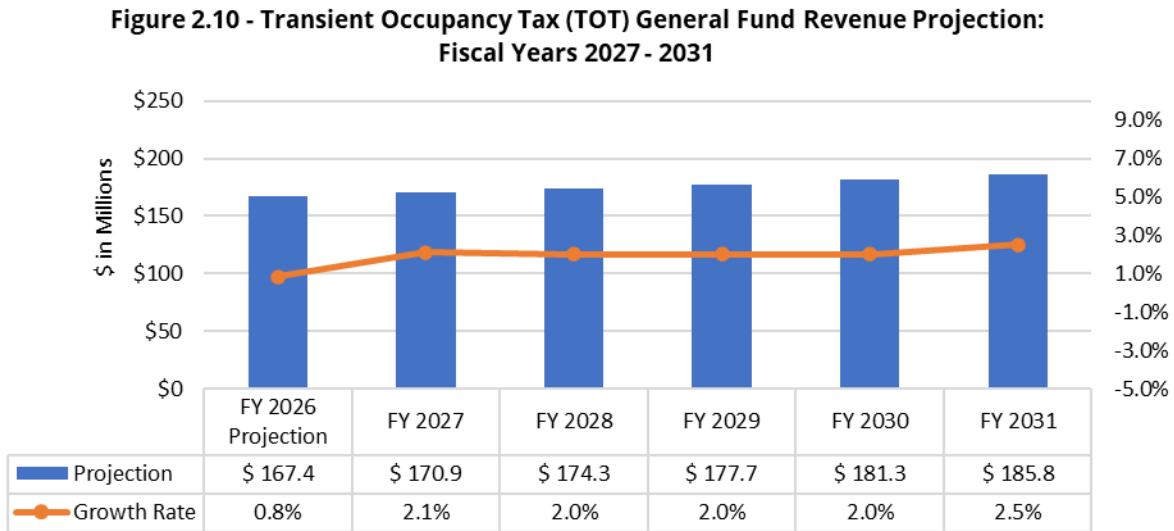
Note: Table 2.6 represents only the General Fund portion of total TOT (5.5 cents of the total 10.5 cents TOT).

As reported in the FY 2026 First Quarter Report, total citywide TOT receipts are projected at \$318.1 million; the General Fund's 5.5 cent portion of the total TOT projected receipts is \$167.4 million, which represents a decrease of \$2.9 million from the FY 2026 Adopted Budget and serves as the baseline for the Outlook forecast. This decrease is primarily attributed to continued softening demand for leisure, group, and business travel, which has persisted since FY 2024. Actual TOT receipts have continued to trend below previously expected levels, which is consistent with the recent San Diego Lodging Forecast released by Tourism Economics in October 2025. As international, group, and business travel continue to remain below pre-pandemic levels, demand growth is projected to remain relatively flat in FY 2026 as consumers navigate the current uncertainty regarding economic policy, inflationary pressures, and a slowdown in the labor market. International travel also remains a challenge as U.S. international overnight arrivals are projected to decline 8.2 percent in calendar year 2025, with Canadian visitation accounting for the steepest decline.³

³ Tourism Economics San Diego Lodging Forecast. October 2025. San Diego Industry Research

A growth rate of 2.1 percent is applied to FY 2027 and increase at a modest pace before reaching 2.5 percent in FY 2031. The growth rates are based on projected tourism demand in the region. As TOT revenue experienced tempered growth in FY 2025, relevant economic indicators (described in the *Economic Trends* section below) and assumptions from the San Diego Lodging Forecast, point toward continued modest growth through the outer years of the Outlook period.

Figure 2.10 – Transient Occupancy Tax (TOT) General Fund Revenue Projection: Fiscal Years 2027- 2031 below displays the relationship between the projected TOT receipts and the forecasted growth rates.



Economic Trends

The primary economic drivers for TOT revenues are the Average Daily Room Rate (ADR), room demand, and room revenue. According to the San Diego Lodging Forecast, which was prepared for the San Diego Tourism Authority (SDTA) by Tourism Economics in October 2025, moderate growth in room revenue and tourism demand in calendar year 2025 reflected a softening demand for travel that is anticipated to continue in future years. **Table 2.7 – San Diego County Tourism Industry (Annual % Growth)** summarizes the projected growth for relevant economic indicators below.

Table 2.7 - San Diego County Tourism Industry (Annual % Growth)					
	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
Room Demand (Growth)	-0.6%	0.7%	2.0%	1.9%	1.4%
Occupancy	72.0%	71.0%	71.6%	71.9%	72.7%
Avg. Daily Room Rate	\$ 212.82	\$ 213.60	\$ 216.59	\$ 219.47	\$ 222.72

Source: San Diego Lodging Forecast, October 2025. By Tourism Economics for San Diego Tourism Authority.

Room demand and ADR are anticipated to increase by 0.7 percent and 0.4 percent, respectively, in calendar year 2026—both below prior expectations. Room revenue is projected to grow 1.1 percent in calendar year 2026 before increasing to a 3.5 percent growth rate in calendar year 2027. Leisure demand and business travel demand are anticipated to remain relatively flat, growing a projected 0.5

percent and 1.0 percent, respectively, in calendar year 2026. In addition to the anticipated easing of growth in these economic indicators, inflation persists above the Fed’s 2.0 percent inflation target, increasing both non-discretionary and potential travel expenses as consumer behavior shifts, resulting in a reluctance to travel and businesses scaling back corporate travel. Thus, the Outlook forecasts an average growth rate of 2.1 percent throughout the outlook period, reflecting continued performance at normalized levels.

Scenario Analysis

The factors described above combine to make up the TOT projection; nonetheless, any changes to major economic drivers could change TOT revenue projections. To account for variances in these factors, “High” and “Low” projections were prepared using a variability factor of 5.0 percent. **Figure 2.11 – Transient Occupancy Tax (TOT) Projections: Fiscal Years 2027 – 2031**, reflects the current scenario as well as the “High” and “Low” scenario. In addition, **Table 2.8 – Transient Occupancy Tax (TOT) Five-Year Forecast: Growth Scenarios** details the assumed projections for each scenario for the current fiscal year as well as FY 2027 through FY 2031.

Figure 2.11 - Transient Occupancy Tax (TOT) Projections: Fiscal Years 2027 - 2031

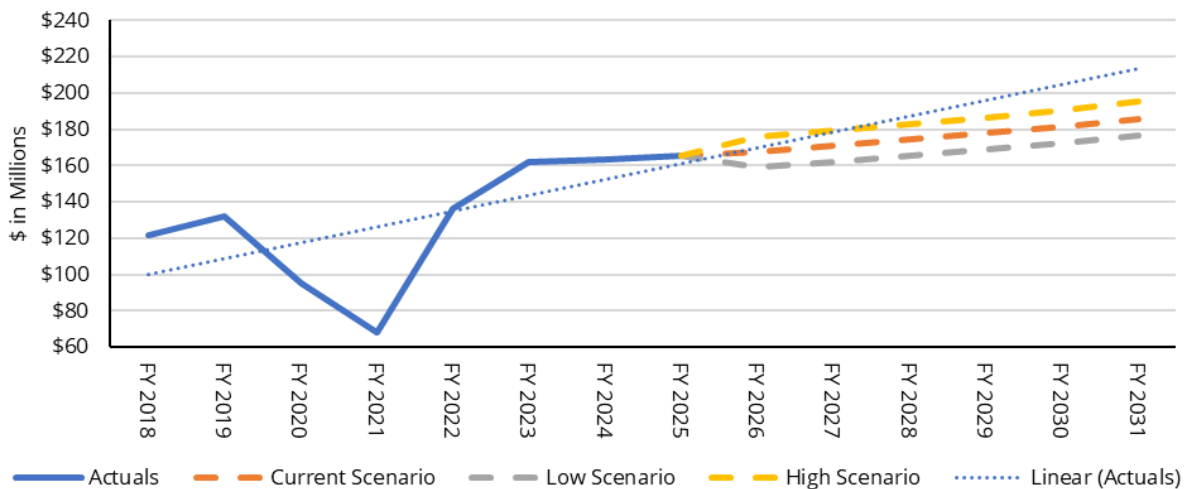


Table 2.8 - Transient Occupancy Tax (TOT) Five-Year Forecast: Growth Scenarios
(\$ in Millions)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Current Projection	\$ 170.9	\$ 174.3	\$ 177.7	\$ 181.3	\$ 185.8
High Scenario Projection	\$ 179.4	\$ 183.0	\$ 186.6	\$ 190.3	\$ 195.1
Low Scenario Projection	\$ 162.3	\$ 165.6	\$ 168.9	\$ 172.2	\$ 176.5

A “Low” scenario would reduce TOT projections by \$8.5 million in FY 2027 and a cumulative \$44.5 million throughout the outlook period. Potential factors that would negatively impact TOT projections

include decreased consumer discretionary spending on items such as leisure travel due to high inflation, the unemployment rate increasing, or a potential recession.

A “High” scenario would increase TOT projections by \$8.5 million in FY 2027 and a cumulative \$44.5 million throughout the outlook period. Potential factors that would positively impact TOT projections include inflation trending downward toward the Fed’s target 2.0 percent, resulting in more affordable travel expenses. Additionally, this scenario would reflect a greater demand for business, group, and international travel—sectors that have not fully recovered from the pandemic—and an increase in the number of conventions and special events held across the City.

Measure C

The Outlook includes projected revenue associated with Measure C, an initiative passed in 2020 to increase the City of San Diego’s current 10.5 percent hotel visitor tax. The new Measure included increases to the current TOT tax rate of 10.5 percent to 11.75 percent, 12.75 percent, and 13.75 percent, based on a hotel’s location in one of three geographic zones. The revenue from the additional taxes is to be allocated to support the convention center modernization, homelessness services, and street repairs, of which support for homelessness programs and services and street repair would be reimbursements to the General Fund and are reflected in the *Charges for Services* category. Following extensive litigation, the legal proceedings were resolved on October 3, 2025 when the Court of Appeals upheld the judgment that Measure C was a citizens’ initiative and had sufficient votes to pass as law. The measure is expected to return to the City Council to for approval of a clarifying ordinance to realign timelines, and the tax revenue is expected to be available throughout the Outlook period.

The forecast for FY 2027 projects \$78.5 million in Measure C associated revenue, of which \$32.2 million is reimbursable to the General Fund for homelessness programs and services, and a cumulative \$167.7 million is projected to be available for homelessness programs and services and street repair (starting in FY 2031) throughout the Outlook period.

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Franchise Fees

Revenue from franchise fees makes up 4.9 percent of the City's General Fund FY 2026 Adopted Budget. These revenues are based on agreements with private utility companies in exchange for the use of the City's right-of-way. Currently, San Diego Gas and Electric (SDG&E), Cox Communications, Spectrum (formerly Time Warner Cable), and AT&T pay a franchise fee to the City. The City also collects franchise fees from private refuse haulers that conduct business within the City limits. The fee received from the agreements with utility companies is based on a percentage of gross revenue while the fee received from refuse haulers is based on refuse tonnage.

SDG&E, refuse haulers, and cable companies are the largest contributors to franchise fees, generating approximately 91.5 percent of franchise fee revenue in FY 2027. The growth rate for SDG&E electricity and gas sales is expected to increase in FY 2028 and remain consistent for the outer years.

Additionally, as part of the current negotiated agreement with SDG&E, the City received annual bid payments for both electric and gas. Beginning in FY 2022, the City received the electric bid payment for the first five years of the agreement, ending in FY 2026, and the gas bid payment through FY 2040. The City is expected to receive two more annual bid payments in FY 2031 and FY 2032 for electric; however, the electric payment will only reinstate in FY 2031 if the contract with SDG&E is renewed for another 10 years following the initial 10-year term. If the agreement is terminated at any time, the remaining payments will be not occur. The FY 2027 forecast includes an installment payment of \$584,000, which accounts for the gas portion of the annual bid. Of the total \$584,000, \$117,000 is to be transferred to the Energy Independence Fund (EIF), a fund established by the City Council in May 2022 and includes the allocation of a minimum of 20.0 percent of the bid amount; and \$146,000 is to be transferred to the Environmental Growth Funds (EGF) in accordance with the City Charter to allocate 25.0 percent of revenues received from SDG&E; and the remaining \$321,000 will be transferred to the General Fund, followed by annual installments with a 3.38-percent interest rate applied each year through the Outlook period.

Forecast

The Outlook for franchise fees assumes growth based upon the updated FY 2026 projection for franchise fees and economic assumptions available at the time of the preparation of the report. The FY 2026 projection includes all General Fund franchise fees including the Major General Fund revenue portion projected in the FY 2026 First Quarter Report. **Table 2.9 – Franchise Fees Five-Year Forecast** displays the budget and year-end projection for FY 2026 and the forecast for FY 2027 through FY 2031 for revenue from franchise fees.

Table 2.9 - Franchise Fees Five-Year Forecast (\$ in Millions)							
	FY 2026 Adopted	FY 2026 Projection	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Electricity/Gas Growth Rate	0.0%	0.0%	1.2%	2.9%	3.0%	3.0%	3.0%
Cable Growth Rate	-6.8%	-4.6%	-7.6%	-8.4%	-9.1%	-9.9%	-10.7%
Projection	\$ 106.5	\$ 106.5	\$ 99.2	\$ 100.9	\$ 102.8	\$ 104.7	\$ 114.0

The franchise fees category is projected at \$99.2 million in FY 2027, which represents a net decrease of \$7.3 million from the FY 2026 Adopted Budget. The decrease is primarily attributed to the annual SDG&E franchise bid payment for the electric portion of \$8.0 million, which ended in FY 2026. The electric minimum bid payment will resume in FY 2031 if the contract with SDG&E is renewed for another 10 years. Another \$697,000 decrease is attributed to a continuing decline in cable subscriptions.

The decreases are partially offset by increases in forecasted electric and gas SDG&E franchise fee revenues based on approved rate increases by the California Public Utilities Commission (CPUC) and franchise fee revenues from refuse haulers based on a projected increase in refuse tonnage through the outlook period.

Franchise fees growth rates are projected individually using historical actuals and relevant information respective to each of the franchise fees. Most notably, the growth rate for gas and electricity considers an increase in gas and electricity rates based on current market conditions and various factors impacting revenue collected. The City receives an annual cleanup payment from SDG&E every February, at which time the revenue projections will be updated based on actual revenue received. The cable growth rates consider the continuing loss of market share to digital competitors that do not have franchise fees levied against them. These assumptions are further described in the *Economic Trends* section below.

Economic Trends

San Diego Gas and Electric (SDG&E)

The FY 2027 SDG&E revenue forecast is projected at \$67.1 million, representing an increase of \$825,000 from the FY 2026 Adopted Budget. The projected growth rates included in the Outlook are based on a historical trend analysis and anticipated CPUC approved rate increases from SDG&E's 2024 General Rate Case (GRC)⁴ application filed in July 2023. SDG&E filed the application with the CPUC seeking approval to change base rates for customers. Since the last Five-Year Outlook, the CPUC's proposed decision on SDG&E's GRC was released which was lower than SDG&E had initially requested. Therefore, the anticipated rate increases have been reduced. The FY 2024–2028 proposed revenue requirements equal 18.69 percent over the course of the five-year term. Actual rate increases are not known each year. A new GRC application is set to be filed by SDG&E in calendar year 2026 which can impact revenue projections in the outer years of the outlook.

Additionally, increased revenue from SDG&E franchise fees are also attributed to increases in electric vehicles, additional housing supply, investments in energy market infrastructure, and transitions to clean energy. Other key variables that impact franchise fee revenue include solar installations, increased energy efficiencies, building decarbonization, Community Choice Aggregation (CCA), and other rate savings, and changes in rate structures, legislative and regulatory mandates, energy

⁴ Utility companies, such as SDG&E are required to submit a General Rate Case (GRC) application with the California Public Utilities Commission (CPUC) every four years, in order to introduce revenue requirements to satisfy their responsibility to provide clean, and reliable energy services to their customers.

storage, and variable weather patterns including fire activity and extreme heat events within a given year.

Refuse Haulers

The forecast for franchise fee revenue from refuse haulers is developed by the Environmental Services Department. Franchise fee revenue from refuse haulers is projected at \$15.1 million in FY 2027, representing an increase of \$467,000 from the FY 2026 Adopted Budget. The forecast is based on refuse collection fees from anticipated tonnage collected at the City's landfills. The forecast assumes a rate of \$18/ton with a 3.0-percent growth rate applied to anticipated tonnage each year of the outlook, which is based on projected CPI. The last fee increase of \$1/ton was implemented in FY 2023. The Environmental Services Department is currently undergoing a fee study to revise the current fee; however, at the time this report was prepared, no specific fee increases have been proposed and are therefore not considered in the forecast. If any revisions to the fee are approved, a new fee could potentially take effect in FY 2028.

Moreover, on June 9, 2025, the San Diego City Council voted to approve the implementation of a new fee schedule for residential trash collection as part of the city's efforts to comply with Measure B. This decision establishes a cost-recovery system for waste services for eligible residents. As a result, fluctuations in tonnage are expected due to household redistricting and changes in eligibility. Households that are no longer in the City's service area will need to seek waste collection from private haulers; therefore, potentially increasing tonnage, and franchise fee revenue, in the upcoming years.

Cable Companies

Franchise fees from cable companies are expected to decrease due to the increasing loss of market share to digital competitors. The FY 2027 forecast is projected at \$8.5 million, representing a 7.6-percent decrease from the FY 2026 Adopted Budget. The increasing loss of market share is expected to continue in the outer years as several new digital content providers have taken market share in recent years, decreasing revenue by an additional 0.78-percent in each year of the outlook period. The forecast for cable revenue assumes the current franchise agreements.

Scenario Analysis

The factors described above combine to make up the franchise fees projection; however, should trends not mimic historical actuals, franchise fee revenues will vary from the current projection. Additionally, the fast-changing dynamics of the energy market, climate action goals, and climate change impacts on weather and fire risks will all impact future growth rates for gas and electric franchise fees. Therefore, past performance may not be a reliable indicator of future performance.

For cable revenue, variances in content ownership, media advertising, subscription levels, and pricing may also impact franchise fee growth. Since comprehensive data on these individual factors for all San Diego cable companies are not yet available to City staff, cable projections are based on historical actuals.

Property Transfer Tax

Property transfer tax is levied on the sale of real property. The County of San Diego collects \$1.10 per \$1,000 of the sale price when any real property is sold, of which the City receives half, or \$0.55 per \$1,000. Property transfer tax revenue is remitted to the City monthly and represents 0.5 percent of the City's General Fund FY 2026 Adopted Budget.

Forecast

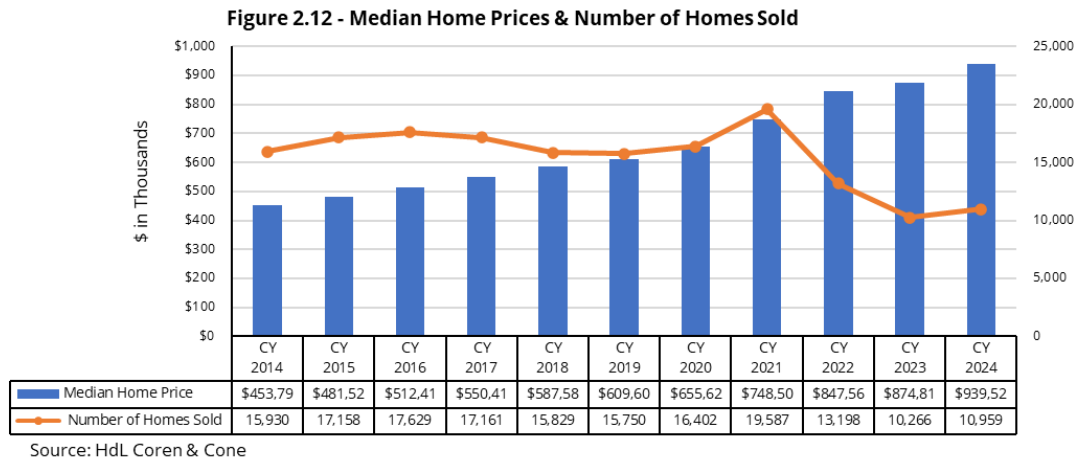
Table 2.10 – Property Transfer Tax Five-Year Forecast displays the FY 2026 Adopted Budget and year-end projection, as well as the forecast for FY 2027 through FY 2031 for property transfer tax. The FY 2026 projection for property transfer tax is projected at \$11.5 million, representing a slight decrease of \$420,000 from the FY 2026 Adopted Budget and serves as the basis for the Outlook projections.

Table 2.10 - Property Transfer Tax Five-Year Forecast (\$ in Millions)							
	FY 2026 Adopted	FY 2026 Projection	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Growth Rate	4.2%	0.8%	4.1%	4.2%	4.2%	4.2%	4.2%
Projection	\$ 11.9	\$ 11.5	\$ 11.9	\$ 12.4	\$ 13.0	\$ 13.5	\$ 14.1

Property transfer tax projections were developed using current apportionment reports received from the County of San Diego. Growth rates are projected at a modest rate through the outlook period applying those similarly projected for property tax revenues for the corresponding year, without the 12-18 month lag.

Economic Trends

The major economic indicators of property transfer tax are volume of property sales and home prices. Unlike the 1.0-percent property tax revenue, property transfer tax receipts reflect current economic conditions without lag time. The median home price has fluctuated month-to-month, but overall has continued to grow modestly over the past year, and although the number of home sales had experienced a year-over-year 6.8-percent increase in calendar year 2024, current year-to-date trends are experiencing a steady 0.7-percent increase in the number of home sales when comparing data with the same time period last year. **Figure 2.12 – Median Home Prices & Number of Homes Sold** illustrates the median home prices and number of homes sold over the last ten years.



Licenses and Permits

The licenses and permits category includes revenue associated with regulating certain activities within the City, and other revenues such as business tax, rental unit business tax, parking meter revenue, alarm permit fees, and special event permits. Licenses and permits represent 2.9 percent of the City's General Fund FY 2026 Adopted Budget.

Table 2.11 – Licenses and Permits Five-Year Forecast displays the FY 2026 Adopted Budget and the forecast for FY 2027 through FY 2031 for revenue from licenses and permits.

Table 2.11 - Licenses and Permits Five-Year Forecast (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Growth Rate		1.6%	1.6%	1.6%	1.6%	1.6%
Projection	\$ 62.4	\$ 62.1	\$ 59.3	\$ 63.5	\$ 60.2	\$ 64.4

The forecast for FY 2027 reflects a net \$284,000 decrease from the FY 2026 Adopted Budget. This is primarily due to a \$4.7 million increase in licensing and application revenue associated with the Short-Term Residential Occupancy Program, the majority of which is collected every two years, offset by a \$4.5 million decrease in parking revenue for Balboa Park and the San Diego Zoo and a decrease of \$703,000 in Cannabis Business Taxes paid by retail outlets.

With the exception of cannabis business tax, short-term residential occupancy application and license revenue, and parking revenue for Balboa Park and the San Diego Zoo, a growth rate of 1.6 percent is applied from FY 2027 to FY 2031 based on a three-year average of historical revenue growth. Within this category, cannabis business tax and short-term residential occupancy revenue are projected separately from the 1.6-percent growth rate and then aggregated with other revenue from licenses and permits.

A majority of the revenues from licenses and permits are considered user fees. On March 3, 2025, the San Diego City Council passed Resolution-316067, approving the establishment of new user fees and

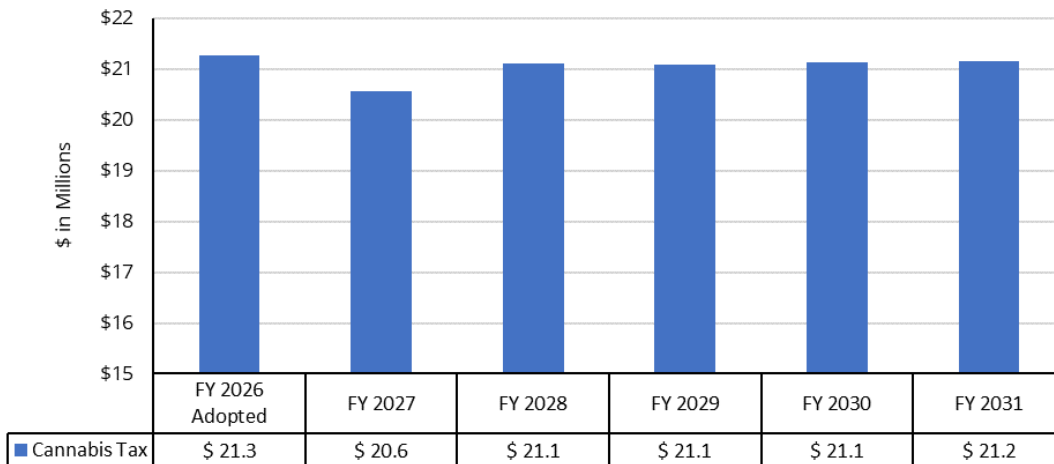
adjustments to existing user fees. This resolution also authorized an annual adjustment to user fees at the beginning of each fiscal year based on incremental changes to personnel-related salary and fringe benefit expenses, in addition to changes to the regional CPI. These revenue adjustments may impact the forecasted revenue in the outlook period.

Cannabis Business Tax

Included within the licenses and permits category are business taxes received from the sale, distribution, cultivation, and manufacturing of non-medical cannabis products. The City levies a gross receipts tax of 10.0 percent on cannabis retail sales and 2.0 percent for cannabis production facilities.

To develop the Outlook projections, projected sales data from FY 2026 was used to develop an average of annual taxable sales per outlet, which was then compared to sales data for the same time period of the prior fiscal year. This figure was then scaled to the number of dispensaries projected in each fiscal year in the forecast period and the tax rate applied. The projected negative growth rate is a result of the illicit market and cannibalization of sales as additional retail locations open. The projection for cultivation, manufacturing, and distribution of cannabis was calculated following a similar methodology, although a negative growth rate was not applied. **Figure 2.13 - Cannabis Business Tax Revenue, Fiscal Years 2027 - 2031** depicts the forecasted cannabis business tax revenue, which is expected to remain steady through the outlook period. As the industry continues to evolve, the City will continue to monitor and update projections from all cannabis businesses.

**Figure 2.13 Cannabis Business Tax Revenue
Fiscal Years 2027 - 2031**



Short-Term Residential Occupancy (STRO) Program

Included within the licenses and permits category is revenue received from application and license fees associated with the Short-Term Residential Occupancy (STRO) Program. The purpose of the STRO Program is to regulate short-term residential occupancy of dwelling units to balance the need to preserve neighborhood quality of life with the protection of private property rights. Licenses are valid

for a two-year period. Application fees are collected when applications are submitted, and license fees are collected after the application is approved; the majority of licenses will be renewed every odd fiscal year. This results in projected revenue of \$5.8 million in FYs 2027, 2029 and 2031, and \$2.1 in FYs 2028 and 2030.

Balboa Park and Zoo Parking Revenue

The FY 2026 Adopted Budget included the implementation of a paid parking program at Balboa Park, which includes \$12.5 million for Balboa Park parking revenue and \$3.0 million for the Zoo parking revenue. On September 15, 2025, the Parks and Recreation Department presented to the City Council an implementation framework for the paid parking program. Since the release of the FY 2026 Adopted Budget, the Balboa Park parking revenues have been revised, including various pricing tiers, hourly rates for visitors along designated streets, and an annual pass for both residents and club members. The item will be heard again at City Council in November 2025, which will determine the paid parking program and the estimated revenue for FY 2026 and beyond. The current forecast included in the Outlook assumes a conservative approach with the implementation of an annual pass until the final decisions are determined by the City Council.

Fines, Forfeitures, and Penalties

The fines, forfeitures, and penalties category includes revenue generated from the violation of laws or regulations, such as California Vehicle Code violations, City parking and ordinance violations, negligent impounds, collection referrals, and litigation awards. This revenue source represents approximately 2.1 percent of the City's General Fund FY 2026 Adopted Budget.

Table 2.12 – Fines, Forfeitures and Penalties Five-Year Forecast displays the FY 2026 Adopted Budget and the forecast for FY 2027 through FY 2031 for revenue from fines, forfeitures, and penalties.

Table 2.12 - Fines, Forfeitures and Penalties Five-Year Forecast (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Growth rate		3.0%	3.0%	3.0%	3.0%	3.0%
Projection	\$ 45.7	\$ 46.2	\$ 46.5	\$ 46.8	\$ 47.1	\$ 47.4

Revenue from fines, forfeitures, and penalties are projected at a constant growth rate of 2.96 percent for FY 2027 through FY 2031 based on an average of historical revenue growth. The forecast for FY 2027 reflects a \$474,000 increase from the FY 2026 Adopted Budget primarily due to projected growth.

A majority of the revenues from fines, forfeitures and penalties are considered user fees. Any future fee adjustments, including parking citation fees, approved by City Council can have the potential to further impact the forecasted revenue in the outlook period.

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Revenue from Money and Property

The Revenue from Money and Property category primarily consists of interest from city investments and rental revenue generated from City-owned properties such as Mission Bay Park, Balboa Park, City Pueblo Lands, and Torrey Pines Golf Course. This revenue source represents 4.0 percent of the City's General Fund FY 2026 Adopted Budget.

Table 2.13 – Revenue from Money and Property Five-Year Forecast displays the FY 2026 Adopted Budget and the forecast for FY 2027 through FY 2031 for the Revenue from Money and Property category.

Table 2.13 - Revenue from Money and Property Five-Year Forecast (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Projection	\$ 85.8	\$ 86.7	\$ 89.2	\$ 91.9	\$ 94.8	\$ 97.9

Within this category, office space rent received from non-General Fund departments and Mission Bay Park rents and concessions are analyzed and projected separately and then aggregated with other revenue from money and property. No growth rate is applied to the other revenue sources within this category from FY 2027 to FY 2031 based on historically inconsistent growth in this category.

The forecast for FY 2027 reflects a \$858,000 increase from the FY 2026 Adopted Budget primarily due to \$1.9 million increase in revenue from Mission Bay Park, Balboa Park and Belmont Park rents and concessions. This is partially offset by a \$902,000 decrease in telecom program revenue based on the revised number of agreements that can be executed per year.

Per City Charter Section 55.2, \$20.0 million of Mission Bay Park rents and concessions will remain in the General Fund. The remainder of funds greater than \$20.0 million will be allocated to the San Diego Regional Parks Improvement Fund and the Mission Bay Park Improvement Fund, which is reflected in the *Transfers Out* section of this Report. The San Diego Regional Parks Improvement Fund receives 35.0 percent of revenues in excess of the threshold amount, or \$3.5 million, whichever is greater, with 65.0 percent or the remaining amount allocated to the Mission Bay Park Improvement Fund.

Office space rent revenue is received from non-General Fund departments occupying General Fund owned buildings. Revenues received in this category are based on the rental agreements and occupancy levels for those departments, which are anticipated to decrease by a net \$104,000 in FY 2027. The net decrease is due to the relocation of some City staff from the non-General Fund departments that previously occupied the Civic Center Plaza building.

Interest on pooled investments is projected based on the current General Fund participation level in the treasury pool. Due to changes in market conditions and interest rates, no growth is applied year-over-year. Past interest earnings performance is no guarantee or indicator of future results. This revenue source is closely monitored as part of each year's budget monitoring process.

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Revenue from Federal and Other Agencies

The Revenue from Federal and Other Agencies category includes federal and State grants, and reimbursements to the City from other agencies, such as court crime lab revenue, urban search and rescue grants, and service level agreements. This revenue source represents 0.5 percent of the City's General Fund FY 2026 Adopted Budget.

Table 2.14 – Revenue from Federal and Other Agencies Five-Year Forecast displays the FY 2026 Adopted Budget and the forecast for FY 2027 through FY 2031 for Revenue from Federal and Other Agencies.

Table 2.14 - Revenue From Federal and Other Agencies Five-Year Forecast (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Projection	\$ 11.2	\$ 8.4	\$ 8.4	\$ 8.4	\$ 8.4	\$ 8.4

The forecast for FY 2027 reflects a decrease of \$2.8 million from the FY 2026 Adopted Budget. This decrease is primarily due to the removal of \$2.1 million in one-time reimbursements for strike team deployments in the Fire Rescue Department and removal of \$518,000 one-time grant revenue associated with the Ready, Set, Grow San Diego: U.S. Forest Service program in the Transportation Department.

No growth is applied to the Revenue from Federal and Other Agencies category as no additional State or federal assistance above the baseline projection is assumed throughout the outlook period due to its unpredictability—any federal or other agency assistance beyond \$8.4 million was not known at the time of preparing this report.

Charges for Services

The revenue forecasted in the charges for services category is primarily comprised of reimbursements for services rendered by the General Fund to non-General Funds and also includes charges for services provided to the public. This category includes the 4.0-cent TOT reimbursements to the General Fund, Parking Meter Revenue Reimbursements to the General Fund, General Government Services Billing (GGSB), and other user fee revenues. This revenue source represents 15.3 percent of the City's General Fund FY 2026 Adopted Budget.

Table 2.15 – Charges for Services Five-Year Forecast displays the FY 2026 Adopted Budget and the forecast for FY 2027 through FY 2031 for revenue from Charges for Services.

Table 2.15 - Charges for Services Five-Year Forecast (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Projection	\$ 330.9	\$ 329.3	\$ 340.5	\$ 357.1	\$ 365.1	\$ 374.3

The forecast for FY 2027 reflects a net decrease of \$1.5 million from the FY 2026 Adopted Budget. While a CPI growth rate is applied to the charges for services category, select commitments including reimbursements from other funds, are projected independently and then aggregated with other

revenues in the charges for services category. Reimbursement revenue from other funds is projected to decrease due to the following:

- \$2.9 million decrease in reimbursements to the General Fund from the TOT Fund in FY 2027 due to a decrease in projected TOT revenue;
- \$1.5 million in one-time revenue included in the FY 2026 Adopted Budget for the trench restoration Service Level Agreement (SLA) between the Public Utilities Department and Transportation Department;
- \$945,000 in one-time Opioid settlement revenue;
- \$450,000 in one-time State grant revenue associated with the Homeless Housing Assistance and Prevention (HHAP) and State Encampment Resolution programs; and
- \$402,000 decrease in revenue anticipated for Measure C as a result of a projected decrease in TOT revenue.

Moreover, these decreases are partially offset by a net increase of \$668,000 in parking meter revenue anticipated due to parking meter expansion, valet parking zones loss of revenue fees, subject to Council approval, and an increase for reimbursements from other funds as a result of forecasted increases in the salaries and wages category.

Other Revenue

The other revenue category includes ambulance fuel reimbursements, corporate sponsorships, unclaimed monies, and other miscellaneous revenues. This revenue source represents 0.1 percent of the City's General Fund FY 2026 Adopted Budget.

Table 2.16 – Other Revenue Five-Year Forecast displays the FY 2026 Adopted Budget and the forecast for FY 2027 through FY 2031 for revenue from other sources.

Table 2.16 - Other Revenue Five-Year Forecast (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Projection	\$ 2.2	\$ 2.3	\$ 2.6	\$ 2.6	\$ 2.9	\$ 2.9

No growth is applied to the other revenue category based on an inconsistent overall historical growth in this category. The forecast reflects a slight increase of \$140,000 in FY 2027 and continued projected increases through the Outlook period associated with the installation and operation of interactive wayfinding kiosks.

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Transfers In

The transfers in category primarily represents transfers to the General Fund from non-General Funds. The major components in this category are transfers from the Public Safety Services Fund, Gas Tax and TransNet Funds, and the one-cent TOT revenue transfer from the TOT Fund. This revenue source represents 5.6 percent of the City's General Fund FY 2026 Adopted Budget.

Table 2.17 – Transfers In Five-Year Forecast displays the FY 2026 Adopted Budget and the forecast for FY 2027 through FY 2031 for revenue from transfers in.

Table 2.17 - Transfers In Five-Year Forecast (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Projection	\$ 121.5	\$ 111.1	\$ 112.5	\$ 113.8	\$ 115.3	\$ 116.4

The forecast for FY 2027 reflects a decrease of \$10.3 million from the FY 2026 Adopted Budget. This decrease is primarily due to the following:

- \$8.1 million in one-time funding from the California Office of Emergency Services for reimbursements of eligible expenditures associated with the January 2024 winter storms;
- \$1.1 million in one-time transfers to the General Fund from the Concourse and Parking Garage Operating Fund and Civil Penalties Fund; and
- \$908,000 for revised revenue projections associated with the installation and operation of interactive wayfinding kiosks, in which the revenue will be posted to the Other Revenue category.

A growth rate is not applied to the Transfers In category as each transfer is independent of one another.

The 1.0-cent TOT transfer is forecasted to decrease slightly by \$339,000 from the FY 2026 Adopted Budget, for a total of \$30.3 million in FY 2027, based on the current total TOT revenue projection, of which 1.0-cent of the revenue is allocated to the General Fund to be used for any purpose that the City Council may direct. As total TOT revenues increase in the outlook period, the respective 1.0-cent allocation to the General Fund increases accordingly.

Safety sales tax reimbursements to the Police and Fire-Rescue Departments are projected to gradually increase throughout the outlook period. Safety sales tax revenue is derived from a half-cent sales tax resulting from the enactment of Proposition 172 in 1994. Each year, a certain amount of safety sales tax revenue is allocated to the Fire and Lifeguard Facilities Fund for the payment of debt obligations associated with Fire and Lifeguard facility improvements. The remaining revenue is distributed to the General Fund equally between the Police and Fire-Rescue Departments to support public safety needs. The FY 2027 forecast reflects an increase of \$424,000 in safety sales tax revenue.

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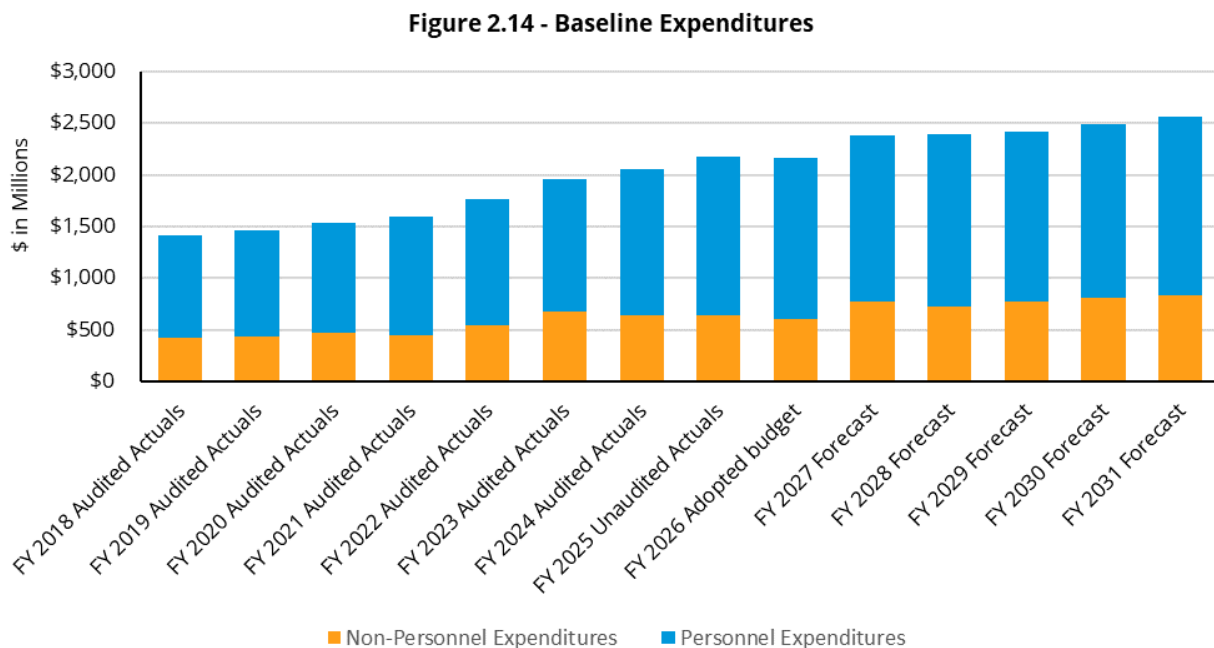
Baseline General Fund Expenditures

General Fund expenditures are comprised of both personnel and non-personnel expenditures including salaries & wages, supplies, and contracts & services. Unless otherwise noted, baseline projections assume growth based upon the FY 2026 Adopted Budget, with the removal of one-time expenditures. **Attachment 1: One-Time Resources and Expenditures** further details the one-time resources and expenditures that have been removed from the baseline projections.

Personnel expenditures account for 72.1 percent of the City's General Fund FY 2026 Adopted Budget. The following section breaks down the primary components of these expenses, including salaries and wages; the City's annual pension payment, or Actuarially Determined Contribution (ADC); employee flexible benefits; retiree healthcare, or Other Post-Employment Benefits (OPEB); workers' compensation; Supplemental Pension Savings Plan (SPSP); and other fringe benefits. Baseline personnel expenditures are projected to increase during the outlook period primarily due to anticipated growth in salaries and wages assuming a 2.94-percent salary increase, equivalent to the average annual CPI growth for the San Diego-Carlsbad region over the last fifteen years for FY 2027 through FY 2031; and projected increases in the City's pension payments (or ADC).

Projections for ongoing non-personnel expenses are also included in the baseline projections and include significant anticipated adjustments required to maintain service levels reflected in the FY 2026 Adopted Budget.

Figure 2.14 – Baseline Expenditures depicts the forecasted growth in baseline personnel and non-personnel expenditures.



Salaries and Wages

The salaries and wages category is the largest General Fund expenditure category and is comprised of regular salaries and wages, budgeted personnel expenditure savings, termination pay/annual leave payouts, step increases, special pay, overtime, and vacation pay-in-lieu. This category includes the General Fund cost of salaries and wages for the current Memoranda of Understanding (MOUs) with each of the City's Recognized Employee Organizations (REOs). The Outlook also assumes a 2.94-percent annual general wage increase, equivalent to the average annual CPI growth for the San Diego-Carlsbad region over the last fifteen years, for fiscal years that occur beyond the terms of the current MOUs with each REO.

The FY 2026 Adopted Budget for General Fund salaries and wages was \$961.5 million and included 8,261.40 full-time equivalents (FTE) positions. The salaries and wages category represents 44.4 percent of the total FY 2026 Adopted Budget for the General Fund. **Table 2.18 – Salaries and Wages** displays the FY 2026 Adopted Budget and the forecast for FY 2027 through FY 2031 for salaries and wages as well as assumed future salary increases of 2.94-percent for all REO groups following their current MOUs. These assumptions will be discussed in the subsequent table.

Table 2.18 - Salaries and Wages (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Projection	\$ 961.5	\$ 997.7	\$ 1027.9	\$ 1059.0	\$ 1090.9	\$ 1123.8

Adjustments within the salaries and wages category only reflect expenditures associated with positions included in the FY 2026 Adopted Budget. The salaries and wages category includes negotiated salary increases in the FY 2026 Adopted Budget based on approved MOUs with the City's six REOs; as well as for unrepresented and unclassified employees. Additionally, this category incorporates an adjustment for anticipated pay scale step increases, which are typically based on an employee's years of service in their current classification and annual performance evaluations. The step increases assumed in the Outlook were developed using the average amount budgeted for step increases over the past three fiscal years and are projected to increase at a moderate pace, from \$4.2 million in FY 2027 to \$4.7 million in FY 2031.

The salaries and wages category also includes an adjustment for termination pay, which includes both DROP payments and termination payouts for employees who leave City employment with remaining annual leave. Annual leave payouts for DROP members are projected based on recent activity and participants' projected leave balances; although DROP participants may continue to work at the City for up to five years, recent trends reflect that many DROP participants are staying less than five years. For employees not in DROP, termination pay was based on a three-year average of actual expenditures with an assumed 2.94-percent General Wage increase applied to each subsequent fiscal year. Data on DROP participants anticipated to retire in FY 2031 is unavailable because DROP is a five-year program. Therefore, the FY 2031 projected number of retirees and the termination pay/annual leave projection is based on the average of FY 2027 through FY 2030.

As previously noted, the Outlook assumes a general wage increase of 2.94-percent for all REO groups following their current MOUs. The 2.94-percent increase is assumed to begin in FY 2027 for the City's six REOs and Unclassified and Unrepresented employees. The 2.94-percent increase for years that occur beyond the terms of the current MOUs with each REO may be lower or higher than what is required to meet the market median in accordance with the City's Total Compensation Philosophy goal. The City will re-evaluate employee compensation during upcoming labor negotiations after commissioning a compensation study to determine the current standing of each position classification in relation to the market median in the region. Any future negotiated general wage increases that deviate from the 2.94-percent assumption will impact future year personnel costs included throughout the outlook period. The *City's Compensation Philosophy & Recruitment and Retention Efforts* discussion, under the *Future Fiscal Considerations* section of this report, elaborates on these potential costs.

Retirement Actuarially Determined Contribution (ADC)

The City's FY 2026 pension payment, or ADC, was \$533.2 million, of which \$378.1 million, or 70.9 percent, was allocated to the General Fund. Based on the latest actuarial valuation report⁵, in FY 2027 the ADC is projected to be \$540.1 million, an increase of \$6.9 million, or 1.3 percent. The General Fund allocation, which is based on the General Fund/non-General Fund split included in the FY 2026 Adopted Budget, is projected to be \$383.0 million, or 70.9 percent of the City's total ADC. This represents a \$4.9 million increase from the FY 2026 Adopted Budget.

The FY 2027 projected ADC of \$540.1 million is based on the SDCERS Actuarial Valuation Report as of June 30, 2024, which was released in February 2025, and includes the following rate assumptions:

- 6.5-percent investment return and discount rate
- 3.25-percent payroll growth rate

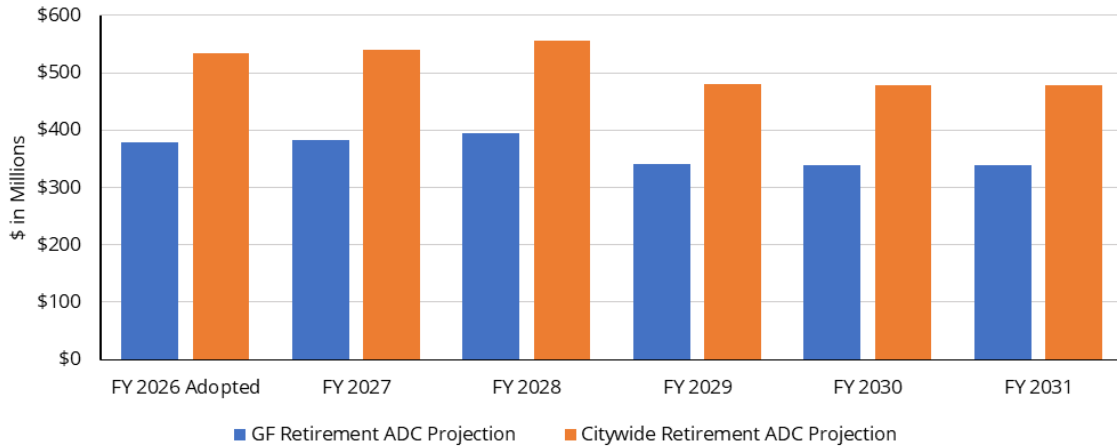
Actual experience gains or losses could impact the Outlook projections. The final General Fund allocation will not be known until the City pension system participation count is finalized and the distribution of participating employees across the City's multiple funds is recalculated. Additionally, the final amount of the City's FY 2027 ADC payment will not be known until the June 30, 2025 actuarial valuation report is completed and approved in early 2026.

Table 2.19 – ADC Pension Payment and **Figure 2.15 - Retirement ADC** display the citywide ADC and the General Fund's proportionate share for FY 2027 through FY 2031 based on the June 30, 2024 SDCERS Actuarial Valuation Report. As shown in the table, there is a significant decrease in the citywide pension payment of approximately \$76.5 million in FY 2029, or \$54.2 million for the General Fund, because the City will have fully paid some of the unfunded actuarial liability associated with amortization layers generated by prior year experience losses or assumptions changes.

⁵ San Diego City Employees' Retirement System for the City of San Diego, [Actuarial Valuation Report as of June 30, 2024](#) Produced by Cheiron in February 2025.

Table 2.19 - ADC Pension Payment (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF ADC Estimate (70.91%)	\$ 378.1	\$ 383.0	\$ 394.4	\$ 340.1	\$ 338.6	\$ 339.0
Citywide ADC Estimate	\$ 533.2	\$ 540.1	\$ 556.2	\$ 479.7	\$ 477.6	\$ 478.1

Figure 2.15 - Retirement ADC



Employee Flexible Benefits

The City offers flexible benefits to all eligible employees under an Internal Revenue Service (IRS) qualified benefits program (Flexible Benefits Plan). The Flexible Benefits Plan allows employees in half, three-quarter, or full-time status to choose benefit plans tailored to the employee's individual needs. The City provides each eligible employee a credit amount twice per month for use on various options offered within the Flexible Benefits Plan. The credit each employee receives varies by REO, standard working hours, years of service, and other factors.

Flexible benefits include optional and required benefits such as medical, dental, vision, and basic life insurance plans. For the FY 2026 Adopted Budget, \$102.3 million was budgeted in flexible benefits.

Table 2.20 - Flexible Benefits displays the projection for flexible benefits for FY 2027 through FY 2031.

Table 2.20 - Flexible Benefits (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Projection	\$ 102.3	\$ 103.3	\$ 103.3	\$ 103.3	\$ 103.3	\$ 103.3

Individual flexible benefit costs vary by each employee's benefits selection and the total flexible benefit cost varies by the total number of employees. The flexible benefits projection incorporates known changes per negotiated MOUs with the REOs, which factors in \$966,000 in annualizations for those negotiations implemented in December 2024 and then held constant through the outlook period since position additions are not included as part of the baseline projections.

Retiree Healthcare/Other Post-Employment Benefits (OPEB)

In FY 2012, the City entered into a 15-year MOU with each of its REOs to reform retiree healthcare benefits for employees who were members of the closed plan (active employees hired between 1982 and 2005). Retired employees retained their existing healthcare benefits while active employees elected one of three plans (Options A, B, and C). Options A and B offered defined benefit plans, providing a specific annual healthcare benefit amount after retirement. Option C offered a defined contribution plan in the form of a one-time lump sum payment when the employee becomes service- and age-eligible. In June 2023, the City extended the terms of the MOUs for an additional 15 years. The City's defined benefit plans and Option C defined contribution plan are closed to employees hired on or after July 1, 2005. For general members hired on or after July 1, 2009, the City established a new defined contribution plan through a trust vehicle (Retiree Medical Trust Plan).

The City has pre-funded future post-employment healthcare benefits for defined benefit plan costs through the California Employers' Retiree Benefit Trust (CERBT), an investment trust administered by the California Public Employees' Retirement System (CalPERS). Other than the amounts pre-funded through the CERBT, the City pays for retiree healthcare costs on a pay-as-you-go basis. If the City's annual contribution and employee contributions for the Option A and B Plans do not fully cover the annual costs of the defined benefit plans and Option C Plan, the City withdraws funds from the CERBT to cover the difference.

In May 2023, the City engaged with actuarial consultants to analyze the City's planned funding strategy and provided a revised funding plan that would stop pre-funding the benefit and rely on the strategic use of retiree healthcare trust funds and pay-as-you-go contributions for retiree healthcare costs that will continue to decrease over time as the City meets its obligations and plan membership decreases. The FY 2026 Adopted Budget for retiree healthcare/OPEB was budgeted at \$48.0 million, of which, the General Fund portion is \$30.4 million. In line with the new funding strategy, the Outlook assumes that the City's annual OPEB contributions will continue to decrease by 2.0-percent per fiscal year until contributions are no longer required for the trust to have sufficient funds to cover benefits for all remaining participants.

Table 2.21 – Other Post-Employment Benefits (OPEB) displays the OPEB projection for the General Fund's proportionate share for FY 2027 through FY 2031.

Table 2.21 - Other Post Employment Benefits (OPEB) (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF OPEB Projection (63.4%)	\$ 30.4	\$ 29.8	\$ 29.2	\$ 28.6	\$ 28.1	\$ 27.5

Workers' Compensation

State workers' compensation laws ensure that employees who are injured or disabled on the job are provided with monetary compensation. These laws are intended to reduce litigation and to provide benefits for workers (and their dependents) who suffer work-related injuries or illnesses.

The City's workers' compensation expenses are comprised of two components: operating expenses, which cover the costs of current medical expenses and claims, and contributions to the Workers' Compensation Reserve. **Table 2.22 – Workers' Compensation** displays the General Fund's projected 80.0-percent share of workers' compensation expenses.

Table 2.22 - Workers' Compensation (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Operating	\$ 37.7	\$ 47.6	\$ 53.5	\$ 60.1	\$ 67.4	\$ 75.7

The projections for operating expenses are based on actual prior year experience and are forecasted to increase by 12.3 percent annually based on the average change in operating expenditures for the prior three fiscal years.

Supplemental Pension Savings Plan (SPSP)

In January 1982, the City established the Supplemental Pension Savings Plan (SPSP), a defined contribution retirement savings plan. This benefit provides a way for eligible employees who were hired before July 1, 2009 to supplement retirement income with employee contributions matched by the City. As a result of unwinding Proposition B, most general members hired on or after July 1, 2009 now receive a hybrid retirement plan which includes a reduced defined benefit retirement plan as well as a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll, which the City matches. Prior to this, employees could only participate in a defined contribution plan. As part of the unwinding of Proposition B, some employees, depending on the REO they belong to, were given the option to either join SDCERS or continue in the prior defined contribution plan. Given this option, some eligible general members elected to stay in the SPSP-H Plan in lieu of joining SDCERS. These employees are required to contribute a percentage of compensation based on SDCERS member contribution rates to the plan, which is matched by a 9.2 percent employer contribution. **Table 2.23 – Supplemental Pension Savings Plan (SPSP)** displays the projection for SPSP for FY 2027 through FY 2031, which includes those selecting to participate in the SPSP-H Plan, as well as hourly employees. City employees hired after July 10, 2021, with no prior City service, are now placed in SDCERS and therefore, SPSP is projected to remain constant through the outlook period.

Table 2.23 - Supplemental Pension Savings Plan (SPSP) (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Projection	\$ 9.6	\$ 9.6	\$ 9.6	\$ 9.6	\$ 9.6	\$ 9.6

Other Fringe Benefits

The other fringe benefits category is comprised of Long-Term Disability, Medicare, Retiree Medical Trust, 401(a) plan contributions, Retirement DROP contributions, Employee Offset Savings, Risk Management Administration, and Unemployment Insurance expenditures. **Table 2.24 – Other Fringe Benefits** displays the FY 2026 Adopted Budget and the forecast for FY 2027 through FY 2031 for the other fringe benefits category.

Table 2.24 - Other Fringe Benefits (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Projection	\$ 44.2	\$ 43.9	\$ 44.5	\$ 45.2	\$ 46.0	\$ 46.8

Other fringe benefits are projected based on a percentage of employees' salaries. In the FY 2026 Adopted Budget, other fringe benefits were approximately 7.3 percent of General Fund fringe benefits. For the outlook period, that percentage is projected to be consistent at 7.3 percent with slight increases during the outlook period as a result of salary increases.

Supplies

The supplies category includes costs for items such as office supplies, books, tools, uniforms, safety supplies, and building and electrical materials. **Table 2.25 - Supplies** displays the FY 2026 Adopted Budget and the forecast for FY 2027 through FY 2031 for the supplies category.

Table 2.25 - Supplies (\$ in millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Growth Rate		3.2%	2.8%	2.8%	2.8%	2.8%
Projection	\$ 37.3	\$ 38.4	\$ 39.5	\$ 40.6	\$ 41.7	\$ 42.8

The supplies baseline projection is increased by the forecasted growth in CPI, based on the UCLA Anderson Forecast October 2025 Economic Forecast, over the outlook period.

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Contracts & Services

The contracts & services category consists of both internal and external contracts and services. External contracts and services are provided by outside companies or agencies such as legal counsel, operation of homeless shelters and services, insurance, rent expenses, and consulting services. Internal contracts and services consist of services that are provided internally (by a City fund or Department) such as refuse disposal fees, fleet vehicle usage and assignment fees, print shop services, and IT support services, including the SAP support allocation and the Information Technology Services transfer. **Table 2.26 – Contracts & Services** displays the FY 2026 Adopted Budget and the forecast for FY 2027 through FY 2031 for the Contracts & Services category.

Table 2.26 - Contracts & Services (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Growth Rate		3.2%	2.8%	2.8%	2.8%	2.8%
Projection	\$ 344.7	\$ 375.4	\$ 387.4	\$ 405.2	\$ 417.4	\$ 436.8

The contracts & services category forecast for FY 2027 reflects an increase of \$30.6 million from the FY 2026 Adopted Budget. The contracts & services baseline projection is increased by the forecasted CPI growth over the outlook period based on the UCLA Anderson Forecast October 2025 Economic Forecast. Within this category, select expenditures including Fleet vehicle usage and assignment fees, public liability costs, and election costs are projected separately from the CPI growth rate and then aggregated with other expenditures in the contracts & services category. The following summarizes the most notable expenditures in the category.

Vehicle usage fees are projected to increase by approximately \$3.5 million and vehicle assignment fees are projected to increase by approximately \$13.6 million in FY 2027. The usage calculation is determined by using the FY 2026 projection and then applying a CPI growth rate in outer years, resulting in an increase to the forecast in FY 2027. Vehicle assignment fees are projected to increase due to the overall purchase cost of vehicles increasing and vehicle additions to the City's fleet. The forecast includes debt service payments for both existing and future vehicle replacements. This forecast also accounts for prorated payments for vehicles on order and vehicles projected to be delivered in FY 2027. Additionally, the assignment fee forecast also assumes an increase in cash replacements for Police patrol vehicles and motorcycles, which are not currently financed. Lastly, the projection does not include potential increased costs associated with electric vehicles, which are unknown at this time. The *Zero Emissions Municipal Building Operations Policy and Fleet Electrification Program* update under the *Future Fiscal Considerations* section of this Report provides an additional update on the City's fleet electrification program.

Public liability insurance premiums are projected to remain relatively unchanged from the FY 2026 budget. The Outlook assumes a 1.0-percent year-over-year growth rate through the outlook period, based on the average growth in insurance premiums over the most recent three-year period. The public liability claims and non-claims are projected to increase by \$464,000 in FY 2027 compared to the FY 2026 budget. This is based on the recent three-year average growth of public liability operating expenditures, thus reaching a total increase of \$2.4 million by FY 2031.

Election costs are projected to increase by a net \$2.5 million in FY 2027. The 2026 General Election ballot is anticipated to feature four San Diego City Councilmember races. Additionally, the FY 2027 forecast assumes that four ballot measures will be placed on the 2026 General Election ballot based on the historical average of the last three general elections, whereas primary election ballots typically include only one ballot measure, based on the last three primary elections. The costs associated with elections are difficult to predict and are dependent on a variety of factors including the number of participating jurisdictions, number of contests, number and length of ballot measures, and number of registered voters. The Department of Finance will continue to work with the Office of the City Clerk to incorporate the latest information from the Registrar of Voters (ROV) and update these estimates during the FY 2027 budget process.

The Outlook includes implementation costs associated with the modernization of the City's current ERP system, SAP. The ERP Modernization project focuses on implementing a modernized system using emerging cloud, data analytics, and intelligent technologies to improve the user experience and facilitate optimized application development. A large portion of the project is anticipated to be financed. The portion that is not anticipated to be debt-financed is estimated to have a General Fund impact of \$2.1 million in FY 2027 and cumulative \$17.7 million throughout the Outlook period.

Refuse disposal fees are projected to increase by \$967,000 in FY 2027 compared to the FY 2026 budget. This is primarily due to the one-time \$800,000 discount in refuse disposal fees for General Fund departments included in the FY 2026 Adopted Budget.

The animal services contract with the San Diego Humane Society is projected to increase by \$2.5 million in FY 2027 due to contractual and cost of living increases. The FY 2026 budget included an additional \$597,000 for contractual expenditures for the animal services contract.

Information Technology

The information technology category includes both discretionary expenditures and non-discretionary allocations to General Fund departments. This category includes the costs related to hardware and software maintenance, help desk support, and other information technology (IT) services. **Table 2.27 – Information Technology** displays the FY 2026 Adopted Budget and the forecast for FY 2027 through FY 2031 for the Information Technology category.

Table 2.27 - Information Technology (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Growth Rate		3.2%	2.8%	2.8%	2.8%	2.8%
Projection	\$ 58.2	\$ 61.2	\$ 62.4	\$ 64.9	\$ 71.4	\$ 76.1

The FY 2026 Adopted Budget included one-time expenditures of \$632,000 in the information technology category, primarily attributable to the real estate management software upgrade to enhance lease and account administration as well as professional IT consultant services to support implementation. These one-time expenditures are removed from the baseline projections.

The FY 2027 forecast includes a \$3.1 million increase from the FY 2026 Adopted Budget to meet baseline contractual obligations for software licenses, cyber security, application maintenance, and software support throughout the outlook period. Many of the current IT managed service provider contracts are set to expire in the coming years resulting in projected contract costs to support the disentanglement from the incumbent provider, and onboard and integrate a new vendor, and any service continuity costs necessary to ensure a seamless and secure transition of IT operations. The baseline discretionary costs, like hardware/software enhancements, computer maintenance, and professional IT services are then increased by CPI growth, based on the UCLA Anderson Forecast October 2025 Economic Forecast, over the outlook period.

Energy and Utilities

The energy and utilities category includes the General Fund cost for electricity, fuel, and other utility and energy expenses. **Table 2.28 – Energy and Utilities** displays the FY 2026 Adopted Budget and the forecast for FY 2027 through FY 2031 for the energy and utilities category.

Table 2.28- Energy and Utilities (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Growth Rate		6.1%	4.9%	5.0%	5.2%	3.5%
Projection	\$ 65.5	\$ 69.5	\$ 72.9	\$ 76.5	\$ 80.5	\$ 83.4

Each cost component of the Energy and Utilities category has a different growth rate. The majority of the rates for each category are based on the Annual Energy Outlook 2025 Report prepared by the U.S. Energy Information Administration and forecasted CPI growth based on the UCLA Anderson Forecast October 2025 Economic Forecast. Fuel growth rates are developed by the General Services Department for gasoline and renewable diesel. Though volatile, fuel costs are anticipated to decline beginning in FY 2028 with growth rates ranging from -1.5-percent to 9.7-percent. There are many factors that may impact the current fuel projections such as changes in world-wide crude oil production, demand and consumption, vehicle transitions from combustion to electric, and inflation. The City will continue to monitor these variables and update fuel projections accordingly.

The General Services Department prepared the forecasts for electric and gas services, streetlight and traffic signal electricity, and fleet electric vehicle charging categories. Electricity growth rates range from 1.0-percent to 3.0-percent. These projections were calculated using four factors: anticipated SDG&E rate increases, building electrification, fleet electrification, and client department adjustments.

- SDG&E Rate Increases** include the percentage cost increase for which SDG&E is predicted to charge consumers and businesses. The majority of the City's facilities fall under the medium and large commercial buildings rate category. A 13.0-percent rate increase was applied to electricity and a 14.0-percent rate increase was applied to gas through the outlook period. SDG&E rate increases are based on trend analysis and recent CPUC approved rate increases from SDG&E's 2024 General Rate Case (GRC) application submission. The proposed revenue requirements (rate raises) for SDG&E were only partially approved from what SDG&E had originally proposed and the new rates went into effect in FY 2025. SDG&E will start a GRC

period submission of new proposed revenue requirements in the spring of calendar year 2026 which can impact rate increases in future years.

- **Building Electrification** entails replacing natural gas systems with electric alternatives. Due to the switch, there is a projected decrease in gas offset by an increase in electricity costs.
- **Fleet Electrification** is the transition of the city's conventional internal combustion engine vehicles to zero-emission vehicles. The estimated electricity cost from the Fleet Electrification Plan was used to account for the additional cost of fleet EV charging. The increase in electricity costs due to fleet electrification will be offset by saving in gasoline and renewable diesel.
- **Client Department Adjustments** were also factored into the analysis to account for any significant operational changes that may impact a City department's energy usage. Some examples of significant operational changes include the addition of new facilities or significantly expanding the square footage.

The Public Utilities Department (PUD) developed the water and wastewater growth rates⁶ included in this outlook. PUD determines the water and wastewater rates through a process prescribed by State law, which requires a cost-of-service analysis considering customer class charges and City Council approval of any rate adjustments at a public hearing. Increases in wastewater charges range between 6.0-and 8.0-percent annually throughout the outlook period, with growth in FY 2027 anticipated at 6.0-percent. The water charges assume overall City demand remains consistent throughout the outlook period and that rate increases will range between 5.0-and 14.5-percent annually throughout the outlook period, with growth in FY 2027 anticipated at 14.5-percent.

The growth rates for the energy and utilities category represent a blended growth rate that was calculated after applying the corresponding growth rate for each component.

Debt Service

The debt service category includes projected debt service payments associated with financed purchases, General Fund PC replacements, California Energy Resources Conservation and Development Commission (CEC) and General Electric loans, the Stormwater Water Infrastructure Finance and Innovation Act (WIFIA) loan and lease revenue bonds. Adjustments are made only to account for anticipated debt service payments; therefore, no growth rate is assumed in this category.

Table 2.29 – Debt Service Expenditures displays the FY 2026 Adopted Budget and the forecast for FY 2027 through FY 2031 projections for the Debt Service Expenditures.

Table 2.29 - Debt Service Expenditures (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Projection	\$ 66.0	\$ 84.7	\$ 96.0	\$ 112.9	\$ 120.6	\$ 137.2

⁶ For sensitivity analysis, a difference for a 2.0-percent rate change equates to an approximately \$300,000 annual change in water costs and a \$20,000 annual change in sewer costs, which is less than the margin of error of changes in water usage in any given fiscal year.

Updates to the City's existing debt service schedules, including future bond issuances, PC replacement, vehicle and helicopter replacements, and energy loans are included in the forecast based on projections developed by the Department of Finance. **Table 2.30 – Debt Service by Category (Principal & Interest)** displays the projected debt service expenditures by category.

Table 2.30 - Debt Service by Category (Principal & Interest) (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Bonds	\$ 53.6	\$ 72.2	\$ 81.5	\$ 97.3	\$ 103.4	\$ 113.9
Financed Purchase	\$ 7.5	\$ 7.5	\$ 7.6	\$ 6.6	\$ 5.5	\$ 5.5
Energy Efficiency Loans	\$ 3.4	\$ 2.8	\$ 2.8	\$ 2.6	\$ 2.6	\$ 2.6
Stormwater WIFIA Loan	\$ 1.4	\$ 2.3	\$ 4.1	\$ 6.5	\$ 9.1	\$ 15.2
Total	\$ 66.0	\$ 84.7	\$ 96.0	\$ 112.9	\$ 120.6	\$ 137.2

Note: There are existing debt issuances not included in the table (e.g., 2025 Ballpark Refunding Bonds, 2020A Convention Center Refunding Bonds, 2012B Fire & Life Safety Facilities Refunding Bonds, and fleet replacement leases) that are paid from sources other than the General Fund but have a pledge of general revenues of the City.

The Outlook incorporates projected long-term lease revenue bond issuances totaling \$677.7 million and the related debt service costs to finance General Fund CIP projects and future required City matching funds for Stormwater's WIFIA loan. This includes a \$406.3 million Lease Revenue Bond issuance in FY 2028 and a \$271.4 million Lease Revenue Bond issuance in FY 2030. The actual timing and size of each of these bond issuances will be further evaluated based on funding needs and market conditions closer to issuance.

Approximately \$203.4 million of the total projected long-term lease revenue bond proceeds over the Outlook period are expected to finance prior appropriations, the remaining City matching funds required to support the Stormwater WIFIA loan, and the debt appropriations for the SAP modernization project. The remaining \$474.3 million is expected to be utilized for future appropriations.

Given current spend down rates for Stormwater projects and projected construction timelines provided by the Stormwater Department, the forecast anticipates a draw down on the Stormwater WIFIA loan to begin in FY 2026, with interest-only debt service payments occurring in FY 2026 through FY 2030. Stormwater WIFIA loan principal payments are anticipated to occur starting in FY 2031, once construction of the related projects is complete.

The City utilizes lease-to-own financing to fund various vehicles, equipment and Information Technology projects via its Equipment and Vehicle Financing Program (EVFP) or standalone financed purchases. Financed purchases include projected debt service costs for existing and anticipated finance purchases that are supported by the General Fund. The Outlook includes approximately \$13.0 million in new anticipated financed purchases, described below:

- General Fund PC replacement provides for the replacement of General Fund departments' computers and supports mobile and telework capabilities. To support this program, the forecast includes executing a new lease each year of the outlook period, with a five-year term, in the principal amount of approximately \$1.1 million; and
- The City Council has authorized the financing of the replacement of Police and Fire-Rescue helicopters with the City's EVFP. The Outlook assumes that the third Police helicopter will be

replaced in FY 2026 for a total principal of \$5.3 million. The report also assumes the financing of the outfitting of the newly acquired Fire-Rescue helicopter for a principal of \$2.2 million.

In addition to the financed purchases, the Outlook includes borrowing of approximately \$226.3 million to fund the General Fund annual fleet vehicle replacement needs, which are expected to be funded with the City's EVFP. The debt service for these leases is supported by the Fleet Operations Vehicle Replacement Fund and the General Fund impact is reflected under fleet assignment charges in the *Contracts & Services* section of the Outlook.

Lastly, the debt service associated with existing CEC loans are included in the Energy Efficiency Loans category.

During the Outlook period, the City is projected to issue approximately \$1.28 billion in additional General Fund-backed debt. The impact of this additional borrowing is evaluated in accordance with the City's Debt Policy, which defines the parameters for assessing the affordability of General Fund-supported debt. Generally, annual debt service as a percentage of general fund revenues should remain under 10.0 percent. When combined with pension and OPEB costs the percentage should remain under 25.0 percent. Current projections show the impacts of projected debt service costs will stay within these parameters through FY 2031, reaching highs of approximately 7.1-percent and 24.8-percent, respectively. Although the combined debt ratio with pension and OPEB costs peaks at 24.8-percent in FY 2028, it is projected to decline to 22.0 percent in FY 2029.

Additional capital financing needs not assumed in this report may increase the Debt Ratios up to or exceeding the guidelines outlined in the Debt Policy, depending on future General Fund revenues. Reductions in General Fund revenues or increases in pension payments would also adversely affect the Debt Ratios. Any future Council action requesting appropriations requiring debt financing, per the Debt Policy, will include an affordability analysis explaining the impacts to the Debt Ratios.

Other Expenditures

Expenditures in the other expenditures category include transfers-out to other funds, capital expenses, and other miscellaneous expenditures. With the exception of a few accounts such as capital expenditures and transportation allowances, which are grown by CPI, adjustments are made only to account for anticipated transfers; therefore, no growth rate is assumed for all other expenditures in this category. **Table 2.31 – Other Expenditures** displays the FY 2026 Adopted Budget and FY 2027 through FY 2031 projections for the Other Expenditures Category.

Table 2.31 - Other Expenditures (\$ in Millions)						
	FY 2026 Adopted	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Projection	\$ 32.0	\$ 40.2	\$ 42.1	\$ 44.0	\$ 46.1	\$ 48.2

The FY 2026 Adopted Budget included a \$6.6 million one-time waiver of the Climate Equity Fund contribution. The FY 2027 forecast includes a contribution to the Climate Equity Fund based on 10.0 percent of the General Fund portion of SDG&E revenues, calculated at \$6.7 million in FY 2027. Another notable assumption included in this category is a \$22.8 million transfer to the Park

Improvement Funds per Charter Section 55.2, which represents an increase of \$1.5 million from the FY 2026 Adopted Budget.

Charter Section 77.1 – Infrastructure Fund

In accordance with City Charter Section 77.1, the City is required to place certain unrestricted General Fund revenues into an Infrastructure Fund to be used for new infrastructure costs, including financing costs, related to General Fund capital improvements such as streets, sidewalks and buildings, and the maintenance and repair of such improvements.

The deposits to the Infrastructure Fund are calculated based upon the following categories:

- Sales tax increment—an amount equal to the annual change in sales tax revenue when compared to the sales tax baseline of FY 2016 actual receipts, adjusted by the California Consumer Price Index (CCPI) for FY 2018 through FY 2042; and
- General Fund Pension Cost Reduction—any amount if pension costs for any fiscal year that are less than the base year of FY 2016 for FY 2018 through FY 2042.

Prior to FY 2023, the calculation to fund the Infrastructure Fund included a Major Revenues Increment based on an amount equal to 50.0 percent of the year-over-year growth in property tax revenues, unrestricted General Fund TOT, and unrestricted franchise fees. However, the City Charter only required this increment from FY 2018 through FY 2022.

The sales tax increment is calculated based on the annual change in sales tax revenue when compared to the sales tax baseline of FY 2016 actual receipts, adjusted by the CCPI. As the CCPI decreases, as seen in the last year, so does the sales tax base, which adjusts the annual projected contribution. The CCPI assumptions used to forecast the sales tax increment are consistent with the UCLA Anderson Forecast October 2025 Economic Forecast for CPI.

Based on the current calculation, the Outlook projects no required Infrastructure Fund contribution in the outlook period. This is due to sales tax revenue decreasing below the adjusted sales tax baseline and the General Fund Pension Cost not being below the FY 2016 base year. Based on the latest SDCERS Actuarial Valuation it is unlikely that General Fund pension costs will be below the base year at any point through FY 2042. At the end of each fiscal year, the Department of Finance conducts a reconciliation of Sales Tax Increment (actual revenue versus the calculated base). If a contribution is determined to be needed based on improved sales tax revenue performance, the true-up contribution will be proposed during the next budget cycle.

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PRIORITIES BEYOND BASELINE EXPENDITURES

In addition to the baseline forecast, the Outlook also includes projected costs for new and expanded facilities and homelessness programs and services. The forecast includes costs associated with the operations of new or expanded facilities that are projected to open within the outlook period. The annual operating costs for these facilities are estimates which will be revised during each year's budget development process. It is important to note that not all funding to build all new and expanded facilities included in the Outlook has been identified and it is assumed that will be identified and allocated during the outlook period.

Additionally, costs for homelessness programs and services that are included in this section reflect the additional General Fund support needed for baseline services absent new grant funding sources.

The following sections quantify the projected operating needs for new and expanded facilities, and homelessness programs and services.

New and Expanded Facilities

Table 2.32 - New and Expanded Facilities (\$ in Millions)						
Department	FTE/Rev/Exp	FY2027	FY2028	FY2029	FY2030	FY2031
Library	FTE	-	-	-	-	-
	Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
	Expense	\$ 0.0	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2
Parks and Recreation	FTE	42.00	53.00	56.50	61.50	63.00
	Revenue	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
	Expense	\$ 6.8	\$ 8.2	\$ 9.0	\$ 10.0	\$ 10.4
Fire-Rescue	FTE	-	12.00	39.00	39.00	39.00
	Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
	Expense	\$ -	\$ 2.6	\$ 8.6	\$ 8.8	\$ 9.1
	Total FTE	42.00	65.00	95.50	100.50	102.00
	Total Revenue	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
	Total Expense	\$ 6.8	\$ 10.9	\$ 17.8	\$ 19.0	\$ 19.6

The Outlook identifies the operating costs needed for three library expansions, two new fire stations, and 35 new parks, park expansions and joint-use facilities, which are projected to open within the outlook period. The following section provides additional detail for the new and expanded facilities projected to open during the outlook period, along with the year the facilities are projected to open.

Operating costs for branch libraries include estimated energy and utilities costs, janitorial services, and landscaping. The following is a list of planned library expansions:

- FY 2027 – City Heights Annex Expansion
- FY 2028 – Ocean Beach Branch Library Expansion
- FY 2028 – Oak Park Branch Library Expansion

New fire station facility operating costs include the addition of 12.00 FTE positions for Black Mountain Ranch Fire Station and 27.00 FTE positions for the Otay Mesa Fire Station, which includes staffing for two crews. In addition to the personnel costs, the Outlook includes non-personnel expenditures,

including fire station supplies, personal protective equipment (PPE), self-contained breathing apparatus (SCBA) maintenance and replacement, rescue tools, and radio/communication equipment. The following is a list of planned new fire stations:

- FY 2028 – Black Mountain Ranch Fire Station
- FY 2029 – Otay Mesa Fire Station

The Outlook also identifies the staffing and operating costs for parks and recreation facilities, including 18 new park facilities, 3 park expansions and 14 new joint-use facilities as identified in **Attachment 2 – New and Expanded Facilities**. The facilities operating costs include personnel needed to staff the new sites in addition to related non-personnel expenditures.

Homelessness Programs and Services

Table 2.33 - Homelessness Programs and Services (\$ in Millions)					
FTE/Rev/Exp	FY2027	FY2028	FY2029	FY2030	FY2031
FTE	-	-	-	-	-
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Expense	\$ 15.0	\$ 21.2	\$ 21.4	\$ 20.8	\$ 27.9

The Outlook identifies funding needs to maintain the programs and services provided by the City's Homelessness Strategies and Solutions Department, including homeless shelters and services, outreach efforts, safe parking and safe sleeping sites, storage facilities, and prevention and diversion programs. Existing programs and services are currently funded by both ongoing and one-time General Fund, Measure C revenue and grant funding sources. When compared to the FY 2026 Adopted Budget, and excluding other potential revenue sources, the Outlook projects an additional \$15.0 to \$27.9 million need annually throughout the outlook period to maintain current service levels.

The \$15.0 million net impact in FY 2027 is primarily driven by increased ongoing operational costs and grant funding decreasing beginning in FY 2027. Grant funding resources and their expected timeline of use include the following:

- Homeless Housing, Assistance and Prevention Program (HHAP) rounds one through five are expected to be largely or fully expended in FY 2026;
- HHAP round six, totaling \$25.8 million, is anticipated to be provided in two disbursements for use in FY 2026 and FY 2027;
- HHAP round seven, totaling \$12.9 million, is anticipated to be allocated in FY 2028; and
- The following grant resources are expected to be fully expended in FY 2026 and unavailable in FY 2027: County of San Diego Domestic Violence Shelter Grant; Encampment Resolution Fund Grant; AB 179 Domestic Violence Grant; County of San Diego Capital Emergency Housing Solutions Grant and HOME Investment Partnerships American Rescue Plan Program (HOME-ARP).

The FY 2027 forecast projects a net \$2.0 million decrease in expenditures compared to the FY 2026 Adopted Budget, primarily due to the operational cost of shelters anticipated to close in FY 2026 including: \$488,000 decrease for one-time use of Opioid Settlement Funds to support two months at the Rosecrans Shelter; \$530,000 decrease for Domestic Violence Shelter ancillary costs; and a \$3.3 million decrease for housing resources and services as a result of the Encampment Resolution Fund grant being fully expended. These decreases are partially offset by an increase in the forecasted growth of expenditures based on CPI for continued programs.

The FY 2027 forecast includes TOT revenue generated from Measure C to support the Homelessness Strategies and Solutions Department (HSSD) and is projected at \$32.2 million in FY 2027 and an estimated cumulative \$159.2 million over the outlook period.

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REVISED OUTLOOK SHORTFALL BEYOND BASELINE EXPENDITURES

When operating costs for new and expanded facilities and homeless programs and services are added to the baseline projections, the projected shortfall increases for each fiscal year within the outlook period. Projected available resources are not sufficient to mitigate the shortfall in FY 2027, which also persists in FY 2028 through FY 2031. The revised projections beyond the baseline expenditures require additional resources or solutions of \$110.6 million in FY 2027 and then fluctuate each year over the outlook period.

As depicted in **Table 2.34 - Revised Outlook Surplus/Shortfall**, after adding the above referenced costs, projected expenditures exceed revenues throughout the entire outlook period from FY 2027 through FY 2031.

Table 2.34 - Revised Outlook Surplus/Shortfall (\$ in Millions)						
	Fiscal Year 2026 Adopted Budget	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031
BASELINE GENERAL FUND REVENUES	\$ 2,167.4	\$ 2,195.5	\$ 2,255.7	\$ 2,337.7	\$ 2,406.3	\$ 2,493.4
BASELINE GENERAL FUND EXPENDITURES	\$ 2,167.4	\$ 2,284.3	\$ 2,362.6	\$ 2,390.1	\$ 2,461.6	\$ 2,550.3
BASELINE SURPLUS / (SHORTFALL)	\$ -	\$ (88.8)	\$ (106.9)	\$ (52.4)	\$ (55.3)	\$ (57.0)
NEW AND EXPANDED FACILITIES		\$ 6.8	\$ 10.9	\$ 17.7	\$ 18.9	\$ 19.6
HOMELESSNESS PROGRAMS AND SERVICES		\$ 15.0	\$ 21.2	\$ 21.4	\$ 20.8	\$ 27.9
TOTAL		\$ 21.8	\$ 32.1	\$ 39.1	\$ 39.7	\$ 47.4
REVISED SURPLUS / (SHORTFALL)		\$ (110.6)	\$ (139.0)	\$ (91.5)	\$ (95.0)	\$ (104.4)

Note: Per City Charter Section 69, the Mayor will propose a balanced budget by the 15th of April preceding each fiscal year.

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POTENTIAL MITIGATION ACTIONS

The Outlook has identified the need for additional resources in order to mitigate projected baseline shortfalls in all five years of the Outlook. Moreover, additional funding sources would need to be identified to fund new and expanded facilities, and homelessness programs and services. The following section identifies potential mitigation actions that could be used to address the projected baseline shortfalls. In addition to the mitigation options discussed below, the Department of Finance will work with City Departments to identify non-General Fund resources that could be used to support General Fund operations (e.g., Environmental Growth Funds) or provide rate relief to the General Fund through the non-discretionary process. Departments will also conduct a strategic review of their programs to identify potential savings by implementing operational efficiencies and will evaluate potential service level reductions. As required by the City Charter, the Mayor will present a balanced FY 2027 budget to the City Council by April 15, 2026.

Budget Reductions and Operational Efficiencies

To address the projected baseline shortfall, General Fund departments and select non-General Funds that impact the General Fund, will be requested to submit budget reduction proposals for the FY 2027 budget process. Proposals are expected to reflect ongoing reductions to City services and support in order to address the structural budget deficit. To assist in this effort, City departments will conduct a zero-based review of their external contracts and services budgets. Additionally, departments will be asked to identify operational efficiencies that could result in reductions to their budgets. These measures will be necessary to align expenditures with existing City resources.

Multi-Year Budget Strategy

The City's annual budget development timeline provides a limited window for departments to prepare and submit cost reduction or revenue enhancement proposals. This short timeframe constrains the ability to design and validate more complex, structural solutions that could achieve long-term savings or enhanced revenues. Recognizing these limitations, departments will be requested to also identify and document strategies that could reduce costs or increase revenues even if the benefits would not be realized in Fiscal Year 2027. Some of these more complex strategies may provide sustainable, long-term solutions to address the City's structural deficit during the outlook period.

Additional Revenue Generating Activities

In addition to the City's major General Fund revenues, the City also collects revenue from other sources, most notably through user fees, fines, penalties, citations, and parking meters. These revenue streams are critical for funding the City's operations. In addition to these revenue streams, the City will consider other ways to generate revenue through various activities. These types of activities may include the following:

- Updating User Fees by the allowable annual CPI growth. On March 3, 2025, the San Diego City Council passed Resolution R-316067, approving the establishment of new user fees and adjustments to existing user fees. This resolution also authorized an annual adjustment to user fees at the beginning of each fiscal year based on incremental changes to personnel-related salary and fringe-benefit expenses, in addition to changes to the regional CPI;
- Applying for applicable grant funding; and
- Exploring opportunities to charge for parking in the coastal zone, including at the beaches and Mission Bay.

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POTENTIAL IMPACTS TO THE OUTLOOK

The Outlook was developed based on information available and known at the time of preparation. Projections were developed using economic and industry research, available data, and reasonable assumptions; however, impacts to the projections include events that may or will occur during the outlook period whose outcomes are unpredictable or cannot be reasonably quantified beyond historical trends.

Actuarially Determined Contribution (ADC)

There are many factors that can affect the Actuarially Determined Contribution (ADC) payment made by the City to the San Diego City Employees' Retirement System (SDCERS). Any variation between the assumptions used by the actuary and actual experience will change the City's annual pension payment. These include changes in investment returns and salary increases greater than current assumptions, among others. The City has signed Memoranda of Understanding (MOUs) agreements with all Recognized Employee Organizations (REOs) through FY 2026; the fiscal impacts associated with upcoming negotiations are not known at this time and therefore not included in the Outlook projections.

Salaries and Wages Increases

As previously discussed in the *Salaries and Wages category* section of this report, General Fund salaries and wages expenditures represent 44.4 percent of total FY 2026 Adopted Budget General Fund expenditures. Any changes in MOU provisions can have significant impacts on City expenditures. For example, a 1.0-percent change in salaries for all employees could increase this category by approximately \$8.9 million in the General Fund. The Outlook currently includes negotiated salary increases in FY 2026 based on approved MOUs with the City's six REOs, as well as increases for unrepresented and unclassified employees. A 2.94-percent general wage increase, equivalent to the average annual CPI growth for the San Diego-Carlsbad region over the last fifteen years, is assumed for FY 2027 through FY 2031. Any deviations from the 2.94 percent currently included in the Outlook projections will have a direct, but unknown, impact on the projected General Fund bottom-line.

Economic Recession

The impact of a future economic recession has not been considered the Outlook. In each fiscal year of the Outlook, moderate revenue growth is projected from the prior year. Based on historical recessions, the City's major revenues (property tax, sales tax, TOT, and franchise fees) could be significantly impacted. Prior recessions have reduced the City's aggregate major revenues by 1.0 to 4.9 percent. A recession affects each revenue source differently. Changes to property tax revenue would likely lag by 12 to 18 months since current revenue is based on prior calendar year valuations. However, given property tax revenue is a large proportion of General Fund revenue, small percentage changes can equate to large swings in the City's available resources. Sales tax and TOT are based on consumers' disposable income; therefore, these revenue sources are more sensitive to recessionary

conditions. The Department of Finance will continue to monitor major revenue projections and economic indicators throughout the fiscal year and report any fluctuations in revenue.

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GENERAL FUND AND RISK MANAGEMENT RESERVES

The City's Reserve Policy ([Council Policy 100-20](#)) documents the City's approach to establishing and maintaining reserves across City operations. The FY 2025 unaudited ending fund balance (FY 2026 beginning fund balance) for the General Fund totals \$207.1 million, consisting entirely of the General Fund's Emergency and Stability Reserves. This balance has remained unchanged since FY 2023 due to two years of suspended contributions. This balance represents 11.8 percent of the three-year average of General Fund operating revenues, which is below the reserve target of 14.1 percent outlined in the current Reserve Policy. Additionally, the City maintains reserves, per the Reserve Policy, for the Long-Term Disability, Public Liability, and Workers' Compensation Reserves, all of which are below the levels identified in the Reserve Policy.

The FY 2026 Adopted Budget for the General Fund does not include a contribution to the General Fund reserves or the Risk Management reserves. Additionally, the Outlook does not project any contributions to these reserves. Given the City's current fiscal situation, the Department of Finance is working on recommended updates to the City's Reserve Policy, which will include a revised funding strategy for each reserve, and these updates will be presented to the City Council for consideration later in FY 2026. Once approved, future contributions will be included in the baseline of each Outlook going forward.

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FUTURE FISCAL CONSIDERATIONS

This section details other future fiscal considerations that are not included in the Outlook forecast but could significantly impact the City's General Fund during the outlook period. As part of the City's effort to incorporate equity into the budgeting process, the Department of Finance worked with the Division of Race and Equity in the Office of the Independent Budget Analyst to include an equity description for the following future fiscal considerations, where applicable. Departments prepared the equity descriptions below to articulate what, if any, structural disparities, gaps and deficiencies exist when examining programmatic services.

For the programs that are anticipated to address disparities, gaps and deficiencies, Departments were asked to provide information on how the specific program enhances access to City services or programs; outline specific plans or studies that assess the current state and recommended implementation plans; list the pervasive gaps in any geographic area the program will serve; and identify measurable outcomes.

Deferred Maintenance for General Fund Facilities

The Department of General Services (DGS) provides maintenance repair, modernization, and improvement services to over 1,600 municipal facilities valued at approximately \$7.2 billion. The General Fund facilities needs are based on condition assessments which identify urgently needed system replacements (e.g., HVAC, elevators, etc.), Americans with Disabilities Act (ADA) replacements, and proposed long-term plans for City-wide facilities including the City Administration Building, City Operations Building, Police, Fire-Rescue, Lifeguard, Library, Parks and Recreation and other City facilities. As the City's building infrastructure continues to age, various building systems need replacement and repair to keep the buildings functional. Some examples of building systems requirements include, but are not limited to, re-roofing projects, HVAC replacements, electrical system repairs and upgrades, flooring replacements, and water and sewer system replacements. As the backlog of repairs increases, so do operational inefficiencies and costs, necessitating strategic planning and resource allocation for deferred maintenance. To achieve the goals of addressing deferred maintenance and focusing on preventive and predictive maintenance, DGS will require funding for the following items in response to the July 2024 [Office of the City Auditor Performance Audit of Facilities Maintenance](#):

- Funding for professional consultants to conduct Facility Condition Assessments (FCA) which will also support the development of a Citywide Facilities Maintenance Plan;
- Addition of 11.00 FTE positions and a Manager to oversee, coordinate, implement, and administer the development and execution of the Facility Maintenance Strategy for City facilities, create short- and long-term funding plans, and manage the development of Facility Condition Assessments; and
- Increases in ongoing funding to support the expansion and operational efficiency of the Facilities Maintenance program.

FCAs are required to accurately identify the current cost of addressing annual and deferred maintenance. The previous FCAs were completed between 2014 and 2016. Combined, annual and deferred maintenance needs are estimated to exceed \$1.0 billion. Currently, the department does not

have funding programmed in the budget specifically for deferred maintenance. To address current and future needs more accurately, funding will be required to support and manage new FCAs and the development of a maintenance strategy. With a more current assessment of the deferred and capital maintenance backlog, the department will seek to align staffing needs to address the deferred maintenance and have the capacity to keep up with maintenance, repairs, replacements, and improvements required to keep City facilities operational and to best serve customer departments and the public. It is anticipated that increased funding will be required for this effort to address deficiencies in staffing, non-personnel expenditures, and non-discretionary funding. FCAs are also required for City Operations Yards to ensure departments have adequate facilities and yard space to meet their operational requirements and can provide services throughout the City. Once completed, the FCAs can be utilized to adequately plan for necessary improvements and any potential expansion required to deliver critical City services.

Equity Description:

To address structural disparities, gaps, and deficiencies across all City-owned facilities, an FCA is needed to accurately identify the current costs associated with addressing the annual and deferred maintenance. The previous FCAs were completed between 2014 and 2016. Combined, yearly maintenance and deferred maintenance needs are estimated to exceed \$1.0 billion. Currently, Facilities do not have funding programmed in the budget specifically for deferred maintenance. To address current and future needs more accurately, funding is required to support and manage new FCAs, as well as to develop a maintenance strategy.

Climate Action Implementation Plan

Following the most recent update in 2022, the City of San Diego is now in its third full year of implementing the Climate Action Plan, which establishes a policy framework for meeting the City's climate goals through actions that deliver benefits to communities, particularly those that are underserved. The Climate Action Plan sets goals for the City to achieve a fair-share reduction in greenhouse gas emissions by 2030 and achieve net-zero greenhouse gas emissions by 2035.

A supplement to the Climate Action Plan, called the [Climate Action Implementation Plan](#), was completed in 2023 and identifies tasks, responsible City departments, implementation costs, and other details needed to embed climate action into the City's annual budgeting process, routine operations, and long-term decision-making. The [Implementation Cost Analysis](#) included in the Implementation Plan provides high-level estimates of staffing and budget needs for the first five years of Climate Action Plan implementation (FY 2024-2028). The Implementation Plan also provides a prioritization score for each action, incorporating several metrics, including emissions reductions, feasibility, equitable implementation, air quality, public health, jobs and economy, and climate resiliency, pursuant to the City Council Policy on Prioritizing Action for Climate Action Plan Implementation (Policy No. 900-22).

As a complement to the Implementation Plan, the City launched a [Climate Action Plan Dashboard](#) in 2024 to track the department-level implementation status of each action and city-wide emissions data, allowing the public to regularly monitor Climate Action Plan implementation. The Implementation

Plan and Dashboard are tools to help City departments advance Climate Action Plan implementation as part of the City's annual budgeting process. With support from the City Planning Department, implementing City departments annually compile information addressing their specific climate action strategies, which include planned tasks, funding estimates, and staffing needs for the upcoming fiscal year. The City has made meaningful progress implementing the Climate Action Plan since its adoption, with over half of the 190 total actions (117 actions, 61.0 percent) in progress and 14.0 percent (26 actions) completed as of August 2025. An additional 10.0 percent (19 actions) are in the planning phase, while implementation has not started for the remaining 15.0 percent (28 actions). Implementation efforts are also moving forward as part of the FY 2026 Adopted Budget. For example, several actions are underway to advance the transition to healthy and sustainable homes and buildings, such as the Building Decarbonization Plan, an Existing Building Performance Standards Policy, Enhanced Green Building Standards for New Buildings, and the Home Electrification Affordable Rebates and Technical Assistance Program (HEART Program). Electric vehicle chargers are being installed at City facilities like libraries and recreation centers to advance goals to power vehicles with clean, renewable electricity. In addition, actions to promote safe and healthy ways to get around without a personal car continue to move forward, such as an update of the City's Bicycle Master Plan, Streets For All and updates of community plans for the College Area, Clairemont, Mid-City, Rancho Bernardo, and Otay Mesa-Nestor communities.

Progress also continues on actions to promote food recovery and divert organic waste from landfills, plant trees, and source drinking water from local sources. Staff also anticipates an update to the Climate Action Plan, which is anticipated to be updated in 2027, will provide a policy framework for Climate Action Plan implementation during the latter part of the forecast period (FY 2029-2031). Over the remainder of the five-year forecast period, implementation of the Climate Action Plan will continue to be determined annually by the City's adopted budget for each fiscal year. The City continues to actively seek funding sources to support Climate Action Plan goals, with achievements such as:

- The Ready, Set, Grow San Diego program, backed by \$10.0 million over five years from the U.S. Forest Service, which aims to plant 5,000 new trees and protect 600 trees through community-driven processes in underserved neighborhoods;
- The "Trees for Communities" program, which provides \$4.7 million for tree planting in underserved communities through a San Diego County Air Pollution Control District settlement program;
- A combination of funding from a Caltrans Sustainable Transportation Planning grant and federal Safe Streets and Roads for All (Rounds 1 and 2) grants will support the update and implementation of the Bicycle Master Plan. Additionally, this funding will support Streets For All (previously known as Slow Streets), Quick Build, and Speed Management activities aimed at improving the safety of the active transportation network; and
- In February 2024, the City received \$1.2 million in Federal Energy Efficiency Conservation Block Grant funding to support a new appliance retrofit program. This Home Electrification Affordability Rebates and Technical Assistance (HEART) program is designed to help low- and moderate-income households, especially those impacted by the January 2024 flooding, transition their homes from natural gas to electric appliances, contributing to healthier homes, lowering emissions, and ensuring that vulnerable residents benefit from energy-efficient home upgrades.

Equity Description:

The City has created several tools to prioritize equitable implementation of the Climate Action Plan: The City Council Policy Prioritizing Capital Improvement Program Projects (Policy No. 800-14) prioritizes infrastructure projects in Structurally Excluded Communities; The City Council Policy on Prioritizing Action for Climate Action Plan Implementation (Policy No. 900-22) awards higher scores to actions that support equitable implementation; The Climate Equity Fund was created to allocate supplemental funding to infrastructure projects that support sustainability and climate resiliency in Communities of Concern. To identify communities most in need of resources and investment from an equity perspective, the City uses Environmental Justice Communities (as identified in the General Plan) and Communities of Concern (as identified by the Climate Equity Index).

Zero Emissions Municipal Building Operations Policy and Fleet Electrification Program

In alignment with the City of San Diego's Climate Action Plan (CAP) and the Municipal Energy Implementation Plan, City Council adopted [Council Policy 900-03](#), the Zero Emissions Municipal Buildings & Operations Policy (ZEMBOP) to guide the elimination of fossil fuels from all City facilities and the transition to electric fleet vehicles by 2035. ZEMBOP requires an electric solution to replace natural gas systems at end of life, major facility renovations incorporate electrification retrofits and installation of electric vehicle (EV) charging infrastructure, and the development of Fossil Fuel Elimination Plans and Fleet Charging Plans for each Asset Managing Department (AMD).

Buildings: In FY 2025, Fossil Fuel Elimination Plans were developed for each AMD. Data from a City-wide municipal facility electrification study performed in FY 2023 were used to establish a list of facilities that would be prioritized for electrification based on end of system life, pending retrofits plans, and other considerations. Concurrently, efforts to retrofit and electrify municipal assets via an Energy Savings Performance Contract continued. The City partnered with Willdan to assess opportunities and subsequently perform Investment Grade Audits and project design on a large portfolio of facilities and streetlights. In FY 2026, DGS will receive a final proposal from Willdan with financing options for improvements that include HVAC, water heater and appliance electrification, indoor and ballpark lighting retrofits, electric infrastructure improvements, water efficiency retrofits, and LED replacements for approximately 40,000 streetlights across the City. If approved, these improvements will be performed at libraries, recreation centers, fire stations and police substations, and the work is anticipated to begin in FY 2027. Guaranteed energy savings and financing payments will be factored into both the five-year projections and department annual energy budgets following the conclusion of contract scope negotiations and approval of the resulting Energy Savings Performance Contract (ESPC) by City Council.

Vehicles: Additionally in FY 2025, a consultant was commissioned to develop a comprehensive master fleet charging plan. That master plan assumed a full rollout of EV infrastructure to support charging of every fleet vehicle for which an adequate electric vehicle replacement is, or will be, available in the market. It also assumed a 1:1 charger-to-vehicle ratio, thereby establishing a maximal estimate for the cost of future EV transitions and electric vehicle supply equipment (EVSE) installations. DGS is now

assessing what percent of that maximal estimate is appropriate given budget and timeline constraints. The department is also preparing a Request for Proposal (RFP) for a Charging-as-a-Service partner that would provide upfront funding for the design and installation of EV charging stations and related distributed energy resources and electric infrastructure improvements at specific vehicle dwelling locations across the City. The RFP is designed such that each City department would pay an all-in \$/kwh charging rate to that partner that pays back their upfront investment and covers the cost of ongoing maintenance by the partner, for a specified term of approximately 20 years. The department is working with AMDs to identify the best locations for these installations and assessing ways to adjust fleet operations, if necessary, in order to reduce the cost of infrastructure improvements and long-term charging costs.

Public-Private-Partnerships (P3) like those described above will also be leveraged to deploy distributed energy resources such as solar panels, battery energy storage, and microgrids. While ESPC and other P3 financing structures will address many electrification projects required by the CAP, the program will require significant capital investments that are currently unfunded.

Last, the department continues to actively seek additional funding sources to support its facility and fleet electrification goals. Examples include:

- The City is anticipated to receive \$800,000 from the Port of San Diego Maritime Infrastructure Investment fund to cover the cost of new electrified HVAC and air filtration systems at Logan Heights Library; and
- The City received \$850,000 in Community Program Funding to construct a renewable, resilient EV charging system at Montgomery-Waller Recreation Center.

Equity Description:

To align Climate Action Plan Implementation goals, the electrification of facilities will improve indoor air quality for staff and community members. In city facilities, functioning air conditioning will enable cooling centers to serve communities during heatwaves better, and microgrids will allow critical facilities to continue operating during power outages, allowing community members to plug in devices to stay connected, refrigerate medicines, and seek shelter during disasters.

The fleet electrification program will reduce gasoline and diesel consumption by 1.7 million gallons and 1.1 million gallons, respectively, through FY 2030, equating to a combined reduction of 27,500 metric tons of CO₂e across the City. Throughout the outlook period, the City should continually explore opportunities to enhance its fleet electrification program.

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Solid Waste Management – General Fund Impacts

The City of San Diego collects residential solid waste (trash, recycling, and organics) from eligible single-family homes and multi-family residential homes, including those with up to four residences on a single lot, that meet City requirements for collection by City forces. Measure B, passed by voters in 2022, amended sections of the San Diego Municipal Code known as the People's Ordinance to remove a prohibition that prevented the City from charging a fee for City-provided solid waste management services. The amendments also clarified eligibility requirements for these City-provided services. The San Diego City Council approved a new Solid Waste Management Fee on June 9, 2025. On June 24, 2025, City Council authorized the Environmental Services Department (ESD) to collect the fee through the County Tax Roll. Beginning October 2025, customers will see the fee on their property tax bill, and payments will be due in two equal, bi-annual payments.

The City will receive revenue from the fee from the County primarily in two installments each year by January and June. The City estimates it will receive approximately \$134.0 million in revenue from customers in FY 2027, \$165.0 million in FY 2028, \$173.0 million in FY 2029, \$184.0 million in FY 2030, and \$189.0 million in FY 2031. The Solid Waste Management Fee adopted by City Council on June 9, 2025, included increases scheduled for July 1, 2026; July 1, 2027; and July 1, 2028. If there is to be an increase on July 1, 2029, an updated cost of service study will be required as well as the public process to notice the public and accept protests. Residential solid waste management services were historically covered primarily by the City's General Fund. Approval of the new Solid Waste Management Fee decreases the obligation the General Fund would otherwise incur.

While the Solid Waste Management Fee was designed to be cost-recoverable without the need for General Fund expenditures, the following General Fund expenditures may continue in FY 2027, as further explained below: support for costs incurred to service eligible customers with increased service levels (FY 2027 only); support to service ineligible customers transitioning to private franchise hauler service (FY 2027 with possible continuance into FY 2028); funding a financial assistance program (ongoing annually).

- *Support for costs incurred to service eligible customers receiving increased service levels in FY 2026:* During FY 2026, ESD charged all customers \$523.20, the rate for one 95-gal trash container, one 95-gal recycle container, and one 95-gal organics containers. Some customers had more than three containers, but ESD did not have adequate data as of July 1, 2025, to charge customers according to what they had. Instead, ESD developed an approach to validate service levels by delivering new containers from October 2025 through June 2026. Customers would be charged based on their actual containers effective from the delivery date of their new containers. For the time between July 1, 2025, and the delivery dates of new containers, ESD incurred costs to collect from customers with more than three containers with no ability to charge customers for the extra service provided. ESD estimates the General Fund expenditures needed to reimburse the Solid Waste Management Fund for these one-time expenditures to be up to \$10.0 million.
- *Support to service ineligible customers transitioning to private franchise hauler service:* During FY 2026, ESD continued to provide service to customers determined to be ineligible for City service until they contracted with one of the City-approved private franchise haulers. ESD is

requesting a reimbursement from the General Fund to cover the costs incurred by ESD to provide service to these customers during FY 2026. ESD estimates the expenditures to be up to \$5.0 million in FY 2027. Additional funding may be required from the General Fund beyond FY 2027 if a portion of these customers fail to transition to private hauler service.

- *Funding a financial assistance program:* The FY 2026 Adopted Budget included \$3.0 million from the General Fund to support a financial assistance program to provide relief for qualifying residential customers impacted by the new Solid Waste Management Fee. The details of the program were under development as of the date of publication of this document. While the demand and need of the program in FY 2027 and beyond will be informed by the FY 2026 program, ESD anticipates an additional request of \$3.0 million of General Fund support in FY 2027.

Equity Description:

Historically, only a subset of households received free City collection service, even though all residents contributed to the General Fund, creating inequities in who benefited from those public dollars. Cost-of-service studies and inclusive public outreach informed the development of a sustainable funding model that ensures fairness and consistency in service delivery. This restructuring also eliminated the separate container replacement fee, improving service quality and equity. Throughout the outlook period, the City should continually monitor the following areas:

- Expanded access to container repair, replacement, and delivery services at no additional cost. (Number of requests for container repairs/replacements.)
- Implementation of a financial assistance program for low-income households to reduce cost barriers. (Number of residents benefiting from financial assistance programs. Goal of assisting approximately 7,645 customers by March 2026.)
- Launch of the bulky item pick-up program in FY 2028 to provide equitable disposal access for all eligible residents receiving solid waste collection services from ESD. (Number of bulky-item picks after launch of service in FY2028, to provide up to 450,000 bulky-item pick-ups or two items per customer.)

City's Compensation Philosophy & Recruitment and Retention Efforts

In 2022, the City of San Diego established a Total Compensation Philosophy that endeavors to pay at least the market median for comparably situated public employees. The City's goal is to move all classifications toward the market median while focusing on the ability to recruit, retain, and engage highly qualified employees capable of delivering world-class public service to the community; comply with public safety and regulatory requirements; and carry out critical infrastructure needs. This philosophy also includes the principle that total compensation should keep pace with economic inflation over the long term through cost-of-living adjustments. The City's Compensation Philosophy plays a critical role in meeting the City's goal of positioning itself as a regional employer of choice and attracting and retaining top talent. The City's compensation philosophy and recruitment strategies play a key role in the delivery of all City services providing safe, livable neighborhoods. The City has made significant progress in addressing employee compensation over the past few years including

negotiated salary and special pay increases for employees. The Outlook assumes general wage increases of 2.94 percent for years not currently covered by approved labor contracts. Any future negotiated salary increases that deviate from the 2.94 percent assumption included in the Outlook will impact future year personnel costs. For instance, a 1.0 percent general wage increase is estimated at \$8.9 million for the General Fund. This estimate is based on funded positions included in the FY 2026 Adopted Budget. The general wage increase assumption included in the Outlook may be lower or higher than what is required to meet the Total Compensation Philosophy goal. The City's Compensation Philosophy also takes into consideration the following when recommending changes to employee compensation for labor negotiations:

- The Adopted and Proposed Budgets;
- Five-Year Financial Outlook;
- Overall organizational issues (e.g., unforeseen economic, regulatory, operational changes and challenges, long-term liabilities, capital improvement and other assessment requirements); and
- The City's ability and willingness to pay based on Mayoral and Council priorities in the context of competing priorities related to the public interest, without sacrificing the quality, level and mix of services or prudent fund reserves.

The City will re-evaluate employee compensation during the next labor negotiation cycle after commissioning a compensation study to determine the current standing of each classification in relation to the market median of comparable jurisdictions.

Additionally, the City endeavors to be a regional employer of choice via various workforce commitments in its Strategic Plan:

- The San Diego region benefits from a thriving, skilled, and educated workforce capable of tackling the challenges and opportunities of tomorrow;
- San Diegans benefit from a passionate, engaged City workforce that provides the highest level of customer service and represents the San Diego community;
- City employees enjoy a culture of great leadership, appreciation, and acknowledgement, with opportunities for learning and development; and
- The City provides a clear, unified pathway for career growth and development.

To deliver on these commitments—ensuring that the City recruits and retains the highest caliber of employees—sustained funding must be in place for workforce development, training, mentoring, leadership and career-pathing programs.

Equity Description:

The City of San Diego's Compensation Philosophy prioritizes attracting, retaining, and engaging highly qualified employees by offering competitive total compensation. The city aims to pay at least the market median for comparably situated public employees, considering direct compensation, benefits, leave, and allowances.

GENERAL FUND INFRASTRUCTURE NEEDS

The discussion of certain components of the City's infrastructure needs is aimed at providing a more holistic view of the City's financial landscape and better reflect the magnitude of the General Fund's structural budget deficit.

It is crucial to understand that unfunded capital needs are not isolated challenges; they also compete directly with the budget allocated towards General Fund operations such as public safety and neighborhood services. While the City has relied on restricted revenue sources, one-time allocations, and debt financing to fund the Capital Improvements Program (CIP), these funding sources are not sufficient to support the growing infrastructure needs of the City. Absent a new revenue source, additional General Fund resources that would otherwise fund operations will have to be either directed as one-time allocations to the CIP or committed from the General Fund to ongoing financing costs.

The information below selectively incorporates needs from a range of asset types, including streets, stormwater infrastructure, and City facilities. Please note that the scope of this analysis is not exhaustive and excludes many other asset categories such as streetlights, sidewalks, traffic signals, among others. A more complete analysis will be reflected in the FY 2027-2031 Five-Year Capital Infrastructure Planning Outlook, which will be released on February 6, 2026.

Street Repair Program

The Transportation Department's Street Repair Program consists of asphalt repair, asphalt trench restoration, and street asset management. The Asphalt Repair Section repairs, maintains, and improves the City's over 6,600 lane miles of streets and alleys to provide high-quality infrastructure that individuals can safely drive, roll, and ride on and supports Departments citywide to ensure continuity in the roadway network. The Street Asset Management Section includes an Asset Management team, Geographic Information Systems (GIS) team, and Slurry Seal contracting group. This section acts as the project manager and is responsible for producing slurry seal contracts, managing crack seal projects, conducting condition assessments, and managing asset inventory through GIS and Cartegraph.

The Transportation Department's long-term goal is to maintain the City's Street Network's existing conditions, which equates to an average network pavement condition index (PCI) of 65. Because of long-term under-investments in the City's Road Network, additional funding will be needed to maintain the current conditions of a PCI of 65. The Transportation Department ran a scenario to determine the operations, maintenance, and capital funding needs for pavement management using updated data from the recent pavement condition assessment. This scenario assessed the funding needs to maintain a PCI of 65 in 10 years. It is estimated that funding needs to achieve a PCI of 65 in 10 years is approximately \$1.7 billion.

To address these needs, the Department relies on multiple sources including the Road Maintenance and Rehabilitation Account, Gas Tax, TransNet, and Street Damage Fee revenues. These funds primarily support maintenance, while capital rehabilitation competes with other General Fund

priorities. As the plan notes, insufficient funding leads to deferred maintenance and higher long-term costs because repairs cannot be performed at the most cost-effective time.

With the addition of a new Asphalt Repair team in FY 2025, the Department started to fill gaps on its overlay unfunded needs list as there is no dedicated or consistent funding source allocated for overlay needs. Additionally, the new team addressed small segments next to other resurfacing projects to maximize upgrades in the right-of-way to provide continuity of road maintenance and repairs. The team also took a proactive approach to mill and pave work to street segments that are a heavy maintenance burden on the pothole patching teams, increasing the number of street miles repaired by in-house crews from 20 lane miles to 30 lane miles.

Streetlight Repair Program

The Transportation Department's Streetlights Section is responsible for the repair and maintenance of 60,000+ streetlights and 4,000+ lights in parks, community ball fields, and other City facilities. The Section also shares responsibility with Caltrans for maintaining lights on the freeway off/on ramps that intersect City Streets. The team responds to all emergency calls involving streetlight assets, including knocked over poles, conduit damage, vandalism and area outages and is responsible for maintaining complex and antiquated lighting systems and infrastructure, including 44 series circuits that exist in older neighborhoods of the City of San Diego. The Section is responsible for lighting up San Diego, from neighborhoods to major streets, roadways, parks, bridges, San Diego Police Department, Library, City parking lots, and navigation lights on waterways around Mission Bay. The team repairs and maintains all aspects of the City's light network. The work requires trained and experienced Electricians, Utility Workers, and Equipment operators to work on various streetlighting systems and configurations, including old technology series circuits, high/medium/low voltage equipment, as well as completing lamping upgrades that utilizes new technology for less energy consumption and enhanced lighting. The current streetlight budget is \$15.8 million for staffing and non-personnel expenditures and services.

Currently, the City's team of streetlight electricians is fully committed to performing legally mandated Underground Locate (DigAlert) mark-outs. This work requires responding to all DigAlert requests within two working days of submission, with potential penalties of up to \$10,000 per violation. While performing Underground Locates is critical to protecting the City's infrastructure and avoiding costly utility strikes, it consumes 100 percent of the electricians' available time and leaves no capacity for routine streetlight repair work. The Transportation Department is currently developing a user fee for Underground Locates and this request assumes 100 percent cost recovery for the existing team that is performing the work. This new user fee is contingent on City Council approval.

Sidewalk Replacement Program

The Transportation Department's Sidewalk Replacement Program consists of Sidewalk Maintenance and Sidewalk Asset Management. The Sidewalk Maintenance section is organized into a Sidewalk Repair team and a New Installation team to organize the concrete workload. The Sidewalk Repair team is responsible for maintaining over 4,500 miles of concrete sidewalk, in addition to other concrete

infrastructure (roadways, alleys, curb ramps, and curb and gutter). The New Installation team provides new concrete improvements including new sidewalk installation, ADA curb ramps, curb and gutter, cross-gutters, and concrete roadway and alley improvements citywide. These teams also support other Divisions and Departments citywide with special projects and concrete improvements. The current sidewalk maintenance budget is \$10.2 million for staffing, non-personnel expenditures, and services.

The Sidewalk Asset Management section manages the City's sidewalk assets and conducts planning and design of new Capital Improvement Program projects that replace damaged portions of existing sidewalks that are City responsibility to repair. This section manages an outside contractor that performs sidewalk slicing repairs Citywide and supports Risk Management and City Attorney's Office staff with discovery requests for sidewalk related claims and litigation. The current sidewalk asset management budget is \$2.4 million, which includes the slicing contract of \$1.2 million.

Asphalt backfills are required to connect concrete to the street surface; the Department currently uses one of its three mill and pave crews to perform backfill work for sidewalk installations. This results in a loss of approximately 150 days per year of mill and pave work for the city. The addition of an Asphalt Backfill Team would therefore both increase the amount of concrete work the department can conduct and increase the Department's ability to perform mill and pave street repairs by more than 30 percent.

Additional staff and equipment are required to meet the growing demand for sidewalk redesigns associated with existing street trees. Arborists evaluate locations, collaborate with City staff to propose redesigns, and oversee root mitigation and tree protection measures. An Assistant Engineer (Civil) works in coordination with Arborists to ensure sidewalk repairs are safely redesigned around street trees. Additional funding is needed to remove tree well and planting strip locations that have been paved over in past decades.

Stormwater Infrastructure

The Stormwater Department's funding needs are calculated based on the City's Watershed Asset Management Plan (WAMP), which encompasses both physical assets like pipes, channels, pump stations and storm drains, as well as programmatic assets such as personnel and operational activities. In addition, the department adjusts these estimates based on the latest information available in the field as the projects are being executed. The WAMP financial model reveals that a significant number of physical stormwater assets are past their useful lives, leading to a rollover of unfunded needs each fiscal year and an increasing number of emergency repairs following significant rain events. The projected total funding requirement for stormwater infrastructure was approximately \$4.1 billion over the FY 2026-2030 period. This amount has likely increased, with the increasing costs of executing projects and the continuing deterioration of assets.

A portion of the capital costs will be funded by a Water Infrastructure Finance and Innovation Act (WIFIA) loan awarded by the Federal Environmental Protection Agency (EPA). The loan and required match total \$733.0 million to fund a portion of the Stormwater CIP Program during the outlook period. The EPA will finance 49.0 percent, with the City providing a 51.0 percent match. The City's match is expected to be funded with a combination of grants and other financing proceeds from lease revenue

bonds or State Revolving Fund Loan funds. It is important to note that some of these projects funded by the WIFIA loan and match are only funded through design. Several hundreds of millions of dollars will be needed in future years to fund the construction of the remaining projects. Absent any other dedicated funding source, debt service for repayment of the WIFIA loan and any City issued debt will need to be paid by the General Fund (see the *Debt Service* section for additional information on projected debt service expenditures).

New and Existing City Facilities

The most recent condition assessments for City Facilities were completed between FY 2014 and FY 2016⁷. Many identified needs remain to be addressed but need to be reconciled to the current list of required improvements. The condition assessment estimated funding needs of approximately \$508.0 million for the then 560 City-occupied facilities and 133 leased General Fund facilities (excluding the City Administration Building, City Operations Building, and other City Concourse facilities). This was the estimate to bring General Fund facilities from a Facility Condition Index (FCI) score of 23 (Fair) to 11 (Good). Once this facility condition assessment is updated, funding needs are expected to increase based on the continual deterioration of facilities, as well as impacts from the Climate Action Plan and Zero Emissions Municipal Buildings and Operations Policy (ZEMBOP) requirements.

In July 2024, the Office of the City Auditor conducted a performance audit on facility maintenance. The audit estimated that the City's deferred maintenance needs exceeded \$1.00 billion. In addition, it estimated that to adequately maintain facilities to best practices, the City should be budgeting between \$143.0 - \$287.0 million annually for routine maintenance and repairs, far more than the \$20.0 - \$30.0 million budgeted for facilities maintenance over the last few fiscal years. The General Services Department plans to establish an annual maintenance and repair funding goal, for both new and existing facilities, after the completion of the next Facilities Condition Assessment. The annual funding goal is expected to be included in the FY 2028-2032 Five-Year Financial Outlook.

The FY 2026 Adopted Budget also includes public safety and neighborhood services capital projects for new and existing facilities with unidentified funding that will likely require significant General Fund contributions or General Fund-backed financing. These new facilities, such as parks, libraries, and fire stations, will create additional maintenance needs once the facilities are completed and opened. In addition, there are critical needs, such as the Police Plaza Reconfiguration and Firearm Training Facility, that are not yet reflected in the Adopted Budget as capital projects. The City has some dedicated funding sources for City facilities such as Mission Bay and Regional Park Improvement Funds and Impact Fees. The City also relies on federal and State grants when available. However, the funding needs for facilities-related capital improvements far exceed these resources. In addition, increased funding is needed for preventive maintenance to maintain facilities to best practice. As stated earlier, absent a new revenue source, additional General Fund resources that would otherwise fund operations will have to be redirected as one-time allocations to the CIP program, committed to ongoing financing costs, or directed towards additional preventative maintenance tasks.

⁷ Cost Estimates are based on the Condition Assessment Update City Council Report 16-014 presented to City Council on April 12, 2016. In addition, assessment information of leased facilities was included in the analysis.

CONCLUSION

The purpose of the Outlook is to provide a comprehensive forecast of the City's General Fund finances over the next five fiscal years, and to serve as a framework for the development of the FY 2027 Adopted Budget. It is a long-range fiscal planning guide that focuses on baseline revenues and expenditures, while also considering new and expanded facilities and additional support needed for homelessness programs and services, to help guide future fiscal and policy decisions. The Outlook was developed based on information available and known at the time of the preparation of the report; however, impacts to the projections include events that may or will occur during the outlook period whose outcomes are unpredictable or cannot be reasonably quantified at this time.

The projections included in the Outlook show the importance of developing multi-year strategies to correct the projected structural deficits, where ongoing expenditures exceed ongoing revenues. The projected shortfalls also demonstrate the need for additional ongoing available resources to support the critical needs of the City. Based on the forecast for baseline expenditures and revenues, growth in expenditures is anticipated to outpace the growth in revenues for all five years of the Outlook. The shortfall is based on the following key factors:

- Reduction of one-time revenue sources used to support the FY 2026 Adopted Budget;
- Moderate, but softening growth in revenues; and
- Projected growth in expenditures needed to maintain the City's service levels as reflected in the FY 2026 Adopted Budget.

The City can partially address these baseline shortfalls through a variety of mitigating actions, such as reevaluating current expenditure patterns, ongoing budget reductions, and exploring future revenue enhancing initiatives. However, once forecasted costs for priorities beyond the baseline are included in the Outlook, the forecasted shortfall grows considerably and extends throughout the outlook period. In addition to new and expanded facilities and additional support needed for homelessness programs and services, there are many additional priorities, services, compliance, operational, and capital needs beyond those included in this report. Given the limited and one-time nature of the City's available funding sources, the City will need to explore additional mitigation actions in future years.

The Outlook is not a budget document and is intended to provide the City Council, key stakeholders, and the public with information to facilitate an informed discussion in preparation for the development of the FY 2027 Adopted Budget. Any new expenditures assumed in the Outlook for FY 2027 will be considered during the upcoming FY 2027 budget development process and will be dependent upon available resources and consistent with the priorities outlined in the City's Strategic Plan.

The FY 2027 budget process will consider the City Council's budget priorities, which were released by the Office of the Independent Budget Analyst and scheduled to be presented to, and approved by, the City Council on November 18, 2025. As required by the City Charter, the Mayor will present a balanced budget to the City Council by April 15, 2026. The decisions made for the FY 2027 budget will have an impact on the entire outlook period and will be reflected in the FY 2028-2032 Five-Year Financial Outlook Report.

ATTACHMENT 1

ONE-TIME RESOURCES AND USES OF FUNDS

The tables below detail the one-time resources and expenditures that were included in the FY 2026 Adopted Budget and removed to develop the FY 2027-2031 Five-Year Financial Outlook baseline budget.

One-Time Resources	Amount
Waive General Fund Reserve Contribution	\$55,620,000
2024 Winter Storms Reimbursements	8,055,998
Bond Issuance Timing Savings	7,800,000
Waive Climate Equity Fund Contribution	6,628,747
Waive Workers' Compensation Reserve Contribution	6,607,391
Sycamore Facility Franchise Fee Transfer	4,300,000
Employ & Empower Grant Revenue	3,905,172
Waive Public Liability Reserve Contribution	2,682,946
Strike Team Deployments Reimbursements	2,148,770
Shelter Operations Alternative Funding	1,919,599
Waive Energy Independence Fund Contribution and Use of Fund Balance	1,787,940
Waive the Long-Term Disability Reserve Contribution	1,451,079
Trench Restoration SLA Revenue	1,500,000
Parking Meter Operations Fund Use of Fund Balance	1,422,290
Short-Term Residential Occupancy Program License Revenue	1,191,550
Opioid Settlement Revenue	944,872
Second Helicopter Staffing Reduction	857,250
Reduction of Refuse Disposal Fee	800,000
Civil Penalty Fund Use of Fund Balance	696,922
Transient Occupancy Tax Fund Use of Fund Balance	654,000
Ready, Set, Grow San Diego: US Forest Service Grant	518,798
GIS Fund Use of Fund Balance	454,169
Housing Assistance and Encampment State Grants	450,000
Concourse & Parking Garage Fund Use of Fund Balance	442,866
Workers' Rights Enforcement Grant	417,452
Information Technology Fund Use of Fund Balance	384,462
Energy Conservation Fund Use of Fund Balance	338,561
Fire/Emergency Medical Services Transport Program Use of Fund Balance	280,000
Development Impact Fee Revenue	200,000
Board of State Community Corrections Funding - Your Safe Place	189,978
Beach Fire Ring Grant	135,000
California Department of Transportation Grant Funding	100,000
Budget Software Implementation Reimbursement	100,000
Fleet Operations Operating Fund Use of Fund Balance	85,923
City Auditor Outside Legal Counsel Reduction	60,000
Gun Violence Response Unit Grant	50,583
Total	\$115,182,318

ATTACHMENT 1

ONE-TIME RESOURCES AND USES OF FUNDS

One-Time Uses	Amount
Employ & Empower Interns	\$3,905,172
Termination Pay	1,133,948
Downtown Portable Restrooms	750,000
Support for Trench Restoration SLA	750,000
Tree Planting	727,816
Real Estate Management Software Upgrade	624,361
Day Center Operations	527,774
Rosecrans Homeless Shelter	488,000
PLEADS Program	456,872
Housing Assistance Support	450,000
Workers' Rights Enforcement Support	417,452
Support for Balboa Park Parking	325,000
Comprehensive User Fee Study of Recreation Services	216,000
Development Impact Fee System & Database Upgrade	200,000
Your Safe Place Support	189,978
Advanced Lifeguard Academy	130,028
SDG&E Biannual Franchise Audit	114,000
Gun Violence Response Unit Support	63,083
Short-Term Rental Occupancy Nexus Study	45,000
Sports Arena Redevelopment Financial Consultant	38,250
Brush Management	7,600
Total	\$11,560,334

ATTACHMENT 2

NEW AND EXPANDED FACILITIES

Fiscal Year 2027-2031 Five-Year Financial Outlook

New and Expanded Facilities			
Library			
Facility Name	Category	Opening Year	Council District
City Heights Annex Expansion	Expansion	2027	9
Ocean Beach Library	Expansion	2028	2
Oak Park Library	Expansion	2028	4
Parks and Recreation			
Facility Name	Category	Opening Year	Council District
East Village Green	New Facility	2027	3
Bruce Brown Memorial Park	New Facility	2027	6
Eastbourne Neighborhood Park	New Facility	2027	5
Federal Boulevard Pocket Park	New Facility	2027	9
Hickman Elementary Joint Use	Joint Use	2027	6
Mira Mesa Aquatic Center	New Facility	2027	6
Pacific Beach Elementary Joint Use	Joint Use	2027	1
Rowan Elementary Joint Use	Joint Use	2027	9
Hidden Trails Neighborhood Park	New Facility	2027	8
Beyer Park Phase 1	New Facility	2027	8
Junipers Park	New Facility	2027	5
Walden Neighborhood Park	New Facility	2027	5
Mira Mesa Community Park	New Facility	2027	6
Perry Elementary Joint Use	Joint Use	2027	4
Shoal Creek Neighborhood Park	New Facility	2027	5
Black Mountain Ranch Park Phase 2	Expansion	2028	5
Jones Elementary Joint Use	Joint Use	2028	7
Grove Neighborhood Park (Southwest)	New Facility	2028	8
Beyer Park Development Phase 2	Expansion	2028	8
North Central Square	New Facility	2028	3
North Chollas CP Improvements Phase 1	New Facility	2028	4
Solterra Vista Neighborhood Park	New Facility	2028	6
Ward Canyon Phase III	Expansion	2028	9
Sefton Field	New Facility	2029	7
Toler Elementary Joint Use	Joint Use	2029	2
Lafayette Elementary Joint Use	Joint Use	2029	2
Emerald Hills Neighborhood Park	New Facility	2029	4
Dennery Ranch Neighborhood Park	New Facility	2030	8
Foster Elementary Joint Use	Joint Use	2030	7
Ross Elementary Joint Use	Joint Use	2030	2
Johnson Elementary Joint Use	Joint Use	2030	4
Field Elementary Joint Use	Joint Use	2030	2
Florence Elementary Joint Use	Joint Use	2031	3
Benchley-Weinberger Elementary Joint Use	Joint Use	2031	7
Perkins Elementary Joint Use	Joint Use	2031	8
Fire-Rescue			
Facility Name	Category	Opening Year	Council District
Black Mountain Ranch Fire Station	New Facility	2028	6
Otay Mesa Fire Station	New Facility	2029	8