



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: January 9, 2026

TO: Charles Modica, Independent Budget Analyst, Office of the Independent Analyst

FROM: Council President Pro Tem Kent Lee, District 6 

SUBJECT: Fiscal Year 2027 Updated Budget Priorities

I am grateful for the opportunity to provide recommendations for consideration as the Fiscal Year 2027 (FY27) Proposed Budget is developed. The current and upcoming fiscal year presents significant and ongoing financial and policy challenges that will require the Office of the Mayor and City Council to work collaboratively to identify short and long-term solutions to repair the City's structural budget.

As mentioned in my September 25, 2024 FY27 Budget Priority memorandum, receiving updates on the implementation of the Fiscal Year 2026 (FY26) budget is imperative and a necessary first step to shape our budget priorities, mitigation strategies, and funding sources accordingly. Upon receiving the Department of Finance's Fiscal Year 2027-2031 Five-Year Financial Outlook, the City projects a revenue shortfall of \$88.8 million, totaling to \$110.6 million with additional priorities for FY27. This existing Outlook presents significant challenges. The concerns outlined in my previous memorandum remain and the Mid-Year Budget Monitoring Report's more robust projections will further guide my decision-making as the FY27 Budget process continues.

Funding to prioritize systemic underinvestment in citywide infrastructure, protect neighborhood services, and address the needs of public safety and health, sustainability, transportation, and affordable housing remain top priorities for all San Diegans, including District 6 constituents. **At a minimum, the City must make every effort to maintain FY26 service levels for all operations and avoid across-the-board service reductions by considering impacts to aging and vulnerable communities. Central to this effort is to protect frontline city employees who deliver city services.** The strategies and priorities outlined below focus on achieving these outcomes.

Mitigation

The following issues should be expedited and resolved as quickly as possible to ensure inclusion in FY27 Proposed Budget:

- Implementing Measure C is crucial this year as the Transient Occupancy Taxes (TOT) increase for Measure C became effective on May 1, 2025. The resolution of Measure C litigation will ensure \$33.9 million in new TOT can be utilized for core city services

such as streets and homelessness services.

- As part of the City's effort to protect impactful community programs, the City should prioritize reducing unclassified positions that are currently vacant and not being actively recruited. **City's personnel growth in management has outpaced growth in the organization and should be evaluated further by the Independent Budget Analyst (IBA) to determine a cost/benefit analysis.** Further, any service changes that occur should encompass the full scope of providing that service and be commensurate - cuts to classified positions should include cuts to managerial positions.
- The City must continue pursuing state and federal grant funding opportunities for infrastructure, affordable housing, park projects and more.
- The Department of Finance and the Office of the Mayor must fully consider the disproportionate impact across-the-board service reductions may have on aging and vulnerable communities. PandA should be consulted to analyze data relating to programmatic utilization across different communities so that cuts to neighborhood services are as narrow as possible to mitigate negative community impacts. **Communities that rely more heavily on City facilities and programs because of significant social, economic, or health disparities should be prioritized where possible.**
- The City's independent departments such as the City Attorney, Auditor, City Clerk, IBA, and Ethics Commission must have sufficient resources to perform their legal obligations outlined in the City's Charter. **A focus should be made to protect operations that are legally mandated by the City's Charter.**

Revenue

I welcome new revenue-generating ideas to improve the City's financial position, as long as they are not focused solely on the backs of San Diegans, and are accompanied with external outreach, transparent, data-driven planning, and a clear understanding of the level of support needed to improve city services.

Options for consideration for new revenue could include:

- Continuing to analyze revenue opportunities identified in IBA Report 22-31¹, focusing on options that are aimed at non-residents.
- Reviewing and updating city-owned property leases to ensure that the city is maximizing revenue opportunities during lease renegotiations and advising on lessee improvements. Review of leases should consider different guidelines between non-profit organizations as referenced in Council Policy 700-12.
- The Economic Development Department along with the cooperation of related departments should consider revenue opportunities that would be considered public-private partnership opportunities on city-owned assets that are currently not being

¹ November 25, 2022, Office of the Independent Budget Analyst Report 22-31 *Response to Request for Revenue Opportunities*

leased.

- Conducting a feasibility analysis of increasing concessions at municipal facilities such as parks and libraries through strategic hospitality partnerships. This could not only increase revenue to the City but will also improve the visitor experience. A successful example of a thriving concession is Superbloom, a café and restaurant located in Mission Bay Park at the former Mission Bay Visitor's Center. This model should be expanded where feasible.
- Conducting an analysis of creating Special Assessment Districts such as Community Facilities Financing Districts to support the development of critical infrastructure. Funding can be used to debt finance capital projects and support maintenance and operations that provide a special benefit to district participants.²

Additional Considerations

- The implementation of Balboa Park paid parking has resulted in a greater impact on residents than Council intended. Given the significant feedback we have received from residents as well as the haphazard rollout of the resident discount program, I believe that free resident parking should be expanded. At a minimum, residents should be provided free all-day parking at Inspiration Point, eliminating the 3-hour cap.
- I support the re-establishment of the Office of Labor Standards and Enforcement and the exploration of self-sustaining revenue options to support the work of the office, such as increasing penalties for violations to the City of San Diego's Minimum Wage Program.
- Per City Council Policy 100-03, the Council must "provide the Mayor with a recommendation, via the City Council's annual budget priorities resolution, regarding the use of the 1¢ TOT." As discussed during the October 8, 2025 ED&IR meeting, I expressed the intent that funding for arts, culture, and community festivals should remain at 4.28% of total TOT revenue. Funding should be principally allocated from the special promotional programs portion of TOT revenue and any gaps in meeting the goal should be backfilled by the 1¢ council discretionary portion of TOT revenue.

FY27 Budget Priorities

On November 18, 2025, I voted to support the FY 2027 Budget Priorities Resolution at the City Council meeting. Further, I express my support for the following priorities that were referenced by most of my colleagues and listed in IBA Report 25-32:

- Affordable Housing Preservation and Creation
- Housing Instability Prevention Program
- Eviction Prevention Program
- Expansion of Diversion and Prevention Resources
- LGBTQ+ Affirming Shelter and Related Services
- Climate Action Plan Implementation
- Weed Abatement

² David Bort, Orrick and Harrington, [An Introduction to California Mello-Roos Community Facility Financing Districts](#)

- Stormwater Operations and Infrastructure
- Additional Deputy City Clerk for Office of the City Clerk
- Veteran's Village Shelter
- No Shots Fired Program
- Library Materials and Maintenance
- SD Access4All

District 6 Projects Priorities

District 6 and communities throughout San Diego continue to have significant and ongoing needs for various project upgrades. This list is not exhaustive as it reflects the reality of limited financial resources currently, and the desire to partner with my colleagues to ensure that all communities throughout San Diego have access to quality parks, libraries, and infrastructure. I consider these priorities as ongoing new CIP project requests or requests to allocate state or federal matching funds when feasible:

- **Expansion of South University City Library**
The University City library is heavily used by the South University Community and by students attending several schools within in walking distance including a high school, middle school, and two elementary schools. The City should continue to prioritize the expansion of this library consistent with the community's vision and the Library Master Plan.
- **Standley Recreation Center Renovation**
Standley Recreation is a heavily utilized facility in the University City community that requires significant modernization and repair to better serve the community. The aging building requires a new lobby, a new façade, more community rooms and spaces, additional office space for staff, upgraded restrooms, and functioning air conditioning.
- **Carroll Canyon Road Extension**
With the development of 3Roots and the proposed Stonecreek project, Carroll Canyon Road will be extended from Camino Santa Fe to Black Mountain Road. The City is responsible for the extension of Carroll Canyon Road west from Camino Santa Fe to Interstate 805.
- **Camino Ruiz Neighborhood Park**
Funding is needed to repair and enhance the existing shade structure, and to provide an additional shade structure over the tot lot.
- **New Pedestrian Safety Measures across Mira Mesa Boulevard**
Funding is needed for an installation of new pedestrian safety measures which could include a walkway or crossing across Mira Mesa Boulevard, specifically between Mira Mesa High School (MMHS) and Mira Mesa Community Park. Currently, students who wish to access the park from the high school must navigate a busy and dangerous crossing at Mira Mesa Boulevard. This major thoroughfare experiences high traffic volume and speeds, posing a significant safety risk to pedestrians, especially young students.
- **Road Repairs**
Based on constituent feedback, funding should be prioritized towards addressing

unimproved streets if additional funding comes available – including, but not limited to:

- Activity Rd. from Camino Ruiz to Black Mtn Rd.
- Antrim Way from Gold Coast Dr. to Port Royale Dr.
- Aquarius Dr. from Westonhill Dr. to Bootes St.
- Arriba St. from Palmilla Dr. to Regents Rd.
- Black Mountain Rd. from Gold Coast Dr. to Mira Mesa Bl.
- Capricorn Way from Camino Ruiz Rd. to Bootes St.
- Carroll Rd. from Carroll Way to Miramar Rd
- Dalby Pl. cul de sac from Polaris Dr.
- Distribution Rd. from Camino Ruiz Dr. to End
- Flanders Dr. to Mira Mesa Blvd.
- Lapiz Dr. from Avenida Del Gato to Camino Ruiz Rd.
- Mira Mesa Blvd. from Black Mtn Rd. to Scripps Ranch Blvd.
- Mira Mesa Blvd. from Montongo St. to Reagan Rd.
- Miramar Rd. from Distribution Ave. to Carroll Rd.
- Montongo St. from Mira Mesa Blvd. to Montongo Cir.
- Olson Dr.
- Peach Point Ave. from Valdosta Ave to Reagan Rd.
- Reagan Rd. from Camino Ruiz Rd. to Mira Mesa Blvd.
- Royal Ann Ave. from Port Royale Dr. to Jade Coast Rd.

Zero-Based Budgeting

I look forward to hearing a presentation on Zero-Based Budgeting (ZBB) at a future Committee meeting to get a better understanding of how this could be helpful for city departments such as Homelessness Strategies and Solutions and Transportation.

Thank you for the opportunity to provide my FY27 budget priorities. Considering the significant fiscal challenges that face the city in the years ahead, it is critical that we consider our multi-year strategy for the city to achieve financial stability. I stand ready to work collaboratively with your office, my colleagues, and the Office of the Mayor to identify strategic and necessary solutions to the City of San Diego's ongoing fiscal challenges.

Council President Pro Tem Kent Lee

KL/ah