



## **A Message to San Diegans from Mayor Todd Gloria Fiscal Year 2027 Draft Budget**

My Fellow San Diegans:

The Fiscal Year 2027 Draft Budget is a responsible plan for a challenging moment. It reflects the difficult but necessary work of bringing the City's finances into better long-term balance while continuing to protect the services residents rely on most.

This year's budget totals \$6.4 billion and marks the second consecutive year of meaningful progress toward addressing the City's structural deficit in the General Fund.

Last year, our city was staring down a \$318 million structural budget deficit – the kind of gap that had built up over decades of politicians kicking the hard problems down the road and underfunding our responsibilities. We solved \$270 million of that deficit through real, structural changes: cutting external contracts, eliminating management positions, consolidating city departments, moving city employees out of costly rented office space, and doing the work of reorganizing how your city government operates.

When the budget process for this year began, the City's Five-Year Financial Outlook projected an \$88.8 million shortfall in the General Fund for Fiscal Year 2027. As the year progressed, that shortfall worsened to approximately \$118.0 million due to lower transient occupancy tax revenue, increased pension costs, and weaker departmental revenue. At the same time, inflationary pressures and slowing growth in key revenues continued to strain the budget. Even with help from Measure C-related revenues and the implementation of refuse collection fees, the City still faced a significant fiscal challenge. After accounting for essential additions tied to mandates, legal obligations, and risk mitigation, the total budget problem to solve grew even larger – a still significant challenge, but one I believe we are fully prepared to meet.

We are closing that gap through a combination of fiscal discipline, difficult reductions, and strategic use of resources. It includes \$76.2 million in expenditure reductions, \$26.2 million in labor concessions and \$43.9 million in additional revenue and other resources.

It also reflects a more collaborative and deliberate approach to budget development, including zero-based budgeting analysis for contracts, review of unclassified employee growth, continued consolidation of departments, a data-driven approach to resident use of recreation centers and libraries and input from the City Council and resident budget survey. Taken together, these actions reflect a budget process that is more analytical, and more focused on long-term structural solutions rather than temporary fixes alone.

Even under severe fiscal pressure, this budget protects the services San Diegans have told us matter most. I hear from San Diegans every day about what matters most to them: safe neighborhoods, fixed roads, and a city government that shows up when they need it. This budget reflects those priorities because they are my priorities too. Survey results from the Resident Budget Survey reinforced the importance of preserving public safety, neighborhood infrastructure, efforts to reduce homelessness, and building more housing.

This budget maintains front-line public safety services by preserving sworn police staffing, avoiding fire-station brownouts, and continuing essential emergency response capacity. It also largely maintains current homelessness service levels, with \$97.1 million in total funding for homelessness programs and services, including shelter programs, safe parking, safe sleeping, outreach, prevention services, and navigation support. In a time of fiscal constraint and uncertainty around future state and federal support, maintaining these core services is both a practical necessity and a reflection of community priorities.

The Draft Budget also continues investment in the City's infrastructure with the resources available. The Fiscal Year 2027 Draft Capital Improvements Program totals \$821.7 million and supports key work in public utilities, transportation, stormwater, and other essential public assets. It includes \$89.1 million for the Street Repair Program, \$59.9 million for traffic safety improvements, and \$52.5 million for stormwater infrastructure, in addition to investments supported through the City's broader stormwater financing program. These investments are critical because San Diegans expect safe streets, reliable infrastructure, and visible progress in every neighborhood. Even in a constrained budget year, we must continue addressing deferred infrastructure needs that, if ignored, only become more costly with time.

This budget also recognizes that the City must be prepared for uncertainty beyond our control. Federal funding remains increasingly unpredictable across areas such as infrastructure, housing, and community development. The best way to prepare for that uncertainty is to strengthen the City's own fiscal position now. A structurally unbalanced city budget leaves San Diego more vulnerable to external shocks; a disciplined and realistic budget gives us greater flexibility to respond. That is why this Draft Budget emphasizes sustainability, shared responsibility, and resilience.

The budget includes a second year of major reductions, and those decisions will have real service-level impacts across the City. Reductions include labor concessions, unclassified position reductions, reduced recreation center hours, reduced library hours, and other operational changes across departments. These are painful choices, and they are not a reflection of diminished commitment to those services. They are the result of a structural imbalance that requires the City to live within its means while protecting the functions that are most essential to safety, shelter, and basic quality of life.

A city that papers over its financial problems year after year cannot invest in its neighborhoods, cannot plan for the future, and cannot weather the unexpected. The responsible path – the only path that leads to potential restorations – is the one we are on. We are building a foundation that can be strong enough to build on.

The Fiscal Year 2027 Draft Budget is not an easy budget, but it is a responsible one. It reflects the hard choices required to move San Diego toward long-term fiscal stability while continuing to protect public

safety, homelessness response, housing, and infrastructure. It also makes clear that additional work remains ahead. Structural deficits are not solved in a single year, and the City will need to continue pursuing ongoing savings, prudent revenue strategies, and thoughtful long-term planning. Still, this budget represents continued progress in the right direction. It is a balanced, disciplined plan that protects core priorities today while positioning San Diego for a stronger future.

Sincerely,



TODD GLORIA  
Mayor

## **City of San Diego Budget**

The City of San Diego's Fiscal Year 2027 Draft Budget is \$6.42 billion and is comprised of five operating fund types and the Capital Improvements Program (CIP). The Fiscal Year 2027 Draft Budget represents an increase of \$318.0 million, or 5.2%, compared to the Fiscal Year 2026 Adopted Budget. This is primarily due to increases in the General Fund, Special Revenue Funds, and Enterprise Funds, partially offset with a decrease in the Internal Service Funds and Capital Improvements Program (CIP). The increase in the General Fund is primarily due to increases in contracts and services, primarily driven by increased vehicle replacement and maintenance cost, and transfers out associated with the City's debt services and issuance of a Tax and Revenue Anticipation Note (TRAN). The increase in Special Revenue Funds is primarily associated to increases in the Underground Surcharge Fund to align with projected surcharge construction activity in Fiscal Year 2027, an increase in the TRAN Fund associated with the issuance of TRANs to provide interim financing for the City's General Fund, increase in the Low & Moderate Housing Asset Fund for the use of excess surplus in the fund for long-term affordable housing, increase in the Fire/Emergency Medical Services Transport Program Fund associated with contractual services for ambulance services and the transfer to the General Fund to reimburse eligible expenditures, and increase in the Engineering & Capital Projects Fund primarily associated with increases in personnel expenditures. The increases in the Enterprise Funds is primarily associated with increase in the Water Utility Operating supporting Pure Water Operations, increases in the Metro Sewer Utility Operating Fund, Development Services Fund, and Municipal Sewer Revenue Fund associated with increased personnel expenditures, increase in the Solid Waste Management Fund associated with the implementation of a Bulky Item Pickup Program and increased overtime, increase in the Refuse Disposal Fund associated with the Organic Waste Decontamination Program and an Environmental Services fee rate study, and an increase in the Golf Course Fund primarily associated with equipment upgrades and maintenance. The decrease in the Internal Services Funds is primarily due to a decrease in the Fleet Operations Replacement Fund associated with reduced funding for vehicle acquisitions for the Public Utilities, Transportation, and Stormwater Departments. The decrease in CIP is primarily due to a decrease in General Fund Debt and Citywide DIF appropriations.

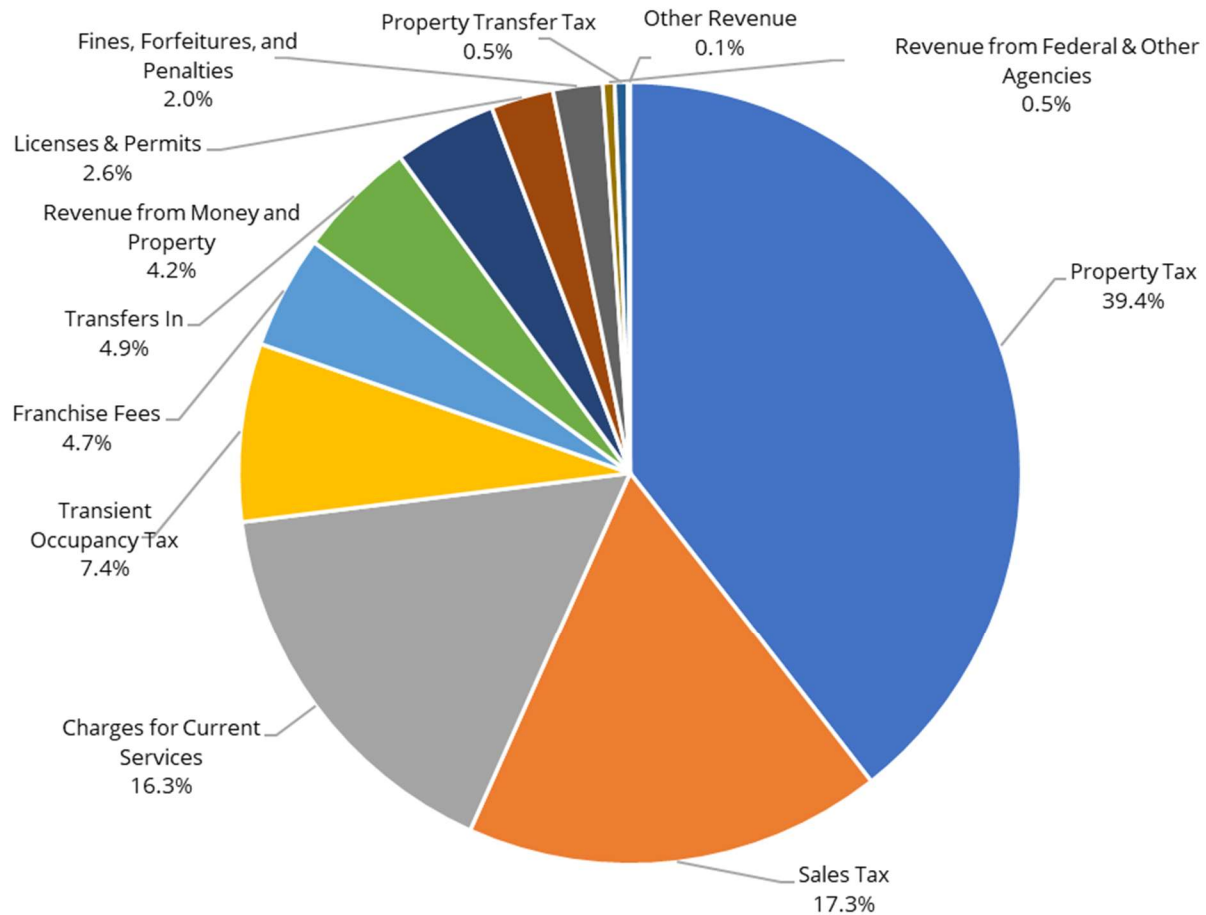
## **General Fund Revenues**

The Fiscal Year 2027 Draft Budget General Fund revenue budget is \$2.24 billion, which represents an increase of \$71.0 million, or 3.3 percent, from the Fiscal Year 2026 Adopted Budget. General Fund revenues are comprised of four major revenue sources, and a series of other revenue sources primarily generated by departments. The City's four major General Fund revenue sources are property taxes, sales taxes, transient occupancy taxes (TOT), and franchise fees. These sources account for a total of \$1,539.1 million or 68.8 percent of the Fiscal Year 2027 Draft Budget General Fund revenues and are projected to increase

by \$43.2 million, or 2.9 percent, from the Fiscal Year 2026 Adopted Budget and represents a slight increase of \$1.7 million from the \$1,537.4 million previously forecasted in the FY 2027-2031 Five-Year Financial Outlook (Outlook). The increase in major General Fund revenues from the Fiscal Year 2026 Adopted Budget is primarily due to an increase of \$38.3 million in property tax revenue and \$11.8 million in sales tax revenue, partially offset by a \$5.4 million decrease in TOT revenues. The Fiscal Year 2027 Draft Budget revenues are based on projections included in the Fiscal Year 2026 Mid-Year Budget Monitoring Report (Mid-Year Report) and the most recent economic data available at the time of development of this budget.

In addition to increases in the major General Fund revenues, other revenue sources reflect a net increase of \$27.8 million, or 4.1 percent. The increase in other revenues is primarily associated with a \$12.4 million increase in TOT revenue reimbursements for eligible expenditures in General Fund Departments; \$7.7 million increase in anticipated interest earnings in the General Fund; and \$6.0 million in revised General Government Services Billing revenue.

### Fiscal Year 2027 General Fund Revenues - \$2.24 Billion



### General Fund Expenditures

The Fiscal Year 2027 Draft Budget for General Fund expenditures is \$2.24 billion, representing an increase of \$71.0 million, or 3.3 percent, from the Fiscal Year 2026 Adopted Budget. These expenditures are primarily supported by major General Fund revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees. The Fiscal Year 2026 Adopted Budget prioritizes funding to preserve core service

levels. Expanded services include the operations of new facilities. The list below highlights some of the General Fund critical expenditure additions:

### **Administrative Support**

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Citywide Elections	Funding of non-personnel expenditures to support 2026 General Elections.
Consulting Services	Funding of non-personnel expenditures to support sales tax consulting services for sales, transactions, and use tax audit services.
Fee Support	Funding of positions and non-personnel expenditures to support City Treasurer's Contractor Compliance Application Program, Hospitality Minimum Wage Program, and Traffic Control Worker Minimum Wage Program.

### **Climate Action Plan**

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Tree Planting and Maintenance	Funding of non-personnel expenditures to support tree planting and maintenance.
Ready, Set, Grow San Diego Support	Funding of non-personnel expenditures to support to bolster tree equity within the City.

### **Equity and Diversity**

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

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Shelter Support	Funding of non-personnel expenditures to support shelter operations at the Domestic Violence Shelter, Haven Interim Family Shelter, and Veterans Village of San Diego.
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### **Independent Departments**

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Consumer Protection	Funding of positions to protect consumers regarding unfair business practices.
Gun Violence Response Unit	Funding of positions and expenditures to support the Gun Violence Response Unit and regional Firearm Relinquishment Task Force.
Legal Support - EMS	Funding of position for legal guidance by City Attorney Office for new Emergency Medical Services system.

### **Livable Neighborhoods**

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Animal Services Contract	Funding of non-personnel expenditures to restore contractual obligation for the San Diego Humane Society contract.
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New Park Facilities	Funding of positions and expenditures to operate and maintain new parks and joint-use facilities.
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## Public Safety

Outreach Services	Funding of non-personnel expenditures to support outreach services and homeless encampment abatements on State right-of-way.
Permitting Support	Funding of positions to support Fire Code Plan Review and Permitting processes.
Parking Enforcement	Funding of positions to support Parking Enforcement operations.
Wellness Services	Funding of wellness exams, behavioral and psychological services in the Fire-Rescue department.

## Stormwater

Levee Support	Funding of non-personnel consulting support for engineering studies required to achieve levee certification and address issues with the City's levee system.
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## Transportation

Right-of-Way Support	Funding of non-personnel expenditures to support sidewalk repair, address critical needs for asphalt and cement, and support for capital repairs for City departments.
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## Waste and Recycling

User Fee Study	Funding of non-personnel expenditures for a consultant to conduct a rate study for Assembly Bill (AB) 939 fees, franchise fees, and Miramar Landfill tipping fees.
Ineligible Trash Customers	Funding of non-personnel expenditures to support collection and disposal of trash for residents who haven't transitioned to a private refuse hauler.

## Balanced Budget and Conclusion

The Fiscal Year 2027 Draft Budget aims to preserve core services including public safety, homelessness, housing, and infrastructure. This balanced budget includes budget reductions while prioritizing the aforementioned areas; additionally, it utilizes a mix of one-time and ongoing resources to balance the budget. Looking forward, the City may need to consider additional ongoing reductions or waiving contributions to reserves as revenues catch up, in order to achieve a structurally balanced General Fund budget.