



# Pavement Management Plan Annual Update

Fiscal Year 2026 (FY26)

April 2026

## Update Overview

This document is the second annual update to the *Pavement Management Plan* published in January 2024. It provides a summary of Fiscal Year 2025 accomplishments, Fiscal Year 2026 goals, and outlines current and projected funding needs based on recent investments. For more information on the City's street network, pavement maintenance and rehabilitation treatments, street selection process, the 2023 pavement condition assessment, and the in-house paving assessment, please refer to the [2024 Pavement Management Plan](#).



In-house paving crew placing new asphalt to restore roadway surface and extend pavement life.



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## 1. Introduction

In January 2024, the City of San Diego (City) published its first-ever [Pavement Management Plan \(PMP\)](#) for Fiscal Year 2024 (FY24). That milestone plan established a comprehensive framework for managing the City's extensive street network, which includes over 6,600 lane miles of streets and alleys and outlined strategies, criteria, and funding needed to maintain an average citywide Pavement Condition Index (PCI) of 70. It also introduced new levels of transparency by clearly defining the data, metrics, and prioritization methods used to guide the annual paving program.

The FY25 PMP Update, released in April 2025, served as the first annual update to the plan. That update summarized the City's progress during FY24, outlined FY25 mileage goals, and provided updated funding projections. It also highlighted program challenges, including limited funding, construction market conditions, and the startup of the in-house paving program. The [FY25 PMP Update](#) further evaluated multiple long-term funding scenarios and recommended a planning approach focused on maintaining a network-wide PCI of 65 given prevailing fiscal constraints, representing a shift from the original PMP goal of achieving a PCI of 70.

Building on that foundation, this **Fiscal Year 2026 Pavement Management Plan Update provides an overview of FY25 accomplishments, including progress on paving mileage, equity-based investments, and unimproved street initiatives. It also outlines goals for Fiscal Year 2026 (FY26), summarizes the in-house paving program improvements, and updates funding needs based on current and projected investments.** The Transportation Department continues to lead the City's pavement management program in close coordination with other City departments and regional partners to ensure the efficient movement of people and goods, enhance the quality and safety of the transportation network, and support the City's broader infrastructure and sustainability goals.



A photo of a recently paved Mission Bay Drive performed by the in-house Mill & Pave team.

## 1.1 PMP Annual Update Overview

This second annual update continues to find the City’s street network in desperate need of significant investment to avoid a precipitous decline in road quality citywide. Based on the current funding outlook, the overall condition of City streets will slowly degrade to “poor” within the next decade without additional resources. Despite that challenge, the City continues to expand in-house operations that have proven to give taxpayers the best bang for their buck.

The update maintains the strategic approach outlined in the original PMP, incorporating the [Performance Audit of the City’s Street Maintenance Program](#) and emphasizing the long-term sustainability of the City’s street network. In addition to summarizing program accomplishments and future goals, this report highlights the City’s ongoing focus on equity-based paving investment, the City’s efforts to address unimproved streets, and the progress of the in-house paving operations.

This PMP Update also discusses anticipated challenges in meeting future paving goals, and identifies potential strategies to help the City prioritize projects, optimize resources, and effectively manage available funding.

## 1.2 Updated Pavement Funding Scenarios

The [FY24 PMP identified a 10-year funding need of \\$1.9B](#), with a funding gap of \$1.2B, required to achieve and sustain the desired Pavement Condition Index (PCI) of 70 within that time period. The plan emphasized the need for additional, stable revenue sources to close this funding gap and maintain the long-term health of the City’s street network. In November 2024, a ballot measure was pursued for a 1% sales tax increase within the City of San Diego (Measure E). That revenue would



Cold milling operation removing existing pavement surface as part of roadway rehabilitation.

have supported reducing the funding gap for the paving program. However, this item did not receive enough votes to pass. **As a result, the City continues to face a significant budget deficit, including a funding gap for paving, for Fiscal Year 2026 (FY26) and beyond.**

The FY25 PMP Update presented revised pavement funding scenarios that reflect the current fiscal outlook, and recommended a funding scenario focused on

maintaining a PCI of 65 given the anticipated available funding levels. This FY26 Annual Update further evaluates potential strategies to prioritize limited resources, maintain critical pavement assets, and preserve overall network conditions within available funding levels.

### 1.3 In-House Paving Team

The FY24 PMP evaluated the feasibility and cost-effectiveness of performing additional pavement rehabilitation work using City crews. The analysis determined that at lower mileages City crew paving operations are more cost-effective per lane mile of asphalt overlay compared to contracted paving performed by contractors, while also providing greater flexibility in addressing localized or time-sensitive needs.

Building on those findings, the **City doubled its in-house paving teams to four to perform cost-effective rehabilitation of City streets in FY25.** These teams focus on improving streets in “poor” to “failed” conditions that are not scheduled for contractor-led resurfacing projects, allowing the City to more efficiently target backlog areas and maximize the impact of available funding.



City in-house team performs asphalt placement to rehabilitate streets in poor condition.

The in-house paving program represents a key component of the City’s long-term pavement management strategy, supporting both cost efficiency and operational resilience. Additional information on the in-house teams’ FY25 accomplishments and FY26 goals is included in [Section 3.2](#).

### 1.4 Pavement Condition Assessment Cycle

Pavement condition assessments are typically conducted on a four-year cycle to ensure pavement condition data remains accurate, consistent, and reflective of field conditions. The City conducted an assessment in 2016 and again in 2023, with the newest serving as the baseline for the FY24 Pavement Management Plan and subsequent annual updates. The industry best practice is to conduct new assessments every four years, which is why the Transportation Department has requested funding in the FY27 budget process for a new assessment. If funded, the FY27 assessment will update Pavement Condition Index (PCI) values across the City’s street network and will be used to recalibrate pavement performance trends, funding scenarios, equity metrics, and street selection criteria in future PMP updates. Until the next assessment is completed, PCI projections in this update are based on modeled performance informed by recent paving investments and historic deterioration rates.

## 2. Fiscal Year 2025 Accomplishments

During FY25, the City made substantial progress toward maintaining the condition, performance, and equity of its roadway network. Despite funding constraints and rising construction costs, the City achieved notable results in pavement maintenance and rehabilitation, expanded its in-house paving operations, advanced equity-focused investment strategies, and continued planning for the improvement of unimproved streets. These accomplishments demonstrate the City's continued commitment to a proactive, data-driven, and equitable pavement management strategy that prioritizes cost efficiency, sustainability, and community equity. These efforts ensure safer and more accessible streets for all residents.

### 2.1 Pavement Maintenance and Rehabilitation Mileage Performance

In FY25, the City of San Diego successfully delivered a comprehensive pavement maintenance and rehabilitation program aligned with available budget and operational capacity. Cost-efficient pavement maintenance techniques are activities that preserve pavement that is in "satisfactory" to "good" condition, such as [crack seals](#), [slurry seals](#), and [cape seals](#). More extensive pavement rehabilitation includes activities to resurface or reconstruct roads in "failed" to "fair" condition, such as asphalt overlay, full-depth reclamation, or reconstruction. Figure 2-1 illustrates the City of San Diego's pavement maintenance and rehabilitation efforts over the past 10 years. **FY25 stands out as one of the more productive years, with 543 lane miles of pavement maintenance and rehabilitation completed (381 lane miles of maintenance and 162 lane miles of rehabilitation).**

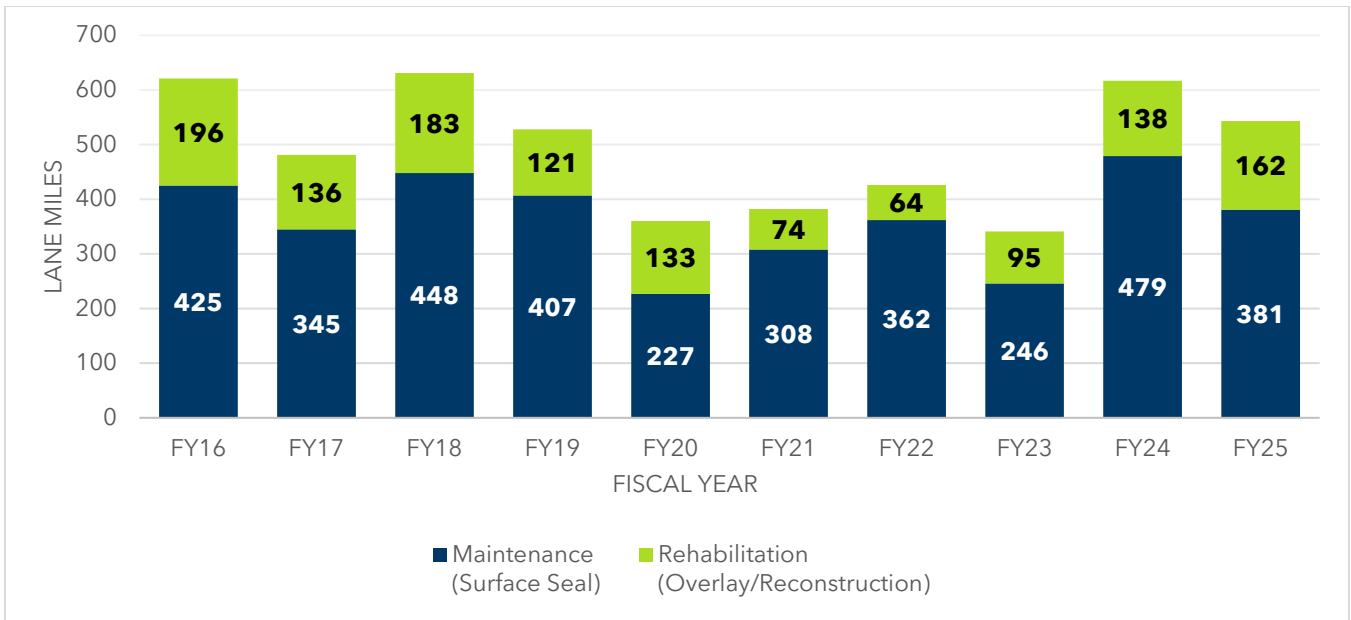


Low-cost maintenance techniques like seals are cost effective because they maintain streets in "satisfactory" or "good" conditions and prevent deterioration to "failed" or "fair" conditions which require more costly treatments.

FY25 achievements reflect the City's focused efforts to prioritize pavement preservation through surface seals and other maintenance treatments to extend the life of streets. The City completed 381 lane miles of pavement maintenance in FY25, surpassing the year's initial goal of 300 lane miles of maintenance. The City also completed 162 lane miles of pavement rehabilitation in FY25, surpassing the year's initial goal of 125 lane miles. The City's four in-house

paving teams (three mill & pave teams and one reconstruction team) completed 24 lane miles of rehabilitation, providing an efficient, cost-effective supplement to contractor paving.

**Figure 2-1** highlights the pavement lane miles completed over the last decade and demonstrates the paving mileage completed in FY25 as the fourth highest mileage in the last decade.



**Figure 2-1.** 10-year Pavement Lane Miles Completed



FY25 paving milestone event recognizing the City's achievement of exceeding annual pavement maintenance and rehabilitation goals.

## 2.2 In-House Paving Teams

FY25 marked the successful launch and first full year of operation for the City's four in-house paving teams - three mill-and-pave teams and one reconstruction team. These crews were established to expand the City's capacity for cost-effective rehabilitation work and to address smaller streets in poor to failed condition that were not scheduled for contractor resurfacing projects.

In their first year, the in-house teams completed approximately **24 lane miles of curb-to-curb pavement rehabilitation (surpassing their goal of 20 lane miles), focusing primarily on streets in "poor" to "failed" condition.** Beyond the direct production benefits, the in-house program has provided valuable data for evaluating the cost efficiency, productivity, and flexibility of City-led paving operations compared to contracted work. **In FY25, the reported average cost per lane mile for the in-house paving teams was approximately \$1.2 million per mile, compared to approximately \$1.5 million per mile for contractor-delivered overlay projects.** The early results demonstrate competitive cost performance and operational flexibility, and the Department will continue to monitor and evaluate cost effectiveness and performance metrics as the program matures.



In-house paving crew conducting curb-to-curb rehabilitation, improving localized street conditions.

## 2.3 Equity Performance

In FY25, the City strengthened its commitment to equity in pavement management, ensuring that investments in street maintenance and rehabilitation continue to benefit communities subject to historic underinvestment. Building upon the FY24 framework, **equity factors played a key role in the prioritization process for FY25 pavement maintenance and rehabilitation street selection.** This factor considers a street's proximity to locations designated as communities with equity needs. These communities are defined as areas with "very low," "low," or "moderate" Climate Equity Index, eligible for Community Development Block Grant (CDBG) funds, or in a Promise Zone. Applying an equity lens allows for analyzing the City's streets and its communities to appropriately frame policy, practice, and budget decisions with the goal of producing equitable outcomes. For more information on how equity is included in the street selection process, please refer to the [Inclusion of Equity in Street Selection](#) section of the FY24 PMP.

**In FY25, the City established a goal of allocating at least 43% of annual paving work within communities with equity needs.** FY25 accomplishments reflect steady progress toward this goal. Street selection for maintenance and rehabilitation projects are typically completed the fiscal year before paving begins. **In FY25, 52% of streets were selected within communities with equity needs for FY26 construction, which exceeds the annual goal of 43%.**

The City continues to strengthen its commitment to equitable infrastructure investment by refining how equity metrics are applied to street selection and resource allocation. This approach ensures that future paving programs consistently deliver benefits to historically underserved neighborhoods.

## 2.4 Unimproved Street Performance

In FY25, the City's efforts related to unimproved streets were limited to requesting funding in the FY26 budget to improve two unimproved streets. Due to broader Citywide budget constraints, no dedicated construction funding was allocated, and the Transportation Department was not able to advance construction or formal prioritization activities for unimproved streets because of these budget constraints. Efforts during the year focused on maintaining existing data and preserving readiness for future work once funding becomes available. Formal evaluation and pilot selection activities have been deferred until dedicated funding is identified.



Example of an unimproved street requiring significant investment for full construction and drainage improvements.

Funding for unimproved streets remains a long-term challenge; however, the City remains committed to identifying viable strategies to improve and fund the unimproved street network. The Transportation Department will continue high-level planning efforts, including evaluating potential pilot locations and developing preliminary scoping and cost information, to position future projects for funding as opportunities arise. This approach supports proactive planning while maintaining flexibility to advance projects when resources become available.

## 3. Fiscal Year 2026 Goals

As the City of San Diego progresses into FY26, the primary focus will be to maintain essential pavement maintenance and rehabilitation services while navigating significant budget constraints and rising construction costs. The FY26 goals emphasize preserving the condition of the roadway network, strategically deploying available resources, and continuing to advance equity, in-house paving capabilities, and long-term planning for unimproved streets. The goals outlined below are aligned with the available budget and build upon the progress achieved in FY25.

### 3.1 Pavement Maintenance and Rehabilitation Mileage Goals

For FY26, the City's pavement maintenance and rehabilitation goals reflect the funding levels in the adopted budget, while prioritizing treatments that extend pavement life, address critical needs, and maintain a stable overall network condition. The FY26 goals include the completion of **225 lane miles** of pavement **maintenance** and **115 lane miles** of pavement **rehabilitation** via contractors, and **30 lane miles** completed via the **City in-house crews** for a total target of 370 lane miles. **These targets reflect the actual funding received in FY26, which is significantly less than the 816 lane miles targeted for Year 2 (FY26) in the funding needed to achieve a PCI of 70 in 10 years scenario (Table 3-7 of the FY24 PMP).**

**These targets reflect the actual funding received in FY26, which is significantly less than the 816 lane miles targeted for Year 2 (FY26) in the funding needed to achieve a PCI of 70 in 10 years scenario (Table 3-7 of the FY24 PMP).**

These mileage targets balance available resources with the need to preserve pavement network health and prevent future costly reconstruction. The in-house paving teams will play an expanded role in FY26 by delivering a larger share of rehabilitation work, particularly on smaller-scale streets that are not included in contractor resurfacing contracts.



FY26 goals are to complete **225 lane miles** of pavement **maintenance**, **115 lane miles** of **rehabilitation** via **contractors**, and **30 lane miles** via **City in-house crews**.



City crews completing asphalt finishing work as part of in-house rehabilitation efforts.

### 3.2 In-House Paving Team

FY25 marked a significant expansion of the City of San Diego's in-house paving capabilities, with the launch of two additional paving teams for a total of three mill & pave teams and a reconstruction team. Funded as part of the City's broader strategy to improve pavement conditions and reduce reliance on contractor-delivered work, these teams focus on curb-to-curb pavement work, targeting streets that are in "poor" to "failed" condition that are not scheduled for contractor paving. In FY25, the in-house paving team completed 24 lane miles of rehabilitation. Building on this progress, the team's goal for FY26 is to complete 30 lane miles of rehabilitation, allowing the City to continue addressing smaller-scale projects and streets that won't be completed via contractors.



Contractor applying slurry seal to preserve pavement condition and extend the life of existing streets.

### 3.3 Equity Goals

FY24 was pivotal in integrating equity into the street selection process for paving, with targeted investments in communities with equity needs. In FY25, the City continued strengthening this approach by refining its selection methodology to ensure underserved areas receive a fair and measurable share of pavement improvements. For FY26, the City will maintain its commitment to selecting at least 43% of streets for paving within communities with equity needs. This equity-based selection metric will guide the FY26 street selection process and future years and will be re-evaluated following the next comprehensive pavement condition assessment to ensure it remains accurate and effective. This metric provides a transparent, data-driven benchmark that allows the City to track progress and demonstrate consistency in equitable street investments year over year.

In addition to guiding capital street selection, equity considerations are incorporated into ongoing maintenance operations. While the Department responds to 100% of Get It Done (GID) pothole reports citywide, crews also conduct proactive field identification when operational capacity allows, particularly in areas with historically lower reporting activity. For example, during October 2025 dry-weather operations with reduced backlog levels, approximately 14% of pothole repairs were proactively generated by in-house crews to support more balanced service delivery across the street network. From July through September 2025, approximately 29% of completed pothole service notifications occurred within Communities with Equity Needs.

It is important to note that paving occurs throughout the City through private permits and other Capital Improvement Projects (CIPs) outside of the paving program. This street selection metric will only apply to the annual street selection for slurry seal and overlay projects.

### 3.4 Unimproved Streets Goals

In FY26, the Transportation Department will continue to pursue its established goal of **requesting funding to improve two unimproved streets per year**. These streets, which were never constructed to City standards, require substantially higher investments than typical paving projects due to the level of improvement involved – such as grading, drainage, and new utility infrastructure. The Department will continue to submit annual funding requests for these locations in FY26 and subsequent fiscal years to ensure steady progress on addressing the backlog of unimproved streets.



The City's milling machine removing existing asphalt and loading material for recycling during pavement rehabilitation.

## 4. Current and Future Funding Needs

Over the past two fiscal years, pavement funding has remained well below the level needed to maintain the City's street network in a state of good repair.

**FY25:** The City allocated only 59% of the funding needed to support the PMP's original pavement strategy, which was to reach a PCI of 70 in 10 years.

**FY26:** Funding totaled \$83M, which is approximately 32% of the annual level needed to reach a PCI of 70 in 10 years per the FY24 PMP.

Because of these sustained shortfalls, the City has **shifted its pavement strategy from pursuing a PCI 70 to maintaining a PCI of 65**. However, based on current funding levels, pavement conditions are projected to decline from 65 to 63 at the end of FY26 and funding levels remain insufficient to fully maintain 65 over time. In November 2024, a ballot measure was pursued for a 1% sales tax increase within the City of San Diego (Measure E). This ballot measure would have provided a dedicated funding source to reduce the long-term pavement funding gap for the paving program. However, the measure did not receive enough votes to pass. As a result, the City continues to face significant budget constraints in Fiscal Year 2026 (FY26) and is projecting structural funding challenges in FY27 and beyond.

**Section 4** outlines three potential funding scenarios and their impacts, given the current budget deficit. These scenarios will need to be evaluated for FY27 budget discussions.

#### 4.1 FY26 Funding

For FY26, the City of San Diego allocated **\$36 million** for pavement maintenance and **\$47 million** for rehabilitation, a total of **\$83 million for FY26**. Under the FY24 PMP model - which targeted achieving a citywide average PCI of 70 - the annual funding level required was approximately \$259 million. The FY26 allocation therefore represents 32% of the annual amount previously needed to fully meet the City's long-term preservation need. However, due to significant Citywide budget constraints, the PMP model has been updated. Instead of aiming to increase the network PCI to 70, the City has shifted to a more financially attainable goal of maintaining an average PCI of 65. This reflects both the fiscal realities facing the City and the progress made in recent years, where accelerated paving efforts helped raise network conditions above earlier projects.

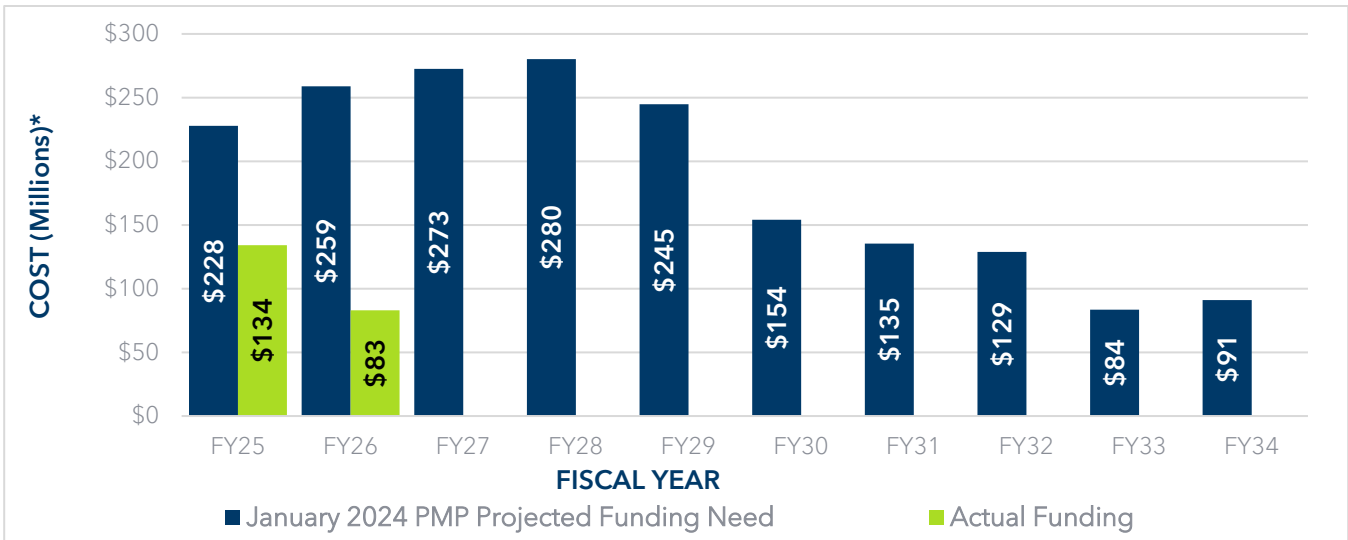
**Figure 4-1** provides a visual comparison of the funding received in FY26, versus the 2024 PMP target funding need for FY26 to maintain the City's pavement network at optimal levels, showing a significant deficit compared to the anticipated funding from the FY24 PMP. Despite these constraints, the City remains committed to addressing critical pavement needs by maximizing the impact of available resources. Strategic efforts will target the streets most likely to require more expensive treatments, while ensuring equity remains central to the City's maintenance and rehabilitation strategy.



Completed roadway resurfacing project enhancing ride quality, safety, and multimodal striping.



The FY26 **received funding** of \$83M is **32%** of the **projected funding need** in the FY24 PMP of \$259M



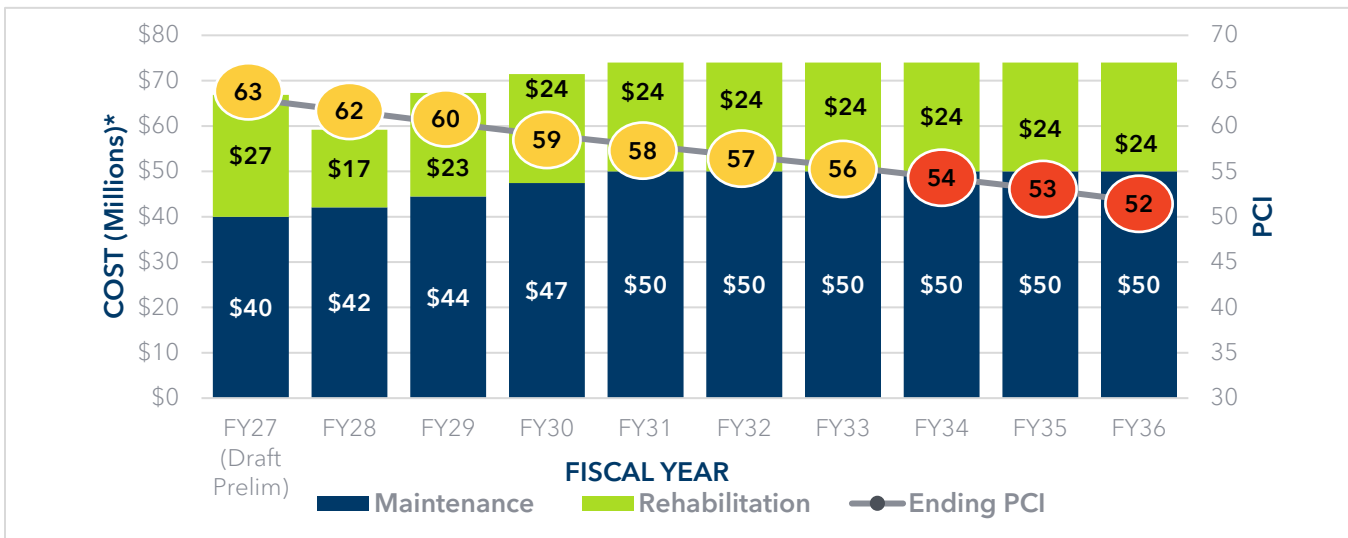
\*2024 dollars

**Figure 4-1.** FY Actual vs. Projected Funding Need

### 4.2 Current Known Funding Scenario

The City has [six funding sources](#) for transportation infrastructure, as outlined in the FY24 PMP. These funding sources are: Road Maintenance & Rehabilitation Account (RMRA), TransNet, Gas Tax, Street Damage Fee, Infrastructure Fund, and Debt Financing. Only four of the six funding sources are projected to receive funding over the next 10 years (FY27-FY36): RMRA, TransNet, Gas Tax, and the Street Damage Fee. The City ran a funding scenario to determine the impacts to the PCI if only this funding were received, shown in **Figure 4-2**.

This projected current funding pattern is predicted to drop the City’s average street network PCI from a PCI of 63 (“fair”) in FY27 to a PCI of 52 (“poor”) by the end of **FY36** as depicted in **Figure 4-2**. This PCI decline is an estimate and will be refined following the next comprehensive street condition assessment. The consequences of underfunding are severe, as deterioration is not linear over time. As the pavement deteriorates, the cost of repair rapidly increases. [Figure 3-5](#) from the FY24 PMP highlights the financial consequences of underfunding; streets that are proactively maintained or repaired while in good condition will generally cost less over their lifetime than those left to



\*2026 dollars

**Figure 4-2.** Current Funding Scenario for Pavement Maintenance and Rehabilitation FY27 - FY36

deteriorate to a “poor” condition. It is recommended that more funds are allocated to the paving program to prevent the street network from slipping into “poor” condition.

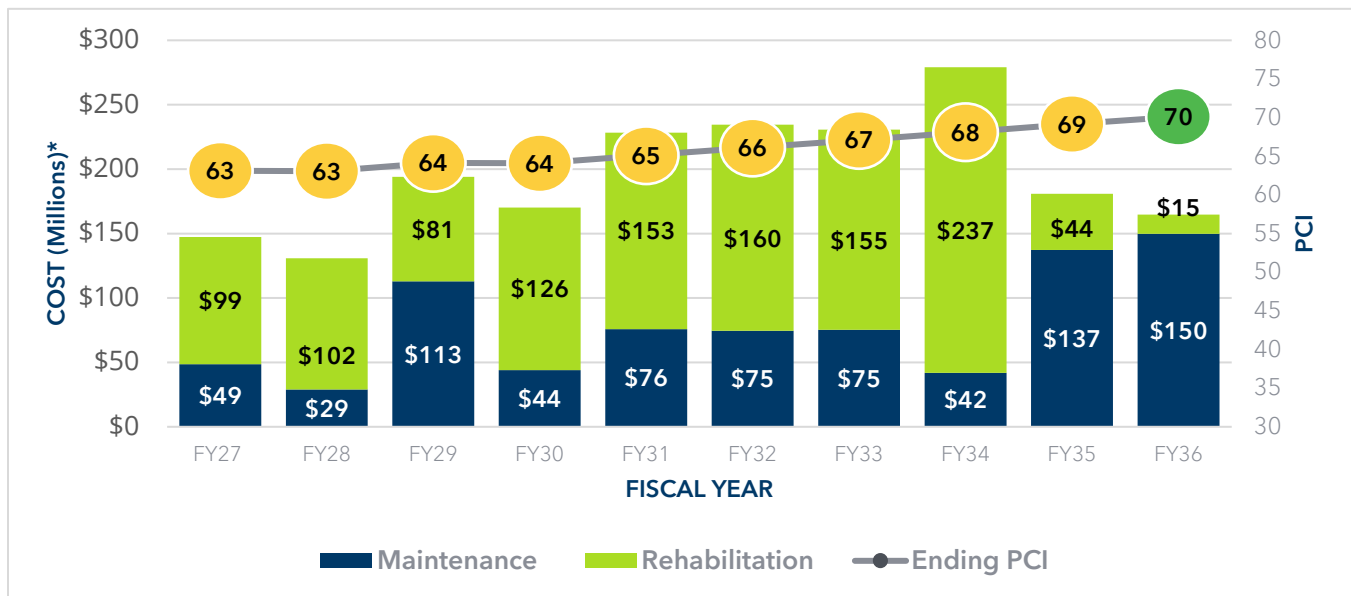
### 4.3 Funding Scenario to Reach PCI of 70

Another funding scenario that should be considered aims to reach a PCI of 70 over the next 10 years, as originally recommended and preferred in [Section 3.4 of the FY24 PMP](#). **Table 4-1** and **Figure 4-3** illustrate the funding scenario over the next decade (FY27 - FY36) to achieve this goal. **Over the next 10 years, the financial need is \$2.0B, with a funding gap of \$1.3B to reach a PCI of 70.**

Similar to the [Recommended Funding Strategy](#) in the FY24 PMP to achieve a PCI of 70 over 10 years, the total funding need is \$1.9B. This similar funding need is due to the recent historic paving mileage and investments over the past few fiscal years, which have contributed to a projected PCI of 65 by the end of FY25. Although the funding need is similar, the year to reach a PCI of 70 is FY36 compared to FY32 in the original PMP. The scenario represents an ideal scenario used for budget planning purposes and will be revised as actual funding sources are identified. The reality of this scenario is challenging given the City’s current budget deficit, as explained in the beginning of [Section 4](#).

**Table 4-1.** Funding Scenario to Reach PCI of 70

Scenario Differences	Known Funding Sources (Section 4.2)	PCI to 70 Scenario (Section 4.3)	FY24 PMP PCI to 70 Scenario (Figure 4-1)
<b>Year to PCI 70</b>	--	FY36	FY32
<b>10-Year Funding</b>	\$0.7B (Anticipated)	\$2.0B (Needed)	\$1.9B
<b>10-Year Funding Gap</b>	--	\$1.3B	\$1.2B



\*2026 dollars with 3% annual cost increase

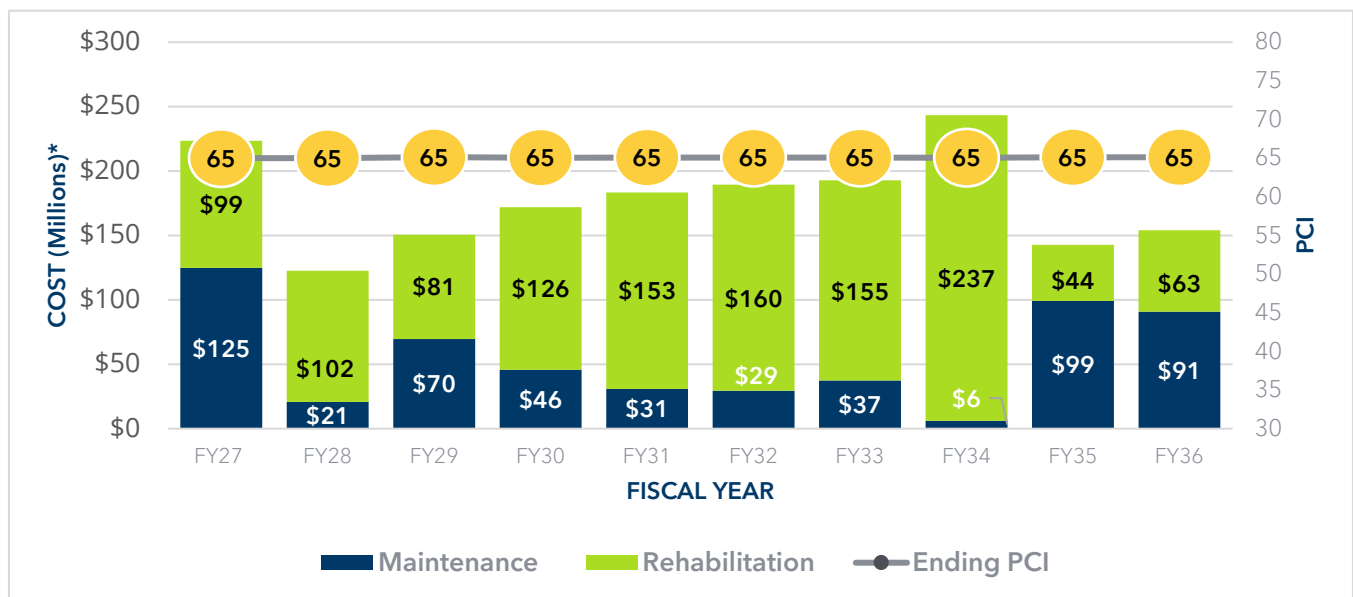
**Figure 4-3.** Funding Scenario for 10-year PCI 70

#### 4.4 Funding Scenario to Maintain Current Condition (PCI 65)

An alternative funding scenario is maintaining the current pavement condition at a PCI of 65. This balances the street network by maintaining a “fair” designation while being cognizant of the current budget deficit. This is preferred to the current anticipated funding scenario (Section 4.2), which may result in a “poor” PCI designation and require more money over time to maintain and improve the deteriorated streets. This scenario may be more financially realistic than raising the PCI to 70 and keeps the street network out of the “poor” designation while maintaining current conditions. **To maintain the PCI of 65 over the next decade, the 10-year financial need is \$1.8B, with a funding gap of \$1.1B**, as shown in Table 4-2 and Figure 4-4. This is the preferred and recommended approach, given the current budget deficit.

**Table 4-2.** Funding Scenario to Maintain PCI of 65

Scenario Differences	Known Funding Sources (Section 4.2)	Maintain PCI of 65 (Section 4.4)	FY24 PMP PCI to 70 Scenario (Section 3.4 of FY24 PMP)
Ending FY36 PCI	52 “Poor”	65 “Fair”	70 “Good”
10-Year Funding	\$0.7B (Anticipated)	\$1.8B (Needed)	\$1.9B
10-Year Funding Gap	--	\$1.1B	\$1.2B



\*2026 dollars

**Figure 4-4.** Funding Needed to Maintain PCI 65

## 4.5 Future Funding Outlook

Due to the City’s current budget deficit, the three scenarios described above will be used to develop the budget for FY27 and beyond, with the goal of maintaining the paving network. The funding scenarios presented are intended for planning purposes only. These scenarios will be updated annually as actual funding sources are identified and to reflect the City’s operational capacity. This approach helps ensure that planning remains responsive to both available funding and the City’s actual capacity to deliver projects. **Table 4-3** summarizes the three funding scenarios described above and the required funding for each. **Due to the current budget deficit, the funding scenario to maintain a PCI of 65 is the more feasible funding approach compared to the funding needed to reach a PCI of 70.**

**Table 4-3. Comparison of Funding Scenarios**

Sufficient funding applied proactively extends the life cycle of the City’s street network and reduces long-term costs, and the importance of proactive pavement management funding cannot be overstated. Tactical street maintenance and repairs create safer streets and more enjoyable and equitable conditions for drivers, bicyclists, and pedestrians.

	Known Funding Sources	Funding needed to achieve PCI 70	Funding needed to maintain PCI 65
Ending FY36 PCI	52 "Poor"	70 "Good"	65 "Fair"
10-year Funding (FY27 - FY36)	\$0.7B (Anticipated)	\$2.0B (Needed)	\$1.8B (Needed)
10-year Funding Gap (FY27 - FY36)	--	\$1.3B	\$1.1B

## 5. Anticipated Challenges and Strategies to Achieve Goals in FY26

The [FY25 PMP Update](#) identified several ongoing challenges with the street resurfacing program including limited contractor availability, rising construction costs, material supply constraints, and weather-related delays. These challenges continue into FY26, with additional pressures emerging from increased reliance on City crews, shifting budget realities, and reduced funding for certain maintenance activities. This section outlines the anticipated challenges for FY26 and potential solutions for this fiscal year and beyond.

### 5.1 Contractor Pool

#### **Challenge - Limited Contractor Availability:**

The availability of qualified contractors for paving and maintenance projects remains constrained. Due to the specialized nature of pavement work, a small number of contractors are consistently bidding on the City’s resurfacing projects. This lack of competition can lead to higher costs and delays in project completion. It can contribute to higher prices, capacity bottlenecks, and scheduling challenges - especially when regional demand spikes or when contractor prioritize larger-scale projects.

### **Strategy - Continued Outreach, Market Engagement, and Supplemental In-House Work**

To expand the contractor pool and improve competitiveness, the City will continue its targeted outreach and contractor engagement efforts. FY26 outreach will focus on educating smaller and emerging contractors about bidding opportunities, City requirements, and how they can participate in future pavement projects. By hosting these events, the City aims to attract a more diverse group of contractors and increase visibility and competition, ultimately driving down costs and increasing the annual resurfacing mileage that can be completed within the City.

In parallel, the City continues to increase the amount of pavement maintenance performed by in-house crews, particularly for localized and smaller maintenance projects. This approach provides scheduling flexibility, increases responsiveness and reduces reliance on external contractors. Maintaining and strengthening the in-house pavement teams through training, staff, and equipment investments will remain a priority in FY26 to support overall resurfacing delivery.



Traffic control in place to safely guide vehicles through active paving operations.

## **5.2 Funding Shortfalls**

### **Challenge - Reduced and Uncertain Funding:**

While the City made progress in prior years, FY26 marks a significant shift in the financial landscape for the pavement program. The defeat of Measure E in November 2024 eliminated a potential long-term revenue source, and the City is now facing a substantial budget deficit in FY26 and projected shortfalls in subsequent years. As a result, pavement funding dropped from FY25 levels, and available resources remain well below the annual amount required to maintain the street network at the previously adopted target of PCI 70. Given these constraints, the program's focus has shifted from improving the network to maintaining an average PCI of 65 and preventing accelerated deterioration. Without consistent and predictable funding, resurfacing volumes fluctuate, deferred maintenance grows, and long-term rehabilitation costs increase.

### **Strategy - Advocate for Stable Funding and Maximize Existing Resources:**

The City continues to prioritize securing stable, year-over-year funding for its pavement management efforts. To achieve this, the City is working closely with regional partners and stakeholders to advocate for dedicated funding streams. Exploring new funding avenues, such as state and federal grants, public-private partnerships, and potential local ballot measures, will be a key part of this strategy. The Transportation Department coordinates with internal departments to bundle resurfacing with other capital work to maximize efficiency and reduce repeated excavations. Evaluate project delivery methods and packaging strategies to stretch limited funds further. Long-

term sustained investment remains essential to avoid deeper deterioration and rising lifecycle costs. Even with the program's shift to maintaining a PCI of 65, predictable funding is critical to stabilize pavement conditions and prevent further backlog growth and more expensive repairs in the future.

### 5.3 Utility Projects Under the Old SPO

#### **Challenge - Pavement Replacement Driven by PUD Projects (Old SPO Requirements):**

Under the prior Street Preservation Ordinance (SPO), water and sewer main replacement projects led by the Public Utilities Department (PUD) often triggered full-width pavement replacement



City engineering staff performing field mark-outs to support coordination and implementation of slurry seal projects.

requirements. While these improvements are essential for utility infrastructure, they frequently resulted in resurfacing streets outside of TD's planned maintenance and rehabilitation priorities. Although utility-driven resurfacing can be counted toward annual production totals, these lane miles do not align with the streets recommended through the Pavement Management Program. As a result, they limit TD's ability to recommend the specific lane miles needed to maintain the Citywide PCI and meet PMP priorities.

#### **Strategy - Improving Coordination and Transparency for Utility-Driven Pavement Replacement**

In FY26, the Transportation Department will continue to work with PUD to improve coordination and transparency related to pavement replacement resulting from utility projects. This includes earlier information sharing on planned utility work, tracking utility-driven resurfacing separately from PMP-recommended lane miles, and coordinating schedules where feasible to reduce impacts to planned resurfacing. These efforts will support clearer reporting of pavement outcomes while recognizing that utility replacement projects are driven by infrastructure condition, regulatory requirements, and operational needs that may not always align with PMP priorities.

### 5.4 Aging Pavement Network

#### **Challenge - Increasing Structural Deterioration and Rising Lifecycle Costs:**

As the City's pavement network continues to age, an increasing number of streets are transitioning from fair to poor condition. Deferred maintenance, funding limitations, utility trenching, and competing capital priorities have accelerated pavement deterioration on some corridors, reducing the effectiveness of lower-cost preservation treatments. As pavements deteriorate beyond

preservation thresholds, the City must rely on more costly rehabilitation strategies, increasing lifecycle costs and limiting the overall lane-mile coverage achievable within available funding.

**Strategy - Balancing Preservation and Rehabilitation Investments:**

The Department will continue to use a data-driven pavement management approach to balance preservation and rehabilitation needs across the network. This includes prioritizing preventive treatments on streets in fair condition to slow deterioration, strategically allocating funding for structural rehabilitation where preservation is no longer viable, and improving coordination with utility and capital projects to minimize repeated impacts to newly paved streets. Enhanced condition assessment data and lifecycle forecasting will be used to optimize treatment timing and inform future funding strategies, with the goal of stabilizing network condition and maximizing long-term pavement performance.



Example of deteriorated pavement conditions requiring more extensive rehabilitation as streets transition from fair to poor conditions.

**5.5 Material Cost Escalation & Volatility Challenge - Rising Material Prices**

Asphalt, aggregate, emulsions, and trucking costs have risen sharply since 2021 and continue to fluctuate. Unpredictable price escalation continues to impact contract bids and reduce the lane mileage achievable with available funding.

**Strategy - Adaptive Planning Through Market Monitoring**

Proactively monitor commodity indexes to adjust annual lane-mile targets and funding allocations. Enhance market engagement with contractors to anticipate pricing trends to better understand supplier constraints, projected price increases, and opportunities to incorporate innovative materials or methods.

**5.6 Operational Capacity and Production Constraints**

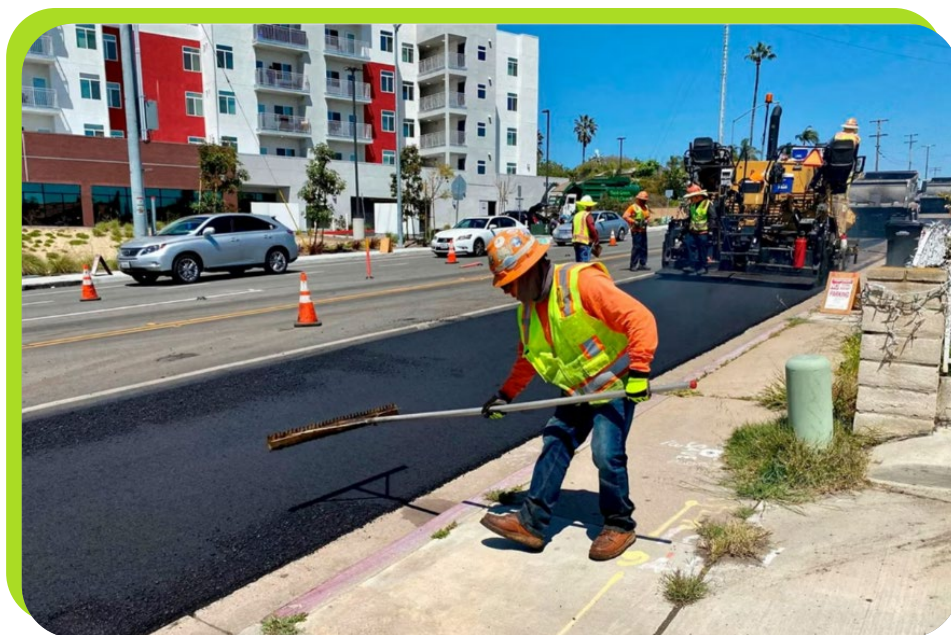
**Challenge - Operational and Resource Constraints:**

In FY25, in-house Mill & Pave (M&P) operations were impacted by a combination of workforce, equipment, funding, and external operational factors that affected production consistency. These included citywide hiring timelines associated with the Request-to-Fill process, procurement lead

times for vehicles and specialized equipment, weather-related delays and emergency storm response obligations, and limited availability of overtime funding.

Overtime capacity is particularly critical for work performed on high-volume corridors, where daytime operations are not feasible. Without sufficient overtime resources, production schedules can be constrained, and delivery in

certain high-traffic locations becomes either significantly disruptive or operationally infeasible. While these factors did not halt operations, they affected schedule flexibility and production efficiency during portions of the fiscal year.



Contractor performing paving operations on high volume corridor.

### **Strategy - Stabilizing Production Capacity:**

Transportation continues to coordinate with various Departments to improve hiring timelines, streamline equipment procurement, and align overtime funding with operational needs. Stabilizing these inputs will improve schedule reliability and ensure in-house crews can meet performance targets while minimizing impacts to the traveling public.

## **5.7 Delta Fund Projects**

### **Challenge - Reduced Flexibility and Schedule Uncertainty from Bundled Delivery**

Beginning in FY26, the City shifted toward prioritizing Delta Fund paving projects bundled with other infrastructure improvements to maximize efficiency under constrained budgets. While this approach increases cost-effectiveness, it introduces key delivery challenges. Bundled paving projects are driven by the schedules and locations of associated infrastructure work, resulting in less predictable delivery timelines and reduced control over project sequencing. Additionally, because project locations are tied to other capital improvements, the City has limited ability to strategically select street segments, creating challenges in maintaining a geographically balanced overlay program across communities and Council Districts.

## **Strategy - Balanced Delivery Approach and Coordinated Program Management**

Maintain a balanced program that leverages both bundled (Delta Fund) projects and standalone AC overlay group jobs to optimize efficiency while preserving flexibility. Continue coordinating closely with infrastructure program schedules (e.g., Pure Water and utilities) to better align paving delivery and minimize delays. Where feasible, supplement bundled work with targeted overlay group projects to ensure equitable geographic distribution and maintain progress toward annual lane-mile goals. Enhance cross-departmental coordination and long-range planning to improve schedule visibility and reduce uncertainty in bundled project delivery.

## **6. Conclusion**

This Fiscal Year 2026 Pavement Management Plan Update documents the City of San Diego’s continued efforts to manage and preserve an extensive street network of more than 6,600 lane miles under significant fiscal constraints. Building on the framework established in the FY24 Pavement Management Plan and the FY25 Update, this report summarizes recent accomplishments, outlines FY26 goals, and evaluates updated funding scenarios to support informed decision-making.

**Following two consecutive years of elevated paving production, the City entered FY26 with an estimated citywide average Pavement Condition Index (PCI) of approximately 65. This represents a meaningful stabilization of network conditions compared to prior years** and

reflects the combined impact of increased maintenance activity, expanded rehabilitation efforts, and the successful launch of the in-house paving teams.

However, **maintaining this condition level remains highly sensitive to funding availability.** As detailed in this update, FY26 pavement funding represents only a fraction of the investment required to sustainably preserve the network over the long term. While the shift from pursuing a PCI of 70 to maintaining a PCI of 65 reflects fiscal realities, even this reduced target requires consistent and predictable funding. Without additional investment beyond current levels, future pavement condition assessments are likely to show renewed deterioration, with the network at risk of falling back into the “poor” range over time. Such a decline would significantly increase lifecycle costs and reduce the City’s ability to address pavement needs efficiently.

This update underscores the importance of continued proactive pavement management, including prioritizing preventive maintenance,



Recently resurfaced street illustrating the benefits of pavement rehabilitation in improving roadway condition and extending service life.

maximizing the cost effectiveness of in-house paving operations, maintaining equity-based investment strategies, and improving coordination across City departments. Most critically, it highlights the need for stable, long-term funding solutions to preserve recent gains and prevent further degradation of the street network.

The Transportation Department remains committed to transparency, data-driven planning, and responsible stewardship of public infrastructure. This FY26 Update provides a clear assessment of current conditions, realistic expectations under existing funding, and the strategic foundation needed to guide future policy and budget discussions to protect the City's streets for years to come.



Street resurfacing and striping improvements enhancing pavement condition and roadway safety