



REVIEW OF THE FISCAL YEAR
2027 PROPOSED BUDGET

OFFICE OF THE INDEPENDENT BUDGET ANALYST
REPORT 26-11

CHARLES MODICA
Independent Budget Analyst
April 29, 2026

Page Intentionally Left Blank

Table of Contents

| | |
|---|-----------|
| IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget..... | 1 |
| DRE Review of Equity Implications in the FY 2027 Proposed Budget | 13 |
| General Fund Overview | 16 |
| Revenue Overview | 16 |
| Expenditures Overview | 25 |
| Major Additions and Mitigations..... | 32 |
| Reserves | 36 |
| General Fund Reserve | 36 |
| Public Liability Funds | 40 |
| Workers' Compensation Fund | 42 |
| Long-Term Disability Fund | 44 |
| Key Citywide Issues | 46 |
| Classified and Unclassified Positions | 46 |
| Climate Action Plan | 52 |
| Council Budget Priorities | 57 |
| Equity | 59 |
| Homelessness and Housing..... | 67 |
| Infrastructure Funding Needs..... | 70 |
| Pension | 75 |
| Structural Budget Deficit..... | 77 |
| Capital Improvements Program Review..... | 79 |
| Department Reviews | 89 |
| City Attorney..... | 89 |
| City Auditor | 94 |
| City Clerk..... | 97 |
| City Council | 99 |
| City Planning..... | 103 |
| City Treasurer..... | 107 |
| Citywide Program Expenditures | 117 |
| Communications..... | 124 |
| Department of Finance | 129 |
| Department of Information Technology..... | 132 |
| Development Services..... | 143 |
| Economic Development | 151 |
| Engineering & Capital Projects..... | 162 |
| Environmental Services..... | 165 |

Table of Contents

| | |
|---|-----|
| Ethics Commission | 178 |
| Fire-Rescue..... | 180 |
| General Services..... | 188 |
| Homelessness Strategies and Solutions..... | 195 |
| Human Resources..... | 212 |
| Library..... | 216 |
| Office of the Commission on Police Practices..... | 224 |
| Office of the Independent Budget Analyst..... | 226 |
| Office of the Mayor..... | 229 |
| Parks & Recreation..... | 231 |
| Performance & Analytics | 251 |
| Personnel | 258 |
| Police..... | 262 |
| Public Utilities..... | 267 |
| Purchasing & Contracting | 276 |
| Risk Management..... | 282 |
| Special Promotional Programs | 287 |
| Stormwater | 291 |
| Transportation | 299 |

Overview: IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget

IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget

Each year, the Independent Budget Analyst (IBA) provides a comprehensive analysis of the Mayor's Proposed Budget for the City Council and the public – reviewing expenditures and revenues, consistency with City Council and community priorities, identifying service level impacts, ensuring the application of City budget policies and best practices, and pointing out potential impacts on future years.

This involves significant cooperation from the Executive Branch to understand the workings of the \$6.4 billion Proposed Budget, and we appreciate the time taken by the Department of Finance, Mayor's Office, and all operating departments to meet with our Office and to answer our many questions over the past two weeks.

Budget Process and Draft / Proposed Budget

The City Charter requires the Mayor to present a proposed budget to the City Council by April 15th each year, and to propose any necessary revisions in a timely manner to allow for Council consideration. These revisions are generally proposed in May, and the City's Adopted Key Budget Dates for development of the FY 2027 budget details that the May Revision will be released on May 13, 2026. Adoption of a final FY 2027 Budget is scheduled for June 9, 2026.

This year, the Mayor released a Draft Budget for review on April 15, 2026. The initial budget proposed to Council has been presented as a draft budget, for the purposes of

this review it is referred to as the FY 2027 Proposed Budget, which is consistent with past practice and language in the City Charter. While the Proposed Budget includes many budget adjustments – including expenditures additions and reductions – and many of those adjustments are detailed similarly to how they have been in prior years, three significant adjustments in particular – reductions related to library hours, recreation center hours, and homelessness services – have limited detail associated with them. Additional detail on how the administration believes those reductions might be realized is included in this report, though ultimately Council will have authority to provide direction on how or if those reductions should be reflected in the final Adopted Budget.

Role of the City Council in the FY 2027 Budget Process

After release of the Mayor's Proposed Budget on April 15, 2026, the City Charter vests budget authority for finalizing the FY 2027 budget in the hands of the City Council. The Council holds many public hearings reviewing the budget proposals for City departments, hosts meetings to solicit more feedback from constituents and communities, and fully reviews the Proposed Budget.

Council ultimately is tasked with determining whether modifications to the Proposed Budget are necessary to fund critical community priorities that are not addressed in the Proposed Budget, and/or whether additional modifications to the Proposed Budget are necessary to

Overview: IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget

balance community needs and fiscal constraints. The Council has the authority to change budget line items and programs, provided the overall budget remains balanced.

Over the next several weeks, Council will hold evening meetings to solicit public feedback, and meet as the Budget Review Committee to hear presentations from operating departments on the proposed budget for their departments. During these meetings, the Office of the IBA will also present issues of interest, areas of concern, and potential questions for each department, with the goal of working with Councilmembers and staff to provide information that assists the Council in making informed decisions. Our Office will also participate in Council Budget Town Halls held throughout the City. The Division of Race and Equity will also provide information to Council and Town Halls on the equity implications of various budget adjustments.

In May, we will also review and analyze the FY 2026 Third Quarter Budget Monitoring Report and evaluate the Mayor's May Revision to the FY 2027 Proposed Budget (scheduled to be released on May 13, 2026). Councilmembers will issue memos to our Office on May 20, 2026 that detail each Council Office's budget modification priorities, and we will issue a final report on recommended modifications to the FY 2027 Proposed Budget and Mayor's May Revision on June 2, 2026.

Council will then meet as the Budget Review Committee on June 5, 2026 to review those final recommended modifications, during which it can request additional information or suggest additional modifications. Following that meeting, Council is scheduled to consider final adoption of the budget, with any

proposed modifications, on June 9, 2026. At that time the Council will have the authority to adopt a final budget, including changing line items or services and programs in the Proposed Budget, provided the Budget remains balanced. The Mayor has the authority to veto Council changes, but the Council can override the Mayor's veto with six votes of the Council.

Additional Equity Focus

Given the restructuring of Race and Equity into the IBA as part of Council's adoption of the FY 2026 Budget, this report includes additional evaluations of the equity impacts of various budget adjustments. The Division of Race and Equity (DRE) contributed additional analyses in *Department Reviews* of this report, as well as the *Key Citywide Issues: Equity* section of this report. Key takeaways from their analysis are summarized below and further detailed in those sections. Additionally, the *Overview: Division of Race & Equity Review of Equity Implications in the FY 2027 Proposed Budget* section of this report includes an overview of key terms and metrics used in those analyses.

Overview of IBA Review and Analysis

This report provides an overview of the City's revenues, expenditures, and reserves in the Proposed Budget, discusses key citywide issues identified by our Office for Council's consideration, and reviews the proposed budgets for each department in the City.

This is the second consecutive year that the City has faced a significant projected deficit. These deficits are the result of a long-standing structural budget deficit that must be immediately addressed through

Overview: IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget

reductions to ongoing expenditures. It will be impossible to adopt a balanced budget for FY 2027 that avoids significant cuts to City programming and services. While a major new revenue source will be necessary in the future to address the City's deteriorating infrastructure, in the present the City must make substantial progress towards eliminating the structural budget deficit now to avoid repeating a cycle whereby painful programmatic cuts need to be identified year after year.

As our Office noted in its reviews of the Proposed Budgets for FY 2023, 2024, 2025, and FY 2026, as well as in analyses of various Budget Monitoring Reports and Five-Year Financial Outlooks, while the City's General Fund budgets over the past several years were balanced, they were *structurally imbalanced* and relied on one-time resources such as federal COVID relief funding and prior-year savings to support ongoing expenditures. That structural imbalance totaled \$203.7 million in the FY 2025 Adopted Budget, and \$103.6 million in the FY 2026 Adopted Budget.¹ While progress was made in the FY 2026 towards structural balance, additional work is still

required.

In November 2025 the Mayor released the FY 2027-2031 Five-Year Financial Outlook, which projected a baseline shortfall of \$88.8 million in FY 2027. Since then, increases to the City's pension payment and decreases in revenue growth have increased that baseline deficit to \$118.0 million.^{2,3}

In FY 2026 the City implemented a number of new and expanded revenue sources, including adoption of a trash fee⁴ and implementation and expansion of paid parking programs, all of which were necessary to bring the FY 2026 budget into balance. However, the opportunity to significantly increase City revenues in the near term is limited; especially given challenges implementing and pushback against new revenues in FY 2026, **significant new sources of revenue should not be relied on to balance the FY 2027 budget.**

As part of development of the FY 2027 Proposed Budget, all General Fund departments were requested to propose expenditure reductions, with most departments requested to identify reductions totaling 7% of their FY

¹ The FY 2026 Adopted Budget relied on both the implementation of new revenues and expenditure cuts to achieve balance. It also made use of relatively optimistic revenue and expenditure assumptions, and consequently its stated structural imbalance is likely understated.

² Of this amount, \$29.2 million is attributable to assumed salary/wage increases for City employees. However, all six of the City's Recognized Employee Organizations are currently in contract negotiations, and as part of those negotiations they were requested to identify compensation savings that would offset any salary/wage increases. Notably, Department of Finance discussions of assumed salary/wage increases describe a \$26.2 million impact, however when assumed increases are also applied to overtime amounts, that impact grows to the \$29.2 million discussed here.

³ Notably, unlike prior years, that deficit assumes no contributions to City reserves, which are currently funded beneath targets. While the administration indicated it plans to bring forward modifications to the City's reserve policies, if contributions to the General Fund (\$80.1 million) and Risk Management Reserves (\$29.6 million) had been included, the deficit would have increased to \$227.7 million.

⁴ While revenue from the City's trash fee does not provide funding for any City services other than trash collection, because trash collection had previously been funded by the City's General Fund, implementation of the trash fee relieved the General Fund of the obligation to fund most trash collection expenditures.

Overview: IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget

2026 budgets.⁵ While not all reductions proposed by departments were ultimately included in the Proposed Budget, many were, and major General Fund mitigation reductions in the Proposed Budget total \$66.4 million and 236.76 FTE positions.⁶ Detail on these reductions, and associated impacts, is included in this report's *General Fund Overview: Major Additions and Mitigations* and various *Department Review* sections.

Overall, the Proposed Budget is balanced, though additional work will be necessary to bring the budget into structural balance, and several aspects of the City's finances are in a precarious state: many City funds⁷ are projected to begin or end the year with a negative fund balance; limited amounts of cash-on-hand in the General Fund have led the City to plan to issue Tax and Revenue Anticipation Notes (TRANS) to meet cash-flow needs; City reserves are below funding targets; the City's debt capacity is largely maximized; and the City's capital infrastructure backlog continues to grow, making the City increasingly vulnerable to liability when City infrastructure fails. **It is critical for the City to right-size its ongoing expenses with its limited revenues, both to avoid perpetuating a cycle of budget cuts each year, and to rebuild public confidence and trust so that a future revenue measure – which will be necessary to address the City's growing infrastructure backlog – can be successful.**

General Fund Revenue Overview

The Proposed Budget includes \$2.24 billion in General Fund revenues. Of this amount, \$1.54 billion is derived from the City's four major General Fund revenues: Property Tax, Sales Tax, Transient Occupancy Tax (TOT), and Franchise Fees. These revenues are sensitive to the overall economic condition of the San Diego region. Compared to FY 2026 year-end projections at the mid-year, the Proposed Budget projects moderate growth in Property Tax revenue, low growth in Sales Tax and TOT revenue, and declines in Franchise Fee revenue.

In total, these major General Fund revenues are proposed to increase by \$40.3 million, or 2.7%, from the FY 2026 Adopted Budget (\$43.7 million, 2.9%, from year-end projections that were included in the FY 2026 Mid-Year Budget Monitoring Report). Over the same period, inflation has increased by 2.8% to 3.0%, which means that the City's major General Fund revenues are only keeping pace with inflation, and not growing at a faster rate. As the City's own operations and expenses are subject to the effects of inflation, this means that the City's main revenue sources are only keeping up with inflation, and not exceeding it.

Notably, revenue from both TOT and Franchise Fees are projected to come in *below* amounts included in the FY 2026 Adopted Budget; during the first half of FY 2026,

⁵ A lower 3.5% reduction target was requested from the Police, Fire-Rescue, Office of Emergency Services, Homelessness Strategies & Solutions, and Transportation Departments.

⁶ A number of these FTE reductions are offset by FTE transfers and increases.

⁷ Beyond the General Fund, which receives revenue from taxes, the City has a number of other funds, including enterprise funds (supported by fees for service), internal operations funds (supported by charging departments), and special revenue funds (funds whose uses are restricted to particular things).

Overview: IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget

actual TOT receipts have come in under budget, which reduced both FY 2026 revenue and the base from which future revenue growth is projected.

Our Office's discussion of these revenues and projected growth rates is included in this report's *General Fund Overview: Revenue* section.

Other General Fund revenues – including Departmental Revenues – make up another \$702.2 million in General Fund resources, and are growing at a faster rate (4.0% from the FY 2026 Adopted Budget, and 5.6% from Mid-Year projections), largely due to General Fund departments performing more reimbursable work for enterprise fund departments, and additional General Fund reimbursements from the TOT Fund and Environmental Growth Fund, which is discussed in more detail in this report's various *Department Review* sections.

General Fund Expenditure Overview

Total General Fund expenditures are increasing by \$71.0 million, or 3.3%, from the \$2.17 billion in the FY 2026 Adopted Budget. This includes a net increase in both Personnel Expenditures (PE) and Non-Personnel Expenditures (NPE).

The net General Fund PE increase totals \$13.7 million. This represents a 0.9% increase, largely related to an increase in the City's pension payment/Actuarially Determined Contribution (ADC) (\$18.0 million), an increase in contributions to the Workers' Compensation Fund (\$9.5 million), an increase in Fire-Rescue overtime (\$6.6 million), and a decrease in vacancy savings (\$9.7 million), among other PE increases; these increases were largely

offset by the net reduction of 198.50 FTEs and \$19.6 million in corresponding wages, a \$13.5 million reduction in overall wages across various departments, and a \$7.2 million decrease in funding for retiree healthcare.

General Fund NPE in the Proposed Budget are increasing by a net of \$57.3 million. This net amount includes \$12.7 million in increased maintenance and replacement costs for City vehicles, \$12.5 million in debt service for capital infrastructure financing, \$7.9 million in interest payments related to Tax and Revenue Anticipation Notes (TRANs), \$5.3 million in increased water costs, \$4.0 million in increased costs for SDG&E utility permit inspections, and \$3.3 million for tree planting and maintenance, among other additions, which are offset by reductions including \$6.7 million in reduced homelessness program operations and the removal of \$900,000 in Community Projects, Programs, and Services (CPPS) funding.

More detail on these changes can be found in this report's *General Fund Overview: Expenditures* section.

How the Mayor Balanced the FY 2026 Budget

As noted, the FY 2027-2031 Five Year Financial Outlook projected a baseline General Fund FY 2027 deficit of \$88.8 million. This shortfall further grew to \$118.0 million due to current-year revenue declines and increased mandatory FY 2027 expenditures as discussed above. Beyond that amount, the Proposed Budget includes another \$28.2 million in expenditure additions, which creates a \$146.2 million shortfall that needs to be solved for.

The Proposed Budget addresses that shortfall through various mitigations, including new

Overview: IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget

revenues, programmatic reductions, and reductions in assumptions related to employee compensation. Notably, the Proposed Budget assumes that the City's ongoing negotiations with all six Represented Employee Organizations (REOs) will reduce projected personnel expenditure increases by \$26.2 million, which leaves a \$120.0 million gap to be filled through revenue increases and expenditure reductions.

Significant increases in revenues and resources in the Proposed Budget include:

- \$11.6 million in increased interest earnings (this is offset by \$7.9 million in costs associated with issuing Tax and Revenue Anticipation Notes (TRANs));
- A \$11.2 million increase in transfers to the General Fund from the Special Promotional Programs portion of TOT for homelessness programs in HSSD and ESD;
- \$7.1 million in support from the Sycamore Facilities Franchise Fee;
- \$5.3 million in increased transfers to the General Fund from the Emergency Medical Services Fund;
- \$2.3 million in additional parking meter revenue transfers for abatement and sanitation;
- \$1.6 million in additional reimbursements from the Parking Meter Operations Fund for the City Treasurer; and
- \$1.2 million in additional gas tax revenue for Transportation.

Major General Fund expenditure reductions include:

- \$7.0 million associated with waiving contributions to the Climate Equity Fund;

- \$6.3 million associated with a hiring freeze for certain SDPD positions;
- \$5.4 million and 55.27 FTEs associated with reduced recreation center hours;
- \$4.9 million in reductions to homelessness programming;
- \$3.0 million and 17.00 FTEs associated with general Parks & Recreation staffing;
- \$2.6 million and 23.00 FTEs associated with reduced library hours;
- \$2.6 million in general personnel expenditure reductions in the City Attorney's Office;
- \$2.6 million and 14.50 FTEs associated with elimination of the multi-modal team in Transportation;
- \$1.8 million and 11.50 FTEs for the temporary closure of library branches during renovations;
- \$1.8 million and 11.00 FTEs associated with reduced park maintenance;
- 1.3 million and 14.00 FTEs related to closures of restrooms at City parks;
- \$1.7 million and 6.00 FTEs in reduced Fire-Rescue staffing for bomb squads;
- \$1.5 million and 13.00 FTEs in reduced General Services facilities support;
- \$1.4 million in reductions to various stormwater programs;
- \$1.2 million and 4.00 FTEs in general Fire-Rescue department staffing reductions;
- \$1.2 million and 4.00 FTEs associated with the reduction of the Library Department's youth, family and equity services;
- \$1.1 million and 7.00 FTEs associated with reduced building and zoning enforcement;
- \$1.0 million and 4.00 FTEs reduced from the Department of Finance;

Overview: IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget

- \$1.0 million and 7.00 FTEs reduced from the City Treasurer's Office; and
- \$1.0 million reduction in the matching funds program for City library donations.

*This is not an exhaustive list of mitigations; these and other mitigation measures are summarized in this report's **General Fund: Major Additions and Mitigations** section.*

Additionally, as will be discussed throughout this report's various **Key Citywide Issues** and **Department Review** sections, there are real programmatic, service-level, and equity impacts associated with the mitigations that are proposed.

Council should discuss those impacts during its Budget Review Committee meetings; while it is expected that the Mayor's May Revision will reflect discussion and input provided at those hearings, some reductions – notably some proposed for HSSD, Parks & Recreation, and Libraries – still require additional development, and different reduction packages associated with them are expected to be discussed at the Budget Review Committee meetings. Council ultimately retains the authority to make modifications to the budget as reflected in the Proposed Budget and May Revision, and depending on Council's priorities, a different combination of resources and mitigations could be considered. However, given the City's finances, reductions to current service levels will be necessary.

Key FY 2027 Budget Issues

Our Office has also identified several key issues that merit additional discussion. As noted, the Budget remains structurally

unbalanced, and additional resources will be needed to address many of these issues.

Classified and Unclassified Positions

Given discussion surrounding the growth of in management positions in the City over recent years, our Office prepared additional information on the proportion of classified to unclassified positions in General Fund departments.⁸ Across all City departments, 92.0% of budgeted standard hour FTEs are classified, 1.4% are unclassified but represented (these consist of the City's Deputy City Attorney positions), and 6.6% are unclassified and unrepresented.

A proportionally higher share of FTE and PE reductions in the Proposed Budget come from unclassified/unrepresented positions. Additional detail on these reductions, positions in individual departments, and general discussion about typical management-to-staff ratios is included in this report's **Key Citywide Issues: Classified and Unclassified Positions** section.

Climate Action Plan

The Proposed Budget includes \$247.5 million in budget adjustments that support the Climate Action Plan, including \$109.6 million in direct support. The vast majority of spending supporting the Climate Action Plan comes from various enterprise and special funds, with the Underground Surcharge Fund providing the largest increase in operating support (\$92.9 million) and the Public Utilities Department providing the largest increase in CIP support (\$66.5 million). However, there is a reduction of \$6.7 million in support

⁸ As a general shorthand, unclassified positions are generally thought of and discussed as management positions, while classified positions are generally considered front-line positions. Additional detail and caveats to this shorthand are included in this report's **Key Citywide Issues: Classified and Unclassified Positions** section.

Overview: IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget

from the General Fund.

Climate-related funds also did not receive a full allocation, with the Climate Equity Fund not receiving \$7.0 million from franchise fees, and the Energy Independence Fund not receiving \$89,000 from the franchise minimum bid payments and additionally having its remaining fund balance of \$118,000 transferred back to the General Fund.

Additional considerations are discussed in this report's *Key Citywide Issues: Climate Action Plan* section.

Council Budget Priorities

In October 2025, the Council approved an initial Budget Priorities Resolution that indicated the priorities it wanted to see reflected in the Mayor's FY 2027 Proposed Budget; that Priorities Resolution was then updated in February 2026. While many priorities were included or maintained in the budget, given the City's budget limitations, not all were.

Details on how the Proposed Budget compares to the Council's Budget Priorities are included in this report's *Key Citywide Issues: Council Budget Priorities* section.

Equity

Many adjustments in the Proposed Budget have equity impacts. Funding for several equity-focused priorities is maintained – including No Shots Fired, SD Access for All, the Housing Instability Prevention Program, and the Employ & Empower Internship programs. However, other proposed budget adjustments, including reductions to parks, libraries, and arts programming, are likely to have significant equity impacts.

Equity impacts will result from other adjustments as well, however, and many impacts are

structural in nature and the impacts of one adjustment may be felt across multiple departments. This report's *Key Citywide Issues: Equity* section includes additional discussion and categorization of those impacts.

Homelessness and Housing

The City saw a 13.5% decrease in overall homelessness based on the January 2025 Point-in-Time Count compared to the prior year – the first decrease in recent years. The Proposed Budget includes \$72.9 million for citywide homelessness services, including programs operated by the Homelessness Strategies and Solutions, Environmental Services, and Police Departments. Of this amount, \$57.1 million supports crisis response and stabilization, outreach services, and prevention and diversion.

To help mitigate the budget deficit, the Proposed Budget contemplates various reductions to homelessness services. Funding is not included for the Neil Good Day Center and downtown public restrooms. Although not detailed in the Proposed Budget, Council will also consider general homelessness reduction options during the Budget Review Committee to meet a \$3.8 million reduction target. Options are structured around one of three major reductions: (A) reduce shelter operations at the 16th and Newton shelter, (B) close 20th and B Safe Sleeping, or (C) reduce the Eviction Prevention Program. Each of these reductions is combined with additional smaller reductions to meet the \$3.8 million target – shared among them are the elimination of security services at the Old Central Library and Central Elementary Safe Parking, as well as various reductions to the Eviction Prevention Program.

The Proposed Budget allocates \$57.7 million from two Transient Occupancy Tax (TOT)

Overview: IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget

funding streams: \$31.3 million from Measure C TOT (approved by voters in 2020, but not collected until 2025 due to litigation) and \$26.5 million from Special Promotional Programs TOT reimbursements. The latter includes a \$9.5 million net increase enabled by a reduction of arts and culture funding within the proposed Special Promotional Programs budget.⁹ Given the challenging budget environment, Council will want to consider how to prioritize limited resources across different homelessness interventions, as well as relative to other City departments.

Additional considerations are discussed in this report's *Key Citywide Issues: Homelessness and Housing* section.

Infrastructure Funding Needs

The City faces a \$7.81 billion funding gap over the next five years, an increase of \$1.31 billion, or 20.1%, over last year's capital outlook. This increase is overwhelmingly driven by the compounding of stormwater drainage assets that have already passed their useful life. The Proposed Capital Improvements Program (CIP) Budget includes \$52.5 million for stormwater, but \$30.0 million is set aside for emergency projects – which are typically more expensive and less efficient than planned work – and an additional \$40.7 million is expected to be spent on stormwater emergencies in FY 2026. Continued reliance on emergency projects to address stormwater infrastructure increases financial and legal risk. The need to establish an additional funding source for stormwater is critical.

Operating budget constraints further compound the City's infrastructure issues by underfunding maintenance of existing assets, illustrated by reductions in the facilities maintenance budget (even as new facilities open) and continued decreases in stormwater maintenance funding.

While Council Policy 800-14 guides CIP prioritization, the City's constrained fiscal position requires focusing on completing existing CIP projects rather than starting new ones to avoid delays, cost escalation, and inefficiencies, and to mitigate additional financial pressure on the operating budget since new infrastructure takes additional staffing and funding to maintain and operate. This creates difficult tradeoffs and means many high-priority projects will remain unfunded.

Overall, constrained resources, aging infrastructure, and rising emergency needs continue to narrow the City's flexibility and hinder progress toward broader Council priorities. Changing this dynamic will require major new funding sources.

Additional considerations are discussed in this report's *Key Citywide Issues: Infrastructure Funding Needs* section.

Pension

The FY 2027 Proposed Budget includes \$563.2 million for the City's defined benefit pension payment, a \$30.0 million increase from FY 2026. The General Fund portion is increasing by \$18.0 million, to \$396.1 million. The City's budgeted pension payment

⁹ Some nuance should be recognized here; there are reductions in Special Promotional Programs (Special Promo) funding for a number of items, including arts and cultural programs, convention center support, operations at Mission Bay at Balboa Park, and PETCO Park debt service, among others; but by far the single largest *decrease* in Special Promo funding is for arts and cultural programs. Likewise, Special Promo provides reimbursement for a number of eligible General Fund programs, including homelessness programs, lifeguards, and parks, but the single largest *increase* in Special Promo reimbursements in the Proposed Budget is for homelessness programming.

Overview: IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget

amounts are significant: the ADC is 17.7% of budgeted expenditures for the General Fund and 8.8% citywide.

The budget amounts are based on the required pension payment included FY 2025 actuarial valuation report to the San Diego City Employees' Retirement System (SDCERS), dated February 2026. The most significant factor for the year-over-year increase to the pension payment was that salary increases were higher than expected in the FY 2024 valuation.

Additional information is included in this report's *Key Citywide Issues: Pension* section.

Structural Budget Deficit

While the FY 2027 Proposed Budget makes progress towards structural balance, additional work will be required. While the Budget classifies \$24.8 million in one-time resources, it identifies only \$13.6 million in one-time expenditures supported by those resources, with the remainder of one-time resources (\$11.2 million) going to support ongoing expenses. However, several items that were considered one-time resources in the past, such as the suspension of reserve contributions, are no longer being counted towards the structural imbalance stated in the budget, and consequently the structural imbalance may be understated.

A clear picture of the City's overall finances is critical, and closing the structural deficit may be the single most important thing the City can do to ensure successful operations in the future.

Additional discussion is included in this report's *Key Citywide Issues: Structural Budget Deficit* section.

Next Steps in the Process – City Council's Role and Community Involvement

May 4-8: Budget Review Committee hears "IBA Review of the FY 2027 Proposed Budget" and holds public hearings on City departments, functions, and agency budget proposals. The Budget Review Committee also holds an evening 6:00 PM hearing to receive public input on May 4th.

May 13: Mayor releases May Revision and FY 2026 Third Quarter Budget Monitoring Report.

May 18: City Council hears the Mayor's May Revision and Third Quarter Budget Monitoring Report as information items, providing additional context for final budget decisions. The Council also holds an evening 6:00 PM meeting for public input on the FY 2027 Proposed Budget and May Revision.

May 20: City Councilmembers issue final budget modification priority memoranda, including recommendations for potential budget revisions, to the Office of the IBA.

June 2: Office of the IBA releases final report on recommended revisions to the Mayor's FY 2027 Proposed Budget including the May Revision, based on input from City Council memoranda and feedback, public comment, and independent analysis.

June 5: Budget Review Committee hears and discusses IBA's report on recommended revisions to the Proposed Budget.

June 9: City Council makes final FY 2027 budget decisions and takes action on any FY 2026 budget revisions.

Overview: IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget

June 23: City Council considers and adopts the FY 2027 Appropriations Ordinance.


Additional Reports


Our Office will also be issuing individual reports for the following agencies prior to their budget hearings, scheduled for May 7, 2026:

- San Diego City Employees' Retirement System
- San Diego Housing Commission
- San Diego Convention Center Corporation


Overview: IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget

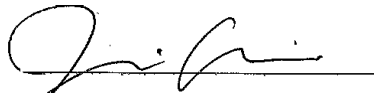
Independent Budget Analyst


Sergio Alcalde
Associate Fiscal and Policy Analyst

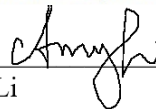

Noah Fleishman
Senior Fiscal & Policy Analyst



Baku Patel
Senior Fiscal and Policy Analyst

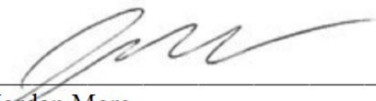

Lisa Byrne
Principal Fiscal and Policy Analyst



Jillian Andolina
Deputy Director


Brady Balolong
Fiscal and Policy Analyst



Amy Li
Senior Fiscal and Policy Analyst


Trisha Tacke
Senior Fiscal and Policy Analyst


Jordan More
Principal Fiscal and Policy Analyst



Charles Modica
Independent Budget Analyst

Division of Race and Equity


Yey Morales
Program Coordinator


Salina Juliana Villegas
Program Manager


Kimberly Desmond
Director, Division of Race and Equity


Grace A. Bagunu, PhD
Program Manager


Helen Weldeghiorgis
Program Manager

Overview: Division of Race & Equity Review of Equity Implications in the FY 2027 Proposed Budget

Division of Race & Equity Review of Equity Implications in the FY 2027 Proposed Budget

The Office of Race & Equity (ORE) was initially created following advocacy from then Councilmember Montgomery Steppe, who led the adoption of Ordinance O-21248 in 2020. ORE was created to advance racial and social equity in the City, with a focus on addressing systemic racism. The mission included addressing all forms of disparities experienced by individuals in the City, with a vision to create a culture of inclusivity by advancing equitable outcomes and dismantling policies, procedures, and budget decisions that perpetuate inequity and systemic racism.

As part of its final action adopting the FY 2026 Budget, the City Council moved Race & Equity into the Office of the Independent Budget Analyst (IBA), and Race & Equity is now the Division of Race and Equity (DRE) within the IBA's Office.

In the IBA, DRE will continue its work to address and eliminate institutional racism and increase social equity; it will additionally provide the City Council analysis and recommendations in the following areas:

- The City budget
- Financial forecasting and planning
- Proposed revenues and expenditures, including the provision of City services, programs, and resources to all City residents
- The City's contracting practices; and the City's workforce

Many sections of this report include subsections titled *DRE Budget Equity Implications*; those subsections cover additional analysis on

the equity-related implications various budget adjustments carry. This overview discusses key terms, metrics, and considerations used to evaluate equity implications throughout this report.

Equity Implications

In the IBA Review and Analysis of the Mayor's FY 2027 Proposed Budget, DRE describes *Equity Implications* in each Department review to provide context on how budget, policy, and operational decisions impact historically underserved communities and inequity in city neighborhoods and in the City of San Diego workforce (city employees).

Equity Implications take into consideration progress towards achieving key performance indicators and the actions needed to close disparities, gaps, and deficiencies. In most of this report's *Department Review* sections, *DRE Budget Equity Implications* subsections discuss budget adjustments (reductions and additions) and unfunded requests that align with opportunities to enhance departments' Tactical Equity Plans. In this report's *Key Citywide Issues: Equity* section, the equity implications related to budget adjustments are categorized, and adjustments that have organization-wide/cross-departmental impacts are noted.

Tactical Equity Plans (TEPs)

One of DRE's core functions is to guide and monitor the implementation of Tactical Equity Plans (TEPs). Department TEPs identify the department-level mission, vision, short- and near-term goals, and Key Performance Indicators (KPIs) necessary to advance

Overview: Division of Race & Equity Review of Equity Implications in the FY 2027 Proposed Budget

equitable outcomes and operational objectives that address disparities, gaps, and deficiencies. These department attributes are published in Volume 2 of the Proposed Budget.

Budget Equity Framework

During the budget cycle, each department is required to submit Budget Equity Impact Statements to detail how fiscal decisions can make incremental changes toward removing structural gaps. The Budget Equity Framework is comprised of three components to demonstrate how a department's budget impacts existing or potential disparities, gaps, and deficiencies:

- **Equity Highlights:** Examples from the past fiscal year of how the department's investments, policies, programs, or other initiatives have produced more equitable outcomes.
- **Ongoing Operations:** Opportunities to adjust the department's ongoing operations to address identified disparities, gaps, and deficiencies.
- **Budget Adjustments:** Submitted budget adjustments that address identified disparities, gaps, and deficiencies.

Community Impact

As city departments primarily deliver programs and services to meet essential community needs, ensure public safety (police/fire), and maintain quality of life throughout the City, *Equity Implications* will provide context for the community impacts of foundational infrastructure – such as water, roads, and sanitation, as well as social services like housing support, library education programs, and parks and recreation. The programs and services that each neighborhood depends on are connected to the fiscal resources and operational support that city employees need to do their jobs. Therefore, *Equity Implications* do not separate community impact from the necessity to address disparities, gaps, and deficiencies facing public servants that ultimately

provide City services to the community.

Climate Equity Index Observations

The City of San Diego has traditionally used tools like the Climate Equity Index, Environmental Justice Communities, and the Social Vulnerability Index factors to identify complex disparities. These tools use terms like: communities of concern, promise zones, historically underserved communities, historically disinvested communities and structurally excluded communities. Generally, these tools and terms are used to locate and describe neighborhoods where complex disparities exist, and they make use of specific indicators, socioeconomic statuses (SES) and other data sources.

Low and Moderate Income (LMI) households

While inequities occur across all City Council districts; Council Districts 4, 8, and 9 have a higher percentage of the population with a Low-Moderate Income (LMI), which means those districts have higher poverty rates on average. As a result, while needs for City services exist throughout the entire city, those areas with a greater concentration of LMI neighborhoods generally require more targeted investment, protection, and support.

When looking at poverty rates by district, it is also important to recognize that averages can obscure meaningful differences within distinct neighborhoods, whereas census tracts allow for more nuanced analysis. For example, in District 3, LMI rates range widely, from as low as 13% in some census block groups to as high as 96% in others, while the district-wide average is roughly 50%.

LMI households are defined as those earning 80% or less of the Area Median Income (AMI). These households are typically split into low-income (50% or less of AMI) and moderate-income (50% to 80% of AMI) categories, and these categories are often used by the U.S. Department of Housing and Urban

Overview: Division of Race & Equity Review of Equity Implications in the FY 2027 Proposed Budget

Development (HUD) to determine eligibility for housing assistance and community development programs.

The chart below displays the Low and Moderate Income by City Council District.¹

| District | Average LMI Percent |
|-----------------|---------------------|
| 1 | 29.5% |
| 2 | 44.5% |
| 3 | 50.7% |
| 4 | 58.3% |
| 5 | 25.1% |
| 6 | 41.4% |
| 7 | 45.8% |
| 8 | 64.1% |
| 9 | 71.1% |
| Citywide | 47.9% |

Key Terms

To support user accessibility, below are definitions for key terms commonly used by DRE throughout this report:

- **Equity:** Equity occurs when institutional racism and systemic disparities are eliminated, and everyone is provided with equitable access to opportunities and resources to thrive, no matter where they live or how they identify.
- **Equality:** Equality means that each individual, family, neighborhood, or community is given the same resources and opportunities, regardless of differences in circumstances.
- **Gaps:** A break, opening, breach, or complete break within city-owned

facilities/buildings, or assets, such as a levee, dam, etc.

- **Deficiencies:** System-level shortfalls that limit access or create unequal impacts that can occur in workforce.
- **Disparities:** A noticeable, often unfair difference or inequity between two or more variables/things, typically relating to unfair treatment, opportunities, or outcomes that impact access. Disparities result from gaps and deficiencies.
- **Racism:** DRE notes that people of color in all districts and neighborhoods experience every layer of racism (interpersonal, systemic, and institutional), as race and ethnic layers of identity do not have a physical boundary that isolates or contains prejudice and discrimination. *Systemic* racism further creates compounding, intergenerational impacts that result in racial inequity in factual outcomes within all institutions (such as health, housing, education, and employment).

¹ Data Source: U.S. Housing and Urban Development (HUD): Low & Moderate Income Populations by Block Group; 2016-2020 American Community Survey.

General Fund Overview: Revenue

Revenue Overview

| SUMMARY OF GENERAL FUND REVENUES (\$ in millions) | | | | | | | |
|---|-----------------------------------|------------------------------------|-------------------------------|---------------------|-------------|----------------------|-------------|
| | FY 2026 ADOPTED BUDGET (AB) | FY 2026 MID- YEAR PROJECTION | FY 2027 PROPOSED BUDGET | ADOPTED TO PROPOSED | | MID-YEAR TO PROPOSED | |
| | | | | CHANGE (\$) | CHANGE (%) | CHANGE (\$) | CHANGE (%) |
| Major General Fund Revenues | | | | | | | |
| Property Tax | 844.6 | 846.6 | 882.9 | 38.3 | 4.5% | 36.3 | 4.3% |
| Sales Tax | 374.5 | 376.6 | 386.4 | 11.8 | 3.2% | 9.8 | 2.6% |
| Transient Occupancy Tax | 170.3 | 162.8 | 164.8 | (5.4) | -3.2% | 2.0 | 1.2% |
| Franchise Fees | 106.5 | 106.4 | 102.1 | (4.4) | -4.2% | (4.3) | -4.1% |
| Subtotal | \$ 1,495.9 | \$ 1,492.5 | \$ 1,536.2 | \$ 40.3 | 2.7% | \$ 43.7 | 2.9% |
| Other Revenues | | | | | | | |
| Other Major Revenues | 116.7 | 112.8 | 118.8 | 2.2 | 1.8% | 6.0 | 5.3% |
| Departmental Revenues | 558.6 | 552.2 | 583.4 | 24.8 | 4.4% | 31.2 | 5.6% |
| Subtotal | \$ 675.3 | \$ 665.1 | \$ 702.2 | \$ 27.0 | 4.0% | \$ 37.1 | 5.6% |
| Total Revenue | \$ 2,171.1 | \$ 2,157.5 | \$ 2,238.4 | \$ 67.3 | 3.1% | \$ 80.9 | 3.7% |

Table may not total due to rounding

The FY 2027 Proposed Budget for the General Fund includes approximately \$2.24 billion in revenues, an increase of \$67.3 million, 3.1%, from the FY 2026 Adopted Budget. Revenue in the Proposed Budget is \$80.9 million, 3.7%, more than the FY 2026 year-end revenue forecast in the Mid-Year Budget Monitoring Report.

Four major sources of revenue make up approximately 68.6% of General Fund Revenue in FY 2027: Property Taxes, Sales Tax, Transient Occupancy Tax, and Franchise Fees.

The four major sources of General Fund revenue are budgeted to have a net increase of \$40.3 million, 2.7%, from the FY 2026 Adopted. While there is projected growth in property tax and sales tax revenues, those gains are offset by year-over-year declines in transient occupancy tax and franchise fee revenue projections for FY 2027.

In addition to the four major sources that make up most General Fund revenue, there are many other, smaller sources that contribute to the General Fund revenues, such as rent, fines & penalties, interest, and other miscellaneous revenue. Other General Fund revenue is budgeted to increase by \$27.0 million, or 4.0%, above the FY 2026 Adopted Budget.

Major General Fund revenue projections in the FY 2027 Proposed Budget reflect FY 2026 actual receipts from transient occupancy tax falling below budgeted amounts. The overall

increase in General Fund revenue is primarily driven by increased property tax revenue from increased assessed property values.

Overall, revenue projections in the FY 2027 Proposed Budget are reasonable, but we will closely monitor economic conditions that may affect these assumptions.

Economic Outlook

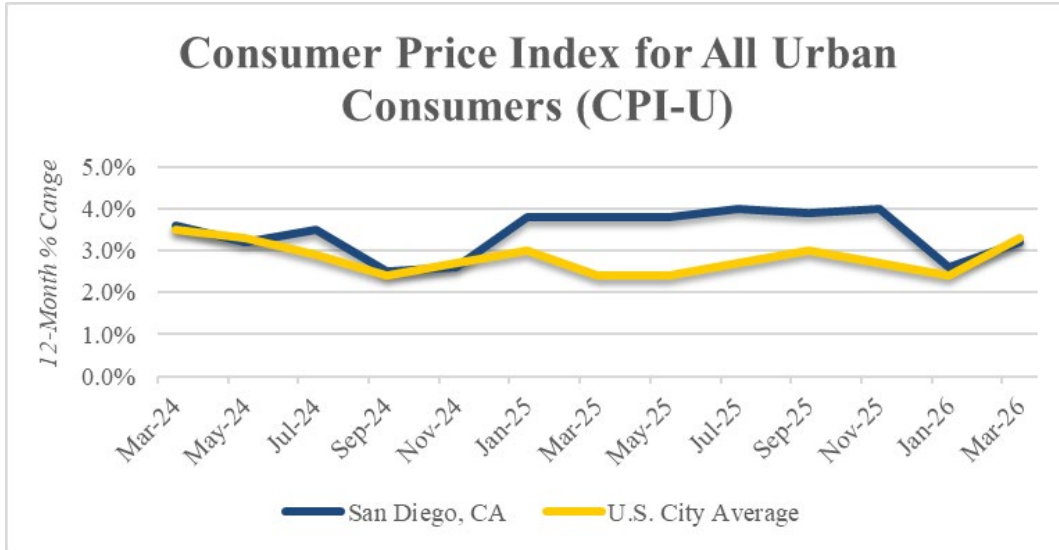
Current economic conditions and the future economic outlook are largely defined by heightened uncertainty and softening in the real economy around prices and employment, which is in contrast with growth in financial markets and gross domestic production.

Inflation rates, interest rates, employment, and geopolitical events have led to an economy that is growing slowly, but uncertainly.

Inflation

Year-over-year change in inflation, as measured by the Personal Consumption Expenditures (PCE) Price Index, increased by 2.8% in February 2026. Core PCE, which excludes volatile food and energy prices, increased by 3.0% in February 2026 from a year ago. Both rates are above the Federal Reserve's 2.0% long run target. The February 2026 PCE measure, which includes energy prices, does not reflect the increased prices of oil and gas that dramatically rose at the end of February

General Fund Overview: Revenue



2026 after the beginning of the Iran war.

Core PCE is the Federal Reserve's, and Federal Open Market Committee's (FOMC's), preferred metric for measuring inflation when determining where to set the Federal Funds Rate. The current rate is between 3.50% to 3.75%, and at the latest FOMC meeting on March 18, 2026, the dot-plot of FOMC members indicated there may only be appetite for a 25-basis point, 0.25%, reduction in the Federal Funds Rate by the end of calendar year 2027. This may indicate expectations that there will be ongoing elevated inflation that the Federal Reserve Board will need to combat.

Locally, the Consumer Price Index for All Urban Consumers (CPI-U) in the San Diego region grew by 3.2% in March 2026 as compared to the same month a year ago. The real price for goods and services remains elevated relative to just a few years ago, but the growth of inflation, as measured by CPI-U, has decreased from two years ago.

Employment

As of January 2026, preliminary numbers from the U.S. Bureau of Labor Statistics (BLS) estimated the unemployment rate in San Diego County at 4.7%. This may indicate higher levels of productivity from AI and tech that are making it difficult for entry level job

seekers to find certain jobs.

Total non-farm wages and salaries increased by 0.7% in January 2026 compared to the same month a year ago.

There has been a slight increase in the rate of unemployment and a slight decrease in the growth in wages and salaries, which indicates a softening in the job market. While not a significant concern, the job market in conjunction with the previously noted inflation should be monitored closely.

Consumer Confidence

The U.S. Conference Board's Consumer Confidence Index, which can be used to predict consumer spending, decreased by 1.2% in March 2026 compared to the same month a year ago. However, consumer confidence was slightly higher than the previous month and higher than previously forecasted.

Similarly, the University of Michigan's March 2026 Consumer Sentiment Index survey, which is a similar but smaller survey than the U.S. Conference Board's, reported consumer sentiment decreased by 6.5% compared to the same month a year ago.

However, these drops in consumer outlooks as of March 2026 are largely correlated with the recent increase in gas prices in the wake of the war in Iran. Consumer's sentiment increased

General Fund Overview: Revenue

in the long-run, indicating there is an expectation the war and gas increases will not persist in the long term. This outlook may change if the conflict is protracted and energy prices begin to impact core inflation metrics.

Real Estate

While the average and median home price in San Diego county continues to modestly rise, the number of homes bought and sold on the market has declined over the last year.

According to the San Diego Multiple Listing Service (MLS), the number of residential home sales across the County decreased by 5.6% year-over-year as of February 2026.

The number of property sales in the City of San Diego modestly increased by 0.5% in calendar year 2025, but remain well below the 2021 historic high.

Additional details on how the economic outlook may impact each major General Fund revenue source are discussed below.

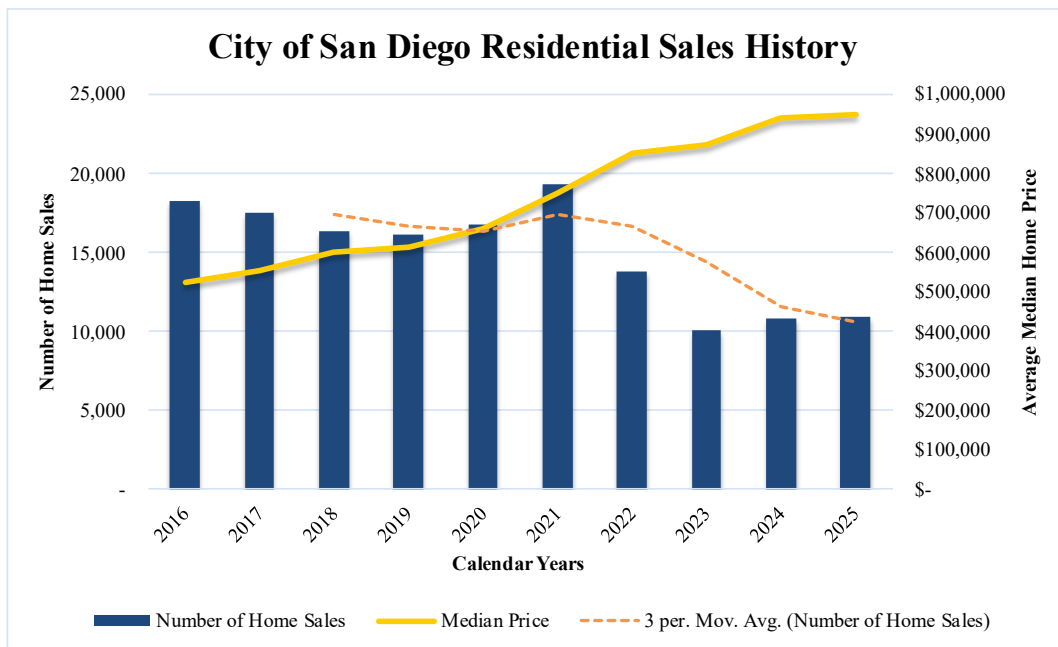
\$882.9 million in property tax revenue, a \$38.3 million, or 4.5%, increase above the FY 2026 Adopted Budget.

Per State law, the County of San Diego may levy a general property tax of 1.0% on the assessed value of a property. Unless a property is reassessed after it is sold or undergoes a major remodel, the assessed value of a property for tax purposes can only increase by 2.0% or the annual change in the California Consumer Price Index (CPI) each year, whichever is lower. Of the 1.0% general property tax levied by the County, the City of San Diego receives only 18¢ of every dollar collected, with the rest going to the County, special districts, and schools and universities.

The 1.0% property tax levy is based on value assessed at the beginning of each calendar year, so assessed values in the current calendar year will reflect real estate activities (sales, major remodeling, new construction, etc.) that happened in the previous calendar year. The lag between a property reassessment triggering event, the property's value assessment date, the date that property taxes are paid to the County, and the date that the County

Property Tax

The FY 2027 Proposed Budget forecasts



Source: HdL Coren & Cone

General Fund Overview: Revenue

distributes the City’s share of revenue means that the FY 2027 property tax revenue forecast largely reflects real estate market trends in calendar year 2025.

The budget assumes a 4.1% growth rate in the 1.0% property tax revenue and 4.5% growth rate in the property tax in lieu of motor vehicle license fee (MVLFF) payment (discussed below) in FY 2027; at \$598.0 million and \$221.7 million respectively, these two sources make up 92.8% of property tax revenue.

The 4.1% growth rate for the 1% property tax assumed in the Proposed Budget is the same as the actual growth rate from FY 2024 to FY 2025 and less than the 4.4% projected growth rate from FY 2025 to FY 2026.

This low growth rate in FY 2027 reflects that the total number of full value sales in the City stayed flat in 2025, that the dollar amount of Proposition 8 property tax refunds has increased, and that the total assessed value of new construction has decreased.

While the median home price in the City of San Diego continues to increase, the median price only increased by 1.1% between calendar year 2024 and 2025 and there is a softening in the actual number of home sales. The declining average number of home sales corresponds with higher-than-average interest rates on the 30-year fixed mortgage which have remained at an almost 20-year high over the last three years. Therefore, potential

sellers of homes are more likely to hold onto their current homes and mortgage rates than sell, which would trigger a reassessment to market rate.

In addition to the 1.0% property tax allocation, the City’s property tax revenue also includes revenue received in lieu of the motor vehicle license fee (MVLFF) and residual Redevelopment Property Tax Trust Fund (RPTTF) revenue distributions, which are reflected in the chart below.

Sales Tax

The FY 2027 Proposed Budget includes \$386.4 million in projected General Fund revenue from sales tax. The FY 2027 Proposed Budget amount is \$11.8 million, or 3.2%, greater than the FY 2026 Adopted Budget.

The current sales tax rate in the City of San Diego is 7.75%. Of this 7.75%, the City receives 1.0%, which is known as the Bradley Burns 1% Local Sales and Use Tax. This means that for every dollar of sales tax paid in the City, only 13¢ actually goes to the City as a municipal entity, with the rest going to SANDAG, the County, and the State.

As of the FY 2026 Mid-Year report, actual sales tax revenues are projected to end the year at \$376.6 million. At \$386.4 million, the FY 2027 Proposed Budget for sales tax would be \$9.8 million, 2.6%, more than FY 2026 year-end projection. We note that additional

| PROPERTY TAXES (\$ in millions) | | | | |
|---------------------------------|-----------------------------------|------------------------------------|-----------------------------|---------------|
| | FY 2026 ADOPTED BUDGET (AB) | FY 2027 PROPOSED BUDGET (PB) | FY 2026 AB to FY 2027 PB | |
| | | | CHANGE (\$) | CHANGE (%) |
| <i>Property Tax</i> | \$ 844.6 | \$ 882.9 | \$ 38.3 | 4.5% |
| <i>1% Prop Tax</i> | 574.2 | 598.0 | 23.8 | 4.1% |
| <i>MVLFF</i> | 212.1 | 221.7 | 9.6 | 4.5% |
| <i>RPTTF</i> | 58.3 | 63.2 | 4.9 | 8.4% |

General Fund Overview: Revenue

actual sales tax revenue has come in under-budget since the Proposed Budget revenue projections were prepared, which has caused the FY 2026 projection to be lower by \$3.8 million.

In the ten fiscal years between 2010 and 2019, pre-pandemic, Sales Tax revenue grew by about 5.3% per year. After spiking in FY 2022 due to one-time stimulus spending, Sales Tax revenue has had near flat growth for the last four fiscal years. FY 2027 assumes a growth rate of 2.6%, and while this is below the historical average, it represents an increase over the last four years.

The UCLA Anderson Forecast and the City’s Sales Tax consultant, Hinderliter, de Llamas & Associates (HdL), both forecast that calendar year 2026 will begin a rebound in taxable sales revenue with growth increasing more later in the year. This may be attributable to new, higher tax refunds that residents will receive in 2026.

Our Office believes estimates in the Proposed Budget are reasonable at this time, and will continue to monitor sales tax receipts in the current fiscal year to determine impacts for the upcoming fiscal year, and if any modifications are appropriate to consider during review of the May Revision or at budget

adoption in June.

Impacts on the Infrastructure Fund

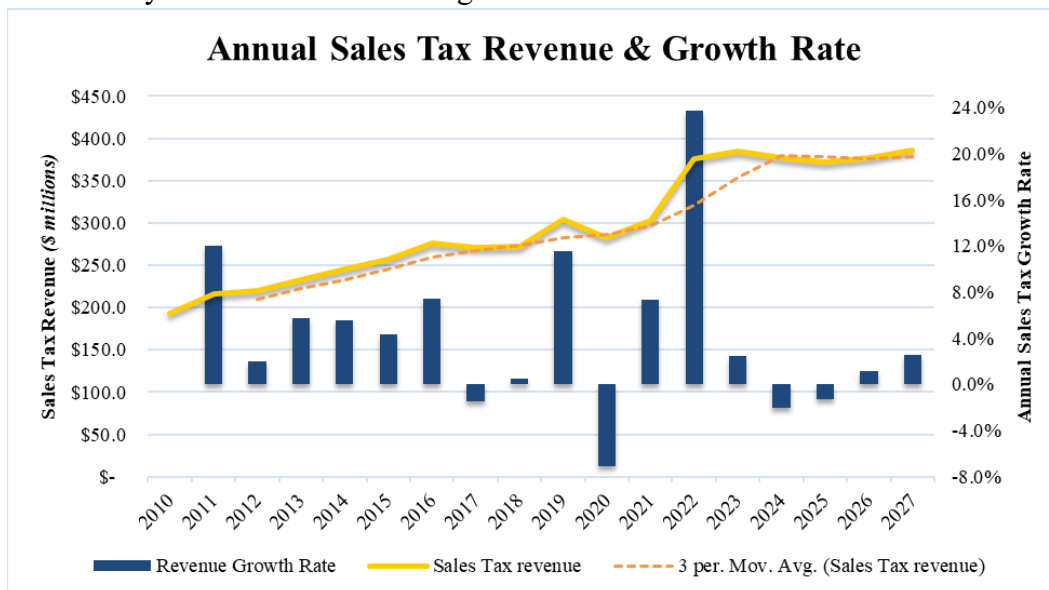
The City Charter requires that the annual incremental increases in sales tax revenue above a 2016 baseline, adjusted for inflation, be deposited into the Infrastructure Fund.

The FY 2026 sales tax forecast projects sales tax revenue will come in below the 2027 inflation adjusted base, so there will not be an Infrastructure Fund contribution in FY 2027.

Transient Occupancy Tax

The FY 2027 Proposed Budget for Transient Occupancy Tax (TOT), or hotel tax, revenue is \$313.5 million, of which \$164.8 million is allocated directly to the General Fund (known as General Fund TOT). This is a \$5.4 million, or 3.2%, *reduction* in General Fund TOT from FY 2026 Adopted Budget amounts, and a \$2.0 million, or 1.2%, *increase* from the FY 2026 Mid-Year Report projection.

The FY 2027 TOT projection reflects a 2.0% growth rate over FY 2026 actuals, plus one-time expected revenue. This growth rate is largely in line with industry expectations. Additionally, two more periods of actual TOT revenue remitted since the Proposed Budget



General Fund Overview: Revenue

revenue projections were prepared increase FY 2026 TOT projections to \$311.5 million, \$2.6 million more than the base assumed for the FY 2027 Proposed Budget. Since FY 2026 is the base for FY 2027, this also means that total TOT in FY 2027 is also \$2.6 million more than the Proposed Budget. These updated forecasts are subject to change as we get closer to final budget adoption.

The City’s TOT revenue is derived from a 10.5% tax on short-term stays at hotels, motels, short-term rentals, RV parks, and campgrounds in the City. Per the Municipal Code, the 10.5% is broken out as:

- 5.5% – General Fund Allocation
- 4.0% – Special Promotional Programs
- 1.0% – Council Discretionary

Additionally, in May 2026, the City began collecting an additional 1.25%, 2.25%, or 3.25% TOT levy as a result of Measure C (2020) which will go to the Convention Center, homelessness programs, and street repairs. This section discusses just the 5.5% General Fund allocation, which equals \$164.8 million in the FY 2027 Proposed Budget. The other portions are discussed in the departmental review sections for Special Promotional Programs and Homelessness Strategies and Solutions Department (HSSD), as well as in a subsequent City agency report for the San Diego Convention Center Corporation (SDCCC). However, all portions of TOT are driven by the same economic conditions.

TOT revenue is largely impacted by the demand for hotel rooms, reflected in the price

per room, the occupancy rate of rooms, and the supply of rooms. That demand is in turn determined by leisure travel, international travel, business travel, and group travel.

The San Diego Tourism Marketing District (TMD), San Diego Tourism Authority, (SDTA), and Tourism Economics all work together to prepare hotel demand forecasts which can be used as a barometer for TOT revenue.

The SDTA model reflects flat year-over-year growth in room revenue for the first half of calendar year 2026, which mirrors what the City has received in TOT revenue to-date. However, SDTA’s future forecast model differs from the City’s mainly in that SDTA predicts an increase in year-over-year room revenue growth for the second half of calendar year 2026 (first half of FY 2027) and throughout calendar year 2027, while the City predicts an average year-over-year decline in TOT revenue throughout the year.

The City’s TOT revenue has historically been closely aligned with the SDTA model of City room revenue. However, recent SDTA forecasts have been more optimistic than what has actually resulted. Therefore, the City’s TOT revenue forecast, which assumes negative growth, may be a more realistic and estimate relative to the SDTA model.

Our Office believes that the growth rates used in the FY 2027 Proposed Budget are reasonable, but our Office will continue to closely monitor projections before the May Revision.

| Transient Occupancy Tax Revenue (\$ in millions) | | | | | | | | |
|--|-----------------------------|-----------------------------|------------------------------|---------------------|--------------|----------------------|-------------|--|
| TOT Allocation | FY 2026 ADOPTED BUDGET (AB) | FY 2026 MID-YEAR PROJECTION | FY 2027 PROPOSED BUDGET (PB) | ADOPTED TO PROPOSED | | MID-YEAR TO PROPOSED | | |
| | | | | CHANGE (\$) | CHANGE (%) | CHANGE (\$) | CHANGE (%) | |
| General Fund and TOT Fund Revenue | | | | | | | | |
| General Fund Allocation (5.5%) | 170.3 | 162.8 | 164.8 | (5.4) | -3.2% | 2.0 | 1.2% | |
| Special Promotional Programs (4.0%) | 122.7 | 117.5 | 119.0 | (3.8) | -3.1% | 1.5 | 1.3% | |
| Council Discretionary (1.0%) | 30.7 | 29.4 | 29.7 | (0.9) | -3.1% | 0.4 | 1.3% | |
| Subtotal | \$ 323.6 | \$ 309.7 | \$ 313.5 | \$ (10.1) | -3.1% | \$ 3.9 | 1.3% | |
| Measure C Revenue | | | | | | | | |
| TOT Convention Center Fund | 47.7 | 44.2 | 45.0 | (2.7) | -5.6% | 0.8 | 1.8% | |
| TOT Homelessness Fund | 32.6 | 30.7 | 31.3 | (1.3) | -4.1% | 0.6 | 1.8% | |
| TOT Street Repair Fund | - | - | - | - | 0.0% | - | 0.0% | |
| Subtotal | \$ 80.3 | \$ 74.9 | \$ 76.3 | \$ (4.0) | -5.0% | \$ 1.4 | 1.8% | |
| Total Revenue | \$ 403.9 | \$ 384.5 | \$ 389.8 | \$ (14.1) | -3.5% | \$ 5.3 | 1.3% | |

General Fund Overview: Revenue

Franchise Fees

The FY 2027 Proposed Budget projects General Fund franchise fees will total \$102.1 million.¹ This is a reduction of \$4.4 million, or 4.2%, from the FY 2026 Adopted Budget.

Franchise fee revenue comes from three main sources:

- A 3% surcharge on SDG&E’s total gross sales;
- A 5% surcharge on cable television provider subscriptions in the City; and
- Charges to private refuse haulers based on tonnage of refuse disposed.

Additional smaller franchise fees are received from other energy, railroad, and towing franchises in the City.

SDG&E

The largest source of General Fund franchise fee revenue is the surcharge on San Diego Gas & Electric (SDG&E), which accounts for \$70.3 million, 68.9%, of major General Fund

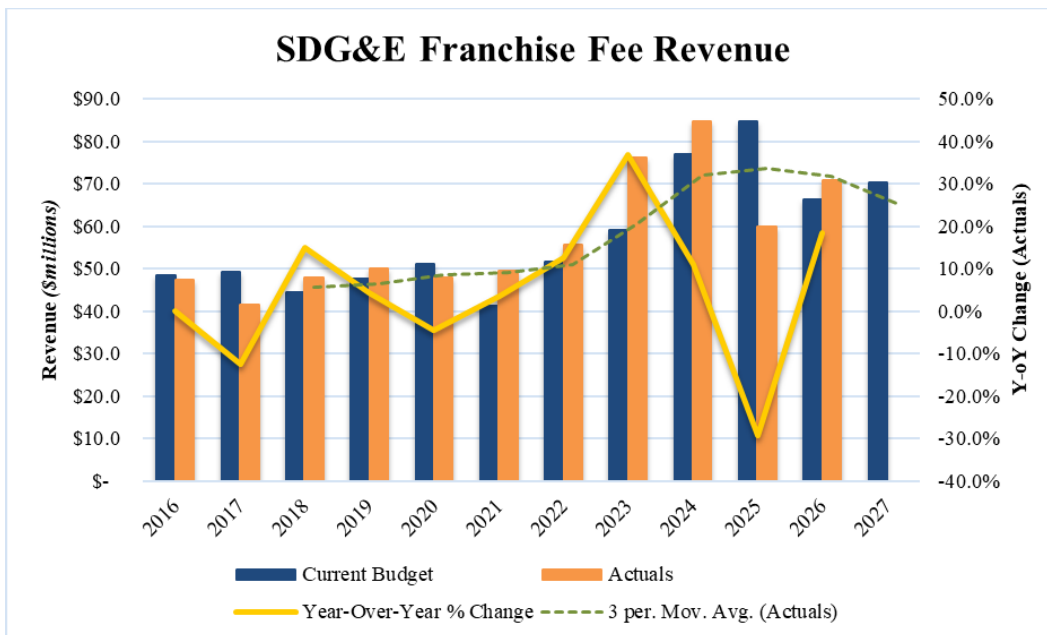
franchise fees in the FY 2027 Proposed Budget. This is an increase of \$4.0 million, or 6.1%, from the FY 2026 Adopted Budget.

The way that SDG&E remits payments to the City through advances and true-up payments means that the FY 2026 actuals become part of FY 2027 projections. This is why the FY 2027 Proposed Budget for franchise fees is also \$21.8 million, or 24.7%, lower than what was forecast in the Five-Year Outlook.

Additionally, the FY 2027 Proposed Budget includes a \$7.9 million, or 95.1%, decrease in the SDG&E Franchise bid payments which was a condition of the electric franchise agreement.

Since FY 2026, SDG&E and the City have had quarterly meetings after Sempra, the parent-company of SDG&E, releases its quarterly SEC filings. These meetings help the City better project significant changes to actual SDG&E franchise payments during the fiscal year before the February clean-up payments happen.

Refuse and Other Franchise Fees



¹ The Mayor’s FY 2026 Proposed Budget projects Franchise Fee revenue at \$105.8 million, which includes \$200,000 and \$2.7 million from ESD’s EDCO Facility Franchise Fee and SDPD’s Towing Franchise Fee, respectfully. Our Office reports those two revenue sources as part of Departmental Revenue.

General Fund Overview: Revenue

The second largest portion of franchise fee revenue is derived from refuse haulers and landfill disposal fees. Refuse hauling franchise fees are based on the tonnage of refuse disposed. \$23.3 million, or 22.8% of major General Fund franchise fees are derived from this source. Refuse franchise fee revenue in the FY 2027 Proposed Budget includes the transfer of \$7.1 million, a \$2.8 million, or 64.4% increase, in Sycamore Facilities fee revenues from the Recycling Fund to the General Fund, which began in FY 2025.

The FY 2027 Proposed Budget includes \$15.1 million from franchise hauler fee agreements, a \$467,000, or 3.2%, increase from the FY 2026 Adopted Budget.

Other franchise fee revenue includes water franchise related franchises, which are budgeted at \$879,000 in FY 2027, a \$94,000 increase from the FY 2026 Adopted Budget.

Cable

The third largest portion of franchise fee revenue is from cable television franchise fees, which totals \$8.3 million or 8.1% of major General Fund franchise fees in the Proposed Budget. This amount assumes a 10.1% decline in cable franchise fee revenue from the FY 2026 Adopted Budget.

Cable television (CATV) franchise fee revenue has shown consistent year-over-year declines since FY 2011 (with one exception in FY 2015), as cable television customers have switched to online and streaming services. The decrease in the Proposed Budget reflects this trend. The assumed rate of growth used in the Proposed Budget is based on historical averages, and our Office agrees with this projection.

Other Revenues

Other Major General Fund revenue is projected at \$118.8 million in the FY 2027 proposed Budget, a \$2.2 million increase from

the FY 2026 Adopted Budget. Other Major General Fund revenue includes General Government Services billed to the General Fund, interest on pooled investment, property transfer tax, transfers to the General Fund from other City funds, and other smaller revenue sources.

Revenue generated from General Fund departments is \$583.4 million in the FY 2027 Proposed Budget, a \$24.8 million, or 4.4% increase, above the current FY 2026 budget. Significant departmental revenues include revenue from leases, fines and penalties, grants, and other sources.

Cannabis Business Tax

In 2016, San Diego voters passed Measure N, which imposed a 5% tax on non-medical cannabis businesses. This tax applies to businesses that provide services such as manufacturing, transportation, and retail sales of non-medical cannabis in the City of San Diego, including businesses with physical locations within City limits and/or conducting business through delivery or distribution services. Measure N also allows the City to adjust the tax up to a maximum rate of 15%.

Currently, tax on Cannabis Production Facilities (CPFs) is 2%, while tax on cannabis retail outlets is 10%.

The FY 2027 Proposed Budget includes \$20.8 million in revenues from the Cannabis Business Tax, which is a decrease of approximately \$429,000, or 2.0%, as compared to the FY 2026 Adopted Budget. This decrease is due to continued declines in reported taxable gross receipts for cannabis products driven by increased competition from the illicit market, neighboring municipalities, and outside-City delivery services, as well as decreased wholesale prices resulting from an oversupply of cannabis products. For additional information on Cannabis Business Tax revenues, see the

General Fund Overview: Revenue

City Treasurer section of *Department Reviews*.

Interest on Pooled Investments

The FY 2027 Proposed Budget includes \$13.2 million in revenue from interest on General Fund pooled investments, which is an \$7.7 million increase from the FY 2026 Adopted Budget. This amount is largely related to \$11.6 million for projected interest on Tax and Revenue Anticipation Notes (TRANs), which will be offset by approximately \$7.9 million in interest payments for the TRANs. As noted in the Mid-Year Budget Monitoring Report (IBA 26-04), the General Fund interest revenue outlook was adjusted down resulting from a lack of positive, investible cash balances. This has been in part due to a \$105.5 million reduction in Excess Equity in FY 2025, delayed reimbursements from CIP project bond proceeds after projects were advanced funds from the General Fund, and a policy change to no longer use the large cash fund balance in the Underground Surcharge Fund.

DoF is in the process of seeking City Council approval for Tax and Revenue Anticipation Notes (TRANs) as part of the FY 2027 budget which is discussed in the *Department Review: Citywide Program Expenditures* section of this report.

Additionally, DoF is in the process of updating its TRANs proposal for FY 2027, so estimates will change. There are multiple unknowns at this time that would be necessary to accurately forecast the revenue from interest on pooled investments that the General Fund may receive from the monthly positive cash balance resulting from the TRANs proceeds.

We will conduct a more thorough analysis as we receive more updated estimates on bond sizing, yields, interest rates, and General Fund revenue and expenses after the May Revision and moving forward before the TRANs are brought to Council for consideration.

General Fund Overview: Expenditures

Expenditures Overview

As shown in the following table, General Fund expenditures are increasing by \$71.0 million, or 3.3%, from \$2.17 billion to \$2.24 billion. Non-Personnel Expenditure (NPE) changes net to a \$57.3 million increase. Larger changes are shown below. Personnel Expenditure (PE) changes net to a \$13.7 million increase and are shown on the next page.

| GENERAL FUND EXPENDITURE CHANGES | | | | |
|---|-----------------|-------------------|-----------------|-------------------|
| <i>(dollars in millions)</i> | FTE | PE | NPE | TOTAL |
| FY 2026 Adopted Budget | 8,261.40 | \$ 1,563.8 | \$ 603.6 | \$ 2,167.4 |
| Budget Change Highlights | | | | |
| FY 2027 PE Increase (See Next Page for Listing) | (198.50) | 13.7 | - | 13.7 |
| <i>Fleet Fees (ongoing, incl. \$11.8m for replacements and \$883k for usage)</i> | - | - | 12.7 | 12.7 |
| <i>Capital Infrastructure Financing Debt Service (ongoing)</i> | - | - | 12.5 | 12.5 |
| <i>Tax and Revenue Anticipation Notes Interest Payments ^a (ongoing)</i> | - | - | 7.9 | 7.9 |
| <i>Cost Increase for Water Services for City Departments (ongoing)</i> | - | - | 5.3 | 5.3 |
| <i>Net Cost Increase for Right-of-Way Fees for SDG&E Permits (ongoing)</i> | - | - | 4.0 | 4.0 |
| <i>Tree Planting and Maintenance Support ^a (one-time)</i> | - | - | 3.3 | 3.3 |
| <i>Net Non-Discretionary IT Adjustments (ongoing)</i> | - | - | 2.9 | 2.9 |
| <i>Increase of Citywide Elections Budget (ongoing)</i> | - | - | 2.8 | 2.8 |
| <i>Refuse Disposal Fees (ongoing)</i> | - | - | 2.4 | 2.4 |
| <i>Expansion for Opioid Treatment Shelter Beds (ongoing) ^a</i> | - | - | 2.4 | 2.4 |
| <i>Reverse FY 2026 One-time Reduction in Homelessness Program Expenditures ^b</i> | - | - | 1.9 | 1.9 |
| <i>General Fund Support for Ineligible Collections Customers (ongoing)</i> | - | - | 1.9 | 1.9 |
| <i>Additional Levees Operations and Maintenance Costs (ongoing)</i> | - | - | 1.9 | 1.9 |
| <i>Additional Operating Costs for the Domestic Violence Shelter (ongoing)</i> | - | - | 1.5 | 1.5 |
| <i>Restructuring of Balboa Park TRAM Services ^a (ongoing)</i> | - | - | 1.3 | 1.3 |
| <i>Net Other Non-Discretionary Adjustments (ongoing)</i> | - | - | 1.0 | 1.0 |
| <i>Expenditure Reductions for Community Projects, Programs and Services (one-time)</i> | - | - | (0.9) | (0.9) |
| <i>FY 2026 One-time Cost Removal: Expenditures for Homelessness Support ^c</i> | - | - | (1.8) | (1.8) |
| <i>FY 2026 One-time Cost Removal: Net Other One-Time Expenditures</i> | - | - | (1.8) | (1.8) |
| <i>Cost Reductions for the Homelessness Sites and Shelters ^d (ongoing)</i> | - | - | (4.9) | (4.9) |
| <i>Net Other Budget Changes</i> | - | - | 0.9 | 0.9 |
| FY 2027 Proposed Budget | 8,062.90 | \$ 1,577.5 | \$ 660.9 | \$ 2,238.4 |
| Net Increase (Decrease) from FY 2026 to FY 2027: 3.3% overall increase | (198.50) | \$ 13.7 | \$ 57.3 | \$ 71.0 |

^a Expenditure increase is fully or partially offset by additional revenue.

^b Expenditures were supported by grant funding in FY 2026 but revert to General Fund in FY 2027.

^c Includes reversal one-time non-GF expenditures to support the Rosecrans Shelter, Day Center, and Downtown Portable Restrooms.

^d Includes the closure of the Neil Good Day Center (\$948k) and reductions to Storage Connect security services (\$222k), as well as options totaling \$3.8 million in reductions to be detailed in the "Department Review: Homelessness Strategies and Solutions Department" section of this report.

General Fund Overview: Expenditures

| General Fund Personnel Expenditure (PE) Changes (Salaries/Wages & Fringe Benefits) | | | | |
|---|-----------------|------------------|------------------|-------------------|
| <i>(dollars in millions)</i> | FTE | Wages | Fringe | Total PE |
| FY 2026 Adopted Budget | 8,261.40 | \$ 961.5 | \$ 602.3 | \$ 1,563.8 |
| Net Departmental Position Additions, Reductions, Transfers | | | | |
| <i>Parks & Recreation</i> | (93.68) | (6.0) | (4.6) | (10.7) |
| <i>Compliance</i> | (36.00) | (4.8) | (2.2) | (7.1) |
| <i>Library</i> | (38.00) | (2.8) | (2.1) | (5.0) |
| <i>Fire-Rescue</i> | (11.00) | (1.6) | (1.6) | (3.2) |
| <i>Transportation</i> | (15.25) | (2.1) | (1.0) | (3.2) |
| <i>General Services</i> | (12.75) | (1.3) | (0.8) | (2.1) |
| <i>Environmental Services</i> | (12.00) | (0.9) | (0.7) | (1.6) |
| <i>Development Services</i> | (7.00) | (0.6) | (0.5) | (1.1) |
| <i>Office of the Mayor</i> | (2.23) | (0.5) | (0.5) | (1.1) |
| <i>Communications</i> | (4.00) | (0.5) | (0.5) | (1.0) |
| <i>Purchasing & Contracting</i> | (7.00) | (0.7) | (0.1) | (0.9) |
| <i>Department of Finance</i> | (3.00) | (0.4) | (0.4) | (0.8) |
| <i>City Planning</i> | (2.00) | (0.4) | (0.4) | (0.8) |
| <i>Stormwater</i> | (3.00) | (0.5) | (0.3) | (0.8) |
| <i>Personnel</i> | (3.00) | (0.4) | (0.2) | (0.6) |
| <i>Human Resources</i> | (3.00) | (0.4) | (0.1) | (0.6) |
| <i>Real Estate</i> | (1.00) | (0.2) | (0.1) | (0.2) |
| <i>Economic Development</i> | (1.00) | (0.1) | (0.0) | (0.2) |
| <i>Office of Emergency Services</i> | (1.32) | (0.1) | (0.0) | (0.1) |
| <i>Council Districts 1-9</i> | 0.74 | (0.1) | (0.0) | (0.1) |
| <i>Homelessness Strategies & Solutions</i> | - | (0.0) | 0.0 | (0.0) |
| <i>City Clerk</i> | - | (0.0) | (0.0) | (0.0) |
| <i>City Attorney</i> | 2.00 | 0.2 | (0.2) | 0.0 |
| <i>Council Administration</i> | 0.42 | 0.0 | 0.0 | 0.0 |
| <i>Commission on Police Practices</i> | 0.57 | 0.0 | 0.0 | 0.0 |
| <i>Office of the City Auditor</i> | 1.00 | 0.0 | 0.0 | 0.0 |
| <i>Department of Information Technology</i> | 2.00 | 0.1 | 0.0 | 0.1 |
| <i>Performance & Analytics</i> | 5.00 | 0.6 | 0.5 | 1.1 |
| <i>Police</i> | 19.00 | 0.9 | 0.4 | 1.3 |
| <i>City Treasurer</i> | 27.00 | 3.3 | 1.7 | 5.0 |
| Subtotal - Net Departmental Position Changes | (198.50) | \$ (19.6) | \$ (13.8) | \$ (33.4) |
| <i>Removal of Fringe Above (avoids double counting in this table)</i> | - | - | 13.8 | 13.8 |
| <i>Actuarially Determined Contribution (ADC) - Pension Payment Increase</i> | - | - | 18.0 | 18.0 |
| <i>Increased Fringe Contributions to the Workers' Compensation Fund</i> | - | - | 9.5 | 9.5 |
| <i>Overtime Increase in Fire-Rescue</i> | - | 6.6 | - | 6.6 |
| <i>Net Wage Adjustments not Listed Elsewhere - incl. previously negotiated compensation increases, step increases, promotions, turnover impacts</i> | - | 6.5 | - | 6.5 |
| <i>BPES Adjustment ^a - Fire-Rescue</i> | - | 5.2 | - | 5.2 |
| <i>Net BPES Adjustments ^a for Departments not Listed Elsewhere</i> | - | 3.1 | - | 3.1 |
| <i>Overtime Increase in Transportation</i> | - | 3.0 | - | 3.0 |
| <i>Decreased Salary Savings (misc. pay reductions & voluntary furlough) ^b</i> | - | 2.6 | - | 2.6 |
| <i>Overtime Increase in Police</i> | - | 2.0 | - | 2.0 |
| <i>Special Pay Adjustments not Included Elsewhere ^c</i> | - | 1.4 | - | 1.4 |
| <i>BPES Adjustment ^a - Parks & Recreation</i> | - | 1.4 | - | 1.4 |
| <i>Net Salary Reductions for Budget Mitigation ^d</i> | - | (13.5) | - | (13.5) |
| <i>Retiree Healthcare/OPEB Funding Decrease</i> | - | - | (7.2) | (7.2) |
| <i>Net Other Wage and Fringe Adjustments ^e</i> | - | (2.7) | (2.6) | (5.2) |
| FY 2026 Proposed Budget | 8,062.90 | \$ 957.5 | \$ 620.0 | \$ 1,577.5 |
| Net Increase/(Decrease) FY 2026 to FY 2027 - 0.9% PE Increase | (198.50) | \$ (4.0) | \$ 17.7 | \$ 13.7 |

Notes: Table may not total due to rounding.

^a BPES, or Budgeted PE Savings, Adjustments are largely related to vacancy savings, but can apply to other wages, such as special pay, overtime, and termination pay. Overall, BPES reduces salaries expenditures, as in the case of vacancy savings. Thus, the increased expenditure budgets shown in the table are reductions to BPES.

^b Salary Savings reduction was made in error and will be fixed in the May Revision.

^c Special Pay expenditures cover additional wages provided to certain employees who meet specific requirements or who provide certain specialized services (such as paramedic pay, river rescue team pay, and bilingual pay).

^d The largest budget reductions included in the Net Salary Reductions for Budget Mitigation line includes: \$8.1 million for Police, \$2.6 million for City Attorney's Office, \$1.1 million for Parks and Recreation.

^e Wage adjustments on this line largely remove termination pay amounts included in the top portion of the table to adjust to the overall budget; fringe adjustments include various citywide changes under +/- \$800,000.

General Fund Overview: Expenditures

Personnel Expenditures (PE)

As shown in the table on the preceding page, the net General Fund PE increase (salaries/wages and fringe benefits) from the FY 2026 Adopted Budget to the FY 2027 Proposed Budget is \$13.7 million. This net amount is comprised of a number of increases and offsetting decreases. The largest *increases* are listed below.

- The largest *increase*, \$18.0 million in the bottom portion of the Fringe column, is the increase in the General Fund portion of the FY 2027 Actuarially Determined Contribution (ADC) pension payment. This amount was determined using the ADC included in the FY 2025 actuarial valuation. The \$18.0 million increase is largely related to higher-than-expected salary increases. For more on the ADC, see the *Key Citywide Issues: Pension* section of this report.
- The second largest *increase*, \$9.5 million in the bottom portion of the Fringe column, is for increased contributions to the Workers' Compensation (WC) Fund. This increase is largely due to projected FY 2026 expenditures for WC coming in higher than budgeted and the application of a 9.1% growth rate to those FY 2026 cost estimates. Although the WC program has seen declines in reported claims over the past several years, the overall cost of claims has increased due to increased severity of injuries/illnesses. For more on the WC Fund, see the *Reserves: Workers' Compensation Fund* section of this report.
- The next largest *increase* shown in the bottom portion of the Wages column is \$6.6 million in increased Fire-Rescue overtime. This net adjustment is largely made to better align the budget with prior years' projections, including previously

unbudgeted paramedic pay and other salary adjustments. See the *Department Review: Fire-Rescue* section for additional details.

- The next largest *increase*, \$6.5 million shown in the bottom portion of the Wages column, is largely related to step increases and the annualization of previously negotiated compensation increases that took effect mid-FY 2026. This increase reflects the current Memoranda of Understanding (MOUs) with the City's Recognized Employee Organizations (REOs), which run through FY 2026, as well as impacts related to unrepresented employees. Focusing *only on salaried wages*, after backing out net position reductions, there is an overall budget increase of about 0.6%.

As mentioned, MOUs for the REOs expire at the end of FY 2026 (June 30, 2026), and the City has been negotiating with the REOs over FY 2027 successor MOUs. Tentative Agreements (TAs) have been reached with the Municipal Employees Association (MEA) and Deputy City Attorneys Association (DCAA), and negotiations with the City's four other REOs are ongoing.

If TAs are achieved and ratified by all six REOs' memberships, and final agreements are approved by the City Council, any resulting compensation increases may be higher than amounts currently included the Proposed Budget. Any increased cost estimates for anticipated final agreements are expected to be addressed in the May Revision.

- The next largest *increase* shown in the bottom portion of the Wages column is \$5.2 million in *decreased* Budgeted PE Savings for the Fire-Rescue Department.

General Fund Overview: Expenditures

A decrease in Budgeted PE savings means increased wage expenditures. Budgeted PE Savings are used to balance wage costs by accounting for vacancies and turnover. The decrease in Budgeted PE Savings is also across multiple departments and has been adjusted to align with current spending trends and the decrease in overall budgeted positions for the General Fund.

Partially offsetting the General Fund PE increases are several *decreases*, the largest of which are listed here:

- The largest is a net *decrease* of 198.50 FTEs and \$19.6 million in corresponding *wages*, which is discussed below.
- There is also a net \$13.5 million *decrease* related to reductions in overall wages among various departments to mitigate the budget, including \$8.1 million for Police, \$2.6 million for the City Attorney’s Office, and \$1.1 million for Parks and Recreation.
- The next largest *decrease* is a funding reduction of \$7.2 million for retiree healthcare, also known as Other Post-Employment Benefits (OPEB). Citywide there is a \$10.6 million reduction from FY 2026. This decrease is primarily a FY 2027 mitigation strategy to balance the General Fund Budget.

The City plans to use its pre-funded California Employers’ Retiree Benefit Trust (CERBT) funds to cover the reduced OPEB budget. Reducing budgeted funding for OPEB will reduce the prefunding available in the CERBT, as well as related investment earnings that partially fund the

OPEB benefit. The current funding methodology for paying down the City’s OPEB obligation was implemented in FY 2024. For additional details, please see IBA Report 23-37 – [IBA Review of the FY 2024 First Quarter Budget Monitoring Report](#).

Turning back to the ***net reduction of 198.50 FTEs and \$19.6 million in wages***¹: these figures are shown in the “Subtotal - Net Departmental Position Changes” in the table on page 2 of this section. There is also a table summarizing FTE changes at the end of this section – which includes, by department, FY 2026 FTEs, reductions, additions, transfers, the resulting FY 2027 FTEs, and the net year-over-year changes.

The following three departments have the largest net wage and FTE reductions.

- The department with the highest reductions is Parks and Recreation, with a net *decrease* of \$6.0 million in *wages* and 93.68 FTEs. These reductions come with significant programmatic impacts. About half of the total reduction is related to reduced recreation center hours. There are also budget reductions related to park maintenance, public restroom closures, and extended pool closures, among others. See the *Department Review: Parks and Recreation* section for additional information.
- Compliance is listed next on the table, with *reductions* of \$4.8 million in *wages* and 36.00 FTEs. These reductions eliminate the Department and were part of an organizational realignment announced last November, which included consolidating Compliance Department functions into

¹ Note that associated fringe benefits are not discussed here, as the largest changes to fringe were previously reviewed in this section. Fringe benefits associated with the departmental position changes are shown for each department in the table on the second page of this section; however, those amounts are reversed in the table to avoid double counting.

General Fund Overview: Expenditures

related operational areas of several departments. Offsetting additions to Risk Management, City Treasurer, Purchasing and Contracting, the Department of Information Technology, and the Department of Finance are discussed in the relevant department review sections.

- Third on the table, with net *reductions* of \$2.8 million in *wages* and 38.00 FTEs, is the Library Department. Service impacts include reductions to library hours; youth, family, and equity funding; and library services at the Rancho Peñasquitos and Ocean Beach branches due to closures during renovation or expansion. See the *Department Review: Library* section for additional information.

The department with the most significant net wage and FTE *additions* is the City Treasurer’s Office, with \$3.3 million and 27.00 FTEs. This net increase is largely due to the transfer of positions from the Compliance Department’s consolidation into other departments, along with several other position additions and reductions. See the *Department Review: City Treasurer* section for additional information.

The Proposed Budget includes other consolidations and transfers of positions among departments. The table at the end of this section summarizes FTE changes and provides an overview of total transfers in and out of General Fund departments. The *Department Review* sections provide additional details.

For a high-level listing of programmatic additions and mitigations across General Fund departments, see the “General Fund Programmatic Additions” and “General Fund Major Budget Mitigations” tables in the *General Fund: Major Additions and Mitigations* section. Also, refer to the *Department Review*

sections for further details and analysis of specific FTE and PE changes.

Non-Personnel Expenditures (NPE)

Significant NPE changes are included in the table on the first page of this section. NPEs are increasing by \$57.3 million in the FY 2027 Proposed Budget. This net increase includes a number of large offsetting increases and decreases; several are highlighted below.

Some of the *larger additions* include:

- \$12.7 million in increased fees paid to the Fleet Operations Division for maintenance and replacement of City vehicles. See the *Department Review: General Services* section, under Fleet Operations for discussion about the Division’s budget.
- \$12.5 million increase in capital infrastructure debt financing. This increase is primarily driven by \$20.1 million in higher payments associated with the 2025 bond issuance. This increase is partially offset by shifting \$6.9 million in debt service for 2023A LRBs from the General Fund to other funds, as well as \$1.5 million in savings from the refunding of several other lease revenue bonds. See the *Department Review: Citywide Program Expenditures* section in this report for additional information.
- \$7.9 million in interest payments related to Tax and Revenue Anticipation Notes (TRANs) borrowing for FY 2027. TRANs are short-term notes, proceeds of which allow the City to cover the periods of cash shortfalls resulting from a timing mismatch between revenues and expenditures. See the *Department Review: Citywide Program Expenditures* section in this report for additional information.
- \$5.3 million in increased water services

General Fund Overview: Expenditures

costs billed to several City departments.

- \$4.0 million to cover costs for SDG&E utility permit inspections within the right-of-way. See the *Department Review: Citywide Program Expenditures* section for more information.
- \$3.3 million in tree planting and maintenance support. This adjustment includes \$3.8 million in General Fund revenue. See the *Department Review: Transportation* section for more information.
- \$2.9 million in net increases to non-discretionary information technology costs.
- \$2.8 million for increased citywide elections costs. The increased FY 2027 budget reflects the estimated costs for the November 2026 General Election. See the *Department Review: Citywide Program Expenditures* section for more information.
- \$2.4 million in refuse disposal fees, \$1.1 million of which is associated with the Transportation Department.
- \$2.4 million to expand Opioid Treatment Shelter Beds. This expansion includes \$2.4 million in General Fund revenue. See the *Department Review: Homelessness Strategies and Solutions Department* section in this report for more information.
- \$1.9 million to reverse FY 2026 savings resulting from homelessness program expenditures, which are typically supported by the General Fund, being supported by grants in FY 2026.
- \$1.9 million to support ineligible customers for the City's solid waste collection services. See the *Department Review: Environmental Services* section for more information.
- \$1.9 million for additional levee

operations and maintenance costs, of which \$1.2 million is used to address deficiencies along the San Diego River, and \$700,000 for engineering studies. See the *Department Review: Stormwater* section for more information.

- \$1.5 million to backfill the reduction of County grant funding for the Domestic Violence shelter operations. See the *Department Review: Homelessness Strategies and Solutions Department* section for more information.
- \$1.3 million for the transfer of ongoing expenditures associated with tram services within Balboa Park that were previously budgeted in the TOT Fund. This transfer includes \$1.2 million in revenue.

There are a number of year-over-year NPE decreases that partially offset the NPE increases listed above. Many of these decreases are addressed in the appropriate *Department Review* sections of this report. Some of the **larger reductions** are highlighted below.

- \$4.9 million in homelessness program cost reductions, including the closure of the Neil Good Day Center, reductions to security services, as well as \$3.8 million in additional reduction options. See the *Department Review: Homelessness Strategies and Solutions Department* section for more information.
- \$1.8 million in cost reductions associated with the reversal of FY 2026 one-time homelessness program expenditures, including support for the Rosecrans Shelter, Day Center, and downtown portable restrooms.
- \$900,000 for the removal of City Council's Community Projects, Programs and Services (CPPS) funding.

General Fund Overview: Expenditures

| GENERAL FUND FULL-TIME EQUIVALENT (FTE) CHANGES | | | | | | |
|---|-----------------|-----------------|--------------|------------------------|-----------------|-----------------|
| Department | FY 2026 | Reductions | Additions | Transfers ^a | FY 2027 | Net Change |
| <i>Parks & Recreation</i> | 1,039.77 | (107.50) | 14.07 | (0.25) | 946.09 | (93.68) |
| <i>Library</i> | 434.50 | (40.00) | 2.00 | - | 396.50 | (38.00) |
| <i>Compliance</i> | 36.00 | - | - | (36.00) | - | (36.00) |
| <i>Transportation</i> | 518.44 | (16.50) | - | 1.25 | 503.19 | (15.25) |
| <i>General Services</i> | 184.50 | (13.00) | 5.00 | (4.75) | 171.75 | (12.75) |
| <i>Environmental Services</i> | 130.73 | - | 2.00 | (14.00) | 118.73 | (12.00) |
| <i>Fire-Rescue</i> | 1,400.50 | (11.00) | 3.00 | (3.00) | 1,389.50 | (11.00) |
| <i>Purchasing & Contracting</i> | 69.00 | (9.00) | - | 2.00 | 62.00 | (7.00) |
| <i>Development Services</i> | 73.00 | (7.00) | - | - | 66.00 | (7.00) |
| <i>Communications</i> | 33.00 | (3.00) | - | (1.00) | 29.00 | (4.00) |
| <i>Personnel</i> | 80.49 | (3.00) | - | - | 77.49 | (3.00) |
| <i>Human Resources</i> | 44.00 | (3.00) | - | - | 41.00 | (3.00) |
| <i>Department of Finance</i> | 137.00 | (4.00) | - | 1.00 | 134.00 | (3.00) |
| <i>Stormwater</i> | 301.50 | (4.00) | 1.00 | - | 298.50 | (3.00) |
| <i>Office of the Mayor</i> | 39.00 | (2.00) | 1.53 | (1.76) | 36.77 | (2.23) |
| <i>City Planning</i> | 104.25 | (4.00) | 3.00 | (1.00) | 102.25 | (2.00) |
| <i>Office of Emergency Services</i> | 17.37 | (2.32) | 1.00 | - | 16.05 | (1.32) |
| <i>Economic Development</i> | 58.75 | (1.00) | - | - | 57.75 | (1.00) |
| <i>Real Estate</i> | 38.00 | (1.00) | - | - | 37.00 | (1.00) |
| <i>City Clerk</i> | 45.17 | - | - | - | 45.17 | - |
| <i>Independent Budget Analyst</i> | 17.00 | - | - | - | 17.00 | - |
| <i>Ethics Commission</i> | 6.00 | - | - | - | 6.00 | - |
| <i>Homelessness Strategies & Solutions</i> | 15.00 | (1.00) | 1.00 | - | 15.00 | - |
| <i>Council Administration</i> | 13.58 | - | 0.42 | - | 14.00 | 0.42 |
| <i>Commission on Police Practices</i> | 12.58 | - | 0.57 | - | 13.15 | 0.57 |
| <i>Council Districts 1-9</i> | 146.08 | (0.50) | 1.24 | - | 146.82 | 0.74 |
| <i>Office of the City Auditor</i> | 24.00 | - | 1.00 | - | 25.00 | 1.00 |
| <i>City Attorney</i> | 423.48 | (2.00) | 4.00 | - | 425.48 | 2.00 |
| <i>Department of Information Technology</i> | 4.00 | - | 2.00 | - | 6.00 | 2.00 |
| <i>Performance & Analytics</i> | 17.00 | (1.00) | - | 6.00 | 22.00 | 5.00 |
| <i>Police</i> | 2,680.46 | (4.00) | 23.00 | - | 2,699.46 | 19.00 |
| <i>City Treasurer</i> | 117.25 | (8.00) | 6.00 | 29.00 | 144.25 | 27.00 |
| General Fund Totals | 8,261.40 | (250.82) | 74.83 | (22.51) | 8,062.90 | (198.50) |

Notes: Table may not total due to rounding.

FTE positions in this table include both hourly and non-hourly positions.

Please see the department sections of this report for a break-down and additional details regarding these FTE changes.

^a The 22.51 FTE decrease in the transfers column is the net transfer from the General Fund to non-general funds. The remaining transfers are among various General Fund departments, and as these FTEs remain in the General Fund, they net to zero. Please see the department sections of this report for additional details.

Major Additions and Mitigations

This section provides an overview of the major programmatic additions proposed for the General Fund, as well as budget mitigation measures in the Proposed Budget. The information is presented in separate tables to provide a snapshot of programmatic funding changes that Council can use to weigh its priorities. It is important to note that **these tables are not inclusive of all budget changes**, and additional information on most of these items is included in separate sections of this report, such as the *General Fund Expenditures Overview*, *General Fund Revenue Overview*, and *Department Review* sections.

General Fund: Major Additions and Mitigations

The *General Fund Programmatic Additions* table includes \$90.9 million in funding additions to support critical expenditures such as homelessness programs, public safety, new park facilities, and debt financing for capital infrastructure projects. This table summarizes funding additions included in the FY 2027

Proposed Budget that have programmatic impacts. It excludes non-programmatic adds such as salary increases.

| GENERAL FUND PROGRAMMATIC ADDITIONS | | | | | |
|--|--------------|----------------------|----------------------|----------------------|----------------------|
| Department | FTE | PE | NPE | Total Expenditures | Revenue |
| City Attorney | | | | | |
| Additional Staffing | 4.00 | \$ 877,272 | \$ 11,500 | \$ 888,772 | \$ 886,272 |
| Sky Park Court Lease | - | \$ - | \$ 781,906 | \$ 781,906 | \$ - |
| Citywide Program Expenditures | | | | | |
| Capital Infrastructure Financing Debt Service | - | \$ - | \$ 12,491,300 | \$ 12,491,300 | \$ - |
| Tax and Revenue Anticipation Notes Interest Payments | - | \$ - | \$ 7,912,552 | \$ 7,912,552 | \$ - |
| Cost Increase for Right-of-Way Fees for SDG&E Permits | - | \$ - | \$ 3,969,654 | \$ 3,969,654 | \$ - |
| Increase of Citywide Elections Budget | - | \$ - | \$ 2,771,000 | \$ 2,771,000 | \$ - |
| Transfers to the Public Liability Fund | - | \$ - | \$ 1,375,058 | \$ 1,375,058 | \$ - |
| Other Citywide Expenditures | - | \$ - | \$ 392,828 | \$ 392,828 | \$ - |
| Environmental Services | | | | | |
| General Fund Support for Measure B Transition Costs | - | \$ - | \$ 1,900,000 | \$ 1,900,000 | \$ - |
| Other Environmental Services Programs | 2.00 | \$ 189,128 | \$ 790,514 | \$ 979,642 | \$ 100,000 |
| Fire-Rescue | | | | | |
| Overtime Increase | - | \$ 6,573,200 | \$ - | \$ 6,573,200 | \$ - |
| Additional Fire-Rescue Staffing | 2.00 | \$ 428,949 | \$ 4,000 | \$ 432,949 | \$ 185,940 |
| Other Fire-Rescue Programs | - | \$ - | \$ 678,659 | \$ 678,659 | \$ 235,960 |
| Homelessness Strategies and Solutions Department | | | | | |
| Expansion for Opioid Treatment Shelter Beds | - | \$ - | \$ 2,392,377 | \$ 2,392,377 | \$ 2,392,377 |
| Reversal of FY 2026 One-Time Reduction in Homelessness Program Expenditures Supported by Grant Funding | - | \$ - | \$ 1,919,599 | \$ 1,919,599 | \$ - |
| Additional Operating Costs for the Domestic Violence Shelter | - | \$ - | \$ 1,500,000 | \$ 1,500,000 | \$ - |
| Other Homelessness Programs | - | \$ - | \$ 1,109,195 | \$ 1,109,195 | \$ - |
| Parks and Recreation | | | | | |
| New Parks Facilities | 15.00 | \$ 1,084,609 | \$ 735,670 | \$ 1,820,279 | \$ 62,500 |
| Restructuring of Balboa Park TRAM Services | - | \$ - | \$ 1,294,650 | \$ 1,294,650 | \$ 1,207,915 |
| San Diego Humane Society Contractual Increase | - | \$ - | \$ 633,485 | \$ 633,485 | \$ - |
| Gas Tax Medians Program | - | \$ - | \$ 198,574 | \$ 198,574 | \$ - |
| Police | | | | | |
| Increase in Special Event Overtime | - | \$ 1,704,360 | \$ - | \$ 1,704,360 | \$ 1,920,000 |
| Additional Parking Enforcement Staff | 18.00 | \$ 37,145 | \$ 89,344 | \$ 126,489 | \$ - |
| Other Police Programs | - | \$ 300,000 | \$ 1,684,897 | \$ 1,984,897 | \$ 765,897 |
| Transportation | | | | | |
| Tree Planting Support | - | \$ - | \$ 3,328,335 | \$ 3,328,335 | \$ 3,756,664 |
| Overtime Increase | - | \$ 2,987,455 | \$ - | \$ 2,987,455 | \$ 1,048,148 |
| Asphalt and Cement Materials | - | \$ - | \$ 801,000 | \$ 801,000 | \$ - |
| Multiple Departments | | | | | |
| Fleet Fees (Replacements and Usage) | - | \$ - | \$ 12,723,539 | \$ 12,723,539 | \$ - |
| Cost Increase for Water Services for City Departments | - | \$ - | \$ 5,305,748 | \$ 5,305,748 | \$ - |
| Net Non-Discretionary IT Adjustments | - | \$ - | \$ 2,920,890 | \$ 2,920,890 | \$ - |
| Refuse Disposal Fees | - | \$ - | \$ 2,444,820 | \$ 2,444,820 | \$ - |
| Net Other Non-Discretionary Adjustments | - | \$ - | \$ 1,011,053 | \$ 1,011,053 | \$ - |
| Other Departments | | | | | |
| Levees Operations and Maintenance | - | \$ - | \$ 1,900,000 | \$ 1,900,000 | \$ - |
| Addition of DCOOs for the Mayor's Office | 1.53 | \$ 668,028 | \$ - | \$ 668,028 | \$ - |
| Additional City Treasurer Staffing | 2.00 | \$ 286,662 | \$ 17,000 | \$ 303,662 | \$ 711,864 |
| Other Programs | - | \$ - | \$ 684,678 | \$ 684,678 | \$ 290,000 |
| Total | 44.53 | \$ 15,136,808 | \$ 75,773,825 | \$ 90,910,633 | \$ 13,563,537 |

General Fund: Major Additions and Mitigations

The *General Fund Major Budget Mitigation* table includes \$110.9 million in budget mitigation measures that helped balance the FY 2027 Proposed Budget. These include expenditure reductions and revenue increases.

Potential impacts associated with each mitigation are discussed in the corresponding *Department Review* sections of this report.

| GENERAL FUND MAJOR BUDGET MITIGATIONS | | | | | |
|---|---------|----------------|----------------|--------------------|---------------|
| Department | FTE | PE | NPE | Total Expenditures | Revenue |
| <i>City Attorney</i> | | | | | |
| Salary Reduction for Additional Budget Mitigation | - | \$ (2,568,564) | \$ - | \$ (2,568,564) | \$ - |
| Staffing Reductions | (2.00) | \$ (748,366) | \$ - | \$ (748,366) | \$ - |
| <i>City Council</i> | | | | | |
| Removal of Community Projects, Programs, and Svcs Funding | - | \$ - | \$ (900,000) | \$ (900,000) | \$ - |
| Salary Reduction for Additional Budget Mitigation | - | \$ (720,000) | \$ - | \$ (720,000) | \$ - |
| <i>City Planning</i> | | | | | |
| One-Time General Maintenance Fund Revenue | - | \$ - | \$ - | \$ - | \$ 770,362 |
| Other Mitigating Revenues | - | \$ - | \$ - | \$ - | \$ 246,471 |
| Programmatic Reductions | (1.00) | \$ (614,502) | \$ (250,000) | \$ (864,502) | \$ - |
| <i>City Treasurer</i> | | | | | |
| Additional Parking Meter Fund Reimbursements | - | \$ - | \$ - | \$ - | \$ 1,608,289 |
| Other Mitigating Revenues | - | \$ - | \$ - | \$ - | \$ 968,585 |
| Staffing Reductions | (7.00) | \$ (1,001,265) | \$ - | \$ (1,001,265) | \$ - |
| Other Program Reductions | - | \$ (77,403) | \$ (15,000) | \$ (92,403) | \$ - |
| <i>Citywide Programs</i> | | | | | |
| Anticipated Interest Earnings Increase | - | \$ - | \$ - | \$ - | \$ 11,600,000 |
| Sycamore Facility Franchise Fee | - | \$ - | \$ - | \$ - | \$ 7,067,855 |
| Transfer of Fund Balances to the General Fund | - | \$ - | \$ - | \$ - | \$ 313,867 |
| Waiver of the Climate Equity Fund | - | \$ - | \$ (7,031,799) | \$ (7,031,799) | \$ - |
| <i>Economic Development Department</i> | | | | | |
| Additional Real Estate Revenue | - | \$ - | \$ - | \$ - | \$ 833,496 |
| Staffing Reductions | (2.00) | \$ (396,359) | \$ - | \$ (396,359) | \$ - |
| <i>Environmental Services</i> | | | | | |
| Abatement and Sanitation Revenue | - | \$ - | \$ - | \$ - | \$ 2,316,253 |
| Transient Occupancy Tax Transfer | - | \$ - | \$ - | \$ - | \$ 1,045,000 |
| <i>Fire-Rescue</i> | | | | | |
| Emergency Medical Services Fund Transfers to the General Fund | - | \$ - | \$ - | \$ - | \$ 5,341,150 |
| Reduction of Dedicated Bomb Squads | (6.00) | \$ (1,653,385) | \$ - | \$ (1,653,385) | \$ - |
| Reduction of Fire-Rescue Staffing | (4.00) | \$ (1,178,027) | \$ - | \$ (1,178,027) | \$ - |
| Other Program Reductions | - | \$ (14,963) | \$ (525,608) | \$ (540,571) | \$ - |
| <i>Homelessness Strategies and Solutions Department</i> | | | | | |
| Transient Occupancy Tax Reimbursement from Penny for the Arts Reduction | - | \$ - | \$ - | \$ - | \$ 10,133,098 |
| Reductions for the Homelessness Services | - | \$ - | \$ (4,924,233) | \$ (4,924,233) | \$ - |
| Reclassification of Position | - | \$ (16,440) | \$ - | \$ (16,440) | \$ - |
| <i>Library</i> | | | | | |
| Reduction of Library Hours | (23.00) | \$ (2,420,922) | \$ (181,310) | \$ (2,602,232) | \$ - |
| Temporary Library Closures due to Renovation/Expansion | (11.50) | \$ (1,662,986) | \$ (126,795) | \$ (1,789,781) | \$ - |
| Reduction of the Youth, Family & Equity Services | (4.00) | \$ (899,019) | \$ (265,783) | \$ (1,164,802) | \$ - |
| Reduction of General Funds Match for Donations | - | \$ - | \$ (1,000,376) | \$ (1,000,376) | \$ - |
| Reduction of Security Service | - | \$ - | \$ (500,000) | \$ (500,000) | \$ - |
| Reduction of Other Library Programs | (1.50) | \$ (166,653) | \$ (53,000) | \$ (219,653) | \$ - |
| <i>Parks and Recreation</i> | | | | | |
| Reduction of Recreation Center Hours | (55.27) | \$ (5,283,140) | \$ (102,507) | \$ (5,385,647) | \$ (151,081) |
| Reduction of Parks & Recreation Staffing | (17.00) | \$ (2,970,634) | \$ (17,574) | \$ (2,988,208) | \$ - |
| Reduction of Park Maintenance | (11.00) | \$ (1,278,173) | \$ (493,573) | \$ (1,771,746) | \$ - |
| Restroom Closures | (14.00) | \$ (1,181,443) | \$ (144,508) | \$ (1,325,951) | \$ - |
| Extended Pool Closures | (11.16) | \$ (789,352) | \$ (168,494) | \$ (957,846) | \$ (131,556) |
| Security Services Reduction | - | \$ - | \$ (51,514) | \$ (51,514) | \$ - |
| Reduction of Other Parks & Rec Programs | (8.83) | \$ (825,853) | \$ (607,487) | \$ (1,433,340) | \$ - |

General Fund: Major Additions and Mitigations

| GENERAL FUND MAJOR BUDGET MITIGATIONS | | | | | |
|--|-----------------|------------------------|------------------------|------------------------|----------------------|
| Department | FTE | PE | NPE | Total Expenditures | Revenue |
| <i>Stormwater</i> | | | | | |
| Mitigating Stormwater Revenues | - | \$ - | \$ - | \$ - | \$ 500,000 |
| Staffing Reductions | (3.00) | \$ (747,673) | \$ - | \$ (747,673) | \$ - |
| Water Quality Monitoring Reduction | - | \$ - | \$ (535,000) | \$ (535,000) | \$ - |
| Channel Maintenance Reduction | - | \$ - | \$ (430,000) | \$ (430,000) | \$ - |
| Think Blue Reductions | - | \$ - | \$ (400,000) | \$ (400,000) | \$ - |
| Reduction of Other Stormwater Programs | - | \$ - | \$ (1,406,629) | \$ (1,406,629) | \$ - |
| <i>Transportation</i> | | | | | |
| Additional Gas Tax Revenue | - | \$ - | \$ - | \$ - | \$ 1,194,224 |
| Reduction of the Multi-Modal Team | (14.50) | \$ (2,562,198) | \$ - | \$ (2,562,198) | \$ - |
| Reduction of Other Transportation Staffing | (2.00) | \$ (695,740) | \$ - | \$ (695,740) | \$ - |
| Other Program Reductions | - | \$ - | \$ (138,397) | \$ (138,397) | \$ - |
| <i>Other Departments</i> | | | | | |
| Police Hiring Freeze Savings | - | \$ (6,311,455) | \$ - | \$ (6,311,455) | \$ - |
| Reduction of General Services Staffing | (13.00) | \$ (1,486,378) | \$ - | \$ (1,486,378) | \$ - |
| Reduction of Building and Zoning Enforcement Activities | (7.00) | \$ (1,072,830) | \$ (50,139) | \$ (1,122,969) | \$ - |
| Reduction of Department of Finance Staffing | (4.00) | \$ (1,046,714) | \$ - | \$ (1,046,714) | \$ - |
| Reduction of Purchasing & Contracting Staffing | (6.00) | \$ (917,659) | \$ - | \$ (917,659) | \$ - |
| In-Housing of Janitorial Services for the Civic Center Plaza | 5.00 | \$ 346,648 | \$ (1,039,267) | \$ (692,619) | \$ - |
| Reduction of Communications Staffing | (3.00) | \$ (661,046) | \$ - | \$ (661,046) | \$ - |
| Reduction of Human Resources Staffing | (3.00) | \$ (545,066) | \$ - | \$ (545,066) | \$ - |
| Personnel Department Staffing Reductions | (3.00) | \$ (489,269) | \$ - | \$ (489,269) | \$ - |
| Reduction of Staffing from the Mayor's Office | (2.00) | \$ (383,654) | \$ - | \$ (383,654) | \$ - |
| Performance and Analytics Staffing Reductions | (1.00) | \$ (203,707) | \$ - | \$ (203,707) | \$ - |
| Office of Emergency Services Staffing Reductions (Fire-Rescue) | (1.00) | \$ (173,258) | \$ - | \$ (173,258) | \$ (145,160) |
| Other Mitigating Revenues | - | \$ - | \$ - | \$ - | \$ 951,967 |
| Other Program Reductions | - | \$ (422,767) | \$ (1,209,581) | \$ (1,632,348) | \$ - |
| Total | (236.76) | \$ (43,840,215) | \$ (22,568,574) | \$ (66,408,789) | \$ 44,462,820 |

Reserves: General Fund Reserve

General Fund Reserve

This section provides background information on the City’s General Fund Reserve policy and Reserve target amounts based on that policy. Following the policy discussion, we review the Reserve’s funding status.

Background: General Fund Reserve Policy and Reserve Policy Targets

The City’s current Reserve Policy¹ was amended and approved by the City Council in December 2022. The ultimate target General Fund Reserve level is 16.7% of the most recent three-year average of annual audited General Fund operating revenues, which is consistent with Government Finance Officers Association (GFOA) best practices. The revised Reserve Policy extended the timeline to reach that target by FY 2030.

Although we outline the current Reserve Policy in this section, the Budget and Government Efficiency (B&GE) Committee, at its April 8, 2026 meeting, was presented with an informational update on the Policy, ahead of a formal proposal anticipated in June.² Changes to the Policy are anticipated to impact the funding schedule presented here.

The General Fund Reserve has two components: the Emergency Reserve and the Stability Reserve, for which the ultimate Policy goal

is to reach 8.0% and 8.7%, respectively.³

The following table shows the Reserve components and Policy’s scheduled timeframe for reaching the 16.7% total Reserve goal. For FY 2027, which ends June 30, 2027, the Reserve Policy’s total target percentage is 14.7% of operating revenues.

| City Reserve Policy: General Fund Reserve Funding Schedule | | | |
|---|----------------------------------|----------------------------------|------------------------------|
| Target Date | Emergency Reserve Target Percent | Stability Reserve Target Percent | Total Reserve Target Percent |
| June 30, 2022 | 7.70% | 7.20% | 14.90% |
| June 30, 2023 | 7.43% | 6.87% | 14.30% |
| June 30, 2024 | 7.21% | 6.37% | 13.58% |
| June 30, 2025 | 7.21% | 6.37% | 13.58% |
| June 30, 2026 | 7.50% | 6.60% | 14.10% |
| June 30, 2027 | 7.90% | 6.80% | 14.70% |
| June 30, 2028 | 8.00% | 7.35% | 15.35% |
| June 30, 2029 | 8.00% | 8.00% | 16.00% |
| June 30, 2030 | 8.00% | 8.70% | 16.70% |

Similar to the ultimate 16.7% overall goal, the *amount* of each year’s Reserve target during the phase-in period is based on audited General Fund operating revenues for the prior three fiscal years. In the following table, the bottom three rows show the applicable three-year average revenues, as well as Reserve target percentages and target amounts, for FY

¹ The City’s Reserve Policy is delineated in [Council Policy 100-20](#).

² The Reserve Policy informational update included benchmarking, current conditions, and preliminary policy considerations. Policy considerations presented include, among others, continuity with the current 16.7% ultimate target; prioritizing year-end surpluses and one-time revenues for deposits; considering an annual deposit guide of 0.5%-1.0% of projected General Fund revenues; pausing such deposits in FY 2027 and 2028, but maintaining about 10%; creating an objective trigger and access framework for use of the Reserve.

³ For the City’s Reserve Policy, the “Emergency Reserve will be maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other unforeseen catastrophic event,” and the “Stability Reserve will be maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures.”

Reserves: General Fund Reserve

2026 and FY 2027. The FY 2026 Reserve target percentage is 14.1% of General Fund operating revenues, which equates to \$262.9 million. For FY 2027, the Reserve target increases to 14.7% and, based on the FY 2026 Mid-Year Budget Monitoring Report, is estimated to be \$287.2 million.

| City Reserve Policy: General Fund Reserve Target Calculation (\$ in millions) | | |
|--|-------------------|-------------------|
| Revenues^a | FY 2026 | FY 2027 |
| FY 2026 | | \$ 2,038.9 |
| FY 2025 | \$ 1,948.4 | \$ 1,948.4 |
| FY 2024 | \$ 1,874.2 | \$ 1,874.2 |
| FY 2023 | \$ 1,771.5 | |
| 3-Year Average of Revenues | \$ 1,864.7 | \$ 1,953.8 |
| Reserve Target % | 14.10% | 14.70% |
| Reserve Target | \$ 262.9 | \$ 287.2 |

Note: Table may not total due to rounding.

^a FY 2023 to FY 2025 revenues are based on actual operating revenues, and FY 2026 revenues are based on the mid-year projection for FY 2026.

Reserve Funding Status

The following table shows the FY 2023 through FY 2027 General Fund Reserve Policy targets as compared to the Reserve balances, which are based on actuals for FY 2023 to FY 2025 and projections for FY 2026 and FY 2027. Although the Reserve target amounts have increased since FY 2023, over the past several years the City elected to waive the Reserve contributions needed to achieve those targets in order to fund other critical expenditures – resulting in Reserve shortfalls of \$8.4 million in FY 2024 and \$31.2 million in

FY 2025, as well as a projected shortfall of \$55.8 million for FY 2026 (as shown in the table below). It is projected that the Reserve’s funding percentage will be 11.1% at FY 2026 year-end, compared to the 14.1% target level; and the FY 2026 Reserve balance is anticipated to remain at \$207.1 million, which was the FY 2023 target amount.

For FY 2027 the Reserve target increases from 14.1% to 14.7%, and the target Reserve balance increases to \$287.2 million. Given that the fiscal year is anticipated to start with only \$207.1 million in the General Fund Reserve, the City would be required to contribute \$80.1 million in FY 2027 to meet its Reserve Policy target. However, similar to previous years, the Mayor has proposed waiving this requirement, which would leave the FY 2027 Reserve balance at \$207.1 million.

Potential Updates to Reserve Policy

Given how the City’s fiscal challenges have impacted recent budgeting processes, the Department of Finance is working with the Mayor’s Office on proposed revisions to the Reserve Policy, which were conceptually addressed at the April 2026 B&GE Committee meeting; we anticipate a full proposal to be released in June. Our Office provided feedback to the Department of Finance on these potential changes.

We agree it is worthwhile to ensure our Reserve Policy reflects the City’s actual

| General Fund Reserve Policy vs Reserve Balance (\$ in millions) | | | | | |
|--|-----------------|-----------------|------------------|------------------|------------------|
| | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
| Reserve Policy Target Percent | 14.30% | 13.58% | 13.58% | 14.10% | 14.70% |
| Reserve Policy Target ^a | \$ 207.1 | \$ 215.4 | \$ 238.3 | \$ 262.9 | \$ 287.2 |
| Reserve Balance ^b | 207.1 | 207.1 | 207.1 | 207.1 | 207.1 |
| Difference: Amount Projected Reserve Is Below Policy Target | \$ (0.0) | \$ (8.4) | \$ (31.2) | \$ (55.8) | \$ (80.1) |
| Reserve Balance as Percent of Operating Revenues | 14.30% | 13.05% | 11.80% | 11.11% | 10.60% |

Note: Table may not total due to rounding.

^a The Reserve target is based on the average of the prior three years’ operating revenues.

^b The Reserve Balances are based on actuals for FY 2023 to FY 2025 and projections for FY 2026 & FY 2027.

Reserves: General Fund Reserve

practices and fiscal realities. However, in the short term, the approach presented at the April B&GE Committee meeting leans towards preserving service stability, potentially at the expense of advancing the Reserve to best practice levels over time. Given the City's structural deficit and the need for expenditure cuts in FY 2027, even with no contributions to the General Fund Reserve, this is likely unavoidable.

Accordingly, we stress that changes to the Reserve Policy should be paired with a clear and time-bound commitment to resolving the City's structural deficit. Without that commitment, it is likely the City will remain in a cycle where General Fund Reserve contributions are consistently deferred because they compete with the expenditures needed to just maintain current service levels.

It is also worth noting that absent any contributions to the General Fund Reserve in FYs 2027 and 2028, at the highest proposed contribution level of 1.0% of projected General Fund revenues, it could take around 15 years to fully fund the General Fund Reserve to the 16.7% goal, which underscores how long-term this effort will be.

Given that, it will be important to establish clear expectations for ongoing contributions, and to prioritize the use of sustainable, ongoing funding sources to avoid over-reliance on one-time revenues that may not consistently materialize.

Excess Equity

Excess Equity, is described in the City's Reserve Policy as "Unassigned Fund Balance that is not otherwise designated as General Fund Reserves and is available for appropriation." Excess Equity generally results from increases to General Fund revenues and/or

General Fund expenditures that come in under-budget during any given fiscal year.

In the [FY 2026 Mid-Year Budget Monitoring Report](#) (Mid-Year Report) year-end Excess Equity was projected to be *negative* \$16.8 million. After the release of the Mid-Year Report, however, the Department of Finance received the following information:

- The City received \$8.0 million in insurance proceeds related to the flooding damage at the Old Central Library;
- As of the FY 2026 second quarter sales tax clean-up payment, revenue is forecasted to end the year \$2.6 million higher than what was projected in the Mid-Year Report;
- San Diego Gas & Electric's 2025 franchise fees clean-up payments came in \$4.5 million higher than what was projected in the Mid-Year; and
- As of March 2026, Transient Occupancy Tax (TOT) actual revenues are forecasted to come in \$1.9 million more than projected in the Mid-Year.

This means that if mid-year projections were met, adjusted for the additional insurance proceeds, updated sales tax and franchise fee cleanup payments, and higher-than-projected TOT revenues, the General Fund Reserve would not need to be tapped.

The City also implemented budget mitigation actions in FY 2026, including departmental reorganizations, implementation of the Request to Fill process for vacant positions, suspension of discretionary spending and non-essential overtime, and a zero-based review of external contracts that are expected to help mitigate the FY 2026 mid-year projected deficit. Some of these measures are anticipated to

Reserves: General Fund Reserve

carry forward into FY 2027 and are discussed throughout this report.

Despite these measures, it is unknown at this time whether other revenue and expenditure projections will improve the outlook for year-end Excess Equity. With the negative Excess Equity projected at mid-year mitigated by the previously mentioned unanticipated revenue, and overall projections for additional operational impacts unknown at this time, our foregoing discussion assumes no Excess Equity at year-end and that the General Fund Reserve balance will be maintained at the FY 2026 beginning balance of \$207.1 million. The FY 2026 Third Quarter Budget Monitoring Report, anticipated to be released May 13, will contain updated projections for revenue, expenditures, and the resulting Excess Equity and General Fund Reserve balance.

Public Liability Funds

The Public Liability (PL) Funds support costs to the City related to claims against the General Fund. The PL Funds are therefore supported entirely by General Fund contributions, specifically from the Citywide Program Expenditures budget. PL Funds will be discussed in the PL Operating Fund and PL Reserve Fund sections below.

PL Operating Fund

FY 2026 Estimates

Based on estimates included in the Mid-Year Report, FY 2026 available resources for the PL Operating Fund are projected to be sufficient to cover approximately \$89.0 million in estimated claims payouts, insurance premiums, and other operating expenses.

However, PL Operating Fund expenditures are volatile and need to be continually monitored throughout the year. The uncertainty surrounding the ultimate costs and timing for resolution of various claims cases can also lead to unexpected receipts from insurance, as well as higher payouts than are estimated in any given year.

With the uncertainty of PL costs, insurance proceeds, and the timing of claims' resolutions, there is potential for the PL Operating Fund to incur operating expenses exceeding estimates included in the Mid-Year Report, which would result in a shortfall. If a shortfall should occur, the Risk Management Department may need to transfer funds from the PL Reserve, which would bring the Reserve further below its target level (see *PL Reserve Fund* below).

FY 2027 Proposed Budget

The FY 2027 Proposed Budget includes transfers to the PL Operating Fund of \$32.5 million for insurance costs and \$31.7 million for claims payouts and operating costs. These transfers total \$64.2 million – up \$1.4 million from the \$62.8 million in the FY 2026 Adopted Budget. This increase includes \$464,000 for increased claims estimates for FY 2027, and \$911,000 for insurance premiums, which is based on premium estimates that incorporate loss development trends in the insurance market.

The timing and ultimate costs of various claims cases are uncertain, making budgeting for PL claims difficult. Estimates included in the FY 2027 Proposed Budget are based on the best information available at this time.

PL Reserve Fund

Per the City's [Reserve Policy](#) (Council Policy 100-20), the PL Reserve goal is to maintain a balance equal to 50% of the value of outstanding claims, based on the most recent three-year average of actuarial liabilities (FY 2023 through FY 2025).

This 50% Reserve Policy *target* equates to \$46.7 million for FY 2026. However, the latest estimate for the FY 2026 year-end PL Reserve *balance* is \$28.5 million,¹ resulting in an \$18.2 million PL Reserve deficit.

There are two factors contributing to the PL Reserve deficit. The first is the provision of an interfund loan to the City's Sewer Fund, which is currently estimated to reach \$9.9 million in FY 2026. The loan is intended to use

¹ Note that updated FY 2026 projections for the PL Reserve balance will be available with the release of the FY 2026 Third Quarter Budget Monitoring Report on May 13.

Reserves: Public Liability

non-rate payer funds to cover a short-term subsidy of FY 2023-2025 Industrial Wastewater Control Program fees that were being phased-in to full cost recovery, which was reached in FY 2026.

Subsequently, the Sewer Fund is expected to repay the PL Reserve, with interest, over five years beginning in FY 2027. Note that if in the future the PL Fund is unable to meet its financial obligations, the City's Sewer Fund will be required to immediately repay the full amount owed.² The Department of Finance is expected to propose modifying the City's Reserve Policy for the PL Reserve³ to measure adequacy of the Reserve on a fund balance, rather than cash balance, basis (as is the current policy). This potential change would eliminate the \$9.9 million in PL Reserve deficit that is associated with the loan to the Sewer Fund.

The second component of the PL Reserve's projected deficit for FY 2026 is an \$8.3 million increase in the Reserve target amount since FY 2024. This increase was initially estimated to be \$2.7 million at the time of the FY 2026 Budget adoption. Since then, however, the actuarial valuation results for FY 2025 further increased the FY 2026 target by \$5.6 million, due to increases in projected outstanding liability claims.

For FY 2027, the Risk Management Department estimates there will be an additional \$6.9 million increase to the PL Reserve target – from \$46.7 million to \$53.6 million. Note that the actual FY 2027 Reserve target will not be known until the FY 2026 PL valuation is

completed in the fall of 2026. Any increase in the target will further increase the current PL Reserve deficit.

Although the FY 2026 PL Reserve deficit is expected to continue and even increase in FY 2027, the FY 2027 Proposed Budget does not include a contribution to the PL Reserve. Increases to the Reserve balance are being delayed as a budget mitigation to fund other critical General Fund expenditures in FY 2027. Additionally, the \$9.9 million related to the interfund loan to the City's Sewer Fund is anticipated to be repaid to the PL Reserve in the coming years, beginning in FY 2027.

² Details on the PL Reserve loan to the Sewer Fund are included in Attachment 1 to our review of the FY 2024 Year-End Financial Performance Report ([IBA Report 24-31](#)) – estimates on the loan amount have been updated since then and will be further refined in FY 2026.

³ Revisions to City's current Reserve Policy ([Council Policy 100-20](#)) are expected to be released by the Department of Finance in June 2026.

Workers' Compensation Fund

Estimated annual funding for Workers' Compensation (WC) is based on the application of a growth rate to current projected expenses¹ to determine the upcoming year's operating expenses. The operating expense estimate is then combined with any anticipated Reserve contribution. To support the WC funding need, WC rates are applied to employees' salaries and reflect a blend of operating cost estimates (which are allocated by job classification) and the allocated Reserve contribution if applicable. The resulting amounts are distributed accordingly in the budget system as fringe benefit expenditures, and subsequently transferred to the WC Fund during the year.

Citywide Budget

The FY 2027 Proposed Budget for citywide fringe payments to the WC Fund is \$58.1 million, an increase of \$9.6 million, or 19.9%, from the \$48.4 million included in the FY 2026 Adopted Budget. The \$9.6 million increase is partially due to projected FY 2026 expenditures coming in higher than budgeted, largely resulting from greater severity of injuries/illnesses. This is further increased by the application of a 9.1% growth rate to FY 2026 cost estimates.

Although the WC program has seen declines in reported claims over the past several years, the overall cost of claims has increased due to increased severity of injuries/illnesses. These more severe claims include heart-related conditions, PTSD, and cancer, which typically require more extensive and costly treatment and benefits. Also, with PTSD becoming a presumptive (presumed to be work-related) for

firefighters and police officers in 2020, Risk Management has seen a spike in claims and costs.

In a final note on the citywide WC budget, although it is estimated that the WC Reserve target will not be met for FY 2026, and further that the Reserve target will increase by \$2.6 million for FY 2027, there is no FY 2027 contribution to the WC Reserve in the Proposed Budget. The WC Reserve contribution is being delayed as a budget mitigation to fund other critical General Fund expenditures. Additional discussion on the WC Reserve is provided below.

General Fund Budget

The General Fund portion of the WC fringe expenditures budget is based on how WC rates and costs are allocated to employees among all City funds. The General Fund portion is increasing by \$9.5 million, from \$37.7 million to \$47.2 million; it is 81.2% of the citywide WC fringe budget for FY 2027 – up from 77.9% in FY 2026.

WC Reserve

Per the City's [Reserve Policy](#) (Council Policy 100-20), the WC Reserve goal is to maintain a balance equal to 12% of the value of outstanding claims, based on the most recent three-year average of actuarial liabilities (FY 2023 through FY 2025).

This 12% Reserve Policy *target* equates to \$39.7 million for FY 2026. However, the latest estimate for the year-end Reserve *balance*

¹ The growth rate for WC operating cost estimates is determined using the average percentage change in costs for the most recent three-year period.

Reserves: Workers' Compensation Fund

is \$26.1 million,² resulting in a \$13.7 million Reserve deficit for FY 2026.

Adding to this estimated deficit, the *FY 2027 Reserve target* is projected to increase by \$2.6 million, to \$42.3 million.³ Combining this \$2.6 million increase with the \$13.7 million projected Reserve deficit for FY 2026 yields \$16.3 million in needed contributions to support the WC Reserve target, with a General Fund portion of \$13.2 million.

The Proposed Budget forgoes contributing to the WC Reserve, leaving this estimated funding need unmet, as a mitigation measure for balancing the overall General Fund Budget.

² Note that updated FY 2026 projections for the WC Reserve balance will be available with the release of the FY 2026 Third Quarter Budget Monitoring Report on May 13.

³ Note that the actual FY 2027 Reserve target will not be known until the FY 2026 WC valuation is completed in the fall of 2026.

Long-Term Disability Fund

Estimated annual funding for Long-Term Disability (LTD) is based on the application of a growth rate to current projected expenses¹ to determine the upcoming year's operating expenses. The operating expense estimate is then combined with any anticipated Reserve contribution. To support the LTD funding need, a single LTD rate is determined and applied to employees' salaries, with the resulting amounts distributed accordingly in the budget system as fringe benefit expenditures. Fringe benefit payments are subsequently transferred to the LTD Fund during the year.

Citywide Budget

The FY 2027 Proposed Budget for citywide fringe payments to the LTD Fund is \$5.5 million, a decrease of \$859,000, or 13.4%, from the \$6.4 million included in the FY 2026 Adopted Budget. The \$859,000 decrease is largely due to projected FY 2026 expenditures coming in lower than budgeted as a result of fewer claims than estimated in the budget, which is partially offset by the application of a 10.5% growth rate to FY 2026 cost estimates.

Although it is estimated that the LTD Reserve target will not be met for FY 2026, and further that the Reserve target will increase by \$351,000 for FY 2027, there is no FY 2027 contribution to the LTD Reserve in the Proposed Budget. The LTD Reserve contribution is being delayed as a budget mitigation to fund

other critical General Fund expenditures. Further, the Department of Finance is expected to propose modifying the City's Reserve Policy to discontinue the LTD Reserve as a stand-alone reserve.² Additional discussion on the LTD Reserve is provided below.

General Fund Budget

The General Fund portion of the LTD fringe expenditures budget is based on where employees' wages are distributed among all City funds. The General Fund portion is decreasing by \$610,000, from \$4.0 million to \$3.4 million; it is 62.2% of the citywide LTD fringe budget for FY 2027 – down from 63.4% in FY 2026.

LTD Reserve

Per the City's [Reserve Policy](#) (Council Policy 100-20), the LTD Reserve goal is to maintain a balance equal to 100% of the value of outstanding claims, based on the most recent three-year average of actuarial liabilities (FY 2023 through FY 2025).

This 100% Reserve Policy *target* equates to \$5.8 million for FY 2026. However, the latest estimate for the year-end Reserve *balance* is \$4.2 million,³ resulting in a \$1.6 million Reserve deficit for FY 2026.

Adding to this estimated deficit, the *FY 2027 Reserve target* is projected to increase by

¹ The growth rate for LTD operating cost estimates is determined using the average percentage change in costs for the most recent three-year period.

² Revisions to City's current Reserve Policy ([Council Policy 100-20](#)) are expected to be released by the Department of Finance in June 2026.

³ Note that updated FY 2026 projections for the LTD Reserve balance will be available with the release of the FY 2026 Third Quarter Budget Monitoring Report on May 13.

Reserves: Long-Term Disability Fund

\$351,000, to \$6.2 million.⁴ Combining this \$351,000 with the \$1.6 million projected Reserve deficit for FY 2026 yields \$2.0 million in needed contributions to support the LTD Reserve target, with a General Fund portion of \$1.2 million.

The Proposed Budget forgoes contributing to the LTD Reserve, leaving this estimated funding need unmet, as a mitigation measure for balancing the overall General Fund Budget. Further, as mentioned, the Department of Finance is expected to propose modifying the City's Reserve Policy to discontinue the LTD Reserve as a stand-alone reserve. LTD liabilities are less volatile than those related to the other Risk Management Reserves (Public Liability and Workers' Compensation). Additionally, the LTD program budget is relatively small compared to the overall General Fund and citywide budgets.

⁴ Note that the actual FY 2027 Reserve target will not be known until the FY 2026 LTD valuation is completed in the fall of 2026.

Key Citywide Issues: Classified and Unclassified Positions

Classified and Unclassified Positions

The table below provides an overview of all *standard hour* FTE positions in the FY 2027 Proposed Budget, broken down into classified positions, unclassified positions represented by the Deputy City Attorneys Association (DCAA), and positions that are categorized as being both unclassified and unrepresented.¹

Across all funds, 92.0% of budgeted standard hour FTE positions (11,616.50 of 12,628.50 FTE positions) are classified. The remainder of positions include 179.00 FTEs (1.4%) that are unclassified but represented by the DCAA, all of which are within the General Fund, and 833.00 FTEs (6.6%) are both

| FY 2027 Proposed Budget Citywide Standard Hour FTEs | | | | | |
|--|------------------|------------------------|--------------------------------------|------------------|-----------------|
| Fund | Classified | DCAA (Unclassified) | Unrepresented and Unclassified | Total | % Classified |
| SAP Support Fund | 1.00 | - | 28.00 | 29.00 | 3.4% |
| Information Technology Fund | 11.00 | - | 32.00 | 43.00 | 25.6% |
| City Employees' Retirement System Fund | 27.00 | - | 23.00 | 50.00 | 54.0% |
| Transient Occupancy Tax Fund | 6.00 | - | 4.00 | 10.00 | 60.0% |
| GIS Fund | 6.00 | - | 4.00 | 10.00 | 60.0% |
| Energy Conservation Program Fund | 18.26 | - | 5.65 | 23.91 | 76.4% |
| EMS/MTS Fund | 32.00 | - | 9.00 | 41.00 | 78.0% |
| Risk Management Administration Fund | 91.00 | - | 18.11 | 109.11 | 83.4% |
| Airports Enterprise Fund | 25.00 | - | 4.28 | 29.28 | 85.4% |
| Underground Surcharge Fund | 22.25 | - | 2.64 | 24.89 | 89.4% |
| General Fund | 7,022.66 | 179.00 | 550.09 | 7,751.75 | 90.6% |
| Parking Meter Operations | 12.00 | - | 0.75 | 12.75 | 94.1% |
| Development Services Fund | 611.00 | - | 34.59 | 645.59 | 94.6% |
| Maintenance Assessment District Management Fund | 24.00 | - | 1.25 | 25.25 | 95.0% |
| Central Stores Fund | 20.00 | - | 1.00 | 21.00 | 95.2% |
| Recycling Enterprise Fund | 65.82 | - | 2.72 | 68.54 | 96.0% |
| Golf Course Enterprise Fund | 111.75 | - | 4.55 | 116.30 | 96.1% |
| Engineering & Capital Projects Fund | 703.00 | - | 28.42 | 731.42 | 96.1% |
| Muni Sewer Revenue Fund | 399.63 | - | 15.38 | 415.01 | 96.3% |
| Refuse Disposal Enterprise Fund | 155.14 | - | 4.59 | 159.73 | 97.1% |
| Water Utility Operating Fund | 1,035.86 | - | 29.46 | 1,065.32 | 97.2% |
| Solid Waste Management Fund | 397.73 | - | 10.92 | 408.65 | 97.3% |
| Metro Sewer Utility Fund | 536.26 | - | 13.90 | 550.16 | 97.5% |
| Wireless Communications Technology Fund | 39.00 | - | 1.00 | 40.00 | 97.5% |
| Fleet Operations Operating Fund | 228.14 | - | 3.70 | 231.84 | 98.4% |
| Local Enforcement Agency Fund | 5.00 | - | - | 5.00 | 100.0% |
| Concourse/Park Garage Operations Fund | 2.00 | - | - | 2.00 | 100.0% |
| Junior Lifeguard Program Fund | 1.00 | - | - | 1.00 | 100.0% |
| Publishing Services Fund | 7.00 | - | - | 7.00 | 100.0% |
| Total Citywide Standard Hour FTEs | 11,616.50 | 179.00 | 833.00 | 12,628.50 | 92.0% |

¹ Note – tables in this section reflect standard hour positions, and *therefore they exclude hourly positions*. Consequently, total FTEs reflected in these tables may differ from FTEs amounts discussed in other sections of this report, as those sections often look at total budgeted FTE amounts, as opposed to only standard-hour positions.

Key Citywide Issues: Classified and Unclassified Positions

unclassified and unrepresented.

In terms of funding, the Proposed Budget includes \$1.94 billion in personnel expenditures for classified FTEs, \$58.5 million for unclassified DCAA-represented FTEs, and \$239.4 million for unclassified/unrepresented FTEs.

The table below presents a similar breakdown for *General Fund* departments. Within the General Fund, 90.6% of budgeted standard hour FTE positions (7,022.66 of 7,751.75) are classified. The remainder of General Fund positions include 179.00 FTEs (2.3%) that are

| FY 2027 Proposed Budget General Fund Standard Hour FTEs | | | | | |
|--|-----------------|------------------------|--------------------------------------|-----------------|-----------------|
| Department/Office | Classified | DCAA (Unclassified) | Unrepresented and Unclassified | Total | % Classified |
| City Council ¹ | - | - | 135.00 | 135.00 | - |
| Council Administration | - | - | 13.00 | 13.00 | - |
| Independent Budget Analyst | - | - | 17.00 | 17.00 | - |
| Ethics Commission | - | - | 6.00 | 6.00 | - |
| Office of the City Auditor | - | - | 24.00 | 24.00 | - |
| Office of the Mayor | 2.00 | - | 31.77 | 33.77 | 5.9% |
| Human Resources | 4.00 | - | 32.00 | 36.00 | 11.1% |
| Performance & Analytics | 5.00 | - | 16.00 | 21.00 | 23.8% |
| Commission on Police Practices | 3.00 | - | 9.00 | 12.00 | 25.0% |
| Homelessness Strategies & Solutions | 7.00 | - | 8.00 | 15.00 | 46.7% |
| City Attorney | 211.00 | 179.00 | 26.00 | 416.00 | 50.7% |
| Office of Emergency Services ² | 9.00 | - | 6.00 | 15.00 | 60.0% |
| Communications | 19.00 | - | 9.00 | 28.00 | 67.9% |
| Real Estate | 26.00 | - | 11.00 | 37.00 | 70.3% |
| Department of Finance | 97.00 | - | 36.00 | 133.00 | 72.9% |
| Department of Information Technology ³ | 3.00 | - | 1.00 | 4.00 | 75.0% |
| Personnel | 61.00 | - | 13.00 | 74.00 | 82.4% |
| Economic Development | 48.00 | - | 9.75 | 57.75 | 83.1% |
| City Planning | 83.75 | - | 15.00 | 98.75 | 84.8% |
| City Treasurer | 121.00 | - | 20.25 | 141.25 | 85.7% |
| City Clerk | 38.00 | - | 6.00 | 44.00 | 86.4% |
| Purchasing & Contracting | 56.00 | - | 8.00 | 64.00 | 87.5% |
| Development Services | 61.00 | - | 5.00 | 66.00 | 92.4% |
| Environmental Services | 114.81 | - | 3.92 | 118.73 | 96.7% |
| Transportation | 477.25 | - | 14.50 | 491.75 | 97.1% |
| Stormwater | 289.00 | - | 7.00 | 296.00 | 97.6% |
| Library | 377.50 | - | 8.00 | 385.50 | 97.9% |
| Parks & Recreation | 811.25 | - | 13.25 | 824.50 | 98.4% |
| General Services | 169.10 | - | 2.65 | 171.75 | 98.5% |
| Fire-Rescue | 1,305.00 | - | 19.00 | 1,324.00 | 98.6% |
| Police | 2,624.00 | - | 24.00 | 2,648.00 | 99.1% |
| Total General Fund Standard Hour FTEs | 7,022.66 | 179.00 | 550.09 | 7,751.75 | 90.6% |

¹ While each City Council Office has 15.00 standard hour FTE positions in the Proposed Budget, 5.00 of those FTEs are unfunded to allow each Council Office additional discretion in staffing and compensation levels. Council Offices currently have between 11.00 and 14.00 filled positions.

² While the Office of Emergency Services has been consolidated into Fire-Rescue, it continues to be budgeted separately.

³ Budgeted Department of Information Technology FTEs in the FY 2027 Proposed Budget total 116.00 standard hour FTEs, however the vast majority are budgeted in internal service funds.

Key Citywide Issues: Classified and Unclassified Positions

unclassified but represented by the DCAA, and 550.09 FTEs (7.1%) are both unclassified and unrepresented. Funding allocations for these *General Fund* positions include \$1.24 billion for classified FTEs, \$58.5 million for unclassified DCAA-represented FTEs, and \$148.6 million for unclassified/unrepresented FTEs.

When non-Mayoral departments² are excluded, 6,709.66 of 7,010.75 total FTE positions (95.7%) are classified, while 301.09 FTEs are unclassified.

Proposed Position Adjustments

Tables on the following provide additional information on standard hour position adjustments across all funds in the Proposed Budget.

Excluding the addition of 3.00 DCAA FTEs, total position adjustments include the *addition* of 186.00 FTEs and \$23.0 million in PE, offset by the *reduction* of 294.00 FTEs and \$47.4 million. This results in a *net decrease* of 108.00 FTEs, and \$24.5 million in PE.

This net decrease is not spread in equal proportion among classified and unclassified positions, however; unclassified positions represent a proportionally higher share of cuts. While classified positions represent 92.0% of positions across the City, reductions to classified positions make up 63.0% of the net FTE reduction and 57.8% of the net PE reduction (68.00 FTEs and \$14.1 million). Unclassified positions, on the other hand, represent 37.0% of the net FTE reduction and 42.2% of the net PE reduction (40 FTEs and \$10.3 million) despite those positions only representing 6.6% of the City's workforce.

Narrowing our focus to just the General Fund, and again excluding the addition of 3.00 DCAA FTEs, the Proposed Budget includes a total net reduction of 181.97 FTE positions and \$28.5 million. While classified positions make up 90.6% of the General Fund workforce, they make up a lower 86.6% of the net FTE reduction (157.50 FTEs) and 76.8% net PE reduction (\$21.9 million). Net reductions to unrepresented/unclassified positions, which constitute 7.3% of the General Fund workforce, represent 13.4% of the net FTE reduction (24.47 FTEs) and 23.2% of the PE reduction (\$6.6 million).

Additional tables on the General Fund position adjustments by department are also included on the following pages. Within specific departments, it should be noted that Public safety departments (Police and Fire-Rescue) have particularly low proportions of unclassified positions, and other departments such as Human Resources, Performance and Analytics, Homelessness Strategies and Solutions, and Communications have higher proportions. While higher proportions for some departments should be expected (Human Resources, for instance, leads negotiations with the City's REOs), Council may want to request additional details on the structure of departments with lower ratios of classified to unclassified staff during its Budget Review hearings.

Additional detail on the positions adjustments in the Proposed Budget is included in the corresponding *Department Review* sections of this report.

² Non-Mayoral Departments include the City Council and Council Administration, Office of the IBA, Ethics Commission, City Auditor, Commission on Police Practices, City Attorney, Personnel Department, and City Clerk.

Key Citywide Issues: Classified and Unclassified Positions

Proposed Standard Hour FTE Adjustments – All Funds

| FY 2027 Proposed Budget Citywide Standard Hour FTE Additions | | | | | |
|---|---------------|------------------------|--------------------------------------|--------------------|-----------------|
| Fund | Classified | DCAA (Unclassified) | Unrepresented and Unclassified | Total Additions | % Classified |
| Engineering & Capital Projects Fund | - | - | 0.42 | 0.42 | - |
| Golf Course Enterprise Fund | - | - | 0.05 | 0.05 | - |
| Information Technology Fund | - | - | 1.00 | 1.00 | - |
| General Fund | 54.00 | 3.00 | 6.53 | 63.53 | 85.0% |
| Solid Waste Management Fund | 90.00 | - | 2.00 | 92.00 | 97.8% |
| Development Services Fund | 3.00 | - | - | 3.00 | 100.0% |
| Metropolitan Sewer Utility | 3.00 | - | - | 3.00 | 100.0% |
| Municipal Sewer Revenue | 2.30 | - | - | 2.30 | 100.0% |
| Parking Meter Operations Fund | 3.00 | - | - | 3.00 | 100.0% |
| Recycling Enterprise Fund | 4.00 | - | - | 4.00 | 100.0% |
| Risk Management Fund | 2.00 | - | - | 2.00 | 100.0% |
| Transient Occupancy Tax Fund | 1.00 | - | - | 1.00 | 100.0% |
| Underground Surcharge Fund | 2.00 | - | - | 2.00 | 100.0% |
| Water Utility Operating Fund | 11.70 | - | - | 11.70 | 100.0% |
| Citywide Standard Hour FTE Additions | 176.00 | 3.00 | 10.00 | 189.00 | 93.1% |

| FY 2027 Proposed Budget Citywide Standard Hour FTE Reductions | | | | | |
|--|-----------------|------------------------|--------------------------------------|---------------------|-----------------|
| Fund | Classified | DCAA (Unclassified) | Unrepresented and Unclassified | Total Reductions | % Classified |
| Development Services Fund | - | - | (2.00) | (2.00) | - |
| Energy Conservation Program | - | - | (2.00) | (2.00) | - |
| Information Technology Fund | - | - | (2.00) | (2.00) | - |
| Metropolitan Sewer Utility | - | - | (1.20) | (1.20) | - |
| Municipal Sewer Revenue | - | - | (1.40) | (1.40) | - |
| Risk Management Fund | - | - | (2.00) | (2.00) | - |
| Transient Occupancy Tax Fund | - | - | (3.00) | (3.00) | - |
| Water Utility Operating Fund | - | - | (2.40) | (2.40) | - |
| General Fund | (211.50) | - | (31.00) | (242.50) | 87.2% |
| Engineering & Capital Projects Fund | (31.00) | - | (3.00) | (34.00) | 91.2% |
| GIS Fund | (1.00) | - | - | (1.00) | 100.0% |
| Publishing Services Fund | (0.50) | - | - | (0.50) | 100.0% |
| Citywide Standard Hour FTE Reductions | (244.00) | - | (50.00) | (294.00) | 83.0% |

Key Citywide Issues: Classified and Unclassified Positions

Proposed Standard Hour FTE Adjustments – General Fund

| FY 2027 Proposed Budget General Fund Standard Hour FTE Additions | | | | | |
|---|--------------|------------------------|--------------------------------------|--------------------|-----------------|
| Department/Office | Classified | DCAA (Unclassified) | Unrepresented and Unclassified | Total Additions | % Classified |
| Office of Emergency Services | - | - | 1.00 | 1.00 | - |
| Office of the Mayor | - | - | 1.53 | 1.53 | - |
| City Attorney | 1.00 | 3.00 | - | 4.00 | 25.0% |
| City Treasurer | 2.00 | - | 1.00 | 3.00 | 66.7% |
| Fire-Rescue | 2.00 | - | 1.00 | 3.00 | 66.7% |
| Police | 21.00 | - | 2.00 | 23.00 | 91.3% |
| City Planning | 3.00 | - | - | 3.00 | 100.0% |
| Environmental Services | 2.00 | - | - | 2.00 | 100.0% |
| Facilities Services | 5.00 | - | - | 5.00 | 100.0% |
| Homelessness Strategies & Solutions | 1.00 | - | - | 1.00 | 100.0% |
| Parks & Recreation | 13.00 | - | - | 13.00 | 100.0% |
| Purchasing & Contracting | 3.00 | - | - | 3.00 | 100.0% |
| Stormwater | 1.00 | - | - | 1.00 | 100.0% |
| General Fund Standard Hour FTE Additions | 54.00 | 3.00 | 6.53 | 63.53 | 85.0% |

| FY 2027 Proposed Budget General Fund Standard Hour FTE Reductions | | | | | |
|--|-----------------|------------------------|--------------------------------------|---------------------|-----------------|
| Department/Office | Classified | DCAA (Unclassified) | Unrepresented and Unclassified | Total Reductions | % Classified |
| Homelessness Strategies & Solutions | - | - | (1.00) | (1.00) | - |
| Office of Emergency Services | - | - | (2.00) | (2.00) | - |
| Office of the Mayor | - | - | (2.00) | (2.00) | - |
| Performance & Analytics | - | - | (1.00) | (1.00) | - |
| Real Estate | - | - | (1.00) | (1.00) | - |
| City Planning | (1.00) | - | (3.00) | (4.00) | 25.0% |
| Communications | (1.00) | - | (2.00) | (3.00) | 33.3% |
| Human Resources | (1.00) | - | (2.00) | (3.00) | 33.3% |
| City Attorney | (1.00) | - | (1.00) | (2.00) | 50.0% |
| Department of Finance | (2.00) | - | (2.00) | (4.00) | 50.0% |
| Stormwater | (2.00) | - | (2.00) | (4.00) | 50.0% |
| City Treasurer | (5.00) | - | (3.00) | (8.00) | 62.5% |
| Purchasing & Contracting | (4.00) | - | (2.00) | (6.00) | 66.7% |
| Transportation | (13.00) | - | (2.00) | (15.00) | 86.7% |
| Library | (38.00) | - | (2.00) | (40.00) | 95.0% |
| Parks & Recreation | (104.50) | - | (3.00) | (107.50) | 97.2% |
| Development Services | (7.00) | - | - | (7.00) | 100.0% |
| Economic Development | (1.00) | - | - | (1.00) | 100.0% |
| Facilities Services | (13.00) | - | - | (13.00) | 100.0% |
| Fire-Rescue | (11.00) | - | - | (11.00) | 100.0% |
| Personnel | (3.00) | - | - | (3.00) | 100.0% |
| Police | (4.00) | - | - | (4.00) | 100.0% |
| General Fund Standard Hour FTE Reductions | (211.50) | - | (31.00) | (242.50) | 87.2% |

Key Citywide Issues: Classified and Unclassified Positions

Issues for Council Consideration

The City's classified positions have generally been referred to as front-line positions, and unclassified/unrepresented positions have generally been considered management positions. However, it should be noted that many classified supervisory positions exist, and many unclassified positions have responsibilities that fall more in line with front-line services than typical managerial responsibilities.³

That noted, if classified positions are generally counted as front-line workers, and unclassified positions are generally counted as management, this would mean that across the City there are 13.9 front-line positions for every management position. This is roughly in line with various best practices that suggest proportions of management to staff of between 1:5 and 1:15 depending on the size, complexity, and industry of an organization; notably data from the Bureau of Labor Statistics shows that across the entire US workforce there is a ratio of 11.5 employees to each management position.⁴

While many point to growth in unclassified ranks significantly outpacing the total growth of City positions over the last several years, the overall proportion of classified to unclassified positions in the City does not seem unreasonable, and solely looking at the growth rate of unclassified positions compared to the growth rate of classified positions does not address whether the overall ratio of classified to unclassified staff was actually appropriate in the past, or whether the current ratio is

appropriate now.

That said, while the Proposed Budget's personnel cuts impact both classified and unclassified positions, the proportion of those cuts – both in FTEs and dollars – coming from unclassified positions is higher than the unclassified proportion of the City's workforce. This suggests that the Proposed Budget's cuts reflect, at least in part, the sentiment that the City's management ranks have grown faster than they should have.

³ While unclassified positions include management positions, not all unclassified positions are typical management positions. In an April 6, 2026 memo, the City's CFO noted that "The unclassified service is not synonymous with management or 'middle managers.' It encompasses a wide range of roles at varying levels of seniority and function, many of which are directly tied to programs approved by the Council, grant-funded initiatives, state and federal mandates, and operational needs that require flexibility and include responsibilities for formulating and administering department policies that appropriately fall under the unclassified employee classification."

⁴ <https://www.bls.gov/emp/tables/emp-by-major-occupational-group.htm>

Key Citywide Issues: Climate Action Plan

Climate Action Plan

In August 2022, the City adopted a new Climate Action Plan (CAP) known as CAP 2.0. CAP 2.0 was the result of a large City effort to review and update the City's prior CAP, and to establish new and more aggressive CAP targets while also considering the experiences of the Sustainability and Mobility Department (SuMo) in implementing the first CAP.¹

One of the largest changes in CAP 2.0 was a new goal for greenhouse gas (GHG) reductions. Whereas the original CAP proposed to reduce GHG by 50% in 2035, the new CAP's goal is for net zero GHG emissions by 2035, in effect doubling the original CAP GHG goal.

CAP 2.0 also contains the following six strategies:

Strategy 1: Decarbonization of the Built Environment

This strategy addresses natural gas consumption in all buildings, including both new and existing development, and proposes aggressive phase out targets for natural gas.

Strategy 2: Access to Clean & Renewable Energy

This strategy maintains the existing goal of obtaining 100% renewable energy through San Diego Community Power by 2035, while also proposing targets for zero emission vehicles for both the City fleet and the general public.

Strategy 3: Mobility & Land Use

This strategy focuses on emissions from transportation and establishes actions that support mode shift through mobility

and land use action policies.

Strategy 4: Circular Economy & Clean Communities

This strategy will expand on the City's current zero waste goals and maintain gas capture measures, while also focusing on the City landfill and implementation of mandatory organics recycling under SB 1383.

Strategy 5: Resilient Infrastructure & Healthy Ecosystems

This strategy will help the City thrive in the face of the impacts of climate change through a greater focus on greening the City, including a particular focus on Communities of Concern.

Strategy 6: Emerging Climate Actions

This new strategy acknowledges that even if the previous strategies are fully implemented, the City may still not reach its net zero goal by 2035. As such, this strategy focuses on emerging technologies and new opportunities that may arise to help the City meet its overarching goal.

This section provides an overview of the budget allocations related to the CAP in the FY 2027 Proposed Budget. Additionally, this section provides analysis on the lack of appropriations to both the Climate Equity and Energy Independence funds.

CAP and the FY 2027 Proposed Budget

[The Citywide Budget Overview section in Volume One of the Proposed Budget](#) contains information on budget adjustments that either directly or indirectly address the CAP strategies. As in previous years, Volume One's

¹ More information on the changes between the two plans, as well as recommendations for implementation and further refinement of the CAP, can be found in [IBA Report 22-19 Climate Action Plan 2.0: Analysis of Changes Proposed and Recommendations for Improved Implementation Planning](#).

Key Citywide Issues: Climate Action Plan

table only includes the incremental budget changes included in the Proposed Budget (both in the operating budget and CIP), as opposed to including all Climate Action Plan-related funding in the budget. What follows is more detail on the numbers contained in that table.

| Table 1: FY 2027 Proposed Budget Direct or Indirect CAP Support | |
|--|-----------------|
| Direct | \$ 109.6 |
| Indirect | \$ 137.9 |
| Total | \$ 247.5 |

In total, a net \$247.5 million² in new funding was included in the Proposed Budget for CAP related activities, with similar levels of direct and indirect CAP support. This is a decrease from FY 2026 where the Adopted Budget contained \$330.6 million, with direct support decreasing by \$76.3 million to \$109.6, while indirect support increased by \$24.1 million to \$137.9 million.

Regarding CAP 2.0 strategies, Strategy 5 – Resilient Infrastructure & Health Ecosystems

| Table 2: FY 2027 Proposed Budget CAP Funding Strategy | | |
|---|--------------------------|-----------------|
| Strategy | Amount (millions) | |
| | Direct | Indirect |
| Strategy 1 - Decarbonization of the Built | \$ 1.2 | \$ (0.4) |
| Strategy 2 - Access to Clean & Renewable Energy | \$ (0.2) | \$ 0.0 |
| Strategy 3 - Mobility & Land Use | \$ 33.5 | \$ 0.5 |
| Strategy 4 - Circular Economy & Clean Communities | \$ (4.2) | \$ 7.1 |
| Strategy 5 - Resilient Infrastructure & Healthy Ecosystems | \$ 79.4 | \$ 137.6 |
| Overarching Implementation | \$ (0.0) | \$ (6.9) |
| Total | \$ 109.6 | \$ 137.9 |

has the highest level of funding in the Proposed Budget, including \$79.4 million in direct support and \$137.6 million in indirect support, which is consistent with prior years. The next highest level of funding is for Strategy 3 – Mobility & Land Use, including \$33.5 million in direct support and \$0.5 million in indirect support.

Funding provided in the Proposed Budget is split almost evenly between the operating budget and the CIP, with \$114.2 million provided in the operating budget as compared to \$133.3 million within the CIP. For the CIP, most funding is either for Public Utilities (\$66.5 million), which is supported by the water and sewer enterprise funds, or Transportation (\$58.7 million), which is mainly comprised of funding from the Underground Surcharge Fund. Other large contributions in the CIP are for assets managed by Parks & Recreation (\$4.2 million), Environmental Services (\$1.8 million), and Stormwater (\$1.2 million).

| Table 3: FY 2027 Proposed Budget CAP Expense: Operating v CIP | |
|--|------------------------------|
| Project | Amount (millions) |
| Departments' Operating Budgets | \$ 114.2 |
| Capital Improvement Projects | \$ 133.3 |
| Total | \$ 247.5 |

| Table 4: FY 2027 Proposed Budget CIP CAP Funding by Department | |
|---|------------------------------|
| Department | Amount (millions) |
| Public Utilities | \$ 66.5 |
| Transportation | \$ 58.7 |
| Parks & Recreation | \$ 4.2 |
| Environmental Services | \$ 1.8 |
| Stormwater | \$ 1.2 |
| General Services | \$ 0.8 |
| Library | \$ 0.1 |
| Total | \$ 133.3 |

² The Citywide Budget Overview shows \$271.3 million, but that the amount inadvertently included operating adjustments that were requested but not approved for inclusion in the Proposed Budget.

Key Citywide Issues: Climate Action Plan

| Table 5: FY 2026 Proposed Budget Operating CAP Funding per Department | |
|--|------------------------------|
| Department | Amount (millions) |
| Transportation | \$ 97.1 |
| Public Utilities | \$ 27.5 |
| Stormwater | \$ (0.5) |
| General Services | \$ (0.7) |
| Parks & Recreation | \$ (3.5) |
| Citywide Expenses | \$ (7.0) |
| Various Departments* | \$ 1.3 |
| Total | \$ 114.2 |

*Includes City Planning, City Treasurer, Citywide Special Funds, Department of Information Technology, Engineering & Capital Projects, Environmental Services, and Police

| Table 6: FY 2026 Proposed Budget Operating CAP Funding by Fund | |
|---|------------------------------|
| Department | Amount (millions) |
| Underground Surcharge Fund | \$ 92.9 |
| Water Utility Fund | \$ 27.1 |
| Refuse Disposal Fund | \$ 4.3 |
| Energy Conservation Program Fund | \$ (0.8) |
| Recycling Enterprise Fund | \$ (1.7) |
| Solid Waste Management Fund | \$ (2.9) |
| General Fund | \$ (6.7) |
| Other Funds | \$ 2.0 |
| Total | \$ 114.2 |

Within the Operating Budget, the majority of the increase in funding is for Transportation and Public Utilities. However, the majority of operating support comes from the Utilities Undergrounding Fund and Water Utility Fund, as shown in Table 6.

Notably, there are large operating *decreases* related to CAP in Parks & Recreation and Citywide Expenses. This is due to budget mitigation actions that were implemented to help resolve the General Fund’s structural deficit, with the Citywide Expenses decrease representing the one-time waiver of the Climate Equity Fund Contribution. Overall, General

Fund support for the CAP is reduced within the Proposed Budget by \$6.7 million. This gap is mainly due to waiving the Climate Equity Fund contribution, but there are other reductions as well that are considered CAP related, such as recreation center hours. The only significant increases in the General Fund related to CAP are for maintaining recently planted trees within communities of concern, most of which is reimbursed through a federal grant.

Potential Funding Gap

A repeated concern of Council and the public continues to be the potential funding gap for the CAP. Our Office reviewed this concern in [IBA Report 23-26 FY 2024 Climate Action Plan Expenditures, Funding Gaps, and Other Policy Considerations](#). However, much of that report’s analysis, which used unfunded requests and CIP Outlook gaps, is not easily applied to the FY 2027 Proposed Budget.

Given the known General Fund structural deficit, funding requests from some CAP related departments were limited during development of the Proposed Budget. Additionally, while the Proposed CIP does contain a large amount of funding, other significant actions outside of the Budget process could lead to the CAP deficit being overstated. *Regardless, the most critical action associated with full CAP funding and implementation is resolving the City’s ongoing structural budget deficit and infrastructure financing gap.*

Climate Action Plan Progress

A major concern over the past year has been whether the City is falling behind on its GHG emission reduction goals. This concern was driven by the [2024 CAP Annual Report](#), which noted that 2023 GHG emissions increased from 2022 by 173,000 MT CO2E (metric tons of carbon dioxide equivalent). This increase was mainly related to increased electricity emissions, natural gas emissions, and on-road transportation emissions. Electricity emissions were driven by having a lower proportion of renewable sources in the

Key Citywide Issues: Climate Action Plan

supply mix from San Diego Community Power and San Diego Gas & Electric. Natural Gas emissions were driven by increased usage. Transportation emissions were driven by a high amount of vehicle miles traveled.

As our Office noted when staff brought forward the 2024 CAP Annual Report and an updated Implementation Plan, the gap between when emissions are reported and the present day does not allow for an adequate analysis of how the City is currently doing. For this report in particular, all activity is from calendar 2023, when the City was in the midst of establishing the implementation framework for the new CAP. To measure CAP progress in an alternative way, our Office analyzed the City’s progress on the various actions contained in the CAP.

Staff that oversee implementation of the CAP developed the [CAP Dashboard](#), which contains all performance measures, strategies, and actions that are part of the CAP and the CAP Implementation Plan. This allows the public to see updated and detailed information on the City’s progress in near real time.

| Status | High | Medium | Low | Total |
|-----------------------|----------|------------|-----------|------------|
| Completed | 3 | 18 | 11 | 32 |
| In Progress | 0 | 36 | 24 | 60 |
| Planning | 2 | 11 | 4 | 17 |
| Not Started | 0 | 14 | 13 | 27 |
| <i>Non-Continuous</i> | | | | |
| <i>Total</i> | 5 | 79 | 52 | 136 |
| Continuous | 1 | 35 | 18 | 54 |
| Total | 6 | 114 | 70 | 190 |

**Categories for CAP Action are based on the Prioritization Score. High is above 70, Medium is between 70 and 40, and Low is below 40*

Our Office exported data from this dashboard, which we then sorted into prioritization score categories and statuses. This information is provided in Table 7. For those actions in High prioritization categories, the majority are completed or currently in planning stages. Medium priority actions contain the next highest number of completed actions, followed by Low priority. In all, 23.5% of non-continuous actions have been completed, with

only 19.9% of non-continuous actions currently not started.

This demonstrates that the City, despite limited resources resulting from structural budgeting issues, has been implementing CAP actions generally in line with the Prioritization Policy. However, without more timely reporting on GHG emissions, it could be years before the City and public are able to see if these actions are having the intended impact. **Our Office recommends that the next CAP update focus on improving reporting methodologies on GHG emissions in order to close the reporting time gap between GHG emissions and the current day.**

Additional CAP Related Funds

Climate Equity Fund

The City Council established the Climate Equity Fund (CEF) in March 2021 to provide targeted infrastructure and other CAP related improvements to communities of concern, including those identified in the Climate Equity Index. The resolution adopting the CEF requires the Mayor and Council to, at a minimum, provide CEF funding equal to 10% of the General Fund distribution of franchise fees from gas and electric franchise agreements, and 1% of the total annual revenue received through each of the TransNet and Gas Tax distributions. FY 2022 was the first year of funding for the Climate Equity Fund.

Previous budgets (FY 2022-2024) only provided the CEF revenue appropriation based on the 10% of franchise fees allocation. However, as in the FY 2025 and FY 2026 Adopted Budgets, *the Proposed Budget for FY 2027 does not follow the resolution and does not provide this funding.*

Previous years had also included \$1.5 million from SDG&E, which was provided as part of the franchise agreement above and beyond base franchise fees. However, FY 2026 was the last year of these disbursements from SDG&E.

Key Citywide Issues: Climate Action Plan

There is an appropriation of \$450,000 from the CEF to Stormwater projects in the FY 2027 Proposed Budget, but these are additional revenues that have accrued to the fund from interest payments and other changes. There are no additional transfers from other sources into the CEF.

Had the budget included the 10% franchise fee allocation, the CEF would have received an additional \$7.0 million.

Energy Independence Fund

The Energy Independence Fund (EIF) was established by resolution in April 2022. The resolution requires the Mayor and Council to consider putting into the fund 20% of any minimum bid proceeds received by the City above and beyond the 3% gas and electric franchise fees. This fund may be used for three purposes:

1. To pay for any refunds of franchise fee bid payments in the event that the electric franchise with SDG&E is terminated before the end of the full 20 years of the agreement.
2. To retain professional services to study possible municipalization of gas and electric transmission systems.
3. To pay for development costs of municipal renewable energy projects, including microgrids, distributed generation, or energy storage projects.

Distributions of \$2.2 million in FY 2023 and \$2.2 million in FY 2024 were made to the EIF in accordance with the policy, while only \$618,000 was spent from the fund in FY 2024 on the Public Power Feasibility Study (PPFS). This left a FY 2024 year-end fund balance of \$4.0 million.

The FY 2025 Adopted Budget did not provide for the 20% allocation, and instead transferred \$3.2 million of the fund balance back to the General Fund, leaving \$500,000 for continued spending on the PPFS in FY 2025 and

\$300,000 in FY 2026.

The FY 2026 Adopted Budget only included \$300,000 in expenditures to continue funding the PPFS, with all additional revenue from minimum bid proceeds remaining in the General Fund. As noted in the General Fund Revenue Overview section, FY 2026 was the last year of significant payments from the \$70 million due from the electric franchise agreement until FY 2031, when payment will resume.

With only payments from the gas franchise agreement minimum bid payment included in the FY 2027 Proposed Budget, the scheduled disbursement to the EIF should be \$89,000. However, this revenue is proposed to be kept in the General Fund, and additionally, the expected remaining fund balance of \$118,000 in the EIF is also transferred to the General Fund, leaving nothing in the EIF.

Key Citywide Issues: Council Budget Priorities

City Council Budget Priorities

Per the City Charter, the first step for the City Council in the City’s annual budget process is the development of its annual Budget Priorities Resolution. Council approved its initial Budget Priorities Resolution on November 18, 2025 and subsequently had the opportunity to update its priorities, which it did on February 9, 2026. Council’s Updated FY 2027 Budget Priorities Resolution is reflected in [IBA Report 26-03 REV.](#)

The following tables compare the City Council’s Updated FY 2027 Budget Priorities to the FY 2027 Proposed Budget. The status of each budget priority is categorized as added to the Proposed Budget (A), partially added to the Proposed Budget (P), maintained at FY 2026 levels (M), reduced from FY 2026 levels (R), or not included in the Proposed Budget (N). Resources and budget mitigations priorities are presented first, followed by a table on operating budget and infrastructure priorities.

| COMPARISON OF COUNCIL FY 2027 BUDGET PRIORITIES TO MAYOR'S FY 2027 PROPOSED BUDGET (A=Added, P=Partial Add, M=Maintained, R=Reduced, N=Not Included) | | |
|---|--------|--|
| City Council Operating Budget Priorities | Status | Notes |
| Homelessness and Housing | | |
| Housing Instability Prevention Program | M | No changes to program funding in Proposed Budget. |
| Affordable Housing Preservation and Creation | P | FY 2027 San Diego Housing Commission (SDHC) Proposed Budget includes \$6.0 million from the City's Neighborhood Enhancement Fee (NEF) Fund to fund the Affordable Housing Preservation Fund. This is an increase of \$1.0 million above the \$5.0 million Council allocated from NEF as part of FY 2026 final Council budget actions. |
| Prevention and Diversion Resources | P | \$1.3 million from State Homeless Housing, Assistance and Prevention grant (HHAP) funds proposed for Prevention and Diversion, to be programmed jointly by the Homelessness Strategies and Solutions Department (HSSD) and SDHC. According to SDHC, the remaining \$806,000 difference can be absorbed. SDHC has identified other funding sources for Prevention and Diversion efforts regionally. |
| Eviction Prevention Program | R | HSSD general homelessness reduction options contemplate various reductions to program funding, ranging from \$49,000 to \$2.1 million. |
| Veteran’s Village Shelter | A | Proposed Budget includes \$2.4 million for 72 Opioid treatment beds at the Veteran's Village of San Diego (VVSD), to be funded by Opioid Settlement Funds. |
| LGBTQ+ Affirming Shelter and Related Services | M | No changes to program funding in Proposed Budget. |
| Other Operating Budget Priorities | | |
| Penny for the Arts | R | The Proposed Budget eliminates \$11.8 million in arts and culture funding for Organizational Support (OSP), Creative Communities (CCSD), and Impact grants. The Proposed Budget contains \$1.9 million for the Division of Cultural Affairs' operating budget (\$1.1 million PE and \$800,000 NPE). Total Citywide TOT is projected to be \$313.9 million in FY 2027, so the ratio of arts funding to TOT is 0.6%, significantly below the 1 cent (9.5%) goal. |
| Office of the City Clerk | N | The Clerk's request for a Deputy City Clerk II was not included. |
| Lifeguard Staffing | A | The addition of 1.00 Marine Safety Captain is included in the Proposed Budget. |
| Weed Abatement | M | No changes to the weed abatement budget. |
| Maintaining Library and Parks & Recreation Funding | R | The Library Department's and Parks and Recreation's proposed General Fund budgets include mitigating reductions of \$7.1 million and \$12.5 million, respectively. |
| Climate Action Plan | R | General Fund support is reduced, and other implementation positions are also reduced across multiple departments. |

Key Citywide Issues: Council Budget Priorities

| COMPARISON OF COUNCIL FY 2027 BUDGET PRIORITIES TO MAYOR'S FY 2027 PROPOSED BUDGET (A=Added, P=Partial Add, M=Maintained, R=Reduced, N=Not Included) | | |
|--|--------|--|
| City Council Operating Budget Priorities | Status | Notes |
| Other Operating Budget Priorities | | |
| No Shots Fired Program | M | \$250,000 in funding for the No Shots Fired program is maintained in the Proposed Budget. |
| SD Access4All | M | Support for SD Access4All is maintained. Of note, the Proposed Budget assumes the use of \$130,000 in PEG funding for part of the Mobile Hotspots program, in lieu of the General Fund. |
| Library Materials and Maintenance | N | No additional funding is included in the Proposed Budget for materials or maintenance. |
| Climate Equity Fund | N | No additional funding is provided for the fund. |
| Police Recruitment and Retention | N | No new funding is included in the Proposed Budget to enhance SDDP's recruiting efforts. |
| Equity in Parks Programming | R | With the proposed reductions of recreation center hours and recreation service positions, recreation programming inequities are likely to worsen. |
| Lifeguard Wellness Program | M/N | The Proposed Budget maintains funding for the Lifeguard Division's Boating Safety Unit to receive wellness exams. However, all other Lifeguard personnel are excluded from receiving these exams. |
| Office of the City Auditor (OCA) | R | OCA's budget includes a \$208,000 ongoing reduction to personnel expenditures. Additionally, the budget does <i>not</i> restore \$55,000 in ongoing NPE that was reduced in FY 2026, and budget this amount as a one-time reduction for FY 2027. |
| Brush Management | R | Resources for brush management, including 2.00 FTEs responsible for brush abatement, are reduced in the Proposed Budget. |
| Recruitment, Retention, and Compensation | N | MOUs for the REOs expire at the end of FY 2026 (June 30, 2026), and the City has been negotiating with the REOs over FY 2027 successor MOUs. Any resulting compensation increases may be higher than amounts currently included the Proposed Budget and are expected to be included in the May Revision. |
| Avoidance of Across-the-Board Cuts | P | Each department was asked to implement budget reductions amounting to 3.5% to 7% of their FY 2026 Budget; however, not all departments have corresponding reductions reflected in the Proposed Budget. |
| City Council Infrastructure Budget Priorities | Status | Notes |
| Transportation and Mobility Safety | | |
| Pedestrian and Bicycle Safety (including continued implementation of Vision Zero) | R/A | Operating funding is reduced for the Multimodal Team/CIP funding increased by \$5.1 million. |
| Traffic Calming | P | Additional funding included in TransNet for intersections improvements. CIP includes \$2.7 million. |
| Streetlights (repairs, upgrades, new installations) | P | No additional operating funding. CIP increased by \$0.4 million |
| Traffic Signals (new, modified, optimized signals) | R | No additional operating funding. CIP decreased by \$0.2 million |
| Unimproved Streets and Alleys | N | No additional funding is provided for this purpose. |
| Streets, Sidewalks, Stormwater, and ADA Projects | | |
| Streets (including maintenance, repairs, resurfacing) | R | CIP funding declines by almost \$20.0 million. |
| Sidewalks (including repairs and installations) | A | CIP funding increased by \$8.4 million |
| Stormwater (including maintenance and capital projects) | R/P | Operating funding is reduced by \$3.2 million. CIP funding increased by \$1.3 million. |
| American with Disabilities Act (ADA) Projects | M | ADA improvements are addressed as components of other CIP projects. No additional funding is provided for this purpose. |
| Facilities | | |
| Parks & Recreation (including maintenance and repair of existing facilities; new facilities) | N | No additional funding is currently included in the CIP, but is expected in the May Revision. |
| Lifeguard Towers and Facilities | A | A new Mission Beach Lifeguard Station is funded at \$3.4 million. |
| Fire-Rescue Facilities | A | A new Fire Station No. 48 Black Mountain Ranch Fire Station is funded with \$1.0 million. |
| Library (including maintenance, improvement, expansion of existing facilities) | A | Funded projects: Rancho Peñasquitos Library Rehab; Rancho Bernardo Library Roof Replacement; new Oak Park Library (\$1.0 million) |

Key Citywide Issues: Equity

Equity

The City is committed to advancing racial and social equity, and addressing and dismantling systemic racism. Under the IBA, the Division of Race and Equity (DRE) is tasked with providing the City Council and the public with related analyses and information that are clear, objective, and unbiased. DRE also continues to work with all levels of the City's operations to incorporate an Operational Equity model into City operations; this includes providing equity-centered coaching to departments. As a result of this work, *Equity Implications* have been embedded into the submissions departments make for budget adjustments (reductions and additions) and departments are required to note budget requests that are needed to close disparities, gaps, and deficiencies.

The Operationalizing Equity Model uses many of the tools described in this report's ***Overview: DRE Review of Equity Implications***, including Tactical Equity Plans (TEPs), Key Performance Indicators (KPIs) necessary to advance equitable outcomes, and operational objectives that address disparities, gaps, and deficiencies. During budget development, DRE staff work with departments to revise TEPs and KPIs, to ensure outcomes can be measured across all city departments.

Particularly in a difficult budget year, the Budget Equity Framework and TEPs are key tools used that can help guide incremental progress towards addressing disparities, gaps, and deficiencies even when significant cuts are needed to balance the budget. This year, the City is faced with several tough, controversial, and high-stakes choices related to budget reductions proposed for arts, culture, parks/recreation, and libraries programming to maintain other core public services such as public safety, streets, and stormwater

compliance related to both flood control and water quality.

While the Proposed Budget includes substantial cuts to programs and positions, it should also be noted that minimizing layoffs is also an equity-related goal, as the impacts on employees who lose their public service jobs ripple throughout the City's communities and can cause burnout among remaining employees, and public frustration at reduced service levels in key areas.

This section outlines significant *Equity Implications* associated with the Proposed Budget and includes further discussion on potential approaches that may help address disparities, gaps, and deficiencies.

Impacts of adjustments covered in this section are organized thematically and are grouped into the following categories: Employee Workforce Impacts; Public Liability Claims; Mobility & Infrastructure; Neighborhood Service & Enrichment; Public Safety; Policy and Practice Implications; and High Priority Equity-Focused Programs.

While equity impacts are grouped into those categories, it must be noted that the City's work is dynamic and interconnected in many ways, and individual structural impacts cross multiple departments. While government programs and services are often looked at in a silo, it is critical to analyze how each decision has direct impacts on multiple departments. For example, reductions of facilities maintenance positions in the City's Department of General Services that provide day-to-day maintenance and repair services can lead to deferred maintenance, delayed improvements to more than 1,600 citywide facilities, and the need for emergency repairs. These impacts are then felt by the public through faulty air conditioning systems, leaky roofs, and deferred

Key Citywide Issues: Equity

maintenance in the City's 37 library branches, 60 recreation centers and over 400 parks.

If positions and expenditures are reduced in departments, City leadership should also identify corresponding service levels to reduce. With departments like HSSD, Library, and Parks and Recreation, decisions would include which shelters to close, and which libraries and recreation centers should have reduced hours. These decisions should be made with an equity lens that considers dynamics related to Low-Moderate income (LMI) areas to protect the communities most in need of City services, and that would be most impacted by service reductions.

Equity implications by category are provided below. Notably, while many implications suggest caution, some adjustments also have positive implications. More details on *Equity Implications* can be found in the corresponding *Department Review* sections of this report.

Employee Workforce Impacts

This section highlights key *Equity Implications* that impact the employee workforce across multiple departments. This consideration includes *Equity Implications* related to hiring, retention, and recruitment.

- **Human Resources:** The unfunded request for \$300,000 to fund a consultant to prepare a Pay Equity Study would result in the study not being conducted on the three-year cadence sought by City Council Resolution 313579. Due to this lack of funding, the Pay Equity Study will not be conducted in 2026.
- **Human Resources:** 1.00 Program Coordinator position was requested to oversee production of annual Employee Sentiment Workforce Reports (Workforce Reports) and project management of triennial Pay Equity Studies. This function was moved to Human Resources from the Performance and Analytics Department (PANDA) in 2026. The work responsibilities of both Workforce Reports and Pay Equity Studies remain in Human Resources, though Human Resources lacks personnel to perform those duties. PANDA is coordinating with HR to prepare an abbreviated version of the Workforce Report, but the Pay Equity Study is anticipated to be delayed until funding is available.
- **Human Resources:** The Employ and Empower Program Support is implemented across all city departments, including management interns and associated revenue, to support the Employ and Empower Program. This intern program can both allow additional support for department operations, and provide education and training opportunities for various City constituencies.
- **Personnel:** The reduction of \$489,000 and 6.00 FTEs eliminates Outstation support for the 6 departments with dedicated Outstation staff. In FY25, departments with Outstation support experienced lower hiring times compared to the rest of the City.
- **Personnel:** The reduction of \$18,000 in non-personnel expenditure funds in promotional advertising would limit the department's recruitment capacity, following the reduction of its two-person recruiting team in the FY26 Adopted Budget. Strategic recruitment practices, including paying for recruitment ads in community papers, would be eliminated.
- **Environmental Services:** The addition of \$190,000 in contractual expenditures associated with hazardous waste hauling and the purchase of a vehicle to support the expansion of the Household Hazardous Waste Transfer Facility (HHWTF) has an

Key Citywide Issues: Equity

equity implication related to workplace safety conditions.

- **Risk Management:** The reduction of \$224,000 (1.00 FTE) would have operational impacts on staff responsible for a growing workers' compensation caseload. Per the department's KPI, in FY26 the average caseload per adjuster was 160, above the City's goal of 158.

Public Liability Claims

The FY27 Proposed Budget, includes no adjustment to update to the City's Facilities Condition Assessment. The City last completed a Facilities Condition Assessment in 2016, which means the current state of facility conditions is unknown. Deferred maintenance of City infrastructure (storm drains, sidewalks, facilities, etc.) could jeopardize the City's ability to monitor, analyze, and report on risk exposure effectively, hindering informed decision-making and creating legal liability and risk. However, it is important to ensure that once condition assessments are completed, sufficient funding is available to address identified deficiencies so the investment in conducting those assessments is fully realized. This is further discussed in the Advancing Mobility & Infrastructure category, which is aligned with the City's progress towards addressing deferred maintenance and infrastructure backlog issues.

Mobility & Infrastructure

Key *Equity Implications* associated with various budget adjustments exist for facilities and assets across multiple departments, and these implications have impacts on deferred maintenance and the City's capital infrastructure backlog. The Department of General Services provides maintenance and facilities services, including day-to-day maintenance and repair, and improvement services, including emergency repairs, deferred maintenance, and tenant improvements to more than 1,600 citywide facilities; the City Council should consider the cumulative impact multi-year

reductions in General Services have on the interruption of services and programs across multiple departments. Significant maintenance backlogs remain in both Transportation Department and General Services. The City Council may wish to further consider the extent to which backlogs contribute to ongoing deferred maintenance and Public Liability Claims.

- **General Services:** The reduction of 13.00 vacant FTEs and \$1.5 million in expenditures supporting the repair and maintenance will impact City facilities across many departments, many of which are already have significant backlogs of deferred maintenance. This may perpetuate deficiencies across city-owned and leased assets in departments such as Parks & Recreation and Libraries. In addition, new Park and Recreation facilities are coming online in FY27, and no new General Services staff are being added to ensure safe and clean facilities.
- **Transportation:** The addition of \$748,000 for overtime supports Transportation's ability to field requests from other departments, such as Parks and Recreation, for transportation-related maintenance needs across the City's park systems. Additional requests for ADA Compliance & Accessibility, located in the Engineering & Capital Projects Department, are also being addressed by the Transportation Department to address curb ramp enhancements that impact people with disabilities.
- **Parks and Recreation:** The reduction of \$1.8 million and 11.00 FTEs reduces staffing across several park maintenance functions, including grounds maintenance, custodial support, and trades services, which contribute to the routine upkeep of parks, open-space areas, and shoreline facilities. This may increase sediment, trash, and other debris in water channels,

Key Citywide Issues: Equity

creating downstream effects on the Stormwater Department's ability to meet its channel-maintenance KPI, signaling a cross-departmental service challenge.

- **Parks and Recreation:** The reduction of \$247,000 and 2.00 FTEs for brush management activities related to vegetation abatement in open-space areas and canyon-adjacent neighborhoods is likely to have a disparate impact on those neighborhoods where brush clearance is a key component of routine safety and maintenance operations.
- **Stormwater Department:** The \$907,000 reduction to Regulatory Support is part of a set of reductions that includes Equity Implications, specifically for two reductions within the larger reduction amount.
 - \$175,000 in consulting support that assists in developing water quality improvement plans and funds trash clean-up partnerships.
 - \$535,000 for monitoring the Total Maximum Daily Load (TMDL) that is used to calculate the maximum amount of a specific pollutant that a waterbody can receive while still meeting water quality standards.
- **Stormwater Department:** The reduction of \$841,000 and 1.00 FTE in Wetland and Channel Clearing will impact Stormwater assets. This may compound impacts from reductions in Think Blue and Stormwater's administrative support staff: the amount of work needed to maintain stormwater infrastructure is already at a critical level given existing staffing levels.

This reductions comes on top of a \$1.7 million reduction in wetland and channel clearing activity in FY 2026. Reducing channel maintenance will require additional wetland mitigation requirements that are not currently mandated, and limiting future wetland mitigation planning

will harm the Department's ability to clear additional channels in the future.

Neighborhood Services & Enrichment

This section, highlights *Equity Implications* impacting the City's ability to serve every neighborhood, including the prioritization of investment in historically underserved communities with the greatest need and ensuring amenities are geographically distributed throughout the city so everyone can access them easily.

Key *Equity Implications* impacting a multitude of grant programs released to organizations that enrich unique neighborhoods throughout the City are also discussed.

- **Economic Development: Cultural Affairs Division:** The \$9.6 million reduction to the Organizational Support Program (OSP) eliminates 100% of the grant program's funding for tax-exempt, nonprofit arts and culture organizations. In Fiscal Year 2026, 119 organizations received 1:1 matching awards ranging from 2% to 21% of their Annual Operating Income (AOI).
 - 93 organizations received grants ranging from \$10,000 to \$99,999, totaling \$3.7 million, indicating that the smallest organizations receiving relatively smaller grant funding levels, though a higher percentage of their AOIs are covered by their awards.
 - 19 organizations received grants ranging from \$100,000 and \$299,999, totaling \$3.5 million, indicating that larger organizations received larger grants, though those grants represent a smaller percentage of their AOIs.
 - 7 organizations received grants ranging from \$300,000 to \$999,999, for a combined total of \$2.4 million, indicating that the largest of the funded organizations received the largest grants, though these cover the smallest proportion of those organization's AOIs.

Key Citywide Issues: Equity

- **Economic Development Department (EDD): Cultural Affairs Division:** The \$1.7 million reduction from Creative Communities San Diego (CCSD) eliminates 100% of the program’s grant funding for nonprofit organizations to deliver projects in San Diego neighborhoods that engage diverse communities in arts, culture, and creativity. In Fiscal Year 2026, 70 organizations were awarded funding, with the vast majority of awards funded below \$30,000.
- **Economic Development Department (EDD):** The ongoing \$750,000 non-personnel expenditure reduction for the Small Business Enhancement Program (SBEP) results in reduced opportunities and resources for non-profits and small businesses. This includes programs such as Capacity Building grants for small businesses and entrepreneurs, Storefront Improvement grants, and Business Improvement District management support grants. In Fiscal Year 2026, the department awarded \$180,000 in Capacity Building grant funds to 13 organizations directly serving small businesses in historically underserved communities.
- **Economic Development Department (EDD): Cultural Affairs Division:** The reduction of \$164,000 and 1.00 FTE decreases the Business Expansion, Attraction and Retention (BEAR) team’s capacity to provide technical assistance, outreach, and navigation support to small businesses and nonprofits, particularly those operating in historically underserved communities.

In addition, this position oversees management of the city’s revolving loan fund and ensures that available capital, financial literacy, and tourism dollars are accessible to those organizations that might have the greatest barriers to access other funding. In Fiscal Year 2026, BEAR serviced approximately 950 businesses over nine business walks in a special “Knowing Your Rights” series focused on federal immigration enforcement with additional sessions planned.
- **Parks and Recreation:** The \$5.4 million reduction in recreation center operating hours has an Equity Implication, directly impacting Community Parks II (CPII) and Low-Moderate income (LMI) communities. Because CPII sites already face compounded inequities, any reduction in operating hours may further limit access to programming and opportunities. While inequities exist citywide, Council Districts 4, 8, and 9 have a higher percentage of the population with a Low-Moderate income (LMI) status, indicating higher poverty rates on average.
- **Parks and Recreation Department:** The reduction of aquatics facilities results in seasonal closures across both southern and northern pools, totaling \$958,000, with \$764,000 and 9.16 FTEs attributable to northern pool closures and \$194,000 and 2.00 FTEs attributable to southern pool closures. In historically underserved communities, the temporary closure of several southern pools affects areas that rely heavily on publicly provided aquatics programs.
- **Parks and Recreation Department:** The reduction of \$173,000 and 2.00 FTEs reduces staffing for therapeutic and equity-focused programming by eliminating adaptive recreation support and program development intended to increase participation across diverse user groups. The reduction decreases the Department’s

Key Citywide Issues: Equity

capacity to deliver adaptive, accessible, and outreach-based programming at recreation centers.

- **Parks and Recreation Department:** The reduction of \$1.3 million and 14.00 FTEs reduces operating resources for restroom facilities across several regional parks. The associated FTE and funding changes result in closures in Mission Bay, Shoreline Parks, Balboa Park, and Fiesta Island. These closures reduce the total number of public restrooms available during peak and off-peak periods, including the closure of comfort stations in Balboa Park.
- **Library Department:** The reduction of \$2.4 million and 23.00 FTEs in library operating hours may alter when residents can access library facilities, digital resources, study space, and youth programming.
- **Library Department:** The reduction of \$1.2 million and 4.00 FTEs for Youth, Family & Equity Services reduces staffing capacity for coordinated youth, family, and equity-focused services across the Library system.
- **Stormwater Department:** The reduction of \$400,000 to the Think Blue program has equity implications in access to information and educational sessions for residents, businesses, and industry to understand the causes of stormwater pollution to improve water quality in San Diego.
- **Transportation Department:** The reduction of \$203,000 (1.00 FTE) carries significant workforce implications for the Urban Forestry Program. The Program Coordinator position was initially added to the department on a full-time, permanent basis as part of the APCD (Air Pollution

Control District) settlement. This position operates at the intersection of complex disparities reflected within the City's Climate Equity Index (CEI), oversees policy and code updates, and supervises 8 FTE. The elimination of this position shifts the workload to the Urban Forestry Program Manager, creating a heavy workload.

- **Performance and Analytics Department:** The reduction of \$13,000 removes the CHRIS cultural resource dataset (\$13,000), ending centralized access to archeological, paleontological, and Native American cultural-lands information used in planning and compliance reviews.

Public Safety

The historical relationship between policing and African American/Black, Latino, and Indigenous communities continues to shape how residents interpret City budget decisions today. The legacy of harm and disparities that have generational impacts, including broken trust within policing systems.

Frustrations shared by historically underserved communities connect to the context of institutional racism; when budget decisions are presented there is tension between what is needed to address historic disparities and what resources are actually available to provide public programs and services at full scale.

Given the lack of resources for full scale programs and services across all City functions, there is tension between funding for police services and other public services. While the Police Department's budget is largely maintained,¹ larger reductions have been proposed for Libraries and Parks and Recreation services; it is important to ensure that related conversations reflect this context and equity considerations more generally.

¹ While a permanent hiring freeze for certain Police Department positions creates some budget savings, those are more than offset by regular salary and benefit increases. Notably, the Police Department does have a \$2.0 million increase in overtime expenditures, but that increase is largely associated with *reimbursable* overtime used to police special events, and has minimal net impacts on the City's overall resources.

Key Citywide Issues: Equity

Equity implications noted here should provide additional context for City leaders and community members seeking accountability from local government departments. DRE acknowledges both the operational necessity for overtime to support the Police Department in maintaining public safety for everyone in the City of San Diego, *as well as* the ongoing need to openly confront and address historic racial disparities embedded within systems of policing. Those disparities and the longstanding effects of institutional racism have not only eroded trust in many communities, but have also created collateral impacts that continue to be disproportionately experienced by African American/Black, Latino, and Indigenous residents.

DRE also recognizes the dedication of Police Department officers who serve the City's communities and recognizes that the Police Department continually strives for safety, accountability, and community well-being. There are many complex and often competing perspectives surrounding Police Department budget allocations, particularly around overtime. Considering all these perspectives is essential to fostering meaningful, inclusive dialogue as the City works toward solutions that advance *both* public safety *and* equity in programs and services.

- **Police Department:** The budget includes the reduction of \$417,000 for a Police Lieutenant and Police Sergeant in the Community & Youth Services Division. Freezing two positions impacts the Department's youth services operations and community engagement activities, and has equity implications for improving police relations with schools. As noted by the Police Department, this reduction could impact on a dedicated Youth Services Lieutenant who serves as the primary command authority for school-related threats, including acting as the Incident Commander during major or high-risk school emergencies. This could affect response

times, inter-unit coordination, and decision-making during time-critical incidents.

- **Fire Department:** The \$1.7 million reduction in Bomb-Squad Cross Staffing may affect the City's overall capacity to manage technical emergency incidents. A smaller staffing pool could affect operational depth and the ability to mobilize specialized resources during higher-demand periods or overlapping events. These potential impacts may vary across the city depending on call volume patterns and the level of reliance on specialized response units.
- **Fire Department:** The \$1.2 million reduction of 4.00 FTEs may affect Fire-Rescue's capacity in recruitment, community engagement, public information, and training. Reductions to the Recruitment Officer and Community Resources Officer are likely to limit Fire-Rescue's ability to maintain regular outreach, participate in community-based recruitment events, and support prevention education efforts.

Policy and Practice Implications

Policies and practices that are implemented or revised to promote equitable outcomes are designed to actively remove systemic barriers by allocating resources in ways that address historic inequities rather than assuming all neighborhoods have equal access to opportunities. Equity-centered policymaking intentionally prioritizes the needs, experiences, and voices of historically underserved communities to create effective policies that ensure everyone can thrive. This approach moves beyond traditional, one-size-fits-all approaches by recognizing that fairness requires acknowledgement that institutional and structural racism have contributed towards unequal conditions, and working to correct those conditions.

- **Title VI responsibilities and Language Access Policy:** The Proposed Budget

Key Citywide Issues: Equity

reduces the Program Manager position responsible for Title VI (Civil Rights Act compliance), Audits and Grand Jury responses. Because the City is required to have a Title VI coordinator to receive federal funding, the duties associated with Title VI are proposed to be returned to P&C's Equal Opportunity Contracting Program, where this work was housed prior to its move into Compliance. City Council may want to consider policy implications related to the creation of a Language Access Policy, to guide the creation of a Language Access Plan.

- **Disparity Study (Purchasing & Contracting):** The reduction of 1.00 vacant Program Coordinator position, responsible for implementing the 2020 City of San Diego Disparity Study recommendations, may ultimately impede progress toward addressing, monitoring and communicating contracting disparities identified in the 2020 Disparity Study and could undermine the very communities the study intends to support. No budget requests were submitted for an updated Disparity Study.
- **Waiver of Climate Equity Funds:** Due to the structural budget deficit, the requirement to transfer \$7.0 million into the Climate Equity Fund is proposed to be waived. This amount would have otherwise been available for City infrastructure in historically underserved communities to help respond to impacts of climate change. Only interest earnings totaling \$450,000 from the fund have been allocated to the CIP, for Stormwater green infrastructure. Council may wish to weigh funding this priority against others not funded in the Proposed Budget.
- **Climate Equity Index:** City Council may want to consider updating the Climate Equity Index in the future, as this tool, along with similar tools and terms, is used to

locate and describe neighborhoods where complex disparities exist, and relies on specific indicators, socioeconomic status (SES), and other data sources.

High Priority Equity-Focused Programs

Despite the difficult budget environment, several high-priority equity-focused programs are maintained in the FY 2027 Proposed Budget, including No Shots Fired, SD Access for All, and the Housing Instability Prevention Program. Additionally, as of February 2026, the City of San Diego was awarded a \$5 million CalVIP (California Violence Intervention & Prevention) grant to fund its Commission on Gang Prevention and Intervention, specifically for the Peacemaker Project. This initiative focuses on trauma-informed care, restorative justice, and reducing gun and gang violence in targeted districts through community partnerships. It is operated through the Mayor's Office of Boards and Commissions Director.

Note: More details on adjustments listed in this section can be found in the applicable *Department Reviews* in this report.

Homelessness and Housing

Homelessness

As of the Point-in-Time Count in January 2025, a total of 5,866 sheltered and unsheltered homeless individuals were living in the City. This represents an overall decrease of 13.5% from the count in 2024 – marking the first decline in unsheltered homelessness since 2022. Nevertheless, based on a resident budget survey released in February 2026, homelessness and housing costs are among the top three concerns reported by respondents.

In October 2019, the City Council approved the Community Action Plan on Homelessness (Community Action Plan), aiming to systemically address homelessness. The Community Action Plan includes short-term and long-term goals, estimated resource needs, recommended actions, and key strategies. Short-term goals included decreasing unsheltered homelessness by 50% and ending veteran and youth homelessness. The Community Action Plan is periodically updated, with Council hearing the most recent update in [May 2025](#). Despite notable progress in increasing prevention, diversion, and permanent housing resources in the City, the May 2025 Update indicated significant outstanding needs for more than 9,000 additional housing and shelter resources.

In the context of a larger budgetary shortfall, the FY 2026 budget included reductions across City services and programs, including homelessness. These included the elimination of the 150-bed Rosecrans Shelter and an outreach program associated with Caltrans, along with a reduction in downtown public restrooms operated by the City. However, the FY 2026 Adopted Budget also took notable

strides in funding homelessness services by reducing non-critical shelter contract costs (which yielded budgetary savings), providing ongoing funding for homelessness prevention through the Housing Instability Prevention Program (a consistent Council budget priority), and including \$32.6 million in new ongoing funding dedicated to homelessness from a portion of Measure C revenue (approved by voters in 2020 and began collection in 2025) thereby helping to stabilize the City’s homelessness budget.

In FY 2027, addressing homelessness is expected to remain a top priority for both the Mayor and City Council, even in the face of continued budget challenges. It remains important to balance homelessness priorities with potential service level reductions in other City departments. Even within homelessness operations, it will be crucial to distinguish between programs and services that should be preserved and those that can be scaled back or altogether eliminated. These decisions will require thoughtfully balancing needs and outcomes across existing homelessness programs, as well as exploring options to make programs more cost-effective and financially sustainable. Tough budget decisions will also have to consider looming uncertainties regarding future County, State, and federal funding for homelessness. Further discussion is merited on how the City can best navigate these challenging budget circumstances, and to ensure the City’s investment of limited resources can be most impactful.

The Proposed Budget includes \$72.9 million for citywide homelessness services – much of this funding is provided in the Homelessness Strategies and Solutions Department (HSSD) budget.¹ This report’s department review of

¹ A portion of this total amount is budgeted in the Environmental Services Department for CleanSD encampment and sidewalk cleaning (\$11.2 million) and the Police Department for the Homeless Outreach Team (\$4.6 million).

Key Citywide Issues: Homelessness and Housing

HSSD includes significant additional details on FY 2027 efforts to address homelessness. Briefly, the Proposed Budget includes \$57.1 million in expenditures to support the HSSD budget, of which \$31.3 million is expected to be reimbursed from the portion of Measure C revenue restricted to homelessness and not otherwise available for non-homelessness General Fund expenses.² The Proposed Budget includes several programmatic reductions, such as the elimination of the Neil Good Day Center and downtown public restrooms operated by the Department. Although not detailed in the Proposed Budget, the Department plans to present three packaged options for Council consideration to meet a \$3.8 million reduction target in the homelessness budget. Options are structured around one of three major reductions: (A) reduce shelter operations at the 16th and Newton shelter, (B) close 20th and B Safe Sleeping, or (C) reduce the Eviction Prevention Program. Each of these reductions is combined with smaller reductions to meet the reduction target.

Each of the City's homelessness interventions serves populations with differing needs, resources, and housing barriers. For instance, Safe Sleeping typically serves individuals with many challenges that can act as a barrier to housing leading to poorer housing outcomes, whereas the Family Reunification Program and Safe Parking serve individuals with more access to social support or other resources leading to relatively better housing outcomes. Context on how the City's existing continuum of homelessness interventions functions could assist in understanding the impacts of HSSD's reduction options – see the *Department Review: Homelessness Strategies and Solutions Department* section for more details about the Proposed Budget and context

on the City's existing homelessness interventions.

Housing

In 2020, the City of San Diego's Regional Housing Needs Allocation goals were updated to add 108,000 new units by 2029. Of this total, 29,058 units, or 26.9%, were built since 2021 according to the City's 2025 Annual Report on Homes. In recent years, the City made significant efforts to address the housing affordability crisis through various programs and investments in affordable housing. For instance, Complete Communities: Housing Solutions (adopted 2020) and Affordable Home Density Bonus programs (modified in 2018) allow for denser residential developments if certain conditions are met, including setting aside units for low or moderate-income households. In 2024, these two programs accounted for 715 homes, or 67%, of the total 1,062 affordable homes permitted that year.

That noted, housing *affordability* remains an issue. As outlined in Volume 1 of the Proposed Budget, the City of San Diego's 12-month median home price increased by 0.8%, from \$940,000 in 2024 to \$947,000 in 2025. In calendar year 2025, the number of homes sold slightly increased by 0.5%, from 10,867 in 2024 to 10,919 in 2025. Despite several interest rate cuts enacted by the U.S. Federal Reserve starting in September 2024, mortgage interest rates increased in March 2026 due to geopolitical tensions abroad, contributing to persistently slow growth in home sales.³ Due to high interest rates and median home prices, many potential homebuyers are unable to afford to purchase new homes (i.e. being priced out of the housing market) and potential sellers are locked in to lower interest rates and may be reluctant to lower the asking price on

² For the purposes of this report, Measure C TOT for homelessness is considered separate from General Fund revenue due to these funds being restricted to homelessness expenditures and not available for General Fund expenses.

³ Federal Reserve Economic Data (FRED), 30-Year Fixed Rate Mortgage Average in the United States, Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/graph/?g=NUH>, Accessed April 2, 2026.

Key Citywide Issues: Homelessness and Housing

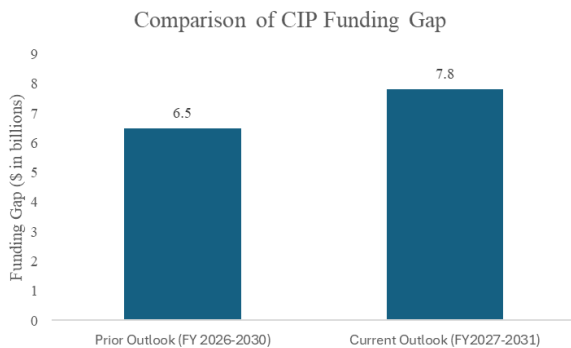
their current home – overall slowing down the City’s housing market and negatively impacting access to housing that is affordable. Notably, rental price growth appears to be moderating, or even declining according to some reports, following significant increases shortly following the pandemic.⁴ The stabilizing of rent prices is likely attributable to increased housing supply as higher density market-rate developments begin adding new units to the rental market.

⁴ Zumper, Average rent in San Diego, CA: <https://www.zumper.com/rent-research/san-diego-ca>, Accessed April 16, 2026.

Infrastructure Funding Needs

Overview of Infrastructure Funding Needs

The [FY 2027-2031 Capital Infrastructure Planning Outlook](#) identifies a substantial gap between projected infrastructure needs and available funding over the next five years. As in previous years, total capital needs are estimated to significantly exceed anticipated resources, resulting in a \$7.81 billion funding gap over five years that will require prioritization of projects during the annual budget process. This is an increase of 20.1% and \$1.31 billion from the previous FY 2026-2030 Outlook, as shown in the figure below, and this gap is heavily driven by unfunded stormwater needs.



Although stormwater infrastructure dominates the City’s infrastructure needs and represents the largest share of the City’s capital funding gap, other categories also contribute to the City’s overall unfunded capital needs which will be discussed in the following sections.

Funding Gap by Asset Type

The projected funding gap is largely driven by General Fund supported infrastructure assets which do not have dedicated revenue sources

and must compete for limited General Fund resources, as compared to enterprise funded¹ assets which are ultimately funded by dedicated user fees. Stormwater makes up the majority of the funding gap, followed by transportation-related infrastructure, and facility-related projects.

Stormwater

As discussed in [IBA Report 26-06, IBA Review of the FY 2027-2031 Five-Year Capital Infrastructure Planning Outlook](#), stormwater infrastructure alone makes up 65% of the total \$7.81 billion five-year funding gap.

For FY 2027, stormwater capital needs are \$181.1 million, but only \$52.5 million is included in the FY 2027 Proposed Capital Improvements Program (CIP) Budget. However, an additional \$134.4 million is anticipated to be appropriated later in FY 2027 related to the federal Water Infrastructure Finance and Innovation Act (WIFIA) Program. Total net funding for Stormwater is expected to be \$181.2 million in FY 2027, which is consistent with stormwater needs reflected in the CIP Outlook for FY 2027.

Although substantial additional funding is expected from WIFIA, this program is anticipated to be mostly exhausted by FY 2029, and no revenue replacement has been identified. As a result, the funding shortfall for stormwater infrastructure will grow.

Without a dedicated funding source, the City will face increased risk of system failures due to deferred maintenance because of localized flooding. Of the \$52.5 million in the Proposed CIP Budget, \$30.0 million is set aside for emergency projects, and in Fiscal Year 2026, \$40.7 million was allocated to stormwater

¹ An enterprise asset is an asset, like water or wastewater that is funded through dedicated revenue generated from fees collected from customers that use the asset.

Key Citywide Issues: Infrastructure Funding Needs

emergency projects. Had adequate resources existed for regular and proactive maintenance, many of these costly emergency projects could have been avoided and funds could have otherwise been directed towards other capital improvements. **The need to establish an additional funding source for Stormwater is critical.** Please refer to the *Department Review: Stormwater* section of this report, for a discussion about the Proposition 218 process for establishing a property-related fee that could be pursued for stormwater infrastructure.

Transportation

Transportation infrastructure represents the second highest share of the City's five-year funding gap, and consists of bridges, sidewalks, streetlights, bike facilities, traffic signals and road modifications such as paving. Capital needs for all Transportation related assets total \$2.39 billion over five years, compared to identified funding sources of \$621.5 million, resulting in a \$1.77 billion funding gap.

These needs are primarily driven by ongoing capital maintenance and repair of the City's transportation system, particularly paving which represents a \$969.6 million need over the five-year outlook period. As discussed in [IBA Report 25-16, Review of the FY2025 Pavement Management Plan Update](#), maintaining pavement conditions requires consistent ongoing investment over time.

For FY 2027, there were \$229.3 million in street paving capital needs identified, but only \$27.0 million is funded in the Proposed CIP Budget. Because funding for streets has been insufficient to meet initial policy goals, the City has reduced its Pavement Condition Index (PCI) target from 70 to 65, which is considered "fair." The funding proposed in FY 2027 puts the City on track for a PCI of 63, according to the [FY 2026 Pavement Management Plan Annual Update](#). Without additional

funding, deferred maintenance and capital needs will result in declining asset conditions and greater long-term costs.

Facilities

Facility infrastructure represents another significant portion of the City's funding gap. This includes libraries, fire stations, police stations, lifeguard stations, parks, and other public buildings. These needs are associated with aging facilities, the replacement or expansion of existing infrastructure, and the need for new facilities. The current need for all facilities over the next five years is \$889.7 million with identified funding of \$159.3 million, resulting in a \$730.3 million five-year funding gap.

For FY 2027 a total of \$25.3 million in capital needs were identified for existing facilities but the Proposed Budget funds only \$8.1 million of those needs (excluding Convention Center improvements). Additionally, a total of \$5.4 million is included in the Proposed Budget for the following new facilities: Oak Park Library, Black Mountain Ranch, and a new Mission Beach Lifeguard Station.

Because facility-related infrastructure must compete with other General Fund priorities for limited flexible resources, funding shortfalls lead to deferred capital needs and delays in replacing, expanding, or making major investments needed for many new facilities.

Key Drivers of Increased Infrastructure Needs

The City's infrastructure funding gap is increasing due to several key factors which include aging infrastructure, deferred maintenance, regulatory requirements, and continuous funding constraints.

Aging Infrastructure

Most of the City's infrastructure is aging and requires ongoing rehabilitation or replacement. Many assets have reached or are slowly

Key Citywide Issues: Infrastructure Funding Needs

approaching the end of their useful lives, requiring significant investments to prevent further deterioration.

As mentioned previously, this is evident in stormwater infrastructure and the scale of these needs identified through the City's [Watershed Asset Management Plan \(WAMP\)](#).² In the most recent CIP Outlook, nearly \$1 billion in additional Stormwater drainage capital needs were identified over the outlook period since last year's report, driven by the compounding of drainage assets that have already passed their useful life and estimated cost increases.

Deferred Maintenance

Insufficient funding over time has resulted in deferred maintenance across several infrastructure assets. Deferred maintenance occurs when planned repairs (funded in the operating budget) or rehabilitation (funded in the CIP) are delayed. Over time, this can result in declining asset conditions and higher long-term costs as infrastructure that could have been maintained at a lower cost requires more extensive and expensive rehabilitation or repair.

Facilities-related assets such as libraries require ongoing maintenance, but this has been historically underfunded, resulting in a bigger maintenance and capital backlog, as reflected in the FY 2027 Proposed Budget. For example, the Proposed Budget includes \$1.8 million for new Parks & Recreation facilities, but reduces the Facilities maintenance budget by \$1.5 million, in addition to continued reductions in Stormwater wetland and channel clearing and pump station maintenance. Continuing to underfund maintenance of the City's infrastructure will continue to drive up costs in the CIP and associated funding gaps.

Regulatory Requirements

Regulatory requirements, especially for stormwater infrastructure, have increased the scope and cost of required capital improvement projects. Compliance with federal and state water quality regulations, for example, requires ongoing investment in infrastructure upgrades and system improvements.

Additionally, compliance obligations such as Americans with Disabilities Act (ADA) may require updates to existing infrastructure. The current five-year outlook notes that the Office of ADA Compliance and Accessibility primarily receive requests for installation of new curb ramps and replacement of existing non-compliant ones.

As a result, regulatory obligations further contribute to the City's capital needs.

Funding Constraints

Much of the City's capital funding is restricted by the type or geographic location of projects that it can support, which limits flexibility.

For example, development impact fees (DIF) are generally restricted to use within the community in which they were collected. While the implementation of Citywide DIF³ has improved flexibility by allowing funds to be used more broadly, these revenues remain restricted in purpose and are not sufficient to address the full range of the City's infrastructure needs.

Additionally, many General Fund infrastructure assets lack dedicated revenue sources and must rely on limited flexible funding which further constrains the City's ability to fund long term capital projects.

² The WAMP is a technical planning and assessment tool which identifies stormwater assets, assesses conditions and risk, and estimates the capital and maintenance needs over time.

³ City Council adopted the [Build Better SD](#) initiative on August 1, 2022, which established the Citywide Development Fee (DIF). This program allows for greater flexibility in the use of DIF revenues by shifting restrictions from community specific use to asset type based use.

Key Citywide Issues: Infrastructure Funding Needs

Reliance on Financing and One-Time Resources

The City relies heavily on General Fund-supported debt financing, particularly Lease Revenue Bonds, as its primary source of flexible funding for capital projects. In the FY 2027 Proposed Budget, financing for capital projects accounts for 37.0% of non-Enterprise Fund resources used for infrastructure like streetlights, parks, fire stations, and libraries. The remaining 63.0% is restricted by asset type or location, leaving many General Fund projects ineligible and competing for limited flexible dollars. Stormwater needs further strain these resources, with 58.4% of new FY 2027 CIP financing appropriations planned for stormwater improvements.

Use of financing allows the City to fund projects in the near term, but its use can be limited by the City's Debt policy which sets Debt Ratios intended to ensure the General Fund's ability to support debt service payments. The policy aims to limit annual debt service to 10% of General Fund revenues, and when including pension contributions and Other Post-Employment Benefits (Pension/OPEB Debt Ratio) costs, the combined percentage should remain below 25% of General Fund revenues.

As these combined obligations increase and approach policy thresholds – projected to reach a high of 24.96% for the Pension/OPEB Debt Ratio in FY 2028 – they effectively constrain the City's capacity for further CIP bond financing and highlights the need for alternative funding sources to support capital projects.

Beyond debt financing, the City also relies on one-time resources such as Infrastructure Fund contributions, prior year fund balances, and transfers of surplus funds from projects that no longer need them. While these sources can provide short-term support for capital projects, they are not ongoing and do not provide

a sustainable solution for long-term infrastructure needs. Notably, the FY 2027 Proposed Budget does not include a contribution to the Infrastructure Fund because required contributions are calculated based on sales tax outperforming the 2016 adjusted baseline and pension costs declining below the 2016 baseline – both of which are not projected to occur in FY 2027. Additionally, although the Infrastructure Fund has supported capital improvements in the past, in recent years it has also been used to fund infrastructure maintenance in the operating budget.

Implications for Capital Planning and Prioritization

Although Council Policy 800-14 guides CIP project prioritization, the City's constrained fiscal position and funding limitations require prioritizing completion of existing CIP projects over starting new ones to avoid delays, cost escalation, and inefficiencies associated with deferring work.

As a result, tradeoffs among competing infrastructure priorities exist, and many projects will continue to remain unfunded, hampering the Council's desire to expand service levels or deliver new infrastructure needed to support key policy goals, including providing more significant infrastructure investments in underserved communities or implementing the Climate Action Plan.

Addressing the City's infrastructure backlog will ultimately depend on the identification of major new funding sources beyond those currently available.

Some potential additional revenue mechanisms include:

- A Sales Tax Measure
- A General Obligation (GO) Bond Program
- A Stormwater Fee

Key Citywide Issues: Infrastructure Funding Needs

Any additional funding stream for capital infrastructure should also be paired with an asset management plan and funding for maintenance to ensure assets meet service levels at the lowest and most sustainable cost. Additional information on those potential revenue streams can be found in [IBA Report 25-36 Review of the Mayor's FY 2027-2031 Five-Year Financial Outlook](#), and additional information on stormwater fees and the fee approval process can be found in this report's *Department Review: Stormwater* section.

Key Citywide Issues: Pension

Pension

This section includes discussion on the City’s defined benefit (DB) pension payment and its impact on the City’s budget. All City employees working half time or greater, with the exception of Proposition B¹ employees who elected to remain in the Defined Contribution Plan after Proposition B was unwound, are eligible for membership and required to join SDCERS².

Proposed Budget

The FY 2027 Proposed Budget includes \$563.2 million for the Actuarially Determined Contribution (ADC), which is the City’s DB pension contribution requirement. This is an increase of \$30.0 million from the FY 2026 Adopted Budget amount of \$533.2 million.

The General Fund portion of the FY 2027 payment is \$396.1 million – an increase of \$18.0 million from the FY 2026 Adopted Budget amount of \$378.1 million. The General Fund portion represents 70.3% of the FY 2027 citywide budgeted payment.

The ADC is 8.8% of total FY 2027 budgeted expenditures for the City, and 17.7% of budgeted expenditures for the General Fund.

Additional Valuation Information

The FY 2027 ADC is based on the FY 2025 actuarial valuation. The valuation shows that the pension system’s Unfunded Actuarial Liability (UAL) totals \$3.46 billion as of June 30, 2025 – down from \$3.49 billion the prior year. The City’s pension system liability as of June 30, 2025 is funded at a rate of 76.1% – an increase from 74.7% at June 30, 2024. The

funded ratio increased because the actuarial value of system assets grew by 7.0% which was more than the liability growth of 5.0%. The liability growth was largely associated with higher salary increases than projected by SDCERS’ actuary, as discussed below.

Increase to the ADC

As mentioned, the FY 2027 ADC budget of \$563.2 million is \$30.0 million higher than FY 2026. Changes to the ADC are generally related to the following factors:

- Changes to actuarial assumptions and methods, including investment returns, wage inflation, retirement and mortality rates, and the UAL amortization method
- Experience gains and losses (e.g. differences between FY 2025 actual results and what was assumed in the FY 2024 valuation)

The **net \$30.0 million increase to the ADC** includes several components, one of which is offsetting:

- **\$26.4 million increase** related to a net liability experience loss, largely due to salary increases that were higher than anticipated in the FY 2024 valuation
- **\$9.2 million increase** related to the anticipated ADC growth had all actuarial assumptions been met, including expected wage growth and the phasing-in of prior years’ investment experience that was not fully included in prior ADCs (The City’s valuation utilizes a smoothing method,

¹ A brief background on Proposition B is included in the FY 2025 Adopted Budget: the discussion (titled “Proposition B Status”) begins on page 67 (pdf page 37) of the [Citywide Budget Overview](#) section.

² SDCERS is the San Diego City Employees’ Retirement System.

Key Citywide Issues: Pension

where asset gains and losses are not recognized immediately, but rather are phased-in to mitigate ADC volatility.)

- **\$2.3 million increase** related to missed normal cost³ payments and the amortized shortfall for the Proposition B Police Tier Conversion⁴
- **An offsetting \$7.8 million decrease** related to investment returns that were greater than expected (The actual FY 2025 investment return was determined to be 9.4%, which is higher than the 6.5% return that was assumed in the FY 2024 valuation.)

Future ADC Considerations

Two areas of potential future impacts that could affect future ADCs include:

- Experience gains or losses – for instance, if the FY 2026 actual investment return ends up being either higher or lower than the 6.5% return assumed in the FY 2025 valuation, there will be an investment experience gain or loss – which would be a factor that decreases or increases the FY 2028 ADC accordingly. The impact of actual investment returns for FY 2026 will likely be known by December 2026 or January 2027.
- Assumption changes – economic and demographic assumptions are anticipated to be reviewed by the actuary and SDCERS

Board every three years through an “experience study”.⁵

Assumption changes resulting from the most recently completed experience study (that included several years of data through FY 2022) were implemented in the FY 2023 valuation. The next experience study is expected to include data through FY 2025. SDCERS anticipates that any resulting recommendations from the study would be included in the FY 2026 valuation and impact the FY 2028 ADC payment.

Because of the complexity of pension system variables, the total of *all* impacts to the FY 2028 ADC will not be known until the FY 2026 valuation has been completed.

³Normal cost is defined as the actuarial present value of retirement system benefits allocated to the current year by the actuarial funding method. In other words, it is the contribution amount associated with the pension benefits earned in the current year.

⁴The Proposition B Police Tier Conversion relates to Police Officer safety members who entered SDCERS after June 30, 2013 under the pension benefit in place at the time for new Police Officers. Under the Proposition B Police Tier Conversion, these Police Officer safety members had their benefit converted retroactively to the previously standing benefit for Police Officers. A brief description of the Proposition B Police Tier Conversion is included on page 1 (pdf page 4) of the [FY 2025 actuarial valuation](#).

⁵An experience study involves historical analysis of pension plan assumptions and a consideration of future expectations and trends, including the rate of investment returns, wage inflation, and retirement and mortality rates. The plan experience study is the basis for the actuary’s recommended changes to the plan’s actuarial assumptions.

Structural Budget Deficit

Structural budget deficits are persistent, long-term imbalances where government spending regularly exceeds revenue. Key drivers of structural deficits are structural budget imbalances when ongoing revenues and resources are insufficient to cover ongoing expenditures, and expenditures that regularly grow at a faster rate than revenues. The City has faced a structural budget deficit for years, and both of those drivers have significantly impacted the City.

Overview

On a macro level, over recent years the City's expenses to provide services – including costs for personnel, supplies, contracts, and materials – have grown at a pace equal to or in some cases exceeding overall inflation, while the City's major General Fund revenues have grown at a slower pace. Beyond this, the expenditures necessary to build, repair and replace the City's capital infrastructure have grown exponentially, as is discussed in this report's *Key Citywide Issues: Infrastructure Funding Needs* section.

This overall macro-level imbalance dates back decades. While the City adopts annual budgets that are balanced each year, as it is legally required to do, the City's major General Fund revenues, in comparison to other peer cities, are relatively low, while expectations of and demands for City services are not.

In 2010, the City pursued a temporary five-year sales tax measure that would have generated additional revenue and required additional expenditure reductions. That measure failed to pass, and for the next decade the City largely balanced its annual budgets through reducing and freezing City employee

compensation levels, and deferring maintenance of its capital infrastructure. While those mitigations allowed the City to adopt balanced budgets in the short-term, they also had significant long-term effects. Low compensation levels made it difficult to recruit and retain City employees, and deferred infrastructure maintenance led to a significant increase in the capital repair needs for City infrastructure as it deteriorated at increasingly rapid rates.

More recently, contracts with the City's Recognized Employee Organizations have begun to address compensation levels by bringing City compensation closer to the median pay of other cities in the San Diego region. While the City has also increased its spending on capital infrastructure projects, that spending has not kept pace with the increased needs for infrastructure spending that result from a combination of years of deferred maintenance, increased unfunded state and federal regulatory requirements, and infrastructure assets reaching the end of their useful lives.

In 2024 the City again pursued a sales tax measure that would have provided funding to address these needs, but that measure ultimately failed to pass, leading to the City's actions to increase revenues and decrease expenditures in FY 2026, and the proposed expenditure reductions in the FY 2027 Proposed Budget.

While the City's growing infrastructure backlog will be impossible to address without a significant infusion of revenue down the road, in the present the City must make real progress towards structurally balancing the City's operations in the next year, to both ensure stability and consistency of City operations, and

Key Citywide Issues: Structural Budget Deficit

to build the public trust that will be necessary for adoption of any future revenue.

Five-Year Lookback

In each of this Office’s last five Reviews of the Proposed Budget, we identified structural imbalances that would need to be addressed. While the City was able to make use of significant amounts of one-time funding associated with federal COVID relief programs, those programs have since expired, and moving forward the City should rely on its own sustainable and ongoing revenue sources to provide ongoing services.

The table above demonstrates that each of the City’s Adopted Budgets over the last five years were structurally imbalanced, with one-time resources exceeding one-time expenditures. That imbalance peaked in FY 2025, and while it declined substantially in FY 2026 a sizable structural imbalance persisted.

Notably, the way the City has incorporated reserve contributions in its calculation of the structural imbalance has shifted over time. Given the impacts of the COVID pandemic, the City suspended contributions to its reserves in FY 2021 and 2022; it made a small contribution to reserves in FY 2023 and also reset its reserve policy targets shortly thereafter. Given the structural imbalance, the City

again suspended reserve contributions in FY 2025 and 2026, and the Proposed Budget continues to suspend reserve contributions.

In essence, the suspension of reserve contributions is equivalent to drawing on reserves, which can be considered a one-time resource that then needs to be replenished. The Adopted Budgets for FYs 2025 and 2026 both categorize suspended reserve contributions as one-time resources, but the Proposed Budget for FY 2027, as well as the adopted budgets for FYs 2022 and 2023, did not categorize suspended reserve contributions as resources. To provide consistency, the table below presents the structural deficit in each of those years both including and excluding suspended General Fund reserve contributions; even if suspended reserve contributions are not considered as one-time resources, structural imbalances persist across all years.

As discussed in the *Reserves: General Fund Reserve* section of this report, the Department of Finance anticipates bringing forward a revised Reserve Policy in June. Regardless of any policy updates, we recommend the City adopt a consistent approach towards including delayed reserve contributions as a one-time resource in budget documents.

| General Fund Structural Deficit Over Time (\$ in millions) | | | | | | |
|--|----------------|---------------|---------------|----------------|----------------|---------------|
| | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
| One-Time Resources | \$ 169.7 | \$ 203.4 | \$ 138.0 | \$ 222.1 | \$ 115.2 | \$ 24.8 |
| One-Time Expenditures | 73.0 | 165.1 | 38.5 | 18.3 | 11.6 | 13.6 |
| <i>Structural Deficit</i> | <i>(96.7)</i> | <i>(38.3)</i> | <i>(99.5)</i> | <i>(203.8)</i> | <i>(103.6)</i> | <i>(11.2)</i> |
| Suspended General Fund Reserve Contributions ¹ | 10.7 | 24.3 | - | 22.4 | 55.6 | 80.1 |
| <i>Revised Structural Deficit (including reserves)</i> | <i>(107.4)</i> | <i>(62.6)</i> | <i>(99.5)</i> | <i>(203.8)</i> | <i>(103.6)</i> | <i>(91.3)</i> |
| <i>Revised Structural Deficit (excluding reserves)</i> | <i>(96.7)</i> | <i>(38.3)</i> | <i>(99.5)</i> | <i>(181.4)</i> | <i>(48.0)</i> | <i>(11.2)</i> |

¹As discussed in the body of this section, the City’s reserve policy was amended in December 2022, essentially resetting the FY 2023 reserve target to a dollar amount equal to then existing General Fund Reserves. Reserve target levels were also set to increase in future fiscal years, and the FY 2024 Adopted Budget included an \$8.1 million contribution to reserves (though this was later waived to preserve excess equity). In FYs 2025 and 2026, the City’s Budget documents counted suspended General Fund reserve contributions of \$22.4 million and \$55.6 million respectively as one-time resources, and thus they are reflected in the *Structural Deficit* row. While reserve contributions were also suspended or delayed in FYs 2022 and 2023, and are proposed to be suspended in the FY 2027 Proposed Budget, they are not reflected in the *One-Time Resources* row because they were not noted as such in those year’s budget documents. To provide an apples-to-apples comparison, the table above presents *Revised Structural Deficits* both including and excluding the impacts of General Fund Reserve contributions consistently across all years. Note that *Suspended Reserve Contributions* does not reflect any suspended contributions to Risk Management reserves.

Capital Improvements Program

| Multi-Year CIP | | | |
|-----------------|------------------|------------------|------------------|
| Prior Years | FY 2027 Proposed | Future Years | Total |
| \$8,544,963,996 | \$821,746,323 | \$16,031,333,140 | \$25,398,043,459 |

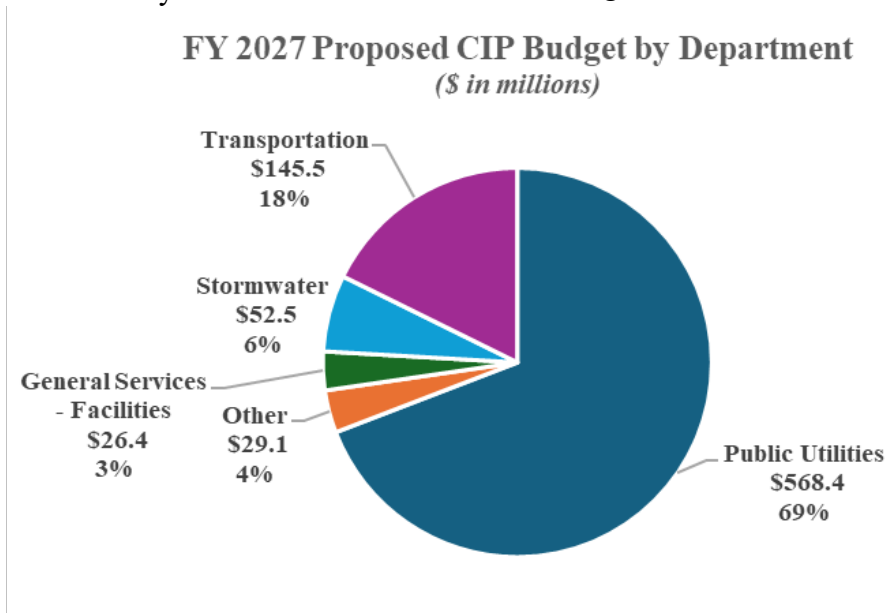
The Proposed FY 2027 Capital Improvements Program (CIP) can be found in Volume 3 of the Proposed Budget. Capital improvement projects are construction projects that provide long-term improvements or additions of a fixed or permanent nature, such as a new or expanded library.

The City separates the CIP from the operating budget because capital projects are generally large and expensive and take multiple years to complete. Because of this, unspent appropriations for CIP projects are rolled over to the next fiscal year, unlike the operating budget. As shown in the Multi-Year CIP table above, \$8.54 billion has been previously approved by Council; the FY 2027 Proposed Budget adds \$821.7 million to start new projects and continue existing ones; and an additional \$16.03 billion will be needed in future years to complete these projects. Together, this makes up a \$25.40 billion multi-year CIP.

The CIP currently consists of nearly 1,400 projects supported by a variety of funding sources. Some of these projects are grouped together into “annual allocations” which are composed of smaller “sublet” projects that provide capital repair and replacements of certain asset types, such as streets and traffic signals.

Impacts of Mayor’s FY 2027 Budget Proposal

The Proposed CIP Budget adds \$821.7 million to 106 projects, of which six are new. The pie chart below shows that the vast majority, or 69%, of funding is for Public Utilities Department (PUD) water and sewer assets. Transportation assets such as utility undergrounding and pavement resurfacing make up another 18%. Other department assets make up much smaller shares of the total CIP budget.



Program Review: Capital Improvements Program

The Proposed CIP Budget of \$821.7 million is a \$22.0 million, or 2.6%, decrease from the FY 2026 Adopted Budget. It is important to note that the Adopted Budget is not the only time that the CIP receives additional appropriations. The CIP budget grows throughout the year as mid-year, year-end, and standalone budget actions are approved by Council. For instance, the FY 2026 Adopted CIP Budget totaled \$843.7 million but total appropriations for the fiscal year are \$979.6 million so far. Examples of these mid-year CIP appropriations include: those included in the CIP Mid-Year Budget Monitoring Report and standalone actions to accept and appropriate grants, fund Convention Center improvements, and other project-specific items (e.g. \$54.3 million for PUD's East County Residuals Line and the East Mission Gorge Force Main project).

New This Year: TOT Funds for Convention Center

For the first time, the Proposed CIP Budget includes Measure C Transient Occupancy Tax funds for Convention Center Improvements, totaling \$18.3 million, which aligns with the plan brought forward by staff and approved by Council on February 23, 2026. At that time, staff indicated that this would partially fund the following projects: replacement of the west generator (\$3.2 million), electrical infrastructure improvements (\$3.1 million), and central plant replacement (\$12.0 million).

CIP Project Prioritization

The FY 2027 Proposed Budget marks the fourth year that the *revised* [Council Prioritization Policy: 800-14](#) has been used to prioritize projects, which increased weighted factors related to Climate Action Plan and equity goals. However, the primary focus of Engineering & Capital Projects (E&CP) and the Department of Finance has been to ensure that *existing*

projects receive funding needed for completion. Due to budget constraints and uncertainty around future funding, this emphasis on delivering ongoing projects may result in existing projects being funded ahead of higher-scoring new projects, which will be further discussed in the Equity Implications subsection.

Further, the CIP budget is driven by available funding and associated restrictions. Although projects prioritization is guided by Council Policy 800-14, projects with lower priority scores may receive funding because they are the highest scoring projects that meet the requirements of a particular funding source.

Review of Proposed Budget by Fund Sources

Because CIP project allocations are highly dependent on funding availability and associated funding restrictions, we begin by assessing major changes in FY 2027 CIP resources.

The table on the following page reflects changes in CIP funding sources from the FY 2026 Adopted Budget to the FY 2027 Proposed Budget. The following are key drivers of the overall net \$22.0 million decrease in the FY 2027 Proposed CIP Budget:

- **\$89.5 million decrease** in Water Funds. This decrease is due to a three-year delay for certain CIP projects. Public Utilities is implementing this delay in order to mitigate the need for rate increases in the near term, and in response to Council only approving a two-year water rate increase last year (this is discussed in detail in [IBA Review of the Public Utilities Department FY 2027-31 Five Year Financial Outlook](#)).
- **\$20.3 million decrease** in Mission Bay Park Improvement Fund (\$13.2 million) revenue and San Diego Regional Parks

Program Review: Capital Improvements Program

Improvement Fund (\$7.1 million). This has a corresponding negative impact to funding respective park projects, reflected in the *CIP Changes by Asset Type* table. **However, these funds are expected to be budgeted in the May Revision.**

- **\$11.3 million decrease** in Bond Financing. This is the largest and most flexible funding source for important infrastructure needs that do not have a dedicated funding source. This means that less funding will be available for key projects such

as parks, street resurfacing, and upgrades to facilities such as libraries and fire stations. Additional discussion on this topic is provided further below.

These decreases are offset by the following significant increases:

- **\$46.6 million increase** in Utilities Undergrounding Program Fund which is discussed in the next section.
- **\$18.3 million increase** in Measure C TOT revenue, which is a new revenue source

| CIP CHANGES BY FUNDING SOURCES (\$ in millions) | | | |
|--|------------------------------|-------------------------------|------------------|
| Funding Source | FY 2026 Adopted Budget | FY 2027 Proposed Budget | Change |
| Supporting Enterprise-Fund Departments | | | |
| Water Fund | \$ 380.0 | \$ 290.5 | \$ (89.5) |
| Sewer Funds | 270.4 | 287.1 | 16.6 |
| Solid Waste Management | 2.2 | 2.0 | (0.2) |
| Refuse Disposal Fund | 2.6 | 1.5 | (1.1) |
| Airport Funds | 1.5 | - | (1.5) |
| Subtotal Enterprise-Fund Departments | \$ 656.8 | \$ 581.1 | \$ (75.7) |
| Supporting Non-Enterprise Fund Departments | | | |
| Bond Financing | 100.3 | 89.0 | (11.3) |
| Utilities Undergrounding Program Fund | 8.4 | 55.1 | 46.6 |
| TransNet Funds | 25.2 | 38.6 | 13.4 |
| TOT Convention Center | - | 18.3 | 18.3 |
| Enhanced Infrastructure Financing District Fund | 6.5 | 9.3 | 2.7 |
| Community Development Impact Fees | 4.6 | 5.2 | 0.6 |
| IT Project Funds | 3.1 | 5.0 | 1.9 |
| Regional Transportation Congestion Improvement Program | 5.4 | 4.6 | (0.9) |
| Otay Mesa Local Mobility DIF | - | 3.6 | 3.6 |
| Road Maintenance & Rehabilitation | - | 3.3 | 3.3 |
| Trench Cut/Excavation Fee Fund | 4.5 | 2.5 | (2.0) |
| Neighborhood Enhancement-Comm of Concern | 1.2 | 2.4 | 1.2 |
| Facilities Benefit Assessments | 0.3 | 2.2 | 2.0 |
| Citywide Library DIF | 1.0 | 1.0 | - |
| Climate Equity Fund | 2.4 | 0.5 | (2.0) |
| Capital Outlay - Mission Valley Trans | 0.3 | 0.2 | (0.0) |
| Active Trans in Lieu Fee-Comm of Concern | 0.1 | 0.03 | (0.1) |
| Active Transportation in Lieu Fee | 0.1 | 0.01 | (0.0) |
| Mission Bay Park Improvement Fund | 13.2 | - | (13.2) |
| San Diego Regional Parks Improvement Fund | 7.1 | - | (7.1) |
| Citywide Park DIF-Park Def. Comm of Concern | 2.2 | - | (2.2) |
| Citywide Fire DIF | 0.8 | - | (0.8) |
| General Fund | 0.2 | - | (0.2) |
| Bus Stop Capital Improvement Fund | 0.1 | - | (0.1) |
| Other Funding | 0.04 | - | (0.0) |
| Citywide Mobility DIF | 0.02 | - | (0.0) |
| Subtotal | \$ 186.9 | \$ 240.6 | \$ 53.7 |
| Total | \$ 843.7 | \$ 821.7 | \$ (22.0) |

Program Review: Capital Improvements Program

for the CIP restricted for Convention Center improvement projects.

- **\$16.6 million increase** in sewer funds needed for sewer CIP projects.
- **\$13.4 million increase** in TransNet funds. Additional discussion on this topic is provided further below.

Bond Financing

The Proposed Budget includes \$89.0 million in new bond financing-supported CIP appropriations, with 58.4% dedicated to stormwater projects. This amount is \$11.3 million less than the FY 2026 Adopted Budget, and \$5.8 million below the level assumed in the Five-Year Capital Infrastructure Planning Outlook (CIP Outlook).

The \$5.8 million reduction reflects an increased reliance on bond financing to fund the General Fund's portion of the City's Enterprise Resource Planning (ERP) Modernization project. As was presented to the Budget and Government Efficiency Committee on March 4, 2026, projected costs for this project have increased driven by the inclusion of previously unquantified staff labor costs. This effectively reduces the City's remaining debt capacity assumed in the Five-Year Financial Outlook that would otherwise be available for new CIP bond financing appropriations.

Bond financing is a critical funding source for Council infrastructure priorities. While the City could issue more debt than is assumed in the Financial Outlook to support additional appropriations, current projections show the General Fund Debt Ratio reach a high of 7.4% in FY 2031 and the Pension/OPEB Debt Ratio¹ reach a high of 24.96% in FY 2028, nearing their respective policy caps of 10% and

25%. For this reason, the Department of Finance does not recommend increasing debt issuances beyond what is assumed in the Five-Year Financial Outlook. Increasing FY 2027 CIP appropriations would likely impact FY 2028 Debt Ratios, if a larger bond issuance is necessary in FY 2028 to support the appropriation increase, which could place additional pressure on the already-maximized Pension/OPEB Debt Ratio.

In summary, the City is operating at its practical debt capacity limit according to the Pension/OPEB Debt Ratio, constraining further CIP bond financing and highlighting the need for alternative funding sources to support capital projects.

TransNet Funds

TransNet is a one-half cent local sales tax that can only be used in the City's right-of-way. The \$13.4 million increase (or 53.4%) is *not* driven by changes in this sales tax revenue. Instead, it is related to a mechanism that the City occasionally uses by which it obligates future TransNet revenue. A total of \$12.8 million is being encumbered for the El Camino Real to Via de la Valle bridge project for it to be fully funded and allow it to proceed to a construction contract. At the same time, staff is working to secure other resources that can offset this future encumbrance to free up funds for other right-of-way improvements.

Review of Proposed Budget by Asset Type

This section discusses the major changes in the Proposed CIP budget by asset type which are summarized in the table below.

Water, Sewer, Pure Water

The Proposed Budget includes \$564.6 million

¹ Per the City's [Debt Policy](#), annual payments on debt should not exceed 10% of General Fund revenues (General Fund Debt Ratio) and establishes a guideline that long-term obligations which includes debt service, pension contributions, and retiree health costs should remain below 25% of General Fund revenues (Pension/OPEB Debt Ratio).

Program Review: Capital Improvements Program

for water, sewer, and Pure Water projects, which is an 11.2% reduction from FY 2026. Water and sewer capital projects focus on replacing or rehabilitating aging water and sewer pipelines to ensure reliability and compliance with the Safe Drinking Water Act for water systems and the Clean Water Act for wastewater systems. As discussed, water projects have slowed in an effort to keep water rates down in the short term.

Pure Water Phase 1 is currently in construction and is expected to be substantially completed in FY 2027. The Proposed Budget includes \$33.3 million for this project, sustaining FY 2026 funding levels. No funding is included in the Proposed CIP Budget for Phase 2.

Utility Undergrounding Ramp-up

Consistent with the CIP Outlook, the

Proposed Budget includes \$55.1 million for the Utility Undergrounding Program, a \$46.6 million increase over FY 2026 due to more projects moving towards construction. With these funds, it is estimated that approximately 75 streetlights will be installed, and 2.84 miles of asphalt overlay, 0.06 miles of concrete streets replacement, and approximately 171 curb ramps will be completed in project areas.

Street Resurfacing Decline

A total of \$27.0 million in capital street resurfacing is budgeted in FY 2027, including \$13.7 million for the Transportation Department's in-house mill and pave team. This funding level is a decrease of almost \$20 million from FY 2026. Additionally, \$39.5 million is budgeted for street maintenance activities included in the operating budget. According to the [FY 2026 Pavement Management Plan Update](#), this funding level would put the

| CIP CHANGES BY ASSET TYPE | | | |
|------------------------------------|-------------------------------|--------------------------------|------------------|
| <i>(\$ in millions)</i> | | | |
| Asset Type | FY 2026 Adopted Budget | FY 2027 Proposed Budget | Change |
| Water | \$ 356.9 | \$ 268.9 | \$ (88.0) |
| Sewer | 244.5 | 262.4 | 17.9 |
| Utility Undergrounding | 8.4 | 55.1 | 46.6 |
| Stormwater | 51.2 | 52.5 | 1.3 |
| Pure Water (Potable Reuse) | 34.4 | 33.3 | (1.1) |
| Street Resurfacing | 46.8 | 27.0 | (19.9) |
| Other General Fund City Facilities | 1.9 | 26.4 | 24.5 |
| Information Technology | 17.9 | 19.7 | 1.7 |
| Bridges | 0.0 | 19.1 | 19.1 |
| Sidewalks | 7.7 | 16.1 | 8.4 |
| Other Road Improvements | 13.4 | 10.3 | (3.1) |
| Traffic Signals | 7.7 | 7.5 | (0.2) |
| Bicycle Facilities | 0.1 | 5.2 | 5.1 |
| Parks - Community | 8.0 | 4.2 | (3.8) |
| Landfills | 10.3 | 3.5 | (6.8) |
| Other Street and Pedestrian Safety | 5.0 | 3.5 | (1.6) |
| Lifeguard Stations | 2.0 | 3.4 | 1.4 |
| Street Lighting | 1.3 | 1.8 | 0.4 |
| Fire | - | 1.0 | 1.0 |
| Libraries | 6.5 | 1.0 | (5.5) |
| Parks - Miscellaneous Parks* | 16.1 | - | (16.1) |
| Parks - Open Space | 1.9 | - | (1.9) |
| Airports | 1.5 | - | (1.5) |
| Total | \$ 843.7 | \$ 821.7 | \$ (22.0) |

*Example includes Mission Bay Park Improvements

Program Review: Capital Improvements Program

City on track for a Pavement Condition Index (PCI) score of 63, indicating a “fair” condition. Initially, the City had a PCI score target of 70 and has since reduced it to 65 to better align with the reality that available funding is very constrained. However, allocated funding is not sufficient to maintain a PCI of 65. Additional discussion of the City’s street program is provided in the *Transportation Department Review* section of this report.

The decrease in funding for street resurfacing reflects the \$11.3 million decrease in available bond financing discussed above as well as changing priorities as compared to FY 2026, since street resurfacing is expected to receive \$18.0 million less in financing, which frees up additional funding for other priorities such as sidewalk repair.

Sidewalks and Bicycle Facilities Prioritized

Although they make up a relatively small portion of the overall CIP, sidewalk repairs and new sidewalks (including Americans with Disabilities Act improvements), as well as bicycle facilities, are prioritized in the Proposed CIP Budget with increased allocations from financing and TransNet, which are funding sources that can be used on a variety of assets.

Funding for Bicycle Facilities is proposed to be \$5.1 million higher than FY 2026, for a total of \$5.2 million. This is in addition to \$700,000 in the operating budget for bicycle facilities for striping and the Safe & Sustainable Transportation All Ages & Abilities Team.

The Proposed CIP Budget includes \$12.0 million for sidewalk repairs, an increase of \$5.0 million. New walkways are funded at a total of \$4.0 million, an increase of \$3.4 million over FY 2026.

Stormwater

The Proposed CIP Budget includes \$52.5

million for Stormwater, largely consisting of drainage projects, which are proposed to be funded primarily with bond financing. Of this amount \$30.0 million, or 57.7%, is set-aside for emergency projects. Additionally, \$18.3 million is for the Villa La Jolla Storm Drain System Lining project. A much smaller portion of the Stormwater CIP budget, or \$1.2 million, is proposed for stormwater green infrastructure (i.e. water quality projects).

Emergency projects are generally more costly than planned capital allocations. These projects are often delivered under compressed timelines and reactive conditions typically related to rainstorms, increasing the likelihood of construction premiums such as construction change orders.² This is an extremely inefficient way to replace aging infrastructure.

An additional \$134.4 million is anticipated to be appropriated for Stormwater later in FY 2027 related to the federal Water Infrastructure Finance and Innovation Act (WIFIA) Program. Of this amount \$77.4 million is attributed to the federal WIFIA loan (with more anticipated in FY 2028) and \$57.0 million is anticipated to come from additional bond financing to fulfill the City’s match obligations under the program. Total net funding for Stormwater is expected to be \$181.2 million in FY 2027, which is consistent with stormwater needs reflected in the CIP Outlook for FY 2027.

Beyond FY 2027, Stormwater (both drainage and green infrastructure) has the largest unmet funding need of any asset type, totaling over \$5 billion over five years, as further discussed in the [IBA Review of the Mayor’s Five-Year Infrastructure Planning Outlook](#). Without a dedicated funding source, this funding gap will continue to grow, along with increased likelihood of more costly emergency projects

² A construction change order serves as a formal amendment to a contract modifying the scope, schedule, and budget of the initial agreement. Change orders can increase project costs due to additional labor, materials, and administrative coordination and may also result in schedule delays that further increase overall project costs.

Program Review: Capital Improvements Program

and increased liability.

More Parks Projects to be Funded Later

The FY 2027 Proposed CIP Budget includes \$4.2 million for one park project, representing a significant decrease from the FY 2026 Adopted Budget of \$26.0 million. The one project receiving funding is Beyer Park Development Phase II to fully fund the project.

The overall decrease in capital parks funding is driven by reductions in the Mission Bay Park Improvement Fund and San Diego Regional Parks Improvement Fund, but as noted earlier, these funds will be budgeted in the May Revision.

Citywide Parks DIF funding is also expected to be appropriated either in the May Revision or through a future mid-year CIP budget action.

City Facilities Also Prioritized

The Proposed Budget includes \$8.1 million in financing to upgrade various existing City facilities including:

- Rancho Penasquitos Library Rehab
- Evan V. Jones Parkade Emergency
- Fire Station 39 Roof Replacement
- Fire Station 51 Temp Facility Improvements
- Kearny Mesa Pool Roof Replacement
- Rancho Bernardo Library Roof Replacement

Additionally, funding for one new library (Oak Park Library) is proposed using \$1.0 million in Citywide Library DIF.

One new fire station (Fire Station 48 – Black Mountain Ranch) is proposed to receive \$1.0 million in respective development impact fee revenue and \$3.4 million in financing is proposed to go towards funding a new Mission Beach Lifeguard Station.

Issues for Council Consideration

- Given that available resources are insufficient to address all identified needs, funding constraints limit the number of projects that can move forward. Without a substantial, stable source of ongoing funding for capital infrastructure, the Council will continue to face significant challenges in maintaining and building capital infrastructure – including capital improvements necessary to make progress toward the Climate Action Plan and advancing equity. Regulatory requirements and frequent emergencies further limit the City’s flexibility over already-constrained resources. This reduces the City’s ability to invest in new priorities, leaving many infrastructure needs unmet. **The City may need to increase efforts to better align expectations with available resources by reducing service level standards or defunding projects in early stages with large funding gaps remaining.**
- The City should ensure it provides operations and maintenance funding for new infrastructure as projects are completed. Although E&CP is currently prioritizing *existing* CIP projects over new projects, the FY 2027 Proposed Budget includes \$1.8 million for new Parks & Recreation facilities but reduces the Facilities maintenance budget by \$1.5 million. **Continuing to underfund maintenance of existing and new infrastructure will continue to drive up costs in the CIP, since infrastructure that could have been maintained at a lower cost will eventually require more extensive – and expensive – rehabilitation or repair when it is not adequately maintained.**

Program Review: Capital Improvements Program

- Aging infrastructure, especially storm-water infrastructure, will likely increase the City’s exposure to financial and legal risk. Recent flooding events illustrate how system deficiencies can result in property damage, public safety incidents, and service disruptions. **Council may wish to assess the City’s overall risk exposure across infrastructure categories and whether current investment levels adequately mitigate these risks.**

City Council Infrastructure Budget Priorities

As outlined in our Office’s report on the [FY 2027 Updated City Council Budget Priorities](#), Councilmembers expressed strong support for a broad range of infrastructure needs. A majority of Councilmembers prioritized transportation and mobility safety, streets, storm-water, and sidewalk projects, as shown in the table to the right. A majority also emphasized the need for new facilities or upgrades to existing facilities. Although a significant number of infrastructure priorities are planned to be funded in FY 2027, there are still very significant funding gaps compared to funding needs reflected in the CIP Outlook. Additionally, no funding is anticipated for unimproved streets.

If the Proposed Budget does not sufficiently address these priorities, Council could consider reallocating funds to better align with its infrastructure goals. However, any changes must account for available funding sources and their respective restrictions. Ultimately, the City’s capital funding gap will continue to grow absent significant new and substantial revenue sources, as discussed in this report’s *Key Citywide Issues: Infrastructure Funding Needs* section.

| Asset Type (\$ in millions) | CIP Outlook FY 2027 Needs | FY 2027 Proposed Budget |
|---|---------------------------|-------------------------|
| Transportation & Mobility Safety | | |
| Pedestrian & Bicycle Safety | \$ 23.1 | \$ 25.1 |
| Traffic Calming | 0.5 | 2.7 |
| Streetlights | 29.1 | 1.8 |
| Traffic Signals | 20.5 | 7.5 |
| Streets | | |
| Resurfacing | 229.3 | 27.0 |
| Modifications | 12.9 | 10.3 |
| Unimproved Streets | 4.3 | - |
| Stormwater | 181.1 | 52.5 |
| Sidewalks | 45.5 | 16.1 |
| Facilities | | |
| Existing Facilities | 25.3 | 8.1 |
| Parks & Recreation | 31.7 | 4.2 |
| New/Expanded | | |
| Lifeguard | 7.4 | 3.4 |
| Fire | 70.2 | 1.0 |
| Library | 4.9 | 1.0 |
| Total | \$ 685.9 | \$ 160.7 |

DRE Budget Equity Implications

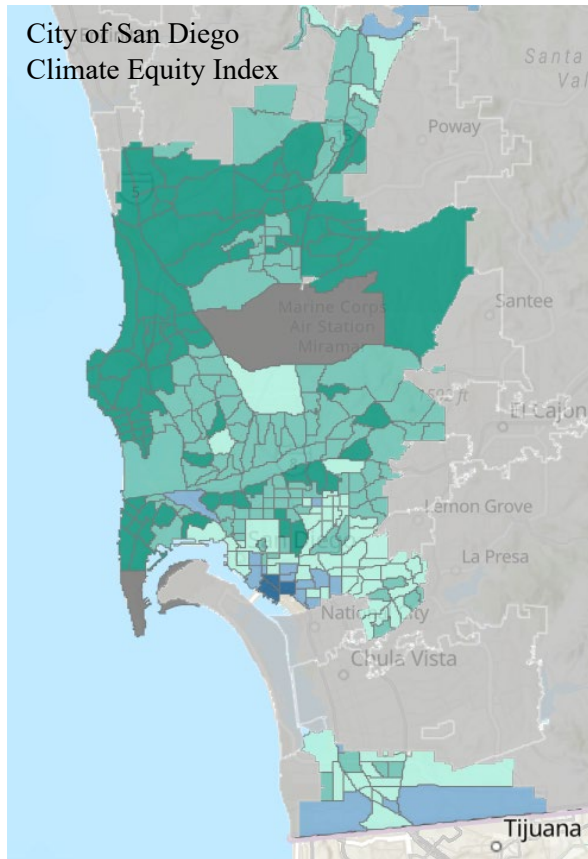
The City has strengthened its commitment to equity in the CIP by updating Council policies – most notably Council Policy 800-14, which guides project prioritization – incorporating equity goals into major City plans, and establishing dedicated funding streams that invest in improving assets in historically underserved communities.

The City often uses the [Climate Equity Index](#) to identify historically underserved communities. Due to data and time constraints for our Office’s review of the Proposed Budget, we focus our analysis of CIP equity investments in Districts 4, 8, and 9, while recognizing that underserved communities can be found throughout the City as shown by areas shaded in blue and light green in the figure below.

Additionally, because CIP project prioritization is heavily influenced by project stage and funding source restrictions, equity-related investments may naturally fluctuate from year to year. However, the long-term goal would

Program Review: Capital Improvements Program

be to make desired progress consistently over time.



According to the 2026 Pavement Management Plan Update, the City plans to maintain its commitment to selecting at least 43% of streets for paving within communities with equity needs, since those communities make up 43% of the City's streets. As shown on [Appendix A – Fiscal Year Annual Allocation of the Proposed CIP Budget](#), 45% (5 out of 11) of the capital street resurfacing and reconstruction projects will be located in Council Districts 4, 8, or 9, not including the mill and pave team which will operate Citywide. Although this is not the method the Transportation Department uses to determine whether the 43% threshold has been reached, it serves as a strong indicator.

Additionally, Council Policy 600-08 Underground Conversion of Utility Lines was

updated in October 2025 to, among other things, memorialize the San Diego Gas and Electric's (SDG&E) electric service franchise and the Undergrounding MOU requirement to prioritize Underground Utility Districts in communities with higher fire risk and Communities of Concern. With the ramp up of the program expected in FY 2027, 35% of the projects budgeted (7 out of 20) are those in Council Districts 4, 8, and 9. Not all Council districts currently have projects ready to advance, and as a result, some districts do not have projects reflected in the budget.

Other notable investments among sublet projects within annual allocations include:

- *New walkways*: only one project is funded, and it is in Districts 4 and 9
- *Sidewalk Repair*: 57% of the projects (4 out of 7) and 70% of the funding allocated are to projects in Districts 4, 8, and 9
- *Traffic Calming*: two out of the three total projects are in Districts 4 and 8
- *Traffic Signals*: two out of five total projects (40%) are in Districts 8 and 9
- *Bicycle Facilities*: one of the two total projects funded and 67% of the funding will be in District 8

Notable standalone projects in Districts 4, 8, and 9 include funding for the new Oak Park Library (this is the only new library investment), Beyer Park Development Phase II, and University Avenue Bikeway Pavement Repair.

The following table summarizes resources restricted to these communities, most of which are newer. These funds are above other standard resources that are available for use Citywide. We note that some funds are not currently included in the Proposed Budget but are expected to be appropriated during the May Revision, mid-year, or year-end CIP monitoring reports. For example, the CIP

Program Review: Capital Improvements Program

Outlook projected \$25 million in total Citywide Park DIF to be available in FY 2027 and at least 85% of those funds (after administrative costs) must be spent in park-deficient communities, and within that, at least 50% is to be allocated to Communities of Concern.

| FY 2027 Resources to date (\$ in millions) | |
|---|----------------|
| Community Development Block Grant | \$ 3.3 |
| Neighborhood Enhancement-Comm of Concern | 2.4 |
| Climate Equity Fund | 0.5 |
| Active Trans in Lieu Fee-Comm of Concern | 0.03 |
| Citywide Park DIF-Park Def. Comm of Concern | <i>Pending</i> |

We note that given the structural budget deficit, the requirement to transfer \$7.0 million into the Climate Equity Fund (CEF) is proposed to be waived, which would have otherwise been available for City infrastructure in underserved communities to help them respond to impacts of climate change. Only interest earnings totaling \$450,000 from the fund have been allocated to the CIP for Stormwater green infrastructure. For additional context, as of this writing, there is currently \$11.4 million in CEF budgeted in CIP projects from prior year appropriations that remains available and will be spent over time as projects are delivered. **Council may wish to weigh funding this priority against others not funded in the Proposed Budget.**

Ultimately, as noted earlier, the City’s fiscal position necessitates a focus on prioritizing completion of existing CIP projects over starting new ones as new infrastructure takes additional staffing and funding to maintain and operate. Various funding restrictions coupled with failing infrastructure and emergency projects limit the City’s discretion on how to allocate its limited resources. This has equity implications in the process of prioritizing CIP projects in Districts 4, 8, and 9. These constraints make it more difficult to advance Council’s infrastructure equity goals further, such as making the major investment required to fund the Skyline Fire Station (approximately \$29 million).

Department Review: City Attorney

City Attorney

The City Attorney’s Office is an independent department designated under Charter Section 40 to serve as the City’s chief legal counsel, providing legal services to the Mayor, City Council, and all City departments. The City Attorney is also tasked with prosecuting cases and defending the City, as well as prosecuting violations of State and local laws.

The City Attorney’s Office is comprised of following divisions:

- **Administrative Division** manages the Office’s personnel, budgeting, accounting, information technology, recruitment, training, hiring, and contract management and also includes the Workers Compensation Unit who advises the administration on human resources and collective bargaining matters.
- **Civil Advisory Division** includes one section for Mayoral departments and one section for Council and independent departments.
- **Civil Litigation Division** defends and prosecutes the more than 300 new civil lawsuits filed each year involving the City, its officials, and employees.
- **Criminal and Community Justice Divisions** prosecute state and local

misdemeanors and infractions committed within the City; assist victims of crime in navigating the criminal justice system; and manage diversion and collaborative court programs intended to prevent recidivism.

- **Your Safe Place**, a Family Justice Center, provides free, confidential, and comprehensive services to anyone who has experienced domestic violence, family violence, elder abuse, sexual assault, or sex trafficking.

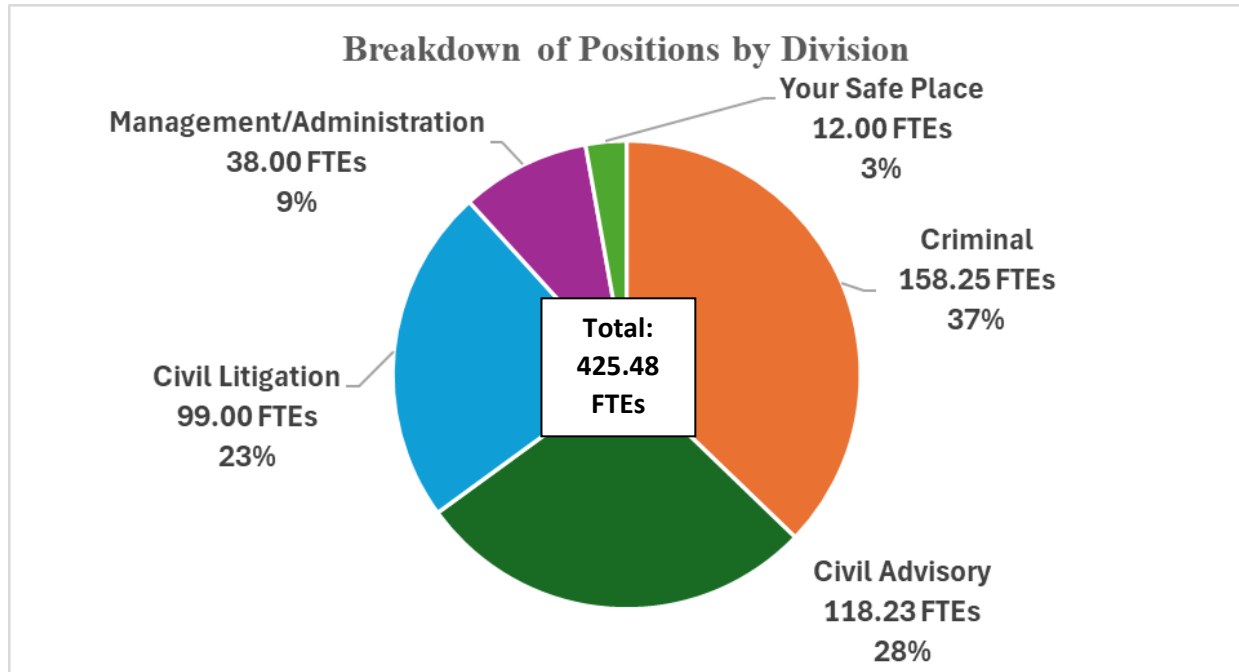
A breakdown of positions by division, as of this writing, is shown on the following page.

Impacts of the Mayor’s FY 2027 Budget Proposal

The FY 2027 Proposed Budget for the City Attorney totals approximately \$96.6 million, which is a \$799,000, or 0.8%, increase from the FY 2026 Adopted Budget. FTEs in the Proposed Budget total 425.48, which is an increase of 2.00 FTE from FY 2026. Outside of the budget, the Office currently has 12 supplemental positions which are supported by vacancy savings from holding other positions vacant, if they are not otherwise funded by

| SUMMARY OF CITY ATTORNEY BUDGET CHANGES | | | | | |
|--|---------------|----------------------|---------------------|----------------------|---------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 423.48 | \$ 89,215,833 | \$ 6,600,102 | \$ 95,815,935 | \$ 9,350,965 |
| Programmatic Changes | | | | | |
| <i>Add Two DCAs to Support Consumer Protection</i> | 2.00 | 478,180 | 9,000 | 487,180 | 487,180 |
| <i>Add One DCA for EMS System Procurement Support</i> | 1.00 | 239,090 | - | 239,090 | 239,090 |
| <i>Add One City Attorney Investigator</i> | 1.00 | 160,002 | 2,500 | 162,502 | 160,002 |
| <i>New Lease for Your Safe Place</i> | - | - | 781,906 | 781,906 | - |
| <i>Mitigation: Reduce One Assistant City Attorney</i> | (1.00) | (646,888) | - | (646,888) | - |
| <i>Mitigation: Reduce One Assistant Management Analyst</i> | (1.00) | (101,478) | - | (101,478) | - |
| <i>Mitigation: Reduction Target</i> | - | (2,568,564) | - | (2,568,564) | - |
| Other Changes | | | | | |
| <i>Budgeted PE Savings</i> | - | 797,794 | - | 797,794 | - |
| <i>Other Salary and Benefit Adjustments</i> | - | 1,709,380 | - | 1,709,380 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (21,681) | (21,681) | - |
| <i>Other Adjustments</i> | - | - | (40,172) | (40,172) | (787,158) |
| FY 2027 Proposed Budget | 425.48 | \$ 89,283,349 | \$ 7,331,655 | \$ 96,615,004 | \$ 9,450,079 |
| Difference from 2026 to 2027 | 2.00 | \$ 67,516 | \$ 731,553 | \$ 799,069 | \$ 99,114 |

Department Review: City Attorney



another source. As discussed below, the Proposed Budget would add three of these supplemental positions into the budget with accompanying revenue, which would bring the number of supplemental positions down to 9.00 FTEs.

Revenue is projected to be \$9.5 million, an increase of \$99,000, or 1.1%, from FY 2026. The Office receives revenue largely from charges for services provided to other City departments, litigation settlements, code enforcement penalty assessments, forfeitures, grants, and restitution payments. The City Attorney has also secured grants which support various positions and initiatives.

Significant Budget Additions

\$487,000 – 2.00 FTE – Consumer Protection Support, with Revenue

Two currently unbudgeted supplemental Deputy City Attorneys (DCAs) are proposed to be added to the budget in the Civil Litigation Division to support the Affirmative Civil Enforcement Unit and Housing Protection and Civil Code Enforcement Unit. These units take legal action to protect residents from unfair or illegal business practices and address persistent code violations, substandard rental

housing conditions, and patterns of violating the Tenant Protection Ordinance or the Short-Term Residential Occupancy Ordinance.

These positions are proposed to be supported by Business and Professions Code 17200 funds (B&P funds). Revenue received into this fund comes from enforcement of consumer protection laws and may only be used for the Office’s consumer protection efforts. When the City is awarded judgments in consumer protection cases, deposits are made into the fund, which can vary year-to-year. As of this writing, this fund has a balance of approximately \$5.1 million. Although annual revenue fluctuates, the City Attorney anticipates a relatively steady stream of revenue that can support staff currently supported by this fund based on the number of ongoing cases.

\$239,000, 1.00 FTE – EMS System Procurement Legal Support, with Revenue

One DCA is proposed to be added to the budget to support Fire-Rescue’s Request for Proposal for the new Emergency Medical Services (EMS) system. Ongoing legal guidance and review is expected throughout the procurement process and implementation. The position will be reimbursed by the EMS Fund.

Department Review: City Attorney

\$163,000 – 1.00 FTE - City Attorney Investigator to Support Gun Violence Response Unit, with Revenue

One currently unbudgeted supplemental City Attorney Investigator 2 created in September 2025 is proposed to be added to the budget to support the Gun Violence Response Unit (GVRU). This position will be supported by \$160,000 in State grant funds.

This position is part of an eight-person unit called the Gun Violence Response Task Force, which has been funded by State grant funds from the California Department of Justice and a grant from the Judicial Council of California awarded to the San Diego County Superior Court that funds a countywide, multi-jurisdictional task force managed by the City Attorney's Office. These grants have been exhausted but the Office is expecting an additional \$2.0 million in FY 2027. Additionally, in late 2025, the Office was awarded \$1 million from the California Board of State and Community Corrections to expand gun violence prevention and crisis intervention efforts through the Byrne State Crisis Intervention Program.

Additional equity implications related to this adjustment are included later in this department review.

\$782,000 – New Lease for Your Safe Place

This adjustment reflects Your Safe Place's portion of the new lease at Sky Park Court. This lease was approved by Council on July 29, 2025, and the building has since required tenant improvements. The GVRU will share a different suite in the same building with the San Diego Police Domestic Violence Division. The total rent for FY 2027 is \$1.3 million for both suites, including rent abatement. Your Safe Place has been located at the San Diego Housing Commission headquarters office building called Smart Corner Project and is in need of additional space. If approved, this expense would be transferred to the

Citywide budget with other non-discretionary rent expenses.

Significant Budget Reductions

(\$647,000, 1.00 FTE) – Reduction of one Assistant City Attorney

One vacant Assistant City Attorney is proposed to be reduced. This position assisted the transition to a newly elected City Attorney and is no longer needed.

(\$101,000, 1.00 FTE) – Reduction of one Assistant Management Analyst

One Assistant Management Analyst in the Administrative Division is proposed to be reduced in the budget. According to the Office, the position has been held vacant since 2024 to generate vacancy savings. The position reduction is not intended to have significant impacts as responsibilities have been reassigned to other staff.

(\$2,568,564) – Personnel Expenditures Reduction

The Proposed Budget includes an ongoing reduction of \$2.6 million applied to personnel expenditures. Combined with the above two mitigating measures, they equate to an about 3.5% reduction, consistent with reduction target levels for independent departments. This is further discussed later in this Department Review.

Unfunded Requests

The City Attorney's Office requested a total of 9.00 FTEs – all unbudgeted, supplemental positions – and \$1.7 million in General Fund to support them. Additional details are included in the table below.

Department Review: City Attorney

| Office of the City Attorney Unfunded Requests | | | |
|---|-----------------------------|--|------------|
| FTE | Position | Description | Cost |
| 2.00 | Deputy City Attorney | General Trial Unit | \$ 565,000 |
| 1.00 | Deputy City Attorney | Public Records Act support | 243,000 |
| 1.00 | Deputy City Attorney | Supports Civil Advisory on finance matters | 243,000 |
| 1.00 | City Attorney Investigator | Supports Civil Litigation Division's increase in cases | 163,000 |
| 1.00 | City Attorney Investigator | Domestic Violence & Sex Crimes Unit | 156,000 |
| 1.00 | Victim Services Coordinator | Domestic Violence & Sex Crimes Unit | 113,000 |
| 1.00 | Victim Services Coordinator | Supports Gun Violence Restraining Order training grant | 113,000 |
| 1.00 | Court Support Clerk 2 | Supports Criminal Division's attorneys at court and office | 95,000 |

Issues for Council Consideration

Implementing the \$2.6 Million Budget Reduction

The Proposed Budget includes a budget reduction of \$2.6 million applied to the Office’s personnel expenditures for FY 2027. For context, the FY 2025 budget included a \$1.7 million reduction, and the FY 2026 budget initially included a \$2.6 million reduction, but our Office recommended, and the Council in its final budget action approved, allocating \$500,000 to partially offset the reduction, due to the absence of a plan to implement the full reduction, bringing the current-year budget cut to \$2.1 million. Because the previous reductions are ongoing, they compound and reach a total of \$6.5 million for the City Attorney’s personnel budget in FY 2027.

The City Attorney’s Office achieved the reduction target in FY 2025 and anticipates being very close in FY 2026, which should be reflected in the upcoming Third Quarter Budget Monitoring Report.

Budget mitigations for the Office have centered on controlling costs, billing eligible activities to appropriate and available funds, and securing additional grant funds. The Office plans to continue these efforts in FY 2027. One option under consideration is the use of unallocated City Attorney B&P funds to

support eligible code enforcement costs within the Development Services Department, thereby offsetting General Fund expenses and applying that offset toward a smaller reduction for the City Attorney’s Office.

Although the City Attorney’s Office has successfully secured additional revenues and grants to meet recent required budget mitigations, it will be important to monitor these revenues and their ability to sustainably support current staffing levels as grants expire or are renewed, or as revenue may otherwise fluctuate.

Another constraint in the City Attorney’s Office budget is the 9.00 supplemental FTEs listed above that are currently not budgeted but are filled and being funded with salary savings from other vacancies within the Office. However, the budget already assumes savings from projected vacancies through a Budgeted Personnel Expenditure Savings (BPES)¹ adjustment. For FY 2027, the CAO’s BPES is \$999,000, which is a *decrease* of about \$798,000 from FY 2026. Because BPES adjustments reduces a department’s overall budget and this year’s reduction is less than last year’s, the change between the two fiscal years appears as an addition, providing some budget relief. In order to avoid going over budget, the CAO will need to have enough vacancies to cover the Budgeted Personnel Expenditure Savings projection (\$999,000) as

¹ Budgeted Personnel Expenditure Savings (BPES) is used as a tool to reallocate resources that are projected to remain unspent on other City needs and are projected based on a variety of factors, including estimated savings resulting from vacancies and attrition.

Department Review: City Attorney

well as these filled supplemental positions totaling \$1.7 million.

DRE Budget Equity Implications

The following adjustment has an equity implication:

\$162,502 – 1.00 FTE - City Attorney Investigator to Support Gun Violence Response Unit, with Revenue²

The addition of a City Attorney Investigator supports the Gun Violence Response Unit and the Firearms Relinquishment Task Force (FRTF). The addition of one staff has an equity impact in processes that support the San Diego Police Department in petitioning for Gun Violence Restraining Orders (GVRO) and countywide efforts through the Gun Relinquishment Task Force in an effort to reduce the potential gun violence in all city communities, with the greatest impact in those communities with higher levels of gun violence.

² This adjustment relates to City Attorney's Tactical Equity Plan (TEP) Goal 2, and TEP Objectives 2.1, 2.2, & 2.3.

Department Review: City Auditor

City Auditor

The Office of the City Auditor (OCA) is an independent office which reports directly to the City Council’s Audit Committee. As outlined in City Charter section 39.1, the Audit Committee recommends the annual budget of the Office of City Auditor to the City Council. The Auditor conducts performance audits of City departments, offices, and agencies in accordance with Government Auditing Standards. It also manages the City’s Fraud Hotline and oversees investigations of material complaints received related to fraud, waste, and abuse.

Impacts of Mayor’s FY 2027 Budget Proposal

As shown in the table below, the FY 2027 Proposed Budget for the Office of the City Auditor is approximately \$5.9 million, an increase of \$5,000 or 0.1% from the FY 2026 Adopted Budget. The number of FTE positions is increasing by 1.00, from 24.00 FTEs in FY 2026 to 25.00 in the Proposed Budget, due to the addition of 1.00 Employ and Empower Intern.

Significant Budget Additions

The FY 2027 Proposed Budget includes \$213,000 in significant budget additions. This increase is primarily driven by the restoration of two one-time reductions in FY 2026, which are discussed below, and the addition of 1.00 Employ and Empower position. Other significant additions include \$31,000 in salary and

benefit adjustments, and \$27,000 in non-discretionary adjustments that are outside of the Office’s direct control.

\$130,000 – Restoration of FY 2026 One-Time Reductions

The FY 2027 Proposed Budget includes the restoration of two one-time reductions that were included in the FY 2026 Adopted Budget, including: 1) \$60,000 for Independent Legal Counsel which was available to be reallocated on a one-time basis in FY 2026 because of delays in the procurement of those services; and 2) \$70,000 in one-time personnel expenditure reductions.

These additions are almost entirely offset by the budget reductions discussed below, resulting in a total increase in expenditures of \$5,000.

Significant Budget Reductions

For FY 2027, the City Auditor’s original budget reduction target was 7.0%, or \$416,000. The Proposed Budget includes a \$208,000 reduction in personnel expenditures, which is a 3.5 percent reduction from the Office’s FY 2026 Adopted Budget. This reduction was applied to meet the updated 3.5% target for all independent departments, and is notably different from OCA’s original proposal, which was supported by the Audit Committee. As noted in the *Issues for Council Consideration* section, this cut is further

| SUMMARY OF CITY AUDITOR BUDGET CHANGES | | | | | |
|---|--------------|---------------------|-------------------|---------------------|------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 24.00 | \$ 5,112,340 | \$ 777,017 | \$ 5,889,357 | \$ - |
| Programmatic Changes | | | | | |
| <i>Employ and Empower Intern (one-time)</i> | 1.00 | 24,985 | - | 24,985 | 24,985 |
| <i>Budget Mitigation: PE Reduction (ongoing)</i> | - | (208,228) | - | (208,228) | - |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 31,352 | - | 31,352 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | 26,925 | 26,925 | - |
| <i>Restoration of FY 2026 One-Time Reductions</i> | - | 69,889 | 60,000 | 129,889 | - |
| FY 2027 Proposed Budget | 25.00 | \$ 5,030,338 | \$ 863,942 | \$ 5,894,280 | \$ 24,985 |
| Difference from 2026 to 2027 | 1.00 | \$ (82,002) | \$ 86,925 | \$ 4,923 | \$ 24,985 |

Department Review: City Auditor

compounded by ongoing reductions included in the FY 2026 Adopted Budget. *A discussion of the equity implication related to this adjustment is included later in this department review.*

Issues for Council Consideration

Audit Committee Recommended Budget for OCA

Per City Charter section 39.1, the Audit Committee recommends the annual budget of the Office of City Auditor to the City Council. In line with this requirement, the City Auditor presented his proposed budget to the Audit Committee in January, which included the following request: “that previous, one-time reductions to OCA’s budget for personnel and independent legal counsel expenses be restored in FY2027 and that \$54,910 in other non-personnel reductions be made only on a one-time basis.” The Audit Committee voted to support OCA’s recommendation with a vote of 4-0, with one member absent.¹

Impacts of Proposed and Existing Budget Reductions

Although the FY 2027 Proposed Budget restores the one-time reductions to OCA’s budget for personnel and independent legal counsel, it treats the \$55,000 reduction in non-personnel expenditures from FY 2026 as an ongoing reduction. According to a [memo from the City Auditor](#) in December, an ongoing reduction will reduce the Office’s funding for training that is required by Government Auditing Standards. Although the Office could absorb the reduction for another year by pursuing low-cost training options, the memo indicates that this is only feasible in the short

term. Unless this is updated in the May Revision or by the City Council, the City Auditor will need to request the restoration of funding for required training in FY 2028.

As noted in the *Significant Budget Reductions* section, these non-personnel expenditure reductions are in addition to an ongoing reduction of \$208,000 to the City Auditor’s personnel budget. This represents a 3.5% reduction to OCA’s overall budget, when compared to FY 2026. However, because of previous reductions to the Office’s non-personnel expenditures budget, the City Auditor has indicated that a reduction of this size is only achievable by reducing staffing via furloughs or layoffs, which would hinder OCA’s ability to perform as many audits or investigations as they currently do.

Although OCA has 3.00 FTE positions currently vacant (two of which were intentionally held vacant to address personnel expenditure cuts in FY 2026), the Office has indicated that candidates for all three positions have accepted offers and are expected to begin in early May.

For additional information about the impacts of this reduction, please see the [City Auditor’s memo from April](#). *Additional equity implications related to this adjustment are included later in this department review.*

Fiscal Accountability and Transparency Reform Ballot Proposal

In March, Council President Pro Tem Kent Lee submitted a [proposed ballot measure](#) to amend the City Charter and advance fiscal accountability and transparency reforms. The proposal includes establishing a baseline funding mechanism for certain independent

¹ Since the release of the Proposed Budget, the City Auditor issued [another memorandum](#) responding to the reductions included in the Proposed Budget. This memo was reviewed by the Audit Committee in April as part of an update provided by OCA on its budget. As part of that action, the Committee voted unanimously to recommend that the City Council revise the FY 2027 draft budget for the Office of the City Auditor. Specifically, it requested the restoration of \$208,000 in personnel budget reductions, adding back \$55,000 in *ongoing* non-personnel expenditures that were reduced in FY 2026, and making a *one-time* reduction of \$55,000 in non-personnel expenditures.

Department Review: City Auditor

departments (including OCA), with the intent of improving budgetary stability for those independent departments. The proposal was initially presented to the Rules Committee on March 18, 2026. At that meeting, the Committee voted 5-0 to request that Council District 6 work with the Office of the City Attorney to draft Charter amendment language, including a potential amendment to remove term limits for the City Auditor. The item is expected to return to Rules Committee for further consideration in May 2026.

DRE Budget Equity Implications

The following adjustment has an equity implication:

Reduction of Personnel Expenditures - \$208,000²

The reduction to the auditor budget would primarily come from wages that would likely be from a mandatory furlough or layoffs, reducing the number of auditing hours and number of audits completed in FY 2027. Audits historically have found inefficiencies that, when changes are implemented, reduce cost and liability and litigation costs to the City while also streamlining City processes that improve public access and service levels to residents and internal clients across the City. Additionally, some audits have made recommendations to improve equity in City programs such as recreation center programming, street maintenance, and pothole repair.

² This adjustment is related to the City Auditor's Tactical Equity Plan (TEP) Goals 1, 2 and 3, and TEP Objectives 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 2.1, 2.2, 3.3, 4.1 and 4.3.

Department Review: City Clerk

City Clerk

The City Clerk supports the City Council, coordinates City elections, and manages the City’s records management program, while also functioning as an access point to local government for the public. The Clerk’s Office additionally facilitates hybrid City Council meetings, operates a passport program that allows US citizens to apply for passports, and preserves historical City records and materials.

Impacts of the Mayor’s FY 2027 Budget Proposal

The FY 2027 Proposed Budget for the City Clerk totals \$8.0 million, which is a \$191,000, or 2.3%, decrease from the FY 2026 Adopted Budget.

Revenues are projected at \$311,000, a decrease of \$25,000 (7.5%). This decline is due to reduced reimbursements between funds and the removal of one-time revenues, including the City Council nomination fee, which will not be collected because candidates for the November 2026 election have already been nominated in the current fiscal year.

The Proposed Budget maintains the Clerk’s Office staffing at 45.17 FTEs, consistent with the FY 2026 Adopted Budget.

There are no significant budget adjustments or reductions proposed for the City Clerk’s Office.

Issues for Council Consideration

Although the Proposed Budget does not include a budget mitigation reduction for the Clerk’s Office, the FY 2026 Adopted Budget included ongoing reductions totaling a net of 8.2% of its FY 2025 Adopted Budget, reflecting an effort to realign services to core functions that are cost recoverable and those required by law. The reduction shown in the Clerk’s Office FY 2027 Proposed Budget is driven by increased projected Budgeted Personnel Expenditure Savings and non-discretionary adjustments.

Unfunded Requests

Two significant budget requests were not approved for inclusion in the Proposed Budget:

- One Deputy City Clerk 2 (\$105,000) which was one of the seven positions providing archiving services that were reduced in the FY 2026 budget. During meet-and-confer negotiations, it was agreed that this position would be left unbudgeted since the impacted employee was unable to be placed in another available vacant position. The employee has since vacated the position. If funded, this position would perform supervisory duties in passport services – making it 75% cost recoverable – as well as the front counter. Supervisory passport duties are currently being performed by a different Deputy City Clerk 1 through an out-of-class assignment.

| SUMMARY OF THE CITY CLERK BUDGET CHANGES | | | | | |
|--|--------------|---------------------|---------------------|---------------------|--------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 45.17 | \$ 6,710,890 | \$ 1,513,749 | \$ 8,224,639 | \$ 336,480 |
| Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | (84,757) | - | (84,757) | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (106,144) | (106,144) | - |
| <i>Other Adjustments</i> | - | - | - | - | (25,393) |
| FY 2027 Proposed Budget | 45.17 | \$ 6,626,133 | \$ 1,407,605 | \$ 8,033,738 | \$ 311,087 |
| <i>Difference from 2026 to 2027</i> | - | \$ (84,757) | \$ (106,144) | \$ (190,901) | \$ (25,393) |

Department Review: City Clerk

- One Legislative Recorder 2 (\$91,000), provisional was requested to support Council operations and official records management.

Department Review: City Council

City Council

Pursuant to the San Diego City Charter, the Council shall be composed of nine council members elected by district, and shall be the legislative body of the City.

Within the Council budget, there are unique budgets for each of the nine Council offices. Each office is responsible for managing its respective budget. Council Administration is also included in the City Council Budget, but for the purposes of this review it is discussed separately at the end of this section. The Council President is responsible for the Council Administration budget and provides it administrative and policy direction.

Impacts of Mayor’s FY 2027 Budget Proposal

The FY 2027 Proposed Budget for City Council Offices is approximately \$20.6 million, a decrease of \$571,000 or 2.7% from the FY 2026 Adopted Budget.^{1,2}

Each Council Office has the ability to hire up to 15.00 FTE positions, excluding hourly employees. The total operating budget for each Council Office is comprised of salaries/personnel expenses (PE), associated fringe benefit expenses (Fringe) and non-personnel expenses (NPE).

For additional context, during adoption of the FY 2023 Budget, the Council made a number of adjustments to each Council Office budget, including the addition of 5.00 ‘unfunded’ FTE positions to each office, allowing each office to hire up to 15.00 FTEs. Because each Council Office’s PE budget was set to an equal amount, this addition of FTEs was intended to give Council Offices additional discretion over the composition of their offices, as long as personnel costs remained at or under expenditure amounts in the Adopted Budget (equivalent to FY 2023 levels, as adjusted for salary increases). As of this writing, each Council Office has between 11 and 14 of the 15.00 FTE positions filled (excluding hourly interns).

There are no programmatic additions to City Council Offices, though there are two proposed reductions to help mitigate the City’s budget deficit: an \$80,000 per office cut to personnel expenditures, and the elimination of all funding for Community Projects, Programs and Services (CPPS) grants.

Significant Budget Reductions (\$720,000) – Budget Mitigation: Personnel Expenditures

As part of the FY 2027 Proposed Budget process, departments were requested to submit

| AGGREGATE SUMMARY OF CITY COUNCIL OFFICE BUDGET CHANGES | | | | | | |
|---|---------------|----------------------|---------------------|----------------------|--------------------|---------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue | CPPS |
| FY 2026 Adopted Budget | 146.08 | \$ 18,698,558 | \$ 2,500,096 | \$ 21,198,654 | \$ 597,155 | \$ 900,000 |
| Programmatic Changes | | | | | | |
| <i>Employ and Empower Program Interns</i> | 0.74 | (63,125) | - | (63,125) | (63,250) | - |
| Other Changes | | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 53,796 | - | 53,796 | - | - |
| <i>Other PE Changes</i> | - | 122,320 | - | 122,320 | - | - |
| <i>Non-Discretionary & IT Adjustments</i> | - | - | 36,134 | 36,134 | - | - |
| <i>Budget Mitigation - PE Reduction</i> | - | (720,000) | - | (720,000) | - | - |
| <i>Removal of One-Time FY 2025 CPPS Funding</i> | - | - | - | - | - | (900,000) |
| FY 2027 Proposed Budget | 146.82 | \$ 18,091,549 | \$ 2,536,230 | \$ 20,627,779 | \$ 533,905 | \$ - |
| Difference from 2026 to 2027 | 0.74 | \$ (607,009) | \$ 36,134 | \$ (570,875) | \$ (63,250) | \$ (900,000) |

¹ Note – summary tables in Volume 2 of the Proposed Budget include expenses for all Council Offices, Council Administration, and CPPS together, with additional detail provided per Council Office. For clarity, this review presents those budgets separately.

² These amounts exclude CPPS funding, which the Proposed Budget reduces to zero. If CPPS reductions are included, the decrease increases to \$1.5 million, or 6.7%.

Department Review: City Council

| PROPOSED FY 2027 BUDGET FOR EACH COUNCIL OFFICE | | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | D1 | D2 | D3 | D4 | D5 | D6 | D7 | D8 | D9 |
| Personnel | | | | | | | | | |
| Salaries | 1,238,356 | 1,238,356 | 1,234,474 | 1,267,134 | 1,238,356 | 1,183,674 | 1,183,674 | 1,238,356 | 1,238,356 |
| Employ & Empower | 42,016 | 24,369 | 42,016 | 42,016 | 42,016 | 105,040 | 42,016 | 42,016 | 115,124 |
| Budget Mitigation | (80,000) | (80,000) | (80,000) | (80,000) | (80,000) | (80,000) | (80,000) | (80,000) | (80,000) |
| Fringe | 751,762 | 1,038,238 | 891,560 | 749,128 | 834,460 | 636,316 | 871,890 | 837,030 | 643,800 |
| NPE | | | | | | | | | |
| Non-Discretionary | 90,521 | 92,376 | 91,261 | 92,389 | 100,058 | 97,740 | 87,261 | 107,354 | 105,362 |
| Discretionary | 70,318 | 70,318 | 100,000 | 70,318 | 70,318 | 125,000 | 125,000 | 70,318 | 70,318 |
| Expenditure Total | \$ 2,112,973 | \$ 2,383,657 | \$ 2,279,311 | \$ 2,140,985 | \$ 2,205,208 | \$ 2,067,770 | \$ 2,229,841 | \$ 2,215,074 | \$ 2,092,960 |
| FTE | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 |
| Employ & Empower | 1.00 | 0.58 | 1.00 | 1.00 | 1.00 | 2.50 | 1.00 | 1.00 | 2.74 |
| FTE Total | 16.00 | 15.58 | 16.00 | 16.00 | 16.00 | 17.50 | 16.00 | 16.00 | 17.74 |

* Bold figures and green-shaded rows denote equal allocations among Council Offices

budget reductions according to a target established by the Department of Finance, which was set at 7% for the combined nine Council Offices and applied evenly to the offices and Council Administration. Ultimately, the Proposed Budget applied a reduction of \$80,000 to each Council Offices’ Personnel Expenditure budget.

(\$900,000) – Elimination of CPPS Funding

Each Council Office has historically received annual allocations of two types for community grant funding - Community Projects, Programs and Services (CPPS) and Transient Occupancy Tax-supported Arts, Culture, and Community Festivals (ACCF). The Proposed Budget provides neither CPPS nor ACCF funding for Council Offices. Last year, the FY 2026 Proposed Budget also lacked these allocations, but as part of its final budget adoption Council allocated \$100,000 for CPPS to each district on a one-time basis.

CPPS: Council Policy 100-06 governs the allocation of CPPS funding and allows Councilmembers to award CPPS funding to City departments, public agencies, and non-profit organizations that serve a lawful public purpose to benefit the City’s communities. Additionally, funds can support a variety of community serving purposes including capital improvements; materials, equipment, goods, or supplies; community, social, environmental, cultural, or recreational needs; as well as one-time or ongoing operational expenses of a non-profit organization.

Historically CPPS allocations varied among each Council Office, because they were determined based on the amount of budget savings realized by each Council Office in the *prior fiscal year*. This changed when Council approved amendments to Council Policy 100-06 in 2023, which instead requires the Mayor to propose an allocation for CPPS in which each Council Office would receive equal amounts. Council Offices could supplement their *current year* CPPS allocations with estimated non-personnel savings within their own budgets for the same year, upon a request to the Department of Finance. CPPS appropriations do not carry forward to the following fiscal year and must be returned to the General Fund. As a budget mitigation, the Proposed Budget does not include any CPPS allocations, thus the removal of the \$900,000 that was previously budgeted in FY 2026.

As Council Offices often provide CPPS grants to smaller community organizations, this reduction is likely to result in equity impacts, creating additional burdens for smaller community organizations and events that may lack other sources of funding and that depend more heavily on CPPS grants.

Issues for Council Consideration

Budget Mitigation Reduction

The Proposed Budget includes a reduction of \$80,000 in PE to each Council Office. Council Offices have budgetary discretion over 1) how

Department Review: City Council

many staff are hired, provided total standard-hour positions remain under 15.00 FTEs, and 2) use of a discretionary NPE budget of \$125,000. However, this reduction is applied to PE only. Based on the FY 2026 Mid-Year Budget Monitoring Report, each Council office is projecting to be under budget by between \$180,000 to \$535,000 across both PE and NPE, suggesting that the budget reductions for FY 2027 may be absorbable without significant additional impacts. **If a Council Office would like to have part, or all of its reduction applied to NPE, it should do so as part of a May Revision request or through final budget actions.**

Equalized Council Office Budgets

Historically each Council Office received the same number of budgeted FTE positions, but expenditure allocations for each office varied significantly based on several factors, including employee compensation, staffing levels, staff experience, and differing NPE needs.

The FY 2023 Adopted Budget normalized Council Office budgets so that salaries and discretionary NPE across each Council Office were largely equalized. This approach ensures that each Council Office is budgeted the same discretionary operating resources as other Council Offices.

The FY 2026 Proposed Budget included a \$109,000 cut to prior-year Council office budgets, initially in salaries budgeted for each Council Office, however Council Offices were given discretion whether to apply that cut to salaries or to NPEs, and those decisions have carried forward to the FY 2027 Proposed Budget. While the Proposed Budget largely maintains this approach at the baseline budget level, the salaries and discretionary NPE for each Council Office are no longer equal. **Council may wish to consider returning to equalized discretionary budgets in future years.**

Note, the addition of varying levels of interns across Council Offices, implemented in FY

2026 as part of the Employ and Empower Program, along with fringe benefits for positions, and varying levels of non-discretionary NPE, causes some variation among Council Offices' total budgets. Non-discretionary NPE allocations are outside the control of each office. Fringe costs – those costs associated with employee benefits, which are also out of each office's control – have the most variance among Offices due to considerations such as whether an employee's benefits cover just that employee, or that employee and that employee's spouse and/or children.

Our Office will continue to track the extent to which Council Office budgets are equalized and highlight major drivers in differences as each Office responds to its unique needs.

Council Administration

Council Administration provides general office management and critical support services for the City Council. The FY 2027 Proposed Budget for Council Administration totals \$2.8 million, which is an increase of \$5,000, or 0.2%, from the FY 2026 Adopted Budget. FTEs in the Department are 14.58, an increase of 0.42 FTE, associated with Employ and Empower interns. There are no programmatic changes proposed.

Significant Budget Reduction

(\$80,000) – Budget Mitigation: Personnel Expenditures

This reflects the Council Administration's budget reduction, which is a 3.5% reduction from the FY 2026 Adopted Budget. As of the Mid-Year Budget Monitoring Report, Council Administration is projected to end the year under budget by \$276,000 suggesting that the FY 2027 budget reduction can be absorbed

Department Review: City Council

| SUMMARY OF COUNCIL ADMINISTRATION BUDGET CHANGES | | | | | |
|--|--------------------|-------------------------|---------------------------|------------------------|-------------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 13.58 | \$ 2,315,405 | \$ 493,948 | \$ 2,809,353 | \$ 31,294 |
| Other Changes | | | | | |
| <i>Employ and Empower Program Interns</i> | 0.42 | 13,891 | - | 13,891 | 13,874 |
| <i>Salaries Adjustment</i> | - | 95,406 | - | 95,406 | - |
| <i>Non-Discretionary Adjustment & IT Support</i> | - | - | (23,937) | (23,937) | - |
| <i>Budgeted Personnel Expenditure Savings</i> | - | (80,000) | - | (80,000) | - |
| FY 2027 Proposed Budget | 14.00 | \$ 2,344,702 | \$ 470,011 | \$ 2,814,713 | \$ 45,168 |
| <i>Difference from 2026 to 2027</i> | <i>0.42</i> | <i>\$ 29,297</i> | <i>\$ (23,937)</i> | <i>\$ 5,360</i> | <i>\$ 13,874</i> |

without significant impacts. **As with Council Offices, if Council Administration would like this reduction to be applied to NPE, it should be done as part of a May Revision request or through the Council’s final budget actions.**

Department Review: City Planning

City Planning

The City Planning Department (City Planning) is responsible for the City’s land use planning and policies. The Department develops plans, policies, and regulations intended to create more homes and jobs, further the City’s climate goals, improve public spaces, and advance social equity. The Department’s initiatives are generally considered the first step in planning for safe and thriving communities. In February 2025, the City’s climate and mobility efforts were transferred to City Planning (from the former Sustainability and Mobility Department [SuMo]) as part of several citywide consolidations.

Each fiscal year, City Planning updates its work plan or [Work Program](#), identifying major planning initiatives the Department will focus on in the coming year. The Work Program consists of developing and updating planning initiatives, such as the City’s General Plan, 52 community plans, master plans, housing policies (especially to incentivize housing production), the Land Development Code, historic preservation policies, and other long-range plans focused on achieving City priorities, such as affordable housing, environmental sustainability, and climate resilience.

Although City Planning is a General Fund department, some activities are cost recoverable through user fees. User fee revenue is generated through the General Plan Maintenance Fee charged to eligible permit applications for the maintenance of the City’s General Plan, as well as fees charged to review historic designations, Mills Act applications and compliance, and development projects involving City Planning disciplines.

Impacts of the Mayor’s FY 2027 Budget Proposal

City Planning is organized into four divisions:

- Community and Mobility Planning
- Housing Policy and Environmental Analysis
- Climate, Preservation, and Public Spaces
- Work Culture and Operations

The total FY 2027 Proposed Budget for City Planning is approximately \$28.1 million, a decrease of approximately \$971,000 or 3.3% from the FY 2026 Adopted Budget. FTEs are budgeted at 102.25, which is a decrease of 2.00 FTE positions.

Due to varied work functions and multiple funding sources in the Department, the following analysis is organized by fund. A discussion of the changes to the Climate Equity Fund can be found in the *Key Citywide Issues: Climate Action Plan* and *Program Review: Capital Improvements Program – Equity* sections of this report.

General Fund

The General Fund budget for City Planning is approximately \$21.2 million, which is a \$991,000 or 4.5% decrease from the FY 2026 Adopted Budget, as seen in the table on the next page. FTEs budgeted in the General Fund are 102.25, which is a decrease of 2.00 FTEs. Note, of this decrease, 1.00 FTE was removed from the base budget to account for 1.00 Associate Management Analyst from the restructuring of SuMo that was transferred to the

| SUMMARY OF CITY PLANNING DEPARTMENT BUDGET CHANGES | | | | | | | |
|--|---------------|---------------|---------------|----------------------|----------------------|---------------------|----------------------|
| Fund | FY 2026 FTEs | FY 2027 FTEs | Change | FY 2026 Expense | FY 2027 Expense | Change | FY 2027 Revenue |
| General Fund | 104.25 | 102.25 | (2.00) | \$ 22,236,146 | \$ 21,244,929 | \$ (991,217) | \$ 11,842,800 |
| General Plan Maintenance Fund | - | - | - | 6,822,300 | 6,842,662 | 20,362 | 5,822,300 |
| Department Total | 104.25 | 102.25 | (2.00) | \$ 29,058,446 | \$ 28,087,591 | \$ (970,855) | \$ 17,665,100 |

Department Review: City Planning

Transportation Department but inadvertently reflected in City Planning in the FY 2026 Adopted Budget.

City Planning General Fund revenues in the Proposed Budget are projected at approximately \$11.8 million, an increase of approximately \$686,000 or 6.1% from the FY 2026 Adopted Budget. The revenue increase is primarily due to increased reimbursement of eligible staff activities from the General Plan Maintenance Fund (GPMF), as part of budget mitigations. The Proposed Budget does not include any significant programmatic additions to City Planning’s General Fund operations. Similar to the FY 2026 Adopted Budget, the Proposed Budget maintains 3.50 FTE Employ and Empower interns along with \$158,000 in associated personnel expenditures and grant revenue.

Significant Budget Reductions

As part of the FY 2027 Proposed Budget process, departments were requested to meet General Fund reduction targets, which for City Planning was \$1.5 million or 7.0% of its FY 2026 Adopted Budget. To meet the Department’s reduction target, the FY 2027 Proposed Budget includes:

(\$192,000) – Budget Mitigation: Reclassification of 3.00 FTEs

The Proposed Budget reduces personnel expenditures by \$192,000 associated with the following three reclassifications:

- (\$33,000) – 1.00 Principal Planner and 1.00 Senior Planner (from 2.00 Program Coordinators) in the Climate Policy Section
- (\$159,000) – 1.00 Principal Planner (from 1.00 Program Coordinator) in the Housing Policy Section

Proposed reclassifications were informed by a department-wide analysis of functions and responsibilities that could be performed by classified staff but were assigned to an unclassified position. According to the Department, reclassifications will not affect Key Performance Indicators or City Planning’s Work Plan, as most Department functions maintain the same FTE count.

(\$250,000) – Budget Mitigation: Reduction of Non-Personnel Expenditures (NPE)

The Proposed Budget reduces \$250,000 in NPE consisting of both expenditure reductions and transitioning some expenditures onto grant or other revenue sources. Proposed reductions align with FY 2026 projected spending. The largest reduction is \$184,000 previously budgeted for Climate Action Plan related contracts, which had \$45,000 in FY 2026 projected expenditures out of \$268,000 budgeted. The next largest reduction was \$17,000 for professional IT services. According to the Department, these reductions could lead to delays in planning deliverables.

Additional equity implications related to this

| SUMMARY OF CITY PLANNING BUDGET CHANGES - GENERAL FUND | | | | | |
|---|---------------|----------------------|---------------------|----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 104.25 | \$ 20,236,246 | \$ 1,999,900 | \$ 22,236,146 | \$ 11,156,719 |
| Programmatic Changes | | | | | |
| <i>Budget Mitigation: Reclassification of 3.00 FTEs</i> | - | (192,321) | - | (192,321) | - |
| <i>Budget Mitigation: Reduction of NPE</i> | - | - | (250,000) | (250,000) | - |
| <i>Budget Mitigation: Reduction of Sr. Traffic Engineer</i> | (1.00) | (455,000) | | (455,000) | |
| <i>Reimbursements from General Plan Maintenance Fund</i> | - | - | - | - | 770,362 |
| <i>Historic Preservation Fee Adjustments</i> | - | - | - | - | 246,471 |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | (1.00) | 269,352 | - | 269,352 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (132,601) | (132,601) | - |
| <i>Removal of FY 2026 One-Time Expenses & Revenues</i> | | | (200,000) | (200,000) | (300,000) |
| <i>Employ and Empower Interns One-Time Net Adjustments</i> | - | (30,647) | - | (30,647) | (30,752) |
| FY 2027 Proposed Budget | 102.25 | \$ 19,827,630 | \$ 1,417,299 | \$ 21,244,929 | \$ 11,842,800 |
| Difference from 2026 to 2027 | (2.00) | \$ (408,616) | \$ (582,601) | \$ (991,217) | \$ 686,081 |

Department Review: City Planning

adjustment are included later in this department review.

(\$455,000, 1.00 FTE) – Budget Mitigation: Reduction of Senior Traffic Engineer

The Proposed Budget removes 1.00 Senior Traffic Engineer from the Mobility Planning Section, along with \$455,000 in associated personnel expenditures. The Department anticipates the reduction will likely affect some mobility-related planning efforts, internal education on shifting modes of transportation, and the timely delivery of some City Planning initiatives.

Additional equity implications related to this adjustment are included later in this department review.

Significant Revenue Adjustments

\$770,000 – Budget Mitigation: Reimbursement from General Plan Maintenance Fund (One-Time)

As a budget mitigation, the Proposed Budget increases one-time reimbursement revenue by \$770,000 from the General Plan Maintenance Fund (GPMF) fund balance to support eligible Work Program activities performed by City Planning staff, thereby offsetting additional General Fund expenditures.

\$246,000 – Historic Designation Fee Updates

The Proposed Budget includes \$246,000 in additional revenue to reflect updated revenue projections based on actual receipts and levels of review activity for two user fees: (1) a \$46,000 increase from Mills Act Monitoring fee revenue and (2) a \$200,000 increase from Heritage Preservation Hourly Project Review fee revenue.

Issues for Council Consideration

Use of GPMF Fund Balance

City Planning noted that the proposed use of GPMF as a budget mitigation to offset General Fund expenditures comes with trade-offs. According to City Planning, although the

Department prioritizes work for City staff over the use of consultants, using GPMF fund balance to fund existing staff does not result in additional capacity to advance City Planning’s goal of delivering planning initiatives since FTEs in the Department remain the same. In contrast, use of GPMF fund balance on consultant services typically provides highly specialized expertise, such as for economic feasibility, in-depth historical surveys, or biological surveys, needed to make progress on planning initiatives.

Community Plan Updates

City Planning’s current Work Program initiatives can be found on [the Department’s website](#). The table below shows the target completion dates of community plan updates the Department is currently working on.

| COMMUNITY PLAN UPDATES SCHEDULE | |
|---------------------------------|-------------------|
| Community Area | Target Completion |
| Mid-City | December 2026 |
| Rancho Bernardo | July 2028 |
| Otay Mesa-Nestor | July 2028 |

Additionally, City Planning is updating the Balboa Park Master Plan, which is expected to be complete in FY 2028.

FY 2027 City Planning User Fee Update

Although City Planning is authorized to annually update user fees to reflect changes in salaries, the composition of review teams, and overhead rates, the Department anticipates the FY 2027 update to City Planning user fees and associated revenues will be relatively minor. Near flat growth is driven by lower overhead as direct costs have increased following changes to the Department staff size and responsibilities (i.e., the restructuring of SuMo in FY 2026 and the transfer of the Facilities Financing Program in FY 2025 have led to more staff working on direct services). Based on department estimates, the lower overhead rate is offsetting growth in salary and fringe costs, resulting in a relatively flat FY 2027 user fee update for City Planning, currently estimated at 1.0% or less.

Department Review: City Planning

General Plan Maintenance Fund

The FY 2027 Proposed Budget for GPMF on net is relatively unchanged from FY 2026; the Proposed Budget includes \$6.8 million in expenditures, a \$20,000 increase from FY 2026, and \$5.8 million in revenue, which maintains FY 2026 levels.

As previously discussed, expenditure increases include \$770,000 due to increased GPMF reimbursements to the General Fund for eligible City Planning staff time, bringing total GPMF reimbursement to the General Fund to \$6.4 million in FY 2027. This planned expenditure will mitigate costs to the General Fund and draw from GPMF fund balance. This increase is mostly offset by a \$750,000 decrease in one-time as-needed consultant services, budgeted at \$250,000. The resulting GPMF FY 2027 year-end fund balance is estimated at \$1.6 million, an increase of \$421,000 over FY 2026.

Issues for Council Consideration

GPMF User Fee Study

During Council discussion of the FY 2027 Comprehensive User Fee Analysis in March 2025, the administration agreed to bring forward an updated user fee study to potentially restructure the GPMF fee to increase cost recovery and equitability. City Planning is finalizing work on the study and currently plans to bring the study to the Land Use and Housing Committee in June 2026 and City Council for approval in July 2026. The timeline for implementation would likely be in Fall 2026, due to a required 60-day noticing period. Delays in this study were attributed to staff reductions and complications from

changing the timing of fee collection under a restructured GPMF fee.

DRE Budget Equity Implications

The following adjustments have equity implications:

Reduction Non-Personnel Expenditures - \$250,000¹

The reduction of \$250,000 in non-personnel expenditures results in reliance on the General Plan Maintenance Fund and grant funding to support consultant and professional service needs. This increases the amount of work completed in house but in the absence of corresponding increases to FTE positions in the department, will result in potential delays in delivering the department work program if other funding sources are unavailable.

Reduction of Senior Traffic Engineer - \$455,000²

The reduction of \$455,000 (1.00 FTE) would not affect the department's KPIs but would likely result in some delay in delivering City Planning work program initiatives and could therefore impede the department's efforts at advancing equity outcomes.

¹ This adjustment relates to City Planning's Tactical Equity Plan (TEP) Goal 5

² This adjustment relates to City Planning's Tactical Equity Plan (TEP) Goal 3, and TEP Objective 3.2

City Treasurer

The Office of the City Treasurer (CTO) is responsible for the receipt, custody, and reconciliation of all City revenue; banking and cash management; tax administration; parking administration and parking meter operations; and collection of Citywide delinquent accounts. The CTO is also responsible for the investment of all operating and capital improvement funds and the issuance of Short-Term Residential Occupancy (STRO) licenses and Sidewalk Vending permits.

In November 2025, the Mayor restructured the Office of Labor Standards and Enforcement (OLSE) from the Compliance Department to the City Treasurer's Office. OLSE is responsible for coordinating Citywide efforts to improve worker safety and labor standards, enforcing the City's Minimum Wage and Living Wage Ordinances, monitoring compliance with prevailing wage and related worker-protection requirements on City-funded projects and agreements, and facilitating compliance with the terms of the City's Project Labor Agreement (PLA).

The CTO's Divisions include: Business Operations; Financial Operations; Investments; Revenue Collections; Treasury Systems; and the Office of Labor Standards and Enforcement.

Impacts of the Mayor's FY 2027 Budget Proposal

The FY 2027 Proposed Budget for the City Treasurer's Office includes the General Fund and Parking Meter Operations Fund. Budgeted expenditures across all funds are approximately \$54.4 million, which is an increase of \$3.1 million (or 5.7%) from the FY 2026 Adopted Budget. The Proposed Budget includes 157.00 FTE positions, which is an increase of 30.00 FTEs from FY 2026. Revenues are approximately \$82.6 million, which

reflects an increase of \$8.7 million (or 10.5%) from the FY 2026 Adopted Budget.

General Fund

As part of the FY 2027 Proposed Budget development process, the CTO was requested to propose expenditure reductions totaling 7% of the Office's FY 2026 Budget, which equates to approximately \$1.6 million. However, instead of just reducing expenditures, the CTO proposed several revenue additions to offset this reduction target.

The FY 2027 Proposed Budget ultimately includes \$27.7 million in expenditures for the City Treasurer's General Fund, which is an increase of \$5.2 million (or 22.9%) from the FY 2026 Adopted Budget. It also includes 144.25 FTE positions, which reflects an increase of 27.00 FTE positions from FY 2026. The increase in expenditures and FTEs is largely due to the transfer of OLSE to the CTO. FY 2027 revenue totals \$55.9 million, which reflects an increase of \$10.0 million (or 17.9%) from FY 2026. The net impact on the General Fund of revenue and expenditure increases is a positive change of \$4.9 million.

Significant Revenue Adjustments

\$4.7 million – Short-Term Residential Occupancy Revenue Increase

The [Short-Term Residential Occupancy \(STRO\) Ordinance](#) requires a license to rent a dwelling unit, or part thereof, for less than one month within the City of San Diego. STRO licenses are valid for two years, with a majority of licenses being renewed every other year. The Proposed Budget increases STRO revenue by \$4.7 million, primarily due to FY 2027 being a renewal year for a majority of current license holders. The City Treasurer's Office anticipates that 6,264 STRO licenses will be issued in FY 2027, which is 473 less than the

Department Review: City Treasurer

number of actual licenses issued in FY 2025 and reflects an estimated \$280,000 decrease in revenue compared to FY 2025 actuals.

Since license revenue either significantly rises or falls each consecutive year, the adjustment for FY 2027 is considered one-time in nature.¹

There are four license types with varying requirements. For two types of STRO licenses, Tier 3 and Tier 4, there is a cap on the number of available licenses, tied to the number of housing units available in the City and the Mission Beach Community Planning area, respectively. As of early April 2026, 4,726 Tier 3 licenses have been issued, leaving 880 licenses available. The number of available Tier 3 licenses have increased by 475 since mid-April 2025. If the remaining licenses were to be issued, the City would receive an additional \$1.0 million in STRO license revenue.

We note that STRO license revenue offsets personnel and non-personnel costs required to operate the STRO Program. The current rates

for license and application fees were calculated to cover an estimated \$8.9 million in program costs for the period from May 2025 through April 2027. The CTO anticipates updating these fees in mid-FY 2027.

\$2.3 million – Transfer of the Office of Labor Standards and Enforcement to the City Treasurer’s Office

As part of the transfer of OLSE, revenues associated with OLSE and the PLA program were transferred to CTO. OLSE revenue is primarily generated by the Prevailing Wage team’s charges for services related to monitoring and enforcing prevailing wage labor compliance requirements on City-awarded public works projects under the Prevailing Wage Ordinance. Other revenues include those associated with the Minimum Wage Enforcement Fee, which was a new user fee approved for FY 2026, as well as charges for services conducted by the PLA team.

| SUMMARY OF CITY TREASURER GENERAL FUND BUDGET CHANGES | | | | | |
|--|---------------|----------------------|---------------------|----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 117.25 | \$ 17,719,392 | \$ 4,830,818 | \$ 22,550,210 | \$ 45,937,578 |
| Programmatic Changes | | | | | |
| <i>STRO License and Application Fees Revenue</i> | - | - | - | - | 4,658,329 |
| <i>Additional PMO Fund Reimbursement</i> | - | - | - | - | 1,608,289 |
| <i>Additional Revenue from Delinquent Accounts</i> | - | - | - | - | 540,000 |
| <i>Additional Revenue from Minimum Wage Enforcement</i> | - | - | - | - | 114,585 |
| <i>Additional Revenue from Parking Citations</i> | - | - | - | - | 39,000 |
| <i>Reduction of Cannabis Business Tax Revenue</i> | - | - | - | - | (428,641) |
| <i>Transfer of OLSE to the City Treasurer's Office</i> | 29.00 | 5,649,533 | 158,217 | 5,807,750 | 2,339,397 |
| <i>Addition of 2.00 Associate Compliance Officers</i> | 2.00 | 286,662 | 17,000 | 303,662 | 711,864 |
| <i>Employ and Empower Program Interns</i> | 3.00 | 135,510 | - | 135,510 | 135,510 |
| <i>Contractor Compliance Application</i> | - | - | 132,236 | 132,236 | 290,000 |
| <i>Additional Budgeted Personnel Expenditure Savings</i> | - | (434,658) | - | (434,658) | - |
| <i>Budget Mitigation: 4.00 Collection Investigators</i> | (4.00) | (408,166) | - | (408,166) | - |
| <i>Budget Mitigation: 1.00 Deputy Director</i> | (1.00) | (287,948) | - | (287,948) | - |
| <i>Budget Mitigation: 1.00 Program Coordinator</i> | (1.00) | (206,521) | - | (206,521) | - |
| <i>Budget Mitigation: 1.00 Administrative Aide 2</i> | (1.00) | (98,630) | - | (98,630) | - |
| <i>Budget Mitigation: Department Director Reclassification</i> | - | (77,403) | - | (77,403) | - |
| Other Changes | | | | | |
| <i>Non-Discretionary - Information Technology</i> | - | - | 294,203 | 294,203 | - |
| <i>Other Non-Discretionary Adjustments</i> | - | - | 41,595 | 41,595 | - |
| <i>Wage and Fringe Benefit Adjustments</i> | - | (29,561) | - | (29,561) | - |
| <i>Budget Mitigation: Printing and Mailing Costs Reduction</i> | - | - | (15,000) | (15,000) | - |
| FY 2027 Proposed Budget | 144.25 | \$ 22,248,210 | \$ 5,459,069 | \$ 27,707,279 | \$ 55,945,911 |
| Difference from 2026 to 2027 | 27.00 | \$ 4,528,818 | \$ 628,251 | \$ 5,157,069 | \$ 10,008,333 |

¹ For context, the FY 2026 Adopted Budget included \$1.2 million in STRO license revenue.

Department Review: City Treasurer

\$1.6 million – Additional Parking Meter Operations Fund Reimbursement

The Proposed Budget includes an additional \$1.6 million in General Fund revenue reimbursed by the Parking Meter Operations Fund for CTO costs associated with processing parking citations within parking meter districts.

According to the CTO, citation processing costs are eligible for reimbursement by the Parking Meter Operations Fund. This revenue estimate assumes that approximately 70% of parking enforcement activity occurs within metered zones.

\$540,000 – Additional Revenue from Delinquent Accounts

The City Treasurer's Delinquent Accounts Program is responsible for collecting all delinquent (past due) amounts owed to the City.

The Proposed Budget includes an increase of \$540,000 in revenue from the Delinquent Accounts Program due to improvements in collection practices, including the implementation of a training plan for Collection Investigators, standardized debt-collection procedures, and the development of formal write-off policies² for different types of delinquent accounts.

\$115,000 – Additional Revenue from Minimum Wage Enforcement User Fee

The Minimum Wage Enforcement User Fee charges businesses \$1.47 per employee working within the boundaries of the City, and supports investigation and enforcement of the Earned Sick Leave and Minimum Wage Ordinance.

The Proposed Budget includes \$115,000 in additional Minimum Wage Enforcement User Fee revenue. This proposed increase is largely attributable to increased user fee rates which the CTO anticipates bringing forward for City Council consideration in June 2026.

\$39,000 – Additional Revenue from Parking Citations

The Proposed Budget includes an additional \$39,000 in parking citation revenue, bringing the total proposed revenue amount to \$618,000.

(\$429,000) – Reduction of Cannabis Business Tax Revenue

Due to continued declines in reported taxable gross receipts for cannabis products driven by increased competition from the illicit market, neighboring municipalities, and outside-City delivery services, as well as decreased wholesale prices resulting from an oversupply of cannabis products, the Proposed Budget includes a reduction in projected CBT sales volume equivalent to \$704,000 in revenue. This decrease is partially offset by an estimated \$275,000 increase in cannabis business tax penalty revenue, resulting in a net reduction of \$429,000.

Significant Budget Additions

\$5.8 million, 29.00 FTEs – Transfer of the Office of Labor Standards and Enforcement to the City Treasurer's Office

The consolidation of OLSE to the CTO included the transfer of 29.00 FTE positions and \$5.8 million in expenditures to the CTO.

\$304,000, 2.00 FTEs – Addition of 2.00 Associate Compliance Officers

In September 2023, the City adopted the Traffic Control Worker Minimum Wage Ordinance (TCMWO), which established a City-required minimum wage for specified employees engaged in traffic control work on City streets and public rights-of-way. Two years later, in September 2025, the City adopted the Hospitality Minimum Wage Ordinance (HMWO), which establishes a minimum wage for employees working in covered hotels, event centers, and amusement parks within the City.

² A write-off policy defines when debt is considered uncollectible.

Department Review: City Treasurer

To support and enforce these ordinances, the Proposed Budget adds 2.00 Associate Compliance Officer positions, which includes \$287,000 in personnel expenditures, and \$17,000 in promotional advertising costs.

The Proposed Budget also includes \$712,000 in revenue from two proposed user fees, the Hospitality Minimum Wage Enforcement User Fee and the Traffic Controller Minimum Wage Enforcement User Fee. These fees would be charged to businesses to support expenses related to enforcing the TCMWO and the HMWO, and are anticipated to be brought forward to Council in June 2026 for approval.

Additional equity implications related to this adjustment are included later in this department review.

\$136,000, 3.00 FTEs – Employ and Empower Interns

The Proposed Budget adds 3.00 hourly FTE intern positions for the Employ and Empower Program. Expenditures related to these positions are grant reimbursable and the positions include corresponding revenue of \$136,000.

\$132,000 – Contractor Compliance Application Software Fee

The Proposed Budget includes \$42,000 in ongoing and \$91,000 in one-time expenditures for a new Contractor Compliance Application.

OLSE and the Purchasing & Contracting Department (P&C) are proposing to replace an outdated system with a new centralized platform that supports certified payroll submission and review, tracks contractor and subcontractor payments and participation, manages certification and utilization reporting, and provides comprehensive compliance monitoring and audit-tracking capabilities. Half of the costs for the new application will be funded by P&C.

According to OLSE, adopting the new application would free up staff time and enable additional wage-theft audits, as staff would no longer need to provide as much systems

support (e.g. troubleshooting and training) to City contractors since the new system would include customer-service features that would absorb these functions.

Additionally, OLSE anticipates that a proposed user fee to recover the City's costs associated with operating a web-based labor and contract compliance monitoring system would generate \$290,000 in revenue.

Significant Budget Reductions

(\$435,000) – Additional Budgeted Personnel Expenditure Savings

Budgeted Personnel Expenditure Savings (BPES) is used as a tool to reallocate resources that are projected to remain unspent on other City needs. In Fiscal Year 2026, (\$878,000) in BPES was included in the CTO's Adopted Budget, and was based on a variety of factors, including estimated savings resulting from vacancies and attrition. In the Fiscal Year 2027 Proposed Budget, that amount has been increased to (\$1.3 million). Because these adjustments reduce a department's overall budget and this year's reduction is higher than last year's, the change between the two fiscal years appears as a reduction.

(\$408,000, 4.00 FTEs) – Budget Mitigation: Reduction of 4.00 Collection Investigators

In 2018, the City implemented a policy that halted residential water shutoffs for non-payment, which also prevented the City from referring delinquent customer accounts to collections. As a result of this halt, 3.00 Collection Investigator 1 positions have been vacant over the last several years. Given that the Public Utilities Department is not anticipated to resume referring delinquent customer accounts in FY 2027, these positions are proposed to be reduced as a budget mitigation.

Additionally, the Proposed Budget reduces 1.00 vacant Collection Investigator 2. This position operates within the Legal Section of the CTO's Revenue Collections Division and

Department Review: City Treasurer

collaborates with the City Attorney’s Office to collect amounts that have been referred for legal action. This reduction leaves 4.00 Collection Investigator 2 positions within the Legal Section.

(\$288,000, 1.00 FTE) – Budget Mitigation: Reduction of 1.00 Deputy Director

The Proposed Budget reduces 1.00 Deputy Director position. This position oversees the Treasury Accounting Program and the Revenue Compliance Program.

The Treasury Accounting Program manages citywide cash handling training, general accounts receivable, deposits, and bank reconciliations. The Revenue Compliance Program conducts revenue compliance audits of TOT, lease and franchise agreements, and the cannabis business tax.

According to the CTO, the reduction of this position will require the redistribution of its responsibilities, which may impact the City’s ability to maintain proper revenue-collection controls and maximize revenue recovery for the City.

This position is currently filled. Should this reduction be included in the FY 2027 Adopted Budget and the position not vacated by the start of FY 2027, the full expenditure savings of this budget reduction may not be realized. The CTO indicates that the incumbent is expected to retire halfway through FY 2027.

(\$207,000, 1.00 FTE) – Budget Mitigation: Reduction of 1.00 Program Coordinator

The Proposed Budget reduces 1.00 filled Program Coordinator position that supports the Minimum Wage Program. This position administers and enforces the City’s wage and labor standards ordinances through complaint intake, investigation, and administrative enforcement actions.

Additional equity implications related to this adjustment are included later in this department review.

(\$99,000, 1.00 FTE) – Budget Mitigation: Reduction of 1.00 Administrative Aide 2

The Proposed Budget reduces 1.00 filled Administrative Aide 2 position. According to the CTO, reduction of this position will decrease staff capacity that could lead to inconsistencies with administrative functions.

(\$77,000) – Budget Mitigation: Reclassification of 1.00 Department Director and the Addition of 1.00 Deputy Director

During the FY 2026 budget adoption process, Council reduced 1.00 Deputy Director position from the Compliance Department. Though eliminated in the FY 2026 Budget, the position was filled in July 2025 as an unbudgeted supplemental position to maintain a separation in reporting structure between the Office of Labor Standards and Enforcement and the Administrative Hearings Program within the Compliance Department.

In October 2025, the Compliance Department Director position was vacated. Subsequently, the Mayor consolidated the Compliance Department’s functions into other departments. As part of this reorganization, OLSE, along with the vacant Department Director and supplemental Deputy Director positions, was transferred to the CTO.

As a budget mitigation, the FY 2027 Proposed Budget reduces 1.00 vacant Department Director position from Compliance, and restores 1.00 filled Deputy Director position, which oversees OLSE and the PLA team.

Parking Meter Operations Fund

Revenue generated from City-owned on-street parking meters is used to: 1) support parking-related activities, including administration of the program such as staff to collect meter coins, the maintenance of parking meters, and enforcement of parking metered spaces; and 2) certain transportation-related infrastructure improvements, such as streetlight repair. On-

Department Review: City Treasurer

street parking meter revenue flows into the Parking Meter Operations (PMO) Fund.

The PMO Fund component of the FY 2027 Proposed Budget includes \$26.7 million in expenditures, which is \$2.0 million (or 7.1%) less than the FY 2026 Adopted Budget. The FY 2027 Proposed Budget anticipates \$26.7 million in revenue, which is \$1.4 million (or 4.8%) less than the FY 2026 Adopted Budget. Budgeted personnel in the PMO Fund for the City Treasurer’s Office total 12.75 FTEs, which represents an increase of 3.00 FTEs from FY 2026.

Significant Revenue Reduction

(\$1.3 million) – Reduction of Parking Meter Revenue

The Proposed Budget anticipates FY 2027 parking meter revenue to come in at \$26.7 million, which is \$1.4 million below the FY 2026 Adopted Budget. The table on the right breaks down how much revenue each initiative is anticipated to generate:

| Parking Initiative | Description | FY 2027 Revenue |
|---|--|---------------------|
| Existing Parking Meters | Revenue generated from existing parking meters prior to FY 2026, reflecting the increase from doubled meter rates. | \$15,900,000 |
| Special Events | Revenue generated by parking meters within a half mile of Petco Park during Padres home games and stadium events with over 10,000 attendees (priced at \$10 per hour). | \$2,000,000 |
| Extended Hours | Revenue generated from extending parking meter enforcement hours by two hours. | \$1,750,000 |
| On-Street Meter Expansions ^a | Revenue generated by parking meters installed since FY 2026 in newly added spaces within existing parking meter zones. | \$5,170,000 |
| Loss-of-Revenue Fee: Valet Zones | Charges imposed to offset lost revenue resulting from entities using metered parking spaces as valet zones. | \$650,000 |
| Loss-of-Revenue Fee: Construction Permits | Charges imposed to offset lost revenue resulting from construction projects encroaching into metered spaces. | \$1,200,000 |
| Total | | \$26,680,000 |

Note: Tables may not sum due to rounding.

^a Includes parking meter expansions at East Village, 6th Ave and Park Blvd, Mid-City, Uptown, and San Ysidro.

Significant Expenditure Additions

\$504,000 – Parking Meter Fleet Replacement and Expansion (one-time)

The Proposed Budget allocates \$504,000 in one-time non-personnel expenditures to replace and expand the City’s fleet of parking

| SUMMARY OF CITY TREASURER PARKING METER OPERATIONS FUND BUDGET CHANGES | | | | | |
|--|--------------|---------------------|-----------------------|-----------------------|-----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 9.75 | \$ 1,292,808 | \$ 27,429,837 | \$ 28,722,645 | \$ 28,040,000 |
| Programmatic Changes | | | | | |
| <i>Reduction of Parking Meter Revenue</i> | - | - | - | - | (1,355,620) |
| <i>Parking Meter Fleet Replacement and Expansion</i> | - | - | 504,106 | 504,106 | - |
| <i>Addition of 3.00 Parking Meter Technicians</i> | 3.00 | 288,894 | - | 288,894 | - |
| <i>Additional Vehicles to Support Parking Meter Ops</i> | - | - | 160,000 | 160,000 | - |
| <i>Reduction of Transfers and Reimbursements</i> | - | - | (3,118,662) | (3,118,662) | - |
| Other Changes | | | | | |
| <i>Non-Discretionary Adjustments</i> | - | - | 68,477 | 68,477 | - |
| <i>Wage and Fringe Benefit Adjustments</i> | - | 58,919 | - | 58,919 | - |
| FY 2027 Proposed Budget | 12.75 | \$ 1,640,621 | \$ 25,043,758 | \$ 26,684,379 | \$ 26,684,380 |
| Difference from 2026 to 2027 | 3.00 | \$ 347,813 | \$ (2,386,079) | \$ (2,038,266) | \$ (1,355,620) |

Department Review: City Treasurer

meters, facilitating the transition from single-space parking meter heads to multi-space meters.

\$289,000, 3.00 FTEs – Addition of 3.00 Parking Meter Technicians

The Proposed Budget adds 2.00 Parking Meter Technicians and 1.00 Senior Parking Meter Technician to support the expansion of metered parking zones. The CTO has already filled these positions in FY 2026 as supplemental staff.

Parking Meter Technicians are responsible for installing, removing, and maintaining parking meters, as well as collecting coins from meters throughout the City. In addition, these positions are able to issue parking citations for violations observed while performing their core duties, generating General Fund revenue. The CTO estimates that each Parking Meter Technician will generate \$100,000 in parking meter citation revenue for the General Fund.

\$160,000 – Additional Vehicles to Support Parking Meter Operations (one-time)

The Proposed Budget includes \$160,000 in one-time non-personnel expenditure for the purchase of three vehicles to support the addition of 3.00 FTE Parking Meter Technicians.

Significant Expenditure Reduction

(\$3.1 million) – Reduction of Transfers Out and Reimbursements to Other Funds

Due to the projected decrease in parking meter revenue for FY 2027, PMO Fund reimbursements or transfers to the other funds are reduced by \$3.1 million, for a total of \$22.4 million.

The following table outlines how PMO Fund reimbursements and transfers out are allocated in the FY 2027 Proposed Budget:

| Department | Fund | Amount |
|--|--------------|---------------------|
| Police – Parking Meter Enforcement) | General Fund | \$8,600,000 |
| City Treasurer’s Office – Administrative Costs | General Fund | \$1,608,000 |
| Transportation – Administrative Costs | General Fund | \$1,058,000 |
| Multiple (Transportation, Stormwater, and Environmental Services) - Used to reimburse eligible General Fund expenditures, such as infrastructure improvements. | General Fund | \$11,115,000 |
| Total | | \$22,380,000 |

Note: Tables may not sum due to rounding

[Council Policy 100-18](#) outlines how parking meter revenue is distributed to [Community Parking Districts](#) (CPDs); however, in October 2025, City Council voted to suspend FY 2027 CPD allocations.

Issues for Council Consideration

Minimum Wage Program Expansion

OLSE’s Minimum Wage Program has expanded in recent years with the adoption of the Traffic Control Worker Minimum Wage Ordinance, Live Event Worker Safety Ordinance, the Grocery Pricing Transparency Ordinance, and the Hospitality Minimum Wage Ordinance.

Despite these programmatic expansions, staffing has remained unchanged at 4.00 FTEs since OLSE’s establishment in 2022. This includes 1.00 Program Manager position which supports the Minimum Wage, Prevailing Wage, and Living Wage programs. For context, in FY 2018, when the Minimum Wage Program was initially managed by the CTO, staffing levels included 5.00 FTE positions.

Though the FY 2027 Proposed Budget

Department Review: City Treasurer

includes the addition of 2.00 Associate Compliance Officer positions to support the Minimum Wage Program, it also includes the reduction of 1.00 of the 2.00 Program Coordinator positions supporting this program. According to the CTO, eliminating this position would remove half of the Minimum Wage Program’s investigative capacity and shift the Program to a primarily complaint-driven enforcement model. While the minimum statutory function of the Program would continue, the shift would end proactive efforts, including directed industry investigations, outreach, and education activities and may increase unidentified wage-theft cases.

Council may wish to consider whether proposed staffing adjustments adequately align with the Program’s expanded responsibilities and anticipated enforcement needs.

Budget Adjustments Subject to Future Council Actions

A number of significant General Fund budget adjustments proposed by the CTO depend on future City Council actions. These include approval of increased Minimum Wage User Fee rates, adoption of the Hospitality Minimum Wage Enforcement and Traffic Controller Minimum Wage Enforcement User Fees, and authorization to replace the Contractor Compliance Application.

Should the Council not approve these actions, or should actions differ from how the CTO proposes them, the associated revenues and expenditures reflected in these adjustments may not be fully realized in FY 2027.

Vacancies

As of April 2026, the following General Fund positions are vacant and do not have any associated BPES for FY 2027:

| Position Name | FTE | Function |
|-----------------------------------|------|---|
| Associate Management Analyst* | 1.00 | Oversees Accounts Payable and Payroll processes. |
| Accountant 4* | 1.00 | Oversees the collection and administration of Transient Occupancy Tax and Tourism Marketing District assessments. |
| Public Info Clerk | 1.00 | Assists customers with Business Tax, Rental Tax, Business Permitting, and Sidewalk Vending inquiries. |
| Collections Investigator Trainee* | 1.00 | Responsible for performing front-line investigative and collections work on delinquent accounts. |
| Accountant 2 | 1.00 | Conducts revenue compliance audits. |
| Accountant 4* | 1.00 | Serves as a supervisor for the Revenue Compliance Audit Team. |

**Position is anticipated to remain vacant through FY 2026.*

Council may wish to inquire into the CTO’s plans for addressing these vacant positions.

Potential Revenue Adjustments

Several revenue items included in the Proposed Budget may be optimistic, given previous revenue data, less certain underlying assumptions, and the potential for unintended revenue impacts due to expenditure adjustments.

Council may wish to consider the following revenue generating items and whether adjustments to the proposed revenue amounts are warranted. We note that any reduction in revenue requires a corresponding reduction in expenditures.

Department Review: City Treasurer

Parking Meter Revenue

The FY 2027 Proposed Budget includes \$26.7 million in parking meter revenue. This projection assumes a large number of parking meters will operate 350 days during the fiscal year, effectively incorporating Sunday operation. However, the Municipal Code requires the City to establish a residential permit program before extending meter operations to Sundays in residential and mixed-use areas. Given the City does not currently have this program,³ actual parking meter revenue will likely be lower than projected.

Additionally, the proposed revenue amount incorporates 80 Padres home games, some of which may occur on Sundays. We do note some revenue losses from Sunday games may be offset by other major events not accounted for by the Proposed Budget, such as the San Diego Rodeo and concerts.

We note that any changes to parking meter initiatives may further affect actual revenue outcomes. A proposal to reduce the special event hourly parking rate to \$5 an hour, shorten the duration of special event meter rate enforcement to five hours, and decrease the geographic boundary of the special event zone to approximately five blocks is anticipated to come before the Council in the summer of 2026.

Cannabis Business Tax

The Proposed Budget includes \$20.8 million in cannabis business tax revenue, which is \$429,000 (or 2.1%) less than FY 2026 Adopted Budget levels. The budgeted amount, however, is \$1.7 million higher than the FY 2026 mid-year projection of \$19.1 million.

The CTO attributes the projected increase between the FY 2026 mid-year projection and the Proposed Budget to a stabilizing cannabis

market within the City,⁴ as well as the addition of three cannabis retail outlets in FY 2027, and the annualization of extended operating hours for cannabis retail outlets implemented in August 2025.

For context, year-end unaudited actuals came in considerably lower than what has been budgeted in previous fiscal years, as seen in the table below:

| Cannabis Business Tax Revenue <i>(\$ in millions)</i> | | | |
|---|-----------------------|--------------------------|-----------------|
| Fiscal Year | Adopted Budget | Year-End Actuals* | Variance |
| 2026 | \$21.3 | \$19.1 | (\$2.1) |
| 2025 | \$19.4 | \$16.7 | (\$2.7) |
| 2024 | \$21.4 | \$17.2 | (\$4.2) |
| 2023 | \$25.7 | \$18.9 | (\$6.8) |

* FY 2026 year-end amounts are based on current mid-year projections.

Given that the CTO does not anticipate notable improvements in the City's cannabis business market, and previous revenue trends, the amount included in the Proposed Budget may be somewhat optimistic.

Minimum Wage Enforcement User Fee

The Minimum Wage User Fee rate accounts for the expenses associated with enforcing the Minimum Wage Ordinance, including covering approximately 80% of personnel costs. Revenue collected from this fee is proposed to increase by \$115,000 in FY 2027, bringing the total to \$1.9 million. The Proposed Budget, however, also includes an expenditure reduction of \$207,000 associated with the reduction of 1.00 Program Coordinator position, thereby lowering the overall costs of enforcing the Minimum Wage Ordinance.

Should the final FY 2027 Budget include the reduction of the 1.00 Program Coordinator position, the user fee rate is anticipated to

³ A residential permit program was presented to Council on January 27, 2026, but ultimately was not approved.

⁴ According to the City Treasurer's Office, total taxable cannabis sales for the first two months of 2026 are consistent with what was reported during the same period in 2025, thereby indicating more market stability.

Department Review: City Treasurer

decrease, making it unlikely to generate the level of revenue assumed in the Proposed Budget.

Council may wish to consider whether it makes sense to reduce the Minimum Wage Program Coordinator position given its current level of revenue recovery, or if the level of revenue added in the Proposed Budget for the Minimum Wage Enforcement Fee is appropriate given the anticipated position reduction.

Parking Citations

The Proposed Budget includes \$618,000 in parking meter citation revenue, which may be optimistic. Actual revenue from July 2025 through February 2026 has averaged approximately \$13,000 per month, which equates to an annualized amount of roughly \$152,000.

The CTO notes that in FY 2026, parking meter staff prioritized the implementation of several parking-related initiatives, such as parking meter expansions and the paid parking program at Balboa Park, and dedicated less time to issuing parking meter citations. If no major parking meter initiatives occur in FY 2027, and parking meter positions, including the additional 3.00 Parking Meter Technicians, remain filled throughout the fiscal year, the CTO anticipates meeting the budget.

We note that as of early April 2026, there are 2.00 vacant Parking Meter Technician positions within the PMO Fund, both of which are not anticipated to be filled in FY 2026. This may negatively impact actual parking citation revenue over the course of the upcoming fiscal year (FY 2027).

Unfunded Request

The CTO requested the addition of 1.00 Assistant Investment Officer FTE position and \$209,000 in associated expenditures.

According to the CTO, this position is needed

to strengthen staff capacity and enhance the Investments Division's ability to increase investment earnings. Staff anticipates this position to generate over \$160,000 in additional General Fund revenue, with 45% of its costs subsidized by non-General Fund departments through General Government Service Billing (GGSB), and consequently not adding this position would be anticipated to have a net negative impact on the General Fund of \$45,000.

DRE Budget Equity Implications

The following adjustments have equity implications:

\$304,000, 2.00 FTEs – Addition of 2.00 Associate Compliance Officers and NPE for Promotional Advertisement⁵

These positions support equitable outcomes by ensuring workers in an under-regulated, high violation-risk industry receive timely protections, while promoting fair competition among compliant employers.

(207,000, 1.00 FTE) – Reduction of 1.00 Program Coordinator for Minimum Wage Program⁶

As discussed above, the reduction of this position would eliminate proactive enforcement activities and shift to a primarily complaint-driven enforcement model. Council may want to consider how a reduction in the City's wage and labor standards investigation workforce may have a financial impact on the revenue estimated to be collected from the proposed fees related to Minimum Wage, and how it may impact regulated companies and workers.

⁵ This relates to City Treasurer's TEP Goal 4 and Objectives 4.1 & 4.2.

⁶ This relates to City Treasurer's TEP Goal 4 and Objectives 4.1 & 4.2.

Department Review: Citywide Program Expenditures

Citywide Program Expenditures

The budget for the Citywide Program Expenditures Department (Citywide) is comprised of various programs and activities that provide benefits and services citywide. Programs or activities that are generally not attributable to any single City department are allocated in this budget. The Citywide budget includes only those expenditures funded by the General Fund.

Impacts of Mayor's FY 2027 Budget Proposal

The Citywide FY 2027 Proposed Budget totals approximately \$212.0 million, an increase of \$27.7 million, or 15.0%, from the FY 2026 Adopted Budget. Significant areas of Citywide expenditures are discussed in this section.

Payments for Contracts and Services

Corporate Master Lease Rent

The City leases various private facilities, such as offices and warehouses, to house City employees and support the daily operations of the City. Additionally, several General Fund-supported departments occupy space at the Montgomery-Gibbs Executive Airport and pay the Airport Fund for that space. The budgeted amount for these costs totals \$14.7 million, a decrease of \$1.5 million from FY 2026. The decrease is attributable to three factors:

- \$827,000 is associated with transition of janitorial services for the Civic Center Plaza (CCP) to being conducted in-house.

Note that there is a \$422,000 expenditure increase in the Department of General Services to support 5.00 FTE positions and

| SUMMARY OF CITYWIDE PROGRAM EXPENDITURES BUDGET CHANGES | | | |
|---|-----------------------|-----------------------|----------------------|
| Budget Changes (\$ in millions) | FY 2026 Adopted | FY 2027 Proposed | Proposed Change |
| Payments for Contracts and Services | | | |
| Corporate Master Lease Rent/Lease-to-Own | 16,235,609 | 14,703,359 | (1,532,250) |
| Right-of-Way Permits | 7,672,377 | 11,642,031 | 3,969,654 |
| Insurance | 6,482,307 | 7,305,689 | 823,382 |
| Citywide Elections | 1,760,000 | 4,531,000 | 2,771,000 |
| Transfers to Public Liability Funds | | | |
| Transfer to Public Liability Operating Fund for Insurance | 31,578,669 | 32,489,727 | 911,058 |
| Transfer to Public Liability Operating Fund for Claims | 31,193,782 | 31,657,782 | 464,000 |
| Other Significant Expenditures | | | |
| Capital Infrastructure Debt Financing | 55,051,999 | 67,543,299 | 12,491,300 |
| Transfer to Parks Improvement Funds | 21,273,512 | 21,442,951 | 169,439 |
| Tax and Revenue Anticipation Notes (TRANs) Interest Payment | - | 7,912,552 | 7,912,552 |
| Transfer to the Infrastructure Fund | - | - | - |
| Transfer to the Capital Improvements Program | - | - | - |
| Climate Equity Fund Contribution | - | - | - |
| Other Expenditures ^a | 12,993,642 | 12,729,705 | (263,937) |
| TOTAL | \$ 184,241,897 | \$ 211,958,095 | \$ 27,716,198 |

^a The largest FY 2027 Proposed Budget amounts in the "Other Expenditures" line include:

- \$5.2 million for property tax administration expense to San Diego County
- \$1.5 million for assessments to public property (including Vector Control and MAD and PBID assessments for City-owned property)
- \$1.3 million for memberships (including those with SANDAG, SD County Local Agency Formation Commission, League of CA Cities)
- \$1.3 million for Public Use Leases - use of parking lots in Las Americas
- \$1.1 million for administrative expenses, primarily for utility costs related to Civic Center Concourse and vacant sites (e.g. DSD's departure from COB)

Department Review: Citywide Program Expenditures

cleaning supplies needed to bring janitorial services in-house.

- \$418,000 in net savings associated with rent adjustments, including savings related to the San Diego Housing Commission lease adjustment, Fire-Rescue's Wellness Center, Civic Center Plaza, increased expenses for leased airport spaces, and rent for office space at the Balboa Executive Center.
- \$287,000 reflects the difference between the assumed property management budget for CCP and the actual budget submitted by the property management company with the removal of janitorial services.

Right-of-Way (ROW) Permits

The FY 2027 Proposed Budget includes \$11.6 million for ROW permit reimbursements, an increase of \$4.0 million over the FY 2026 Adopted Budget of \$7.7 million. The increase reflects the net difference between:

- A \$4.6 million increase in reimbursements to the Development Services Department (DSD) Fund for inspections conducted in FY 2025, bringing total DSD reimbursements to \$10.1 million; and
- A \$629,000 reduction in reimbursements to the Engineering & Capital Projects Department (E&CP) for inspections conducted in FY 2025, bringing total E&CP reimbursements to \$1.6 million.

ROW permit reimbursements cover costs for SDG&E utility permit inspections within the ROW. Effective September 1, 2023, inspection responsibilities began gradually shifting from E&CP to DSD. The transition also expanded the scope of services to include noise permits, traffic control permits, and

engineering construction changes directly related to SDG&E's ROW work. The additional permits represent the full cost of the DSD enterprise fund performing services for SDG&E per the franchise fee agreement.

Insurance

The Risk Management Department manages the City's various insurance programs, including property, general liability, and excess liability. The FY 2027 Proposed Budget for Citywide Program Expenditures includes \$7.2 million for the General Fund portion of the City's costs for property insurance and \$74,000 for master crime insurance¹, for a total of \$7.3 million. This reflects a net insurance increase of \$823,000, or 12.7% from the FY 2026 Budget, of which \$836,000 is attributable to higher property insurance costs. The City is a member of Public Risk Innovation, Solutions, and Management (PRISM); and PRISM's membership benefits include favorable insurance rates due to the combined purchasing power of over 2,200 California public agencies, including 95% of California counties and 70% of California cities.

Citywide Elections

The FY 2027 Proposed Budget for Citywide Elections is \$4.5 million, an increase of \$2.8 million from FY 2026. This amount covers estimated costs for the November 2026 General Election, including \$4.0 million for four potential ballot measures, \$315,000 for four Council District races (Districts 2, 4, 6, and 8), \$206,000 related to costs for the Registrar of Voters to conduct signature verification for two petitions, and \$10,000 for administrative and voter outreach activities.

The budget assumes no special election will occur and reflects a low-end estimate for

¹ This program provides coverage for illegal acts committed by employees while on the job.

Department Review: Citywide Program Expenditures

ballot measure costs. If actual costs exceed estimates or additional measures are added, a funding shortfall may occur. Conversely, if no measures appear on the ballot or costs fall below the low-end estimate, expenditure savings are possible.

Recent policy changes may also affect election procedures and costs by increasing administrative requirements.

Actual election costs vary based on factors such as the number of participating jurisdictions, candidates, registered voters, voter turnout, availability of conditional voter registration, and vote-by-mail volume.

Transfers to Public Liability Funds

The FY 2027 Proposed Budget includes \$32.5 million and \$31.7 million to support the Public Liability (PL) Operating Fund’s insurance and claims payments, respectively.

- The \$32.5 million insurance payment budget for FY 2027 has increased by approximately \$911,000 when compared to the FY 2026 Budget. This increase is based on premium estimates that incorporate loss development trends in the insurance market.
- The \$31.7 million claims funding transfer has increased by \$464,000 compared to the FY 2026 Adopted Budget due to increased claims estimates.

See the *Reserves: Public Liability Funds* section of this report for more information.

Other Significant Expenditures

Capital Infrastructure Debt Financing

The FY 2027 Proposed Budget includes \$67.5 million for General Fund capital infrastructure debt financing costs, as shown in the following table.

| Budgeted Item | FY 2026 Adopted Budget | FY 2027 Proposed Budget | Change |
|--------------------------------------|------------------------|-------------------------|-----------------------|
| Debt Service for Lease Revenue Bonds | \$53.6 million | \$65.3 million | \$11.6 million |
| WIFIA Loan Interest | \$1.4 million | \$2.3 million | \$842,000 |
| Debt Issuance Fees | \$8,000 | \$21,000 | \$13,000 |
| Total | \$55.1 million | \$67.5 million | \$12.5 million |

Of this amount, \$65.3 million is for debt service on lease revenue bonds (LRBs); \$2.3 million is for WIFIA loan interest (related to the City’s Water Infrastructure Finance and Innovation Act Loan to fund Stormwater improvements); and \$21,000 is for debt issuance fees.

Budget for WIFIA loan interest has increased by \$842,000 from FY 2026 due to the anticipated use of additional WIFIA loan funds to reimburse project costs, which in turn increases the loan balance and associated interest payments. Debt issuance fees have increased by \$13,000 from FY 2026, due to the anticipated execution of a second WIFIA loan tranche, which brings additional administrative fees. The \$11.6 million budget change for LRB debt service is discussed later.

The \$65.3 million General Fund budget for debt service on outstanding LRBs is summarized in the table on the next page, along with related General Fund net proceeds from those bonds. Note that the proceeds from the 2024A LRBs and prior issuances have been fully spent.

Department Review: Citywide Program Expenditures

| General Fund Lease Revenue Bonds: Net Proceeds and FY 2027 Debt Service <i>(\$ in millions)</i> | | |
|---|-----------------------------------|-----------------------------|
| Issuance | Net Proceeds from Issuance | FY 2027 Debt Service |
| 2021A LRBs (New Money & CP Takeout) | \$145.0 | \$7.2 |
| 2023A LRBs ¹ (New Money & CP Takeout) | \$95.4 | \$0.3 |
| 2024A LRBs (New Money, CP Takeout, & 2012B/2013A Refunding) | \$236.4 | \$13.5 |
| 2025A LRBs (New Money & 2015A&B/2018A/2020A Refunding) | \$773.9 | \$44.2 |
| Total² | \$1,250.7 | \$65.3 |

¹ The total FY 2027 debt service for the 2023A Lease Revenue Bonds is \$7.2 million. Of this amount, \$6.8 million is paid by the Solid Waste Management Fund and \$156,000 by the Recycling Fund, with the remaining \$314,000 continuing to be paid by the General Fund. Total net proceeds from the issuance of the 2023A LRBs were \$126.2 million; however, \$95.4 million of these proceeds were used to finance General Fund projects, with the remaining \$30.2 million for new refuse packers and green/organics containers in the Solid Waste Management Fund and \$0.6 million for Recycling Fund projects.

² Debt service for the City's other LRBs (associated with Petco Park and the San Diego Convention Center) are excluded from the \$65.3 million total since they are budgeted in the Transient Occupancy Tax/Special Promo Fund.

As mentioned, the \$65.3 million budgeted for LRB debt service reflects a net increase of \$11.6 million from the \$53.6 million included in the FY 2026 Adopted Budget. This \$11.6 million net increase is largely driven by \$20.1 million higher payments on the \$465.0 million “new money” portion of the 2025A LRB issuance, which are partially offset by shifting \$6.9 million of the FY 2027 debt service for

the 2023A LRBs from the General Fund to the Solid Waste Management Fund and Recycling Fund, as well as \$1.5 million in savings from the refunding of the 2015A&B, 2018A, and 2020A LRBs as part of the 2025A issuance.

Transfer to the Parks Improvement Funds

The City Charter sets a \$20.0 million threshold of Mission Bay rents and concession revenues that can be placed into the General Fund for any municipal purpose. Any rent and concession revenue greater than that amount is to be allocated to the San Diego Regional Parks Improvement Fund and the Mission Bay Park Improvement Fund each year.

The amount above the \$20.0 million threshold to be transferred to the Parks Improvement Funds is budgeted in Citywide at \$21.4 million, an increase of \$169,000 from FY 2026. Revenue from Mission Bay Park rents and concessions is budgeted in the Economic Development Department.

Tax and Revenue Anticipation Notes Interest Payments

The FY 2027 Proposed Budget includes \$7.9 million for Tax and Revenue Anticipation Notes’ (TRANs) interest payments which assumes approximately \$300.0 million in TRANs borrowing for FY 2027. TRANs are short-term notes, proceeds of which allow a municipality to cover the periods of cash shortfalls resulting from a mismatch between timing of revenues and timing of expenditures. TRANs have not been used by the General Fund for revenue timing shortfalls since FY 2013.

We note that an offsetting \$11.6 million in interest *earnings* associated with the TRANs issuance has been added to the FY 2027 Proposed Budget, which would result in \$3.7 million in net revenue after interest payments.

Department Review: Citywide Program Expenditures

Our Office reviewed the supporting projections; we note there are multiple unknowns at this time which prevent an accurate forecast. The Department of Finance indicates that updated estimates on the anticipated borrowing amount, interest rates, and potential net interest earnings will be included in the May Revision. We will conduct a more thorough analysis once that information is available before TRANs are brought to Council for consideration in early-June 2026. Please see the General Fund *Revenue Overview* section for additional information.

The need for TRANs is due to overall General Fund revenue streams being out of alignment with expenditures during the fiscal year. For example, the City’s ADC pension payment is made at the outset of each fiscal year: for FY 2027 the City plans to pay \$396.1 million for the General Fund portion of the ADC on July 1, 2026. On the revenue side, the first set of significant inflows for the largest General Fund revenue, property taxes, is not anticipated until December 2026 and January 2027.

Additionally, cash available to the General Fund to cover revenue and expenditure timing differences has recently declined – largely due to the exhaustion of COVID-19 relief funds, reduction of \$105.0 million in Excess Equity² in FY 2025, a lack of recent General Fund Reserve contributions, and a policy change to no longer consider the Underground Surcharge Fund as available for General Fund cash flow purposes.

Transfer to Infrastructure Fund

The Infrastructure Fund was established in accordance with Charter Section 77.1, which was approved by the voters in June 2016 as

the Proposition H ballot measure. Allowable uses of these funds include acquisition of real property, construction, reconstruction, rehabilitation, and repair and maintenance of General Fund infrastructure.

Based on the current calculation, no Infrastructure Fund contribution is required for FY 2027. This is due to sales tax revenue growth not exceeding the adjusted 2016 baseline and the General Fund Pension Cost Reduction calculation remaining above the FY 2016 base year. At the end of each fiscal year, the Department of Finance reconciles actual sales tax revenue against the base year calculation. If this reconciliation indicates that a contribution is warranted due to improved sales tax performance, a true-up contribution will be proposed in the FY 2028 budget cycle.

Transfer to Capital Improvements Program

General Fund transfers to the Capital Improvements Program, when budgeted, are included in Citywide Program Expenditures. Similar to the prior year, the FY 2027 Proposed Budget does not include any transfers to the Capital Improvements Program.

Climate Equity Fund Contribution

The Climate Equity Fund (CEF) provides funding for infrastructure projects in underserved communities to help them respond to the impacts of climate change. General Fund contributions to the CEF are based on the total General Fund franchise fee revenue received through franchise fees from San Diego Gas & Electric and are budgeted within Citywide Program Expenditures.

The General Fund contribution to the CEF was waived in FY 2026 as a budget mitigation

² Excess Equity, is described in the City’s Reserve Policy as “Unassigned Fund Balance that is not otherwise designated as General Fund Reserves and is available for appropriation.” Excess Equity generally results from increases to General Fund revenues, and/or General Fund expenditures that come in under-budget during any given fiscal year.

Department Review: Citywide Program Expenditures

measure. The General Fund contribution amount for FY 2026 would have been \$6.6 million.

Similarly, for FY 2027, the Mayor is proposing to suspend General Fund contributions to the CEF. Had the Proposed Budget included the full contribution amount, the CEF would have received \$7.0 million from the General Fund. Note that the increase in the contribution amount between FY 2026 (\$6.6 million) and FY 2027 (\$7.0 million) is due to an increase in projected General Fund franchise fee revenue collected from SDG&E.

The Proposed Budget does not provide any CEF allocations outside the General Fund, resulting in no funding for the CEF in FY 2027. See the *Key Citywide Issues: Climate Action Plan* section of this report for more information.

Other Expenditures

The following are additional expenditure items which are included in the Citywide Program Expenditures budget. Since budget amounts or changes for these expenditure items are smaller than previous areas discussed, these additional expenditures are listed in the footnote to the table on the first page of this section.

- Property Tax Administration Fee
The FY 2027 Proposed Budget includes \$5.2 million in fees paid to the County of San Diego for administering property taxes. This represents a \$150,000 increase from FY 2026. This increase is based on FY 2026 property tax actuals continuing to trend higher when compared to historical data.

- Assessments to Public Properties
The FY 2027 Proposed Budget includes \$1.5 million for Assessments to Public Properties, reflecting a \$34,000 increase from FY 2026. This rise is largely attributed to CPI adjustments for City-owned properties in Maintenance Assessment Districts (MADs) and Property and Business Improvement Districts (PBIDs).
- Public Use Leases
The FY 2027 Proposed Budget for the public use leases is unchanged from FY 2026, at \$1.3 million, for the use of parking lots in Las Americas.
- Administrative Expenditures
The FY 2027 Proposed Budget includes \$1.1 million for administrative expenditures related to energy, water, and sewer charges to support the Civic Center Concourse, as well as temporarily vacant sites (e.g. the Development Service Department's recent departure from the City Operations Building). The \$1.1 million budget amount reflects a \$365,000 decrease from FY 2026, which is largely driven by lower energy rates.
- Preservation of Benefits (POB) Pension Payments
The City makes additional payments to SDCERS³ to fund any pension payments in excess of IRS limits. The FY 2027 amount for POB is \$957,000, an increase of \$32,000 from FY 2026.
- Supplemental COLA Pension Benefit Payments
In 1999, the Supplemental Cost of Living Adjustment (COLA) benefit was created for certain retirees who retired before July 1, 1982. Those retirees' benefits had

³ SDCERS is the San Diego City Employees' Retirement System.

Department Review: Citywide Program Expenditures

dropped below 75% of their original purchasing power. When the benefit was created, \$35.0 million was set aside in a special pension reserve that would fund the benefit.

The reserve was depleted in FY 2014, and since then the City has been making additional payments to SDCERS to fund the benefit. FY 2027 Citywide Program Expenditures includes \$893,000 for this benefit, a decrease of \$102,000 from FY 2026.

General Fund Reserve

Contributions to the General Fund Reserve, if budgeted, are included in the Citywide Program Expenditures Department. However, in order to balance the FY 2027 Budget, the Mayor is proposing to waive the Reserve contribution for FY 2027.

Reserve contributions were also suspended in in FYs 2024, 2025, and 2026 in order to fund other critical expenditures, keeping the Reserve at its FY 2023 target balance of \$207.1 million. Delaying the FY 2027 Reserve contribution leaves the Reserve \$80.1 million short of its FY 2027 estimated target of \$287.2 million. For more about this Reserve, see the *General Fund Reserve* section of this report.

Pension Payment Stabilization Reserve

Contributions to the Pension Payment Stabilization Reserve (PPSR), if budgeted, are also included in Citywide Program Expenditures. Based on the Reserve Policy, the City will fund and maintain the PPSR after the 16.7% General Fund Reserve target is met. Given the City will not meet the General Fund Reserve target for several years, there is no contribution included in the FY 2027 Proposed Budget to PPSR.

Communications

In coordination with City departments and the Mayor’s Office, the Communications Department, provides information to educate and engage the public and City employees on City initiatives, programs, events, and services. Additionally, the Communications Department oversees the City’s responses to news media and Public Records Act requests; is responsible for internal communications to City employees; manages content for the City’s website and social media accounts; and produces videos, graphics, printed materials, and CityTV programming, which includes coverage of news conferences, City Council and Committee meetings, and other public and community meetings.

The Department is divided into three sections:

- Creative Services – responsible for CityTV programming, graphic design, and printed materials
- Public Information – provides translation and interpretation services, conducts outreach, oversees the City’s social media accounts, and manages media relations
- Public Records Administration – provides access to public City records pursuant to the California Public Records Act

Impacts of Mayor’s FY 2027 Budget Proposal

The FY 2027 Proposed Budget for the Communications Department includes the General Fund and Publishing Services Fund. Budgeted expenditures across all funds are approximately \$8.6 million, a decrease of about \$785,000 (or 8.4%) from the FY 2026 Adopted Budget. Revenues are approximately \$2.6 million, which is \$3,000 (or 0.1%) less than the FY 2026 Budget. The Department has a total of 36.00 FTE positions, which is a decrease of 4.50 FTEs from the FY 2026 Adopted Budget.

General Fund

General Fund expenditures in the Proposed Budget for the Communications Department total \$6.5 million, which is a decrease of \$753,000 (or 10.4%) from the FY 2026 Adopted Budget. The Proposed Budget also includes 29.00 FTE positions, a decrease of 4.00 FTE positions from FY 2026 budget. General Fund revenues total \$623,000, a decrease of \$3,000 (or 0.5%) from FY 2026.

Significant Budget Reductions

As part of the FY 2027 Proposed Budget development process, the Communications Department was requested to reduce

| SUMMARY OF COMMUNICATIONS GENERAL FUND BUDGET CHANGES | | | | | |
|---|---------------|---------------------|--------------------|---------------------|-------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 33.00 | \$ 6,683,853 | \$ 538,345 | \$ 7,222,198 | \$ 626,062 |
| Programmatic Changes | | | | | |
| <i>Budget Mitigation: 2.00 PRA Program Coordinators</i> | (2.00) | (541,863) | - | (541,863) | - |
| <i>Transfer of 1.00 PRA Program Coordinator to DoIT</i> | (1.00) | (321,391) | - | (321,391) | - |
| <i>Budget Mitigation: 1.00 Multimedia Prgrm Coordinator</i> | (1.00) | (119,183) | - | (119,183) | - |
| Other Changes | | | | | |
| <i>Wage and Fringe Benefit Adjustments</i> | - | 250,176 | - | 250,176 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (13,793) | (13,793) | - |
| <i>Budget Mitigation: Supplies and Training Budget</i> | - | - | (4,032) | (4,032) | - |
| <i>Employ and Empower Adjustment</i> | - | (3,054) | - | (3,054) | (3,084) |
| FY 2027 Proposed Budget | 29.00 | \$ 5,948,538 | \$ 520,520 | \$ 6,469,058 | \$ 622,978 |
| Difference from 2026 to 2027 | (4.00) | \$ (735,315) | \$ (17,825) | \$ (753,140) | \$ (3,084) |

Department Review: Communications

expenditures totaling 7% of the Department’s FY 2026 budget, which equates to approximately \$506,000. The Proposed Budget ultimately includes a net \$753,000 reduction from the Department’s FY 2026 General Fund budget, including a \$250,000 increase in salary and fringe expenditures, \$21,000 in minor reductions, and \$982,00 in programmatic reductions or transfers, including the following:

(\$542,000, 2.00 FTEs) – Budget Mitigation: Reduction of 2.00 Public Records Act Program Coordinators

The Proposed Budget includes a reduction of 2.00 Public Records Act (PRA) Program Coordinators.

PRA Program Coordinators assist with responding to Citywide PRA requests and support departments on PRA-related issues, including training and providing guidance to PRA liaisons within individual departments.

The Department noted that the reduction of these positions could increase the time required to close public records requests and increase the City’s exposure to legal liability for failing to comply with state law.

Additional equity implications related to this adjustment are included later in this department review.

(\$321,000, 1.00 FTE) – Transfer of 1.00 Public Records Act Program Coordinator to the Department of Information Technology

The Proposed Budget includes the transfer of 1.00 PRA Program Coordinator from Communications to the Department of Information

Technology (DoIT). The Communications Department indicated that despite the transfer this position would continue providing the same services as it does currently.

(\$119,000, 1.00 FTE) – Budget Mitigation: Reduction of 1.00 Multimedia Program Coordinator

The Proposed Budget includes the reduction of 1.00 vacant Multimedia Production Coordinator, reducing the Communications Department’s CityTV Team to 4.00 FTEs.

The CityTV team is responsible for filming and editing videos, producing live coverage of public meetings and events, developing internal communications for City employees, as well as creating content for the City’s social media channels. With the reduction of this position, the Department anticipates producing fewer videos and project timelines would need to be extended.

Additional equity implications related to this adjustment are included later in this department review.

Publishing Services Fund

The Publishing Services Fund (PSF) provides internal City support through reprographics functions, including graphic design, electronic publishing, lithography, quick prints, and bindery services. Publishing Services bills City departments for the work performed.¹

The Publishing Services component of the Proposed Budget includes \$2.1 million in

| SUMMARY OF COMMUNICATIONS PUBLISHING SERVICES FUND BUDGET CHANGES | | | | | |
|---|---------------|--------------------|---------------------|---------------------|---------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 7.50 | \$ 894,627 | \$ 1,237,428 | \$ 2,132,055 | \$ 1,947,049 |
| Programmatic Changes | | | | | |
| <i>Budget Mitigation: 0.50 Info Systems Technician</i> | (0.50) | (58,172) | - | (58,172) | - |
| Other Changes | | | | | |
| <i>Non-Discretionary Adjustments</i> | - | - | 25,693 | 25,693 | - |
| <i>Wage and Fringe Benefit Adjustments</i> | - | 847 | - | 847 | - |
| FY 2027 Proposed Budget | 7.00 | \$ 837,302 | \$ 1,263,121 | \$ 2,100,423 | \$ 1,947,049 |
| <i>Difference from 2026 to 2027</i> | <i>(0.50)</i> | <i>\$ (57,325)</i> | <i>\$ 25,693</i> | <i>\$ (31,632)</i> | <i>\$ -</i> |

¹ Projects that must be outsourced by the Publishing Services team include a 15% surcharge to recover administrative and coordination costs.

Department Review: Communications

expenditures, which is a decrease of \$32,000 (or 1.5%) from the FY 2026 Adopted Budget, largely due to the reduction of vacant positions. Staffing levels in the Proposed Budget for the PSF include 7.00 FTE positions, a reduction of 0.50 FTE from FY 2026. Revenue is projected at \$1.9 million, reflecting no change from the FY 2026 Adopted Budget.

Significant Budget Reduction

(\$58,000, 0.50 FTE) – Budget Mitigation: Reduction of 0.50 Information Systems Technician

The Proposed Budget includes the reduction of 0.50 Information Systems Technician. Responsibilities of this position includes providing routine technical support and management of the Department's print management system.

This position has been vacant since February 2025. Staff notes that the some of the non-technical responsibilities of this position have been covered by the Communications Department's Assistant Deputy Director and Deputy Director.

Issues for Council Consideration

Transfer of the Public Records Act Program

The reduction of 2.00 Program Coordinators leaves 1.00 Program Coordinator and 1.00 Program Manager to manage the City's PRA Program. For FY 2027, the program was intended to be transferred from Communications to DoIT, as the program was determined to be better aligned with DoIT's responsibilities, particularly given its reliance on electronic records searches.

The Proposed Budget includes the transfer of the 1.00 PRA Program Coordinator to DoIT, but does not include the transfer of the 1.00 PRA Program Manager. The Department of Finance intends to address this in the Mayor's May Revise.

We note that the PRA Program involves a public records request software (NextRequest) that has an associated non-personnel expenditure of \$70,000 in FY 2027. We will review the May Revise to determine whether this NPE is also being transferred.

Positions Removed from the FY 2026 Budget

During the FY 2026 Budget adoption process, Council eliminated 1.00 Media Services Coordinator and 1.00 Media Services Manager from the Communications Department. Although these positions have been eliminated, the incumbents, as of early April 2026, continue to serve in these roles as supplemental positions.

The Media Services Coordinator provides communications support to operational and public safety departments, supports the social media program, and manages the Department's media inquiry intake process. The Media Services Manager manages the City's social media and marketing program, including the management of digital and social media advertising contracts, the City's presence on hiring platforms, and other promotional content.

The Communications Department considers both positions critical to its operations and requested their restoration for FY 2027 to Communication's General Fund budget, which includes \$362,000 in expenditures. However, these requests were ultimately not included in the Proposed Budget.

We note that the Fire-Rescue Department's Proposed Budget includes the addition of 1.00 Program Manager to support its emergency communications and public messaging needs. Since these responsibilities are already handled by an existing Program Manager within the Communications Department, it is anticipated that incumbent will be transferred to Fire-Rescue. The vacated Program Manager position in Communications is anticipated to then be backfilled by the incumbent of the

Department Review: Communications

1.00 supplemental Media Services Manager.

Publishing Services Fund

FY 2025 PSF unaudited actuals show both expenditures and revenue came in below than FY 2025 Adopted Budget levels.

| Publishing Services Fund | FY 2025 Adopted Budget | FY 2025 Unaudited Actuals | Variance |
|--------------------------|------------------------|---------------------------|------------|
| Revenue | \$2.2 million | \$1.3 million | (\$900,00) |
| Expenditures | \$2.2 million | \$1.7 million | \$551,000 |

Similarly, the FY 2026 Mid-Year Budget Monitoring Report projects FY 2026 year-end PSF expenditures and revenue to fall short of their FY 2026 Adopted Budget levels.²

| Publishing Services Fund | FY 2026 Adopted Budget | FY 2026 Mid-Year Projections | Variance |
|--------------------------|------------------------|------------------------------|------------|
| Revenue | \$1.9 million | \$1.3 million | (\$672,00) |
| Expenditures | \$2.1 million | \$1.6 million | \$494,000 |

The Department notes that these underages are the result of City departments outsourcing print jobs due to a large backlog work within the City's internal publishing services operations. Staff stated that when the publishing services operation was transferred to the Communications Department in FY 2023, it was understaffed and under resourced.

The Department has prioritized filling critical vacancies, is currently working to establish a printing supply contract, and is upgrading its print management system software to free up staff time to complete print jobs and decrease backlogs. The Department indicated that these improvements will help them meet budgeted

service and revenue levels.

We note that the Proposed Budget for this fund includes expenditure amounts that exceed projected revenues by \$153,000, resulting in a projected revenue shortfall. According to the Communications Department, any year-end deficit within the fund is trued up and covered by the General Fund.

Council may wish to ask the Communications Department and the Department of Finance to clarify how they plan to address the projected revenue shortfall for FY 2027.

DRE Budget Equity Implications

The following adjustments have equity implications:

(\$542,000) – Reduction of Public Records Act (PRA) Support³

As discussed above, the proposed reductions of 2.00 Program Coordinators from the PRA team and related non-personnel expenditures could increase delays in responding to public records requests. Reduced staffing for PRA responses may *also* create barriers for community members, journalists, and advocates seeking timely records, which can hinder public oversight and civic participation.

(\$119,000) – Reduction of CityTV Team Support⁴

The proposed reduction of a Multimedia Production Coordinator, which helps to produce video content, livestream City Council and Committee meetings, and manage internal and external communications and social media, may result in reduced production capacity. This could widen information access gaps for residents who rely on CityTV broadcasts and clear, accessible communication to stay

² Mid-year projections anticipate the Publishing Services Fund to have a revenue shortfall of \$363,000 for FY 2026.

³ This adjustment relates to Communication's Tactical Equity Plan (TEP) Goal 1 and 2 and TEP Objective 1.1, 2.1, and 2.3.

⁴ This adjustment related to Communication's Tactical Equity Plan (TEP) Goal 2 and TEP Objective 2.1.

Department Review: Communications

informed about government decisions. Communities with limited digital access or English proficiency, as well as those unable to attend meetings in person, may be disproportionately impacted by decreased coverage and slower dissemination of public information.

Department Review: Department of Finance

Department of Finance

The Department of Finance (DoF) provides centralized financial services to the City. It is made up of three divisions: Financial Planning, External Financial Reporting, and Debt Management & Capital Improvements Program (CIP). The Department has four main areas of responsibilities: 1) oversight of the City’s operating and capital budgets, 2) accounting and financial reporting for all City funds, 3) payroll and vendor payments, and 4) financing and management of City debt obligations.

Impacts of Mayor’s FY 2027 Budget Proposal

The FY 2027 Proposed Budget for the Department of Finance is approximately \$30.7 million, an increase of \$199,000, or 0.7%, over the FY 2026 Adopted Budget.

The budget includes 134.00 FTE positions, reflecting a decrease of 3.00 FTE positions from FY 2026. The department received 1.00 FTE supporting Title VI from the Compliance Department, but the budget proposes to reduce this position. Outside of the budget, the Department of Finance has 3.00 FTE positions that are supplemental and unbudgeted, and rely on \$524,000 in vacancy savings from other positions.

There is \$1.6 million in budgeted revenue, which is a decrease of \$109,000, or 6.2%, driven by removal of one-time funds from the FY 2026 Adopted Budget.

Significant Budget Reductions

The FY 2027 Proposed Budget includes the following 4.00 FTE vacant position reductions.

(\$542,000, 1.00 FTE) – Budget Mitigation: Reduce Assistant Department Director

The Proposed Budget reduces one vacant Assistant Department Director, leaving two others remaining. This position oversees financial planning, budget development, monitoring, and personnel expenditure projections, managed by two Financial Operations Managers. With this position eliminated, the department notes a higher risk for mistakes in these areas. Duties of this position are being currently covered by the Director but are expected to be redistributed among the department’s upper management once responsibilities are reevaluated.

(\$236,000, 1.00 FTE) – Budget Mitigation: Reduce Title VI Program Manager

The Proposed Budget includes the reduction of a vacant Program Manager supporting Title VI compliance (Civil Rights Act). For additional context, refer to the [Title VI](#)

| SUMMARY OF DEPARTMENT OF FINANCE BUDGET CHANGES | | | | | |
|---|---------------|----------------------|---------------------|----------------------|---------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 137.00 | \$ 28,694,262 | \$ 1,805,292 | \$ 30,499,554 | \$ 1,748,420 |
| Programmatic Changes | | | | | |
| <i>Transfer In: Title VI Program Manager</i> | 1.00 | 235,733 | 514 | 236,247 | - |
| <i>Mitigation: Reduce Assistant Department Director</i> | (1.00) | (542,438) | - | (542,438) | - |
| <i>Mitigation: Reduce Title VI Program Manager</i> | (1.00) | (235,733) | - | (235,733) | - |
| <i>Mitigation: Reduce Finance Analyst 2</i> | (1.00) | (159,659) | - | (159,659) | - |
| <i>Mitigation: Reduce Admin Aide 2</i> | (1.00) | (108,884) | - | (108,884) | - |
| <i>Mitigation: Reduce Non-Personnel Expenditures</i> | - | - | (83,740) | (83,740) | - |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 1,223,527 | - | 1,223,527 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (167,968) | (167,968) | - |
| <i>Other Adjustments</i> | - | - | 37,329 | 37,329 | (108,785) |
| FY 2027 Proposed Budget | 134.00 | \$ 29,106,808 | \$ 1,591,427 | \$ 30,698,235 | \$ 1,639,635 |
| Difference from 2026 to 2027 | (3.00) | \$ 412,546 | \$ (213,865) | \$ 198,681 | \$ (108,785) |

Department Review: Department of Finance

Implementation Plan. This position also supports other City departments responding to audits, audit follow-ups, and Grand Jury Reports, and serves as the Mayoral representative on the Audit Committee. According to staff, the Title VI duties have been transferred back to the Purchasing and Contracting Department’s Equal Opportunity Contracting (EOC) section to continue duties required to receive federal funds. Prior to the creation of the Compliance Department, these duties were performed by existing EOC staff. One key work product that will need to continue is finalizing and implementing the Language Access Plan to improve access to services for persons with Limited English Proficiency.

The coordination of audit follow-up response will no longer be performed, and departments will be responsible for their own responses. Finally, coordination of Mayoral Grand Jury responses will need to be redistributed.

An additional equity implication related to this adjustment is included later in this department review.

(\$160,000, 1.00 FTE) – Budget Mitigation: Reduce One Finance Analyst 2

One vacant Finance Analyst 2 position is proposed for reduction. This position is among the team that reviews departments’ budget requests and projections. Duties of this position have been redistributed to other analysts. Since the number of departments that DoF supports has decreased, impact on remaining staff is expected to be limited.

(\$109,000, 1.00 FTE) – Budget Mitigation: Reduce One Admin Aide 2

One vacant Admin Aide 2 is proposed for reduction. This position provides general department support, but primarily to staff that support the Public Utility Department. Duties such as processing Public Records Act requests and invoices, creating purchase requisitions, and billing have been redistributed to others in the department.

(\$84,000) – Budget Mitigation: Reduce Non-Personnel Expenditures

Select non-personnel categories are proposed to be reduced which is not expected to materially impact department operations. Of the \$84,000, about \$71,000 is categorized as one-time only and is attributed to training and travel for training.

Issues for Council Consideration

The Proposed Budget continues budget reductions seen by many City departments, including Department of Finance, over the past several years, after several years of expansion as shown in the table below. These cuts erode progress the department made in rightsizing staffing and support to align with the growth of the City’s budget. It is also worth noting that the DoF was once three separate departments: Financial Management, Comptroller, and Debt Management. Total budgeted positions for these departments were 178.15 FTE in FY 2007. Although the City’s budget has grown in size and complexity, total budgeted positions for DoF in FY 2027 are 134.00 FTE for all three functions. As the structural budget deficit is addressed this year and in future years, it will be important to reassess whether departments and programs are sufficiently staffed to provide services effectively, including financial services.

| Year | Net Position Change |
|------------------------|---------------------|
| FY 2027 Draft Budget | (3.00) |
| FY 2026 Adopted Budget | (3.00) |
| FY 2025 Adopted Budget | (1.00) |
| FY 2024 Adopted Budget | 7.00 |
| FY 2023 Adopted Budget | 6.00 |
| FY 2022 Adopted Budget | 4.00 |
| FY 2021 Adopted Budget | (5.00) |

*Excludes department reorganizations and hourly employees

Department Review: Department of Finance

DRE Budget Equity Implications

The following adjustment has an equity implication:

(\$236,000, 1.00 FTE) – Reduction of Program Manager supporting Title VI compliance and Grand Jury reports, and Audit support

This position is currently vacant and the duties have been returned to the Purchasing and Contracting department without additional staff, which means existing staff in EOC would have to take back these additional duties to maintain compliance with Title VI of the Civil Rights Act of 1964. A reduction in staff and an increase in workload could impact response time and completion of necessary work outlined under Title VI. Title VI of the Civil Rights Act remains in effect and cannot be overturned by a federal executive order. Currently, the City does not have a language access policy to guide the creation of consistent language access processes across City departments.

Note: This position was moved from Compliance Department during FY 2026 so there are no goals and objectives associated with current department TEP Goals or Objectives.

Department of Information Technology

The Department of Information Technology (DoIT) provides citywide technology strategy; operational support of applications, infrastructure, and wireless technologies; enterprise application services; management of IT services, contracts, and assets as well as a digital equity program. This includes providing technology services to all City departments and staff.

The FY 2027 Proposed Budget includes several restructures that impact DoIT, including the transfer of the Geographical Information Systems (GIS) Fund and the City’s Web Team to the Performance & Analytics Department. The FY 2027 Proposed Budget also includes the transfer of the City’s Public Records Act (PRA) team from Communications, and a Program Manager from Compliance. These transfers are discussed in more detail later in this section.

Department of IT Funds

Funding for the Department of IT is provided through four different funds, each of which serves a distinct purpose within the department:

- General Fund
- Information Technology (IT) Fund
- OneSD Support Fund
- Wireless Communications Technology Fund

Impacts of Mayor’s FY 2027 Budget Proposal

As summarized in the table below, the FY 2027 Proposed Budget for the Department of IT, across all funds, is \$132.6 million, a \$803,000, or 0.6%, increase from the FY 2026 Adopted Budget. Total FTE positions have decreased by 2.15 from 122.15 in FY 2026 to 120.00 in the FY 2027 Proposed Budget. Total revenue is \$126.0 million, which is an increase of \$2.2 million or 1.7% from the FY 2026 Adopted Budget.

General Fund

The Department of IT’s General Fund budget supports the Digital Equity – SD Access 4 All Program and personal computer (PC) Replacement Program. The FY 2027 Proposed Budget for the Department’s General Fund is \$3.5 million, as shown in the table at the top of the next page. This represents a decrease of \$62,000, or 1.7%, from the FY 2026 Adopted Budget. Budgeted positions are increasing by 2.00 FTE, from 4.00 FTE in FY 2026 to 6.00 FTE positions in the Proposed Budget due to the addition of Employ and Empower interns, which are offset by a corresponding amount of revenue.

| SUMMARY OF DEPARTMENT BUDGET CHANGES | | | | | | |
|---|---------------|---------------|---------------|-----------------------|-----------------------|-------------------|
| Fund | FY 2026 FTE | FY 2027 FTE | Change | FY 2026 Expense | FY 2027 Expense | Change |
| General Fund | 4.00 | 6.00 | 2.00 | 3,555,982 | 3,493,893 | (62,089) |
| Information Technology Fund (IT Fund) | 49.00 | 45.00 | (4.00) | 84,684,741 | 82,571,629 | (2,113,112) |
| OneSD Support Fund (ERP Fund) | 29.15 | 29.00 | (0.15) | 30,954,538 | 33,427,732 | 2,473,194 |
| Wireless Communications Technology Fund | 40.00 | 40.00 | - | 12,581,265 | 13,086,386 | 505,121 |
| Total Combined | 122.15 | 120.00 | (2.15) | \$ 131,776,526 | \$ 132,579,640 | \$ 803,114 |

Department Review: Dept of Information Technology

| SUMMARY OF GENERAL FUND BUDGET CHANGES | | | | | |
|--|-------------|-------------------|---------------------|---------------------|------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 4.00 | \$ 529,070 | \$ 3,026,912 | \$ 3,555,982 | \$ - |
| Programmatic Changes | | | | | |
| <i>Employ and Empower Intern (one-time)</i> | 2.00 | 90,337 | - | 90,337 | 90,337 |
| <i>Budget Mitigation: Mobile Hotspot Funding Swap</i> | - | - | (130,537) | (130,537) | - |
| <i>Budget Mitigation: PC Replacement Program Reduction</i> | - | - | (118,382) | (118,382) | - |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 41,770 | - | 41,770 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | 54,723 | 54,723 | - |
| FY 2027 Proposed Budget | 6.00 | \$ 661,177 | \$ 2,832,716 | \$ 3,493,893 | \$ 90,337 |
| Difference from 2026 to 2027 | 2.00 | \$ 132,107 | \$ (194,196) | \$ (62,089) | \$ 90,337 |

Significant Budget Additions

The largest addition included in DoIT's General Fund budget is the addition of 2.00 Employ and Empower Interns, including \$90,000 in personnel expenditures, and \$90,000 in grant-supported reimbursement revenue. The interns will support the Digital Equity Program. Please see the *DRE Budget Equity Implications* section for additional information on this work.

Other additions include:

- \$55,000 in non-discretionary adjustments, primarily associated with the debt purchase of General Fund PC replacements. The PC Replacement program replaces General Fund computers/laptops every 5 years (or 20% of computers annually) to align with their expected useful lives. The Proposed Budget includes \$1.2 million in principal and interest payments for the financing of these replacements.
- \$42,000 in salary and benefit adjustments.

Significant Budget Reductions

The FY 2027 Proposed Budget includes two budget reductions to help mitigate the budget deficit:

(\$118,000) – PC Replacement Program Reduction

Similar to last year's budget, the proposed \$118,000 reduction to the PC replacement program assumes savings from adopting a One-Device Standard. Under this approach, staff who currently use two devices (like a

laptop and a desktop) would transition to a single device. This change is expected to reduce the total number of computers replaced and lower related budget needs in FY 2027.

(\$130,000) – Mobile Hotspot Funding Swap
\$130,000 in ongoing non-personnel expenditures associated with the Mobile Hotspot Lending Program is proposed to be funded using the Public, Education and Government (PEG) Fund instead of the General Fund. This funding is expected to help maintain the 2,000 mobile hotspots that are available for Library patrons to borrow. Mobile hotspots provide broadband access to residents who lack reliable, affordable internet, especially those in Digital Equity Priority Areas (DEPA) and are an important component in the City's effort to bridge the digital divide. Of note, this reduction is ongoing, and assumes continued funding of \$130,000 from the PEG Fund. If this funding source is not available in future years, the Department may need to request General Fund support again.

Additional equity implications related to this adjustment are included later in this department review.

IT Fund

The IT Fund supports a variety of information technology related activities for the City, including:

- Citywide IT Fixed Expenses
- Enterprise IT Sourcing Operations

Department Review: Dept of Information Technology

| SUMMARY OF IT FUND BUDGET CHANGES | | | | | |
|--|---------------|----------------------|-----------------------|-----------------------|-----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 49.00 | \$ 11,339,536 | \$ 73,345,205 | \$ 84,684,741 | \$ 83,814,797 |
| Programmatic Changes | | | | | |
| <i>Transfer of Public Records Act Team from Communications</i> | 1.00 | 335,203 | - | 335,203 | - |
| <i>Transfer of Program Manager from Compliance</i> | 1.00 | 176,658 | - | 176,658 | - |
| <i>Budget Mitigation: Insourcing of Cybersecurity support</i> | 1.00 | 231,661 | (340,560) | (108,899) | - |
| <i>Contractual Increases</i> | - | - | 2,367,469 | 2,367,469 | - |
| <i>Service Level Agreement with City Attorney's Office</i> | - | - | 172,801 | 172,801 | - |
| <i>Transfer of Web Team to Performance & Analytics</i> | (5.00) | (1,142,639) | (690) | (1,143,329) | - |
| <i>Budget Mitigation: AI Program Manager Reduction</i> | (1.00) | (243,009) | - | (243,009) | - |
| <i>Budget Mitigation: IT Service Management Reduction</i> | (1.00) | (253,231) | - | (253,231) | - |
| <i>Budget Mitigation: Assistant Director Reduction</i> | - | (257,151) | - | (257,151) | - |
| <i>Budget Mitigation: Network and Security Reduction</i> | - | - | (1,438,482) | (1,438,482) | - |
| <i>Budget Mitigation: Reduced Contract Costs</i> | - | - | (1,422,413) | (1,422,413) | - |
| <i>Budget Mitigation: Delayed Procurement of Services</i> | - | - | (355,000) | (355,000) | - |
| <i>Budget Mitigation: Reduction of Legacy Applications</i> | - | - | (320,180) | (320,180) | - |
| <i>Budget Mitigation: Reduction of Services</i> | - | - | (216,000) | (216,000) | - |
| <i>Budget Mitigation: Services Included in other Contracts</i> | - | - | (112,000) | (112,000) | - |
| <i>Budget Mitigation: Right-sizing of Licenses</i> | - | - | (28,000) | (28,000) | - |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 1,125,014 | - | 1,125,014 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (375,049) | (375,049) | (1,181,000) |
| <i>Employ and Empower Interns (maintain)</i> | - | (17,514) | - | (17,514) | (17,574) |
| FY 2027 Proposed Budget | 45.00 | \$ 11,294,528 | \$ 71,277,101 | \$ 82,571,629 | \$ 82,616,223 |
| Difference from 2026 to 2027 | (4.00) | \$ (45,008) | \$ (2,068,104) | \$ (2,113,112) | \$ (1,198,574) |

- Financial & Support Services
- Information Technology
- IT Contract Management
- Service Management Office

Also included in the IT Fund are Citywide information technology support contracts, technology, and licensing. The costs incurred in this fund are allocated to City departments. In the Fiscal Year 2027 Proposed Budget, a total of \$83.9 million is allocated to departments, with \$47.8 million, or 57.0%, allocated to the General Fund. This is an increase of \$1.1 million when compared to FY 2026, which is primarily driven by an increase in IT Application Services. In the Proposed Budget, licenses for Salesforce (which provides the digital infrastructure to run the City's Get It Done application) were added to the non-discretionary allocation for IT Application Services. Please note, the non-discretionary allocations for the IT Fund have not been updated to reflect the adjustments included in the IT Fund's proposed budget. The Department is currently working to reconcile these costs. As a result of that analysis, non-discretionary allocations for

departments and IT Fund revenue are expected to be updated in the May Revision.

The FY 2027 Proposed Budget for the IT Fund is approximately \$82.6 million, as shown in the table below. This is a decrease of \$2.1 million or 2.5% from the FY 2026 Adopted Budget. Budgeted staffing levels are expected to decrease by 4.00 FTE positions, from 49.00 FTE in FY 2026, to 45.00 in FY 2027. The IT Fund is currently budgeted to receive \$82.6 million in reimbursable revenue, which is a reduction of \$1.2 million, or 1.4%, from FY 2026. This is \$45,000 more than budgeted expenditures; however, as noted earlier, revenues are expected to change in the May Revision due to planned updates to the IT Fund's non-discretionary allocations.

Significant Budget Additions

The FY 2027 Proposed Budget includes \$4.1 million in significant budget additions, which are discussed in more detail below:

\$335,000, 1.00 FTE – Transfer of Public Records Act Team from Communications. The Proposed Budget includes the transfer of 1.00

Department Review: Dept of Information Technology

Program Coordinator from the Public Records Act (PRA) Team in the Communications Department. This transfer includes \$335,000 in associated personnel expenditures. Please see the *Issues for Council Consideration* section for additional information about this transfer.

\$177,000, 1.00 FTE – Transfer of Program Manager from Compliance. The Proposed Budget includes the transfer of 1.00 Program Manager from the Compliance Department. This transfer includes \$177,000 in associated personnel expenditures. According to the Proposed Budget document, this position is intended to provide IT support. Please see the *Issues for Council Consideration* section for additional information about this adjustment.

(\$109,000), 1.00 FTE – Insourcing of Cybersecurity Support. The Proposed Budget includes a budget mitigation that adds 1.00 Program Coordinator and \$232,000 in personnel expenditures, which is offset by the reduction of \$341,000 in contractual cyber security services. This goal of this adjustment is to in-source cybersecurity engineering duties that have previously been contracted out.

\$2.4 million – Contractual Increases. The Proposed Budget includes a \$2.4 million increase for contractual obligations. These include the following increases:

- \$1.1 million for Microsoft licensing, which includes Word, Excel, Outlook, Teams, SharePoint, Email Exchange Services, Active Directory, and OneDrive cloud storage.
- \$896,000 for the centralization of Salesforce licensing, maintenance and development (which supports the City's Get it Done application).
- \$208,000 for digital productivity tools like Adobe, Smartsheets, and Google Suite.
- \$206,000 for the City's IT Service Management System (ServiceNow).

\$1.1 million – Salary and Benefit Adjustments. The Proposed Budget includes \$1.1 million in personnel expenditure additions related to salary and benefit adjustments in the IT Fund. This includes an increase of \$592,000 in budgeted personnel expenditure savings. Budgeted personnel expenditure savings is used as a tool to reallocate resources that are projected to remain unspent due to historical vacancies and attrition rates (among other factors). Because these adjustments reduce a department's overall budget, and this year's reduction is \$0 and last year's reduction was (\$592,000), the change between the two fiscal years appears as an increase.

\$173,000 – Service Level Agreement with City Attorney's Office. This adjustment includes a \$173,000 increase to better align the budget for services provided by the City Attorney's Office to the IT Fund.

Significant Budget Reductions

The FY 2027 Proposed Budget for the IT Fund includes \$6.2 million in budget reductions. The significant reductions are discussed in more detail below:

(\$1.1 million, 5.00 FTE) - Transfer of Web Team to Performance & Analytics. This adjustment includes the transfer of 4.00 Information Systems Analysts 3s, 1.00 Program Manager, and \$1.1 million in expenditures. For additional information about the restructuring of the Web Team, please see the Performance and Analytics section of this report.

(\$243,000, 1.00 FTE) - Budget Mitigation: AI Program Manager Reduction. The Proposed Budget reduces 1.00 vacant Program Manager that was intended to lead artificial intelligence (AI) strategy, governance, and implementation efforts. This reduction could delay the development, oversight, and support of AI projects, and the Department indicated it may need to outsource some of this work.

(\$253,000, 1.00 FTE) – Budget Mitigation: IT Service Management Reduction. The

Department Review: Dept of Information Technology

Proposed Budget reduces 1.00 vacant Program Manager position that oversees the City's ServiceNow contract. Without this role, maintenance and improvements to ServiceNow may be delayed, and the Department may need to outsource some tasks.

(\$257,000) – Budget Mitigation: Assistant Director Reduction. This position was created in FY 2023 to provide back up and support for the Department Director, but has been held vacant to reduce costs. Of note, this adjustment does not reduce the budgeted position, but instead reduces the Department's salary budget by \$257,000.

(\$1.4 million) – Budget Mitigation: Network and Security Reductions. The Proposed Budget includes \$1.4 million in reductions to various network improvements and security tools. According to the Department, system redundancies will be used to minimize the risk of these reductions.

Also impacted on a one-time basis are network modernization and security improvements, voice and network security contractual services, and the replacement of hardware that supports the network's infrastructure. The Department noted that any deferred modernization and equipment replacement will need to be completed in subsequent years.

(\$1.4 million) – Budget Mitigation: Reduced Contract Costs. The Proposed Budget also reduces \$1.4 million in contractual expenditures for various contracts. These include:

- One-time reductions for the deferral of innovation and modernization initiatives for automation, enterprise compute services, and workplace services.
- One-time deferral of the replacement of aging data storage hardware.
- Delay of operational improvements (e.g., migration of applications to the cloud, updating wireless access points, and upgrades to device infrastructure).

- Reductions for uninterrupted power supply (UPS) services.

As noted earlier, these reductions were proposed to help the City meet its budget reduction targets for FY 2027, but the modernization and equipment replacement will be needed in subsequent years.

(\$355,000) – Budget Mitigation: Delayed Procurement of Services. This reduction includes a one-time reduction for cloud computing, and is based on recent usage patterns and updated procurement timelines.

(\$320,000) – Budget Mitigation: Reduction of Legacy Applications. The Proposed Budget includes reductions to call center software, Java licenses, and data storage systems. According to the Department, these are legacy programs and infrastructure that are in the process of being phased out.

(\$216,000) – Budget Mitigation: Reduction of Services. The Proposed Budget eliminates the budget for Grammarly licenses (a writing assistance tool).

(\$112,000) – Budget Mitigation: Services Included in other Contracts. This adjustment reduces cloud computing storage costs that are now bundled into other City IT contracts.

(\$28,000) – Budget Mitigation: Right-sizing of Licenses. This adjustment will reduce the number of PowerBI licenses available to support data analytics and visualization tools.

While many of these reductions are contemplated on a one-time basis, we would caution that deferring modernization and equipment replacement for multiple years in a row could have significant risks and higher costs in the long run.

OneSD Support Fund

The OneSD Support Fund is responsible for ongoing technical support, maintenance, and management of the City's Enterprise Resource Planning (ERP) system, SAP. The

Department Review: Dept of Information Technology

costs associated with SAP are allocated to City departments, with each department’s allocation varying by the types of SAP programs used, the number of FTE positions in each department, and each department’s budget. In the FY 2027 Proposed Budget, a total of \$30.9 million is allocated to departments, with \$11.5 million, or 37.1%, allocated to the General Fund. This is an increase of \$3.0 million overall (and a \$608,000 increase in the General Fund) when compared to FY 2026. This increase is primarily due to the use of fund balance in FY 2026 to reduce the cost of these services for departments. The non-discretionary ERP support allocation has not yet been updated to reflect the adjustments in the OneSD Fund’s proposed budget. DoIT is reviewing these costs now, and updated allocations and revenues are expected in the May Revision.

As summarized in the table below, the FY 2027 Proposed Budget for the OneSD Support Fund is \$33.4 million, which is an increase of \$2.5 million, or 8.0%, from the FY 2026 Adopted Budget. This increase is primarily due to additional expenditures for the ERP modernization effort. The OneSD Support Fund has 29.00 FTE positions in the Proposed Budget, which is a decrease of 0.15 FTE from the prior year due to the reduction of Employ and Empower interns. The OneSD Support Fund has reimbursable revenue of \$30.9 million, which is an increase of 2.9 million, or 10.4% from the FY 2026 Adopted Budget. This increase is due to the one-time use of fund balance in FY 2026 to reduce the cost of

ERP support for departments. Of note, the Proposed Budget includes expenditures that exceed revenues by \$2.6 million, which would require the use of fund balance to support. The revenue and expense statement in the Proposed Budget, which incorporates projections from the FY 2026 Mid-Year Report reflects that there may be funding available to support that difference. However, the non-discretionary ERP support allocation has not been updated yet to reflect the OneSD Fund’s proposed budget, so the fund’s revenues may change as part of this reconciliation in the May Revision.

Significant Budget Additions

The FY 2026 Proposed Budget includes approximately \$4.9 million in non-personnel expenditures associated with the ERP modernization effort, and other contractual increases. Additional information about these additions is included below:

\$3.9 million – ERP Modernization. The Proposed Budget includes \$6.9 million in one-time non-personnel expenditures for the modernization of the City's current ERP system. This is offset by the ongoing reduction of \$3.0 million which was added in the FY 2026 Adopted Budget for this project. Moving forward, the cash-funded amount required for modernization in each fiscal year will be requested as a one-time addition and subsequently transferred to the CIP. Please see *Issues for Council Consideration* section for additional information about the ERP modernization effort.

| SUMMARY OF ONESD FUND BUDGET CHANGES | | | | | |
|---|---------------|---------------------|----------------------|----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 29.15 | \$ 7,844,832 | \$ 23,109,706 | \$ 30,954,538 | \$ 27,955,462 |
| Programmatic Changes | | | | | |
| <i>ERP Modernization Effort</i> | - | - | 3,892,075 | 3,892,075 | - |
| <i>Contractual Increases</i> | - | - | 710,000 | 710,000 | - |
| <i>Budget Mitigation: SAP Consulting Services Reduction</i> | - | - | (1,500,000) | (1,500,000) | - |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | (559,130) | - | (559,130) | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (61,662) | (61,662) | 2,915,000 |
| <i>Employ and Empower Intern (reduction)</i> | (0.15) | (8,089) | - | (8,089) | (8,094) |
| FY 2027 Proposed Budget | 29.00 | \$ 7,277,613 | \$ 26,150,119 | \$ 33,427,732 | \$ 30,862,368 |
| Difference from 2026 to 2027 | (0.15) | \$ (567,219) | \$ 3,040,413 | \$ 2,473,194 | \$ 2,906,906 |

Department Review: Dept of Information Technology

Additional equity implications related to this adjustment are included later in this department review.

\$710,000 – Contractual Increases. This addition includes funding for the following increases:

- \$275,000 for SAP, the City's ERP software.
- \$135,000 for EUNA, the City's budget development and monitoring application.
- \$130,000 for BlueWorx, which is an Enterprise Asset Management mobile application.
- \$170,000 for NeoGov, which is the City's online recruitment, applicant tracking, and hiring platform.

Significant Budget Reductions

The FY 2027 Proposed Budget also includes \$2.1 million in reductions that partially offset the increases noted in the previous section. The largest reduction included in the proposed budget is \$1.5 million for SAP Consulting Services. The Department uses its SAP consulting services budget to support maintenance, functionality, enhancements, design changes and break-fix updates for a variety of modules (e.g., modules that support logistics, contract management, purchase order processing, enterprise asset management, mobility, GIS, and human capital management). The \$1.5 million cut would reduce OneSD's budget for these services from \$9.5 million to \$8.0 million in FY 2027. According to the Department, it plans to prioritize the most critical

updates, including break-fixes, mandated/compliance related updates, and will likely delay some planned efficiency and enhancement projects.

Other reductions include:

- (\$559,000) in salary and benefits due to changes in retirement contributions and an increase in the amount of budgeted personnel expenditure savings (BPES) that is included in the Fund for next year. Because BPES reduces a department's overall budget, and this year's reduction is (\$500,000) and last year's reduction was (\$312,000), the change between the two fiscal years appears as a reduction of (\$189,000).
- (\$62,000) in non-discretionary adjustments.
- (\$8,000, 0.15 FTE) associated with the removal of Employ and Empower interns from the OneSD fund in FY 2027.

Wireless Communications Technology Fund

The Wireless Communication Technology Fund supports radio services to more than 3,000 first responders in the Police and Fire-Rescue Departments and supports 22 radio sites along with mountaintop towers in San Diego County. The Wireless Division also installs radio equipment in public safety and City vehicles, and provides cabling services citywide. Costs are allocated to City departments that use the public safety radio system.

| SUMMARY OF WIRELESS COMMUNICATIONS FUND BUDGET CHANGES | | | | | |
|--|--------------|---------------------|---------------------|----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 40.00 | \$ 7,504,182 | \$ 5,077,083 | \$ 12,581,265 | \$ 12,125,011 |
| Programmatic Changes | | | | | |
| <i>Public Safety Wireless Radio System</i> | - | - | 500,000 | 500,000 | - |
| <i>Security Services</i> | - | - | 56,000 | 56,000 | - |
| <i>Revenue for Cabling Services</i> | - | - | - | - | (70,000) |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 66,306 | - | 66,306 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (117,185) | (117,185) | 425,000 |
| FY 2027 Proposed Budget | 40.00 | \$ 7,570,488 | \$ 5,515,898 | \$ 13,086,386 | \$ 12,480,011 |
| Difference from 2026 to 2027 | - | \$ 66,306 | \$ 438,815 | \$ 505,121 | \$ 355,000 |

Department Review: Dept of Information Technology

In the FY 2027 Proposed Budget, a total of \$11.7 million is allocated to departments, with \$9.3 million, or 79.4%, allocated to the General Fund. This is an increase of \$456,000 overall (a \$504,000 increase in the General Fund, offset by a reduction of \$48,000 in non-general funds) when compared to FY 2026. This increase is primarily due to the use of fund balance in FY 2026 to reduce the cost of these services for departments. Of note, the Wireless Division worked with customer departments to update their radio inventories, which had an impact on some of the department-specific allocations. For example, some departments received new radios (e.g., Fire-Rescue received 663 additional radios in FY 2026), and others returned spare radios that were no longer needed (e.g. Police returned 374 spare radios).

The FY 2027 Proposed Budget for this fund is approximately \$13.1 million, which is an increase of \$505,000, or 4.0% from the FY 2026 Adopted Budget. FTE positions for the Wireless Fund remain unchanged at 40.00. The Proposed Budget includes reimbursable revenue of \$12.5 million, which is an increase of \$355,000, or 2.9%.

Of note, in the Proposed Budget expenditures exceed revenues by \$606,000, which would require the use of fund balance. However, the revenue and expense statement in the Proposed Budget, which incorporates projections from the FY 2026 Mid-Year Report, reflects a negative ending fund balance of \$198,000 at the end of FY 2027. The Department anticipates this will be resolved in the May Revision when the non-discretionary allocation for Wireless Communication support is updated.

Significant Budget Additions

The FY 2027 Proposed Budget includes the following additions:

\$500,000 – Public Safety Wireless Radio System Support. This addition is for contractual increases in the Motorola contract, which provides radio network interoperability

communications equipment, as well as operational support for the City’s emergency public radio system and emergency dispatch centers.

\$56,000 – for Security Services at the 20th and B Operations Yard. This budget was eliminated in FY 2026, but restoration is needed to support the continued provision of these services.

The Proposed Budget also includes \$66,000 in salary and benefit adjustments, and the restoration of revenue that was reduced in FY 2026 when one-time fund balance was used to reduce the cost of wireless services for departments.

Significant Budget Reductions

The Proposed Budget for the Wireless Communications Technology Fund includes a reduction of \$70,000 in revenue associated with fewer requests for cabling services. Additionally, there is a \$117,000 reduction in non-discretionary adjustments, primarily due to changes in the IT services transfer allocation.

Issues for Council Consideration

ERP Modernization Project

As the Department of IT noted in its [March presentation to the Budget and Government Efficiency Committee](#), the City’s ERP system, SAP, will no longer be supported after December 2030. The City’s ERP system is critical to City operations because it supports a variety of functions including: development and monitoring of the City’s annual budget, financial statements, personnel and human resource processes, timekeeping and payroll, employee benefits, procurement, contract management, accounts payable and receivable, water billing, grant management, and infrastructure/enterprise asset management. The City is planning to move its ERP system to a cloud-based model, SAP S/4 HANA.

The FY 2027 Proposed Budget includes \$20.5 million in anticipated funding for the ERP

Department Review: Dept of Information Technology

| ERP MODERNIZATION COSTS INCLUDED IN THE PROPOSED BUDGET (\$ IN MILLIONS) | | | | | |
|--|---------------|-------------------|----------------|--------------------------|-------------------------------|
| Funding Source | General Fund | Non-General Funds | Total | General Fund Portion (%) | Non-General Funds Portion (%) |
| Cash | \$ 1.4 | \$ 5.4 | \$ 6.9 | 20.9% | 79.1% |
| Debt | 7.6 | 6.1 | 13.7 | 55.6% | 44.4% |
| Total | \$ 9.0 | \$ 11.5 | \$ 20.5 | 44.0% | 56.0% |

modernization effort. As reflected in the table above, \$6.9 million is expected to be cash funded, while \$13.7 million is assumed to be debt financed. The cash-funded portion is included in the OneSD Fund’s proposed budget, as was noted earlier.

The ERP modernization is a multi-year process, and costs are expected to total \$178.3 million, including \$78.5 million from the General Fund. The table below outlines the anticipated project costs from FY 2027-FY 2030.

In addition to the costs associated with system itself, there are staffing impacts that are not included in these totals. For instance, the ERP replacement will require significant support from City staff to ensure the new system is implemented according to the City’s needs. Early estimates include the assumption that 40.00 FTEs in DoIT and 59.00 FTEs in other departments will participate (at least partially) in the implementation effort. Backfilling these employees in impacted departments will also likely be required to ensure continuity of City operations. The backfilling of staff, which may be needed as early as FY 2027, is not included in the Proposed Budget. ***Because staffing impacts from this project will likely begin in FY 2027, and the FY 2027 Proposed Budget includes notable reductions in staff, Council may want to request an update about the staffing plan for the ERP modernization effort.***

Restructure of Public Records Act (PRA) Team

As noted in the Communications Department section of this report, the PRA program is proposed to be transferred from the Communications Department to the IT Fund. Of the 4.00 FTE positions currently budgeted for the program, 2.00 FTE positions are proposed for reduction in the Communications Department, 1.00 Program Coordinator was moved to the IT Fund, and 1.00 Program Manager remains in the Communications Department, but is expected to be transferred in the May Revise.

At the time this report was issued, the Department of IT was still working with the Communications Department on a transition plan for these services, and was unable to answer our questions about whether the \$70,000 budget for NextRequest would be transferred to DoIT as well, and if the reduction of the 2.00 FTE in Communications Department would hinder IT’s ability to meet the City’s statutory requirements for PRAs. ***Council may want to ask for an update about these items.***

Restructure of Program Manager from Compliance

As noted earlier in this section, 1.00 Program Manager will be transferred from the Compliance Department (General Fund) to the IT Fund. According to the Proposed Budget, this position is intended to provide IT support. The position was originally added to the Compliance Department to support the Surveillance Ordinance; however, in recent years this

| ERP MODERNIZATION PROJECTED COSTS (\$ IN MILLIONS) | | | | | |
|--|----------------|----------------|----------------|----------------|-----------------|
| Funding Source | FY 2027 | FY 2028 | FY 2029 | FY 2030 | TOTAL |
| General Fund | \$ 9.0 | \$ 26.8 | \$ 27.2 | \$ 15.5 | \$ 78.5 |
| Non-General Funds | \$ 11.5 | \$ 34.1 | \$ 34.6 | \$ 19.7 | \$ 99.9 |
| Total | \$ 20.5 | \$ 60.9 | \$ 61.8 | \$ 35.2 | \$ 178.3 |

Department Review: Dept of Information Technology

position has been occupied by the Mayor's City Council Affairs Advisor. According to the Mayor's Office, this position was previously budgeted within Compliance and filled by a staff member within the Mayor's Office organizational structure due to the political nature of the work and the nexus with public safety. In addition to serving in Mayor's Office roles, this position coordinates with departments on surveillance use policies, impact reports, and annual surveillance reports; and helps departments navigate the public review process of their technologies.

DRE Budget Equity Implications

The following adjustments have equity implications:

\$131,000 – Mobile Hotspot Funding Swap¹

This \$131,000 reduction is ongoing within the budget system and is currently sustained by an alternative funding source. Because this structure relies on continued Public, Education, and Government (PEG) Fund support, the program remains exposed to risk if that funding is not available in future years. Without a stable replacement, the reduction would constrain the City's capacity to provide mobile hotspots to digitally excluded populations (DEPAs), low-income households, students, and unhoused residents who rely on City-funded connectivity to access employment services, healthcare portals, benefit applications, education tools, and communication with case managers.

Hotspot programs have been critical for bridging digital inequities across the City, particularly in neighborhoods without reliable home broadband. The ongoing nature of this reduction highlights the need for a dependable funding pathway to prevent further widening

of the digital divide.

\$90,000 – Employ and Empower Program Support²

Adding 2.00 interns and \$90,000 in personnel expenditures directly expands capacity for the City's Digital Equity Program, which serves residents in Digital Equity Priority Areas (DEPAs), including low-income households, seniors, unhoused residents, immigrant communities, and individuals lacking broadband access. Interns support hotspot lending, device distribution, digital literacy workshops, community outreach, and navigation assistance for essential digital services such as housing applications, employment portals, and benefit enrollment.

This investment directly advances the City's digital inclusion goals by increasing the number of residents who can access critical online systems without cost barriers. Expanded staff capacity also strengthens community partnerships and increases the City's ability to close digital equity gaps at the neighborhood level.

(\$257,000) – Assistant Director Reduction³

The elimination of the Assistant Director position (\$257,000) removes a key leadership layer responsible for department-wide strategy, contract compliance, risk monitoring, and cross-department integration. This role provides oversight for major initiatives that directly influence service equity, including cybersecurity investments, enterprise system upgrades, multidepartment procurement coordination, and long-term technology planning.

Without an Assistant Director guiding strategy, DoIT risks slower decision making, reduced oversight of critical vendor contracts, and diminished ability to anticipate cross-system impacts on underserved communities.

¹ This adjustment relates to DoT's Tactical Equity Plan (TEP) Goals 1 and 3 and TEP Objectives 1.1 and 3.1.

² This adjustment relates to DoT's Tactical Equity Plan (TEP) Goals 1 and 3 and TEP Objectives 1.1 and 3.1.

³ This adjustment relates to DoT's Tactical Equity Plan (TEP) Goals 2 and 4 and TEP Objectives 2.3 and 4.1.

Department Review: Dept of Information Technology

Leadership reductions also weaken the department's capacity to coordinate equity-centered improvements across large systems such as SAP, ServiceNow, GID, GIS, and cloud platforms—creating long-term risks for service consistency and digital equity citywide.

\$3.9 million – ERP Modernization⁴

The \$3.9 million investment strengthens the City's capacity to deliver services equitably by modernizing the tools that support payroll, benefits, procurement, billing, and other staff-facing processes that have significant downstream impacts on residents. A modern enterprise resource planning (ERP) platform will improve system stability, mobile accessibility, data transparency, and equity-focused reporting metrics that shape budget allocation and service prioritization citywide.

Because ERP modernization requires substantial participation from departmental staff during implementation, ensuring sufficient back-fill is also important to prevent service delays that would disproportionately burden residents who rely most on timely City support. Strengthening the ERP environment helps reduce these risks and supports more reliable, equitable service delivery across departments.

Investing early avoids catastrophic failures or outages that would disproportionately impact frontline workers and residents reliant on consistent billing, customer service, and benefit processing. A modern ERP system also unlocks the ability to measure neighborhood-level disparities more effectively, strengthen data governance, and enhance cross-department coordination.

⁴ This adjustment relates to DoT's Tactical Equity Plan (TEP) Goals 1, 2, and 4 and TEP Objectives 1.1, 2.3, and 4.3.

Department Review: Development Services

Development Services

The Development Services Department (DSD) performs review, permit, inspection, and code enforcement services for private and public development projects throughout the City. The Department is supported by three main funding sources: the City General Fund, the Development Services Department Enterprise Fund (Development Services Fund), and the Local Enforcement Agency Fund.

The General Fund supports the Building and Land Use Enforcement Division responsible for investigating and enforcing code violations. Code enforcement penalties go into the Civil Penalty Fund, which can in turn support some code enforcement activities.

The Development Services Fund supports development plan review, permit, and inspection services for private and public development projects. The fund is supported by revenue from user fees to ensure full cost recovery for all services related to processing land development applications.

The Local Enforcement Agency Fund is supported by landfill fees and State grants that fund inspection and enforcement of waste disposal.

Impacts of the Mayor’s FY 2027 Budget Proposal

The FY 2027 Proposed Budget for the Development Services Department (DSD) includes approximately \$169.5 million in expenditures, an increase of \$11.7 million, or 7.4%, from the FY 2026 Adopted Budget, and 716.59 FTEs, a decrease of 5.41 FTEs from the FY 2026 Adopted Budget, as shown in the

table below. Revenues are projected to total approximately \$157.5 million, an increase of \$10.7 million, or 7.3%, from the FY 2026 Adopted Budget.

Given the Department’s varied responsibilities and funding sources, the Department is organized into nine primary divisions supported by three separate funds. The analysis of the FY 2027 Proposed Budget in this section is organized by fund.

General Fund

The FY 2027 Proposed Budget for DSD’s General Fund expenditures totals \$11.6 million, a decrease of \$990,000 or 7.9% from the FY 2026 Adopted Budget, as shown in the table on the next page. Revenues are projected at \$1.1 million, a decrease of \$558,000 relative to FY 2026. DSD’s General Fund-supported FTEs are budgeted at 66.00, a decrease of 7.00 FTEs, or 9.6%, relative to FY 2026.

Significant Budget Additions

\$49,000 – Mission Valley Facility Maintenance

The Proposed Budget includes a total of \$285,000 across the Department’s three funding sources to support routine maintenance costs at the DSD Mission Valley offices, of which \$49,000 is charged to the General Fund. Proposed expenditures include contracts for security services, janitorial maintenance, and facility management services to be awarded following a Request for Proposal (RFP) process. Annual license renewals for various building systems, such as

| SUMMARY OF DEVELOPMENT SERVICES DEPARTMENT BUDGET CHANGES | | | | | | |
|---|---------------|---------------|---------------|-----------------------|-----------------------|----------------------|
| Fund | FY 2026 FTEs | FY 2027 FTEs | Change | FY 2026 Expense | FY 2027 Expense | Change |
| General Fund | 73.00 | 66.00 | (7.00) | \$ 12,557,937 | \$ 11,567,728 | \$ (990,209) |
| Development Services Fund | 644.00 | 645.59 | 1.59 | 144,014,897 | 156,660,402 | 12,645,505 |
| Local Enforcement Agency Fund | 5.00 | 5.00 | - | 1,189,427 | 1,227,821 | 38,394 |
| Department Total | 722.00 | 716.59 | (5.41) | \$ 157,762,261 | \$ 169,455,951 | \$ 11,693,690 |

Department Review: Development Services

HVAC/building management, door access, interior cellular coverage, and back-up power systems, are also included. Maintenance costs are divided among the Department’s three funds in proportion to FTE.

Significant Budget Reductions

As part of the FY 2027 Proposed Budget process, departments were directed to propose reductions to meet General Fund reduction targets, which for DSD was \$878,000, equal to 7.0% of the Department’s FY 2026 General Fund Adopted Budget. To meet the reduction target, the FY 2027 Proposed Budget includes:

(\$1.1 million, 7.00 FTEs) – Budget Mitigation: Reduction of Building and Zoning Enforcement

As a budget mitigation measure, the FY 2027 Proposed Budget eliminates 7.00 FTEs and \$1.1 million in associated expenditures from the Building and Zoning Enforcement Sections. The reductions include 4.00 Zoning Investigator 2s, 1.00 Combination Inspector, 1.00 Administrative Aide, and 1.00 Public Information Aide. Of the proposed eliminations, 4.00 Zoning Investigator 2 positions are currently filled, while the remaining positions are vacant. The impact of the proposed reductions on DSD code enforcement will be discussed under “Issues for Council Consideration” later in this section. *Additional equity implications related to this adjustment are included later in this department review.*

Significant Revenue Additions

\$139,000 – Revenue from Civil Penalty Fund

The Proposed Budget includes an ongoing transfer of \$139,000 from the Civil Penalty Fund to support code enforcement activities in DSD. This revenue covers expenses related to administrative enforcement hearings and services to support investigations, such as access to property data and title record databases. The Civil Penalties Fund currently lacks the available fund balance to support the proposed FY 2027 drawdowns—Zoning Enforcement reductions that occurred as part of the FY 2026 budget mitigations likely contributed to reduced revenue collections. Our Office, along with the Department of Finance, will continue monitoring the Fund.

As noted in the *Department Review: City Attorney* section, the City Attorney’s Office is exploring reimbursing eligible code enforcement activities using Business and Professions Code 17200 funds (B&P funds) to offset General Fund expenditures as a budget mitigation for the Office. When the City is awarded judgments in consumer protection cases, deposits are made into the fund, which can vary year to year. At the time of this writing, the B&P fund balance is approximately \$5.1 million.

| SUMMARY OF DSD BUDGET CHANGES - GENERAL FUND | | | | | |
|--|---------------|----------------------|--------------------|----------------------|---------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 73.00 | \$ 11,580,531 | \$ 977,406 | \$ 12,557,937 | \$ 1,625,065 |
| Programmatic Changes | | | | | |
| <i>Mitigation: Building & Zoning Enforcement Reduction</i> | (7.00) | (1,072,830) | (50,139) | (1,122,969) | - |
| <i>Mission Valley Facility Maintenance</i> | - | - | 48,624 | 48,624 | - |
| <i>Revenue from Civil Penalty Fund</i> | - | - | - | - | 138,825 |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 166,637 | - | 166,637 | - |
| <i>Non-Discretionary Adjustments incl. IT adjustments</i> | - | - | (82,501) | (82,501) | - |
| <i>Removal of FY 2026 One-Time Civil Penalty Funds</i> | - | - | - | - | (696,922) |
| FY 2027 Proposed Budget | 66.00 | \$ 10,674,338 | \$ 893,390 | \$ 11,567,728 | \$ 1,066,968 |
| Difference from 2026 to 2027 | (7.00) | \$ (906,193) | \$ (84,016) | \$ (990,209) | \$ (558,097) |

Office of the Independent Budget Analyst
April 2026

Department Review: Development Services

Issues for Council Consideration

Unfunded Requests

The Department requested the addition of 1.00 Development Services Permit Technician and \$91,000 in related personnel expenditures to support more timely responses to increases in Public Records Act (PRA) requests and other record requests directed to the Building and Land Use Enforcement (BLUE) Division. For instance, PRAs for the Division increased by 28.1% from 448 in 2024 to 574 in 2025, although DSD indicated these are undercounts based on tracking limitations. Additional context for the recent increase in records requests can be found later in this section.

Code Enforcement Reductions

The proposed elimination of 4.00 Zoning Investigator 2s would mainly affect DSD's ability to enforce zoning and land use codes and investigate publicly driven complaints regarding possible code violations. Following FY 2026 staffing reductions, the Zoning Enforcement Section consists of four teams, each with one Senior Zoning Investigator leading six to seven Zoning Investigator 2s. Currently, the Department lacks staffing capacity to respond to the lowest priority cases ([Priority III](#)), which are considered to have an adverse impact on quality of life but do not pose imminent life safety risks. Examples of these complaints include unpermitted businesses, construction, demolition, and dwelling units, as well as building, electrical, plumbing, and mechanical violations. Members of the public reporting a concern under this lowest priority are informed that the Department is unable to investigate such matters.

With the proposed reduction of 4.00 Zoning Investigator 2s, the Department expects capacity to enforce and investigate lower priority cases for significant code violations (Priority II) will be reduced and enforcement will be slower. Violations in this priority level

include abandoned properties, disturbance of environmental resources, historic sites, and unpermitted grading. An estimated 185 cases are currently active under this priority level, with BLUE response times averaging nine days, compared to a target response of five days.

Additionally, the elimination of 1.00 Combination Inspector could contribute to some increased response times for building code violation cases. Combination Inspectors focus on higher priority State Building Code and Sub-Standard Housing issues, with substandard housing violations remaining a top priority for enforcement.

The proposed reductions could also indirectly reduce DSD permit and Civil Penalties Fund revenue, to the extent revenue is generated from building and zoning enforcement that will no longer occur. For instance, the average monthly revenue collected by the Civil Penalties Fund decreased by 65.2% thus far in FY 2026 (\$24,000 per month) compared to FY 2025 (\$71,000 per month). Reduced revenue in turn affects funding available to support DSD operations.

Council may wish to better understand the implications of proposed Building and Zoning Enforcement reductions, including on enforcement of significant code violations and potential effects on revenue generation.

As personnel costs typically account for the majority of DSD General Fund expenditures (92.2% in FY 2026), any sizeable reductions to the Department would likely reduce staffing. Discretionary non-personnel expenditures make up only 2.0% of the DSD General Fund budget (\$234,000 in FY 2026).

Development Services Fund

The FY 2027 Proposed Budget for the Development Services Fund includes \$156.7 million in expenditures and 645.59 FTEs.

Department Review: Development Services

Compared to the FY 2026 Adopted Budget, this is an increase of \$12.6 million or 8.8% in expenditures and an increase of 1.59 FTEs, as shown in the table below. The increase is driven by salary and benefit increases, as well as several technology-related activities. Revenues are projected to total \$155.2 million, an increase of \$11.1 million over FY 2026.

Significant Budget Additions

\$2.3 million – Online Permitting Systems RFP Implementation and Renewals

The Proposed Budget provides \$2.3 million to ensure continuity in online permitting operations. The contract for the current online permitting system, Accela, was set to expire in September 2025 before it was renewed by Council in July 2025 for up to three years through September 2028. Accela’s two companion systems, ePlansoft and Carahsoft/GovPath, are expiring in calendar year 2026. DSD plans to issue an RFP in July 2026 to award a new online permitting contract. Of this amount, \$2.0 million supports RFP implementation and is available to extend current contracts as needed or fund initial encumbrances for a new contract if awarded in FY 2027. The remaining \$330,000 is budgeted for contractual increases for renewing Accela and

its companion systems in FY 2027, as well as an increase in license counts compared to the prior year. The Accela contract reflects a 4.0% increase from the prior year, and the ePlansoft contract reflects a 5.0% increase.

Accela is currently used to manage DSD’s permitting and development functions, including review, issuance, inspection, and code enforcement activities. The companion systems provide online plan review and systems maintenance and support.

As presented during the [March 5th](#) Land Use and Housing Committee meeting, DSD is prioritizing specific features in a new system include ease of configuration, improved reporting features, integration with existing City systems, artificial intelligence capabilities, and more intuitive design. The Department contemplates different timeline scenarios depending on whether the contract is awarded to Accela or a different platform, whereby a longer transition would be needed. According to the Department, the \$2.0 million budgeted provides capacity to move forward with RFP implementation and provide continuity of services under either scenario.

| SUMMARY OF DSD BUDGET CHANGES - DEVELOPMENT SERVICES FUND | | | | | |
|--|---------------|-----------------------|----------------------|-----------------------|-----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 644.00 | \$ 122,421,777 | \$ 21,593,120 | \$ 144,014,897 | \$ 144,085,274 |
| Programmatic Changes | | | | | |
| <i>Online Permitting RFP Implementation & Renewals</i> | - | - | 2,330,000 | 2,330,000 | - |
| <i>Overtime: Right-of-Way Night Inspections</i> | - | 600,000 | - | 600,000 | 600,000 |
| <i>Addition of Chief Officer</i> | 0.59 | 440,855 | - | 440,855 | - |
| <i>Permit Fee Calculator Implementation</i> | - | - | 250,000 | 250,000 | - |
| <i>Mission Valley Facility Maintenance</i> | - | - | 232,147 | 232,147 | - |
| <i>IT Equipment Replacement</i> | - | - | 200,000 | 200,000 | - |
| <i>Development Services Permit Technician</i> | 1.00 | 90,745 | - | 90,745 | - |
| <i>Budget Mitigation: Reclassification of 2.00 FTEs</i> | - | (357,110) | - | (357,110) | - |
| <i>Right-of-Way Permit & Inspection Reimbursements</i> | - | - | - | - | \$10,065,150 |
| <i>Dynamic Fee Implementation</i> | - | - | - | - | 6,500,000 |
| <i>Remove FY 2026 One-Time: Delay of Records</i> | - | - | 2,000,000 | 2,000,000 | - |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 5,843,271 | - | 5,843,271 | - |
| <i>Non-Discretionary Adjustments incl. IT adjustments</i> | - | - | 924,597 | 924,597 | - |
| <i>Remove Other FY 2026 One-Time Adjustments</i> | - | 100,000 | - | 100,000 | (6,052,802) |
| <i>Supplemental Cost of Living Adjustment</i> | - | - | (9,000) | (9,000) | - |
| FY 2027 Proposed Budget | 645.59 | \$ 129,139,538 | \$ 27,520,864 | \$ 156,660,402 | \$ 155,197,622 |
| Difference from 2026 to 2027 | 1.59 | \$ 6,717,761 | \$ 5,927,744 | \$ 12,645,505 | \$ 11,112,348 |

Department Review: Development Services

\$600,000 – Overtime for Right-of-Way Night Inspections

Overtime is budgeted to increase by \$600,000 for overnight right-of-way (ROW) inspections, along with \$600,000 in associated reimbursement revenue. ROW inspections may be performed overnight to ensure public safety and minimize disruptions, especially in high-traffic areas.

\$441,000, 0.59 FTE – Addition of Chief Officer

The Proposed Budget transfers 0.59 FTE of a Chief Officer, formerly titled Deputy Chief Operating Officer, from the Mayor's Office to DSD, along with \$441,000 in associated personnel expenditures (previously funded by the General Fund) to be funded by the Development Services Fund.

More information on similar additions can be found in the *Department Review: Office of the Mayor* section.

\$250,000 – Permit Fee Calculator Implementation (One-Time)

Based on stakeholder demand, the Proposed Budget includes \$250,000 in one-time funding to develop a permit fee calculator tool to help applicants estimate fee costs in real-time as they apply for permits and licenses. The Department is still considering options for implementation, such as purchasing a readily available stand-alone product that can be quickly implemented or incorporating this feature into the upcoming online permitting RFP which would allow the calculator tool to be integrated into the platform but would be dependent on the RFP implementation timeline.

Additional equity implications related to this adjustment are included later in this department review.

\$232,000 – Mission Valley Facility Maintenance

Similar to the budgeted increase for Mission Valley facility maintenance charged to the General Fund previously discussed, the Proposed Budget includes \$232,000 for facility maintenance from the Development Services Fund. This adjustment has equity implications which are further detailed below.

\$200,000 – IT Equipment Replacement

The Proposed Budget includes \$200,000 to routinely replace aging laptops, monitors, and other equipment. The Department typically replaces hardware on a five-year cycle, based on warranty support. Due to reduced discretionary spending and fiscal constraints, DSD suspended regular laptop replacements, but a significant share of laptops was purchased in 2020 with COVID-relief funds and no longer receives warranty support. According to the Department, laptop replacements reduce the risk of significant downtime, loss of productivity, and potential data loss. The Department also indicated completing a purchase of new laptops in FY 2026 in anticipation of price increases and noted this budgeted expenditure will be reduced to \$150,000 in May Revise.

\$91,000, 1.00 FTE – Addition of 1.00 Permit Technician

The Proposed Budget adds 1.00 Development Services Permit Technician and \$91,000 in associated personnel expenditures to support a recent increase in records requests directed to DSD. In large part due to State legislation to streamline and accelerate housing, more projects previously subject to discretionary review, which allows for public input and an appeals process, are now subject to administrative ministerial review. According to the Department, the increase in ministerial review projects has resulted in records requests growing in volume and scope, particularly in relation to legal challenges. In CY2025, the Department received 2,946 total records

Department Review: Development Services

requests, an increase of 24.8% from the prior year. The proposed Technician will act as a main contact for records requests needed for court proceedings and PRA requests related to ministerial review projects.

\$2.0 million – Resume Records Digitization

The Proposed Budget restores \$2.0 million that was removed on a one-time basis in the FY 2026 Adopted Budget as a budget mitigation, delaying DSD’s plans to digitize Land Use and Land Development Records. DSD maintains extensive current and historical building records, plans, land use, and mapping information that project applicants and DSD reviewers may need. Some records are available digitally, but most historical records are only available in physical form. The Department’s digitalization efforts would allow DSD staff to more efficiently retrieve records of interest through searchable digital copies, as opposed to relying on a heavily manual cataloging and index process for older records. Records that have been archived can be particularly time consuming to locate and retrieve. DSD is weighing options for implementation, which could include an RFP for a scanning service separate from storage, indexing, and search.

Significant Budget Reductions

(\$357,000) – Reclassification of 2.00 FTEs

The Proposed Budget includes two DSD reclassifications:

- (\$243,000) – 1.00 Principal Plan Review Specialist (from a Program Manager). The program manager position currently supervises plan review specialists, whereas other plan review specialists in DSD are supervised by a classified principal plan review specialist. This reclassification brings into alignment the supervision of plan review specialists by a principal plan review specialist.

- (\$114,000) – 1.00 Information Systems Analyst 1 (from a Program Coordinator). The Department plans to submit a May Revision adjustment to reclassify to an Information Systems Manager due to the supervisory responsibilities of this position. Associated savings will correspondingly decrease.

Significant Revenue Additions

\$10.1 million – Right-of-Way Permits and Inspections (One-Time)

The Proposed Budget includes \$10.1 million in one-time revenue associated with reimbursable SDG&E ROW permit application submittal, review, inspection, and issuance activities and labor costs completed in FY 2025, consistent with the Franchise Agreement. This represents a \$4.6 million or 66.3% increase from FY 2026 Adopted Budget. In September 2023, DSD began assuming responsibility for ROW permits previously handled by E&CP. The Department indicated that projects continue to transition from E&CP with all new projects starting with DSD. Under the Franchise Agreement, SDG&E pays franchise fees in exchange for the right to operate within the City’s ROW. The Franchise Agreement also requires franchise fee revenue to be credited against the cost of City fees incurred, including those associated with inspection and permitting for SDG&E work in ROW, now mainly handled by DSD. SDG&E does not pay the City permit or inspection fees unless the total fees incurred surpass the franchise payment. Since franchise fees benefit the General Fund, the General Fund therefore pays for DSD’s ROW inspection and permitting fees on behalf of SDG&E.

\$6.5 million – Dynamic Fee Implementation

The Proposed Budget assumes a \$6.5 million revenue increase associated with DSD’s implementation of a dynamic fee model. Effective July 1, 2025, DSD began charging based on the fee schedule in effect at the time

Department Review: Development Services

of invoicing, as opposed to the past practice of locking in fees at application submittal, which did not reflect any subsequent user fee increases. The dynamic fee model allows for increased cost recovery, based on the true cost of service at the time a fee is incurred, and increased revenue. Revenue estimates assume a share of outstanding fees – assessed but not yet invoiced – will be paid in FY 2027 subject to the updated fee schedule. Although the timing of fee invoicing is dependent on project progress and timelines, the Department indicated that current year projections are tracking closely with actuals.

Issues for Council Consideration

Development Services Fund Reserve

With a negative balance of \$17.8 million at the beginning of FY 2026, the Development Services Fund is projected to end FY 2026 at a significantly improved but still negative cash balance of approximately \$5.0 million based on recent projections. Although the Proposed Budget shows FY 2027 Development Services Fund expenditures exceeding revenue by \$1.5 million, the Department plans to include in the May Revision a significant revenue increase associated with a 7.25% increase on DSD user fees effective May 4, 2026. The Department anticipates ending FY 2027 with a slightly positive fund balance and beginning to replenish the Development Services Fund Operating Reserve in the years following – contingent on revenue collection and annual pension payments coming in close to projections.

The FY 2026 Adopted Budget included numerous budget mitigation and revenue generating measures to address a significant structural deficit in the Development Services Fund. In contrast, the Proposed Budget largely resumes Department activities with the

addition of ongoing expenses viewed as critical for operational needs, along with additional positions that will be included in the May Revision to support new ROW workload, grading inspections, and geographic information system mapping. Given general economic uncertainty in FY 2027, **Council may wish to learn more about how DSD is balancing critical expenditures with the need to rebuild its Reserves, as well as levers available to DSD to scale back on spending during the fiscal year should revenues not materialize as projected.**

Local Enforcement Agency Fund

The FY 2027 Proposed Budget for the Local Enforcement Agency Fund includes approximately \$1.2 million in expenditures, an increase of \$38,000 over FY 2026. This includes an increase of slightly less than \$4,000 for maintenance costs at the Mission Valley Facility. Revenues are projected to be \$1.2 million, an increase of \$151,000 from FY 2026. Positions budgeted in the Local Enforcement Agency Fund remain unchanged at 5.00 FTEs.

DRE Budget Equity Implications

The following adjustments have equity implications:

Reduction of Building and Zoning Enforcement Support - \$1.1 Million¹

The reduction of \$1.1 million (7.00 FTEs) would maintain zero code enforcement service levels for Priority III “Other Code Violations and/or Conditions Adversely Impacting Quality of Life” citywide since FY 2026. Examples of Priority III cases include billboards, disabled access, streetaries, and garages illegally converted to living space. Over the past

¹ This adjustment relates to Development Service’s Tactical Equity Plan (TEP) Goals 1 and 4

Department Review: Development Services

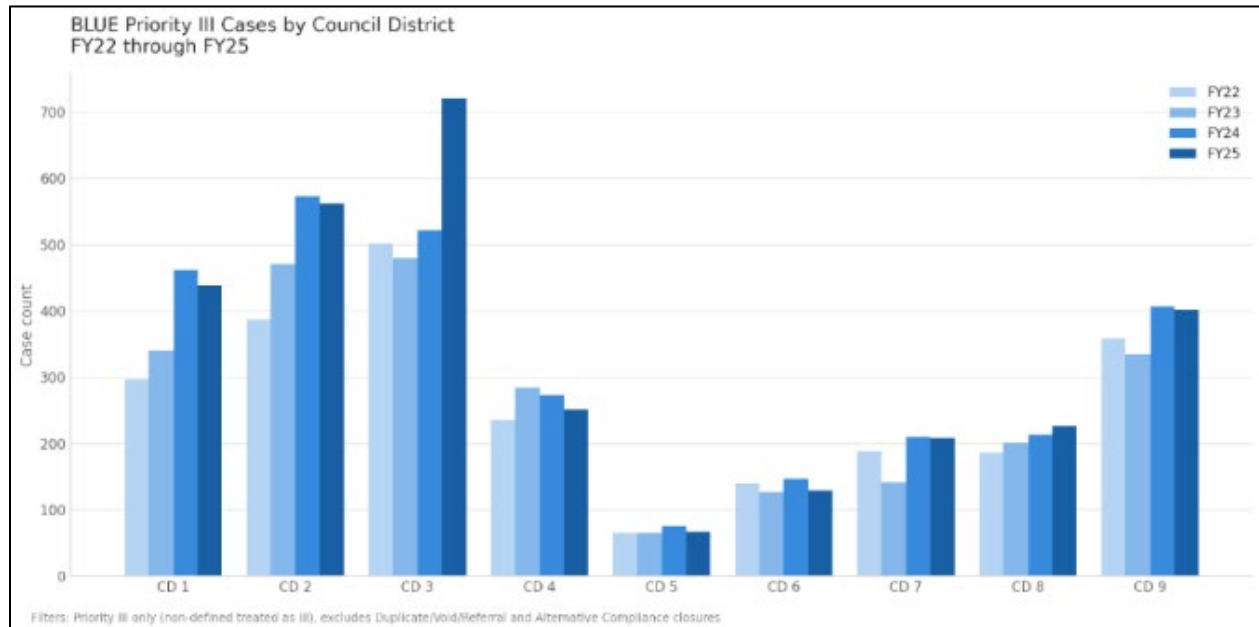
several years, the Building and Land Use Enforcement (BLUE) division opened over 2,000 cases per year for these types of violations, which primarily occur in residential neighborhoods across every Council District. Since the December 2025 completion of the Reduction in Force (RIF) process, staff have rejected (declined to open cases for) 230 new complaints of this type. Since that time, staff has also had to close 967 cases of this type – those that had been under investigation but were closed without further action. **Council may want to consider how remaining enforcement staff could be restructured to maintain geographical coverage across the City.**

calculations in real-time based on project details entered by the user and the fee schedules configured by DSD. This would simplify the application process and likely reduce errors. Increased predictability of fees would especially benefit non-technical customers such as residents or small businesses at the early stages of improving property. Staff time would benefit from both the reduction of errors and eliminating the need to manually research and calculate fees.

Below is a table displaying the number of Priority III complaints from FY 2022 – FY 2025 by Council District.

Support for a Permit Fee Calculator - \$250,000²

The addition of \$250,000 for a Permit Fee Calculator would support customer access via customized, step-by-step guidance and fee



² This adjustment relates to Development Service’s Tactical Equity Plan (TEP) Goal 2, and TEP Objective 2.4

Department Review: Economic Development

Economic Development

The Economic Development Department (EDD) leads the City’s efforts in advancing economic opportunities, promoting arts and culture, and managing the City’s real estate portfolio and two municipally owned and operated airports.

EDD is organized into the following divisions:

- Airports
 - Brown Field
 - Montgomery-Gibbs Executive
- Business Operations and Support Services (BOSS)
- Community and Business Engagement:
 - Cultural Affairs
 - Business Expansion, Attraction, and Retention (BEAR)
 - Community Development
- Real Estate:
 - Acquisitions
 - Dispositions
 - Lease Administration
 - Municipal Assets
 - Strategic Partnerships & Successor Agency
 - Valuations & Appraisals

Impacts of the Mayor’s FY 2027 Budget Proposal

The FY 2027 Proposed Budget for EDD is

approximately \$58.0 million, which is a decrease of \$15.9 million, or 21.5%, from the FY 2026 Adopted Budget. The decrease is primarily driven by a \$12.0 million reduction in cultural affairs funding which will be discussed further below. The General Fund supports \$19.8 million, or 34.1%, of the Department’s \$58.0 million budget, with the remaining \$38.2 million coming from the Transient Occupancy Tax Fund, Airports Enterprise Fund, Concourse & Parking Garages Fund, PETCO Park Fund, and Successor Agency Administration & Project - CivicSD Fund. EDD’s FY 2027 Proposed Budget includes 132.03 FTEs, which is a decrease of 2.97 FTEs from FY 2026 due to the proposed removal of 1.00 Community Development Coordinator Position, 1.00 Program Manager position, and 1.00 Cultural Affairs Program Manager. The budget also proposes restructuring 0.03 FTE positions for a Chief Officer position (formerly called Deputy Chief Operating Officer) from the Office of the Mayor into the Airports Enterprise Fund. Total budgeted revenue is not projected to change in FY 2027, and is estimated to remain at \$114.9 million, \$83.2 million of which goes to the General Fund.

Summary of Budget Mitigations

As part of the FY 2027 Proposed Budget process, most departments were requested to submit reductions of 7.0%. The department reduction target for the General Fund (EDD and

| SUMMARY OF ECONOMIC DEVELOPMENT DEPARTMENT BUDGET CHANGES | | | | | | | | | |
|---|---------------|---------------|---------------|----------------|----------------|------------------|-----------------|-----------------|-----------------|
| (\$ in millions) | | | | | | | | | |
| Fund | FTEs | | | Expense | | | Revenue | | |
| | FY 2026 | FY 2027 | Change | FY 2026 | FY 2027 | Change | FY 2026 | FY 2027 | Change |
| General Fund (Economic Development) | 58.75 | 57.75 | (1.00) | \$ 14.5 | \$ 10.9 | \$ (3.6) | \$ 7.9 | \$ 7.7 | \$ (0.2) |
| General Fund (Real Estate) | 38.00 | 37.00 | (1.00) | \$ 9.4 | \$ 8.9 | \$ (0.5) | \$ 74.7 | \$ 75.5 | \$ 0.8 |
| <i>Subtotal General Fund</i> | <i>96.75</i> | <i>94.75</i> | <i>(2.00)</i> | <i>\$ 23.9</i> | <i>\$ 19.8</i> | <i>\$ (4.2)</i> | <i>\$ 82.6</i> | <i>\$ 83.2</i> | <i>\$ 0.7</i> |
| Airports | 29.25 | 29.28 | 0.03 | \$ 10.9 | \$ 11.7 | \$ 0.8 | \$ 8.9 | \$ 8.9 | \$ - |
| Cultural Affairs | 7.00 | 6.00 | (1.00) | \$ 13.9 | \$ 1.9 | \$ (12.0) | \$ - | \$ - | \$ - |
| Concourse & Parking Garages | 2.00 | 2.00 | - | \$ 3.8 | \$ 4.2 | \$ 0.5 | \$ 3.0 | \$ 2.4 | \$ (0.6) |
| PETCO Park | - | - | - | \$ 19.5 | \$ 18.5 | \$ (1.0) | \$ 18.5 | \$ 18.5 | \$ (0.0) |
| Successor Agency - CivicSD Fund | - | - | - | \$ 1.9 | \$ 1.9 | \$ - | \$ 1.9 | \$ 1.9 | \$ - |
| <i>Subtotal Enterprise & Special Funds</i> | <i>38.25</i> | <i>37.28</i> | <i>(0.97)</i> | <i>\$ 49.9</i> | <i>\$ 38.2</i> | <i>\$ (11.7)</i> | <i>\$ 32.3</i> | <i>\$ 31.7</i> | <i>\$ (0.6)</i> |
| Total Combined | 135.00 | 132.03 | (2.97) | \$ 73.9 | \$ 58.0 | \$ (15.9) | \$ 114.9 | \$ 114.9 | \$ 0.0 |

Department Review: Economic Development

Real Estate) and Special Funds (Cultural Affairs) was nearly \$1.8 million. After removing the \$3.0 million for the Eviction Prevention Program (EPP) which is proposed to be transferred to the Homelessness Strategies and Solutions Department (HSSD), the total department reductions in EDD, Real Estate, and Cultural Affairs amount to \$13.2 million.

Although not funded through the General Fund, Cultural Affairs is supported by the Transient Occupancy Tax Fund which has indirect General Fund impacts. The Cultural Affairs Division budget is proposed to be reduced by \$12.0 million, or 86.6%. The corresponding decrease in revenue to the Cultural Affairs division offsets other proposed revenue increases for eligible General Fund reimbursable activities. For more information on eligible reimbursements, please refer to the *Department Review: Special Promotional Programs* section of this report.

General Fund – Economic Development

The General Fund portion of the Economic Development Department’s Proposed Budget is \$10.9 million, a \$3.6 million, or 25.1%, decrease from FY 2026. FTEs are reduced by 1.00 to 57.75 FTEs in FY 2027. Total revenues are proposed to be \$7.7 million, \$170,000 less than FY 2026.

Significant Budget Reductions

(\$3.0 million) – Transfer: Eviction Prevention Program

The Eviction Prevention Program increased to \$3.0 million in FY 2026 as part of EDD’s budget, which is then transferred to the San Diego Housing Commission, which contracts with Legal Aid Society of San Diego. In FY 2027, it is proposed to have this General Fund expense transferred to HSSD.

(\$164,000) – Position Reduction: Community Development Coordinator (CDC)

The Proposed Budget includes the reduction

of 1.00 Community Development Coordinator (CDC) position in the Business Expansion, Attraction, and Retention (BEAR) program. The CDC oversees a 3.00 FTE group that supports the Tourism Marketing District (TMD) and small businesses. This position has been vacant since March 2025, and the Department states the work has been temporarily filled with an out-of-class assignment.

Additional equity implications related to this adjustment are included later in this department review.

Significant Continuing Reductions

(\$750,000) – Ongoing Reduction: Small Business Enhancement Program (SBEP)

In FY 2026, the Proposed Budget eliminated the \$765,000 base budget for SBEP, but the Adopted Budget ultimately identified \$750,000 from the Economic & Workforce Development Fund to support the program on a one-time basis. With no remaining ongoing funding, the budget for SBEP in the Proposed Budget is zero. The program is guided by [Council Policy 900-15](#), which requires that the program receive an appropriation equivalent to \$20 per small business (businesses with 12 or fewer employees) registered with the City, and that funding for SBEP must not fall below \$1.6 million. *Additional equity implications related to this adjustment are included later in this department review.*

Significant Revenue Adjustment

(\$170,000) – Correction of Corporate Sponsorship Revenue Redundancy from FY 2026

In FY 2026, the City’s Corporate Sponsorship Program and its associated revenue was moved from EDD to Real Estate. However, a portion of the program’s budgeted revenue was double counted, \$170,000, and left in EDD, which resulted in a duplication of this portion of budgeted revenue.

Department Review: Economic Development

General Fund – Real Estate

The Proposed Budget for Real Estate is \$8.9 million, a \$0.5 million increase from FY 2026. FTEs are proposed to be reduced by 1.00 to 37.00 FTEs in FY 2027. Total revenues are proposed to be \$75.5 million, an \$830,000 increase from FY 2026. Budget adjustments for Real Estate are shown in the table below.

Significant Budget Reductions

(\$232,000) – Program Manager Reduction

The Proposed Budget eliminated 1.00 Program Manager position from the Disposition Unit. The Disposition Unit is responsible for the selling or long-term ground leasing of the City’s real estate portfolio. The Disposition Unit will retain 3.00 FTEs, and the work and responsibilities of the Program Manager will be distributed across the organization and among management with similar experience.

(\$624,000) – One-Time Reduction of Real Estate Management Software Upgrade

In FY 2026, Real Estate had approximately \$624,000 budgeted to provide an update to existing property management software. This adjustment represents a reduction of the FY 2026 one-time addition. It is expected that Real Estate will need to overhaul its real estate management software in the future, which will require a more intensive and costly RFP and contracting process.

Significant Budget Additions

\$254,000 – San Diego Civic Theater Central

Power Cost Sharing

When the department was located in Downtown, the Development Service Department (DSD) Enterprise Fund paid for a portion of the costs associated with the operation and maintenance of the Central Power for the Civic Center Plaza to reimburse San Diego Civic Theater’s costs. When DSD moved out of Downtown, the associated costs were still contractually required to be paid by the City. Therefore, these costs were distributed to other departments, primarily the Real Estate Business Area and Concourse and Parking Garage Operating Fund. An additional \$880,000 was distributed to the Concourse and Parking Garage Operating Fund which EDD also manages and will be discussed below.

Significant Revenue Adjustment

\$833,000 – Net Lease Revenue

The FY 2027 Proposed Budget includes \$833,000 net new revenue to the General Fund from the Real Estate Division. Within their revenue projections, there are significant revenue decreases, and larger offsetting increases, which are noted below.

\$685,000 – Belmont Park Rents and Concessions

Revenue from rent and concessions at Belmont Park are projected to be \$3.6 million in FY 2027, a \$685,000, or 23.8%, increase from the FY 2026 Adopted Budget.

Belmont Park remitted \$3.2 million in rent in FY 2024 and \$3.1 million in FY 2025. As of

| SUMMARY OF EDD - REAL ESTATE DIVISION BUDGET CHANGES | | | | | |
|--|---------------|---------------------|---------------------|---------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 38.00 | \$ 6,780,340 | \$ 2,636,956 | \$ 9,417,296 | \$ 74,681,201 |
| Programmatic Changes | | | | | |
| <i>Budget Mitigation - Reduction of position</i> | (1.00) | (232,444) | - | (232,444) | - |
| <i>Other Adjustment - SD Theatres Cost Sharing</i> | - | - | 253,818 | 253,818 | - |
| <i>Budget Mitigation - Lease Revenue</i> | - | - | - | - | 833,496 |
| Other Changes | | | | | |
| <i>Non-Discretionary Adjustments</i> | - | - | 24,725.00 | 24,725 | - |
| <i>Salary and Benefit Adjustments</i> | - | 73,183 | - | 73,183 | - |
| <i>Removal of One-Time IT Upgrade - Software</i> | - | - | (624,361) | (624,361) | - |
| FY 2027 Proposed Budget | 37.00 | \$ 6,621,079 | \$ 2,291,138 | \$ 8,912,217 | \$ 75,514,697 |
| Difference from 2026 to 2027 | (1.00) | \$ (159,261) | \$ (345,818) | \$ (505,079) | \$ 833,496 |

Department Review: Economic Development

Period 9 actuals for FY 2026 (March 2026), more recent revenue appears to be slightly below FY 2024 and FY 2025 actuals. FY 2026 revenue is expected to end the year at \$2.9 million. Therefore, it may be optimistic to assume that revenue from this lease will increase by 23.8% given that revenue from FY 2024 to 2025 decreased by 2.2% and revenue from FY 2025 to FY 2026 appears to be on track to decrease by 8.0%.

\$591,000 – General City Services Billed

The Real Estate Division provides leasing, disposition, acquisition, and other real estate services to other General Fund, Enterprise Departments, and the former Redevelopment Agency. The increase is primarily due to a projected increase in this reimbursable line of work performed by the Successor Agency and actual trends in FY 2026.

\$169,000 – Mission Bay Rents and Concessions

Revenue from leases and concessions in Mission Bay Park are projected to increase by \$169,000 to \$41.4 million in FY 2027. Per Charter Section 55.2(b), the first \$20.0 million in lease revenue from Mission Bay is deposited into the General Fund, and the remainder is divided between the San Diego Regional Park improvement Fund (35%) and the Mission Bay Park Improvement Fund (65%).

\$144,000 – Miscellaneous Rents and Concessions

In FY 2027 “rents and concessions” is projected to decrease by \$273,000, which is offset by a projected increase in the “other land and buildings leases” category of \$417,000. Each category has certain leases associated with it, but it is unclear at this time whether the specific leases driving these changes are one-time or ongoing, for a specific reason, or if broader changes across the portfolio are being captured in the actual rents received.

(\$902,000) – Telecommunication Leases

The FY 2027 Proposed Budget includes \$2.8 million in revenue from leases of City

property to telecommunication companies for equipment, which is a \$902,000 decrease from FY 2026. The decrease is largely based on actual results for FY 2026 coming in below the Adopted Budget due to the complex coordination required between multiple City departments and the industry in order to implement revenue generating process improvements. However, these improvements are expected to increase long-term revenue in future fiscal years.

Cultural Affairs

The Cultural Affairs Division supports the Commission for Arts and Culture and aims to foster equitable and inclusive artistic, creative, and cultural expression and engagement throughout the City. The role of the Commission, which consists of 15 volunteers, is to advise the Mayor and City Council on promoting arts and culture in civic life, including recommending local artists and arts and cultural nonprofit organizations to receive funding, as well as advising on the City’s collections and public art project management activities.

The Proposed Budget for Cultural Affairs totals approximately \$1.9 million, a reduction of \$12.0 million, or 86.6%, from the FY 2026 Adopted Budget as shown in the table on the next page. The reduction is due to the proposed elimination of 1.00 Program Manager and the three Cultural Affairs grant programs: [Organizational Support](#), [Creative Communities](#), and [Impact](#).

The Division’s revenue comes from the Special Promotional Programs budget.

Significant Budget Reductions

In November 2024, the City of San Diego, Commission for Arts and Culture, and individual artists and consulting firms released the Creative City Cultural Plan, a four-point framework for arts and culture in the San Diego region over the next 10 years. Many of the

Department Review: Economic Development

objectives in the plan rely on significantly higher levels of funding and staffing than what was included in the FY 2026 Adopted Budget. Despite this, the FY 2027 Proposed Budget makes four significant programmatic reductions that will significantly impact the level of funding and staffing available to arts and culture programs and events in the City.

(\$9.6 million) – Budget Mitigation: Elimination of Organizational Support Grants

The proposed Budget reduces the funding for Organizational Support Programs (OSPs) by \$9.6 million, which is 100% of the program’s budget from FY 2026.

The FY 2026 Adopted Budget for OSP funded 119 nonprofit organizations an average of about \$75,000. A full list of funded organizations and amounts is available in [EDD’s FY 2026 Adopted Budget](#).

Unlike Creative Communities San Diego (CCSD), which cannot be used for general operating support, OSP is intended be used for general operating support for activities that deliver arts and culture activities and programs. Organizations receiving \$25,000 or more, 84 organizations in FY 2026, must provide at least one arts or cultural activity in a San Diego Public Library location. *Additional equity implications related to this adjustment are included later in this department review.*

(\$1.7 million) – Budget Mitigation: Elimination of Creative Communities Grants

The Proposed Budget reduces the funding for the CCSD program by \$1.7 million, which is 100% of the program’s budget from FY 2026.

The FY 2026 Adopted Budget for CCSD funded 70 nonprofit organizations an average of about \$15,750. A full list of funded organizations and amounts is available in [EDD’s FY 2026 Adopted Budget](#).

CCSD provides a 1:1 match to non-profits that organize artistic, community centered events in the City of San Diego such as art exhibits, live performances, festivals and parades, and film screenings. *Additional equity implications related to this adjustment are included later in this department review.*

(\$221,000) – Budget Mitigation: Program Manager Reduction

The Proposed Budget eliminated 1.00 Program Manager position, which has budgeted savings of \$221,000 for salary and fringe benefits combines.

As of early April 2026, the position was vacant. The position reports to the Assistant Deputy Director for Cultural Affairs and oversees 5.00 FTE staff. The Program Manager responsibilities will be distributed across other allowable staff in the organization. *Additional equity implications related to this adjustment are included later in this department review.*

Significant Continuing Reductions

(\$85,000) – Public Art Fund Allocation

In FY 2026, the Adopted Budget eliminated the transfer of \$85,000 in ongoing TOT

| SUMMARY OF EDD - CULTURAL AFFAIRS DIVISION BUDGET CHANGES | | | | | |
|---|---------------|---------------------|------------------------|------------------------|-------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 7.00 | \$ 1,277,136 | \$ 12,575,623 | \$ 13,852,759 | \$ - |
| Programmatic Changes | | | | | |
| <i>Budget Mitigation - Reduction of position</i> | (1.00) | (221,046) | - | (221,046) | - |
| <i>Budget Mitigation - Creative Communities SD</i> | - | - | (1,717,304) | (1,717,304) | - |
| <i>Budget Mitigation - Organizational Support</i> | - | - | (9,589,606) | (9,589,606) | - |
| <i>Budget Mitigation - Impact</i> | - | - | (500,000) | (500,000) | - |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | (1,061) | - | (1,061) | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (72,466) | (72,466) | - |
| <i>Addition of One-Time Lyceum Theatre Reduction</i> | - | - | 100,000 | 100,000 | - |
| FY 2027 Proposed Budget | 6.00 | \$ 1,055,029 | \$ 796,247 | \$ 1,851,276 | \$ - |
| Difference from 2026 to 2027 | (1.00) | \$ (222,107) | \$ (11,779,376) | \$ (12,001,483) | \$ - |

Department Review: Economic Development

revenue to the Public Art Fund along with associated expenditures. The Public Art Fund supports artwork repair, conservation, installation, and other professional art collections management activities.

The FY 2027 Proposed Budget does not include a Public Arts Fund allocation. However, since the allocation was eliminated in FY 2026, it does not appear as a reduction in FY 2027.

Airports

The Airports Division is responsible for the operations and maintenance of two City-owned airports: Montgomery-Gibbs Executive Airport and Brown Field Airport. The Airports Enterprise Fund budget is summarized in the table below. Expenditures in the FY 2027 Proposed Budget for Airports total approximately \$11.7 million, an increase of \$0.8 million from the FY 2026 Adopted Budget. Revenues in the Proposed Budget are unchanged. FTE positions are budgeted at 29.28 which is an increase of 0.03 FTE. Since the Airports are an Enterprise Fund, its budget changes do not directly impact the General Fund, but the Division does provide reimbursements to General Fund departments for services provided at the two airports.

Significant Budget Additions

\$555,000 – Runway and taxiway improvements

There are four individual budget adjustments related to one-time airport pavement, runways, taxiways, and concrete repairs to ensure safe operations at Montgomery-Gibbs and Brown Field Airports.

- \$400,000 – Materials for Montgomery-Gibbs pavement repairs
- \$80,000 – Equipment for pavement repairs at both airports
- \$50,000 – Materials and equipment for re-marking runways and taxiways at Brown Field
- \$25,000 – Materials for concrete repairs at Brown Field

\$200,000 – Gibbs property management and maintenance

The Proposed Budget includes the one-time addition of \$50,000 to pay for power washing of the retail and commercial strip at Montgomery-Gibbs Executive Airport and \$150,000 in on-going funding to pay for property management services at the same retail and commercial strip known as the MYF Business Park.

As part of the City’s efforts to consolidate leases into City owned buildings, E&CP plans to move into office space at Montgomery-Gibbs. Per FAA regulations, the Airport Division is required to lease Airport owned property at market rates. The one-time power washing and on-going property management contract will allow the Airports Division to

| SUMMARY OF EDD - AIRPORT FUND BUDGET CHANGES | | | | | |
|---|--------------|---------------------|---------------------|----------------------|---------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 29.25 | \$ 3,811,941 | \$ 7,079,894 | \$ 10,891,835 | \$ 8,892,740 |
| Programmatic Changes | | | | | |
| <i>Gibbs lease management and maintenance</i> | - | - | 200,000 | 200,000 | - |
| <i>Runway and taxiway improvements</i> | - | - | 555,000 | 555,000 | - |
| <i>Removal of One-Time Expense (PMMP and Tractor)</i> | - | - | (400,000) | (400,000) | - |
| <i>Deputy Chief Operating Officer Restructure</i> | 0.03 | 22,414 | - | 22,414 | - |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 270,702 | - | 270,702 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | 131,063 | 131,063 | - |
| FY 2027 Proposed Budget | 29.28 | \$ 4,105,057 | \$ 7,565,957 | \$ 11,671,014 | \$ 8,892,740 |
| Difference from 2026 to 2027 | 0.03 | \$ 293,116 | \$ 486,063 | \$ 779,179 | \$ - |

Office of the Independent Budget Analyst
April 2026

Department Review: Economic Development

better manage and compete in the market while freeing up existing staff time to negotiate other leasing opportunities.

\$22,000 – 0.03 FTE Deputy Chief Operating Officer Restructure

This addition includes 0.03 FTE for the restructure of a Deputy Chief Operating Officer position from the General Fund to the Airport Enterprise fund. This position was previously budgeted under the Office of the Mayor. More information about this change can be found in the *Department Review: Office of the Mayor* section of this report.

Concourse & Parking Garages

The FY 2027 Proposed Budget for the Concourse & Parking Garages Operating Fund includes \$4.2 million in expenditures, a \$460,000 increase, and \$2.4 million in revenues, a \$621,000 decrease, from the FY 2026 Adopted Budget.

The increase in expenditures is largely related to an on-going \$898,000 new expense for cost sharing with the San Diego Civic Theater for maintenance of the Central Power. This was previously discussed in the *Real Estate Division* section of this report.

The decrease in revenue is from the King Chavez Community High School vacating the leased space in the Civic Center plaza at 201 A Street. Real Estate is actively looking for a new tenant for this space.

The use of one-time fund balance in previous fiscal years to help balance the budget, and the FY 2027 increase in expenses and decrease in revenues mean that the Concourse and Parking Garage Operating Fund projects a \$2.2 million negative fund balance at the end of FY 2027.

PETCO Park

The Proposed Budget for the PETCO Park Fund includes \$18.5 million in expenditures, a \$956,000 reduction from FY 2026 Adopted Budget, and \$18.5 million in revenue, a \$20,000 decrease from FY 2026 Adopted Budget.

The \$956,000 non-personnel expenditure adjustments are derived from:

- (\$130,000) – Non-Discretionary ERP cost sharing correction
- (\$833,000) – Decreased PETCO Park bond principal and interest payments resulting from a bond refunding

| SUMMARY OF EDD - CONCOURSE AND PARKING GARAGE OPERATING FUND BUDGET CHANGES | | | | | |
|---|-------------|-------------------|---------------------|---------------------|---------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 2.00 | \$ 253,925 | \$ 3,531,196 | \$ 3,785,121 | \$ 2,986,732 |
| Programmatic Changes | | | | | |
| <i>Other Adjustment - SD Theatres Cost Sharing</i> | - | - | 897,647 | 897,647 | - |
| <i>Other Adjustment - King Chavez School lease</i> | - | - | - | - | (620,976) |
| <i>Removal of One-Time Transfer to General Fund</i> | - | - | (442,866) | (442,866) | - |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 3,175 | - | 3,175 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | 1,959 | 1,959 | - |
| FY 2027 Proposed Budget | 2.00 | \$ 257,100 | \$ 3,987,936 | \$ 4,245,036 | \$ 2,365,756 |
| Difference from 2026 to 2027 | - | \$ 3,175 | \$ 456,740 | \$ 459,915 | \$ (620,976) |

Department Review: Economic Development

| SUMMARY OF EDD - PETCO PARK FUND BUDGET CHANGES | | | | | |
|---|-----|------|----------------------|----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | - | \$ - | \$ 19,461,510 | \$ 19,461,510 | \$ 18,495,036 |
| Programmatic Changes | | | | | |
| <i>Transfer reduction from TOT Fund</i> | - | - | | - | (20,000) |
| Other Changes | | | | | |
| <i>Non-Discretionary Adjustment - IT ERP Adjustment</i> | - | - | (130,155) | (130,155) | - |
| <i>Non-Discretionary Adjustment - Bond Refunding</i> | - | - | (832,750) | (832,750) | - |
| <i>Non-Discretionary Adjustment</i> | - | - | (2,190) | (2,190) | - |
| FY 2027 Proposed Budget | - | - | 18,496,415.00 | 18,496,415.00 | 18,475,036.00 |
| <i>Difference from 2026 to 2027</i> | - | \$ - | \$ (965,095) | \$ (965,095) | \$ (20,000) |

The use of one-time fund balance in previous fiscal years to help balance the budget is projected to leave the PETCO Park Fund with a balance of (\$197,000). This negative fund balance is planned to be eliminated in FY 2027, and the fund is projected to end with a balance of about \$84,000.

Low and Moderate Income Housing Asset Fund

Though not reflected in EDD's budget, the Department also administers the Low and Moderate Income Housing Asset Fund (LMIHAF) which has its own section in Volume II of the Proposed Budget. All housing assets transferred from the former redevelopment agency to the City, acting as the housing successor agency, and revenues generated from those housing assets, are required to be kept in LMIHAF for affordable housing purposes. LMIHAF is one of the three main sources of funding that support the City's Bridge to Home Program, which provides financing for the development of affordable housing. EDD's next Notice of Funding Availability will be released this summer.

The FY 2027 Proposed Budget includes \$67.5

million in expenditures, an increase of \$10.0 million, or 17.4%, as compared to the FY 2026 Adopted Budget.

The \$10.0 million expenditure increase is related to a future Bridge to Home (BTH) Notice of Funding Availability (NOFA) in FY 2027.

The LMIHAF is largely supported by:

1. Unencumbered affordable housing bond proceeds issued by the former redevelopment agency prior to its dissolution;
2. Loan repayments and lease payments; and
3. Land disposition proceeds.

Ongoing revenue sources for the LMIHAF are loan repayments, lease payments, and interest which are projected to be \$1.2 million in FY 2027, unchanged from FY 2026.

DRE Budget Equity Implications

The following adjustments have equity implications:

| SUMMARY OF LOW & MODERATE INCOME HOUSING ASSET FUND BUDGET CHANGES | | | | | |
|--|-----|------|----------------------|----------------------|---------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | - | \$ - | \$ 57,507,581 | \$ 57,507,581 | \$ 1,209,014 |
| Programmatic Changes | | | | | |
| <i>Bridge to Home Notice of Funding Availability</i> | - | - | 10,000,000 | 10,000,000 | - |
| Other Changes | | | | | |
| <i>Non-Discretionary Adjustments</i> | - | - | (430) | (430) | - |
| FY 2027 Proposed Budget | - | \$ - | \$ 67,507,151 | \$ 67,507,151 | \$ 1,209,014 |
| <i>Difference from 2026 to 2027</i> | - | \$ - | \$ 9,999,570 | \$ 9,999,570 | \$ - |

Department Review: Economic Development

Reduction of Community and Business Engagement Support - \$164,000¹

The reduction of \$164,000 (1.00 FTE) decreases the Business Expansion, Attraction and Retention (BEAR) team’s capacity to provide technical assistance, outreach, and navigation support to small businesses and non-profits, particularly those operating in historically underserved communities. In addition to the responsibilities noted in the review above, this position oversees the management of the city’s revolving loan fund and ensures that available capital, financial literacy, and tourism dollars are accessible to those organizations that might have the greatest barriers to access other funding. In Fiscal Year 2026, BEAR serviced approximately 950 businesses over nine business walks in a special “Knowing Your Rights” series focused on federal immigration enforcement with additional sessions planned. Reduced staffing increases workload on other City employees and may impact the department’s “Small businesses assisted” KPI.

(\$750,000) – Ongoing Reduction: Small Business Enhancement Program (SBEP)²

The reduction of non-personnel expenditure from SBEP results in reduced opportunities and resources for non-profits and small businesses. This includes programs such as the Capacity Building grants to small businesses and entrepreneurs, Storefront Improvement grants, and Business Improvement District management support grants. In Fiscal Year 2026, the department awarded \$180,000 in Capacity Building grant funds to 13 organizations directly serving small businesses in historically underserved communities. Recipients applied funding in various ways, including but not limited to: 1) licensing, marketing, and equipment costs for low-income entrepreneurs to launch or grow their businesses, 2) corridor beautification, permit stipends, and workshops to support small businesses in the Imperial Avenue corridor, and 3) distribute laptops and provide digital literacy training to refugee and immigrant entrepreneurs. By the close of Fiscal Year 2026, the department projects assisting 47 businesses through the Storefront Improvement Program.

Elimination of Organizational Support Grants - \$9.6 Million³

| FY26 Organizational Support Program (OSP) Funding Recipients | | | | |
|---|------------------------------------|---------------------------------------|--|---|
| Award Thresholds | Total Dollar Amount Awarded | Number of Funded Organizations | Annual Operating Income - Average | Annual Operating Income - Median |
| \$10,000 and \$99,999 | \$3.7 Million | 93 | \$544,000 | \$460,000 |
| \$100,000 and \$299,999 | \$3.5 Million | 19 | \$6.3 Million | \$4.3 Million |
| \$300,000 and \$999,999 | \$2.4 Million | 7 | \$19.2 Million | \$17 Million |
| \$1 million and \$4 million | 0 | 0 | 0 | 0 |
| \$4 million and \$10 million | 0 | 0 | 0 | 0 |
| More than \$10 million | 0 | 0 | 0 | 0 |
| Total | \$9.6 Million | 119 | \$5.2 Million | \$602,000 |

¹ This adjustment relates to Economic Development’s Tactical Equity Plan (TEP) Goals 5 and 6, and TEP Objectives 5.2 and 6.3

² This adjustment relates to Economic Development’s Tactical Equity Plan (TEP) Goals 5 and 6, and TEP Objectives 5.2 and 6.3

³ This adjustment relates to EDD’s Tactical Equity Plan (TEP) Goal 5, and TEP Objective 5.2

Department Review: Economic Development

The reduction of \$9.6 million from the Organizational Support Program (OSP) eliminates 100% of the grant program’s funding for general operating support to tax-exempt, non-profit, arts and culture organizations. In Fiscal Year 2026, funded organizations received awards across three of the six Award Thresholds, with the vast majority of awardees funded below \$100,000, as shown in the table below.

In Fiscal Year 2026, 119 organizations received 1:1 matching awards ranging from 2% to 21% of their Annual Operating Income⁴ (AOI). 93 of those funded organizations received grants ranging from \$10,000 to \$99,999, and altogether were awarded a combined dollar amount of \$3.7 million. These 93 organizations have the lowest average AOI at \$544,000. While smaller organizations typically receive smaller grants, those grants generally represent a higher proportion of their AOIs.

Nineteen funded organizations were awarded grants ranging from \$100,000 to \$299,000, representing a combined dollar amount of \$3.5 million. These 19 organizations have an average AOI of \$6.3 million. This indicates that larger organizations receive larger grant awards, but that those grants represent a smaller proportion of their AOIs.

Finally, seven of the funded organizations were awarded grants ranging from \$300,000 to \$999,999, for a combined dollar amount of \$2.4 million. These 7 organizations have the highest average AOI at \$19.2 million, and while their grants are among the largest awarded, those grants represent the smallest proportion of their AOIs.

The equity implications within this distribution strategy include: 1) funding more organizations at smaller amounts, 2) funding less organizations at higher amounts, and 3) maintaining the same proportion of funding across award thresholds. Council Policy 100-03 allows for OSP as a funding category allocated from the Transient Occupancy Tax (TOT), however there are no specific funding targets or goals defined in policy. In Fiscal Year 2026, the amount awarded to each successful applicant was determined considering several factors, including: 1) annual operating income (AOI), 2) rank assigned to the organization’s application, 3) total amount of OSP funds available for distribution, and 4) number of organizations that will receive an OSP award. If full or partial funding is restored, **Council may want to consider working with the department to develop a policy outlining funding thresholds and award targets.** Based on the parameters and time constraints for this report, other dimensions that might warrant further analysis include organization

| FY26 Creative Communities San Diego (CCSD) Funding Recipients | | |
|---|--------------------------------|-----------------------|
| Project Budget | Number of Funded Organizations | Dollar Amount Awarded |
| \$10,000 and \$29,999 | 58 | \$583,000 |
| \$30,000 and \$99,999 | 9 | \$493,000 |
| Over \$100,000 | 3 | \$641,000 |
| Total | 70 | \$1.7 Million |

⁴ Annual Operating Income is total operating income less non-operating and non-cash revenues, including restricted, pledged, and unrealized revenue.

Department Review: Economic Development

location (historically underserved community or not), and whether they lease City owned property.

Elimination of Creative Communities Grants - \$1.7 Million⁵

The reduction of \$1.7 million from Creative Communities San Diego (CCSD) eliminates 100% of the program's grant funding for non-profit organizations to deliver projects in San Diego neighborhoods that engage diverse communities in arts, culture, and creativity. In Fiscal Year 2026, 70 organizations were awarded funding, with the vast majority of awards funded below \$30,000, as shown in the table above.

Council Policy 100-03 allows for CCSD as a funding category allocated from the Transient Occupancy Tax (TOT), however there are no specific funding targets or goals defined in policy. In Fiscal Year 2026, organizations received awards between 3% and 50% of their overall project budgets, factoring in 1) project budget, 2) rank assigned to the organization's application, 3) total amount of CCSD funds available for distribution, and 4) number of organizations that will receive CCSD awards. The department is currently in the process of updating its funding distribution protocols for both CCSD and OSP, including strategic opportunities to make grants more equitable for Fiscal Year 2027. Considerations sourced from the Creative City Cultural Plan include, but are not limited to: adding funding caps to prevent the potential for exorbitant award amounts, amending potential barriers like matching requirements, and incentivizing alignment with City goals. This reduction would delay the benefits of that collaborative effort between the department and stakeholders.

Reduction of Cultural Affairs Program Manager - \$221,000⁶

The reduction of \$221,000 (1.00 FTE) further diminishes already constrained staff resources towards implementation of the Creative City cultural plan which focuses on addressing the need for affordable creative spaces, creation of arts and cultural districts, and development of creative economy growth strategy.

Note: Historically, given of the nature of the division's grant program, it has been understaffed relative to comparable jurisdictions. If the proposed reductions for divisional grants are partially or fully approved, remaining staff would spend the majority of their time on programming based on the Creative City's Plan.

⁵ This adjustment relates to EDD's Tactical Equity Plan (TEP) Goal 5, and TEP Objective 5.2

⁶ This adjustment relates to EDD's Tactical Equity Plan (TEP) Goal 7, and TEP Objectives 7.1, 7.2 and 7.3

Department Review: E&CP

Engineering & Capital Projects

The Engineering & Capital Projects Department (E&CP) provides engineering, program and construction management, and inspection services for the Capital Improvements Program (CIP) and oversight of the development of public infrastructure and facilities. The CIP is made up of nearly 1,400 capital improvement projects that rehabilitate, restore, improve, and create new capital infrastructure like libraries, parks, and water and sewer pipelines.

E&CP is responsible for planning, designing, and managing the construction of public improvement projects; providing quality assurance and inspection of public and private work within the public rights-of-way; and delivering surveying and materials testing services.

E&CP Special Revenue Fund

Expenses in the Department are billed against CIP projects, and revenue comes in through the E&CP Fund, a special revenue fund. In the case of the E&CP Fund, engineers and other staff that work directly on CIP projects charge the time they work to those respective projects. Staff not working directly on projects are covered by the Department’s overhead rate included in charges for projects.

Impacts of Mayor’s FY 2027 Budget Proposal

The FY 2027 Proposed Budget for E&CP totals \$181.9 million, an increase of \$2.8 million, or 1.6%, compared to the FY 2026 Adopted Budget. The budget includes 735.42 FTE positions, a net decrease of 33.58 FTEs from FY 2026. The Proposed Budget also includes \$181.9 million in offsetting revenue from charges to projects – an increase of \$14.7 million – which is further discussed in the Significant Revenue Adjustments section. A summary of budget changes by division is included in the table below. Aside from the proposed staffing reductions, the table reflects internal department reorganization to better support the evolving needs of the CIP.

Significant Budget Additions

\$3.4 million – Montgomery Gibbs Tenant Improvements

The Proposed Budget includes \$3.4 million in one-time costs for engineering consultant services and construction activities required to complete tenant improvements at the Montgomery Gibbs office buildings. Tenant improvements will bring facilities into compliance and make changes for departmental operations including cubicles, bathrooms, and

| SUMMARY OF ENGINEERING & CAPITAL PROJECTS DEPARTMENT BUDGET CHANGES | | | | | | |
|---|---------------|---------------|----------------|-----------------------|-----------------------|---------------------|
| Division | FY 2027 FTE | FY 2026 FTE | Change | FY 2027 Expense | FY 2026 Expense | Change |
| Business Operations & Employee Services | 60.00 | 53.50 | 6.50 | 36,248,637 | 34,017,378 | 2,231,259 |
| Construction Engineering Support | 129.00 | 135.00 | (6.00) | 25,928,861 | 26,411,221 | (482,360) |
| Construction Management & Field Engineering | 156.00 | 150.00 | 6.00 | 32,466,501 | 31,115,449 | 1,351,052 |
| Engineering & Capital Projects | 5.42 | 14.50 | (9.08) | 2,709,867 | 2,132,491 | 577,376 |
| Facilities & Parks Project Delivery | 46.00 | 51.00 | (5.00) | 9,859,518 | 11,040,141 | (1,180,623) |
| Infrastructure Construction Management | 37.00 | 31.00 | 6.00 | 9,120,842 | 7,055,875 | 2,064,967 |
| Program & Project Development | 77.00 | 89.00 | (12.00) | 16,135,777 | 17,924,924 | (1,789,147) |
| Project Development & Management | - | 2.00 | (2.00) | - | 414,350 | (414,350) |
| Project Management Office | 65.00 | 70.00 | (5.00) | 13,529,898 | 13,331,788 | 198,110 |
| Storm Water & Transportation Project Delivery | 71.00 | 71.00 | - | 16,827,719 | 15,492,619 | 1,335,100 |
| Utilities Project Delivery | 89.00 | 102.00 | (13.00) | 19,042,719 | 20,134,136 | (1,091,417) |
| Total Combined | 735.42 | 769.00 | (33.58) | \$ 181,870,339 | \$ 179,070,372 | \$ 2,799,967 |

Department Review: E&CP

conference rooms. Tenant improvements are expected to be substantially completed by fall 2026, at which point E&CP staff currently in the City Administration Building and Civic Center Plaza building will join the rest of E&CP staff at Montgomery Gibbs.

\$310,000, 0.42 FTE – Deputy Chief Operating Officer Restructure

This adjustment includes 0.42 FTE as part of the restructure of two supplemental Deputy Chief Operating Officer positions from the General Fund to the E&CP Fund. These positions were previously budgeted under the Office of the Mayor prior to being reduced in the FY 2026 Adopted Budget. More information about this change can be found in the Mayor’s Office department review.

Significant Budget Reductions

Although E&CP operates as a Special Revenue Fund and is not directly supported by the General Fund, it has an indirect impact on the City’s overall financial position. As such, E&CP was asked to submit budget reductions to help mitigate the FY 2027 projected deficit. Reductions in the Proposed Budget include the following items.

(\$6.0 million, 32.00 FTE) – Vacant Position Reduction

The FY 2027 Proposed Budget includes a reduction of 32.00 vacant full-time positions

and \$6.0 million in associated personnel expenses. Since E&CP is funded by the CIP, this adjustment would also have a corresponding \$4.3 million revenue reduction.

E&CP’s operational needs are closely aligned with the size and scope of the CIP. As the CIP expanded over the last several years, additional resources were required to support project delivery. Beginning in FY 2026, the department experienced a contraction in the CIP, driven in part by limited General Fund resources and debt capacity. Additionally, the Public Utilities Department has significantly scaled back its pipeline program, resulting in fewer projected projects and reduced workload for E&CP staff. This slowdown requires E&CP to reduce its operating costs accordingly.

Given this decline in overall CIP activity, the position reductions are not expected to have an impact on current operations or the delivery of the CIP.

(\$295,000, 1.00 FTE) – Filled Position Reduction

One filled Assistant Deputy Director within the Construction Engineering Services Division is proposed to be eliminated. The Department originally established this position to appoint an unclassified employee as the City Land Surveyor; however, it was later

| SUMMARY OF ENGINEERING & CAPITAL PROJECTS BUDGET CHANGES | | | | | |
|---|----------------|-----------------------|----------------------|-----------------------|-----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 769.00 | \$ 156,320,208 | \$ 22,750,164 | \$ 179,070,372 | \$ 167,180,209 |
| Programmatic Changes | | | | | |
| <i>Partial Allocation of 2 DCOOs</i> | 0.42 | 310,208 | - | 310,208 | - |
| <i>Tenant Improvements at Montgomery Gibbs</i> | - | - | 3,408,328 | 3,408,328 | - |
| <i>Mitigation: Vacant Position Reductions</i> | (32.00) | (5,995,894) | - | (5,995,894) | (4,260,949) |
| <i>Mitigation: Filled Position Reduction</i> | (1.00) | (294,613) | - | (294,613) | - |
| <i>Transfer Organization Effectiveness Supervisor to Panda</i> | (1.00) | (158,100) | - | (158,100) | - |
| <i>Fund Balance Adjustment</i> | - | - | - | - | 19,597,057 |
| <i>SDG&E Right-of-Way Permit Reimbursements</i> | - | - | - | - | 480,623 |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 7,433,002 | - | 7,433,002 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (267,444) | (267,444) | - |
| <i>Other Adjustments</i> | - | - | (1,635,520) | (1,635,520) | (1,126,601) |
| FY 2027 Proposed Budget | 735.42 | \$ 157,614,811 | \$ 24,255,528 | \$ 181,870,339 | \$ 181,870,339 |
| Difference from 2026 to 2027 | (33.58) | \$ 1,294,603 | \$ 1,505,364 | \$ 2,799,967 | \$ 14,690,130 |

Department Review: E&CP

determined that this is not a legal requirement. Since the department has existing Principal Land Surveyors that can perform the necessary professional surveying duties, this position is no longer needed.

A list of all classifications proposed to be reduced are provided in the table below.

| SUMMARY OF POSITION REDUCTIONS | |
|---------------------------------------|----------------|
| Position | FTE |
| Assistant Department Director | (1.00) |
| Assistant Deputy Director | (2.00) |
| Assistant Engineer-Civil | (9.00) |
| Assistant Engineer-Electrical | (1.00) |
| Assistant Management Analyst | (1.00) |
| Associate Engineer-Civil | (5.00) |
| Associate Engineer-Traffic | (1.00) |
| Associate Management Analyst | (1.00) |
| Associate Planner | (1.00) |
| Land Surveying Assistant | (1.00) |
| Land Surveying Associate | (2.00) |
| Principal Engineering Aide | (2.00) |
| Principal Survey Aide | (1.00) |
| Project Assistant | (2.00) |
| Project Officer 2 | (1.00) |
| Senior Management Analyst | (2.00) |
| Total | (33.00) |

Restructure

(\$158,000, 1.00 FTE) – Reduction of an Organization Effectiveness Supervisor

The Proposed Budget transfers 1.00 FTE Organization Effectiveness Supervisor and \$158,000 to the Performance and Analytics Department (PandA). Because this position was supporting the Environmental Services Department with organizational effectiveness work in partnership with PandA, staff consider the transfer to be a more appropriate organizational fit. If approved, this position would be funded by the Solid Waste Fund.

Significant Revenue Adjustments

\$19.6 million – Revised Reimbursement Projection

This adjustment is needed to true up reimbursement revenue projections for services provided to the CIP to align with actual revenues generated by the Department. The significant increase is due to projections being understated in the FY 2026 Adopted Budget.

\$481,000 – SDG&E Right-of-Way Permit Reimbursements

This is a one-time adjustment related to reimbursements from the General Fund for E&CP’s inspection of SDG&E right-of-way utility permits for FY 2025. The total budget for this category in FY 2027 is \$1.6 million.

Issues for Council Consideration

The CIP budget grew from \$434.2 million in FY 2015 to \$924.7 million in FY 2018, reaching \$1.1 billion in FY 2022, and has remained at roughly this level through FY 2025. (These historical figures have not been adjusted for inflation.) As of this writing, the total FY 2026 CIP budget has decreased to \$979.6 million, still representing a 125.6% increase since FY 2015.

The E&CP Department (formerly Public Works) significantly expanded staffing from FY 2015 to FY 2018, adding over 200 positions to respond to the increased demand in the CIP. Beginning in FY 2026, the department reduced its positions by a net of 70.40 FTEs. The FY 2027 Proposed Budget includes an additional 33.58 FTE position reduction which, according to staff, continues to right-size department staffing to meet current demands of the CIP, both in volume and project make-up. With the proposed reduction in FY 2027, E&CP staffing will have increased by 51.8% since FY 2015.

Department Review: Environmental Services

Environmental Services

The Environmental Services Department (ESD) provides waste management and abatement services throughout the City of San Diego. This includes collection and disposal of residential refuse, including trash, recycling, and organics, as well as the management and operation of the Miramar Landfill and Greenery. Additional services provided by the Department include sidewalk sanitation, homelessness encampment abatement, removal of illegal dumping, and enforcement of City codes and regulations regarding solid waste and recycling.

Impacts of the Mayor's FY 2027 Budget Proposal

The FY 2027 Proposed Budget for ESD is approximately \$274.6 million, an increase of \$14.1 million and 95.65 FTEs from the FY 2026 Adopted Budget, as shown in the table below. Revenues are projected to total approximately \$247.9 million, a decrease of \$3.5 million from the FY 2026 Adopted Budget.

To accommodate the Department's multiple areas of responsibility and funding sources, the Department is divided into seven primary divisions across four individual funds. New

for FY 2027, the Department has removed the Environmental Services division, while adding new divisions for Business & Support Services, Integrated Customer Solutions, and Environmental Health & Safety. This addition of new divisions more clearly reflects how the Department operates, with the new divisions providing support to the other four divisions, which are the primary functions of the Department.

The analysis of the FY 2027 Proposed Budget in this section is organized by the Department's four funds. Notably, with the implementation of Solid Waste Management Fees, the Automated Refuse Container Replacement Fund will be closed at the end of FY 2026 and is no longer covered in this analysis.

General Fund

The FY 2027 Proposed Budget for ESD's General Fund operations totals approximately \$34.8 million, a \$2.4 million (7.5%) increase from the FY 2026 Adopted Budget. The FY 2027 Proposed Budget for ESD's General Fund operations includes 118.73 FTEs which represents a decrease of 12.00 FTEs from the FY 2026 Adopted Budget.

| ENVIRONMENTAL SERVICES DEPARTMENT FY 2027 PROPOSED BUDGET EXPENDITURES | | | | | | |
|---|---------------|----------------------|-----------------------------|----------------------|----------------------|-----------------------|
| Divisions | FTE | General Fund | Solid Waste Management Fund | Refuse Disposal Fund | Recycling Fund | TOTAL |
| <i>Collection Services</i> | 377.00 | \$ 2,868,405 | \$ 135,470,142 | \$ - | \$ 1,831 | \$ 138,340,378 |
| <i>Disposal & Environmental Protection</i> | 114.00 | 570,961 | 1,407,989 | 51,184,838 | 2,881,416 | 56,045,204 |
| <i>Clean SD</i> | 91.00 | 21,232,229 | - | - | 1,480,596 | 22,712,825 |
| <i>Waste Reduction</i> | 52.00 | 531,962 | 7,087,249 | - | 9,188,072 | 16,807,283 |
| <i>Business & Support Services</i> | 32.15 | 4,740,151 | 2,996,387 | 4,014,956 | 15,299,229 | 27,050,723 |
| <i>Integrated Customer Solutions</i> | 52.00 | 1,209,816 | 1,916,041 | 3,518,947 | 365,121 | 7,009,925 |
| <i>Environmental Health & Safety</i> | 36.00 | 3,613,540 | 339,633 | 1,686,465 | 1,004,525 | 6,644,163 |
| TOTAL | 754.15 | \$ 34,767,064 | \$ 149,217,441 | \$ 60,405,206 | \$ 30,220,790 | \$ 274,610,501 |

Department Review: Environmental Services

The Department’s General Fund revenue, totaling \$7.4 million for FY 2027, is an increase of \$3.2 million from FY 2026. Significant changes are summarized on the table at the bottom of this page.

Significant Budget Additions

\$1.9 million – Ineligible Collections Customers

With the transition to charging for solid waste collection services, there were two sets of customers that were not charged for collection services provided by ESD, but continued to receive service. Based on data collected during the past year, it was determined that the General Fund would need to reimburse the Solid Waste Management Fund \$9.5 million for these services. This reimbursement is anticipated to happen over the next five years, equating to approximately \$1.9 million per year.

The first set consists of customers that previously received City service, but are now ineligible due to the municipal code changes passed in Measure B. While these customers were transitioning to private hauler service, the City continued to service these addresses. The General Fund will cover the costs to provide these services to these customers up to the point that they transitioned to private service. This represents a cost of \$2.2 million. The vast majority of ineligible customers have now transitioned to private service, and with

finances in excess of the City’s cost to provide service to ineligible customers, there should be minimal to no additional costs for these properties.

The second set consists of customers that have more than one of each serviceable can. Since the City did not know how many cans various addresses had, there were no charges for these services until the City either verified addresses had additional cans, or customers turned cans in during the new container rollout. This set of customers represents \$7.3 in cost. With container amounts being validated during FY 2026, appropriate fees for back payments or additional cans going into the future will be assessed. Therefore, this amount should also not increase.

\$500,000 – Fee Study

The Department requested a total of \$3.0 million to conduct a fee study on various fees that ESD charges. This includes private hauler franchise fees, which accrue to the General Fund, as well as AB 939 fees (the primary funding source for the Recycling Fund) and tipping fees (the primary funding source for the Refuse Disposal Fund). The costs for this fee study are split between these funds based on the fees that they collect.

This fee study will be crucial for the Department as it will ensure both the ability of the City to continue to collect, and possibly

| SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - GENERAL FUND BUDGET CHANGES | | | | | |
|---|----------------|-----------------------|----------------------|----------------------|---------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 130.73 | \$ 16,278,005 | \$ 16,061,465 | \$ 32,339,470 | \$ 4,228,217 |
| Programmatic Changes | | | | | |
| <i>Ineligible Collections Customers</i> | - | - | 1,900,000 | 1,900,000 | - |
| <i>Fee Study</i> | - | - | 500,000 | 500,000 | - |
| <i>CalTrans Agreement Expansion</i> | 2.00 | 189,128 | 290,514 | 479,642 | 100,000 |
| <i>Position Restructure</i> | (14.00) | (2,286,930) | - | (2,286,930) | - |
| <i>Downtown Sanitation</i> | - | - | - | - | 2,316,253 |
| <i>TOT Fund Reimbursement</i> | - | - | - | - | 1,045,000 |
| <i>Solid Waste Management Fund Transfer</i> | - | - | - | - | (273,964) |
| Other Changes | | | | | |
| <i>Other Salaries and Wages</i> | - | (164,858) | - | (164,858) | - |
| <i>Fringe Benefits (Including Retirement ADC)</i> | - | 898,097 | - | 898,097 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | 1,101,643 | 1,101,643 | - |
| FY 2027 Proposed Budget | 118.73 | \$ 14,913,442 | \$ 19,853,622 | \$ 34,767,064 | \$ 7,415,506 |
| Difference from 2026 to 2027 | (12.00) | \$ (1,364,563) | \$ 3,792,157 | \$ 2,427,594 | \$ 3,187,289 |

Department Review: Environmental Services

increase, refuse hauler franchise fees, which are a significant source of General Fund revenue, as well as ensure the financial sustainability of the Recycling and Refuse Disposal funds.

Additional equity implications related to this adjustment are included later in this department review.

\$480,000, 2.00 FTE – CalTrans Agreement Expansion

This adjustment includes two new positions and funding for the City’s Delegated Maintenance Agreement (DMA) with CalTrans. The DMA allows the City to conduct homelessness encampment abatement and outreach within areas that are in the State’s right-of-way, and therefore under the authority of CalTrans. Additionally, there is \$300,000 in overtime expenditures for Police in that Department’s budget.

The City has been diverting existing resources to fulfill this work, impacting services in other areas. Adding a dedicated crew, which is partially covered by CalTrans reimbursement, will free up City resources to better cover other areas in the City. Corresponding revenue in the Proposed Budget totals \$400,000 based on the current agreement, with \$100,000 in the Environmental Services Department the remaining \$300,000 in the Police Department.

The current agreement is only for one year and covers five miles of freeway in downtown. A potential expansion is currently being negotiated with CalTrans that could double the service area to ten miles and extend the agreement for three years.

Significant Budget Reductions

(\$2.3 million, 14.00 FTEs) – Position Restructure

The only major reduction from the Environmental Services General Fund budget is a restructuring of 14.00 FTEs and associated funding out of the General Fund. These

positions, which are mostly related to environmental health, are being transferred to the Recycling Fund since their work can be funded by Recycling Fund funding sources.

Significant Revenue Adjustments

There are three significant revenue changes in the General Fund for ESD. The first is an increase of \$2.3 million from parking meter revenues to reimburse the General Fund for downtown sidewalk sanitation and encampment abatement services.

The second revenue change is an increase of \$1.0 million in reimbursements from the Transient Occupancy Tax (TOT) Special Promotional Programs Fund. This revenue will also help cover the costs for sidewalk sanitation services that take place downtown and in high tourism areas.

Finally, there is a decrease of \$274,000 in transfers from the Solid Waste Management Fund. These transfers represent payments to the General Fund for assets, primarily vehicles, that moved from the General Fund to the Solid Waste Management Fund. Since these assets were purchased with General Fund dollars, it is appropriate for the Solid Waste Management Fund to pay back the General Fund for these assets.

Unfunded Budget Requests

The table on the next page provides an overview of various unfunded requests for ESD. The majority of these requests are either 1) additional administrative positions that were requested due to increases in the size of the Department, mainly due to new or increased collections services and landfill operations, or 2) additions specific to the Department’s General Fund operations, which are primarily related to CleanSD or other general benefit programs. While the administrative positions would be funded by multiple funds, approximately 22% of their cost would have been borne by the General Fund based on the administrative funding split that ESD utilizes for these types of positions.

Department Review: Environmental Services

| Environmental Services Proposed Additions <i>Not</i> Included in the Proposed Budget | | | | | |
|---|--------------|---------------------|---------------------|---------------------|-------------------|
| Programmatic Addition | FTE | PE | NPE | Total | Revenue |
| Multi-Fund | | | | | |
| Public Information Clerks | 8.00 | \$ 680,355 | \$ - | \$ 680,355 | \$ - |
| Information Systems Analysts | 3.00 | 331,723 | - | 331,723 | - |
| Fiscal and Administrative Support | 2.00 | 249,631 | 5,000 | 254,631 | - |
| Customer Services Program Coordinator | 1.00 | 173,259 | - | 173,259 | - |
| Payroll Operations | 1.00 | 98,750 | 2,500 | 101,250 | - |
| Administrative Aide | 1.00 | 98,628 | - | 98,628 | - |
| <i>Subtotal</i> | <i>16.00</i> | <i>\$ 1,632,346</i> | <i>\$ 7,500</i> | <i>\$ 1,639,846</i> | <i>\$ -</i> |
| General Fund | | | | | |
| Additional Sidewalk Sanitation | - | - | 700,000 | 700,000 | 700,000 |
| Hazardous Materials Inspector | 1.00 | 137,893 | - | 137,893 | 80,608 |
| Saturday Community Cleanup Events | - | 121,740 | - | 121,740 | - |
| Mission Beach Second Pickup | - | 111,595 | - | 111,595 | 110,000 |
| Get It Done Licenses | - | - | 90,000 | 90,000 | - |
| Asbestos Surveys | - | - | 75,000 | 75,000 | - |
| Boat Movers | - | - | 50,000 | 50,000 | - |
| Lead Paint Assessment Equipment | - | - | 28,500 | 28,500 | - |
| <i>Subtotal</i> | <i>1.00</i> | <i>\$ 371,228</i> | <i>\$ 943,500</i> | <i>\$ 1,314,728</i> | <i>\$ 890,608</i> |
| Refuse Disposal Fund | | | | | |
| Illegal Dumping Enforcement | - | 101,450 | - | 101,450 | - |
| Solid Waste Management Fund | | | | | |
| Code Compliance EVs | - | - | 240,000 | 240,000 | - |
| Totals | 17.00 | \$ 2,105,024 | \$ 1,191,000 | \$ 3,296,024 | \$ 890,608 |

Our Office notes that while two unfunded General Fund additions have revenue attached to them, this revenue would have come from the Special Promotional Programs Fund, which is already fully used in the FY 2027 Proposed Budget. Therefore, additional General Fund reductions would be needed if these items were added to the budget.

Solid Waste Management Fund

The Solid Waste Management Fund (SWMF) is the enterprise fund that funds the collection and disposal of waste, recycling, and organics for residential properties in line with the Municipal Code’s eligibility criteria as amended by Measure B in 2022. This fund is primarily funded through refuse collection fees.

As shown in the table on the next page, expenditures in the FY 2027 Proposed Budget from the SWMF total \$149.2 million, which is an increase of \$9.8 million (7.1%) from the FY 2026 Adopted Budget. FTEs total 408.65, which is an increase of 91.10 FTEs. Revenues in FY 2027 are projected to be \$140.9 million, which is a decrease of \$7.5 million, mainly associated with changes in anticipated refuse collection revenue.

Significant Budget Additions

\$5.0 million, 52.00 FTEs – Bulky Item Pickup
The largest increase is 52.00 FTEs and almost \$5.0 million in expenditures to begin staffing Bulky Item Pickup services for eligible City residents. This is a service enhancement that was included in the Cost-of-Service Study (COSS) approved in June 2025, with service slated to begin in FY 2028. Beginning in FY

Department Review: Environmental Services

2028, residents that receive City collection services will be able to schedule up to two bulky item pickups per year. In order to roll out the service next year, ESD added the positions and proportionate funding in the FY 2027 Proposed Budget. Additional annualized expenses will be added in FY 2028.

Additional equity implications related to this adjustment are included later in this department review.

\$2.5 million – Overtime Adjustment

This addition is to true-up overtime spending for holidays that are worked by Sanitation Drivers and other personnel. When there are City holidays during the week, crews are required to work on a Saturday to ensure that collections continue on a weekly basis. Overtime budgets have not been adjusted for additional personnel or salary adjustments, and there was no adjustment following the addition of the Juneteenth holiday. This amount represents the average of actual overtime

spending for the past three years.

\$1.7 million, 32.00 FTEs – Weekly Recycling
Similar to Bulky Item Pickup, another service enhancement approved in the COSS is a transition to weekly recycling pickup in FY 2028. In order to be prepared for this additional service rollout, positions and proportionate funding are added to the FY 2027 Proposed Budget. Additional annualized expenses will be added in FY 2028.

\$958,000, 7.00 FTEs – Supplemental Driver Positions

In FY 2021, additional Sanitation Driver positions were added as unbudgeted positions, but were never formally added to the budget. This adjustment adds these positions.

\$500,000 – Measure B Support

This addition is to reimburse the Recycling Fund for services by staff that are funded in the Recycling Fund instead of the SWMF. This is further explained under the Recycling Fund section.

| SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - SOLID WASTE MANAGEMENT FUND BUDGET CHANGES | | | | | |
|---|---------------|----------------------|----------------------|-----------------------|-----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 317.55 | \$ 44,459,959 | \$ 94,920,797 | \$ 139,380,756 | \$ 148,438,551 |
| Programmatic Changes | | | | | |
| <i>Bulky Item Pickup</i> | 52.00 | 1,996,973 | 2,962,000 | 4,958,973 | - |
| <i>Overtime Adjustment</i> | - | 2,536,250 | - | 2,536,250 | - |
| <i>Weekly Recycling</i> | 32.00 | 1,505,350 | 212,686 | 1,718,036 | - |
| <i>Supplemental Driver Positions</i> | 7.00 | 943,726 | 14,000 | 957,726 | - |
| <i>Measure B Support</i> | - | - | 500,000 | 500,000 | - |
| <i>New Assistant Deputy Director</i> | 1.00 | 278,542 | 4,000 | 282,542 | - |
| <i>Paradigm</i> | - | - | 200,000 | 200,000 | - |
| <i>Ridgehaven Rent</i> | - | - | 166,882 | 166,882 | - |
| <i>Position Restructure</i> | 0.10 | 75,042 | - | 75,042 | - |
| <i>Intern Reduction</i> | (1.00) | (53,955) | - | (53,955) | - |
| <i>Transfer to Other Funds</i> | - | - | (614,514) | (614,514) | - |
| <i>Ineligible Collections Customers</i> | - | - | - | - | 1,900,000 |
| <i>Renewable Natural Gas Credits</i> | - | - | - | - | 1,000,000 |
| <i>Library and Fire Department Support</i> | - | - | - | - | 90,000 |
| <i>Recycling Fund Support</i> | - | - | - | - | (3,000,000) |
| <i>Rate Adjustments</i> | - | - | - | - | (5,320,852) |
| Other Changes | | | | | |
| <i>Non-Discretionary Adjustments</i> | - | - | 2,870,744 | 2,870,744 | - |
| <i>Other Salaries and Wages</i> | - | 529,393 | 28,000 | 557,393 | - |
| <i>Fringe Benefits (Including Retirement ADC)</i> | - | (348,918) | - | (348,918) | - |
| <i>One-time Adjustments from FY 2025</i> | - | - | (3,969,516) | (3,969,516) | (2,179,850) |
| FY 2027 Proposed Budget | 408.65 | \$ 51,922,362 | \$ 97,295,079 | \$ 149,217,441 | \$ 140,927,849 |
| Difference from 2026 to 2027 | 91.10 | \$ 7,462,403 | \$ 2,374,282 | \$ 9,836,685 | \$ (7,510,702) |

Department Review: Environmental Services

\$283,000, 1.00 FTEs – New Assistant Deputy Director

This increase is for a new Assistant Deputy Director to improve the span of control in the Collection Services Division. This is being requested due to the large increase in operational personnel that have been added as various new services have either come online, such as mandatory green waste collections and fee recovery, as well as new or expanded upcoming services, such as bulky item and weekly recycling.

\$200,000 – Paradigm Software

This is a one-time expenditure to replace the current Automated Refuse Tonnage System software with a new software package that will track both the scale house ticketing system at the Miramar Landfill as well as implement a new automated waste daily dispatch system for Collection Services. This adjustment represents just the portion related to the dispatch system as the Refuse Disposal Fund already contains funding for the ticketing system.

\$167,000 – Ridgehaven Rent

This is a rent payment from the SWMF to the Refuse Disposal Fund for staff at the Ridgehaven facility. That facility is owned by the Refuse Disposal Fund, and, as such, the SWMF needs to pay for the space that is occupied by SWMF staff.

\$75,000, 0.10 FTE – Position Restructure

The last increase is 0.10 FTE and \$75,000 to represent costs for a Deputy Chief Operating Officer that is being transferred from the General Fund. This position was previously budgeted under the Office of the Mayor. More information about this change can be found in that section.

Significant Budget Reductions

There are two significant budget reductions for the SWMF, which are a reduction of \$615,000 in transfers to other funds and the reduction of an intern position. The transfers represent payments for assets (mainly

vehicles) that were purchased by other funds but transferred last year to the SWMF. This adjustment is based on the payment schedule for these assets, with corresponding revenue decreases within other ESD funds.

The intern position was reduced due to a reallocation of Employ and Empower positions.

Significant Revenue Adjustments

\$1.9 million – Ineligible Collections Customers

The largest revenue increase associated with revenue payments coming from the General Fund to cover services rendered to customers that were not charged solid waste collection fees. This is further explained in the General Fund section of this Department Review.

\$1.0 million – Renewable Natural Gas Credits

Renewable Natural Gas Credits are payments from the federal Environmental Protection Agency and California Air Resources Board to the City for the use of renewable natural gas to fuel the City's packer fleet. This is a new revenue stream that the City recently applied for.

\$90,000 – Library and Fire Support

With the transition to collecting solid waste management fees, the Collection Services division had previously serviced various libraries and fire stations for the City. Since this service is now cost recoverable, in order to maintain these services the Library and Fire-Rescue departments need to pay for their collections.

(\$3.0 million) – Recycling Fund Support

Per the COSS approved last year, the Recycling Fund is providing assistance to cover costs for recycling services over a five-year period. This reduction brings this support down from \$15.0 million to \$12.0 million per the schedule included in the COSS.

(\$5.3 million) – Rate Adjustments

The largest revenue change is a \$5.3 million net decrease in rate revenue, bringing the total down to \$123.9 million. However, while the

Department Review: Environmental Services

budget adjustment reflects a negative number, this is mostly due to the fact that the revenue amount contained in the FY 2026 Adopted Budget was not adjusted to reflect the changes made to the fee schedule and customer counts between the initial April COSS, which was used to notice the rates, and the final rates and charges approved in June. While the Adopted Budget included \$129.3 million in revenue, only \$117.5 million was ultimately included on the tax roll for FY 2026. The difference between the FY 2027 budgeted amount of \$123.9 million and the amount on the tax roll of \$117.5 million represents the increase that is attributable to the increase in the approved fee schedule.

Reconciling FY 2027 Cost-of-Service to Proposed Budget

However, \$123.9 million is still less than what was anticipated based on the COSS. The table to the right contains a reconciliation between what the COSS anticipated for FY 2027 and the Proposed Budget. First, the \$123.9 million does not include the \$2.0 million that will come from the General Fund to support low-income customers. Additionally, it does include true-up revenue of \$1.2 million to account for customer selections and billing changes that occurred in FY 2026. As customers selected different sizes and numbers of cans, customers either obtained credits if their service level was lowered, or incurred charges if they were receiving a higher service level than anticipated. By accounting for these two changes, the actual rate revenue in the Proposed Budget, that is comparable to the COSS, is \$124.7 million.

| FY 2027 Solid Waste Rate Reconciliation | |
|--|-----------------|
| (\$ in millions) | |
| Cost-of-Service Assumption | \$ 133.7 |
| Additional Can Returns | (6.7) |
| Bundles Switches | (1.5) |
| Fewer Overall Customers | (0.7) |
| <i>Total Revenue Loss</i> | <i>(9.0)</i> |
| Total Rate Revenue | \$ 124.7 |
| FY 2026 True Ups | 1.2 |
| General Fund Support | (2.0) |
| FY 2027 Proposed Budget | \$ 123.9 |

This amount is around \$9.0 million below what the COSS estimated for this year. This difference is mainly attributable to changes in customer behavior during the first year of fee implementation. In the COSS, costs were estimated based on the size and type of cans that customers had then. However, customers have been selecting smaller can sizes and returning additional cans at rates exceeding the assumptions in the COSS. More customers selecting the 35-gallon bundle instead of either the 65-gallon or 95-gallon bundle reduces revenue by \$1.5 million, while customers returning additional cans at greater rates than anticipated reduces revenue by \$6.7 million. Additionally, the COSS still assumed more customers than were actually billed, which results in a \$0.7 million loss as well.

The can selections that ESD used to estimate FY 2027 revenues were taken from their database as of early January, prior to the full rollout of new grey bins, which is when most people are making can selection choices. A more updated revenue projection should be made available for the May Revision.

Recycling Fund

As shown in the table on the next page, the FY 2027 Proposed Budget for the Recycling Fund is \$30.2 million, a decrease of \$507,000 from the FY 2026 Adopted Budget. FTEs are increased by 20.51 to a total of 70.04 FTEs. Revenues are projected to total \$25.8 million, which is an increase of \$474,000 from FY

Department Review: Environmental Services

2026.

Significant Budget Additions

\$1.6 million, 15.01 FTEs – Position Restructure

The largest expenditure increase in the Recycling Fund is \$1.6 million and 15.01 FTEs due to position restructures from other funds. The majority of this includes positions coming from the General Fund, which are further discussed in that section. There is also an increase of 0.01 FTE for a Deputy Chief Operating Officer.

\$689,000, 4.00 FTEs – Landfill Code Compliance

The next largest increase is 4.00 FTEs and \$689,000 for a new code compliance team at the Miramar Landfill. This team will enforce recycling rules, including establishing a more consistent approach to education, outreach, and support to residents and businesses. This is intended to keep recyclable materials out of the landfill, thereby increasing the lifespan of the landfill.

\$500,000 – Fee Study

This addition is for the Recycling Fund’s share of the fee study that was discussed in the General Fund portion of this Department Review.

Additional equity implications related to this adjustment are included later in this department review.

\$363,000 – Household Hazardous Waste Transfer Facility

This increase is to adjust the budget for the contractor that operates the City’s Household Hazardous Waste Transfer Facility (HHWTF) and to purchase an additional vehicle for the program to increase operating days from one to four days per week. Additionally, there are costs included in this adjustment for print shop services and postage to promote additional auto recycling events for communities that are located far away from the HHWTF.

Additional equity implications related to this adjustment are included later in this Department Review.

Significant Budget Reductions

The only significant budget reduction for the Recycling Fund is a \$3.0 million reduction in assistance being transferred to the Solid Waste Management Fund (SWMF). This is per the schedule included in the Cost-of-Service study for solid waste collection fees, bringing the assistance payment down from \$15.0 million to \$12.0 million.

| SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - RECYCLING FUND BUDGET CHANGES | | | | | |
|--|--------------|---------------------|-----------------------|----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 49.53 | \$ 6,885,533 | \$ 23,842,543 | \$ 30,728,076 | \$ 25,414,856 |
| Programmatic Changes | | | | | |
| <i>Position Restructure</i> | 15.01 | 1,603,232 | - | 1,603,232 | - |
| <i>Landfill Code Compliance</i> | 4.00 | 388,903 | 300,000 | 688,903 | - |
| <i>Fee Study</i> | - | - | 500,000 | 500,000 | - |
| <i>Household Hazardous Waste Transfer Facility</i> | - | - | 362,566 | 362,566 | - |
| <i>Employ & Empower Interns</i> | 1.50 | 45,170 | - | 45,170 | 45,170 |
| <i>Solid Waste Management Fund Assistance</i> | - | - | (3,000,000) | (3,000,000) | - |
| <i>Measure B Support</i> | - | - | - | - | 500,000 |
| <i>Solid Waste Management Fund Transfer</i> | - | - | - | - | (71,654) |
| Other Changes | | | | | |
| <i>Other Salaries and Wages</i> | - | 273,090 | (5,000) | 268,090 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | 180,338 | 180,338 | - |
| <i>Fringe Benefits (Including Retirement ADC)</i> | - | (253,085) | - | (253,085) | - |
| <i>One Time Adjustments from FY 2025</i> | - | - | (902,500) | (902,500) | - |
| FY 2027 Proposed Budget | 70.04 | \$ 8,942,843 | \$ 21,277,947 | \$ 30,220,790 | \$ 25,888,372 |
| Difference from 2026 to 2027 | 20.51 | \$ 2,057,310 | \$ (2,564,596) | \$ (507,286) | \$ 473,516 |

Office of the Independent Budget Analyst
April 2026

Department Review: Environmental Services

Significant Revenue Adjustments

There are two significant revenue adjustments for the Recycling Fund.

The first is \$500,000 in support from the SWMF for services provided to the SWMF. In particular, recycling staff have been providing support to transition ineligible customers from City service to a private hauler. Code compliance staff have been providing some support as well.

The second adjustment is a decrease of \$72,000 due to a decline in the transfer from the SWMF for assets that were transferred to that fund in FY 2026.

Refuse Disposal Fund

The FY 2027 Proposed Budget for the Refuse Disposal Fund is approximately \$60.4 million, an increase of approximately \$4.4 million from the FY 2026 Adopted Budget. Revenues are projected to total \$73.1 million, an increase of \$311,000 from FY 2026. Significant changes are summarized in the table at the bottom of this page.

Significant Budget Additions

\$2.3 million – Greenery Equipment

The largest increase in the Refuse Disposal Fund is \$2.3 million for additional rental and

leased equipment required to operate the Greenery at the Miramar Landfill. This equipment is specifically required to increase decontamination of collected green waste, as there has been an increase in this collected waste due to the implementation of SB 1383.

\$2.0 million – Fee Study

The next major addition is \$2.0 million for the Refuse Disposal Fund’s portion of the fee study. Since tipping fees are the largest revenue generated that will be covered by the study, the Refuse Disposal Fund is funding the majority of the cost for this study.

Additional equity implications related to this adjustment are included later in this department review.

\$1.0 million – Soil Purchases

This increase is for additional clean soil purchases that are necessary to comply with Regional Water Quality Control Board requirements for covering closed solid waste sites.

Significant Budget Reductions

(\$621,000, 0.96 FTEs) – Position Restructure

The only net reduction within the Refuse Disposal Fund is a reduction of net positions due to restructuring positions to other funds. This reduction includes 1.00 FTE that is being transferred to the Recycling Fund, offset by 0.04 FTE of a Deputy Chief Operating Officer

| SUMMARY OF ENVIRONMENTAL SERVICES DEPARTMENT - REFUSE DISPOSAL FUND BUDGET | | | | | |
|--|---------------|----------------------|----------------------|----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 160.69 | \$ 17,105,423 | \$ 38,859,380 | \$ 55,964,803 | \$ 72,751,556 |
| Programmatic Changes | | | | | |
| <i>Greenery Equipment</i> | - | - | 2,339,000 | 2,339,000 | - |
| <i>Fee Study</i> | - | - | 2,000,000 | 2,000,000 | - |
| <i>Soil Purchases</i> | - | - | 1,000,000 | 1,000,000 | - |
| <i>Position Restructure</i> | (0.96) | (620,680) | - | (620,680) | - |
| <i>One-Time Discount on Tipping Fee for FY 2026</i> | - | - | - | - | 800,000 |
| <i>Rent from Solid Waste Management Fund</i> | - | - | - | - | 100,000 |
| <i>Solid Waste Management Fund Vehicle Transfer</i> | - | - | - | - | (268,896) |
| <i>Renewable Gas Revenue</i> | - | - | - | - | (320,000) |
| Other Changes | | | | | |
| <i>Other Salaries and Wages</i> | - | 234,222 | (2,000) | 232,222 | - |
| <i>Fringe Benefits (Including Retirement ADC)</i> | - | 539,229 | - | 539,229 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | 406,632 | 406,632 | - |
| <i>One-Time Adjustments from FY 2026</i> | - | - | (1,456,000) | (1,456,000) | - |
| FY 2027 Proposed Budget | 159.73 | \$ 17,258,194 | \$ 43,147,012 | \$ 60,405,206 | \$ 73,062,660 |
| Difference from 2026 to 2027 | (0.96) | \$ 152,771 | \$ 4,287,632 | \$ 4,440,403 | \$ 311,104 |

Department Review: Environmental Services

being transferred into the Refuse Disposal Fund.

Significant Revenue Adjustments

\$800,000 – FY 2026 Tipping Fee Discount

As a one-time budget mitigation in FY 2026, various General Fund departments were given a discount on tipping fees at the Miramar Landfill. With this discount ending, the Refuse Disposal Fund should see a revenue increase of \$800,000.

\$100,000 – Ridgehaven Rent

This is a payment from the Solid Waste Management Fund to the Refuse Disposal Fund for rent of Ridgehaven.

(\$269,000) – Solid Waste Management Fund Asset Transfer Payment

This is the revenue decrease associated with lower payments for the transfer of assets from the Refuse Disposal Fund to the Solid Waste Management Fund.

(\$320,000) – Renewable Gas Revenue

The City is currently negotiating a height limit increase for the Miramar Landfill, which due to recent changes in federal regulations, will require the City to make payments for the facility. Based on current negotiations, the Navy is proposing that the City pay the Navy \$13 million for the new height rights through 2031, but instead of cash the Navy will be paid in renewable gas royalties for gas generated at the landfill. This reduction in revenue recognizes that change in the budget although the final agreement is still under negotiation.

Issues for Council Consideration

Miramar Landfill Closure

The Miramar Landfill is primarily funded by the Refuse Disposal Fund, and is a City operated facility located on land owned by the US Navy. Operating a landfill has many benefits for the City, including the ability to control

disposal costs for residential collections. Most waste collected by City forces is deposited at Miramar, and thus changing the fees to deposit waste at Miramar to cover landfill costs will impact costs in the Solid Waste Management Fund since a major cost of collections is for disposal of the waste collected.

Since the City does not own the landfill, but rather leases it from the Navy, its ability to continue to operate the landfill is controlled by the Navy, and is limited by restrictions imposed by the Navy in order to meet their operational requirements. One of the largest restrictions is the height to which the landfill can operate. Negotiations are currently ongoing to allow the height limit to increase to such an extent that it could extend the operational life of the landfill through 2031, but based on tonnage figures and projections, ESD estimates that the height limit currently being negotiated may be reached in the next couple of years, and potentially sooner, if diversion rates are not improved.¹ Additionally, the Navy has indicated that it will not permit the landfill height-limit to be increased beyond the limit currently being negotiated, as doing so would impact its ability to utilize its runway and operate aircraft at the base. Losing the ability to deposit waste at Miramar could have a dramatic impact on refuse collection rates for both City residents and private haulers, since tipping fees at other landfills are currently higher than what is charged at Miramar.

As noted in this review, ESD's budget is proposed to cover a fee study that will include tipping fees, which are the primary funding source for the Miramar Landfill. It is important that this study answer major questions, including 1) how will the City pay for continued regulatory costs to maintain Miramar after the landfill can no longer accept waste, and 2) what are the most cost effective options for the

¹ The height limit restrictions impact general waste disposal, but will not impact organics disposal at the soon to be constructed Organics Processing Facility, or recyclable materials which are deposited at a separate facility.

Department Review: Environmental Services

City to pursue for the disposal of City collected waste.

On the first question, there will need to be a financing plan in place for Miramar, as there are for other closed landfill sites, given that regulatory requirements to maintain upkeep of these closed landfills does not end once a landfill is capped. This will require either an ongoing revenue source, or collecting enough funding now to pay for closed site operations over the long term.

On the second question, there are multiple considerations to be addressed. These include whether it is financially beneficial for the City to build a transfer station at Miramar, and if so whether it should allow private access or only be available for Collections Services. A transfer station would allow waste to be deposited, recycling and organic waste separated out and sent to the correct facilities, and then the remaining waste trucked to another landfill. Alternatively, the City could use other landfills that are operated by private operators. The City would have less control over costs in this scenario, but in the long run it could be financially beneficial if these costs are determined to be less than operating a transfer station, either alone or through a public-private partnership.

With a looming 2031 (if not sooner) deadline, we appreciate that Environmental Services is beginning to conduct these studies now. Planning for the eventual closure of Miramar, and operational options for after that closure, will be a major policy consideration for the Council over the next five years.

Solid Waste Collection Fees and Need to Make Long-term Financial Outlook Routine

FY 2026 is the first year in the history of the City where certain City residents that receive waste and recycling collection services paid for those services directly. Previously, this service was funded primarily by the General Fund, resulting in the largest subsidy from the

General Fund to a subset of City residents. The adoption of solid waste fees resulted in the end of this subsidy, with residents now being charged based on the service they are receiving. Low-income residents currently receive subsidies for waste collection through the General Fund.

Since FY 2026 was the first year of fees, there were many unknowns, particularly around customer behavior, that made fee setting difficult in the COSS. When allocating costs to bins, the City assumed that customers would retain their current service levels, and with most customers having 95-gallon bins and many customers having multiple bins.

However, with lower costs being offered if residents chose a smaller can, and with additional bins coming with additional costs, many residents have chosen to downsize their service level, and as such are paying less for their service than previously predicted. As noted in this section, this has resulted in total revenues beneath those projected in the COSS. While some variable costs attributed to can sizes have decreased, such as disposal fees due to less tonnage being collected, not all variable costs have declined in proportion to the revenue decline experienced by ESD. This has resulted in an assumed negative fund balance for the SWMF of \$22.7 million at the end of FY 2027. Per the COSS, this was supposed to be the first year of positive fund balance for the fund.

Near term options to rectify this shortfall include taking steps now to mitigate costs currently in the SWMF, such as delaying packer replacement schedules, delaying operational efficiency analysis options, or lowering disposal costs if the upcoming fee study shows that lower tipping fees are an option. This would be similar to how the Public Utilities Department is currently addressing its imbalance between expenses and rate revenue. Otherwise, negative reserve balances would need to be addressed in the next COSS.

Department Review: Environmental Services

ESD anticipates bringing a five-year financial forecast forward for the SWMF that will potentially demonstrate a path to a positive fund balance over the next couple of years. **Our Office recommends that this financial forecast be presented soon, and include potential options for closing the revenue deficit as soon as reasonably possible. Additionally, this type of financial outlook should become a part of the City's other financial outlook processes.**

DRE Budget Equity Implications

The following adjustments have equity implications:

Household Hazardous Waste Transfer Facility - \$363,000²

The adjustment is associated with increased operating days of the Household Hazardous Waste Transfer Facility, and has multiple components, each of which has equity implications:

The addition of \$190,000 in contractual expenditures is anticipated to increase community access by enabling residents to dispose of household hazardous waste at the Household Hazardous Waste Transfer Facility on four days each week, rather than two. To evaluate potential inequities in specific city council districts, particularly related to disproportionate impacts within neighborhoods that experience higher volumes of illegal household waste dumping, the KPI for illegal dumping, which tracks the average number of days to close illegal dumping reports generated in Get It Done, should be monitored.

The addition of a one-time non-personnel expenditure to purchase a vehicle has an Equity Implication related to workplace safety conditions for employees and will provide staff access to a city vehicle to transport inspection equipment and conduct assessments in the

field.

The addition of \$172,000 in support for Auto Recycling Events will support education and outreach efforts aimed to increase residents' awareness of recycling and disposal options for household hazardous waste, and has positive equity implications. These outreach efforts will inform the public of expanded operating days at the Household Hazardous Waste Transfer Facility and promote local collection events where the public can dispose of various types of hazardous waste.

\$5.0 million, 52.00 FTEs – Bulky Item Pickup³

The addition of \$5.0 million and 52.00 FTEs for Bulky Item Pickup expands a key service that disproportionately benefits residents in neighborhoods with higher rates of illegal dumping, limited access to vehicles, and fewer financial resources to self-haul bulky waste. This service enhancement will allow eligible households to schedule up to two free bulky-item pickups beginning in FY 2028, and staffing is being added now to make that rollout possible. The bulky item pick up service will be available through both online and phone reservations and supported by an inclusive outreach campaign with targeted engagement in historically underserved communities.

Support for Fee Rate Study - \$3,000,000⁴

The addition of \$3,000,000 for a Rate Fee Study ensures that ESD's fees are data-driven, aligned with the true cost of service, and transparently communicated to the public. To ensure equitable and transparent communication during and after the study, outreach efforts should target historically underserved communities and follow best practices from the City's Guide for Inclusive Engagement.

Note: The support for the Fee Rate Study is

² This adjustment relates to ESD's Tactical Equity Plan (TEP) Goals 1 and 2, and TEP Objectives 1.1, 2.1, and 2.3.

³ This adjustment related to ESD's Tactical Equity Plan (TEP) Goal 2 and TEP Objectives 2.1 and 2.2.

⁴ This adjustment relates to ESD's Tactical Equity Plan (TEP) Goal 1 and TEP Objective 1.1.

Department Review: Environmental Services

reflected across three funds: General Fund,
Recycling Fund, and Refuse Disposal Fund.

Department Review: Ethics Commission

Ethics Commission

The Ethics Commission is responsible for monitoring, administering, and enforcing the City’s governmental ethics laws. It is an independent department which does not report to the Mayor or Council. The Commission is made up of seven appointed members. A staff of six supports the Commission in its work in the following five areas:

- Legislative: monitors and proposes new governmental ethics laws and educates City officials on changing laws;
- Investigative: investigates and enforces violations of the City’s governmental ethics laws;
- Audit: audits all city campaign committees and disclosure statements;
- Training and administrative: ensures those regulated meet training and compliance requirements, and handles administrative duties; and
- Education: conducts training and provides a technical legal advice help line to ensure those regulated comply with the City’s ethics, campaign finance, and lobbying laws.

Impacts of Mayor’s FY 2027 Budget Proposal

The FY 2027 Proposed Budget for the Ethics Commission is approximately \$1.9 million, a decrease of \$115,000 (or 5.6%) from the FY 2026 Adopted Budget. The budget decrease is primarily associated with salary and benefit adjustments. The Proposed Budget also

includes 6.00 FTE positions, reflecting no change from the FY 2026 Adopted Budget.

There are no other notable changes to the Ethics Commission’s budget.

No Budget Reduction

For the FY 2027 Proposed Budget, General Fund departments were requested to submit budget reductions. As with most departments, an initial 7% target of the Ethics Commission’s FY 2026 Adopted Budget was requested, equating to \$144,000. The Ethics Commission’s Executive Director noted in a memo to the Mayor and the Department of Finance that the requested budget reduction cannot be implemented without violating legal mandates.

The Proposed Budget does not include a budget reduction for the Ethics Commission. The Commission also did not take a reduction in the FY 2026 Adopted Budget.

Absent furloughs or salary reductions for staff, the Commission’s budget has limited opportunities for budget reductions, with each of its six filled positions covering activities required by the City Charter and Municipal Code. For non-personnel expenditures, although the Commission’s spending on contracts has consistently come in underbudget, maintaining existing budget levels allows for fluctuations in case load from year to year, reducing the need for staff to request an appropriation from the Mayor and Council who are among the City officials regulated by the Commission.

| Description | FTE | PE | NPE | Total Expense | Revenue |
|--|-------------|---------------------|-------------------|---------------------|-------------|
| FY 2026 Adopted Budget | 6.00 | \$ 1,810,549 | \$ 242,030 | \$ 2,052,579 | \$ - |
| Budget Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | (114,892) | - | (114,892) | - |
| <i>Non-Discretionary NPE Adjustments</i> | - | - | (8) | (8) | - |
| FY 2027 Proposed Budget | 6.00 | \$ 1,695,657 | \$ 242,022 | \$ 1,937,679 | \$ - |
| Difference from 2026 to 2027 | - | \$ (114,892) | \$ (8) | \$ (114,900) | \$ - |

Department Review: Ethics Commission

Issues for Council Consideration

Unfunded Request: Case Management System

The Ethics Commission requested a one-time allocation of \$75,000 and an ongoing allocation of \$25,000 to implement a case intake and data management system to replace a legacy software application (Microsoft Access), which lacks basic-case management tools and presents security concerns. This request is unfunded in the FY 2027 Proposed Budget.

Staff noted that if this request is not funded, the Commission will continue using unsecured shared drives and performing manual workflows, which would continue to slow functions such as the processing of campaign committee audits and investigations of government ethics law violations.

We note that in November 2024, San Diego voters approved Measure D, which amended the City Charter as it relates to the Ethics Commission by adding Section 41.3. This section requires City Council to allocate sufficient funds for the Commission to carry out its responsibilities.

Council may wish to consider whether additional resources should be allocated to the Ethics Commission to fund this request in order to satisfy City Charter Section 41.3.

DRE Budget Equity Implications

The following unfunded request has an equity implication:

(\$100,000) – Case Management System¹

The unfunded request seeks to replace the Ethics Commission’s manual and aging case management systems. A modern case management tool could streamline record-keeping, consolidate information in a single platform, and support more reliable monitoring of service timelines, as well as address

operational gaps that affect the Commission’s capacity to manage workload and maintain consistent service delivery, which aligns with the Commission’s Tactical Equity Plan goal of operational excellence and improving processes, systems, and service delivery. Staff indicates that updated technology would improve process accuracy and enhance access to timely regulatory services.

¹ This unfunded request relates to Ethic’s Commission Tactical Equity Plan (TEP) Goal 2 and TEP Objective 2.1.

Department Review: Fire-Rescue

Fire-Rescue

The Fire-Rescue Department is responsible for providing fire, emergency medical, life-guard and emergency management services Citywide. The Department also provides 9-1-1 services, conducts fire inspections, issues alarm system permits, and provides community education.

The Fire-Rescue Department is operated under three funds, including the General Fund, the Fire/Emergency Medical Services Transport Program Fund (EMS Fund), and the Junior Lifeguard Program Fund. Funding for the majority of the Department's operations, including Fire Suppression and Lifeguard Services, is budgeted within the General Fund; operations of the City's EMS program are budgeted within the EMS Fund. Additionally, the Office of Emergency Services (OES) was restructured operationally under the Fire Rescue Department in December 2025. This is reflected in the FY 2027 Draft Budget publication; however, OES continues to be budgeted independently from the Fire-Rescue Department's General Fund budget.

When the Department's funds are combined, the Department's FY 2027 Proposed Budgeted totals \$547.8 million, an increase of approximately \$26.9 million or 5.2% from the FY 2026 Adopted Budget. This report reviews the Fire-Rescue Department's operations under each funding source separately.

Impacts of Mayor's FY 2027 Budget Proposal

General Fund

The FY 2027 Proposed Budget for the Fire-Rescue Department is approximately \$397.2 million for the General Fund, an increase of \$18.9 million, or 5.0% from the FY 2026 Adopted Budget. The Proposed Budget includes 1,389.50 FTEs, which is a reduction of 11.00 FTEs. Budgeted revenue totaling \$84.1 million represents a \$6.4 million, or 8.2%, increase from FY 2026.

Personnel Expenditures totaling \$345.8 million account for approximately 87% of the

| SUMMARY OF FIRE-RESCUE DEPARTMENT- GNERAL FUND BUDGET CHANGES | | | | | |
|---|-----------------|-----------------------|----------------------|-----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 1,400.50 | \$ 330,437,662 | \$ 47,873,863 | \$ 378,311,525 | \$ 77,712,022 |
| Programmatic Changes | | | | | |
| <i>Overtime Adjustments</i> | - | 6,184,290 | - | 6,184,290 | - |
| <i>Personal Protective Equipment (Firefighting Hoods)</i> | - | - | 292,000 | 292,000 | - |
| <i>Addition of 1.00 Media Services Manager</i> | 1.00 | 243,009 | - | 243,009 | - |
| <i>Training Expenses (CalOES Reimbursable)</i> | - | - | 235,960 | 235,960 | 235,960 |
| <i>Addition of 1.00 Fire Protection Engineer</i> | 1.00 | 185,940 | 4,000 | 189,940 | 185,940 |
| <i>Wellness Services (Contractual Increase)</i> | - | - | 150,699 | 150,699 | - |
| <i>Addition of 1.00 Marine Safety Captain (Lifeguard)</i> | - | (14,963) | 4,000 | (10,963) | - |
| <i>Budget Mitigation: Bomb Squad Operational Change</i> | (6.00) | (1,653,385) | - | (1,653,385) | - |
| <i>Budget Mitigation: Reduction of Fire Personnel</i> | (4.00) | (1,178,027) | - | (1,178,027) | - |
| <i>Budget Mitigation: Transfer of 3.00 FTEs to EMS Fund</i> | (3.00) | (734,785) | - | (734,785) | - |
| <i>Budget Mitigation: Additional Revenue from EMS Fund</i> | - | - | - | - | 5,341,150 |
| <i>Revised Revenue</i> | - | - | - | - | 3,145,107 |
| Other Changes | | | | | |
| <i>Other Salaries & Wages</i> | - | 6,916,080 | - | 6,916,080 | - |
| <i>Budgeted PE Savings (vacancy savings reduction)</i> | - | 5,230,917 | - | 5,230,917 | - |
| <i>Employ and Empower Program Interns</i> | - | (83,181) | - | (83,181) | (83,181) |
| <i>Non-Discretionary Adjustments</i> | - | - | 2,483,025 | 2,483,025 | - |
| <i>One-time Removals and Annualizations</i> | - | 259,655 | 328,749 | 588,404 | (2,429,053) |
| FY 2027 Proposed Budget | 1,389.50 | \$ 345,793,212 | \$ 51,372,296 | \$ 397,165,508 | \$ 84,107,945 |
| Difference from 2026 to 2027 | (11.00) | \$ 15,355,550 | \$ 3,498,433 | \$ 18,853,983 | \$ 6,395,923 |

Office of the Independent Budget Analyst
April 2026

Department Review: Fire-Rescue

Department's Proposed Budget. We note that this *excludes* any potential employee compensation increases that may result from ongoing labor negotiations with the International Association of Fire Fighters, Local 145 (IAFF Local 145) and California Teamsters Local 986 (Local 986).

Significant Budget Additions

\$6.6 million – Overtime Adjustments

The Proposed Budget adds \$6.6 million in overtime expenditures for a total overtime budget of \$56.7 million. This net increase is attributable to the following adjustments:

- A \$6.2 million ongoing increase intended to better align the overtime budget with prior year projections, including previously unbudgeted paramedic pay and other salary adjustments;
- An addition of \$500,000 in overtime expenditures associated with Fire Helicopter flight hours that were reduced on a one-time basis in FY 2026; and
- The removal of \$111,000 in one-time overtime expenditures that were added in FY 2026 associated with the Advanced Lifeguard Academy.

With the proposed increase for Fire-Rescue overtime, budgeted overtime expenditures at \$56.7 million are nearly in-line with year-end expenditures projections in the FY 2026 Mid-Year Budget Monitoring Report (\$56.9 million); however, the Department has noted that updated projections being prepared for the FY 2026 Third Quarter Budget Monitoring Report (anticipated to be released on May 13, 2026) are expected to reflect increased overtime spending relative to the mid-year projection. Moreover, the Fire-Rescue overtime budget does not account for salary adjustments that may result from pending labor negotiations; for context, a hypothetical 2% salary increase in FY 2027 would require approximately \$1.1 million in additional overtime funding to maintain a similar service level.

Additional unbudgeted overtime needs are also expected to be required due to various budget mitigations included in the Proposed Budget, which are discussed below.

\$292,000 – Personal Protective Equipment (Fire Fighter Hoods)

The Proposed Budget includes \$292,000 in one-time non-personnel expenditures to purchase National Fire Protection Association-compliant firefighting hoods that were recently mandated by AB 1181. This funding will provide two hoods per fire fighter, plus extra stock for as-needed replacements.

\$243,000 – Addition of 1.00 Media Services Manager

The FY 2026 Proposed Budget includes the addition of 1.00 Media Services Manager (Program Manager) and \$243,000 in personnel expenditures. The communications/media services needs of the Fire-Rescue Department are currently being performed by a Program Manager budgeted within the Communications Department. The incumbent from Communications is expected to be transferred to fill this new position in the Fire-Rescue Department.

\$236,000 – Training Expenses (CalOES Reimbursable)

The FY 2027 Proposed Budget includes \$236,000 in one-time non-personnel expenditures for Urban Search and Rescue Mobilization Exercise (MOBEX) and Swiftwater rescue exercise. This training expense is reimbursable through existing agreements with CalOES.

\$189,000 – Addition of 1.00 Fire Protection Engineer

The Proposed Budget adds 1.00 Fire Protection Engineer and \$189,000 in expenses to manage high-risk and technically complex plan reviews (e.g., high-rises, mixed-use, energy storage systems), lead evaluation of emerging technologies and Alternative Means and Methods Requests (AMMR), support local code adoption, and provide supervisory

Department Review: Fire-Rescue

backup to maintain timely permit processing and consistent fire safety standards. Ongoing expenditures for this position are assumed to be offset with increased plan check and inspection fee revenue; however, a new user fee associated with this role will require Council approval.

\$151,000 – Wellness Services (Contractual Increase)

The Proposed Budget includes a \$151,000 increase in ongoing non-personnel expenditures to fully account for increased costs associated with the City’s contract for wellness exams and psychological services provided to fire-fighting personnel.

\$(11,000) – Addition of 1.00 Marine Safety Captain (Lifeguard Division)

The Proposed Budget adds 1.00 Marine Safety Captain and \$227,000 in expenses to provide the Lifeguard Division with a second Marine Safety Captain that will oversee all administrative and business operations for the Division. This is intended to allow the Division’s existing Marine Safety Captain to focus solely on operational command and boating safety. The Department is proposing to eliminate 1.00 Lifeguard Sergeant and \$238,000 in expenditures to offset the cost of the new position; impacts are limited given internal promotional process to fill the new Marine Safety Captain position.

Significant Budget Reductions

Budget Mitigations

The largest FY 2027 budget reductions for Fire-Rescue are budget mitigations used to help balance the General Fund budget. The Department’s expenditure mitigations total \$3.6 million and are discussed below.

(\$1.7 million, 6.00 FTEs) – Budget Mitigation: Bomb Squad Operational Change (Cross Staffing)

The FY 2027 Proposed Budget includes a proposed operational change to the Fire-Rescue Department’s Bomb Squad Unit that would reduce \$1.7 million in personnel expenditures

associated with the elimination of 6.00 FTEs (3.00 Fire Captains and 3.00 Fire Engineers) that are currently dedicated to staffing the Bomb Squad. Under this proposal, the individuals who currently staff the Bomb Squad Unit will move to Engine 201 which is co-located together with the bomb squad vehicle (X-Ray 1) at Fire Station 1 (Downtown). If a bomb call is requested, Engine 201 will be placed out-of-service and its personnel will move to the bomb squad for the duration of the call. This will remove Engine 201 from responding to 911 calls during the cross staffing. According to the Department, the Bomb Squad responded to 112 calls in FY 2025; the duration of these calls varies in timeframes based on the complexity of the required response.

Bomb Squad personnel will continue to require federally mandated quarterly training that was previously received while on duty. Under the operational change to cross staff the Bomb Squad, this training will need to occur on an overtime basis; the overtime expenditure associated with this training is estimated to be approximately \$400,000 but is not included in the Proposed Budget.

A similar budget mitigation proposal was included in the FY 2026 Proposed Budget but was removed in the FY 2026 May Revision.

Additional equity implications related to this adjustment are included later in this department review.

(\$1.2 million, 4.00 FTEs) – Budget Mitigation: Reduction of Fire Personnel

The positions proposed for reduction include 3.00 Fire Captains and 1.00 Fire Fighter 3. These positions are currently filled and will be transferred to other vacant positions within the department. The current responsibilities for the impacted positions are as follows:

- 1.00 Fire Captain Recruitment Officer that manages the Department’s Recruitment Office. The Fire Chief indicated that he

Department Review: Fire-Rescue

will assume the majority of this recruiting role as a result of this reduction. This includes attendance at larger recruiting events along with other Fire command staff. Day-to-day functions of the Recruitment Office and attendance at lower-level events will continue to be carried out by the one remaining position involved with recruiting (Fire Fighter 3). While the Fire Chief expects minimal impacts to recruitment, including efforts to increase recruit diversity, it will be important to monitor recruiting trends going forward.

- 1.00 Community Resources Officer (Fire Captain) supports community outreach and public education efforts; this reduction would decrease community engagement, limit support to Council offices and community organizations, and potentially require greater reliance on overtime to maintain outreach and event coordination functions;
- 1.00 Fire Information Officer (Fire Captain) supports real-time public communication during emergency incidents; this reduction would delay dissemination of critical incident information and shift communication responsibilities to on-scene incident commanders or ECDC Battalion Chiefs, potentially impacting response coordination and public awareness during active emergencies; and
- 1.00 Fire Fighter Academy Instructor (Fire Fighter 3) that provides full-time Fire Academy instruction and ongoing departmental training. This is one of 8.00 FTEs assigned full-time to the Fire Academies. According to the Department, the position will need to be filled on an overtime basis due to the staffing needs/staffing model of Fire-Rescue's fire academy; this is estimated to result in approximately \$120,000 in additional overtime expenses that are not included in the Proposed Budget.

Additional equity implications related to this adjustment are included later in this department review.

(\$735,000, 3.00 FTEs) – Transfer of 3.00 FTEs to EMS Fund

The Proposed Budget transfers 3.00 FTEs from the General Fund to the EMS Fund. The positions include:

- 1.00 Fire Captain (Quality Manager) that oversees the Department's Quality Assurance/Quality Improvement (QA/QI) Program; this program is required of all EMS providers by the State and County;
- 1.00 Fire Fighter 3 (Emergency Logistics) that maintains inventory of all EMS supplies and equipment for the Department's front-line apparatus fleet and works with the City's contracted EMS transport provider (Falck) to maintain inventory for reserve apparatus/surge capacity; and
- 1.00 Program Manager (LIFT Program Manager) supports the Lifesaving Interventions for Treatment (LIFT) program by serving as the EMS liaison to various City and local agencies to find solutions for vulnerable individuals, refers clients to City and County services and monitors their progress; and prepares written documentation to support the need for elevation of patient care.

Significant Revenue Adjustments

\$5.3 million – Budget Mitigation: Additional Revenue from EMS Fund

The FY 2027 Proposed Budget includes an increase of \$5.3 million transferred from the EMS Fund as a General Fund budget mitigation. In total, \$16.5 million in ongoing revenue is proposed from the EMS in FY 2027, compared to \$11.5 million in FY 2026 and \$6.1 million in FY 2025.

Other Revenue Adjustments

Aside from revenue associated with the transfer from the EMS Fund, the Proposed Budget includes various other revenue adjustments

Department Review: Fire-Rescue

which, when taken together, result in a \$3.1 million revenue increase.

- \$2.0 million ongoing increase to right-size the budget for various revenue sources in alignment with historical receipts, including Junior Lifeguard program reimbursements, FEMA reimbursements for Urban Search & Rescue (US&R) training, and Petco Park support;
- \$832,000 ongoing increase in Strike Team deployment reimbursement revenue; and
- \$337,000 increase in Safety Sales Tax revenue.

Issues for Council Consideration

Council Budget Priority Item

There are two items pertaining to the Fire-Rescue Department's Lifeguard Division that received majority support in Councilmember budget priority memoranda. The first is the addition of 1.00 Marine Safety Captain. *This position is included in the Proposed Budget.*

Additionally, a majority of Councilmembers requested additional funding to provide all full-time Lifeguards with access to the Fire-Rescue Department's Wellness Program. While the budget for wellness services currently provides funding for the Lifeguard Division's Boating Safety Unit to receive wellness exams, all other Lifeguard personnel (approximately 200 full-time lifeguards) are excluded. *At a cost of approximately \$1,300 per exam, \$260,000 was requested by the Department for this priority, but not funded in the Proposed Budget.*

DRE Budget Equity Implications

The following adjustments have an equity implication:

Reduction of Bomb-Squad Cross Staffing (\$1.7 million)¹

The proposed reduction may influence the City's overall capacity to manage technical emergency incidents. A smaller staffing pool could affect operational depth and the ability to mobilize specialized resources during higher-demand periods or overlapping events. These potential impacts may vary across the city depending on call volume patterns and the level of reliance on specialized response units. These impacts are expected to be most notable in the Downtown service area, where higher call volumes create greater reliance on specialized units. Additional analysis may be beneficial to understand whether adjustments in staffing levels disproportionately influence particular geographic areas or populations.

Reduction of Fire Personnel (\$1.2 million)²

The reduction of 4.00 FTEs could affect Fire-Rescue's capacity in recruitment, community engagement, public information, and training. With fewer dedicated personnel, sustaining consistent outreach and community efforts could become more challenging, particularly during periods of higher operational demand.

Reductions to the Recruitment Officer and Community Resources Officer are likely to limit Fire-Rescue's ability to maintain regular outreach, participate in community-based recruitment events, and support prevention education efforts.

Eliminating the Fire Information Officer role shifts responsibility for public information to operational or supervisory personnel. This change introduces variability in the timeliness of emergency updates, which can influence public access to critical information.

The reduction of an Academy Instructor requires instructional duties to be filled through overtime, which could affect training continuity and availability for new recruits. Over time, variability in instruction may affect the

¹ This adjustment relates to Fire Rescue's Tactical Equity Plan (TEP) Goal 1 and TEP Objective 1.1 and 1.2

² This adjustment relates to Fire Rescue's Tactical Equity Plan (TEP) Goal 2 and 3 and TEP Objective 2.1 and 3.1

Department Review: Fire-Rescue

department's ability to support consistent onboarding and workforce readiness.

Collectively, these staffing adjustments may reduce overall capacity for communication, training, and community engagement. It may be important to monitor whether shifts in service delivery affect neighborhoods that rely most on consistent outreach, prevention education, and accessible pathways into fire-service careers. Additional analysis could help determine whether the impacts of these reductions are experienced evenly across the city or vary by community need.

Office of Emergency Services (OES)

As discussed previously, OES has been reorganized under the leadership of the Fire-Rescue Department. OES, previously a separate General Fund department, will continue to be budgeted separately, primarily due to the significant grant funding tied to OES work.

The FY 2027 Proposed Budget for OES is approximately \$4.3 million, a reduction of approximately \$63,000, or 1.4% from the FY 2026 Adopted Budget. 16.05 FTEs are included in the Proposed Budget, which is a reduction of 1.32 FTEs from FY 2026. Budgeted revenue totaling \$1.2 million is a reduction of \$129,000 from FY 2026.

Given the reorganization of OES, the Proposed Budget eliminates the OES Executive Director position and replaces it with 1.00 Deputy Fire Chief who will lead and manage the operations of OES; a \$52,000 net increase in personnel expenditures is associated with this leadership realignment.

Additionally, the Proposed Budget eliminates 1.00 Program Coordinator and \$173,000 in personnel expenditures as a budget mitigation. According to OES, the elimination of this

vacant position will impact the Operations Section's ability to sustain current programs and OES' ability to fulfill its mission effectively. It will also reduce the Section's ability to address audit findings included in the Performance Audit of the City's Disaster Response in a timely manner, including delays in implementing recommended improvements and tracking corrective actions. This position was previously grant funded through the Urban Area Security Initiative (UASI); however, given the regional decline in federal UASI funding, it will no longer be grant supported. Rather than seeking General Fund support for this position in FY 2027, the position is proposed to be reduced as a budget mitigation.

DRE Budget Equity Implications

As will be discussed below, the following adjustment has an equity implication:

Reduction of Operations Planning and Support - \$173,000³

As noted above, the reduction of 1.00 Program Coordinator in the Operations Section is expected to decrease OES's overall capacity. This may have the effect of slowing proactive outreach and equitable emergency planning. As a result, communities most vulnerable during disasters may face reduced access to timely communication, preparedness efforts, and equitable emergency services.

The staffing reduction may disproportionately affect historically underserved communities most vulnerable during disasters, including low-income residents, older adults, people with disabilities, and individuals with limited English proficiency. These populations rely more heavily on timely and well coordinated emergency communication and services.

³ This adjustment relates to the Office of Emergency Services' Tactical Equity Plan (TEP) Goal 1 and 2 and TEP Objectives 1.1, 2.1, and 2.2.

Department Review: Fire-Rescue

EMS Fund

The FY 2027 Proposed Budget for the EMS Fund is approximately \$145.0 million, an increase of \$7.8 million, or 5.7% from the FY 2026 Adopted Budget. The Proposed Budget includes 41.00 FTEs, which is an increase of 3.00 FTEs. Budgeted revenue totaling \$139.1 million represents an increase of \$7.3 million from FY 2026.

Given the difference between budgeted expenditures and projected revenue, the use of approximately \$5.9 million in fund balance is assumed in the Proposed Budget. This projected deficit is primarily due to the increased transfer to the General Fund, which is discussed below.

Significant Budget Additions

Transfer to General Fund

The Proposed Budget includes the net transfer of \$5.1 million to the General Fund. This includes an ongoing increase of \$5.3 million and the removal of \$280,000 that was budgeted as a one-time transfer in the FY 2026 Adopted Budget. In total, \$16.5 million is transferred to the General Fund in the Proposed Budget.

Transfer of 3.00 FTEs from the General Fund

The Proposed Budget includes the transfer of 3.00 FTEs from the General Fund. The roles of these positions primarily serve EMS related functions and are discussed in more detail in

the General Fund portion of this Department Review.

Addition of a Second Paramedic School

The FY 2027 Proposed Budget includes \$354,000 to add a second Paramedic School to address a current shortage of fire fighter paramedics. Expenditures primarily include \$320,000 in overtime budgeted in the EMS Fund for paramedic school instructors, as well as approximately \$29,000 for necessary training materials and supplies.

PP-GEMT Program Costs

The Proposed Budget includes the addition of approximately \$332,000 to account for anticipated costs associated with the City's participation in the State's Public Provider Ground Emergency Transportation Inter-Governmental Transfer (PP-GEMT IGT) Program.

Reimbursement for EMS Deputy City Attorney

The Proposed Budget includes the addition of \$232,000 in one-time non-personnel expenditures to reimburse the City Attorney's Office (General Fund) for costs associated with 1.00 Deputy City Attorney providing legal services associated with the EMS system's upcoming RFP process.

Significant Revenue Adjustment

The FY 2027 Proposed Budget includes \$7.3 million in additional revenue including approximately \$6.6 million in EMS ambulance

| SUMMARY OF EMS FUND BUDGET CHANGES | | | | | |
|---|--------------|----------------------|-----------------------|-----------------------|-----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 38.00 | \$ 7,935,675 | \$ 129,297,320 | \$ 137,232,995 | \$ 131,810,011 |
| Programmatic Changes | | | | | |
| <i>EMS One-time Transfer to General Fund</i> | - | - | 5,332,410 | 5,332,410 | - |
| <i>Transfer of 3.00 FTEs from General Fund</i> | 3.00 | 734,785 | - | 734,785 | - |
| <i>Paramedic School</i> | - | 324,640 | 29,202 | 353,842 | - |
| <i>PP-GEMT Program Costs</i> | - | - | 332,238 | 332,238 | - |
| <i>Reimbursement for EMS Deputy City Attorney</i> | - | - | 232,331 | 232,331 | - |
| <i>Medical Direction Services</i> | - | - | 21,612 | 21,612 | - |
| <i>Gaslamp Mobile Operations Detail</i> | - | - | 16,168 | 16,168 | - |
| <i>Revised Revenue</i> | - | - | - | - | 7,272,668 |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 1,397,917 | - | 1,397,917 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (115,851) | (115,851) | - |
| <i>One-time Removals and Annualizations</i> | - | - | (529,250) | (529,250) | - |
| FY 2027 Proposed Budget | 41.00 | \$ 10,393,017 | \$ 134,616,180 | \$ 145,009,197 | \$ 139,082,679 |
| Difference from 2026 to 2027 | 3.00 | \$ 2,457,342 | \$ 5,318,860 | \$ 7,776,202 | \$ 7,272,668 |

Department Review: Fire-Rescue

transport revenue and \$699,000 in increased interest earnings on EMS Fund Balance.

Issues for Council Consideration

Since the implementation of the Alliance Model in October 2023, EMS revenue has consistently exceeded projections, allowing excess fund balance to mitigate General Fund budget deficits. For FY 2026, the EMS Fund is projected to end the fiscal year with a fund balance of approximately \$6.1 million *after* transferring \$11.5 million to the General Fund, as budgeted in the Adopted Budget.

As discussed above, use of \$5.9 million in fund balance is assumed in the Proposed Budget, primarily due to the \$5.1 million net increase in funding transferred to the General Fund, which would leave a nominal balance of \$160,000 balance at the end of FY 2027.

At the surface, this indicates that the EMS Fund should be able to support the increased transfer to the General Fund, which totals \$16.5 million in FY 2027, based on current operations; however, the Fire-Rescue Department anticipates conducting a new RFP process this summer which may change the City's EMS delivery method. While the financial implications of any potential change in EMS operations will not be known until the RFP process is complete, the Fire-Rescue Department has stated that it would like to retain as much fund balance as possible to support the successful roll-out of the new system.

The Department is in the process of updating FY 2026 projections for the Third Quarter Budget Monitoring Report, along with other FY 2027 revenue and expenditures adjustments for the May Revision. If EMS fund balance is projected to be insufficient based on these updates, the amount funding assumed in the Proposed Budget to be transferred to the General Fund will need to be reduced.

Department Review: General Services

General Services

The Department of General Services includes four divisions – Facilities Services, Fleet Operations, Energy, and Administration & Business Operations – that provide City departments with comprehensive facilities maintenance, fleet management, and energy utility services. The four divisions are funded through five funds which support internal services to other City departments.

- The Facilities Services Division provides maintenance, repair, modernization, and improvements to approximately 1,600 facilities for all asset managing departments and is funded through the General Fund.
- The Fleet Operations Division provides fleet management for over 4,500 motive vehicles and equipment, including repairs, maintenance, fuel, and rental vehicles through the Fleet Operating Fund, and replacement and acquisitions of vehicles through the Fleet Replacement Fund.
- The Energy Division oversees the City’s energy use and conservation programs and is funded through the Energy Conservation Programs Fund. This Division also manages the Energy Independence Fund.
- The Administration & Business Operations Division provides budgetary and administrative support to the other three divisions. It is new for FY 2027, and funding is evenly split among the General Fund, Fleet Operations Fund, and Energy Conservation Programs Fund. FTE changes included across the Department’s funds

that are not otherwise explained are the result of establishing this new Division; overall, there are no net position changes related to establishment of this division.

Impacts of Mayor’s FY 2027 Budget Proposal

The Department of General Services’ total proposed budget for FY 2027 across all funds is approximately \$214.5 million and 428.00 FTE positions. This reflects a decrease of 10.00 FTEs and \$15.1 million, or 6.6%, in expenditures from the FY 2026 Adopted Budget. Total revenues are \$187.6 million, an increase of \$17.2 million or 10.1% over FY 2026. Increased revenues are largely related to the increase in vehicle replacement assignment fees that are being charged to other City funds.

A summary of General Services’ FY 2027 Proposed Budget by fund is provided in the table below, and further discussion of specific budget adjustments is provided under write-ups for each fund.

General Fund

The FY 2027 Proposed Budget for the Department of General Services’ General Fund is approximately \$28.7 million, which is a decrease of \$405,000, or 1.4%, from the FY 2026 Adopted Budget, as shown in the table on the following page. The proposed budget includes 171.50 FTE positions, which is a decrease of 12.75 FTEs. The Proposed Budget

| SUMMARY OF GENERAL SERVICES DEPARTMENT BUDGET CHANGES | | | | | | |
|---|----------------|----------------|---------|--------------------|--------------------|-----------------|
| Fund | FY 2026 FTE | FY 2027 FTE | Change | FY 2026 Expense | FY 2027 Expense | Change |
| General Fund | 184.50 | 171.75 | (12.75) | \$ 29,128,611 | \$ 28,723,668 | \$ (404,943) |
| Fleet Operations Operating Fund | 232.00 | 231.84 | (0.16) | 70,144,502 | 71,095,778 | 951,276 |
| Fleet Replacement Fund | - | - | - | 122,716,585 | 107,018,862 | (15,697,723) |
| Energy Conservation Program Fund | 21.50 | 24.41 | 2.91 | 7,313,779 | 7,547,692 | 233,913 |
| Energy Independence Fund | - | - | - | 300,000 | 118,292 | (181,708) |
| Total Combined | 438.00 | 428.00 | (10.00) | \$ 229,603,477 | \$ 214,504,292 | \$ (15,099,185) |

Department Review: General Services

| SUMMARY OF GENERAL FUND BUDGET CHANGES | | | | | |
|--|----------------|----------------------|---------------------|----------------------|---------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 184.50 | \$ 21,627,042 | \$ 7,501,569 | \$ 29,128,611 | \$ 4,571,718 |
| Programmatic Changes | | | | | |
| <i>Civic Center Plaza Positions</i> | 5.00 | 346,648 | 75,000 | 421,648 | - |
| <i>Budget Mitigation: Vacant Position Reductions</i> | (13.00) | (1,486,378) | - | (1,486,378) | - |
| Other Changes | | | | | |
| <i>Other Salaries and Wage Changes</i> | (4.75) | 658,955 | - | 658,955 | - |
| <i>Fringe Benefits (Including Retirement ADC)</i> | - | 78,582 | - | 78,582 | - |
| <i>Non-Discretionary Adjustment</i> | - | - | 36,250 | 36,250 | - |
| <i>One-Time Adjustments from FY 2026</i> | - | - | (114,000) | (114,000) | - |
| FY 2027 Proposed Budget | 171.75 | \$ 21,224,849 | \$ 7,498,819 | \$ 28,723,668 | \$ 4,571,718 |
| Difference from 2026 to 2027 | (12.75) | \$ (402,193) | \$ (2,750) | \$ (404,943) | \$ - |

includes \$4.6 million in revenue, which represents no change from the prior year.

Significant Budget Additions

The Proposed Budget includes one addition of 5.00 FTEs and \$422,000 for new positions to maintain the Civic Center Plaza building. These are all Custodian positions, plus one Building Supervisor, to provide janitorial services for that building. This is being done as a budget mitigation, as there is a \$1.1 million decrease in Citywide Expenditures to remove an outside contract for these services at CCP.

Significant Budget Reductions

There is one significant budget reduction for Facilities Services, which is the reduction of 13.00 vacant FTEs and \$1.5 million in expenditures. These positions all support the repair and maintenance of City facilities.

Our Office sought information on how long these positions have been vacant. On average, these positions have only become vacant at most over the last two years, with most positions becoming vacant in the last year and not

backfilled due to the current Request to Fill process.

While these positions are all currently vacant, removing them from the budget will prevent the Department from recruiting for these positions over the next year, and reduce the overall workforce available to perform maintenance on City facilities, which are currently suffering from the effects of deferred maintenance. We note that while positions are being added in other departments – notably Parks & Recreation – to reflect the opening of new City facilities, General Services Facilities Services staff have proposed reductions which is likely to further diminish the City’s capacity to maintain existing facility infrastructure.

Additional equity implications related to this adjustment are included later in this department review.

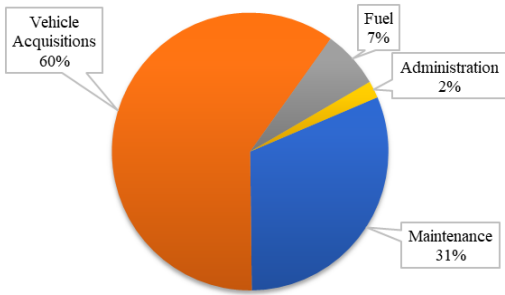
Fleet Funds

There are two internal service funds that

| SUMMARY OF FLEET OPERATIONS (OPERATING & REPLACEMENT FUNDS) BUDGET CHANGES | | | | | |
|--|---------------|----------------------|------------------------|------------------------|-----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 232.00 | \$ 33,134,367 | \$ 159,726,720 | \$ 192,861,087 | \$ 159,556,381 |
| Programmatic Changes | | | | | |
| <i>Assignment Fee Revenue</i> | - | - | - | - | 16,515,862 |
| Other Changes | | | | | |
| <i>Fringe Benefits (Including Retirement ADC)</i> | - | 118,962 | - | 118,962 | - |
| <i>Vehicle Acquisitions Budget Alignment</i> | - | - | 1,424,549 | 1,424,549 | - |
| <i>Debt Payments for General Fund Vehicles</i> | - | - | 4,644,967 | 4,644,967 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | 834,141 | 834,141 | - |
| <i>Other Salaries and Wage Changes</i> | (0.16) | (1,827) | - | (1,827) | - |
| <i>Removal of One-time Expenditures from FY 2026</i> | - | - | (21,767,239) | (21,767,239) | - |
| FY 2027 Proposed Budget | 231.84 | \$ 33,251,502 | \$ 144,863,138 | \$ 178,114,640 | \$ 176,072,243 |
| Difference from 2026 to 2027 | (0.16) | \$ 117,135 | \$ (14,863,582) | \$ (14,746,447) | \$ 16,515,862 |

Department Review: General Services

FLEET OPERATIONS BUDGET BY FUNCTION



support Fleet Operations: the Fleet Operating Fund which supports vehicle maintenance, repairs, fuel, a vehicle rental pool, and administrative costs; and the Fleet Replacement Fund which is used to purchase replacement vehicles for the City’s fleet. Vehicle acquisitions represent 60.1% of the total FY 2027 Proposed Budget for Fleet Operations, as reflected in the figure above. Maintenance represents 31.2% of the Division’s budget, and 6.7% is for Fuel.

The FY 2027 Proposed Budget for Fleet Operations across all funds is approximately \$178.1 million, a decrease of \$14.7 million, or 7.6%. The FY 2027 Proposed Budget includes 231.84 FTE positions, which represents a decrease of 0.16 FTEs from the prior year. Budgeted revenue totals \$176.1 million, an increase of \$16.5 million. As an Internal Service Fund, the majority of the Division’s revenue is derived from the operating budgets of other City departments. In FY 2027, about 61.5% of

its revenue is projected to come from the General Fund.

There are no significant changes to the Fleet Funds budget for FY 2027. The large decrease in expenditures is attributable to the removal of one-time budget for additional vehicle acquisitions for Public Utilities, Transportation, and Stormwater that occurred in FY 2026 to help with equipment rental issues.

All other changes are to align the vehicle acquisitions budget, debt service payments, and assignment fee revenue to the Department’s vehicle replacement plan. However, our Office notes that while assignment fee revenues were adjusted, there is not a corresponding change to usage fee revenue within the Department despite the fact that usage fee expenditures were changed throughout the budget. We have been informed that additional changes for these revenues are anticipated to be addressed in the May Revision.

Energy Conservation Program Fund

The Energy Conservation Program Fund (ECPF) primarily funds the Energy Division, and is an internal service fund that derives revenue from charges to other City departments based on their respective energy use.

The Proposed FY 2027 Budget for the ECPF is \$7.5 million, which is an increase of

| SUMMARY OF ENERGY CONSERVATION PROGRAM FUND BUDGET CHANGES | | | | | |
|--|--------------|---------------------|---------------------|---------------------|---------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 21.50 | \$ 4,458,284 | \$ 2,855,495 | \$ 7,313,779 | \$ 6,208,947 |
| Programmatic Changes | | | | | |
| <i>Budget Mitigation - Program Coordinator Reductions</i> | (2.00) | (413,985) | - | (413,985) | - |
| <i>Budget Mitigation - Non-personnel Cost Reductions</i> | - | - | (495,500) | (495,500) | - |
| <i>One Time Revenue Adjustments from FY 2026</i> | - | - | - | - | 552,920 |
| <i>Energy Fund Billing Adjustment</i> | - | - | - | - | 156,576 |
| Other Changes | | | | | |
| <i>Other Salaries and Wage Changes</i> | 4.91 | 682,518 | - | 682,518 | - |
| <i>Fringe Benefits (Including Retirement ADC)</i> | - | 451,537 | - | 451,537 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | 9,343 | 9,343 | - |
| <i>Hourly Position Changes</i> | - | - | - | - | (4,393) |
| FY 2027 Proposed Budget | 24.41 | \$ 5,178,354 | \$ 2,369,338 | \$ 7,547,692 | \$ 6,914,050 |
| Difference from 2026 to 2027 | 2.91 | \$ 720,070 | \$ (486,157) | \$ 233,913 | \$ 705,103 |

Department Review: General Services

\$234,000, or 3.2%. FTEs increase by 2.91 in FY 2027 while revenues increase by \$705,000 up to a total of \$6.9 million in FY 2027.

Significant Budget Reductions

(\$496,000) – Non-personnel Cost Reductions

The ECPF, which is in part funded by the General Fund (29.7%), proposed budget mitigations to help the deficit for FY 2027. The largest reduction is in various non-personnel expenditures, which are mostly consulting costs for outside contractors which support new energy initiatives, such as further development of the next Energy Savings Performance Contract after the current one is completed.

(\$414,000, 2.00 FTEs) – Program Coordinator Reductions

There are two Program Coordinator positions that are being reduced in the Proposed Budget. One position supports public power and regulatory activities, including engagement with the California Public Utilities Commission (CPUC) on behalf of the City, and coordinates and supports work on the Public Power Feasibility Study. With this study now complete, other activities performed by this position will be transitioned to other staff.

The second position oversees the Fleet Electrification program. Fleet electrification, which is part of the City's Climate Action Plan, is also now a mandate from the California Air Resource Board (CARB), which has a 2035 deadline for conversion to a zero emission fleet. Without this position, General Services will have to identify other personnel to oversee the City conversion effort, as well as monitor and report compliance activities to CARB, which has been increasing the complexity and volume of reporting requirements on cities and other special districts over the past couple of years. Notably, noncompliance with CARB regulations on transitioning the fleet to being zero emission could result in fines.

Additional equity implications related to this

adjustment are included later in this department review.

Significant Revenue Adjustments

Both major revenue changes for the ECPF are to align revenues with the charges made to other City departments and funds. This includes the increase of \$553,000 to offset a one-time reduction last year, as well as a net \$157,000 increase for charges for this year. Even with these increases, there is an assumption that the ECPF will use \$1.2 million in available fund balance in FY 2027, which is a mitigation action that will lower charges to other departments, including the General Fund.

Energy Independence Fund

The Energy Division is also responsible for oversight of the Energy Independence Fund (EIF). The only expenditure for the EIF in the Proposed Budget is \$118,292 to transfer the remaining fund balance of the fund to the General Fund as a budget mitigation for FY 2027. More information on the EIF can be found in the *Citywide Issues: Climate Action Plan* section.

Issues for Council Consideration

Key Performance Indicators

A key historical performance measure for Facilities has been preventive maintenance as a percentage of overall maintenance activities. Facilities Maintenance has been chronically underfunded for many years, and preventive maintenance has generally represented only 12.5%-14.0% of total maintenance activities. Notably, General Services has established a goal that 70.0% of its work would consist of preventive maintenance, which is in line with industry standards. For this Key Performance Indicator, Facilities Services reports preventive maintenance made up only 20.0% of activities in FY 2026. This is an improvement over the last two years (13.9% in FY 2024 and 17.5% in FY 2025), but this improvement is

Department Review: General Services

| KPIs - Performance Measure | Baseline | FY 2026 Performance | Goal |
|--|----------|---------------------|--------|
| Facilities - Percentage of preventative maintenance compared to total maintenance activities | 12.5% | 20.0% | 70.0% |
| Facilities - Average number of days to complete a request for medium priority (routine) repairs | 41 | 30 | 30 |
| Fleet Operations - Maintain availability of Priority 1 vehicles | 88.51% | 83.48% | 90.00% |
| Fleet Operations - Percentage of Fleet vehicles powered or supplemented by stored or outside electric source | 3.29% | 5.67% | 90.00% |
| Greenhouse Gas reduction from municipal vehicles (metric tons) | 15,389 | 18,553 | 19,788 |

attributed to changing how maintenance activities are tracked, such as including painting and roofing projects as preventative.

The goal of 70% will only be achieved if Facilities Services receives the resources needed to establish an updated maintenance schedule in the Enterprise Asset Management System (EAM), and develop a Facilities Asset Management Plan, including a strategy to support a preventative maintenance program. Developing such a plan will require updated condition assessments for facilities, as has been recommended by the City Auditor and our Office. Requisite funding will also be needed to carry out the plan.

Facilities Condition Assessments

At present, a large proportion of Facilities' maintenance efforts are associated with emergency repairs that stem from long-deferred maintenance of City facilities.

Our Office's [Review of the FY 2027-31 Capital Infrastructure Planning Outlook \(CIP Outlook\)](#) noted that there are large unfunded needs for existing facilities, with a financing gap of \$157.2 million in the covered five year period, and an additional \$661.3 million included for FY 2032 and beyond. As with other assets, not funding these projects leads to continued aging and deterioration of City facilities, often resulting in the need for costly emergency repairs.

Additionally, this need is most likely outdated as it is based on the last condition assessment which was performed in 2014-2016. A recent

[City Auditor performance audit](#) estimated deferred maintenance needs for facilities likely exceed \$1.00 billion. Having accurate information on the condition of assets is critical for making decisions about needed repairs, maintenance, and capital improvements, and for estimating related costs.

Facilities Services recently conducted a request for proposals (RFP) for an as-needed contract to conduct condition assessments over the next several years but has not awarded the contract due to Council concerns expressed during the September 10th Budget and Government Efficiency Committee meeting around spending General Fund dollars during an anticipated budgetary shortfall. As such, there is also no funding included in the Proposed Budget for facilities condition assessments. This lack of funding could also create equity impacts, as further described below. Additionally, without adequate knowledge of the condition of the City's facilities, particularly libraries, recreation centers, fire stations, lifeguard stations, and police substations, there becomes a greater and greater likelihood that critical systems will fail, resulting in the closure of the facility even if it is funded in the budget.

Converting Facilities Services into an Internal Service Fund

As currently structured, General Services' Fleet Operations and Energy Divisions are funded through internal service funds, while Facilities Services is funded directly through

Department Review: General Services

the General Fund. Internal service funds are an important budgetary tool for the City, as they fairly allocate costs for performing backend services, such as fleet management and energy billing, to departments that receive those services. Using internal service funds and strong accounting and cost allocation principles allows the City to ensure that the backend services necessary to deliver front line services are sufficiently supported.

Facilities Services' entire operation is dedicated to serving other departments, but its costs are not covered through an internal service fund, but are instead provided from direct allocations from the General Fund. This puts funding for facilities maintenance in direct competition with funding for other General Fund services, rather than recognizing it as necessary for the delivery of those services.

Moving Facilities Services to an internal service fund would help portray a more accurate picture of what the Division's staff and expenditures truly support, and help the City ensure that it provides adequate funding for the maintenance of City facilities in the future. While internal service fund supported departments also make reductions to help mitigate General Fund deficits, having costs for Facilities Services allocated to departments that receive Facilities support would help avoid the pattern of the City making cuts to facilities maintenance in the short term that result in significantly increased costs over the long term.

Additionally, with the exception of a service level agreement with the Public Utilities Department, Facilities Services is generally not reimbursed for work it performs in support of other non-General Fund departments and facilities. This creates a situation where the General Fund may be subsidizing services for other non-General Funds. While it is permissible for the General Fund to subsidize non-

General Funds, such subsidies exacerbate the deficit the General Fund is facing.

We believe that Facility Services should be transitioned to an internal service fund, with costs then allocated out to departments that receive services using a similar approach to how the City allocates other non-discretionary costs. This process may take several years, as a new cost allocation methodology needs to be developed, and impacted departments – including non-General Fund departments, will need to ensure their budgets reflect and can support those changes. Consequently, this change may not be able to be implemented in the FY 2027 or FY 2028 budgets, but we recommend that it be incorporated into the Department of Finance's budget restructuring process during the fall of 2027 for implementation in the FY 2029 Proposed Budget. **Our Office will work with the Department of General Services and Department of Finance to implement this change over the next two years.**

DRE Budget Equity Implications

The following adjustments have equity implications:

Reduction of Repair and Maintenance Report - \$1.5 million¹

Reducing staffing for facilities will impact repair and maintenance, many of which are already in deferred maintenance status, creating deficiencies across city-owned and leased assets in other departments, such as Parks and Recreation, Libraries, and Balboa Park, to name a few. An equity implication would include using a prioritization process that aligns with categorizing maintenance work to avoid creating disparities in facilities that have historically not received investment. The City last completed a Facilities Condition Assessment back in 2016, which means the current state of facilities conditions is unknown.

¹ This relates to General Services' TEP Goal 1 Objectives 1.1, 1.2, 1.3 & 1.4

Department Review: General Services

Reduction of 1.0 Program Coordinator in the Fleet Electrification Program - \$200,000²

The reduction of staff supporting the Fleet Electrification Program impacts the Climate Action Plan Strategy 2.2 that has a goal of converting all City fleet vehicles to electric or zero emission vehicles by 2035. The reduction impacts the capacity for staff to identify vehicles and deploy electric charging infrastructure at fleet yards and other locations where the City's electric vehicle fleet will need to access charging stations. The work of this position cannot be absorbed by other staff without a significant impact on the implementation of fleet electrification.

Fleet electrification is a state priority as articulated in Governor Gavin Newsome's Executive Order N-79-20 and regulated by the California Air Resource Board (CARB) Advanced Clean Fleets (ACF) regulation. There are financial implications as well as climate equity implications for not adhering to the ACF regulation including the inability for the City to access money from CARB or related entities and the poorer air quality in adjacent neighborhoods where the City's fleet yards are located.

The slower the City adopts the replacement of fleet vehicles, diesel vehicles in particular, with electric or zero emission vehicles, the longer the emissions of these vehicles impact the air quality, which may have significant impacts in historically underserved communities like the neighborhoods adjacent to the Chollas Operations Yard.

² This relates to General Services' TEP Goals 1 & 2 Objectives 1.1, 1.2, 1.4, 2.1, 2.2 & 2.3

Homelessness Strategies and Solutions Department

The Homelessness Strategies and Solutions Department (HSSD) oversees homelessness programs that provide emergency shelter, Safe Parking, Safe Sleeping, outreach and case management, and other supportive services. The Department works to ensure that the City’s homelessness policies are reflected in and coordinated across the work of other departments citywide.

A significant portion of homelessness funding comes from Transient Occupancy Tax (TOT) revenue generated by the City’s hotel taxes, including Measure C funds dedicated to homelessness from an increase in hotel taxes (Measure C was approved by voters in 2020, but due to litigation was not collected until 2025). TOT is a primary revenue source in the HSSD Proposed Budget. However, the City’s homelessness efforts are funded through a variety of other sources as well, including federal, State, and County grants, and the City’s General Fund. As part of the FY 2027 budget

process, Council is only being asked to approve General Fund and TOT fund allocations to homelessness programs. Requests to approve additional funding streams come separately.

Typically, a portion of the City’s funding for homelessness is transferred to the San Diego Housing Commission to administer. The City and Housing Commission first entered into a Memorandum of Understanding in 2010 for the administration of service provider contracts for the City’s homelessness programs.

Our Office will additionally review the Housing Commission’s FY 2027 Proposed Budget in a separate report that will be released in early May.

Impacts of Mayor’s FY 2027 Budget Proposal

The FY 2027 Proposed Budget includes \$57.1 million in HSSD expenditures, an increase of

| SUMMARY OF HOMELESSNESS STRATEGIES AND SOLUTIONS BUDGET CHANGES | | | | | |
|---|--------------|---------------------|----------------------|----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 15.00 | \$ 3,205,362 | \$ 50,615,770 | \$ 53,821,132 | \$ 53,189,289 |
| Programmatic Changes | | | | | |
| <i>Eviction Prevention Program Transfer</i> | - | - | 3,000,000 | 3,000,000 | - |
| <i>Expansion for Opioid Treatment Shelter Beds</i> | - | - | 2,392,377 | 2,392,377 | 2,392,377 |
| <i>Domestic Violence Shelter Operations</i> | - | - | 1,500,000 | 1,500,000 | - |
| <i>Program Reduction Wind-Down Support</i> | - | - | 570,000 | 570,000 | - |
| <i>Old Central Library Security Services</i> | - | - | 325,000 | 325,000 | - |
| <i>Expansion of Haven Interim Family Shelter</i> | - | - | 214,195 | 214,195 | - |
| <i>Mitigation: Homeless Services Reduction Options</i> | - | - | (3,753,909) | (3,753,909) | - |
| <i>Mitigation: Closure of Neil Good Day Center</i> | - | - | (948,324) | (948,324) | - |
| <i>Mitigation: Elimination of Downtown Public Restrooms</i> | - | - | (750,000) | (750,000) | - |
| <i>Mitigation: Security Services Reduction for Safe Storage</i> | - | - | (222,000) | (222,000) | - |
| <i>Mitigation: 1.00 Program Coordinator Reclassification</i> | - | (16,440) | - | (16,440) | - |
| <i>Mitigation: TOT Reimbursement Adjustment</i> | - | - | - | - | 9,479,098 |
| <i>Measure C TOT Homelessness Funding</i> | - | - | - | - | (1,337,744) |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 246,554 | - | 246,554 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (154,827) | (154,827) | - |
| <i>Removal of FY 2026 One-Time Adjustments</i> | - | - | 903,825 | 903,825 | (938,000) |
| FY 2027 Proposed Budget | 15.00 | \$ 3,435,476 | \$ 53,692,107 | \$ 57,127,583 | \$ 62,785,020 |
| Difference from 2026 to 2027 | - | \$ 230,114 | \$ 3,076,337 | \$ 3,306,451 | \$ 9,595,731 |

Department Review: Homelessness Strategies and Solutions

\$3.3 million, or 6.1%, from the FY 2026 Adopted Budget. The Proposed Budget also includes 15.00 FTE positions, consistent with FY 2026 levels. There are currently no vacancies in the Department.

The Proposed Budget allocates \$57.7 million from two Transient Occupancy Tax (TOT) funding streams: \$31.3 million from Measure C TOT and \$26.5 million from Special Promotional Programs TOT reimbursements. The Proposed Budget includes an overall increase of \$8.1 million, or 16.4%, from TOT revenue relative to the FY 2026 Adopted Budget, despite a decline in overall TOT revenue from the prior year. Under Measure C, 41% of that measure's increased TOT revenue is restricted to homelessness services for five years, after which 10% of the TOT revenue increase would go to street repair and the remaining 31% would continue to fund homelessness. Additionally, Special Promotional Programs funds typically support the promotion of tourism and attracting economic activity to the City. The City first started funding homelessness programs through reimbursements from Special Promotional Programs TOT revenue in FY 2024. In large part due to TOT reimbursements, the HSSD Proposed Budget does not anticipate using unrestricted General Fund revenue, though if reimbursements to HSSD from Special Promotional Programs were not provided, those funds could be used to support other General Fund reimbursements.

Budgeted revenues total \$62.8 million, an increase of \$9.6 million from the FY 2026 Adopted Budget. Revenue increases are primarily attributed to a proposed net \$9.5 million increase in Special Promotional Programs TOT reimbursements for HSSD. As seen in the table on the previous page, the HSSD

Proposed Budget includes \$5.7 million in excess revenue relative to expenditures. Due to changes in anticipated funding sources available for the Proposed Budget, HSSD anticipates requesting \$4.9 million in additional expenditures for existing programs in the May Revision.¹ According to the Department of Finance, the revenue surplus will be adjusted in the May Revision with any TOT revenue beyond HSSD budgeted expenditures reallocated to other General Fund Departments with eligible expenditures.

Significant Budget Additions

The Proposed Budget includes budget additions totaling \$8.0 million (of which \$895,000 is on a one-time basis) that either maintain existing service levels or, as is the case with opioid treatment and interim shelter beds, expand services.

\$3.0 million – Eviction Prevention Program Transfer

The Proposed Budget transfers \$3.0 million in ongoing existing expenditures for the Eviction Prevention Program (EPP) from the Economic Development Department budget to the HSSD budget. EPP provides education and legal services for low-income renters facing eviction. The program was initially funded in FY 2022 (\$5.0 million) in response to the expiration of statewide pandemic-related eviction protections. The Housing Commission administers the program with services provided by the Legal Aid Society of San Diego. **This transfer has no programmatic impacts**, but reductions to EPP are included as an option to operationalize HSSD general homelessness budget reductions, to be discussed later.

Additional equity implications related to this

¹ During budget development, the use of \$4.9 million from Permanent Local Housing Allocation (PLHA) funds was contemplated, but these funds were removed prior to the release of Proposed Budget. As noted in the "FY 2027 Anticipated Funding for Homelessness" table at the end of this section, the May Revision adjustments will affect the Housing Instability and Prevention Program (\$3.0 million), Connections Interim Housing shelter (\$1.3 million), and the Bishop shelter (\$622,000).

Department Review: Homelessness Strategies and Solutions

adjustment are included later in this department review.

\$2.4 million – Expansion of Opioid Treatment Shelter Beds

The Proposed Budget provides \$2.4 million to fund an expansion of 72-beds for substance use disorder treatment at the Veterans Village of San Diego campus, along with an associated revenue increase of an equal amount from Opioid Settlement Fund reimbursements. The program model remains under development with ramp-up requiring at least a few months.

Additional equity implications related to this adjustment are included later in this department review.

\$1.5 million – Domestic Violence Shelter Operations

The Proposed Budget includes \$1.5 million to backfill the reduction of County grant funding for Domestic Violence (DV) shelter operations. For context, the County awarded a \$6.2 million grant to the City in FY 2024 to support DV shelter operations, which opened in April 2024. The County grant fully funded shelter operations until FY 2026, after an \$800,000 reduction in the remaining grant amount left funding \$600,000 short of FY 2026 budgeted expenditures. For FY 2027, the County plans to award a \$1.5 million grant, and the Proposed Budget provides the remaining \$1.5 million to fund the \$3.0 million budgeted for shelter operations.

Additional equity implications related to this adjustment are included later in this department review.

\$570,000 – Program Reduction Wind-down Support (One-Time)

The Proposed Budget includes \$570,000 to support the wind-down of programs to be reduced in the FY 2027 Adopted Budget. As proposed, program reductions include the Neil Good Day Center and other options to be

discussed in the next section. Wind-down expenditures could change depending on which general homelessness reductions are implemented, but according to HSSD, the proposed amount should provide sufficient funding.

Additional equity implications related to this adjustment are included later in this department review.

\$325,000 – Old Central Library Security Services (One-Time)

The Proposed Budget includes an increase of \$325,000 on a one-time basis for 24/7 security services at the Old Central Library to secure the asset and deter further vandalism. Security services are budgeted for seven months in FY 2027. For context, the building was last operated as a temporary winter weather shelter before permanently closing in July 2024. In September 2025, the City issued a Notice of Availability with the intent of selling or ground leasing the property. Discussions regarding disposition of the building are ongoing, with the possibility of a sale in FY 2027. FY 2026 security services are funded through budgetary savings. Rescinding this proposal is an option included in HSSD's general homelessness reduction options, to be discussed later.

\$214,000 – Expansion of Haven Interim Family Shelter

The Proposed Budget provides \$214,000 for the Haven Interim Family Shelter to fund an expansion of nine apartment-style units consisting of an additional 61 beds. The nine units are currently operated as transitional housing and are funded through locally awarded federal grant funds that are not available in FY 2027. As part of the expansion, the units would convert to interim housing and be integrated into the City's Coordinated Shelter Intake System. The expansion will increase capacity at the Haven Interim Family/Women's Shelter from 93 beds to 154 beds across a variety of non-congregate and semi-congregate

Department Review: Homelessness Strategies and Solutions

settings.

Additional equity implications related to this adjustment are included later in this department review.

Significant Budget Reductions

The Proposed Budget includes \$4.9 million in programmatic reductions as part of budget mitigation, including the closure of the Neil Good Day Center, public restrooms, and other reduction options for Council consideration.

(\$3.8 million) – Budget Mitigation: Homeless Services Reduction Options

The Proposed Budget assumes an approximately \$3.8 million reduction target in general homelessness services without specific details. Rather, HSSD and the Mayor’s Office plan to present various options to meet the reduction target for Council consideration during the May 7th Budget Review Committee meeting. Briefly, HSSD plans to present three options to meet the \$3.8 million reduction target:

- **Option A:** Reduce 16th and Newton by 200 to 250 shelter beds, reduce Eviction Prevention Program (EPP), remove Old Central Library Security Services, and eliminate Central Elementary Safe Parking
- **Option B:** Close 20th and B Safe Sleeping site (currently operating 186 tents), reduce Eviction Prevention Program, remove Old Central Library Security Services, and eliminate Central Elementary Safe Parking
- **Option C:** Reduce Eviction Prevention Program by \$2.1 million, reduce Family Reunification Program and “O” Lot Safe Sleeping, as well as eliminate Aero Safe Parking, Old Central Library Security Services, and Central Elementary Safe Parking

Details of the reduction options and associated impacts will be discussed later in the “Issues for Council Consideration” section.

Additional equity implications related to this adjustment are included later in this department review.

(\$948,000) – Budget Mitigation: Closure of Neil Good Day Center

The Proposed Budget eliminates \$948,000 in funding for the Neil Good Day Center operated by Father Joe’s Villages through a contract administered by the Housing Commission. The Center provides unhoused individuals with basic services needed through the day, such as restrooms, laundry, storage, and mail services. In FY 2025, the Day Center served around 6,700 individuals and offered slightly less than 23,000 showers, around 3,000 laundry cycles, and access to mail approximately 40,000 times. According to HSSD, this reduction was identified as services at Day Center are not housing focused and can in most cases be provided through other City programs.

Additional equity implications related to this adjustment are included later in this department review.

(\$750,000) – Budget Mitigation: Elimination of Downtown Public Restrooms

The Proposed Budget removes \$750,000 in one-time funding added in FY 2026 to operate up to six Downtown public restrooms – in effect closing the public restrooms operated by HSSD. For context, the City first deployed hand-washing stations and portable restrooms to serve the unsheltered at the request of the County, in response to public health concerns related to hepatitis A at the beginning of 2023. As the provision of public health services is a responsibility that falls to the County, it may be more appropriate for related public restroom expenses to fall to the County. Public restrooms not operated by the Department

Department Review: Homelessness Strategies and Solutions

remain available in the Downtown area, as seen in this [City map](#).

Additional equity implications related to this adjustment are included later in this department review.

(\$222,000) – Budget Mitigation: Security Services Reduction for Safe Storage

The Proposed Budget reduces \$222,000 for overnight security services at the Storage Connect Center. This will reduce security services at the site from 24/7 to operating during business hours. As this change was already implemented in mid-FY 2026, no operational impacts are anticipated.

(\$16,000) – Budget Mitigation: Reclassification of 1.00 Program Coordinator

The Department proposes the reclassification of 1.00 Program Coordinator to 1.00 Community Development Coordinator on the Outreach team, along with an associated \$16,000 personnel expenditure reduction. HSSD anticipates no major impacts associated with this reclassification.

Significant Revenue Adjustments

\$9.5 million – TOT Reimbursement Adjustment

The Proposed Budget includes a net \$9.5 million increase in TOT reimbursement for HSSD operations, which on top of ongoing revenue results in \$26.5 million in total proposed Special Promotional Programs TOT reimbursements to the Department. This increase is a budget mitigation action that is available due to a reduction to arts and culture funding in the Special Promotional Programs budget.² This increase offsets other revenue reductions in the HSSD budget, including a

\$5.2 million decrease in State HHAP funds, \$1.5 million decrease in a County DV shelter grant, and a decline in Measure C revenue discussed next – these revenue reductions would otherwise require increased General Fund expenditures absent the proposed increase in TOT reimbursements. However, as previously noted, an excess of \$5.7 million was budgeted beyond proposed HSSD expenditures, which will be adjusted in the May Revision.

(\$1.3 million) – Measure C TOT Homelessness Funding

The Proposed Budget reduces anticipated revenue from Measure C for homelessness by \$1.3 million, or a 4.1% decrease from the FY 2026 Adopted Budget. This decrease reflects the latest projected growth rate for TOT revenue in FY 2027. The resulting proposed Measure C allocation for homelessness is \$31.3 million in FY 2027.

Many Other Homelessness Programs are Funded in FY 2027 Outside the Budget Process

HSSD's \$57.1 million Proposed Budget provides partial or full funding to a subset of the City's homelessness programs. In May 2026, Council will also be asked to approve funding allocations from the sixth round of State HHAP funds totaling \$25.8 million. Staff project to use \$14.9 million from this latest round of HHAP funds in FY 2027, which, along with \$4.3 million carried forward from HHAP round 5, means a total of \$19.2 million in HHAP funds are budgeted for FY 2027. This represents a notable decrease of \$5.2 million, or 21.3%, relative to FY 2026.

² Notably, there are reductions in Special Promotional Programs (Special Promo) funding for a number of items, including arts and cultural programs, Convention Center support, operations at Mission Bay at Balboa Park, and PETCO Park debt service, among others; but by far the single largest *decrease* in Special Promo funding is for arts and cultural programs. Likewise, Special Promo provides reimbursement for a number of eligible General Fund programs, including homelessness programs, lifeguards, and parks, but the single largest *increase* in Special Promo reimbursements in the Proposed Budget is for homelessness programming.

Department Review: Homelessness Strategies and Solutions

Other funding sources that will support homelessness programs in FY 2027 include the State Encampment Resolution Grant, County DV shelter grant, federal Community Development Block Grant, federal Emergency Solutions Grant, and Housing Commission funds such as federal Moving to Work and local discretionary funding.

Issues for Council Consideration

Given insufficient revenue, some degree of reduction to homelessness services will likely be necessary to balance the City budget. To assist budget deliberations as Council weighs the programmatic and operational impacts of homelessness reductions against cuts elsewhere in the City’s budget, this section provides possible tools to support Council discussion, including an analysis of the proposed reduction options, DRE budget equity considerations, context on existing homelessness interventions, a guiding framework, and tables showing proposed expenditures by program. As Council prepares to make these difficult decisions, our Office is ready to assist with any additional follow-up requests.

Homelessness Reduction Options

A key issue for Council consideration is providing input on various reduction alternatives across the three Options developed by HSSD. According to HSSD, in assessing various options, the Department considered Council budget priorities, City obligations under prior legal settlement agreements, and the acceleration of known shelter closures under the [Comprehensive Shelter Strategy](#) updated in July 2024. Programs less directly connected to homelessness solutions and housing outcomes were given additional consideration for reduction. The Department developed the Options to spread the impact of reductions across intervention types, such that no one intervention would face compounded reductions. Each option identifies a total of \$3.8 million in reductions to meet the proposed general homelessness reduction target. Council may decide to select or modify one option, develop a different package based on the options presented by HSSD, identify other HSSD reductions not included in the presented options, or any combination thereof.

| HSSD General Homelessness Reduction Options | |
|---|---------------------|
| Option | Reductions |
| Option A | |
| Reduce 16th and Newton Shelter (~200-250 beds) | \$ 2,978,909 |
| Reduce Eviction Prevention Program | 200,000 |
| Rescind Proposal: Old Central Library Security Services | 325,000 |
| Eliminate Central Elementary Safe Parking | 250,000 |
| Total Reductions | \$ 3,753,909 |
| Option B | |
| Eliminate 20th and B Safe Sleeping Site (186 tents) | 3,130,029 |
| Reduce Eviction Prevention Program | 48,880 |
| Rescind Proposal: Old Central Library Security Services | 325,000 |
| Eliminate Central Elementary Safe Parking | 250,000 |
| Total Reductions | \$ 3,753,909 |
| Option C | |
| Reduce Eviction Prevention Program | 2,124,029 |
| Reduce Family Reunification Program | 406,000 |
| Reduce “O” Lot Safe Sleeping (40 Tents) | 373,880 |
| Eliminate Aero Drive Safe Parking | 275,000 |
| Rescind Proposal: Old Central Library Security Services | 325,000 |
| Eliminate Central Elementary Safe Parking | 250,000 |
| Total Reductions | \$ 3,753,909 |

Note: Items shaded in light gray are included in all reduction options.

Department Review: Homelessness Strategies and Solutions

Included in All Options

As the reductions of Central Elementary Safe Parking and Old Central Library Security Services are included in all three options, along with varying reductions to the Eviction Protection Program (EPP), details on those reductions can be found below:

(\$250,000) – Eliminate Central Elementary Safe Parking

This option closes the Central Elementary Safe Parking site, resulting in \$250,000 in savings. The site started operations in November 2025 and provides 40 spaces available overnight for families experiencing homelessness. The first year of operations is supported by \$250,000 in City General Fund and \$343,000 from the Regional Task Force on Homelessness. This site is presented for closure due to low occupancy rates, since the program averages three to five families each night since beginning operations (a less than 12.5% occupancy rate). Despite low occupancy, no FY 2026 City General Funds are expected to carry forward. The Housing Commission, in coordination with the program operator and the San Diego Unified School District, is exploring options that would allow the program to continue supporting the target sub-population. According to HSSD, there is sufficient capacity at the remaining Safe Parking sites to address existing demand.

(\$325,000) – Rescind Proposal: Old Central Library Security Services

This option would not fund the proposed security services at the Old Central Library, reducing proposed expenditures by \$325,000. As security services are needed to secure the physical building and deter vandalism, there is a risk that the condition of the building could worsen without security services. If this option is implemented, the Department of General Services would likely be asked to harden or fortify the building to help prevent security issues, which would reduce savings.

Various Amounts – Reduce Eviction Protection Program (EPP) Funding

First funded in FY 2022, EPP initially intended to address increased evictions after the repeal of COVID-era eviction moratoriums. The scope of the program has since expanded to generally prevent evictions for low-income renters through direct legal services and other supportive services. In FY 2025, EPP provided full legal assistance to 234 eligible tenants and limited legal assistance to 2,069 eligible tenants – totaling \$1.7 million in expenses. Expenditures for additional services, including clinic assistance, case management, litigation, and flexible funds, totaled \$1.2 million, with 1,453 eligible tenants receiving services. Flexible funds provide one-time financial assistance to stabilize housing, including paying for rent arrears, security deposits, first month's rent, utilities, groceries, moving costs, temporary hotel stays, or transportation. EPP also makes referrals to other community services and maintains an eviction hotline.

Option A

(\$3.0 million) – Reduce 16th and Newton Shelter by Around 200-250 beds

This option reduces operations at 16th and Newton by around 200 to 250 beds from 326 beds, resulting in \$3.0 million in savings. First opened in November 2017, the sprung shelter program operates 198 beds for adult men and 128 beds for adult women, of which 50 beds are reserved for referrals from the San Diego Police Department's Homeless Outreach Team. 16th and Newton provides access to a shelter bed, restrooms, meals, showers, housing navigation, security, and other services. According to HSSD, the shelter site is prone to flooding during inclement weather and has required emergency relocations on three occasions, resulting in service disruptions and unanticipated maintenance and relocation costs. As noted in the 2024 *Comprehensive Shelter Strategy*, this site was planned for relocation previously due to pending development

Department Review: Homelessness Strategies and Solutions

activity, which currently appears stalled. Nevertheless, reduced program capacity would make future temporary or permanent relocations less logistically challenging. This shelter reduction would result in a loss of around 9.0% to 11.3% of citywide shelter bed capacity and would likely increase unsheltered homelessness. Among shelter beds for single adults, the shelter reduction would reduce single adult beds between 19.4% and 24.3%, depending on the reduced shelter capacity. Additionally, reduced operations could affect the City's ability to enforce the Unsafe Camping Ordinance.

According to the Housing Commission, 16th and Newton provided critical capacity for relocating residents during past shelter closures, and reduced operations at the site could create challenges and prolong transitions for future shelter relocations. Additionally, the Housing Commission expressed concerns about the reduction of 16th and Newton in conjunction with the closure of the Day Center – both of which are in East Village. The reduction of both would significantly reduce supportive services for individuals experiencing unsheltered homelessness and will adversely impact the capacity of the homelessness response system.

If this option is implemented, as part of the wind-down process likely starting in May, the City would temporarily suspend shelter intake at 16th and Newton to facilitate natural attrition and allow other shelters to accommodate resident relocations from 16th and Newton.

(\$200,000) – Reduce Eviction Prevention Program

This option reduces EPP funding by \$200,000 or 6.7%, with \$2.8 million remaining to fund the program in FY 2027. Under this option, EPP flexible funding would be reduced by half, while rent-related expenses would still be prioritized. Direct legal services would be maintained.

Option B

(\$3.1 million) – Eliminate 20th and B Safe Sleeping Site

This option closes the 20th and B Safe Sleeping site, resulting in a 186-tent reduction in citywide shelter capacity and \$3.1 million in associated savings. First opened in June 2023, the site connects individuals experiencing homelessness – who may prefer to not stay in traditional emergency shelter – to a tent with access to restrooms, meals, showers, and case management. Although under federal definitions, Safe Sleeping participants are considered unsheltered, as this intervention is not formally recognized as shelter.

The site is prone to flooding and was most recently relocated during the January 2024 storms. As this site is on dedicated parkland, this site is also identified for relocation in the future, as noted in the 2024 *Comprehensive Shelter Strategy*. Closure of this site would reduce Safe Sleeping capacity by 24.3% with 581 tent-capacity remaining at O Lot. This would increase street unsheltered homelessness, especially given limited citywide shelter capacity, and could affect the City's ability to enforce the Unsafe Camping Ordinance, as availability in Safe Sleeping or emergency shelter is a prerequisite for enforcement in many circumstances.

(\$49,000) – Reduce Eviction Prevention Program

This option reduces EPP funding by \$49,000 or 1.6%, with a resulting FY 2027 program budget of slightly less than \$3.0 million. Specifically, this decrease would reduce or eliminate flexible funding for hotel vouchers and grocery cards, but direct legal assistance and other services would be maintained.

Department Review: Homelessness Strategies and Solutions

Option C

(\$2.1 million) – Reduce Eviction Prevention Program

This option reduces EPP funding by \$2.1 million or 70.8%, with a resulting program budget of \$876,000. Given the COVID-related origins of the program and the reduced effects of COVID-related evictions, eliminating EPP would be consistent with pre-pandemic service levels in this respect. However, [research](#) indicates that eviction is a contributing factor to homelessness, and the incremental cost of preventing evictions may be lower than the cost of shelter beds or Safe Sleeping sites. With a remaining program budget of \$876,000, there would be a 71.0% reduction in program capacity to provide full/limited legal assistance, along with the elimination of flexible funding, case management services, referrals to external resources, and the eviction hotline.

(\$406,000) – Reduce Family Reunification Program

This option reduces Family Reunification Program funding by \$406,000, or slightly less than half (48.7%). The program reconnects individuals experiencing homelessness to support systems that can provide stable housing, specifically by funding case management and transportation. According to HSSD, this program can possibly be funded through alternative funding sources, such as HHAP. This program is considered cost-effective and high-performing, with 99.1% of individuals placed in permanent housing situations at an average cost of \$1,430 per person and 558 individuals served in FY 2025. Assuming the Family Reunification Program could be backfilled with non-General Fund sources, this option would likely not affect existing service levels if implemented.

(\$275,000) – Eliminate Aero Drive Safe Parking

The Aero Drive Safe Parking site was temporarily closed effective November 2025 due to low utilization (averaging 38%), and this option extends the closure through FY 2027 to yield \$275,000 in savings. The Aero site accommodated approximately 60 spaces on an overnight basis. The program is administered by HSSD with services provided by Jewish Family Service. As operations at this site have already ceased, this option would not affect current service levels if implemented. The site can be reactivated if there is unmet demand for additional Safe Parking, although this would also decrease expected savings. **As this reduction is already occurring in FY 2026 with no significant programmatic impacts, Council may wish to consider this reduction.**

(\$374,000) – Reduce “O” Lot Safe Sleeping by 40 Tents

This option eliminates the fourth tier at the O Lot Safe Sleeping site, consisting of 40 tents, resulting in \$374,000 in reduced expenditures. Both Safe Sleeping sites typically operate at or close to operational capacity. According to HSSD, this option would return the site to capacity prior to its expansion in Fall 2024, at 541 tents (93.1% of current capacity). As this site is on dedicated parkland, this site will need to be relocated in the future. Between 20th and B Safe Sleeping and the remainder of O Lot, the maximum capacity of Safe Sleeping would be 729 tents. As a result, the option if implemented would result in a 5.2% reduction in tent spaces relative to current maximum capacity.

Framework for Homelessness Funding Decisions

As the three options presented by HSSD are each structured around one significant reduction in services, along with more minor reductions, **Council may wish to focus specifically**

Department Review: Homelessness Strategies and Solutions

| Framework for Council Priority of Reduction Options | | | |
|---|---|--|-----------------------------------|
| Council Priorities | Population Served | Impacts | Options for Further Consideration |
| Maintain current shelter bed capacity | Sheltered individuals experiencing homelessness | Reduces unsheltered homelessness Provides crisis stabilization and connection to case management and other essential services | Option B, Option C |
| Preserve Safe Sleeping capacity | Unsheltered individuals experiencing homelessness | Reduces street homelessness Provides crisis stabilization and connection to case management and other essential services | Option A, Option C |
| Maintain existing direct legal services for eviction prevention | Low-income tenants facing eviction | Can prevent eviction Eviction can lead to housing instability and homelessness | Option A, Option B |

on how to prioritize services and populations served across the three major program reductions: Emergency Shelter, Safe Sleeping, and Prevention. Specifically, of the three possible Council priorities in the table above, Council may wish to determine the two priorities with the most support and consider reductions to the remaining third priority. Council may wish to consult the additional context provided later in the “Existing Homelessness Interventions” subsection, along with the program funding tables at the end of this section.

DRE Budget Equity Implications

The following additions have equity implications:

\$3.0 million – Eviction Prevention Program Transfer³

The allocation and retention of \$3.0 million for the Eviction Prevention Program (EPP) serves as a key mechanism to reduce the risk of homelessness among low-income

households, particularly those who are renters. By supporting legal assistance and navigation services, the program aims to address potential eviction situations before they result in displacement. This focuses on promoting equitable access to services and facilitating early stabilization for individuals and families facing housing insecurity. The program functions as a preventive measure that can help mitigate the likelihood of eviction-driven homelessness, targeting residents who are statistically at greater risk due to economic hardship and housing instability. The preservation of funding allows for the continuation of these interventions, which are designed to support vulnerable populations and maintain housing stability within the community.

\$2.4 million – Expansion of Opioid Treatment Shelter Beds⁴

The addition establishes 72 shelter beds with integrated treatment for individuals with opioid use disorder. This expansion serves a population characterized by high acuity and

³ This adjustment relates to HSSD’s Tactical Equity Plan (TEP) Goals 1 and 3 and TEP Objectives 1.1 and 3.1

⁴ This adjustment relates to HSSD’s Tactical Equity Plan (TEP) Goals 1, 3 and 4 and TEP Objectives 1.1, 3.1, and 4.1

Department Review: Homelessness Strategies and Solutions

elevated mortality risk. The adjustment increases access to treatment and stabilization services. Combining housing and behavioral health care is intended to improve recovery pathways and promote long-term stability for individuals who have previously lacked access to treatment-integrated shelter models.

\$1.5 million – Domestic Violence Shelter Operations⁵

The \$1.5 million allocation preserves domestic violence shelter beds that serve women, children, and survivors of gender-based violence. These individuals often face trauma, economic instability, and multiple barriers to accessing safe shelter. Maintaining shelter operations prevents displacement of households and sustains trauma-informed, culturally responsive environments. This funding supports continuity of care for survivors who utilize stable non-congregate shelter as a pathway to long-term safety.

\$570,000 – Program Reduction Wind-down Support (One-Time)⁶

This funding supports the organized and considerate closure processes for proposed program reductions, such as Safe Parking and the Neil Good Day Center. The provision of structured, trauma-informed support helps minimize sudden displacement and ensures that residents have access to relocation assistance, benefits navigation, and ongoing care. This approach improves the quality and accountability of service transitions and lessens the disproportionate effects of program closures on individuals facing significant barriers to

stability.

\$214,000 – Expansion of Haven Interim Family Shelter⁷

The expansion provides 56 family shelter beds in non-congregate settings, increasing available housing options for families with children. This adjustment addresses groups affected by economic instability, eviction risk, and overcrowded living conditions. The increased capacity supports efforts to tailor programming for parents, infants, and youth. The investment contributes to stabilizing households experiencing economic and generational disparities.

The following reductions have equity implications:

(\$3.8 million) - Budget Mitigation Homeless Services Reduction Options⁸

This large reduction to general homeless services may limit the City's ability to provide consistent, lower-barrier support across outreach, stabilization, and navigation services. As these functions help individuals move between programs, reduced capacity may lengthen the time it takes for people to access shelter or housing resources, particularly in areas with fewer existing supports.

Because homelessness is often concentrated in neighborhoods with higher proportions of Low-to-Moderate Income (LMI) households, reductions in outreach and stabilization capacity may have more pronounced effects in areas where residents already face limited access to transportation, fewer nearby services, and higher levels of economic hardship. In

⁵ This adjustment relates to HSSD's Tactical Equity Plan (TEP) Goals 1 and 3 and TEP Objectives 1.1, 1.2, and 3.1

⁶ This adjustment relates to HSSD's Tactical Equity Plan (TEP) Goals 1 and 4 and TEP Objectives 1.1 and 4.1

⁷ This adjustment relates to HSSD's Tactical Equity Plan (TEP) Goals 1 and 3 and TEP Objectives 1.1, 1.3 and 3.1

⁸ This adjustment relates to HSSD's Tactical Equity Plan (TEP) Goals 1, 3, and 4 and TEP Objectives 1.1, 1.2, 1.3, 3.1, 4.1 and 4.3

Department Review: Homelessness Strategies and Solutions

districts with higher LMI populations, consistent engagement points help support connections to shelter and housing resources; reductions in these functions may narrow pathways into services. City Council may wish to consider how higher poverty rates intersect with existing geographic disparities when evaluating the potential impacts of these reductions.

These impacts are likely to fall most heavily on residents with the greatest functional barriers—such as seniors, people with disabilities, families with children, and individuals living in vehicles—who rely on predictable points of connection to safely meet basic needs and maintain engagement with services. Reduced flexibility in the system may also exacerbate geographic and racial disparities by weakening service pathways in neighborhoods already experiencing high concentrations of unsheltered homelessness.

(\$948,000) - Budget Mitigation: Closure of Neil Good Day Center⁹

The closure of the Neil Good Day Center eliminates one of the City’s only daytime safe spaces providing restrooms, showers, laundry, cell-phone charging, phone and fax access, mail services, and a computer lab for unsheltered residents. The Center serves thousands annually and provides essential stability for individuals.

HSSD staff noted that without this access point, unsheltered residents face the loss of mail services that are critical to receive support benefits, medical communication, income, and legal documentation.

(\$750,000) - Budget Mitigation: Eliminating of Downtown Public Restrooms¹⁰

The removal of portable restrooms may disproportionately affect unsheltered individuals who rely on limited public sanitation options, potentially increasing public-health burdens associated with the lack of restroom access. People with mobility impairments or chronic health conditions are especially impacted, as traveling farther to meet basic sanitation needs can pose added difficulty or risk. These changes may heighten sanitation-related risks and reduce equitable access to basic services for residents with the highest barriers to alternative options.

Existing Homelessness Interventions

For additional context, existing homelessness interventions funded in the City budget include a continuum of services – each targeted to serve specific populations with different needs and available resources – with the overarching goal of connecting individuals to permanent housing. Notably, the *availability* of affordable housing is a key factor in making connections to permanent housing.

The figure on the next page demonstrates part of the City’s service continuum by showing positive exit rates to permanent housing along with one indicator of the demographic served based on the percentage of household exits with three or more self-identified physical or mental health conditions reported. This information is shown for four City-funded interventions: Safe Sleeping, Emergency Shelter, Safe Parking, and Family Reunification, as well as Outreach.¹¹ According to HSSD, interventions are designed to assess a participant’s conditions, and connect them to necessary resources to attain and maintain stable

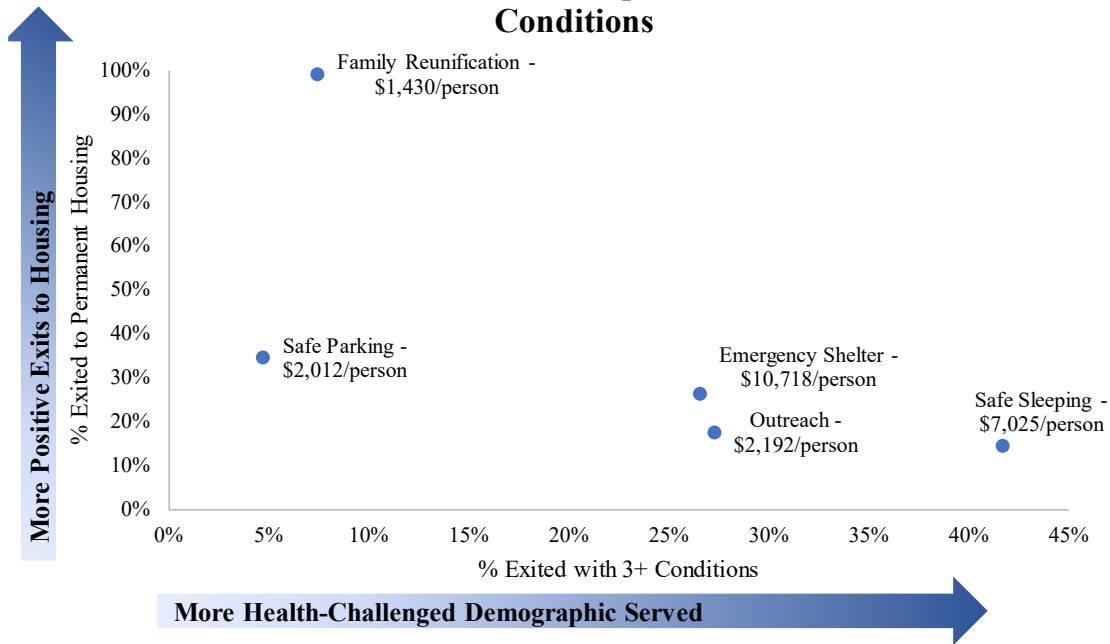
⁹ This adjustment relates to HSSD’s Tactical Equity Plan (TEP) Goals 1, 3, and 4 and TEP Objectives 1.1, 1.2, 1.3, 3.1 and 4.1

¹⁰ This adjustment relates to HSSD’s Tactical Equity Plan (TEP) Goals 1 and 2 and TEP Objectives 1.1 and 2.1

¹¹ In addition to the programs discussed in this section, the City and the Housing Commission fund additional services to support individuals experiencing or at-risk of homelessness.

Department Review: Homelessness Strategies and Solutions

FY 2025 Positive Exits vs. Multiple Self-Identified Health Conditions



Notes: Positive exits is defined as percent of exits from intervention type to permanent housing situations. Three or more conditions at exit includes the percent of exits with three or more physical and mental health conditions: Mental health disorder, alcohol use disorder, drug use disorder, chronic health conditions, HIV/AIDS, developmental disability, physical disability. Per person amounts represent estimated average spend based on actual FY 2025 expenditures and persons served by intervention across all funding sources. Outreach consists of all City-funded outreach teams, including the teams on Caltrans property and the State Encampment Resolution Funding grant programs

health (e.g., remaining in treatment or on medication). The average annual cost per person served based on estimated actuals in FY 2025 across all funding sources is also included to represent the investment of City resources.

Despite likely variations in spending and program outcomes since FY 2025, overall trends suggest the following:

- Safe Sleeping serves the population with the most self-identified health challenges and has the lowest positive exit rates.
- In contrast, Safe Parking and Family Reunification serve populations with relatively fewer self-identified health challenges. Family Reunification has

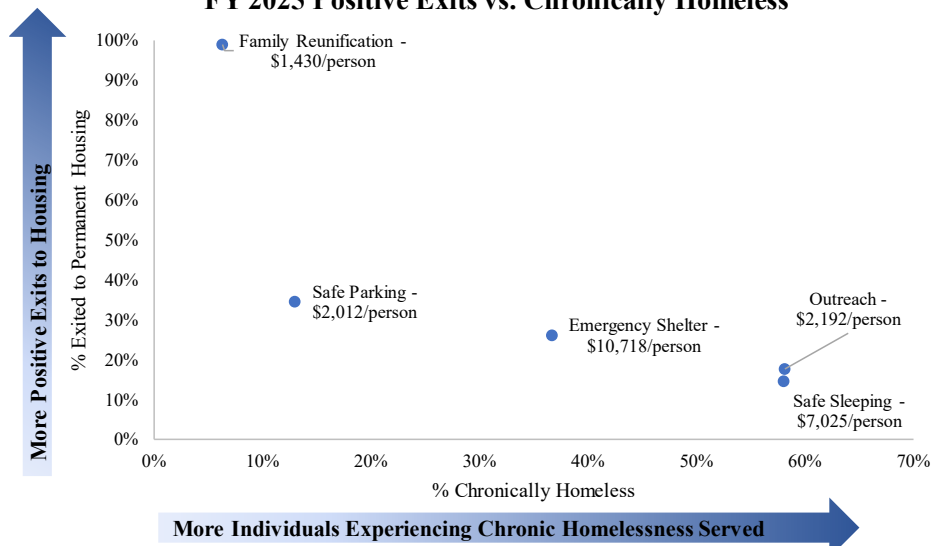
the highest positive exit rate at the lowest average cost per person served, whereas Safe Parking has the second highest positive exit rate (although notably lower than Family Reunification) and the second lowest average cost per person.

- Emergency Shelter includes a wide range of shelter types and specific programs but, on whole, falls in the middle in terms of positive exits and intensity of self-identified health challenges in the population served. Shelter has the highest average cost per person served.

Similar trends are apparent when examining positive exits compared to the share of

Department Review: Homelessness Strategies and Solutions

FY 2025 Positive Exits vs. Chronically Homeless



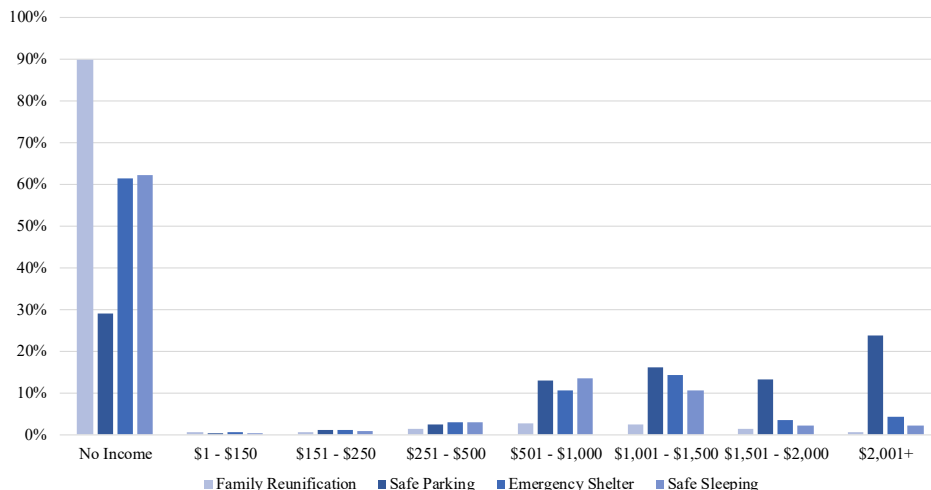
Notes: Positive exits is defined as percent of exits from intervention type to permanent housing situations. Chronic homelessness is defined here as, "Has been homeless and living as described for at least 12 months or on at least 4 separate occasions in the last 3 years." Per person amounts represent estimated average spend based on actual FY 2025 expenditures and persons served by intervention across all funding sources. Outreach consists of all City-funded outreach teams, including the teams on Caltrans property and the State Encampment Resolution Funding grant programs

individuals served experiencing chronic homelessness, as seen in the figure above. Safe Sleeping is most likely to serve individuals experiencing chronic homelessness compared to Family Reunification and Safe Parking.

Income reported at the start of program participation also varies, as seen in the figure below, where income is defined as the gross amount of earned money and cash benefits received on a regular, ongoing basis. Most Family

Reunification participants (89.9%) were likely to report no income but were likely identified for the program due to access to social networks such as family or friends willing to provide housing. In contrast, Safe Parking participants were more likely to report some income, as these participants are relatively more likely to be working. Participants in Emergency Shelter and Safe Sleeping follow comparable trends, with relatively more

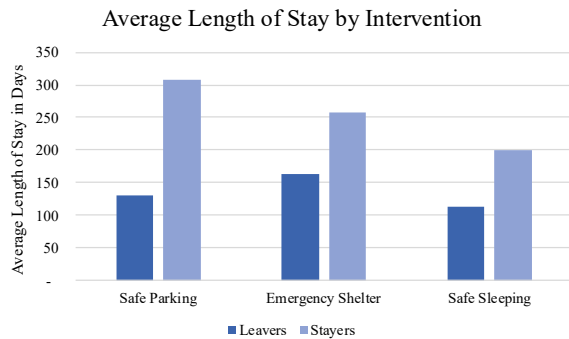
Income Reported at Start of Program Participation



Department Review: Homelessness Strategies and Solutions

Emergency Shelter participants reporting higher incomes.¹²

However, even with relatively more resources, Safe Parking participants who stayed in the program in FY 2025 had the highest average length of stay at 308 days, as seen in the figure below.



Generally, the rate of positive outcomes is determined by numerous factors, among these the availability of and priority for affordable permanent housing, ability to maintain regular employment at reasonable wages, access to social connections who may provide temporary housing, and means to address physical or behavioral health conditions. According to HSSD, permanent supportive housing with wrap-around services may be more suitable than traditional affordable housing for subpopulations with co-occurring conditions, but such units are becoming far scarcer.

As funding decisions should consider program outcomes to the extent reasonable, Council may wish to request additional program outcome and demographic data to fully understand the potential impacts of the reduction options presented by the Department.

Community Action Plan Update

In October 2019, the City Council approved the Community Action Plan on Homelessness

(Community Action Plan), which intends to systematically address homelessness. The Community Action Plan includes three goals to achieve in three years, recommended actions, and key strategies. Goals include decreasing unsheltered homelessness by 50% and ending veteran and youth homelessness.

The Community Action Plan is periodically updated, with Council hearing the most recent update in [May 2025](#). Despite notable progress in increasing prevention, diversion, and permanent housing resources in the City, the May 2025 Update indicated significant outstanding needs for more than 9,000 additional housing and shelter resources.

Council may wish to return to the priorities and goals outlined in the Community Action Plan to guide funding priorities, as the plan was intended to be a long-range, comprehensive, strategic tool to inform the City’s approach to addressing homelessness.

¹² This analysis is a relative analysis across certain City homelessness interventions, where such data is collected. At \$2,000 gross monthly income, a household of one would still fall below 30% Area Median Income (\$34,750 for one person, as of April 2025), the definition of Extremely Low Income.

Department Review: Homelessness Strategies and Solutions

| FY 2027 Anticipated Funding for Homelessness - Prior to Reduction Options <i>(Subject to Change)</i> | | | | | |
|--|--------------------------|-----------------------|--------------------------------------|----------------------|-----------------------|
| Programs | Maximum Program Capacity | Nightly Per Unit Cost | FY 2027 Proposed Budget General Fund | Other | FY 2027 Total |
| Housing & Services \$11.2 million | | | | | |
| Housing Instability Prevention Program ¹ | 300 households | \$ 52.97 | \$ 5,800,000 | \$ - | \$ 5,800,000 |
| Eviction Prevention Program | | | 3,000,000 | - | 3,000,000 |
| Prevention/Diversion Programs | | | - | 1,615,000 | 1,615,000 |
| Diversion - Family Reunification | | | - | 834,000 | 834,000 |
| Crisis Response & Stabilization \$75.8 million | | | | | |
| Shelters | | | | | |
| Bridge Shelter - 16th and Newton | 326 beds | 66.49 | 406,334 | 7,505,036 | 7,911,370 |
| Women's and Family Shelter | 210 beds | 73.21 | 3,344,064 | 2,267,203 | 5,611,267 |
| Family Non-Congregate Shelter ² | 168 beds/42 units | 70.47 | 1,985,807 | 2,335,274 | 4,321,081 |
| Bridge Shelter - 17th and Imperial | 140 beds | 84.18 | 4,226,209 | 75,343 | 4,301,552 |
| Single Adult & Senior Interim Shelter (VVSD) | 130 beds | 79.92 | 3,548,576 | 243,679 | 3,792,255 |
| Domestic Violence Shelter | 160 beds | 51.88 | 1,530,000 | 1,500,000 | 3,030,000 |
| Youth Case Management & Shelter | 67 beds | 101.64 | 580,497 | 1,905,067 | 2,485,564 |
| LGBTQ+ Youth Services and Shelter | 45 beds | 124.66 | 2,047,500 | - | 2,047,500 |
| Connections Interim Housing ¹ | 80 beds | 66.46 | 1,318,235 | 622,411 | 1,940,646 |
| Veterans Interim Shelter (VVSD) | 40 beds | 74.24 | 1,083,962 | - | 1,083,962 |
| Lighthouse Interim Shelter | 37 beds | 72.60 | 980,402 | - | 980,402 |
| Interim Family/Women's Shelter | 154 beds/34 units | 16.48 | 214,195 | 712,179 | 926,374 |
| Bishops Shelter ¹ | 28 beds | 60.85 | 621,929 | - | 621,929 |
| Shelterwide Ancillary | | | 586,314 | - | 586,314 |
| Wind-down Support | | | 570,000 | - | 570,000 |
| Safe Sleeping Programs | | | | | |
| Safe Sleeping "O" Lot and 20th and B | 767 tents | 48.09 | 13,463,955 | - | 13,463,955 |
| Substance Use Disorder Shelters & Services | | | | | |
| Opioid Treatment Bed Expansion (VVSD) ³ | 72 beds | 91.03 | 2,392,377 | - | 2,392,377 |
| Harm Reduction Interim Shelter ³ | 44 beds | 131.31 | 2,108,792 | - | 2,108,792 |
| Alcohol Use Disorder Interim Shelter | 56 beds | 36.61 | 748,241 | - | 748,241 |
| Safe Haven ³ | 22 beds | 56.27 | 451,877 | - | 451,877 |
| Safe Parking Programs | | | | | |
| Safe Parking Programs | 455 spot (incl. RVs) | 24.69 | 3,258,032 | 841,968 | 4,100,000 |
| Engagement Services \$10.1 million | | | | | |
| Outreach | | | | | |
| Coordinated Outreach | | | 1,946,595 | 1,553,405 | 3,500,000 |
| Downtown Street Outreach | | | 1,180,256 | - | 1,180,256 |
| Community Outreach Events | | | 25,000 | - | 25,000 |
| Storage | | | | | |
| Storage Connect Center I | 500 bins | 9.37 | 1,709,129 | - | 1,709,129 |
| Think Dignity Storage Facility | 400 bins | 1.62 | 236,667 | - | 236,667 |
| Other | | | | | |
| Encampment Resolution Grant Programs | | | - | 1,875,841 | 1,875,841 |
| The Hub (Homelessness Response Center) | | | 781,422 | 250,000 | 1,031,422 |
| Old Central Library Security Services | | | 325,000 | - | 325,000 |
| Coordinated Shelter Intake Program | | | 235,745 | - | 235,745 |
| HMIS Set-Aside | | | - | 30,000 | 30,000 |
| Neil Good Day Center for Homeless Adults | | | - | - | - |
| Public Restrooms | | | - | - | - |
| Administration \$7.4 million | | | | | |
| HSSD Administration | | | 5,098,483 | - | 5,098,483 |
| SDHC Administration ⁴ | | | 1,560,730 | 710,186 | 2,270,916 |
| Subtotal Expenses | | | \$ 65,805,594 | \$ 24,166,406 | \$ 89,972,000 |
| HSSD General Homelessness Reduction Target | | | \$ (3,753,909) | | \$ (3,753,909) |
| Total Expenses | | | \$ 62,051,685 | \$ 24,166,406 | \$ 86,218,091 |

Department Review: Homelessness Strategies and Solutions

Notes: Table only includes programs in the Homelessness Strategies and Solutions Department (HSSD) Budget. Ancillary and administrative expenses are included in program expenditure lines. Nightly per unit rate divides total program expenses (including administration and ancillary costs) across households, beds/tents, spots, and bins by 365 days - no assumptions about occupancy are made.

¹ Program funding above assumes the following May Revision adjustments: Housing Instability and Prevention Program (\$3.0 million), the Bishops shelter (\$622,000), and Connections Interim Housing shelter (\$1.3 million). During budget development, the use of \$4.9 million from Permanent Local Housing Allocation (PLHA) funds was contemplated, but these funds were removed prior to the release of Proposed Budget.

² Includes leasing costs of \$1.9 million.

³ Funded by Opioid Settlement Funds.

⁴ SDHC administration costs are included in program lines; therefore this row for SDHC administration is display for illustrative purposes only.

| FY 2027 Proposed San Diego Housing Commission Homeless Services (Subject to Change) | | | |
|--|-----------------------------------|--|-----------------------|
| Housing and Services | Permanent Housing | Federal Voucher Support | \$ 112,117,160 |
| | | Permanent Supportive Housing CoC Program | 7,729,955 |
| | | Landlord Engagement | 2,757,001 |
| | | Capacity Building | 25,000 |
| | | Rapid Rehousing CoC | 4,671,401 |
| | Prevention & Diversion | Prevention and Diversion | 3,697,266 |
| | | HIPP - Extension Programs | 771,520 |
| Supportive Services | Various Supportive Services | 633,588 | |
| Crisis Response | Shelter | Transitional Housing | 150,000 |
| Administration | Administration | SDHC Admin | 2,569,636 |
| Total | | | \$ 135,122,527 |

Department Review: Human Resources

Human Resources

The Human Resources Department is responsible for: Labor Relations, Employee Relations, People and Organization Development, Citywide Volunteer, Internship and Work Readiness, People Analytics, Disability Management, Talent Acquisition and Compensation Analysis, and Veteran and Employee Engagement.

Impacts of Mayor’s FY 2027 Budget Proposal

As shown in the table below, the FY 2027 Proposed Budget for Human Resources is approximately \$9.9 million, which is a reduction of \$944,000 or 8.7% from the FY 2026 Adopted Budget. The number of FTE positions is decreasing by 3.00, from 44.00 FTE positions in FY 2026 to 41.00 in the Proposed Budget (including 5.00 interns). Revenue is also anticipated to decrease by \$23,000, or 2.6%, due to the anticipated change in personnel expenditures and grant reimbursements for the Employ and Empower interns.

Significant Budget Additions

The only expenditure increase noted in the table below is \$137,000 for salary and benefits adjustments, which is primarily a result of increases in the City’s Retirement Actuarially Determined Contribution (ADC) payment.

This increase in personnel expenditures is more than offset by the position and non-personnel expenditure reductions which are discussed below.

Significant Budget Reductions

For FY 2027, the Human Resources Department was given a budget reduction target of 7.0%, or \$755,000, which it exceeded. The Proposed Budget includes \$1.0 million in budget reductions, which is a 9.3% reduction from the FY 2026 Adopted Budget. The impacts of these reductions are discussed below.

(\$243,000, 1.00 FTE) – Deputy Director Reduction

The Proposed Budget reduces 1.00 vacant Deputy Director position and \$243,000 in related personnel expenditures. The duties and responsibilities of this position have already been absorbed by the Department’s management team. Of note, this position was originally proposed to be reduced to offset the addition of a Program Coordinator position that would support the People Analytics and Process Improvement Program; however, that position was not funded. Please see the *Unfunded Budget Requests* section for more information.

| SUMMARY OF HUMAN RESOURCES BUDGET CHANGES | | | | | |
|---|---------------|---------------------|---------------------|---------------------|--------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 44.00 | \$ 9,405,660 | \$ 1,418,589 | \$ 10,824,249 | \$ 875,962 |
| Programmatic Changes | | | | | |
| <i>Budget Mitigation: Deputy Director Reduction</i> | (1.00) | (242,819) | - | (242,819) | - |
| <i>Budget Mitigation: Program Coordinator</i> | (1.00) | (216,131) | - | (216,131) | - |
| <i>Budget Mitigation: Payroll Specialist</i> | (1.00) | (86,116) | - | (86,116) | - |
| <i>Budget Mitigation: Labor Negotiation Services</i> | - | - | (322,461) | (322,461) | - |
| <i>Budget Mitigation: Total Compensation Studies (one-time)</i> | - | - | (139,129) | (139,129) | - |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 136,847 | - | 136,847 | - |
| <i>Employ and Empower Interns (maintain)</i> | - | (23,486) | - | (23,486) | (22,779) |
| <i>Non-Discretionary Adjustments</i> | - | - | (50,722) | (50,722) | - |
| FY 2027 Proposed Budget | 41.00 | 8,973,955 | 906,277 | 9,880,232 | 853,183 |
| <i>Difference from 2026 to 2027</i> | <i>(3.00)</i> | <i>\$ (431,705)</i> | <i>\$ (512,312)</i> | <i>\$ (944,017)</i> | <i>\$ (22,779)</i> |

Department Review: Human Resources

(\$216,000, 1.00 FTE) – Program Coordinator Reduction

The Proposed Budget also reduces 1.00 Program Coordinator position and \$216,000 in related personnel expenditures. The duties and responsibilities of this position are being redistributed to other department staff and expected to result in delayed responses to City departments on various programs and internal controls, such as Administrative Regulation revisions.

(\$86,000, 1.00 FTE) – Payroll Specialist Reduction

The Proposed Budget also reduces 1.00 filled Payroll Specialist position and \$86,000 in related personnel expenditures. According to the Department, due to reduced state grant funding, the number of interns and apprentices participating in the Employ and Empower program has leveled off. The City now has approximately 165 interns and apprentices in 2026, which is a 71.2% reduction from a peak of 572 in 2024. This reduction will right-size the staffing needed to operate the program.

(\$322,000) – Labor Negotiations Services Reduction

The Proposed Budget reduces \$322,000 in non-personnel expenditures for labor negotiation and support services for contract negotiations with recognized employee organizations (REOs). The City is currently engaged in contract negotiations with all six of its REOs, and those negotiations are anticipated to conclude in FY 2026. According to the Department, if the City is unable to reach agreements with all six REOs prior to the start of FY 2027, it could exceed its budget for this expense. Due to staffing reductions included in the FY 2026 Adopted Budget, the Department does not anticipate it can complete this work in-house.

(\$139,000) – Total Compensation Studies Reduction (one-time)

The Proposed Budget also includes a one-time reduction of \$139,000 in non-personnel

expenditures associated with the City's Total Compensation Studies. Total Compensation Studies are used to benchmark the City's compensation against other comparable jurisdictions as set forth in the [City's Compensation Philosophy](#). According to the Department, this would reduce the budget for these studies to \$89,000 for Fiscal Year 2027.

Issues for Council Consideration

Unfunded Budget Requests

Human Resources requested the following notable items which were not funded in the Proposed Budget:

- 1.00 Program Coordinator and personnel expenditures of \$205,000 to support the People Analytics and Process Improvement Program (originally requested to be offset by the Deputy Director position reduction). Human Resources has been asked to oversee the triennial Pay Equity Study which was previously supported by Performance & Analytics, and this position was anticipated to support that effort, development of Employee Sentiment Workforce Reports, and other process improvements for departments.
- \$300,000 in one-time non-personnel expenditures for the triennial Pay Equity Study, as recommended by [Council Resolution R-313579](#). The Pay Equity study is anticipated to be delayed until funding is available.
- 1.00 Program Coordinator and personnel expenditures of \$205,000 to support the Veteran Engagement Program. This position is currently a filled supplemental position that supports veteran employees and military spouses, serves as a liaison to the local military community, and supports the recruitment and transition of military personnel to the City workforce. If this

Department Review: Human Resources

position is not funded in the budget for FY 2027, the Department plans to retain it as an unbudgeted supplemental position. Of note, this position is partially funded by a grant from the Wounded Warrior Project. *Additional equity implications related to this adjustment are included later in this department review.*

Human Resources also requested the following smaller items, which were not funded. These items are anticipated to be discontinued until funding is available again.

- \$75,000 addition of non-personnel expenditures for several Citywide Employee Appreciation initiatives including Citywide Employee Appreciation events, Citywide Employees of the Year event, Veterans Breakfast, and New Hire Orientations.
- \$20,000 addition of non-personnel expenditures to provide Welcome Bags for new City employees, which is part of the Department's Citywide Building Your Future branding campaign.

DRE Budget Equity Implications

The following unfunded requests have equity implications:

1.0 Program Coordinator (Workforce/People Analytics)¹

A Program Coordinator position was requested to oversee production of annual Employee Sentiment Workforce Reports (Workforce Reports) and project management of triennial Pay Equity Studies. This function was moved to Human Resources from the Performance and Analytics Department (PANDA) in 2026. The work responsibilities of both

Workforce Reports and Pay Equity Studies remain in Human Resources, though Human Resources lacks personnel to perform those PANDA is coordinating with HR to prepare an abbreviated version of the Workforce Report, but the Pay Equity Study is anticipated to be delayed until funding is available (as noted below).

\$300,000 - Addition of the Pay Equity Study²

The unbudgeted request for \$300,000 in one-time expenditures to fund a consultant to conduct analysis and deliver a Pay Equity Study means that study will not be conducted on the three-year cadence as sought by City Council Resolution 313579. Due to the lack of funding, the Pay Equity Study will not be conducted in 2026.

Note: Historically, the Performance and Analytics Department received funding in 2020 and 2023 to conduct the Pay Equity Study.

\$205,269 – 1.0 Program Coordinator (Veteran Engagement Program)³

The unbudgeted supplemental position is a split role that provides both internal and external facing support to the veteran and active-duty population residing and working in the City. This position is responsible for managing outreach efforts to recruit military personnel to the City workforce. This position is also responsible for programs like SkillBridge and the City of San Diego Veteran's Association that support City veteran employees. As noted in the City's [Inclusive Public Engagement Guide](#), nearly 7% of San Diego's population are military veterans, and 115,000 active-duty service members are stationed in San Diego; the military is embedded into the

¹ This relates to Human Resources' TEP Goals 1 & 2 and Objectives 1.1, 1.2, 1.5, 2.2 & 2.5.

² This relates to Human Resources' TEP Goals 1 & 2 and Objectives 1.1, 1.2, 1.5, 2.2 & 2.5.

³ This relates to Human Resources' TEP Goals 1 & 2 and Objectives 1.1, 1.2, 1.5, 2.2 & 2.5.

Department Review: Human Resources

socioeconomic fabric of San Diego.

Note: This position is currently filled and partially funded by grant funding to support both internal and external Veteran programs.

Department Review: Library

Library

The Library Department provides public access to information and resources, including books, journals, magazines, digital resources, and other multimedia materials. It also supports technology access, offers various forms of youth and adult programming and provides a physical space to read, work, and collaborate at 37 library locations throughout the City.

Impacts of Mayor’s FY 2027 Budget Proposal

The FY 2027 Proposed Budget for the Library Department totals approximately \$73.2 million, a \$3.4 million, or 4.4% reduction from the FY 2026 Adopted Budget. The FY 2027 Proposed Budget includes 369.50 FTE positions, which is a decrease of 38.00 FTEs from FY 2026.

Budgeted revenue totaling \$3.6 million represents a reduction of approximately \$20,000 compared to FY 2026.

Significant Budget Reductions

Budget Mitigations

The largest FY 2027 budget reductions are budget mitigations used to help balance the General Fund budget. The Department’s budget mitigations total \$7.1 million and are discussed below.

(\$2.4 million, 23.00 FTEs) – Reduction of Library Hours

The Proposed Budget assumes a roughly \$2.4 million reduction in expenditures associated with reduced library hours of operations. On April 27, 2026, the Mayor issued a memorandum detailing three options to meet this level of expenditure reduction for Council consideration, which will be presented during the May 5th Budget Review Committee meeting.

Generally speaking, the options primarily involve adjustments to library hours at locations that are currently open on Monday. For context, 17 of 37 library locations are currently open for full-day service Monday through Saturday; all other locations are open for full-day service Tuesday through Saturday.

| SUMMARY OF LIBRARY DEPARTMENT BUDGET CHANGES | | | | | |
|---|----------------|-----------------------|-----------------------|-----------------------|---------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 434.50 | \$ 54,981,122 | \$ 21,674,446 | \$ 76,655,568 | \$ 3,581,274 |
| Programmatic Changes | | | | | |
| <i>Budget Mitigation: Reduction of Library Hours</i> | (23.00) | (2,240,922) | (181,310) | (2,422,232) | - |
| <i>Budget Mitigation: Renovation/Expansion Closures</i> | (11.50) | (1,662,986) | (126,795) | (1,789,781) | - |
| <i>Budget Mitigation: Youth, Family & Equity Services</i> | (4.00) | (899,019) | (265,783) | (1,164,802) | - |
| <i>Budget Mitigation: Donation Matching Funds</i> | - | - | (1,000,376) | (1,000,376) | - |
| <i>Budget Mitigation: Security Services</i> | - | - | (500,000) | (500,000) | - |
| <i>Budget Mitigation: Special Collections</i> | (1.00) | (120,287) | - | (120,287) | - |
| <i>Budget Mitigation: Library Gallery Exhibitions</i> | (0.50) | (46,366) | (13,000) | (59,366) | - |
| <i>Budget Mitigation: Training</i> | - | - | (40,000) | (40,000) | - |
| <i>TOT Reimbursement Revenue</i> | - | - | - | - | (31,144) |
| Other Changes | | | | | |
| <i>Salaries and Benefit Adjustments</i> | - | 2,789,493 | - | 2,789,493 | - |
| <i>Budgeted PE Savings (vacancy savings reduction)</i> | - | 763,222 | - | 763,222 | - |
| <i>Employ and Empower Program Interns</i> | 2.00 | 11,034 | - | 11,034 | 10,737 |
| <i>Non-Discretionary Adjustments</i> | - | - | 499,871 | 499,871 | - |
| <i>Chilled Water Services (Central Library)</i> | - | - | 200,000 | 200,000 | - |
| <i>One-time Reductions and Annualizations</i> | - | (577,889) | - | (577,889) | - |
| FY 2027 Proposed Budget | 396.50 | \$ 52,997,402 | \$ 20,247,053 | \$ 73,244,455 | \$ 3,560,867 |
| Difference from 2026 to 2027 | (38.00) | \$ (1,983,720) | \$ (1,427,393) | \$ (3,411,113) | \$ (20,407) |

Department Review: Library

- **Option 1:** Preserves current operating hours at one branch that is open on Monday in each of Council Districts 4, 8, 9.
- **Option 2:** Reduces Saturdays or Mondays more evenly based on utilization.
- **Option 3:** Preserves current operating hours at all branches that are open on Monday in Council Districts 4, 8, 9.

Details on each of the reduction options and associated impacts will be discussed later in the “Issues for Council Consideration” section.

Additional equity implications related to this adjustment are included later in this department review.

(\$1.8 million, 11.50 FTEs) – Renovation/Expansion Closures

The Proposed Budget reduces 11.50 FTEs and \$1.8 million in expenditures associated with temporary closure of the Ocean Beach and Rancho Peñasquitos Branch libraries during renovation/expansion construction activity.

The Ocean Beach Library Expansion project includes the remodeling of the existing facility, demolition of the two-story adjacent building and construction of a new 4,300 square foot library extension. The design-build contractor for this project is anticipated to be identified in June 2026 and begin exploratory investigations and early site work in July 2027. Ocean Beach patrons will be redirected to use the Point Loma-Hervey Branch Library beginning in July 2026 through the completion of construction which is anticipated occur in late 2028. Funding to re-staff the expanded facility is expected to be requested in FY 2029.

The Rancho Peñasquitos Library is receiving major rehabilitation including roof and HVAC work, exterior repairs and interior improvements anticipated to begin in summer 2026. Rancho Peñasquitos patrons will be redirected to use Rancho Bernardo, Pacific Highlands Ranch or Carmel Mountain Ranch

libraries beginning in July 2026 through the completion of renovations, which is anticipated occur in Summer 2027. Funding to re-staff the renovated facility is expected to be requested in FY 2028.

Additional equity implications related to this adjustment are included later in this department review.

(\$1.2 million, 4.00 FTEs) – Youth, Family & Equity Services

The Proposed Budget includes the reduction 4.00 FTEs, including 1.00 Program Manager, that is responsible for Youth, Family and Equity Services, and 3.00 FTEs from the former Office of Child and Youth Services (OCYS) that were reorganized under the Library Department in the FY 2026 Adopted Budget.

The Youth, Family and Equity Services Program Manager currently oversees the Department’s Youth and Family Programming Team and the Volunteer Coordination and Training Team. These duties will be assumed by the Deputy Director of Customer Experience; however, depth of focus in these areas may be reduced given the broad responsibilities of this position.

Work performed by OCYS staff currently includes administration of the Child & Youth Plan, managing partnerships associated with the Campaign for Grade Level Reading, convening and liaising with the Youth Commission, and implementing Measure H which authorized childcare activity on park property. While some of OCYS’ current responsibilities may be absorbed by the Library Department, other Departments, particularly those that share ownership of elements of the Child & Youth Plan, may be impacted without OCYS staff leading implementation efforts.

Additional equity implications related to this adjustment are included later in this department review.

Department Review: Library

(\$1.0 million) – Donation Matching Funds

The Proposed Budget includes a \$1.0 million ongoing reduction to the City’s match for library donations which will fully eliminate all funding for this program.

City matching funds are used to incentivize philanthropic donations and to more equitably provide resources to branch locations that typically do not receive significant donations. While half of all Library donation matching funds get directed to the branch/purpose for which a donation was provided under Council Policy (CP) 100-12, the other 50% is used to support branch locations with the greatest needs, or for systemwide purposes, using an equity focused distribution model.

City matching funds are distributed in the subsequent fiscal year following the year the donation was received. Thus donations received in FY 2026 that are projected to total \$1.0 million will be available for distribution and use in FY 2027 in accordance with CP 100-12.

(\$500,000) – Security Services

The Proposed Budget includes a \$500,000 ongoing reduction to the Library Department’s budget for contracted security services. This reduction is anticipated to impact 11 of 22 locations that currently receive security services: City Heights, Clairemont, Logan, Malcolm X, Mission Valley, North Clairemont, North Park, Otay Mesa, Point Loma, San Carlos, and Central. While some level of security is expected to remain at these locations, service levels will be reduced including replacing armed guards with unarmed guards and/or eliminating after-hours security patrols. The Library Department indicated that it will continue to monitor security needs at all library locations and redistribute security services throughout the fiscal year based on highest needs. In total, \$2.4 million will remain budgeted for security services in FY 2027.

Additional equity implications related to this adjustment are included later in this department review.

(\$120,000, 1.00 FTE) – Special Collections

The FY 2027 Proposed Budget includes the reduction of 1.00 FTE and approximately \$120,000 in personnel expenditures associated with reduced operating hours for the Special Collections Center at the Central Library. Operating hours, which currently coincide with the Central Library, would shift to an appointment-based service model with limited public hours. Library staff are working towards digitizing special collections materials to increase accessibility and mitigate impacts.

(\$59,000, 0.50 FTE) – Library Gallery Exhibitions

The FY 2027 Proposed Budget includes the reduction of 0.50 FTEs and approximately \$59,000 in expenditures that support the Gallery at the Central Library. Gallery operating hours, which currently include 5-6 hours per day, Monday through Saturday, are expected to be reduced but details have not yet been determined.

(\$40,000) – Training

The Proposed Budget includes a \$40,000 ongoing reduction to the Library Department training budget which will limit the number of staff that will be able to attend professional development opportunities. In total, \$37,000 will remain budgeted for training.

Issues for Council Consideration

Library Reduction Options

A key issue for Council consideration is providing input on various budget mitigation options that will impact library hours. The Library Department, working with the Mayor’s Office, considered feedback from Council and other library stakeholders, as well as an analysis prepared by the Performance and Analytics Department (PandA) ranking library branch locations that serve the greatest need, to develop three options that roughly meet reduction level assumed in the Proposed Budget (\$2.4 million). The analysis conducted by

Department Review: Library

Panda considered a range of factors, including equity, location, amenities, proximity to other services, and facility conditions, among others. Panda’s ranking is provided in the tables below that summarize each option to assist the Council’s evaluation; a lower numerical rank represents a greater need.

Council may decide to select or modify an option, develop a different package based on the information presented by the Mayor and Library Department, identify other Library Department reductions not included in the presented options, or any combination thereof.

The options are largely focused on adjustments to library hours at locations that are currently open on Mondays (see adjacent table). For context, full-day service on Monday for 16 library locations was restored by the Council during final budget deliberations for FY 2026. These 16 locations were identified to include most locations that offer Do Your Homework @ the Library (DYH@L) Services, as well as other key locations in council districts that do not include this program. Additionally, Monday hours at the La Jolla Branch Library are funded by a philanthropic donation.

A description and table summarizing each option is provided below.

Option 1 – Preserves current operating hours at one branch that is open on Monday in each of Council Districts 4, 8, 9

Under Option 1, Library hours for the Malcolm X, San Ysidro, and City Heights Libraries would be unchanged (51 hours weekly), providing one full-day Saturday service location in each Council District 4, 8, and 9. According to staff, this is intended to provide a targeted preservation of Saturday access in historically underserved areas.

Of the remaining locations that are currently open Monday through Saturday (51 hours weekly), six locations would eliminate a full day of service (Monday or Saturday), and

eight locations would be reduced to half-day service on Saturday (11:00 a.m. to 4:00 p.m.).

Operating hours at all other locations would remain unchanged (Tuesday through Saturday; 42.5 hours weekly), with the exception of the Ocean Beach and Rancho Peñasquitos Libraries, which will be temporarily closed in FY 2027 due to renovations/expansion.

| Current Library Schedule by Location | |
|--|---|
| Monday - Saturday (51 Hours Weekly) | Tuesday - Saturday (42.5 hours Weekly) |
| Carmel Valley | Pacific Beach |
| La Jolla | Pacific Highlands Ranch |
| Point Loma | Balboa |
| Central | Clairemont |
| North Park | North Clairemont |
| University Heights | Ocean Beach |
| Malcolm X * | Mission Hills |
| Oak Park* | Beckwourth |
| Skyline* | Paradise Hills |
| Rancho Bernardo | Carmel Mountain |
| Mira Mesa* | Rancho Penasquitos |
| Allied Gardens | Scripps Ranch |
| Linda Vista* | North University |
| Logan* | University Community |
| San Ysidro* | San Carlos* |
| City Heights* | Serra Mesa |
| College Rolando* | Tierrasanta |
| | Otay |
| | Kensington |
| | Mission Valley |

*Offers DYH@L Program services

Department Review: Library

| OPTION 1 | | | | | | |
|------------------|--------------------|---------------------|-------|----------------------------|------------------------|------------------------|
| Council District | Location | PandA Analysis Rank | DYH@L | Schedule Change | FY 2026 → FY 2027 | FY 2027 Hours per Week |
| 4 | Malcolm X | 2 | Yes | No Change | Mon-Sat | 51 |
| 8 | San Ysidro | 7 | Yes | No Change | Mon-Sat | 51 |
| 9 | City Heights | 3 | Yes | No Change | Mon-Sat | 51 |
| 2 | Point Loma | 15 | No | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 3 | Central | 5 | No | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 4 | Oak Park | 1 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 4 | Skyline | 21 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 4 | Rancho Bernardo | 32 | No | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 6 | Mira Mesa | 4 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 8 | Logan | 8 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 9 | College Rolando | 12 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 1 | La Jolla | 37 | No | Eliminate Saturday | Mon-Sat → Mon-Fri | 42.5 |
| 3 | Carmel Valley | 34 | No | Eliminate Monday | Mon-Sat → Tue-Sat | 42.5 |
| 3 | North Park | 16 | No | Eliminate Monday | Mon-Sat → Tue-Sat | 42.5 |
| 3 | University Heights | 10 | No | Eliminate Monday | Mon-Sat → Tue-Sat | 42.5 |
| 7 | Allied Gardens | 36 | No | Eliminate Monday | Mon-Sat → Tue-Sat | 42.5 |
| 7 | Linda Vista | 27 | Yes | Eliminate Monday | Mon-Sat → Tue-Sat | 42.5 |

Option 2 – Reduces Saturdays or Mondays more evenly based on utilization

Option 2 includes reductions to all 17 locations that are currently open Monday through Saturday (51 hours weekly). A majority of these locations would be reduced to half-day service on Saturday (11:00 a.m. to 4:00 p.m.),

with the exception of four locations which would have their Monday hours eliminated. These include Carmel Valley, North Park, University Heights, and Allied Gardens. According to the Department, these locations were identified because that they are not located in a historically underserved community, they do not impact DYH@L services,

| OPTION 2 | | | | | | |
|------------------|--------------------|---------------------|-------|----------------------------|------------------------|------------------------|
| Council District | Location | PandA Analysis Rank | DYH@L | Schedule Change | FY 2026 → FY 2027 | FY 2027 Hours per Week |
| 1 | La Jolla | 37 | No | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 2 | Point Loma | 15 | No | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 3 | Central | 5 | No | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 4 | Malcolm X | 2 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 4 | Oak Park | 1 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 4 | Skyline | 21 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 5 | Rancho Bernardo | 32 | No | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 6 | Mira Mesa | 4 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 7 | Linda Vista | 27 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 8 | Logan | 8 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 8 | San Ysidro | 7 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 9 | College Rolando | 12 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 9 | City Heights | 3 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 1 | Carmel Valley | 34 | No | Eliminate Monday | Mon-Sat → Tue-Sat | 42.5 |
| 3 | North Park | 16 | No | Eliminate Monday | Mon-Sat → Tue-Sat | 42.5 |
| 3 | University Heights | 10 | No | Eliminate Monday | Mon-Sat → Tue-Sat | 42.5 |
| 7 | Allied Gardens | 36 | No | Eliminate Monday | Mon-Sat → Tue-Sat | 42.5 |

Department Review: Library

| OPTION 3 | | | | | | |
|------------------|--------------------|---------------------|-------|----------------------------|------------------------|------------------------|
| Council District | Location | Panda Analysis Rank | DYH@L | Schedule Change | FY 2026 → FY 2027 | FY 2027 Hours per Week |
| 4 | Malcolm X | 2 | Yes | No Change | Mon-Sat | 51 |
| 4 | Oak Park | 1 | Yes | No Change | Mon-Sat | 51 |
| 4 | Skyline | 21 | Yes | No Change | Mon-Sat | 51 |
| 8 | San Ysidro | 7 | Yes | No Change | Mon-Sat | 51 |
| 8 | Logan | 8 | Yes | No Change | Mon-Sat | 51 |
| 9 | College Rolando | 12 | Yes | No Change | Mon-Sat | 51 |
| 9 | City Heights | 3 | Yes | No Change | Mon-Sat | 51 |
| 1 | La Jolla | 37 | No | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 51 |
| 2 | Point Loma | 15 | No | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 3 | Central | 5 | No | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 5 | Rancho Bernardo | 32 | No | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 6 | Mira Mesa | 4 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 7 | Linda Vista | 27 | Yes | Reduce Saturday (Half Day) | Mon-Sat → Mon-Half Sat | 47 |
| 2 | Carmel Valley | 34 | No | Eliminate Monday | Mon-Sat → Tue-Sat | 42.5 |
| 3 | North Park | 16 | No | Eliminate Monday | Mon-Sat → Tue-Sat | 42.5 |
| 3 | University Heights | 10 | No | Eliminate Monday | Mon-Sat → Tue-Sat | 42.5 |
| 7 | Allied Gardens | 36 | No | Eliminate Monday | Mon-Sat → Tue-Sat | 42.5 |
| 2 | North Clairemont | 19 | No | Full Closure | Mon-Sat → Closed | 0 |

and at least one other branch location within the same council district would remain open on Mondays.

Operating hours at all other locations would remain unchanged (Tuesday through Saturday; 42.5 hours weekly), with the exception of the Ocean Breach and Rancho Peñasquitos Libraries, as described previously.

Option 3 – Preserves current operating hours at all branches that are open on Monday in Council Districts 4, 8, 9

Option 3 maintains current operating hours for all seven branch libraries in Council Districts 4, 8, and 9 that are open Monday through Saturday (51 hours weekly), including Malcolm X, Oak Park, Skyline, Logan, San Ysidro, City Heights, and College-Rolando. This alternative preserves Saturday library access at additional locations that have historically been underserved.

Similar to Option 2, four locations would have their Monday hours eliminated (Carmel Valley, North Park, University Heights, and Allied Gardens), and six locations would be reduced to half-day service on Saturday (11:00

a.m. to 4:00 p.m.).

In order to maintain a similar amount of savings to what is included in the Proposed Budget, this option assumes the full closure of the North Clairemont Library. This branch was identified for potential closure due to its poor physical condition, and given that two other libraries, Balboa and Clairemont, are in close proximity and offer nearby alternatives.

Council Budget Priority Items

A majority of Councilmembers prioritized maintaining FY 2026 funding levels and/or operating hours for Library Department and in their budget priority memoranda. As discussed earlier in this Department Review, significant reductions to Library operations have been proposed; overall funding for the Department is \$3.4 million, 4.4% lower than the FY 2026 Adopted Budget.

Additionally, enhancements to funding for library materials and library maintenance was also prioritized. *No additional funding is included in the Proposed budget for materials or maintenance.*

Department Review: Library

DRE Budget Equity Implications

The following adjustments have equity implications:

(\$2.4 million, 23.00 FTEs) - Reduction of Library Hours¹

The \$2.4 million reduction in library operating hours may alter when residents are able to access library facilities, digital resources, study space, and youth programming. Because the three library hour-reduction options shift service availability, potential impacts depend largely on how changes align with neighborhood schedules, transportation access, and the availability of nearby alternative branches. Communities that rely more heavily on weekday or weekend access may experience different levels of disruption depending on the final configuration.

Because library branches serve neighborhoods with differing levels of transportation access, broadband availability, and safe indoor space, the equity implications of reduced hours should be considered within the context of existing disparities across the City. Branches in areas with higher concentrations of Low-to-Moderate Income (LMI) residents—particularly in Council Districts 4, 8, and 9—may experience greater impacts, as these communities rely more heavily on libraries for technology access, homework support, and low-cost indoor public space. City Council may wish to consider how higher poverty rates intersect with existing gaps in digital access and transportation when evaluating the proposed hour-reduction options.

Across all three options, the scale and distribution of potential impacts vary by neighborhood context and the type of hour reduction applied. Communities with multiple branches in close proximity may experience fewer challenges, while areas with limited transportation options or where specific programs concentrate may experience more pronounced changes in accessibility. Because the options differ in how they maintain Monday or Saturday service at priority branches, the equity implications ultimately depend on how the final set of reductions aligns with local patterns of use and community needs.

(\$1.8 million, 11.50 FTEs) - Renovation/Expansion Closures²

The temporary closure of the Ocean Beach and Rancho Peñasquitos libraries results in an interim shift in where nearby residents access library services. During construction periods, patrons must use alternate branches identified by the department, which may change typical travel patterns.

These temporary service changes may have a greater effect on individuals who rely on close-to-home access for technology, study space, materials, and programming. Residents who have limited transportation options, variable work schedules, or mobility constraints may experience additional barriers when accessing services at substitute locations. While these impacts are temporary, they represent a reduction in localized accessibility until renovated facilities reopen.

(\$1.2 million, 4.00 FTEs) - Youth, Family & Equity Services³

The combined reduction of 4.00 FTEs—1.00 Program Manager for Youth, Family, and

¹ This adjustment relates to Library's Tactical Equity Plan (TEP) Goals 2, 3, and 4 and TEP Objectives 2.2, 3.3, and 4.3

² This adjustment relates to Library's Tactical Equity Plan (TEP) Goals 2 and 3 and TEP Objectives 2.1, 2.2, 3.2 and 3.3

³ This adjustment relates to Library's Tactical Equity Plan (TEP) Goals 3, 4, and 5 and TEP Objectives 3.1, 3.3, 4.1, 4.2, 5.1, and 5.2

Department Review: Library

Equity Services (\$406,000) and 3.00 OCYS-supporting positions (\$759,000)—reduces staffing capacity for coordinated youth, family, and equity-focused services across the Library system. These positions provide centralized leadership for program design, historically underserved community aligned outreach, curriculum development, data tracking, and cross-department collaboration, and they support early-learning, literacy, and youth development partnerships that serve under-resourced families.

These reductions may constrain the Department’s ability to maintain program continuity and execute the Child & Youth Plan as intended. The changes may also limit capacity to support Measure H implementation, particularly functions related to coordinated youth-support infrastructure, interdepartmental alignment, and consistent service delivery across neighborhoods.

Overall, reduced staffing may affect the Library’s ability to sustain scalable, data-informed programming in communities with higher concentrations of children experiencing economic hardship, where coordinated access to learning, enrichment, and safe public spaces plays a significant role in meeting equity-related service goals.

(\$500,000) - Security Services⁴

The \$500,000 reduction to contracted security services at Central and branch locations decreases the level of onsite safety support at several high-use facilities, including branches located in or adjacent to historically underserved communities. Reduced staffing hours may lengthen response times, limit proactive de-escalation capacity, and reduce after-hours monitoring, which can affect overall accessibility for patrons who rely on the Library as a consistent, safe public space.

Because security resources are budgeted and deployed across broad branch groupings, the reduction may limit the Department’s ability to align service levels with site-specific conditions—such as recurring vandalism, elevated safety incidents, or facility-related concerns. Additional evaluation of branch-level demand may be warranted to determine whether changes in service distribution appropriately match documented safety patterns and operational needs.

⁴ This adjustment relates to Library’s Tactical Equity Plan (TEP) Goals 1, 3, and 4 and TEP Objectives 1.1, 3.3 and 4.3

Office of the Commission on Police Practices

The Commission on Police Practices (Commission) provides independent oversight of the San Diego Police Department with the authority to investigate police officer misconduct, review complaints against officers, and make recommendations on police officer discipline, police policies, and Police Department legal compliance. The Office of the Commission on Police Practices (OCP) is an independent department that is responsible for managing and coordinating the day-to-day operations of the Commission.

Impacts of Mayor’s FY 2027 Budget Proposal

The FY 2027 Proposed Budget for the OCP is approximately \$2.5 million, an increase of \$306,000 or 13.8% from the FY 2026 Adopted Budget. The FY 2027 Proposed Budget includes 13.15 FTEs which represents an increase of 0.57 FTEs from FY 2026. This staffing increase consists of hourly interns that are fully supported by grant revenue through the Employ and Empower Program, bringing overall staffing for OCP under this program to 1.15 hourly FTEs.

The Proposed Budget does not include any budget reductions or other programmatic adjustments.

Issues for Council Consideration

Staffing Update

Of the 12.00 non-hourly FTEs budgeted in FY 2027, 3.00 FTEs are currently vacant, including the Deputy Executive Director, Performance Auditor, and General Counsel. While OCP expects to fill its General Counsel position in July 2026, its Deputy Executive Director and Performance Auditor positions are expected to be held vacant until such time that the Commission’s Standard Operating Procedures are formally approved and implemented following the meet and confer process with impacted Recognized Employment Organizations (REOs); specific timing for the conclusion of this process is unknown, but is expected to occur by or before September 2027. OCP does not expect significant operational impacts associated with these vacancies.

In addition to filling the aforementioned vacancies, OCP plans to request additional staffing (likely during the FY 2028 budget development process) that it states are necessary to meet its investigative and other responsibilities under the City Charter; the positions include 4.00 Investigators, 1.00 Complaint Coordinator (Paralegal or similar classification), and 1.00 Associate Management Analyst.

| SUMMARY OF OFFICE OF THE COMMISSION ON POLICE PRACTICES BUDGET CHANGES | | | | | |
|--|--------------|---------------------|-------------------|---------------------|------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 12.58 | \$ 1,828,479 | \$ 390,649 | \$ 2,219,128 | \$ 28,775 |
| Programmatic Changes | | | | | |
| <i>Employ and Empower Interns</i> | 0.57 | 22,995 | - | 22,995 | 23,168 |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | \$91,969 | - | 91,969 | - |
| <i>Budgeted PE Savings (vacancy savings adjustment)</i> | - | 182,711 | - | 182,711 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | 7,891 | 7,891 | - |
| FY 2027 Proposed Budget | 13.15 | \$ 2,126,154 | \$ 398,540 | \$ 2,524,694 | \$ 51,943 |
| Difference from 2026 to 2027 | 0.57 | \$ 297,675 | \$ 7,891 | \$ 305,566 | \$ 23,168 |

Department Review: Office of the CPP

Unfunded Request

OCCP requested but did not receive \$200,000 in one-time non-personnel expenditures associated with its Complaint and Investigation Information Management System (CIIMS) which would be used to manage complaints and associated investigations and allow for efficient transfer of data from SDPD. Ongoing funding of \$50,000 for annual software subscriptions costs for the CIIMS was added in the FY 2026 Adopted Budget; however, additional one-time funding was requested by OCCP for system configuration, customization, and the migration of historical data that will be used by the CIIMS functionality. These activities are required to ensure the system is fully operational and capable of supporting case management, trend analysis and reporting upon the approval of the Commission's Standard Operating Procedures. While \$200,000 is staff's current estimate, actual costs are expected to be known in late-2026 when a vendor is identified through a competitive solicitation which OCCP is seeking to release in July 2026.

DRE Budget Equity Implications

The following adjustment has an equity implication:

Employ & Empower Program Support - (\$51,943)¹

The addition of 0.57 hourly intern positions, for a total of 1.15 hourly FTEs, and associated revenue expands capacity for core operational functions, including public-complaint intake, case triage, data entry, file management, and document preparation. These activities support OCCP's ability to manage increasing complaint volume and evolving expectations around transparency. Strengthening intake and processing capacity also helps reduce

delays that can affect residents who encounter challenges navigating oversight processes, including first-time complainants, individuals with limited English proficiency, and residents from Communities of Concern. Interns further contribute to internal workflow by supporting agenda development, packet preparation, action-item tracking, and meeting logistics, which can improve the clarity and timeliness of public-facing materials and help residents better understand case status and oversight timelines.

¹ This adjustment relates to OCCP's Tactical Equity Plan (TEP) Goals 1 and TEP Objectives 1.2.

Department Review: Office of the IBA

Office of the IBA

The Office of the Independent Budget Analyst (IBA) provides budgetary and policy analysis for the City Council and strives to implement good government principles by ensuring the public has access to information and the ability to participate in the decision-making process.

Work of the IBA includes review and analysis of the annual budget, review of all items docketed for consideration by the City Council and the Housing Authority, ongoing monitoring of monthly and quarterly financial updates, and support for each of the City Council’s committees.

In FY 2026, the Department of Race and Equity was restructured into the IBA as a new Division of Race and Equity (DRE). DRE provides equity centered coaching, assists departments with submissions to the City’s Tactical Equity Plan (TEP) dashboard and other equity tools, and provides independent analysis of potential equity impacts of fiscal and policy proposals.

Impacts of Mayor’s FY 2027 Budget Proposal

The IBA’s FY 2027 Proposed Budget is funded entirely by the General Fund, with budgeted expenditures totaling approximately \$5.0 million. This represents a \$210,000, or

4.4%, increase from the FY 2026 Adopted Budget. The bulk of this increase is associated with adjustments to fringe benefits costs which are outside of the Office’s control. Proposed FTEs for the Office total 17.00, which represents no change from FY 2026.

Additionally, the Proposed Budget includes the transfer of \$196,000 in remaining fund balance from the Community Equity Fund to the General Fund. The Community Equity Fund was established in FY 2021, with the intention of providing equity-related grants to community organizations. However, after delays in establishing a grant program, nearly all of the fund, \$3.1 million, was transferred to the San Diego Housing Commission in FY 2025 to provide rental and housing assistance to victims of the December 2024 floods. Because DRE is now in the Office of the IBA, the Office is not able to deploy the remaining fund balance as community equity grants as program implementation does not align with the IBA’s Charter mandated duties to provide budgetary and policy analysis for the City Council. The balance of this fund has therefore been transferred to the General Fund as a budget mitigation.

The Proposed Budget also includes \$50,000 for a consultant to provide independent, technical expertise to help evaluate the City’s

| SUMMARY OF OFFICE OF THE INDEPENDENT BUDGET ANALYST BUDGET CHANGES | | | | | |
|--|--------------|---------------------|-------------------|---------------------|-------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 17.00 | \$ 4,403,985 | \$ 337,653 | \$ 4,741,638 | \$ - |
| Programmatic Changes | | | | | |
| <i>Budget Mitigation: Personnel Expenditures</i> | - | (164,494) | - | (164,494) | - |
| <i>NPE consulting services: SAP Modernization</i> | - | - | 50,000 | 50,000 | - |
| <i>Budget Mitigation: Contract and Services Savings</i> | - | - | (86,342) | (86,342) | - |
| Other Changes | | | | | |
| <i>Fund Balance Transfer: Community Equity to GF</i> | - | - | 195,575 | 195,575 | - |
| <i>Salaries Adjustments</i> | - | 79,733 | - | 79,733 | - |
| <i>Fringe Benefits Adjustments</i> | - | 120,478 | - | 120,478 | - |
| <i>Non-Discretionary Items Adjustments</i> | - | - | 14,903 | 14,903 | - |
| FY 2027 Proposed Budget | 17.00 | \$ 4,439,702 | \$ 511,789 | \$ 4,951,491 | \$ - |
| <i>Difference from 2026 to 2027</i> | - | \$ 35,717 | \$ 174,136 | \$ 209,853 | \$ - |

Department Review: Office of the IBA

\$184.4 million SAP Modernization project.

Significant Budget Reduction

The FY 2027 Proposed Budget includes a personnel expenditure reduction of \$165,000, or 3.5%, of the Office's FY 2026 Adopted Budget.

(\$165,000) – Budget Mitigation: Personnel Expenditures Reduction

This is an ongoing reduction to the Office's personnel expenditures, to be discussed further in the next section.

Issues for Council Consideration

Impacts of Budget Reduction

The IBA's options to reduce its budget are limited. A majority of the *discretionary* portion of the IBA's non-personnel expenditures (NPE) budget is dedicated to on-call consultant contracts to evaluate real-estate proposals and the SAP modernization project, as budget reductions in previous years have eliminated nearly all other non-discretionary NPE in the IBA's budget. An ongoing 3.5% budget reduction (\$165,000) would therefore have to come out of the Office's personnel expenditures.

To implement a FY 2027 budget reduction and mitigate service level impacts to the Council and public, the IBA could consider instituting a two-week mandatory unpaid furlough for all IBA staff; however, this would only yield roughly \$142,000 in expenditure savings, and would reduce the overall availability of each IBA staff member throughout the year, resulting in slower response times to requests from Council, other City departments, and the public. The IBA could also hold open positions and redistribute work to other analysts in the event that any position became vacant during the upcoming fiscal year, though at present all positions in the IBA's office are filled.

To meet the *full* budget reduction target absent unforeseen future vacancies, the Office would have to increase the mandatory unpaid furlough to three weeks for each staff member, which would significantly curtail services provided to Council and the public throughout FY 2027, or eliminate a position, which would also impact the Office's ability to provide service to Council. The IBA is one of only two departments contemplating furloughs for unclassified staff to meet the proposed budget reduction.

Notably, demands on the IBA's office have increased in recent years, with the addition of new Council committees, additional requests from Council offices, and expanded City operations and budgets. Aside from an initial ramp-up period during the inception of the Office in 2006, the staffing levels have remained essentially flat at 10.00 FTEs until 1.00 FTE was added in FY 2023 and 6.00 FTEs from DRE were restructured into the IBA in FY 2026. This compares to significantly higher growth rates in staffing for nearly every other City department over the same period.

As the IBA has consistently constrained additions to its budget and consistently contributes to the identification of new resources, operational efficiencies, and savings, Council may wish to consider fully restoring the Office's \$165,000 personnel expenditure reduction similar to what was done in FY 2026 when a proposed \$143,000 personnel expenditure reduction was restored to the Office in the final Adopted Budget.

DRE Budget Equity Implications

The following adjustment has an equity implication:

(\$165,000) – Personnel Expenditures Reduction

The integration of DRE into the Office of the IBA provides structural alignment between equity analysis and fiscal and policy review, but realizing the benefits of this alignment

Department Review: Office of the IBA

will depend on maintaining adequate staffing levels and resources to support coaching, analytical tools, and ongoing citywide equity work without the obligation to operate a grant making process. Reductions of resources will lead to less equity work being done.

Department Review: Office of the Mayor

Office of the Mayor

The Office of the Mayor consists of the following teams: Communications, Community Engagement, Boards and Commissions, Government Affairs, and Policy. The Communications team is focused on open and transparent communication between the City and its residents on behalf of the Mayor; the Community Engagement team attends functions on the Mayor’s behalf and provides information to community groups; and the Policy team works with City staff and the Council to develop and implement policies. The Office of Boards and Commissions supports the day-to-day operations of the City’s approximately 50 boards and commissions and serves as an access point for volunteer appointees. The Government Affairs team manages the City's state and federal legislative priorities as proposed by the Mayor and adopted by the City Council.

Impacts of the Mayor’s FY 2027 Budget Proposal

The FY 2027 Proposed Budget for the Office of the Mayor is approximately \$9.9 million, which is a decrease of \$429,000 or 4.2% from the FY 2026 Adopted Budget.

Significant Budget Addition

\$668,000, 1.53 FTE – Addition of Deputy Chief Operating Officers

This adjustment reflects the addition of the 2.00 FTE Deputy Chief Operating Officers (DCOOs) that were reduced in the FY 2026 Adopted Budget that nevertheless remained filled on a supplemental and unbudgeted basis. 1.53 of these FTEs are proposed to be added to the budget for the Mayor’s Office. The remaining 0.47 FTE is included within the Engineering & Capital Projects Fund (0.42) and the Golf Course Enterprise Fund (0.05).

The Proposed Budget includes similar position reallocations to remaining budgeted DCOOs which is discussed under the Restructure section.

Significant Budget Reductions

The Proposed Budget includes the following reductions, totaling 2.00 filled FTE positions and \$384,000.

(\$209,000, 1.00 FTE) – Budget Mitigation: Reduction of 1.00 Program Coordinator

One filled Program Coordinator within Government Affairs’ Grants Section is

| SUMMARY OF OFFICE OF THE MAYOR BUDGET CHANGES | | | | | |
|--|---------------|---------------------|--------------------|---------------------|--------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 39.00 | \$ 9,457,081 | \$ 867,262 | \$ 10,324,343 | \$ 160,316 |
| Programmatic Changes | | | | | |
| <i>Budget Addition: DCOO</i> | 1.53 | 668,028 | - | 668,028 | - |
| <i>Transfer DCOO Partial Positions - Various Departments</i> | (1.65) | (1,236,773) | - | (1,236,773) | - |
| <i>Transfer CFO Partial Position to Risk Management</i> | (0.11) | (83,979) | - | (83,979) | - |
| <i>Budget Mitigation: Program Coordinator</i> | (1.00) | (209,487) | - | (209,487) | - |
| <i>Budget Mitigation: Mayor Representative 2</i> | (1.00) | (174,167) | - | (174,167) | - |
| Other Changes | | | | | |
| <i>Vacation Pay in Lieu</i> | - | 33,422 | - | 33,422 | - |
| <i>Hourly Wages</i> | - | (23,010) | - | (23,010) | - |
| <i>Termination Pay</i> | - | (13,700) | - | (13,700) | - |
| <i>Other Salary Adjustments</i> | - | 135,296 | - | 135,296 | - |
| <i>Other Fringe Benefits (includes ADC pension payment)</i> | - | 517,237 | - | 517,237 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (41,603) | (41,603) | - |
| <i>Employ & Empower Grant Reimbursement Revenue</i> | - | - | - | - | (24,807) |
| FY 2027 Proposed Budget | 36.77 | \$ 9,069,948 | \$ 825,659 | \$ 9,895,607 | \$ 135,509 |
| <i>Difference from 2026 to 2027</i> | <i>(2.23)</i> | <i>\$ (387,133)</i> | <i>\$ (41,603)</i> | <i>\$ (428,736)</i> | <i>\$ (24,807)</i> |

Department Review: Office of the Mayor

proposed for reduction. Duties are expected to be redistributed to the other grants coordinator.

(\$174,000, 1.00 FTE) – Budget Mitigation: Reduction of 1.00 Mayor Representative 2

One Mayor Representative 2 position supporting Communication efforts for the Mayor’s Office is proposed for reduction. Although this position is filled now, it is expected to be vacant by the end of the fiscal year.

Restructure

Beyond the 2.00 DCOOs proposed for addition/restoration, the remaining *existing* 3.00 FTE DCOOs and Chief Financial Officer (CFO) positions are proposed to be reallocated to certain non-general fund departments they support. The table to the right provides a complete picture of where 5.00 FTE DCOOs and the CFO are being budgeted. Historically the cost of DCOOs has been allocated in a variety of ways, but most recently it has been included in the non-discretionary account for General Government Services Billing (GGSB). This year, the positions are budgeted to be recovered via GGSB *and* are being restructured to various departments/funds. According to the Department of Finance, the duplicative allotment in GGSB is expected to be fixed in the May Revision.

With this change, the 2.23 FTEs funded by non-general fund sources will no longer be reflected in the Mayor’s Office budget, even though the positions remain part of the office.

| Proposed 5.00 FTE DCOOs and 1.00 CFO Position Location | |
|---|-------------|
| Fund | FTE |
| General Fund/Mayor's Office | 3.77 |
| Development Service Fund | 0.59 |
| Water Utility Operating | 0.43 |
| Engineering & Capital Projects | 0.42 |
| Metro Sewer Utility | 0.19 |
| Underground Surcharge Fund | 0.14 |
| Muni Sewer Revenue | 0.12 |
| Risk Management Administration | 0.11 |
| Solid Waste Management Fund | 0.10 |
| Golf Course Enterprise Fund | 0.05 |
| Refuse Disposal Enterprise | 0.04 |
| Airports Enterprise | 0.03 |
| Recycling Enterprise Fund | 0.01 |
| <i>Subtotal - General Fund</i> | <i>3.77</i> |
| <i>Subtotal - Non-General Fund</i> | <i>2.23</i> |
| Total | 6.00 |

Other Mayor’s Office Related Positions

As discussed in our review of the Department of Information Technology’s (DoIT) budget, the City Council Affairs Advisor is being transferred from the Compliance Department to DoIT. This position reports to the Director of Policy within the Mayor’s Office.

Also, although there is no associated transfer, a supplemental Veteran Engagement Coordinator (a partially grant-funded position) is housed within the Human Resources Department but reports to the Director of Government Affairs within the Mayor’s Office.

Unfunded Community Grant Funding

Outside of the Mayor’s Budget, it is worth noting that Arts, Culture, and Community Festivals (ACCF) grant funding for the City Council and the Mayor is not funded. ACCF is typically supported by the Transient Occupancy Tax Fund’s Special Promotional Programs. This discretionary funding is awarded to private nonprofit organizations in support of their ongoing operational expenses and/or sponsorship of special events.

Department Review: Parks & Recreation

Parks & Recreation

The Parks and Recreation Department operates and maintains the City’s recreational facilities, including more than 400 parks, 60 recreation centers, 15 pools, 13 skate parks, and three golf courses.

The Department also manages various recreational programs, including aquatics, sports leagues, and specialized programs for seniors and individuals with disabilities; handles event planning and permits for various events, including those at Balboa Park and Mission Bay/Shoreline; and protects natural resources within parks and open spaces, including brush management programs and habitat preservation.

The Parks and Recreation Department is organized under several funds, including the General Fund, the Golf Course Fund and the

Environmental Growth Funds.

Additionally, the Special Events and Filming Department, which is budgeted in the Transient Occupancy (TOT) Fund, is proposed to be reorganized under the Parks and Recreation Department.

When these funds are combined, the Parks and Recreation Department’s FY 2027 Proposed Budget totals \$255.3 million, an increase of approximately \$8.8 million from the FY 2027 Adopted Budget (including the year-over-year change in funding for Special Events and Filming). Operations associated with each fund are discussed below.

| SUMMARY OF PARK AND RECREATION DEPARTMENT EXPENDITURE BUDGET CHANGES | | | | | | |
|---|------------------------|------------------------|----------------|---------------------------|-----------------------------|---------------------|
| | FY 2026 FTE | FY 2027 FTE | CHANGE | FY 2026 BUDGET | FY 2027 PROPOSED | CHANGE |
| General Fund | | | | | | |
| <i>Administrative Services Division</i> | 36.77 | 40.25 | 3.48 | \$ 8,820,071 | \$ 8,160,507 | \$ (659,564) |
| <i>Balboa Park Division</i> | 101.72 | 94.40 | (7.32) | \$ 15,533,771 | \$ 13,697,337 | \$ (1,836,434) |
| <i>Citywide Maintenance Services Division</i> | 107.21 | 103.00 | (4.21) | \$ 19,681,220 | \$ 18,964,347 | \$ (716,873) |
| <i>Citywide Recreation Services Division</i> | 44.85 | 38.83 | (6.02) | \$ 5,487,117 | \$ 5,357,720 | \$ (129,397) |
| <i>Community Parks I Division</i> | 202.67 | 181.49 | (21.18) | \$ 36,138,864 | \$ 38,066,043 | \$ 1,927,179 |
| <i>Community Parks II Division</i> | 293.62 | 262.95 | (30.67) | \$ 56,724,437 | \$ 58,946,447 | \$ 2,222,010 |
| <i>Developed Regional Parks</i> | - | - | | \$ - | \$ 10,817,166 | \$ 10,817,166 |
| <i>Mission Bay & Shoreline Parks Division</i> | 113.60 | 99.10 | (14.50) | \$ 18,817,401 | \$ 12,088,369 | \$ (6,729,032) |
| <i>Open Space Division</i> | 92.24 | 88.07 | (4.17) | \$ 19,437,339 | \$ 21,336,961 | \$ 1,899,622 |
| <i>Park Ranger Division</i> | 47.09 | 38.00 | (9.09) | \$ 6,967,891 | \$ 5,629,388 | \$ (1,338,503) |
| <i>Parks and Recreation</i> | - | - | - | \$ 1,146,197 | \$ 369,537 | \$ (776,660) |
| Subtotal General Fund | 1,039.77 | 946.09 | (93.68) | \$ 188,754,308 | \$ 193,433,822 | \$ 4,679,514 |
| Non-General Fund | | | | | | |
| <i>Environmental Growth Fund 1/3</i> | - | - | - | \$ 10,044,967 | \$ 7,584,691 | \$ (2,460,276) |
| <i>Environmental Growth Fund 2/3</i> | - | - | - | \$ 15,151,775 | \$ 19,991,437 | \$ 4,839,662 |
| <i>Golf Course Fund</i> | 123.17 | 123.52 | 0.35 | \$ 31,039,009 | \$ 33,083,744 | \$ 2,044,735 |
| <i>Special Events and Filming (TOT Fund)</i> | 5.75 | 4.75 | (1.00) | \$ 1,507,575 | \$ 1,221,044 | \$ (286,531) |
| Subtotal Non-General Fund | 128.92 | 128.27 | (0.65) | \$ 57,743,326 | \$ 61,880,916 | \$ 4,137,590 |
| TOTAL PARK AND RECREATION | 1,168.69 | 1,074.36 | (94.32) | \$ 246,497,634 | \$ 255,314,738 | \$ 8,817,104 |

Department Review: Parks & Recreation

Impacts of Mayor’s FY 2027 Budget Proposal

General Fund

The FY 2027 Proposed Budget for the Parks and Recreation Department totals approximately \$193.4 million in the General Fund, a \$4.7 million, or 3.2%, increase from the FY 2026 Adopted Budget. The FY 2027 Proposed Budget includes 946.09 FTEs which represents a reduction of 93.68 FTEs from the FY 2026 Adopted Budget. The Department’s General Fund revenue totals \$63.7 million, decrease of \$5.2 million compared to FY 2026.

The Department’s General Fund operations are organized into nine divisions:

- *Administrative Services* provides overall direction, leadership, management, and planning for the Department, including fiscal operations, asset management and CIP, human resources and IT;
- *Balboa Park Division* operates and maintains Balboa Park and Presidio Park;
- *Citywide Maintenance Services* centralizes park maintenance and repair activities, including Get It Done implementation;
- *Citywide Recreation Services* manages recreation services Citywide, including therapeutic recreation, AgeWell Services; and Civic Dance;
- *Community Parks I* operates and maintains parks located in Council Districts 1, 2, 5, 6, and 7, as well as Downtown Parks;

| SUMMARY OF PARK AND RECREATION DEPARTMENT - GENERAL FUND BUDGET CHANGES | | | | | |
|---|----------------|-----------------------|----------------------|-----------------------|-----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 1,039.77 | \$ 113,381,198 | \$ 75,373,110 | \$ 188,754,308 | \$ 68,838,729 |
| Programmatic Changes | | | | | |
| <i>New Park Facilities</i> | 15.00 | 1,084,609 | 735,670 | 1,820,279 | 62,500 |
| <i>San Diego Humane Society Contratural Increase</i> | - | - | 633,485 | 633,485 | - |
| <i>Gas Tax Medians Program</i> | - | - | 198,574 | 198,574 | - |
| <i>Budget Mitigation: Rec Center Operating Hours</i> | (55.27) | (5,283,140) | (102,507) | (5,385,647) | (151,081) |
| <i>Budget Mitigation: Park Maintenance</i> | (11.00) | (1,278,173) | (493,573) | (1,771,746) | - |
| <i>Budget Mitigation: Public Restrooms</i> | (14.00) | (1,181,443) | (144,508) | (1,325,951) | - |
| <i>Budget Mitigation: Unclassified Positions</i> | (3.00) | (1,055,941) | - | (1,055,941) | - |
| <i>Budget Mitigation: Extended Pool Closures</i> | (11.16) | (789,352) | (168,494) | (957,846) | (131,556) |
| <i>Budget Mitigation: Administrative Positions & NPE</i> | (3.00) | (532,804) | (17,574) | (550,378) | - |
| <i>Budget Mitigation: Park Ranger Positions</i> | (5.00) | (519,095) | - | (519,095) | - |
| <i>Budget Mitigation: Landscape Designer Positions</i> | (2.00) | (443,292) | - | (443,292) | - |
| <i>Budget Reduction: Brush Management Positions</i> | (2.00) | (246,500) | - | (246,500) | - |
| <i>Budget Mitigation: Recreation Services Positions</i> | (2.00) | (173,002) | - | (173,002) | - |
| <i>Budget Reduction: Security Services</i> | - | - | (51,514) | (51,514) | - |
| <i>Conversion of Vacant Benefited Positions to Hourly</i> | - | (511,562) | - | (511,562) | - |
| <i>Revised Revenue</i> | - | - | - | - | 2,208,402 |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | \$6,281,631 | - | 6,281,631 | - |
| <i>Budgeted PE Savings (Vacancy Savings Reduction)</i> | - | 1,360,990 | - | 1,360,990 | - |
| <i>Non-Discretionary - Water Usage</i> | - | - | 4,641,486 | 4,641,486 | - |
| <i>Other Non-Discretionary Adjustments</i> | - | - | 2,409,905 | 2,409,905 | - |
| <i>Balboa Park Parking Program</i> | - | - | 1,363,080 | 1,363,080 | (6,912,431) |
| <i>Employ and Empower Program</i> | - | (78,804) | - | (78,804) | (79,070) |
| <i>Restructure of 0.25 Assistant Director to Golf Fund</i> | (0.25) | (110,382) | - | (110,382) | (115,306) |
| <i>MADS General Benefit</i> | - | - | 676,581 | 676,581 | - |
| <i>One-Time Removals and Annualizations</i> | - | (983,837) | (541,000) | (1,524,837) | (67,863) |
| FY 2027 Proposed Budget | 946.09 | \$ 108,921,101 | \$ 84,512,721 | \$ 193,433,822 | \$ 63,652,324 |
| Difference from 2026 to 2027 | (93.68) | \$ (4,460,097) | \$ 9,139,611 | \$ 4,679,514 | \$ (5,186,405) |

Department Review: Parks & Recreation

- *Community Parks II* operates and maintains parks located in Council Districts 3, 4, 8, and 9, the Mt. Hope Cemetery, pools and aquatics Citywide, and animal services;
- *Mission Bay Park and Shoreline Parks Division* operates and maintains Mission Bay Park and Shoreline Beaches/Parks;
- *Open Space Division* provides land and resource management for open space parkland Citywide, including brush management, Maintenance Assessment Districts, conservation programs, and the Gas Tax Median Program; and
- *Park Ranger Division* manages Park Ranger activity Citywide, including emergency responses, sidewalk vending activity, and contracted security services.

Significant Budget Additions

New Facilities

The FY 2027 Proposed Budget includes the addition of 15.00 FTEs and \$1.8 million in expenses associated with the anticipated opening of nine new park facilities, including three new Joint Use (JU) Facilities. The majority of these additions relate to the opening of the Mira Mesa Aquatic Center which includes 8.00 FTEs and approximately \$747,000 in expenditures. Expenditures for these facilities are prorated in the Proposed Budget based on anticipated opening dates at the time of budget development; the May Revision will include updated prorations based on the most current estimates for facility openings, which are provided below.

- Beyer Neighborhood Park – July 2026
- Eastbourne Neighborhood Park – Jan. 2027
- East Village Green – June 2026
- Hickman Field – August 2027
- Mira Mesa Community Park – July 2026
- Mira Mesa Aquatic Center – July 2026
- Pacific Beach Elementary JU – Open
- Perry Elementary JU – July 2026
- Rowan Elementary JU – July 2026

Additional equity implications related to this adjustment are included later in this department review.

San Diego Humane Society Contractual Increase

Following adoption of the FY 2026 Budget, the San Diego Humane Society (SDHS) agreed to reduce its compensation in FY 2026 by approximately \$1.2 million, including the cessation of the Park Patrol Program for off-leash dog enforcement at City parks. SDHS has since committed to allow the City to maintain this contractual shortfall (\$1.2 million) in FY 2027 and FY 2028, respectively, provided that: (1) the City funds contractually required consumer price index (CPI)/living wage increases such that the annual shortfall does not grow beyond \$1.2 million; and (2) SDHS is made whole in FY 2029 for the cumulative shortfall that otherwise would have been due from the City in FY 2026 through FY 2028 (\$3.6 million).

Based on the agreement outlined above, the Proposed Budget includes \$633,000 in funding to support the required CPI/living wage cost increase to the City's contract with SDHS; the total contractual expenses for FY 2027 is approximately \$17.4 million.

Gas Tax Medians Program

The FY 2026 Proposed Budget includes \$199,000 in ongoing non-personnel expenditures associated with an increase in medians/right-of-way areas located in Council Districts 4 and 9 and maintained under the Gas Tax Median Program.

Significant Budget Reductions

Budget Mitigations

The most significant FY 2026 budget reductions are budget mitigations used to help balance the General Fund budget. The Department's expenditure mitigations total \$12.5 million and are discussed below.

Department Review: Parks & Recreation

(\$5.4 million, 55.27 FTEs) – Recreation Center Operating Hours

The Proposed Budget assumes a roughly \$5.4 million reduction in expenditures associated with reduced recreation center hours of operations. On April 27, 2026, the Mayor issued a memorandum detailing three options to meet this level of expenditure reduction for Council consideration, which will be presented during the May 5th Budget Review Committee meeting.

- **Option 1:** Equity Package with Council and Stake-holder Feedback
- **Option 2:** Incorporates Panda Ranking and Prioritizes Historically Underserved Communities
- **Option 3:** Incorporates Panda Ranking and Spreads Closures among Council Districts

Details on each of the reduction options and associated impacts will be discussed later in the “Issues for Council Consideration” section.

Additional equity implications related to this adjustment are also discussed later in this department review.

(\$1.8 million, 11.00 FTEs) – Reduction of Park Maintenance

The Proposed Budget includes the following reductions totaling \$1.8 million related to various maintenance activities:

- 6.00 FTEs and \$723,000 in staff assigned to the Beach Maintenance Team which is responsible for general beach sand grooming, addressing trip hazards, trash clean up, removing deceased marine mammals and kelp debris, support special events, and relocating lifeguard towers seasonally, among other responsibilities. This reduction would cut service levels provided by the Team in half, impacting overall quality and cleanliness of the City’s beaches, as well as the health and safety of beach visitors. Five of the positions

proposed to be reduced are currently filled.

- 4.00 FTEs and \$461,000 in staffing within the Citywide Maintenance Services Division that are specialized in performing specific maintenance and repair services for parks system-wide. As such, the proposed staffing reductions will not impact a specific park or area, but are expected to result in less frequent mowing and other turf maintenance, extend downtime for playground equipment and fixtures under repair, and reduce tree trimming/maintenance. Two of the four positions proposed to be reduced are currently filled.
- 1.00 FTE and \$136,000 associated with the reduction of 1.00 vacant Carpenter responsible for providing various asset repairs, including wayfinding signage, boat docks, fencings, and other maintenance projects in and around Mission Bay and Shoreline Parks.

In addition to these personnel reductions, the Proposed Budget includes \$452,000 in reduced maintenance-related contractual expenditures, including:

- \$255,000 in contractual landscaping conducted at parks primarily located in Council District 5, including Views West Park, Carmel Mountain Ranch Park, Highland Ranch Park, and Rancho Bernardo Community Park; as a result of this reduction, service levels at these park locations will be consistent with other parks within the Community Parks I Division.
- \$145,000 in various maintenance contracts utilized by the Open Space Division impacting trail repairs and safety enhancements, upgrades to open space infrastructure, overgrown vegetation, and restroom servicing/cleaning, among other impacts.
- \$52,000 in contractual landscaping services provided by Alpha Project and San Diego Canyon Lands in Balboa Park and

Department Review: Parks & Recreation

Mission Bay Park. This reduction will limit the Department's ability to conduct planned habitat restoration, invasive species control, and Multiple Species Conservation Program (MSCP) compliance activities.

The proposed reductions outlined above will compound impacts currently being realized as a result of staffing reductions to park maintenance functions in the FY 2026 Adopted Budget (49.50 FTEs reduced). According to the Department, those reductions are currently leading to delayed repairs, reduced preventative maintenance, deteriorating turf conditions, inefficient water use, visible declines in park appearance and increased strain on remaining staff.

Additional equity implications related to this adjustment are included later in this department review.

(\$1.3 million, 14.00 FTEs) – Public Restrooms

The FY 2027 Proposed Budget includes the year-round closure of certain permanent restrooms and portable toilets in a variety of locations, including Mission Bay Park, Shoreline Beaches, and Balboa Park. A similar budget mitigation proposal was proposed for FY 2026 but was ultimately restored by the City Council in its final budget deliberations. The proposed reductions for FY 2027 are as follows:

- Closure of 13 of the 28 restrooms located within Mission Bay Park due to the reduction of 5.68 FTEs and \$547,000;
- Removal of 7 of 14 portable restrooms on Fiesta Island due to the reduction of \$18,000 in non-personnel expenditures;
- Closure of all five restrooms located along Shoreline Beach (with the exception of the Children's Pool restroom where four of eight restroom stalls would close) due to the reduction of 1.82 FTEs and \$156,000; and

- Closure of 6 of 17 permanent comfort stations in Balboa Park due to the reduction of 6.50 FTEs and \$605,000; this includes three of seven comfort stations located in Balboa Park's East Mesa, three of seven comfort stations located in the Central Mesa, and one of three comfort stations located in the West Mesa.

Additional equity implications related to this adjustment are included later in this department review.

(\$1.1 million, 3.00 FTEs) – Unclassified Positions

3.00 unclassified FTEs and \$1.1 million in personnel expenditures is proposed for reduction as budget mitigations. The positions include one of the Department's two Assistant Directors which oversees the Department's Administration Services Division, Citywide Recreation Services Division, Community Parks I Division, and Community Parks II Division. The other two positions consist of the Department's Chief Park Ranger, a Deputy Director that oversees the Park Ranger Program (consisting of 69.00 Park Rangers in FY 2027) and an Assistant Deputy Director responsible for Asst Management.

The Parks & Recreation Director indicated that the loss of these positions would necessitate a further restructuring of department leadership following the reduction of the Community Parks II Deputy Director and 2.00 Program Coordinators in the FY 2026 Adopted Budget.

Additional equity implications related to this adjustment are included later in this department review.

(\$958,000, 11.16 FTEs) – Extended Pool Closures

This budget mitigation would extend the annual maintenance closure period for City pools from four weeks to 13-weeks by eliminating 11.16 FTEs and \$958,000 in expenditures. The Ned Baumer Pool and the Standley

Department Review: Parks & Recreation

Pool would be the only two facilities excluded from the proposed extended closures due to contractual obligations; closure timeframes for all other pools will vary. Pool revenue is anticipated to be impacted by approximately \$132,000.

Additional equity implications related to this adjustment are included later in this department review.

(\$550,000, 3.00 FTEs) – Administrative Positions and NPE

3.00 FTEs and \$603,000 in expenditures associated with various administrative duties are proposed for reduction as budget mitigations.

These include 1.00 Information Systems Analyst 3 responsible for technical support, IT system operations, and website maintenance, 1.00 Senior Management Analyst that provides various administrative support for the Community Parks I Division, and 1.00 Associate Management Analyst which assists in grants management. While the Senior Management Analyst position recently became vacant, the other two positions are currently filled.

Non-personnel expenditures reductions totaling approximately \$18,000 are associated with a reduction in Grammarly and Salesforce licenses/services.

Additional equity implications related to this adjustment are included later in this department review.

(\$519,000, 4.00 FTEs) – Park Rangers

5.00 vacant Park Rangers and \$519,000 in personnel expenditures are proposed for reduction as budget mitigations. Impacted areas include Community Parks, shoreline areas, Mission Bay, Balboa Park, and Open Space preserves. 69.00 Park Ranger/Senior Park Ranger will remain budgeted after the reduction.

(\$443,000, 2.00 FTEs) – Landscape Designers

2.00 Landscape Designers and \$443,000 in personnel expenditures are proposed for reduction as budget mitigations. These positions are responsible for various facets of park asset management, including support for park planning, coordinating the Department's Capital Improvement Program, oversight of joint use agreements and park development agreements, among other responsibilities. Both positions are currently filled.

(\$247,000, 2.00 FTEs) – Brush Management

2.00 vacant Grounds Maintenance Workers and \$247,000 in personnel expenditures associated with brush abatement activity is proposed for reduction as budget mitigations. The Department's annual goal is to complete 462.5 acres of brush management annually (equating to a 24-month frequency for abating all 925 acres of City open space). This reduction is anticipated to affect brush management acreage by 15-20 acres to approximately 442.5 acres annually.

Additional equity implications related to this adjustment are included later in this department review.

(\$173,000, 2.00 FTEs) – Recreation Services

2.00 FTEs and \$173,000 in personnel expenditures associated with recreation services is proposed for reduction as budget mitigations.

Both positions are currently filled including 1.00 Recreation Specialist that was created in FY 2023 in response to the City Auditor's Performance Audit of Equity in Recreation Programming to support the expansion of equitable programming, and 1.00 Therapeutic Recreation Leader that supports sports, recreation, leisure and outreach services geared for participants with physical, mental and emotional disabilities.

Additional equity implications related to this adjustment are included later in this department review.

Department Review: Parks & Recreation

(\$52,000) – Security Services

This budget mitigation proposal will reduce contracted security services for the Open Space Division by \$52,000 impacting security gate opening/closures at Mission Trails Regional Park, Tecolote Open Space, Otay Valley Regional Park, Black Mountain Open Space, Los Peñasquitos Preserve, and Chollas Lake.

Additional equity implications related to this adjustment are included later in this department review.

Other Budget Adjustments

Conversion of Vacant benefited Positions to Hourly

In FY 2023, the Department converted many of its hourly positions to part-time benefitted positions in an effort to improve recruiting and reduce vacancies; however, certain positions have been difficult to fill given that interest in those roles is typically from youth that values the flexibility provided by hourly work. To address this, the FY 2027 Proposed Budget converts 14.00 benefitted Recreation Leader I/II positions that are currently vacant to an equivalent amount of hourly FTEs. Approximately \$511,000 in personnel expenditure savings is anticipated due to the reduction in fringe benefits.

Balboa Park Parking Program

The FY 2026 Adopted Budget assumed that \$12.5 million in revenue could be generated through the implementation of a new paid-parking program in Balboa Park. The program was implemented on January 5, 2026 and subsequently modified to, among other things, expand the number of lots that provide free parking for City residents beginning March 2, 2026.

The Proposed Budget assumes that approximately \$4.4 million will be generated from paid parking in Balboa Park in FY 2027 based on projections that were prepared prior to the March 2026 modifications; this represents an \$8.1 million reduction relative to the FY 2026

Adopted Budget.

Additionally, the Proposed Budget for the Parks and Recreation Department includes \$68,000 in ongoing non-personnel expenditures for as-needed repairs to parking meter kiosks and the transfer of \$1.2 million in Transient Occupancy Tax (TOT) revenue and \$1.3 million in ongoing expenditures associated with tram services within Balboa Park that were previously budgeted in the TOT Fund.

Water Usage (Non-Discretionary)

The Proposed Budget includes a \$4.6 million increase in non-discretionary water expenditures due to recently implemented water rate increases.

Significant Revenue Adjustments

In addition to the revenue adjustments described above, the FY 2027 Proposed Budget includes the following revenue adjustments totaling \$2.2 million:

- \$1.2 million in reimbursements for eligible expenditures from the Environmental Growth Funds;
- \$439,000 increase in revenue from User Fee increases based on CPI adjustments;
- \$215,000 increase in land use fee revenue paid by the Golf Course Fund to the General Fund (see “Golf Course Fund” subsection of this Department Review);
- \$210,000 to right-size the budget for reimbursement revenue received under the City’s Joint Exercise of Powers Agreement with the City of Chula Vista for the maintenance of the Otay Valley Regional Park; and
- \$152,000 in increased parking citation revenue based on FY 2026 trends.

Department Review: Parks & Recreation

Issues for Council Consideration

Recreation Center Reduction Options

A key issue for Council consideration is providing input on various budget mitigation options that will impact recreation center hours. The Parks and Recreation Department, working with the Mayor’s Office, considered feedback from Council and other park stakeholders, to develop three options that roughly meet the reduction level assumed in the Proposed Budget (\$5.4 million).

Three key priorities were identified through that feedback and incorporated into each option: (1) preserve the current hours of operations at sites that provide Parks After Dark programming; (2) preserve senior centers located in historically underserved communities; and (3) prioritize recreation centers with gymnasiums located in historically underserved communities.

Additionally, two of the three options incorporate findings from an analysis prepared by the Performance and Analytics Department (PandA) ranking recreation center locations that serve the greatest need based on a range of factors, including equity, location, amenities, proximity to other services, and facility conditions, among others. PandA’s ranking is provided in the tables below that summarize each option to assist the Council’s evaluation; a lower numerical rank represents a greater need.

Council may decide to select or modify an option, develop a different package based on the information presented by the Mayor and Parks and Recreation Department, identify other Parks and Recreation Department reductions not included in the presented options, or any combination thereof.

A description summarizing each option is provided below.

Option 1 – Equity Package with Council and Stakeholder Feedback

Option 1 incorporates all three priorities identified through gathered feedback: current hours at Parks After Dark states and all senior centers located in historically underserved communities are preserved, and recreation centers with gymnasiums in historically underserved communities were prioritized from closures/reductions.

Option 1 reduces weekly operating hours at 29 facilities and would fully close 11 sites; operations at 23 facilities would be unchanged, of which all but one are located in historically underserved communities.

In order to reach the \$5.4 million reduction target, nine recreations centers with gymnasiums would be impacted with operating hour reductions. According to the Department, these sites were identified based on other operational considerations, as well as proximity to other recreation centers. The table below summarizes Option 1 by the number of facilities to be impacted by each type of change (i.e., reduced hours, closure, or unchanged) and distinguishes facilities in historically underserved communities (HUC) and facilities with gymnasiums.

| Option 1 | | | |
|--|----------------|------------|--------------|
| Number of Facilities with Reduced Hours | | | |
| | Non-HUC | HUC | Total |
| Gym | 18 | 9 | 27 |
| No Gym | 1 | 1 | 2 |
| Total | 19 | 10 | 29 |
| Number of Facilities to Close | | | |
| | Non-HUC | HUC | Total |
| Gym | 1 | 0 | 1 |
| No Gym | 10 | 0 | 10 |
| Total | 11 | 0 | 11 |
| Number of Unchanged Facilities | | | |
| | Non-HUC | HUC | Total |
| Gym | 0 | 7 | 7 |
| No Gym | 1 | 15 | 16 |
| Total | 1 | 22 | 23 |

Department Review: Parks & Recreation

Option 2 – Incorporates PandA Ranking and Prioritizes Historically Underserved Communities

Option 2 also incorporates all three priorities identified through gathered feedback, but integrates PandA’s analysis ranking recreation center locations that serve the greatest need.

Option 2 prioritizes the preservation of as many recreation center hours in historically underserved communities as possible. Given this overall priority, most recreation centers that do not have a gym and/or are not in a historically underserved community would close to achieve the \$5.4 million reduction target. All other recreation centers with gyms that are not located in historically underserved communities had hours reduced.

Option 2 reduces weekly operating hours at 20 facilities and would fully close 15 sites; operations at 28 facilities would be unchanged, of which all but two are located in historically underserved communities. Of the facilities that would close under Option 2, two are located in historically underserved communities.

The table below summarizes Option 2.

| Option 2 | | | |
|--|----------------|------------|--------------|
| Number of Facilities with Reduced Hours | | | |
| | Non-HUC | HUC | Total |
| Gym | 15 | 3 | 18 |
| No Gym | 1 | 1 | 2 |
| Total | 16 | 4 | 20 |
| Number of Facilities to Close | | | |
| | Non-HUC | HUC | Total |
| Gym | 3 | 2 | 5 |
| No Gym | 10 | 0 | 10 |
| Total | 13 | 2 | 15 |
| Number of Unchanged Facilities | | | |
| | Non-HUC | HUC | Total |
| Gym | 1 | 11 | 12 |
| No Gym | 1 | 15 | 16 |
| Total | 2 | 26 | 28 |

Option 3 – Incorporates PandA Ranking and Spreads Closures among Council Districts

Similar to Option 2, Option 3 incorporates all three priorities identified through gathered feedback, and PandA’s analysis ranking recreation center locations that serve the greatest need. However, rather than fully prioritizing historically underserved communities, this option reduces hours at more recreation centers in historically underserved communities relative to Option 2 to more evenly spread closures among council districts while still achieving the \$5.4 million reduction target.

Option 3 reduces weekly operating hours at 30 facilities and would fully close 11 sites; operations at 22 facilities would be unchanged, of which all but two are located in historically underserved communities. Of the facilities that would close under Option 3, three are located in historically underserved communities.

The table below summarizes Option 3.

| Option 3 | | | |
|--|----------------|------------|--------------|
| Number of Facilities with Reduced Hours | | | |
| | Non-HUC | HUC | Total |
| Gym | 18 | 6 | 24 |
| No Gym | 3 | 3 | 6 |
| Total | 21 | 9 | 30 |
| Number of Facilities to Close | | | |
| | Non-HUC | HUC | Total |
| Gym | 0 | 0 | 0 |
| No Gym | 8 | 3 | 11 |
| Total | 8 | 3 | 11 |
| Number of Unchanged Facilities | | | |
| | Non-HUC | HUC | Total |
| Gym | 1 | 10 | 11 |
| No Gym | 1 | 10 | 11 |
| Total | 2 | 20 | 22 |

The tables that follow include detailed information by facility for each of the three options.

Department Review: Parks & Recreation

| OPTION 1 | | | | | | | | |
|---|------------|--|-----|-------------------|---------------|----------------|--------------|-----------------------|
| Council District | Panda Rank | Facility <small>(Bold denotes Historically Underserved Communities)</small> | Gym | FY 2026 Hours | Hours Reduced | FY 2027 Hours | Reduction | |
| Operating Hour Reductions | | | | | | | | |
| 1 | 50 | Carmel Valley | Yes | 60 | (20) | 40 | \$ (92,006) | |
| 1 | 52 | Ocean Air | Yes | 60 | (20) | 40 | (97,421) | |
| 1 | 33 | Pacific Beach | Yes | 60 | (20) | 40 | (114,767) | |
| 1 | 53 | Pacific Highlands Ranch | Yes | 60 | (20) | 40 | (96,585) | |
| 2 | 34 | North Clairemont | No | 60 | (20) | 40 | (92,006) | |
| 2 | 25 | Ocean Beach | Yes | 60 | (20) | 40 | (112,567) | |
| 2 | 4 | Presidio | Yes | 45 | (15) | 30 | (79,409) | |
| 3 | 9 | Balboa Park Activity | Yes | 60 | (20) | 40 | (151,824) | |
| 3 | 8 | Municipal Gymnasium (Morley Field) | Yes | 60 | (20) | 40 | (88,162) | |
| 3 | 21 | North Park | Yes | 60 | (20) | 40 | (114,918) | |
| 4 | 21 | Penn Athletic Field | No | 45 | (15) | 30 | (140,298) | |
| 5 | NR | Black Mountain Gymnasium/Multipurpose | Yes | 60 | (20) | 40 | - | |
| 5 | 38 | Canyonside | Yes | 60 | (20) | 40 | (92,006) | |
| 5 | 37 | Carmel Mountain Ranch / Sabre Springs | Yes | 60 | (20) | 40 | (107,772) | |
| 5 | 17 | Rancho Bernardo Glassman | Yes | 60 | (20) | 40 | (104,867) | |
| 5 | 10 | Scripps Ranch Community | Yes | 60 | (20) | 40 | (92,006) | |
| 6 | 22 | Doyle | Yes | 60 | (20) | 40 | (76,615) | |
| 6 | 26 | Gil Johnson Mira Mesa | Yes | 60 | (20) | 40 | (92,006) | |
| 6 | NR | Hourglass Field | Yes | 60 | (20) | 40 | (110,461) | |
| 6 | 46 | Kearny Mesa | Yes | 60 | (20) | 40 | (104,285) | |
| 6 | 51 | Standley | Yes | 60 | (20) | 40 | (107,772) | |
| 7 | 39 | Allied Gardens | Yes | 60 | (20) | 40 | (157,593) | |
| 7 | 27 | Tierrasanta | Yes | 60 | (20) | 40 | (105,139) | |
| 7 | 29 | San Carlos | Yes | 56 | (16) | 40 | (112,987) | |
| 8 | 48 | Montgomery-Waller | Yes | 60 | (20) | 40 | (109,368) | |
| 8 | 3 | Robert Egger Sr. South Bay | Yes | 60 | (20) | 40 | (120,002) | |
| 8 | 40 | Southercrest | Yes | 60 | (20) | 40 | (120,002) | |
| 9 | 1 | Colina del Sol | Yes | 60 | (20) | 40 | (119,030) | |
| 9 | 43 | Park de la Cruz | Yes | 60 | (20) | 40 | (120,038) | |
| 29 Facilities with Reduced Operating Hours | | | | Subtotals: | 1,706 | (566) | 1,140 | \$ (3,031,911) |
| Full Facility Closures | | | | | | | | |
| 1 | 54 | La Jolla | No | 60 | (60) | - | \$ (231,975) | |
| 2 | 16 | Cabrillo | No | 45 | (45) | - | (121,426) | |
| 2 | 45 | Cadman | No | 45 | (45) | - | (34,280) | |
| 2 | 13 | Robb Athletic Field | No | 60 | (60) | - | (319,000) | |
| 2 | 49 | Santa Clara | No | 45 | (45) | - | (165,219) | |
| 2 | 47 | South Clairemont | No | 40 | (40) | - | (396,108) | |
| 5 | 32 | Hilltop | No | 60 | (60) | - | (227,340) | |
| 6 | 7 | Lopez Ridge | No | 45 | (45) | - | (202,145) | |
| 6 | 55 | Nobel Athletic Fields | Yes | 60 | (60) | - | (343,250) | |
| 7 | 15 | Tecolote | No | 40 | (40) | - | (117,906) | |
| 9 | 56 | Adams | No | 45 | (45) | - | (165,960) | |
| 11 Full Facility Closures | | | | Subtotals: | 545 | (545) | - | \$ (2,324,608) |
| 38 Impacted Facilities Total | | | | Totals: | 2,251 | (1,111) | 1,140 | \$ (5,356,519) |

This option would not change the following facilities: D3: Golden Hill; D4: Bay Terraces Community & Senior Center, Chollas Lake, Encanto, Dr. Martin Luther King Jr., Mountain View, Paradise Hills, Skyline Hills, and Willie Henderson; D7: Linda Vista; D8: San Ysidro Larsen Field, Col. Irving Salomon San Ysidro, Dolores Magdaleno Memorial, Memorial Senior, San Ysidro Senior Center, San Ysidro Teen Center, and Silver Wing; and D9: Azalea, City Heights, Mid-City Gymnasium, and Stockton.

Department Review: Parks & Recreation

| OPTION 2 | | | | | | | | |
|---|------------|--|-----|-------------------|---------------|----------------|--------------|-----------------------|
| Council District | Panda Rank | Facility <small>(Bold denotes Historically Underserved Communities)</small> | Gym | FY 2026 Hours | Hours Reduced | FY 2027 Hours | Reduction | |
| Operating Hour Reductions | | | | | | | | |
| 1 | 53 | Pacific Highlands Ranch | Yes | 60 | (20) | 40 | \$ (96,585) | |
| 1 | 52 | Ocean Air | Yes | 60 | (20) | 40 | (97,421) | |
| 1 | 50 | Carmel Valley | Yes | 60 | (20) | 40 | (92,006) | |
| 1 | 33 | Pacific Beach | Yes | 60 | (20) | 40 | (114,767) | |
| 2 | 34 | North Clairemont | No | 60 | (20) | 40 | (92,006) | |
| 2 | 25 | Ocean Beach | Yes | 60 | (20) | 40 | (112,567) | |
| 3 | 21 | North Park | Yes | 60 | (20) | 40 | (114,918) | |
| 3 | 9 | Balboa Park Activity | Yes | 60 | (20) | 40 | (151,824) | |
| 4 | NR | Chollas Lake Park | No | 60 | (20) | 40 | (92,006) | |
| 5 | 38 | Canyonside | Yes | 60 | (20) | 40 | (92,006) | |
| 5 | 37 | Carmel Mountain Ranch / Sabre Springs | Yes | 60 | (20) | 40 | (107,772) | |
| 5 | 17 | Rancho Bernardo Glassman | Yes | 60 | (20) | 40 | (104,867) | |
| 5 | 10 | Scripps Ranch Community | Yes | 60 | (20) | 40 | (92,006) | |
| 6 | 51 | Standley | Yes | 60 | (20) | 40 | (107,772) | |
| 6 | 46 | Kearny Mesa | Yes | 60 | (20) | 40 | (104,285) | |
| 6 | 26 | Gil Johnson Mira Mesa | Yes | 60 | (20) | 40 | (92,006) | |
| 6 | 22 | Doyle | Yes | 60 | (20) | 40 | (76,615) | |
| 7 | 39 | Allied Gardens | Yes | 60 | (20) | 40 | (157,593) | |
| 7 | 27 | Tierrasanta | Yes | 60 | (20) | 40 | (105,139) | |
| 9 | 43 | Park de la Cruz | Yes | 60 | (20) | 40 | (120,038) | |
| 20 Facilities with Reduced Operating Hours | | | | Subtotals: | 1,200 | (400) | 800 | \$ (2,124,200) |
| Full Facility Closures | | | | | | | | |
| 1 | 54 | La Jolla | No | 60 | (60) | - | \$ (231,975) | |
| 2 | 49 | Santa Clara | No | 45 | (45) | - | (165,219) | |
| 2 | 47 | South Clairemont | No | 40 | (40) | - | (396,108) | |
| 2 | 45 | Cadman | No | 45 | (45) | - | (34,280) | |
| 2 | 16 | Cabrillo | No | 45 | (45) | - | (121,426) | |
| 2 | 13 | Robb Athletic Field | No | 60 | (60) | - | (319,000) | |
| 3 | 8 | Municipal Gymnasium (Morley Field) | Yes | 60 | (60) | - | (384,296) | |
| 5 | 32 | Hilltop | No | 60 | (60) | - | (227,340) | |
| 6 | 55 | Nobel Athletic Fields | Yes | 60 | (60) | - | (343,250) | |
| 6 | 7 | Lopez Ridge | No | 45 | (45) | - | (202,145) | |
| 6 | NR | Hourglass Field | Yes | 60 | (60) | - | (243,959) | |
| 7 | 29 | San Carlos | Yes | 56 | (56) | - | (278,160) | |
| 7 | 15 | Tecolote | No | 40 | (40) | - | (117,906) | |
| 9 | 56 | Adams | No | 45 | (45) | - | (165,960) | |
| 9 | 20 | Mid-City Gymnasium | Yes | 49 | (49) | - | (19,465) | |
| 15 Full Facility Closures | | | | Subtotals: | 770 | (770) | - | \$ (3,250,487) |
| 35 Impacted Facilities Total | | | | Totals: | 1,970 | (1,170) | 800 | \$ (5,374,687) |

This option would not change the following facilities: D2: Presidio, Cathy Hopper; D3: Golden Hill; D4: Bay Terraces Community & Senior Center, Encanto, Dr. Martin Luther King Jr., Mountain View, Paradise Hills, Skyline Hills, Southcrest, and Penn Athletic Field, and Willie Henderson; D7: Serra Mesa, and Linda Vista; D8: San Ysidro Larsen Field, Col. Irving Salomon San Ysidro, Dolores Magdaleno Memorial, Memorial Senior, San Ysidro Senior Center, San Ysidro Teen Center, Montgomery-Weller, Robbert Egger Sr., and Silver Wing; and D9: Azalea, City Heights, Colina Del Sol, and Stockton.

Department Review: Parks & Recreation

| OPTION 3 | | | | | | | | |
|---|------------|--|-----|-------------------|---------------|----------------|--------------|-----------------------|
| Council District | Panda Rank | Facility <small>(Bold denotes Historically Underserved Communities)</small> | Gym | FY 2026 Hours | Hours Reduced | FY 2027 Hours | Reduction | |
| Operating Hour Reductions | | | | | | | | |
| 1 | 53 | Pacific Highlands Ranch | Yes | 60 | (20) | 40 | \$ (96,585) | |
| 1 | 52 | Ocean Air | Yes | 60 | (20) | 40 | (97,421) | |
| 1 | 50 | Carmel Valley | Yes | 60 | (20) | 40 | (92,006) | |
| 1 | 33 | Pacific Beach | Yes | 60 | (20) | 40 | (114,767) | |
| 2 | 34 | North Clairemont | No | 60 | (20) | 40 | (92,006) | |
| 2 | 25 | Ocean Beach | Yes | 60 | (20) | 40 | (112,567) | |
| 2 | 13 | Robb Athletic Field | No | 60 | (20) | 40 | (107,772) | |
| 3 | 21 | North Park | Yes | 60 | (20) | 40 | (114,918) | |
| 3 | 9 | Balboa Park Activity | Yes | 60 | (20) | 40 | (151,824) | |
| 4 | NR | Chollas Lake Park | No | 60 | (20) | 40 | (92,006) | |
| 5 | 38 | Canyonside | Yes | 60 | (20) | 40 | (92,006) | |
| 5 | 37 | Carmel Mountain Ranch / Sabre Springs | Yes | 60 | (20) | 40 | (107,772) | |
| 5 | 17 | Rancho Bernardo Glassman | Yes | 60 | (20) | 40 | (104,867) | |
| 5 | 10 | Scripps Ranch Community | Yes | 60 | (20) | 40 | (92,006) | |
| 6 | 55 | Nobel Athletic Fields and | Yes | 60 | (20) | 40 | (104,867) | |
| 6 | 51 | Standley | Yes | 60 | (20) | 40 | (107,772) | |
| 6 | 46 | Kearny Mesa | Yes | 60 | (20) | 40 | (104,285) | |
| 6 | 26 | Gil Johnson Mira Mesa | Yes | 60 | (20) | 40 | (92,006) | |
| 6 | 22 | Doyle | Yes | 60 | (20) | 40 | (76,615) | |
| 6 | 7 | Lopez Ridge | No | 45 | (20) | 25 | 2,689 | |
| 6 | NR | Hourglass Field | Yes | 60 | (20) | 40 | (110,461) | |
| 7 | 39 | Allied Gardens | Yes | 60 | (20) | 40 | (157,593) | |
| 7 | 27 | Tierrasanta | Yes | 60 | (20) | 40 | (105,139) | |
| 7 | 29 | San Carlos | Yes | 56 | (16) | 40 | (105,925) | |
| 7 | 28 | Serra Mesa | Yes | 45 | (5) | 40 | (109,430) | |
| 8 | 48 | Montgomery-Waller | Yes | 60 | (20) | 40 | (109,368) | |
| 8 | 40 | Southerest | Yes | 60 | (20) | 40 | (120,002) | |
| 8 | 5 | San Ysidro Larsen Field | No | 60 | (20) | 40 | (98,699) | |
| 9 | 43 | Park de la Cruz | Yes | 60 | (20) | 40 | (120,038) | |
| 9 | 11 | Azalea | No | 45 | (20) | 25 | (105,642) | |
| 30 Facilities with Reduced Operating Hours | | | | Subtotals: | 1,751 | (581) | 1,170 | \$ (3,093,676) |
| Full Facility Closures | | | | | | | | |
| 1 | 54 | La Jolla | No | 60 | (60) | - | \$ (231,975) | |
| 2 | 49 | Santa Clara | No | 45 | (45) | - | (165,219) | |
| 2 | 47 | South Clairemont | No | 40 | (40) | - | (396,108) | |
| 2 | 45 | Cadman | No | 45 | (45) | - | (34,280) | |
| 2 | 16 | Cabrillo | No | 45 | (45) | - | (121,426) | |
| 3 | 31 | Golden Hill | No | 60 | (60) | - | (331,903) | |
| 4 | 36 | Penn Athletic Field | No | 45 | (45) | - | (206,706) | |
| 5 | 32 | Hilltop | No | 60 | (60) | - | (227,340) | |
| 7 | 15 | Tecolote | No | 40 | (40) | - | (117,906) | |
| 8 | 18 | San Ysidro Community Activity Center | No | 60 | (60) | - | (269,573) | |
| 9 | 56 | Adams | No | 45 | (45) | - | (165,960) | |
| 11 Full Facility Closures | | | | Subtotals: | 545 | (545) | - | \$ (2,268,395) |
| 41 Impacted Facilities Total | | | | Totals: | 2,296 | (1,126) | 1,170 | \$ (5,362,071) |

This option would not change the following facilities: D2: Presidio, Cathy Hopper; D3: Municipal Gymnasium; D4: Bay Terraces Community & Senior Center, Encanto, Dr. Martin Luther King Jr., Mountain View, Paradise Hills, Skyline Hills, and Willie Henderson; D5: Black Mountain Gymnasium; D7: Linda Vista; D8: Dolores Magdaleno Memorial, Memorial Senior, San Ysidro Senior Center, San Ysidro Teen Center, and Silver Wing; and D9: City Heights, Colina Del Sol, Mid-City Gymnasium, and Stockton.

Department Review: Parks & Recreation

Council Budget Priority Items

There were several items pertaining to the Parks and Recreation Department that received majority support in Councilmember budget priority memoranda, including the following:

- Maintaining Parks and Recreation funding. As discussed earlier, the Proposed Budget includes significant reductions to department services levels including, recreation center operating hours, park maintenance, public restroom and pool closures, among others.
- Equity in Parks Programing. Recreation programing inequities are likely to worsen as a result of the proposed reductions to recreation center operating hours. Additionally, the reduction of two recreation services positions will further impact equitable park programming.
- Additional funding for brush management. Resources for brush management, including 2.00 FTEs responsible for brush abatement, are reduced in the Proposed Budget.

Environmental Growth Funds

The Environmental Growth Funds (EGFs) are projected to receive approximately \$23.6 million in franchise fees from San Diego Gas & Electric (SDG&E), which represents one-quarter of the total SDG&E franchise fees (including minimum bid payments) received by the City in accordance with Charter Section 103.1a. This revenue projection is a reduction of approximately \$4.1 million from the FY 2026 Adopted Budget consistent with the decrease in projected franchise fees from SDG&E.

The EGFs are allocated into a one-third and two-thirds portion, to reflect Charter provisions that allow up to two-thirds of revenues to be pledged for bonds for acquisition, improvement and maintenance of park or recreational open space. There are no EGF-supported bonds currently outstanding; therefore, the Charter provides that this funding may be used for other purposes so long as those purposes preserve and enhance the environment and are approved by the City Council.

For FY 2027, \$7.2 million from the EGF is proposed for additional wetland mitigation for prior stormwater channel maintenance, an increase of \$175,000 from FY 2026, and \$17.3 million is being transferred to the Parks and Recreation General Fund budget, which is a reduction of \$1.5 million. Additional funds are budgeted for reimbursement to Maintenance Assessment Districts.

Department Review: Parks & Recreation

Golf Course Fund

The FY 2027 Proposed Budget for the Golf Course Fund totals \$33.1 million, representing an increase of approximately \$2.0 million from the FY 2026 Adopted Budget.

Golf Course Fund revenues total \$34.4 million, which is an increase of \$3.5 million from FY 2026. This adjustment includes an increase to resident (3%) and non-resident (5%) greens fees at all three golf courses and updates revenue projections to align the budget to more closely reflect prior year actuals.

Significant Budget Adjustments

The FY 2027 Proposed Budget for the Golf Course Fund includes the following significant expenditure additions:

- \$640,000 increase in lease payments associated with new golf carts and golf course maintenance equipment;
- \$250,000 increase in non-personnel expenditures for lighting repairs for Mission Bay Golf Course.
- \$150,000 in one-time expenditures to update the Golf Division’s business plan;
- \$66,000 increase in the acreage component of the land use fee paid to the General Fund; based on the Consumer Price Index,

the current fee will increase from \$2,586 per acre to \$2,741 per acre (426 acres in total).

Additional Considerations

In March, Councilmember Elo-Rivera requested our Office work with the Department of Finance (DoF), Parks and Recreation, and the City Attorney to answer four questions about the Golf Course Fund’s land use fee, leases, and CIP financing. Below is key information from the response memo for Council to consider while deliberating budget modifications related to the Golf Course Fund.

The Golf Course Fund transfers funds to the General Fund through General City Services Billed (GGSB) and through the Golf Land Use Fee, which is a form of rent that the Golf Course Fund pays for the use of General Fund owned property (Torrey Pines, Mission Bay, and Balboa Park municipal golf courses).

The Land Use Fee is broken into two components:

1. *Per Acre Fee*: All three municipal golf courses combined total 426 acres. In the FY 2027 Proposed Budget, the Golf Course Fund is expected to pay the General Fund approximately \$2,741 per acre, for a total of approximately \$1.1 million,

| SUMMARY OF PARK AND RECREATION DEPARTMENT - GOLF FUND BUDGET CHANGES | | | | | |
|--|---------------|----------------------|----------------------|----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 123.17 | \$ 14,333,440 | \$ 16,705,569 | \$ 31,039,009 | \$ 30,889,347 |
| Programmatic Changes | | | | | |
| <i>Equipment Lease Expenses</i> | - | - | 640,083 | 640,083 | - |
| <i>Mission Bay Golf Course Lighting Repairs</i> | - | - | 250,000 | 250,000 | - |
| <i>Golf Division Buisness Plan</i> | - | - | 150,000 | 150,000 | - |
| <i>Balboa Park Golf Course Irrigation Repairs</i> | - | - | (250,000) | (250,000) | - |
| <i>Revised Revenue</i> | - | - | - | - | \$3,485,000 |
| Other Changes | | | | | |
| <i>Other Salaries & Wages</i> | - | 880,014 | (1,000) | 879,014 | - |
| <i>Land Use Fee to General Fund</i> | - | - | 66,030 | 66,030 | - |
| <i>Restructure of 0.25 Assistant Director</i> | 0.25 | 132,884 | (115,306) | 17,578 | - |
| <i>Addition of 0.05 Chief Officer</i> | 0.05 | 36,929 | - | 36,929 | - |
| <i>One-Time Reductions and Annualizations</i> | - | - | (248,000) | (248,000) | - |
| <i>Non-Discretionary Adjustments</i> | - | - | 503,101 | 503,101 | - |
| FY 2027 Proposed Budget | 123.47 | \$ 15,383,267 | \$ 17,700,477 | \$ 33,083,744 | \$ 34,374,347 |
| Difference from 2026 to 2027 | 0.30 | \$ 1,049,827 | \$ 994,908 | \$ 2,044,735 | \$ 3,485,000 |

Department Review: Parks & Recreation

a \$66,000 increase from FY 2026, as noted in the above budget adjustments.

2. *Percentage Gross Revenue:* The Golf Fund also pays the General Fund 9.9% of gross revenue from golf operations. The FY 2027 Proposed Budget estimated this revenue at \$3.9 million.

Additionally, as of the Proposed Budget, the Golf Course Fund is projected to end FY 2027 with a \$62.5 million fund balance, which has steadily grown over the last four fiscal years given strong revenue growth post-pandemic. Given the historical practice of cash funding golf course improvements, this balance has been accumulated primarily for a multi-phase CIP project to construct a new clubhouse and facilities at Torrey Pines, in addition to other CIP projects at Balboa Park and Mission Bay golf courses. DoF is currently exploring options to debt finance these and future projects with General Fund-backed lease revenue bonds with corresponding transfers of annual debt-service amounts from the Golf Course Fund, instead of using cash.

If debt financing is found to be viable alternative to cash funding golf CIP needs (fully or partially), a portion of existing fund balance could be used to support one-time General Fund needs in FY 2027, and a portion of annual Golf Course revenue could be available to support ongoing General Fund needs, though additional analysis will be required to determine an amount that would not have negative impacts on the golf program's CIP and operations more generally.

A mechanism to provide ongoing support for the General Fund from the Golf Fund could be adjustments to one or both components to the land use fee. For example, an increase in the per acre fee by \$1,000 to \$3,741 would net an additional \$400,000, annually; a 1.0% in the percentage of gross rent would be an additional \$400,000.

Our Office recommends that if Council considers changes to the Land Use Fee, it consider stakeholder input as well, particularly if changes would have direct impacts on golf stakeholders like Golf Fund lessees and business and the Municipal Golf Committee.

Special Events and Filming

As discussed previously, the FY 2027 Proposed Budget would restructure the Special Events and Filming Department into the Parks and Recreation Department. The personnel and non-personnel expenditures of the Special Events and Filming Department have been funded by the Special Promotional Programs budget of the TOT Fund, and its funding will continue to come from the TOT Fund, not the General Fund.

The FY 2027 Proposed Budget for Special Events and Filming is approximately \$1.2 million, a decrease of \$287,000, or 18.9%, from the FY 2026 Adopted Budget. The decrease is due to the reduction of one Program Coordinator position supporting special events and the reclassification of one unclassified Program Manager position supporting filming to a classified Administrative Aide II position.

The Special Events and Filming Department is funded with TOT funds and is budgeted in Special Promotional Programs. Additional information on Special Promotional Programs funding is included in the *Department Review: Special Promotional Programs* section of this report.

Significant Budget Reductions **(\$311,000) – Position Reductions and Reclassifications**

The FY 2027 Proposed Budget removes 1.00 Program Coordinator position and reclassifies 1.00 Program Manager position to an Administrative Aide II position. These budget

Department Review: Parks & Recreation

| SUMMARY OF PARKS AND RECREATION - SPECIAL EVENTS & FILMING BUDGET CHANGES | | | | | |
|---|---------------|---------------------|-------------------|---------------------|-------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 5.75 | \$ 1,304,367 | \$ 203,208 | \$ 1,507,575 | \$ 164,023 |
| Programmatic Changes | | | | | |
| <i>Budget Mitigation - Position reduction</i> | (1.00) | (201,545) | - | (201,545) | - |
| <i>Budget Mitigation - Position reclassification</i> | - | (108,981) | - | (108,981) | - |
| <i>Employ and Empower Program Interns</i> | 0.75 | 33,876 | - | 33,876 | 33,876 |
| <i>One-Time Reduction for New Employee Cross Training</i> | (0.75) | (31,377) | - | (31,377) | - |
| <i>Salary and Fringe Benefit Adjustments</i> | - | (9,419) | - | (9,419) | - |
| Other Changes | | | | | |
| <i>Non-Discretionary Adjustments</i> | - | - | (15,088) | (15,088) | - |
| <i>Removal of One-Time IT Upgrade</i> | - | - | - | - | (31,395) |
| <i>Re-addition - EProval Permit Processing Software</i> | - | - | 46,003 | 46,003 | - |
| FY 2027 Proposed Budget | 4.75 | \$ 986,921 | \$ 234,123 | \$ 1,221,044 | \$ 166,504 |
| Difference from 2026 to 2027 | (1.00) | \$ (317,446) | \$ 30,915 | \$ (286,531) | \$ 2,481 |

mitigations have a combined savings of \$311,000.

Additionally, in FY 2026, one Administrative Aide II position was reduced from the budget, however, the incumbent continued to serve in the position on an unbudgeted basis. The Department indicated that the position would be vacated in FY 2027, but this would not have a budgetary savings impact as it was unbudgeted in FY 2026.

While the table above notes the reduction of 1.00 FTE, the combined impact of the elimination of the unbudgeted Administrative Aide II and budgeted Program Coordinator represent a true net reduction of 2.00 FTEs.

The reclassification of a Program Manager to an Administrative Aide II and the elimination of the unbudgeted Admin Aide II will leave the Film Division of Special Events & Filming unstaffed. Managerial level changes to staff work would need to occur to allow film permits and associated environmental clearances to still be processed.

The position reductions and reclassifications will require the division to focus on processing permits instead of also providing concierge-level service and planning special events.

The elimination of the unbudgeted Administrative Aide II position and redistribution of

work across the division may necessitate pausing the planning and execution of December Night Lights in FY 2027 until a long-term plan to appropriately staff the event can be achieved.

Additional equity implications related to these adjustments are included later in this department review.

DRE Budget Equity Implications

The following adjustments have equity implications for Parks and Recreation:

New Facilities¹

The City's total investment in new facilities includes 15.00 FTEs and \$1.8 million to support operations across nine new park and joint-use (JU) sites. Within this broader investment, the four facilities located south of the I-8 - East Village Green, Beyer Neighborhood Park, Perry Elementary JU, and Rowan Elementary JU - represent the portion of new additions needed to begin addressing the longstanding service disparities identified within Community Parks II (CP II). Adjustments related to CP II consist of 3.00 FTE and \$400,000 in operating resources for these four new park and joint-use facilities in historically underserved communities.

Other new facilities north of I-8, totaling \$1.4 million, are included in the citywide totals but

¹ This adjustment is related to Park & Rec's Tactical Equity Plan (TEP) Goal 1 and TEP Objectives 1.1, 1.2, and 1.3.

Department Review: Parks & Recreation

are not part of this equity implication because they serve different community conditions and baseline service environments. The equity implication includes additional funding for facilities located south of the I-8 to address the inequity within Community Parks II.

(\$5.4 million, 55.27 FTEs) – Recreation Center Operating Hours²

The \$5.4 million reduction to recreation center operating hours may change how residents access indoor recreation, after-school activities, and community programming. Because recreation centers serve neighborhoods with different levels of transportation access, alternative facilities, childcare availability, and safe public spaces, the effects of reduced hours could vary widely depending on location. In areas where families, youth, seniors, or individuals with disabilities rely on nearby centers for daily or routine use, limited open hours may reduce the availability of low-cost, accessible indoor environments.

Communities with fewer nonprofit or private recreation options may experience greater service gaps if reductions occur during after-school, evening, or weekend periods. Reduced hours could also influence participation in structured programs, sports leagues, or drop-in activities, if program times no longer align with resident schedules. At the same time, centers with lower demand during certain periods may experience fewer noticeable impacts, depending on which hour-reduction configuration is selected.

The equity implications for each option should be considered within the context of existing disparities in CP II. Because CP II sites already face compounded inequities, any reduction in operating hours may further limit access to programming and opportunities. While inequities exist citywide, Council

Districts 4, 8, and 9 have a higher percentage of the population with a Low-Moderate income (LMI) status, indicating higher poverty rates on average. City Council may wish to consider how higher poverty rates intersect with existing CP II programmatic disparities.

Additionally, Councilmembers may wish to request an update on funding differences between recreation centers in the northern and southern areas of the City—specifically between Community Parks I (CP I) and CPII. Such an update could include:

- Program spending per recreation center
- Number of programs offered
- Number of participants served, disaggregated by geography

(\$1.8 million, 11.00 FTEs) - Reduction of Park Maintenance³

The adjustment reduces staffing across several park maintenance functions, including grounds maintenance, custodial support, and trades services that contribute to routine upkeep of parks, open-space areas, and shoreline facilities. These functions support activities such as litter removal, restroom servicing, landscape maintenance, and repair of park assets. Reductions in these areas may lengthen service intervals and limit the Department's ability to maintain consistent conditions across high-use parks and neighborhood-serving facilities. The adjustment modifies the distribution of maintenance services across the park system. These impacts may also increase sediment, trash, and other debris in water channels, creating downstream effects on the Department of Stormwater's ability to meet its channel-maintenance KPI and signal a cross-departmental service challenge.

² This adjustment is related to Park & Rec's Tactical Equity Plan (TEP) Goal 1, 2, and 3 and TEP Objectives 1.1, 1.2, 2.1, and 3.1.

³ This adjustment is related to Park & Rec's Tactical Equity Plan (TEP) Goal 2 and TEP Objectives 2.1, 2.3, and 2.4.

Department Review: Parks & Recreation

(\$1.3 million, 14.00 FTEs) - Public Restrooms⁴

The adjustment reduces custodial staffing and operating resources for restroom facilities across several regional parks. The associated FTE and funding changes result in closures in Mission Bay, Shoreline Parks, Balboa Park, and Fiesta Island. These closures decrease the total number of restrooms available to the public during peak and off-peak periods, including the closure of comfort stations in Balboa Park.

The reduction in staffing may extend cleaning intervals and limit the Department's capacity to provide consistent restroom service across remaining facilities. Reduced availability may affect park users who rely on public restrooms during longer visits, including families with young children, older adults, and individuals who do not have access to nearby alternatives.

(\$1.1 million, 3.00 FTEs) - Unclassified Positions⁵

The adjustment reduces leadership capacity by eliminating positions that oversee administrative, operational, and cross-divisional functions, including the Assistant Director, Assistant Deputy Director, and Deputy Director roles. These positions provide oversight for program implementation, internal coordination, and administrative processes that support consistent service delivery across the department's recreation, maintenance, aquatics, and open-space programs.

The reduction may result in slower internal decision-making, longer processing times for administrative functions, and decreased capacity to coordinate work across divisions. These changes can impact the Department's ability to provide timely program delivery and

operational support are essential for maintaining equitable access to services.

(\$958,000, 11.16 FTEs) - Extended Pool Closures⁶

The adjustment reduces staffing and operating resources for aquatics facilities and results in seasonal closures across both southern and northern pools, totaling \$958,000 – with \$764,000 and 9.16 FTEs attributable to northern pool closures and \$194,000 and 2.00 FTEs attributable to southern pool closures. In historically underserved communities, the temporary closure of several southern pools affects locations that serve residents with higher reliance on publicly provided aquatics programs. These closures reduce access to swim lessons, water-safety instruction, fitness classes, and user-group programs that are not easily relocated to other facilities, particularly for households with limited transportation. Additionally, there is an impact on community members with low & moderate-income levels as affordability creates boundaries to access.

Across both groups of pools, reduced staffing levels lower operational capacity and may limit the Department's ability to maintain consistent, low-cost aquatics programming during the closure period. Because aquatics facilities serve a wide cross-section of residents—including youth, older adults, families, and student athletes—the adjustment modifies the distribution and availability of services citywide and may influence equitable access to recreation opportunities.

(\$550,00, 3.00 FTEs) - Administrative Positions and NPE⁷

The adjustment reduces administrative and technical staffing that supports department-wide functions such as procurement, grants management, digital systems, and

⁴ This adjustment is related to Park & Rec's Tactical Equity Plan (TEP) Goal 1 and TEP Objectives 1.1, 1.2, and 1.3.

⁵ This adjustment is related to Park & Rec's Tactical Equity Plan (TEP) Goal 3 and TEP Objectives 3.3.

⁶ This adjustment is related to Park & Rec's Tactical Equity Plan (TEP) Goal 2 and TEP Objectives 2.1, 2.3, and 2.4.

⁷ This adjustment is related to Park & Rec's Tactical Equity Plan (TEP) Goal 3 and TEP Objectives 3.3.

Department Review: Parks & Recreation

coordination across operational divisions. These responsibilities help maintain workflow consistency and support timely implementation of programs and services across the park system.

Fewer staff for these administrative functions may result in slower processing times for contract execution, technology support, and program administration.

(\$247,000, 2 FTEs) - Brush Management⁸

The adjustment reduces 2.00 FTE allocated to brush management activities. These positions support vegetation abatement in open-space areas and canyon-adjacent neighborhoods where brush clearance is a key component of routine safety and maintenance operations.

The reduction may lengthen service intervals for vegetation management and limit the Department's ability to address overgrown areas on a consistent schedule. Changes in brush clearance frequency may affect residents in neighborhoods adjacent to open-space canyons, particularly where households rely on City-provided vegetation management for risk mitigation and where private alternatives are limited.

The adjustment modifies the distribution of vegetation-related services and may influence the Department's ability to maintain consistent service levels in open-space areas serving diverse neighborhoods.

(\$173,000, 2.00 FTEs) - Recreation Services⁹

The adjustment reduces staffing for therapeutic and equity-focused programming by eliminating 2.00 FTE, including positions that provide adaptive recreation support and program development intended to increase participation across diverse user groups. The reduction

decreases the Department's capacity to deliver adaptive, accessible, and outreach-based programming at recreation centers.

With fewer staff available to coordinate specialized classes and support participants requiring accommodations, the Department may experience reduced program availability and longer wait times for adaptive or therapeutic services. These changes may affect residents who rely on structured, low-cost recreation options, including individuals with disabilities, older adults, and households with limited access to alternative programs.

(\$52,000) - Security Services¹⁰

This reduces contracted security coverage at six open-space parks, lowering the department's ability to ensure a safe environment in areas that rely on security presence to deter vandalism, illegal dumping, after-hours activity, and other public-safety concerns. Open-space parks often function as essential recreational spaces for families, youth, and older adults, particularly in neighborhoods with limited private green space or fewer alternative recreation options.

The following adjustments have equity implications related to Special Events & Filming, that is now organized under the Parks and Recreation Department:

(\$109,000) - Reclassification of Positions¹¹

The reduction of 1.00 Program Manager and its reclassification to an Administrative Aide 2 may limit improvements to the Eproval permitting platform, increase processing time for film authorizations, and essentially eliminate all outreach efforts for filming. The staffing reduction may also constrain the division's capacity to maintain customer service

⁸ This adjustment is related to Park & Rec's Tactical Equity Plan (TEP) Goal 1 and TEP Objectives 1.1, 1.2, and 1.3.

⁹ This adjustment is related to Park & Rec's Tactical Equity Plan (TEP) Goal 2 and TEP Objectives 2.1, 2.3, and 2.4.

¹⁰ This adjustment is related to Park & Rec's Tactical Equity Plan (TEP) Goal 1 and TEP Objective 1.3.

¹¹ This adjustment related to Special Events and Filming's Tactical Equity Plan (TEP) Goal 1 and 2 and TEP Objectives 1.1 and 2.1.

Department Review: Parks & Recreation

responsiveness and will shift the office's approach to a more transactional one.

(\$201,000) – Reduction of Program Coordinator¹²

The reduction of 1.00 Program Coordinator constricts the Office's ability to process film and event permits, post and process timely Notice of Right to Appeal (NORA), coordinate public safety reviews, and provide technical assistance to small- or first-time organizers. These reductions will disproportionately affect organizers and vendors who rely most heavily on City guidance, including small organizations, emerging community groups, and applicants with limited administrative or technical capacity.

¹² This adjustment related to Special Events and Filming's Tactical Equity Plan (TEP) Goal 1 and TEP Objective 1.1 and 1.2.

Performance and Analytics

Through data collection and analysis, strategic planning, performance management, customer engagement, and research, the Performance and Analytics Department (Panda) aims to make City services more efficient and open to the public.

The FY 2027 Proposed Budget includes the transfer of the Geographical Information Systems (GIS) Fund and the City’s Web Team from the Department of IT. These transfers are discussed in more detail later in this section.

Impacts of Mayor’s FY 2027 Budget Proposal

In FY 2027, the Proposed Budget for Panda includes funding from two sources: the General Fund and the Geographic Information Systems (GIS) fund. As summarized in the table below, the FY 2027 Proposed Budget for Panda across the two funds is \$11.7 million, a \$271,000, or 2.4%, increase from the FY 2026 Adopted Budget. Total FTE positions have increased by 3.73 from 28.27 in FY 2026 to 32.00 in the FY 2027 Proposed Budget, primarily due to program transfers. Total revenue is \$6.2 million, which is a \$480,000, or 8.5%, increase above the prior year.

General Fund

The table on the following page shows a summary of the budget changes for the General Fund portion of Panda’s budget. In the Proposed Budget, FTE positions are increasing by 5.00, from 17.00 in FY 2026 to 22.00 in FY 2027 due to the transfer of the City’s web team from the Department of IT. Expenditures are

similarly increasing by \$1.1 million from \$4.7 million to \$5.8 million, or 23.8%, primarily because of this transfer. The Department’s revenue is increasing by \$358,000, or 156.1%, in the FY 2027 Proposed Budget. The additional revenue is associated with increased reimbursements from the non-general funds for services provided by Panda.

Significant Budget Additions

The largest expenditure increases in Panda’s General Fund budget include the transfer of the Web Team from the Information Technology (IT) Fund, and a transfer of an Organizational Effectiveness Supervisor from the Engineering and Capital Projects Department (E&CP). These additions are described in more detail below. Other expenditure increases include \$79,000 in salary and benefit adjustments, and \$64,000 in non-discretionary adjustments.

\$1.2 million, 5.00 FTE – Web Team Transfer

The FY 2027 Proposed Budget includes the transfer of the City’s Web Team from the IT Fund to Panda. This includes the transfer of 4.00 Information Systems Analysts 3s, 1.00 Program Manager, and \$1.2 million in expenditures (almost entirely personnel expenditures). This transfer and the transfer of the GIS Fund are intended to support stronger data governance and analytics, performance management, and improve customer service. For instance, requests for the Web Team have historically come from departments seeking web site redesigns; however, with this transfer, Panda will take a more proactive look at website improvements, in part by reviewing web page visits and customer satisfaction

| SUMMARY OF DEPARTMENT BUDGET CHANGES | | | | | | |
|--------------------------------------|--------------|--------------|-------------|----------------------|----------------------|-------------------|
| Fund | FY 2026 FTE | FY 2027 FTE | Change | FY 2026 Expense | FY 2027 Expense | Change |
| General Fund | 17.00 | 22.00 | 5.00 | 4,703,288 | 5,822,808 | 1,119,520 |
| GIS Fund | 11.27 | 10.00 | (1.27) | 6,720,010 | 5,871,931 | (848,079) |
| Total Combined | 28.27 | 32.00 | 3.73 | \$ 11,423,298 | \$ 11,694,739 | \$ 271,441 |

Department Review: Performance and Analytics

scores to help prioritize the Web Team’s work.

\$134,000, 1.00 FTE – Organizational Effectiveness Support

The Proposed Budget also includes the transfer of 1.00 Organization Effectiveness Supervisor from E&CP. This position will provide process improvement support to other departments, primarily Environmental Services. Personnel expenditures of \$134,000 and revenue of \$153,000 are included in the Proposed Budget for this position. The Department estimates that approximately 75% of the position will be reimbursable for work provided to non-general fund departments. A May Revision request has been submitted to correct some minor discrepancies in the expenditures and revenue associated with this position.

Significant Budget Reductions

The FY 2027 Proposed Budget includes \$282,000 in budget reductions and the addition of \$213,000 in reimbursements from non-general funds (in lieu of an additional expenditure reduction) to exceed Panda’s budget reduction target of 7.0%, or \$329,000. The impacts of the reductions included in the Proposed Budget are discussed below.

(\$204,000, 1.00 FTE) – Performance Coordinator Reduction

The Proposed Budget includes the reduction of a vacant Program Coordinator position

from the Department’s Performance & Digital Services team. The position works with departments to identify inefficiencies in City processes, and implement changes to improve them. Recent process improvement work has included: Transportation backlog dashboards; the creation of intake forms to track Purchasing & Contracting requests; and use of no-cost academic partnerships to identify potholes in underreported communities and improve repair activities in those areas. With this reduction, the Department will need to more strictly evaluate and prioritize which process improvement requests from departments it can support. This reduction is also expected to slow Panda’s progress on audit recommendations included in the [Performance Audit of the City’s Key Performance Indicators](#) and the related Comprehensive Citywide Performance Report (CCPR).

Additional equity implications related to this adjustment are included later in this department review.

(\$79,000) – Various Non-Personnel Expenditure Reductions

The Proposed Budget reduces \$79,000 in various non-personnel expenditures, including:

- \$42,000 for Get It Done maintenance and modernization. According to the Department, this reduction will limit its ability to

| SUMMARY OF PERFORMANCE & ANALYTICS GENERAL FUND BUDGET CHANGES | | | | | |
|---|--------------|---------------------|--------------------|---------------------|-------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 17.00 | \$ 3,780,983 | \$ 922,305 | \$ 4,703,288 | \$ 229,121 |
| Programmatic Changes | | | | | |
| <i>Transfer from IT Fund: Web Team</i> | 5.00 | 1,169,790 | 690 | 1,170,480 | - |
| <i>Transfer of Organizational Effectiveness Support from E&CP</i> | 1.00 | 133,600 | - | 133,600 | 153,348 |
| <i>Budget Mitigation: Performance Management Reduction</i> | (1.00) | (203,707) | - | (203,707) | - |
| <i>Budget Mitigation: Get it Done System Reduction</i> | - | - | (42,216) | (42,216) | - |
| <i>Budget Mitigation: Open Data Reduction</i> | - | - | (34,000) | (34,000) | - |
| <i>Budget Mitigation: Miscellaneous NPE Reductions</i> | - | - | (2,500) | (2,500) | - |
| <i>Budget Mitigation: Enterprise Fund Reimbursements</i> | - | - | - | - | 213,142 |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 79,211 | - | 79,211 | - |
| <i>Employ and Empower Intern (maintain)</i> | - | (8,754) | - | (8,754) | (8,784) |
| <i>Non-Discretionary Adjustments</i> | - | - | 64,165 | 64,165 | - |
| <i>Other Adjustments</i> | - | - | (36,759) | (36,759) | - |
| FY 2027 Proposed Budget | 22.00 | \$ 4,951,123 | \$ 871,685 | \$ 5,822,808 | \$ 586,827 |
| Difference from 2026 to 2027 | 5.00 | \$ 1,170,140 | \$ (50,620) | \$ 1,119,520 | \$ 357,706 |

Department Review: Performance and Analytics

pursue larger-scope Get It Done projects for General Fund departments. Examples of projects that will be postponed until funding is restored include: modernization of Transportation’s Station 38 Dispatch Console; integration projects with Public Utilities and General Services to improve Get It Done report lifecycle accuracy; and field applications for code enforcement groups in Public Utilities.

- \$34,000 for Open Data. Specifically, this reduction eliminates all Tableau viewer licenses, and 11 of 16 creator licenses which are used for creating dashboards and visual storytelling. PowerBI will be used moving forward to support these activities.
- \$3,000 for office supplies and parking stamps.

These reductions are in addition to Open Data and Get It Done reductions included in the FY 2026 Adopted Budget, which further reduces the Department’s Get It Done modernization activities, and ability to establish data standards and practices that ensure reliable information is available for decision-making.

Additional equity implications related to this adjustment are included later in this department review.

GIS Fund

The Geographical Information Systems (GIS)

Fund supports spatial data analytics, workflows, and provisions GIS tools and technologies to departments across the City. GIS tools support an array of City functions including asset management, planning, design, construction, permitting, environmental assessments, ecological monitoring, predictive modeling, data quality assurance and control, digitization, data capture, and mobility projects. The GIS Fund also supports the San Diego Geographic Information Source (SanGIS), which is a Joint Powers Authority (JPA) with the County of San Diego that allows both entities to pool GIS resources and share data across the two jurisdictions.

The costs of these applications, support for SanGIS, and GIS Team support are allocated to City departments, with approximately 47.4% of the costs allocated to General Fund departments in the FY 2027 Proposed Budget. This is a significant increase over the 35.8% that was allocated to the General Fund last year. See the *Issues for Council Consideration* section for additional information about this increase.

As shown in the table below, the FY 2027 Proposed Budget for the GIS Fund is approximately \$5.9 million, which reflects a decrease of \$848,000, or 12.6% from FY 2026. Budgeted positions are decreasing by 1.27, from 11.27 FTEs in FY 2026 to 10.00 in FY 2027 due to a reduction in GIS support and Employ

| SUMMARY OF GIS FUND BUDGET CHANGES | | | | | |
|--|---------------|---------------------|---------------------|---------------------|---------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 11.27 | \$ 1,630,789 | \$ 5,089,221 | \$ 6,720,010 | \$ 5,452,748 |
| Programmatic Changes | | | | | |
| <i>Addition of SanGIS Support</i> | - | - | 52,767 | 52,767 | - |
| <i>Budget Mitigation: GIS Analyst 2 Support</i> | (1.00) | (123,290) | - | (123,290) | - |
| <i>Budget Mitigation: High Resolution Aerial Imagery</i> | - | - | (50,814) | (50,814) | - |
| <i>Budget Mitigation: ESRI Technical Support</i> | - | - | (70,000) | (70,000) | - |
| <i>Budget Mitigation: Historical Resources Information</i> | - | - | (13,000) | (13,000) | - |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | (118,612) | - | (118,612) | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (512,936) | (512,936) | 137,000 |
| <i>Employ and Empower Intern (reduction)</i> | (0.27) | (12,194) | - | (12,194) | (14,567) |
| FY 2027 Proposed Budget | 10.00 | \$ 1,376,693 | \$ 4,495,238 | \$ 5,871,931 | \$ 5,575,181 |
| Difference from 2026 to 2027 | (1.27) | \$ (254,096) | \$ (593,983) | \$ (848,079) | \$ 122,433 |

Department Review: Performance and Analytics

and Empower interns. Revenue is budgeted at \$5.6 million, an increase of \$122,000 from the prior year. This includes \$5.3 million in reimbursable revenue and \$239,000 in revenue from other agencies. As currently proposed, fund balance of approximately \$297,000 will be needed to support the variance between revenues and expenditures. However, as noted in more detail in the *Issues for Council Consideration* subsection, non-discretionary allocations for departments and GIS Fund revenue will likely be updated in the May Revision, so the amount of fund balance needed is expected to change too.

Significant Budget Additions

The FY 2027 Proposed Budget includes \$53,000 for SanGIS support, which is for contractually obligated payments for the JPA.

Significant Budget Reduction

The FY 2027 Proposed Budget includes the following budget reductions:

- (\$123,000, 1.00 FTE) Reduction of 1.00 vacant GIS Analyst 2. The reduction is expected to result in slower updates to spatial data sets, and delays in fulfilling requests from departments for maps, visualizations, and reporting tools. Of note, the GIS fund has a high vacancy rate, and only 4.00 FTE positions are currently filled (one of which is filled on an interim basis). Once the department is permitted to begin the request to fill process, it will work to fill its vacancies.
- (\$70,000) Reduction in Environmental Systems Research Institute (ESRI) technical support. The Department will need to work with the vendor to determine if this reduction can be contractually made.
- (\$51,000) Reduction of high-resolution aerial imagery. Historically this resource has been used by asset managing departments like Public Utilities, Stormwater, Transportation, Parks and Recreation, and

Environmental Services. This reduction would result in departments independently procuring aerial imagery on a project-specific basis, at a higher cost.

- (\$13,000) Reduction of historical resources information. The City leverages a collaborative procurement with the County of San Diego for the California Historical Resources Information System (CHRIS), which is an archeological and paleontological spatial data set from San Diego State University. This reduction would impact the City's ability to comply with State and Federal rules to avoid disruption of culturally significant lands. If the dataset is not procured via this collaborative procurement with the County, it would require departments like City Planning, Development Services, and Economic Development to procure it themselves or through consultants.

The Department noted that these non-personnel expenditure reductions will have detrimental impacts on departments. It is planning to request changes related to these items in the May Revision.

Additional equity implications related to this adjustment are included later in this department review.

Issues for Council Consideration

Key Performance Indicators Audit

In October 2025, the Office of the City Auditor released a [Performance Audit of the City's Key Performance Indicators](#).

The audit had five recommendations (four which were directed at PandA), including that the department should:

- Develop and publish an annual Performance Report for the City's KPIs (separate from the City's budget document);
- Implement procedures to create a KPI data

Department Review: Performance and Analytics

validation process and ensure accuracy of the City KPIs;

- Develop a publicly accessible dashboard that includes graphical representation of historical data to demonstrate departmental performance over time; and
- Create and implement a formal policy documenting the City’s KPI philosophy and guidance for departments to follow.

PandA requested 3.00 positions, including 1.00 Organization Effectiveness Supervisor, 1.00 Organization Effectiveness Specialist 3, and 1.00 Program Coordinator to help implement these recommendations and the related Citywide Comprehensive Performance Report (CCPR). However, these positions were not funded due to the City’s current budget challenges. Moreover, the FY 2027 Proposed Budget includes the reduction of 1.00 Program Coordinator, which could further delay PandA’s progress on these audit recommendations.

Pay Equity and Workforce Reports

As a result of position reductions in recent years (2.00 Program Coordinators reduced in FY 2026, and 1.00 proposed for reduction in FY 2027), the triennial Pay Equity Report and biennial Workforce Report are expected to be transitioned to Human Resources (HR). However, as we note in the *Department Review: Human Resources* section of this report, HR requested but did not receive one-time funding for the Pay Equity Study, and did not receive the Program Coordinator it requested to oversee the development of the two reports. According to PandA, it is coordinating with HR on an abbreviated version of the Workforce Report which will consist of a 1-2 page summary of Employee Sentiment Survey (ESS) results. The Pay Equity study is anticipated to be delayed until funding is available.

Allocation of GIS Costs

As noted in the GIS Fund section, the costs of

GIS applications and support for SanGIS are allocated to City departments via the non-discretionary budget process. For FY 2027, approximately 47.4% of this expense is allocated to General Fund departments. This is a notable increase over the 35.8% that was allocated to the General Fund last year. Citywide, this non-discretionary allocation is projected to increase by \$224,000; however, the General Fund’s portion is projected to increase by \$710,000 due to the use of a new cost allocation methodology. Specifically, the new methodology uses a real-time licensed user database to more accurately capture the active users of the City’s GIS tools. Active users are allocated 70% of these costs, and the additional 30% is allocated based on the number of budgeted FTE positions each department and fund has. According to the Department, the allocation change is intended to reflect the broader organizational benefit of GIS services.

Additionally, we note the non-discretionary allocations for GIS have not been updated to reflect the adjustments included in the GIS Fund’s proposed budget. The Department is currently working to reconcile these costs. As a result of that analysis, non-discretionary allocations for departments and GIS Fund revenue will likely be updated in the May Revision.

DRE Budget Equity Implications

The following adjustments have equity implications:

(\$204,000, 1.00 FTE) – Performance Coordinator Reduction¹

Eliminating the 1.00 Program Coordinator (\$204,000) reduces capacity for citywide performance management, process improvement, and organizational accountability efforts. The role supports departments in developing metrics, conducting service-delivery analyses, and implementing operational improvements.

¹ This adjustment relates to PandA’s Tactical Equity Plan (TEP) Goal 2 and 4 and TEP Objective 2.1, 2.3 and 4.1.

Department Review: Performance and Analytics

Without this position, cross-department projects that rely on coordinated performance work may progress more slowly.

The reduction may also limit the City's ability to maintain shared performance-management tools and processes, leading to potential variability in how departments track outcomes, assess operational barriers, or monitor improvements over time. In the absence of dedicated support, performance practices may become less standardized across departments.

(\$79,000) – Various Non-Personnel Expenditure Reductions²

Of the \$79,000 in non-personnel expenditure reductions, three adjustments—the reductions to the Open Data Program, the Get It Done (GID) platform, and parking stamps—have identifiable equity impacts.

The \$34,000 reduction to the City's Open Data Program decreases the Department's capacity to maintain and publish datasets that support public accountability, transparency, and equity-driven decision-making. Open Data is one of the City's only mechanisms enabling residents, researchers, journalists, and community organizations to independently analyze disparities in areas such as infrastructure, service delivery, housing, code enforcement, and environmental health. A reduction at this scale slows dataset updates, reduces staff capacity to prepare data for release, and increases the likelihood of delays or gaps in publicly accessible information. Without routine upkeep and governance, disparities become less visible and harder to evaluate across neighborhoods.

The \$42,000 reduction to Get It Done (GID) decreases funding for the City's primary platform for reporting issues such as streetlight

outages, potholes, graffiti, illegal dumping, code concerns, and mobility hazards. Reduced resources for modernization and maintenance may increase the likelihood of slower performance or system interruptions, which can affect residents' ability to submit requests or access information. Lower system reliability may also influence how efficiently service requests are routed and tracked across departments, potentially creating inconsistencies in reporting data and service-delivery timelines. Variability in GID performance can affect workflows that depend on accurate, timely geospatial and service-request information across neighborhoods, resulting in uneven access to critical reporting tools and reduced transparency for communities that rely on this platform to document service needs.

The \$3,000 reduction for office supplies and parking stamps decreases the Department's ability to reimburse volunteer residents for parking when they test new products and services before launch. This lowers cost barriers to participating in efforts to ensure new products are able to be used by all customers.

(\$123,000, 1.00 FTE) – Reduction of 1.00 vacant GIS Analyst 2³

Eliminating 1.00 FTE GIS Analyst 2 (\$123,000) reduces the City's capacity to produce spatial analyses used in areas such as public safety, inspections, permitting, code enforcement, emergency operations, special events, mobility planning, and demographic assessment. With fewer analytical resources, some projects may experience longer timelines for geospatial data preparation or analysis.

(\$70,000) Reduction in Environmental Systems Research Institute (ESRI)⁴

² This adjustment relates to PandA's Tactical Equity Plan (TEP) Goal 1, 2, and 4 and TEP Objective 1.1, 2.1, 2.2, 2.3, 4.2 and 4.3.

³ This adjustment relates to PandA's Tactical Equity Plan (TEP) Goal 2 and 4 and TEP Objective 2.1, 2.2, and 4.3.

⁴ This adjustment relates to PandA's Tactical Equity Plan (TEP) Goal 1, 2, and 4 and TEP Objective 1.1, 2.3, and 4.3.

Department Review: Performance and Analytics

The \$70,000 reduction removes the City’s ESRI Technical Advisor, which previously supported rapid diagnosis and issue resolution for the enterprise GIS environment. GIS supports functions such as public-safety dispatch, navigation tools, permitting, code enforcement, Stormwater mapping, and customer-facing platforms. Without dedicated escalation support, resolving system interruptions may take longer and require additional internal coordination.

Longer resolution times may affect departments that rely on timely geospatial updates, with potential delays for field crews, permitting workflows, and infrastructure-related services.

(\$51,000) – Reduction of High-Resolution Aerial Imagery⁵

The \$50,814 reduction removes enterprise access to aerial imagery and the historic geospatial archive previously procured through SanGIS. These resources have been used to support analysis of land-use patterns, environmental conditions, and historical changes. Without a centralized archive, identifying or validating spatial patterns during planning and permitting may become more difficult.

Departments may also need to procure data individually, which could result in uneven access to geospatial resources and variability in analytic capacity across divisions.

(\$13,000) – Reduction of Historical Resources Information⁶

Removing the CHRIS cultural resource dataset (\$13,000) ends centralized access to archeological, paleontological, and Native American cultural-lands information used in planning and compliance reviews. Without this dataset, identifying and assessing

potential cultural-resource considerations may require additional steps or external data sources.

Departments would need to procure the dataset individually, which may result in variable access to cultural-resource information across projects and teams. Differences in access could lead to uneven levels of cultural-resource review and analysis among City projects, including those involving Tribal cultural landscapes.

⁵ This adjustment relates to Panda’s Tactical Equity Plan (TEP) Goal 1, 2, and 4 and TEP Objective 1.1, 2.3, and 4.3.

⁶ This adjustment relates to Panda’s Tactical Equity Plan (TEP) Goal 2 and 3 and TEP Objective 2.1, 3.1 and 3.3.

Department Review: Personnel Department

Personnel Department

In accordance with the City Charter, the Personnel Department reports to the Civil Service Commission (CSC) and is charged with overseeing the selection, promotion, and removal of all classified employees, as well as maintaining a competitive merit system that provides equal opportunity for all applicants. Personnel performs a number of functions, some of which include: onsite assistance to hiring departments; assistance to all employees on matters related to Personnel regulations; review of position duties for appropriate job classifications; recruiting and exam management; certification of eligible lists of qualified candidates; maintenance of employee and organization structure master data; coordination of CSC meetings and disciplinary appeal hearings; and investigation of complaints involving discrimination based on legally protected classes.

Impacts of Mayor's FY 2027 Budget Proposal

The table below presents a summary of the Personnel Department's budget changes from the FY 2026 Adopted Budget to the FY 2027

Proposed Budget. In the Proposed Budget, FTE positions are decreasing by 3.00, from 80.49 in FY 2026 to 77.49 in FY 2027 due to a reduction in Outstation support. Expenditures are increasing by \$79,000 – from \$16.5 million to \$16.6 million, or 0.5%. The Department has relatively minimal revenue, which is decreasing by \$4,000 in the FY 2027 Proposed Budget as a result a minor decrease in the personnel expenditures and associated grant revenue from Employ and Empower interns.

Significant Budget Additions

The largest expenditure increase in the table below is \$562,000 in salary and benefit adjustments, due in part to increases in the City's Actuarially Determined Contribution (ADC) payment. Other personnel expenditure increases include:

- A \$93,000 increase related to changes in budgeted personnel expenditure savings. Budgeted personnel expenditure savings is used as a tool to reallocate resources that are projected to remain unspent due to historical vacancies and attrition rates

| SUMMARY OF PERSONNEL BUDGET CHANGES | | | | | |
|--|---------------|-------------------|--------------------|-------------------|-------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 80.49 | \$ 14,646,109 | \$ 1,829,298 | \$ 16,475,407 | \$ 31,878 |
| Programmatic Changes | | | | | |
| <i>Budget Mitigation: Outstation Support</i> | (3.00) | (489,269) | - | (489,269) | - |
| <i>Budget Mitigation: Pre-employment Assessment Tool for Dispatchers</i> | - | - | (54,442) | (54,442) | - |
| <i>Budget Mitigation: Pre-Employment Fingerprinting</i> | - | - | (13,165) | (13,165) | - |
| <i>Budget Mitigation: Promotional Advertising</i> | - | - | (17,687) | (17,687) | - |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 561,790 | - | 561,790 | - |
| <i>Budgeted PE Savings (vacancy savings adjustment)</i> | - | 93,344 | - | 93,344 | - |
| <i>Pay-in-Lieu of Annual Leave</i> | - | 37,570 | - | 37,570 | - |
| <i>Non-Standard Hourly (maintain)</i> | - | (94,087) | - | (94,087) | - |
| <i>Employ and Empower Intern (maintain)</i> | - | (4,378) | - | (4,378) | (4,393) |
| <i>Non-Discretionary Adjustments</i> | - | - | 16,612 | 16,612 | - |
| <i>Restoration of FY 2026 one-time reductions</i> | - | - | 43,086 | 43,086 | - |
| FY 2027 Proposed Budget | 77.49 | 14,751,079 | 1,803,702 | 16,554,781 | 27,485 |
| Difference from 2026 to 2027 | (3.00) | \$ 104,970 | \$ (25,596) | \$ 79,374 | \$ (4,393) |

Department Review: Personnel Department

(among other factors). Because these adjustments reduce a department's overall budget, and this year's reduction is \$0 and last year's reduction was (\$93,344), the change between the two fiscal years appears as an addition.

- \$38,000 for pay in lieu of annual leave.

Non-discretionary adjustments of \$17,000, and the restoration of \$43,000 in one-time cuts in FY 2026 for promotional advertising and pre-employment fingerprinting make up the remaining departmental additions.

Significant Budget Reductions

Offsetting the personnel expenditure increases noted above are the reduction of Outstation Support, and two adjustments for the department's hourly positions.

(\$489,000, 3.00 FTE) – Outstation Support

The Proposed Budget includes the reduction of 1.00 Senior Personnel Analyst, 2.00 Associate Personnel Analysts, and \$489,000 in personnel expenditures. These filled positions provide on-site assistance to hiring departments for a myriad of personnel issues including the development or review of Appointing Authority interview packets and candidate recruiting letters; coordination and scheduling of interviews; and monitoring of candidates receiving conditional job offers during the pre-employment process. The Outstation program is currently supporting the following departments: Environmental Services, General Services, Parks and Recreation, Purchasing and Contracting, Stormwater, and Transportation. In addition to hiring support, the Outstation piloted hiring process improvements based on recommendations from a consultant hired by the City to evaluate the classified hiring process. According to the Department, the Outstation program helped reduce vacancy rates for the departments it supports.

Specifically, Outstation departments have seen a drop of 49.9% in their vacancy rates compared with a reduction of 26.7% for comparable departments since January 1, 2023.

Reducing the Outstation positions is expected to roll back hiring process improvements the Personnel Department has implemented since FY 2023, and result in increases to the City's vacancy rate and hiring timelines.

Additional equity implications related to this adjustment are included later in this department review.

(\$98,000) - Hourly Adjustments

The number of Employ and Empower interns is budgeted to remain the same at 0.50 FTE. The change in expenditures and revenue of \$4,000 is due to minor differences in personnel expenditures in FY 2026 and FY 2027, and the grant reimbursements needed to offset the cost of the position in FY 2027.

The \$94,000 reduction in Non-Standard Hourly Test Monitors is due to an incorrect salary entry that has been requested to be fixed in the May Revision.

\$85,000 – Various Non-Personnel Expenditures

On the non-personnel expenditure side, the Department's budget is being reduced by the following:

- (\$54,000) – Pre-Employment Tool for Dispatchers. The Fiscal Year 2026 Adopted Budget included this funding for dispatcher applicant testing, but this subscription is included in the new NEOGOV agreement. This reduction is not expected to have an operational impact.
- (\$18,000) – Promotional Advertising. This funding for advertising and promotions impacts support for job fair attendance, marketing materials, and advertising

Department Review: Personnel Department

of the City's employment website. Reducing it in FY 2027 will hinder the City's ability to reach potential applicants and decrease the visibility of employment opportunities, including to underserved communities. *Additional equity implications related to this adjustment are included later in this department review.*

- (\$13,000) – Pre-Employment Fingerprinting. This represents a 15% reduction to the department’s fingerprinting budget, which the Department may be able to support next year provided there continues to be a strategic request to fill process.

Of note, the promotional advertising and pre-employment fingerprinting budgets were offered as one-time reductions by the Personnel Department, but are assumed as ongoing cuts in the Proposed Budget. The Department indicated that although these cuts could be reduced on a one-time basis, it would likely need to request this funding be restored in future years.

Issues for Council to Consider

Impact of Reductions

The Proposed Budget includes several reductions that will limit applicant outreach, make it harder to build a workforce that reflects the City’s diversity, and reduce support for process improvements in

Outstation Departments. These cuts are expected to increase hiring times and lead to more vacancies.

Since the release of the Proposed Budget, the Personnel Department has moved quickly to open recruitment lists to provide opportunities for staff impacted by the reductions included in the Proposed Budget. This proactive step is just one of many that the Personnel Department will take on to support impacted staff and departments. For instance, the Personnel Department will play an active role in the anticipated implementation of a Reduction in Force (RIF) process, which could further strain the department’s capacity. Personnel Department staff support is crucial during a layoff process to implement all necessary RIF activities timely and accurately, including meeting with impacted employees to inform them of their rights.

DRE Budget Equity Implications

The following adjustments have equity implications:

Reduction of the Outstation Section - \$489,000¹

The reduction of \$489,000 and 3.00 FTEs eliminates Outstation support for the six departments with dedicated Outstation staff. In FY 2025, departments with Outstation support

| FY25 Recruitment Timeline | | |
|-----------------------------|-------------------------|---------------------|
| Department | Average of Time to Hire | Median Time to Hire |
| Development Services | 85 | 59 |
| Environmental Services | 257 | 143 |
| General Services | 166 | 98 |
| Parks & Recreation | 189 | 124 |
| Stormwater | 79 | 70 |
| Transportation | 136 | 119 |
| Outstation Total | 167 | 112 |
| Non-Outstation Total | 261 | 184 |

¹ This adjustment relates to Personnel’s Tactical Equity Plan (TEP) Goal 1, and TEP Objectives 1.3.

Department Review: Personnel Department

experienced lower (average and median) hiring times compared to the rest of the City, as shown on the previous page.

Reducing these positions will also reduce the number of bilingual test raters in the department, likely increasing the time it takes to test City employees for oral bilingual fluency to qualify for bilingual pay. Because several Personnel Department staff conduct citywide training, this reduction will also impact the department’s ability to conduct Appointing Authority Interview Training (AAIT) and Employee Performance Review Program (EPRP) classes which are related to two of the department’s KPIs.

Note: *Due to the reduction in staff and budgetary limitations in the Development Services Department, Outstation resources shifted in November 2025 to the Purchasing & Contracting department, which had a significant vacancy rate.*

Reduction of Promotional Advertising - \$18,000²

The reduction of \$18,000 for promotional advertising would further limit the department’s recruitment capacity since the reduction of its

two-person recruiting team in the FY 2026 Adopted Budget. Strategic recruitment practices, including paying for recruitment ads in community papers, would be eliminated. The City experienced a 208% increase in applicants citywide from FY20 – FY25; with the smallest increase of 194% located in Council District (CD) 5, and the largest increase of 282% located in both CD3 and CD9, as shown in the table below.

During that same period, the City experienced a 116% increase in hiring. Further analysis contextualizing hiring, recruitment and retention might be warranted to assess the City’s progress towards its goal of building a representative workforce. **City Council may want to consider how to monitor the Equal Employment Opportunity Annual Report (EEO) as a data-driven tool to examine the diversity of its workforce compared to local labor market availability.** The EEO identifies underrepresentation, particularly for specific minority groups in certain roles, and highlights initiatives to foster an equitable, non-discriminatory environment for recruitment, promotion, and hiring.

| FY20 – FY26 Job Applicants: Citywide and Council District (CD) | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|-------------------------|-----------------------|---------------|
| Area | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY20 to FY25 % Increase | FY26 (As of 12/31/25) | Total |
| CD1 | 599 | 928 | 1220 | 1565 | 2368 | 1946 | 225% | 1311 | 9937 |
| CD2 | 803 | 1250 | 1679 | 2033 | 3021 | 2441 | 204% | 1602 | 12829 |
| CD3 | 1604 | 2767 | 3694 | 5316 | 7484 | 6128 | 282% | 3969 | 30962 |
| CD4 | 2135 | 3619 | 5206 | 7561 | 10336 | 7525 | 252% | 4851 | 41233 |
| CD5 | 466 | 737 | 980 | 1403 | 2017 | 1370 | 194% | 1046 | 8019 |
| CD6 | 1117 | 1801 | 2385 | 3216 | 4930 | 3686 | 230% | 2612 | 19747 |
| CD7 | 986 | 1757 | 2272 | 3006 | 4511 | 3547 | 260% | 2264 | 18343 |
| CD8 | 1382 | 2263 | 3329 | 4738 | 6824 | 5163 | 274% | 3075 | 26774 |
| CD9 | 1751 | 2992 | 4166 | 6140 | 8587 | 6682 | 282% | 4252 | 34570 |
| Citywide | 16172 | 27776 | 33042 | 44515 | 64451 | 49890 | 208% | 32280 | 268126 |

** Zip codes that cross districts are included in all districts*

² This adjustment relates to Personnel’s Tactical Equity Plan (TEP) Goal 1, and TEP Objectives 1.1 and 1.2.

Department Review: Police

Police

The San Diego Police Department (SDPD) is broadly responsible for maintaining public safety, enforcing laws, and preventing crime. The Department provides neighborhood patrols, traffic enforcement, and investigations, issues police permits and licenses, and conducts community engagement programs, among other services. SDPD is the single largest portion of the General Fund’s Proposed Budget, representing 32.1% of total General Fund expenditures. Additional information on the overall structure and current-year budget for the Police Department can be found in [IBA Report 26-09](#).

Impacts of Mayor’s FY 2027 Budget Proposal

The FY 2027 Proposed Budget for the Police Department is approximately \$718.6 million for the General Fund, an increase of \$15.1 million or 2.1% from the FY 2026 Adopted Budget. The Proposed Budget includes 2,699.46 FTEs, which is an increase of 19.00 FTEs. Budgeted revenue totaling \$75.9 million represents a \$2.3 million increase from FY 2026.

Personnel Expenditures totaling \$621.2 million account for approximately 86% of the Department Proposed Budget. We note that this *excludes* employee compensation increases that may result from ongoing labor negotiations with the San Deigo Police Officers Association (POA).

Significant Budget Additions

\$2.0 million – Police Overtime

The FY 2027 Proposed Budget adds \$2.0 million in overtime expenditures for a total Police overtime budget of \$47.2 million.

Approximately \$1.7 million of this increase is associated with reimbursable overtime at special events, which is intended to right-size the budget based on current activity. This aligns with the FY 2026 Mid-Year Budget Monitoring Report which projected special event overtime to exceed budget by approximately \$1.7 million. Budgeted revenue from special events totaling \$1.9 million is also based on FY 2026 year-end projections, including reimbursements for overtime and regular working time.

| SUMMARY OF POLICE DEPARTMENT BUDGET CHANGES | | | | | |
|---|-----------------|-----------------------|----------------------|-----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 2,680.46 | \$ 614,695,588 | \$ 88,819,890 | \$ 703,515,478 | \$ 73,585,756 |
| Programmatic Changes | | | | | |
| <i>Overtime Adjustments</i> | - | 1,980,000 | - | 1,980,000 | 2,220,000 |
| <i>E-Citation Parking Enforcement Program</i> | - | - | 612,000 | 612,000 | - |
| <i>Addition of Parking Enforcement Staffing</i> | 18.00 | 37,145 | 227,883 | 265,028 | - |
| <i>NPE Reallocation</i> | - | - | - | - | - |
| <i>Staffing Reorganization</i> | 1.00 | (199,224) | - | (199,224) | - |
| <i>Budget Mitigation: Position-specific Hiring Freeze</i> | - | (6,311,455) | - | (6,311,455) | - |
| <i>Revised Revenue</i> | - | - | - | - | 157,168 |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | \$11,308,957 | - | 11,308,957 | - |
| <i>Police Management Incentive Pay</i> | - | - | 107,000 | 107,000 | - |
| <i>Employ and Empower Program Interns</i> | - | (36,772) | - | (36,772) | (36,898) |
| <i>Recovery & Bridge Center (Opioid Settlement Funds)</i> | - | - | 465,897 | 465,897 | 465,897 |
| <i>Non-Discretionary Adjustments</i> | - | - | 7,674,477 | 7,674,477 | - |
| <i>One-Time Removals and Annualizations</i> | - | (247,130) | (456,872) | (704,002) | (456,872) |
| <i>Discretionary IT Costs</i> | - | - | (57,901) | (57,901) | - |
| FY 2027 Proposed Budget | 2,699.46 | \$ 621,227,109 | \$ 97,392,374 | \$ 718,619,483 | \$ 75,935,051 |
| Difference from 2026 to 2027 | 19.00 | \$ 6,531,521 | \$ 8,572,484 | \$ 15,104,005 | \$ 2,349,295 |

Department Review: Police

Additionally, \$300,000 in overtime expenditures is included in the Proposed Budget for the Neighborhood Policing Division to provide homeless outreach services and assist the Environmental Services Department with encampment abatements on State of California right-of-way managed by Caltrans. Offsetting revenue is expected under the City's Delegated Maintenance Agreement between the City and Caltrans. More information concerning this agreement can be found in the department review of the Environmental Services Department.

We note that the Police overtime budget does not account for any potential salary adjustments that may result from pending labor negotiations; for context, a hypothetical 2% salary increase in FY 2027 would require approximately \$950,000 in additional overtime funding to maintain a similar service level.

An additional equity implication related to this adjustment is included later in this department review.

\$612,000 – E-Citation Parking Enforcement Program

The Proposed Budget includes \$612,000 in non-personnel expenditures for portable parking citation printers and docking stations to be installed in police patrol and other vehicles (e.g., beach, motorcycles, and bicycles). According to the Police Department, implementation of this system will automate the citation workflow, increase efficiency, reduce potential errors, and enhance officer productivity. The system will also integrate directly with the Court's computer systems and the City Treasurer's Office parking citation system, enabling direct electronic transmission of citation data between the Police Department and these entities. Of the overall cost, \$105,000 is ongoing for as-need replacements.

\$265,000 – Addition of Parking Enforcement Staffing

The Proposed Budget includes 18.00 FTEs and \$265,000 in expenses to increase parking

enforcement (civilian) staffing based on recent expansions to the City parking meter program, including additional enforcement days and extended meter zone hours.

The hiring process to fill these positions is expected to take 12-18 months. As such, no personnel expenditures associated with these positions are anticipated in FY 2027; \$37,000 was included in the Proposed Budget erroneously and will be corrected in the May Revise. The remaining \$228,000 is for non-personnel expenditures to procure necessary parking enforcement equipment in advance of filling the positions.

Increased parking citation revenue is anticipated to largely offset the cost for these positions, once filled, in FY 2028.

Significant Budget Reductions

(\$6.3 million) – Budget Mitigation: Position-specific Hiring Freeze

To help balance the General Fund budget, the Police Department's budget mitigations primarily include hiring freezes for 38 specific positions that are currently vacant or expected to become vacant before the start of FY 2027. The positions include 11.00 Police Lieutenants, 13.00 Police Sergeants, 1.00 Police Officer III, 3.00 Police Officer IIs, and 10.00 Police Investigative Service Officers (PISOs). In addition, 1.00 Police Lieutenant is proposed to be reclassified down to 1.00 Police Sergeant.

Personnel Expenditure savings generated through the hiring freeze for these positions is considered to be ongoing and the Department would be precluded from filling them until funding is restored through a future budget adjustment adopted by the Council.

The roles and responsibilities for a majority of the impacted positions, primarily those with management/supervisory responsibilities, will be absorbed by existing staff which could impact the span of control and depth of focus in certain areas of police operations.

Additionally, front counters, which provide an

Department Review: Police

avenue for the public to receive certain police services, would close at four patrol commands, including Eastern, Northeastern, Northwestern, and Western. This may increase non-emergency calls for service which would impact patrol response times.

Freezing PISO positions, which assist sworn personnel by, among other functions, conducting lower-level investigative work and responding to lower-priority calls, may also delay patrol response times and otherwise impact sworn workloads.

The Council may want to request more information from the Department regarding potential impacts from the proposed positional hiring freeze.

Other Adjustments

Staffing Reorganization

On December 16, 2025, the City Council approved the exemption of 1.00 Police Commander and 1.00 Deputy Director from classified service as a Police Department organizational adjustment. The Police Commander position overseeing the Special Operations Branch within the Department has been filled as a supplemental position; the Deputy Director position which will oversee the Finance Section within the Department, has not yet been filled.

In order to offset the cost of these two new positions, the Police Department is proposing to eliminate 1.00 Police Captain position and reclassify another Police Captain position and a Police Lieutenant position down to 2.00 Police Officer II positions, which would result in a net savings of approximately \$199,000.

NPE Reallocation

The FY 2027 Proposed Budget includes a \$3.3 million reduction in rent expenditures associated with the Central Jail based on a pending agreement with the County of San Diego. This savings is reallocated in the Proposed Budget to sustain current service levels, including:

- \$1.9 million for the City's contract with Axon Incorporated to supply TASER 10 devices. These upgraded tasers were initially implemented as a pilot for enhancement of non-lethal equipment as part of the five-year Taser agreement which was executed July 2024. According to the Department, they have since become an indispensable tool which has permanently replaced the older, outdated tasers. The initial pilot program was funded in Seized Assets, however those funds are not intended for ongoing expenditures.
- \$670,000 to support the Department's contract with Motorola solutions for its Records Management System;
- \$345,000 to fully fund the landscaping services contract for police facilities; and
- \$335,000 to fully fund the Department's cell phone expenditures.

Additionally, \$500,000 in helicopter maintenance savings is anticipated given the recent purchase of new police helicopters which require less maintenance. These savings are reallocated in the Proposed Budget to right-size the budget for wellness services for SDPD personnel provided by Focus Psychological Services; service levels will remain unchanged.

Recovery & Bridge Center (Opioid Settlement Funds)

Similar to FY 2026, the Proposed Budget includes the transfer of \$457,000 in non-personnel expenditures and an equal amount of revenue from the Opioid Settlement Fund to support the Recovery & Bridge Center (formerly referred to as the Prosecution and Law Enforcement Assisted Diversion Services [PLEADS] program). The Recovery & Bridge Center offers a voluntary diversion pathway for individuals to avoid prosecution and jail time by agreeing to accept addiction treatment and other support services. The City splits the costs associated with the Recovery & Bridge

Department Review: Police

Center with the County of San Diego.

Police Management Incentive Pay

The Proposed Budget includes \$107,000 in ongoing non-personnel expenditures associated with Police Management Incentive Pay. This is a negotiated benefit that has been included in the City's MOU with the POA since FY 2021, providing \$3,000 in incentive pay annually to sworn management positions (i.e., Police Lieutenant and higher). This adjustment is to appropriately account for this expense which was previously unbudgeted.

Significant Revenue Adjustments

In addition to revenue adjustments associated with overtime reimbursements, the FY 2027 Proposed Budget includes a net revenue increase totaling \$157,000 including a \$337,000 ongoing increase in Safety Sales Tax revenue offset by a \$179,000 ongoing reduction in Abandoned Vehicle Abatement reimbursements.

Issues for Council Consideration

No Shots Fired Program

Continued funding for the No Shots Fired Program received majority support in Councilmember budget priority memoranda. *\$250,000 in funding for this program is maintained in the Proposed Budget.*

Sworn Officer Retention and Recruitment

The City continues to face significant challenges in reaching its budgeted sworn staffing level for the Police Department. As of April 20, 2026, the SDPD has 237 sworn vacancies (1,794 of 2,031 budgeted positions are filled), with an average of 13-14 officers leaving the Department per month. In total, 139 sworn officers have separated from SDPD since the start of FY 2026, including 26 that left for

other law enforcement agencies and 63 due to retirement. According to SDPD, eight officers remain in DROP and are expected to retire before the end of FY 2026 with an additional 60 expected in FY 2027 through FY 2028.

Overall, the Department anticipates that sworn officer attrition rates will continue to average 13-14 officers per month in FY 2027 (156-168 total annual departures).

With respect to recruitment, Police Academy sizes were reduced in the FY 2025 Adopted Budget, from 43 to 30 recruits in each of the Department's four Police Academies and this level is maintained in the FY 2027 Proposed Budget. The Police Department anticipates between 30-35 successful graduates per academy in FY 2027, which amounts to 120-140 new police officers.

While an overall net loss of sworn officers is anticipated by the Department in FY 2027 based on the information above, no new funding is included in the Proposed Budget to enhance SDPD's recruiting efforts.

DRE Budget Equity Implications

The following adjustment has an equity implication:

(\$417,000) – Police Lieutenant and Police Sergeant in the Community & Youth Services Division¹

Freezing two positions in the Community & Youth Services division, impacting the department's youth services operations and community engagement activities, has equity implications for improving police relations with schools. As noted by the Police Department, this reduction could impact a dedicated Youth Services Lieutenant, who serves as the primary command authority for school-related threats, including acting as the Incident Commander during major or high-risk school emergencies. This could affect response

¹ This adjustment related to Police's Tactical Equity Plan (TEP) Goal 5 and TEP Objectives 5.1 and 5.2.

Department Review: Police

times, inter-unit coordination, and decision-making during time-critical incidents.

Note: Developing sworn and unsworn personnel to be prepared to engage with community continues to be a commitment the leadership of the department pursue in collaboration with the Division of Race & Equity.

Department Review: Public Utilities

Public Utilities

The Public Utilities Department is responsible for providing water and sewer services throughout the City of San Diego. Three major enterprise funds support the Public Utilities Department's operations: the Metropolitan Sewer Utility Fund, Municipal Sewer Revenue Fund, and the Water Utility Operating Fund. Additionally, the Department manages recreational use of the City's reservoirs via the General Fund.

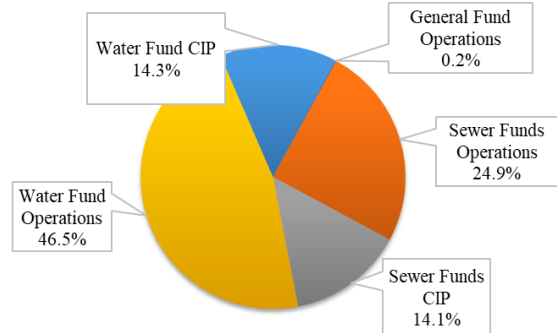
Impacts of Mayor's FY 2027 Budget Proposal

A summary of operating budget expenditure and position changes for the Public Utilities Department (PUD) is shown in the table below, broken out by fund. For FY 2027, the Proposed Operating Budget for all funds combined is approximately \$1.46 billion, which is an increase of \$137.3 million, or 10.4%, from the FY 2026 Adopted Budget. Positions are increased by 12.74 to a total of 2,034.49 FTEs.

The table below only includes the *operating budget* for PUD, which will be discussed in this section. However, the pie chart to the right displays the allocation of the Department's full \$2.04 billion FY 2027 Proposed Budget, which includes allocations to the Capital Improvements Program (CIP). For more information on the CIP, see the *Capital Improvements Program* section earlier in this report.

The CIP represents approximately 28.4% of the Department's proposed FY 2027 expenditures. When combined, the operating and CIP components of the Water Fund represent 60.8% of the Department's total proposed

PUBLIC UTILITIES FY 2026 PROPOSED BUDGET



budget, with Sewer operations and CIP components 39.0%. The General Fund, at \$3.1 million, represents 0.2% of PUD's total proposed budget for FY 2027.

The following discussion of budget adjustments will start with the General Fund, followed by Department-wide activities that span both the Sewer and Water Funds, followed by adjustments that are unique to each funding source.

General Fund

The City offers recreational use of the Department's water reservoirs. Recreational activities are fully supported by the General Fund to avoid any impacts on PUD's enterprise funds or rate payers. Expenditures are partially offset by recreation fees.

The FY 2027 Proposed Budget for reservoir recreation program expenditures is \$3.1 million, which is basically no change from the FY 2026 Adopted Budget.

Revenue to support the program is budgeted at approximately \$2.4 million for FY 2027,

| SUMMARY OF PUBLIC UTILITIES DEPARTMENT OPERATING BUDGET | | | | | | |
|---|-----------------|-----------------|--------------|-------------------------|-------------------------|-----------------------|
| Fund | FY 2026 FTE | FY 2027 FTE | Change | FY 2026 Expense | FY 2027 Expense | Change |
| General Fund | - | - | - | \$ 3,125,836 | \$ 3,126,611 | \$ 775 |
| Sewer Funds | 972.85 | 965.84 | (7.01) | 470,720,775 | 507,961,350 | 37,240,575 |
| Water Fund | 1,048.90 | 1,068.65 | 19.75 | 847,768,484 | 947,867,455 | 100,098,971 |
| Combined Public Utilities Funds | 2,021.75 | 2,034.49 | 12.74 | \$ 1,321,615,095 | \$ 1,458,955,416 | \$ 137,340,321 |

Department Review: Public Utilities

| SUMMARY OF PUBLIC UTILITIES GENERAL FUND BUDGET CHANGES | | | | | |
|---|-----|------|--------------|---------------|--------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | - | \$ - | \$ 3,125,836 | \$ 3,125,836 | \$ 1,845,186 |
| Programmatic Changes | | | | | |
| <i>Joint Partnership</i> | - | - | - | - | 600,000 |
| Other Changes | | | | | |
| <i>Non-Discretionary Adjustments</i> | - | - | 775 | 775 | - |
| FY 2027 Proposed Budget | - | \$ - | \$ 3,126,611 | \$ 3,126,611 | \$ 2,445,186 |
| <i>Difference from 2026 to 2027</i> | - | \$ - | \$ 775 | \$ 775 | \$ 600,000 |

which is a \$600,000 increase from the FY 2026 Adopted Budget. There are no staff budgeted in this program as the General Fund reimburses Water Fund staff for running the program.

Significant Revenue Changes

The only significant change for the General Fund for Public Utilities is the addition of \$600,000 for a Joint Partnership Agreement with the County of San Diego. This agreement, which is still being negotiated between the City and County, would be a cost-sharing agreement with the County to reimburse the City for a portion of various costs in order to help operate and improve recreational access at City-owned lakes, with the understanding that the City would keep selected reservoirs open and available for all residents. This revenue addition was taken in lieu of a reduction to General Fund expenses for reservoirs in FY 2027, and as such there are no proposed changes to any access levels at any of the City reservoirs in the Proposed Budget.

Department-Wide Enterprise Fund Activities

The table to the right summarizes the total impact of various budget adjustments that span both the Sewer and Water Funds. For specific amounts in each fund, including the breakdown of personnel and non-personnel expenses for these activities, refer to each detailed fund summary tables shown later in this section.

For the purposes of this review, department-wide activities are discussed wholistically

across the Department, rather than by fund.

| DEPARTMENT-WIDE ACTIVITIES | | |
|--|--------|--------------|
| Description | FTE | Expense |
| Laboratory Information Management System | - | \$ 1,500,000 |
| Effective Utility Management | - | 800,000 |
| DCCO Restructure | 0.74 | 555,311 |
| Street Preservation Ordinance Changes | 10.00 | 550,322 |
| Assistant Director Reduction | (1.00) | (304,570) |
| CCB Program Coordinator Reductions | (2.00) | (346,516) |
| Program Manager Reductions | (2.00) | (486,014) |

Significant Budget Additions

\$1.5 million – Laboratory Information Management System

The largest department-wide increase is \$1.5 million to purchase a replacement Laboratory Information Management System (LIMS). This is a crucial system that stores all of the laboratory data and generates PUD’s regulatory reports. The current system is projected to lose technical support, so a new system needs to be purchased in FY 2027. This addition was included in PUD’s most recent Five-year Financial Outlook.

\$800,000 – Effective Utility Management

The next largest increase is \$800,000 to support the Effective Utility Management framework. This funding will support consultants in helping PUD improve its administrative, fiscal, planning, and performance measurement functions. Of particular note, there will be a focus on enhancing budget management practices, including adequately sizing rate

Department Review: Public Utilities

stabilization reserves and ensuring rate structures reflect the full cost of service.

\$555,000, 0.74 FTEs – Deputy Chief Operating Officer Restructure

This addition includes 0.74 FTE for the restructure of a Deputy Chief Operating Officer position from the General Fund to PUD funds. This position was previously budgeted under the Office of the Mayor. More information about this change can be found in that section.

\$550,000, 10.00 FTEs – Street Preservation Ordinance Changes

In FY 2025, following the Transportation Department's update to the City's Street Preservation Ordinance (SPO) and the new requirements contained in that update, City management directed PUD to begin hiring and managing its own trench restoration teams. This allows current Transportation staff to focus on other street repair tasks and maintenance.

PUD's FY 2025 Adopted Budget included 11.00 FTEs and \$1.1 million in personnel and other operating costs, offset by a reduction in billing costs to the Transportation department of \$1.2 million. There was a resulting General Fund revenue reduction within the Transportation Department. FY 2026 included another 10.00 FTEs and \$1.3 million in expenditures, again offset by a reduction of billing costs to Transportation of \$1.2 million.

For FY 2027, another 10.00 FTEs are proposed to be added along, with associated costs totaling \$1.7 million. This once again is offset by a reduction in billing costs to Transportation of \$1.2 million. However, a corresponding reduction was not included in the FY 2027 Proposed Budget for Transportation. This should be addressed in the May Revision.

Additional equity implications related to this adjustment are included later in this department review.

Significant Budget Reductions

The FY 2027 Proposed Budget for PUD includes a total reduction of 5.00 FTEs and \$1.1

million in funding for unclassified positions within the Department. These include:

- \$305,000 and 1.00 FTE for a vacant Assistant Director position. This position was responsible for oversight of Pure Water, but those responsibilities have now been transferred to another Assistant Director.
- \$486,000 and 2.00 FTEs for two Program Manager positions, both of which were focused on managing and improving information technology and enterprise systems. Without these positions, functions will be shifted to either an Assistant Deputy Director or reduce the Department's capacity from proactive management of these systems to reactive management.
- \$347,000 and 2.00 FTEs for two Program Coordinator positions that were initially created to identify and fix problems within the Call Center and Billing systems. With recent improvement in these areas, these positions are no longer necessary.

Sewer Funds

The Proposed FY 2027 Budget for operating expenditures in the combined Metropolitan and Municipal Sewer Utility Funds totals \$508.0 million, which is an increase of \$37.2 million, or 7.9%, from FY 2026. Positions are proposed to decrease by 7.01 FTEs to 965.84. Almost the entirety of the increase in Sewer expenditures is either for increased debt service or increased utilities costs.

Revenues in the Sewer Funds are budgeted at \$639.2 million, which is no change from FY 2026; notably the Proposed Budget does not reflect revenue changes associated with the rate increase approved in October, nor were revenues updated based on recent sales trends or bond issuances. It is anticipated the May Revision will include updated revenue projections.

Department Review: Public Utilities

All of the significant changes within the Sewer funds, as shown in the table on this page, have already been discussed under the *Department-Wide Activities* section.

Water Fund

Expenditures in the FY 2027 Proposed Budget for the Water Utility Operating Fund total \$947.9 million, which is an increase of \$100.1 million, or 11.8%, from FY 2026. Positions are proposed to increase by 19.75 FTEs to 1,068.65 FTEs for FY 2027.

Revenues in the Water Fund are proposed at \$942.5 million, which is unchanged from the FY 2026 Adopted Budget. The Proposed Budget does not reflect revenue changes associated with the rate increase approved in October, nor are revenues updated based on recent sales trends or bond issuances. It is anticipated the May Revision will include updated revenue projections.

Significant Budget Additions

Department-wide activities were discussed previously under the *Department-Wide Activities* section and are noted by an asterisk in the table on the next page, and additional support for those activities is provided by the Sewer Funds. Notable FY 2027 budget adjustments

unique to the water system are discussed below.

\$47.0 million – Water Purchases

The largest increase is \$47.0 million in increased expenditures associated with anticipated water purchases in FY 2027. This would bring the total budget for water purchases up to \$394.6 million.

This estimate was based on budgetary information provided by SDCWA prior to the release of their water rates for calendar year 2027. As such, they could change following the rate adoption process at SDCWA. More context on rates charged by SDCWA and associated impacts are discussed below.

\$14.0 million – Recycled Water Transfer

The next largest increase is to transfer the rate revenue received from recycled water sales from the Water Fund to the Sewer Funds. This level of transfer first occurred in FY 2024, but was erroneously removed from the FY 2025 and FY 2026 budgets, even though the transfer did occur in each of those years.

\$12.9 million, 1.00 FTE – Pure Water Phase 1 Operations

This addition is the last major addition to the budget to fund the impending operation of Phase 1 of the Pure Water System. This

| SUMMARY OF SEWER FUNDS BUDGET CHANGES | | | | | |
|--|---------------|-----------------------|-----------------------|----------------------|-----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 972.85 | \$ 142,141,419 | \$ 328,579,356 | \$ 470,720,775 | \$ 639,210,654 |
| Programmatic Changes | | | | | |
| <i>LIMS*</i> | - | - | 1,125,000 | 1,125,000 | - |
| <i>Street Preservation Ordinance Changes*</i> | 5.30 | 589,500 | (150,777) | 438,723 | - |
| <i>Effective Utility Management*</i> | - | - | 285,612 | 285,612 | - |
| <i>Deputy Chief Operating Officer Restructure*</i> | 0.31 | 232,630 | - | 232,630 | - |
| <i>Budget Mitigation: Assistant Director*</i> | (0.50) | (152,285) | - | (152,285) | - |
| <i>Budget Mitigation: Program Managers*</i> | (1.10) | (267,308) | - | (267,308) | - |
| <i>Budget Mitigation: Program Coordinators*</i> | (1.00) | (173,258) | - | (173,258) | - |
| Other Changes | | | | | |
| <i>Non-Discretionary Adjustments</i> | - | - | 38,756,253 | 38,756,253 | - |
| <i>Other Salaries & Wages</i> | (10.02) | 926,678 | (7,000) | 919,678 | - |
| <i>Base Adjustment</i> | - | 213 | 20,151 | 20,364 | - |
| <i>Hourly Intern Adjustments</i> | - | (2,065) | - | (2,065) | (2,065) |
| <i>Fringe Benefits (Includes Retirement ADC)</i> | - | (26,412) | - | (26,412) | - |
| <i>Removal of Prior Year One-Time Adjustments</i> | - | - | (3,916,357) | (3,916,357) | - |
| FY 2027 Proposed Budget | 965.84 | \$ 143,269,112 | \$ 364,692,238 | \$507,961,350 | \$ 639,208,589 |
| Difference from 2026 to 2027 | (7.01) | \$ 1,127,693 | \$ 36,112,882 | \$ 37,240,575 | \$ (2,065) |

* Department-wide activity

Department Review: Public Utilities

system should begin producing water within the next year. The majority of this increase (\$11.6 million) is for treatment chemicals for the Pure Water facility.

\$6.5 million – Dam Projects

There is an additional \$6.5 million in one-time costs for dam rehabilitation projects. The two projects primarily funded through this allocation are bridge deck repairs at Barret Reservoir, and vegetation removal on the El Capitan spillway. Both of these projects are required to address regulatory and safety deficiencies at these facilities.

Additional equity implications related to this adjustment are included later in this department review.

\$923,000, 4.00 FTEs – Maintain Water Distribution System

This addition of 4.00 FTEs and associated funding is to continue adding to a team that was initially established in FY 2026 to ensure water quality standards are maintained

throughout the water distribution system. Given conservation rates, the way water flows through the system has changed, with water often now sitting in the distribution system longer than it previously did.

This team will perform numerous associated assessments and address the backlog of valve replacement projects across the City. The FY 2026 budget included 17 positions and \$3.0 million in expenditures, of which \$850,000 was one-time. For FY 2027, the \$400,000 in non-personnel expenditures is also one-time.

\$153,000, 1.00 FTE – Pure Water Readiness

This position addition is an additional Environmental Scientist to perform water quality chemistry services and analyses, which are increasing with the impending operations of Pure Water.

\$131,000, 1.00 FTE – Backflow Compliance and Maintenance

The final adjustment to the water system is the addition of one position to ensure compliance

| SUMMARY OF WATER FUND BUDGET CHANGES | | | | | |
|---|-----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 1,048.90 | \$ 149,333,872 | \$ 698,434,612 | \$ 847,768,484 | \$ 942,529,293 |
| Programmatic Changes | | | | | |
| <i>Water Purchases</i> | - | - | 47,000,000 | 47,000,000 | - |
| <i>Recycled Water Transfer</i> | - | - | 14,000,000 | 14,000,000 | - |
| <i>Pure Water Phase I Operations</i> | 1.00 | 173,549 | 12,700,000 | 12,873,549 | - |
| <i>E&CP Dam Projects</i> | - | - | 6,500,000 | 6,500,000 | - |
| <i>Maintain Water Distribution Quality</i> | 4.00 | 523,334 | 400,000 | 923,334 | - |
| <i>Effective Utility Management*</i> | - | - | 514,388 | 514,388 | - |
| <i>LIMS*</i> | - | - | 375,000 | 375,000 | - |
| <i>DCCO Transfer*</i> | 0.43 | 322,681 | - | 322,681 | - |
| <i>Pure Water Readiness</i> | 1.00 | 152,713 | - | 152,713 | - |
| <i>Backflow Compliance and Maintenance</i> | 1.00 | 131,339 | - | 131,339 | - |
| <i>Street Preservation Ordinance Changes*</i> | 4.70 | 522,759 | (411,160) | 111,599 | - |
| <i>Budget Mitigation: Program Manager IT*</i> | (0.45) | (109,353) | - | (109,353) | - |
| <i>Budget Mitigation: Program Manager Admin *</i> | (0.45) | (109,353) | - | (109,353) | - |
| <i>Budget Mitigation: Assistant Director*</i> | (0.50) | (152,285) | - | (152,285) | - |
| <i>Budget Mitigation: Program Coordinators CCB*</i> | (1.00) | (173,258) | - | (173,258) | - |
| Other Changes | | | | | |
| <i>Non-Discretionary Adjustments</i> | - | - | 24,443,247 | 24,443,247 | - |
| <i>Other Salaries & Wages</i> | 10.02 | 5,689,775 | (2,000) | 5,687,775 | - |
| <i>Fringe Benefits (Includes Retirement ADC)</i> | - | 1,845,150 | - | 1,845,150 | - |
| <i>Hourly Intern Adjustment</i> | - | (8,791) | - | (8,791) | (1,017) |
| <i>Base Adjustment</i> | - | (213) | (20,151) | (20,364) | - |
| <i>Removal of Prior Year One-Time Adjustments</i> | - | - | (14,208,400) | (14,208,400) | - |
| FY 2027 Proposed Budget | 1,068.65 | \$ 158,141,919 | \$ 789,725,536 | \$ 947,867,455 | \$ 942,528,276 |
| Difference from 2026 to 2027 | 19.75 | \$ 8,808,047 | \$ 91,290,924 | \$ 100,098,971 | \$ (1,017) |

* Department-wide activity

Department Review: Public Utilities

through annual testing and maintenance of all City maintained backflows.

Issues for Council Consideration

Enterprise Funds - Combined CIP and Operating Budgets for FY 2027

The table at the bottom of this page shows the combined budgets for the Capital Improvements Program (CIP) and operating budgets of the water and sewer funds, totaling just over \$2.0 billion in FY 2027. Revenue amounts reflected in previous tables for the Sewer and Water Funds support both operations and PUD’s substantial CIP. The combined revenue for operations and CIP is proposed at \$1.6 billion for FY 2027. However, as previously mentioned, these revenues have not been updated in time for the Proposed Budget.

Future Rate Increases

In order to meet the financial needs of the wastewater and water systems, PUD goes through a Cost of Service (COS) process to determine reasonable costs for each system, distribute those costs among appropriate customer classes, and then generate rates that ensure the appropriate customer classes pay their proportionate share of costs. PUD went through this process last year, which culminated with the Council approving rate increases of 14.7% and 14.5% for FY 2026 and FY 2027, respectively, for the water system, and rate increases of 6.0%, 6.0%, 8.0% and 8.0% for FY 2026-FY2029, respectively, for the wastewater system.

Even with these rate increases, the most recent [Public Utilities Department Five-year Financial Outlook](#) projected a need for additional rate increases in FY 2028 and beyond for the

water system and in FY 2030 and beyond for the wastewater system. These future rates include annual increases from 5.0% to 11.5% for the water system and 7.0% to 8.0% for the wastewater system. While wastewater rate needs might change between now and when new rates would need to be approved for FY 2030, the water system will need to conduct a new COS study next year in order to determine potential rate increases for FY 2028.

The need for rate increases is driven both by increased cost pressures on the utility systems, as well as by declining and/or flat sales forecasts. For the wastewater system, increasing costs include internal cost pressures such as personnel, supplies (treatment chemicals), energy costs, and construction inflation for the CIP. The water system is experiencing similar cost pressures, with the additional burden of water purchase cost increases from SDCWA, despite declining water purchase needs with Pure Water coming online (further discussed below). Declining and flatlining water sales and wastewater flows will require either the reduction of existing expenditures, many of which are fixed, and/or rate increases to cover costs. A further examination of how costs are changing, and the need for increased revenue through rate increases, can be found in [IBA Report 26-01 IBA Review of the Public Utilities Department FY 2027-2031 Five-Year Financial Outlook](#).

Even with increasing rates, PUD has taken steps to lower costs in the near term in order to keep within approved rate revenue when costs have been greater than projected. Leading up to the approval of the rate increases in October 2025, PUD outlined more than \$300 million in actions that they took in order to not have to increase rates higher than what had previously been projected, particularly for the

| SUMMARY OF PUBLIC UTILITIES ENTERPRISE FUNDS BUDGETS | | | | | |
|--|-----------------|-------------------------|-----------------------|-------------------------|-------------------------|
| Fund | FTE | Operating Expense | CIP Expense | Total Expense | Revenue* |
| Sewer Funds | 965.84 | \$ 507,961,350 | \$ 287,065,435 | \$ 795,026,785 | \$ 639,208,589 |
| Water Funds | 1,068.65 | 947,867,455 | 290,513,764 | 1,238,381,219 | 942,528,276 |
| Total FY 2026 Proposed Budget | 2,034.49 | \$ 1,455,828,805 | \$ 577,579,199 | \$ 2,033,408,004 | \$ 1,581,736,865 |

*Revenues include AB 1600 revenues of \$22.5 million for the Sewer Funds and \$16.0 million for the Water Fund.

Department Review: Public Utilities

water system. This included more aggressive use of stored water, delaying CIP projects, use of fund balance, and conducting condition assessments on various assets in order to conduct more low-cost fixes instead of expensive replacements. Since then, PUD has continued to take action in order to lower near term costs, such as maintaining a higher vacancy rate (15%) than what is contemplated in the COS studies (10%), delaying the Energy Master Plan for the wastewater system, and delaying a move-out of staff from the downtown area in order to use up the full amount of rent credits that are available.

However, one note of caution is that for the most part, all the actions that PUD is taking to stay within their current rate revenue constraints are one-time reductions and delays, and not ongoing decreases to their overall expenses and obligations. With the possible exception of increased use of surface water, which will require substantial rain to replenish, most actions just delay expenditures until PUD gets through its current rate crunch, particularly on the water side. While there may be some relief coming on wholesale water purchases (more in the next issue), at some point either additional revenue will need to be put into the PUD system, or expenditures within PUD's budget will need to be dramatically reduced.

If Council is concerned about the need for future rate increases, it should begin asking PUD for recommendations on budget reductions this year that could reduce the need for large rate increases in the future.

Water Purchases and the San Diego County Water Authority

The single largest non-personnel expense for the entire City is the purchase of water from SDCWA. Even with declining sales, maximization of the use of City reservoirs, and the beginning of production for Pure Water Phase 1, the City will need to purchase between 70-90% of its water supply from SDCWA over

the next five years.

SDCWA is also facing cost pressures. Similar to the City, SDCWA's revenues are directly tied to the amount of water it sells in a given year. With increases in local supplies and increased conservation, local retail water agencies across the region have been buying less from SDCWA. However, while a local water agency like the City can change how much water it purchases as demands shift, SDCWA lacks that flexibility.

As detailed in [IBA Report 26-01 IBA Review of the Public Utilities Department FY 2027-2031 Five-Year Financial Outlook](#), over the last several decades, SDCWA entered into agreements that require it to pay for a minimum supply of 325,700 acre feet (AF) of water every year. This is a combination of the water purchases required under the Quantification Settlement Agreement (QSA) and the agreement to purchase water from the Carlsbad Desalination Plant.

However, SDCWA's actual water sales have fallen well below that minimum. According to the agency's [Annual Comprehensive Financial Report for FY 2025](#), SDCWA's actual sales in FY 2025 were only 323,781 AF. Additionally, as noted in the [2026 Long-Range Financial Plan](#) (LRFP) for SDCWA, water demands in CY 2026 are currently projected to go slightly above the take-or-pay level, but then fall below this level in CY 2027 and stay below it for the foreseeable future. Numerous water recycling projects being implemented throughout the County, including the City's Pure Water program, will result in lower demand for SDCWA water. Unlike supplies provided by SDCWA, water recycling projects generally provide both drinking water supplies and reductions in wastewater discharges, and thus provide multiple benefits.

SDCWA water sales that remain below the take-or-pay threshold is the single largest reason why SDCWA's LRFP also projected volumetric water charges to increase between

Department Review: Public Utilities

5.5% and 9.5% annually over the next ten years, resulting in volumetric rates that would possibly double over this time frame. Since the City is the largest purchaser of water from SDCWA, it also has the largest contingent on the SDCWA Board of Directors, and thus can have a large impact on decisions made by that board. The City currently retains 10 seats on the board, and these members are collectively known as the “City-10”. Notably, members of the City-10 currently serve as the Chairs of both the Administration & Finance Committee and the entire Board of Directors. In IBA Report 26-01, our Office made two recommendations to the City of San Diego board members that we again reiterate.

First, *the City’s representatives should request SDCWA to prepare an updated business plan in the next year that addresses its long-term financial issues.* And second, *the City’s representatives should focus on continuing to right-size SDCWA’s water supply and purchasing costs, particularly though selling excess supplies, and progress towards this, including an agreement to sell a significant portion of SDCWA’s supply, should be targeted in the next year.* Encouragingly, there has been substantial progress made on the second recommendation.

Following the settlement between SDCWA and the Metropolitan Water District, SDCWA advertised that it has up to 50,000 AF of water available to sell to other member agencies within the MWD service area. As of the publication of this report, SDCWA has signed two deals with other agencies, one with Western Municipal Water District, and one with Eastern Municipal Water District, that should generate additional revenue through the selling of excess supplies. Additional deals may be announced prior to the adoption of CY 2027 SDCWA rates and charges in June. These two deals total 20,000 AF in sales, which is 40% of the excess water that SDCWA currently

can sell due to lower demands than mandated purchases.

It will be important to understand how these new sales will translate into rate relief for SDCWA’s member agencies. Until a new COS study from SDCWA is released, there is only speculation on how this new revenue might be used, and whether it will be used purely for near-term rate reduction, or debt defeasance and principal retirement in the near term with rate relief coming later. Our office will work closely with PUD staff to analyze how SDCWA’s rate proposals could impact PUD’s own rate and budget needs, and will potentially have recommendations on what direction the City-10 should take closer to the rate hearing and adoption meeting in late June. **Council should consider holding an open meeting to provide direction to PUD staff and the City-10 Board members prior to SDCWA’s final vote on its budget and CY 2027 rates, currently scheduled at the end of June.**

DRE Budget Equity Implications

The following adjustments have equity implications:

Addition in Dams and Reservoir Water Production - \$6,500,000¹

The addition of one-time non-personnel expenditure to support water production raw water engineering operational and maintenance for dams supports operational safety, water supply stability, and regulatory compliance with FEMA standards and the California Division of Safety of Dams. Maintenance of a dam is important as it not only maintains a reliable and more affordable water supply to residents but also mitigates a risk of catastrophic infrastructure failure that may disproportionately impact communities with limited access to emergency resources and those most vulnerable to environmental risk. The Department has identified over \$3 billion in dam

¹ There are no related Tactical Equity Plan (TEP) implications for this adjustment.

Department Review: Public Utilities

safety and long-term projects that need to be addressed over the next several decades, which will result in additional capital and operating budget allocations over the course of several budget cycles.

Addition Street Preservation Ordinance - \$550,000²

The Addition of 10.00 FTE positions and associated non-personnel expenditures may increase the Department's capacity to comply with the Street Preservation Ordinance and maintain public infrastructure. This addition may improve the quality of trench restoration, reducing long-term roadway damage and disruptions; however, monitoring the timelessness to complete trenching projects is a consideration. Improved infrastructure maintenance can enhance service reliability and safety if projects are implemented and prioritized in an equitable manner. In addition, this adjustment should allow the Transportation Department to address the backlog in various asset types (streetlights, traffic maintenance, sidewalk repair, vegetation removal) through a prioritization process that impacts historically underserved communities.

² There are no related Tactical Equity Plan (TEP) implications for this adjustment.

Department Review: Purchasing and Contracting

Purchasing and Contracting

The Purchasing & Contracting Department (P&C) oversees transactions for procuring and contracting for goods and services, the procurement of Capital Improvement Program (CIP) construction contracts, minor repairs, and associated professional consulting services, as well as contract management functions across all City’s contracts. It also manages the centralized advertising and award of all contracts for goods, services, and public works in conformance with the City's Charter and Municipal Code.

Additionally, the Department manages the Equal Opportunity Contracting (EOC) and Central Stores programs. The Administrative Hearings Program, which was recently housed in the Compliance Department, was moved into P&C in November 2025, and this restructuring is reflected in the Proposed Budget for FY 2027.

Key departmental goals include:

- Promoting transparency regarding requirements within the procurement process.
- Increasing the efficiency of the procurement process.
- Promoting small and local, disadvantaged, minority-, and woman-owned business participation in City procurement.
- Ensuring excellent customer service.

Impacts of Mayor’s FY 2027 Budget Proposal

P&C’s budget is supported by both the General Fund and the Central Stores Fund. When combined, P&C’s proposed budget for FY

2027 totals \$24.3 million. As shown in the table below, this reflects an increase of approximately \$354,000 in expenditures, or 1.5% from the FY 2026 Adopted Budget. The increase is primarily due to higher personnel and non-personnel expenditures in the Central Stores Fund, as discussed later in this section.

The number of FTE positions in P&C is proposed to decrease by 7.00, from 90.00 FTE positions in the FY 2026 Adopted Budget, to 83.00 in the FY 2027 Proposed Budget. These position changes include the transfer of the Administrative Hearings Program to P&C, as well as some key position reductions in the General Fund that are described in more detail later in this section.

The FY 2027 Proposed Budget includes \$12.3 million in revenues across both the General Fund and the Central Stores Fund, which is an increase of \$367,000 over the FY 2026 Adopted Budget.

This report reviews the Proposed Budget for P&C by fund.

General Fund

The FY 2027 Proposed Budget for the Department’s General Fund activities is \$12.6 million and includes funding for Purchasing & Contracting, as well as the Equal Opportunity Contracting and Administrative Hearings Programs. This is an increase of \$65,000, or 0.5%, from the FY 2026 Adopted Budget. The number of FTE positions in P&C’s General Fund is proposed to decrease by 7.00, from 69.00 FTE positions in the FY 2026 Adopted Budget, to 62.00 in the FY 2027 Proposed

| SUMMARY OF DEPARTMENT BUDGET CHANGES | | | | | | |
|--------------------------------------|--------------|--------------|---------------|----------------------|----------------------|-------------------|
| Fund | FY 2026 FTE | FY 2027 FTE | Change | FY 2026 Expense | FY 2027 Expense | Change |
| General Fund | 69.00 | 62.00 | (7.00) | 12,523,202 | 12,588,407 | 65,205 |
| Central Stores | 21.00 | 21.00 | - | 11,403,746 | 11,692,618 | 288,872 |
| Total Combined | 90.00 | 83.00 | (7.00) | \$ 23,926,948 | \$ 24,281,025 | \$ 354,077 |

Department Review: Purchasing and Contracting

| SUMMARY OF PURCHASING & CONTRACTING GENERAL FUND BUDGET CHANGES | | | | | |
|--|---------------|----------------------|---------------------|----------------------|-------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 69.00 | \$ 11,326,292 | \$ 1,196,910 | \$ 12,523,202 | \$ 704,155 |
| Programmatic Changes | | | | | |
| <i>Transfer from Compliance: Administrative Hearings</i> | 2.00 | 428,013 | 22,515 | 450,528 | - |
| <i>Budget Mitigation: Administrative Hearings Support</i> | (1.00) | (193,233) | - | (193,233) | - |
| <i>Budget Mitigation: Public Works Support</i> | (4.00) | (551,168) | - | (551,168) | - |
| <i>Budget Mitigation: Disparity Study Support</i> | (1.00) | (173,258) | - | (173,258) | - |
| <i>Budget Mitigation: Non-Personnel Expenditure reductions</i> | - | - | (23,815) | (23,815) | - |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 528,245 | - | 528,245 | - |
| <i>Budgeted PE Savings (vacancy savings adjustment)</i> | - | 402,065 | - | 402,065 | - |
| <i>Employ and Empower Intern (maintain)</i> | - | (8,756) | - | (8,756) | (8,785) |
| <i>Non-Discretionary Adjustments</i> | - | - | (47,481) | (47,481) | - |
| <i>Technical Adjustment: Associate Procurement Contracting Officer Support</i> | - | 96,039 | - | 96,039 | - |
| <i>Non-Standard Hourly adjustments</i> | (3.00) | (413,961) | - | (413,961) | - |
| FY 2027 Proposed Budget | 62.00 | \$ 11,440,278 | \$ 1,148,129 | \$ 12,588,407 | \$ 695,370 |
| <i>Difference from 2026 to 2027</i> | <i>(7.00)</i> | <i>\$ 113,986</i> | <i>\$ (48,781)</i> | <i>\$ 65,205</i> | <i>\$ (8,785)</i> |

Budget. Notable position changes include the transfer of the Administrative Hearings Program to P&C, as well as position reductions impacting Public Works contracting, EOC/Disparity Study support, and the Administrative Hearings program. General Fund revenue is proposed to decrease by \$9,000, or 1.2%. These adjustments are summarized in the table above.

Significant Budget Additions

The largest expenditure increase noted in the table above is \$528,000 for salary and benefit adjustments. This increase is primarily a result of changes in the City’s Retirement Actuarially Determined Contribution (ADC) payment and Flexible Benefit increases. Other significant additions are discussed below.

\$450,000, 2.00 FTE – Administrative Hearings Program Transfer

In November 2025, the Administrative Hearings Program was transferred to P&C as a result of the dissolution of the City’s Compliance Department. The Proposed Budget includes the restructure of 2.00 FTE positions, \$428,000 in associated personnel expenditures, and \$23,000 in non-personnel expenditures (primarily contract funding to support hearing officers who adjudicate these hearings). The transferred positions include 1.00

Program Manager and 1.00 Program Coordinator who help administer the program. As noted later in this section, 1.00 Program Coordinator from this program is proposed as a reduction.

\$402,000 – Budgeted Personnel Expenditure Savings

Budgeted Personnel Expenditure Savings (BPES) is used as a tool to reallocate resources that are projected to remain unspent on other City needs. In Fiscal Year 2026, (\$1.4 million) in BPES was included in P&C’s Adopted Budget, and was based on a variety of factors, including estimated savings resulting from vacancies and attrition. In the Fiscal Year 2027 Proposed Budget, that amount has been reduced to (\$998,000). Because these adjustments reduce a department’s overall budget and this year’s reduction is less than last year’s, the change between the two fiscal years appears as an addition.

\$96,000 – Technical Adjustment: Associate Procurement Contracting Officer Support

The Proposed Budget includes a technical correction for 3.00 Associate Procurement Contracting Officers that were inadvertently added as hourly positions in Fiscal Year 2025. This adjustment includes the addition of 3.00 Associate Procurement Contracting Officers

Department Review: Purchasing and Contracting

and reduces 3.00 Associate Procurement Contracting Officer-*hourly* positions. Currently, 2.00 of the 3.00 FTE positions are filled. Of note, the budget request to maintain these hourly positions (and allow for the technical adjustment) was erroneously not funded in the Proposed Budget, so the Department is currently reflected to have -3.00 Associate Procurement Contracting Officer-hourly positions. This correction will be considered for inclusion in the May Revision.

Significant Budget Reductions

For FY 2027, P&C was given a budget reduction target of 7.0%, or \$875,000, which it exceeded. The Proposed Budget includes \$941,000 in budget mitigation proposals, which is a 7.5% reduction from the FY 2026 Adopted Budget. The impacts of the significant reductions are discussed below.

(\$551,000, 4.00 FTEs) – Public Works Support

The Proposed Budget includes the reduction of 4.00 vacant FTE positions in the Public Works Contracting division, including a reduction of \$551,000 in associated personnel costs. This reduction would eliminate 4.00 of the 20.00 budgeted positions (a 20% reduction) in this division that helps administer consultant contracts for City public works projects. The Department does not anticipate any immediate changes to services because these positions are vacant; however, if Capital Improvements Program (CIP) work increases again in a future year, the division may not be able to adequately manage an elevated level of consultant contracts without additional resources. *Additional equity implications related to this adjustment are included later in this department review.*

(\$193,000, 1.00 FTE) Program Coordinator - Administrative Hearings Support

As noted earlier in this section, 1.00 Program Coordinator is being restructured to P&C as part of a transfer of the City's Administrative

Hearings Program from the Compliance Department. This position is 1.00 of 2.00 that supports the administration of this program and is proposed for reduction. Specifically, this position administers the scheduling and processing of parking citation appeal hearings, including receiving and distributing case evidence, issuing legally required notices and decisions, and responding to public inquiries. The position maintains and tracks physical and electronic case records, coordinates file transfers between departments and Hearing Officers, and ensures proper documentation, mailing, and record retention in accordance with legal requirements. As a result of this reduction, the remaining Program Manager will need to absorb these duties. *Additional equity implications related to this adjustment are included later in this department review.*

(\$173,000, 1.00 FTE) Program Coordinator - Equal Opportunity Contracting and Disparity Study Support

This position was created in FY 2024 and was expected to serve as the lead for implementation of the [City's 2020 Disparity Study](#)'s recommendations, and develop related policies and procedures. The Program Coordinator was expected to develop a comprehensive plan and manual to communicate Small Local Business Enterprise (SLBE) Program objectives across departments, and establish a process to track the program's long-term impact on minority- and woman-owned business growth. This position has remained vacant since its creation despite the Department's multiple attempts to fill the position. Due to the challenges of recruiting for this position, and its proposed elimination, this work is now anticipated to be paused until additional staffing resources are identified. As discussed in more detail in the DRE Budget Equity Implications section, the Proposed Budget does not include funding for an updated Disparity Study. The original study from 2020 recommended the City consider conducting disparity studies on a periodic basis, noting that

Department Review: Purchasing and Contracting

| SUMMARY OF CENTRAL STORES FUND BUDGET CHANGES | | | | | |
|---|--------------|---------------------|---------------------|----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 21.00 | \$ 1,667,419 | \$ 9,736,327 | \$ 11,403,746 | \$ 11,236,451 |
| Programmatic Changes | | | | | |
| <i>Security Services</i> | - | - | 100,000 | 100,000 | - |
| Other Changes | | | | | |
| <i>Salary and Benefit Adjustments</i> | - | 169,577 | - | 169,577 | - |
| <i>Non-Discretionary Adjustments</i> | - | - | 19,295 | 19,295 | - |
| <i>Other Adjustments</i> | - | - | - | - | 376,000 |
| FY 2027 Proposed Budget | 21.00 | \$ 1,836,996 | \$ 9,855,622 | \$ 11,692,618 | \$ 11,612,451 |
| <i>Difference from 2026 to 2027</i> | - | \$ 169,577 | \$ 119,295 | \$ 288,872 | \$ 376,000 |

many agencies conduct a study every three to five years to understand changes in their marketplace, refine program measures, and ensure up-to-date information on the participation of minority- and woman-owned businesses in their contract and procurement processes. The Council may want to ask about future plans related to the Disparity Study and support for this work.

Central Stores

The FY 2027 Proposed Budget for the Central Stores Fund is \$11.7 million, an increase of \$289,000, or 2.5%, from the FY 2026 Adopted Budget. Budgeted staffing levels remain unchanged at 21.00 FTE positions, and projected revenue is proposed to increase by \$376,000, to a total budget of \$11.6 million. This increase in revenue is due to the one-time use of \$376,000 in fund balance in Fiscal Year 2026, which reduced the cost of internal delivery services. Programmatically, the only proposed change in expenditures is an increase of \$100,000 for security services at the Chollas Operations Yard, which is where the Central Stores warehouse is located. Additional budget is needed to support contractual increases, and a recent change in methodology for how this allocation is distributed to the departments who use this facility.

A summary of budget changes is provided in the table on the top of this page.

Issues for Council Consideration

Enhancements to P&C Processes

Despite ongoing resource and staffing constraints, P&C has taken some notable steps to improve internal customer service for departments. For instance, P&C:

- Launched a Procurement Champion Certificate Program which is paired with in-person training to help address gaps in staff knowledge about procurement processes.
- Released a Procurement Request Form Status Tracker, to improve visibility for departments about the status of their goods and services contract requests.
- Published an Ariba Contract Tracking Dashboard to help departments better track the administration of their contracts.
- Completed phase one (of three planned phases) to automate Ariba-based purchase order reductions and cancellations.

We highlight these improvements because they reflect active steps the department is taking to improve its contract services for departments. However, as we note in the section below, funding and staffing constraints could slow this type of work in the next fiscal year.

Staffing and Funding Constraints

As noted in our review of P&C's proposed budget last fiscal year, the department continues to face a high volume of departmental requests, as well as a notable number of

Department Review: Purchasing and Contracting

vacancies. Specifically, 18.00 budgeted positions were vacant as of early April (14.00 in the General Fund, and 4.00 in Central Stores), for a vacancy rate of 26.1%. As noted earlier in this section, 5.00 of 6.00 positions that are proposed for elimination are vacant. The request to fill process has essentially halted hiring throughout the City, and the services provided by P&C are impacted by its limited ability to fill critical vacancies.

We also note that several reductions in other departments will impact P&C. Specifically:

- The Proposed Budget for the Department of IT (DoIT) includes a \$1.5 million reduction in SAP Consulting services, including \$600,000 in reductions that are expected to hinder DoIT's ability to provide support and maintenance of SAP Ariba tools. These reductions may delay the implementation of planned enhancements, design changes, and break-fix updates that require SAP consultant support. This includes enhancements specifically targeting contract management and purchase order management, which will likely impact outstanding audit recommendations.
- The Department of Finance is proposing to reduce the Program Manager position responsible for Title VI (Civil Rights Act compliance), Audits and Grand Jury responses. Because the City is required to have a Title VI coordinator to receive federal funding, the duties associated with Title VI are proposed to be returned to P&C's Equal Opportunity Contracting Program, where this work was housed prior to its move into Compliance. As noted in more detail in the *DRE Budget Equity Implications* section, the additional work comes without a staffing resource and is anticipated to shift from a proactive approach to a reactive one, which could delay recent progress on Title VI initiatives including publication of a Citywide

Language Access Plan.

In sum, the adjustments included in the FY 2027 Proposed Budget will likely add additional strain to the department, and impact its ability to meet service delivery expectations for its various divisions and programs.

Central Stores – Deficit in Fund Balance and Unfunded Position Request

The Revenue and Expense (R&E) Statement for the Central Stores Fund in the FY 2027 Proposed Budget reflects the projection that the fund will end FY 2026 with \$136,000 in negative fund balance. With the revenue and expenditure adjustments included in the FY 2027 Proposed Budget, this deficit is projected to grow to negative \$886,000. According to the department, it expects that revenues will come in notably higher in FY 2026 than is currently shown in the R&E statement, which could significantly reduce or eliminate these projected negative ending balances. If additional revenue is not received, this could result in a General Fund impact (in previous fiscal years, transfers from the General Fund have helped close gaps in this fund). We will review the Central Stores updated projections as part of our review of the Third Quarter Budget Monitoring Report.

Also of note, the FY 2027 Proposed Budget does not include the addition of 1.00 Mail Room Operations Supervisor, which was requested by the Department. The position was requested to support citywide mail operations, inventory distribution, and library book delivery and sorting services. Given the current deficit projected in the fund, it may be prudent to wait to add this position until the fund is in a better financial position. However, this position may be one the Mayor and Council may want to consider adding in the future to provide important oversight, coordination, and accountability for central stores operations.

Department Review: Purchasing and Contracting

DRE Budget Equity Implications

(\$551,000, 4.00 FTE) – Reduction of Public Works Support¹

Although there is no significant operational impact to Purchasing and Contracting at this time, Council may want to consider monitoring the need for support of Public Works contract specialists over time. The impact of this reduction may be more considerable when CIP projects increase in the future causing a rise in processing delays and inequity in workloads.

(\$193,000, 1.00 FTE) - Program Coordinator, Administrative Hearings Support²

The reduction of filled 1.00 Program Coordinator responsible for administrative hearing scheduling and associated processes may increase barriers to participation in fee hearings. Reduced support may make it more difficult for impacted residents to understand hearing procedures, meet deadlines, or access information needed to appeal fee violations, thereby creating inequitable outcomes in the hearing process.

Despite this reduction, the program retains a Program Manager who will continue to oversee the Administrative Hearings program and ensure that fee violation appeal hearings are conducted. While core hearing functions will remain in place, the decrease in administrative support may limit the program's ability to provide equitable access and responsive communication to residents seeking to participate in the hearing process.

(\$173,000, 1.00 FTE) - Program Coordinator, Equal Opportunity Contracting and Disparity Study Support³

The reduction of 1.00 vacant Program Coordinator position, responsible for implementing the 2020 City of San Diego Disparity Study recommendations may ultimately impede progress toward addressing, monitoring and communicating contracting disparities identified in the 2020 Disparity Study and could undermine the very communities the study intends to support.

With the elimination of this position, the workload shifts to the Program Manager, who is also assuming new Title VI responsibilities due to the transfer of compliance oversight from the Department of Finance (see Department of Finance Review for additional information). As a result, the Program Manager will be responsible for both continuing oversight of the Disparity Study recommendations and responding to Title VI requests. Title VI compliance work is anticipated to shift from a proactive approach to a reactive one, and could delay recent progress on key Title VI initiatives like the publication of a Citywide Language Access Plan, biennial Title VI trainings, and other Title VI requirements. Although Compliance Officers will continue to provide limited outreach and vendor onboarding support, the implementation of the 2020 Disparity Study recommendations will be significantly impacted without the Program Coordinator role. We note that no budget adjustments were submitted to request an updated Disparity Study.

¹ This adjustment relates to P&C's Tactical Equity Plan (TEP) Goal 2, and TEP Objectives 2.1.

² This adjustment relates to P&C's Tactical Equity Plan (TEP) Goal 2, and TEP Objectives 2.1.

³ This adjustment relates to P&C's Tactical Equity Plan (TEP) Goal 3, and TEP Objectives 3.1 and 3.2.

Department Review: Risk Management

Risk Management

The Risk Management Department manages the City’s self-insured Workers’ Compensation Program; coordinates public liability and loss recovery measures; and oversees the City’s insurance program, flexible benefits, employee savings plans, and the Long-Term Disability Plan. In November 2025, the City’s Occupational Safety and Health team was moved into the Risk Management Department from the Compliance Department. That restructure is included in the FY 2027 Proposed Budget, and discussed later in this section.

The Risk Management Administration (RMA) Fund is an internal service fund from which Risk Management administration costs are paid. An internal service fund needs sufficient revenues to cover expenditures to operate. City departments contribute to RMA Fund revenues, on a per employee basis, as part of fringe benefit expenditures.¹

The FY 2027 Proposed Budget for these fringe benefit contributions is \$18.8 million, including \$11.7 million from the General Fund (62.1%) and \$7.1 million from non-general funds (37.9%). There is also approximately \$1.4 million in reimbursement revenue, yielding a total revenue budget of \$20.1 million. Fund balance of approximately \$69,000 will be needed to support the variance between revenues and expenditures.

Impacts of Mayor’s FY 2027 Budget Proposal

The following table provides a summary of Risk Management’s budget changes from the FY 2026 Adopted Budget to the FY 2027 Proposed Budget. The Proposed Budget is approximately \$20.2 million, a decrease of \$218,000 or 1.1% from the prior year. The number of FTE positions are increasing by a

| SUMMARY OF RISK MANAGEMENT BUDGET CHANGES | | | | | |
|--|---------------|----------------------|---------------------|----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 106.23 | \$ 16,592,909 | \$ 3,840,827 | \$ 20,433,736 | \$ 20,444,952 |
| Programmatic Changes | | | | | |
| <i>Transfer of Occupational Safety and Health Division from Compliance</i> | 3.00 | 626,066 | 7,490 | 633,556 | - |
| <i>Restoration of Safety Officer Position</i> | 1.00 | 127,718 | 2,470 | 130,188 | - |
| <i>Loss Recovery Division Support</i> | 1.00 | 117,259 | 2,470 | 119,729 | 117,259 |
| <i>Addition of Claims Management System (one-time)</i> | - | - | 241,030 | 241,030 | - |
| <i>Budget Mitigation: Reimbursement for Loss Recovery Team's Work</i> | - | - | - | - | 551,790 |
| <i>Budget Mitigation: Workers' Compensation Support</i> | (1.00) | (223,571) | - | (223,571) | - |
| <i>Budget Mitigation: Loss Prevention Support</i> | (1.00) | (173,258) | - | (173,258) | - |
| <i>Budget Mitigation: Wellness Program</i> | - | - | (100,000) | (100,000) | - |
| Other Changes | | | | | |
| <i>Transfer of CFO position from the Mayor's Office</i> | 0.11 | 83,979 | - | 83,979 | - |
| <i>Salary and Benefit Adjustments</i> | - | (276,085) | - | (276,085) | - |
| <i>Benefits Consulting Services Funding Swap</i> | - | - | (247,000) | (247,000) | - |
| <i>Non-Discretionary Adjustments</i> | - | - | (84,097) | (84,097) | (969,873) |
| <i>Service Level Agreement Reduction</i> | - | - | (70,000) | (70,000) | - |
| <i>Non-Standard Hour Reduction</i> | (0.23) | (12,018) | - | (12,018) | - |
| <i>Other Adjustments</i> | - | - | (240,100) | (240,100) | 2,568 |
| FY 2027 Proposed Budget | 109.11 | \$ 16,862,999 | \$ 3,353,090 | \$ 20,216,089 | \$ 20,146,696 |
| Difference from 2026 to 2027 | 2.88 | \$ 270,090 | \$ (487,737) | \$ (217,647) | \$ (298,256) |

¹ Fringe benefits are non-wage costs related to personnel, such as Workers’ Compensation, Long-Term Disability, the Actuarially Determined Contribution (ADC) pension payment, Flexible Benefits, and Medicare.

Department Review: Risk Management

net of 2.88, from 106.23 FTEs in FY 2026 to 109.11 in the Proposed Budget, due primarily to the restructure of the Occupational Safety and Health team from Compliance. Revenue is proposed to decrease by \$298,000, or 1.5%.

Significant Budget Additions

The largest expenditure increase is \$634,000 associated with the transfer of the of the Occupational Safety and Health team from the Compliance Department, which occurred in November 2025. This transfer and other significant additions are discussed below.

\$764,000, 4.00 FTE - Transfer of Occupational Safety and Health Team and Additional Safety Officer Position

The Proposed Budget includes the transfer of the Occupational Safety and Health team from the Compliance Department, including 1.00 Program Manager, 1.00 Program Coordinator, 1.00 Safety and Training Manager, and \$634,000 in expenditures. This team serves as a central resource for safety standards, regulatory compliance, departmental safety plans, workplace ergonomics, Cal/OSHA reporting, and implements new State and federal safety requirements, while also acting as the safety team for departments without dedicated safety staff.

The Proposed Budget also includes the addition of 1.00 Safety Officer and \$130,000 in expenditures. This position was reduced in the Fiscal Year 2026 Adopted Budget; however, during negotiations with MEA regarding FY 2026 position reductions, it was agreed that this position would be maintained as an un-budgeted position to mitigate the transfer of bargaining unit work to unclassified staff. The position is currently vacant, but Risk Management has initiated the Request to Fill process for it. This position will support the Commercial Driver Drug and Alcohol Testing Program and Administrative Regulation 75.12 – *Vehicle and Industrial Incident Review, Reporting, and Discipline Program*. The

position is also expected to support other safety programs and tasks, including emergency action plans, and hazardous communications as needed.

\$120,000, 1.00 FTE – Loss Recovery Division Support

The Proposed Budget includes the addition of 1.00 Claims Representative 2, including \$120,000 in expenditures and \$117,000 in off-setting revenue. The position will support the Loss Recovery Division by investigating claims on behalf of the City, and work to collect damages that are sustained to the City's property and to City personnel. According to the department, this position is anticipated to recover between \$400,000–\$600,000 annually, based on historical claim activity and recovery trends, which will offset the expense of the position. The remaining recovered revenue will be returned to the asset-owning departments.

\$241,000 (one-time) - Claims Management System

The FY 2026 Adopted Budget included the addition of \$215,000 in funding (including \$140,000 for one-time implementation costs) for a new claims management system to streamline the processing of public liability and workers' compensation claims. The new system is anticipated to be implemented over the next year. To allow for a transition to the new system, the Department's proposed budget includes \$241,000 in one-time funding for the 1-year extension of the City's existing claims management system.

\$84,000, 0.11 FTE – Chief Financial Officer

The Proposed Budget includes the transfer of a portion of the Chief Financial Officer (CFO) position. The remaining portion, 0.89 FTE remains in the Mayor's Office. The Proposed Budget includes the allocation of various Chief positions to certain non-general fund departments that they support. Historically, the cost of the Chiefs (and formerly the

Department Review: Risk Management

Deputy Chief Operating Officers) has been allocated in a variety of ways, but most recently it has been included in the non-discretionary account for General Government Services Billing (GGSB). This year, the positions are budgeted to be recovered via GGSB *and* are being restructured to certain departments. According to the Department of Finance, the duplicative allotment in GGSB is expected to be fixed in the May Revision. Of note, the Risk Management Fund appears to be the only Internal Service fund that received a Chief allocation (for instance the Fleet Funds, Central Stores, and Publishing Services did not receive a portion of their assigned Chiefs). Since City departments contribute to Risk Management Fund revenues as part of fringe benefit expenditures, all departments and funds with personnel will also be partially covering the cost of the restructured CFO.

Significant Budget Reductions

The FY 2027 Proposed Budget includes the reduction of 2.00 FTEs and related personnel expenditures as part of budget mitigation measures. The 2.00 FTEs include the following:

- (\$224,000, 1.00 Program Coordinator). This reduction eliminates a position that supports the Department's Workers' Compensation team. Although the position is currently vacant, the reduction is anticipated to reduce oversight and responsiveness, and could create delays in the processing of claims to approve legally required medical care and payments to City employees. This could also compromise compliance with federal and State mandates. *Additional equity implications related to this adjustment are included later in this department review.*
- (\$173,000, 1.00 Program Coordinator). The Loss Control Division Program Coordinator is anticipated to impact the City's ability to manage liability risks and

improve safety outcomes. This position is responsible for identifying and mitigating risks, providing specialized training, and leveraging data analytics to enhance risk management strategies. This reduction eliminates the remaining position in the Loss Control Division and would end this program. *Additional equity implications related to this adjustment are included later in this department review.*

Other reductions include:

- (\$247,000) – Benefits Consulting Services Funding Swap. This funding supports a variety of benefit consulting services including actuarial valuations for retiree health and long-term disability, and benefit-related negotiations. These services will continue by leveraging other Risk related funds.
- (\$100,000) – Wellness Program. The Wellness Program provides workshops and physical activity classes throughout the year which will be supported by health plan premiums in FY 2027.
- (\$70,000) – Elimination of funding for a Service Level Agreement with the Department of Finance that has expired.

Significant Revenue Adjustments

Significant revenue adjustments include an increase of \$552,000 for reimbursements for the Loss Recovery Division's work, which is offset by a reduction of \$970,000 as part of a true up to reflect revised non-discretionary revenue projections.

As noted earlier in this section, the Loss Recovery Division investigates and coordinates the collection of damages that are sustained to the City's property and to City personnel. Historically, the revenue recovered is returned to the impacted or asset-owning department. The FY 2027 Proposed Budget would transition this team to a cost-recovery model where a percentage of recovered funds are retained to

Department Review: Risk Management

support the costs of the team’s services, with the remaining recovered damages returning to the impacted departments. Between FY 2021-2025, this team of 4.00 FTEs has recovered \$24.9 million for the City of San Diego (for various funds).

Issues for Council Consideration

Unfunded Requests

Risk Management noted continued staffing constraints, with staffing levels below what is needed to deliver certain programs and services that the Department is mandated to provide. To address some of these needs, Risk Management requested the following notable items, which were not included in the Proposed Budget:

- \$993,000, 10.00 FTE – Workers’ Compensation Support. This adjustment was requested to support the growing claims workload and reduce Workers' Compensation adjuster caseloads to industry-standard levels. According to the department, these additional positions would help resolve delays in workers' compensation claim processing times, and ensure compliance with new laws and regulations that carry the risk of fines and penalties if requirements are not met.
- \$384,000, 3.00 FTE – Occupational Safety and Health Team. The addition would have restored the other 3.00 FTE positions that were reduced in the FY 2026 Adopted Budget from the City’s Occupational Safety and Health team.

According to the Department, these additional staff would help address disparities between City employees related to health and safety. For context, in FY 2022 when the team was restructured to the Compliance Department, the safety team had 7.00 FTE positions who served the 11,943.71 budgeted FTE positions that year, which is equivalent to a ratio of 1:1706. In the FY 2027 Proposed Budget, this ratio would grow to 1:3240; if the additional 3.00 FTE were restored, it would be reduced to 1:1852.

- \$126,000, 1.00 Insurance Analyst to support City departments in reviewing insurance requirements when contracting out services.

Other Risk Management Funds

Risk Management oversees the Public Liability, Workers’ Compensation, and Long-Term Disability Funds. Reserve balances across all three funds are projected to remain significantly below the targets established in the [City Council’s Reserve Policy, 100-20](#). Specifically, the FY 2027 Proposed Budget postpones \$41.1 million in contributions to these reserves to help balance the General Fund, as shown in the table below. The City’s Reserve Policy is expected to be brought forward for an update, in part because required contributions have been waived for several years to help close the City’s ongoing structural deficit. Because these funds, particularly the Public Liability Fund, experience year-to-year volatility, and reserve contributions have been underfunded in recent years, updating the

| SUMMARY OF RISK MANAGEMENT RESERVES (\$ in millions) | | | | |
|--|-------------------------------|-----------------------|----------------------|------------------|
| Description | Public Liability ¹ | Workers' Compensation | Long-Term Disability | Total |
| FY 2027 Projected Reserve Balance | \$ 30.7 | \$ 26.1 | \$ 4.2 | \$ 60.9 |
| FY 2027 Estimated Reserve Policy Target | 53.6 | 42.3 | 6.2 | 102.1 |
| Difference | \$ (22.9) | \$ (16.3) | \$ (2.0) | \$ (41.1) |

¹ The FY 2027 Projected Reserve Balance for Public Liability includes a loan to the Sewer Utility's Municipal Fund for an Industrial Wastewater Control Program (IWCP) subsidy. Without that loan, the Public Liability's balance would be \$38.4 million, (\$15.2 million under the reserve target).

Department Review: Risk Management

reserve policy and establishing a funding plan will be critical to ensuring the stability of these funds and the City's ability to manage risk. Additional information about these three funds is included in this report's Reserves section.

DRE Budget Equity Implications

The following adjustments have equity implications:

Reduction of Workers' Compensation Program Coordinator – (\$224,000)²

The reduction of \$224,000 (1.00 FTE) would have operational impacts on the growing claims caseloads for workers' compensations staff. Currently, the average caseload per adjuster for Workers' Compensation is 203, significantly higher than the industry standard of 158.

Reduction of Loss Control Division Program Coordinator – (\$173,000)³

The reduction of \$173,000 (1.00 FTE) will discontinue all ongoing and ad-hoc reporting for departments, executive leadership, the Mayor, City Council, and on boards and commissions on programs overseen by Risk Management, including Workers' Compensation and Public Liability claims and losses. This would jeopardize the City's ability to effectively monitor, analyze, and report on risk exposures; and may adversely impact informed decision-making.

² This adjustment relates to Risk Management's Tactical Equity Plan (TEP) Goal 3.

³ This adjustment relates to Risk Management's Tactical Equity Plan (TEP) Goal 3, and TEP Objective 3.2.

Special Promotional Programs

Special Promotional Programs are funded through a portion of the City's Transient Occupancy Tax (TOT) revenue, discussed below, and include a collection of programs focused on increasing tourism, promoting artistic and cultural amenities, attracting businesses and economic activity, and supporting visitor-related facilities. These programs are intended to spur additional TOT and other revenue in the City and receive allocations from the TOT Fund.

Impacts of the Mayor's FY 2027 Budget Proposal

The Proposed Budget for Special Promotional Programs is approximately \$149.2 million, which is a decrease of \$6.2 million, or 4.0%, from the FY 2026 Adopted Budget. The decrease is primarily due to a \$6.0 million projected decrease in TOT revenue from the previous fiscal year's Adopted Budget.

Funding for Special Promotional Programs comes from 5.0 of the 10.5 cents of TOT revenue received by the City. Per the San Diego Municipal Code, 5.5 cents of the City's 10.5 cent TOT are deposited directly into the General Fund to support general government services, while the remaining 5.0 cents is deposited into the TOT Fund. Of this 5.0 cents, the Municipal Code requires that 4.0 cents be used to promote the City, while the remaining 1.0 cent can be used for any purpose directed by the City Council.

The expenditure budget displayed in the table on the following page incorporates allocations that support the FY 2027 proposed operating budget for City departments and cover debt service obligations and operating support for public assets.

Discretionary TOT to the General Fund

The Proposed Budget estimated that the 1.0 cent of City Council discretionary TOT

portion will be about \$29.7 million. Of that, \$1.9 million, a reduction of \$186,000, or 11.0%, from prior year is transferred to the Economic Development Department to support the Cultural Affairs Division's operating budget. The remaining Council discretionary portion is used to reimburse General Fund departments or cover debt service obligations and operating support for public assets.

Notably, all other Special Promotional Program funding previously used to support arts and culture programs like Creative Communities (CCSD), Organizational Support (OSP), and Impact have been zeroed out. Additionally, support for the Mayor and City Council allocations for Arts, Culture, and Community Festivals (ACCF) and Public Art Fund remain at zero after they were eliminated in the previous fiscal year's Adopted Budget. These reductions represent a \$12.0 million, or 86.6%, reduction from the previous fiscal year.

The reductions in arts and culture are largely used to increase funding to the Homelessness Strategies and Solutions Department operating budget to offset a revenue reduction in State, County, and other grant funds for homeless, which is detailed in department review section for HSSD.

Reimbursements from TOT Fund to the General Fund

The Proposed Budget includes a \$122.5 million transfer from the TOT Fund to the General Fund for eligible expenditures, reflecting an increase of \$10.7 million, or 9.6%, from the FY 2026 Adopted Budget.

The three departments receiving the largest reimbursement are Fire (\$29.7 million), Parks & Recreation (\$26.6 million), and Homelessness Strategies and Solutions (\$26.5 million).

Department Review: Special Promotional Programs

| SUMMARY OF SPECIAL PROMOTIONAL PROGRAM | | | | |
|---|-----------------------|-----------------------|-----------------------|--------------|
| | FY 2026 ADOPTED | FY 2027 PROPOSED | CHANGE (\$) | (%) |
| REVENUE | | | | |
| <i>TOT - Special Promotional Programs (4.0 cents)</i> | \$ 122,711,367 | \$ 118,951,171 | \$ (3,760,196) | -3.1% |
| <i>TOT - Council Discretionary (1.0 cents)</i> | 30,677,842 | 29,737,793 | \$ (940,049) | -3.1% |
| <i>Use of Fund Balance</i> | 1,845,389 | 221,769 | (1,623,620) | -88.0% |
| <i>Special Events Department</i> | 164,023 | 166,496 | 2,473 | 1.5% |
| <i>Transfer In</i> | - | 99,747 | 99,747 | - |
| TOTAL REVENUE | \$ 155,398,621 | \$ 149,176,976 | \$ (6,221,645) | -4.0% |

| ALLOCATIONS | | | | |
|---|----------------------|----------------------|------------------------|---------------|
| Arts, Culture, and Community Festivals | | | | |
| | \$ 13,852,759 | \$ 1,859,961 | \$ (11,992,798) | -86.6% |
| Cultural Affairs | 13,852,759 | 1,859,961 | (11,992,798) | -86.6% |
| <i>Creative Communities (CCSD)</i> | 1,717,304 | - | (1,717,304) | -100.0% |
| <i>Organizational Support (OSP)</i> | 9,589,606 | - | (9,589,606) | -100.0% |
| <i>Impact</i> | 500,000 | - | (500,000) | -100.0% |
| <i>Administration</i> | 2,045,849 | 1,859,961 | (185,888) | -9.1% |
| Community Festivals | - | - | - | - |
| <i>Mayor/City Council Allocations</i> | - | - | - | - |
| <i>Public Art Fund Allocation</i> | - | - | - | - |
| Capital Improvements | | | | |
| | \$ 21,388,566 | \$ 20,555,490 | \$ (833,076) | -3.9% |
| <i>Convention Center Debt Service</i> | 12,097,441 | 12,097,115 | (326) | 0.0% |
| <i>PETCO Park Debt Service</i> | 9,291,125 | 8,458,375 | (832,750) | -9.0% |
| Economic Development Programs | | | | |
| | \$ 1,027,200 | \$ 1,027,200 | \$ - | 0.0% |
| <i>Business Expansion, Attraction, and Retention</i> | 847,200 | 847,200 | - | 0.0% |
| <i>Economic Development Program Admin.</i> | 180,000 | 180,000 | - | 0.0% |
| Safety & Maintenance of Visitor-Related Facilities | | | | |
| | \$ 7,354,461 | \$ 3,277,225 | \$ (4,077,236) | -55.4% |
| <i>Convention Center</i> | 3,706,586 | - | (3,706,586) | -100.0% |
| <i>Special Events & Filming Department</i> | 1,507,575 | 1,225,940 | (281,635) | -18.7% |
| <i>Mission Bay Park/Balboa Park Imps. Operations</i> | 904,333 | - | (904,333) | -100.0% |
| <i>Risk Management Fund</i> | 103,689 | 106,257 | 2,568 | 2.5% |
| <i>PETCO Park Operations</i> | 1,132,278 | 1,945,028 | 812,750 | 71.8% |
| TOTAL ALLOCATIONS | \$ 43,622,986 | \$ 26,719,876 | \$ (16,903,110) | -38.7% |

| GENERAL FUND TRANSFER & REIMBURSEMENTS | | | | |
|---|-----------------------|-----------------------|----------------------|-------------|
| <i>Discretionary TOT Support for General Fund Activities</i> | 30,677,842 | 29,737,793 | (940,049) | -3.1% |
| <i>Reimbursements for Fire-Rescue (Lifeguards)</i> | 29,700,000 | 29,700,000 | - | 0.0% |
| <i>Reimbursements for Parks & Recreation (Tourism Sup.)</i> | 25,458,773 | 26,588,688 | 1,129,915 | 4.4% |
| <i>Reimbursements for Homelessness Services</i> | 16,987,896 | 26,466,994 | 9,479,098 | 55.8% |
| <i>Reimbursement for Storm Water (Street Sweeping)</i> | 2,994,020 | 2,994,020 | - | 0.0% |
| <i>Reimbursement for Treasurer Administration</i> | 2,678,483 | 2,678,483 | - | 0.0% |
| <i>Reimbursement for Environmental Sidewalk Sanitation</i> | 1,500,000 | 2,545,000 | 1,045,000 | 69.7% |
| <i>Reimbursement for Special Events (Public Safety)</i> | 840,000 | 840,000 | - | 0.0% |
| <i>Reimbursements for Library (Tourism Sup.)</i> | 717,744 | 686,600 | (31,144) | -4.3% |
| <i>Reimbursement for DoF Administration</i> | 141,521 | 141,521 | - | 0.0% |
| <i>Reimbursement for Mission Bay Park Security Services</i> | 78,000 | 78,000 | - | 0.0% |
| TOTAL ALLOCATIONS | \$ 111,774,279 | \$ 122,457,099 | \$ 10,682,820 | 9.6% |

| | | | | |
|--------------------------------|-----------------------|-----------------------|-----------------------|---------------|
| TOTAL | \$ 155,397,265 | \$ 149,176,975 | \$ (6,220,290) | -4.0% |
| <i>Ending TOT Fund Balance</i> | <i>\$ 1,356</i> | <i>\$ 1</i> | <i>\$ (1,355)</i> | <i>-99.9%</i> |

Department Review: Special Promotional Programs

Additionally, significant changes to reimbursements of General Fund eligible expenses include the \$9.5 million, or 55.8%, increase to HSSD, a \$1.1 million, or 4.4%, increase to Parks and Recreation, and a \$1.0 million, or 69.7%, increase to ESD Sidewalk Sanitation program.

Program and Department Budgets

Several promotional programs, agencies, and City departments are supported wholly or in part by the TOT Fund. The following subsections discuss FY 2027 arts and culture funding, Council’s recommendation for the Penny for the Arts goal, funding for visitor-related capital improvements, and economic development program funding.

Arts and Culture Funding

The proposed FY 2027 arts and culture funding is approximately \$1.9 million, a decrease of \$12.0 million, or 86.6%, from the FY 2026 Adopted Budget. The remaining \$1.9 million is to support the Cultural Affairs Division’s operating budget which is discussed in detail in the department review section for the Economic Development Department.

Penny for the Arts Goal

On December 5, 2023, Council approved amendments to [Council Policy 100-03](#), “Transient Occupancy Tax.” In the accompanying resolution ([Resolution 315257](#)), Council established a legislative process whereby the IBA is directed to include “an analysis of whether the Council’s recommendation on the

allocation of the 1 cent TOT in the budget priorities resolution has been met.” The 1.0 cent Council Discretionary TOT portion is equal to 9.52% of total TOT revenue.

On February 9, 2026, as part of the Council’s FY 2027 budget priorities process, Council approved a recommendation from the Economic Development & Intergovernmental Relations and Budget & Government Efficiency Committees to *partially* fund the Penny for the Arts goal at 4.28% of total TOT. Additional information on Council’s FY 2027 Penny for the Arts budget priority can be found in [IBA Report 26-03 REV](#), entitled *FY 2027 Updated City Council Budget Priorities*.

As previously noted, the Proposed Budget meets neither the Penny for the Arts goal nor Council’s Budget Priorities. It allocates \$1.9 million, or 0.6% of total TOT revenue, to arts and culture. Council may wish to discuss whether the Proposed Budget is consistent with Council’s intended recommendation for Penny for the Arts, but we note any additional increases in art and culture funding, without increases in projected TOT revenue, would require offsetting reductions in the Special Promotional Programs budget, which would likely have General Fund implications.

The table below shows the additional funding needed to fund the Penny for the Arts goal at varying levels. To maintain FY 2026 funding levels of 4.28%, an additional \$13.4 million TOT allocation for arts and culture would be required.

| PENNY FOR THE ARTS GOAL (in millions) | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| FY 2027 Proposed Budget | | | | |
| Total Citywide TOT Projection ¹ | \$313.9 | | | |
| Arts and Culture (A&C) Funding | \$1.9 | | | |
| A&C Funding Level % of TOT ² | 0.6% | | | |
| Funding Target Scenarios (%) | 4.3% | 5.5% | 7.5% | 9.5% |
| Funding Target Scenarios (\$) | \$13.4 | \$17.3 | \$23.5 | \$29.9 |
| Funding Gap | (\$11.6) | (\$15.4) | (\$21.7) | (\$28.0) |

1. Excludes revenue from RV parks as that goes directly into the General Fund.

2. To meet the Penny for the Arts blueprint goal of 1¢ of the City’s 10.5¢ TOT rate, the target percentage is 9.52%

Department Review: Special Promotional Programs

Debt Service for Capital Improvements

The Capital Improvements component of the TOT Fund includes debt service payments related to PETCO Park and the Convention Center. The Proposed Budget includes \$20.6 million for capital improvement debt service, an \$833,000, or 3.9%, reduction from FY 2026. The decrease is attributable to a reduction in the annual debt service for PETCO Park after a bond refunding.

Economic Development Funding

The Proposed Budget for Economic Development Programs is approximately \$1.0 million, the same level as FY 2026. The allocation includes \$847,000 for Business Expansion, Attraction & Retention (BEAR) and \$180,000 for economic development programs administration.

Safety & Maintenance of Visitor-related Facilities

The Proposed Budget includes \$3.3 million to support safety and maintenance of PETCO Park, Mission Bay, and Balboa Park, and provide administrative support to the Special Events & Filming Department.

The Proposed Budget removed the operational support for the Convention Center from the Special Promotional Programs budget and places it into the Measure C TOT Convention Center Budget. In FY 2026, the \$3.7 million was used to pay for de-watering of the underground parking structure and to pay the San Diego Tourism Authority (SDTA) to book events for the Convention Center. The Convention Center budget is discussed in our supporting agency report for the San Diego Convention Center Corporation (SDCCC).

The Proposed Budget increased support for PETCO Park operation by about \$813,000, or 71.8%. The operating support pays for Police and Fire costs during special events at PETCO Park, and the public safety event fees increased in FY 2026.

There is also a \$282,000, or 18.7%, reduction

in the allocation to the Special Events & Filming Department and a \$904,000, or 100%, reduction in the allocation to the Mission Bay Park and Balboa Park improvement funds. The reduction to the Mission Bay Park and Balboa Park improvement funds is related to the fund only being used to pay for the Balboa Park train, whose budgeted expenses were absorbed into the General Fund transfer to the Parks and Recreation Department. These changes will be discussed in the department review section for Parks and Recreation.

Department Review: Stormwater

Stormwater

The Stormwater Department is responsible for the maintenance and upkeep of storm drains and associated pump stations that provide flood risk management, and leads the City’s efforts to protect and improve water quality in the City’s waterways and the ocean, including activities that ensure compliance with various water quality regulations such as Total Daily Maximum Loads (TMDL), sediment regulations, and requirements set by the Regional Water Quality Control Board (RWQCB) and other regulators.

Impact of the Mayor’s FY 2027 Proposed Budget

Expenditures in the Proposed Budget for the Stormwater Department total \$66.6 million, which is an increase of \$1.8 million (2.8%). Department revenues decreased by \$55,000 to a total of \$21.6 million.

The total number of positions budgeted is 298.50 FTEs, which is a decrease of 3.00 FTEs from FY 2026.

Significant Budget Additions

\$1.9 million– Levee Maintenance

The only addition for Stormwater in FY 2027 is \$1.9 million for maintenance of the City’s levees. This includes \$1.2 million to begin addressing 300 identified deficiencies on the San Diego River by the Army Corps of Engineers. This will address roughly 70 deficiencies.

There is also an additional \$700,000 for engineering studies to verify the structural integrity of the levees as well as conveyance capacity flows from large storms. Both of the actions are necessary as there is a March 2029 deadline to both address deficiencies and confirm structural soundness of the levees in order to avoid losing levee accreditation. Loss of accreditation would result in the loss of federal funding in the event of a catastrophic failure as well as an expansion of the 100-year floodplain, thereby requiring additional properties to secure flood insurance.

Additional equity implications related to this adjustment are included later in this

| SUMMARY OF STORMWATER BUDGET CHANGES | | | | | |
|---|---------------|----------------------|----------------------|----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 301.50 | \$ 44,098,792 | \$ 20,687,955 | \$ 64,786,747 | \$ 21,624,282 |
| Programmatic Changes | | | | | |
| <i>Levee Maintenance</i> | - | - | 1,900,000 | 1,900,000 | - |
| <i>Budget Mitigation - Asset Maintenance & Repair</i> | - | - | (88,000) | (88,000) | - |
| <i>Budget Mitigation - Unclassified Position Swap</i> | - | (244,352) | - | (244,352) | - |
| <i>Budget Mitigation - Equipment Rental Reduction</i> | - | - | (310,000) | (310,000) | - |
| <i>Budget Mitigation - Low Risk Reductions</i> | - | - | (346,000) | (346,000) | - |
| <i>Budget Mitigation - Administrative Positions</i> | (2.00) | (329,319) | - | (329,319) | - |
| <i>Budget Mitigation - Think Blue</i> | - | - | (400,000) | (400,000) | - |
| <i>Budget Mitigation - Wetlands and Channels</i> | (1.00) | (174,002) | (667,000) | (841,002) | - |
| <i>Budget Mitigation - Regulatory Support</i> | - | - | (907,500) | (907,500) | - |
| <i>Plan Check Reimbursement</i> | - | - | - | - | 300,000 |
| <i>Flood Plain Review Reimbursement</i> | - | - | - | - | 200,000 |
| <i>Removal of One-Time Parking Meter Reimbursement</i> | - | - | - | - | (547,800) |
| Other Changes | | | | | |
| <i>Non-Discretionary Adjustments</i> | - | - | 2,074,872 | 2,074,872 | - |
| <i>Fringe Benefits (Includes Retirement ADC)</i> | - | 705,620 | - | 705,620 | - |
| <i>Other Salaries & Wages</i> | - | 631,271 | - | 631,271 | - |
| <i>Hourly Position Changes</i> | - | (7,640) | - | (7,640) | (7,499) |
| FY 2027 Proposed Budget | 298.50 | \$ 44,680,370 | \$ 21,944,327 | \$ 66,624,697 | \$ 21,568,983 |
| Difference from 2026 to 2027 | (3.00) | \$ 581,578 | \$ 1,256,372 | \$ 1,837,950 | \$ (55,299) |

Department Review: Stormwater

department review.

Significant Budget Reductions

There are General Fund reductions totaling \$3.5 million included in the Proposed Budget for Stormwater to help mitigate the General Fund’s projected deficit. Most reductions will have significant impacts to Stormwater’s operations. The table below provides more detail on these reductions, grouping them by which aspect of Stormwater operations they will impact.

(\$907,000) – Budget Mitigation: Regulatory Support

The largest group of budget reductions impact the Department’s ability to respond to regulatory compliance orders and investigations, most of which are extremely technical and come from the RWQCB. This set of reductions includes:

- \$535,000 for monitoring the Bacteria TMDL Time Schedule Order that will require already overburdened in-house staff to further respond to RWQCB requests.

- \$197,500 in consulting support that assists with responding to regulatory complaints.
- \$175,000 in consulting support that assists in developing water quality improvement plans and funds trash clean-up partnerships.

The bottom-line impact of these reductions, which come on the back of \$2.9 million in cuts in FY 2026, is that current staff will be overburdened with planning and regulatory response requirements, thereby leading to potentially inadequate responses that could lead to greater fines and penalties from regulators in the future.

Additional equity implications related to this adjustment are included later in this department review.

(\$841,000, 1.00 FTE) – Budget Mitigation: Wetland and Channel Clearing

The next largest reduction is \$841,000 for various wetland mitigation and channel clearing activities. These include:

| Stormwater Reductions Included in the Proposed Budget | | |
|---|--|---------------------|
| Reduction Category | Activity | Reductions |
| <i>Regulatory Support</i> | <i>Subtotal</i> | \$ 907,500 |
| Water Quality Monitoring | In-houses reporting on Bacteria TMDL Time Schedule Order | 535,000 |
| Consulting Support | Reduces consultant support for responding to regulatory complaints | 197,500 |
| Watershed Planning | Limits the ability to conduct water quality improvement plans and limits trash clean up partnerships | 175,000 |
| <i>Wetlands and Channels</i> | <i>Subtotal</i> | \$ 841,002 |
| Channel Maintenance | Only 13 miles of the 18 emergency miles will be addressed | 430,000 |
| Wetland Planning | Halts design of three mitigation projects | 237,000 |
| Wetland Mitigation Planner | Reduces ability to plan further projects | 174,002 |
| <i>Think Blue</i> | <i>Removes all General Fund programming</i> | \$ 400,000 |
| <i>Administrative Positions</i> | <i>Subtotal</i> | \$ 329,319 |
| Street Sweeping Program Manager | Reduces support for overseeing street sweeping activities as well as reduces support for Public Records Requests and Get It Done | 243,009 |
| WIFIA Clerk | Would require other staff to fulfill WIFIA reporting requirements | 86,310 |
| <i>Low Priority Reductions</i> | <i>Reductions for low-priority work</i> | \$ 346,000 |
| <i>Rental Expenses</i> | <i>Increase in vehicle & equipment sharing</i> | \$ 310,000 |
| <i>Unclassified Position Swap</i> | <i>Replaces an unclassified position with a classified one</i> | \$ 244,352 |
| <i>Asset Maintenance & Repair</i> | <i>Subtotal</i> | \$ 88,000 |
| Storm drain & Sidewalks | Lowers sidewalk repairs co-located with storm drains | 63,000 |
| Pump Station Maintenance | Limits consulting support for repairs | 25,000 |
| Total Reductions | | \$ 3,466,173 |

Department Review: Stormwater

- \$430,000 for channel maintenance, which will reduce the number of channels that can be maintained from the 18 miles cleared as part of the 2024 emergency down to only 13 miles.
- \$237,000 for wetland mitigation planning, which will halt design work on three mitigation projects.
- \$174,000 and 1.00 FTE for the reduction of a wetland planner position, which will limit the ability of the Department to plan future wetland mitigation projects.

This comes on top of a \$1.7 million reduction in wetland and channel clearing activity in FY 2026. Reducing channel maintenance on the 18 miles will require additional wetland mitigation requirements that are not currently mandated if the maintenance is maintained, while limiting future wetland mitigation planning would limit the Department's ability to clear additional channels in the future even if funding for such activities was made available.

Additional equity implications related to this adjustment are included later in this department review.

(\$400,000) – Budget Mitigation: Think Blue
This reduction includes \$400,000 in outreach and community cleanup funding associated with Think Blue. This reduction, in combination with the \$550,000 reduction from FY 2026, will effectively end the General Fund's support for the Think Blue program, with only \$100,000 in public information funding remaining in the Public, Education and Government (PEG) fund.

Additional equity implications related to this adjustment are included later in this department review.

(\$329,000, 2.00 FTEs) – Budget Mitigation: Administrative Position
This reduction includes two positions that oversee various aspects of the Stormwater

Department's operation. This includes:

- \$243,000 and 1.00 FTE for a Program Manager position that currently oversees the Department's street sweeping operations and other activities including responding to Public Records Act requests and overseeing Get It Done requests and operational deployments. This position was specifically designed to oversee these areas to help the Department become more efficient and responsive to public requests. Without this currently filled position, much of this work will have to wait for current staff to have additional capacity.
- \$83,000 and 1.00 FTE for a clerk position that monitors spending for the WIFIA program. This reporting will now have to be covered by other staff.

Additional equity implications related to this adjustment are included later in this department review.

(\$346,000) – Budget Mitigation: Low Risk Reductions

This collection of reductions is for various activities that carry low risk of violating regulations or causing assets to fail. They include items such as removing backup video monitoring services, delaying the Drainage Design Manual updates, and various other smaller budget reductions.

(\$310,000) – Budget Mitigation: Equipment Rentals

This reduction is possible due to increased sharing of vehicles and equipment by Stormwater staff, as well as lower expected actual spending due to fewer emergencies than in past years. This reduction should not impact service levels. However, a heavy rainy season during the winter of 2026-2027 could require the Department to increase rental costs if emergencies arise.

(\$244,000) – Budget Mitigation: Unclassified Position Swap

This reduction comes from the removal of a

Department Review: Stormwater

Program Manager and replacing the position with a Supervising Management Analyst. This is the Program Manager that currently oversees CIP projects for Stormwater, including oversight over the WIFIA CIP Financing program. The budget savings mostly come from replacing a long-term employee with a new position that is assumed to be a new employee to the City. This will impact current oversight of the WIFIA program with compliance monitoring during the middle of the spending period being shifted to other positions.

(\$88,000) – Budget Mitigation: Asset Maintenance & Repair

These reductions of \$88,000 are related to Stormwater’s activities to repair and replace physical assets. Specific reduction include:

- \$63,000 for sidewalk repairs that are co-located with storm drains. These sidewalk repairs, due to their impact on Stormwater assets, are typically performed by Stormwater as opposed to Transportation. This reduction will lower the number of repairs to only 119 structures out of 1,360 known requests.
- \$25,000 for pump station maintenance, which will limit engineering reports and lengthen repair times.

These reductions come on top of \$1.4 million in reductions for this area in FY 2026, which was mainly related to pump stations.

Significant Revenue Adjustments

Total revenue for the Department in the Proposed Budget decreased by \$55,000. The decrease is mostly related to one-time parking meter revenue from FY 2026 being reduced to meet overall parking meter revenue projections.

This decrease is offset by two proposed revenue increases: one for plan check reimbursements (\$300,000) and one for flood plain review reimbursements (\$200,000). For both of these, Stormwater staff and/or consultants currently conduct plan check and flood plain

reviews for City projects at the request of the Development Services Department. However, for many private party projects, there is no reimbursement for Stormwater. This revenue increase will require the adoption of new fees for FY 2027 in order to be effectuated.

Unfunded Requests

Despite significant known Stormwater needs, the Department only submitted two other budget requests, which both went unfunded in the Proposed Budget.

The first request was for \$1.2 million to right-size the Department’s overtime budget. Adding this amount would bring the Department’s overtime budget up to the actual level of expenditures over the past three years, which is an adjustment that is being made for other operational and infrastructure-focused departments. Stormwater’s overtime budget has not been changed since before FY 2019, when Stormwater was still part of a combined department with Transportation.

The second request was for \$1.0 million to support the potential development and adoption of a Stormwater Fee. This funding would support the development of a stormwater expenditure plan, a cost-of-service study, stakeholder and public outreach, and then the drafting of ballot language for a mail-in ballot procedure under Proposition 218. More information on a potential stormwater funding measure, and various options, is provided below.

Issues for Council Consideration

Storm Water Permit Compliance

In May 2012, the Municipal Storm Water Permit (permit) was adopted by the RWQCB. This permit mandates stringent regulations which require a significant increase in expenditures over the next several decades to ensure compliance.

In FY 2014, the Department prepared a

Department Review: Stormwater

| Performance Measure | Baseline | FY 2026 Performance | Goal |
|--|----------|---------------------|--------|
| Percentage of channels that can carry stormwater flows as originally designed | 34% | 79% | 100% |
| Percentage of identified levee deficiencies addressed | 12% | 13% | 100% |
| Percentage of total storm drain miles past their useful life | 7% | 7% | 0% |
| Percentage of days during wet season when stormwater pump stations are at 100% functionality | 70% | 90% | 100% |
| Amount of trash and debris removed (pounds) during Think Blue cleanups | 35,000 | 27,320 | 35,000 |

Watershed Asset Management Plan (WAMP) that incorporated both the costs of permit compliance and the costs of flood risk management activities. The WAMP is used as a planning tool to project how much funding is necessary for permit compliance, including costs associated with TMDLs, Areas of Special Biological Significance, upcoming compliance deadlines, the deferred capital backlog, and the Department’s operational activities. As part of the lead up to release of the Funding Strategy report in January 2021, the WAMP underwent an extensive update.

Financing Difficulties

Total WAMP compliance cost estimates through FY 2042 total almost \$7.9 billion. This includes \$1.2 billion for flood risk management and other existing stormwater infrastructure needs, and \$6.7 billion for water quality compliance needs. The City lacks a dedicated revenue source to cover these costs.

Stormwater operational funding is not at levels envisioned by the WAMP. The Proposed Budget for stormwater activities totals \$79.3 million, which includes \$66.6 million from the General Fund, \$5.7 million from the Storm Drain Fund, and \$7.0 million from the Environmental Growth Fund for wetland mitigation. This is \$94.7 million below the \$174.0 million in operating funding called for in the WAMP.

There is also a projected \$5.1 billion stormwater infrastructure deficit projected in the last Five-Year CIP Outlook, even after accounting for additional funding associated with Stormwater’s WIFIA program. The FY 2027 Proposed Budget contains \$52.4 million for the Stormwater CIP beyond the WIFIA

program, which is mostly General Fund Debt Financing. However, the majority of this funding (\$30.0 million) is for emergency projects and very high-risk projects, which are costs that are not captured by the WAMP.

Emergency Repairs

Emergency repairs have been a growing concern for a number of years, growing substantially from \$8.9 million in FY 2021 to \$93.6 million in FY 2025, totaling almost \$200 million during that five-year period. These projects rely heavily on debt financing, which is also needed for both the WIFIA program and other General Fund assets. Emergencies are particularly disruptive, because emergency contracts can only address immediate problems, and cannot provide for larger, systemic fixes. Reducing emergencies is a major goal, but limited resources make this difficult. Stormwater emergencies are further discussed in the *Key Citywide Issues: Infrastructure Funding Needs and Capital Improvement Program* sections earlier in this report.

Performance Measures

Limited funding for Stormwater also impacts their ability to meet their Key Performance Indicators (KPIs), as shown in the table above. While there have been some dramatic performance increases in areas such as channel clearing and pump station up time, neither of those metrics were performing at goals, and proposed reductions will most likely degrade departmental performance since reductions are targeted at pump stations and channel clearing.

Compliance Deadlines

The Department faces numerous upcoming compliance deadlines as well, including a

Department Review: Stormwater

potential sediment abatement order in the San Diego Bay, a deadline to install about 1,500 trash capture devices by 2030, and the Wet Weather Bacteria TMDL compliance deadline in 2031.

The City fell out of compliance with the Dry Bacteria TMDL in April 2021, but an ongoing time schedule order (TSO) brought the City temporarily back into compliance. While the TSO is helping the City comply with regulatory deadlines, it also required the City to spend additional money over a number of years. Future noncompliance with these orders and deadlines may lead to penalties of up to \$10,000 per day per violation.

As future deadlines approach, the Department should comment on its ability – or lack thereof – to continue to meet compliance requirements, rectify noncompliant orders, and avoid fines or additional investigative order tasks like the TSO, given existing funding constraints.

Potential Storm Water Funding Measure

The City continues to lack a dedicated funding source sufficient to address the full costs of compliance detailed in the WAMP.

In response to an audit recommendation and previous IBA reports, the Stormwater Department released an initial Funding Strategy in 2021, which included a comprehensive assessment of stormwater needs and an initial analysis of various funding mechanisms the City could pursue. An important conclusion of this Funding Strategy is that the City will likely need to seek a ballot measure to increase fees related to the stormwater system.

Following Council approval of that strategy, the Department began working on a proposed ballot measure that would have created a dedicated stormwater funding mechanism. That work included designing a measure, determining how much revenue it would generate, and seeking public feedback to see if it was viable.

In February 2022, the Department presented a potential ballot measure focused on the creation of a tax on properties in the City at a rate between 4 to 5 cents per square foot of impermeable surface. Such a measure would have cost the typical single-family residence between \$10 and \$14 per month and generated between \$74 million to \$93 million per year for stormwater activities. Currently, the City's storm drain fee costs single family residences less than \$1 per month and generates approximately \$5.7 million annually.

Following the January 22, 2024 storms, a stormwater funding measure was brought forward to the Rules Committee, and our Office provided background information and a preliminary fiscal and operational analysis of the proposal. That proposal envisioned a 7 cent per square foot of impervious surface tax, which was estimated to generate \$129.6 million annually. As drafted, the ordinance that was being considered would have required approval by two-thirds of City voters. Ultimately, no stormwater measure was placed in the November 2024 ballot due to the high voter threshold.

Ensuring appropriate funding is available for Stormwater will become increasingly important in future years, as the debt service payments on capital financing such as the WIFIA program come due. Based on the estimate provided when the WIFIA program was approved, total annual repayments for the program could be as high as \$35 million (repayment for both WIFIA loans and required matching lease revenue bond repayments) starting in FY 2029.

Significantly more revenue will be required to decrease Stormwater's compliance and capital funding gap. The City has many needs that cannot be fully supported by existing revenue, and the need to establish a funding source that can provide for those needs – including clear regulatory demands like those for Stormwater – is critical.

Department Review: Stormwater

Proposition 218 allows for property-related fees to be adopted through a different balloting mechanism than voter approval at a general election. A local government entity, such as the City, can conduct a cost-of-service study which meets all of Prop 218's compliance requirements, and following the completion of that study, the Council could then notice a public hearing, sending the notice with a protest option to all impacted properties. If the City receives total protests of less than 50% of noticed property owners, the City could then, through a public hearing, authorize sending all property owners a ballot seeking an affirmative vote for passage of the fee.¹ Passage would only require a majority of returned ballots to have an affirmative vote. Utilizing this process, however, would require that any fees developed would be levied on all property owners proportionately, including the City and other governmental and non-profit property owners, including State-owned properties, federal properties, and schools.

DRE Budget Equity Implications

The following adjustments have equity implications:

\$1,200,000 – Levees Maintenance²

The obligation to maintain levees at the levels at which they remain certified and accredited creates direct economic benefits for homeowners and the City by allowing the City to participate in the Community Rating System (CRS), providing property owners with a 15% discount on flood insurance premiums. If FEMA accreditation is not maintained for the engineered levees, particularly along the San Diego River and Tijuana River, the City becomes at risk of being remapped into high-risk zones, increased difficulty charting consistent maintenance plans, and this may contribute to

potentially costly flood insurance for residents.

(\$907,000) – Budget Mitigation: Regulatory Support³

These reductions, which are in addition to \$2.9 million in cuts in FY 2026, are likely to result in staff being overburdened with planning and regulatory response requirements and could lead to potentially inadequate responses that could result in greater fines and penalties from regulators in the future. When these fines and penalties are levied, the City has very little discretion in their content and amount, which could require pulling resources away from other activities in order remedy the fines.

The \$907,000 reduction to Regulatory Support is part of a set of reductions that includes Equity Implications, specifically for two reductions within the larger reduction amount.

- \$175,000 in consulting support that assists in developing water quality improvement plans and funds trash clean-up partnerships.
- \$535,000 for monitoring the Total Maximum Daily Load (TMDL) that is used to calculate the maximum amount of a specific pollutant that a waterbody can receive while still meeting water quality standards.

(\$841,000, 1.00 FTE) – Budget Mitigation: Wetland and Channel Clearing⁴

The reduction of a staff member in Wetland and Channel Clearing will impact Stormwater assets and may compound impacts from reductions in Think Blue and Stormwater's administrative support staff: the amount of work that is needed to maintain stormwater infrastructure is already at a critical level given

¹ This process is similar to the process that City currently utilizes for water, sewer, and trash rates and charges, except for the fact that final rates for those utilities are approved by Council, while stormwater fees would also require an affirmative vote of property owners.

² This adjustment is related to Stormwater's Tactical Equity Plan (TEP) Goal 2 and TEP Objectives 2.4 & 2.5.

³ This adjustment is related to Stormwater's Tactical Equity Plan (TEP) Goal 1 and TEP Objective 1.6.

⁴ This adjustment is related to Stormwater's Tactical Equity Plan (TEP) Goal 2 and TEP Objectives 2.1 & 2.5.

Department Review: Stormwater

existing staffing levels. Additional reductions could have a greater financial impact in the future, especially in historically underserved communities that rely heavily on the City's stormwater system.

(\$400,000) – Budget Mitigation: Think Blue⁵

The reduction of education and outreach in the Think Blue program has equity implications in access to information and educational sessions for residents, businesses, and industry to understand the causes of stormwater pollution and pollution behaviors that can be adopted to improve water quality in San Diego. The lack of resources to perform education and outreach may result in more debris and trash in City assets, such as streets, drains, pipes, and channels, requiring more costly repair and mitigation.

(\$329,000, 2.00 FTEs) – Budget Mitigation: Administrative Position⁶

The reduction of administrative staff in this area would impact Stormwater's ability to respond to Get It Done requests in a timely manner, thus putting assets at further risk and more costly maintenance or mitigation. One of these positions is also responsible for responding to Public Records Requests, and this work would have to be absorbed by other staff in order to respond to requests within 10 days per the California Public Records Act (CPRA), Government Code section 6253. Other requests, like those submitted through Get It Done, may take longer to be addressed given the staff time needed to ensure compliance with CPRA.

⁵ This adjustment is related to Stormwater's Tactical Equity Plan (TEP) Goal 2 and TEP Objective 2.6.

⁶ This adjustment is related to Stormwater's Tactical Equity Plan (TEP) Goal 1 and TEP Objective 1.2.

Department Review: Transportation

Transportation

The Transportation Department operates and maintains assets within the City’s right-of-way, including streets, sidewalks, streetlights, traffic signals, and street trees; plans and coordinates the activities of other entities within the City’s rights-of-way, including public and private utilities; and performs traffic and transportation engineering. The Department has five main divisions: Administration, Right-of-Way (ROW) Management, Street, Business Operations, and Transportation Engineering Operations (TEO).

In addition to the General Fund, the Department receives operating and Capital Improvement Program (CIP) funds from various sources, including the Underground Surcharge Fund, the Gas Tax, the Road Maintenance and Rehabilitation Act (RMRA) Fund, and TransNet. This Department Review will also provide an overview of those funds and significant programmatic changes.

General Fund

Impact of the Mayor’s FY 2027 Proposed Budget

The FY 2027 Proposed General Fund Budget for Transportation is \$131.3 million, an increase of \$10.1 million (8.4%) over the FY 2026 Adopted Budget. The total number of positions for the Department in the General Fund is 503.19, which is a decrease of 15.25 FTEs.

Significant Budget Additions

\$2.7 million – Overtime Adjustment for Salary Increases

The largest increase in FY 2027 for Transportation is \$2.7 million in additional overtime. This addition is to address overtime expenditures related to general salary increases and other adjustments since FY 2021. Overall, numerous classifications have had salary increases since FY 2021, but the amount

| SUMMARY OF TRANSPORTATION GENERAL FUND BUDGET CHANGES | | | | | |
|---|----------------|----------------------|----------------------|----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 518.44 | \$ 74,080,346 | \$ 47,108,094 | \$ 121,188,440 | \$ 86,004,477 |
| Programmatic Changes | | | | | |
| <i>Overtime Adjustment for Salary Increases</i> | - | 2,700,000 | - | 2,700,000 | - |
| <i>Ready, Set, Grow Grant Spending</i> | - | - | 2,620,000 | 2,620,000 | 3,756,664 |
| <i>Asphalt and Cement Expenses</i> | - | - | 801,000 | 801,000 | - |
| <i>Overtime for Other Departments</i> | - | 748,148 | - | 748,148 | 748,148 |
| <i>Air Pollution Control District Settlement</i> | - | - | 708,335 | 708,335 | - |
| <i>Sidewalk CIP Overtime</i> | - | 300,000 | - | 300,000 | 300,000 |
| <i>Position Restructure</i> | 1.25 | 95,482 | - | 95,482 | - |
| <i>Budget Mitigation - Ready, Set, Grow Program Coordinator</i> | (1.00) | (203,459) | - | (203,459) | - |
| <i>Budget Mitigation - Parking Program Manager</i> | (1.00) | (492,281) | - | (492,281) | - |
| <i>Budget Mitigation - Multimodal Team</i> | (14.50) | (2,908,698) | - | (2,908,698) | - |
| <i>Gas Tax Adjustment</i> | - | - | - | - | 1,194,224 |
| <i>Parking Meter Adjustment</i> | - | - | - | - | (794,608) |
| Other Changes | | | | | |
| <i>Non-Discretionary Adjustments</i> | - | - | 2,822,616 | 2,822,616 | - |
| <i>Other Salaries & Wages</i> | - | 2,346,864 | - | 2,346,864 | - |
| <i>Fringe Benefits (Includes Retirement ADC)</i> | - | 1,552,923 | - | 1,552,923 | - |
| <i>Hourly Personnel Adjustments</i> | - | (3,715) | - | (3,715) | (9,200) |
| <i>Removal of One-Time FY 2026 Items</i> | - | (750,000) | (209,018) | (959,018) | (2,231,140) |
| FY 2027 Proposed Budget | 503.19 | \$ 77,465,610 | \$ 53,851,027 | \$131,316,637 | \$ 88,968,565 |
| Difference from 2026 to 2027 | (15.25) | \$ 3,385,264 | \$ 6,742,933 | \$ 10,128,197 | \$ 2,964,088 |

Department Review: Transportation

| Performance Measure | Baseline | FY 2026 Performance | Goal |
|---|----------|---------------------|------|
| Citywide Pavement Condition | 63 | 65 | 70 |
| Total Sidewalk Locations Repaired Compared to Total Need | 4% | 11% | 100% |
| Average Number of Days to Abate Graffiti in the Right-of-Way | 7 | 3 | 3 |
| Percentage of vegetation coverage with a minimum height of 8 ft | 13% | 13% | 35% |
| Percentage of Streetlights Functioning Correctly | 88% | 88% | 100% |

budgeted for overtime in Transportation has remained flat during that time. Making this adjustment will partially cover the Department’s overtime overages, which have dramatically increased since FY 2023. Additionally, the Department has increasingly relied on overtime to maintain various service levels, such as repairs for potholes, sidewalks, and streetlights, though those service levels fall short of Key Performance Indicator goals as shown in the table above. This addition will allow the Department to continue some overtime operations at prior year levels, thereby preserving some of those service levels.

Additional equity implications related to this adjustment are included later in this department review.

\$2.6 million – “Ready, Set, Grow” Grant

The next largest increase is \$2.6 million for contractual planting work that is part of the City’s “Ready, Set, Grow” grant with the U.S. Forest Service. This grant, which totals \$10 million, supports the planting of trees within communities of concern. With planting basically completed in FY 2026, this amount is mostly for watering of the new trees. This expenditure is fully offset by grant revenue, which additionally funds 4.00 FTE positions that were added in FY 2025 for this program. With this allocation, the City will have spent approximately \$7.5 million of the total grant, assuming that all activities in FY 2026 and FY 2027 are completed. This is a different tree planting program than the APCD settlement, which is further described below.

Additional equity implications related to this adjustment are included later in this department review.

\$801,000 – Asphalt and Cement Expenses

This increase will cover the costs for additional materials the Department needs to maintain current sidewalk, mill and pave, and pothole repair services. Due to a combination of increased work and inflation, the Department has been overspending its budget for these materials. This adjustment aligns the budget to the four-year average (FY 2022 – FY 2025) of expenditures for these materials.

\$748,000 – Overtime for Other Departments

As part of the FY 2027 budget process, Transportation solicited requests from other City departments for maintenance needs or repairs that they desired in FY 2027. These repairs include activities that Transportation crews typically conduct within the right-of-way, but are located on properties maintained by other asset managing departments. This includes ADA ramps, sidewalk and concrete repair, repair and replacement of light poles, and other projects. This expenditure increase covers the additional overtime the Department needs to fulfill these requests. Of this amount, the vast majority will be for work for Parks & Recreation, and will be funded through a combination of the Regional Park Improvement Fund and other various non-General Fund sources, while a smaller contribution is coming from the Airports Enterprise Fund for electrical work at the airports.

Additional equity implications related to this adjustment are included later in this department review.

\$708,000 – Air Pollution Control District Settlement Funding

This is a one-time increase of \$708,000 related to a settlement agreement with the Air

Department Review: Transportation

Pollution Control District (APCD). This settlement was agreed to in FY 2023 and requires the City to spend \$4.7 million over five years on tree planting, watering, and outreach. While this is a one-time addition, Transportation noted that there was already an ongoing allocation of this amount included in its base budget, and thus this addition is an error. Therefore, this addition will be removed in the May Revision, but the program will remain fully funded for its FY 2027 needs. FY 2028 should be the end of the program as that is when the City's commitment will be fulfilled.

Additional equity implications related to this adjustment are included later in this department review.

\$300,000 – Sidewalk CIP Overtime

This adjustment covers overtime required to complete additional sidewalk repair and replacement projects by Transportation crews. This expenditure increase is offset by a corresponding amount of revenue from the CIP.

Additional equity implications related to this adjustment are included later in this department review.

\$95,000, 1.25 FTEs – Position Restructure

The last significant adjustment is a restructuring of positions from other funds or departments into the General Fund budget for Transportation. This increases the General Fund FTE count for Transportation by 1.25 FTEs, with a less than \$100,000 increase in costs. One of these positions is an Associate Management Analyst that was previously erroneously budgeted in City Planning. The remaining 0.25 FTE adjustment comes from moving 0.75 FTE of a Supervising Management Analyst from the Underground Surcharge Fund to the General Fund, while also moving 0.50 FTE of a Deputy Director from the General Fund to the Underground Surcharge Fund. These adjustments align the personnel expenses for these positions with the funds that they support.

Significant Budget Reductions

(\$2.9 million, 14.50 FTEs) – Budget Mitigation: Multimodal Team

The largest reduction for Transportation is the elimination of 14.50 FTEs and \$2.9 million in expenditures for the Multimodal Team, most of which are filled positions. This team supports the development of bikeways, particularly those bikeways that are developed and installed alongside the City's paving programs. With the removal of this team, the Department will no longer design and install bikeway improvements alongside paving projects, which will have the effect of halting new bikeway installations.

Additional equity implications related to this adjustment are included later in this department review.

(\$492,000, 1.00 FTE) – Budget Mitigation: Parking Program Manager

This reduction would eliminate an unclassified Program Manager in the Parking and Curb Management division. This position currently oversees implementation of parking management programs and impacts, and has carried a significant workload over the past two years that resulted from numerous changes and expansions of on-street parking meter programs. While the workload of this position is expected to decrease with no further parking expansions currently envisioned, eliminating the position would move the remaining workload to another Program Manager position.

(\$203,000, 1.00 FTE) – Budget Mitigation: “Ready, Set, Grow” Program Coordinator

This reduction would eliminate an unclassified position that currently manages the “Ready, Set, Grow” and APCD settlement programs. Eliminating this position will shift oversight responsibilities to the City Forester until those programs end, which is anticipated to be in FY 2028 for both programs.

Additional equity implications related to this adjustment are included later in this

Department Review: Transportation

department review.

Significant Revenue Adjustments

\$1.2 million– Gas Tax Revenue Adjustments
Reimbursements to the General Fund from Gas Tax disbursements are increasing by \$1.2 million in FY 2027 on a one-time basis. Further discussion of Gas Tax Revenue is provided below under *Issues for Council Consideration*.

(\$795,000) – Parking Meter Adjustment

This is an ongoing adjustment to reimbursable revenue from Parking Meter funds, accounting for an overall decline in anticipated parking meter revenue. More information is provided in the *Department Review: City Treasurer* section of this report.

Issues for Council Consideration

Additional Requests for Transportation Services

Even with the City’s known structural budget deficit, the Transportation submitted 18 additional funding requests which together totaled 82.00 FTEs and \$33.7 million in expenditures. The Department requested these items to demonstrate both the overall need for right-of-way maintenance and repair, as well as to provide details on costs for various highly requested items. Notably, some of the Department’s unfunded requests will be provided in the May Revision as part of appropriating excess RMRA funds from prior years. These include the Speed Management Plan and Pavement Condition Assessment. Additionally, funding for the “Fatal 15” intersections have been provided through TransNet funding.

The discussion that follows below provides additional context for the largest unfunded requests.

Streetlight Repair Program

This request, which is by far the largest unfunded request at \$16.1 million, would have funded an additional team of electricians,

engineers, and other staff to proactively conduct streetlight repairs. Currently, City staff dedicated to streetlights have been spending a large portion of their time conducting underground locate functions that are mandated by the State before digging is allowed in the right-of-way. This has resulted in most streetlight repairs having to be performed on an overtime basis, which is also leading to a growing backlog of streetlight repair cases. Notably, this request also includes \$10.8 million in one-time funds for an outside contractor to reduce the City’s current backlog of 6,500 streetlight cases.

Quick Build Team

The next largest unfunded request is for a Quick Build team consisting of 24.00 FTEs and \$3.2 million. This team would focus on installing safety improvements at intersections where fatal crashes have occurred, with installations including items such as roundabouts and pedestrian refuge islands. Revenue associated with this team would either come from CIP or parking meter funds. However, in order for that revenue to be realized in FY 2027, additional parking fund or CIP dollars would need to be made available for this purpose beyond what is included in the Proposed CIP Budget.

Street Tree Sidewalk Repair Team

This addition of 18.00 FTEs and \$2.7 million would have added positions to design sidewalk repairs around trees, as well as a full team to complete sidewalk repairs in-house. The sidewalk repair crew would be reimbursable from the CIP, again assuming that funding was made available for it.

Bridge Management Contract

This is an ongoing unfunded request for \$2.0 million for a contractor to perform repairs across the City’s 140 vehicular bridges. This amount would cover 20 bridges per year. There are currently no dedicated resources for bridge repair.

Department Review: Transportation

Reductions Not Included in the Proposed Budget

For the FY 2027 Proposed Budget, the Transportation Department was requested to submit budget reduction proposals totaling 5% of its FY 2026 Adopted Budget. Transportation submitted numerous potential reductions that were *not* included in the Proposed Budget. The table below presents those proposed reductions. Notably, many items were proposed for reductions, particularly surrounding tree services and traffic counts, where the Department was also requesting additional funds in FY 2027.

| Transportation Proposed Reductions <i>Not</i> Included in the Proposed Budget | |
|---|---------------------|
| Programmatic Addition | Total |
| Tree Maintenance | 1,836,000 |
| Weed and Brush Abatement | 1,600,000 |
| Graffiti Abatement | 600,000 |
| Traffic Data Collection Services | 200,000 |
| Totals | \$ 4,236,000 |

The proposed reductions only included non-personnel expenditures such as:

- \$1.8 million for tree planting, watering, and maintenance services, which would have eliminated all proactive tree maintenance and extended reactive maintenance times.
- \$1.6 million for weed abatement, which would have eliminated funding for weed and brush abatement services conducted by contractors.
- \$600,000 for graffiti abatement, which would have removed funding for abatement on residential properties.
- \$200,000 for traffic data collection services, which would have eliminated the funding for speed surveys and vehicle counts. These data collection services support traffic engineering assessments for activities such as speed limit setting, installation of traffic calming devices, and

the railroad quiet zone.

Street Repaving Program

Street repaving continues to be a high priority for the Council and public. Since street repaving is an activity that spans many funds across both the CIP and operating budget (overlay is in the CIP, and slurry seal is in the operating budget), our Office compiled a summary of the street repaving budget and changes between the FY 2026 Adopted Budget and the FY 2027 Proposed Budget, displayed in the table below.

| ROAD REPAVING ALLOCATIONS | | |
|---------------------------------|----------------------|----------------------|
| Slurry Seal | | |
| Funding Source | FY 2026 | FY 2027 |
| RMRA Fund | \$ 36,347,892 | \$ 39,532,696 |
| Total New Appropriations | \$ 36,347,892 | \$ 39,532,696 |
| Overlay/Reconstruction | | |
| Funding Source | FY 2026 | FY 2027 |
| Financing | \$ 26,873,918 | \$ 6,888,685 |
| RMRA Fund | - | 3,300,000 |
| TransNet Fund | 17,499,642 | 14,314,300 |
| Trench Cut Fund | 2,470,000 | 2,470,000 |
| Total New Appropriations | \$ 46,843,560 | \$ 26,972,985 |

For slurry seal, there is a \$3.2 million increase in total new appropriations in FY 2027, with funding for slurry seal exclusively coming from the Road Maintenance and Rehabilitation Act (RMRA).

For overlay projects, the FY 2027 Proposed Budget dramatically reduces funding levels compared to FY 2026. Overlay and road reconstruction funding dropped by \$59.1 million from FY 2025 to FY 2026, and is now proposed to drop by another \$19.9 million in FY 2027. This is primarily attributable to a decline in financing proceeds, as there is less available debt across all General Fund CIP projects for FY 2027. TransNet support also declines by \$3.2 million, which is offset with additional RMRA dollars, which have not gone towards overlay in the past few years.

Both these amounts are below the funding levels called for in [the latest Pavement Management Plan update](#). In order to achieve a PCI of 70, slurry seal and other maintenance project

Department Review: Transportation

funding would need an additional \$9 million more, for a total of \$49 million, while overlay and other capital investment projects would need to be \$72 million more, for a total of \$99 million. According to the update, the FY 2027 Proposed Budget level of funding will result in a PCI level of 63, with continued deterioration if funding levels do not increase. As roads deteriorate, they become more expensive to repair in the long term as more expensive treatments are required to improve their condition.

Transportation Fund Allocations

The table below provides a summary of various transportation related funds, as well as a comparison of the programmatic activities they support.

| TRANSPORTATION FUNDS | | |
|---|----------------------|----------------------|
| Gas Tax | FY2026 | FY2027 |
| Fund Admin | \$ 66,250 | \$ 66,250 |
| Street Median Maintenance | 1,672,628 | 2,372,649 |
| Traffic Engineering Support | 6,813,920 | 6,813,920 |
| Streets Maintenance | 27,133,102 | 28,327,346 |
| MADs | 1,838,168 | 1,921,357 |
| Streets Crack Seal/Traffic Loop Replacement | 1,800,000 | 1,800,000 |
| Total | \$ 39,324,068 | \$ 41,301,522 |
| RMRA | FY2026 | FY2027 |
| Streets Slurry Seal | \$ 36,347,892 | \$ 39,532,696 |
| CIP Repaving | \$ - | \$ 3,300,000 |
| Total | \$ 36,347,892 | \$ 42,832,696 |
| TransNet | FY2026 | FY2027 |
| Fund Administration | \$ 462,680 | \$ 490,950 |
| Traffic Engineering Support | 5,500,000 | 6,350,000 |
| Bikes and Signals | 300,000 | 1,117,700 |
| Streets Maintenance | 13,741,596 | 14,581,215 |
| Bike STAT Team | 1,100,000 | 796,400 |
| CIP Projects | 25,163,724 | 25,758,735 |
| Total | \$ 46,268,000 | \$ 49,095,000 |

Notable changes in the programmatic funding associated with these funds include:

- Overall Gas Tax funding is increasing by \$2.0 million, with a majority of this funding going to support streets maintenance (General Fund reimbursement). Other increases include additions for Street Median Maintenance and a small increase for Maintenance Assessment Districts.

- RMRA funds are anticipated to increase by \$6.5 million, with increases to slurry seal and CIP repaving. However, the CIP appropriation is being supported by fund balance, and not ongoing RMRA revenues, and thus is considered a one-time expenditure. This fund balance was accrued through various slurry seal projects being completed underbudget. Additionally, there are anticipated to be three additional appropriations made from RMRA fund balance in the May Revision, which are anticipated to be \$2.4 million for the Speed Management Plan, \$2.0 million for a specific road repaving CIP project, and \$1.0 million for a new Pavement Condition Assessment.
- Overall TransNet revenues are projected to increase by \$2.8 million, with most of the increases going to fund operating expenditures such as streets maintenance, traffic engineering support, and bikes and signals maintenance. For bikes and signals, this is mostly maintenance work for existing infrastructure, and the majority of the increase is for \$550,000 for the “Fatal 15” intersection improvements.

Many of these funds can be utilized for a variety of activities within the right-of-way, including General Fund reimbursement for maintenance activities, funding for paving and other capital projects, or specific projects. While funding from these sources alone is not sufficient to *fully* support most needs, tracking funding amounts is important to allow for Council input on which needs should be supported from these funds.

DRE Budget Equity Implications

The following adjustments have equity implications:

Department Review: Transportation

Addition of Overtime - \$2.7 Million¹

The addition of \$2.7 million for staff overtime supports the Department’s efforts to address the backlog of key services, as shown in the table below.

| Key Service Request Backlog (Actuals - April 2026) | | | |
|--|--------------------------------------|-------------------------|---------------|
| Asset | Service | Case Age (average days) | Backlog |
| Roadways | Potholes | 10 | 232 |
| Electrical | Streetlights | 541 | 7,074 |
| | Traffic Signals | 124 | 219 |
| | Traffic Signal Modification Projects | 552 | 55 |
| | Sign Maintenance | 497 | 4,503 |
| Traffic | Sign Installation | 804 | 1,811 |
| | Striping | 761 | 2,321 |
| | Graffiti | 523 | 3,807 |
| Code Compliance | Vegetation | 763 | 2,984 |
| | Trench | 37.5 | 46 |
| Total | | | 23,052 |

This addition would not go so far as to fully eliminate the backlog across all services, indicating an equity implication around the prioritization process for distributing resources.

Note: *for Traffic Signals, this backlog includes signal projects in addition to malfunctions; projects typically have longer completion timelines. The median response time for completed cases is 10 days, reflecting that most malfunction responses are resolved in very short timeframes.*

\$748,000 – Overtime for Other Departments²

The Department of Transportation receives requests from other departments, such as Parks and Recreation, to respond to maintenance needs across the City's park systems. Additional requests for ADA Compliance & Accessibility, located in the Engineering & Capital Projects Department, are also being addressed by the Transportation Department

to address curb ramp enhancements that impact people with disabilities. The overtime request allocation allows the Transportation Department to complete work for other departments without reducing the backlog mentioned for Transportation-managed assets. Equity implications include considering how service maintenance gaps are interconnected across departments; therefore, from an operational perspective, the ongoing need to prioritize gaps and backlog can be viewed as an ongoing budget addition rather than a one-time overtime addition each budget cycle.

Support for Ready, Set, Grow San Diego - \$2.6 Million³

The addition of \$2.6 million reflects fully reimbursable work from a \$10 million U.S. Forest Service grant. This funding would support City efforts to bolster equity within the identified project area and the CAP action item to plant 40,000 trees in Communities of Concern by 2035. The grant award must be applied to Disadvantaged Communities as identified by the U.S. Environmental Protection Agency (EPA).

Support for the Air Pollution Control District Settlement - \$708,000⁴

The addition of \$708,000 is a requirement stipulated in the Air Pollution Control District (APCD) settlement to support tree planting and maintenance. This project began in July of 2023 and will continue until the end of December 2028. All tree activity will be prioritized by communities that face higher than average air pollution, followed by communities that are in the 70th percentile or higher under the CalEnviroScreen 4.0 model. Nearly all communities within the project area reflect Communities of Concern per the City’s

¹ This adjustment relates to Transportation’s Tactical Equity Plan (TEP) Goals 2 and 4, and TEP Objectives 2.2 and 4.1

² This adjustment relates to Transportation’s Tactical Equity Plan (TEP) Goals 2 and 4, and TEP Objectives 2.2 and 4.1

³ This adjustment relates to Transportation’s Tactical Equity Plan (TEP) Goal 2

⁴ This adjustment relates to Transportation’s Tactical Equity Plan (TEP) Goal 2

Department Review: Transportation

Climate Equity Index (CEI).

Support for Sidewalk Repair - \$300,000⁵

The addition of \$300,000 in overtime for sidewalk repair supports the department’s efforts to address the backlog of services shown in the table below.

| Sidewalk Service Request Backlog (Actuals - April 2026) | | | |
|---|-------------------------------|-------------------------|--------------|
| Asset | Service | Case Age (average days) | Backlog |
| Sidewalks | Sidewalk Ramping | 90 | 421 |
| | Sidewalk Repairs/Replacements | 1,269 | 8,583 |
| Total | | | 9,004 |

As previously noted, sidewalk service levels fall short of the Department’s Key Performance Indicator goal. This addition would not go so far as to fully eliminate the backlog of all sidewalk services, indicating an equity implication around the prioritization process for distributing resources.

Note: *for Sidewalk Ramping, the elevated average age reflects prior capacity constraints and backlog growth in CY 2025, when the loss of rental vehicles and limited overtime reduced production, while Stormwater Department referrals increased incoming volume. While the backlog has since been reduced substantially (~820 in October 2025 to ~420 currently), the remaining inventory still reflects that earlier accumulation.*

Reduction of Program Coordinator - \$203,000⁶

The reduction of \$203,000 (1.00 FTE) comes with significant workforce implications within the Urban Forestry Program. The Program Coordinator position was initially added to the department on a full-time, permanent basis as part of the APCD settlement noted above. The position serves as the Contract Manager for all tree-related contracts

including but not limited to: RFP development, contract compliance, renewals, budget forecasting, developing annual tree-related contractual work product and KPIs. This position operates at the intersections of complex disparities reflected within the City’s Climate Equity Index (CEI), oversees policy and code updates, and supervises 8.00 FTEs. As noted above, with the elimination of this position, the workload shifts to the Urban Forestry Program Manager, creating a heavy workload.

Reduction of Multi-Modal Team - \$2.6 Million⁷

The reduction of \$2.6 million (14.50 FTE) will eliminate new bikeway installations. This will decrease progress towards the City’s Climate Action Plan target to shift 50% of all trips in the city to biking, walking, and transit by 2035. To mitigate workforce impacts, the Program Manager responsible for supervising these positions will absorb the responsibilities of the Parking Program Manager position proposed to be reduced in FY27 because of the reduction of the Multi-Modal Team.

Underground Surcharge Fund

Impact of the Mayor’s FY 2027 Proposed Budget

The Underground Surcharge Fund collects fees from electricity rates for the purpose of undergrounding electric utility lines. The FY 2027 Proposed Budget for the Underground Surcharge Fund includes \$165.6 million in expenditures and 26.63 FTEs. This is an increase of \$85.6 million and 1.89 FTEs from the FY 2026 Adopted Budget. The majority of this increase (\$92.6 million) is to align the budget with anticipated construction expenses in FY 2027.

⁵ This adjustment relates to Transportation’s Tactical Equity Plan (TEP) Goals 2 and 4, and TEP Objectives 2.4 and 4.1

⁶ This adjustment relates to Transportation’s Tactical Equity Plan (TEP) Goal 2

⁷ This adjustment relates to Transportation’s Tactical Equity Plan (TEP) Goal 3, and TEP Objective 3.1

Department Review: Transportation

There are two notable positions adjustments as well. The first is the addition of 2.00 FTEs and \$301,000 for two engineering positions. These positions are necessary due to the anticipated enhanced ramp-up of projects in the coming year as well as a new Service Level Agreement with the Engineering & Capital Projects Department.

The other position adjustment is a net decrease of 0.11 FTEs due to position restructuring. This includes the position adjustments for moving a portion of a Supervising Management Analyst out of this fund to the General Fund, with a portion of a Deputy Director moving from the General Fund to this fund, as previously discussed, offset by the addition of 0.14 FTE for a Deputy Chief Operating Officer. This is the only Special Revenue Fund that is receiving a portion of a Deputy Chief Operating Officer position.

Revenues total \$93.7 million, which is an increase of \$3.7 million from FY 2026. This increase in franchise fee revenue is due to the same factors that are contributing to increased Franchise Fee revenue in the General Fund. For more information, refer to the *General Fund Revenues Overview* section.

Additional equity implications related to this adjustment are included later in this department review.

DRE Budget Equity Implications

The following adjustments have equity implications:

Support for Utilities Undergrounding Program Construction Services - \$92.6 million⁸

The addition of \$92.6 million aligns surcharge construction with projected expenditures in FY 2027. Although the City has been undergrounding lines since 1970, approximately 1,000 miles of overhead utility lines remain to be undergrounded. Previously, the Utilities Undergrounding Program (UUP) did not have a formalized model used to pick projects. In FY 2026, the Department proposed the UUP Master Plan which includes a prioritization framework that cements each factor for consideration and their corresponding weight. As part of that effort, the Department conducted a mapping analysis of where planned projects align with areas designated as Communities of Concern per the City’s Climate Equity Index (CEI) or High Fire Risk. The UUP Master Plan was passed by City Council in April 2026.

Support for Utilities Undergrounding Program - \$301,000⁹

The addition of \$301,000 (2.00 FTEs) supports improvements in internal operations and these are expected to be reflected externally in the form of more efficient delivery of Utilities Undergrounding Program projects. This

| SUMMARY OF UNDERGROUND SURCHARGE FUND BUDGET CHANGES | | | | | |
|--|--------------|---------------------|-----------------------|----------------------|----------------------|
| Description | FTE | PE | NPE | Total Expense | Revenue |
| FY 2026 Adopted Budget | 24.74 | \$ 4,675,108 | \$ 75,319,800 | \$ 79,994,908 | \$ 90,001,567 |
| Programmatic Changes | | | | | |
| <i>Align Expenses with Expected Actuals</i> | - | - | 92,614,440 | 92,614,440 | - |
| <i>Oversight Improvement</i> | 2.00 | 294,064 | 7,000 | 301,064 | - |
| <i>Position Restructure</i> | (0.11) | 162,401 | - | 162,401 | - |
| <i>Revenue Adjustment Based on Franchise Fee</i> | - | - | - | - | 3,684,616 |
| Other Changes | | | | | |
| <i>Non-Discretionary Adjustments</i> | - | - | 467,480 | 467,480 | - |
| <i>Other Salaries & Wages</i> | - | (135,552) | - | (135,552) | - |
| <i>Removal of One-Time Expenditures from FY 2026</i> | - | - | (7,825,452) | (7,825,452) | - |
| FY 2027 Proposed Budget | 26.63 | \$ 4,996,021 | \$ 160,583,268 | \$165,579,289 | \$ 93,686,183 |
| Difference from 2026 to 2027 | 1.89 | \$ 320,913 | \$ 85,263,468 | \$ 85,584,381 | \$ 3,684,616 |

⁸ This adjustment relates to Transportation’s Tactical Equity Plan (TEP) Goal 2, and TEP Objective 2.3

⁹ This adjustment relates to Transportation’s Tactical Equity Plan (TEP) Goal 2, and TEP Objective 2.3

Department Review: Transportation

program, which aims to enhance the reliability and aesthetics of utility services by moving lines underground, will benefit from the streamlined processes and enhanced oversight brought about by additional staff resources, and this in turn should support the work in historically underserved communities noted above.