



THE CITY OF SAN DIEGO


M E M O R A N D U M


DATE: May 20, 2026

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

FROM: Chair, Budget & Government Efficiency Committee, Councilmember Henry Foster III, District 4 

Council President Pro Tem Kent Lee, District 6 

Councilmember Vivian Moreno, District 8 

Councilmember Sean Elo-Rivera, District 9 

SUBJECT: Fiscal Year 2027 Updated Budget Priorities

Thank you to the Office of the Independent Budget Analyst (IBA) for the opportunity to provide additional input on the final version of the Fiscal Year 2027 (FY27) Budget that will be considered on June 9, 2026. The IBA plays a critical role in the budget development process by providing ethical, transparent, and accurate financial information so that the City Council and members of the public have the data required to positively shape the final budget.

The May Revision provided some much-needed relief to libraries and recreation centers in historically underinvested communities, youth development, and homelessness programs and services. However, the FY27 Proposed Budget and May Revise issued by the Mayor still has reductions that do not adequately account for our city's diverse needs and fall short of protecting core services throughout every district – including additional libraries and recreation centers as well as restorations supporting key community arts and cultural festivals, programs, and events.

Budgetary Approach

The FY27 Budget is now in the hands of the City Council, and the proposed modifications have been informed by the thousands of constituents who have contacted our offices fighting to prevent devastating cuts to the most critical San Diego neighborhood services.

As we approach June 9th, our overarching priority will be to identify efficiencies in proposed restorations to support maintaining a structurally balanced and responsible budget, and to accelerate external philanthropic support to mitigate deep cuts to crucial city programs and services.

Key Restorations

The current budget presents significant challenges, and we recognize that several difficult decisions must be made to pass a balanced budget, as the Charter requires.

Library Department – Full Restoration of Library Hours (\$1,236,192)

Libraries are among the last free public gathering spaces and provide San Diegans of all ages a place of refuge, social connection, educational enrichment, and support.

We appreciate the Department of Finance, the Performance and Analytics Department, and the Office of the Mayor for sharing user data, socio-economic conditions in adjacent impacted communities, current program offerings, and other relevant information to help the Council make informed decisions, particularly regarding libraries and recreation centers. Based on this data and the IBA's Division of Race and Equity (DRE) analysis, equity implications may also be informed by local patterns of service use and demonstrated community needs.

While the May Revise preserves services in several historically underserved communities, it still reduces overall library operations. The City Council must identify additional efficiencies to fully restore the service hours and schedules reduced at nine library locations across the City.

All communities, particularly communities of concern, should have access to the amenities and services provided by libraries, so that every San Diegan can benefit from these critical and cherished public assets. No revenue conservation decision should adversely impact the libraries in communities of concern. It is essential to ensure that all buildings are in good condition, safe, well-maintained, adequately stocked with materials, and accessible to the communities they serve. It is also important that core services in communities with the greatest demonstrated need and reliance on public infrastructure not be disproportionately reduced or eliminated, particularly where equity data and recommendations from the DRE indicate significant service dependence or existing disparities.

Parks and Recreation Department – Full Restoration of Recreation Center Hours (\$1,667,554)

Many San Diegans and families rely on recreation centers for safe, affordable, and family-friendly programming. While restorations in the May Revise are equity focused and provide relief to historically underserved communities in Districts 4, 8, and 9, there are recreation centers in other districts that are heavily utilized, especially youth sports and afterschool hubs. These are heavy park-dependent neighborhoods with many families living nearby.

Further, the remaining reductions will endanger the longevity and viability of equity programming that has received significant philanthropic support, such as Parks After Dark, Come Play Outside, and the Parks Ambassador Program. As noted above, given limited funding, the Council may wish to prioritize restorations based on equity data and recommendations provided by the DRE to ensure resources are directed toward communities with the greatest demonstrated need and reliance on public services.

Economic Development Department – Partial Restoration Arts and Culture Funding (Amount TBD)

The Creative Communities San Diego (CCSD) Program and Organizational Support Program (OSP) are Cultural Affairs Division grant programs that provide crucial operational funding for tax-exempt non-profit arts and culture organizations of all sizes. Through public feedback, we have heard that any cut to this support threatens the existence of the arts & culture sector as a whole, especially amid cuts from the federal level. Further, this elimination of funding significantly impacts staffing and opportunities available to programs, activities, and events throughout the entire City and does not advance the objectives of the Creative City Cultural Plan—a ten-year framework for arts and culture in the San Diego region, which was released in November 2024.

Funding for Special Promotional Programs (SPP) comes from 5.0 cents of transient occupancy tax (TOT) revenue received by the City. Of this 5.0 cents, the Municipal Code requires that 4.0 cents be used to promote the City. Direct investment into San Diego’s arts and cultural organizations is an effective strategy for promoting the City regionally and beyond and should remain a funding priority for City’s SPP fund.

Currently, the City expends more than \$12 million in debt service payments to support the Convention Center. Similar to what was proposed in the FY27 Draft Budget for San Diego Tourism Authority advertising dollars, a portion of this expenditure should be considered under the Measure C Convention Center Fund, that is expected to end FY27 with a \$53.9 million fund balance as the voter-approved measure permitted expenditures related to operating and debt service payments, and expansion efforts are delayed until at least January 2027 due to constraints imposed by the resolution of the related Measure C litigation. A partial transfer of the Convention Center debt service payments to the Measure C Convention Center Fund could permit some restoration of key SPP fund programs and should be analyzed further by the IBA to confirm compliance with the legal requirements and voter intent of Measure C.

It should be further noted that we are supportive of, and are engaging in, productive discussions with external philanthropic partners to develop a robust, ongoing strategy for attracting long-term regional and philanthropic support, as well as state funding opportunities—to create lasting funding solutions in support of San Diego’s arts and cultural institutions. Given the City’s anticipated ongoing fiscal challenges, these strategic discussions are critical to protecting the City of San Diego’s ongoing commitment to this sector.

Specific Restorations and Budgetary Priorities

The following restorations represent additional shared strategic and budgetary priorities:

Economic Development Department - Small Business Enhancement Program	\$750,000
City Council - Community Projects, Programs, and Services Grants	\$900,000
City Council - Arts, Culture and Community Festivals Grants	\$450,000
Office of Child and Youth Success - Includes one FTE in Mayor’s Office and Non-Personnel Expenditures	\$400,000
Ethics Commission - Case Intake and Management System	\$50,000
Office of the Commission on Police Practices – Complaint and Investigation Information Management System	\$200,000

Office of the City Auditor – Restore Salary Budget and Non-Personnel Expenditures Reductions	\$263,000
Office of the City Clerk – One Deputy City Clerk II	\$66,275
Office of the Mayor – Restore the Chief Operating Officer position by reclassifying or promoting a Deputy Chief Operating Officer	\$0
Homelessness Strategies and Solutions Department - Security Service Reduction for Safe Storage	\$222,000
Film Division (Parks & Recreation Department) - Film Program Manager	\$212,000
Total	\$3,513,275

Budget Mitigations

The Charter requires that the City Council pass a balanced budget. Our offices remain committed to working closely with the IBA to identify additional resources and efficiencies to facilitate targeted restorations.

The following are proposed reductions, mitigations, and targeted department restructuring. More information and analysis may be required prior to determining feasibility. We thank the IBA in advance for its assistance in refining policy suggestions that require additional vetting.

Targeted Reductions, Mitigation, and Department Restructuring

Identify options for additional cuts in non-frontline departments that have a significant proportion of unclassified staff — such as, but not limited to, the Performance and Analytics Department and Communications Department.	\$3,000,000
Reduction of unclassified, non-sworn personnel expenditures in the Police Department	\$180,000
Cancellation of ALPR subcontract under the Ubicquia agreement with San Diego Police Department	\$2,215,000
Elimination of AXON My90 Software in the Police Department	\$250,000
Implement Two-Officer Units in the Police Department	\$750,000
Explore cost-savings thru reductions to car allowances, cellphones, and non-essential travel expenses	TBD
Total	\$6,395,000

Homelessness Strategies and Solutions Department (HSSD) – Strategic Reductions

HSSD and the San Diego Housing Commission (SDHC) together administer shelter, outreach, safe parking, housing navigation, and supportive service programs serving thousands of vulnerable residents annually. According to the 2026 Point-in-Time Count, the City of San Diego experienced a 6.6% reduction in unsheltered homelessness. We appreciate HSSD and SDHC for their commitment to protect our most vulnerable residents, while making difficult decisions to meet a \$3.8 million reduction target. Based on the May Revise, we believe that we can further improve on the current budget reduction recommendations that focus more on mitigating client, program, and system risks through the following reduction plan:

HSSD Reductions	\$1,006,000
Fund Family Reunification w/ HHAP	\$406,000

Elimination of Security at Old Central Library	\$325,000
Continued Closure of Safe Parking at Aero Drive	\$275,000
SDHC Reductions	\$2,790,305
Bridge Shelter (16th & Newton) - Capacity Reduction & Potential Relocation	\$1,559,903
Closure of the Lighthouse Interim Shelter	\$980,402
Closure of the Central Elementary Safe Parking Program	\$250,000
Total	\$3,796,305
Reduction of Day Center Services	\$711,243 - \$948,324

Revenue Opportunities

City Attorney Office – Using Grants and Penalty Funds to Offset General Fund Expenditures

Following discussion at the Budget Review Committee, we are supportive of further exploring how the City Attorney’s Office can use grants and penalty funds to offset general fund expenditures in other departments and request the IBA and other relevant departments to assist in this effort. As an example, we understand there have been discussions between the City Treasurer’s Office and the City Attorney’s Office about moving the City Treasurer’s Office of Labor Standards Enforcement (OLSE) positions to the City Attorney’s Office to complement the City Attorney’s existing worker rights enforcement work. This move would allow the City Attorney to impose a penalty and grant funds to offset general fund expenditures in the range of \$2.2 to \$2.5 million. We request that the Office of the IBA assist with these discussions and include options for general fund offsets in their final budget recommendations. General fund savings achieved using grants and penalty funds from the City Attorney’s Office would be credited to the Office’s overall budget reduction target.

Other Revenue Opportunities

Ongoing funding remaining available from the Golf Enterprise Fund	\$500,000
Excess equity projected from the FY26 3rd Quarter Budget Monitoring Report	\$1,700,000
Explore the use of Low-to-Moderate Income Housing Asset Funds for homelessness	\$250,000
Total	\$2,450,000

These proposed reductions, restructuring measures, and revenue opportunities will restore critical services that all San Diegans rely on. We look forward to continued discussions with our City Council colleagues, Department of Finance, the IBA, and our residents to achieve a structurally responsible budget.

Thank you, Mr. Modica, for your time and attention to our priorities.

cc: Sara Kamiab, Chief of Staff, Office of the Council President Pro Tem Kent Lee
 Gerardo Ramirez Borja, Chief of Staff, Office of Councilmember Vivian Moreno
 Molly Weber, Chief of Staff, Office of Councilmember Sean Elo-Rivera