



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Recommended City Council Modifications to the Mayor's Proposed FY 2027 Budget and Review of the May Revision

This report presents the IBA's final FY 2027 budget review and recommendations for Council budget modifications. Recommendations reflect updates to revenues based on the latest actual receipts, adjustments to various expenditures to align them with likely spending in FY 2027, and potential adjustments to both resources and expenditures based on our review of Councilmember budget modification memoranda that were submitted to our Office on May 20, 2026. Those memoranda are released separately as [IBA Report 26-16](#). This report also reflects feedback from the public, City staff, and City Councilmembers received during the Budget Review Committee hearings. Recommendations are also based on our analysis of the May Revision to the FY 2027 Proposed Budget ([May Revision](#)), the FY 2026 Third Quarter Budget Monitoring Report ([Third Quarter Report](#)), and the initial [FY 2027 Proposed Budget](#). Equity Implications are included in this analysis to emphasize both the fiscal impact of addressing disparities, gaps, and deficiencies, and the major equity-related implications and potential outcomes of budget decisions and potential modifications.

This report is released at the end of a budget development process that included extensive review of the Mayor's FY 2027 Proposed Budget by the City Council and the IBA, including:

- The IBA's review of the Mayor's FY 2027 Proposed Budget issued on April 29, 2026 as [IBA Report 26-11](#)
- Departmental and agency budget hearings with the Budget Review Committee that took place on May 4-8, 2026
- An evening Budget Review Committee meeting held on May 4, 2026 and an evening City Council meeting held on May 27, 2026 to solicit input from the community on the Mayor's budget proposals and City Council's budget priorities for FY 2027

- Department of Finance responses to Budget Review Committee requests for additional information released following Budget Review Committee hearings
- The FY 2026 Year-End Capital Improvement Program (CIP) Budget Monitoring Report
- The discussion of the May Revision at the City Council meeting on May 27, 2026, as well as our review of the Third Quarter Report, as presented in [IBA Report 26-17](#).

On June 5, 2026, the City Council will convene as the Budget Review Committee to review and discuss this report as an informational item. Then, on June 9, 2026, the Council will review the recommendations in this report, consider any additional modifications to the Mayor's FY 2027 Proposed Budget, and vote to adopt a final Budget.

OVERVIEW

This report presents the IBA’s recommended budget modifications, and includes both technical modifications as well as modifications discussed in Councilmembers’ final budget memoranda.¹ All technical expenditure modifications and expenditure modifications included in a majority of Councilmember memoranda can be funded with resources identified by our Office. **Notably, recommended modifications include funding for partial Arts and Culture restorations, the Small Business Enhancement Program, a Child and Youth Success position, and a Special Events/Filming position, among others.**

Three sets of supported modifications – related to arts funding, homelessness program funding, and the Office of Labor Standards and Enforcement – can be supported with no net impact to the General Fund, and they are therefore recommended by our Office. They are presented first (and separately from other revenue and expenditure modifications) in this report’s *Recommended Modifications with No Net Impact to the General Fund* section.

This report then discusses *Recommended Revenue Adjustments and Resource Modifications*, and recommends that the Adopted Budget include various resource adjustments that net to an additional \$6.6 million for the General Fund (\$4.5 million ongoing, \$2.1 million one-time). We then discuss *Recommended Expenditure Modifications*, which total \$2.9 million and represent modifications that were included in a *majority* of Councilmember memoranda, as well as technical adjustments and corrections. As noted earlier, all these modifications can be supported with additional resources that we recommend.

While our report identifies sufficient resources to support all majority supported expenditure modifications, and there is some ongoing funding remaining after IBA expenditure recommendations are incorporated, there are insufficient resources to fully fund all modifications included in four or fewer Councilmember memoranda. This report therefore includes a section on *Other Potential Modifications*. This section includes additional discussion on potential General Fund resources beyond our recommended adjustments, including potential resources that were identified in various Councilmember memoranda, as well as potential resources we identified separately. While we present those additional potential resources, we do not make recommendations for them, and in some cases recommend *against* their inclusion in any final Adopted Budget. This section also discusses modifications that were included in memoranda from *four* Councilmembers. The full restoration of FY 2026 operating hours at all recreation centers and library branches were among those modifications; given the potential for resources to only allow partial restoration of those hours, we include location-by-location costs to restore remaining library and recreation centers for Council consideration.

Finally, this report discusses *Additional Considerations*. While the City will adopt a balanced budget, as it is legally required to do, it is worth noting that structural imbalances remain moving

¹ Various budget modifications described in this report also have potential equity implications; these are further detailed where applicable throughout this report.

forward, particularly given the proposed solid waste management fee and Balboa Park paid parking settlement.² The City also faces an enormous unfunded capital backlog that cannot be addressed without additional revenue. This should be taken into account when and if Council considers any additional expenditures beyond those recommended in this report.

As the Council deliberates final budget modifications, **our Office stresses the importance of considering the long-term fiscal health of the City and not taking any action that would worsen the structural budget deficit. As we will discuss, the City is already facing a structural imbalance in FY 2028, and adding additional ongoing expenditures to the FY 2027 budget will exacerbate that imbalance and lead to a more difficult budget process next year.** Given consistent underfunding of the City’s reserves over the last several years and continued economic volatility, **we also recommend that any unallocated one-time resources identified in this report be either put into reserves or left as excess equity to help the City respond to unexpected needs in FY 2027 and/or reduce anticipated FY 2028 budget challenges.**

² Significantly stronger revenue from Balboa Park paid parking has been generated over the last several months beyond what was projected in the Proposed Budget, and consequently the elimination of paid parking at Balboa Park beginning in calendar year 2027 (i.e. half-way through FY 2027) is unlikely to have a significant impact on the FY 2027 budget, as we will discuss. Impacts associated with decreased parking revenue, as well as increased General Fund subsidies for refuse collection, will begin in FY 2028 and will need to be addressed in next year’s budget process.

RECOMMENDED MODIFICATIONS WITH NO NET IMPACT TO GENERAL FUND

Three modifications to the Proposed Budget and May Revise that were requested in a majority of Councilmember memoranda can be implemented with no impact to the City's General Fund. These are modifications associated with the restoration of arts and culture funding, adjustments to homelessness programming, and moving the Office of Labor Standards and Enforcement (OLSE) under the City Attorney's Office. Each is recommended and discussed in this section.

ARTS AND CULTURE FUNDING

While the Proposed Budget maintained \$1.9 million in funding to support the administration of Cultural Affairs, it effectively eliminated all funding for the City's three arts grant programs – Organizational Support (OSP), Creative Communities (CCSD), and Impact – which totaled \$11.8 million in FY 2026. The May Revise does not include any restorations for these programs. Historically, funding for those programs was provided from the Special Promotional Programs portion of the City's Transient Occupancy Tax (TOT) Fund.

As discussed in our Office's [review of the Convention Center's FY 2027 budget](#), the City pays annual debt service on Convention Center Expansion Bonds that were initially issued in 1998 to finance the first expansion of the Convention Center. In FY 2027, the debt service payment will be about \$12.1 million; this will be the second-to-last debt payment since the bonds will mature in FY 2028. These amounts have been and are continuing to be paid using the Special Promotional Programs budget of the TOT Fund.

Notably, the FY 2027 Proposed Budget recommends using Measure C (2020) funds to pay for \$3.0 million in San Diego Tourism Authority (SDTA) marketing cost pass-through payments and \$1.2 million in dewatering costs for the Convention Center, both of which were previously paid for from the TOT Fund. In a joint memo, four Councilmembers expressed support for using an additional amount of Measure C Convention Center funds to supplant funding in the Special Promotional Programs budget of the TOT Fund for existing Convention Center debt service. Discussions with the Office of the City Attorney indicate that the Convention Center's existing debt service payment is an eligible [operating cost](#) that can be paid for from the Measure C Convention Center Fund.³

All nine Councilmembers expressed support for restoring an indeterminate amount for arts and culture grant programs equal to or less than the 4.28% of overall TOT as recommended by Council on February 6, 2026, as part of the use of the 1¢ Council Discretionary portion of TOT.

Therefore, our Office recommends using Measure C Convention Center Funds to pay up to \$6.0 million of the FY 2027 debt service payment, which would allow an equivalent amount of Special Promotional Programs dollars to be used for arts grants which are eligible Special Promotional

³ While this is an eligible use of Measure C dollars, the Convention Center currently faces an operating deficit and a large backlog of capital needs, and consideration should be given to future Convention Center needs as well.

Programs expenses. Notably, many arts and cultural institutions that have relied on City grants in the past also seek funding from other sources; since release of the Proposed Budget, the County of San Diego has indicated that it will provide \$3.0 million in funding for arts programs in the region, and recent conversations with philanthropic groups indicate that they may be willing to provide additional support for arts programs, provided the City provides some amount of restoration for arts funding.⁴ Given the need to balance long-term convention center needs, we do not recommend that the full debt service payment be paid for from Measure C, **but using Measure C to pay up to \$6.0 million of that debt service to free up funding for arts programming could, combined with funding from other groups, provide a meaningful amount of support for arts programming in the City.**

Our Office recommends that restorations in arts and culture grant funding be allocated to the three grant programs (OSP, CCSD, and Impact) proportional to their FY 2026 amounts. The table below shows the impacts of a \$6.0 million restoration.

FY 2027 Proportional Funding Amounts (<i>\$ in millions</i>)						
Grant	FY 2026		FY 2027		Dollar Variance	
	\$	%	\$	%	\$	%
Organizational Support Program (OSP)	\$ 9.6	81.2%	\$ 4.9	81.2%	\$ (4.7)	-49%
Creative Communities San Diego (CCSD)	\$ 1.7	14.5%	\$ 0.9	14.5%	\$ (0.8)	-49%
Impact	\$ 0.5	4.2%	\$ 0.3	4.2%	\$ (0.2)	-49%
Total	\$ 11.8	100.0%	\$ 6.0	100.0%	\$ (5.8)	-49%

We note that placing caps on individual grants may also increase equity, in that caps may allow for a greater number of organizations to be funded. Of the \$4.9 million shown above for OSP, a cap for individual grants at \$65,000 could be considered. If a \$65,000 cap was in place in FY 2026, 76 organizations, or 63.9% of all organizations, would have been unaffected, and 43 organizations, or 36.1% of all organizations, would have received the maximum \$65,000, and the total awarded grants would have been \$5.1 million

Similarly, our Office recommends that Council consider capping individual CCSD grants at \$50,000. If a cap of \$50,000 was in place in FY 2026, 64 organizations, or 91.4% of all

⁴ Earlier this year, per [R-315257](#), Council set an Arts Funding Goal of \$13.5 million, or 4.28% of overall TOT. Meeting this goal would require an additional \$5.7 million in support beyond amounts identified here. While Council could meet this amount by further utilizing Measure C funds for existing debt service, we do not recommend that it do so, especially given the likelihood of additional arts funding from other sources. While the language in Measure C is broad enough to allow this expenditure, the primary intent of 2020's Measure C was to expand and modernize the Convention Center. While that intent can still be reached given the recommended use of Measure C dollars above, additional use of Measure C could dilute the ability of the City and Convention Center to meet that goal in the future.

organizations, would have been unaffected, and six organizations, or 8.6% of all organizations, would have received the maximum \$50,000, and the total award amount would have been \$1.1 million.

If Council does not support caps, however, particularly for OSP, Council could alternatively allow the Economic Development Department to continue using its professional judgment to determine an allocation methodology, or Council could provide alternative conditions on the grant appropriations. Under this approach, we would recommend that a methodology be developed in consultation with the Cultural Affairs Division that considers an alternate allocation strategy that (a) funds the same number of organizations at proportionally smaller dollar amounts or (b) funds fewer organizations at similar dollar amounts.

HOMELESSNESS PROGRAMMING

A set of alternate homelessness reductions was included in six Councilmembers’ memoranda, with a seventh Councilmember supporting three of the alternate reductions. Following Budget Review Committee discussion on May 7th, the San Diego Housing Commission, in consultation with the Homelessness Strategies and Solutions Department (HSSD), developed an alternate package of homelessness reductions aimed at (1) avoiding disruptions to systemwide shelter intakes needed to support relocated individuals from shelters with reduced capacity and (2) mitigating increases to unsheltered homelessness. The alternate reductions would replace the program reductions included in the May Revision to meet the \$3.8 million reduction target assumed in the FY 2027 HSSD Proposed Budget, which are detailed in Attachment 1 of this report. As the total reduced expenditures differ slightly between the May Revision and Council-supported alternate reductions, \$42,000 in additional savings is anticipated to support transitional costs at the Neil Good Day Center. The reductions in the May Revision compared to the majority supported alternate package are summarized in the table below, followed by descriptions of each reduction and changes relative to the May Revision.

Comparison of May Revision and Majority Council Supported Homelessness Reductions			
Program Reduction	May Revision	Council Supported Reductions	Difference
16th & Newton Reduce Capacity	\$ 2,903,909	\$ 1,559,903	\$ 1,344,006
Close Lighthouse Interim Shelter (37 beds)	-	980,402	(980,402)
Fund Family Reunification Program with HHAP	-	406,000	(406,000)
Elimination of Old Central Library Security	325,000	325,000	-
Close Aero Drive Safe Parking	275,000	275,000	-
Close Central Elementary Safe Parking	250,000	250,000	-
Homelessness Reduction Target Subtotal	\$ 3,753,909	\$ 3,796,305	\$ (42,396)
Reduce Day Center ¹	948,324	905,928	42,396
Total	\$ 4,702,233	\$ 4,702,233	\$ -

HHAP = Homeless Housing Assistance and Prevention grant. For the purposes of this table, positive differences represent program restorations and negative differences represent savings from program reductions.

¹ Because the Day Center reduction was contemplated separately from the \$3.8 million homelessness reduction target, its partial restoration is shown separately from the components that make up the \$3.8 million target. Additional resources for Day Center transitional funding will be determined by HSSD after final budget adoption.

Partial Restoration of 16th and Newton Shelter - \$1.3 million

This modification restores \$1.3 million for 16th and Newton shelter operations, resulting in an overall reduction of 50 beds or 2.3% of citywide shelter capacity, as opposed to the larger reduction of 200 to 250 beds contemplated in the May Revision (equal to 9.0% to 11.3% reduced capacity, respectively). As the FY 2026 shelter program operating budget is approximately \$7.1 million to support 326 beds, the modification would result in a budget of \$5.6 million to support an estimated 276 beds in FY 2027. According to the Housing Commission and HSSD, due to fewer beds requiring relocation as compared to the May Revision, this modification mitigates the need for pausing systemwide intakes to accommodate relocations from 16th and Newton. Specifically, 50 female beds would be reduced but are anticipated to be replaced with added capacity at the Rachel's Promise Center for Women and Children, which is planned to expand from 50 beds to 210 beds by mid-July 2026. As systemwide intakes would continue and there is a plan to replace lost beds, this modification intends to limit disruptions to services.

Close Lighthouse Interim Shelter - (\$980,000)

The Lighthouse Interim Shelter consists of 37 City-funded low-barrier emergency shelter beds, operating alongside a separate shelter program following a different program model. Due to difficulties operating one shelter site under two separate program models, the alternate reductions include the closure of the 37-bed City funded program following the program operator's decision to absorb these beds to streamline operations, resulting in \$980,000 in savings. This is equivalent to a 1.7% reduction across all City funded interventions. If this reduction is implemented, the site will continue to operate but under a different program model than that currently operated by the City. As part of program wind-down, all program participants currently at the City shelter will be given the option to either stay under the program operator's new program model or relocate to another City shelter.

Fund Family Reunification Program with State HHAP Grant - (\$406,000)

This modification funds the Family Reunification Program using \$406,000 in State Homeless Housing, Assistance and Prevention (HHAP) grant funding intended for homelessness Diversion, thereby reducing General Fund expenditures by an equal amount. The HHAP portion would account for roughly half (48.7%) of the total program budget of \$834,000, with the remaining half supported by \$428,000 from the General Fund. This modification is not anticipated to have any programmatic impacts, as the HHAP Diversion funds have not yet been programmed and the Family Reunification Program is aligned with Diversion. As the total amount of HHAP budgeted for Diversion is \$1.3 million in FY 2027, there would be \$894,000 available for other Diversion efforts after the Family Reunification Program is funded.

Other Reductions Included in Both May Revision and Alternate Reductions - \$0

The remaining reductions to Old Central Library security services, Aero Drive Safe Parking, and Central Elementary Safe Parking remain unchanged from the May Revision. (Additional discussion of these items can be found in Attachment 1 of this report.)

Partial Support for Day Center Transition - Minimum of \$42,000

As the proposed elimination of City funding for the Neil Good Day Center is maintained in the May Revision, seven Councilmembers supported transitional funding for the Day Center. Although subject to change and further review, HSSD anticipates approximately \$237,000 will be available to support closure of the current Day Center site by December 31, 2026. Of this amount, \$42,000 would be available from additional savings generated by the alternate homelessness reductions and the remaining funding is expected from one-time wind-down funds included in the FY 2027 Proposed Budget, which is aligned with the intended use of the \$570,000 budgeted to support FY 2027 homelessness reductions.

Given the loss of City funding, the program operator Father Joe’s Villages is exploring plans to maintain the most critical services, such as showers, mail services, restrooms, and washrooms, at 50% reduced capacity at a relocated, down-sized site on the same campus. Some case management services for seniors, indoor respite spaces, and cell phone charging will also be available, while short-term personal storage, outdoor respite spaces, and package delivery will likely cease. Overall, Father Joe’s Villages anticipates a 25% reduction in service capacity. The operator is currently fundraising to support these ongoing operations, and operational hours and service levels will likely be adjusted based on available external funding. The requested transitional funding from the City would support existing services at the current site until the alternate site is available. For reference, the Day Center typically receives approximately \$700,000 annually from external sources, such as private, philanthropic, and grant funds, to support operations, in addition to City General Fund, which provided \$948,000 in FY 2026.

OFFICE OF LABOR STANDARDS AND ENFORCEMENT

Seven Councilmember memoranda requested our Office to work with the City Attorney’s Office (CAO) and Office of the City Treasurer (CTO) to explore how CAO could use grants and penalty funds to offset General Fund expenditures. As a result of those discussions, our Office recommends restoring 1.00 Program Manager position in OLSE that was proposed for reduction in the May Revision, and moving the restored Program Manager and an additional 28.00 FTE positions in OLSE from the CTO to the CAO. This will include moving positions associated with the Project Labor Agreement (PLA), Prevailing Wage, Minimum Wage, and Living Wage teams that make up the Office of Labor Standards and Enforcement. In total, this would result in the move of 29.00 FTEs, non-personnel expenditures of \$795,000, and \$3.5 million in associated revenues to the City Attorney’s Office. In addition to the revenue budget for these programs in FY 2027, the CAO plans to use \$2.2 million in Workers’ Rights Enforcement grant funding and Business and Professions Code penalty funding to offset the remaining costs of these programs. Although these funding sources are expected to reduce the General Fund impact of these programs, they are not expected to yield additional resources for the FY 2027 budget because of the sizable cuts to the City Attorney’s budget included in the Proposed Budget.

The transfer should strengthen collaboration between the two offices in support of workers’ rights, and help offset the \$2.6 million reduction in the CAO’s Proposed Budget. The transfer achieves this by using grant and penalty funds managed by CAO to cover the remaining costs of OLSE

programs not supported by user fee revenue, which we estimate to be \$2.2 million. The table below summarizes these adjustments.

The CAO anticipates adding several positions to expand its consumer protection enforcement efforts which would be funded with a combination of grant and penalty funds. These positions would be added supplementally in FY 2027 and would presumably be requested to be added to the budget in FY 2028.

Summary of OLSE Transfer to CAO					
	FTEs	PE	NPE	Total	Revenue
Reduce OLSE from CTO	(28.00)	\$ (4,751,983)	\$ (794,940)	\$ (5,546,923)	\$ (3,532,467)
Add OLSE to CAO	28.00	\$ 4,751,983	\$ 794,940	\$ 5,546,923	\$ 3,532,467
Restore Program Manager and Transfer to CAO	1.00	\$ 228,460	\$ -	\$ 228,460	\$ -
Add CAO Revenue	-	\$ -	\$ -	\$ -	\$ 2,242,916
Reduce CAO PE Reduction	-	\$ 2,014,456	\$ -	\$ 2,014,456	\$ -

RECOMMENDED REVENUE ADJUSTMENTS AND RESOURCE MODIFICATIONS

This report recommends a net addition of \$6.6 million in resources for the General Fund. Table 1 on the following page lists the IBA-recommended General Fund resources available for budget modifications, which include \$4.5 million in ongoing funding and \$2.1 million in one-time funding. We note that the \$1.7 million in estimated Excess Equity reflected in the Third Quarter Budget Monitoring Report is not listed as a recommended resource by our Office due to risks associated with timing of a \$7.4 million reimbursement from CalOES. Identified resources consist of (1) net adjustments to revenues included in the Proposed Budget and May Revise; (2) recommended reductions to currently proposed expenditures; (3) various technical corrections and adjustments; and (4) one-time resources.

Table 1 also shows the impacts to these resources of the IBA's recommended General Fund expenditure modifications, which total \$1.9 million in ongoing costs and \$980,000 in one-time costs. Following the table, each resource is discussed in greater detail. Individual components and discussion of the IBA's recommended expenditure modifications are included in the following section – *Recommended Expenditure Modifications*.

Table 1: Recommended GF Resources for Modifications to FY 2027 Budget	
Ongoing Resources	Amount
<i>Revenue Adjustments</i>	
Revised TOT Revenue	\$ 2,000,000
Revised Sales Tax Revenue	294,160
Offset GF Expenses with Low-Moderate Income Housing Asset Fund	263,500
Revised Property Tax Revenue	(568,000)
Cannabis Business Tax Revenue Decrease	(721,000)
Reduction in Parking Meter Operations Fund Transfer	(1,588,400)
Residual RPTTF (ongoing portion)	TBD
<i>Subtotal Revenue Adjustments</i>	<i>(319,740)</i>
<i>Expenditure Reductions</i>	
Revised Election Cost Projection	2,200,000
Meissner Property Management Agreement Reduction - 101 Ash St	1,000,000
Reduction of Unclassified Personnel in Police Department (1.00 FTE)	180,000
<i>Subtotal Expenditure Reductions</i>	<i>3,380,000</i>
<i>Technical Corrections/Adjustments</i>	
TransNet Maintenance Revenue Adjustment	839,638
Demolition of NTC Building (May Revise Correction)	400,000
Transfer 1.00 Haz Mat Inspector 2 to Refuse Disposal Fund	147,108
May Revision Rec Center Restoration Correction (1.00 FTE)	63,902
<i>Subtotal Technical Corrections/Adjustments</i>	<i>1,450,648</i>
Subtotal Ongoing Resources	4,510,908
IBA Recommended Use of Ongoing Resources	(1,920,289)
<i>Ongoing Resources Remaining</i>	<i>\$ 2,590,619</i>
One-Time Resources	
Amount	
TOT Fund - Budgeted FY2027 Fund Balance	\$ 1,000,000
General Fund Impact of PANDA & GIS Fund Reductions	620,909
Parking Meter Operations Fund Balance Transfer	450,900
Office of Commission on Police Practices - Vacant Position	131,159
Transfer of Fund Balance from 101 Ash CIP Project	161,349
City Auditor Non-Personnel Expenditures	54,910
Civil Penalty Fund Balance Transfer	54,000
Demolition of NTC Building (May Revise Correction)	(400,000)
Subtotal One-Time Resources	2,073,227
IBA Recommended Use of One-Time Resources	(980,000)
<i>One-Time Resources Remaining</i>	<i>\$ 1,093,227</i>
Total Identified General Fund Resources	\$ 6,584,135
Total IBA Recommended Use of General Fund Resources	(2,900,289)
Total General Fund Resources Remaining	\$ 3,683,846

Remaining General Fund resources after IBA-recommended expenditure modifications total approximately \$3.7 million (\$2.6 million ongoing, \$1.1 million one-time). These remaining resources can be used for any other Council priorities, though **given the Budget’s structural imbalance we stress the importance of constraining the addition of any new ongoing expenditures**. Additionally, we recommend Council consider either allocating the unused one-time portion of this amount into reserves or leaving it unallocated to provide a buffer that could help absorb potential expenditure overages or revenue declines in FY 2027.

Revenue Adjustments (Ongoing)

Revised Transient Occupancy Tax (TOT) Revenue - \$2.0 million

The May Revision included a \$4.4 million revenue increase in FY 2027 due to higher than previously forecasted actual TOT revenue in March and April 2026. Since the release of the May Revision, the City received preliminary revenue actuals for May 2026 which were also higher than previously projected. This would increase projected FY 2027 TOT revenue for the General Fund and TOT Fund by a combined \$2.0 million.

Revised Sales Tax Projection - \$294,000

As discussed in our Office’s review of the Third Quarter Report, the May 2026 Sales Tax revenue payment from the State of California came in \$360,000 greater than the projection in the Third Quarter Report. Since FY 2026 actual revenue serves as a base for FY 2027 revenue, the FY 2027 Sales Tax projection would be about \$294,000 more than the May Revision.

Additional Low and Moderate Income Housing Asset Fund (LMIHAF) - \$264,000

Four Councilmembers supported exploring the use of additional LMIHAF for homelessness. Changes enacted in State law effective January 1, 2025 increased the allowable annual set-aside from LMIHAF for homelessness services from \$250,000 to \$500,000, adjusted for annual inflation – slightly less than \$514,000 at the time of this writing. As \$250,000 is already budgeted on an ongoing basis to support the Homelessness Response Center (now known as “The Hub”), the City can draw down an additional \$264,000 ongoing from the Fund to offset General Fund or Special Promotional Programs supported homelessness expenditures and free up an equal amount in resources. For context, LMIHAF was established as a result of the 2012 dissolution of redevelopment agencies. The Fund collects all housing funds and revenues generated from former redevelopment housing assets for affordable housing purposes, with one exception being the State allowable annual set-aside for homelessness prevention and rapid rehousing services. The City first used LMIHAF in FY 2019 to partially fund the Homelessness Response Center (then known as the Housing Navigation Center).

Revised Property Tax Revenue - (\$568,000)

As discussed in our Office’s review of the Third Quarter Report, the May 2026 Property Tax revenue apportionment from the County of San Diego came in \$580,000 lower than the projection in the Third Quarter Report. While the City’s approximately 17% portion of the Proposition 13 1.0% Property Tax revenue came in \$482,000 above what was expected in May, that increase was offset by a \$1.1 million increase in the City’s proportional share of Proposition 8 property tax

refunds throughout the County. While refunds, equivalent to negative revenue, are unpredictable, there has been a larger increase in refunds over the last four fiscal years. Since the FY 2026 refund projection is equal to the FY 2027 refund projection included in the budget, a decrease of \$568,000 in Property Tax revenue as compared to the May Revision is reasonable. Our Office and DoF will monitor actual refund amounts in FY 2027 and update Council in quarterly budget monitoring reports.

Cannabis Business Tax Revenue Decrease - (\$721,000)

Cannabis business tax (CBT) is imposed on non-medical cannabis businesses operating within the City of San Diego, including manufacturing, transporting, and retail sales. The FY 2027 Proposed Budget includes \$20.8 million in CBT revenue, which is \$1.9 million higher than current FY 2026 year-end projections.⁵ Of this difference, \$721,000 reflects cannabis retail outlet sales that exceed levels assumed in current FY 2026 projections but that are not attributable to any specific drivers.

We note that though cannabis retail outlet sales appear to be stabilizing, no factors are expected to significantly increase cannabis outlet sales in FY 2027. Our Office therefore recommends reducing CBT revenue by \$721,000.

Net Reduction in Parking Meter Operations Fund Transfer - (\$1,588,000)

The FY 2027 Proposed Budget for the Parking Meter Operations (PMO) Fund includes \$26.7 million in parking meter revenue. This projection assumes that 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 that the City does not currently have this program, PMO Fund revenue should be reduced by \$838,000, to reflect only 300 days of meter operations, rather than 350 days, effectively *removing* Sunday meter operations.

Additionally, paid parking operations at Balboa Park will cease by or before December 31, 2026, which will negatively affect revenue generated by on-street parking meters adjacent to the park (along 6th Ave and Park Blvd). Should these on-street meters cease operations on December 31, 2026, the Transportation Department projects these meters will generate \$750,000 less than what is included in the Proposed Budget. It is important to note that even if on-street parking meters adjacent to Balboa Park remain in operation beyond December 2026, the full budgeted revenue amount may still not materialize, as many customers would likely park within Balboa Park for free rather than pay for on-street parking.

These revenue reductions, totaling \$1.6 million, result in a corresponding decrease in PMO Fund transfers to the General Fund. That said, this General Fund impact may be partially offset for one

⁵ FY 2026 third-quarter projections estimate CBT revenue at \$18.8 million, based on cannabis sales data through January 2026. The current projections, however, incorporate sales data through March 2026.

year by using an estimated \$451,000 in available PMO Fund balance as one-time funding to support FY 2027 General Fund eligible expenditures, as is discussed further below.⁶

Revised Residual RPTTF Revenue - TBD

As of the publication of this report, our Office has not received the June 2026 Redevelopment Property Tax Trust Fund (RPTTF) distribution from the County of San Diego. We expect to receive this before June 9, 2026, when Council will make its final budget modifications. Our Office will present any updated RPTTF figures to Council prior to final budget adoption on June 9th.

Expenditure Reductions (Ongoing)

Revised Election Costs - \$2,200,000

The Proposed Budget includes \$4.5 million 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.

Some measures initially considered by the Rules Committee as ballot measures will instead be pursued as updates to the Municipal Code; other measures will be considered on longer timelines. At present, only one ballot measure can realistically be placed on the November 2026 ballot. Consequently, the full \$4.0 million budgeted for potential ballot measures is unlikely to be needed.

The remaining ballot measure may be significantly longer than is typical, so we recommend setting aside \$2.0 million, instead of the initial assumption of \$1.0 million per measure that was incorporated into the Proposed Budget. Additionally, the \$206,000 budgeted for signature verification for two petitions is no longer needed, resulting in a total of \$2.2 million in savings available for other uses.

Property Management of 101 Ash Street - \$1,000,000

In August 2021, the City entered into an agreement with Meissner for the professional property management of 101 Ash Street, Civic Center Plaza (CCP), and King Chavez High School for an initial term of three years plus two additional one-year optional extensions. The current contract will expire in August 2026, and the Economic Development Department is working on a new contract that will include a month-to-month term for 101 Ash Street.

In July 2025, the City entered into a Disposition and Development Agreement with 101 Ash Venture LP to redevelop 101 Ash Street – at the close of escrow 101 Ash Venture LP will gain full site control, including ongoing management and maintenance costs. 101 Ash Venture LP is currently expected to take site control no later than December 2026.

⁶ FY 2027 expenditures that may be supported by parking meter revenue are outlined on [Table 21 of the FY 2027 Proposed Budget's Citywide Budget Overview Section](#).

The Proposed Budget includes approximately \$219,000 per month for 12 months for this contract, for a total of approximately \$2.6 million. This means there will be at least six months of property management contract savings associated with the disposition of 101 Ash; however, those savings may be partially offset by an increased monthly rate for a new property management agreement for remaining properties. Our Office believes it is reasonable to assume that there will be at least \$1.0 million in expenditure savings in FY 2027 due to not needing to pay for professional property management of 101 Ash Street for a full fiscal year.

Reduction of Unclassified Personnel in the Police Department - 1.00 FTE, \$180,000

Five Councilmembers supported the reduction of unclassified, non-sworn personnel expenditures in the Police Department; one memo identified specific positions, including 1.00 Deputy Director and 3.00 Program Managers. We note that the Deputy Director position was already reduced in the May Revision to offset costs associated with removing the proposed hiring freeze on 1.00 Police Lieutenant (Air Support). Additionally, of the Department's 3.00 Program Managers, only 1.00 Program Manager (Public Affairs Manager) is currently budgeted; associated savings from reducing this position would amount to \$180,000.

Technical Corrections/Adjustments (Ongoing)

TransNet Maintenance Revenue Adjustment - \$840,000

As part of the TransNet ordinance, 30% of the City's share of TransNet revenues is dedicated to maintenance activities. These funds are typically transferred to the General Fund to support the Transportation Department's activities. While the Proposed Budget transfer out was budgeted correctly from the TransNet Maintenance Fund, there was an error in this funding being fully realized in the Transportation General Fund budget. This action corrects that error, resulting in an additional \$840,000 in General Fund revenue. Our Office does not recommend further adjusting projections for overall TransNet revenue, and this item is not changing allocations that were included from the TransNet funds in the Proposed Budget. This action instead aligns various budgets and corrects an error. Additional TransNet adjustments beyond this action would require Council to make a corresponding reduction in TransNet supported expenditures elsewhere, such as de-appropriating from a CIP project, as TransNet funding is fully subscribed in the FY 2027 Proposed Budget.

Demolition of NTC Building - \$400,000

The May Revision includes \$400,000 associated with the remediation of a recreation facility at NTC Park in Liberty Station that was destroyed in a fire. While this is reflected in the May Revision as an ongoing adjustment, this expenditure is one-time in nature. Our Office recommends correcting this entry to reflect a *one-time* non-personnel expenditure. This adjustment appears both on the ongoing and one-time sections of Table 1, and nets to zero in FY 2027 but results in \$400,000 in ongoing resources in future years.

Transfer 1.00 Hazardous Materials Inspector 2 to Refuse Disposal Fund - \$147,000

As part of the Proposed Budget, 1.00 Hazardous Materials Inspector 2 was erroneously transferred from the Refuse Disposal Fund to the General Fund. This adjustment would return the position to the Refuse Disposal Fund.

Correction Associated with Rec Center Restorations in May Revision - 1.00 FTE, \$64,000

As noted in Attachment 1 to this report, the May Revision unintentionally included 1.00 FTE and \$63,902 in personnel expenditures that are not associated with the proposed partial restoration of Recreation Center operating hours; this adjustment will correct that error.

One-Time Resources

Projected FY 2027 TOT Fund Balance - \$1.0 million

As noted in our Office's review of the May Revision, actual TOT revenue received in March and April 2026 after the FY 2027 Proposed Budget was released was significantly higher than previously projected, therefore, the FY 2027 TOT forecast also increased. Approximately \$5.8 million of the increase was used to restore reductions to General Fund services, but \$1.0 million in the TOT Fund was left as fund balance.

A TOT Fund balance is sometimes budgeted to act as a cushion to absorb reductions to actual TOT revenue during the year. While reasonable, alternative budget mitigations can be made during the fiscal year if overall General Fund revenue, including TOT Fund reimbursements, is projected to end the year below budget. Therefore, our Office notes this fund balance could be recognized as a one-time resource.

General Fund Impact of Panda and GIS Fund Reductions - \$621,000

Our Office worked with the Performance and Analytics Department (Panda) to identify several opportunities to reduce the Department's impact on the General Fund. Opportunities we identified are one-time in nature, and include adjustments in both the General Fund and the GIS Fund. GIS Fund reductions are proposed because many of the costs of this fund are allocated out to departments via the non-discretionary process, which impacts the General Fund.

Additional discussion of a four-Councilmember request to identify cuts to departments with higher proportions unclassified staff, including Panda, is provided in this report's *Other Potential Modifications* section.

General Fund Adjustments

An additional \$141,000 in Budgeted Personnel Expenditure Savings (which reduces the department's personnel budget) associated with continuing to hold one position vacant next year could be implemented.

GIS Fund Adjustments

Updating the GIS Fund's non-discretionary (ND) allocation methodology to better align with the methodology used in previous years (costs allocated based on the number of GIS licenses in each

fund and business area) would result in a net savings of \$357,000 in the General Fund. Panda plans to work with the Department of Finance to update how the Department recovers its costs, which could include a new funding structure for the department, and/or the restructure of some positions or partial positions into the GIS Fund or other non-General Funds. Since this will likely take several months to work through, we recommend this adjustment be included on a one-time basis that can be updated in Fiscal Year 2028 based on any changes to Panda's funding structure.

Beyond that, an additional \$305,000 in Budgeted Personnel Expenditure Savings could be assumed, primarily associated with two positions expected to remain vacant next fiscal year. The net impact of this change on the General Fund is a savings of \$124,000.

Parking Meter Operations Fund Balance - \$451,000

As discussed above, \$451,000 in existing Parking Meter Operations Fund balance could support eligible FY 2027 expenditures being borne by the General Fund, freeing up that amount in FY 2027 on a one-time basis.

Office of Commission on Police Practices Anticipated Vacancy - \$131,000

The Office of the Commission on Police Practices (OCP) does not expect to fill 1.00 Program Coordinator position until after the Commission's Standard Operating Procedures are formally approved and implemented. This will occur after the meet-and-confer process with impacted Recognized Employee Organizations concludes, which is anticipated in FY 2028. Our Office recommends reducing budgeted personnel expenditures by \$131,000 to account for this anticipated vacancy by adjusting OCP's Budgeted Personnel Expenditure Savings. This amount can offset OCP's request for \$200,000 for its Complaint and Investigation Information Management System (see "Recommended Expenditure Modifications").

Transfer of 101 Ash CIP Fund Balance - \$161,000

There is a total of \$161,000 remaining in the 101 Ash Improvements Capital Improvements Program (CIP) budget under project S17009. Most of this funding is CIP Contributions from the General Fund with only \$6,000 in a restrictive fund source. In conversations with Department of Finance, it was determined that the full amount could be swapped out with Capital Outlay Funds (in order to maintain some General Fund dollars in the CIP) and used to pay CIP debt service in FY 2027, which would then offset General Funds in the operating budget making it available for other uses.

City Auditor Non-Personnel Expenditures - \$55,000

As noted in our Review of the FY 2027 Proposed Budget, the City Auditor issued a memorandum responding to the reductions in the Office's Proposed Budget. Specifically, it requested the ongoing restoration of \$208,000 in personnel budget reductions and \$55,000 non-personnel expenditures that were reduced in FY 2026, and applying a one-time reduction of \$55,000 in non-personnel expenditures. Consistent with the Audit Committee's recommendation, this report recommends restoring \$263,000 on an ongoing basis (discussed in the General Fund Expenditures

section), offset by this one-time \$55,000 non-personnel expenditure reduction in FY 2027 which is recognized as a resource here.

Civil Penalty Fund Balance Transfer - \$54,000

At the time of the Proposed Budget, the Civil Penalty Fund was anticipated to lack fund balance necessary to support \$254,000 in ongoing drawdowns proposed in FY 2027; however, additional revenue into the Fund since then will allow the Fund to support proposed expenditures, leaving an estimated \$54,000 in fund balance. The resulting \$54,000 in available fund balance could be used to support Development Services Department code enforcement activities, thereby freeing up General Fund resources on a one-time basis.

RECOMMENDED EXPENDITURE MODIFICATIONS

Following the release of the May Revision, Councilmembers submitted budget modification memoranda to our Office on May 20, 2026. Our Office reviewed all budget priorities mentioned in Councilmembers’ memos and determined those that had majority support (i.e. were included in five or more Councilmembers). The modification memos identified up to \$2.5 million in majority-supported General Fund expenditure additions that were not included in the FY 2027 Proposed Budget or May Revision. Sufficient resources discussed above exist to fund all majority-supported modifications in FY 2027.

Our Office also recommends expenditure adjustments to make minor corrections, restore sufficient funding for our Office, and provide funding for a complaint and investigation management system for the Commission on Police Practices.⁷

In total, our Office recommends General Fund expenditure modifications of \$2.9 million, as summarized in Table 2 below. Descriptions of recommended expenditure modifications are presented following Table 2. We consulted with various impacted departments regarding appropriate funding levels for the programs supported.

Table 2: IBA Recommended GF Expenditure Modifications		
Ongoing Operating Budget Items	FTEs	Amount
City Council: CPPS	-	\$ 900,000
Child and Youth Success Program Coordinator & NPE	1.00	336,000
Office of the City Auditor	-	263,138
Special Events - Filming Program Manager	1.00	215,232
Independent Budget Analyst's Office	-	164,494
Deputy City Clerk 2	1.00	21,425
Ethics Commission Management Software - Licensing Fee	-	20,000
Subtotal Ongoing Items	3.00	1,920,289
One-Time Operating Budget Items	FTEs	Amount
Small Business Enhancement Program (SBEP)	-	\$ 750,000
OCCP Complaint & Investigation Information Management System	-	200,000
Ethics Commission Management Software - Implementation	-	30,000
Subtotal One-Time Items	-	980,000
Total General Fund Expenditure Modifications	3.00	\$ 2,900,289

City Council: Community Projects, Programs, and Services Grants - \$900,000 (ongoing)
 Seven Councilmembers supported the restoration of Community Projects, Programs, and Services (CPPS) funding at a level of \$100,000 per Council Office, or \$900,000 total. We note that Council could choose to reduce the funding level per office to free up resources for other priorities or add

⁷ This was included in four Councilmember memoranda, but we identified savings within the Commission’s budget that could offset this addition.

this using one-time resources instead of ongoing. Note that Council Offices can use projected FY 2027 non-personnel savings within their budgets as a CPPS allocation in FY 2027, upon a request to the Department of Finance.

Child and Youth Success Program Coordinator and Non-Personnel Expenditures - \$336,000 (ongoing)

Six Councilmembers support adding 1.00 Child and Youth Success position. Staff from the Office of Child and Youth Success (OCYS) indicated that this position would enable the City to maintain a portion of its existing OCYS programming and services, provided there is adequate funding or support from other City departments. Specifically, staff noted that approximately \$100,000 in contract expenditures could sustain mentorship and wrap-around services for foster and justice-impacted youth, as well as support the annual Youth Summit, which provides youth engagement workshops and connects participants with community resources.

Staff also emphasized that establishing the position in a leadership capacity would strengthen its communication and coordination efforts with other City departments and external partners, which could help ensure the position is included in high-level strategy and policy-making discussions. This could enable the identification of youth-serving program opportunities and policy developments that affect youth.

Since we anticipate this position would participate in high-level discussions, we recommend restoring the current Program Coordinator from OCYS, which includes \$236,000 in personnel expenditures and \$100,000 in associated non-personnel expenditures, and placing it in the Mayor's Office.

Maintaining funding for this position has equity implications, in that it sustains OCYS's core ability to organize youth-serving efforts across departments and community partners. Council may wish to specifically request the position work to ensure the Child & Youth Plan is executed as originally intended, and may further consider requesting the position work on the rollout of Measure H, which authorizes childcare in recreation facilities and dedicated parkland.

Office of the City Auditor (OCA) - \$263,000 (ongoing)

As noted in the General Fund Resources section of this report, the Audit Committee voted in April to request that Council restore \$208,000 in personnel budget reductions, and \$55,000 in ongoing non-personnel expenditures that were reduced in FY 2026, and apply a one-time reduction of \$55,000 in non-personnel expenditures. Consistent with the Audit Committee's recommendation and as requested by a majority of Councilmembers, this report recommends restoring \$263,000 in personnel and non-personnel expenditures on an ongoing basis, offset by a one-time \$55,000 non-personnel expenditure reduction in FY 2027 (discussed in the General Fund Resources section).

Special Events: Filming Program Coordinator - \$215,000 (ongoing)

Six Councilmembers supported the restoration of the Program Manager position in the Special Events & Filming Division of Parks and Recreation. The position, which was eliminated in the

Proposed Budget, is responsible for film permit processing and attracting and supporting film production in the City. To implement the majority-supported restoration, our Office recommends restoring the Program Manager position, which would have an estimated impact of \$215,000 in TOT Fund reimbursements to the General Fund to support the salary and fringe benefits for the position.

We note the City does not currently charge a film permit fee – only the Library has a fee for filming on library property. Our Office highly recommends that Special Events & Filming Division work with the Office of the City Attorney to bring forward a new film permit fee in FY 2027 (ex. flat rate, per day, production size, etc.) that is cost recoverable.

Independent Budget Analyst's Office - \$165,000 (ongoing)

The Proposed Budget includes a \$165,000 reduction to the Office of the Independent Budget Analyst's (IBA's) personnel budget in addition to \$86,000 in Community Equity Fund balance being transferred to the General Fund, equating to a 5.3% budget mitigation. An ongoing \$165,000 budget reduction could only be met by eliminating one of our Office's positions, which would negatively impact our ability to serve Council and the public. Due to this impact, we recommend restoring the \$165,000 reduction.

Deputy City Clerk 2 - net \$21,000 (ongoing)

Seven Councilmembers supported the addition of one Deputy City Clerk 2 (a vacant supplemental position) within the Office of the City Clerk to support the Elections and City Connections Division. The position would oversee clerical staff and functions including elections and campaign filing oversight, summons and subpoena processing, Boards and Commission administration, Form 700 compliance monitoring, passport services, and customer support. According to the Clerk's Office, the position is necessary to manage a significant increase in workload in these areas, address staffing shortages, and adhere to new compliance requirements under Senate Bills 827 and 852. This position costs \$86,000 in salary and variable fringe and is 75% cost recoverable from passport revenue, leaving a net budget impact of \$21,000. This amount differs from the \$66,000 included in Councilmember memoranda due to updated cost information received from the Clerk's Office.

By providing stable oversight and knowledgeable guidance, this position may have equity impacts by helping to eliminate service disparities, reduce wait times, and ensure residents seeking civic participation or essential documentation encounter fair, accessible customer service.

Ethics Commission's Case Management System - \$30,000 (one-time) and \$20,000 (ongoing)

Seven Councilmembers prioritized implementing a modern case intake and data management system for the Ethics Commission to replace its legacy databases. The new system will centralize governmental ethics case data, reduce the potential of data breaches, automate routine processes, and provide real-time insight into case progress. According to staff, reducing manual workload will free up staff capacity, allowing the Commission to shift toward more proactive enforcement and expand training opportunities.

Small Business Enhancement Program - \$750,000 (one-time)

Six Councilmembers supported funding for the Small Business Enhancement Program (SBEP) at an amount of \$750,000. As noted in our Office's [Review of the FY 2027 Proposed Budget](#), the FY 2026 Adopted Budget eliminated the base budget for SBEP, which was restored on a one-time basis from the Economic and Workforce Development Fund for just FY 2026. In FY 2027, our Office recommends the allocation of \$750,000 to SBEP from the General Fund or TOT Fund on a one-time basis given limited ongoing resources. Additionally, while not a direct replacement to the SBEP funding that goes to Business Improvement Districts (BIDs), small business grants to under-resourced communities, and store-front improvement matching funds, the Economic Development Department also offers below-market loans with favorable terms to eligible businesses through its [Revolving Loan Fund](#).

In Fiscal Year 2026, SBEP funded 31 community nonprofits, each with specific scopes of work to support thousands of small businesses. If this program were able to continue in Fiscal Year 2027, it would expect to see a similar level of service, supporting at least 35 community non-profits who work with small businesses. This could especially benefit organizations that operate, and/or provide services, in historically underserved communities by increasing their access to fiscal, technical, and networking resources.

OCPP Complaint and Investigation Information Management System - \$200,000 (one-time)

Ongoing funding of \$50,000 for annual software subscription costs for the Office of the Commission on Police Practices' (OCPP) Complaint and Investigation Information Management System (CIIMS) was added in the FY 2026 Adopted Budget; however, an additional \$200,000 in one-time funding is necessary in FY 2027 for system configuration, customization, and the migration of historical data to ensure the CIIMS is fully operational when the Commission's Standard Operating Procedures are approved. Although this item was only included in four Councilmember memoranda, our Office recommends supporting this one-time expenditure with OCPP anticipated personnel expenditure savings, as discussed above.

OTHER POTENTIAL MODIFICATIONS

Our report includes several recommended modifications to both General Fund resources and expenditures. After accounting for those modifications, a total of \$3.7 million in available General Fund resources remain, of which \$2.6 million is ongoing.

While our recommendations cover all majority-supported expenditure modifications, additional expenditures of \$4.4 million were prioritized in the modification memos of four Councilmembers (notably, this included full restoration of all libraries and recreation centers to FY 2026 operating hours). A portion of these additional expenditures could be funded with remaining recommended resources, though fully funding all of them would require additional resources beyond those we have recommended. Consequently, while we present these potential expenditure additions, we make no recommendations regarding them. As noted earlier, **we stress the importance of constraining the addition of any new ongoing expenditures – particularly any that would exceed remaining ongoing resources – given the Budget’s structural imbalance.**

Additional potential resources exist, and several were mentioned in Councilmember memos, but all have various drawbacks. Consequently we make no recommendation for many of those resources, and recommend *against* pursuing some of them.

This section first provides details on the expenditure modifications supported by four Councilmembers, and then covers additional potential resources.

EXPENDITURE MODIFICATIONS SUPPORTED BY FOUR COUNCILMEMBERS

Table 3: Modifications Supported by Four Councilmembers		
<i>(Dollars and FTEs are up-to amounts; partial restorations would be lower)</i>		
General Fund Expenditures	FTEs	Amount
Restoration of Recreation Center Hours	23.00	\$ 1,650,635
Restoration of Library Hours	16.00	1,282,386
Police Department Front Counter Staffing (unfreeze 4.00 FTEs)	-	592,292
Arts, Culture and Community Festivals Grants	-	450,000
Homelessness: Security Services for Safe Storage	-	222,000
Restoration of COO with Existing DCOO	-	194,441
Total Expenditure Items	39.00	\$ 4,391,754

This section provides information on expenditure priorities that received support from four Councilmembers for the Council’s consideration.

Restoration of Recreation Center Hours - up to \$1,651,000 net of revenue (ongoing)

Four Councilmembers prioritized the restoration of remaining reductions to Recreation Center hours that were not included in the May Revision. Fully restoring remaining reductions impacting 24 recreation centers would require 23.00 FTEs and \$1.7 million (net of revenue). The table below

includes a list of these locations and the funding necessary to restore operating hours at each individual location to current FY 2026 service levels.

Recreation Center Hours - Restoration Funding Needs by Facility								
Council District	Facility	PandA Analysis Rank	FTEs	PE	NPE	TOTAL	Revenue	Net Funding Need
1	Carmel Valley	50	1.00	\$ 60,410	\$ 6,295	\$ 66,705	\$ 4,271	\$ 62,434
	La Jolla	54	1.00	69,665	6,295	75,960	4,271	71,689
	Ocean Air	52	1.00	63,902	6,295	70,197	4,271	65,926
	Pacific Beach	33	1.00	77,572	6,295	83,867	4,271	79,596
	Pacific Highlands Ranch	53	1.00	62,332	6,295	68,627	4,271	64,356
2	Cabrillo	16	1.00	85,385	6,295	91,680	4,271	87,409
	North Clairemont	34	1.00	60,410	6,295	66,705	4,271	62,434
	Ocean Beach	25	1.00	75,372	6,295	81,667	4,271	77,396
	Robb Athletic Field	13	0.50	35,289	6,295	41,584	4,271	37,313
5	Canyonside	38	1.00	60,410	6,295	66,705	4,271	62,434
	Carmel Mountain Ranch	37	1.00	70,577	6,295	76,872	4,271	72,601
	Hilltop	32	1.00	65,165	6,295	71,460	4,271	67,189
	Rancho Bernardo	17	1.00	67,672	6,295	73,967	4,271	69,696
	Scripps Ranch	10	1.00	60,410	6,295	66,705	4,271	62,434
6	Doyle	22	1.00	63,902	6,295	70,197	4,271	65,926
	Mira Mesa	26	1.00	60,410	6,295	66,705	4,271	62,434
	Hourglass Field	NR	0.50	41,518	6,295	47,813	4,271	43,542
	Kearny Mesa	46	1.00	70,032	6,295	76,327	4,271	72,056
	Nobel Athletic Fields	55	1.00	67,672	6,295	73,967	4,271	69,696
	Standley	51	1.00	70,577	6,295	76,872	4,271	72,601
7	Allied Gardens	39	1.00	73,329	6,295	79,624	4,271	75,353
	San Carlos	29	1.00	69,386	6,295	75,681	4,271	71,410
	Serra Mesa	28	1.00	101,783	6,295	108,078	4,271	103,807
	Tierrasanta	27	1.00	68,879	6,295	75,174	4,271	70,903
Totals:			23.00	\$ 1,602,059	\$ 151,080	\$ 1,753,139	\$ 102,504	\$ 1,650,635

If Council moves forward with a partial restoration of recreation center hours, it will be important to consider how locations are prioritized for partial or full restoration. Council may wish to incorporate findings from analysis prepared by the Performance and Analytics Department (PandA), which ranked recreation center locations according to the greatest community need based on a range of factors – including equity indicators, location, available amenities, proximity to other services, and facility conditions. Using this framework, or a similar set of criteria, could ensure that limited resources are directed first to centers where reduced hours would have the most significant equity impacts. This could help the City avoid unintentionally deepening existing geographic disparities in access to recreation services and support a more consistent and equitable allocation of restored hours across neighborhoods.

Restoration of Library Hours - up to \$1,282,000 (ongoing)

Four Councilmembers prioritized the restoration of remaining reductions to Library operating hours that were not included in the May Revision. Fully restoring remaining reductions impacting nine library locations would require 16.00 FTEs and \$1.3 million. The table below includes a list

of these locations and the funding necessary to restore operating hours at each individual location to current FY 2026 service levels.

Library Hours - Restoration Funding Needs by Facility							
Council District	Location/Branch	DYH@L	PandA Analysis Rank	FTEs	PE	NPE	TOTAL
Restoration of Full-Day Monday Library Hours							
3	North Park	No	16	2.00	\$ 122,961	\$ 23,675	\$ 146,636
	University Heights	No	10	1.00	79,739	23,675	103,414
7	Allied Gardens	No	36	1.00	74,504	8,552	83,056
Restoration of Half-Day Saturday							
1	La Jolla	No	37	1.50	97,780	-	97,780
2	Point Loma	No	15	2.50	202,064	34,507	236,571
3	Central	No	5	4.00	273,108	32,750	305,858
5	Rancho Bernardo	No	32	1.50	92,931	10,832	103,763
6	Mira Mesa	Yes	4	1.50	111,569	-	111,569
7	Linda Vista	Yes	27	1.00	83,318	10,421	93,739
Totals:				16.00	\$ 1,137,974	\$ 144,412	\$ 1,282,386

Similar to the analysis it prepared for recreation centers, Panda prepared an analysis highlighting which library branches serve neighborhoods facing greater socioeconomic barriers, transportation challenges, and limited availability of comparable services. Council may wish to use this analysis to inform its prioritization process. If Council chooses to rely on other criteria, establishing and clearly communicating those criteria will help ensure that restoration decisions remain transparent, consistent, and responsive to community needs. Using an equity-informed approach will help ensure that limited resources are directed first to the branches where reduced hours would have the most significant impact on residents’ access to essential services and learning opportunities.

Restore Police Department Front Counter Staffing - \$592,000 (ongoing)

Four Councilmembers supported removing the hiring freeze on 4.00 sworn FTEs that staff the Police Department’s Front Counters, which would allow these positions to be filled in FY 2027.

Arts, Culture and Community Festivals (ACCF) Grants - \$450,000 (ongoing)

Four Councilmembers supported restoring Council’s ACCF funding at \$450,000, or \$50,000 per Council Office. Council ACCF funding is awarded at the discretion of each Council Office to local non-profit organizations and public agencies to promote local arts and culture. If Council would like to approve funding for this, it could consider doing so on a one-time basis using one-time resources to preserve ongoing resources for other programs.

Homelessness: Security Services for Safe Storage - \$222,000 (ongoing)

Four Councilmembers supported the restoration of 24-hour security services at the Storage Connect Center, which are proposed to be reduced to cover operational hours at the Center in FY 2027. Located in Council District 8, the Center provides secure space for individuals experiencing

homelessness to store their personal belongings. As of this writing, operational hours are 7AM to 7PM Monday through Friday and 8AM to 11AM on Saturday and Sunday. Council could choose to restore \$222,000 to fund 24-hour security services using the available or additional potential General Fund resources identified in this report.

A primary argument for restoration stems from the initial agreement the City made to address community concerns when the Center was first established in 2018 to provide 24-hour security and regular San Diego Police Department patrols surrounding the Center (see [IBA Report 18-06](#) for additional details). As a mid-year budget mitigation, security services were scaled back to cover only the Center's business hours on January 1, 2026; since then, HSSD and SDPD noted there have been no operational impacts or security concerns, indicating that full restoration of security services may not be warranted at this time. According to SDPD, the Center continues to be part of the Neighborhood Policing Division's (NPD) regular patrol, Center staff have a direct line to NPD should any non-emergency problems arise, and it is NPD's assessment that the facility is very secure after hours as the facility has locking steel doors and ample lighting around the building.

That noted, reduced security services could increase the likelihood of vandalism, and in the event the facility was broken into, any loss of items could have severe impacts on individuals experiencing homelessness. The Council may wish to monitor police reports of vandalism to assess needs if this amount is not restored.

Restoration of COO with Existing DCOO - up to \$194,000 (ongoing)

Four Councilmembers supported restoring the Chief Operating Officer (COO) position by reclassifying or promoting a Deputy Chief Operating Officer (DCOO) with the intention of it being a budget neutral adjustment. However, the COO would likely need to be paid more for overseeing the entire City as opposed to a portion of it, which would require additional resources. The salary of the former COO was \$438,564 (not adjusted for general salary increases since his departure) and at similar ratios of salary to fringe costs as current DCOO's, we estimate the net impact of this promotion would be \$194,000 if a new COO's salary were equal to the prior COO's salary, and a COO was hired on July 1. Costs would be less if a lower salary was negotiated, if a DCOO was terminated prior to the hiring of a COO, or if a DCOO was promoted to the COO position later in the year. This adjustment assumes the creation of a COO and a decrease of 1.00 DCOO.

OTHER POTENTIAL RESOURCES

Because there may be a desire to fund more of the expenditure additions above than we have identified in *recommended* resources, we also identify additional resources that could be used to support further budget modifications, as noted on Table 4 on the following page. Each resource comes with drawbacks, and as such we either make no recommendation on whether they should be pursued, or in some cases recommend against pursuing them in FY 2027. Council will need to balance the benefits of programs and services that could be funded with these resources against the impacts that tapping into them could have.

Table 4: Additional Potential GF Resources <i>(Dollars are up-to amounts)</i>	
General Fund Resources	Amount
Elimination of AXON My90 Software in Police Department ¹	\$ -
Implement Two-Officer Units in Police Department ¹	-
Reallocate HHAP 5 HMIS Set-Aside (One-Time)	299,186
Car Allowances, Cellphone, Non-essential Travel Savings ¹	615,557
Cancellation of ALPR Subcontract ¹	2,000,000
Public Safety Non-Profit Special Event User Fees (Full Cost Recovery)	2,100,000
Identify Cuts to Departments with Higher Unclassified Staff ¹	2,379,091

¹ Refer to written section below.

Elimination of AXON My90 Software (Police Department) - N/A

Seven Councilmembers prioritized the elimination of SDPD’s contractual expense associated with AXON My90 Software used for community feedback/engagement⁸; however, this expense is not budgeted in the General Fund, thus no General Fund savings would be generated.

Seized Assets⁹ funding was anticipated to be used to fund this software in FY 2027, but the Department has indicated that it no longer plans to continue the service in order to redirect the Seized Assets funding towards a new recruiting contract.

Implement Two-Officer Units in the Police Department - N/A

Seven Council members supported a change to SDPD’s patrol operations which would require that all patrol units be staffed with two officers per vehicle. Currently, patrol units with one officer are generally used to respond to lower priority, non-emergency calls and patrol units with two officers are used to respond to higher priority calls. Implementing this change could generate \$750,000 or more in fuel savings given that the overall number of on-duty patrol vehicles would be reduced. SDPD estimates that on average approximately 80% of patrol vehicles were staffed with one officer over the last three months; thus, consolidating these single officer units would result in a 40% reduction in the overall number of active patrol vehicles. Implementing this change is likely to have detrimental impacts to police response times particularly for lower-priority calls and in

⁸ Post-police contact community engagement surveys are valuable tools for capturing the public’s perception of law enforcement, increasing departmental accountability, and improving future interactions. These surveys enable community members to share both concerns and positive experiences. Additionally, responses from post-police contact surveys are often cross-referenced with demographic data—such as race, age, and neighborhood—to help identify disparities in attitudes and experiences with local law enforcement. If AXON My90 is eliminated, the City Council should consider how the Police Department can continue gathering post-contact feedback from community members.

⁹ Seized Asset funding is received through equitable sharing programs which redistribute state and federal forfeiture proceeds with cooperating law enforcement agencies; these programs generally require funding to be used to supplement law enforcement services and not supplant existing funding. Federal equitable sharing program guidelines specifically state that “State, local, or tribal law enforcement agencies will not receive equitable sharing if the governing body or state, local, or tribal law, regulation, or policy requires or directs (1) specific expenditures of shared funds, (2) the transfer of federal equitable sharing funds to non-participating law enforcement agencies, or (3) expenditures for non-law enforcement purposes.”

Divisions with large geographic service areas (i.e., Northern, Northeastern, Eastern, and Northwestern.)

We note that recent implementation of overtime controls has successfully resulted in overtime expenditures largely remaining within budget in FY 2026. If this operational change is implemented, a greater reliance on overtime beyond what is currently budgeted would be necessary to maintain current response times, which already exceed the Department's goals for all but the highest priority calls (Priority 0). **Increased overtime costs could fully eliminate or exceed any potential savings. Given that and the likely increase to response times, our Office recommends against this proposal being included in the Adopted Budget.**

Reallocate HHAP Round 5 HMIS Set-Aside - \$299,000 (one-time)

State law allowed the City to allocate up to 1% of its Homeless Housing, Assistance and Prevention (HHAP) Round 5 funds to support the administration of the local Homeless Management Information System (HMIS). Administered by the Regional Task Force on Homelessness (RTFH) countywide, HMIS is a centralized reporting database used by service providers to collect, track, and analyze individual-level program outcomes and service utilization for federally and State-funded homelessness programs. State and federal homelessness funding is conditioned on reporting into HMIS. Although the City's HHAP Round 5 spending plan allocated the optional 1% set-aside to HMIS, the full allocation of \$299,000 has not yet been transferred. Given how limited HHAP funds are moving forward and various other service-oriented homelessness priorities, Council could seek to modify the HHAP Round 5 spending plan to reallocate \$299,000 from the 1% HMIS set-aside to other priorities, such as prevention, diversion, or shelter services. These funds could be used to restore homelessness reductions on a one-time basis or, if reallocated to existing services, would offset General Fund expenditures, thereby freeing up General Fund on a one-time basis. As these one-time HHAP funds would make up one of several funding sources available to support HMIS operations such as federal funding and agency licensing fees, the reallocation of these funds could require RTFH to identify alternative funding.

Car Allowances, Cellphone, and Non-Essential Travel Savings - up to \$616,000 (but likely less)

Four Councilmembers supported the exploration of cost savings through reductions to car allowances, cellphones, and non-essential travel expenses. We provide information for each below. While we cite \$616,000 associated with savings in the auto allowance and travel categories, this reflects total savings if these were completely eliminated *without accounting for resulting partially offsetting cost increases or travel expenses that are likely still required*, as discussed further below. **Therefore, this should be viewed as a maximum estimate, and any Council reduction, if desired, should be below this amount.**

Car Allowance

To date, there are 42 City employees that receive an auto allowance across all funds. Within the General Fund there are 34 positions for a total of \$154,000 as shown in the table below. The Chief Operating Officer would also receive an auto allowance at a rate of \$9,600 per year if the position existed and was filled, but given that the COO position is not budgeted, this amount is not actually

paid to any position.¹⁰ The additional nine employees within non-General Funds receive auto allowances at a rate of \$300 per month (all department directors except for one Executive Assistant Director).

Council could consider eliminating all or a portion of this employee benefit. However, it is likely any reduction would result in partially offsetting costs in the form of mileage reimbursement, if employees previously receiving auto allowances choose to seek reimbursement for mileage driven in the future. This impact would depend on future decisions of individual employees and how much they currently drive for City business which cannot be accurately predicted at present.

Auto Allowance within the General Fund			
Job Title	Count	Cost per Position	Annual Cost
Department Director	13	\$300/month	\$ 46,800
Executive Director	5		18,000
Personnel Director	1		3,600
Asst City Attorney	5	\$475/month	28,500
Deputy Chief Oper Ofcr	5		28,500
Asst Chief Oper Ofcr	1		5,700
Chief Financial Officer	1		5,700
City Auditor	1		5,700
City Clerk	1		5,700
Independent Budget Analyst	1		5,700
Total	34		\$ 153,900

Eliminate Employee Cell Phones

In FY 2025, total cell phone operating costs were \$4.1 million for all employees in all funds, and \$2.5 million in the General Fund. About 81.7% of these costs are attributed to four departments: Police, Fire-Rescue, Transportation, and Parks & Recreation.

Through consultation with the City Attorney’s Office, we learned that it is possible to eliminate all work phones, though discussions with the City’s recognized labor organizations would be necessary. Given that over half of cell phone costs are attributed to the Police and Fire-Rescue departments, it can be reasonably assumed that a significant portion of work cell phones are used by classified employees.

If this is pursued, Council should also consider whether to eliminate cell phone stipends for employees that forgo separate cell phones and choose to receive a stipend instead. Otherwise, the cost savings from eliminating work cell phones would be generally offset by an increase in wireless

¹⁰ While the Mayor has assumed the duties of the COO, the Mayor is prohibited from receiving and does not receive any auto allowance.

stipends. In FY 2025, a total of \$804,000 in all funds and \$481,000 in the General Fund was spent on wireless stipends.

There are multiple operational considerations that should be considered. Relying on employees’ personal cell phones, particularly for in-the-field staff such as public safety personnel, can create challenges, including the handling of sensitive City information on personal devices and exposure of personal phone numbers. Additionally, City records would be on employee personal phones that would need to be searched to respond to Public Records Act requests.

Because additional time is needed to fully consider operational impacts to departments as well as provide an opportunity to discuss with impacted recognized employee organizations, our Office does not have a savings estimate available (if any, if the wireless stipend was not also eliminated) and so we recommend against pursuing this as a resource in the FY 2027 Budget.

We note that the Department of Information Technology (DoIT) is currently in the process of decommissioning many land line phones due to the rise in use of Teams and Zoom, which has already reduced the City’s phone expenses. The department has eliminated thousands of land line phones and will continue to do more. Still, there is a portion of the City workforce that use landlines regularly for City business that make and receive calls from the public or outside agencies. DoIT plans to continue to reduce landline phones and move only what is truly required to a new cloud-based solution in place of the City’s own legacy phone system.

Non-Essential Travel

The Proposed Budget includes a total of \$462,000 across all General Fund City departments’ travel accounts that are designated not for training. We caution that not all departments may regularly update this particular travel account each year, so it may not accurately reflect total non-training travel costs. Also, due to budget mitigation mandates to stop discretionary spending, many departments have stopped non-essential travel and may be using this funding to support other critical needs in lieu of requesting additional budget. For purposes of this report, our Office assumed that the travel account specific to training is “essential travel.”

FY 2027 General Fund Non-Training Travel		
Police	\$ 267,028	57.8%
Fire-Rescue	51,439	11.1%
Office of the Mayor	35,500	7.7%
Council Offices/Council Admin	33,947	7.4%
City Attorney	29,500	6.4%
Other	44,243	9.6%
Total	\$ 461,657	100.0%

As shown in the table above, the Police Department has the largest share of non-training travel costs at \$267,000. Some larger components of this include: \$70,000 for Executive Protection

Detail (security for the Mayor and/or Chief), \$86,000 for Chief's Office Operations Division and Department-wide Expenditures (e.g. travel for Law Enforcement conferences, meetings and symposiums such as International Association of Police, Major City Chiefs Association, and Peace Officer Memorials), \$26,000 for Homicide (investigative purposes), and \$20,000 for the Recruiting Unit (travel to events).

The next largest share is Fire-Rescue at \$51,000, which is used primarily for strike-team deployments, fire fighter memorials, Honor Guard, and behavioral task force meetings.

Both the Mayor's Office and all City Council offices/Council Administration combined have similar amounts for non-training travel at about \$35,000.

Finally, the City Attorney has a non-training travel budget of about \$30,000 with the Civil Advisory, Civil Litigation, and the Criminal/Your Safe Place divisions all having similar allotments of about \$9,000 each. Some example expenditures include: depositions and witness travel costs, City Attorney travel to Sacramento, jury trials, witness preparation meetings, and oral arguments in Appellate Court.

Council could consider reducing travel costs for any department noted above that it determines meets its intent of being non-essential. If it desires to do so, we urge Council to ask impacted departments about any operational impacts prior to making any reduction.

Cancellation of ALPR subcontract under the Ubicquia agreement with SDPD - up to \$2.0 million (ongoing)

Four Councilmembers support cancelling the Automated License Plate Reader (ALPR) portion of the City's contract with Ubicquia associated with the use of 500 Smart Streetlights across the City. Under the contract's scope of services, the smart streetlight and ALPR service are bundled together as a single unit/cost, even though they involve two distinct technologies. To separate and cancel the ALPR service only, the City would need to renegotiate the contract with Ubicquia to determine potential savings. This would require participation from Mayoral departments (likely SDPD and Purchasing & Contracting). Alternatively, the City could terminate the contract in its entirety, including both the smart streetlight and ALPR components, with 30 days' notice. Assuming notice is provided on July 1, 2026, prorated savings over 11 months would amount to approximately \$2.0 million.

Reconsidered User Fee: Public Safety Special Event Fees for Non-Profits - up to \$2.1 million (ongoing)

In March 2025, Council approved new user fees and adjustments to several existing user fee rates. This included setting fees related to public safety support at special events organized by both San Diego County-based non-profit organizations and those based outside the County. These organizations pay a discounted fee to the City for crowd and traffic control services provided by the Police Department's Special Events Unit (both civilian and sworn personnel) and for event permitting issued by the Fire-Rescue Department.

As part of its March 2025 action, the Council chose to forego increasing special event fees for non-profits to 100% cost recovery and instead implemented a 50% discount to San Diego County-based non-profit organizations and 25% discount non-San Diego County-based non-profits.

Council could decide to raise public safety special event user fees for non-profit organizations up to an amount that would cover the full costs of the services, which would generate up to \$2.1 million in additional FY 2027 revenue. However, this could impact the ability of non-profit organizations – particularly smaller or less well-resourced organizations – to provide special events in the City.

Identify Cuts to Departments with Higher Proportions of Unclassified Staff - up to \$2.4 million (ongoing)

Four Councilmembers expressed support for identifying a total of \$3.0 million in additional reductions to departments that have a comparatively higher share of unclassified positions, such as Performance and Analytics (PandA) and the Communications Department.¹¹ In response to this request, our Office worked with PandA to identify \$621,000 in adjustments that would reduce the Department’s impact on the General Fund as noted and recommended above. Because the recommended reduction is still \$2.4 million less than the \$3.0 million target amount, this section provides additional potential mitigation options as well as an overview of the major functions of both departments. It also outlines the high-level potential impacts of reducing these functions should Council decide they are no longer a priority.

Communications Department

1.00 Media Services Manager - \$180,000

Council could consider cutting this position. The Fire-Rescue Department’s FY 2027 Proposed Budget includes the addition of 1.00 Program Manager (i.e. Media Services Manager) to support Fire-Rescue’s emergency communications and public messaging needs. Because these responsibilities are currently performed by an existing Media Services Manager within the Communications Department, that incumbent will be transferred to Fire-Rescue.

In our review of the FY 2027 Proposed Budget, we noted that the Communications Department intends to backfill the will-be-vacant Media Services Manager position with the incumbent of a supplemental Marketing and Social Media (M&SM) Manager position and operate as a M&SM

¹¹ Although Performance & Analytics and the Communications Departments have a comparatively higher share of unclassified positions, we note the departments with the highest proportion of unclassified positions are independent (City Auditor, IBA, Ethics Commission) or elected officials’ offices (City Council/Council Admin, Office of the Mayor). As shown in our review of the Proposed Budget, these groups make up 226.77 FTEs, or 41%, of the 550.09 unclassified and unrepresented FTEs in the General Fund in the Proposed Budget, though 45.00 of those FTEs in Council Offices (5.00 FTEs per district) are essentially unfunded positions (FTEs are included in the Proposed Budget, but each Council Office has a normalized discretionary PE budget and authorization to fill up to 15.00 FTE positions using that budget).

Manager.¹² Staff has since clarified that the incumbent of the supplemental position will retire and subsequently vacate the backfilled position in September 2026.

Should the 1.00 Media Services Manager from Communications Department be removed, the vacancy that Department intended to backfill would not be created, ultimately eliminating a budgeted 1.00 M&SM Manager position. Staff notes that while some of the responsibilities of the M&SM Manager would be absorbed by department management, the reduction would lead to fewer posts on the City's social media accounts, reduced oversight and quality control of posted content, decreased marketing efforts for parks programming, less staff training on social media usage, and reduced digital content production for the IKE kiosks.

The Department did indicate that the responsibilities of the M&S Manager could be performed by a Program Coordinator. Based on compensation for other Program Coordinator positions within the Department, reclassifying M&SM Manager position to a Program Coordinator would reduce expenditures by \$14,000. Staff also indicated that this position could be held vacant for the remainder of the fiscal year after the incumbent retires to achieve one-time budgetary savings.

Overview of Major Functions of the Communications Department

Excluding the 1.00 Media Services Manager position referenced above, the Communications Department is currently budgeted at 26.00 General Fund FTEs, 19.00 (or 73.1%) of which are classified positions. Given the Department has limited discretionary non-personnel expenditures, any substantial reductions to the Department would come from personnel expenditures, which would translate into reduced staffing levels.

While some of the responsibilities of eliminated positions may be absorbed by remaining staff (most likely by unclassified employees, given that classified employees have defined and established duties), reducing positions would decrease the Department's service levels. Below we group Communications Department positions, including those not supported by the General Fund, by major function to inform Council what services would be reduced if further budget cuts were made.

Department Management (General Fund: 3.00 unclassified FTEs, \$711,000)

This group includes the following three positions:

- 1.00 Department Director – Serves as the Communication Department's head and oversees its operations. This position also provides support across several departmental functions, including responding to media inquiries, reviewing and copywriting materials, and performing various administrative tasks.
- 1.00 Deputy Director – Serves as the Department's secondary leadership role. This position also supports internal communications, including the managing of employee notification emails on behalf of City Departments such as Human

¹² This Marketing and Social Media Manager position was reduced by the Council as part of the final FY 2026 budget adoption. Though the position was eliminated, the incumbent continues to serve in this role as a supplemental position.

Resources and Risk Management, as well as copywriting content for CityNet (the City’s internal web network) stories and [Inside San Diego](#) (the City’s public facing news site) articles.

- 1.00 Assistant Deputy Director – This position manages and supports the CityTV, Graphic Design, and Publishing Services teams. It oversees these teams’ facility needs, as well as the contracts and equipment required for these teams to operate. The position also serves as City leadership’s (i.e. the Mayor, City Council, and department directors) liaison on printing and publishing needs.

We note that this position was reclassified from a Program Manager position when the Publishing Services team was transferred from Purchasing & Contracting to the Communications Department in 2022, subsequently expanding the position’s responsibilities.

Communications Department Mangement				
Position	Fund	Classified/Unclassified	FTE	Average PE for FTE (includes fringe)
Department Director	General Fund	Unclassified	1.00	\$275,000
Deputy Director	General Fund	Unclassified	1.00	\$230,000
Assistant Deputy Director	General Fund	Unclassified	1.00	\$205,000

Public Information Officers (General Fund: 13.00 classified FTEs, \$1.7 million)

Public Information Officers (PIOs) develop and execute communication plans for departments that define how information will be shared, draft speaking points and scripts, respond to media inquiries, and support internal communications.

Additionally, PIOs, along with Department Management and Media Services Coordinators and Managers, help tailor social media content to reach different audiences. For example, the City’s LinkedIn account may highlight employee benefits and showcase the positive experiences of City employees, while the City’s Facebook account may feature specific projects to inform and engage community members.

Each PIO supports client departments, either as the primary PIO or as the back-up. Of these client departments, City Council Offices and the Mayor’s Office are not listed as client departments. However, the Mayor’s Office has its own Communications Team that exclusively supports the Mayor, including drafting speaking points, press releases, and newsletters. Similarly, Council Offices typically have their own staff supporting each office’s communications needs and responding to constituent inquiries.

Reduction to this team would likely lead to Communications not being able to service all City departments and potentially increase response times to media inquiries and increase the risk of errors in public messaging. Though client departments may attempt to provide their own communications support, Communications staff noted that these departments may not have trained communications professionals, which could lead to inconsistent messaging.

Public Information Officers				
Position	Fund	Classified/Unclassified	FTE	Average PE for FTE (includes fringe)
Supervising Public Information Officers	General Fund	Classified	4.00	\$146,000
Sr. Public Information Officers	General Fund	Classified	7.00	\$134,000
Public Information Officers	General Fund	Classified	2.00	\$102,000

Media Services Coordinators and Managers (General Fund: 3.00 unclassified FTEs, \$530,000)

There are 3.00 unclassified FTEs within the Communications Department that provide services similar to those performed by PIOs. Although these positions are unclassified, they do not directly supervise other staff. Instead, they carry out functions that may not be appropriate for classified roles, such as responding to and coordinating with media before and after regular business hours, weekends, and holidays (i.e. being on-call 24/7). These 3.00 FTE positions are the following:

- 1.00 Media Services Manager – This position manages all communications with the press. It is also responsible for responding to media inquiries during City emergencies, coordinating and addressing time sensitive requests to ensure accurate information is delivered to the public, and manages communications with Spanish-speaking media outlets. Additionally, this position provides communications support to the Police Department, including the promotion of community events.
- 1.00 Media Services Coordinator – This position serves as the primary staff member supporting communications related to homelessness service efforts, including releasing news updates on affordable housing, conducting media interviews, coordinating media access for onsite visits to homelessness program locations, and facilitating media accompaniment of homelessness outreach efforts. This position also serves as backup for the above position and also creates social media content.
- 1.00 Community Engagement Coordinator – Primarily manages the City’s translation and interpretation contracts and the related purchase orders and invoices, responds to language access requests from departments, and supports the City’s compliance with Title VI requirements by handling the translation contracts. The incumbent of this position also supports the communication needs of the Human Resources and Purchasing and Contracting departments.

Reduction to these positions would result in less 24/7 on-call availability due to removed backup staff, less media access, potentially particularly for Spanish-speaking outlets, and the potential for public safety and homelessness departments to handle media inquiries directly. Alternatively, translation and interpretation services, outside those funded by Public, Education, and Government (PEG) fees¹³ (e.g. CityTV interpretations) could be reduced to on-request translations only.

Media Services Managers and Coordinator				
Position	Fund	Classified/Unclassified	FTE	Average PE for FTE (includes fringe)
Media Services Manager	General Fund	Unclassified	1.00	\$191,000
Community Engagement Coordinator	General Fund	Unclassified	1.00	\$173,000
Media Services Coordinator	General Fund	Unclassified	1.00	\$166,000

CityTV Team (General Fund: 3.00 classified FTEs, 1.00 unclassified FTE, \$502,000)

The CityTV team is responsible for filming and editing videos, producing live coverage of public meetings, including City Council, and events, as well as creating content for the City’s social media channels. Reductions to this team would reduce the production of videos and the extension of project timelines, or full elimination would remove live coverage of City Council and other public meetings.

CityTV Team				
Position	Fund	Classified/Unclassified	FTE	Average PE for FTE (includes fringe)
Program Coordinator	General Fund	Unclassified	1.00	\$190,000
Multimedia Production Coordinator	General Fund	Classified	3.00	\$104,000

Graphic Design (General Fund: 3.00 classified FTEs, \$338,000; Publishing Services Fund: 2.00 classified FTEs, \$198,000)

This team creates, designs, and prepares visual communications materials, such as graphics, flyers, postcards, documents, and reports in both digital and print formats. They also ensure that visual materials comply with the City’s [Visual Style Guide](#) and standardized branding, as well as accessibility requirements, including formatting text to meet ADA standards for individuals with visual impairments. Reductions to this team would increase the workload for remaining staff and could result in delays and/or decreases in the volume of graphic design production.

Graphic Design Team				
Position	Fund	Classified/Unclassified	FTE	Average PE for FTE (includes fringe)
Graphic Communications Manager	General Fund	Classified	1.00	\$133,000
Graphic Designer	General Fund	Classified	2.00	\$102,000
Graphic Designer	Publishing Services Fund	Classified	2.00	\$99,000

¹³ PEG fees are special revenue that is paid by video service providers to fund access channels.

Publishing Services (Publishing Services Fund: 5.00 classified FTEs, \$412,000)

This team provides internal City support through reprographics functions, including graphic design, electronic publishing, quick prints, and bindery services. Note that any reprographic work the team is unable to perform in-house is outsourced, and customer departments are charged an additional 15% fee to recover administrative and coordination costs.

If internal publishing services were fully eliminated, departments would need to obtain reprographic and printing services directly from external vendors. While outsourced services would no longer be subject to the additional 15% surcharge, some services currently provided in-house may already be more cost-effective. Ultimately, any significant savings are more likely to result from a reduced demand for reprographics and print services rather than from eliminating this team.

Publishing Services Team				
Position	Fund	Classified/Unclassified	FTE	Average PE for FTE (includes fringe)
Print Shop Supervisor	Publishing Services Fund	Classified	1.00	\$109,000
Administrative Aide 2	Publishing Services Fund	Classified	1.00	\$103,000
Publishing Specialists 2	Publishing Services Fund	Classified	2.00	\$64,000
Sr Publishing Specialists	Publishing Services Fund	Classified	1.00	\$76,000

Performance and Analytics Department (Panda)

As noted earlier, Panda plans to work with the Department of Finance to explore updates to how the Department recovers its costs, which could include a new funding structure for the department, and/or the restructure of some positions or partial positions into the GIS Fund or other non-General Fund. In addition to the Department’s regular process improvement and data automation work, and exploring more options for cost recovery, Panda is exploring other options that could reduce City costs. For example, SanGIS was created as a Joint Powers Authority (JPA) of the City and County of San Diego to formalize a partnership in providing regional GIS information. Currently, SANDAG participates at board meetings as a non-voting member, and does not contribute financially. If SANDAG were to be added as a voting member and share in the costs of SanGIS, it could reduce City (GIS Fund) costs by approximately \$317,000 annually.

Similar to the Communications section above, we have included a high-level overview of Panda’s General Fund budget, and an overview of the major functions of the department.

As shown in the following table, Performance and Analytics Department’s (Panda’s) non-personnel expenditures (NPE) in the General Fund total \$872,000. The largest component of this is the \$535,000 in discretionary IT expenditures (primarily a \$253,000 contract with Deloitte for Salesforce/Get It Done system updates and security enhancements, with the remaining budget

supporting roughly 20 other smaller discretionary IT services contracts¹⁴). The other largest component of PandA’s NPE budget is the \$309,000 for non-discretionary items, which are largely outside of the department’s control (e.g., electricity and gas services, security services, and IT services like applications and SAP support). Of note, PandA is exploring opportunities to bring more of the vendor-supported work in-house, which could reduce its discretionary IT expenditures, but would require additional staffing to support.

Non-Personnel Expenditures (May Revise, General Fund)	
Category	Amount (\$)
Discretionary IT	\$ 535,124
Non-Discretionary Accounts (e.g. IT, Gas, Electricity)	309,122
Cell Phone/Wireless Stipend	12,190
Misc. Contracts (e.g. emp recognition, print shop, tuition reimb.)	7,500
Transit Pass Subsidy, Transport Allowance	6,242
Office Supplies	2,050
Grand Total	\$ 872,228

The rest of PandA’s General Fund budget is associated with personnel expenditures. Given the Department’s relatively small non-personnel expenditure budget, if the Council wants to pursue reductions beyond those already proposed in this report, it would likely result in the reduction of filled positions, and would translate to fewer services. We note that PandA is one of several departments who are expected to support the ERP modernization effort, so it will be important to understand how additional position reductions would impact that effort. Positions currently included in the budget are shown below and divided into each of the department’s sections. We also include a short summary of the work conducted in each of these sections to illustrate potential services impacts from additional reductions. Note that amounts included below *exclude* fixed fringe, because if Council were to reduce additional positions, the fixed fringe amounts would need to be reallocated to positions remaining in the organization. Some of the positions included below are reimbursed for work completed for non-General Fund departments (like PUD and ESD).

Due to the potential for unintended service-level impacts for city residents, other Departments, and revenue, our Office does not recommend additional cuts to PandA’s budget other than those proposed earlier in this report. Should Council want to make additional reductions to PandA beyond those recommended earlier, Council should ask the Department for additional details about how the reductions would impact City services and revenues.

¹⁴ Other notable discretionary IT items include: Get It Done (GID) mobile app licensing (\$53k), and applications that let residents access maps (Google Maps via Sanborn, \$25k), view City-provided after photos (AWS, \$13k), use accessibility tools on sandiego.gov (Userway, \$9k), receive text messages (Twilio, \$3k), access data in the GID portal, and transfer data between disparate City systems for accurate reporting.

FY 2027 Budgeted FTE Positions in the General Fund for Performance & Analytics (PandA)				
Section	Job	Position Status	Classified/ Unclassified	Total PE (no fixed fringe)
Department Management	Department Director	Filled	Unclass Salaried	\$ 287,016
	Deputy Director	Filled	Unclass Salaried	236,054
	Employ and Empower Intern		Unclass Hourly Intern	44,201
Department Management Total				\$ 567,271
Data & Analytics	Program Manager	Filled	Unclass Salaried	216,042
	Program Coordinator	Filled	Unclass Salaried	179,730
	Program Coordinator	Filled	Unclass Salaried	189,822
	Program Coordinator	Filled	Unclass Salaried	179,073
Data & Analytics Total				\$ 764,667
Strategic Initiatives (Process Improvements, Strategic Planning)	Program Coordinator	Filled	Unclass Salaried	185,864
	Program Coordinator	Filled	Unclass Salaried	183,451
	Organization Effectiveness Supervisor	Filled	Classified Unrepresented	132,077
Strategic Initiatives Total				\$ 501,392
Product Management (Get It Done Product & PUD Customer Service)	Program Manager ¹	Filled ¹	Unclass Salaried	-
	Program Coordinator	Filled	Unclass Salaried	179,036
	Program Coordinator	Filled	Unclass Salaried	188,973
Product Development Total				\$ 368,009
Technology & Innovation (Salesforce/Get It Done)	Program Manager ²	Hold ²	Unclass Salaried	202,357
	Program Coordinator	Filled	Unclass Salaried	169,546
	Program Coordinator	Filled	Unclass Salaried	186,552
	Program Coordinator	Filled	Unclass Salaried	202,425
Technology & Innovation Total				\$ 760,880
Web Services Team	Program Manager	Filled	Unclass Salaried	239,740
	Information Systems Analyst 3	Filled	Classified Salaried	153,342
	Information Systems Analyst 3	Filled	Classified Salaried	140,670
	Information Systems Analyst 3	Filled	Classified Salaried	137,193
	Information Systems Analyst 3 ³	BPES Proposed ³	Classified Salaried	140,728
Web Services Total				811,673
Grand Total				\$ 3,773,892

¹ The Product Management Program Manager position is filled; however, budgeted personnel expenditure savings is already assumed in the budget, so reducing this position does not produce any budgetary savings.

² The Technology & Innovation Program Manager is currently serving as the *Interim* Enterprise GIS Deputy Director.

³ Budgeted Personnel Expenditure Savings (BPES) is proposed to be included for the vacant Information Systems Analyst 3 as part of the IBA's Recommended adjustments included earlier in this report.

Department Management, 3.00 FTEs, \$567,000

The Department Director (Chief Innovation Officer) provides leadership for enterprise innovation, performance management, data analytics, digital transformation, and budget oversight. This position also leads InnovateSD (which collects and evaluates ideas from across the organization to improve efficiency, effectiveness, service delivery, increase revenue, or reduce expenditures), coordinates with the Mayor's Office, City Council, and departments, and represents the City on the SanGIS Board of Directors. The Deputy Director position serves as a senior leader responsible for advancing enterprise strategic planning (e.g. the City Strategic Plan), performance management, evaluation, and digital service improvement initiatives that support decision-making and service delivery across City departments. The Deputy Director position leads the Strategic Initiatives, Product Management, and Web Services sections. The Employ and Empower intern position is supported by grant revenue.

Data & Analytics, 4.00 FTEs, \$765,000

This section operates the Open Data Portal (117+ public datasets, 65,000 annual visitors, 285,000+ annual downloads across 17 departments) and the Enterprise Data Warehouse supporting 150+ automated data pipelines. The Program Manager (Chief Data Officer) position chairs the Data Governance Committee and sits on the AI Governance Subcommittee, which is developing policies, standards, and recommendations for managing city data. This section delivers advanced analytics, predictive modeling, and dashboards to 21+ departments. Examples of work include the development of the Road Closure App, and collaboration with the Transportation Department on machine-learning-based pothole detection in underreported communities.

Key programs/products: Open Data Portal, Enterprise Data Warehouse, departmental dashboards, Data Governance program, Road Closure Application.

Strategic Initiatives (Process Improvements, Strategic Planning, Digital Services), 3.00 FTEs, \$501,000

This section develops and maintains the City's Strategic Plan, Strategic Management System, and Key Performance Indicators (KPIs); and works with the IBA's Division of Race and Equity to develop and monitor Tactical Equity Plans (near-term planning documents that integrate business planning with specific steps for addressing disparities). This section administers employee and resident satisfaction surveys via the Medallia platform; leads process improvement initiatives (business process re-engineering, process mapping); and maintains public-facing performance dashboards. The Proposed Budget for FY 2027 includes both the reduction of 1.00 vacant Program Coordinator in this section, and the transfer of one filled Organizational Effectiveness Supervisor from Engineering & Capital Projects who is expected to be 75% cost recoverable from process improvement work for non-General Fund departments like ESD.

Key programs/products: Strategic Plan; Key Performance Indicators and Tactical Equity Plan dashboards; Employee Satisfaction Survey; resident feedback surveys; Transportation Department and Fleet Services Division performance monitoring, reporting, and backlog dashboards; process improvements and development of Purchasing and Contracting intake forms.

Product Development (Get It Done Product & PUD Customer Service), 3.00 FTEs, \$368,000

This section leads the Get It Done product roadmap, directing enhancements, coordinating updates and releases, and improving platform functionality for 800+ city staff users and 30,000 monthly users (members of the public). This section monitors system performance, usage, and customer feedback to identify opportunities to improve usability, responsiveness, and customer satisfaction; and supports departments in resolving system issues. This section administers the Medallia customer experience platform, manages Salesforce contracts and vendor relations, and prepares reports and dashboards to monitor

service levels, response times, and customer experience indicators. One of the Program Coordinator positions serves as the technical project manager for Phases 1-3 of the Public Utilities Customer Service Portal (customer service and improved billing accuracy), and is funded by PUD.

Key programs/products: Get It Done (all service types), PUD Customer Service Portal, Medallia CX analytics.

Technology & Innovation (Salesforce/Get It Done) 4.00 FTEs, \$761,000

This section supports technical development, configuration, integration, and system reliability for three Salesforce platforms: Get It Done, the ESD Residential Waste Collection Services Portal, and the PUD Customer Service Portal. The team manages quarterly Salesforce releases; leads and supports integrations between Salesforce and other City and external systems (e.g., SAP and GIS integrations); maintains technical documentation; and supports data integrity, security, and compliance practices. The Program Manager is currently serving as the *Interim* Enterprise GIS Deputy Director (in the GIS Fund).

Key programs/products: Get It Done (Salesforce), ESD Waste Portal, PUD Customer Service Portal, SAP/GIS integration, Continuous Integration/Delivery (CI-CD) pipeline.

Web Services Team, 5.00 FTEs, \$812,000

This team was transferred from the IT Fund to PandA (General Fund) as part of the FY 2027 Proposed Budget. This team develops, maintains, and governs the City's website (sandiego.gov, receives 30M+ visits/year), CityNet, and SharePoint. The team ensures compliance with web content accessibility guidelines (WCAG), Brown Act compliance for City Clerk documents (agendas, minutes, public notices), and security requirements. The team also monitors web analytics to guide user experience (UX) improvements, supports department web updates and launches, and provides SharePoint administration and workflow automation for internal collaboration. As noted in the table above, 1.00 Information Systems Analyst 3 is vacant, but as part of our recommended resources, we propose adding budgeted personnel expenditure savings related to this vacancy.

Key programs/products: sandiego.gov, CityNet, SharePoint, web accessibility compliance.

ADDITIONAL CONSIDERATIONS

As Council contemplates final budget modifications for FY 2027, it is critical that those modifications are considered in the context of the larger fiscal environment and challenges facing the City. This section of our report highlights key considerations, including the City's persistent structural budget deficit, which is expected to continue in FY 2028. We also discuss impacts of the potential Solid Waste Management Fee and Balboa Park Parking settlement, and how they will create further strain on the City's General Fund. We also note that funding for the City's capital infrastructure continues to be deferred year after year, which leads to dramatically increased costs, along with increased financial and liability risks to the City. Given this, we urge Council to refrain from taking actions that would further increase financial pressure in future years.

The City's Structural Budget Deficit

The FY 2027-31 Five Year Financial Outlook projected an \$88.8 million deficit for FY 2027. That figure increased to \$118.0 million going into this budget development cycle. Large deficits were projected to persist through FY 2031. While mitigations included in the FY 2027 Proposed Budget reduce these budget gaps, a projected deficit of \$32.9 million remains in FY 2028 (as estimated at the time of the Proposed Budget), indicating that reductions will be needed again in next year's budget.

It is important to note that these deficit projections *exclude required reserve contributions* set by the City's Reserve Policy. Although the structural budget deficit (ongoing services being funded by one-time resources) in FY 2027 as of the May Revision is \$15.3 million, it increases to \$95.4 million when including deferred payments to reserves. The last time the City met its full Reserve Policy requirement was FY 2022, and there are no contributions proposed for FY 2027. Continuing to waive General Fund reserve contributions effectively means the City is relying on resources intended for emergencies and fiscal resilience to sustain ongoing operating costs.

Despite a small surplus that was previously projected to be reached in FY 2029, there are significant cost pressures in the short term that will likely reverse this surplus and lead to continued future deficits. The next section in this report discusses the potential Solid Waste Management Fee and Balboa Park Parking settlement that would add significant costs in FY 2028 and FY 2029. Beyond that, the City has entered into tentative agreements with two Recognized Employee Organizations (REOs), which include general salary increases, costs for which are largely deferred until FY 2029. Assuming the remaining four REOs achieve similar agreements, this could add significant costs beginning in FY 2029. We also note that the City continues to underfund critical capital needs, particularly stormwater infrastructure, increasing both financial exposure and legal liability, as illustrated by litigation tied to the January 2024 storm which will result in additional costs. This is discussed further below.

Absent major improvement in the City's current revenues or continued significant reductions, these emerging obligations make it more likely that the structural imbalance will persist and that the City will continue to face difficult budget cycles. While the City's structural deficit is the result of

decades of previous decisions, it is nevertheless critical that the City right-size its ongoing expenses with its limited revenues, to avoid perpetuating a cycle of budget cuts each year, and to rebuild public confidence and trust so that a future revenue measure can be successful.

Impacts of the Proposed Solid Waste Management Fee and Balboa Park Parking Settlement

On May 20th, the City Council tentatively approved a settlement agreement with various parties that agreed to lower previously approved solid waste collection fees for FY 2028 and FY 2029, and to repeal paid parking in Balboa Park by the end of calendar year 2026. While budgetary impacts in FY 2027 are limited, both actions will impact future General Fund budgets.

Balboa Park and Zoo Paid Parking Impacts

The Proposed Budget currently includes approximately \$4.4 million in revenue assumed to be generated from paid parking in Balboa Park in FY 2027, and \$960,000 ongoing expenditures. An additional \$3.0 million in revenue is budgeted from the San Diego Zoo which constitutes the minimum parking revenue payment that was agreed to under Zoo’s recent lease amendment. Under the Zoo’s amended Lease, this payment from the Zoo is prorated based on number of days the City imposes parking fees in Balboa Park on a *calendar year basis*. Thus, assuming paid parking in Balboa Park continues through end of calendar year 2026, approximately \$3.0 million is still expected to be received in full in FY 2027.

Moreover, additional parking use data since the development of the Proposed Budget has shown increased parking fee revenue in recent months. Updated parking fee projections to reflect that show that full-year revenue from Balboa Park parking fees would total \$7.4 million, including \$3.9 million from July 1, 2026 through December 31, 2026. Because actual revenue has exceeded projections in the Proposed Budget on a month-by-month basis, the revenue shortfall associated with terminating the Balboa Park paid parking program at the end of calendar year 2026 results in a decrease of approximately \$480,000 in revenue below amounts in the Proposed Budget. This amount is fully offset by anticipated expenditure savings, as reflected in the table below.

Balboa Park Paid Parking Program Termination Impact				
	FY 2027 Budget	Updated Full-year Projection	January 1, 2027 Termination	
			Projection	Budget Impact
Parking Revenue	\$ 4,379,654	\$ 7,400,000	\$ 3,900,000	\$ (479,654)
Zoo Revenue	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ -
Total Revenue	\$ 7,379,654	\$ 10,400,000	\$ 6,900,000	\$ (479,654)
Expenditures	\$ 960,000	\$ 960,000	\$ 480,000	\$ (480,000)
Net Impact	\$ 6,419,654	\$ 9,440,000	\$ 6,420,000	\$ 346

While this means that the impact of eliminating paid parking at Balboa Park halfway through FY 2027 is negligible in budgetary terms, in FY 2028 the net financial impact associated with the elimination of the Balboa Park Paid Parking Program totals \$9.4 million. The loss of Zoo revenue

could be offset if the Zoo continues to charge non-residents for parking in their lots, as additional revenue sharing beyond Zoo costs would continue *if* the Zoo continues to charge non-residents.

Solid Waste Management Fee Impacts

Reducing solid waste management fees will result in the Solid Waste Management Fund (SWMF) no longer deriving enough revenue to cover the full costs of solid waste and recycling collection services. While the proposed settlement does not impact waste fees in FY 2027, it does impact fees in FY 2028 and 2029. Moving to the rates contained in the settlement will result in a decrease of \$40.9 million in rate revenue to the SWMF in FY 2028, and \$44.7 million in FY 2029. However, the General Fund will not necessarily need to cover the entirety of these revenue reductions, as mitigations can be taken to reduce the impact of the revenue loss. Mitigations include suspending new services such as bulky item pickup and weekly recycling, as well as suspending current services such as an electric vehicle pilot for packers and a CIP project to upgrade the collection services operations facility. Additionally, more revenue could be transferred from the Recycling Fund to cover recycling activities, but that could require removing expenditures from the recycling fund. Given all of these mitigations, the estimated impact to the General Fund is approximately \$10.8 million in FY 2028, and \$10.0 million in FY 2029.

The FY 2027 Proposed Budget currently includes appropriations for new services, and does not reflect any of the mitigating actions noted above. If these services are not removed or otherwise suspended, this would create a larger General Fund deficit for FY 2028 and beyond. While there is insufficient time to prepare the full budgetary actions associated with these mitigations in the FY 2027 Budget, we recommend **the administration bring forward actions during the Mid-Year Budget Monitoring Report that address and begin implementing these mitigations.**

Ultimately, while General Fund support for solid waste collection services will be needed when the settlement is ultimately approved, the amount could change based on various other factors, including labor negotiations, pension payment assumptions, increases to operating costs such as packer replacement costs, fuel, and fleet services, or increases in disposal costs or recycling processing fees charged at either the Miramar Landfill or other landfill facilities. The lower fees contemplated in the settlement expose the General Fund to these costs, and that will remain the case until a new Cost-of-Service study is completed and future fee increases are approved by the Council. In the meantime, in order to track the General Fund's exposure to collections services cost, **our Office recommends that the Environmental Services Department develop and produce a five-year financial outlook that covers their operations – particularly but not exclusively operations funded by the Solid Waste Management Fund, that can be presented alongside the General Fund and Public Utilities outlooks. This outlook requirement should be added to Council Policy 000-02.**

Infrastructure Funding Needs

The City maintains a vast portfolio of public infrastructure, including streets, storm drains and stormwater conveyance systems, water and wastewater treatment stations and pump stations, streetlights, sidewalks, bridges, buildings, and more. That portfolio requires both ongoing

operational maintenance as well as regular capital renewal. That portfolio is also unevenly distributed, with some parts of the City lacking basic infrastructure that is present in others.

The City's most recent Five-Year CIP Outlook includes \$12.8 billion in capital needs, but the City only has funding for \$5.0 billion of that amount, leaving a \$7.8 billion funding gap over the next five years. This is an increase of \$1.3 billion, or 20.1%, over the previous year's capital outlook.

This increase is overwhelmingly driven by the compounding of stormwater drainage assets that have already passed their useful life. Stormwater infrastructure in particular faces funding constraints around maintenance and capital investment, and the impacts of the failure of that infrastructure can be devastating to properties and enormously costly to the City. The Proposed Capital Improvements Program (CIP) Budget includes \$47.0 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.

Significant unfunded capital needs extend well beyond stormwater infrastructure, and include streets and roads (\$677.9 million funding gap), streetlights (\$467.2 million funding gap), fire stations (\$309.9 million funding gap), sidewalks (\$252.5 million funding gap), police stations (\$222.1 million funding gap), and parks (\$221.3 million funding gap), among others.

Those unfunded capital needs are significant, and they compound when they are left unfunded. The need for capital repairs also often reflects the deferral of day-to-day operating maintenance of infrastructure; it is noteworthy that the Proposed Budget *reduces* \$1.5 million and 13.00 FTEs for General Services Department facilities maintenance, despite some new facilities coming online. Not funding day-to-day maintenance of City infrastructure and facilities further exacerbates capital repair needs in the future.

The magnitude of the City's unfunded capital infrastructure needs is such that it cannot be addressed without a significant new revenue source. While it is critical that the City live within its means on a day-to-day operating basis, it is unlikely that even the wholesale elimination of various departments would result in sufficient savings to address this infrastructure funding gap. Securing that new revenue will ultimately require voter approval, and building the public trust necessary to earn that approval must be treated as an institutional priority. The longer that funding gap persists – and the longer these capital needs remain unmet – the higher the likelihood becomes of catastrophic infrastructure failure, which could lead to enormous human and financial cost.

FINAL BUDGET ACTIONS

In order to adopt a final FY 2027 Budget, we recommend the City Council take the following actions:

1. Approve the Mayor's FY 2027 Proposed (Draft) Budget, as modified by the Mayor's May Revision.
2. Approve the IBA's recommended final budget expenditure modifications included in this report, as summarized in Table 2 (*Recommended Expenditure Modifications*; page 20) as supported by recommended resources identified in Table 1 (*Recommended Resources for Modifications to FY 2027 Budget*; page 12).
3. Allocate *up to* \$3.7 million in remaining identified resources (which consist of \$2.6 million in ongoing resources available for allocation, and \$1.1 million one-time resources which are available but which the IBA recommends using to fund reserves or otherwise leaving unallocated) to Council's other selected budget modifications.
4. Approve Arts and Culture funding in an amount up to \$6.0 million by transferring a like amount in Measure C Convention Center Funds to the Special Promotional Programs budget as described on pages 5-7.
5. Approve alternative homelessness program reductions as described on pages 7-9 in place of those reflected in the May Revision, adjustments for which have no net budgetary impact.
6. Approve the restoration of 1.00 Program Manager within the Office of Labor Standards and Enforcement, transfer the existing 28.00 FTE positions and restored Program Manager from the City Treasurer's Office to the City Attorney's Office, and increase City Attorney Office revenue by \$2.2 million as described on pages 9-10.

CONCLUSION

This report presents the IBA's recommended modifications to the Mayor's FY 2027 Proposed Budget and May Revision. Our recommended modifications can be supported with identified resources, and include technical corrections, reorganizations, an alternative package for homelessness programming, as well as meaningful restorations to arts and culture funding and other priorities that received majority Council support.


Adoption of a balanced FY 2027 budget on June 9th is both possible and necessary in the short term. Ultimately, however, significant additional work on the City's budget issues will be needed in future years. While the FY 2027 budget makes progress towards closing the structural deficit, that deficit nevertheless will persist into FY 2028, where a projected gap of \$32.9 million will require additional difficult decisions. Beyond this, reserve contributions remain deferred, and the City's infrastructure backlog continues to compound, with a \$7.8 billion funding gap projected over the next five years.

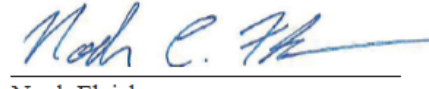
These conditions reflect an ongoing misalignment between the City's available revenues and the cost of maintaining current service levels. **This misalignment cannot be resolved through expenditure reductions and efficiencies alone, particularly when it comes to the City's massive infrastructure needs and multi-billion-dollar infrastructure funding gap. That is not a problem that can be solved through small incremental changes, and there is no way that gap can be closed without significant additional resources.** Council should weigh that reality, and the need for voter buy-in on any future revenue measures, carefully as it considers final budget actions.

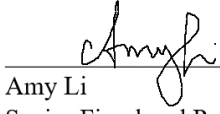
As it does so, our Office stresses the importance of avoiding additions to ongoing expenditures that would deepen the structural imbalance, and recommends that unallocated one-time resources be put into reserves or otherwise preserved as a buffer against anticipated FY 2027 and FY 2028 fiscal pressures.

Our Office will continue to provide analysis and support to the Council as it navigates the fiscal challenges ahead.


Independent Budget Analyst

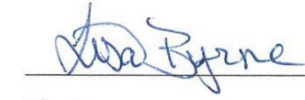

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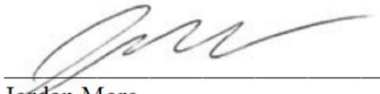

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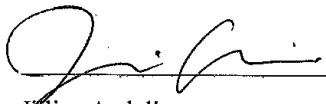

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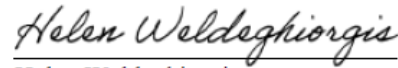

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IBA Review of the May Revision to the FY 2027 Proposed Budget

The Mayor's May Revision ([May Revise](#)) contains recommended changes to the FY 2027 Proposed Budget based on financial information and economic assumptions available after the Proposed Budget's initial release in April. This attachment reflects our Office's review of the May Revise.

We begin by discussing each General Fund revenue identified in the May Revision, categorized as either one-time or ongoing, followed by a discussion of General Fund expenditure items included in the May Revise. We note that the May Revise includes \$13.5 million in additional General Fund resources and expenditures. Of this amount, one-time resources total \$8.8 million, which are partially offset by \$4.8 million in one-time expenditures. The remaining \$4.1 million in excess one-time revenues increases the structural deficit to \$15.3 million.¹

This attachment also discusses non-General Fund adjustments and considerations, as well as updates on homelessness services.

MAY REVISION CHANGES: GENERAL FUND REVENUES

The table on the following page shows May Revision adjustments to General Fund revenues, which net to a \$13.5 million increase over the FY 2027 Proposed Budget. Summary information is provided for significant adjustments only after the table on the following page.

¹ The \$15.3 million structural budget deficit does not include the suspended General Fund Reserve contributions as a one-time resource. When these reserve contributions are factored in, the structural budget deficit increases to \$95.4 million.

General Fund Revenue Adjustments in the May Revision		
Item Description	Department	Amount
<i>One-Time Revenues</i>		
Road Maintenance & Rehabilitation Fund Reimbursement ^a	Transportation	\$ 2,200,000
Additional EGF Fund Transfers	Parks & Recreation	1,500,000
Vegetation Management Grant ^a	Fire-Rescue	1,040,000
Delinquent Accounts Overpayment Escheatment	Citywide	1,000,000
Opioid Settlement Fund Reimbursement ^a	Police	537,604
Refuse Disposal Enterprise Fund Reimbursement for CleanSD Support ^a	Police	50,725
City Council Nomination Fee Revenue	City Clerk	9,055
<i>Subtotal One-time Revenues</i>		6,337,384
<i>Ongoing Revenues</i>		
Increase in Transient Occupancy Tax	Citywide	4,448,740
Golf Course Enterprise Fund Transfers	Citywide	4,287,517
Net Increase of Transient Occupancy Tax Fund Transfers	Multiple	1,328,654
Additional Engineering and Asset Management Parking Revenue	Transportation	850,000
Additional Measure C Revenue	HSSD	714,145
Sycamore Franchise Fee Revenue Increase	Citywide	698,031
Additional CATCH Task Force Revenue	Police	165,000
Tank Engineering and Environmental Management Revenue ^a	Environmental Services	137,785
DSD Fund Reimbursement for Zone Investigator Restoration ^a	Development Services	126,995
Additional Safety Sales Tax Revenue	Police/Fire-Rescue	112,098
Additional Minimum Wage User Fee Revenue ^a	City Treasurer	76,621
Reimbursement for ESD Process Improvements ^a	PandA	4,752
General Government Services Billing Revenue Reduction	Citywide	(60,672)
Reduction in City Administration Building Rent Revenue	Citywide	(125,080)
Removal of State Reimbursement for Phone System Maintenance	Fire-Rescue	(209,657)
Parks & Rec User Fee Revenue Adjustment	Parks & Recreation	(219,500)
Reduction in EMS Fund Transfers	Fire-Rescue	(434,087)
Trench Restoration Revenue Reduction	Transportation	(1,000,000)
Decrease in Property Tax	Citywide	(1,134,200)
Tax and Revenue Anticipation Notes Interest Earnings Reduction ^a	Citywide	(2,591,483)
<i>Subtotal Ongoing Resources</i>		7,175,659
Total General Fund Revenue Adjustments		\$ 13,513,043

^a Revenue includes corresponding expenditures.

One-Time Revenues

- *\$2,200,000 Road Maintenance & Rehabilitation Fund Reimbursement, Transportation:* The May Revision includes the use of available fund balance from the Road Maintenance & Rehabilitation Fund to support the overtime costs necessary to implement the Speed Management Plan.

Equity Implication: The Speed Management Plan was adopted in FY26 and aligns with the City's Vision Zero commitment to eliminate traffic fatalities and serious injuries. Although severe injury and fatal crashes have decreased since 2018, more than 180 traffic crashes in San Diego result in a death or serious injury each year, with more severe injuries and fatalities involving pedestrians than any other modes of travel. Note, Appendix A of the plan provides

a detailed list of Safety Corridor segments (streets with a high concentration of fatal and serious injury crashes) eligible for an additional 5 mph speed reduction, organized by Council District.

- *\$1,500,000 Additional Environmental Growth Fund Transfers, Parks & Recreation:* The May Revision includes an additional transfer of \$1.5 million from the Environmental Growth Fund balance to reimburse eligible Parks & Recreation expenditures based on updated FY 2026 year-end projections.
- *\$1,040,000 Vegetation Management Grant, Fire-Rescue:* The May Revision includes \$1.0 million in one-time revenue from a vegetation management grant from the California Natural Resources Agency. This grant funding is anticipated to support Fire-Rescue overtime expenditures for vegetation and defensible space creation, maintenance of fire access roads and trails, a Community Chipping and Green Waste Program, and community wildfire education (see “Expenditure Additions with Corresponding Revenue”).
- *\$1,000,000 Escheatment of Stale Dated Checks and Delinquent Account Overpayments, Citywide:* Staff estimates that \$1,000,000 in one-time revenue will be generated from the transfer of unclaimed funds to the General Fund. Approximately \$400,000 of this amount is from the escheatment of un-cashed checks issued by the City, while the remaining \$600,000 would come from the escheatment of unclaimed Delinquent Account overpayments. Note that while the total balance of Delinquent Account overpayments to the City is \$1.8 million, the May Revision assumes only a conservative estimate of this amount to be transferred to the General Fund. This is because the City does not yet have an established escheatment process for these overpayments, which the City Treasurer anticipates implementing in FY 2027.
- *\$538,000 Opioid Settlement Fund Reimbursement, Police:* This additional revenue from the Opioid Settlement Fund will support the Neighborhood Policing Division’s efforts to connect people experiencing homelessness with opioid treatment, prevention, harm reduction, and recovery services. See “Expenditure Additions with Corresponding Revenue” for a brief description of associated expenditures.
- *\$51,000 Refuse Disposal Enterprise Fund Reimbursement for CleanSD Support, Police:* This is revenue available from the Refuse Disposal Fund that will be part of an increase in enforcement for illegal dumping activities. This amount supports additional Police Overtime.

Ongoing Revenue

- *\$4,449,000 Increase in Transient Occupancy Tax, Citywide:* Transient Occupancy Tax revenue received in March and April 2026 was significantly higher than previously estimated. Since FY 2026 revenue serves as the base for the FY 2027 budget, when the FY 2027 estimated revenue growth rate is applied to the new, larger actual revenue in FY 2026, then the FY 2027 revenue outlook also increases. The increased portion of TOT revenue in the May Revision proposed to be transferred to the General Fund (5.5% General Fund and 1.0% Council Discretionary) is \$4.4 million.

- *\$4,288,000 Golf Course Enterprise Fund Land Use Revenue, Citywide:* The May Revision includes \$4.3 million in ongoing General Fund revenue from the Golf Course Fund through an increase in land use fees. The land use fee 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 park golf courses). Based on an analysis conducted by the Department of Finance, it was determined that Golf Course Fund can support this increase while still meeting its near-term CIP needs, which total approximately \$215 million, through a combination of cash and bond financing. Our Office has reviewed this preliminary analysis and generally agrees with DOF's conclusion in the near-term; however, additional analysis is required to ensure that the Golf Course Fund will be able to self-support its capital needs in the long term. To that end, our Office recommends such analysis be conducted and presented to the City Council in conjunction with the Golf Operations Division's new/updated Business Plan, which is anticipated to be completed in FY 2028.
- *\$1,329,000 Net Increase of Transient Occupancy Tax Fund Transfers, Multiple Departments:* Similar to the previously described increase in TOT revenue for the 5.5% and 1.0% General Fund and Council Discretionary portions of TOT, the 4.0% Special Promotional Programs portion of TOT revenue increased by \$2.7 million. Of the increase, \$1.3 million is used to reimburse General Fund eligible expenses that promote tourism. The \$1.3 million in reimbursements is divided between *increases* to the Fire-Rescue Lifeguard division (\$2.2 million), City Treasurer for administrative costs (\$364,000), Special Event Public Safety (\$202,000), and DoF for administrative costs (\$28,000) – these increases are offset by a *decrease* in reimbursements to the Homelessness Strategies and Solutions Department described below (\$1.5 million). The remaining \$1.4 million TOT increase is budgeted as a:
 - FY 2026 fund balance *decrease* of \$198,000;
 - FY 2027 expenditure *increase* of \$200,000 for 1.00 FTE responsible for December Nights in the Special Event & Filming Division of PAR, an *increase* of \$21,000 for PETCO Park operating support, and a *decrease* of \$9,000 for Cultural Affairs Administration costs; and
 - FY 2027 fund balance *increase* of \$1.0 million.
- *\$850,000 Additional Engineering and Asset Management Parking Revenue, Transportation:* This is a technical adjustment to increase the amount of reimbursement coming from TransNet 70% Congestion Relief Fund to the General Fund to support traffic engineering activities. This will fully reimburse these teams in the General Fund. This is supported through ongoing TransNet dollars, and was already accounted for in the TransNet budget.
- *\$714,000 Additional Measure C Revenue, Homelessness Strategies and Solutions Department (HSSD):* As previously mentioned, this increase reflects revised projections of TOT revenue, which also affect Measure C TOT revenue projections for the portion of funds dedicated to homelessness. As a result of this increase and other May Revision adjustments, \$1.5 million in TOT reimbursement revenue will be transferred from the HSSD budget to Special Promotional Programs as these funds are no longer needed to support budgeted homelessness expenditures.

- *\$698,000 Sycamore Franchise Fee Revenue Increase, Citywide:* Sycamore Canyon Landfill is a City-owned landfill that is privately operated where the operator pays the City a per-tonnage franchise fee. Since the release of the Proposed Budget, the estimated revenue to the General Fund from the agreement increased due to an estimated increase from tonnage.
- *\$165,000 Additional CATCH Task Force Revenue, Police:* The May Revision includes \$165,000 in reimbursement revenue from the County of San Diego associated with SDPD's participation in the Computer and Technology Crime High-Tech (CATCH) task force that investigates high technology and internet crimes. The City's agreement with the County was recently modified to include this additional revenue supporting one existing full-time Police Detective that is assigned to CATCH.
- *\$138,000 Tank Engineering and Environmental Management Revenue, Environmental Services:* This funding, which is supporting a new position, comes from the Fleet Operations Fund for work performed by a new position managing the safety and regulatory compliance activities for various above and below ground fuel tanks.
- *\$127,000 Fee Revenue Reimbursement for Zone Investigator Restoration, Development Services:* The May Revision increases reimbursement revenue from the Outdoor Dining Exclusive Use Fund to support the restoration of 1.00 Zoning Investigator 2, to be discussed later. Established in FY 2022 ([R-313763](#)), this fund collects exclusive use fee revenue from streetery applicants, subject to renewal every two years. The fund is intended to cover the cost of administration and enforcement of the City's Spaces as Places regulations, with any remaining funding made available for right-of-way improvements, with 50% going to Communities of Concern. While the fund generated \$396,000 in fee revenue in FY 2025 and \$311,000 in FY 2026-to-date, FY 2027 revenue is anticipated at approximately \$215,000.
- *\$112,000 Additional Safety Sales Tax Revenue, Police/Fire-Rescue:* The May Revision increases Safety Sales Tax revenue, which is divided equally between the Police and Fire-Rescue Departments, based on latest projections.
- *\$77,000 Additional Minimum Wage User Fee Revenue, City Treasurer:* This adjustment reflects additional revenue from fees that partially offset the costs of enforcing minimum wage related ordinances.
- *(\$61,000) General Government Services Billing (GGSB) Revenue Reduction, Citywide:* This adjustment reflects an administrative change in the May Revision to account for the net General Fund revenue impact associated with moving the Deputy Chief Operating Officer positions out of the Mayor's Office and into non-General Funds and moving 5.00 FTEs from DoIT into Panda. This adjustment does not include reimbursements between non-Enterprise, non-General Funds such as the Risk Management Fund and Engineering & Capital Projects Fund.
- *(\$125,000) Reduction in City Administration Building Rent Revenue, Citywide:* This adjustment reflects a change to General Fund revenue from office space rent at the City Administration Building (CAB) due to updated estimates of the 6th floor's occupancy by E&CP.

- *(\$210,000) Removal of State Reimbursement for Phone System Maintenance, Fire-Rescue:* This adjustment reflects reduced reimbursements from the State for maintenance of the City’s 9-1-1 phone system.
- *(\$220,000) Parks & Recreation User Fee Revenue Adjustment, Parks & Recreation:* The Proposed Budget included User Fee increases totaling \$439,000 based on a two-year compound CPI adjustment for CY 2024 and CY 2025. This User Fee adjustment is reduced in the May Revision by \$220,000 to account for one year of CPI increase only.
- *(\$434,000) Reduction in EMS Fund Transfers, Fire-Rescue:* The May Revision reduces the amount proposed to be transferred from the EMS Fund to the General Fund as a budget mitigation by approximately \$434,000 based on updated FY 2026 year-end projections in the Third Quarter Budget Monitoring Report and FY 2027 revenue and expenditure adjustments (see “May Revision Changes: Non-General Funds”).
- *(\$1,000,000) Trench Restoration Revenue Reduction, Transportation:* This adjustment is a combination of a \$2.0 million ongoing reduction, offset by an increase of \$1.0 million in one-time revenue. Following the adoption of an updated Street Preservation Ordinance, the decision was made to have the Public Utilities Department stand up its own trench restoration team, and subsequently no longer provide reimbursement to Transportation for these activities. The ongoing reduction represents the end of the Service Level Agreement between these two departments, with the one-time adjustment representing work that Transportation will perform as Public Utilities stands up its own teams.

Equity Implication: The shift of trench restoration work to Public Utilities will give the Transportation Department additional capacity to focus on other essential maintenance and mobility projects. This increased bandwidth can help reduce backlogs in areas like streetlights, sidewalks, traffic safety, and vegetation management, particularly in neighborhoods that have experienced historic underinvestment.

- *(\$1,134,000) Decrease in Property Tax, Citywide:* This adjustment reflects two additional months of actual property tax revenue that saw a \$1.1 million decrease in revenue due to an estimated decrease in the RPTTF tax sharing distributions.
- *(\$2,591,000) Tax and Revenue Anticipation Notes (TRANs) Interest Earnings Reduction, Citywide:* Tax and Revenue Anticipation Notes (TRANs) are short-term, tax-exempt notes to help meet cash-flow needs when there is a timing discrepancy when the City needs to pay large expenses early in the fiscal year (pension contribution in July) and when the City receives its largest source of revenue (property tax payments in December). The May Revision anticipates the General Fund revenue from interest on pooled investments to generate \$10.6 million, a \$2.6 million *reduction* from the Proposed Budget due to updates to the cash flow and interest earning model. Our Office notes that \$10.6 million in gross pooled investment revenue is significantly greater than the FY 2026 projection of ending the year at *negative* \$11.1 million. However, the gross revenue is partially offset by the debt service on the TRANs discussed in the expenditures section below.

MAY REVISION CHANGES: GENERAL FUND EXPENDITURES

The table on the following page shows May Revision adjustments to General Fund expenditures, which net to a \$13.5 million increase over the FY 2027 Proposed Budget. We provide summary information after the table, followed by a review of the funding changes and potential programmatic impacts for homelessness programs, as well as a discussion on overall funding for items that have been adjusted in the May Revise.

General Fund Expenditure Adjustments in the May Revision			
Description <i>(items are ongoing unless noted as one-time)</i>	Department	FTEs	Amount
<i>Mitigating Adjustments</i>			
Reduction of the 16th & Newton Shelter	HSSD	-	\$ (2,903,909)
Reduction of Tree Planting and Maintenance (one-time)	Transportation	-	(708,335)
Budgeted Personnel Expenditure Savings (one-time)	Parks/Library	-	(598,657)
Expenditure Reductions to Balboa Park Paid Parking	Parks & Recreation	-	(493,750)
Transfer of Public Records Act Program to IT Fund	Communications	(1.00)	(452,630)
Postponement of New Facilities	Parks & Recreation	(3.00)	(424,062)
Removal of Old Central Library Security Services	HSSD	-	(325,000)
Reduction of Aero Drive Safe Parking	HSSD	-	(275,000)
Reduction of Central Elementary Safe Parking	HSSD	-	(250,000)
Reduction of 1.00 Deputy Director	Police	(1.00)	(242,641)
Position Reduction Swaps	Parks & Recreation	-	(67,036)
Transfer of Administrative Expenses to Recycling Fund	ESD	-	(65,471)
<i>Restorations</i>			
Reinstate General Homelessness Support	HSSD	-	3,753,909
Partial Restoration of Park Center Hours	Parks & Recreation	33.27	2,940,326
Partial Restoration of Library Hours	Library	7.00	1,191,464
Restoration of Shoreline Parks Restrooms	Parks & Recreation	1.82	155,727
<i>Expenditure Additions with Corresponding Revenue</i>			
Speed Management Plan (one-time)	Transportation	-	2,200,000
Additional Interest Payments for TRANs	Citywide	-	1,307,168
Vegetation Management (one-time)	Fire-Rescue	-	1,040,000
Additional Intervention Services Team Support (one-time)	Police	-	537,604
Addition of 1.00 Hazardous Materials Inspector 3	ESD	1.00	137,785
Restoration of 1.00 Zoning Investigator 2	DSD	1.00	126,995
Prgmr Manager Redux & Prgmr Coordinator Restoration	City Treasurer	1.00	76,621
Illegal Dumping Enforcement Pilot Program (one-time)	Police	-	50,725
<i>Other Programmatic Additions/Changes</i>			
General Fund Support of Homeless Shelter and Services	HSSD	-	4,907,437
Youth Drop-In Center Support (one-time)	Council Admin	-	500,000
Demolition of NTC Building	Parks & Recreation	-	400,000
Filling of 1.00 Air Support Lieutenant Position	Police	-	237,045
New Lease at Sky Park Court (one-time)	Police/City Attorney	-	321,793
Addition of 1.00 Biologist 2	Parks & Recreation	1.00	101,802
No Shots Fired Support (one-time)	Police	-	100,000
<i>Other Adjustments</i>			
Personnel Expenditure Increase from Labor Negotiations	Citywide	-	3,982,605
Fuel and Diesel Cost Increase	Multiple	-	1,596,449
Consolidation of Brush and Tree Management	Parks/Transportation	-	-
Sky Park Rent Consolidation	Police/CAO/Citywide	-	-
Various Non-Discretionary IT Adjustments - Net Amount	Multiple	-	(1,380,998)
Salary Savings Related to Voluntary Furloughs	Multiple	-	(3,341,211)
Other Adjustments	Multiple	3.25	(623,712)
Total General Fund Expenditure Adjustments		44.34	\$ 13,513,043

Mitigating Adjustments

- *(\$708,000), Reduction of Tree Planting and Maintenance (one-time), Transportation:* As noted in our analysis of the FY 2027 Proposed Budget, funding was included for tree planting and maintenance services for the settlement with the Air Pollution Control District in error. This reduction corrects that error.
- *(\$599,000), Budgeted Personnel Expenditure Savings (one-time), Parks & Recreation and Library:* The May Revision increases budgeted personnel expenditure savings (BPES) for the Parks and Recreation (\$480,000) and Library (\$119,000) departments primarily due to the restorations associated with Library and Recreation Center Hours. Given that some of the positions being restored are currently vacant, the increase in BPES effectively reduces the personnel expenditure budget for these departments to account for anticipated vacancies in FY 2027.
- *(\$453,000), Transfer of Public Records Act Program to IT Fund, Communications:* The Proposed Budget intended to fully transfer the Public Records Act (PRA) Program from the Communications Department's General Fund to the Department of IT's Information Technology Fund. However, it only transferred 1.00 PRA Program Coordinator. This adjustment completes the restructure by transferring the 1.00 PRA Program Manager and contract costs associated with the public records software (NextRequest) to the IT Fund.
- *(\$424,000), Postponement of New Facilities, Parks & Recreation:* The May Revision includes the reduction of 3.00 FTEs and \$424,000 associated with delayed opening and other operational adjustments for Eastbourne Neighborhood Park, Hickman Field, and Pacific Beach Elementary Joint Use Park.
- *(\$243,000), Reduction of 1.00 Deputy Director, Police:* The May Revision reduces 1.00 Deputy Director (Finance) that was added to the Police Department in the Proposed Budget; this reduction is assumed to support the restoration of 1.00 Police Lieutenant (Air Support) that was among the SDPD positions identified for a hiring freeze (see "Restorations" below).
- *(\$65,000), Transfer of Administrative Expenses to Recycling Fund, Environmental Services:* As part of the budget mitigations for Environmental Services, numerous positions were transferred from the General Fund to the Recycling Fund since their activities could be supported by the Recycling Fund. While the positions were transferred, the non-personnel expenditures associated with the positions was not in the Proposed Budget. This adjustment moves the associated non-personnel funding to the Recycling Fund.

Restorations

- *\$2,940,000, Partial Restoration of Park Center Hours, Parks & Recreation:* The May Revision restores 33.27 FTEs and \$2.9 million in expenditures of the 55.27 FTEs and \$5.4 million that was reduced in the Proposed Budget. Given the proposed funding restoration, current hours at all recreation centers in Council Districts 3, 4, 8, and 9 would be preserved, along with certain sites in Council District 2 (Cadman; Cathy Hopper Friendship; Presidio, Santa Clara, and South Clairemont); Council District 5 (Black Mountain Gymnasium/Multipurpose); Council District

6 (Lopez Ridge); and Council District 7 (Linda Vista and Tecolote). Operating hours at all other Recreation Centers would be reduced to 40 hours weekly; no closures are proposed. We note that this adjustment in the May Revision unintentionally included 1.00 FTE and \$63,902 that is not associated with the proposed partial restoration; our Office recommends correcting this error as a part of Council's final budget modifications.

The table below summarizes operating schedule changes by location for impacted facilities, as proposed by the Mayor.

May Revision Recreation Center Reductions						
Council District	Panda Rank	Facility <small>(Bold denotes Historically Underserved Communities)</small>	Gym	FY 2026 Hours	Hours Reduced	FY 2027 Hours
<i>Operating Hour Reductions</i>						
1	50	Carmel Valley	Yes	60	(20)	40
1	54	La Jolla	No	60	(20)	40
1	52	Ocean Air	Yes	60	(20)	40
1	33	Pacific Beach	Yes	60	(20)	40
1	53	Pacific Highlands Ranch	Yes	60	(20)	40
2	16	Cabrillo	No	45	(5)	40
2	34	North Clairemont	No	60	(20)	40
2	25	Ocean Beach	Yes	60	(20)	40
2	13	Robb Athletic Field	No	60	(20)	40
5	38	Canyonside	Yes	60	(20)	40
5	37	Carmel Mountain Ranch / Sabre Springs	Yes	60	(20)	40
5	32	Hilltop	No	60	(20)	40
5	17	Rancho Bernardo Glassman	Yes	60	(20)	40
5	10	Scripps Ranch Community	Yes	60	(20)	40
6	22	Doyle	Yes	60	(20)	40
6	26	Gil Johnson Mira Mesa	Yes	60	(20)	40
6	NR	Hourglass Field	Yes	60	(20)	40
6	46	Kearny Mesa	Yes	60	(20)	40
6	55	Nobel Athletic Fields	Yes	60	(20)	40
6	51	Standley	Yes	60	(20)	40
7	39	Allied Gardens	Yes	60	(20)	40
7	27	Tierrasanta	Yes	60	(20)	40
7	29	San Carlos	Yes	56	(16)	40
7	28	Serra Mesa	Yes	45	(5)	40
24 Facilities with Reduced Operating Hours			Subtotals:	1,406	(446)	960

Equity Implication: The partial restoration fully preserves operating hours at all Community Parks II recreation centers (Districts 3, 4, 8, and 9), which aligns strongly with the Panda analysis identifying facilities that serve historically underserved communities with higher poverty rates on average and lack of access to recreation programs. Within Community Parks I recreation centers (Districts 1, 2, 5, 6, and 7), alignment with the Panda scoring varies. Several higher need CP I sites—such as Presidio, Lopez Ridge, Linda Vista, and Tecolote—were restored; however, other locations with similarly high need rankings, including Scripps Ranch, Robb Field, and Rancho Bernardo, continue to operate with reduced hours. This suggests that, outside of CP II, the May Revision’s restorations do not fully reflect the Panda

analysis' intent to prioritize facilities where reduced hours would have the greatest community impact. Instead, cost efficiency, operational feasibility, and site specific staffing considerations appear to have influenced which CP I sites were restored.

- *\$941,000, Partial Restoration of Library Hours, Library:* The May Revision restores 7.00 FTEs and \$941,000 in expenditures of the 23.00 FTEs and \$2.4 million that was reduced in the Proposed Budget. The Mayor is proposing to implement Option 3, as outlined in the memorandum dated April 27, 2026 detailing reduction options for council consideration, with certain modifications given the proposed funding restoration. The modifications include the preservation of North Clairemont from full closure and Carmel Valley from a full-day service reduction. The table below summarizes operating schedule changes by location, as proposed by the Mayor.

May Revision Library Reductions - Option 3 with Modifications (<i>in bold</i>)						
Council District	Location	PandA Analysis Rank	DYH@L	Schedule Change	FY 2026 → FY 2027	FY 2027 Hours per Week
1	Carmel Valley	34	No	No Change	Mon-Sat	51
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
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

Scheduled operating hours at the following library branch locations would remain unchanged in FY 2027 (Tuesday through Saturday, 42.5 hours weekly): Pacific Beach, Pacific Highlands Ranch, Balboa, Clairemont, **North Clairemont**, Mission Hills, Beckwourth, Paradise Hills, Carmel Mountain, Scripps Ranch, North University, University Community, San Carlos, Serra Mesa, Tierrasanta, Otay, Kensington, and Mission Valley.

Equity Implications: The partial restoration of library hours helps moderate inequitable impacts that would have been felt most strongly in communities with fewer educational, enrichment, and digital access alternatives. The PandA analysis identifies several library branches in historically underserved areas—such as Oak Park, Valencia Park/Malcolm X, City Heights/Weingart, and Logan Heights—as among the highest-need facilities citywide, where reductions would have had the greatest community impact. While the May Revision does not fully restore hours across all high-need branches, the modifications to preserve North Clairemont from closure and prevent a full-day reduction at Carmel Valley help maintain access in neighborhoods where nearby alternatives may be limited or less accessible.

Overall, the partial restoration reduces the severity of service reductions but still results in uneven access across the system, as several of the highest-need branches identified in the PandA analysis will continue operating with reduced hours. Continued alignment of restoration decisions with observed community need may help strengthen service equity citywide.

- *\$250,000, Partial Restoration of Library Donation Matching Funds, Library Department:* The May Revision includes a partial restoration totaling \$250,000 of the \$1.0 million in library donation matching funds that were reduced in the Proposed Budget.
- *\$237,000, Filling of 1.00 Air Support Lieutenant Position, Police:* The May Revision removes the hiring freeze on 1.00 Police Lieutenant (Air Support) allowing this position to be filled in FY 2027; this restoration is supported by the reduction of 1.00 Deputy Director (Finance) that was added to the Police Department in the Proposed Budget (see “Mitigating Adjustments” above).
- *\$156,000, Restoration of Shoreline Parks Restrooms, Parks & Recreation:* The May Revision fully restores 1.82 FTEs and \$156,000 associated with Shoreline Beach restrooms that was reduced in the Proposed Budget.

Equity Implication: The original proposal included year-round closures of numerous public restrooms across Mission Bay Park, Fiesta Island, Shoreline Beaches, and Balboa Park, reflecting a reduction of \$1.3 million and 14.00 FTEs. The partial restoration of 1.82 FTEs for shoreline restrooms is one of only a few restorations made to this category, preserving limited access at coastal sites where many visitors—such as youth, seniors, families, and unhoused residents—depend on public facilities during extended visits. Because shoreline areas have fewer alternative restroom options, retaining these facilities prevents more pronounced barriers for users who rely most on safe, nearby sanitation. This action mitigates the disproportionate impacts that full restroom closures would have had on neighborhoods already experiencing constrained access to recreational resources, even as closures in other regional parks continue to reduce overall systemwide availability. Council may wish to monitor how restroom closures and reduced custodial staffing in other regional parks—such as Mission Bay, Balboa Park, and Fiesta Island—affect equitable access for park users who depend on consistent restroom availability during longer visits.

Expenditure Additions with Corresponding Revenue

- *\$2,200,000, Speed Management Plan (one-time), Transportation:* As previously mentioned, this is one-time overtime funding for Transportation to implement the newly adopted Speed Management Plan. This addition is fully supported by available fund balance in the Road Maintenance and Rehabilitation Fund.
- *\$1,307,000, Additional Interest Payments for TRANs, Citywide:* As discussed previously, the City anticipates issuing Tax and Revenue Anticipation Notes (TRANs) at the start of FY 2027 to bridge a cash flow mismatch between the timing of large expenses early in the fiscal year and revenue in the middle of the year. The \$1.3 million expense increase in the May Revision adjusts TRANs debt service costs to \$9.2 million due to an updated projection of cash flow

needs during the year. Our Office notes the *net* impact of the TRANs expense is entirely offset by \$10.6 million in anticipated positive interest on pooled investment in the General Fund discussed previously.

- *\$1,040,000, Vegetation Management (one-time), Fire-Rescue:* The May Revision includes \$1.0 million in overtime expenditures funded by a vegetation management grant from the California Natural Resources Agency. Activity under this grant is anticipated to include vegetation and defensible space creation, maintenance of fire access roads and trails, a Community Chipping and Green Waste Program, and community wildfire education.
- *\$538,000, Additional Intervention Services Team Support (one-time), Police:* The May Revision allocates approximately \$538,000 from the Opioid Settlement Fund to the Police Department's General Fund budget to support the following activities: \$60,000 in one-time overtime expenditures to provide Neighborhood Policing Division officers with training on how to detect people under the influence, Medically Assisted Treatments (MAT) and alternate diversion programs; and \$478,000 in one-time overtime expenditures to conduct weekly operations (10 hours per week) to identify and connect people suspected of being under the influence of opioids and other substances to services. In addition to this General Fund allocation, approximately \$190,000 is funded directly out of the Opioid Settlement Fund to purchase two low-visibility vehicles for the Neighborhood Policing Division's Intervention Services Team. The vehicles are intended for response to overdose cases, transporting people to treatment, as well as other related visits to minimize barriers to treatment.
- *\$138,000, Addition of 1.00 Hazardous Materials Inspector 3, Environmental Services:* This position is for the Tank Engineering and Environmental Management program, and supports the management and regulatory compliance activities for various above and below ground fuel storage containers. As mentioned, this position is fully reimbursable from the Fleet Operations Fund.
- *\$127,000, Restoration of 1.00 Zoning Investigator 2, Development Services:* The May Revision restores 1.00 Zoning Investigator 2 position that was reduced in the Proposed Budget, along with \$127,000 in associated personnel expenditures and an equal amount in ongoing revenue from the Outdoor Dining Exclusive Use Fee Fund, as discussed previously. Under the restoration, the equivalent of 1.00 FTE will be dedicated to enforce the City's streeteries regulations in the right of way, as approved by Council on October 26, 2021 ([R-313763](#)). According to the Department, the restoration maintains current service levels for streeteries enforcement, which is classified under [Priority III](#) cases. Moving forward, DSD anticipates the position will continue to be funded through fee revenue as long as there is sufficient fund balance. The remaining 6.00 FTE reductions to the Building and Zoning Enforcement Sections included in the Proposed Budget remain unchanged.

Equity Implications: Zoning enforcement service levels for streeteries would be maintained with this restoration, but given the remaining 6.00 FTE reductions to BLUE, service levels for the following Priority III zoning cases would not be enforced in FY27: 1) adult entertainment, 2) businesses that require permits and 3) billboards. Across all the Council Districts, these types of violations primarily occur in commercial areas. The other Priority III cases that have

to do with building violations would remain enforced. Council may want to request Priority III Zoning and Priority III Building data by district to further look at potential differences in neighborhoods.

- *\$77,000, Program Manager Reduction & Restoration of Program Coordinator and Administrative Aide positions, City Treasurer:* This adjustment reduces 1.00 filled Program Manager from the City Treasurer’s Office of Labor and Standards Enforcement (OLSE) while restoring the 1.00 filled Program Coordinator and 1.00 filled Administrative Aide 2 eliminated in the Proposed Budget. According to the Department, the management and supervisory responsibilities of the Program Manager position will shift to OLSE’s Deputy Director, but will reduce capacity for division-wide oversight, strategic planning, interdepartmental coordination, policy implementation, and Council initiatives, requiring OLSE to focus on core compliance obligations while deferring planned program improvements and strategic enforcement. The Deputy Director’s costs are anticipated to be partially reimbursed by minimum wage enforcement fees. The Administrative Aide 2 position will support accounts receivables work for the City Treasurer’s Office.
- *\$51,000, Illegal Dumping Enforcement Pilot Program (one-time), Police:* This adjustment includes \$51,000 in Police overtime expenditures for increased enforcement for illegal dumping activities supported by the Refuse Disposal Fund.

Equity Implications: This adjustment carries important Equity Implications by helping reduce illegal dumping in neighborhoods that experience repeated or chronic improper disposal—conditions that disproportionately affect historically underserved communities. Strengthened enforcement also has broader structural benefits, as it reduces obstructions in the public right-of-way, stormwater channels, and beaches. This targeted effort, undertaken in collaboration with departments such as Environmental Services, decreases the ongoing burden of clearing these areas through the CleanSD program and supports the broader goal of maintaining healthy, safe environments in the City’s most vulnerable neighborhoods.

Other Programmatic Additions/Changes

- *\$4,907,000, General Fund Support of Homeless Shelter and Services, Homelessness Strategies and Solutions:* The Proposed Budget omitted \$4.9 million in expenditures for *existing* homelessness programs assumed to be funded by Permanent Local Housing Allocation (PLHA) funds, which ultimately were not available. The May Revision corrects this issue by adding back \$4.9 million in General Fund expenditures for the Housing Instability and Prevention Program (\$3.0 million), Connections Interim Housing Shelter (\$1.3 million), and the Bishop Shelter (\$622,000) to maintain existing service levels.
- *\$500,000, Youth Drop-In Center Support (one-time), Council Administration:* The May Revision includes \$500,000 on a one-time basis for the Youth Drop-in Center Pilot Program. The program initially received \$1.0 million (one-time) through Council’s final budget action in adopting the FY 2024 budget but it was later eliminated mid-year due to lack of spending. This funding was then reappropriated by the Council in the FY 2025 Adopted Budget and

allocated to Council Administration to initiate a non-profit agreement with external organizations to implement the program.

The agreement was set up to award the \$1.0 million in two tranches. To date, the first \$500,000 has not yet been spent - the program's grand opening was on December 9, 2025. Therefore, the second tranche was not awarded and to do so would require a subsequent appropriation. According to Council Administration, the first \$500,000 is expected to be spent by spring 2027 with a deadline of June 30, 2027. The May Revision includes the reappropriation of the second \$500,000; however, it is unlikely to be spent in FY 2027. Staff is exploring options to allow the funds to be used past FY 2027.

Council may wish to request details about the program's services and number of youth served to date.

Equity Implications: When the City Council is considering options to allow the funds to be used beyond FY 2027, it is noted that flexibility is needed, as setting up two locations, each seeking to serve neighborhoods proactively with different needs. As the two drop-in centers share a mutual dedication to proactively changing the trajectory of lateral violence (defined as individuals or groups that encounter prolonged oppression may direct their frustration onto their own peers or community members based on internalizing systemic trauma), it takes nuance and specialized considerations to stand up programs and services.

Restoration of these funds has an equity impact by providing access to two drop-in youth centers in Council Districts 8 and 9, offering education, Afterschool programs, youth development programs, and mental health and trauma-informed care for adolescents and young adults, ages 16-24, in historically underserved communities. Funds for the Youth Drop-in Center activities will also provide community members and staff with economic support, as the individuals operating the two drop-in youth centers have spent their own money on supplies, food, and programs for historically underserved communities, highlighting the deep dedication. Dedication to public safety and a community-based approach often leads to volunteer burnout and inequitable economic burdens for leaders seeking to make a difference; therefore, this fund supports Youth Drop-in Center activities for the community, but it will also create opportunities to fund volunteers for their time invested in outcomes that support the collective goal of proactively preventing violence.

- *\$400,000, Demolition of NTC Building, Parks & Recreation:* The May Revision includes \$400,000 associated with the remediation of a recreation facility at NTC Park in Liberty Station that was destroyed in a fire. The remediation of the site is required to receive the insurance proceeds associated with the facility. While this is reflected in the May Revision as an "ongoing" adjustment, this expenditure is one-time in nature.
- *\$322,000, New Lease at Sky Park Court, Police and City Attorney's Office:* The Proposed Budget includes a \$782,000 adjustment within the City Attorney's Office (CAO) budget for a new lease for Your Safe Place at Sky Park Court. This amount was included in the CAO's budget for transparency, and once it is approved, it would be consolidated within the Citywide non-discretionary budget for rent.

As part of the new lease, the CAO's Gun Violence Response Unit will be sharing a different suite in the same building with the Police Department's Domestic Violence Division. However, rent for this suite was inadvertently excluded in the Proposed Budget. Therefore, the May Revision includes \$270,000 for the Police Department's portion and \$52,000 for the Gun Violence Response Unit's portion, totaling \$322,000 in additional expenditures related to this lease. For context, this lease was approved by Council on July 29, 2025.

The May Revision, *additionally*, consolidates all three rent adjustments totaling \$834,000 for the new Sky Park Court lease into the Citywide budget instead of budgeting separately within the CAO and Police department budgets. Once approved, this rent will be part of the overall Citywide non-discretionary rent budget.

- *\$102,000, Addition of 1.00 Biologist 2, Parks & Recreation:* The May Revision includes the addition of 1.00 Environmental Biologist 2 to support increased activity associated with the proposed consolidation of brush management responsibilities under the Parks and Recreation Department. The positions will conduct bird nesting and gnatcatcher surveys before and after brush management work, among other responsibilities.
- *\$100,000, No Shots Fired Support (one-time), Police:* The May Revision adds \$100,000 in one-time non-personnel expenditures for the No Shots Fired Program bringing total funding to \$350,000 in FY 2027.

Equity Implications: The additional \$100,000 to support the No Shots Fired program has meaningful equity implications for neighborhoods that experience higher rates of gun violence. The program strengthens equity not only in outcomes, but also in process, by engaging trusted community members to de-escalate potentially violent situations through a restorative approach—an especially important strategy in areas where trust in the Police Department is limited. This investment helps ensure that violence -prevention efforts are grounded in community partnership and culturally informed practices, ultimately supporting safer and more resilient neighborhoods.

Other Expenditure Adjustments

- *\$3,983,000, Personnel Expenditure Increase from Labor Negotiations, Citywide:* This adjustment reflects the anticipated net impact of ongoing labor negotiations, including negotiated salary increases, as well as personnel expenditure reductions such as mandatory furloughs. However, the May Revision does not include potential impacts of salary increase proposals on overtime because the confidential proposals are still under negotiation, and historically have not included overtime estimates. Once agreements are approved and confidentiality is lifted, the Department of Finance will work with departments to estimate the overtime impacts.
- *\$1,596,000, Fuel and Diesel Cost Increase, Multiple:* This adjustment increases non-discretionary fuel costs across multiple funds in order to account for recent increases in fuel prices and anticipated inflation. These adjustments are aligned with the US Energy Information Administration's latest projections.

- *\$0, Consolidation of Brush and Tree Management, Parks & Recreation and Transportation:* The May Revision includes the consolidation of brush management and tree maintenance responsibilities into the Parks & Recreation and Transportation departments, respectively.

Under the proposed consolidation of brush management functions, the Parks and Recreation Department's Open Space Division would assume responsibility for additional brush management areas from several City departments, including the Transportation Department which is transferring \$1.0 million to the Parks and Recreation Department. Parks and Recreation will assume routine brush abatement duties along streets, shoulders, and bike lanes; the Transportation Department will retain the responsibility for weed abatement along center medians and some emergency/safety related responses along shoulders and bike lanes, retaining around \$628,000 in budget for these activities.

Under the proposed consolidation of tree maintenance functions, the Transportation Department's Urban Forestry Section would assume responsibility for tree-related maintenance and response at all regional parks, community parks, and open space parks, as well as Gas Tax Median Program trees. This consolidation includes the transfer of Park Forestry staff, including 8.00 FTEs and \$883,000, from Parks and Recreation to the Transportation Department.

While these adjustments in the May Revision are budget neutral, the Council may wish to receive additional information regarding the consolidation of these services, including if there are any span of control issues with or additional efficiencies expected from the consolidation of these activities.

- *(\$67,000), Position Reduction Swaps, Parks & Recreation:* The May Revision replaces certain positions that were reduced in the Proposed Budget with similar positions. Specifically, this adjustment reduces 1.00 Landscape Designer, 1.00 Senior Management Analyst, and 1.00 Custodian 3, and restores 1.00 Landscape Designer, 1.00 Assistant Management Analyst, and 1.00 Grounds Maintenance Worker 2.
- *(\$494,000), Expenditure Reductions to Balboa Park Paid Parking Program, Parks & Recreation:* The May Revision reduces non-personnel expenditures associated with the Balboa Park Paid Parking Program primarily to correct an error in the Proposed Budget that double counted Balboa Park Tram related expenditures that were transferred from the TOT Fund.
- *(\$1,381,000), Various Non-Discretionary IT Adjustments, Multiple:* These adjustments totaling \$1.4 million are primarily associated with the General Fund's portion of the non-discretionary IT reconciliation performed each year. The Department of IT and Performance and Analytics develop the initial allotments that get distributed to departments for the following year's draft budget in October. During the May Revision, adjustments for contractual increases and budget reductions that were included in the Proposed Budget are reconciled. Those adjustments, along with the use of fund balance to reduce department allotments, are reconciled in the May revision. We note that due to the significant use of fund balance in the FY 2026 Adopted Budget, the use of fund balance was significantly reduced in FY 2027. We would also note that as of the May Revision, the GIS Fund, SAP Support Fund,

and Wireless Communications Technology Fund are projected to end Fiscal Year 2027 with negative fund balance in various amounts (ranging from *negative* \$12,000 in the GIS Fund to *negative* \$245,000 in the Wireless Fund).

- (\$3,341,000), *Salary Savings Related to Voluntary Furloughs, Multiple*: This adjustment reflects the inclusion of salary savings from the voluntary furlough program. According to the May Revision Report, associated salary savings were erroneously left out of the Proposed Budget.
- (\$624,000), *Net Other Adjustments, Multiple*: This reflects the net of several adjustments, including \$968,000 in fringe expenditure reductions not included elsewhere in the table. These expenditure decreases are partially offset by increases, such as the \$462,000 (which includes an increase of 3.25 FTEs), to correct the reductions related to hourly positions within the Purchasing & Contracting Department and a Junior Engineer within the Transportation Department.

MAY REVISION CHANGES: NON-GENERAL FUNDS

Development Services Fund

The May Revision includes a \$5.2 million increase in revenues and \$965,000 increase in expenditures in the Development Services Department (DSD)'s Development Services Fund. The most notable addition is \$4.5 million in permit revenue reflecting a 7.25% increase in DSD user fees based on general salary increases and inflation, effective May 4, 2026. This revenue increase is partially offset by the following May Revision expenditure increases:

- \$431,000, 3.00 FTEs – SDG&E Undergrounding Inspections. This includes 1.00 Associate Civil Engineer, 1.00 Assistant Civil Engineer, and 1.00 Assistant Electrical Engineer, along with a combined \$431,000 in associated personnel expenditures and corresponding revenue increase. DSD anticipates five large SDG&E undergrounding utility projects to start construction soon, and the Department does not currently have capacity to meet the additional demand for inspections. The three positions included in the May Revision would allow the Department to keep pace with inspections and be reimbursed through the Underground Surcharge Fund. In future years, if these positions are no longer needed to support SDG&E undergrounding projects, DSD anticipates re-assigning the positions internally based on need in lieu of adding new positions.
- \$408,000, 3.00 FTEs – Information Technology Support. This includes 1.00 GIS Analyst 3, 1.00 GIS Technician, and 1.00 Multimedia Production Coordinator, along with \$334,000 in associated personnel expenditures. According to DSD, additional GIS capabilities, such as integrating GIS features into permit tracking, inspections, and utility coordination, are necessary for operational efficiency and planned modernization efforts. Multimedia production coordination will assist in the delivery of professional live and recorded hearings, public workshops, and online industry forums – beyond the technical skill level available at the Department. The remaining \$75,000 increase is associated with correcting a position reclassification included in the Proposed Budget from 1.00 Information Systems

Analyst 1 to 1.00 Information Systems Manager, given managerial responsibilities of the position (initially reclassified from 1.00 Program Coordinator).

- \$276,000, 2.00 FTEs – Private Grading Inspections. This includes 1.00 Land Surveying Assistant and 1.00 Assistant Civil Engineer, along with \$276,000 in associated personnel expenditures and corresponding revenue increase. These positions will add capacity to perform inspections of private grading in the public right-of-way, which DSD currently lacks capacity to perform. The positions will be funded through charges to inspected projects.

Following the May Revision, DSD projects revenues will exceed expenditures by \$2.8 million in FY 2027, but as the Development Services Fund is projected to start FY 2027 with a shortfall of \$5.4 million, the FY 2027 surplus will result in a continued, although improved, shortfall of \$2.6 million in the Fund by the end of FY 2027. The Department plans to continue prioritizing essential expenditures, filling only critical positions, and monitoring economic conditions and impacts throughout FY 2027. DSD expects a positive fund balance in the Development Services Fund by the end of the first quarter of FY 2028 and plans to begin replenishing the Development Services Operating Reserve in the years following.

Opioid Settlement Fund

Following national settlements to resolve litigation concerning the Opioid Crisis starting in 2021, the City has received and deposited settlement payments from opioid distributors, pharmacy chains, and manufacturers into the Opioid Settlement Fund.² **Per the settlement agreements, the allowable uses of Opioid Settlement Funds are restricted and are intended to support [opioid remediation activities](#).** This includes (1) addressing the misuse and abuse of opioids, (2) treating or mitigating opioid use or related disorders, or (3) mitigating other effects of the Opioid Crisis. Along with previously proposed expenditures, the May Revision includes \$1.1 million for the University of California San Diego Health Transition Partnership, \$728,000 for the Police Department’s Neighborhood Policing Division’s Intervention Services Team’s training and operations, and \$300,000 to support the San Diego LGBT Community Center’s substance use disorder treatment services. The remaining year-end projected fund balance for FY 2027 is \$11.8 million. We note, \$2.4 million included in the Proposed Budget for the expansion of opioid treatment beds is no longer being contemplated at the Veterans Village of San Diego campus – another site is in the process of being identified. The table on the following page summarizes projected Opioid Settlement Fund revenues, expenditures, and fund balances in FY 2027.

² The Opioid Settlement Fund is an unbudgeted fund with authority to appropriate and expend funds delegated to the Chief Financial Officer per Section 6 of the [Annual Appropriations Ordinance](#).

Opioid Settlement Fund Projected Balances <i>(Subject to Change)</i>	
FY 2026	
Projected Year-End Balance	\$ 14,773,000
FY 2027	
Revenue Total	5,072,000
Expenditures	
City SUD Services Homeless Shelters	4,892,000
PLEADS	466,000
Attorney Opioid Remediation and Public Awareness	532,000
SDPD NPD Intervention Services Team	728,000
UCSD Health Transition Partnership	1,104,000
LGBT Community Center SUD Treatment Services	300,000
Expenditures Total	8,022,000
FY 2027 Projected Year-End Balance	\$ 11,813,000

SUD = substance use disorder; PLEADS = Prosecution and Law Enforcement Assisted Diversion Services; SDPD NPD = San Diego Police Department Neighborhood Policing Division; UCSD = University of California San Diego

Additional details about the Opioid Settlement Fund can be found in [IBA Report 23-06](#), which also discusses best practices, such as using funds to supplement existing funding and reporting to the public where funds are going. Regarding the latter, the Department of Finance indicated that planned expenditures from the Opioid Settlement Fund will be detailed in Volume I of the Proposed Budget moving forward.

EMS Fund

As noted in IBA Report 26-11, Review of the Fiscal Year 2027 Proposed Budget, it was anticipated that the Fire-Rescue Department would include updated revenue and expense projections for the EMS Fund in the May Revision. Those updates include \$5.6 million in additional patient transport revenue and \$7.5 million in increased expenditures, primarily associated with increased costs associated with the City's participation in the State's Public Provider Ground Emergency Transportation Inter-Governmental transfer (PP-GEMT IGT) Program. Participation in the PP-GEMT IGT Program provides supplemental Medicaid reimbursements that exceed standard rates thereby allowing the City to maximize overall EMS revenue. Notably, expenditure adjustments for the EMS Fund in the May Revision also include \$434,000 in reduced General Fund support (reflected as a revenue reduction for the General Fund [see "May Revision: General Fund Revenues" above]).

The reduction in General Fund support is necessary to ensure the EMS Fund does not project a negative fund balance after accounting for projected EMS activity through the remainder of FY 2026 and in FY 2027. Based on updated FY 2026 projections in the Third Quarter Budget Monitoring Report, the EMS Fund is projected to end the current fiscal year with a fund balance of approximately \$7.8 million. In comparison, with the adjustments in the May Revision, EMS Fund FY 2027 budgeted expenditures (\$152.5 million) exceed budgeted revenues (\$144.7 million) by \$7.8 million, thus fully utilizing all projected fund balance, as reflected in the table below.

EMS Fund Projected Balances <i>(Subject to Change)</i>			
	Proposed Budget	May Revision Adjustments	FY 2027 Budget
FY 2026			
Projected Year-End Balance	\$ 6,086,187	\$ 1,719,913	\$ 7,806,100
FY 2027			
Revenue Total	139,082,679	5,608,820	144,691,499
Expenditures	128,503,521	7,922,489	136,426,010
Transfer Out to General Fund	16,505,676	(434,087)	16,071,589
Expenditures Total	145,009,197	7,488,402	152,497,599
FY 2027 Projected Year-End Balance	\$ 159,669	\$ (159,669)	\$ -

Solid Waste Management Fund

The May Revision included numerous adjustments for the Solid Waste Management Fund (SWMF), most notably for ongoing revenue adjustments. For expenditures, there is an increase of 2.76 FTEs and \$217,000 for additional Public Information Clerks due to increasing calls for assistance from residents due to the implementation of fees for collection services. In total, there are 4.00 FTEs being added, with the additional FTEs being placed in the Recycling Fund (1.00 FTE) and the Refuse Disposal Fund (0.24 FTE). The majority of the FTEs are in the SWMF though because the vast majority of customer calls concern collection services.

For revenues, there are two significant adjustments. The first is an additional \$2.9 million in increased rate revenue assumptions. As was discussed in our review of the Proposed Budget, ongoing revenue for the SWMF was projected to decrease by approximately \$9.0 million from the assumptions contained in the Cost-of-Service Study (COSS) approved in June 2025. Since then, the Environmental Services Department (ESD) has been tracking additional customer requests for additional containers and bundle switches, and based on activity through April ESD has revised the total rate revenue budget for FY 2027 up by \$2.9 million. As shown in the table on the following page, this is mostly due to an increased number of additional can requests, which makes up \$2.1 million of the increased revenue total. There is also approximately \$0.1 million for increased revenue from bundle switches as customers that had previously selected the smallest gray can bundle have requested to be upsized to a larger gray can. Based on these changes, there is also an additional \$0.7 million in anticipated true-up revenue from FY 2026 activity as well, although this is one-time revenue. On an ongoing basis, revenue anticipated from rates is now anticipated to be \$6.8 million lower than what was assumed in the Cost-of-Service Study.

FY 2027 Solid Waste Revenue May Revision	
(\$ in millions)	
FY 2027 Proposed Budget	\$ 123.9
Additional Can Increase	2.1
Bundle Switches	0.1
FY 2026 True Up Adjustment	0.7
<i>Total Revenue Increase</i>	<i>2.9</i>
FY 2027 May Revision Total	\$ 126.8

The second adjustment is \$1.3 million from the Recycling Fund to the SWMF to increase the overall transfer from the Recycling fund to SWMF from \$12.0 million to \$13.3 million. This transfer is sized to offset the loss of revenue from there being fewer additional recycling cans than anticipated in the COSS, which will make the overall anticipated negative fund balance smaller at the end of FY 2027.

HOMELESSNESS UPDATES

As the Proposed Budget for the Homelessness Strategies and Solutions Department (HSSD) assumed a \$3.8 million reduction target for homelessness services without specific details, the May Revision includes specific homelessness reductions following input provided during the May 7th Budget Review Committee (BRC) meeting. During that meeting, HSSD presented three options (Options A, B, and C) to meet the proposed reduction target. As summarized in the following table, May Revision implements a modified version of Option A now with reductions to Aero Drive Safe Parking (\$275,000), instead of a previously described reduction to the Eviction Prevention Program (\$200,000). Other reductions included in Option A and May Revision are as follows: the 16th and Newton shelter (now reduced by \$2.9 million, a restoration of \$75,000 compared to the option presented during BRC), Old Central Library security services (\$325,000), and Central Elementary Safe Parking (\$250,000).

May Revision Homelessness Reductions		
Program Reduction	Impact	Expenditure Reduction
Reduce 16th and Newton Shelter (~200-250 beds)	FY 2027 program budget would be approximately \$4.2 million supporting between 76 and 126 shelter beds, or a 11.3% to 9.0% reduction in citywide shelter bed capacity, respectively. For context, the FY 2026 shelter program operating budget is \$7.1 million (excluding ancillary and administrative costs) and operates 326 beds for single adult men and women.	\$ 2,903,909
Rescind Proposal: Old Central Library Security Services	This removes the budget for security services at the Old Central Library. As these services help secure the physical building and deter vandalism, there is a risk that the condition of the building could worsen without security services.	325,000
Eliminate Aero Drive Safe Parking (60 spaces)	This reduction extends the current temporary closure of the Aero Drive Safe Parking site through FY 2027. As operations at this site have already ceased as of mid-FY 2026, this reduction does not affect current service levels.	275,000
Eliminate Central Elementary Safe Parking (40 spaces)	This reduction closes the Central Elementary Safe Parking site due to low utilization, since daily occupancy averages less than 12.5% of available spaces. According to HSSD, there is sufficient capacity at the remaining Safe Parking sites to address existing demand.	250,000
Total Reductions		\$ 3,753,909

Additional details and context on the component program reductions included in May Revision can be found in the Departmental Review of HSSD's budget in our *Review of the FY 2027 Proposed Budget*, [IBA Report 26-11](#).