



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Review of the FY 2026 Third Quarter Budget Monitoring Report

OVERVIEW

The Fiscal Year 2026 Third Quarter Budget Monitoring Report ([Third Quarter Report](#)) was issued on May 13, 2026, and will be presented to City Council on June 9, 2026. The Third Quarter Report describes the status of revenues and expenditures and provides year-end projections based on actual (unaudited) data from nine months of the fiscal year. The Third Quarter Report also provides details about major revenues, departmental operations, and other programmatic items. With respect to requested actions, the Third Quarter Report requests Council approval of several appropriation adjustments and year-end budget authorities that assist the Chief Financial Officer in closing out the fiscal year, as well as a request to use the General Fund Stability Reserve if actual revenues and expenditures result in a year-end deficit. The purpose of the IBA review of the Third Quarter Report is to provide clarification and additional information for items outlined in that report.

Overall, the year-end expenditure projections included in the FY 2026 Third Quarter Report appear consistent with year-to-date actuals, as do the third quarter appropriation adjustment requests. Revenue projections are generally reasonable. Areas discussed in this report include details of select revenue and expenditure projections in the Third Quarter Report, including major General Fund revenue projections, and expenditure variances in salaries and wages, and non-personnel expenditures; the status of the City's General Fund Reserve and Excess Equity; the Development Services Fund Operating Reserve; updates on homelessness issues; and the proposed appropriation adjustments and requested authorities.

FISCAL/POLICY DISCUSSION

REVENUE OVERVIEW

Major General Fund Revenues

As shown in the table below, General Fund revenue is projected to end FY 2026 at \$2.16 billion, a \$6.8 million, or 0.3%, *decrease* below the Adopted Budget and a \$3.0 million, or 0.1%, *increase* above the Mid-Year Budget Monitoring Report projection. While all four major revenue sources rebounded in the Third Quarter when compared to previous projections in the Mid-Year, revenue from Transient Occupancy Tax (TOT) and other sources, particularly interest earnings, are underperforming budgeted amounts. Additionally, departmental revenue in the Third Quarter increased by \$2.7 million, or 0.5%, when compared to the Mid-Year projection.

The single largest departmental revenue increase was \$5.8 million from the Environmental Services Department (ESD), primarily due to additional reimbursements from outside agencies and City funds, primarily the TOT Fund and Recycling Enterprise Fund. Since the vast majority of this revenue is coming from other City funds, it does not represent a net increase in the City’s overall financial revenue position, just an increase in the General Fund. Additionally, Parks & Recreation and the Transportation Department saw a \$1.6 million and \$1.2 million increase in revenue, respectively, since the Mid-Year. Those increases were partially offset by a \$3.8 million decrease in projected revenue from leaseholds at Mission Bay Park and Pueblo Lands, a \$2.0 million and \$1.3 million decrease in revenue from the Stormwater and Housing and Homelessness Services (HSSD) departments, respectively, since the Mid-Year.

General Fund Revenue (\$ in millions)						
Revenue	Projections			Third-Quarter Projection Variances		
	Adopted Budget	Mid-Year	Third-Quarter	Variance from Budget	Variance from Mid-Year	Variance from FY 2025
<i>Property Tax</i>	\$ 844.6	\$ 846.6	\$ 847.4	\$ 2.8	\$ 0.8	\$ 40.3
<i>Sales Tax</i>	374.5	376.6	379.2	4.6	2.5	6.9
<i>Transient Occupancy Tax</i>	170.3	162.8	166.3	(3.9)	3.5	0.7
<i>Franchise Fees</i>	103.6	106.4	111.4	7.8	4.9	10.2
Major Revenue Subtotal	1,493.0	1,492.5	1,504.2	\$ 11.3	\$ 11.8	\$ 58.1
<i>Other Major Revenues</i>	119.6	112.8	101.4	(18.1)	(11.4)	(2.7)
<i>Departmental Revenue</i>	554.9	552.2	554.9	0.0	2.7	33.7
Other Revenue Subtotal	674.5	665.1	656.4	\$ (18.1)	\$ (8.7)	\$ (1,516.3)
Total	\$ 2,167.4	\$ 2,157.5	\$ 2,160.6	\$ (6.8)	\$ 3.0	\$ 89.1

Property Tax

As of the Third Quarter, Property Tax revenue in FY 2026 is projected to be \$847.4 million, \$2.8 million, or 0.3%, greater than the Adopted Budget and \$0.8 million, or 0.1%, greater than the Mid-Year projections. The projected increase above the Mid-Year estimate is primarily due to \$605,000 in Proposition 13 1.0% property tax allocations from the County coming in slightly higher than anticipated.

Since the release of the Third Quarter Report, the City has received an additional month of Property Tax revenue, which had \$1.1 million in additional property tax refunds, or negative revenue, than

previously included in the Third Quarter Report and May Revision. The decrease in property tax revenue from refunds was partially offset by the Proposition 13 1.0% property tax allocation coming in \$470,000 above what was previously projected, leaving the City’s net Property Tax revenue at \$580,000 *lower* than the Third Quarter Report.

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 by Friday, June 5th, and our Office will update Council on the net impact of RPTTF on the FY 2026 year-end projection once we receive the distribution report.

Sales Tax

Sales Tax revenue in FY 2026 is projected to be \$379.2 million, \$4.6 million, or 1.2%, greater than the Adopted Budget and \$2.5 million, or 0.7%, greater than the Mid-Year projection. Current Third Quarter projections are \$6.9 million, or 1.8%, above the previous fiscal year’s actuals.

Since the release of the Third Quarter Report, the City received an additional month of Sales Tax revenue which was about \$360,000 more than projected in the Third Quarter Report, putting the updated projection at \$379.5 million. 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.

Transient Occupancy Tax

The City’s Transient Occupancy Tax (TOT) revenue, or hotel tax revenue, is derived from a 10.5% tax on short-term stays in the region. That amount is broken into three separate allocations – a General Fund allocation of 5.5% (which is one of the City’s four major General Fund revenues) and the remaining two allocations are budgeted in the TOT Fund. The two allocations include: 4.0% for Special Promotional Programs that support the promotion of the City’s cultural amenities and natural attractions, and 1.0% is “Council Discretionary” that historically ends up being allocated to the City’s General Fund. Projected FY 2026 revenues for the full 10.5% TOT and additional Measure C (2020) revenue are included in the table below.

Transient Occupancy Tax (TOT) Revenue (\$ in millions)						
TOT Allocation	Projections			Mid-Year Projection Variances		
	Adopted Budget	Mid-Year	Third-Quarter	Variance from Budget	Variance from Mid-Year	Variance from FY 2025 ¹
<i>General Fund Allocation (5.5%)</i>	\$ 170.3	\$ 162.8	\$ 166.3	(3.9)	3.5	0.7
<i>Special Promotional Programs (4.0%)</i>	122.7	117.5	119.8	(2.9)	2.4	(0.1)
<i>Council Discretionary (1.0%)</i>	30.7	29.4	30.0	(0.7)	0.6	(0.0)
Subtotal	323.6	309.7	316.1	(7.5)	6.5	0.6
<i>TOT Homelessness Fund</i>	32.6	30.7	31.5	(1.1)	0.8	
<i>TOT Convention Center Fund</i>	47.7	44.2	45.4	(2.3)	1.2	
Subtotal (Measure C)	80.3	74.9	76.9	(3.4)	2.0	
Total	\$ 403.9	\$ 384.5	\$ 393.0	\$ (10.9)	\$ 8.5	\$ 0.6

1. Measure C was not collected for the full FY 2025 fiscal year, therefore, the variance from FY 2025 is excluded.

Transient Occupancy Tax revenue in the FY 2026 Third Quarter Report is projected to be \$316.1 million, which is a decrease of \$7.5 million from the Adopted Budget, but an increase of \$6.5 million when compared to the Mid-Year Report. The increase above the Mid-Year projection was due to actual revenue in March and April coming in significantly above the previous projection. TOT growth in March and April was 14.0% and 20.4% higher than the same months the previous

year, respectively – this was a noteworthy change from the previous seven months where the average year-over-year change was -5.4%. However, the FY 2026 Third Quarter projection is just \$0.6 million, or 0.2%, greater than the FY 2025 year-end actuals.

Current estimates use the most up-to-date actual revenue from TOT collected in April. Actual TOT revenue collection for May will not be known until June 5, the same day as the final Budget Review Committee (BRC) discussion of recommended budget modifications.

Franchise Fees

Franchise Fees are projected to be \$111.4 million at the end of FY 2026, which is an increase of \$7.8 million from the Adopted Budget and \$4.9 million from the Mid-Year Report. This increase was primarily driven by a larger than budgeted calendar year 2025 clean-up payment from SDG&E.

General Fund Departmental Revenues

The four previously discussed major sources of General Fund revenue make up about 70.0% of FY 2026 total revenue. The remaining 30.0% comes from smaller, individual sources of revenue.

Interest Earnings

In our Office’s Mid-Year Budget Monitoring Report, we noted that the FY 2026 Adopted Budget included \$5.5 million in General Fund revenue from interest earnings on [pooled investments](#) managed by the City Treasurer’s Office (CTO). However, the City’s General Fund has not maintained enough cash balance on hand to invest in the CTO investment pool, resulting in not only zero interest earnings, but also the need to borrow cash from policy funds, therefore incurring a *negative* interest earning balance due to the need to repay the unrealized earnings from the borrowed policy funds. As of the Third-Quarter Report, General Fund revenue from interest on pooled investments is projected to be *negative* \$11.1 million, a \$16.6 million decrease from the Adopted Budget.

In [IBA Report 26-11](#), *Review of the FY 2027 Proposed Budget*, our Office discussed the proposal to issue Tax and Revenue Anticipation Notes (TRANs) to cover the periods of cash shortfalls in FY 2027, which will be one tool to mitigate negative interest revenue in future fiscal years. This proposal will be discussed in further detail in our Office’s review of the FY 2027 May Revision.

CalOES Reimbursements

The FY 2026 Adopted Budget included \$8.1 million in revenue from the California Office of Emergency Services (CalOES) resulting from reimbursements to the City for services provided during the January 2024 storms.

As of the Third Quarter Report, the City is expecting to receive \$7.4 million in reimbursements from CalOES; however, those reimbursements have not been finalized to date. If the reimbursements are delayed beyond August 2026, the revenue will not be credited to FY 2026. This would result in a \$7.4 million decrease in Other Major Revenue beyond the \$2.16 billion in General Fund revenue currently projected in the Third Quarter Report, putting the total General Fund revenue at \$14.2 million below the Adopted Budget.

Parking Meter-Related Revenue

The FY 2026 Adopted Budget assumes the General Fund will receive \$21.4 million from the Parking Meter Operations (PMO) Fund to support eligible expenses, including administration of the parking meter program, parking meter enforcement, and parking-related infrastructure improvements and maintenance. However, the Third Quarter Report projects PMO Fund net revenue (revenue less expenditures) to fall short of budgeted levels.

The budget shortfall is primarily driven by lower-than-anticipated parking meter usage due to behavioral changes; delays in implementing special event rates and a smaller-than-expected special event zone; the continued non-enforcement of meters on Sundays; and increased equipment expenditures tied to parking meter expansions. These impacts are partially offset by unbudgeted revenue from meter expansions and loss-of-revenue fees related to meters, and the use of available fund balance.

As a result of the projected shortfall, PMO Fund transfers and reimbursements to the General Fund is anticipated to only total \$16.4 million, which is approximately \$5.0 million below budgeted levels, and \$1.4 million below mid-year projections.

Cannabis Business Tax Revenue

The City imposes a Cannabis Business Tax (CBT) on non-medical cannabis businesses that operate or provide services within its jurisdiction. As of this writing, there are 27 cannabis retail outlets and 12 cannabis production facilities (CPFs) operating within the City, along with 36 additional CPFs located outside the City that also remit CBT.¹

The Third Quarter Report projects \$18.8 million in CBT revenue, which is \$320,000 less than mid-year projections and \$2.5 million below the \$21.3 million included in the Adopted Budget. This projected shortfall is primarily due to a continued decline in reported taxable gross receipts driven by increased competition from the illegal market and decreased wholesale prices from an oversupply of cannabis products.

Regarding the potential impact of the 2% CBT rate increase for retail outlets that took effect in May 2025,² sales trends around the time of tax implementation suggest impacts from the tax increase were limited in the short-term. For instance, the table shows that the year-over-year change in taxable cannabis sales were comparable in months leading up to and following May 2025, when the CBT rate increased. Average taxable sales per outlet in May 2025 were \$528,000, a 22.1% decline compared to the same month in 2024. However, average taxable sales per outlet during the three months preceding the rate increase

Average Taxable Cannabis Sales per Retail Outlet in the City of San Diego			
Month	Average Taxable Sales per Outlet	YoY Difference	YoY % Change
Jan-25	\$ 531,069	\$ (98,203)	-15.6%
Feb-25	\$ 488,277	\$ (159,335)	-24.6%
Mar-25	\$ 541,539	\$ (161,438)	-23.0%
Apr-25	\$ 535,579	\$ (141,581)	-20.9%
May-25	\$ 528,060	\$ (149,798)	-22.1%
Jun-25	\$ 507,364	\$ (131,791)	-20.6%
Jul-25	\$ 519,341	\$ (141,215)	-21.4%
Aug-25	\$ 519,914	\$ (120,723)	-18.8%
Sep-25	\$ 486,751	\$ (113,735)	-18.9%
Oct-25	\$ 506,915	\$ (84,275)	-14.3%
Nov-25	\$ 496,150	\$ (107,558)	-17.8%
Dec-25	\$ 516,828	\$ (74,974)	-12.7%
Jan-26	\$ 501,421	\$ (29,648)	-5.6%

¹ According to the City Treasurer’s Office, two cannabis retail outlets are temporarily closed as they are transitioning to new ownership and are anticipated to reopen in June.

² In May 2025, the CBT rate for retail outlets increased from 8% to 10%.

(February - April 2025) averaged \$522,000, or 22.8% below 2024 levels. Additionally, the average taxable sales per outlet from May 2025 through January 2026 averaged \$509,000, which is less but generally consistent with the levels observed prior to the rate increase. Taken together, these trends could indicate that the 2% CBT rate increase did not have a significant effect on sales, as sales declines appear to pre-date the CBT rate increase.

GENERAL FUND EXPENDITURES

The Third Quarter Report projects total General Fund expenditures will end the year at \$2.16 billion, which is \$8.5 million under the FY 2026 Adopted Budget, and \$15.4 million under Mid-Year Projections. This is a variance of 0.4% from the Adopted Budget, as shown in the following table.

FY 2026 General Fund Non-Personnel Expenditures (\$ in millions)						
	Adopted Budget	Mid-Year Projection	Third Quarter Projections	Variance: Mid-Year to 3rd Quarter	Variance: Budget to 3rd Quarter	Variance %: Budget to 3rd Quarter
Salaries and Wages	\$ 961.5	\$ 979.7	\$ 981.4	\$ (1.7)	\$ (19.9)	(2.1%)
<i>Salaries & Wages Department Projections</i>	961.5	982.0	982.2	(0.3)	(20.7)	(2.2%)
<i>Salaries & Wages Historical Savings</i>	-	(2.3)	(0.9)	(1.4)	0.9	
Fringe Benefits	\$ 602.3	\$ 602.6	\$ 602.7	\$ (0.1)	\$ (0.4)	(0.1%)
<i>Fringe Benefits Department Projections</i>	602.3	603.3	603.0	0.3	(0.7)	(0.1%)
<i>Fringe Benefits Historical Savings</i>	-	(0.7)	(0.3)	(0.4)	0.3	
Non-Personnel Expenditures (NPE)	\$ 603.6	\$ 592.0	\$ 574.8	\$ 17.3	\$ 28.8	4.8%
<i>NPE Department Projections</i>	603.6	602.0	581.9	20.2	21.8	3.6%
<i>NPE Historical Savings</i>	-	(10.0)	(7.1)	(2.9)	7.1	
Total General Fund Expenditures	\$ 2,167.4	\$ 2,174.3	\$ 2,158.9	\$ 15.4	\$ 8.5	0.4%

Notes: Table may not sum to total due to rounding.

Positive variances are spending below budget or mid-year levels. Negative variances are overages or spending above budget or mid-year levels.

Overall, salaries and wages are projected to be higher than the Adopted Budget by a net \$19.9 million (shown above as a negative expenditure variance), driven primarily by overages in overtime. Fringe benefits are also projected to end the year \$440,000 over the Adopted Budget. Savings of \$28.8 million in non-personnel expenditures (NPE) offsets the projected overages in salaries and wages, and fringe, for a net General Fund expenditure savings of \$8.5 million compared to the Adopted Budget.

The main focus of our General Fund expenditures analysis is salaries and wages (specifically overtime), as well as the large projected savings in non-personnel expenditures. This section also discusses the use of historical savings adjustments in the Third Quarter Report which are intended to produce a more accurate bottom-line projection.

Historical Savings Adjustments

The Department of Finance (DoF) incorporated overall General Fund expenditure savings (historical savings) adjustments of \$851,000 for salaries and wages, \$260,000 for fringe, and \$7.1 million for non-personnel expenditures. These savings adjustments are based on historical trends between third quarter projections and year-end actual expenditures, and consider recently implemented mitigation actions. These historical savings adjustments are intended to produce a more accurate bottom-line projection. The previous table breaks out the department projections for each of these categories, as well as DoF’s historical adjustments for them for both the Mid-Year and Third Quarter. DoF notes that it is unable to predict the departments or categories where these savings will occur.

DOF began including historical savings adjustments in the FY 2024 Third Quarter Report, when it included a \$3.3 million historical savings adjustment for personnel expenditures. Although that historical savings adjustment for personnel expenditures did not come to fruition, it did help reduce the bottom-line variance between the FY 2024 Third Quarter Report and unaudited actuals. DoF expanded its practice of including historical savings adjustments in FY 2025, including adjustments for both personnel expenditures (PE) and non-personnel expenditures (NPE). As shown in the table below, these adjustments brought PE, NPE, and bottom-line expenditure projections much more in line with the unaudited actuals for FY 2025.

Historical Savings Adjustments (HSAs) FY 2024-FY 2026 (\$ in millions)							
	FY24 Third Quarter	FY24 Unaudited	Variance: Q3 to Unaudited	FY25 Third Quarter	FY25 Unaudited	Variance: Q3 to Unaudited	FY26 Third Quarter
PE	\$ 874.9	\$ 879.7	\$ (4.8)	\$ 961.9	\$ 961.1	\$ 0.8	\$ 981.4
<i>Dept Proj</i>	878.2	879.7	(1.5)	964.0	961.1	2.9	982.2
<i>HSA</i>	(3.3)	-	(3.3)	(2.1)	-	(2.1)	(0.9)
Fringe	\$ 536.2	\$ 539.4	\$ (3.2)	\$ 576.0	\$ 575.5	\$ 0.4	\$ 602.7
<i>Dept Proj</i>	536.2	539.4	(3.2)	576.0	575.5	0.4	603.0
<i>HSA</i>	-	-	-	-	-	-	(0.3)
NPE	\$ 661.5	\$ 635.6	\$ 26.0	\$ 642.5	\$ 639.9	\$ 2.6	\$ 574.8
<i>Dept Proj</i>	661.5	635.6	26.0	650.5	639.9	10.6	581.9
<i>HSA</i>	-	-	-	(8.0)	-	(8.0)	(7.1)
Total	\$ 2,072.6	\$ 2,054.7	\$ 18.0	\$ 2,180.4	\$ 2,176.5	\$ 3.9	\$ 2,158.9

Notes: Table may not sum to total due to rounding.

Positive variances reflect year-end unaudited actuals that came in under third quarter projections.

Negative variances are overages above third quarter projections.

Based on two years of data, the benefit of using historical adjustments in Third Quarter Projections seems to be a more accurate bottom-line projection for expenditures, which in turn, provides a better picture of where the City’s General Fund is likely to end the year. However, we would caution that this year’s department projections may already be more conservative than in previous years. For instance, there has been a stringent request to fill process for filling vacancies. Departments may have already factored this into their projections, which could impact personnel and fringe expenditures. Additionally, department NPE projections between the Mid-Year and Third Quarter decreased by \$20.2 million, and reflect significant mitigating actions to reduce expenditures. Although the historical savings adjustment included for NPE is half of the five-year average of the variance for NPE (excluding transfers out), an additional \$7.1 million reduction in NPE may be optimistic given the volatility in prices resulting from economic uncertainty and geopolitical impacts. If these savings do not materialize by year-end (and are not offset by

increased revenues), the resulting negative impact could reduce or eliminate the projected Excess Equity³, and could impact the General Fund Reserve, which is discussed later.

Salaries and Wages – Variances by Category

The following table compares the FY 2026 Third Quarter Projections to the Adopted Budget and mid-year projections for the various salaries and wage categories. As shown in the table below, total salaries and wages are projected to end the year \$19.9 million, or 2.1%, higher than what was included in the FY 2026 Adopted Budget (shown as a negative variance).

FY 2026 Salaries and Wages Expenditures - General Fund (\$ in millions)						
	Adopted Budget	Mid-Year Projection	Third Quarter Projections	Variance: Mid-Year to 3rd Quarter	Variance: Budget to 3rd Quarter	Variance %: Budget to 3rd Quarter
Salaries	\$ 764.8	\$ 767.7	\$ 761.7	\$ 6.0	\$ 3.0	0.4%
Overtime	99.8	\$ 116.1	118.8	(2.7)	(18.9)	(19.0%)
Special Pay	65.7	\$ 68.4	69.3	(0.9)	(3.6)	(5.5%)
Hourly	17.2	\$ 15.3	16.1	(0.8)	1.1	6.6%
Vacation Pay in Lieu	9.7	\$ 9.5	9.6	(0.1)	0.1	0.8%
Termination Pay	4.4	\$ 5.0	6.8	(1.8)	(2.4)	(55.4%)
<i>Historical Savings Adjustment</i>	-	\$ (2.3)	\$ (0.9)	(1.4)	0.9	
Total Salaries and Wages	\$ 961.5	\$ 979.7	\$ 981.4	\$ (1.7)	\$ (19.9)	(2.1%)

Notes: Table may not add due to rounding.

Positive variances are spending below budget or mid-year levels. Negative variances are overages or spending above budget or mid-year levels.

As the table shows, the \$19.9 million variance is primarily driven by overages in overtime (with additional overages in special pay, and termination pay, offset by savings in salaries, hourly wages, and vacation pay in lieu). As noted earlier, DoF also included a historical savings adjustment of \$851,000 for salaries and wages which also partially offsets the net projected overage.

The largest categorical overage is in overtime, with expenditures projected to end the year \$18.9 million, or 19.0% above the Adopted Budget. This is an increase of \$2.7 million, or 2.3% from the Mid-Year Report. The largest contributors to the overage, when compared to the Adopted Budget, include:

- (\$9.0 million) – Fire-Rescue, primarily to meet fire-suppression constant staffing needs.
- (\$4.9 million) – Transportation, primarily due to increases in emergency work (e.g. damage related to winter storms), regulatory requirements for DigAlert duties, and the use of unbudgeted overtime to reduce the backlog of repairs for potholes, sidewalks, and streetlights.
- (\$3.3 million) – Police, primarily for special events and expanded parking enforcement, offset by a net savings of \$3.3 million in other salaries and wages categories.
- (\$896,000) – Parks and Recreation, primarily related to holiday hours, special events like December Nights, and callouts. Parks and Recreation has historically come in over

³ Excess Equity is described in the City’s [Reserve Policy](#) as “Unassigned Fund Balance that is not otherwise designated as General Fund Reserves and is available for appropriation.” Excess Equity generally results from General Fund revenue growth above projections and/or General Fund expenditures that come in under-budget during any given fiscal year.

budget for overtime, but this overage has been offset by savings in other salary and wages categories in previous years.

Salaries and Wages – Departmental Variances

As noted in the Third Quarter Report, the departments with the largest projected overages in salaries and wages are Fire-Rescue, Transportation, Parks and Recreation, and City Attorney. These four departments combine for a total overage of \$23.4 million, which is offset by the \$851,000 historical savings adjustment and a net savings of \$2.7 million in the rest of the General Fund departments. Our report does not discuss the variances in Fire-Rescue, Transportation, Parks and Recreation and City Attorney because they are covered well in the Third Quarter Report.

Non-Personnel Expenditures – Variances by Category

The Third Quarter Report projects total non-personnel expenditures for the General Fund will end the year at \$574.8 million, which is \$28.8 million under the FY 2026 Adopted Budget, and \$17.3 million under mid-year projections. This is a variance of 4.8% from the Adopted Budget, as shown in the following table.

FY 2026 General Fund Non-Personnel Expenditures (\$ in millions)						
	Adopted Budget	Mid-Year Projection	Third Quarter Projections	Variance: Mid-Year to 3rd Quarter	Variance: Budget to 3rd Quarter	Variance %: Budget to 3rd Quarter
Contracts & Services	\$ 344.7	\$ 342.1	\$ 332.8	\$ 9.3	\$ 11.9	3.5%
Transfers Out	80.3	80.0	74.9	5.1	5.4	6.7%
Energy and Utilities	65.5	68.9	65.3	3.6	0.2	0.3%
Information Technology	58.2	56.3	54.3	2.0	3.8	6.6%
Supplies	37.3	38.5	39.1	(0.7)	(1.9)	(5.1%)
Debt Expenses	10.9	9.4	9.4	\$ 0.0	\$ 1.5	13.9%
Other Expenses	6.0	5.6	4.3	1.2	1.7	27.7%
Capital Expenses	0.9	1.3	1.7	(0.4)	(0.8)	(97.9%)
<i>Historical Savings</i>	-	(10.0)	(7.1)	(2.9)	7.1	
Total Non-Personnel Expenditures	\$ 603.6	\$ 592.0	\$ 574.8	\$ 17.3	\$ 28.8	4.8%

Notes: Table may not sum to total due to rounding.

Positive variances are spending below budget or mid-year levels. Negative variances are overages or spending above budget or mid-year levels.

As the table shows, the \$28.8 million variance from the Adopted Budget is primarily driven by reductions in contracts and services, transfers out, and information technology (with smaller savings in other, debt, and energy and utilities, offset by projected overages in supplies and capital expenses). As noted earlier, DoF included a historical savings adjustment of \$7.1 million which further reduces projected non-personnel expenditures. The Third Quarter Report covers variances by non-personnel expenditure category (compared to the current budget and mid-year projections), so instead we focused our analysis on some of the largest non-personnel expenditure variances from the Adopted Budget:

- **\$19.5 million in one-time Public Liability proceeds** - Citywide Program Expenditures is projected to end the year \$19.5 million under the Adopted Budget for the Public Liability claims transfer. The Public Liability Fund received significant one-time insurance proceeds that will support current year payments. This reduces the amount that will need to be paid by the General Fund by \$19.5 million, on a one-time basis.

- ***\$7.1 million Historical Savings Adjustment*** – \$7.1 million projected by DoF for non-personnel expenditures based on historical trends between third quarter projections and year-end actual expenditures.
- ***\$3.8 million savings in Information Technology*** – This projected savings includes \$2.6 million related to non-discretionary IT services for FY 2026 that were supported by Departments in FY 2025, as well as a concerted effort to reduce expenditures in IT non-discretionary accounts (primarily delayed datacenter modernization and refresh efforts) due to the projected deficit. An additional \$1.2 million is related to savings in discretionary IT applications and services in various departments.
- ***\$3.0 million savings in debt-related non-discretionary accounts*** – This savings includes: \$1.3 million related to delays in construction for the Stormwater WIFIA loan which is resulting in lower disbursements for the project than originally expected; \$1.1 million in savings related to delays in the delivery of Fire-Rescue Helicopters; and \$291,000 in savings because the Adopted Budget assumed debt service for three Police Helicopters, but will only need to pay the debt service for two of the helicopters in FY 2026.

EXCESS EQUITY AND GENERAL FUND RESERVE CONSIDERATIONS

Excess Equity

Excess Equity is described in the City’s [Reserve Policy](#) as “Unassigned Fund Balance that is not otherwise designated as General Fund Reserves and is available for appropriation.” Excess Equity generally results from General Fund revenue growth above projections and/or General Fund expenditures that come in under-budget during any given fiscal year.

At the beginning of FY 2026, projected available Excess Equity was estimated to be zero, with the entire FY 2026 balance expected to be made up entirely of the \$107.6 million Emergency and \$99.5 million Stability reserves.

With the release of the third quarter projections, the projected ending fund balance for FY 2026 has increased slightly to \$1.7 million, which is \$18.5 million higher than mid-year projections. Neither the Third Quarter Report nor the FY 2027 May Revision contemplate use of the \$1.7 million in excess equity, likely due to the potential for revenues or expenditures to change. Notable risks to these projections include the \$7.4 million in reimbursements from CalOES currently assumed in the third quarter projections, and \$8.2 million assumed in historical savings adjustments to projected expenditures, as discussed earlier in the report. Due to the potential for expenditure and revenue changes, DoF is requesting authority to draw upon the General Fund Stability Reserve, if a year-end deficit occurs. This request is discussed at the end of this report.

General Fund Reserve Considerations

Per the City’s Reserve Policy,⁴ the FY 2026 General Fund Reserve target is 14.10%, and the target Reserve balance is \$262.9 million, as shown in the table below. Unlike the Mid-Year, which included a projected shortfall of \$16.8 million, the Third Quarter report projects that revenues will exceed expenditures by \$1.7 million. If year-end activity were to equal the third quarter revenue and expenditure projections, and the General Fund Reserves remained at the budgeted \$207.1 million, it would leave \$1.7 million in excess equity for a future year; however, it would also leave the General Fund Reserves \$55.8 million under the reserve policy target.

FY 2026 General Fund Reserve Policy vs Reserve Estimate (\$ in millions)	
<i>Reserve Policy Target Percent</i>	<i>14.10%</i>
Year-End Reserve Balance Projected at Budget Adoption	\$ 207.1
Reserve Policy Target ^a	(262.9)
Difference: Amount Projected Reserve Is Below Policy Target	\$ (55.8)
<i>Projected Year-End Reserve Balance as Percent of Operating Revenues</i>	<i>11.11%</i>

Note: Table may not sum to total due to rounding.

^aThe Reserve target is based on the average of the prior three years' operating revenues.

As noted in the Third Quarter Report, the Department of Finance is working with the Mayor, and in consultation with our office, to develop proposed updates to the Reserve Policy, which are anticipated to be presented to the City Council later this fiscal year. As we discussed in our Review of the FY 2027 Proposed Budget, changes to the Reserve Policy should be paired with a clear and time-bound commitment to resolving the City’s structural deficit. Without that commitment, it is likely the City will remain in a cycle where General Fund Reserve contributions are consistently deferred because they compete with the expenditures needed to just maintain current service levels. It will also be important to establish clear expectations for ongoing contributions to the City’s General Fund Reserves.

HOMELESSNESS EXPENDITURES

Expenditures in the Homelessness Strategies and Solutions Department (HSSD) are projected to end the year at \$51.2 million, which is \$2.6 million below the Adopted Budget and \$1.3 million below the Mid-Year Report. Consistent with recent years, the Third Quarter Report includes an attached memorandum, entitled “HSSD FY 2026 Third Quarter Monitoring and Grant Funding Update.” The HSSD memorandum reflects lower than projected expenditures for several homelessness programs. This section provides additional context for changes not already discussed in that memorandum, relative to the Adopted Budget.

- ***\$540,000 - January Storm Shelter Relocation Costs.*** Following a storm on January 1, 2026, the 16th and Newton sprung shelter flooded requiring a temporary relocation of households to the San Diego Municipal Gym. Unanticipated relocation expenses totaled \$540,000 and included sanitization after potentially hazardous materials were released from overturned portable restrooms, tent repair and waterproofing, new sleeping cots, renting ancillary services at the Municipal Gym (e.g., portable restrooms, showers, laundry trailers, and dumpsters), and clean-up costs to restore the Municipal Gym back to prior

⁴ The City’s Reserve Policy is outlined in [Council Policy 100-20](#).

conditions. These expenditures are being absorbed by savings elsewhere in the HSSD budget.

- **(\$561,000) – Public Restrooms Additional Savings.** HSSD projects \$561,000 in savings from the Downtown public restrooms contract, an increase of \$413,000 from the Mid-Year Report. The elimination of security services earlier in FY 2026 for the three public restrooms and four handwashing stations currently operated by HSSD contributed to contract savings.
- **(\$520,000) – Savings from Delay of Rachel’s Promise Expansion.** Due to additional time needed for tenant improvements, the expansion of the Rachel’s Promise shelter from 50 beds to 210 beds has been delayed, resulting in \$520,000 in savings, or a \$441,000 increase from the Mid-Year Report. The expanded beds are expected to be online by mid-July 2026 and expected partially to replace shelter beds proposed for reduction through the FY 2027 budget development process. Although the shelter is operating 50 beds while being budgeted for 210 beds in FY 2026, fixed expenses and ancillary costs incurred during tenant improvements have limited additional program savings.
- **(\$766,000) – Housing Commission Administered Shelter Contracts.** As noted in the HSSD memo, savings from several Housing Commission administered programs were identified in the third quarter, including at the Non-Congregate Family Shelter (\$374,000), Veteran’s Village (\$298,000), and Alcohol Use Disorder Shelters (\$94,000). This represents an increase of \$988,000 in combined savings across the three programs relative to the Mid-Year (as the Non-Congregate Family Shelter was previously projected to end the year \$271,000 over budget). Savings are primarily driven by staffing shortages at the shelter programs, consistent with trends in prior years, and non-personnel expenditure savings, including savings from food and supply expenses.

DEVELOPMENT SERVICES FUND

The Third Quarter Report projects year-end revenues for the Development Services Fund to exceed expenditures by \$12.4 million, a \$635,000 increase from the Mid-Year Report. In FY 2025, the Fund ended the year with a shortfall of \$17.8 million and no Reserve balance. Based on the Third Quarter Report, the Fund is projected to end FY 2026 with a relatively improved though continued shortfall estimated at \$5.4 million. As the Fund’s shortfall persists, the Fund will continue with no Reserve balance for FY 2026 and hence not meet its Reserve policy goal of \$19.3 million, as seen in the table below. The Department now expects to mitigate the shortfall by the first quarter of FY 2028.

Development Services Fund		
Reserve Policy Target vs Reserve/Fund Balance (\$ in millions)		
	FY 2025	FY 2026^a
<i>Reserve Policy Target Percent</i>	15.0%	15.0%
Reserve Policy Target ^b	\$ 15.9	\$ 19.3
Projected Reserve Balance	-	-
Difference: Amount Reserve Balance Is Below Policy Target	\$ (15.9)	\$ (19.3)
<i>Reserve Balance as Percent of Operating Expenditures</i>	0.0%	0.0%
Beginning Reserve/Development Services Fund Balance	\$ 3.4	\$ (17.8)
Year-End Revenues	122.7	162.8
Year-End Expenditures	143.9	150.4
Ending Development Services Fund Balance	\$ (17.8)	\$ (5.4)

Note: Table may not total due to rounding.

^a FY 2026 balances, revenues, and expenditures are projected.

^b The Reserve targets are based on the average of the prior three years' operating expenditures.

As noted in the Third Quarter Report, year-end revenue for the Fund is projected at \$162.8 million, an \$18.7 million increase from the Adopted Budget and a \$1.6 million increase from the Mid-Year Report. The increase relative to the Mid-Year Report was primarily driven by \$1.9 million in additional licensing and permitting revenue following a 7.25% increase in DSD fees that took effect on May 4, 2026 to reflect general salary increases and inflation. The increase was partially offset by a \$510,000 revenue decrease primarily due to the Department issuing more refunds, which may occur for various reasons such as permit or approval cancellations and changes in scope of work. Year-end expenditures are projected at \$150.4 million, a \$6.4 million decrease compared to the Adopted Budget but a \$988,000 increase from the Mid-Year Report. Relative to the Mid-Year Report, the increase is primarily driven by a \$696,000 increase in personnel expenditures that reflects the latest hiring projections and actual expenditures, as well as a \$576,000 increase in unbudgeted rent and maintenance costs at the Mission Valley facility.

PROPOSED APPROPRIATION ADJUSTMENTS AND REQUESTED AUTHORITIES

The Third Quarter Report requests City Council approval for several General Fund appropriation reallocations among departments involving non-personnel expenditures. These reallocations do not increase overall expenditure appropriations for the General Fund, but are intended to align appropriations with projected spending by using \$2.1 million in savings in Citywide Program Expenditures to cover increased expenditures in Economic Development, Fire-Rescue, and Transportation, as described in the Third Quarter Report.

Overall, these appropriation adjustments seem reasonable. However, we would note that the Transportation Department issued a memorandum on May 29 indicating that \$1.8 million in contractual services will be suspended for tree trimming, graffiti abatement, and weed abatement services. While there were some reductions to these services noted in the Third Quarter Report, there was no mention of a full suspension of these contracts, particularly for tree maintenance. However, as of the issuance of this report, it was unclear if the suspension of these expenditures

was fully incorporated into Transportation's Third Quarter projections. If it was not, the \$376,000 appropriation adjustment may no longer be needed.

Additionally, Economic Development's Real Estate Division is projecting savings in other non-personnel expenditure categories (primarily IT) that could help offset a portion of the \$1.2 million requested for the Compensation Agreements for the Chinese Historical Museum and Walker Scott sites that were finalized after the Mid-Year report.

Council may want to ask if the Transportation Department's appropriation adjustment request is still needed, and if Economic Development's appropriation adjustment could be partially reduced due to projected non-personnel expenditure savings within the department.

The Third Quarter Report also requests several non-General Fund appropriation increases, including adjustments in the Fire/EMS Fund, Golf Course Fund, Jr. Lifeguard Program Fund, and TOT Fund. The adjustments are supported by additional projected revenue, or the use of fund balance. ***Our Office recommends approval of these non-General Fund appropriation adjustments as proposed.***

Requested Authorities

The Third Quarter Report includes several standard budget control authorities designed to help departments and funds close the fiscal year in balance. The authorities include the requested use of budget transfers in the General Fund to address unanticipated events that may arise before year-end. ***Our Office recommends approval of these standard authorities.***


In addition to the standard authorities requested each year, the Third Quarter Report also seeks authority to use the General Fund Stability Reserve if year-end revenues and expenditures result in a deficit. This is the second consecutive year this authority has been requested, and appears to be the third time since FY 2008 that reserves use has been requested in the Third Quarter Report. Notably, although last year's Third Quarter Report projected a \$10.1 million deficit, additional revenues and intentional mitigation efforts eliminated the need to use reserves.


For FY 2026, the General Fund is currently projected to end the year with \$1.7 million in excess equity. However, there are several risks that could result in a deficit. For example, the report assumes \$7.4 million in reimbursements from CalOES, but it is unlikely these funds will be received in full this fiscal year. Additionally, earlier in the year the Mid-Year Report projected a \$16.8 million deficit. The improved projections in the Third Quarter Report reflect significant mitigation measures already implemented to reduce projected expenditures.

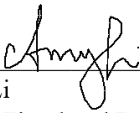
As revenues and expenditures continue to fluctuate, and as additional mitigation strategies are pursued, the final need for reserve usage will not be known until fiscal year-end. ***Given the importance of ending the year in balance, risks to the current projections, and DoF's plan to bring proposed revisions to the Reserve Policy to the City Council later this year, our Office recommends approval of the request to use the General Fund Stability Reserve as a contingency.***

CONCLUSION


Overall, our Office believes the year-end revenue and expenditure projections included in the FY 2026 Third Quarter Report are reasonable. As compared to mid-year projections, the third-quarter projections show an overall increase in revenue of \$3.0 million and a decrease in expenditures of \$15.4 million, yielding an improvement in projected Excess Equity of approximately \$18.5 million – from *negative* \$16.8 million to *positive* \$1.7 million. If year-end activity ultimately equals third quarter revenue and expenditure projections, the City would not need to draw on General Fund Reserves, as is requested as a contingency authority. However, our report notes a few risks to the projections, which could reduce or eliminate the projected excess equity. With respect to requested Council actions, our Office recommends approval of the requested authorities, as well as the appropriation adjustments proposed in the FY 2026 Third Quarter Report; however, we note that the appropriation adjustments requested for Transportation and Economic Development may raise the departments' budgets for non-personnel expenditures higher than their projected needs.

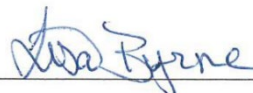

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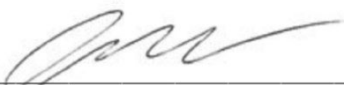

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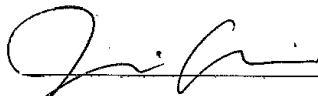

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Status of City Council's Modifications in FY 2026 Adopted Budget			
Description	Item	Amount	Status *
General Fund (GF) Expenditures			
<i>GF Operating Budget - One-Time</i>			
Rosecrans Shelter - Two-month Wind-down	1	\$ 488,000	Shelter operations ceased on July 25, 2025, reflecting a less than one-month wind-down, with expenditures totaling \$264,000. As discussed in our review of the FY 2026 First Quarter Report, the wind-down was ultimately funded using carryforward State grant funds.
Central Elementary Safe Parking Support	2	250,000	Implemented. This site is currently in operation. On November 7, 2025, the SDHC Board approved a contract with Jewish Family Services to operate the site. The contract term runs from November 17, 2025 through November 16, 2026 and allocates a total of \$593,000 (including admin), of which \$343,000 is from the Regional Taskforce on Homelessness and the remaining \$250,000 from City's General Fund.
Short-Term Rental Occupancy Nexus Study	3	45,000	A study is currently underway and expected to be complete by the end of Summer 2026.
Partial Reduction of Independent Legal Counsel for the City Auditor's Office	4	(60,000)	Implemented as a one-time reduction in NPE due to delayed procurement for Independent Legal Services, which will remain the full amount of \$180,000 in future year budgets.
<i>GF Operating Budget - Ongoing</i>			
Full Restoration of Recreation Center Hours	5	4,834,000	Implemented.
Restoration of Full Monday Hours at 16 Library Locations	6	3,334,000	Implemented.
Animal Services Contract Funding	7	2,097,000	Implemented, however FY 2026 funding remains \$1.5 million less than the City's contractual obligation to the San Diego Humane Society (SDHC). SDHC has acknowledged and accepted this shortfall; certain services, primarily including park patrols/off-leash dog enforcement have been eliminated
Fleet Fee Adjustments for Clean SD	8	1,410,000	Implemented.

* Status items in green include updates to the information provided in Attachment 1 to our Office's review of the Third Quarter Report.

Description	Item	Amount	Status *
General Fund (GF) Expenditures			
<i>GF Operating Budget - Ongoing</i>			
Restoration of Parks & Recreation Public Restrooms	9	1,164,000	Implemented.
Restoration of Community Projects, Programs, and Services (CPPS)	10	900,000	Implemented.
Restoration of Recreational Access at Reservoirs	11	889,000	Access has continued at prior year levels.
Restoration of the Office of the City Attorney's Budget	12	500,000	Implemented.
Fire Rescue Brush Management Support Positions (2.00 FTEs)	13	335,000	1.00 Assistant Fire Marshall position has been filled; hiring for the remaining position (Information Systems Analyst 2) is pending Mayoral approval for Request to Fill (RTF).
Restoration of 1.00 Director for the Office of Race & Equity	14	250,000	Implemented. The current budget includes a Deputy Director position under the Office of the IBA's Race and Equity Division, which was filled in July 2025.
Restoration of Stormwater Expenditures Related to Medium Priority Operations	15	175,000	Funded activities continue at previous year levels for the medium priority operations.
Restoration of the Office of the City Auditor's Budget	16	163,000	Implemented.
Restoration of the Office of the IBA's Budget	17	143,000	Implemented.
Parks & Recreation Correction to Electrician Position	18	136,000	Implemented. This position was moved back to the General Fund from the Maintenance Assessment District Management Fund and Golf Course Fund, where it had been erroneously placed in the May Revise.
Beach Fire Rings Restoration	19	135,000	Implemented.
Library Matching Funds Restoration	20	118,000	Implemented.
Restoration of Department of Finance Office Space Consolidation Expenses	21	114,000	Implemented, however there may be savings associated with Engineering & Capital Projects moving into CAB and being charged rent while tenant improvements at Montgomery Gibbs are being completed.

* Status items in green include updates to the information provided in Attachment 1 to our Office's review of the Third Quarter Report.

Description	Item	Amount	Status *
General Fund (GF) Expenditures			
GF Operating Budget - Ongoing			
Transfer of the Office of Race & Equity from the Human Resources Department to the Office of the IBA	22	-	Implemented. Race & Equity now operates as a new division in the Office of the IBA. The IBA's Office is working with the City Attorney's Office to amend the Municipal Code to align the division's responsibilities accordingly.
Smart Streetlights and Automated License Plate Readers Contract Cost Contingency	23	-	Budgeted funding is authorized to be expended following Council review and approval of the Police Department's 2024 Annual Surveillance Report on December 9, 2025.
Reduction of 1.00 Confidential Secretary to the Mayor	24	(133,000)	Implemented. This position was vacant when it was reduced.
Reduction of 1.00 Council Representative 1 from Council Administration	25	(136,000)	Implemented. This position was vacant when it was reduced.
Reduction of 1.00 Deputy Director from Purchasing & Contracting	26	(184,000)	This position was a proposed addition in the FY 2026 May Revise. The position was not created in FY 2026 due to the Council Modification.
Reduction of 1.00 Program Coordinator from the Police Department	27	(196,000)	This position serves a critical IT role according to SDPD. The position is currently filled and is being carried by the department as an unbudgeted/supplemental position in FY 2026
Reduction of 1.00 Program Coordinator from Homelessness Strategies & Solutions Department	28	(209,000)	Implemented. This position was vacant when it was reduced.
Reduction of 1.00 Program Coordinator from Performance and Analytics	29	(229,000)	Implemented. This position was vacant when it was reduced.
Reduction of 1.00 Deputy Director from the Compliance Department	30	(239,000)	As part of a restructuring of the Compliance Department in November, several positions were transferred to the City Treasurer's Office, including the vacant Department Director position and filled, supplemental Deputy Director position. The FY 2027 Proposed Budget restores the Deputy Director position and reduces the Compliance Director position.

* Status items in green include updates to the information provided in Attachment 1 to our Office's review of the Third Quarter Report.

Description	Item	Amount	Status *
General Fund (GF) Expenditures			
<i>GF Operating Budget - Ongoing</i>			
Reduction of 1.00 Principal Accountant from the Department of Finance	31	(258,000)	Implemented. Position was not filled after incumbent retired.
Reduction of 1.00 Deputy Director (CPII) from Parks & Recreation	32	(313,000)	Implemented. This position was vacant when it was reduced.
Reduction of 1.00 Media Services Coordinator and 1.00 Media Services Manager from the Communications Department	33	(327,000)	Although these positions have been eliminated from the budget, the incumbents continue to serve in these roles as supplemental positions.
Reduction of 2.00 Deputy Chief Operating Officers from the Mayor's Office	34	(800,000)	The Mayor has indicated that no DCOOs will be reduced despite the budget reduction.
Total GF Expenditures		\$ 14,396,000	
GF Resources			
<i>GF Operating Budget - One-Time</i>			
Transfer from Opioid Fund to General Fund for Shelter Support	35	\$ 488,000	Included in the final budget as reimbursement of eligible General Fund shelter expenses, thereby freeing-up General Fund monies for the Rosecrans Shelter. Funds ultimately not needed for shelter wind-down, which were funded using carryforward State grant funds. Additional details can be found in our review of the FY 2026 First Quarter Report.
County Community Enhancement Grant for Beach Fire Rings	36	135,000	Revenue is anticipated before year-end.
Transfer of Civil Penalty Fund Balance to the General Fund	37	91,000	Transfer will occur before the end of FY 2026 in the last quarter.
Revised TOT Fund Balance Transfer to the General Fund	38	(930,000)	This amount was the anticipated reduction in transfer of TOT fund balance to the General Fund, based on TOT declines in FY 2025.

* Status items in green include updates to the information provided in Attachment 1 to our Office's review of the Third Quarter Report.

Description	Item	Amount	Status *
GF Resources			
<i>GF Operating Budget - Ongoing</i>			
Transfer from the Solid Waste Fund to the General Fund for Debt Payments	39	6,458,000	Included in the final budget for reimbursement of debt payments that support waste packer and green container purchases. Transfers will take place as debt service payments are made.
Revised Sales Tax Revenue	40	3,728,000	Overall sales tax anticipated in the in the Third Quarter Report is projected to be \$4.6 million more than the Adopted Budget.
Execution of a parking revenue share agreement with the San Diego Zoo	41	3,000,000	The City and Zoo executed a lease extension in March 2026 that extended the lease term until 2078 and a \$3.0 million payment in FY 2026 that has already been received.
Accelerated Implementation of Parking Fees for Non-Residents at Balboa Park	42	1,500,000	Balboa Park Paid Parking Program has been approved by the City Council and was implemented beginning January 5, 2026; parking revenue is projected to be significantly less than budgeted revenue.
Revenue from Parking Meter Credit Card Transaction Fees - from Parking Meter Operations Fund (PMO)	43	1,000,000	The Adopted Budget assumed a full-year implementation. However, actual implementation began on November 2025. As a result, the General Fund is currently anticipated to only receive \$612,000 from the PMO Fund.
Revenue from Adjusted Fines for Expired Parking Meters	44	1,000,000	Revenue from this item was included in the Police Department's Adopted Budget. According to PD, current projections were developed for overall parking citation revenue and are not broken down by specific violation types. 3 rd Quarter projections anticipate parking citation revenue for PD to be at \$27.9 million, which is \$417,000 less than the Adopted Budget. Total expired meter citations issued from July 1, 2025 to April 30, 2026 is 89,644.
Daylighting Citation Revenue	45	850,000	Similar update as item 44 above. Total daylighting citations issued from July 1, 2025 to April 30, 2026 is 15,782.
Increased Residual RPTTF Revenue	46	830,000	Residual RPTTF revenue will be received in January 2026 and June 2026.
Revenue from Reservoirs	47	267,000	This revenue is associated with the restoration of recreational access at the City's reservoirs - see item 11 above.

* Status items in green include updates to the information provided in Attachment 1 to our Office's review of the Third Quarter Report.

Description	Item	Amount	Status *
GF Resources			
<i>GF Operating Budget - Ongoing</i>			
Reduced Revenue from Measure C TOT Homelessness Fund	48	(526,000)	Measure C Homelessness Fund projections are down \$1.1 million, or 3.3%, compared to the FY 2026 Adopted Budget.. However, an unbudgeted \$5.6 million in one-time Measure C TOT revenue collected in FY 2025 but not available until after resolution of ongoing litigation in FY 2026 is expected to offset reduced FY 2026 revenue.
Cannabis Business Tax Revenue Adjustment	49	(900,000)	CBT revenue is projected to be an additional \$2.5 million lower than the Adopted Budget.
Revised TOT Revenue Projections (non-Measure C revenue)	50	(2,516,000)	Overall TOT projections are down \$7.5 million, or 2.0%, compared to the FY 2026 Adopted Budget.
Total GF Resources		\$ 14,475,000	
Non-GF Expenditures			
<i>Non-GF Operating Expenses - One-Time</i>			
Affordable Housing Preservation Fund Support	51	\$ 5,000,000	On June 23, 2026, the City Council/Housing Authority is expected to consider several items to transfer funds available in the City's Neighborhood Enhancement Fee Fund (estimated at \$8.5 million, as of March 2026) to SDHC's Affordable Housing Preservation Fund to acquire and preserve affordable housing.
Expansion of the UCSD Health Transition Partnership (from Opioid Settlement Funds)	52	1,104,000	Implemented. Funds in the amount of \$1.5 million have been disbursed to UCSD for the Health Transition Partnership.
Small Business Enhancement Program Funding (from Economic Workforce Development Funds)	53	750,000	The historical low one-time funding for the SBEP has been oversubscribed by BIDs, capacity building grants, and storefront improvement grants. All awards will be finalized by the end of 2025 and expenditures and reimbursements will occur before the end of FY 2026.

* Status items in green include updates to the information provided in Attachment 1 to our Office's review of the Third Quarter Report.

Description	Item	Amount	Status *
Non-GF Expenditures			
<i>Non-GF Operating Expenses - One-Time</i>			
Support for San Diego LGBT Community Center's Substance Use Disorder Treatment Services (from Opioid Settlement Funds)	54	300,000	Implemented. Funds in the amount of \$300,000 have been disbursed to the San Diego LGBT Community Center for Substance Use Disorder Treatment services.
<i>Non-GF Capital Improvements</i>			
Jeremy Henwood Park Improvements	55	2,500,000	Budgeted in project S25004. It is anticipated that the Design-Build contract will be awarded near the end of FY 2026. Staff expenditures in FY 2026 have been about \$275,000 thus far and will total about \$300,000 for the year. The PO encumbrance for the Design-Build contract will be approximately \$3.2 million.
Marie Widman Comfort Station	56	1,700,000	Funding covers \$765,000 for demolition which will be spent in FY 2027, with the remainder available to partially cover rebuilding the comfort station. There are 3 existing projects underway at the park: the Jamacha Drainage Channel Study (B14078), the Marie Widman Memorial Park General Development Plan (GDP) (P23005); and the Comfort Station is project L26000. Timing on design for the Comfort Station is dependent on completing input for the GDP, estimated to be 6-12 months. If there is funding for construction, it could possibly be bundled with the Jamacha Channel project; otherwise it will have to come after the channel work. Funding to implement the GDP will likely be needed in either FY 2028 or FY 2029.
Funding for Feasibility Study for Park Blvd, Normal St, and El Cajon Blvd Intersection (from Community-based Development Impact Fees)	57	600,000	Budgeted in project P26001. The as-needed consultant contract (totaling \$292,000) initiated work in November 2025. An Intersection Diagnostic Assessment, Traffic Analysis, and Concept Plans have been completed and planning efforts will be completed in FY 2027. The project is expected to spend \$450,000 in FY 2026, including costs for the consultant and City staff, of which \$192,000 has been expended thus far.
University City Streetlights	58	300,000	Budgeted in projects B25062/AIH00001. Currently fully funded through the end of design and construction. Depending on construction start, it is anticipated that \$100,000 will be spent in FY 2026 (\$50,000 has been spent thus far) and the remaining will support construction in FY 2027.
Total Non-GF Expenditures		\$ 12,254,000	

* Status items in green include updates to the information provided in Attachment 1 to our Office's review of the Third Quarter Report.

Description	Item	Amount	Status *
Non-GF Resources - One-Time			
Neighborhood Enhancement Fee Revenue to Support the Affordable Housing Preservation Fund	59	\$ 5,000,000	Implementation pending. See item 51 above.
De-appropriate General Fund Notes/Bonds No Longer Needed for Capital Equipment	60	4,500,000	Funding included in CIP budget.
Opioid Settlement Fund Balance to Support the UCSD Health Transition Partnership and LGBT Substance Use Disorder Treatment	61	1,404,000	Monies for these initiatives will be paid directly from the Opioid Fund. Additional information is included in items 52 and 54 above.
Economic Workforce Development Funds to Support the Small Business Enhancement Program	62	750,000	As noted in item 53 above, \$750,000 in grants from the Economic & Workforce Development Fund will be paid out by the end of FY 2026.
Community Based Developer Impact Fees to Support the Feasibility Study for Dangerous Intersections	63	600,000	Funding included in CIP budget.
Total Non-GF Resources		\$ 12,254,000	

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