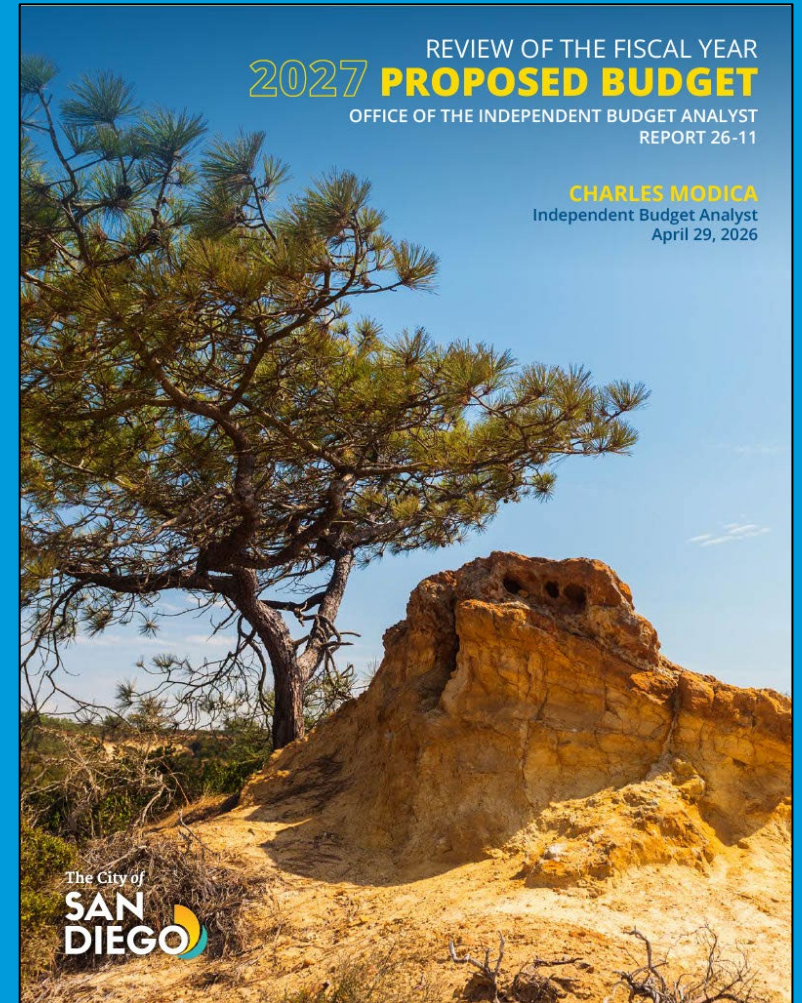


Budget Town Hall

IBA Review of the FY 2027 Proposed Budget



Office of the Independent Budget Analyst



IBA Review of the FY 2027 Proposed Budget

Presentation Overview

- Overview of the Proposed Budget
- Equity
- Key Budget Issues
- Next Steps
- Additional Resources

Why is the City's Budget Important?

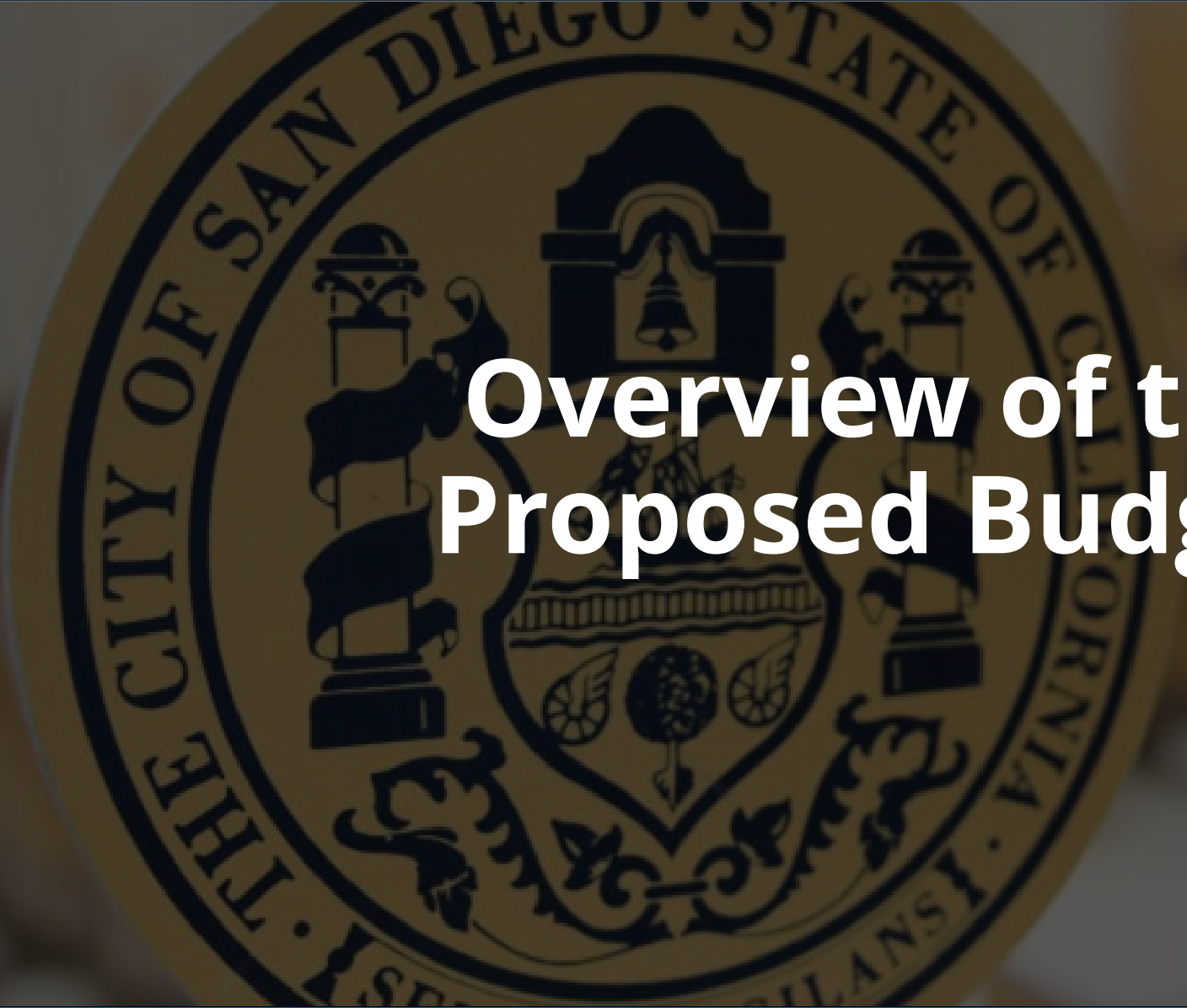
*The Budget is a statement of
– and plan to address –
City Priorities.*



Overview

Key Findings

- City has operated with a structural deficit for years
 - Decisions in 2010s to defer infrastructure maintenance and suppress employee compensation had short-term savings but long-term costs
 - More recent budgets relied on one-time resources to fund ongoing programs
- No significant new revenue sources are available to balance FY 2027 Budget
- City's finances are in a precarious state:
 - Fund balances, reduced cash-on-hand, below-target reserve levels, maximized debt capacity, infrastructure backlog
- Critical to align ongoing expenses with ongoing revenues to provide stability and build public trust

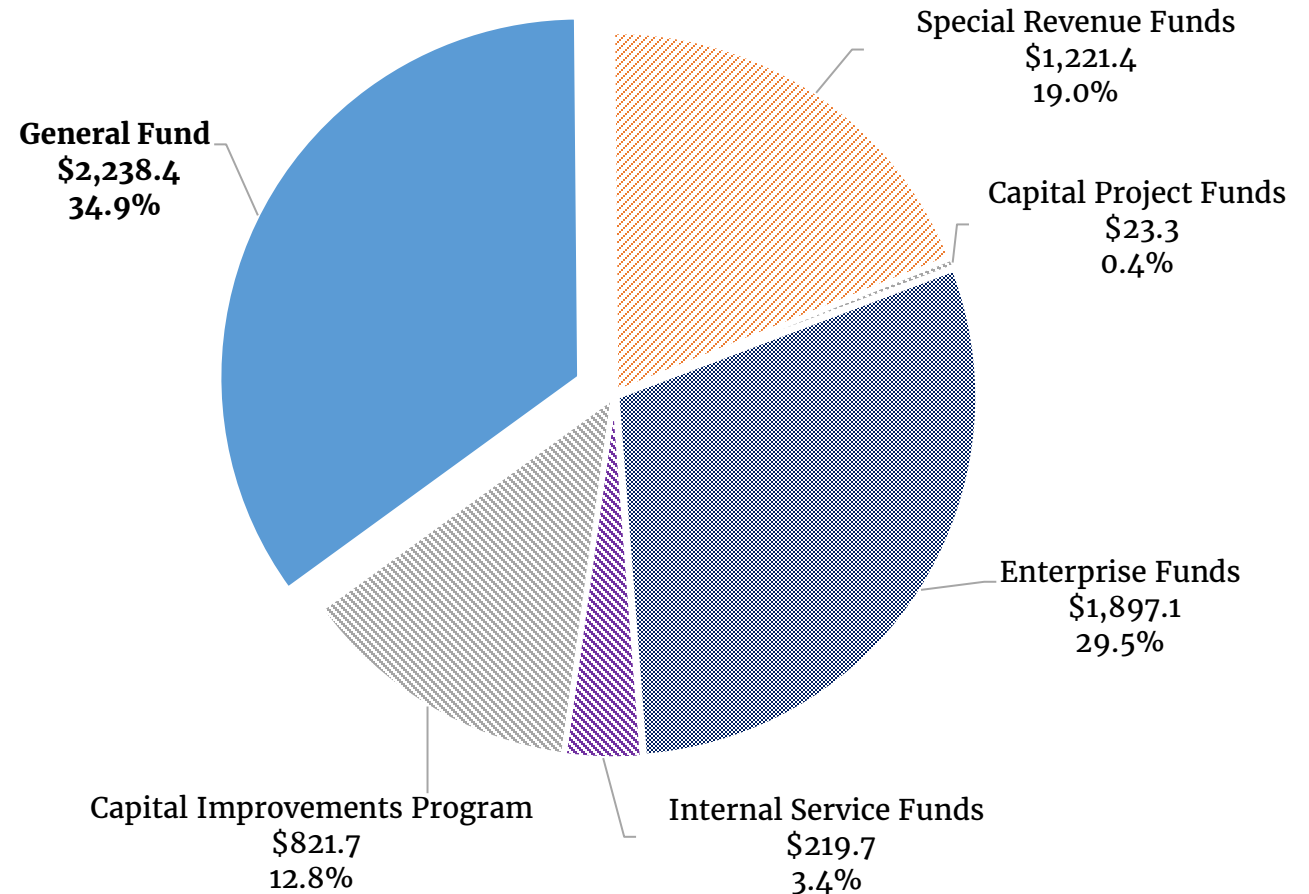
The seal of the City of San Diego is a circular emblem. It features a central shield with a bell, a ship, and a sun. The shield is flanked by two figures. The outer ring of the seal contains the text 'THE CITY OF SAN DIEGO' at the top and 'STATE OF CALIFORNIA' at the bottom. The seal is set against a background of a blurred city street.

Overview of the Proposed Budget

FY 2027 Proposed Budget by Fund

(Total of **\$6.42 billion**; \$ in million)

**General Fund
has the most
flexibility for use**



General Fund Revenues

FY 2027 Proposed Budget General Fund Revenues (\$ in millions)	
Major General Fund Revenues	\$1,536.2
<i>Property Tax</i>	882.9
<i>Sales Tax</i>	386.4
<i>Transient Occupancy Tax</i>	164.8
<i>Franchise Fees</i>	102.1
Other Revenues	\$702.2
<i>Other Major Revenues</i>	118.8
<i>Departmental Revenue</i>	583.4
Total Revenue	\$2,238.4

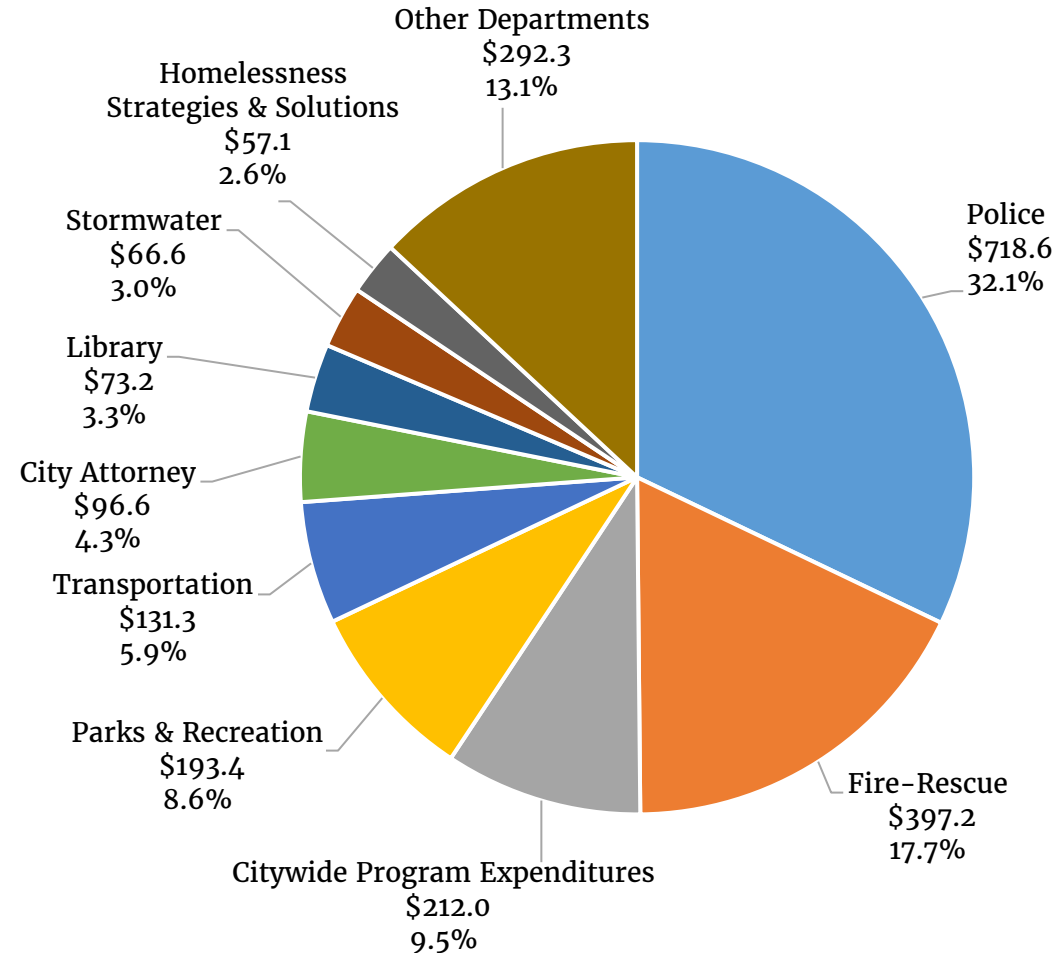
**General Fund Revenues
increase by \$67.3 million
over FY 2026**

- \$40.3 million increase in Major Revenues
 - 2.7% over FY 2026 Budget
- \$27.0 million increase in Other Revenues
 - 4.0% over FY 2026 Budget
 - Reflects transfers to General Fund, not necessarily new revenue to City

The Mayor's Proposal to Spend Money

(Total of **\$2.24 billion**; \$ in million)

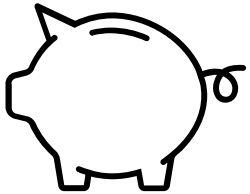
General Fund Expenditures by Department



A Closer Look at the Mayor's Proposed Budget

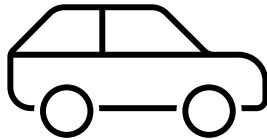
Significant Budget Additions

Pension Payment
Increase



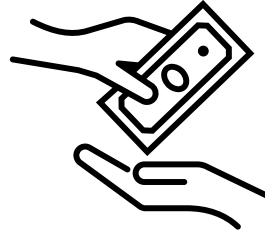
\$18.0M

Vehicle Fleet
Charges



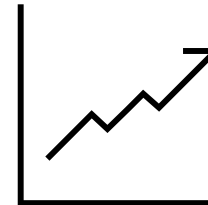
\$12.7M

Debt Service
Payments



\$12.5M

Tax and Revenue
Anticipation Notes
Interest Payments



\$7.9M

Fire-Rescue
Overtime
Adjustments

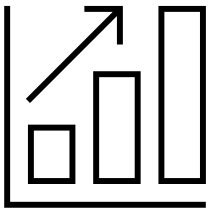


\$6.6M

A Closer Look at the Mayor's Proposed Budget

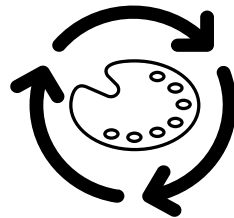
Highlighted Budget Mitigations – Increased Revenue

Tax and Revenue
Anticipation Notes
Interest Earnings



\$11.6M

TOT
Reimbursements
due to Arts Reductions



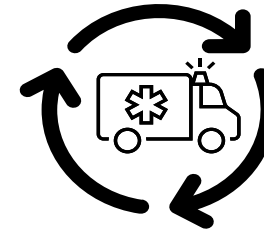
\$10.1M

Sycamore Facility
Franchise Fees



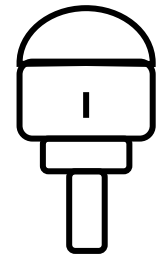
\$7.1M

EMS Fund
Transfers



\$5.3M

Parking Meter Revenue
for Sanitation and
Abatement

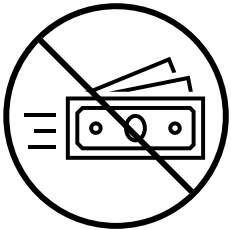


\$2.3M

A Closer Look at the Mayor's Proposed Budget

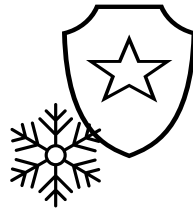
Highlighted Budget Mitigations – Decreased Expenses

Climate Equity
Fund Waiver



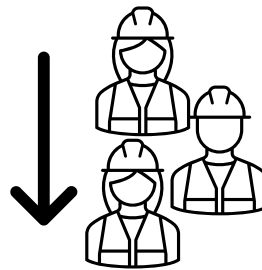
\$7.0M

Police Hiring
Freeze



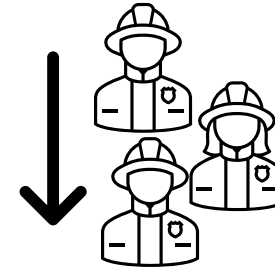
\$6.3M

Reduction of
Multi-Modal Team



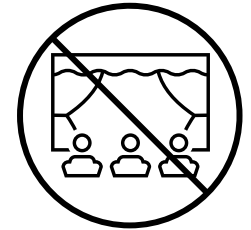
\$2.6M

Dedicated Bomb
Squad Reduction



\$1.7M

Community Projects,
Programs, and
Services Reduction



\$900K

A Closer Look at the Mayor's Proposed Budget

Highlighted Budget Mitigations – Decreased Expenses

Parks and Recreation Reductions



\$5.4M - Rec
Center Hours*



\$3.0M - Staffing



\$1.8M - Parks
Maintenance



\$1.3M - Restroom
Closures

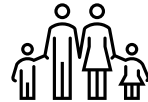


\$1.0M - Extended
Pool Closures

Library Reductions



\$2.6M - Library Hours*



\$1.8M - Youth, Family,
and Equity Services



\$1.0M - Matching
Donations

Homelessness Services Reductions



\$3.8M - Service
Reductions*



\$948K - Neil Good Day
Center Closure



\$750K - Downtown Public
Restrooms

**Includes option packages*

The seal of the City of San Diego is a circular emblem. It features a central shield with a ship on the sea, a bell in an arch above, and various symbols below. The shield is flanked by two figures. The outer ring of the seal contains the text 'THE CITY OF SAN DIEGO' and 'STATE OF CALIFORNIA'. The word 'Equity' is superimposed in white text over the center of the seal.

Equity

Equity Highlights

IBA's Division of Race & Equity (DRE)

- DRE analyzed equity-related implications of budget adjustments
 - DRE considered progress of achieving target performance levels, actions needed to close disparities, gaps, and deficiencies, as well as community impacts
- Equity implications categories:
 1. Employee Workforce Impacts
 2. Public Liability Claims
 3. Mobility & Infrastructure
 4. Neighborhood Services & Enrichment
 5. Public Safety
 6. Policy and Practice Implications
 7. High Priority Equity-Focused Programs
- Districts with higher poverty rates generally require more support
 - Citywide Low-to-Moderate Income (LMI) Rate: 47.9%
 - D3 LMI Rate: 50.7%

Key Citywide Issues: Equity

Policy and Practice Implications



The seal of the City of San Diego, California, is a circular emblem. It features a central shield with a ship, a bell, and other symbols. The text 'THE CITY OF SAN DIEGO' and 'STATE OF CALIFORNIA' is inscribed around the perimeter of the seal.

Key Budget Issues

Key Budget Issues

Classified and Unclassified Positions

- Proportion of classified to unclassified positions citywide is 13.9 to 1
- Proportion of position cuts higher among unclassified ranks than classified

FTEs	Citywide (All Funds)	Citywide <u>Net</u> Reductions	General Fund	GF <u>Net</u> Reductions
Classified	11,616.50	(68.00)	7,022.66	(157.50)
Unclassified and Unrepresented	833.00	(40.00)	550.09	(24.47)
Total	12,449.50	(108.00)	7,572.75	(181.97)
% Classified	93.3%	63.0%	92.7%	86.6%
% Unclassified	6.7%	37.0%	7.3%	13.4%

Note: This table does not include unclassified Deputy City Attorneys represented by the DCAA. The Proposed Budget adds 3.00 DCAA FTEs, for a total of 179.00, all within the General Fund.

Pension

- Pension costs make up 17.7% of General Fund expenditures
- Most significant increase due to higher salaries than assumed in FY 2024

Key Budget Issues

Structural Budget Deficit

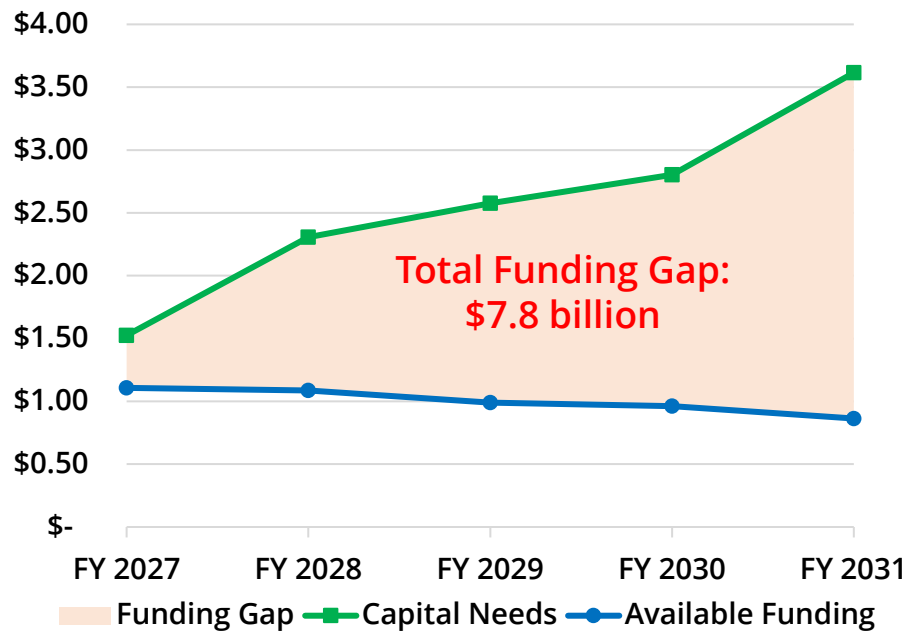
- Ongoing expenses have grown faster than ongoing revenues
- Structural deficit decades in the making; structural imbalance significant in more recent years
- Progress towards structural balance must be made

General Fund Structural Deficit Over Time (\$ in millions)						
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
<i>Structural Deficit</i>	(\$107.4)	(\$62.6)	(\$99.5)	(\$203.8)	(\$103.6)	(\$91.3)

Key Budget Issues

Infrastructure needs far exceed funding available

FY 2027 – FY 2031 Projected Capital Needs Funding
(\$ in billions)



- CIP Outlook projects \$7.8B five-year gap
 - Stormwater is a major driver; heavy reliance on emergency projects
 - Establishing an ongoing funding source for stormwater is critical
- Insufficient maintenance funding compounds issue
 - New facilities opening, while maintenance is being cut
- Funding restrictions limit progress toward broader priorities

Infrastructure Projects: District 3

EXISTING Projects:



NEW FUNDING included in Proposed Budget:

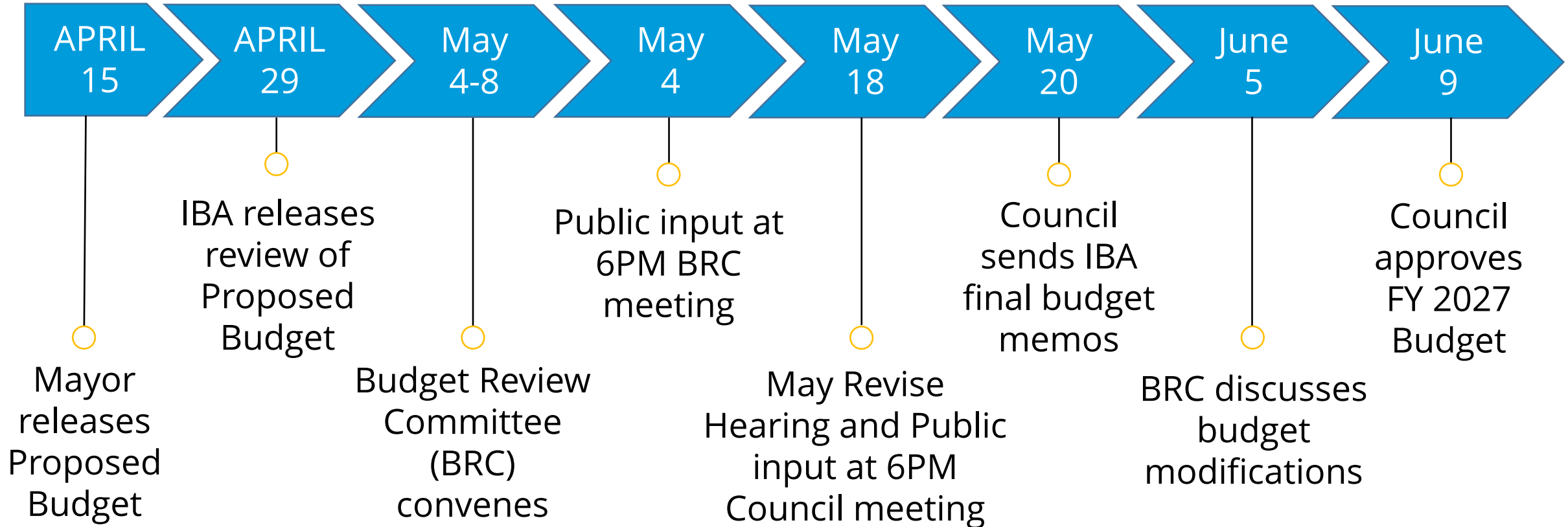
- Convention Center Improvements (\$18.3M)
- Normal Street Promenade (\$2.0M)
- Downtown Complete Streets (\$1.7M)
- Balboa Park Pipeline Replacements (\$1.5M)
- Maple Canyon Drain System (\$700K)
- Park Blvd At-Grade Crossing (\$500K)
- Mississippi St and El Cajon Blvd Traffic Signal (\$300K)

**List is not exhaustive*

The seal of the City of San Diego is a circular emblem. It features a central shield with a ship, a bell, and other symbols. The text 'THE CITY OF SAN DIEGO' is on the left and 'STATE OF CALIFORNIA' is on the right, separated by a small dot. The seal is overlaid with a semi-transparent dark blue circle.

Next Steps

Next Steps in the Process



Key Budget Dates: <https://rb.gy/qlvssp>

Next Steps in the Process

Mayor's May Revision

- The May Revision contains recommended changes to the Proposed Budget
- Based on the most current financial information
- To be released May 13th
- Heard by Council on May 18th at 6PM

**Mayor
Todd Gloria**



sandiego.gov/mayor/contact/form
619-236-6330

Next Steps in the Process

City Council's Role and Community Involvement

- The City Council adopts the budget
- **Public has an important role in budget process**
 - Email your Councilmember
 - Call your Councilmember
 - Provide Public Comments

**Councilmember
Stephen Whitburn**



sandiego.gov/citycouncil/cd3/contact-form

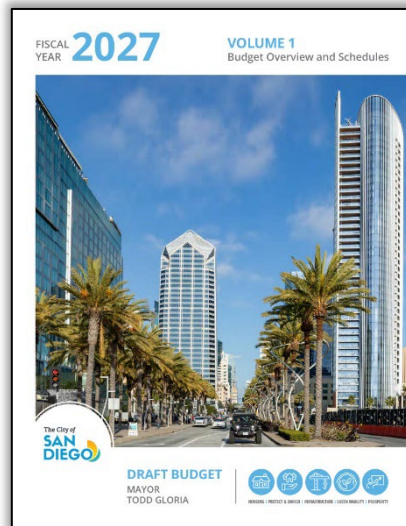
619-236-6633

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Additional Resources

Important Resources

The Mayor's FY 2027 Proposed Budget



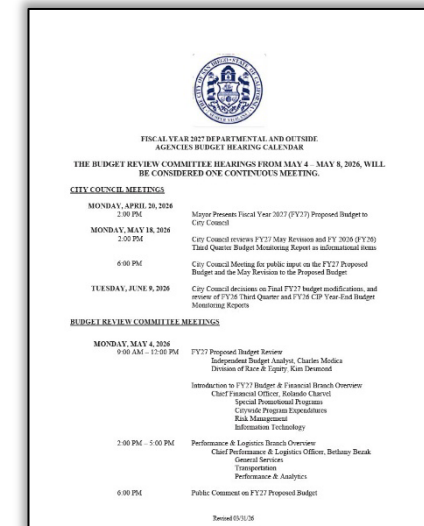
sandiego.gov/finance/draft

IBA's Review of the FY 2027 Proposed Budget



<https://shorturl.at/TOxO0>

Budget Review Committee Schedule



<https://shorturl.at/ALPfm>

Important Resources

Office of the IBA

Website www.sandiego.gov/iba

- IBA Reports
- Key Budget Dates
- Public's Guide to the Budget
- Public's Guide to Infrastructure

X (Twitter)



Office of the Independent Budget Analyst
@SanDiegoIBA

Phone number **619-236-6555**

Department of Finance

Website www.sandiego.gov/finance

- FY 2026 Adopted Budget
- FY 2027 Proposed Budget
- Five-Year Financial Outlook
- Budget Monitoring Reports
- Annual Comprehensive Financial Report

Email **DOF@sandiego.gov**

Phone number **619-236-6060**

The seal of the City of San Diego is a circular emblem. It features a central shield with a ship, a bell, and other symbols. The shield is flanked by two figures. The outer ring of the seal contains the text 'THE CITY OF SAN DIEGO' and 'STATE OF CALIFORNIA'. The word 'ESTABLISHED' is partially visible at the bottom.

Questions?