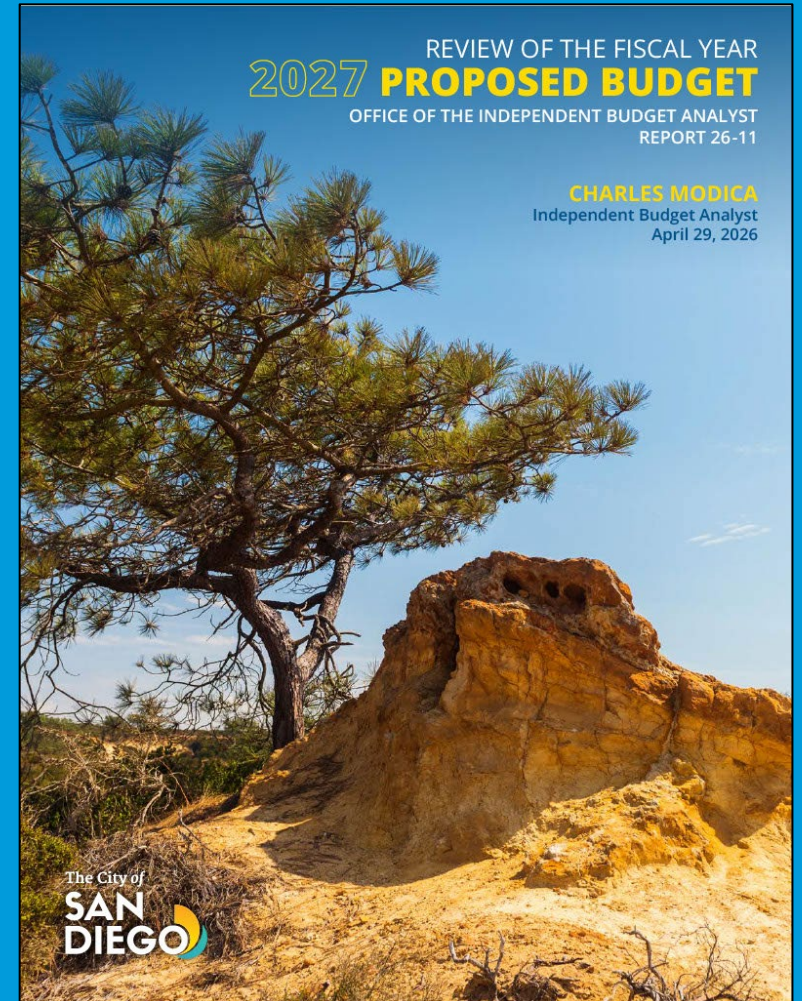


Budget Town Hall

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?

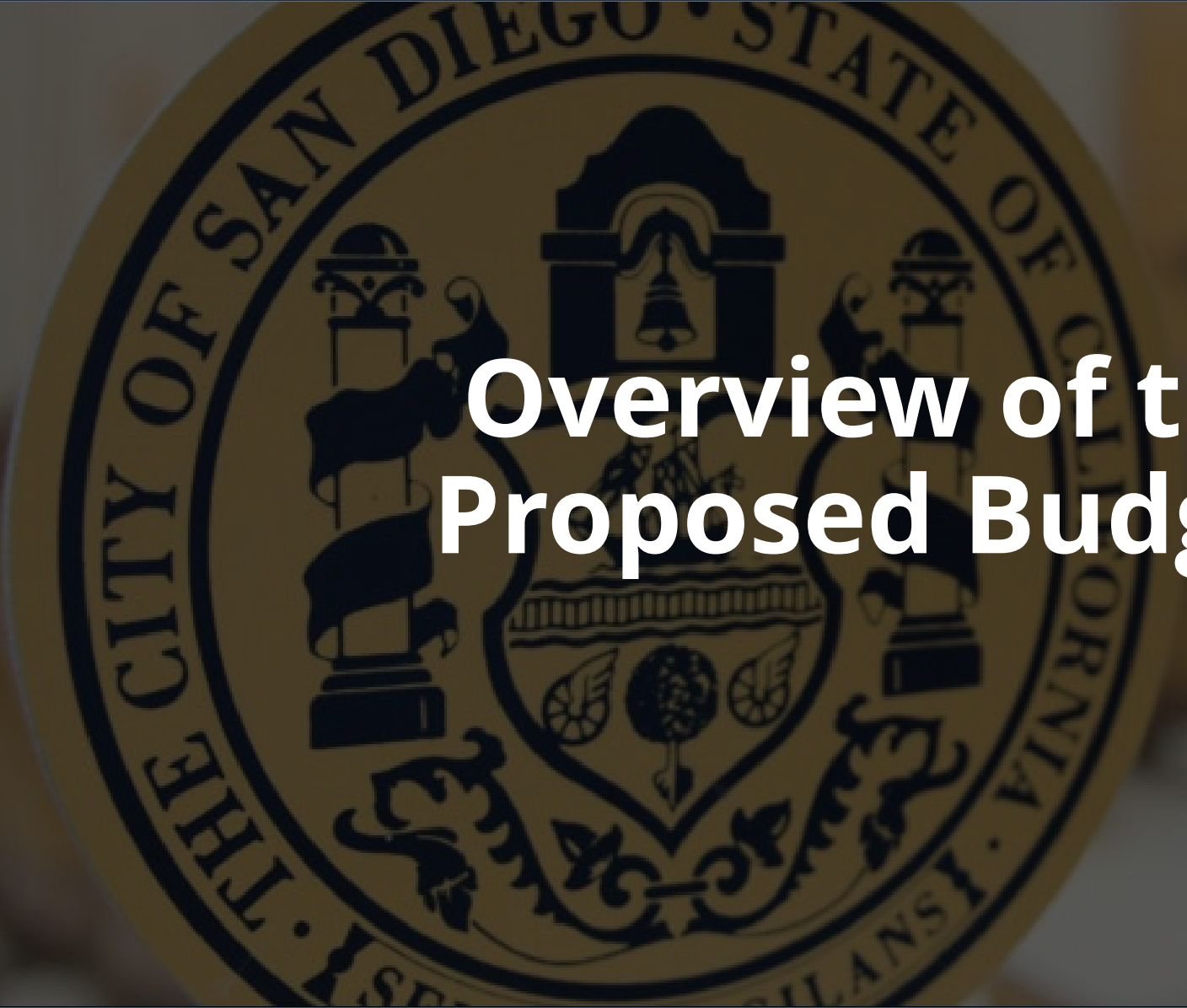
*The Budget is a statement of
– and plan to address –
City Priorities.*



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
- Significant new revenue sources should not be relied on 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

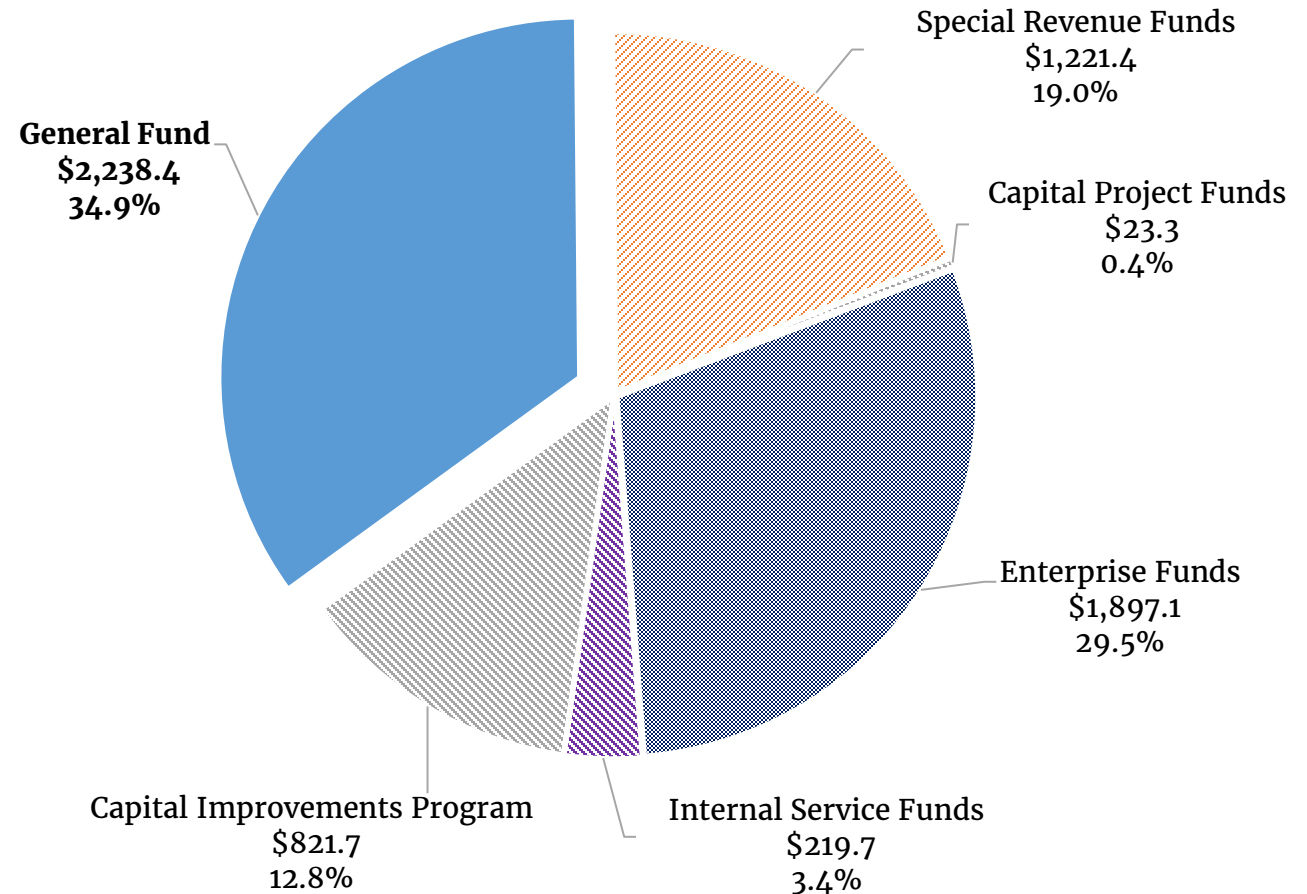
The seal of the City of San Diego is a circular emblem. It features a central shield with a bell, a ship, and a sun. The shield is flanked by two figures. The outer ring of the seal contains the text 'THE CITY OF SAN DIEGO' and 'STATE OF CALIFORNIA'.

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

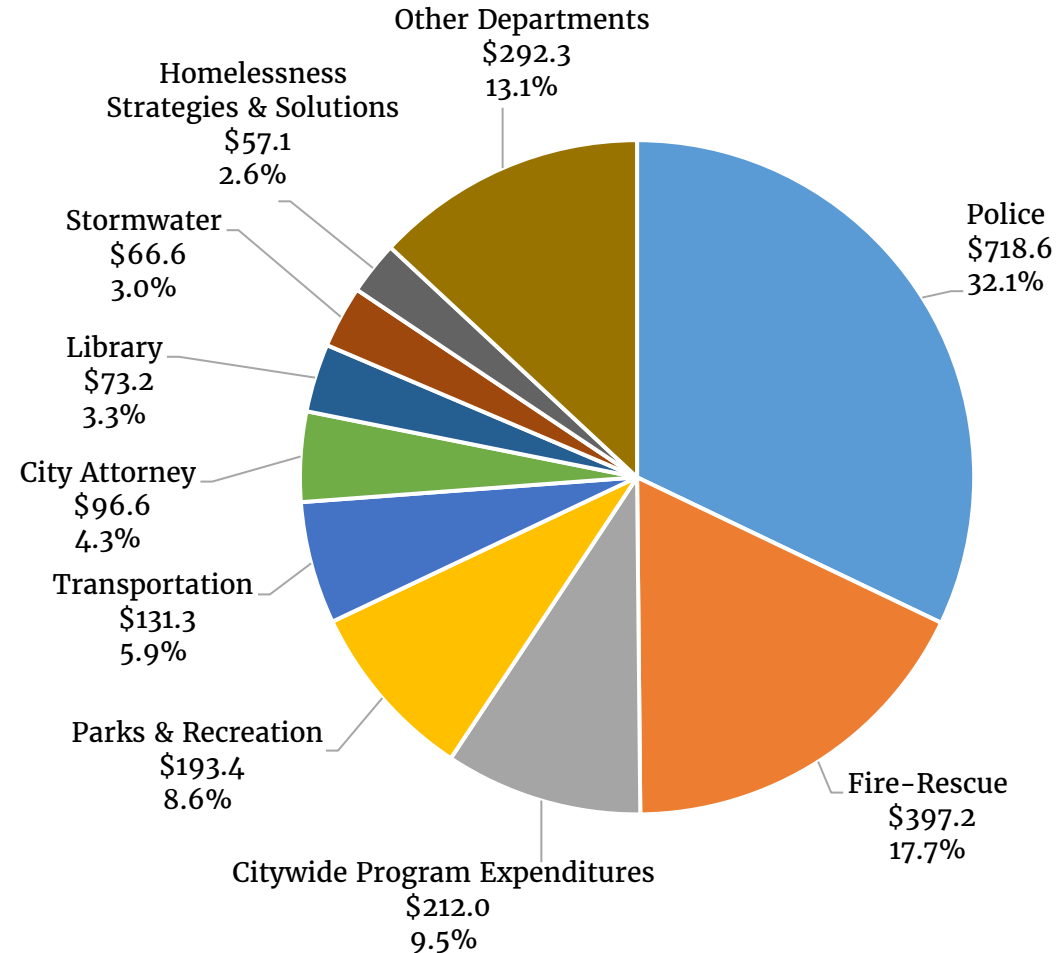
**General Fund Revenues
increase by \$67.3 million
over FY 2026**

- \$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)

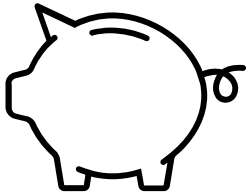
General Fund Expenditures by Department



A Closer Look at the Mayor's Proposed Budget

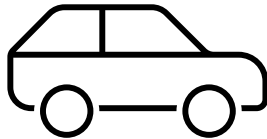
Significant Budget Additions

Pension Payment
Increase



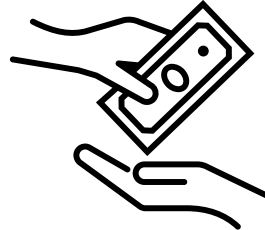
\$18.0M

Vehicle Fleet
Charges



\$12.7M

Debt Service
Payments



\$12.5M

Tax and Revenue
Anticipation Notes
Interest Payments



\$7.9M

Fire-Rescue
Overtime
Adjustments

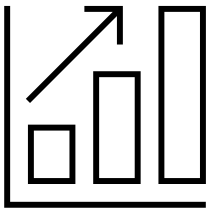


\$6.6M

A Closer Look at the Mayor's Proposed Budget

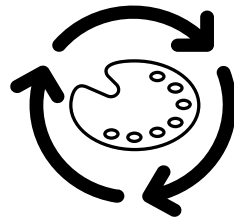
Highlighted Budget Mitigations – Increased Revenue

Tax and Revenue
Anticipation Notes
Interest Earnings



\$11.6M

TOT
Reimbursements
due to Arts Reductions



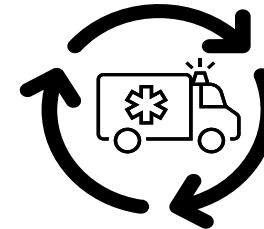
\$10.1M

Sycamore Facility
Franchise Fees



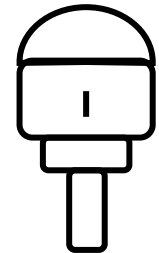
\$7.1M

EMS Fund
Transfers



\$5.3M

Parking Meter Revenue
for Sanitation and
Abatement

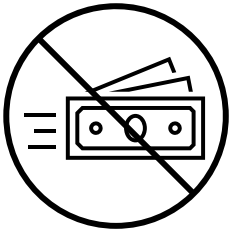


\$2.3M

A Closer Look at the Mayor's Proposed Budget

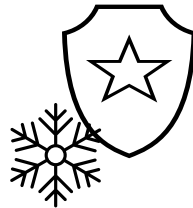
Highlighted Budget Mitigations – Decreased Expenses

Climate Equity
Fund Waiver



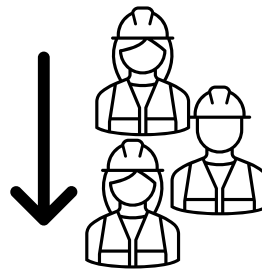
\$7.0M

Police Hiring
Freeze



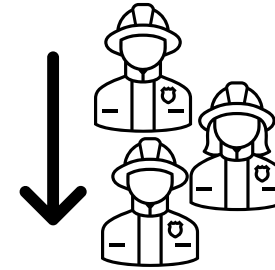
\$6.3M

Reduction of
Multi-Modal Team



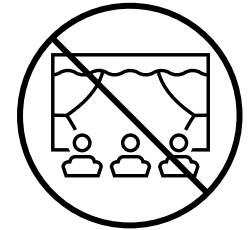
\$2.6M

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, 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 word 'Equity' is written in large white letters across 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%
 - D6 LMI Rate: 41.4%

Key Citywide Issues: Equity

Policy and Practice Implications



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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

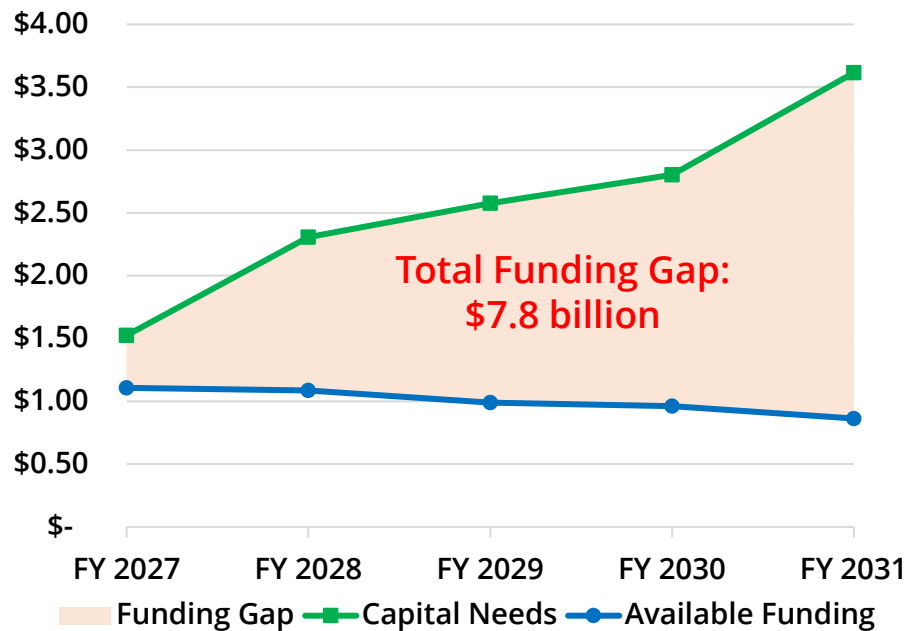
General Fund Structural Deficit Over Time (\$ in millions)						
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
One-Time Resources	\$169.7	\$203.4	\$138.0	\$222.1	\$115.2	\$24.8
One-Time Expenditures	73.0	165.1	38.5	18.3	11.6	13.6
Structural Deficit *	(\$96.7)	(\$38.3)	(\$99.5)	(\$203.8)	(\$103.6)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

*FY 2025 and FY 2026 counted suspension of GF Reserve contributions as one-time resources

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

Key Budget Issues

Budgeted Infrastructure Projects: District 6

- North City Water Reclamation Plant Warehouse Storage (\$9.2M)
- Murphy Canyon Trunk Sewer Repair/Rehab (\$7.3M)
- Curb Ramp Improvements (\$4.3M, includes other districts)
- Miramar Landfill Improvements (\$3.5M)
- Traffic Signal Upgrade at Camino Ruiz & Mira Mesa (\$500K)

Capital Infrastructure Project - Info Lookup:
sandiego.gov/cip/project-info#lookup

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Next Steps

Next Steps in the Process

City Council's Role and Community Involvement

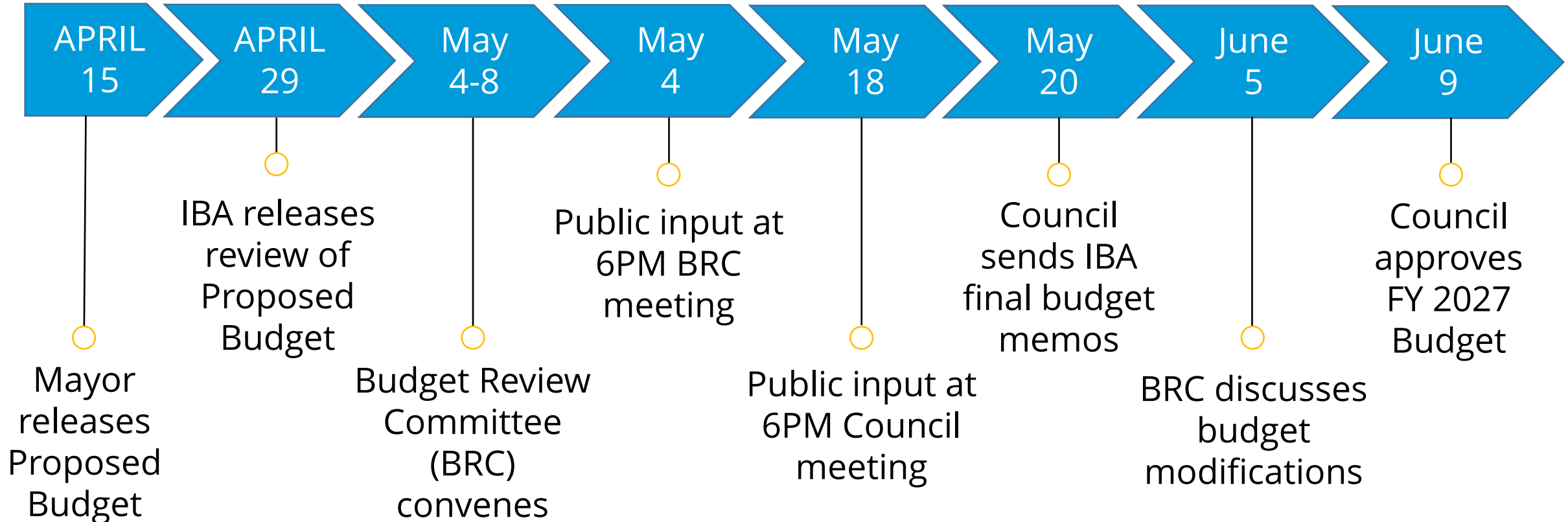
- The City Council adopts the budget
- **Public has an important role in budget process**
 - Email your Councilmember
 - Call your Councilmember
 - Provide Public Comments

**Council President Pro Tem
Kent Lee**



KentLee@san Diego.gov
619-236-6616

Next Steps in the Process



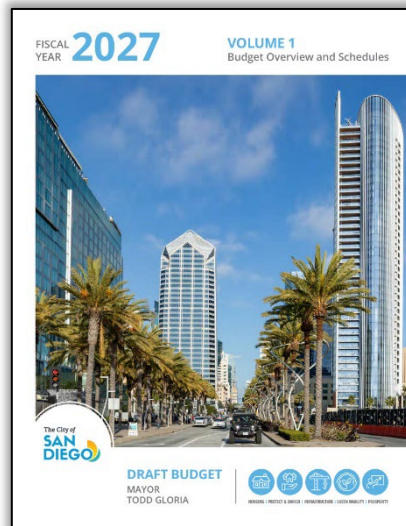
Key Budget Dates: <https://rb.gy/qlvssp>

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Additional Resources

Important Resources

The Mayor's FY 2027 Proposed Budget



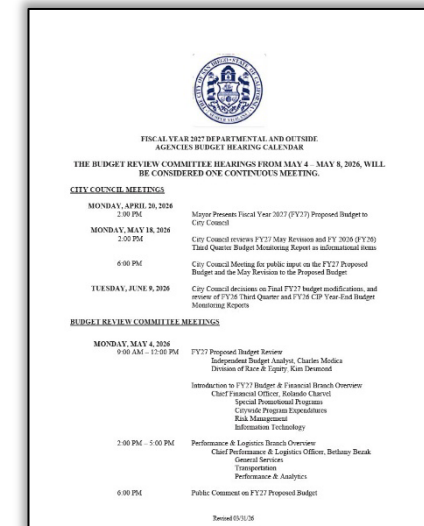
sandiego.gov/finance/draft

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
- Five-Year Financial Outlook
- Budget Monitoring Reports
- Annual Comprehensive Financial Report

Email

DOF@sandiego.gov

Phone number **619-236-6060**

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Questions?