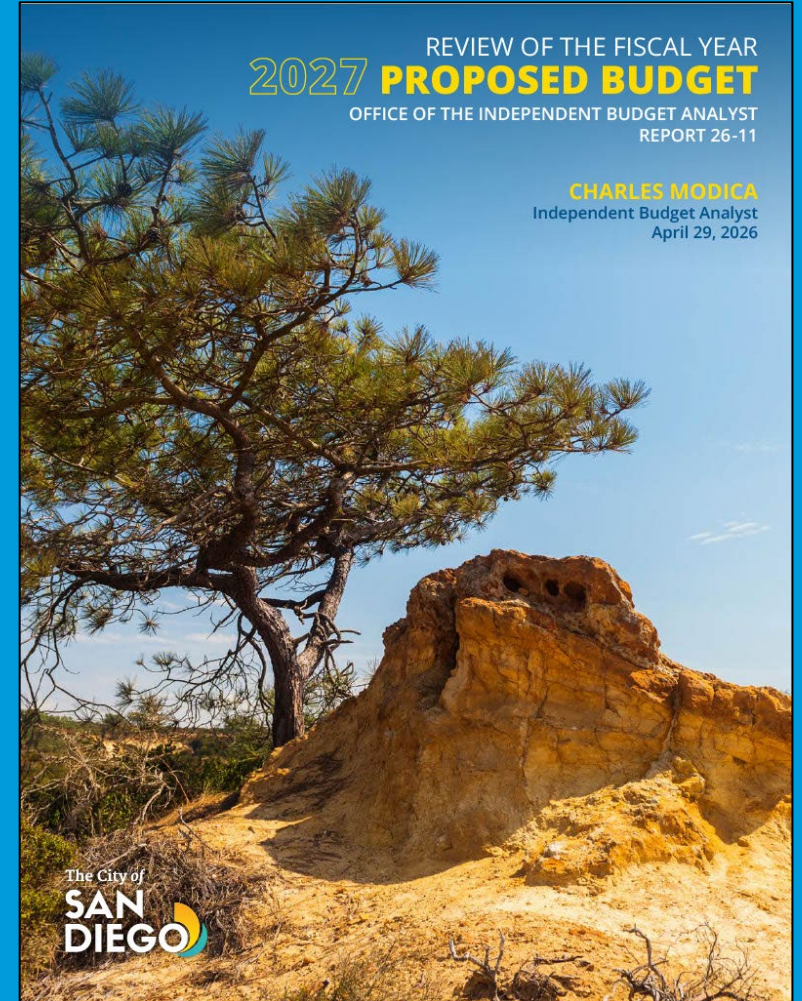


# Budget Town Hall

## 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
- May Revise
- Next Steps
- Additional Resources

# Why is the City's Budget Important?

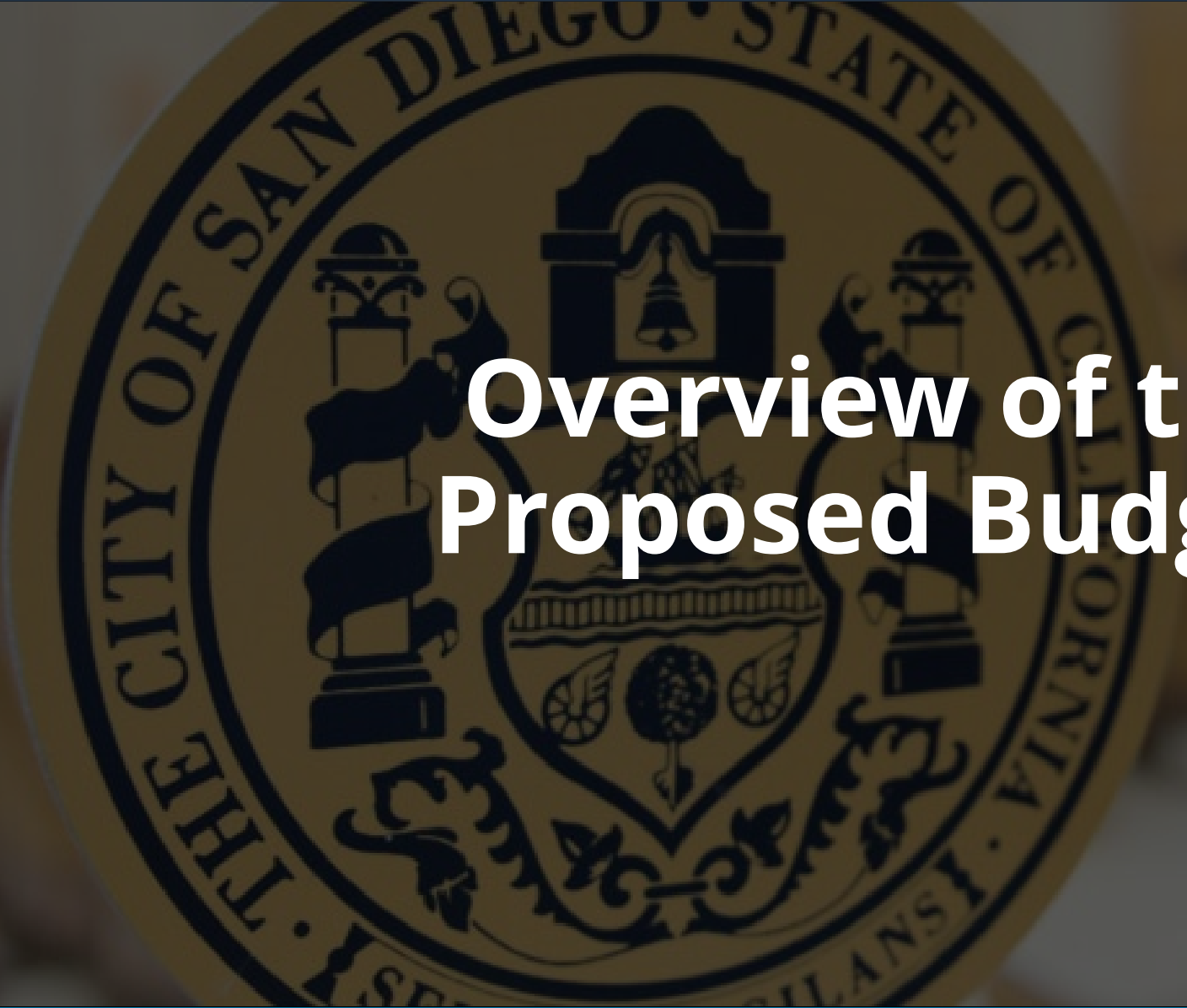
*The Budget is a statement of  
– and plan to address –  
City Priorities.*



# 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

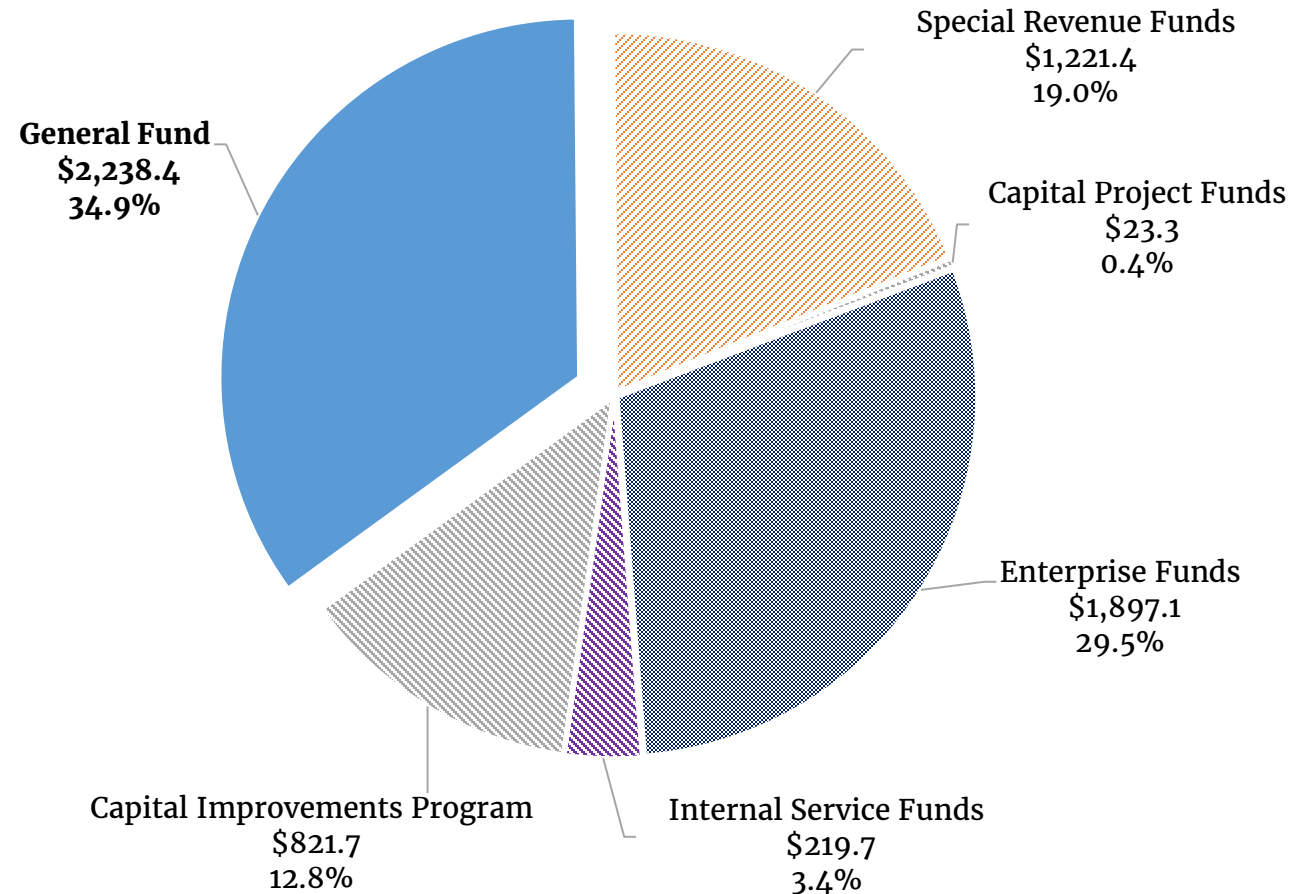
The seal of the City of San Diego is a circular emblem. It features a central shield with a bell, a ship, and a sun. The shield is surrounded by a wreath. The outer ring of the seal contains the text 'THE CITY OF SAN DIEGO' at the top and 'STATE OF CALIFORNIA' at the bottom. The seal is set against a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

# 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<br>General Fund Revenues<br>(\$ in millions) |                  |
|----------------------------------------------------------------------|------------------|
| <b>Major General Fund Revenues</b>                                   | <b>\$1,536.2</b> |
| <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            |
| <b>Other Revenues</b>                                                | <b>\$702.2</b>   |
| <i>Other Major Revenues</i>                                          | 118.8            |
| <i>Departmental Revenue</i>                                          | 583.4            |
| <b>Total Revenue</b>                                                 | <b>\$2,238.4</b> |

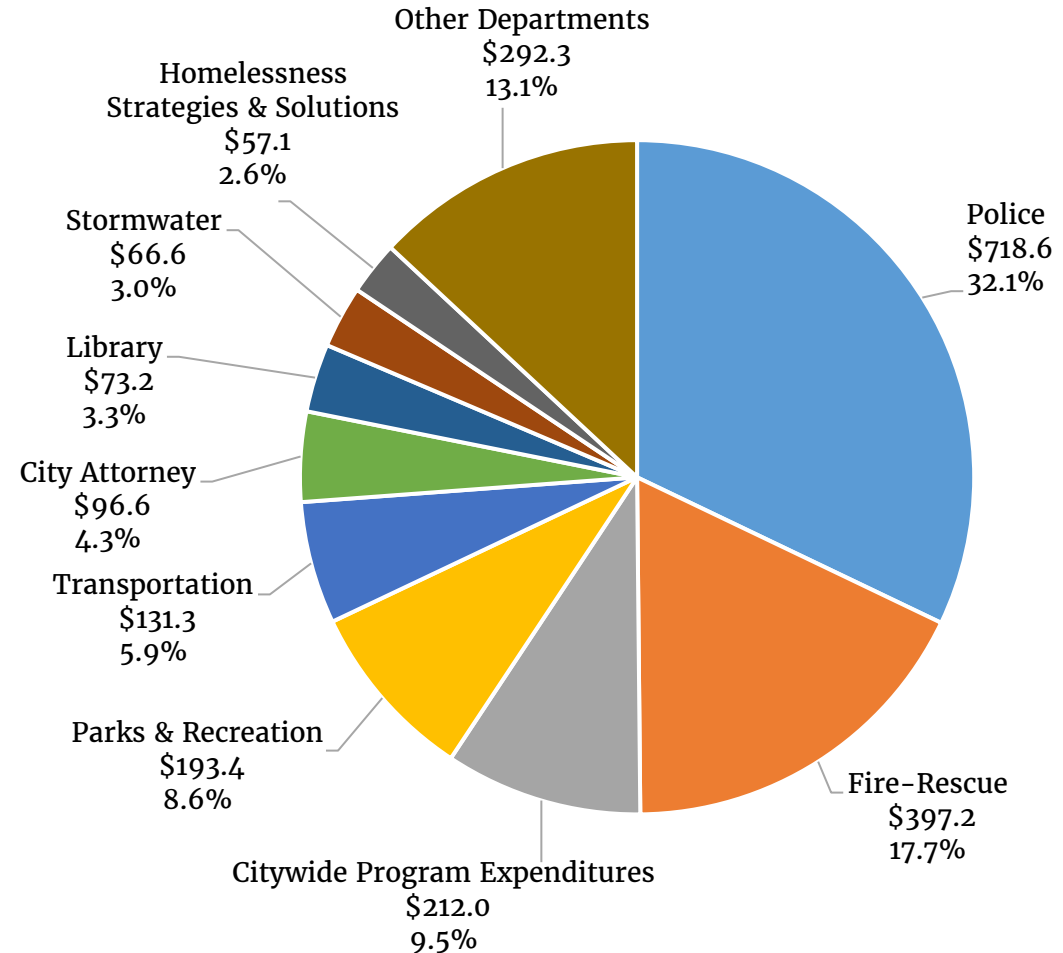
**General Fund Revenues  
increase by \$67.3 million  
over FY 2026**

- \$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)

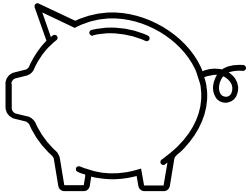
## General Fund Expenditures by Department



# A Closer Look at the Mayor's Proposed Budget

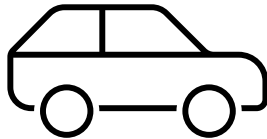
## Significant Budget Additions

Pension Payment  
Increase



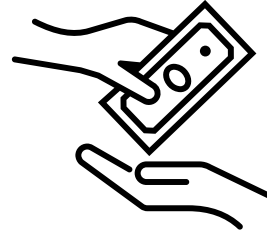
\$18.0M

Vehicle Fleet  
Charges



\$12.7M

Debt Service  
Payments



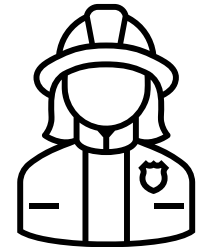
\$12.5M

Tax and Revenue  
Anticipation Notes  
Interest Payments



\$7.9M

Fire-Rescue  
Overtime  
Adjustments

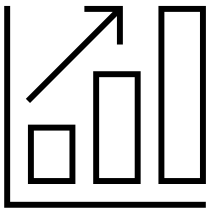


\$6.6M

# A Closer Look at the Mayor's Proposed Budget

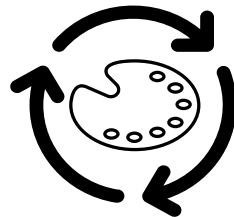
## Highlighted Budget Mitigations – Increased Revenue

Tax and Revenue  
Anticipation Notes  
Interest Earnings



\$11.6M

TOT  
Reimbursements  
due to Arts Reductions



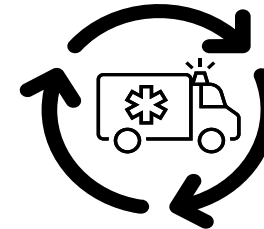
\$10.1M

Sycamore Facility  
Franchise Fees



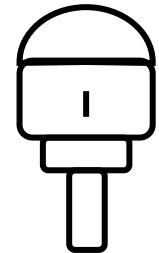
\$7.1M

EMS Fund  
Transfers



\$5.3M

Parking Meter Revenue  
for Sanitation and  
Abatement

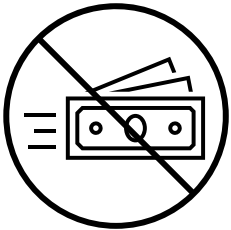


\$2.3M

# A Closer Look at the Mayor's Proposed Budget

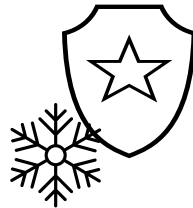
## Highlighted Budget Mitigations – Decreased Expenses

Climate Equity  
Fund Waiver



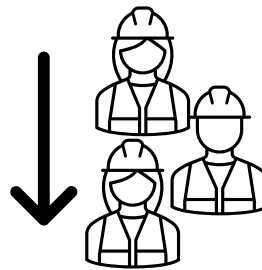
\$7.0M

Police Hiring  
Freeze



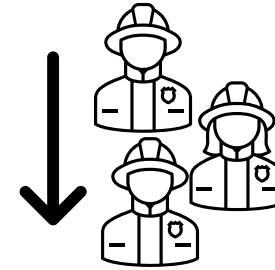
\$6.3M

Reduction of  
Multi-Modal Team



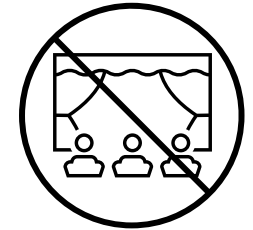
\$2.6M

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

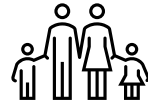


\$1.0M - Extended  
Pool Closures

### 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 water, 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%
  - D6 LMI Rate: 41.4%

# 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 border. The seal is overlaid with a semi-transparent dark blue rectangle.

# 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<br>(All Funds) | Citywide <u>Net</u><br>Reductions | General Fund    | GF <u>Net</u><br>Reductions |
|-----------------------------------|-------------------------|-----------------------------------|-----------------|-----------------------------|
| Classified                        | 11,616.50               | (68.00)                           | 7,022.66        | (157.50)                    |
| Unclassified and<br>Unrepresented | 833.00                  | (40.00)                           | 550.09          | (24.47)                     |
| <b>Total</b>                      | <b>12,449.50</b>        | <b>(108.00)</b>                   | <b>7,572.75</b> | <b>(181.97)</b>             |
| % 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

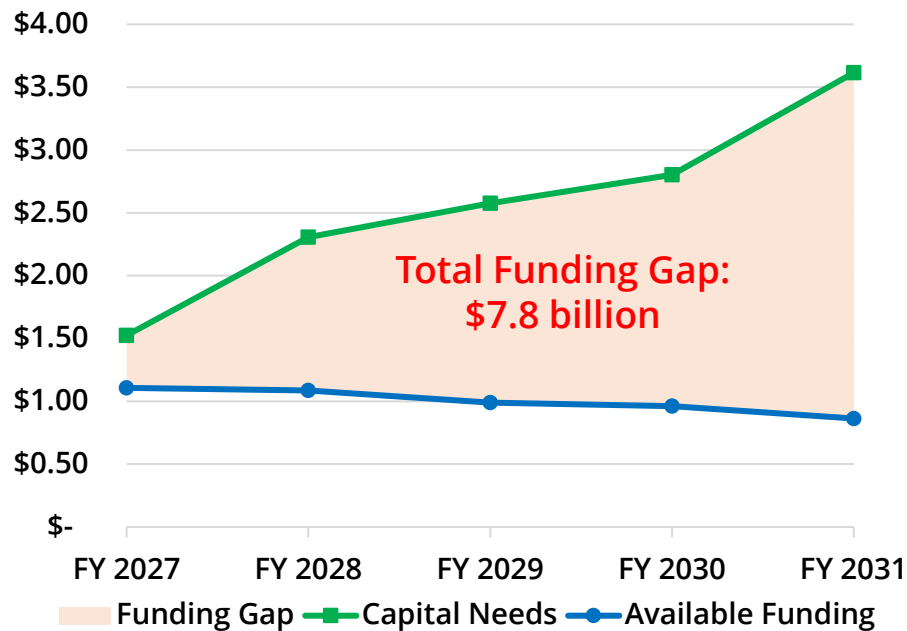
- Ongoing expenses have grown faster than ongoing revenues
- Structural deficit decades in the making; structural imbalance significant in more recent years
- Progress towards structural balance must be made

| General Fund Structural Deficit Over Time (\$ in millions) |           |          |          |           |           |          |
|------------------------------------------------------------|-----------|----------|----------|-----------|-----------|----------|
|                                                            | FY 2022   | FY 2023  | FY 2024  | FY 2025   | FY 2026   | FY 2027  |
| Structural Deficit                                         | (\$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 6

## EXISTING Projects:



## NEW FUNDING included in Proposed Budget:

- Curb Ramp Improvements (\$4.3M, includes other districts)
- Traffic Signal Upgrade at Camino Ruiz & Mira Mesa (\$500K)

*\*List is not exhaustive*

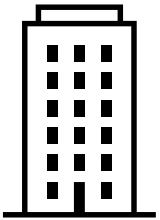
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**May Revise**

# May Revision - General Fund: \$13.5M Increase

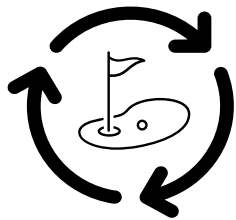
## Revenue Adjustments

Transient  
Occupancy Tax  
Revenue Increase



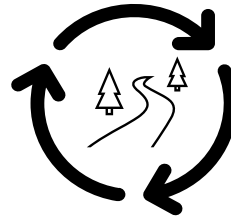
\$4.4M

Golf Course Fund  
Transfers



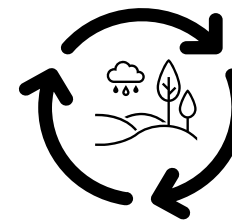
\$4.3M

Road Maintenance  
and Rehabilitation  
Fund Transfer



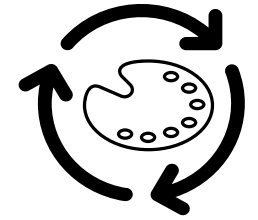
\$2.2M

Environmental  
Growth Fund  
Transfers



\$1.5M

Transient  
Occupancy Tax Fund  
Transfer

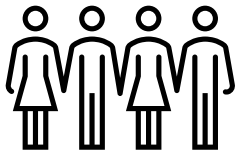


\$1.3M

# May Revision - General Fund: \$13.5M Increase

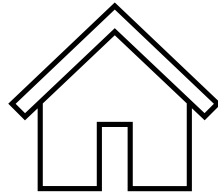
## Expenditure Additions

Negotiated Personnel  
Expenditure  
Increases



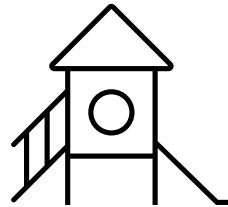
\$4.0M

General  
Homelessness  
Support



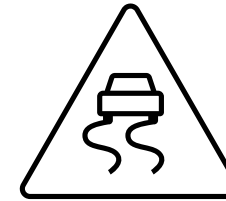
\$3.8M

Partial Restoration  
of Park Center  
Hours



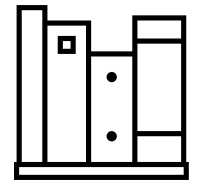
\$2.9M

Grant Funded Speed  
Management Plan



\$2.2M

Partial Restoration of  
Library Hours & Donation  
Matching Funds

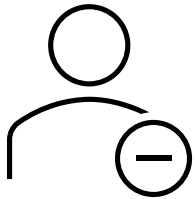


\$1.3M

# May Revision - General Fund: \$13.5M Increase

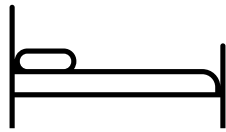
## Mitigating Expenditure Decreases

Voluntary Furloughs



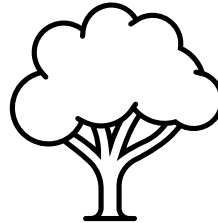
\$3.3M

Reduction of 16<sup>th</sup>  
and Newton Shelter



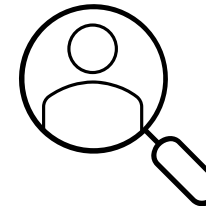
\$2.9M

Tree Planting and  
Maintenance  
Reduction



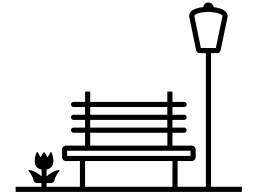
\$708K

Maintaining  
Position Vacancies



\$599K

Postponement of  
New Parks Facilities

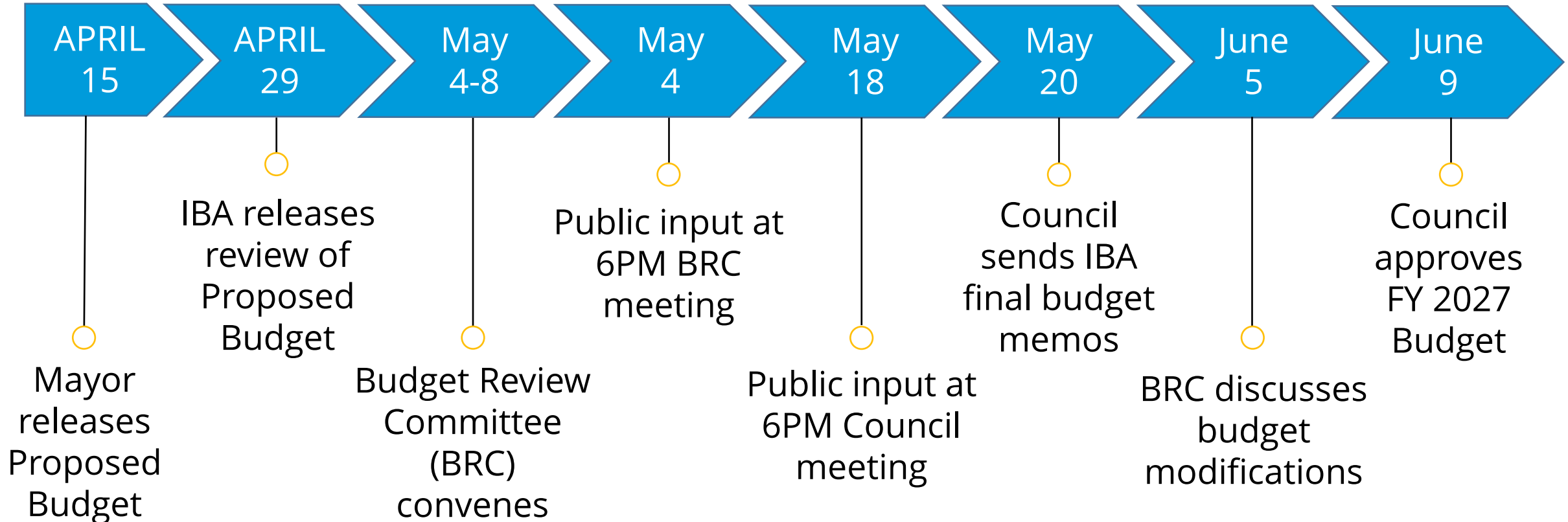


\$424K

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 border. The words '1850' and '1850' are also visible at the bottom. The seal is overlaid with a semi-transparent dark blue rectangle.

# Next Steps

# Next Steps in the Process



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

# 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**



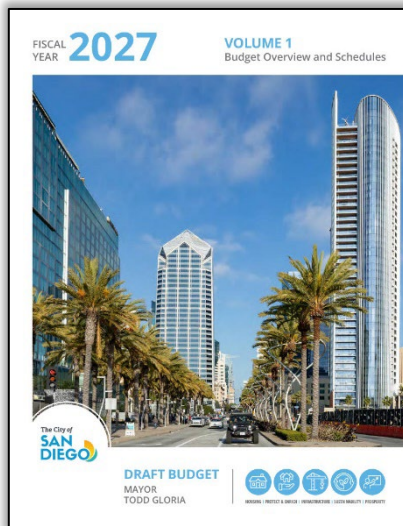
[KentLee@san Diego.gov](mailto:KentLee@san Diego.gov)  
619-236-6616

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'.

# Additional Resources

# Important Resources

## The Mayor's FY 2027 Proposed Budget



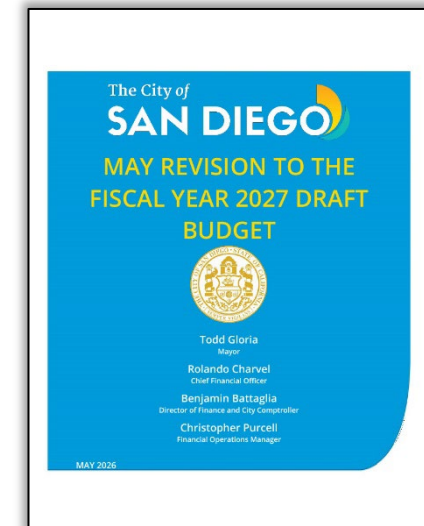
[sandiego.gov/finance/draft](https://sandiego.gov/finance/draft)

## IBA's Review of the FY 2027 Proposed Budget



<https://shorturl.at/TOxO0>

## MAY REVISION TO THE FY 2027 DRAFT BUDGET



<https://shorturl.at/T6NCc>

# Important Resources

## Office of the IBA

Website [www.sandiego.gov/iba](http://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](http://www.sandiego.gov/finance)

- FY 2026 Adopted Budget
- FY 2027 Proposed Budget
- FY 2027 May Revise
- Five-Year Financial Outlook
- Budget Monitoring Reports

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 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'. The word 'ESTABLISHED' is partially visible at the bottom.

# Questions?