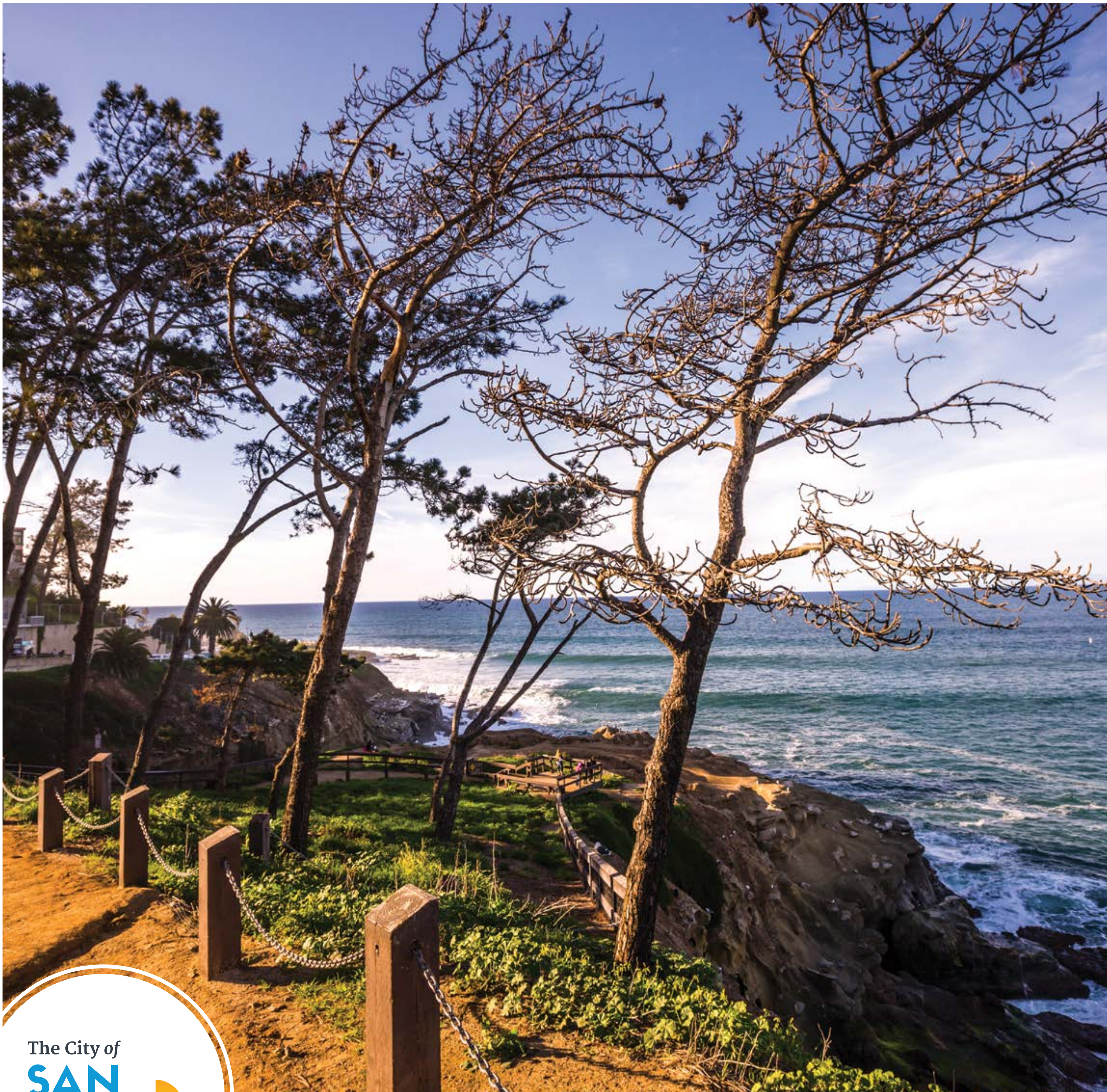
FISCAL YEAR 2027

VOLUME 1
Citywide Budget Overview



The City of SAN DIEGO

ADOPTED BUDGET
MAYOR
TODD GLORIA

HOUSING | PROTECT & ENRICH | INFRASTRUCTURE | SUSTAINABILITY | PROSPERITY

Citywide Budget Overview

The City of San Diego's Fiscal Year 2027 Adopted Budget of $6.49 billion is comprised of the following five operating fund types and the Capital Improvements Program (CIP):

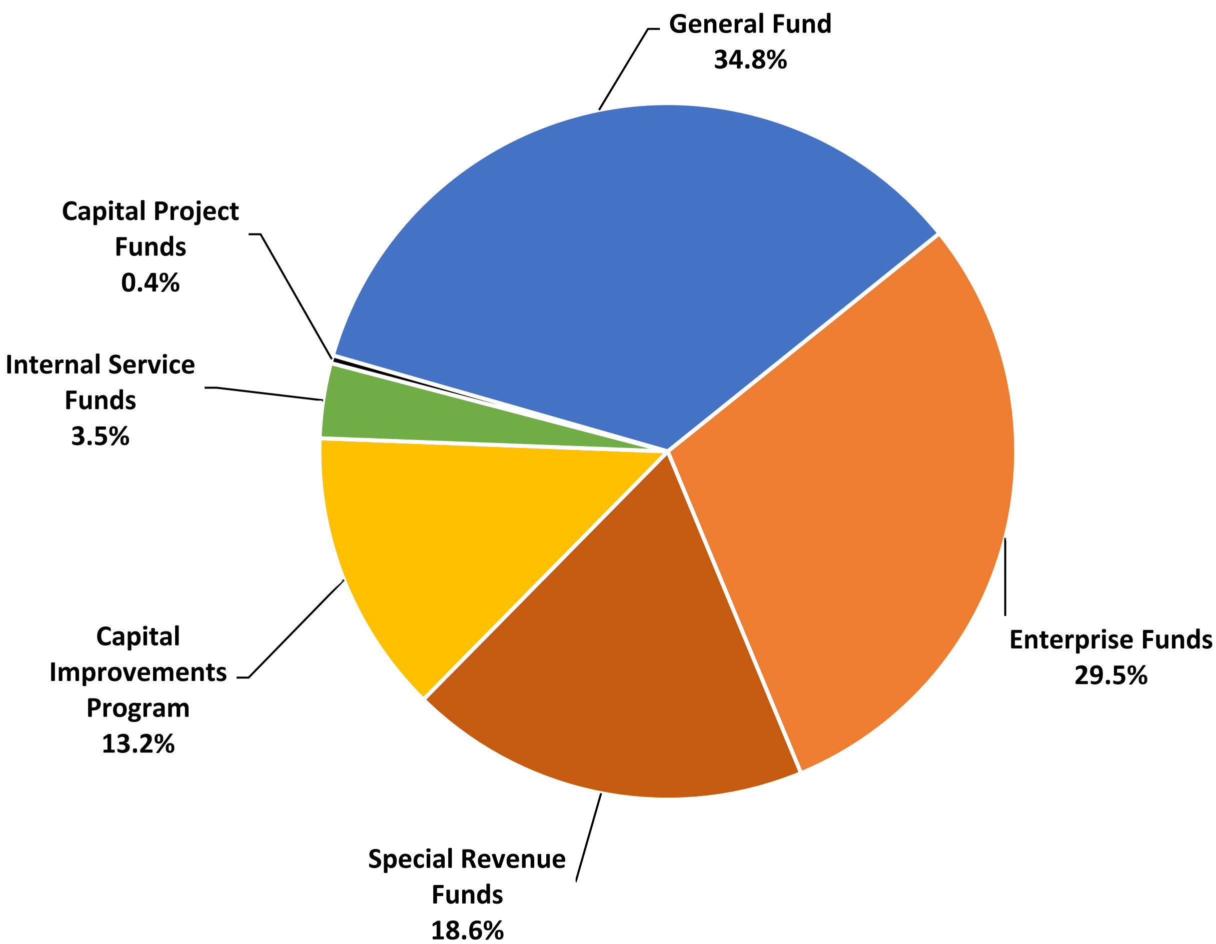
- General Fund
- Enterprise Funds
- Special Revenue Funds
- Internal Service Funds
- Capital Project Funds

Below is additional detail on citywide revenues and expenditures. **Table 1** shows the change in expenditures from Fiscal Year 2025 to Fiscal Year 2027 by fund type/program; **Figure 1** displays the Fiscal Year 2027 Expenditures Budget by Fund Type/Program; and **Table 2** presents the Change in City Revenue from Fiscal Year 2025 to Fiscal Year 2027 by Fund Type. As of the publication of this document, the City has not finalized labor negotiations with all Recognized Employee Organizations (REOs). While the budget includes an estimate of the potential impacts of the ongoing negotiations, the actual impact will not be known until they are finalized and will be monitored throughout the year.

Table 1 - Change in Total City Expenditures from Fiscal Years 2025 - 2027 by Fund Type/Program

Fund Type	FY 2025 Actuals	FY 2026 Adopted Budget	FY 2027 Adopted Budget	FY 2026 – FY 2027 Change	Percent Change
General Fund	$ 2,176,546,411	$ 2,167,433,989	$ 2,256,647,832	$ 89,213,843	4.1%
Enterprise Funds	1,511,352,131	1,730,508,635	1,915,068,260	184,559,625	10.7%
Special Revenue Funds	933,063,746	1,102,725,001	1,207,927,849	105,202,848	9.5%
Internal Service Funds	196,250,575	234,144,403	225,696,347	(8,448,056)	(3.6%)
Capital Project Funds	29,700,308	25,151,428	23,497,614	(1,653,814)	(6.6%)
Capital Improvements Program	1,145,091,106	843,743,919	858,083,119	14,339,200	1.7%
Total	**$ 5,992,004,276**	**$ 6,103,707,375**	**$ 6,486,921,021**	**$ 383,213,646**	**6.3%**

Figure 1 - Fiscal Year 2027 Expenditures Budget by Fund Type/Program



Note: Percentages may not add to 100% due to rounding.

Table 2 - Changes in Total City Revenue from Fiscal Years 2025 - 2027 by Fund Type

Fund Type	FY 2025 Actuals	FY 2026 Adopted Budget	FY 2027 Adopted Budget	FY 2026 – FY 2027 Change	Percent Change
General Fund	$ 2,071,524,464	$ 2,167,433,989	$ 2,256,647,832	$ 89,213,843	4.1%
Enterprise Funds	2,202,075,387	2,028,787,271	2,230,789,493	202,002,222	10.0%
Special Revenue Funds	987,098,116	1,011,564,143	1,052,671,687	41,107,544	4.1%
Internal Service Funds	176,943,797	199,393,780	220,768,893	21,375,113	10.7%
Capital Project Funds	86,688,998	67,541,512	70,537,951	2,996,439	4.4%
Total[1]	**$ 5,524,330,762**	**$ 5,474,720,695**	**$ 5,831,415,856**	**$ 356,695,161**	**6.5%**

[1] Operating revenue may be less than operating expenditures due to the use of fund balance in excess of reserves.

Expenditure Overview by Fund Type/Program

General Fund

The General Fund is the primary operating fund of the City, supporting community services such as police, fire-rescue, transportation and stormwater infrastructure, parks and recreation, and library services, as well as essential support functions. These services are primarily supported by major revenue sources, including property tax, sales tax, transient occupancy tax, and franchise fees. The City's Fiscal Year 2027 Adopted Budget reflects General Fund expenditures totaling $2.26 billion, which is an increase of $89.2 million, or 4.1 percent, from the Fiscal Year 2026 Adopted Budget. Details on the total net increases in the General Fund are described in the General Fund Expenditures section of this Volume.

Enterprise Funds

Enterprise Funds account for specific services funded directly by user fees. These funds include Water, Sewer, Development Services, Refuse Disposal, Recycling, Solid Waste Management, Golf Course, and Airports. Typically, these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2027 Adopted Budget for Enterprise Funds is $1.92 billion, representing an increase of $184.6 million, or 10.7 percent, from the Fiscal Year 2026 Adopted Budget. This net increase is primarily due to the following adjustments:

- $112.0 million increase in the Water Utility Operating Fund primarily associated with changes in the wholesale rate to purchase water, personnel expenditure increases, Phase 1 of Pure Water Operations and associated energy consumption increases, and support for dams and reservoirs.
- $34.4 million increase in the Sewer Funds primarily associated with increased electricity and water charges to support Phase 1 of Pure Water Operations, debt service payments tied to planned issuance of bonds, and repayment beginning on the Public Liability fund loan tied to the Industrial Wastewater Control Program (IWCP) subsidy.
- $13.5 million increase in the Development Services Fund primarily associated with personnel expenditure increases and the implementation of a modernized online permitting system.
- $10.0 million increase in the Solid Waste Management Fund primarily associated with the planned implementation of a Bulky Item Pickup Program, additional overtime for the Solid Waste Collection Program, and additional support to transition the Recycling Collection Program from biweekly to weekly collections.
- $7.0 million increase in the Golf Course Fund primarily associated with an increase in the fee for use of City golf properties, as well as equipment upgrades, Mission Bay Golf Course lighting repair, and consulting services to develop a new business plan for the Golf Operations Division.
- $5.9 million increase in the Refuse Disposal Fund primarily associated with the Organic Waste Decontamination Program mandated by Senate Bill 1383, a rate study of the Environmental Services Department’s various fees, and the purchase and transportation of soil to closed sites to meet regulatory requirements.

Special Revenue Funds

Special Revenue Funds account for revenues received for specific purposes. The five largest special revenue funds are the Engineering & Capital Projects Fund, Underground Surcharge Fund, Transient Occupancy Tax Fund, Fire/Emergency Medical Services Transport Program Fund, and the Information Technology Fund. The Fiscal Year 2027 Adopted Budget for Special Revenue Funds is $1.21 billion, representing an increase of $105.2 million, or 9.5 percent, from the Fiscal Year 2026 Adopted Budget. This net increase is primarily due to the following adjustments:

- $85.8 million increase in the Underground Surcharge Fund associated with the alignment of projected surcharge construction activity in Fiscal Year 2027.

- $17.1 million increase in the Tax and Revenue Anticipation Notes (TRANs) Fund associated with the issuance of TRANs to provide interim financing for the City's General Fund.
- $15.3 million increase in the Fire/Emergency Medical Services Transport Program Fund associated with contractual services for ambulance services and the transfer to the General Fund to reimburse eligible expenditures.
- $10.3 million increase in the Low & Moderate Housing Asset Fund resulting from one-time expenditures related to the use of excess surplus in the fund for long-term affordable housing projects available through upcoming Bridge to Home Notice of Funding Availability's (NOFAs).

Offsetting these increases is a $37.4 million decrease in the TOT Convention Center Fund, due to a reduction in operational appropriations to allow for future capital improvement project budgeting.

Internal Service Funds

Internal Service Funds support the City's internal operations on a cost-reimbursable basis. The Fiscal Year 2027 Adopted Budget for Internal Service Funds totals $225.7 million, which is a decrease of $8.4 million, or 3.6 percent, from the Fiscal Year 2026 Adopted Budget. This is primarily due to a decrease in the Fleet Operations Replacement Fund, resulting from reduced funding for vehicle acquisitions for the Public Utilities, Transportation, and Stormwater Departments.

Capital Project Funds

Capital Project Funds are primarily used to account for financial resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities but can also fund related operating costs. Examples of these funds include the Capital Outlay Fund, TransNet Extension Funds, and the Mission Bay Park and San Diego Regional Parks Improvement Funds. The budget for this expenditure category reflects eligible operating expenditures that are funded by these restricted sources, and the capital component is reported in the Capital Improvements Program (CIP). The Fiscal Year 2027 Adopted Budget for Capital Project Funds is $23.5 million, which is a decrease of $1.7 million, or 6.6 percent, from the Fiscal Year 2026 Adopted Budget. This decrease is related to the Capital Outlay Fund supporting a final debt obligation payment in Fiscal Year 2026.

Capital Improvements Program

The CIP Budget allocates available revenue to rehabilitate, restore, improve, enhance, and increase the City's capital assets. The Fiscal Year 2027 Adopted Budget is comprised of various funding sources, such as sewer and water rate revenue, a half-cent local sales tax for transportation improvements (TransNet Extension), and developer fees. The Fiscal Year 2027 Adopted CIP Budget appropriates a total of $858.1 million above the $2.7 billion in carry forward appropriations previously approved by the City Council. The Fiscal Year 2027 Adopted CIP Budget reflects an increase of $14.3 million, or 1.7 percent, when compared to the Fiscal Year 2026 Adopted CIP Budget. This increase is primarily associated with appropriations for water and wastewater projects.

The CIP budget project pages in Volume 3 of the Fiscal Year 2027 Adopted Budget include anticipated funding information for CIP projects. For Fiscal Year 2027, a total of $354.0 million in funding for CIP projects is anticipated but has not been appropriated in the Fiscal Year 2027 Adopted Budget. Anticipated funding includes a variety of funding types, such as commercial paper, lease revenue bonds, revenue bonds and notes, General Fund contributions, donations, grants, and developer funding. Not all anticipated funding materializes; however, as anticipated funding sources are received, separate City Council actions will be brought forward to appropriate the funding in Fiscal Year 2027.

Citywide Personnel Expenditures

The Fiscal Year 2027 Adopted Budget includes a total of $1.49 billion in budgeted salaries and wages, and $909.4 million for fringe benefit expenditures, resulting in a total citywide personnel budget of $2.40 billion. **Table 3 – Fiscal Year 2027 Personnel Expenditures Budget** illustrates the budgeted FTE positions, salaries and wages, fringe benefits, and total personnel expenditures by fund type.

Table 3 - Fiscal Year 2027 Personnel Expenditures Budget

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Fringe Benefits	Budgeted Total Personnel Expenses
General Fund	8,127.74	$ 969,414,877	$ 621,234,401	$ 1,590,649,278
Special Revenue Funds	988.88	135,722,661	74,574,186	210,296,847
Enterprise Funds	3,484.25	340,144,332	188,240,504	528,384,836
Internal Service Funds	393.36	36,857,247	20,947,134	57,804,381
Other Funds[1]	50.00	7,965,657	4,395,959	12,361,616
Total	**13,044.23**	**$ 1,490,104,774**	**$ 909,392,184**	**$ 2,399,496,958**

[1] Other Funds includes San Diego City Employees' Retirement System (SDCERS) FTE Positions.

Table 4 – Total City FTE Position Changes Fiscal Year 2026 – 2027 presents the change in positions from Fiscal Year 2026 to Fiscal Year 2027.

Table 4 - Total City FTE Position Changes Fiscal Year 2026 - 2027

Fund Type	FY 2026 Adopted Budget	Additions	Reductions	Reorganizations	FY 2027 Adopted Budget	FY 2026 - FY 2027 Change	Percent Change
General Fund	8,261.40	81.92	(191.07)	(24.51)	8,127.74	(133.66)	-1.6%
Special Revenue Funds	1,016.91	9.50	(37.42)	(0.11)	988.88	(28.03)	-2.8%
Enterprise Funds	3,345.94	140.54	(18.99)	16.76	3,484.25	138.31	4.1%
Internal Service Funds	388.23	2.00	(4.73)	7.86	393.36	5.13	1.3%
Other Funds[1]	50.00	0.00	0.00	0.00	50.00	0.00	0.0%
Total	**13,062.48**	**233.96**	**(252.21)**	**0.00**	**13,044.23**	**(18.25)**	**-0.1%**

[1] Other Funds includes San Diego City Employees' Retirement System (SDCERS) FTE positions.

Table 5 - Fiscal Year 2027 FTE Positions by Labor Group displays the Fiscal Year 2027 Adopted Budget breakdown of budgeted FTEs by Labor Group and fund type.

Table 5 - Fiscal Year 2027 FTE Positions by Labor Group

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds[1]	Labor Group Total
MEA	2,858.65	773.99	1,972.49	162.05	23.00	5,790.18
AFSCME LOCAL 127	1,031.92	39.75	1,289.75	174.00	-	2,535.42
POA	2,021.35	-	-	-	-	2,021.35
IAFF LOCAL 145	1,051.00	16.00	-	-	-	1,067.00
Unclassified / Unrepresented	627.66	122.89	125.39	28.96	23.00	927.90
Classified / Unrepresented	175.13	36.25	96.62	28.35	4.00	340.35
Teamsters Local 986	172.03	-	-	-	-	172.03
DCAA	179.00	-	-	-	-	179.00
Elected Officials	11.00	-	-	-	-	11.00
Fund Total	**8,127.74**	**988.88**	**3,484.25**	**393.36**	**50.00**	**13,044.23**

[1] Other Funds includes San Diego City Employees' Retirement System (SDCERS) FTE Positions.

Salaries and Wages

The Fiscal Year 2027 Adopted Budget includes $1.49 billion in budgeted salaries and wages, with $969.4 million, or 65.1 percent, budgeted in the General Fund. **Table 6 - Fiscal Year 2027 Budgeted Salaries and Wages** displays the Fiscal Year 2027 Adopted Budget breakdown for salaries and wages by fund type.

Table 6 - Fiscal Year 2027 Budgeted Salaries and Wages

Salary and Wage Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds[1]	Budgeted Salaries and Wages
Salaries/Add-on-Pays	$ 875,769,967	$ 133,735,337	$ 350,987,322	$ 39,149,699	$ 7,886,858	$ 1,407,529,183
Salary Savings	(4,014,413)	(740,488)	(1,701,096)	(90,313)	(24,496)	(6,570,806)
Budgeted Personnel Expenditures Savings	(49,374,672)	(2,533,460)	(29,517,480)	(3,408,920)	-	(84,834,532)
Vacation Pay In-Lieu	9,796,949	1,998,952	3,228,141	365,505	100,917	15,490,464
Termination Pay/Annual Leave	4,001,376	311,103	807,050	89,324	-	5,208,853
Hourly Wages	17,266,141	493,253	704,721	21,760	2,378	18,488,253
Overtime	115,969,529	2,457,964	15,635,674	730,192	-	134,793,359
Total	**$ 969,414,877**	**$ 135,722,661**	**$ 340,144,332**	**$ 36,857,247**	**$ 7,965,657**	**$1,490,104,774**

[1] Other Funds includes San Diego City Employees' Retirement System (SDCERS) FTE Positions.

Budgeted Personnel Expenditure Savings

Budgeted Personnel Expenditure Savings are used as a budgeting tool to reallocate resources that are projected to remain unspent on other priority needs. As part of the development of the Fiscal Year 2027 Adopted Budget, the City estimates an amount of personnel savings by department that is attributed to the following: vacancies, normal attrition, leaves of absence, under-filled positions, delays in the creation or filling of positions, time-dependent add-ons, unplanned termination pay, and variances in all personnel salary groups due to unforeseen circumstances. These estimates will require that departments monitor Fiscal Year 2027 personnel expenditures against available allocated appropriations; however, this does not prohibit departments from filling any budgeted positions. The Fiscal Year 2027 Adopted Budget for Budgeted Personnel Expenditure Savings is $84.8 million, representing a decrease of $15.2 million, or 15.2 percent, from the Fiscal Year 2026 Adopted Budget.

Table 7 - Budgeted Personnel Expenditure Savings Fiscal Year 2025 - 2027 displays the budgeted personnel expenditure savings by Department and Fund from Fiscal Year 2025 through Fiscal Year 2027.

Table 7 - Budgeted Personnel Expenditure Savings Fiscal Year 2025 – 2027

Departments/Funds	FY 2025 Adopted Budget	FY 2026 Adopted Budget	FY 2027 Adopted Budget
City Attorney	$ 1,604,131	$ 1,797,067	$ 1,278,846
City Clerk	194,057	103,828	322,015
City Council	-	96,107	97,022
City Planning	241,971	403,778	557,794
City Treasurer	976,463	878,012	1,033,097
Commission on Police Practices	420,154	368,944	317,392
Communications	124,841	-	-
Compliance	266,037	330,460	-
Department of Finance	135,393	124,095	-
Development Services	830,476	-	-
Economic Development	1,434,363	994,266	1,033,405
Environmental Services	1,250,080	632,890	739,428
Fire-Rescue	9,454,140	13,317,724	8,086,807
General Services	1,916,344	2,109,850	1,205,808
Homelessness Strategies & Solutions	119,501	-	-
Human Resources	790,062	-	-
Library	2,024,984	1,997,130	1,352,430
Office of the Chief Operating Officer	19,103	-	-
Office of the IBA	-	48,029	-
Parks & Recreation	6,857,248	5,836,321	4,797,698
Performance & Analytics	252,704	184,472	327,233
Personnel	108,695	93,344	-
Police	28,987,991	24,002,118	24,004,693
Purchasing & Contracting	1,678,258	1,400,402	998,337
Stormwater	2,035,477	1,488,198	1,601,996
Sustainability & Mobility	207,035	-	-
Transportation	3,663,166	2,000,132	1,620,671
Total General Fund	**$ 65,592,674**	**$ 58,207,167**	**$ 49,374,672**
Airports Fund	$ 369,978	$ 178,826	$ 116,002
Central Stores Fund	264,026	289,926	216,944
Development Services Fund	6,000,331	2,783,381	595,130
Energy Conservation Program Fund	125,387	275,000	166,080
Engineering & Capital Projects Fund	8,998,167	3,004,790	672,058
Fire/Emergency Medical Services Transport Program Fund	396,746	485,427	311,252

Departments/Funds	FY 2025 Adopted Budget	FY 2026 Adopted Budget	FY 2027 Adopted Budget
Fleet Operations Operating Fund	2,001,613	1,702,654	2,143,124
GIS Fund	124,841	309,702	642,531
Golf Course Fund	572,150	513,916	256,755
Information Technology Fund	295,313	591,701	-
Maintenance Assessment District (MAD) Management Fund	-	76,608	-
Metropolitan Sewer Utility Fund	6,584,580	6,978,441	6,219,781
Municipal Sewer Revenue Fund	4,690,308	4,971,278	5,648,416
OneSD Support Fund	-	311,766	500,979
Parking Meter Operations Fund	58,117	67,748	-
Publishing Services Fund	65,589	-	-
Recycling Fund	697,087	487,219	737,193
Refuse Disposal Fund	1,993,331	3,243,763	3,240,881
Risk Management Administration Fund	505,025	837,221	882,772
Solid Waste Management Fund	293,544	2,500,000	2,498,550
Underground Surcharge Fund	124,841	-	-
Water Utility Operating Fund	10,822,229	12,018,416	10,204,772
Wireless Communications Technology Fund	210,105	208,618	406,640
Total Non-General Fund	**$ 45,193,308**	**$ 41,836,401**	**$ 35,459,860**
Grand Total	**$ 110,785,982**	**$ 100,043,568**	**$ 84,834,532**

Total Budgeted Fringe Allocations

Total budgeted fringe allocations are personnel costs that are non-wage related. The budgeted fringe allocation is composed of fixed fringe and variable fringe costs. Fixed fringe costs are targeted amounts that are set by specific obligations established through agreements with Recognized Employee Organizations (REO), City Ordinances, or the City's Reserve Policy. The targeted amounts are independent of current FTE position count or salary amounts. Fixed fringe costs include: the San Diego City Employees' Retirement System's (SDCERS) Actuarially Determined Contribution (ADC); as well as contributions for Workers' Compensation, Long-Term Disability (LTD), Other Post-Employment Benefits (OPEB), Unemployment Insurance, and Risk Management Administration (RMA). These expenditures account for $684.1 million, or 75.2 percent, of budgeted fringe allocations in Fiscal Year 2027. The remaining budgeted fringe allocations are variable fringe costs that are dependent on payroll activity, such as reductions or additions in staff, and salary increases or decreases. **Table 8 – Fiscal Year 2027 Annual Budgeted Fringe by Fund Type** displays the citywide fringe allocation, which totals $909.4 million for Fiscal Year 2027, of which $621.2, or 68.3 percent, is budgeted in the General Fund.

Table 8 - Fiscal Year 2027 Annual Budgeted Fringe by Fund Type

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds[1]	Fringe Totals
Retirement ADC	$ 396,300,918	$ 47,210,165	$ 106,011,172	$ 10,771,424	$ 2,905,442	$ 563,199,121
Flexible Benefits	102,882,865	14,413,946	43,049,646	5,226,719	755,764	166,328,940
Workers' Compensation	47,250,554	1,283,588	8,045,348	1,420,713	61,450	58,061,653
Retiree Health/Other Post-Employment Benefits	23,269,213	3,033,336	9,838,385	1,104,125	158,100	37,403,159
Medicare	14,031,620	1,961,696	4,913,102	529,867	114,003	21,550,288
Risk Management Administration	11,678,755	1,522,424	4,937,747	554,157	79,350	18,772,433
Supplemental Pension Savings Plan	8,921,551	2,738,524	5,656,840	684,004	151,343	18,152,262
Retirement 401 Plan	3,139,945	853,336	2,320,263	247,951	52,951	6,614,446
Employee Offset Savings	5,027,004	448,423	642,976	80,952	46,691	6,246,046
Long-Term Disability	3,443,277	529,591	1,370,132	152,115	34,207	5,529,322
Retiree Medical Trust	2,833,571	239,701	595,475	66,108	13,238	3,748,093
Retirement DROP	1,768,317	233,802	586,093	78,657	16,596	2,683,465
Unemployment Insurance	686,811	105,654	273,325	30,342	6,824	1,102,956
Fund Type Totals	**$ 621,234,401**	**$ 74,574,186**	**$ 188,240,504**	**$ 20,947,134**	**$ 4,395,959**	**$ 909,392,184**

[1] Other Funds includes San Diego City Employees’ Retirement System (SDCERS) FTE positions.

Retirement ADC

The City's payment for retirement benefits in the Fiscal Year 2027 Adopted Budget is determined by the Actuarial Valuation Report that was prepared by the SDCERS actuary and approved by the SDCERS Board in March 2026. The valuation calculated the City’s Actuarially Determined Contribution (ADC) to be $563.2 million, an increase of $30.0 million from the Fiscal Year 2026 Adopted Budget; approximately $396.3 million, or 70.4 percent, of the ADC is budgeted in the General Fund. The prior actuarial valuation had projected an ADC increase of $6.9 million for Fiscal Year 2027. The change from the prior valuation is primarily due to the liability experience loss driven largely by salary increases that exceeded assumptions, which increased the pension payment by $26.4 million.

Flexible Benefits

An Internal Revenue Service (IRS) qualified cafeteria-style benefits program is offered to all eligible employees that are one-half, three-quarter, or full-time status. The Fiscal Year 2027 Adopted Budget for Flexible Benefits is $166.3 million, which represents an increase of $3.8 million from the Fiscal Year 2026 Adopted Budget due to net position changes, changes in coverage selections of employees, and negotiated increases to Flexible Benefit Plans.

Through the Flexible Benefits Plan, and in line with the Affordable Care Act (ACA), the City currently offers healthcare coverage to all of its full-time, three-quarter-time, half-time, and non-standard-hour employees who work an average of at least 30 hours per week or 130 hours per month. The City continues to monitor ACA mandates and clarifications to assess the impacts on City benefit plans.

Workers' Compensation

State Workers' Compensation laws ensure that employees who suffer work-related injuries or illnesses are provided with medical treatment and monetary awards. State Workers' Compensation statutes establish this framework of laws for the City. The workers' compensation contribution included in the Fiscal Year 2027 Adopted Budget is $58.1 million, which represents an increase of $9.6 million from the Fiscal Year 2026 Adopted Budget due to expected increases in operating costs based on a three-year-average growth rate.

Retiree Healthcare/Other Post-Employment Benefits (OPEB)

In Fiscal Year 2012, the City entered into a 15-year memorandum of understanding with the REOs (Healthcare MOU) and provided the same terms to unrepresented employees regarding reforms to the retiree healthcare benefit for health-eligible employees. Pursuant to the Healthcare MOU, members retiring after April 1, 2012, were required to make an irrevocable election between three retiree healthcare benefit plan options, Options A, B, and C. Options A and B are defined benefit plans and Option C is a defined contribution plan. The City's defined benefit plans and the Option C defined contribution plan are closed to employees hired on or after July 1, 2005. For general members hired on or after July 1, 2009, the City established a new defined contribution plan through a trust vehicle (Retiree Medical Trust Plan). Ongoing labor negotiations may introduce changes to the defined contribution plans, altering funding levels and employee eligibility.

The City has pre-funded future post-employment healthcare benefits for defined benefit plan costs through the California Employers' Retiree Benefit Trust (CERBT), an investment trust administered by the California Public Employees' Retirement System (CalPERS). Other than the amounts pre-funded through the CERBT, the City pays for retiree healthcare costs on a pay-as-you-go basis. If the City and employee annual contributions do not fully cover the costs of the Option A, B, and C Plans, the City withdraws funds from the CERBT to cover the difference. The Fiscal Year 2027 Adopted Budget for these plans is $37.4 million, which represents a one-time decrease of $10.6 million from the Fiscal Year 2026 Adopted Budget due to the City's plan to utilize the pre-funded CERBT funds to cover a portion of pay-go costs in the near term. This decrease was used as a mitigation strategy to balance the General Fund Budget in Fiscal Year 2027.

Medicare

Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers are required to pay. This rate applies to all City employees and is based on earned income, including overtime or other special pay. The Fiscal Year 2027 Adopted Budget for Medicare is $21.6 million, which represents an increase of $317,000 from the Fiscal Year 2026 Adopted Budget.

Risk Management Administration

The Risk Management Administration (RMA) contribution was established to support the programs and services provided by the Risk Management Department, which is an Internal Service Fund. These services include the administration of the Workers' Compensation, Public Liability and Loss Recovery, Employee Benefits, Savings Plans, and Long-Term Disability programs. The Fiscal Year 2027 Adopted Budget for Risk Management Administration is $18.8 million, which represents a decrease of $869,000 from the Fiscal Year 2026 Adopted Budget. The decrease is primarily due to restructuring the benefits consulting services into the funds they are intending to support and the anticipated increase in loss recovery reimbursements.

Supplemental Pension Savings Plan (SPSP) and New Retirement Plans

In 1982, the City opted out of Social Security and established the Supplemental Pension Savings Plan (SPSP). SPSP accounts provide eligible employees with a way to save for retirement income, in addition to SDCERS' benefits. Employees hired before July 1, 2009 must contribute a mandatory 3.0 percent. Employees hired on or before July 1, 1986, can voluntarily contribute up to an additional 4.5 percent, and those hired after July 1, 1986, can contribute an additional 3.05 percent. This amount is deducted from employees' paychecks and placed into an SPSP account for the employee, which is matched by a City contribution. The Fiscal Year 2027 Adopted Budget for SPSP is $14.9 million, which represents a decrease of $1.0 million from the Fiscal Year 2026 Adopted Budget.

As part of the unwinding of Proposition B, some general members elected to remain in the defined contribution retirement plan, also known as the SPSP-H Plan, rather than joining SDCERS. These general members are required to contribute a percentage of compensation based on SDCERS member contribution rates, which is matched by an employer contribution of 9.2 percent. The Fiscal Year 2027 Adopted Budget includes the City's contribution match of $2.3 million for those employees who elected to remain in the SPSP-H Plan, which represents a decrease of $236,000 from the Fiscal Year 2026 Adopted Budget.

Additionally, the Fiscal Year 2027 Adopted Budget includes $961,000 in the SPSP-H account for hourly employees, an increase of $6,000 from the Fiscal Year 2026 Adopted Budget. **Table 8 – Fiscal Year 2027 Annual Budgeted Fringe by Fund Type** reflects a total budgeted amount of $18.2 million, which represents a decrease of $1.3 million from the Fiscal Year 2026 Adopted Budget, and includes SPSP, SPSP-H and hourly SPSP-H contributions. Lastly, City employees hired after July 10, 2021, with no prior City service, are now automatically placed in SDCERS.

Retirement 401 Plan

Most general members hired on or after July 1, 2009, receive a hybrid retirement plan, which includes a reduced defined benefit retirement plan as well as a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll, which the City matches. The Fiscal Year 2027 Adopted Budget for the City's contribution match is $6.6 million based on 7,273.75 FTE general members, which represents an increase of $334,000 from the Fiscal Year 2026 Adopted Budget.

Employee Offset Savings (EOS)

Labor negotiations in Fiscal Year 2005 resulted in the reduction of the City's Retirement Offset Contribution. In exchange, the savings the City realizes as a result of this reduction must be used to address the City's pension Unfunded Actuarial Accrued Liability (UAAL). Each City department contributes based upon its respective payroll, and these funds are transferred into the EOS Fund. The Fiscal Year 2027 Adopted Budget includes Employee Offset Savings of $6.2 million, which is a decrease of $804,000 from the Fiscal Year 2026 Adopted Budget and is budgeted as an expense to all City departments and revenue to the respective funds. The $6.2 million will be transferred to the General Fund to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006.

Long-Term Disability (LTD)

Long-term disability is an employee benefit plan designed to provide partial salary replacement to eligible employees who are unable to work due to a disability resulting from an injury, illness, or pregnancy. The Long-Term Disability contribution in the Fiscal Year 2027 Adopted Budget is $5.5 million, which represents a decrease of $858,000 from the Fiscal Year 2026 Adopted Budget. This contribution funds the pay-go requirements for the LTD Fund.

Retiree Medical Trust (RMT)

The Fiscal Year 2027 Adopted Budget for retiree health trust contributions is $3.7 million, which represents an increase of $648,000 from the Fiscal Year 2026 Adopted Budget. This plan required general members, hired on or after July 1, 2009, to contribute 0.25 percent of payroll into a retiree medical trust, which the City matches. The Fiscal Year 2027 Adopted Budget for the City's contribution match to general members is $1.7 million. Subsequent labor negotiations have resulted in the closure of this plan, and the savings associated with it have been incorporated into other areas of the budget. In addition, $2.0 million is included in the Fiscal Year 2027 Adopted Budget for contributions to the Southern California Firefighters Benefit Trust for each active Local 145 member.

Retirement DROP

In accordance with the Deferred Retirement Option Program (DROP) adopted in Fiscal Year 1997, the City is required to match 3.05 percent of DROP participants' salaries. The Fiscal Year 2027 Adopted Budget for Retirement DROP contributions is unchanged from the Fiscal Year 2026 Adopted Budget and set at $2.7 million, or 3.05 percent of the current DROP participants' salaries of $88.4 million.

Unemployment Insurance

Unemployment Insurance provides temporary unemployment benefits to eligible workers who are unemployed and meet State law eligibility requirements. The Fiscal Year 2027 Adopted Budget for Unemployment Insurance is $1.1 million, which represents a decrease of $94,000 from the Fiscal Year 2026 Adopted Budget to align with recent fiscal year payments.

Other Retirement-Related Contributions

While not reflected in **Table 8 – Fiscal Year 2026 Annual Budgeted Fringe by Fund Type**, the Fiscal Year 2027 Adopted Budget includes other retirement-related contributions that are not classified as fringe benefits. These include $1.1 million for the Preservation of Benefits Plan contribution to SDCERS to cover benefit payments in excess of Internal Revenue Service (IRS) limits. Additionally, $1.2 million has been included to fund the pay-go costs for the supplemental Cost of Living Adjustment (COLA) benefit, which increases the monthly retirement allotment for retirees who retired before July 1, 1982, with at least ten years of service credit or industrial disability retirees with less than ten years of service credit, and whose benefits had fallen below 75.0 percent of their original purchasing power. A reserve of $35.0 million was originally established in Fiscal Year 1999 by Ordinance O-18608 with surplus earnings from previous fiscal years. In response to projections that the reserve would be depleted as early as October 2013, Ordinance O-20282 was adopted on July 23, 2013, which established, as part of the annual budget process, that the City would determine whether to appropriate the funds necessary to pay the supplemental COLA. The City has funded the supplemental COLA benefit annually ever since the reserve was depleted in Fiscal Year 2015.

City Department Reorganizations

The Fiscal Year 2027 Adopted Budget incorporates several departmental changes, including restructuring, renaming, merging, and the creation of new divisions. These reorganizations are driven by both mayoral priorities and requests initiated by departments themselves. The purpose of these changes is to enhance programs and processes, resulting in comprehensive improvements across the organization. While reorganizations often involve significant adjustments to a department's main divisions and programs, they can also include smaller, less substantial modifications. The following provides an overview of the significant reorganizations implemented during the Fiscal Year 2027 budget process.

Communications Department

The Communications Department transferred a total of 2.00 FTE positions and non-personnel expenditures to the Department of Information Technology as part of restructuring the Public Records Act (PRA) Program. Under the Department of Information Technology, the City will be actively piloting new tools that could allow departments to conduct record searches and redactions much more rapidly and accurately.

Compliance Department

The Compliance Department transferred a total of 36.00 FTE positions and non-personnel expenditures to various city departments: 27.00 FTE positions and non-personnel expenditures associated with the Office of Labor Standards and Enforcement, Prevailing Wage team, Living Wage team, Minimum Wage team, Project Labor Agreement team transferred to the Office of the City Attorney (when including the two newly requested positions, a total of 29.00 FTE positions were added to the Office of the City Attorney); 2.00 FTE positions of the administrative team transferred to the Office of the City Treasurer; 1.00 FTE position with duties including Audit Committee support, Grand Jury coordination, and Title VI coordination transferred to the Department of Finance and was reduced (Audit Committee support and Grand Jury coordination will be absorbed by the Office of the Mayor and Title VI coordination will be absorbed by the Purchasing & Contracting Department); 1.00 FTE position with IT policy support duties was transferred to the Department of Information Technology; 2.00 FTE positions supporting administrative hearing functions transferred to the Purchasing and Contracting Department, one of which was reduced; and 3.00 FTE positions supporting the Occupational Health and Safety Program team transferred to the Risk Management Department.

Geographic Information Systems and Web Services Support

The Performance and Analytics Department (PandA) has played a key role in expanding innovation and data-driven decision-making across the City. To strengthen this work, the Department of Information Technology transferred 11.00 FTE positions and non-personnel expenditures to PandA to streamline the Geographic Information Systems and Web Services team's operations, supporting stronger data governance, performance management, and communication efforts across departments while accurately tracking citywide results.

Office of Child and Youth Success

The Office of Child and Youth Success transferred 1.00 FTE position and non-personnel expenditures from the Library Department to the Office of the Mayor. This will enable the City to maintain some of its existing programming and services, including mentorship and wraparound services for foster and justice-impacted youth, as well as support the annual Youth Summit, which provides youth engagement workshops and connects participants with community resources.

Office of Emergency Services

The Office of Emergency Services (OES) oversees disaster preparedness, emergency management and response, recovery and mitigation programs, and administers homeland security and emergency management grants. As part of an organizational realignment, OES will operate as a division of the Fire-Rescue Department.

Special Events and Filming

The Special Events and Filming Office provides services that support San Diego’s neighborhoods, special events, filming, and tourism industries, generating local jobs, attracting worldwide media exposure and stimulating economic impact for the City. As part of an organizational realignment, the Special Events and Filming Office will operate as a division of the Parks and Recreation Department.

Fiscal Year 2027 General Fund Adopted Budget

The Fiscal Year 2027 General Fund Adopted Budget reflects a multi-year analysis that addresses the Fiscal Year 2027 baseline shortfall projected in the Fiscal Year 2027-2031 Five-Year Financial Outlook. It includes revised projections based on updated revenues for Fiscal Year 2026 and 2027, as well as funding decisions made in Fiscal Year 2027. The multi-year analysis also includes a comprehensive review of critical expenditure requests submitted by various departments in Fiscal Year 2027 and incorporates other resources and mitigation actions to help address the projected revenue shortfall. The City’s Budget Policy

(Council Policy 000-02) establishes the goal of achieving a long-term structurally balanced budget where ongoing expenditures are supported by ongoing revenues. To achieve a balanced budget in future fiscal years, the City will need to explore additional mitigation actions, which could include additional budget reductions and the pursuit of additional ongoing revenue sources. The following sections provide additional details considered in the Fiscal Year 2027 General Fund Adopted Budget and the potential impact on the subsequent four fiscal years.

Fiscal Year 2027-2031 Five -Year Financial Outlook

In November 2025, the Fiscal Year 2027-2031 Five-Year Financial Outlook (Five-Year Outlook) was released. As displayed in **Table 9 - Fiscal Year 2027-2031 Five-Year Financial Outlook**, the report included a projected baseline shortfall—in which baseline expenditures exceed baseline revenues—in each fiscal year.

Table 9 - Fiscal Year 2027-2031 Five-Year Financial Outlook

	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031
Baseline Revenues	$2,195.5	$2,255.7	$2,337.7	$2,406.3	$2,493.4
Baseline Expenditures	2,284.3	2,362.6	2,390.1	2,461.6	2,550.3
Baseline (Shortfall) /Surplus	**($88.8)**	**($106.9)**	**($52.4)**	**($55.3)**	**($57.0)**
New Facilities/ Planned Commitments	$21.8	$32.1	$39.1	$39.7	$47.4
(Shortfall) /Surplus	**($110.6)**	**($139.0)**	**($91.5)**	**($95.0)**	**($104.4)**

Since the release of the Five-Year Outlook, projected revenues for the Fiscal Year 2027 Adopted Budget have been updated, and expenditure adjustments have been made through the Fiscal Year 2027 Adopted Budget process. Additionally, the Fiscal Year 2027 Adopted Budget includes budget reductions across departments intended to help balance the budget while minimizing service level impacts on residents. These reductions were targeted and are intended to sustain the progress the City has made during the last five years in prioritizing homelessness, infrastructure, housing affordability and public safety.

Table 10 - Updated Fiscal Year 2027-2031 Five-Year Financial Outlook displays a preliminary updated projected net position of the General Fund over the next five fiscal years. Compared to the Five-Year Outlook, the updated Fiscal Year 2027 baseline reflects decreases in expenditures primarily due to budget reductions, revised projections for election costs, and reduced labor costs resulting from ongoing labor negotiations. These decreases were offset by certain expenditure increases not included in the Five-Year Outlook, such as a higher pension payment, a reallocation of funding for homelessness services, and increased stormwater and transportation infrastructure support. The updated Fiscal Year 2027 baseline reflects additional revenue primarily associated with the issuance of a Tax and Revenue Anticipation Note, transfer from the EMS Fund, parking meter reimbursements, opioid funding, and other one-time resources. Additional details are included in the General Fund Revenues and General Fund Expenditures sections of this Volume.

Table 10 - Updated Fiscal Year 2027-2031 Five-Year Financial Outlook

	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031
Baseline Revenues	$2,256.6	$2,285.3	$2,378.2	$2,437.7	$2,520.7
Baseline Expenditures	2,256.6	2,294.8	2,393.2	2,455.3	2,546.4
Updated Baseline (Shortfall) /Surplus	**-**	**($9.5)**	**($15.0)**	**($17.6)**	**($25.7)**

Note: Fiscal Year 2027 Revenues and Expenditures include one-time additions that do not carry forward to Fiscal Year 2028 and beyond.

The updated Outlook continues to project deficits through Fiscal Year 2031, although they have been significantly mitigated through the various actions included in the Fiscal Year 2027 Adopted Budget. These updated Outlook projections demonstrate the importance of developing multi-year strategies to resolve the projected structural budget deficits, where ongoing expenditures exceed ongoing revenues, and demonstrate the City's need for additional ongoing available resources to support the critical needs of the City. In Fiscal Year 2028, a $9.5 million deficit is projected, which may require the City to consider additional ongoing or one-time solutions to ensure that ongoing revenues fully support ongoing expenditures, in order to achieve a structurally balanced General Fund budget. It is important to note that the City has not finalized labor negotiations with all Recognized Employee Organizations (REOs), and the updated Outlook reflects the best estimates of the potential impacts for the remaining REOs. Actual impacts from ongoing labor negotiations could affect the Updated Baseline amounts for each year of the Updated Outlook. Additionally, neither the Five-Year Outlook nor the updated Outlook includes contributions to the General Fund or Risk Management Reserves. Details on these reserves are included in subsequent sections.

A full, comprehensive update to the Five-Year Financial Outlook for Fiscal Years 2028-2032 will be released in November 2026 and will incorporate additional information not known at the time of this publication.

One-Time Resources and Uses – General Fund

The Fiscal Year 2027 Adopted Budget includes $40.8 million in one-time resources in the General Fund, as displayed in **Table 11 – Fiscal Year 2027 One-Time Resources**. This compares to approximately $17.7 million in General Fund one-time uses as displayed in **Table 12 – Fiscal Year 2027 One-Time Uses**.

Table 11 - Fiscal Year 2027 One-Time Resources

One-Time Resources	Amount
Waive the Climate Equity Fund Contribution	$7,031,799
Reduction of Other Post-Employment Benefit Contribution	6,007,704
Short-Term Residential Occupancy Program Revenue	5,849,879
Employ & Empower Grant Revenue	3,768,302
Tree Planting and Maintenance Grant	3,756,664
Road Maintenance and Rehabilitation Support	2,200,000
Environmental Growth Fund Reimbursement	1,500,000
Gas Tax Revenue	1,194,224
Vegetation Management Grant	1,040,000
Reimbursement for Trench Restoration	1,000,000
Delinquent Accounts Escheatment	1,000,000
Transient Occupancy Tax Fund Use of Fund Balance	1,000,000
General Plan Maintenance Fund Labor Billing Revenue	770,362
Reimbursement for Transportation Overtime	748,148

One-Time Resources	Amount
Reduction of Urban Forestry APCD Settlement	708,335
Intervention Services Team Reimbursement	537,604
PLEADS Program and Opioid Reimbursement	465,897
Parking Meter Operations Use of Fund Balance	450,900
Reimbursement for Sidewalk Repair and Replacement Projects	300,000
Holding Certain Positions Vacant	272,159
Reimbursement for CalOES Training	235,960
Community Equity Fund Use of Fund Balance	195,575
Managing Discretionary Spending	161,349
Reduction of Total Compensation Studies	139,129
Reallocation of Debt Service	125,996
Energy Independence Fund Use of Fund Balance	118,292
New Facility - Mira Mesa Aquatic Center (Mid-Year Opening)	112,441
Civil Penalties Fund Reimbursement	54,000
Reimbursement for Illegal Dumping Enforcement Pilot Program	50,725
Total	**$40,795,444**

Table 12 - Fiscal Year 2027 One-Time Uses

One-Time Uses	Amount
Employ & Empower Interns	$3,767,715
Tree Planting and Maintenance	3,328,335
Speed Management Plan	2,200,000
Channel Clearing	1,093,227
Vegetation Management Grant	1,040,000
Small Business Enhancement Program	750,000
Transportation Overtime	748,148
Wind Down Safe Parking Program and Neil Good Day Center	612,396
Intervention Services Team	537,604
E-Citation Parking Enforcement Program	507,000
Youth Drop In Centers	500,000
Environmental Services Fee Rate Study	500,000
PLEADS Program	465,897
NTC Building Demolition	400,000
Sidewalk Repair and Replacement Projects	300,000
Fire-Rescue Personal Protective Equipment (PPE) Support	292,000
CalOES Reimbursable Training	235,960
Complaint and Investigation Information Management System	200,000
No Shots Fired Program	100,000
SAP Modernization Project Consultant Support	50,000
New Facility - Mira Mesa Community Park	37,000
Ethics Commission Licensing Software Fee Implementation	30,000
Support for Consumer Protection	5,000
Fire Code Plan Review and Permitting Support	4,000

One-Time Uses	Amount
Marine Safety Supplies	4,000
Gun Violence Response Unit (GVRU)	2,500
Total	**$17,710,782**

The information shown in the table above reflects that there is $23.1 million more in one-time resources than uses, or about 1.0% of the General Fund Adopted Budget, which is an improvement over Fiscal Year 2026. While not included in the table, the Fiscal Year 2027 Adopted Budget forgoes contributions required to meet the Reserve Policy target levels for the General Fund and Risk Management reserves, thereby limiting the need for additional operational reductions. Continuing to address the issue of one-time resources exceeding one-time uses and the waiving of contributions to reserves will require reevaluating current expenditure patterns and exploring new and enhanced revenue sources.

Significant investments are needed to rebuild and properly maintain essential infrastructure and to provide vital services that the City's residents depend on daily. The City will continue to monitor revenues during Fiscal Year 2027 and develop additional mitigation strategies to address structural budget shortfalls during next year's budget process and beyond.

General Fund and Risk Management Reserves

The City's Reserve Policy was adopted by the City Council in 2002 to establish essential reserves, strengthen the City's financial position, and address unexpected emergencies and liabilities. Maintaining strong reserves positions the City to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies, such as natural disasters, catastrophic events caused by human activity, or excessive liabilities or legal judgments against the City.

General Fund Reserves

In December 2022, the City Council approved updates to the Reserve Policy to modify the annual funding targets for the General Fund's Emergency Reserve and Stability Reserve. The updated policy kept the goal of achieving a combined reserve balance equal to 16.7 percent of the most recent three-year average of annual audited General Fund operating revenues, which is a best practice per the Government Finance Officers Association (GFOA); however, the timeline to achieve that goal was extended from Fiscal Year 2025 to Fiscal Year 2030.

Beginning in Fiscal Year 2024, the City suspended or waived contributions to the General Fund Reserves to preserve excess equity for use in balancing the budget in subsequent fiscal years. This minimized service-level reductions as the City continued to address its structural budget deficit. As of the end of Fiscal Year 2025, the balance of excess equity had been fully consumed, and the Fiscal Year 2026 budget did not include any planned contributions.

The Fiscal Year 2027 Adopted Budget continues the work of addressing the structural budget deficit and includes a contribution to the General Fund Reserve up to $1.7 million, pending availability of excess equity at year-end. The Department of Finance will bring forward recommended updates to the City's Reserve Policy, including revised funding strategies, to the City Council for consideration during Fiscal Year 2027, and the revised funding strategy will be incorporated into future Five-Year Financial Outlooks.

Table 13 – General Fund Reserves shows the impact on the reserve's level and percentage under the current Reserve Policy due to suspended contributions in Fiscal Year 2025 through 2027. As shown, achieving Reserve Policy target levels in Fiscal Year 2027 would require a contribution of approximately $80.1 million.

Table 13 - General Fund Reserves (in millions)

Target Date	Emergency Reserve	Stability Reserve	Total General Fund Reserve	Reserve Percentage	Reserve Policy Target	Reserve Policy Percentage
June 30, 2025	$107.6	$99.5	$207.1	11.80%	$238.3	13.58%
June 30, 2026	$107.6	$99.5	$207.1	11.11%	$262.9	14.10%
June 30, 2027[1]	$107.6	$99.5	$207.1	10.60%	$287.2	14.70%

[1]The Adopted Budget includes a contribution of up to $1.7 million, contingent on excess equity at year-end, which would increase the Reserve Percentage to 10.69%.

Risk Management Reserves

The City's Reserve Policy includes additional reserves that are maintained by the Risk Management Department and provides support to address certain claims made against the City. The Public Liability Reserve is funded by the General Fund and supports claims arising from real or alleged acts by the City, including bodily injury, property damage, inverse condemnation, false arrest, and errors and omissions. The Workers' Compensation and Long-Term Disability reserves are funded by citywide contributions and support medical and disability costs for industrial injury claims and non-industrially disabled City employees with income and flexible benefits coverage, respectively.

The target levels for each reserve utilize a smoothing methodology that incorporates the outstanding claims from the respective annual actuarial liability valuations for the three most recent fiscal years. The target percentages for the Public Liability, Workers' Compensation, and Long-Term Disability reserves are 50 percent, 12 percent, and 100 percent, respectively.

Due to the General Fund being a primary contributor to each Risk Management reserve, the Fiscal Year 2026 Adopted Budget delayed any additional contributions to the funds in excess of those intended to support annual operating expenditures. Additionally, as first discussed in the Fiscal Year 2024 Year-End Performance Report and detailed in subsequent budget monitoring reports, the Public Liability Reserve fund has issued an interest-bearing interfund loan to the Sewer Utility's Municipal Fund to fund the Industrial Wastewater Control Program (IWCP) subsidy while the program's fees are gradually increased to become fully cost recoverable. Based on projections in the Fiscal Year 2026 Third Quarter Budget Monitoring Report, the result of the delayed contributions, operating expenditures projected in excess of budgeted levels, and the interfund loan, the Public Liability, Workers' Compensation, and Long-Term Disability reserves are anticipated to end Fiscal Year 2026 below reserve target levels at $18.2 million, $16.8 million, and $1.6 million, respectively.

Similarly, the Fiscal Year 2027 Adopted Budget includes a recommendation to continue to delay contributions to the funds beyond those intended to support annual operating expenditures. Based on the average growth rate of the outstanding actuarial liability for each of the respective reserves, it is anticipated that even while maintaining reserves at current dollar levels, the required reserve target amounts for each of the funds will increase as a percentage of the respective actuarial liabilities, resulting in each reserve falling further below the target percentages noted in the Reserve Policy.

Table 14 – Risk Management Reserves shows projected reserve levels, based on the Fiscal Year 2026 Third Quarter Budget Monitoring Report, for each respective Risk Management Reserve Fund for Fiscal Year 2027.

Table 14 – Risk Management Reserves (in millions)

Reserve Fund	FY 2027 Projected Reserve Balance	Reserve Percentage	FY 2027 Est. Reserve Policy Target	Reserve Policy Percentage
Public Liability[1]	$30.8	28.8%	$53.6	50.0%
Workers' Compensation	$22.9	6.5%	$42.3	12.0%
Long-Term Disability	$4.2	67.6%	$6.2	100.0%

[1]Without the IWCP loan, the FY 2027 Projected Reserve Balance for Public Liability would be $38.4 million, or a Reserve Percentage of 35.8%.

Fiscal Year 2027 Priority Budget Programs

In addition to addressing the baseline shortfall, the Fiscal Year 2027 Adopted Budget prioritizes maintaining current core services, while allowing select budget additions needed to comply with various mandates, address quality of life issues, and support public safety and homelessness programs and services. Program summaries for the Street Repair Program, Homelessness Programs and Services, Climate Action Plan Implementation, Vision Zero, and Compensatory Wetland Mitigation are included in the following sections. For a summary of all significant budget adjustments included in the General Fund, please refer to the General Fund Expenditures section of this Volume.

Street Repair Program

In the Fiscal Year 2027 Adopted Budget, the City allocated $96.0 million for the Street Repair Program. The Transportation Department's long-term goal is to maintain the City's Street network in good condition, which equates to an average network Pavement Condition Index (PCI) of 70 or above. Given current funding constraints, the City's near-term strategy has shifted from achieving a PCI of 70 to maintaining the overall network at a PCI of 65. While the City was able to achieve a PCI of 65 in Fiscal Year 2025, due to continued funding levels below what is needed to sustain a PCI of 65, the network is projected to decline, with PCI anticipated to drop back to approximately 63 by the end of Fiscal Year 2026.

The Street Repair Program consists of maintenance activities, including asphalt repair, asphalt trench restoration, pothole repair, and slurry seal road repair and capital activities, including overlay and reconstruction road repair. These activities repair, maintain, and improve the City's 6,600 lane miles of streets and alleys to provide high-quality infrastructure on which individuals can safely drive, walk, and ride. Transportation Department employees also support other divisions and departments citywide to ensure that all individuals are provided with a safe, reliable, and accessible roadway network throughout the City, responding daily to roadway repair needs and improving the transportation system to promote efficient movement of people and goods. **Table 15 - Street Repair Program** displays the allocation of funding to each maintenance and capital activity.

Table 15 – Street Repair Program

Street Repair Program	Full Time Employees	Personnel Expenditures	Non-Personnel Expenditures	Total Expenditures
Asphalt and Pothole Repair	68.00	$8,374,273	$8,662,632	$17,036,905
Asphalt Trench Restoration	48.00	5,212,996	156,508	5,369,504
Slurry and Scrub Seal Road Repair	0.00	-	42,932,696	42,932,696
Overlay and Reconstruction Road Repair	0.00	-	30,710,132	30,710,132
Total Street Repair Program	**116.00**	**$13,587,269**	**$82,461,968**	**$96,049,237**

Each of the activities in the Street Repair Program is funded through various revenue sources, such as the Road Maintenance & Rehabilitation Account (RMRA), Gas Tax, TransNet, General Fund revenues, and debt financing. The Fiscal Year 2027 Adopted Budget does not allocate funds for upgrading unimproved streets and alleys across the City.

Homelessness Programs and Services

For Fiscal Year 2027, $103.0 million is allocated to support homelessness programs and services, including $77.9 million budgeted in the General Fund ($32.0 million in Measure C TOT support, $25.0 million in TOT support, and $5.9 million in Opioid Settlement Fund support) for the Homelessness Strategies & Solutions, Police, and Environmental Services Departments and $25.1 million in grant funding and other resources.

Table 16 - Homelessness Programs and Services by Department and Funding Source

General Fund		FY 2027 Budget
Homeless Shelters and Services Programs	$	42,912,757
Prevention Services		5,264,500
Coordinated Outreach		4,206,387
Coordination of City Homelessness Programs and Services		3,432,495
Supportive Services and Navigation Programs		3,171,963
Eviction Prevention Program		3,000,000
Homelessness Strategies & Solutions Department Total	**$**	**61,988,102**
Homeless Outreach Team	$	5,163,774
Police Department Total	**$**	**5,163,774**
Clean SD – Encampment and Sidewalk Cleaning	$	10,738,171
Environmental Services Department Total	**$**	**10,738,171**
General Fund Total	**$**	**77,890,047**
Grant Funding and Other Resources		
Homeless Housing, Assistance and Prevention (HHAP)	$	19,789,731
Encampment Resolution Funding (ERF) Grant (extended)		1,875,841
County of San Diego Domestic Violence Shelter Project		1,500,000
Emergency Solutions Grant (ESG)*		969,322
Low-Moderate Income Housing Fund		513,500
Community Development Block Grant (CDBG)		441,405
Total Grant Funding and Other Resources	**$**	**25,089,799**
Total Citywide Resources	**$**	**102,979,846**

Note: Table is not intended to capture all complementary Homelessness Programs and Services related costs within the City.
*Estimated budget pending final allocations from HUD.

General Fund

The Fiscal Year 2027 Adopted Budget includes $77.9 million from the General Fund, primarily supported by TOT, Measure C TOT, and Opioid funding, in the Homelessness Strategies & Solutions, Police, and Environmental Services Departments for the following homelessness programs and services:

Homeless Shelters and Services Program

The City of San Diego partners with agencies to operate congregate and non-congregate shelters that serve individuals experiencing homelessness. These shelters provide meals, restrooms, showers, case management, housing navigation, and mental health and substance abuse services and referrals.

In Fiscal Year 2027, the City's General Fund will provide $42.9 million to support beds at the following shelters:

- PATH Connections Interim Housing
- Father Joe's Villages Bishop Maher Center
- Bridge Shelters for Single Adults
- Veterans Village Interim Shelter for Veterans
- Point Loma Campus for Single Adults and Seniors
- Alcohol Use Disorder Shelter
- Community Harm Reduction Safe Haven
- Community Harm Reduction Shelter
- Rachel's Promise Center for Women and Children
- Barrio Logan Family Shelter
- Salvation Army Haven Interim Family Shelter
- Casa Mariposa Shelter for Victims of Domestic Violence
- Shelters for Youth
- Safe Parking Locations
- Safe Sleeping Locations

Prevention Services

The Housing Instability Prevention Program (HIPP) helps pay rent and other housing-related expenses for families in the City of San Diego with low income, experiencing a housing crisis and at risk of homelessness. The San Diego Housing Commission (SDHC) operates HIPP for the City of San Diego.

The Fiscal Year 2027 Adopted Budget includes $5.3 million in the General Fund to support this program.

Coordinated Outreach

The City's Coordinated Street Outreach Program uses trained social workers and peer specialists to connect unsheltered residents with shelter, housing, and supportive services. Street-based case managers work with clients to build individualized plans to transition people from unsheltered conditions into housing. The program takes a coordinated approach to ensure adequate and equitable coverage of outreach teams and works to identify trends and proactively respond to critical areas throughout the city.

The Fiscal Year 2027 Adopted Budget includes $4.2 million in the General Fund to support this program in the Homelessness Strategies & Solutions Department.

Coordination of City Homelessness Programs and Services

The Fiscal Year 2027 Adopted Budget includes 15.00 FTE and $3.4 million in the Homelessness Strategies & Solutions Department associated with staff coordination of citywide homelessness programs and services. Also included is $600,000 in non-discretionary expenditures, including information technology services and utilities for shelter sites throughout the city. These costs are determined outside of the department's control and are managed by provider departments within the City of San Diego.

Supportive Services and Navigation Programs

In addition to these shelter programs, the General Fund will provide $3.2 million to fund Supportive Services and Navigation Programs. These programs are designed to support unsheltered individuals through system navigation, basic needs assistance, safe storage for belongings, and referrals to essential resources, including mental and behavioral health services and housing navigation.

Eviction Prevention Program

The Eviction Prevention Program assists renters with low income in the City of San Diego who are facing eviction. Operated by Legal Aid Society of San Diego through a contract with the San Diego Housing

Commission, the program offers free legal assistance and related services aimed at preventing evictions and homelessness.

The Fiscal Year 2027 Adopted Budget includes $3.0 million in the General Fund for the Eviction Prevention Program.

Homeless Outreach Team - Police Department

The Police Department's Homeless Outreach Team (HOT) uses a community-oriented policing approach to address the unique needs of the City's homeless population. HOT team leaders bring together behavioral health clinicians from the Psychiatric Emergency Response Team (PERT), public health nurses, and social workers from the County of San Diego Health and Human Services Agency to provide outreach and engagement services throughout the City of San Diego and connect unsheltered individuals with available services. HOT engages with individuals who may otherwise be subject to enforcement action for violation of various local ordinances and State statutes. Its approach aims to connect individuals with services without involving the criminal justice system.

The Fiscal Year 2027 Adopted Budget includes $5.2 million in the General Fund to support personnel and non-personnel expenditures in the San Diego Police Department.

Clean SD - Encampment & Sidewalk Cleaning – Environmental Services Department

The Clean SD Division of the Environmental Services Department (ESD) oversees three programs directly related to homelessness:

- Encampment Abatements: ESD provides at least 24-hour notice to individuals in homeless encampments located on public or city-owned property, advising them to relocate and secure their personal belongings before an abatement occurs. During abatements, waste is removed, and the area is sanitized. If personal items are found during this process and qualify for storage, an Impound Notice will be posted outlining the steps for claiming the items. The items will then be cataloged and stored for at least 90 days and will be available to be reclaimed by the owner.
- Caltrans Delegated Maintenance Agreement (DMA): Similar to encampment abatements conducted on City property, ESD provides at least 48-hour advance notice to individuals in homeless encampments located on Caltrans right-of-way, specifically within an approximate five-mile freeway corridor in the immediate downtown area. ESD follows procedures consistent with those used for abatements on City property.
- Enhanced Hot Spots: ESD provides public right-of-way large waste removal focused specifically on areas most heavily impacted by waste resulting from homeless encampments.
- Sidewalk Sanitizing: Sidewalks are sanitized, either proactively or following an encampment abatement, to reduce the potential presence of pathogens, bacteria, and communicable diseases.
- Incidental Hazardous and Biohazardous Waste Removal: The removal and disposal of incidental hazardous and biohazardous waste from the public right-of-way, primarily consisting of human waste and hypodermic needles.
- Sidewalk Resets: Power washing services to remove heavily impacted debris from the sidewalk to allow the sidewalk sanitizing process to be more effective.

The Fiscal Year 2027 Adopted Budget includes 37.00 FTE positions, totaling $4.2 million in personnel expenditures, and an additional $6.6 million in contractual services in the General Fund to support these programs in ESD.

Grant Funding and Other Resources

In Fiscal Year 2027, the City is anticipated to leverage a total of $25.1 million in grant funding to address the immediate emergency needs of individuals and families experiencing homelessness, or at imminent risk of homelessness, including State and federal grant funding to support homeless shelters and services.

Homeless Housing, Assistance and Prevention (HHAP) Funding

Homeless Housing, Assistance, and Prevention (HHAP) grants are one-time block grants that provide local jurisdictions in the State of California with funding to support regional coordination and expand or develop local capacity to address their immediate homelessness challenges. The City of San Diego was previously awarded approximately $22.5 million in HHAP Round 1 grant funds in 2020; approximately $10.6 million in Round 2 grant funds in 2021; approximately $27.5 million in Round 3 grant funds in 2022; approximately $22.5 million in Round 4 grant funds in 2023; and approximately $29.9 million in Round 5 in 2024. Additionally, the City received notification of an award of a sixth round of HHAP funding for $25.8 million which will be brought forward to the City Council for approval to accept the award at the beginning of Fiscal Year 2027. In total, the Fiscal Year 2027 Adopted Budget includes $19.8 million in HHAP funding to be used to support the following:

Shelters and Services

A total of $15.6 million in HHAP funding will support various shelters and safe parking programs.

Coordinated Street Outreach Program

A total of $499,000 in HHAP funding is designated for the Coordinated Street Outreach Program to amplify the General Fund contribution and ensure adequate and equitable coverage of outreach teams across the City.

Family Reunification Program

A total of $834,000 in HHAP funding to continue to support the Family Reunification Program in Fiscal Year 2027. The Family Reunification Program seeks to reconnect individuals experiencing homelessness with their families and loved ones who are able to provide stable living environments and build support systems to establish links to long-term housing.

Administrative Costs

A total of $1.5 million in costs to administer the HHAP programs are planned for Fiscal Year 2027. These include costs charged by City staff and staff from the San Diego Housing Commission (SDHC) and support for the use of the Homeless Management Information System (HMIS). The HMIS serves as a shared regional data infrastructure to support federal continuum of care responsibilities, HHAP requirements, and California System Performance Measures (CA SPMs).

Prevention & Diversion Services

A total of $1.4 million in HHAP funding is dedicated to the SDHC to support various prevention and diversion services, including partial funding of the HIPP.

Encampment Resolution Funding (ERF)

In Fiscal Year 2027, $1.9 million in Encampment Resolution Funding (ERF) grant program allocations are anticipated to fund homelessness programs, services, and projects. This funding will support contracted outreach teams, rental subsidies, case management, and housing navigation services. Two distinct programs are being administered through this grant program, including programs initiated in Council Districts 7 and 9 in Fiscal Year 2024.

County of San Diego Domestic Violence Grant Funding

In Fiscal Year 2027, $1.5 million in County of San Diego Domestic Violence grant funding will be used for an emergency shelter for domestic violence victims.

Other Funding Sources

In Fiscal Year 2027, $969,000 in Emergency Solutions Grant (ESG) and $441,000 in CDBG funding allocations are anticipated to fund homelessness programs, services, and projects, as well as to support family and single adult shelter and rapid rehousing. Additionally, $514,000 is available in the Low-Moderate Income Housing Fund (LMIHF) to help support the Homelessness Response Center, previously known as the Housing Navigation Center and now known as "The Hub".

Climate Action Plan Implementation

The City of San Diego's 2022 Climate Action Plan lays out a set of six strategies, 21 measures, 17 performance targets and 190 actions and supporting actions to achieve the City's interim 2030 reduction goal and 2035 goal of net-zero greenhouse gas emissions. The strategies include quantified performance targets outlining how the City will track progress and achieve its overall greenhouse gas emissions reduction goals. Each measure is broken down into discrete actions and supporting actions that work together to achieve the performance targets and emissions reduction goals.

- Strategy 1: Decarbonization of the Built Environment
- Strategy 2: Access to Clean and Renewable Energy
- Strategy 3: Mobility and Land Use
- Strategy 4: Circular Economy and Clean Communities
- Strategy 5: Resilient Infrastructure and Healthy Ecosystems
- Strategy 6: Emerging Climate Action

The Climate Action Implementation Plan (Implementation Plan), prepared in 2023, is a tool to help organize the City's processes and governance structure around climate action, with a focus on accountability and transparency. The Implementation Plan identifies the responsibilities of implementing City departments, implementation cost estimates, and other details needed to include climate action into the City's annual budgeting process and routine operations. The high-level estimates of the implementation costs cover the first five years of Climate Action Plan implementation (Fiscal Years 2024-2028) to strategically align the City's annual budgeting decisions with the Climate Action Plan. The Implementation Plan has been a helpful tool for clearly defining each City department's role in Climate Action Plan implementation each fiscal year and further integrating equity into climate action-related projects and initiatives. In 2025, the City completed a status update to the Implementation Plan, using the best available data to gauge progress toward the 2030 goal of the Climate Action Plan. The Climate Action Plan and Implementation Plan are available at: https://www.sandiego.gov/planning/work/working-on/cap. The City monitors progress toward Climate Action Plan goals by preparing annual greenhouse gas emissions inventories and reporting annually on the status of implementation actions. Information on the status of Climate Action Plan implementation is also provided on the City's Climate Action Plan dashboard: https://climatedashboard.sandiego.gov.

Budget Adjustments related to Climate Action Plan Implementation Summary

Implementation of the Climate Action Plan is performed by many City departments as part of the City's routine operations. **Table 17** summarizes budget adjustments included in the Fiscal Year 2027 Adopted Budget related to the implementation of the Climate Action Plan. This table presents department-level budget adjustments related to each strategy of the Climate Action Plan. The adjustments are relative to existing Climate Action Plan-related funding allocations in baseline and continuing appropriation budgets of City departments.

Table 17 - Summary of Fiscal Year 2027 Budget Adjustments related to Climate Action Plan Implementation

Climate Action Plan Strategy	FY 2027 Adopted Budget Budget Adjustments
Overarching Implementation[1]	$ (6,559,682)[2]
Strategy 1 – Decarbonization of the Built Environment	794,933
Strategy 2 - Access to Clean and Renewable Energy	47,940
Strategy 3 - Mobility and Land Use	43,272,271
Strategy 4 - Circular Economy and Clean Communities	5,873,473
Strategy 5 – Resilient Infrastructure and Healthy Ecosystems	226,509,443
Strategy 6 – Emerging Climate Action	-
Total	**$ 269,938,377**

1. "Overarching implementation" includes budget adjustments related to reporting on the Climate Action Plan (e.g., annual report, annual emissions inventories, Climate Action Plan dashboard) as well as the Climate Equity Fund.
2. Funding reductions reflect staffing adjustments and non-personnel expenditure reductions.

Budget adjustments related to Climate Action Plan implementation in the Fiscal Year 2027 Adopted Budget total approximately $269.9 million and include operating and capital expenditure budgets. Of note, throughout the year, there may be other funding sources (e.g., departments' existing operating budgets and grants) or budget adjustments that are not captured in this report but support implementation of the Climate Action Plan.

These budget adjustments reflect funding allocations that directly and indirectly support the implementation of the Climate Action Plan. Direct efforts are those specifically identified as actions in the Climate Action Plan (e.g., landfill gas capture) or that directly support Climate Action Plan goals (e.g., installing sidewalks or bikeways to increase walking and biking). Indirect efforts are not specifically identified as actions in the Climate Action Plan but support its implementation (e.g., funding for pump stations or sewer pipe repairs that help provide drinking water from local sources).

Vision Zero

The City remains committed to Vision Zero efforts to eliminate all traffic fatalities and severe injuries in San Diego.

In the Fiscal Year 2027 Adopted Budget, $64.3 million is allocated to implement the City's Vision Zero goals, including $8.4 million for bicycle facilities, $17.3 million for sidewalks, $1.8 million for streetlights, $1.2 million for traffic calming measures, $10.1 million for traffic signals, $3.1 million for median installation, $17.7 million for bridges, and $4.9 million for street and road modifications.

The partial reduction of the multimodal team (7.50 FTE) will impact the City's capacity to plan, design, and deliver multimodal projects that support Vision Zero implementation. This team serves as the primary dedicated in-house resource for advancing new bicycle facility design and implementing quick-build striping projects. With this reduction in staffing, the City will continue to deliver multimodal improvements, but at a reduced pace and scale, with greater reliance on coordination with capital improvement projects delivered by E&CP. **Table 18 – Vision Zero Projects** displays the allocation of funds to applicable Vision Zero projects.

Table 18 - Vision Zero Projects

Vision Zero Project Type/Grouping	Project ID	FY 2027 Budget[1]
Bicycle Facilities		
Bike Striping Citywide	O&M	$ 250,000
Safe & Sustainable Transportation All Ages & Abilities Team (STAAT)	O&M	796,400
Bicycle Facilities	**AIA00001**	**5,311,861**
ACC Sewer Group 851 (BL)	B23089	60,000
Chollas Creek to Bayshore Multi-use Path	B17113	3,530,000
Downtown Complete St Impl. Ph. 3A2	B23046	1,717,861
Lake Murray Improv 2 (BL)	B24000	4,000
Normal Street Promenade	S22012	2,000,000
Bicycle Facilities Total		**$ 8,358,261**
Sidewalks		
New Walkways	**AIK00001**	**$ 5,245,347**
ADA S/W Group 3E W Point Loma	B16100	175,000
College-Meridian to Judy McCarty Sidewalk	B22005	4,766,042
Howard Ave-Village Pine to Iris Sidewalk	B18019	10,000
Wightman-Ogden to Shiloh Sidewalk	B18039	294,305
Sidewalk Repair and Reconstruction	**AIK00003**	**12,037,129**
ADA Improvement Group 2701	B27006	490,000
ADA Improvement Group 2702	B27007	495,000
ADA Improvement Group 2703	B27008	505,000
Sidewalk Replacement Group 2732	B27009	2,600,000
FY25 Curb Ramp Improvement Group 4	B26022	1,612,993
FY25 Curb Ramp Improvement Group 5	B26023	2,672,792
FY25 Curb Ramp Improvement Group 6	B26024	3,661,344
Sidewalks Total		**$ 17,282,476**
Street Lights		
Street Light Circuit Upgrades	**AIH00002**	**$ 1,756,904**
Pacific Beach 1 SL Series Circuit Conversion	B16119	1,756,904
Street Lights Total		**$ 1,756,904**
Signals - Calming/Speed Abatement		
Traffic Calming	**AIL00001**	**$ 1,187,910**
Milton St Burgener Blvd Curb Ext (NSG)	B22135	450,000
Osler Street Traffic Calming	B23147	322,910
Otay Mesa Rd Pedestrian Improvements	B23148	265,000
Rectangular Rapid Flash Beacons Grp 1902	B19046	150,000
Signals - Calming/Speed Abatement Total		**$ 1,187,910**
Traffic Signals		
Traffic Signal Modification	O&M	$ 867,700
Install Traffic Signal Interconnect System	**AIL00002**	**1,391,547**
Catalina Blvd TS Interconnect Upgrade	B21118	891,547
Pacific Beach TS Interconnect Upgrade	B15065	500,000

Vision Zero Project Type/Grouping	Project ID	FY 2027 Budget[1]
Traffic Signals – Citywide	**AIL00004**	**3,530,511**
31st St @ National Ave Traffic Signal	B17019	141,611
34th & Adams HAWK	B24117	888,900
Mission & Thomas HAWK	B24108	2,000,000
Mississippi St @ El Cajon Blvd T/Signal	B20140	300,000
Washington & Albatross HAWK	B24118	200,000
Traffic Signals Modification	**AIL00005**	**4,263,803**
Kurtz St & Rosecrans St Signal Mod	B27014	804,000
Palm (I-5 to Georgia St) Traffic Sig Mod (VZ)	B21120	1,793,203
Rosecrans St & Byron St Shel Isl Signal	B24096	1,166,600
TS Upgrades – Camino Ruiz & TX Madison	B24107	500,000
Traffic Signals Total		**$ 10,053,561**
Medians		
Median Installation	**AIG00001**	**$ 2,562,000**
6th Ave @ Juniper St Roundabout	B20142	270,000
Camino Del Rio West & Moore St Median	B19049	1,737,000
Carmel Mtn @ Carmel Country Roundabout	B21102	500,000
Chatsworth Blvd RRFB & Ped Refuge Island	B21117	25,000
Foothill Blvd & Loring St Roundabout	B18008	30,000
University Avenue Complete Street Phase1	S18001	500,000
Medians Total		**$ 3,062,000**
Bridges		
El Camino Real to Via De LaValle (1/2 mile)	S00856	$ 14,219,535
Palm Avenue Interstate 805 Interchange	S00869	2,772,440
West Valley River Crossing	P27004	750,000
Bridges Total		**$ 17,741,975**
Street and Road Modifications		
Airway Road West	P27000	$ 500,000
Beyer Blvd (OM T8)	RD26000	2,268,660
Caliente Avenue	RD26001	1,838,000
Fenton Pkwy Ext to Camino Del Rio N	RD23000	249,924
Street Road Modifications Total		**$ 4,856,584**
Total Vision Zero Project Type/Grouping		**$ 64,299,671**

Compensatory Wetland Mitigation

The Stormwater Department oversees the repair, maintenance, and replacement of the City's stormwater system, which requires comprehensive environmental protocols, mitigation measures, and permits. The Fiscal Year 2027 Adopted Budget includes $7.2 million in Environmental Growth Funds to support compensatory wetland mitigation.

Stormwater facilities can support sensitive habitats that can be negatively impacted by maintenance activities. Local, State, and federal regulatory permits are typically required to perform maintenance. The following construction projects, along with additional maintenance and monitoring costs, are planned for Fiscal Year 2027. The construction schedules for these projects are estimates and contingent upon approval and permitting from regulatory resource agencies. These projects will provide the required compensatory wetland mitigation for past channel maintenance impacts and allow future and emergency maintenance to occur within the City's stormwater facilities.

- $6.5 million for San Dieguito Lagoon East Mitigation Site construction
- $675,000 for Maintenance and Monitoring costs associated with Mitigation Site Work

Other Fiscal Considerations

This section highlights other fiscal matters that are included in the Fiscal Year 2027 Adopted Budget, including revenue impacts and other policy items of interest.

TOT Increase (Measure C)

Measure C is a voter-approved initiative passed in 2020 that increased the Transient Occupancy Tax in San Diego. The additional revenue is intended to support the expansion of the San Diego Convention Center, provide a dedicated funding source for homelessness programs and services, and fund critical road repairs throughout the City through at least Fiscal Year 2061. The measure increased the City's existing 10.5 percent Transient Occupancy Tax to 11.75 percent, 12.75 percent, or 13.75 percent, depending on a hotel's location within one of the three geographic zones. The revenue from the tax increase, which has been collected since May 1, 2025, will be allocated as follows through October 31, 2030:

- 59.0 percent for Convention Center expansion, modernization, promotion, and operations.
- 41.0 percent for homelessness services and programs.

Beginning November 1, 2030, the allocation will change as follows:

- 59.0 percent for Convention Center expansion, modernization, promotion, and operations.
- 31.0 percent for homelessness services and programs.
- 10.0 percent for street repairs.

Per Municipal Code 35.0206(a), **Table 19 – Measure C Funds** reflects the draft itemized annual budgets for the TOT Convention Center Fund and the TOT Homelessness Fund in Fiscal Year 2027, pending Citizens Oversight Committee review of the TOT Homelessness Fund Budget.

Table 19 – Measure C Funds

TOT Convention Center Fund	FY 2027
Resources	**$98,257,004**
Balance from Prior Year	30,835,849
Continuing Appropriation - CIP	21,402,788
Transient Occupancy Taxes	46,018,367
Uses	**$49,930,409**
Operations: Dewatering	1,249,395
Operations: Marketing Contract	2,988,226
Operations: Operating Support	6,000,000
Continuing Appropriations - CIP	21,402,788
CIP: West Generator and UST Replacement/Relocation	3,225,000
CIP: Transformer Replacements	365,000
CIP: Switchgear/Panel Replacements	2,700,000
CIP: Central Plant Overhaul (Design then Phase 2 Replacement)	12,000,000
Balance	**$48,326,595**
TOT Homelessness Fund	**FY 2027**

Resources	$31,978,865
Balance from Prior Year	-
Transient Occupancy Taxes	31,978,865
Uses	**$31,978,865**
16th & Newton	226,651
17th & Imperial	1,654,376
Alcohol Use Disorder (AUD) - Interim Shelter	417,364
Base Budget Supplies	613,350
Base Budget Training & Travel	7,682
Bishops	346,908
CARE Events and Outreach HUB	13,945
Catholic Charities Women's and Family Shelter	1,865,298
Connections Interim Housing	725,631
Coordinated Shelter Intake Program	131,497
Coordinated Street Outreach	1,674,012
Coordination of City Services (HSSD)	1,914,624
DV Shelter	853,424
Emergency Harm Reduction & Ancillary	1,176,271
Eviction Prevention Program	1,673,381
Family Shelter Salvation Army	119,477
Homelessness Response Center	296,424
Housing Instability Prevention Program	2,936,505
LBGTQ Youth Shelter & Outreach	1,142,083
Non-Discretionary Costs	340,160
Safe Haven	244,712
Safe Parking & Ancillary	1,559,170
Safe Sleeping (O and B Lots)	7,510,110
Single Adult & Seniors	682,902
Storage Connect	1,077,172
Street Outreach - DSDP	658,339
System-wide Shelter Ancillary	327,042
Think Dignity	132,011
Transitional Housing Program for Seniors	422,887
TravelLodge	193,422
Urban Street Angels TAY Shelter	437,407
Veteran's Village SD	604,627
Balance	**$ -**

Updates to Council Policy 100-03 Transient Occupancy Tax

The Transient Occupancy Tax (TOT) is levied at a rate of 10.5 cents per dollar on the taxable rent charged for stays of less than one month. The use of TOT is governed by the City's Municipal Code (SDMC) Section 35.0128(b), which allocates the tax as follows: 5.5 cents for general government purposes, 4.0 cents to promote the City as a tourist destination, and 1.0 cent for any purposes approved by the City Council.

In December 2023, the City Council updated Council Policy 100-03 to establish a formal process for recommending the use of the 1.0 percent Council discretionary allocation. Under the updated policy, the

Mayor and the Department of Finance are required to provide the City Council, as part of the annual budget process, with a report on the proposed use of these funds and how the recommendations align with the Council's budget priorities resolution.

As required by Council Policy 100-03, this section reports on the proposed use of the 1.0 cent Council discretionary allocation and its alignment with the Council's budget priorities resolution. Given the City's ongoing fiscal constraints and the department reductions included in the Fiscal Year 2027 Adopted Budget to achieve a balanced budget, this allocation will be transferred to the General Fund for general government purposes, including public safety, homelessness services, and infrastructure operations and maintenance. Council Policy 100-03 allows the 1.0 cent TOT allocation to be recommended to support arts and culture funding or other purposes. The proposed use supports the Council's budget priorities by helping maintain essential City services and reducing the need for additional service reductions that could negatively impact residents. In addition, the Fiscal Year 2027 Adopted Budget for Special Promotional Programs includes $8.3 million for Arts-related programming, funded by 4.0 cents of TOT dedicated to promoting the City as a tourist destination. Of this amount, $6.0 million supports programming, including $4.9 million for Organizational Support, $870,000 for Creative Communities San Diego, and $258,000 for Impact. The budget also includes $1.8 million to support the Cultural Affairs Division and $450,000 allocated to the City Council for Arts, Culture, and Community Festival (ACCF) purposes.

Parking Management

In October 2025, City Council passed resolution R-316478, which temporarily suspended revenue sharing with Community Parking Districts (CPD) through June 2027. **Table 20 – Fiscal Year 2027 Parking Meter Revenues and Operations** reflects how the Fiscal Year 2027 Adopted Budget projects total net revenue that would be available to support General Fund work within parking meter zones.

Table 20 – Fiscal Year 2027 Parking Meter Revenues and Operations

	Downtown	Uptown	MidCity	6th & Park	San Ysidro	Pacific Beach	Total
Budgeted Revenue							
Current Active Meters	$10,351,409	$4,058,054	$733,689	$ -	$ -	$772,429	$15,915,581
Valet Permits	650,000	-	-	-	-	-	650,000
DSD Loss of Revenue Fee	780,000	306,000	55,200	-	-	58,800	1,200,000
Special Events	2,000,000	-	-	-	-	-	2,000,000
Extended Hours	975,000	382,500	69,000	-	-	73,500	1,500,000
East Village Expansion	349,200	-	-	-	-	-	349,200
6th & Park (Balboa Park)	-	-	-	300,000	-	-	300,000
Mid-City Expansion	-	-	1,770,000	-	-	-	1,770,000
Uptown Expansion	-	900,000	-	-	-	-	900,000
San Ysidro Expansion	-	-	-	-	511,200	-	511,200
Total Budgeted Revenue	**$15,105,609**	**$5,646,554**	**$2,627,889**	**$300,000**	**$511,200**	**$904,729**	**$25,095,981**
Use of Fund Balance	**$292,309**	**$109,267**	**$50,852**	**$5,805**	**$9,892**	**$17,507**	**$485,633**
Parking Meter Administration & Operations							
Parking Meter Operations Staff	$983,424	$367,609	$171,084	$19,531	$33,281	$58,901	$1,633,829
City Treasurer Support	968,051	361,862	168,410	19,226	32,761	57,980	1,608,289
Operations Supplies & Contracts	935,225	349,592	162,699	18,574	31,650	56,014	1,553,753
Capital Expenses	693,057	259,068	120,570	13,764	23,454	41,510	1,151,423
Transportation Support	636,959	238,098	110,810	12,650	21,556	38,150	1,058,223
Parking Enforcement	5,176,456	1,934,986	900,536	102,805	175,180	310,036	8,600,000
Administration Total	**$9,393,171**	**$3,511,215**	**$1,634,109**	**$186,550**	**$317,881**	**$562,591**	**$15,605,517**
Net Revenue	**$6,004,747**	**$2,244,605**	**$1,044,632**	**$119,255**	**$203,211**	**$359,646**	**$ 9,976,097**

Table 21 – Fiscal Year 2027 Parking Meter Eligible Expenditures reflects budgeted eligible expenditures by parking meter zone that will be supported by the total net revenue available from the table above. It is important to note that of the $23.5 million in budgeted eligible expenditures, $10.0 million will be supported by parking meter revenue, with the remaining $13.5 million supported by the General Fund.

Table 21 – Fiscal Year 2027 Parking Meter Eligible Expenditures

	Downtown	Uptown	MidCity	6th & Park	San Ysidro	Pacific Beach	Total
Eligible Expenditures							
Street Light Repair	$691,833	$89,848	$1,010,830	$48,650	$122,095	$574,915	$2,538,170
Traffic Signal Repair	383,597	249,560	468,420	64,271	61,076	82,683	1,309,608
Pothole Repair	53,671	41,548	486,112	12,845	34,109	80,046	708,332
Sidewalk In-House	440,012	596,702	2,601,561	62,541	217,594	580,895	4,499,306
Sign Repair / Replacement	417,269	183,872	706	-	39,482	163,701	805,031
Street Striping	3,062	1,771	-	-	274	489	5,597
Tree Trimming	343,484	659,429	2,352,594	31,889	191,323	354,268	3,932,987
Street Sweeping & Enforcement	1,191,928	387,756	1,598,616	73,652	183,945	388,401	3,824,297
Inlet Cleaning	86,192	58,493	279,853	9,700	24,225	45,185	503,647
CleanSD Abatements/Sanitation	2,350,896	-	-	-	-	-	2,350,896
Traffic Signal / Street Lights	742,827	367,732	1,443,524	33,530	87,943	337,604	3,013,160
Total Eligible Expenditures	**$6,704,772**	**$2,636,712**	**$10,242,217**	**$ 337,077**	**$962,066**	**$2,608,187**	**$23,491,031**

Balboa Park and Zoo Paid Parking

Additionally, the Fiscal Year 2027 Adopted Budget assumes $4.4 million in paid parking revenue for the Balboa Park paid parking program. Following the implementation of paid parking on January 5, 2026, the City has since decided to eliminate the paid parking program within Balboa Park, effective December 31, 2026. While the program is still operating, City residents are eligible for free parking in Levels 2 and 3 with valid vehicle registration and discounted parking in Level 1. For more information, visit the City's Balboa Park Parking webpage.

On March 9, 2026, the City Council unanimously approved the Second Amendment to the Lease Agreement with the Zoological Society of San Diego, extending the zoo's lease by 52 years. Under the amended terms, the zoo will pay the City $3.0 million annually, and parking revenue generated in the zoo parking lot, above $3.0 million, will be split equally between the City and the zoo. The Fiscal Year 2027 Adopted Budget assumes that only the initial $3.0 million payment will be received during the fiscal year. Parking revenues will be used for Balboa Park maintenance, operations, and improvements.

Infrastructure Fund (Charter Section 77.1)

In June 2016, voters approved Proposition H, requiring the City to dedicate specific revenue sources to fund new General Fund infrastructure, including streets, sidewalks, bridges, and buildings, as well as their maintenance and repair.

The calculation to fund the Infrastructure Fund is based on the following:

- Sales Tax Increment – an amount equal to the annual change in sales tax revenue when compared to the sales tax baseline of Fiscal Year 2016 actual receipts, adjusted by the California Consumer Price

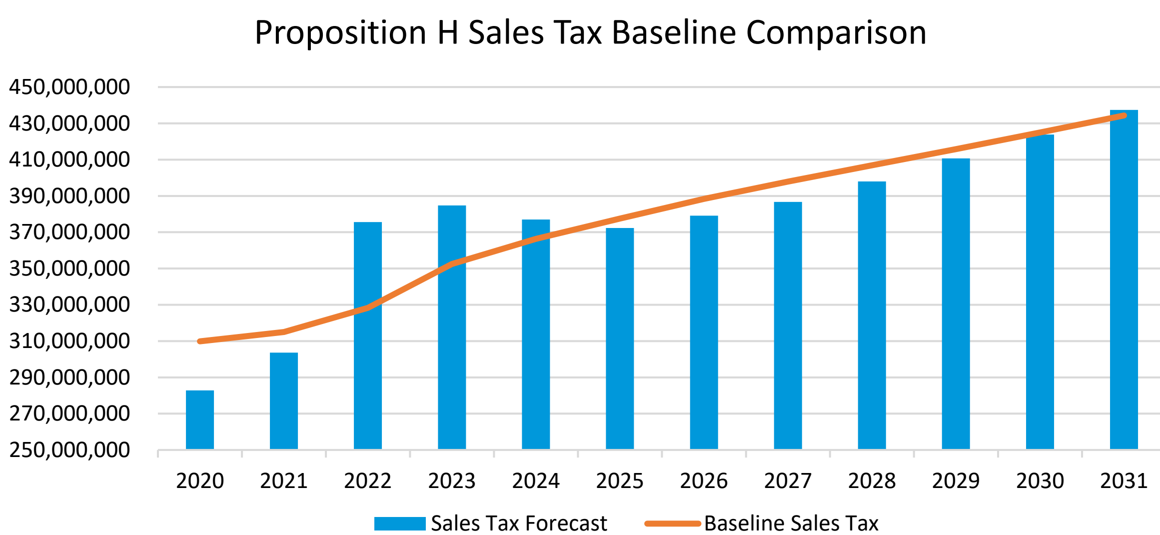
Index (CCPI) for Fiscal Year 2018 through Fiscal Year 2042.
- General Fund Pension Cost Reduction – for Fiscal Year 2018 through Fiscal Year 2042, any amount of pension costs below the base year of Fiscal Year 2016.

Prior to Fiscal Year 2024, the calculation to fund the Infrastructure Fund also included a Major Revenues Increment equal to 50.0 percent of the year-over-year growth in property tax revenues, unrestricted General Fund TOT, and unrestricted franchise fees. However, the City Charter required this increment only for Fiscal Year 2018 through Fiscal Year 2022.

Based on the current calculation, no Infrastructure Fund contribution is required for Fiscal Year 2027. This is due to sales tax revenue being below the adjusted sales tax baseline and the General Fund Pension Cost not being below the Fiscal Year 2016 base year. At the end of each fiscal year, the Department of Finance conducts a reconciliation of Sales Tax Increment between actual revenue and the calculated baseline. If a contribution is determined to be required due to improved sales tax revenue performance, the resulting true-up contribution will be proposed during the next budget cycle in Fiscal Year 2028.

Figure 2: Proposition H Sales Tax Baseline Comparison Outlook illustrates the comparison between the adjusted sales tax baseline and Infrastructure Fund contributions. The sales tax baseline is subject to change and is adjusted annually by the California Consumer Price Index (CCPI) for each fiscal year within the outlook period.

Figure 2 - Proposition H Sales Tax Baseline Comparison Outlook



*Sales tax data for Fiscal Years 2020-2025 reflect actual data.

Climate Equity Fund

The goal of the Climate Equity Fund (CEF) is to provide additional funding for City infrastructure projects to enable underserved communities to better respond to the impacts of climate change. Currently, to be eligible for CEF funding, projects must have an impact on reducing greenhouse gas emissions, enhancing safety in the public right-of-way, relieving congestion, or addressing other climate equity concerns, and be in a Community of Concern as identified using the Climate Equity Index. City staff work with community-based organizations, Council offices, and City departments to decide which projects to fund. In accordance with the City Council resolution, the minimum annual allocation to CEF eligible projects is shown below, unless the Mayor recommends, and City Council approves, the suspension for one fiscal year:

- 1.0 percent of the total annual revenue received through TransNet
- 1.0 percent of the total annual revenue received through Gas Tax
- 10.0 percent of the total General Fund revenue received through the annual gas and electric franchise fees

In addition, the fund received $1.5 million from the SDG&E Electric Franchise Agreement through Fiscal Year 2026 to further the City's Climate Action and Climate Equity Goals. The Fiscal Year 2027 Adopted Budget includes the suspension of the minimum annual allocation to the CEF, but includes $500,000 from accrued fund balance to support the CIP.

Opioid Settlement Funding

It is anticipated that the Opioid Settlement Fund will begin Fiscal Year 2027 with approximately $15.3 million in available funds. Of this amount, the Fiscal Year 2027 Adopted Budget includes $7.5 million in Opioid Settlement Funds to support the following:

- $2.5 million for contractual expenditures associated with the Emergency Harm Reduction Shelter and Community Harm Reduction Safe Haven Shelter in the Homelessness Strategies and Solutions Department.
- $2.4 million for contractual expenditures associated with the San Diego Housing Commission and the expansion of shelter opportunities for the portion of the homeless population experiencing opioid use disorders.
- $700,000 for the Police Department’s Neighborhood Policing Division’s Intervention Services Team’s training and operations. The additional investment in training, proactive outreach, and low-visibility response capabilities will significantly strengthen the City’s ability to identify, engage, and connect people struggling with opioid use to life-saving care.
- $466,000 for the Prosecution and Law Enforcement Assisted Diversion Services (PLEADS) Program, a partnership between the San Diego Police Department, City Attorney’s Office, and County of San Diego, which provides individuals under the influence of a controlled substance the opportunity to obtain supportive services.

In addition to the support in the General Fund outlined above, the Opioid Settlement Fund will continue to directly allocate funds for contractual expenditures to support a $1.1 million agreement with the UCSD Transition Support Team, and a $300,000 agreement with the San Diego LGBT Community Center for Substance Use Disorder Treatment Services.