FISCAL YEAR **2027**

VOLUME 1
General Fund Revenues

The City of SAN DIEGO

ADOPTED BUDGET

MAYOR
TODD GLORIA

HOUSING | PROTECT & ENRICH | INFRASTRUCTURE | SUSTAINABILITY | PROSPERITY

General Fund Revenues

General Fund revenues are the primary funding source for essential City services, including police, fire-rescue, homelessness services, library services, transportation, and parks and recreation programs. The Fiscal Year 2027 Adopted Budget includes $2.26 billion in General Fund revenues, representing an increase of $89.2 million, or 4.1 percent, from the Fiscal Year 2026 Adopted Budget.

General Fund revenues are comprised of four major revenue sources and various other revenues generated primarily by City departments. These revenue sources are categorized in the box to the right and discussed in greater detail throughout this section. **Table 1 - Fiscal Year 2027 General Fund Revenue Change** details the composition of General Fund revenues by major and other revenue sources. Additional details on other revenues generated by departments are provided in Volume II of the budget document.

San Diego's Economic Environment

Property Tax

Sales Tax

General Fund Transient Occupancy Tax (TOT)

Franchise Fees

Property Transfer Tax

Licenses and Permits

Fines, Forfeitures, and Penalties

Revenue from Money and Property

Revenue from Federal & Other Agencies

Charges for Current Services

Transfers In

Other Revenue

State of California Budget Impacts

Annual Tax Appropriations Limit (Gann Limit)

Table 1 - Fiscal Year 2027 General Fund Revenue Change

	Change (in millions)	Percent Change from FY 2026 Adopted Budget
Major Revenues	$ 47.1	3.2%
Other Revenue Sources	42.1	6.3%
Total	**$ 89.2**	**4.1%**

Numbers may not foot due to rounding.

The City's four major General Fund revenue sources are property taxes, sales taxes, transient occupancy taxes (TOT), and franchise fees. These sources account for $1.54 billion, or 68.4 percent, of the Fiscal Year 2027 Adopted Budget General Fund revenues. This represents an increase of $47.1 million, or 3.2 percent, from the Fiscal Year 2026 Adopted Budget, and an increase of $5.7 million from the amount forecasted in the FY 2027-2031 Five-Year Financial Outlook (Outlook). The increase in major General Fund revenues from the Fiscal Year 2026 Adopted Budget is primarily comprised of an increase of $36.4 million in property tax revenue and $12.1 million in sales tax revenue, partially offset by a decrease of $607,000 in TOT revenues. Fiscal Year 2027 Adopted Budget revenues are based on projections included in the Fiscal Year 2026 Third Quarter Budget Monitoring Report (Third Quarter Report) and the most recent economic data available at the time of budget development.

Other revenue sources reflect a net increase of $42.1 million, or 6.3 percent. The increase is primarily comprised of $14.8 million in TOT revenue reimbursements for eligible expenditures in General Fund departments; $5.1 million in increased interest earnings in the General Fund; and $6.0 million in revised General Government Services Billing revenue. These and other adjustments are discussed in greater detail later in this section.

Table 2 - Fiscal Year 2027 General Fund Revenues displays the Adopted Budget for each of the revenue categories in the General Fund, in addition to Fiscal Year 2025 actual revenues and the Fiscal Year 2026 Adopted Budget.

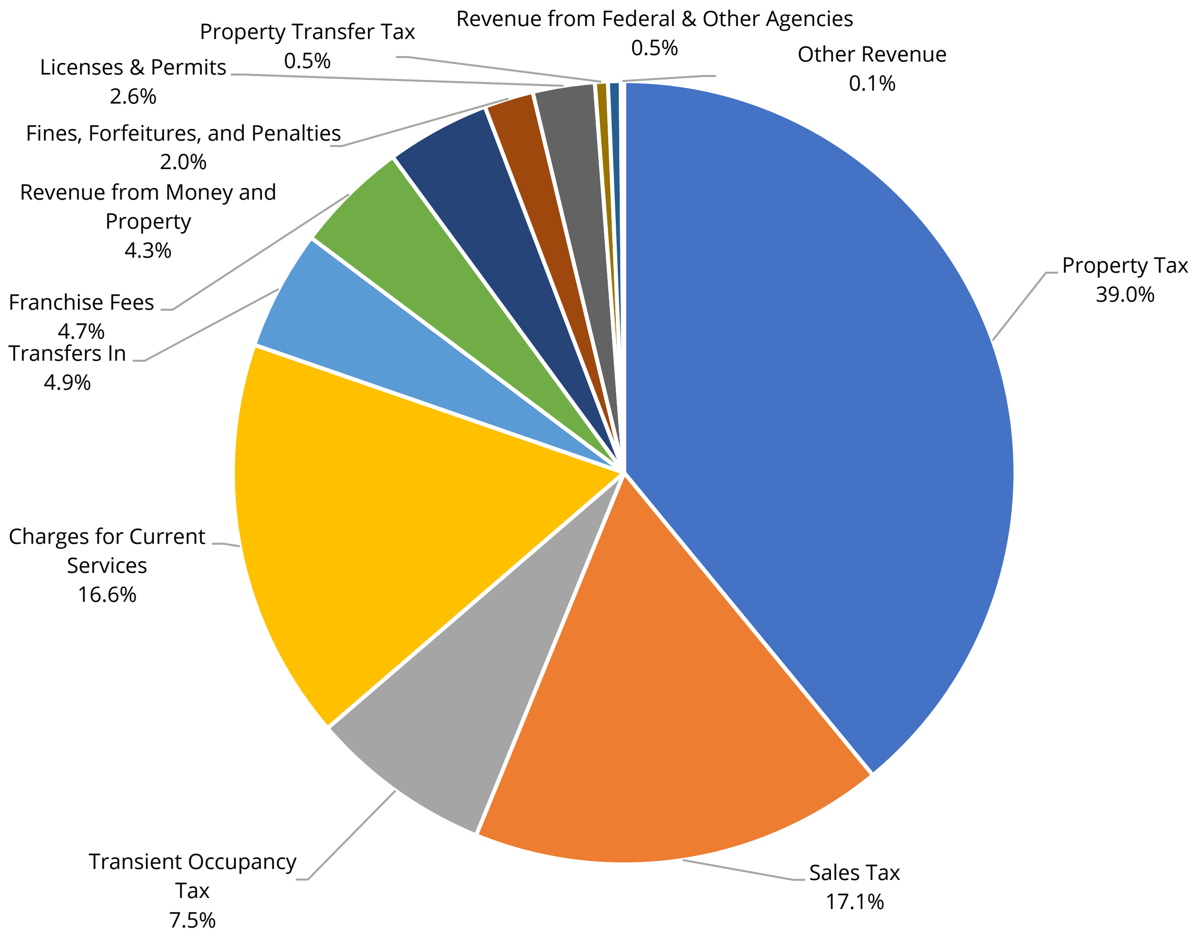
Table 2 - Fiscal Year 2027 General Fund Revenues (in millions)

Revenue Category	FY 2025 Actuals	FY 2026 Adopted Budget	FY 2027 Adopted Budget	FY 2026 - FY 2027 Change	Percent Change[1]	% of Total General Fund Revenue
Property Tax	$ 807.1	$ 844.6	$ 881.0	$ 36.4	4.3%	39.0%
Sales Tax	372.3	374.5	386.7	12.1	3.2%	17.1%
Transient Occupancy Tax	165.6	170.3	169.7	(0.6)	(0.4%)	7.5%
Franchise Fees	101.1	106.5	105.7	(0.8)	(0.8%)	4.7%
Property Transfer Taxes	11.4	11.9	12.0	0.1	1.2%	0.5%
Licenses & Permits	45.4	62.4	57.8	(4.6)	(7.4%)	2.6%
Fines, Forfeitures, and Penalties	34.4	45.7	45.9	0.1	0.2%	2.0%
Revenue from Money and Property	80.1	85.8	96.7	10.9	12.6%	4.3%
Revenue from Federal and Other Agencies	12.8	11.2	11.8	(0.6)	(5.3%)	0.5%
Charges for Current Services	306.5	330.9	374.7	43.8	13.2%	16.6%
Transfers In	123.2	121.5	111.6	(9.8)	(8.1%)	4.9%
Other Revenue	11.7	2.2	3.1	1.0	44.8%	0.1%
Total	**$ 2,071.6**	**$ 2,167.5**	**$ 2,256.6**	**$ 89.2**	**4.1%**	**100.0%**

Numbers may not foot due to rounding.

[1] Percent change represents the change from the Fiscal Year 2026 Adopted Budget to the Fiscal Year 2027 Adopted Budget. Budgeted growth rates for revenues may differ, as Fiscal Year 2027 Adopted Budget amounts are based on updated Fiscal Year 2026 projections.

Figure 1 - Fiscal Year 2027 General Fund Revenues - $2.26 Billion



San Diego's Economic Environment[17]

The Fiscal Year 2027 Adopted Budget reflects a stable, yet slowing, economic outlook. While key economic indicators remain generally stable, uncertainty related to inflation, interest rates, economic policy changes, and geopolitical conflict is expected to contribute to slower economic growth in Fiscal Year 2027. The Adopted Budget projects moderate growth in major General Fund revenues, reflecting continued economic resilience while accounting for broader economic uncertainties.

Compared to the Fiscal Year 2026 Adopted Budget, the Fiscal Year 2027 Adopted Budget assumes moderate growth across the four major General Fund revenue sources. Property tax revenue is projected to increase by 4.0 percent, supported by continued elevated median home prices and stable employment conditions, however, tempered by lower home sales activity and elevated interest rates. Sales tax revenue is projected to increase by 2.0 percent, reflecting continued consumer spending despite uncertainty related to inflation and consumer confidence. Transient Occupancy Tax revenue is projected to increase by 2.1 percent, based on moderate growth in leisure, business, and group travel. Franchise fee revenue is projected to increase

[17] The following sources were used in this section: California Employment Development Department, United States Bureau of Labor Statistics, California State Board of Equalization, CoreLogic ®, San Diego County Assessor / Recorder / Clerk's Office, San Diego Association of Governments, United States Bureau of Labor Statistics, S&P Dow Jones Indices LLC, UCLA Anderson Forecast, Tourism Economics, San Diego Tourism Authority, and The Conference Board.

by 1.0 percent based on updated Fiscal Year 2026 projections and continued uncertainty related to electric and gas usage rates and customer demand.

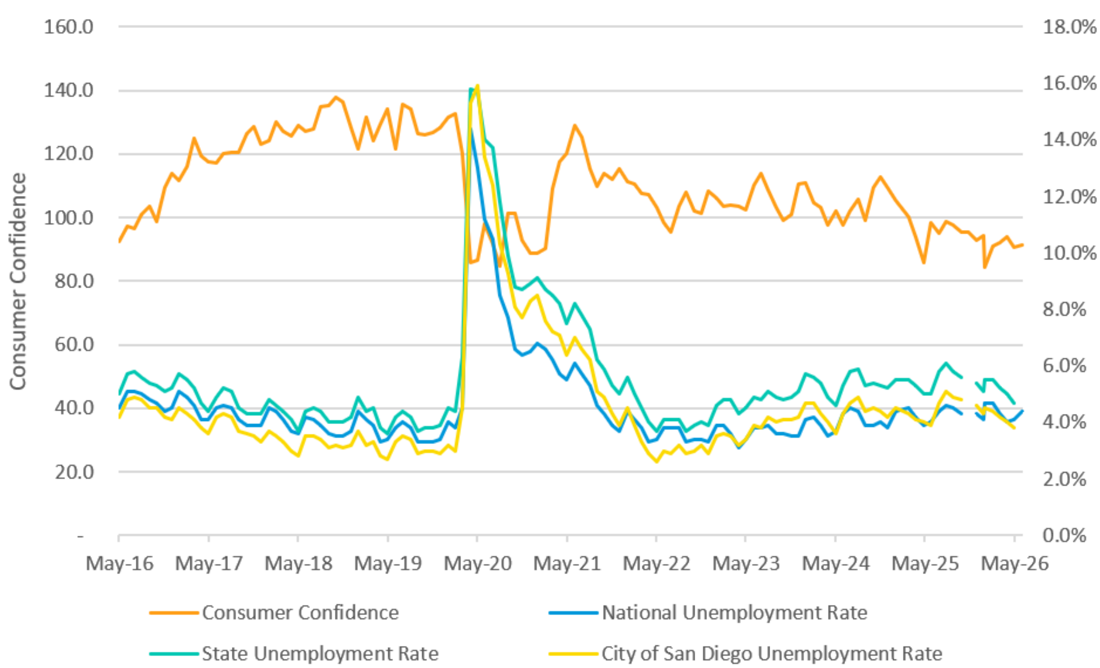
The City monitors key economic indicators to inform revenue projections and assess potential impact on major General Fund revenues. The primary economic indicators considered in the development of the major General Fund revenue sources include consumer confidence, unemployment rate, housing market conditions, expert forecasts, and broader economic conditions.

Consumer confidence, a measure of consumers' willingness to spend, has fluctuated amid inflationary pressures, recession concerns, and geopolitical uncertainty, leading to shifts in consumer spending behavior. As of May 2026, consumer confidence was 90.6, down 7.9 percent from May 2025 (98.4) and 3.4 percent from April 2026 (93.8). The decline in consumer confidence suggests a more cautious spending environment, supporting a budget that recognizes ongoing economic uncertainty.

The unemployment rate for the City of San Diego was recorded at 3.8 percent in May 2026, down 0.1 percentage points from 3.9 percent in May 2025 and 0.2 percentage points from 4.0 percent in April 2026. The current unemployment rate reflects continued stability in the local labor market. This is consistent with the UCLA Anderson Forecast, which projects the State unemployment rate to peak at 4.5 percent in calendar year 2027 before improving to 4.4 percent in 2028[18]. This continued strength of the local labor market supports a resilient local economy and provides a stable foundation for the City's revenue budget assumptions.

Figure 2 - Consumer Confidence and Unemployment illustrates the recent trend between consumer confidence and unemployment rates.

Figure 2 - Consumer Confidence and Unemployment



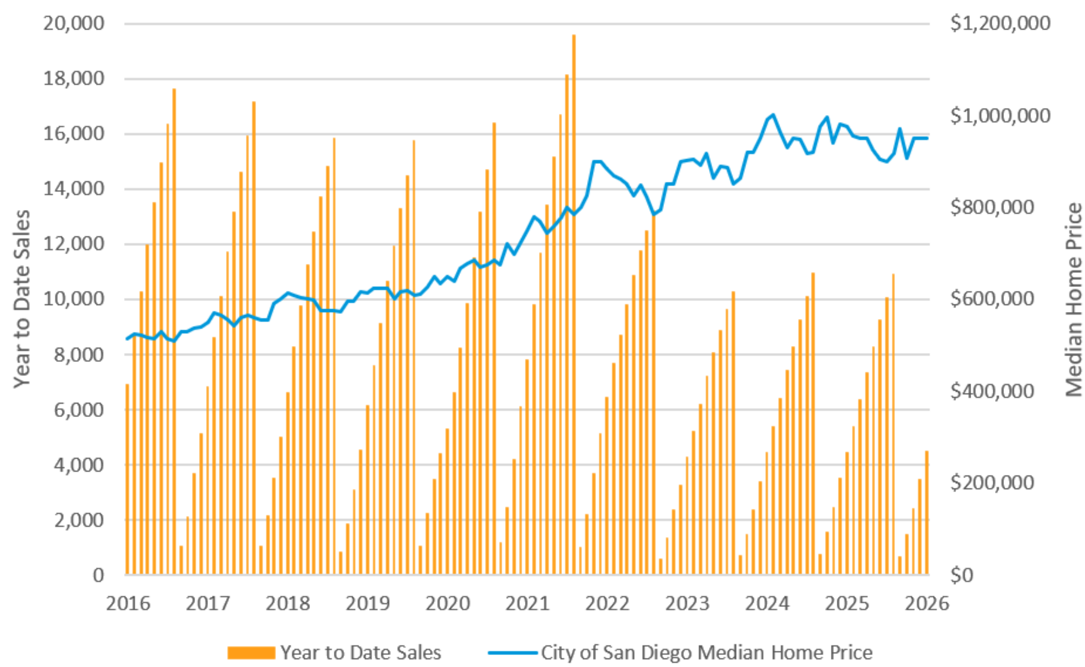
Source: Conference Board, Bureau of Labor Statistics, California Employment Development Department.

[18] The UCLA Anderson Forecast for the Nation and California. UCLA Anderson Forecast. Summer 2026. page 28.

Changes in home values, sales activity, and mortgage rates influence future assessed valuations and property tax revenue growth. As depicted in **Figure 3 - City of San Diego Monthly Median Home Price and Home Sales** and **Figure 4 - City of San Diego S&P/Case-Shiller Home Price Non-Seasonally Adjusted Index**, the average 12-month median home price from January 2025 through December 2025 was $947,375, an increase of 0.8 percent from $939,521 in calendar year 2024. During the same period, the number of home sales totaled 10,912, a slight decrease of 0.4 percent, compared to 10,959 in calendar year 2024. Overall, while the housing market reflected modestly lower sales activity, home prices remained elevated, supporting continued growth in assessed valuations and, in turn, property tax revenues.

Elevated interest rates also continue to influence housing market activity. At the Federal Open Market Committee (FOMC) meeting held on June 17, 2026, the Federal Reserve maintained the federal funds target at 3.50 percent to 3.75 percent, as it continues to assess economic conditions and inflation trends. Higher borrowing costs have moderated housing affordability and home sales activity, contributing to a more measured assumption for revenue growth. The FOMC "decided to maintain the target range for the federal funds rate at 3-1/2 to 3-3/4 percent, in support of the Federal Reserve's dual mandate. The committee reaffirmed its policy of maintaining ample reserves in the banking system. Inflation remains elevated relative to the Committee's 2 percent goal, in part reflecting supply shocks that have driven price increases in certain sectors, including energy. The Committee will deliver price stability".[19] According to the Committee, uncertainty around the economic outlook remains elevated.

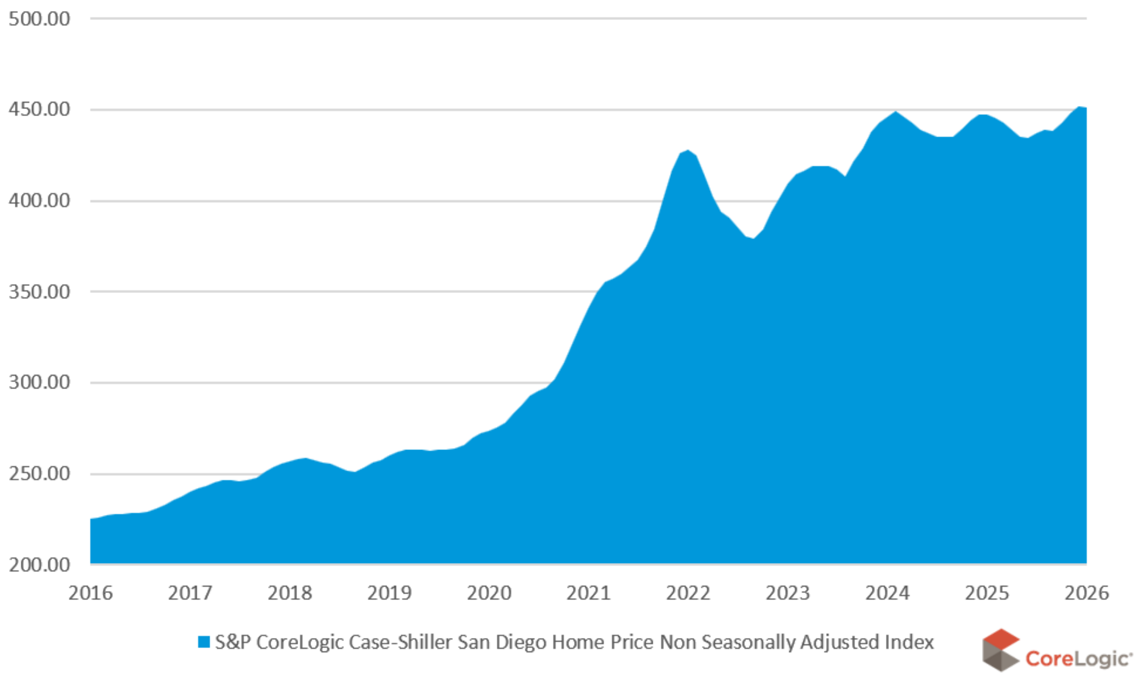
Figure 3 - City of San Diego Monthly Median Home Price and Home Sales



Source: HDLCC ®

[19] Federal Reserve issues FOMC Statement. Press Release. June 17, 2026.

Figure 4 - City of San Diego S&P/Case-Shiller Home Price Non-Seasonally Adjusted Index Graph



Source: CoreLogic ® S&P Dow Jones Indices LLC / Case-Shiller

Table 3 - Key Economic Indicators reflects economic indicators and assumptions that were used in the preparation of the Fiscal Year 2027 Adopted Budget.

Table 3 - Key Economic Indicators

Economic Indicator	May 2025	May 2026
City of San Diego Annual Home Sales[1] (Source: CoreLogic ®)	10,266	10,959
City of San Diego Average Annual Median Home Price[1] (Source: CoreLogic ®)	$874,813	$939,521
S&P/CoreLogic Case-Shiller Home Price NSA Index for the City of San Diego (Source: S&P Dow Jones Indices / CoreLogic ® Case-Shiller)	447.29	451.46
Countywide Foreclosures (12-month) (Source: County of San Diego)	249	232
Countywide Notices of Default (12-month) (Source: County of San Diego)	2,115	2,108
City of San Diego Unemployment Rates (Source: State of California Economic Development Department)	3.9%	3.8%
Consumer Confidence (Source: Conference Board)	98.4	90.6

[1]Represents calendar year 2024 and calendar year 2025 data from January through December.

In addition to economic indicators, expert forecasts also inform the City's revenue projections. The economic assumptions and revenue projections included in the Fiscal Year 2027 Adopted Budget are informed by the City's consultants and other economic sources available at the time that the budget was developed. These sources include the City's sales tax consultant, Hinderliter, de Llamas & Associates; the City's property tax consultant, HdL Coren & Cone; as well as the San Diego Tourism Authority; Tourism

Economics, an Oxford Economics Company; the San Diego Tourism and Marketing District; and the UCLA Anderson Forecast.

Expert forecasts also inform transient occupancy tax (TOT) revenue projections. The April 2026 San Diego Lodging Forecast, prepared by Tourism Economics for the San Diego Tourism Authority, projects restrained growth in room demand associated with continued moderate growth in overall travel. The forecast also anticipates a slight contraction in travel in calendar year 2027, with demand remaining below pre-pandemic levels. These projections support a cautious outlook for tourism-related revenue growth.

Broader economic conditions also influence the outlook for the City's major General Fund revenues. According to the UCLA Anderson Forecast, released in March 2026, while there remains uncertainty regarding the future direction of the economy, as economic policy continues to evolve, including changes in tariff schedules, ongoing geopolitical events, and elevated interest rates, "…the U.S. economy is expected to resume a brisk pace of nearly 3.0 percent GDP growth in 2026. This expansion is fueled by significant fiscal stimulus, through income tax cuts, looser financial conditions and an expanding boom in AI capital expenditures."[20]

Collectively, these economic indicators and expert forecasts informed the development of the Fiscal Year 2027 major General Fund revenue projections, balancing expectations for continued economic growth while recognizing ongoing economic uncertainty. Detailed assumptions and methodologies used to develop each of the four major General Fund revenues are provided in their respective sections.

Changes in local, State, and national economic conditions may affect General Fund revenues through Fiscal Year 2027. The Department of Finance will continue to monitor economic indicators and expert forecasts throughout Fiscal Year 2027 and will incorporate changes to General Fund revenue projections through the City's quarterly budget monitoring process.

Property Tax

General Fund Revenue
$881.0 million

Percent of General Fund Revenues
39.0 percent

Background

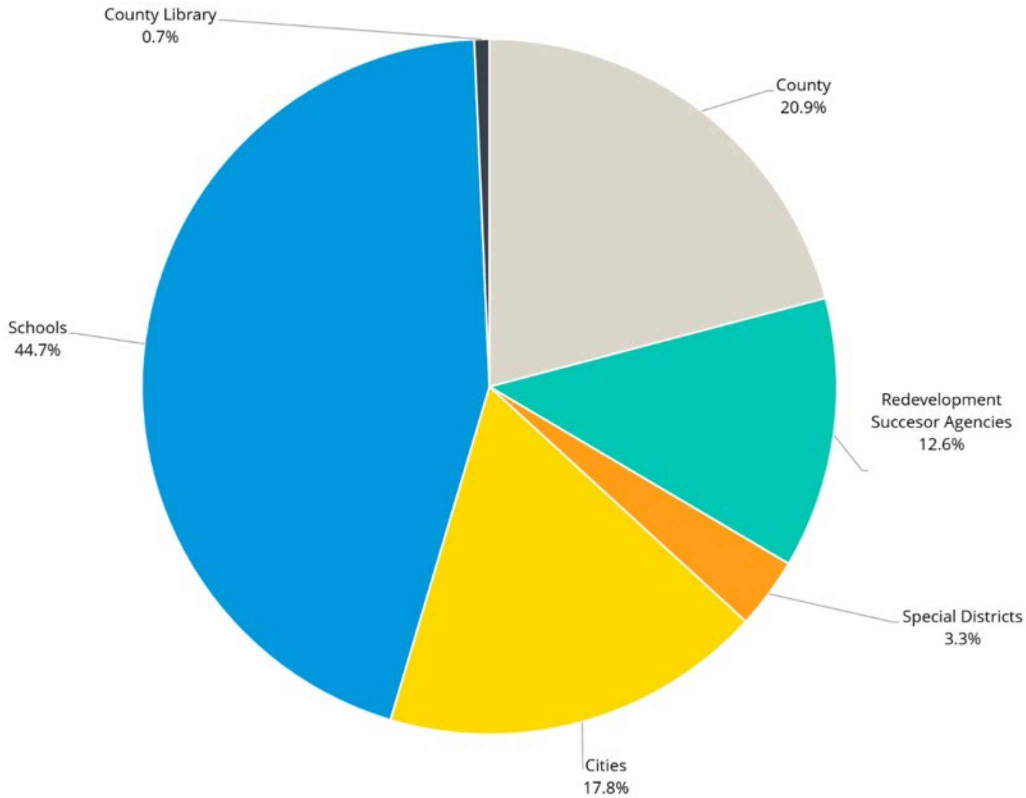
Property tax revenue is the City's largest revenue source, representing 39.0 percent of total General Fund revenue. Property tax revenue is collected by the San Diego County Tax Collector from a 1.0-percent levy on the assessed value of all real property. Proposition 13, passed by voters in 1979, specifies that a property's assessed value may increase at the rate of the California Consumer Price Index but cannot exceed 2.0 percent per year unless the property is improved or sold to establish a new assessed value. The 1.0 percent property tax levy is collected and distributed to several agencies, including the County, the City, school districts, and special districts. **Figure 5 - Fiscal Year 2027 Countywide Property Tax Distribution** depicts the respective distribution. According to the County of San Diego Assessor's Office, for every $100 collected the average allocation to cities within San Diego County totals $17.80. Additionally, per a City Charter requirement, a special tax levy, held separate from the General Fund, of $0.005 per $100 of assessed value is collected for funding the maintenance of zoological exhibits in Balboa Park.

Additionally, because redevelopment agencies were dissolved in Fiscal Year 2012, residual property tax revenue associated with former redevelopment areas is distributed through the Redevelopment Property Tax Trust Fund (RPTTF). Funding for continuing obligations approved by the California Department of Finance is distributed to the City as Successor Agency from the RPTTF after the Recognized Obligations Payment Schedule (ROPS) is met. These residual funds are then distributed to the local taxing entities per their individual allocation formulas at a rate ranging from 17.0 to 22.0 percent.

[20] The UCLA Anderson Forecast for the Nation and California. UCLA Anderson Forecast. Spring 2026. page 20.

Lastly, the Adopted Budget for property tax includes "property tax in lieu of motor vehicle license fee" payments, which are property tax revenues received from the State of California to replace the Motor Vehicle License fee (MVLF) that was repealed in 2004.

Figure 5 - Fiscal Year 2027 Countywide Property Tax Distribution



Source: San Diego County Property Tax Services

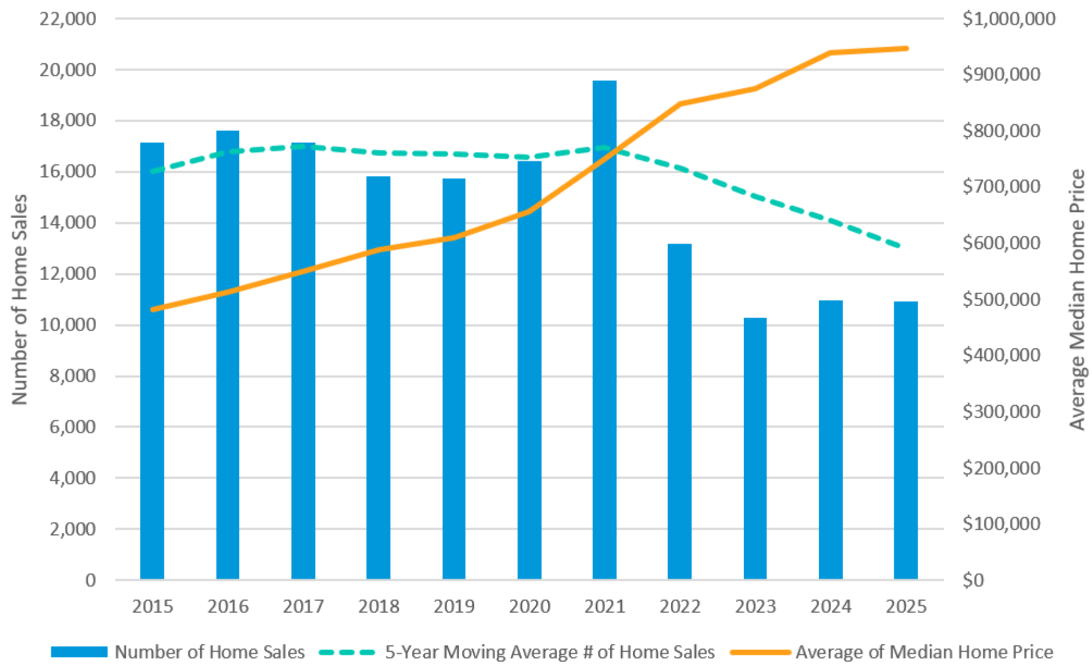
Economic Trends

Property Tax growth for the Fiscal Year 2027 Adopted Budget is based primarily on real estate activity through calendar year 2025 due to the timing difference between when property values are assessed and when property tax revenue is received by the City. The County Assessor's Office determines the assessed value of each property as of January 1 each year; however, property tax payments based on those assessed valuations are not due from property owners until December of the same year and April of the following year. This results in an approximate 12-to-18-month lag between changes in real estate market conditions and when those conditions are reflected in the City's property tax revenue receipts. As a result, the Fiscal Year 2027 property tax revenue projections largely reflect assessed valuations established through calendar year 2025 and do not fully reflect more recent market activity.

Annual assessed valuation growth is influenced by adjustments to properties that do not sell or are not improved within a given year. Under California Revenue and Taxation Code section 51, assessed values may increase annually by the California Consumer Price Index (CCPI), up to a maximum increase of 2.0 percent per year under Proposition 13. During the development of the Fiscal Year 2027 Adopted Budget, the October 2025 CCPI was unavailable due to the federal government shutdown in late 2025. As a result, the 2026 assessment roll will use the nearest available CCPI data from August 2025 to apply the maximum 2.0 percent increase permitted under Proposition 13. The August 2025 CCPI was 354.456, representing an increase of 3.3 percent when compared to the CCPI of 343.108 in August 2024. This indicates that the maximum 2.0 percent Proposition 13 adjustment will be applied to the 2026 assessment roll, contributing to stable assessed valuation growth. This stable growth supports the Fiscal Year 2027 property tax revenue assumptions.

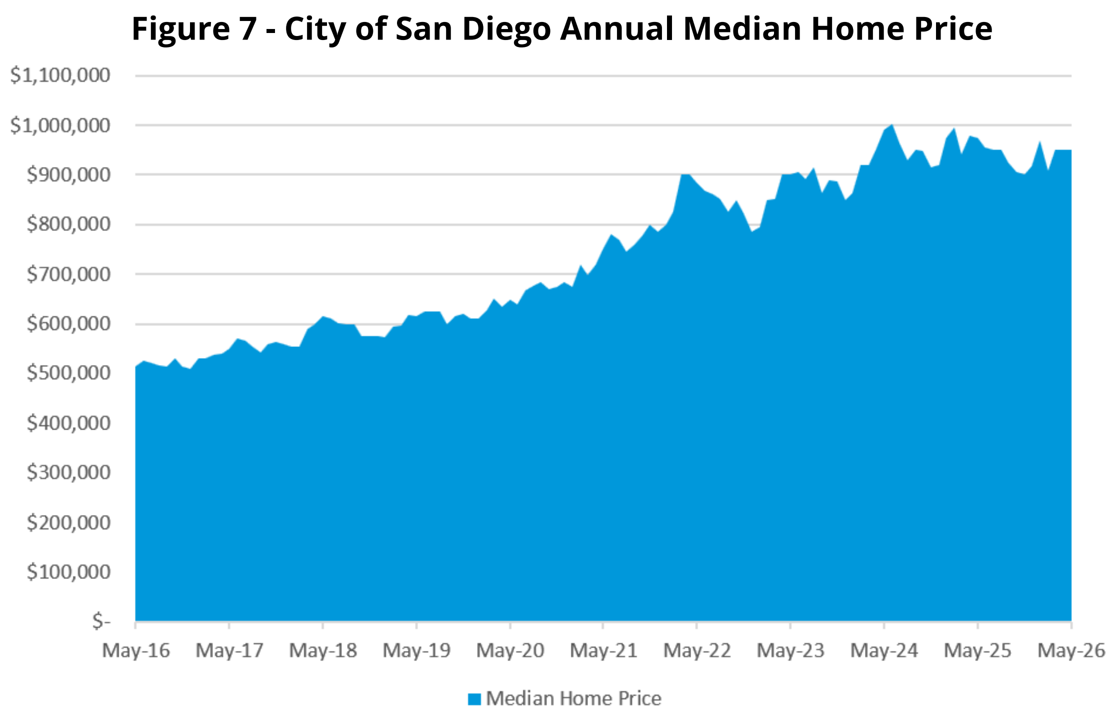
The City's residential real estate market experienced limited transaction volume in calendar year 2025, while elevated home values continue to support property tax stability. As depicted in **Figure 6 - City of San Diego Home Sales (CY)**, the City recorded 10,912 sales in calendar year 2025, which is a 0.4 percent decrease from the 10,959 home sales in calendar year 2024. This modest decline in activity is assumed to reflect continued affordability challenges, elevated mortgage rates, and limited housing inventory.

Figure 6 - City of San Diego Home Sales (CY)



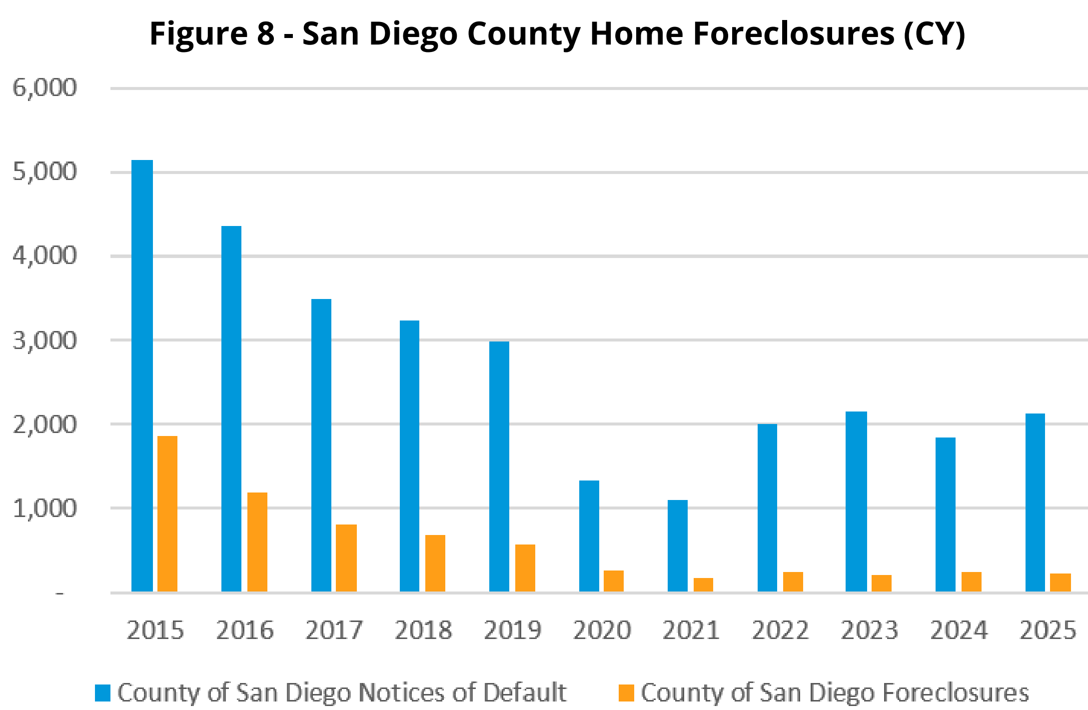
Source: HDLCC ®

Despite slower transaction activity, sustained housing demand contributed to elevated property values throughout the year. **Figure 7 - City of San Diego Annual Median Home Price** depicts the continued strength in median home prices over time. The median home sales price reached a peak of $995,000 in February 2025, an increase of 8.2 percent compared to the February 2024 median home sales price of $920,000. Median home sales prices fluctuated throughout the remainder of calendar year 2025, ending at $918,000 in December 2025. Although home sales activity declined modestly, elevated home values continued to support the Fiscal Year 2027 property tax revenue budget.



Source: HDLCC ®

Year-over-year foreclosure activity remained consistent with typical historical levels. As shown in **Figure 8 - San Diego County Home Foreclosures (CY),** foreclosures and notices of defaults remained limited, indicating continued stability in the residential housing market. Combined with stable employment conditions, these trends support stability in the local housing market, which, in turn, supports the Fiscal Year 2027 property tax budget.



Source: San Diego County Assessor/Recorder/County Clerk / CoreLogic ®

The City of San Diego's unemployment rate as of May 2026 is 3.8 percent, which reflects a slight decrease of 0.1 percent from the May 2025 unemployment rate of 3.9 percent and a decrease of 0.2 percent from the April 2026 rate of 4.0 percent. While employment growth is moderate, labor market conditions remain supportive of housing stability and support the Fiscal Year 2027 budget assumptions.

Mortgage interest rates have remained elevated compared to historical levels, despite the Federal Reserve's decision to reduce the federal funds rate three times towards the end of calendar year 2025. The Federal Open Market Committee (FOMC) has maintained the target federal rate range at 3.5 to 3.75 percent since the December 2025 reduction, including at their June 17, 2026, meeting, reflecting continued uncertainty regarding inflation and economic conditions. Elevated mortgage rates may affect housing affordability and housing market activity by influencing buyer demand and seller decisions. Notably, the UCLA Anderson Forecast does not predict any decreases to the federal funds rate for the remainder of 2026: "Beyond 2026, the outlook for rates is highly uncertain. Because the risks to inflation outweigh the risks to the labor market, interest rate hikes are a distinct possibility in 2027."[21]

Overall, the combination of continued elevated property values, stable assessed valuations, and stable employment conditions supports the City's Fiscal Year 2027 property tax revenue projections. While higher interest rates and slower transaction activity may influence future housing market conditions, these factors are not expected to materially affect Fiscal Year 2027 receipts because property tax revenues reflect market conditions with a 12- to 18-month lag.

Fiscal Year 2027 Adopted Budget

The Fiscal Year 2027 Adopted Budget for property tax revenue is $881.0 million, or 39.0 percent of the General Fund Budget. This represents an increase of $36.4 million, or 4.3 percent, from the Fiscal Year 2026 Adopted Budget. The Adopted Budget for property tax reflects 4.0 percent year-over-year growth from the Fiscal Year 2026 projected base. While the Adopted Budget for property tax represents a decrease of $2.8 million from the $883.8 million previously forecast in the Outlook, the projected growth remains consistent with the Outlook, as it is applied to an updated FY 2026 projected base and reflects relatively unchanged market conditions.

As detailed in **Table 4 - Fiscal Year 2027 Adopted Property Tax Budget**, the $881.0 million property tax budget is composed of $597.4 million in base property tax, $221.7 million in property tax in-lieu of Motor Vehicle License Fee (MVLF) payments, $47.6 million in anticipated residual property tax payments, and $14.2 million in tax sharing pass-through payments from the former Redevelopment Agency (RDA).

Table 4 - Fiscal Year 2027 Adopted Property Tax Budget

Property Tax Segments	Revenue (In Millions)
Base Property Tax	$ 597.4
Property Tax "In-Lieu" of MVLF	221.7
Residual Tax Sharing	47.6
Tax Sharing Distribution	14.2
Total Property Tax	**$ 881.0**

The Fiscal Year 2027 Adopted Budget assumes property tax growth of 4.0 percent over the Fiscal Year 2026 projected base and a collection rate of 98.9 percent, consistent with Fiscal Year 2026 levels and based on recent economic conditions. This assumption is supported by continued assessed valuation growth, the

[21] The UCLA Anderson Forecast for the Nation and California. UCLA Anderson Forecast. June 2026. page 19.

application of the 2.0 percent Proposition 13 adjustment, elevated median home prices, stable labor market conditions, and continued demand amid limited housing inventory. This growth assumption is consistent with the forecast prepared by the City's property tax consultant, HdL Coren & Cone.

Sales Tax

Background

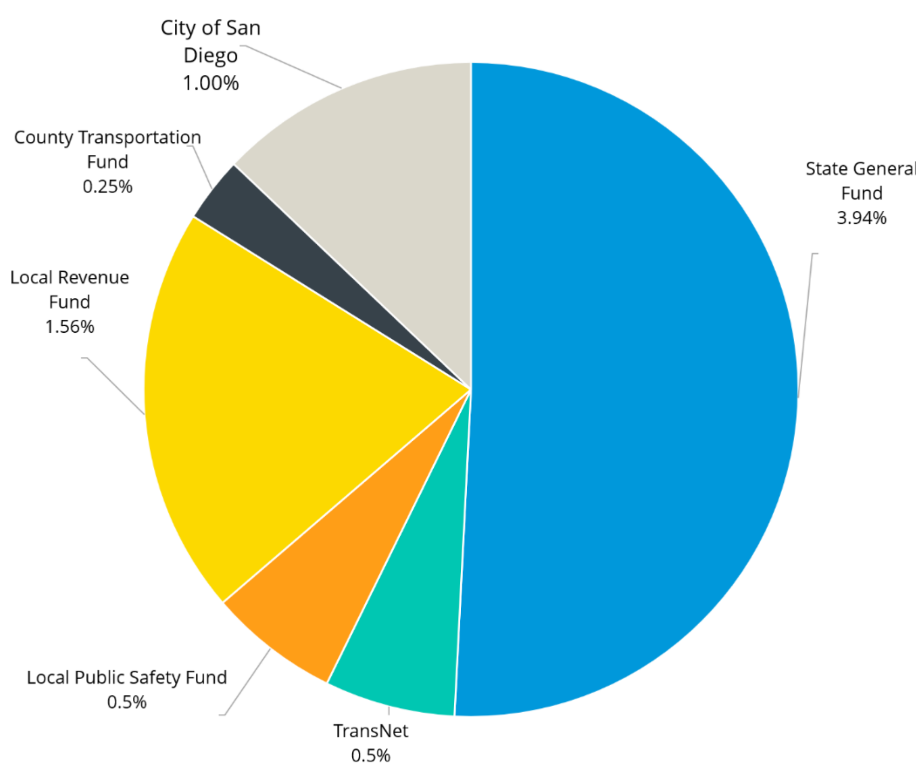
General Fund Revenues
$386.7 million

Percent of General Fund Revenues
17.1 percent

Sales tax is the second largest General Fund revenue source, representing 17.1 percent of total General Fund revenue. Collected at the point of sale, sales tax receipts are remitted to the California Department of Tax and Fee Administration, which allocates tax revenue owed to the City in monthly payments. Under the Bradley-Burns Sales and Use Tax law, the City is to receive one cent of the total statewide sales tax levied on each dollar of taxable sales.

As depicted in **Figure 9 - City of San Diego Sales Tax Rate (7.75 percent)**, the total citywide sales tax rate in San Diego is 7.75 percent, which includes two voter-approved supplemental sales tax add-ons: TransNet and safety sales tax. TransNet was implemented in 1987 to fund the San Diego Transportation Improvement Program for the maintenance, construction, and expansion of roads and bridges. The TransNet Extension Ordinance and Expenditure Plan, which went into effect in April 2008, renewed the half-cent obligation for an additional 40-year term. Additionally, the total citywide sales tax rate includes a half-cent tax approved by California voters in 1993 to fund local public safety expenditures.

Figure 9 - City of San Diego Sales Tax Rate (7.75 percent)



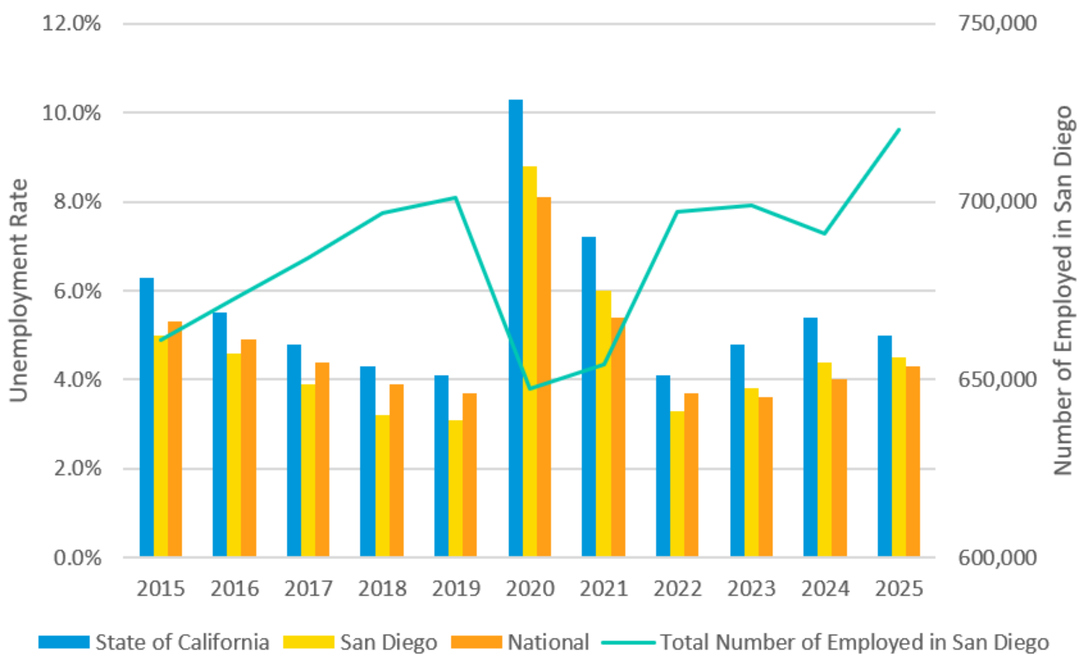
Source: California Department of Tax and Fee Administration.

Economic Trends

Economic indicators that influence consumer spending and sales tax receipts include employment levels, unemployment rates, consumer confidence, and Consumer Price Index (CPI). These indicators provide insight into overall economic conditions and consumer behavior that inform the City's sales tax revenue budget.

In May 2026, the City of San Diego preliminarily recorded 713,300 employed persons and an unemployment rate of 3.8 percent, compared to 725,200 employed persons and an unemployment rate of 3.9 percent in May 2025. **Figure 10 - Unemployment Rates by Calendar Year** depicts the City of San Diego's employment levels and unemployment rates by full calendar year, based on available data as of May 2026. Although employment levels declined modestly year over year, the unemployment rate remained low, indicating continued stability in the labor market. Stable employment conditions provide a solid foundation for consumer spending and support the Fiscal Year 2027 sales tax revenue forecast.

Figure 10 - Unemployment Rates by Calendar Year



Source: State of California-Employment Development Department, Bureau of Labor Statistics.

Consumer confidence was preliminarily recorded at 90.6 in May 2026, a decrease of 7.9 percent from 98.4 in May 2025. Although consumer confidence has improved from its January 2026 low of 84.5, consumer sentiment has fluctuated amid uncertainty surrounding inflation, economic policy, and geopolitical events. As a result, consumers have become more cautious with discretionary spending, prioritizing essential purchases, which may moderate taxable sales in Fiscal Year 2027.

The San Diego Consumer Price Index (CPI) increased 3.8 percent year-over-year, from 387.006 in May 2025 to 401.605 in May 2026. Although inflation has moderated from its recent elevated levels, it remains above the Federal Reserve's 2.0 percent target, continuing to affect consumer spending. Higher costs for essential expenses, including many non-taxable areas such as housing, healthcare, and energy, may reduce consumers' discretionary spending on taxable goods. These inflationary pressures are considered in the Fiscal Year 2027 sales tax budget, as changes in consumer spending patterns may affect the growth and sales tax. Notably, the UCLA Anderson Forecast, released in Summer 2026, projects inflation to decline gradually to 2.5 percent in the first quarter of calendar year 2027 and 2.3 percent by the fourth quarter of calendar year 2028, while forecasting that real consumer spending on services, which are generally not subject to sales tax, will continue to outpace spending on goods through calendar year 2027[22].

Overall, these economic conditions support a cautious sales tax revenue budget, balancing continued labor market strength with elevated prices and shifts in consumer spending patterns. While consumer activity remains resilient, slower growth in taxable goods consumption may moderate sales tax revenue growth in Fiscal Year 2027.

Fiscal Year 2027 Adopted Budget

The Fiscal Year 2027 Adopted Budget for sales tax is $386.7 million, or 17.1 percent of the General Fund revenue budget. This represents an increase of $12.1 million, or 3.2 percent, from the Fiscal Year 2026 Adopted Budget and an increase of $3.1 million from the $383.6 million previously forecasted in the Outlook. The increase from the Outlook is primarily attributable to stronger-than-anticipated sales tax receipts collected in the first half of Fiscal Year 2026, which increased the base for the Fiscal Year 2027 projection and contributed to the projected growth.

The Fiscal Year 2027 Adopted Budget assumes sales tax growth of 2.0 percent over the Fiscal Year 2026 projected base. This growth assumption reflects recent revenue performance while incorporating the moderate economic conditions discussed in the Economic Trends section, including lower consumer confidence, persistent inflationary pressures, and continued economic uncertainty. This growth is consistent with the most recent quarterly projection report received in April 2026 from the City’s sales tax consultant, HdL Companies.

Fiscal Year 2027 sales tax revenues remain sensitive to changes in consumer spending, employment conditions, and inflation. These factors remain subject to broader economic conditions, including changes in tariff policies, geopolitical events, and other developments that may affect consumer and business confidence. Additionally, State Senate Bill 122, approved on June 29, 2026, expands California’s sales and use tax to include Software-as-a-Service (SaaS) and digital software platforms, beginning January 1, 2027. Since the bill was passed after the Fiscal Year 2027 Budget was adopted, related revenue collections are not reflected. The City is expected to collect additional sales tax revenues from SaaS transactions within the city limits. While the amount of additional revenue is unknown at this time, a portion of the increase will be partially offset by unbudgeted expenditures for the City’s own taxable technology and software subscriptions. These factors will be monitored throughout the fiscal year, and revenue projections will be revised as updated economic and sales tax data becomes available.

General Fund Transient Occupancy Tax (TOT)

Background

General Fund Revenues
$169.7 million

Percent of General Fund Revenues
7.5 percent

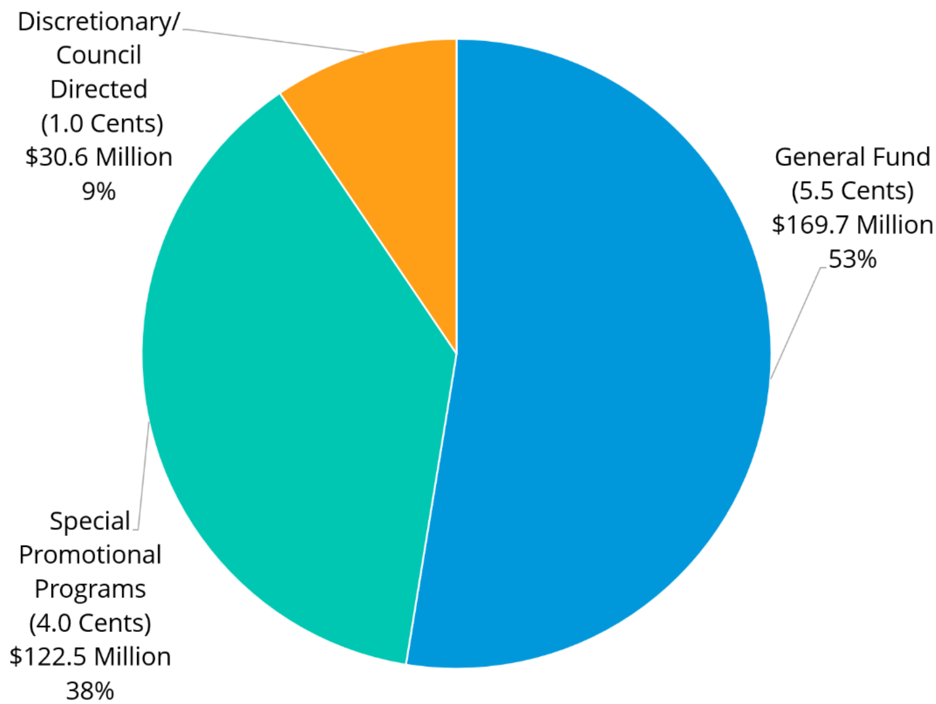
Transient Occupancy Tax makes up 7.5 percent of the City's General Fund revenue budget. TOT is levied at 10.5 cents per dollar on taxable rent for transient stays of less than one month. The use of TOT is governed by the City's Municipal Code, which allocates collected TOT as follows: 5.5 cents for general government purposes, 4.0 cents for promoting the City as a tourist destination, and 1.0 cent for any purpose approved by the City Council. This allocation structure is depicted in **Figure 11 - City of San Diego Transient Occupancy Tax Allocation**. Additional TOT revenue associated with Measure C, which increases the City’s hotel visitor rate above the existing 10.5 percent rate, depending on

[22] The UCLA Anderson Forecast for the Nation and California. UCLA Anderson Forecast. June 2026. Page 29.

a hotel's location within one of the three geographic zones, is discussed separately in the Citywide Budget Overview section of Volume I and the Transient Occupancy Tax Fund department budget page in Volume II and is not included in the figures presented below.

The Fiscal Year 2027 Adopted Budget includes $322.7 million in total TOT revenue. Of this amount, $169.7 million is allocated to the General Fund, representing the 5.5 cents designated for general government purposes. The remaining $153.1 million represents the 4.0 cents for purposes that promote the City as a tourist destination, including reimbursements to the General Fund for the safety and maintenance of visitor-related facilities, and the 1.0 cent designated for City Council-approved discretionary uses.

Figure 11 - City of San Diego Transient Occupancy Tax Allocation



Economic Indicators

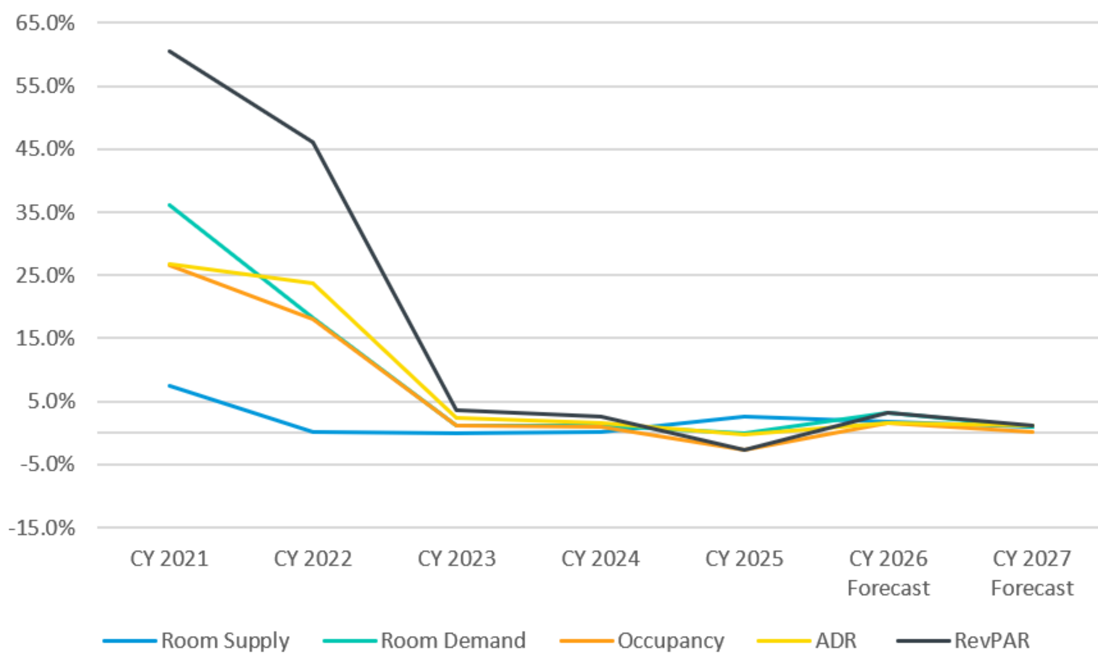
The primary economic indicators of transient occupancy tax include room rates, occupancy, and room demand growth. Together, these indicators provide insight into tourism activity, travel demand, and lodging market conditions that influence the City's transient occupancy tax revenue assumptions.

The April 2026 San Diego County Lodging Forecast, prepared for the San Diego Tourism Authority by Tourism Economics, projects moderate growth across the lodging sector in calendar year 2027. Hotel occupancy is forecasted at 73.4 percent, a slight increase from 73.3 percent in the prior year. Room demand is projected to increase by 1.0 percent, while room supply is expected to grow 0.9 percent. Average Daily Rate (ADR) and revenue per available room (RevPAR) are projected to increase by 1.1 percent and 1.2 percent, respectively, contributing to room revenue growth of 2.1 percent. **Figure 12 - Year-Over-Year Percentage Growth in Key Hotel Sector Indicators** depicts the projected growth of these indicators.

The forecast also highlights continued, but moderate growth in leisure, business and group travel in calendar year 2027. While previous forecasts anticipated a gradual return of business travel to pre-pandemic levels, ongoing economic uncertainty and inflationary pressures have slowed the recovery of business, international, and group travel demand. International travel declined significantly in calendar year 2025, negatively affecting transient occupancy tax receipts; however, leisure and international travel are projected to increase by 3.6 percent and 3.4 percent, respectively, indicating continued improvement in tourism activity[23]. However, elevated inflation and rising fuel costs may prompt consumers to limit discretionary travel spending to prioritize essential purchases.

These trends support the City's transient occupancy tax revenue budget by indicating continued growth in hotel activity, although at a more moderate pace. The projected increase in occupancy, room rates, and overall room revenue provides a basis for continued revenue growth while acknowledging the potential effects of economic uncertainty on travel demand.

Figure 12 - Year-Over-Year Percentage Growth in Key Hotel Sector Indicators



Source: San Diego Tourism Authority; Tourism Economics San Diego County Lodging Forecast, April 2026.

	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026[1]	CY 2027[1]
Hotel Sector							
Avg. Occupancy	61.5%	72.6%	73.4%	74.2%	72.2%	73.3%	73.4%
Avg. Daily Rate	$ 165.55	$ 205.01	$ 209.99	$ 213.19	$ 212.85	$ 216.16	$ 218.64
Rev PAR[2]	$ 101.83	$ 148.75	$ 154.20	$ 158.10	$ 153.77	$ 158.51	$ 160.46
Room Demand (growth)	36.1%	18.2%	1.2%	1.1%	-0.1%	3.2%	1.0%

Source: San Diego Tourism Authority; Tourism Economics San Diego County Lodging Forecast, April 2026

[1] Forecast - Tourism Economics, April 2026

[2] Revenue Per Available Room (Average Occupancy multiplied by Average Daily Rate)

[23] San Diego County Lodging Forecast. Tourism Economics. April 2026. Page 25.

Fiscal Year 2027 Adopted Budget

The Fiscal Year 2027 Adopted Budget for total Transient Occupancy Tax (TOT) revenue allocated to the General Fund is $169.7 million, or 7.5 percent of the General Fund revenue budget. This represents a decrease of $607,000, or 0.4 percent, from the Fiscal Year 2026 Adopted Budget and a decrease of $1.2 million from the $170.9 million previously forecasted in the Outlook due to an updated Fiscal Year 2026 projected base.

The Fiscal Year 2027 Adopted Budget assumes General Fund TOT growth of 2.1 percent over the Fiscal Year 2026 projected base. While the Fiscal Year 2027 Adopted Budget is relatively flat compared to the Fiscal Year 2026 Adopted Budget due to lower receipts collected in the first half of Fiscal Year 2026, the projected growth is consistent with the lodging forecast and improvement in tourism activity observed during the last quarter of Fiscal Year 2026. The projection balances economic uncertainty, inflationary pressures, and elevated travel costs, which may constrain discretionary travel spending and moderate the pace of recovery in business, international, and group travel demand.

Total Fiscal Year 2027 TOT revenue is projected at $322.7 million, of which $153.0 million is allocated outside the General Fund for designated purposes, 4.0 cents for promoting the City as a tourist destination, and 1.0 cent for any purpose approved by the City Council. Additional information regarding these allocations is provided in the Special Promotional Programs department budget section in Volume II.

Franchise Fees

Background

General Fund Revenues
$105.7 million

Percent of General Fund Revenues
4.7 percent

Franchise Fee revenue makes up 4.7 percent of the City's General Fund revenue budget. Franchise fee revenue is generated from agreements with private utility companies in exchange for the use of the City's rights-of-way. The largest of the franchise fee payers in the City are San Diego Gas and Electric (SDG&E), Cox Communications, Spectrum TV, AT&T U-verse, California American Water (Cal AM), and Energy Center San Diego (ECSD) for temperature controlled chilled water. In addition, the City collects franchise fees from private refuse haulers that conduct business within the City limits. Revenue from agreements with SDG&E, cable companies, Cal AM and ECSD is based on a percentage of gross sales, while revenue from refuse haulers is based on tonnage collected.

Fiscal Year 2027 Adopted Budget

The Fiscal Year 2027 Adopted Budget includes $105.7 million in Franchise Fee revenue, which represents a decrease of $717,000, or 0.7 percent, from the Fiscal Year 2026 Adopted Budget and an increase of $6.6 million from the Outlook, based on SDG&E's certified calendar year 2025 franchise fee statement received in Fiscal Year 2026.

SAN DIEGO GAS & ELECTRIC: SDG&E is the single largest generator of franchise fee revenue in the General Fund and remits 3.0 percent of the gross sales of gas and electricity within the City of San Diego. Based on City Charter Article VII: Section 103.1a, revenue from SDG&E is split between the General Fund (75.0 percent) and the Environmental Growth Funds (25.0 percent).

The General Fund Fiscal Year 2027 Adopted Budget includes $70.3 million for SDG&E franchise fee revenue. This estimate is based on SDG&E's certified calendar year franchise fee statement and assumes 1.0 percent growth to reflect historical energy consumption trends. To preserve General Fund resources for existing City services, the Fiscal Year 2027 Adopted Budget, permitted by the applicable City Council resolutions, temporarily suspends the $7.0 million Climate Equity Fund allocation and the Energy Independence Fund allocation, representing the General Fund's share of the minimum 20.0 percent of the Bid amount, calculated at $88,000. Additionally, consistent with the City's franchise agreement with SDG&E, the Fiscal Year 2027 Adopted Budget reflects the discontinued $585,000 allocation in electric franchise bid payment. Electric franchise bid payments concluded in Fiscal Year 2026 and are not scheduled to resume until Fiscal Year 2031, subject to renewal of the franchise agreement.

Franchise fee revenue remains sensitive to changes in energy consumption, weather, utility rates, and broader energy market conditions. Further revenues may also be affected by rate adjustments approved by the California Public Utilities Commission (CPUC) through SDG&E's General Rate Case process.

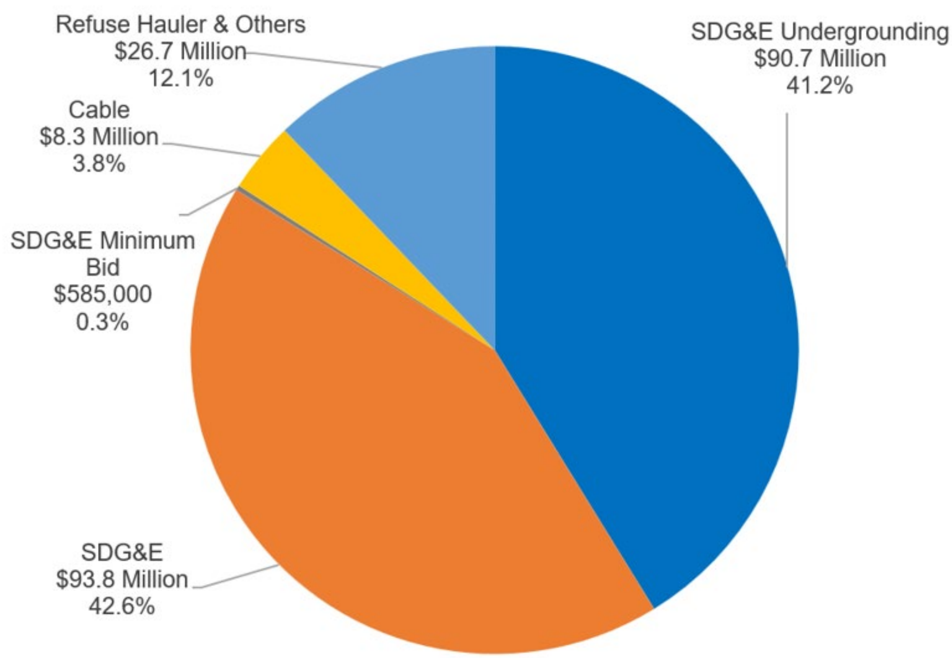
Separately, the Fiscal Year 2027 Adopted Budget includes $90.7 million in SDG&E undergrounding utility franchise fee revenue, budgeted in the Underground Surcharge Fund to support the undergrounding of electric distribution infrastructure within the City's right-of-way. An additional $23.4 million in franchise fee revenue is allocated to the Environmental Growth Funds (EGF), which supports park and open space maintenance, debt service for open space acquisitions, and stormwater mitigation.

CABLE COMPANIES: The Fiscal Year 2027 Adopted Budget for cable franchise fee revenue is $8.3 million and is based on updated Fiscal Year 2026 projections. The Adopted Budget assumes a decrease of 7.6 percent, reflecting historical revenue trends and continued declines in subscriptions for traditional cable providers as consumers continue to transition to alternative media platforms.

REFUSE HAULERS AND OTHER FRANCHISES: The Fiscal Year 2027 Adopted Budget for refuse haulers and other franchise fee revenues is $26.7 million and is based on updated Fiscal Year 2026 projections. The City anticipates $15.1 million from refuse collection fees, $2.7 million in revenue related to the Police Department's vehicle tow program, $240,000 in revenue from the EDCO facilities, and $879,000 from other franchise fee sources, including revenue from California American Water (Cal AM) and Energy Center San Diego (ECSD) Temp Controlled Water. Also, included is an allocation for the General Fund of $7.8 million, associated with the Sycamore Facility franchise fee.

Figure 13 - Franchise Fee Revenue Breakdown depicts the composition of total franchise fee revenue.

Figure 13 - Franchise Fee Revenue Breakdown



Property Transfer Tax

Background

General Fund Revenues
$12.0 million

Percent of General Fund Revenues
0.5 percent

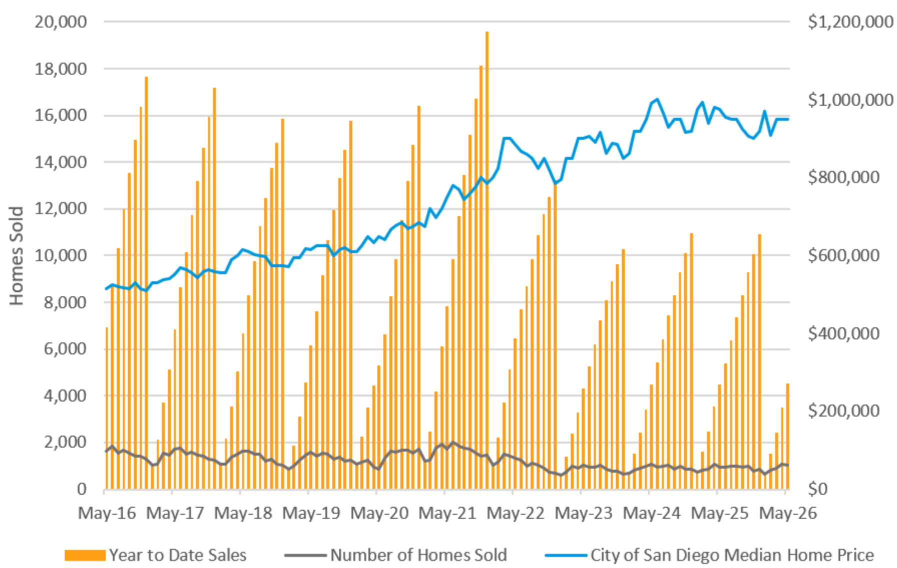
Property Transfer Tax makes up 0.5 percent of the General Fund revenue budget. The Property Transfer Tax is levied on the sale of real property. The County of San Diego collects $1.10 per $1,000 of the sale price when any real property is sold. The City is credited $0.55 per $1,000 against the County's charge, giving both the County and City each $0.55 per $1,000 of the sale price. The County collects funds from the sale of real property within City limits and transfers them to the City monthly.

Economic Trends

The primary economic indicators influencing property transfer tax revenue are home sales activity and home prices, which directly affect the volume and value of taxable property transactions. Unlike property tax revenue, which typically reflects changes in real estate market conditions after a 12- to 18-month lag, property transfer tax revenue reflects current housing market activity.

Housing market conditions are expected to remain measured through calendar year 2026 as elevated mortgage interest rates and persistently elevated home prices continue to moderate housing affordability and home sales activity. As discussed in the San Diego Economic Environment section, the City's housing market has experienced modestly lower home sales activity in calendar year 2025 while home prices remained elevated. Although mortgage interest rates saw a relative ease towards the end of calendar year 2025, borrowing costs remain elevated and are expected to continue tempering housing market activity through calendar year 2026 and inform the Fiscal Year 2027 revenue forecast. As of May 2026, the City recorded 4,489 home sales year-to-date in calendar year 2026, an increase of 0.9 percent compared to the same period last year, when 4,447 sales were recorded. The median home price was $950,000 in May 2026, representing a decrease of 2.6 percent compared to the May 2025 median home price of $975,000. While transaction activity has increased compared to the prior year, median home prices have remained elevated, reflecting continued demand and limited housing inventory. These conditions support a more measured property transfer tax revenue budget. **Figure 14 - City of San Diego Home Sales** illustrates these housing market trends.

Figure 14 - City of San Diego Home Sales



Source: HDLCC®

Fiscal Year 2027 Adopted Budget

The Fiscal Year 2027 Adopted Budget for Property Transfer Tax revenue is $12.0 million, which represents an increase of $143,000, or 1.2 percent, from the Fiscal Year 2026 Adopted Budget. The increase reflects slightly higher-than-anticipated property transfer tax receipts received to date in Fiscal Year 2026, which increased the projected base for Fiscal Year 2027.

The Fiscal Year 2027 Adopted Budget assumes modest growth in property transfer tax revenue, reflecting expectations for measured housing market activity amid elevated mortgage interest rates and affordability challenges. These factors may continue to influence home sales activity, as elevated home prices and borrowing costs may limit housing inventory and affordability, as discussed in the Economic Trends section. The budget also reflects recent property transfer tax collections, which have shown a positive year-to-date trend as of May 2026 for calendar year 2026.

Property transfer tax revenue remains sensitive to changes in housing market conditions, including interest rates, home prices, and transaction activity.

As noted in the property tax section, the Federal Open Market Committee (FOMC) maintained the federal funds rate target range at 3.50 to 3.75 percent following its June 17, 2026 meeting.[24] While stable interest rates may reduce uncertainty in the housing market, borrowing costs remain elevated compared to recent years and may continue to influence buyer and seller activity. Changes in the federal funds rate and broader market conditions in calendar year 2026 could impact Fiscal Year 2027 property transfer tax receipts.

Licenses and Permits

Background

General Fund Revenues
$57.8 million

Percent of General Fund Revenues
2.6 percent

The Licenses and Permits category includes revenues that recover costs associated with regulating activities, as well as business certificate fees, rental unit certificate fees, parking meter collections, alarm permit fees, and special event permits.

Fiscal Year 2027 Adopted Budget

The Fiscal Year 2027 Adopted Budget for licenses and permits is $57.8 million, or 2.6 percent of the General Fund revenue budget. This represents a decrease of $4.6 million, or 7.4 percent, from the Fiscal Year 2026 Adopted Budget. The net decrease is primarily attributed to the following:

- $8.1 million decrease in Balboa Park paid parking revenue due to the elimination of the paid parking program, effective December 31, 2026.
- $1.1 million decrease in Cannabis Business Tax associated with a decrease in gross receipts reported by retail outlets. Although the City Council approved an increase in the tax rate to 10.0 percent effective May 1, 2025, the additional revenue has been offset by a continued decline in reported gross receipts.
- $4.7 million increase in the Short-Term Residential Occupancy (STRO) program, reflecting the program's two-year license renewal cycle.

[24]Federal Reserve issues FOMC Statement. Press Release. June 17, 2026.

Fines, Forfeitures, and Penalties

Background

General Fund Revenues
$45.9 million

Percent of General Fund Revenues
2.0 percent

The Fines, Forfeitures, and Penalties category includes revenue generated from the violation of laws or regulations, such as California Vehicle Code violations, City parking and ordinance violations, negligent impounds, collection referrals, and litigation awards.

Fiscal Year 2027 Adopted Budget

The Fiscal Year 2027 Adopted Budget for fines, forfeitures, and penalties revenue is $45.9 million, or 2.0 percent of the General Fund revenue budget. This represents an increase of $103,000, or 0.2 percent, from the Fiscal Year 2026 Adopted Budget.

The net increase is primarily attributed to right-sizing the parking citation revenue budget to align with parking meter operations and enforcement activity based on recent trends.

Revenue from Money and Property

Rents and Concessions

General Fund Revenues
$96.7 million

Percent of General Fund Revenues
4.3 percent

Revenue from Money and Property is primarily comprised of rents and concessions revenue generated from Mission Bay Park, Balboa Park, City Pueblo Lands, and Torrey Pines Golf Course, as well as interest and dividend earnings. The largest component of this category is revenue from Mission Bay Park rents and concessions, the majority of which is generated through leases with Sea World, Marina Village, and the hotels and marinas within Mission Bay Park. Another significant source is lease revenue from the Midway/Frontier property.

Per City Charter Section 55.2, the first $20.0 million of Mission Bay rents and concessions is retained in the General Fund. Revenue in excess of this threshold is allocated to the San Diego Regional Parks Improvements Fund and the Mission Bay Park Improvements Fund. The San Diego Regional Parks Improvements Fund receives 35.0 percent of revenues in excess of the threshold amount or $3.5 million, whichever is greater, with the remaining amount allocated to the Mission Bay Park Improvements Fund.

Interest and Dividends

In accordance with the City Charter and authority granted by the City Council, the City Treasurer is responsible for investing the City's cash assets, exclusive of City Pension Trust Funds. Except for certain bond funds, all City funds are pooled and invested together in the City Treasurer's Pooled Investment Fund (Fund) to manage the City's cash flow requirements. Fund investments must comply with the City Treasurer's Investment Policy and the State of California Government Code guidelines and restrictions. The maximum maturity of any investment may not exceed five years. The selection of an investment is based on safety, liquidity, risk, interest rate environment, and the cash flow requirements of the City. Deviations in returns from one fiscal year to the next can generally be attributed to changes in market interest rates or the amount invested during the fiscal year. Past interest earnings performance is no guarantee or indicator of future results. Interest earnings are allocated to the participating City funds based on their pro rata share of cash balances.

Fiscal Year 2027 Adopted Budget

The Fiscal Year 2027 Adopted Budget for revenue from money and property is $96.7 million, or 4.3 percent of the General Fund revenue budget. This represents a net increase of $10.9 million, or 12.6 percent, from the Fiscal Year 2026 Adopted Budget. This net increase is primarily attributed to the following:

- $5.1 million in higher interest earnings from pooled investments associated with the issuance of a Tax and Revenue Anticipation Note.
- $4.3 million increase in the transfer from the Golf Enterprise Fund to the General Fund through a higher land use fee for City-owned golf properties.

Revenue from Federal & Other Agencies

Background

General Fund Revenues
$11.8 million

Percent of General Fund Revenues
0.5 percent

Revenue from Federal and Other Agencies includes federal grants and reimbursements for City services such as court crime lab revenue, urban search and rescue, and service level agreements.

Fiscal Year 2027 Adopted Budget

The Fiscal Year 2027 Adopted Budget for Revenue from Federal and Other Agencies is $11.8 million, or 0.5 percent of the General Fund revenue budget. This represents a net decrease of $600,000, or 5.3 percent, from the Fiscal Year 2026 Adopted Budget. This net decrease is primarily due to the following:

- $2.0 million net decrease associated with the removal of one-time revenues from Fiscal Year 2026 related to Fire-Rescue strike team deployments, grant revenue, and reimbursements that supported the maintenance of beach fire rings.
- $1.0 million increase in grant reimbursements to support wildfire risk reduction efforts.
- $600,000 increase associated with a cost-sharing Joint Partnership Agreement with the County of San Diego to support operations of select reservoirs.

Charges for Current Services

Background

General Fund Revenues
$374.7 million

Percent of General Fund Revenues
16.6 percent

Charges for Current Services revenue is generated by payments for services provided to the public and other City funds. This category includes General Government Services Billing (GGSB) revenue and Transient Occupancy Tax (TOT) allocations used to reimburse General Fund expenditures. GGSB revenue is generated through the annual allocation of central service costs to City departments, while TOT revenue reimburses departments for expenditures supporting visitor-related facilities.

Fiscal Year 2027 Adopted Budget

The Fiscal Year 2027 Adopted Budget for charges for current services revenue is $374.7 million, or 16.6 percent of the General Fund revenue budget. This represents a net increase of $43.8 million, or 13.2 percent, from the Fiscal Year 2026 Adopted Budget. This net increase is primarily attributed to the following:

- $14.6 million increase in TOT reimbursements to support eligible expenditures in General Fund Departments.
- $6.0 million increase to General Government Services Billing revenue to reimburse for the core centralized support functions within the General Fund.
- $3.8 million increase in revenue to support the City's “Ready, Set, Grow San Diego” tree planting program.
- $3.7 million in reimbursements from the Road Maintenance and Rehabilitation Account (RMRA) to support the implementation of the City’s Speed Management Plan and the Multi-Modal team.
- $2.9 million in Opioid Settlement funds for the operation of an opioid-focused shelter and the Intervention Services Team.

- $2.7 million increase in reimbursements from the Environmental Growth Funds (EGF) for eligible expenditures
- $2.2 million increase associated with the restructure of the Office of Labor Standards & Enforcement, which allows for the leverage of grant and penalty funds.
- $2.0 million increase to align the revenue budget with Fire-Rescue’s support for the Junior Lifeguard Program, Paramedic School, EMS continuing education, support to Petco Park, and other programs.
- $1.9 million in reimbursements for public safety overtime expenditures related to security and traffic control at special events.

Transfers In

Background

General Fund Revenues
$111.6 million

Percent of General Fund Revenues
4.9 percent

The Transfers In revenue category includes revenues received by the General Fund from other non-general funds, including the 1.0 cent Transient Occupancy Tax (TOT) transfer, the Safety Sales Tax transfer, and Gas Tax revenue.

Fiscal Year 2027 Adopted Budget

The Fiscal Year 2027 Adopted Budget for Transfers In is $111.6 million, or 4.9 percent of the General Fund revenue budget. This represents a decrease of $9.8 million, or 8.1 percent, from the Fiscal Year 2026 Adopted Budget. This net decrease is primarily attributed to the following:

- $8.1 million decrease associated with the removal of one-time revenue included in the FY 2026 Adopted Budget related to anticipated reimbursement from the California Governor's Office of the Emergency Services (CalOES) for the January 2024 winter storm costs.
- $6.5 million decrease in reimbursements from the Solid Waste Management Fund due to a reallocation of debt service from the General Fund to the Solid Waste Management Fund.
- $4.9 million increase in reimbursements from the Fire/Emergency Medical Services Transport Fund for eligible expenditures supporting the City's Emergency Medical Services (EMS) program.

Other Revenue

Background

General Fund Revenues
$3.1 million

Percent of General Fund Revenues
0.1 percent

Other revenue is comprised of library donations, ambulance fuel reimbursements, corporate sponsorships, reimbursement for damage to City property, and other miscellaneous revenues.

Fiscal Year 2027 Adopted Budget

The Fiscal Year 2027 Adopted Budget for Other Revenue is $3.1 million, or 0.1 percent of the General Fund revenue budget. This represents a net increase of $1.0 million, or 44.8 percent, from the Fiscal Year 2026 Adopted Budget. This increase is primarily attributed to $1.0 million in delinquent account overpayments that have not been claimed by individuals and/or businesses. The City Treasurer will establish a process for escheating these overpayments and expects it to be completed in Fiscal Year 2027.

State of California Budget Impacts[25]

On June 29, 2026, Governor Gavin Newsom signed into law the Budget Act of 2026, which appropriates $351.7 billion in State funds, including $251.5 billion from the General Fund, and an estimated $35.2 billion in total reserves for 2026-27.

Per the Governor, the Budget Act of 2026 balances California's General Fund budget for the next two fiscal years, through 2027-28, and lowers future budget deficits. This is primarily due to higher-than-anticipated tax revenue due to higher stock market levels tied to artificial intelligence. The final budget also projects the Budget Stabilization Account (BSA) balance in 2026-27 to be $15.1 billion. In addition to this reserve amount, the budget also includes a projected ending balance of $4.5 billion in the Special Fund for Economic Uncertainties and $9.2 billion in the Public School System Stabilization Account. Additionally, $6.4 billion is set aside to help balance the 2027-28 budget, which brings the combined amount of reserves to approximately $35.2 billion in 2026-27.

The budget includes the addition of 22,700 new childcare spaces; allocates $700.0 million for affordable housing programs, including the Multifamily Housing Program and Low-Income Housing Tax Credit program; and maintains funding for the In-Home Support Services program for in-home care.

The budget also includes $900.0 million for a seventh round of the Homeless Housing, Assistance, and Prevention (HHAP) grant program, contingent on accountability and performance requirements. This is $400.0 million higher than the amount included in the May Revision. Previously, the sixth round of the HHAP program allocated $1.0 billion as part of the 2024-25 fiscal year.

Annual Tax Appropriations Limit (Gann Limit)

In November 1979, California voters approved Proposition 4 (the Gann Initiative) and added Article XIIIB to the California State Constitution. In 1980, the State Legislature added Division 9 (commencing with Section 7900) to Title I of the Government Code to implement Article XIIIB. This legislation required the governing body of each local jurisdiction in California to establish a Tax Appropriations Limit (also referred to as the Gann Limit) on or before June 30 of each year for the following fiscal year. The Tax Appropriations Limit is based on actual appropriations during the State of California Fiscal Year 1978-79 and adjusted each year using population and inflation adjustment factors.

On June 5, 1990, California voters approved Proposition 111, amending Article XIIIB. Proposition 111 allows local jurisdictions to choose among measures of inflation and population growth to compute the adjustment factor. The measures for inflation (price factors) include growth in California per capita income, or growth in the City's gross assessed valuation due to new non-residential construction, while measures for population growth include population growth within the county or city.

The Gann Limit is applicable only to proceeds of taxes and State subventions (unrestricted money received by a local agency from the State). Appropriations not subject to the limit are debt service on voter-approved debt and qualified capital outlays (a fixed asset, including land, with a useful life of more than 10 years and a value that equals or exceeds $100,000).

The San Diego City Council adopted a resolution on June 23, 2026, that established the City's Tax Appropriations Limit for Fiscal Year 2027 at $7,027,534,709. Using the Fiscal Year 2027 Adopted Budget, the appropriations subject to the limit (i.e., proceeds of taxes, excluding debt service on voter-approved debt, of which the City has none, and qualified capital outlays) was calculated to be $1,708,960,564, which is $5,318,574,145 below the Gann Limit.

[25] Governor's Budget Summary - 2026-27. Budget Summary (ca.gov). Released on June 29, 2026. Retrieved July 14, 2026.

In accordance with California Law, Division 9 of the Government Code and Proposition 111 guidelines, the Fiscal Year 2027 Tax Appropriations Limit was set and adopted by June 30, 2026.