The City *of*

SAN DIEGO

FISCAL YEAR 2028-2032

FIVE-YEAR FINANCIAL OUTLOOK

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TABLE OF CONTENTS

EXECUTIVE SUMMARY 5

Summary of Key Financial Assumptions in Baseline 7
Report Outline 9

BASELINE PROJECTIONS 10

Baseline General Fund Revenues 10
- Property Tax 11
- Sales Tax 17
- Transient Occupancy Tax (TOT) 21
  - Measure C 25
- Franchise Fees 26
  - San Diego Gas and Electric (SDG&E) 27
  - Refuse Haulers 28
  - Cable Companies 28
- Property Transfer Tax 29
- Licenses and Permits 30
  - Cannabis Business Tax 31
  - Short-Term Residential Occupancy (STRO) Program 32
  - Balboa Park and San Diego Zoo Parking Revenue 32
- Fines, Forfeitures, and Penalties 32
- Revenue from Money and Property 33
- Revenue from Federal and Other Agencies 34
- Charges for Services 35
- Other Revenue 36
- Transfers In 37

Baseline General Fund Expenditures 39
- Salaries and Wages 40
- Retirement Actuarially Determined Contribution (ADC) 41
- Employee Flexible Benefits 43
- Retiree Healthcare/Other Post-Employment Benefits (OPEB) 43
- Workers' Compensation 44
- Supplemental Pension Savings Plan (SPSP) 45
- Other Fringe Benefits 46
- Supplies 47
- Contracts & Services 47
- Information Technology 49
- Energy and Utilities 50
- Debt Service 52
- Other Expenditures 53
- Charter Section 77.1 – Infrastructure Fund 55

PRIORITIES BEYOND BASELINE EXPENDITURES 56

New and Expanded Facilities 56

GENERAL FUND AND RISK MANAGEMENT RESERVES.....58

REVISED OUTLOOK SHORTFALL BEYOND BASELINE EXPENDITURES 60

POTENTIAL MITIGATION ACTIONS 61

Operational Efficiencies and Savings.....61
Opportunities for Increased Revenues..... 61

POTENTIAL IMPACTS TO THE OUTLOOK 62

Major General Fund Revenue Growth.....62
Actuarially Determined Contribution (ADC).....62
Salaries and Wages Increases.....62
Homeless Housing, Assistance and Prevention Grant Funding.....63
Emergency Medical Services Reimbursements.....63
Economic Recession.....63

FUTURE FISCAL CONSIDERATIONS 65

Deferred Maintenance of General Fund Facilities 65
Climate Action Implementation Plan.....66
Zero Emissions Municipal Building Operations Policy and Fleet Electrification Program.....66
Solid Waste Management Transition – General Fund Impacts.....67
City's Compensation Philosophy & Recruitment and Retention Efforts.....67
Enterprise Resource Planning System Modernization Project.....68

GENERAL FUND INFRASTRUCTURE NEEDS.....69

Street Repair Program.....69
Stormwater Infrastructure.....70
New and Existing City Facilities.....70
Streetlight Repair Program.....71
Sidewalk Replacement Program.....72

CONCLUSION.....74

Attachment 1: One-Time Resources and Expenditures i
Attachment 2: New and Expanded Facilities iii

EXECUTIVE SUMMARY

The City of San Diego's Fiscal Year 2028-2032 Five-Year Financial Outlook (Outlook) provides a long-range forecast of General Fund revenues and expenditures and serves as the financial framework for development of the FY 2028 Adopted Budget. The Outlook is intended to support informed decision-making by the Mayor, City Council, stakeholders, and the public by identifying projected fiscal conditions, resource constraints, and funding requirements over the next five years. Based on current assumptions, baseline revenues are projected to exceed baseline expenditures by $5.1 million in FY 2028. Beginning in FY 2029, however, baseline expenditures are projected to exceed baseline revenues, resulting in shortfalls that are forecasted to grow throughout the remainder of the outlook period. These projected imbalances will require mitigation actions and policy decisions through future budget processes.

The FY 2028 projection represents an important milestone in the City's multi-year effort to address its structural budget deficit. Reaching a balanced baseline required difficult and sustained reductions in prior budgets, including reductions to service levels, together with disciplined management of personnel and pension costs. Unlike the structural deficit of prior years, a significant portion of the projected shortfalls in FY 2029 through FY 2032 is mostly attributable to the financing of planned infrastructure investments, and, to a lesser extent, other cost pressures described later in this report. Strategic decisions will still be needed to keep ongoing revenues and ongoing expenditures in balance as those investments proceed.

The Outlook presents baseline revenue and expenditure projections necessary to maintain service levels reflected in the FY 2027 Adopted Budget. The forecast focuses on ongoing operations and services, projecting how existing revenues and expenditures are expected to change over the five-year period based on current assumptions, economic conditions, and anticipated cost drivers.

As a planning document, the Outlook reflects information available at the time of preparation. Actual financial results may differ from projections due to economic conditions, policy changes, operational demands, inflationary pressures, and other unforeseen events. Key assumptions, risks, and emerging issues are discussed throughout this report.

The Outlook is not a budget and should not be interpreted as authorization to expend funds. Rather, it is a strategic planning tool designed to inform budget development and resource allocation decisions. The City Charter requires the Mayor to propose a balanced budget each year. Therefore, to the extent projected expenditures exceed projected revenues during the outlook period, the City will need to implement mitigating actions to address those imbalances. Potential mitigation strategies, discussed later in this report, include identifying operational efficiencies and savings, and exploring opportunities for increased revenues.

The City continues to face numerous service, operational, and infrastructure needs that extend beyond those incorporated in the baseline forecast. In addition, the operating impacts associated with new and expanded facilities will place further demands on General Fund resources throughout the

outlook period. Given limited resources, future budget decisions will require balancing these competing demands while maintaining fiscal stability.

Any new expenditures assumed in the FY 2028 Outlook will be evaluated through the FY 2028 Budget Development Process and will be subject to available resources and alignment with the City's Strategic Plan priorities:

- Create Homes for All of Us
- Protect & Enrich Every Neighborhood
- Advance Mobility & Infrastructure
- Champion Sustainability
- Foster Regional Prosperity

The FY 2028 budget process will also incorporate the City Council's budget priorities, which are scheduled to be released by the Office of the Independent Budget Analyst on January 26, 2027, and presented to the City Council for consideration and adoption on February 22, 2027. As required by the City Charter, the Mayor will present a balanced FY 2028 Draft Budget to the City Council by April 15, 2027.

Ultimately, decisions made during the FY 2028 budget development process will influence the City's financial position throughout the five-year outlook period and will be reflected in future forecasts, including the FY 2029-2033 Five-Year Financial Outlook.

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Summary of Key Financial Assumptions in Baseline

The baseline forecast reflects the revenues and expenditures necessary to maintain service levels included in the FY 2027 Adopted Budget. Baseline projections incorporate anticipated changes to existing revenue sources and expenditure commitments over the five-year outlook period, including the effects of economic conditions, inflationary pressures, labor costs, pension obligations, and other key cost drivers. Any anticipated growth is discussed within the applicable revenue and expenditure sections of this report.

Revenue and expenditure projections were developed using available data, historical trends, economic and industry research, information provided by the City's property tax and sales tax consultants, and other information known at the time of preparation. Forecast outcomes remain subject to uncertainty and may be materially affected by future economic conditions, changes in federal or State policies, geopolitical events, or other factors that cannot be reasonably predicted or quantified at this time.

As shown in **Table 1.1 – Fiscal Year 2028 – 2032 Financial Outlook, Summary of Key Financial Data**, baseline revenues are projected to exceed baseline expenditures by $5.1 million in FY 2028. Beginning in FY 2029, baseline expenditures are projected to exceed baseline revenues, resulting in shortfalls that increase throughout the remainder of the outlook period.

Key assumptions incorporated into the baseline forecast include:

- Removal of one-time revenues and expenditures included in the FY 2027 Adopted Budget;
- Forecasts for Property Tax, Sales Tax, Transient Occupancy Tax, and Franchise Fees reflect specific growth assumptions informed by historical collections, economic and industry forecasts, and other relevant factors;
- Salary increases consistent with current Memoranda of Understanding (MOUs) for the Recognized Employee Organizations (REOs);
- Assumed annual salary increases of 3.1 percent for future MOU negotiations, based on the average annual growth in the Consumer Price Index for the San Diego-Carlsbad region over the past fifteen years;
- Pension contributions based on the annual Actuarially Determined Contribution (ADC) projected in the San Diego City Employees' Retirement System (SDCERS) Actuarial Valuation Report as of June 30, 2025, along with anticipated fiscal impacts to the upcoming ADC;
- No City Charter-required Infrastructure Fund (Proposition H) contributions are anticipated until FY 2032; and
- No General Fund or Risk Management reserve contributions during the outlook period.

Table 1.1 - Fiscal Year 2028-2032 Financial Outlook Summary of Key Financial Data ($ in Millions)					
	Fiscal Year 2028	**Fiscal Year 2029**	**Fiscal Year 2030**	**Fiscal Year 2031**	**Fiscal Year 2032**
Property Tax	$909.3	$941.5	$976.4	$1,013.3	$1,051.1
Sales Tax	$402.8	$414.9	$427.3	$441.4	$456.0
Transient Occupancy Tax	$177.6	$181.5	$186.4	$191.4	$196.6
Franchise Fees	$111.2	$114.0	$116.9	$129.0	$132.3
All Other Revenue Categories	$722.3	$761.6	$765.1	$773.1	$782.4
BASELINE GENERAL FUND REVENUES	**$2,323.2**	**$2,413.5**	**$2,472.1**	**$2,548.3**	**$2,618.4**
Salaries & Wages	$991.6	$1,050.1	$1,099.6	$1,136.5	$1,171.1
Retirement Actuarially Determined Contributions (ADC)	$403.3	$347.2	$343.9	$342.8	$347.4
All other Personnel Expenditures	$209.0	$238.1	$240.5	$251.7	$263.1
Non-Personnel Expenditures	$714.2	$783.1	$797.0	$839.0	$869.7
BASELINE GENERAL FUND EXPENDITURES	**$2,318.1**	**$2,418.5**	**$2,481.0**	**$2,569.9**	**$2,654.6**
(AMOUNT TO BE MITIGATED) / AVAILABLE RESOURCES	**$5.1**	**($5.0)**	**($8.8)**	**($21.6)**	**($36.2)**

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Report Outline

The Fiscal Year 2028-2032 Five-Year Financial Outlook is organized into several sections that collectively provide a comprehensive view of the City's projected General Fund financial condition and key fiscal challenges.

The *Baseline Projections* section presents projected General Fund revenues and expenditures necessary to maintain service levels reflected in the FY 2027 Adopted Budget. The baseline forecast includes anticipated changes to ongoing revenues and expenditures, as well as adjustments to the FY 2027 Adopted Budget, such as the removal of one-time resources and expenditures. Summary baseline projections for the five-year outlook period are presented in **Table 1.1, Fiscal Year 2028-2032 Financial Outlook: Summary of Key Financial Data**.

The *Priorities Beyond the Baseline Expenditures* section identifies known future fiscal commitments that are not reflected in the baseline forecast, including the operating impacts associated with new and expanded facilities expected to become operational during the outlook period, and reserve contributions.

The *Potential Mitigation Actions* section outlines funding sources, operational strategies, and other options that may be considered to address projected budget shortfalls and support the City's ongoing compliance with the City Charter's balanced budget requirement.

The *Potential Impacts to the Outlook and Future Fiscal Considerations* sections discuss significant factors that could affect future financial projections, including changes in economic conditions, federal and State policy decisions, and implementation of major City initiatives. These sections are intended to provide context regarding risks, opportunities, and emerging issues that may influence future budget decisions.

Finally, the *General Fund Infrastructure Needs* section highlights selected infrastructure funding needs across key asset categories, including streets, sidewalks, streetlights, stormwater infrastructure, and City facilities. The inclusion of these needs is intended to provide additional context regarding the City's long-term fiscal challenges and the competing demands placed on limited General Fund resources.

Any new expenditures or service level enhancements will be evaluated through the FY 2028 Budget Development Process and will be subject to available resources, City Council priorities, and alignment with the City's Strategic Plan. As required by the City Charter, the Mayor will present a balanced FY 2028 Draft Budget to the City Council by April 15, 2027.

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BASELINE PROJECTIONS

The *Baseline Projections* section presents the Outlook's forecast of General Fund revenues and expenditures under current policies, service levels, and known operating assumptions. The baseline serves as the foundation for evaluating the City's long-term fiscal condition by incorporating projected revenue growth, anticipated expenditure changes, and other known adjustments available at the time this report was prepared.

Revenue projections are based on economic forecasts, historical trends, operational assumptions, and anticipated changes affecting individual revenue sources. Expenditure projections reflect the estimated cost of maintaining current service levels and incorporate known obligations, contractual requirements, operational needs, and category-specific growth assumptions.

Unless otherwise noted, the baseline is developed using the FY 2027 Adopted Budget as its starting point, adjusted to remove one-time resources and expenditures and to incorporate significant known changes expected to occur during the outlook period. **Attachment 1: One-Time Resources and Expenditures**, identifies the one-time items removed from the FY 2027 Adopted Budget for purposes of developing the FY 2028-2032 Five-Year Financial Outlook.

Baseline General Fund Revenues

This section presents the Outlook's baseline General Fund revenue forecast for FY 2028 through FY 2032. For each major revenue source, the section describes the revenue's purpose, key forecast assumptions, projected growth rates, and factors that may affect future collections.

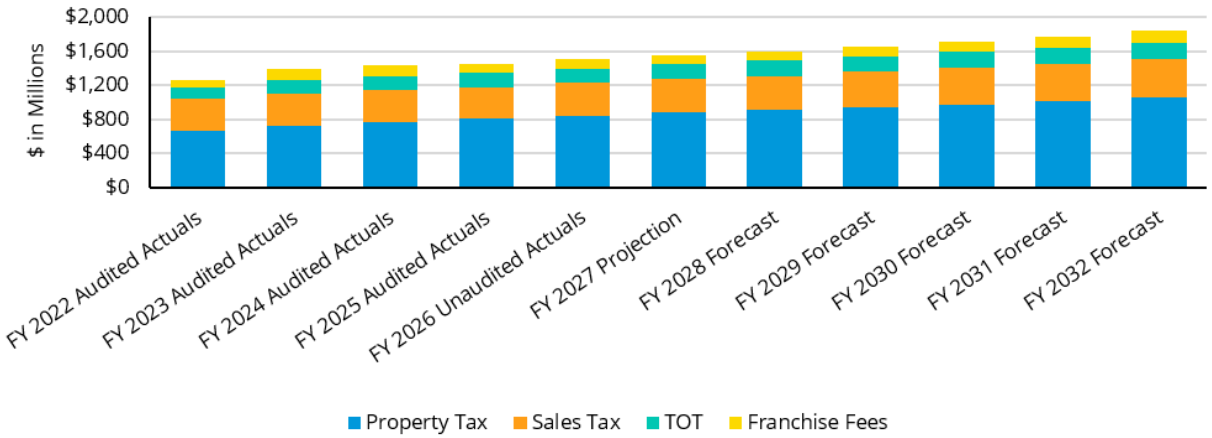
The forecast is developed using the FY 2027 projected revenue base reported in the FY 2027 First Quarter Report, together with revenue-specific assumptions regarding economic conditions, consumer activity, tourism trends, property values, utility usage, and other factors. Where appropriate, forecasts also incorporate known operational, regulatory, and policy changes expected to affect future revenues.

The revenue forecast incorporates information from the City's property tax and sales tax consultants, HdL Coren & Cone and HdL Companies; tourism forecasts prepared by Tourism Economics for the San Diego Tourism Authority; utility-related information from San Diego Gas & Electric; and regional economic projections from the UCLA Anderson Forecast.

The City's four largest General Fund revenue sources, Property Tax, Sales Tax, Transient Occupancy Tax (TOT), and Franchise Fees, represent 68.4 percent of the FY 2027 Adopted General Fund Budget. As shown in **Figure 2.1 – Major General Fund Revenues**, these revenues are projected to continue growing throughout the outlook period at a moderate pace.

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Figure 2.1 - Major General Fund Revenues



The Outlook reflects a regional economy characterized by continued expansion, stable employment conditions, moderating inflation, and ongoing uncertainty related to interest rates, consumer spending, federal economic policy, and global economic conditions. Taken together, these factors support continued revenue growth during the outlook period while presenting both upside and downside risks to individual revenue sources.

To reflect the inherent uncertainty associated with long-range forecasting, High and Low Scenarios are included for the City's major economically sensitive revenue sources, including Property Tax, Sales Tax, and TOT. These scenarios illustrate the potential variability of revenues under alternative economic conditions but do not assume a recession or other significant economic disruption.

Property Tax

Property Tax is the City's largest General Fund revenue source and represents 39.0 percent of the FY 2027 Adopted General Fund Budget. The primary component of the Property Tax category is the 1.0-percent levy on the assessed value of all real property within City limits. The Property Tax category also includes the Motor Vehicle License Fee (MVLF) backfill payment, which is received from the State of California to replace revenues associated with the repeal of the MVLF in 2004. In addition, the category includes pass-through and residual property tax distributions received through the Redevelopment Property Tax Trust Fund (RPTTF) following the dissolution of Redevelopment Agencies statewide.

Table 2.1 – Property Tax Five-Year Forecast displays the FY 2027 Adopted Budget and year-end projection, as well as the forecast for FY 2028 through FY 2032 for the Property Tax category.

Table 2.1 - Property Tax Five-Year Forecast ($ in Millions)

	FY 2027 Adopted	FY 2027 Projection	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Growth Rate	4.1%	4.6%	3.3%	3.4%	3.6%	3.7%	3.7%
Projection	$ 881.0	$ 880.4	$ 909.3	$ 941.5	$ 976.4	$ 1,013.3	$ 1,051.1

FY 2028 Forecast

Property tax revenue is forecasted to increase by $28.3 million in FY 2028 compared to the FY 2027 Adopted Budget. The increase is primarily due to continued growth in the City's assessed valuation base, driven by property sales, home price appreciation, and the annual inflationary adjustment permitted under Proposition 13.

As reported in the FY 2027 First Quarter Report, Property Tax revenue is projected at $880.4 million in FY 2027, a decrease of $577,000 from the FY 2027 Adopted Budget. The projected decrease reflects lower-than-anticipated residual distributions from the RPTTF based on revised County estimates for ROPS 20B deposits. This decrease is largely offset by higher-than-anticipated 1.0-percent property tax collections reflected in the County's latest apportionment report and a modest increase in the MVLF backfill payment.

Building on this projected revenue base, Property Tax revenue is forecasted to grow by 3.3 percent in FY 2028. The forecast reflects continued assessed valuation growth and ongoing strength in property tax collections, while being tempered by moderating housing market activity associated with elevated mortgage interest rates.

Outlook Methodology

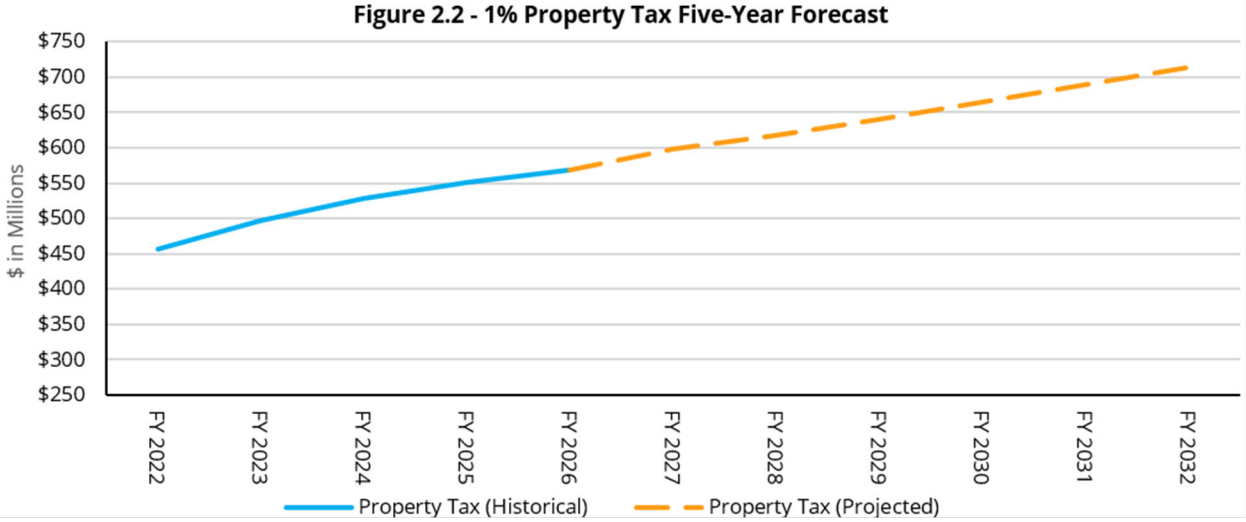
The Property Tax forecast was developed using historical assessed valuation trends, the FY 2027 projected revenue base, and economic assumptions available at the time of preparation. Due to the lag between the assessment of property values and the receipt of property tax revenues, FY 2028 projections are largely influenced by real estate market activity that occurred during calendar years 2025 and 2026.

Growth assumptions reflect anticipated changes in assessed valuation resulting from property ownership turnover, home price appreciation, the annual inflationary adjustment permitted under Proposition 13, property tax refunds, and projected residual distributions from the RPTTF. Additional discussion of these assumptions is provided in the Forecast Considerations section.

Figure 2.2 – 1% Property Tax Five-Year Forecast displays historical and projected property tax revenues throughout the forecast period.

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Figure 2.2 - 1% Property Tax Five-Year Forecast



Forecast Considerations

Several economic factors were considered in developing the Property Tax forecast, including assessed valuation growth, inflation, home sales activity, home prices, mortgage interest rates, foreclosures, and RPTTF distributions.

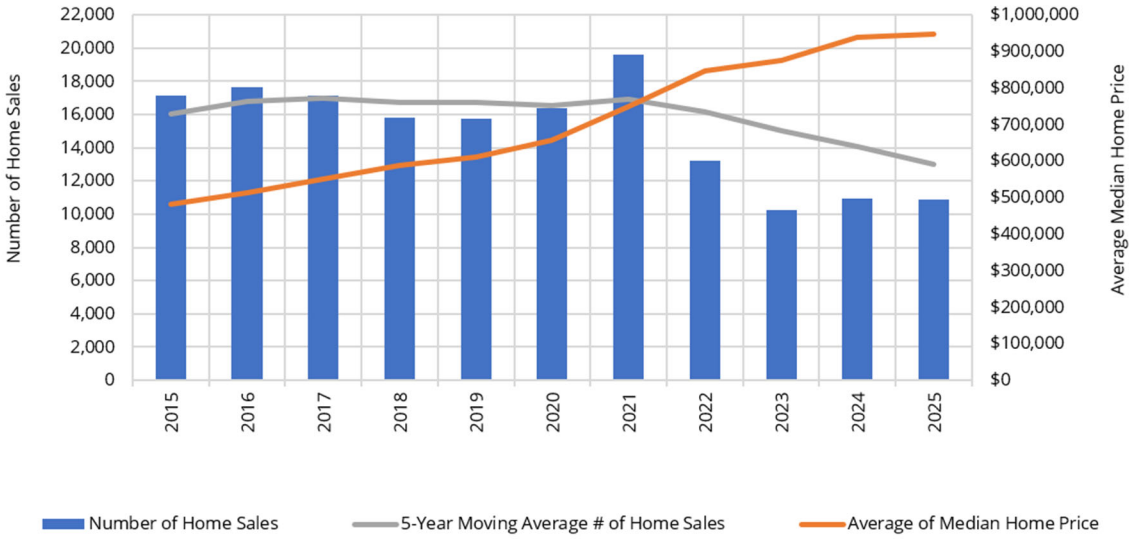
California Consumer Price Index

The California Consumer Price Index (CCPI) plays a significant role in determining annual assessed valuation increases for properties that have not been sold or improved. Although the October 2026 CCPI had not been released at the time this report was prepared, the California Department of Finance reported that the August 2026 CCPI increased 3.6 percent from the prior year. As this exceeds the 2.0-percent annual limit established under Proposition 13, the forecast applies the maximum allowable 2.0-percent increase in assessed valuation.

Housing Market Activity

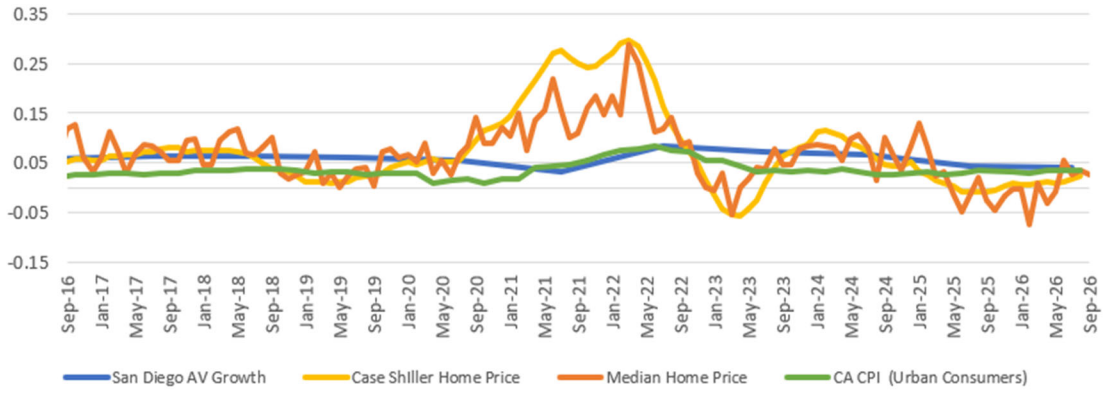
As depicted in **Figure 2.3 - City of San Diego Home Sales (CY)**, home sales declined during calendar years 2022 and 2023 before stabilizing in calendar years 2024 and 2025. Elevated interest rates and historically high home prices have constrained housing affordability and reduced transaction volume, while many homeowners have been reluctant to sell and relinquish lower mortgage rates. Despite these challenges, the local housing market has remained relatively resilient, with home sales increasing 1.2 percent through September 2026 compared to the same period in the prior year. The median home price reached a record high of approximately $1.0 million in June 2026 and remained elevated at $950,000 as of September 2026. Additionally, foreclosures and notices of default have increased modestly compared to the same period in calendar year 2025, reflecting some continued financial pressures among homeowners. These trends support continued assessed valuation growth through property reassessments associated with ownership turnover, a key component of the Property Tax forecast. However, future changes in interest rates and housing market conditions could affect both sales activity and home price appreciation.

Figure 2.3 - City of San Diego Home Sales (CY)



As illustrated in **Figure 2.4 – Case-Shiller Home Price Index, California CPI, and San Diego Median Home Price**, assessed valuation growth has remained relatively stable despite fluctuations in home prices and housing market activity. The figure also demonstrates the 12- to 18-month lag between local real estate market conditions and their impact on the City's assessed valuation and property tax revenues.

Figure 2.4 - Case-Shiller Home Price Index, California CPI, San Diego Median Home Price



Interest Rates and Federal Monetary Policy

Mortgage rates and Federal Reserve policy continue to influence housing market activity. Elevated borrowing costs have limited affordability and reduced housing turnover, as many homeowners remain locked into lower mortgage rates. As a result, housing demand and sales activity have moderated, which may affect future assessed valuation growth. While interest rates remain elevated,

uncertainty regarding future monetary policy decisions continues to present potential upside and downside risks to the forecast.

In September 2026, the Federal Open Market Committee (FOMC) increased the federal funds rate target range by 25 basis points, the first rate increase since July 2023, citing persistent inflationary pressures. While the Committee maintained the target range at 3.75 to 4.0 percent in its October 2026 meeting, it indicated that inflation remains elevated and that future policy decisions will depend on incoming economic data.[1] Economists have also signaled the possibility of additional rate increases by year-end.

Redevelopment Property Tax Trust Fund

Pass-through and residual property tax payments from the RPTTF remain an important component of Property Tax revenue. As Redevelopment Agency obligations continue to be retired, residual distributions are expected to increase over time and contribute to forecast revenue growth. However, future payments remain subject to County calculations, recognized obligation payment schedules, and determinations made by the California Department of Finance.

Table 2.2 – Property Tax Components and **Figure 2.5 – Property Tax Revenue Projections: Fiscal Years 2028 - 2032** provide details on the components of the FY 2027 Adopted Budget and year-end projection, as well as the forecasted Property Tax revenue for FY 2028 through FY 2032. The current growth rates incorporate a 12- to 18-month lag between the time that the assessed valuation is set by the County Assessor's Office and the time that property tax revenue is received by the City.

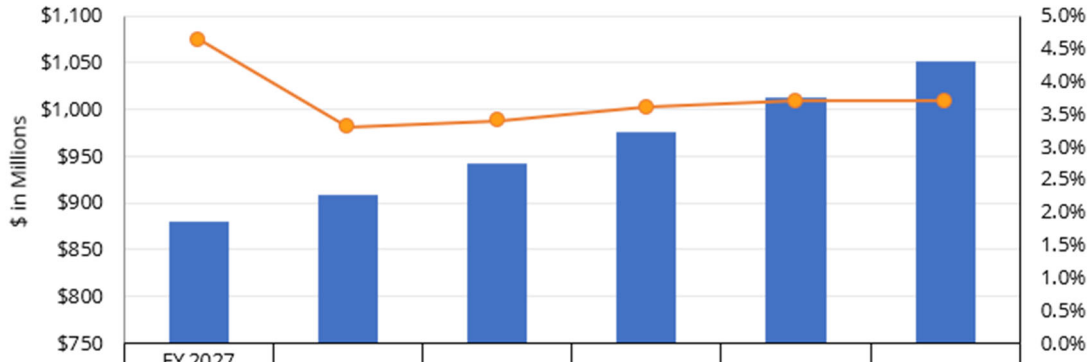
Actual revenues may differ from forecasted amounts if economic conditions, housing market activity, assessed valuation growth, interest rates, or RPTTF distributions vary from current assumptions.

Table 2.2 - Property Tax Components ($ in Millions)

	FY 2027 Adopted	FY 2027 Projection	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Growth Rate	4.1%	4.6%	3.3%	3.4%	3.6%	3.7%	3.7%
1% Property Tax	$ 597.5	$ 598.6	$ 618.1	$ 640.3	$ 664.2	$ 689.3	$ 714.4
MVLF Backfill	$ 221.7	$ 221.8	$ 229.1	$ 236.9	$ 245.4	$ 254.5	$ 263.9
RPTTF Pass-Through Tax Sharing Payment	$ 14.2	$ 13.8	$ 14.3	$ 14.8	$ 15.3	$ 15.9	$ 15.9
RPTTF Residual Property Tax Payment	$ 47.6	$ 46.2	$ 47.7	$ 49.5	$ 51.5	$ 53.6	$ 56.9
Total Property Tax Projection	$ 881.0	$ 880.4	$ 909.3	$ 941.5	$ 976.4	$ 1,013.3	$ 1,051.1

[1] Federal Reserve Issues FOMC Statement. Board of Governors of the Federal Reserve System. Federal Reserve issues FOMC statement. October 28, 2026.

Figure 2.5 - Property Tax Revenue Projections: Fiscal Years 2028 - 2032
Projections including Redevelopment Property Tax Trust Fund (RPTTF)



	FY 2027 Projection	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Projection	$ 880.4	$ 909.3	$ 941.5	$ 976.4	$1,013.3	$1,051.1
Growth Rate	4.6%	3.3%	3.4%	3.6%	3.7%	3.7%

Scenario Analysis

The Property Tax forecast is based on the assumptions described above; however, changes in housing market conditions, interest rates, assessed valuation growth, and other economic factors may result in revenues differing from the baseline projection. To account for this uncertainty, High and Low growth scenarios were developed.

The Low Scenario assumes mortgage interest rates remain elevated or increase further as a result of continued inflationary pressures and restrictive federal monetary policy. Higher borrowing costs reduce housing affordability, slow home sales activity, and limit housing turnover as existing homeowners remain locked into lower mortgage rates. Combined with constrained housing inventory and elevated home prices, these factors would reduce assessed valuation growth throughout the outlook period. Under this scenario, Property Tax revenues would be reduced by $8.8 million in FY 2028 and by a cumulative $47.2 million throughout the outlook period.

The High Scenario assumes interest rates decline more quickly than anticipated, improving affordability and stimulating home sales activity. Increased housing demand, continued strength in higher-income labor markets, and sustained growth in home values would support stronger assessed valuation growth than assumed in the baseline forecast. Under this scenario, Property Tax revenues would increase by $17.6 million in FY 2028 and by a cumulative $94.5 million throughout the outlook period.

An additional factor that could influence Property Tax revenues is future California Department of Finance determinations regarding enforceable obligations reported through the Recognized Obligation Payment Schedule (ROPS). If enforceable obligations are reduced or denied, ROPS payments would decrease, increasing the Residual Property Tax Trust Fund (RPTTF) balance available for distribution to local agencies and potentially resulting in higher Property Tax revenues than currently projected.

Figure 2.6 – Property Tax Revenue Projections: Fiscal Years 2028–2032 presents the baseline, High, and Low forecast scenarios, while **Table 2.3 – Property Tax Five-Year Forecast: Growth Rate Scenarios** details the projected revenues and growth rate assumptions under each scenario.

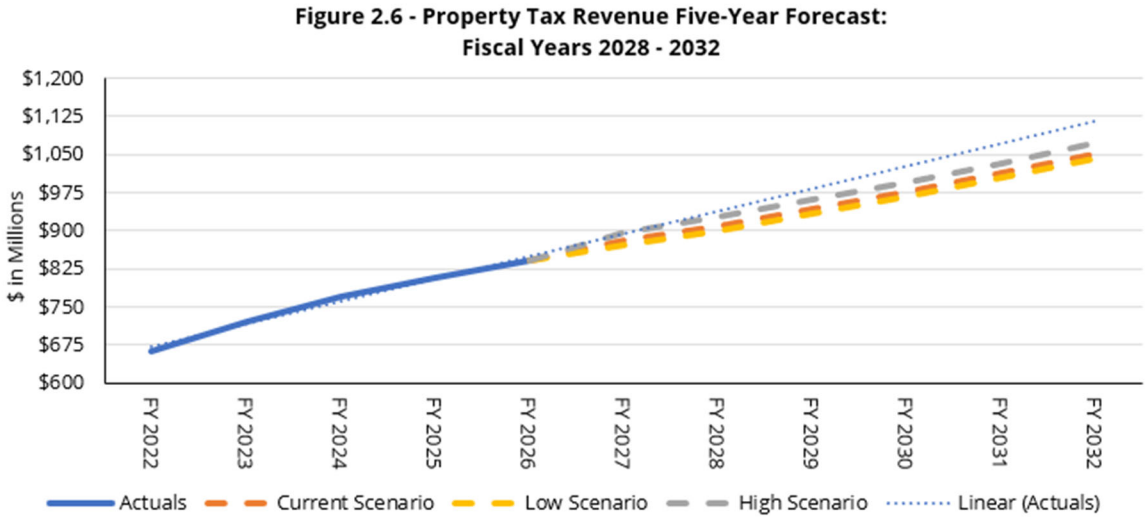


Table 2.3 - Property Tax Five-Year Forecast: Growth Rate Scenarios

	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Current Growth Rate	3.3%	3.4%	3.6%	3.7%	3.7%
High Growth Rate	5.3%	5.4%	5.6%	5.7%	5.7%
Low Growth Rate	2.3%	2.4%	2.6%	2.7%	2.7%

Sales Tax

The Sales Tax category is the City's second-largest General Fund revenue source and represents 17.1 percent of the FY 2027 Adopted General Fund Budget. Sales tax is levied on taxable retail sales and other taxable transactions, with the City receiving one cent of every taxable dollar generated within City limits under the Bradley-Burns Sales and Use Tax Law. The City also receives sales tax revenue from certain online purchases and other transactions distributed through countywide allocation pools.

Table 2.4 – Sales Tax Five-Year Forecast displays the FY 2027 Adopted Budget and year-end projection, as well as the forecast for FY 2028 through FY 2032 for the Sales Tax category.

Table 2.4 - Sales Tax Five-Year Forecast ($ in Millions)							
	FY 2027 Adopted	FY 2027 Projection	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Growth Rate	1.9%	1.7%	1.6%	3.0%	3.0%	3.3%	3.3%
Projection	$ 386.7	$ 391.3	$ 402.8	$ 414.9	$ 427.3	$ 441.4	$ 456.0

1The FY 2027 Adopted Budget sales tax growth rate is based on the change between the FY 2026 year-end projection used as the base during development and the FY 2027 Adopted Budget. In contrast, the Year-End Projection growth rate reflects the year-over-year change between FY 2026 unaudited actuals and the first quarter year-end projection.

FY 2028 Forecast

Sales Tax revenue is forecasted to increase by $16.1 million in FY 2028 compared to the FY 2027 Adopted Budget. The increase is primarily due to continued growth in taxable sales activity and the higher revenue base established in FY 2027.

As reported in the FY 2027 First Quarter Report, Sales Tax revenue is projected at $391.3 million in FY 2027, an increase of $4.6 million from the FY 2027 Adopted Budget. The projected increase reflects a balance between higher-than-anticipated FY 2026 unaudited year-end actuals, which established a higher revenue base entering FY 2027, and moderating factors, including lower-than-anticipated first-quarter collections, continued economic uncertainty, and persistent inflationary pressures.

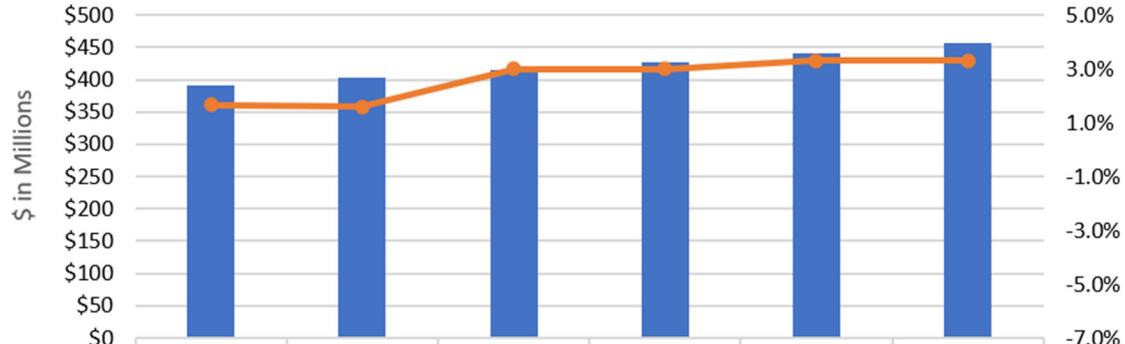
Building on this higher projected revenue base, Sales Tax revenue is forecasted to grow by 1.6 percent in FY 2028. Similar to the FY 2027 projection, the forecast reflects a balance between continued growth in taxable sales activity and moderating factors, including ongoing economic uncertainty and persistent inflationary pressures, resulting in the moderate growth rate assumption.

Outlook Methodology

The Sales Tax forecast assumes annual growth throughout the outlook period. Forecast projections were developed using historical collection trends, the FY 2027 projected revenue base, economic forecasts available at the time of preparation, and assumptions regarding consumer spending and taxable sales activity.

Growth assumptions in FY 2028 reflect ongoing economic uncertainty, persistent inflationary pressures, and moderating consumer demand. For the outer years, FY 2029 through FY 2032, growth rates generally range from 3.0 percent to 3.3 percent and are intended to reflect longer-term trends in taxable sales activity rather than near-term economic conditions. **Figure 2.7 – Sales Tax Revenue Projection: Fiscal Years 2028 - 2032** displays projected Sales Tax receipts and annual growth rates throughout the forecast period.

Figure 2.7 - Sales Tax Revenue Projection: Fiscal Years 2028 - 2032



	FY 2027 Projection	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Projection	$ 391.3	$ 402.8	$ 414.9	$ 427.3	$ 441.4	$ 456.0
Growth Rate	1.7%	1.6%	3.0%	3.0%	3.3%	3.3%

The forecast assumes moderate growth in local business activity across several sectors, including restaurants, transportation, construction, and business-to-business transactions. Recent growth in taxable sales has also been supported by elevated fuel prices, which contributed to higher Fuel and Service Station sales. The forecast assumes this source of growth moderates over time as fuel prices stabilize. The Outlook also assumes online spending will remain stable throughout the forecast period, resulting in county pool distributions generally consistent with recent trends. These assumptions are consistent with the quarterly forecast provided by the City's sales tax consultant, HdL Companies, in October 2026.

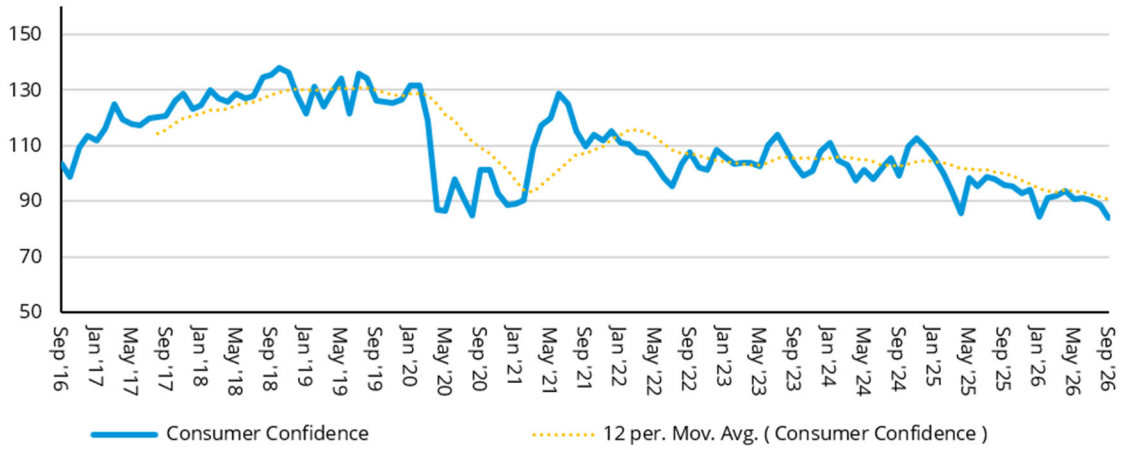
Forecast Considerations

Several economic indicators were considered in developing the Sales Tax forecast, including employment levels, consumer confidence, and inflation.

As preliminarily reported by the California Employment Development Department, the City of San Diego's unemployment rate was 4.6 percent in September 2026, compared to 4.8 percent in September 2025. Despite month-to-month fluctuations, unemployment has remained relatively stable, averaging 4.4 percent between November 2025 and September 2026. Stable employment levels generally support consumer spending by providing households with income needed to maintain purchasing activity, a key driver of sales tax revenues.

Consumer confidence, which measures consumers' willingness to spend, has fluctuated in response to economic uncertainty and inflationary pressures. As illustrated in **Figure 2.8 – Consumer Confidence,** consumer confidence peaked at 112.8 in November 2024 before steadily decreasing through calendar year 2026. As of September 2026, consumer confidence has decreased to 84.2, an 11.9-percent decrease from September 2025 and a 5.0-percent decrease from August 2026. Lower consumer confidence may result in reduced discretionary spending, which can negatively affect taxable sales activity and sales tax revenues.

Figure 2.8 - Consumer Confidence



Source: The Conference Board – Consumer Confidence Survey ®

The San Diego Consumer Price Index (CPI), a measure of inflation across a broad range of consumer goods and services, reached 409.029 in September 2026, reflecting a 4.7 percent increase from September 2025. Inflation remains elevated relative to historical levels; however, economic forecasts, including the UCLA Anderson Forecast Fall 2026 Economic Outlook, anticipate that inflation will gradually moderate over the forecast period, with CPI growth projected at 3.5 percent in calendar year 2026, decreasing to 2.8 percent in calendar year 2027 and 2.3 percent in calendar year 2028. While inflation can increase taxable sales receipts in the short term through higher prices, sustained inflation may weaken consumer purchasing power and moderate future spending growth.

Actual Sales Tax collections may vary from forecasted amounts due to changes in inflation, consumer spending patterns, unemployment levels, fuel prices, interest rates, and broader economic conditions.

Scenario Analysis

The Sales Tax forecast is based on the assumptions described above; however, variations in economic conditions may result in revenues differing from the baseline projection. To account for this uncertainty, High and Low growth scenarios were developed.

The Low Scenario assumes weaker consumer spending, higher unemployment, lower consumer confidence, and reduced economic activity. Under this scenario, sales tax revenues would be reduced by $13.1 million in FY 2028 and by a cumulative $46.8 million throughout the outlook period. This scenario assumes relatively flat growth throughout the Outlook period.

The High Scenario assumes inflation moderates more quickly than anticipated, consumer confidence improves, wages increase, and taxable sales activity strengthens. Under this scenario, sales tax revenues would increase by $2.6 million in FY 2028 and by a cumulative $36.3 million throughout the outlook period. This scenario assumes annual growth rates exceeding 3.6 percent throughout the Outlook period.

Figure 2.9 – Sales Tax Projections: Fiscal Years 2028–2032 presents the baseline, High, and Low forecast scenarios, while **Table 2.5 – Sales Tax Five-Year Forecast: Growth Scenarios** details the projected revenues under each scenario.

Figure 2.9 - Sales Tax Projections: Fiscal Years 2028 - 2032

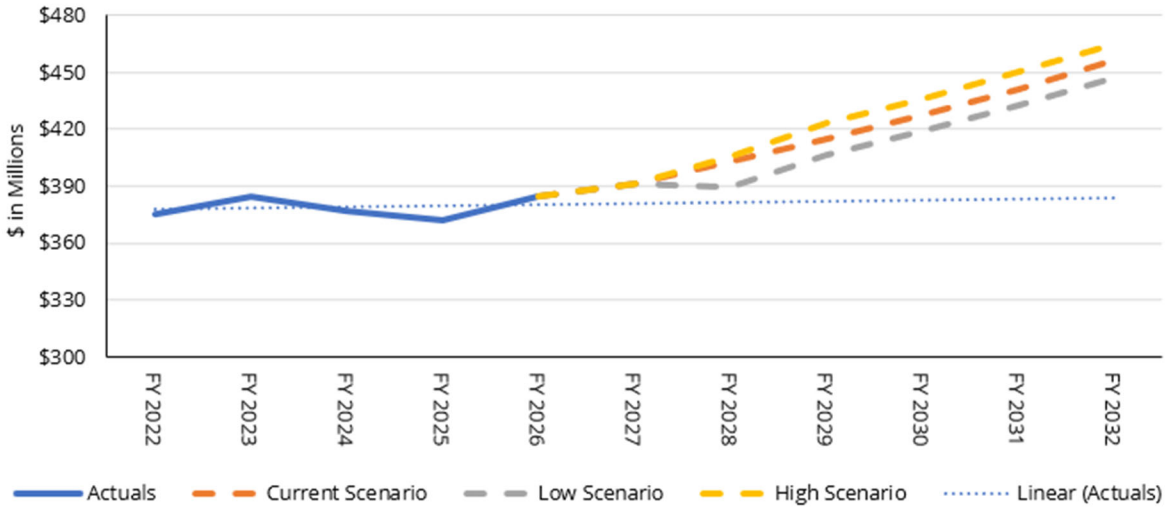


Table 2.5 - Sales Tax Five-Year Forecast: Growth Scenarios ($ in Millions)

	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Current Projection	$ 402.8	$ 414.9	$ 427.3	$ 441.4	$ 456.0
High Scenario Projection	$ 405.4	$ 423.0	$ 435.6	$ 450.0	$ 464.8
Low Scenario Projection	$ 389.7	$ 406.8	$ 419.0	$ 432.9	$ 447.2

Transient Occupancy Tax

The Transient Occupancy Tax (TOT) category represents 7.5 percent of the FY 2027 Adopted General Fund Budget. TOT is levied at a rate of 10.5 percent on taxable rent charged for accommodations occupied for fewer than 30 consecutive days, including hotels, Short-Term Residential Occupancy (STRO) locations, and recreational vehicle parks. Pursuant to the Municipal Code, 5.5 cents of every dollar collected is allocated to the General Fund, 4.0 cents is dedicated to promoting the City as a tourist destination, and 1.0 cent is available for purposes approved by the City Council. TOT from RV parks is levied at 10.5 cents which is applied entirely towards general governmental purposes.

This section does not include projected revenues associated with Measure C, the voter-approved initiative adopted in 2020 that increased the hotel visitor tax in certain areas of the City. Measure C revenues are deposited into separate funds and used for restricted purposes, including homelessness

services and Convention Center-related expenditures. Details on the revenue associated with Measure C are included in the *Measure C* section later in this report.

Table 2.6 – Transient Occupancy Tax (TOT) Five-Year Forecast displays the FY 2027 Adopted Budget and year-end projection, as well as the forecast for FY 2028 through FY 2032 for the General Fund portion of TOT revenue.

Table 2.6 - Transient Occupancy Tax (TOT) Five-Year Forecast ($ in Millions)

	FY 2027 Adopted	FY 2027 Projection	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Growth Rate	2.1%	4.0%	2.8%	2.2%	2.7%	2.7%	2.7%
Projection	$ 169.7	$ 172.8	$ 177.6	$ 181.5	$ 186.4	$ 191.4	$ 196.6

Note: Table 2.6 represents only the General Fund portion of total TOT (5.5 cents of the total 10.5 cents TOT).

FY 2028 Forecast

General Fund TOT revenue is forecasted to increase by $8.0 million in FY 2028 compared to the FY 2027 Adopted Budget. The increase reflects continued growth in tourism activity and lodging demand, supported by sustained visitor volume and room revenue throughout the region.

As reported in the FY 2027 First Quarter Report, General Fund TOT revenue is projected at $172.8 million in FY 2027, an increase of $3.1 million from the FY 2027 Adopted Budget. The projected increase reflects stronger-than-anticipated hotel receipts during the summer months, which exceeded assumptions incorporated into the Adopted Budget. This performance reflects continued strength in the City's tourism and hospitality industry, as seasonal leisure travel and visitor demand remained robust throughout the summer period. While the FY 2027 projection incorporates this stronger seasonal performance, it also reflects more moderate growth assumptions for the remainder of the fiscal year.

Building on this higher projected revenue base, General Fund TOT revenue is forecasted to increase by 2.8 percent in FY 2028. Similar to the FY 2027 projection, the forecast reflects a balance between continued growth in tourism activity and moderating factors, including economic uncertainty and inflationary pressures that may affect future travel demand.

Outlook Methodology

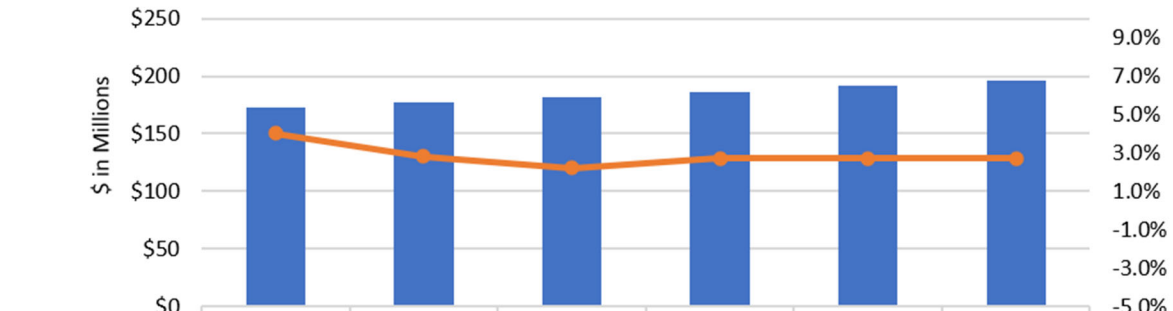
The TOT forecast assumes moderate annual growth throughout the outlook period. Forecast projections were developed using historical collection trends, the FY 2027 projected revenue base, economic forecasts available at the time of preparation, and assumptions regarding tourism activity, lodging demand, and hotel room revenues.

Growth assumptions in FY 2028 are based on the most recent San Diego Lodging Forecast prepared by Tourism Economics for the San Diego Tourism Authority in July 2026. The forecast incorporates projected growth in room demand, room revenue, and visitor activity throughout the region.

For the outer years, FY 2029 through FY 2032, growth rates average 2.6 percent annually and are intended to reflect longer-term trends in tourism demand and lodging activity rather than short-term fluctuations in economic conditions. **Figure 2.10 – Transient Occupancy Tax (TOT) General Fund**

Revenue Projection: Fiscal Years 2028–2032 displays projected TOT receipts and annual growth rates throughout the forecast period. The growth rates are based on a blended growth of projected room revenue and projected room demand in the region.

Figure 2.10 - Transient Occupancy Tax (TOT) General Fund Revenue Projection: Fiscal Years 2028 - 2032



	FY 2027 Projection	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Projection	$ 172.8	$ 177.6	$ 181.5	$ 186.4	$ 191.4	$ 196.6
Growth Rate	4.0%	2.8%	2.2%	2.7%	2.7%	2.7%

The forecast assumes continued growth in tourism activity supported by increases in leisure, business, and international travel. According to Tourism Economics, leisure, business, and international travel are projected to increase by 4.4 percent, 2.8 percent, and 2.4 percent, respectively, in calendar year 2026. In calendar year 2027, international travel is projected to increase by 5.0 percent, reflecting a recovery from the decline in inbound international travel experienced in calendar year 2025, while leisure and business travel are expected to remain relatively stable. These trends support continued growth in room demand and taxable lodging revenue throughout the outlook period.

Forecast Considerations

Several tourism and hospitality indicators were considered in developing the TOT forecast, including room demand, room revenue, and Revenue per Available Room (RevPAR).

According to the July 2026 San Diego Lodging Forecast prepared by Tourism Economics, tourism activity is expected to remain resilient despite ongoing economic uncertainty. Continued growth in visitor demand is anticipated to support increases in taxable lodging activity throughout the forecast period.

Room demand and RevPAR are projected to increase by 1.9 percent and 2.7 percent, respectively, in calendar year 2028. In addition, room revenue is forecasted to increase by 3.6 percent in calendar year 2028 and 2.9 percent in calendar year 2029. These indicators suggest continued growth in the local lodging market, although at more normalized levels than experienced during the post-pandemic recovery period. Given that TOT is levied on taxable lodging revenues, increases in room demand, room rates, and overall room revenue directly support growth in TOT collections. **Table 2.7 – San Diego County Tourism Industry (Annual % Growth)** summarizes the projected growth for relevant economic indicators below.

Table 2.7 - San Diego County Tourism Industry (Annual % Growth)					
	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
Room Demand (Growth)	4.4%	0.2%	1.9%	1.4%	1.8%
Room Revenue (Growth)	8.0%	0.5%	3.6%	2.9%	3.6%
Occupancy	74.0%	73.3%	74.1%	74.4%	75.6%
Avg. Daily Room Rate	$ 220.48	$ 221.05	$ 224.66	$ 227.91	$ 231.88

Source: San Diego Lodging Forecast, July 2026. By Tourism Economics for San Diego Tourism Authority.

Actual TOT collections may vary from forecasted amounts due to changes in travel demand, consumer discretionary spending, business travel activity, inflation, economic conditions, and the number of conventions, events, and tourism-related activities occurring within the region.

Scenario Analysis

The TOT forecast is based on the assumptions described above; however, variations in tourism activity and economic conditions may result in revenues differing from the baseline projection. To account for this uncertainty, High and Low growth scenarios were developed using a variability factor of 3.0 percent.

The Low Scenario assumes weaker consumer spending, slower tourism demand, reduced business and international travel activity, and softer lodging performance. Under this scenario, General Fund TOT revenue would be reduced by $5.3 million in FY 2028 and by a cumulative $28.0 million throughout the outlook period.

The High Scenario assumes inflation moderates more quickly than anticipated, tourism demand strengthens, and business, group, and international travel continue to recover. Under this scenario, General Fund TOT revenue would increase by $5.3 million in FY 2028 and by a cumulative $28.0 million throughout the outlook period. This scenario also assumes increased convention activity and special events throughout the City.

Figure 2.11 – Transient Occupancy Tax (TOT) Projections: Fiscal Years 2028–2032 presents the baseline, High, and Low forecast scenarios, while **Table 2.8 – Transient Occupancy Tax (TOT) Five-Year Forecast: Growth Scenarios** details the projected revenues under each scenario.

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Figure 2.11 - Transient Occupancy Tax (TOT) Projections: Fiscal Years 2028 - 2032

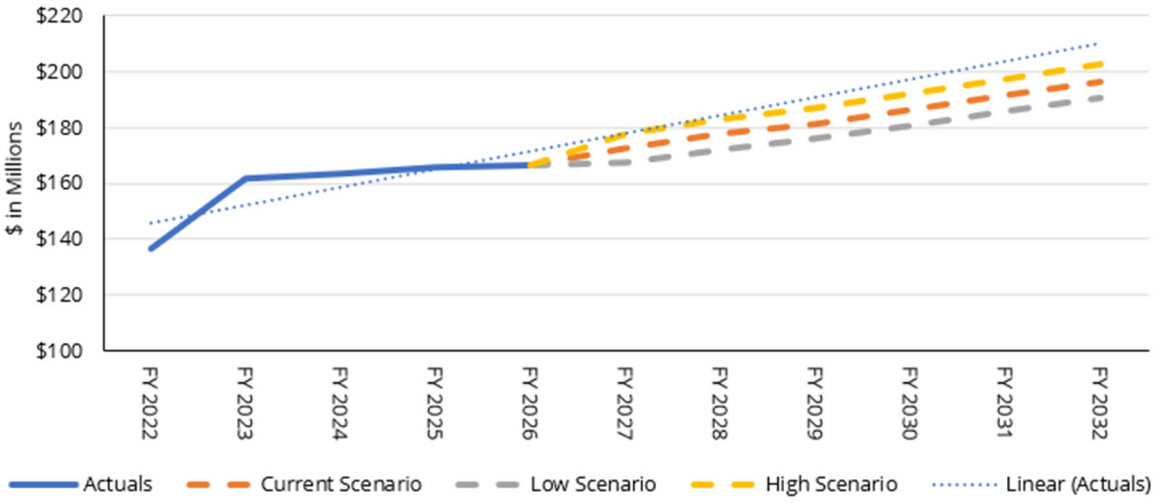


Table 2.8 - Transient Occupancy Tax (TOT) Five-Year Forecast: Growth Scenarios ($ in Millions)					
	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Current Projection	$ 177.6	$ 181.5	$ 186.4	$ 191.4	$ 196.6
High Scenario Projection	$ 182.9	$ 186.9	$ 192.0	$ 197.1	$ 202.4
Low Scenario Projection	$ 172.3	$ 176.1	$ 180.8	$ 185.7	$ 190.7

Measure C

The Outlook includes projected revenue associated with Measure C, a voter-approved initiative in 2020 that increased the City's hotel visitor tax above the existing 10.5 percent TOT rate. Measure C increased the total hotel tax rate from 10.5 percent to 11.75 percent, 12.75 percent, or 13.75 percent, depending on the hotel's location within one of three geographic zones. Revenue generated from the additional tax is designated to support Convention Center modernization, homelessness programs and services, and street repairs. Reimbursements for eligible homelessness services and street repair expenditures are reflected in the *Charges for Services* revenue category.

Measure C revenues are forecast using the same lodging demand, room revenue, and tourism growth assumptions incorporated into the TOT forecast.

The forecast projects $82.1 million in Measure C revenue in FY 2028. Of this amount, $33.7 million is projected to be available for reimbursement of General Fund expenditures supporting homelessness programs and services. Over the Outlook period, a cumulative $177.0 million is projected to be available for homelessness services and street repair activities, with street repair funding beginning in FY 2031.

Franchise Fees

Franchise Fees represent 4.7 percent of the FY 2027 Adopted General Fund Budget. These revenues are generated through agreements with private utility companies and refuse haulers in exchange for the use of the City's rights-of-way and other City-owned assets. Currently, franchise fee revenues are received from San Diego Gas & Electric (SDG&E), Cox Communications, Spectrum, AT&T, private refuse haulers operating within the City, and refuse tonnage disposed at the Sycamore Canyon Landfill Facility.

Franchise fee revenue from utility providers is generally based on a percentage of gross revenues, while franchise fee revenue from refuse haulers is based on refuse tonnage. SDG&E, refuse haulers, Sycamore Canyon Landfill tonnage, and cable companies collectively account for 96.2 percent of projected franchise fee revenue in FY 2028.

Table 2.9 – Franchise Fees Five-Year Forecast displays the FY 2027 Adopted Budget and year-end projection, as well as the forecast for FY 2028 through FY 2032 for franchise fee revenue.

Table 2.9 - Franchise Fees Five-Year Forecast ($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Electricity/Gas Growth Rate	1.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Cable Growth Rate	-7.6%	-7.9%	-8.2%	-8.5%	-8.8%	-9.1%
Projection	$ 105.7	$ 111.2	$ 114.0	$ 116.9	$ 129.0	$ 132.3

FY 2028 Forecast

Franchise Fee revenue is forecasted to increase by $5.5 million in FY 2028 from the FY 2027 Adopted Budget. The increase is primarily attributable to a $5.2 million increase in SDG&E franchise fee revenue and a $868,000 increase in Sycamore Canyon Landfill franchise fee revenue, partially offset by a $652,000 decrease in cable franchise fee revenue.

As reported in the FY 2027 First Quarter Report, franchise fee revenue is projected above the FY 2027 Adopted Budget, reflecting higher-than-anticipated SDG&E franchise fee collections based on customer usage during the first half of calendar year 2026, increased refuse collection franchise fees resulting from a one-time audit adjustment, and higher facility franchise fees at the Sycamore Canyon Landfill driven by an increase in the per-ton franchise fee rate. There was no change to cable revenue projections from the Adopted Budget.

Building on this higher projected revenue base, franchise fee revenue is forecasted to increase primarily due to continued growth in utility and landfill-related franchise fee revenue, partially offset by ongoing declines in cable franchise fees due to the continued shift toward digital and streaming services. Additional discussion on these increases is provided in the Forecast Considerations section.

Outlook Methodology

The Franchise Fees forecast was developed using historical collection trends, the FY 2027 projected revenue base, and assumptions specific to each major franchise fee revenue source. Given that each major franchise fee source is driven by unique operational and market conditions, growth rates are forecast individually and aggregated to develop the overall Franchise Fees forecast.

Revenue projections for SDG&E are based on historical collection trends and assumptions regarding electricity and natural gas sales, customer usage, and applicable rates. The City receives quarterly revenue updates from SDG&E and an annual cleanup payment each February; projections will be updated as actual collections and additional information become available. Refuse hauler franchise fees are projected using anticipated tonnage and Consumer Price Index (CPI)-based growth assumptions. Cable franchise fees are projected separately to reflect continued subscriber losses associated with changing consumer viewing preferences and competition from digital streaming services.

Forecast Considerations

Several economic, regulatory, and industry-specific factors were considered in developing the Franchise Fees forecast.

San Diego Gas & Electric (SDG&E)

SDG&E franchise fee revenue is projected at $75.5 million in FY 2028, representing an increase of $5.2 million from the FY 2027 Adopted Budget. The projection is based on historical collection trends and assumptions regarding electricity and natural gas sales. Growth may also be affected by electric vehicle adoption, additional housing development, investments in energy infrastructure, and the transition toward alternative energy sources.

Under the current franchise agreement, the City received annual electric and gas bid payments beginning in FY 2022. The initial electric bid payments ended in FY 2026, while annual gas bid payments are scheduled to continue through FY 2040. The City may also receive additional electric bid payments in FY 2031 and FY 2032 if the franchise agreement is renewed for an additional 10-year term following the initial term. The Outlook forecast assumes an electric bid payment to be received in FY 2031 and FY 2032. If the agreement is not renewed or is otherwise terminated, the remaining contingent payments will not be received.

The FY 2028 forecast includes a $601,000 installment associated with the gas portion of the annual bid payment. The forecast assumes suspension of the 20.0-percent allocation to the Energy Independence Fund. In accordance with the City Charter, $150,000 is allocated to the Environmental Growth Funds, with the remaining amount available to the General Fund. Annual installments are projected to increase by 3.38 percent throughout the outlook period.

SDG&E submitted its 2028 General Rate Case to the California Public Utilities Commission (CPUC) in June 2026, requesting a combined 8.6-percent increase in base rates over the 2028 through 2031 rate

cycle [2]. If approved, the new rates would take effect in January 2028. Given that the application remains under review, the proposed rate increases are not reflected in the current franchise fee forecast. Revenue projections will be updated as the General Rate Case proceeds and additional information becomes available.

Other factors that may affect future franchise fee revenues include customer adoption of rooftop solar, increased energy efficiency, building decarbonization, Community Choice Aggregation programs, energy storage, changes in rate structures, legislative and regulatory requirements, wildfire activity, extreme heat, and other weather-related changes in customer usage.

Refuse Haulers

Franchise fee revenue from refuse haulers is forecast at $15.2 million in FY 2028 representing an increase of $34,000 from the FY 2027 Adopted Budget. The forecast, developed by the Environmental Services Department, is based on anticipated landfill tonnage and assumes a refuse franchise fee of $18 per ton, with annual growth rates ranging between 2.3 percent and 2.4 percent based on projected CPI.

The Environmental Services Department is conducting a study of the current refuse franchise fee. Given that no specific fee adjustment had been proposed at the time this report was prepared, the forecast does not assume a change to the $18-per-ton rate. If a revised fee is approved, it could affect revenue beginning in FY 2028.

Future collections may also be affected by implementation of Measure B and related changes in residential solid waste services. City Council actions in June 2025 and June 2026 modified service eligibility and the Solid Waste fee schedule, which may cause some households to obtain services from private haulers. These changes could increase privately collected tonnage and franchise fee revenue, although the timing and magnitude of the impact remain uncertain.

Cable Companies

Franchise fee revenue from cable companies is forecast at $7.6 million in FY 2028, representing a decrease of $652,000 from the FY 2027 Adopted Budget. The decline reflects continued subscriber losses as consumers migrate from traditional cable services to streaming and other digital content platforms that are not subject to the same franchise fees.

The forecast assumes existing franchise agreements remain in effect and cable revenue decreases by an additional 0.31 percent in each year of the outlook period. Actual collections may vary based on subscription levels, service pricing, content ownership, advertising trends, and the pace at which consumers transition to alternative platforms.

[2] Utility companies, such as SDG&E are required to submit a General Rate Case (GRC) application with the California Public Utilities Commission (CPUC) every four years, in order to introduce revenue requirements to satisfy their responsibility to provide clean, and reliable energy services to their customers.

Scenario Analysis

The Franchise Fees forecast is based on the assumptions described above; however, changes in energy markets, regulatory requirements, consumer behavior, and industry trends may result in revenues differing from the baseline forecast.

Factors that could increase revenues include higher utility sales, increased energy demand, stronger refuse tonnage growth, approval of future SDG&E rate increases, or slower-than-anticipated declines in cable subscriptions.

Conversely, lower utility consumption, increased adoption of energy efficiency and distributed solar generation, lower landfill tonnage, regulatory changes, or accelerated cable subscriber losses could reduce revenues.

Given that many of these factors are subject to significant uncertainty and evolving market conditions, historical trends may not be indicative of future performance, particularly for SDG&E and cable-related franchise fee revenues.

Property Transfer Tax

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, of which the City receives half, or $0.55 per $1,000. Property transfer tax revenue is remitted to the City monthly and represents 0.5 percent of the City's General Fund FY 2027 Adopted Budget.

Table 2.10 – Property Transfer Tax Five-Year Forecast displays the FY 2027 Adopted Budget and year-end projection, as well as the forecast for FY 2028 through FY 2032 for property transfer tax.

Table 2.10 - Property Transfer Tax Five-Year Forecast ($ in Millions)

	FY 2027 Adopted	FY 2027 Projection	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Growth Rate	4.0%	10.5%	3.4%	3.6%	3.7%	3.7%	3.7%
Projection	$ 12.0	$ 12.4	$ 12.8	$ 13.2	$ 13.7	$ 14.2	$ 14.8

FY 2028 Forecast

The FY 2028 property transfer tax forecast reflects an increase of $758,000 from the FY 2027 Adopted Budget. The increase reflects continued strength in the local real estate market, including modest growth in home values and recent increases in residential property sales activity.

Outlook Methodology

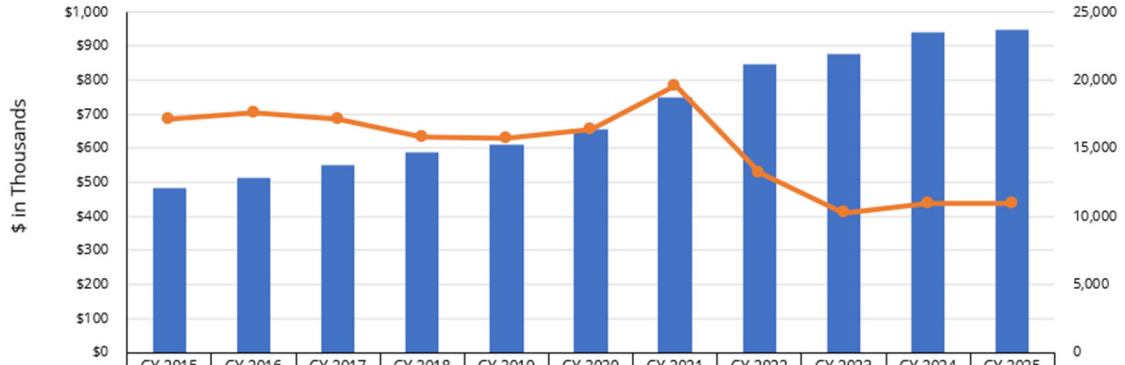
Property transfer tax projections are based on current apportionment reports received from the County of San Diego and serve as the basis for the Outlook period. Growth assumptions are aligned with projected property tax revenue growth for the corresponding fiscal year, but without the 12- to 18-month lag typically associated with property tax collections. As a result, property transfer tax revenues are more responsive to current market conditions and real estate activity.

Forecast Considerations

Property transfer tax revenues are highly dependent on both residential and commercial real estate market activity. Key revenue drivers include property sales volume and property values. Unlike property tax revenues, which are influenced by prior-year assessed valuations, property transfer tax receipts generally reflect current economic conditions and real estate transactions.

Median home prices have continued to show modest year-over-year growth despite month-to-month fluctuations. While the number of home sales declined slightly by 0.4 percent during calendar year 2025, year-to-date sales activity has increased by 1.2 percent compared to the same period in the prior year. Changes in interest rates, housing affordability, economic conditions, and real estate market activity could cause actual revenues to vary from current projections. **Figure 2.12 – Median Home Prices & Number of Homes Sold** illustrates the median home prices and number of homes sold over the last ten years.

Figure 2.12 - Median Home Prices & Number of Homes Sold



	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
Median Home Price	$481,521	$512,417	$550,417	$587,583	$609,604	$655,625	$748,500	$847,563	$874,813	$939,521	$947,375
Number of Homes Sold	17,158	17,629	17,161	15,829	15,750	16,402	19,587	13,198	10,266	10,959	10,912

Source: HdL Coren & Cone

Licenses and Permits

The licenses and permits category includes revenue associated with regulating certain activities within the City, and other revenues such as business tax, rental unit business tax, parking meter revenue, alarm permit fees, and special event permits. Licenses and permits represent 2.6 percent of the City's General Fund FY 2027 Adopted Budget.

Table 2.11 – Licenses and Permits Five–Year Forecast displays the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032 for revenue from licenses and permits.

Table 2.11 - Licenses and Permits Five-Year Forecast ($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Growth Rate		2.35%	2.30%	2.30%	2.30%	2.30%
Projection	$ 57.8	$ 51.7	$ 56.0	$ 53.8	$ 57.7	$ 55.4

FY 2028 Forecast

The FY 2028 forecast reflects a net decrease of $6.2 million from the FY 2027 Adopted Budget. The decrease is primarily due to a $4.4 million reduction in parking revenue associated with the discontinuation of the Balboa Park Paid Parking Program and a $3.4 million decrease in Short-Term Residential Occupancy (STRO) Program application and license revenue, reflecting the biennial collection cycle for most licensing fees. These reductions are partially offset by an increase of $963,000 in Cannabis Business Tax revenue, resulting from growth in retail cannabis sales.

Outlook Methodology

Licenses and permits revenue is projected to grow at an annual rate of 2.35 percent from FY 2028 through FY 2032. This growth rate is based on projected increases in the Consumer Price Index (CPI). Revenue sources with unique operating or collection characteristics are forecasted separately using assumptions specific to each revenue stream and then combined with the broader licenses and permits forecast. Exceptions to the 2.35 percent growth assumption include Cannabis Business Tax revenue, Short-Term Residential Occupancy (STRO) Program application and license revenue, and parking revenue associated with Balboa Park and the San Diego Zoo. These revenues are projected based on anticipated activity levels, program-specific trends, and historical collection patterns rather than CPI-based growth.

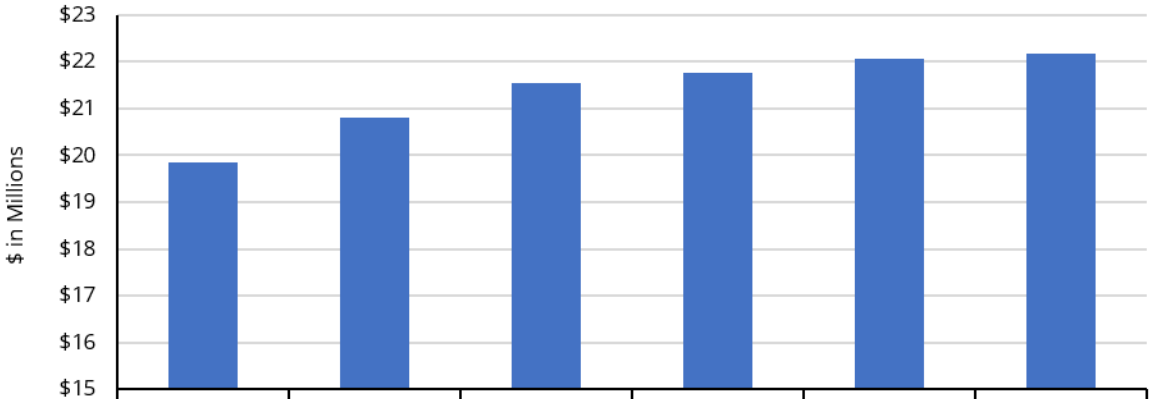
Forecast Considerations

Many revenues in the licenses and permits category are generated through user fees and are therefore subject to changes in fee schedules and cost-recovery policies. On March 3, 2025, the San Diego City Council adopted Resolution R-316067, which established new user fees, adjusted existing fees, and authorized annual fee updates based on changes in personnel-related salary and fringe benefit costs as well as regional CPI growth. Future fee adjustments implemented under this authority may affect actual revenue collections and could result in variances from the forecast presented in this outlook.

Cannabis Business Tax **revenue** is projected using historical taxable sales activity, projected outlet counts, and applicable tax rates. While revenue is expected to remain relatively stable throughout the forecast period, industry trends, market competition, and continued growth of the illicit market may affect future collections. **Figure 2.13 - Cannabis Business Tax Revenue, Fiscal Years 2028 - 2032** depicts the forecasted cannabis business tax revenue.

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Figure 2.13 - Cannabis Business Tax Revenue
Fiscal Years 2028 - 2032



	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Cannabis Tax	$ 19.8	$ 20.8	$ 21.5	$ 21.8	$ 22.1	$ 22.2

Short-Term Residential Occupancy (STRO) Program revenue is determined by application and license fees collected under the City's biennial licensing cycle. Given that most licenses are renewed every other fiscal year, forecasted revenues fluctuate accordingly, with higher collections anticipated in odd-numbered fiscal years. This results in projected revenue of $2.5 million in FYs 2028, 2030 and 2032, and $5.6 million in FYs 2029 and 2031.

Balboa Park and San Diego Zoo parking revenue assumptions reflect the City Council's decision to discontinue paid parking in Balboa Park effective January 1, 2027, resulting in the removal of $4.4 million in projected revenue. Separately, the San Diego Zoo will continue paid parking for their lot, with complimentary parking for City residents, Zoo members, active-duty military, employees, and volunteers.

Under the amended lease agreement, the Zoological Society is required to provide the City with 50.0 percent of net annual Zoo parking revenue, with the Outlook estimating about $3.0 million in FY 2028. At the time of this report, the Outlook assumes $3.0 million in annual City revenue from Zoo parking. Actual revenue will depend on the applicable lease provisions and parking revenue generated by the Zoo.

Fines, Forfeitures, and Penalties

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. This revenue source represents 2.0 percent of the City's General Fund FY 2027 Adopted Budget.

Table 2.12 – Fines, Forfeitures and Penalties Five-Year Forecast displays the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032 for revenue from fines, forfeitures, and penalties.

Table 2.12 - Fines, Forfeitures and Penalties Five-Year Forecast ($ in Millions)						
	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Growth rate		1.50%	1.50%	1.50%	1.50%	1.50%
Projection	$ 45.9	$ 48.6	$ 51.8	$ 54.2	$ 54.9	$ 55.1

FY 2028 Forecast

The FY 2028 forecast reflects an increase of $2.8 million from the FY 2027 Adopted Budget. The increase is primarily due to higher parking citation revenue resulting from increased staffing of parking enforcement officers.

Outlook Methodology

Fines, forfeitures, and penalties revenue are projected to grow at an annual rate of 1.50 percent from FY 2028 through FY 2032. This growth rate is based on the average historical revenue growth in this category and reflects the anticipated continuation of current collection trends and enforcement activity levels.

Forecast Considerations

A significant portion of revenue in the fines, forfeitures, and penalties category is generated by fees and penalties established by policy or ordinance. Future adjustments to fee schedules, including parking citation fees approved by the City Council, may affect actual revenue collections and could result in variances from the forecast presented in the outlook period.

Revenue from Money and Property

The Revenue from Money and Property category primarily consists of interest from city investments and rental revenue generated from City-owned properties such as Mission Bay Park, Balboa Park, City Pueblo Lands, and Torrey Pines Golf Course. This revenue source represents 4.3 percent of the City's General Fund FY 2027 Adopted Budget.

Table 2.13 – Revenue from Money and Property Five-Year Forecast displays the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032 for the Revenue from Money and Property category.

Table 2.13 - Revenue from Money and Property Five-Year Forecast ($ in Millions)						
	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Projection	$ 96.7	$ 96.9	$ 97.7	$ 98.5	$ 99.3	$ 100.2

FY 2028 Forecast

The FY 2028 forecast for revenue from money and property reflects a net increase of $207,000 from the FY 2027 Adopted Budget. The increase is primarily due to a $738,000 increase in Mission Bay Park rents and concessions revenue, partially offset by a $556,000 decrease in office space rent revenue received from non-General Fund departments occupying General Fund-owned buildings. The decline

in office space rent revenue is primarily due to the relocation of City staff from non-General Fund departments that previously occupied the Civic Center Plaza building.

Outlook Methodology

Revenue from money and property is forecasted based on the characteristics of its individual revenue sources. Office space rent revenue from non-General Fund departments and Mission Bay Park rents and concessions are projected separately, based on assumptions regarding occupancy levels, lease agreements, and expected operating activity. These projections are then combined with other revenues within the category. No growth rate is applied to the remaining revenue sources from FY 2028 through FY 2032 due to historically inconsistent growth patterns.

Forecast Considerations

Per City Charter Section 55.2, the first $20.0 million of Mission Bay Park rents and concessions revenue remains in the General Fund. Revenue in excess of this threshold is allocated to the San Diego Regional Parks Improvement Fund and the Mission Bay Park Improvement Fund and is reflected in the *Transfers Out* section of this report. The San Diego Regional Parks Improvement Fund receives 35.0 percent of revenues above the threshold, or $3.5 million, whichever is greater, with 65.0 percent or the remaining amount allocated to the Mission Bay Park Improvement Fund.

Interest earnings on pooled investments are projected based on the General Fund's participation in the City's treasury pool. Given that interest earnings are highly sensitive to changes in market conditions and interest rates, no annual growth is assumed during the outlook period. Actual interest earnings may vary from forecasted amounts and will continue to be monitored through the City's annual budget monitoring process.

Revenue from Federal and Other Agencies

The Revenue from Federal and Other Agencies category includes federal and State grants, and reimbursements to the City from other agencies, such as court crime lab revenue, urban search and rescue grants, and service level agreements. This revenue source represents 0.5 percent of the City's General Fund FY 2027 Adopted Budget.

Table 2.14 – Revenue from Federal and Other Agencies Five-Year Forecast displays the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032 for Revenue from Federal and Other Agencies.

Table 2.14 - Revenue From Federal and Other Agencies Five-Year Forecast ($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Projection	$ 11.8	$ 10.5	$ 10.5	$ 10.5	$ 10.5	$ 10.5

FY 2028 Forecast

The FY 2028 forecast reflects a decrease of $1.3 million from the FY 2027 Adopted Budget. The decrease is primarily due to the removal of one-time reimbursements received by the Fire-Rescue

Department for wildfire risk reduction efforts and California Governor's Office of Emergency Services (Cal OES) training activities.

Outlook Methodology

Revenue from Federal and Other Agencies is projected at the FY 2028 baseline level through FY 2032, with no annual growth assumption applied during the outlook period. Due to the unpredictable nature of State and federal funding, the forecast does not assume any additional assistance beyond the baseline projection.

Forecast Considerations

Actual revenues may vary from forecasted amounts based on the timing, availability, and receipt of State, federal, or other agency funding. At the time this report was prepared, any funding above the projected baseline of $10.5 million was unknown and therefore not included in the forecast.

Charges for Services

The revenue forecasted in the charges for services category is primarily comprised of reimbursements for services rendered by the General Fund to non-General Funds and also includes charges for services provided to the public. This category includes the 4.0-cent TOT reimbursements to the General Fund, Parking Meter Revenue Reimbursements to the General Fund, General Government Services Billing (GGSB), and other user fee revenues. This revenue source represents 16.6 percent of the City's General Fund FY 2027 Adopted Budget.

Table 2.15 – Charges for Services Five-Year Forecast displays the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032 for revenue from Charges for Services.

Table 2.15 - Charges for Services Five-Year Forecast ($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Growth Rate		2.35%	2.30%	2.30%	2.30%	2.30%
Projection	$ 374.7	$ 380.4	$ 405.6	$ 404.6	$ 402.4	$ 410.7

FY 2028 Forecast

The FY 2028 forecast reflects a net increase of $5.7 million from the FY 2027 Adopted Budget. The increase is primarily due to a $13.1 million increase in reimbursements associated with staff time billed to the future ERP Modernization Project, an estimated $3.1 million increase in reimbursements from other funds driven by projected growth in salaries and wages, and a $1.7 million increase in Measure C revenue resulting from projected growth in Transient Occupancy Tax (TOT) revenue.

These increases are partially offset by the removal of $11.3 million in one-time revenues, including grant funding for tree planting and maintenance, Road Maintenance and Rehabilitation support, reimbursements for the Police Intervention Services Team, the PLEADS Program, and other opioid-related reimbursements. Additional reductions include a $450,000 decrease in parking meter revenue, based on projected eligible reimbursable expenditures, and a net decrease of $364,000 in

reimbursements from the TOT Fund to the General Fund for homelessness programs and services, due to the assumption of alternative funding sources during the outlook period.

Outlook Methodology

Charges for services revenue are projected using a combination of CPI-based growth assumptions and revenue-specific forecasts. While a CPI growth rate is applied to most revenues within this category, select revenue sources, including reimbursements from other funds, are projected separately based on anticipated activity levels and program requirements. These individual projections are then aggregated with the broader charges for services forecast.

Reimbursements from other funds are forecasted based on projected staffing costs, anticipated project activity, and expected eligible expenditures.

Forecast Considerations

Revenue from reimbursements and other cost-recovery mechanisms depends on the level of eligible expenditures, staffing allocations, project activity, and available funding sources. Changes in these factors may affect actual revenues and result in variances from forecasted amounts.

In addition, reimbursements from the TOT Fund are evaluated periodically and may be adjusted based on final determinations of eligible expenditures and available funding. Final reimbursement amounts are established through the annual budget adoption process and ongoing budget monitoring activities.

Other Revenue

The other revenue category includes ambulance fuel reimbursements, corporate sponsorships, unclaimed monies, and other miscellaneous revenues. This revenue source represents 0.1 percent of the City's General Fund FY 2027 Adopted Budget.

Table 2.16 – Other Revenue Five-Year Forecast displays the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032 for revenue from other sources.

Table 2.16 - Other Revenue Five-Year Forecast ($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Projection	$ 3.1	$ 2.1	$ 2.1	$ 2.1	$ 2.1	$ 2.1

FY 2028 Forecast

The FY 2028 forecast reflects a decrease of $1.0 million from the FY 2027 Adopted Budget. The decline is primarily due to the removal of one-time revenue associated with a delinquent account escheatment estimate.

Outlook Methodology

Other revenue is projected at the FY 2028 baseline level through FY 2032, with no annual growth assumption applied during the outlook period. Due to historically inconsistent growth patterns within this category, revenues are held constant over the forecast period.

Forecast Considerations

Revenue in this category is subject to variability due to the nature and timing of one-time revenues and other non-recurring receipts. As a result, actual revenues may differ from forecasted amounts during the outlook period.

Transfers In

The transfers in category primarily represents transfers to the General Fund from non-General Funds. The major components in this category are transfers from the Public Safety Services Fund, Gas Tax and TransNet Funds, and the one-cent TOT revenue transfer from the TOT Fund. This revenue source represents 4.9 percent of the City's General Fund FY 2027 Adopted Budget.

Table 2.17 – Transfers In Five-Year Forecast displays the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032 for revenue from transfers in.

Table 2.17 - Transfers In Five-Year Forecast ($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Projection	$ 111.6	$ 119.2	$ 124.5	$ 127.6	$ 131.8	$ 133.6

FY 2028 Forecast

The FY 2028 forecast reflects an increase of $7.6 million from the FY 2027 Adopted Budget. The increase is primarily due to $5.5 million in tobacco settlement funds projected to be available after the satisfaction of bond obligations, $3.0 million in parking revenue generated by downtown parking garages, $1.4 million in revenue made available through the golf component of anticipated FY 2028 and FY 2030 lease revenue bond issuances, and a $1.4 million increase in the General Fund's 1.0-cent allocation of Transient Occupancy Tax (TOT) revenue. Additional increases include $1.3 million transferred from the Gas Tax Fund and TransNet Fund and $485,000 in safety sales tax reimbursements supporting Police and Fire-Rescue Department operations.

These increases are partially offset by a $5.1 million decrease in reimbursements from the Fire/Emergency Medical Services (EMS) Transport Fund for eligible expenditures supporting the City's EMS program expenditures, based on the fund's available resources and resulting in annual reimbursements of $11.0 million throughout the outlook period.

Outlook Methodology

Transfers In revenue is forecasted based on the specific funding sources and governing requirements associated with each transfer. Given that the underlying drivers and funding mechanisms vary by

source, no uniform growth rate is applied during the outlook period. Instead, individual transfers are projected separately and then aggregated to develop the overall forecast.

Forecast Considerations

The General Fund's allocation of TOT revenue is projected based on anticipated growth in total TOT collections and will vary with actual revenue performance during the outlook period. Similarly, safety sales tax reimbursements are dependent on revenues generated through Proposition 172 and the allocation of those funds among eligible uses.

In addition, reimbursements from the Fire/EMS Transport Fund are subject to future operational and funding decisions. The Fire-Rescue Department is currently evaluating ambulance transport service delivery options, and the financial impacts of any future service model were not known at the time this outlook was prepared. Actual transfers may therefore vary from forecasted amounts as program requirements, funding availability, and policy decisions evolve.

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Baseline General Fund Expenditures

General Fund expenditures consist of personnel and non-personnel costs required to maintain City services and operations. Personnel expenditures include salaries and wages, pension contributions, employee benefits, retiree healthcare, workers' compensation, and other fringe benefits. Non-personnel expenditures include supplies, contracts and services, utilities, debt service, transfers, and other operating expenses.

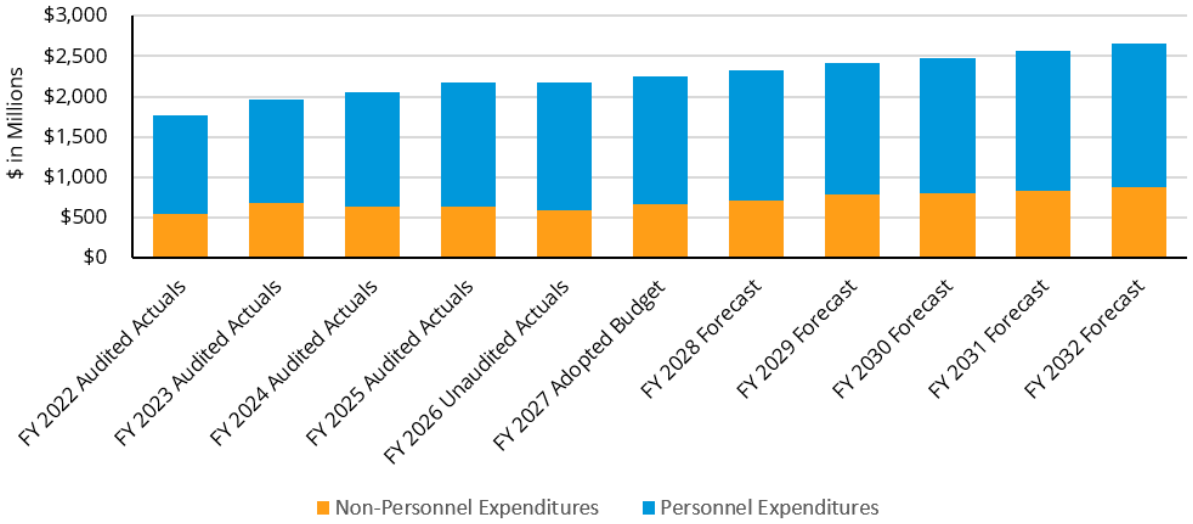
The baseline expenditure forecast reflects the estimated cost of maintaining current service levels throughout the outlook period and incorporates known contractual obligations, operational requirements, adopted policies, and other anticipated cost drivers available at the time this report was prepared. Unless otherwise noted, projections are based on the FY 2027 Adopted Budget, adjusted to remove one-time expenditures identified in **Attachment 1: One-Time Resources and Expenditures**.

Personnel expenditures represent 70.5 percent of the FY 2027 Adopted General Fund Budget and are the primary driver of expenditure growth during the outlook period. Personnel cost projections incorporate current labor agreements, assumed compensation increases associated with future labor negotiations, projected pension contributions, employee benefits, retiree healthcare costs, and other fringe benefit expenditures.

Non-personnel expenditure projections reflect anticipated costs necessary to maintain existing service levels and are based on category-specific assumptions, contractual commitments, operating requirements, financing obligations, inflationary impacts, and other known expenditure drivers.

Figure 2.14 – Baseline Expenditures depicts the projected growth in baseline personnel and non-personnel expenditures throughout the outlook period.

Figure 2.14 - Baseline Expenditures



Salaries and Wages

The Salaries and Wages category includes regular salaries and wages, budgeted personnel expenditure savings, termination pay, annual leave payouts, pay scale step increases, special pay, overtime, and vacation pay-in-lieu for General Fund employees. Salaries and wages represent the largest General Fund expenditure category, accounting for 43.0 percent of the FY 2027 Adopted Budget. **Table 2.18 – Salaries and Wages** displays the FY 2027 Adopted Budget and the FY 2028 through FY 2032 forecast for salaries and wages.

Table 2.18 - Salaries and Wages ($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Projection	$ 969.4	$ 991.6	$ 1,050.1	$ 1,099.6	$ 1,136.5	$ 1,171.1

FY 2028 Forecast

The FY 2028 forecast reflects an increase of $22.2 million from the FY 2027 Adopted Budget, primarily due to negotiated compensation adjustments included in existing labor agreements, projected pay scale step increases, and termination-related payouts. The forecast assumes staffing levels remain consistent with the 8,127.74 FTE positions included in the FY 2027 Adopted Budget and does not incorporate future position additions.

Outlook Methodology

Salary and wage projections incorporate compensation adjustments included in approved labor agreements for five of the City's six Recognized Employee Organizations (REOs), as well as adjustments for unrepresented and unclassified employees. For the remaining REO, compensation adjustments are based on the most recent proposal under consideration during ongoing labor negotiations. For fiscal years beyond the terms of current labor agreements, the forecast assumes an annual general wage increase of 3.1 percent, consistent with the average annual growth in the Consumer Price Index for the San Diego-Carlsbad region over the past fifteen years. The 3.1 percent assumption represents the projected growth in total compensation costs rather than salaries alone. Through future labor negotiations, this amount may be allocated among salaries and other compensation elements, including the City’s contribution to flexible benefits.

The forecast also incorporates projected pay scale step increases based on historical budgeting practices and anticipated employee progression under established salary schedules. Step increase assumptions were developed using the average amount budgeted for step increases over the previous three fiscal years and reflect expected employee advancement throughout the outlook period.

Termination pay projections include annual leave payouts and Deferred Retirement Option Plan (DROP) balances expected to be paid upon retirement or separation from City service. Projections for DROP-related payouts are based on recent retirement patterns and anticipated leave balances, while

non-DROP termination pay estimates are based on historical expenditure trends and projected wage growth.

Forecast Considerations

Future labor agreements may result in compensation adjustments that differ from the 3.1 percent assumption used in the Outlook. Any deviation from this assumption would affect projected personnel costs throughout the forecast period. The City will continue to evaluate employee compensation relative to market conditions and its Total Compensation Philosophy during future labor negotiations. The *City's Compensation Philosophy and Recruitment and Retention Efforts* discussion, under the *Future Fiscal Considerations* section of this report, elaborates on these potential costs.

Retirement Actuarially Determined Contribution (ADC)

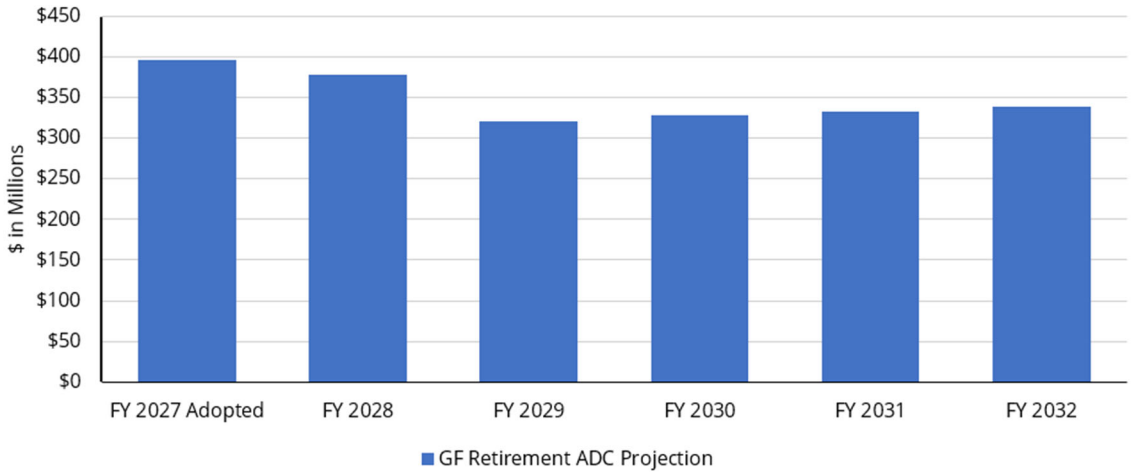
The Retirement ADC category reflects the City's required annual pension contribution to the San Diego City Employees' Retirement System (SDCERS). **Table 2.19 – ADC Pension Payment** and **Figure 2.15 - Retirement ADC** display the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032.

Table 2.19 - ADC Pension Payment ($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
GF ADC Estimate (70.4%)	$ 396.3	$ 403.3	$ 347.2	$ 343.9	$ 342.8	$ 347.4
GF ADC Projecetd Savings:						
Labor Negotiations GWI Savings		*$ (6.9)*	*$ (9.7)*	*$ (5.0)*	*$ (2.8)*	*$ -*
Actuarial Experience Study Impacts		*$ (7.7)*	*$ (7.7)*	*$ (7.7)*	*$ (7.7)*	*$ (7.7)*
Savings from ADC Investment Earnings		*$ (10.4)*	*$ (9.4)*	*$ (3.5)*	*$ -*	*$ -*
Estimated Total GF Impact	$ 396.3	$ 378.3	$ 320.4	$ 327.7	$ 332.3	$ 339.7

Source: FY28-32 ADC Projection: Cheiron Report "SDCERS Actuarial Valuation Report as of June 30, 2025 Produced by Cheiron February 2026"

Figure 2.15 - Retirement ADC



FY 2028 Forecast

The General Fund share of the Actuarially Determined Contribution (ADC) is projected at $378.3 million in FY 2028, a decrease of $18.0 million from the FY 2027 Adopted Budget. While the June 30, 2025 actuarial valuation projected the General Fund ADC at $403.3 million, the Outlook incorporates several adjustments that reduce projected pension costs.

The decrease is primarily due to:

- Lower-than-assumed negotiated wage increases, which reduce pensionable payroll growth and are projected to decrease General Fund costs by $6.9 million in FY 2028, with additional savings through FY 2031;
- Savings associated with the 2026 Actuarial Experience Study, which is estimated to reduce the General Fund ADC by $7.7 million in FY 2028, with additional savings through FY 2031; and
- Favorable investment performance that exceeded the actuarial assumption of 6.5 percent, resulting in estimated General Fund savings of $10.4 million in FY 2028.

Collectively, these adjustments reduce the projected General Fund ADC by $25.0 million from the amount originally reflected in the actuarial valuation.

Outlook Methodology

The forecast is based on the June 30, 2025 actuarial valuation prepared by SDCERS[3] and incorporates key actuarial assumptions, including a 6.5 percent investment return assumption and 3.25 percent annual payroll growth assumption. The General Fund allocation is based on the proportionate distribution of pension costs between the General Fund and non-General Fund departments reflected in the FY 2027 Adopted Budget, or 70.4 percent, throughout the outlook period.

In addition to the actuarial valuation, the Outlook incorporates adjustments for anticipated experience gains and losses that are expected to affect future pension costs. These include projected impacts from investment performance, negotiated wage increases that differ from actuarial payroll growth assumptions, and savings associated with the Actuarial Experience Study approved by the SDCERS Board in September 2026.

The forecast further incorporates projected reductions in unfunded actuarial liability payments as certain amortization bases are fully paid off, resulting in lower pension costs in the later years of the forecast period.

Forecast Considerations

The City's final FY 2028 ADC will not be known until the June 30, 2026 actuarial valuation is completed and approved by the SDCERS Board in early calendar year 2027. As a result, actual pension costs may differ from the Outlook forecast.

Future pension costs remain sensitive to investment performance, demographic experience, payroll growth, actuarial assumption changes, and workforce composition. In addition, future changes in the

[3] San Diego City Employees' Retirement System for the City of San Diego, Actuarial Valuation Report as of June 30, 2025 Produced by Cheiron in February 2026.

distribution of employees among City funds may affect the General Fund's proportionate share of pension costs.

As shown in **Table 2.19** and **Figure 2.15** above, pension costs are projected to decline throughout much of the outlook period as existing amortization layers associated with unfunded actuarial liabilities are retired. By FY 2032, the General Fund ADC estimate is projected to be $55.9 million lower than FY 2028 levels, largely due to the payoff of these unfunded liability obligations.

Employee Flexible Benefits

The City's IRS-qualified Flexible Benefits Plan provides eligible employees with a semi-monthly credit to purchase optional and required benefits, including medical, dental, vision, and basic life insurance. Credit amounts vary based on factors such as REO, work schedule, and hire date. **Table 2.20 – Flexible Benefits** displays the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032.

Table 2.20 - Flexible Benefits ($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Projection	$ 102.9	$ 108.6	$ 111.6	$ 113.1	$ 113.4	$ 113.4

FY 2028 Forecast

The FY 2028 forecast reflects an increase of $5.7 million compared to the FY 2027 Adopted Budget primarily due to increased costs associated with approved labor agreement provisions.

Outlook Methodology

Flexible benefit projections reflect current labor agreements, including negotiated employee contribution changes, and assume staffing levels remain at FY 2027 Adopted Budget levels throughout the outlook period. Since baseline projections exclude future position additions, costs are generally held constant after negotiated changes take effect. No separate growth factor is applied to flexible benefits for years beyond current labor agreements; any future increases in the City's flexible benefit contribution would be funded from the 3.1 percent annual total compensation growth assumption described in the Salaries and Wages section, with the allocation between salaries and benefits determined through labor negotiations.

Forecast Considerations

Future flexible benefit costs may vary based on healthcare cost inflation, employee enrollment decisions, utilization rates, and future labor negotiations. Changes to benefit plan design, premium rates, or employee contribution levels could affect actual costs during the outlook period.

Retiree Healthcare/Other Post-Employment Benefits (OPEB)

The OPEB category consists primarily of retiree healthcare benefits and other post-employment obligations provided to eligible former employees. The City's existing defined benefit and defined contribution plans are closed to newer employees. **Table 2.21 – Other Post-Employment Benefits**

(OPEB) displays the General Fund share the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032.

Table 2.21 - Other Post Employment Benefits (OPEB) ($ in Millions)						
	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
GF OPEB Projection (62.2%)	$ 23.3	$ 22.5	$ 44.8	$ 28.9	$ 27.3	$ 28.7

FY 2028 Forecast

The FY 2028 forecast reflects a decrease of $800,000 compared to the FY 2027 Adopted Budget primarily due to a planned reduction in contributions as part of a revised funding strategy that anticipates increased use of a pre-funded trust.

Outlook Methodology

The forecast reflects the City's updated OPEB funding strategy and projected retiree healthcare benefit payments. Planned citywide contributions were reduced by $10.0 million starting in Fiscal Year 2027, generating $6.0 million in General Fund savings annually. This revised funding strategy relies on increased use of the pre-funded California Employers' Retiree Benefit Trust (CERBT) which is expected to be able to support the annual need to pay benefits.

The forecast also incorporates the negotiated Option C–style benefit beginning in FY 2029, resulting in a significant increase in projected costs that year. Subsequent-year projections reflect the expected timing of benefit payments, employee contributions, trust assets and investment performance, and actuarial estimates of future obligations. The General Fund forecast represents its proportionate share of total citywide OPEB expenditures.

Forecast Considerations

Actual OPEB expenditures may vary due to changes in healthcare costs, retiree eligibility and participation, employee contributions, actuarial assumptions, and CERBT investment performance. The timing and amount of Option C–style benefit payments beginning in FY 2029 may also affect annual expenditures. If actual experience differs from current cash-flow projections, the City may need to reassess its long-term funding strategy.

Workers' Compensation

The Workers' Compensation category includes claim costs for work-related injuries and illnesses, including medical treatment and indemnity benefits. **Table 2.22 – Workers' Compensation** displays the General Fund share of the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032.

Table 2.22 - Workers' Compensation ($ in Millions)						
	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Operating	$ 47.3	$ 51.8	$ 56.7	$ 62.1	$ 68.0	$ 74.5

FY 2028 Forecast

The FY 2028 forecast reflects a $4.5 million increase from the FY 2027 Adopted Budget, primarily due to higher projected workers' compensation claim costs.

Outlook Methodology

The forecast is based on the three-year average annual growth rate of workers' compensation claims expenditures, which is applied throughout the outlook period. Projected costs include medical treatment and indemnity benefits. General Fund costs are allocated using the FY 2027 budget allocation methodology, with the General Fund responsible for an estimated 80.0 percent of total workers' compensation costs.

Forecast Considerations

Actual expenditures may differ from forecasted amounts due to changes in claim frequency and severity, medical inflation, and workplace safety conditions. Significant claims activity or the cost of medical treatment and indemnity benefits could affect future costs.

Supplemental Pension Savings Plan (SPSP)

The SPSP category includes the City's required contributions for SPSP and SPSP-H participants, as well as eligible hourly employees. SPSP-H covers eligible employees who have elected to remain in the defined contribution plan rather than join SDCERS. **Table 2.23 – Supplemental Pension Savings Plan (SPSP)** displays the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032.

Table 2.23 - Supplemental Pension Savings Plan (SPSP)
($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Projection	$ 8.9	$ 8.9	$ 9.0	$ 9.0	$ 9.0	$ 9.0

FY 2028 Forecast

The FY 2028 forecast reflects a $21,000 increase from the FY 2027 Adopted Budget, primarily due to salary growth assumptions for SPSP voluntary participants.

Outlook Methodology

SPSP expenditures are generally projected to remain consistent with FY 2027 Adopted Budget levels throughout the outlook period. The exception is SPSP Voluntary, which is adjusted for projected salary growth because employer contributions are calculated as a percentage of eligible employee compensation.

Forecast Considerations

Future SPSP costs may vary from forecasted amounts due to changes in participation, employer contribution requirements, eligible compensation, or salary growth assumptions.

Other Fringe Benefits

The Other Fringe Benefits category includes Long-Term Disability, Medicare, Retiree Medical Trust, 401(a) plan contributions, Retirement DROP contributions, Employee Offset Savings, Risk Management Administration, and Unemployment Insurance expenditures. **Table 2.24 – Other Fringe Benefits** displays the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032.

Table 2.24 - Other Fringe Benefits ($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Projection	$ 42.6	$ 42.3	$ 43.0	$ 43.7	$ 44.5	$ 45.3

Other fringe benefits are projected based on a percentage of employees' salaries. In the FY 2027 Adopted Budget, other fringe benefits were 6.6 percent of General Fund fringe benefits. For the outlook period, that percentage is projected to be consistent at 6.6 percent with slight increases during the outlook period as a result of salary increases.

FY 2028 Forecast

The FY 2028 forecast reflects a decrease of $310,000 from the FY 2027 Adopted Budget primarily based on the impacts associated with recent negotiations with the City's REOs. In exchange for a retiree healthcare defined contribution benefit for previously ineligible general members beginning in FY 2029, those members agreed to the immediate elimination of the City's contribution toward the Retiree Medical Trust Plan.

Outlook Methodology

Other fringe benefit expenditures are projected at 6.6 percent of General Fund fringe benefit expenditures, consistent with the FY 2027 Adopted Budget. This rate is maintained throughout the Outlook period, with projected increase primarily due to forecasted salary growth.

Forecast Considerations

Actual expenditures may vary based on changes in salary assumptions, employee demographics, benefit plan participation, regulatory requirements, unemployment claims activity, and other workforce-related factors. Given that many of these costs are directly tied to payroll, future compensation adjustments would affect projected expenditures in this category.

Supplies

The supplies category includes costs for items such as office supplies, books, tools, uniforms, safety supplies, and building and electrical materials. **Table 2.25 - Supplies** displays the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032 for the supplies category.

Table 2.25 - Supplies ($ in millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Growth Rate		2.35%	2.30%	2.30%	2.30%	2.30%
Projection	$ 38.5	$ 38.9	$ 39.8	$ 40.8	$ 41.7	$ 42.7

FY 2028 Forecast

The FY 2028 forecast reflects an increase of $464,000 primarily due to the forecasted growth in CPI, partially offset by a decrease of $430,000 from the FY 2027 Adopted Budget due to the removal of one-time expenditures for personal protective equipment (PPE) in the Fire-Rescue Department and maintenance supplies in the Parks and Recreation Department.

Outlook Methodology

Supplies expenditures are projected based on the FY 2028 baseline and increased annually through FY 2032 using forecasted growth in the Consumer Price Index (CPI), as projected in the UCLA Anderson Forecast Fall 2026 Economic Outlook.

Forecast Considerations

Actual supplies expenditures may vary from forecasted amounts due to changes in inflationary pressures, commodity prices, supply chain conditions, and operational needs. As a result, expenditure requirements may differ from projections during the outlook period.

Contracts and Services

The Contracts and Services category includes both external and internal contractual expenditures. External contracts and services are provided by outside organizations and include legal services, homeless shelter operations, insurance, rent, and consulting services. Internal contracts and services consist of charges for services provided by City departments and funds, including refuse disposal, fleet vehicle usage and assignment fees, print shop services, Information Technology (IT) support services, SAP support allocations, and the Information Technology Services transfer. **Table 2.26 – Contracts and Services** presents the FY 2027 Adopted Budget and the FY 2028 through FY 2032 forecast for this category.

Table 2.26 - Contracts and Services ($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Growth Rate		2.35%	2.30%	2.30%	2.30%	2.30%
Projection	$ 376.8	$ 389.9	$ 428.2	$ 429.7	$ 437.5	$ 450.9

FY 2028 Forecast

The FY 2028 forecast reflects an increase of $13.2 million compared to the FY 2027 Adopted Budget. The increase is primarily due to ERP Modernization project costs, increased loan transfers associated with the Energy Savings Performance Contract (ESPC), vehicle usage costs, higher public liability insurance costs, and increased election expenditures. These increases are partially offset by lower vehicle assignment fees and reduced General Fund support for homelessness programs due to anticipated grant funding.

Outlook Methodology

Most contracts and services expenditures are forecast using projected Consumer Price Index (CPI) growth assumptions from the UCLA Anderson Forecast Fall 2026 Economic Outlook. Expenditures with unique cost drivers are projected separately and incorporated into the overall forecast.

Fleet vehicle usage and assignment fees are projected based on vehicle replacement schedules, debt service requirements, anticipated vehicle delivery timelines, and vehicle maintenance needs. Public liability costs are forecast using historical expenditure trends, while election costs are based on anticipated election activity and prior election experience. ERP Modernization and ESPC costs are projected using current implementation schedules, financing assumptions, and planned project expenditures.

Forecast Considerations

ERP Modernization Project: The Outlook includes costs to modernize the City's ERP system. Although a large portion of the project is anticipated to be financed, the FY 2028 forecast includes $17.9 million in General Fund costs for IT ERP support, including implementation, operational support, and staffing, an increase of $7.1 million from the FY 2027 Adopted Budget. The net General Fund impact of the project is projected to total $36.7 million through FY 2032. This reflects $79.5 million in cumulative unfinanced General Fund costs, partially offset by $42.8 million in revenue from staff time billed to the project, which is reflected in the Charges for Services category. Of that revenue, $13.1 million is projected in FY 2028.

Energy Savings Performance Contract (ESPC): The Outlook includes a $5.0 million increase in FY 2028 for loan transfers associated with the Energy Savings Performance Contract (ESPC), which supports energy-efficiency improvements and facility upgrades throughout City facilities. ESPC-related loan transfers are projected to total $25.9 million over the outlook period.

Vehicle Usage and Assignment Fees: Vehicle usage fees are projected to increase by $3.4 million in FY 2028 based on FY 2026 actual expenditures and an assumed 3.5-percent growth rate. Vehicle assignment fees are projected to decrease by $4.7 million, primarily due to delays in vehicle replacements and anticipated delivery schedules. The assignment fee forecast includes debt-service payments for existing and future replacements and prorated payments for vehicles on order or expected to be delivered in FY 2028. The forecast does not include potential costs associated with fleet electrification; additional information is provided in the *Zero Emissions Municipal Building Operations Policy and Fleet Electrification Program* discussion under *Future Fiscal Considerations.*

Public Liability Insurance Premiums and Claims/Non-Claims: Public liability insurance premiums are projected to increase by $3.1 million in FY 2028, while claims and non-claims expenditures are projected to increase by $474,000 based on the recent three-year average growth rates. By FY 2032, insurance premiums are projected to increase by a cumulative $16.3 million, while claims and non-claims expenditures are projected to increase by $2.4 million compared to the FY 2027 Adopted Budget.

Election Costs: Election expenditures are projected to increase by $1.8 million in FY 2028 due to the municipal election cycle. The Outlook assumes costs associated with anticipated primary and general elections during the outlook period. The forecast assumes one ballot measure for the 2028 Primary Election, based on the historical average of the last two primary elections, and four ballot measures for the 2028 General Election, based on the last three general elections. Actual costs may vary depending on the number of participating jurisdictions, ballot measures, contests, and registered voters.

San Diego Humane Society – Animal Services: The animal services contract with the San Diego Humane Society is projected to increase by $842,000 in FY 2028 due to contractual increases, and an additional increase of $4.3 million in FY 2029 to bring the contract up-to-date from prior-year agreed upon discounts.

Refuse Disposal Fees: Refuse disposal fees are projected to increase by $224,000 in FY 2028, primarily due to CPI growth based on data from the California Department of Finance. The Environmental Services Department is expected to conduct a fee study, and any resulting fee changes approved during the outlook period could affect future projections.

Homelessness Programs and Services: Partially offsetting the increases highlighted above is a $2.0 million reduction in FY 2028 General Fund contract costs for homelessness programs and services. The Outlook assumes $25.8 million in Homeless Housing, Assistance and Prevention grant funding annually, totaling $129.0 million over the five-year outlook period. This funding is expected to offset homelessness-related contract expenditures; however, HHAP 7 is the only confirmed round of HHAP funding from the state. If future grant funding is not received as anticipated, the General Fund would need to support more expenditures to maintain service levels, or service levels could decrease absent other funding sources.

Information Technology

The information technology category includes both discretionary expenditures and non-discretionary allocations to General Fund departments. This category includes the costs related to hardware and software maintenance, help desk support, and other information technology (IT) services. **Table 2.27 – Information Technology** displays the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032 for the Information Technology category.

Table 2.27 - Information Technology ($ in Millions)						
	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Growth Rate		2.35%	2.30%	2.30%	2.30%	2.30%
Projection	$ 58.3	$ 60.5	$ 66.1	$ 72.6	$ 77.7	$ 77.6

FY 2028 Forecast

The FY 2028 forecast reflects a net increase of $2.2 million from the FY 2027 Adopted Budget. The increase is primarily due to an increase in baseline information technology costs associated with software licenses, cybersecurity services, application maintenance, software support, and anticipated contractual obligations to maintain continuity of IT operations. These increases are partially offset by the removal of $537,000 in one-time expenditures included in the FY 2027 Adopted Budget for portable electronic citation printers in the Police Department and a data management system upgrade for the Ethics Commission.

Outlook Methodology

Information technology expenditures are forecasted based on baseline contractual and operational requirements for software licensing, cybersecurity, application maintenance, and technology support services. Following the removal of one-time expenditures from the FY 2028 baseline, discretionary costs, including hardware and software enhancements, computer maintenance, and professional IT services, are projected to increase annually based on forecasted Consumer Price Index (CPI) growth from the UCLA Anderson Forecast Fall 2026 Economic Outlook.

Forecast Considerations

The outlook assumes increased costs associated with the expiration and transition of current IT managed service provider contracts. Projected expenditures include costs related to transitioning from the incumbent provider, onboarding and integrating a new vendor, and maintaining service continuity during the transition process. Actual costs may vary based on contract negotiations, implementation timing, technology requirements, and future operational needs.

Energy and Utilities

The energy and utilities category includes the General Fund cost for electricity, fuel, and other utility and energy expenses. **Table 2.28 – Energy and Utilities** displays the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032 for the energy and utilities category.

Table 2.28 - Energy and Utilities ($ in Millions)						
	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Growth Rate		-0.36%	5.52%	5.01%	3.56%	3.59%
Projection	$ 74.1	$ 73.8	$ 77.9	$ 81.8	$ 84.7	$ 87.8

FY 2028 Forecast

The FY 2028 forecast reflects a net decrease of $264,000 from the FY 2027 Adopted Budget. While projected rate increases for electricity, natural gas, water, wastewater, and fleet electric vehicle charging are expected to increase expenditures in several areas, these impacts are partially offset by anticipated energy savings initiatives, operational adjustments, and reduced fuel consumption associated with the City's fleet electrification efforts.

Outlook Methodology

Energy and utilities expenditures are forecasted using individual growth assumptions for each cost component rather than a single category-wide growth rate. Forecasts are primarily based on the U.S. Energy Information Administration's Annual Energy Outlook 2026, projected Consumer Price Index (CPI) growth from the UCLA Anderson Forecast Fall 2026 Economic Outlook, and utility-specific projections developed by the Department of General Services and Public Utilities Department.

Fuel expenditures are projected using assumptions developed by the Department of General Services for gasoline and renewable diesel. Electricity, natural gas, streetlight and traffic signal electricity, and fleet electric vehicle charging costs are projected using anticipated utility rate increases, operational energy savings, fleet electrification assumptions, and expected changes in departmental operations. Water and wastewater expenditures are forecasted using projected rate adjustments developed by the Public Utilities Department through its cost-of-service methodology.

The overall category growth rate represents a blended projection derived from the individual growth assumptions applied to each energy and utility component.

Forecast Considerations

Utility expenditures remain highly sensitive to changes in market conditions, regulatory decisions, and operational demand. Fuel costs may fluctuate as a result of changes in crude oil production, consumer demand, inflation, and the pace of vehicle electrification. Current fuel projections include annual growth rates ranging from negative 11.0 percent to positive 0.3 percent during the outlook period.

Electricity projections assume future SDG&E rate increases, including anticipated impacts from the utility's 2028 General Rate Case, which, if approved by the California Public Utilities Commission, is expected to take effect in January 2028. Forecasted electricity growth ranges from 3.0 percent to 5.0 percent annually and incorporates expected energy savings initiatives, fleet electrification, and departmental operational adjustments. Increased electricity expenditures associated with fleet electric vehicle charging are expected to be partially offset by corresponding reductions in gasoline and renewable diesel consumption.

Water and wastewater expenditures are forecasted using rate projections developed by the Public Utilities Department through its cost-of-service methodology. Any future rate adjustments remain subject to City Council approval through a public hearing process as required by State law. Water and wastewater costs are projected to increase throughout the outlook period, with wastewater rate growth ranging from 6.9 percent to 10.0 percent annually and water rate increases ranging from 5.0 percent to 14.5 percent annually. Water projections assume overall City demand remains generally consistent throughout the outlook period. Actual expenditures may vary from forecasted amounts

based on utility rate decisions, conservation efforts, operational changes, and broader economic conditions.

Debt Service

The Debt Service category includes payments associated with lease revenue bonds, financed equipment purchases, General Fund computer replacement financing, California Energy Commission (CEC) loans, the Stormwater Water Infrastructure Finance and Innovation Act (WIFIA) loan, and other outstanding debt obligations. Debt service expenditures are forecast based on anticipated payment schedules rather than growth assumptions. **Table 2.29 – Debt Service Expenditures** displays the FY 2027 Adopted Budget and the forecast for FY 2028 through FY 2032 projections for the Debt Service Expenditures.

Table 2.29 - Debt Service Expenditures ($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Projection	$ 73.7	$ 87.5	$ 107.3	$ 118.3	$ 142.4	$ 155.2

The forecast incorporates updates to the City's existing debt service schedules, including anticipated future financing for capital projects, information technology investments, fleet, and energy-related projects. **Table 2.30 – Debt Service by Category (Principal & Interest)** displays the projected debt service expenditures by financing category.

Table 2.30 - Debt Service by Category (Principal & Interest) ($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Bonds	$ 65.1	$ 76.5	$ 94.8	$ 104.7	$ 122.7	$ 133.1
Financed Purchase	$ 6.3	$ 7.7	$ 6.8	$ 5.8	$ 5.8	$ 5.9
Stormwater WIFIA Loan	$ 2.3	$ 3.3	$ 5.7	$ 7.9	$ 13.9	$ 16.2
Total	$ 73.7	$ 87.5	$ 107.3	$ 118.3	$ 142.4	$ 155.2

Note: There are existing debt issuances not included in the table (e.g., 2025 Ballpark Refunding Bonds, 2020A Convention Center Refunding Bonds, 2012B Fire & Life Safety Facilities Refunding Bonds, and fleet replacement leases) that are paid from sources other than the General Fund but have a pledge of general revenues of the City.

FY 2028 Forecast

The FY 2028 forecast reflects a net increase of $13.9 million from the FY 2027 Adopted Budget. The FY 2028 forecast includes debt service costs associated with anticipated financing for capital projects, fleet and equipment replacements, information technology investments, and the ERP Modernization Project. The Outlook assumes the issuance of a $464.7 million Lease Revenue Bond in FY 2028, a $413.6 million Lease Revenue Bond in FY 2030, and a $300.0 million Lease Revenue Bond issuance in FY 2032 to support General Fund Capital Improvement Program (CIP) projects, remaining City matching fund requirements for the Stormwater Water Infrastructure Finance and Innovation Act (WIFIA) loan, and other approved capital needs.

Outlook Methodology

Debt service projections are based on existing debt obligations and anticipated future financing requirements. The Outlook assumes $1.2 billion in future lease revenue bond issuances. Of this amount, $292.8 million is expected to finance prior appropriations, remaining Stormwater WIFIA matching fund requirements, and ERP Modernization debt appropriations, while the remaining $885.5 million is assumed for future capital appropriations.

The forecast also includes $9.3 million in financed purchases for information technology equipment and public safety aviation assets, including annual financing for General Fund computer replacement and the replacement and outfitting of Police and Fire-Rescue helicopters. In addition, $222.5 million in borrowing is assumed through the Equipment and Vehicle Financing Program to support General Fund fleet replacement needs throughout the outlook period, with fleet replacement costs reflected through fleet assignment charges in the Contracts and Services category.

Debt service associated with existing California Energy Commission (CEC) loans is also incorporated into the forecast. Based on current project schedules and expenditure projections, draws on the Stormwater WIFIA loan are assumed to begin during the outlook period. The forecast assumes interest-only payments during project construction, with principal repayment commencing following substantial project completion.

Forecast Considerations

The timing, size, and financing terms of future debt issuances will depend on project cash flow requirements, funding needs, and market conditions at the time of issuance. As a result, actual debt service costs may vary as these factors evolve.

During the outlook period, the City is projected to incur a total of $1.4 billion in additional General Fund-backed debt including lease revenue bond issuances and financed purchases. Consistent with the City's Debt Policy, projected debt affordability metrics remain within policy guidelines through FY 2032. The Debt Ratio is projected to rise gradually, reaching a high of approximately 7.9 percent of General Fund revenues in FY 2032, while the combined ratio of debt service, pension, and Other Post-Employment Benefits (OPEB) costs is projected to peak at approximately 24.1 percent in FY 2028, and is projected to range between 21.8 and 22.3 percent for the remainder of the Outlook period.

Future borrowing requirements not assumed in this Outlook, reductions in General Fund revenues, or increases in pension obligations could adversely affect these affordability metrics. Any future debt-financed appropriation will be evaluated in accordance with the City's Debt Policy and include an affordability analysis of the associated impacts on debt ratios.

Other Expenditures

Expenditures in the other expenditures category include transfers-out to other funds, capital expenses, and other miscellaneous expenditures. Most expenditures within this category are forecast based on anticipated transfer requirements rather than growth assumptions. Capital expenditures and transportation allowances are exceptions and are generally projected using CPI growth

assumptions. **Table 2.31 – Other Expenditures** displays the FY 2027 Adopted Budget and FY 2028 through FY 2032 projections for the Other Expenditures Category.

Table 2.31 - Other Expenditures ($ in Millions)

	FY 2027 Adopted	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Projection	$ 44.7	$ 63.5	$ 63.7	$ 53.8	$ 54.9	$ 58.9

FY 2028 Forecast

The FY 2028 forecast reflects an increase of $18.8 million from the FY 2027 Adopted Budget primarily due to an $11.5 million General Fund subsidy to the Solid Waste Management Fund to support operational costs as approved by City Council in June 2026. The FY 2028 forecast also includes the contribution to the Climate Equity Fund and higher allocations to the Park Improvement Funds. The Outlook includes a $7.6 million contribution to the Climate Equity Fund, calculated as 10.0 percent of the General Fund share of SDG&E revenues, compared to the one-time waiver of this contribution in the FY 2027 Adopted Budget. In addition, transfers to the Park Improvement Funds are projected at $22.2 million in FY 2028, representing an increase of $738,000 from FY 2027. The forecast further includes a $751,000 increase in Preservation of Benefits expenditures based on a revised analysis and current retirees.

Outlook Methodology

Other expenditures are projected based on applicable Charter requirements, adopted policies, and anticipated operational funding needs. Expenditures tied to specific revenue sources, including Climate Equity Fund contributions and allocations to the Park Improvement Funds, are forecasted using the associated revenue projections and required allocation methodologies. Subsidies to other City funds are projected based on anticipated operating requirements and available funding sources.

Forecast Considerations

Climate Equity Fund contributions are calculated as 10.0 percent of the General Fund share of SDG&E franchise fee revenues and will vary based on actual revenue performance. Given that the FY 2027 Adopted Budget included a one-time waiver of this contribution, year-over-year expenditure growth in FY 2028 is increased compared to ongoing expenditure trends.

Similarly, allocations to the Park Improvement Funds are governed by City Charter Section 55.2 and are dependent on Mission Bay Park rents and concessions revenue. Actual transfers may differ from forecasted amounts if revenues vary from current projections.

The Outlook includes an annual General Fund subsidy to the Solid Waste Management Fund beginning in FY 2028 and FY 2029. Future subsidy requirements will depend on operating costs, service demands, and the availability of other funding sources. Changes in these factors could increase or decrease the level of General Fund support needed during the outlook period.

Preservation of Benefits expenditures are influenced by retiree participation levels, health benefit costs, and allocation methodologies. Actual expenditures may vary as these factors change over time.

Overall, expenditures within this category are largely driven by revenue-sharing requirements, policy-based allocations, and the operating needs of other City funds. As a result, future expenditure levels may differ from forecasted amounts based on changes in underlying revenues, operating costs, and City policy decisions.

Charter Section 77.1 – Infrastructure Fund

Pursuant to City Charter Section 77.1, the City is required to deposit certain unrestricted General Fund revenues into an Infrastructure Fund to support new infrastructure and related financing costs, as well as the maintenance and repair of General Fund capital assets such as streets, sidewalks, and buildings.

Through FY 2042, required annual deposits are based on two potential funding sources:

- Sales Tax Increment: The amount by which annual sales tax revenue exceeds the FY 2016 baseline, adjusted annually for the California Consumer Price Index (CCPI).
- General Fund Pension Cost Reduction: Any amount by which General Fund pension costs are below the FY 2016 base-year level.

Prior to FY 2023, the calculation also included a Major Revenues Increment equal to 50.0 percent of year-over-year growth in property tax revenue, unrestricted Transient Occupancy Tax (TOT), and unrestricted franchise fees. This provision expired after FY 2022 in accordance with the City Charter.

The sales tax increment projection is based on sales tax revenue forecasts and CCPI assumptions derived from the UCLA Anderson Forecast Fall 2026 Economic Outlook. Because the adjusted sales tax baseline changes annually with inflation, fluctuations in the CCPI directly affect the required calculation.

Based on current projections, a $3.3 million contribution to the Infrastructure Fund is projected in FY 2032. Sales tax revenue is projected to remain below the inflation-adjusted baseline, and General Fund pension costs are projected to remain above FY 2016 levels throughout the outlook period due to existing pension obligations and current actuarial projections. Based on the latest actuarial valuation from SDCERS, it is unlikely that General Fund pension costs will be below the base-year threshold before FY 2042.

The Department of Finance will continue to reconcile actual sales tax revenues against the adjusted baseline at the end of each fiscal year. Should actual revenues generate the required contribution, the corresponding deposit would be proposed through a subsequent budget process.

PRIORITIES BEYOND BASELINE EXPENDITURES

In addition to the baseline forecast, the Outlook also includes projected costs for new and expanded facilities, which is depicted in **Table 2.32 – New and Expanded Facilities**. The forecast includes costs associated with the operations of new or expanded facilities that are projected to open within the outlook period. The annual operating costs for these facilities are estimates which will be revised during each year's budget development process. It is important to note that not all funding to complete all new and expanded facilities included in the Outlook has been budgeted, but it is assumed funding will be identified and allocated during the outlook period.

New and Expanded Facilities

Table 2.32 - New and Expanded Facilities ($ in Millions)

Department	FTE/Rev/Exp	FY2028	FY2029	FY2030	FY2031	FY2032
Library	FTE	17.00	22.50	22.50	22.50	22.50
	Revenue	$ -	$ -	$ -	$ -	$ -
	Expense	$ 1.3	$ 2.2	$ 2.3	$ 2.4	$ 2.4
Parks and Recreation	FTE	-	12.00	23.00	23.00	23.00
	Revenue	$ -	$ -	$ -	$ -	$ -
	Expense	$ -	$ 2.4	$ 4.4	$ 4.4	$ 4.4
Fire-Rescue	FTE	12.00	12.00	12.00	39.00	39.00
	Revenue	$ -	$ -	$ -	$ -	$ -
	Expense	$ 2.8	$ 2.9	$ 2.9	$ 9.9	$ 10.2
	Total FTE	**29.00**	**46.50**	**57.50**	**84.50**	**84.50**
	Total Revenue	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
	Total Expense	**$ 4.1**	**$ 7.5**	**$ 9.6**	**$ 16.7**	**$ 17.1**

The Outlook identifies the operating costs needed for one new library, a library expansion and one library remodel, two new fire stations, 13 new parks, and two park expansions, which are projected to open within the outlook period. The following section provides additional detail for the new and expanded facilities projected to open during the outlook period, along with the year the facilities are projected to open.

Operating costs for branch libraries include the addition of 11.00 FTE positions for Oak Park Library, 6.50 positions for Rancho Peñasquitos Library, and 5.00 FTE positions for Ocean Beach Library. In addition to the personnel costs, the Outlook includes non-personnel expenditures, including estimated energy and utilities costs, janitorial security services, security, and landscaping. The following is a list of planned library facilities:

Based on annual maintenance funding equal to 2.0 percent to 4.0 percent of plant replacement value, the Department of General Services estimates additional library maintenance costs ranging from approximately $866,000 to $1.7 million in FY 2028 and increasing to approximately $1.3 million to $2.5 million by FY 2032 as all planned library facilities become operational. These costs are not reflected in the operating estimates above.

- FY 2028 – Oak Park Branch Library
- FY 2028 – Rancho Peñasquitos Branch Remodeling

- FY 2029 – Ocean Beach Branch Library Expansion

New fire station facility operating costs include the addition of 12.00 FTE positions for Black Mountain Ranch Fire Station and 27.00 FTE positions for the Otay Mesa Fire Station, which includes staffing for two crews. In addition to the personnel costs, the Outlook includes non-personnel expenditures, including fire station supplies, personal protective equipment (PPE), self-contained breathing apparatus (SCBA) maintenance and replacement, rescue tools, radio/communication equipment, wellness exams, purchase of perishable medical supplies, and routine facility repairs. The following is a list of planned new fire stations:

Based on annual maintenance funding equal to 2.0 percent to 4.0 percent of plant replacement value, the Department of General Services estimates additional fire station maintenance costs ranging from approximately $660,000 to $1.3 million in FY 2028 and increasing to approximately $1.5 million to $3.0 million by FY 2032 as both planned fire stations become operational. These costs are not reflected in the operating estimates above.

- FY 2028 – Black Mountain Ranch Fire Station
- FY 2031 – Otay Mesa Fire Station

The Outlook also identifies the staffing and operating costs for parks and recreation facilities, including 13 new park facilities and two park expansions. A list of all new and expanded facilities can be found in **Attachment 2 – New and Expanded Facilities**.

Based on annual maintenance funding equal to 2.0 percent to 4.0 percent of plant replacement value, the Department of General Services estimates no additional parks and recreation facility maintenance costs in FY 2028 because the planned facilities are not yet operational. Costs begin in FY 2029 and increase to approximately $1.5 million to $3.0 million by FY 2032 as all planned facilities become operational. These costs are not reflected in the operating estimates above.

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GENERAL FUND AND RISK MANAGEMENT RESERVES

The City's Reserve Policy (Council Policy 100-20) establishes the framework for maintaining reserves across City operations. Proposed amendments, effective Fiscal Year 2028, would replace the existing phase-in schedules with minimum funding levels, required maintenance contributions, and strategies for progressing toward the full policy targets.

The Outlook baseline does not assume contributions to the General Fund or Risk Management reserves. However, the *Revised Outlook Shortfall Beyond Baseline Expenditures* section of this report includes projected maintenance contributions based on the proposed Reserve Policy updates. The updates are expected to be presented to the City Council after the Outlook is released. If approved, the required maintenance contributions would be incorporated into the baseline of future Five-Year Financial Outlooks and annual budgets beginning in Fiscal Year 2029.

General Fund Reserves: The FY 2026 unaudited ending fund balance, also the FY 2027 beginning fund balance, for the General Fund Emergency and Stability Reserves totals $202.3 million and is expected to increase to $207.1 million following the projected receipt of outstanding California Office of Emergency Services (CalOES) reimbursements related to the January 2024 Storm Event received in FY 2027, which are anticipated to be used to replenish the $4.8 million draw from the General Fund Stability Reserve in FY 2026.

At the $207.1 million level, the policy target would remain 16.7 percent of the three-year average of audited General Fund operating revenues, comprising 8.0 percent for the Emergency Reserve and 8.7 percent for the Stability Reserve. Based on current projections, the General Fund reserves are expected to end FY 2027 at 10.6 percent of the three-year average for FY 2024 through FY 2026. This percentage would establish the initial minimum funding level of 10.6 percent under the revised policy for FY 2028. Based on the implementation of the proposed amendments, the three-year average for calculating reserve levels would remain FY 2024 through FY 2026 in FY 2028, resulting in the fiscal year ending with the same 10.6 percent without requiring a reserve maintenance contribution. Beginning in FY 2029, the City would budget annual maintenance contributions sufficient to preserve that minimum level as the revenue base changes, unless the reserves are used or budgeted as a resource. If reserve balances fall below the minimum, the revised policy would provide guidelines for restoring them. Additional eligible resources could be used to build the reserves toward the 16.7 percent target. Based on the proposed amendments, General Fund maintenance contributions are projected to total $9.5 million in FY 2029 and $32.8 million over the Outlook period.

Risk Management Reserves: The FY 2027 projected ending fund balances for the Public Liability Reserve and Workers' Compensation Reserve total $23.1 million and $17.7 million, respectively. Both reserves are below their policy targets of 50.0 percent and 12.0 percent of their respective actuarial liabilities. The revised policy would measure these reserves using fund balance rather than cash on hand and establish minimum funding levels based on their projected FY 2027 ending balances. Beginning in FY 2029, required maintenance contributions would preserve the minimum levels as of the end of FY 2028 as actuarial liabilities change. The revised policy would also establish guidelines for restoring balances following reserve use and for making progress toward the full targets when additional resources become available. Contributions are projected as follows:

- Public Liability Reserve: $4.4 million in FY 2029 and $7.8 million over the Outlook period.
- Workers' Compensation Reserve: $986,000 in FY 2029 and $4.3 million over the Outlook period.

The FY 2027 Adopted Budget does not include contributions to the General Fund or Risk Management reserves. Under the proposed amendments, maintenance contributions would be incorporated into the annual budget and Five-Year Financial Outlook beginning in FY 2029. The amendments would also eliminate the unfunded Pension Stability Reserve and the Long-Term Disability Reserve. Long-Term Disability costs would instead be managed on a pay-go basis through the annual budget process.

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REVISED OUTLOOK SHORTFALL BEYOND BASELINE EXPENDITURES

When operating costs for new and expanded facilities are added to the baseline projections, the projected surplus decreases from $5.1 million in FY 2028 to a $1.0 million surplus. Once the projected reserve contributions are factored in, along with the operating costs for the new and expanded facilities, the projected available resources are not sufficient to mitigate the shortfall in FY 2029 through FY 2032, as shown in **Table 2.33 - Revised Outlook Surplus/Shortfall**. The revised projections beyond the baseline expenditures require additional resources or solutions of $27.4 million in FY 2029, increasing each year over the outlook period.

Table 2.33 - Revised Outlook Surplus/Shortfall
($ in Millions)

	Fiscal Year 2027 Adopted Budget	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032
BASELINE GENERAL FUND REVENUES	$ 2,256.6	$ 2,323.2	$ 2,413.5	$ 2,472.1	$ 2,548.3	$ 2,618.4
BASELINE GENERAL FUND EXPENDITURES	$ 2,256.6	$ 2,318.1	$ 2,418.5	$ 2,481.0	$ 2,569.9	$ 2,654.6
BASELINE SURPLUS / (SHORTFALL)	$ -	$ 5.1	$ (5.0)	$ (8.8)	$ (21.6)	$ (36.2)
NEW AND EXPANDED FACILITIES		$ 4.1	$ 7.5	$ 9.6	$ 16.7	$ 17.1
RESERVE CONTRIBUTIONS		$ -	$ 14.9	$ 11.1	$ 10.0	$ 8.8
TOTAL		$ 4.1	$ 22.4	$ 20.7	$ 26.7	$ 25.9
REVISED SURPLUS / (SHORTFALL)		$ 1.0	$ (27.4)	$ (29.6)	$ (48.3)	$ (62.1)

Note: Per City Charter Section 69, the Mayor will propose a balanced budget by the 15th of April preceding each fiscal year.

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POTENTIAL MITIGATION ACTIONS

The Outlook identifies projected shortfalls during the outlook period and the need to consider additional resources or other solutions to support ongoing services and future commitments. The following section identifies potential mitigation actions that could be considered during the FY 2028 budget development process and in future years. The Outlook reflects a continuation of baseline services including projected inflationary costs to maintain service levels. In the absence of additional resources, increased service levels would not be supported without additional strategic actions.

In addition to the potential actions discussed below, the Department of Finance will work with City departments to identify non-General Fund resources that could be used to support eligible General Fund operations or provide rate relief through the non-discretionary budget process. As required by the City Charter, the Mayor will present a balanced FY 2028 budget to the City Council by April 15, 2027.

Operational Efficiencies and Savings

City departments will be requested to conduct a strategic review of programs and expenditures to identify potential operational efficiencies and savings. These reviews will include a zero-based review of external contracts and services, a review of staffing and service-delivery models, opportunities to streamline or consolidate functions, the increased use of technology, available reimbursements, and eligible non-General Fund resources.

Operational efficiencies and savings could help align ongoing expenditures with available resources while minimizing impacts to City services. All proposals developed through this process will be evaluated during the FY 2028 budget development process.

Opportunities for Increased Revenues

In addition to the City's major General Fund revenues, the City collects revenue from user fees, fines, penalties, citations, parking meters, grants, reimbursements, and other sources. These revenues support City operations and may provide opportunities to mitigate projected shortfalls. The City may consider opportunities to increase or maximize these revenues consistent with applicable legal requirements, cost-recovery policies, and City Council direction. Potential activities may include the following:

- Updating eligible user fees based on allowable annual adjustments. On March 3, 2025, the San Diego City Council adopted Resolution R-316067, approving new user fees and adjustments to existing user fees. The resolution also authorized annual adjustments based on changes in personnel-related salary and fringe-benefit costs and the regional Consumer Price Index; and
- Applying for applicable grant funding and pursuing reimbursements or other external resources that could support eligible City programs and services.

POTENTIAL IMPACTS TO THE OUTLOOK

The Outlook was developed using information available and known at the time of preparation. Projections are based on economic and industry research, available data, historical trends, and reasonable assumptions. However, actual results may differ from the projections due to economic, operational, legislative, or other events that may occur during the outlook period and whose timing or fiscal impacts cannot be reasonably quantified. The following factors represent significant assumptions and potential risks that could affect the General Fund forecast.

Major General Fund Revenue Growth

The Outlook assumes continued growth in the City's four major General Fund revenue sources, Property Tax, Sales Tax, Transient Occupancy Tax, and Franchise Fees, throughout the outlook period. Collectively, these revenues represent 68.4 percent of the FY 2027 Adopted General Fund Budget. As a result, even relatively small deviations from the projected growth rates could have a significant impact on available General Fund resources.

Actual revenue collections may vary from the forecast due to changes in assessed valuation, housing market activity, consumer spending, tourism demand, utility usage, inflation, interest rates, employment levels, and broader economic conditions. Revenue growth exceeding current assumptions could improve the General Fund's projected position, while slower growth or revenue declines could increase projected shortfalls. The Department of Finance will continue to monitor revenue collections and relevant economic indicators throughout the fiscal year and update projections through the City's budget monitoring process.

Actuarially Determined Contribution (ADC)

Several factors may affect the City's annual Actuarially Determined Contribution (ADC) payment to the San Diego City Employees' Retirement System (SDCERS). Variances between actuarial assumptions and actual experience will affect future pension payments. These factors include investment returns, payroll growth, employee demographics, salary increases, changes to actuarial assumptions, and other experience gains or losses.

The City's final ADC payments may therefore be higher or lower than the amounts projected in the Outlook. Given that the General Fund is responsible for a significant share of the citywide ADC, changes to the annual pension payment could have a material impact on projected General Fund expenditures.

Salaries and Wage Increases

As discussed in the *Salaries and Wages* section of this report, General Fund salaries and wages represent 43.0 percent of total FY 2027 Adopted General Fund expenditures. Accordingly, changes in Memoranda of Understanding (MOU) provisions or other employee compensation assumptions could have a significant impact on General Fund expenditures. For example, a 1.0 percent change in salaries for all employees is estimated to affect General Fund expenditures by $8.9 million.

The Outlook includes negotiated salary increases based on approved MOUs with five of the City's six Recognized Employee Organizations (REOs), as well as increases for unrepresented and unclassified employees. For the remaining REO, the Outlook reflects compensation adjustments based on the most recent proposal under consideration during ongoing labor negotiations. For years beyond the terms of the current MOUs, the Outlook assumes an annual general wage increase of 3.1 percent, equivalent to the average annual Consumer Price Index growth for the San Diego-Carlsbad region over the last 15 years. Future negotiated compensation changes that are higher or lower than the assumptions included in the Outlook would have a direct impact on projected General Fund expenditures.

Homeless Housing, Assistance and Prevention Grant Funding

The Outlook assumes the City will receive $25.8 million annually in Homeless Housing, Assistance and Prevention (HHAP) grant funding in each year of the outlook period, totaling $129.0 million through FY 2032. This assumption reduces the amount of General Fund support otherwise projected to be required for eligible homelessness programs and services.

Future HHAP allocations are subject to State funding decisions, program requirements, award amounts, and the timing of grant availability. If HHAP funding is reduced, delayed, or not received at the levels assumed in the Outlook, additional General Fund resources or changes to program service levels may be required. Conversely, HHAP awards exceeding the amounts projected in the Outlook could reduce the General Fund resources needed to support homelessness programs and services.

Emergency Medical Services Reimbursements

The Outlook assumes an annual $11.0 million reimbursement to the General Fund from the Fire/Emergency Medical Services Transport Fund for eligible expenditures supporting the City's Emergency Medical Services program. The availability of this reimbursement depends on the financial performance of the fund, ambulance transport revenues, eligible General Fund expenditures, operating costs, and the City's future ambulance transport service model.

The Fire-Rescue Department is evaluating future ambulance transport service delivery options. Given that the operational and financial impacts of a future service model were not known at the time the Outlook was prepared, actual reimbursements may be higher or lower than the $11.0 million assumed in each year. A reduction in available reimbursements would adversely affect the General Fund's projected position.

Economic Recession

The impact of a future economic recession is not included in the Outlook. The baseline forecast assumes continued growth in the City's major General Fund revenues, although growth rates vary by revenue source and fiscal year. Based on historical recessions, aggregate collections from the City's major revenues, Property Tax, Sales Tax, Transient Occupancy Tax, and Franchise Fees, could be significantly affected. Prior recessions have reduced aggregate major General Fund revenues by 1.0 percent to 4.9 percent.

A recession would affect each revenue source differently. Changes in Property Tax revenue would generally lag changes in economic and housing market conditions by 12 to 18 months because current collections are based largely on prior-year assessed valuations. However, because Property Tax represents a significant portion of General Fund revenue, relatively small percentage changes could result in material changes to available resources.

Sales Tax and TOT are more immediately affected by changes in employment, consumer confidence, disposable income, discretionary spending, and travel activity. Franchise Fee revenue could also be affected by changes in utility consumption, rates, refuse tonnage, and other economic activity. The Department of Finance will continue to monitor major revenue collections and economic indicators throughout the fiscal year and report material changes through the City's budget monitoring process.

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FUTURE FISCAL CONSIDERATIONS

The following fiscal considerations are not incorporated into the Outlook forecast but may require future General Fund resources during the outlook period. These items represent known operational, infrastructure, policy, and workforce needs that could materially affect future budgets depending on available funding, City priorities, and future policy decisions.

Consistent with the City's commitment to equitable service delivery, brief equity considerations are included where applicable to describe how future investments may address service gaps, infrastructure deficiencies, or disparities affecting communities throughout the City.

Deferred Maintenance of General Fund Facilities

The City maintains more than 1,600 facilities with an estimated replacement value of $7.2 billion. Many facilities are aging and require significant repairs, modernization, and replacement of major building systems, including roofs, HVAC systems, elevators, electrical infrastructure, flooring, water and sewer systems, and asbestos and lead abatement.

The Office of the City Auditor's 2024 Performance Audit of Facilities Maintenance estimated that deferred maintenance needs exceed $1.0 billion. In addition, facility condition assessments (FCAs) have not been comprehensively updated since 2014 to 2016. Additional resources are needed to complete updated assessments, develop and implement a Citywide Facilities Maintenance Plan, and address identified deficiencies.

Industry best practices for building maintenance recommend allocating 70.0 percent of resources to preventive maintenance and 30 percent to repairs. However, the Department of General Services currently dedicates 70 percent of its resources to repairs and 30 percent to preventive maintenance. Updated facility condition assessments, including those for the operational yards, will help establish the current backlog, prioritize projects, and support a transition from reactive repairs toward preventive and predictive maintenance.

The Department of General Services estimates the current Plant Replacement Value of General Fund facilities at $8.5 billion, based on FY 2014–FY 2016 Facility Condition Assessments adjusted by the California Construction Cost Index. Current annual funding for facilities maintenance is approximately $25.2 million, or 0.3 percent of Plant Replacement Value. Industry standard is between 2.0 and 4.0 percent of Plant Replacement Value, reflecting a need between $174.6 million and $349.2 million in FY 2028, to effectively maintain all General Fund facilities.

No additional funding is currently programmed to comprehensively address the deferred maintenance backlog. Additional funding is anticipated to be needed during the outlook period to effectively maintain the General Fund's facilities.

Equity Implications: Reliable, safe, and accessible public facilities support equitable access to City services in all communities. Given that Parks and Recreation and Library facilities account for nearly half of current maintenance and repair efforts, resource constraints may disproportionately affect communities that rely heavily on these facilities. Updated assessments will help prioritize investments based on facility condition, health and safety risks, accessibility, service impacts, and equity

considerations, including whether facilities serve Low-Moderate Income neighborhoods or Communities of Concern.

Climate Action Plan Implementation

The Climate Action Plan (CAP) establishes the City's strategy for reducing greenhouse gas emissions and achieving net-zero emissions by 2035. While significant progress has been made, implementation of remaining CAP actions will require ongoing operational, staffing, and capital investments.

As of August 2026, 117 of the City's 190 actions, or 61 percent, were in progress; 32 actions, or 17 percent, were completed; 15 actions, or 8 percent, were in planning; and 26 actions, or 14 percent, had not started. The City anticipates beginning an update to the Climate Action Plan before the end of calendar year 2026, which will establish the policy framework for implementation during the latter part of the outlook period.

Current implementation efforts include energy and water efficiency improvements at 40 City facilities, LED replacements for approximately 36,000 streetlights, installation of electric vehicle chargers, an update to the Bicycle Master Plan, and updates to several community plans. The City will continue pursuing federal, State, regional, and other external funding; however, future General Fund support may be required for activities not fully funded from external sources. Implementation will continue to be determined annually through the adopted budget process.

Equity Implications: Climate Action Plan implementation prioritizes investments in Environmental Justice Communities, Communities of Concern, and other structurally excluded communities. Relevant tools include the Climate Equity Fund and Council Policies 800-14 and 900-22, which support the equitable prioritization of infrastructure and climate investments.

Zero Emissions Municipal Building Operations Policy and Fleet Electrification Program

The City's Zero Emissions Municipal Buildings and Operations Policy (ZEMBOP) requires the transition of municipal facilities and fleet operations away from fossil fuels. Planned improvements include facility electrification, electric vehicle charging infrastructure, renewable energy systems, and related infrastructure upgrades.

In FY 2026, the City began implementing an Energy Savings Performance Contract covering electrification, lighting, electrical infrastructure, and water-efficiency improvements at 40 facilities, along with LED replacements for approximately 36,000 streetlights. Work is expected to continue through FY 2028.

The City is also evaluating a Charging-as-a-Service partnership that would provide upfront financing for electric vehicle charging stations, distributed energy resources, and related electrical infrastructure at fleet vehicle locations. Although this approach may reduce initial capital requirements, it may result in ongoing departmental payments or other long-term financial commitments.

The City continues to pursue external funding for electrified HVAC and air-filtration systems, renewable and resilient charging systems, and medium- and heavy-duty electric fleet vehicles. Future

funding needs will depend on project schedules, technology and infrastructure costs, financing terms, electrical capacity, and the availability of external funding.

Equity Implications: Facility and fleet electrification can improve indoor and outdoor air quality, reduce emissions, and support service continuity during grid disruptions. Approximately 43 percent of the facilities from which the City operates its fleet are located in Communities of Concern. However, implementation may be affected by historical underinvestment and limited electrical capacity in some communities.

Solid Waste Management Transition – General Fund Impacts

Following voter approval of Measure B, the City Council approved a Solid Waste Management Fee in June 2025. Under a subsequent settlement agreement, fees for FY 2028 and FY 2029 were reduced, while the FY 2026 and FY 2027 fees remained unchanged. Given that the reduced rates are below the previously adopted cost-recovery levels, fee revenue is not expected to fully cover program costs in FY 2028 and FY 2029.

The General Fund subsidy is projected at $11.5 million in FY 2028 and $10.8 million in FY 2029. This is in addition to the $2.0 million support for the financial assistance for eligible customers and the $1.9 million payment through Fiscal Year 2031 for ineligible customers that were serviced during the transition and eligible customers receiving increased service levels. The Environmental Services Department anticipates completing another cost-of-service study to establish a fully cost-recoverable fee beginning in FY 2030. Accordingly, General Fund costs in FY 2030 and subsequent years will depend on the level of cost recovery ultimately approved and are not included in the outlook forecast.

Equity Implications: The budget continues to fund financial assistance for eligible customers. However, reduced service levels, including every-other-week recycling collection and the elimination of bulky-item collection, may create affordability and access challenges for residents who need additional containers or lack transportation and resources to dispose of large items. These changes may also increase illegal dumping and related General Fund costs. The City will need to monitor participation, affordability, service access, and illegal-dumping trends.

City's Compensation Philosophy and Recruitment and Retention Efforts

The Outlook incorporates assumptions regarding future salary increases for periods not covered by approved labor agreements. The Outlook assumes annual general wage increases of 3.1 percent for years not covered by existing MOUs. For planning purposes, each additional 1.0 percent general wage increase is estimated to increase General Fund costs by $8.9 million annually. Actual costs may vary based on future labor negotiations, market conditions, recruitment and retention needs, and implementation of the City's Total Compensation Philosophy.

The 2026 Total Compensation Studies found that 9.0 percent of evaluated positions were at the market median, 29.0 percent were above the median, and 53.0 percent were below the median among benchmark jurisdictions. Certain classifications had substantial deviations from the median. Future negotiated salary increases that differ from the 3.1 percent assumption will affect personnel costs throughout the outlook period.

Future investments in workforce development, employee training, mentoring, leadership development, career pathways, and succession planning may also be necessary to support recruitment, retention, and service delivery.

Equity Implications: Competitive and equitable compensation supports the City's ability to recruit and retain qualified employees and deliver public services. Future compensation efforts may need to prioritize classifications that remain significantly below the market median while advancing the City's objective of providing fair, competitive, and livable compensation.

Enterprise Resource Planning Modernization Project

The Enterprise Resource Planning Modernization Project will migrate the City's current SAP system to SAP S/4HANA Private Cloud. The project is scheduled to begin in FY 2028, with completion anticipated in FY 2030. Although a significant portion of the project is anticipated to be financed, the net General Fund impact is projected to total $36.7 million through FY 2032. This reflects $79.5 million in cumulative General Fund costs for implementation, operational support, and staffing, partially offset by $42.8 million in revenue from staff time billed to the project. In FY 2028, the net General Fund impact is $4.8 million, reflecting $17.9 million in costs offset by $13.1 million in billed staff time revenue.

Requests for proposals for a system integrator and Program Management Office are expected to be released by the end of calendar year 2026. The final SAP S/4HANA Private Cloud licensing requirements are expected to be completed during the first half of calendar year 2027. Actual project costs will depend on procurement results, licensing requirements, implementation scope, staffing, integration needs, and the project schedule.

Equity Implications: The project is an internal technology investment intended to improve system stability, security, resiliency, reporting, workflow standardization, and operational continuity. Although it does not directly provide public-facing services, improved internal processes and data capabilities may support more efficient and reliable delivery of City services.

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GENERAL FUND INFRASTRUCTURE NEEDS

The City's infrastructure needs extend beyond those incorporated in the Outlook forecast and represent a significant long-term fiscal challenge. Existing funding sources, grants, and debt financing are insufficient to address the full extent of identified infrastructure requirements. Absent new revenues or funding sources, future infrastructure investments will increasingly compete with General Fund resources needed to support City operations and services.

While dedicated revenues, grants, and financing support certain infrastructure improvements, they are insufficient to address the City's growing capital and maintenance needs. Absent additional funding sources, General Fund resources may be required for one-time capital investments, ongoing maintenance, and debt service associated with future financing.

Street Repair Program

The Transportation Department's Street Repair Program consists of teams that perform pothole repair, mill and pave, and street asset management. Together these teams repair, maintain, and improve over 6,600 lane miles of streets and alleys to provide high-quality infrastructure that individuals can safely drive, roll, and ride on and supports Departments citywide to ensure continuity in the roadway network. The pothole repair team serves as the City's first line response for emergency pothole repair requests. The mill and pave team implements a proactive approach to mill and pave street segments that are in poor to failed condition, completing 30 lane miles of asphalt overlay and reconstruction using in-house crews. The Street Asset Management Section includes an Asset Management team, Geographic Information Systems (GIS) team, and Slurry Seal contracting group. This section acts as the project manager and is responsible for producing slurry seal contracts, managing crack seal projects, conducting condition assessments, and managing asset inventory through GIS and Cartegraph.

The Transportation Department's long-term goal is to maintain the City's Street Network's existing conditions, which equates to an average network pavement condition index (PCI) of 65. Because of long-term under-investments in the City's Road Network, additional funding will be needed to maintain the current conditions of a PCI of 65. The Transportation Department ran a scenario to determine the operations, maintenance, and capital funding needs for pavement management using updated data from the recent pavement condition assessment. This scenario assessed the funding needs to maintain a PCI of 65 in 10 years which is estimated to be $1.8 billion.

To address these needs, the Department relies on multiple sources including the Road Maintenance and Rehabilitation Account, Gas Tax, TransNet, and Street Damage Fee revenues. These funds primarily support maintenance, while capital rehabilitation competes with other General Fund priorities. As the plan notes, insufficient funding leads to deferred maintenance and higher long-term costs because repairs cannot be performed at the most cost-effective time.

Stormwater Infrastructure

The Stormwater Department's funding needs are calculated based on the City's Watershed Asset Management Plan (WAMP), which encompasses both physical assets like pipes, channels, pump stations and storm drains, as well as programmatic assets such as personnel and operational activities. In addition, the department adjusts these estimates based on the latest information available in the field as the projects are being executed. The WAMP financial model reveals that a significant number of physical stormwater assets are past their useful lives, leading to a rollover of unfunded needs each fiscal year and an increasing number of emergency repairs following significant rain events. The projected total funding requirement for stormwater infrastructure was $5.5 billion over the FY 2027-2031 period. This amount has likely increased, with the increasing costs of executing projects and the continuing deterioration of assets. The department has adjusted the WAMP financial model to reflect construction cost and labor increases. A comprehensive update of the WAMP has not been completed due to limited resources.

A portion of the capital costs will be funded by a Water Infrastructure Finance and Innovation Act (WIFIA) loan awarded by the Federal Environmental Protection Agency (EPA). The loan and required match total $733.0 million to fund a portion of the Stormwater CIP Program during the outlook period. The EPA will finance 49.0 percent, with the City providing a 51.0 percent match. The City's match is expected to be funded with a combination of grants and other financing proceeds from lease revenue bonds or State Revolving Fund Loan funds. It is important to note that some of these projects funded by the WIFIA loan and match are only funded through design. Several hundreds of millions of dollars will be needed in future years to fund the construction of the remaining projects. Absent any other dedicated funding source, debt service for repayment of the WIFIA loan and any City issued debt will need to be paid by the General Fund (see the Debt Service section for additional information on projected debt service expenditures).

Stormwater is actively pursuing additional funding sources to support the Stormwater CIP program throughout the outlook period. To date, $55.0 million has been secured through a State Revolving Fund loan, consisting of a $50.0 million loan and $5.0 million in principal forgiveness. An additional $27.0 million for the Chollas projects is anticipated, pending final approval.

New and Existing City Facilities

The most recent condition assessments for City Facilities were completed between FY 2014 and FY 2016. Many identified needs remain to be addressed but need to be reconciled to the current list of required improvements. The condition assessment estimated funding needs of $508.0 million for 687 facilities, excluding the City Administration Building, City Operations Building, and applicable City Concourse facilities from the original inventory of 560 City-occupied facilities and 133 leased General Fund facilities. These facilities were excluded due to concerns regarding the prudence of significant reinvestment, particularly given the potential for alternative uses or redevelopment of the Civic Center complex. The $508.0 million was the estimate to bring the remaining facilities from a Facility Condition Index (FCI) score of 23 (Fair) to 11 (Good). More recently, the FY 2027–2031 Five-Year CIP Outlook identified a projected $661.3 million capital backlog for existing building facilities. Once facility

condition assessments are updated, funding needs are expected to increase based on the continual deterioration of facilities, as well as impacts from the Climate Action Plan and Zero Emissions Municipal Buildings and Operations Policy (ZEMBOP) requirements.

In July 2024, the Office of the City Auditor conducted a performance audit on facility maintenance. The audit estimated that the City's combined annual maintenance and deferred maintenance needs exceeded $1.0 billion, including more than $949.0 million in deferred maintenance needs.

The FY 2027 Adopted Budget also includes public safety and neighborhood services capital projects for new and existing facilities with unidentified funding that will likely require significant General Fund contributions or General Fund-backed financing. These new facilities, such as parks, libraries, and fire stations, will create additional maintenance needs once the facilities are completed and opened. In addition, there are critical needs, such as the Police Plaza Reconfiguration and Firearm Training Facility, that are not yet reflected in the Adopted Budget as capital projects. The City has some dedicated funding sources for City facilities such as Mission Bay and Regional Park Improvement Funds and Impact Fees. The City also relies on federal and State grants when available. However, the funding needs for facilities-related capital improvements far exceed these resources. In addition, increased funding is needed for preventive maintenance to maintain facilities to best practices. As stated earlier, absent a new revenue source, additional General Fund resources that would otherwise fund operations will have to be redirected as one-time allocations to the CIP program, committed to ongoing financing costs, or directed towards additional preventative maintenance tasks.

For existing facilities, the Department of General Services estimates a current Plant Replacement Value of $8.5 billion, based on the FY 2014–FY 2016 Facility Condition Assessments and adjusted using the California Construction Cost Index. Current annual maintenance funding is approximately $25.2 million, or 0.3 percent of Plant Replacement Value. Applying the industry-standard funding range of 2.0 percent to 4.0 percent would result in an estimated FY 2028 maintenance need of $174.6 million to $349.2 million. For new and expanded facilities, applying the same funding range would result in additional FY 2028 maintenance costs of approximately $1.5 million to $3.1 million, increasing to approximately $4.3 million to $8.6 million by FY 2032 as additional facilities become operational. These costs are not included in the Outlook.

Streetlight Repair Program

The Transportation Department's Streetlights Section is responsible for the repair and maintenance of 60,000+ streetlights and 4,000+ lights in parks, community ball fields, and other City facilities. The Section also shares responsibility with Caltrans for maintaining lights on the freeway off/on ramps that intersect City Streets. The team responds to all emergency calls involving streetlight assets, including knocked over poles, conduit damage, vandalism and area outages and is responsible for maintaining complex and antiquated lighting systems and infrastructure, including 43 series circuits that exist in older neighborhoods of the City of San Diego. The Section is responsible for lighting up San Diego, from neighborhoods to major streets, roadways, parks, bridges, San Diego Police Department, Library, City parking lots, and navigation lights on waterways around Mission Bay. The team repairs and maintains all aspects of the City's light network. The work requires trained and

experienced Electricians, Utility Workers, and Equipment operators to work on various streetlighting systems and configurations, including old technology series circuits, high/medium/low voltage equipment, as well as completing lamping upgrades that utilizes new technology for less energy consumption and enhanced lighting. The current streetlight budget is $19.2 million for staffing and non-personnel expenditures and services.

Currently, the City's team of streetlight electricians is fully committed to performing legally mandated Underground Locate (DigAlert) mark-outs. This work requires responding to all DigAlert requests within two working days of submission, with potential penalties of up to $10,000 per violation. While performing Underground Locates is critical to protecting the City's infrastructure and avoiding costly utility strikes, it consumes the majority of the electricians' available time and leaves limited capacity for routine streetlight repair work.

Sidewalk Replacement Program

The Transportation Department's Sidewalk Replacement Program consists of the Sidewalk Maintenance and Sidewalk Asset Management sections. The Sidewalk Maintenance section is organized into a Sidewalk Repair team and a New Installation team to organize the concrete workload. The Sidewalk Repair team is responsible for maintaining over 4,500 miles of concrete sidewalk, in addition to other concrete infrastructure (roadways, alleys, curb ramps, and curb and gutter). The New Installation team provides new concrete improvements including new sidewalk installation, ADA curb ramps, curb and gutter, cross-gutters, and concrete roadway and alley improvements citywide. These teams also support other Divisions and Departments citywide with special projects and concrete improvements. The current sidewalk maintenance budget is $11.7 million for staffing, non-personnel expenditures, and services.

The Sidewalk Asset Management section manages the City's sidewalk assets and conducts planning and design of new Capital Improvement Program projects that replace damaged portions of existing sidewalks that are City responsibility to repair. This section manages an outside contractor that performs sidewalk slicing repairs Citywide and supports Risk Management and City Attorney's Office staff with discovery requests for sidewalk-related claims and litigation. The current sidewalk asset management budget is $2.4 million, which includes the slicing contract of $1.3 million.

Additional staff and equipment are required to meet the growing demand for sidewalk redesigns associated with existing street trees. Arborists evaluate locations, collaborate with City staff to propose redesigns, and oversee root mitigation and tree protection measures. An Assistant Engineer (Civil) works in coordination with Arborists to ensure sidewalk repairs are safely redesigned around street trees. Additional funding is needed to remove tree well and planting strip locations that have been paved over in past decades.

Overall Consideration

While many of these needs are long-term in nature, future decisions regarding infrastructure investment, facility maintenance, climate implementation, employee compensation, and service

delivery will have significant implications for the City's fiscal condition. As these obligations grow, they may increasingly compete with General Fund resources available for public safety, neighborhood services, and other core municipal operations.

The magnitude and timing of these obligations will depend on dedicated revenues, external funding, financing alternatives, and future policy decisions. Continued evaluation through the annual budget process and long-term capital planning will be essential to prioritize funding, manage future obligations, and assess impacts on the City's structural General Fund deficit.

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CONCLUSION

The purpose of the Outlook is to provide a comprehensive forecast of the City's General Fund finances over the next five fiscal years and to serve as a framework for development of the FY 2028 Adopted Budget. As a long-range fiscal planning guide, the Outlook presents projected baseline revenues and expenditures necessary to continue service levels reflected in the FY 2027 Adopted Budget. It also identifies projected operating costs for new and expanded facilities, reserve contributions, and other commitments that may affect the General Fund during the outlook period.

The Outlook was developed using information available and known at the time of preparation. Revenue and expenditure projections are based on economic and industry research, available data, historical trends, and reasonable assumptions. Actual results may differ due to economic, operational, legislative, regulatory, or other events whose timing and fiscal impacts cannot be reasonably quantified. Significant assumptions that could affect the forecast include continued growth in major General Fund revenues, future employee compensation adjustments, the City's annual pension contribution, the availability of Homeless Housing, Assistance and Prevention Program grant funding, and reimbursements from the Emergency Medical Services Fund.

The baseline forecast reflects a modest surplus in FY 2028, followed by shortfalls in FY 2029 through FY 2032. This trend indicates that, over the outlook period, growth in ongoing expenditures is projected to outpace growth in ongoing revenues. The projected financial position is primarily attributable to the following factors:

- Removal of one-time resources used to support the FY 2027 Adopted Budget;
- Moderate growth in General Fund revenues;
- Growth in personnel, contractual, utility, technology, debt service, and other costs necessary to continue baseline services;
- Projected compensation adjustments based on approved labor agreements, the proposal under consideration for the remaining Recognized Employee Organization, and wage assumptions for years beyond the applicable agreements and proposal; and

When projected operating costs for new and expanded facilities and reserve contributions are included, the General Fund's projected position declines further, with a modest surplus remaining in FY 2028 and larger shortfalls projected in FY 2029 through FY 2032. These projections demonstrate the importance of evaluating the ongoing fiscal effects of new commitments and identifying sustainable resources to support both existing services and future priorities. Additional service, operational, compliance, infrastructure, and capital needs that are not included in the Outlook may place further demands on available General Fund resources.

The projected shortfalls highlight the need for a multi-year budget strategy. Potential mitigation actions discussed in this report are not intended to establish a predetermined budget reduction target. Rather, the City may consider a combination of strategies related to the continuation of baseline services, including inflationary adjustments, operational efficiencies and savings, and opportunities for increased revenues. The City may also evaluate eligible non-General Fund resources,

grants, reimbursements, and other funding sources that could support General Fund operations or reduce General Fund costs.

The Outlook is not a budget document. Its purpose is to provide the City Council, key stakeholders, and the public with information to support an informed discussion in advance of the FY 2028 budget development process. The inclusion of projected expenditures for new and expanded facilities, reserve contributions, or other priorities does not constitute approval of funding. These items will be evaluated during the annual budget process based on available resources, service needs, City Council priorities, and alignment with the City's Strategic Plan.

The FY 2028 budget process will consider the City Council's budget priorities, which are expected to be released by the Office of the Independent Budget Analyst on January 26, 2027, and presented to and adopted by the City Council on February 22, 2027. As required by the City Charter, the Mayor will present a balanced FY 2028 budget to the City Council by April 15, 2027. Decisions made during the FY 2028 budget process may affect the City's financial position throughout the outlook period and will be reflected in the FY 2029–2033 Five-Year Financial Outlook.

ATTACHMENT 1
ONE-TIME RESOURCES AND USES OF FUNDS

The tables below detail the one-time resources and expenditures that were included in the FY 2027 Adopted Budget and removed to develop the FY 2028-2032 Five-Year Financial Outlook baseline budget.

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
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**

ATTACHMENT 1
ONE-TIME RESOURCES AND USES OF FUNDS

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

ATTACHMENT 2
NEW AND EXPANDED FACILITIES

Fiscal Year 2028-2032 Five-Year Financial Outlook

New and Expanded Facilities			
Library			
Facility Name	**Category**	**Opening Year**	**Council District**
Oak Park Library	New Facility	2028	4
Rancho Penasquitos Branch Remodeling	Remodel	2028	5
Ocean Beach Library	Expansion	2029	2
Parks and Recreation			
Facility Name	**Category**	**Opening Year**	**Council District**
Beyer Park Development Phase 2	Expansion	2029	8
Bruce Brown Memorial Park	New Facility	2029	6
Eastbourne Neighborhood Park	New Facility	2029	5
Emerald Hills Neighborhood Park	New Facility	2029	4
Federal Boulevard Pocket Park	New Facility	2029	9
Grove Neighborhood Park (Southwest Neighborhood Park)	New Facility	2029	8
North Central Square	New Facility	2029	3
Shoal Creek Neighborhood Park	New Facility	2029	5
Solterra Vista Neighborhood Park	New Facility	2029	6
Walden Neighborhood Park	New Facility	2029	5
Black Mountain Ranch Park Phase 2	Expansion	2030	5
Boston Avenue Linear Park	New Facility	2030	8
Dennery Ranch Neighborhood Park	New Facility	2030	8
Hidden Trails Neighborhood Park	New Facility	2030	8
Junipers Park	New Facility	2030	5
Fire-Rescue			
Facility Name	**Category**	**Opening Year**	**Council District**
Black Mountain Ranch Fire Station	New Facility	2028	6
Otay Mesa Fire Station	New Facility	2031	8