

San Diego City Budget Overview

Presentation to Citizen's Budget Review

February 2025



Office of the Independent Budget Analyst

Providing the City Council and the public with clear, objective, and unbiased information and analysis.



Presentation Overview

Items Covered

- Background on Independent Budget Analyst (IBA)
 - Roles of Mayor, Council , IBA
- Background on Budget Process & Timeline
- Fiscal Outlook for FY 2026
 - Need to identify mitigations (increased revenues & expenditure cuts)
- Overview of Current Year Budget
 - Sources of existing revenues; where current resources go
- Capital Improvement Program (CIP) Budget
- Additional Context for specific interest areas
- Questions & Answers

The Office of the Independent Budget Analyst (IBA)

Roles & Authorities

What is the Independent Budget Analyst?

IBA's Mission:

*To provide
clear, objective, and unbiased
analysis and advice to the City Council and
the public on all legislative items bearing
financial and policy impacts to the City*

INDEPENDENCE is key – IBA reports to Council as a body;
not to Mayor or any individual Councilmember

Roles and Authorities

MAYOR



- Chief Executive; manages City services and programs on a day-to-day basis
- Proposes an Annual Budget to Council

COUNCIL



- Reviews, amends, and approves the Mayor's Proposed Budget and changes throughout year
- Creates, reviews, and adopts City Policies

IBA

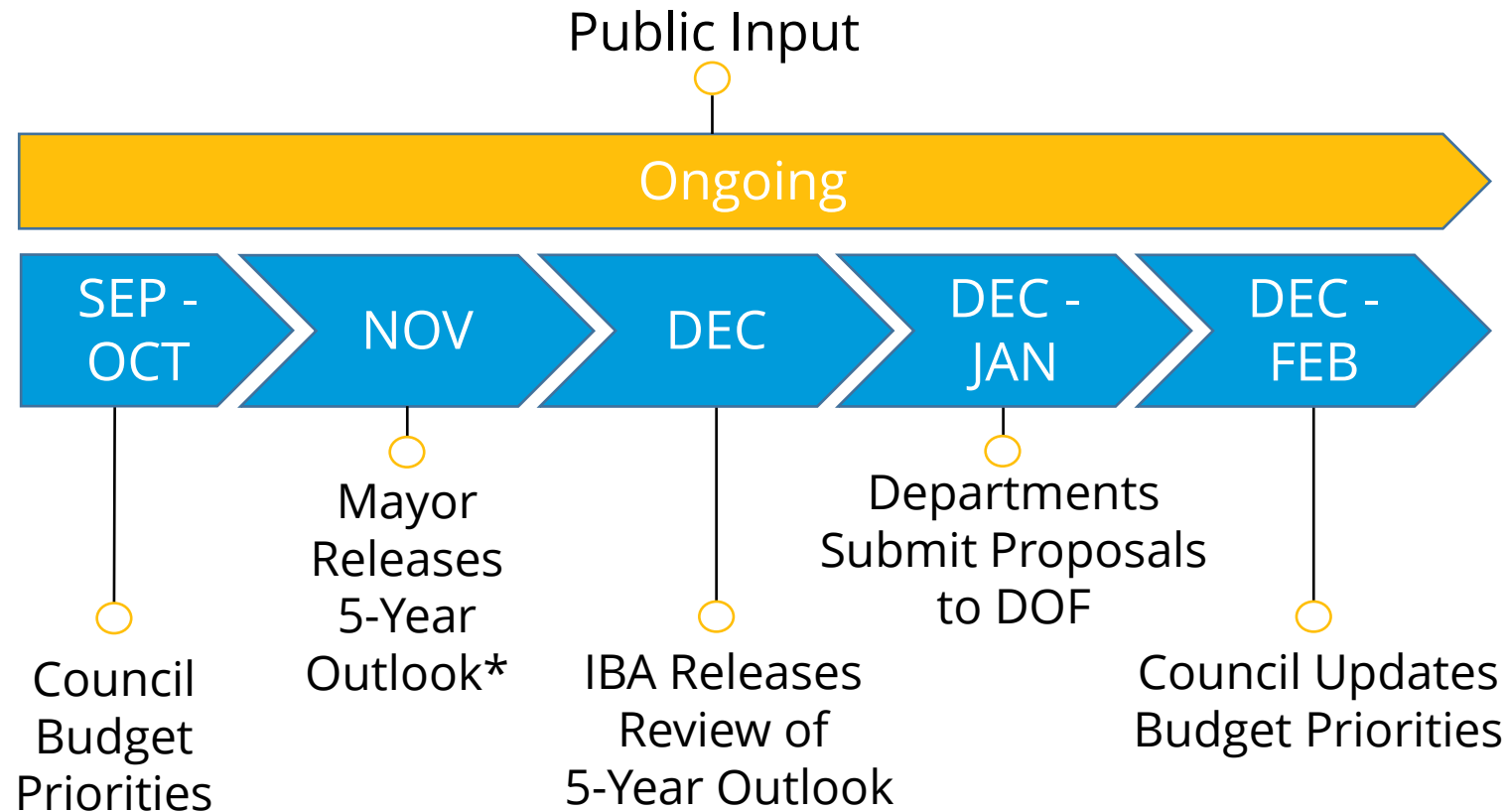


- Provides analysis of budgets & policies to Council and Public
- Provides *information & advice* to Council; Council is ultimate decision-maker

Budget Process & Timeline

How is the Budget created?

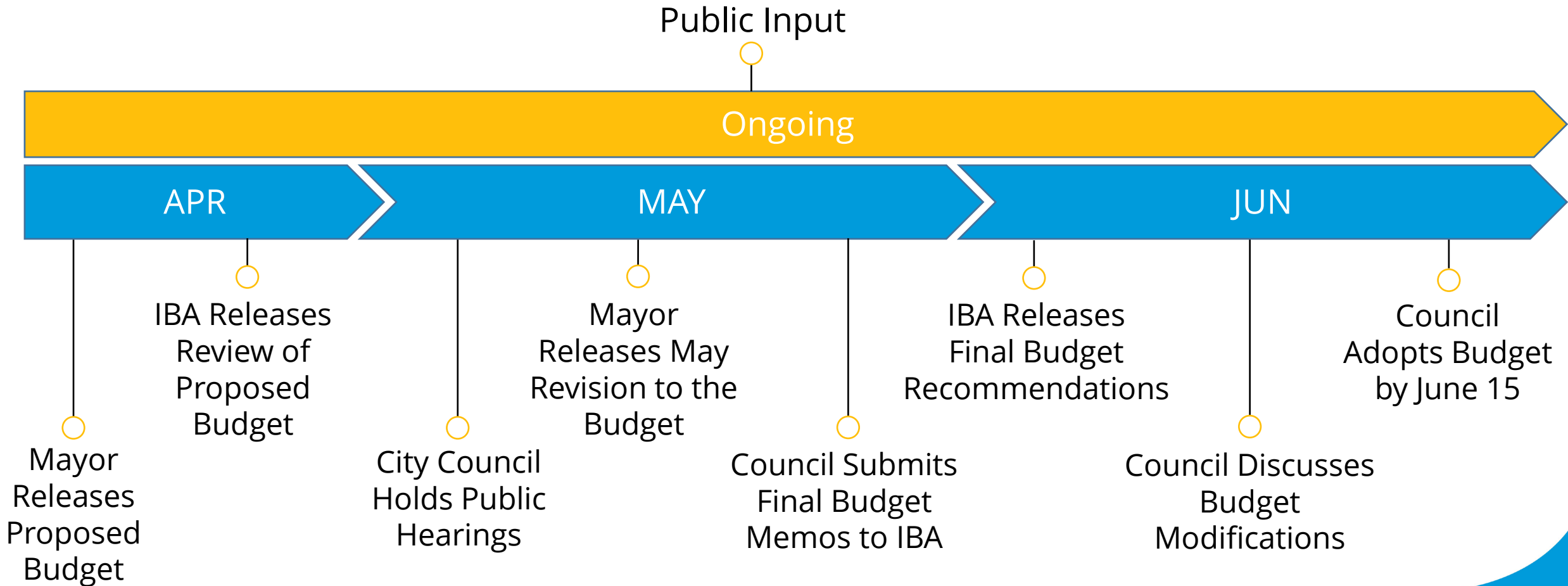
Budget Development Process



*In 2024, the 5-Year Outlook was released in December

How is the Budget created?

Budget Adoption Process



Current Fiscal Outlook

Fiscal Outlook - Background

Limited Resources

- City has lacked sufficient resources to fund desired programs and infrastructure needs for decades
 - Sales Tax and TOT rates are lower than comparable cities
 - City has not charged for trash collection
 - City lacks dedicated resources for most infrastructure needs
- Deferred Expenditures have masked underfunding
 - Infrastructure and Capital maintenance has been deferred for decades
 - Minimal increases to employee compensation from 2010 through 2018 made City uncompetitive in attracting a skilled workforce

Fiscal Outlook - Background

Persistent Structural Deficit

- Inflation & growth in operating costs has outpaced revenues
- Budgets for past five years were *structurally imbalanced*
 - *Ongoing* costs exceeded ongoing revenues; a portion of ongoing costs were funded with *one-time* revenues
 - Over last several years structural imbalances have grown, reaching over \$200 million in FY 2025; federal Covid recovery funding (CARES Act, ARPA) and other one-time resources augmented City revenues
- Most one-time resources tapped in past years are no longer available

Fiscal Outlook - Background

Current Fiscal Year - FY 2025

- Budget for current year is balanced (but not structurally)
 - Federal COVID relief dollars exhausted, FY 2025 budget relied on many one-time resources to support operations
 - Maintained current service levels and recognized potential of additional revenue from Measure E to provide existing service levels in future years
- **Failure of Measure E requires City to address structural deficit moving forward**

Fiscal Outlook – Five-Year Projections

Mayor's Five-Year Outlook

General Fund Outlook Shortfall (\$ in millions)						
	FY 2025 Base ^a	FY 2026 Outlook	FY 2027 Outlook	FY 2028 Outlook	FY 2029 Outlook	FY 2030 Outlook
Baseline Revenues	\$ 2,012.0	\$ 2,074.7	\$ 2,146.1	\$ 2,218.4	\$ 2,303.8	\$ 2,384.4
Baseline Expenditures	2,215.8	2,332.9	2,363.7	2,435.3	2,475.9	2,553.8
Baseline Revenue Surplus/(Shortfall)	\$ (203.7)	\$ (258.2)	\$ (217.6)	\$ (216.9)	\$ (172.1)	\$ (169.4)
One-time Expenditure Priorities	(22.4)	-	-	-	-	-
Use of Available Excess Equity	84.4	-	-	-	-	-
Use of Other One-Time Resources	141.7	-	-	-	-	-
Additional Priorities Beyond Baseline ^b	-	(71.1)	(84.9)	(90.5)	(101.8)	(107.0)
Revised Outlook Surplus/(Shortfall)	\$ 0.0	\$ (329.3)	\$ (302.6)	\$ (307.4)	\$ (273.9)	\$ (276.3)

Note: Table may not total due to rounding.

^a The FY 2025 Base includes the FY 2025 Adopted Budget adjusted for one-time revenue and expenditure adjustments, including expenditure amounts for delayed reserve contributions and certain uses of non-general fund balances.

^b Includes planned commitments and support for new facilities.

Fiscal Outlook – Five-Year Projections

Potential FY 2026 Mitigation Measures

Baseline General Fund Outlook Projections with Mitigations (\$ in millions)					
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Baseline Surplus/(Shortfall)	\$ (258.2)	\$ (217.6)	\$ (216.9)	\$ (172.1)	\$ (169.4)
Measure B Implementation (Refuse Collection Fee)	\$ 78.6	\$ 81.0	\$ 83.2	\$ 83.7	\$ 85.5
Reserve Contribution Delay	63.2	(63.2)	-	-	-
Measure C Implementation (TOT Increase)	33.9	35.6	37.4	39.2	41.2
Parking Meter Rate Increase ^a	9.6	9.9	10.2	10.5	10.8
Strategic Use of Infrastructure Fund Contributions	8.8	11.1	16.7	22.6	28.8
Cannabis Business Tax Increase for Outlets (2%) ^a	4.3	4.4	4.6	4.7	4.9
Mitigations Subtotal	\$ 198.3	\$ 78.8	\$ 152.0	\$ 160.7	\$ 171.1
Baseline Surplus/(Shortfall) after Mitigations	\$ (59.9)	\$ (138.8)	\$ (64.9)	\$ (11.4)	\$ 1.8

Note: Table may not total due to rounding.

^a FYs 2027 - 2030 assume annual growth of 3%.

Does not factor in declines in Sales Tax revenue of ~\$30M, increased Pension Payment expenditures of \$27.3M, potential user fee/citation revenue increases of \$19.6M

Fiscal Outlook - Takeaways

Even with mitigation measures, cuts are necessary

- Additional resources and mitigations can relieve some pressure on General Fund deficit
 - \$198.3 million identified on previous slide
- Additional headwinds exist
 - Sales tax declines and persistent volatility; increases to City's pension payment, impacts of inflation on City operating costs
- Altogether, absent unanticipated revenue increases, budget cuts of ~\$100 million likely to be necessary in FY 2026
 - This will require reductions to current services provided by the City

Current Year (FY 2025) Budget Overview

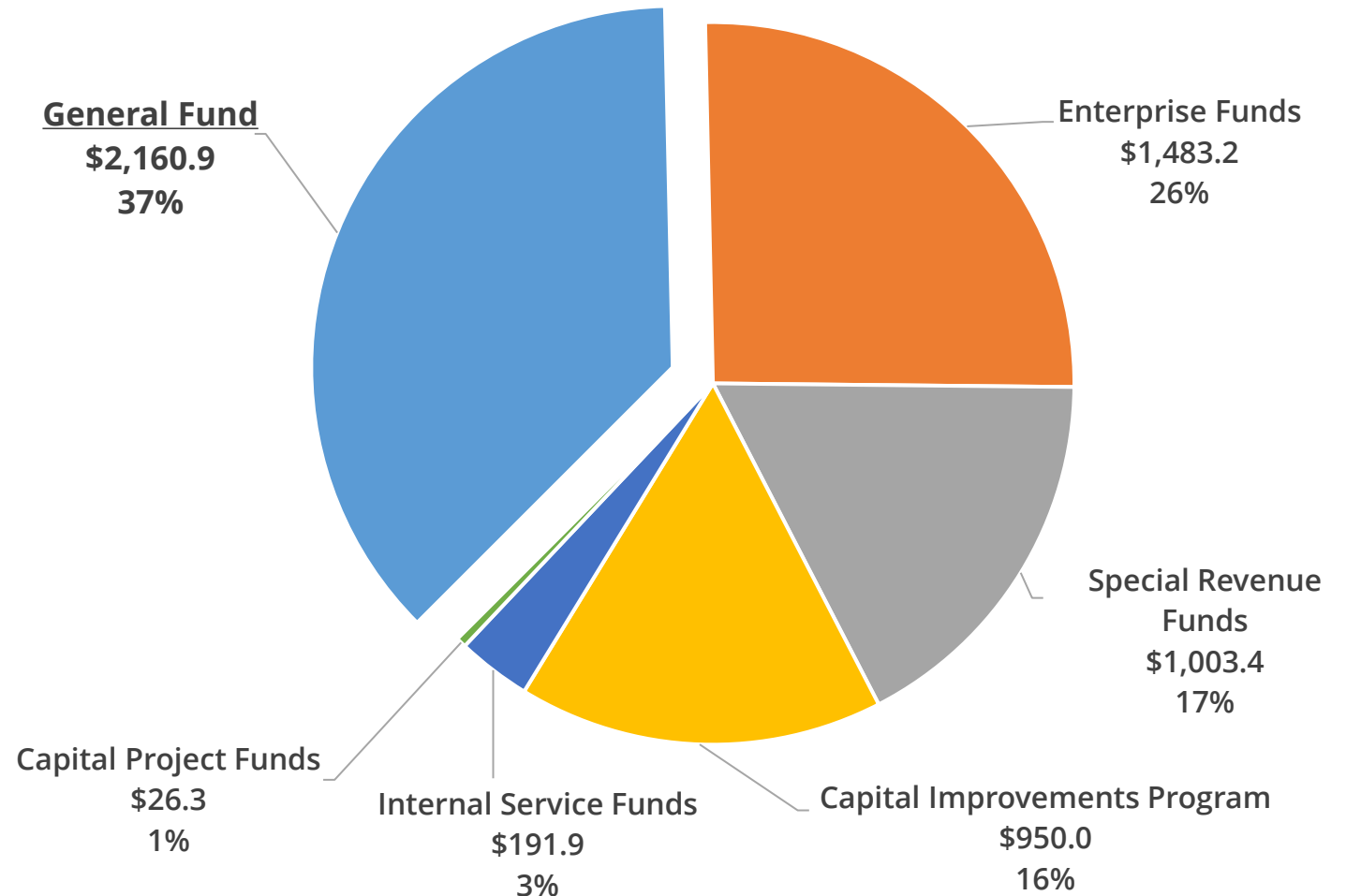
FY 2025 Budget Overview

While the City's total FY 2024 Budget is \$5.82 billion, the **General Fund** supports general City services with unrestricted dollars

Expenditure cuts will be targeted towards General Fund

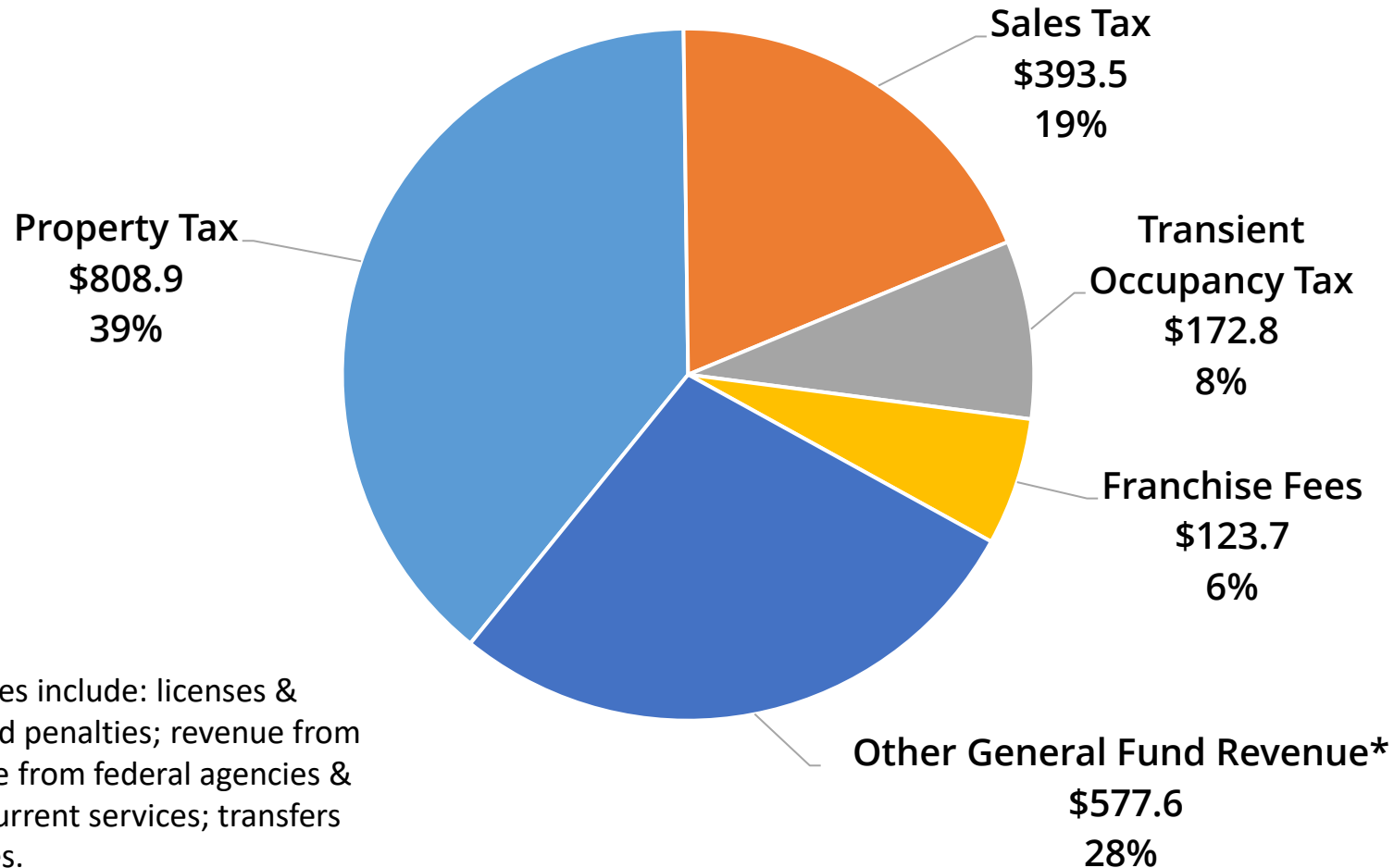
FY 2025 City Expenditures by Fund Type/Programs

(Total: \$5.82 billion; \$ in millions)



FY 2025 General Fund Revenue by Source

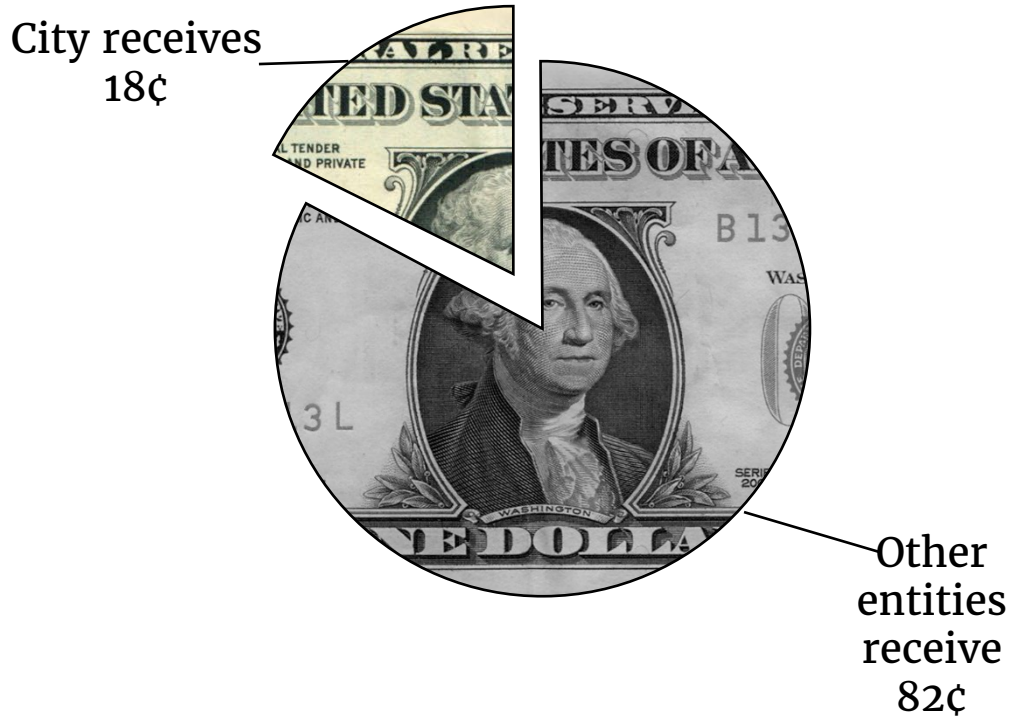
(Total: \$2.08 Billion; \$ in millions)



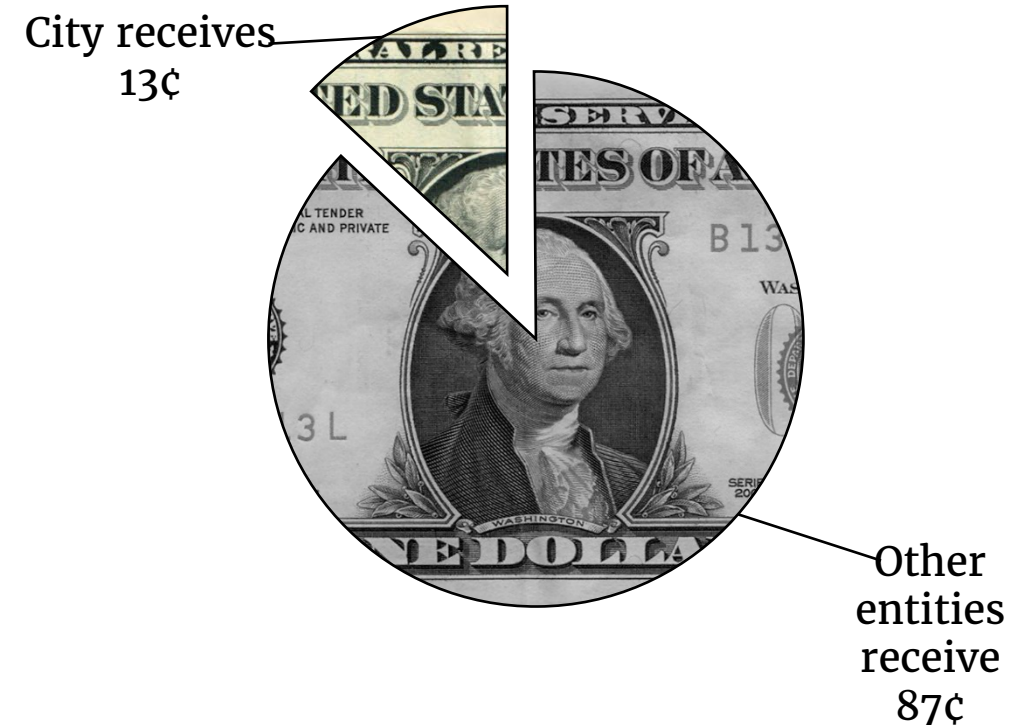
*Other General Fund Revenues include: licenses & permits; fines, forfeitures, and penalties; revenue from money and property; revenue from federal agencies & other agencies; charges for current services; transfers in; and property transfer taxes.

How much the City Receives from Major Taxes

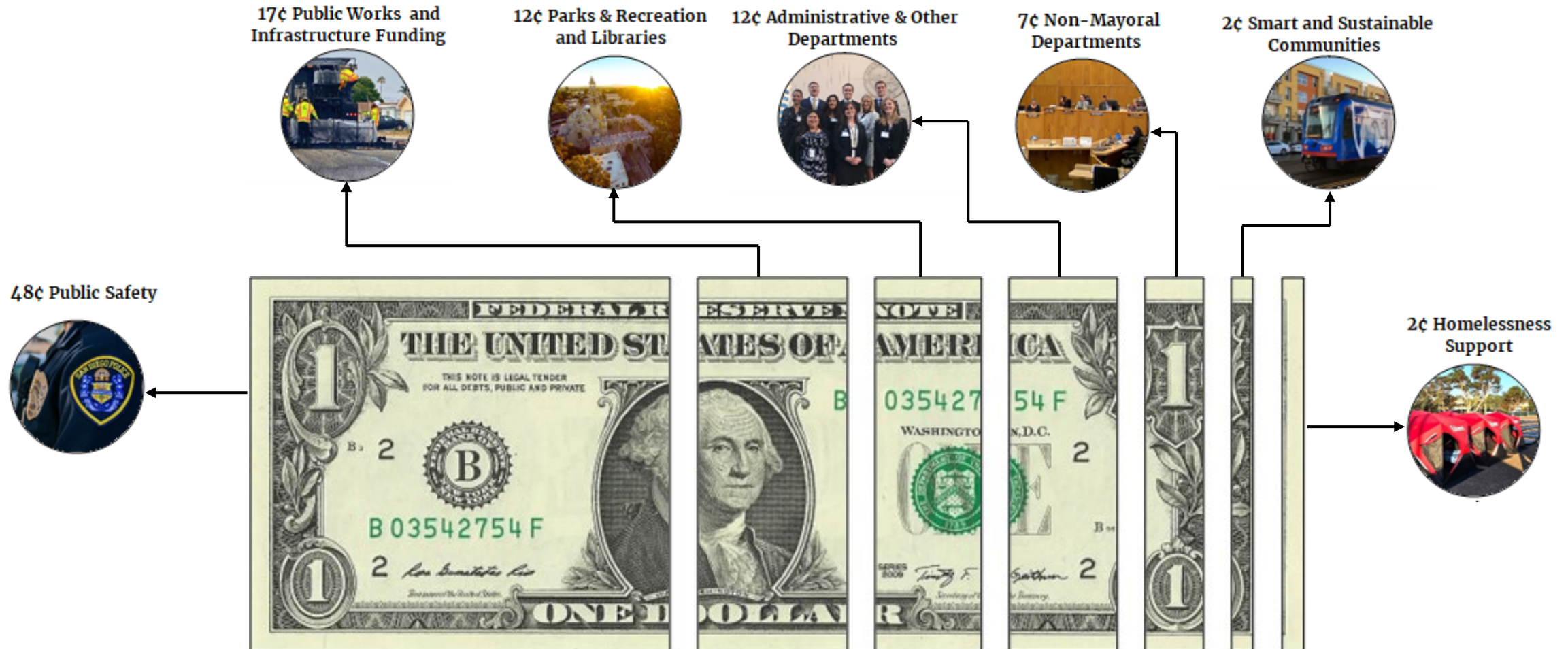
Property Tax Rate:
1% of Assessed Value



Sales Tax Rate:
7.75% on Taxable Sales

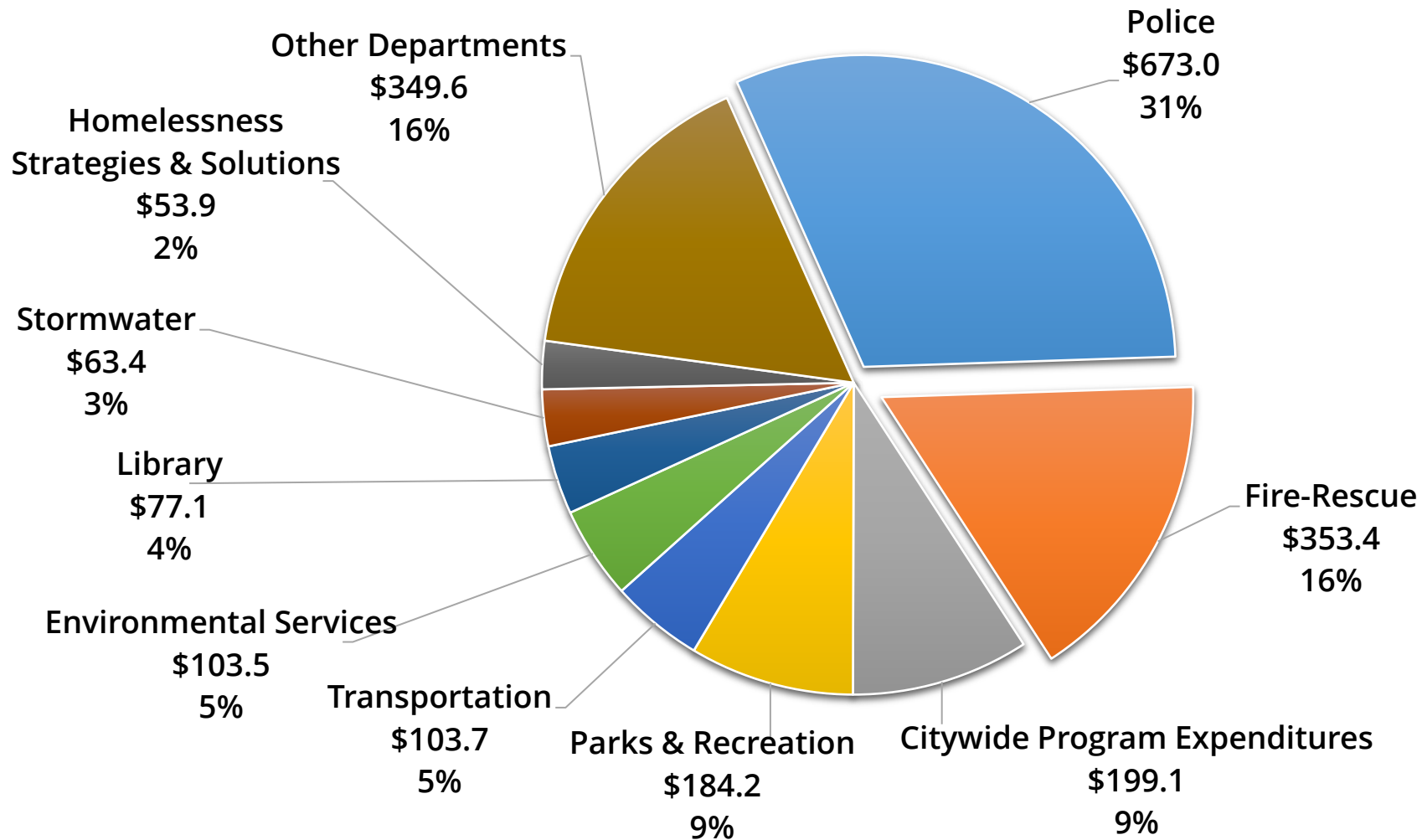


FY 2025 General Fund Expenditures



FY 2025 General Fund Expenditures by Department

(Total: \$2.16 Billion; \$ in millions)



Capital Improvements Program (CIP) Budget Overview

The City Owns and Maintains a Variety of Infrastructure



Roads



Bridges



**Municipal
Airports**



Parks

Facilities



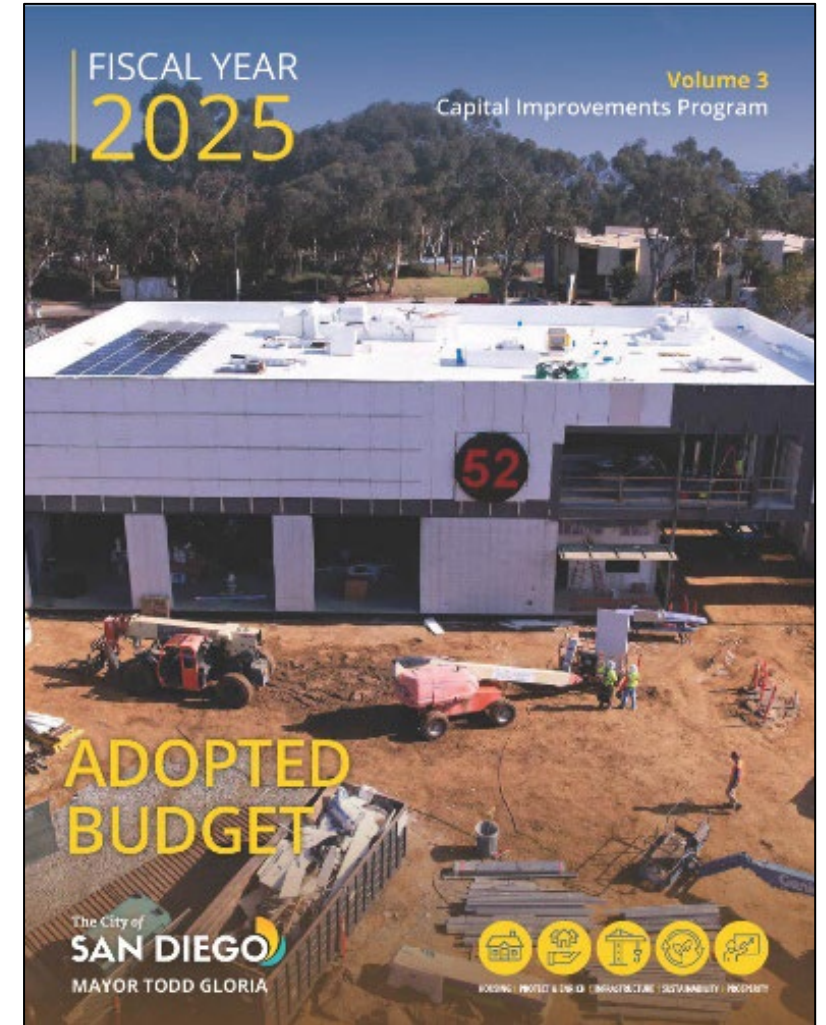
**Water
Utilities**



- Other entities (County, Port, Airport Authority, SANDAG, County Water Authority, CalTrans, etc) also own non-City public infrastructure, often with dedicated funding sources

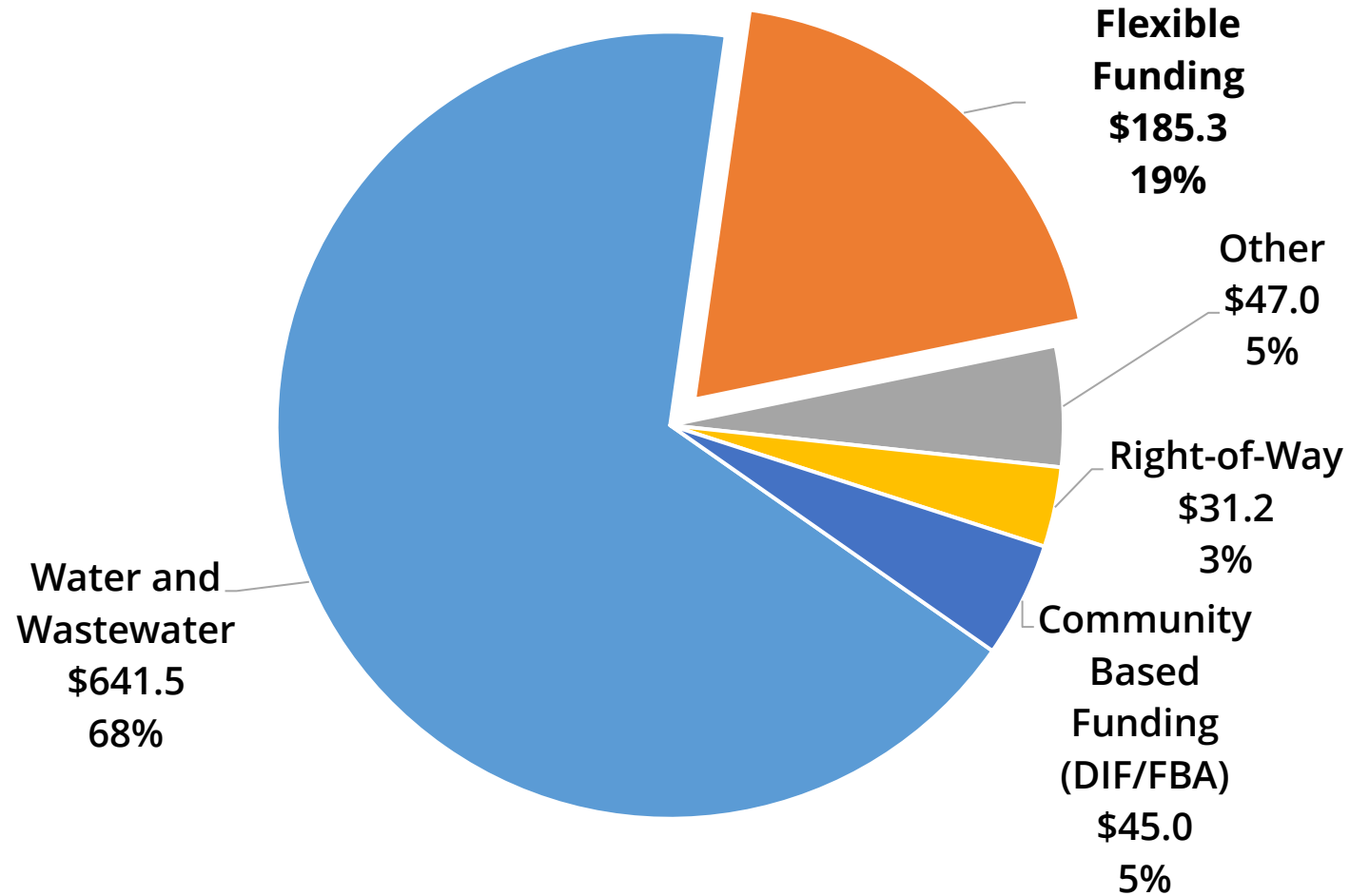
About the CIP Budget

- Funding either improves existing infrastructure or creates new
- Rolling budget since projects take multiple years to implement
- Restrictions on funding sources is a big driver of what gets funded



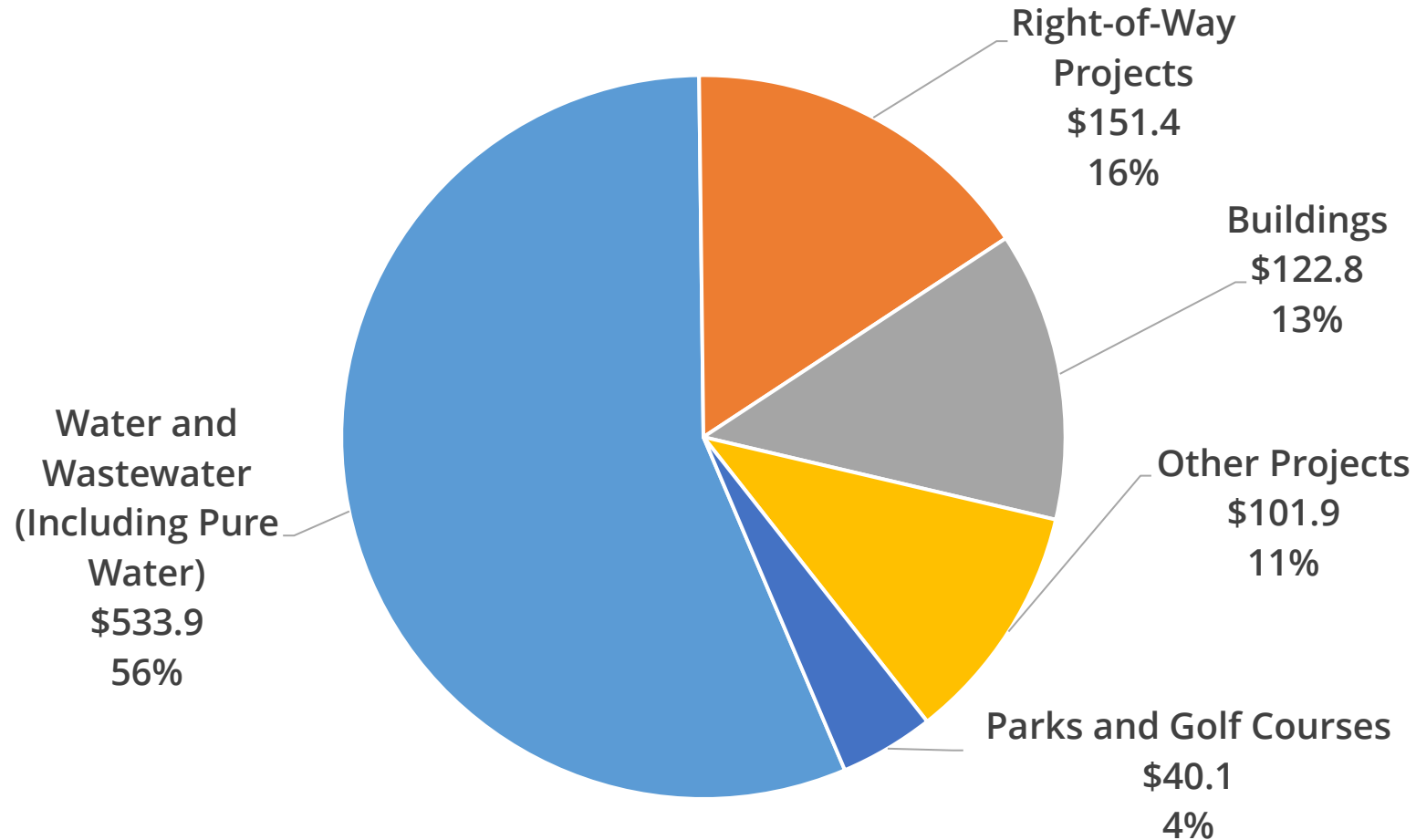
FY 2025 Adopted CIP Budget by Funding Source

(Total: \$950.0 million; \$ in millions)



FY 2025 Adopted CIP Budget by Project Type

(Total: \$950.0 million; \$ in millions)



How are Infrastructure Projects Prioritized?

[City Council Policy 800-14](#) provides seven weighted prioritization factors that are used by AMD staff to rank capital projects based on different asset types. These seven prioritization factors are:

- Legal Compliance and Risk to Health, Safety and Environment
- Asset Condition and Level of Service
- Equal and Equitable Community Investment
- Sustainability and Conservation
- Funding Availability
- Project Readiness
- Multiple Category Benefit and Bundling Opportunities

CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

CURRENT

SUBJECT: PRIORITIZING CAPITAL IMPROVEMENT PROGRAM PROJECTS
POLICY NO.: 800-14
EFFECTIVE DATE: December 16, 2022

Capital Improvement Program (CIP) Defined

The City of San Diego's Capital Improvement Program (CIP) is defined as the City's financial plan for the construction of the City's capital improvements. Capital improvements are the addition of a permanent structure, structural change, or the restoration of the City's assets that will either enhance the asset's overall value, prolong its useful life, or adapt it to new uses. The City's assets span a wide variety of categories that include: streets and related right-of-way features; storm water and drainage systems; water and sewer systems; public buildings such as libraries, parks, recreational and community centers; and public safety facilities such as police, fire and lifeguard stations. Capital investments are necessary for the construction of all parts of the City's infrastructure.

The Importance of Infrastructure

The importance of quality infrastructure cannot be overstated. Without functioning infrastructure, the City's economic prosperity cannot be sustained. The quality of neighborhood infrastructure will directly determine the livability of the City's neighborhoods. The community's health, safety, and natural environment all depend on available and quality infrastructure. Decisions about capital investments affect the availability and quality of most government services, as well as many private services.

Infrastructure connects residents to opportunities for employment, healthcare, and education via extensive transportation, power, water, and telecommunication networks. Ongoing investments will enhance the quality of life for each and every neighborhood. In addition to legal mandates, the prioritization of CIP projects should also consider social, economic, and geographic factors to prioritize *Structurally Excluded Communities*, as defined below, and eliminate disparities. The below terms are used to inform the intent of the policy.

Definitions

A *Structurally Excluded Community* is defined as one of the following:

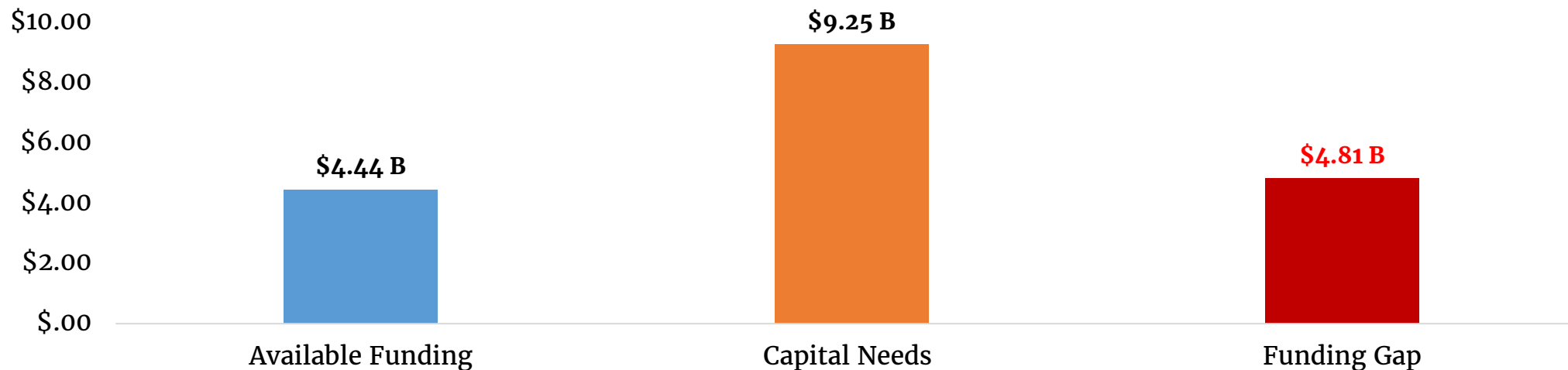
1. A defined neighborhood, census tract, or Council District having documented low levels of access to City services or use of City services and programs.

CP-800-14

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FY 2025-2029 CIP Outlook

City's Five-Year Capital Infrastructure Needs, Available Funding, and Gap (\$ in billions)



Because infrastructure needs significantly exceed available funding, many infrastructure projects end up being deferred, leading to increased costs and expensive emergency repairs

Top Unfunded Needs in CIP Outlook

Funded and Unfunded Asset Needs <i>(\$ in millions)</i>		
Asset	Funded Needs	Unfunded Needs
Stormwater	\$ 571.7	\$ 1,632.0
Streets and Roads – Pavement	264.2	989.3
Parks	302.5	773.4
Streetlights	24.4	427.0
Fire-Rescue	75.3	282.1
Police	0.9	167.6
Existing Facilities	5.9	140.3



Additional Areas of Interest

Street Repaving

Prioritization, Planning, Costs

- City completed a Pavement Management Plan in 2024, lays out strategy for improving and maintaining City streets
 - Plan calls for repairs based on overall condition of streets and anticipated useful life
 - Goal is to minimize life-cycle costs
- Road repair costs:
 - Slurry Seal - \$220,000/mile
 - Asphalt Overlay - \$1.7M/mile
 - Reconstruction - \$5-6M/mile
- Funding needs over next 10 years total \$1.9B; does not include unpaved roads & alleys

Lifecycle Scenarios (costs in \$ per square foot)				
Pavement Management Strategies	Paving Events	Total Costs	Years of Life	Average Yearly Cost
Preventative Maintenance	3	\$ 11.18	41	\$ 0.27
Only Asphalt Overlay	2	\$ 17.64	42	\$ 0.42
Only Reconstruction	1	\$ 34.00	45	\$ 0.76

Developer Impact Fees

Historically restricted; limitations

- Developer Impact Fees (DIF) are collected to provide for infrastructure costs associated with new development impact
 - Historically was collected in specific geographic areas, with expenditures limited to those areas
 - New system allows *newly collected* DIF to be used city-wide
- DIF fees set by determining infrastructure that would be needed at full/maximum development/buildout, then parceled out to individual developments
 - Only pays for the portion for new infrastructure directly tied to development impact
 - Limited amounts historically generated from in-fill development due to smaller size of projects
- Can only fund new infrastructure projects, not repair/replacement

Bike Lanes

Non-City agencies providing majority of projects/funding

- Actual *City* expenditures on bike lanes over past 10 years totals \$30.1 million
 - Primarily funded with DIF and FBA (\$16.0 million) or grants (\$5.4 million)
 - Most new cycling assets are primarily associated with striping/signage after road resurfacing, minimal associated costs
- Larger bike-lane projects are funded and managed by *SANDAG and Caltrans*
 - Eliminating SANDAG/Caltrans expenditures would not generate additional General Fund revenue or allow the *City* to put those dollars to other uses

Trash Fees (Measure B)

Timeline, Method, Revenue

- Council Review and Adoption of fees anticipated in June, 2025, effective in FY 2026
- Residents expected to be able to select container sizes/numbers
- Collection will use tax-roll billing
 - Paid along with/at same time as other property taxes (November/February); avoids need to stand-up a customer billing portal/system
- Estimated to provide up to \$78.6 million of General Fund relief

*Existing property taxes **do not** have a portion called-out specifically for trash collection. Many properties **do not** receive trash-collection services from the City, but pay the **same property tax rates** as those that do.*

Homelessness Programs and Funding

Overview of Programs and Costs

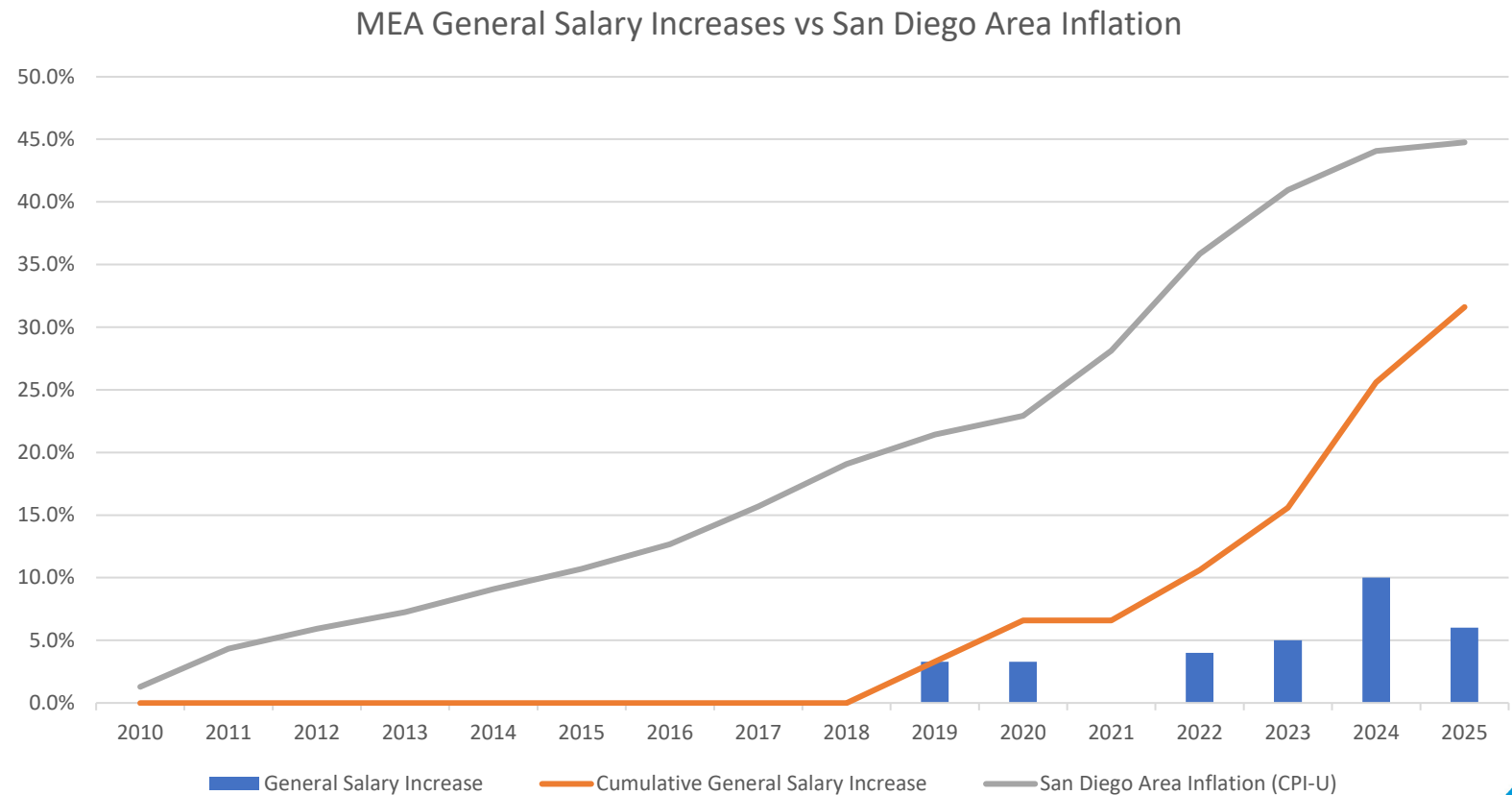
- Responsibilities split between City department and Housing Commission
 - HSSD: non-congregate shelter, safe parking, safe sleeping and outreach
 - SDHC: congregate shelter, family non-congregate shelter, safe storage, prevention and diversion
- Historically not part of the SDHC's mission, but SDHC has been expanding services and involvement since 2018. Received \$42.5 million in FY 2025.
- HSSD provides for services and coordinates with SDHC and other City departments (Police, ESD, etc.)

FY 2025 Funding for Homelessness (in thousands)							
<i>excl'd. Permanent Housing and Vouchers</i>							
System Component	Strategy	City General Fund	Other Local AHF/SDHC Local	County Capital/CoC	State HHAP and Other Grants	Federal CDBG, ESG, HOME ARP, MTW	Total
Housing & Services	Prevention and Diversion	\$ 963	\$ 2,942		\$ 5,985	\$ 3,237	\$ 13,128
	Supportive Services		2,758			-	2,758
	Rapid Rehousing	-	321	3,304	413	1,506	5,544
Crisis Response & Stabilization	Shelters	15,301	8,120	3,773	13,367	1,907	42,468
	Safe Parking	4,316	-	306	2,523	1,200	8,345
	Safe Sleeping	12,066	-		-	-	12,066
	Substance Use Disorder Shelters/Srvc	3,034	979		4,059	-	8,073
Engagement Services	Outreach	6,948	-		2,731	240	9,920
	Storage	1,938	-		-	-	1,938
	Other	6,791	1,004		5,132	-	12,927
Admin	Admin	7,223	3,201		1,890	61	12,375
Grand Total		\$ 58,580	\$ 19,324	\$ 7,383	\$ 36,101	\$ 8,153	\$ 129,541
Share of Total		45.22%	14.92%	5.70%	27.87%	6.29%	

Employee Compensation

Recent pay increases in context of past 15 years

- Recent classified compensation increases reflect long-standing lack of competitive pay
 - Example: Municipal Employee Association (MEA) general (across-the-board) salary increases compared to SD area inflation (not compounded)
- Unclassified / managerial positions being further examined
 - Potential impact on deficit may be limited in context of overall deficit



Additional Resources

Important Resources

Office of the IBA

Website <https://www.sandiego.gov/iba>

- [IBA Reports](#)
- [Key Budget Dates](#)
- [Public's Guide to the Budget](#)
- [Public's Guide to Infrastructure](#)

X (Twitter)



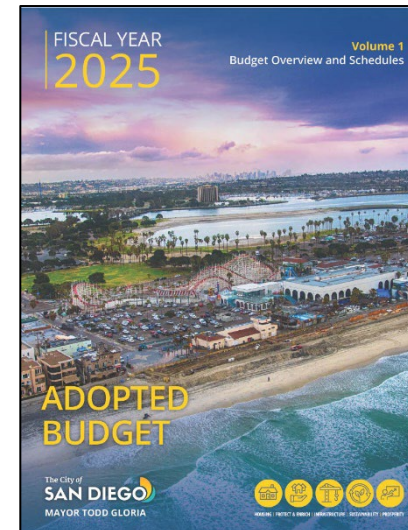
Office of the Independent Budget Analyst
@SanDiegoIBA

Phone number **619-236-6555**

Department of Finance

Website <https://www.sandiego.gov/finance>

Adopted
Budget



Other
Financial
Reports

Financial Reports

Five-Year Financial Outlook	▼
Budget Monitoring Reports	▼
Annual Comprehensive Financial Report	▼
Single Audit Reports	▼
State and Local Recovery Funds Performance Report	▼
Metropolitan Wastewater Utility Allocation of Billing Report	▼
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	▼
Annual Internal Controls Reports	▼
Charter 39 Financial Performance Reports	▼
City Employee Compensation Reports	▼
Discontinued Reports	▼
CFD (Mello Roos) Reports	▼

A photograph of an audience from behind, seated in a room. Several people have their hands raised, indicating they want to ask a question or make a point. The word 'Questions' is overlaid in large white text.

Questions