



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: December 2, 2024

IBA Report Number: 24-33 REV

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Item Number: TBD

IBA Review of the FY 2025 First Quarter Budget Monitoring Report

OVERVIEW

The [FY 2025 First Quarter Budget Monitoring Report](#) (First Quarter Report) was issued on November 7, 2024 and presented to the Budget and Government Efficiency (B&GE) Committee on November 13, 2024. The First Quarter Report describes the current status of major General Fund revenues and their year-end projections based on actual (unaudited) data from July 2024 through September 2024. Several departmental revenue variances are also discussed. For expenditures, the report provides projections and updates on several significant departmental variances; public safety personnel expenses, including overtime; and select non-discretionary costs, such as debt, energy, and fuel. Updates on the General Fund and certain non-general fund Reserves are also covered. Year-end projections for other General Fund revenues and expenditures are not included in the First Quarter Report but will be provided in the FY 2025 Mid-Year Budget Monitoring Report (Mid-Year Report).

In accordance with [Council Policy 000-02: Budget Policies](#), the Department of Finance monitors the City's annual operating budget and presents quarterly reports, including forecasted year-end results, to the B&GE Committee and City Council. This is the first of those quarterly reports for FY 2025. The first quarterly report each year serves as an initial high-level look, based on only three months of actual data and focuses on a few select areas. The Mid-Year and Third Quarter Budget Monitoring Reports are more robust, projecting full revenues and expenses for the General Fund as well as non-general funds departments, and often include requests for budget adjustments. Our Office reviews these quarterly reports and provides additional information and recommendations as appropriate for Council's consideration.

Our review of the First Quarter Report includes an analysis of major General Fund revenues; a review of cannabis revenue; additional information on public safety overtime; and a review of

reserves that are projected to end FY 2025 with balances that are less than their policy targets. Additionally, this report includes a table that provides the status of items City Council added in FY 2025 budget.

For the FY 2026 budget process, Council has already taken its first step, approving its initial Budget Priorities Resolution (see [IBA Report 24-30 REV](#)). The next step in the process will be the Mayor’s release of the FY 2026-2030 Five-Year Financial Outlook (Outlook). The revenue projections and Excess Equity estimate included in the First Quarter Report, and subsequent updates to the Sales Tax and Transient Occupancy Taxes included in this report, will help inform the projections included in the Outlook, which is scheduled for release December 4, 2024.

FISCAL & POLICY DISCUSSION

MAJOR GENERAL FUND REVENUES

General Fund revenues in the First Quarter Report are \$10.1 million below amounts included in the Adopted Budget. The decrease is largely driven by lower-than-expected sales tax receipts. Each of the four major General Fund revenues is discussed below.

MAJOR GENERAL REVENUES (\$ in millions)							
Major Revenue Source	FY 2025 Budget vs. FY 2025 Projections				FY 2024 Actuals vs. FY 2025 Projections		
	Adopted Budget (FY 2025)	Updated Projections (As of 1st Quarter)	Variance from Adopted Budget	Variance from Adopted Budget (%)	Unaudited Actuals ^a (FY 2024)	Variance from Unaudited Actuals	Variance from Unaudited Actuals (%)
Property Tax	\$ 808.9	\$ 814.4	\$ 5.5	0.7%	\$ 770.8	\$ 43.6	5.7%
Sales Tax	393.5	381.8	(11.6)	(3.0%)	377.0	4.9	1.3%
Transient Occupancy Tax	172.8	168.7	(4.2)	(2.4%)	163.8	4.9	3.0%
Franchise Fees	121.9	122.1	0.2	0.1%	116.7	5.3	4.6%
Total	\$ 1,497.1	\$ 1,487.0	\$ (10.1)	(0.7%)	\$ 1,428.3	\$ 58.7	4.1%

Note: Table may not total due to rounding.

^a FY 2024 Unaudited Actuals are from the FY 2024 Year-End Financial Performance Report.

Property Taxes

Property taxes represent the single largest source of General Fund revenue, accounting for about 39% of the FY 2025 Adopted Budget General Fund revenue. City property taxes are derived from three major sources:

- Proposition 13’s 1% levy on the assessed value of property throughout the City, of which the City receives approximately 17%;
- Motor Vehicle License Fee (MVLFF) backfill payments; and
- Distributions from the Redevelopment Property Tax Trust Fund (RPTTF), which represent payments to the City as a result of the dissolution of former Redevelopment Agencies.

The updated first-quarter projection for property tax revenue is \$814.4 million, which is a \$5.5 million increase above the Adopted Budget of \$808.9 million. Of the \$5.5 million increase, \$5.2 million is attributed to expected growth in the 1% property tax allocation. The 1% property tax

apportionment for FY 2025 reflects the real estate market during the 2023 calendar year. This is due to an up to 1.5-year delay between when properties are assessed (i.e. January 2024), when property taxes are paid (i.e. November 2024 and February 2025), and when payments are received by the City (through June 2025).

The FY 2025 Adopted Budget assumed a 4.37% property tax growth rate, but the Department of Finance and their consultant revised these projections to assume a 5.65% property tax growth rate as a result of higher assessed property values and larger-than-expected property tax distributions from the County. Our Office concurs with this change in the property tax projections. Notably, current property tax projections include \$5.8 million associated with the sale of the Tailgate Park property, though this sale is currently subject to litigation, and consequently there may be a delay or decrease in this amount in FY 2025.

Sales Taxes

The sales tax rate in the City is 7.75%, of which only 1.0% goes to the City, with the remaining portions going to other entities. During the November 2024 General Election, voters in the City of San Diego considered Measure E which proposed raising the sales tax by 1.0% to 8.75%, of which 2.0% would go to the City. As of November 27, 2024, the official results of Measure E had not been certified but the unofficial results show the measure failing by 3,529 votes (0.6 percentage points). The FY 2025 Adopted Budget and First Quarter Report were developed assuming the historical 7.75% sales tax rate, and the revenue projections in this section are based on that rate.

The First Quarter Report projects sales tax will total \$381.8 million in FY 2025, representing a \$11.6 million, or 3.0%, decrease from the Adopted Budget which assumed total sales tax revenue of \$393.5 million. The majority of the decrease is related to actual sales tax collection in the first quarter coming in below the projection made in the Adopted Budget due to lower consumer spending, which can in part be attributed to decreasing consumer confidence. Actual sales tax revenue for the first quarter of FY 2025 came in \$8.8 million lower than what was assumed in the FY 2025 Adopted Budget. The actual annual growth rate for the first quarter was -6.73%, notably lower than the 2.4% quarterly growth rate assumed in the FY 2025 Adopted Budget.

Due to actual receipts coming in lower than initial projections, the Department of Finance further lowered the year-over-year growth rates projected for the remaining quarters of FY 2025, which reduces annual projected growth from an average of 4.25% to 1.29%. Specifically, the Department of Finance projects the growth rates shown in the table on the following page.

Sales Tax Growth Rate Projections		
Fiscal Year Quarter	Adopted Budget Growth Rate (%) (FY 2025)	Updated Projected Growth Rate (%) (As of 1st Quarter) ^a
First Quarter (Q1)	2.4%	(6.7%)
Second Quarter (Q2)	8.5%	3.3%
Third Quarter (Q3)	3.0%	(0.1%)
Fourth Quarter (Q4)	3.1%	5.6%
Average Annual Growth	4.3%	1.3%

^a The First Quarter Projected Growth Rate is the actual rate, and following rates are projections.

These quarterly projections reflect the latest projections from the City’s sales tax consultant released in late September 2024.

Our Office believes it is reasonable to project sales tax revenues using the sales tax consultant’s assumptions and growth rates, which are also consistent with the October UCLA Anderson Forecast. The UCLA Anderson Forecast predicts that the year-over-year growth rate in taxable sales in California will be 3.5 percentage points higher in calendar year 2025 than in 2024, indicating it may be reasonable to predict growth towards the end of FY 2025 after the declines experienced in the first quarter. The updated projections in the First Quarter Report align with the Anderson forecast’s assumption of slower economic performance in calendar year 2024 and a slowly improving performance in calendar year 2025.

Transient Occupancy Taxes

Transient Occupancy Taxes (TOT) – or hotel taxes – are the third largest major General Fund revenue source. San Diego’s TOT rate is 10.5%, which is broken down into three parts:

- 5.5% - allocated to the General Fund (to support general City services);
- 4.0% - allocated to Special Promotional Programs (to support programs and services that encourage tourism to the San Diego area); and
- 1.0% - allocated as discretionary/Council directed funding.

While the First Quarter Report references the 5.5% General Fund allocation of TOT, it is important to note that changes in TOT receipts impact all of these allocations, as shown in the table below.

Transient Occupancy Tax (TOT) Revenue (\$ in millions)				
TOT Allocation	Adopted Budget (FY 2025)	Updated Projections (As of 1st Quarter)	Variance	Variance (%) ^a
General Fund Allocation (5.5%)	\$ 172.8	\$ 168.7	\$ (4.2)	(2.4%)
Special Promotional Programs (4.0%)	124.6	121.5	(3.1)	(2.5%)
Council Discretionary (1.0%)	31.2	30.4	(0.8)	(2.5%)
Total	\$ 328.6	\$ 320.5	\$ (8.1)	(2.5%)

Note: Table may not total due to rounding.

^a Percentages are different because 100% of TOT revenue from Recreational Vehicle (RV) Parks goes directly into the General Fund, per San Diego Municipal Code.

The First Quarter Report projects the General Fund allocation of TOT to come in under the FY 2025 Adopted Budget by \$4.2 million, which is a 2.4% decrease from the Adopted Budget. However, since the release of the First Quarter Report, actual TOT receipts have increased slightly, though they are still below amounts in the Adopted Budget. TOT actuals from July to October in FY 2024 increased by 3.6% compared to July through October of FY 2024. When comparing the July through October actuals to the Adopted Budget, the actuals have decreased by 2.1% as compared to an adopted growth rate of 5.9%.

The San Diego Tourism Authority and Tourism Economics release a forecast for lodging demand and revenue growth every few months. An updated forecast was released in October 2024 for dates through the end of the calendar year 2025.

When Tourism Economics' FY 2025 year-over-year growth rate projections are applied to FY 2024 TOT actuals, total TOT revenue in FY 2025 is estimated to be \$320.6 million, which is only a \$0.1 million variance from the Department of Finance's updated FY 2025 projections of \$320.5 million. For this reason, our Office concurs with the Department of Finance's updated First Quarter Report projections for TOT revenue.

Franchise Fees

Franchise fees represent payments made by private companies to the City for the right to operate within the City's right-of-way. The main sources of franchise fee revenue are:

- San Diego Gas & Electric (SDG&E) for the right to provide City residents and businesses with gas and electricity services;
- Cox Communications, AT&T, and Spectrum for the right to provide cable services to City residents; and
- Private refuse haulers that conduct business within City limits.

Franchise fees from SDG&E and cable companies are based on a percentage of revenue generated, while franchise fees from refuse haulers are based on tonnage.

Franchise fee revenue in FY 2025 is projected to increase by \$0.2 million to \$122.1 million, as the Environmental Services Department anticipates higher refuse collection fees due to changes in the tonnage being brought to the Miramar Landfill. There are no changes to the other franchise fee revenue projections. Our Office agrees with these projections.

DEPARTMENTAL REVENUES

The First Quarter Report includes information on decreases in certain revenue projections for several departments, including Economic Development, Office of the City Treasurer, and Sustainability and Mobility. We provide some additional context for the projected cannabis business tax revenue decrease in the next section.

The First Quarter Report also discusses the largest departmental revenue decrease: \$5.6 million related to reimbursements from the TOT Fund to General Fund departments for the safety and maintenance of visitor-related facilities. This decrease in projected reimbursements is related to TOT revenue decreases in FY 2024 – which reduce the TOT Fund’s fund balance – and revenue decreases projected for FY 2025 – which are discussed previously in our review of TOT revenues.

Cannabis Business Tax Revenue

The First Quarter Report projects \$17.2 million in Cannabis Business Tax (CBT) revenue, \$2.2 million below the \$19.4 million included in the FY 2025 Adopted Budget. The City Treasurer’s Office (CTO) notes that, at this stage of the fiscal year, accurately forecasting year-end CBT revenue is challenging. It is uncertain if there will be continued consolidation in the cannabis industry that may result in the closure of additional retailers, or when new permitted retailers will ramp up operations. Updated projections will be provided as part of the Mid-Year Report, to be released on January 31, 2025.

For historical context, in FY 2024, CBT year-end revenue also totaled \$17.2 million, which was \$4.2 million less than budgeted. This was largely due to outlets within the City experiencing increased competition from the illegal market, neighboring municipalities, and delivery services, as well as decreased prices resulting from an oversupply of cannabis goods. Additionally, two retail outlets closed in FY 2024 and both ceased making tax payments to the City after January 2024.

Since the closures occurred after budget development, the CTO's revenue projections for the FY 2025 Budget did not take them into account, resulting in somewhat inflated CBT revenues included in the Adopted Budget. However, the \$2.2 million decrease in the First Quarter Report reflects the closure of the two retail outlets, as well as assumed revenue from new outlets expected to open during FY 2025.

GENERAL FUND EXPENDITURES

Public Safety Overtime

Fire-Rescue Overtime

The Fire-Rescue Department is projected to exceed its overtime budget by \$5.7 million at fiscal year-end for total projected overtime expenditures of \$50.5 million. The Department is anticipating that the City will receive approximately \$2.7 million in revenue above what is budgeted for reimbursable strike team deployments in FY 2025, which would result in a projected net General Fund impact of \$3.0 million.

Compared to FY 2024 actual expenditures, the Fire-Rescue Department projects to spend \$3.5 million less on overtime in FY 2025. This is primarily due to the Department’s expectation that it will be able to fill most vacancies in the Fire Captain and Fire Engineer ranks through promotions by the end of FY 2025. If the Department is unable to accomplish this goal, overtime expenditures in FY 2025 could be higher than currently projected. Additionally, since the Department

traditionally fills these Fire Captain and Engineer positions via internal promotions, vacancies in lower-level ranks will remain; full staffing among all Fire Suppression Operations positions is not anticipated until the fourth quarter of FY 2026.

Police Overtime

The Police Department is projected to exceed its FY 2025 overtime budget by \$9.5 million, or approximately 20%, at fiscal year-end, for total projected overtime expenditures of \$55.8 million. The Department is anticipating that the City will receive approximately \$350,000 in revenue above what is budgeted for reimbursable overtime activities in FY 2025, which would result in a projected net General Fund impact of \$9.1 million.

We note that, while actual overtime expenditures through the first quarter of FY 2025 were approximately 4.5% higher compared to FY 2024, the Department is projecting that total overtime expenditures at FY 2025 year-end will be \$1.4 million lower than FY 2024, primarily as a result of efforts to better manage overtime for patrol operations. According to the Department, a dedicated unit responsible for centralizing overtime planning among all patrol divisions Citywide is expected to be established, and an implementation plan is being prepared. However, execution of this plan will be subject to meet-and-confer requirements under the Meyers-Milias-Brown Act (MMBA), and it is currently unknown when such process will be completed. The Police Department is assuming that this could occur by the end of calendar year 2025. However, should the meet-and-confer process extend beyond this timeframe, overtime expenditures in FY 2025 are likely to be higher than currently projected and may potentially exceed FY 2024 spending.

RESERVES

Several reserves discussed in the First Quarter Report are projected to end FY 2025 with balances below their policy targets. These include the General Fund Reserve, Risk Management Reserves, and the Development Services Fund Operating Reserve. This section briefly discusses the status of these reserves. Information on the establishment and maintenance of various reserves, including policy target levels, is included in the City’s Reserve Policy (see [Council Policy 100-20](#)).

General Fund Reserve

The City’s Reserve Policy was amended and approved by the City Council in December 2022. The overall General Fund Reserve target level is 16.7% of the most recent three-year average of annual audited General Fund operating revenues. The revised Reserve Policy extended the timeline to reach that overall target by five years, to FY 2030. Over the next several years, beginning in FY 2026, the Reserve Policy calls for incremental target level increases before reaching the 16.7% final target level, as shown in the following table. Note that The General Fund Reserve has two components: the Emergency Reserve and the Stability Reserve, for which the ultimate Policy goal is to reach 8.0% and 8.7%, respectively.¹

¹ Per the City’s Reserve Policy, the “Emergency Reserve will be maintained for the purpose of sustaining General Fund operations in the case of a public emergency such as a natural disaster or other unforeseen catastrophic event,” and the “Stability Reserve will be maintained to mitigate financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures.”

City Reserve Policy: General Fund Reserve Funding Schedule			
Target Date	Emergency Reserve Target Percent	Stability Reserve Target Percent	Total Reserve Target Percent
June 30, 2022	7.70%	7.20%	14.90%
June 30, 2023	7.43%	6.87%	14.30%
June 30, 2024	7.21%	6.37%	13.58%
June 30, 2025	7.21%	6.37%	13.58%
June 30, 2026	7.50%	6.60%	14.10%
June 30, 2027	7.90%	6.80%	14.70%
June 30, 2028	8.00%	7.35%	15.35%
June 30, 2029	8.00%	8.00%	16.00%
June 30, 2030	8.00%	8.70%	16.70%

In accordance with the above funding schedule, the target *percentage* dips to 13.58% for FY 2024 and FY 2025, as compared to the FY 2023 target of 14.30%. However, increasing operating revenues resulted in increased target *dollar amounts* for both years, as shown in the “Reserve Policy Target” line of the following table.

General Fund Reserve Policy vs Reserve Balance (\$ in millions)			
	FY 2023	FY 2024	FY 2025
<i>Reserve Policy Target Percent</i>	<i>14.30%</i>	<i>13.58%</i>	<i>13.58%</i>
Reserve Policy Target ^a	\$ 207.1	\$ 215.4	\$ 238.3
Reserve Balance ^b	207.1	207.1	207.1
Difference: Amount Reserve Balance Is Below Policy Target	\$ 0.0	\$ (8.4)	\$ (31.2)
<i>Reserve Balance as Percent of Operating Revenues</i>	<i>14.30%</i>	<i>13.05%</i>	<i>11.80%</i>

Note: Table may not total due to rounding.

^a The Reserve targets are based on the average of the prior three years' operating revenues.

^b FY 2025 Reserve Balance is a projection and subject to change.

Although the Reserve target amounts for FY 2024 and FY 2025 have increased, the City has elected to waive the Reserve contributions needed to achieve those targets in order to fund other critical expenditures – resulting in an \$8.4 million shortfall in FY 2024 and projected shortfall of \$31.2 million for FY 2025 (as shown in the table). It is projected that the Reserve’s funding percentage will be 11.8% at FY 2025 year-end, compared to the 13.58% target level; and the FY 2025 Reserve balance is projected to remain at \$207.1 million, which was the FY 2023 target amount.

In accordance with the City’s Reserve Policy, the Mayor, working with the Department of Finance, will prepare a plan that addresses the reduced Reserve level and the steps needed to meet the policy target for the Reserve.

Risk Management Reserves

The Public Liability, Workers' Compensation, and Long-Term Disability Funds provide funding sources for certain claims made against the City. The following table shows the FY 2025 projected balances for the Risk Management Reserves as compared to the FY 2025 Reserve targets. All three Reserve balances are projected to be below FY 2025 targets; and similar to the General Fund Reserve, no contributions to the Risk Management Reserves are anticipated in FY 2025.

FY 2025 Projected Deficits in Risk Management Reserves (<i>\$ in millions</i>)			
	Workers' Compensation	Long-Term Disability	Public Liability
Reserve Projection	\$ 35.6	\$ 5.0	\$ 31.8
Reserve Target	37.4	5.6	39.7
Projected Surplus/(Deficit)	\$ (1.8)	\$ (0.6)	\$ (7.9)

Note: Table may not total due to rounding.

Of the three Reserves, the Public Liability (PL) Reserve has the most significant deficit (\$7.9 million) when compared to its target balance. This is largely due to the PL Reserve's provision of an interfund loan to the City's sewer fund. The loan is intended to use non-rate payer funds to cover a short-term subsidy of FY 2023 to FY 2025 Industrial Wastewater Control Program (IWCP) fees that are currently being phased-in, and will reach full cost recovery in FY 2026.

The PL Reserve deficit is anticipated to grow by an estimated \$3.0 million in FY 2026 for the final year's loan amount. Subsequently, the sewer fund is expected to pay the PL Reserve back, with interest, over five years beginning in FY 2027. Note that if in the future the PL Fund is unable to meet its financial obligations, the City's sewer fund will be required to immediately repay the full amount owed.

Additional information on the Risk Management Reserves and their status is included in the First Quarter Report; and details on the PL Reserve loan to the sewer fund is included in the [FY 2024 Year-End Financial Performance Report](#) and our review of that report ([IBA Report 24-31](#)).

Development Services Fund Operating Reserve

The FY 2025 Reserve Policy target for the Development Services Fund Operating Reserve is 15.0% of the Fund's most recent three-year average of audited actual expenditures, or \$16.5 million. As seen in the table on the following page, the First Quarter Report projects the Development Services Fund Operating Reserve will end FY 2025 with \$3.2 million, which is \$13.2 million below the reserve target or 2.9% of operating expenses.

The Reserve balance largely carries over the impact of lower-than-projected revenues from FY 2024, as well as lagged revenue from a recently approved building permit extension. As reported in the FY 2024 Year-End Report, a three-month delay in the completion and approval of updated user fees resulted in projected revenue decreases. To help address the shortfall, the Reserve balance of \$10.9 million was reduced by \$7.5 million to \$3.4 million, which was the FY 2024 ending

Reserve balance. Although the updated user fee schedule went into effect at the beginning of FY 2025, the First Quarter Report anticipates that the \$15.0 million revenue increase in FY 2025 associated with the updated user fees will not be sufficient to replenish the Fund Operating Reserve. Additionally, on July 16, 2024, Council approved an extension on building permit applications to allow developers additional time to secure financing and obtain necessary permits given the current challenging market conditions. The extension program results in delayed revenues, which are factored into the Reserve balance projection.

When the Reserve target will be met will ultimately depend on market conditions and development activities. Furthermore, the pending relocation of Department staff to leased office spaces at 550 C Street and 7650 Mission Valley adds additional uncertainty since associated costs will largely be funded through the Development Services Fund – although the Department has identified some offsetting non-personnel expenditure savings. In the meantime, the Department has halted non-essential spending as part of its mitigation plan.

Development Services Fund Operating Reserve Policy Target vs Reserve Balance (\$ in millions)			
	FY 2023	FY 2024	FY 2025
<i>Reserve Policy Target Percent</i>	<i>12.0%</i>	<i>13.5%</i>	<i>15.0%</i>
Reserve Policy Target ^a	\$ 10.9	\$ 12.9	\$ 16.5
Reserve Balance ^b	10.9	3.4	3.2
Difference: Amount Reserve Balance Is Below Policy Target	\$ 0.0	\$ (9.5)	\$ (13.2)
<i>Reserve Balance as Percent of Operating Expenditures</i>	<i>12.0%</i>	<i>3.5%</i>	<i>2.9%</i>

Note: Table may not total due to rounding.

^a The Reserve targets are based on the average of the prior three years' operating expenditures.

^b FY 2025 Reserve Balance is a projection and subject to change.

STATUS OF ITEMS CITY COUNCIL ADDED IN FY 2025 BUDGET

In its action to approve the FY 2025 Budget on June 11, 2024, the City Council identified resources and took action to add programs and services in the final Adopted Budget. These items represented some of the Council's top budget priorities for FY 2025. The table in Attachment 1 shows the implementation status for each of these additions.

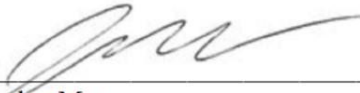
CONCLUSION

Our review of the First Quarter Report includes an analysis of major General Fund revenues; a review of cannabis revenue; additional information on public safety overtime; and a review of reserves that are projected to end FY 2025 with balances that are less than their policy targets. Additionally, Attachment 1 of this report includes a table that provides the status of items City Council added in FY 2025 budget.


As noted earlier, the First Quarter Report provides an initial, high-level look at the status of certain revenues and expenditures for the General Fund and more information, including updated projections, will be included in the Mid-Year Report. Our Office will continue to monitor the items we have discussed in this report as part of our review of the Mid-Year Report, expected to be released on January 31, 2025.



Lisa Byrne
Principal Fiscal and Policy Analyst



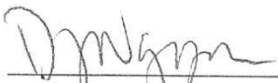
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Status of City Council's Modifications in FY 2025 Adopted Budget

Description	Item	Amount	Status
General Fund (GF) Expenditures			
<i>GF Operating Budget - One-Time</i>			
Small Business Enhancement Program (SBEP)	1	\$ 1,061,000	Council modified the FY 2025 SBEP base budget of \$775,000 to increase the total budget by \$1.06 million to \$1.84 million. As of November 14, 2024, EDD expended \$657,000 and encumbered \$73,000 of the program in accordance with Council Policy 900-15 . EDD is confident they will be able to expend the full FY 2025 budgeted amount.
Youth Care and Development Drop-In Pilot Program	2	1,002,000	The pilot program's scope-of-work has been drafted by the program's managing organizations. The draft contract is currently being reviewed by Purchasing & Contracting, and will be subsequently reviewed by the City Attorney's Office. Once the contract is finalized, funds will be awarded.
City Council: Community Projects, Programs, and Services (CPPS)	3	900,000	\$100,000 per Council District allocated for the benefit of the City's neighborhoods and communities (see Council Policy 100-06). The application period was July- August 2024; tentative awards were announced in October 2024; Council may approve these awards sometime between October 2024 - March 2025; and the funds will be dispersed between March - July 2025.
Multidisciplinary Outreach Support (funding for SDHC)	4	750,000	With the \$750,000 addition, program funding from the City totals \$1.1 million. Program also received \$750,000 from the State in FY 2024 to augment services. Fiscal year-to-date, \$106,000 has been spent consisting of \$7,000 from the City allocation and \$99,000 from the State allocation.
Midway Sprung Shelter Support (funding for SDHC)	5	577,660	Supports continued hot lunch service. With Council modification, program funding totals \$5.1 million.
Support for Meal Services at Family Shelter (funding for SDHC)	6	350,783	Supports continued hot lunch service. With Council modification, program funding totals \$2.6 million.
Bridge Shelter Support at 17th and Imperial (funding for SDHC)	7	289,864	Fully funds operational and service-related costs under current staffing structure. With Council modification, program funding totals \$3.9 million.
Harm Reduction Interim Shelter Support (funding for SDHC)	8	238,614	Supports operational and service-related costs, along with continued hot lunch service. With Council modification, program funding totals \$2.4 million.
Library Materials	9	230,000	Department anticipates spending the full amount by fiscal-year end.
Pothole Repair Vehicle	10	174,000	The vehicle was ordered on 10/1/2024 and the City is awaiting delivery, which is anticipated at 9-12 months.

Status of City Council's Modifications in FY 2025 Adopted Budget

Description	Item	Amount	Status
General Fund (GF) Expenditures			
<i>GF Operating Budget - One-Time</i>			
Your Safe Place - Case Management System (CMS) Support	11	91,000	To date approximately \$27,000 of the FY 2025 budgeted amount has been spent for the CMS. CAO expects to spend the remaining amount by fiscal year end.
Miscellaneous Adjustments	12	4,679	Rounding and other miscellaneous adjustments.
Replacement of the Golden Hall Shelter	13	-	No budget change for the reallocation of \$3.0 million from Golden Hall (264 beds) shelter to replacement shelter. Alongside Council action on Item 14 below, total available allocation for identifying replacement shelter beds is \$4.2 million. To date, HSSD and SDHC have identified 263 replacement beds at various locations and will present additional details to Council in early December. Partial-year FY 2025 operating costs for the 263 replacement beds is estimated at \$3.6 million, which is within the \$4.2 million replacement shelter allocation. Full-year operating costs starting in FY 2026 are estimated at \$6.6 million.
Support New Emergency Shelter Location With Savings from the Paul Mirabile Center	14	-	No budget change for the reallocation of \$1.2 million from Paul Mirabile Center (350 beds) for identification of new emergency shelter location. See Item 13 above for additional information.
Appropriation for New Emergency Shelter Beds Is Contingent on Future Council Action	15	-	No budget change. The related \$1.9 million appropriation included in the Adopted Budget was made contingent on Council approval of a lease or acquisition agreement.
<i>GF One-Time Capital Items</i>			
Jeremy Henwood Park Improvements	16	1,000,000	Project is currently with Parks & Recreation in the community input phase, which will be completed by February 2025. It will then be transferred to Engineering & Capital Projects to determine best delivery method, timeline, and total project costs.
Installation of Three Streetlights in the University City Community	17	150,000	This amount will fund the project through the Pre-Design Engineering report with approximately \$90,000 being expended in FY 2025. Total project is initially estimated to be \$565,000 and to be completed in three years. Total project cost will be refined after the Pre-Design Engineering report is completed.
Total GF Expenditures		\$ 6,819,600	

Status of City Council's Modifications in FY 2025 Adopted Budget

Description	Item	Amount	Status
GF Resources			
<i>GF Operating Budget - One-Time</i>			
Reduced GF Expenditures for the Housing Instability Prevention Program (HIPP)	18	\$ 3,000,000	Council budget action transferred support for HIPP from the General Fund to PLHA. See Item 34 below for additional information.
New Parks & Recreation Positions - Fleet Savings	19	1,498,000	These vehicles are now being funded through the Equipment and Vehicle Financing Program instead of with cash from the General Fund. Most vehicles have already been ordered and are awaiting delivery.
FY 2024 Elections Refund	20	1,200,000	Utilized as Excess Equity to help balance the budget.
Parks & Recreation Open Space and River Park Rangers - Delayed to January 1, 2025	21	974,000	Interviews are in process; employment offers anticipated by January 2, 2025
Parks & Recreation Water Adjustment	22	724,000	First Quarter Report projects non-discretionary water expenditures to be under budget at year-end.
FY 2024 Residual RPTTF	23	592,000	Utilized as Excess Equity to help balance the budget.
TransNet Maintenance Fund Balance	24	367,000	Incorporated in the FY 2025 budget for overall TransNet Transfers.
Additional Excess Equity	25	332,000	Utilized to help balance the budget.
HOME-ARP Fund Balance	26	240,000	In progress. EDD and HSSD are coordinating to allow HSSD to directly charge eligible homelessness outreach expenditures to the HOME-ARP fund balance.
FY 2024 Additional Interest Earnings	27	200,000	Utilized as Excess Equity to help balance the budget.
Reduced Budget for Downtown Office Space Analysis Contract	28	150,000	Implemented as an ongoing budget reduction.
Civil Penalty Fund Balance	29	124,000	Transfer will occur before the end of FY 2025, likely last quarter.
Reduced Transfer from Energy Independence Fund to General Fund	30	(500,000)	Reduced transfer leaves this amount in the EIF for Phase 2 of the Public Power Feasibility Study.
Reduced Transfer from Community Equity Fund to General Fund	31	(3,085,400)	Reversed the transfer from the CEF to the General Fund, leaving this amount in the CEF for a transfer to SDHC for flood victims. See Item 35 below for additional information.
<i>GF Operating Budget - Ongoing</i>			
Ongoing Residual RPTTF	32	1,004,000	Included in GF revenue budget.
Total GF Resources		\$ 6,819,600	

Status of City Council's Modifications in FY 2025 Adopted Budget

Description	Item	Amount	Status
Non-GF Expenditures			
<i>Non-GF Operating Budget - One-Time</i>			
Allocate CDBG to SDHC Notice of Funding Availability (NOFA)	33	\$ 6,000,000	Contingent on Kettner & Vine shelter project <u>not</u> proceeding; the FY 2025 NOFA for affordable housing is on hold until such determination is made. Timing for when SDHC would issue their FY 2025 NOFA depends on if/when funds become available. As an initial step, City and SDHC would need a MOU for SDHC to access CDBG funds, which could take at least three months.
Allocate PLHA to SDHC for the Housing Instability Prevention Program (HIPP)	34	5,200,000	Due to different income eligibilities between PLHA and HIPP, HIPP will receive PLHA for eligible households (up to 30% area median income) and GF for the remaining households (up to 80% AMI), reflecting Council action on November 19, 2024 to allow for a partial funding swap. GF monies for HIPP will be redirected from City shelter operations, which will be funded with PLHA instead. With this partial funding swap, SDHC will resume new enrollment into HIPP, with open slots for around 60 households and total program participation at 300 households.
Community Equity Fund (CEF) Transfer to SDHC for Flood Victim Recovery Program	35	3,085,400	Transfer from CEF expected to occur soon. There is an additional \$4.2 million in funding from the County. As of mid-November, SDHC has spent \$1.4 million of the CEF allocation, and the full \$4.2 million of the County funding, on housing assistance to flood victims. Factoring in future commitments, SDHC determined that \$900,000 of the CEF allocation would go unused and uncommitted; following discussions with Council offices, SDHC plans to award remaining funds to households who 1) were previously denied assistance from the Flood Recovery Program and 2) can demonstrate their residence in a flood impacted area. Eligible households would receive lump sum payments of up to \$5,500.
Public Power Feasibility Study	36	500,000	This funding allows work to continue on the Public Power Feasibility Study, as opposed to pausing that work indefinitely. A final report is anticipated to be completed in FY 2026, although at a potentially more limited scope and pending additional funding in FY 2026.
City Council: Arts, Culture, and Community Festivals	37	450,000	\$50,000 per Council District to provide access to arts and cultural events and resources (see Council Policy 100-23). The application period was August - September 2024; tentative awards were announced in November 2024; Council may approve these awards sometime between November 2024 - March 2025; and the funds will be dispersed between April - August 2025.

Status of City Council's Modifications in FY 2025 Adopted Budget

Description	Item	Amount	Status
Non-GF Expenditures			
<i>Non-GF One-Time Capital Items</i>			
Climate Equity Fund Eligible Projects	38	5,917,000	Bond funding was included in the CIP budget for the projects listed on page 11 of IBA Report 24-14 . Please see footnote below for update on project status.
Fix Most Dangerous Intersections	39	785,000	The \$785,000 was allocated to two projects: <ul style="list-style-type: none"> • \$521,600 was allocated to B24119 (Traffic Signal First Ave & Market St) in FY 2025 for a total project allocation of \$573,080 to date. \$50,000 is anticipated to expend in FY 2025. Project is currently in the planning phase. Design anticipated to be completed by the end of FY 2025, with anticipated construction to be completed by September 2027. Total project cost is estimated at \$650,500. • \$263,400 was allocated to B20075 (Traffic Signal Mods Grp 20-01) for a total project allocation of \$1,570,044 to date. \$800,000 is anticipated to expend in FY 2025. Project is currently in the bid/award phase, with anticipated construction to be completed by December 2025. Total project cost is estimated at \$1,840,000.
Southcrest Recreation Center	40	500,000	Southcrest Rec Center & Drainage Improvement project (P25004) was created in FY 2025. \$500,000 is anticipated to be expended in FY 2025 for the feasibility study to produce specific analysis and modeling for the park site.
North Pacific Beach Lifeguard Station	41	120,000	Amount is anticipated to expend in FY 2025 to complete property acquisition.
Total Non-GF Expenditures		\$ 22,557,400	

Item 38 - Status of Climate Equity Fund-Eligible projects included on page 11 of IBA Report 24-14:

- **Grove Neighborhood Park (S22002)** - Project is currently in design. Anticipated total project cost is \$27M. Phase 1 expected to be completed in December 2027.
- **Parks Hardcourt Improvements (Emerald Hills and Encanto) (B22045)** - Parks and Recreation staff has completed the scoping of the project and will be transferring the project to Engineering and Capital Projects shortly. E&CP will then determine the best delivery method, budget and timeline for the project.
- **Installation of City Owned SL 2201 (NSG) (B22149)** - Design is anticipated to be completed in FY 2025. Total anticipated project cost is \$701,800. Anticipated construction completion is 10/28/2027 and project completion of 11/13/2028.
- **Streetlight Installations in CD4 (B23127)** - 60% of design is anticipated to be completed in FY 2025. Total anticipated project cost is \$1,320,500. Anticipated construction completion is 5/24/2028 and project completion of 5/30/2029.
- **Willie Henderson Lighting (B23011)** - Construction award will occur in FY 2025. Anticipated total project cost is \$1.9M and anticipated completion in calendar year 2026.
- **Streetlight Installations in CD8 (B23129)** - Design is anticipated to be completed in FY 2025. Total anticipated project cost is \$1,314,900. Anticipated construction completion is 5/58/2028 and project completion of 5/31/2029.
- **Beyer Park Phase 1 (S00752)** - Project is currently in construction. Anticipated total project cost is \$22.5M and anticipated completion in October 2030 including a 5-year mitigation program.
- **Streetlight Installations in CD7 (B23128)** - Design is anticipated to be completed in FY 2025. Total anticipated project cost is \$572,300. Anticipated construction completion is 11/29/2027 and project completion of 11/30/2028.
- **Chicano Park Improvements Phase III (B20060)** - Currently in the community outreach phase to develop a scope of work.
- **Castle Neighborhood New Street Lights (B19080)** - Construction completed in July 2024. Project completion anticipated for 6/30/2025. Anticipated total project cost is \$1,450,000.

Status of City Council's Modifications in FY 2025 Adopted Budget

Description	Item	Amount	Status
Non-GF Resources (one-time)			
CDBG (for SDHC NOFA)	42	\$ 6,000,000	See Item 33 above for additional information.
Debt Financing for Capital Projects	43	5,917,000	Bond funding was included in the CIP budget for the projects listed on page 11 of IBA Report 24-14. See Item 38 above for additional information.
PLHA (for HIPP)	44	5,200,000	See Item 34 above for additional information.
Restore Community Equity Fund (to support Flood Victim Recovery Program)	45	3,085,400	Council budget action reversed the transfer from the CEF to the General Fund, leaving this amount in the CEF for a transfer to SDHC for flood victims. See Item 35 above for additional information.
Infrastructure Fund (after swap with RMRA Fund Balance)	46	785,000	Funding included in CIP budget.
Infrastructure Fund (after swap with Citywide Park DIF) - for Southcrest Rec Center	47	500,000	The Adopted Budget included funding from Citywide Park DIF; CIP Mid-Year Report adjustments swapped the Citywide Park DIF for Infrastructure Funds.
Reduced Transfer of Energy Independence Fund Balance to General Fund	48	500,000	Council budget action leaves this amount in the EIF for Phase 2 of the Public Power Feasibility Study.
TOT Fund Balance for Arts, Culture, and Community Festivals (ACCF)	49	450,000	Amount allocated to ACCF as part of final budget approval.
Citywide Fire DIF for Fire-Rescue Deficient Communities	50	120,000	Funding included in CIP budget.
Total Non-GF Resources		\$ 22,557,400	