




**COUNCILMEMBER SEAN ELO-RIVERA
NINTH COUNCIL DISTRICT**

M E M O R A N D U M

DATE: January 13, 2025

TO: Charles Modica, Independent Budget Analyst

FROM: Councilmember Sean Elo-Rivera 

SUBJECT: Updated Fiscal Year (FY) 2026 Budget Priorities

The City faces an extremely challenging budget outlook for FY 2026. I understand this will necessitate many difficult decisions to balance the FY26 budget, maintain public safety, and preserve core neighborhood services. I look forward to working with you and the Gloria Administration (Administration) in the coming months to achieve that.

However, I am deeply concerned about how “across the board” cuts will impact the urban and diverse communities that I represent. Reducing disparities has been at the forefront in the last several budget cycles, when the City added many programs, services, and positions to meet constituents’ needs. The same approach must be at the forefront now, when the City faces a significant deficit. This memo expresses my concerns and priorities for developing the FY26 budget.

Discussion

Measure B in 2022 passed largely because voters we represent value public investment, and they know the only way to address disparities is for the whole city to invest. That includes those communities themselves—those who have the least were the most willing to support Measure B.

Such was the case for Measure E this year. Urban and diverse communities voted heavily in favor of the measure. Again, those with the least and those who proportionally would have been most impacted by a sales tax increase were those who were most willing to support it.

With the failure of Measure E, I am concerned that, as was initially proposed for FY 2025, programs and services that impact Council District 9 will be reduced or cut to balance the

budget. This was and remains unacceptable.

Further, there are several revenue opportunities, discussed below, that the City can take in the current and next fiscal years to address the projected FY26 deficit. We will not consider reducing or eliminating services or impacting worker pay and benefits until these opportunities have been explored and, if feasible, implemented.

With this in mind, we respectfully request the following for the remainder of FY25 and for the development of the FY26 budget:

Revenue

Measure C (2020) revenue

Litigation around Measure C is expected to be resolved this calendar year, and the resulting increase in TOT revenue should be used, to the greatest extent possible, to support core City services.

Measure B (2022) implementation

Cost recovery for City-provided waste management services should be implemented immediately following the required Proposition 218 process, with additional trash services to be halted pending the implementation of fees as a cost recovery measure for the City.

All revenue opportunities identified in IBA Report 22-31

In 2022, the IBA analyzed various revenue opportunities in [IBA Report 22-31](#). These opportunities, listed below, should be acted on immediately, especially those that impact non-residents:

- Increasing metered parking rates and parking citations.
- Charging non-residents for parking and services at our beaches, bays, and regional parks.
- Charging and increasing user fees for non-residents, particularly recreational programming and services at our beaches, bays, and reservoirs.

Residents are saddled with the costs of maintaining our world-famous beaches, bays, and parks. This is untenable considering our fiscal outlook. Additionally, transportation and economic inequities make it difficult for many of our constituents to access our waterways and regional parks. It is time for non-residents to pay their fair share toward our City assets, a model which has been implemented to great success in the golf enterprise fund.

Raising cannabis business tax

In 2022, the City Council lowered the cannabis business tax, despite projections that such an action would decrease revenue. That has proven true. The cannabis business tax should be raised to its original level, specifically the growers rather than retailers.

Increase City rental unit tax

Per Municipal Code section §31.0305, the City charges a tax upon anyone who owns, operates, or manages the rental of any residential real estate. This tax rate should be increased to help balance the FY26 budget. Further consider a trash collection fees specific to short-term residential occupancy (STROs).

Transient Occupancy Tax Reallocation

Continue to examine all opportunities to utilize TOT and TMD revenues for maintenance of core city services, including continue to use TOT to reimburse the General Fund for safety and maintenance of visitor-related facilities.

Other revenue opportunities

The Administration should also consider amending the municipal code to allow for more advertising revenue, implement a fee on vacant and/or abandoned commercial properties, including storefronts, and charge admission to major City-run events.

Expenditures

Operational efficiencies

These should be maximized in the current fiscal year to improve the fiscal outlook of FY26.

No “across the board” cuts

As previously discussed, “across the board” cuts are inequitable and are not representative of who is willing to invest in the City. These cuts are particularly devastating in the Parks and Recreation and Library Departments. Closed libraries and a lack of services can impact opportunity and life outcomes for generations.

Impacts on workers

Pay and benefit reductions, furloughs, and layoffs should be considered a last resort and only after every revenue opportunity and every other cost-saving opportunity have been explored or implemented. At the same time, the FY26 budget should eliminate open positions, particularly those that are unrepresented and at the managerial level.

Maintain funding for Charter-mandated departments

The City Attorney’s Office, the Ethics Commission, and the City Auditor should be adequately funded so that they can carry out the responsibilities voters have entrusted them with.

Council District priorities

Finally, the budget priorities that our office submitted in September remain priorities and should be used to develop the FY26 budget.

Conclusion

We must ensure San Diego works for San Diegans. This means taking care of our City employees, preserving services in urban communities, and building infrastructure that enhances neighborhoods. These investments should not come at the expense of serving non-residents, tourists, conventioners, and corporate interests, and the budget should not be balanced on the backs of the constituents who are willing to invest in the City. Acting on these concerns and requests will help ensure the FY26 is both balanced and equitable.

Thank you for your consideration. Please let us know if you have any questions regarding these concerns and requests.

CC: Honorable Mayor Todd Gloria
Eric Dargan, Chief Operating Officer
Matt Vespi, Chief Financial Officer
Matt Yagyagan, Director of Policy, Office of Mayor Gloria