




COUNCIL PRESIDENT JOE LACAVAL
FIRST COUNCIL DISTRICT

M E M O R A N D U M

DATE: January 10, 2025
TO: Charles Modica, City of San Diego Independent Budget Analyst
FROM: Council President Joe LaCava 
SUBJECT: Updated Council District 1 Fiscal Year 2026 Budget Priorities
Protect the Basics and Balance the Budget

The Fiscal Year 2025 (FY2025) Budget was defined by tough conversations and tougher choices. I, along with my Council colleagues, recognized that, without new revenue streams, this would be the new normal. Considering the City's fiscal reality, my final FY2025 budget memo was constrained, with a substantial number of critical priorities on pause, pending new funding.

My September 2024 FY2026 budget memo was submitted prior to the FY2024 Year-End Financial Performance Report, the First Quarter FY2025 Budget Monitoring Report, the Fiscal Year 2026-2030 Five-Year Financial Outlook, and, most importantly, the outcome of Measure E.

Measure E fell short by a handful of votes and no state or federal relief dollars are on the horizon. We must make do with current revenue, a handful of new revenue opportunities, and the necessity to make the city run leaner.

Based on the Five-Year Financial Outlook released in December 2024 and the projected \$258 million deficit for FY2026, delivering the *basics*, at the levels our constituents expect and consistent with best practices, will be difficult to achieve.

As is the case across the city, the needs of District 1 neighborhoods, however, go beyond the *basics* to the reasonable expectations of our constituents. These District 1 specific needs are detailed in my September 2024 memo and, for brevity, are not repeated here. As the City secures grants, low-cost loans, and new revenue streams, District 1 needs deserve serious consideration.

My September memo also highlighted public safety and citywide needs that are within the *basics* but may exceed current expenditures. As new revenue streams are identified and the structural deficit is resolved, these also deserve attention.

Following are my updated proposed actions and priorities:

Start Now

- Some of the expense and revenue proposals listed below can be initiated upon Mayoral executive order or City Council action. Building excess equity now in FY2025 will lessen service cuts in FY2026; whatever is achieved must be placed in a “lockbox” and strictly reserved for FY2026.

Controlling Expenses

- Our city employees are the backbone of our services.
 - Retain current employees and cut vacant positions.
 - If cuts to filled positions are unavoidable, implement workforce best practices to keep employees whole and with options while creating efficiencies.
- The Council has not yet been provided with programmatic and department metrics to make strategic decisions; therefore, at this time I offer the following:
 - Prioritize Public Safety and Public Health, which includes addressing homelessness.
 - Prioritize Climate Action Plan implementation that is integrated into funded department work plans, especially those that have alternate funding mechanisms such as energy savings performance contracts (ESPCs).
 - Prioritize Vision Zero, funded by new parking meter revenue.
 - Prioritize officers on the ground, explore shifting non-sworn SDPD positions to civilian personnel. Consider similar measures for Fire and Lifeguards.
 - Target programs not meeting Key Performance Indicators or *public benefit* while minimizing harm to vulnerable individuals and communities.
 - Target program reductions based on a community’s ability to absorb decreases in city services.
 - Seek relief from state and federal unfunded mandates that do not address public health and safety.
 - Restructure departments where personnel and programs can be rolled into other departments at a net savings and while minimizing loss of personnel.
 - Do not tap reserves, maximize reserve contributions.
 - Roll back the Council’s Fall 2024 recommendation to fully fund Penny for the Arts.
 - Complete a rigorous assessment of outside contracts, RFPs, and city leases and roll back those that can be delayed, reduced in capacity, or cancelled.

New Revenue Opportunities

- **Maximize implementation of Measure B:**
Ensure all Proposition 218 steps are followed and meet the County of San Diego Tax Collector's timeline for the 2025-2026 property tax billing. I urge management to start information briefings now to ensure the final proposal can achieve broad and timely support.
- **Implementation of Measure C:**
Initiate systems and start collection of the Measure C TOT increase now. Retain in a "lockbox" until litigation process is resolved and then proceed to fund pavement repair and homelessness services as called for in the ballot measure.
- **Parking Meter Rates and Parking Districts:**
Immediately increase parking rates and hours as allowed under the Municipal Code and take necessary actions to ensure resulting new revenue flows to the General Fund. Subsequent action should include updating parking meter rates and hours to match those imposed by other comparable jurisdictions.
- **City Fees:**
Update fees to ensure Full Cost Recovery.
- **Cannabis Taxes:**
Increase by 2%.
- **Interfund Loans:**
Explore interfund loans from locked buckets of money, including DIF and FBA.

I look forward to the discussions with the Mayor, my Council colleagues, the Independent Budget Analyst, and our residents on how to fulfill promises made and grapple with our fiscal constraints as we **Protect the Basics** and **Balance the Budget**.

Thank you, Mr. Modica, for your time and attention to my priorities.

CC: Mayor Todd Gloria
Chief Operating Officer Eric Dargan
Chief Financial Officer Matt Vespi