

San Diego City Budget Overview

Presentation to La Jolla Town Council

March 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
- Questions & Answers

The background of the slide is a dark, semi-transparent image of a person in a light-colored shirt sitting at a desk. The desk is covered with various financial documents, including bar charts, line graphs, and data tables. Overlaid on the image are several semi-transparent data visualization elements: a large number '308.52' at the top, a smaller '187.23' below it, a circular gauge showing '55%', and another '308.52' on the right side. The overall aesthetic is professional and data-driven.

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



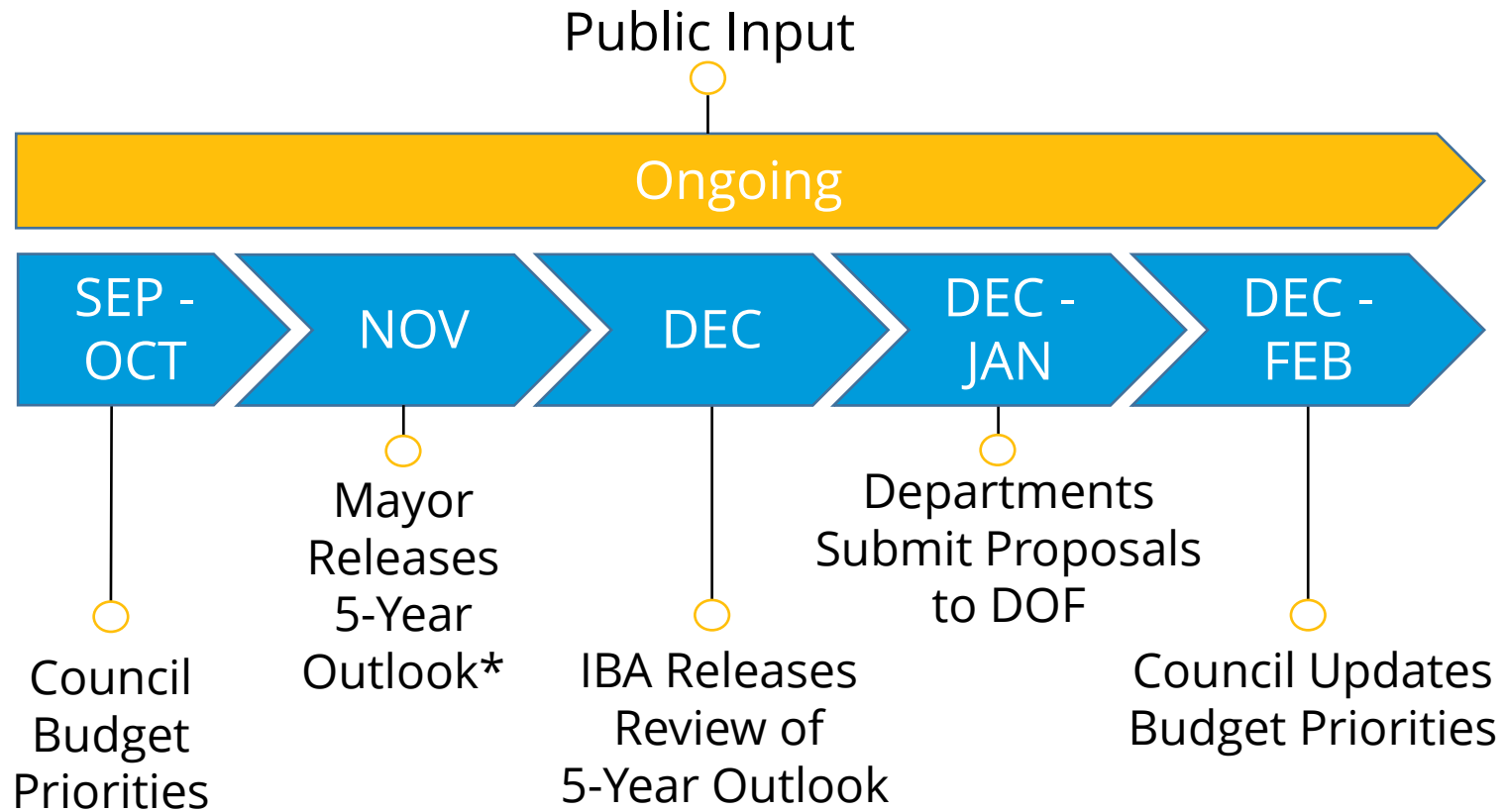
- Provides analysis of budgets & policies to Council and Public
- Provides *information & advice* to Council; Council is ultimate decision-maker



Budget Process & Timeline

How is the Budget created?

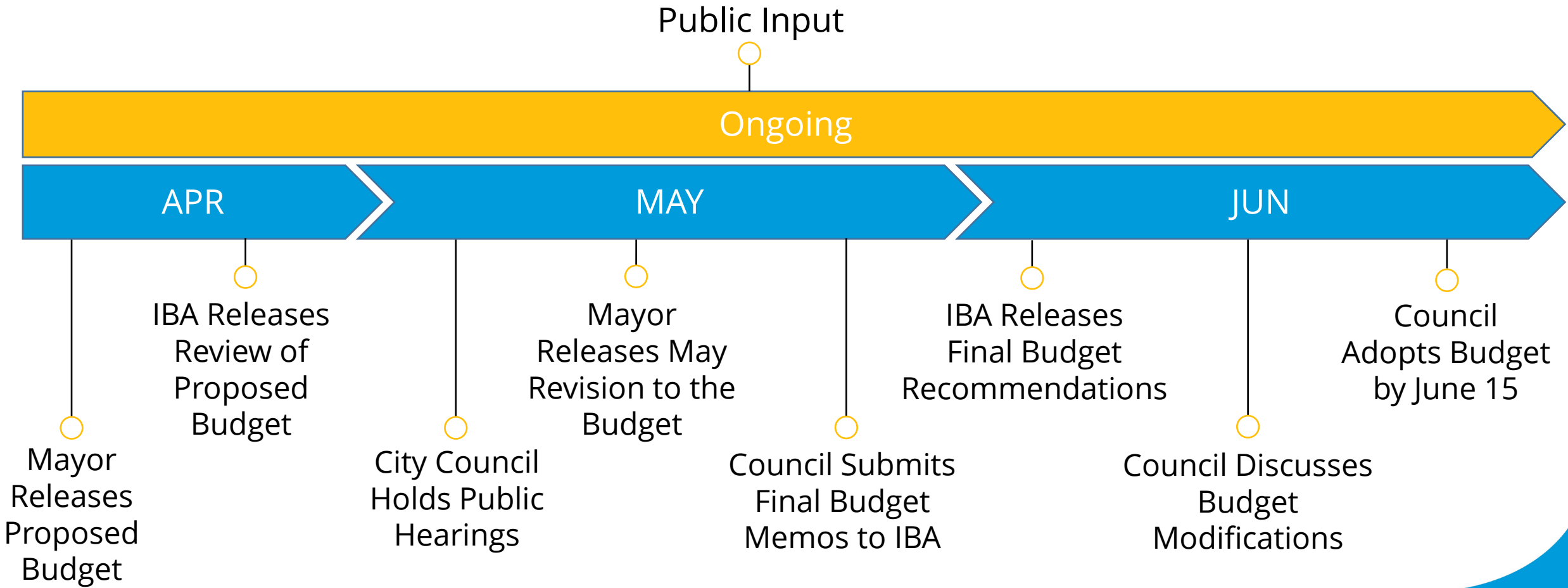
Budget Development Process



*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

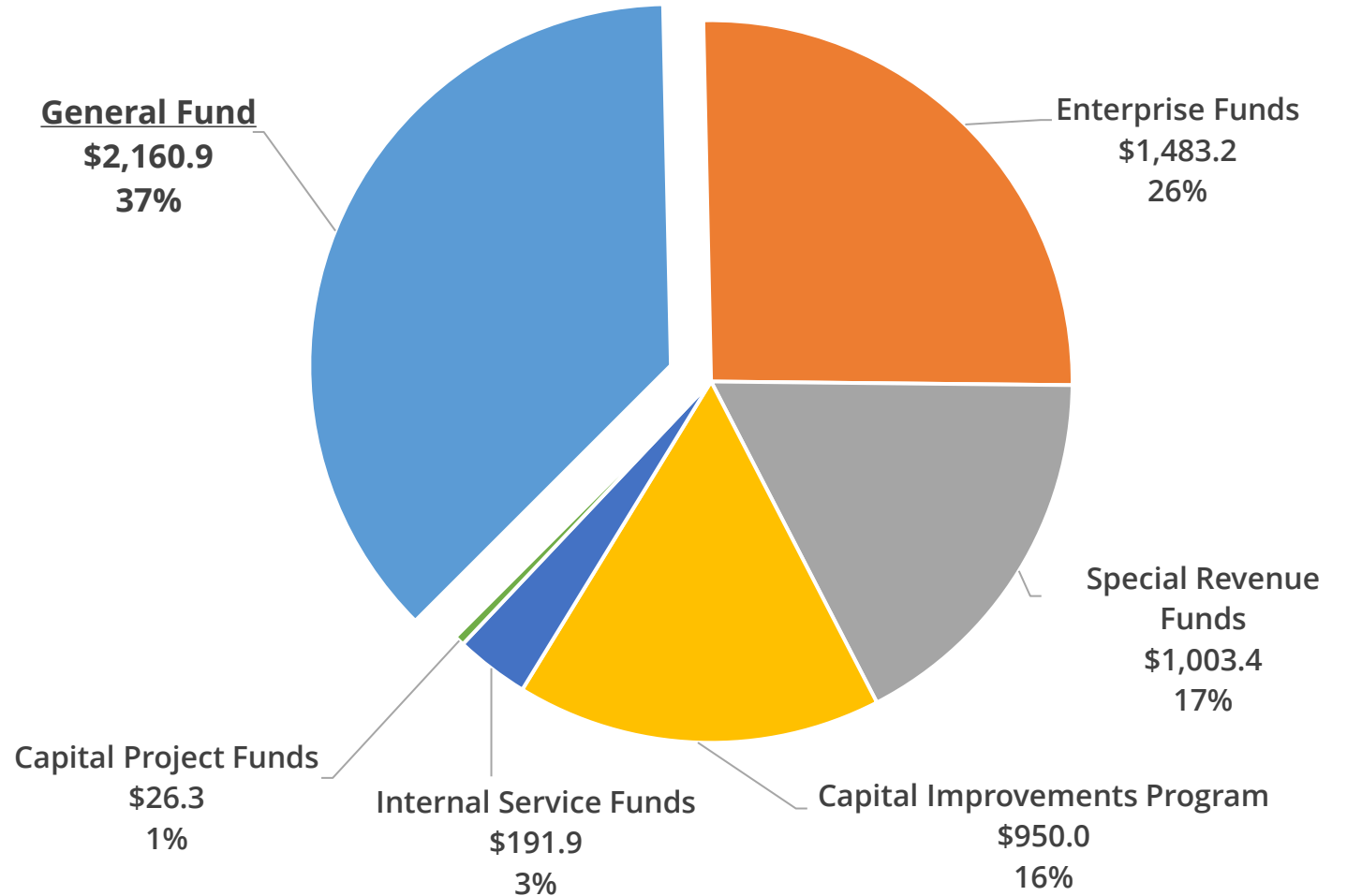
Current Year (FY 2025) Budget Overview

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

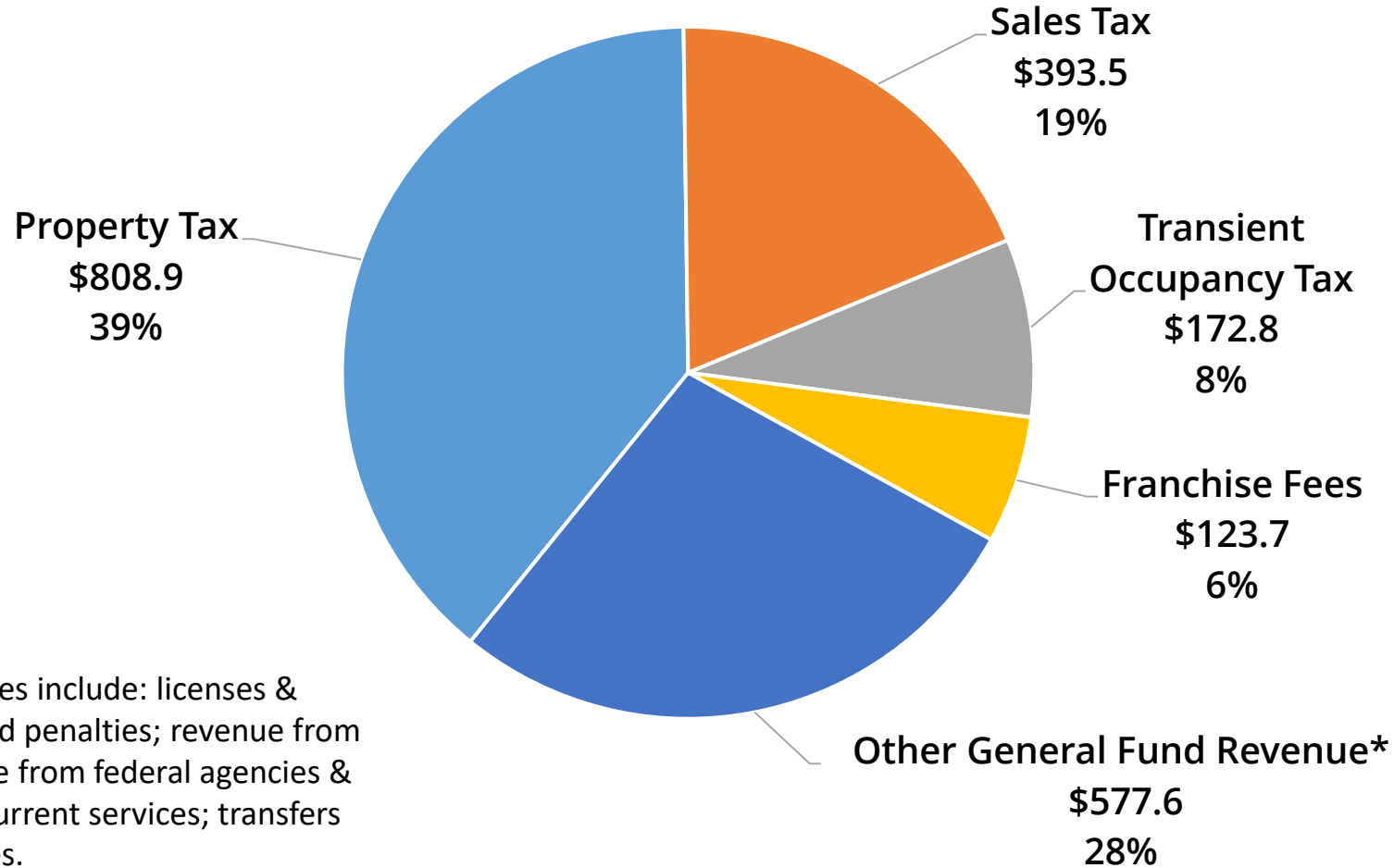
Expenditure cuts will be targeted towards General Fund

FY 2025 City Expenditures by Fund Type/Programs
(Total: \$5.82 billion; \$ in millions)



FY 2025 General Fund Revenue by Source

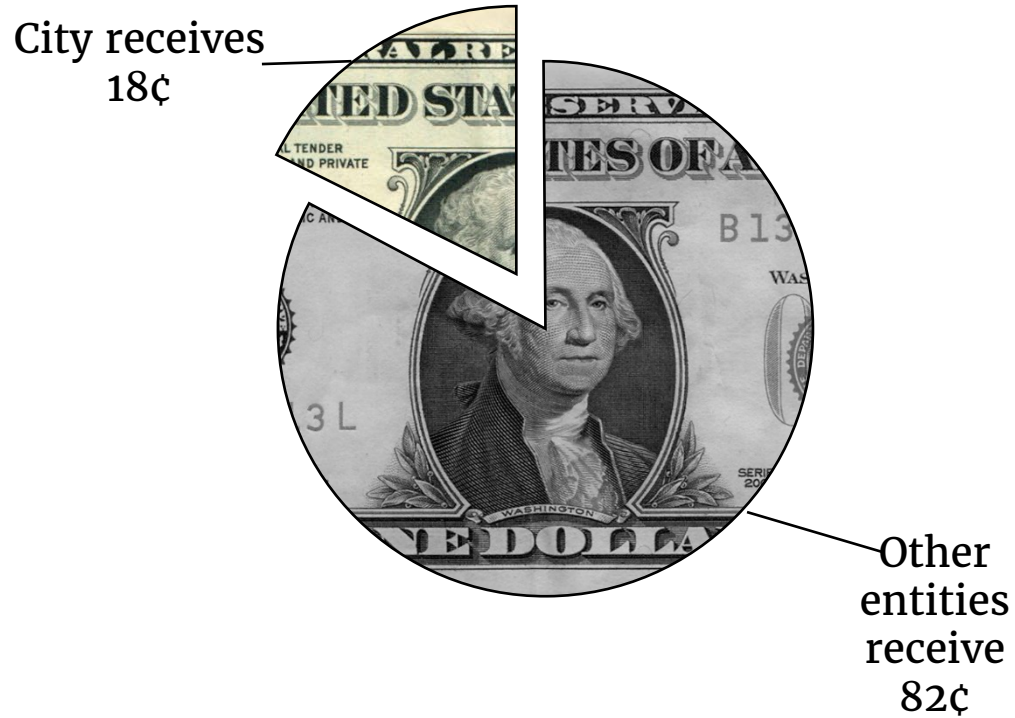
(Total: \$2.08 Billion; \$ in millions)



*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

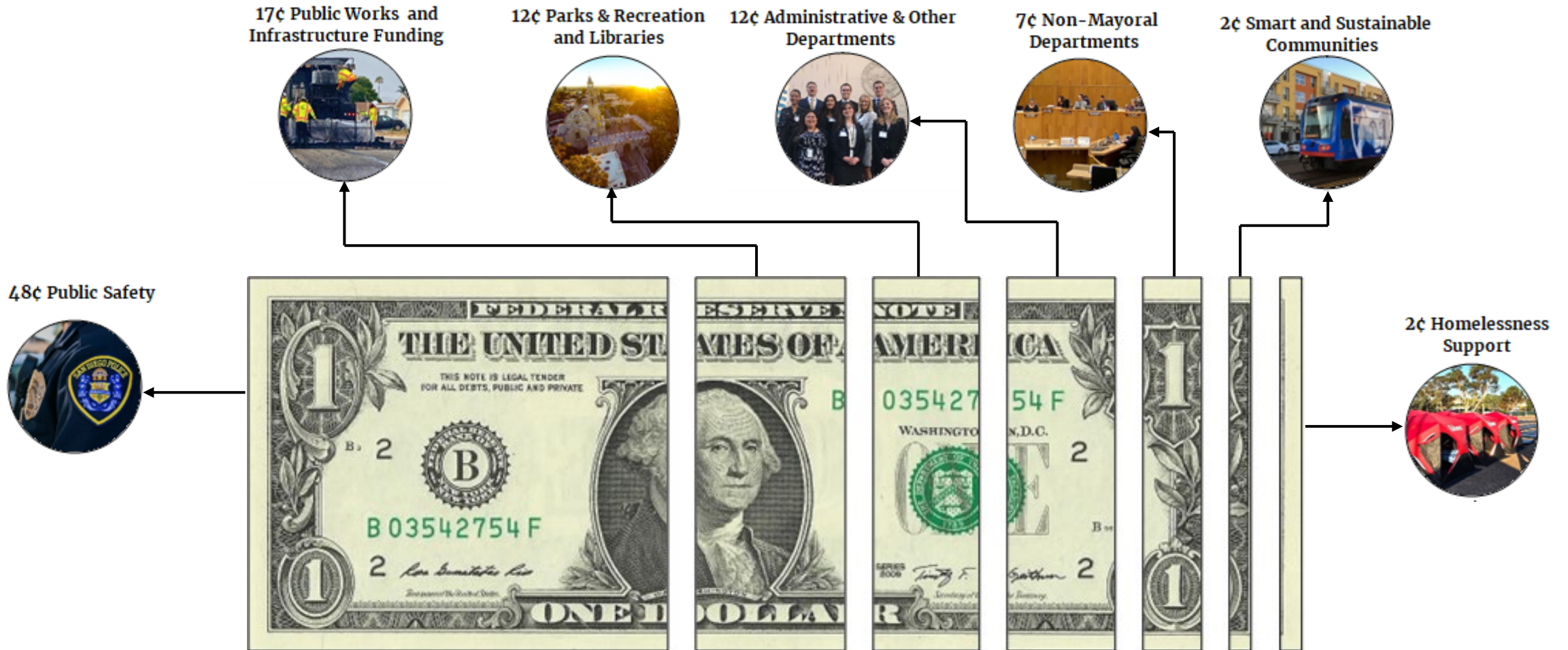
**Property Tax Rate:
1% of Assessed Value**



**Sales Tax Rate:
7.75% on Taxable Sales**

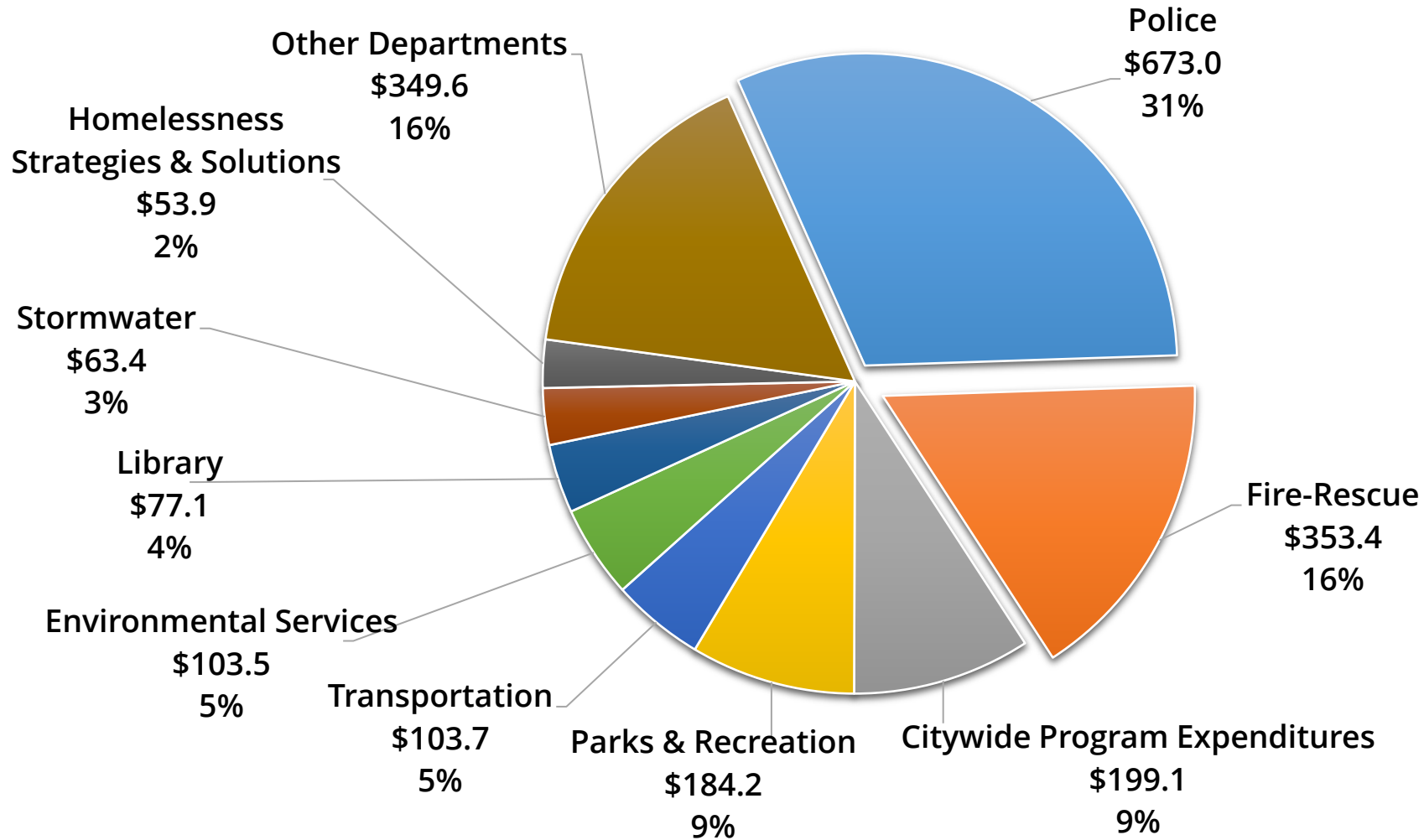


FY 2025 General Fund Expenditures



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



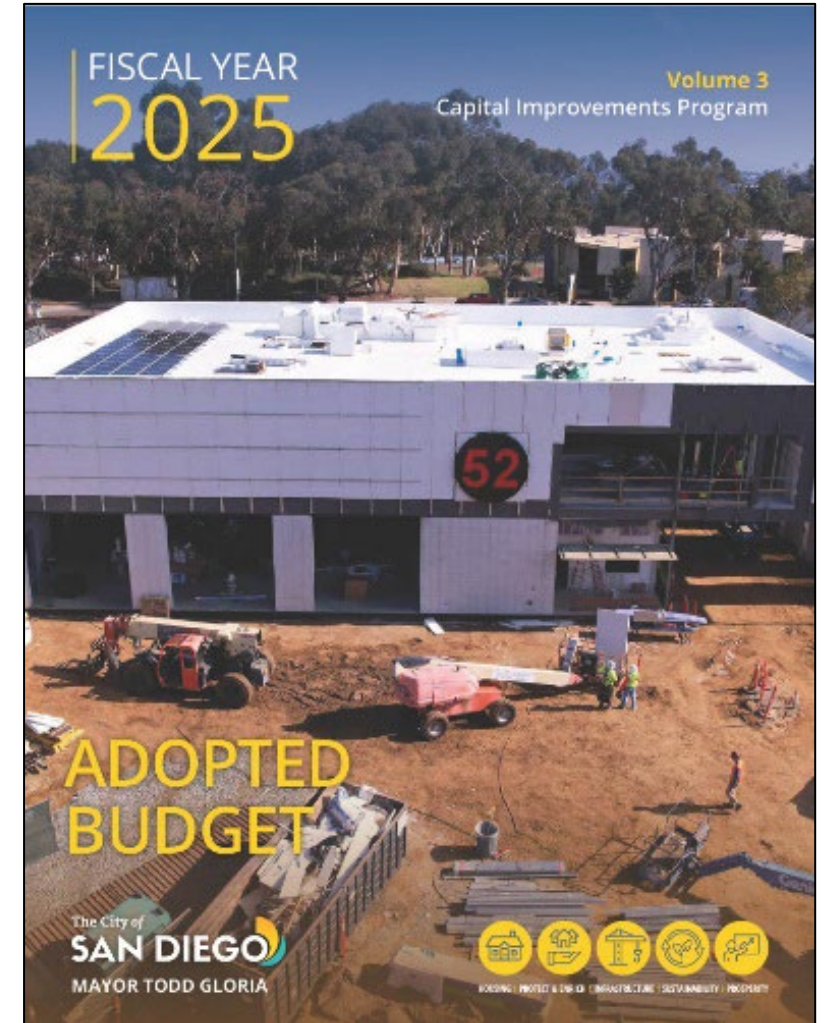
**Water
Utilities**



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

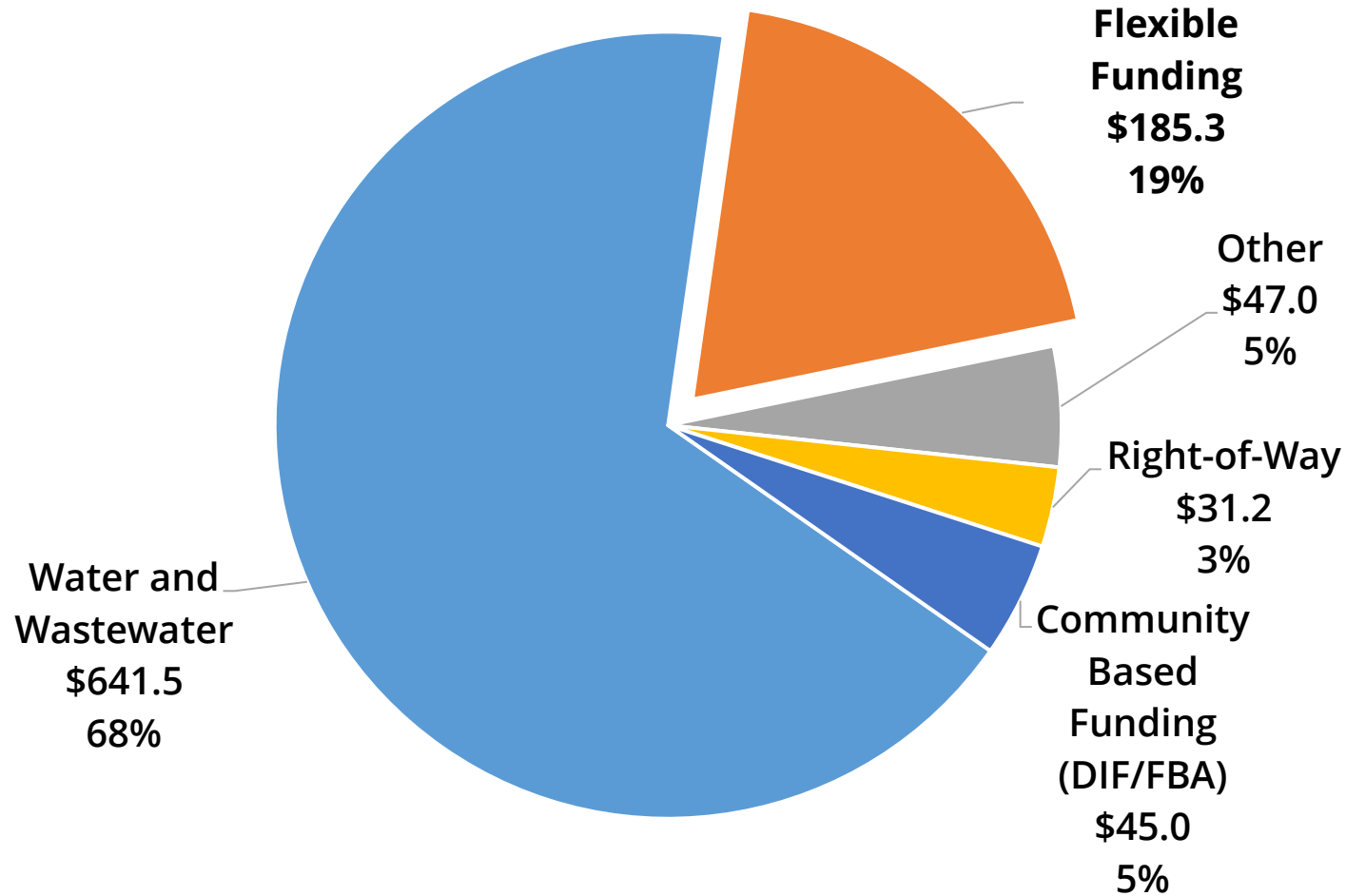
About the CIP Budget

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



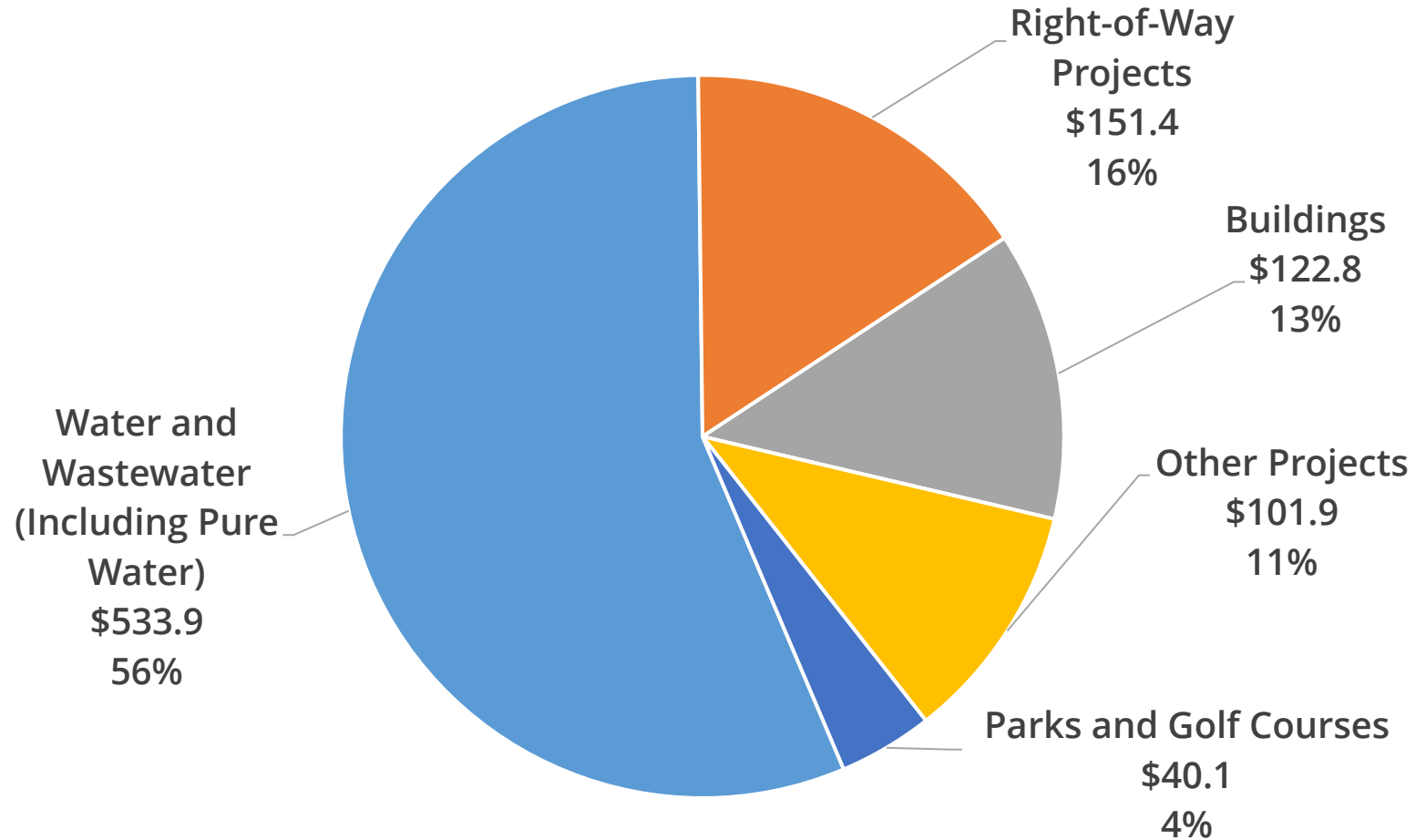
FY 2025 Adopted CIP Budget by Funding Source

(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

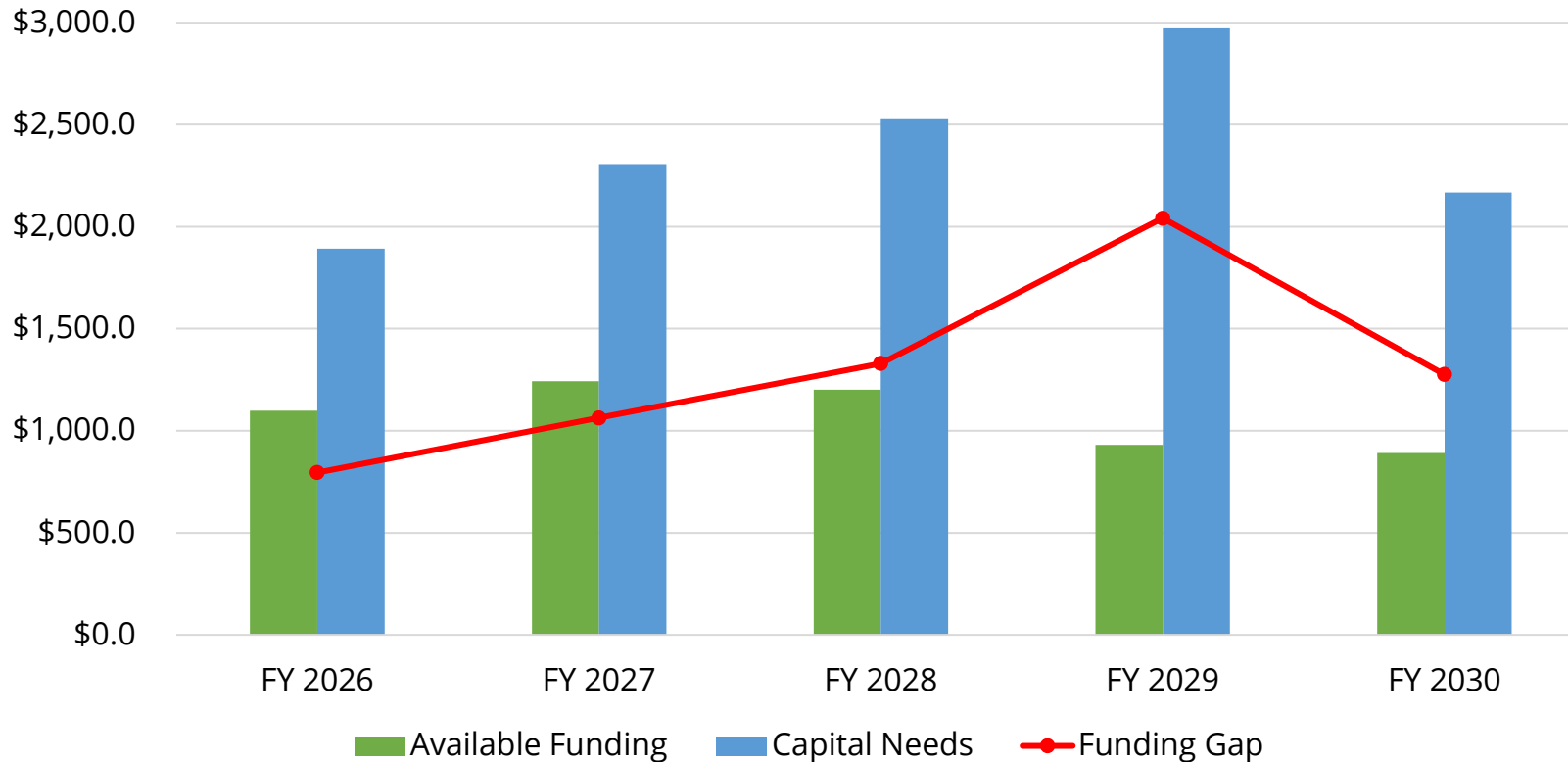
A *Structurally Excluded Community* is defined as one of the following:

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 Page 1 of 15

FY 2026-2029 CIP Outlook

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



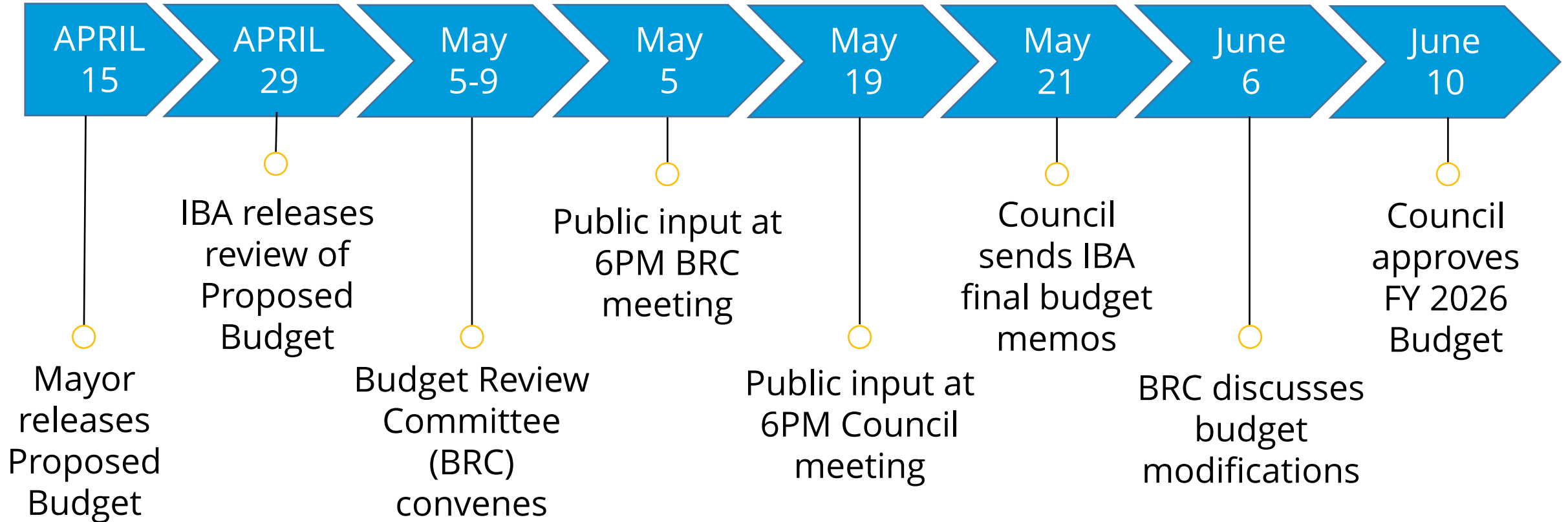
- Infrastructure is a major challenge for the City
- Total Five-Year CIP Funding Gap: **\$6.51 billion**
- Capital needs **far exceed** funding

Top Unfunded Needs in Five-Year CIP Outlook

Funded and Unfunded Asset Needs (\$ in millions)		
Asset	Funded	Unfunded
Stormwater Infrastructure	\$394.4	\$3,737.3
Streetlights	\$2.2	\$486.9
Sidewalks	\$7.5	\$319.0
Streets and Roads Pavement	\$532.1	\$305.4
Fire Stations	\$37.9	\$278.1
Parks	\$197.9	\$244.2
Bridges	\$9.1	\$196.7

Additional Resources

Upcoming Key Dates & Meetings



Key Budget Dates: <https://rb.gy/xawbxw>

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](#)

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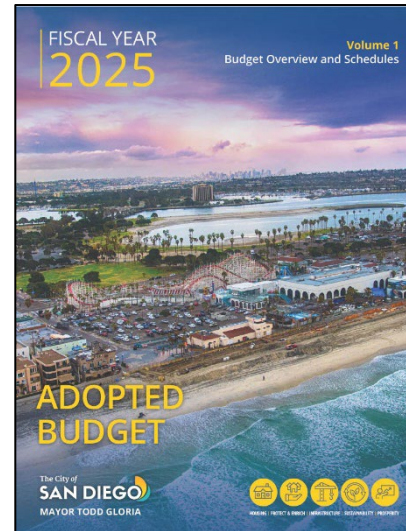
Office of the Independent Budget Analyst
@SanDiegoIBA

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	▼
CED (Mello Roos) Reports	▼

A photograph of an audience in a meeting room, seen from behind, with several people raising their hands. The image is dimly lit and serves as a background for the text.

Questions