

FISCAL YEAR
2025

Volume 1
Citywide Budget Overview

PROPOSED BUDGET

The City of
SAN DIEGO
MAYOR TODD GLORIA



HOUSING | PROTECT & ENRICH | INFRASTRUCTURE | SUSTAINABILITY | PROSPERITY



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Citywide Budget Overview

Citywide Budget Overview

The City of San Diego's Fiscal Year 2025 Proposed Budget of \$5.65 billion is comprised of five operating fund types and the Capital Improvements Program (CIP):

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds

Table 1 - shows the change in expenditures from Fiscal Year 2023 to Fiscal Year 2025 by fund type/program.

Table 1 - Change in Total City Expenditures from Fiscal Years 2023 - 2025 by Fund Type/Program

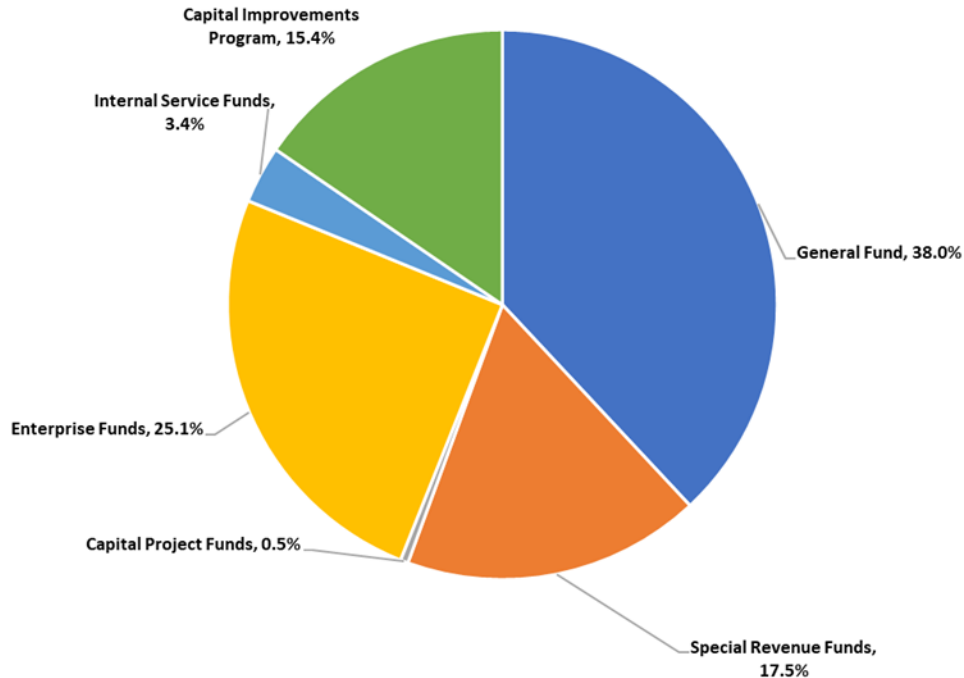
Fund Type	FY 2023 Actual	FY 2024 Adopted Budget	FY 2025 Proposed Budget	FY 2024 - FY 2025 Change	Percent Change
General Fund	\$ 1,959,931,710	\$ 2,081,833,190	\$ 2,147,619,061	\$ 65,785,871	3.2%
Special Revenue Funds	672,624,541	848,854,715	990,594,028	141,739,313	16.7%
Capital Project Funds	29,922,043	23,655,473	25,927,758	2,272,285	9.6%
Enterprise Funds	1,231,375,396	1,336,082,705	1,418,621,658	82,538,953	6.2%
Internal Service Funds	150,749,943	177,963,364	190,896,699	12,933,335	7.3%
Capital Improvements Program	750,886,402	704,115,321	871,893,655	167,778,334	23.8%
Total	\$ 4,795,490,036	\$ 5,172,504,768	\$ 5,645,552,859	\$ 473,048,091	9.1%



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Figure 1 - displays the Fiscal Year 2025 Proposed Expenditure Budget by Fund Type/Program.

Figure 1 - Fiscal Year 2025 Proposed Expenditure Budget by Fund Type/Program



Note: Percentages may not add to 100% due to rounding.

Table 2 - presents the changes in revenue from Fiscal Year 2023 to Fiscal Year 2025 by fund type.

Table 2 - Changes in Total City Revenue from Fiscal Years 2023 - 2025 by Fund Type

Fund Type	FY 2023 Actual	FY 2024 Adopted Budget	FY 2025 Proposed Budget	FY 2024 – FY 2025 Change	Percent Change
General Fund	\$ 2,011,950,692	\$ 2,017,767,692	\$ 2,078,951,000	\$ 61,183,308	3.0%
Special Revenue Funds	806,662,040	836,792,659	946,343,764	109,551,105	13.1%
Capital Project Funds	67,036,501	66,932,244	68,030,211	1,097,967	1.6%
Enterprise Funds	1,582,173,838	1,927,602,456	1,868,354,878	(59,247,578)	(3.1%)
Internal Service Funds	175,445,174	172,501,490	181,657,812	9,156,322	5.3%
Total¹	\$ 4,643,268,246	\$ 5,021,596,541	\$ 5,143,337,665	\$ 121,741,124	2.4%

¹ Operating revenue may be less than operating expenditures due to the use of fund balance in excess of reserves.

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Expenditure Overview by Fund Type/Program

General Fund

Departments supported by the General Fund provide core community services such as public safety (including police/fire protection and life safety), parks and recreation, library services, and refuse collection, as well as vital support functions such as financial, legal, and human resources. Core services are primarily supported by major revenue sources including property tax, sales tax, transient occupancy tax, and franchise fees. The City's Fiscal Year 2025 Proposed Budget reflects General Fund expenditures totaling \$2.15 billion, which is an increase of \$65.8 million, or 3.2 percent, from the Fiscal Year 2024 Adopted Budget. Details on the total net increase in the General Fund are described in the General Fund Expenditures section of this Volume.

Special Revenue Funds

Special Revenue Funds account for revenues received for specific purposes. The five largest special revenue funds are the Engineering & Capital Projects Fund, Transient Occupancy Tax Fund, Fire/Emergency Medical Services Transport Program Fund, Information Technology Fund, and Underground Surcharge Fund. The Fiscal Year 2025 Proposed Budget for Special Revenue Funds is \$990.6 million, representing an increase of \$141.7 million, or 16.7 percent, from the Fiscal Year 2024 Adopted Budget. This net increase is primarily due to a \$101.6 million increase in the Fire/Emergency Medical Services (EMS) Transport Program Fund associated with the transition to the EMS Alliance Model for ambulance transportation services. Additional increases in expenditures are associated with the Engineering and Capital Projects Fund, Infrastructure Fund, and Environmental Growth Funds. These increases are offset by decreases in the Transient Occupancy Tax Fund, Low- and Moderate-Income Housing Asset Fund, and Facilities Financing Program Fund.

Capital Project Funds

Capital Project Funds are primarily used for the acquisition or construction of major capital facilities. These funds typically make up a small portion of the overall Capital Improvements Program (CIP), which can be supported by all fund types. The Fiscal Year 2025 Proposed Budget for Capital Project Funds is \$25.9 million, which is an increase of \$2.3 million, or 9.6 percent, from the Fiscal Year 2024 Adopted Budget. This increase is primarily due to an increase in reimbursement for eligible transportation-related operations due to higher than anticipated revenue in the TransNet Extension Funds, which are reimbursed by revenues from the San Diego Association of Governments (SANDAG).

Enterprise Funds

Enterprise Funds account for specific services funded directly by user fees. These funds include Water, Sewer, Development Services, Refuse Disposal, Recycling, Solid Waste Management, Golf Course, and Airports. Typically, these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2025 Proposed Budget for Enterprise Funds is \$1.42 billion, representing an increase of \$82.5 million, or 6.2 percent, from the Fiscal Year 2024 Adopted Budget. This net increase is primarily due to the following adjustments:

- \$34.3 million in the Water Utility Operating Fund primarily associated with citywide compensation increases and pension actuarial-determined contribution increases, water treatment chemicals, Pure Water implementation and operations, dam and reservoir maintenance and repair, Otay Water Treatment Plant maintenance, and debt payments.
- \$21.1 million in the Municipal Sewer and Metropolitan Sewer Utility Funds, primarily associated with citywide compensation increases and actuarial determined-contribution increases, wastewater treatment chemicals, debt payments, and equipment upgrades for three wastewater treatment and disposal facilities.
- \$12.9 million in the Development Services Fund primarily associated with citywide compensation

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- increases and pension actuarial-determined contribution increases.
- \$6.1 million in the newly created Solid Waste Management Fund, which is associated with restructuring expenditures associated with the amendment of the People's Ordinance out of the General Fund and into this new Enterprise Fund. The approved amendment of the People's Ordinance allows the City to recover costs for City force solid waste collection services. Implementing a cost-recoverable fee will eventually eliminate the burden on the General Fund to provide a cost-free service to a portion of the population. Implementation of a new fee structure is a multi-year process that is contingent on Proposition 218 compliance and City Council adoption.

Internal Service Funds

Internal Service Funds support the City's internal operations on a cost-reimbursable basis. The Fiscal Year 2025 Proposed Budget for Internal Service Funds totals \$190.9 million, which is an increase of \$12.9 million, or 7.3 percent, from the Fiscal Year 2024 Adopted Budget. This net increase is primarily due to increases in the Fleet Replacement Funds associated with the acquisition of vehicles, and inventory purchases in the Central Stores Fund.

Capital Improvements Program

The CIP Budget allocates available revenue to rehabilitate, restore, improve, enhance, and increase the City's capital assets. This fiscal year's budget is comprised of various funding sources, such as sewer and water rate fees, a one half-cent local sales tax for transportation improvements (TransNet Extension), and developer fees. The Fiscal Year 2025 Proposed CIP Budget appropriates a total of \$871.9 million above the \$3.00 billion in carry forward appropriations previously approved by the City Council. The Fiscal Year 2025 Proposed CIP Budget reflects an increase of \$167.8 million, or 23.8 percent, when compared to the Fiscal Year 2024 Adopted CIP Budget of \$704.1 million. This is primarily due to an increase in Water and Wastewater-related enterprise fund appropriations.



The CIP budget project pages include anticipated funding information for CIP projects. For Fiscal Year 2025, a total of \$423.8 million in funding for CIP projects is anticipated but has not been appropriated in the Fiscal Year 2025 Proposed Budget. Anticipated funding includes a variety of funding types, such as commercial paper, lease revenue bonds, revenue bonds and notes, General Fund contributions, donations, grants, and developer funding. Not all anticipated funding materializes; however, as anticipated sources of funds are received, separate City Council actions will be brought forward to appropriate the funding in Fiscal Year 2025.

Citywide Reorganization/Restructuring

The Fiscal Year 2025 Proposed Budget reflects city department reorganization/restructuring, renaming, or creation determined by mayoral or executive management priorities and department-initiated requests. The reorganizations refine programs and processes and provide comprehensive organizational improvements. Reorganizations are a means to restructure a department's major divisions and programs but can also include modifications that are less substantial. The following provides an overview of the reorganizations implemented in the Fiscal Year 2025 budget process. Per Charter Section 26, all newly created departments included in the Proposed Budget must be approved by ordinance by a two-thirds vote of the City Council.

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Public Facilities Planning Program

The Public Facilities Planning Program and the Facilities Financing Fund will be moved within the General Fund of the City Planning Department. This restructure moves 19.00 FTE positions, non-personnel expenditures, and revenue from the Facilities Financing Fund to the General Fund under the City Planning Department. The merge with the General Fund will optimize resource management and deployment for department operations. The City Planning Department oversees the City's General Plan that contains the policies guiding the facilities financing program to ensure that new developments impacting city facilities are mitigated through Development Impact Fees (DIF) paid on new developments within a community. Each community has their own Public Facilities Financing Plan that includes community needs such as public safety facilities, parks, and libraries.

Department of Real Estate and Airport Management

The Department of Real Estate and Airport Management (DREAM) oversees the City's real estate portfolio, two municipal airports, Airport Enterprise Fund, Concourse & Parking Garages Fund, and Petco Park Fund. This department will be restructured to report to the Economic Development Department. Operationally, this reorganization has already been implemented; however, the accounting and budgetary restructure is not anticipated to occur until the Fiscal Year 2026 budget process. The Economic Development Department is anticipated to bring forward an action to the City Council to merge both departments in accordance with Charter Section 26.

Engineering & Capital Projects (E&CP) Department

The Strategic Capital Projects Department (SCP) will be merged into the Engineering and Capital Projects Department (E&CP). This restructure is projected to be completed in Fiscal Year 2025. As a result of the Departmental merger, E&CP will take on the added responsibility for the delivery of the City's largest and most complex capital projects, such as Pure Water phases I and II as well as dams and reservoir projects. The Engineering & Capital Projects Department is anticipated to bring forward an action to the City Council to merge both departments in accordance with Charter Section 26.

Solid Waste Disposal Fund and the People's Ordinance

The Solid Waste Disposal Fund was created as a result of the passage of Measure B (amendment of the People's Ordinance) that allows the City to collect a fee to recover the cost of waste collection services. All start-up costs and future costs associated with the implementation of Measure B and providing waste collection services will be incurred in this fund to ensure proper fee development. This restructure includes the transfer of 16.00 FTE positions and associated non-personnel expenditures from the General Fund into the Solid Waste Disposal Fund. Fiscal Year 2024 expenditures are also anticipated to be moved into this fund.

Resource Access Program

The Fire-Rescue Department will acquire 1.00 Program Manager position transferred from the Office of the City Attorney to oversee the Lifesaving Interventions for Treatment (LIFT) Program that works with the City's first responders and county agencies to identify appropriate treatment pathways for individuals with substance use, mental health, and housing challenges. The services that this program provides are closely related to the Resource Access Program (RAP) in the Fire-Rescue Department.

Parks and Recreation Department Restructure

The Parks and Recreation Department will inactivate the Developed Regional Parks Division and, in its place, create three new divisions: Balboa Park Division, Mission Bay Park and Shoreline Beaches Division, and Park Rangers Division. The positions and non-personnel expenditures previously budgeted in the Developed Regional Parks Division will be distributed amongst the three new divisions. The restructure into these three new divisions, as well as the Fiscal Year 2024 creation of the Citywide Maintenance Services Division, will help the Parks and Recreation Department continue to align with the mission, vision, goals,

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and objectives outlined in the department's Tactical Equity Plan, and continue to address needs identified in the Parks Master Plan.

The Balboa Park Division will support Balboa Park, Presidio Park, and Mission Hills Park by providing maintenance services, site inspections, site permits, special event coordination, project oversight, and liaison work with Balboa Park philanthropic organizations including museums and cultural institutions. In addition, staff will work with the Balboa Park Committee as advisory to the Parks and Recreation Board on policy issues. This restructure includes the transfer of 100.50 FTE positions, total expenditures of \$10.5 million, and \$12.0 million in revenue from the former Developed Regional Parks Division.

The Mission Bay Park and Shoreline Parks Division will be responsible for maintenance and operations of multiple regional parks, including 13 miles of beaches from Ocean Beach to Jolla Shores, and shoreline parks adjacent to the beach. The creation of this division includes the transfer of 97.00 FTE positions, total expenditures of \$11.1 million, and \$17.5 million in revenue from the former Developed Regional Parks Division. Staff in this division will work with various community planning groups, as well as coastal-focused nonprofit organizations.

The Park Ranger Division will be responsible for centralized park ranger services at all park locations, will lead sidewalk vending ordinance education and enforcement efforts, and will propose San Diego Municipal Code updates related to expressive (first amendment) activities such as buskers and religious practitioners. The creation of this division includes the transfer of 43.00 FTE positions, total expenditures of \$5.7 million, and \$4.8 million in revenue from the former Developed Regional Parks Division. The Park Ranger Division will also acquire 2.00 Park Rangers, non-personnel expenditures, and associated revenue from the Los Peñasquitos Canyon Preserve Fund.

Sidewalk Vending Ordinance Program

The Police Department will acquire 5.00 FTE positions and non-personnel expenditures from the Development Services Department to enforce the State-mandated Sidewalk Vending Ordinance that established regulated, legal sidewalk vending throughout the City. The Police Department will have the ability to provide more robust enforcement if placed in an unsafe situation while regulating the program.

Department of Race and Equity

The Office of Race and Equity will officially change its name to the Department of Race and Equity to align with the language in governing documents that created the department in Fiscal Year 2021. This name change will alleviate inconsistencies around the department's overall duties. Additionally, the Development Services Department transferred 3.00 FTE positions associated with the Cannabis Social Equity Program to the Department of Race and Equity to support the implementation of the City's Cannabis Equity Assessment and a Cannabis Equity and Economic Development (SEED) program. However, this program is proposed to be discontinued in Fiscal Year 2025.

Fiscal Year 2025 General Fund Proposed Budget

The Fiscal Year 2025 General Fund Proposed Budget reflects a multi-year analysis that addresses the Fiscal Year 2025 baseline shortfall that was projected in the Fiscal Year 2025-2029 Five-Year Financial Outlook (Outlook) and makes certain revisions to projections based on updated revenues for Fiscal Year 2024 and 2025, as well as funding decisions made in Fiscal Year 2025. The multi-year analysis also includes a comprehensive review of critical expenditure requests submitted by each department in Fiscal Year 2025 and other resources and mitigation actions to help address the projected revenue shortfalls in Fiscal Year 2025 and in future fiscal years. There is an ongoing need to reach a structurally balanced budget where ongoing expenditures are supported with ongoing revenues. To achieve a balanced budget in future fiscal years the City will need to explore additional mitigation actions, which could include the reduction or suspension of reserve contributions, suspension, or strategic use of contributions to the Infrastructure Fund, additional budget reductions, and the pursuit of additional one-time and ongoing revenue sources.

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The following sections provide additional details considered in the Fiscal Year 2025 General Fund Proposed Budget.

Fiscal Year 2025-2029 Five -Year Financial Outlook

In November 2023, the Fiscal Year 2025-2029 Five-Year Financial Outlook (Five-Year Outlook) was released. The report included a projected baseline shortfall—in which baseline expenditures exceed baseline revenues—in all the fiscal years. As displayed in **Table 3 - Fiscal Year 2025-2029 Five-Year Financial Outlook**, baseline expenditure growth is expected to exceed baseline revenue growth in all years of the Outlook. To help mitigate some of the projected deficits, the Five-Year Outlook included the use of one-time resources in Fiscal Year 2025; however, going forward other types of mitigation actions will need to be explored.

Table 3 - Fiscal Year 2025-2029 Five-Year Financial Outlook

	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029
Baseline Revenues	\$ 2,019.4	\$ 2,083.0	\$ 2,153.9	\$ 2,226.0	\$ 2,313.4
Baseline Expenditures	2,156.2	2,239.5	2,303.8	2,386.3	2,454.7
Baseline (Shortfall) /Surplus	\$ (136.8)	\$ (156.5)	\$ (149.9)	\$ (160.3)	\$ (141.3)
Use of Excess Equity	56.5	-	-	-	-
New Facilities/ Planned Commitments	(35.1)	(77.0)	(93.7)	(98.0)	(85.9)
(Shortfall) /Surplus	\$ (115.4)	\$ (233.4)	\$ (243.5)	\$ (258.3)	\$ (227.3)

Since the release of the Five-Year Outlook, projected revenues for the Fiscal Year 2025 Proposed Budget have been updated, and additional critical expenditures have been added via the Fiscal Year 2025 budget process. These limited additions to the budget are intended to sustain the progress the City has made during the last three years in prioritizing homelessness, infrastructure, housing affordability and public safety. Achieving a balanced budget for Fiscal Year 2025 requires additional resources above what was projected in the Five-Year Outlook and included a combination of cost-savings measures in the current year. Additionally, the Fiscal Year 2025 Proposed Budget includes the judicious use of other one-time resources, along with reductions in departments, while striving to minimize service level impacts to residents as much as possible.

Table 4 - Updated Fiscal Year 2025-2029 Five-Year Financial Outlook displays the updated projected net position of the General Fund over the next five fiscal years. The updated Fiscal Year 2025 baseline has seen a decrease in expenditures primarily due to the waiving of the reserve contribution and a one-time decrease in expenditures associated with shifting eligible expenditures into the Infrastructure Fund. These decreases offset the general wage, pension payment, and homelessness services increases that were not assumed in Five-Year Outlook.

Moreover, the bottom-line shortfall has decreased in Fiscal Year 2026 and beyond primarily due to increased revenues, budget reductions, and assumed waiving of reserve contributions.

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Table 4 - Updated Fiscal Year 2025-2029 Five-Year Financial Outlook

	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029
Revenues	2,079.0	\$ 2,091.0	\$ 2,175.7	\$ 2,264.0	\$ 2,379.4
Expenditures	2,147.6	2,280.6	2,346.3	2,431.3	2,501.3
Net Position (Shortfall) / Surplus	(68.7)	(189.6)	(170.6)	(167.3)	(121.9)
Use of Excess Equity	68.9	-	-	-	-
New Facilities/Planned Commitments	-	(20.4)	(33.8)	(35.4)	(21.9)
(Shortfall) /Surplus	0.0	\$ (200.0)	\$ (204.4)	\$ (202.7)	(143.8)

Note: Fiscal Year 2025 Revenues and Expenditures include one-time additions that do not carry forward to Fiscal Year 2026 and beyond.

The Fiscal Year 2025 Proposed Budget reflects additional revenue of \$59.6 million primarily associated with continued growth in property tax and franchise fees. There are also additional increases in future fiscal years when compared to the prior Five-Year Outlook. The increase in Property Tax revenues is due to elevated median home prices, stable unemployment rates, and continued demand for limited housing stock. Lastly, forecasted franchise fee revenues have increased from the Five-Year Outlook as a result of the assumption that the contribution of franchise fee revenue to the Climate Equity Fund and the Energy Independence Fund will be suspended, and the revenue would instead be received in the General Fund.

As reflected in **Table 4 - Updated Fiscal Year 2025-2029 Five-Year Financial Outlook**, expenditures are projected to be \$5.9 million less in Fiscal Year 2025 than originally projected in the Five-Year Outlook. The primary changes to Fiscal Year 2025 expenditures and beyond include decreases in the General Fund reserve contributions, the use of the Infrastructure Fund to support existing eligible General Fund expenditures, and energy and utilities, which are partially offset with negotiated compensation increases and increases in the City's pension payment. Additional details are included in the General Fund Revenues and General Fund Expenditures sections of this Volume. Additionally, the new facilities/planned commitments include those identified in the Five-Year Outlook.

As a result of all these changes, the General Fund is projected to have significant deficits through Fiscal Year 2029. These updated Outlook projections demonstrate the importance of developing multi-year strategies to correct the projected structural budget deficits, where ongoing expenditures exceed ongoing revenues, and demonstrate the City's need for additional ongoing available resources to support the critical needs of the City. In Fiscal Year 2026, a projected \$200.0 million in other dedicated funding sources would be needed to minimize service level impacts and avoid budget reductions.

A full update to the Five-Year Outlook for Fiscal Years 2026-2030 will be released in November 2024.

General Fund and Risk Management Reserves

The City's Reserve Policy was adopted by the City Council in 2002 to establish essential reserves, strengthen the City's financial position, and address unexpected emergencies or unanticipated liabilities. Maintaining strong reserves positions the City to weather significant economic downturns more effectively, manage the consequences of outside agency actions that may result in revenue reductions, and address unexpected emergencies, such as natural disasters, catastrophic events caused by human activity, or excessive liabilities or legal judgments against the City.

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General Fund Reserves

In December 2022, the City Council approved updates to the Reserve Policy to modify the annual funding targets for the General Fund’s Emergency Reserve and Stability Reserve. The updated policy kept the goal of achieving a combined reserve balance equal to 16.7 percent of the most recent three-year average of annual audited General Fund operating revenues, which is a best practice per the Government Finance Officers Association (GFOA); however, the timeline to achieve that goal was extended from Fiscal Year 2025 to Fiscal Year 2030.

In line with those updates, the Fiscal Year 2024 Adopted Budget included a planned contribution of \$8.1 million to the General Fund Reserves to meet the Reserve Policy target of 13.58 percent. After the development of the budget, the City’s Fiscal Year 2023 Annual Comprehensive Financial Report (ACFR) was completed, and based on the audited actual revenues contained within, the reserve contribution for Fiscal Year 2024 was increased to \$8.4 million to meet target levels. Although the Fiscal Year 2024 Mid-Year Budget Monitoring Report (Mid-Year Report) assumed the contribution of \$8.4 million to the reserves, it is now proposed that the reserve contribution will be delayed preserving additional excess equity to help balance the Fiscal Year 2025 budget.

Similarly, the Fiscal Year 2025 Proposed Budget includes a recommendation to delay the planned reserve contribution, which was estimated to be approximately \$21.4 million based on the Mid-Year Report and the assumed Fiscal Year 2024 contribution occurring. This action would allow the City to maintain its current reserve levels, while also limiting additional reductions to operations, which would negatively impact service levels for City residents.

Table 5 – General Fund Reserves shows the impact on the reserve’s level and percentage due to the planned delay of the Fiscal Year 2024 and 2025 General Fund Reserve contributions.

Table 5 – General Fund Reserves (in millions)

Target Date	Emergency Reserve	Stability Reserve	Total General Fund Reserve	Reserve Percentage	Reserve Policy Target	Reserve Policy Percentage
June 30, 2023	\$106.1	\$99.5	\$207.1	14.30%	\$207.1	14.30%
June 30, 2024	\$106.1	\$99.5	\$207.1	13.05%	\$215.4	13.58%
June 30, 2025	\$106.1	\$99.5	\$207.1	11.87%	\$236.9	13.58%

Risk Management Reserves

The City’s Reserve Policy includes additional reserves that are maintained by the Risk Management department and provide support to address certain claims made against the City. The Public Liability reserve is funded by the General Fund and supports claims arising from real or alleged acts on the part of the City, including claims of bodily injury, property damage, inverse condemnation, false arrest, and errors and omissions. The Workers’ Compensation and Long-Term Disability reserves are funded by citywide contributions and support medical and disability costs for industrial injury claims, and non-industrially disabled City employees with income and flexible benefits coverage, respectively.

Each of the Risk Management reserves has differing reserve target balances, which they are all expected to meet in Fiscal Year 2024. The target levels for each reserve utilize a smoothing methodology that incorporates the outstanding claims from the respective annual actuarial liability valuations for the three most recent fiscal years. The target percentages for the Public Liability, Workers’ Compensation, and Long-Term Disability reserves are 50%, 12%, and 100%, respectively.

Due to the General Fund being a primary contributor to each of the Risk Management reserves, the Fiscal Year 2025 Proposed Budget includes a recommendation to delay any additional contributions to the funds in excess of those intended to support annual operating expenditures. In Fiscal Year 2025, the Public

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Liability and Long-Term Disability reserves will be met while the Workers' Compensation Reserve will be underfunded by \$1.2 million. The reserve target amounts for the Public Liability and Long-Term Disability Reserves remain the same when compared to the Fiscal Year 2024 targets. The Workers' Compensation Reserve is seeing a year over year increase in the reserve target amount from Fiscal Year 2024 due to the three-year average in the outstanding Actuarial Liability increasing by \$10.0 million. The contribution amount associated with this increase is \$1.2 million, or 12%, and is not projected to be met to limit additional operational cuts impacting service levels to City residents. The General Fund portion of the Workers' Compensation Reserve is estimated to be \$1.0 million.

Table 6 – Risk Management Reserves shows the impact on the reserve levels for each respective Risk Management fund due to the planned one-time delay of the Fiscal Year 2025 reserve contributions.

Table 6 – Risk Management Reserves (in millions)

Reserve Fund	FY 2025 Projected Reserve Balance	Reserve Percentage	FY 2025 Est. Reserve Policy Target	Reserve Policy Percentage
Public Liability	\$38.4	50.0%	\$38.4	50.0%
Workers' Compensation	\$35.5	11.6%	\$36.7	12.0%
Long-Term Disability	\$5.0	100.0%	\$5.0	100.0%

Other Fiscal Considerations

This section details other fiscal considerations that are not included in the Fiscal Year 2025 Proposed Budget but have the potential to impact City revenues in future years. For all these other fiscal considerations, the impact is still to be determined. Examples of other fiscal considerations include previously approved ballot measures that have not been implemented yet, are still under litigation, or measures that are currently being considered by the Mayor and/or Council to be placed on the ballot in November 2024. Since the outcome of these items could significantly impact the City's budgetary landscape, they are discussed in more detail below.

TOT Increase (Measure C):

Measure C was a 2020 citizens' initiative to raise the Transient Occupancy Tax in San Diego. The increased tax would support the expansion of the San Diego Convention Center, create a dedicated funding source for homelessness programs and services, and fund necessary road repairs across the City. The measure was included on the March 3, 2020, ballot and required approval by two-thirds of San Diego voters; however, recent legal rulings indicate that a simple majority was needed for the measure to pass because it was a citizens' initiative, as opposed to a City-sponsored initiative which requires a two-thirds super-majority vote. The City has been waiting on a final decision from the courts on the validity of the measure to proceed with implementation. In August 2023, the California State Court of Appeal declared that "Measure C, as a citizens' initiative, was subject to a simple majority vote[;]" however, the court made that determination based on the assumption that Measure C was a citizens' initiative. The appellate court returned the case for additional proceedings to determine if the measure was a citizens' initiative. Once the case is resolved, an estimated \$291.0 million could be generated in the first five years for the Convention Center, and \$202.0 million could be generated for homelessness programs and services which could lessen the fiscal impact to the General Fund.

People's Ordinance (Measure B):

During the November 2022 election, a majority of City voters approved Measure B, a proposition placed on the ballot by the City Council to amend sections of the Municipal Code commonly referred to as the People's Ordinance. The measure, along with recodifying the City's responsibilities for waste collection services, allowed for the City to recover costs to perform City force solid waste collection services. Implementing a

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cost-recoverable fee will eliminate the burden on the General Fund to provide a cost-free service to a portion of the population. Implementation of a new fee structure is a multi-year process that is contingent on Proposition 218 compliance and City Council adoption.

The Fiscal Year 2025 Proposed Budget includes a total of \$6.1 million and 16.00 FTE positions to support a waste collection cost of service study, stakeholder engagement process, and a billing solution and software integration to implement the amendment. Fiscal Year 2024 Adopted Budget and Fiscal Year 2025 Proposed Budget items specifically related to the implementation of the amendment to the People's Ordinance have been moved to the new Solid Waste Disposal Enterprise Fund. Revenue from the collection service fees (expected to begin in Fiscal Year 2026, subject to required approvals) will reimburse those expenditures and is expected to contribute to a significant reduction in the General Fund once collection services costs are moved into the Solid Waste Disposal Fund.

Sales Tax Measure:

On March 20, 2024, the City Council's Rules Committee considered a proposed ballot measure for the November 2024 Election to establish a one-cent general purpose transactions and use (sales) tax. This item was the initial discussion of the proposed ballot measure, and the Committee voted to request the Mayor's Office and Council District 7 work with the Independent Budget Analyst and City Attorney to provide preliminary fiscal, operational, and legal analyses of the proposal and report back to the Rules Committee. If a one-cent increase to sales tax is placed on the November 2024 ballot, and approved by voters, it is estimated that it could double the City's sales tax revenues. The Fiscal Year 2025 Proposed Budget includes \$392.7 million for Sales Tax, so for illustrative purposes, it could double sales tax or bring in an additional \$392.7 million in a full year to enhance public services; address deferred maintenance; upgrade infrastructure; improve roads, parks and facilities; and stimulate economic growth by creating jobs, attracting businesses, and enhancing property values of City residents. Current estimates for Fiscal Year 2025 anticipate that if passed, the sales tax increase would be in effect for a quarter of the fiscal year totaling \$98.2 million.

Stormwater Infrastructure and Disaster Response Measure:

On February 21, 2024, the City Council's Rules Committee considered a proposed ballot measure for the November 2024 Election which would create a dedicated revenue source for stormwater infrastructure and disaster response. This was an initial discussion of the proposed ballot measure, and the Committee voted to request that the Council District 9 office work with the Independent Budget Analyst and Stormwater Department to furnish background information, provide preliminary fiscal and operational analyses of the proposal, and report back to the Rules Committee. The proposed ballot measure was brought forward in response to the recent storm that significantly impacted the San Diego region on January 22, 2024, and could help provide a dedicated source for improved operations and maintenance of the stormwater system; stormwater capital projects including green infrastructure, flood control, and unimproved streets; flood disaster response and recovery; habitat restoration and revitalization; and water quality and regulatory compliance. Additional information about the proposed ballot measure, which could include options for the rate of the special parcel tax, is anticipated to be presented at a Rules Committee meeting later in spring 2024.

Street Pavement

In the Fiscal Year 2025 Proposed Budget, the Transportation Department has allocated \$158.1 million for the Street Pavement Program. The Department's long-term goal is to maintain the City's Street network in good condition, which equates to an average network pavement condition index (PCI) of 70 or above. Because of long-term under-investments in the City's road network, the PCI has fallen to 63 since the last condition assessment performed in 2016.

Citywide Budget Overview

The Street Pavement Program consists of maintenance activities including asphalt repair, asphalt trench restoration, pothole repair, and slurry seal road repair and capital activities including overlay and reconstruction road repair. These activities repair, maintain, and improve the City's 3,000 miles of streets and alleys to provide high-quality infrastructure that individuals can safely drive, walk, and ride on. Transportation Department employees also support other divisions and departments citywide to ensure that all individuals are provided a safe, reliable, and accessible roadway network throughout the City, responding daily to roadway repair needs, and improving the transportation system to promote efficient movement of people and goods. **Table 7 - Street Pavement Program** displays the allocation of funding to each maintenance and capital activity.

Table 7 - Street Pavement Program

Street Pavement Program Type	Project ID	FY 2025 FTE	FY 2025 PE	FY 2025 NPE	FY2025 EXP
Asphalt and Pothole Repair	O&M	58.00	\$5,721,049	\$6,118,628	\$11,839,677
Asphalt Trench Restoration	O&M	61.00	\$5,379,041	\$162,764	\$5,541,805
Slurry and Scrub Seal Road Repair	O&M	0.00	\$0	\$36,124,284	\$36,124,284
Overlay and Reconstruction Road Repair	AID00005/ RD25000	0.00	\$0	\$104,585,001	\$104,585,001
Total Street Pavement Program Type		119.00	\$11,100,090	\$146,990,677	\$158,090,767

Each of the activities in the Street Pavement Program is funded through various revenue sources, such as the Road Maintenance & Rehabilitation Account, Gas Tax, TransNet, General Fund revenues, and debt financing. The Fiscal Year 2025 Proposed Budget does not include any costs associated with upgrading unimproved streets and alleys across the City.

User Fee Update

In accordance with Council Policy 100-05: User Fee Policy, the Department of Finance coordinates a Comprehensive User Fee Study every three to five years that identifies the cost of services for activities that charge a user fee. The study develops a rate that will make the service cost recoverable to the City. Variables that affect the user fee can include changes to staff salary, cost of supplies, energy and fuel rates, and a variety of other factors. While the comprehensive user fee study occurs every three to five years, which is a Government Finance Officers Association (GFOA) best practice, it is important to note, Council Policy 100-05 requires that departments perform an annual review, as part of the budget process, to analyze and update user fees based on Consumer Price Index (CPI) or other annually adjusted inflators.

In calendar year 2022, the Department of Finance conducted a Comprehensive User Fee Study, in which all General Fund and Non-General Fund departments that charge user fees participated. The study required departments to analyze how each user fee was impacted by the COVID-19 pandemic, and the results of the study were incorporated into the Fiscal Year 2023 Budget. In Fiscal Year 2025, the City anticipates conducting another Comprehensive User Fee Study to evaluate the impact of citywide salary increases, updated pension contributions, and inflation on the cost of providing government services. An updated comprehensive user fee update is projected to be completed and presented to the Budget and Government Efficiency Committee and City Council in calendar year 2025, with the goal of implementation in Fiscal Year 2026.

Citywide Budget Overview

Fiscal Year 2025 Critical Expenditures

In addition to solving the baseline revenue shortfall, the Fiscal Year 2025 Proposed Budget prioritizes the maintenance of current core services, while allowing for select budget additions needed to comply with various mandates, address quality of life issues, provide public safety, support homelessness programs and services, and operate new parks and library facilities. Program summaries for the Infrastructure Fund, Climate Equity Fund, Homelessness Programs and Services, Climate Action Plan, Vision Zero, the Use of One-Time Resources, and Citywide Personnel Expenditures are included in the following sections.

For a summary of all significant budget adjustments included in the General Fund, please refer to the General Fund Expenditures section of this Volume.

Infrastructure Fund (Charter Section 77.1)

In June 2016, voters approved Proposition H, requiring the City to dedicate specific sources of revenue to fund new General Fund infrastructure, such as streets, sidewalks, bridges, buildings, and the maintenance and repair of such infrastructure.

The calculation to fund the Infrastructure Fund is based on the following:

- Sales Tax Increment – an amount equal to the annual change in sales tax revenue when compared to the sales tax baseline of Fiscal Year 2016 actual receipts, adjusted by the California Consumer Price Index (CCPI) for Fiscal Year 2018 through Fiscal Year 2042
- General Fund Pension Cost Reduction – for Fiscal Year 2018 through Fiscal Year 2042, any amount of pension costs below the base year of Fiscal Year 2016

Prior to Fiscal Year 2024, the calculation to fund the Infrastructure Fund included a Major Revenues Increment based on an amount equal to 50.0 percent of the year over year growth in property tax revenues, unrestricted General Fund TOT, and unrestricted franchise fees. However, the City Charter only required this increment for Fiscal Year 2018 through Fiscal Year 2022.

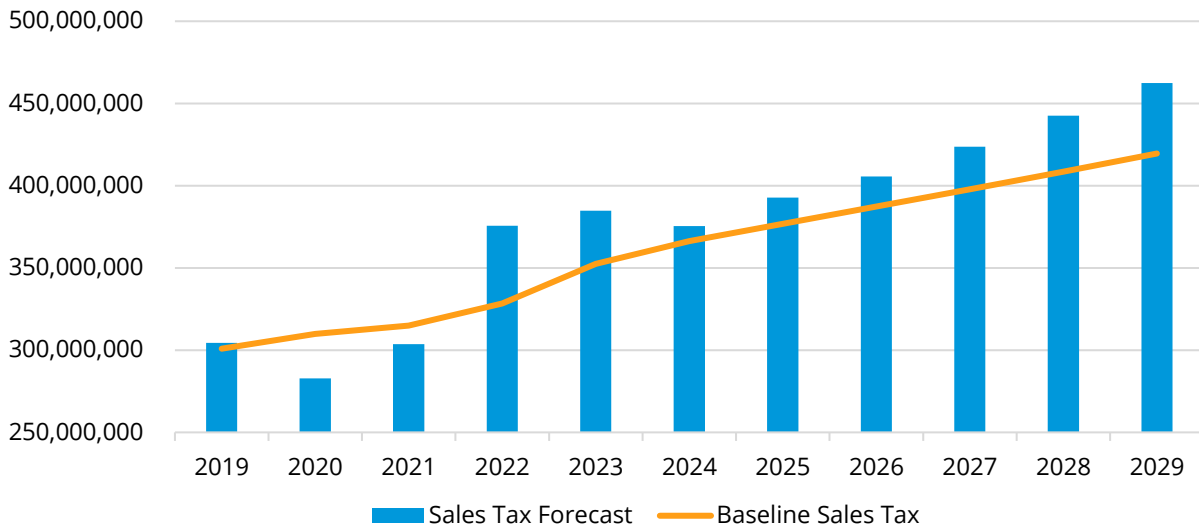
Based on this calculation, the required Infrastructure Fund contribution for Fiscal Year 2025 totals \$19.7 million. This amount is primarily attributed to the sales tax increment calculation; the General Fund Pension Cost Reduction calculation remains above the base year of Fiscal Year 2016.

Based on the definitions in Charter Section 77.1, \$19.7 million is required to be deposited into the Infrastructure Fund for Fiscal Year 2025 unless the Mayor recommends the suspension of Charter section 77.1 for one fiscal year, and two-thirds of the City Council approves that suspension. For Fiscal Year 2025, the deposit is proposed to be made; however, eligible expenditures are also proposed to be transferred from the General Fund within the General Services, Stormwater and Transportation Departments to the Infrastructure Fund. This includes \$3.0 million to support repairs and maintenance for City buildings; \$4.8 million to support Stormwater channels, pump stations, storm drains, watershed planning, capital support and levee maintenance; and \$11.9 million for repair and maintenance of sidewalks, streetlights, traffic signals, signage maintenance, slurry seal, and reimbursements for services related to the aforementioned items.

Figure 2: Proposition H Sales Tax Baseline Comparison Outlook illustrates a comparison outlook between the calculated baseline for sales tax and the contribution to the Infrastructure Fund. The baseline sales tax is subject to change and adjusted by the California Consumer Price Index (CCPI) for each fiscal year of the outlook years.

Citywide Budget Overview

Figure 2 - Proposition H Sales Tax Baseline Comparison Outlook



*Sales tax data for Fiscal Years 2019-2023 reflect actual data

Climate Equity Fund

The goal of the Climate Equity Fund (CEF) is to provide additional funding for City infrastructure projects to enable underserved communities to better respond to the impacts of climate change. Currently, to be eligible to receive CEF funding, projects must have an impact on reducing greenhouse gas emissions, enhancing safety in the public right-of-way, relieving congestion, or achieving other climate equity concerns and be in a Community of Concern as identified using the Climate Equity Index. City staff work with community-based organizations, Council offices, and City departments to decide which projects to fund. In accordance with the City Council resolution, the minimum annual allocation to CEF eligible projects is shown below, unless the Mayor recommends, and Council approves the suspension for one fiscal year:

- 1 percent of the total annual revenue received through TransNet.
- 1 percent of the total annual revenue received through Gas Tax
- 10 percent of the total General Fund revenue received through the annual gas and electric franchise fees.

In addition, the fund receives \$1.5 million from the SDG&E Electric Franchise Agreement until Fiscal Year 2026 to further the City's Climate Action and Climate Equity Goals. The Fiscal Year 2025 Proposed Budget includes the suspension of the minimum annual allocation to the CEF but includes the \$1.5 million from the SDGE Electric Franchise Agreement to a CEF-eligible project. Further details are included in Volume III of the Proposed Budget.

Homelessness Programs and Services

For Fiscal Year 2025, \$95.3 million is proposed to support homelessness programs and services, including \$55.5 million budgeted in the General Fund for the Homelessness Strategies & Solutions Department, \$3.5 million budgeted in the General Fund for the Police Department's Homeless Outreach Team, \$6.2 million budgeted in the General Fund for the Environmental Services Department's Clean San Diego (Clean SD) program, \$250,000 budgeted in the Low- and Moderate-Income Housing Asset Fund (LMIHAF), and \$29.8 million which is anticipated to be supported by grant funding.

Table 8 - shows the **Homelessness Programs and Services by Department and Funding Source** below.

Citywide Budget Overview

Table 8 - Homelessness Programs and Services by Department and Funding Source

General Fund	FY 2025 Proposed Budget
Homelessness Strategies & Solutions Department	
Homeless Shelter Programs	\$ 47,675,530
Supportive Services and Navigation Programs	11,579,270
Coordinated Outreach	2,625,000
Prevention Programming	2,250,000
Coordination of City Homelessness Programs and Services	6,352,534
Total Programs and Services in Homelessness Strategies	\$ 70,482,334
Use of San Diego Housing Commission Resources	\$ (15,000,000)
Total Homelessness Strategies & Solutions Department Budget	\$ 55,482,334
Police Department	
Homeless Outreach Team	\$ 3,540,830
Total Police Department	\$ 3,540,830
Environmental Services Department	
Clean San Diego*	\$ 6,225,000
Total Environmental Services Department	\$ 6,225,000
Total General Fund	\$ 65,248,164
Low- and Moderate-Income Housing Asset Fund	
Navigation Programs	\$ 250,000
Total Low- and Moderate-Income Housing Asset Fund	\$ 250,000
Grant Funding	
Community Development Block Grant (CDBG)**	\$ 1,000,000
Emergency Solutions Grant (ESG)**	1,029,691
Encampment Resolution Funding (ERF) Grant	4,982,456
County of San Diego Capital Grants	1,079,072
Family Homelessness Challenge Grant (FHCG)	191,151
County of San Diego Domestic Violence Shelter Project Grant	3,000,000
AB179 Domestic Violence Pass-through Grant	1,000,000
Homeless Housing, Assistance and Prevention (HHAP) Grant	17,528,683
Total Grant Funding	\$ 29,811,053
Total Citywide Resources	\$ 95,309,216

Note: Table is not intended to capture all complementary Homelessness Programs and Services related costs within the City.

*Figure based on contract amounts and does not include personnel expenditure budget for City staff.

**Estimated budget pending final allocations from HUD.

General Fund

The Fiscal Year 2025 Proposed Budget includes \$65.2 million from the General Fund in the Homelessness Strategies & Solutions, Police, and Environmental Services Departments for the following homeless programs and services:

Citywide Budget Overview

- Homeless Shelter Programs
- Supportive Services and Navigation Programs
- Coordinated Outreach
- Prevention Programming
- Coordination of City Homelessness Programs and Services
- Homeless Outreach Team in the Police Department
- Encampment & Sidewalk Cleaning through Clean SD

Due to a decrease in grant funding availability in Fiscal Year 2025, an additional \$11.5 million is proposed in the General Fund for the Homelessness Strategies & Solution Department over the Fiscal Year 2024 Adopted Budget. The increase in General Fund budget will be utilized to support existing programs and enhancements, including the addition of 1,000 new beds to the City's shelter system, and an expansion of the City's Safe Parking Program for unhoused residents who are temporarily residing in their vehicles.

Homeless Shelters and Services Program

The City of San Diego partners with agencies to operate congregate and non-congregate shelters that serve individuals experiencing homelessness. These shelters provide meals, restrooms, showers, case management, housing navigation, and mental health and substance abuse services and referrals.

In Fiscal Year 2025, the City General Fund will provide \$47.7 million to support beds at the following shelters:

- Paul Mirabile Interim Housing Shelter
- Connections Interim Housing Shelter
- Bishops Interim Housing Shelter
- Bridge Shelters for Single Adults
- Safe Haven
- Women's Shelter
- Emergency Harm Reduction Center
- Shelters for Youth
- Winter Weather Shelters
- Non-congregate Shelter for Families
- Non-congregate Shelter for Seniors
- Safe Parking Locations
- Safe Sleeping Locations
- New shelter bed capacity

Supportive Services and Navigation Programs

In addition to these shelter programs, the General Fund will provide \$11.6 million to fund Supportive Services and Navigation Programs. These programs are designed to support unsheltered individuals through system navigation, connecting clients to housing and other resources, and ensuring the health and safety of individuals through increased access to restrooms, showers, safe storage for belongings, and daily needs. These programs include the following:

- Homelessness Response Center
- Day Center for Homeless Adults
- Storage Facilities
- Portable Restroom Facilities

Coordinated Outreach

The City's Coordinated Street Outreach Program uses trained social workers and peer specialists to connect unsheltered residents with shelter, housing, and supportive services. Street-based case managers practice

Citywide Budget Overview

"Housing First" principles, working with clients to build individualized plans to move people from unsheltered conditions into housing. The program takes a coordinated approach to ensuring adequate and equitable coverage of outreach teams throughout the City and works to identify trends and proactively respond to critical areas throughout the City. The Coordinated Street Outreach Program includes Caltrans outreach and street outreach from bridge shelters.

The Fiscal Year 2025 Proposed Budget includes \$2.6 million in the General Fund to support this program in the Homelessness Strategies & Solutions Department.

Prevention Programming

The Fiscal Year 2025 Proposed Budget includes \$2.3 million in the General Fund for the continuation of the Housing Instability Prevention Program (HIPP). HIPP helps pay rent and other housing-related expenses for 300 families in the City of San Diego with low income and unstable housing situations (e.g., those facing eviction for nonpayment of rent).

Coordination of City Homelessness Programs and Services

The Fiscal Year 2025 Proposed Budget also includes \$6.4 million in the Homelessness Strategies & Solutions Department associated with staff coordination of citywide homelessness programs and services. In Fiscal Year 2025, the Proposed Budget includes 16.38 FTE positions in the department for total personnel expenditures of \$2.7 million. Also included in this amount are \$3.6 million in non-discretionary costs, including rent leases, information technology services and utilities for shelter sites throughout the city. These costs are determined outside of the department's control and are managed by provider departments within the City of San Diego.

Use of San Diego Housing Commission Resources

The Fiscal Year 2025 Proposed Budget assumes the San Diego Housing Commission will leverage its resources to support \$15.0 million in homelessness programs and services, on a one-time basis. As a result, there is a corresponding one-time reduction of \$15.0 million in expenditures in the Homelessness Strategies & Solutions Department. The specific funding sources that will be used, and the programs and services to be supported by the San Diego Housing Commission are still to be determined. Given the City Council's role, as the Housing Authority, of approving the San Diego Housing Commission's annual budget, the Fiscal Year 2025 Proposed Budget requests that the Housing Authority recommend modification of the San Diego Housing Commission's Fiscal Year 2025 Budget to include the one-time use of \$15.0 million in Housing Commission resources, for this purpose.

Homelessness Outreach Team in Police Department

The Police Department's Homeless Outreach Team (HOT) uses a community-oriented policing approach to address the unique needs of the City's homeless population. HOT team leaders bring together behavioral health clinicians from the Psychiatric Emergency Response Team (PERT), public health nurses, and social workers from the County of San Diego Health and Human Services Agency to provide outreach and engagement services throughout the City of San Diego, to connect unsheltered individuals with available services. HOT engages with individuals who may otherwise be subject to enforcement action for violation of various local ordinances and state statutes. Its approach is a means to connect individuals with services in a way that avoids contact with the criminal justice system.

The Fiscal Year 2025 Proposed Budget includes \$3.5 million from the General Fund to support personnel and non-personnel expenditures in the San Diego Police Department.

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Encampment & Sidewalk Cleaning through Clean SD

The Clean SD Division of the Environmental Services Department (ESD) oversees three programs directly related to homelessness:

Encampment Abatements: ESD provides at least 24-hour notice to individuals in homeless encampments located on public or city-owned property, advising them to relocate and secure their personal belongings before an abatement occurs. During abatements, waste is removed, and the area is sanitized. If personal items are found during this process and qualify for storage, an Impound Notice will be posted detailing the steps for claiming the items. The items will then be cataloged and stored for at least 90 days and will be available to be reclaimed by the owner.

Enhanced Hot Spots: ESD provides public right-of-way large waste removal focused specifically on areas most heavily impacted by waste resulting from homeless encampments.

Sidewalk Sanitizing, Incidental Biohazardous Waste Removal, and Sidewalk Resets:

- **Sidewalk Sanitizing:** Sidewalks are sanitized, either proactively or following an encampment abatement, to reduce the potential presence of pathogens, bacteria, and communicable diseases.
- **Incidental Biohazardous Waste Removal:** The removal and disposal of incidental biohazardous waste from the public right-of-way, primarily consisting of human waste and hypodermic needles.
- **Sidewalk Resets:** Power washing services to remove heavily impacted debris from the sidewalk to allow the Sidewalk Sanitizing process to be more effective.

The Fiscal Year 2025 Proposed Budget includes 32.00 FTE positions and \$6.2 million in contractual services from the General Fund to support these programs in the Environmental Services Department.

Grant Funding for Homelessness Strategies & Solutions

In Fiscal Year 2025, the City is anticipated to leverage a total of \$29.8 million in State and Federal grant funding to address the immediate emergency needs of individuals and families experiencing homelessness, or at imminent risk of homelessness. This includes \$3.0 million in County of San Diego Domestic Violence grant funding, \$1.0 million in Community Development Block Grant (CDBG) funding, and \$1.0 million in Emergency Solutions Grant funding for homelessness-related programs and services, as shown below. Additionally, \$1.1 million is included from County of San Diego Capital Grants for shelter improvements. The City is also anticipated to leverage \$23.7 million in Fiscal Year 2025 from multiple State of California grants, including the Homeless Housing, Assistance, and Prevention (HHAP) grant program; Assembly Bill 179 funding for startup costs for emergency shelter for victims of domestic violence; the Encampment Resolution Funding (ERF) grant program; and the Family Homelessness Challenge Grant (FHCG). HHAP grants were allocated by the State in five rounds between Fiscal Year 2020 and Fiscal Year 2025.

Community Development Block Grant (CDBG) and Emergency Solutions Grant Funding

In Fiscal Year 2025, \$1.0 million in CDBG program allocations and \$1.0 million in Emergency Solutions Grant (ESG) allocations are anticipated to fund homeless programs, services, and projects. The \$1.0 million CDBG Block grant funding will support the Non-Congregate Shelter for Families, while the \$1.0 million in ESG funding will support Rapid Rehousing, Connections Interim Housing Shelter, and the Paul Mirabile Interim Housing Shelter.

Homeless Housing, Assistance and Prevention (HHAP) Funding

The Homeless Housing, Assistance, and Prevention (HHAP) grants are one-time block grants that provide local jurisdictions in the State of California with funding to support regional coordination and expand or

Citywide Budget Overview

develop local capacity to address their immediate homelessness challenges. The City of San Diego was previously awarded approximately \$22.5 million in HHAP Round 1 grant funds in 2020; approximately \$10.6 million in Round 2 grant funds in 2021; approximately \$27.5 million in Round 3 grant funds in 2022; and approximately \$22.5 million in Round 4 grant funds in 2023. In February 2024, the City of San Diego received notification of an additional \$29.9 million grant allocation for a fifth round of HHAP funding, \$14.9 million of which is projected to be received in Fiscal Year 2025.

In Fiscal Year 2025, it is projected that \$17.5 million in HHAP funding will be used to support the following:

Shelters and Services

\$13.2 million to support the following programs:

- Bridge Shelter at 16th & Newton
- Bridge Shelter at 17th & Imperial
- Youth Shelters and Case Management
- Safe Parking program

Coordinated Street Outreach Program

HHAP funding of \$2.5 million is designated for the Coordinated Street Outreach program to amplify the General Fund contribution and ensure adequate and equitable coverage of outreach teams across the City.

Family Reunification Program

The family reunification program seeks to connect homeless individuals with family members and support systems across the United States. HHAP funding in the amount of \$750,000 will continue to support this program in Fiscal Year 2025.

Rapid Rehousing Program

HHAP programming includes \$434,000 allocated to continue rapid rehousing programs currently in effect. Rapid rehousing provides homeless individuals or individuals at imminent risk of becoming homeless with identification of housing, short-term rental assistance, and other services.

Administrative Costs

A total of \$712,000 in costs to administer the HHAP programs are planned for Fiscal Year 2025. These costs are charged by City staff and staff from the San Diego Housing Commission.

Encampment Resolution Funding (ERF) and Family Homelessness Challenge Grant (FHCG)

In Fiscal Year 2025, \$4.9 million in Encampment Resolution Funding (ERF) grant program allocations are anticipated to fund homelessness programs, services, and projects.

ERF funding will support contracted outreach teams, rental subsidies and case management, and housing navigation services. Three distinct programs will be administered through this grant program, including a program initiated in District 3 in Fiscal Year 2023, and programs in District 7 and District 9 initiated in Fiscal Year 2024.

In Fiscal Year 2025, it is projected that \$191,000 in Family Homelessness Challenge Grant (FHCG) funding will support existing Safe Parking locations.

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County of San Diego Domestic Violence Grant Funding, AB 179 Grant Funding and County of San Diego Capital Grant Funding

In Fiscal Year 2025, it is projected that \$1.0 million in Assembly Bill 179 funding and \$3.0 million in County of San Diego Domestic Violence grant funding will be used for startup and operational costs for an emergency shelter for victims of domestic violence.

The County of San Diego Capital Grants total \$1.1 million and are anticipated to fund costs associated with the following shelters: Non-congregate Shelter for Families, Non-congregate Shelter for Seniors, Winter Weather Shelters, and Rose Canyon safe parking program.

Implementation of the Climate Action Plan

On August 2, 2022, the City Council adopted the 2022 Climate Action Plan (CAP), setting a new community-wide goal of net-zero emissions by 2035, committing San Diego to an accelerated trajectory for greenhouse gas reductions. Achieving net-zero emissions will improve the air we breathe, the communities we live in, and our overall quality of life. The CAP identifies six (6) equity-focused strategies to achieve a goal of net zero emissions by 2035 through reducing and avoiding GHG emissions:

- Strategy 1: Decarbonization of the Built Environment
- Strategy 2: Access to Clean and Renewable Energy
- Strategy 3: Mobility and Land Use
- Strategy 4: Circular Economy and Clean Communities
- Strategy 5: Resilient Infrastructure and Healthy Ecosystems
- Strategy 6: Emerging Climate Actions

Staff developed an Implementation Plan that provided further information on funding needs, performance metrics, time frame, and implementation pathways. Staff released a draft Implementation Plan and Implementation Cost Analysis (ICA) in February 2024. The final versions of the Implementation Plan and ICA can be found here: <https://www.sandiego.gov/sustainability-mobility/climate-action/cap>

Over the next five years of implementation of the CAP, City staff will report on progress to City Council and the public through annual progress reports and comprehensive GHG emissions inventories at least every two years, depending on data availability. Additionally, in response to the 2020 CAP audit, staff have prepared an Administrative Regulation (AR) to establish annual department-level work plans for the implementation of the CAP with established responsibilities for overall CAP implementation. Work plans have been developed and can be found at the following link:

<https://www.sandiego.gov/sustainability-mobility/climate-action/cap>

The City will accelerate the adoption of electric vehicles, incentivize employees to work remotely, and encourage the use of alternative modes of transportation. The City has successfully shifted 99 percent of city accounts to 100 percent clean energy through San Diego Community Power and anticipates that the remaining accounts will transition over the course of Fiscal Year 2025.

Principles of sustainability and projects that reduce GHG emissions or improve the City's economic, social, or environmental sustainability are woven throughout many departments and functions within City operations. However, the City budget is structured by functional departments rather than by sector or initiatives. Because the efforts that support the CAP cross many departments and are embedded in many different projects and initiatives, the CAP Implementation Budget Summary presented here highlights new funding which is requested through the City's official budget process to support the various strategic areas of the CAP, to facilitate a discussion about implementation of the CAP. Of note, throughout the year there are other funding sources (e.g., Department's existing operating budgets and grants) or budget adjustments that are not captured in this report but do assist in achieving the City's CAP goals.

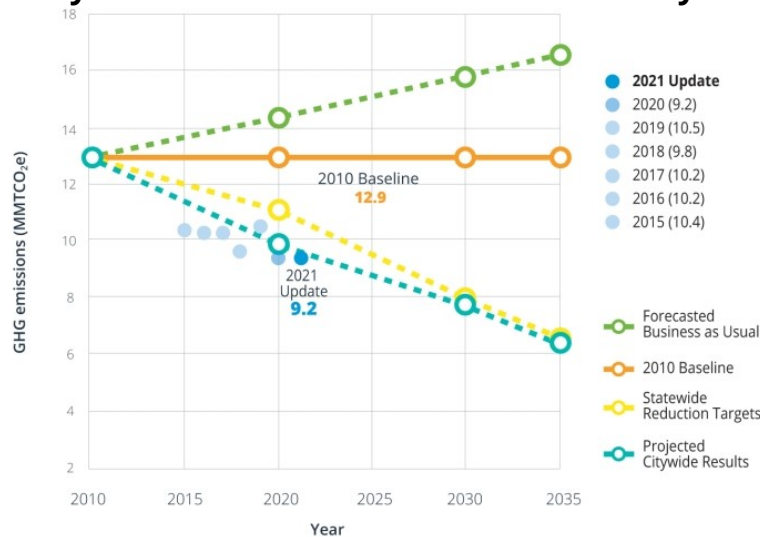
Citywide Budget Overview

San Diego’s CAP is considered a national model. The City is breaking new ground in policies, programs, and methodologies to implement the plan. As a national leader, techniques for implementing evolve and improve over time as processes are established, metrics are created or enhanced, and annual monitoring begins. The Fiscal Year 2025 Proposed Budget demonstrates that the City remains committed to keeping the economic, social, and environmental principles of sustainability at the forefront of decision-making.

Progress Towards Achieving Climate Action Plan Goals

Figure 3 - Citywide Greenhouse Emissions Inventory and Projections shows the most recent citywide GHG inventory. The total GHG emissions from San Diego in 2021 were approximately 9.6 million metric tons CO₂e (MMT CO₂e), a 25 percent decrease from 2010. Reductions in GHG emissions from electricity consumption, transportation, solid waste, and water use offset some increases seen from natural gas consumption and wastewater production year-over-year. The budget analysis incorporated below was developed using the strategies and actions from the new 2022 CAP.

Figure 3 - Citywide Greenhouse Emissions Inventory and Projections



Summary of Climate Action Plan Adopted Budget

Table 9 - CAP Budget Changes Across City Departments is a summary of investments across City departments in Fiscal Year 2025 that support the six strategic areas of the CAP. The investment amounts represent new resources included in the Fiscal Year 2025 Proposed Budget. These changes are added to existing CAP investment in the departments’ continuing appropriations. CAP-related budget changes included in the Fiscal Year 2025 Proposed Budget total \$761.0 million and include operating and capital expenditure budgets.

Table 9 - CAP Budget Changes Across City Departments

Climate Action Plan Fiscal Year 2025 Proposed Budget			
Strategy	Direct	Indirect	Total
Overarching Implementation	\$ -	\$ (86,563)	\$ (86,563)
Strategy 1 – Decarbonization of the Built Environment	5,515,041	1,097,449	6,612,490
Strategy 2 – Access to Clean & Renewable Energy	1,700,492	(783,449)	917,043
Strategy 3 – Mobility & Land Use	62,883,115	13,156,697	76,039,812
Strategy 4 – Circular Economy & Clean Communities	8,035,860	18,606,893	26,642,753
Strategy 5 – Resilient Infrastructure and Healthy Ecosystems	122,878,416	527,980,240	650,858,656
Strategy 6 – Emerging Climate Actions	-	-	-
Total	\$ 201,012,924	\$ 559,971,267	\$ 760,984,191

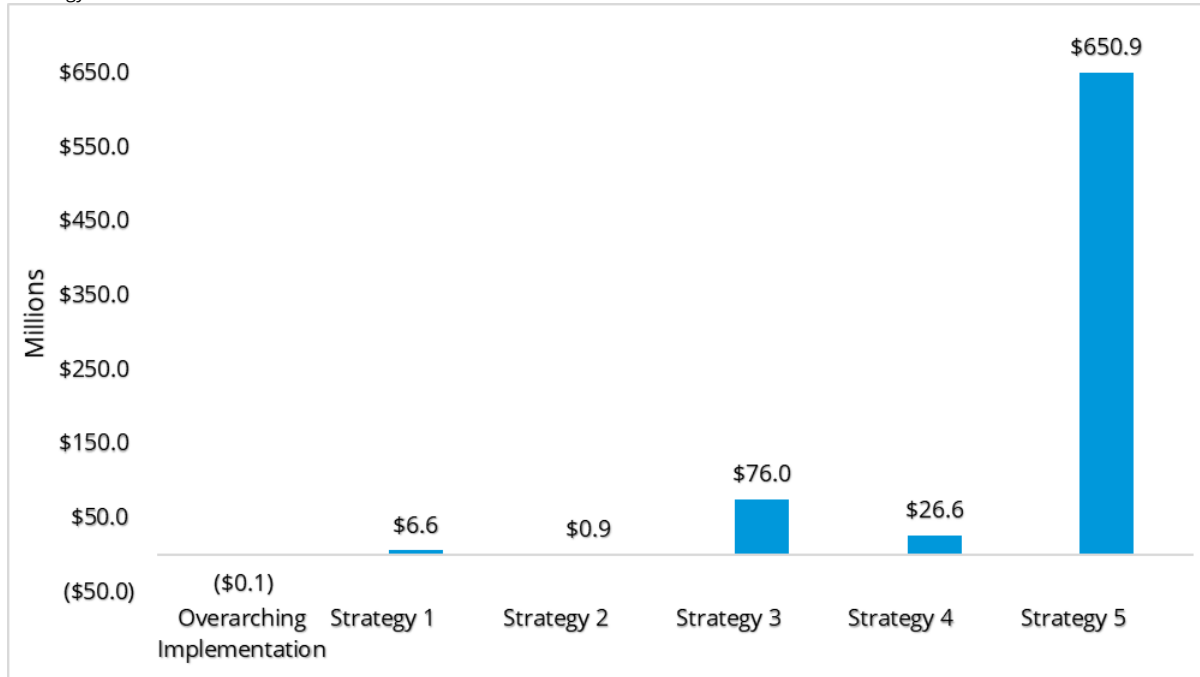
Citywide Budget Overview

This budget analysis identifies both direct and indirect CAP efforts. Direct CAP efforts are explicitly identified as actions in the CAP (e.g., landfill gas capture) or directly support the CAP GHG reduction goals (e.g., increasing sidewalks or bikeways to increase walking or biking). Indirect CAP efforts are not explicitly referenced in the CAP or only partially support the CAP through climate change efforts (e.g., funding for pump station or sewer pipe repairs that will indirectly impact water facilities).

Figure 4 - Climate Action Plan Adopted Budget Changes by Strategy represents these investments by each CAP strategy.

Figure 4 - Climate Action Plan Adopted Budget Changes by Strategy¹

¹Strategy titles noted in Table 9.



Vision Zero

The City remains committed to Vision Zero efforts to eliminate all traffic fatalities and severe injuries in San Diego.

In the Fiscal Year 2025 Proposed Budget, \$33.2 million is being allocated to implement the City's Vision Zero goals, including \$13.4 million for bicycle facilities, \$100,000 for guard rails, \$5.0 million for sidewalks, \$150,000 for streetlights, \$508,745 for traffic calming measures, \$8.8 million for traffic signals, \$391,543 for median installation, \$4.2 million for bridges, and \$550,000 for street and road modifications. **Table 10 - Vision Zero Projects** displays the allocation of funds to applicable Vision Zero projects.

Table 10 - Vision Zero Projects

Vision Zero Project Type/Grouping	Project ID	FY 2025 Proposed Budget ¹
Bicycle Facilities		
Bike Racks Citywide	O&M	\$ 50,000
Bike Striping Citywide	O&M	400,000
Safe & Sustainable Transportation All Ages & Abilities Team (STAAT)	O&M	1,100,000
Bicycle Facilities	AIA00001	272,840

Citywide Budget Overview

Vision Zero Project Type/Grouping	Project ID	FY 2025 Proposed Budget ¹
AC Water & Sewer Group 1048 (BL)	B23090	64,538
ACC Sewer Group 851 (BL)	B23089	51,000
Balboa Park Pipeline Repl (BL)	B23017	100,000
University City Improv 1 (BL)	B22105	57,302
Coastal Rail Trail	S00951	50,000
Normal Street Promenade	S22012	6,429,550
Palm Avenue Interstate 805 Interchange	S00869	5,109,531
Bicycle Facilities Total		\$ 13,411,921
Guard Rails		
Guard Rails	AIE00002	\$ 100,000
Torrey Pines Rd, Prospect-Coast Walk GR	B19056	100,000
Guard Rails Total		\$ 100,000
Sidewalks		
New Walkways	AIK00001	\$ 1,155,284
ADA S/W Group 3E W Point Loma	B16100	180,000
70th-Alvarado to Saranac-Sidewalk	B17065	60,000
New Sidewalk in CD4	B22089	240,000
Sea World Dr Sidewalk	B20059	350,000
Wabaska-Voltaire St to Tennyson Sidewalks	B19030	325,284
Sidewalk Repair and Reconstruction	AIK00003	\$ 3,865,812
Sidewalk Replacement Group 1902-CM	B19013	1,475,000
Sidewalk Replacement Group 2330	B23091	1,121,906
Sidewalk Replacement Group 2331	B23092	1,268,906
Sidewalks Total		\$ 5,021,096
Street Lights		
Street Light Circuit Upgrades	AIH00002	\$ 150,000
Abbot Street Series Circuit	B17145	50,000
Plumosa Park Series Circuit Conversion	B17101	100,000
Street Lights Total		\$ 150,000
Signals - Calming/Speed Abatement		
Traffic Calming	AIL00001	\$ 508,745
Kettner Boulevard & Palm Street Hybrid Beacon	B18046	156,045
Osler Street Traffic Calming	B23147	206,700
Rectangular Rapid Flash Beacons GRP 2001	B20093	146,000
Signals - Calming/Speed Abatement Total		\$ 508,745
Traffic Signals		
Traffic Signal Modification	O&M	300,000
Install Traffic Signal Interconnect System	AIL00002	\$ 1,190,000
Montezuma Road Communications Upgrade	B17130	190,000
Traffic Management Center	New	1,000,000

Citywide Budget Overview

Vision Zero Project Type/Grouping	Project ID	FY 2025 Proposed Budget ¹
Traffic Signals -- Citywide	AIL00004	\$ 3,708,101
31st & Market St School Traffic Signal	B15014	400,000
47th Street and Solola Avenue Traffic Signal	B20141	488,100
Aquarius Camino Ruiz Traffic Signal	B19057	52,001
Beyer Bl @ Smythe Abe Traffic Signal	B14015	900,000
Center City Traffic Signals-15th Street	B22111	1,000,000
Center City Traffic Signals-17th Street	B22112	580,000
Mississippi St @ El Cajon Blvd Traffic Signal	B20140	288,000
Traffic Signals Modification	AIL00005	\$ 3,639,542
32nd St & Market St Intersection Upgrade	B23076	508,229
Downtown Audibles 04th & E S29	B18162	350,000
Linda Vista & Comstock Intersection Upgrade	B23030	530,000
Pacific Hwy & W Palm St Signal Mod	B13008	114,999
Signal Mods in Barrio Logan	B13010	700,000
Traffic Signal Mods Grp 19-01	B19069	116,000
Traffic Signal Mods Grp 20-01	B20075	310,000
Traffic Signal Upgrades Citywide FY14	B14048	51,500
TS Upgrades - Camino Ruiz TX Madison	B24107	958,814
Traffic Signals Total		\$ 8,837,643
Medians		
Median Installation	AIG00001	\$ 391,543
Camino Del Rio West & Moore St Median	B19049	57,857
Chatsworth Blvd RRFB & Ped Refuge Island	B21117	137,416
Foothill Blvd & Loring St Roundabout	B18008	196,270
Medians Total		\$ 391,543
Bridges		
El Camino Real to Via De LaValle (1/2 mile)	S00856	4,249,635
Bridges Total		\$ 4,249,635
Street and Road Modifications		
Market Street-47th to Euclid-Complete Street	S16061	50,000
University Ave Mobility	S00915	500,000
Street Road Modifications Total		\$ 550,000
Total Vision Zero Project Type/Grouping		\$ 33,220,583

Compensatory Wetland Mitigation

The Stormwater Department oversees the repair, maintenance, and replacement of the City's stormwater system, which requires a comprehensive set of environmental protocols, mitigation measures, and permits. The Fiscal Year 2025 Budget includes \$6.8 million in the Environmental Growth Fund to support compensatory wetland mitigation.

Citywide Budget Overview

Stormwater facilities can support sensitive habitats that can be negatively impacted by maintenance activities. Local, State, and federal regulatory permits are typically required to perform maintenance. The unavoidable impacts and loss of wetland habitat within City maintained waterways must manage projects to ensure a watershed doesn't experience overall habitat loss. The following three projects have been developed over several years and are planned for construction in Fiscal Year 2025. These projects will provide the required compensatory wetland mitigation for past channel maintenance impacts and allow for future and emergency maintenance to occur within the City's stormwater facilities:

- \$1.8 million for El Cuervo Del Sur Phase II Wetland Mitigation Site
- \$1.6 million for Otay Reed Mitigation Site
- \$3.4 million for Hollister Quarry Mitigation Site

Updates to Council Policy 100-03 "Transient Occupancy Tax"

Transient Occupancy Tax (TOT) is levied at 10.5 cents per dollar on taxable rent for a transient's stay of less than one month. The use of TOT is guided by the City's Municipal Code (SDMC) Section 35.0128(b), which stipulates that of the 10.5 cents of collected TOT, 5.5 cents is to be applied toward general government purposes, 4.0 cents towards promoting the City as a tourist destination, and the remaining 1.0 cent towards any purposes approved by the City Council.

In December 2023, the Council Policy on Transient Occupancy Tax (Council Policy 100-03) was updated to establish a legislative process for the City Council to recommend the use of the 1.0 percent of the TOT, which is commonly referred to as the 1.0 cent Council discretionary allocation. The updated policy requests that the Mayor and Department of Finance, as part of the Proposed Budget, provide the Council with a report on the proposed use of the 1.0 cent of the 10.5 cents of TOT, within the annual budget as it relates to meeting the Council's stated goals for the use of this funding source in the budget priorities resolution.

For Fiscal Year 2025, the City Council's recommendation, per the budget priorities approved in February 2024, is to allocate a portion of the 1.0 cent Council discretionary allocation for Arts, Culture, and Community Festivals. As noted in [IBA Report 24-02 REV](#), the 1.0 cent portion of TOT is equal to 9.52% of total TOT revenue, and the "recommendation is to allocate less than 9.52% – specifically, 6.5% of total TOT revenue, or an estimated \$21.5 million – for Arts, Culture, and Community Festivals, with the remaining \$10.0 million to help balance the General Fund budget."

As requested in the Council Policy, this section provides a report on the proposed use of the 1.0 cent of the 10.5 cents of TOT, as it relates to meeting the Council's stated goals for the use of this funding source in the budget priorities resolution. The entirety of the 1.0 cent Council discretionary allocation is proposed to be transferred into the General Fund for general government purposes. The Fiscal Year 2025 Proposed Budget includes reductions in departments to help balance the budget and allocating the entirety of the 1.0 cent Council discretionary allocation to the General Fund for general government purposes (including public safety, homelessness services, and infrastructure operations and maintenance) helps reduce the need for additional cuts to operations which would negatively impact service levels for City residents.

Although the 1.0 cent Council discretionary allocation is not proposed to support Arts, Culture, and Community Festivals, the Fiscal Year 2025 Proposed Budget for Special Promotional Programs includes \$15.7 million for Arts-related programming funded through the 4.0 cents of TOT, including: \$10.2 million for Organizational Support; \$2.0 million for Creative Communities San Diego; \$500,000 for the Impact Program; \$85,000 for the Public Art Fund allocation; and \$2.9 million for the Cultural Affairs Department, including an allocation to support World Design Capital 2024 programs.

Citywide Budget Overview

Mitigation Actions

City staff completed a comprehensive review to develop mitigation actions to address the baseline revenue shortfall and fund the critical expenditures mentioned above. The Fiscal Year 2025 Proposed Budget includes the use of fund balance in excess of General Fund reserves (excess equity), and fund balances from special revenue and internal service funds.

One-Time Resources

Below are additional details regarding one-time resources used as mitigation actions to address the baseline revenue shortfall and fund critical expenditures:

- \$68.7 million in projected FY 2024 fund balance in excess of reserves, or excess equity.
- \$21.4 million associated with waiving the FY2025 General Fund reserve contribution.
- \$19.7 million associated with the use of Infrastructure Fund to support eligible General Fund expenditures.
- \$15.0 million in San Diego Housing Commission resources to support various homelessness programs and services.
- \$8.5 million associated with waiving the Climate Equity Fund contribution.
- \$7.7 million associated with the Monsanto Class Action Settlement Payment.
- \$6.3 million in Short-Term Residential Occupancy licensing fees.
- \$6.1 million in Employ and Empower grant revenue.
- \$6.1 million from the use of fund balance of Internal Service Funds, including the various Department of Information Technology funds and the Energy Conservation Program Fund.
- \$5.8 million from the sale of Tailgate Park and the recommendation to waive the transfer to the Bridge to Home Program.
- \$5.8 million from the use of the Energy Independence Fund's fund balance and recommendation to waive the franchise fee transfer.
- \$4.5 million from the use of fund balance from the Civil Penalties Fund.
- \$4.5 million associated with the Executive Approval to Hire process through December 2024.
- \$4.3 million in one-time revenue from the Sycamore Facility Franchise Fee.
- \$3.9 million in use of fund balance in the Environmental Growth Funds to reimburse eligible Parks and Recreation expenditures.
- \$3.8 million in use of TOT fund balance to support eligible General Fund reimbursements.
- \$3.1 million in fund balance from the Community Equity Fund.
- \$2.1 million associated with a General Fund discount on Refuse Disposal fees.
- \$2.1 million in fund balance from the Fire/Emergency Medical Services Transportation Fund.
- \$2.0 million in fund balance from the Concourse and Parking Garage Operating Fund.
- \$1.4 million in various one-time grant reimbursements.
- \$1.3 million in COVID-19 FEMA Reimbursements.
- \$1.1 million associated with Budgeted Personnel Expenditure Savings for new positions.
- \$1.0 million associated with delaying the Workers' Compensation Reserve contribution.

Citywide Budget Overview

Citywide Personnel Expenditures

The Fiscal Year 2025 Proposed Budget includes a total of \$1.36 billion in budgeted salaries and wages, and \$817.4 million for fringe benefit expenditures, resulting in a total citywide personnel budget of \$2.17 billion.

Table 11 - Fiscal Year 2025 Personnel Expenditures Budget illustrates the budgeted FTE positions, salaries and wages, fringe benefits, and total personnel expenditures by fund type.

Table 11 - Fiscal Year 2025 Personnel Expenditures Budget

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Fringe Benefits	Budgeted Personnel Expenses
General Fund	8,681.38	\$ 918,520,409	\$ 574,278,979	\$ 1,492,799,388
Special Revenue Funds	1,085.66	125,393,206	65,756,487	191,149,693
Enterprise Funds	3,099.39	272,631,448	154,576,201	427,207,649
Internal Service Funds	379.69	32,578,601	18,785,488	51,364,089
Other Funds	53.00	7,686,578	4,005,934	11,692,512
Total	13,299.12	\$ 1,356,810,242	\$ 817,403,089	\$ 2,174,213,331

¹ Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

Table 12 - Total City FTE Position Changes Fiscal Year 2024 - 2025 presents the change in positions from Fiscal Year 2024 to Fiscal Year 2025.

Table 12 - Total City FTE Position Changes Fiscal Year 2024 - 2025

Fund Type	FY 2024 Adopted Budget	Additions	Reductions	Reorganizations	FY 2025 Proposed Budget	FY 2024 - FY 2025 Change	Percent Change
General Fund	8,512.99	236.91	(84.09)	15.57	8,681.38	168.39	2.0%
Special Revenue Funds	1,078.51	33.50	(5.35)	(21.00)	1,085.66	7.15	0.7%
Enterprise Funds	3,005.21	93.99	(5.24)	5.43	3,099.39	94.18	3.1%
Internal Service Funds	379.46	0.23	-	-	379.69	0.23	0.1%
Other Funds	54.00	-	(1.00)	-	53.00	(1.00)	-1.9%
Total	13,030.17	364.80	(95.85)	0.00	13,299.12	268.95	2.0%

¹ Total number of budgeted positions includes positions from Maintenance Assessment Districts (MADs).

² Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE positions.

For details on all position changes, refer to **Attachment A - Fiscal Year 2025 Changes in Full-time Equivalent (FTE) Positions** in the Appendix.

Citywide Budget Overview

Salaries and Wages

The Fiscal Year 2025 Proposed Budget includes \$1.36 billion in budgeted salaries and wages, with \$918.5 million, or 67.7 percent, budgeted in the General Fund. **Table 13 - Fiscal Year 2025 FTE Positions by Labor Group** presents the budgeted positions by labor group and fund type.

Table 13 - Fiscal Year 2025 Budgeted Salaries and Wages displays the Fiscal Year 2025 Proposed Budget breakdown for salaries and wages by fund type.

Table 13 - Fiscal Year 2025 FTE Positions by Labor Group

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds ¹	Labor Group Total
MEA	3,036.68	859.99	1,898.56	144.23	27.00	5,966.46
AFSCME LOCAL 127	1,257.60	36.00	985.50	171.25	-	2,450.35
POA	2,017.23	-	-	-	-	2,017.23
IAFF LOCAL 145	1,067.00	14.00	-	-	-	1,081.00
Unclassified / Unrepresented	763.40	132.67	125.97	37.71	22.00	1,081.75
Classified / Unrepresented	178.99	43.00	89.36	26.50	4.00	341.85
Teamsters Local 911	173.00	-	-	-	-	173.00
DCAA	176.48	-	-	-	-	176.48
Elected Officials	11.00	-	-	-	-	11.00
Fund Total	8,681.38	1,085.66	3,099.39	379.69	53.00	13,299.12

¹ Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

Table 14 - Fiscal Year 2025 Budgeted Salaries and Wages

Salary and Wage Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds ¹	Budgeted Salaries and Wages
Salaries/Add-on-Pays	\$ 858,618,915	\$ 130,775,695	\$ 290,411,174	\$ 34,298,205	\$ 7,593,601	\$ 1,321,697,590
Budgeted Personnel Expenditures Savings	(64,262,000)	(10,208,130)	(32,089,817)	(2,961,640)	-	(109,521,587)
Salary Savings	(2,739,584)	(386,545)	(931,181)	(52,539)	(17,899)	(4,127,748)
Vacation Pay In Lieu	8,755,667	1,792,303	2,436,630	256,447	100,917	13,341,964
Termination Pay/Annual Leave	4,256,760	374,257	936,195	112,225	7,581	5,687,018
Hourly Wages	18,939,980	907,662	605,438	163,287	2,378	20,618,745
Overtime	94,950,671	2,137,964	11,263,009	762,616	-	109,114,260
Total	\$ 918,520,409	\$ 125,393,206	\$ 272,631,448	\$ 32,578,601	\$ 7,686,578	\$ 1,356,810,242

¹ Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

Citywide Budget Overview

The Fiscal Year 2025 Proposed Budget includes general wage increases and special salary adjustments approved in the Municipal Employees Association (MEA); American Federation of State, County, and Municipal Employees (AFSCME Local 127); and Deputy City Attorneys Association (DCAA) MOUs. At the time of the Fiscal Year 2025 Proposed Budget, the International Associated of Firefighters (Local 145), the Police Officers Association (POA), and Teamsters (Local 911) were still in active negotiations for their Fiscal Year 2025 labor contracts; therefore, a placeholder amount has been included in the Proposed Budget with the hope that negotiations will be completed prior to finalizing the Adopted Budget.

Budgeted Personnel Expenditure Savings

Budgeted Personnel Expenditure Savings are used as a budgeting tool to allocate resources that are projected to remain unspent to other priority needs. As part of the development of the Fiscal Year 2025 Proposed Budget, the City estimates an amount of personnel savings by department that is attributed to the following: vacancies, normal attrition, leaves of absence, under-filled positions, delays in the creation/filling of positions (Request to Fill), time-dependent add-ons, unplanned termination pay and overtime, and variances in all personnel salary groups due to unforeseen circumstances. These estimates will require that departments monitor Fiscal Year 2025 personnel expenditures against available allocated appropriations; however, this does not prohibit departments from filling any budgeted positions. The Fiscal Year 2025 Proposed Budget for Budgeted Personnel Expenditure Savings is \$109.5 million, representing a decrease of \$9.3 million, or 7.8 percent, from the Fiscal Year 2024 Adopted Budget. Budgeted Personnel Expenditure Savings is included in **Table 14 - Fiscal Year 2025 Budgeted Salaries and Wages**.

Table 15 - Budgeted Personnel Expenditure Savings Fiscal Year 2023 - 2025 displays the budgeted personnel expenditure savings by Department and Fund from Fiscal Year 2024 through Fiscal Year 2025.

**Table 15 - Budgeted Personnel Expenditure Savings
Fiscal Year 2023 – 2025**

Departments/Funds	FY 2023 Adopted Budget	FY 2024 Adopted Budget	FY 2025 Proposed Budget
General Fund			
City Attorney	\$ 2,099,306	\$ 1,518,940	\$ 1,604,131
City Auditor	-	359,273	-
City Clerk	158,678	231,502	194,057
City Planning	608,995	646,955	241,971
City Treasurer	522,825	654,091	976,463
Commission on Police Practices	-	298,093	420,154
Communications	123,833	137,527	124,841
Compliance	93,750	101,101	266,037
Debt Management	122,153	-	-
Department of Finance	74,069	79,717	135,393
Development Services	746,190	945,808	830,476
Economic Development	255,912	325,213	474,284
Environmental Services	1,407,963	1,366,525	1,250,080
Fire-Rescue	6,579,965	17,251,312	9,147,929
General Services	659,925	2,082,957	1,916,344
Homelessness Strategies & Solutions	-	74,763	119,501
Human Resources	81,732	401,164	790,062
Library	1,082,950	1,630,066	2,042,519

Citywide Budget Overview

Departments/Funds	FY 2023 Adopted Budget	FY 2024 Adopted Budget	FY 2025 Proposed Budget
Office of Emergency Services	93,750	116,027	306,211
Office of the Chief Operating Officer	314,000	82,066	19,103
Parks & Recreation	3,354,138	4,913,364	6,344,097
Performance & Analytics	-	274,464	252,704
Personnel	509,740	57,624	108,695
Police	21,372,414	32,194,363	28,152,933
Purchasing & Contracting	963,159	1,154,240	1,678,258
Race & Equity	227,316	-	-
Real Estate & Airport Management ¹	-	522,696	960,079
Stormwater	2,695,867	3,005,521	2,035,477
Sustainability & Mobility	471,417	568,480	207,035
Transportation	2,374,432	4,096,226	3,663,166
Total General Fund	\$ 46,994,479	\$ 75,090,078	\$ 64,262,000
Airports Fund	\$ 144,142	\$ 232,182	\$ 369,978
Central Stores Fund	234,324	277,042	264,026
Development Services Fund	9,610,179	7,404,446	6,000,331
Energy Conservation Program Fund	230,000	82,066	125,387
Engineering & Capital Projects Fund	11,483,057	9,853,148	8,998,167
Facilities Financing Fund	76,386	-	-
Fire/Emergency Medical Services Transport Program Fund	535,390	-	396,746
Fleet Operations Operating Fund	1,999,665	1,953,734	2,001,613
GIS Fund	278,329	-	124,841
Golf Course Fund	470,326	530,535	572,150
Information Technology Fund	365,303	475,311	295,313
Metropolitan Sewer Utility Fund	5,079,864	6,012,133	6,584,580
Municipal Sewer Revenue Fund	3,858,731	4,601,650	4,690,308
OneSD Support Fund	428,729	348,081	-
Parking Meter Operations Fund	-	-	58,117
Publishing Services Fund	43,960	-	65,589
Recycling Fund	535,234	651,808	763,366
Refuse Disposal Fund	1,401,273	1,290,167	1,993,331
Risk Management Administration Fund	387,274	415,877	505,025
Solid Waste Management Fund	-	-	293,544
Underground Surcharge Fund	67,291	166,409	124,841
Water Utility Operating Fund	8,637,004	8,951,512	10,822,229
Wireless Communications Technology Fund	475,345	455,298	210,105
Total Non-General Fund	\$ 46,341,806	\$ 43,701,399	\$ 45,259,587
Total	\$ 93,336,285	\$ 118,791,477	\$ 109,521,587

¹The Department of Real Estate and Airport Management is now overseen by the Economic Development Department. The formal restructure is anticipated to be implemented during the Fiscal Year 2026 budget process.

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Total Budgeted Fringe Allocations

Total budgeted fringe allocations are personnel costs that are non-wage related. The budgeted fringe allocation is composed of fixed fringe and variable fringe costs. Fixed fringe costs are targeted amounts that are set by specific obligations established through agreements with recognized employee organizations, City Ordinances, or the City's Reserve Policy. The targeted amounts are independent of current FTE position count or salary amounts. Fixed fringe costs include: the San Diego City Employees' Retirement System's (SDCERS) Actuarially Determined Contribution (ADC); as well as contributions for Workers' Compensation, Long-Term Disability (LTD), Other Post-Employment Benefits (OPEB), Unemployment Insurance, and Risk Management Administration (RMA). These expenditures account for \$601.6 million, or 73.6 percent, of budgeted fringe allocations in Fiscal Year 2025. The remaining budgeted fringe allocations are variable fringe costs that are dependent on payroll activity, such as reductions or additions in staff, and salary increases or decreases. **Table 16 - Fiscal Year 2025 Annual Budgeted Fringe by Fund Type** displays the citywide fringe allocation which totals \$817.4 million for Fiscal Year 2025, of which \$574.3 million, or 70.3 percent, is budgeted in the General Fund.

Table 16 - Fiscal Year 2025 Annual Budgeted Fringe by Fund Type

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds ¹	Fringe Totals
Retirement ADC	\$ 354,886,455	\$ 39,191,706	\$ 83,754,942	\$ 9,284,378	\$ 2,435,375	\$ 489,552,856
Flexible Benefits	104,154,929	13,383,955	35,695,519	4,718,334	780,859	158,733,596
Retiree Health/Other Post-Employment Benefits	32,169,738	3,926,933	11,289,928	1,385,063	219,950	48,991,612
Supplemental Pension Savings Plan	10,878,428	3,007,770	5,790,002	764,308	165,507	20,606,015
Workers' Compensation	32,889,938	1,055,759	6,047,935	1,156,541	55,449	41,205,622
Risk Management Administration	10,767,327	1,314,340	3,778,590	463,579	73,617	16,397,453
Medicare	13,230,763	1,751,599	3,755,473	455,938	109,845	19,303,618
Employee Offset Savings	5,588,136	470,879	699,707	95,877	48,392	6,902,991
Retirement DROP	1,889,040	202,329	507,009	71,000	21,615	2,690,993
Unemployment Insurance	784,119	116,895	261,882	31,987	7,859	1,202,742
Retiree Medical Trust	1,401,841	202,271	427,220	52,656	11,945	2,095,933
Retirement 401 Plan	2,870,972	719,566	1,643,811	192,929	47,780	5,475,058
Long-Term Disability	2,767,293	412,485	924,183	112,898	27,741	4,244,600
Fund Type Totals	\$ 574,278,979	\$ 65,756,487	\$ 154,576,201	\$ 18,785,488	\$ 4,005,934	\$ 817,403,089

¹ Other Funds includes San Diego City Employee's Retirement System (SDCERS) FTE Positions.

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City Retirement Contributions

The City's payment for retirement benefits in the Fiscal Year 2025 Proposed Budget is \$489.6 million, and its components are described in further detail below:

- The Actuarial Valuation Report as of June 30, 2023, prepared by the San Diego City Employees' Retirement System's (SDCERS) actuary, was released in January 2024. The valuation calculated the City's Actuarially Determined Contribution (ADC) to be \$526.6 million. The largest factors contributing to the increase in ADC costs are liability experience loss and changes in the assumptions or methods used to calculate ADC. The liability experience loss was primarily due to salary increases that were greater than expected. The most significant source of increase to liability from the assumption changes was due to the change in the Cost of Living Adjustment (COLA) assumption from an annual assumed COLA of 1.90% to an annual assumed COLA of 2.00%. In addition, the price inflation and wage inflation assumptions were updated. Previously, the price inflation assumption and the wage inflation assumption were both 3.05%. Under the revised assumptions, the price inflation assumption is 3.00% and the wage inflation assumption is 3.25%, which is price inflation plus productivity. There were other minor adjustments to the demographic assumptions, including a change to the assumed mortality improvement scale to better anticipate future improvements in life expectancy.
- In a subsequent meeting in March 2024, the SDCERS Board approved a change to the amortization method for the non-Police portion of the unfunded pension liability from the level dollar method to the level percentage of payroll method. As a result of this action, the City's pension payment for Fiscal Year 2025 was reduced to \$489.6 million. This represents an increase of \$41.4 million from the Fiscal Year 2024 Adopted Budget; approximately \$354.9 million, or 72.5 percent, of the ADC is budgeted in the General Fund.
- \$1.2 million is budgeted in the Citywide Program Expenditures Department for the Preservation of Benefits Plan contribution to SDCERS to cover benefit payments in excess of Internal Revenue Service (IRS) limits. Note this figure is not reflected in **Table 16 – Fiscal Year 2025 Annual Budgeted Fringe by Fund Type**.
- \$1.6 million has been budgeted to fund the pay-go costs for the supplemental cost of living adjustment (COLA) benefit, of which \$1.0 million is included the General Fund in the Citywide Program Expenditures Department. The supplement COLA benefit was established by San Diego Ordinance O-18608 on January 11, 1999, to increase the monthly retirement allotment for retirees who retired before July 1, 1982, with at least ten years of service credit and whose benefits had fallen below 75.0 percent of their original purchasing power. A reserve was established in Fiscal Year 1999 with \$35.0 million in surplus earnings from previous fiscal years to fund this benefit; however, this reserve was depleted in Fiscal Year 2015. As a result, Ordinance O-20282 was adopted on July 23, 2013, and the City funds the supplemental COLA benefit annually. Note this figure is not reflected in **Table 16 – Fiscal Year 2025 Annual Budgeted Fringe by Fund Type**.

Flexible Benefits

An Internal Revenue Service (IRS) qualified cafeteria-style benefits program is offered to all eligible employees. All employees in one-half, three-quarter, or full-time status are eligible. The Fiscal Year 2025 Proposed Budget for Flexible Benefits is \$158.7 million, which represents an increase of \$9.8 million from the Fiscal Year 2024 Adopted Budget due to position additions/reductions, changes in coverage selections of employees, and negotiated increases to Flexible Benefit Plans.

Through the Flexible Benefits Plan, the City currently offers healthcare coverage to all of its full-time, three-quarter time, half-time employees, and non-standard hour employees working an average of at least 30 hours per week or 130 hours per month, per the Affordable Care Act (ACA), through the Flexible Benefits Plan. The majority of City employees qualify for the Flexible Benefits Plan, thus complying with a key

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component of the ACA. The City continues to monitor ACA mandates and clarifications to assess the impacts on City benefit plans.

Retiree Healthcare/Other Post-Employment Benefits (OPEB)

In fiscal year 2012, the City entered into a 15-year memorandum of understanding with the REOs through fiscal year 2027 (Healthcare MOU). Pursuant to the Healthcare MOU, members retiring after April 1, 2012 were required to make an irrevocable election between three retiree healthcare benefit plan options, Options A, B, and C. Options A and B are defined benefit plans and Option C is a defined contribution plan. The City's defined benefit plans and the Option C defined contribution plan are closed to employees hired on or after July 1, 2005. For general members hired on or after July 1, 2009, the City established a new defined contribution plan through a trust vehicle (Retiree Medical Trust Plan). The City has pre-funded future postemployment healthcare benefits for defined benefit plan costs through the California Employers' Retiree Benefit Trust (CERBT), an investment trust administered by the California Public Employees' Retirement System (CalPERS). Other than the amounts pre-funded through the CERBT, the City pays for retiree healthcare costs on a pay-as-you-go basis. If the City's annual contribution and employee contributions for the Option A and B Plans do not fully cover the annual costs of the defined benefit plans and Option C Plan, the City withdraws funds from the CERBT to cover the difference. The Fiscal Year 2025 Proposed Budget for these plans is \$49.0 million. In Fiscal Year 2025 there is a \$16.4 million decrease associated with a change in funding strategy implemented in FY 2024. The City engaged with actuarial consultants who analyzed the City's planned funding strategy and provided a revised funding plan that would stop pre-funding the benefit and rely on the strategic use of retiree healthcare trust funds and pay-as-you-go contributions for retiree healthcare costs that will continue to decrease over time as the City meets its obligations and the plan membership decreases.

Supplemental Pension Savings Plan (SPSP) and New Retirement Plans

In 1982, the City opted out of Social Security and established the Supplemental Pension Savings Plan (SPSP). SPSP accounts provide a way for eligible employees to add to savings for retirement income, which is in addition to SDCERS' benefits. Employees hired before July 1, 2009, must contribute a mandatory 3.0 percent. Employees hired on or before July 1, 1986, can voluntarily contribute up to an additional 4.5 percent, and if hired after July 1, 1986 an additional 3.05 percent. This amount is deducted from employees' paychecks and placed into an SPSP account for the employee. The City also matches these contributions. The Fiscal Year 2025 Proposed Budget for SPSP is \$16.1 million.

As a result of the unwinding of Proposition B, most general members hired on or after July 1, 2009, receive a hybrid retirement plan which includes a reduced defined benefit retirement plan as well as a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll, which the City matches. The Fiscal Year 2025 Proposed Budget for the City's contribution match is \$5.5 million based on 5,896.67 FTE general members who elected to stay in the SPSP-H plan. The general members who elected to stay in the SPSP-H Plan in lieu of joining SDCERS are required to contribute to the plan a percentage of compensation based on SDCERS member contribution rates, which is matched by a 9.2 percent employer contribution. The Fiscal Year 2025 Proposed Budget includes the City's contribution match of \$3.5 million for those employees that elected to remain in the SPSP-H Plan, which represents a decrease of \$739,000 from the Fiscal Year 2024 Adopted Budget.

Additionally, the Fiscal Year 2025 Proposed Budget includes \$1.0 million in the SPSP-H account for hourly employees. **Table 16 – Fiscal Year 2025 Annual Budgeted Fringe by Fund Type** reflects a total budgeted amount of \$20.6 million which includes SPSP, SPSP-H and hourly SPSP-H contributions. Lastly, City employees hired after July 10, 2021, with no prior City service, are now automatically placed in SDCERS.

Citywide Budget Overview

Workers' Compensation

State Workers' Compensation laws ensure that employees who suffer work-related injuries or illnesses are provided with medical treatment and monetary awards. State Workers' Compensation statutes establish this framework of laws for the City. The workers' compensation contribution in the Fiscal Year 2025 Proposed Budget is \$41.2 million.

Risk Management Administration

The Risk Management Administration (RMA) rate was established to support the programs and services provided by the Risk Management Department, which is an Internal Service Fund. These services include the administration of Workers' Compensation, Public Liability and Loss Recovery, Employee Benefits, Savings Plans, and Long-Term Disability. The Fiscal Year 2025 Proposed Budget for Risk Management Administration is \$16.4 million.

Medicare

Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers are required to pay. The application of this rate applies to all City employees and is based on earned income, including any earned income related to overtime or other employee special pays. The Fiscal Year 2025 Proposed Budget for Medicare is \$19.3 million.

Employee Offset Savings (EOS)

Labor negotiations in Fiscal Year 2005 resulted in the reduction of the City's Retirement Offset Contribution; in exchange, the savings the City realizes as a result of this reduction must be used to address the City's pension UAAL. Each City department is charged based upon its respective payroll and these funds are transferred into the EOS Fund. The Fiscal Year 2025 Proposed Budget includes Employee Offset Savings of \$6.9 million, which is budgeted as an expense to all City departments and revenue to the respective funds. The \$6.9 million will be transferred to the General Fund to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006.

Retirement DROP

In accordance with the Deferred Retirement Option Program (DROP) adopted in Fiscal Year 1997, the City is required to match 3.05 percent of the DROP participants' salary. The Fiscal Year 2025 Proposed Budget for Retirement DROP contributions are \$2.7 million, or 3.05 percent of the current DROP participants' salary of \$88.2 million.

Unemployment Insurance

Unemployment Insurance provides temporary unemployment benefits to eligible workers who are unemployed and meet State law eligibility requirements to receive the benefit. The Fiscal Year 2025 Proposed Budget for Unemployment Insurance is \$1.2 million.

Retiree Medical Trust (RMT)

The Fiscal Year 2025 Proposed Budget for retiree health trust contributions is \$2.1 million. General members hired on or after July 1, 2009, must contribute 0.25 percent of payroll into a retiree medical trust, which the City matches. The Fiscal Year 2025 Proposed Budget for the City's contribution match to general members is \$1.4 million. In addition, \$659,000 is included in the Fiscal Year 2025 Proposed Budget for contributions to the Southern California Firefighters Benefit Trust for each active International Association of Firefighters (IAFF) Local 145 member.

Long-Term Disability

Long-term disability is an employee benefit plan designed to provide partial salary replacement to eligible employees who are unable to work due to a disability as a result of injury, illness, or pregnancy. The Long-

Citywide Budget Overview

Term Disability (LTD) contribution in the Fiscal Year 2025 Proposed Budget is \$4.2 million. This contribution funds the pay-go requirements for the LTD Fund.

Proposition B Status

Proposition B Litigation. On June 5, 2012, City of San Diego voters approved Proposition B, a pension reform initiative amending the City Charter. While in effect, Proposition B prevented all employees hired on or after July 20, 2012, other than sworn police officers, from participating in the Pension Plan. Instead, those employees were only eligible to participate in a defined contribution plan, Supplemental Pension Savings Plan-H (“SPSP-H Plan”). In early 2021, the California Superior Court invalidated Proposition B. Since then, the City has struck the Proposition B provisions from the Charter and conformed the Municipal Code and any related enactments accordingly. The City also complied with the court ruling requiring that the City meet and confer with the REOs over the effects of Proposition B and its invalidation, and that the City pay the impacted current and former employees represented by the REOs the difference, plus 7% annual interest (the “Interest Penalty”), between the compensation (including retirement benefits) those employees would have received prior to when Proposition B took effect and the compensation they actually received after Proposition B took effect (the “Make-Whole Provision”).



The actions necessary to fully unwind Proposition B are mostly complete, including the transfer of eligible active employees from the City’s SPSP-H Plan into the Pension Plan. Interest Penalty payments to active employees were made in Fiscal Year 2023. Together with annual normal costs, Make-Whole Provision costs for active employees were included in the annual Actuarially Determined Contribution beginning in Fiscal Year 2024. The Make-Whole Provision costs will be amortized over a 20-year period.

Interest Penalty payments and member contribution shortfalls related to separated employees totaling approximately \$316,000 million are expected to be made in Fiscal Year 2024. The City estimates \$2.6 million in Make-Whole Provision costs associated with non-police separated employees. The Pension Plan board will decide at a future date how payment of these costs will be made; whether the amount should be amortized as was done in the case of active employees, or if the City will be required to pay it as a lump sum.

The City also continues to negotiate with the Police Officers Association regarding the impacts of Proposition B and potential pension benefit changes for current and new sworn police officers, as well as current and new police recruits.



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