



# Fiscal Analysis of the City of San Diego

Fiscal Years 2011-2026

*Prepared by The San Diego County Taxpayers Association*

*April 2026*

## Executive Summary

Despite looming infrastructure costs that are expected to exceed **\$7.8 billion**<sup>1</sup>, the City of San Diego continues to allocate more funds to grow its municipal staffing at an average annual rate of **2.2%**, outpacing its population growth which has slowed to **less than 0.5%** annually. This pattern invokes classical principal-agent problems, as the City's elected officials provide departmental agents ambiguous and conflicting goals, leading to operational overhead consuming more resources without evidence of a corresponding improvement in service delivery or Key Performance Indicators (KPIs). This report presents a longitudinal fiscal analysis of the City of San Diego from 2011 to the present, documenting a systemic misalignment between municipal expenditures and public benefit.

While the City faces a multi-billion-dollar capital funding gap and a minimum **\$1 billion deferred maintenance backlog**, budgetary priorities in recent years have focused on administrative expansion rather than critical asset preservation. This structural instability is further masked by a pattern of over-projecting city revenues, a practice consistent since 2020 that relies on optimistic growth forecasts and outdated demographic estimates to help justify rising non-discretionary personnel costs. The analysis concludes that the continued deferral of essential maintenance subjects taxpayers to a "reactive repair premium," where emergency interventions will cost up to **600% more** than preventative measures<sup>2</sup>. To mitigate the risk of fiscal insolvency, the city must urgently alter course and prioritize personnel optimization and aggressive capital reinvestment to stabilize its deteriorating infrastructure and fiscal foundation.

### I. Introduction & Background

The San Diego County Taxpayers Association periodically conducts reviews of municipal agencies in San Diego County to provide taxpayers and the general public with some basic information about their local governments. This report series, unlike its predecessors, intends to go beyond providing summary information of basic facts and instead begin to identify and explore some of the major trends found within the data. First, each report will examine the current financial status of a municipality and identify the trajectory of its revenues and expenditures overall. Conditional on this status, we will analyze historical budget data to determine some of the factors that have contributed to the state of the municipality's current finances including financial forecasting practices, trends in personnel expenditures and

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<sup>1</sup> The City of San Diego. 2026. *Fiscal Year 2027–2031 5-Year Capital Infrastructure Planning Outlook*. <https://www.sandiego.gov/sites/default/files/2026-02/fy-27-31-five-year-capital-infrastructure-planning-outlook.pdf>

<sup>2</sup> OpenGov. 2024. *What is Deferred Maintenance? [New Guide for 2024]*.

population growth, as well as infrastructure needs and deferred maintenance. If available, we will also evaluate a sample of municipal KPIs to determine the relationship between the entity’s expenditures and programming, and outcomes for the taxpayer. This report is intended to call attention to persistent issues in municipal budgeting that generate inefficiencies, identify changes that can be made, and highlight good governance whenever applicable.

### The City of San Diego - Current Financial Status

The City of San Diego’s Fiscal Year (FY) 2026 Adopted Budget, depicted in Figure 1 below, totals just over \$6.1 billion to cover both operating and capital expenditures. This represents a \$288 million increase over FY2025. The General Fund is the primary operating fund of the city and represents 35.5% of the adopted budget at over \$2.1 billion, supporting core city services such as police, fire-rescue, transportation and stormwater operations, parks and recreation, and library services and is primarily sourced from the city’s property tax, sales tax, transient occupancy tax (TOT), and franchise fees.

Fund Type/Program	FY 2025 Adopted	FY 2026 Adopted	FY 2025-FY 2026 Change
General Fund	\$ 2,160.9	\$ 2,167.4	\$ 6.5
Special Revenue Funds	1,003.4	1,102.7	99.3
Capital Project Funds	26.3	25.2	(1.1)
Enterprise Funds	1,483.2	1,730.5	247.3
Internal Service Funds	191.9	234.1	42.2
Capital Improvements Program	950.0	843.7	(106.3)
<b>Total</b>	<b>\$ 5,815.7</b>	<b>\$ 6,103.7</b>	<b>\$ 288.0</b>

Figure 1: City of San Diego FY 2026 Adopted Budget  
Source: City of San Diego FY 2026 Adopted Budget. Note: **Dollars listed in millions**

### **Table 4 - Updated Fiscal Year 2026-2030 Five-Year Financial Outlook**

	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030
Revenues	\$ 2,167.4	\$ 2,216.9	\$ 2,271.5	\$ 2,340.0	\$ 2,399.9
Expenditures	2,167.4	2,271.6	2,337.4	2,371.0	2,443.8
<b>Updated Baseline (Shortfall) / Surplus</b>	-	<b>(54.8)</b>	<b>(65.9)</b>	<b>(30.9)</b>	<b>(43.8)</b>

Figure 2: Updated Fiscal Year 2026-2030 Five Year Financial Outlook  
Source: City of San Diego FY 2026 Adopted Budget. Note: **Dollars listed in millions**

Figure 2 shows the city’s projected General Fund revenue shortfalls up to FY2030, ranging from about \$31 million to \$66 million annually. The city produces annual Five-Year Financial Outlooks to guide budgeting for the upcoming fiscal year, particularly to identify expenditure gaps and illustrate mitigating actions the city can take to balance the budget in light of them. Throughout the fiscal year, new information (e.g. macroeconomic downturn, unexpected costs increases) causes the assumptions underlying the Outlook to change, requiring the city to update its forecasts to ensure they are accurate.

Table 2.34 - Revised Outlook Surplus/Shortfall (\$ in Millions)						
	Fiscal Year 2026 Adopted Budget	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031
BASELINE GENERAL FUND REVENUES	\$ 2,167.4	\$ 2,195.5	\$ 2,255.7	\$ 2,337.7	\$ 2,406.3	\$ 2,493.4
BASELINE GENERAL FUND EXPENDITURES	\$ 2,167.4	\$ 2,284.3	\$ 2,362.6	\$ 2,390.1	\$ 2,461.6	\$ 2,550.3
BASELINE SURPLUS / (SHORTFALL)	\$ -	\$ (88.8)	\$ (106.9)	\$ (52.4)	\$ (55.3)	\$ (57.0)
NEW AND EXPANDED FACILITIES		\$ 6.8	\$ 10.9	\$ 17.7	\$ 18.9	\$ 19.6
HOMELESSNESS PROGRAMS AND SERVICES		\$ 15.0	\$ 21.2	\$ 21.4	\$ 20.8	\$ 27.9
TOTAL		\$ 21.8	\$ 32.1	\$ 39.1	\$ 39.7	\$ 47.4
REVISED SURPLUS / (SHORTFALL)		\$ (110.6)	\$ (139.0)	\$ (91.5)	\$ (95.0)	\$ (104.4)

Figure 3: Revised General Fund Outlook Surplus/Shortfall

Source: City of San Diego Department of Finance Fiscal Year 2027-2031 Five Year Financial Outlook,  
Note: **Dollars listed in millions**

The most recent Five-Year Financial Outlook released by the city in November 2025 projects General Fund shortfalls ranging from \$91.5 to \$139 million annually from 2027-2031, exhibited in Figure 3. The new Outlook projects deficits that are much larger—between \$51 million and \$73 million annually—when compared to the FY2026 budget estimates. These structural shortfalls are not a new problem for San Diego, nor are they an exceptional one. San Diego left FY2024 facing a \$170 million budgetary shortfall, exacerbated by the termination of federal and state Covid relief funds<sup>3</sup>. San Diego is not alone: cities across the state and country have been grappling with the same post-pandemic issues of rising costs paired with sluggish revenues and increasing economic uncertainty. Coming into the budgeting season for 2026, the looming deficit ballooned to \$258 million, earning San Diego a spot on the list of twenty out of the twenty-five largest

<sup>3</sup> Symon, Evan. 2025. *San Diego City Council Scrambles To Make Up \$258 Million Budget Deficit*. California Globe.

cities in the country battling multi-year budget gaps, including Los Angeles (\$300 million), San Francisco, (\$876 million) and New York (\$5.4 billion)<sup>4</sup>.

The city has attempted to secure funds to temporarily close the budget gap by expanding revenues in numerous ways, including proposing a sales tax increase, “Measure E” in November 2024 which if passed, the city projected would have raised an additional \$400 million in revenue<sup>5</sup>. Following Measure E’s defeat, the city sought multiple new fees to evade the deficit including a first-ever trash pickup fee, and by implementing new as well as increased parking fees across the city. The latter were initially expected to bring in \$15.5 million in revenue, but upon revision due to delays in rollout, lower than expected usage and a reduction in rates, the fees are now expected to bring in only about \$7.5million.<sup>6</sup>

Crucially, it’s also becoming more unlikely that the city will be able to rely on even these reduced revenue streams. Massive backlash in the wake of the new fees has been followed by an attempt to repeal the trash pickup fee, which was narrowly authorized by voters in 2022 under “Measure B”, overturning a 106-year-old mandate providing city subsidized trash collection to residents. Measure B’s language estimated the monthly cost per customer to range from \$23 to \$29. Since then, the city has released a revised fee schedule setting the range at \$32 to \$43 per month for the first year and rising to \$44 to \$58 per month in FY2029<sup>7</sup>. Efforts are underway to place a repeal or fee-reduction initiative on the November 2026 ballot, with repeal proponents describing the cost increase as a bait-and-switch scheme by the city<sup>8</sup>. If the trash fee repeal is successful, which is a reasonable possibility given the level of voter distrust of City Hall, the city will face an even larger budget deficit with no particularly attractive options to close it.

Currently, the city is contemplating placing multiple tax and fee proposals on the 2026 and 2028 ballots including another shot at a one-cent sales tax increase, an increase to the current property transfer tax rate, a vacant housing tax, and an increased storm drain fee. While these measures—which are hardly guaranteed to pass—could provide temporary relief to the city’s budgeting woes, a report by the city’s Independent Budget Analyst Office stresses its recommendation that the City urgently bring expenditures in line with revenues in order to maintain service quality and meet ongoing infrastructure needs, which will require the city to make significant expenditure

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<sup>4</sup> Goodman, Josh. 2025. *Big Cities Face Deficits: Should States Worry?* The Pew Charitable Trust.

<sup>5</sup> Office of the Independent Budget Analyst. 2025. *IBA Review of the Mayor’s FY 2027-2031 Five-Year Financial Outlook*. The City of San Diego

<sup>6</sup> Barba, Mariana Martinez. 2025. *San Diego Zoo Will Start Charging for Parking Next Year. City’s Cut Still TBD*. Voice of San Diego.

<sup>7</sup> Murray, Ryan. 2025. *Council approves trash fee, breaking with 106-year old 'People's Ordinance'*. KPBS

<sup>8</sup> Schnell, Bradley. 2026. *Opinion: Time for San Diegans to stop the trash tax bait and switch*. The San Diego Union-Tribune

cuts<sup>9</sup>. The following data examine trends in budgeting and spending that may have contributed to, or otherwise have become unsustainable because of the state of the city's finances today.

## II. Data & Findings

### Operating Budget and Actuals

The ideal scenario for any government agency budgeting limited resources to provide services is one where ongoing revenue increases consistently and perpetually outpace cost growth. In reality, no matter how well-balanced a municipal budget is at the beginning of the fiscal year, it will be subject to changing and unpredictable external shocks, political pressures, economic cycles, and structural limitations of the tax base. Therefore an important aspect of responsible budgeting is generating revenue projections that consider a multitude of scenarios and assumptions while incorporating reputable economic research to back those assumptions.

Figure 4 shows both the city's adopted operating budget (diagonal hatched bars) and actual (solid color bars) operating revenues, broken down by fund type from FY2011 to 2023. Notably, since FY 2020 the city has adopted budgets that projected larger annual revenues than they actually collected during that fiscal year. While the onset of the COVID-19 (Covid) pandemic makes 2020 in particular an unreliable indicator of fiscal prudence, the city continued to over-project expected revenue in every year since.

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<sup>9</sup> Office of the Independent Budget Analyst. 2025. *IBA Review of the Mayor's FY 2027-2031*

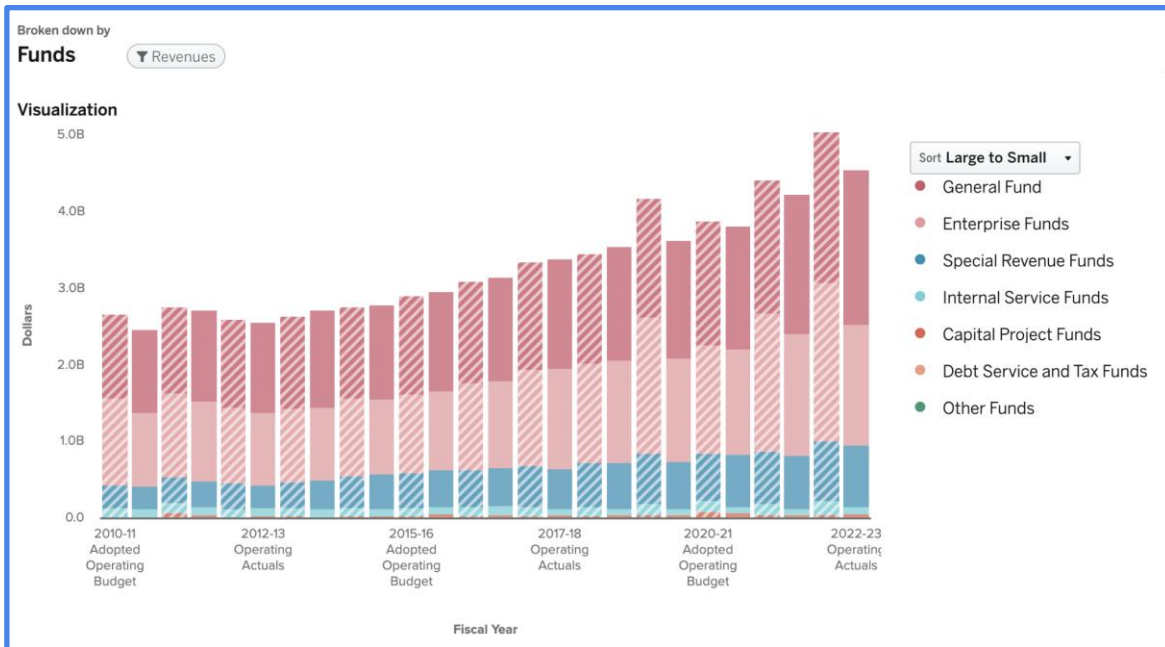


Figure 4: Adopted vs Actual Operating Budget FY11-23

Source: City of San Diego OpenGov

The data highlights a budgeting practice that is only viable in years of economic growth and can become unsustainable during cyclical slowdowns or in the face of external shocks. Up to FY2020, the City had been able to meet its growing costs with consistently greater revenue gains. Now, the City's overly optimistic revenue assumptions cannot mask the core issues it faces: Covid funding has dried up, and population growth has slowed, with no guarantee it will return to pre-Covid levels. The reality of structural revenue limitations is coupled with personnel costs, pension obligations, and an infrastructure backlog that each continue to expand. In the current economic environment, overestimating revenues is a short-term, politically palatable tool and useful to support increased expenditures, but it is particularly detrimental to good governance if revenue growth slows while costs do not.

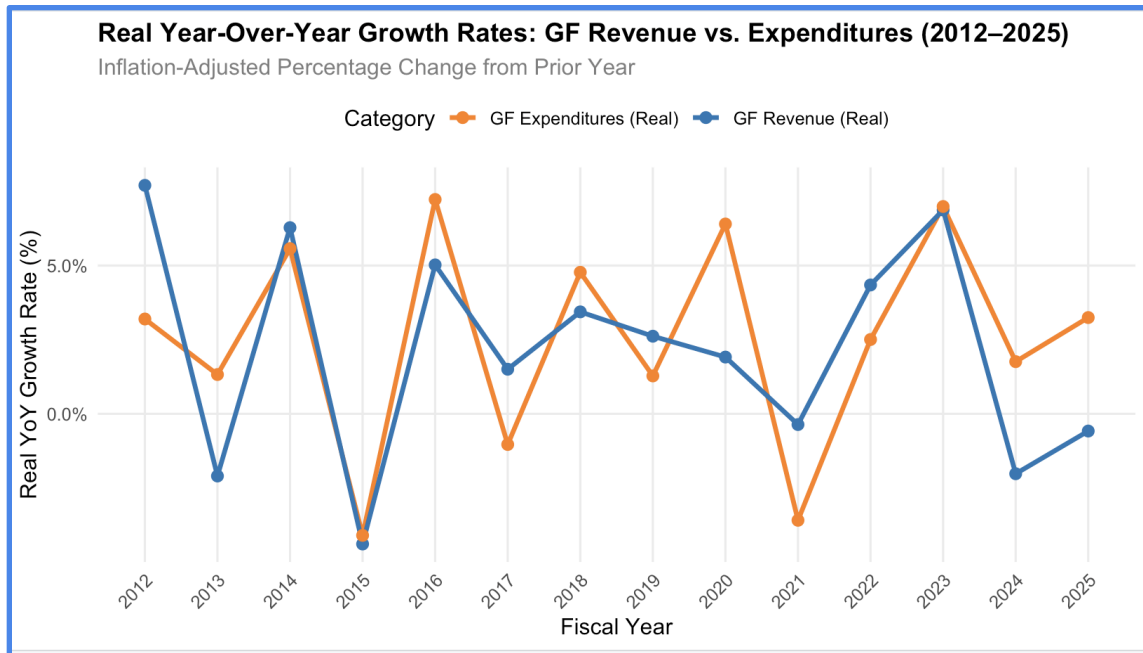


Figure 5: General Fund Revenue vs Expenditures Growth

Sources: City of San Diego OpenGov, City of San Diego FY 2026 Adopted Budget, City of San Diego FY2025 Annual Comprehensive Financial Report

Figure 5 exemplifies this dilemma: even in the four years prior to Covid, General Fund revenue growth—which funds the majority of personnel costs and which is largely sourced by taxpayer dollars—was declining. Covid brought a much-needed flush of one-time funding, and since those monies have run out, expenditures have begun to climb faster than revenues over the past two FYs. Budgeting unrealistic revenue has left the city in a precarious position where they cannot fund the programs and projects they’ve promised, and related to the patterns discussed below, they will likely not be able to rely on their taxbase to fund these expenditures either.

### Personnel and Population

From 2011-2024, the City of San Diego’s population grew a total of about 7%, averaging 0.49% per year from 1,314,794, to a peak of 1.42 million in 2019 and stabilizing at just over 1.4 million after a decline spurred by the Covid pandemic in 2020 and 2021. At the same time, the city’s personnel grew by almost 29% overall, averaging about 2% growth per year and currently hovering at a little over 14,000 including all full-time and part-time employees, elected officials,

and board members<sup>10</sup>. Figure 6 compares the two growth rates via an index using 2011 as the base year and depicts consistently steeper personnel increases briefly interrupted by the Covid years before returning to a similar growth trend in relation to total population.

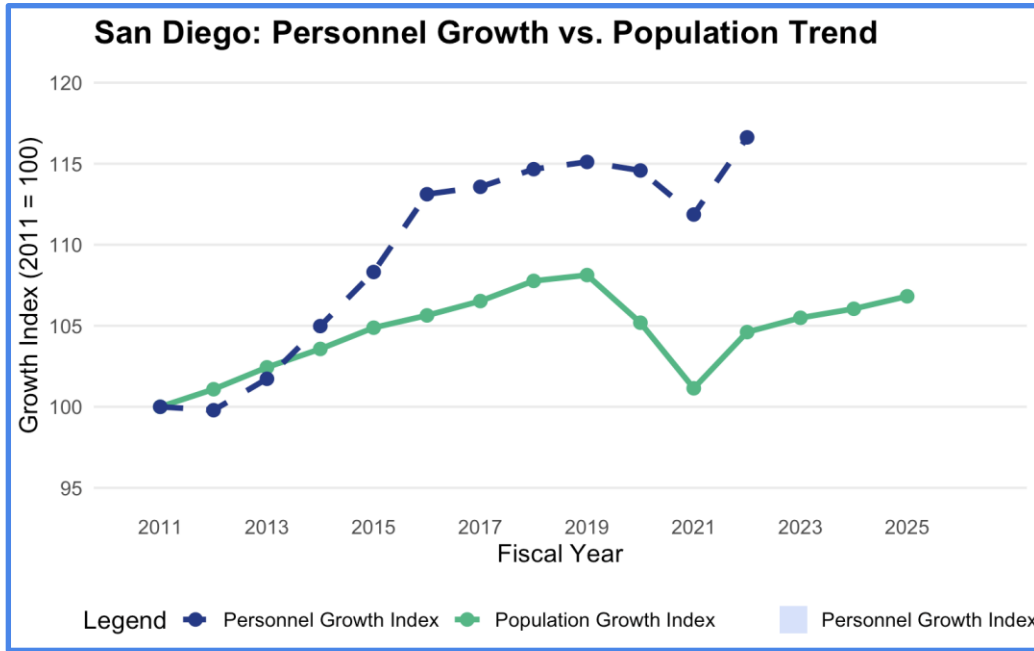


Figure 6: Personnel Growth vs. Population

Sources: California State Controller’s Office *Government Compensation in California*, City of San Diego OpenGov

Figure 7 emphasizes this trend, showing the respective adopted General Fund and personnel expenditure budgets per capita over time, adjusted for inflation. Residents are absorbing a much higher cost of city services today than they were 15 years ago: in 2011, on average the city received \$1192 per taxpayer whereas in 2025 the total climbed to \$1538, a ~29% increase, while during the same time personnel costs increased by nearly 25% from \$859 to \$1070 per person.

<sup>10</sup> California State Controller’s Office. 2026. *Government Compensation in California*. <https://publicpay.ca.gov/>

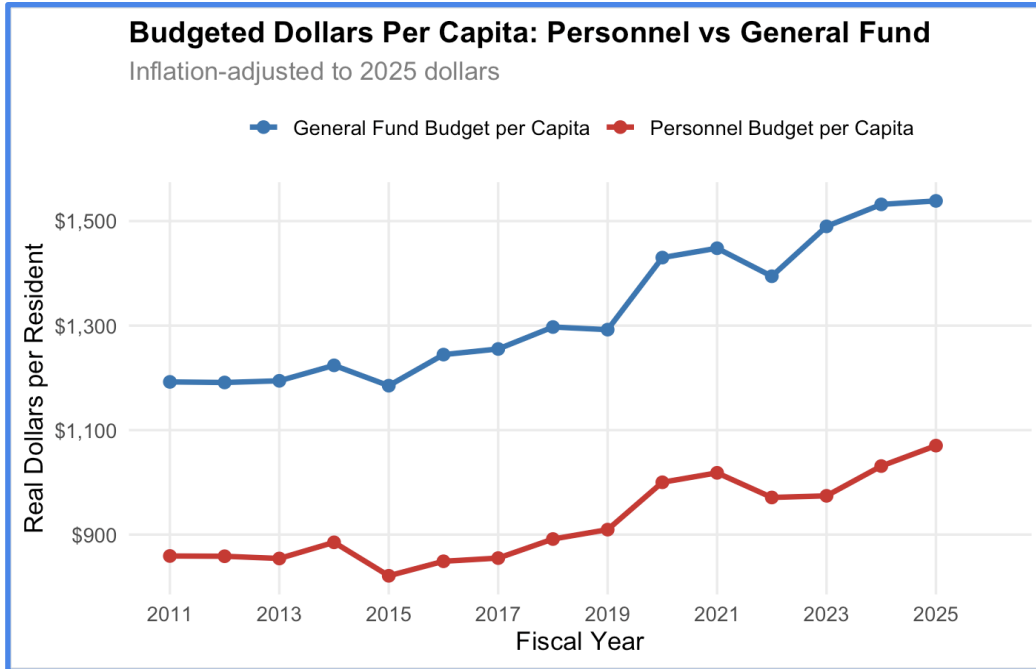


Figure 7: Budgeted Personnel Cost Growth (per capita)

Sources: City of San Diego OpenGov, City of San Diego FY2025 Adopted Budget

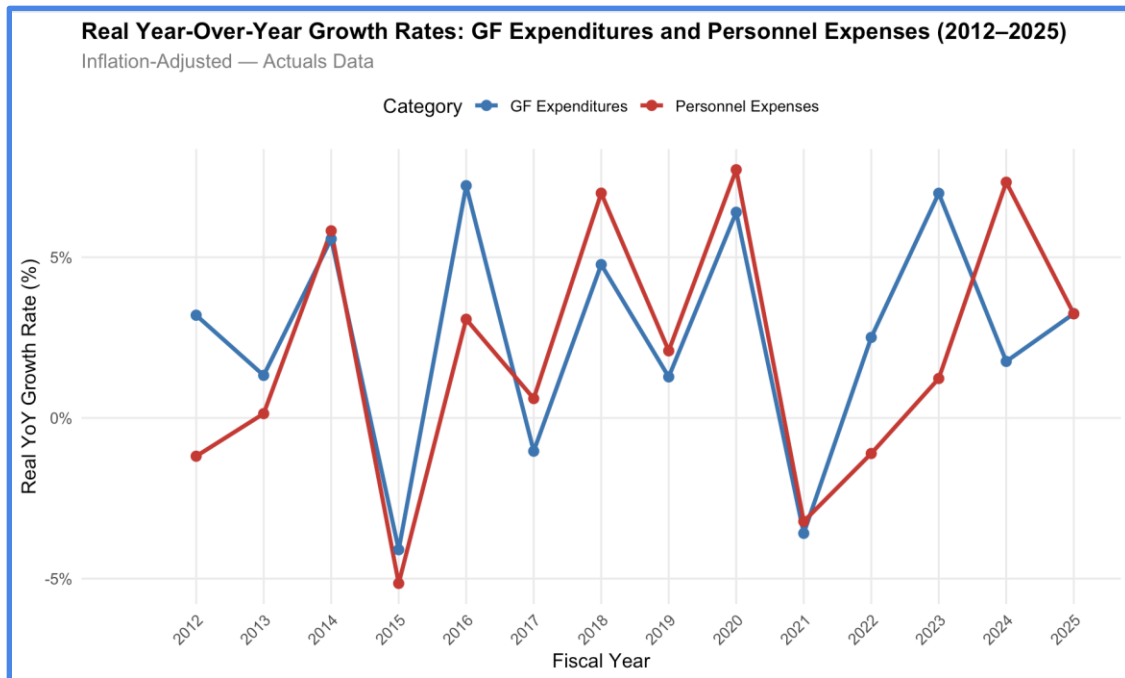


Figure 8: Real Year over Year Personnel Cost Growth

Sources: City of San Diego OpenGov, City of San Diego FY2025 Annual Comprehensive Financial Report

Figure 8 depicts the growth rate of the General Fund (blue) and personnel expenditures (red) and shows how the rate of change in personnel spending generally mirrors changes in the General Fund overall, much like the budget trend lines in Figure 7. This makes intuitive sense since personnel spending is a largely non-discretionary, fixed cost that makes up a relatively consistent and large proportion (~72% in FY2026) of the General Fund budget. Public employee wages, benefits, salary increases, and pension obligations are for the most part determined by labor agreements between the cities and their associated employee unions. This can become an issue for municipalities when they face budgeting shortfalls—even if projected costs outpace projected revenues, cities still have to meet contractual obligations to their employees. Because personnel spending is locked in, cities facing financial deficits will either need to initiate new revenue streams, terminate city employees, or make cuts to other parts of the budget to fill the gap.

Although the General Fund hit record revenue levels in 2025<sup>11</sup>, bringing in just over \$2.07 billion, its growth is constrained by any factor that impacts fee regimes including economic and population trends. All the graphs so far provide examples of the former, with significant declines in population, personnel, revenues and expenditures during the pandemic. While these events cannot be precisely predicted, it is up to the city to continue to monitor any phenomenon which impacts its ability to collect revenue to ensure that spending increases are fruitful, especially when committing taxpayers to additional long-term debts.

### Growth of Middle Management & Overtime

A higher rate of personnel growth is not invariably wasteful or inefficient. While San Diego's population has not returned to pre-Covid levels, it has clearly grown over the fifteen-year time period. This growth has likely been accompanied by new or increased demands for services, and more personnel may be needed to expand service provision without reducing service quality.<sup>12</sup> Although multiple variables will contribute to changes in the quality of various city services, it is important to consider what types of positions, broadly, that these dollars are funding because it will help identify which projects and programs the city has been prioritizing, and will also reveal

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<sup>11</sup> City of San Diego. 2025. *OpenGov Operating Expenditures and Revenues and Annual Comprehensive Financial Report*.

<sup>12</sup> Tanksali, Harshita Umesh and Omeyr, Farhad Kaab. 2025. *Population Growth & Municipal Fiscal Outlook: Growing Cities = Higher Revenues + Healthier Reserves*. National League of Cities.

how personnel changes may be related to varied progress toward outcomes when reviewing the city's KPIs later on.

While it is outside the scope of this paper to gauge granular changes in personnel by each department, there is evidence of some overall trends that are useful to the current analysis. One of these trends, observed by Michael Zucchet of San Diego's Municipal Employees Association, is the growth of middle-management positions titled "program manager" and "program coordinator" which Zucchet found to have increased from 70 to 393 over the past decade, a **461% increase**.<sup>13</sup> These positions have functions which include departmental program oversight, budgeting and reporting, resource allocation, and staff supervision.

The same report, which was presented to the City Council in early 2025, found this increase to be nearly twenty-three times greater than the growth in frontline workers over the same time period. The term frontline workers typically refers to "boots-on-the-ground" staff which perform the essential public services that middle-management oversees and includes first-responders such as police officers, paramedics, firefighters, and lifeguards as well as facility maintenance workers, sanitation and refuse crews, parks and recreation staff, and code enforcement officers. It is critical that these positions are well-staffed not only for ensuring public safety and access to services, but also efficiently managing the city's resources. Another 2025 report indicated that overtime pay to San Diego city employees **increased by 65%** from 2019 to 2024, and that 211 employees earned over \$100,00 in overtime in FY2024<sup>14</sup>. **Of those 211, 208 were first responders**. In the short-term, overtime may be seen as a way to save money by leaving vacant positions unfilled. In truth, the costs associated with overtime likely outweigh any fiscal benefits including the dangers associated with longer shifts and increased burden distributed to existing employees, evidenced in detail by a 2025 KPBS analysis of the San Diego Police Department's struggle to fill vacancies and cover shifts.<sup>15</sup> There is also the reality that vacant positions do eventually need to be filled, and leaving them open may simply be obscuring true budgetary needs.

## Pension Payments

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<sup>13</sup> Garrick, David. 2025. *How many middle managers does San Diego really need? City leaders remain at odds despite their new budget.* The San Diego Union-Tribune

<sup>14</sup> Schrupp, Kenneth. 2025. *San Diego city overtime increased 65% from 2019-2024 despite \$89M deficit.* The Center Square

<sup>15</sup> Rodd, Scott and Alfaro, Elaine. 2025. *San Diego's highest paid city employees? Cops racking up overtime and earning over \$400,000.* KPBS.

Compounding the city’s non-discretionary personnel cost pressures is the rapid escalation of required pension contributions, which are largely outside the city’s direct control. In March 2026, the San Diego City Employees’ Retirement System (SDCERS) board approved the city’s annual pension payment for FY2027 at **\$563 million**—the highest amount in city history and a \$30 million increase over the previous year’s contribution<sup>16</sup>. These payments are determined by actuarial calculations based on investment returns, liability growth, and demographic assumptions (e.g., longevity of retirees) rather than discretionary budget decisions. As the city’s workforce has expanded, both annual contributions and associated unfunded liabilities continue to grow, locking in escalating fixed costs that crowd out operating flexibility.

Despite being a decades-old system, skyrocketing pension payments have not always been a major contributor to fiscal instability. Rather, the problem was renewed by a 2021 union-backed court mandate overturning a 2012 reform passed by San Diego voters, “Proposition B”, which sought to address rising pension costs by replacing taxpayer-guaranteed pensions with 401(k)-style-defined contribution plans for new city employees. Under the 2012 reform, the pension system increased from only 66% funded in 2012 to 82% funded in 2021. In 2025, SDCERS dropped back down to 75% funded, with a total estimated taxpayer liability of \$3.3 billion.<sup>17</sup>

Pension obligations are mandated by state law and collective bargaining agreements, meaning the city cannot easily reduce or defer them without triggering legal and credit consequences. This structural rigidity further entrenches the pattern of locking the city into a set of payments that come at the expense of other more discretionary, yet critical city functions. Furthermore, any significant decline in pension fund investment returns due to external stock market pressures would trigger even larger pension payments for the City, exacerbating projected annual General Fund budget deficits that already exceed \$100 million.

### Impact of Demographic Change

Finally, the following brief assessment of demographic projections provides some insight into whether there is an opportunity for the city to grow future revenues to match current spending patterns despite its five-year fiscal prognosis. This may also provide evidence indicating if the city’s current revenue assumptions are accurate and useful, or if it’s likely they will need to continue to adjust according to predicted shifts in the population.

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<sup>16</sup> Garrick, David. 2026. *San Diego pension board OKs \$563M annual payment, city’s highest ever*. The San Diego Union-Tribune.

<sup>17</sup> Trujillo, Mariana. 2025. *As pension costs rise, San Diego must choose between raising taxes, cutting services, or more debt*. Reason Foundation.

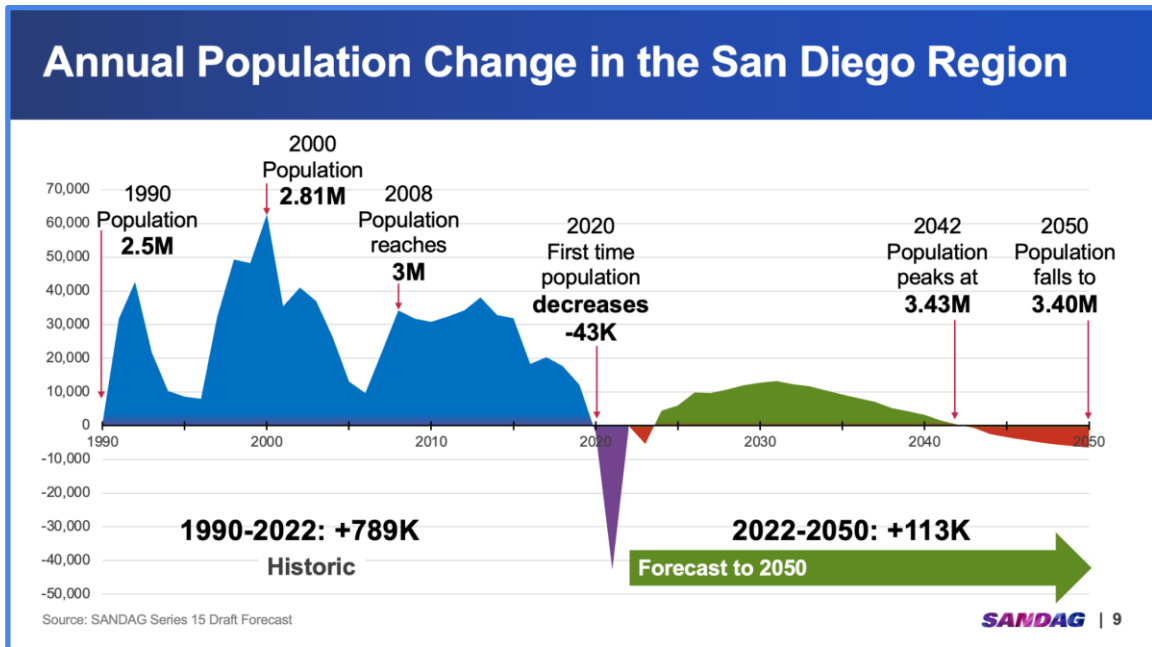


Figure 9: San Diego Region Population Forecast  
Source: SANDAG Series 15 Forecasts Population by San Diego Region

San Diego uses state Department of Finance demographic projections as provided by the San Diego Association of Governments (SANDAG) to account for the changing tax base in revenue projections. Published in 2024, SANDAG’s Series 15 Forecast presents likely projections for future growth in San Diego County and is largely based on local jurisdiction planning and policies and was subjected to peer review by forecasting professionals from around the country<sup>18</sup>. Figure 9 is SANDAG’s current population forecast for the San Diego metropolitan region. The graph shows that the county’s population is expected to begin to decline after 2042. The expected population decline indicates that continuing to increase the personnel cost burden on taxpayers cannot be supported into the future.

The report examines how negative net migration (domestic plus international migration in and out of the region) and natural change (births minus deaths) partially drive this expectation, meaning by 2050 more people will be migrating out of the region annually than moving in, and yearly deaths will begin to outpace births by 2040. Finally, the report highlights how demographic change will affect the regional economy: by 2050 people 65+ will increase by

<sup>18</sup> Sandag Open Data Portal. 2026. *Series 15 Forecasts Population by San Diego Region*. [https://opendata.sandag.org/Forecast/Series-15-Forecasts-Population-by-San-Diego-Region/hige-ihsh/about\\_data](https://opendata.sandag.org/Forecast/Series-15-Forecasts-Population-by-San-Diego-Region/hige-ihsh/about_data)

244,000 and make up 22% of the population, while the under 19 population will decrease by 103,000, only making up 20% of the population.

As the tax base declines, the city’s ability to cover deficit spending with tax revenue growth declines as well. Income and sales taxes are highly dependent on population, while property tax revenue increases will flatten as the demand for new housing tapers off. Demographic projections confirm there is no way for the city to “grow its way out of the deficit,” so the city must make spending cuts. Most notably, personnel spending growth is outpacing overall spending growth, meaning it is currently making up a larger portion of General Fund expenditures than it was two years ago. Because the city has not yet made obvious reductions in personnel, they may be underfunding other city services to meet funding requirements for personnel.

### Capital Improvement & Deferred Maintenance

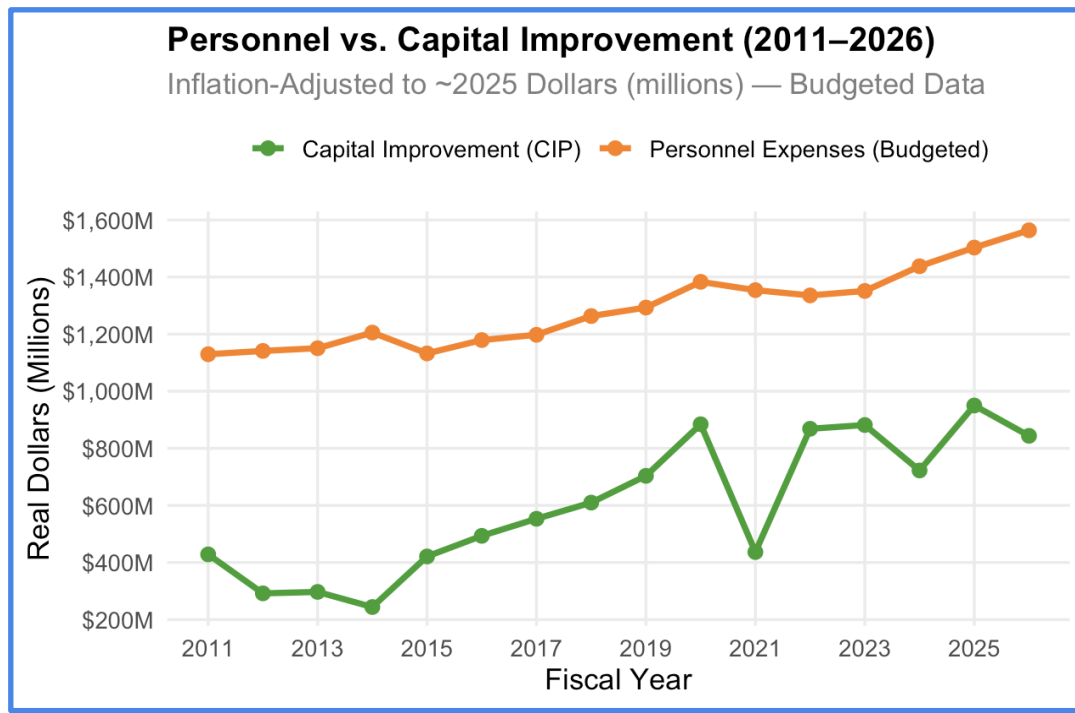


Figure 10: Personnel vs. Capital Expenditures FY11-26

Sources: City of San Diego OpenGov, City of San Diego FY 2026 Adopted Budget

Another large portion of the city’s annual budget that will be impacted by ongoing structural deficits is the Capital Improvement Program, which is dedicated to recurring infrastructure needs and capital improvement projects. The city’s capital budget varies widely across the data, ranging from just over \$400 million to almost \$950 million and its growth rate is equally variable, increasing in some years by 25% only to decrease the following year by 50%. It is not uncommon for a city’s capital budget to have some variance year-over-year given that capital projects such as facilities upgrades and infrastructure repairs are not uniformly necessary and sometimes unpredictable – such is the case with natural disasters impacts, for example. However, this does not mean that cities should not be planning for facilities needs far into the future. On the contrary, cities can benefit from the fact that the lifetime of facilities and their maintenance needs follow a schedule that is generally predictable. By budgeting for and regularly maintaining facilities, cities can prevent huge fluctuations in capital budgets caused by deferring maintenance and address smaller repairs before they become larger issues that compound costs. For many cities, deferring maintenance is a way to cut expenses in the short-term when dealing with budget constraints. But every time a city “kicks the can down the road” on a repair to meet immediate operational needs, costs increase by a standard of about **7% per year**, and over time, delaying a project may end up costing the city **up to 600%** of what it would have been before it was deferred<sup>19</sup>.

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<sup>19</sup> OpenGov. 2024. *What is Deferred Maintenance? [A New Guide for 2024]*. <https://opengov.com/deferred-maintenance>.

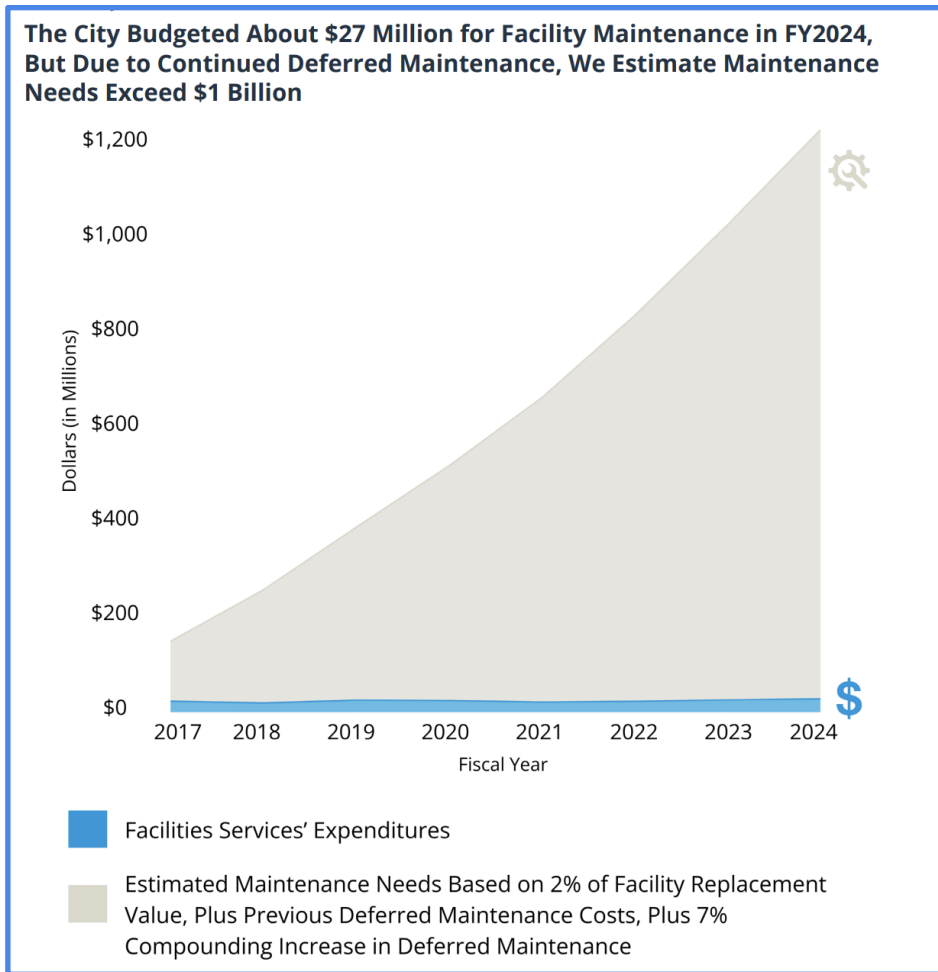


Figure 11: Projected Cost of Deferred Maintenance  
Source: San Diego City Auditor

The last San Diego’s City Auditor assessment of infrastructure spending estimated the total value of deferred maintenance needs in the city at **\$1 billion** (see Figure 11) conservatively, with best practices suggesting the city should have budgeted \$143-287 million toward facilities maintenance in FY2024; instead, the city budgeted only \$27 million—5-10 times less than needed. In addition to this maintenance backlog, the city has identified over **\$6.5 billion** worth of “unidentified funding” for capital improvement—meaning either the project is not yet fully funded or a funding source has not been identified—including projects such as stormwater infrastructure, sidewalk replacement, city-owned light installation, median installation, and flood resilience infrastructure<sup>20</sup>. Critically, while deferred maintenance and capital improvement are inherently different and separately funded, routine facility maintenance has the potential to

<sup>20</sup> The City of San Diego. 2026. *Fiscal Year 2027–2031 5-Year Capital Infrastructure Planning Outlook*. <https://www.sandiego.gov/sites/default/files/2026-02/fy-27-31-five-year-capital-infrastructure-planning-outlook.pdf>

become a capital improvement project should chronic deferral cause an asset’s condition to deteriorate enough that it requires major investment to restore it<sup>21</sup>.

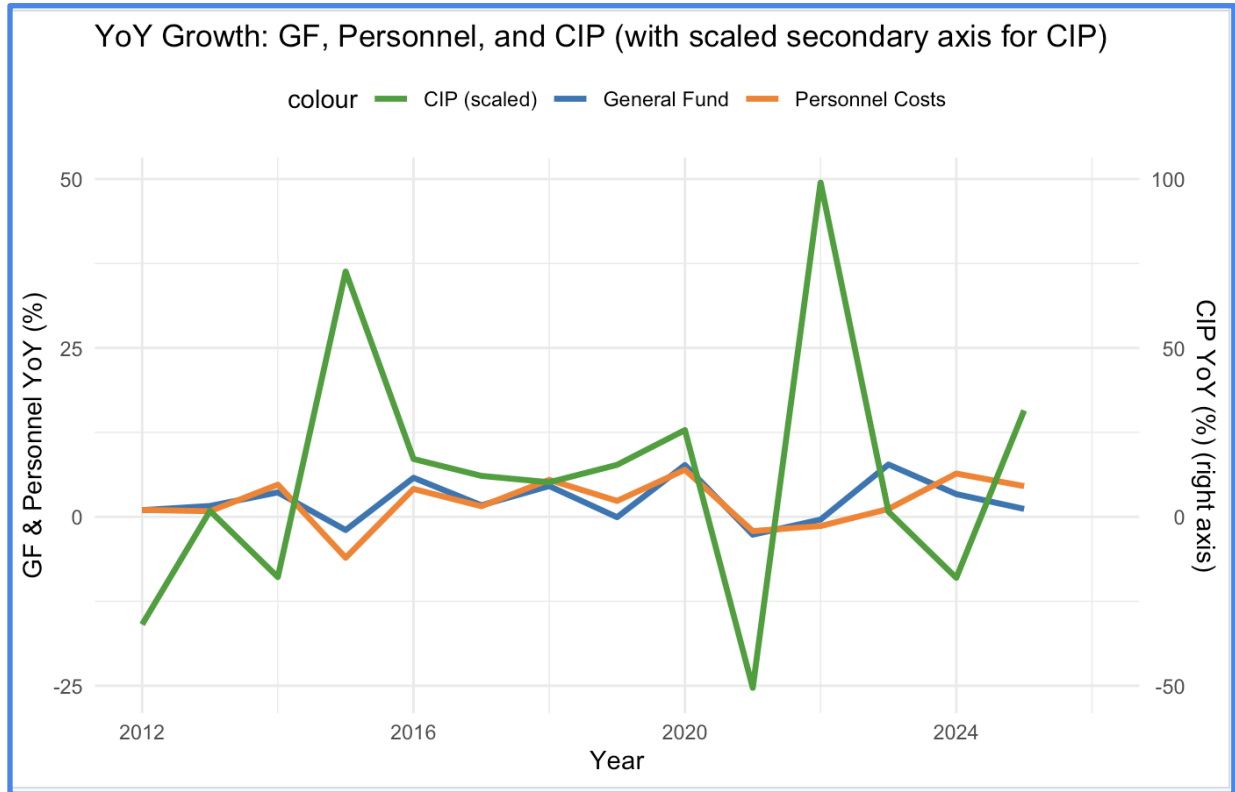


Figure 12: Year over Year Cost Growth (General Fund, Personnel, CIP)

Sources: City of San Diego OpenGov, City of San Diego FY 2026 Adopted Budget

Figure 12 shows the year-over-year growth in the general fund, personnel, and capital improvement budgets, highlighting the variance in capital budgeting particularly when compared to the stability of budgeted personnel and general fund expenditures. One major difference between personnel spending—which has made up between 67-72% of the General Fund budget and about 36-43% of the total operation budget since 2011—and capital spending, is that the former is largely driven by contractual obligations outlined in labor agreements, making yearly increases non-discretionary. In contrast, and although certain mandates dictate how projects are prioritized, the decision for how to allocate capital funding is ultimately at the discretion of the

<sup>21</sup> The City of San Diego Office of the City Auditor. 2024. *Performance Audit of Facility Maintenance*.

Mayor and City Council<sup>22</sup>. The ability to defer maintenance and prioritize funding for certain projects over others allows the city to generate tradeoffs between the capital and operating budget to fulfill operational obligations should the need arise. The consequences are persistently increasing costs of maintaining facilities as their needs grow and conditions deteriorate, additionally risking them becoming capital improvement projects and at worst, continuing to go unfunded.

### III. Key Performance Indicators

Given such a large portion of the city's General Fund and overall operating budget is consumed by inflexible personnel costs, it's important to understand the implications of the divergence in trends explored above (personnel and population growth, capital and personnel spending) and assess in what ways they impact the efficiency and effectiveness of public service delivery. We know that capital improvement spending is volatile and that the city has a large unaddressed infrastructure backlog. Regardless of that fact, continued personnel growth may have allowed the city to improve service provision overall. Ideally, we want to be able to tie a given government investment to some tangible outcome produced as a result of that investment, such as evidence that it is generating increased quality, quantity, or efficiency in the allocation of public goods. Some inputs—for example, sworn police officer headcount—are fairly easy to link to outputs, such as decreased emergency response time.

In recent years, many municipal agencies including San Diego have begun to track Key Performance Indicators (KPIs) in an effort to increase accountability to outputs and outcomes and make adjustments to inputs as needed. Unfortunately, the usefulness of KPIs in the City of San Diego remains limited as it is unclear how KPIs are factored into decision making or utilized in any formal, systematic way to improve progress toward outcomes. In fact, a survey done by the City Auditor found that only nine out of twenty-seven city departments and one out of seven City Council offices were regularly using KPIs to inform budget and operational decisions.<sup>23</sup> Until the city more formally and regularly incorporates KPIs into resource allocation processes they won't be a useful accountability tool. Nonetheless Figure 13 provides a condensed snapshot of a few departmental KPIs posted by the city for FY2025. Initially it's clear that critical services—engineering and capital projects, fire-rescue, general services, police, and stormwater—failed to generate targeted outcomes, some by a substantial amount. This reflects the pattern of findings in this report in that the city has vastly underinvested in infrastructure and on-the-

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<sup>22</sup> City of San Diego. 2022. *Council Policy 800-14: Prioritizing Capital Improvements Program Projects*. [https://docs.sandiego.gov/councilpolicies/cpd\\_800-14.pdf](https://docs.sandiego.gov/councilpolicies/cpd_800-14.pdf).

<sup>23</sup> City of San Diego. 2025. *Performance Audit of the City's Key Performance Indicators*. <https://www.sandiego.gov/sites/default/files/2025-10/26-03-performance-audit-of-the-city-s-key-performance-indicators.pdf>.

ground public services in favor of administrative growth. Whether the city has budgeted to meet these annual targets in 2026 is yet to be seen.

<b>Business Area</b>	<b>Performance Indicator</b>	<b>Definition</b>	<b>Baseline</b>	<b>FY 2025 Actuals</b>	<b>Goal</b>
Engineering and Capital Projects	Projects completed	Percentage of CIP projects substantially completed construction by target date	50%	65.70%	80%
Fire-Rescue	Percentage of first responder arrival within 6:30 minutes from dispatch	Percentage of emergencies that have a first responder on scene in less than or equal to 6:30 minutes from the assignment of the unit.	74%	71.84%	90%
General Services	Facilities Preventative Maintenance	Percentage of preventative maintenance compared to the total maintenance activities	12.50%	18.80%	70%
Police Department	Category I sustained allegations (compared to total Category I allegations)	Percentage of Category I allegations (i.e. use of force, arrests, search and seizure, discrimination, etc.) that resulted in a sustained finding.	4%	23%	<5%
	Response time to priority 1 calls (in minutes)	Average time between when a Priority 1 (dispatch immediately) call is entered into the system and when the first unit arrives on scene.	14	34.9	14

	Response time to priority 2 calls (in minutes)	Average time between when a Priority 2 (dispatch as quickly as possible) call is entered into the system and when the first unit arrives on scene.	27	115.4	27
Stormwater	Channel capacity	Percentage of channels that can carry stormwater flows as originally designed	34%	79%	100%
	Drain pipes useful life	Percentage of total storm drain miles past their useful life	6.89%	7.07%	0%
	Levees	Percentage of identified levee deficiencies addressed	12.60%	12.60%	100%
Transportation	Citywide Pavement Condition	The Pavement Condition Index (PCI) describes pavement condition on a scale from 0 (failed pavement) to 100 (excellent condition)	63	65	70
	Functional Streetlights	Percentage of streetlights functioning correctly	88%	89%	100%
	Sidewalk Repairs	Percentage of sidewalk locations repaired compared to the total sidewalk locations that need to be repaired	4%	10%	100%

Figure 13: Select San Diego City Key Performance Indicators  
Source: City of San Diego Department Key Performance Indicators

## IV. Conclusion

This report's analysis of the City of San Diego's financial trajectory reveals a state of unsustainable growth. By prioritizing the expansion of an administrative middle-management layer over the maintenance of essential physical assets, the city is heading toward a period of physical insolvency. With a **\$1 billion maintenance backlog** and an additional **\$7.8 billion in capital funding needs**, current annual allocations are insufficient to halt the decay of municipal assets.

The data highlights a critical misalignment between personnel growth and service outcomes. While city staffing has increased at nearly four times the rate of population growth since 2011, Key Performance Indicators in vital sectors like public safety and infrastructure fail to meet established benchmarks. Furthermore, the persistent trend of over-projecting revenues since FY2020 has been used to justify rising non-discretionary personnel costs that a stagnating and eventually declining population base cannot support.

To avoid the collapse of municipal infrastructure and the imposition of punitive taxes on residents, SDCTA provides the following recommendations to support the City of San Diego in a shift towards a fiscal model which optimizes existing resources and addresses critical needs:

- **Personnel Realignment:** Shifting focus from administrative expansion toward growing the essential workforce required for facility and infrastructure maintenance.
- **Fiscal Conservatism:** Anchoring future budgets in realistic revenue projections that reflect updated population and economic trends.
- **Capital Scalability:** Substantially increasing capital investment to halt the compounding cost premium associated with deferred maintenance repairs.
- **Utilize KPIs as a Feedback Mechanism:** Establish formal policy processes which incorporate KPIs into budgeting and decision making on a consistent basis.

Ultimately, the City of San Diego must choose between continued bureaucratic expansion or a fundamental restructuring of its expenditures. Failure to act will ensure that the taxpayer continues to fund a government that provides diminishing returns on public investment.