



2021-23 Financial Plan Setting the Stage

November 17, 2020

**Background materials for
Council Goal-Setting and the Financial Planning Process**



CITY OF SAN LUIS OBISPO

Recommendations

Receive and discuss the following background information in preparation for the 2021-23 goal-setting and Financial Plan process:

- a. Review of FY 20-21 1st quarter results
- b. Status of the 2020-21 Adopted Meta Goal and General Plan Update
- c. Review setting the stage framework including a scan of strategic indicators
- d. Enterprise Fund Status Updates



2020-21 1st Quarter Financial Review



CITY OF SAN LUIS OBISPO

2020-21 1st Quarter Consolidated Financials

| Fund | 2019-20 | 2020-21 | | | Variance from prior year |
|--------------------|-----------------------|-----------------------|----------------------|------------|--------------------------|
| | Q1 Actual (unaudited) | Revenue Forecast | Q1 Actual | % Received | |
| General Fund * | \$ 18,044,325 | \$ 76,571,144 | \$ 16,494,956 | 22% | -9% |
| Water Fund | \$ 4,753,395 | \$ 23,387,885 | \$ 4,638,278 | 20% | -2% |
| Sewer Fund | \$ 3,387,804 | \$ 16,895,606 | \$ 3,162,523 | 19% | -7% |
| Parking Fund | \$ 1,495,994 | \$ 2,798,191 | \$ 749,244 | 27% | -50% |
| Transit Fund | \$ 214,461 | \$ 4,808,075 | \$ 438,180 | 9% | 104% |
| Grand Total | \$ 27,895,979 | \$ 124,460,901 | \$ 25,483,181 | 20% | -9% |

*Includes special revenue funds



2020-21 1st Quarter General Fund Revenue

| Table 2: General Fund Revenues | Footnote | 2019-20 | | 2020-21 | | | Variance from prior year |
|------------------------------------------------|----------|----------------------|------------|----------------------|----------------------|------------|--------------------------|
| | | Q1 Actual | % Received | Total Budget | Q1 Actual | % Received | |
| Tax and Franchise Revenue | | | | | | | |
| Sales and Use Tax <i>(July & Aug only)</i> | 1 | \$ 5,031,744 | 20% | \$ 22,853,783 | \$ 5,147,376 | 23% | 2% |
| Property Tax | | \$ 655,814 | 1% | \$ 18,418,903 | \$ 734,794 | 4% | 12% |
| Transient Occupancy Tax | | \$ 2,334,589 | 29% | \$ 6,267,000 | \$ 1,800,251 | 29% | -23% |
| Utility User Tax | | \$ 1,187,531 | 20% | \$ 5,565,000 | \$ 1,157,156 | 21% | -3% |
| Business Tax | 2 | \$ 2,862,835 | 97% | \$ 2,853,740 | \$ 2,890,955 | 101% | 1% |
| Franchise Fees | | \$ 77,798 | 5% | \$ 1,544,000 | \$ 78,702 | 5% | 1% |
| Gas Tax <i>(Special Revenue Fund)</i> | | \$ 225,826 | 22% | \$ 1,082,390 | \$ 286,350 | 26% | 27% |
| SB1 Gas Tax <i>(Special Revenue Fund)</i> | | \$ 156,038 | 19% | \$ 795,548 | \$ 147,044 | 18% | -6% |
| Cannabis Tax | | \$ - | 0% | \$ 400,000 | \$ 114,859 | 29% | |
| Total Tax & Franchise Revenue | | \$ 12,532,175 | 19% | \$ 59,780,364 | \$ 12,357,488 | 21% | -1% |
| Fees and Other Revenue | | | | | | | |
| | 3 | \$ 6,023,828 | 24% | \$ 16,790,780 | \$ 4,137,468 | 31% | -31% |
| Grand Total | | \$ 18,556,003 | 20% | \$ 76,571,144 | \$ 16,494,956 | 22% | -11% |

1 - Includes \$146,000 in FY 20-21 actuals that are from FY 19-20 due to the sales tax deferral programs

2 - Business license and tax certificate renewals are due before September 30th; therefore anticipated revenue for the year has been collected

3 - FY2019-20 includes a one-time funding of \$2 million from SB1090 Diablo Closure



The Current Picture

The upside

- Sales Tax revenues are performing better than expected (this is true across the State)
- Expenditures on track with reduced budget as part of 20-21 supplemental budget



The downside

- Still too many unknowns: availability of a vaccination, elections, additional stimulus, financial market stability, tourism & event industry, consumer confidence
- Universities remaining mainly virtual
- Business closures, online shopping
- Re-opening fluctuations
- Budget balancing solutions not sustainable



The financial gap is not getting wider at this time, but an extended economic downturn could put the City in a negative position requiring further action.

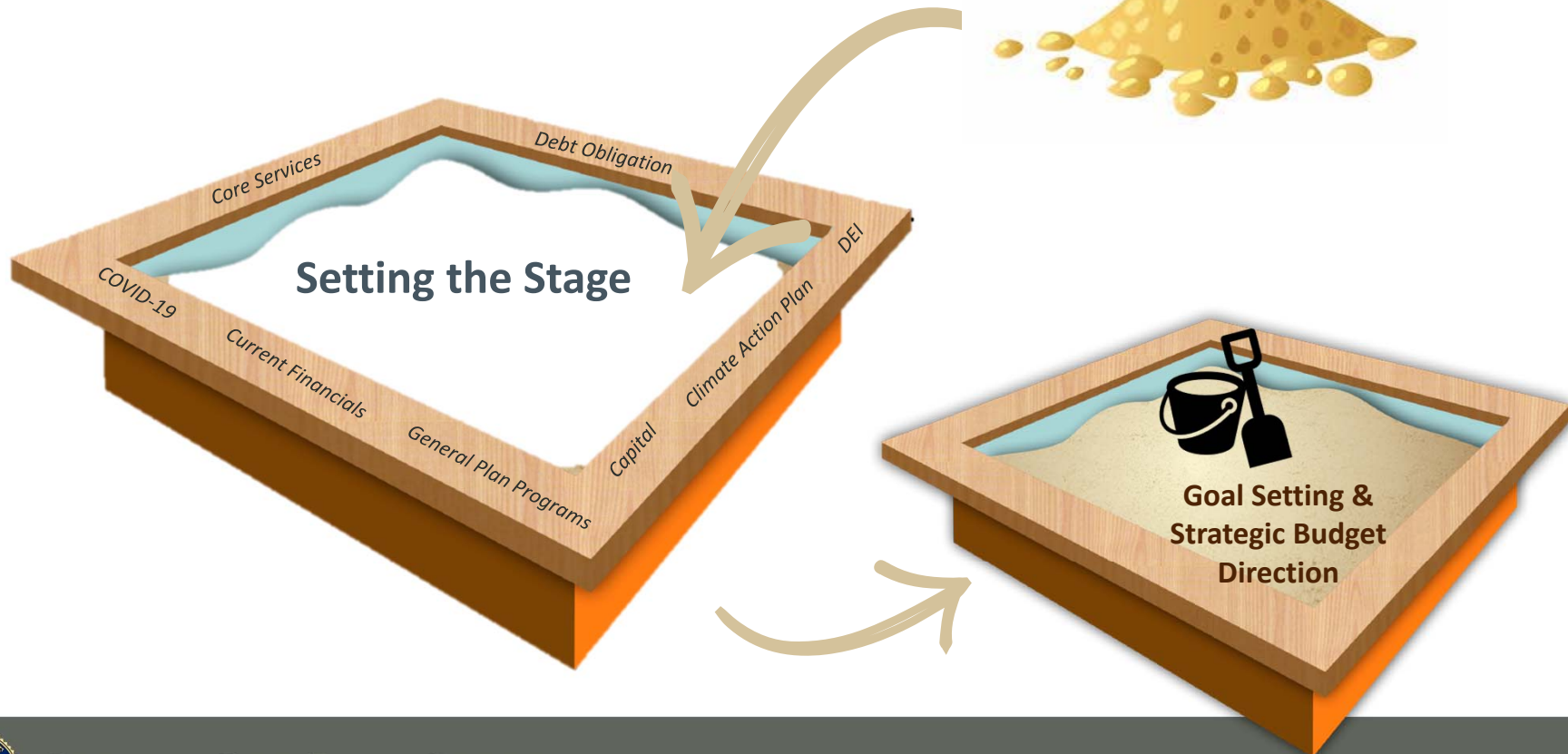


Setting the Stage



Background/Purpose

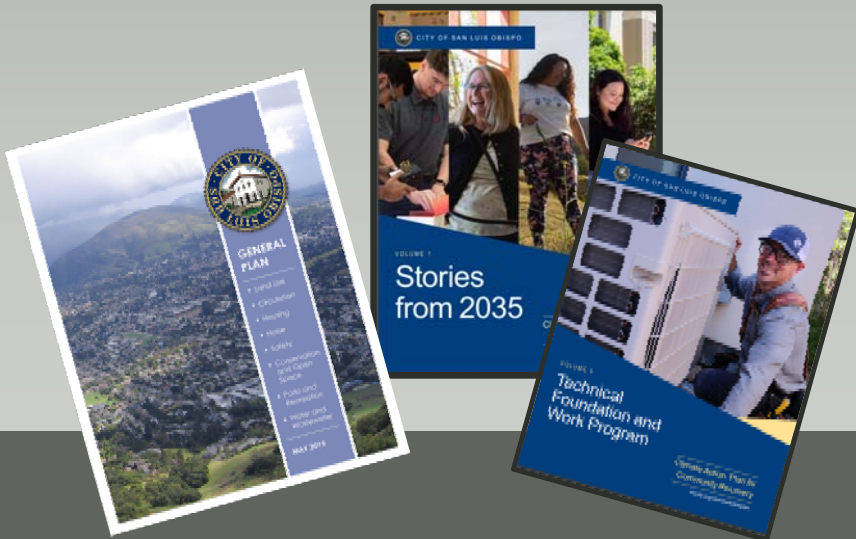
Budget Foundation



Review Calendar



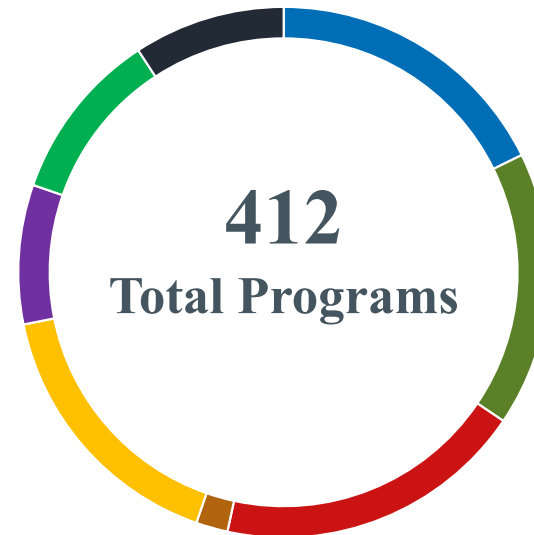
General Plan/ Climate Action Plan Update



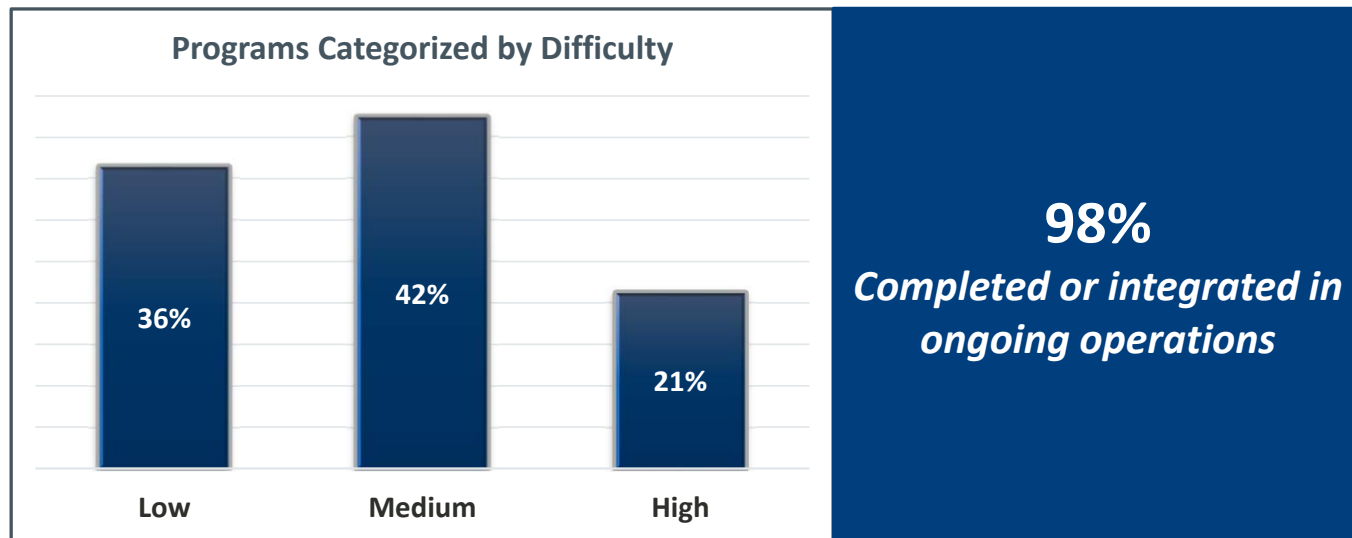
General Plan Programs

Program Count by Element

- Land Use Element - 73
- Circulation Element - 69
- Housing Element - 78
- Noise Element - 8
- Conservation/ Open Space Element - 68
- Safety Element - 35
- Parks and Recreation Element - 43
- Water and Wastewater Element - 38




General Plan Program Update



Climate Action – Adopted Goals (R-11159)

- Community carbon neutrality by 2035
- Carbon neutral government operations by 2030
- 100 percent carbon free electricity by 2020
- No net new building emissions from onsite energy use by 2020
- 50 percent reduction in existing onsite building emissions (after accounting for MBCP) by 2030
- Achieve General Plan mode split objective by 2030; 40 percent of vehicle miles travelled by electric vehicles by 2030
- 75 percent diversion of landfilled organic waste by 2025; 90 percent diversion by 2035
- Increase carbon sequestration on the San Luis Obispo Greenbelt and Urban Forest through compost application- based carbon farming activities and tree planting; ongoing through 2035



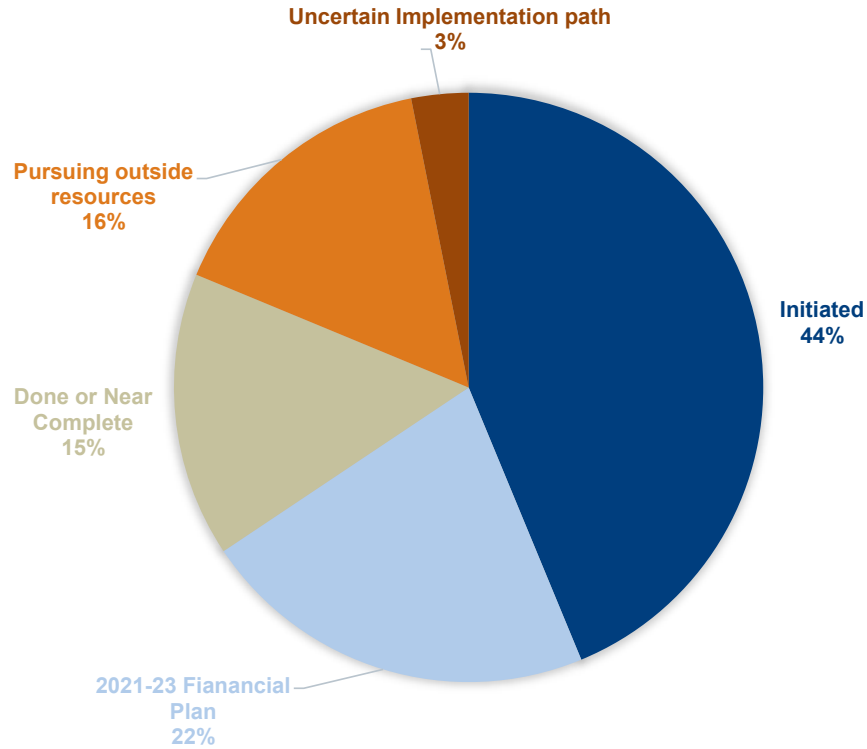
For the City to be successful, alignment with the goals adopted in the Climate Action Plan will need to be given consideration in nearly all Financial Plan decisions.



Climate Action Plan Update



ACTION STATUS UPDATE



32 Total Actions

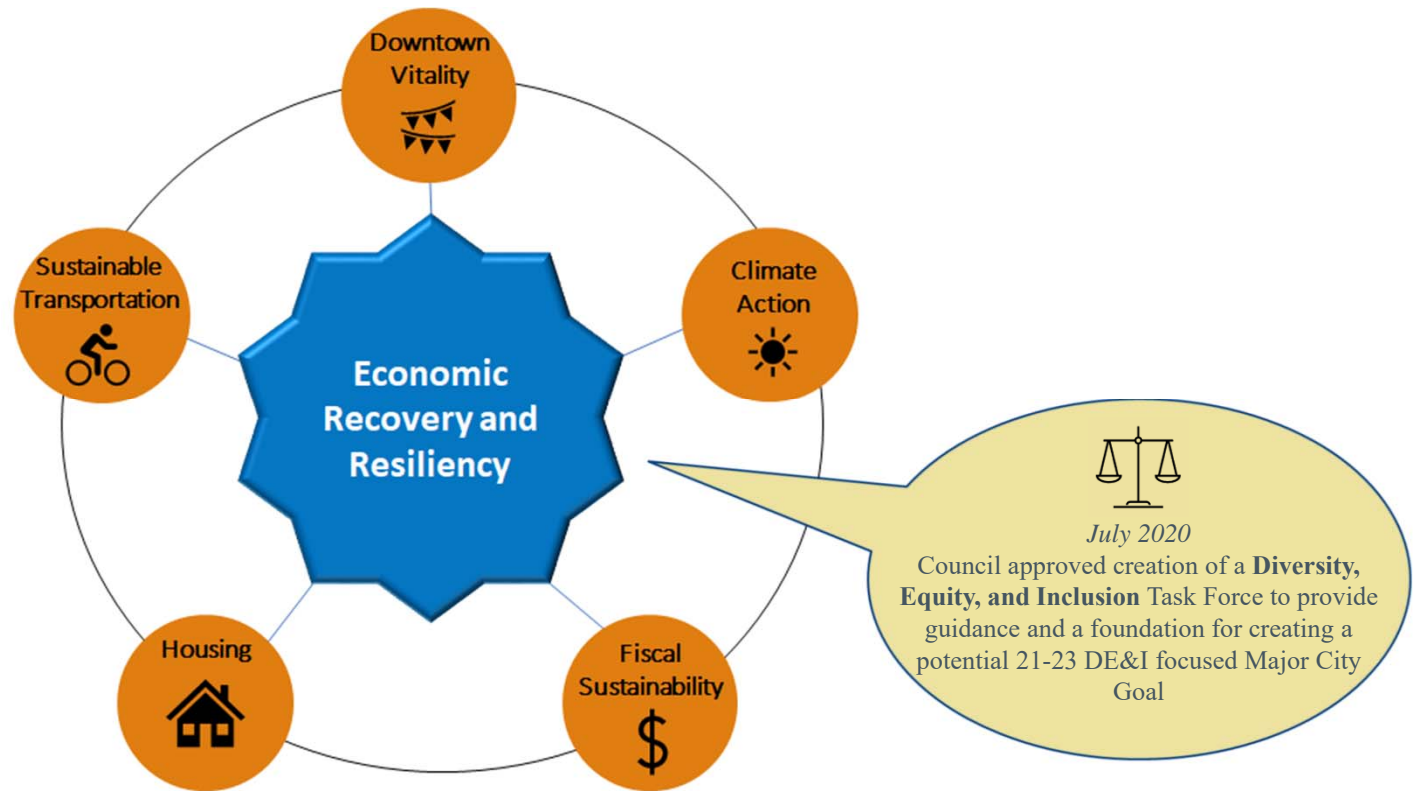


Meta City Goal Update & Economic Recovery



CITY OF SAN LUIS OBISPO

City Council Adoption of ONE Unified City Goal (June 4, 2020):
Economic Stability, Recovery, and Resiliency

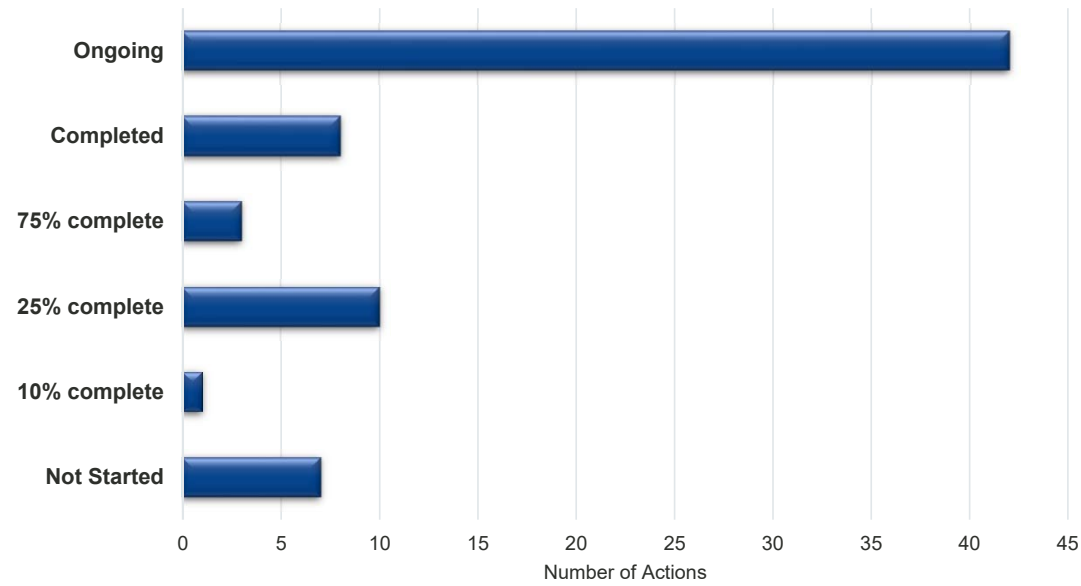


10 Strategies



*73 total
Actions*

Meta Goal Action Status Update



How has the City supported the community through the META Goal?



Facilitated outdoor dining at 40 locations (OpenSLO)



Expanded childcare programs to support SLCUSD distance learning, impacting 100's of families, children, and businesses



Encouraged 14 businesses to utilize the Fitness in the Park program

sloyogacenter Emerson Park






Setting the Stage Framework

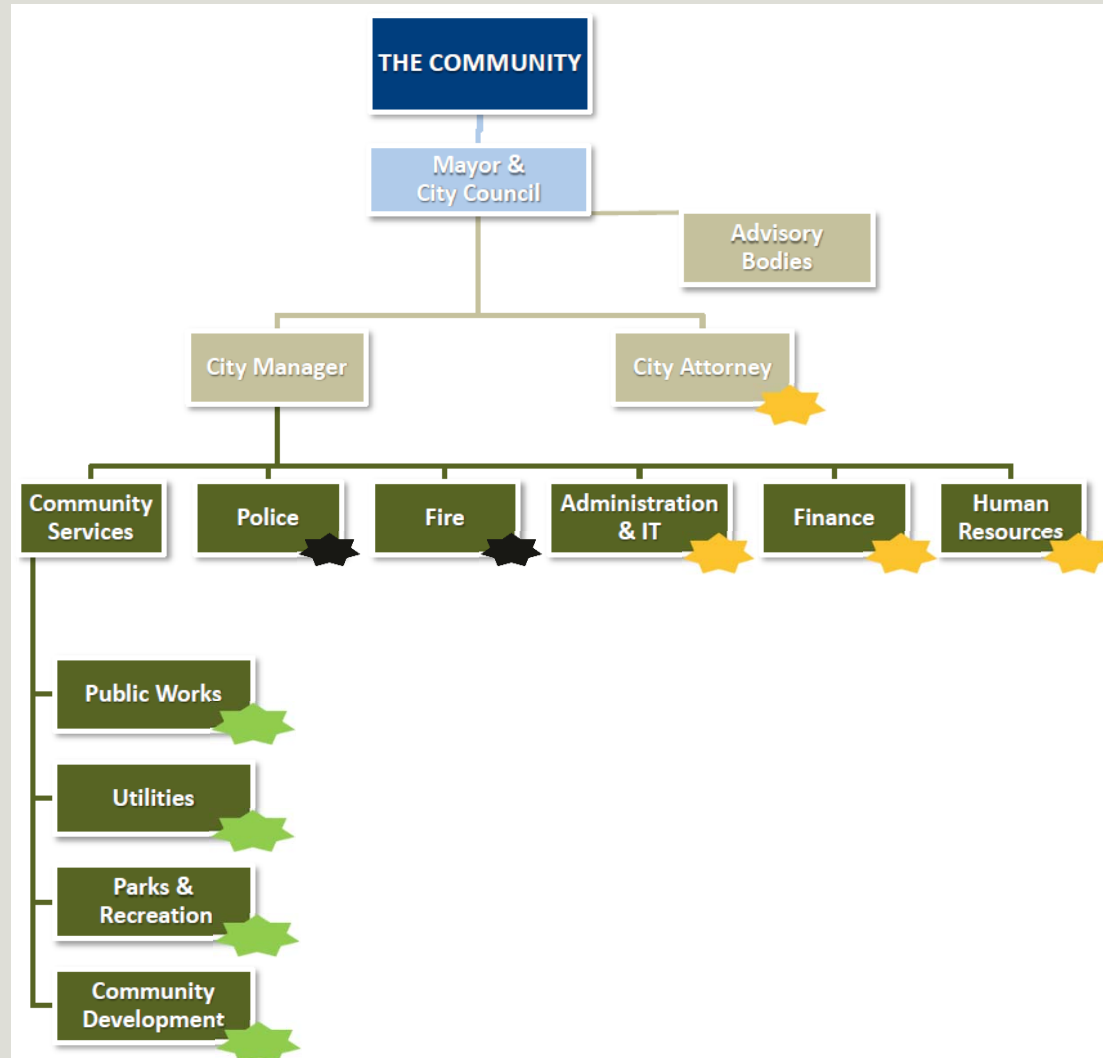
Core Services



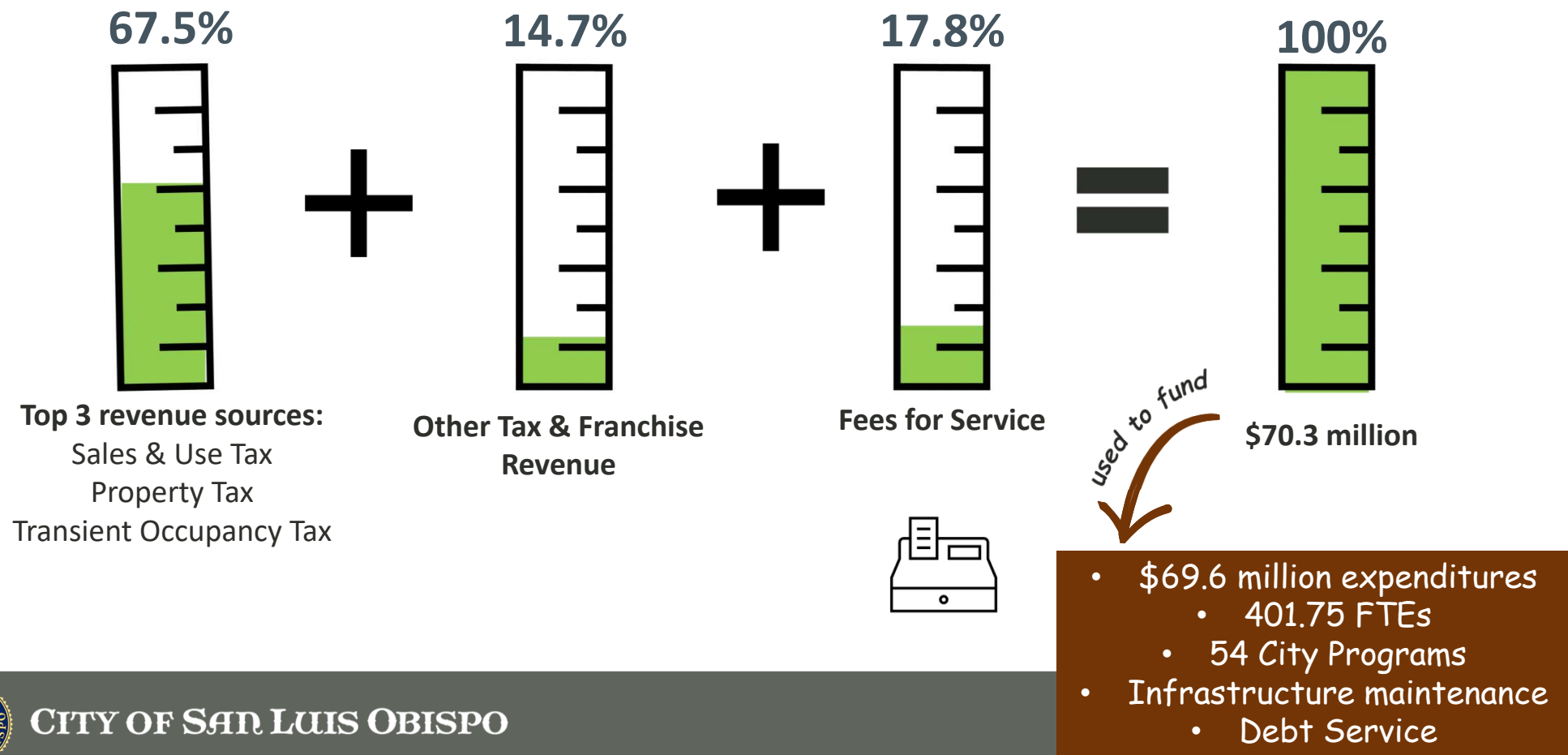
CITY OF SAN LUIS OBISPO

Organizational Structure

| | FTE Count | % of <i>General Fund Budget</i> |
|------------------------------------------------------------------------------------------------------------|-----------|---------------------------------|
|  Public Safety | 147.5 | 40% |
|  Community Services | 198.5 | 31% |
|  Internal Services | 55.75 | 17% |



How does the City fund services? (General Fund)



Police Services

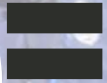
General Fund Revenue



\$17.8 million
24% of budget

Perspective

36 Patrol Officers



Responded to over 31,300 calls for service in 2019



Administration



Patrol,
Downtown
Bikes,
Community
Action Team



Investigations



Dispatch &
Records



Neighborhood
Outreach



Traffic Safety

← Core Services →





Fire Services



\$12.6 million
17% of budget

**4 Stations /
45
Firefighters**



**Responded to
over 6,100 calls
for service in
2019, a 5.5%
increase from
2018**



**Fire Admin
(Staffed)**



**Emergency
Response
(Staffed)**



**Hazard
Prevention
(Staffed)**



**Training
Services**



**Fire
Apparatus
Services
(Staffed)**



**Fire Station
Facility
Support**



**Disaster
Preparedness
& Assistance**



Public Works



\$13.4 million
18% of budget

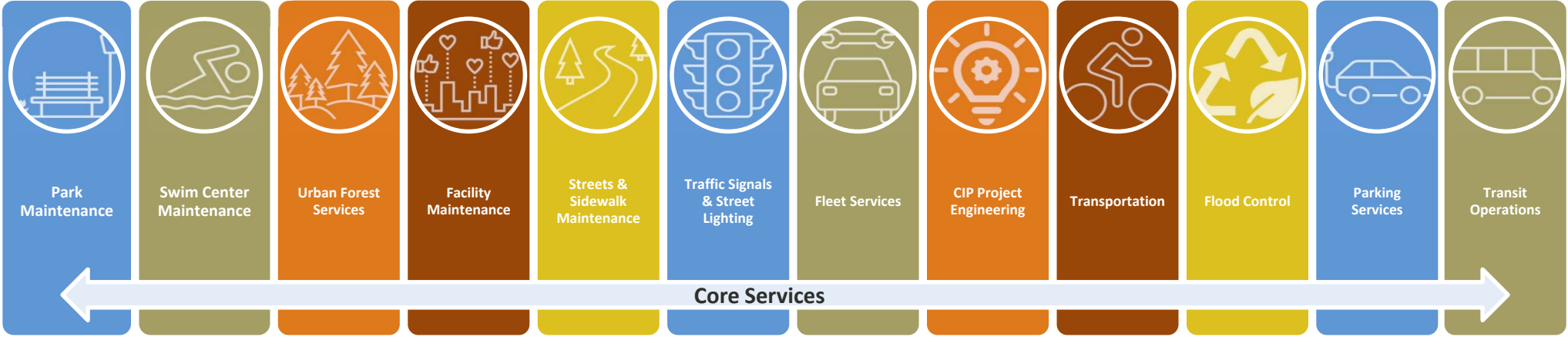
12 Fulltime Employees
Operating Equipment, Materials, Supplies



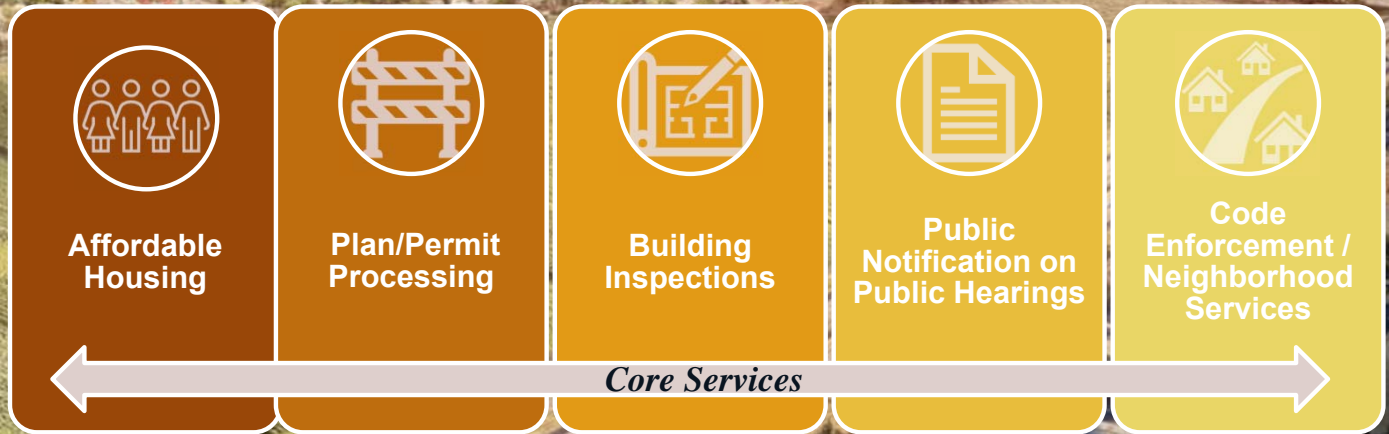
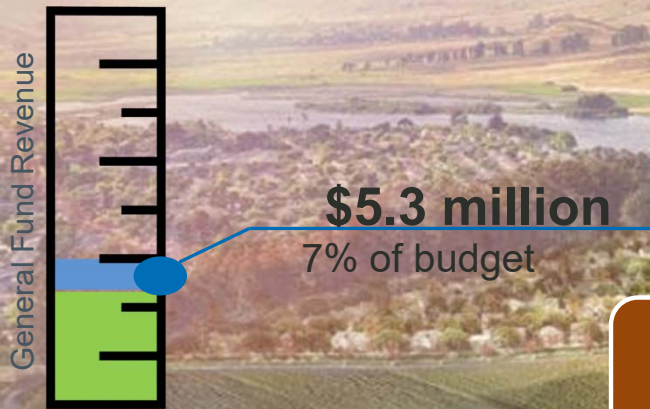
\$1,276,107
Program Budget



135 Miles
of Streets & Sidewalks Maintained



Community Development



Parks & Recreation

Community Services

26

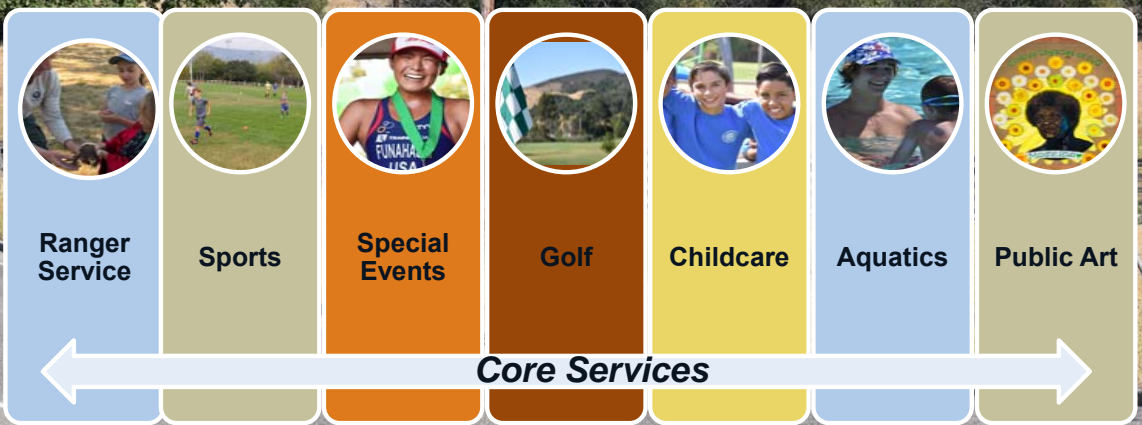
Respective



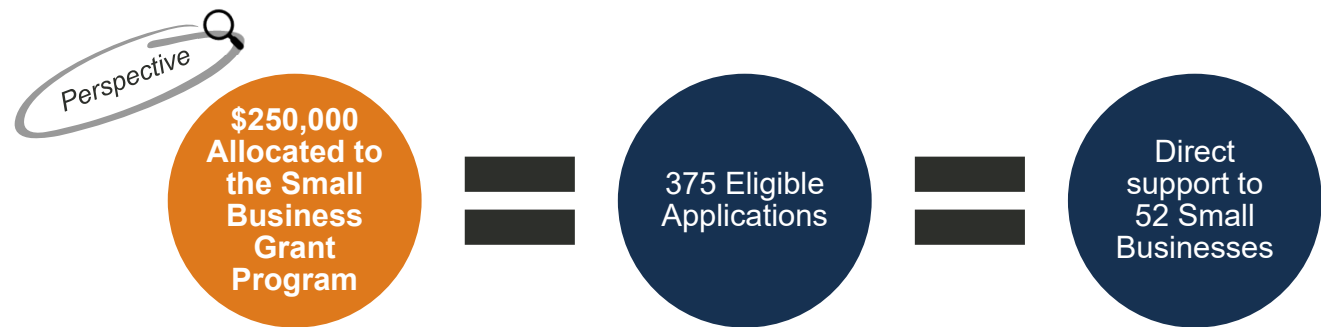
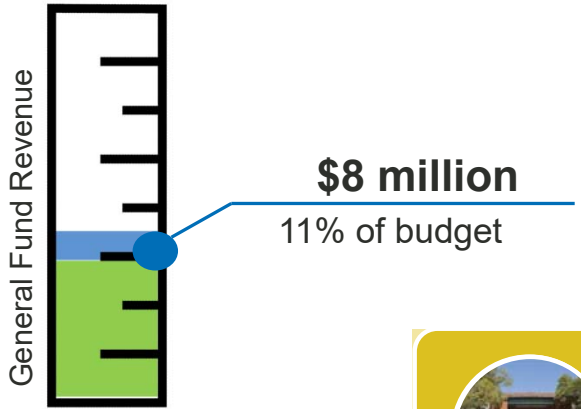
General Fund Revenue



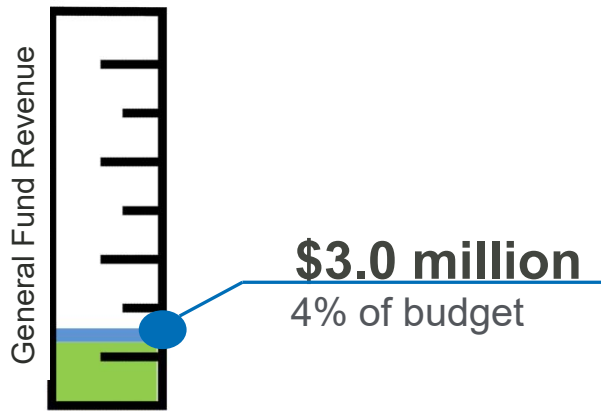
\$4.3 million
6% of budget



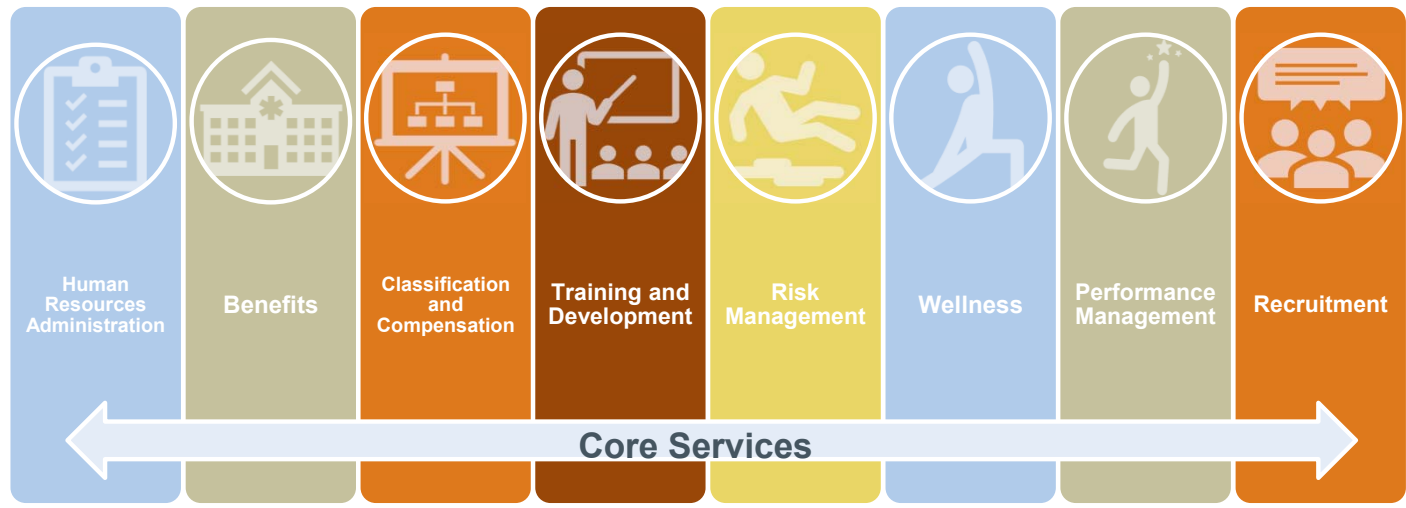
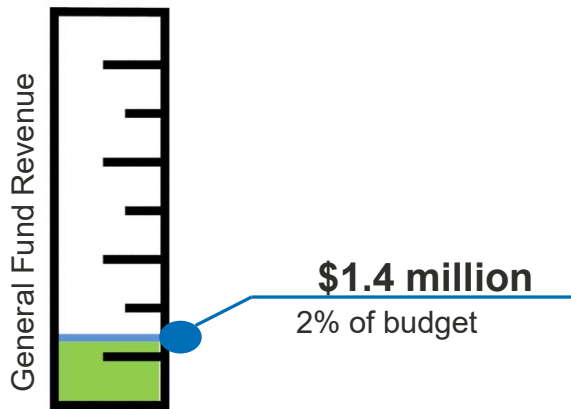
Administration and Information Technology



Finance



Human Resources



City Attorney

Internal Services 30

Perspective

3 Full-time Regular Staff
3 Part-time Temp Staff

=

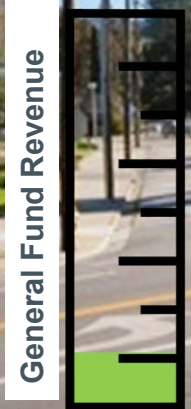
All City Legal Advice, Answers, and Review



\$800,000
1% of budget



Capital, Debt, Transfers



\$5.9 million

8% of budget

Capital

\$2.8 million

4% of budget

Debt



What lies ahead for the general fund?

Changes in
Economic
Conditions

Pending Diablo
Closure

Further CalPERS
Adjustments

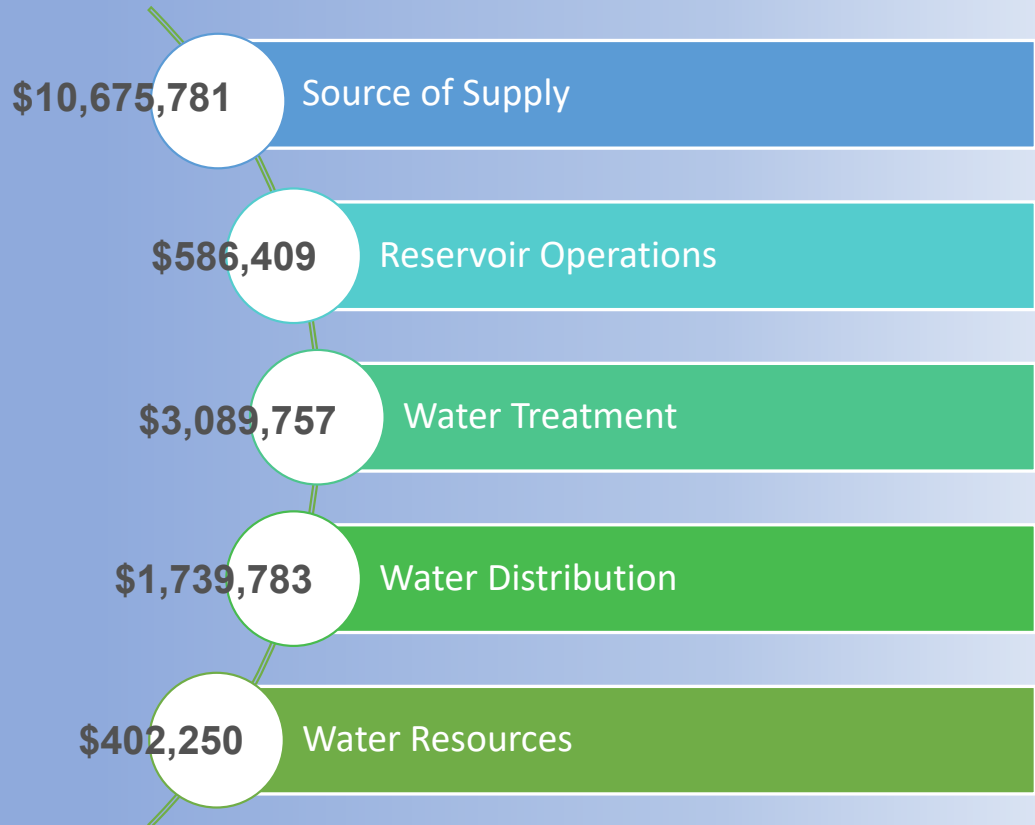
Long-term
Environmental &
Fiscal
Sustainability

COVID19

Diversity, Equity,
Inclusion (DEI)



Water Fund Core Services

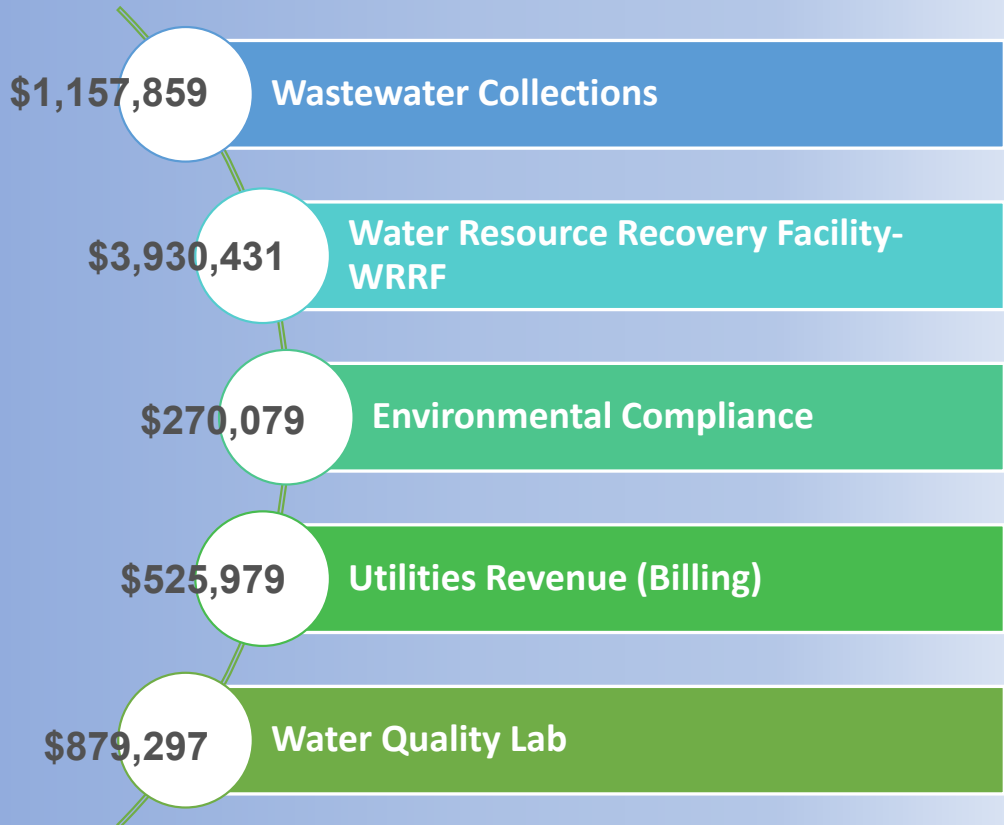


Community Services

1,792,903,889
Gallons Water
Delivered



Sewer Fund Core Services



1,106,963,520
Gallons
Wastewater
Treated

80,965,749
Gallons
Recycled Water
Delivered

Community Services



What Lies Ahead-Utilities



Sewer Fund

Water Fund

Upgrade:
WRRF will
cost more
to operate
in the future

Prado
Overpass:
Relocating
Wastewater
Collections



\$117
Per Month
Average person
pays for **each**
cell phone

\$117
Per Month
Average
household pays
for **both** water
and sewer

Deliver
Water
up to
50 Miles

AA Bond
Rating
(Fitch
Rating)

Parking Fund Core Services

**2020-21 Expenditure Budget
\$4.8 million**

**2020-21 Revenue Projection
\$2.7 million**

Enforcement of State and Local Regulations

Operation & Maintenance of 3 Parking Structures

Operation & Maintenance of 9 parking lots & 1,100 parking meters

Administration of parking permit programs



Transit

**2020-21 Expenditure Budget
\$3.7 million**

**2020-21 Revenue Projection
\$4.2 million**



**Safe, reliable transportation for
seniors, disabled, students, working
professional and visitors**



Other Setting the Stage Framework



The City at a Glance (2019)

| Economic Indicators Compared to State | State of California | City of SLO |
|----------------------------------------------|---------------------|-------------|
| Owner-Occupied Housing Unit Rate | 55% | 38% |
| Median Value of Owner-Occupied Housing Units | \$ 475,900 | \$ 617,200 |
| Median Gross Rent | \$ 1,429 | \$ 1,461 |
| Median Household Income | \$ 71,228 | \$ 52,740 |
| Per Capita Income in past 12 months | \$ 35,021 | \$ 31,917 |



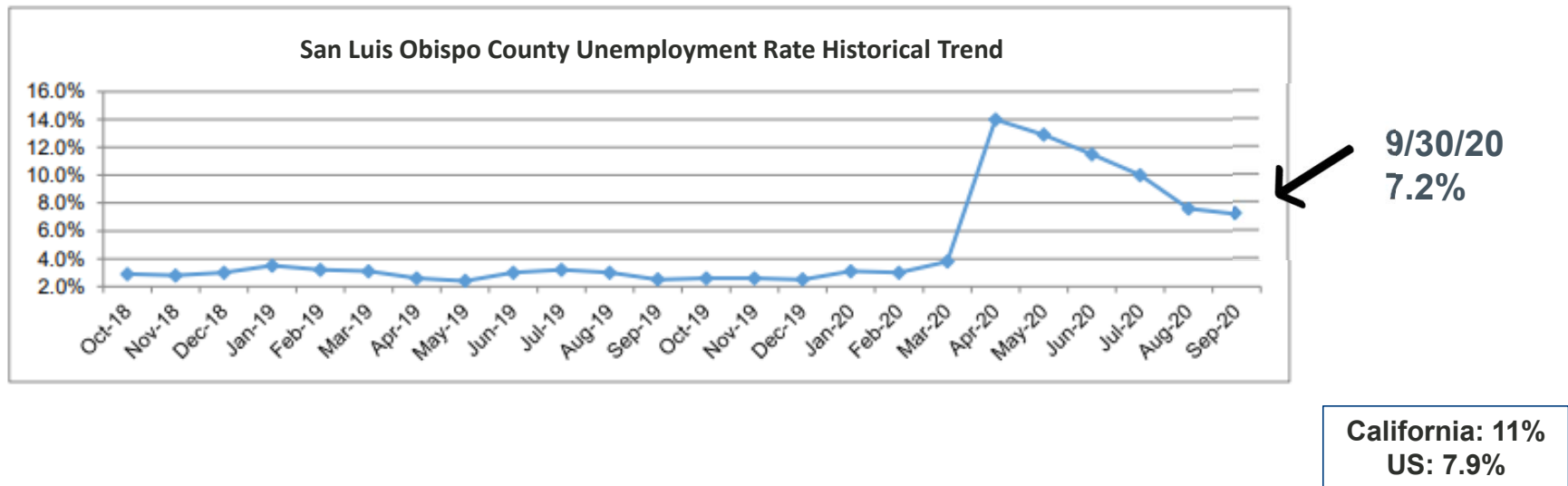
Population Change from 2010
 City of SLO: 5.2%
 State: 6.1%

Current Population
 47,459

Source: "U.S. Census Bureau QuickFacts: California; San Luis Obispo City, California." *Census Bureau QuickFacts*, www.census.gov/quickfacts/fact/table/CA_sanluisobispocitycalifornia/PST045219.



The Pandemic Reality



Source: "SAN LUIS OBISPO-PASO ROBLES-ARROYO GRANDE METROPOLITAN STATISTICAL AREA (MSA)." *San Luis Obispo County Unemployment Rate*, EMPLOYMENT DEVELOPMENT DEPARTMENT Labor Market Information Division, 16 Oct. 2020, [www.labormarketinfo.edd.ca.gov/file/lfmonth/slo\\$pds.pdf](http://www.labormarketinfo.edd.ca.gov/file/lfmonth/slo$pds.pdf).



COVID's Effect on Local Businesses

Many businesses have closed since the beginning of the pandemic, but new businesses open their doors

Includes: Salons, wellness, photography, tech services, cleaning, maintenance, entertainment, etc.

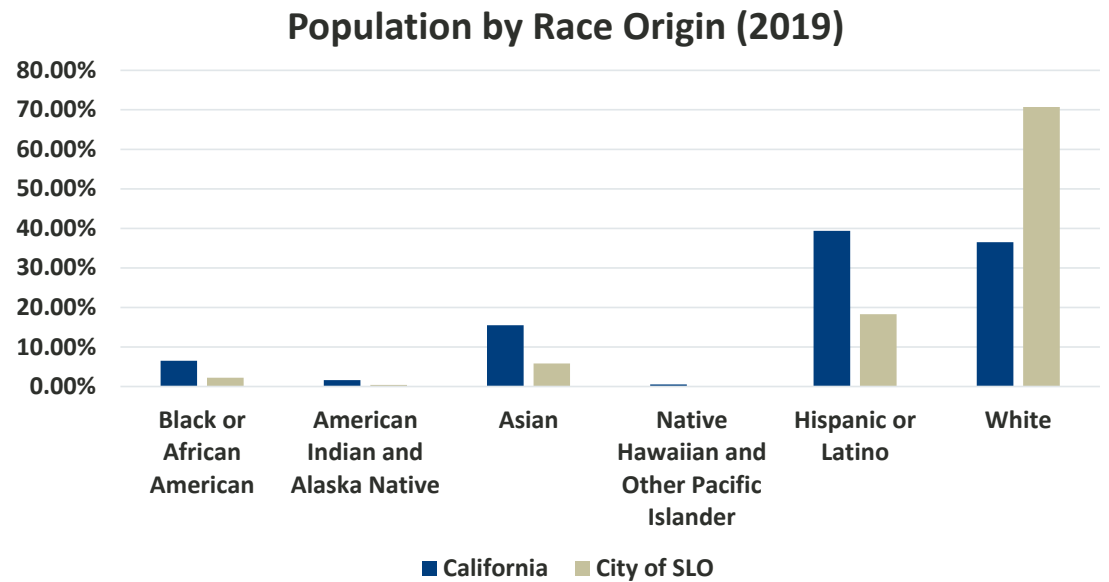
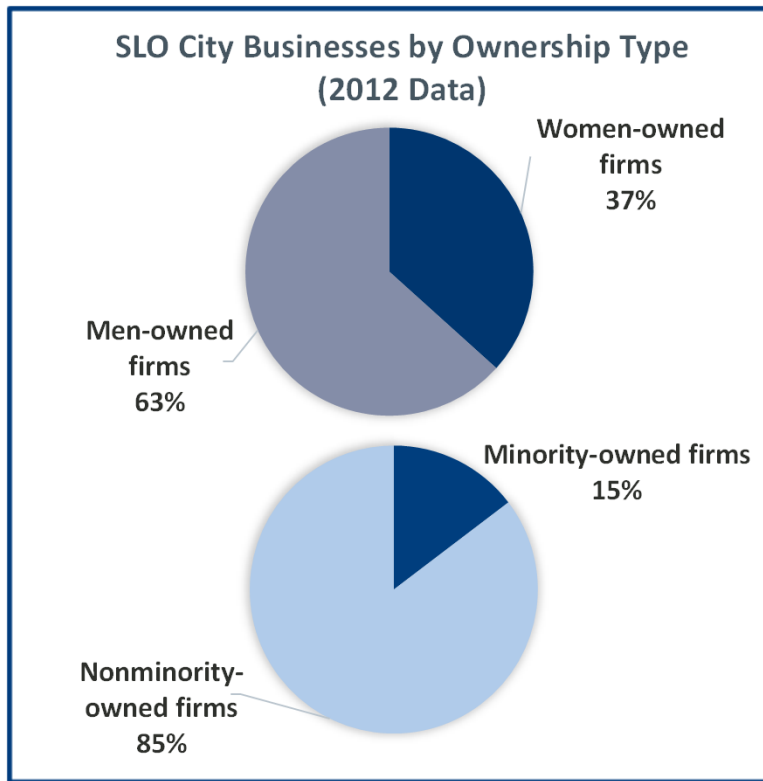
| Business Category | # of closed businesses in FY 19-20 | # of new businesses since 6/1/20 |
|----------------------|------------------------------------|----------------------------------|
| General Retailer | 81 | 42 |
| General Service | 141 | 52 |
| Professional Service | 74 | 45 |
| Other | 57 | 11 |
| TOTAL | 353 | 150 |



As compared to 234 in FY 18-19



Diversity, Equity and Inclusivity



Source: "U.S. Census Bureau QuickFacts: California; San Luis Obispo City, California." *Census Bureau QuickFacts*, www.census.gov/quickfacts/fact/table/CA.sanluisobispocitycalifornia/PST045219.



Diversity, Equity and Inclusivity

DEI Task Force Outcomes

Support the work of DE&I Providers with directed funding for promising impactful, sustainable projects.

A framework for a 21-23 DE&I-focused Major City Goal

Provide a recommendation on the role and function of the HRC in relation to DE&I efforts



Why DEI Matters?

- For the City as an organization:
 - It is important to foster a workplace where individuals' thoughts, perspectives, and ideals are welcomed and that they can bring their full-selves to their workplace.
 - By focusing on DEI, the organization can ensure that we recruit and retain individuals from diverse backgrounds who contribute their strengths to the organization and community.

- In the community:
 - The City Council has made a commitment to making San Luis Obispo a welcoming, inclusive and safe community.
 - The City recognizes that social and economic inequality is embedded in our systems and culture, and that recovery must integrate deep structural transition to support the empowerment of marginalized communities.



Measure G-20 Planning

Immediate Need to Invest

| | |
|----------------------------------------------|-------------------|
| ■ Economic Development: | |
| ■ Tenant Improvement / Small Business Grants | \$ 2,500,000 |
| ■ Additional Downtown SLO Improvements | \$ 451,000 |
| ■ Economic Development Rainy Day Fund | \$ 200,000 |
| ■ Homeless Liaison/Coordinator | \$ <u>225,000</u> |
| | |
| Total | \$ 3,376,000 |

Funding Strategy

- Use Undesignated Fund Balance now – replenish with Q1 Measure G-20 funding
- April 1, 2021 – June 30, 2021 G-20 Funding estimate \$3.8 million



Conclusion – Preparing for 2021-23

Continued commitment to...

Good Fiscal Management

Public Engagement

Quality Services

Many challenges, many opportunities, many accomplishments ahead



Recommendations

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