



# Strategic Budget Direction

## 2021-23 Financial Plan

April 20, 2021

*Review draft budgets, Major City Goal work programs, Significant Operating Budget Changes, Capital Improvement Plan*



CITY OF SAN LUIS OBISPO

# The Art of the Longview

- Requires Disciplined Focus (Culture of Discipline)
  - *Can be complex when everything seems both “urgent” and “necessary”*
- Major City Goals
  - *Combination of “wicked problems”*
- Confront Brutal Challenges
  - *Systemic Racism*
  - *Climate Crisis*
  - *Housing/Homelessness*
  - *Economic Disruptions*
- Civic understanding and Community engagement are critical
  - *Balancing expectations with resources*

## Characteristics of a “Wicked Problem”

- Difficult to clearly define
- Many interdependencies and often multicausal
- Attempts to address the problem often lead to unforeseen consequences
- Frequently not stable
- Usually no clear solution
- Socially complex
- Rarely is the responsibility of only one stakeholder
- Solutions involve changing behaviors
- Can be characterized by chronic policy failure



# City Manager Budget Message

- Balanced Budget (Forecast supports ongoing)
- Focus, Focus, Focus
- Recovery from Covid-19
- Address resource deficiencies in operating functions
- Investment in capital – facilities, transportation, parks
- Thoughtful and strategic investment in Major City Goals based on feedback from Council
- Address Local Revenue Measure Spending priorities
- New challenges, new opportunities
- Continued payments to CalPERS
- Considerations of fiscal realities
- Ongoing Monitoring, Reporting & Adjustment

Responsible & ambitious



# Recommendations

1. Review the strategic budget direction report (Attachment A)
  - A. Long Term fiscal forecast
  - B. Major City Goal Programs & Deliverables
  - C. Ongoing Community Services
  - D. Local Revenue Measure Uses
  - E. Significant Operating Budget Changes
  - F. Capital Improvement Plan
  - G. Enterprise Funds
2. Provide feedback and guidance (“direction”) to the City Manager regarding the recommended strategic budget direction and proposed budget allocations to commence budget adoption on June 1, 2021.



# FOCUSED QUESTIONS FOR COUNCIL

1. Do the major city goal work programs include tasks, budget and timing to address Council and community expectations.
2. Does the CIP include projects and budget allocations to address Council and community expectations?
3. Does the Council support the REOC recommendations and determine that the proposed uses for capital and operations fit into the priorities as identified by the REOC and Council?
4. Does the Council support the reduced rate changes for water and sewer funds?
5. Does the Council support the recommended program changes and proposed rate structure for parking?

## **COUNCIL NEXT STEPS**

1. Approve-Financial Plan and Budget Appropriations
2. Advocate (Housing, Homeless, DEI, Climate) @ Federal, State, County and Community Partner Level
  1. Community Partnerships, Regionalism, Governance, Etc.
3. Monitor-Impact and Outcomes of Work programs
4. Adjust-Work Programs



# A: General Fund Forecast



# Financial Forecast

## *Balanced budget based on current assumptions.*

- Assumption of return to “normal” through 2021 calendar year into 2022
- Most revenues to return to pre-covid levels JD1 with modest long-term growth
- Right-size operating budgets with modest growth
- One-time allocation of resources to advance Major City Goals
- Unpredictability and forecasting longer-term assumptions are difficult and subject to change.



**\$8.9 million**  
*One-time allocation to offset  
revenue losses*



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## Slide 7

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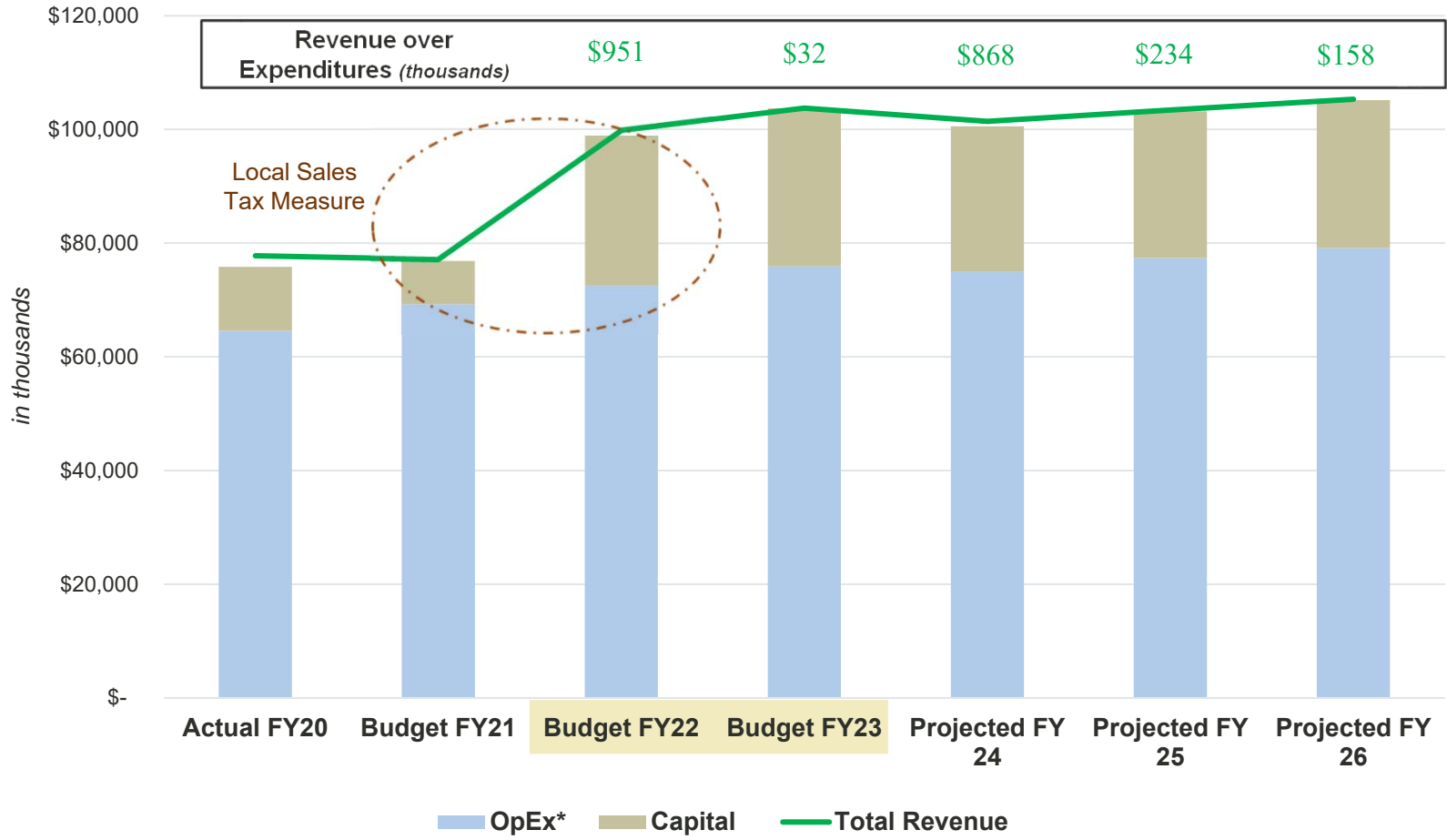
**JD1**

[@Harnett, Natalie], [@Elke, Brigitte], lets be clear about the timing of return to pre-covid levels.

Johnson, Derek, 4/19/2021



# General Fund Five Year Forecast



\*including debt & transfers

Detailed Forecast on Council Reading File **Pg. 25**



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# Considerations

**Focus and discipline needed for long-term fiscal health.**

**Fulfill ambitious work programs and Community goals**

**CalPERs payment goals to address Unfunded Liability**

<i>In Thousands</i>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
<b>Undesignated Fund Balance (Estimated)</b>	\$4,320	\$2,205	\$1,755	\$736	<b>(\$351)</b>



*Council Reading File Pg. 25, line 44*



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# B: Major City Goals



# Major City Goals



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# MCG – Economic Recovery

## Expectations and Outcomes:

- Engage and expand community partnerships and invest in infrastructure, and efforts that **support the economic and social recovery** and resiliency of the community while ensuring fiscal sustainability.
- **Focus** on business retention, the recovery of arts and culture, the vitality of the downtown, and support to underserved groups and populations.
- All actions will be viewed through the lens of the City’s **sustainability and DEI efforts.**



## Total Investment

*Table 1:*

		2021-23 Financial Plan	
Major City Goals		2021-22	2022-23
1	Ongoing Community Services	\$6,522,764	\$6,357,764
2	New Operating Investments	\$2,592,968	\$1,865,440
3	Capital Infrastructure Projects	\$3,462,500	\$8,089,500
<b>Total</b>		<b>\$12,578,232</b>	<b>\$16,312,704</b>

 Council Reading File Pg. 28



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# MCG – Diversity, Equity, Inclusion

## Expectations and Outcomes:

- Develop and implement strategies, programs and policies that build a **workplace culture and community of inclusion, fairness and belonging for all.**
- **Involve** marginalized communities and diverse voices in program development and delivery to ensure current lived experiences are understood, priorities are addressed, and the City’s efforts are relevant and meaningful.
- **Partner** with proven community providers and utilize best practice models to leverage City resources and to maximize **effectiveness and impact of initiatives.**
- Identify and track **measurable results** in maturing diversity and inclusion efforts.



## Total Investment

*Table 3:*

		2021-23 Financial Plan	
	Major City Goals	2021-22	2022-23
1	Ongoing Community Services	\$180,500	\$191,000
2	New Operating Investments	\$588,630	\$650,097
3	Capital Infrastructure Projects	\$345,000	\$95,000
<b>Total</b>		<b>\$1,114,130</b>	<b>\$936,097</b>

 Council Reading File Pg. 46



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# MCG – Housing and Homelessness

## Expectations and Outcomes:

- Prioritize new and ongoing Housing Element policies and programs that focus on **facilitating the increased production** of affordable and workforce housing, in addition to market rate housing.
- Engage with the community, regional agencies, local non-profit partners, and the Federal government to leverage resources to be utilized to implement **strategies that reduce homelessness.**



## Total Investment

Table 2:

		2021-23 Financial Plan	
	Major City Goals	2021-22	2022-23
1	Ongoing Community Services	\$1,155,364	\$1,131,324
2	New Operating Investments	\$1,133,597	\$1,077,226
3	Capital Infrastructure Projects	\$9,090,100	\$25,105,817
<b>Total</b>		<b>\$11,379,061</b>	<b>\$27,314,367</b>



Council Reading File **Pg. 37**



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# MCG – Climate Action

## Expectations and Outcomes:

- Reduce greenhouse gas emissions at both the municipal and community level on a trajectory consistent with the Climate Action Plan target of **carbon neutrality by 2035**.
- Achieve the vision to **preserve and enhance** the San Luis Obispo Greenbelt
- Integrate best practices for **urban forestry** throughout the community and City landscape to accrue the multiple benefits that trees provide including shading and cooling, beautification, habitat, stormwater retention, and carbon sequestration.
- **Implement Tier 1** projects identified in the **Active Transportation Plan (ATP)**, and planning and investment in transit service enhancements and transit fleet electrification, in order to achieve the mode-share split objectives identified in the Circulation Element of the General Plan.
- Adapt and become more resilient to the impacts of climate change through the **Resilient SLO** planning process and through increased implementation efforts that address public health and safety.



## Total Investment

Table 4:

		2021-23 Financial Plan	
Major City Goals		2021-22	2022-23
1	Ongoing Community Services	\$203,500	\$228,500
2	New Operating Investments	\$667,376	\$454,702
3	Capital Infrastructure Projects	\$14,592,660	\$14,397,731
<b>Total</b>		<b>\$15,463,536</b>	<b>\$15,080,933</b>

 Council Reading File Pg. 55

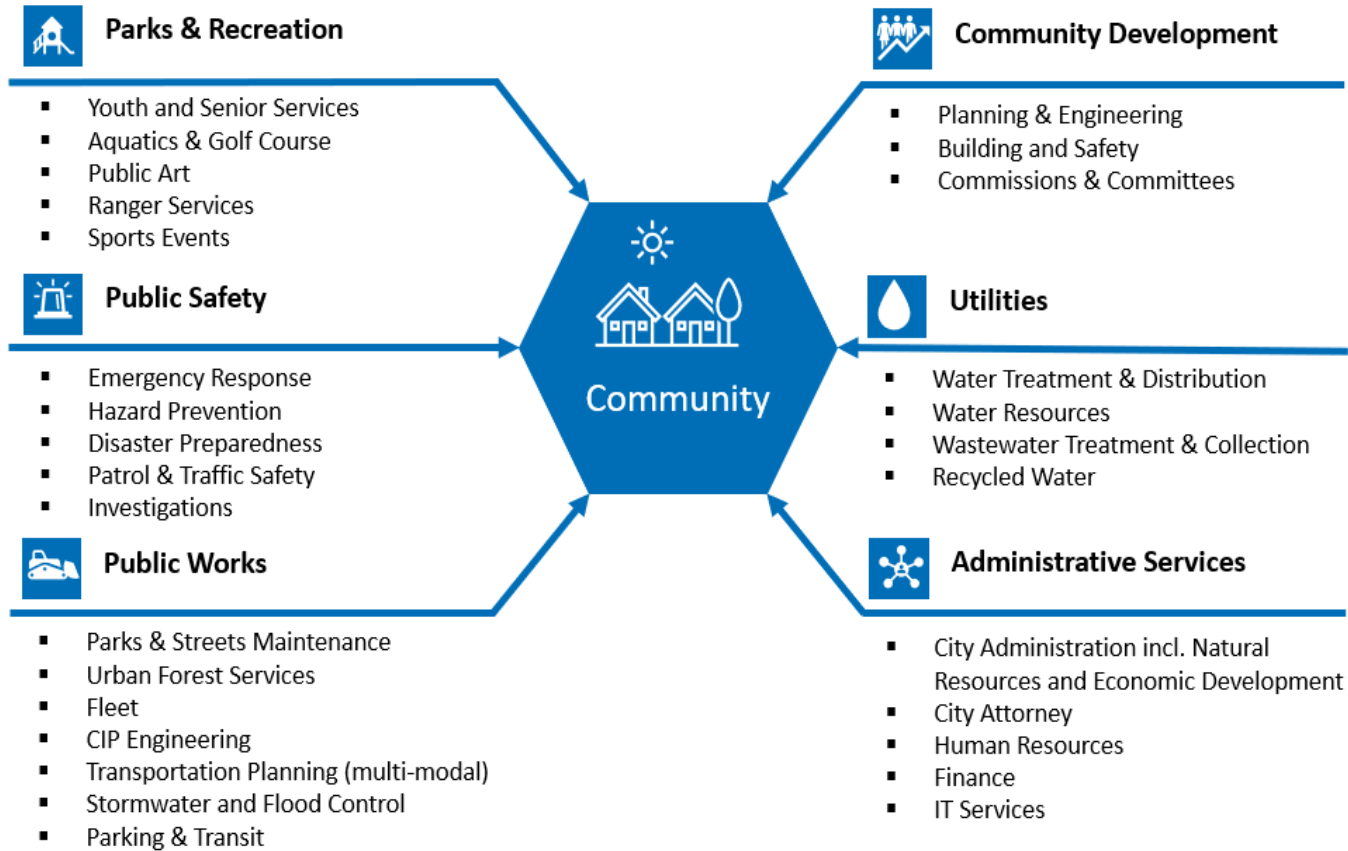




# C: General Fund Community Services



# Ongoing Community Services



**2021-22 General Fund Base Budget = \$62,657,775**

 *Council Reading File Pg. 66*



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# D: Local Revenue Measure

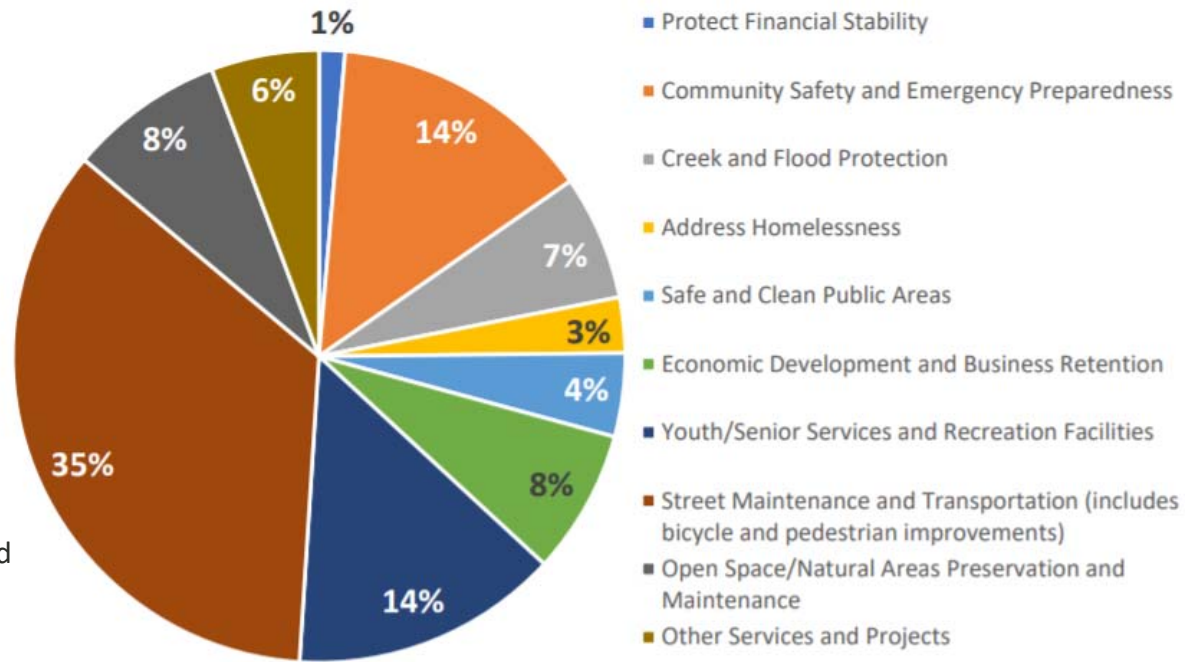


# Local Revenue Measure Uses

2021-22 LRM Uses (\$24.1 M)

## Community Priorities:

- 1) Protect Financial Stability
- 2) Community Safety and Emergency Preparedness
- 3) Creek and Flood Protection
- 4) Address Homelessness
- 5) Safe and Clean Public Spaces
- 6) Economic Development and Business Retention
- 7) Youth/Senior Services and Recreation Facilities
- 8) Street Maintenance and Transportation
- 9) Open Space/Natural Areas Preservation and Maintenance
- 10) Other Services and Projects.



Capital to Operating Split is approximately **75/25** during 2021-23 with ramp up to **85/15** split in outer years.

 Council Reading File Pg. 72



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# E: Significant Operating Budget Changes



# Significant Operating Budget Changes (SOBCs)

Opportunity for departments to propose one-time or ongoing changes that help support Major City Goal efforts or augment ongoing community services.

## Considerations:

- The Fiscal Health Response Plan and Fiscal Health Contingency Plan have stalled the growth of base budgets.
- Ongoing community services must be offset by expected ongoing revenue

## Two-Year Combined SOBC Investment by Type



 Council Reading File Pg. 83



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# SOBC Summary – General Fund

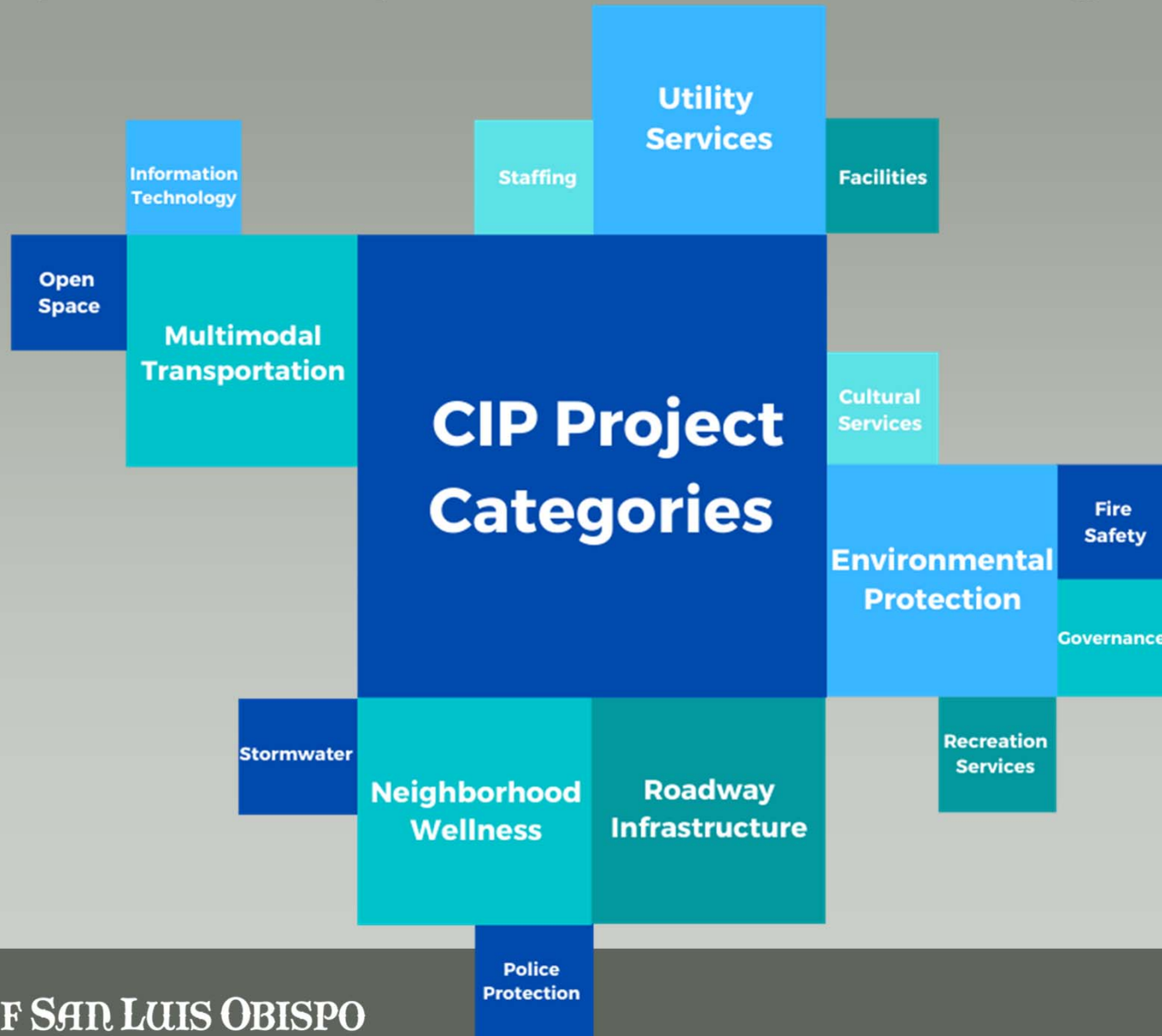
SOBC Type	21-22	22-23
<b>One-time</b>	<b>\$ 3,764,923</b>	<b>\$ 2,487,918</b>
Ongoing Community Services	\$ 848,037	\$ 461,909
Major City Goal Related	\$ 2,916,886	\$ 2,026,009
<b>Ongoing</b>	<b>\$ 3,571,819</b>	<b>\$ 4,137,607</b>
Ongoing Community Services	\$ 1,377,124	\$ 1,866,376
Major City Goal Related	\$ 2,194,695	\$ 2,271,231
<b>Grand Total</b>	<b>\$ 7,336,742</b>	<b>\$ 6,625,526</b>

Public Safety	Community Services	Support Services
<ul style="list-style-type: none"> <li>Emergency Management Services</li> <li>Fire Training &amp; Safety Captain</li> <li>Safety Equipment replacement</li> <li>Data processing enhancements</li> </ul>	<ul style="list-style-type: none"> <li>Youth Services Staff</li> <li>Development Review Resources (offset by revenue)</li> <li>Housing Support</li> <li>Infrastructure/ Facility Maintenance</li> </ul>	<ul style="list-style-type: none"> <li>City Attorney resources</li> <li>Human Resources Support</li> <li>Finance Support</li> <li>IT Support</li> </ul>

 Council Reading File Pg. 85

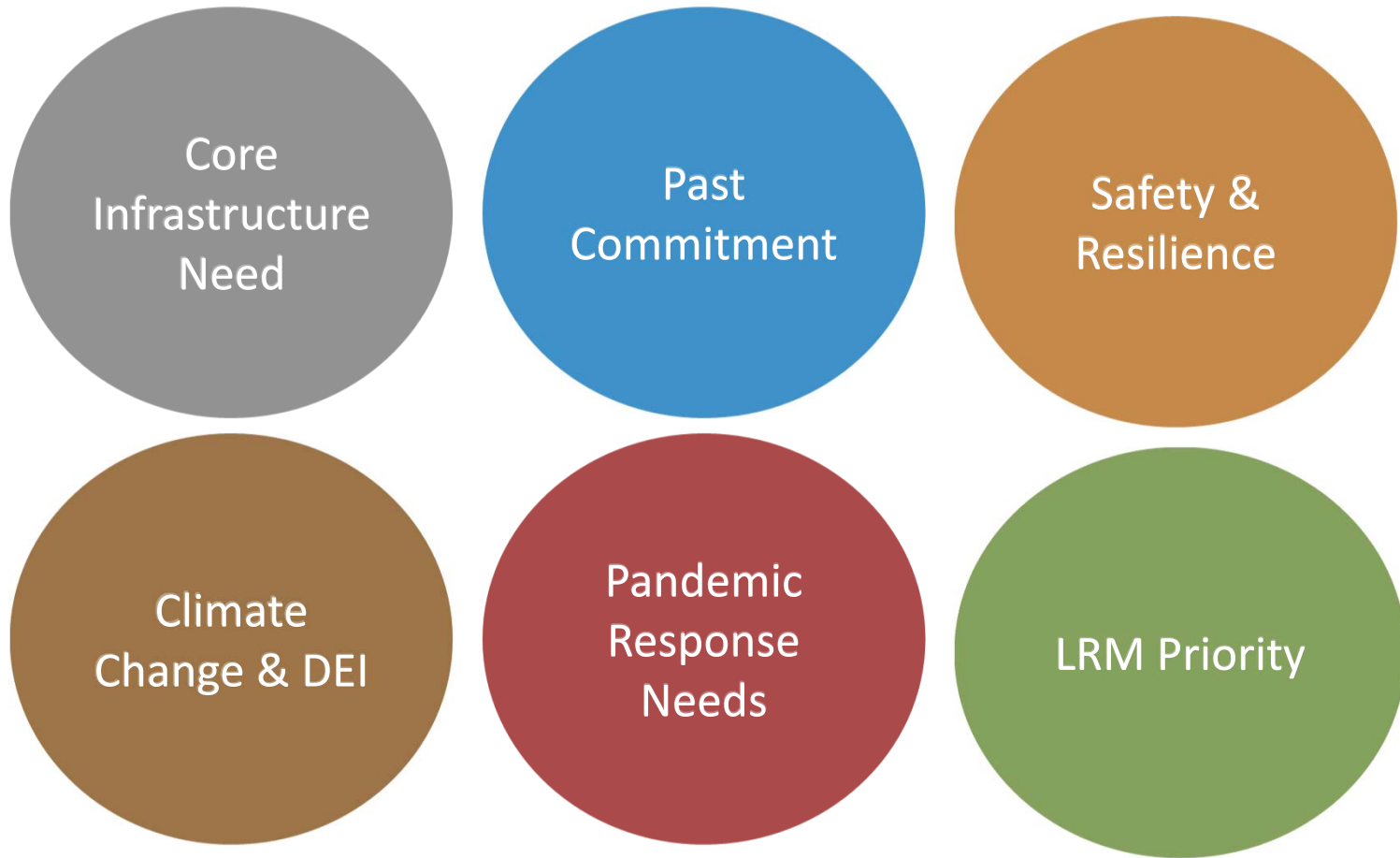


# F: Capital Improvement Program





# Capital Improvement Plan – Project Selection Criteria



 Council Reading File Pg. 100



# Capital Improvement Plan – Project Categories

DVHW#  
P DIQWHQDQFH




Two-year total	\$42,772,366
Five-year total	\$98,376,012

DVHW#  
UHSOD FHP HQW



Two-year total	\$50,321,510
Five-year total	\$127,678,513

QHZ #  
DVHWV



Two-year total	\$33,263,097
Five-year total	\$153,985,097



Project Delivery Operating Budget Augmentation	
Two-year total	\$1,500,000
Five-year total	\$4,500,000

 Council Reading File Pg. 104

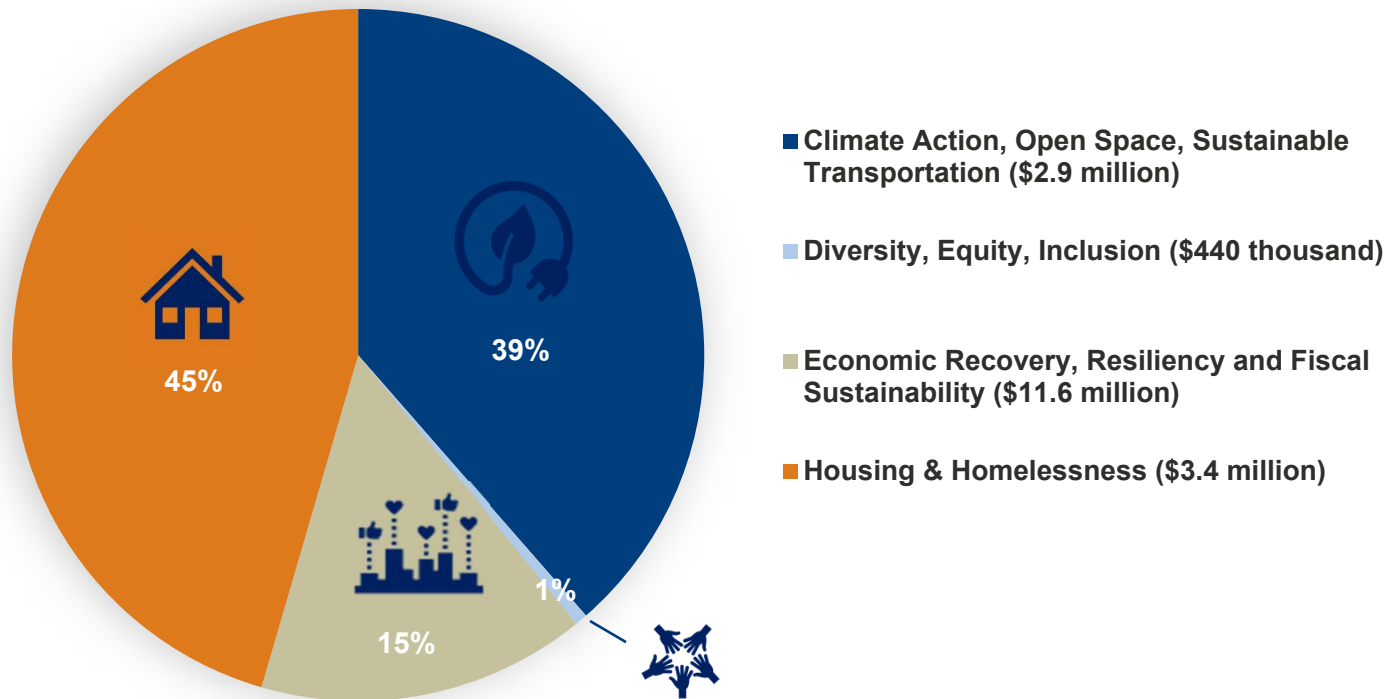


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# Capital Improvement Plan – Major City Goal

## CIP Combined Two- Year Investment in MCGs



 Council Reading File Pg. 114



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# Capital Improvement Plan – Calendar Year 2021 Projects

ID	Calendar Year 2021 CIPs	Approximate Total Budget
1	Sinsheimer Hardscape Replacement	\$135,000
2	Mission Plaza Railing Replacement	\$80,000
3	Meadow Park Pathway Maintenance	\$250,000
4	Sinsheimer Irrigation and Drainage	\$650,000
5	Broad & Leff Culvert Repair	\$500,000
6	Downtown Paving Repairs 2021	\$3,434,000
7	Laguna Lake Dredging 2021	\$840,000
8	Parks and Recreation Interior Office Rehabili	\$500,000
9	North Broad Street Neighborhood Park	\$845,000
10	Swim Center Boiler Replacement	\$85,000
11	City Hall Landing Repair	\$60,000
12	French Park Parking Lot Maintenance	\$110,000
13	Curb Ramps at Galleon and Newport	\$40,000
14	Tank Farm / Orcutt Roundabout Construction	\$3,600,000
<b>15</b>	<b>Total</b>	<b>\$11,129,000</b>

 Council Reading File Pg. 116



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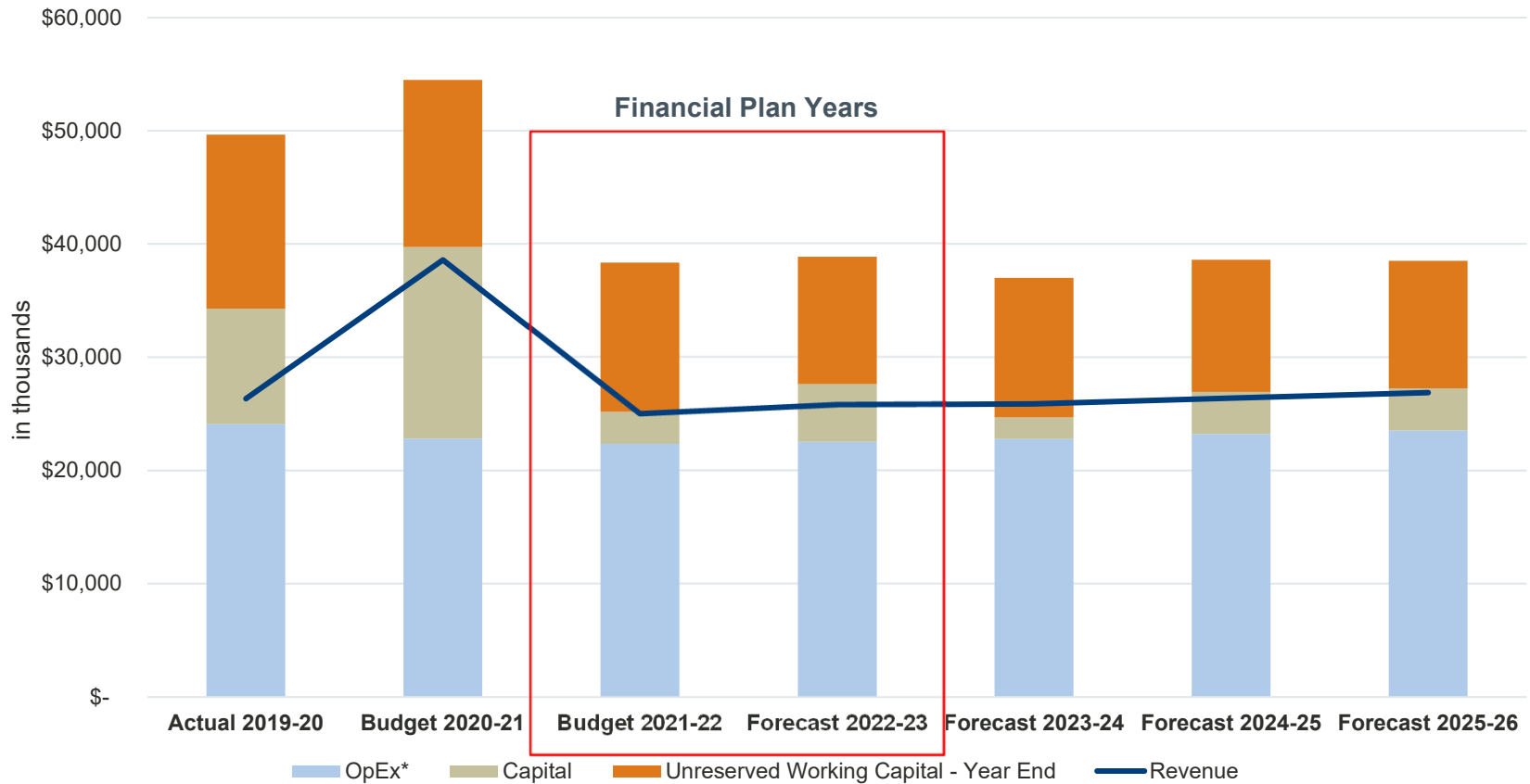
F:  
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# G: Enterprise Funds



# Water Fund Forecast



\* Revenue and expenditures include debt service payments & proceeds

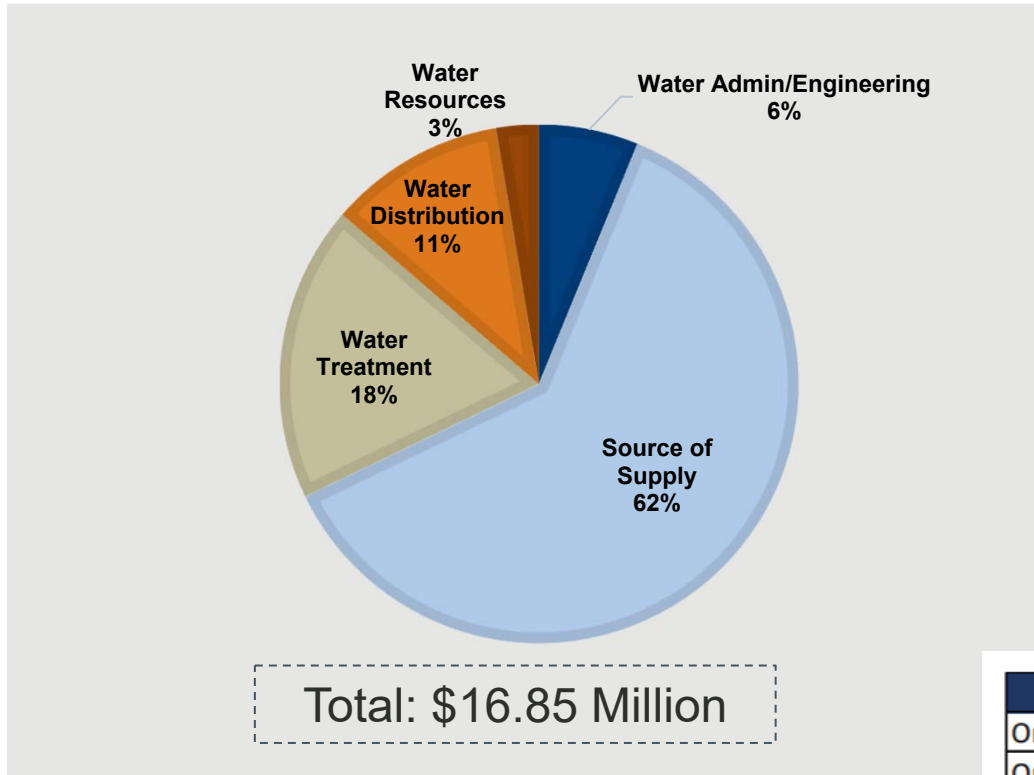
Detailed forecast on Council Reading File Pg. 120



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# Water Fund FY 21-22 Operating Budget



Significant Operating Budget Changes

SOBC Type	21-22	22-23	Total
One-time	\$ 80,000		\$ 80,000
Ongoing	\$ 147,321	\$ 135,232	\$ 282,553
<b>Total</b>	<b>\$ 227,321</b>	<b>\$ 135,232</b>	<b>\$ 362,553</b>

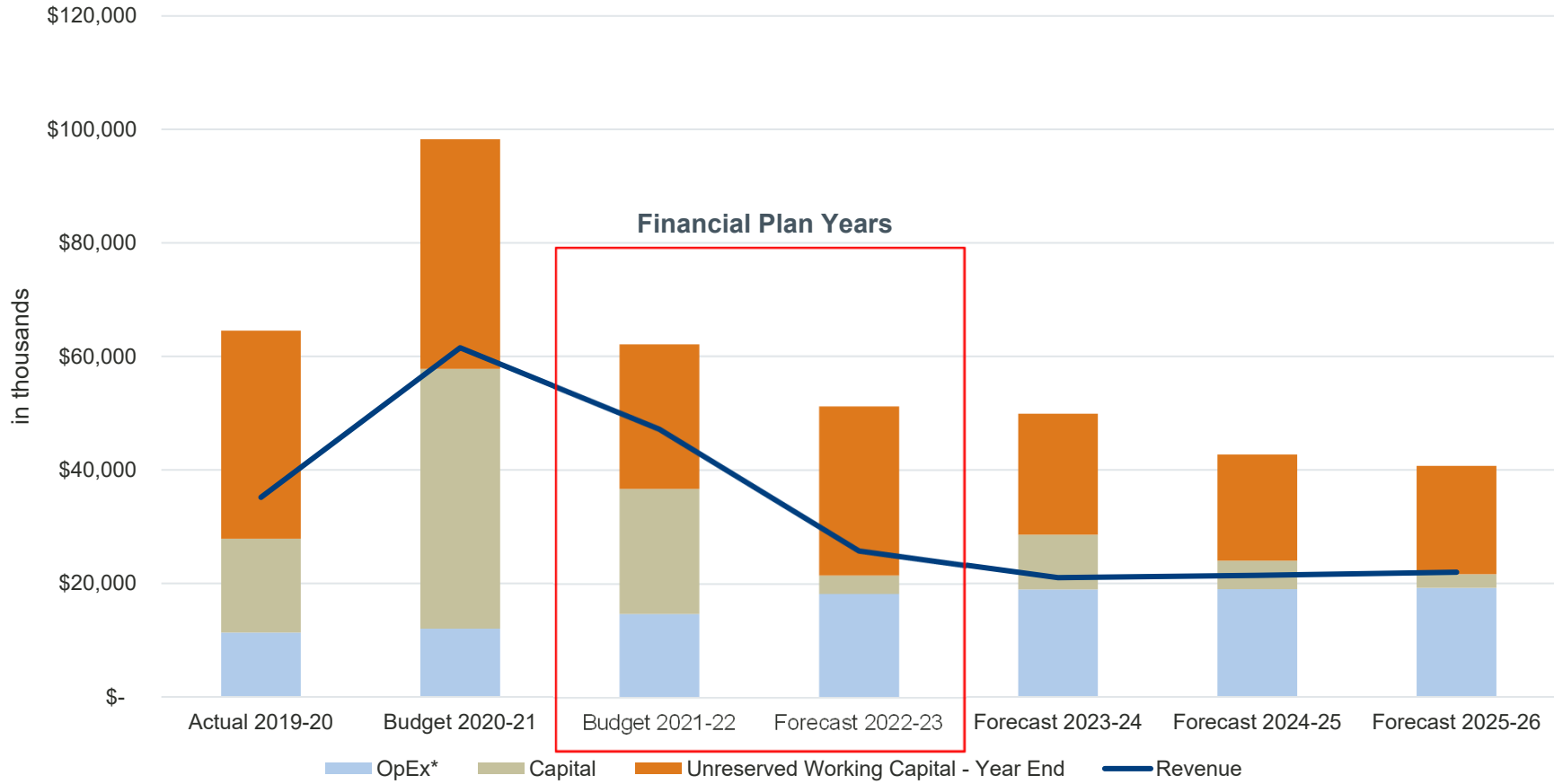
Council Reading File Pg. 121



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# Sewer Fund Forecast



\* Revenue and expenditures include debt service payments & proceeds

 Detailed Forecast on Council Reading File Pg. 127

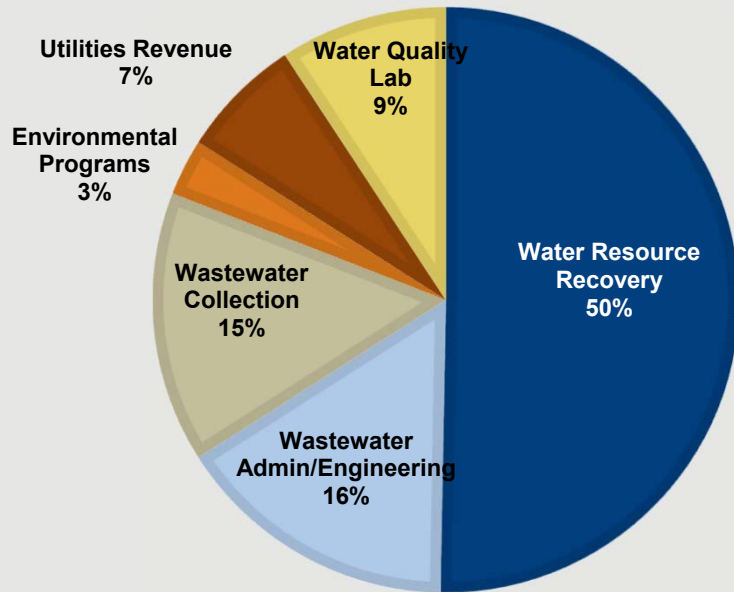


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# Sewer Fund FY 21-22 Operating Budget



Total: \$7.92 Million



### Significant Operating Budget Changes

SOBC Type	21-22	22-23	Total
One-time	\$ 57,517	\$ 11,865	\$ 69,382
Ongoing	\$ 252,381	\$ 413,087	\$ 665,468
<b>Total</b>	<b>\$ 309,898</b>	<b>\$ 424,952</b>	<b>\$ 734,850</b>

Council Reading File Pg. 128



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# Utility Rates

- Utility rates determined by operational costs and necessary reserve levels to keep the funds healthy
- Proposed rate increases scheduled for public hearing on June 15, 2021
- More robust and accessible rate assistance program also proposed
- Latest rate confirmation study shows **lower** than previously recommended rate increases

Water Rate Increases		
	2021-22	2022-23
Original Forecast	5.5%	5.5%
Proposed	3.5%	3.5%

Sewer Rate Increases		
	2021-22	2022-23
Original Forecast	6.5%	6.5%
Proposed	3.5%	3.5%

 Council Reading File Pg. 121 & 128



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# Major Utilities Capital Projects coming in 2021-23:

## ----Sewer----

WRRF Project

Airport Gravity Sewer

Mainline Replacements

Inflow and Infiltration

## ----Water----

Reservoir 2 Cover Replacement

Recycled Water Expansion Project

Water Treatment Plant Infrastructure Renewal Strategy

California Waterline Project



All projects listed on Council Reading File Pg. 125 & 132

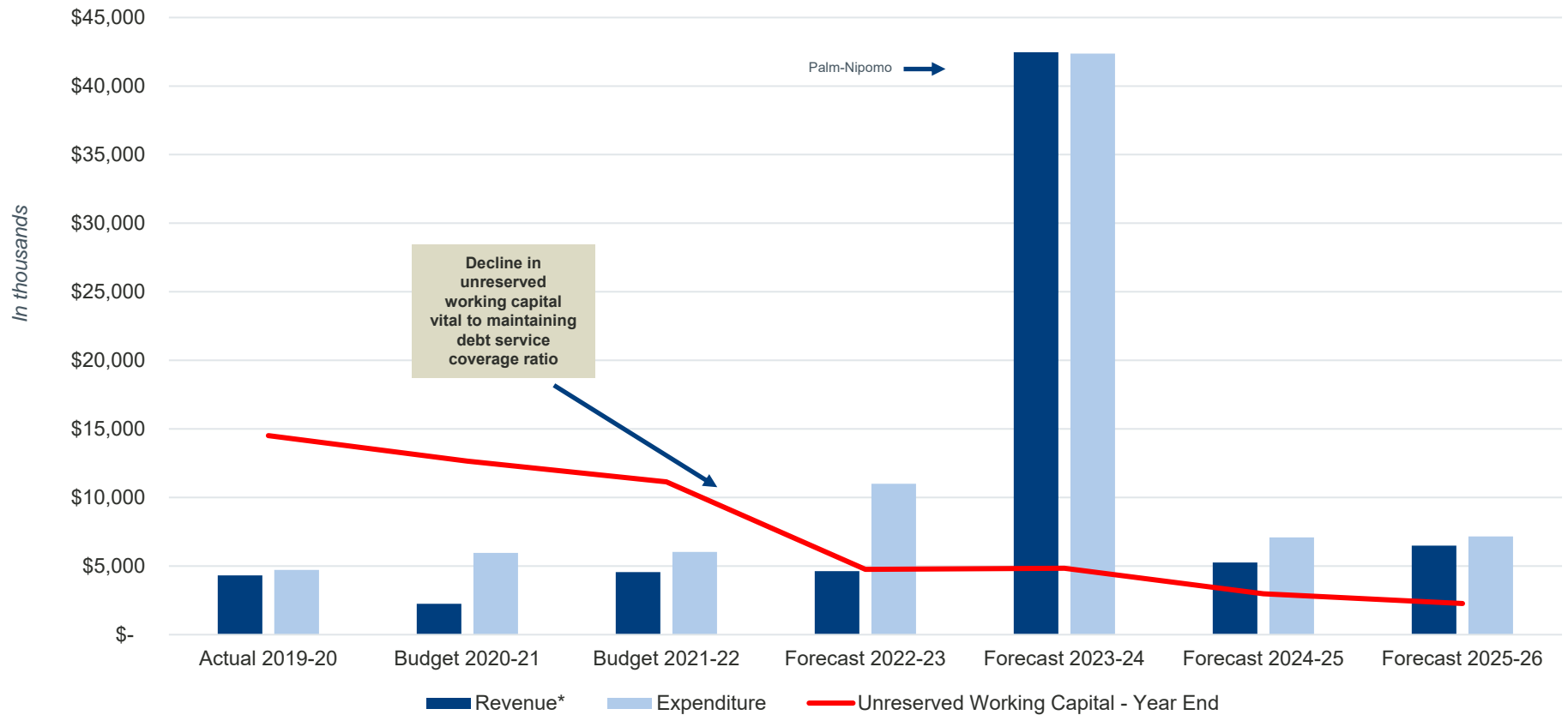


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# Parking – Long Term Forecast

Current Forecast with No Action



Detailed forecast on Council Reading File **Pg. 138**

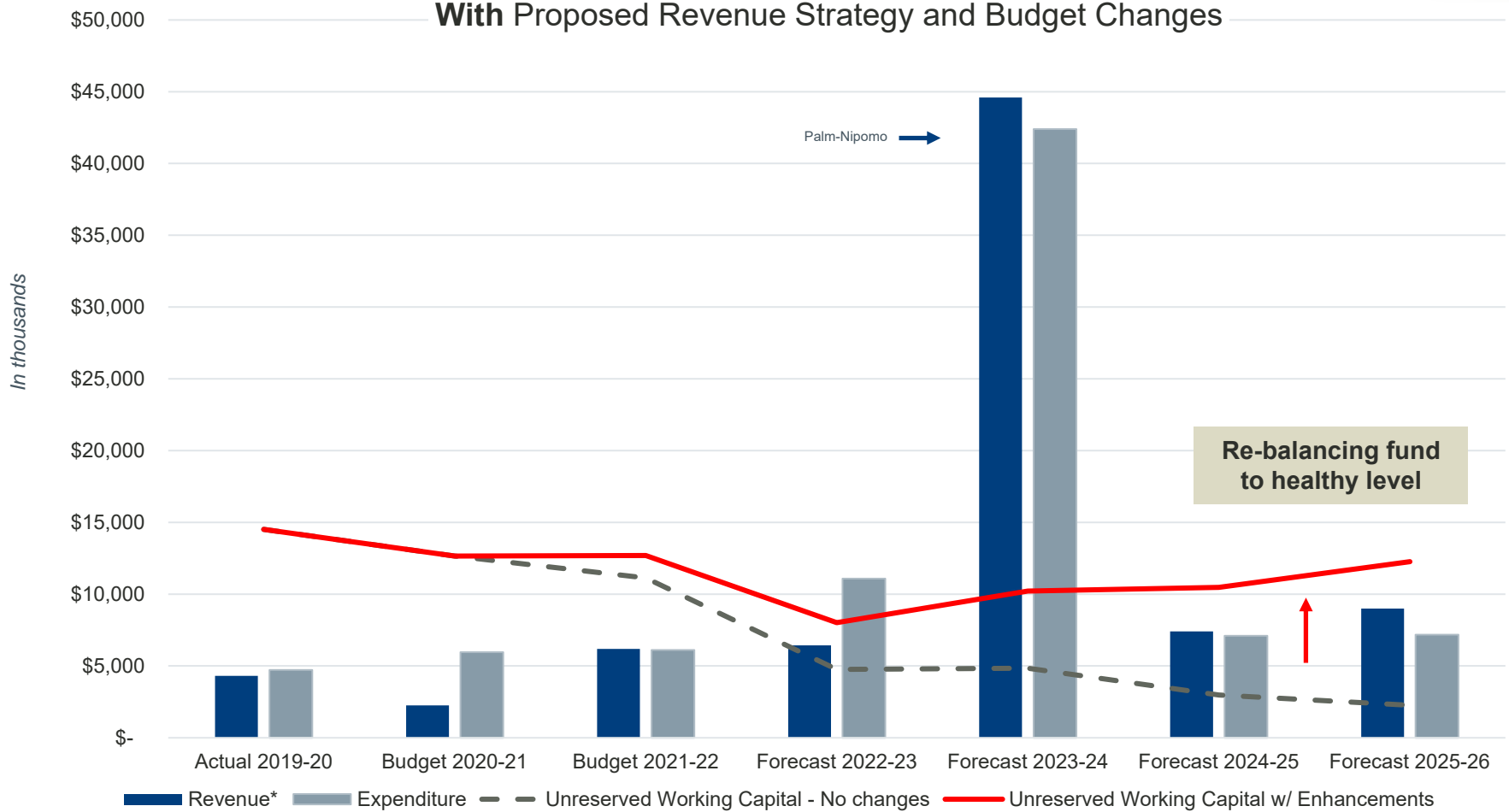


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# Parking – Long Term Forecast

With Proposed Revenue Strategy and Budget Changes



\* Includes debt proceeds in FY 23-24

Detailed forecast on Council Reading File Pg. 138



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# Parking – Revenue Enhancement Strategies

' ;53/333



## Garages:

1. Phase Out of 1<sup>st</sup> Free Hour
2. Reduction of Max Daily Rate
3. Rate Increase (Approved for July 2020)

' :8;/933



## On-Street & Lots:

4. Expansion of Enforcement Hours (6p-9p)
5. Rate Increase (Approved for July 2020)
6. Tier Based Pricing
7. Paid Parking at Railroad Square
8. Paid Parking in Upper Monterey Area
9. Loss of Meters for Old Town District

' 4;5/733



## Enforcement:

10. Expansion of Enforcement Hours (6p-9p)
11. State/County Surcharge
12. Penalty Schedule Fine Amounts
13. Old Town District Enforcement

' 68/933



## Districts:

14. Establish Old Town Parking District



Detailed strategies included on Council Reading File Pg. 137



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# Parking – Operating Budget Changes

Parking Fund SOBCs	21-22	22-23	Total
<b>Ongoing</b>			
Parking Enforcement (3 FTE Additions)	\$ 220,927	\$ 230,947	\$ 451,874
Parking Maintenance (2FTE Additions)	\$ 138,187	\$ 144,392	\$ 282,578
Revenue and Contract Services Reductions Offset	\$ (558,123)	\$ (645,114)	\$ (1,203,237)
<b>Total</b>	<b>\$ (199,008)</b>	<b>\$ (269,775)</b>	<b>\$ (468,784)</b>

 Council Reading File Pg. 141



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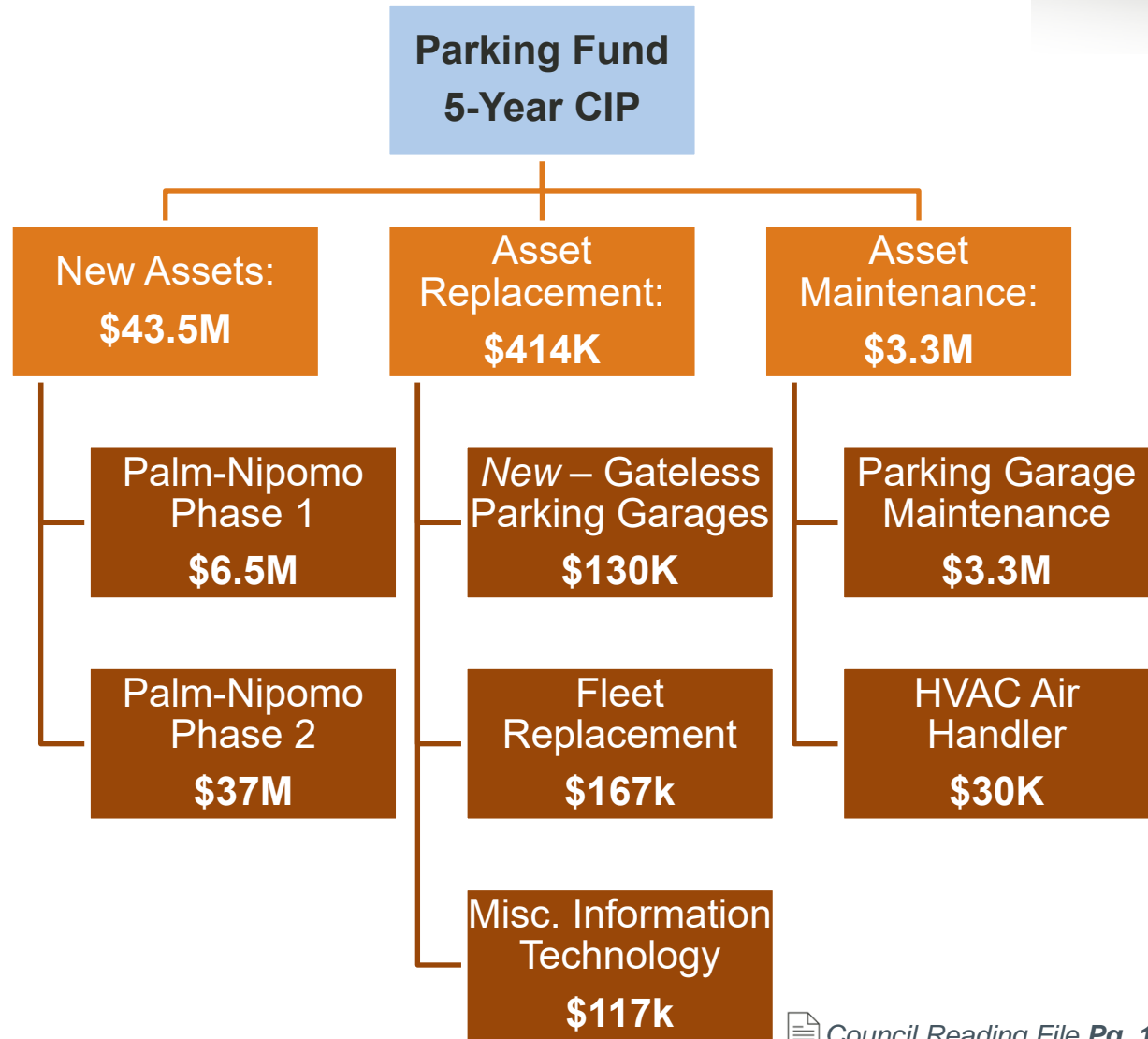
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# Parking – CIP



Why are these projects are important?

- *New garage will bring efficiencies with SLOREP*
- *Activation of downtown*
- *Balance supply and demand*
- *New technologies allow for convenience and additional time and flexibility via mobile apps*

Council Reading File Pg. 142





# Transit Fund

- Maintains balanced budget thanks to support from federal funding and conservative spending
- Approximately \$2.7 million in working capital
- Proposed rate increases are needed to fund service and help achieve 20% local revenue requirements. *Originally scheduled for July 2020 – postponed by Covid*
- Transportation Development Act (TDA) and American Rescue Plan (ARP)



<u>Transit SOBC:</u>	FY 21-22
Transit Innovation Study	\$50,000

 Council Reading File **Pg. 144**



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Measure

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SOBCs

**F:**  
Capital

**G:**  
Enterprise  
Funds

# Transit Fund - Capital

- Capital Projects are highly reliant on future discretionary grant funding

Capital Improvement Projects	2021-22	2022-23
Bus Shelter Replacement	\$ 105,000	\$ -
Bus Replacement with Electric Vehicles	\$ 1,854,000	\$ 1,910,000
Bus Yard Parking Lot Maintenance <sup>2</sup>	\$ 5,000	\$ 500,000
EV Bus Infrastructure <sup>1</sup>	\$ 715,000	\$ -
Bus Wash Replacement <sup>2</sup>	\$ 75,000	\$ 450,000
Vault Room Addition Study <sup>2</sup>	\$ -	\$ 15,000
Replace Supervisor ADA Van with EV <sup>2</sup>	\$ 70,000	\$ -
<b>TOTAL</b>	<b>\$ 3,214,000</b>	<b>\$ 2,375,000</b>

Footnotes 1 & 2: dependent on specific grant funding.



 Council Reading File **Pg. 144**



**CITY OF SAN LUIS OBISPO**

**A:**  
General  
Fund  
Forecast

**B:**  
Major City  
Goals

**C:**  
Community  
Services

**D:**  
Local  
Revenue  
Measure

**E:**  
SOBCs

**F:**  
Capital

**G:**  
Enterprise  
Funds

# Next Steps

- Review & Adoption of 2021-23 Financial Plan 6/1
- Enterprise Fund Review 6/1
- Continued 2021-23 Financial Plan (if needed) 6/15
- Water & Sewer Rates – Proposition 218 Hearing 6/15
- Review & Adoption of 2021-23 Financial Plan 6/29 (If needed)



# Recommendations

1. Review the strategic budget direction report (Attachment A)
  - A. Long Term forecast
  - B. Major City Goals
  - C. Ongoing Community Services
  - D. Local Revenue Measure Uses
  - E. Significant Operating Budget Changes
  - F. Capital Improvement Plan
  - G. Enterprise Funds
2. Provide feedback and guidance (“direction”) to the City Manager regarding the recommended strategic budget direction and proposed budget allocations to commence budget adoption on June 1, 2021.



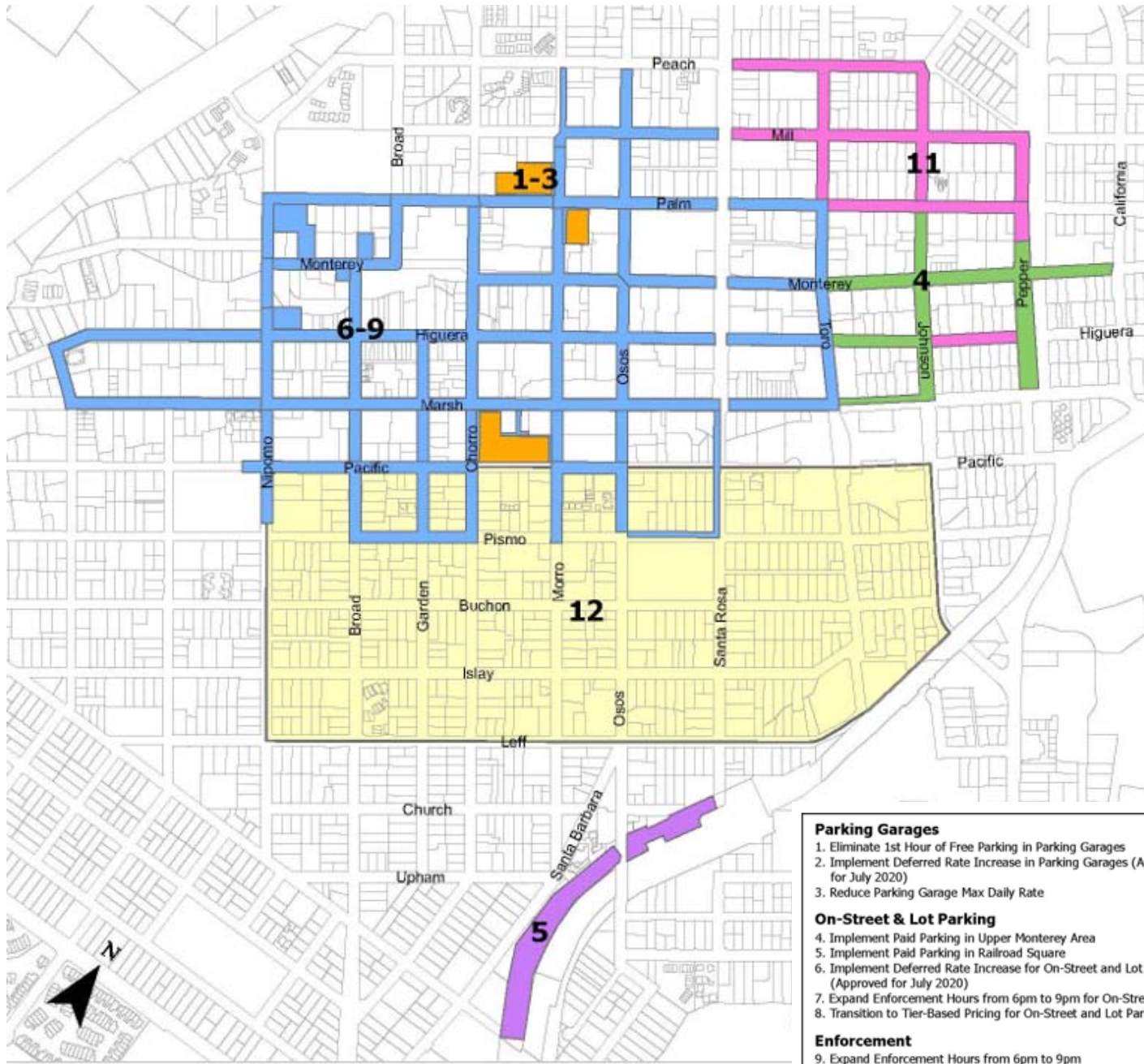
# FOCUSED QUESTIONS FOR COUNCIL

1. Do the major city goal work programs include tasks, budget and timing to address Council and community expectations.
2. Does the CIP include projects and budget allocations to address Council and community expectations?
3. Does the Council support the REOC recommendations and determine that the proposed uses for capital and operations fit into the priorities as identified by the REOC and Council?
4. Does the Council support the reduced rate changes for water and sewer funds?
5. Does the Council support the recommended program changes and proposed rate structure for parking?

## COUNCIL NEXT STEPS

1. Approve-Financial Plan and Budget Appropriations
2. Advocate (Housing, Homeless, DEI, Climate) @ Federal, State, County and Community Partner Level
  1. Community Partnerships, Regionalism, Governance, Etc.
3. Monitor-Impact and Outcomes of Work programs
4. Adjust-Work Programs





<p><b>Parking Garages</b></p> <ol style="list-style-type: none"> <li>1. Eliminate 1st Hour of Free Parking in Parking Garages</li> <li>2. Implement Deferred Rate Increase in Parking Garages (Approved for July 2020)</li> <li>3. Reduce Parking Garage Max Daily Rate</li> </ol> <p><b>On-Street &amp; Lot Parking</b></p> <ol style="list-style-type: none"> <li>4. Implement Paid Parking in Upper Monterey Area</li> <li>5. Implement Paid Parking in Railroad Square</li> <li>6. Implement Deferred Rate Increase for On-Street and Lot Parking (Approved for July 2020)</li> <li>7. Expand Enforcement Hours from 6pm to 9pm for On-Street and Lot Parking</li> <li>8. Transition to Tier-Based Pricing for On-Street and Lot Parking</li> </ol> <p><b>Enforcement</b></p> <ol style="list-style-type: none"> <li>9. Expand Enforcement Hours from 6pm to 9pm</li> <li>10. Increase Penalty Schedule for Safety Violation Fine Amounts -- City-wide, not shown on map.</li> <li>11. Implement and Establish Residential Parking Permit District in Old Town and Upper Monterey Area Districts</li> <li>12. Enforcement of the Old Town Parking District</li> </ol>	<table border="0"> <tr> <td style="display: inline-block; width: 15px; height: 15px; background-color: orange; border: 1px solid black;"></td> <td>1-3. Parking Garages</td> </tr> <tr> <td style="display: inline-block; width: 15px; height: 15px; background-color: green; border: 1px solid black;"></td> <td>4. Upper Monterey Paid Parking</td> </tr> <tr> <td style="display: inline-block; width: 15px; height: 15px; background-color: purple; border: 1px solid black;"></td> <td>5. Railroad Square Paid Parking</td> </tr> <tr> <td style="display: inline-block; width: 15px; height: 15px; background-color: blue; border: 1px solid black;"></td> <td>6-9. On Street &amp; Lot Parking</td> </tr> <tr> <td style="display: inline-block; width: 15px; height: 15px; background-color: white; border: 1px solid black;"></td> <td>10. City Wide</td> </tr> <tr> <td style="display: inline-block; width: 15px; height: 15px; background-color: pink; border: 1px solid black;"></td> <td>11. New Residential Parking Districts</td> </tr> <tr> <td style="display: inline-block; width: 15px; height: 15px; background-color: yellow; border: 1px solid black;"></td> <td>12. Old Town Parking District</td> </tr> </table>		1-3. Parking Garages		4. Upper Monterey Paid Parking		5. Railroad Square Paid Parking		6-9. On Street & Lot Parking		10. City Wide		11. New Residential Parking Districts		12. Old Town Parking District
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