



CITY OF SAN LUIS OBISPO



2022

Popular Annual Financial Report



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Contact Us:

There are many ways to connect:

Phone: 805-781-7100

www.slocity.org



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Financial Awards

The City has received the following awards through the Government Finance Officer Association of the United States of America:

- Certificate of Recognition for Budget Preparation
- Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Luis Obispo California

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill
Executive Director/CEO

We are pleased to present the City of San Luis Obispo's Popular Annual Financial Report (PAFR) for Fiscal Year 2021-22. The PAFR is the condensed version of the 2022 Annual Comprehensive Financial Report (ACFR) which is a detailed account of the City's audited financial statements, notes, schedules, and statistics. The ACFR was prepared in conformance with Generally Accepted Accounting Principles and audited by Badawi & Associates. It received an unmodified (clean) audit opinion. A copy of the ACFR can be found on the City's website at [FY 2021-22 ACFR](#).

The PAFR is a summary of the financial position and statements of the City and shows where the dollars are spent to operate the City and where they come from. It is therefore an effort to inform residents and other interested parties about the financial operations of the City in a simplified and easy-to-read format.

We hope you find the presented data helpful and informative.

CITY PROFILE



San Luis Obispo became a Charter City in 1876.



\$61,862
Median Household Income*



47,653
Population (largest city in SLO County)



4,040
Open Space acres maintained



23,007
Total Housing Units



Water Supply
Reservoirs: 10,392 AF



28
City Parks

Recycled Water: 223 AF



FACTORS AFFECTING 2021-22

Ongoing Global Pandemic

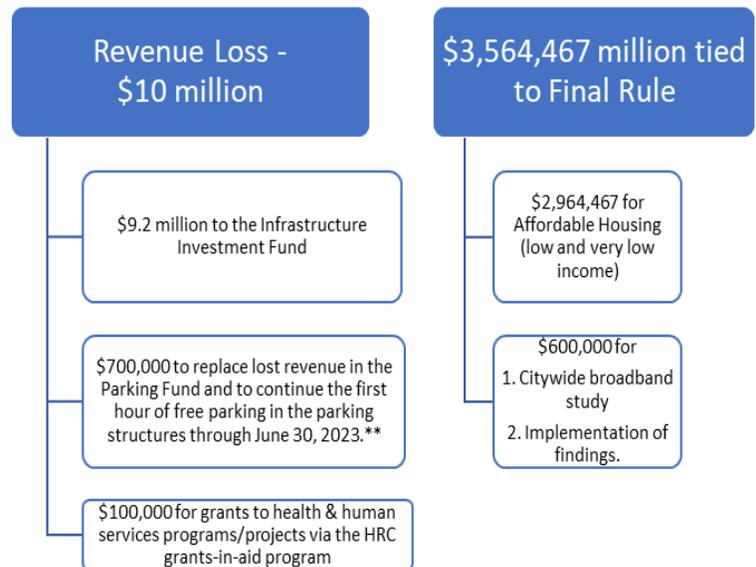
Though a gradual re-opening began in Spring of 2021, the City Council adopted its two-year Financial Plan for 2021-23 and the 2021-22 budget considering the effects of the worldwide pandemic brought on by COVID-19. Given the ongoing uncertainty regarding economic recovery, workforce reintegration and beginning issues with supply chain shortfalls, the budget approach, while cautiously optimistic based on better than anticipated results in 2020-21, remained relatively conservative in its forecasting.

However, the investments into the adopted major city goals remained strong and concentrated on assisting the community with the recovery from the depth of the pandemic as well as addressing emerging trends and needs. The following goals were adopted, and specific work programs implemented to deliver on the community's ambitions:

- Economic Recovery, Resiliency & Fiscal Sustainability
- Diversity, Equity, Inclusion
- Housing and Homelessness
- Climate Action, Open Space, and Sustainable Transportation

As the year unfolded, the City's major revenue sources continued to recover and grow, providing a much-improved fiscal outlook and the City's ability to deliver on goals and objectives, as well as certain deliverables set forth in the adopted Fiscal Health Response Plan that stipulated significant additional payments toward the City's unfunded pension liability. Several other factors played into the City's financial condition throughout the year and at 2021-22 year-end.

❖ **State & Local Fiscal Recovery Funds under the American Rescue Plan Act (ARPA).** The Congressional American Rescue Plan Act approved \$350 billion for state, local, territorial, and Tribal governments in the form of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF). As an entitlement city, San Luis Obispo received \$13.5 million in funding directly from the U.S. Treasury. The funding was received on July 6, 2021 and June 30, 2022, respectively. The City will use \$10 million of the funding to replenish the revenue loss experienced in 2020 and pay for general government services. The remaining funding will be used in accordance with the U.S. Treasury Final Rule and was approved by the City Council via the 2022-23 Budget Supplement resolution in June 2022. None of the funding was used in FY 2021-22 and remains available for spending through 2026 per Council action which is as follows:





❖ **Strong tax revenue** including increased levels of Sales and Use Tax, Property Tax as well as record high Transient Occupancy Tax. The 2020 voter approved local transaction tax went into effect on April 1, 2021, and FY 2021-22 was the first full fiscal year with the increased tax rate. This local revenue measure has now become the City’s largest single tax revenue. The revenue picture forming during the first six months of the fiscal year allowed for significant adjustments at mid-year to address community needs and emerging issues in a timely fashion and as they were developing.

❖ **Emerging Needs & Investment in Homelessness response and Diversity, Equity, and Inclusion** The City’s two-year Financial Plan invested in response to homelessness and housing as well as Diversity, Equity, and Inclusion through Major City Goals and extensive work programs to fulfill the objectives adopted by the City Council. Due to the City’s fiscal outlook at mid-year, further investments were possible, and the adopted budget amended. The total budget augmentation amounted to \$8.3 million including a \$3.9 million grant to the SLO Rep Theater for the new theater location on Monterey and Palm Street. Of the additions, \$6.7 million were one-time investments that do not have an ongoing budgetary impact. The following are examples of the investments with the full report available at: [Mid-Year 2021-22](#).

Throughout the 2021-22 Fiscal Year, the City organization was asked to remain flexible and adjust to the changing conditions that the pandemic and continued directives, as well as the re-opening of business and travel activities presented. The local colleges returned to in-person sessions; all indicating a “normalization” of economic and service activities.

Some of the programs implemented the previous year continued such as sidewalk dining, the tenant improvement program, shop local promotions, augmented childcare options, and virtual holiday activities. For additional information regarding the City’s ongoing investments in the City’s economic vitality please visit: [Economic Development](#).

In many ways, FY 2021-22 marked a transition year for the City organization. It restored the work postponed by the pandemic and allowed the City to reinvest in its core services and important Major City Goal efforts and strategic initiatives. The next several years will concentrate on transforming the City’s role in finding a balance between the delivery of service and programs and capital infrastructure to serve a growing community and remaining an attractive employer in a rapidly changing and dynamic labor market; all trends that have become a part of the recovery from the pandemic and its influence on worldwide all the way to City economics.

Downtown Safety Enhancements	Capital	\$375,000
Crisis Communication Planning	Operating	\$50,000
Mission Plaza Landscape & Lighting	Capital	\$275,000
Railroad Square Safe Parking	Operating	\$64,633
Public Safety Customer Engagement	Operating	\$17,000
Additional Pressure Washing	Operating	\$25,000
Central Resident Inquiry Platform	Operating	\$40,000
Additional Fire Inspection Personnel	Operating	\$11,025



STRATEGIC OBJECTIVES

For the 2021-23 Financial Plan, the City Council adopted four Major City Goals. Those goals dictate the City’s strategic direction while maintaining the established core services the community expects and is accustomed to. For additional information on the City’s strategic initiatives go to [2021-23 Financial Plan](#).



Economic Recovery, Resiliency & Fiscal Sustainability. In collaboration with local partners, support economic recovery from the pandemic and support a thriving local economy by assisting local businesses, arts and culture, downtown vitality, practicing fiscal responsibility, paying down unfunded pension liabilities, and investing in critical infrastructure.



Housing and Homelessness. Expand housing options for all, continue to facilitate the production of housing, incl. the necessary support infrastructure, with an emphasis on affordable and workforce housing. Collaborate with local non-profit partners and county, state, and federal governments to implement comprehensive and effective strategies to reduce chronic homelessness.



Diversity, Equity, and Inclusion. In response to our commitment to making San Luis Obispo a more welcoming and inclusive city for all, continue to develop programs and policies to support DEI initiatives.



Climate Action, Open Space, and Sustainable Transportation. Proactively address the climate crisis, continue to update and implement the Climate Action Plan for carbon neutrality, including preservation and enhancement of open space and the urban forest, alternative and sustainable transportation, and planning and implementation for resilience.



OPERATING INDICATORS AND STATISTICS

Public Works

Paved Streets.137 miles
City Trees Maintained. 20,000

Utilities

Water Accounts. 16,256
Water Consumed (in acre feet). 5,509

Public Safety

Calls for Service. 44,183
Police Officers. 64
Traffic Accidents. 483
Fire Fighters. 47
Medical Responses. 3,857

Parks and Recreation

Open Space Acres. 4,040
Open Space Easement Acres. 3,500
Trail Mileage. 62
Children’s Services Enrollments 1,611
Annual Aquatic Attendance. 62,224

Community Development

Building Permits. 587
Building Inspections. 10,470



FUND ACCOUNTING

The City’s financial structure is separated into governmental and business activities. Five major funds are administered and reported on. Each fund balances all revenues and expenditures to ensure that there is no immediate or emerging structural budget deficit.

Governmental Funds

General Fund – This is the primary fund for the City. It accounts for the revenues and expenditures associated with general operations of the City.

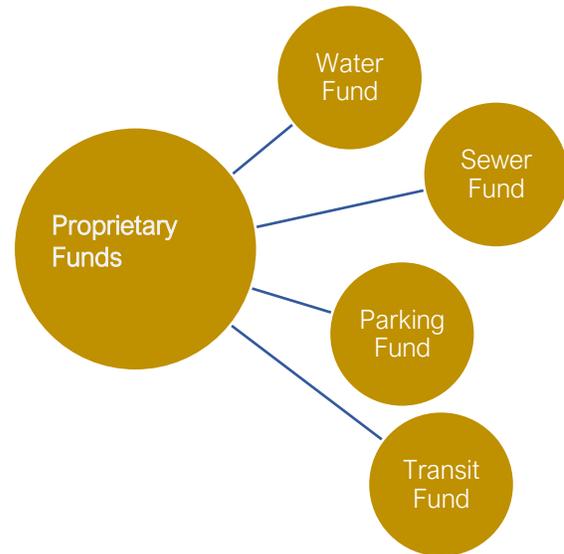
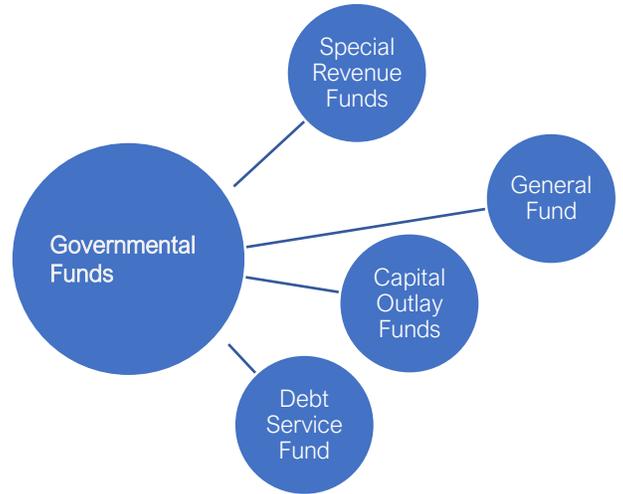
Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are restricted for special purposes such as the Tourism Business Improvement District Fund.

Capital Outlay Funds – These funds account for the financial resources used for the construction and maintenance of the City’s infrastructure.

Debt Service Fund – This fund accounts for the financial resources used for the repayment of general debt.

Proprietary Funds (Enterprise Funds)

The City currently has four enterprise funds that are operated and accounted for much like a business. They pay for their operations from user rates and fees.



FINANCIAL STATEMENTS

The **government-wide financial statements** are designed to provide a **long-term overview** of the City’s finances. These statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from functions that recover all or a significant portion of their costs through user fees and charges (**business-type activities**).

The governmental activities encompass administration, public safety, public works (streets and transportation), planning and development, culture and recreation, open space, City parks, housing, property and facilities services. The Business-type activities of the City include the water and wastewater utilities, parking, and transit.

The **fund financial statements** provide a **short-term perspective** of individual funds.



2021-22 GOVERNMENTAL FUND REVENUE

Governmental revenues mainly come from taxes, service fees, and special revenue assessments. For the City of San Luis Obispo, 80% of its income stems from taxes. The charts below illustrate the income levels for 2021-22.



Total Revenue \$117.1 million



2021-22 GOVERNMENTAL FUND EXPENDITURES



Total Expenditures \$110.1 million



LOCAL REVENUE MEASURE

Ongoing Commitment to Local Sales Tax Measure Priorities (Essential Services Measure)

The City remains committed to the priorities for the use of the local sales tax measure that increased on April 1, 2021 based on the voters' approval. 2021-22 was therefore the first full year with the new augmented revenue source. The community defined the Measure's priorities as:

- ❖ Community Safety & Emergency Preparedness
- ❖ Creek & Flood Protection
- ❖ Safe & Clean Public Spaces
- ❖ Youth/Senior & recreation Facilities
- ❖ Open Space Preservation & Maintenance
- ❖ Street Maintenance & Transportation
- ❖ Address Homelessness
- ❖ Economic Development & Business Retention
- ❖ Protection of Financial Stability

Total expenditures during 2021-22 amounted to \$32.7 million (including encumbrances and carryovers); the remaining balances of these resources are designated for future year expenditures. A more detailed schedule of the local tax measure sources and uses is provided in the Financial Section of this report. The boxes below summarize how the local sales tax measure funds were used during fiscal year 2021-22.





2021-22 BUSINESS TYPE FUND REVENUE

Proprietary Funds also known as Enterprise Funds are fully funded through rates and fees paid for services. The City has four proprietary funds providing water, sewer, parking, and transit services.

Amounts in thousands

Water Fund
\$ 29.9 million

Service Charges	\$	24,512
Impact Fees	\$	5,160
Other Revenue	\$	222
Non-Operating Revenue	\$	986

Water Fund
\$20.2 million

Sewer Fund
\$23.6 million

Service Charges	\$	19,825
Impact Fees	\$	3,685
Other Revenue	\$	132
Non-Operating Revenue	(\$)	1,315

Sewer Fund
\$12.2 million

Parking Fund
\$4.9 million

Service Charges	\$	3,943
Fines & Forfeitures	\$	928
Other Revenue	\$	18
Non-Operating Revenue	\$	392

Parking Fund
\$4.2 million

Transit Fund
\$3.8 million

Service Charges	\$	710
Other Revenue	\$	3
Non-Operating Revenue	\$	3.1

Transit Fund
\$ 3.8 million

2021-22 BUSINESS-TYPE FUND EXPENDITURES

Proprietary Funds rely solely on their income from rates and fees to provide services and maintain equipment and infrastructure such as treatment plants, distribution and collection systems, parking structures, and transit assets.

Amounts in thousands

Staffing	\$	3,374
Supplies & Maint.	\$	1,500
Contract Services	\$	10,700
General Gov.	\$	1,722
Depreciation	\$	2,864

Staffing	\$	3,444
Supplies & Maint.	\$	1,897
Contract Services	\$	31,574
General Gov.	\$	1,712
Depreciation	\$	3,560

Staffing	\$	1,129
Supplies & Maint.	\$	545
Contract Services	\$	1,008
General Gov.	\$	869
Depreciation	\$	689

Staffing	\$	229
Supplies & Maint.	\$	354
Contract Services	\$	2,666
General Gov.	\$	226
Depreciation	\$	376



DEBT MANAGEMENT

The City of San Luis Obispo is guided by its budget and fiscal policies when managing its debt. In accordance with the policy section “Capital Financing and Debt Management”:

- The City’s debt capacity cannot exceed 15% of General Fund revenues.
- Its direct debt will not exceed 2% of assessed valuations.
- No more than 60% of capital improvement outlays will be funded from longer-term debt.

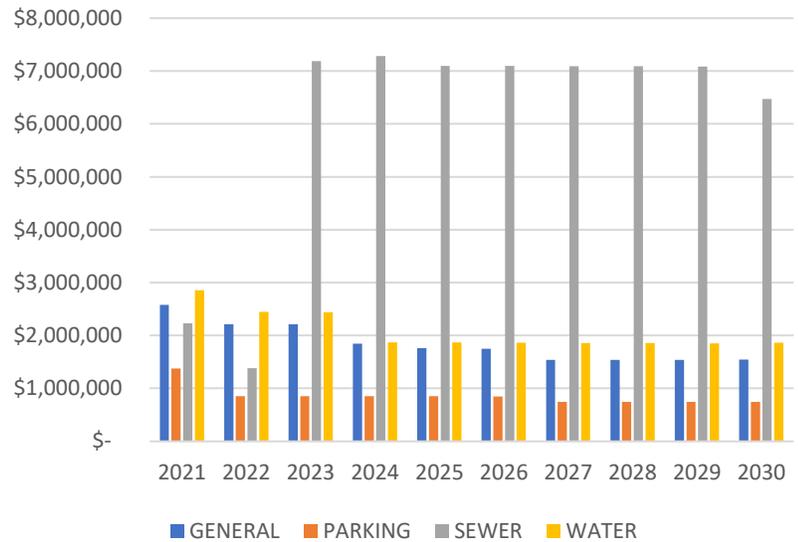
Debt should only be incurred for one-time capital expenditures and not for on-going operations. Borrowing for one-time capital expenditures allows for the cost of the project to be spread out over the useful life of the asset and results in the cost being paid by future beneficiaries as well as current taxpayers.

The City’s bond issues are accompanied by a rating by Standard & Poor’s and Fitch, two of the three large rating agencies together with Moody’s Investors Service.

Despite the ongoing pandemic, both S&P and Fitch reaffirmed the City’s bond rating at AA+, citing strong fiscal policies and prudent financial management.

2021-22 Debt Payments	
General Fund	\$ 2,214,526
Water Fund	\$ 2,307,374
Sewer Fund	\$ 1,379,996
Parking Fund	\$ 823,481

Debt Principal & Interest Payment





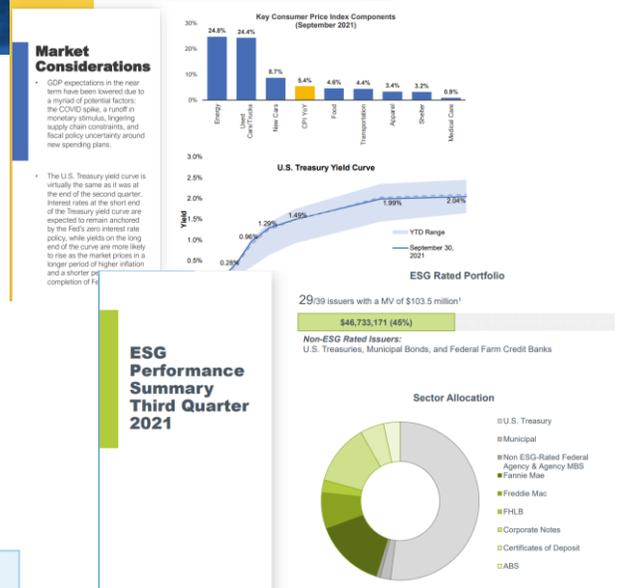
CASH & INVESTMENT MANAGEMENT

The City's investment management is guided by its adopted policies and overseen by the Investment Oversight Committee; an advisory body to the City Council. The committee meets quarterly, and its agendas and minutes can be found at the following link: [Investment Oversight Committee](#).

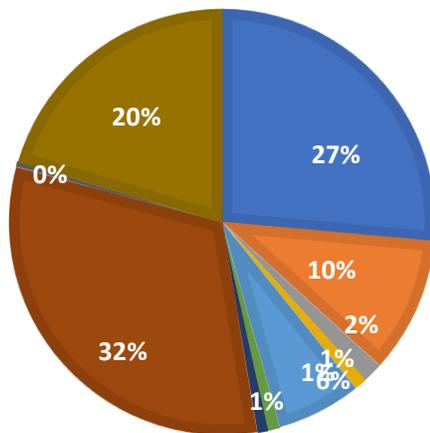
To protect the community's cash assets, the City has adopted an extensive policy framework that considers the following:

- Safety – preserving investment principal
- Liquidity – to meet all operating requirements
- Yield – earn a commensurate rate of return

The City pursues socially responsible investment policies and has implemented a comprehensive ESG Investment Strategy in 2021.



- U.S. Treasury
- Federal Agencies
- Negotiable CDs
- Non-Negotiable CDs
- Corporate Notes
- Municipal Bond/Note
- Asset-Backed Securities
- Local Agency Investment Fund
- Money Market Funds



Investment Portfolio 6/30/22	Invested Amount
U.S. Treasury	\$ 56,725,859
Federal Agencies	22,151,948
Negotiable CDs	3,354,299
Non-Negotiable CDs	2,025,090
Corporate Notes	13,692,137
Municipal Bond/Note	2,081,845
Asset-Backed Securities	1,688,832
Local Agency Investment Fund	68,226,726
Money Market Funds	904,511
Checking & Savings	43,770,453
Total	\$ 214,621,700

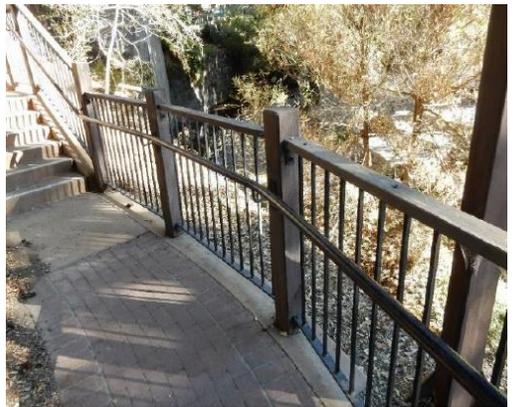


CAPITAL PROJECTS HIGHLIGHTS

The City's infrastructure encompasses many elements. It ranges from City streets, bridges, and traffic related infrastructure to parks, playgrounds, swim center, and a municipal golf course. Maintaining and servicing this infrastructure is an integral part of the City's work programs and budget allocations. In 2021-22, the following amounts were dedicated to capital infrastructure maintenance and improvement:

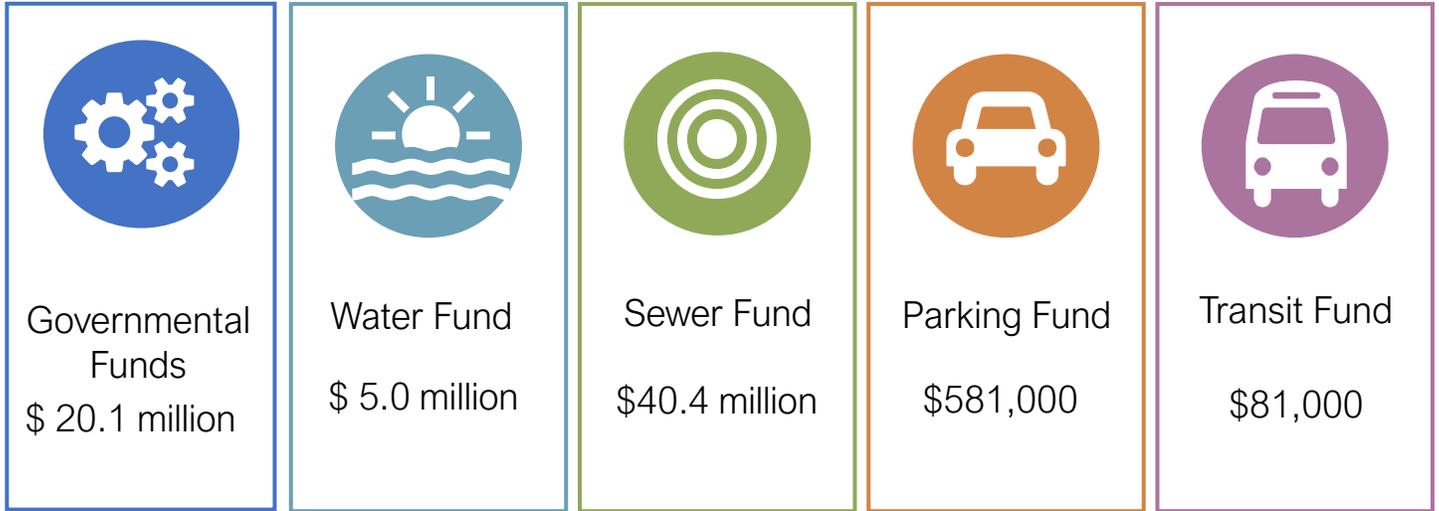
Capital project investments during 2021-22 included:

- ❖ \$37.7 million for the Water Resource Recovery Facility upgrade project
- ❖ \$1.4 million for sewer lift stations
- ❖ \$1.1 million for waterline replacements and maintenance
- ❖ \$504,000 toward the Cultural Arts District parking structure
- ❖ \$2.5 million for the Orcutt/Tank Farm roundabout construction
- ❖ \$2.6 million to complete the Railroad safety trail Taft to Pepper section
- ❖ \$1.2 million for maintenance of City parks
- ❖ \$299,000 for the Emerson Park fitness court
- ❖ \$3 million for street paving projects
- ❖ \$616,000 to install accessible curb ramps
- ❖ \$635,000 for Laguna Lake dredging
- ❖ \$507,000 to renovate the Parks and Recreation offices
- ❖ \$559,000 for storm drain maintenance and repairs

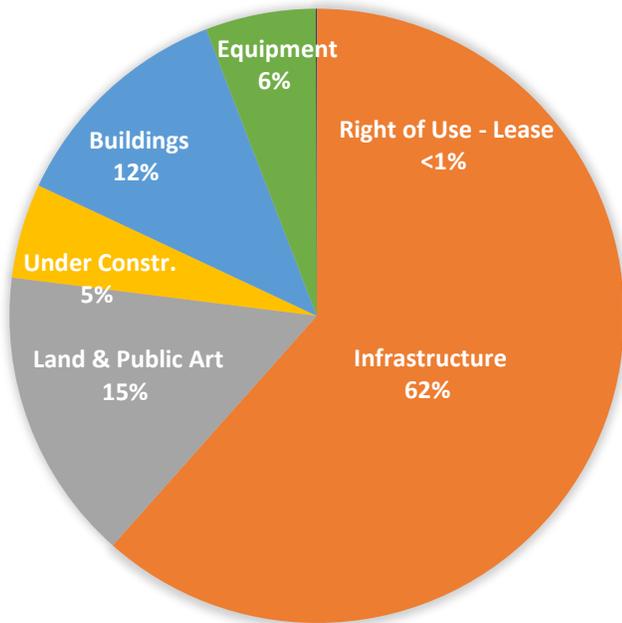




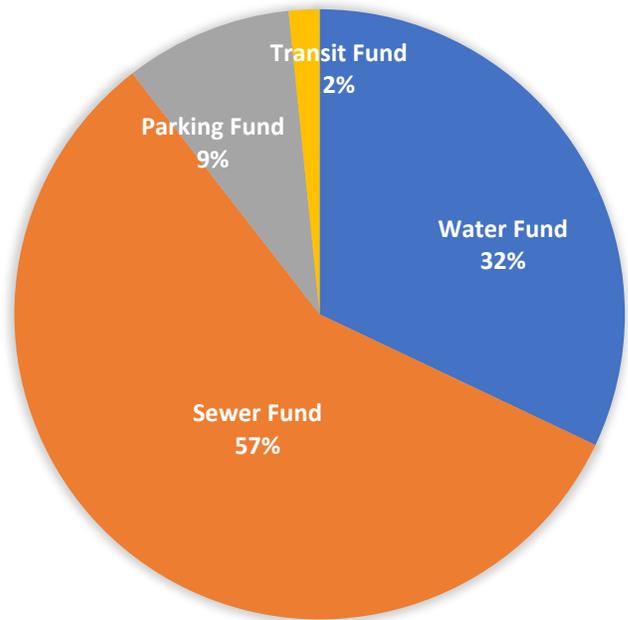
2021-22 CAPITAL INVESTMENTS BY MAJOR FUND



CAPITAL ASSETS (NET OF DEPRECIATION)



Governmental Funds



Enterprise Funds



CITY OF SAN LUIS OBISPO

City Council

Erica A. Stewart, Mayor

Carlyn Christianson, Vice Mayor

Andy Pease, Council Member

Jan Marx, Council Member

Michelle Shoresman, Council Member

Derek Johnson, City Manager

Emily Jackson, Finance Director

Contact Information

www.slocity.org

Non-Emergency Police.	805-781-7312	City Administration.	805-781-7123
Non-Emergency Fire.	805-781-7312	City Clerk.	805-781-7100
Public Works.	805-781-7200	Finance.	805-781-7144
Corporation Yard.	805-781-7220	Business License	805-781-7134
Parking.	805-781-7230	Human Resources	805-781-7250
Parks & Recreation.	805-781-7300		
Public Utilities.	805-781-7215		