



# Fourth Quarter Financial Report (Year-End) Fiscal Year 2022-23

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## Introduction

The fourth quarter and year-end report provides an overview of the City’s financial position through the fourth quarter of FY 2022-23 (July 1, 2022 – June 30, 2023) for the General Fund and the City’s four enterprise funds. *Note: The values within this report are unaudited and are subject to change until the City’s audit is complete and the 2022-23 Annual Comprehensive Financial Report is published in December 2023 and presented to the City Council in January/February 2024.*

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## General Fund Overview

### General Fund Expenditures Overview

Overall, the General Fund finished the year in a positive position and experienced about 6% in net expenditure budget savings (excluding storm expenditures). The savings can be associated mainly with staffing vacancies and slightly reduced expenditures in the second half of the year due to activation of the Fiscal Health Contingency Plan. These savings will help the City replenish its reserves that funded over \$5 million of storm expenditures in FY 2022-23.

|  |
|--|
| <u>How to read the budget tables in this report</u>  |
| <b>Budget:</b> Adopted budget <i>plus</i> any encumbrances from prior year(s) or approved budget adjustments made throughout the year.               |
| <b>Actual:</b> Actual expenditures <i>plus</i> any encumbrances or obligated funds that were carried forward to FY 2023-24. Data is as of 8/30/2023. |

Detailed department information and variance explanations can be found starting on Page 11 of the report, but overall, every department ended the year within the allocated budget.

Table 1: Expenditure Overview by Department

| Index | Department                            | FY 2021-22           | FY 2022-23           |                      |                     |           | FY 2023-24           |
|-------|---------------------------------------|----------------------|----------------------|----------------------|---------------------|-----------|----------------------|
|       |                                       | Actual               | Budget               | Actual               | Funds Available     | %         | Budget               |
| 1     | <b>Internal Services</b>              |                      |                      |                      |                     |           |                      |
| 2     | Administration/IT                     | \$ 8,045,325         | \$ 11,695,913        | \$ 11,325,921        | \$ 369,991          | 3%        | \$ 10,083,778        |
| 3     | City Attorney                         | \$ 1,078,846         | \$ 1,504,532         | \$ 1,474,278         | \$ 30,253           | 2%        | \$ 1,247,202         |
| 4     | Finance                               | \$ 1,803,610         | \$ 2,246,817         | \$ 2,109,529         | \$ 137,288          | 6%        | \$ 2,196,074         |
| 5     | Non-dept, Support Services            | \$ 653,721           | \$ 1,105,171         | \$ 399,194           | \$ 705,977          | 64%       | \$ 1,432,583         |
| 6     | Human Resources                       | \$ 1,511,305         | \$ 2,012,680         | \$ 1,896,008         | \$ 116,672          | 6%        | \$ 1,953,467         |
| 7     | <b>Public Safety</b>                  |                      |                      |                      |                     |           |                      |
| 8     | Fire                                  | \$ 12,053,617        | \$ 12,216,993        | \$ 12,042,091        | \$ 174,902          | 1%        | \$ 12,503,730        |
| 9     | Police                                | \$ 15,072,783        | \$ 16,889,261        | \$ 16,260,719        | \$ 628,541          | 4%        | \$ 17,844,283        |
| 10    | <b>Community Services Group (CSG)</b> |                      |                      |                      |                     |           |                      |
| 11    | CSG Administration                    | \$ 501,896           | \$ 710,820           | \$ 624,775           | \$ 86,045           | 12%       | \$ 642,674           |
| 12    | Community Development                 | \$ 6,234,270         | \$ 7,877,995         | \$ 6,936,859         | \$ 941,136          | 12%       | \$ 7,460,625         |
| 13    | Parks & Recreation                    | \$ 4,110,700         | \$ 5,021,865         | \$ 4,497,028         | \$ 524,837          | 10%       | \$ 5,227,462         |
| 14    | Public Works                          | \$ 12,722,187        | \$ 16,669,102        | \$ 15,347,872        | \$ 1,321,230        | 8%        | \$ 16,299,915        |
| 15    | Solid Waste (Utilities)               | \$ 162,676           | \$ 425,624           | \$ 301,741           | \$ 123,883          | 29%       | \$ 303,210           |
| 16    | <b>Total</b>                          | <b>\$ 63,950,936</b> | <b>\$ 78,376,772</b> | <b>\$ 73,216,015</b> | <b>\$ 5,160,757</b> | <b>7%</b> | <b>\$ 77,195,002</b> |
| 17    | CalPERS Unfunded Liability*           | \$ 20,837,422        | \$ 13,916,694        | \$ 13,916,694        | \$ 0                | 0%        | \$ 11,132,870        |
| 18    | <b>Total</b>                          | <b>\$ 84,788,358</b> | <b>\$ 92,293,466</b> | <b>\$ 87,132,709</b> | <b>\$ 5,160,757</b> | <b>6%</b> | <b>\$ 88,327,872</b> |

\* Shown separately in order to reflect a more accurate year-over-year comparison for departments. Line 17 includes the FY 2021-22 one-time \$10.2 million additional down payment to CalPERS from the General Fund (R-11307). This cost is distributed annually between the departments based on calculated weights.

Table 2: Expenditure Overview by Type (Category)

| Index | Expenditure Type             | FY 2021-22           | FY 2022-23           |                      |                     |           | FY 2023-24           |
|-------|------------------------------|----------------------|----------------------|----------------------|---------------------|-----------|----------------------|
|       |                              | Actual               | Budget               | Actual               | Funds Available     | %         | Budget               |
| 1     | Staffing                     | \$ 67,638,979        | \$ 69,363,719        | \$ 65,560,028        | \$ 3,803,691        | 5%        | \$ 69,137,153        |
| 2     | Contract Services            | \$ 9,778,408         | \$ 14,536,567        | \$ 13,554,492        | \$ 982,075          | 7%        | \$ 10,725,560        |
| 3     | Other Operating Expenditures | \$ 4,609,947         | \$ 5,246,239         | \$ 4,944,824         | \$ 301,415          | 6%        | \$ 5,163,024         |
| 4     | Utilities                    | \$ 2,761,025         | \$ 3,146,941         | \$ 3,073,365         | \$ 73,576           | 2%        | \$ 3,302,135         |
| 5     | <b>Total</b>                 | <b>\$ 84,788,358</b> | <b>\$ 92,293,466</b> | <b>\$ 87,132,709</b> | <b>\$ 5,160,757</b> | <b>6%</b> | <b>\$ 88,327,872</b> |

Detailed expenditure information for each department starts on page 11 of the report, but unsurprisingly, most of the savings were in *Staffing*. Actual staffing expenditures vary greatly based on the amount of turnover throughout the year, position reclassifications, and employee health benefit options. Over the last six years, annual salary savings ranged from 3% to 7%; therefore, the City assumes a conservative 3% savings in the General Fund forecast. After considering the assumed salary savings programmed in the fiscal forecast, there was an additional \$2.2 M (2.5%) in savings.

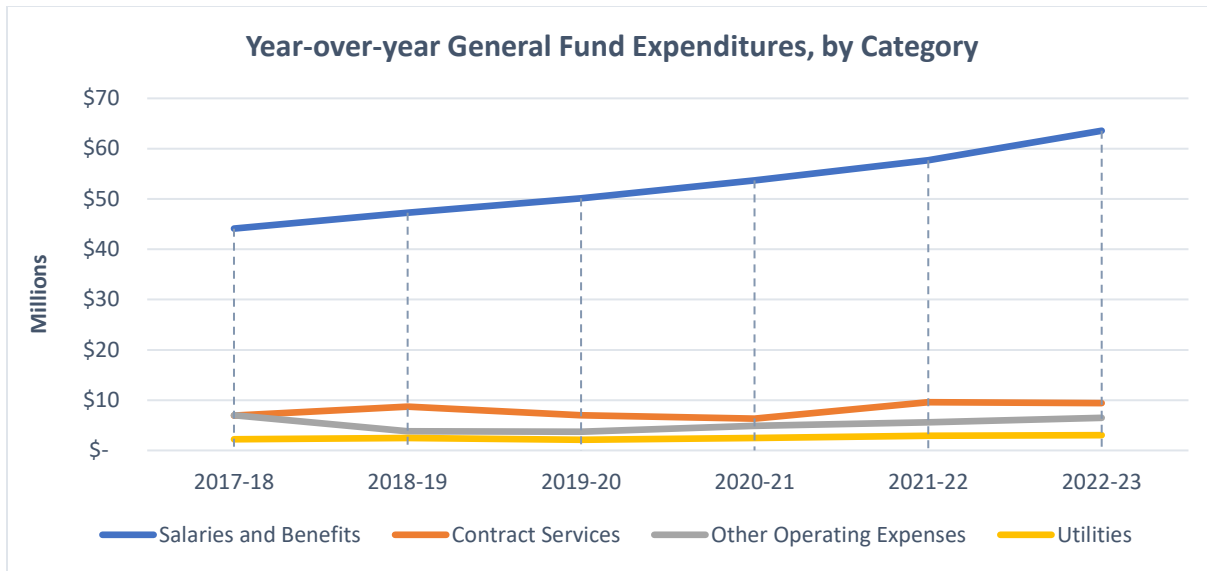
Table 3: FY 2022-23 Salary Savings

|   | 2022-23 Staffing Budget                       | 2022-23 Actual | Funds Available (or "Savings") |
|---|---|----------------|--------------------------------|
| a | \$69,393,719                                  | \$65,560,028   | \$ 3,803,691                   |
| b | Assumed salary savings (3% of initial budget) |                | \$ 1,632,000                   |
| c | Additional salary savings (a-b) = 2.5%        |                | \$ 2,171,803                   |

The City’s *Contract Services* accounts broadly include budget for annual service contracts, one-time consultant services, and Major City Goal tasks. Variances are more granularly explained the departmental sections, but the majority of the savings in FY 2022-23 can be associated with Fiscal Health Contingency Plan savings or with strategic goal related efforts that were either not completed or came in below budget<sup>1</sup>. The *Utilities* category was on track with budget. There were some overages due to the natural gas rate spikes seen over the winter, but they were offset by some savings in electricity costs from the City’s switch to the 3 Central Coast Community Energy (CCCE) program.

<sup>1</sup> Often times budget allocations for Major City Goal initiatives are based off estimates.

Figure 1: Year-over-year Expenditures by Type



\*Operating expenditures only. Excludes insurance, debt, capital, and CalPERS additional down payments (ADP) made in FY 2018-19 and FY 2021-22.

Considering the higher than usual inflation over the last five years, the General Fund budget has only increased modestly, with most of the growth in *Staffing (Salaries and Benefits)*. Staffing increased because of three major factors:

1. The addition of over 60 FTEs to support growing community needs.
2. Equity adjustments needed to keep the City a competitive employer.
3. Increases in health insurance and other employee benefit costs.

### General Fund – Storm Expenditures

The City’s winter storms resulted in two separate emergency declarations at the Federal, State and local level. The City is eligible for reimbursement of most costs related to the storms. As of the end of the fiscal year, the City had spent about \$3.6 million for *operating* costs in response to the storms, including supplies, emergency protective measures, debris removal, and minor repairs. Approximately \$275,000 was spent on capital expenditures for immediate repair of damages to City infrastructure, and an additional \$7 million remains on purchase orders for future planned expenditures. Though the numbers continue to shift, the overall cost of damages to the City is now expected to exceed \$28 million; however, staff are still working to prioritize the repairs and identify which projects will be eligible for the highest reimbursement. For more information on storm related capital project, see page 86.

All FY 2022-23 costs were temporarily paid for using the City’s designated reserve account<sup>2</sup>. The reserve will be replenished as FEMA or California Disaster Assistance Act (CDAA) reimbursement revenue is received or by using any available revenues over expenditures at year end (see

<sup>2</sup> Per the City’s [Fund Balance and Reserve Policy](#), it maintains a reserve of 20% of the General Fund operating budget. On February 7, 2023 Council authorized the City Manager to use General Fund Reserve balance to pay for storm costs ([R-11391](#)).

General Fund Ending Position).

Table 4: FY 2022-23 Storm Expenditures and Use of Reserves

| Line |   | 2022-23 Actual | 2023-24 Projected | 2024-25 Projected | Total         |
|------|---|----------------|-------------------|-------------------|---------------|
| 1    | Storm Expenditures Utilizing Reserves   | \$(3,899,843)  | (\$5,100,157)     |                   | (\$9,000,000) |
| 2    | Reimbursement Revenue (93.5%)           |                | \$3,646,354       | \$4,768,646       | \$8,415,000   |
| 3    | <b>Net Total/Impact on General Fund</b> | \$(3,899,843)  | \$(1,453,803)     | \$4,768,646       | \$(585,000)   |

### General Fund Revenues

The table below shows an overview of the General Fund revenue for FY 2022-23. More detail about fee revenue can be found within the respective department write-ups.

Table 5: General Fund Revenue Overview

|  | FY 2021-22     | FY 2022-23     |                |              |      | FY 2023-24     |
|--|----------------|----------------|----------------|--------------|------|----------------|
|  | Actual         | Budget         | Actual         | Variance     | %    | Projection     |
| 1 <b>Tax and Franchise Revenue</b>           | \$ 96,490,763  | \$ 98,267,347  | \$ 100,611,346 | \$ 2,344,000 | 2%   | \$ 100,527,765 |
| 2 Local Revenue Measure G*                   | \$ 29,172,258  | \$ 30,141,532  | \$ 30,405,434  | \$ 263,902   | 1%   | \$ 30,262,098  |
| 3 Sales Tax (Bradley Burns)                  | \$ 22,201,225  | \$ 21,524,304  | \$ 21,893,989  | \$ 369,685   | 2%   | \$ 22,578,995  |
| 4 Property Tax                               | \$ 20,970,984  | \$ 21,473,397  | \$ 21,810,144  | \$ 336,747   | 2%   | \$ 21,999,786  |
| 5 Transient Occupancy Tax                    | \$ 10,650,762  | \$ 10,704,000  | \$ 10,882,091  | \$ 178,091   | 2%   | \$ 10,704,000  |
| 6 Utility User Tax                           | \$ 5,085,292   | \$ 5,544,000   | \$ 6,265,673   | \$ 721,673   | 13%  | \$ 5,710,320   |
| 7 Business Tax                               | \$ 2,861,863   | \$ 3,157,566   | \$ 3,248,552   | \$ 90,986    | 3%   | \$ 3,252,293   |
| 8 Cannabis Tax                               | \$ 998,875     | \$ 1,100,000   | \$ 1,127,295   | \$ 27,295    | 2%   | \$ 1,100,000   |
| 9 Franchise Fees                             | \$ 1,978,295   | \$ 1,800,000   | \$ 2,131,191   | \$ 331,191   | 18%  | \$ 1,854,000   |
| 10 Gas Tax*                                  | \$ 1,130,063   | \$ 1,305,634   | \$ 1,239,701   | \$ (65,933)  | -5%  | \$ 1,389,292   |
| 11 Gas Tax (SB1)*                            | \$ 911,849     | \$ 1,019,914   | \$ 1,062,584   | \$ 42,670    | 4%   | \$ 1,177,994   |
| 12 Safety Prop 172                           | \$ 529,299     | \$ 497,000     | \$ 544,692     | \$ 47,692    | 10%  | \$ 498,988     |
| 13 <b>Fees for Service and Other Revenue</b> | \$ 11,917,323  | \$ 12,338,611  | \$ 14,810,795  | \$ 2,472,184 | 20%  | \$ 13,064,546  |
| 14 <b>Development Review</b>                 | \$ 5,970,996   | \$ 6,653,370   | \$ 6,424,716   | \$ (228,653) | -3%  | \$ 6,275,536   |
| 15 <b>Parks &amp; Recreation</b>             | \$ 1,694,241   | \$ 1,997,305   | \$ 1,791,196   | \$ (206,109) | -10% | \$ 2,021,599   |
| 16 <b>Fire</b>                               | \$ 1,502,356   | \$ 1,602,212   | \$ 1,605,535   | \$ 3,323     | 0%   | \$ 1,577,836   |
| 17 <b>Police</b>                             | \$ 561,909     | \$ 642,248     | \$ 753,345     | \$ 111,097   | 17%  | \$ 611,917     |
| 18 <b>General Government</b>                 | \$ 2,187,820   | \$ 1,443,477   | \$ 4,236,002   | \$ 2,792,526 | 193% | \$ 2,577,658   |
| 21 <b>TOTAL</b>                              | \$ 108,408,086 | \$ 110,605,958 | \$ 115,422,141 | \$ 4,816,183 | 4%   | \$ 113,592,311 |

\*Special Revenue Funds or sub-funds of the General Fund

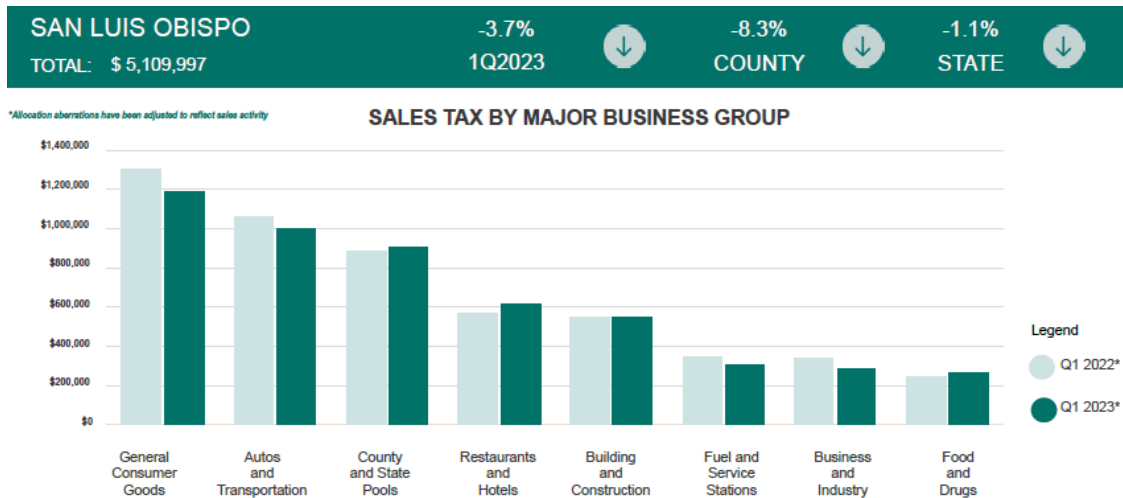
**Sales and Use Tax Revenue:** Despite ongoing threats of an economic downturn, sales tax revenue remained incredibly strong through FY 2022-23. There is evidence of a cooling, but this was programmed into the budget. Both the Bradley Burns sales tax and the local transaction tax exceeded projections by about 2%. Measure G-20 saw modest declines in Q3 building materials, services stations, and new-used vehicles; however, some of this could have been due to the storms that hit the areas during that time. Although the categorical data has not been released by the CDFTA, the City received its final payment for June 2023 and Q4 results show an overall decrease of 0.2% compared to the previous year. It is important to note that FY 2021-22 Q4 revenue was an all-time high, so this decline is not too alarming.

Note: The Bradley Burns budget assumption includes a negative \$600,000 adjustment to account for a misallocation of revenue by the California Department of Tax and Fee Administration (CDTFA) that should

have been allocated to another County agency. Unfortunately, this adjustment has not yet been made; however, is expected to hit in the fall of 2023. To ensure that FY 2023-24 revenue is not negatively impacted, staff manually removed \$600,000 from the actuals above and will set aside this amount to offset the future adjustment.

The graph below shows the change in sales tax by major business group for the first quarter of the calendar year (January-March 2023). For the full report, visit [slocity.org/finance](http://slocity.org/finance).

Table 6: Year-over-year Sales Tax Comparison – FY 2022-23 Q3 (Bradley Burns)



**Property Tax:** Pending a major housing crash, property tax revenue continues to grow steadily and remains the City’s most stable revenue source. The City recorded an all-time high in FY 2022-23, nearly 4% higher than the prior year due to an attractive and flourishing real estate market. The main reason for growth is the transfer of ownership and the increase in Taxable Assessed Value of homes in the community. Although the days of record-low mortgage rates are over and the market has cooled, home prices remain sticky because inventory is so low. Data shows that number of home sales was down 9.5% in July 2023 compared to July 2022, but the median sale price was down only 3.1%<sup>3</sup>. Based on the latest estimates from the County Assessor’s Office, there will be 4% growth in FY 2023-24.

**Transient Occupancy Tax (TOT):** At the third quarter review, staff had indicated it was likely that TOT revenue wouldn’t reach projections due to storm impacts; however, an incredibly strong fourth quarter turned that around. The average occupancy rate was about 67% which is slightly higher than last fiscal year; however, the average daily rate (ADR) for the year was lower by about 4%. The tourism promotion for the city is led by the work of the City’s Tourism Business Improvement District, known as Visit San Luis Obispo. Staff do not anticipate any mid-year changes to the FY 2023-24 TOT budget.

**Utility User Tax (UUT):** The FY 2022-23 UUT projection was notably conservative because of the volatility seen in UUT over the last four years; however, the actuals exceeding projections by over 13% is higher than anticipated. After a closer analysis, this is due to several factors related to utility rate spikes experienced over the last year:

<sup>3</sup> ‘San Luis Obispo County Housing Market.’ Redfin, 23 Aug. 2023, <https://www.redfin.com/city/17464/CA/San-Luis-Obispo/housing-market>

1. An approximate 7% increase in UUT from electricity. Electricity makes up just over 40% of total UUT revenue.
2. An approximate 51% increase in UUT from natural gas. Natural gas makes up 20% of total UUT revenue.
3. An approximate 5% increase in UUT from telecommunications, cable, and water. These categories make up the remaining 40% of revenues.

Staff are working with the City's UUT consultant, HdL, to better understand the impacts and will likely make a recommendation to increase the FY 2023-24 budget at mid-year.

**Business Tax:** Business taxes are collected at the beginning of the fiscal year and are based on the gross receipts of the previous calendar year. To no surprise the FY 2022-23 revenues, based on calendar year 2021, were significantly higher than FY 2021-22, based on the heavy-hit Covid year 2020. Despite adjusting the budget upward in expectation of that, actual revenues still slightly exceeded projections. Since the City will receive most of its current year (FY 2023-24) business tax revenue before the mid-year review in February 2024, the budget will be adjusted based on actuals, likely above the current projection. Multiple years of post-covid data will help staff identify trends and improve long-term forecasting for this revenue source.

**Cannabis Tax:** For the first time since cannabis became legal in the City, cannabis tax revenue exceeded projections; however, the budget was significantly lowered by \$300,000 at the FY 2022-23 mid-year review. Looking back at the City's original cannabis tax projections (from 2019), the annual revenue was expected to exceed \$1.5 million by this time; however, delays in businesses opening and lower-than-anticipated demand have shifted the forecast. Across the state, the cannabis market has fallen short of what economists expected since the sale of recreational cannabis became legal in 2018. On a positive note, monthly cannabis tax revenue has stayed very consistent since the second retail location opened in April 2021, thus making planning and revenue forecasting easier moving forward.

**Franchise Fees:** Like UUT revenue, franchise fee revenue was particularly high because the franchise agreements are based on the utility providers' gross receipts, which spiked in FY 2022-23 due to rate increases. The City's top franchises' annual remittal fees increased by approximately 25%.

**Gas Tax:** Gas tax revenue is split into two unique funds. The main "Gas Tax" revenue (line 10) comes from the Highway Users Tax Account (HUTA), which is a per gallon "gasoline tax", while SB1 (line 11) or the Road Maintenance and Rehabilitation Account (RMRA) is a per gallon flat fee. The City receives its revenue projections from the [California Local Government Finance Almanac](#). FY 2022-23 revenues were very close to projections. The reason that the growth between the two is often different is because under SB1, various fixed-amount statutory allocations are made from the SB1 tax rates prior to the city and county allocations. Additionally, an individual city's allocations are affected by change in the city's population relative to the change in state population. Both revenues are collected in "special revenue" funds because they must be used to support transportation services or infrastructure. Looking forward, the City expects stable, modest year over year growth. While fuel consumption may remain flat or in slight decline, annual cost of living adjustments will help to maintain revenues.

**General Government:** General Government revenue includes all the City's non-departmental revenue such as business license permit fees, interest earning, rent, and other miscellaneous revenue. It also includes grant and subvention revenue which fluctuates significantly from year to year. The most notable

variance contributing to the over budgeted revenue was positive \$1.2 million investment earnings or Fair Market Value (FMV) adjustments. The FMV adjustment is essentially an accounting process that makes it possible to reassess the fair value of the City’s assets when there is a considerable difference between the market and the current book value of the City’s monetary assets. Interest earnings and FMV adjustments swing widely between fiscal years based on the market and are almost impossible to forecast. The table below shows the last four years of actuals. Due to the huge negative adjustment in FY 2021-22, the City adjusted its budget for FY 2022-23 in preparation for another hard-hit year.

*Table 7: Year-over-year Interest on Investment Earnings and Fair Market Value Adjustments*

|                 | FY 2019-20  | FY 2020-21  | FY 2021-22    | FY 2022-23    | FY 23-24 Forecast |
|-----------------|-------------|-------------|---------------|---------------|-------------------|
| <b>Budget</b>   | \$230,000   | \$230,000   | \$230,000     | \$(1,270,000) | \$230,000         |
| <b>Actual</b>   | \$1,113,062 | \$54,360    | \$(1,501,692) | \$1,192,259   | -                 |
| <b>Variance</b> | \$883,062   | \$(175,640) | \$(1,731,692) | \$2,462,259   | -                 |

***More detail about fee revenue can be found within the respective department write-ups.***



### General Fund Ending Position

The table below shows the ending net position of the general fund and the estimated fund balance at year end. While these numbers are still unaudited, they show that the fund ended with revenue under expenditures (see footnote) and an undesignated fund balance of about \$1.6 million. In line with best practices and consistent with the City’s usual process, this balance should not be appropriated until after the formal audit is complete. After the audited financials are published in December 2023, staff will make a recommendation to Council at mid-year (February 2024) on how to appropriate the unassigned fund balance. The City’s Fiscal Policies provide a framework for using fund balance:

1. [Reserve Policy](#): Revenues in excess of expenditures at the end of the fiscal year shall be used to first satisfy committed reserve requirements before appropriating for other uses.
2. [Fiscal Policy Section 8 - CalPERS and Unfunded Liabilities](#): The City sets the following prioritization of unassigned General Fund balance:
  - a. Additional discretionary payments to CalPERS
  - b. Infrastructure investments
  - c. Emerging Health and Safety needs of the community

Table 8: General Fund Ending Position

| General Fund Ending Position <sup>4</sup> (UNAUDITED) |  |
|---|--|
| 1   | <b>A. Beginning Balance</b> <span style="float: right;"><b>\$ 40,745,506</b></span>  |
| 2   | (+) Revenue <span style="float: right;">\$ 134,762,075</span>  |
| 3   | (-) Expenditures <span style="float: right;">\$ (137,675,119)</span>   |
| 4   | <b>B. Revenue Over/(under) Expenditures<sup>5</sup></b> <span style="float: right;"><b>\$ (2,913,045)</b></span>   |
| 5   | <b>C. Ending Fund Balance (A+B)</b> <span style="float: right;"><b>\$ 37,832,461</b></span>  |
| 6   | Committed to:  |
| 7   | <i>Policy Reserve Level - 20% of operating budget</i> <span style="float: right;">\$ 13,727,000</span>   |
| 8   | <i>Local Revenue Measure Balance (see Table 9 on next page)</i> <span style="float: right;">\$ 4,979,120</span>  |
| 9   | <i>Insurance Fund Balance (see page 25)</i> <span style="float: right;">\$ 585,456</span>  |
| 10  | Assigned to:   |
| 11  | <i>Encumbrances</i> <span style="float: right;">\$ 2,638,965</span>  |
| 12  | <i>115 Pension Trust Fund</i> <span style="float: right;">\$ 2,000,000</span>  |
| 13  | <i>CalPERS ADP (April 2024 payment)</i> <span style="float: right;">\$ 2,000,000</span>  |
| 14  | <i>Revenue Stabilization Reserve</i> <span style="float: right;">\$ 2,000,000</span>   |
| 15  | <i>Development Services Designation</i> <span style="float: right;">\$ 464,136</span>  |
| 16  | <i>Solid Waste AB939</i> <span style="float: right;">\$ 281,000</span>   |
| 17  | <i>Other Restricted</i> <span style="float: right;">\$ 35,487</span>   |
| 18  | <i>SLO REP</i> <span style="float: right;">\$ 3,940,000</span>   |
| 19  | <i>Economic Development Opportunities</i> <span style="float: right;">\$ 1,400,000</span>  |
| 20  | <b>D. Undesignated Fund Balance [C-(Lines 7-19)]</b> <span style="float: right;"><b>\$ 3,781,296</b></span>  |
| 21  | <i>E. Required to maintain reserve levels and fund previously approved one-time expenditures in FY 2023-24</i> <span style="float: right;">\$ 2,144,570</span> |
| 22  | <b>F. Estimated Year End Balance for Future Appropriation (D-E)</b> <span style="float: right;"><b>\$ 1,636,726</b></span>                                     |

<sup>4</sup> Includes Local Revenue Measure and Insurance sub-funds.

<sup>5</sup> This value is negative because FY 2023-24 expenditures includes one-time expenditures that used prior year fund balance.

Local Revenue Measure Ending Position

The table below shows the ending net position of the Local Revenue Measure (LRM). Because LRM is a sub-fund of the general fund and a general-purpose tax, it can be used to fulfill the City’s fiscal policy guidelines (referenced in the previous section) if necessary. Based on unaudited numbers, there will be sufficient non-LRM balance to replenish reserves and make an additional payment to CalPERS; therefore, LRM can be used to provide one-time funding for community services and infrastructure investments. Given the extraordinary storm damage repairs necessary and overall project cost escalations, staff will likely return to Council with a recommendation to use any available balance on infrastructure projects. These recommendations will likely include funding for storm damage repair projects as well as completing additional roadway paving work. The Revenue Enhancement Oversight Commission will be given an opportunity to review the recommendation before it is presented to Council.

Table 9: Local Revenue Measure Ending Position

| Local Revenue Measure Ending Position (UNAUDITED) |                       |
|---|-----------------------|
| <b>A. Beginning Balance</b>                       | <b>\$ 5,696,864</b>   |
| (+) Revenue                                       | \$ 30,405,434         |
| (-) Expenditures                                  | \$ (32,340,558)       |
| <b>B. Revenue Over/(under) Expenditures</b>       | <b>\$ (1,935,123)</b> |
| <b>C. Unassigned LRM Fund Balance (A+B)</b>       | <b>\$ 3,761,741</b>   |

## Administration and Information Technology

**Office of the City Manager** - The Office of the City Manager continued to provide information and recommendations to the City Council, implemented Council policies and programs and managed the day-to-day operations of the City including the completion of Major City Goal (MCG) tasks.

The Office of the City Manager operates the City Communications Program, which focused on improving City processes and procedures, and putting new systems in place, to allow for frequent and consistent communications across all City departments. This program supports all City departments and assists City staff in working with on-call marketing and public relations consultants to improve community engagement. The Public Engagement and Noticing Manual was updated in partnership with the community and the Office of Diversity, Equity and Inclusion. The updates focused on creating greater equity to increase diverse participation in City government. Through this program, staff reached and engaged with more people in San Luis Obispo than ever before. The City published 14 topics on its “Open City Hall” platform and received 4,668 responses equating to a total of 233.8 hours of public comment. The City’s audience on social media grew by 26.4% to 93,157 followers and subscribers and the City’s social media content across all pages were shown to people more than 16 million times (impressions). The rate at which social media users engaged with the City’s content also increased by 23.3% (for an average engagement rate of 8.8% and 1.4 million engagements, including comments, reactions, likes, clicks, shares, etc.). More people visited the City’s website than ever before and pageviews more than doubled compared to the previous year (nearly 3.5 million pageviews in FY 2022-23).

The Office also continued to manage the City’s Legislative Program including the development of an updated Legislative Platform and advocacy to the State on issues affecting the City as well as the City’s Grant Application Program which has netted over \$30 million in funding for the organization since inception.

**Office of Economic Development and Tourism** – The Economic Development program was a major contributor to the Economic Recovery, Resiliency & Fiscal Sustainability Major City Goal. All the Office’s tasks and goals were completed on or ahead of schedule. The use of the of the \$250,000 that was allocated to fund programs to aid in economic recovery and resiliency that were “to be determined” during the budget process were used to support various programs including the Downtown activation programs, return of the Buy Local Bonus program, a new Eat Local Bonus program, additional childcare grants, employee recruitment support and other smaller initiatives. The Office also assisted the Office of Diversity, Equity, and Inclusion in the roll out of the DEI Business grant program. The update of the Economic Development Strategic plan was completed and the plan to reorganize the Office of Economic Development and Tourism was approved in June of 2023 as part of adoption of the 2023-25 Financial Plan.

To accompany this work, the Community Promotions programs through the Promotional Coordinating Committee (PCC), and the tourism marketing through the Tourism Business Improvement District (TBID) enhanced the reach of the Economic Development program this year. Tourism in the city remained strong, resulting in \$10.8 million in transient occupancy tax (TOT) contributed to the general fund and outperforming the budget by 22%. Tourism promotion continued to be led by the City’s TBID. Through the PCC the City awarded \$200,000 in grant funding to local non-profit organizations through two grant opportunities in the fiscal year, the Arts & Culture Recovery Grant (ACRG) and the Cultural Grants-In-Aid

(GIA) program. The PCC also expanded the work to promote Public Art in San Luis Obispo by establishing a consistent brand and implementing a 10-month promotional plan. In collaboration, the TBID and PCC rolled out a new neighborhood identity program featured on VisitSLO.com, funded through Economic Development and managed by the PCC.

**Office of Sustainability and Natural Resources** - In coordination with other departments, staff focused this year on the delivery of the Climate Action, Open Space, and Sustainable Transportation MCG work program. Major highlights included the implementation of Climate Action Plan across each of its six pillars, as well as implementation of the Lead by Example Municipal Operations Carbon Neutrality Plan. City Council adopted the Climate Action Plan Volume 3 work program for 2023-2027, the Climate Adaptation and Safety Element of the City's General Plan, the Community Forest Plan, and the Righetti Hill Open Space Conservation Plan. At the same time, staff remained adherent to its mantra of both planning and doing and significant implementation in each of these program areas was achieved. Lastly, staff played a role in the January through March flood recovery response and subsequent emergency creek repair projects.

**Office of the City Clerk** - This year the City Clerk's Office processed agenda packets for 39 City Council meetings; 24 of those meetings were between January and June of 2023. The Clerk's Office also managed the remodel of the Council Hearing Room and upstairs breakroom. With the help of IT, the Council Chambers and Council Hearing Room were updated with an automated audio and video system that enables the City to host hybrid meetings for City Council. In addition, Clerk's Office staff led the effort to have 100% completion of the annual Conflict of Interest filing by mid-April.

**Office of Diversity, Equity and Inclusion** - This year, the Office of Diversity, Equity, and Inclusion implemented key components of the 2021-23 Financial Plan that build the foundation for upcoming years, which include the presentation of the DEI Strategic Plan Framework before Council on May 2, 2023, the execution of the first round of Human Services Grants (HSG), and the DEI SLO Business Grant, which is a shared goal between the Office of Economic Development & Tourism, and the Office of DEI. Additionally, the Office of DEI completed the search and executed the contract for a consultant who will support the development of the DEI Strategic Plan that is slated to be presented before Council by Winter of 2024. The Office of DEI also executed a contract with Cal Poly, which is designed to create Multicultural Programming in an effort to create and further learning spaces in the community by focusing on critical topics that build community belonging and acceptance.

**Information Technology Network Services** – This year Network Services produced the City's first Broadband Plan funded through the Local Agency Technology Assistance (LATA) grant administered by the California Public Utility Commission. A Request for Proposals to identify a partner for conceptual network design is underway and will advance the project in the coming year. Construction on the KVEC Tower is nearing completion with the permanent tower erected, and final construction is expected to wrap up this Fall. Control Systems Administrators completed the Water Treatment Plant upgrade and have continued to support the installation and programming of the Supervisory Access and Data Acquisition (SCADA) systems at the Water Resource Recovery Facility (WRRF). These systems are part of the ongoing WRRF CIP project. Control Systems Administrators are also working with Utilities on the construction of a new lift station at Calle Joaquin by overseeing the design, installation, and commissioning of SCADA systems at that facility. IT support services resolved 3,244 support tickets over

the year, covering a range of support activities including hardware and software installation, upgrades, and troubleshooting.

**Information Technology Information Services** – The Information Services, Geographic Information System (GIS) Team played an important role in storm response and recovery efforts this Winter and Spring by creating a mobile application to collect the field data and create a situational status dashboard to disseminate authoritative information for users to make informed decisions. The Database Administrator and System Application Specialist completed Power Business Intelligence (BI) reports measuring key performance indicators in support of the City’s Transparency and Open Government efforts. GIS Team updated all maps in the Climate Adaptation and Safety Element. The Information System (IS) staff also revamped the Homeless Camp application that supports interagency workflows.

The Oracle project portfolio management (PPM) reconfiguration was completed in March 2023. The program team is currently working on the Overtime and Dual Calculation (ODC) which will automate the overtime base rates calculation and enable comparison of Memorandums of Understanding (MOU) and Fair Labor Standards Act (FLSA) within Oracle to facilitate payment of the higher of the two without the need to extract and reimport values. Additionally, IT continuously produces step-by-step interactive user guides, called Oracle Guided Learning (OGL). There are 150 OGLs in production, and many more are in development.

Table 10 - Administration and IT Performance Measures

| Objective  | Measure   | 2022-23 Target | 2022-23 Actual         |
|--|---|----------------|------------------------|
| Provides City-wide communications to the community.<br><br><i>Strategic Goal: Citywide Communications</i>  | Open City Hall Participant Satisfaction Rating  | 90%            | 94%                    |
|  | # of City News Releases   | 175            | 671 <sup>6</sup>       |
| Provides reliable IT resources to the organization and community.<br><i>Strategic Goal: Information Technology</i>   | Maintain City Network Reliability Uptime Status   | 99.9%          | 99.9%                  |
|  | Data backed-up in Gigabytes   | 173,000        | 173,000                |
|  | Number of GIS layers maintained   | 915            | 915                    |
| Economic Stability<br><br><i>Strategic Goal: Economic Recovery and Stability</i>   | Contacts with businesses regarding starting, expanding, and/or staying in the City  | 75             | 99                     |
|  | One-time funds used for direct aid to local businesses and non-profits  | \$250,000      | \$495,000 <sup>7</sup> |
| Supports our commitment to sustainability and provides open space resources to the community.<br><br><i>Strategic Goal: Climate Action, Open Space, and Sustainable Transportation</i> | # of Green Team Meetings  | 10             | 10                     |
|  | # of Open Space Conservation Plans that will guide the long-term protection and stewardship of natural resource values while guiding appropriate public use | 1              | 1                      |

<sup>6</sup> Total number of e-notifications sent out, including public notices and news / announcements. The City no longer sends traditional news releases and instead sends e-notifications to the community, encouraging local reporters to subscribe for news and announcements.

<sup>7</sup> One-time DEI Business Grants expanded direct aid administered to the community.

| Objective  | Measure                                  | 2022-23 Target | 2022-23 Actual         |
|--|--|----------------|------------------------|
| Strengthens the City's commitment to advancing Diversity, Equity and Inclusion<br><br><i>Strategic Goal: DEI</i> | # of City-wide DEI Trainings Offered     | 10             | 3 <sup>8</sup>         |
|  | Funds for High-Impact DEI Grants Awarded | \$150,000      | \$300,000 <sup>9</sup> |

Table 11 - Administration/IT Budget Variance Analysis

| Administration/IT            | FY 2021-22          | FY 2022-23          |                     |                   |           | FY 2023-24           |
|------------------------------|---------------------|---------------------|---------------------|-------------------|-----------|----------------------|
|                              | Actual              | Budget              | Actual              | Funds Available   | %         | Budget               |
| Staffing                     | \$ 5,554,182        | \$ 6,076,047        | \$ 5,892,994        | \$ 183,054        | 3%        | \$ 6,073,599         |
| Contract Services            | \$ 2,950,324        | \$ 5,392,285        | \$ 5,268,132        | \$ 124,153        | 2%        | \$ 3,628,317         |
| Other Operating Expenditures | \$ 762,644          | \$ 886,919          | \$ 805,066          | \$ 81,852         | 9%        | \$ 820,503           |
| Utilities                    | \$ 327,771          | \$ 347,342          | \$ 366,410          | \$ (19,068)       | -5%       | \$ 327,412           |
| <b>TOTAL</b>                 | <b>\$ 9,594,922</b> | <b>\$12,702,593</b> | <b>\$12,332,602</b> | <b>\$ 369,991</b> | <b>3%</b> | <b>\$ 10,849,831</b> |

**Staffing** – The department ended the year with 3% savings, aligned with the City's assumed salary savings rate. Over the course of the year a portion of salary savings generated from vacant positions, such as the Technology Project Manager, were redirected to contract services to continue momentum on sensitive projects.

**Contract Services** – The contract services budget was used to deliver on the objectives and commitments outlined in the Major City Goals. This included DEI Business Grants, DEI High Impact Grants, Human Services Grants, contract services for Downtown, IT infrastructure maintenance and more.

**Other Operating Expenses** – The department ended the year with some savings in other operating expenses. Most of the savings were tied to expenses related to vacant positions and associated training and start-up costs.

**Utilities** – Communication services drove the Utilities line over budget this year. Communication services are numerous and include phone services, air cards, and connectivity for public safety vehicles, among other things. There is an increased demand from workforce and programs for data plans in the form of cell phones, tablets, air cards, and machine to machine readers. These costs will now be accounted for when positions are added to avoid overages and large true ups with new budgets.

<sup>8</sup> Due to staff turnover in the Office of DEI there were fewer trainings offered this fiscal year.

<sup>9</sup> FY 2022-23 DEI High Impact Grants include \$150,000 from the missed grant cycle in FY 2021-22.

## City Attorney

### **A Year In Review**

The first few months of the year were turbulent as staff oversaw the work needed to configure a new office space for the department and trained three new employees while preparing to hire a fourth. That fourth new hire was the first ever Deputy City Attorney who had her first day just as the Assistant City Attorney began a leave. Department staff pulled together, supplemented by contract attorneys, to continue meeting deadlines and producing quality work-product for Council and City staff throughout the year, but the Department continues to experience staff turnover, recently filling one support staff vacancy and preparing to launch a recruitment for a second vacancy.

### **Accomplishments and Strategic Goal Updates**

Staff attorneys have been able to provide legal advice and support to Council, Planning Commission, and staff throughout the organization to help advance, or bring to completion, dozens of important projects, including:

1. Final closure of various, high-profile litigation including Natural Healing Center's dispute of the revocation of their Cannabis Business Operating Permit and the writ filed by a group, calling itself SLAP, contesting the City's environmental determination for a mixed-use development at the corner of Marsh and Nipomo.
2. Continued management and negotiation of several high-profile legal or litigation matters including homelessness litigation and evolving caselaw, two consecutive California Voting Rights Act ("CVRA") district election demands, litigation arising out of the murder of Detective Luca Benedetti, and ongoing analysis and City response to a federal court decision implicating the City's electric building regulations.
3. Successfully onboarded new Deputy City Attorney who has assumed complex caseload well ahead of anticipated training schedule.
4. Advised on the collection and completed the review and production of voluminous records in response to discovery and Public Records Act requests with legal implications.
5. Legal and negotiations support for implementation and dispute resolution regarding the City's development agreements for Avila Ranch and San Luis Ranch housing developments, and provided legal advice and support on development review and Capital Improvement Project processing and legal compliance.
6. Assisted with drafting and review of the Subdivision Regulations Update
7. Participated in the EOC response to the 2023 Winter storms and flooding
8. Filed for a receivership for the hazardous property at 48 Prado.
9. Assisted with transaction of the Anderson Hotel affordable housing project.
10. Advised on update of the Cannabis Regulations.
11. Advised on drafting and implementation of the CAMP Standards (Compassionate Assistance, Mitigation and Prevention) for interactions with unhoused community members.

### **Challenges**

Staffing issues from mid-year until June pulled attention away from completion of process improvement, service efficiency and file and document management projects. Additional guidance and re-training were provided for the support staff hired earlier in the year but, for various reasons, all positions were either

vacant or held by a new employee by June. This meant remaining staff were taking on additional workload or onboarding new staff on a continuous basis.

There were several ongoing, time-consuming legal matters requiring intensive legal analysis and support, including the receipt of a second CVRA demand letter a few months after the first was settled; the collection of voluminous records for discovery in *Langley v City* (allegations of civil rights violations by unhoused community members); ongoing development agreement negotiations; and unanticipated City project, public/private infrastructure delivery, and real property acquisition matters that have consumed significant legal resources and hindered focused staff training and development and process improvement work at the level needed and anticipated.

Table 12 - City Attorney Performance Measures

| Strategic Goals  | Measure   | 2022-23 Target | 2022-23 Actual     |
|--|---|----------------|--------------------|
| Timely and Responsive legal advice and support<br><br><i>Strategic Goal:<br/>Department Objectives</i> | Administrative Citation Appeals Received by the City  | 120            | 110                |
|  | Appeals closed without need of a hearing <sup>10</sup>  | 25             | 23                 |
|  | City assisted corrections to defective appeals to allow access to hearing                               | 15             | 6                  |
|  | City facilitated hearings on the record without need for personal appearance by Appellant               | 40             | 35                 |
|  | # of hearing days scheduled   | 7              | 18 <sup>11</sup>   |
| Legal Training & Compliance<br><i>Strategic Goal:<br/>Department Objectives</i>                        | # of Council, Staff, and Advisory Body legal trainings, legal updates, and compliance advisory sessions | 12             | 8 <sup>12</sup>    |
| Municipal Litigation & Prosecution Management<br><i>Strategic Goal:<br/>Department Objectives</i>      | Percentage of Claims Resulting in Litigation  | <5%            | 7.8% <sup>13</sup> |
|  | Liability Claims Against the City Reviewed/Managed  | 70             | 77                 |

<sup>10</sup> Closed in some way that did not include a decision being issued (e.g. withdrawn by appellant, dismissed for untimely filing, voided by the issuing department)

<sup>11</sup> A hearing officer's preference for less appeals heard on a single day led to more overall hearing days needing to be scheduled.

<sup>12</sup> Onboarding of multiple staff members and an extended leave of absence made it difficult to prioritize time for the preparation of training materials.

<sup>13</sup> Of the six claims that went to litigation, one is a private matter in which the City was named due to plaintiff's misunderstanding of HASLO and will be dismissed soon; for two the City is indemnified under terms of either an event permit or a construction contract; the others are a personnel matter, a trip and fall at a City park, and an allegation that code enforcement reduced the sale price of a homeowner's property, which the City assesses as meritless.



Table 13 - City Attorney Budget Variance Analysis

| City Attorney                | FY 2021-22          | FY 2022-23          |                     |                  |           | FY 2023-24          |
|------------------------------|---------------------|---------------------|---------------------|------------------|-----------|---------------------|
|                              | Actual              | Budget              | Actual              | Funds Available  | %         | Budget              |
| Staffing                     | \$ 1,146,056        | \$ 1,167,045        | \$ 1,137,918        | \$ 29,126        | 2%        | \$ 1,329,184        |
| Contract Services            | \$ 207,765          | \$ 517,757          | \$ 519,073          | \$ (1,316)       | 0%        | \$ 50,500           |
| Other Operating Expenditures | \$ 20,884           | \$ 28,424           | \$ 25,981           | \$ 2,443         | 9%        | \$ 45,360           |
| <b>TOTAL</b>                 | <b>\$ 1,374,705</b> | <b>\$ 1,713,226</b> | <b>\$ 1,682,973</b> | <b>\$ 30,253</b> | <b>2%</b> | <b>\$ 1,425,044</b> |

**Staffing** – Staff turnover and an extended leave of absence during the course of the year contributed to savings at year end. A portion of the savings was transferred to Legal Services and used to fund an increase in the contract to defend the City against the CVRA demand letter received in February.

**Contract Services** – The Contract Services budget line ended the year under budget but, considered here with Legal Services, the category appears overspent. Staff will adjust their process for tracking budget going forward to avoid this misrepresentation.

**Other Operating Expenses** – The department funded the physical transition of its offices and managed the defense of the City in various matters while staying within budget.

## Finance Department

### The Year In Review

The Finance Department ended the year with about 5% overall budget savings and was able to deliver on its goals. The Department continued to monitor the City's unfunded liabilities for the pension and retiree health plan and contracted with an actuarial to get an updated funded status and long-term forecast. In coordination with IT and HR, the Department also continued to make enhancements in the Oracle system that will benefit the organization in the long run.

Because FY 2022-23 was a financial planning year, the Department spent significant time updating its fiscal forecasts and working with departments and Council on the development of the 2023-25 Financial Plan. As a result of the 2023 storms, Finance staff were activated in the Emergency Operations Center. They played a key role in tracking expenditures and ensuring that employees were submitting the required documentation in order to maximize the possibility of reimbursement through FEMA and CalOES via the California Disaster Assistance Act (CDAA). The Department is also responsible for ongoing reporting to the US Treasury related to the use of \$13.6 million in State and Local Fiscal Recovery Funds provided to address the fiscal impacts of the COVID-19 pandemic.

Lastly, the Department welcomed a new Finance Director in December 2022. Based on the department-specific results of the Citywide Employee Engagement Survey conducted in January 2023, the Finance Department began work with HR on an organizational assessment in the Spring of 2023. The assessment is still underway and is intended to: update job descriptions to more accurately reflect the work performed by staff, assure that reporting relationships are appropriate, and that staff throughout the Department have "career ladders" to support their growth and development.

### Accomplishments and Strategic Goal Updates

1. Made an additional \$2 million payment to CalPERS to help fund pension liabilities and further its Fiscal Health Response Plan.
2. Continued enhancements to the Oracle Enterprise Resource Planning (ERP) and Human Capital Management (HCM) systems in coordination with HR and IT.
3. Reconfigured the Project Portfolio Management (PPM) module to enable more accurate tracking of project budgets.
4. Built out the City's external budget portal: [OpenBook](#).
5. Established a Section 115 Trust Fund with the California Employers' Pension Prefunding Trust.
6. Updated the City's [debt management policy](#).
7. Received the GFOA Distinguished Budget Presentation Award for the 2023-25 Financial Plan.
8. Received over \$50,000 in FEMA reimbursement payments for the City's COVID expenses and expects more in the future.
9. Developed a stand-alone "CalPERS and Unfunded Liabilities" policy to help guide the City's long-term commitment to payment of unfunded liabilities.
10. Incorporated a DEI questionnaire into the annual business license renewal process to gather information to help further initiatives under the City's DEI Major City Goal.
11. Coordinated Citywide efforts to track, document and report on storm expenditures to maximize reimbursement.

12. Made significant progress on securing approximately \$47 million in Lease Revenue Bond financing to support construction of the Cultural Arts District Parking Structure (CADPS). This effort is expected to wrap up in early September 2023 so that the City can award a construction contract within 60 days of construction bid opening.
13. Supported the continued transition of the Infrastructure Financing Program to the Community Services Group and advised on the fiscal and budgetary components of administration of the Avila Ranch and San Luis Ranch Community Facilities Districts (CFDs).

### **Challenges**

The Finance Department's biggest challenges in FY 2022-23 were surrounding retirements, staff turnover and response to the fiscal ramifications of the major storms experienced over the winter. In addition to performing regular duties, the Purchasing Analyst has been coordinating Citywide efforts to document storm related work and expenditures and has been working with FEMA and CalOES to seek reimbursement for eligible storm related costs. All of this has been done despite a vacancy in the Purchasing Specialist position, but a recruitment to fill this position is currently underway.

After the only payroll position, the Payroll Specialist, became vacant in beginning of the fiscal year, the Department determined that the payroll function required an additional employee. To address the issue without impacting the Department's budget, the vacant Finance Administrative Assistant position was reclassified to a Payroll Analyst and the FTE was moved to Payroll. This was vital for the payroll operations but ultimately left the administrative duties spread between others in the Department.

The Department also struggled with turnover in the Revenue division, which includes three critical positions that help with customer service. The department has had difficulty filling the Accountant Assistant positions in the past and the last two incumbents (who were in the roles for less than six months) gave feedback that positions were not as expected based on the job description. Additionally, internal process improvements made over the last five years have changed the scope of the positions. Given that the positions are currently vacant, the Finance Department took this opportunity to work with Human Resources and a third-party consultant to evaluate the job classifications. This evaluation is in progress, but a new Finance Cashier position has been created and a recruitment to fill that position with a permanent employee will begin in September 2023.

As of January 2023, the median tenure of Finance Department staff was 1.38 years. In the Spring of 2023, the Department began a formal organizational assessment to make sure the current Finance Department structure meets the City organization's needs. It is expected that the organizational assessment will be complete toward the middle of FY 2023-24.

Table 14 - Finance Department Performance Measures

| Objective  | Measure   | 2022-23 Target | 2022-23 Actual |
|--|---|----------------|----------------|
| Enables & enhances transparency, accountability & integrity.<br><i>Strategic Goal: Fiscal Policies</i> | # of calendar days following year-end until ACFR is issued                              | 170            | 170            |
|  | # of audits/reviews conducted/ # of additional agreed upon procedure audits performed   | 2/2            | 2/2            |
| Protects & prudently manages its financial resources.<br><i>Strategic Goal: Fiscal Policies</i>        | # of funds within fund balance requirements/ total funds with fund balance requirements | 8/8            | 8/8            |
|  | Net direct annual debt per capita (General Fund)  | \$43           | \$43           |
|  | Twelve-month total rate of return/City portfolio  | 3%             | 1.9%           |

Table 15 - Finance Department Budget Variance Analysis

| Finance                      | FY 2021-22          | FY 2022-23          |                     |                   |           | FY 2023-24          |
|------------------------------|---------------------|---------------------|---------------------|-------------------|-----------|---------------------|
|                              | Actual              | Budget              | Actual              | Funds Available   | %         | Budget              |
| Staffing                     | \$ 2,001,911        | \$ 2,072,644        | \$ 1,965,155        | \$ 107,489        | 5%        | \$ 1,884,921        |
| Contract Services            | \$ 354,677          | \$ 477,115          | \$ 470,882          | \$ 6,233          | 1%        | \$ 510,720          |
| Other Operating Expenditures | \$ 28,146           | \$ 56,617           | \$ 33,050           | \$ 23,567         | 42%       | \$ 52,440           |
| <b>TOTAL</b>                 | <b>\$ 2,384,733</b> | <b>\$ 2,606,375</b> | <b>\$ 2,469,087</b> | <b>\$ 137,288</b> | <b>5%</b> | <b>\$ 2,448,081</b> |

**Staffing** – The department experienced turnover throughout the year, specifically in the Revenue Division. The Department carried an average vacancy of approximately 2.5 FTE over the course of the fiscal year. Savings due to these vacancies were partially offset by significant leave payouts for two employees that retired during the year. Without the vacancies, the Department would have been over-budget.

**Contract Services** – There were no significant variances in the Department’s contract services budget. The increase in budget for FY 2023-24 is due to a one-time line item for a City-wide fee study.

**Other Operating Expenses** – Consistent with trends across the organization, Finance had savings in its education and training budget mainly due to the Fiscal Health Contingency Plan activation in the second half of the year. There were also savings in printing, office supplies, and postage. Expenses in this category can vary year over year depending on what equipment needs to be purchased and how many new employees come on board.

## Non-Departmental, Support Services

The Non-Departmental and Support Services cost centers are managed by the Finance Department but are used for expenditures that are not specific to an individual department.

Table 16 - Non-Departmental/Support Services Budget Variance Analysis

| Category                     | FY 2021-22        | FY 2022-23          |                   |                   |            | FY 2023-24          |
|------------------------------|-------------------|---------------------|-------------------|-------------------|------------|---------------------|
|                              | Actual            | Budget              | Actual            | Funds Available   | %          | Budget              |
| Staffing Contingencies       | \$ 48,037         | \$ 904,334          | \$ 61,497         | \$ 842,837        | 93%        | \$ 1,000,883        |
| Other Operating Expenditures | \$ 365,424        | \$ 120,836          | \$ 115,455        | \$ 5,381          | 4%         | \$ 331,700          |
| Bank/Merchant Fees           | \$ 240,261        | \$ 80,000           | \$ 222,242        | \$ (142,242)      | -178%      | \$ 100,000          |
| <b>TOTAL</b>                 | <b>\$ 653,721</b> | <b>\$ 1,105,171</b> | <b>\$ 399,194</b> | <b>\$ 705,977</b> | <b>64%</b> | <b>\$ 1,432,583</b> |

**Staffing Contingencies** – These budget lines are only activated when a department is faced with salary cost increases due to bargaining results, minimum wage increases, or unexpected vacation buyouts that cannot be absorbed within the department’s appropriated budget. Generally, departments can withstand these costs increases due to savings from vacancies throughout the year, which was the case in FY 2022-23. Budgeting for these contingencies also helps the City achieve its 3% salary savings<sup>14</sup> assumption in a situation where departments do not have intermittent vacancies. Staffing contingencies also include budget for things like unemployment insurance costs, which fluctuate on an annual basis. During the pandemic, the annual cost was over \$100,000 but in FY 2021-22, costs decreased to \$17,000.

**Other Operating Expenditures** – This category includes budget for expenditures like postage, membership costs for the League of California Cities, print and reproduction, and miscellaneous materials and supplies. The majority of the savings were due to reduced need for printing and postage as the City continues to transition its materials online. These savings were partially offset by increases in postage rates and material costs.

**Bank/Merchant Fees** - The negative balance in this category was caused by bank fees that were historically not budgeted; however, were offset by interest earnings. In FY 2022-23, the General Fund alone generated over \$1 million in interest earnings.

<sup>14</sup> The General Fund assumes an annual 3% salary savings in its fiscal forecast due to intermittent vacancies and hiring new employees at lower steps. This assumption is based on historical actuals for the last ten years.

## Human Resources Department

### **A Year In Review**

This was a year of significant transition, with more than half of the Human Resources Department (HR) either newly hired or promoted. The team continued supporting the growing and changing organization while also striving to establish stability within the department.

Approximately 178 total recruitments were coordinated by HR in the last year. Of those, 45% were promotions and there were a total of 120 employees hired into regular positions. Additionally, the HR team coordinated four department head assessment centers, each being an extensive process that ended successfully. Changes were made to enhance the recruitment process, including steps to utilize the applicant tracking system more fully. Further work is in progress, but the improvements to date have yielded positive results, saving time and increasing bandwidth for the recruitment team.

Associated with the high volume of recruitments and number of employees new to the organization, is a need for added training and development support. An employee engagement survey was completed in January 2023 to gain insight into how the City can best support employees and foster a positive and engaged workforce. The results of the survey emphasized a need for workforce transition and development initiatives, including enhanced onboarding experiences, learning opportunities and a strategic focus on knowledge management and transfer. With the median tenure across all employees being just over five years, further emphasizing this need, the HR team prioritized a comprehensive training plan with an emphasis on getting back to basics. In the past year, 27 training and development opportunities were offered to employees, and tailored resources were provided to new supervisors to ensure they have the tools to be effective in their roles.

Work efforts also included enhancements to the City's Human Capital Management System (Oracle) to improve functionality for end users, such as manager self-service for terminations and step by step instructions for employees using Oracle Guided Learning. These efforts are aimed at automating processes, reducing manual work effort and adding additional controls to ensure accuracy. Further, the HR team began the process of transitioning to electronic personnel files that will be stored within Oracle for a one stop shop related to personnel records. All of these advanced objectives for the major city goal of Economic Resiliency, Cultural Vitality and Fiscal Sustainability.

This was also a busy year for labor relations. After going through factfinding, an agreement was reached with the City's largest bargaining unit, the San Luis Obispo City Employees' Association. Additionally, timely agreement was reached with the police management bargaining unit. HR continues to have strong positive relationships with all public safety bargaining units and strives to enhance and streamline its labor relations processes overall.

### **Accomplishments and Strategic Goal Updates**

The Department met its goals set in the 2021-23 Financial Plan by:

1. Continuing to provide high-quality integrated human resources.
2. Providing tools and opportunities to employees to reach their full potential through leadership training and opportunities for internal promotions.

- Promoting a high-performing and self-sufficient employee organization that is connected to the community through shared organizational values and goals by providing educational opportunities as required for their respective positions and for general awareness in the workplace.

### Challenges

The key challenges that Department faced include:

- Continuing high volume of recruitments, onboarding, and training needs. Part time contract staff were hired using salary savings to assist with this workload.
- Higher than average expenses associated with liability claims. Since the undesignated insurance fund balance was sufficient to pay for these expenses, allocations were made from the fund to cover the unbudgeted expenses.
- Unusually challenging contract negotiations with one employee group as well as disciplinary issues that resulted in a need for unbudgeted legal assistance.
- The majority of the HR team being new to their role, and the resignation of HR Manager during an exceptionally busy year.

Table 17 - Human Resources Performance Measures

| Objective                     | Measure  | 2022-23 Target | 2022-23 Actual |
|-------------------------------|--|----------------|----------------|
| Integrated HR Services        | Average days between injury and Workers' Compensation claim filed.         | 3              | 2              |
|                               | Achieved lower severity of Workers' Compensation claims than the risk pool | Yes            | Yes            |
|                               | Annual liability claims payment under the Self-Insured Retention amount.   | Yes            | No             |
| Employee Development & Growth | Percentage of On-Time Employee Performance Evaluations                     | 95%            | 92%            |
|                               | Percentage of Internal Promotions  | 40%            | 41%            |
|                               | Training Sessions Coordinated  | 35             | 32             |
| Engaged and Aware Culture     | Number of Policies Communicated  | 5              | 8              |
|                               | Informational Sessions Coordinated   | 90             | 94             |

Table 18- Human Resources Budget Variance Analysis

| Human Resources              | FY 2021-22          | FY 2022-23          |                     |                   |           | FY 2023-24          |
|------------------------------|---------------------|---------------------|---------------------|-------------------|-----------|---------------------|
|                              | Actual              | Budget              | Actual              | Funds Available   | %         | Budget              |
| Staffing                     | \$ 1,400,484        | \$ 1,468,859        | \$ 1,404,813        | \$ 64,047         | 4%        | \$ 1,451,978        |
| Contract Services            | \$ 459,330          | \$ 737,006          | \$ 657,653          | \$ 79,353         | 11%       | \$ 628,207          |
| Other Operating Expenditures | \$ 42,093           | \$ 54,300           | \$ 81,028           | \$ (26,728)       | -49%      | \$ 61,000           |
| <b>TOTAL</b>                 | <b>\$ 1,901,906</b> | <b>\$ 2,260,165</b> | <b>\$ 2,143,493</b> | <b>\$ 116,672</b> | <b>5%</b> | <b>\$ 2,141,185</b> |

**Staffing** – The Staffing of full-time staff were marginally less than budgeted, and although vacancies occurred throughout the year, these salary savings were used to hire consultant services and temporary staffing to meet the high demand for services during the course of the year.

**Contract Services** – A large portion of the Department’s budget consists of contract services for a variety of purposes. The only significant variance was due to legal support funding that was not utilized due to a hearing being postponed into the next fiscal year.

**Other Operating Expenses** – Several expenses were inadvertently charged to the incorrect accounts, resulting in an overage in certain accounts and other accounts being underspent. Overall, the cost center had savings, and training has been provided to ensure expenses are documented correctly in the future.



## Insurance Fund (*Managed by Human Resources*)

The City is a member of the California Joint Powers Insurance Authority (CJPIA) which provides coverage for general liability and workers' compensation through pooling of losses among its members and coordinates oversight and management of claims administration. In 2016, the City joined the excess program for liability, taking on a \$500,000 self-insured retention level, and entered into an agreement with CJPIA and Carl Warren, a third-party administrator, to manage its liability claims. Carl Warren provides intake of claims, legal counsel, investigation of claims, and represents the City in mediations and court cases. For workers' compensation claims, the City is in the primary program, meaning that CJPIA covers the costs from the first dollar. The third-party administrator for workers' compensation is Athens Administrators. The consolidation of all insurance-related expenses into one Insurance Fund has made it easier to oversee and manage them. The City strives to maintain a reserve sufficient to guard against substantial claims, which is determined based on annual actuarial report information. In addition to the CJPIA member contributions for liability and workers' compensation, the Fund also covers premiums for ancillary insurances such as property, crime, pollution, volunteers, and special events.

Table 19- Insurance Fund Budget Variance Analysis

| Insurance Fund Expenditures | FY 2021-22          | FY 2022-23          |                     |                   |           | FY 2023-24          |
|-----------------------------|---------------------|---------------------|---------------------|-------------------|-----------|---------------------|
|                             | Actual              | Budget              | Actual              | Funds Available   | %         | Budget              |
| Worker's Comp Insurance     | \$ 2,181,044        | \$ 2,844,913        | \$ 2,844,913        | \$ -              | 0%        | \$ 2,516,607        |
| Liability Insurance         | \$ 1,627,589        | \$ 2,527,911        | \$ 2,347,755        | \$ 180,156        | 7%        | \$ 2,431,373        |
| Other Insurance             | \$ 442,439          | \$ 522,747          | \$ 517,810          | \$ 4,937          | 1%        | \$ 607,493          |
| <b>TOTAL</b>                | <b>\$ 4,251,072</b> | <b>\$ 5,895,571</b> | <b>\$ 5,710,479</b> | <b>\$ 185,093</b> | <b>3%</b> | <b>\$ 5,555,473</b> |

Table 20 - Insurance Fund Balance

| FY 2022-23 Ending Fund Balance                |                  |
|---|------------------|
| a. Beginning Fund Balance                     | \$1,845,935      |
| b. Transfers In                               | \$4,450,000      |
| c. Expenditures                               | (\$5,710,479)    |
| <b>d. FY 2022-23 Year End Balance (a+b+c)</b> | <b>\$585,456</b> |
| e. FY 2023-24 Transfer In                     | \$6,000,000      |
| f. FY 2023-24 Projected Year End Balance      | \$1,029,983      |

Allocations were made from undesignated fund balance to cover estimated costs for liability claims during an unusually expensive year. It is difficult to predict the exact timing of claim settlement or closure as there are variables outside the City's control. Therefore, the remaining balance will return to fund balance and be utilized to pay claims costs in future years.

**Reserves/Fund Balance:** To meet the City's definition of a 75% confidence level per policy (150% of the average 5-year claims cost), the City should have a reserve of \$750,758 in the insurance fund. To meet actuarial recommendations for a 75% confidence level (meaning, the specified funding level will be sufficient to cover claim costs 75% of the time), the City needs to achieve a reserve of \$3,500,000. General fund transfers in are being ramped up over the next five years to increase the available reserve.

## Fire Department

### A Year in Review

In FY 2022-23 Fire Department staff made significant progress on work efforts impacting every program within the Department budget. In FY 2022-23, the department welcomed both a new Chief and Deputy Chief. Administrative staff provided Department leadership, public information, personnel management, fiscal and contract management, strategic coordination, and grant management. Emergency Response personnel focused on providing premier service to the community through all-risk response and training.

The Department's Fire Prevention Program helped protect the life, property, and environment of the community through its fire & life safety inspection programs, fire plan reviews, and publication education efforts. The Department continued its rollout of the self-inspection program which allows low-risk occupancies to conduct inspections through a self-service option. The new Emergency Manager position added in late FY 2021-22 was instrumental in managing and coordinating response to the winter storms. Throughout the year the Department's fire apparatus services staff ensured the fire fleet (including both heavy apparatus equipment and fleet vehicles) remained in proper working order to ensure continuous service delivery to the community. Finally, the Mobile Crisis Unit, which successfully became operational in late FY 2021-22 provided crisis support services to community members to improve the availability of local programs and help alleviate calls for service traditionally provided by public safety staff by handling low-acuity calls. Maintaining staffing levels remained a focus for the Fire Department in FY 2022-23. The Department filled 10.5 FTE positions (nearly 17% of the department's workforce) and conducted promotional exams for newly promoted engineers and conducted an academy for seven new firefighters.

### Accomplishments and Strategic Goal Updates

1. **Diversity, Equity, and Inclusion:** The department filled eight positions and made six promotional placements including new a new Chief and Deputy Chief, Battalion Chief, three Captains and one Fire Engineer as well as seven new firefighters, including two lateral hire paramedics. This also included the Department's first female firefighter in several decades, a significant milestone for gender diversity and inclusion within the Department. The Fire Intern program continues to be successful at increasing inclusivity by offering individuals from a variety of backgrounds the opportunity to learn more about the fire service. Human Resources was a critical partner in the success of these hirings. Public Works staff continue to work towards completing a plan to improve the inclusivity of the fire station living quarters at Fire Stations 3 and 4. The anticipated completion date of that work effort is toward the end of FY 2023-24.
2. **Housing and Homelessness** - The Mobile Crisis Unit completed one year of operation in June of 2023. This Unit is staffed by a Firefighter/EMT and a contracted Case Worker to respond to behavioral health and substance abuse crises to help connect community members with existing services and reduce the calls for service that historically have been handled by Fire Paramedic and Law Enforcement response, which typically are ill-equipped to provide care for these types of incidents. The MCU made 3,081 total contacts since July of 2022 and coordinated 28 reunifications for individuals to out of the area family. Each contact by the MCU keeps traditional emergency response available for other calls.

- 3. Other Department Objectives** - T Fire Department Staff continued to work through carrying out strategic directions found in the Department's strategic plan. Some major work efforts included securing an Assistance to Firefighter Grant (AFG) to send two firefighters to local paramedic school totaling \$97,856. This grant will cover their education costs as well as the cost of backfill needed while they are off work for class. Increasing the number of paramedics on staff enhances emergency response capabilities and increases comprehensive emergency care. The Department also accelerated the replacement of Engine 4 after repairs became too costly and the wildland engine was replaced on schedule this year when it reached its end of life. Other major work efforts included updating the fire coverage agreement with Cal Poly, open space fuel reduction hazard mitigation efforts, Department policy streamlining and improvements, and expanded suppression training programs.

### **Challenges**

The most significant challenge during FY 2022-23 was related to staff turnover. As previously discussed, the Department conducted recruitments to fill eight positions and filled an additional six positions through promotion of existing staff. The staff time required to facilitate these recruitments, placements, and subsequent training and onboarding impacted Department productivity. Administration saw a large turnover with the retirement of both the Chief and Deputy Chief within months of each other, plus the movement of the Senior Analyst to Emergency Manager leaving the Analyst position vacant. The Fire Marshall plans to retire in early Winter of 2023, in anticipation of the retirement an evaluation of the fire prevention division is being conducted to determine the optimal structure moving forward.

Fiscally, overtime and general cost inflation were the Department's largest challenges. Multiple vacancies drove the overtime up early in the fiscal year. Newly hired firefighters didn't begin their duty until Spring of 2023 at which point the Department was able to reduce the need for overtime backfill. The Winter storms created a need for heightened response which also led to an increase in overtime. Inflation also had a substantial impact on the cost of essential items ranging from parts for apparatus to Personal Protective Equipment (PPE). As the costs climb, the budget for maintenance and repairs faced growing strain. Additionally, the escalating prices of critical PPE such as helmets, turnout gear and respiratory equipment have made it increasingly challenging to balance the need for necessary safety equipment with fiscal responsibility. Challenges from inflation have been addressed in the upcoming 2023-24 budget cycle with increases in corresponding budget areas.

Table 21 - Fire Department Performance Measures

| Objective   | Metric  | 2022-23 Target | 2022-23 Actual |
|---|---|----------------|----------------|
| Deliver Timely Effective Response to ensure rapid care and hazard mitigation. <sup>15</sup><br><br><i>Strategic Goal: Other Department Objectives</i> | Meet the Total Response Time (TRT) goal of 7 minutes or less to 90% of all lights-and-siren emergencies in the City as defined by the Department’s Master Plan. TRT Includes Call Processing Time, Turnout Time, and Travel Time. | 7:00           | 8:48           |
|   | Meet the Call Processing Time goal of 1 minute or less to 90% of all lights-and-siren emergencies in the City as part of TRT.   | 1:00           | 1:35           |
|   | Meet the Turnout Time goal of 2 minutes or less to 90% of all lights-and-siren emergencies in the City as part of TRT.  | 2:00           | 2:21           |
|   | Meet the Travel Time goal of 4 minutes or less to 90% of all lights-and-siren emergencies in the City as part of TRT.   | 4:00           | 5:54           |
| Provide timely service to the development community. <sup>2</sup><br><br><i>Strategic Goal: Housing</i>   | % of Fire Department Development Review activities completed within published cycle times.  | 80%            | 64%            |

Table 22 - Fire Department Budget Variance Analysis

| Fire                         | FY 2021-22          | FY 2022-23          |                     |                   |           | FY 2023-24           |
|------------------------------|---------------------|---------------------|---------------------|-------------------|-----------|----------------------|
|                              | Actual              | Budget              | Actual              | Funds Available   | %         | Budget               |
| Staffing                     | \$16,114,559        | \$14,402,591        | \$14,417,808        | \$ (15,217)       | 0%        | \$ 14,143,415        |
| Contract Services            | \$ 344,372          | \$ 451,360          | \$ 354,131          | \$ 97,229         | 22%       | \$ 400,579           |
| Other Operating Expenditures | \$ 531,304          | \$ 616,272          | \$ 527,399          | \$ 88,873         | 14%       | \$ 582,556           |
| Utilities                    | \$ 95,985           | \$ 123,874          | \$ 119,857          | \$ 4,017          | 3%        | \$ 142,229           |
| <b>TOTAL</b>                 | <b>\$17,086,220</b> | <b>\$15,594,097</b> | <b>\$15,419,195</b> | <b>\$ 174,902</b> | <b>1%</b> | <b>\$ 15,268,779</b> |

**Staffing** – The largest driver for the negative variance in staffing was vacancy-related overtime/backfill costs in the Emergency Response program. While a lot of this was offset by the savings due to the vacant positions, the cost of overtime is higher than the cost of normal staffing so it does not always offset the

<sup>15</sup> While the Fire Department did not meet the response time performance targets in FY 2022-23, the target remains unchanged in FY 2023-24 due to National Fire Protection Association recommended standards. The fire department successfully worked to implement process improvements based on data analysis and turnout times were improved by 40 seconds year over year. Travel time is the most difficult time to improve in the short term as they are impacted by road construction, traffic, roadway design changes and expanded response zones due to annexations in the southern end of the City, some locations which generate a large proportion of calls further increase travel time stats.

<sup>2</sup> Fire Prevention staff encountered challenges early in the year resulting from illness impacting productivity. The department’s performance has increased and as of August 24, 2023, staff is completing 81% of development review activities within published cycle times.

budget. Several staff remained out on long term injury absence and there were two medical related retirements resulting in more vacancies requiring shift coverage with overtime. Staff response to the winter storms also generated unbudgeted overtime. Staff does not expect this level of variance in FY 2022-23 as the staffing levels improved and the department is currently at full staffing.

**Contract Services** – The majority of the savings in contract services were resulting from a several month vacancy of the case manager of the Mobile Crisis Unit. Staff budgeted for a full year of services, however, due to an unexpected resignation, the position remained vacant resulting in savings. Facilities Maintenance was able to postpone replacement parts for Automatic External Defibrillators (AEDs) due to the devices reaching replacement age. New devices were purchased using the Equipment Replacement Fund eliminating the need for replacement parts and creating a savings. The budget for FY 2023-24 was reduced based on the purchases made in FY 2022-23. Several other cost centers had smaller unexpected savings that when combined contributed to a more substantial overall cost reduction for the Department.

**Other Operating Expenses** – The majority of the savings observed in Operating Expenses came from Training Services, Fire Station Facilities and the Mobile Crisis Unit. The need to backfill vacancies prevented staff from attending as much training as budgeted leaving a savings in Training Services. The Mobile Crisis Unit generated the largest savings in operating expenditures, due to a several month staff vacancy that prevented full operation of the MCU and generated savings as a result. The MCU is a new program and staff is slowly learning the most effective ways to use funds resulting in account savings. Facilities Services was able to delay maintenance and some purchases that created additional savings.

**Utilities** – Electricity cost savings was the primary driver for the positive variance related to utility costs. The 16% savings for electricity is due to recent fire station lighting upgrades to more efficient lighting systems, paired with lower energy rates achieved through the Central Coast Community Energy (CCCE) program. The Department experienced slight savings in water and sewer services. Natural Gas prices surged during winter pushing costs over budget, but prices seem to have since stabilized. Staff will continue to use actual costs to inform any needed budgetary adjustments for the upcoming fiscal year.

## Fire Department Revenue

Table 23 - Fire Department Revenue

| Fire Department Revenue       | FY 2021-22          | FY 2022-23          |                     |                 |           | FY 2023-24          |
|-------------------------------|---------------------|---------------------|---------------------|-----------------|-----------|---------------------|
|                               | Actual              | Budget              | Actual              | Variance        | %         | Budget              |
| Cal Poly Fire Services        | \$ 273,567          | \$ 361,684          | \$ 362,109          | \$ 425          | 0%        | \$ 361,684          |
| CUPA Inspection Fees          | \$ 187,019          | \$ 174,265          | \$ 211,373          | \$ 37,108       | 21%       | \$ 172,800          |
| Fire Alarm Permits            | \$ 10,994           | \$ 10,010           | \$ 4,743            | \$ (5,267)      | -53%      | \$ 10,010           |
| Fire Department Permits       | \$ 98,529           | \$ 108,000          | \$ 99,591           | \$ (8,409)      | -8%       | \$ 108,000          |
| Fire Plan Check & Inspection  | \$ 379,865          | \$ 366,000          | \$ 363,875          | \$ (2,125)      | -1%       | \$ 350,000          |
| Medical ER Recovery           | \$ 201,991          | \$ 216,938          | \$ 209,566          | \$ (7,372)      | -3%       | \$ 218,452          |
| Other Fire Department Revenue | \$ 21,195           | \$ 7,790            | \$ (430)            | \$ (8,220)      | -106%     | \$ 5,890            |
| R1 Inspection Fees            | \$ 329,197          | \$ 357,525          | \$ 354,708          | \$ (2,817)      | -1%       | \$ 351,000          |
| <b>TOTAL</b>                  | <b>\$ 1,502,356</b> | <b>\$ 1,602,212</b> | <b>\$ 1,605,535</b> | <b>\$ 3,323</b> | <b>0%</b> | <b>\$ 1,577,836</b> |

The largest contributor to the Fire Department's revenue variance was related to the CUPA Inspection program which charges fees for service due to increased inspection activity. Medical ER recovery is based

on a contract negotiated by the County. It was budgeted with a 7% increase before the contract was finalized, but the actual was 5% creating a slight shortfall in actual revenue. Other Fire Department Revenue had an item from the previous fiscal year go to collections resulting in a negative budget line. Other account variances are reliant on external factors and can be unpredictable. Overall, the variance for Fire Department revenue was nominal.

## Police Department

### **A Year In Review**

Over the last year, the Department focused on maintaining service levels and response times with reduced staffing levels, hiring and recruitment challenges, unanticipated storm response needs, developing a 5-year strategic plan, and purchasing a new building for Police and City use.

In response to the winter storms, officers worked over 150 hours of overtime to provide assistance with evacuations, rescues and road closures, and ensure overall safety of the community. Police staff also provided drone support for intelligence gathering for the Emergency Operations Center (EOC) and field staff. Responding to these storms only aggravated a pre-existing staffing shortage since there were vacancies in Patrol. Although officers were burnt out from working increased overtime, they continued to protect and serve the community.

In the fall of 2022 the Department released a Request for Proposals seeking a consultant to lead the development of a five-year Department strategic plan. Jacob Greene and Associates was chosen as the consultant and over the past few months their team has met with various internal and external stakeholders, distributed surveys, met with internal personnel, analyzed data, and prepped for a staff retreat. Once complete, the strategic plan will be a comprehensive road map for the Department over the next five years.

In November 2022, City staff entered into a purchase agreement to buy real estate located at 1106 Walnut Street. The interest in purchasing the building was multi-faceted as the City could utilize the building as temporary overflow office space when needed, the site could be used as a meeting location for any City staff, or the ground level could be used as an emergency operations center during disasters. The idea of moving some Police personnel to the new building is to alleviate some of the pressure points related to office space until a new public safety building has been approved. The Department will continue to collaborate with other City staff to ensure the move is well-organized and efficient.

### **Accomplishments and Strategic Goal Updates**

#### **Economic Recovery and Housing:**

1. Despite ongoing staffing challenges in Patrol, the police department continued to provide a public safety presence in the downtown during day and night hours.
2. The department continued to work with Transitions Mental Health Association (TMHA) to hire a Mental Health Clinician (or Case Worker) for the Community Action Team (CAT). Unfortunately, there have been continued challenges with hiring this position, but Police Department staff remains committed to supporting TMHA with hiring efforts.
3. The Department has continued to staff one CAT officer in the field partnered with a part-time TMHA resource to provide ongoing homeless outreach services. As the department continues to fill vacant officer positions, and new hires are finally able to work independently, the second CAT officer will be able to join the CAT Team.

#### **Climate Action:**

1. The Department worked to address traffic safety issues by conducting numerous operations under the FY 2022-23 Office of Traffic Safety Grant. These included DUI checkpoints, traffic enforcement operations, distracted driving operations and pedestrian/bicycle enforcement.
2. Staff continues to use social media to encourage and educate the community on safe driving behavior.

**Department Specific Accomplishments:**

1. The Department fully implemented the use of SPIDR software. This software is a community engagement tool used to collect relevant feedback from those using police services. At this time, the Department's average satisfactory rate is 4.5 out of 5 and the police officer satisfaction rates are 4.8 out of 5. The Department will continue to use this tool to identify areas of improvement that may be needed when providing police services to our community.
2. The Emergency Communications Center underwent a re-organization. The Communications Manager position was temporarily replaced with a lieutenant; this pilot program was successful in improving morale, raising accountability and providing a more direct link between management and line-level staff. The Department was able to convert the lieutenant to a permanent position in the Communications Center.
3. The purchase of 1106 Walnut Street was an accomplishment this past year, as it will provide much needed office space for the Department's administrative staff.
4. Luca Benedetti Memorial Highway dedication
5. The Department held a very successful Gun Buyback Event in October 2022. The purpose of this event was to provide a resource for the community to turn in firearms that they no longer wanted. Turning in guns helps reduce the risk of gun violence, gun theft, accidental discharges, and suicide in the community. The Department provided grocery gift cards in exchange for the guns; in total around 256 guns were collected.

**Challenges**

In FY 2022-23, there were 23 positions that became vacant, equivalent to 25% of the department's total staffing. The vacant positions included: eight dispatchers, ten police officers and five civilian staff. The vacancies were related to retirements, relocating to other areas, medical retirements, or returning to previous agencies. The department was able to fill a total of 19 positions during the fiscal year.

In the Dispatch Center, the eight vacancies were due to retirement, employees returning to their previous agency or resigning from the profession. There were 10 police officer vacancies which were attributed to retirements, medical retirements, or transferring to another agency for personal reasons. A number of these vacancies have since been filled, but it's been extremely difficult to recruit qualified applicants. Agencies across the nation are facing similar challenges with staffing; the City's new hiring incentive programs are helping but it has continued to be a struggle to fill positions.



Table 24 - Police Department Performance Measures

| Objective  | Measure  | 2022-23 Target                    | 2022-23 Actual                           |    |
|--|--|-----------------------------------|--|----|
| <b>Reduce Crime</b><br><i>Strategic Goal: Economic Recovery, Department Mission</i>  | # of total Part I Crime by year. <sup>16</sup>   | 2,050                             | 2,011                                    |    |
| <b>Provide safe roadways for pedestrians, vehicles, and bicyclists.</b><br><i>Strategic Goal: Patrol Objectives, Department Mission</i>                          | # of total traffic collisions <sup>17</sup>  | Vehicle:                          | 435                                      |    |
|  |  | Pedestrian:                       | 36                                       |    |
|  |  | Bicycle:                          | 35                                       |    |
|  | # of targeted enforcement operations conducted under the Office of Traffic Safety Grant per year <sup>18</sup> | DUI Checkpoints:                  | 2  | 2  |
|  |  | Saturation Patrols:               | 24                                       | 28 |
|  |  | Traffic Enforcement Ops:          | 12                                       | 13 |
|  |  | Distracted Driving Enforcement:   | 10                                       | 5  |
|  |  | Bicycle & Pedestrian Enforcement: | 6  | 9  |
| <b>Reduce Homeless related Calls for Service through proactive engagement.</b><br><i>Strategic Goal: Economic Recovery, Department Mission, Patrol Objective</i> | # calls related to homelessness <sup>19</sup>  | 7,000                             | 6,699                                    |    |
|  | # of unique individuals contacted by CAT   | 600                               | 437                                      |    |
|  | # of Family & Agency Reunification   | 35                                | 6  |    |
|  | # of Local Permanent Housing   | 31                                | 11                                       |    |
|  | # of major camp cleanups <sup>20</sup>   | 12                                | Data provided by Public Works: 134 camps |    |
|  | # of Mental Health/Substance Abuse Treatment Referrals   | 130                               | 215                                      |    |

Table 25 - Police Department Budget Analysis

| Police                       | FY 2021-22          | FY 2022-23          |                     |                   |           | FY 2023-24           |
|------------------------------|---------------------|---------------------|---------------------|-------------------|-----------|----------------------|
|                              | Actual              | Budget              | Actual              | Funds Available   | %         | Budget               |
| Staffing                     | \$21,261,551        | \$20,432,276        | \$19,977,107        | \$ 455,169        | 2%        | \$ 20,677,715        |
| Contract Services            | \$ 740,502          | \$ 1,095,787        | \$ 885,954          | \$ 209,833        | 19%       | \$ 882,692           |
| Other Operating Expenditures | \$ 431,546          | \$ 459,769          | \$ 510,183          | \$ (50,414)       | -11%      | \$ 377,240           |
| Utilities                    | \$ 130,184          | \$ 145,650          | \$ 131,697          | \$ 13,953         | 10%       | \$ 148,406           |
| <b>TOTAL</b>                 | <b>\$22,563,783</b> | <b>\$22,133,482</b> | <b>\$21,504,941</b> | <b>\$ 628,541</b> | <b>3%</b> | <b>\$ 22,086,053</b> |

**Staffing** – The Department ended the fiscal year with a savings of \$455,169 in total staffing. The savings was attributed to numerous positions that were vacant for a portion of the fiscal year; these vacancies

<sup>16</sup> Part 1 Crimes include: homicide, forcible rape, robbery, aggravated assault, burglary, and motor vehicle theft. Figures shown represent calendar year for 2022.

<sup>17</sup> Data for Traffic Collisions represent calendar year 2022.

<sup>18</sup> Numbers are from Grant Objectives and may vary from target and actuals based on final grant agreement.

<sup>19</sup> Calls related to homelessness represent calendar year 2022.

<sup>20</sup> Camp Clean Ups are coordinated and managed by Public Works and Parks & Recreation staff.

included eight dispatch positions, nine sworn positions, and six other staff positions. In total, 23 positions became vacant at some point during the year; these vacancies were attributed to career retirements, medical-related retirements, returning to previous agencies, and moving out of the area. Hiring to fill behind these positions was difficult due to low interest levels in law enforcement careers, which seems to be a common challenge throughout the nation. The Department was able to hire three cadets early to mid-way through the fiscal year; however, the training and onboarding is prolonged due to the academy and field training after academy graduation. Another two cadets were hired in late June and are still in the academy. Additionally, the Department was able to hire three dispatchers which are all still in training and cannot work shifts independently.

As shown in the charts below, total overtime expended for the year was \$1.5 million, which was about 15% more from last fiscal year. Overtime related to Shift Coverage increased due to vacancies in both Patrol and Dispatch, as staff filled these scheduling gaps with overtime. The Patrol and Dispatch schedules are completed in advance and anytime an employee is out unexpectedly (sick leave, WC leave, quits, etc.) the schedule must be adjusted to cover the shift which results in overtime.

Table 26 - Overtime Analysis

| A. Total Overtime Hours by FY |          |          |                         |
|-------------------------------|----------|----------|-------------------------|
| FY 20-21                      | FY 21-22 | FY 22-23 | % Increase from last FY |
| 14,907                        | 15,792   | 19,115   | 21%                     |

| B. Total Overtime Expenditures by FY |          |          |                         |
|--------------------------------------|----------|----------|-------------------------|
| FY 20-21                             | FY 21-22 | FY 22-23 | % Increase from last FY |
| \$1.1M                               | \$1.3M   | \$1.5M   | 15%                     |

**Contract Services** – The Administration and Investigations programs realized the majority of the savings in Contract Services. The Department budgeted for a second mental health case worker and THMA has been unsuccessful in filling the position. Additionally, the Department entered into a contract with a social worker in April 2023, but in May the employee the position which resulted in savings from contract. With the 2019-21 Financial Plan, there was a Significant Operating Budget Change approved to cover anticipated police department costs related to Cannabis. Because the specific costs had not been identified, the funding was put into “Other Contract Services”. This has remained partly unexpended for the last several years because all the investigative work related to cannabis has been done in house (through regular staffing budget). With the 2023-25 Financial Plan, staff moved this budget into staffing to more accurately reflect where the expenditures were hitting.

**Other Operating Expenses** – The Department ended the year over expended in Other Operating Expenses due to higher than anticipated material and supply costs. In Patrol, the Department over expended Safety Materials and Supplies by about \$15,000. This was attributed to adding three new SWAT operators and purchasing the related equipment (SWAT vests and uniforms which average about \$3,500 per operator). The Department also purchased duty vests for the Chaplain and two Community Services Officers, which were not budgeted for. Due to savings in other non-staffing accounts, the Department was able to

purchase much needed items such as a ballistic shield for the detective unit, replace broken technology at the dispatch center and laptops for sergeants (replacing desk top computers).

**Utilities** – The Department had savings in Utilities mainly attributed to an overestimation for PG&E electric costs. However, this was partially offset by Natural Gas being more expensive than anticipated. The budget for FY 2023-24 has been adjusted to reflect actuals with projected increases included.

## Police Department Revenue

Table 27 - Police Department Revenue

|    | Police Revenue                    | FY 2021-22        | FY 2022-23        |                   |                   |            | FY 2023-24        |
|----|-----------------------------------|-------------------|-------------------|-------------------|-------------------|------------|-------------------|
|    |                                   | Actual            | Budget            | Actual            | Variance          | %          | Budget            |
| 1  | Accident Reports                  | \$ 4,333          | \$ 3,400          | \$ 4,884          | \$ 1,484          | 44%        | \$ 3,400          |
| 2  | Administrative Citations - Safety | \$ 95,204         | \$ 152,833        | \$ 148,616        | \$ (4,217)        | -3%        | \$ 125,833        |
| 3  | Alarm Permits - Contract (Police) | \$ 80,204         | \$ 90,000         | \$ 180,790        | \$ 90,790         | 101%       | \$ 90,000         |
| 4  | Collision Investigation           | \$ 1,139          | \$ 3,000          | \$ 972            | \$ (2,028)        | -68%       | \$ 3,000          |
| 5  | DUI Cost Recovery                 | \$ 25,622         | \$ 20,000         | \$ 28,138         | \$ 8,138          | 41%        | \$ 20,417         |
| 6  | Miscellaneous Revenue             | \$ 6,417          | \$ -              | \$ 10,031         | \$ 10,031         |            | \$ -              |
| 7  | Other Police Revenue              | \$ 212,914        | \$ 254,109        | \$ 262,032        | \$ 7,923          | 3%         | \$ 250,000        |
| 8  | Police Department Permits         | \$ 5,027          | \$ 5,100          | \$ 3,826          | \$ (1,274)        | -25%       | \$ 4,011          |
| 9  | Police Issued Parking Fines       | \$ 80,969         | \$ 70,000         | \$ 53,115         | \$ (16,885)       | -24%       | \$ 70,000         |
| 10 | Property Release Fees             | \$ -              | \$ -              | \$ 1,181          | \$ 1,181          |            | \$ -              |
| 11 | Second Response Fees              | \$ 1,437          | \$ 1,200          | \$ 482            | \$ (718)          | -60%       | \$ 1,200          |
| 12 | Tobacco Permits                   | \$ 28,421         | \$ 29,000         | \$ 32,339         | \$ 3,339          | 12%        | \$ 30,450         |
| 13 | Tow Release Fees                  | \$ 15,824         | \$ 12,000         | \$ 21,974         | \$ 9,974          | 83%        | \$ 12,000         |
| 14 | Witness Fees                      | \$ 4,400          | \$ 1,606          | \$ 4,965          | \$ 3,359          | 209%       | \$ 1,606          |
| 15 | <b>TOTAL</b>                      | <b>\$ 561,909</b> | <b>\$ 642,248</b> | <b>\$ 753,345</b> | <b>\$ 111,097</b> | <b>17%</b> | <b>\$ 611,917</b> |

Overall Department revenue ended the year 17% higher more than budgeted. Staff made conservative adjustments at mid-year based on total revenue received from July to November and some revenue accounts were lower than expected. Alarm revenue increased from FY 2021-22 which is likely due to businesses coming back from the impacts of COVID and affording to pay for permits and false alarms. In addition, in July 2022 the Department started contracting with a new vendor for alarm tracking services and outreach for billing has been more consistent which contributes to increased revenue. Police Issued Parking fines were lower than anticipated which was partly related to SNAP being unable to enforce neighborhood districts in September (which is typically a busy timeframe) due to a parking system delay in issuing permit renewals.

## Community Services Group (CSG)

*Community Development • Parks & Recreation • Public Works • Utilities*

The Community Services Group is comprised of the City's four public-facing, service departments. The administrative costs listed below are not specific to a department but benefit each department.

### **A Year-In Review and Accomplishments**

The Community Services Group (CSG) focused on the production of core services, advancement of key Major City Goals and objectives, identification of new departmental efficiencies, communication with the public, policy research, and City staffing transitions, including multiple key leadership positions and preparation and knowledge transfer. The CSG Administration (CSG Admin) team consists of the Assistant City Manager, the Business Services and Administrative Manager, and a part-time Administrative Assistant. The CSG Admin team oversees the Analysts in the CSG Departments as well as the Infrastructure Investment Program. The Infrastructure Investment Program and Analyst were moved from the Finance Department to CSG in FY 2022-23 as the position collaborates closely with all the departments within CSG related to development agreements and impact fee funds that affect the group.

In FY 2022-23, the CSG onboarded and hired three new department analysts, as a result of internal promotions of the previous incumbents. It also hired an Infrastructure Investment Financial Analyst and completed the reclassification of the "Administrative Analyst" positions to "Business Analysts" to better represent the job duties. As the CSG Analyst Team has begun to re-form, so have opportunities for efficiency, communication, and collaboration among the four departments. The Analyst Team has been working primarily on budgetary support as Fiscal Officers for their respective departments, but also regularly partner work on CSG efficiencies and needs across departments. This has included: the creation and presentation of a Budget 101 guide for CSG managers and supervisors to understand the basics of how the city budgets, and a guide to reference and track their budgets; a strong focus on orientation and onboarding materials and structure; policy work, such as the continued Abandoned Shopping Cart Ordinance compliance and partnerships with local businesses; and analysis of processes and procedures for tracking specialized budgets including the four Enterprise Funds, Impact Fees, and Development Services Designation.

CSG Admin also implemented a centralized resident engagement platform, now known as Ask SLO, to organize and streamline public requests and inquiries to reduce the prior manual process; respond to the community more effectively and efficiently; enhance the way citizen issues are identified, responded to, and tracked (both internally and externally); and generate reports and data on requests, historical responses, and response timeliness. This tool has been used most often by the CSG departments and helps with efficiency and effectiveness in public communication and engagement with issues and was instrumental in support with storm response. The team will focus on improvements and new ways of utilizing the tool in the 2023-25 Financial Plan.

Additionally, CSG Admin began efforts to complete the Citywide User and Impact Fee Study that is completed on a five-year basis. The last Citywide user fee and rate study was completed in 2017. During FY 2022-23, the Business Services and Administrative Manager and an interdepartmental team completed an extensive RFP process to select a consultant and began the kick-off of the study efforts. The study is anticipated to be completed in FY 2023-24.

CSG Admin also managed and guided the capital improvement planning process for the 2023-25 Financial Plan, after significant efforts have focused on right sizing staff, changing some positions to better reflect the services needed, and creating new processes so that collaboration can occur cross departmentally.

With all of the accomplishments of the CSG in FY 2022-23, the core focus of CSG remains to seam Community Development, Parks and Recreation, Public Works, and Utilities together through policy, fiscal, and collaborative support efforts to provide quality service to the community.

Table 28- CSG Administration Budget Variance Analysis

| CSG Administration       | FY 2021-22        | FY 2022-23        |                   |                  |            | FY 2023-24        |
|--------------------------|-------------------|-------------------|-------------------|------------------|------------|-------------------|
|                          | Actual            | Budget            | Actual            | Funds Available  | %          | Budget            |
| Staffing                 | \$ 614,821        | \$ 599,179        | \$ 588,627        | \$ 10,552        | 2%         | \$ 687,514        |
| Contract Services        | \$ 32,735         | \$ 191,053        | \$ 117,751        | \$ 73,302        | 38%        | \$ 40,000         |
| Other Operating Expenses | \$ 7,332          | \$ 13,021         | \$ 10,829         | \$ 2,191         | 17%        | \$ 13,020         |
| <b>TOTAL</b>             | <b>\$ 654,889</b> | <b>\$ 803,252</b> | <b>\$ 717,207</b> | <b>\$ 86,045</b> | <b>11%</b> | <b>\$ 740,534</b> |

**Staffing** – This category had only minor variances on the individual line items and ended the year with about 2% savings. The FY 2023-24 budget was increased to account for the transfer of the Infrastructure Investment Financial Analyst budget from Finance to CSG. This position was costed out of CSG for only part of FY 2022-23.

**Contract Services** – Contract Services expenditures were under budget by approximately \$70,000 due to the Community Workforce Agreement project needing less legal support than anticipated and project delays (originally budgeted for \$105,000 as a part of the 2021-23 Financial Plan’s Economic Recovery and Resiliency Major City Goal). This budget also helped fund the Centralized Resident Engagement Platform, Ask SLO and the Shopping Cart Containment Program. Economic Development provided funding for a \$60,000 incentive grant program related to the Shopping Cart Ordinance for the first 12 businesses to submit complete Abandoned Shopping Cart Prevention & Retrieval Plans, to be used toward physical or electronic containment systems, in which all grants were given.

**Other Operating Expenditures** – Expenses for the category were not significantly under budget, but the remaining funds are mainly a result of having fewer expenses in staff parking and Education & Training than budgeted.

## Community Development Department

### A Year-In-Review

During the second year of the 2021-23 Financial Plan, the Community Development Department (CDD) made substantial progress in implementing its work programs and hiring and training staff under a new organizational structure to support the community's economic success. Housing production continues progressing and the department continues to facilitate large development projects. While the economy has experienced turbulence and inflation, housing production and other permit activity remain strong. After reassessing last year's deficit, this year, CDD's total revenue anticipated was within 5% of projections, equating to approximately \$229,000 less than expected. As a result, the Department revenue projections in FY 2023-24 are slightly less than was projected for FY 2022-23. The Department operated under budget by 10%, equaling \$920,885 of savings.

The CDD Administration team continues to provide process management and support for all the divisions within the Community Development Department. The division also supports the department's advisory bodies and Major City Goal work programs. In addition to customer service support via phone, an online building inspection platform was launched to increase customer satisfaction and expedite the inspection process. The platform is integrated into the Department's Citizen Self-Service Portal and allows customers to schedule inspections at any time while not being limited to the department's hours of operation. The division experienced recruitment challenges for the Supervising Administrative Assistant position since last fiscal year. However, the position was filled and helps oversee the staff and projects within the Administration division, such as digitizing a backlog of permitting documents for easier access to the City's customers in the future.

The Planning Division continues to receive high work volumes associated with planning entitlement and building permit application reviews as well as the work related to homelessness. Significant Municipal Code updates have been completed including an update to the Inclusionary Housing Ordinance, Objective Design Standards for ministerial review of qualified projects, the Downtown Flexible Density Program providing incentives for units under 600 square feet in size, and updates to the Cannabis and Subdivision Regulations. Staff also implemented several state legislative programs that support "missing middle" housing, including updates to the Accessory Dwelling Unit regulations, H.O.M.E Act (SB9), and the Affordable Housing and High Road Jobs Act (AB 2011). Importantly, staff continued the processing of affordable housing projects, which has led to a total of 148 new affordable units that were either entitled or constructed in FY 2022-23. A majority of these efforts support the Housing and Homelessness Major City Goal and additional accomplishments are outlined in the Accomplishments section below.

The Engineering Division has played a major role in facilitating housing production in the City and supports the Housing and Homelessness Major City Goal by providing plan check and mapping services for projects such as the Orcutt Area subdivisions, From Ranch, and Avila Ranch. The Division has experienced significant staff turnover, with the retirement of the Supervising Civil Engineer and vacancies of a Senior Civil Engineer and Engineering Technician. A new Supervising Civil Engineer was hired in late February and overlapped with the outgoing supervisor who retired at the end of March.

The number of Building inspection requests have remained high, with over 6,600 inspections conducted throughout the fiscal year. The team has become efficient in providing timely inspections due to effective use of technology upgrades. The building inspection team was fully staffed until one inspector was promoted into the Plans Examiner position in October 2022, and the team was supplemented by a consultant inspector stationed at and funded by the San Luis Ranch Development. The Building Inspector position remained vacant until the position was filled in June 2023. During this transition, the Building and Safety Division utilized the recently promoted Plans Examiner to assist with inspection requests on an as-needed basis. Additionally, the Building Inspection team had one Stormwater Code Enforcement Officer who conducted over 1,100 active construction project inspections throughout the fiscal year to help ensure the City's ongoing compliance with the State's stormwater regulations. Permit Counter staff successfully integrated SolarAPP+ plan reviews into the City's regular business process. This review service allows residential solar project applicants to obtain instant, automated permits through the City's online self-service portal. Community Development received a \$40,000 grant from the State of California to implement this program and, since the start of the program on August 5, 2022, 268 automated solar permits have been issued.

#### Accomplishments and Strategic Goal Updates

The Community Development Department continues to complete a number of work plan items that directly support Major City Goals adopted by the City Council. The Department's strategic priorities for the 2021-23 Financial Plan are to help advance the City's overall goals tied to the Major City Goals, Department Strategic Plans, and other priorities as they may arise.

Community Development Department Strategic Goals include:

1. Lead the implementation of the Housing and Homelessness Major City Goal
2. Support the implementation of the Climate Action and Economic Recovery Major City Goals
3. Provide excellent customer service to internal and external customers, and advisory body members, in the processing of permit applications
4. Ensure a safe community by implementing Building and Safety Division programs, including Code Enforcement
5. Monitor Growth, and support and update the General Plan policies and Zoning Regulation standards to ensure coordination with all City Departments that provide municipal services for the community.

#### *Economic Recovery, Resiliency & Fiscal Sustainability:*

By facilitating development projects and crafting and implementing certain policies, the Community Development Department directly impacts the economic resiliency of the community and has contributed to the economic recovery efforts that are ongoing. Further, through the implementation of Development Agreements and imposition of fees, the Department contributes to fiscal sustainability and ensures that development "pays its own way." The following accomplishments are related to economic recovery, resiliency, and fiscal sustainability:

1. Update of the Cannabis retail storefront operations and business overlay zones
2. Continued Processing and Permitting of Avila Ranch, San Luis Ranch, and Orcutt Area Specific Plans
3. Intake and Plan Checking of Froom Ranch Improvement Plans

4. Department KPI's for processing cycle times exceeded targets, ensuring that the Department continues to provide excellent customer service and does not impede development projects
5. Effective engagement with the Los Angeles –San Diego – San Luis Obispo rail corridor (LOSSAN) and CalTrans on their projects within city limits
6. Changes approved to the Zoning Regulations in support of housing production and economic development to allow certain projects to move forward with a more timely and streamlined review of entitlements
7. Successful completion of the Tenant Improvement Permit Processing program designed to assist businesses and property owners with reopening in response to the COVID pandemic
8. Collaboration with Administration on the recently adopted Economic Strategic Plan
9. Transparency Reporting dashboard added to the city website to enhance public awareness and information related to processing times
10. Process improvements to the Department's role in the stormwater program addressing deficiencies identified by the Regional Water Quality Control Board

*Diversity, Equity, Inclusion (DEI):*

A number of the housing and homelessness related policy improvements and plans that the Department is creating and implementing contribute to DEI efforts. By facilitating the development of a variety of housing types, including “missing middle” housing, mixed use units, deed restricted units, and transitional and supportive housing, the City is providing a variety of housing options for all members of the community, as well as providing additional housing capacity to welcome new community members. The following accomplishments are associated with this work:

1. The adoption of the Downtown Flexible Density Ordinance that expands housing opportunities downtown by providing incentives for the development of units under 600 square feet in size.
2. General Plan Housing Element policy implementation that ensures that both market-rate and affordable housing units are intermixed within a development and promote equal housing opportunities for persons of all economic segments as new housing projects are developed.
3. Ongoing regional planning policy/coordination efforts with agencies to ensure DEI is considered in regional planning decisions.
4. DEI internal departmental coordination considerations
5. Facilitation of the sale and rental of affordable housing units through the use of the City's Below Market Rate Housing Administrator (Housekeys) to continue to ensure compliance with fair housing laws in the affordable housing program.

*Housing and Homelessness:*

Community Development is the lead on implementing the Housing and Homelessness Major City Goal, as the Department is home to the Housing Policy and Programs Manager and the Homelessness Response Manager. In addition, the work of all of the divisions within the Department is directly related to the facilitation of new housing or housing supporting infrastructure, the creation and implementation of policies and plans related to housing, and the ongoing maintenance of community standards related to safe housing. Some key accomplishments related to housing and homelessness are as follows:



1. Update of the Inclusionary Housing Ordinance that increases the amount of affordable housing units throughout the City through new development.
2. Issued building permits for 562 new housing units during the calendar year 2022.
3. Adoption of the City's first Homelessness Strategic Plan that includes strategies for prevention and connection to shelter through a housing continuum.
4. Adoption of an update to the Subdivision Regulations that provides flexibility for lot design that will help increase homeownership opportunities.
5. Continued onboarding with the City's Below Market Rate Housing Administrator (Housekeys) to update and streamline affordable housing standards, guidelines, and procurement processes and assisted in placing eligible applicants into rental and for sale units.
6. In the two-year financial plan cycle approved five new affordable housing projects that will provide for a total of 257 new affordable homes. Allocation of \$5.5M in Affordable Housing Fund awards to support several important affordable housing projects.
7. Funded and permitted HASLO's Anderson Hotel project that officially closed escrow and is under construction that provides 68 low and very-low-income housing units and ensures the historical preservation of this signature Downtown housing project.
8. Updated Homelessness Response team service agreement, Compassionate Assistance, Mitigation and Prevention (CAMP) Standards and operationalized the standards through a survey 1,2,3 App that is used in the field and allows for coordinated field team data tracking.
9. Reviewed and implemented legislation that has helped in addressing "Missing Middle" housing within single-family neighborhoods through legislative updates to Accessory Dwelling Units and Junior Accessory Dwelling Units State Laws, and implementation of the H.O.M.E Act (SB 9) and the Affordable Housing and High Road Jobs Act (AB 2011).
10. Developed, piloted, and reset the Railroad Safe Parking Program.
11. Supported County application for a \$13M Encampment Resolution Grant for the Welcome Home Village at the Department of Social Services site.
12. Kicked-off effort to establish a rotating safe parking program with community partners.
13. The annual strategic housing performance measure for affordable housing unit production secured through entitlement or construction is set at 50, and CDD exceeded this target with an actual of 148 units.

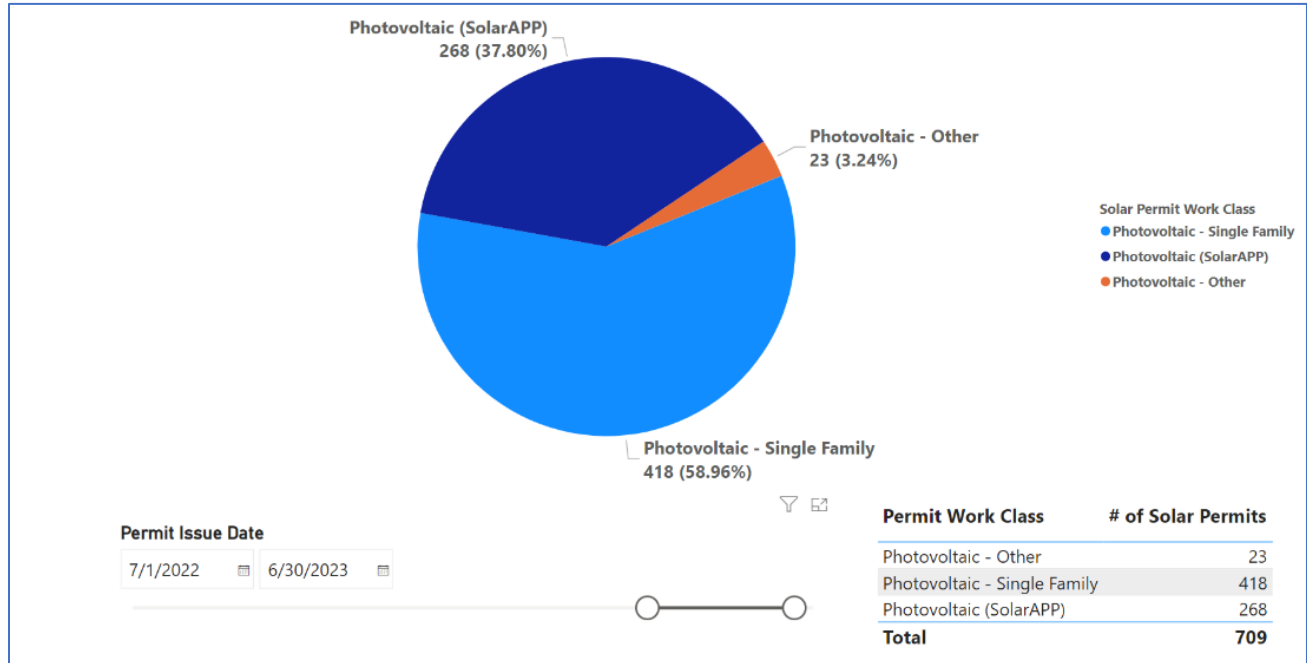
*Climate Action, Open Space, and Sustainable Transportation:*

CDD supports implementing the Climate Action and Economic Recovery Major City goals. The Department facilitates the development of infill projects and has worked on policy changes to encourage the wise use of resources and land. Several key accomplishments are highlighted below:

1. Adoption of the Climate Adaptation and Safety Element that provides for increased safety and resiliency for SLO residents in the face of natural hazards and changing climate.
2. Implementation of the tree regulations and liaison work on the Tree Committee
3. Historic preservation monitoring and continued programming efforts by the City's planners
4. Environmental project coordination, mitigation planning efforts, and monitoring
5. Update of the local Building Construction and Fire Prevention code to reference the 2022 California Building Standards

- Implementation of an automated, instant permit issuance business process for SolarApp+ applications (residential solar projects).

Figure 2- Total number of Solar Permits issued in FY 2022-23.



**Challenges**

The most significant challenge experienced by CDD during FY 2022-23 was staffing. The department continues to monitor the increased scale of development that the City is experiencing and will continue to focus on the recruitment of new staff, staff retention, and onboarding recently hired staff. Unfortunately, in some cases, these positions remain unfilled after multiple recruitments because qualified individuals were not identified or did not accept offers. Although the department successfully filled multiple retirement vacancies in FY 2022-23, such as the Community Development Director position, the department is still experiencing an increase in vacancies which may necessitate the use of consultants if recruitments are not successful for key positions for Planning and CDD Engineering. Currently, the department has ten vacancies.

Community Services Group - Community Development Department

Table 29- Challenges resulting from vacancies are summarized in the following table:

| Vacancy                                  | Impact   |
|--|--|
| Cannabis Business Coordinator            | The Senior Planner was required to reprioritize work on the Subdivision Regulations Update in order to accommodate cannabis related work.  |
| Building Permit Technician               | The permit technician position was vacant through March of FY23, and resulted in delays in responding to public inquiries, and delays in processing permit applications for review.  |
| Building Inspector II                    | The City is staffed with one fulltime Building Inspection Supervisor and three regular fulltime building inspectors. The vacancy on the team made it difficult to manage time off requests and required the supervisor to fill-in more than usual.   |
| Plans Examiner                           | The lack of a full-time, in-house plans examiner caused the City to send more plan checks to consultants. In some cases, this caused delays in getting minor modifications accomplished. The vacancy also required the hiring of a consultant to work as the in-house plan's examiner during open counter hours.   |
| Associate Planner (3)                    | There were three vacant Associate Planner positions for most of the fiscal year. This required Senior Planners to perform more Development Review activities and has resulted in delays in the delivery of policy projects, such as Missing Middle Housing.  |
| Code Enforcement Technician              | There have been two vacant Code Enforcement technician positions since January of FY23. This has resulted in delayed responses to complaints from the public, fewer cases being closed, and lower revenues associated with code enforcement fines.   |
| Senior Administrative Analyst            | This position was vacant for most of FY23. The Community Service Group obtained analyst assistance from Parks and Recreation and Utilities; these duties were performed in addition to their own department work.  |
| Senior Civil Engineer (2)                | The position's duties include review of subdivision maps and improvement plans, preparation of Council Agenda Reports for approval of final maps and acceptance of subdivision improvements, coordinating review and processing of as-built record drawings, managing the Division's responsibilities within the City's Stormwater Management Program, and performing the duties of the Floodplain Administrator. Vacancies in these positions result in a decrease in the level of service, and potential use of consultants to complete the work.  |
| Engineer 1                               | The position's duties include reviewing encroachment and building permits, planning applications, and managing stormwater post-construction requirements during plan review and ongoing monitoring of O&M self-certifications. Vacancy of this position results in challenges related to timely review of applications and the provision of a high level of customer service.  |
| Permit Technician                        | The position's duties include oversight of the front counter and main phone line representing Public Works and the Engineering Division of CDD. The position reviews and issues encroachment permits, transportation permits, parking meter bags, as well as initiating reviews of public improvement plans, subdivision maps, and building permit routings. The position coordinates meetings requested by applicants, and calculates and collects fees for plan reviews, inspections, and development impact fees. Vacancy of this position results in customer service challenges, and increased workload for others at the public counter. |
| Administrative Specialist (Homelessness) | This position was vacant for most of FY 23. The Homelessness Response Manager was required to reprioritize work in order to accommodate Administrative Specialist related work program tasks.  |
| Homelessness Response Manager            | This position was vacant for a portion of FY 23. The Housing Policy & Programs Manager was required to reprioritize work on housing initiatives in order to accommodate homelessness related work, including the development of the Homelessness Response Strategic Plan.  |

While hiring has been difficult, the following positions were filled in FY 2022-23: the Plans Examiner, Building Inspector I, Building Permit Technician I, Senior Administrative Analyst, Homelessness Response Manager, one Associate Planner, Engineer I, and Permit Technician. Going into FY 2023-24, CDD has 40 approved regular positions and 31 positions were filled. The hiring environment is unstable, and CDD aims to fill key positions, such as two Senior Civil Engineers, the Assistant and Associate Planners, the Cannabis Business Coordinator, the Urban Forest Program Coordinator/City Arborist (a new position to CDD), and the Administrative Specialist. Community Development accounts for 8% of staffing citywide. Filling these positions will result in immediate improvements to customer service and project processing times.

Table 30 - Community Development Department Performance Measures

| Objective  | Measure   | 2022-23 Target | 2022-23 Actual |
|--|---|----------------|----------------|
| Affordable housing production<br><i>Strategic Goal: Housing</i>                          | Number of affordable housing units secured through entitlements or construction   | 50             | 148            |
| Provide Excellent Customer Service<br><i>Strategic Goal: Other Department Objectives</i> | Customer survey response positivity rate  | 80%            | 83%            |
| Ensure a Safe Community<br><i>Strategic Goal: Housing</i>                                | Percent of Code Enforcement cases investigated on-time: First Tier - 24 Hours, Second Tier - 2 Days, and Third Tier - 3-5 Days                    | 85%            | 86%            |
| Development Review activities<br><i>Strategic Goal: Other Department Objectives</i>      | The target goal of meeting cycle times 75% of the time reflects an increase in more complex and resource-intensive development review activities. | 75%            | 77%            |
| Building Inspections<br><i>Strategic Goal: Economic Stability</i>                        | Percent of inspections performed the next working day   | 85%            | 99%            |

CDD’s performance measures are outlined in the table above. Despite the staffing challenges experienced over the last year, the Department has met or exceeded the target for all performance measures due in large part to dedicated and efficient staff, as well as technology and process improvements. In addition, staff continues to work on efficiencies that will improve actual outcomes into the coming year. Hiring and retaining staff into the next fiscal year will be crucial to continuing an upward trajectory on performance measures.

CDD is committed to increased customer satisfaction and finding ways to streamline processes, allow for online anytime building inspection scheduling, and increasing performance transparency. Increased transparency and performance tracking is provided through online reporting of [Key Performance Indicators](#). The Department has created Dashboards that provide accurate expectations with the City’s customers for permit processing timelines, code enforcement responses, and customer service results including planning cycle times, average review times, and division statistics. In addition, the department provides customers with the opportunity to complete a customer satisfaction survey, which is tied to

performance measures. Additional internal efficiencies have materialized due to the performance data collected, such as a commitment to data-driven decision-making, assessing workloads, setting realistic expectations, and incorporating performance-based reporting and analysis for current and future budget decisions.

With the recent technology upgrades, Building Inspection staff has been able to receive inspection requests through the online citizen self-serve portal. This new system has effectively managed inspection requests, and as a result, staff implemented a new Key Performance Indicator (KPI) for the 2023-25 Financial Plan. This new KPI includes the target goal for building development plan reviews to be completed by predetermined due dates for at least 75% of all building permit reviews. The due dates and cycle times vary depending on the type of project and the round of review. This new KPI measures a more complex and resource-intensive part of CDD’s development review activities.

Table 31 - CDD Budget Variance Analysis

| Community Development Department | FY 2021-22          | FY 2022-23          |                     |                   |            | FY 2023-24          |
|----------------------------------|---------------------|---------------------|---------------------|-------------------|------------|---------------------|
|                                  | Actual              | Budget              | Actual              | Funds Available   | %          | Budget              |
| Staffing                         | \$ 5,193,982        | \$ 6,099,171        | \$ 5,477,787        | \$ 621,384        | 10%        | \$ 5,853,933        |
| Contract Services                | \$ 2,433,805        | \$ 2,467,763        | \$ 2,253,945        | \$ 213,818        | 9%         | \$ 2,051,118        |
| Other Operating Expenditures     | \$ 153,217          | \$ 295,221          | \$ 189,287          | \$ 105,934        | 36%        | \$ 307,660          |
| <b>TOTAL</b>                     | <b>\$ 7,781,004</b> | <b>\$ 8,862,156</b> | <b>\$ 7,921,020</b> | <b>\$ 941,136</b> | <b>11%</b> | <b>\$ 8,212,711</b> |

**Staffing** – Recruitment continues to be an issue, and the department had numerous vacancies throughout the duration of the fiscal year (explained in depth in the “Challenges” section above). Every division experienced staff vacancies, with the most affected divisions being CDD Engineering and Planning. Community Development experienced a 10% salary savings due to vacancies in FY 2022-23. CDD used the salary savings to hire on-call consultants or temporary/contract staff to perform the work wherever possible to minimize disruptions or delays to customers due to staffing shortages.

**Contract Services** – Most divisions in the department had savings in contract services. Building & Safety which was slightly over budget due to the transparency efforts that required additional information technology consultants. The Engineering division was also slightly over budget because it had to hire on-call engineering consultants to manage workload. It is also important to note that consultants were more expensive than in previous years due to inflation and the high demand for these services. Over-budget divisions were offset by savings due to completing key Housing Element Programs (Flexible Density Ordinance, Subdivision Regulations Update) and the Homelessness Strategic Plan in-house.

While most of last year’s Housing & Homelessness Major City Goal work program items have been accomplished in FY 2022-23, the Missing Middle Housing program has been phased. Staff has focused on recent state legislation that impact the Missing Middle Program, including the H.O.M.E Act (SB9) and the Affordable Housing and High Road Act (AB2011), in addition to revised ADU laws and implemented programs to diversify housing types and opportunities through the Downtown Flexible Density Program, the Subdivision Regulations update, and developing and partnering on programs for transitional and permanent supportive housing opportunities. Additional Missing Middle incentives will be considered in the development of a parking regulations scope of work to reduce barriers to housing construction, as

well as with the Margarita Area and Airport Area Specific Plan updates. A specific Missing Middle ordinance will be a final phase that will build upon previous work accomplished through a partnership with a Cal Poly professor, Dave Amos, who used the Missing Middle Housing project as the basis for instructing a fourth-year planning studio (CRP-411).

**Other Operating Expenditures** – Due to inclement weather, the City’s Fiscal Health Contingency Plan policies, and numerous vacancies in the department, training budgets were not fully utilized. There were also significant savings in credit card merchant fees due to the front counter being open to the public and customers using checks instead of credit cards for their transactions.

### Development Services Revenue

The actual revenue realized from the City’s Development Review programs was 5% below projections for FY 2022-23. Development Services related fees produced over \$6 million in General Fund revenue for various activities supporting development, including planning, infrastructure plan check, subdivision map checks, and building permits. The table below illustrates that the variance between the budget and actual Development Review Fees totaled \$228,658. FY 2023-24 revenue projections have been revised slightly downward by approximately \$378,000 taking into consideration this year’s slight shortfall. While actual revenues were over-realized in half of the fee categories depicted in the chart below, CDD underrealized Building permits, Code Enforcement fines, Development Review Fees, and Infrastructure Plan Check & Inspections.

Table 32 - Development Review Revenue

|    | Development Review Fees           | FY 2021-22   | FY 2022-23   |              |             |      | FY 2023-24   |
|----|-----------------------------------|--------------|--------------|--------------|-------------|------|--------------|
|    |                                   | Actual       | Budget       | Actual       | Variance    | %    | Budget       |
| 1  | Building Permits                  | \$ 3,165,038 | \$ 2,921,700 | \$ 2,505,378 | \$(416,322) | -14% | \$ 2,561,860 |
| 2  | Code Enforcement Fines            | \$ 61,695    | \$ 60,000    | \$ 46,560    | \$( 13,440) | -22% | \$ 79,617    |
| 3  | Development Review Fees           | \$ 363,396   | \$ 341,228   | \$ 330,002   | \$( 11,226) | -3%  | \$ 387,008   |
| 4  | Encroachment Permits              | \$ 295,643   | \$ 323,340   | \$ 418,019   | \$ 94,679   | 29%  | \$ 324,437   |
| 5  | Engineering Development Review    | \$ 136,274   | \$ 123,803   | \$ 153,878   | \$ 30,075   | 24%  | \$ 160,058   |
| 6  | Infrastructure Plan Check & Inspe | \$ 408,035   | \$ 1,432,352 | \$ 927,550   | \$(504,802) | -35% | \$ 970,693   |
| 7  | Plan Check Fees                   | \$ 1,280,615 | \$ 1,116,311 | \$ 1,371,473 | \$ 255,163  | 23%  | \$ 1,180,266 |
| 8  | Planning & Zoning Fee             | \$ 470,462   | \$ 416,195   | \$ 744,868   | \$ 328,673  | 79%  | \$ 611,597   |
| 9  | TIPP- Contra Revenue Account      | \$ (210,161) | \$ (81,559)  | \$ (73,012)  | \$ 8,547    | -10% | \$ -         |
| 10 | <b>TOTAL</b>                      | \$ 5,970,996 | \$ 6,653,370 | \$ 6,424,716 | \$(228,653) | -3%  | \$ 6,275,536 |

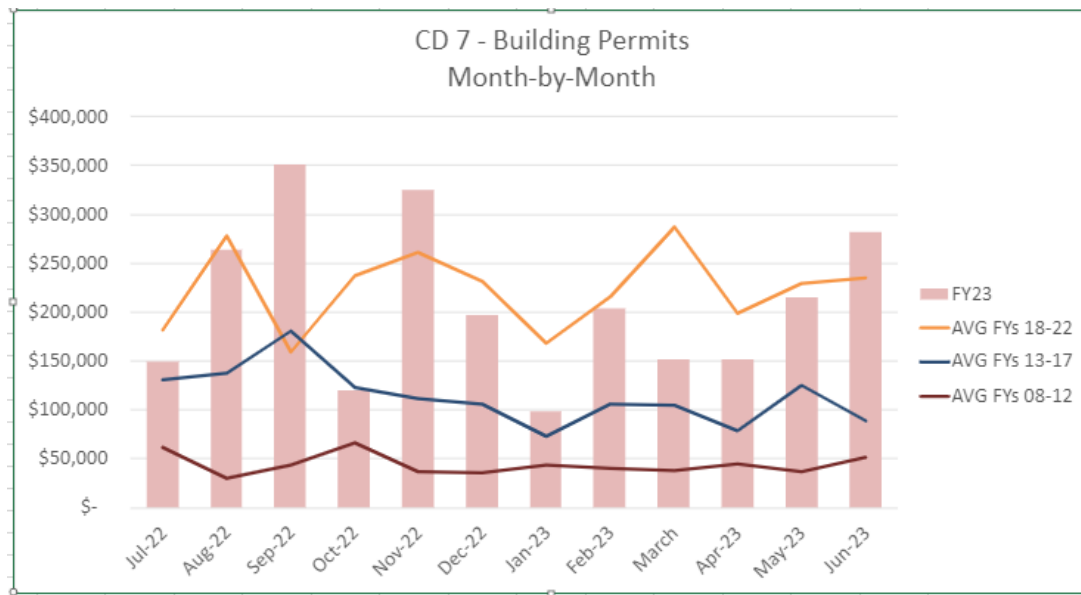
\* The Plan Check Budget increased throughout the year as the City realized revenue for Building Permit Plan Check and, consistent with Budget Policy, utilized those revenues to pay for consultants that performed the plan check services. Fees for these services are established based on a policy of 100 percent cost recovery.

\* The TIPP-FAST program provides expedited Tenant Improvement permits for new businesses. The City offered these permits free of charge for a limited period. Per Resolution No. 11203, \$3,425,000 in undesignated fiscal year 2018-19 General Fund Balance was allocated towards economic development and homeless services. \$2 million of this funding was assigned to locally invest in short term Certificates of Deposit to generate interest for a grant program to help offset the cost of a TI permit. One of the recommended SOBCs for the 21-23 Financial Plan was to utilize \$250,000 of this principal to continue funding the TIPP-fast permitting program in FY 21-22.

**Building Permits:** Building permit fees collected were approximately 14% below projections for the year. This is attributed to factors such as inclement weather due to rainstorms, supply chain issues, inflation, and increased interest rates that are impacting potential development projects. This shortfall resulted in a reduction in actual revenue of approximately \$416,000 this year. CDD anticipates a slight increase in

Building Permit revenue in FY 2023-24 due to approximately four projects pending building submittals, 29 projects in building review, and 22 projects currently under construction. Although revenues swing greatly month-to-month, the Building and Safety Division ended the fiscal year strong and saw increased activity in the summer months of May and June. Although not currently assumed in the forecast, staff is monitoring the potential for a major revenue disruption due to a possible recession by tracking permit applications. If necessary, adjustments will be recommended at mid-year.

Figure 3 - Building Permit Revenue by Month

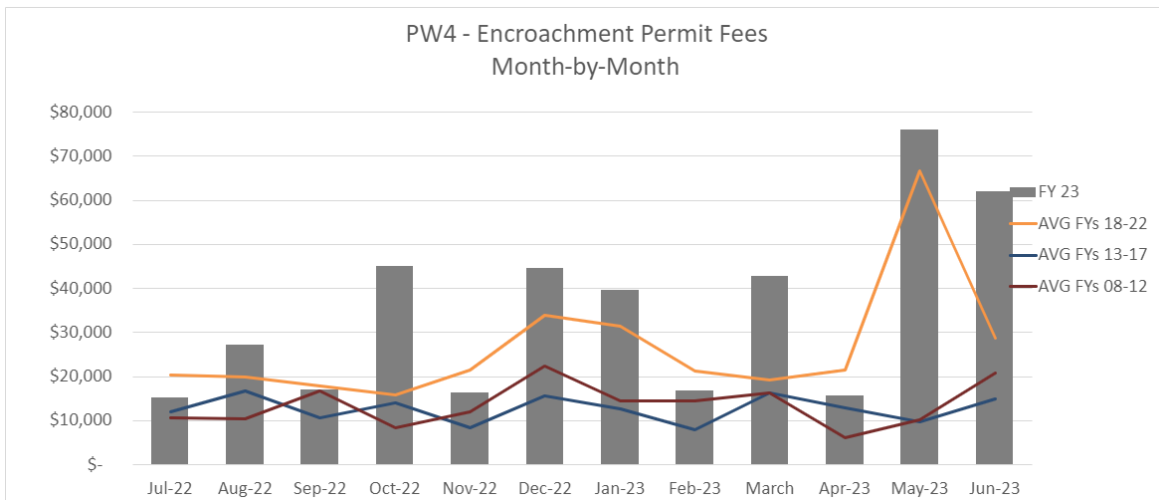


**Code Enforcement Fines:** Revenues from Code Enforcement Fines were approximately 22% below projections. In FY 2021-22, the City realized approximately \$61,695, so the total budget for FY 2022-23 was lowered to \$60,000. However, only \$46,560 of this projection was realized this fiscal year. This change is largely due to two Code Enforcement Technician vacancies. Technicians typically issue citations for violations identified through proactive enforcement. Code Enforcement Officers are resolving neighborhood services violations only identified through complaints, taking them away from being able to work on more complicated cases. In addition, because of a change in the law regarding how fees can be administered, past-due citations are now sent to a collections agency instead of being placed as property liens. This method has proven to be a less effective in recovering delinquent fines, especially when citations are for small dollar amounts (as is the case with most of the City’s code enforcement related fees). Finally, totals also reflect the compliance with corrective notices sent by Code Enforcement Officers that did not materialize into violations and fees.

**Development Review and Engineering Development Fees:** Development review fees were consistent throughout the fiscal year and only 3% below the projection for the year. Similar to the building permit submittals, there was an increase in Development Reviews in the month of June. These fees are collected when projects with an entitlement go through the building permit process. The fees reflect staff time spent ensuring the building permit complies with the previously approved entitlement. Revenue from Development Review fees is expected to be slightly higher next year due to significant updates to municipal codes that resulted in a more streamlined development review processing, allowing more projects to be reviewed. Engineering Development Review fees are associated with the engineering

team’s review of development projects. The team processed 211 reviews, equating to \$153,878 in revenue.

**Encroachment Fees:** Encroachment permits are issued for work in the City’s right-of-way by private development. Encroachments are required for all curb, gutter, sidewalk, and utilities work in the right-of-way. Encroachment Permits had a record-high earning months in May and June, equating to 29% more revenue than was projected due to development tract projects. This fee is directly correlated with building permits. .Figure 4 - Monthly Encroachment Permit Revenue

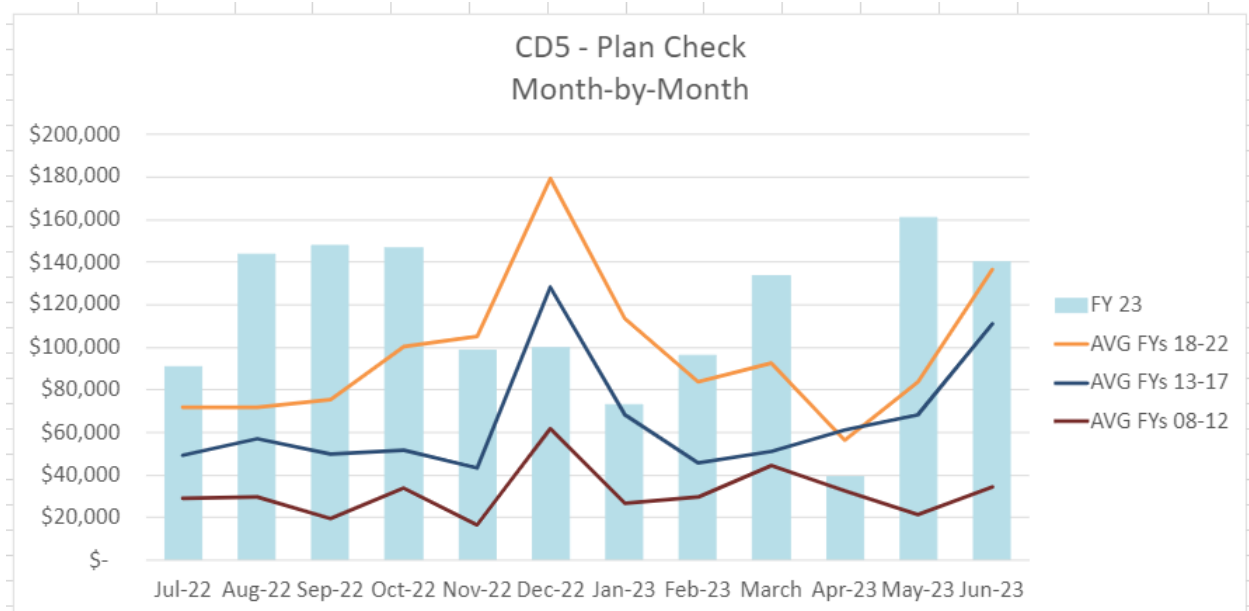


**Infrastructure Plan Check and Inspection Fees:** The most significant gap in the revenue projections for FY 2022-23 relates to infrastructure plan check and inspection fees. Although staff had identified projects in progress that would generate revenue, some of those projects did not complete the plan review process during FY 2022-23. This resulted in CDD receiving 65 percent of expected revenues or \$927,550 in FY 2022-23. In addition, infrastructure plan check is a difficult fee to estimate, as it can be unevenly distributed among a smaller number of large projects. If a few of these larger projects lag, or do not materialize, this can have a large impact on realized revenues. Some projects are taking longer than anticipated and will go into the next fiscal year(s). The number of new large projects coming in compared to recent record years is being tracked and monitored to help anticipate future declines. Staff is aware of the underrealized revenue for these fees and will reassess the projected revenue amounts in the future.

**Plan Check Fees:** Plan checks brought in more revenue than projected and high activity at the beginning and end of the fiscal year explains the almost \$1.4 million collected, which equated to 23% more revenue than anticipated. The implementation of SolarApp+ an automated, instant permit issuance business process for residential solar projects, also boosted revenue. The App also reduced costs of consultant services for solar related reviews in FY 2022-23 by roughly \$33,000. Plan check services will be fully budgeted at the beginning of the year instead of adjusting the budget as revenue is received. These services are 100% cost recovered, and the administrative change has no fiscal impact on the budget.



Figure 5 - Monthly Plan Check Revenue



**Planning & Zoning Fees:** Planning and Zoning fees collected were 79% higher than projected in FY 2022-23 due to five months of high activity at the beginning of the fiscal year. Changes approved to the Zoning Regulations in support of housing production and economic development allow certain projects to move forward with a timelier review of entitlements. Fewer projects go to the Planning Commission and Architectural Review Commission than have in the recent past. Projections of \$416,195 in revenue for Planning and Zoning fees materialized to \$744,868, this fiscal year. Next fiscal year the Department is estimating \$611,597 in Planning and Zoning fees, in anticipation of a projected slow-down in the number of applications submitted, likely due to continued elevated interest rates and economists' mentions of recessionary concerns.

**Development Services Designation**

Resolution No. 10539 authorizes the City Manager to approve the appropriation and carryover of up to 75% of the over-realized development services revenue. This ensured that 100% of the department's operating costs related to development review were covered and promoted timely processing of development permit applications throughout the life of applicable projects. Due to no over-realization of development services revenue in FY 2022-23, there will be no revenue added to the Development Services Designation balance.

Because a new Plan Review Policy was established that ensures 100% cost recovery and allows the Finance Director to directly appropriate revenues to pay for costs directly from the fee revenue collected, this designation policy was eliminated with the 2023-25 Financial Plan. A balance of \$464,136 remains in the assigned designation account for use on the intended purpose; however, once drawn down, the account will be eliminated.

## Parks & Recreation Department

### A Year In Review

In order to support the City-wide effort to reduce expenditures under the Fiscal Health Contingency Plan that was activated in January 2023, the Parks & Recreation Department reduced spending in a variety of areas, held some vacancies open to maintain salary savings, and paused spending on non-essential purchases. While the Department ended the year with slightly lower-than-targeted revenue (which was expected due to the winter storms), expenditure budget savings more than offset the overall impact on the General Fund. It is important to note that FY 2022-23 expenditures do not reflect normal spending levels for the Department.

The Community Services Division brought the community together with popular pop-up events like the Jack House & Gardens Spring Concert Series and Monday Meet-Ups. The September Scramble returned with more than 650 participants, and the Spring Fling and Boo Bash events offered seasonal fun and festivities to local families. Senior programming reached new heights with popular events like Around the Town, Senior Trivia, local excursion events, and hiking groups. Staff expanded Youth Sport Clinic offerings, holding clinics from September through May. The City partnered again with YMCA on the youth basketball league, expanding participation to 65 teams; the futsal league returned to pre-pandemic numbers with 30 teams this year; and Junior Giants baseball league participation exceeded initial capacity with over 240 participants, thanks to the support of over 40 volunteer coaches. Adult softball continued to run with three seasons and averaged 55 teams per season, and the monster Skate Series held a huge finale for our local “shredders” at the SLO Skate Park in May. The Department hired its first-ever full-time Volunteer Coordinator in January to oversee and grow the City-wide volunteer program. In May, the City Council approved the conversion of this role from contract to regular full-time, ensuring the future success of this important community need.

Youth Services provided quality childcare to the community at all five (5) elementary school sites located within the City (C.L. Smith, Hawthorne, Pacheco, Sinsheimer, and Bishop’s Peak). Staff expanded programming to include a new TK/Kinder program during the school year in support of the new school district format, a summer Kinder program, and tailored afternoon summer programming to meet the needs of the community and school district. In addition, a new three-week summer sports camp provided childcare to over 100 participants during the weeks when Youth Services programming was not in session.

Working in partnership with San Luis Obispo Museum of Art (SLOMA), the Department commissioned two murals and two temporary sculpture exhibits; repaired and reinstalled the Flames of Knowledge sculpture at Emerson Park; and secured a new sculpture for the Tank Farm/Orcutt Roundabout.

Facilities continued to support the Downtown Dining program in Mission Plaza by setting up daily outdoor dining opportunities to the community.

Aquatics offered consistent summer programming, including its wildly popular Super Rec Saturdays – expanded recreational swim days for the community. Staff updated safety equipment, added new inflatable features, and continued to be the main SLO County provider of lifeguard training sessions to residents countywide.

Golf staff maintained the 26-acre, 10-hole Laguna Lake Golf Course, offering regular programming outside of the storm-related closures in the winter, and continued its remediation of the on-site Pro Shop. Updates to the course included new course signage and new golf carts.

Ranger Service constructed new trails at Righetti Hills Open Space and Irish Hills Open Space and continued to grow its educational programming with environmental outreach events, three sessions of Junior Ranger camp, and Ranger-led interpretive hikes, including the City's first Ranger-led bilingual hike in May. The division also continues to dedicate resources for fire fuel management and to clean up trash and debris in the City's Open Spaces and creeks.

Park planning for the Righetti Ranch Parks system kicked off with a Community Forum in April along with a community-wide survey that advised the initial design of a neighborhood park, linear park and pocket park. Additionally, the initial surveying and design process for Emerson Park Prop 68 State Grant commenced in the spring.

### **Accomplishments and Strategic Goal Updates**

1. Expanded childcare services at five elementary school sites located within the City limits (C.L. Smith, Hawthorne, Pacheco, Sinsheimer, and Bishop's Peak), collaborating closely with San Luis Coastal Unified School District (SLCUSD); and offered Teacher Workday camps at the five sites to accommodate more children.
2. Expanded summer Youth Services programming to meet community and school district needs with additional camp options, including a new Kinder summer program with 60 daily participants; and augmented Summer Fun Day Camp to accommodate 300 participants per week (up from 120)
3. Added two new trails (Quarry Trail at Righetti Hill, and Bog Thistle Extension at Irish Hills) and maintained 64 miles of trails and trailheads throughout the City's Open Space
4. Hosted more than 30 environmental education events
5. Continued the popular Downtown Dining program in Mission Plaza, offering outdoor dining opportunities to the community to support economic recovery
6. Oversaw increasingly popular Youth Sports Leagues (Basketball and Futsal), the largest-to-date Junior Giants league participation, and expanded Youth Sports Clinics, including a three-week Summer Sports Camp
7. Offered 43 new senior events, including Around the Town, Senior Trivia, local excursion events, and guided hikes
8. Held 20 Community Events, including: Monday Meet-Ups, Spring Concert Series, Boo Bash, Spring Fling / Egg Hunt, Leprechaun Lost, September Scramble, and Outdoor Movie Night
9. Oversaw an increase in permitted special events from the prior year and the return of rentals to the Ludwick Community Center after an extended closure of the space
10. Renovated Hole 9 of the Laguna Lake Golf Course, and added new carts to the course

### **Challenges**

Recruitment and staffing posed the greatest challenges for the Parks & Recreation Department. Although hiring has gotten easier since the height of the pandemic, a national lifeguard shortage, the City's ability to provide competitive wages, and overall labor market issues have continued to impact recruitment and retention at the SLO Swim Center. The recruitment difficulties in the first half of the year for the Aquatics

Specialist position posed additional challenges to programming and providing critical administrative functions; however, the division was still able to optimize its programming to meet community needs. Youth Services experienced recruitment and retention challenges and space limitations at program sites. Community Services struggled to ensure sufficient staffing for youth and adult sports, and the absence of a recreation coordinator in late spring amplified these challenges. A restructuring of the Recreation Coordinator position to focus primarily on sports, and the move to more universal recreation leader supplemental positions are anticipated to provide greater stability in FY 2023-24. The Ranger Service division completed the reclassification process to move to a Skill-Based Pay model beginning July 2023 to better retain qualified staff and incentivize training skills for performance.

Winter storms forced the Laguna Lake Golf Course to close a total of 53 days from January through April and caused damage to the bridge which connects the course. The course also experienced countless irrigation leaks due to its aging infrastructure. Infrastructure improvements are being considered for future capital improvement plans. The Pro Shop facility is currently being remediated due to flood damage from December 2021, and is operating out of a temporary on-site office trailer; it is set to reopen in FY 2023-24. The Golf Course struggled with cash-only payments for the first quarter and a half of the year but began accepting credit cards through a City-approved vendor in October 2022.

Table 33 - Parks and Recreation Performance Measures

| Objective   | Measure  | 2022-23 Target                   | 2022-23 Actual                   |
|---|--|----------------------------------|----------------------------------|
| Provide inclusive, accessible programming that serves the whole community.<br><br><i>Strategic Goal: Programming is Directed to Diverse Users (P&amp;R Strategic Plan Goal), DEI and Economic Vitality MCGs</i>                 | # of Department Community Events                   | 20                               | 22                               |
|   | # of non-profit permitted Facility Uses            | 120                              | 290                              |
|   | # of program registrations                         | 3,500                            | 5,371                            |
|   | # of program offerings                             | 320                              | 480                              |
|   | # of childcare spots filled/offered                | 1,100/1,100                      | 1,834/1,834                      |
| In Coordination with Public Works, engage the public to prioritize new and revitalized Recreational Amenities<br><br><i>Strategic Goal: Expand Parks &amp; Facilities (P&amp;R Strategic Plan Goal), MCG Economic Stability</i> | # of children receiving subsidy                    | 51 CAPSLO<br>27 City Scholarship | 64 CAPSLO<br>27 City Scholarship |
|   | # of public outreach meetings                      | 6                                | 2 <sup>21</sup>                  |
| Creates and fosters a sense of community through citizen involvement<br><br><i>Strategic Goal: Maximize Community Resources &amp; Collaborations (P&amp;R Strategic Plan Goal)</i>  | # of updated or new parks and amenities in process | 5                                | 9                                |
|   | # of volunteers/hours                              | 400/1200hrs                      | 346/1266hrs                      |
| Leverage technology to engage the community and promote program offerings   | # of temporary Public Art or Cultural Art Events   | 5                                | 5                                |
|   | # of Instagram followers                           | 7,900                            | 7,015                            |
|   | # of Facebook followers                            | 5,200                            | 5,577                            |

<sup>21</sup> Public outreach meetings are focused on the development of new parks. Capital Improvement Project delays resulted in the occurrence of only two public outreach meetings during 2022-23.

| Objective   | Measure  | 2022-23 Target | 2022-23 Actual |
|---|--|----------------|----------------|
| <i>Strategic Goal: Programming is Directed to Diverse Users (P&amp;R Strategic Plan Goal)</i> |  |                |                |
| Open Space Preservation and Enhancement   | # of miles of Open Space trails maintained   | 61.75          | 64             |
|   | # of staff hours dedicated to fuel reduction   | 2,500          | 3,875          |
|   | <i>Strategic Goal: Nurture Open Space (P&amp;R Strategic Plan Goal), Climate Action MCG</i><br># of encampment site clean-ups removed from Open Spaces | 60             | 84             |

Variance Analysis

Table 34: Parks & Recreation Expenditures

| Parks & Recreation           | FY 2021-22          | FY 2022-23          |                     |                   |           | FY 2023-24          |
|------------------------------|---------------------|---------------------|---------------------|-------------------|-----------|---------------------|
|                              | Actual              | Budget              | Actual              | Funds Available   | %         | Budget              |
| Staffing                     | \$ 4,229,104        | \$ 4,659,642        | \$ 4,233,128        | \$ 426,514        | 9%        | \$ 4,744,608        |
| Contract Services            | \$ 283,723          | \$ 362,619          | \$ 300,629          | \$ 61,991         | 17%       | \$ 359,747          |
| Other Operating Expenditures | \$ 439,675          | \$ 474,559          | \$ 423,175          | \$ 51,384         | 11%       | \$ 422,165          |
| Utilities                    | \$ 154,331          | \$ 119,895          | \$ 134,947          | \$ (15,052)       | -13%      | \$ 149,086          |
| <b>TOTAL</b>                 | <b>\$ 5,106,833</b> | <b>\$ 5,616,716</b> | <b>\$ 5,091,878</b> | <b>\$ 524,837</b> | <b>9%</b> | <b>\$ 5,675,606</b> |

**Staffing** – The Facilities division experienced salary savings of \$23,000 due to fewer indoor rentals and the vacancy of a Facilities Specialist from May to June. In Youth Services, temporary salaries were lower than usual (nearly \$127,000) because the division was not operating at full staff capacity due to recruitment and retention challenges. Short-term vacancies in the Program Assistant role and with a school Site Director role resulted in a salary savings of nearly \$36,000. In Community Services, the delayed requisition of the Volunteer Coordinator contract position (now a regular FTE) that was budgeted during the FY 2021-2022 Mid-Year Review generated nearly \$33,000 of savings, and the temporary vacancy of a Recreation Coordinator for the end of May and part of June (\$13,000 in savings) led to the need for additional supplemental hours (\$4,000 over budget). Two full-time Ranger vacancies for part of the year (totaling \$67,000), and a surplus in the Open Space technician budget due to a technical error in the City’s budgeting software (\$22,000) contributed as well to the Department salary savings.

**Contract Services** – While increased field trip bussing costs drove up Contract Services costs in Youth Services (\$18,000 over budget), savings in Community Services (\$45,000) with many smaller-scale, lower cost events, and other divisional savings throughout the Department allowed for a total surplus of over \$48,000. Since the school district required summer camp to be relocated and local transit services were not available, the City was required to charter a bus multiple times a week to transport campers on field trips. The Department has adjusted its budgets appropriately for FY 2023-24 to help account for future unexpected expenditures.

**Other Operating Expenses** – Youth Services ended the year with savings of \$11,000 for childcare site furniture and fixtures, as no furniture or furnishings required immediate replacement. The Golf Course had savings on Chemicals (\$13,000) and Construction Materials (nearly \$5,000) as it was able to meet immediate needs with existing supplies. Community Services had savings on facility rental costs (\$8,000)

as usage needs fluctuate, and savings on program supplies (\$8,500) as fewer supplies needed replacement than expected. These accounts make up most of the savings in Other Operating Expenses for the Department.

**Utilities** – Due to the aging irrigation infrastructure at the Laguna Lake Golf Course, the necessary repair of numerous water leaks and significant pipe and sprinkler mechanism replacement over the fiscal year created unforeseen overages in overall water use. With every repair, thousands of gallons of water must be drained from the system to reduce pressure. In all, water expenditures exceeded budget by more than \$20,000. This was partially offset by limited use of well water for the Golf Course, which draws from Electric Service, in addition to the limited use of irrigation between January and March due to the storms.

## Parks & Recreation Revenue

Table 35: Parks & Recreation Revenue

|    | Parks & Recreation Revenue      |    | FY 2021-22 |              |              |              | FY 2022-23 |    |           |        | FY 2023-24 |  |
|----|---------------------------------|----|------------|--------------|--------------|--------------|------------|----|-----------|--------|------------|--|
|    |                                 |    | Actual     | Budget       | Actual       | Variance     | %          |    |           | Budget |            |  |
| 1  | <b>Facilities</b>               |    |            |              |              |              |            |    |           |        |            |  |
| 2  | Indoor Rental & Use Fees        | \$ | 30,115     | \$ 65,100    | \$ 39,981    | \$ (25,119)  | -39%       | \$ | 65,100    |        |            |  |
| 3  | Library Rental                  | \$ | 4,780      | \$ 16,290    | \$ 3,422     | \$ (12,868)  | -79%       | \$ | 6,500     |        |            |  |
| 4  | Special Events Insurance        | \$ | 7,877      | \$ 10,000    | \$ 10,478    | \$ 478       | 5%         | \$ | 12,000    |        |            |  |
| 5  | Outdoor Rental & Use Fees       | \$ | 66,494     | \$ 129,960   | \$ 103,606   | \$ (26,354)  | -20%       | \$ | 135,003   |        |            |  |
| 6  | Special Events App/Permit       | \$ | 30,653     | \$ 33,293    | \$ 33,186    | \$ (107)     | 0%         | \$ | 30,000    |        |            |  |
| 7  | <b>Youth Services</b>           |    |            |              |              |              |            |    |           |        |            |  |
| 8  | Youth Services Camps            | \$ | 167,010    | \$ 154,275   | \$ 94,851    | \$ (59,424)  | -39%       | \$ | 155,980   |        |            |  |
| 9  | Youth Services Childcare        | \$ | 630,369    | \$ 639,806   | \$ 700,427   | \$ 60,621    | 9%         | \$ | 663,616   |        |            |  |
| 10 | <b>Community Services</b>       |    |            |              |              |              |            |    |           |        |            |  |
| 11 | Adult Athletic Fees             | \$ | 103,148    | \$ 154,362   | \$ 100,508   | \$ (53,854)  | -35%       | \$ | 161,598   |        |            |  |
| 12 | Youth Athletic Fees             | \$ | 63,619     | \$ 55,000    | \$ 93,134    | \$ 38,134    | 69%        | \$ | 57,750    |        |            |  |
| 13 | Special Events - City Sponsered | \$ | 149        | \$ 13,583    | \$ 1,345     | \$ (12,238)  | -90%       | \$ | 3,400     |        |            |  |
| 14 | Instruction Fees                | \$ | 84,501     | \$ 97,830    | \$ 76,158    | \$ (21,672)  | -22%       | \$ | 102,722   |        |            |  |
| 15 | <b>Aquatics</b>                 |    |            |              |              |              |            |    |           |        |            |  |
| 16 | Swim Instruction Fees           | \$ | 86,617     | \$ 75,108    | \$ 102,562   | \$ 27,454    | 37%        | \$ | 82,700    |        |            |  |
| 17 | Aquatics Daily Use Fees         | \$ | 89,743     | \$ 115,175   | \$ 86,050    | \$ (29,125)  | -25%       | \$ | 121,000   |        |            |  |
| 18 | Multi Day Swim Passes           | \$ | 59,898     | \$ 44,383    | \$ 66,559    | \$ 22,176    | 50%        | \$ | 55,000    |        |            |  |
| 19 | Therapy Pool Fees               | \$ | 3,642      | \$ 16,304    | \$ 5,270     | \$ (11,034)  | -68%       | \$ | 16,000    |        |            |  |
| 20 | <b>Golf</b>                     |    |            |              |              |              |            |    |           |        |            |  |
| 21 | Golf Greens Fees                | \$ | 178,024    | \$ 235,180   | \$ 167,997   | \$ (67,183)  | -29%       | \$ | 220,000   |        |            |  |
| 22 | Golf Lesson Fees                | \$ | 159        | \$ -         | \$ 699       | \$ 699       |            | \$ | -         |        |            |  |
| 23 | Golf Rental Fees                | \$ | 6,070      | \$ 11,232    | \$ 5,140     | \$ (6,092)   | -54%       | \$ | 6,000     |        |            |  |
| 24 | Driving Range Fees              | \$ | 8,860      | \$ 12,900    | \$ 10,901    | \$ (1,999)   | -15%       | \$ | 13,000    |        |            |  |
| 25 | Golf Cart Rentals               | \$ | 14,050     | \$ 29,675    | \$ 19,424    | \$ (10,251)  | -35%       | \$ | 25,000    |        |            |  |
| 26 | <b>Other Revenue</b>            |    |            |              |              |              |            |    |           |        |            |  |
| 27 | Sales Taxable                   | \$ | 11,852     | \$ 10,000    | \$ 7,242     | \$ (2,758)   | -28%       | \$ | 10,000    |        |            |  |
| 28 | Other Revenue                   | \$ | 40,804     | \$ 72,867    | \$ 56,539    | \$ (16,327)  | -22%       | \$ | 74,000    |        |            |  |
| 29 | Junior Ranger Camps             | \$ | 5,808      | \$ 4,982     | \$ 8,361     | \$ 3,379     | 68%        | \$ | 5,230     |        |            |  |
| 30 | <b>TOTAL</b>                    | \$ | 1,694,241  | \$ 1,997,305 | \$ 1,793,843 | \$ (203,462) | -10%       | \$ | 2,021,599 |        |            |  |

**Facilities:** Permitted event revenue was evenly aligned with target revenue. However, Indoor Rentals and Library Community Room Rentals have still not recovered to pre-pandemic levels, and outdoor rental reservations were impacted by the winter storms in January to March. Prior to the pandemic, many outside groups held regular events at the City’s indoor facilities. The Department has noticed that majority of these groups found alternative venues post-pandemic. The department is working with the Communications division to actively market its indoor facilities to bring these back to pre-pandemic levels. Additionally, facilities were often booked by the City, the County or other governmental agencies, at no cost.

**Youth Services:** Youth Services Childcare revenue during the school year exceeded its target by over \$60,000 as enrollment was at capacity throughout the year, and year-over-year revenue budget increases were conservative due to the uncertainty of potential facility use and the impact of SLCUSD’s program structural changes from FY 2021-22 to FY 2022-23. At the same time, Youth Services Camps revenue was \$60,000 under its target as July summer camp registration revenue was managed through SLCUSD in July and reimbursed to the City; previously it had been collected through the standard City registration process in June. This variance is due to a timing issue, and the revenue will be reflected in FY 2023-24. It should not lead to any variances moving forward unless the process changes again.

**Community Services:** While adult athletic fees were not particularly low when looking at historical actuals, they are low compared to the budget projections because of planned additional and expanded adult athletic programming. Unfortunately, staff did not have the bandwidth to activate these, along with a shift of priorities to support other community programs, leading to a shortfall of nearly \$54,000. At the same time, a very strong year for youth sports (\$38,000 over target) based on high attendance for youth basketball, futsal and sports clinics made up for much of this deficit. Instruction Fees (contract class registrations) were heavily impacted by the winter storms (January – March), and summer enrollment was down due to the free summer programming provided by SLCUSD. Unfortunately, the Department was not informed of this change until January 2023, after the approval of FY 2023 budget adjustments at Mid-Year. City-Sponsored Special Event revenue missed targets as the only fee-based event offered was the September Scramble (other events offered to the community were free).

**Aquatics:** Daily Use Fees and Multi Day Swim Passes landed slightly (\$7,000) below targets, but at-capacity swim instruction enrollment pushed Swim Instruction Fee revenue (\$27,000) over target. At the same time, Other Pool Revenue shortfalls from fewer pool rentals, and fall staffing-related closures and winter storm closures impacts resulted in an \$11,000 shortfall in Therapy Pool revenue.

**Golf:** Despite a busy and profitable spring and early summer, Golf Course revenue was severely impacted by 53 days of storm-related closures between January and April. Additionally, the Pro Shop was closed for construction due to flooding and remediation efforts, which limited sales, and the absence of a credit card processing system until October also impacted revenue.

## Public Works Department

### **A Year In Review**

In order to support the City-wide effort to reduce expenditures under the Fiscal Health Contingency Plan that was activated in January 2023, the Public Works Department reduced spending in a variety of areas, held some vacancies open to ensure salary savings, and paused spending on non-essential purchases. The Department ended the year with expenditure budget savings of about 7%. Departmental efforts were focused on achieving key objectives with emphasis on safety and economic resiliency, following multiple pandemic years. Inflation rates and supply chain issues have significantly impacted operating and capital costs.

The Public Works Department continued to provide core services to the community by maintaining the City's parks system, community facilities, roadways, maintaining and replacing critical infrastructure, enhancing pedestrian safety and mobility, and maintaining the City's urban forest. The Department's need to pivot towards emergency storm response overwhelmed overall workload and operations by having to continue managing and responding to both. Beginning in January 2023, storm cleanup efforts distressed administrative and maintenance staff's regular operations workloads. The City's engineering resources were also redirected to storm projects. This remained a challenge through the end of the fiscal year and will continue into the 2023-25 Financial Plan.

The City launched the Ask SLO platform in September of 2022, which allows community members to submit requests online for suggested improvement within the city. This heavily impacted the Public Works Department's workload; on average, 60% of the requests submitted through AskSLO are assigned to the Public Works Department to address.

Following the completion of several organizational studies related to Urban Forest Services and CIP Engineering, the Department has implemented portions of the recommended process improvements in staffing, performance tracking, financial management, and delivery of services. These changes resulted in more efficient operations and better overall interdepartmental workability. This work is not complete and will continue into the next fiscal year.

### **Accomplishments and Strategic Goal Updates**

The Department continued to address Major City Goals as outlined in the 2021-23 Financial Plan. The Department sustained efforts to address and invest in critical infrastructure through the City's Capital Improvement Plan (CIP) by allocating nearly \$69 million toward the maintenance and preservation of City assets across all funding sources. The CIP Engineering program also made strides following an organizational assessment for process improvements and programmatic efficiencies. In addition, the Transportation and Planning Program successfully implemented the objectives from the Active Transportation Plan, including pedestrian and bicycle improvements and street enhancements to improve traffic safety.

During FY 2022-23, several major projects were completed. It is important to note that although some capital projects are highly visible to the community, others are not, including water and wastewater system improvements, open space maintenance, silt removal, information technology maintenance,



facilities maintenance, and fleet procurement. The list below highlights some of the major accomplishments in the CIP during the fiscal year:

1. Orcutt Tank Farm Roundabout
2. Roadway Sealing 2022
3. Curb Ramp Improvements in Laguna Lake and Foothill/Chorro neighborhoods (Pavement Area 6 and 7)
4. Electric Bus Procurements
5. Parks and Recreation Interior Office Rehabilitation
6. Pedestrian Crosswalk Beacon at Ramona
7. 40 Prado Road Bus Shelter Relocation

The Urban Forest Program continued to place focus on the preservation, maintenance, and enhancement of the City's urban forest. In 2022, the department implemented the City's first preventative maintenance pruning schedule in many years, which has been operating with great success. Maintaining trees from a preventative standpoint is critical for safety and reducing risk during wind and rain events, which were prevalent in the past fiscal year.

The Department continued to deliver core services by enhancing community and downtown cleanliness through sidewalk scrubbing, street sweeping, parklet maintenance, and ongoing maintenance of parks and facilities utilized by all residents, businesses, and visitors. An important highlight this year was the installation of new "big belly" smart trash receptacles that assists with the trash collection and trash containment process making the downtown area cleaner.

### **Challenges**

The Department experienced challenges in the areas of staffing, cost escalation, supply chain issues, and keeping up with maintenance of aging infrastructure. Staffing proved to be a challenge over the fiscal year both in maintenance operations as well as the capital improvement engineering programs. In many instances, staff relied on contract services and consultants to ensure adequate service levels to meet City goals and to deliver key projects. This past year, nearly all programs experienced multiple prolonged staffing vacancies that were a result of retirements, promotions, and resignations. Filling these vacancies has been challenging as there are limited candidates that apply for these positions. This has resulted in a higher level of contract services needed to manage workload over the last fiscal year and will likely continue into the next year. It should also be noted that hired contract services vendors are often facing similar staffing issues or larger than typical workload demands which limits responsiveness.

Project and core service delivery came with major challenges in the areas of cost escalation and supply chain shortages. The City experienced major increases in the price of fuel for the City's fleet, the cost of natural gas tripled from December 2022 to January 2023, electricity costs increased 3.5% from March 2022 to January 2023, and chemicals used for maintaining the fleet and swim center have shown varying increases. Metal prices have increased 5-15% within the last fiscal year affecting many purchases, including items to maintain streetlights and signals, fleet parts and vehicles prices, electric vehicle charging infrastructure for the City transit program, and maintenance parts for buildings and parking structures.

Homelessness has affected the entire nation including the City, including the Public Works Department specifically in the Parks Maintenance and Streets Maintenance programs due to their increased response required to address uncleanliness in the City’s Parks and downtown core. The Department receives a high volume of requests through the AskSLO platform that are tied to cleaning up homeless encampments in creeks, parks, streets, and public bathrooms. The contract services budget for many programs within the department has increased costs as a result of this work effort associated with cleanup work, replacement of damaged infrastructure, as well as implementing infrastructure improvements that are more robust and could reduce the likelihood of future of homelessness related vandalism.

Damage to City property impacts the Department annually; however, in the past fiscal year, the non-recoverable cost associated with property damage has resulted in large expenditures in many programs, including Signals and Street Lighting, Parks Maintenance, and Facilities Maintenance programs. Often, the responsible party that damaged the property is not found, which results in substantial impacts to the operational budget, which is predominantly intended for preventative maintenance and standard operations and not asset replacement.

The City received historic precipitation totals from the 2022-2023 winter storms, resulting in flooding around the City. In January 2023, the City declared a “State of Emergency” and activated its Emergency Operations Center (EOC) and Department Operations Center (DOC) to respond to the impacts from the storms. These storms presented risks to the community and were managed by the City’s storm response efforts that operated 24 hours a day to reduce impacts to life and property. The cost of the storms had an impact to many programs that incurred unanticipated costs for materials and overtime. These additional costs are subject to possible future FEMA reimbursement.

Table 36 - Public Works Department Performance Measures

| Objective  | Measure  | 2022-23 Target     | 2022-23 Actual     |
|--|--|--------------------|--------------------|
| Proactively enhances traffic safety by providing a system of safe, reliable, and well-maintained roadways, sidewalks, traffic signals and streetlights.<br><i>MCG: Climate Action</i><br>Strategic Goal: Enhance Safe & Efficient Transportation (PW Strategic Plan) | Pavement Condition Index                           | 75                 | 76                 |
|  | Bicycle network in total miles (Class I/II/III/IV) | 14.7/31.0/24.8/4.0 | 14.5/31.3/25.3/1.5 |
|  | Street miles maintained                            | 135                | 143                |
| Enhance the City’s Urban Forest and maintains visually appealing public spaces.<br><i>MCG: Climate Action</i><br>Strategic Goal: Proactively Manage Assets (PW Strategic Plan)   | # of trees maintained                              | 12,970             | 12,970             |
|  | Total acreage of park inventory                    | 583                | 584 <sup>22</sup>  |

<sup>22</sup> The 2023-24 park acreage inventory includes the addition of North Broad Street Park and Parks A, B, and C in Avila Ranch.

| Objective  | Measure                                  | 2022-23 Target | 2022-23 Actual      |
|--|--|----------------|---------------------|
| Provide high quality services to the community through efficient and effective delivery of capital improvement projects and management of the City's infrastructure.<br><i>MCG: Economic Recovery</i><br><i>Strategic Goal: Connect with our Community (PW Strategic Plan)</i> | Total value of CIP Managed <sup>23</sup> | \$65M          | \$97M <sup>24</sup> |

Table 37 - Public Works Operating Budget Variance Analysis

| Public Works                 | FY 2021-22          | FY 2022-23          |                     |                     |           | FY 2023-24           |
|------------------------------|---------------------|---------------------|---------------------|---------------------|-----------|----------------------|
|                              | Actual              | Budget              | Actual              | Funds Available     | %         | Budget               |
| Staffing                     | \$ 9,916,115        | \$11,185,877        | \$10,187,359        | \$ 998,519          | 9%        | \$ 11,013,029        |
| Contract Services            | \$ 1,946,852        | \$ 2,715,734        | \$ 2,633,518        | \$ 82,216           | 3%        | \$ 2,133,180         |
| Other Operating Expenditures | \$ 1,584,039        | \$ 2,133,791        | \$ 1,983,022        | \$ 150,770          | 7%        | \$ 2,026,836         |
| Utilities                    | \$ 2,052,754        | \$ 2,410,180        | \$ 2,320,454        | \$ 89,725           | 4%        | \$ 2,535,002         |
| <b>TOTAL</b>                 | <b>\$15,499,759</b> | <b>\$18,445,583</b> | <b>\$17,124,353</b> | <b>\$ 1,321,230</b> | <b>7%</b> | <b>\$ 17,708,046</b> |

**Staffing** – There were 9% savings in the staffing category due to vacancies following the FY 2022-23 hiring chill, normal turn over, and retirements. As a result of continued program organizational studies (CIP, Urban Forestry), the Department continued to fill new positions approved during the 2021-23 Financial Plan; however, as these studies were conducted there was a lag period in hiring that led to savings. While the Department experienced vacancies, there was an increased need to utilize contractors or consultants to deliver a variety of services.

**Contract Services** – There were minimal savings realized in contract services with the Department expending approximately 97% of its contract services budget. Some programs with excess spending in contract services were offset by reduced spending in other operating programs. The Signals and Lighting Program was over budget by \$50,020 largely due to damage to City property by vehicle accidents and this overage was offset by the Swim Center, Parks Maintenance, and Public Works Administration programs having savings within their cost centers accumulating just over \$70,000.

**Other Operating Expenses** – The Department expended approximately 93% of its other operating expenses. Throughout the Department, other operating expenses fluctuated drastically over the year primarily due to cost escalation and modified operations as a result of storm response. Some programs, including Fleet, experienced major increases in fuel costs while the department, as a whole, realized cost savings in other areas to offset cost escalation.

**Utilities** – Utility expenditures vary considerably year-over-year and the budget is based on estimated usage and projected rates for the year. A 4% variance is very minimal for this category. The unanticipated natural gas price spikes in FY 2022-23 caused that budget line to go over, but lower electricity rates

<sup>23</sup> Includes all CIP projects and funding including Utilities, Transit, Parking, Public Works and IT, among others.

<sup>24</sup> Accounts for all CIP funds managed. In FY 2022-23 large expenses were seen in the Sewer Fund estimated at \$28 million, largely due to the Water Resource Recovery Facility Upgrade project.

achieved through the Central Coast Community Energy (CCCE) program helped offset the overages. The FY 2023-24 budget has been adjusted to reflect new rate assumptions and usage estimates.

## Parking Fund

### **A Year In Review**

Parking Services continued its modernization efforts over the last fiscal year by replacing outdated coin-only parking meters with credit card capable meters in the lower tier rate zone along the periphery of downtown and replacing single space meters with multi-space pay stations in the downtown core. The Program also worked in coordination with other staff and contractors to put the Cultural Arts District Parking Structure (CADPS) project out to bid. The Parking Fund ended the fiscal year with revenue above projections and expenditures below budget putting it in a better financial position in advance of bonding for the new CADPS construction costs. The Parking Fund did receive \$700,000 of one-time American Rescue Plan Act (ARPA) funding to offset the limited continuation of the first-hour free parking in the City's three existing parking structures during fiscal year. This benefit was discontinued on June 30, 2023, and replaced with the Park Local Pilot Program, which is specifically designed to benefit local community members.

### **Accomplishments and Strategic Goal Updates**

Parking Services and the Finance Department continue to lead the effort to secure long-term debt financing for the new CADPS. Site preparation began in Spring 2023 with the demolition of three residential structures located on the project site. The project represents a significant investment in the downtown area and will support the SLO Repertory Theatre, adjacent businesses, Mission College Preparatory High School, and visitors alike.

Parking Services developed and received approval to implement a local parking incentive program branded the 'Park Local Pilot Project' which extends the first hour free in the parking structures to County residents that register with the City. The Parking Services Program also implemented a gateless parking system in the 842 Palm Street parking structure, which went live in July 2023. Staff continues to work with vendors and other City staff to fine-tune the system. Once the 842 Palm gateless parking structure is operating as intended and meeting community needs, gateless installations will be implemented at the City's two other parking structures.

The Program was also able to update the Access and Parking Management Plan, which is the City's guiding document regarding parking and curb access. The last comprehensive update occurred in 2001 and no longer aligned with the City's goals and objectives for access and demand management in the downtown and residential areas.

The Parking Services Program also transitioned to a new parking enforcement and digital permit vendor during this past fiscal year, which allows the program greater resources and provides a better customer experience. The Program also led efforts and communication around the free holiday parking that encourages downtown activity and commerce during the holiday season. Staff also coordinated efforts with the transition of office space from Parking Services to the Mobility Services Office.

Throughout the fiscal year, staff have supported many efforts associated with the Safe Parking Program at its current location at Railroad Square and the transition to a new temporary location, potentially at Palm Street near the Veterans Hall. Staff have also worked closely with residents and businesses to address camping and vehicle abandonment issues throughout the community.

**Challenges**

Communication and project delivery were the biggest challenges faced by Parking this last fiscal year. Parking Services is three years into its modernization efforts and communication with the community throughout the process has required a significant work effort. Projects like the single space meter conversion and transition to a gateless parking system in the structures have taken longer than anticipated. Adjusting the technology used by the Parking Services Program to align with community needs and expectations has caused some integration issues amongst the various vendors used to administer and enforce the different parking options, but staff continue to be dedicated to ensuring success.

**Parking Fund Expenditures**

Table 38 - Parking Fund Operating Expenditures

| Parking Fund Operating Expenditures | FY 2021-22          | FY 2022-23          |                     |                   |           | FY 2023-24          |
|-------------------------------------|---------------------|---------------------|---------------------|-------------------|-----------|---------------------|
|                                     | Actual              | Budget              | Actual              | Funds Available   | %         | Budget              |
| Staffing                            | \$ 1,574,054        | \$ 1,865,400        | \$ 1,667,902        | \$ 197,498        | 11%       | \$ 1,922,947        |
| Contract Services                   | \$ 709,433          | \$ 962,592          | \$ 969,815          | \$ (7,223)        | -1%       | \$ 930,946          |
| Other Operating Expenditures        | \$ 377,531          | \$ 429,397          | \$ 520,179          | \$ (90,782)       | -21%      | \$ 403,488          |
| Transfers Out to GF                 | \$ 1,105,120        | \$ 1,263,622        | \$ 1,263,622        | \$ -              | 0%        | \$ 1,387,281        |
| Utilities                           | \$ 170,905          | \$ 221,933          | \$ 197,701          | \$ 24,232         | 11%       | \$ 264,172          |
| Debt Service                        | \$ 823,481          | \$ 851,577          | \$ 843,342          | \$ 8,235          | 1%        | \$ 852,116          |
| <b>TOTAL</b>                        | <b>\$ 4,760,523</b> | <b>\$ 5,594,521</b> | <b>\$ 5,462,561</b> | <b>\$ 131,960</b> | <b>2%</b> | <b>\$ 5,760,950</b> |

**Staffing** – Turnover in multiple full-time positions resulted in staffing savings. The Parking Services Supervisor position was vacant for over half of the year, the Parking Meter Repair Worker position was vacant for half of the year, the Parking Enforcement Officer II position was vacant for 10 months, and one of the Maintenance Worker positions was vacant for two months. The Fund was over budget in temporary salaries due to an increased need for part-time staffing to maintain workload. The Fund assumed gateless operation of the parking structures would occur at the beginning of FY 2022-23 and would result in a reduction in part-time positions; however, the roll out of gateless operations was delayed. Part-time Parking Enforcement staff needs also increased over the holiday period to provide night-time security in the parking structures while an agreement for contracted security services was negotiated.

**Contract Services** – Parking was slightly over budget for Contract Services due to an increase in communication services and outreach efforts for various projects and programs mentioned in the above sections.

**Other Operating Expenses** – Parking was significantly over budget in credit card merchant fees due to the high adoption rate of the pay stations and mobile applications. Pay stations collect over 90% of revenue from credit cards compared to about 60% with single space parking meters. The credit card merchant fees budget increases slightly in FY 2023-24 but may need to be adjusted at Mid-Year. Staff will monitor the credit card adoption rate and make recommended changes as needed. Parking also over expended its Print and Reproduction budget due to increased outreach efforts. Parking did have savings in the

Advertising and Public Outreach line item which can be used to supplement Print and Reproduction costs if additional outreach is needed in future years.

**Utilities** – Electricity, which makes up most of the utilities expenses, came in below budget. This is a result of several electric vehicle charging stations being out of service. The manufacturer is aware of the out of service stations and is working with Parking staff to repair or replace damaged parts covered under the existing warranty. Maintenance staff is collecting and comparing quotes for repairs needed that are not covered under the manufacturer’s warranty.

**Transfers** – There were no variances in Transfers.

## Parking Revenues

Table 39 - Parking Fund Revenue

| Parking Revenue                 | FY 2021-22          | FY 2022-23          |                     |                   |            | FY 2023-24           |
|---------------------------------|---------------------|---------------------|---------------------|-------------------|------------|----------------------|
|                                 | Actual              | Budget              | Actual              | Variance          | %          | Budget               |
| Federal Stimulus Grants         | \$ -                | \$ 700,000          | \$ 700,000          | \$ -              | 0%         | \$ -                 |
| Long Term Parking               | \$ 623,639          | \$ 844,900          | \$ 700,873          | \$ (144,027)      | -17%       | \$ 695,300.00        |
| Parking Fines                   | \$ 928,610          | \$ 793,500          | \$ 1,369,398        | \$ 575,898        | 73%        | \$ 852,100.00        |
| Parking Meters                  | \$ 2,210,191        | \$ 2,268,500        | \$ 2,543,994        | \$ 275,494        | 12%        | \$ 4,876,000.00      |
| Parking Structures              | \$ 1,013,028        | \$ 1,328,450        | \$ 1,224,458        | \$ (103,992)      | -8%        | \$ 3,242,100.00      |
| Other Revenue/ Interest Revenue | \$ 260,662          | \$ 637,690          | \$ 820,440          | \$ 182,750        | 29%        | \$ 537,824.00        |
| <b>Grand Total</b>              | <b>\$ 5,036,131</b> | <b>\$ 6,573,040</b> | <b>\$ 7,359,163</b> | <b>\$ 786,123</b> | <b>12%</b> | <b>\$ 10,203,324</b> |

**Parking Meters** – Parking realized 12% more revenue from parking meters than anticipated. On-street parking occupancy was higher this past fiscal year than in previous years and the public has adjusted to use of the new multi-space pay stations. Parking meter revenue assumptions for FY 2023-24 increased to account for both rate increases as well as the higher occupancy rates.

**Parking Fines** – Parking fine revenue is difficult to estimate. With full staffing throughout the year, except for the Parking Enforcement II position and increased focus on the timed parking areas, especially those around Cal Poly, 73% more revenue from parking fines were generated than expected.

**Parking Structures** – Limited availability of supplemental staff members and equipment issues led to parking structure revenue below projections by about 8%. Parking structures are fully staffed but equipment issues persist. It is taking longer than anticipated to implement the gateless parking system at 842 Palm which may impact the fund’s ability to fully realize the anticipated structure revenue. Staff is working diligently to integrate the gateless operations with the permitting, mobile payment, and enforcement applications.

**Long-term Parking** – Long term parking revenues were 17% lower than budgeted and have not rebounded to pre-pandemic rates as anticipated. Long term parking revenues were impacted by decreased usages in the proxcard program, fewer 10-hour monthly permits sold, and significant reduction in construction meter bag sales compared to previous years. Staff will continue to monitor this trend and pricing will be reviewed during the upcoming parking fee study to ensure the right balance of cost is distributed to each parking program offered.

**Other Rent and Lease Revenue** – The forecast assumed termination of Railroad Square lease payments and implementation of hourly paid parking beginning July 2022. However, paid parking was not installed,

so lease payments continued. Staff is working to execute new Railroad Square lease agreements in FY 2023-24 with updated pricing based on maintenance and operation of the Railroad Square lots. The rent and lease revenue budget will be adjusted at Mid-Year once new lease agreements are executed to reflect the new negotiated terms.

#### Unaudited Ending Fund Balance

Based on unaudited financials, the Parking Fund will return nearly \$1.9 million to working capital. The revised budget for FY 2022-23 anticipated returning \$1.3 million to working capital. The difference is a result of over realized revenue from parking fines and parking meters.



## Transit Fund

### A Year In Review

The Transit Fund ended the fiscal year with both staffing and non-staffing operating savings. SLO Transit is still recovering from the COVID-19 pandemic and continues to have difficulty hiring and retaining drivers. Ridership increased from 453,500 in FY 2021-22 to 502,200 in FY 2022-23; however, this is still significantly lower than annual pre-pandemic ridership, which saw over one million rides a year. SLO Transit continues to take meaningful steps forward to modernize its fleet and operations to help in the recovery effort.

### Accomplishments and Strategic Goal Updates

SLO Transit received the first two fully electric buses at the beginning of calendar year of 2023. One was put into service in August 2023 with the second to follow shortly once it is outfitted with the required third-party components. The Transit Program, in coordination with the CIP Engineering Program, is installing the necessary charging infrastructure for the new electric buses. Two permanent charging stations will replace two temporary charging stations by the end of September 2023, with additional charging stations coming at a later date to support additional zero emission buses (ZEBs). This represents a major step forward in meeting the City's zero emission goal as well as putting the City on schedule to meet the State's zero emission bus mandates.

Staff continues to engage internal and external stakeholders in the development of the first Transit Innovations Study which is anticipated to be presented to Council for review in November 2023. The request for proposals (RFP) for the joint Short Range Transit Plan update between SLO Transit and San Luis Obispo Regional Transit Authority (SLORTA) was released in June 2023 and contract award is anticipated for early September 2023. This effort will provide a 5-year strategic plan to help SLO Transit meet the community's transportation needs and accelerate the return to pre-pandemic ridership levels.

The Transit program was also part of a department reorganization which moved Transit under the Mobility Services Division. The reorganization included a reclassification of the Transit Manager position into the Mobility Services Business Manager which was filled in June 2023. The establishment of the new Mobility Services Division will help align active transportation planning and infrastructure installations, parking programs and services, and transit services to provide a more complete and robust transportation network for community members and visitors alike.

### Challenges

Hiring and retaining drivers continues to be the biggest challenge for returning to a full service schedule. SLO Transit is working with its contracted operations service provider to implement hiring incentives that make SLO Transit a more competitive employer. If the hiring incentives are successful, then staff anticipates a return to a full service schedule by Fall 2024.

Timely fleet replacement continues to be a challenge. In July 2023, Council approved the purchase of six additional electric buses and those new buses should be in service in the next 18 to 24 months, as it takes a minimum of 18 months to produce the bus, train on the new equipment, and register the bus with Department of Motor Vehicles. As the City continues to replace older buses with new electric buses, future maintenance costs reduce. At this time based upon the age of the transit fleet, maintenance costs are

likely continue to increase until a majority, if not all, of the older buses can be retired from service. Fuel prices will also likely remain high for the next two or more quarters as the Organization of the Petroleum Exporting Countries (OPEC) continue to forecast decreased production rates through the Spring of 2024 thereby decreasing petroleum supplies.

Staff successfully applied and was awarded American Rescue Plan Act (ARPA) Discretionary funding to help cover operating costs for the next three fiscal years; however, long-term fund health is dependent on securing grants to fund operating and capital costs. Staff will continue to pursue discretionary grants to fund additional bus replacements and to rehabilitate the Downtown Transit Center which is identified in the Capital Improvement Plan.

## Transit Fund Expenditures

Table 40- Transit Fund Operating Expenditures

| Transit Fund Operating Expenditures | FY 2021-22          | FY 2022-23          |                     |                   |           | FY 2023-24          |
|-------------------------------------|---------------------|---------------------|---------------------|-------------------|-----------|---------------------|
|                                     | Actual              | Budget              | Actual              | Funds Available   | %         | Budget              |
| Staffing                            | \$ 334,738          | \$ 312,254          | \$ 187,250          | \$ 125,004        | 40%       | \$ 457,758          |
| Contract Services                   | \$ 2,658,865        | \$ 3,647,517        | \$ 3,085,689        | \$ 561,828        | 15%       | \$ 4,362,400        |
| Other Operating Expenditures        | \$ 335,265          | \$ 379,562          | \$ 405,112          | \$ (25,551)       | -7%       | \$ 410,713          |
| Transfers                           | \$ 226,183          | \$ 365,544          | \$ 365,544          | \$ -              | 0%        | \$ 463,491          |
| <b>TOTAL</b>                        | <b>\$ 3,555,050</b> | <b>\$ 4,704,876</b> | <b>\$ 4,043,595</b> | <b>\$ 661,281</b> | <b>2%</b> | <b>\$ 5,694,361</b> |

**Staffing** – SLO Transit realized salary and benefits savings due to the vacant Transit Manager position, which has been back-filled by a part-time Retired Annuitant since July 2021. This position has now been filled and future Staffing savings in the program are unlikely.

**Contract Services** – SLO Transit realized a savings in Purchased Transportation, contracted transit operations services, due to continued operation of a reduced service schedule. The reduction in services is a result of driver shortages throughout the transportation industry, which has experienced a slower return to pre-pandemic normal when compared to other economic sectors. Staff anticipates a return to full academic schedule between winter and spring 2024 which is reflected in the FY 2023-24 budget.

**Other Operating Expenses** – Fuel costs were \$52,000 (16%) higher than anticipated and prices are expected to remain high throughout the entire year as global uncertainties affect the stability of the oil market. Fuel budget was increased in the 2023-25 Financial Plan by more than 9% to account for the inflated fuel prices. Reduced services have provided reduced cost in miscellaneous materials and supplies and printing since minimal changes in services have occurred over the past year. These minor cost savings in materials and supplies and printing were not large enough to offset the additional fuel cost.

## Transit Revenues

Table 41 - Transit Fund Revenue

| Transit Revenue                 | FY 2021-22          | FY 2022-23           |                     |                       |             | FY 2023-24           |
|---------------------------------|---------------------|----------------------|---------------------|-----------------------|-------------|----------------------|
|                                 | Actual              | Budget               | Actual              | Variance              | %           | Budget               |
| Federal                         | \$ 1,877,362        | \$ 11,547,838        | \$ 1,934,329        | \$ (9,613,509)        | -83%        | \$ 7,571,830.00      |
| Local (Bus Fare)                | \$ 710,457          | \$ 850,000           | \$ 790,223          | \$ (59,777)           | -7%         | \$ 990,000.00        |
| Other Revenue/ Interest Revenue | \$ (131,372)        | \$ 982,173           | \$ 421,260          | \$ (560,913)          | -57%        | \$ 13,579.00         |
| State                           | \$ 1,324,408        | \$ 2,663,080         | \$ 3,087,209        | \$ 424,129            | 16%         | \$ 3,179,564.00      |
| <b>Grand Total</b>              | <b>\$ 3,780,855</b> | <b>\$ 16,043,091</b> | <b>\$ 6,233,021</b> | <b>\$ (9,810,070)</b> | <b>-61%</b> | <b>\$ 11,754,973</b> |

**Federal Revenue** – Federal Transit Administration (FTA) 5307 is a reimbursement grant and that funding is obligated for the procurement of six additional battery electric buses. Delivery of the buses is scheduled for Spring 2025. Transit was also awarded an ARPA grant of \$12.3 million for operating assistance. FY 2022-23 was the first drawdown year of that grant, which totaled \$2.74 million. The unused grant funds will rollover to future fiscal years.

**Local (Bus Fare) Revenue** – Bus fares were 7% lower than budgeted because SLO Transit continues to operate at reduced service levels due to a driver shortage following the COVID-19 pandemic.

**Other Revenue** – The Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) program provides discounts for the costs of new hybrid and zero emission bus procurement. Voucher payment is received by the manufacturer while the purchaser (City) pays a discounted cost at the time of purchase. The voucher amount of \$138,000 for new battery electric bus purchase was incorrectly accounted for as a revenue source in this fund, even though it is applied to the purchase price at time of order. Other Revenue also includes an Air Pollution Control District (APCD) grant for the installation of electric vehicle charging station infrastructure at the bus yard to support the new battery electric buses. The APCD requires the equipment installation and issuance of a building permit before submittal for reimbursement can occur. The project is anticipated to be completed by the end of September 2023. The HVIP voucher being applied to the purchase price and not realizing revenue associated with the voucher offset each other. The delay in APCD grant reimbursement means the Transit Fund will realize the grant revenue in the following fiscal year but does not have an impact on the Fund’s solvency nor does it jeopardize other Transit funded capital projects.

**State Revenue** – The Transit Fund received more Local Transportation Fund (LTD) and more State Transportation Act (STA) funding based on regional apportionment than budgeted.

## Unaudited Ending Fund Balance

Based on unaudited financials, the Transit Fund will return approximately \$2.2 million to working capital.

## Utilities Department

The Utilities Department oversees two Enterprise Funds, an Agency Fund, and the Solid Waste and Recycling program in the General Fund. The Solid Waste and Recycling budget, while managed by the Utilities Department, is a General Fund program, funded by AB 939 and Franchise Fee funding (see Solid Waste write-up). In addition to the Water and Sewer Funds, the Utilities Department also manages the Whale Rock Fund, an Agency Fund, which is overseen by the Whale Rock Commission. The City’s share of operational expenses and CIP contributions for Whale Rock operations are budgeted for in the Water Fund’s Source of Supply budget.

Table 42 - Utilities Department Programs

| Fund                  | Fund Type       | Programs Funded  | Notes  |
|-----------------------|-----------------|--|--|
| Water Fund            | Enterprise Fund | Administration and Engineering<br>Source of Supply<br>Water Treatment<br>Water Distribution<br>Water Resources<br>Utility Billing                    | The City’s water operations are paid for by water service rate revenues and cover all costs for operations, maintenance, infrastructure replacement, and debt service. Taxes, including utility user taxes, do not support these services.   |
| Sewer Fund            | Enterprise Fund | Administration and Engineering<br>Wastewater Collection<br>Environmental Programs<br>Water Resource Recovery<br>Water Quality Lab<br>Utility Billing | The City’s sewer operations are paid for by sewer service rate revenues and cover all costs for operations, maintenance, infrastructure replacement, and debt service. Taxes, including utility user taxes, do not support these services.   |
| Whale Rock Fund       | Agency Fund     | Reservoir Operations   | The Whale Rock Fund is overseen by the Whale Rock Commission.  |
| General Fund (AB 939) | General Fund    | Solid Waste and Recycling  | The Solid Waste program is paid for by AB 939 and Franchise fee funding. AB 939 funds may only be used to pay for activities that divert waste from the landfill, so any funds remaining at the end of the year must be designated for future activities related to solid waste diversion. |

### A Year in Review

The Department’s Enterprise Funds ended FY 2022-23 with significant expenditure savings in both the Water and Sewer Funds. The Water Fund expenditures were \$3.1 million under budget, primarily due to credits and savings in the water supply account. The Sewer Fund expenditures were \$1.3 under budget, primarily due to staff vacancies, staff turnover at lower steps, and deferred or delayed work related to the implementation of the new Water Resource Recovery Facility.

The Water Fund revenues were \$352,000<sup>25</sup> under budget, primarily due to a 9% reduction in water consumption compared to FY 2021-22. The Sewer Fund revenues were over budget by \$879,000<sup>26</sup> primarily due to an expanding customer base for corresponding sewer services. Sewer service charges are likely to reflect lower returns in FY 2023-24 as the Department implements the sewer cap<sup>27</sup> based on an uncharacteristically wet winter. These variances are discussed in detail in the next sections.

The Utilities Department concluded FY 2022-23 having provided high-quality services with limited service interruptions while navigating severe weather events. The Utilities Department remains in good financial condition but continues to experience above-inflation increases in industry-specific commodities like chemicals, electricity, and construction materials and services. Due to these significant increases in operational costs in areas such as water treatment chemicals and electricity, the City Council approved rate increases to maintain needed revenues to support the Water and Sewer Funds.

The Department continues to complete several work plan items that directly support the Major City Goals adopted by the City Council. The Department’s strategic priorities are to help advance the City’s overall goals tied to the Major City Goals, Department Strategic Plans, and other priorities as they arise.

**Accomplishments and Strategic Goal Updates**

1. Substantial completion of the Water Treatment Energy Efficiency Project. MCG: Climate Action
2. Completed the installation of the Tesla Battery Pack at the Water Treatment Plant. MCG: Climate Action
3. Awarded a contract for the development of the Water Treatment Plant Infrastructure Renewal Strategy.
4. Completed the design of the Johnson Waterline Replacement Project.
5. Completed a major update to the water distribution model to reflect new development.
6. Developed plans and went out to bid for the Reservoir 2 Cover Replacement Project.
7. Obtained approval for the creation of a third Water Resources Technician position.
8. Completed the study phase of the Tetrachloroethylene (PCE) Groundwater Contamination Project.
9. Awarded a \$5.9 million grant for groundwater contamination cleanup. MCGs: Climate Action and Economic Resiliency
10. Received approval of the Groundwater Sustainability Plan.
11. Implemented GIS and Cityworks at the Whale Rock Reservoir.
12. Advertised and awarded the Spillway Underdrain Repair Project at Whale Rock Reservoir.

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<sup>25</sup> Excludes budgets and actuals related to debt proceeds. These accounts are dependent on capital project schedules and are offset by capital costs and future debt payments.

<sup>26</sup> Excludes budgets and actuals related to debt proceeds. These accounts are dependent on capital project schedules and are offset by capital costs and future debt payments.

<sup>27</sup> While the City measures all water consumption by metering the water that is delivered to each property, the City is unable to meter the wastewater or sewer that is collected through the drains in your sinks, toilets and showers. To prevent charging residents for sewer usage for water that is used outdoors, the City caps units of sewer that can be charged based on consumption during December, January, and February, when outdoor water use is minimal.

13. Completed a major milestone by attaining regulatory compliance for nitrates and trihalomethanes at the Water Resource Recovery Facility (WRRF).
14. Began building out the WRRF's software databases for the new facility, including the adoption of Cityworks as its new computerized maintenance management system (CMMS).
15. Commissioned a new sewer lift station at the Avila Ranch housing development.
16. Nearing completion of an upgrade to the Calle Joaquin lift station.
17. Adapted Wastewater Collections to a new State-wide Sanitary Sewer Systems General Order.
18. Began the Wastewater Collections Infrastructure Renewal Strategy project. This will include updated system modeling and a flow study to determine the effectiveness of private sewer lateral offset and rebate programs.
19. Completed a program audit of the City's Sanitary Sewer Management Plan (SSMP).
20. Adopted new software that will increase pretreatment inspection efficiency and effectiveness.
21. Overhauled the City's Stormwater program Memorandum of Agreement (MOA).
22. Completed a digital transformation of various paper-based systems and adapted the Water Quality Lab program to comply with new program requirements identified by The NELAC Institute (TNI).
23. Began updates to Confined Space Entry and Electrical Safety programs.

### **Challenges**

The challenges that the Utilities Department experienced in FY 2022-23 can broadly be summarized as storm response, operating cost increases, capital project delivery, and increasing regulatory requirements. These are explained in detail below.

Storm Response - In addition to operational challenges, the Utilities Department remained resilient through the storms that occurred in January and March of 2023, driving the City to enact a Fiscal Health Contingency Plan on January 27, 2023. Additional capital costs were incurred due to the storm. These increases in capital costs resulted in compressed operating budgets, which ultimately impacted operations and staffing.

The storms also had positive and negative impacts on the City's source water supplies. The copious rainfall allowed for all the surface water reservoirs to be filled. Of special note, Whale Rock Reservoir is now near 100% capacity, which has not occurred since 2006. Conversely, small landslides and higher river levels associated with the storms had negative impacts on the City's water infrastructure. Pipelines were exposed and required repair to adjacent hillsides, and the Nacimiento pipeline was damaged and is undergoing temporary repairs to deliver water while a long-term strategy for a permanent repair is completed.

Operating Cost Increases - While inflation has been less severe in FY 2022-23, inflation on industry-specific commodities like chemicals and electricity remain high. For chemicals, it is typical to see five to ten percent price increases on an annual basis. In FY 2022-23, several chemicals exceeded the typical price increase—the highest being 106 percent of budget. Given the uncharacteristically high increase in chemical prices, the City restricted the use of funds in other accounts to offset the increases where possible.

Table 43 - Chemical Price Increases

| Chemical                | 2021-22 Contract | 2022-23 Contract <sup>28</sup> | % Increase |
|-------------------------|------------------|--------------------------------|------------|
| Alum                    | \$336 ton        | \$450 ton                      | +34%       |
| Fluoride                | \$1,760 ton      | \$3,211.40 ton                 | +82%       |
| Chlorine (Cl2)          | \$0.68 gal       | \$1.40 gal                     | +106%      |
| Sodium Hydroxide (NaOH) | \$0.76 gal       | \$1.28 gal                     | +68%       |
| Polymer                 | \$0.68 lb.       | \$0.95 lb.                     | +40%       |
| Liquid Oxygen (Lox)     | \$1.28 gal       | \$1.30 gal                     | +2%        |

Similarly, electricity costs are set to have a phased increase of about 40% between January 2023 and September 2023. While these cost escalations have been partially offset by data-centric operational strategies and energy efficiency projects (i.e., Tesla Battery and the WTP Energy Efficiency Project), the magnitude of the rate increases have impacted the department’s ongoing operational expenses substantially.

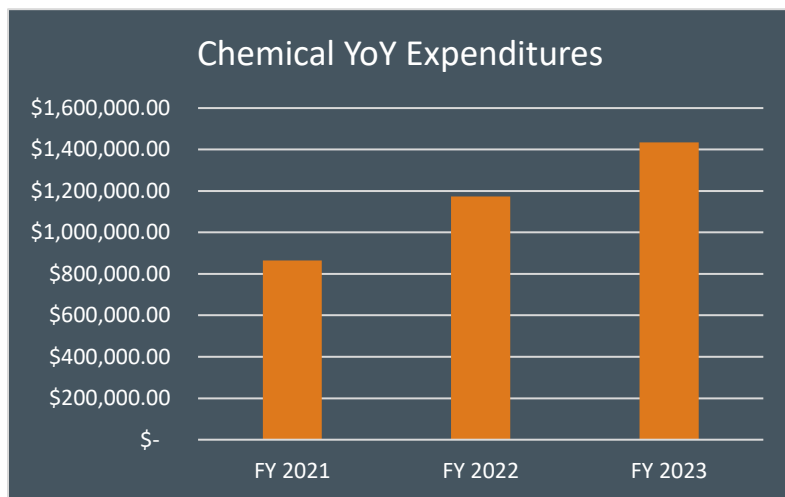
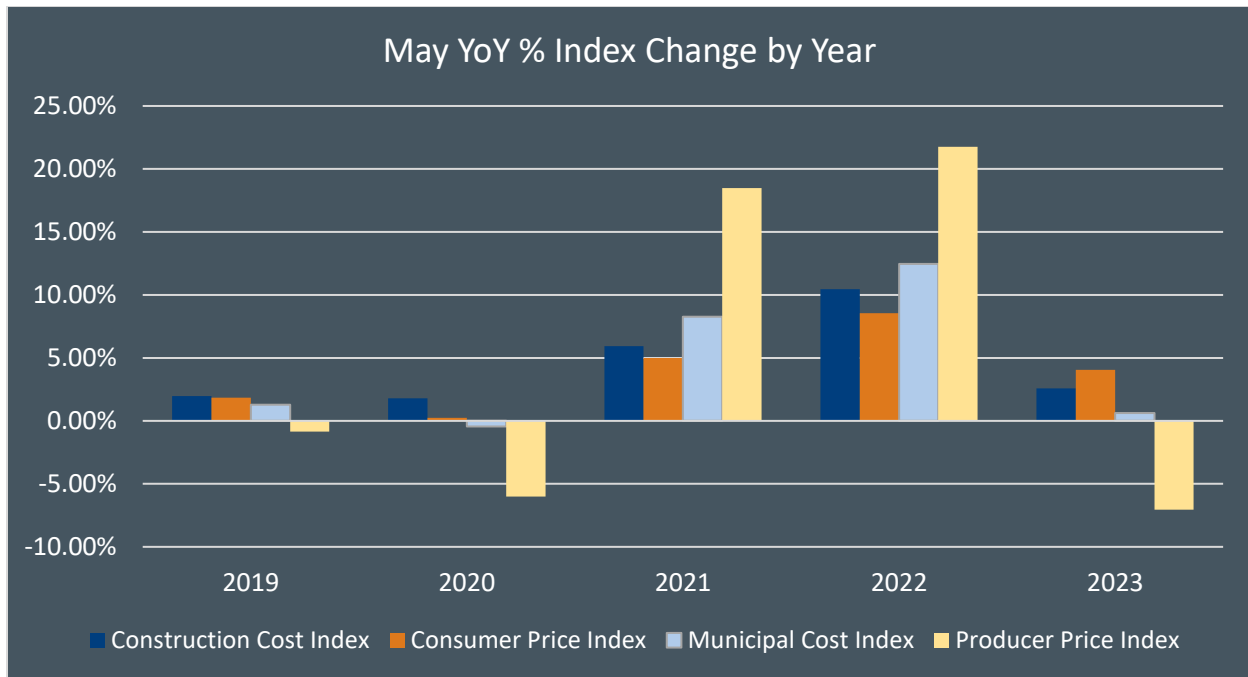


Figure 6 - Chemical YoY Expenditures

While several indices indicate slowing inflation, the fallout of extreme inflation in FY 2020-21 and FY 2021-22 have ongoing impacts on operations and capital costs. The Consumer Price Index, for all items, reflects a 12-month increase of 4.06% in May 2023. The Municipal Cost Index reflects a 12-month increase of 0.62% in May 2023.

<sup>28</sup> One year contract with option to re-negotiate in 6 months due to volatile market.

Figure 7 - Municipal Cost Index Changes



**Capital Project Delivery** - Capital project costs continue to exceed available budgets, resulting in the need for higher-than-average rate increases. As project costs increase, the Utilities Department has addressed cost increases by trimming project scopes, deferring project delivery, and using alternative funding sources such as savings from projects that were underbudget and undesignated working capital.

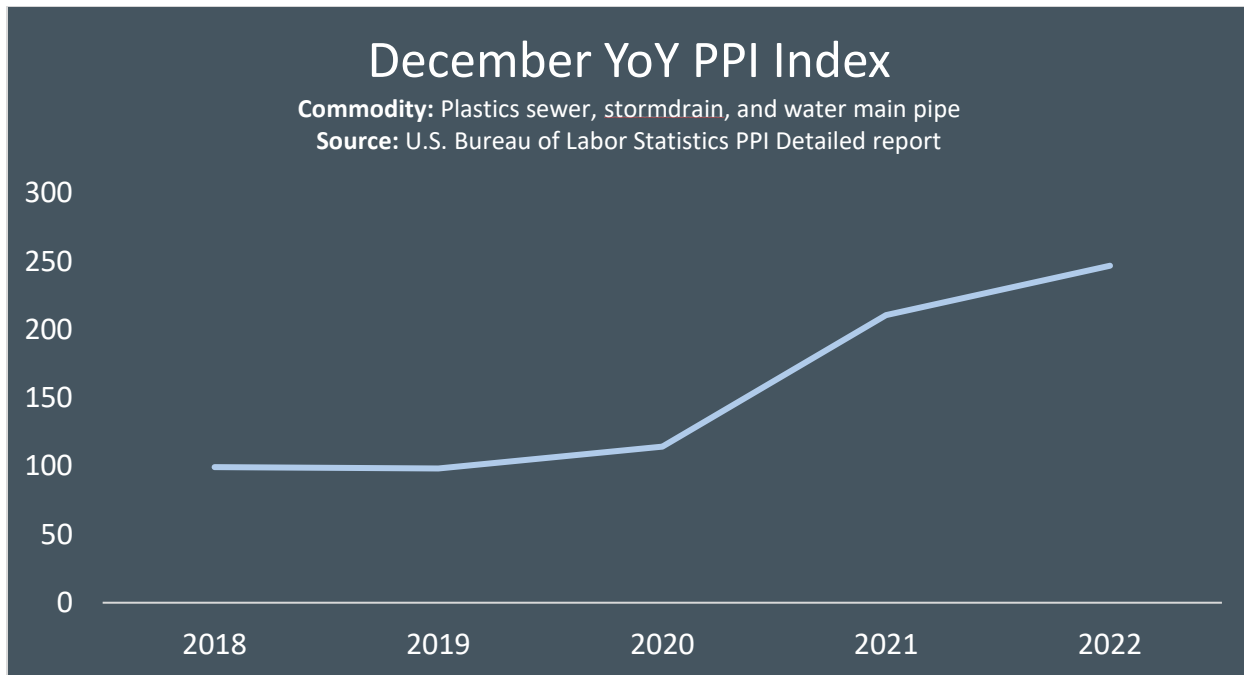
Table 44 - Escalating Project Costs

| Project  | Original Estimate | Current Cost Estimate | % increase |
|--|-------------------|-----------------------|------------|
| Reservoir 2 Cover Replacement                                  | \$960,000         | ~\$3,000,000          | +213%      |
| Johnson Waterline Replacement                                  | \$3,480,000       | \$5,010,000           | +44%       |
| Replacement of Actiflo Mixer Gearboxes                         | \$245,000         | \$416,322             | +70%       |
| Water Treatment Plant Facility Infrastructure Renewal Strategy | \$150,000         | \$451,111             | +201%      |

These cost increases are reflected in various indices. One example is the year over year (YoY) increase in the Producer Price Index for plastic sewer, storm drain, and water main pipe.



Figure 8 - Year-over-year Producer Price Index



Continued project deferrals and delays may cause issues in future years, when other high-value projects must be delayed.

Increasing Regulatory Requirements - Regulatory requirements for water conservation, groundwater management, and water and wastewater operations are often drivers of new or increased spending. For example, some of the following major expenses are directly tied to increased regulatory requirements:

- a) The Water Resource Recovery Facility upgrade
- b) Creation of a third Water Resources Technician position
- c) New permits and associated operating costs (i.e., MS4, NPDES, UCMR5)
- d) As regulatory requirements increase, the costs and operational complexities of providing water and wastewater services will also increase.

Table 45 - Utilities Department Performance Measures

| Objective  | Measure  | 2022-23 Target | 2022-23 Actual |
|--|--|----------------|----------------|
| Manage Assets Responsibly & Transparently<br><i>Utilities Strategic Goal: Public Stewardship</i> | Grant and partnership dollars to be obtained to offset rates | \$1,395,000    | \$1,658,716    |
|  | Minimize number of Customers Shut-Off for Nonpayment         | <450           | 352            |
|  | Average Infrastructure Asset Age (years) <sup>29</sup>       | 19.92          | 21.45          |
|  | # Unplanned Service Interruptions <sup>30</sup>              | 0              | 8              |

<sup>29</sup> Average asset age from City fixed assets data. This should decrease each year as assets are replaced.

<sup>30</sup> This performance measure includes water main and service line outages, and sanitary sewer overflows. While the Department aims to minimize service interruptions, service interruptions are a byproduct of aging

| Objective  | Measure   | 2022-23 Target | 2022-23 Actual    |
|--|---|----------------|-------------------|
| Connecting the Community to High Quality & Reliable Service<br><br><i>Utilities Strategic Goal: Public Service</i>   | # of Sewer Lateral Replacements including Offsets   | 100            | 95                |
|  | Recycled Water Delivered (AF)   | 325            | 236 <sup>31</sup> |
| Foster Leadership, productivity, and opportunity for personal and professional growth.<br><br><i>Utilities Strategic Goal: Workforce</i>                                 | % of new/transferred employees who completed safety trainings, assigned through CJPIA, within 30 days of hiring | 100%           | 100%              |
| Provide Coworkers and the Community with Information & Opportunities to Participate in Decisions that Impact them.<br><br><i>Utilities Strategic Goal: Communication</i> | Public Outreach: # of Communications with the Community <sup>32</sup>   | 200            | 196               |

## Water Fund

Table 46 - Water Fund Operating Expenditure Analysis

| Water Fund Operating Expenditures | FY 2021-22          | FY 2022-23          |                      |                     |            | FY 2023-24           |
|-----------------------------------|---------------------|---------------------|----------------------|---------------------|------------|----------------------|
|                                   | Actual              | Budget              | Actual               | Funds Available     | %          | Budget               |
| Staffing                          | \$ 5,174,679        | \$ 5,484,670        | \$ 4,999,216         | \$ 485,454          | 9%         | \$ 5,502,576         |
| Contract Services                 | \$ 9,921,661        | \$11,960,958        | \$ 9,866,973         | \$ 2,093,985        | 17%        | \$12,372,096         |
| Other Operating Expenditures      | \$ 955,013          | \$ 1,534,093        | \$ 1,186,567         | \$ 347,526          | 20%        | \$ 1,589,739         |
| Transfers Out                     | \$ 2,517,178        | \$ 2,311,753        | \$ 2,311,753         | \$ -                | 0%         | \$ 2,826,143         |
| Utilities                         | \$ 526,965          | \$ 698,125          | \$ 657,998           | \$ 40,127           | 6%         | \$ 1,033,139         |
| Debt Service                      | \$ 2,307,374        | \$ 2,442,558        | \$ 2,300,546         | \$ 142,012          | 0%         | \$ 1,870,392         |
| <b>TOTAL</b>                      | <b>\$21,402,870</b> | <b>\$24,432,158</b> | <b>\$ 21,323,053</b> | <b>\$ 3,109,105</b> | <b>13%</b> | <b>\$ 25,194,085</b> |

**Staffing** – Salaries and benefits within the Water Fund were underspent by approximately \$485,000 or 9% during FY 2022-23. These savings were largely the result of vacancies and substantial staff turnover at lower steps for the Water Treatment Plant, Water Distribution, Water Resources, and Administration and Engineering teams. The Water Treatment Plant also underspent its overtime budget, which had been

infrastructure. In an average year the City sees 60-80 unplanned interruptions. Most of these interruptions are related to water service line leaks, which only impact a single customer.

<sup>31</sup> Currently, recycled water is exclusively used for landscape irrigation. An extremely wet winter resulted in less water demand for landscape irrigation.

<sup>32</sup> Includes Facebook posts, blog posts, email bulletins, groundbreaking event, quarterly project reports, the Resource, website news articles, and bill inserts.

inflated in comparison with prior years to account for anticipated overtime associated with the Water Treatment Plant Energy Efficiency Project.

**Contract Services** – Approximately \$1.8 million of the approximately \$2.1 million unspent in the contract services budget can be attributed to the City’s water supply account. This account funds costs related to the Salinas, Nacimiento, and Whale Rock Reservoirs. The water supply account represents about half of the entire Water Fund's operational spending, exceeding \$11 million annually. The entirety of the amount unspent in the water supply account is tied to variable electricity and operating costs for the Nacimiento Reservoir. This discrepancy can be summarized by the following:

1. \$915,000 was credited to the City by the County in what is known as the "Nacimiento True Up Payment" where the City is refunded for Nacimiento operating costs by the County of San Luis Obispo based on actual expenditures compared to budgeted expenditures from the prior fiscal year.
2. \$580,000 was a result of Nacimiento electrical pumping charges ending the year under budget. Nacimiento pumping charges are variable in nature and impacted by time-of-day delivery and the City’s overall source water strategy. Due to the winter storms, the Nacimiento pipeline was down for 5 months in FY 2022-23, which reduced actual costs associated with pumping.
3. \$247,000 was carried over from FY 2021-22 for Nacimiento electrical pumping costs. This funding was not utilized in FY 2022-23.

In addition to the unspent funding outlined above, the Water Fund did not spend approximately \$209,000 in miscellaneous consulting services. Most of the funding in this account is used for engineering, legal, or other related professional services. About \$88,000 was underspent in Advertising and Public Outreach. Following a dry FY 2021-22 and an executive order from the Governor of California in March 2022, the City had increased Advertising and Public Outreach to meet requirements that the City implement measures associated with Stage 2 requirements of the City’s Water Shortage Contingency Plan. A wet winter in FY 2022-23 alleviated ongoing drought concerns and resulted in the City removing many temporary water conservation requirements associated with Stage 2 of the City’s Water Shortage Contingency Plan, reducing the need for conservation-related outreach and its associated costs.

**Other Operating Expenditures** – Approximately \$195,000 of the \$350,000 unspent in other operating expenditures can be attributed to the chemical account. While chemical prices have risen sharply, chemical demand in FY 2022-23 was lower for the following reasons:

1. The City utilized more water from the Whale Rock Reservoir, which requires substantially less chemical treatment. The City used more water from the Whale Rock Reservoir, because:
  - a. Nacimiento pipeline was damaged for 5 months in FY 2022-23, which forced the use of alternative water sources.
  - b. The extremely wet weather in the winter of FY 2022-23 led to the Whale Rock Reservoir spilling for four months, which meant the City could utilize this water supply without drawing down reservoir levels.
2. The overall volume of water treated at the Water Treatment Plant was 6% lower in FY 2022-23 than FY 2021-22. This overall decrease results in less chemical demand.

In addition to the unspent funding outlined above, the Water Fund had \$155,000 savings in the miscellaneous materials and supplies, safety materials and supplies, postage, construction materials and

supplies, and education and training. The reasons for savings in these accounts are varied. Some of the more substantial savings are listed below:

1. One-time costs for self-contained breathing apparatuses (SCBAs) were 70% less expensive than previously anticipated. This resulted in \$28,000 in savings.
2. \$34,000 in savings on miscellaneous materials and supplies, such as maintenance supplies for valves, vaults, and pipes. This was due to a reduction in water mainline leaks in the second half of FY 2023.
3. Approximately, \$37,000 in savings on postage due to the deferral of the Utilities Resource Newsletter and an increasingly computer savvy customer base transitioning to electronic billing.

**Utilities** – 68% (or \$27,000) of the savings in this account are for electric service for the conveyance and treatment of water. In all, the \$27,000 in savings for the electric service account, accounts for about 4% of the \$656,000 budget in FY 2022-23. The remaining savings in the utilities budget are mostly for communications services. There was a carryover amount of \$2,100 from FY 2021-22, which partially explains the savings. The communications services account will be monitored in FY 2023-24 for a possible midyear and budget supplement reductions.

**Transfers out to General Fund** – The transfers category represents transfers from the Water Fund to the General Fund for contributions to internal services and auxiliary services such as Human Resources, City Clerk, Information Technology, Public Works, etc. This is paid in arrears and calculated based on the previous fiscal year’s actuals; in this case FY 2021-22. There is no variance in this cost category.

**Debt Service** – The debt service category represents debt the Water Fund holds for financing capital projects. There is a \$142,000 savings in the debt interest account due to amortization of bond premiums, discounts, and deferred amounts on refunding.

Table 47 - Water Fund Revenue

|    | Water Fund Revenue              | FY 2021-22           | FY 2022-23           |                      |                      |            | FY 2023-24           |
|----|---------------------------------|----------------------|----------------------|----------------------|----------------------|------------|----------------------|
|    |                                 | Actual               | Budget               | Actual               | Variance             | %          | Budget               |
| 1  | Service Charges and Base Fees   | \$ 24,074,968        | \$ 24,123,079        | \$ 23,297,077        | \$ (826,002)         | -3%        | \$ 26,146,099        |
| 2  | Development Impact Fees         | \$ 5,162,275         | \$ 3,058,532         | \$ 3,614,800         | \$ 556,268           | 18%        | \$ 800,000           |
| 3  | COVID Rate Relief Program       | \$ (225,016)         | \$ -                 | \$ (53,940)          | \$ (53,940)          |            | \$ -                 |
| 4  | Other Revenue                   | \$ 461,096           | \$ 235,521           | \$ 466,983           | \$ 231,462           | 98%        | \$ 139,000           |
| 5  | State Grants                    | \$ 1,621,599         | \$ 963,449           | \$ 371,201           | \$ (592,247)         | -61%       | \$ 697,500           |
| 6  | Other Grants/Subventions        | \$ 226,994           | \$ -                 | \$ 53,940            | \$ 53,940            |            | \$ -                 |
| 7  | Cal Poly Capacity & Resilience  | \$ 114,317           | \$ 259,490           | \$ 233,025           | \$ (26,465)          | -10%       | \$ 251,072           |
| 8  | Investment and Property Revenue | \$ (749,398)         | \$ 50,000            | \$ 355,331           | \$ 305,331           | 611%       | \$ 50,000            |
| 9  | Long Term Debt Proceeds         | \$ 2,397,475         | \$ 872,574           | \$ 122,214           | \$ (750,360)         | -86%       | \$ 872,574           |
| 10 | <b>Total</b>                    | <b>\$ 33,084,310</b> | <b>\$ 29,562,644</b> | <b>\$ 28,460,631</b> | <b>\$(1,102,014)</b> | <b>-4%</b> | <b>\$ 28,956,246</b> |

Water Fund revenues were \$1.1 million less than budgeted. The primary reasons that Water Fund revenues were under budget are:

1. \$750,000 under budget in long term debt proceeds due to capital project schedules and corresponding disbursements for the Water Treatment Energy Efficiency Project.

2. \$592,000 under budget in state grants due to capital project schedules and corresponding disbursements for the Water Treatment Generator project and disbursements through California Office of Emergency Services (Cal OES).
3. \$826,000 under budget in service charges and base fees due to a 9% reduction in water consumption.

Impact fees were \$556,000 over budget, reflective of continued development in the City and unknowns associated with development construction timelines. Staff continues to refine the methodology behind development impact fee projections.

The investment and property revenue budget was reverted to a flat \$50,000 due to market volatility and poor performance in FY 2021-22. In this business cycle, revenues exceeded this mark by \$219,000. An additional fair market value adjustment amounted to \$87,000 increase in investment and property revenue actuals for the Water Fund on existing investments. Budgets continue to reflect a cautious outlook in FY 2023-24 until the economy returns to a normal business cycle.

Cal Poly Capacity and Resilience revenue was underbudget because a \$21,000 invoice for pumping charges was realized in FY 2021-22. In addition, Water Fund other revenue was over budget by \$231,000 due to a combination of the following:

1. \$84,000 overbudget for the low-income subsidy account. The Water Fund budgets -\$100,000 in revenues for financial assistance administered through the Customer Assistance Program (CAP), which gives eligible customers a 15% discount. In FY 2022-23, the department administered \$16,000 in financial assistance to 160 customers through the CAP. This resulted in \$84,000 in budgeted revenues losses that were never realized. The Utilities Department will continue to look for opportunities to expand awareness of this program.
2. \$54,000 overbudget in other grants/subventions for financial assistance for customers obtained through the Low-Income Households Water Assistance Program (LIHWAP).
3. \$72,000 overbudget through EnelX, which compensates the Water Treatment Plant for ceasing electric consumption during extremely high peak demand periods.
4. \$24,000 overbudget in utilities set-up fees due to an expanding customer base.
5. \$51,000 overbudget in non-recurring citations, penalties, and other miscellaneous revenues<sup>33</sup>.

#### FY 2022-23 Unaudited Ending Fund Balance<sup>34</sup>

Based on unaudited financials, the Water Fund will return \$4,463,190 to working capital.

Figure 9 - FY 2022-23 Water Fund Summary

| Water Fund Summary FY 2022-23        | Amount        |
|--------------------------------------|---------------|
| <b>a) Revenue</b>                    | \$ 28,460,631 |
| <b>b) Total Expenditures (c+d+e)</b> | \$ 23,928,935 |
| c) Operating Expenditures            | \$ 19,022,507 |

<sup>33</sup> These revenues include cost recovery for damage to City property, sale of scrap metal, citations, and other types of revenues that cannot reliably be accounted for on an annual basis.

<sup>34</sup> These numbers are accurate as of August 17, 2023. When compared to audited financials values may vary based on any journal entries that may have been posted after this date.

|  |                     |
|--|---------------------|
| d) Capital Expenditures                                      | \$ 2,605,882        |
| e) Debt  | \$ 2,300,546        |
| <b>Year-End Net Increase return to Working Capital (a-b)</b> | <b>\$ 4,531,696</b> |

## Sewer Fund

Table 48 - Sewer Fund Operating Expenditure Analysis

| Sewer Fund Operating Expenditures | FY 2021-22          | FY 2022-23           |                      |                     |           | FY 2023-24          |
|-----------------------------------|---------------------|----------------------|----------------------|---------------------|-----------|---------------------|
|                                   | Actual              | Budget               | Actual               | Funds Available     | %         | Budget              |
| Staffing                          | \$ 5,183,631        | \$ 5,470,802         | \$ 4,930,396         | \$ 540,406          | 10%       | \$ 5,491,135        |
| Contract Services                 | \$ 684,637          | \$ 1,500,542         | \$ 1,053,766         | \$ 446,776          | 30%       | \$ 1,103,229        |
| Other Operating Expenditures      | \$ 1,445,312        | \$ 1,690,614         | \$ 1,572,907         | \$ 117,707          | 7%        | \$ 1,528,601        |
| Transfers Out                     | \$ 2,368,064        | \$ 2,573,783         | \$ 2,573,783         | \$ -                | 0%        | \$ 3,104,155        |
| Utilities                         | \$ 541,456          | \$ 942,423           | \$ 773,208           | \$ 169,215          | 18%       | \$ 1,062,892        |
| Debt Service                      | \$ 1,379,997        | \$ 1,380,938         | \$ 1,376,380         | \$ 4,558            | 0%        | \$ 1,382,346        |
| <b>TOTAL</b>                      | <b>\$11,603,097</b> | <b>\$ 13,559,102</b> | <b>\$ 12,280,440</b> | <b>\$ 1,278,662</b> | <b>9%</b> | <b>\$13,672,358</b> |

**Staffing** – Salaries and benefits in the Sewer Fund were underspent by \$540,000 (or 10%). \$158,000 of the cost savings were due to a later than anticipated hire of a contract Wastewater Collection Operator and deferred hire of a WRRF Operator Intern. There was an additional \$103,000 in the contingency expense account for salary negotiations, that was not adjusted when salary negotiations were completed. The remaining savings were largely the result of vacancies and substantial staff turnover at lower steps for the Wastewater Collection, Water Resource Recovery Facility, Administration and Engineering, and Water Quality Lab teams.

**Contract Services** – Approximately \$330,000 of the \$446,000 underspent in the Sewer Fund’s Contract Services budget is due to delays in receiving the WRRF’s new National Pollutant Discharge Elimination (NPDES) permit. This permit was delayed due to external factors, not under the City’s control, including the new permit review and approval process. Staff utilize outside consultants during the lengthy negotiation process of being issued new NPDES permits to ensure appropriate levels of regulatory compliance requirements. The reasons for the remaining \$116,000 cost savings are varied. Some of the more substantial savings are listed below:

1. \$20,000 delayed and reduced work related to wastewater collection system modeling.
2. \$67,000 is tied to strategic underspending of advertising and public outreach as a contingency for potential electric service and chemical cost escalation.
3. \$31,000 for deferred work with a contractor for pretreatment inspections of breweries.
4. \$37,000 for deferred maintenance of assets that may be decommissioned or repurposed when the WRRF upgrade is completed.

**Other Operating Expenditures** – While the other operating expenditures accounts are mostly balanced, there was some strategic underspending that occurred to balance unanticipated overspending. The two primary accounts that were overspent are:

1. \$71,000 over budget for regulatory fees. This was due to nitrate and disinfection byproduct violations. The WRRF Upgrades have addressed this issue and it should not recur going forward.
2. \$11,000 over budget for chemicals. The liquids phase 1 stage of the WRRF upgrade was delayed by four months. Consequently, staff spent four months longer using the less chemical-efficient facility.

These over budget accounts were offset by electric service accounts, which were also under budget for the same delay as part of the WRRF upgrade. There were additional cost savings in deferred equipment maintenance supplies due to assets that may be decommissioned or repurposed when the WRRF upgrade is completed.

**Utilities** – In anticipation of the new Water Resource Recovery Facility coming online, the City began budgeting more for electric services. The new facility will utilize ultraviolet light to treat wastewater, increasing electricity needs but significantly reducing, and in some cases eliminating, certain chemical needs. Due to a modified construction schedule, the commissioning of new systems (overlapping with existing system operations) had been delayed. These savings were used to offset increases in chemical prices this year but will be needed when the new facility is commissioned.

**Transfers out to General Fund** – The transfers category represents transfers from the Sewer Fund to the General Fund for contributions to internal services and auxiliary services like Human Resources, City Clerk, Information Technology, Public Works, etc. This is paid in arrears and calculated based on the previous fiscal year’s actuals; in this case FY 2021-22. There is no variance in this cost category.

**Debt Service** – The debt service category represents debt the Sewer Fund holds for financing capital projects. There is \$4,600 savings in the debt interest account due to amortization of bond premiums, discounts, and deferred amounts on refunding.

Table 49 - Sewer Fund Revenue

|                                   | FY 2021-22           |                      | FY 2022-23           |                       |             |                      | FY 2023-24 |
|-----------------------------------|----------------------|----------------------|----------------------|-----------------------|-------------|----------------------|------------|
|                                   | Actual               | Budget               | Actual               | Variance              | %           | Budget               |            |
| 1 Service Charges and Base Fees   | \$ 19,381,278        | \$ 18,634,189        | \$ 19,483,177        | \$ 848,988            | 5%          | \$ 19,324,641        |            |
| 2 Development Impact Fees         | \$ 3,825,751         | \$ 2,226,361         | \$ 1,968,592         | \$ (257,769)          | -12%        | \$ 600,000           |            |
| 3 Other Revenue                   | \$ 605,981           | \$ 291,000           | \$ 319,724           | \$ 28,724             | 10%         | \$ 224,000           |            |
| 4 State Grants                    | \$ 95,308            | \$ 1,386,153         | \$ 1,275,831         | \$ (110,321)          | -8%         | \$ 1,386,153         |            |
| 5 Federal Stimulus Grants         | \$ -                 | \$ -                 | \$ (42,256)          | \$ (42,256)           |             | \$ -                 |            |
| 6 Cal Poly Capacity & Resilience  | \$ 243,568           | \$ 243,568           | \$ 243,568           | \$ -                  | 0%          | \$ 472,534           |            |
| 7 Investment and Property Revenue | \$ (1,035,754)       | \$ 50,000            | \$ 461,201           | \$ 411,201            | 822%        | \$ 50,000            |            |
| 8 Long Term Debt Proceeds         | \$ 46,555,923        | \$ 31,132,364        | \$ 21,384,848        | \$ (9,747,516)        | -31%        | \$ 31,132,364        |            |
| 9 <b>Total</b>                    | <b>\$ 69,672,054</b> | <b>\$ 53,963,635</b> | <b>\$ 45,094,684</b> | <b>\$ (8,868,951)</b> | <b>-16%</b> | <b>\$ 53,189,691</b> |            |

Sewer Fund revenues were under budget by \$8.9 million. This variance can be explained by underrealized revenues in long term debt proceeds and grants, which are contingent upon capital project schedules and corresponding disbursements.

Long term debt proceeds were \$9.7 million under budget because of shifting capital project schedules for the WRRF upgrade and associated disbursements. Last fiscal year, the Sewer Fund was \$22.6 million overbudget in debt proceeds. With the WRRF upgrade project potentially reaching substantial completion in FY 2023-24, the budget will be adjusted at midyear to reflect actual costs of project delivery and

corresponding loan disbursements. Simultaneously, Federal Stimulus Grants were underbudget by \$42,000 because the City had to return an overpayment tied to the COVID-19 wastewater arrearage program from October 2022. Additionally, state grants were \$110,000 underbudget due to the project delivery timing for the WRRF upgrade and corresponding disbursements from Integrated Regional Water Management (IRWM) and Cal OES.

Sewer development impact fees were under budget by approximately \$258,000, reflective of continued development in the City and unknowns associated with construction timelines. Sewer service charges and base fees were more than budgeted by \$849,000. Sewer service charges are likely to reflect lower returns in FY23-24 as the City implements the sewer cap based on an uncharacteristically wet winter.

The investment and property revenue budget was reverted to a flat \$50,000 due to market volatility and poor performance in FY 2021-22. In this business cycle, the Department exceeded this mark by \$339,000. An additional fair market value adjustment amounted to a \$72,000 increase in investment and property revenue actuals for the Sewer Fund on existing investments. Budgets continue to reflect a conservative outlook in FY 2023-24 until the economy returns to a normal business cycle.

*FY 2022-23 Unaudited Ending Fund Balance*<sup>35</sup>

Based on unaudited financials, the Sewer Fund will return \$1,290,011 to working capital.

*Table 50 - FY 2022-23 Sewer Fund Summary*

| <b>Sewer Fund Summary FY 2022-23</b>                         | <b>Amount</b>       |
|--|---------------------|
| <b>a) Revenue</b>  | \$ 45,094,684       |
| <b>b) Total Expenditures (c+d+e)</b>                         | \$ 43,804,673       |
| c) Operating Expenditures                                    | \$ 10,904,060       |
| d) Capital Expenditures                                      | \$ 31,524,233       |
| e) Debt  | \$ 1,376,380        |
| <b>Year-End Net Increase return to Working Capital (a-b)</b> | <b>\$ 1,290,011</b> |

<sup>35</sup> These numbers are accurate as of August 17, 2023. When compared to audited financials values may vary based on any journal entries that may have been posted after this date.



## Solid Waste – AB 939 General Fund

The Solid Waste program is funded by AB 939 funding, collected through the solid waste bills.

### **A Year In Review**

The Solid Waste and Recycling Program (Program) successfully established core funding, staffing support, and program objectives over the past fiscal year. In accordance with SB 1383 requirements, the State's most expansive solid waste legislation in over 30 years, the Program made significant progress in compliance efforts while its key external partner, the Integrated Waste Management Authority (IWMA), onboarded new executive leadership.

The City continues to grow its solid waste management program to administer new and existing regulatory programs like those required by SB 1383 and AB 1826. Since the Program's establishment in 2019, it had been staffed by only one Solid Waste and Recycling Coordinator. To more effectively lead the regulatory programs necessary for compliance with State and regional law, the City added a Solid Waste and Recycling Program Manager position in FY 2022-23 that was approved through the supplemental budget and considered in the rate setting process.

Since securing funding for a second full-time City staff member as a part of the rate setting process, the Program hired a Solid Waste and Recycling Program Manager in November 2022 and hired a Solid Waste and Recycling Coordinator from a vacancy at the end of the fiscal year. With the new staffing, the Program has plans to achieve a high level of public outreach, complete large-scale and challenging projects, and work towards achieving Program related Climate Action Plan goals.

### **Accomplishments and Strategic Goal Updates**

1. Compliance Efforts
  - a. AB 341: Mandatory Commercial Recycling - 100% compliance<sup>36</sup>
  - b. AB 1826: Mandatory Commercial Organics Recycling – 100% compliance
  - c. SB 1383: Short-Lived Climate Pollutants (Organics) – 99% compliance
2. Obtained a competitive Cal Recycle Beverage Container Recycling Grant for \$236,531 to order and install 30 dual stream Big Belly units (trash and recycling) with Wi-Fi and trash compacting capabilities for the downtown area.
3. Processed 640 construction and demolition waste management plans.
4. Secured 36 tons of compost for City use and to be made available to community members.
5. Utilized the preliminary work of developing a Municipal Operations Zero Waste Plan done by a CivicSpark Fellow in FY 2021-22 and selected a vendor for a Waste Characterization and Generation Study to determine baseline diversion and generation data at City facilities.
6. Ordered and installed organics recycling containers at highly rented and utilized indoor City facilities.
7. Conducted Summer Clean Up Week in partnership with San Luis Garbage and Cal Poly, removing 143 tons of materials from curbs and the public right of way.

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<sup>36</sup> Compliance efforts are monitored and measured through the SLO County Integrated Waste Management Authority and refers to the percentage of covered generators who are compliant with either a waiver or subscription to required services.

8. Facilitated a Storm Debris Drop-Off Program for residents to dispose of their storm-damaged debris from private property at no cost, resulting in a collection of over 19 tons.

**Challenges**

In FY 2022-23, the predominant challenges the Program experienced were staff recruitment and uncertainties with Integrated Waste Management Authority (IWMA) membership from other agencies. The Solid Waste and Recycling Program Manager was hired in November 2022; however, the Solid Waste and Recycling Coordinator position was vacant for the remainder of the fiscal year, with a 0.75 FTE contract Coordinator providing assistance to the program. By the end of the fiscal year, a new, permanent coordinator had been hired.

The County’s withdrawal from the IWMA in November 2021 and leadership turnover led to increased City staff involvement in regional agency coordination and planning efforts. Fortunately, the Executive Director and Deputy Director roles at the IWMA were filled with permanent employees and greater agency efficiencies were identified. These efficiencies led to a one percent temporary decrease in the IWMA Solid Waste Management Fee for the upcoming fiscal-year. The County of San Luis Obispo officially showed intent to rejoin the IWMA, which could result in additional changes to the fee and an amendment to the Joint Powers Agreements adding the County back as a member agency.

Table 51 - Solid Waste Program Budget Variance Analysis

| Solid Waste                  | FY 2021-22        | FY 2022-23        |                   |                   |            | FY 2023-24        |
|------------------------------|-------------------|-------------------|-------------------|-------------------|------------|-------------------|
|                              | Actual            | Budget            | Actual            | Funds Available   | %          | Budget            |
| Staffing                     | \$ 158,177        | \$ 296,053        | \$ 215,836        | \$ 80,217         | 27%        | \$ 276,375        |
| Contract Services            | \$ 24,324         | \$ 128,088        | \$ 92,824         | \$ 35,264         | 28%        | \$ 40,500         |
| Other Operating Expenditures | \$ 3,381          | \$ 26,510         | \$ 18,109         | \$ 8,401          | 32%        | \$ 22,544         |
| <b>TOTAL</b>                 | <b>\$ 185,882</b> | <b>\$ 450,651</b> | <b>\$ 326,768</b> | <b>\$ 123,883</b> | <b>27%</b> | <b>\$ 339,419</b> |

**Staffing** – The Solid Waste and Recycling Program Manager position was vacant for five months at the beginning of the fiscal year, and the Solid Waste and Recycling Coordinator position was vacant the entire fiscal year. A contract coordinator working 0.75 FTE filled the vacancy for the permanent coordinator, who was hired in July 2023. Substantial salary savings were realized for both the manager and coordinator positions.

**Contract Services** – The primary focus of the Program in FY 2022-23 was to maintain compliance with State recycling and organics legislation, such as SB 1383, and continue to complete large-scale projects. Due to the vacancies, some projects were paused to be completed in the next fiscal year. Execution of time sensitive work efforts and training of backfill staff and new management meant that otherwise anticipated expenditures were delayed.

Despite the vacancies, the new program manager and contract coordinator completed or began numerous compliance and strategic goal objectives from budgeted and carry over funds. These include hiring a consultant for a City facility Waste Characterization and Generation Study to create a benchmark for the zero-waste component of the Lead by Example Plan, securing funds for targeted video advertisements for proper source separation, ordering professional trash, recycling, and organics

containers for highly utilized indoor City rental facilities, and procurement of additional basic Big Belly trash and recycling units installed in the downtown core.

**Other Operating Expenditures** – Other operating expenditures includes a substantial amount of unspent postage and office supplies budget as many outreach efforts were completed primarily via social media. Advertising budget was used to increase outreach at public events with giveaway items, social media and radio ads for Clean Up Week and organics recycling, composting signage at the Emerson Park Community Gardens, and the development of Citywide recycling videos. Similar robust outreach efforts are anticipated for the next fiscal year.

*Table 52 – Year-over-year carryover of AB 939 Revenue*

|              | Revenue   | Expenditures | Carryover        |
|--------------|-----------|--------------|------------------|
| FY 19-20     | \$169,642 | \$87,156     | \$82,486         |
| FY 20-21     | \$181,337 | \$119,369    | \$61,968         |
| FY 21-22     | \$190,196 | \$185,884    | \$4,312          |
| FY 22-23     | \$392,845 | \$260,715    | \$132,130        |
| <b>Total</b> |           |              | <b>\$280,896</b> |

AB 939 revenue may only be used to pay for activities that divert waste from the landfill; therefore, any funds remaining at the end of the year are put into the General Fund "assigned" fund balance for this purpose. The table above identifies the unspent funds from prior fiscal years that will be allocated to the assigned designation account for eligible expenditures under AB 939 requirements.

## Tourism Business Improvement District

The Tourism Business Improvement District (TBID) was established in 2008 in the City of San Luis Obispo at the request of the local lodging industry. The assessment is set at 2% of the lodging industry's gross receipts and is used to defray the costs of services, activities and programs promoting tourism which benefit the operators of lodging establishments in the district through the promotion of scenic, recreational, cultural, and other attractions in the district as a tourist destination. Annually, the program sets an operating budget to match its forecasted yearly revenues.

### A Year In Review

Tourism in the City remained strong in FY 2022-23, resulting in \$10.8 million in Transient Occupancy Tax contribution into the general fund and outperforming the budget by 2%. The growth in occupancy at local hotels achieved a modest increase of 1% compared to last fiscal year but continues to show the positive signs of tourism recovery. The tourism promotion for the city continued to be led by the work of the City's Tourism Business Improvement District, known as Visit San Luis Obispo. This year the comprehensive tourism marketing efforts focused on the first year of implementation of the [2022-24 TBID Strategic Marketing & Business Plan](#). To achieve this work, the TBID made greater investments with various marketing contractors, commitments in new partnerships like hosting the Luxury Forum with Visit SLO CAL, enhanced programs like funding for Keys for Trees with EcoSLO and the Office of Sustainability & Natural Resources, and continued promotions like The Midweekend. During the fiscal year, a support position of a Tourism Analyst was created for the TBID and funded through salary savings; however long-term staffing for the TBID will be adjusted as a component of the plan to reorganize the Office of Economic Development and Tourism which was approved in June of 2023 as part of the financial plan process. Under this reorganization, the office will have an Economic Development & Tourism Manager, Tourism & Community Promotions Manager, and Economic Development Analyst.

Table 53 - TBID Revenue and Expenditure Budget Variance Analysis

| TBID Expenditures            | FY 2021-22          | FY 2022-23          |                     |                   |           | FY 2023-24          |
|------------------------------|---------------------|---------------------|---------------------|-------------------|-----------|---------------------|
|                              | Actual              | Budget              | Actual              | Funds Available   | %         | Budget              |
| Staffing                     | \$ 225,734          | \$ 226,463          | \$ 184,415          | \$ 42,048         | 19%       | \$ 276,698          |
| Contract Services            | \$ 1,243,485        | \$ 1,878,884        | \$ 1,751,856        | \$ 127,028        | 7%        | \$ 1,775,784        |
| Other Operating Expenditures | \$ 11,559           | \$ 34,100           | \$ 28,961           | \$ 5,139          | 15%       | \$ 34,100           |
| Transfers                    | \$ 37,887           | \$ 34,544           | \$ 38,279           | \$ (3,734)        | -11%      | \$ 42,816           |
| <b>TOTAL</b>                 | <b>\$ 1,518,666</b> | <b>\$ 2,173,991</b> | <b>\$ 2,003,510</b> | <b>\$ 170,481</b> | <b>8%</b> | <b>\$ 2,129,398</b> |
|                              |                     |                     |                     |                   |           |                     |
| TBID Revenue                 | Actual              | Budget              | Actual              | Variance          |           | Projection          |
| <b>TOTAL</b>                 | <b>\$ 2,111,688</b> | <b>\$ 2,122,800</b> | <b>\$ 2,153,631</b> | <b>\$ 30,831</b>  | <b>1%</b> | <b>\$ 2,140,800</b> |

**Staffing** – The program ended the year with 19% savings due to the vacancy of the Tourism Coordinator position. Over the course of the year, that position was reclassified as Tourism Analyst and filled in March.

**Contract Services** – 93% of the contract services budget was used delivering on the objectives and commitments outlined in the TBID Strategic Marketing and Business Plan.

**Other Operating Expenses** – The program ended with a 15% savings due to the cost savings with various programs like tradeshow partnerships, and media hosting expenses.

**Transfers-** The 11% difference in transfers, accounts for the additional 2% service fee transfer out of the TBID operating budget as TBID revenues exceed the budgeted amount.

### Downtown SLO Business Improvement District

The Downtown Business Improvement District (DBID) was established in 1975 as a parking and promotions district for the downtown area. As a special fee district, fees are collected from business license holders operating within a designated area and revenue supports the operations of Downtown SLO. The City and Downtown SLO (DSLO) agreed by contract that DSLO would provide various services for the economic, social, cultural, and environmental vitality and beautification of downtown San Luis Obispo. The assessment is a special revenue and is administered in its separate and distinct fund. Actual expenditures will always be near equal to revenues because all of the collected downtown assessment is remitted to Downtown SLO. Slight variances may occur due to the timing of revenue remittals.

Table 54 - Downtown Association Revenue and Expenditure Budget Variance Analysis

| Downtown Association  | FY 2021-22        | FY 2022-23        |                   |                   |            | FY 2023-24        |
|-----------------------|-------------------|-------------------|-------------------|-------------------|------------|-------------------|
|                       | Actual            | Budget            | Actual            | Funds Available   | %          | Budget            |
| Pass-through Payments | \$ 222,141        | \$ 275,000        | \$ 271,977        | \$ (3,023)        | -1%        | \$ 275,400        |
| <b>TOTAL</b>          | <b>\$ 222,141</b> | <b>\$ 275,000</b> | <b>\$ 271,977</b> | <b>\$ (3,023)</b> | <b>-1%</b> | <b>\$ 275,000</b> |
| <b>Revenue</b>        |                   |                   |                   |                   |            |                   |
|                       | Actual            | Budget            | Actual            | Variance          | %          | Projection        |
| <b>TOTAL</b>          | <b>\$ 227,202</b> | <b>\$ 275,000</b> | <b>\$ 269,523</b> | <b>\$ (5,477)</b> | <b>-2%</b> | <b>\$ 275,400</b> |

## 2022-23 Capital Improvement Plan in Review

### Major Completed Projects

During Fiscal Year 2022-23, several major projects were completed. It is important to note that although some capital projects are highly visible to the community, others are not, including water and wastewater system improvements, open space maintenance, silt removal, information technology maintenance, facilities maintenance, and fleet procurement. The list below highlights some of the major accomplishments in the Capital Improvement Program (CIP) during the fiscal year:

1. Orcutt Tank Farm Roundabout
2. Roadway Sealing 2022
3. Curb Ramp Improvements in Laguna Lake and Foothill/Chorro neighborhoods (Pavement Area 6 and 7)
4. Electric Bus Procurements
5. Parks and Recreation Interior Office Rehabilitation
6. Water Treatment Plan Power Storage Units with Tesla Battery Grant
7. Pedestrian Crosswalk Beacon at Ramona
8. WRRF Telemetry and Server Upgrade
9. 40 Prado Road Bus Shelter Relocation

Following project completion, staff will complete a financial closeout process to ensure all payments have been made and all invoices have been captured. This process will also return any remaining funds back to the appropriate account or fund balance where applicable.

### Storm Projects

The City has made substantial progress but is still working to address the creek and infrastructure impacts from the 2023 winter storms. This work includes storm drain repairs, creek erosion repair and protection, water and wastewater system repairs, debris removal, and roadway pothole repairs, among other capital assets. There remains uncertainty to the best and most financially viable long-term solution as staff begin the design and engineering process, with considerations around reimbursement eligibility with the Federal Emergency Management Agency (FEMA). Alongside the engineering and construction work is continued efforts by staff to identify and document storm related work to ensure FEMA reimbursement where possible, while continuing to meet the significant expectations of the community in delivering vital and meaningful infrastructure projects.

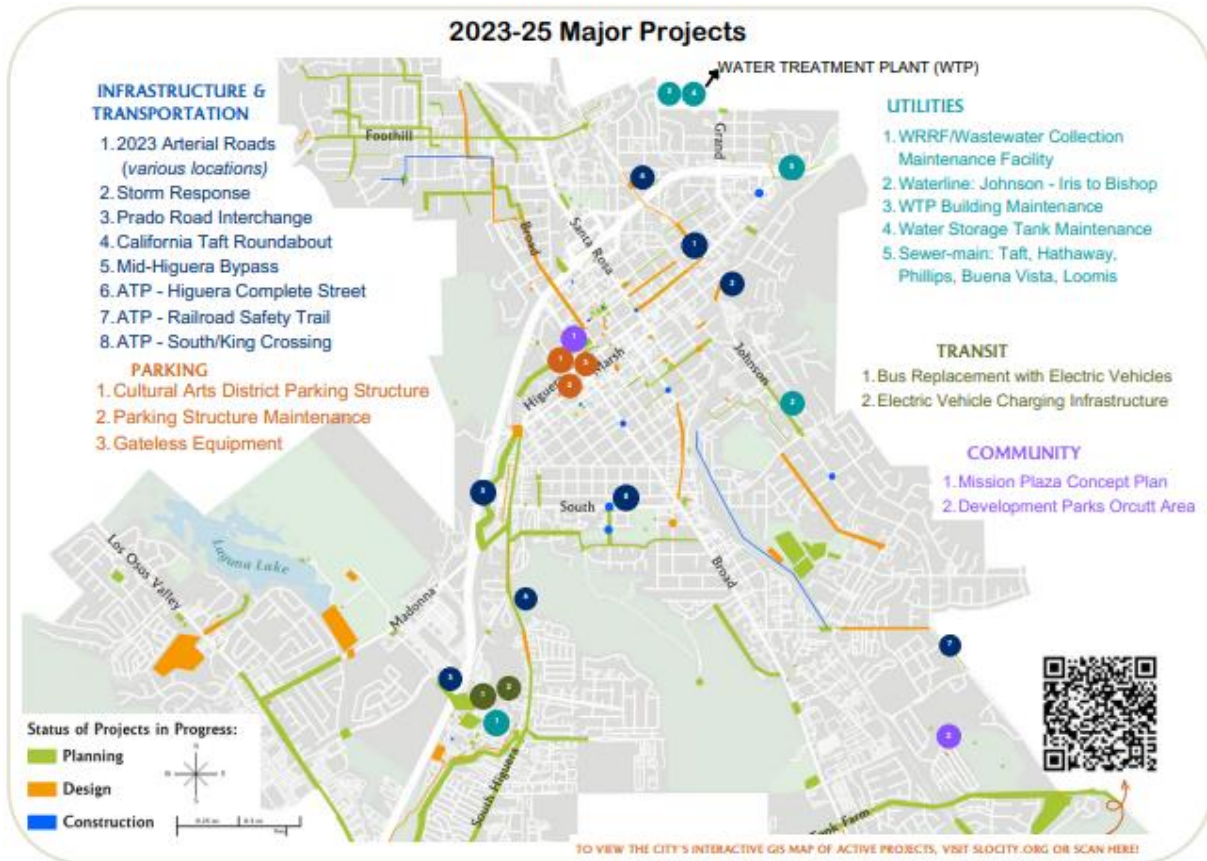
Following the storms, 204 public sites were identified for repair, rehabilitation, or debris removal. A large majority, or 180 of the 204 sites, have been addressed. 9 of the remaining projects are being managed by operating programs and 15 sites that require Capital Improvement Plan Engineering support.

Current estimates from storm damage alone ranges from \$15 million to \$27 million in repair costs, with costs able to be further refined as project scope, design and timing are solidified.

### Upcoming Projects

The map below presents **some** of the active and ongoing capital projects which were identified during the financial planning processes, with activity taking place during the current fiscal year. In FY 2023-24, the City has programmed over \$116 million in capital projects supporting all departments and services across the City.

Figure 10 - 2023-25 Major Projects



### Project Carryover Balances

Capital projects often span over multiple years and even across financial plans. Due to the nature of capital projects, funding is carried over from year to year, with project close out activities taking place upon project completion. This may result in funding being made available for other uses if a project is completed under budget. Staff schedule delivery of the CIP based upon the resources available (staffing and funding) and, in some instances, the most appropriate time of the year for construction activities (such as paving in summer). With the adoption of the 2023-25 Financial Plan, many active and ongoing capital projects remain that were identified and funded for work during prior fiscal years. The tables below highlight the project carry over balances, or remaining funding for a given project that has been allocated with the adoption of prior budget documents. The tables below are organized based on project status or project progress, based on the following [indicators](#):

- Complete (Pending Close)
- Construction
- Ready to Construct
- Ongoing – these are annual asset projects that provide funding support for other CIP’s or have several subprojects in different phases of delivery.
- Project Design
- Project Identification & Budgeting

Figure 11 - Project Carryover Balances by Status

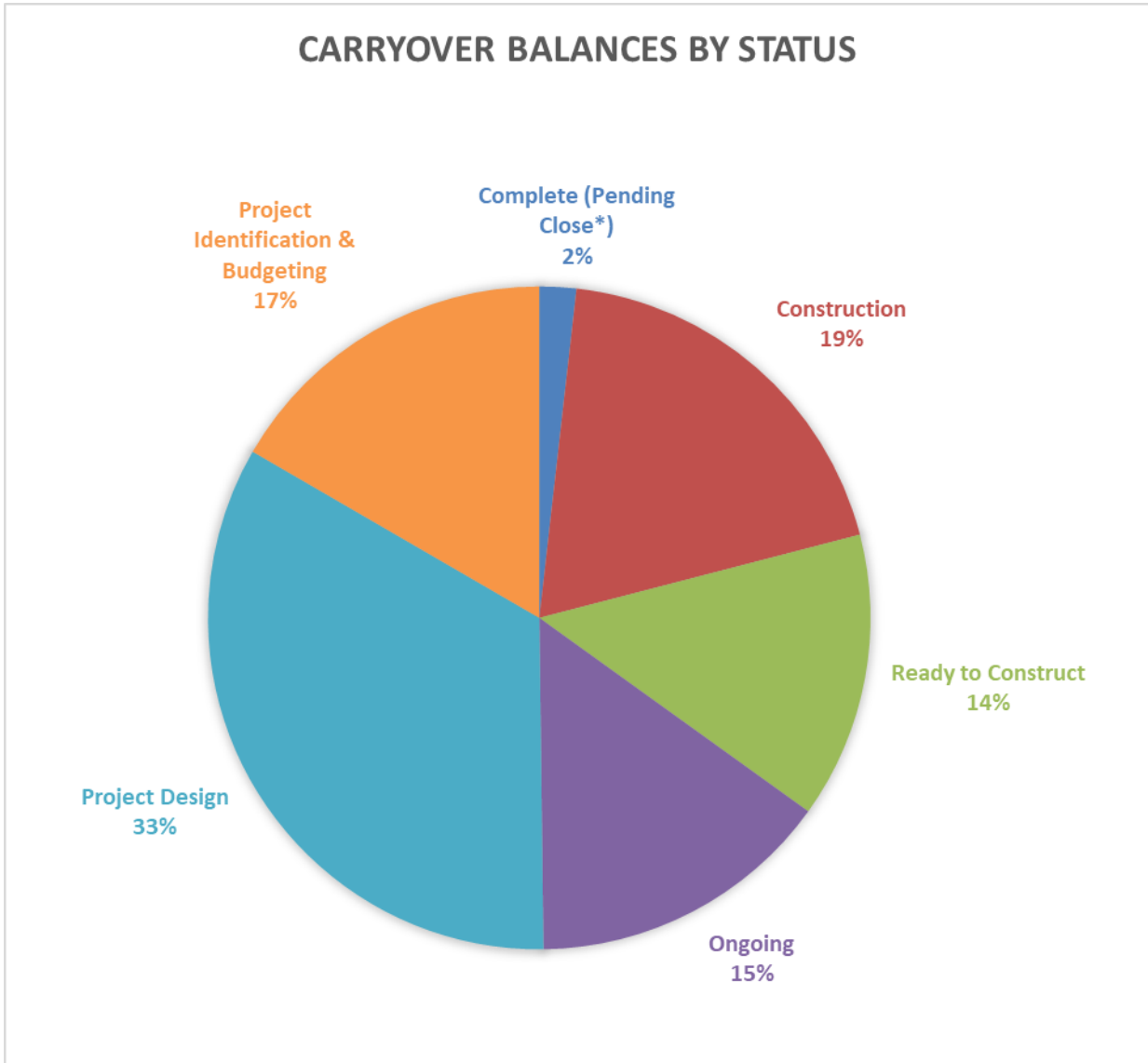




Table 55 - Project Balances - Completed

| Ref # | Complete (Pending Close*)                                   | Carryover Balance  |
|-------|---|--------------------|
| 1     | <b>Project &amp; Totals</b>                                 | <b>\$1,774,281</b> |
| 2     | Marsh at Santa Rosa Bridge Replacement [90480]              | \$288,290          |
| 3     | Railroad Safety Trail Taft to Pepper - 2018 [91375]         | \$265,316          |
| 4     | Monterey at Santa Rosa Paving and Signal Project [1000559]  | \$262,511          |
| 5     | Open SLO [1000155]  | \$143,689          |
| 6     | CIP Project Delivery Augmentation [1000500]                 | \$133,612          |
| 7     | Orcutt/Tank Farm Roundabout Construction [1000164]          | \$115,056          |
| 8     | ERP Acquisition [91534]                                     | \$114,724          |
| 9     | Roadway Sealing 2022 [1000560]                              | \$87,725           |
| 10    | Pedestrian Crossing Improvements [1000069]                  | \$81,266           |
| 11    | Downtown Renewal [91320]                                    | \$73,342           |
| 12    | Edna Tank Maintenance [91152]                               | \$40,005           |
| 13    | Council Hearing Room Improvements [1000055]                 | \$31,636           |
| 14    | 40 Prado Rd. Bus Shelter Relocation [1000566]               | \$29,939           |
| 15    | WRRF Telemetry and Server Upgrade [91726]                   | \$21,959           |
| 16    | Meinecke Murray Easement [91735]                            | \$17,860           |
| 17    | Parks and Recreation Interior Office Rehabilitation [91562] | \$14,485           |
| 18    | WTP Power Storage Units Tesla Battery Grant [1000541]       | \$13,933           |
| 19    | Water Distribution System Hydraulic Model Update [1000540]  | \$13,498           |
| 20    | WRRF California Resiliency Challenge [1000169]              | \$10,000           |
| 21    | Fleet Replacement: CDD [1000518]                            | \$6,284            |
| 22    | New Bicycle Facilities [99615]                              | \$5,437            |
| 23    | WTP Chemical System Maintenance [91731]                     | \$2,341            |
| 24    | Infrastructure Renewal [91736]                              | \$1,228            |
| 25    | Corporation Yard Fuel Island Siding [91632]                 | \$146              |
| 26    | Laguna Lake Dredging [99110]                                | \$0                |
| 27    | WTP Ozone System Maintenance [91730]                        | \$0                |
| 28    | Pedestrian Crosswalk Beacon on Ramona [1000161]             | \$0                |
| 29    | Pavement Area 6 and 7 Curb Ramps [1000558]                  | \$0                |
| 30    | Madonna Road Bike Path Landscaping Design [1000567]         | \$0                |
| 31    | Anholm Neighborhood Greenway Plan - Phase 1 [91619]         | \$0                |
| 32    | Urban Forest: Operating [91527]                             | \$0                |

\*These are projects that are complete and pending close; however, there may be some final payments or minor work that still needs to occur, which explains some of the remaining balance.

Table 56- Project Balances - Construction

| Ref # | Construction  | Carryover Balance    |
|-------|---|----------------------|
| 1     | <b>Project &amp; Totals</b>                                     | <b>\$ 18,960,758</b> |
| 2     | WRRF Facility Upgrade [91219]                                   | \$ 10,415,588        |
| 3     | Calle Joaquin Sewer Lift Station and Siphon Replacement [91118] | \$ 2,160,133         |
| 4     | Whale Rock Major Maintenance [91335]                            | \$ 1,210,046         |
| 5     | Anholm Neighborhood Greenway - Phase 2 [1000036]                | \$ 1,199,812         |
| 6     | Public Safety Power Shutoffs - Emergency Power [1000126]        | \$ 934,515           |
| 7     | North Broad Street Neighborhood Park [91683]                    | \$ 725,283           |
| 8     | Transit Facility EV Charging Infrastructure [1000535]           | \$ 630,214           |
| 9     | Bus Yard Parking Lot Maintenance [1000102]                      | \$ 500,000           |
| 10    | Buckley Sewer Lift Station [1000083]                            | \$ 377,234           |
| 11    | 2023 Streets Reconstruction & Resurfacing - Arterials           | \$ 218,341           |
| 12    | 2022 Street Reconstruction and Resurfacing [90346]              | \$ 198,509           |
| 13    | Water TTHM Byproduct Reduction Project [1000044]                | \$ 164,589           |
| 14    | San Luis Creek Bank Stabilization near Pismo, Johnson [1000035] | \$ 142,609           |
| 15    | Parking Enforcement Equipment at Gate Entry [1000525]           | \$ 83,181            |
| 16    | WTP Energy Efficiency [91566]                                   | \$ 705               |

Table 57 - Project Balances - Ready to Construct

| Ref # | Ready to Construct  | Carryover Balance       |
|-------|---|-------------------------|
| 1     | <b>Project &amp; Totals</b>                                 | <b>\$ 13,813,111.40</b> |
| 2     | 1106-1120 Walnut Street Real Property Acquisition [1000577] | \$ 5,768,778.00         |
| 3     | Cultural Arts District Parking Structure [90435]            | \$ 4,927,305.06         |
| 4     | Parking Structure Maintenance [1000049]                     | \$ 3,090,260.53         |
| 5     | Whale Rock Auto Control Valves [91718]                      | \$ 26,767.81            |

Table 58 - Project Balances - Ongoing

| Ref # | Ongoing   | Carryover Balance    |
|-------|---|----------------------|
| 1     | <b>Project &amp; Totals</b>                             | <b>\$ 14,724,937</b> |
| 2     | Open Space Acquisition [99837]                          | \$ 2,929,604         |
| 3     | Development Agreements [1000056]                        | \$ 1,652,750         |
| 4     | Major Facilities Maintenance [1000075]                  | \$ 1,234,489         |
| 5     | Parks Major Maintenance [91385]                         | \$ 1,022,262         |
| 6     | Fleet Replacement: Public Works [1000520]               | \$ 982,548           |
| 7     | Public Safety IT Replacements [1000074]                 | \$ 976,380           |
| 8     | WRRF Major Equipment Maintenance [1000077]              | \$ 536,496           |
| 9     | Whale Rock Pipe Assessment and Repairs [91617]          | \$ 524,950           |
| 10    | Fleet Replacement: Police [1000553]                     | \$ 438,698           |
| 11    | Fleet Replacement: Fire [1000554]                       | \$ 436,996           |
| 12    | Sidewalk Maintenance [90849]                            | \$ 323,216           |
| 13    | Public Art Installation [1000510]                       | \$ 322,822           |
| 14    | WTP Major Equipment Maintenance [99653]                 | \$ 250,205           |
| 15    | Parking Lot Maintenance [1000031]                       | \$ 246,713           |
| 16    | Neighborhood Traffic Improvements [91612]               | \$ 227,976           |
| 17    | Downtown Safety Enhancements [1000511]                  | \$ 218,278           |
| 18    | Fleet Replacement: Utilities [1000521]                  | \$ 206,977           |
| 19    | WTP Major Facility Maintenance [1000542]                | \$ 198,390           |
| 20    | Public Art Maintenance [1000503]                        | \$ 195,609           |
| 21    | Traffic Safety Report Improvements [91607]              | \$ 157,783           |
| 22    | WRRF Asset Maintenance Management [1000077]             | \$ 149,946           |
| 23    | Playground Equipment Replacement [1000033]              | \$ 149,190           |
| 24    | Water Distribution Point Repairs [1000065]              | \$ 147,574           |
| 25    | Open Space Maintenance [91397]                          | \$ 128,488           |
| 26    | Network IT Replacements [1000074]                       | \$ 128,014           |
| 27    | Silt Removal [1000198]                                  | \$ 115,882           |
| 28    | Fleet Replacements - Citywide [1000047]                 | \$ 113,075           |
| 29    | Fleet Replacement: Parks and Recreation [1000519]       | \$ 88,500            |
| 30    | Urban Forest Maintenance [1000027]                      | \$ 87,974            |
| 31    | Banner Arms, Bench Rests, Signs [1000157]               | \$ 85,460            |
| 32    | Water Distribution Meters and Boxes [1000062]           | \$ 66,637            |
| 33    | Traffic Model Update [90949]                            | \$ 60,621            |
| 34    | Street Lights [91616]                                   | \$ 56,425            |
| 35    | Vision Zero Program Implementation [1000073]            | \$ 47,147            |
| 36    | Sewer Lift Station Repairs [91628]                      | \$ 34,401            |
| 37    | Sewer Utility Trench Repair [91740]                     | \$ 30,021            |
| 38    | Utilities IT Replacements [1000074]                     | \$ 27,540            |
| 39    | Traffic Signs and Striping Maintenance [90943]          | \$ 25,700            |
| 40    | Water Distribution Utility Trench Repair [91147]        | \$ 25,031            |
| 41    | LOVR Interchange Offsite Mitigation Agreement [1000182] | \$ 15,924            |
| 42    | Enterprise IT Replacements [1000074]                    | \$ 14,168            |
| 43    | Bridge Maintenance [1000029]                            | \$ 13,432            |
| 44    | Fleet Services Vehicle Lift [1000181]                   | \$ 9,283             |
| 45    | LAN Tablet System [91717]                               | \$ 8,092             |
| 46    | Pedestrian and Bicycle Pathway [1000032]                | \$ 5,775             |
| 47    | Wastewater Collections System - Point Repairs [1000527] | \$ 5,417             |
| 48    | Major Facility Replacements [1000522]                   | \$ 5,293             |
| 49    | Water Distribution Fire Hydrants [1000063]              | \$ 2,562             |
| 50    | Active Transportation Plan Implementation [1000502]     | \$ 2,530             |
| 51    | Sewer Maintenance Hole Cover Adjustments [1000084]      | \$ 800               |

Table 59 - Project Balances - Project Design

| Ref # | Project Design   | Carryover Balance    |
|-------|--|----------------------|
| 1     | <b>Project &amp; Totals</b>  | <b>\$ 33,199,885</b> |
| 2     | Prado Road Bridge Widening [91252]                                   | \$ 5,016,074         |
| 3     | Development Related Parks Improvements [1000057]                     | \$ 4,866,599         |
| 4     | Prado Road Interchange [91613]                                       | \$ 2,783,734         |
| 5     | Water Storage Tank Maintenance [1000034]                             | \$ 2,574,748         |
| 6     | Emerson Park Amenity Upgrades and Beautification [1000514]           | \$ 2,435,159         |
| 7     | Foothill Sewer Lift Station Replacement [91224]                      | \$ 2,338,958         |
| 8     | Airport Sewer Lift Station Replacement [91369]                       | \$ 1,965,918         |
| 9     | Waterline Replacements : California Ave - Stafford to Mill [1000545] | \$ 1,715,976         |
| 10    | Prado Road Extension Reimbursement [1000195]                         | \$ 1,698,184         |
| 11    | Groundwater Well Development Program [91506]                         | \$ 1,142,579         |
| 12    | Parking Pay Station Installation [1000574]                           | \$ 988,000           |
| 13    | Mission Plaza Restroom Improvements [91439]                          | \$ 933,981           |
| 14    | Higuera Widening at 50 Higuera [91294]                               | \$ 768,115           |
| 15    | Broadband Plan   | \$ 562,650           |
| 16    | WRRF And Wastewater Collection Shop [1000550]                        | \$ 426,946           |
| 17    | California & Foothill Railroad Crossing Upgrade [91293]              | \$ 313,911           |
| 18    | SGMA GSP (Groundwater Basin Management) [1000150]                    | \$ 295,352           |
| 19    | Parks and Rec General Plan Implementation [1000526]                  | \$ 284,393           |
| 20    | Higuera Street Widening to Elks [91610]                              | \$ 282,953           |
| 21    | Sewer Replacement: Chorro & Murray [91639]                           | \$ 258,827           |
| 22    | KVEC Tower [1000113]   | \$ 257,589           |
| 23    | Verde, Luneta, Ramona Wastewater collections System Improvement      | \$ 254,775           |
| 24    | Electric Vehicle Charging Station at Various Facilities [1000513]    | \$ 232,482           |
| 25    | Mitchell Park Picketball Courts [1000188]                            | \$ 196,254           |
| 26    | California Taft Roundabout [91503]                                   | \$ 143,384           |
| 27    | Reservoir No 2 Replacement [91368]                                   | \$ 111,991           |
| 28    | Transportation Impact Fee Program Update [1000165]                   | \$ 100,000           |
| 29    | Multisite Energy Management [91574]                                  | \$ 71,870            |
| 30    | Mission Plaza Maintenance Improvements [1000562]                     | \$ 62,954            |
| 31    | Mid-Higuera Bypass [90649]   | \$ 44,900            |
| 32    | Public Safety Center [91365]   | \$ 35,377            |
| 33    | Railroad Safety Trail Implementation [1000502]                       | \$ 25,000            |
| 34    | City Hall Landing Repair [91532]                                     | \$ 8,580             |
| 35    | South Street Median Landscaping [1000037]                            | \$ 852               |
| 36    | Transit Yard Solar [1000144]   | \$ 817               |
| 37    | Johnson - Iris to Bishop Pipeline Replacement [1000578]              | \$ 2                 |

Table 60 - Project Balances - Project Identification & Budgeting

| Ref # | Project Identification & Budgeting                                  | Carryover Balance    |
|-------|---|----------------------|
| 1     | <b>Project &amp; Totals</b>   | <b>\$ 16,462,548</b> |
| 2     | Fleet Replacement: Transit 6 Gillig buses [1000505]                 | \$ 6,632,843         |
| 3     | Islay, Henry, Sierra Way Wastewater Collections System Improvement  | \$ 1,830,535         |
| 4     | Morro, Mill, Santa Rosa Wastewater Collections Systems Improvement  | \$ 1,515,285         |
| 5     | Bob Jones Trail and RRSST Solar Lighting [1000501]                  | \$ 1,449,941         |
| 6     | Recycled Water Broad Street - Tank Farm to Aerovista [1000528]      | \$ 1,061,031         |
| 7     | City Facility Enhancements [1000575]                                | \$ 773,070           |
| 8     | Fleet Replacement Transit -Protera/New Flyer Buses [1000058]        | \$ 458,253           |
| 9     | Bus Wash Replacement [1000053]                                      | \$ 450,000           |
| 10    | WRRF Safety Perimeter Fencing                                       | \$ 347,500           |
| 11    | Recycled Water Tank [1000530]                                       | \$ 340,249           |
| 12    | City Security Project [1000152]                                     | \$ 282,527           |
| 13    | Downtown Zig-Zag Lighting [1000512]                                 | \$ 250,000           |
| 14    | Whale Rock Intake Valve Replacement [1000176]                       | \$ 200,000           |
| 15    | Recycled Water Systems Retrofits [1000573]                          | \$ 172,647           |
| 16    | Buchon & Santa Rosa Intersection Improvements [1000052]             | \$ 150,000           |
| 17    | Sewer Inflow and Infiltration Reduction [91739]                     | \$ 131,915           |
| 18    | Fire Station 3&4 Remodel Space Study and Design [1000516]           | \$ 100,000           |
| 19    | WRRF Power Cogeneration Upgrade [1000551]                           | \$ 100,000           |
| 20    | Transit Supervisor ADA EV Van [1000536]                             | \$ 70,000            |
| 21    | Golf Course Pro Shop Flood Damage Repairs [1000568]                 | \$ 50,181            |
| 22    | Laguna Lake Golf Course Irrigation System Maintenance [1000030]     | \$ 31,570            |
| 23    | Taft, Hathaway, Phillips, Buena Vista, Loomis Wastewater Collection | \$ 25,000            |
| 24    | San Jose, Ramona, Monte Vista, California Wastewater Collections    | \$ 25,000            |
| 25    | Transit Vault Room Addition Design Study [1000538]                  | \$ 15,000            |

#### Funding Source Expenditure Summary

The Capital Improvement Program is supported by a variety of funding sources including the Local Revenue Measure, special funds, enterprise funds, grants, and more traditional government funds. Each fund or funding source serves different purposes, and, at times, comes with limitations and restrictions for eligible uses or expenses. Like the Project Carryover Balances section above, the table below outlines similar information but presented by funding source. As highlighted, the use of the Local Revenue Measure is a primary revenue source in supporting the delivery of capital projects.

Table 61 - Project Carryover by Funding Source

| Fund Source           | Carryover Balance     |
|-----------------------|-----------------------|
| Local Revenue Measure | \$ 15,996,708         |
| Capital Outlay        | \$ 14,757,134         |
| Grants                | \$ 11,322,644         |
| Parking Fund          | \$ 9,254,332          |
| Transit Fund          | \$ 1,707,212          |
| Water Fund            | \$ 9,797,597          |
| Sewer Fund            | \$ 23,307,620         |
| Whale Rock Fund       | \$ 1,980,609          |
| Impact Fee Funds      | \$ 12,385,854         |
| <b>Total</b>          | <b>\$ 100,509,709</b> |

### Use of Capital Reserve

In recent months, the City has worked to navigate unique economic conditions, including cost escalation and supply chain delays, which have impacted the City’s ability to deliver capital projects within budget and schedule. While the CIP budget has tripled due to the voters’ passage of Measure G20 (the City’s local sales tax measure), the increased revenues have proven invaluable for adapting to variable market conditions in recent years.

As a result, the City has established a [Capital Projects Reserve Fund](#)<sup>37</sup> to account for unanticipated needs, project cost increases, or an urgent need (an emergency repair, for example). Per City Policy, a goal has been established that the amount of reserve fund equates to 20% of the LRM portion of the programmed CIP. This results in an approximate reserve of \$4 million, which is set aside with a given budget cycle. The table below presents the use of the CIP Reserve during FY 2022-23.

Table 62 - Capital Reserve Balance

| Ref # | Project  | Amount              |
|-------|--|---------------------|
| 1     | <b>Balance as of July 1, 2022</b>  | <b>\$ 4,008,708</b> |
| 2     | Cerro San Luis Neighborhood Greenway   | \$ (1,000,000)      |
| 3     | Cheng Park Revitalization Project  | \$ (200,000)        |
| 4     | City Hall Meeting Room Tenant Improvements   | \$ (160,000)        |
| 5     | Fire Station 1 Roof Replacement  | \$ (350,000)        |
| 6     | Railroad Safety Trail  | \$ (380,000)        |
| 7     | SLO Creek Bank Repair Project  | \$ (1,500,000)      |
| 8     | North Broad Street Neighborhood Park   | \$ (200,000)        |
| 9     | North Chorro Neighborhood Greenway (Previously Cerro San Luis Neighborhood Greenway) | \$ (218,708)        |
| 10    | <b>Ending Balance</b>  | <b>\$ -</b>         |
| 11    |  |                     |
| 12    | <b>Balance as of July 1, 2023</b>  | <b>\$ 4,000,000</b> |

<sup>37</sup> The City will maintain a committed reserve of 20% of capital improvement plan budget from the Local Revenue Measure for the purposes of offsetting unanticipated cost increases, unforeseen conditions, and urgent unanticipated projects to provide continued investment in infrastructure maintenance and enhancement. Use and allocations of funds from the Capital Projects Reserve Fund will be made to Capital Projects including Major Facility Replacement upon Council approval as necessary during any fiscal year.

## Major City Goal Update

The table below shows the Major City Goal tasks that were scheduled to be completed in the fourth quarter. In total, 17 tasks were completed. Because the 2023-25 Major City Goals are the same, many of these efforts are ongoing and included in the 2023-25 Financial Plan.








- On track
- Task delayed or potential setbacks with workable solutions
- Problems emerged with no solution yet





| Task   |  | Status                                | Completion Date | Updated Completion Date | Comments (if applicable)   |
|--|--|---------------------------------------|-----------------|-------------------------|--|
| <b>Economic Recovery, Resiliency &amp; Fiscal Sustainability</b> |  |                                       |                 |                         |  |
| 1.1  | h. Update the City's Economic Development Strategic plan   | <span style="color: green;">●</span>  | FY23 Q4         | Complete                |  |
| 1.1  | i. Review the Economic Development program structure based on the outcome of the EDSP update.  | <span style="color: green;">●</span>  | FY23 Q4         | Complete                | New structure approved in 2023-25 Financial Plan. Changes to be implemented FY 2023-24 Q2  |
| 1.1  | c. Evaluate and potentially establish a City Leadership/Chamber of Commerce / Minority Business Owners' roundtable.  | <span style="color: green;">●</span>  | FY23 Q4         | Complete                | Reviewed the value and feasibility with potential partners and determined there were much higher priority initiatives.                           |
| 1.1  | d. Research, explore and potentially utilize innovative practices such as micro-loans, targeted-sector recruiting and promotion, City facilitated lending, grants, private support and crowdfunding to support businesses owned by or serving underserved/underrepresented communities. The City will also leverage its partner network, including the Chamber, Downtown SLO, REACH and others to support the DEI initiatives as they relate to economic development including creation, retention and attraction efforts. | <span style="color: green;">●</span>  | FY23 Q4         | Complete                |  |
| 1.2  | b-4. Improve efficiency and transparency in the permitting process through implementation of paperless permitting, performance management reporting, and enhanced customer transparency tools.   | <span style="color: green;">●</span>  | FY23 Q4         | Ongoing                 | Carried over into 2023-25 Major City Goals.  |
| 1.4  | d-8. Expansion to gateless parking structure to improve the customer access and experience when visiting downtown.   | <span style="color: green;">●</span>  | FY23 Q4         | Ongoing                 | 842 Palm has been transitioned. Work effort to integrate Park Local Program continues. Marsh and 919 Palm to follow once CIP staff are assigned. |
| <b>Diversity, Equity, Inclusion</b>                              |  |                                       |                 |                         |  |
| 2.1  | i. Consultant - DEI SME - 360 total hours  | <span style="color: green;">●</span>  | FY23 Q4         | Complete                |  |
| 2.2  | c. Present comprehensive plan to City Council for Adoption   | <span style="color: orange;">●</span> | FY23 Q4         | FY24 Q3                 | DEI Strategic Plan under development to be presented to Council in FY 2023-24 Q3.  |

| Task   |   | Status | Completion Date | Updated Completion Date | Comments (if applicable)   |
|--|---|--------|-----------------|-------------------------|--|
| 2.2  | a. Conduct needs, priority, and resource assessments. Create comprehensive DEI initiatives and programming for the organization and community.  | ●      | FY23 Q4         | Ongoing                 | Ongoing effort to address City needs and impact in the community.  |
| 2.2  | d. Create project designs and implementation plans. Identify applicable qualitative and quantitative metrics to measure impact of DEI projects and overall DEI program  | ●      | FY23 Q4         | Ongoing                 | Completed development of performance outcome measures, which continue to be ongoing efforts to determine success and address needs.          |
| 2.4  | j. Complete a planning study for gender-inclusive restroom and sleeping facilities for Fire Stations 3 and 4. Proceed with design work pending results of study.  | ●      | FY23 Q4         | FY26 Q3                 | Design work is underway for the Fire Station 3 & 4 dorm remodel. The estimated completion date of the project construction is FY 2025-26 Q3. |
| 2.7  | e. Support feasibility study for Multicultural Center; provide City liaison/staff support   | ●      | FY23 Q4         | Complete                | Use of funding to execute a Multicultural Programming contract with Cal Poly.  |
| 2.7  | f. Contribute to planning / feasibility study   | ●      | FY23 Q4         | Complete                | Use of funding to execute a Multicultural Programming contract with Cal Poly.  |
| 2.7  | j. Community Academy – second stage, longer program. Partner with Chamber, others. Test demand, develop.  | ●      | FY23 Q4         | Complete                |  |
| 2.7  | k. Develop “Undocu-Friendly” logo for City documents, as allowable by law (cost of internal resources)  | ●      | FY23 Q4         | Complete                |  |
| 2.9  | c. Establish a City Leadership/Chamber of Commerce / Minority Business Owners’ roundtable.  | ●      | FY23 Q4         | Complete                | Reviewed the value and feasibility with potential partners and determined there were much higher priority initiatives.                       |
| 2.9  | d. Research, explore and potentially utilize innovative practices such as micro-loans, targeted-sector recruiting and promotion, City-facilitated lending, grants, private support and crowdfunding to support underserved/underrepresented communities. Leverage City's partner network, including the Chamber, Downtown SLO, REACH and others to support the DEI initiatives as they relate to economic development including creation, retention and attraction efforts. | ●      | FY23 Q4         | Complete                |  |
| <b>Housing and Homelessness</b>                                  |   |        |                 |                         |  |
| 3.1  | e. Subdivision Regulations Update (HE 6.20)   | ●      | Complete        |                         |  |
| <b>Climate Action, Open Space and Sustainable Transportation</b> |   |        |                 |                         |  |



|     |   |   |         |         |  |
|-----|---|---|---------|---------|--|
| 4.3 | m. Complete installation of adopted trail systems at the Waddell Ranch addition to the Irish Hills Natural Reserve. |  | FY23 Q4 | Ongoing | The core trail network through Waddell Ranch is complete. Additional trails will also be installed during the 2023-25 Financial Plan and thereafter. |
|-----|---|---|---------|---------|--|

| Task |   | Status  | Completion Date | Updated Completion Date | Comments (if applicable)   |
|------|---|---|-----------------|-------------------------|--|
| 4.3  | b. Complete an Urban Forest Master Plan including a comprehensive update of tree inventory update, assessment of tree canopy coverage, and implementation of an ongoing tracking system, as called for by CAP Natural Solutions task 2.1.                                     |    | FY23 Q4         | Complete                |  |
| 4.3  | j. Create the Righetti Hill Open Space Conservation Plan in order to guide the long-term protection and appropriate public use of this new City Open Space property.  |    | FY23 Q4         | Complete                |  |
| 4.3  | k. Implement priority projects at Righetti Hill Open Space consistent with the Conservation Plan.   |    | FY23 Q4         | Complete                | Conservation Plan was adopted in June of 2023 and priority projects are now in process (initial summit trail and lower loop trail).  |
| 4.3  | l. Complete installation of adopted trail systems and establish regular Ranger Service patrol at Miossi Open Space.   |    | FY23 Q4         | Complete                | The core trail network through Miossi Open Space is complete, including the connection to Poly Canyon. Additional trails will also be installed in 2023-25 and thereafter. |
| 4.3  | h. Update the existing South Hills Natural Reserve Conservation Plan (2007), including a contemporary natural resources inventory, mapping, policy review, and identification of land stewardship needs and priorities.   |    | FY23 Q4         | Not Complete            | The existing conservation plan is sufficient to achieve conservation objectives as it includes the recent addition of 71 acres that were dedicated from Tract 2428.        |
| 4.4  | b. Prepare a Mobility as a Service Study to guide potential implementation of programs and software tools to create an integrated platform linking access to transit, future bikeshare and ridesharing services, as called for in CAP Connected Communities task 1.2.         |  | FY23 Q4         | FY24 Q1                 | The study has been included in the Transit Innovation Study (4.4.c).   |
| 4.4  | c. Prepare a Transit Innovation Study to provide a blueprint to guide the transition to increased service frequency, electrification and feasibility of no-fare service for students, seniors, and others as called for in CAP Connected Communities tasks 4.2, 4.3, and 4.4. |  | FY23 Q4         | FY24 Q1                 | The study is planned to be presented to Council in November of 2023.   |

| Task  | Status  | Completion Date | Updated Completion Date | Comments (if applicable)  |
|---|---|-----------------|-------------------------|---|
| 4.4 x. Development Agreements: Fund the City's share of costs associated with public infrastructure to be constructed by private development projects per reimbursement agreements for the following projects:<br>- Avila Ranch -- City share of Buckley Road Extension Class I Path<br>- 600 Tank Farm -- City share of Tank Farm/Santa Fe Roundabout, Santa Fe Road Extension, and Design & Right-of-Way for Tank Farm Class I Path |  | FY23 Q4         | FY26 Q1                 | City share of Avila Ranch (Buckley Extension Class I Path) and initial share of 600 Tank Farm (Tank Farm/Santa Fe Roundabout; Tank Farm Class I Path Design) fully funded based on initial cost estimates. However, additional funding appropriations will be needed for fully fund City's share of Tank Farm/Santa Fe Roundabout due to increased costs identified through final design. This additional appropriation is planned for FY25-27. |
| 4.4 j. Complete construction of the California/Taft Roundabout, reducing congestion and auto emissions and improving access and safety for bicycles, pedestrians and drivers.   |  | FY23 Q4         | FY26 Q4                 | Final design and right-of-way phases funded and in progress. Construction funding not programmed until 2025-27 Financial Plan.  |
| 4.5 d. Replace or repair Open Space fencing that is currently in disrepair at Cerro San Luis Natural Reserve, Irish Hills Natural Reserve, Bowden Ranch Open Space, and the Bob Jones Trail. (Includes existing Creek and Flood Protection Staffing resources)  |  | FY23 Q4         | Complete                |   |
| 4.5 f. Conduct a microgrid feasibility assessment to identify City properties that could add solar, battery storage, and controls to allow operation during times of electrical grid outages as an uninterruptable power supply.  |  | FY23 Q4         | Complete                |   |