



**Department:** Finance  
**Cost Center:** 2002  
**For Agenda of:** 11/14/2023  
**Placement:** Business  
**Estimated Time:** 20 minutes

**FROM:** Emily Jackson, Finance Director  
**Prepared By:** Natalie Harnett, Policy and Project Manager

**SUBJECT:** FISCAL YEAR 2023-24 1ST QUARTER BUDGET REVIEW

## RECOMMENDATION

1. Receive and file the Fiscal Year 2023-24 First Quarter Budget report; and
2. Adopt a Draft Resolution entitled, "A Resolution of the City Council of the City of San Luis Obispo, California, approving an amendment to the Fiscal Year 2023-24 Budget" to appropriate \$150,000 of the General Fund Assigned Fund Balance for economic development efforts.

## POLICY CONTEXT

Development and presentation of the quarterly reports conforms with the following adopted Budget Policies:

- **Financial Plan Purpose and Organization- Goal Status Reports** which requires that the status of major program objectives be formally reported to the Council on an ongoing, periodic basis.
- **Financial Reporting and Budget Administration- Interim Reporting** which requires the City to prepare and issue timely interim reports on the City's fiscal status to the Council and staff.

## DISCUSSION

The accompanying Financial Report for the first quarter of FY 2023-24 (Attachment A) provides a high-level overview of the City's financial condition as of September 30, 2023. The attached report highlights revenue and expenditure actuals for the first three months of the fiscal year and an update on the Major City Goal (MCG) tasks and the Capital Improvement Plan (CIP). The report's focus is on the General Fund and each of the City's four enterprise funds. The report also provides an update on the City's storm-related expenditures.

## Background

**Section 1: General Fund Update:** As of September 30, 2023, operating expenditures trend on target with past years' first quarters. Property tax revenues are benefiting from higher than anticipated property value assessments, but sales tax and transient occupancy taxes are showing signs of general economic cooling.

**Section 2: Enterprise Funds:** The enterprise funds are also tracking in line with projected budget and will likely end the year as stated in the adopted budget.

**Section 3: Major City Goal (MCG) Update:** The City continues to make progress on its MCG efforts, many of which are continued from the 2021-23 Financial Plan. The two efforts that were scheduled to be completed in the first quarter are very close to completion but have updated completion dates were moved to either Q2 or Q3.

**Section 4: Capital Improvement Plan Update:** The City has completed four CIP projects between July 2023 and September 2023. Some of the major completed projects include the Railroad Safety Trail Fencing, Santa Rosa at Monterey Intersection improvements, and the 2023 Silt Removal project. Some of the major upcoming or active projects include the North Chorro Greenway and the Marsh Street Bridge Emergency Debris Clearing.

**Section 5: Fund Balances:** This section provides the current fund balances for all major funds considering Council action to date. Because the City's business license renewal cycle happens in the first quarter, there is also an update on the renewed versus delinquent licenses.

**Section 6: Outlook and Conclusion:** Based on the first quarter results, the City is in a good financial condition and on track to meet or exceed its overall revenue projections; however, future uncertainties remain around storm reimbursements, the spectre of an economic slowdown and/or more turbulence, and the impact of CalPERS investment losses which have increased unfunded pension liabilities. Staff will return to Council with the mid-year report on February 6, 2024, with updated fiscal forecasts.

### **Budget Amendment to Support Economic Development**

On December 8, 2020 Council appropriated \$3,425,000 in Local Revenue Measure funds to be used on a number of efforts described in the [agenda report](#) that help support economic activity and homeless services<sup>1</sup>. Specifically, one of the recommendations included local investment into short term Certificates of Deposit to generate interest for a grant program to help offset the cost of a Tenant Improvement permit.

Due to the low interest rate environment that began shortly after, the city did not make these investments. Instead, it appropriated over \$250,000 to directly offer credits for TI permits through the TIPP-Fast 2.0 permitting program and placed the remaining amount in the General Fund assigned fund balance for use on future economic development efforts. Since then, some of the funding was used in FY 2022-23 and some was allocated in the 2023-25 Financial Plan. The remaining balance is \$624,441.

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<sup>1</sup> [Resolution 11203, 2020 Series](#)

Staff recommends appropriating \$150,000 of this balance for the following uses to help support economic recovery:

1. Buy Local Bonus & Eat Local Bonus Programs (\$125,000): This funding will provide expanded support for local programs including the Buy Local Bonus and the Eat Local Bonus. This program was very successful last year and is a great way to encourage people to shop and eat at local businesses. Currently there is \$125,000 already allocated for these programs specifically for the purchase of gift cards, however, the additional funds will allow for more gift card funding to expand the participation opportunity for more businesses and consumers. This is also expected to extend the duration of the programs since both “sold out” prior to the programs’ published end dates last year. Additionally, this funding will support the development of a new campaign during January, similar to a “Restaurant Week” campaign to supplement the Eat Local Bonus program, as well as other business support programs during the season.
  
2. Downtown & Community Activations (\$25,000): This funding will provide expanded support for activations, promotions, and other community benefit programs to support economic development. Currently, the City has \$25,000 allocated within Economic Development for these types of programs to implement the Major City Goal, however this additional funding will provide the City the flexibility to supplement this program.

<b>Table 1: Economic Development Funding Balance</b>	
Balance as of June 30, 2023	\$1,416,441
2023-25 Budget Allocations <sup>2</sup>	\$792,000
Current Balance	\$624,441
<i>One-time Requests</i>	<i>\$150,000</i>
<b>Remaining Balance (after request)</b>	<b>\$474,441</b>

**Public Engagement**

Public comment on this item can be provided to the City Council through written correspondence prior to the meeting and through public testimony at the meeting. The First Quarter Financial Report for FY 2023-24 (Attachment A) will be posted on the City’s website for public review.

**CONCURRENCE**

Operating departments review and monitor financial results on a regular basis. Departmental fiscal officers reviewed the numbers and will be closely monitoring the budget for the remainder of the year.

<sup>2</sup> [2023-25 Financial Plan](#) Page 107: \$396,000 in FY 2023-24 and \$396,000 in FY 2024-25.

**ENVIRONMENTAL REVIEW**

The California Environmental Quality Act (CEQA) does not apply to the recommended action in this report, because the action does not constitute a “Project” under CEQA Guidelines Sec. 15378.

**FISCAL IMPACT**

Budgeted: Yes,  
Funding Identified: Yes

Budget Year: 2023-24

**Fiscal Analysis:**

<b>Funding Sources</b>	<b>Total Budget Available</b>	<b>Current Funding Request</b>	<b>Remaining Balance</b>	<b>Annual Ongoing Cost</b>
General Fund (Assigned Fund Balance: Economic Development)	\$624,441	\$150,000	\$474,441	N/A
State				
Federal				
Fees				
Other:				
<b>Total</b>	<b>\$624,441</b>	<b>\$150,000</b>	<b>\$474,441</b>	<b>N/A</b>

**ALTERNATIVES**

***Do not appropriate \$150,000 of the General Fund Assigned Fund Balance to be used for economic development efforts supporting holiday activation and community programs.*** This is not recommended because this funding is intended for this purpose and the proposed budget allocations are a great way to get funding out into the community and encourage people to shop and eat at local businesses.

**ATTACHMENTS**

- A - Fiscal Year 2023-24 First Quarter Budget Report
- B - Draft Resolution approving an amendment to the Fiscal Year 2023-24 Budget



# First Quarter Financial Report

## Fiscal Year 2023-24

### Introduction

This financial report provides an overview of the City’s financial position through the first quarter of fiscal year 2023-24 (July 1 - September 30, 2023) for the General Fund and the four enterprise operating funds. It also provides an update on the status of the City’s Capital Improvement Program (CIP) projects and progress on Major City Goals. Notable milestones or trends within the first quarter are addressed and detailed throughout the document. The report is broken down into the following sections:

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## Section 1: General Fund Update

As of September 30, 2023, operating expenditures and revenues generally trend on target with past years' first quarters.

### 1a. General Fund Revenue

Table 1 - Q1 General Fund Revenue

General Fund Revenues	2022-23		2023-24			Variance from prior year
	Q1 Actuals	% Received	Total Budget	Q1 Actuals	% Received	
<b>Tax &amp; Franchise Revenue</b>						
1 Sales Tax: Bradley Burns (July-Aug only)	\$ 3,945,734	18%	\$ 22,578,995	\$ 3,639,635	16.1%	-7.8%
2 Sales Tax: LRM G20 (July-Aug only)	\$ 5,114,415	19%	\$ 30,262,098	\$ 4,570,414	15.1%	-10.6%
3 Property Tax	\$ 311,029	1%	\$ 21,999,786	\$ 697,541	3.2%	124.3%
4 Safety Prop 172	\$ 99,220	20%	\$ 498,988	\$ 92,001	18.4%	-7.3%
5 Transient Occupancy Tax	\$ 3,490,625	40%	\$ 10,704,000	\$ 3,205,153	29.9%	-8.2%
6 Utility User Tax	\$ 1,397,746	25%	\$ 5,710,320	\$ 1,277,683	22.4%	-8.6%
7 Business Tax*	\$ 3,108,125	108%	\$ 3,252,293	\$ 2,946,108	90.6%	-5.2%
8 Cannabis Tax	\$ 244,581	17%	\$ 1,100,000	\$ 286,865	26.1%	17.3%
9 Franchise Fees	\$ 207,841	13%	\$ 1,854,000	\$ 234,808	12.7%	13.0%
10 Gas Tax (Special Revenue Fund)	\$ 339,663	27%	\$ 1,389,292	\$ 366,000	26.3%	7.8%
11 SB1 - Gas Tax (Special Revenue Fund)	\$ 176,565	17%	\$ 1,177,994	\$ 201,792	17.1%	14.3%
<b>12 Total Tax &amp; Franchise Revenue</b>	<b>\$18,435,543</b>	<b>20%</b>	<b>\$100,527,765</b>	<b>\$ 17,518,001</b>	<b>17%</b>	<b>-5%</b>
13 Development Review	\$ 1,734,393	28%	\$ 6,275,536	\$ 1,674,326	26.7%	-3.5%
14 Fire	\$ 377,831	19%	\$ 1,577,836	\$ 409,081	25.9%	8.3%
15 Parks & Recreation	\$ 329,467	21%	\$ 2,021,599	\$ 533,156	26.4%	61.8%
16 Police	\$ 93,182	15%	\$ 615,561	\$ 118,693	19.3%	27.4%
17 Grants & Subventions	\$ 598,226	91%	\$ 676,750	\$ 225,846	33.4%	-62.2%
18 Business Licenses* (Incl Cannabis)	\$ 159,518	16%	\$ 666,600	\$ 420,274	63.0%	163.5%
19 Other Revenue	\$ 287,097	43%	\$ 1,017,872	\$ 253,939	24.9%	-11.5%
<b>20 Total</b>	<b>\$22,015,256</b>	<b>21%</b>	<b>\$113,379,519</b>	<b>\$ 21,153,315</b>	<b>19%</b>	<b>-4%</b>

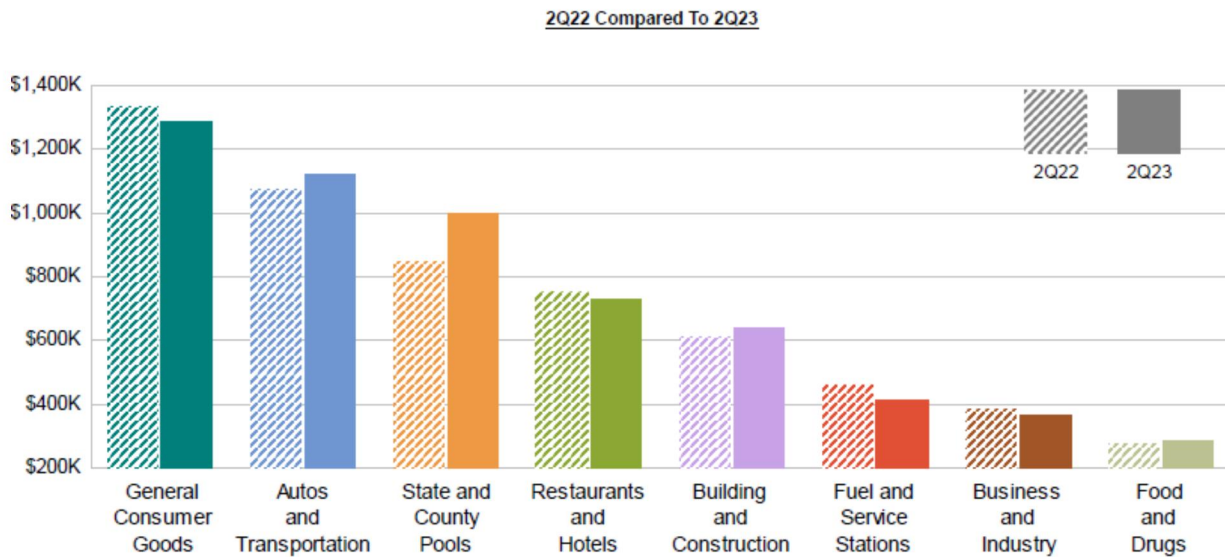
\*Business license and tax certificate renewals are due before September 30th, therefore anticipated revenue for the year has been collected.

**Sales and Use Tax (including Measure G):** The actuals listed above are for July and August remittances from the California Department of Tax and Fee Administration (CDTFA). While these two months show a reduction compared to the prior year, the numbers above do not provide a complete picture of Q1 revenue. The city will receive September actuals in late November, which often includes a significant “cleanup” amount. Categorical sales tax data for Q1 is not available yet but based on the recent FY 2022-23 Q4 data (see Figure 1 on next page), some industries are seeing a “cooling”; however, increases in the City’s share of the County pool have largely made up for the gap from the declining industry groups.

At a macroeconomic scale, [U.S. Bureau of Economic Analysis](#) reported that U.S. GDP grew at a 4.9% annual pace in the third quarter, buoyed by a strong consumer despite higher interest rates and inflation. According to Deloitte’s [2023 Holiday Retail Survey](#), this year’s holiday spending is predicted to surpass pre-pandemic levels and [Amazon](#) recently reported that their October “prime day” outpaced last year’s event. Despite these positive reports, the reactivation of student loan repayments and relentlessly high interest rates may impact consumer spending in the coming months. Staff doesn’t anticipate any need to

adjust the revenue budget at this point but will provide an update at the mid-year review on February 6, 2024.

Figure 1- City of SLO Sales Tax Revenue by Category: Year-over-year for FY 23 Q4 (Calendar year Q2)



**Property Tax:** Although the days of record-low mortgage rates are over for the time being and the market has cooled, home prices remain sticky because inventory is low, and the demand remains high. In October, the County provided updated 2023-24 Property Tax estimates that are about \$600,000 higher than the City’s current budget. Staff will update the budget and forecasts at mid-year to account for the increase. Overall County assessed property value increased by 6.24% (Jan 2022 to Dec 2022), with the City increasing slightly higher at 7.42%. Property tax assessment increases are limited to no more than 2% per year as long as the property does not have a change in ownership or any new construction. As a reminder, only 7.22% of property taxes are distributed to Cities. Approximately 63% goes to schools, with the County receiving the next highest amount.

Table 2 -City of San Luis Obispo Total Property Assessed Value

2022	2023	Change	% Change
\$11,732,942,322	\$12,604,023,619	\$871,081,297	7.42%

**Transient Occupancy Tax (TOT):** TOT revenue is about 8% lower than last year; however, there are still four missing hotel payments for the month of September which is not atypical. The missing remittances could easily turn that number around. Overall, the city is seeing a slight decline in its hotel occupancy rates (See table 3 below) but given that 2022-23 set a record high for TOT revenue, this cooldown was anticipated.

Table 3 - Year over Year Hotel Occupancy Rates (Based on Smith Travel Research Report)

Month	Occupancy %		
	2022-23	2023-24	Change +/-
July	82.6	83.5	1.1%
August	75.8	74	-2.4%
September	72.7	71.2	-2.1%

**Utility User Tax (UUT):** Despite the Q2 UUT revenue being slightly lower than the same period last year, it is important to note that FY 2022-23 UUT revenue was a high outlier. The total year end revenue was about 11% higher than the budget in FY 2022-23. Additionally, the quarter-to-quarter revenue can fluctuate slightly depending on when businesses remit their taxes. Staff expect this revenue to exceed the budget and are preparing an updated UUT budget and forecast for the mid-year review.

**Business Tax:** The City collects business taxes at the beginning of the fiscal year, and they are based on individual businesses’ gross receipts in the previous calendar year. FY 2023-24 business tax revenues through Q1 are lower than last year because there are still about 650 businesses that need to remit (see table 16 in the last section 6 of this report). This is nearly double the delinquent number of businesses from last year.

The Finance Department makes considerable effort to enforcement business tax compliance, and businesses are assessed fees and penalties for non-compliance with business tax requirements as outlined in the Municipal Code. The Revenue division has recently been impacted by vacancies and inconsistent staffing, which has delayed business tax compliance efforts, but staff is currently working to catch up and expects to be able to collect revenue from the delinquent businesses and meet its revenue budget for the year.

**Cannabis Tax:** Cannabis tax revenue is on track with projections.

**Franchise Fees:** Franchise Fees are on track with projections. In general, the city has seen an increase in Franchise revenue over the last 10 months because of the spikes in utility rates. The franchise agreements are based on the utility providers’ gross receipts.

**Gas Taxes:** Gas taxes are slightly outpacing projections and are higher than last year. Although the gas tax is a “per gallon” tax, annual adjustments on the tax help maintain modest growth on this revenue stream. The FY 2023-24 budget is based on information provided by the state. Gas Tax SB1 (Line 11) has a two-month delay in remittance so the \$201,792 represents only two months of revenue, explaining why it is only at 17% collected.

**Development Review:** Development services revenue is on track with projections. July and August had above-average revenue totals but September slightly lower than average. July’s above-average revenue can be attributed to mixed-use building permit fees, new single-family building permits, and Accessory Dwelling Unit permits (ADU). In August, Development review fees, building permits, plan check fees, inspection fees, and encroachment fees all came in with above-average revenue totals. Planning and



zoning fees and application fees did not meet their average revenue threshold, but they are not far enough off course to make any adjustments to current projections. Supply chain issues, workforce constraints, and rising interest rates could slow development for the year. Development Review revenues tend to be unpredictable, meaning large projects with large fees influence total revenue collection. A weak or strong quarter could shift the overall outlook, so monthly revenues will be closely monitored by staff.

**Parks & Recreation:** The Parks & Recreation budget is on track with projections. Youth Services revenue is tracking higher (year over year) for Q1 due to a shift in the timing that July summer camp was received due to new partnership with SLCUSD paying for childcare expenses. In the past, it was collected in the prior fiscal year, when individual families registered and paid for their care. Outdoor Rental fees have outpaced Q1 of FY 2022-23, due to earlier collection of summer permit fees than last year. First quarter for the Golf division revenue was forecasting higher than the prior year and general round sales were approximately 7% less than pre-pandemic (Q1 FY 2019-20) totals, but higher than prior fiscal year quarter (15%). Within the first quarter, the Aquatics division had an increase of 13% attendance from the prior year with revenue increase within the same time.

**Other Departmental Revenue (Police & Fire):** Police and Fire department revenue are on track with projections.

**Grants and Subventions:** Grant revenues fluctuate from year-to-year based on availability and award success. The budget is adjusted throughout the year as grants are awarded. Year-to-date, the city is on track to receive all its budgeted revenue in this category.

**Business and Cannabis Licenses:** Business license fees are on track with projections. Business licenses are renewed at the beginning of the fiscal year; therefore, most of the revenue for the year has been collected. An update on the number of renewed licenses is provided in **Section 5** of this report. The cannabis operator license fee budget was developed based on the projected number of businesses that would be open this year.

**Other Revenue:** The “Other Revenue” category includes things like interest revenue, lease revenue, and miscellaneous revenue that is not department specific. This category also includes “net zero” revenues that are offset by expenditures.

#### 1b. General Fund Expenditures

Overall expenditure trends are on track with budget. The tables below include year-to-date consumption for FY 2023-24 compared to budget.

Table 4 - Q1 General Fund Expenditures by Type

		FY 2023-24 (July -September)				
Expenditure Type	Total Budget	Obligations	Expenditures	Total Obligations &	% Consumed	
1 Salaries	\$ 46,545,721	\$ -	\$ 9,169,608	\$ 9,169,608	20%	
2 Retirement/Benefits	\$ 11,508,563	\$ -	\$ 2,963,119	\$ 2,963,119	26%	
3 PERS Unfunded Liability	\$ 11,132,870	\$ -	\$ 10,998,102	\$ 10,998,102	99%	
4 Contract Services	\$ 12,875,121	\$4,269,716	\$ 2,528,209	\$ 6,846,846	53%	
5 Other OpEx	\$ 5,297,703	\$1,138,849	\$ 1,156,583	\$ 2,308,287	44%	
6 Utilities	\$ 3,309,822	\$ 42,559	\$ 821,906	\$ 864,465	26%	
7 <b>Grand Total</b>	<b>\$ 90,669,799</b>	<b>\$5,451,124</b>	<b>\$ 27,637,528</b>	<b>\$ 33,150,427</b>	<b>37%</b>	

As of the first quarter, there are no significant variances to point out in the General Fund departments.

Table 5 - Q1 Expenditures by Department

		FY 2023-24 (July -September)				
Department	Total Budget	Obligations	Expenditures	Total Obligations & Expenditures	% Consumed	
1 <b>Public Safety</b>						
2 Police	\$ 22,164,567	\$ 353,221	\$ 8,229,428	\$ 8,595,389	39%	
3 Fire	\$ 15,293,168	\$ 267,579	\$ 5,621,868	\$ 5,890,867	39%	
4 <b>Community Services Group (CSG)</b>						
5 CSG Admin	\$ 840,784	\$ 37,240	\$ 305,874	\$ 343,114	41%	
6 CDD	\$ 8,807,387	\$ 787,159	\$ 2,108,783	\$ 2,895,942	33%	
7 Public Works	\$ 17,989,265	\$2,054,320	\$ 4,824,220	\$ 6,883,366	38%	
8 Parks & Recreation	\$ 5,706,488	\$ 98,930	\$ 1,526,101	\$ 1,625,031	28%	
9 Solid Waste - AB 939	\$ 406,797	\$ 54,736	\$ 124,491	\$ 179,226	44%	
10 <b>Internal Services</b>						
11 Admin/IT	\$ 11,694,286	\$1,161,498	\$ 2,988,218	\$ 4,171,755	36%	
12 City Attorney	\$ 1,698,051	\$ 240,196	\$ 446,357	\$ 691,345	41%	
13 Finance	\$ 2,485,965	\$ 161,704	\$ 782,206	\$ 943,910	38%	
14 Human Resources	\$ 2,158,158	\$ 200,277	\$ 554,509	\$ 765,761	35%	
15 Non-Departmental*	\$ 1,424,883	\$ 34,266	\$ 125,473	\$ 164,722	12%	
16 <b>Total</b>	<b>\$ 90,669,799</b>	<b>\$5,451,124</b>	<b>\$ 27,637,528</b>	<b>\$ 33,150,427</b>	<b>37%</b>	

\*Includes the City-wide staffing contingency budget which will be moved into the department budgets as needed later in the year, explaining why this category is only 12% is spent.

### 1c. An Update on Storm Expenditures

The City's winter storms resulted in emergency declarations at the Federal and State level, in addition to the Emergency Services Director's local emergency proclamation. The City Council has authorized use of up to \$9 million from the City's operating reserve in FY 2022-23 and FY 2023-24 to address unbudgeted storm costs and with adoption of the 20-23-25 Financial Plan, the City Council also approved allocation of

\$2.75 million to a capital project to fund projects to repair storm damages and mitigate against future damage.

The Federal and State declarations enable the City eligible to seek reimbursement for certain storm-related costs. The maximum reimbursement for eligible costs is 93.75% (75% from FEMA and 18.75% from CalOES), meaning that the City will pay a minimum of 6.25% for certain storm related costs. Based upon information provided by EY (the consultant hired to provide disaster recovery technical assistance), staff expects that reimbursement will be received approximately 12 months following formal submittal of projects to FEMA.

Currently, the city has expended approximately \$7.5 million on storm response, including debris removal, emergency protective measures, and projects to make permanent repairs to damaged facilities. As noted in prior updates, storm related costs continue to shift as projects are scoped and designed. Currently, the total storm costs are estimated at \$35.6 million. Staff continue to work to prioritize the repairs and identify which projects will be eligible for the highest reimbursement.

## Section 2: Enterprise Fund Update

### 2a. Utilities: Water and Sewer Funds

The tables below include first quarter actuals for FY 2023-24 compared to the budget.

Table 6 – Q1 Water and Sewer Revenue

Water/Sewer Fund Revenue	FY 2022-23		FY 2023-24			Variance from prior year
	Q1 Actuals	% Received	Total Budget	Q1 Actuals	% Received	
601-Water Fund	\$ 5,578,487	21%	\$ 27,353,319	\$ 5,854,193	21%	5%
602-Sewer Fund	\$ 3,845,425	20%	\$ 21,457,327	\$ 3,650,466	17%	-5%
<b>Grand Total</b>	<b>\$ 9,423,912</b>	<b>21%</b>	<b>\$ 48,810,646</b>	<b>\$ 9,504,659</b>	<b>19%</b>	<b>1%</b>

Table 7 - Q1 Water and Sewer Expenditures

		FY 2023-24 (July -September)				
Expenditure Type by Fund	Total Budget	Obligations	Expenditures	Total Obligations & Expenditures		% Consumed
<b>1 601-Water Fund</b>						
2 Salaries	\$ 3,887,239	\$ -	\$ 724,126	\$ 724,126		19%
3 Retirement/Benefits	\$ 936,831	\$ -	\$ 237,025	\$ 237,025		25%
4 Debt Service	\$ 1,870,392	\$ -	\$ -	\$ -		0%
5 PERS Unfunded Liability	\$ 678,507	\$ -	\$ 668,626	\$ 668,626		99%
6 Contract Services	\$ 1,067,009	\$ 321,794	\$ 142,911	\$ 464,705		44%
7 Other OpEx	\$ 13,005,131	\$ 1,971,737	\$ 6,612,225	\$ 8,583,962		66%
8 Utilities	\$ 1,033,720	\$ 18,756	\$ 219,701	\$ 238,457		23%
<b>9 Water Fund Total</b>	<b>\$ 22,478,829</b>	<b>\$ 2,312,287</b>	<b>\$ 8,604,615</b>	<b>\$ 10,916,902</b>		<b>49%</b>
<b>10 602-Sewer Fund</b>						
11 Salaries	\$ 3,889,630	\$ -	\$ 731,540	\$ 731,540		19%
12 Retirement/Benefits	\$ 909,393	\$ -	\$ 228,444	\$ 228,444		25%
13 Debt Service	\$ 1,382,346	\$ -	\$ -	\$ -		0%
14 PERS Unfunded Liability	\$ 692,112	\$ -	\$ 682,034	\$ 682,034		99%
15 Contract Services	\$ 1,251,733	\$ 517,081	\$ 175,631	\$ 692,713		55%
16 Other OpEx	\$ 1,595,059	\$ 398,077	\$ 208,601	\$ 606,677		38%
17 Utilities	\$ 1,062,892	\$ 32,086	\$ 213,099	\$ 245,186		23%
<b>18 Sewer Fund Total</b>	<b>\$ 10,783,165</b>	<b>\$ 947,244</b>	<b>\$ 2,239,348</b>	<b>\$ 3,186,593</b>		<b>30%</b>

**Revenue:** Due to utility billing timings, revenues reflect roughly two months of revenue. Relative to projected revenues for FY 2023-24, first quarter revenues put the Utilities department on track to achieve revenue targets. Relative to the FY 2022-23 revenue actuals, water is trending higher, and sewer is trending lower. Water revenue is trending higher because the rates were increased by 8.5% on July 1, 2023 ([Resolution No. 11427](#)). Sewer revenue is currently trending lower due to the timing of Cal Poly capacity interest payments. Cal Poly contributes to major utility infrastructure in exchange for reserved capacity in the wastewater system. In the previous fiscal year Cal Poly contributed \$243,568 for the design of the WRRF upgrade. Cal Poly contributions for the construction of the WRRF upgrade will begin December 2024.

**Expenditures:** There are no significant variances to point out at this time. It is normal and expected that contract services and other operating expenses track above 25% because annual purchase orders are set up at the beginning of the year and the funds are considered “Obligated” from that point forward. Additionally, costs like contributions to source water reservoirs, permits, and subscriptions are frontloaded in the fiscal year. Variance in salaries can be attributed to staff vacancies and standby, call back, and overtime that have not been used yet.

2b. Parking Fund

The tables below include first quarter actuals for FY 2023-24 compared to budget.

Table 8 - Q1 Parking Fund Revenue

Parking Fund Revenue	FY 2022-23		FY 2023-24			Variance from prior year
	Q1 Actuals	% Received	Total Budget	Q1 Actuals	% Received	
Parking Fund	\$ 1,866,772	32%	\$ 10,203,324	\$ 3,282,085	32%	76%
<b>Grand Total</b>	<b>\$ 1,866,772</b>	<b>32%</b>	<b>\$ 10,203,324</b>	<b>\$ 3,282,085</b>	<b>32%</b>	<b>76%</b>

Table 9 - Q1 Parking Fund Expenditures by Type

FY 2023-24 (July -September)						
Expenditure Type	Total Budget	Obligations	Expenditures	Total Obligations & Expenditures		% Consumed
1 Salaries	\$ 1,405,279	\$ -	\$ 270,807	\$ 270,807		19%
2 Retirement/Benefits	\$ 321,392	\$ -	\$ 73,589	\$ 73,589		23%
3 Debt Service	\$ 852,116	\$ -	\$ 369,156	\$ 369,156		43%
4 PERS Unfunded Liability	\$ 196,276	\$ -	\$ 177,823	\$ 177,823		91%
5 Contract Services	\$ 969,370	\$ 589,720	\$ 163,334	\$ 753,054		78%
6 Other OpEx	\$ 392,450	\$ 18,146	\$ 189,421	\$ 207,567		53%
7 Utilities	\$ 264,172	\$ -	\$ 51,685	\$ 51,685		20%
<b>8 Parking Fund Total</b>	<b>\$ 4,401,055</b>	<b>\$ 607,866</b>	<b>\$ 1,295,815</b>	<b>\$ 1,903,681</b>		<b>43%</b>

**Revenue:** Parking revenues compared to budget are tracking similar to the first quarter of the previous fiscal year. The hourly rate increases in the parking structures and on-street spaces approved by Council as part of the FY 2022-23 Supplemental Budget adoption were implemented July 1, 2023, which explains the significant variance in actual revenue compared to the prior year. Fines and Forfeitures, which is mainly comprised of parking citation revenue is tracking higher than the budgeted amount and an adjustment will be recommended with the Mid-Year Review. The Parking Fund also implemented a gateless operation as well as pilot parking program for in-county residents at the 842 Palm Street parking structure. So far, these programs have not significantly affected revenues. Staff is continually monitoring the programs and may recommend adjustments based on further analysis. The totality is that revenues are tracking to achieve original estimates and will be adjusted based on any Council action at the November 7, 2023 meeting.

**Expenditures:** Salaries and Retirement/Benefits are tracking low through the first quarter due to staff turnover and a minor delay in hiring for the vacant Administrative Assistant position. Contract Services and Other Operating Expenses are significantly above 25% because most of these funds are obligated at the beginning of the fiscal year for annual service contracts which is consistent with prior years.

### 2c. Transit Fund

The tables below include first quarter actuals for FY 2023-24 compared to budget.

Table 10 - Q1 Transit Revenue

Transit Fund Revenue	FY 2022-23		FY 2023-24			Variance from prior year
	Q1 Actuals	% Received	Total Budget	Q1 Actuals	% Received	
Federal	\$ -	0%	\$ 7,571,830	\$ -	0%	
Local (Bus Fare)	\$ 194,947	23%	\$ 990,000	\$ 225,864	23%	16%
Other Revenue/ Interest	\$ 344,183	116%	\$ 13,579	\$ -	0%	-100%
State	\$ 751,816	37%	\$ 3,179,564	\$ 684,577	22%	-9%
<b>Grand Total</b>	<b>\$ 1,290,946</b>	<b>12%</b>	<b>\$ 11,754,973</b>	<b>\$ 910,440</b>	<b>8%</b>	<b>-29%</b>

Table 11 - Q1 Transit Expenditures

FY 2023-24 (July -September)						
Expenditure Type	Total Budget	Obligations	Expenditures	Total		% Consumed
				Obligations & Expenditures		
1 Salaries	\$ 337,815	\$ -	\$ 77,414	\$ 77,414		23%
2 Retirement/Benefits	\$ 74,554	\$ -	\$ 21,217	\$ 21,217		28%
3 PERS Unfunded Liability	\$ 45,388	\$ -	\$ 44,728	\$ 44,728		99%
4 Contract Services	\$ 4,487,341	\$ 2,863,564	\$ 360,568	\$ 3,224,132		72%
5 Other Operating Expenc	\$ 410,200	\$ 262,321	\$ 79,291	\$ 341,612		83%
<b>6 Transit Fund Total</b>	<b>\$ 5,355,298</b>	<b>\$ 3,125,884</b>	<b>\$ 583,218</b>	<b>\$ 3,709,103</b>		<b>69%</b>

**Revenue:** Transit revenues are primarily made up of federal and state grant funding which require reimbursement only after funds have been expended. Transit has not drawn down any federal funds through the first quarter for either operating assistance or capital projects. Similarly, the only state funding received so far is for formula funds which are not provided via reimbursements. Bus fare is higher compared to the first quarter of the previous year because Cal Poly’s contribution for student transit services increased from \$600,000 to \$750,000 this year.

**Expenditures:** There are no significant variances through the first quarter. Percentage consumed for Contract Services and Other Operating Expenses are significantly above 25% because most of these funds are obligated at the beginning of the fiscal year for annual service contracts which is consistent with prior years.

## Section 3: Major City Goal Update

Table 12 - Major City Goal Tasks with Completion Dates in FY 2023-24 Q1

Task	Original Completion Date	Updated Completion Date	Comments (if applicable)
<b>Diversity, Equity, Inclusion (DEI)</b>			
<p><u>Strategy 2.4: Enhance Inclusive &amp; Equitable Workplace Environment:</u>  <b>Task a.</b> Develop and adopt a DEI statement for the organization.</p>	FY 23-24 Q1	FY 23-24 Q3	DEI Statement is being developed as part of the DEI Strategic Plan that will be before Council in Winter 2024.
<b>Housing and Homelessness</b>			
<p><u>Strategy 3.4: Public Safety:</u>  <b>Task b.</b> Implement the new Community Service Officer (CSO) program over the next fiscal year to ensure effectiveness and improvements in quality-of-life surrounding homelessness issues in the downtown (funding approved on March 7, 2023)</p>	FY 23-24 Q1	FY 23-24 Q2	Contract CSO's have recently interviewed and are in the process of being converted from contract employees to FTE's. In addition, two CSO vacancies are being filled with an expected start date in late 2023. (Both candidates are starting the background process) The contract CSO's have proven to be a force multiplier downtown and have made a significant improvement in our ability to proactively address quality of life issues in the downtown.

## Section 4. CIP Update – Completed and Ongoing Projects

Table 13 - Completed and Ongoing Construction Projects (July 2023 – September 2023)

Completed & Ongoing Construction Capital Projects (July 2023 - September 2023)				
ID#	Project	Total Budget*	Estimated Construction Completion Date	Additional Comments
1	842 Palm Parking Structure Gateless Entry	\$ 175,000	Complete	
2	2022 Pedestrian Crossing Improvements	\$ 841,644	Complete	
3	Railroad Safety Trail Fencing	\$ 350,000	Complete	
4	Santa Rosa at Monterey Intersection Improvements	\$ 1,067,084	Complete	
5	Silt Removal 2023	\$ 38,055	Complete	
6	Wastewater Resource Recovery Facility Upgrade	\$ 143,376,754	Q2 FY 23-24	Construction Ongoing
7	Calle Joaquin Lift Station Replacement	\$ 9,225,565	Q2 FY 23-24	Construction Ongoing
8	2022 Roadway Sealing	\$ 5,550,000	Q2 FY 23-24	Construction almost complete. Pending delivery of electrical cabinet.
9	Whale Rock Dam Maintenance-Spillway Underdrain Repairs	\$ 455,360	Q2 FY 23-24	Construction Ongoing
10	San Luis Obispo Creek Emergency Bank Stabilization Project near Johnson Avenue	\$ 1,700,455.00	Q2 FY 23-24	Construction Ongoing
11	Marsh Street Bridge Emergency Debris Clearing	\$ 325,370	Q2 FY 23-24	Construction Ongoing
12	CDBG Curb Ramps 2022	\$ 800,128	Q2 FY 23-24	Construction Ongoing
13	San Luis Drive Emergency Repair	\$ 7,000,000	Q2 FY 23-24	Construction Ongoing
14	Cultural Arts District Parking Structure	\$ 54,614,116	Q3 FY 25-26	Construction Ongoing. All Phases(Phase 1A, 1B, and 2) in construction.
15	North Chorro Neighborhood Greenway	\$ 8,218,904	Q3 FY 23-24	Construction Ongoing
16	2023 Arterials	\$ 8,521,058	Q3 FY 23-24	Construction Ongoing
17	Transit Facility Electric Vehicle Charging Infrastructure	\$ 2,025,408	Q4 FY 23-24	Construction Ongoing
18	Water Treatment Plant Generator Improvement Project at Facility 98	\$3,527,523	Q4 FY 24-25	Construction Ongoing
19	North Broad Street Neighborhood Park	\$ 1,739,474	Q4 FY 23-24	Construction Contract Awarded.
20	Buchon Street Traffic Calming	\$ 337,370	Q2 FY 23-24	Awarded
21	Ruth and Iris Storm Drain Repair	\$ 321,656	Q2 FY 23-24	Awarded
22	842 & 919 Palm Parking Structure Repairs	\$ 3,462,180	Q2 FY 23-24	Awarded
23	Prefumo Creek LOVR to Laguna Lake	\$ 335,950	Q2 FY 23-24	Awarded
24	Fire Station 1 Fleet Maintenance Roof	\$ 361,436	Q3 FY 23-24	Awarded
25	Cheng Park Revitalization	\$ 807,786	Q3 FY 23-24	Awarded
26	Tank Farm Lift Station Discharge Pipe Replacement	\$ 200,000	Q4 FY 23-24	Advertising for Construction Bids
27	Corporation Yard Fuel Island and Wash Station Rehabilitation	\$ 847,688	Q4 FY 23-24	Advertising
28	Reservoir No. 2 Cover Replacement Project	\$ 2,834,678	Q1 FY 24-25	Advertising

\*Includes carry over budget from prior years.



Table 14 - Status of Major Projects in Design

Status of Major and Legacy Projects in Design				
ID#	Project	Total Budget	Estimated Construction Start Date	Additional Comments
29	Mission Plaza Restrooms and Kiosk Cafe	\$ 3,377,529	Q4 FY 23-24	Finalizing design documents.
30	Mid-Higuera Bypass	\$ 9,077,709	Q4 FY 23-24	Finalizing design documents and easement acquisition process.
31	Prado Road Bridge and Road Widening	\$ 5,560,380	Q1 FY 25-26	Working on regulatory permits and 90% constuction documents
32	California and Taft Roundabout	\$ 655,824	Q1 FY 25-26	Right of way acquisition in progress and finalizing design documents.
33	Prado Road Interchange	\$ 4,426,375	Q1 FY 27-28	Alternative analysis and environmental document. Pursuing advertisement of CEQA document and final project report.
34	Public Safety Center	\$ 399,215	To Be Determined	Consultant to analyze two site option and present conceptual design for review. Currenly working on 1106 Tenant Improvement project.

## Section 5: Fund Balances

Fund balance represents unspent expenditures, and revenues over expense brought forward from the previous year (ending balance) in order to fund the next year’s budget. In the case of the enterprise funds, the “Working Capital” is shown below. Working Capital is equal to the fund’s current assets minus current liabilities. The total balance includes reserved or restricted amounts.

Table 15 - Fund Balance/Working Capital by Fund

Fund Balance/Working Capital by Fund	
101 - General Fund	\$ 18,712,486
601 - Water Fund	\$ 42,559,433
602 - Sewer Fund	\$ 50,916,875
611 - Parking Fund	\$ 14,531,947
621 - Transit Fund	\$ 1,570,068

## Q1 Update on Business License and Other Permit Renewals

Annual business licenses and various permit renewals and fees are due to the city in the first quarter of the fiscal year. Staff were successful in collecting most of the renewals by the due date (July 31, 2023). Delinquent customer accounts are now subject to late fees and/or administrative fines. The table below provides a snapshot of status made relative to collection of these license and permit renewals as of October 31, 2023.

Table 16 - License and Permit Renewal Status

License/Permit Type	Renewed	Delinquent
Business Licenses	8,150	661
Business Licenses – Homestays	146	8
Fire Permits	196	73
Industrial User Permits	420	111

## Section 6: Outlook and Conclusion

All the City’s major funds began FY 2023-24 in good financial standing and overall, on track with budgets. While revenue trends are looking favorable, there are some indications of a “cooldown”. Staff anticipated this in preparing the 2023-25 Financial Plan and created the revenue budgets accordingly. It also worth noting that the City has a fully funded 20% operating reserve and a \$2 million “Revenue Stabilization Reserve” to help hedge against any sudden fluctuations. Updated long-term forecasts will be presented to Council at the February 6, 2024, Mid-year review.

**RESOLUTION NO. \_\_\_\_\_ (2023 SERIES)**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN LUIS OBISPO, CALIFORNIA, APPROVING AN AMENDMENT TO THE FISCAL YEAR 2023-24 BUDGET**

**WHEREAS**, on June 6, 2023, the City Council adopted the 2023-25 Financial Plan and the Fiscal Year 2023-24 budget (Resolution 11429, 2023 Series); and

**WHEREAS**, in accordance with San Luis Obispo Charter Section 804, at any meeting after the adoption of the budget, the Council may amend or supplement the budget by motion adopted by a majority vote of the Council; and

**WHEREAS**, on December 8, 2020, Council approved \$3,425,000 of Local Revenue Measure funds to be transferred into the General Fund for economic development efforts and homeless services (Resolution 11203, 2020 Series); and

**WHEREAS**, after considering the adopted use of funds as outlined on page 107 in the 2023-25 Financial Plan, a balance of approximately \$624,000 is available for future use; and

**WHEREAS**, staff have identified an immediate use for the some of the funds to help support local programs and community activations; and

**NOW, THEREFORE, BE IT RESOLVED** by the Council of the City of San Luis Obispo as follows:

R \_\_\_\_\_

**SECTION 1.** The 2023-24 budget is hereby amended to appropriate \$150,000 from the General Fund Assigned Fund Balance to the Economic Development program’s operating budget to support economic development efforts.

Upon motion of \_\_\_\_\_, seconded by \_\_\_\_\_, and on the following roll call vote:

AYES:  
NOES:  
ABSENT:

The foregoing resolution was adopted this \_\_\_\_\_ day of \_\_\_\_\_ 2023.

\_\_\_\_\_  
Mayor Erica A. Stewart

ATTEST:

\_\_\_\_\_  
Teresa Purrington,  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
J. Christine Dietrick,  
City Attorney

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed the official seal of the City of San Luis Obispo, California, on \_\_\_\_\_.

\_\_\_\_\_  
Teresa Purrington,  
City Clerk

R \_\_\_\_\_



# FY 2023-24 Q1 Budget Review

November 14, 2023





# Recommendation

1. Receive and file the Fiscal Year 2023-24 First Quarter Budget report; and
2. Adopt a draft resolution entitled, “A Resolution of the City Council of the City of San Luis Obispo, California, approving an amendment to the Fiscal Year 2023-24 Budget” to appropriate \$150,000 of the General Fund Assigned Fund Balance for economic development efforts.





# Revenue Overview Major Funds

Fund	FY 2022-23	FY 2023-24	% Received	Variance from prior Year
General Fund	\$ 22,015,256	\$ 21,153,315	19%	-4%
Water Fund	\$ 5,578,487	\$ 5,854,193	21%	5%
Sewer Fund	\$ 3,845,425	\$ 3,650,466	17%	-5%
Parking Fund	\$ 1,866,772	\$ 3,282,085	32%	76%
Transit Fund	\$ 1,290,946	\$ 910,440	8%	-29%



*Negative variances from prior year due to timing of receipts.*

Overall, funds are currently on track with budget projections.

Cooldown in some tax revenue; however, expect to be offset by increases in property tax.





# Expenditure Overview Major Funds

Fund	FY 2023-24 (July -September)		
	Total Budget	Total Obligations & Expenditures	% Consumed
General Fund	\$ 90,669,799	\$ 33,150,427	37%
Water Fund	\$ 22,478,829	\$ 10,916,902	49%
Sewer Fund	\$ 10,783,165	\$ 3,186,593	30%
Parking Fund	\$ 4,401,055	\$ 1,903,681	43%
Transit Fund	\$ 5,355,298	\$ 3,709,103	69%



## Percent expended\* by type



\*includes obligations







# Major City Goals

## 2 Major City Goal tasks Scheduled to complete in Q1

Updated  
Completion Date



Strategy 2.4: Enhance Inclusive & Equitable Workplace Environment:  
**Task a.** Develop and adopt a DEI statement for the organization.

**FY 2023-24 Q3**



Strategy 3.4: Public Safety:  
**Task b.** Implement the new Community Service Officer (CSO) program over the next fiscal year to ensure effectiveness and improvements in quality-of-life surrounding homelessness issues in the downtown (funding approved on March 7, 2023)

**FY 2023-24 Q2**





# Capital Projects

## Completed projects in FY 2023-24 (July-Sept):

- 842 Palm Parking Structure Gateless Entry
- 2022 Pedestrian Crossing Improvements
- Railroad Safety Trail Fencing
- Silt Removal 2023

## Projects Under Construction or Near Complete

- WRRF Upgrade
- Cultural Arts District Parking Structure
- North Chorro Greenway
- 2023 Arterial Streets Project
- Calle Joaquin Lift Station Replacement

*Full list on page 12 (Attachment A)*





# Storm Update

- ❖ City Council has authorized use of operating reserves in FY 2023-24 to respond to repairs
- ❖ \$9 million was forecasted in the 23-25 Financial Plan
- ❖ Additionally, Council appropriated of \$2.75 of LRM funding
- ❖ Operating reserves currently remain at policy level of 20%
- ❖ Approximately \$7.5 million spent to date
- ❖ Total storm costs estimated to exceed \$35 million
- ❖ City will seek maximum reimbursement from FEMA & CalOES



San Luis Obispo Creek at San Luis Drive



## Storm Projects Underway

- Johnson Avenue Creek Bank Stabilization – construction ongoing*
- San Luis Drive Creek Bank Repairs/Retaining Wall – construction ongoing*
- Marsh Street Bridge Debris Cleanup – construction ongoing*





# Storm Update

- ❖ **10** projects totaling approximately \$2.5M have been submitted to FEMA for review
  - ❖ \$1.6M for January debris removal- eligible for 100% reimbursement
  - ❖ Project 93.75% reimbursement on other submitted costs
- ❖ **6** projects undergoing final review by consultant before submittal to FEMA
- ❖ Forecasting reimbursement within 12 months of submittal to FEMA





# Recommendation - Budget Amendment

Appropriate \$150,000 of the Economic Development Funding Balance (*Assigned Fund Balance*) to help support economic vitality:

- 1. Buy Local Bonus & Eat Local Bonus Programs (\$125,000)**
- 2. Downtown & Community Activations (\$25,000)**





# Looking Forward

**Preparation  
for Mid-Year**

- Finalization of **FY 2022-23 Audit**. Publish ACFR by 12/31/23
- Update revenue projections** and any expenditure forecast changes.
- Staff to create recommendations for use of one-time unassigned fund balance from FY 2022-23 (if applicable)





# Recommendation

1. Receive and file the Fiscal Year 2023-24 First Quarter Budget report; and
2. Adopt a draft resolution entitled, “A Resolution of the City Council of the City of San Luis Obispo, California, approving an amendment to the Fiscal Year 2023-24 Budget” to appropriate \$150,000 of the General Fund Assigned Fund Balance for economic development efforts.





## Backup slide – Breakdown of \$2M Economic Development Funding

Council Action from 12/8/20 (R-11203)	
<b>FY 20-21 Q4 Unbudgeted LRM Revenue Estimate</b>	<b>\$ 3,425,000</b>
<i>TI Program - Invest in CDs - Economic Development</i>	<i>\$ 2,000,000</i>
<i>Small Business Grants</i>	<i>\$ 500,000</i>
<i>Downtown Vitality</i>	<i>\$ 425,000</i>
<i>Shop Local Incentive</i>	<i>\$ 200,000</i>
<i>Homeless Services</i>	<i>\$ 300,000</i>

<b>Fiscal Year</b>	<b>TI Program Amount Beginning Balance</b>	<b>\$ 2,000,000</b>
FY 2020-21	Immediate Investment into TI Program	\$ (50,000)
FY 2021-22	TIPP Fast 2.0 Program	\$ (250,000)
FY 2022-23	FY 22-23 Mid-year Economic Development SOBC	\$ (283,559)
	<b>FY 2022-23 Year End Balance</b>	<b>\$ 1,416,441</b>
FY 2023-24	Per 2023-25 Financial Plan - Appropriated	\$ (396,000)
<i>FY 2024-25</i>	<i>Per 2023-25 Financial Plan - Adopted</i>	<i>\$ (396,000)</i>
	<b>Current Available Balance</b>	<b>\$ 624,441</b>
FY 2023-24	11/14/23 Recommendation	\$ (150,000)
	<b>Balance after 11/14/23</b>	<b>\$ 474,441</b>

