



CITY OF SAN LUIS OBISPO



2023

Popular Annual Financial Report



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Contact Us:


There are many ways to connect:

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 Facebook – cityofslo

 Instagram - cityofslo

 Twitter - @city_of_slo

Financial Awards

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

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



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Luis Obispo California

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2022

Christopher P. Merrill
Executive Director/CEO

We are pleased to present the City of San Luis Obispo's Popular Annual Financial Report (PAFR) for Fiscal Year 2022-23. The PAFR is the condensed version of the 2023 Annual Comprehensive Financial Report (ACFR) which is a detailed account of the City's audited financial statements, notes, schedules, and statistics. The ACFR was prepared in conformance with Generally Accepted Accounting Principles and audited by Badawi & Associates. It received an unmodified (clean) audit opinion. A copy of the ACFR can be found on the City's website at [FY 2022-23 ACFR](#).

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

We hope you find the presented data helpful and informative.

CITY PROFILE



San Luis Obispo became a Charter City in 1876.



\$65,000
Median Household Income*



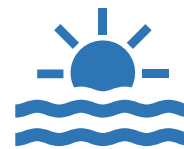
47,788
Population (largest city in SLO County)



4,040
Open Space acres maintained



23,272
Total Housing Units



Water Supply
Reservoirs: 10,392 AF



28
City Parks

Recycled Water: 223 AF

*per US Census Bureau



FACTORS AFFECTING 2022-23

Recovery from Global Pandemic

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

As the second year of the Financial Plan, the 2022-23 fiscal year budget continued investments into the adopted major city goals and concentrated on assisting the community with the recovery from the depth of the pandemic as well as addressing emerging trends and needs. Major City goals were adopted, and specific work programs implemented to deliver on the community's ambitions.

Significant Storms in January and March 2023

As the year unfolded, the City's major revenue sources continued to recover and grow, providing an improved fiscal outlook. However, in January and March 2023, the City and region experienced severe winter storms that resulted in two separate emergency declarations at the Federal and State level, as well as emergency proclamations at the local level. The City is eligible and is seeking reimbursement from Federal and State resources for most costs related to the storms. As of the end of the fiscal year, the City had spent about \$3.6 million on operating costs in response to the storms, including supplies, emergency protective measures and on immediate repair of damages to City infrastructure. An additional \$7 million remained on purchase orders for future planned expenditures.

It will take years to fully recover and repair all damages, which are currently estimated to exceed \$35 million; however, staff are working to prioritize the repairs and identify projects eligible for reimbursement.

The City's strong fiscal policies and General Fund reserve provided the first line of defense in addressing the immediate impact of the storms to the community. The City drew down reserves as the City Council authorized the use of \$9 million from the City's operating reserve to pay for these unanticipated emergency costs and activated the City's Fiscal Health Contingency Plan during the second half of the fiscal year. In addition to the impact of the winter storms, several other factors played into the City's financial condition at 2022-23 year-end:

- **Strong tax revenue** including Sales and Use Tax, Property Tax, Transient Occupancy Tax (TOT), as well as Utility User Tax. Despite worries of economic cooling, real estate market concerns and tourism impacted by winter storms, the City's major tax revenues performed well for 2022-23. The 2020 voter approved local transaction tax continues to be the City's largest single tax revenue. Property taxes remained strong due to ownership transfers as well as new housing units on the market.
- **Expenditure Savings.** With the activation of the Fiscal Health Contingency Plan, expenditures for nonessential items were deferred or cancelled, the City delayed filling vacant positions, and a travel/training "chill" was put in place. These actions contributed to General Fund budgetary savings of over 6%, which will provide added flexibility in addressing the unanticipated storm expenses and restoration of the General Fund reserve.
- **Favorable Fair Market Value Adjustment.** The Fair Market Value (FMV) adjustment is an accounting practice that reassesses the value of the City's investments when there is a difference between the market value and the value recorded on the City's books. Interest earnings and FMV adjustments have been volatile the past few years. In the prior year, the FMV adjustment was negative \$1.5 million; in FY 2022-23, it was \$1.2 million positive.



STRATEGIC OBJECTIVES

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



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



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



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



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



OPERATING INDICATORS AND STATISTICS

Public Works

Paved Streets.148 miles
City Trees Maintained. 12,976

Utilities

Water Accounts. 16,703
Water Consumed (in acre feet).5,163

Public Safety

Calls for Service. 43,104
Police Officers. 64
Traffic Accidents. 487
Fire Fighters. 47
Medical Responses.4,675

Parks and Recreation

Open Space Acres. 4,040
Open Space Easement Acres. 3,500
Trail Mileage.65
Children’s Services Enrollments 1,834
Annual Aquatic Attendance. 66,621

Community Development

Building Permits. 667
Building Inspections.10,423



FUND ACCOUNTING

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

Governmental Funds

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

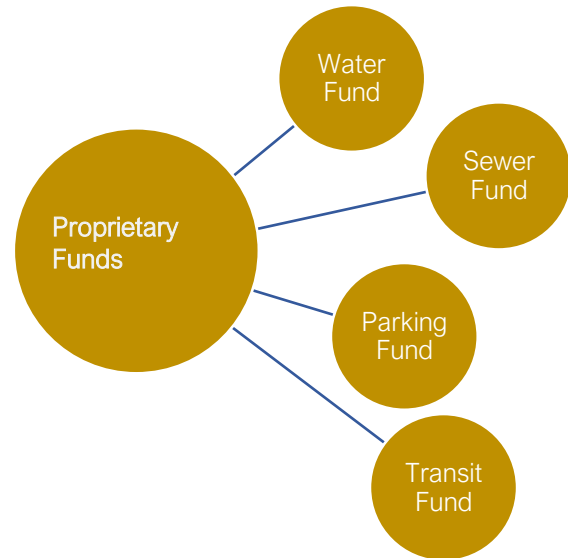
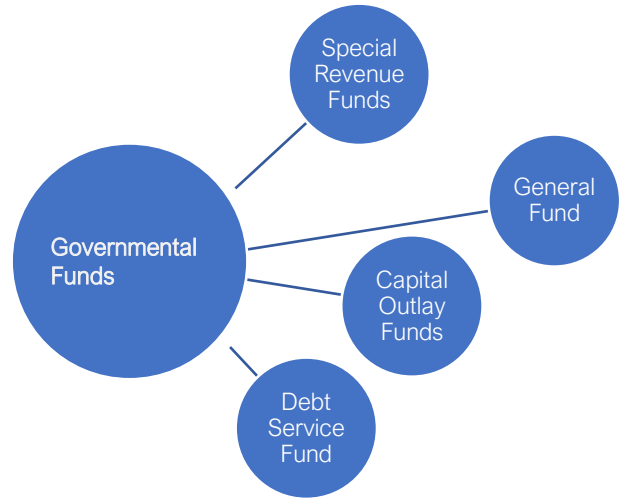
Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are restricted for special purposes such as the Tourism Business Improvement District Fund.

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

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

Proprietary Funds – (Enterprise Funds)

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



FINANCIAL STATEMENTS

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

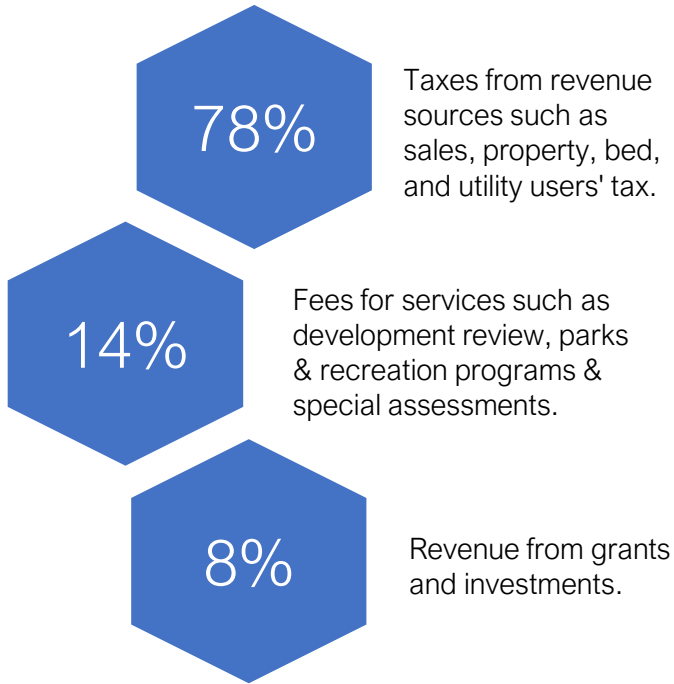
The governmental activities encompass administration, public safety, public works (streets and transportation), planning and development, culture and recreation, open space, City parks, housing, property and facilities services, and internal support functions. The Business-type activities of the City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

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



2022-23 GOVERNMENTAL FUND REVENUE

Governmental revenues mainly come from taxes, service fees, and special revenue assessments. For the City of San Luis Obispo, 78% of its income stems from taxes. The charts below illustrate the income levels for 2022-23.



Total Revenue \$127.7 million



2022-23 GOVERNMENTAL FUND EXPENDITURES



Total Expenditures \$119.7 million



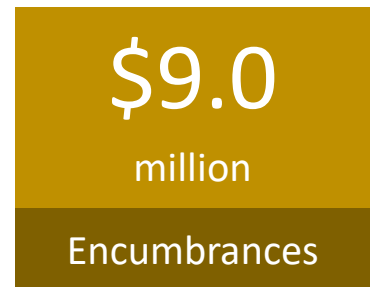
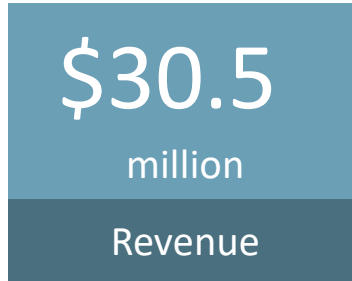
LOCAL REVENUE MEASURE

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

The City remains committed to the priorities for the use of the local sales tax measure that increased on April 1, 2021 based on the voters' approval. The community defined the Measure's priorities as:

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

Total expenditures during 2022-23 amounted to \$39.9 million (including encumbrances and carryovers)*; the remaining balances of these resources are designated for future year expenditures. A more detailed schedule of the local tax measure sources and uses is provided in the Financial Section of this report. The boxes below summarize how the local sales tax measure funds were used during fiscal year 2022-23.



*approximately \$9.4 million was spent from carryover of prior year revenues





2022-23 BUSINESS TYPE FUND REVENUE

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

Amounts in thousands

Water Fund
\$ 28.5 million

Service Charges	\$	23,856
Impact Fees	\$	3,616
Other Revenue	\$	248
Non-Operating Revenue	\$	741

Water Fund
\$21.5 million

Sewer Fund
\$24.1 million

Service Charges	\$	20,289
Impact Fees	\$	1,981
Other Revenue	\$	72
Non-Operating Revenue	\$	1,753

Sewer Fund
\$13.1 million

Parking Fund
\$7.7 million

Service Charges	\$	4,607
Fines & Forfeitures	\$	1,369
Other Revenue	\$	47
Non-Operating Revenue	\$	1,682

Parking Fund
\$4.8 million

Transit Fund
\$5.7 million

Service Charges	\$	806
Other Revenue	\$	3
Non-Operating Revenue	\$	4,905

Transit Fund
\$ 4.5 million

2022-23 BUSINESS-TYPE FUND EXPENDITURES

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

Amounts in thousands

Staffing	\$	4,965
Supplies & Maint.	\$	1,767
Contract Services	\$	10,264
General Gov.	\$	1,535
Depreciation	\$	2,945

Staffing	\$	4,860
Supplies & Maint.	\$	2,203
Contract Services	\$	1,914
General Gov.	\$	1,497
Depreciation	\$	2,588

Staffing	\$	1,663
Supplies & Maint.	\$	733
Contract Services	\$	880
General Gov.	\$	873
Depreciation	\$	662

Staffing	\$	190
Supplies & Maint.	\$	378
Contract Services	\$	3,090
General Gov.	\$	365
Depreciation	\$	460



DEBT MANAGEMENT

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

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

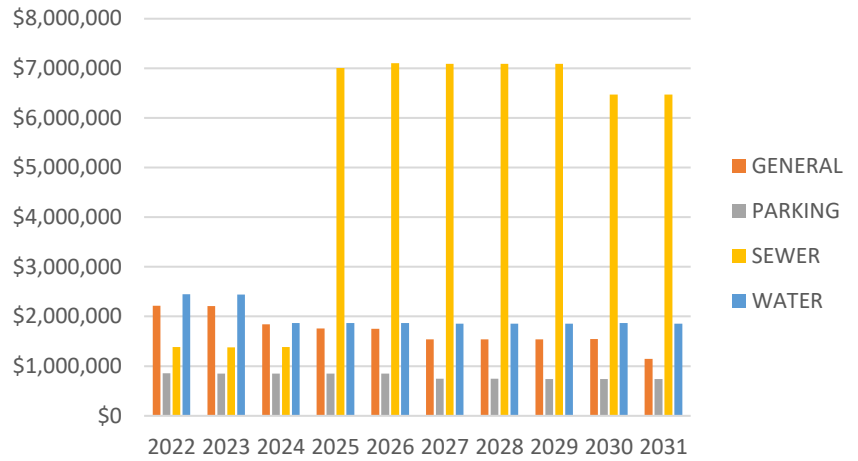
Debt should only be incurred for one-time capital expenditures and not for on-going operations. Borrowing for one-time capital expenditures allows for the cost of the project to be spread out over the useful life of the asset and results in the cost being paid by future beneficiaries as well as current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

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

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

2022-23 Debt Payments	
General Fund	\$ 2,209,804
Water Fund	\$ 2,442,558
Sewer Fund	\$ 1,380,939
Parking Fund	\$ 851,577

Debt Principal & Interest Payments



Debt Rating Scale





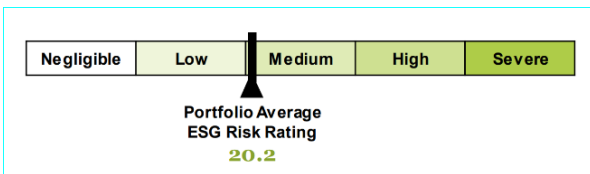
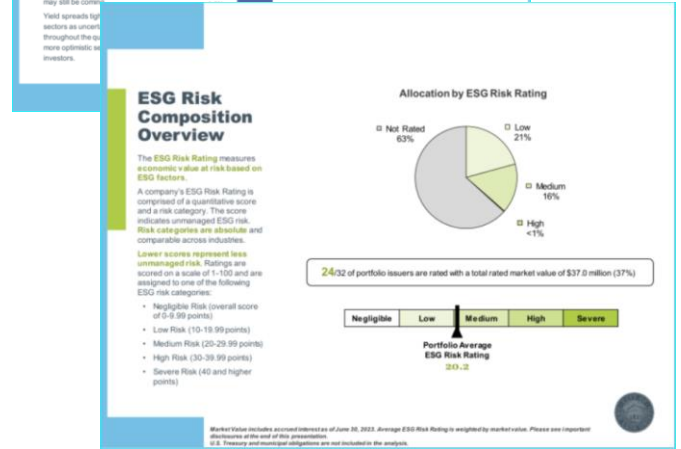
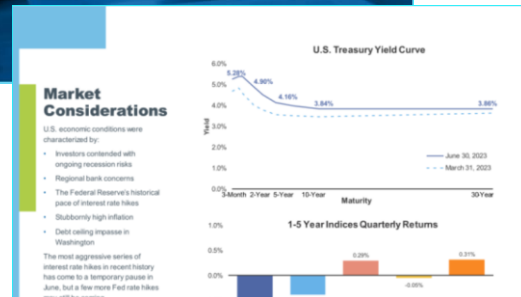
CASH & INVESTMENT MANAGEMENT

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

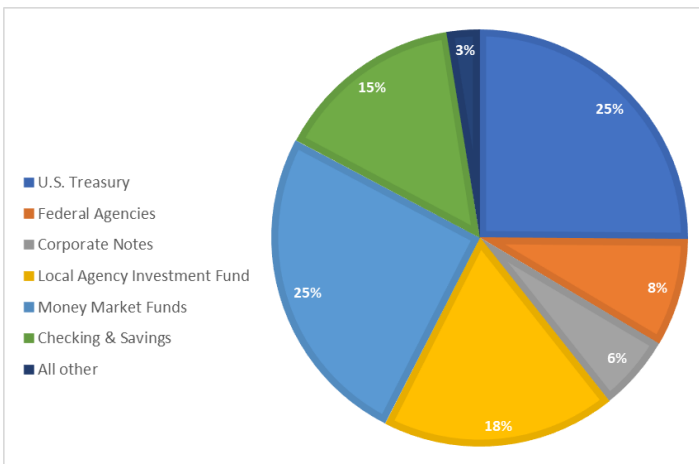
To protect the community's cash assets, the City has adopted an extensive policy framework that considers the following:

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

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



Summary of City Investments



Investment Portfolio 6/30/23	Invested Amount
U.S. Treasury	\$ 61,547,100
Federal Agencies	20,434,373
Negotiable CDs	979,368
Non-Negotiable CDs	2,038,589
Corporate Notes	14,293,670
Municipal Bond/Note	2,086,690
Bank Notes	624,470
Asset-Backed Securities	432,685
Local Agency Investment Fund	44,574,587
Money Market Funds	61,772,270
Checking & Savings	36,099,803
Total	\$ 244,883,605



CAPITAL PROJECTS HIGHLIGHTS

The City's infrastructure encompasses many elements. It ranges from City streets, bridges, and traffic related infrastructure to parks, playgrounds, a swim center, and a municipal golf course. Maintaining and servicing this infrastructure is an integral part of the City's work programs and budget allocations. In 2022-23, the following amounts were dedicated to capital infrastructure maintenance and improvement:

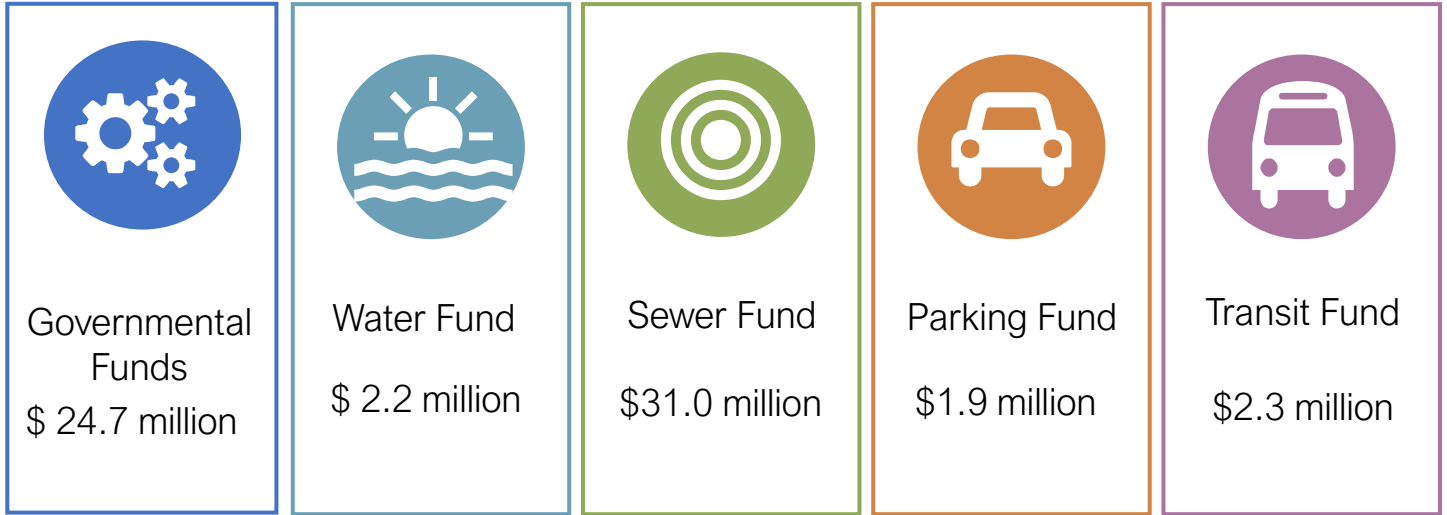
Capital project investments during 2022-23 included:

- ❖ \$24.2 million for the Water Resource Recovery Facility upgrade project
- ❖ \$4.6 million for sewer lift stations
- ❖ \$729,000 million for waterline replacements and maintenance
- ❖ \$1.7 million toward the Cultural Arts District parking structure
- ❖ \$1.1 million for the Orcutt/Tank Farm roundabout construction
- ❖ \$1.9 million for emergency storm damage repair
- ❖ \$525,000 for maintenance or upgrades to City parks
- ❖ \$383,000 for silt removal and storm drain management
- ❖ \$2 million for street paving projects
- ❖ \$669,000 toward widening Prado Bridge near S. Higuera
- ❖ \$567,000 for improvements to pedestrian crossings

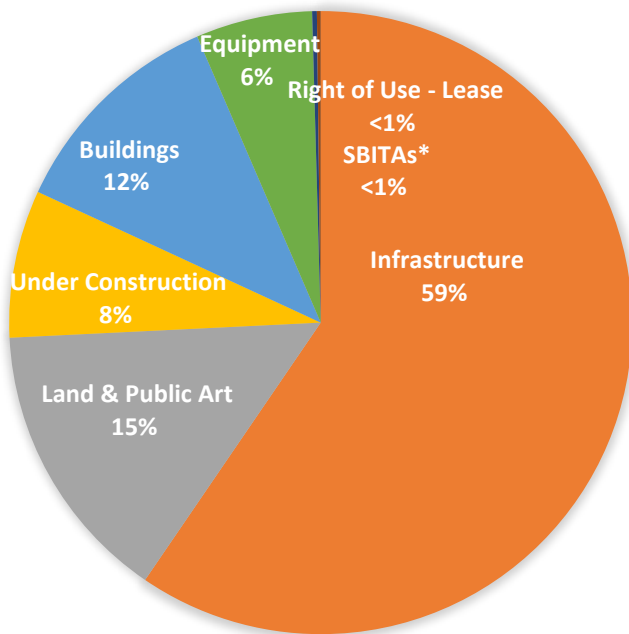




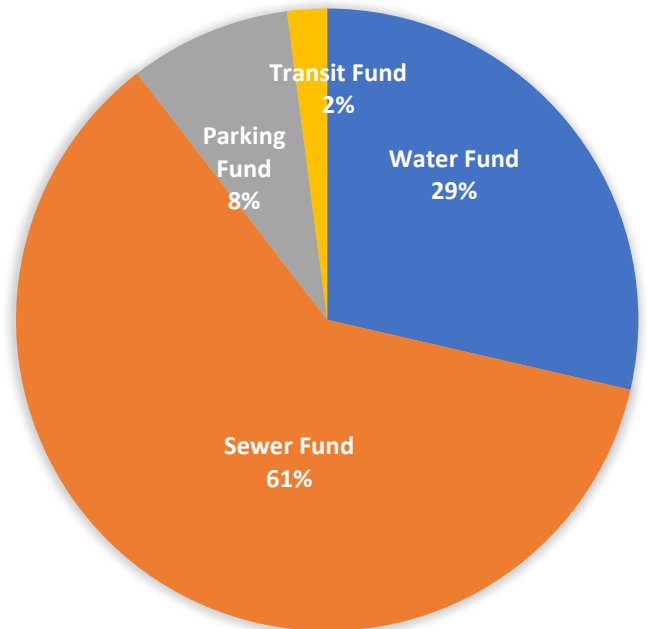
2022-23 CAPITAL INVESTMENTS BY MAJOR FUND



CAPITAL ASSETS (NET OF DEPRECIATION)



Governmental Funds



Enterprise Funds

* Subscription Based Information Technology Arrangements



CITY OF SAN LUIS OBISPO

City Council

Erica A. Stewart, Mayor

Jan Marx, Vice Mayor

Michelle Shoresman, Council Member

Andy Pease, Council Member

Emily Francis, Council Member

Derek Johnson, City Manager

Emily Jackson, Finance Director

Contact Information

www.slocity.org

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