



# Third Quarter Financial Report

## Fiscal Year 2023-24

### Introduction

This financial report provides an overview of the City's financial position through the third quarter of Fiscal Year 2023-24 (July 1, 2023 - March 31, 2024) for the General Fund and the four enterprise operating funds. It also provides an update on the status of the City's Capital Improvement Plan (CIP) projects and progress on Major City Goals. Notable milestones or trends within the third quarter are addressed and detailed throughout the document. The report is broken down into the following sections:

- |   |  |   |                                    |   |                           |
|---|--|---|------------------------------------|---|---------------------------|
| 1 | General Fund Update/<br>Storm Expenditure Update | 3 | Major City Goal<br>Update          | 5 | Outlook and<br>Conclusion |
| 2 | Enterprise Funds<br>Update                       | 4 | Capital Improvement<br>Plan Update |   |                           |

### 1 General Fund Update

As of March 31, 2024, operating expenditures and revenues are on target with past years' third quarters.

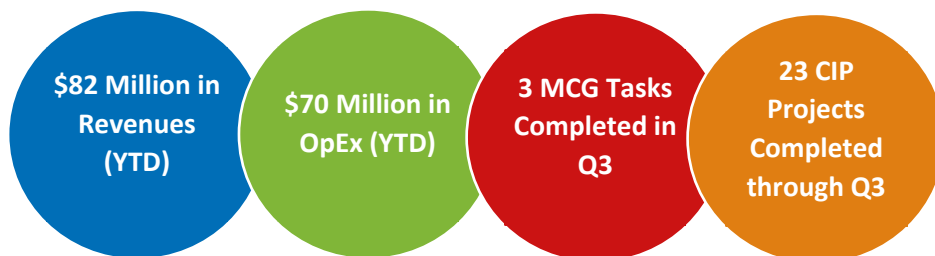


Table 1. General Fund Revenue

General Fund	2022-23		2023-24			Variance from prior year
	Q3 Actuals	% Received	Total Budget	Q3 Actuals	% Received	
<b>Tax &amp; Franchise Revenue</b>						
1 Sales Tax: LRM G20 (July-Feb only)	\$ 20,221,278	67%	\$ 30,262,098	\$21,238,335	70%	5%
2 Sales Tax: Bradley Burns (July-Feb only)	\$ 14,780,256	69%	\$ 22,578,995	\$14,996,278	66%	1%
3 Property Tax	\$ 14,752,110	69%	\$ 22,863,770	\$14,603,385	64%	-1%
4 Safety Prop 172	\$ 421,301	85%	\$ 550,000	\$ 360,718	66%	-14%
5 Transient Occupancy Tax	\$ 7,870,402	74%	\$ 10,704,000	\$ 7,078,275	66%	-10%
6 Utility User Tax	\$ 4,452,678	80%	\$ 6,332,000	\$ 3,963,767	63%	-11%
7 Business Tax	\$ 3,263,104	103%	\$ 3,252,293	\$ 2,984,082	92%	-9%
8 Cannabis Tax	\$ 776,073	71%	\$ 1,100,000	\$ 744,058	68%	-4%
9 Franchise Fees	\$ 1,795,637	100%	\$ 2,000,000	\$ 1,130,134	57%	-37%
10 Gas Tax (Special Revenue Fund)	\$ 943,964	72%	\$ 1,389,292	\$ 1,220,450	88%	29%
11 SB1 - Gas Tax (Special Revenue Fund)	\$ 612,525	60%	\$ 1,177,994	\$ 486,229	41%	-21%
<b>12 Total Tax &amp; Franchise Revenue</b>	<b>\$ 69,889,327</b>	<b>71%</b>	<b>\$102,210,442</b>	<b>\$68,805,712</b>	<b>67%</b>	<b>-2%</b>
13 Development Review	\$ 4,326,404	66%	\$ 6,275,536	\$ 4,558,106	73%	5%
14 Fire	\$ 1,294,050	81%	\$ 1,701,565	\$ 1,274,105	75%	-2%
15 Parks & Recreation	\$ 1,153,315	58%	\$ 2,026,043	\$ 1,514,629	75%	31%
16 Police	\$ 461,801	72%	\$ 751,009	\$ 532,063	71%	15%
17 Grants & Subventions	\$ 1,134,510	162%	\$ 1,262,929	\$ 1,557,170	123%	37%
18 Business Licenses (Incl Cannabis)	\$ 670,302	108%	\$ 694,774	\$ 694,551	100%	4%
19 Other Revenue	\$ 491,501	-	\$ 1,921,905	\$ 3,516,835	183%	616%
<b>20 Total</b>	<b>\$ 79,421,210</b>	<b>72%</b>	<b>\$116,844,202</b>	<b>\$82,453,171</b>	<b>71%</b>	<b>4%</b>

**Sales and Use Tax (including Measure G):** At the end of March 2024, about 70% of the City’s forecasted sales tax revenue for this fiscal year had been collected; this is generally consistent with prior years due to the timing of disbursements from the California Department of Tax and Fee Administration (CDTFA). The actuals noted above include sales taxes earned July 2023 through February 2024.

**Property Tax:** The City receives most of its property tax revenue in the 3<sup>rd</sup> and 4<sup>th</sup> quarters of the fiscal year and the variable timing explains why current year receipts appear lower than last fiscal year. The County recently sent the City updated property tax estimates that are roughly in line with the mid-year budget. As a reminder, the City participates in the “teeter” system for property tax meaning that disbursements are generally provided two times a year and the City foregoes any potential delinquency fees in exchange for the County advancing all due applicable property taxes (meaning that property tax receipts should always meet budget).

**Safety Prop 172:** Year to date, revenue as a percent of budget is in line with general sales tax and with expectations. The year over year variance is driven by timing of receipts.

**Transient Occupancy Tax (TOT):** TOT revenue follows strong seasonal trends and can be highly volatile based on factors like weather, local events, and consumer spending. Year to date revenue is lower than the prior year as March receipts have not been recorded and several payments from February are still outstanding. Staff expect to collect all payments and TOT revenue is broadly on track to meet current year projections.

**Utility User Tax (UUT):** UUT revenue is trending about 11% lower than last fiscal year due to the timing of receipts. Staff expect this revenue stream to finish on budget and will continue to monitor over the next several months.

**Business Tax:** The City collects business taxes at the beginning of the fiscal year in amounts based on the gross receipts of the previous calendar year. Business Tax should have been entirely collected at this point in the fiscal year, but there are several delinquent filings. Staff have issued citations and are working to collect this revenue.

**Cannabis Tax:** Cannabis tax revenue has stayed very consistent at \$1.1m annually since the second retail location opened in April 2021. Revenue is expected to finish on budget at \$1.1m again this year.

**Franchise Fees:** These are fees on privately owned utility companies and other businesses that use the City's infrastructure to run their businesses. Year to date revenue is down year over year driven by timing of receipts. Staff expect this revenue stream to finish on budget and will continue to monitor over the next several months.

**Gas Taxes:** Both the Highway User Tax (*line 10*) and the SB1 Road Maintenance and Rehabilitation Apportionment (*line 11*) are tracking as expected. The budget for FY 2023-24 is based on information provided by the State. This revenue is based upon a fee per gallon of gas and is *not* based on gas prices.

**Development Review:** Revenues are broadly in line with budget for the current year. However, large projects with high fees have a significant impact on total revenue collection, so an abnormal fourth quarter could shift the overall outlook.

**Parks & Recreation:** Parks and Recreation saw a 15% increase in year-to-date revenue compared to FY 2022-23. This was primarily driven by storm related closures in the prior year.

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

**Grants and Subventions:** Grant revenues fluctuate from year-to-year based on availability and award success. In many cases, this revenue helps offset expenditures and is not budgeted for. Year to date revenues are up primarily due to mutual aid for the fire department.

**Business and Cannabis Licenses:** Business license fees are on track with projections. Business licenses are renewed at the beginning of the fiscal year; therefore, 100% of budgeted revenue for the year has already been collected.

**Other Revenue:** This budget is intentionally conservative as it includes adjustments to the fair market value of the City's financial assets which are driven by market projections of future interest rates and have proven highly volatile. Interest from the city's investments is the single largest revenue stream in this line item and is well above budget year to date. This line also includes positive fair market value adjustments which are expected to be reversed at year-end based on recent market developments.

## General Fund Expenditures

The tables below include year-to-date consumption for FY 2023-24 compared to budget. The “Total Expenditures & Obligations” column includes both costs that have already been incurred and costs that are obligated on purchase orders.

Table 2. Expenditures by Type

	FY 2023-24 (July -March)				
	Total Budget	Obligations	Expenditures	Total Obligations & Expenditures	% Consumed
1 Salaries	\$ 46,606,091	\$ -	\$ 33,218,158	\$ 33,218,158	71%
2 Retirement/Benefits	\$ 11,513,067	\$ -	\$ 8,236,970	\$ 8,236,970	72%
3 PERS Unfunded Liability	\$ 11,132,870	\$ -	\$ 10,998,102	\$ 10,998,102	99%
4 Contract Services	\$ 13,738,995	\$3,129,020	\$ 7,960,773	\$ 11,089,794	81%
5 Other OpEx	\$ 5,937,567	\$ 593,006	\$ 3,588,822	\$ 4,181,829	70%
6 Utilities	\$ 3,263,947	\$ 20,948	\$ 2,149,455	\$ 2,170,403	66%
7 <b>Grand Total</b>	<b>\$ 92,192,536</b>	<b>\$3,742,975</b>	<b>\$ 66,152,281</b>	<b>\$ 69,895,255</b>	<b>76%</b>

There are no significant variances in the General Fund. The PERS Unfunded Liability expenditure is paid upfront to take advantage of a prepayment discount. It is expected that contract services and other operating expenses are more than 75% consumed because annual purchase orders are set up at the beginning of the year and the funds are considered “Obligated” from that point forward. Salaries and benefits should track at a consistent level and at this point in the year, it would be normal to expect about 70-75% of the budget to be expended. The year-to-date actuals indicate there is about 4% salary savings, more than the forecast assumption of 3%.

Table 3. Expenditures by Department

		FY 2023-24 (July - March)				
		Total Budget	Obligations	Expenditures	Total Obligations & Expenditures	% Consumed
1	<b>Public Safety</b>					
2	Police	\$ 22,389,713	\$ 121,469	\$ 17,940,213	\$ 18,061,682	81%
3	Fire	\$ 15,638,786	\$ 120,049	\$ 12,293,729	\$ 12,413,778	79%
4	<b>Community Services Group (CSG)</b>					
5	CSG Admin	\$ 830,784	\$ (1,683)	\$ 690,447	\$ 688,764	83%
6	CDD	\$ 8,840,587	\$ 779,725	\$ 5,303,944	\$ 6,083,669	69%
7	Public Works	\$ 17,918,390	\$ 1,044,436	\$ 12,897,408	\$ 13,941,844	78%
8	Parks & Recreation	\$ 5,706,573	\$ 59,365	\$ 3,855,852	\$ 3,915,217	69%
9	Solid Waste - AB 939	\$ 464,836	\$ 27,516	\$ 329,232	\$ 356,748	77%
10	<b>Internal Services</b>					
11	Admin/IT	\$ 12,184,186	\$ 1,115,550	\$ 8,090,189	\$ 9,205,739	76%
12	City Attorney	\$ 1,668,051	\$ 140,257	\$ 1,110,460	\$ 1,250,717	75%
13	Finance	\$ 2,544,004	\$ 94,402	\$ 1,727,095	\$ 1,821,497	72%
14	Human Resources	\$ 2,266,158	\$ 216,127	\$ 1,588,809	\$ 1,804,936	80%
15	Non-Departmental	\$ 1,740,469	\$ 25,761	\$ 324,903	\$ 350,664	20%
16	<b>Total</b>	<b>\$ 92,192,536</b>	<b>\$ 3,742,975</b>	<b>\$ 66,152,281</b>	<b>\$ 69,895,255</b>	<b>76%</b>

As of the third quarter, there are no significant variances in the General Fund departments. Public Safety departments are trending high because the approved equity adjustment parameters for SLOPSOA and Fire employees were not distributed throughout the individual departments but instead budgeted for within “non-departmental” – this will balance out at year end.

## An Update on Storm Expenditures

As noted in prior budget reports, the winter storms in January and March 2023 caused significant damage to City infrastructure and resulted in emergency declarations at the Federal and State level, in addition to the Emergency Services Director’s local emergency proclamation. The City Council 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 2023-25 Financial Plan, the City Council also approved allocation of \$2.75 million in the CIP to fund projects to repair storm damages and mitigate against future damage. The Federal and State declarations enable the City to seek reimbursement for certain storm related costs. The maximum reimbursement for eligible costs is 93.75% (75% from the Federal Emergency Management Agency (FEMA) and 18.75% from the California Office of Emergency Services (CalOES)), meaning that the City will pay a minimum of 6.25% for certain storm related costs. The FEMA reimbursement process has moved slowly due to turnover in the FEMA Program Delivery Managers assigned to assist local agencies in submitting projects for reimbursement and a lack of clarity about the information required in order to submit projects. Based upon information provided by Ernst and Young (EY) (the City’s 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. The timing of reimbursement is being closely tracked, as the City’s ability to pay back the operating reserve and fund future storm-related projects is dependent on receiving reimbursement for incurred storm costs.

The City has expended approximately \$12.5 million on storm response to date, including debris removal, emergency protective measures, and projects to make permanent repairs to damaged facilities. As noted in prior updates, storm related cost estimates continue to shift as projects are scoped, designed and completed. Currently, the total storm costs are estimated at \$35.2 million, slightly down from what was reported in the First Quarter Financial Report. Total costs reflect efforts to not only repair storm damage, but to mitigate against future damage brought on by a potential El Niño year or subsequent storm events. In order to move quickly to address storm damages, staff continues to use streamlined procurement processes, including the authorization of construction contracts and change orders by the City Manager where necessary and allowable to expedite work in order to protect community health and safety. As of the writing of this report, \$9.3 million worth of storm-related expenditures have been submitted to FEMA for reimbursement, including the City’s largest project to repair and stabilize the creek bank at San Luis Drive. Staff continue to work to prioritize the repairs and identify which projects will be eligible for the highest reimbursement.

Table 4. Storm Response Project Status

Row #	Projects by Phase	Percentage Complete
1	<b>Design</b>	<b>17%</b>
2	<b>Nipomo Bridge over Stenner Creek</b>	<b>10%</b>
3	Remove damaged revetment and install new revetment upstream and downstream of bridge. Revetment was undermined during storm event.	10%
4	<b>Prefumo Creek Grade Structure</b>	<b>18%</b>
5	Phase I - Remove damaged grade control structure and install RSP roughened ramp.	25%
6	Phase II - Install new sewer siphon. Sewer siphon relocation.	10%

7	<b>Prefumo through Golf Course</b>	<b>20%</b>
8	Phase 1 - Install City Owned Ped bridge	50%
9	Phase 2 - Install creek bank revetment in golf course	5%
10	Phase 3 - Stabilize creek banks upstream of golf course	5%
11	<b>SLO Creek at Elks Lodge</b>	<b>15%</b>
12	Phase 1 - Install RSP on East Side (Elks Side) - armor embankment due to Caltrans revetment	25%
13	Phase 2 - Install creek bank revetment on Elks Lodge side downstream of Elks Lodge	25%
14	Phase 3 - Install soil nail wall on Hwy 101 side of SL Creek near Elks Lodge	5%
15	Phase 4 - Armor bridge abutments at Elks Lane and SL Creek	5%
16	<b>SLO Creek at Mission Plaza</b>	<b>25%</b>
17	Remove and install structural sidewalk	25%
<b>18</b>	<b>Complete</b>	<b>100%</b>
19	<b>Lower Marsh Street Bridge Debris Removal</b>	<b>100%</b>
20	Remove vegetative debris and rock materials downstream and below the Marsh Street Bridge at US 101.	100%
21	<b>Old Garden Creek - 141 Cuesta</b>	<b>100%</b>
22	Remove and replace creek retaining wall	100%
23	<b>Old Garden Creek - 533 Broad</b>	<b>100%</b>
24	Remove RSP and install new RSP + Soil Nail wall	100%
25	<b>Pismo / Johnson Creek Bank Repair</b>	<b>100%</b>
26	Remove revetment and install soil nail wall. Reimbursement for mitigation work has a high likelihood.	100%
27	<b>Prefumo Clearing (LOVR to Laguna)</b>	<b>100%</b>
28	Phase 1 - Remove debris near LOVR to Mariner's Cove	100%
29	Phase 2 - Remove debris removal from Mariner's Cove to Laguna Lake	100%
30	Phase 3 - Culvert Repair	100%
31	<b>San Luis Drive at SLO Creek</b>	<b>100%</b>
32	Install soldier pile wall	100%
33	<b>Old Garden Creek - 152 Cuesta</b>	<b>100%</b>
34	Repair lined portion of Old Garden Creek	100%

## Enterprise Fund Update

### Utilities: Water and Sewer Funds

The tables below include third quarter actuals for FY 2023-24 compared to the budget. The “Total Expenditures & Obligations” column on the expenditure table includes both costs that have already been incurred and costs that are obligated on purchase orders.

Table 5. Utilities Revenue

	FY 2022-23		FY 2023-24			Variance from prior year
	Q3 Actuals	% Received	Total Budget	Q3 Actuals	% Received	
Water Fund	\$ 16,388,406	64%	\$ 27,920,902	\$ 19,673,809	70%	20%
Sewer Fund	\$ 14,460,281	70%	\$ 21,571,555	\$ 16,087,636	75%	11%
<b>Grand Total</b>	<b>\$ 30,848,687</b>	<b>67%</b>	<b>\$ 49,492,457</b>	<b>\$ 35,761,444</b>	<b>72%</b>	<b>16%</b>

**Revenue:** Due to the timing of utility billing, the amounts above reflect eight months of charges for services revenue (i.e. base charges, water sales, sewer services, recycled water sales, etc.) or about 66% of the fiscal year. Relative to projected revenues for fiscal year 2023-24, charges for services are at \$31,534,000.00 or 68% of what was budgeted and are on track to meet expected revenues. Year-over-year charges for services reflect about a \$1,800,000 or 6% increase and are consistent with the rate increases approved by [R-11427](#) and [R-11428](#). The remaining actual and budgeted revenues are generally lumpy or comprise a very small percentage of expected revenues. An example of lumpy revenue is the Cal OES Grants for flood mitigation infrastructure at the WRRF (\$1,500,000 budgeted). Examples of other expected, but smaller revenues include interest on investments, various permits, and sales of surplus assets.



Table 6. Utilities Expenditures

FY 2023-24 (July -March)						
	Total Budget	Obligations	Expenditures	Total Obligations & Expenditures	% Consumed	
<b>1 601-Water Fund</b>						
2 Salaries	\$ 3,882,239	\$ -	\$ 2,666,269	\$ 2,666,269	69%	
3 Retirement/Benefits	\$ 936,831	\$ -	\$ 683,660	\$ 683,660	73%	
4 PERS Unfunded Liability	\$ 678,507	\$ -	\$ 668,626	\$ 668,626	99%	
5 Contract Services	\$ 1,199,759	\$ 238,257	\$ 507,142	\$ 745,399	62%	
6 Other OpEx	\$ 12,624,171	\$ 602,080	\$ 10,195,147	\$ 10,797,228	86%	
7 Utilities	\$ 1,033,720	\$ 6,850	\$ 550,645	\$ 557,495	54%	
<b>8 Water Fund Total</b>	<b>\$ 20,355,227</b>	<b>\$ 847,187</b>	<b>\$ 15,271,490</b>	<b>\$ 16,118,677</b>	<b>79%</b>	
<b>9 602-Sewer Fund</b>						
10 Salaries	\$ 3,884,630	\$ -	\$ 2,710,528	\$ 2,710,528	70%	
11 Retirement/Benefits	\$ 909,393	\$ -	\$ 664,876	\$ 664,876	73%	
12 PERS Unfunded Liability	\$ 692,112	\$ -	\$ 682,034	\$ 682,034	99%	
13 Contract Services	\$ 1,291,283	\$ 449,379	\$ 1,703,628	\$ 2,153,007	167%	
14 Other OpEx	\$ 1,600,059	\$ 277,161	\$ 1,000,538	\$ 1,277,699	80%	
15 Utilities	\$ 1,062,892	\$ 14,635	\$ 857,350	\$ 871,985	82%	
<b>16 Sewer Fund Total</b>	<b>\$ 9,440,369</b>	<b>\$ 741,175</b>	<b>\$ 7,618,953</b>	<b>\$ 8,360,128</b>	<b>89%</b>	

**Expenditures:** Currently, there is one significant variance in utilities expenditures to highlight. The Contract Services budget for the Sewer Fund is currently \$862,000 or 67% overbudget. This overspend is a result of Water Resource Recycling Facility (WRRF) emergency expenses due to construction sequencing constraints and mercury remediation. In short, residual mercury was encountered during the demolition of a legacy wastewater treatment system that required unexpected expenditures to address, and sequencing constraints at the facility resulted in solids accumulation beyond the WRRF’s processing capacities, which created odors that required additional remediation. Staff obtained Council authorization to add budget for these expenses from Sewer Fund Undesignated Capital (Completed Projects) via [R-11487](#). Once these approved changes are implemented, the variance will be addressed. Staff continue to monitor Other Operating Expenses and Utilities accounts due to highly volatile inflation in electric service and chemical costs. Staff foresee being able to cover any overages in these accounts with underspend in other accounts. It is normal and expected that contract services and other operating expenses track above 75% because annual purchase orders are set up at the beginning of the year and the funds are considered “Obligated” from that point forward. Staffing should track at a consistent level and the actuals seen above are due to staffing vacancies and subsequent savings during staffing transitions.

## Parking Fund

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

Table 7. Parking Revenue

	FY 2022-23		FY 2023-24			Variance from prior year
	Q3 Actuals	% Received	Total Budget	Q3 Actuals	% Received	
Parking Fund	\$ 5,635,200	86%	\$ 9,700,994	\$ 8,265,839	85%	47%
<b>Grand Total</b>	<b>\$ 5,635,200</b>	<b>86%</b>	<b>\$ 9,700,994</b>	<b>\$ 8,265,839</b>	<b>85%</b>	<b>41%</b>

**Revenue:** Revenue from on-street and surface parking lot areas is tracking higher than budgeted which is likely due to conservative forecasts for the rate increases that took effect July 1, 2023. Revenue from citation payments is also tracking higher than budgeted. Enforcement related revenue is difficult to accurately forecast because it is reliant on individuals to violate state and local laws and for an officer to be present to issue a citation for said violation. Revenue from investments is also tracking higher than budgeted because it is unknown at the time the budget is adopted what rate of return the City will realize. Parking structure revenue is tracking low even after being adjusted at Mid-Year to account for the reestablishment of first hour free program and establishing free Sunday parking in the structures, as approved by Council in November 2023. Recent occupancy studies conducted as part of the Parking Rate Study revealed lower than typical utilization of the parking structures which may be contributing to the lower than anticipated revenue. A rate study is underway and expected to be presented to the City Council in May 2024 to consider potential adjustments to parking rates and other operational modifications, which may alter future fiscal year revenue projections.

Table 8. Parking Expenditures

		FY 2023-24 (July -March)				
		Total Budget	Obligations	Expenditures	Total Obligations & Expenditures	% Consumed
1	Salaries	\$ 1,405,279	\$ -	\$ 1,017,526	\$ 1,017,526	72%
2	Retirement/Benefits	\$ 321,392	\$ -	\$ 243,614	\$ 243,614	76%
3	PERS Unfunded Liability	\$ 196,276	\$ -	\$ 177,823	\$ 177,823	91%
4	Contract Services	\$ 969,370	\$ 433,544	\$ 581,955	\$ 1,015,499	105%
5	Other Operating Expenditures	\$ 577,450	\$ 34,722	\$ 585,216	\$ 619,939	107%
6	Utilities	\$ 264,172	\$ -	\$ 172,312	\$ 172,312	65%
7	<b>Parking Fund Total</b>	<b>\$ 3,733,939</b>	<b>\$ 468,267</b>	<b>\$ 2,778,445</b>	<b>\$ 3,246,712</b>	<b>87%</b>

**Expenditures:** Contract Services and Other Operating Expenditures are tracking higher than budget mostly due to increased adoption of mobile payment among users. There have been over 200,000 mobile application (app) transactions (all credit card based) in the first eight months of FY 2023-24, in which the City incurs credit card merchant fees. In addition, credit card payments represent over 90% of revenue collected at the pay stations and at the parking meters. At Mid-Year budget review, the credit card merchant fees budget was increased from \$205,590 to \$390,590 to account for continued and significant digital payment adoption. However, through the first eight months of FY 2023-24, credit card merchant fees were averaging \$45,170 per month with a projected year-end of \$542,000. Additionally, execution of the Parking Communications Plan has required more resources than originally budgeted, as well have expenditures for out-of-warranty repairs to pay stations and charging stations, regulatory signs and

signposts for new enforcement areas, and maintenance equipment for the parking structures. These actual costs have been reflected in adjustments to the FY 2024-25 budget that will be presented as part of Budget Supplement.

#### Transit Fund

The tables below include third quarter actuals for FY 2023-24 compared to Budget. The “Actuals” column includes both costs that have already been incurred and costs that are obligated on purchase orders.

Table 9. Transit Revenue

	FY 2022-23		FY 2023-24			Variance from prior year
	Q3 Actuals	% Received	Total Budget	Q3 Actuals	% Received	
Federal	\$ -	0%	\$ 7,579,701	\$ 1,012,148	13%	0%
State	\$ 1,527,196	44%	\$ 3,657,688	\$ 2,315,905	63%	52%
Local (Bus Fare)	\$ 733,644	96%	\$ 990,000	\$ 722,957	73%	-1%
Other Revenue	\$ 298,778	-60%	\$ 13,579	\$ 210,570	1551%	-30%
<b>Grand Total</b>	<b>\$ 2,559,618</b>	<b>25%</b>	<b>\$ 12,240,968</b>	<b>\$ 4,261,580</b>	<b>35%</b>	<b>66%</b>

**Revenue:** The Transit program saw a modest year over year decline in transit fare revenue. Fare revenue is vital to secure State Transit Development Act (TDA) funds which require 20 percent of the programs’ operating budget be generated from local revenue (fares, bus passes, and payment from Cal Poly). Most State and Federal revenue is directly tied to capital projects and will not be realized until projects are either initiated or completed and reimbursement requests are submitted. Other Revenue includes interest on investments which is difficult to predict, so revenue from interest is typically conservatively forecasted. At this time, the Transit Fund is tracking as expected for its annual revenues.

Table 10. Transit Expenditures

		FY 2023-24 (July -March)				
		Total Budget	Obligations	Expenditures	Total Obligations & Expenditures	% Consumed
1	Salaries	\$ 396,068	\$ -	\$ 187,450	\$ 187,450	47%
2	Retirement/Benefits	\$ 74,554	\$ -	\$ 44,193	\$ 44,193	59%
3	PERS Unfunded Liability	\$ 45,388	\$ -	\$ 44,728	\$ 44,728	99%
4	Contract Services	\$ 4,487,341	\$1,006,988	\$ 2,369,971	\$ 3,376,959	75%
5	Other Operating Expenditures	\$ 410,200	\$ 42,467	\$ 322,860	\$ 365,327	89%
6	<b>Transit Fund Total</b>	<b>\$ 5,413,551</b>	<b>\$1,049,455</b>	<b>\$ 2,969,202</b>	<b>\$ 4,018,657</b>	<b>74%</b>

**Expenditures:** Salaries and Benefits are trending lower than budget due to reallocation of Mobility Services positions between funds to better align with the workloads of those roles. Other Operating Expenditures is trending low mainly due to the contract for Purchased Transportation services. The City anticipated returning to pre-pandemic levels of service but difficulty hiring and retaining drivers has delayed this effort.

### 3 Major City Goal (MCG) Update

Three 2023-25 Major City Goals have been completed in FY 2023-24 Q3. The table below highlights the MCGs that were expected to be completed in the current quarter.

Table 11: Major City Goal Tasks with Completion Dates in FY 2023-24 Q3

Task	Original Completion Date	Updated Completion Date	Comments
<b>Economic Resiliency, Cultural Vitality &amp; Fiscal Sustainability</b>			
<b>Strategy 1.5: Practicing Fiscal Responsibility</b>			
Task c. Implement a city fee program update	FY 2023-24 Q3	FY 2023-24 Q4	Staff will present the user and regulatory fee study to Council in June or July with implementation anticipated by the end of FY 2024-25 Q1
Task d. Implement a Development impact fee (AB1600) study and update.	FY 2023-24 Q3	FY 2024-25 Q2	Draft report for all Impact Fees except TIF has been provided and reviewing with staff. Staff anticipate presenting the complete Impact Fee study to Council in early Q3 of FY 2024-25.
<b>Housing and Homelessness</b>			
<b>Strategy 3.1: Implement Housing Element</b>			
Task d. Conduct a study session with the City Council to identify needs and opportunities across the housing spectrum, including various types of transitional and supportive housing options	FY 2023-24 Q3	Complete	Task completed this quarter. A table summarizing and updating the opportunities discussed during the study session is provided as an attachment to this report.
Task e. Develop a scope of work for possible funding as part of the 2023-25 Financial Plan Supplement to update the City's parking requirements in consideration of best practices that support housing production. Strategies may include lowering parking minimums, establishing parking maximums, reducing parking requirements in areas close to services and transit facilities, and other proven strategies.	FY 2023-24 Q3	Complete	Task completed this quarter to develop the scope of work and obtain cost estimates for a potential study of the City's parking requirements. The estimated cost of the study is \$200,000.
<b>Strategy 3.2: Implement Inclusionary Housing Ordinance</b>			
Task f. Continue to develop the City's Safe Housing Outreach and Education Program, including preparation of a Council Memo on options for protecting renters, including homelessness prevention strategies.	FY 2023-24 Q3	FY 2023-24 Q4	Work on this task is ongoing; staff expect to submit a Council Memo in May
<b>Climate Action, Open Space &amp; Sustainable Transportation</b>			
<b>Strategy 4.5 Planning &amp; Implementation for Resilience</b>			
Task f. Conduct GHG Emissions Inventory and Biennial CAP and Lead by Example Progress Reports as called for in CAP Administrative Action 2 and Lead by Example Plan Administrative Action 2.	FY 2023-24 Q3	Complete	Programs completed, to be presented to Council in May

## 4 CIP Update – Completed and Ongoing

Over the past year, the City's Capital Improvement Program (CIP) has achieved significant milestones, demonstrating the City's commitment to enhancing infrastructure and addressing community needs. Notable accomplishments in the third quarter of FY 2023-24 include the following:

**Prado Road Interchange:** The Prado Road Interchange Project in San Luis Obispo is a legacy Capital Improvement Project (CIP) that plays a crucial role in the City's infrastructure development. This project constructs a bridge over US 101, connecting Prado Road to Dalidio Drive and establishing a continuous transportation link between S. Higuera Street and Madonna Road. The project aligns with major City goals such as Housing and Homelessness, Climate Action, Open Space, and Sustainable Transportation, and is identified in the General Plan. Currently, the project is transitioning from the Project Approval and Environmental Document (PA/ED) phase to the Plans, Specifications, and Estimates (PS&E) phase. During a recent Council Meeting on September 5, 2023, staff presented updated project cost estimates based on its progress, projecting a construction cost of \$106 million. This estimate included a 5% escalation rate, amounting to \$10 million, factored into the total construction cost. Additionally, staff anticipates a total of \$20 million in soft costs such as construction management and design, for a total project cost of \$126 million. As the project progresses through the PS&E phase, the estimated cost will be refined and adjusted based on value analysis recommendations, ensuring alignment with the project's objectives and financial considerations.

**Cultural Arts District Parking Structure:** After two decades of planning, work has commenced on the Cultural Arts District Parking Structure. The Cultural Arts District Parking Structure is necessary to address longstanding and growing urban challenges. As the City envisions the realization of future surrounding projects like the SLOREP Theater and housing projects, coupled with the proposed liner building, this new structure serves as a pivotal enabler, ensuring adequate parking provisions to accommodate both existing and forthcoming developments. By adding 397 parking spaces to the downtown inventory, this project aligns strategically with the City's aspirations for increased density in its urban landscape. This structure, poised to more than double the availability of public electric vehicle charging stations, also positions the City as a champion of sustainability, actively supporting greener transportation alternatives and amplifying its commitment to a forward-looking and accessible urban environment. The project is currently in the initial phase of construction, and the shoring wall is close to completion. The parking structure is expected to be completed and operational by January 2026.

**North Chorro Greenway:** In mid-2023, the City started construction on the North Chorro Neighborhood Greenway project. This project prioritizes bicycle and pedestrian travel between the Foothill Boulevard and North Chorro neighborhoods to downtown SLO.

The Greenway project includes construction of over 40 accessible curb ramps, separated bicycle lanes, safety lighting along the route, public art, and lighting at the Chorro/US 101 underpass, as well as landscaping along the corridor with 60 new street trees and improved stormwater management features.

This greenway makes traveling by bike or on foot a more convenient and low-stress option, in addition to providing safe connections to schools and enhancing the overall quality of life for residents.

The project is nearly finished, with paving now completed along the entire greenway. Remaining items to be completed include striping, signage, painting of the underpass and columns, and fence installation. The project is anticipated to be completed in the summer of 2024.

**Storm Response Projects:** Staff's swift response to the 2023 storm events led to the successful completion of crucial storm projects throughout the city. The largest storm response project was the San Luis Drive Retaining Wall, constructed adjacent to the high school. Several portions of San Luis Obispo creek were also damaged, resulting in the construction of a soil nail wall near the intersection of Pismo and Johnson Streets, as well as debris removal projects under the Marsh Street Bridge and between Prado and Los Osos Valley Roads. A portion of Prefumo Creek that experienced a major flooding event was also cleared to minimize future flooding risk. Several areas along Old Garden Creek were also damaged, including several portions of a retaining wall that fell. These areas were swiftly repaired, often during rain events. The proactive approach to emergency situations, demonstrates the City's commitment to ensuring the safety and resilience of our infrastructure. Status on all storm response projects can be found on Table 3 above.

**Completed Projects:** Throughout the year, staff completed 23 diverse capital improvement projects, ranging from the Railroad Bike Path Fencing project to the Prefumo Creek Clearing project. These projects not only improve infrastructure but also contribute to environmental sustainability and community well-being.

**Active Projects:** Currently, 17 projects are in active construction, with numerous others in various stages of design. This active project pipeline reflects an ongoing commitment to progress and development, addressing the evolving needs of the growing community.

Table 12. Completed and Ongoing Construction Projects (July 2023-March 2024):

Completed & Ongoing Construction Capital Projects (July 2023 - March 2024)				
ID#	Oracle Account Number	Project	Total Budget	Estimated Construction Completion Date
1	2000525	842 Palm Parking Structure Gateless Entry	\$175,000.00	Completed
2	2000069	2022 Pedestrian Crossing Improvements	\$841,643.64	Completed
3	2001010-28	Railroad Safety Trail Fencing	\$350,000.00	Completed
4	2000559	Santa Rosa at Monterey Intersection Improvements	\$1,067,084.24	Completed
5	2000198	Silt Removal 2023	\$38,055.00	Completed
6	2091118	Calle Joaquin Lift Station Replacement	\$9,225,565.47	Completed
7	200560	2022 Roadway Sealing	\$5,550,000.00	Completed
8	2001009	Whale Rock Dam Maintenance-Spillway Underdrain Repairs	\$472,430.00	Completed
9	2000035	San Luis Obispo Creek Emergency Bank Stabilization Project near Johnson Avenue	\$1,700,455.00	Completed
10	2001027-15	Marsh Street Bridge Emergency Debris Clearing	\$343,222.00	Completed
11	2000576	CDBG Curb Ramps 2022	\$800,128.00	Completed
12	2000613	Ruth and Iris Storm Drain Repair	\$321,656.00	Completed
13		Council Hearing Room TI	\$107,478.03	Completed
14	2001027-01	San Luis Drive Emergency Repair	\$7,000,000.00	Completed
15	2001027	Old Garden Creek - 141 Cuesta Emergency Repair	\$450,000.00	Completed
16	2001027	Old garden Creek - 533 Broad Emergency Repair	\$230,000.00	Completed
17	2001027	152 Custa Wall Failure Old Garden Creek Emergency Repair	\$130,000.00	Completed
18	2001027	Prefumo Grade Structure Phase 1 - Patch	\$42,000.00	Completed
19	2000117	Cultural Arts District Parking Structure Phase 1	\$1,067,264.00	Completed
20	2000075-1.01	City Hall Landing	\$162,942.00	Completed
21	2090742-08	Downtown Trash Capture Device Installation	\$23,575.00	Completed
22		Luneta, Verde, Ramona Sewer	\$2,106,425.45	Completed
23	2001015	Buchon Street Traffic Calming	\$337,370.00	Completed
24	2000535	Transit Facility Electric Vehicle Charging Infrastructure	\$2,692,434.00	Q4 FY 23-24
25	2000036	North Chorro Neighborhood Greenway	\$8,218,904.00	Q4 FY 23-24
26	2001065	2023 Arterials	\$8,521,058.00	Q4 FY 23-24
27	2001010-01	Cheng Park Revitalization	\$807,786.00	Q4 FY 23-24
28	2000075-5.01	Fire Station 1 Fleet Maintenance Roof	\$409,597.00	Q4 FY 23-24
29	2001027-08	Prefumo Creek LOVR to Laguna Lake	\$1,850,000.00	Q4 FY 23-24
30	2000049	842 & 919 Palm Parking Structure Repairs	\$3,462,180.00	Q1 FY 24-25
31	2001050	Tank Farm Lift Station Discharge Pipe Replacement Phase 2	\$276,000.00	Q1 FY 24-25
32	2000578	Johnson Waterline	\$5,204,444.00	Q1 FY 24-25
33	2000188	Mitchell Park Revitalization	\$471,253.00	Q1 FY 24-25
34	2091219	Wastewater Resource Recovery Facility Upgrade	\$143,376,754.12	Q1 FY 24-25
35	2000034-02	Reservoir No. 2 Cover Replacement Project	\$3,449,835.00	Q1 FY 24-25
36	2000126	Water Treatment Plant Generator Improvement Project at Facility 98	\$3,527,523.00	Q2 FY 24-25
37		Cultural Arts District Parking Structure Phase 2	\$41,070,044.00	Q3 FY 25-26
38	2000075-9.01	Corporation Yard Fuel Island and Wash Station Rehabilitation	\$978,867.00	Q1 FY 24-25
39	2000034-03	Wash Water Tank #1	\$753,807.00	Q2 FY 24-25
40	2091439	Mission Plaza Enhancements	\$3,729,574.00	Q1 FY 25-26

Table 13. Status of Major Projects in Design:

Status of Major and Legacy Projects in Design				
ID#	Project	TOTAL ESTIMATED PROJECT COST (Design and Construction)	Estimated Construction Start Date	Additional Comments
41	Mid-Higuera Bypass	\$11,550,000	Q3 FY 24-25	Finalizing design documents and easement acquisition process.
42	Prado Road Bridge and Road Widening	\$25,000,000	Q2 FY 25-26	Working on regulatory permits and 90% construction documents.
43	California and Taft Roundabout	\$4,000,000	Q2 FY 25-26	Right of way acquisition in progress and finalizing design documents.
44	Prado Road Interchange	\$126,000,000	Q2 FY 27-28	Alternative analysis and environmental document phase. Pursuing advertisement of CEQA document and final project report.
45	Public Safety Center	\$1,750,000	Q3 FY 24-25 (for 1106 Walnut work)	Consultant to analyze two site option for public safety center project and present conceptual design for review. Currently working on 1106 Tenant Improvement and Site Security Fencing project. Construction of 1106 TI and Fencing project estimated to start March 2025 (Q3 FY 24-25).

## 5 Outlook and Conclusion

Based on the third quarter results, the City is well on its way to ending FY 2023-24 in a good financial condition. As identified in the Mid-Year Budget Report there are a number of factors that impact the City’s budget including inflationary pressures and ongoing development which will increase the population of our community over the next several years. Staff is currently working to identify budgetary implications of this long-term growth and expects the need to carefully monitor expenditure growth in order to assure the long-term sustainability of the programs and services provided by the City.