

city of san luis obispo

MID-YEAR BUDGET REVIEW

For the 2003-05 Financial Plan
FISCAL YEAR 2003-04



Damon Garcia Sports Fields
Keeping SLO Green with Recycled Water



2003-05 Financial Plan
MID-YEAR BUDGET REVIEW: 2003-04

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city of san luis obispo

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Section A

TRANSMITTAL MEMORANDUM

TRANSMITTAL MEMORANDUM

February 17, 2004

TO: City Council

FROM: Ken Hampian, City Administrative Officer
Bill Statler, Director of Finance & Information Technology
Carolyn Dominguez, Finance Manager

SUBJECT: MID-YEAR BUDGET REVIEW FOR 2003-04

OVERVIEW

In monitoring our fiscal condition, we provide ongoing financial information through a variety of methods, including on-line access to up-to-date information, “hard copy” monthly reports, quarterly financial newsletters, and focused reports on key fiscal indicators such as sales tax, transient occupancy tax (TOT) and investments.

In addition to these, the City’s *Budget and Fiscal Policies* also call for preparing a formal report to the Council every six months on the City’s financial status. This allows us to take a broader look at our financial picture at the mid-point of the fiscal year by:

1. Updating beginning fund balance projections based on actual results for the prior fiscal year.
2. Analyzing revenue trends since adoption of the Financial Plan, and revising revenues and ending fund balance projections accordingly.
3. Identifying and presenting any fiscal problem areas to the Council, and recommending corrective action or additional funding if required.

This is also an opportunity to provide the Council with a formal update on the status of major City goals, CIP projects and other objectives.

Summary of Findings and Conclusions

Consistent with the comprehensive status report presented to Council in November 2003 and the second quarter financial report issued in January 2004, revenue trends are down in several of our key sources, most notably sales tax, transient occupancy tax (TOT), investment earnings and vehicle license fees (VLF). Downward revisions for these four sources alone total \$2.2 million over the next two years.

Fortunately, most of this is offset by improvements (albeit largely one-time) in other areas, most notably beginning fund balance. However, even with these, our revised ending General Fund balance projection at the end of 2003-05 is \$717,600 lower than the \$7.1 million estimate in the 2003-05 Financial Plan; and reflects an ending balance that is 18% of operating expenditures compared with our minimum fund balance policy of 20%.

At the end of this Transmittal Memorandum is a one-page overview of our projected ending financial condition for the General Fund at June 30, 2005 that summarizes “*where we’re up*” and “*where we’re down*” from our initial estimates in the 2003-05 Financial Plan.

It is important to note that this revised ending fund balance projection assumes no further State takeaways. As discussed in greater detail below under *Prospects for the Future*, this is a significant assumption in light of the State’s \$14 billion budget shortfall in 2004-05, and the Governor’s proposal to take \$430,000 from the City’s General Fund on an ongoing basis beginning in 2004-05 as part of his budget-balancing solution.

Take Action with the 2004-05 Financial Plan Supplement. Given the many unknowns facing us at this time, we are not recommending any specific corrective action as part of the Mid-Year Budget Review. As we learn more about the performance of our key revenues later in the Spring (most notably, Christmas quarter sales tax revenues) as well as the likely impact of State budget balancing actions on the City, our situation may improve or worsen. We will be better able to assess this, and make appropriate recommendations tailored to the problem, as part of the 2004-05 Financial Plan Supplement, which we will present to the

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Council in June 2004. However, because resource options are very limited at this point, it is likely that addressing any significant shortfalls will have to come from further expenditure reductions.

But We're "Holding Our Own." While our fiscal position is not as strong as we projected in the 2003-05 Financial Plan, the fact is that compared with many other cities in California, we are well-positioned to deal with the challenges facing us at this time. This is only true because of the steps we have taken over a number of years to ensure our fiscal health, including:

1. Abiding by our long-standing policy of maintaining General Fund balances that are at least 20% of operating expenditures. These reserves hold the City in good stead in economic downturns by retaining our ability to meet cash flow needs and respond to unforeseen circumstances, emergencies or other unusual events.
2. Putting proactive policies and plans into place to address adverse fiscal circumstances when they occur (and following them).
3. Using the private sector to deliver numerous services, including refuse collection, transit, and street maintenance services. This means fewer City employees and lower costs.
4. Remaining steadfast in our commitment to improving customer service and productivity.
5. Limiting our regular staffing additions. And the ones we have made followed detailed analyses of our need to respond to workload concerns or new policy initiatives, with special attention to their impact on operating costs and our ability to sustain higher costs in the long term. In fact, in light of the tough fiscal circumstances facing us, we reduced regular staffing by 8 positions in the General Fund in 2003-04.
6. Staying below standard municipal debt limits, resulting in fewer long-term obligations and a higher credit rating.
7. Creating the CIP reserve and containing operating costs.

8. Making tough revenue and expenditure decisions in order to ensure our long-term fiscal health in light of State revenue takeaways, declining revenues, and increasing insurance and retirement costs. This was especially true in balancing the 2003-05 Financial Plan, where we successfully closed a \$7.0 million General Fund budget gap.

General Fund Focus

This mid-year budget review primarily focuses on programs and projects financed through the General Fund. Consistent with the City's policy of annually reviewing our enterprise fund rates, a comprehensive analysis will be presented in May 2004 addressing rate and revenue issues in the water, sewer, parking, transit and golf funds.

Limited Mid-Year Budget Requests

Given our current fiscal outlook for 2003-05, we have *no* proposed mid-year budget requests for the General Fund; and a limited number of mid-year budget requests funded by grants and the enterprise funds, which are discussed in greater detail below. These requests need to be approved now in order to meet timing requirements or adequately fund current programs through the end of the fiscal year: no funding for "new" initiatives is recommended in the Mid-Year Budget Review.

FINANCIAL CONDITION SUMMARY

Beginning General Fund Balance

The beginning General Fund balance (net of encumbrances and carryovers) is \$963,000 greater than projected in the 2003-05 Financial Plan. As discussed in the Comprehensive Annual Financial Report for 2002-03 presented to the Council in January 2004, this was largely due to greater expenditure savings than projected. This resulted from the hiring and training "chills" in place during 2002-03, as well as the successful efforts by the operating departments to hold the line on costs in light of the fiscal difficulties facing us.

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General Fund Revenues

Included in Section B of this report is a summary of revenues by fund and major source that provides actual results for 2002-03 along with a comparison of the revised 2003-05 revenue projections with original budget estimates. The following summarizes the most significant General Fund revenue revisions:

Reduced Sales Tax: \$350,000 in 2004-05. Based on year-to-date results and estimates for the balance of the year, our sales tax advisor (Hinderliter de Llamas) projects that we will reach our sales tax projection for 2003-04 of \$10.9 million.

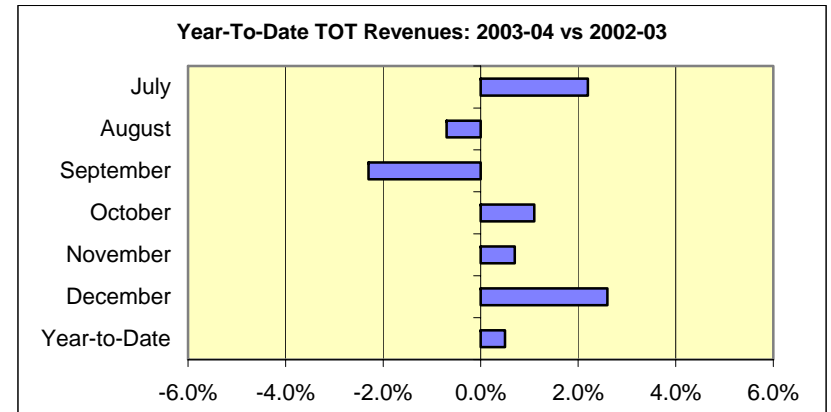
However, we have reduced our sales tax projection for 2004-05 downward by \$350,000. While this reflects the original assumption of underlying base growth of 3% plus \$50,000 from the Copeland Court Street project (\$200,000 per year on annual basis prorated for 25% of the year), we have revised our projections downward for added revenues from the Costco project and annexation of the Airport Area.

We initially projected a full-year of “net” revenue of \$500,000 (after transfers affects) from the Costco project; and added revenues from the Airport Area annexation of \$225,000 (\$450,000 on an annual basis prorated for half of the year). Based on the status of the Costco project, with an opening in October 2004 at the soonest, we have reduced the estimate for 2004-05 by 25% (\$125,000); and based on the status of the Airport Area Specific Plan, we are not projecting any added revenues in 2004-05.

Reduced TOT Revenues: \$338,000 in 2003-04 and \$431,700 in 2004-05. Three factors account for reduced TOT projections from the 2003-05 Financial Plan:

1. Actual results for 2002-03 were \$139,000 less than projected, reflecting an increase of 1% over the prior year rather than our 5% estimate. This results in a lower base for projections in 2003-05.

2. Based on year-to-date trends, we have reduced our growth estimate from 5% to flat revenues in 2003-04.



3. We have reduced our growth estimate of 5% in 2004-05 to 3%, which is on a lower base due to the factors discussed above.

Reduced VLF Due to State Budget Cuts: \$808,500 in 2003-04. As part of the State budget process, the 1998 reduction in VLF rates was rescinded in mid-June 2003. The VLF backfill was also eliminated at the same time, resulting in \$4 billion in annual savings to the State in backfill payments to cities and counties. While this theoretically results in no net change in City revenues on an ongoing basis, the implementation approach left a gap between when the backfill ended in mid-June, and when the higher VLF revenues from rescinding the rate reductions would be realized. For the City of San Luis Obispo, the State Department of Finance initially estimated this shortfall to be \$523,000, based on a statewide revenue loss of \$800 million.

However, the latest estimate from the League of California Cities is that the statewide loss from the “backfill gap” in 2003-04 will be closer to \$1.3 billion, and our portion of this loss is now projected at \$808,500. This should be a “one-time” cut, which the State agreed as part of its 2003-04 budget to repay in 2006 (although it is unlikely, based on past experience, that it will do so.)

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Reduced Investment Earnings: \$100,000 in 2003-04 and \$125,000 in 2004-05. As noted in the Second Quarter Financial Report, we are reducing our revenue projections due to lower interest yields on smaller investable balances.

Other Revenue Changes. There are modest upward revisions in public safety sales tax (Proposition 172), business tax, property transfer tax and fine revenues based on actual results in 2002-03, which were better than estimated in the 2003-05 Financial Plan. We also received an option payment of \$88,500 for the purchase of City property as part of the Copeland “Chinatown” project.

Operating Programs

Section B includes an overview of changes to the operating program budgets. Organized by fund, these schedules include the original budget, re-appropriations for encumbrances and carryovers, and budget changes to-date since approval of the 2003-05 Financial Plan in June 2003. These summaries also reflect the mid-year budget requests in the Enterprise Funds as discussed later in this report.

In addition to these budget requests, operating program expenditures also reflect the following changes from the 2003-05 Financial Plan:

Reduced Costs for the Housing Element Update: \$142,500 in 2003-04. Because the proposed Housing Element does not significantly change the total number of units previously projected in the 1994 General Plan, the Planning Commission has recommended the approval of a Negative Declaration (which has been prepared by the staff) rather than the preparation of an Environmental Impact Report. Assuming the Council approves this approach, this will result in savings of \$120,000 in consultant costs. For similar reasons, not preparing a fiscal impact analysis will save another \$22,500 in consultant costs.

Reduced Workers’ Compensation Insurance Premium: \$89,000 in the General Fund and \$14,800 in Other Funds in 2003-04. A lower insurance premium for 2003-04 than initially estimated will save \$103,800 in 2003-04: \$89,000 in the General Fund and \$14,800 in other

funds in 2003-04. Because of the uncertainties regarding the City’s insurance outlook, similar reductions are not reflected for 2004-05. In fact, based on current unfunded liabilities and recent loss history, it is likely that workers’ compensation costs will be even higher in 2004-05 than current budget estimates under our existing program with the Central Coast Cities Self Insurance Fund (CCCSIF).

However, there is a possibility for significant cost savings of about \$800,000 annually (\$600,000 in the General Fund) in 2004-05 if we are able to switch our workers’ compensation coverage from the CCCSIF to the California Joint Powers Insurance Authority (CJPIA) by July 1, 2004, as we did for liability coverage in 2003-04. The source of uncertainty regarding timing is that our current excess insurance policy is for three years, with 2004-05 as the last year. However, along with the other cities in the CCCSIF, we are working with the excess carrier (which is another insurance joint powers authority) to see if they will let us end the coverage agreement with them one year early. In this case, our recommendation would be to change our workers’ compensation coverage to CJPIA effective July 1, 2004.

Increased PERS Costs: \$384,000 in the General Fund and \$24,500 in Other Funds in 2004-05. As discussed with the Council as part of the fiscal status report we presented in November 2003, the 2003-05 Financial Plan estimate for 2004-05 employer retirement contributions to the State-administered Public Employee Retirement System (PERS) was based on the best information available to us at the time. We recently received our employer contribution rates from PERS for 2004-05 as a percent of payroll costs, summarized as follows compared with our Financial Plan estimates:

PERS Employer Contribution Rates for 2004-05

	Estimated	Actual
Safety (Sworn Police and Fire)	32.9%	36.6%
All Other Employees	16.1%	16.8%

Given the volatility of PERS rates over the past several years, these are relatively small changes on an “order of magnitude” basis. However, they result in an increase above our projections for 2004-05 of \$384,000 in the General Fund and \$24,500 in the other funds.

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Lower Debt Service Costs: \$85,000 in the General Fund and \$145,000 in the Parking Fund in 2004-05. We are planning to refinance the 1994 lease revenue bonds (which in turn refinanced the 1986 lease revenue bonds). The original issue in 1986 was used to fund the construction of the Palm and Marsh Street garages, as well as Madonna Road widening and interchange improvements. Based on the proportionate use of the proceeds, 63% of the debt service is allocated to the Parking Fund and 37% to the General Fund. The current annual debt service is about \$1,030,000, of which the Parking Fund is responsible for about \$649,000 and the General Fund \$381,000 per year. With the proposed refinancing, annual debt service cost savings will be about \$230,000 starting in 2004-05: \$145,000 in the Parking Fund and \$85,000 in the General Fund. This refinancing is scheduled for formal Council approval on March 16, 2004.

Capital Improvement Plan

This part of Section B reflects the original CIP budgets for 2003-05 by fund, re-appropriations for encumbrances and carryovers, and budget changes to-date since approval of the 2003-05 Financial Plan in June 2003. As discussed below, only one CIP project is recommended for Council consideration at this time related to the Bob Jones Bike Trail, which will be funded solely through grant resources.

In addition to this request, the following CIP changes are also reflected in the Mid-Year Budget Review:

Foothill Bridge Replacement. Final design on this project is now complete, offers have been made on the required easements and all regulatory approvals have been received. As such, this project is now ready for bidding, and approval to do so is scheduled for Council approval on February 17, 2004, when the mid-year budget review will also be considered. With final design and easement requirements complete, we now have updated project costs. As detailed in a separate Council agenda report, these are \$1.4 million higher than current budget estimates. While 80% of eligible project costs will be covered by federal funding under the Highway Bridge Replacement and Rehabilitation Program, the remaining balance of \$277,300 must be funded by the

General Fund. Of this amount, \$250,800 can be covered from the remaining balance in the CIP reserve, leaving \$26,500 to be funded from the General Fund unreserved fund balance.

As noted above, using the CIP reserve for this high-priority project will close-out this account for the remainder of 2003-05. As part of the 2004-05 Financial Plan Supplement, we will evaluate the feasibility of restoring some or all this funding to the CIP reserve. However, given our fiscal situation, this may not be possible. In this case, assuming we will want to avoid further reductions in our operating reserve, this will mean that any future CIP project shortfalls in General Fund projects over the next fifteen months will have to be covered by deleting or deferring other CIP projects.

Railroad Safety Trail: Phase 4. The 2003-05 Financial Plan anticipated receiving grant funding for this project of \$58,500 for design in 2003-04 and \$256,500 for construction in 2004-05, which would extend the trail along the east side of the Union Pacific Railroad (UPRR) right-of-way from Foothill to Hathaway. The total project cost was estimated at \$370,000, with transportation impact fees funding the difference of \$55,000.

SLOCOG has advised the City that the State funding originally sought is no longer available, and as such, we recommend deleting all funding for this project in 2003-05. However, SLOCOG recommends submitting an application for Federal Funds (TEA) for 2005-06. Updating the project costs for assumed construction in 2007 and adding a security fence required by UPRR will increase the total project costs to \$562,000. Assuming success in our grant application, the Preliminary 2005-07 Financial Plan will include this revised CIP project.

Water Reuse Project. The water reuse project is proceeding on schedule to deliver recycled water late in 2004, so this is the appropriate time to review the approved budget and “right-size” the funding in each phase and the overall project. The current budget is based on preliminary engineering estimates of more than a year ago, and does not reflect the most current information, such as actual construction bids and approved mitigation activities.

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Two construction components have been bid, and the results were very favorable: about \$2 million less than projected, resulting in proceeds from state loan and grant financing being reduced by an equivalent amount. In early February 2004, the Council received the request to bid the Coon Creek activities, currently estimated at about \$836,000, so we recommend transferring additional funding for mitigation from approved construction funding.

As a result of these actions, the project budget is being reduced by over \$2.2 million. However, Water Fund working capital is funding a greater share than estimated in January 2003 (by about \$1.6 million), as mitigation costs and construction contingencies are not funded by state loan and grant financing, and must be funded with local sources.

The following summarizes current and revised project costs and funding sources:

Water Reuse Project Costs By Type

	<i>Project Budget</i>		
	Current	Revised	Change
Study	85,987	85,987	-
Environmental Review-Mitigation	784,002	1,384,002	600,000
Site Preparation	492,939	547,439	54,500
Design	1,499,735	1,499,735	-
Construction	14,622,657	11,705,657	(2,917,000)
Construction Management	768,410	768,410	-
Total	\$18,253,730	\$15,991,230	(\$2,262,500)

Water Reuse Project Costs By Funding Source

	<i>Project Funding Sources</i>		
	Current	Revised	Change
Water Fund	2,676,030	4,238,517	1,562,487
WRCP Grant	3,390,000	2,869,482	(520,518)
SRF Low Interest Loan Financing	12,187,700	8,883,231	(3,304,469)
Total	\$18,253,730	\$15,991,230	(\$2,262,500)

Water Treatment Plant Sedimentation Pilot Study. As a separate item at the February 17, 2004 meeting, the Council will consider amending the contract with Black & Veatch to conduct a pilot plant study of a new sedimentation process at the water treatment plant called "Actiflo."

Funding this pilot plant study will cost \$104,800, and will be funded from unreserved Water Fund working capital.

Interfund Transactions

This portion of Section B reflects actual interfund transfers for 2002-03 along with the original budget and revisions for 2003-05. The revised operating transfers are generally driven by other changes in the mid-year budget review. The reimbursement transfers are based on the 2003-05 Cost Allocation Plan adopted by Council on February 3, 2004 as well as the carryover of CDBG administrative reimbursements (\$15,000) from 2002-03.

Projected Fund Balances/Working Capital

Based on the revised revenue projections and expenditures summaries, this part of Section B includes a summary of projected changes in financial position for each of the City's operating funds. As with the revenue projections, the changes in financial position schedules include the actual fund balances/working capital for 2002-03 and the original budget and revised projections for 2003-05.

MID-YEAR BUDGET REQUESTS

As noted previously, we have only proposed mid-year budget requests that need to be approved now in order to meet timing requirements or adequately fund current programs through the end of the fiscal year. There are *no* requests for the General Fund. Supporting documentation that fully justifies the need for these adjustments is provided in Section C and summarized below:

Operating Programs

1. **Water Distribution Overtime: \$5,000 in 2003-04.** Responding to three major water incidents in the first six months of the fiscal year (water line improvement project on Broad Street, vehicle accident shearing a fire hydrant and emergency repair of a transmission line

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on California that supplies all water to the south end of the City) has resulted in the need to add an additional \$5,000 to the Water Distribution overtime budget to provide adequate funding for the remainder of 2003-04.

2. **NPDES Permit Fees: \$11,800 Annually.** An increase in the State operating permit for the Water Reclamation Facility will cost an additional \$11,800 each year.
3. **Tank Farm Gravity Sewer and Lift Station Right of Way Services: \$15,000 in 2003-04.** Contracting for a right-of-way agent to negotiate easements for the Tank Farm gravity sewer and lift station will cost \$15,000 in 2003-04.
4. **Water Reclamation Facility Electricity Charges: \$200,000 in 2003-04 and \$206,000 in 2004-05.** Due to a delay in the energy savings projects, electricity costs will be \$200,000 higher in 2003-04 and \$206,000 higher in 2004-05 than budgeted.
5. **Whale Rock Dam State Fee Increase: \$15,300 Annually.** The State Department of Water Resources has increased annual fees to dam owners by \$15,300 annually.

Capital Improvement Plan

6. **Bob Jones City-to-Sea Bike Trail.** Constructing part of Phase 1 of this project along San Luis Obispo Creek between Prado Road and Los Osos Valley Road will cost \$60,000 for environmental review, design and limited construction in 2003-04, and \$640,000 for construction in 2004-05. This will be funded solely from grants.

PROSPECTS FOR THE FUTURE

What's Likely to Change with the 2004-05 Supplement?

The following summarizes areas where we are most likely to see changes between the Mid-Year Budget Review and the Financial Plan Supplement for 2004-05:

More State Budget Cuts. Given the State's past track record and continuing budget problems, the permutations for serious fiscal damage to the City by the State are just too many to count. However, from past experience, there are likely to be big, finalized at the last minute—and permanent. While there are many options, three stand out from the crowd:

1. **Increased ERAF contributions.** The Governor's proposed budget includes a 25% increase in local government contributions to the Educational Revenue Augmentation Fund (ERAF). This is the same "bait and switch" vehicle that the State used in the mid-1990's in balancing its budget: by shifting local government property taxes to schools, the State reduced its own requirement to fund schools with State General Fund resources by the same amount. Contributions to ERAF already cost local government \$5.2 billion annually—and the City \$1.4 million annually. The Governor's proposal would increase ERAF contributions by \$1.3 billion annually—the same amount as "one-time" takeaways in 2003-04—of which the City's estimated share is \$325,000.
2. **Further VLF reductions.** During the recall campaign, Governor Schwarzenegger (and most of the other candidates) unequivocally called for the repeal of the VLF ("car tax") increase. Fulfilling this campaign promise was one of his first acts as Governor, which had the potential of resulting in a \$1.8 million revenue loss to the City, since VLF is not a State revenue source, but a local one. While the Governor also unilaterally restored the backfill, this increased the State's already huge budget gap to grow by \$4 billion (40%), to \$14 billion on an ongoing basis.

While this averted a huge hit on our General Fund for the current year, there are no guarantees for the future. Legislative leader Senator John Burton offered some insight to this when he declared that if the new governor eliminated the VLF increase, "the legislature will not be willing to backfill local government, and cities and counties will be on their own." In short, while the Governor was successful in restoring the backfill for 2003-04 without legislative support, he will not be able to do this in the future.

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3. **The “triple-flip.”** As part of the deficit-financing piece of the State’s budget-balancing actions, the March 2004 ballot includes a measure to issue \$15 billion in deficit reduction bonds. This will be funded by repealing 25% of the local 1% sales tax, and then adopting a new ¼-cent sales tax dedicated to repayment of the deficit reduction bonds. The cities and counties would then be “made whole” from increased property tax allocations via reduced contributions to ERAF (which, of course, the Governor also proposes increasing at the same time). The State will then make-up the difference in lost revenues to the schools through the State General Fund.

There are many legal, fiscal and administrative problems with this complex, “zero-sum” swapping of revenues. However, while the “triple flip” results in major structural changes, it does not result in any added revenues: the State will still have to fund repayment of the bonds with existing (and deficit-ridden) resources, but it will do so in a way that brings added confusion to an already muddled situation.

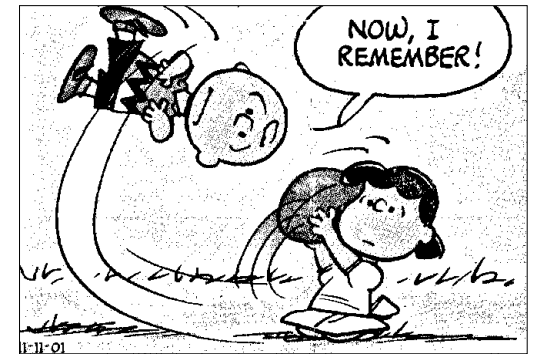
Moreover, while theoretically revenue-neutral, the “triple flip” presents a serious threat to the City’s most important General Fund revenue—sales tax. And this threat poses a fundamentally greater one than the previous State raids on City property taxes and VLF revenues.

Why? Because in fairness to the State, property taxes and VLF revenues are inherently State-controlled resources (property taxes have not been a truly local source since Proposition 13; and the State took over administration of local personal property taxes on automobiles—which is the basis for vehicle license fees—in the 1930’s). So, when the State decides to alter the revenue sharing formula, at least they are affecting shared revenues that they directly control.

But sales taxes are locally enacted. As such, when the State takes these away (even if it promises to backfill them—and more unlikely, actually lives-up to its promises), then it has opened a new, fundamentally different Pandora’s box that says even locally adopted revenue sources—such as TOT—are fair game for its budget grabs.

And of course, once taken, there is no guarantee that the State will in fact backfill the loss with ERAF, or any other revenue source. Like Blanche Dubois in *A Street Car Named Desire*, we are left depending on the kindness of strangers. By the 2004-05 Supplement, we should have a better idea of how the State’s budget balancing plans will affect us.

However, the State’s insistence in dragging us into their budget problems underscores how important it is to “change the ground rules” in State-local fiscal relationships. Without some form of constitutional protection, we are destined to forever play Charlie Brown to Lucy’s promise not to takeaway the football.



Fortunately, efforts to do so are currently underway. Sponsored by the League of California Cities, California State Association of Counties and the California Special District Association, signature-gathering will soon start to place an initiative on the November 2004 ballot that will provide reasonable protection from continued State raids on our revenues. It takes a simple approach: it does not prohibit the State from taking local revenues; however, it will require voter approval to do so, and prohibits unfunded State mandates.

In a perfect world, we would not have to resort to “ballot-box” protection of City revenues—even at the modest level proposed. But in a perfect world, none of us would need to lock our homes in protection against burglars, either. And just as a locked front door does not prevent access to our home by family and friends—it can be opened with a key—the proposed constitutional amendment does not prevent State access to local government revenues. But it places the key with voters, not State legislators and the Governor.

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Sales Tax. At \$10.9 million annually, this is our “Number 1” General Fund revenue, accounting for about 30% of total sources. As such, even small changes in growth assumptions can have significant impacts. As discussed above, there are a number of structural and economic challenges facing us over the next two years. We will have better information on this revenue source by Spring 2004—including results from the “Christmas Quarter” and construction status of the Costco project—which may result in changes to our estimates for 2003-05 (upwards or downwards).

Transient Occupancy Tax. At \$4 million annually, this is our “Number 3” General Fund revenue source. As noted above, it only grew by 1% in 2002-03; and based on year-to-date results, flat revenues in 2003-04—let alone a 3% increase in 2004-05—are not a sure thing.

Development Review Fees. These are an important funding source for the City. Based on approved increases by the Council in cost recovery levels, these are projected at \$2.9 million in 2003-04 and \$3.1 million in 2004-05. While we have not changed our projections for these revenues at this time, there will be significant shortfalls from these estimates if trends from the second quarter continue.

Workers’ Compensation Costs. As discussed above, these are likely to change in 2004-05: we just don’t know if it will be up or down. On one hand, significant cost decreases are possible if we can terminate the last year of our current excess premium agreement and join the CJPIA by July 1, 2004. These cost savings alone (about \$600,000 in the General Fund) would bring our projected General Fund balance to policy levels. Additionally, under the proposal from the CJPIA, our premium would remain constant for the next three years. On the other hand, without a change in insurance coverage, we are likely to see significant increases in workers’ compensation costs based on current unfunded liabilities and recent loss experience.

2004-05 Budget Requests. While departments are holding the line on costs, past experience tells us that there is the possibility of expenditure increases due to unforeseen circumstances that cannot be accommodated within existing appropriations.

Use of 919 Palm Office Space

When the parking/office structure at 919 Palm Street was originally proposed as part of the “Copeland Project,” it was with the understanding that the City would occupy the office space incorporated into the first floor of the structure (2001-03 Major City Goal). This was based on the results of a space needs assessment prepared in 1999 which showed the need for added City office space in the civic center area to meet both current and future needs.

However, during the 2003-05 budget process, with high concerns about the City’s fiscal situation, we recommended waiting until a later date to decide whether or not the space should be rented-out, instead. Now that building construction is underway, and plans for tenant improvements must be finalized, we recommend that the office space be occupied as originally planned by the Public Works and Community Development Departments.

This recommendation is based on a number of considerations, including:

Finding a Short-Term Tenant. It will be difficult to find an appropriate tenant for what would be a relatively short term lease, assuming that the City would eventually want to occupy the space. Staff looked for other governmental agencies that needed to relocate and were unable to find any candidates. With the County’s new building going up, many of the other locations currently housing County employees will become available for lease soon. Leasing to a private, non-governmental tenant would put the City in direct competition with private sector landlords who are already dealing with the availability of a significant amount of vacant office space. In order to recover costs for constructing the building, the City needs to rent the office space at market rate, which precludes allowing non-profit organizations from locating there at a subsidized rate.

Copeland “Chinatown” Project. The most significant factor in recommending that we relocate City offices as initially planned is the fact that the Copelands have indicated that they plan to move forward on the Chinatown project in the near future. They currently hold an option

TRANSMITTAL MEMORANDUM

to purchase the parking lot on Palm and Morro Street and the Public Works building at 955 Morro Street. The Copelands have already purchased the Steve Yung building on Palm Street, and have indicated that they anticipate filing a project application with the City soon. When Chinatown goes forward, Public Works Administration and Engineering will be forced to move from their current location at 955 Morro Street.

Moving them, along with Community Development, to the 919 Palm Street location makes sense at this time because tenant improvements can be completed to meet departmental needs and provide the best internal functioning for a public government office. If necessary, 955 Morro Street can be leased out on a short-term basis, although indications from the Copelands are that this may not be necessary.

Relocating to this space is likely to result in net added costs of about \$250,000 annually. However, these costs will not be incurred during the 2003-05 Financial Plan timeframe.

Beyond 2003-05

Given continuing uncertainties in key revenues, insurance and retirement costs, and the ongoing threat of more State budget takeaways, balancing the budget in 2005-07 (and beyond) will again be a major challenge. However, given the tough decisions we have already made, and the prudent fiscal policies and practices already in place, we are positioned as well as we can be in meeting these challenges. As noted in the CAO's recent "State of the City" presentations, if left alone by the State to deal with own local problems based on our own local resources, we are confident that we will respond to our fiscal challenges in a reasonable way that protects community services, and importantly, the organization through which they are delivered.

However, the potential for added burdens by the State to our already heavy load is high—and is ultimately without limit. For this reason, maintaining our long-term fiscal health is not only a matter of taking prudent actions to contain costs and maximize local revenues, but also undertaking strong legislative action at the State level to ensure that our

successes in managing our problems locally are not unraveled whole-cloth by State budget grabs.

STATUS OF GOALS AND OBJECTIVES

Section E of this report provides a formal look at the status of Major City Goals, Other Council Objectives and Major CIP Projects as of February 2004. As reflected in the report, with about 33% of the Financial Plan period completed, we are generally on track in achieving the major City goal "action plans." On the other hand, most of the goals and objectives require modifications to task schedules. As discussed more fully in Section E, the most significant of these is an indefinite deferral of considering an expansion of the "Downtown Commercial Zone" objective.

Background: Downtown Zone Expansion. Originally adopted in 2001-03 as an "Other Council Objective," the Downtown Zone Expansion was discussed by the Council in June 2003 as part of the Commercial Zoning Regulations and deferred until such time as parking impacts could be addressed. At that time, staff indicated that additional parking to meet the needs of the expanded Downtown Commercial Zone might become available with construction of the North Area Regional Facility (NARF).


However, on August 28, 2003, the Council deferred the NARF project, thus eliminating this added parking potential to facilitate the downtown expansion. This is not a minor consideration: as discussed with the Council at that time, expanding the Downtown Commercial Zone, with its off-site parking option via in-lieu fees, could create a gap of up to 720 parking spaces. In light of this decision, we recommend an indefinite deferral of the expansion until future parking garage sites are selected and/or parking reduction strategies are implemented in the area.

CONCLUSION

The mid-year budget review document for 2003-04 has been prepared in order to present the Council with a formal review of the City's financial condition six months into the first year of our two-year budget process,

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and to provide an update on the status of major City goals, CIP projects and other objectives. The Budget Review Team and Department Heads will be prepared to respond to any questions the Council may have regarding this report at their February 17, 2004 meeting. If you have any questions in the interim, or require additional information, please do not hesitate to contact us.



GENERAL FUND FINANCIAL CONDITION SUMMARY: UPS AND DOWNS

Comparison of Mid-Year Budget Projections with Those Initially Presented in the 2003-05 Financial Plan

WHERE WE'RE UP

Revenues and Other Sources	Proposition 172 Sales Tax
	Business Tax
	Property Transfer Tax
	Fines & Forfeitures
	Tobacco Permit Fees
<i>Non-Recurring</i>	Beginning Fund Balance (Net of Carryovers)
	Copeland "Chinatown" Option Payment
	Other Ups & Downs
Expenditures and Other Uses	Reimbursement Transfers
	Reduced Golf Fund Subsidy
	Unbudgeting: Housing Element Update
	Environmental & Fiscal Review
	Lower Workers' Compensation Costs
	Reduced Debt Service Due to Refinancing

Changes from the 2003-05 Financial Plan		
2003-04	2004-05	Two-Year Total
7,000	7,200	14,200
44,000	45,800	89,800
15,000	15,000	30,000
25,000	25,000	50,000
12,500	12,500	25,000
963,000		963,000
88,500		88,500
1,400		1,400
156,200	72,400	228,600
17,400	21,700	39,100
142,500		142,500
89,000		89,000
	85,000	85,000

WHERE WE'RE DOWN

Revenues and Other Sources	Sales Tax
	Transient Occupancy Tax
	Interest Earnings on Investments
	Vehicle License Fees (VLF) "Gap"
Expenditures and Other Uses	Increased PERS Costs
	Foothill Bridge Replacement (Net of Grants & CIP Reserve)

	(350,000)	(350,000)
(338,000)	(431,700)	(769,700)
(100,000)	(125,000)	(225,000)
(808,500)		(808,500)
	(384,000)	(384,000)
(26,500)		(26,500)

NET CHANGE

\$288,500	(\$1,006,100)	(\$717,600)
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Ending Fund Balance (Percent of Operating Expenditures at June 30, 2005)

\$7,673,200	\$6,440,400	18%
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Section B

FINANCIAL CONDITION SUMMARIES

REVENUES BY MAJOR CATEGORY AND SOURCE

	2002-03 Actual	2003-04			2004-05		
		Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
GENERAL FUND							
Taxes & Franchise Fees	26,503,200	28,615,300	28,343,300	(272,000)	30,657,800	29,944,100	(713,700)
Sales & use tax							
General	10,179,300	10,964,300	10,964,300		12,068,200	11,718,200	(350,000)
Public safety (Proposition 172)	230,600	230,500	237,500	7,000	237,400	244,600	7,200
Property tax	5,584,200	5,947,300	5,947,300		6,333,900	6,333,900	
Transient occupancy tax	3,840,800	4,178,800	3,840,800	(338,000)	4,387,700	3,956,000	(431,700)
Utility users tax	3,666,200	3,820,500	3,820,500		3,973,300	3,973,300	
Franchise fees	1,356,200	1,830,800	1,830,800		1,956,500	1,956,500	
Business tax certificates	1,429,900	1,443,100	1,487,100	44,000	1,500,800	1,546,600	45,800
Real property transfer tax	216,000	200,000	215,000	15,000	200,000	215,000	15,000
Fines and Forfeitures	330,600	305,000	330,000	25,000	305,000	330,000	25,000
Vehicle code fines	221,500	205,000	220,000	15,000	205,000	220,000	15,000
Other fines and forfeitures	109,100	100,000	110,000	10,000	100,000	110,000	10,000
Investment & Property Revenues	812,700	447,000	347,000	(100,000)	472,000	347,000	(125,000)
Investment earnings	766,000	400,000	300,000	(100,000)	425,000	300,000	(125,000)
Rents & concessions	46,700	47,000	47,000		47,000	47,000	
Subventions & Grants	3,652,800	3,122,100	2,756,400	(365,700)	3,263,200	3,263,200	
Motor vehicle in-lieu	2,621,600	2,704,900	1,896,400	(808,500)	2,840,100	2,840,100	
Homeowners' property tax relief	81,300	82,000	82,000		84,000	84,000	
Other in-lieu taxes	45,800	47,400	47,400		48,800	48,800	
SB 90 reimbursements							
Police training (POST)	40,100	82,400	82,400		84,900	84,900	
Local Law Enforcement	100,000	100,000	100,000		100,000	100,000	
Mutual Aid reimbursements	596,600		420,800	420,800			
Booking Fee Reimbursement	105,400	105,400	105,400		105,400	105,400	
Other State & Federal grants	62,000		22,000	22,000			
Service Charges	4,011,400	4,866,000	4,974,100	108,100	5,164,300	5,176,800	12,500
<i>Police Services</i>							
Accident reports	3,800	4,100	4,100		4,200	4,200	
Alarm permits	131,600	123,000	123,000		126,100	126,100	
DUI cost recovery	4,100	6,200	6,200		6,400	6,400	

REVENUES BY MAJOR CATEGORY AND SOURCE

	2002-03 Actual	2003-04			2004-05		
		Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Second response fees	4,300	5,200	5,200		5,300	5,300	
Booking fee reimbursements	16,600	17,700	17,700		18,100	18,100	
Tobaco permit fees			12,500	12,500		12,500	12,500
Other police services	46,500	49,200	49,200		50,400	50,400	
Total police services	206,900	205,400	217,900	12,500	210,500	223,000	12,500
<i>Fire Services</i>							
Cal Poly fire services	167,100	200,000	200,000		200,000	200,000	
Medical emergency recovery	131,900	126,100	126,100		129,900	129,900	
Fire-safety/haz mat permits	28,100	50,200	50,200		51,700	51,700	
CUPA fees	19,300	78,200	78,200		80,500	80,500	
Other fire services	11,900	4,500	4,500		4,500	4,500	
Total fire services	358,300	459,000	459,000		466,600	466,600	
<i>Transportation</i>							
Maintenance of State highways	24,400	25,000	25,000		25,000	25,000	
Zone 9 reimbursements	67,000	67,000	67,000		67,000	67,000	
Total Transportation	91,400	92,000	92,000		92,000	92,000	
<i>Development Review</i>							
Planning & zoning fees	480,700	891,800	982,300	90,500	1,022,700	1,022,700	
Construction plan check & inspections	1,410,900	1,383,800	1,383,800		1,425,300	1,425,300	
Infrastructure plan check & inspections	76,900	200,300	200,300		240,800	240,800	
Encroachment permits	60,800	229,300	229,300		262,100	262,100	
Fire plan check & inspections	178,400	179,900	179,900		185,300	185,300	
Total development review	2,207,700	2,885,100	2,975,600	90,500	3,136,200	3,136,200	
<i>Parks & Recreation</i>							
Adult athletic fees	93,800	103,000	103,000		106,100	106,100	
Youth athletic fees	20,300	32,000	32,000		33,000	33,000	
Instruction fees	98,000	97,900	97,900		100,800	100,800	
Special event fees	77,600	73,900	73,900		76,200	76,200	
Rental & use fees	77,500	71,800	71,800		74,000	74,000	
Children services	494,500	534,500	539,600	5,100	550,500	550,500	
Teens & seniors	21,800	24,300	24,300		25,000	25,000	
Aquatics	150,800	148,500	148,500		153,000	153,000	
Other recreation revenues	4,400	3,600	3,600		3,700	3,700	
Total parks & recreation	1,038,700	1,089,500	1,094,600	5,100	1,122,300	1,122,300	

REVENUES BY MAJOR CATEGORY AND SOURCE

	2002-03 Actual	2003-04			2004-05		
		Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
<i>General Government</i>							
Sales of publications	39,500	35,000	35,000		35,000	35,000	
CCCJPA reimbursements	51,500	54,000	54,000		55,700	55,700	
USA marking fees		26,000	26,000		26,000	26,000	
Other service charges	17,400	20,000	20,000		20,000	20,000	
<i>Total general government</i>	<i>108,400</i>	<i>135,000</i>	<i>135,000</i>		<i>136,700</i>	<i>136,700</i>	
Other Revenues	104,900	75,000	170,300	95,300	75,000	75,000	
Insurance refunds	7,200						
Sale of surplus property			93,200	93,200			
Other revenues	97,700	75,000	77,100	2,100	75,000	75,000	
TOTAL GENERAL FUND	\$35,415,600	\$37,430,400	\$36,921,100	(\$509,300)	\$39,937,300	\$39,136,100	(\$801,200)

REVENUES BY MAJOR CATEGORY AND SOURCE

	2002-03 Actual	2003-04			2004-05		
		Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
SPECIAL REVENUE FUNDS							
Downtown Association							
Investment and Property Revenues	3,700	4,000	4,000		4,000	4,000	
Service Charges	398,300	357,400	357,400		371,400	371,400	
Total Downtown Association Fund	\$402,000	361,400	361,400		375,400	375,400	
Community Development Block Grant							
Subventions and Grants	\$1,151,700	779,800	1,556,000	776,200	676,300	676,300	
Gas Tax Fund							
Subventions and Grants	\$978,300	876,500	876,500		885,200	885,200	
Transportation Development Act Fund							
Subventions and Grants	\$34,600	20,500	20,500		21,100	21,100	
Law Enforcement Grant Fund							
Investment and Property Revenues	9,100	10,000	10,000		10,000	10,000	
Subventions and Grants	179,100		107,800	107,800	10,600	10,600	
Service Charges	13,400	10,300	10,300		10,600	10,600	
Total Law Enforcement Grant Fund	\$201,600	\$20,300	\$128,100	\$107,800	20,600	20,600	

REVENUES BY MAJOR CATEGORY AND SOURCE

	2002-03 Actual	2003-04			2004-05		
		Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
CAPITAL PROJECT FUNDS							
Capital Outlay Fund							
Subventions and Grants							
<i>State of California</i>							
Surface Transportation (STIP/SLTPP)	738,300	130,000	583,000	453,000	1,069,000	1,069,000	
Traffic Safety Grant					40,000	40,000	
State SHA Grant			1,032,400	1,032,400			
Other State grants	7,900	158,500	548,100	389,600	656,500	540,000	(116,500)
<i>Federal Government</i>							
Transportation enhancement (TEA)	37,900		1,131,200	1,131,200			
Highway and bridge rehabilitation and replacement (HBRR)	338,700	1,488,800	3,717,300	2,228,500			
Other Federal Grants			69,300	69,300		500,000	500,000
Service Charges			7,400	7,400			
Other Revenues							
Contributions	133,900		52,000	52,000			
Other revenue			490,500	490,500			
Total Capital Outlay Fund	\$1,256,700	1,777,300	7,631,200	5,853,900	1,765,500	2,149,000	383,500
Parkland Development Fund							
Investment and Property Revenues	30,700	20,000	20,000		20,000	20,000	
Subventions and Grants			403,500	403,500	125,000	125,000	
Service Charges							
Park in-lieu fees	170,900	5,000	5,000		5,000	5,000	
Dwelling Unit Fees	2,400	5,000	5,000		5,000	5,000	
Other Revenue							
Total Parkland Development Fund	\$204,000	30,000	433,500	403,500	155,000	155,000	
Transportation Impact Fee Fund							
Investment and Property Revenues	44,400	10,000	10,000		10,000	10,000	
Subventions and Grants			605,500	605,500			
Service Charges	1,275,600	422,300	415,800	(6,500)	435,000	386,500	(48,500)
Total Transportation Impact Fee Fund	\$1,320,000	432,300	1,031,300	599,000	445,000	396,500	(48,500)

REVENUES BY MAJOR CATEGORY AND SOURCE

	2002-03 Actual	2003-04			2004-05		
		Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Fleet Replacement Fund							
Investment and Property Revenues	16,800	15,000	15,000		15,000	15,000	
Other Revenue	10,700	40,000	40,000		40,000	40,000	
Total Fleet Replacement Fund	\$27,500	55,000	55,000		55,000	55,000	
Open Space Protection Fund							
Investment and Property Revenues	4,100	2,000	2,000		2,000	2,000	
Subventions and Grants	456,900	3,525,000	3,525,000		2,030,000	2,030,000	
Service Charges							
Other Revenue							
Total Open Space Protection Fund	\$461,000	3,527,000	3,527,000		2,032,000	2,032,000	
Airport Area Impact Fee Fund							
Investment and Property Revenues	10,400	6,000	6,000		6,200	6,200	
Service Charges	136,700	28,100	28,100		28,900	28,900	
Total Airport Area Impact Fee Fund	\$147,100	34,100	34,100		35,100	35,100	
Affordable Housing Fund							
Investment and Property Revenues	28,300	15,300	15,300		15,800	15,800	
Service Charges	747,800	463,500	463,500		477,400	477,400	
Total Affordable Housing Fund	\$776,100	478,800	478,800		493,200	493,200	
TOTAL-GOVERNMENTAL FUNDS	\$42,376,200	\$45,823,400	\$53,054,500	\$7,231,100	\$46,896,700	\$46,430,500	(\$466,200)

REVENUES BY MAJOR CATEGORY AND SOURCE

	2002-03 Actual	2003-04			2004-05		
		Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
ENTERPRISE & AGENCY FUNDS							
Water Fund							
Investment and Property Revenues	443,500	250,000	250,000		250,000	250,000	
Subventions & Grants	5,000		2,869,500	2,869,500			
Service Charges	10,400,500	9,786,900	9,786,900		9,930,300	9,930,300	
Other Revenue	88,600	15,000	15,000		15,000	15,000	
Total Water Fund	\$10,937,600	10,051,900	12,921,400	2,869,500	10,195,300	10,195,300	
Sewer Fund							
Investment and Property Revenues	163,300	103,000	103,000		100,000	100,000	
Subventions & Grants							
Service Charges	8,265,900	8,523,500	8,523,500		8,997,700	8,997,700	
Other Revenues							
Total Sewer Fund	\$8,429,200	8,626,500	8,626,500		9,097,700	9,097,700	
Parking Fund							
Fines and Forfeitures	699,900	745,000	745,000		780,600	780,600	
Investment and Property Revenues	254,400	181,500	181,500		191,000	191,000	
Subventions and Grants	75,000						
Service Charges	2,202,800	2,372,200	2,884,200	512,000	2,661,900	2,661,900	
Other Revenues			1,471,500	1,471,500			
Total Parking Fund	\$3,232,100	3,298,700	5,282,200	1,983,500	3,633,500	3,633,500	
Transit Fund							
Investment and Property Revenues	5,700	2,600	2,600		2,600	2,600	
Subventions and Grants	2,656,100	2,088,000	3,720,400	1,632,400	2,139,300	2,139,300	
Service Charges	362,800	385,400	385,400		423,000	423,000	
Other Revenues	4,900	2,000	2,000		2,000	2,000	
Total Transit Fund	\$3,029,500	2,478,000	4,110,400	1,632,400	2,566,900	2,566,900	

REVENUES BY MAJOR CATEGORY AND SOURCE

	2002-03 Actual	2003-04			2004-05		
		Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Golf Fund							
Investment and Property Revenues	3,000	1,000	1,000		1,000	1,000	
Service Charges	279,800	294,300	294,300		303,200	303,200	
Total Golf Fund	\$282,800	295,300	295,300		304,200	304,200	
Whale Rock Commission							
Investment and Property Revenues	22,400	20,000	20,000		20,000	20,000	
Subventions & Grants							
FEMA Reimbursement							
Service Charges	641,000	1,014,600	1,014,600		868,800	868,800	
Other Revenues							
Total Whale Rock Commission Fund	\$663,400	1,034,600	1,034,600		888,800	888,800	
Total Enterprise & Agency Funds	\$26,574,600	\$25,785,000	\$32,270,400	\$6,485,400	\$26,686,400	\$26,686,400	
TOTAL - ALL FUNDS	\$68,950,800	\$71,608,400	\$85,324,900	\$13,716,500	\$73,583,100	\$73,116,900	(\$466,200)

OPERATING PROGRAMS

ALL FUNDS COMBINED

	Original Budget	Budget Changes To-Date		Mid-Year Budget Changes		Revised Budget
		Carryovers & Encumbrances	Other Changes	Mid-Year Requests	Other Changes	
2003-04						
General Fund						
Public Safety	16,411,300	101,000	438,700		(51,500)	16,899,500
Transportation	1,926,000	81,500	5,200		(4,900)	2,007,800
Leisure, Cultural & Social Services	5,159,800	80,500	28,800		(15,100)	5,254,000
Community Development	4,430,600	422,400	153,500		(150,200)	4,856,300
General Government	8,623,100	118,700	50,900		(9,800)	8,782,900
Total General Fund	36,550,800	804,100	677,100		(231,500)	37,800,500
Downtown Association Fund	361,400					361,400
Community Development Block Grant Fund	194,100	72,000	12,600			278,700
Water Fund	4,550,000	67,200	81,300	5,000	(6,200)	4,697,300
Sewer Fund	4,204,700	41,400	22,800	226,800	(5,900)	4,489,800
Parking Fund	1,177,300	18,800	4,900		(1,600)	1,199,400
Transit fund	1,951,000	8,600	(179,700)		(200)	1,779,700
Golf Fund	395,100					395,100
Whale Rock Fund	658,900	13,200	3,900	15,300	(900)	690,400
Total - All Funds Combined	\$50,043,300	\$1,025,300	\$622,900	\$247,100	(\$246,300)	\$51,692,300

SUMMARY OF BUDGET CHANGES TO-DATE: 2003-04

	Council/CAO Approval Date	Budget Change	Revenue Or Transfer Offsets	Net Change
General Fund				
MOA Adjustments	7/31/03	130,700	130,700	-
Receipt of Match Funds for Orcutt Area EIR	7/25/03	90,500	90,500	-
Bicycle Coalition Grant	9/30/03	2,100	2,100	-
United Way Support for Conference	10/31/03	5,100	5,100	-
Mutual Aid Reimbursements	12/31/03	420,800	420,800	-
Public Safety Grants for Vests, CERT, ABC Program	12/31/03	24,700	24,700	-
Memorial Bench Donation	12/31/03	500	500	-
Fund Raising Proceeds for Senior Programs	7/17/03	200	200	-
CIP Transfer for Biologist Reimbursement for Mission Plaza Walkway	8/22/03	2,500	2,500	-
Total General Fund		677,100	677,100	

OPERATING PROGRAMS

ALL FUNDS COMBINED

SUMMARY OF BUDGET CHANGES TO-DATE: 2003-04

	Council/CAO Approval Date	Budget Change	Revenue Or Transfer Offsets	Net Change
Community Development Block Grant Fund				
CIP Transfer for Homeless Shelter	8/25/03	12,600	12,600	-
Water Fund				
Water Distribution staffing	10/7/03	65,500		65,500
MOA Adjustments	7/31/03	15,800	15,800	-
Total		81,300	15,800	65,500
Sewer Fund				
Steelhead Monitoring in San Luis Creek	7/31/03	10,400		10,400
MOA Adjustments	7/31/03	12,400	12,400	-
Total		22,800	12,400	10,400
Parking Fund				
MOA Adjustments	7/31/03	4,900	4,900	-
Transit Fund				
Short Range Transit Plan Adjustments	10/21/03	(182,700)	(182,700)	-
MOA Adjustments	7/31/03	3,000		3,000
Total		(179,700)	(182,700)	3,000
Whale Rock Fund				
MOA Adjustments	7/31/03	3,900		3,900
TOTAL		\$622,900	\$540,100	\$82,800

SUMMARY OF OTHER MID-YEAR CHANGES: 2003-04

	General Fund	Other Funds	Total
Reduced Worker's Compensation Costs	(89,000)	(14,800)	(103,800)
Housing Element and Fiscal Impact Analyses No Longer Required	(142,500)		(142,500)
Total	(\$231,500)	(\$14,800)	(\$246,300)

OPERATING PROGRAMS

ALL FUNDS COMBINED

	Original Budget	Budget Changes To-Date		Mid-Year Budget Changes		Revised Budget
		Carryovers & Encumbrances	Other Changes	Mid-Year Requests	Other Changes *	
2004-05						
General Fund						
Public Safety	18,256,300				327,000	18,583,300
Transportation	1,937,700				5,400	1,943,100
Leisure, Cultural & Social Services	5,579,800				9,000	5,588,800
Community Development	4,635,400				16,900	4,652,300
General Government	8,975,000				25,700	9,000,700
Total General Fund	39,384,200				384,000	39,768,200
Downtown Association Fund	375,400					375,400
Community Development Block Grant Fund	218,600					218,600
Water Fund	4,622,600				9,700	4,632,300
Sewer Fund	3,970,200			217,800	9,700	4,197,700
Parking Fund	1,291,400				2,100	1,293,500
Transit Fund	2,008,600				500	2,009,100
Golf Fund	409,700				1,000	410,700
Whale Rock Fund	678,200			15,300	1,400	694,900
Total - All Funds Combined	\$52,958,900			\$233,100	\$408,400	\$53,600,400

* All changes are due to increases in PERS rates above those projected in the 2003-05 Financial Plan.

CAPITAL IMPROVEMENT PLAN

ALL FUNDS COMBINED

	Budget Changes-to-Date		Mid-Year Budget Changes		Revised	
	Original Budget	Encumbrances/ Carryovers	Other Budget Changes	Mid-Year Requests		Other Changes
2003-04						
Capital Outlay	6,040,500	17,567,600	829,400	60,000	26,500	24,524,000
Parkland Development	18,700	1,209,200	60,600			1,288,500
Fleet Replacement	368,000	59,400				427,400
Community Development Block Grant	214,000	676,600				890,600
Law Enforcement Grants		305,600				305,600
Transportation Impact Fee	434,600	2,492,100			(65,000)	2,861,700
Open Space Protection	3,525,000	500,600				4,025,600
Water	2,225,400	20,503,300	425,100		(2,157,700)	20,996,100
Sewer	1,519,800	3,916,400	94,800			5,531,000
Parking	496,900	9,914,600	1,988,900			12,400,400
Transit	172,900	1,474,900	303,300			1,951,100
Golf	12,000	69,900				81,900
Whale Rock	257,000	505,200				762,200
TOTAL	\$15,284,800	\$59,195,400	\$3,702,100	\$60,000	(\$2,196,200)	\$76,046,100

SUMMARY OF BUDGET CHANGES TO-DATE AND OTHER MID-YEAR CHANGES: 2003-04

	Council/CAO Approval Date	Changes To-Date	Revenue or Other Source Offset	Other Mid-Year Changes	Net Change
Capital Outlay Fund		829,400	831,900	26,500	24,000
Palm Morro Parking/Offices	10/7/03	816,100	816,100		
Biologist for Mission Plaza Walkway	8/22/03	(2,500)			(2,500)
Contributions for Bear Cub Sculpture	7/16/03	15,800	15,800		
Foothill Bridge	2/17/04			26,500	26,500
Parkland Development Fund		60,600			60,600
Santa Rosa Park Renovation	8/19/03	10,600			10,600
Damon-Garcia Sports Fields	12/2/03	50,000			50,000
Transportation Impact Fee Fund			(58,500)	(65,000)	(6,500)
Defer Railroad Safety Trail Phase 4	2/17/04		(58,500)	(65,000)	(6,500)

CAPITAL IMPROVEMENT PLAN

ALL FUNDS COMBINED

SUMMARY OF BUDGET CHANGES TO-DATE AND OTHER MID-YEAR CHANGES: 2003-04

	Council/CAO Approval Date	Changes To-Date	Revenue or Other Source Offset	Other Mid-Year Changes	Net Change
Water Fund		425,100	(3,825,000)	(2,157,700)	2,092,400
Treatment Plant Automatic Gate	7/1/2003	50,000			50,000
Water Master Plan Improvements	11/14/2003	375,100			375,100
Reduced Construction Cost of Water Reuse Project	2/17/2004		(3,825,000)	(2,262,500)	1,562,500
Treatment Plant Sedimentation Pilot Plant Study	2/17/2004			104,800	104,800
Sewer Fund		94,800			94,800
Advance Funds from 2004-05 for Tank Farm Lift Station	8/19/2003	94,800			94,800
Parking Fund		1,988,900	1,524,200		464,700
Marsh Street Garage Expansion	8/31/2003	464,700			464,700
Palm Morro Parking/Offices	10/7/2003	1,524,200	1,524,200		
Transit Fund		303,300	130,400		172,900
Bus Maintenance Facility	11/18/2003	133,000			133,000
Short Range Transit Plan Implementation	10/21/2003	170,300	130,400		39,900
Total 2003-04 Adjustments		\$3,702,100	(\$1,338,500)	(\$2,196,200)	\$2,909,400

CAPITAL IMPROVEMENT PLAN

ALL FUNDS COMBINED

	Original Budget	Budget Changes-to-Date		Mid-Year Budget Changes		Revised
		Encumbrances/ Carryovers	Other Budget Changes	Mid-Year Requests	Other Changes	
2004-05						
Capital Outlay	5,513,100			640,000	(256,500)	5,896,600
Parkland Development	193,800					193,800
Fleet Replacement	84,000					84,000
Community Development Block Grant	80,000					80,000
Transportation Impact Fee	442,500				(48,500)	394,000
Open Space Protection	2,130,000					2,130,000
Water	7,344,200					7,344,200
Sewer	9,146,500		(94,800)			9,051,700
Parking	1,842,300					1,842,300
Transit	337,300					337,300
Golf						
Whale Rock	100,000					100,000
Total	\$27,213,700		(\$94,800)	\$640,000	(\$305,000)	\$27,453,900

SUMMARY OF BUDGET CHANGES TO-DATE AND OTHER MID-YEAR CHANGES: 2004-05

	Council/CAO Approval Date	Changes To-Date	Revenue or Other Source Offset	Other Mid-Year Changes	Net Change
Capital Outlay Fund					
Defer Railroad Safety Trail phase 4	2/17/04		(256,500)	(256,500)	
Transportation Impact Fee Fund					
Defer Railroad Safety Trail phase 4	2/17/04			(48,500)	(48,500)
Sewer Fund					
Advance funds from 2004-05 for Tank Farm Lift Station	8/19/03	(94,800)			(94,800)
Total 2004-05 Adjustments		(\$94,800)	(\$256,500)	(\$305,000)	\$161,700

INTERFUND TRANSACTIONS

OPERATING TRANSFERS

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised	Variance	Original Budget	Revised	Variance
General Fund							
Operating Transfers In							
Gas Tax Fund	863,200	876,500	876,500	-	885,200	885,200	-
TDA Fund	34,600	20,500	20,500	-	21,100	21,100	-
Total operating transfers in	897,800	897,000	897,000	-	906,300	906,300	-
Operating Transfers Out							
Law Enforcement Grants Fund	(9,900)	-	-	-	-	-	-
Capital Outlay Fund	(2,646,500)	(3,303,900)	(3,327,900)	(24,000)	(1,928,800)	(1,928,800)	-
Open Space Protection Fund	(200,000)	-	-	-	(100,000)	(100,000)	-
Fleet Replacement Fund	(486,700)	(433,700)	(433,700)	-	(458,700)	(458,700)	-
Debt Service Fund	(1,696,100)	(1,760,200)	(1,760,200)	-	(1,760,100)	(1,675,100)	85,000
Golf Fund	(252,000)	(238,200)	(220,800)	17,400	(240,500)	(218,800)	21,700
Total operating transfers out	(5,291,200)	(5,736,000)	(5,742,600)	(6,600)	(4,488,100)	(4,381,400)	106,700
Total Operating Transfers	(4,393,400)	(4,839,000)	(4,845,600)	(6,600)	(3,581,800)	(3,475,100)	106,700
Gas Tax Fund							
Operating Transfer Out							
General Fund	(863,200)	(876,500)	(876,500)	-	(885,200)	(885,200)	-
Capital Outlay Fund	(115,100)	-	-	-	-	-	-
Total operating transfers out	(978,300)	(876,500)	(876,500)	-	(885,200)	(885,200)	-
Transportation Development Act Fund							
Operating Transfer Out							
General Fund	(34,600)	(20,500)	(20,500)	-	(21,100)	(21,100)	-
Law Enforcement Grants Funds							
Operating Transfer In							
General Fund	9,900						

INTERFUND TRANSACTIONS

OPERATING TRANSFERS

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised	Variance	Original Budget	Revised	Variance
Capital Outlay Fund							
Operating Transfer In							
General Fund	2,646,500	3,303,900	3,327,900	24,000	1,928,800	1,928,800	-
Gas Tax Fund	115,100	-	-	-	-	-	-
Total operating transfers in	2,761,600	3,303,900	3,327,900	24,000	1,928,800	1,928,800	-
Open Space Protection Fund							
Operating Transfer In							
General Fund	200,000	-	-	-	100,000	100,000	-
Fleet Replacement Fund							
Operating Transfers In							
General Fund	486,700	433,700	433,700	-	458,700	458,700	-
Debt Service Fund							
Operating Transfer In							
General Fund	1,696,100	1,760,200	1,760,200	-	1,760,100	1,675,100	(85,000)
Water Fund							
Operating Transfer Out							
Sewer Fund		-	(10,400)	(10,400)			
SewerFund							
Operating Transfer In							
Water Fund		-	10,400	10,400			
Golf Course Fund							
Operating Transfer In							
General fund	252,000	238,200	220,800	(17,400)	240,500	218,800	(21,700)
NET OPERATING TRANSFERS	\$0	\$0	\$0	\$0	\$0	\$0	\$0

INTERFUND TRANSACTIONS

REIMBURSEMENT TRANSFERS

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised	Variance	Original Budget	Revised	Variance
General Fund	(2,982,500)	(3,228,500)	(3,384,700)	(156,200)	(3,400,200)	(3,472,600)	(72,400)
Community Development Block Grant Fund	29,300	45,600	60,600	15,000	48,800	48,800	-
Enterprise and Agency Funds							
Water	1,137,600	1,272,200	1,321,200	49,000	1,350,400	1,360,800	10,400
Sewer	1,015,500	1,086,600	1,076,900	(9,700)	1,119,200	1,109,200	(10,000)
Parking	322,600	332,300	413,800	81,500	355,600	426,200	70,600
Transit	278,900	287,300	285,800	(1,500)	307,400	294,400	(13,000)
Golf	117,100	120,600	103,200	(17,400)	129,000	106,300	(22,700)
Whale Rock Commission	81,500	83,900	123,200	39,300	89,800	126,900	37,100
Total Enterprise and Agency Funds	2,953,200	3,182,900	3,324,100	141,200	3,351,400	3,423,800	72,400
NET REIMBURSEMENT TRANSFERS	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CHANGES IN FINANCIAL POSITION

ALL FUNDS COMBINED

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Tax Revenues	26,503,200	28,615,300	28,343,300	(272,000)	30,657,800	29,944,100	(713,700)
Fines and Forfeitures	1,030,500	1,050,000	1,075,000	25,000	1,085,600	1,110,600	25,000
Investment and Property Revenues	1,852,500	1,087,400	987,400	(100,000)	1,119,600	994,600	(125,000)
Subventions and Grants	10,312,300	12,189,200	23,522,400	11,333,200	10,905,600	11,289,100	383,500
Service Charges							
Governmental Funds	6,755,200	6,157,600	6,266,600	109,000	6,497,600	6,461,600	(36,000)
Enterprise Funds	21,510,100	21,362,300	21,874,300	512,000	22,316,100	22,316,100	
Trust and Agency Revenues	641,000	1,014,600	1,014,600		868,800	868,800	
Other Revenues	346,000	132,000	2,241,300	2,109,300	132,000	132,000	
Total Revenues	68,950,800	71,608,400	85,324,900	13,716,500	73,583,100	73,116,900	(466,200)
Expenditures							
Operating Programs							
Public Safety	15,328,000	16,411,300	16,899,500	(488,200)	18,256,300	18,583,300	(327,000)
Public Utilities	8,280,200	9,413,600	9,877,500	(463,900)	9,271,000	9,524,900	(253,900)
Transportation	4,915,000	5,054,300	4,986,900	67,400	5,237,700	5,245,700	(8,000)
Leisure, Cultural, & Social Services	5,341,800	5,749,000	5,927,800	(178,800)	6,208,100	6,218,100	(10,000)
Community Development	4,335,400	4,792,000	5,217,700	(425,700)	5,010,800	5,027,700	(16,900)
General Government	7,364,600	8,623,100	8,782,900	(159,800)	8,975,000	9,000,700	(25,700)
Total Operating Programs	45,565,000	50,043,300	51,692,300	(1,649,000)	52,958,900	53,600,400	(641,500)
Capital Improvement Plan	16,398,300	15,284,800	76,046,100	(60,761,300)	27,213,700	27,453,900	(240,200)
Debt Service	6,368,400	6,667,900	6,667,900		7,084,200	6,854,200	230,000
Total Expenditures	68,331,700	71,996,000	134,406,300	(62,410,300)	87,256,800	87,908,500	(651,700)
Other Sources (Uses)							
Operating Transfers In	6,304,100	6,633,000	6,639,600	6,600	5,394,400	5,287,700	(106,700)
Operating Transfers Out	(6,304,100)	(6,633,000)	(6,639,600)	(6,600)	(5,394,400)	(5,287,700)	106,700
Proceeds from Debt Financings	2,151,100	959,300	23,670,700	22,711,400	5,818,800	5,818,800	
Other Revenue Sources							
Potential MOA Adjustments		(458,000)	(425,200)	32,800	(969,400)	(1,043,700)	(74,300)
Expenditure Savings		334,100	334,100		360,800	360,800	
Total Other Sources (Uses)	2,151,100	835,400	23,579,600	(22,744,200)	5,210,200	5,135,900	74,300
Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,770,200	447,800	(25,501,800)	(25,949,600)	(8,463,500)	(9,655,700)	(1,192,200)
Fund Balance/Working Capital							
Beginning of Year	46,307,500	28,068,500	49,077,700	21,009,200	28,504,500	23,575,900	(4,928,600)
End of Year							
Reserved for Debt Service							
Unreserved	49,077,700	28,516,300	23,575,900	(4,940,400)	20,041,000	13,920,200	(6,120,800)
Total Fund Balance	\$49,077,700	\$28,516,300	\$23,575,900	(4,940,400)	\$20,041,000	\$13,920,200	(\$6,120,800)

CHANGES IN FINANCIAL POSITION

ALL GOVERNMENTAL FUNDS

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Tax Revenues	26,503,200	28,615,300	28,343,300	(272,000)	30,657,800	29,944,100	(713,700)
Fines and Forfeitures	330,600	305,000	330,000	25,000	305,000	330,000	25,000
Investment and Property Revenues	960,200	529,300	429,300	(100,000)	555,000	430,000	(125,000)
Subventions and Grants	7,576,200	10,101,200	16,932,500	6,831,300	8,766,300	9,149,800	383,500
Service Charges	6,755,200	6,157,600	6,266,600	109,000	6,497,600	6,461,600	(36,000)
Other Revenues	250,800	115,000	752,800	637,800	115,000	115,000	
Total Revenues	42,376,200	45,823,400	53,054,500	7,231,100	46,896,700	46,430,500	(466,200)
Expenditures							
Operating Programs							
Public Safety	15,328,000	16,411,300	16,899,500	(488,200)	18,256,300	18,583,300	(327,000)
Transportation	2,015,900	1,926,000	2,007,800	(81,800)	1,937,700	1,943,100	(5,400)
Leisure, Cultural, & Social Services	4,966,800	5,353,900	5,532,700	(178,800)	5,798,400	5,807,400	(9,000)
Community Development	4,335,400	4,792,000	5,217,700	(425,700)	5,010,800	5,027,700	(16,900)
General Government	7,364,600	8,623,100	8,782,900	(159,800)	8,975,000	9,000,700	(25,700)
Total Operating Programs	34,010,700	37,106,300	38,440,600	(1,334,300)	39,978,200	40,362,200	(384,000)
Reimbursed Expenditures	(2,953,200)	(3,182,900)	(3,324,100)	141,200	(3,351,400)	(3,423,800)	72,400
Total Operating Expenditures	31,057,500	33,923,400	35,116,500	(1,193,100)	36,626,800	36,938,400	(311,600)
Capital Improvement Plan	9,326,800	10,600,800	34,323,400	(23,722,600)	8,443,400	8,778,400	(335,000)
Debt Service	2,018,000	2,086,300	2,086,300		2,089,000	2,004,000	85,000
Total Expenditures	42,402,300	46,610,500	71,526,200	(24,915,700)	47,159,200	47,720,800	(561,600)
Other Sources (Uses)							
Operating Transfers In	6,052,100	6,394,800	6,418,800	24,000	5,153,900	5,068,900	(85,000)
Operating Transfers Out	(6,304,100)	(6,633,000)	(6,639,600)	6,600	(5,394,400)	(5,287,700)	(106,700)
Proceeds from Debt Financings	471,600	959,300	5,900,800	(4,941,500)	1,818,800	1,818,800	
Potential MOA Adjustments		(520,700)	(390,000)	(130,700)	(959,000)	(959,000)	
Expenditure Savings		334,100	334,100		360,800	360,800	
Total Other Sources (Uses)	219,600	534,500	5,624,100	(5,041,600)	980,100	1,001,800	(191,700)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	193,500	(252,600)	(12,847,600)	(12,595,000)	717,600	(288,500)	(1,006,100)
Fund Balance, Beginning of Year	25,305,800	12,401,300	25,499,300	13,098,000	12,148,700	10,830,700	(1,318,000)
Fund Balance, End of Year							
Reserved for Debt Service	1,568,500	1,568,500	1,731,800	(163,300)	1,568,500	1,568,500	
Unreserved	23,930,800	10,580,200	11,083,200	503,000	11,297,800	8,459,900	(2,837,900)
Total Fund Balance	\$25,499,300	\$12,148,700	\$12,651,700	\$503,000	\$12,866,300	\$10,542,200	(\$2,324,100)

CHANGES IN FINANCIAL POSITION

ALL ENTERPRISE AND AGENCY FUNDS COMBINED

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Fines and Forfeitures	699,900	745,000	745,000		780,600	780,600	
Investment and Property Revenues	892,300	558,100	558,100		564,600	564,600	
Subventions and Grants	2,736,100	2,088,000	6,589,900	4,501,900	2,139,300	2,139,300	
Service Charges	21,510,100	21,362,300	21,874,300	512,000	22,316,100	22,316,100	
Other Revenues	95,200	17,000	1,488,500	1,471,500	17,000	17,000	
Trust and Agency Revenues	641,000	1,014,600	1,014,600		868,800	868,800	
Total Revenues	26,574,600	25,785,000	32,270,400	6,485,400	26,686,400	26,686,400	
Expenditures							
Operating Programs							
Public Utilities	8,280,200	9,413,600	9,877,500	(463,900)	9,271,000	9,524,900	(253,900)
Transportation	2,899,100	3,128,300	2,979,100	149,200	3,300,000	3,302,600	(2,600)
Leisure, Cultural, & Social Services	375,000	395,100	395,100		409,700	410,700	(1,000)
General Government	2,968,200	3,182,900	3,324,100	(141,200)	3,351,400	3,423,800	(72,400)
Total Operating Programs	14,522,500	16,119,900	16,575,800	(455,900)	16,332,100	16,662,000	(329,900)
Capital Projects	7,071,500	4,684,000	41,722,700	(37,038,700)	18,770,300	18,675,500	94,800
Debt Service	4,350,400	4,581,600	4,581,600		4,995,200	4,850,200	145,000
Total Expenditures	25,944,400	25,385,500	62,880,100	(37,494,600)	40,097,600	40,187,700	(90,100)
Other Sources (Uses)							
Operating Transfers In	252,000	238,200	220,800	(17,400)	240,500	218,800	(21,700)
Proceeds from Debt Financings	1,679,500		17,769,900	17,769,900	4,000,000	4,000,000	
Other Revenue Sources							
Expenditure Savings							
Potential MOA Adjustments		62,700	(35,200)	(97,900)	(10,400)	(84,700)	(74,300)
Total Other Sources (Uses)	1,931,500	300,900	17,955,500	17,654,600	4,230,100	4,134,100	(96,000)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,561,700	700,400	(12,654,200)	61,634,600	(9,181,100)	(9,367,200)	(186,100)
Working Capital, Beginning of Year	21,001,700	15,667,200	23,563,400	7,896,200	16,355,800	12,793,700	(3,562,100)
Fund Balance, End of Year	\$23,563,400	\$16,367,600	\$10,909,200	\$69,530,800	\$7,174,700	\$3,426,500	(\$3,748,200)

CHANGES IN FINANCIAL POSITION

GENERAL FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Tax Revenues	26,503,200	28,615,300	28,343,300	(272,000)	30,657,800	29,944,100	(713,700)
Fines and Forfeitures	330,600	305,000	330,000	25,000	305,000	330,000	25,000
Investment and Property Revenues	812,700	447,000	347,000	(100,000)	472,000	347,000	(125,000)
Subventions and Grants	3,652,800	3,122,100	2,756,400	(365,700)	3,263,200	3,263,200	
Service Charges	4,011,400	4,866,000	4,974,100	108,100	5,164,300	5,176,800	12,500
Other Revenues	104,900	75,000	170,300	95,300	75,000	75,000	
Total Revenues	35,415,600	37,430,400	36,921,100	(509,300)	39,937,300	39,136,100	(801,200)
Expenditures							
Public Safety	15,328,000	16,411,300	16,899,500	(488,200)	18,256,300	18,583,300	(327,000)
Transportation	2,015,900	1,926,000	2,007,800	(81,800)	1,937,700	1,943,100	(5,400)
Leisure, Cultural, and Social Services	4,753,800	5,159,800	5,254,000	(94,200)	5,579,800	5,588,800	(9,000)
Community Development	3,925,000	4,430,600	4,856,300	(425,700)	4,635,400	4,652,300	(16,900)
General Government	7,364,600	8,623,100	8,782,900	(159,800)	8,975,000	9,000,700	(25,700)
Total Program Expenditures	33,387,300	36,550,800	37,800,500	(1,249,700)	39,384,200	39,768,200	(384,000)
Reimbursed Expenditures	(2,982,500)	(3,228,500)	(3,384,700)	156,200	(3,400,200)	(3,472,600)	72,400
Total Expenditures	30,404,800	33,322,300	34,415,800	(1,093,500)	35,984,000	36,295,600	(311,600)
Other Sources (Uses)							
Operating Transfers In	897,800	897,000	897,000		906,300	906,300	
Operating Transfers Out	(5,291,200)	(5,736,000)	(5,742,600)	(6,600)	(4,488,100)	(4,381,400)	106,700
Expenditure Savings		334,100	334,100		360,800	360,800	
Potential MOA Adjustments		(520,700)	(390,000)	130,700	(959,000)	(959,000)	
Total Other Sources (Uses)	(4,393,400)	(5,025,600)	(4,901,500)	124,100	(4,180,000)	(4,073,300)	106,700
Revenues and Other Sources Over (Under) Expenditures and Other Uses	617,400	(917,500)	(2,396,200)	(1,478,700)	(226,700)	(1,232,800)	(1,006,100)
Fund Balance, Beginning of Year	9,452,000	8,302,200	10,069,400	1,767,200	7,384,700	7,673,200	288,500
Fund Balance, End of Year	\$10,069,400	\$7,384,700	\$7,673,200	\$288,500	\$7,158,000	\$6,440,400	(\$717,600)

CHANGES IN FINANCIAL POSITION

DOWNTOWN ASSOCIATION FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Investment and Property Revenues	3,700	4,000	4,000		4,000	4,000	
Service Charges	397,000	357,400	357,400		371,400	371,400	
Other Revenues	1,300						
Total Revenues	402,000	361,400	361,400		375,400	375,400	
Operating Expenditures							
Community Development	410,400	361,400	361,400		375,400	375,400	
Total Expenditures	410,400	361,400	361,400		375,400	375,400	
Other Sources (Uses)							
Operating Transfers In							
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(8,400)						
Fund Balance, Beginning of Year	69,400	73,200	61,000	(12,200)	73,200	61,000	(12,200)
Fund Balance, End of Year	\$61,000	\$73,200	\$61,000	(\$12,200)	\$73,200	\$61,000	(\$12,200)

CHANGES IN FINANCIAL POSITION

GAS TAX FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Subventions and Grants							
Traffic Congestion	115,100						
Gasoline Tax	863,200	876,500	876,500		885,200	885,200	
Total Revenues	978,300	876,500	876,500		885,200	885,200	
Other Sources (Uses)							
Operating Transfers Out	(978,300)	(876,500)	(876,500)		(885,200)	(885,200)	
Revenues and Other Sources Over (Under) Expenditures and Other Uses							
Fund Balance, Beginning of Year							
Fund Balance, End of Year	\$ -	\$ -	\$ -		\$ -	\$ -	

CHANGES IN FINANCIAL POSITION

TRANSPORTATION DEVELOPMENT ACT FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Subventions and Grants							
TDA Revenues	34,600	20,500	20,500		21,100	21,100	
Total Revenues	34,600	20,500	20,500		21,100	21,100	
Other Sources (Uses)							
Operating Transfers Out	(34,600)	(20,500)	(20,500)		(21,100)	(21,100)	
Revenues and Other Sources Over (Under) Expenditures and Other Uses							
Fund Balance, Beginning of Year							
Fund Balance, End of Year	\$ -	\$ -	\$ -		\$ -	\$ -	

CHANGES IN FINANCIAL POSITION

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Subventions and Grants							
CDBG Allocation	1,151,700	772,800	1,555,100	782,300	676,300	676,300	
State Grant Close-Out		7,000	900	(6,100)			
Total Revenues	1,151,700	779,800	1,556,000	776,200	676,300	676,300	
Expenditures							
Operating Programs							
Leisure, Cultural, & Social Services	213,000	194,100	278,700	(84,600)	218,600	218,600	
General Government	29,300	45,600	60,600	(15,000)	48,800	48,800	
Total Operating Programs	242,300	239,700	339,300	(99,600)	267,400	267,400	
Capital Improvement Plan Projects	587,500	214,000	890,600	(676,600)	80,000	80,000	
Debt Service	321,900	326,100	326,100		328,900	328,900	
Total Expenditures	1,151,700	779,800	1,556,000	(776,200)	676,300	676,300	
Other Sources (Uses)							
Proceeds from Debt Financing							
Total Other Sources (Uses)							
Revenues and Other Sources Over (Under) Expenditures and Other Uses							
Fund Balance, Beginning of Year							
Fund Balance, End of Year	\$ -	\$ -					

CHANGES IN FINANCIAL POSITION

LAW ENFORCEMENT GRANTS FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Investment and Property Revenues	9,100	10,000	10,000		10,000	10,000	
Subventions and Grants							
Federal Grants	156,700		63,500	63,500			
State Grants	22,400		44,300	44,300			
Service Charges	13,400	10,300	10,300		10,600	10,600	
Total Revenues	201,600	20,300	128,100	107,800	20,600	20,600	
Expenditures							
Operating Programs							
Public Safety							
Total Operating Programs							
Capital Improvement Plan Projects	156,800		305,600	(305,600)			
Total Expenditures	156,800		305,600	(305,600)			
Other Sources (Uses)							
Operating Transfer In	9,900						
Operating Transfer Out							
Total Other Sources (Uses)	9,900						
Revenues and Other Sources Over (Under) Expenditures and Other Uses	54,700	20,300	(177,500)	(197,800)	20,600	20,600	
Fund Balance, Beginning of Year	217,100	71,800	271,800	200,000	92,100	94,300	2,200
Fund Balance, End of Year	\$ 271,800	\$ 92,100	\$94,300	\$2,200	\$112,700	\$114,900	\$2,200

CHANGES IN FINANCIAL POSITION

CAPITAL OUTLAY FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Subventions and Grants	1,122,800	1,777,300	7,081,300	5,304,000	1,765,500	2,149,000	383,500
Service Charges			7,400	7,400			
Other Revenues	133,900		542,500	542,500			
Total Revenues	1,256,700	1,777,300	7,631,200	5,853,900	1,765,500	2,149,000	383,500
Expenditures							
Capital Improvement Plan Projects	6,937,500	6,040,500	24,524,000	18,483,500	5,513,100	5,896,600	(383,500)
Total Expenditures	6,937,500	6,040,500	24,524,000	18,483,500	5,513,100	5,896,600	(383,500)
Other Sources (Uses)							
Operating Transfers In	2,761,600	3,303,900	3,327,900	24,000	1,928,800	1,928,800	
Proceeds from Debt Financing	471,600	959,300	5,900,800	4,941,500	1,818,800	1,818,800	
Total Other Sources (Uses)	3,233,200	4,263,200	9,228,700	4,965,500	3,747,600	3,747,600	
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(2,447,600)		(7,664,100)	(7,664,100)			
Fund Balance, Beginning of Year	10,111,700		7,664,100	7,664,100			
Fund Balance, End of Year	\$7,664,100						

CHANGES IN FINANCIAL POSITION

PARKLAND DEVELOPMENT FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Investment and Property Revenue	30,700	20,000	20,000		20,000	20,000	
Subventions and Grants			403,500	403,500	125,000	125,000	
Service Charges							
Park In-Lieu Fees	170,900	5,000	5,000		5,000	5,000	
Dwelling Unit Fees	2,400	5,000	5,000		5,000	5,000	
Other Revenue							
Total Revenues	204,000	30,000	433,500	403,500	155,000	155,000	
Expenditures							
Capital Improvement Plan	293,100	18,700	1,288,500	(1,269,800)	193,800	193,800	
Total Expenditures	293,100	18,700	1,288,500	(1,269,800)	193,800	193,800	
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(89,100)	11,300	(855,000)	(866,300)	(38,800)	(38,800)	
Fund Balance, Beginning of Year	1,047,300	144,400	958,200	813,800	155,700	103,200	(52,500)
Fund Balance, End of Year	\$958,200	\$155,700	\$103,200	(\$52,500)	\$116,900	\$64,400	(\$52,500)

CHANGES IN FINANCIAL POSITION

TRANSPORTATION IMPACT FEE FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Investment and Property Revenue	44,400	10,000	10,000		10,000	10,000	
Subventions and Grants			605,500	605,500			
Service Charges	1,275,600	422,300	415,800	(6,500)	435,000	386,500	(48,500)
Total Revenues	1,320,000	432,300	1,031,300	599,000	445,000	396,500	(48,500)
Expenditures							
Capital Improvement Plan Projects	100,900	434,600	2,861,700	(2,427,100)	442,500	394,000	48,500
Total Expenditures	100,900	434,600	2,861,700	(2,427,100)	442,500	394,000	48,500
Other Sources (Uses)							
Operating Transfers Out							
Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,219,100	(2,300)	(1,830,400)	(1,828,100)	2,500	2,500	
Fund Balance, Beginning of Year	881,700	337,100	2,100,800	1,763,700	334,800	270,400	(64,400)
Fund Balance, End of Year	\$2,100,800	\$334,800	\$270,400	(\$64,400)	\$337,300	\$272,900	(\$64,400)

CHANGES IN FINANCIAL POSITION

OPEN SPACE PROTECTION FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Investment and Property Revenue	4,100	2,000	2,000		2,000	2,000	
Subventions and Grants	456,900	3,525,000	3,525,000		2,030,000	2,030,000	
Service Charges							
Other Revenues							
Total Revenues	461,000	3,527,000	3,527,000		2,032,000	2,032,000	
Expenditures							
Capital Improvement Plan Projects	251,500	3,525,000	4,025,600	(500,600)	2,130,000	2,130,000	
Total Expenditures	251,500	3,525,000	4,025,600	(500,600)	2,130,000	2,130,000	
Other Sources (Uses)							
Operating Transfer in	200,000				100,000	100,000	
Revenues and Other Sources Over (Under) Expenditures and Other Uses							
	409,500	2,000	(498,600)	(500,600)	2,000	2,000	
Fund Balance, Beginning of Year	97,800	72,600	507,300	434,700	74,600	8,700	(65,900)
Fund Balance, End of Year	\$507,300	\$74,600	\$8,700	(\$65,900)	\$76,600	\$10,700	(\$65,900)

CHANGES IN FINANCIAL POSITION

AIRPORT AREA IMPACT FEE FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Investment and Property Revenues	10,400	6,000	6,000		6,200	6,200	
Service Charges	136,700	28,100	28,100		28,900	28,900	
Total Revenues	147,100	34,100	34,100		35,100	35,100	
Expenditures							
Capital Improvement Plan Projects							
Revenues and Other Sources Over (Under) Expenditures and Other Uses	147,100	34,100	34,100		35,100	35,100	
Fund Balance, Beginning of Year	290,300	322,600	437,400	114,800	356,700	471,500	114,800
Fund Balance, End of Year	\$437,400	\$356,700	\$471,500	\$114,800	\$391,800	\$506,600	\$114,800

CHANGES IN FINANCIAL POSITION

AFFORDABLE HOUSING FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Investment and Property Revenues	28,300	15,300	15,300		15,800	15,800	
Service Charges	747,800	463,500	463,500		477,400	477,400	
Total Revenues	776,100	478,800	478,800		493,200	493,200	
Expenditures							
Capital Improvement Plan Projects	215,000						
Revenues and Other Sources Over (Under) Expenditures and Other Uses	561,100	478,800	478,800		493,200	493,200	
Fund Balance, Beginning of Year	686,800	936,800	1,247,900	311,100	1,415,600	1,726,700	311,100
Fund Balance, End of Year	\$1,247,900	\$1,415,600	\$1,726,700	\$311,100	\$1,908,800	\$2,219,900	\$311,100

CHANGES IN FINANCIAL POSITION

FLEET REPLACEMENT FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Investment and Property Revenues	16,800	15,000	15,000		15,000	15,000	
Service Charges							
Damage to City Property							
Other Revenues							
Sale of Surplus Property	10,700	40,000	40,000		40,000	40,000	
Total Revenues	27,500	55,000	55,000		55,000	55,000	
Expenditures							
Capital Improvement Plan Projects	784,500	368,000	427,400	(59,400)	84,000	84,000	
Total Expenditures	784,500	368,000	427,400	(59,400)	84,000	84,000	
Other Sources (Uses)							
Operating Transfers In							
General Fund	486,700	433,700	433,700		458,700	458,700	
Total Other Sources (Uses)	486,700	433,700	433,700		458,700	458,700	
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(270,300)	120,700	61,300	(59,400)	429,700	429,700	
Fund Balance, Beginning of Year	883,200	572,100	612,900	40,800	692,800	674,200	(18,600)
Fund Balance, End of Year	\$612,900	\$692,800	\$674,200	(\$18,600)	\$1,122,500	\$1,103,900	(\$18,600)

CHANGES IN FINANCIAL POSITION

DEBT SERVICE FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Expenditures							
Debt Service							
1994 Refunding Revenue Bonds	382,400	381,200	381,200		381,300	296,300	(85,000)
1996 Financing Issue	520,500	521,500	521,500		521,700	521,700	
2001 Refunding Revenue Bonds	793,200	799,700	799,700		800,600	800,600	
Energy Conservation Lease Financing		57,800	57,800		56,500	56,500	
Total Expenditures	1,696,100	1,760,200	1,760,200		1,760,100	1,675,100	(85,000)
Other Sources (Uses)							
Proceeds from Debt Financing							
Operating Transfers In	1,696,100	1,760,200	1,760,200		1,760,100	1,675,100	(85,000)
Total Other Sources (Uses)	1,696,100	1,760,200	1,760,200		1,760,100	1,675,100	(85,000)
Revenues and Other Sources Over (Under) Expenditures and Other Uses							
Fund Balance, Beginning of Year	1,568,500	1,568,500	1,568,500		1,568,500	1,568,500	
Fund Balance, End of Year							
Reserved for Debt Service	1,568,500	1,568,500	1,568,500		1,568,500	1,568,500	
Unreserved							
Total Fund Balance	\$1,568,500	\$1,568,500	\$1,568,500		\$1,568,500	\$1,568,500	

CHANGES IN FINANCIAL POSITION

WATER FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Investment and Property Revenues	443,500	250,000	250,000		250,000	250,000	
Subventions and Grants	5,000		2,869,500	2,869,500			
Service Charges							
Water Sales							
Water Service Charges	6,976,800	7,537,500	7,537,500		7,612,500	7,612,500	
Sales to Cal Poly	450,600	476,000	476,000		476,000	476,000	
Development Impact Fees	2,650,600	1,540,900	1,540,900		1,603,000	1,603,000	
Connection Charges and Meter Sales	51,800	22,500	22,500		22,500	22,500	
Account Set-up Fee	130,600	102,500	102,500		105,600	105,600	
Other Service Charges	140,100	107,500	107,500		110,700	110,700	
Other Revenues	88,600	15,000	15,000		15,000	15,000	
Total Revenues	10,937,600	10,051,900	12,921,400	2,869,500	10,195,300	10,195,300	
Expenditures							
Operating Programs							
Public Utilities	3,973,500	4,550,000	4,697,300	(147,300)	4,622,600	4,632,300	(9,700)
General Government	1,137,600	1,272,200	1,321,200	(49,000)	1,350,400	1,360,800	(10,400)
Total Operating Programs	5,111,100	5,822,200	6,018,500	(196,300)	5,973,000	5,993,100	(20,100)
Capital Improvement Plan Projects	2,058,100	2,225,400	20,996,100	(18,770,700)	7,344,200	7,344,200	
Debt Service	1,129,000	1,108,300	1,108,300		1,528,300	1,528,300	
Total Expenditures	8,298,200	9,155,900	28,122,900	(18,967,000)	14,845,500	14,865,600	(20,100)
Other Sources (Uses)							
Operating Transfer Out			(10,400)	(10,400)			
Potential MOA Adjustments		(43,000)	(27,200)	15,800	(45,300)		45,300
Proceeds from Debt Financing	152,400		9,096,500	9,096,500	4,000,000	4,000,000	
Total Other Sources (Uses)	152,400	(43,000)	9,058,900	9,101,900	3,954,700	4,000,000	45,300
Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,791,800	853,000	(6,142,600)	(6,995,600)	(695,500)	(670,300)	25,200
Working Capital, Beginning of Year	9,616,700	7,767,000	12,408,500	4,641,500	8,620,000	6,265,900	(2,354,100)
Working Capital, End of Year	\$12,408,500	\$8,620,000	\$6,265,900	(\$2,354,100)	\$7,924,500	\$5,595,600	(\$2,328,900)

CHANGES IN FINANCIAL POSITION

SEWER FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Investment and Property Revenues	163,300	103,000	103,000		100,000	100,000	
Subventions and Grants							
Service Charges							
Customer Sales							
Sewer Service Charges	6,958,800	7,575,900	7,575,900		8,010,400	8,010,400	
Sales to Cal Poly	229,600	281,000	281,000		295,100	295,100	
Industrial User Charges	47,700	40,100	40,100		40,500	40,500	
CUPA Inspection Fees	40,200						
Capital Improvement Charges	977,900	624,500	624,500		649,700	649,700	
Other Service Charges	11,700	2,000	2,000		2,000	2,000	
Other Revenues							
Total Revenues	8,429,200	8,626,500	8,626,500		9,097,700	9,097,700	
Expenditures							
Operating Programs							
Public Utilities	3,768,600	4,204,700	4,489,800	(285,100)	3,970,200	4,197,700	(227,500)
General Government	1,030,500	1,086,600	1,076,900	9,700	1,119,200	1,109,200	10,000
Total Operating Programs	4,799,100	5,291,300	5,566,700	(275,400)	5,089,400	5,306,900	(217,500)
Capital Improvment Plan	1,857,100	1,519,800	5,531,000	(4,011,200)	9,146,500	9,051,700	94,800
Debt Service	2,099,700	2,418,600	2,418,600		2,412,200	2,412,200	
Total Expenditures	8,755,900	9,229,700	13,516,300	(4,286,600)	16,648,100	16,770,800	(122,700)
Other Sources (Uses)							
Proceeds from Debt Financing			1,920,900		7,600,000	7,600,000	
Potential MOA Adjustments			(29,500)	(29,500)		(43,700)	(43,700)
Operating Transfer In			10,400				
Other Sources (Uses)		100,000		(100,000)	50,000	(63,900)	(113,900)
Total Other Sources (Uses)		100,000	1,901,800	1,801,800	7,650,000	7,492,400	(157,600)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(326,700)	(503,200)	(2,988,000)	(2,484,800)	99,600	(180,700)	(280,300)
Working Capital, Beginning of Year	5,124,700	2,633,500	4,798,000	2,164,500	2,130,300	1,810,000	(320,300)
Working Capital, End of Year	\$4,798,000	\$2,130,300	\$1,810,000	(\$320,300)	\$2,229,900	\$1,629,300	(\$600,600)

CHANGES IN FINANCIAL POSITION

PARKING FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Investment and Property Revenues	254,400	181,500	181,500		191,000	191,000	
Subventions and Grants	75,000						
Fines and Forfeitures	699,900	745,000	745,000		780,600	780,600	
Service Charges							
Meter Collections - Lots	451,400	354,500	354,500		311,800	311,800	
Meter Collections - Streets	821,700	898,200	898,200		907,200	907,200	
Parking Structure Collections	435,200	531,800	531,800		772,400	772,400	
Long-Term Parking Revenues	286,800	342,300	342,300		416,400	416,400	
Lease Revenues	131,200	169,600	169,600		178,300	178,300	
Parking In-Lieu Fees	64,900	75,500	587,500	512,000	75,500	75,500	
Other Service Charges	11,600	300	300		300	300	
Other Revenues			1,471,500	1,471,500			
Total Revenues	3,232,100	3,298,700	5,282,200	1,983,500	3,633,500	3,633,500	
Expenditures							
Operating Programs							
Transportation	1,019,200	1,177,300	1,199,400	(22,100)	1,291,400	1,293,500	(2,100)
General Government	322,600	332,300	413,800	(81,500)	355,600	426,200	(70,600)
Total Operating Programs	1,341,800	1,509,600	1,613,200	(103,600)	1,647,000	1,719,700	(72,700)
Capital Improvement Plan Projects	2,176,700	496,900	12,400,400	(11,903,500)	1,842,300	1,842,300	
Debt Service	1,121,700	1,054,700	1,054,700		1,054,700	909,700	145,000
Total Expenditures	4,640,200	3,061,200	15,068,300	(12,007,100)	4,544,000	4,471,700	72,300
Other Sources (Uses)							
Proceeds from Debt Financing	1,527,100		8,673,400	8,673,400			
Potential MOA Adjustments		(11,800)	(6,900)	4,900	(12,200)	(12,200)	
Other Sources (Uses)		20,000		(20,000)			
Total Other Sources (Uses)	1,527,100	8,200	8,666,500	8,658,300	(12,200)		12,200
Revenues and Other Sources Over (Under) Expenditures and Other Uses	119,000	245,700	(1,119,600)	(1,365,300)	(922,700)	(838,200)	84,500
Working Capital, Beginning of Year	5,127,500	4,698,800	5,246,500	547,700	4,944,500	4,126,900	(817,600)
Working Capital, End of Year	\$5,246,500	\$4,944,500	\$4,126,900	(\$817,600)	\$4,021,800	\$3,288,700	(\$733,100)

CHANGES IN FINANCIAL POSITION

TRANSIT FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Investment and Property Revenues	5,700	2,600	2,600		2,600	2,600	
Subventions and Grants							
TDA Revenues	1,182,900	1,265,000	1,265,000		1,339,300	1,339,300	
Other Grants	118,900		1,171,900	1,171,900			
FTA Grants	1,354,300	823,000	1,283,500	460,500	800,000	800,000	
Service Charges	361,100	385,400	385,400		423,000	423,000	
Other Revenues	6,600	2,000	2,000		2,000	2,000	
Total Revenues	3,029,500	2,478,000	4,110,400	1,632,400	2,566,900	2,566,900	
Expenditures							
Operating Programs							
Transportation	1,879,900	1,951,000	1,779,700	171,300	2,008,600	2,009,100	(500)
General Government	278,900	287,300	285,800	1,500	307,400	294,400	13,000
Total Operating Programs	2,158,800	2,238,300	2,065,500	172,800	2,316,000	2,303,500	12,500
Capital Improvement Plan Projects	736,700	172,900	1,951,100	(1,778,200)	337,300	337,300	
Total Expenditures	2,895,500	2,411,200	4,016,600	(1,605,400)	2,653,300	2,640,800	12,500
Other Sources (Uses)							
Potential MOA Adjustments		(2,400)		2,400	(2,700)	(2,700)	
Other Revenue Sources							
Expenditure Savings							
Total Other Sources (Uses)		(2,400)		2,400	(2,700)	(2,700)	
Revenues and Other Sources Over (Under) Expenditures and Other Uses	134,000	64,400	93,800	3,240,200	(89,100)	(76,600)	(12,500)
Working Capital, Beginning of Year	267,300	469,000	401,300	(67,700)	533,400	495,100	(38,300)
Working Capital, End of Year	\$401,300	\$533,400	\$495,100	(\$38,300)	\$444,300	\$418,500	(\$25,800)

CHANGES IN FINANCIAL POSITION

GOLF FUND

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Investment and Property Revenues	3,000	1,000	1,000		1,000	1,000	
Service Charges							
Retail Sales	12,800	12,400	12,400		12,800	12,800	
Green Fees	229,900	256,500	256,500		264,200	264,200	
Other Fees	37,100	25,400	25,400		26,200	26,200	
Other Revenues							
Total Revenues	282,800	295,300	295,300		304,200	304,200	
Expenditures							
Operating Programs							
Leisure, Cultural & Social Services	375,000	395,100	395,100		409,700	410,700	(1,000)
General Government	117,100	120,600	103,200	17,400	129,000	106,300	22,700
Total Operating Programs	492,100	515,700	498,300	17,400	538,700	517,000	21,700
Capital Improvement Plan Projects	13,300	12,000	81,900	(69,900)			
Total Expenditures	505,400	527,700	580,200	(52,500)	538,700	517,000	21,700
Other Sources (Uses)							
Operating Transfers In	252,000	238,200	220,800	(17,400)	240,500	218,800	(21,700)
Potential MOA Adjustments		(5,800)	(5,800)		(6,000)	(6,000)	
Total Other Sources (Uses)	252,000	232,400	215,000	(17,400)	234,500	212,800	(21,700)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	29,400		(69,900)	(69,900)			
Working Capital, Beginning of Year	40,500		69,900	69,900			
Working Capital, End of Year	\$ 69,900	\$ -			\$ -		

CHANGES IN FINANCIAL POSITION

WHALE ROCK COMMISSION

	2002-03	2003-04			2004-05		
	Actual	Original Budget	Revised Projection	Variance	Original Budget	Revised Projection	Variance
Revenues							
Investment and Property Revenues	22,400	20,000	20,000		20,000	20,000	
Subventions & Grants - FEMA							
Service Charges							
Member Agency Contributions	447,300	717,600	717,600		571,800	571,800	
Water Distribution Charges	191,800	296,000	296,000		296,000	296,000	
Other Revenues	1,900	1,000	1,000		1,000	1,000	
Total Revenues	663,400	1,034,600	1,034,600		888,800	888,800	
Expenditures							
Operating Programs							
Public Utilities	538,100	658,900	690,400	(31,500)	678,200	694,900	(16,700)
General Government	81,500	83,900	123,200	(39,300)	89,800	126,900	(37,100)
Total Operating Programs	619,600	742,800	813,600	(70,800)	768,000	821,800	(53,800)
Capital Improvement Plan	229,600	257,000	762,200	(505,200)	100,000	100,000	
Total Expenditures	849,200	999,800	1,575,800	(576,000)	868,000	921,800	(53,800)
Other Sources (Uses)							
Potential MOA Adjustments		(6,100)	(2,200)	3,900	(6,400)	(12,100)	(5,700)
Total Other Sources (Uses)		(6,100)	(2,200)	3,900	(6,400)	(12,100)	(5,700)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(185,800)	28,700	(543,400)	(572,100)	14,400	(45,100)	(59,500)
Working Capital, Beginning of Year	825,000	98,900	639,200	540,300	127,600	95,800	(31,800)
Working Capital, End of Year	\$639,200	\$127,600	\$95,800	(\$31,800)	\$142,000	\$50,700	(\$91,300)

Section C

MID-YEAR BUDGET REQUESTS

SUMMARY OF 2003-04 MID-YEAR BUDGET REQUESTS

		Page No.	2003-04	2004-05	Total
OPERATING PROGRAMS					
Water Fund	■ Water Distribution Overtime	C-2	5,000		5,000
Sewer Fund	■ NPDES Permit Fees	C-4	11,800	11,800	23,600
	■ Tank Farm Gravity Sewer & Lift Station Right-of-Way Services	C-6	15,000		15,000
	■ Water Reclamation Facility Electricity Charges	C-8	200,000	206,000	406,000
			226,800	217,800	444,600
Whale Rock Fund	■ Whale Rock Dam State Fee Increases	C-10	15,300	15,300	30,600
	Total Operating Programs		247,100	233,100	480,200

		Page No.	2003-04	2004-05	Total
CAPITAL IMPROVEMENT PLAN					
Capital Outlay	■ Bob Jones City-to-Sea Bike Trail: Phase 1	C-12	60,000	640,000	700,000
Fund Grants					
	Total CIP Projects		60,000	640,000	700,000

TOTAL		\$ 307,100	\$ 873,100	\$ 1,180,200
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PUBLIC UTILITIES

WATER DISTRIBUTION OVERTIME

Request Summary

Responding to three major night water incidents in the first six months of fiscal year 2003-04 has resulted in the need to add an additional \$5,000 to the Water Distribution overtime budget to provide adequate funding for the remainder of the year. Overtime was trimmed very closely as part of the budget balancing strategy, with the hope that this would be adequate for routine operations. These three incidents were of a magnitude and duration that were beyond the scope of routine operations.

Key Objectives

1. Ensure uninterrupted flow of safe and reliable water for the community.
2. Ensure adequate funding to pay staff when emergencies occur outside of regular working hours.

Factors Driving the Request for Change

1. The first incident, in July 2003, occurred as a result of the water line improvement project at Broad Street.
2. The second, occurred September 2, 2003, when a vehicle sheared a fire hydrant, and in the ensuing effort to secure the hydrant, a surge in pressure caused five water main failures in various locations in the downtown area.
3. The third incident, in January 2004, involved an emergency repair due to a mechanical joint failure in the transmission line in California that supplies the entire south end of the City.

Alternatives

Defer any action to the end of the year in case any other salary savings are available. Budgets were trimmed very closely, so any extraordinary circumstances causes line items to become deficit. Staff does not recommend deferral of this action as the overtime accounts are at six months already nearly fully spent, and there may be other incidents in the remaining few months requiring unanticipated response.

Operating Program

Water Distribution

PUBLIC UTILITIES

WATER DISTRIBUTION OVERTIME

Cost Summary

Adding \$5,000 to this budget account will bring the total regular overtime budget for Water Distribution in 2003-04 to \$15,000.

Line Item Description	Account No.	2003-04	2004-05
Staffing		5,000	0
Salaries: Overtime	500.55160.7020	5,000	
Total Operating Costs		5,000	0

PUBLIC UTILITIES

WATER RECLAMATION FACILITY NPDES PERMIT FEES

Request Summary

Maintaining the City's Water Reclamation Facility operating permit (known as the "NPDES" or National Pollutant Discharge Elimination System permit) with the State of California will cost an additional \$11,832 in 2003-04 and 2004-05. Previously the fee was \$6,500, but the State has notified the City of the new total permit fee amount, which is \$18,382.

Key Objectives

1. Ensure adequate funding to cover increases in permit fees to the Regional Water Quality Control Board for the Water Reclamation Facility NPDES permit.
2. Maintain our current NPDES permit in good standing.

Factors Driving the Request for Change

1. After approval of our 2003-05 Financial Plan and 2003-04 budget, the State Water Quality Control Board increased annual fees for the Water Reclamation Facility discharge permit.
2. The NPDES fees are mandatory and must be addressed in order to remain in good standing with the State Water Quality Control Board.

Alternatives

There are no reasonable alternatives.

Implementation

Payment of this fee is due annually in the early fall.

Operating Program

Water Reclamation Facility

PUBLIC UTILITIES

WATER RECLAMATION FACILITY NPDES PERMIT FEES

Cost Summary

The 2003-05 Financial Plan projected \$6,500 in 2003-04 and 2004-05 for this fee, but it has been increased to \$18,382.

Line Item Description	Account No.	2003-04	2004-05
Contract Services			
Taxes and Licenses	520.55330.7301	11,800	11,800
Total Operating Costs		11,800	11,800

PUBLIC UTILITIES

TANK FARM GRAVITY SEWER AND LIFT STATION RIGHT OF WAY SERVICES

Request Summary

Contracting for a right of way agent to negotiate easements for the Tank Farm gravity sewer and lift station will cost \$15,000 in 2003-04.

Key Objectives

1. Acquire easements and right of ways for the Tank Farm gravity sewer, lift station and forcemain.
2. Ensure the most economical site and alignment for the lift station and sewer force main.

Factors Driving the Request for Change

1. Tank Farm gravity sewer, lift station and force main is in preliminary design and easements now need to be acquired.
2. The preferred and most economical site and routing of the lift station and force main will require easements.
3. Failure to acquire these easements may result in significant additional costs to the project.
4. Tank Farm gravity sewer and lift station and its proposed placement and alignment are essential to providing service to exiting customers and new development within the City's Urban Reserve Line.

Alternatives

1. *Continue the status quo.* The Tank Farm project will require easements for placement of the lift station and force main. If easements are not acquired than this project may be delayed, require redesign and be significantly more expensive.
2. *Implement it in a different way.* City staff could negotiate with property owners for the easements and right of ways. This is not recommended because City staff do not possess the expertise for this type of acquisition and it will require significant additional staff resources.

Implementation

Task	Date
Title search of properties	February 2004
Begin negotiations with property owners	February 2004
Finalize negotiations and property easement offers	March 2004

PUBLIC UTILITIES

TANK FARM GRAVITY SEWER AND LIFT STATION RIGHT OF WAY SERVICES

Operating Program

Wastewater Administration

Cost Summary

Contract services for negotiating the required easements will cost \$15,000 for the 2003-04 budget of the 2003-05 Financial Plan.

Line Item Description	Account No.	2003-04	2004-05
Contract Services			0
Contract Services	520.55300.7227	15,000	
Total Operating Costs		15,000	

PUBLIC UTILITIES

WATER RECLAMATION FACILITY ELECTRICITY CHARGES

Request Summary

Increasing the budget for electricity will allow the Water Reclamation Facility to continue to meet all of its operational and regulatory requirements for wastewater treatment and reuse or discharge to San Luis Creek. In 03-04, an additional \$200,000 is requested; in 04-05, an additional \$206,000 is requested.

Key Objectives

1. Meet the operational and discharge requirements outlined in the City's National Pollutant Discharge Elimination System Permit.
2. Protect the habitat of San Luis Creek.
3. Ensure high quality effluent for reuse.

Factors Driving the Request for Change

1. At the time the 03-05 Financial Plan was developed, 25% savings over year one and 50% savings over year two was assumed for the electrical budget due to the changes resulting from the Kinetics energy savings capital projects. As the projects have been delayed, the savings have not yet been realized. The requested amounts reflect no savings in year one and 25% savings in year two.
2. A new electrical meter was installed in late summer. Even when operations are routine, electrical use is up by as much as 30%, due to the more accurate reads. Staff is continuing to evaluate with Pacific Gas and Electric the increase due to the meter change.

Alternatives

Use other budget savings. The sewer fund operating budgets have been trimmed so carefully that any emergency or unanticipated expenditure is difficult to absorb. Funding in the amount requested is not available anywhere in the sewer activities.

Operating Program

Water Reclamation Facility

PUBLIC UTILITIES

WATER RECLAMATION FACILITY ELECTRICITY CHARGES

Cost Summary

Currently, the electrical budget for the Water Reclamation Facility is \$413,500 in 2003-04 and \$290,500 in 2004-05. At mid-way through 03-04, the electrical budget is 72% expended (almost \$300,000 spent to date). This request would approve an additional \$200,000 for 03-04 and \$206,00 for 04-05 (a 25% savings from the projected total expense in 04-05).

Line Item Description	Account No.	2003-04	2004-05
Other Operating Expenditures			
Electric Utility Service	520.55330.7605	200,000	206,000
Total Operating Costs		200,000	206,000

PUBLIC UTILITIES

WHALE ROCK DAM STATE FEE INCREASES

Request Summary

As part of its strategy to meet the current budget deficit, State of California's Department of Water Resources has increased annual fees to dam owners. For Whale Rock Dam, these fees have increased from \$4,424 to \$19,760 annually, so an additional \$15,300 is needed in contract services in both 2003-04 and 2004-05 to meet these requirements.

Key Objectives

Comply with revised State of California Department of Water Resources fee schedule.

Factors Driving the Request for Change

In October 2003, Governor Davis signed SB 1049, shifting funding of the Division of Safety of Dams from the General Fund to dam owners. This new legislation was not anticipated during the 2003-05 budget process, and the Reservoir Operation budget for contract services is not sufficient to meet this new obligation.

Alternatives

Defer the request. Deferral of the request is not recommended as it is necessary to remain in compliance with the State Department of Water Resources fee schedule.

Implementation

These new fees are due to the State on January 31, 2004, and on July 1 each year thereafter.

Operating Program

This fee increase falls within the Whale Rock Reservoir operations.

PUBLIC UTILITIES

WHALE ROCK DAM STATE FEE INCREASES

Cost Summary

As indicated by the following summary, this fee increase will cost an additional \$15,300 in fiscal years 2003-04 and 2004-05. Since this program is funded through the Whale Rock Fund, each member agency will be sharing proportionately in the increased cost.

Line Item Description	Account No.	2003-04	2004-05
Contract Services		15,300	15,300
Dam operating fees- State of California	640.55500.7227	15,300	15,300
Total Operating Costs		15,300	15,300

TRANSPORTATION

BOB JONES CITY-TO-SEA BIKE TRAIL: PHASE 1

CIP Project Summary

Constructing part of Phase 1 of the Bob Jones City-to-Sea Bike Trail along San Luis Obispo Creek between Prado Road and Los Osos Valley Road will cost \$60,000 for environmental review, design and limited construction in 2003-04, and \$640,000 for construction in 2004-05. This will be funded solely from grant sources.

Project Objectives

1. Provide a Class I bikeway along selected creek corridors in the City.
2. Build the part of the first link of a Class I bikeway along San Luis Obispo Creek from Prado Road to Los Osos Valley Road (LOVR).
3. Complement County government efforts to establish a bike and pedestrian path between the City and Avila Beach along San Luis Obispo Creek.

Existing Situation

In 2000, RRM Design Group completed a preliminary alignment study for various segments of the Bob Jones City-to-Sea Bike Trail within the City. That study was refined during 2001 and on November 19, 2002, the Council adopted a preliminary alignment plan for the path and certified a Mitigated Negative Declaration for its environmental impacts. The proposed route between Prado Road and LOVR would cross land largely controlled by the City, would partially use the alignment of the existing service road that borders the creek, then diagonally connect with an alignment paralleling Highway 101, bridge Prefumo Creek and finally link with the LOVR interchange's eastern signalized intersection.

Phase 1 improvements include:

1. Class I bicycle and pedestrian path as described above.
2. Clear-span bridge over Prefumo Creek at the south end of the path.
3. Modification of the traffic signal at the eastern ramps of the LOVR/Highway 101 interchange.

Subsequent to the Council approval of the alignment plan, the City has been successful in obtaining two grants for use on this section of the Trail facility: a \$500,000 Federal grant obtained through special legislation sponsored by Lois Capps; and \$200,000 in mitigation money received by the City as part of the Avilla Beach mitigation fund. The Federal grant requires a minimum 20% local match to access the funds.

Finally, in late 2003, the City accepted easement of part of the Trail property located on the northern section of the Trail near Prado Road. This property (known as the Kuden property) may allow improved access for the Trail in order to span San Luis Obispo Creek away from Prado Road.

TRANSPORTATION

BOB JONES CITY-TO-SEA BIKE TRAIL: PHASE 1

Goal and Policy Links

1. 1994 General Plan Circulation Element
2. 1993 Bicycle Transportation Plan
3. Recommendation of the Bicycle Advisory Committee to build this path segment as the fourth priority bikeway project (out of eight)
4. 1999-01 Financial Plan, pages E-10 and E-33
5. 2001-03 Financial Plan, pages E-9 and E-33
6. Bob Jones City to Sea Bike Trail Preliminary Alignment Plan (adopted November 19, 2002)

Project Work Completed

The preliminary alignment plan referenced above establishes the preferred alignment for the project. The Utilities Department is completing rough grading associated with improvements to the wastewater treatment plant. These improvements will provide fill material along part of the trail's alignment that will facilitate its construction.

The Natural Resources Manager has been working with the California Conservation Corps to potentially utilize their services for in-kind work during the summer of 2004 to construct some of the Trail appurtenances.

Environmental Review

A Mitigated Negative Declaration for the adoption of the Bob Jones City-to-Sea Bike Trail Preliminary Alignment Plan was approved by the Council on November 19, 2002. Additional environmental review may be necessary as design of the Trail is refined at key locations such as the spanning of San Luis Obispo Creek near Prado Road and LOVR. *Because of the use of Federal grant monies, a NEPA document may need to be prepared for the project.*

Other Special Review Considerations

The scheduling of this project must be coordinated with the efforts to design and construct modifications to the LOVR interchange at Highway 101. Consultants hired by the City to prepare the "Project Study Report" for the interchange have shown how the Trail can be incorporated into the final interchange design. However, until the final design is established, construction of the path at LOVR should be accomplished in a manner that is interim in nature – hence the implementation schedule shown below. Final incorporation of this portion of the project will need to be incorporated into the LOVR Interchange project if a "preferred" LOVR Interchange design has not been established by the time that the Bob Jones Trail Phase "1a" is constructed.

Phase 1a of the Trail will construct as much of the facility as can be accomplished within the two grant source amounts. Additional monies will be necessary to complete the remaining elements of the Phase 1 area of the Trail, as well as other phases north of this location. These expenditures (for the Phase 1 area) are shown in 2005-06, but in likelihood will only be expended as additional grant sources are acquired.

TRANSPORTATION

BOB JONES CITY-TO-SEA BIKE TRAIL: PHASE 1

Project Phasing and Funding Sources

Project Costs by Type

	<i>Project Costs</i>					
	To-Date	2003-04	2004-05	2005-06	2006-07	Total
Study	102,100					102,100
Environmental Review		10,000				10,000
Design		30,000	40,000			70,000
Construction (1)		20,000	600,000	1,320,000		1,940,000
Construction Management						
Total	102,100	60,000	640,000	1,320,000		2,122,100

1. Part of the cost might be shared with the Sewer Fund if the bike path alignment is used as the primary service road to new facilities at the south end of the Water Reclamation Facility.

Project Funding by Source

	<i>Project Funding Sources</i>					
	To-Date	2003-04	2004-05	2005-06	2006-07	Total
General Fund	102,100					102,100
Avila Mitigation Grant		60,000	140,000			200,000
Federal Grant - Capps			500,000			500,000
Grants, Other Sources				1,320,000		1,320,000
Total	102,100	60,000	640,000	1,320,000		2,122,100

Department Coordinator and Project Review/Support

Department Coordinator: Tim Bochum, Deputy Director of Public Works

Project Review and Support: Project Management: Timothy Bochum, Deputy Director of Public Works
 Construction Management: Richard Fisher, Construction Management Supervisor
 Ron Whisenand: Deputy Director of Community Development
 Project Design: Dan VanBeveren, Associate Engineer

TRANSPORTATION

BOB JONES CITY-TO-SEA BIKE TRAIL: PHASE 1

Alternatives

This segment of the trail will only be functional if it provides a connection between Prado Road and LOVR. Therefore, there are no smaller scale alternatives. Costs may be spread over several years. However, modifications to the interchange at the south end of the project must include features that accommodate the bike path.

Operating Program

Transportation Planning and Engineering

Project Effect on the Operating Budget

Project Support

Transportation Planning and Engineering Program: 200 hours

CIP Project Engineering Design: 600 hours

CIP Project Inspection: 650 hours

Public Works Administration: 40 hours

Community Development Department: 8 hours for Plan consistency review

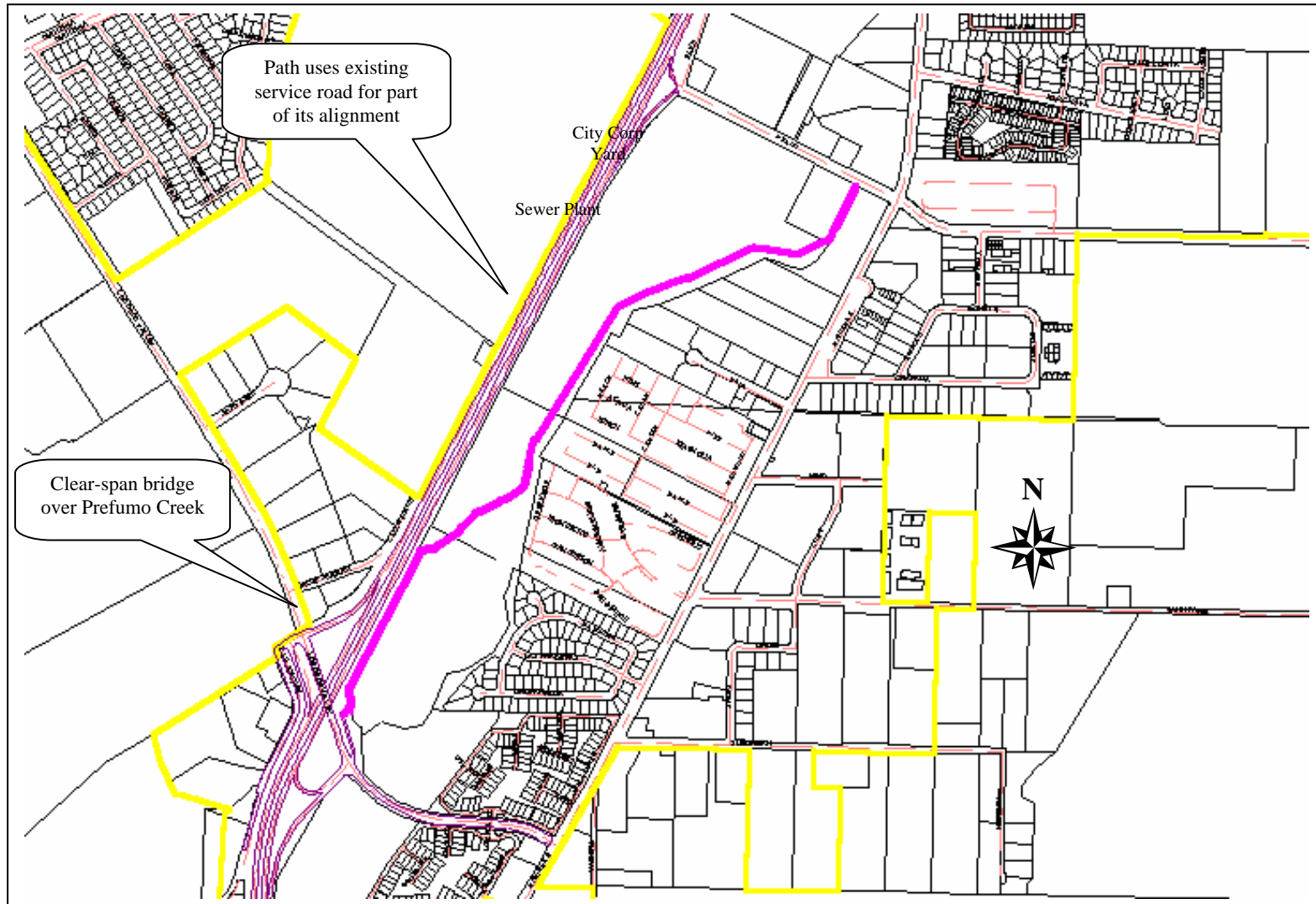
Ongoing Operating Costs

After completion, there will be additional costs for maintaining the bikeway.

TRANSPORTATION

BOB JONES CITY-TO-SEA BIKE TRAIL: PHASE 1

Location Map/Schematic Design



Section D

RECENT FINANCIAL AND REVENUE REPORTS

Quarterly Financial Report

Second Quarter of 2003-04

January 20, 2004

OVERVIEW

This report summarizes the City's overall financial position for the fiscal year through December 2003. Except as noted below, revenues and operating expenditures are generally on target based on past trends for the second quarter.

Consistent with November 2003 Status Report. We presented the Council with a comprehensive report on the City's financial status on November 4, 2003. Year-to-date results through the mid-point of the year reflect the downward revenue trends presented in that report.

Biggest Threat: More State Takeaways. However, as discussed at the recent "State of the City" presentations, even with a tougher revenue outlook, the continuing threat of more State takeaways—such as those proposed in the Governor's budget—is the greatest fiscal challenge facing the City.

Mid-Year Review. The City's overall revenue and expenditure picture will be discussed in greater detail during the Mid-Year Budget Review scheduled for Council consideration on February 17, 2004.

GENERAL FUND

General Fund Financial Condition. With 50% of the year complete, General Fund revenues are at 52% of projections and expenditures are at 49%:

General Fund Balance	Budget	YTD Actual	Percent
Revenues	37,552,500	19,472,100	52%
Expenditures	34,382,900	16,728,300	49%
Other Sources (Uses)	(4,892,400)	(2,442,700)	50%
Balance, Start of Year	10,069,400	10,069,400	-
Balance, Year-to-Date	8,346,600	10,370,500	-

Top Ten Revenues. Our top ten revenues account for about 95% of total General Fund revenues. By focusing on these, we can get an excellent understanding of our revenue position. Many of these key revenues are performing as projected based on payment schedules and past trends for the second quarter. On the other hand, some are significantly less than projected as discussed below.

Top Ten Revenues	Budget	YTD Actual	% Received
Sales Tax	10,964,300	5,508,600	50%
Property Tax	5,947,300	3,692,800	62%
Transient occupancy Tax	4,178,800	2,147,800	51%
Utility Users Tax	3,820,500	1,707,200	45%
Vehicle In-lieu (VLF)	2,704,900	588,900	22%
Business Tax	1,443,100	1,446,000	100%
Franchise Fees	1,830,800	1,081,500	59%
Development Review Fees	2,975,600	1,042,500	35%
Recreation Fees	1,094,800	439,700	40%
Interest on Investments	400,000	115,600	29%
Total	35,360,100	17,770,600	50%

- **Sales Tax and TOT.** As noted in the November 2003 status report, actual results for 2002-03 for these "top" revenues were less

projected. While not directly reflected in the above year-to-date trends due to seasonal variations, this trend is continuing into 2003-04. For example, we initially projected that TOT revenues would grow by 5% this year; however, compared with the same time last year, they are essentially flat.

- **VLF.** This reflects the “gap” between when the VLF rate-rollback and related “backfill” were rescinded in June 2003, and when the new higher rates went into affect in October. It also reflects lower collections by the State. Based on updated information from the League, we will update the VLF estimate as part of the mid-year budget review.
- **Business Tax.** The renewal cycle for business tax occurs during the first quarter of the fiscal year.
- **Development Review Fees.** The fee increases approved by the Council did not go into effect until September 1, 2003. Nonetheless, we need to closely monitor this revenue source.
- **Interest Earnings.** This reflects a continued decline in interest yields and investable balances. It is likely that we will be reducing our estimate downward at the mid-year budget review.

Expenditures. Operating costs are right on target for the first quarter of the year as summarized below:

Expenditures By Type	Budget	YTD Actual	% Expended
Staffing	28,594,800	14,389,200	50%
Contract Services	4,171,300	1,384,100	33%
Telecomm & Utilities	1,290,800	573,700	44%
Insurance	903,000	879,000	97%
Other operating costs	2,506,200	1,039,300	41%
Minor Capital	145,300	54,500	38%
Total by Type	37,611,400	18,319,800	49%
Reimbursed Expenditures	(3,228,500)	(1,591,500)	49%
Total	34,382,900	16,728,300	49%

The only key variance “by type” is insurance. This reflects the City’s annual premium for liability and property insurance, which is due in full in August of each year.

By Department. Departmental operating expenditures are also on target as summarized by the following:

Expenditures	Budget	YTD Actual	% Expended
Administration	1,781,100	715,000	40%
City Attorney	412,300	200,700	49%
City Clerk	497,600	200,400	40%
Human Resources	1,869,700	1,291,300	69%
Finance & IT	2,973,800	1,370,000	46%
Community Development	2,542,800	960,700	38%
Parks & Recreation	2,825,200	1,414,000	50%
Public Works	8,178,800	3,656,100	45%
Police	9,602,000	4,667,500	49%
Fire	6,928,100	3,844,100	55%
Total Departmental	37,611,400	18,319,800	49%
Reimbursed Expenditures	(3,228,500)	(1,591,500)	49%
Total Expenditures	34,382,900	16,728,300	49%

Key variances *by department* include:

- **Human Resources.** As noted above, this reflects the City’s annual insurance premiums.

ENTERPRISE FUNDS

The following summarizes year-to-date revenues, expenditures and changes in working capital for the enterprise funds. In general, revenues and expenditures are consistent with past trends.

Water Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	13,441,900	5,391,400	40%
Expenditures			
Operating programs	5,970,800	2,876,600	48%
CIP projects	23,153,800	3,488,000	15%
Debt service	1,108,300	547,100	49%
Other Sources (Uses)	12,363,400	(10,400)	0%
Balance, Start of Year	12,408,500	12,408,500	-
Balance, Year-to-Date	7,980,900	10,877,800	-

Sewer Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	8,626,500	4,055,100	47%
Expenditures			
Operating programs	5,355,500	2,459,000	46%
CIP projects	5,531,000	925,900	17%
Debt service	2,418,600	2,184,100	90%
Other Sources (Uses)	1,901,800	10,400	1%
Balance, Start of Year	4,798,000	4,798,000	-
Balance, Year-to-Date	2,021,200	3,294,500	-

Parking Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	5,282,200	3,171,100	60%
Expenditures			
Operating programs	1,533,300	741,800	48%
CIP projects	12,400,400	1,823,700	15%
Debt service	1,054,700	171,000	16%
Other Sources (Uses)	8,666,500		0%
Balance, Start of Year	5,246,500	5,246,500	-
Balance, Year-to-Date	4,206,800	5,681,100	-

Transit Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	4,110,400	438,100	11%
Expenditures			
Operating programs	2,067,200	809,700	39%
CIP projects	1,951,100	71,800	4%
Other Sources (Uses)			
Balance, Start of Year	401,300	401,300	-
Balance, Year-to-Date	493,400	(42,100)	-

Golf Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	295,300	145,100	49%
Expenditures			
Operating programs	515,700	252,200	49%
CIP projects	81,900	1,500	2%
Other Sources (Uses)	232,400	119,100	51%
Balance, Start of Year	69,900	69,900	-
Balance, Year-to-Date	-	80,400	-

Whale Rock Commission

Working Capital	Budget	YTD Actual	Percent
Revenues	1,034,600	482,100	47%
Expenditures			
Operating programs	759,900	301,100	40%
CIP projects	762,200	108,100	14%
Other Sources (Uses)	(2,200)		0%
Balance, Start of Year	639,200	639,200	-
Balance, Year-to-Date	149,500	712,100	-

For More Information. This summary is based on detailed information produced by the City’s financial management system. If you would like additional information, or have any questions about the report, please call the Finance Division at 781-7127.

Sales Tax Newsletter

Third Quarter of Calendar Year 2003

February 4, 2003

OVERVIEW

For the Quarter. This newsletter covers the City's sales tax revenues received in December of 2003 for sales occurring from July through September 2003. After adjusting for apportionment errors and late payments, "point-of-sale" revenues were up by 3.5% compared with the same quarter last year.

Sales Tax Receipts Summary

Sales Tax Receipts	2nd Qtr 03	2nd Qtr 02	% Change
Reported Point-of-Sale	2,624,590	2,508,841	4.6%
Net Adjustments	(91,082)	(61,755)	
Adjusted Point-of Sale	2,533,508	2,447,086	3.5%
Pool Receipts	240,874	266,904	-9.8%
Total	2,774,382	2,713,990	2.2%

The following summarizes "point-of-sale" revenues by major business group, *after adjusting* for late payments, apportionment errors last year and other adjustments identified by our sales tax advisor:

Adjusted Sales Tax Receipts By Type

Point-of-Sale Receipts	3rd Qtr 03	3rd Qtr 02	% Change
Gen Consumer Goods	672,181	691,978	-2.9%
Autos & Transportation	744,889	740,478	0.6%
Business & Industry	192,911	211,585	-8.8%
Restaurants & Hotels	260,657	258,179	1.0%
Building & Construction	285,621	194,485	46.9%
Food & Drugs	177,704	176,230	0.8%
Fuel & Service Stations	199,545	174,151	14.6%
Total	2,533,508	2,447,086	3.5%

Continuing Trends. The adjusted data for this quarter shows the positive impact of the opening of Home Depot. With the exception of fuel sales (which reflect an increase in pump prices), all other key categories were flat or down slightly.

For the Year. At 3.5%, growth from "point-of-sale" revenues is generally consistent with budget estimates. Based on results for the first two quarters of the fiscal year, our sales tax advisor (Hinderliter de Llamas) believes we are on track to meet our sales tax projection for 2003-04 of \$10.9 million. Of course, the key variable is sales tax results for the fourth quarter, which is the most important quarter of the year. We will not know how the "Christmas Quarter" performed until April 2004 at the soonest.

NEWSLETTER CONTENTS

This newsletter includes a summary prepared by the City's sales tax advisor highlighting key trends and sales tax issues. It also includes the following charts and graphs about the City's sales tax base:

- Major business groups: last 5 quarters
- Top 25 sales tax producers (listed alphabetically for this quarter)
- Top 20 business categories: this quarter compared with last year
- Sales per capita: City compared with the County and State, last 13 quarters
- Major business groups: last 13 quarters
- Sales per capita: City compared with 5 other agencies in the region, last 13 quarters
- Sales tax revenues by geographic area: this quarter compared with last year

A listing of individuals and organizations that routinely receive this newsletter is provided at the end of the report.

MORE INFORMATION AVAILABLE

The information provided in this newsletter is based on a detailed database available to the City through our sales tax advisor. If you require additional information about the City's retail base, or have any questions about this newsletter, please contact Bill Statler, Director of Finance & Information Technology, at (805) 781-7125.

Monthly TOT Report

December 2003

February 5, 2003

This report covers the City's transient occupancy tax (TOT) revenues for July through December 2003 compared with the two prior years. As reflected below, revenues for December are up by 2.6% from last year, and are up 0.5% year-to-date.

What's This Mean? The increase in TOT revenues in December is clearly positive news. However, year-to-date totals are still not on track with the revised projection of 3% (on a lower starting position based on actual prior year results) in the First Quarter Financial Status Report presented to the Council in November 2003. This report reduced the 2003-04 revenue projection from \$4.2 to \$4.0 million.

Revised Projections. Based on these year-to-date results, we will again be lowering our TOT projections for 2003-05 in the Mid-Year Budget Review:

- **2003-04:** Instead of 3% growth, we are projecting flat revenues.
- **2004-05:** Instead of 5% growth, we are projecting 3%.

Where to From Here? As noted above, we will be revising our projections downward in the Mid-Year Budget Review, which will be presented to the Council on February 17, 2004. We will continue to monitor TOT trends closely, and will take another close look at our projections when we present the 2004-05 Financial Plan Supplement to the Council in June 2004.

For More Information. Please call Jodi Polk, Customer Services Supervisor, at (805) 781-7129.

DISTRIBUTION: City Council, Department Heads, Department Fiscal Officers, Budget Review Team, Economic Development Manager, Promotional Coordinating Committee, Visitors & Conference Bureau, SLO Chamber of Commerce, Barnett Cox & Associates, The Tribune (Leslie Stevens), UCSB Forecast Project

Year-to-Date TOT Revenues					
	Prior Year 2001-02	Last Year 2002-03	This Year 2003-04	Increase (Decrease) Last Year Vs This Year	
				Amount	Percent
July	\$ 417,233	\$ 441,914	\$ 451,822	\$ 9,908	2.2%
August	462,428	490,001	486,415	(3,586)	-0.7%
September	323,271	313,424	306,109	(7,315)	-2.3%
October	287,150	313,400	316,821	3,421	1.1%
November	273,450	272,428	274,442	2,014	0.7%
December	232,954	231,857	237,872	6,016	2.6%
Year-to-Date Total	1,996,486	2,063,024	2,073,481	10,457	0.5%
January	207,410	201,736			
February	239,883	279,214			
March	293,061	276,196			
April	319,791	314,405			
May	339,584	324,071			
June	394,047	382,131			
TOTAL	3,790,262	3,840,777	2,073,481		

Section E

STATUS OF GOALS AND OBJECTIVES

STATUS OF GOALS AND OBJECTIVES

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As of February 2004

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INTRODUCTION

OVERVIEW

This report details the status of major City goals and other objectives set by the Council as part of the 2003-05 Financial Plan as of February 2004. In general, we are on-track in accomplishing these objectives based on the work programs adopted by the Council.

Report Card. The following is a quick “report card” on the status of major City goals and other Council objectives based on the “action plans” approved by the

Important Note

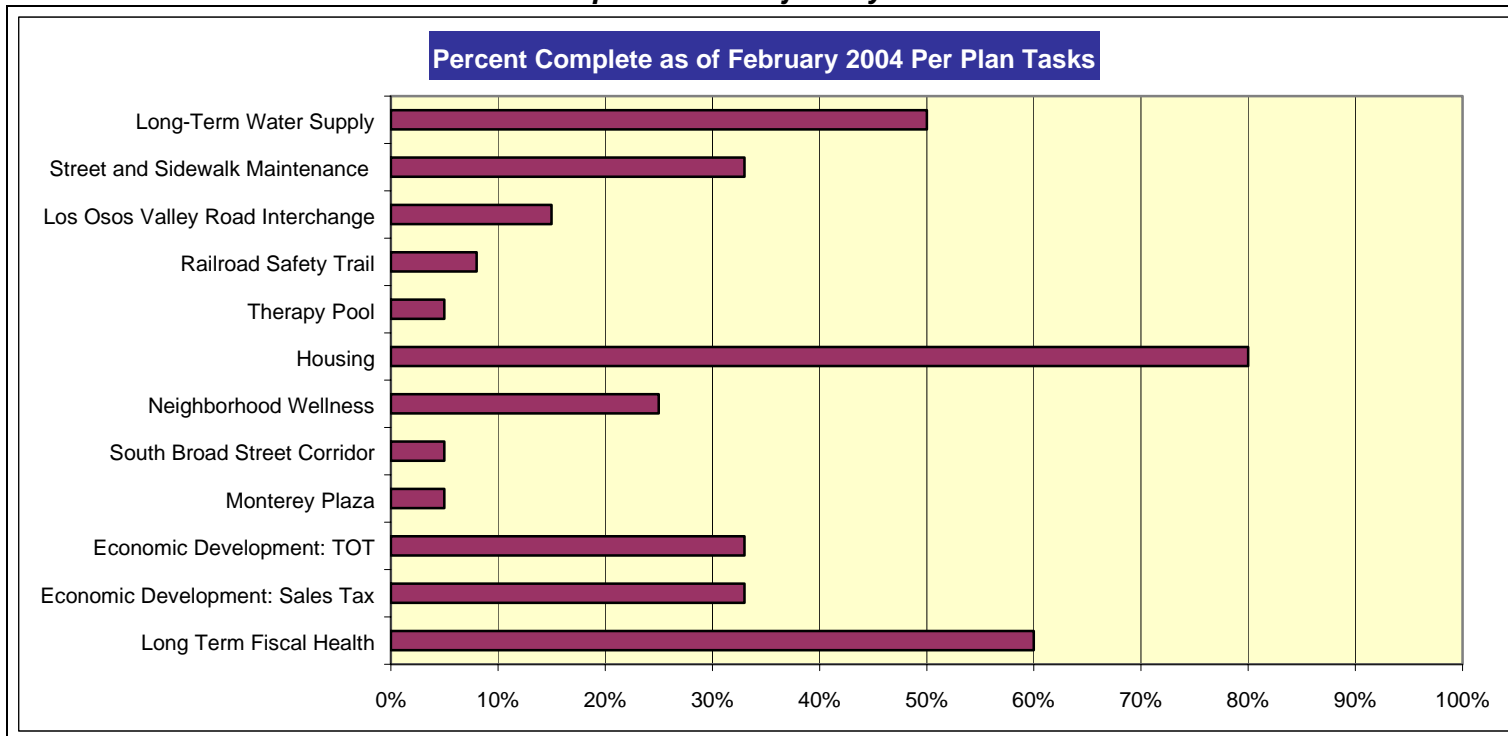
Many of these are multi-year goals that have activities associated with them that go beyond the two-year 2003-05 time frame.

Council as part of the 2003-05 Financial Plan. *As a benchmark, at February 2004 we are about 33% through the two-year Financial Plan period. One-half of the goals are at or exceed this level.*

Organization. The “report card” is followed by a “high level” summary of any notable changes from the original action plan. Following this is a more detailed report on each goal and objective.

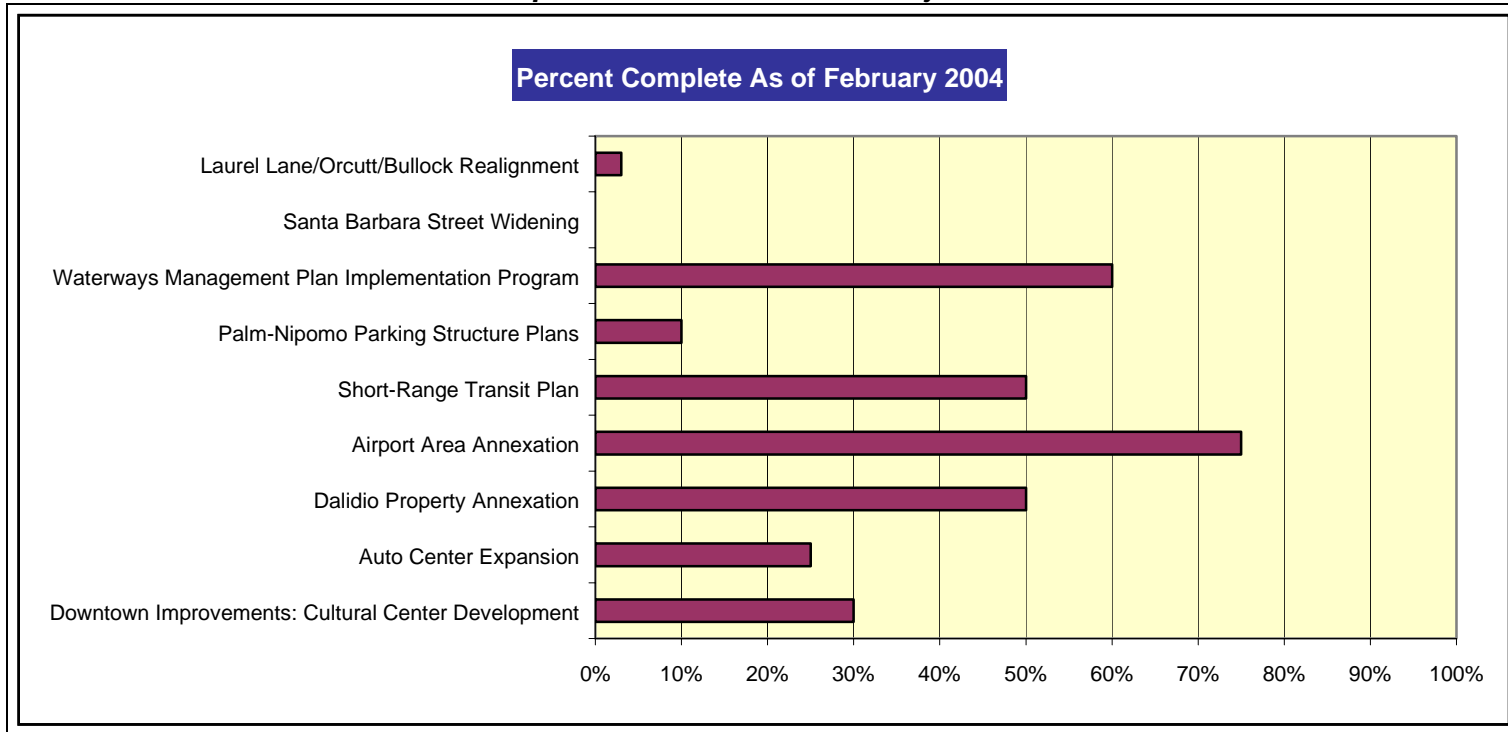
For major City goals, the report shows the objective, action plan as adopted by the Council, revised action plan (if applicable) and brief status summary as of February 2004. Shorter reports are provided for “other Council objectives,” and a summary chart is provided on the status of major Capital Improvement Plan (CIP) projects.

Report Card: Major City Goals



INTRODUCTION

Report Card: Other Council Objectives



ACTION PLAN CHANGES

As noted above, in general we are on-track in accomplishing these objectives based on the work programs adopted by the Council. However, notable changes from the original action plans include the following.

Major City Goals

Streets and Sidewalks. Other project commitments prevented staff from addressing the sidewalk repair permit guidelines. Staff has now been assigned this task and completion is expected by March 2004.

Los Osos Valley Road Interchange. The Request for Proposal for the EIR, EIS and Project Report has been delayed slightly due to the lack of a traffic engineer. The addition of a detailed Initial Study to the Action Plan pushes completion of the remaining Action Plan tasks into late 2004 and early 2005.

Railroad Safety Trail. This objective has been delayed by Union Pacific Railroad, but staff is hopeful to receive support from UPRR by March 2004.

Therapy Pool. The swim club is investigating ways of acquiring additional funds to expand the size of the pool and the City has extended their time frame until May 2004.

INTRODUCTION

Housing. Progress on the Housing Element has progressed on schedule, but due to the extensive review process, will not be complete until March 2004.

Neighborhood Wellness. The cost recovery program for code enforcement has been delayed until March 2004 for internal review, revisions and approval.

South Broad Street Corridor Plan. Elements of the Action Plan have been pushed back one to two months until the Housing Element update is approved.

Downtown Improvements: Monterey Plaza. A delay has occurred with this project due to the consultant misplacing the plan set provided by the City. The project is now moving forward to advisory bodies by the end of February 2004.

Economic Development: Transient Occupancy Tax. The assessment of local lodging industry conditions is nearly three-quarters complete. The establishment of a tourism task force has been postponed until March 2004 due to higher priorities such as the Copeland and San Luis Marketplace projects. This, in turn, has delayed the task force action plan.

Economic Development: Sales Tax. Development of the “Shop Locally” program has been postponed due to staff focus on the Copeland and San Luis Marketplace projects. Exploration of potential annexation of the McBride and Gap properties will follow annexation of the Dalidio property, which staff is currently pursuing.

Other Council Objectives: 2003-05

Laurel Lane/Orcutt/Bullock Realignment. Union Pacific Railroad has postponed installation of the new railroad crossing protection for one year due to funding shortfalls.

Santa Barbara Street Widening. Other priorities and staff shortages have precluded work from starting on this project.

Palm-Nipomo Parking Structure Plans. A consultant team was selected in January 2004 to begin work on conceptual garage designs.

Auto Center Expansion. Conversations with the property owners continue.

Other Council Objectives: 2001-03

Downtown Zone Expansion. Originally adopted in 2001-03 as an “Other Council Objective,” the Downtown Zone Expansion was discussed by the Council in June 2003 as part of the Commercial Zoning Regulations and deferred until such time as parking impacts could be addressed. At that time, staff indicated that additional parking to meet the needs of the expanded Downtown Commercial Zone might become available with construction of the North Area Regional Facility (NARF). However, on August 28, 2003, the Council deferred the NARF project, thus eliminating this added parking potential to facilitate the downtown expansion. This is not a minor consideration: as discussed with the Council at that time, expanding the Downtown Commercial Zone, with its off-site parking option via in-lieu fees, could create a gap of up to 720 parking spaces. In light of this decision, staff recommends an indefinite deferral of the expansion until future parking garage sites are selected and/or parking reduction strategies are implemented in the area.

NEXT REPORT

We will present the next “formal report” to the Council as part of the Financial Plan Supplement for the 2004-05 Budget on June 15, 2004. In the interim, we will keep the Council up-to-date on the status of major projects through agenda reports, Council Notes and other briefing opportunities.

STATUS OF MAJOR CITY GOALS

LONG-TERM WATER SUPPLY

Objective. Continue aggressive efforts to develop permanent, reliable water supplies to meet City General Plan needs, including all options consistent with Council policy.

Action Plan

Task	Original	Revised
Water Reuse		
1. Complete design of required user site modifications.	12/03	2/04
2. Complete Water Reuse Master Plan defining the logical expansion of the water reuse system and include funding for associated CIP in the 2005-07 Financial Plan.	11/04	
3. Complete construction of the water reuse project backbone pipeline system, Water Reclamation Facility improvements and user site modifications.	12/04	
Ground Water Development		
4. Issue RFP for groundwater development and treatment system feasibility analysis.	12/03	Complete
5. Select engineer and begin design.	3/04	Complete
6. Complete design, invite bids for construction and award contract. (Construction is scheduled for completion by June 2006).	6/05	
Conservation		
7. Develop program elements and required informational and programmatic resources.	12/03	Complete
8. Develop monitoring and evaluation program.	3/04	
9. Fully implement landscape and non-residential program.	4/04	
10. Present program evaluation report to Council.	6/05	
Nacimiento Pipeline		
11. Present project reservation agreements and full project information to Council for consideration.	1/04	3/04
Salinas Reservoir Expansion		
12. Review options and issues with Council for consideration of possible project.	6/04	

Status Summary: 50% Complete. Progress on completion of the above action plan for continuing our progress toward achieving a dependable long term water supply, is proceeding on or ahead of schedule. The construction of the water reuse project is proceeding ahead of schedule and interest in the project is growing.

STATUS OF MAJOR CITY GOALS

LONG-TERM WATER SUPPLY

The draft analysis and report on reuse user site modifications has been completed and is currently under review by staff. The final report is anticipated to be complete by February 2004. Increased conservation efforts are being developed and will be ready for implementation in spring 2004 consistent with our schedule. Progress on the Nacimiento Pipeline project has made far greater progress than originally anticipated and appears to have a growing base of support among the participants. Agreements *were* presented to Council on January 13, 2004. Staff will be seeking direction from Council regarding the City's possible participation in the project in March 2004. If the decision is to participate, then we may anticipate execution of the final participation agreements as early as June 2004.

STATUS OF MAJOR CITY GOALS

STREET AND SIDEWALK MAINTENANCE

Objective. Continue maintenance of streets and sidewalks at a moderate level.

Action Plan

Task	Original	Revised
1. Continue the program of monitoring the condition of existing sidewalks.	Ongoing	
2. Continue to repair damaged sidewalks, curbs and gutters using City staff.	Ongoing	
3. Continue implementation of the 1998 PMP for Areas 7 and 8.	Ongoing	
4. Pursue State grant funding for pavement projects.	Ongoing	
5. Continue to retrofit existing curbs for disabled access using CDBG funds.	Annually in Fall	
6. Continue contracts of \$60,000 per year to repair damaged sidewalks.	Annually in Spring	
7. Establish permit guidelines to expedite sidewalk repairs by private property owners.	12/03	3/04

Status Summary: 33% Complete. All ongoing work is on schedule. Recently, staff was assigned the task of establishing the permit guidelines to expedite sidewalk repairs by private property owners and completion is expected by March 2004

STATUS OF MAJOR CITY GOALS

LOS OSOS VALLEY ROAD INTERCHANGE

Objective. Continue working towards improvements at the Los Osos Valley Road/Highway 101 interchange.

Action Plan

Task	Original	Revised
1. Obtain CalTrans approval of the PSR-PDS.	7/03	<i>Complete</i>
2. Finalize plans for Phase 1 improvement/mitigation strategies not requiring Cal Trans approval (non-interchange improvements), such as relocation of Calle Joaquin.	7/03	Complete
3. Prepare Request for Proposal for the CEQA Environmental Impact Report (EIR), NEPA Environmental Impact Statement (EIS) and Project Report.	9/03	<i>Complete</i>
4. Pursue Advance Development Funding for the EIR/EIS, Project Report and PS&E.	9/03	Complete
5. Hire consultant and begin preparing Initial Study, EIR/EIS and Project Report.	12/03	<i>Complete</i>
6. Complete design of Phase 1 improvements and invite construction bids.	3/04	5/04
7. Complete Initial Study to determine necessary environmental clearance for the project.		6/04
8. Complete Draft Project Report.	5/04	1/05
9. Complete Administrative Draft EIR/EIS.	6/04	12/04
10. Complete negotiations for CalTrans cooperative agreement.	6/04	12/04
11. Award contract and begin construction of Phase 1 improvements.	7/04	7/04
12. Complete construction of Phase 1 improvements.	6/05	9/04

Status Summary: 15% Complete. CalTrans approved the PSR-PDS in late January. Unfortunately, SLOCOG denied funding assistance for the EIS/EIR due to low statewide funding availability. Lack of outside funding will not effect completion of the task; however, the EIS/EIR and Project Report now will be funded internally and therefore spread over the next two Financial Plans. Council approved a *Sub-Area Fee* for development projects to contribute towards the project. Staff continues to work with the County of San Luis Obispo to investigate the potential for implementing a fee agreement for County projects that impact the interchange location. Initial discussions with potential consultants for the environmental review have indicated the need to prepare a detailed Initial Study – a new work item – to refine environmental issues and determine if an EIR/EIR or Mitigated Negative Declaration is the appropriate environmental clearance. While this adds time to the project schedule initially, it may reduce time necessary to complete environmental clearance. Council approved Phase 1 strategies as a part of the Costco development project in late 2003. Scope was refined and consultants hired in February.

STATUS OF MAJOR CITY GOALS

BIKEWAY IMPROVEMENTS: RAILROAD SAFETY TRAIL

Objective. Acquire right-of-way and property for extension of the Railroad Safety Trail from the Jennifer Street Bridge to Cal Poly.

Action Plan

Task	Original	Revised
1. Secure Union Pacific support for the final schematic design of the bike path between the AMTRAK passenger depot and Foothill Boulevard.	9/03	3/04
2. Secure rights of entry permits from UP, complete land survey and prepare a legal description of the area proposed for acquisition.	2/04	6/04
3. Complete negotiations and execute a contract of sale with UP to acquire secure the property.	4/05	

Status Summary: 8% Complete. Staff has been meeting with different representatives of Union Pacific Railroad. The conceptual plan that the Council reviewed has been slightly modified in order to satisfy the Railroad's concerns. Railroad personnel are currently reviewing refined alignments. We are hopeful that by spring the Railroad will reach a decision.

STATUS OF MAJOR CITY GOALS

THERAPY POOL

Objective. Pursue development of a warm water therapy pool at the Swim Center through a financing program for its construction and on-going operation that does not use general-purpose revenues.

Action Plan

Task	Original	Revised
1. Receive funding approval from the State and formalize SLO Swim Club donations.	1/04	5/04
2. Select an consultant	3/04	
3. Begin study and environmental review.	3/04	
4. Complete study and environmental review and begin design.	9/04	
5. Complete design, invite construction bids and award contract.	4/05	
6. Begin construction.	6/05	

Status Summary: 5% Complete. Funding for this project was included in the State budget for this fiscal year. The City has filed an application for the allocation of \$220,000. The swim club is investigating ways of acquiring additional funds to expand the size of the pool and the City has extended the time frame to May 2004. The architect has been selected and the contract will be approved in February, with studies to commence thereafter. The architect will be presenting two preliminary plans. The first will be a pool design using only City funds. The second will be of a larger pool using additional funding from the swim club.

STATUS OF MAJOR CITY GOALS

HOUSING

Objective. Adopt a housing element that expands housing opportunities for very low, low and moderate income households, preserves and enhances residential neighborhoods and complies with state laws including CEQA; and encourage and support Cal Poly's efforts to provide more on-campus housing consistent with their adopted master plan for housing and enrollment.

Action Plan

Task	Original	Revised
1. Implement existing affordable housing incentive and inclusionary housing programs.	Ongoing	
2. Encourage the Chamber of Commerce to implement programs that achieve their goals for producing workforce housing.	Ongoing	
3. Continue working closely with the County-wide Housing Trust Fund.	Ongoing	
4. Continue working closely with Cal Poly in encouraging and supporting their efforts to provide more on-campus housing consistent with their adopted master plan.	Ongoing	
5. Coordinate preparation and administration of annual CDBG program.	Annual Cycle	
6. Update the General Plan Housing Element	12/03	3/04
a. Complete background analyses and documentation.		
b. Identify issues through Housing Element Task Force.		
c. Draft policies and programs.		
d. Begin preparing EIR.		
e. Hold town hall meeting.		
f. Hold Planning Commission study session.		
g. Hold Council study session.		
h. Complete environmental review.		
i. Submit draft for HCD review.		
j. Hold Planning Commission public hearings.		
k. Hold Council public hearings and adopt update.		
l. Submit for final HCD certification.		
m. Begin implementation.		

Status Summary: 80% Complete. Most of these tasks are ongoing and are moving forward as predicted. The Housing Element Update is about 80% complete. The Planning Commission completed its review of a draft element for recommendation to the City Council and that draft element was reviewed by Council at several public hearings throughout January and February 2004 for submission to HCD in March.

STATUS OF MAJOR CITY GOALS

NEIGHBORHOOD WELLNESS

Objective. Improve neighborhoods and neighborhood involvement by continuing to implement the neighborhood wellness program, including consideration of a rental inspection ordinance.

Action Plan

Task	Original	Revised
1. Maintain and support all existing neighborhood wellness programs currently in place.	Ongoing	
2. Continue encouraging formation and involvement of new voluntary neighborhood groups by use of the Neighborhood Managers Coffee program, WIN, Neighborhood Services Team, Neighborhood Planner and similar outreach strategies.	Ongoing	
3. Continue involving residents early in the public review of proposed projects by a more defined Neighborhood Planner program in Community Development, including expanding the Neighborhood Planner duties to include two-year terms, an annual neighborhood issues conference and attendance at City neighborhood meetings and coffees.	Ongoing	
4. Continue contract Building Inspector position to support continued high levels of building applications and allow the continuation of a full-time Code Enforcement Officer.	7/03	
5. Evaluate a cost recovery program for code enforcement efforts as a strategy to reduce and deter repeat offenders while generating increased revenues, and present findings and recommendations to the Council.	12/03	3/04
6. Research a Rental Inspection Ordinance in an effort to provide a safer housing environment for renters and present findings and recommendations to the Council.	7/04	

Status Summary: 25% Complete. A new Oceanaire Neighborhood Association has begun with staff supporting both original and follow-up meetings. Neighborhood Action Teams from Public Works were added to the Neighborhood Managers Coffee Group program January 1, 2004. The draft agenda report on the cost recovery program for code enforcement efforts was sent to Community Development Department (CDD) for input, and currently awaits Department revisions and approval prior to coming to Council for adoption in early 2004. The CDD has designated Phil Dunsmore, Associate Planner as the department's first Neighborhood Planner. Phil is currently defining the position and working on changes to the plan review process to ensure early notification of projects that may be of interest to neighborhood groups. In addition, the Neighborhood Planner is a member of the City's Neighborhood Services Team that meets quarterly with neighborhood groups to discuss issues of neighborhood quality.

STATUS OF MAJOR CITY GOALS

SOUTH BROAD STREET CORRIDOR PLAN

Objective. Adopt General Plan and zoning amendments to create a mixed-use residential neighborhood along the South Broad Street corridor from South Street to Orcutt Road and seek grant funding to create a neighborhood concept plan for the area.

Action Plan

Task	Original	Revised
1. Identify housing targets as part of the adopted Housing Element update.	12/03	2/04
2. Develop work program for General Plan amendment/rezoning.	3/04	4/04
3. Initiate the General Plan amendment/rezoning program.	4/04	5/04
4. Hold community meeting/issue identification meeting.	5/04	6/04
5. Complete background analyses, inventorying analysis and issue identification.	9/04	
6. Hold community meeting to discuss and review policies and programs.	11/04	
7. Complete environmental review.	1/05	
8. Hold Planning Commission hearings and finalize Council recommendation.	3/05	
9. Hold Council hearing and adopt General Plan amendment/rezoning.	6/05	
10. Continue to seek grant funding for preparation of a follow-on neighborhood concept plan.	Ongoing	

Status Summary: 5% Complete. The Housing Element update includes direction to intensify housing in areas like this. Cal Trans will assist the City with a neighborhood outreach program in Spring 2004.

STATUS OF MAJOR CITY GOALS

DOWNTOWN IMPROVEMENTS: MONTEREY PLAZA

Objective. Pursue the creation of a “Monterey Plaza” for civic gatherings and passive recreation, dependent upon the start-up of the Copeland’s Court Street retail-commercial and the Palm-Morro parking projects.

Action Plan

Task	Original	Revised
1. Consultant completes concept plan.	7/03	2/04
2. Council reviews concept plan and forwards it for advisory body review.	9/03	4/04
3. After advisory body and public review, Council identifies preferred design concept(s) and establishes the scope of technical and environmental studies (such as circulation, access, utility and drainage analysis, and project phasing) for additional study.	7/04	
4. Consultants complete technical and environmental studies, and project design is modified as necessary to address findings.	6/05	

Status Summary: 5% Complete. The consultant lost the plan set sent by the City. Recently staff met with the consultant at Monterey Street to provide a replacement set of plans and discuss the site. The consultant apologized for the delay and indicated they will provide the packets for the advisory bodies by the end of February 2004.

STATUS OF MAJOR CITY GOALS

ECONOMIC DEVELOPMENT: TRANSIENT OCCUPANCY TAX

Objective. Encourage and promote projects that will increase lodging and conference facilities in order to generate additional Transient Occupancy Tax revenues.

Action Plan

Task	Original	Revised
1. Refocus existing resources toward Direct Advertisement of the City. Develop a focused advertising and PR campaign for the City that establishes a stronger identity for the City as a tourist destination with a wide variety of activities to undertake during a stay.	Ongoing	
2. Work with various organizations for tourist promotional purposes benefiting both the City and the organizations.	Ongoing	
3. Work with property owners and real estate brokers to explore increasing Bed and Breakfast opportunities, consistent with City land use and zoning policies.	Ongoing	
4. Complete assessment of local lodging industry conditions by identifying all such properties in the City; identifying all property owners and their managers; and identifying future expansion locations for tourist serving businesses.	9/03	4/04
5. Assess transportation opportunities for visitors and if necessary make service improvements. Strongly consider extending trolley service to the Monterey Street Hotel Area.	9/03	Complete
6. Present recommendations for improved tourism transportation and trolley service to Council for approval.	12/03	Complete ¹
7. Establish a Task Force of local tourism experts to develop a TOT enhancement strategy.	7/03	3/04
a. Explore ways to coordinate efforts amongst property owners and ways to cooperatively book rooms to prevent business losses to other communities. Explore ways to increase midweek business travel.	1/04	6/04
b. Present Tourism Task Force recommendations to Council.	3/04	9/04
8. Update advertising conversion study completed approximately four years ago.	6/04	

¹ Council established trolley Service to the upper Monterey Street area hotels in August. Ridership has improved and the initial feedback from hotels is positive.

STATUS OF MAJOR CITY GOALS

ECONOMIC DEVELOPMENT: TRANSIENT OCCUPANCY TAX

Task	Original	Revised
9. Explore reuse of large properties on Monterey Street, including sites occupied currently by auto dealers (some of whom are expected to relocate).	6/04	
10. Explore possibility of using the Veterans Memorial Building for convention center purposes, work closely with the Veterans and the County in this effort.	9/04	
11. Upon construction, encourage the Dalidio Project hotel to work with the Embassy Suites and develop a coordinated effort to use rooms to support existing conference services at the Embassy Suites.	1/05	

Status Summary: 33% Complete. Council's adoption in July 2003 of a Tourism Marketing Plan established six objectives for the City's community promotions. The development and implementation of a brand for the City's tourist promotions is well underway with staff expecting to bring the brand before Council by the latter part of February. Work on the other Tourism Marketing Plan Objective's continues. Staff and the community promotions contractors have worked with, and continue to work with the following organizations in an effort to collaborate on tourist promotion opportunities: Tourism Council, VCB Marketing Subcommittee, Downtown Association, SLO Vintners and Growers Association, Central Coast Lodging Association, Business Visitation to the Lamplighter Inn, the Arts Community and Cal Poly. Architectural Review Commission (ARC) approvals have been received for a B&B on Santa Barbara Street. Staff continues to work with Larkspur Hotels on their project associated with the San Luis Obispo Marketplace Project, the Motel Inn Remodel and Expansion and Calle Joaquin Hotel Projects. An assessment of local lodging industry conditions is three quarters complete. The route of the trolley has been altered to reflect the demand in the Monterey Street hotel area. The establishment of a tourism task force has been postponed until March 2004 due to other priorities such as the Copeland and San Luis Marketplace projects.

STATUS OF MAJOR CITY GOALS

ECONOMIC DEVELOPMENT: SALES TAX

Objective. Encourage and promote retail projects that will increase sales tax revenues.

Action Plan

Task	Original	Revised
1. Identify retail types that would complement and augment existing market conditions. Develop a retail recruitment strategy to encourage new retailers to locate in San Luis Obispo on properties zoned for this purpose. Use direct mail and attendance at industry events to support recruitment strategy. Hold quarterly meetings with local real estate brokers and property owners.	Ongoing	
2. Continue to contract with HDL for sales tax analysis services to analyze market conditions.	Ongoing	
3. Continue to conduct demographic research and information gathering about the City, its residents, its visitors and the region to provide to individuals, businesses, real estate professionals and others in analyzing San Luis Obispo for their business purposes. Continue to use the UCSB Economic Forecast Project as a data source.	Ongoing	
4. Continue to facilitate and coordinate City involvement in major development projects as directed by the Council. In particular, continue to facilitate the Copelands Project toward construction. Continue involvement in the proposed San Luis Marketplace Project through negotiations, Development Review, EIR, Annexation and Pre-zoning and Agreements for Sales Tax Reimbursement. Continue involvement in the Airport Area Specific Plan and Annexation.	Ongoing	
5. Continue to conduct “economic gardening” in the retail industry through existing customer service oriented programs like the Quick Response Team, the Economic Development Program’s involvement in major development projects, the Economic Development Program’s high level of customer service to individuals, businesses and real estate professionals.	Ongoing	
6. Continue to support the Downtown Strategic Plan. Focus support on efforts that maintain the retail health of Downtown and increase customer sales in a sustainable way.	Ongoing	
7. Explore training opportunities, with local agencies like Cuesta College Institute for Professional Development, Private Industry Council, Small Business Development Center and others to assist local retailers in improving their marketing efforts and their “E” Business presence.	Ongoing	
8. Promote shopping as an activity for visitors to San Luis Obispo.	Ongoing	

STATUS OF MAJOR CITY GOALS

ECONOMIC DEVELOPMENT: SALES TAX

Task	Original	Revised
9. Continue to work with auto dealers in the City. When possible, pursue the expansion of the Auto Park Way area. Consider broadening the program of incentives to auto dealers who relocate out of downtown to Auto Park Way to include those who relocate out of downtown to other acceptable sites in the City. Continue to assist Stanley Motors in its efforts to relocate to a larger, new facility. Work closely with remaining Downtown auto dealers to find new locations that are more functional. Explore the reuse of Downtown auto dealer locations for other retail purposes. If space is available, encourage new car lines to locate in San Luis Obispo.	Ongoing	
10. Advocate for legislation to extend sales tax to include Internet sales.	Ongoing	
11. Conduct an assessment of current retail conditions by surveying existing retail centers, identifying the types of retail business located in existing centers, identifying retail center property owners or representatives.	9/03	Complete
12. Develop a "Shop Locally" marketing and PR campaign to encourage residents to purchase goods in the City. Focus on branding San Luis Obispo as the shopping destination for the region. Work with the Chamber of Commerce, Downtown Association and others to coordinate efforts and message about shopping in San Luis Obispo.	11/03	6/04
13. Explore the potential annexation of the McBride Property and Gap Property if the Dalidio Property is annexed.	2/04	5/04
14. Work with each retail area in the City to define itself and develop, when possible, niche-marketing efforts. Work closely with property owner and businesses in each area.	9/04	

Status Summary: 33% Complete. Staff has begun work to develop a strategy for further enhancing the retail sector, which will include a competitive assessment and discussion of market opportunities. Sales tax work with HDL continues, as does involvement with the UCSB Forecast Project. The Copelands Project is under construction and expected to open late 2004 early 2005. Costco is expected to begin processing its building permit application and could begin construction in several months. There is continued involvement in major development projects such as the Airport Area Specific Plan. Negotiations continue on the San Luis Marketplace project, with Council providing input on the deal points in January 2004. Staff has provided high levels of customer service, and particular attention including Quick Response Team Meetings, to businesses in the downtown that have been impacted by the construction of private projects and public works in the area as well as to several local businesses who are in the process of expanding. Work with Cole Motors has resulted in the beginning of the construction of their new facility on Broad Street. The Shop Locally program has been postponed due to staff focus on the Copeland and San Luis Marketplace projects.

STATUS OF MAJOR CITY GOALS

LONG-TERM FISCAL HEALTH

Objective. Develop a comprehensive strategy for preserving essential services, adequately maintaining existing facilities and infrastructure, and protecting the City's fiscal health.

Action Plan

Task	Original	Revised
1. Organizational Productivity. Continue organizational vitality program in improving productivity and customer service.	Ongoing	
2. Fiscal Independence. Support AB 1412 (Wolk), which would allow local voters to approve an increase of 0.25% or 0.5% in the local sales tax rate without special legislation.	Ongoing	Complete
3. Legislative Advocacy. Continue working closely with our employee associations, the League of California Cities, other local governments, professional associations and other groups to prevent further State raids on city revenue sources.	Ongoing	
4. Review and Monitor the City's Fiscal Condition. Continue to effectively review and monitor the City's fiscal condition on an ongoing and timely basis, including on-line access to financial data, quarterly newsletters, focused reporting on key revenues, mid-year budget reviews and preparation of annual financial reports (CAFR) in accordance with generally accepted accounting principles and nationally recognized excellence in financial reporting guidelines.	Ongoing	
5. Analyze Feasibility of Revenue Ballot Measure in 2004. Use professional assistance in analyzing the feasibility of a revenue ballot measure in March or November 2004:		
a. Enter into an agreement with The Lew Edwards Group.	7/03	Complete
b. Complete the feasibility analysis and present the results to the Council for a "go/no-go" decision in taking the next step in preparing for a revenue measure in 2004.	11/03	Complete

Status Summary: 60% Complete. The following highlights the status of key milestones.

Legislative Advocacy. Staff continues to work closely with the Regional Coordinator for the League of California Cities to develop and implement a legislative response strategy for dealing with the VLF take-away and to prepare for the Local Taxpayers and Public Safety Protection Act slated for the November 2004 ballot.

STATUS OF MAJOR CITY GOALS

LONG-TERM FISCAL HEALTH

Review and Monitor the City's Fiscal Condition. In addition to ongoing financial reports, we presented the Council with a formal “first quarter review” of the City’s financial condition on November 4, 2003. On January 6, 2004, we presented the Comprehensive Annual Financial Report for 2002-03 to the Council; and presented the Mid-Year Budget Review to the Council on February 17, 2003.

Analyze Feasibility of Revenue Ballot Measure in 2004. On November 4, 2003, we presented the Council with the results of the revenue ballot measure feasibility assessment. The Council concurred with the report recommendation not to go forward with a measure at this time, but to return to the Council in March 2004 with an analysis of the feasibility of forming an assessment district to assist with funding storm drainage maintenance and improvements in conjunction with the Storm Drainage Master Plan.

STATUS OF OTHER COUNCIL OBJECTIVES

LAUREL LANE/ORCUTT/BULLOCK REALIGNMENT

Objective. Complete the realignment of Laurel Lane/Orcutt/Bullock Streets.

Status Summary: 3% Complete. Due to funding shortfalls, the Union Pacific Railroad has postponed installation of the new railroad crossing protection for one year. In the interim, staff has prepared paving and construction plans to coordinate with that work.

SANTA BARBARA STREET WIDENING

Objective. Complete the existing widening project for Santa Barbara Street from Highway 227/Broad Street to Roundhouse.

Status Summary: 0% Complete. Other priorities and staff shortages have precluded work from starting on this project.

WATERWAYS MANAGEMENT PLAN IMPLEMENTATION PROGRAM

Objective. Upon completion of the Waterways Management Plan, adopt an implementation program.

Status Summary: 60% Complete. The Council has adopted the Plan. The design element has been implemented; the storm water quality program has been implemented; the stream maintenance guidelines were partially implemented this fall and will be fully implemented by next fall; implementation of creek and flood protection projects will depend on significant funding that is simply not available and therefore it is not anticipated that any of this program will be implemented.

PALM-NIPOMO PARKING STRUCTURE PLANS

Objective. Complete an environmental assessment, preliminary studies and evaluation of options for a new parking structure at Palm and Nipomo Streets per the Conceptual Physical Plan for the City's Center.

Status Summary: 10% Complete. A consultant team was selected in January and will soon begin work on conceptual garage designs.

SHORT-RANGE TRANSIT PLAN

Objective. Implement the Short-Range Transit Plan.

Status Summary: 50% Complete. A new bus schedule – the major component of the SRTP was put into service on January 4, 2004. Monitoring of implementation now in progress. Marketing planning is now in progress.

AIRPORT AREA ANNEXATION

Objective. Annex the Airport Area.

Status Summary: 75% Complete. A draft specific plan, environmental impact report, and public facilities financing plan are complete. Public hearings and specific plan adoption are necessary before the Airport Area can be annexed to the City. Public hearings for the Margarita Area Specific Plan and the EIR for both specific plans began on December 10, 2003, with public hearings on the Airport Area Specific Plan to begin in late Spring 2004.

STATUS OF OTHER COUNCIL OBJECTIVES

DALIDIO PROPERTY ANNEXATION

Objective. Annex the Dalidio property.

Status Summary: 50% Complete. Applications have been made to annex the Dalidio property into the City and develop the site with a retail power center known as the San Luis Marketplace. The property will also accommodate the development of a hotel, business park, a possible residential component, access and freeway infrastructure, and on and off-site open space. The annexation, rezoning and development applications will require the preparation of an Environmental Impact Report (EIR). The draft EIR was received on January 26, 2004 and hearings on the EIR will be held by the Planning Commission in February. Hearings on the project by the Planning Commission, ARC and City Council will likely occur in spring. Annexation will require approval by the Local Agency Formation Commission (LAFCO).

AUTO CENTER EXPANSION

Objective. Continue to explore the possibility of expanding Auto Center sites via annexation of the McBride and “gap” properties.

Status Summary: 25% Complete. Conversations with the property owners continue. A potential buyer of the McBride Property is in the process of creating a concept for development of the property and continues to consult with staff. A development application may be forthcoming.

DOWNTOWN IMPROVEMENTS: CULTURAL CENTER DEVELOPMENT

Objective. Encourage development of a Cultural Center (such as the Art Center, Mission Museum, Historical Museum, Little Theater and Children's Museum) in the Mission Plaza extension area as illustrated in the Conceptual Physical Plan for the City's Center, and support this effort through the existing Partnership Policy where possible.

Status Summary: 30% Complete. Staff continues to work with the Community Partners in terms of expansion and renovation of facilities, changes to the parking in-lieu fee regulations, Grants-in-Aid funding and general liaison support. A lighting standard was presented to Council in February and in concert with the Downtown Association, staff continues to move forward to develop a downtown lighting program.

STATUS OF MAJOR CIP PROJECTS

