



Department: Finance
Cost Center: 2002
For Agenda of: 2/6/2024
Placement: Business
Estimated Time: 90 minutes

FROM: Emily Jackson, Finance Director
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SUBJECT: FISCAL YEAR 2023-24 MID-YEAR BUDGET REVIEW

RECOMMENDATION

1. Receive and discuss the Mid-Year Budget report based on revised projections for all major funds at the mid-point of the 2023-24 fiscal year; and
2. Adopt a Draft Resolution entitled, "A Resolution of the Council of the City of San Luis Obispo, California, approving amendments to the adopted 2023-24 Budget Appropriations" and approve the allocations as stated in the Mid-Year Budget Report.

POLICY CONTEXT

The City's budget policies require that the City Council review the City's budget and financial condition at least every six months. Section 804 of the Municipal Code, at any meeting after the adoption of the budget, the Council may amend or supplement the budget by motion adopted by a majority vote of the Council.

The mid-year review is part of the ongoing quarterly reporting process and fulfills that purpose. The review allows the Council to adjust revenue and expenditure assumptions should the need arise. The accompanying Mid-Year Budget report for 2023-24 provides a comprehensive overview of the City's financial condition half-way through the fiscal year and summarizes current financial trends since the adoption of the 2023-25 Financial Plan in June 2023.

DISCUSSION

Mid-Year Report Organization

The report's focus is on the General Fund and each of the City's enterprise funds. The mid-year budget report also provides an update on departmental performance measures, work programs, the Capital Improvement Plan, and Major City Goals. The report (included as Attachment A) includes the following sections:

Section A – General Fund Summary: This section provides a narrative overview of the City’s current General Fund financial condition and current revenue and expenditure trends as of December 31, 2023. In summary, some revenues are exceeding projections and some have been adjusted upward accordingly. Expenditures are on track with where they should be at this point in the year at both the department and category levels. The revised five-year forecast and narrative about the changes in assumptions is also included. Based on the current assumptions, there are imbalances in the outer years of the forecast. Staff is working on a more comprehensive revision to the forecast which will be presented with the 2024-25 Supplemental Budget. The report also provides a storm expenditure update, consistent with prior budget updates.

Section B – Mid-Year Recommendations: This section outlines the proposed mid-year expenditure budget changes as well as allocations of the FY 2022-23 unassigned fund balance. The budget changes address mission critical needs and no new programs or services are being recommended. The recommendations also include an additional discretionary payment (ADP) to CalPERS.

Section C – Enterprise Fund Summary: This section provides a narrative update of the City’s enterprise funds’ financial conditions, including any recommended budget changes. Year-to-date expenditures and revenues are on track for all funds. Revised long-term forecasts are included.

Section D – Department Performance Measures and Work Program Updates: This section provides an evaluation on the performance measures and an update on core objectives of each operating program. All the 74 total operating programs manage workload within budget and meet core objectives.

Section E – Capital Improvement Plan (CIP) Update: This section provides an update on active and ongoing CIP projects.

Section F – Major City Goal Update: This section provides an update on Major City Goal tasks that were either scheduled for completion in the first two quarters of fiscal year 2023-24 or are listed as “ongoing”. Several tasks were delayed, but most were completed or are scheduled to be completed before year end.

Appendix A – Detailed Financials: This section provides a closer look at year-to-date actuals for the major funds and the recommended revenue budget adjustments.

Preferential Parking District Program

On July 11, 2023, Council approved the temporary deferral of the Preferential Parking District Program with a plan that staff come back to Council in the Spring of 2024 with a public engagement and outreach plan and study session, with the goal to adopt a revised program by Fall 2024. Staffing resources within the Parking Program have been strained due to the increased priority and condensed schedule of the Parking Rate Study occurring in the Winter/Spring of 2024, as well as the current vacancy of the Parking Program Manager, and a planned leave of the Mobility Services Deputy Director. In light of that, staff recommend shifting this study session to late 2024 or early in 2025 with implementation of changes to happen in mid-2025.

Public Engagement

Public comment on the item can be provided to the City Council through written correspondence prior to the meeting and through public testimony at the meeting. The Mid-Year Report will also be posted on the City’s website for public review.

CONCURRENCE

The City’s internal Financial Plan Steering Committee has met on multiple occasions and concurs with the recommendations included in this report.

The City’s Revenue Enhancement Oversight Committee (REOC) met on January 25, 2024 to review the proposed uses of Local Revenue Measure (LRM) funding. The REOC supports the proposed budget allocations as they are in line with the LRM priorities.

ENVIRONMENTAL REVIEW

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

FISCAL IMPACT

Budgeted: Yes

Budget Year: 2023-24

Funding Identified: Yes

Table 1: FY 2023-24 Mid-Year Revenue Budget Changes			
Fund	Initial Budget	Revised Budget	Variance
101-General Fund	\$80,967,960	\$83,508,771	\$2,540,810
601-Water Fund	\$28,225,893	\$28,643,350	\$417,457
602-Sewer Fund	\$52,589,691	\$47,536,432	\$(5,053,260)
611-Parking Fund	\$57,203,324	\$56,700,994	\$(502,330)
Grand Total	\$218,986,869	\$216,389,546	\$(2,597,323)

Table 2: FY 2023-24 Mid-Year Expenditure Budget Appropriations (One-time)	
General Fund	\$ 6,471,095
Local Revenue Measure	\$ 3,872,937
Capital Reserve	\$ 1,860,000
IT Replacement Fund	\$ 33,200
Parking Fund	\$ 287,336
Sewer Fund	\$ 89,550
Water Fund	\$ 404,968
Transit Fund	\$ (90,178) ¹
Completed Projects Reallocation or Transfers ²	\$ 680,000

¹ Negative value indicating this is an appropriation of budget back to fund balance.

² This is not a new appropriation, rather a reallocation of funds. See Attachment A – Section B for detail.

Total All Funds		\$ 12,928,908
Table 3: Recommended FY 2023-24 Cal PERS ADP³		
Fund	ADP Amount	
General Fund	\$	2,000,000
Water	\$	164,840
Sewer	\$	169,419
Parking	\$	61,003
Transit	\$	12,555
Whale Rock	\$	21,417
TBID	\$	7,976
Total All Funds	\$	2,437,211

ALTERNATIVES

The Council could direct staff to not implement the proposed budget change recommendations. Should the adjustments not be approved, the budget will remain unchanged at the adopted budget levels. Staff does not recommend an unchanged budget due changing needs of the community and the City organization.

ATTACHMENTS

- A - FY 2023-24 Mid-Year Budget Report
- B - Draft Resolution approving an amendment to the 2023-24 Budget Allocation

³ Payment to be made in April 2024