Fourth Quarter Financial Report (Year End)
Fiscal Year 2020-21

Introduction

This financial report provides an overview of the City's financial position through the fourth quarter of fiscal year 2020-21 (July 1, 2020 – June 30, 2021) for the General Fund and the City's four enterprise funds. The report is broken down into the multiple sections to report on all elements of the budget and also elaborates on recent developments regarding pensions and the American Rescue Plan Act funding available to the City.

2020-21 – A Year like No Other

Staff had begun the planning efforts for the 2020-21 Budget Supplement when the Covid-19 pandemic shut down the economy and introduced shelter-at-home directives that lasted through various stages until June 2021. Equipped with the savings measures from the third year of the Fiscal Health Response Plan (FHRP) and the immediate activation of the Fiscal Health Contingency Plan, staff further adjusted the operating and capital budget to an adjusted revenue forecast selected from several scenario models.

It is important review the information provided in the report with the savings measures and adjustment efforts in mind. The detail of the individual reductions by department can be found in the 2020-21 Budget Supplement beginning on page 57.

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Section 1: General Fund Overview

General Fund Expenditures

Overall, the General Fund finished the year in a positive position and experienced about 4% in net expenditure budget savings. The savings can be associated with both the effectiveness of the third year of the Fiscal Health Response Plan and the immediate activation of the Fiscal Health Contingency Plan, and the disciplined adherence to both plans during a pandemic year that also saw wide-ranging protests. It is therefore important to note that the operating savings were achieved despite unbudgeted expenditures related to the Covid-19 pandemic and the additional cost related to the protests

How to read the budget tables in this report

Budget: Adopted supplemental budget *plus* any encumbrances from prior year(s) or approved budget adjustments made throughout the year. This includes approved allocations from fund balance for Covid-19 related relief efforts.
Actual: Actual expenditures *plus* any encumbrances or obligated funds that will be carried forward to FY 2021-22.

Table 1: Expenditure Overview by Department

Index	Department	2019-20	2020-21				2021-22
		Actual	Budget	Actual	Funds Available	%	Budget
1	**Internal Services**						
2	Administration/IT	$ 7,391,885	$ 8,914,944	$ 8,561,681	$ 353,263	4%	$ 9,772,859
3	City Attorney	$ 953,794	$ 1,140,736	$ 1,106,284	$ 34,452	3%	$ 1,185,571
4	Finance	$ 1,755,289	$ 2,137,421	$ 1,836,038	$ 301,383	14%	$ 2,190,827
5	Non-dept, Support Services	$ 605,707	$ 2,533,201	$ 2,374,349	$ 158,852	6%	$ 695,358
6	Human Resources	$ 1,225,244	$ 1,484,646	$ 1,437,144	$ 47,502	3%	$ 1,700,849
7	**Public Safey**						
8	Fire	$ 12,541,211	$ 14,964,924	$ 14,082,842	$ 882,082	6%	$ 13,997,547
9	Police	$ 17,532,449	$ 18,044,459	$ 17,728,656	$ 315,804	2%	$ 19,141,343
10	**Community Services Group (CSG)**						
11	CSG Administration	$ 9,593	$ 404,998	$ 338,468	$ 66,530	16%	$ 665,501
12	Community Development	$ 5,671,947	$ 7,328,592	$ 6,687,988	$ 640,605	9%	$ 6,981,163
13	Parks & Recreation	$ 3,743,241	$ 4,476,025	$ 4,159,514	$ 316,511	7%	$ 5,126,817
14	Public Works	$ 12,508,036	$ 14,348,211	$ 13,276,038	$ 1,072,173	7%	$ 14,675,638
15	Utilities - Solid Waste Recycling	$ 87,156	$ 228,669	$ 141,918	$ 86,751	38%	$ 199,699
16	**Total**	**$ 64,025,552**	**$ 76,006,827**	**$ 71,730,921**	**$ 4,275,906**	6%	**$ 76,333,171**
17	***Restricted for Carryover***						
18	*Restricted AB 939 Solid Waste Recyling Funds*				*$ 103,571*		*$ 103,571*
19	*Public Safety Equipment Funding*				*$ 929,344*		*$ 929,344*
20	**Total after Carryover**	**$ 64,025,552**	**$ 76,006,827**	**$ 70,776,458**	**$ 3,242,990**	4%	**$ 1,032,915**

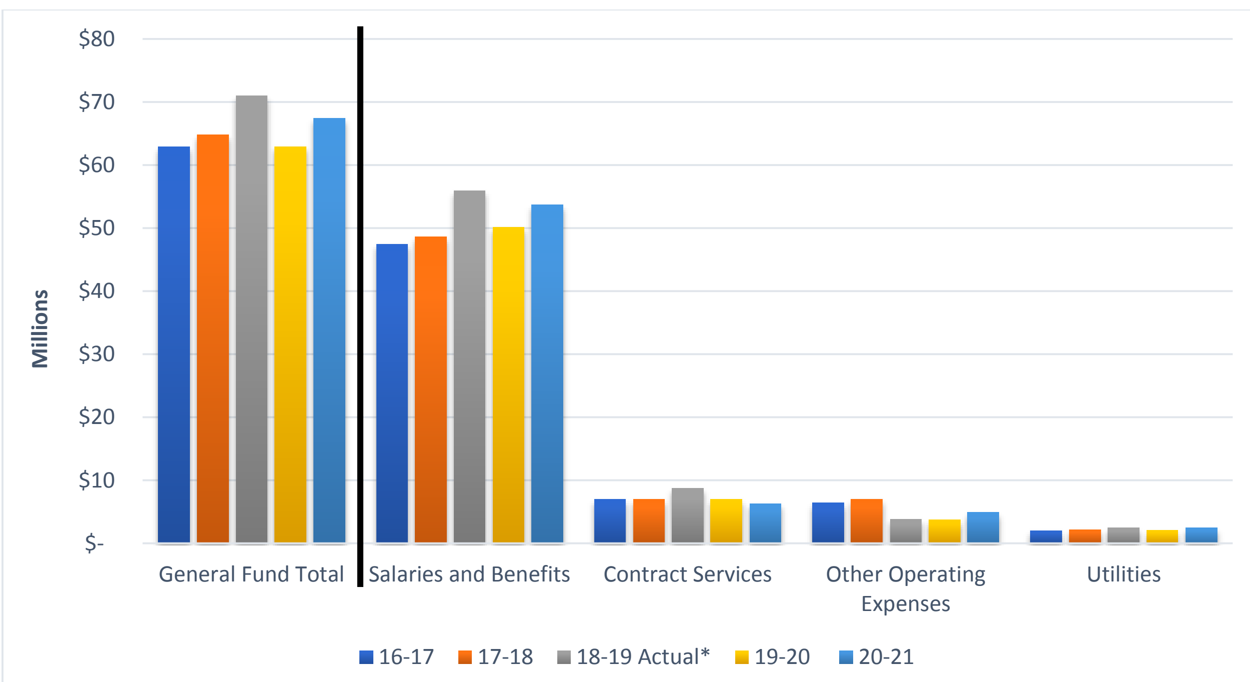
Table 2: Expenditure Overview by Type

Expenditure Type	2019-20	2020-21				2021-22
	Actual	Budget	Actual	Funds Available	%	Budget
Staffing	$ 51,200,303	$ 56,176,951	$ 54,671,543	$ 1,505,408	3%	$ 59,262,760
Contract Services	$ 5,841,089	$ 9,053,545	$ 7,779,421	$ 1,274,124	14%	$ 8,356,630
Other Operating Expenses	$ 4,571,439	$ 7,350,524	$ 5,662,883	$ 1,687,640	23%	$ 5,876,080
Utilities	$ 2,113,794	$ 2,475,448	$ 2,520,540	$ (45,092)	-2%	$ 2,837,702
Covid-19 *	$ 298,927	$ 950,359	$ 1,096,534	$ (146,175)	-15%	
TOTAL	$ 64,025,552	**$ 76,006,827**	**$ 71,730,921**	**$ 4,275,906**	6%	$ 76,333,171

*This amount is not inclusive of *all* Covid-19 expenditures. Many Covid-19 related costs and budget allocations were distributed throughout department budgets and/or capital project budgets. See the "**Covid-19 Expenditures**" section below for more detail.

Graph A: Year-over-year Expenditures by Type:

The graph below demonstrates expenditure trends over the last five years. While Other Operating Expenses and Contract Services have stayed relatively flat, Salary and Benefit costs have increased steadily over the years. Though cost of living adjustments (COLAs) were given during two of the three FHRP years for most employee groups, the negotiated terms also required a 3% employee contribution toward the CalPERS employer obligation that largely offset the COLAs. The City's contracts with CalPERS were updated accordingly.



**18-19 Actuals include the one-time additional payment to CalPERS of $4.2 million.*

Covid-19 Expenditures

The table below lists the investments into economic recovery and relief efforts related to the Covid-19 pandemic. This table does *not* include staffing or overhead costs needed to respond to the health crisis. The City used CARES Act funding to pay for some of these expenditures but the majority of the funding came from the General Fund undesignated fund balance or the 4th quarter of Measure G-20 revenue (R-11203).

2020-21 Investment into Covid-19 Relief Efforts		
***Funded by 4th Quarter Measure G-20 Revenue** (see Section 5 for more detail)*	***$***	***3,425,000***
Shop Local Incentive	$	200,000
Mission Plaza Improvements/Landscaping	$	25,000
Downtown Retail Strategy	$	29,400
Homeless Services Support/Coordination	$	300,000
Small Business Relief Program	$	500,000
Grant Funding Opportunities for Tenant Improvements **	$	2,000,000
Open SLO Project/Parklets	$	370,600
Funded by CARES Act	***$***	***566,680***
Homeless Programs	$	29,132
Open SLO Project/Parklets	$	100,000
Small Business Relief Program	$	200,000
Other Covid-19 Expenditures	$	237,548
Funded by General Fund Balance	***$***	***756,835***
Open SLO Project/Parklets	$	329,603
Communications Support	$	60,000
Mini Grants	$	75,000
Childcare Amendments	$	20,000
Grant Writing Services	$	20,000
Homeless Services: Safe Parking, Shelter Capacity Increase	$	101,057
Shower the People Project	$	5,000
Other Covid-19 Expenditures	$	146,175
Total	**$**	**4,748,515**

** **Tenant Improvement Grant Program:** The concept of this program is to locally invest $2,000,000 in short term Certificates of Deposit to generate interest and use that interest for a grant program to help offset the cost of a TI permit. The principal amount would be budget to be spent on projects and services as a part of the 2021-23 Financial Plan. Due to the continuing low-income environment, no banks bid on the request for proposals and the funding will remain in LRM fund balance and is invested with the City's pooled assets under its current investment strategy.

General Fund Revenues

Table 4: General Fund Revenue Overview

The table below shows an overview of the General Fund revenue. More detail about fee revenue can be found within the respective department section.

				2020-21			
		2018-19 Actual	2019-20 Actual	Budget	Actual	Variance	%
1	**Tax & Franchise Revenue**						
2	Sales Tax (Bradley Burns)	18,119,000	16,571,064	16,571,000	20,067,740	3,496,740	121%
3	Local Revenue Measure G20*	8,325,000	7,554,375	11,392,000	12,779,713	1,387,713	112%
4	Safety Prop 172		416,459	315,163	425,136	109,973	135%
5	Property Tax	17,473,000	18,591,951	19,553,558	19,587,146	33,588	100%
6	Transient Occupancy Tax	8,061,000	6,325,841	6,267,000	6,921,335	654,335	110%
7	Utility User Tax	4,920,000	5,439,144	5,565,000	4,934,876	(630,124)	89%
8	Franchise Fees	1,428,000	1,888,414	1,544,000	1,611,728	67,728	104%
9	Business Tax	2,630,000	2,913,665	2,853,740	2,937,176	83,436	103%
10	Cannabis Tax		81,599	400,000	830,265	430,265	208%
11	Gas Tax	937,032	1,047,225	1,082,390	1,038,123	(44,267)	96%
12	Gas Tax (SB1) *	722,436	1,015,564	795,548	779,144	(16,404)	98%
13	**Total Tax/Franchise**	**$ 62,615,468**	**$ 61,845,300**	**$ 66,339,399**	**$ 71,912,382**	**$ 5,572,983**	108%
14	** Special Revenue Funds*						
15	**Fees and Other Revenue**						
16	General Government	$ 2,438,651	$ 4,044,223	$ 5,480,662	$ 5,476,349	$ (4,314)	100%
17	Development Review Services	$ 5,881,785	$ 7,257,859	$ 6,387,087	$ 6,732,896	$ 345,809	105%
18	Fire Services	$ 1,453,435	$ 1,442,456	$ 1,387,037	$ 1,498,215	$ 111,177	108%
19	Police Services	$ 655,371	$ 916,344	$ 556,000	$ 609,643	$ 53,643	110%
20	Parks & Recreation Services	$ 1,679,974	$ 1,247,119	$ 1,217,112	$ 1,768,932	$ 551,819	145%
21	**Total Fees and Other Revenue**	**$12,109,216**	**$ 14,908,001**	**$15,027,899**	**$ 16,086,034**	**$1,058,135**	**107%**
22	**TOTAL**	**$ 74,724,684**	**$ 76,753,301**	**$ 81,367,298**	**$ 87,998,416**	**$ 6,631,118**	108%

Sales and Use Tax Revenue: Sales and use tax revenue far exceeded the City's (and its Sales Tax Consultants) projections for the year. This is consistent with trends across the state. At the end of the third quarter, revenue was tracking only slightly higher than projected but the fourth quarter of the year experienced a huge spike in consumer spending. This coincided with increasing vaccination rates and the lifting of state-wide restrictions. While good news for the City's economy, this is likely a temporary escalation due to pent-up demand and a re-opening economy which is also reflected in the Transient Occupancy Tax that experienced a similar fourth quarter return.

Local Transaction Tax (G-20): While the local transaction tax largely mirrors the sales tax trends, the fourth quarter of FY2020-21 saw the voter approved increase and lead to a remittance of $6.2 million for the last three months of the fiscal year. This number alone represents 82% of the previous yearly collection of local revenue measure funding.

Property Tax: Property tax revenue continues to increase, and the City recorded an all-time high in FY 2020-21, nearly 5% higher than the prior year. The main reason for growth is the transfer of ownership and the increase in Taxable Assessed Value of homes in our community largely supported by an extremely low interest environment that the Fed continues to nurture to drive economic activity. The County Assessor's Office anticipates an additional 4% growth in 2021-22 since a change in monetary policy is not expected until 2023.

Transient Occupancy Tax (TOT): TOT revenue correlated closely with the Statewide reopening schedule. The fourth quarter of FY 2019-20 saw visitor activity and revenue plummet by 70% due to travel restrictions and shelter-at-home directives. Monthly TOT revenues gradually increased as positive COVID19 cases decreased, restrictions were lifted, and vaccination rates increased. As staff had assumed in the forecast, the final three months of the fiscal year recorded all-time highs in TOT due to the full reopening of the state and pent-up demand in leisure travel. As a drive-to destination, San Luis Obispo benefited from a renewed travel wave.

Utility User Tax (UUT): In February of 2021, the City turned over the collection of UUT to a third party to pursue collection and apply all permissible penalties to outstanding remittances more aggressively. Though some minor amounts are still outstanding, staff are currently working on a reconciliation of UUT revenue and a long-term trend analysis in order to hone-in on why this revenue has been lower than budgeted for the last two years.

Business Tax: Business taxes are collected at the beginning of the fiscal year and are based on the gross receipts of the previous calendar year. FY 2020-21 revenues ended higher than the previous fiscal year since businesses remitted payment based on their 2019 gross receipts. The partial shutdown in 2020 due to COVID19 will affect businesses taxes in FY 2021-22, but revenues for this fiscal year ended up above the original forecast. This is also due to a change in collection strategy as staff now pursues all outstanding dues in a shorter timeframe and all applicable remedies available in the Municipal Code. The use of electronic communication and the availability of online payments have further facilitated compliance with this revenue stream.

Cannabis Tax: FY2020-21 saw the opening of the first Cannabis retailer and the first tax remittance in August 2020. Since the Cannabis industry was allowed to stay open throughout the pandemic, revenue from the retailer saw a gradual increase in monthly remittances with relatively steady revenue over the last four months of the fiscal year. An aggressive strategy to bring all delivery businesses into tax compliance and seek reimbursement for tax erroneously remitted to the County saw this revenue further exceed initial revenue assumptions despite the opening of the second retailer being delayed well into the current fiscal year. This is partially offset by a reduction in permitting fees the Council approved during the fiscal year, but still ahead of combined budget.

General Government: General Government revenue includes all of the City’s non-departmental revenue such as business licenses, interest earning, and rent revenue. It also includes grant and subvention revenue which often fluctuates significantly each year. For example, in 2020-21 the City received nearly $2.0 million in Mutual Aid reimbursement. This revenue offsets the Fire Department’s overtime expenditures incurred from sending aid to multiple fires throughout the state last summer.

General Fund Ending Position

The table below shows the ending net position of the general fund and the estimated fund balance at year end. While these numbers are still unaudited, they show that the fund ended with revenue over expenditures and an undesignated fund balance of about $12 million.

Table 5:

	Table 5: General Fund Ending Position (UNAUDITED) *in thousands*		
1	Total Operating Expenditures *(not including encumbrances)*	$	(68,502)
2	Transfers, Debt, Capital	$	(6,203)
3	Revenue	$	86,538
4	Encumbrances, Commitments, Carryover	$	(4,589)
5	Adjustment for Audit/ Outstanding Invoices (estimate)	$	(500)
6	**Revenue Over/(under) Expenditures**	**$**	**6,745**
7	2019-20 Ending Fund Balance	$	33,651
8	**Ending Fund Balance before CalPERS**	**$**	**40,362**
9	CalPERS Downpayments[1]	$	3,000
10	**Ending Fund Balance**	**$**	**37,362**
11	Policy Reserve Level - 20%	$	11,394
12	Tenant Improvement(TI) Program	$	1,950
13	Capital Reserve[2]		
14	115 Pension Trust Fund	$	2,000
15	Restricted based on Audit (estimate)	$	12,000
16	**Undesignated Fund Balance**	**$**	**10,052**

[1] See **Section 7** for CalPERS update. This does not include postponed payments from prior years.

[2] Starting in 2021-22, the Capital Reserve will be moved to the General Capital Outlay Fund and will maintain a committed reserve of 20% of the capital improvement plan budget from the Local Revenue Measure for the purposes of offsetting unanticipated costs increases, unforeseen conditions, and urgent unanticipated projects to provide the continued investment in infrastructure maintenance and enhancement.

Administration and Information Technology Department

The Administration and Information Technology Department ended FY 20-21 with a 4% overall savings. The savings were distributed across Contract Services, Operating Expenses, and Salaries and can be attributed to a variety of factors including vacant positions, filling vacancies with employees at lower steps, reduced spending due to COVID-19 for training and travel, and deferring projects and tasks to meet the needs of the organization in addressing the COVID-19 pandemic. Although, workloads were impacted based on the fluctuation of the guidelines and the volatility of the pandemic, Department program objectives and performance measures were met as outlined below.

Effects of Covid-19 on Department Operations

The department's FY 20-21 workplan was constructed to support the community during the ongoing pandemic. The department provided leadership, communications, and resources both internally and externally throughout the various emergency related experiences over the past year. Many of these efforts, such as technical support for the Emergency Operations Center, are outside of the department's normal scope of work. The Economic Development program quickly pivoted and focused on helping the business community in the areas of communication, education, promotion, and providing direct business support. The Community Promotion program held all meetings virtually and provided grants for virtual and passive events such as the Mission Plaza Pop-Up Program. The Office of Sustainability and Natural Resource's overall workload and program priorities changed to focus on the COVID-19 recovery efforts. Several planned projects were delayed or frozen for the year while meta-goal tasks were prioritized. The City Clerk's Office continued virtual public meetings which required significant support from IT Network Services. In addition to virtual public meetings, Network Services continued to support staff working remotely. Some projects were delayed due to equipment shortages caused by the pandemic, though IT is on target to close all FY 20-21 projects by August. IT Information Services (IS) staff worked remotely and, although they were unable to provide the normal "walk-in" services, they spent significant time with City staff virtually and assisting members who worked on COVID-19 recovery efforts. In light of this, some routine tasks such as updating software and firmware on equipment were delayed, but still accomplished. On the positive side, the department embraced working remotely and greatly improved use of MS Teams and other virtual platforms which will ultimately make the City more resilient in the future.

Accomplishments

- City Administration – Supported the development of the 2021-23 Financial Plan, including leading the Community Forum and other public engagement efforts; facilitated setting long term spending priorities for City Council and REOC for the voter adopted Measure G-20 sales tax revenue; and further refined the City's Communication Program, including hiring a new Public Communications Manager and are in the process of adding a Diversity, Equity and Inclusion (DEI) Office.

- Economic Development – Implemented the Business Ambassador program that included direct contact with businesses as well as regular email updates on critical issues; executed promotion programs like shopping and dining maps and supported the other City promotional and activation programs (like Open SLO) and provided direct aid to businesses through two rounds of grants and the Buy Local Bonus program.

- Office of Sustainability – Significant accomplishments included the City Council's adoption of the C*limate Action Plan for Community Recovery*, which received the California chapter of the American Planning Association's "Award of Excellence for the 2021 Innovation in Green Community Planning" and working with the Green Team comprised of staff throughout the City organization to produce *Lead by Example: A Plan for Carbon Neutral Municipal Operations*.

- Community Promotion – implemented a modified Grants In Aid program; completed the MCG work for the banner program; developed and managed the Support Local recovery programs (Shop Local; Buy Local

Bonus, Support Local Pledge, general support local advertising campaigns); created the pilot program for Mission Plaza Pop-Ups.

- City Clerk – Implemented a new Agenda Management System in three months and successfully held virtual public meetings for City Council and advisory bodies as required.

- IT Network Services – Network Services enabled the City staff to continue to do business and support the public despite the challenges of stay-at-home orders and COVID quarantine procedures. This involved big changes to our communications infrastructure (rolling out Teams) and remote tools that the City uses, as well as moving most of City staff to laptops and other remote capable hardware.

- IT Information Services created several applications to support downtown businesses. Rapid Deploy was implemented for Emergency Communication Dispatchers. Received Significant Achievement award from CompTIA for digital transformation of Weed Abatement Program. The SLO GIS Day 2020 virtual event received many accolades from attendees including one from ESRI. Successfully trained another IS Team member to support EnerGov Program.

Key Objectives

- Support the City organization by completing tasks related to the FY21 META Major City Goal of Economic Stability, Recovery and Resiliency.
- Support technology projects citywide and continue to enhance remote working opportunities.
- Continue to lead the new cannabis-based business program, including land use, licensing, and compliance issues.
- Administer procedures for City elections for elective offices, initiatives, referendum and recalls. Conduct elections that conform to the State Elections Code and the City's campaign regulations.
- Provide GIS, mapping and enterprise database support for the organization.

Performance Measures	Target	Result
Maintain the City Network Reliability Uptime Status	99.9%	99.9%
Open City Hall Participant Satisfaction Rating	90%	94%
Economic Recovery & Resiliency Plan Implementation	100%	100%

Variance Analysis

Table D-1

Administration/IT	2019-20	2020-21				2021-22
	Actual	Budget	Actual	Funds Available	%	Budget
Staffing	$ 3,979,570	$ 4,296,850	$ 4,225,604	$ 71,245	2%	$ 5,109,881
Contract Services	$ 1,791,413	$ 2,645,002	$ 2,474,598	$ 170,404	6%	$ 2,845,761
Other Operating Expenses	$ 1,303,322	$ 1,647,145	$ 1,535,151	$ 111,994	7%	$ 1,491,171
Utilities	$ 317,568	$ 325,947	$ 326,328	$ (381)	0%	$ 326,046
TOTAL	$ 7,391,874	**$ 8,914,944**	**$ 8,561,681**	**$ 353,263**	4%	$ 9,772,859

Contract Services: The Administration and IT Department realized a 6% savings in Contract Services for FY2021. Various contract services were delayed due to the pandemic, or the services were not performed, such as the operator contract for Council Meetings was not needed as meetings were virtual. We expect to resume regular contract services in the next fiscal year. Other contract services not implemented were the ECOSLO contract and a contract to update the Economic Development Strategic Plan. Both items are budgeted for and scheduled to begin in FY 2021-22.

Other Operating Expenses: The 7% savings in Other Operating Expenses can be associated with staff working remotely, the Fiscal Health Contingency Plan guidelines and COVID-19. As staff continued to work remotely, the department did not utilize numerous budgets associated with being in the office such as office supplies, furniture, and fixtures, etc. Professional development and training opportunities were either canceled or switched to on-line trainings, which were less expensive in nature due to the absence of travel costs. Additionally, advertising for legal ads was decreased due to the fluctuation of development. These savings are expected to be one-time as the impacts of COVID-19 influenced spending in FY 20-21 as it related to in-person events. Although there was a negative variance as the Office of Sustainability and Natural Resources paid two years of property tax for its open space land as opposed to the typical annual payment, this was offset by other savings. This was due to a billing error on the County's part.

Staffing: The 2% variance in Staffing can be attributed to vacant positions such as the Assistant to the City Manager and Executive Assistant. Although, some of the savings were partially offset to fund interim or backfilled positions along with compensating for overtime hours spent due to COVID-19 (after-hours meetings, Oracle application updates performed after hours, etc.). The overtime has been addressed in the budget for next year by adding resources.

City Attorney Department

The department ended the year with an overall surplus by prioritizing and moving budgeted funds to best provide legal support for continually emergent and evolving needs, while addressing ongoing operational demands and continuing to provide high level legal advice and support to the Council and the entire City organization. In order to advance the sustainability of the legal services function to the organization, the Department advocated successfully for the need to hire additional staff in order to gain capacity for ongoing legal services needs and to analyze the department budget and structure for future sustainability. This led to approved SOBCs for the 2021-23 Financial Plan to perform a department organizational assessment and to hire enough staff to keep workload moving while the assessment was being completed.

The Department has now completed the RFP process, selected a consultant, awarded a contract, and begun the department organizational assessment process, with project completion anticipated at the end of the calendar year and related structural changes and hiring processes to be implemented and completed shortly thereafter.

Effects of COVID-19 on Department Operations

Ongoing organizational legal support demand continued to increase in both volume and complexity and sustainable operations, which were strained pre-COVID, were further adversely impacted by Emergency Operations Center (EOC) legal support demands. The addition of COVID related legal services demand and participation in the EOC policy and operations teams has adversely impacted both timeliness of response and feasible thoroughness of legal analysis, essentially requiring triage treatment of what previously would have been singular focus legal issues affecting the City. Additional temporary staffing was needed to support the additional layer of complexity that COVID and its associated emergency orders, research demands, policy and document production and analysis and related matters added to all legal procedures and community interactions. This included attorney time to research and analyze the effects of orders and provide legal advice to policy and operational staff, but also impacted existing processes, such as administrative time to manage the exponential increase in appeals of administrative citations – whether for ordinary noise violations or for violation of emergency health orders specific to COVID. As a particularly acute example, the time to bring closure to only two of the administrative citations issued to Kennedy Club Fitness (KCF) for violation of emergency health orders was longer than eight months, once appeals were received from KCF in December 2020, not including extensive pre-citation and pre-appeal outreach and coordination by multiple city departments.

Accomplishments

- Successfully defended the City's authority to enforce COVID-19 Public Health Orders to protect public health and safety and provided ongoing legal support to the City's Emergency Operations team.
- Trained a successful new Assistant City Attorney.
- Ongoing legal advice and support to City's significant homelessness programs, policy and operational initiatives, as well as defending against related claims and litigation threats against the City.
- Ongoing legal advice and support of the City's Cannabis Program, including successful completion of the defense of an action challenging City permitting decisions.
- Completed multiple high volume Public Records Act and subpoena document productions.
- Management of significant claims and litigation, including ongoing defense of City housing projects approvals and a district election demand under the California Voting Rights Act.
- Successfully proposed and began to implement a departmental reorganization, including Council approval of funding for a position reclassification and additional supplemental staffing, using the increased capacity to initiate the requisite RFP and contract for an independent departmental organizational assessment.

- Tested and launched a department intake protocol to better manage new requests for legal advice and analysis to define and centralize requests and aggregate pertinent information at the outset of services requests more efficiently.

Key Objectives

- Develop and maintain a high level of legal support to City government
- Provide prompt, thorough legal advice in response to inquiries, with emphasis on legal options
- Minimize liability exposure of City through the practice of preventative law
- Apprise City Council on pending litigation, legislation, and other significant legal matters
- Strengthen Municipal Code enforcement practices

Performance Measures	Target	Result
Citation Appeal Process Completed Within 70 Days	70%	67%
Claims Against the City Received that Resulted in Litigation	<5%	2%

Variance Analysis

Table D-2

City Attorney	2019-20	2020-21				2021-22
	Actual	Budget	Actual	Funds Available	%	Budget
Staffing	$ 815,900	$ 864,586	$ 836,951	$ 27,635	3%	$ 1,073,381
Contract Services	$ 23,976	$ 68,865	$ 60,989	$ 7,876	11%	$ 92,995
Other Operating Expenses	$ 113,918	$ 207,285	$ 208,344	$ (1,059)	-1%	$ 19,195
TOTAL	$ 953,794	**$ 1,140,736**	**$ 1,106,284**	**$ 34,452**	**3%**	$ 1,185,571

Contract Services: Surplus was the intended source of a change order near end of year to increase an existing purchase order for cannabis related issues and litigation. The change order was mistakenly sourced out of Legal Services instead leaving funding here and throwing the Other Operating Expenses balance into negative.

Other Operating Expenses: See Contract Services for explanation of negative balance. Even with travel restrictions due to COVID, staff were able to use a significant amount of the budget and carryover funding requested for Education and Training to complete programs offered remotely, including those necessary to the training of the new Assistant City Attorney and to meet the demands of emergent issues. This was accomplished via registrations in the virtual MCLE seminars offered by local and regional law associations and sessions of League of California Cities Conferences. In addition, staff also completed specialized CEQA, Personnel and Laserfiche training via online offerings.

Staffing: As the fiscal year progressed, Regular Salaries was noted as trending towards overspent. A CMR was approved to move funds from Other Contract Services to Regular Salaries, but it seems the amount calculated for that budget adjustment did not allow for the last pay period of the year. That expenditure, for the final pay period, pushed Regular Salaries negative.

Various staffing lines were predicted to be over budget due to increased hours worked (due to workload increase related to COVID-19) and added benefits (PERS enrollment) for supplemental employees. Instead of moving the extra funding needed into specific budget lines (Retirement Contributions, Medicare, etc.) a budget adjustment placed all needed funds in Temporary Salaries. The surplus in Temporary Salaries is intended to counter negative balances of any overspent staffing lines.

Finance Department

The Finance Department ended the year with some savings due to vacancies in Accounting and the frozen position of a Purchasing Specialist in the Purchasing division. The biggest challenge for the department in FY 20-21 was the continued implementation of the ERP and HCM system but the department made huge improvements through the assistance of Oracle Consulting Services (OCS).

Effects of Covid-19 on Department Operations

The Finance department experienced increased workload associated with forecasting, planning, and funding needs for COVID19. Additional sessions before Council reported on the pandemics impact on the City's fiscal outlook. The department was in charge of tracking all expenditures, establishing the reporting mechanism, and submitting funding requests to FEMA. To date, eight applications have been filed, however, no reimbursement has been received.

Accomplishments

- Continued enhancements to the ERP and HCM system, notably for bank reconciliation.
- Launched transparent online budget portal
- Updated Fund Balance and Reserve Policy
- Implementation of a new credit card policy to address audit findings.
- Improved Business License and Tax renewal process
- Improved enforcement of UUT through collaboration with HdL
- Implemented a new investment policy and management plan encompassing ESG investing
- Implemented a comprehensive fund balance and reserve policy
- California Municipal Treasurer Association certification of City's Investment Policy and Management Plan

Key Objectives

- Work closely with the operating departments in developing and implementing funding plans and programs in achieving their goals and objectives.
- Evaluate, monitor, and produce reports documenting the City's financial progress for internal customers and for presentation to the City Council every three months.
- Monitor receipts of local revenues and initiate effective collection strategies to ensure that revenues and taxes are paid by those who are obligated to pay them.
- Oversee City purchasing and ensure compliance with all applicable laws, regulations, and policies.
- Provide accurate and timely financial reports to internal and external stakeholders.

Performance Measures	Target	Result
Receive the Government Finance Officers Association Distinguished Budget and Annual Report Award	Yes	TBD*
Meet Budget and Fiscal Fund Balance Requirements	100%	100%
Meet all Federal, State, and City Charter Reporting	100%	100%

**Due to a backlog in GFOA award reviews, the Annual Comprehensive Financial Report is still under review.*

Variance Analysis

Table D-3:

Finance	2019-20 Actual	2020-21 Budget	2020-21 Actual	2020-21 Funds Available	%	2021-22 Budget
Staffing	$ 1,480,458	$ 1,649,954	$ 1,514,956	$ 134,998	8%	$ 1,790,957
Contract Services	$ 240,972	$ 433,567	$ 304,579	$ 128,988	30%	$ 345,970
Other Operating Expenses	$ 33,859	$ 53,900	$ 16,503	$ 37,397	69%	$ 53,900
TOTAL	$ 1,755,289	**$ 2,137,421**	**$ 1,836,038**	**$ 301,383**	**14%**	$ 2,190,827

Contract Services The significant one-time savings in the Contract Services category was largely due to several budgeted efforts that were not executed in addition to changes in suppliers and variations in cost. For example, there was $40,000 budgeted for cannabis audits which were postponed due to the delayed opening of businesses. While the department tries to budget as accurately as possible, reporting requirements (and associated costs) vary from year to year.

Other Operating Expenses Consistent with all other departments, Finance had significant savings in its education and training budget due to Covid-19 travel restrictions. However, staff did take advantage of many training opportunities and conference, all of them offered online without related travel cost.

Staffing The Finance department had several vacancies due to the Fiscal Health Contingency Plan (FHCP) restrictions and used some of them for temporary staff to fulfill critical tasks such as Accounts Payable and CalPERS reporting. The department is currently recruiting for all of its vacancies including the position in Purchasing that was frozen as a measure for the FHCP. All of the department's work programs were fulfilled, however, since the Purchasing Analyst was also assigned to the City's EOC as the FEMA liaison, the update to the Purchasing Policy was delayed and is now scheduled to go to Council by Winter of 2021.

Variance Analysis: Support Services and Non-Departmental Cost Centers

Table D-5

Finance: Support Services	2019-20 Actual	2020-21 Budget	2020-21 Actual	2020-21 Funds Available	%	2021-22 Budget
Other Operating Expenses	$ 154,724	$ 259,465	$ 158,991	$ 100,474	39%	$ 317,700
COVID19	$ 283,979	$ 950,359	$ 1,091,817	$ (141,458)	-15%	
TOTAL	$ 438,703	**$ 1,209,824**	**$ 1,250,808**	**$ (40,984)**	**-3%**	$ 317,700

Table D-6

Finance: Non Departmental	2019-20 Actual	2020-21 Budget	2020-21 Actual	2020-21 Funds Available	%	2021-22 Budget
Staffing	$ 5,688	$ 1,253,377	$ 954,463	$ 298,914	24%	$ 307,658
Other Operating Expenses	$ 161,316	$ 70,000	$ 169,078	$ (99,078)	-142%	$ 70,000
TOTAL	$ 167,004	**$ 1,323,377**	**$ 1,123,541**	**$ 199,835**	**15%**	$ 377,658

Support Services – Citywide

The Support Services cost center is managed by the Finance Department but is used for expenditures that support all departments such as postage costs, Ventures and Contingencies (V&C), and membership costs for the League of California Cities. The newly established account to track Covid-19 related expenditures was therefore placed in this cost center.

The savings in "Other Operating Expenditures" is due to an under-utilization of the V&C account. This account is designated to fund one-time, unplanned operating projects at the City Manager's discretion. Due to economic uncertainties last September, budget carryover from FY 19-20 was approved on a very limited basis. Instead of approving individual department carryover requests, the City Manager approved the allocation of $391,000 into V&C account to use on an as needed basis for projects aiding economic recovery or advancing the meta-goal. After Measure G20 passed, the Council decided to allocate the additional transaction tax revenue anticipated in the last quarter of the fiscal year towards economic recovery efforts (see table on page 67) ; therefore, a lot of the V&C funding budget was no longer needed (see attachment B). This savings will help offset the unbudgeted Covid-19 expenditures explained below.

As mentioned above, Support Services is the centralized cost center for Covid-19 operating expenditures. As detailed in Section 1, most Covid-19 related costs and budget allocations were distributed throughout department budgets and/or capital project budgets, but the $1,091,817 and $141,458 variance listed in the table above represents *unbudgeted* costs associated with the Covid-19 health emergency (PPE, cleaning supplies, etc.). This cost has been submitted to FEMA via several reimbursement applications.

Non-Departmental Allocations

Other Expenses: The negative balance in this category was caused by credit card and bank fees that were underbudgeted. As more customers utilize online payment gateways and switch to credit card payments, these costs increase. However, the biggest difference comes from bank charges that are usually covered by the interest the account earns. In the current low interest rate environment, this was not achieved in FY 21. Finance staff keeps a close eye on the terms and conditions and negotiates ongoingly with its bank on record.

Salaries: Non-departmental salary budget is comprised of contingency budget for organization-wide staffing line items. This budget is activated when a department is faced with unexpected staffing costs due to bargaining results and payout of vacation leave. The budget was partially allocated in FY21 for unbudgeted vacation buyout in the City Attorney department and COBRA payments for the family of a fallen police officer. The portion pertaining to ongoing negotiations will be carried over to FY 20-21.

Human Resources Department

The Human Resources Department ended the year with positive variances in all cost centers. While the department resumed many pre-pandemic activities, the inability to host in-person interviews, meetings, and events drove savings throughout the Department's budget. The biggest challenge the Human Resources Department faced this fiscal year was balancing major projects, ongoing core services, and responding to changing COVID-19 needs.

Despite these challenges, the Human Resources Department was able to meet many of its key objectives. The Department exceeded its goal of percentage of internal promotions and was incredibly close in achieving the goal of 95% of on-time performance evaluations citywide. The Department did not achieve its goal of reducing workers' compensation and liability claims expenses mainly due to one unusually large claim payment. The Department has been working diligently to implement the self-service feature of the Benefits module in Oracle to allow employees to submit paperless benefit enrollments and changes. This work effort is anticipated to be complete in time for the 2022 Open Enrollment period. The Department also collaborated with other departments across the City to develop recommendations for staffing requests in the 2021-23 Financial Plan.

Effects of Covid-19 on Department Operations

Human Resources Department operations were heavily impacted due to ongoing changes related to the COVID-19 pandemic. Ongoing staff resources were focused on new regulations, changing OSHA requirements, and internal contact tracing and communication with employees. As hiring resumed, staff began onboarding employees virtually and found efficiencies in transitioning to an electronic onboarding process. Staff also began holding more virtual training sessions to continue opportunities for professional development.

Accomplishments

- Onboarded additional recruitment support in anticipation of significantly increased demand for the upcoming year.
- Conducted department workload analysis to recommend appropriate staffing levels and structure for the 2021-23 Financial Plan.

Key Objectives

- Maintain compliance with State and Federal laws related to employment practices.
- Continue to develop and implement a comprehensive training and development program, including succession planning efforts.
- Continue to improve marketing the City as an employer of choice to draw well-qualified applicants.

Performance Measures	Target	Result
Percentage of On-Time Performance Evaluations	95%	93%
Percentage of Internal Promotions	40%	48%
Reduction of Liability and Workers' Compensation Claims	-6%	43%

Variance Analysis

Table D-7:

Human Resources	2019-20 Actual	2020-21 Budget	2020-21 Actual	2020-21 Funds Available	2020-21 %	2021-22 Budget
Staffing	$ 924,133	$ 1,065,325	$ 1,055,161	$ 10,164	1%	$ 1,265,198
Contract Services	$ 276,209	$ 380,956	$ 330,464	$ 50,492	13%	$ 384,751
Other Operating Expenses	$ 24,901	$ 38,365	$ 51,519	$ (13,154)	-34%	$ 50,900
TOTAL	$ 1,225,244	**$ 1,484,646**	**$ 1,437,144**	**$ 47,502**	**3%**	$ 1,700,849

Contract Services

The department ended the year with an overall positive variance in contract services. The main reason for this variance is the uncertainty with COVID-19 that caused in-person events to be rescheduled or moved to a virtual setting or caused priorities to shift to focus on COVID-19 response.

Other Operating Expenses

Across all department programs, other operating expenses had a negative variance due to the high number of tuition reimbursements processed throughout the fiscal year. The department has increased the budget for tuition reimbursements from $7,500 to $15,000 to match historical averages and will closely monitor applications in the next year.

Staffing

The staffing budget did not see the desired two percent savings due to a vacation cash out from an unexpected retirement.

Fire Department

Summary

The Fire Department ended FY 20-21 with minimal savings, 0.22%. While staff anticipated ending the fiscal year approximately 1% over budget, unanticipated savings in “retiree healthcare” was significant enough to overcome the forecasted budget deficit. The primary driver of the department’s costs for FY 20-21 was staffing, most notably Emergency Response overtime which was significant this year due to unbudgeted Covid-19 sick leave, long-term worker’s compensation injuries, two unanticipated resignations and two retirements. Vacancy salary savings only partially offsets overtime costs. These cost drivers will continue to impact the fire department budget until new fire recruits are hired and complete the ten-week recruit academy at which time they will be eligible to fill the existing vacancies. Additional details regarding notable budgetary variances are discussed below in “Variance Analysis”.

Based on the result (see table below), staff is working to make process improvements to its FY 20-21 performance measures. In FY 21-22 the Fire Department altered Total Response Time (TRT) performance measures by segmenting out each response time component: call processing time, turnout time and travel time. Staff believe that segmenting out TRT will improve the department’s ability to identify and analyze areas of improvement to inform both short-term and long-range city-wide planning needs. A combination of development activity and a fire prevention vacancy led to an inability to meet development review activities as quickly as targeted. The department will continue to assess workload versus staff capacity to determine if additional resources will need to be requested at mid-year to help support the current pace of development.

Additionally, the department is working to complete a self-assessment to analyze strengths, weaknesses, opportunities, and threats to proving a high level of service to our growing community. The self-assessment will provide framework for an update to the department’s strategic plan and provide guidance for long-term planning efforts and budgetary needs.

Effects of Covid-19 on Department Operations

Covid-19 resulted in both workload and budgetary impacts. Similar to what was observed in FY 19-20, the Fire department saw a reduced number in calls for service in FY 20-21 which is likely tied to reduced daytime population levels, roadway traffic and other societal changes brought on by Covid-19. Additionally, staff reduced in-person training and nearly eliminated non-essential training unless it was done so virtually due to public health recommendations.

Regarding budgetary impacts, staff limited spending to operationally essential purchases however unavoidable Covid-19 sick leave costs resulted in a net negative impact to the FY 20-21 operational budget. This unbudgeted additional benefit required the fire department to provide overtime backfill to maintain minimum daily staffing levels. The additional overtime costs would have resulted in the department ending the fiscal year over-budget, had it not been for the unanticipated savings in “retiree healthcare” costs due to new Governmental Accounting Standards Board (GASB) reporting.

Accomplishments

- New-hires and promotions demonstrated the success of department succession planning efforts and lower the costs associated with retirement due to an increase in the number of PEPRA employees
- Restructuring battalion chief roles to improve service delivery
- Enhanced open space rescue capabilities through the new paramedic E-Bike program and updated trail maps
- Enhanced public communications through increased social media presence and scheduled communications

- Awarded two Federal Emergency Management Agency (FEMA) Assistance to Firefighters Grants to (1) fund training to increasing the number of staff paramedics and (2) recoup Covid-19 Personal Protective Equipment (PPE) expenses
- Conducted Position Specific Emergency Operation Center (EOC) training for key city staff
- Rolled out new, standardized Command and Control training for all emergency response staff.

Key Objectives

- Provide responsive, effective, and efficient fire department programs.
- Deliver timely response providing medical emergency basic and advanced life support, fire suppression and rescue.
- Provide effective number of personnel for initial attack on fires.
- Minimize property damage and limit environmental damage caused by release of hazardous materials.
- Eliminate fire hazards and minimize fires in buildings, properties and equipment through plan review and safety inspection services.
- Perform all required maintenance on all fire vehicle apparatus and vehicles and related equipment.
- Lead City disaster preparedness efforts through providing disaster response training to City employees, maintaining up-to-date hazard mitigation and disaster response plans and educating the public in disaster and emergency preparedness.

Performance Measures	Target	Result
Meet the Total Response Time (TRT} goal as defined by General Plan Safety Element of 7 minutes or less to 90% of all lights-and-siren emergencies in the City.	90%	70%
Percentage of Fire Department Development Review activities completed within published cycle times.	80%	67%

Variance Analysis

Table D-8:

Fire	2019-20	2020-21				2021-22
	Actual	Budget	Actual	Funds Available	%	Budget
Staffing	$ 11,857,023	$ 13,014,982	$ 13,200,028	$ (185,047)	-1%	$ 12,854,313
Contract Services	$ 126,929	$ 250,198	$ 148,375	$ 101,823	41%	$ 254,297
Other Operating Expenses	$ 469,256	$ 581,918	$ 483,222	$ 98,696	17%	$ 771,250
Utilities	$ 88,003	$ 113,150	$ 97,687	$ 15,463	14%	$ 117,687
TOTAL	$ 12,541,211	**$ 13,960,247**	**$ 13,929,312**	**$ 30,935**	0%	$ 13,997,547
Public Safety Equipment Funding *		**$ 1,004,677**	**$ 153,530**	**$ 851,147**		$ 851,147
GRAND TOTAL	$ 12,541,211	**$ 14,964,924**	**$ 14,082,842**	**$ 882,082**	6%	$ 14,848,694

**With FY 21-22, Public Safety Equipment funding is now accounted for in a unique fund and will be carried forward indefinitely (Fiscal Policy Section 7.k)*

Contract Services

Overall, the Fire Department ended FY 20-21 with 41% savings for Contract Services. The primary drivers for savings in this category were found in Hazard Prevention and Disaster Assistance. Hazard Prevention utilizes development fee revenue to fund contract fire plan check services to keep up with demand and the budget for this item is developed by using historical actuals and anticipated activity. Staff was not able to fully utilize the anticipated budget for FY 20-21 and will adjust FY 20-22 budget for this service accordingly. Additional savings were reached after contracted underground storage tank services were utilized less than anticipated during the Hazardous Materials Coordinator vacancy. Disaster Assistance experienced contract emergency management services savings due to the lack of in-person trainings, public workshops, and the rescheduling of the FEMA EMI Training in Emmitsburg, MD to

April 2022 given Covid-19. The FY 21-22 budget has been adjusted accordingly. Another noteworthy item is that these savings were slightly offset by an overage in Fire Station Facility Support contract services which experienced a nearly 100% overage due to unanticipated repairs needed at all 4 Fire Stations. Staff will continue to monitor budget amount to meet ongoing needs.

Other Operating Expenses: Overall, the Fire Department ended FY 20-21 with 18% savings in this budget category. The primary driver for savings was limiting spending to operationally essential items only, given the Covid-19 fiscal health contingency plan being in place city-wide. One of the most common areas in savings was found in Education and Training after reduced training opportunities given Covid-19. These savings are not anticipated for FY 21-22 as more trainings and conferences become feasible. Another notable savings was in fuel, where 25% of the budget went unexpended. This savings was due to reduced support vehicle use during Covid-19 health restrictions and moderately reduced call volume observed during Covid-19 shut-downs. Increased consumption is anticipated as City operations increase in FY 21-22.

Staffing: Overall, the Fire Department ended FY 20-21 with a 1% overage in Staffing. Overall, this overage was offset by savings achieved in Contract Services, Other Operating Expenses and Utilities. The biggest driver in this overage is tied to the additional overtime costs resulting from unbudgeted Covid-19 sick leave offered to employees as emergency response staff require backfill overtime shifts to maintain minimum daily staffing levels. Additionally, the department experienced several long-term work-related injuries and several vacancies due to retirements and unplanned resignations. A major offset of the staffing overage was unanticipated savings in Retiree Healthcare costs due to new Governmental Accounting Standards Board (GASB) reporting. Additionally, some of the worker's compensation backfill overtime was offset by worker's compensation reimbursement provided by the California Joint Powers Insurance Authority (CJPIA) and the vacancy backfill overtime was partially offset by vacancy salary and benefit savings. None of these offsets were significant enough to overcome the department's staffing overage. The overspending is anticipated to continue into FY 21-22 until the fall recruitment candidates complete the 10-week recruit academy. Staff is working to move up the start date of this academy to help expedite the department's ability to fill the vacancies and subsequently limit overtime costs. Salary savings do not completely offset the cost of overtime required to fill the vacant position.

Utilities: Overall, the Fire Department ended FY 20-21 with 16% savings for Utilities. The primary driver for this savings was the decrease in utility demand after Covid-19 resulted in fewer administrative employees utilizing City facilities. This was most notably observed in City utility services and electrical service which also experienced rate decreases due to participation in Central Coast Community Energy (3CE). Significant savings are not anticipated as more staff return to in-office work and normal day-today operations.

Fire Department Revenues

	Table D-9	2019-20 Actual	2020-21			
			Budget	Actual	Variance	%
1	**Fire Services**				$ -	
2	Cal Poly Fire Services	$ 318,058	$ 315,241	$ 315,241	$ -	100%
3	CUPA Inspection Fees	$ 173,984	$ 140,000	$ 146,953	**$ 6,953**	105%
4	Fire Alarm Permits	$ 10,451	$ 4,335	$ 8,871	**$ 4,536**	205%
5	Fire Department Permits	$ 104,153	$ 103,044	$ 101,572	**$ (1,472)**	99%
6	Fire Plan Check & Inspection	$ 299,258	$ 333,000	$ 361,415	**$ 28,415**	109%
7	Medical ER Recovery	$ 194,408	$ 198,103	$ 198,103	**$ (0)**	100%
8	Other Fire Department Revenue	$ 34,809	$ 33,315	$ 41,426	**$ 8,112**	124%
9	R1 Inspection Fees	$ 307,334	$ 260,000	$ 324,634	**$ 64,634**	125%
10	**Total**	**$ 1,442,456**	**$ 1,387,037**	**$ 1,498,215**	**$ 111,177**	108%

Overall, the Fire Department ended FY 20-21 with 8% in over-realized revenue for the budgeted revenue accounts. The primary drivers of the additional revenue were increased fire plan check & inspection activity along with multi-dwelling unit fire and life-safety inspections. Staff will monitor these accounts in the first half of FY 21-22 and will update revenue forecasting accordingly at mid-year. Additionally, the fire department realized an additional 5% of forecasted mutual aid revenue due to a late FY 19-20 mutual aid response to Southern California and late reimbursement for previous fiscal year responses. Mutual Aid Revenue is not budgeted at the beginning of the fiscal year but forecasted at mid-year.

Police Department

The Police department ended the year with an overall savings of $315,804, which is about 1.7% of the total department budget. Total staffing savings were $114,856 which includes salaries, benefits, and workers compensation reimbursement. Other savings were in Other Operating Expenses in the amount of $142,205 and Contract Services was $32,968.

One of the challenges during the fiscal year was associated with staffing shortages in patrol. Leave hours related to workers compensation increased, there were several officers on light duty, and two officers on administrative leave for about half of the fiscal year. The department utilized officers from other specialty assignments to help cover shifts due to minimum staffing requirements. Staff is underway with hiring cadets/laterals, increasing outreach methods, and developing incentive options for new hires.

Effects of Covid-19 on Department Operations

Early on in the fiscal year, the daytime population was significantly reduced (minimal students living in town, workforce at home, decrease in tourism). There were also staffing challenges with COVID due to exposures and self-quarantine time. As a result, officer pro-active activity and traffic enforcement were decreased in comparison to prior years due to COVID restrictions. The budgetary impacts due to COVID included decreased revenues related to parking and administrative citations; however, these were offset with higher than budgeted revenue from other accounts such as False Alarm and Alarm Permits. Employee training slowed down significantly during the first half of the fiscal year which resulted in some savings; classes were either cancelled or held virtually.

The patrol officers and the downtown bicycle team also worked with the downtown business owners to enforce health and safety guidelines related to the pandemic. In December, the department was asked to provide increased patrol personnel downtown to support businesses and the holiday light display.

During COVID, the department's calls for service increased from previous years. Staff attributes the increase in calls to COVID; specifically, calls related to public health and safety regulations (from businesses and members of the community) and the idea that more people were working from home and therefore were more apt to notice and report suspicious activity. Other impacts of COVID included savings in Other Operating Expenses related to training due to the cancellation of in-person training for the first half of the fiscal year.

Accomplishments

- The new Police Chief was hired in May 2021.
- The department increased public communication efforts by creating a more robust social media presence.
- Staff hosted two successful "Open House" events to try and gain more public interest in department vacancies. This resulted in a greater number of candidates for police officer and dispatch positions.
- The department's Peer Support Team played a crucial role in guiding employees through the grieving process with the loss of Detective Luca Benedetti. The team offered counseling and grief services, scheduled debriefs for employees and family members, provided check-in opportunities and worked closely with other agency's Peer Support teams for support and feedback. Many of the services they provide continue to be utilized by department employees on a regular basis.
- Grants awarded to the department include:
    - Alcoholic Beverage Control: this grant helps agencies to develop an effective and comprehensive approach to eliminate crime and public nuisance problems associated with alcoholic beverage outlets.

- The Office of Traffic Safety grant which provided funding to conduct best practices strategies to reduce the number of persons killed and injured in crashes involving alcohol and other crash factors.
- Justice of Assistance Grant (Edward Byrne Memorial) provided grant funding to repair items at the department's range facility and purchase replacement furniture for the briefing room.

Key Objectives

- Continue with the development of the Intelligence Lead policing model with the Crime Analyst and have ongoing meetings to identify and address crime trends within the City.
- Continue to deploy the Community Action Team and Downtown Bike Unit to address adverse behavior and homeless issues within the downtown and explore ways to manage and address homeless related issues that negatively impact our community.
- Continue to partner with Transitions Mental Health Association to address the needs of individuals that may be dealing with mental health related issues within our community.
- Conduct pro-active investigations in crime trends which victimize City residents and businesses
- Neighborhood Services will collaborate with patrol to improve the public outreach relating to crime trends including but not limited to web/social media outreach, in-person presentations, media releases and videos.
- Traffic Safety will continue to conduct special enforcement operations in the City's most hazardous intersections and roadways to reduce collisions, including a focus on reducing collisions involving bicycles and pedestrians.

Performance Measures	**Target FY 20-21**	**Result FY 20-21**
Crime Reduction Crime Statistics for total Part 1 Crime for calendar year 2020 were 1,825. (UCR statistics are reported in calendar year). Comparing this to 2019, this is 5.19% reduction. Part 1 crimes include Violent and Property crimes against persons. Although Violent crime stats increased from 187 to 205 (9.6% increase), Property crime stats decreased from 1738 to 1620 (6.8% reduction). In totality, these Part 1 crimes show an overall decrease of 5.19%.	-2%	-5.19%
Increase Engagement on Internal Wellness and Employee Health As a result of COVID-19, the department's Peer Support Team found innovative ways to stay connected to the department, offering live webinars and other literature on health and wellness. The team conducted multiple briefing trainings as well. With the tragic loss of Detective Luca Benedetti in May 2021, the team played a critical role in offering support services to employees. Many employees utilized Peer Support Team services and continue to stay connected.	20%	27%
Reduce Homelessness and Mental Health Disorder Calls for Service In 2019, total Homelessness and Mental Health Disorder related calls totaled 7,320. These types of calls increased by 4.7% in calendar year 2020 to 7,662. Calls increased due to an increase in the homeless population during the pandemic. In addition, the department's ability to take action was inhibited due to legal restrictions related to enforcement activities.	-5%	4.7%

Variance Analysis

Table D-10

Police	2019-20		2020-21								2021-22	
	Actual		Budget		Actual		Funds Available		%		Budget	
Staffing	$	16,549,713	$	16,720,947	$	16,606,091	$	114,856	1%		$	17,742,688
Contract Services	$	443,358	$	662,746	$	629,778	$	32,968	5%		$	820,265
Other Operating Expenses	$	402,469	$	419,027	$	353,836	$	65,191	16%		$	433,540
Utilities	$	131,592	$	144,512	$	118,737	$	25,775	18%		$	144,850
TOTAL	$	17,527,133	**$**	**17,947,232**	**$**	**17,708,442**	**$**	**238,790**	**1%**		$	19,141,343
Public Safety Equipment Funding *	$	5,316	**$**	**97,227**	**$**	**20,213**	**$**	**77,014**	**79%**		$	77,014
GRAND TOTAL	$	17,532,449	**$**	**18,044,459**	**$**	**17,728,656**	**$**	**315,804**	**2%**		$	19,218,356

**Public safety equipment funding is now accounted for in a unique fund and the unused balance will be carried forward indefinitely (Fiscal Policy Section 7.k)*

Expenditures

Contract Services

Overall, the department's Contract Services accounts had a savings of $32,968 which is about 5% of the budgeted amount. The savings in 8001 (Administration) was directly related to the County's "year 1" animal shelter construction costs, which were lower than anticipated for our City. There would have been additional savings, however funds were used to cover expenses related to Luca Benedetti's memorial which totaled about $24,000. Other savings in 8005 (Neighborhood Services) also contributed, this was because there were no special projects (due to COVID) to advertise for.

Other Operating Expenses

The department's Other Operating Expenses had a savings of $65,191. Savings in 8001 (Administration) and Patrol (8002) contributed to most of the savings. Administration had savings in Education and Training which was directly related to the pandemic. All in-person training classes were cancelled for the first half of the year and online classes became available later in the year. The online classes generally were less expensive since lodging, per diem, mileage and gas were not needed. Additionally, there was savings in Support Services due to lower rates for CJIS inquiries (Criminal Justice Information Services). Rates were 10.37 in FY 19-20, and in FY 20-21 rates reduced to 6.28.

Staffing

The department ended the year with $114,856 in total staffing savings. Typically, the department ends the year with more savings in this category. Some of the contributing factors include: POA MOA lump sum payments during the fiscal year were absorbed in the staffing budget, this totaled about $115,500; final payouts for employees that retired or left the department totaled $113,500. Combined, this totals approximately $230,000, which was unbudgeted. Savings in benefits and Workers Comp Reimbursement also contributed to savings in staffing as well.

Ultimately, the savings in salaries and benefits helped offset overages in overtime. The breakdown of those savings and total overtime expenditures are shown below.

FY 20-21	Budgeted	Expended	Balance
Salaries & Benefits	$16,006,594	$15,454,821	$551,773
Overtime	$714,352	$1,151,269	($436,916)
		Total staffing savings:	*$114,856*

Total overtime expenditures for FY 20-21 exceeded the previous year by over 15%.

	FY 19-20	FY 20-21	Increase
Total Overtime Expenditures	$ 997,117	$ 1,151,269	15.43%

The main contributor was related to shift coverage, overtime hours for shift coverage increased by 47% from last year. There were 13 officers throughout the fiscal year that were unable to work (on worker's compensation leave), some short- and some long- term. Hours for worker's compensation from the previous year increased by 115%. In addition, there were two officers on administrative leave for about half of the fiscal year as well. Staff was able to utilize officers from specialty assignments to help with patrol coverage, but in most cases, overtime was required.

Overtime hours related to protests started in June 2020. The protests continued into FY 20-21, but overtime hours decreased by approximately 36%. Although the hours were reduced, it was still a significant impact on the department's budget.

The chart below illustrates the type of overtime worked that contributed to the increase in expenditures.

Table D-11: Factors Contributing to Increased Overtime in FY 20-21

Type of Overtime Worked	FY 19-20 Hours	FY 20-21 Hours	Notes
Shift Coverage	3,790	5,555	Increased by 47%
Protest	2,085	1,324	Less hours in FY 20-21, but still unbudgeted.
OIS	0	229	Hours related to the department's officer involved shooting.
Downtown Patrol	60	328	Requests for increased patrols downtown.

The following chart shows the number of total hours that were coded as worker's compensation leave. Officers use worker's compensation leave if they are injured and cannot work. There was a total of 15 individuals (13 were officers) that could not work either part of the year or the entire year due to injuries.

	FY 19-20	FY 20-21	Increase
Worker's Compensation Leave Hours	3,452	7,439	115%

Utilities

Savings in utilities totaled $25,775. For the Police department, this includes water, sewer, gas, and electricity. The only account that had savings was electricity, this was due to the city's participation (change over) in Central Coast Community Energy (3CE) which resulted in lower rates. Also, during COVID, there were several administrative staff working remotely.

Police Department Revenue

Table D-12:

	Police Services Revenue		2020-21			
		2019-20 Actual	Budget	Actual	Variance	%
1	Accident Reports	$ 3,225	$ 3,400	$ 1,977	**$ (1,423)**	58%
2	Collision Investigation	$ 3,393	$ 3,000	$ 1,848	**$ (1,152)**	62%
3	Credit Collections	$ 13,860		$ 12,438	**$ 12,438**	
4	DUI Cost Recovery	$ 22,347	$ 23,400	$ 18,968	**$ (4,432)**	81%
5	Other Police Revenue	$ 323,819	$ 195,950	$ 218,768	**$ 22,818**	112%
6	Police Department Permits	$ 4,610	$ 3,000	$ 2,635	**$ (365)**	88%
7	Police Issued Parking Fines	$ 85,427	$ 75,000	$ 61,057	**$ (13,943)**	81%
8	Property Release Fees	$ 733	$ 500	$ 33	**$ (467)**	7%
9	Second Response Fees	$ 628	$ 1,000	$ -	**$ (1,000)**	0%
10	Tobacco Permits	$ 27,998	$ 21,417	$ 29,247	**$ 7,830**	137%
11	Tow Release Fees	$ 9,675	$ 9,000	$ 7,441	**$ (1,559)**	83%
12	Witness Fees	$ 3,880	$ 2,500	$ 1,650	**$ (850)**	66%
13	Administrative Citations - Safety	$ 245,963	$ 152,833	$ 136,627	**$ (16,206)**	89%
14	Alarm Permits - Contract (Police)	$ 170,786	$ 65,000	$ 116,953	**$ 51,953**	180%
14	**Total**	**$ 916,344**	**$ 556,000**	**$ 609,643**	**$ 53,643**	110%

COVID-19 also had an impact on the department's revenues. With the exception of a few accounts, all Police revenue accounts ended the year with less than projected revenues. Accounts such as accident reports, collision investigations, parking fines, and administrative citations were all below budget. There were fewer people in the neighborhoods and the downtown (no students and minimal tourists). In addition, fees were waived during COVID for property releases; this fee is typically $11 and was not collected during the majority of the year. Staff also believes that implementing the city-wide safety enhancement zone during COVID, which implemented double fines, had an effect on noise violations and administrative citations. Comparing FY 19-20 to FY 20-21, there were about 24% fewer administrative citations written this past year as a result of COVID.

However, revenues from other accounts help offset this shortfall and the department ended the year $53,643 over projected revenue. False alarm and permit revenue along with Tobacco permits, and the Other Police revenue account received more revenue than anticipated. Specifically, the False Alarm and permit revenue actuals for FY 19-20 were about $170K, and at mid-year during FY 20-21, staff decreased anticipated revenue for the year down to $65K because actuals were extremely low for the year (much like other revenue due to the impacts of the pandemic). However, by year end, total revenues exceeded the adjusted projection, but still fell short of the previous fiscal year. Total False alarm and permit revenue ended the year at about $117K.

Community Services Group (CSG)

Community Development • Parks & Rec • Public Works • Utilities

The Community Services Group is comprised of the City's four service departments. The administrative costs listed below are not specific to a department but benefit each department through administrative oversight and support. The objective of this "umbrella" is to provide management and analytic support to the departments as well as to identify new ways of doing business, enhanced efficiencies, and more effective cross departmental collaboration. The CSG Work Group has seen sharing of tools, sharing of staff resources, reorganization of programs (such as storm water), service level agreements and much more. The stormwater program and homeless services support are examples of the four departments working collaboratively on issues. Increased communications internally and externally are a current focus using the new communications coordinator. In response to the Great Resignation – the Business Services and Administrative Manager is now building a team of all departmental analysts to provide support to this work group; standardization of practices and shared resources will be a significant focus for this team in its support of the four departments and four enterprise funds. The unexpended staffing and operating expenses were due to the timing of hiring and the inability to fully take part in travel and training.

Table D-13:

CSG Administration	2019-20	2020-21				2021-22
	Actual	Budget	Actual	Funds Available	%	Budget
Staffing	$ 9,593	$ 361,889	$ 298,314	$ 63,574	18%	$ 544,185
Contract Services	$ -	$ 37,109	$ 36,600	$ 509	1%	$ 109,317
Other Operating Expenses	$ -	$ 6,000	$ 3,554	$ 2,446	41%	$ 12,000
TOTAL	$ 9,593	**$ 404,998**	**$ 338,468**	**$ 66,530**	**16%**	$ 665,501

Community Development Department

The Community Development Department had an operating budget of $7,328,592 in FY 20-21, with an overall savings of $649,032. Some expenditure and revenue accounts had variances, however, the whole department remained almost nine percent under-budget. The implementation of the Fiscal Health Contingency Plan resulted in salary savings for the department because of multiple vacancies coinciding with the hiring chill.

Effects of Covid-19 on Department Operations

The State of California deemed construction activities essential services during the Covid-19 pandemic, including construction, inspection, and maintenance of construction projects. Before Covid-19, the Community Development front counter was open Monday through Friday from 8 a.m. to 3 p.m., however, the pandemic required the City to close the public counter. As a result, staff created online and alternative processes to decrease Covid exposure while still providing customer services. These innovative practices included digital permit applications, mail-in application submittals, and online payments.

About one-third of Community Development staff worked remotely to support the continuing permit and planning workload, while Building Inspectors, Permit Technicians, Code Enforcement Officers, and the Engineering team continued in-person inspections, patrolling, addressing of public health order violations, and processing of permits. Because of the effectiveness of the procedures implemented in each program, the department continued to collect $7,089,762 in revenue, $702,675 more than anticipated.

Accomplishments

- Association of Environmental Professionals Outstanding Award for the Froom Ranch Specific Plan Environmental Impact Report
- Association of Environmental Professionals Merit Award for the City's CEQA GHG Thresholds adopted as part of the Climate Action Plan
- American Planning Association award for the City's Climate Action Plan for Innovation in Green Community Planning
- Supported the installation of horizontal improvements, modified phasing, and modified development plan to facilitate vertical construction at the Avila Ranch Specific Plan
- Annexed the East Airport and Fiero Lane Areas
- Participated in a FEMA audit of the City's implementation of its floodplain management regulations
- Adopted a new Parks and Recreation Element
- Adopted the City's Climate Action Plan
- Adopted a new Housing Element for the 6th Cycle Planning Period
- Opened the City's first cannabis dispensary and granted use permit approval/construction permits for two other cannabis businesses
- Approved entitlements for the 1144 Chorro project, a major new mixed-use project in the City's downtown core
- Completed entitlements for the Northwest Corner project and made substantial progress on the 600 Tank Farm project, ensuring major new infrastructure enhancements along the Tank Farm Road corridor
- Implemented the TIPP-FAST program to expedite issuance of Tenant Improvement permits
- 75% of all building permits issued for new homes were all-electric permits
- 174 solar permits were issued
- Building inspections peaked with 1,004 inspections in June

Key Objectives

- Support the Housing and Climate Action Major City Goals

- Implement proactive public engagement tools for projects
- Forecast future conditions, needs, and strategies to implement the City's land-use policies and programs
- Assist in achieving desired development in conformance with established policies, guidelines, standards, and acceptable timeframes and provide timely processing of applications consistent with State and local laws and policies
- Preserve neighborhood wellness by coordinating code enforcement activities and timely compliance with a variety of regulatory programs citywide
- Award grant funding to private, nonprofit agencies serving the Human Services needs of residents

Performance Measures	Target	Result
Development Review Activities Completed Within Established Cycle Times	75%	80%
Affordable Housing Units Constructed	34	40
Code Enforcement Response Within Established Timelines	80%	85%*

**In fiscal year 2021, there were 520 code enforcement requests. Of the 520 requests, 444 requests received responses within the established timelines. Due to Covid-19, code cases were taking longer to fully resolve than in the past. This is due to Code Enforcement officers working remotely and extra cases being opened due to Covid health concerns at local businesses.*

Variance Analysis

Table D-14

Community Development	2019-20	2020-21				2021-22
	Actual	Budget	Actual	Funds Available	%	Budget
Staffing	$ 3,920,619	$ 4,439,658	$ 4,103,213	$ 336,445	8%	$ 5,182,888
Contract Services	$ 1,545,544	$ 2,181,993	$ 1,898,144	$ 283,849	13%	$ 1,449,347
Other Operating Expenses	$ 205,783	$ 706,941	$ 686,630	$ 20,310	3%	$ 348,928
TOTAL	$ 5,671,947	**$ 7,328,592**	**$ 6,687,988**	**$ 640,605**	9%	$ 6,981,163

Contract Services

The Department had variances in Contract Services for Administration, Developmental Review, and Human Relations. Some variances were due to purchase orders being rolled from FY 19-20 to FY 20-21 although services were completed, and funding was released in FY 21.

Other Operating Expenses

Due to the pandemic, many trainings and seminars were either cancelled or held online, which provided cost savings in registration and travel fees. Additionally, there was no spending in Publications and Subscriptions for Commissions and Committees because all Commission materials were provided digitally and will be done this way going forward. Next year's budget reflects this change.

Credit Card expenses were historically unbudgeted and reported as negative revenues. This has been corrected as a budget line item. The total credit card merchant fees in FY 20-21 exceeded the projected amount, however, this is due to the high number of building permit fees being paid and a greater number of people utilizing the online payment system.

Staffing

Savings for regular and contract staff in Development Review came from vacant positions that were not immediately filled due to the hiring chill and challenges with recruiting. Contract positions are particularly difficult to fill when the remaining budget does not support at least a 12-month contract. Over-spending for regular staff in Administration and Building and Safety was due to a prior budgetary error that has been fixed for future years. Salaries for contract staff was over-spent due to a BAR that was never completed for a contract admin staff position. Funding for Commissions and Committees was budgeted in Salaries-Temporary and paid out of Council and Commissioners. This payroll error is being fixed in future years. The remaining underspending variance is due to vacancies on the Commissions and holding fewer meetings due to Covid.

Development Services Revenue

	Table D-15	2019-20 Actual	2020-21			
			Budget	Actual	Variance	%
1	**Development Review**				$ -	
2	Building Permits	$ 2,518,404	$ 2,200,000	$ 3,580,748	**$ 1,380,748**	163%
3	Code Enforcement Fines	$ 97,164	$ 50,000	$ 90,879	**$ 40,879**	182%
4	Development Review Fees	$ 435,822	$ 248,000	$ 508,373	**$ 260,373**	205%
5	Encroachment Permits	$ 356,434	$ 305,000	$ 327,948	**$ 22,948**	108%
6	Engineering Development Review Fees	$ 108,498	$ 120,000	$ 116,097	**$ (3,903)**	97%
7	Infrastructure Plan Check & Inspection	$ 1,638,456	$ 1,200,000	$ 829,252	**$ (370,748)**	69%
8	Fire Plan Check (also listed under Fire)	$ 299,258	$ 333,000	$ 361,415	**$ 28,415**	109%
9	Plan Check Fees	$ 1,420,723	$ 1,664,087	$ 1,135,478	**$ (528,609)**	68%
10	Planning & Zoning Fee	$ 682,358	$ 600,000	$ 500,989	**$ (99,011)**	83%
11	**Total**	**$ 7,557,118**	**$ 6,720,087**	**$ 7,451,176**	**$ 731,090**	111%

Building Permits: Building Permit activity was high throughout the fiscal year due to increased building activity in the community. Staff revised the revenue projections to a more conservative number in response to the Fiscal Health Response Plan, however, building did not slow down like anticipated and revenues were about 63 percent higher than projected. Final revenues are consistent with prior revenue projections before the pandemic. The revenue collected from building permits in FY 20-21 was the highest amount ever collected.

Code Enforcement Fines: The increase in Code Enforcement fines was directly related to the high number of building permits that were issued to address unpermitted construction, which requires a Special Investigation Fee to be added to the cost of the permit. Additionally, a total of $6,000 was collected from citations issued for the violation of public health orders associated with the Covid pandemic. Additional citations are still pending payment.

Development Review Fees: Development Review Fees are generated via the building permit process. When a plan is routed to various City staff in Community Development, Public Works, Utilities, or Fire, the time that it takes to conduct the plan check of the building permit is recorded in Energov and an associated fee is collected at the time of permit issuance. Therefore, the variance in Development Review Fees is related to the high volume of building permits submitted and processed over the past year. While speculative development review did see a slow down during the pandemic (i.e. fewer planning applications for future development), building permits did not see a similar reduction. This is due to both ongoing residential development in subdivisions (San Luis Ranch Area, Orcutt Area, and Margarita Area) as well as homeowners making significant improvements to their properties like adding Accessory Dwelling Units, solar panels, and electrical panel upgrades.

Encroachment Fees: Some building permits require an encroachment permit and due to high building activity, the number of permits increased exponentially.

Infrastructure Plan Check and Inspection: This variance is due to staff over-projecting how many infrastructure plan checks and inspections would be needed in FY 20-21. Specifically, it was anticipated that public improvements for the Froom Ranch Specific Plan would begin in FY 20-21. However, it now appears that the project is being offered for sale and development may not move forward until new owners take over the property.

Plan Check Fees: Per Finance, this variance is skewed. This is overstated because as part of the FY 19-20 Financial Plan, a new policy was passed that allowed CDD to transfer plan check revenue directly into plan check expenditures since 65 percent of the fee is cost recovery for consultant services. BARs then increased the revenue and expenditure budget throughout the year as revenues were collected. In FY 20-21, BARs were completed in addition to having the initial budget reflect the expected amount, which artificially inflated the budget. This is fixed for FY 21-22.

Planning & Zoning Fees: This variance is due to anticipated applications for large-scale projects not being submitted in the fiscal year or fees that were invoiced but never paid. The fee applications are only 60 percent of the cost of the entitlement. Applicants are invoiced for the remaining completion fee and these invoices lag because applicants do not pay them until they are ready to submit for a building permit. Ultimately, any entitlements approved that will move forward to the Building Permit process will have to pay any outstanding planning and zoning fees before the application can be filed.

Development Services Designation

*Over-realized revenue requested for restriction - **$356,866***

Table D-16:

Development Services Designation Calculation		
Eligible over-realized revenue (see table D-15)		$731,090
Available for appropriation (75%)		$548,317
FY22 Approved Personnel Use	*$*	*(93,506)*
FY23 Approved Personnel Use	*$*	*(97,945)*
Total Allocation for FY21 Year End		**$356,866**
Existing Balance	$	284,339
Balance after appropriation	**$**	**641,205**

Resolution No. 10539 authorizes the City Manager to approve the appropriation and carryover of up to 75% of the over-realized development services revenue to cover the additional funds needed for development projects. This funding is vital to fund resources needed to achieve major City goals and department objectives. Many multi-year projects require resources that lag significantly from the revenue collection to the services being rendered.

Since the simultaneous budget adjustment and revenue increase did not include authorization for additional expenditures to address the resulting workload from increased fee revenue, this method helps to ensure that the fee revenues collected are appropriately allocated to Development Services activities to meet customer service expectations.

The method used to calculate the actual appropriation over-realized revenue was directed by Finance in consultation with Community Development following the Council approved appropriation and budget adjustment that occurred as part of the mid-year budget review. Per City Manager approval, beginning this year, over-spent credit card fees will not be removed from the eligible over-realized revenue and instead be removed from the General Fund balance. The approved personnel use is per the FY21-23 Financial Plan for a stormwater inspector who will monitor stormwater compliance on all construction sites across the City.

Going forward, the designation will likely be used to fund a variety of resources including additional plans examiners, permit technicians, planners, and engineers, including the use of on-call consultants to address workload demands.

Parks and Recreation Department

The Parks and Recreation Department has ended the year with positive variances in both revenues ($551,819) and expenditures ($316,511) which can be explained by COVID-19 unknowns at the time of the budget supplement, continuing through mid-year. Even amidst COVID-19 uncertainties, the Department was able to achieve its performance measures and almost all program objectives, with the exception of those programs most impacted by COVID-19 restrictions.

Ranger Service staff prepared the Miossi Open Space for official public use and continued to see increased trail usage among the City's 4,050 acres of Open Space this past year. With Special Events restricted, Community Services staff developed creative alternative programming for the majority of the fiscal year, and with Governor Newsom's lifting of all restrictions in early June 2021, the FY 20-21 culminated with Monday "Meet-Ups" with Food Trucks and music at certain City parks. In addition, Facilities staff duties were reallocated to support the Downtown Dining program and Parks and Recreation played a large role in operating the program to revitalize downtown and support economic recovery and vitality.

Effects of Covid-19 on Department Operations

Staff originally forecasted modified summer programming and normal fall programming for FY 20-21, which unfortunately did not come to fruition. Staff were cautious in forecasting programs due to uncertainties surrounding program feasibility and demand based on prolonged Covid-19 restrictions and adjusted revenue forecasts at mid-year. Most Community Services and Facilities programs continued to be most impacted by COVID-19 restrictions resulting in significant savings in both staffing and operating for both programs. Although programs remained modified as recommended by County Health guidelines, certain programming did resume earlier than mid-year projections, such as sport league programming in Spring 2021 which attributed to the positive variance in Adult Sports and Outdoor Facility Rental revenues.

Certain programs such as Youth Services and Aquatics over-expended in salaries due to program modifications related to COVID-19 health guidelines. In addition, due to FHCP requirements, temporary staffing budgets were cut for both Aquatics and Youth Services. Although the Department over-expended in supplemental salary expenditures, there were savings in other areas due to COVID-19 program cancellations which offset the staffing overages.

Accomplishments

- Parks and Recreation leadership and Community Development worked on multiple iterations of the Parks and Recreation Blueprint for the Future in preparation for Council Adoption (July 2021).
- Amidst COVID-19 program restrictions, staff was able to safely open the Laguna Lake Golf Course and SLO Swim Center facilities to the public with no reported COVID-19 outbreaks at either facility.
- To respond to Community need, Youth Services Childcare programming pivoted to provide full-day care to families during the SLCUSD period of distance learning.
- Staff implemented Youth Sports Clinics to the community for the first time.
- Community Services creatively planned a number of COVID-19 conscience events.
- Facilitation of the Fitness in the Park program to support local fitness/wellness businesses.
- Management of Downtown Dining in Mission Plaza to support economic recovery.
- Trail building and preparing the Miossi Open Space for public use.

Key Objectives

- Providing high quality childcare programs to the community, stimulating the local economy and enabling parents to return to work.

- Facilitation of Downtown Dining.
- Adoption of the Parks and Recreation Blueprint for the Future.
- Implementation of Public Art to enhance the look and feel of the public right of way during its temporary use.
- Open Space Maintenance and new Trail Development.
- Maintain clean, accessible and safe Aquatics facility.
- Maintain 26-acre, 10-Hole Executive Golf Course.

Performance Measures	Target	Result
Pop up Events to Activate our Parks & Facilities	13 Events	17 Events
Increased Community Awareness of Recreational Activities	10%	30%
Miles of Trails/Roads Maintained in the City Open Space	60 Miles	60 Miles

Variance Analysis

Table D-17:

Parks and Recreation	2019-20	2020-21				2021-22
	Actual	Budget	Actual	Funds Available	%	Budget
Staffing	$ 3,163,735	$ 3,491,859.85	$ 3,473,347.48	$ 18,512.37	1%	$ 4,232,703.52
Contract Services	$ 220,809	$ 349,638.62	$ 277,444.45	$ 72,194.17	21%	$ 250,915.00
Other Operating Expenses	$ 263,368	$ 516,892.52	$ 310,163.31	$ 206,729.21	40%	$ 515,285.00
Utilities	$ 95,329	$ 117,634.00	$ 98,558.57	$ 19,075.43	16%	$ 127,913.00
TOTAL	$ 3,743,241	$ 4,476,025	$ 4,159,514	$ 316,511	7%	$ 5,126,817

Contract Services

The most significant savings under Contract Services are tied to Community Services Contract Services accounts due to closed programming and a reduction in contract class program offerings and consequently less funding expended in instructor payments. In addition, Community Services cancelled the SLO Triathlon and other special events hosted by the Department due to COVID-19 restrictions. There were also a smaller number of banners installed due to COVID-19 impacts on special events.

Other Operating Expenses

The savings in Other Operating Expenses is partly due to savings in Office Supplies, Offices Expenses-Other and Print and Reproduction due to the transition to remote work and transitioning many standard paper processes to electronic means. The department did not spend Advertising and Public Outreach budgets, mainly due to the use of social media platforms for the majority of the Department's communications and advertising. In the case of the Jack House, the department did not conduct events or tours and expended only $300 of the $10,500 budget. In addition, there were savings due to many divisions not fully expending Education and Training and/or Trips and Meetings budgets due to COVID-19 restrictions surrounding conferences and the department holding most meetings virtually. In addition, Community Services and Facilities programming remained closed through the majority of the fiscal year, which included the cancellation of the SLO Triathlon, resulting in significant other operating expense savings for the Department.

As Youth Sports programming remained closed due to County Public Health Guidelines, the Department experienced savings in rents and leases for gym space at SLCUSD schools. In addition, the school district provided rooms and space free for Youth Services as the Department expanded programming to meet the needs of families during the period of distance learning, resulting in additional rent and lease savings for the Department.

Staffing

Due to COVID-19 health and safety program requirements, staff over-spent in Aquatics supplemental salaries due to increased staff needs for health screenings, sanitation, and increased programming hours based on capacity restrictions. Youth Services overspent in supplemental salaries due to program modifications and increased hours to accommodate childcare for families during SLCUSD distance learning. In addition, Youth Services over-expended in Regular Salaries due to the SLOCEA new contract negotiation which included a December 2020 lump sum payment, a vacation buyout that hadn't been budgeted, in addition to an error with the pay rate associated with a Recreation Coordinator pay grade. Lastly, attributing the most to the overage, Youth Services was able to receive early Council approval to reclassify the Limited Benefit Temporary (LBT) Specialists to Fulltime and was able to transition three LBTs to full-time employees in June 2021. The Golf Course Regular Salaries overage can be explained by the SLOCEA lump sum payment, a retroactive step increase due to a missing pay change form from a year prior, and comp time buyout that was not budgeted.

Recreation Administration had savings in Temporary Salaries with the public counter closure consistent with County public health guidelines. There were Supplemental Salary savings in both Facilities and Community Services due to program restrictions surrounding COVID-19. Recreation Facilities supplemental staff were reallocated to work Downtown Dining, but the division still had savings as the resources needed to staff downtown dining were not equivalent to a normal programming year for facilities. Ranger Service had savings in Temporary Salaries due to multiple Ranger Service Specialist vacancies and a former Specialist who worked limited hours during fire season.

Utilities

Utilities savings is directly associated with Electric Service expenditures at the Golf Course due to lesser need to use the pump for well water.

Parks & Recreation Revenues

Table D-18:

			2020-21			
		2019-20 Actual	Budget	Actual	Variance	%
1	**Parks & Recreation**				$ -	
2	Adult Athletic Fees	$ 44,316	$ -	$ 46,307	**$ 46,307**	
3	Aquatics Daily Use Fees	$ 61,900	$ 42,308	$ 50,361	**$ 8,053**	119%
4	Driving Range Fees	$ 7,502	$ 7,252	$ 12,561	**$ 5,309**	173%
5	Golf Cart Rentals	$ 15,346	$ 5,975	$ 12,429	**$ 6,454**	208%
6	Golf Greens Fees	$ 127,305	$ 151,470	$ 198,058	**$ 46,588**	131%
7	Golf Lesson Fees	$ -	$ 140	$ 8	**$ (132)**	6%
8	Golf Rental Fees	$ 5,621	$ 5,363	$ 7,889	**$ 2,525**	147%
9	Indoor Rental & Use Fees	$ 33,726	$ 20,000	$ 12,201	**$ (7,799)**	61%
10	Instruction Fees	$ 41,118	$ 10,000	$ 56,152	**$ 46,152**	562%
11	Junior Ranger Camps			$ 4,210	**$ 4,210**	
12	Library Rental	$ 15,188	$ -	$ -	**$ -**	
13	Local Revenue Measure Transfer In	$ 146,474	$ 152,922	$ 152,922	**$ -**	100%
14	Miscellaneous	$ 3	$ 1,185	$ 1,165	**$ (20)**	98%
15	Multi Day Swim Passes	$ 26,248	$ 35,000	$ 56,387	**$ 21,387**	161%
16	Other Parks & Recreation Revenue	$ 28,660	$ 24,840	$ 41,780	**$ 16,940**	168%
17	Outdoor Rental & Use Fees	$ 65,561	$ 29,319	$ 61,033	**$ 31,714**	208%
18	Sales Taxable	$ 8,030	$ 7,481	$ 14,741	**$ 7,260**	197%
19	Special Events Insurance	$ 6,770	$ -	$ 884	**$ 884**	
20	Swim Instruction Fees	$ 14,734	$ 20,673	$ 49,997	**$ 29,324**	242%
21	Therapy Pool Fees	$ 6,706	$ 8,327	$ 9,553	**$ 1,226**	115%
22	Youth Athletic Fees	$ 31,518	$ 14,000	$ 36,071	**$ 22,071**	258%
23	Youth Services Camps	$ 23,437		$ 86,776	**$ 86,776**	
24	Youth Services Childcare	$ 500,294	$ 680,857	$ 849,552	**$ 168,695**	125%
25	Special Events App/Permit	$ 26,101	$ -	$ 4,333	**$ 4,333**	
26	Special Events - City Sponsered	$ 10,559	$ -	$ 3,564	**$ 3,564**	
27	**Total**	**$ 1,247,119**	**$ 1,217,112**	**$ 1,768,932**	**$ 551,819**	145%

Facilities: Staff adjusted all facility rental budgets down to account for the restrictions surrounding group activities, specifically indoors. In Spring 2021, the County released guidelines approving outdoor league sports resulting in outdoor rental revenue immediately increasing while indoor rental fees remained below what staff originally forecasted. In addition, prior to league sports, the Department charged youth sports groups to utilize the fields for clinics under COVID-19 guidelines. When forecasting revenues, staff was unsure of the ability to charge for this type of activity. Indoor rentals were still largely impacted by County restrictions, and staff didn't begin allowing indoor rentals until late Spring resulting in revenue shortfall in Indoor Rentals by $7,799.

Youth Services: Youth Services program hours expanded to accommodate full-day programming in response to virtual/distance academic learning. Staff was unsure of demand for programming and conservatively budgeted revenues. Revenue actuals were at a historic high at $936,327 due to the expanded program hours and the San Luis Coastal Unified School District (SLCUSD) sharing the financial burden of the cost for SLCUSD families. SLCUSD covered 50% of the program cost for families during the distance learning time period.

Community Services: Community Services revenues encompass Adult and Youth Sports, Special Event Permit and City Sponsored Special Events, and Contract Classes. At mid-year, staff adjusted Adult Athletic fees down to $0 due to County restrictions surrounding COVID-19 for league programming. Fortunately, in Spring 2021, the County published new guidelines allowing for modified league programming resulting in the revenue actuals surpassing the budgeted target ($46,307). In addition, staff conservatively budgeted revenues for Youth Sports (clinics) and Contract Classes as staff was unsure of program demand amidst the COVID-19 pandemic. Demand was higher than forecasted revenues, explaining the positive variance for Youth Athletic fees ($22,071) and Contract Classes ($46,152). Note that revenue actuals still fell below a normal programming year due to limited Adult and Youth Sport league opportunities which traditionally bring in a significant amount of revenue.

Aquatics: Staff conservatively forecasted revenues for swim lessons, and assumed no group lessons, only private lessons. Staff only held private lessons in Fall 2020 but swim lessons resumed as normal for Summer 2021 with the majority of summer swim lesson registration paid in Spring 2021 (including typical group lessons). Multi-Day passes continued to be in high demand with more revenue brought in than forecasted due to the emphasis on lap swimming programming amidst COVID-19 program restrictions and the multi-day pass being a cost-effective choice for lap swimmers. Staff have returned to normal Aquatics revenue budgets for FY 21-22. Staff was unsure of third-party demand for the SLO Swim Center and adjusted the Other Aquatics revenue down. However, the Seahawks Swim Team did resume under a modified rental agreement to utilize the SLO Swim Center resulting in a $16,940 positive revenue variance. The SLO Swim Center typically closes the last two weeks of August for annual maintenance but closed mid-August into mid-September in 2021 for an extended CIP maintenance project. These projects were originally scheduled during FY 20-21 however were delayed to FY 21-22 in order to reduce the impact to the community.

Golf: Staff conservatively adjusted revenues down at mid-year and were able to achieve all revenue targets with minimal variances and brought in an additional $46,588 in Golf Green Fees than originally forecasted. With lessening restrictions, four-some groups resumed which reduced wait times between reservations resulting in higher revenues for Golf Green fees than originally forecasted. Staff adjusted at mid-year based on the first and second quarters of the Fiscal Year. Revenues for FY 21-22 have been adjusted to better reflect a normal programming year at $200,000. FY 20-21 Actuals for Golf Green Fees were at an all-time high; revenues hadn’t reached above those levels since FY 16.

Public Works Department

The Public Works Department ended FY 20-21 with significant expenditure variances that were attributable to staff vacancies, a change in service levels in response to COVID-19 and an increased irrigation need due to lower than anticipated rainfall. The department held positions vacant to assess staffing levels and structure; program studies are underway for CIP Project Engineering, Urban Forestry, and Transit. Several of the positions held vacant were in CIP Project Engineering due to an analysis of the program to determine the optimal staffing level and structure given the recently approved increase in the local revenue measure and corresponding expansion of the Capital Improvement Plan. Short staffing in the program paired with dynamic economic conditions that escalated construction costs precluded the department from attaining its goal of constructing 80% of CIP projects in the year they were budgeted. The department is continuing to hold positions vacant as program studies near completion. The recommendations provided in these studies will result in significant process improvements in staffing, performance tracking, financial management, and delivery of services.

COVID-19 and social unrest had an impactful effect on the department's workload and allocation of resources. Efforts were focused on achieving key objectives with an emphasis on health and safety as well as economic resiliency. While the department did not achieve its target of a 10% reduction in traffic collisions, staff were diligent in creating safe and accessible walking and bicycling opportunities. Efforts were committed across programs to OpenSLO which entailed temporary street closures, parklets, and more flexible sidewalk dining permits. This effort necessitated several street and traffic safety measures, as well as increased maintenance and sanitation efforts in the downtown corridor. In addition to OpenSLO program support, staff continued to be proactive in preventative maintenance efforts for City assets, increasing the number of work orders by four percent from Fiscal Year 2020.

Effects of Covid-19 on Department Operations

The department provided essential services to the community and played an important role in City's response to COVID-19. The department was able to maintain all service levels provided to the community and took on additional responsibilities to promote health and safety during the ongoing pandemic. Measures taken included:

- Increased frequency of janitorial services for public facilities.
- Implementation of a disinfection program for the downtown and park facilities.
- Providing public counter information, staging, screening, and shielding protection to better protect front counter staff and the community.
- Assisting with the OpenSLO program and implementation of parklets in the right-of-way, traffic control, and Higuera Street roadway striping revisions and the half-street closure of Monterey St. between Morro and Chorro Streets.
- Adjusting service levels and fees in parking and transit service discussed in the enterprise fund sections of this report.

The department also assisted with the City's response to social unrest by providing traffic control services and other resources, as necessary.

Accomplishments

- Marsh Street Bridge Complete and Opening
- Islay Park Playground Rehabilitation
- ATP Adoption
- Parklets and OpenSLO
- Enhanced downtown cleaning (sidewalk scrubbing and parklet cleaning)
- Multi-space meters (step one of Parking operational interface modernization)
- Dana Street Parking District
- Railroad Safety Trail start of construction

- Two electric bus purchases

Key Objectives

- Provide the public with safe and reliable parks facilities
- Provide a sustainable urban and community forest
- Provide the community with a safe and smooth public transportation infrastructure
- Deliver the City's capital construction program in a timely and cost-effective manner
- Enhance accessible regional transit, bicycle, and pedestrian mobility

Performance Measures	Target	Result
Increase the number of work orders for proactive preventative maintenance of city assets	5%	4%
Enhance traffic safety for all modes of transportation [3]	10%	1%
Percentage of capital projects constructed in the budgeted year [4]	80%	60%

Variance Analysis

Table D-19:

Public Works	2019-20	2020-21				2021-22
	Actual	Budget	Actual	Funds Available	%	Budget
Staffing	$ 8,420,661	$ 8,918,516	$ 8,296,529	$ 621,987	7%	$ 9,034,719
Contract Services	$ 1,171,878	$ 1,950,319	$ 1,589,314	$ 361,006	23%	$ 1,764,012
Other Operating Expenses	$ 1,434,196	$ 1,705,171	$ 1,510,967	$ 194,204	13%	$ 1,755,701
Utilities	$ 1,481,301	$ 1,774,205	$ 1,879,229	$ (105,024)	-6%	$ 2,121,206
TOTAL	$ 12,508,036	**$ 14,348,211**	**$ 13,276,038**	**$ 1,072,173**	7%	$ 14,675,638

Contract Services – There were significant savings in contract services in the department largely attributable to decreased program and service levels over the year primarily in Parks Maintenance, and Swim Center Maintenance. As the demand for organized sports field preparation, the required intensive turf renovation, and typical swim center use normalize contract services expenses will increase.

Other Operating Expenses – Significant savings were realized in Other Operating Expenses. These savings were realized in part due to increased use of contract services in Fleet to address staff shortages. Vendors have absorbed supply costs typically borne by the City. Furthermore, staff were able to realize savings due to a surplus of supplies from last year, paired with a lower rate of vehicle and equipment use during COVID. Parks Maintenance and Streets/Sidewalk Maintenance realized significant savings due to a delay in services during the state stay-at-home order. There were no significant ramifications due to the maintenance delays because they were brief and tied to reduced programming.

Staffing – Significant salary savings were realized in part due to positions being held vacant while the department conducts program studies. Additionally, vacancies that did not urgently need to be filled were maintained as a fiscal health measure. The largest savings were realized in Public Works Administration, Urban Forestry, CIP Project

[3] The 1% reduction in collisions in FY21 is due to the uncharacteristically low number of collisions in FY 19-20. Even with a running three-year average that low of a data point from the previous year weighs down the running average significantly.

[4] Dynamic economic conditions that resulted in escalated construction costs, staff vacancies and an expanded CIP resulted in the department falling short of its goal of completing 80% of Capital Projects in the year they were budgeted.

Engineering, and Transportation Planning and Engineering. The staff vacancies precluded CIP Project Engineering from achieving its target performance measures. In an effort to address project delivery in light of the passage of G20 and an expanded capital budget for 2021-23 staff contracted with Management Partners to identify how to best do this. Over 50 priority recommendations have been identified from added staff, to new metrics, to changes in how projects are scoped, budgeted, and delivered. Implementation will start in September 2021. Program delivery impacts on Urban Forestry and Transportation Planning and Engineering were minimal as staff addressed heavier workloads with overtime.

Utilities – While programs realized savings due to a decrease in programming and service levels, the department exceeded its overall utilities budget due to lower than anticipated rainfall which caused Parks Maintenance to go over budget by a significant amount due to increased irrigation needs. Facilities Maintenance also exceeded its electric utility budget as it was decreased in the supplemental budget to account for PG&E's peak hours rates impact on Parks Maintenance.

Utilities Department

The Utilities Department oversees three Enterprise Funds and the Solid Waste and Recycling program in the General Fund. The Solid Waste and Recycling budget, while managed by the Utilities Department, is a General Fund program, maintained primarily by AB 939 funding. In addition to the Water and Sewer Funds, the Utilities Department also manages the Whale Rock Fund, which is overseen by the Whale Rock Commission. City operations expenses and CIP reserve contributions for Whale Rock operations are budgeted for in the Water Fund's Source of Supply budget.

The Department's Enterprise Funds ended FY 20-21 with significant expenditure variances under budget and revenue variances over budget. Revenues in both Water and Sewer were higher than anticipated. Consumption revenue in both funds was projected to be down by 6% due and budget figures were adjusted at the supplemental budget to reflect this assumption. However, due to increased volumes of residential water and sewer use during the stay-at-home order, consumption revenue was actually 12% higher in the Water Fund and 8% higher in the Sewer Fund. The observed increase in residential use associated with the stay -at -home order was compounded with a drier winter and higher irrigation demand. While increases in usage were seen in residential accounts, there was reduced use in commercial accounts. During FY 20-21 residential water use increased seven percent, commercial water use decreased five percent, and irrigation water use increased 14 percent.

Operating expenditures were also underspent in both Funds. The Water Fund was $2.0 million under budget, and the Sewer Fund was $1.1 million under budget. Further details for these variances are discussed below. Lastly, construction on major capital projects at both the Water Treatment Plant and at the Water Resource Recovery Facility (WRRF), the City's largest capital project to date, continued on schedule during FY 20-21 with only minor impacts from the pandemic.

Effects of Covid -19 on Department Operations

During the pandemic, the workload for Utilities Water and Sewer field staff largely remained stable and employees continued to report to work, as the nature of their duties often precludes remote work. However, field staff modified their operations to ensure physical distancing and temporarily reduced activities that involved direct interaction with the public such as facility tours, attendance at public events such as the Farmers Market, and in-person meetings with contractors and consultants. Additionally, opportunities for staff to attend training courses and take certification tests were reduced significantly, with a resultant decrease in training and certification expenditures. As an alternative to in-person training courses, staff utilized digital training opportunities that were less costly. Impacts related to delayed certification were experienced mostly by newer staff who relied upon certifications to advance through Skills Based Pay levels and to satisfy employment requirements. Certification agencies provided digital certification alternatives in the second half of FY 20-21 which generally allowed staff who were awaiting certification testing to satisfy this need.

Administrative staff within the Water and Sewer Fund were more significantly impacted by the pandemic. Throughout FY 20-21 the Utilities office remained closed to the public. Approximately 50% of administrative staff also worked from home during this time.

One of the largest impacts of Covid-19 on water and sewer operations was related to the State of California moratorium prohibiting cities from terminating water and sewer services to customers for non-payment of utility bills. Termination of service is one of the methods that is taken to encourage bill payment and to keep revenue levels consistent. Utility Billing staff dedicated a significant amount of time to modifying internal policies related to termination of service and revenue collection. Staff also began offering additional programs and services to those who were impacted by the pandemic. These programs and services include extended payment plans and increased outreach to customers notifying them of state and local programs that were available to help them pay past-due balances.

A continued concern is the ability of customers to pay their current and past due bills. A moratorium remains in place by the State restricting the ability to shut off water for non-payment. Until a change to this requirement is made, Utilities will not have the ability to shut off water to those customers who do not pay. As of June 30th, 2021 there was approximately $676,000 in past-due utility bills (water and sewer combined). This amount has increased as the stay-at-home order continued through the 2020-21 fiscal year. Before the pandemic, $90,000 was the approximate average of past due balances. Utilities staff continues to reach out to customers to make efforts to obtain payment directly and encourage customers to enroll in payment plans to pay down their past due balances. Without water shut offs as an "incentive" to pay, the past due account balances are anticipated to continue to increase. The Utilities Department will resume shutting off water for non-payment when the moratorium is no longer in place. Once that occurs, the Department will provide a 60-day notice of the upcoming shut-off to allow time to pay past due balances or alternatively schedule payment plans.

Permit Fees for Class I and II Industrial User Permits were not collected in an effort to help local businesses during the pandemic. This action resulted in $62,530 in lost revenue for the year in the Sewer Fund.

Water Fund

The Water Fund ended FY 20-21 with revenues 20% above total budget, and operating expenditures 11% below budget. Over-realized revenue and funding saved from under-realized expenses will be returned to Unreserved Working Capital where it can be utilized for future needs of the Water Fund.

Water Division Accomplishments

- The Water Treatment Plant completed the installation and began the operation of its new Ozone Treatment System.
- The Department invested in new technology that allows for aerial/GIS-based assessment of outdoor irrigation quotas, to comply with AB 1668 and SB606.
- The Water Distribution section coordinated the removal of the Terrace Hill Water Tank, replacing it with a Pressure Reducing Valve (PRV) that increases fire-fighting flow in the area and decreases long-term water tank rehabilitation and replacement costs.
- The Water Resources Section began utilizing radio advertising to inform the community about the City's secure and drought resilient water supplies.
- Design was completed for both the emergency generator and Tesla backup battery at the Water Treatment Plant.
- Spillway underdrain repair bids and specifications were completed at Whale Rock Reservoir.
- The Water Distribution section began and/or completed four separate waterline replacement CIP projects.

Water Division Key Objectives

- Deliver raw water supplies to the City's Water Treatment Plant in a reliable, cost-effective manner.
- Protect public health, maintain compliance with all applicable regulations and continue to provide uninterrupted supply of high-quality water to customers through the distribution system.
- Continue water distribution system improvements in accordance with the Capital Improvement Plan.
- Coordinate the planning, development, implementation, and regulatory reporting for programs and services related to recycled water, water conservation, and groundwater pumping.
- Manage the Water Enterprise Fund's financial operations and recommend rates and revenues needed to support program and service objectives.
- Continue implementation and tracking of strategic planning activities.

- Continue safety assessments and ensure compliance with safety regulations.
- Implement and monitor the Fiscal Health Response Plan for the Water Fund

Performance Measures	Target	Result
Drinking Water Treatment Compliance Rate	100%	100%[5]
Prevention and Reduction of Safety Incidents	0 Incidents	3[6]
Capital Improvement Projects on Schedule	100%	82%

2020-21 Fund Summary

Table D-20	Budget	Actual	Difference	Variance
Revenue	24,198,489[7]	28,935,456	4,736,967	+20%
Expenditures	18,122,881	16,090,107	2,032,774	-11%
Year-End Net Increase Return to Unreserved Working Capital			**6,769,741**	

Revenue Detail – Water Fund

Table D-21	Budget	Actual	Variance
Investment and Property Revenue	200,000[8]	256,206	56,206
Water Service Charges and Base Fees	21,044,904	22,863,424	1,818,520
Development Impact Fees	800,000	4,744,361	3,944,361
Other Revenue	157,010	209,846	52,836
State Grants	1,996,575	326,440	-1,670,135
Cal Poly Capacity & Resilience	----	535,180	535,180
Debt Proceeds	14,300,000	12,601,254	-1,698,746
Total	$ 38,498,489	$ 41,536,711	$ 3,038,222

Even through the COVID pandemic, Water Service Charges exceeded budget by approximately $1.8 million. Some of this increase can be attributed to increased water use during an abnormally dry winter, and Cal Poly students being able to return to campus and contributing to higher water consumption in the final quarter of the fiscal year.

Water Fund Long-Term Debt Proceeds revenue were $1.7 million less than budgeted. Proceeds from debt was forecasted to be $14.3 million; however, a portion of the projected debt proceeds for the year were delayed due to timing of the Water Treatment Plant Energy Efficiency project. The remaining FY 20-21 budgeted reimbursements are projected to be submitted in January of 2022 (FY 21-22). If proceeds from debt were excluded, total water revenue exceeded budget by $4.7 million, largely due to Development Impact Fees discussed below.

Development Impact Fees were $3.9 million higher than projected as commercial and residential construction projects in the City continued through the pandemic. The budget projections for Development Impact Fees have in

[5] The Utilities Department was required to issue an advisory boil water notice in May 2021, due to a large water main break that resulted in depressurization of the water distribution system. Laboratory tests confirmed that no water quality issues or violations occurred as a result of this event.

[6] The Water Division had three total safety incidents for the 2020-21 FY which included: 2 motor vehicle accidents (one was of no fault of the employee who was rear-ended by a citizen) and one tripping injury.

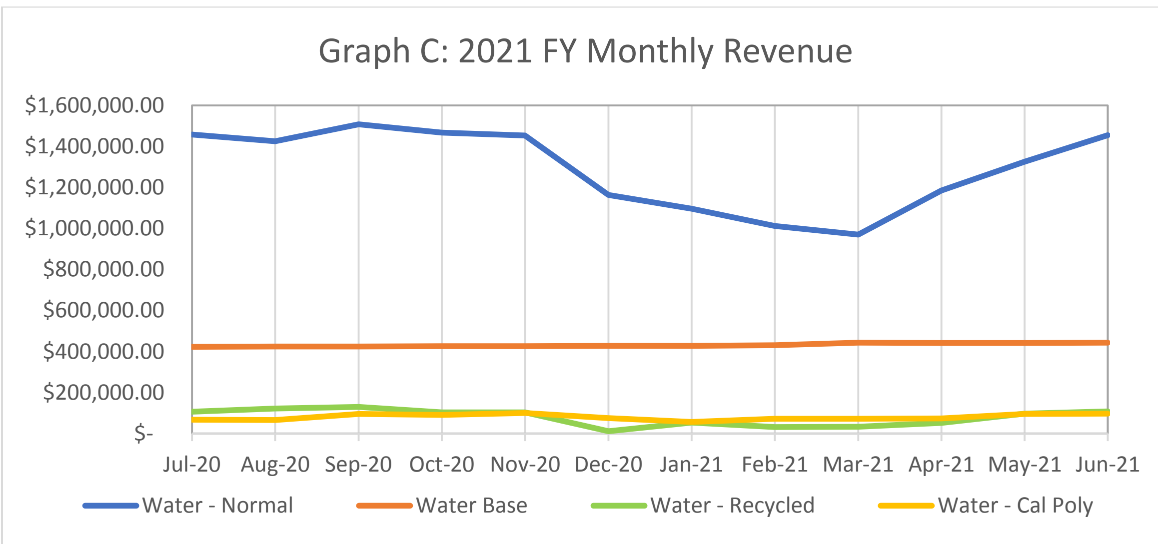
[7] Budget revenue number excludes Proceeds from Debt to better demonstrate operating revenue compared to actual operating expenditures.

[8] Market Value Gain/Loss ($150,000) is not included in the budget figure.

the past been conservatively based on the historically lowest amount collected and then adjusted at mid-year. This methodology has been updated beginning with the 21-23 Financial Plan to budget for the average of the next five years of projected impact fees. This is the final year that the variance should reflect such a high amount due to this change in methodology.

Due to delays from CalOES and FEMA, the permanent backup power generator at the Water Treatment Plant was not installed during this fiscal year. Original budget estimates projected that the City would receive approximately $2 million in grant funding. The generator is anticipated to be installed during the FY 22-23 and grant funding will be received after the initiation of the project. The Capacity and Resiliency agreements were signed with Cal Poly during the final months of the fiscal year. These payments are the University's contributions to preserve their capacity share in the City's Water Treatment Plant and Water Resource Recovery Facility projects, and for Source of Supply related operational resiliency and were not originally budgeted for this fiscal year.

The increased revenues listed above resulted in the review of the long-term financial outlook by the rate consultant HDR and the projected water rate increase of 5.5% for both 2021-22 and 2022-23 being reduced to 3.5% for each year.



Operating Expenditures

The Utilities Department Water Division ended the year with approximately 11% total operational savings. Significant savings in Contract Services, Education and Training, and Utilities (electricity) contributed to year end savings.

Operating Expenditures Variance Analysis

Table D-22:

Water Fund	2019-20 Actual	2020-21 Budget	2020-21 Actual	2020-21 Funds Available	%	2021-22 Budget
Staffing	$ 4,638,948	$ 4,569,099	$ 4,072,299	$ 496,800	12%	$ 4,730,739
Contract Services	$ 371,046	$ 565,117	$ 468,203	$ 96,914	21%	$ 688,915
Other Operating Expenses	$ 11,565,635	$ 12,331,965	$ 10,987,882	$ 1,344,083	12%	$ 11,458,868
Utilities	$ 505,698	$ 656,700	$ 564,456	$ 92,244	16%	$ 679,010
TOTAL	$ 17,081,327	**$ 18,122,881**	**$ 16,092,840**	**$ 2,030,041**	11%	$ 17,557,532

Contract Services-Savings in Water Administration/Engineering Contract Services account resulted from not conducting longer-term administrative evaluations for Salinas and Whale Rock Reservoirs which were delayed due to staffing shortages; it is anticipated to occur during FY 21-22 and FY 22-23 as priorities allow.

Savings in Water Resources are a result of Water and Wastewater education tours and classroom education at the WRRF not being held because of COVID restrictions. This budget item had been reduced at Supplement in anticipation of fewer tours, but ultimately no tours were allowed due to health and safety guidelines. In addition, vacancies in the Water Resources program also contributed to anticipated program contracts not being fully expended. The vacancies within the water Resources Section were filled in November 2020 and April 2021.

Other Operating Expenses- Throughout the Water Division, there were significant savings in Education and Training, and Trips and Meetings as conferences and on-site training events continued to be cancelled due to the pandemic. Budgets had been reduced at supplement in anticipation of some educational events being on-site, but ultimately very few in-person training sessions were available throughout the year and staff utilized less expensive online training opportunities.

Source of Supply, Miscellaneous Materials and Supplies realized a savings of 51% as a budgeted chlorine dosing system for recycled water production was not purchased due to the WRRF construction project timeline. This expense is now budgeted in the 21-23 Financial Plan to align with the updated project timeline changes. Additional savings (16%) in Chemical expenses at the Water Treatment plant are a result of higher water quality in surface water reservoirs, allowing for fewer chemicals needed for treatment. A few special projects such as valve clean ups and main pipeline abandonments were delayed in Water Distribution as CIP and development projects took priority resulting in Construction Materials and Supplies budget savings.

Staffing

Source of Supply- Some positions in the Water Fund are funded through the Source of Supply budget, the program that procures water from the City's three primary surface water sources (Whale Rock, Salinas, and Nacimiento Reservoir) as well as recycled water production at the WRRF. Regular Salaries in Source of Supply was over budget by $57,806 due to 0.50 FTE WRRF Operator position allocation not being budgeted appropriately at Supplement and a Human Capital Management data entry issue. This has been corrected in the 21-23 Financial plan and the budget has been increased to reflect this position's expenses correctly.

Water Treatment-Salary and benefits savings realized at the Water Treatment Plant are due to an approximate three-month Water Treatment Plant Operator vacancy. This vacancy was largely backfilled through increased overtime and through the temporary deferral of maintenance tasks.

Water Distribution-A Water Distribution Operator position was vacant through most of FY20-21 and not filled until the last few months of FY20-21 resulting in staffing savings. This position being vacant for the majority of the fiscal year resulted in minor decreases to asset maintenance within the water distribution system, specifically in hydrant and dead-end flushing activities. This decrease in hydrant and dead-end water main flushing aligns with the City's goal to reduce flushing temporarily during periods of drought.

Water Resources-Two Water Resources Technician positions were also vacant until the last few months of the fiscal year, and the Water Resources Manager was not filled until November 2020. The Water Resources section vacancies resulted in decreased public education and outreach, increased temporary staffing costs, and additional support being needed from the Water Distribution and Utility Billing sections for conservation and customer service activities.

Water Administration-The Administrative Assistant position was vacant for the last three months of the fiscal year which contributed to salary savings in the Water Administration budget. Impacts related to this vacancy were largely accommodated by an experienced administrative staff within the Utilities Department.

Utilities

Source of Supply-The Nacimiento pipeline was shut down for construction for the third quarter of FY20-21 (January to March) which resulted in significant savings in electrical pumping. The electrical budget for Source of Supply was increased in anticipation of a higher energy demand for the Ultraviolet (UV) treatment system for the Recycled Water system but was not realized due to rescheduling of the equipment installation because of WRRF construction project scheduling. The net total savings in Source of Supply Water Supply account was $862,148. Due to the complexity of projecting source water pumping costs in advance, the Source of Supply budget is generally underspent and returns funding to unreserved working capital each year from which it can be requested, should the need arise.

Water Treatment Plant-The Water Treatment Plant Energy Efficiency upgrade project also contributed to electricity savings due to the implementation of a more efficient Ozone Treatment System. The full impacts of the savings associated with this upgraded system are currently being monitored for future budget analysis.

Sewer Fund

The Sewer Fund ended FY 20-21 with revenues 18% above total budget, and operating expenditures 13% below budget. Over-realized revenue and funding saved from under-realized expenses will be returned to Unreserved Working Capital where it can be utilized for future needs of the Sewer Fund

The Sewer Fund Administration COVID 19 expense account was $62,747 over the budgeted amount. These expenses are for the Water Quality Lab COVID wastewater testing and necessary supplies. With the need for additional information on COVID presence in the community, this testing took priority over other process control analysis at WRRF. This change in testing led to operating budget savings in the Water Quality Lab, contract services account. This process control testing at the WRRF will be performed as the WRRF project continues.

Accomplishments

- The WRRF project completed its first full year of construction and is on-time and within budget.
- Replacement of two major wastewater collection system projects began construction.
- Design has been completed for the Calle Joaquin Lift Station and the Request for Bids for construction will go to Council in the Fall of 2021.
- The stormwater program transitioned to management under Environmental Programs and completed an MOU with City Departments.
- The City's Water Quality Laboratory partnered with Cal Poly and performed COVID-19 wastewater sampling that was shared with SLO County Health and the University.
- Completion of Utilities Department Strategic Plan.

Wastewater Division Key Objectives

- Transport wastewater from its various sources to the Water Resource Recovery Facility (WRRF).
- Comply with non-domestic wastewater and various stormwater aspects of the Clean Water Act.
- Receive and treat millions of gallons of wastewater daily.
- Production of millions of gallons of recycled water annually.
- Continue construction of the Water Resource Recovery Facility (WRRF) Project
- Budget, plan, and support the design and construction of capital improvement projects
- Support and collaborate with others on private development applications.
- Support and collaborate with other departments on Major City Goals.
- Continue programs to reduce Inflow and Infiltration (I/I).
- Provide accurate and timely collection of revenues that support the City's water and wastewater programs.
- Perform sampling and analyses to support wastewater, recycled water, groundwater, drinking water, San Luis Obispo Creek watershed to project public health.
- Monitor sewer enterprise fund financial operations and recommend rates and revenues needed to support program and service objectives.
- Continue implementation and tracking of strategic activities.
- Continue safety assessments and ensure compliance with safety regulations.
- Implement and monitor the Fiscal Health Response Plan for the wastewater fund.

Performance Measures	Target	Result
Wastewater Treatment Compliance Rate	100%	87[9]%
Prevention and Reduction of Safety Incidents	0 Incidents	6[10]
Self-Generated Electricity at WRRF	5%	8%
Capital Improvement Projects on Schedule	100%	87%

The Sewer Fund ended FY 20-21 with revenues 18% above budget, and operating expenditures 13% below budget. The Utilities Department is requesting that net increases to the Fund and remaining balances be maintained in Unreserved Working Capital. As mentioned under the Water Fund, the financial picture led to a review of the previous rate increases by the rate consultant, HDR, and the lowering to 3.5% from originally 6.5% for both years of the 2021-23 Financial Plan.

2020-21 Fund Summary

Table D-23:	Budget	Actual	Difference	Variance
Revenue	18,692,895[11]	22,001,248	3,308,353	+18%
Expenditures	8,454,246	7,317,963	1,139,284	-13%
Year-End Net Increase return to Unreserved Working Capital			**4,447,637**	

Revenue Detail – Sewer Fund

Table D-24:	Budget	Actual	Variance
Investment and Property Revenue	200,000[12]	337,344	137,344
Sewer Services Charges and Base Fee	15,913,900	17,012,818	1,098,918
Development Impact Fees	600,000	3,822,469	3,222,469
Other Revenue	163,010	326,582	163,572
Other State Grants	1,815,985	258,467	-1,557,518
Cal Poly Capacity & Resilience	----	243,568	243,568
Debt Proceeds	43,099,819	20,211,971	-22,887,848
Total	$ 61,792,714	$ 42,213,219	$ -19,579,495

Sewer revenue was $19 million less than budgeted due primarily to the timing of WRRF project reimbursements. Proceeds from debt was expected to be $96.3 million with carryover from the previous fiscal year for the WRRF construction project but was $20.2 million below budget as a result of project timelines moving forward to the next

[9] The WRRF maintained effluent and receiving water requirements for 87 percent of fiscal year 2021. Non-compliance resulted from exceedances of salts or disinfection by-products and because of COVID-related impacts that have been resolved but remain under investigation. The salt and disinfection by-products violations will be addressed by the WRRF upgrade. Most water quality objectives were met during this time, including the annual toxicity test, which measures the impact of the WRRF's effluent on San Luis Obispo Creek. There have been no visible or otherwise quantifiable impacts on receiving water quality.

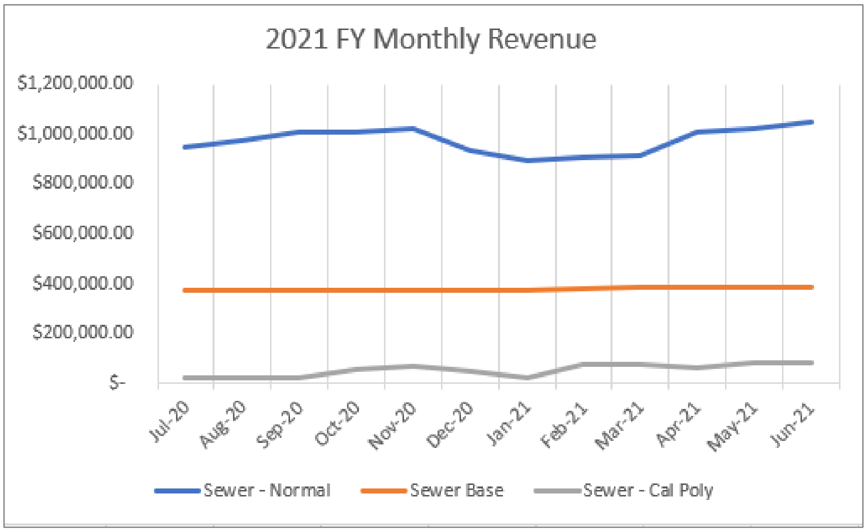
[10] The wastewater division had six total safety incidents for the FY 20-21 which included: 1 tripping injury, 1 sprained wrist, 1 cut finger, 1 struck head on a piece of equipment, and 2 reported eye issues (irritation of the eye and chemical in the eye).

[11] Budget figure excludes Proceeds from Debt to better demonstrate operating revenue compared to actual operating expenditures.

[12] Market Value Gain/Loss ($150,000) is not included in the budget figure.

fiscal year. If proceeds from debt is excluded, sewer revenue exceeded budget by $3.3 million. Debt Proceeds have been adjusted to reflect the expected project reimbursements in the FY 21-22 budget.

Sewer development impact fees exceeded budget by approximately $3.2 million, reflective of continued development in the City and a change in methodology to better forecast this revenue. This change in calculation of impact fees in the coming years has been incorporated in the current financial plan. Sewer service charges were more than budgeted by $1.09 million. This is due to higher than budgeted sewer revenue from the Cal Poly campus with students returning to campus full-time and an increase in residential use.



Operating Expense Variance Analysis

Table D-25:

Sewer Fund	2019-20	2020-21				2021-22
	Actual	Budget	Actual	Funds Available	%	Budget
Staffing	$ 4,869,963	$ 4,808,125	$ 4,376,908	$ 431,217	10%	$ 4,816,352
Contract Services	$ 690,723	$ 1,112,297	$ 899,223	$ 213,074	24%	$ 869,192
Other Operating Expenses	$ 1,318,239	$ 1,774,690	$ 1,540,390	$ 234,300	15%	$ 1,671,302
Utilities	$ 588,697	$ 758,100	$ 507,292	$ 250,808		$ 793,010
COVID-19	$ 5,832	$ 1,034	$ 63,781	$ (62,747)	-98%	
TOTAL	$ 7,473,454	$ 8,454,246	$ 7,387,593	$ 1,066,653	13%	$ 8,149,856

Contract Services- Additional sampling needs were reduced, and lower than anticipated due to COVID response and wastewater testing being prioritized. Some WRRF upgrade project expenses were postponed and anticipated contracted services were shifted for completion in the next fiscal year. Utilities Revenue (billing) had savings due to carry over for the multi-year meter reading contract funding not fully expended as anticipated. Additional contract services budget was not expended for manhole coatings maintenance as COVID related measures lead to the difficulty in scheduling a contractor. In addition, fewer emergency repairs were required. Emergency repairs are budgeted in operating programs, but occasionally may require requests for additional funding from working capital in cases where the needed funding surpasses the budgeted resources.

Other Operating Expenses- Anticipated expenses for legal services for permit negotiation and regulatory compliance did not occur as anticipated which resulted in significant savings in Wastewater Administration. These negotiations are expected to begin in FY21-22. All Sewer Fund programs were underspent in the areas of Education and Training, and Trips and Meetings (travel). Testing and certification training was cancelled or delayed due to the pandemic; most trainings available were done remotely or ultimately cancelled. Staff's ability to attend training courses and take certification tests were reduced significantly during the first two quarters of FY 20-21, with a resultant decrease in training and certification expenditures. Staff began utilizing digital training opportunities that were less costly when they became available. Impacts related to delayed certification were experienced mostly by newer staff who are required to achieve a certain level of certification to meet their job requirements. Certification agencies provided digital certification alternatives in the second half of FY 20-21 and delays in training have been remedied.

Staffing

*Water Quality Lab-S*avings in regular salaries were realized as the program was not fully staffed until the second half of the fiscal year (March of 2021). These multiple vacancies impacted overtime and temporary staffing program budgets which were overspent. However, overall salary savings offset these budget overages for the lab program.

Wastewater Collections- Regular Salary savings were realized in Wastewater Collection due to Skills Based Pay budget projections being slightly higher than actuals.

WRRF- Regular Salary savings were realized at the WRRF due to Skills Based Pay budget projections being slightly higher than actuals. A WRRF Operator position was vacant for multiple months of the year resulting in regular salary savings. Needed temporary and contract overstaffing costs, while over budget, were covered by the regular staffing savings.

Utilities- Approximately $90,000 was budgeted for the Ultraviolet (UV) wastewater treatment equipment coming online in the FY 20-21. The WRRF construction project timelines have impacted the installation and resulted in significant savings in electrical costs as additional energy was not needed. Operational efficiencies implemented at the WRRF also contributed to electrical savings.

Solid Waste -AB939 General Fund

The Solid Waste program is mainly paid for by AB939 funding collected through the solid waste bills. AB939 funds may only be used to pay for activities that divert waste from the landfill so any funds remaining at the end of the year must remain within the Solid Waste program budget. FY 20-21 was the second fiscal year that this funding has been tracked separately, and funding from FY 19-20 continued to be carried over. Savings were realized in the program again in FY 20-21 due to the program continuing to get established. In FY 20-21, a Water Resource Technician was permanently reclassified to a Solid Waste and Recycling Coordinator, providing a dedicated FTE to the program. Identified projects are moving forward with the current staffing resources of the program, and additional temporary staffing was approved for the FY 21-22 to assist with program objectives.

Table D-26: **Solid Waste AB939 Revenue Overview**	**Budget**	**Actual**	**Variance**	**% Over/Under**
a) Revenue – AB939	----	181,338		
b) Expenditures	228,669	141,918	86,751	-37%
c) 20-21 Year-End Net Revenue Over Exp (a-b)		39,420		
d) 19-20 Carryover Remaining		64,152		
Total Carryover Request (c + d)		**103,572**		

Operating Expenditures

Variance Analysis

Table D-27:

Solid Waste	2019-20	2020-21				2021-22
	Actual	Budget	Actual	Funds Available	%	Budget
Staffing	$ 73,209	$ 99,007	$ 106,885	$ (7,878)	-8%	$ 124,189
Contract Services	$ -	$ 93,152	$ 29,000	$ 64,152	69%	$ 39,000
Other Operating Expenses	$ 13,947	$ 36,510	$ 6,033	$ 30,477	83%	$ 36,510
TOTAL	$ 87,156	**$ 228,669**	**$ 141,918**	**$ 86,751**	38%	$ 199,699

Savings in Contract Services and other Operating Expenses were due to a combination of the Solid Waste program being new to the City, regional outreach and education efforts reprioritized to address the pandemic, and AB939 funding balance rollover from FY 19-20. Expenses for public outreach and advertising were also underspent because no public events were attended in the midst of COVID and response to the pandemic was prioritized throughout the region, thus removing available staff time to focus on alternative outreach efforts. Most efforts in FY 20-21 were focused on the partnership with the Integrated Waste Management Authority (IWMA) to implement the prescriptive standards set by SB1383 (i.e. ordinance adoption, hauler agreement amendments, purchasing and procurement policies), which resulted in other program projects being delayed until the following year. All remaining budgets will be carried over to FY 21-22 in a separate restricted account as AB939 revenue is required to fund waste diversion activities only. Going forward in the 2021-23 Financial Plan, an additional supplemental position will be filled to contribute to the development of the program and continued efforts in community outreach, communications, and promotion.

Key Objectives

- Promote reuse and the avoidance of solid waste production.
- Increase organics recycling to reduce greenhouse gas emissions.

- Promote the use of reusable items to reduce solid waste generation and embedded energy costs of material production and transportation.
- Partner with the Integrated Waste Management Authority to provide Household Hazardous Waste, Motor Oil disposal, school education, and other community programs.
- Ensure adequate and efficient solid waste recycling services are provided to business and residents within the City of San Luis Obispo

Accomplishments

- Hired a full time Solid Waste and Recycling Coordinator.
- Successfully completed an application to the AmeriCorps CivicSpark Program for appointment of an 11-month Fellow that will be assigned to developing a Waste Reduction Manual based on operational waste generation.
- Executed an RFP for a thorough third-party Solid Waste Rate Study.
- Facilitated a grant award for new reusable water bottle filling stations at several locations which are to be determined by the Public Works Department.
- Streamlined internal illegal dumping reporting processes.
- Collaborated with the Central Coast Partners for Clean Water to select a marketing firm to develop the “Central Coast Clean” regional litter reduction campaign. Working collaboratively with the IWMA to ensure SB1383 related organics diversion messaging is delivered to all City residents.
- Continued to monitor and track legislation related to solid waste and recycling, including SB 1383 compliance for the City.
- Partnered and continued to be a key player in IWMA strategic planning.

Parking Fund

The Parking Fund finished FY 20-21 in a stronger position than anticipated at the onset of the COVID-19 pandemic. Parking Services was able to reduce operating expenditures by holding positions vacant, transitioning to electronic communications, and switching contract services to City staff. Parking Services has shown community leadership assisting with economic recovery efforts and enhancing parking facilities with public art and restoration projects. While multiple capital projects were deferred to account for projected revenue shortfalls, parking completed critical maintenance and on-bill financing-energy upgrades. This work has improved City infrastructure, is in the process of upgrading the customer's experience by modernizing a 50-year-old operational system. Parking Services continues to review the use of the equipment and how it can better suit the needs of the community and local businesses. The use of existing equipment and staffing reassignments have been designed to meet the current needs of the community, while work is underway to implement gateless and limited contact parking operations in the structures and at metered spaces. Planned improvements for FY 21-22 include the implementation of virtual permits for permitted residential areas and parking districts and the addition of mobile payment methods (Mobile Apps).

Effects of Covid-19 on Department Operations

The COVID-19 pandemic has significantly affected Parking program operations as most fee services were suspended during the initial order to shelter-at-home and were gradually reimplemented to match demand. Parking suspended most enforcement, waived all parking fees at meters and in parking structures for certain time periods, and made reductions to staffing to account for the projected decrease in revenues. Parking saw a significant increase in the use of parking pay stations as a means for contactless payment. As an additional cost saving measure, Parking held vacant two positions. Supplemental staffing was reduced by 47% as there was a drastic decrease in workload.

Parking services was and continues to be actively engaged in the economic recovery effort of the City through the following actions:

- Waived parking fees parking in the structures from March 19, 2020 to October 19, 2020. Offered additional free hour of parking in the structures from October 19, 2020 through January 1, 2021. Very little revenue was generated from daily parking the first half of FY 20-21 as a result.
- Waived parking fees for all on-street parking from March 19, 2020 to July 27, 2020. Waived parking fees for 10-hour parking spaces until September 8, 2020.
- Minimal revenues generated from citation issuance and contract parking for the first two quarters for FY 2020-21.
- Courtesy Curbside Pickup zones were installed to assist customers with reaching businesses while maintaining proper physical distancing.
- Reduction in on-street metered spaces to provide space for businesses to operate in the Open SLO Program.

In the 2020-21 Supplemental Budget, the Parking Fund model was adjusted to estimate revised revenues and expenditures for FY 20-21 due to the economic impacts of COVID-19. The adjusted Parking Fund model showed expenditures exceeding revenues in FY 20-21. Revenue actuals significantly exceeded the revised projections by year-end while operating costs were under the projected amounts. Parking programs returned to pre-COVID activity levels quicker than anticipated. On-street parking revenue in June 2021 was nearly identical to revenue received in February 2020 prior to the COVID pandemic. Similarly, parking structure usage quickly returned to pre-COVID levels beginning in May 2021 when Farmer's Market was reestablished. Expenditures were under the revised projected amounts because of savings from vacant staff positions and from a reduction in contracted services. These are both positive indicators of a Parking Fund moving toward fiscal sustainability into the new fiscal year.

Several Capital Improvement Plan (CIP) projects were also deferred, and the construction of the Palm-Nipomo parking structure was delayed to FY 21-22 so that Parking Fund revenues and fund balance can recover, and parking demand returns (which it has). Most projects were deferred to FY 21-22, deferred maintenance may result in increased costs due to inflation and an increase in reactive maintenance.

Key Objectives

- Promote economic vitality in the downtown core
- Implement the Conceptual Physical Plan for the City's Center
- Provide well managed access to parking in the downtown area for visitors and employees through appropriately priced daily and monthly parking programs
- Reduce parking demand by promoting use of other transportation methods such as SLO Transit's Downtown Access Pass.
- Implement the transportation strategy presented in the General Plan Circulation Element

*Rate increases deferred due to COVID-19 pandemic.

Performance Measures	Target	Result
Replace existing credit card capable parking meters with new technology that improves on-street parking management	50%	50%
Implement system-wide rate increases	100%	0%*
Partially fund CIP Engineering position to assist with Parking Fund maintenance projects	100%	100%
Add overnight security for all parking structures	100%	100%

Table D-28:

Parking Fund	2019-20	2020-21				2021-22
	Actual	Budget	Actual	Funds Available	%	Budget
Staffing	$ 1,465,774	$ 1,177,561	$ 1,121,287	$ 56,274	5%	$ 1,666,213
Contract Services	$ 639,058	$ 997,384	$ 738,440	$ 258,944	35%	$ 553,265
Other Operating Expenses	$ 252,639	$ 265,554	$ 204,976	$ 60,578	30%	$ 356,900
Utilities	$ 144,381	$ 201,178	$ 117,581	$ 83,597	71%	$ 211,301
TOTAL	$ 2,501,852	**$ 2,641,678**	**$ 2,182,284**	**$ 459,394**	**17%**	$ 2,787,679

Contract Services – There were significant savings in contract services as service levels were reduced and responsibilities in security, landscaping and cleaning were taken over by supplemental staff.

Other Operating Expenses – There were significant savings in other operating expenses; as service levels declined so did the need for maintenance supplies and materials. Parking also realized significant print and reproduction savings as it transitioned to electronic communications.

Salaries and Benefits – Parking held multiple positions vacant that were budgeted for in FY 20-21 as a cost saving measure. Garage operations staff were either placed on a suspended status or taken off the schedule in response to the COVID-19 pandemic. A portion of these positions were phased back in as the City transitioned through the State's re-opening tiers.

Utilities –This savings is predominately due to the parking structure lighting systems being upgraded to LED fixtures as part of the City's lighting retrofit project. The electric vehicle charging stations also experienced a significant decrease in use during the COVID-19 pandemic.

Parking Revenue

Parking Fund Revenue	2019-20 Actual	2020-21 Budget	2020-21 Actual	2020-21 Variance	%
Parking Fines	$ 602,409	$ 297,300	$ 458,654	$ 161,354	54%
Parking Meters - Lots	$ 105,998	$ 76,658	$ 310,650	$ 233,992	305%
Parking Meters - Streets	$ 1,029,593	$ 821,300	$ 943,529	$ 122,229	15%
Parking Structures	$ 857,649	$ 200,000	$ 346,300	$ 146,300	73%
Long Term Parking	$ 602,516	$ 431,300	$ 422,381	$ (8,919)	-2%
Other Revenue	$ 1,072,356	$ 469,733	$ 645,636	$ 175,903	37%
Total	**$ 4,270,521**	**$ 2,296,291**	**$ 3,127,150**	**$ 830,859**	**36%**

Revenues – Revenue projections were accurate for the first half of Fiscal Year 2021 but exceeded projections as the State moved through the reopening phases beginning in March 2021. The Parking Fund forecasted that very little revenue collection would occur from March 2020 through the end of the fiscal year due to the COVID-19 pandemic and shutdown of the economy that followed it. Since that time, some revenue has been collected as parking programs were slowly brought back online to match the demand.

Parking Fund Balance

The Parking Fund is also responsible for debt service payments, CIP projects that add, maintain, or improve Parking Fund assets, and General Fund transfers, in addition to the operating costs listed above. General Fund transfers include direct/indirect cost allocations, funding of two Police positions, and partial funding of a CIP Engineering position to deliver the Parking Fund's capital projects. The budgeted projection presented at the 2020-21 Budget Supplement outlined a $2.75M shortfall for FY 20-21; however, revenues were higher than projected due to a quicker recovery than originally anticipated, resulting in an improved financial position.

Table D-29:	Budget	Actual	Difference	Over/Under Budget
Revenue	$2,296,291	$3,127,150	$830,859	73%
Expenditures *	$2,582,378	$2,127,147	$455,230	-18%
Year-End Net Difference	**$ (286,087)**	**1,000,003**	**$1,286,090**	

Transit Fund

The Transit Enterprise Fund ended the year with significant variances in both anticipated expenditures and forecasted revenues because of COVID-19. The pandemic had negative impacts on ridership and fare revenue that was offset by reduced expenditures in maintenance and supplies. The availability of CARES Act funds supplemented the Transit Fund, paying for 100% of the operating costs. Using CARES Act to fund operational costs in FY 20-21 allowed the Transit Fund to use the originally programmed Federal funds for the purchase of two electric buses. The reduction in service levels resulted in cost savings that helped to offset current losses in revenues. CARES Act funds were prioritized as the primary revenue source for the Transit Fund for FY 20-21. The unused balance of typical annual allocations of Federal 5307 and State Transit Development Act (TDA) Funds have been deferred for future use in FY 21-22.

Effects of Covid-19 on Department Operations

1. **Significant Decrease in Ridership** – There was a small increase in ridership as the community reopened but overall, Transit is well below normal ridership levels. The ridership decline was anticipated in response to community guidelines for safe reopening. Many riders have been limiting trips and learning and working remotely. Additionally, Cal Poly students typically comprise about 65% of total ridership so their absence from the community has had a noticeable impact on total ridership.

2. **Reduced Transit Service Levels** – The City continued to operate at weekend level service; "A" routes from 8 a.m. – 8 p.m. through August 2020. Since August Service levels have been at summer service level "A" and "B" routes from 6 a.m. – 8 p.m.

3. **Cal Poly** – Given Cal Poly's uncertain need for transit services, a long-term agreement was delayed in favor of a one-year agreement extension. Cal Poly will fund the City with a total amount of $537,500, paid quarterly in the amount of $134,375. This approach provides a reasonable solution for both organizations. The infusion of CARES Act funds makes the Transit Fund whole for any losses in revenue making the fund less reliant on Cal Poly's contribution to fare revenue for the near future. During FY 21-22 (adoption no later than June 2022) staff will work directly with Cal Poly on a long-term transportation contract.

Key Objectives

- Continue to implement Health and Safety measures in compliance with CDC guidelines.
- Continue to provide essential transit service corresponding to ridership levels.
- Obtain and maximize the use of grant funds to maintain and expand transit services.
- Negotiate a new long-term fee for service agreement with Cal Poly.
- Negotiate a new fund distribution methodology with SLOCOG.

Performance Measures	Target	Result
Provide service levels to meet "essential trips" demand	450,000 annual trips	179,456 rides; reduced service levels due to COVID.
Procure and put into service two electric buses	Fall 2021 33%	Procured 2 electric buses
Enter into new long-term agreement with Cal Poly	June 2022 25%	1-year extension due to uncertainties tied to COVID

Table D-30:

Transit Fund	2019-20 Actual	2020-21 Budget	2020-21 Actual	2020-21 Funds Available	%	2021-22 Budget
Staffing	$ 357,718	$ 327,181	$ 323,678	$ 3,503	1%	$ 358,181
Contract Services	$ 2,733,484	$ 3,002,869	$ 2,935,511	$ 67,358	2%	$ 383,687
Other Operating Expenses	$ 551,735	$ 768,161	$ 543,274	$ 224,886	41%	$ 3,241,946
Covid-19	$ 9,553	$ 16,000	$ 28,892	$ (12,892)		
TOTAL	$ 3,652,491	**$ 4,114,211**	**$ 3,831,356**	**$ 282,855**	7%	$ 3,983,814

The Transit Fund operating costs are typically split equally between state and federal funding sources after deducting the 20% farebox recovery. The state provides TDA funds based on the adopted budget and federal funds are based upon actual costs. When the Transit Fund has savings there will be a reduction in federal funds being reimbursed which shows as a reduction in revenues.

Contract Services – The cumulative Contract Services variance resulted in significant savings at year-end. The savings are largely related to reduced purchased transportation cost since the level of service was reduced to “Weekend Service” from March 2020 to August 2020 at which point the City transitioned to “Summer Service”. The Transit Fund is largely subsidized for direct cost by State and Federal Funds.

Other Operating Expenses – There were significant savings in Other Operating Expenses. The savings are largely related to reduced fuel cost, reduced training availability, and reduced purchase of materials and supplies.

Salaries and Benefits – The cumulative Salaries and Benefits variance results in minor savings at year end. The savings are largely related to the temporary vacancy of the Transit Manager position.

All savings are considered one-time and a result of the ongoing pandemic. As explained above, these savings will adjust the Federal contribution as described above resulting in revenue reductions.

Transit Revenues

Table D-31:

Transit Fund Revenue	2019-20 Actual	2020-21 Budget	2020-21 Actual	2020-21 Variance	%
Local (Bus Fare)	$ 630,067	$ 465,693	$ 328,009	$ (137,684)	-30%
Federal	$ 2,307,585	$ 4,861,321	$ 552,085	$ (4,309,236)	-89%
State	$ 779,667	$ 1,136,757	$ 2,040,964	$ 904,207	80%
Other Revenue/ Interest Revenue	$ 61,938	$ 6,647	$ 30,826	$ 24,179	364%
Total	**$ 3,779,257**	**$ 6,470,418**	**$ 2,951,885**	**$ (3,518,533)**	**-54%**

Free fare service was in place from March 23, 2020, through July 1, 2020; despite returning to normal fares in FY 20-21, the decrease in ridership caused the program to fall short of its revenue projections. Additionally, there was a significant reduction in bus fare revenue tied to the Cal Poly agreement which was based on ridership levels. The state mandates that farebox revenue collected from passenger fares and other local revenues must be 20% or more. In the case of failure to meet this requirement, the agency has three years to comply without jeopardizing state funding. Due to the pandemic, the state has suspended this mandate for FY 2020 through FY 2023 under AB 90 and AB 149.

Funds from federal grants are based on reimbursements. The decrease in federal funds is attributed to capital projects that are in progress and operating funds that have not been requested from the Federal Transit Administration during the fiscal year. The remaining funds from the CARES Act for FY 2021 has been recently approved by the FTA and the City will be requesting these remaining funds for operations. CARES Act funding decreased the City's need for federal funds. These federal funds will be available for use on a reimbursement basis in future years.

In Fiscal Year 2021 Transit continued to receive funding from the CARES Act. The CARES Act allocated up to $4,196,099 to the Transit Fund and was used to cover operating costs for part of FY 19-20 and all of FY 20-21. Due to the CARES Act reimbursement, the unused balance of traditional State and Federal funds will be used to support Transit Services in later years once all CARES Act funds have been expended. Both funding sources are provided through a reimbursement process after the close of the fiscal year.

Tourism Business Improvement District (TBID)

The Tourism Business Improvement District (TBID) was established in 2008 in the City of San Luis Obispo at the request of the local lodging industry. The assessment is set at 2% of the lodging industry's gross receipts and is used to defray the costs of services, activities and programs promoting tourism which benefit the operators of hotels in the district through the promotion of scenic, recreational, cultural, and other attractions in the district as a tourist destination. Annually, the program sets an operating budget to match its anticipated yearly revenues.

Effects of Covid-19

Due to public safety guidelines and travel restrictions in place for the majority of FY 20-21, the TBID was limited in its ability to implement the robust tourism promotional campaigns and programs standard to their effort. Additionally, the TBID followed the City's conservative approach to budget projections and spending in an effort to maintain a resilient program and to safeguard the fund from the volatile impacts of COVID-19 on the tourism industry.

The COVID-19 emergency had an unprecedented impact on the California Tourism industry and in the tourism market of San Luis Obispo. TOT revenue and occupancy saw historic lows in April of 2020, less than 10% the previous April, with the impacts of public health orders and hesitant tourists impacting the rest of the year. July, typically the strongest month for tourism in the City, was 42% lower in 2020 in comparison to 2019 – numbers stayed low throughout the summer partially recovering to levels higher than is typical in San Luis Obispo during the slow winter months, but far from pre-pandemic summer highs. Winter of 2020-21 was slower than typical, 36 percent lower in January but with the proliferation of COVID vaccines tourism in San Luis Obispo began a dramatic recovery in Spring of 2021. March and April saw TOT figures slightly higher than in 2019 with slightly lower occupancy levels than pre-pandemic. June of 2021 saw an incredible $973,000 in TOT revenue, 15% higher than the previous June high and the best month in City history. This can be primarily attributed to ADR, a measure of average room prices, being significantly higher than any previous month on record; it is unclear how much this increase is related to local changes (new hotels and a changing consumer base) or to macro-level changes across the wider industry (Cites across San Luis Obispo County have seen similar dramatic rises in 2021 compared to pre-pandemic, San Luis Obispo City continues to be more expensive hotel destination than cities like Paso Robles, but significantly cheaper than Pismo Beach which has seen the most dramatic post-pandemic ADR inflation).

Key Objectives

- Continue the diverse marketing efforts to promote overnight stays in San Luis Obispo in alignment with local and statewide emergency orders.
- Support the economic recovery and resiliency of San Luis Obispo through focused staff resources on delivering a safe and appropriate visitor experience communicated through tourism marketing.
- Actively participate in local, regional, and state Visit SLO CAL, Central Coast Tourism Council, Downtown SLO and other tourism organizations.

TBID Variance Analysis

Table D-32:

TBID Operating Expenditures	2019-20	2020-21				2021-22
	Actual	Budget	Actual	Funds Available	%	Budget
Staffing	$ 201,126	$ 213,320	$ 203,149	$ 10,171	5%	$ 227,580
Contract Services	$ 1,088,185	$ 954,117	$ 895,456	$ 58,661	6%	$ 1,125,920
Other Operating Expenses	$ 92,297	$ 92,120	$ 33,128	$ 58,992	64%	$ 89,100
TOTAL	$ 1,381,608	**$ 1,259,557**	**$ 1,131,733**	**$ 127,825**	**10%**	$ 1,442,600

Salary and Benefits - Salary savings due to staff maternity leave.

Contract Services- Variances in the Contract Services category were due to the savings from promotions and marketing campaigns not implemented due to COVID-19 and the remaining funds within the contingency budget to offset any negative budget impacts.

Other Operating Expenses- Variances in the Other Operating Expenses category was due to savings from promotions and program like no travel expenses related to tradeshows and conferences.

Table D-33:

TBID Fund Revenue	2019-20 Actual	2020-21 Budget	2020-21 Actual	2020-21 Variance	%
TBID Assessment Revenue	$ 1,260,048	$ 1,253,400	$ 1,381,106	$ 127,706	10%
Interest on Investment	$ 14,747	$ 1,400	$ 3,075	$ 1,675	120%
Total	**$ 1,274,796**	**$ 1,254,800**	**$ 1,384,182**	**$ 129,382**	10%

The TBID assessment correlates with TOT revenue. Monthly TOT revenues gradually increased as positive COVID19 cases decreased, restrictions were lifted, and vaccination rates increased.

Downtown SLO Business Improvement District

The Downtown Business Improvement District (DBID) was established in 1975 as a parking and promotions district for the downtown area. As a special fee district, fees are collected from business license holders operating within a designated area and revenue supports the operations of Downtown SLO. The City and Downtown SLO (DSLO) agreed by contract that DSLO would provide various services for the economic, social, cultural, and environmental vitality and beautification of downtown San Luis Obispo. The assessment is a special revenue and is administered in its separate and distinct fund. Expenditures will always be equal to the revenue received because all of the downtown assessment revenue is remitted to the Downtown SLO.

Effects of Covid-19

A new agreement was reached with DSLO to carry out the core mission while still following the pandemic health and safety guidelines and restrictions. The Downtown Assessment is collected as a flat fee of $150 up to $273,000 in gross receipts. After that a percentage of gross receipts applies. Business license and tax certificates are renewed in the beginning of each fiscal year and by the time the assessment was due, multiple businesses had closed their doors for good. However, the main impact might be seen with the FY 21-22 renewals as companies went out of business due to the prolonged closure. Staff will report on the current renewal efforts with mid-year.

Table D-35:

Downtown Association	2019-20	2020-21				2021-22
	Actual	Budget	Actual	Funds Available	%	Budget
Pass-through Payments	$ 272,165	$ 252,588	$ 249,074	$ 3,514	1%	$ 245,000
TOTAL	$ 272,165	**$ 252,588**	**$ 249,074**	**$ 3,514**	**1%**	$ 245,000

Insurance Fund

The City is a member of the California Joint Powers Insurance Authority (CJPIA) which provides liability and workers' compensation insurance coverage and coordinates oversight and management of claims administration. Two different approaches are used to manage these programs: a self-insured retention (SIR) program for liability claims allows the City to pay the direct cost of liability claims with the security of excess insurance to cover larger claims should they occur; and a risk pool among member agencies is utilized for workers' compensation claims. The consolidation of all insurance-related expenses into one Insurance Fund has made it easier to oversee and manage insurance-related expenses. The Fund includes premiums for liability, workers' compensation, and other ancillary insurances such as property, crime, pollution, volunteers, and special events.

Since Fiscal Year 2015-16, there has been a concerted effort to reduce the number and cost of liability and workers' compensation claims. The initial goal of reducing the number and cost of claims by 30% per year over 3 years was reached and launched an ongoing effort to focus on safety matters and reduce injuries and accidents in the workplace and community at large. Going forward these efforts will be directed towards continuing to identify root causes, seek to address these, and ensure expenses for liability claims are below the City's Self-Insured Retention (SIR) allocation. The SIR is calculated annually based on the previous five years of experience. In FY 2020-21, liability claims-related costs were about four hundred fifty thousand dollars. Liability claims costs were higher this year because they included a substantial settlement that was initially filed in 2018.

Workers' Compensation claims have averaged around 60 claims per year while the severity has fluctuated. Consistent with prior years, the number of non-COVID claims totaled 62 during FY 2020-21. In addition, there were 16 COVID-related claims bringing the total to 78. Detailed staff analysis identified an alternative methodology for determining our premiums that resulted in a savings of over one hundred thousand dollars this year; this change in methodology will continue to reduce the City's Workers' Compensation costs on an annual basis.

Effects of COVID-19

At the beginning of the pandemic, there was a noticeable reduction in the number of vehicle-related claims, which may have been a result of the decrease in vehicles on the roadways and pedestrians on sidewalks. Activity on the streets and sidewalks has since increased, and there has been an uptick in the number of claims for trip-and-fall incidents and vehicle accidents. Workers' Compensation claims associated with COVID-19 increased last year, as noted above. Special Events insurance costs went down during the last fiscal year due to the decline in gatherings during the pandemic. While the primary responsibilities of Fund Management and oversight of insurance matters remains a high priority, the additional responsibilities assumed by Human Resources staff for COVID-related communications, contact tracing, and mandated reporting requirements have reduced staff response time for less urgent insurance inquiries.

Variance Analysis

Table D-36:

Insurance Fund Expenditures	2019-20	2020-21				2021-22
	Actual	Budget	Actual	Funds Available	%	Budget
Insurance	$ 4,322,327	$ 3,968,617	$ 3,361,435	$ 607,182	15%	$ 4,183,103
TOTAL	$ 4,322,327	**$ 3,968,617**	**$ 3,361,435**	**$ 607,182**	**15%**	$ 4,183,103

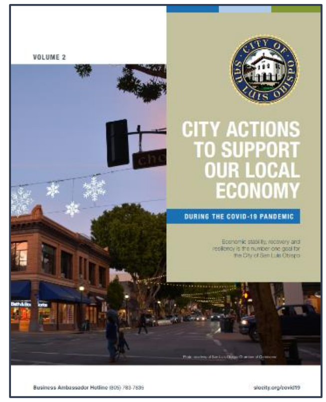
Other Operating Expenses

In January 2020, CJPIA initiated appraisals of its member properties. As a result, property values and insurance premiums increased. Due to the removal of old and the addition of new structures at the Water Resources Recovery Facility, adjustments in insurance coverage were made during the last fiscal year and will continue to be made to insure currently functioning facilities are properly covered. The cost of pollution insurance went down because of a change in insurance carriers, and special events insurance also declined due to a decrease in gatherings during the pandemic.

Forecast

Wildfires and other natural disasters have been increasing in frequency in various places in the country, and some insurance companies have withdrawn from the market and/or have increased premiums to address higher costs. Cyber security is also a growing concern among municipalities, and it is likely that the cost for securing such insurance will increase. Finally, the higher value claims that were filed within the last year may not be resolved for months or years, yet they could incur significant expenses when settled; the Undesignated Insurance Fund balance remains stable and available to cover such expenses, if necessary.

Section 3: Meta City Goal Update



As part of the Supplemental Budget adoption, the Council concluded that the City's top priority for FY 20-21 is to protect the public health and safety of San Luis Obispo and its residents, provide essential services, and assist the community in economic recovery via a Meta City Goal. To see all the ways that the City is supporting economic recovery and resiliency, visit here. Below are just some of the accomplishments over the last 12 months.

- Open SLO Project
- Sidewalk Dining
- Temporary Parklets
- Downtown Vacancy Taskforce
- TIPP-FAST
- Additional Cleaning for Health Safety
- Business Ambassador Program
- Work on Open Space Improvements
- Fitness in the Parks
- Community Hotline
- Enhanced Police Support
- Partnership Programs
- Grant Programs
- Fee and Tax Deferrals
- Parking Modifications
- Shop Local Promotions
- Adjusted Childcare Options
- Parks & Rec Programs
- Wastewater Sampling with Cal Poly
- Virtual Holiday Activities
- Fitness Clinics to Community
- Small Business Relief Funds

Table D-37 & D-38:

Strategy	Staff Hours Spent	Operating Dollars Spent
Support Business Growth	1,811	$ 971,740
Foster Cal Poly Partnerships	801	$ 58,856
Improve City Organization Response	9,962	$ 7,894
Provide Community Support	30,397	$ 169,053
Work with new/existing Community Partners	158	$ -
Enhance Downtown Vitality	990	$ 320,000
Support Impacted Industries and Business	3,406	$ 323,531
Prioritize Infrastructure and Capital Projects	2,578	$ 233,611
Improve Quality of Life	5,948	$ 13,370
Build Resiliency	1,378	$ 7,500
Total	**57,428**	**$ 2,105,554**

Department	Staff Hours Spent	Operating Dollars Spent
City Administration	4,304	$ 1,555,271
Community Development	9,864	$ -
Fire	8	$ -
Parks and Recreation	38,265	$ 59,500
Police	1,864	$ 6,037
Public Works	2,688	$ 433,391
Utilities	436	$ 51,356
Total	**57,428**	**$ 2,105,554**

Section 4: Completed and Ongoing Capital Projects

Table D-39:

ID#	Project	Status*: Completed and Ongoing (July 2020 - Present)
1	Casa/Murray Waterline Replacements	Completed in August 2020
2	405 Foothill Storm drain Repair	Completed in August 2020
3	Bridge Deck Maintenance 2020	Completed in August 2020
4	City Hall Fire Department Connection	Completed in September 2020
5	South Hills Radio Site Upgrade	Completed in September 2020
6	Swim Center Bath House Roof	Completed in September 2020
7	Silt Removal 2020	Completed in September 2020
8	919 Palm Street Parking Structure Lighting Energy Efficiency Retrofits	Completed in September 2020
9	842 Palm Street Parking Structure Lighting Energy Efficiency Retrofits	Completed in October 2020
10	Islay Hill Park Playground Replacement	Completed in October 2020
11	Bullock Lane CMP Replacement	Completed in December 2020
12	Swim Center Shower System Repair	Completed in January 2021
13	Roadway Sealing 2020	Completed in February 2021
14	Chorro Street Traffic Circle	Completed in March 2021
15	Higuera Street Paving	Completed in May 2021
16	Marsh Street Parking Structure Elevator Repair	Completed in May 2021
17	Downtown Pay Station Installation	Completed in June 2021
18	Fire Station #1 Air Compressor Replacement	Completed in June 2021
19	Marsh Street Bridge Replacement	Completed in June 2021
20	871 Marsh Street parking Structure Lighting Energy Efficiency Retrofits	Completed in June 2021
21	Terrace Hill Pipeline and Pressure Reducing Valve Rehabilitation	Ongoing (Complete in Aug 2021)
22	Fire Station 1 HVAC Replacement	Ongoing (Complete in Aug 2021)
23	TTHM and Pipe Gallery	Ongoing
24	RRST Taft to Pepper	Ongoing
25	Laguna Lake 2021 Maintenance Dredging Project	Ongoing
26	Broad Street/Woodbridge Pedestrian Hybrid Beacon	Ongoing
27	Sinsheimer Irrigation and Stadium Drainage	Ongoing
28	Bee Bee/Cuesta/Loomis Waterline Replacement	Ongoing
29	Jeffrey Sewer and Water Replacement	Ongoing
30	Tank Farm Road and Orcutt Roundabout	Ongoing
31	Downtown Pavement Improvement	Ongoing
32	Reservoir 1 Cover Replacement	Ongoing
33	Meadow Park Pathway Maintenance	Award Phase
34	Mission Plaza Railing Upgrades	Award Phase
35	Energy Efficient Lighting Retrofits - City Hall and Fire Station 1	Award Phase

**Reflects completion of construction. Project closeout dates vary.*

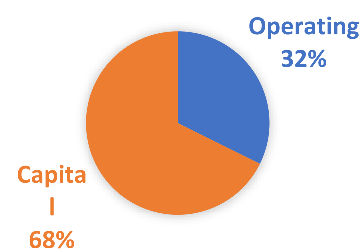
Section 5: Local Revenue Measure

In 2014, the City's voters approved the continuation of the half-cent transaction tax (Local Revenue Measure) to protect and maintain essential services and facilities. In November 2020, voters approved Measure G20 which will provide an additional $14-16 million for community services and infrastructure improvements each year.

At the time of the FY 20-21 Budget Adoption, the forecasted revenue projection for the Local Revenue Measure (LRM) was about $7.2 million. This was about 10% lower than the pre-pandemic forecasts. In light of the reduced revenue forecast, all LRM-funded capital projects were evaluated and prioritized based on how they supported delivering essential services to the community. These projects are identified in more detail in Section 7 of the FY 20-21 Supplemental Budget.

The largest portion of LRM for capital expenditures is for Neighborhood Street Paving. Other projects include playground equipment replacement, park major maintenance and repairs and pedestrian and bicycle pathway maintenance. The largest use of the LRM operating portion supports public safety. Other examples include staffing expenditures for neighborhood street paving, flood control, and code enforcement.

LRM INVESTMENT FOR FY 20-21



LRM Capital Budget

	20-21 Project Budget*	20-21 Total Consumption	Remaining Project Budget
LRM Capital Expenditures	$9,855,656	$7,238,284	$2,617,372

**Includes project carryover budget*

LRM Operating Budget

Table D-40:

Local Revenue Measure Categories	FTE	2020-21
1. Open Space Preservation (Ranger Staffing)	2	$152,922
2. Bicycles and Pedestrian Improvements (Engineer, Active Transportation Manager)	1.6	$215,023
3. Traffic Congestion Relief (Signal and Light Maintenance (Technician)	1	$112,237
4. Public Safety (Downtown Officers, Sergeant)	4	$663,940
5. Neighborhood Street Paving (Project Engineer & Maintenance Worker)	2	$189,527
6. Code Enforcement (Code Enforcement Technicians and Officer)	3	$302,046
7. Flood Protection (Collection Operators)	6	$667,282
8. Parks and Recreation/Senior Programs and Facilities (Maintenance Worker)	1	$66,954
9. Other Vital Services and Capital Projects	-	-
TOTAL	20.6	$2,369,931

New Revenue: Allocation of April-June Measure G20 Funding

The City began collecting an additional one-cent transaction tax (G20) on April 1, 2021. Since the voter approval did not happened until November 2020, this revenue was not programmed into the adopted supplemental budget, staff returned to Council with an updated revenue forecast at mid-year.

Table D-41:

Adopted LRM Revenue Forecast *(June 2020)*	$7,218,000
Updated Forecast after Adoption of Measure G20 *(February 2021)*	$11,392,000
Projected increase in revenue from Measure G20	$4,147,000

At the time Measure G20 passed, there was an immediate need to invest in additional economic recovery efforts to support businesses and for homeless services to support the community's most vulnerable. On December 8, 2020, Council approved the allocation of $3,425,000 from the anticipated first quarter revenue from the augmented local transaction and use tax for the following efforts (R-11203).

	Table D-42: **Approved Investment of LRM Funding in Economic Development Efforts and Homeless Services**	
1	Create Grant Funding Opportunities for Tenant Improvements (TIs)	$2,000,000*
2	Expand the SLO City Small Business Relief Grant Program	$500,000
3	Increase Efforts to Support Downtown Vitality	$425,000
4	Implement an Economic Development Shop Local Incentive	$200,000
5	Homeless Service Support & Coordination	$300,000
	TOTAL	**$3,425,000**

*this amount was to be invested locally and investment proceeds used for the TIs. Due to the continuing low income environment, no banks bid on the request for proposals and the funding will remain in LRM fund balance and is invested with the City's pooled assets under its current investment strategy.

Actual FY 20-21 Revenue

Actual revenue for the Local Sales Tax Measure exceeded projections by about $1.4 million. This was due to pent-up demand and a significant up-tick in consumer spending in the 3rd and 4th quarters of the fiscal year.

Table D-43:

a. Forecast Revenue	b. Actual Revenue	Variance (a-b)	c. Approved Budget Allocations (expenditures)	Unallocated Revenue (b-c)
$11,392,000	$12,779,713	$1,387,713	$10,643,000	$2,136,713

Looking Forward

It is important to note that the actual revenue numbers remain unaudited. Audited financials will be presented to the Council and the Revenue Enhancement Oversight Committee (REOC) in January 2022 at which time decisions on allocations can be re-visited. Staff will also provide an updated long-term forecast with the FY 21-22 Mid-Year Review.

2021-22 Key Changes

LRM Split between Capital and Operating: 75% Capital /25% Operating

Allocation to a Capital Reserve within the Capital Outlay Fund (NEW): $3.4 million

REOC Standard Schedule with Financial Plan Milestones

Section 6: Debt Payments for FY 20-21

Table D-44:

	2020-21 ANNUAL DEBT PAYMENTS BY SOURCE	2020-21	Maturity Date
1	**GENERAL FUND**		
2	2012/2001 Revenue Refunding Bonds Series B & C	$ 384,000	2039
3	Energy Conservation Loan 2014	$ 94,200	2024
4	LOVR Lease Revenue Bonds 2014	$ 592,100	2045
5	Fire Engine Lease Financing 2016	$ 240,100	2021
6	Capital Lease Street Sweeper/Dump Truck 2017	$ 141,200	2021
7	Fire Truck 2018	$ 146,100	2024
8	Refunding Lease Revenue Bonds 2018	$ 943,700	2024
9	Motorola Radio Lease	$ 217,671	2023
10			
11	**WATER FUND**		
12	Revenue Refunding Bonds 2012	$ 568,400	2023
13	Refunding Lease Revenue Bonds 2018	$ 27,400	2039
14	Water Revenue Refunding Bonds 2018	$ 892,300	2035
15	Infrastructure Bank Loan 2020	$ 942,329	2040
16			
17	**SEWER FUND**		
18	SunTrust Loan 2008	$ 185,000	2024
19	CIEDB State Loan - Tank Farm Lift Station 2009	$ 554,400	2038
20	Wastewater Bank Loan 2014	$ 617,800	2029
21	Refunding Lease Revenue Bonds 2018	$ 30,200	2039
22			
23	**PARKING FUND**		
24	State Infrastructure Bank (CIEDB) Loan 2001	$ 416,000	2032
25	Refunding Lease Revenue Bonds 2018	$ 439,500	2039
26	**Total**	**$ 7,432,400**	

Section 7: CalPERS Update

Fiscal Health Response Plan and Payment of Unfunded Liability

With the development of the 2017-19 Financial Plan, it became apparent that the City was facing a structural budget gap due to increases in pension cost. Starting in 2018-19, it implemented an aggressive three-year Fiscal Health Response Plan to pay down the pension obligation. The plan included multiple one-time additional payments to CalPERS to reduce the unfunded liability payment term from 30 to 20 years. At the onset of the pandemic, the City had successfully built-up sufficient fund balance in its General Fund to make the second scheduled payment to CalPERS for 2019-20. However, the City Council decided to retain this funding in fund balance to cover anticipated revenue shortfalls and to assist with economic recovery efforts as the shut-down of the economy and shelter-at-home directives had just taken place and the future looked precarious. With the prolonged duration of the pandemic and slow reopening of the economy, the third payment scheduled in Spring of 2021 was also postponed. The City is now behind on its scheduled one-time payments by $7.2 million.

Table D-45:

2018-19	2019-20	2020-21	2021-22
$4.2 million	**$4.2 million**	**$3.0 million**	**$3.0 million**

Paid, **Unpaid,** **Planned**

CalPERS Discount Rate Lowered to 6.8%

In July 2021, CalPERS reported a 21.3% net return on investments for the 12-month period that ended June 30, 2021. Under the Funding Risk Mitigation Policy, approved by the CalPERS Board of Administration in 2015, the double-digit return triggered a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) members contributions. The discount rate, or assumed rate of return, will drop from 7% to 6.8% from here on out. The lowering of the discount rate will increase both employee and employer normal cost and also influence the unfunded liability. However, the double-digit gains should offset the impact of the lower discount rate on the unfunded liability. The City will see the effects of the change to the discount rate with the 2022-23 contributions. Staff is currently evaluating the impact of the change to adjust its 20-year pay-down strategy.