



**Department:** Finance  
**Cost Center:** 2002  
**For Agenda of:** 12/10/2024  
**Placement:** Business  
**Estimated Time:** 90 minutes

**FROM:** Emily Jackson, Finance Director  
**Prepared By:** Riley Kuhn, Principal Budget Analyst

**SUBJECT:** 2025-27 FINANCIAL PLAN: SETTING THE STAGE & FIRST QUARTER BUDGET REPORT

## RECOMMENDATION

Receive and discuss the following documents in preparation for the 2025-27 Goal Setting and Financial Plan Development Process:

- a) FY 2024-25 First Quarter Budget Report
- b) Setting the Stage for the 2025-27 Financial Plan
- c) General Plan Implementation Report
- d) 2023-25 Major City Goals Status Update

## POLICY CONTEXT

The City of San Luis Obispo utilizes a two-year financial planning process to create its budgets. The fundamental purpose of the City's budget process is to link, through public engagement and strategic deliberation, the interest of the community to the available financial resources to achieve the desired outcome. The process allows the City Council to engage the community in identifying Major City Goals for the City while also providing information and education regarding the City's core services and programs, including the day-to-day work and responsibilities carried out by City employees to support residents' quality of life.

## DISCUSSION

### **FY 2024-25 First Quarter Budget Report:**

As of September 30, 2024 the City's results as compared to budget are largely as expected. The first quarter report (Attachment A) provides a limited preview of results since many revenue streams and expenditures are reported several months in arrears. Staffing is the most reliable indicator of expenditures since no reporting delay exists and results are as expected through the first quarter. One risk area has emerged based on a recent statewide forecast update released by our sales tax consultants who have advised that macroeconomic conditions have shifted unfavorably since budget adoption.

**Setting the Stage for the 2025-27 Financial Plan:**

The City of San Luis Obispo is a full-service city that provides public safety, public utilities, and a broad variety of general government services. Like most municipalities, the City is faced with balancing elevated and rising costs with limited resources while providing a high level of service to its residents.

In setting the stage for the next Financial Plan (Attachment B), staff identified three focus areas: The regulatory environment and state laws that impact how we operate, macroeconomic conditions, and our community's growth.

The regulatory environment becomes more complex each year as the State continues to pass legislation with impacts to cities. This legislation has a pronounced impact on our Community Development department, our revenues, and our staffing costs. Many incremental changes are absorbable individually but in total lead to increased workloads and a higher cost of doing business.

Recent years have been defined by strong tailwinds from economic stimulus in response to the COVID pandemic and the inflationary period that followed. Conditions have shifted and now present headwinds as increased sales tax revenues have plateaued and while prices are increasing at more typical rates, they remain elevated.

Like many communities, ours has recently become much more accommodative of growth. As we have welcomed new community members with new housing developments, we have also made commitments to add new infrastructure and fund the costs of operation. We also note that demand for a broad variety of City services has increased far more quickly than the population.

**General Plan Implementation**

The City's General Plan is the blueprint for growth in the City that addresses all City programs and services. The Plan contains 396 programs contained within the Land Use, Circulation, Housing, Noise, Conservation / Open Space, Safety, Parks & Recreation, and Water & Wastewater elements. Attachment C. makes reference to the last [General Plan update provided last Spring](#) for additional detail.

In addition to the General Plan, staff are also focused on implementing the Climate Action Plan, Active Transportation Plan, Economic Development Strategic Plan, DEI Strategic Plan, Homelessness Response Strategic Plan, Parks and Recreation Blueprint for the Future, Police Department Strategic Plan, Fire Department Strategic Plan, Vision Zero Action Plan, Wastewater Collections Infrastructure Renewal Strategy, Water Treatment Infrastructure Renewal Plan Strategy, and more.

**Major City Goal Status Update**

With adoption of the 2023-25 Financial Plan, Council set four Major City Goals: Economic Resiliency, Cultural Vitality, and Fiscal Sustainability; Diversity, Equity, and Inclusion (DEI); Housing and Homelessness; and Climate Action, Open Space & Sustainable Transportation. Under each goal is a series of tasks identified to accomplish it. Of the 146 tasks, 93% are completed or on track, 6% have been delayed or have identified setbacks, and just 1% or one task has been delayed without an identified solution. (Attachment D)

**Previous Council or Advisory Body Action**

Council reviewed and approved the 2025-27 Financial Plan calendar on October 1, 2024.

**Public Engagement**

Public comment on this item can be provided to the City Council through written correspondence prior to the meeting and through public testimony at the meeting.

**CONCURRENCE**

The City’s internal Financial Plan Steering Committee concurs with the recommendations included in this report.

**ENVIRONMENTAL REVIEW**

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

**FISCAL IMPACT**

Budgeted: N/A  
Funding Identified: N/A

Budget Year: 2024-25

**Fiscal Analysis:**

<b>Funding Sources</b>	<b>Total Budget Available</b>	<b>Current Funding Request</b>	<b>Remaining Balance</b>	<b>Annual Ongoing Cost</b>
General Fund	\$0	\$0	\$0	\$0
State				
Federal				
Fees				
Other:				
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

This report contains valuable information to keep the Council and Community informed about the City’s financial standing and program efforts and should provide valuable information to prepare for the next financial plan.

There is no fiscal impact associated with the recommendations contained in this report.

**ALTERNATIVES**

***Council could choose not to discuss the report.*** This action is not recommended as Council's feedback at each step of the Financial Plan process is invaluable to helping staff craft informed recommendations for resource allocation.

**ATTACHMENTS**

- A - FY 2024-25 First Quarter Budget Report
- B - Setting the Stage for the 2025-27 Financial Plan
- C - General Plan Implementation
- D - 2023-25 Major City Goals Status Update