



# First Quarter Financial Report

Fiscal Year 2024-25

---

## Introduction

This financial report provides an overview of the City’s revenues and expenditures through the first quarter of the fiscal year (July 1, 2024 – September 30, 2024). It also provides an update on the status of the City’s Capital Improvement Plan (CIP) projects and progress on Major City Goal tasks.

Throughout the document, reference will be made to the data available as of the time the report was drafted. Revenues are often not available for up to two months after month-end and in some cases, revenues are not received evenly throughout the year. Expenditures are often recorded in advance for annual costs or for purchase orders opened at the beginning of the year. The net impact is that actual results booked one quarter into the year should not always be expected to equal one quarter of budgeted amounts. Commentary will be provided only when analysis suggests that full-year results may differ significantly from budget.

## Table of Contents

General Fund Summary.....	2
Storm Update.....	5
Water Fund Summary.....	7
Sewer Fund Summary.....	9
Parking Fund Summary.....	11
Transit Fund Summary.....	12
Special Revenue Summaries.....	13
CIP Update.....	17
Major City Goal Update.....	19

# General Fund Summary

As of the first quarter, revenue and expenditures for the General Fund are broadly in line with expectations. The tables below detail year-to-date results as compared to budget and prior year actuals. Commentary is provided where results are not in line with expectations.

**Revenue:**

General Fund	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Received
<b>Tax and Franchise Revenue</b>	<b>\$ 101,605,256</b>	<b>\$ 104,967,371</b>	<b>\$ 12,025,488</b>	<b>11%</b>
Local Revenue Measure G	30,597,288	31,855,000	2,524,764	8%
Sales Tax (Bradley Burns)	22,285,972	23,962,099	1,872,619	8%
Property Tax	23,261,942	23,446,385	562,703	2%
Transient Occupancy Tax	10,995,912	10,586,256	1,778,374	17%
Utility User Tax	6,301,505	6,622,639	964,170	15%
Business Tax	2,942,425	3,317,338	3,335,315	101%
Cannabis Tax	1,031,124	1,100,000	192,241	17%
Franchise Fees	2,366,286	2,091,800	240,548	11%
Gas Tax	1,341,857	1,419,353	371,662	26%
Safety Prop 172	480,944	566,500	183,092	32%
<b>Fees and Other Revenue</b>	<b>18,259,629</b>	<b>13,644,469</b>	<b>3,058,265</b>	<b>22%</b>
Development Review	6,168,815	6,585,331	1,075,812	16%
Parks & Recreation	2,413,314	2,068,787	530,739	26%
Fire	1,762,336	1,577,836	369,419	23%
Police	1,029,274	611,917	103,036	17%
General Government	6,885,889	2,800,598	979,258	35%
<b>Total</b>	<b>\$ 119,864,885</b>	<b>\$ 118,611,840</b>	<b>\$ 15,083,752</b>	<b>13%</b>

**Tax Revenue:**

**Local Revenue Measure G and Sales Tax:** Year-to-date results include July only as the California Department of Tax and Fee Administration operates with a two-month delay. Staff note that recent statewide forecasts from our consultants have been revised downwards based on macroeconomic conditions and this may indicate risk to budget attainment.

**Property Tax:** The City participates in the Teeter Plan, which means we are not exposed to delinquent payments and can reasonably expect to collect 100% of budgeted amounts.

**Business Tax:** This tax is due at the beginning of the year and should be largely collected. Staff note that collections are up more than 10% from prior year due to a combination of improved compliance efforts and collection of past-due prior year receipts. Staff will issue citations for past due business tax and expect collections to increase before year end.

**Safety 172:** This revenue stream is trending higher than budget due to timing of cash receipts. Based on the latest estimates from our consultant, we should finish the full year slightly below budget.

While other tax revenue categories show year to date results lower than 25%, we do not expect significant variances for the full year.

**Fee & Other Revenue:**

**Development Review Fees:** This revenue stream finished 2% below budget last year and the Community Development Department sees risk to budget attainment in the current year. Revenue collected in the first quarter was down 39% year over year, part of a continuing downtrend in local development activity. This is in line with trends in nationwide new housing starts which have been in decline since the Federal Reserve increased interest rates in 2022.

**General Government:** This line includes earnings on cash and investment balances which have benefited greatly from elevated interest rates. Staff expect cash interest payments to outperform budget once again, although to a lesser degree due to recent and expected policy actions by the Federal Reserve. Staff also caution that if interest rates do not decrease throughout the year as expected, we may experience negative fair market value adjustments<sup>1</sup>.

Though other fee categories show year to date results lower than 25%, we do not expect significant variances for the full year.

**Expenditures:**

	FY 2023-24	FY 2024-25		
General Fund Expenditures	Actual	Budget	YTD Actuals	% Expended
Staffing	\$55,754,263	\$61,611,177	\$15,265,541	25%
Unfunded Pension Liability	12,994,935	12,886,419	12,682,728	98%
Contract Services	10,721,258	13,243,317	7,091,018	54%
Other Operating Expenditures	7,671,938	8,601,412	3,149,731	37%
<b>Total</b>	<b>\$87,142,394</b>	<b>\$96,342,323</b>	<b>\$38,189,018</b>	<b>40%</b>

**Staffing:** Salaries and benefits are as expected at this point in the year. Salaries were 24% expended, indicating salary savings to be expected at year-end. Benefits were 28% expended due to the pre-payment of certain annual costs.

**Unfunded Pension Liability:** This annual cost is prepaid upfront. Savings are realized as a result of this prepayment.

**Contract Services:** Actuals for this budget line include obligations on open purchase orders. While 54% of budget has been obligated or expended, just 18% has been paid to vendors. Staff do not expect a variance to budget at year-end.

**Other Operating Expenditures:** Similar to Contract Services, actuals for this line include obligations on open purchase orders and just 17% of budget has been expended. We do not expect a variance to budget at year-end.

---

<sup>1</sup> Fair Market Value adjustments are non-cash adjustments to investment income that reflect changes in the current market price of our bond holdings. Bond values are inversely correlated with interest rates, so if interest rates do not fall as expected the adjustment will reduce revenue. If rates fall more quickly than expected, the adjustment will increase revenue. Because the City generally holds investments until maturity, we do not expect any cash impact from these changes in fair value.

Operating Expenditures by Department	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Expended
Admin/IT	\$ 10,767,778	\$ 12,196,246	\$ 4,539,312	37%
City Attorney	1,472,411	1,737,569	721,512	42%
Community Development	7,157,271	9,772,915	3,941,200	40%
CSG Admin	829,900	669,322	241,130	36%
Finance	2,275,677	2,661,555	1,007,851	38%
Fire	15,960,639	16,983,344	7,562,775	45%
Human Resources	2,177,463	2,096,614	808,961	39%
Non-Dept/Support Services	403,850	1,226,143	108,218	9%
Parks & Recreation	5,414,249	6,003,370	1,973,922	33%
Police	23,233,179	23,845,986	10,081,924	42%
Public Works	17,038,925	18,736,984	7,040,526	38%
Utilities	411,052	412,275	161,687	39%
<b>Total</b>	<b>\$ 87,142,394</b>	<b>\$ 96,342,323</b>	<b>\$ 38,189,018</b>	<b>40%</b>

While the year to date results for the General Fund as a whole are largely as expected, two areas of risk to staffing budgets stand out:

**Fire Department:** Several vacant positions are driving higher than expected overtime expenditures. Four firefighter positions are currently vacant, meaning at least one shift will be filled at overtime rates daily. The department will utilize all means to reduce impacts to the budget and expects that mutual aid and other reimbursements will provide budget capacity to cover staffing costs for the remainder of the year.

**Minimum Wage:** Based on currently enacted laws, minimum wage will increase from \$16.00 to \$16.50 effective January 1, 2025. The City employs a number of temporary or seasonal employees at or near minimum wage, primarily in our Parks & Recreation Department. The Human Resources Department will present Council with a recommendation to adjust supplemental salary schedules to comply with the legislation and address compaction.

California voters narrowly rejected Proposition 32 to raise the minimum wage to \$17.00 immediately and \$18.00 effective January 1, 2025. A wage increase effective immediately would have created significant operational impacts on the Human Resources and Finance Departments. If the measure had passed, complying with the new rules and addressing compaction in other positions near the minimum wage would cost the City roughly \$250,000 annually.

## Storm Update

As noted in prior budget reports, the winter storms in January and March 2023 caused significant damage to City infrastructure and resulted in emergency declarations at the Federal and State level, in addition to the Emergency Services Director's local emergency proclamation. The City Council authorized use of up to \$9 million from the City's operating reserve in FY 2022-23 and FY 2023-24 to address unbudgeted storm costs, and with adoption of the 2023-25 Financial Plan, the City Council also allocated \$2.75 million in the CIP to fund projects to repair storm damages and mitigate against future damage. An additional \$2.1 million was allocated to storm damage repair with adoption of the FY 2024-25 Supplemental Budget. The Federal and State declarations enable the City to seek reimbursement for certain storm related costs. The maximum reimbursement for eligible costs is 93.75% (75% from the Federal Emergency Management Agency (FEMA) and 18.75% from the California Office of Emergency Services (CalOES)), meaning that the City will pay a minimum of 6.25% for certain storm related costs.

The FEMA reimbursement process continues to move slowly due to turnover in the FEMA Program Delivery Managers assigned to assist local agencies in submitting projects for reimbursement and a lack of clarity about the information required in order to submit projects. As reported in the FY 2024-25 Year-End Budget Report, FEMA is currently in a holding pattern for new obligations as the federal Disaster Relief Fund, which funds public assistance to impacted agencies, is nearly expended due to a record number of costly disasters. As of the writing of this report, Congress has not taken action to replenish the fund, but this lack of funding is not expected to put the City's projects in danger. As previously reported, the current lack of Federal funding is causing delays in projects being obligated for funding, which is expected to impact the timing of reimbursement. In the last several weeks, the City's FEMA liaisons have indicated a general slow down in project review, due to intense focus by FEMA on the recent hurricanes in the Gulf Coast region. Staff continues to closely monitor actions at the Federal level, as the ability to pay back the operating reserve and fund future storm-related projects is dependent on receiving reimbursement for incurred storm costs.

The City has expended approximately \$13 million on storm response to date, including debris removal, emergency protective measures, and projects to make permanent repairs to damaged facilities. As noted in the prior quarter, total expenditures have not changed significantly from the prior quarter because many projects are in the design phase. Storm related cost estimates continue to shift as projects are scoped, designed and completed. Currently, the estimated total cost to repair all storm related damage is \$48.4 million, consistent with what was reported in the FY 2024-25 Year-End Budget Report. Up to this point, in order to expedite project delivery to mitigate storm damage, staff has used a streamlined procurement process, including the authorization of construction contracts and change orders by the City Manager where necessary and allowable to expedite work in order to protect community health and safety. As previously noted, all storm-related expenditures have been submitted to FEMA for reimbursement and are in various stages of FEMA's review and evaluation process. As

Based upon staff delivery capacity, FEMA reimbursement timeframes, and the upcoming 2025-27 Financial Plan process, staff continues to work on the highest priority storm damage projects in order to advance them for funding consideration with the 2025-27 Financial Plan and will continue the process to obtain FEMA reimbursement during the delivery process. The projects that are shown in Table 6 below represent the highest priority projects for delivery at this time

based upon the need to mitigate previously completed projects, protect existing infrastructure, and/or identify projects that must be completed.

The two tables below provide an overview of the current status of storm projects. The first table details all storm projects that staff believes should advance, including their respective current phases and the percentage of work completed to date. The second table outlines work that is not deemed urgent at this time and will be assessed as part of the 2025-2027 Financial Plan to determine priority and appropriate funding sources.

Row #	Projects by Phase - Storm Funding and Staff Resources Advancing Project Development	Percentage Complete
<b>Project Initiation</b>		<b>0%</b>
<b>1</b>	<b>Mitigation Planting</b>	<b>0%</b>
	Replant and vegetate emergency project areas	
<b>Design</b>		<b>24%</b>
<b>2</b>	<b>Prefumo Creek Grade Structure</b>	<b>25%</b>
3	Phase I - Remove damaged grade control structure and install RSP roughened ramp.	25%
4	Phase II - Install new sewer siphon.	25%
<b>5</b>	<b>Prefumo through Golf Course</b>	<b>50%</b>
6	Phase 1 - Install City Owned Ped bridge	50%
<b>7</b>	<b>SLO Creek at Elks Lodge</b>	<b>18%</b>
8	Phase 1 - Install RSP on East Side (Elks Side) - armor embankment due to Caltrans revetment	25%
9	Phase 2 - Install creek bank revetment on Elks Lodge side downstream of Elks Lodge	25%
10	Phase 3 - Install soil nail wall on Hwy 101 side of SL Creek near Elks Lodge	5%
<b>11</b>	<b>SLO Creek at Mission Plaza</b>	<b>10%</b>
12	Remove and install structural sidewalk	10%
<b>Grand Total</b>		<b>21%</b>

Row #	Projects by Phase - Work Pending 2025-27 Financial Plan Funding	Current Cost Estimate	Percentage Complete
<b>Project Initiation</b>		<b>\$4,180,000.00</b>	<b>0%</b>
1	Old Garden Creek at Mission Street	\$2,040,000	0%
2	Armor damaged abutments. Repair culvert bottom	\$2,040,000	0%
3	Stenner Creek at Olive Street	\$2,140,000	0%
4	Remove and install new culvert. Armor damaged slopes	\$2,140,000	0%
<b>Design</b>		<b>\$18,950,000.00</b>	<b>25%</b>
5	Nipomo Bridge over Stenner Creek	\$2,000,000	10%
6	Remove damaged revetment and install new revetment upstream and downstream of bridge. Revetment was undermined during storm event.	\$2,000,000	10%
7	Prefumo through Golf Course	\$16,000,000	10%
8	Phase 2 - Install creek bank revetment in golf course	\$7,000,000	5%
9	Phase 3 - Stabilize creek banks upstream of golf course	\$9,000,000	5%
10	SLO Creek at Elks Lodge	\$950,000	5%
11	Phase 4 - Armor bridge abutments at Elks Lane and SL Creek	\$950,000	5%
<b>Grand Total</b>		<b>\$23,130,000.00</b>	<b>25%</b>

## Water Fund Summary

The Water Fund’s year-to-date results are generally in line with expectations. The Water Fund’s year-to-date results align closely with projections, showing expected trends across revenue and expenditure categories.

### Revenue:

Water Revenue	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Received
Cal Poly Capacity & Resilience	\$ 233,025	\$ 263,433	\$ 271,026	103%
Investment and Property Revenue	1,759,115	50,000	-	0%
Other Revenue	525,148	139,000	174,676	126%
Service Charges and Base Fees	26,088,324	28,102,022	3,204,408	11%
State Grants	613,814	-	22,946	
<b>Total</b>	<b>\$ 29,219,426</b>	<b>\$ 28,554,454</b>	<b>\$ 3,673,056</b>	<b>13%</b>

Revenues are only 13% received as of report drafting due to only one month of Service Charges and Base Fees having been collected and recorded. Staff do not expect a significant variance in budget for the full year.

**Investment and Property Revenue:** This line includes earnings on cash and investment balances. The fund is expected to benefit from the current interest rate environment and meet or exceed its revenue budget. The higher interest earnings may help offset other revenue shortfalls, should they occur, and strengthen the Water Fund’s financial position. Staff anticipates that cash interest payments will again exceed the budget, though to a lesser extent than previous years due to recent and anticipated Federal Reserve Policy actions.

**Other Revenue:** The Other Revenue line item is primarily funded through revenues in the Other City Licenses and Permits (recycled water construction water permits), Miscellaneous Penalties (customer late fees), Sales of Surplus Property, Development Review Fees, and Utilities Setup Fees. This line reflects an over-collection partially due to the timing of Journal Entries allocating a portion of Setup Fees and Miscellaneous Penalties (customer late fees) to the Sewer Fund, as well as unbudgeted revenue from Sales of Surplus Property and Construction Water Permits.

**Service Charges and Base Fees:** Only one month of Service Charges and Base Fees have been collected and recorded at the time of reporting. Staff do not anticipate a significant variance from the annual budget.

**State Grants:** State grant allocations, attributable to a Prop 1B Grant, are projected to align with expected funding levels and are anticipated to be received on schedule within the fiscal year’s budget framework.

**Expenditures:**

	FY 2023-24	FY 2024-25		
Water Expenditures	Actual	Budget	YTD Actuals	% Expended
Staffing	\$ 4,595,744	\$ 5,167,733	\$ 1,095,990	21%
Unfunded Pension Liability	833,466	789,926	779,802	99%
Contract Services	810,950	1,212,318	553,952	46%
Other Operating Expenditures	11,880,657	15,527,544	10,480,909	67%
<b>Total</b>	<b>\$ 18,120,818</b>	<b>\$ 22,697,521</b>	<b>\$ 12,910,653</b>	<b>57%</b>

**Staffing:** At 21% expended, vacancies are driving significant budget savings. Current savings are likely to persist if the positions remain vacant, reducing pressure on staffing budgets for the remainder of the year.

**Unfunded Pension Liability:** This annual cost is prepaid upfront. Savings are realized as a result of this prepayment.

**Contract Services:** Actuals for this budget line include obligations on open purchase orders, which are often opened at the beginning of the fiscal year for larger year-long contracts. While 46% of budget has been obligated or expended, just 13% has been paid to vendors. Staff do not expect a variance to budget at year-end. This discrepancy is typical due to the timing of service delivery and invoicing, as well as the completion of work on open purchase orders.

**Other Operating Expenditures:** Similar to Contract Services, actuals for this line include obligations on open purchase orders and this line also includes annual prepayments for Nacimiento, Salinas, and Whale Rock water sources of supply. Although 67% of the budget has been obligated or spent, the fund has over \$2 million in encumbrances.



## Sewer Fund Summary

The Sewer Fund’s year-to-date results are generally in line with expectations.

### Revenue:

Sewer Revenue	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Received
Cal Poly Capacity & Resilience	\$ -	\$ 472,534	\$ 472,534	100%
Investment and Property Revenue	2,592,653	50,000	-	0%
Other Revenue	488,678	224,000	227,399	102%
Service Charges and Base Fees	19,893,378	20,052,366	2,040,310	10%
State Grants	887,167	-	210,683	
Long Term Debt Proceeds	15,353,992	-	2,816,993	-
<b>Total</b>	<b>\$ 39,215,868</b>	<b>\$ 20,798,900</b>	<b>\$ 5,767,919</b>	<b>28%</b>

**Investment and Property Revenue:** This line includes earnings on cash and investment balances. The fund is expected to benefit from the current interest rate environment and meet or exceed its revenue budget. The higher interest earnings may help offset other revenue shortfalls, should they occur, and strengthen the Sewer Fund’s financial position. Staff anticipates that cash interest payments will again exceed the budget, though to a lesser extent than previous years due to recent and anticipated Federal Reserve Policy actions.

**State Grants:** The State Grant allocations are projected to align with anticipated funding levels and are expected to be received as scheduled within the fiscal year’s budget framework. 100% of the revenue collected is attributable to the CalOES grant.

**Other Revenue:** Other Revenue during Q1 is primarily attributed to Industrial User Permits, where revenues are received as user permits expire, and Prop 1B IRWM Grant Funding for the WRRF project. A small amount was also made up by Administrative Citations, Sales of Surplus Property, Development Review Fees, and Sewer Wye Abandonment and Installations.

**Long Term Debt Proceeds:** These borrowings are used to fund construction of the Water Resource Recovery Facility (WRRF) and were originally budgeted in FY 2023-24. The timing of borrowings is based on construction progress and may not align with projections.

**Service Charges and Base Fees:** Like the Water Fund, only one month of Service Charges and Base Fees have been collected and recorded at the time of reporting. Staff do not expect a significant variance to budget for the full year.

**Expenditures:**

Sewer Expenditures	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Expended
Staffing	\$ 4,616,421	\$ 5,127,912	\$ 1,125,870	22%
Unfunded Pension Liability	851,453	782,976	772,941	99%
Contract Services	1,256,919	1,303,478	937,167	72%
Other Operating Expenditures	2,647,401	2,874,769	1,020,248	35%
<b>Total</b>	<b>\$ 9,372,194</b>	<b>\$ 10,089,135</b>	<b>\$ 3,856,226</b>	<b>38%</b>

**Staffing:** At 22% expended, vacancies are driving the budget savings. The majority of current vacancies are expected to be filled by the end of calendar year 2024.

**Unfunded Pension Liability:** This annual cost is prepaid upfront. Savings are realized as a result of this prepayment.

**Contract Services:** Actuals for this budget line include obligations on open purchase orders. While 72% of budget has been obligated or expended, just 18% has been paid to vendors. Staff do not expect a variance to budget at year-end.

**Other Operating Expenditures:** Similar to Contract Services, actuals for this line include obligations on open purchase orders. 14% of budget has been paid to vendors. This approach safeguards budget stability and ensures that key expenditures can be met as obligations are fulfilled.

## Parking Fund Summary

The Parking Fund's year-to-date results are generally in line with expectations.

### Revenue:

Parking Revenue	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Received
Long Term Parking	702,797	695,300	137,108	20%
Other Revenue	3,733,272	664,884	304,679	46%
Parking Fines	1,190,030	1,288,000	261,581	20%
Parking Meters	5,927,488	5,805,900	1,189,441	20%
Parking Structures	1,757,776	1,843,700	414,473	22%
<b>Total</b>	<b>\$ 13,311,364</b>	<b>\$ 10,297,784</b>	<b>\$ 2,307,281</b>	<b>22%</b>

Lower parking rates were in full effect for the quarter and these results present an opportunity to test the fiscal impact of the new rate structure. While 22% of budget has been collected through the first quarter, there is no indication that parking activity has decreased. Staff is closely monitoring parking revenue and will provide a comprehensive update after two quarters of results.

### Expenditures:

Parking Expenditures	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Expended
Staffing	\$ 1,752,249	\$ 1,866,748	\$ 447,853	24%
Unfunded Pension Liability	238,826	244,373	241,241	99%
Contract Services	862,591	782,601	490,487	63%
Other Operating Expenditures	967,528	965,304	225,224	23%
<b>Total</b>	<b>\$ 3,821,194</b>	<b>\$ 3,859,026</b>	<b>\$ 1,404,804</b>	<b>36%</b>

**Unfunded Pension Liability:** This annual cost is prepaid upfront. Savings are realized as a result of this prepayment.

**Contract Services:** Actuals for this budget line include obligations on open purchase orders. While 63% of budget has been obligated or expended, just 14% has been paid to vendors. Staff do not expect a variance to budget at year-end.

## Transit Fund Summary

The Transit Fund's year-to-date results are generally in line with expectations.

### Revenue:

Transit Revenue	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Received
Federal	\$ 3,486,773	\$ 12,469,861	\$ 482,677	4%
Local (Bus Fare)	1,000,790	976,000	243,837	25%
Other / Interest Revenue	379,651	-	-	
State	1,501,111	3,613,325	644,107	18%
<b>Total</b>	<b>\$ 6,368,325</b>	<b>\$ 17,059,186</b>	<b>\$ 1,370,621</b>	<b>8%</b>

**Federal and State Grants:** This revenue is dependent on timing of capital expenditures and drawdowns needed to fund operations. As a result, variances to budget are to be expected and will be offset by expenditure variances, resulting in no impact to fund balance.

### Expenditures

Transit Expenditures	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Expended
Staffing	\$ 332,611	\$ 348,165	\$ 67,870	19%
Unfunded Pension Liability	57,283	45,725	45,139	99%
Contract Services	3,592,192	4,630,217	4,279,735	92%
Other Operating Expenditures	431,255	424,715	376,523	89%
<b>Total</b>	<b>\$ 4,413,341</b>	<b>\$ 5,448,821</b>	<b>\$ 4,769,268</b>	<b>88%</b>

**Unfunded Pension Liability:** This annual cost is prepaid upfront. Savings are realized as a result of this prepayment.

**Contract Services:** Actuals for this budget line include obligations on open purchase orders. While 92% of budget has been obligated or expended, just 13% has been paid to vendors. Staff do not expect a variance to budget at year-end.

**Other Operating Expenditures:** Similar to Contract Services, actuals for this line include obligations on open purchase orders. 13% of budget has been paid to vendors.

## Special Revenue Fund Summaries

### Tourism Business Improvement District

The Tourism Business Improvement District (TBID) assessment is set at 2% of the lodging industry's gross receipts. The program annually aligns its operating budget with its anticipated revenues.

#### Revenue:

TBID Revenue	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Received
Tourism Assessment	\$ 2,210,661	\$ 2,117,251	\$ 341,692	16%
Other / Interest Revenue	56,643	-	-	
<b>Total</b>	<b>\$ 2,267,304</b>	<b>\$ 2,117,251</b>	<b>\$ 341,692</b>	<b>16%</b>

The TBID receives revenue in the form of a transfer from the general fund of 20% of Transient Occupancy Tax (TOT) collections. Staff expect TOT revenue to finish on budget or better.

#### Expenditures:

TBID Expenditures	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Expended
Staffing	\$ 216,518	\$ 237,466	\$ 49,682	21%
Unfunded Pension Liability	43,573	32,234	31,821	99%
Contract Services	1,869,690	1,863,737	1,568,618	84%
Other Operating Expenditures	20,130	34,100	1,689	5%
<b>Total</b>	<b>\$ 2,149,911</b>	<b>\$ 2,167,537</b>	<b>\$ 1,651,810</b>	<b>76%</b>

The TBID procures many of its services in advance, leading to a high percent of budget expended early in the year. The fund is expected to finish on budget for the full year.

### Boysen Ranch Conservation Fund

Boysen Ranch consists of approximately 116 acres bounded by Los Osos Valley Road, Foothill Boulevard, and O'Connor Way. The City holds a series of conservation easements that protect approximately 25 acres of the Ranch to mitigate impacts to wetlands and waters caused by the nearby commercial development projects on Los Osos Valley Road. As part of the original easement agreement, Boysen Ranch's owners provided the City with an endowment to fund required monitoring activities.

#### Revenue:

Boysen Ranch Revenue	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Received
Investment Income	\$ 18,353	\$ 2,000	\$ -	0%
<b>Total</b>	<b>\$ 18,353</b>	<b>\$ 2,000</b>	<b>\$ -</b>	<b>0%</b>

The Boysen Ranch Conservation Fund is an endowment fund and its budgeted revenue is provided by investment income. The fund is expected to benefit from the current interest rate environment and meet or exceed its revenue budget.

**Expenditures**

	FY 2023-24	FY 2024-25		
Boysen Ranch Expenditures	Actual	Budget	YTD Actuals	% Expended
Contract Services	9,135	10,136	2,636	26%
<b>Total</b>	<b>\$ 9,135</b>	<b>\$ 10,136</b>	<b>\$ 2,636</b>	<b>26%</b>

The fund budgets for authorized conservation activities and significant variances are not expected at year-end.

**Insurance Fund**

The Insurance Fund serves to pay the City’s annual premiums for liability, workers’ compensation, special events, volunteer, and property insurance needed to protect the City and to manage fluctuations in claims-related expenses. The budget for the insurance fund has been supplemented over time with expenditures from the Office of the City Attorney and the Human Resources Department, which continue to incur costs which could fall under the intended use of the Insurance Fund. Staff intend to revisit where these costs are incurred in future planning cycles.

**Revenue:**

	FY 2023-24	FY 2024-25		
Insurance Fund Revenue	Actual	Budget	YTD Actuals	% Received
Transfers In	\$ 6,175,000	\$ 6,000,000	\$ 3,000,000	50%
<b>Total</b>	<b>\$ 6,175,000</b>	<b>\$ 6,000,000</b>	<b>\$ 3,000,000</b>	<b>50%</b>

Insurance Fund revenues are transfers in from the General Fund and will finish on budget.

**Expenditures:**

	FY 2023-24	FY 2024-25		
Insurance Fund Expenditures	Actual	Budget	YTD Actuals	% Expended
Contract Services	\$ 1,605,230	\$ 2,610,281	\$ 785,744	30%
Other Operating Expenditures	3,149,326	3,114,838	2,211,679	71%
<b>Total</b>	<b>\$ 4,754,556</b>	<b>\$ 5,725,119</b>	<b>\$ 2,997,423</b>	<b>52%</b>

The Insurance Fund budgets for insurance premiums and claims and is intended to maintain adequate reserves for future claims. While recent actions to reduce premiums for Workers’ Compensation insurance have delivered savings, additional contributions from the General Fund may be necessary to build and maintain adequate reserves according to City policy and actuarial estimates. . The City’s Fund Balance and Reserve Policy establishes that the Insurance Fund will maintain a minimum reserve (undesignated fund balance) to cover 150% of the average claim costs for the past five years, which totals \$993,498 for the five-year period FY20 to FY24. The policy also states that actuarial information will be taken into consideration. Based on the most recent actuarial study dated November 18, 2024, the City should maintain a reserve of \$3,392,000 for liability claims and \$1,578,000 for workers’ compensation claims, totaling \$4,970,000, to

achieve a 75% confidence level. The insurance fund reserve is anticipated to be \$2,891,767 at the end of FY25.

### Public Safety Equipment Replacement Fund

The Public Safety Equipment Fund (PSEF) was created with the 2019-21 Financial Plan to help budget and forecast the replacement of Public Safety equipment that has expired or become damaged. The Fund had received an original seed amount with the 2019-20 budget and, going forward, an annual allocation is made from the Local Revenue Measure.

#### Revenue:

Public Safety Fund Revenue	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Received
Transfers In	\$ 171,322	\$ 167,334	\$ 83,667	50%
<b>Total</b>	<b>\$ 171,322</b>	<b>\$ 167,334</b>	<b>\$ 83,667</b>	<b>50%</b>

The fund receives revenue in the form of transfers in from the General Fund and will finish on budget.

#### Expenditures:

Public Safety Fund Expenditures	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Expended
Other Operating Expenditures	601,116	404,020	168,546	42%
<b>Total</b>	<b>\$ 601,116</b>	<b>\$ 404,020</b>	<b>\$ 168,546</b>	<b>42%</b>

The fund budgets for replacement of public safety equipment currently in service and is expected to finish the year on budget.

### San Luis Ranch CFD

A Mello-Roos Community Facilities District (CFD) was established and approved by City Council on April 16, 2019 (Ordinance No 1661) pursuant to section 5.02 of the San Luis Ranch Development Agreement. The boundaries of the CFD are identical to the San Luis Ranch Specific Plan and includes 131.4 acres approved for up to 580 dwelling units and commercial development, a 200-room hotel, 100,000 square feet of office space, 150,000 square feet of retail space, 7.8 acres of parks/ open space, and 52.3 acres of farmed agriculture land. The purpose of the CFD is to fund major road improvements, potable and non-potable water system improvements, drainage system improvements, wastewater system improvements, solid waste improvements, park and paseo improvements, open space improvements, and utilities.

**Revenue:**

	FY 2023-24	FY 2024-25		
San Luis Ranch CFD Revenue	Actual	Budget	YTD Actuals	% Received
Property Tax	\$ 1,274,999	\$ 1,000,250	\$ 10,879	1%
Interest on Investment	592,271	-	-	
<b>Total</b>	<b>\$ 1,867,271</b>	<b>\$ 1,000,250</b>	<b>\$ 10,879</b>	<b>1%</b>

The fund collects property tax from residents under the Teeter Plan with the County and is expected to finish the year on budget or better.

**Expenditures:**

	FY 2023-24	FY 2024-25		
San Luis Ranch CFD Expenditures	Actual	Budget	YTD Actuals	% Expended
Contract Services	\$ 9,145	\$ 22,043	\$ 13,081	59%
Debt Service	911,650	949,450	539,850	57%
Staffing	-	26,530	-	0%
<b>Total</b>	<b>\$ 920,795</b>	<b>\$ 998,023</b>	<b>\$ 552,931</b>	<b>55%</b>

The fund budgets for authorized expenditures, largely debt service, and is expected to finish the year on budget.

**Avila Ranch CFD**

A Mello-Roos Community Facilities District was established and approved by City Council on October 24, 2017 (Resolution No 10844) pursuant to section 5.02.1 of the Avila Ranch Development Agreement. The CFD boundaries are identical to that of the Avila Ranch Development project and located at the northeast corner of Buckley Road and Vachell Lane. The Avila Ranch Project will include up to 720 dwelling units, 15,000 square feet of office and retail, 18 acres of parks, 53 acres of open space, riparian corridors and farmed agricultural land. The CFD was formed with purpose of funding services as well as facilities of the CFD. Services to be funded can include the maintenance and lighting of parks, parkways, streets, roads, and open space; flood and storm protection services; police & fire protection services; maintenance and operation of real property. Facilities to be funded can include park, recreation, parkway, and open space facilities; construction and undergrounding of utilities (water, natural gas, telephone lines, electric, cable television); for the acquisition, improvement, or rehabilitation of real property.

**Revenue:**

	FY 2023-24	FY 2024-25		
Avila Ranch CFD Revenue	Actual	Budget	YTD Actuals	% Received
Services Special Tax	\$ 232,761	\$ 477,025	\$ 0	0%
Facilities Special Tax	23,738	46,623	0	0%
<b>Total</b>	<b>\$ 256,499</b>	<b>\$ 523,648</b>	<b>\$ 0</b>	<b>0%</b>

The fund collects property tax from residents under the Teeter Plan with the County and is expected to finish the year on budget or better.



**Expenditures:**

Avila Ranch CFD Expenditures	FY 2023-24	FY 2024-25		
	Actual	Budget	YTD Actuals	% Expended
Authorized Services	58,758	363,416	129,054	36%
<b>Total</b>	<b>\$ 58,758</b>	<b>\$ 363,416</b>	<b>\$ 129,054</b>	<b>36%</b>

The fund budgets for authorized services expenditures including maintenance, utilities, and supplies, and is expected to finish the year on budget. Prior year actuals were lower than budget due to the timing of services performed. All unexpended funds fall to fund balance and are available for expenditure in future years.

## **CIP Update**

In the first quarter, CIP Engineering Project Managers made progress across various project phases. Four projects reached completion, including the revitalization and opening of Cheng Park and the completion of the parking structure maintenance projects on Palm Street, which encompassed work on two structures. In addition, 14 projects are actively under construction, and 7 projects are under contract and are anticipated to enter the construction phase soon. The City has 3 projects which are currently in the advertising phase, seeking competitive bids.

In addition, staff has made significant efforts on several legacy and major projects, which are currently in the design phase or are expected to go to bid shortly. These projects represent critical investments in the City's future infrastructure and are detailed in a separate table below.

Completed & Ongoing Construction Capital Projects (July 2024 - September 2024)				
Oracle Account Number	Project	Total Budget	Estimated Construction Completion Date	Additional Comments
2001010-01	Cheng Park Revitalization	\$807,786.00	Completed	
2000049	842 & 919 Palm Parking Structure Repairs	\$2,538,989.00	Completed	
2001050	Tank Farm Lift Station Discharge Pipe Replacement Phase 2	\$223,678.00	Completed	
2000075-9.01	Corporation Yard Fuel Island and Wash Station Rehabilitation	\$827,556.00	Completed	
2001065	2023 Arterials	\$8,521,058.00	Q2 FY 24-25	Construction Ongoing
2000578	Johnson Waterline	\$5,204,444.00	Q3 FY 24-25	Construction Ongoing
2000188	Mitchell Park Revitalization	\$471,253.00	Q2 FY 24-25	Construction Ongoing
2091219	Wastewater Resource Recovery Facility Upgrade	\$143,376,754.12	Q3 FY 24-25	Construction Ongoing
2000126	Water Treatment Plant Generator Improvement Project at Facility 98	\$3,527,523.00	Q2 FY 24-25	Construction Ongoing
2000075-06	Fire Station 4 Exterior Painting	\$55,000.00	Q2 FY 24-25	Construction Ongoing
2000168	Laguna Lake Dog Park	\$1,600,000.00	Q3 FY 24-25	Construction Ongoing
2000615	2024 Sealing Project	\$3,000,000.00	Q4 FY 24-25	Construction Ongoing
2001001-14	Higuera St Crack Sealing	\$103,608.00	Q2 FY 24-25	Construction Ongoing
2001069	Righetti Hillside Emergency Repair	\$850,000.00	Q2 FY 24-25	Construction Ongoing
2090742-10	Smith Augusta CMP Emergency Repair	\$850,000.00	Q2 FY 24-25	Construction Ongoing
2091368	Reservoir 2 Cover Replacement	\$2,500,000.00	Q2 FY 24-25	Construction Ongoing
2091683	North Broad Park	\$1,500,000.00	Q2 FY 24-25	Construction Ongoing
2000034-03	Wash Water Tank #1	\$753,807.00	Q2 FY 24-25	Construction Contract Awarded.
2000036-04	North Chorro Greenway Underbelly Lighting	\$50,000.00	Q3 FY 24-25	Construction Contract Awarded.
2000036-05	North Chorro Greenway Underbelly Painting	\$60,000.00	Q3 FY 24-25	Construction Contract Awarded.
2000075-07	Parking HVAC Replacement	\$260,000.00	Q3 FY 24-25	Construction Contract Awarded.
2090649	Mid-Higuera Bypass	\$11,550,000	Q4 FY 24-25	Construction Contract Awarded.
2000539-02	Sierra Way Waterline Replacement	\$2,000,000.00	Q1 FY 25-26	Construction Contract Awarded.
2000545	California Waterline Replacement	\$1,600,000.00	Q1 FY 25-26	Construction Contract Awarded.
2091439	Mission Plaza Enhancements	\$3,729,574.00	Q1 FY 25-26	Project Advertising for Bids.
2000561	Morro and Mill Sewer Replacement	\$2,800,000.00	Q1 FY 25-26	Project Advertising for Bids.
2000577-04	1106 Walnut TI	\$2,000,000.00	Q1 FY 25-26	Project Advertising for Bids.
2000117	Cultural Arts District Parking Structure	\$ 47,000,000.00	Q3 FY 25-26	Construction Underway - pouring structure decks

Status of Major and Legacy Projects in Design				
Oracle Account Number	Project	TOTAL ESTIMATED PROJECT COST (Design and Construction)	Estimated Construction Start Date	Additional Comments
2091252	Prado Road Bridge and Road Widening	\$25,000,000	Q2 FY 25-26	Working on regulatory permits and 90% construction documents.
2091503	California and Taft Roundabout	\$4,000,000	Q2 FY 25-26	Right of way acquisition in progress and finalizing design documents.
2091613	Prado Road Interchange	\$126,000,000	Q2 FY 27-28	Starting final design phase of project, awarding contract to design firm.
2000522	Public Safety Center	\$1,750,000	Q3 FY 24-25 (for 1106 Walnut work)	Consultant to analyze two site options for public safety center project and present conceptual design for review. Currently working on 1106 Tenant Improvement and Site Security Fencing project. Construction of 1106 TI and Fencing project estimated to start March 2025 (Q3 FY 24-25).

## Major City Goals Update

One Major City Goal task had an original completion date in the current quarter:

### **Climate Action, Open Space, & Sustainable Transportation | Preserve and Enhance Convenient and Equitable Alternative and Sustainable Transportation Options | Strategic Approach 4.3c**

Responsible Department: Public Works

Original Completion Date: FY25 Q1 | Updated Completion Date: FY25 Q4

*Active Transportation Plan (ATP) Tier 1 Network - Foothill Complete Street Project: Continue design of active transportation and safety improvements along the Foothill Blvd. corridor between the western city limits and California Blvd., with goal to have shovel-ready project for construction in FY2025-27.*

**Status Update:** This task will be delayed due to staffing vacancies in the Transportation Division. There is currently one vacant full-time Transportation Planner-Engineer position and one vacant contract Transportation Planner-Engineer position that have yet to be filled. Applicant interviews for the vacant full-time position are scheduled for mid-November, 2024. The contract position was previously advertised for recruitment during summer of 2024, but no applications were received from candidates who met minimum qualifications and/or with relevant experience. Staff will discuss interest in contract position with unselected candidates from the full-time recruitment. It should be noted that there have been ongoing challenges with attracting qualified applicants with any relevant work experience with recent recruitments for open Transportation Planner-Engineer positions. The current timeline for Foothill Complete Street is as follows:

- Draft Corridor Plan Released for Public Review – Complete
- Public Outreach & Input on Draft Corridor Plan – June 2024 through March 2025
- Final Corridor Plan Release – June 2025
- PS&E for Phase 1 Improvements – FY2025-26 (if funded)
- Construction Initiation for Phase 1 Improvements – FY2026-27 (if funded)

One Major City Goal task had an original completion date in FY24 Q4 and an updated completion date in the most recent quarter:

### **Housing & Homelessness | Housing Element Implementation | Strategic Approach 3.1f**

Responsible Department: CDD; City Attorney

Original Completion Date: FY 24 Q4 | Status: Complete

*Implement Below Market Rate Housing best practices including leveraging affordable housing fund revenues, down payment assistance programs, streamlined processing of loan documents, and updated policies and procedures.*

**Status Update:** This task was completed on September 17, 2024 with the adoption of the [an ordinance to update the City's Development Impact Fee Deferral Program for Eligible Affordable Housing Projects](#). Previous implementation components of this task included leveraging affordable housing revenues from the State's Homekey and Pro-Housing Incentive programs,

developing the [Avila Ranch Downpayment Assistance Program Guidelines](#), and updating [Below Market Rate Housing Purchase Guidelines](#) in October 2023.