



Agenda

REVENUE ENHANCEMENT OVERSIGHT COMMISSION

For Agenda of: 3/20/2025

Item Number: 4a

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SUBJECT: FINANCIAL REVIEW AND PROPOSED 2025-27 LOCAL REVENUE MEASURE ALLOCATIONS

RECOMMENDATION

In preparation for the 2025-27 Financial Plan adoption, recommend to the City Council the proposed allocations of Local Revenue Measure funds between capital and operating expenditures as referenced in the report and consistent with approved priorities of the Local Revenue Measure.

DISCUSSION

Overview

The City's Municipal Code Section 3.15.040 Fiscal Accountability Provisions calls for specific citizen oversight and fiscal accountability provisions including an independent annual financial audit. The results of the Citywide audit are generally presented to the City Council in January each year and include a discussion of the Local Revenue Measure.

The Municipal Code also requires staff to prepare revenue estimates when developing proposed use of funds. These revenue estimates take into consideration the prior year audited results, current year receipts, and industry trends provided by consultants.

Audited Financial Results

Audited financial statements for the Local Revenue Measure are contained in the citywide Annual Comprehensive Financial Report (ACFR), which can be found on the City's website at the following address:

<https://www.slocity.org/home/showpublisheddocument/36938/638706380931200000>

The ACFR details the revenues, expenditures, and fund balance for the Local Revenue Measure:

City of San Luis Obispo
Local Transaction Tax Measure Funding Schedule
For the Fiscal Year Ended June 30, 2024

Revenues	Actual
Local Transaction and Use Tax	\$ 30,596,293
	\$ 30,596,293
Expenditure Allocations by Priority	
Address Homelessness	\$ 796,897
Community Safety and Emergency Preparedness	6,852,418
Creek and Flood Protection	3,893,150
Economic Development and Business Retention	425,000
Open Space/Natural Areas Preservation and Maintenance	1,587,865
Other Services and Projects	5,535,379
Protect Financial Stability	515,519
Safe and Clean Public Areas	765,767
Street Maintenance and Transportation (incl bike and ped improvements)	12,137,815
Youth/Senior Services and Recreation Facilities	1,617,644
	\$ 34,127,454
Net Change in Fund Balance	\$ (3,531,160)
Fund Balance Beginning of Year	5,307,988
Fund Balance End of Year	\$ 1,776,828

Revenue Projections

When the budget for FY 2024-25 was developed, optimism abounded about the Federal Reserve's monetary policy and the impact it would have on consumer spending and sales tax revenue. Specifically, markets expected that interest rates would be lowered drastically and this was expected to unleash pent up demand for automobiles, home construction and renovations, and other interest rate sensitive categories which generate sales tax revenue.

This expectation of increased consumer spending has not come to fruition. On the advice of HdL, the City's sales tax consultant, expectations for the local revenue measure have been reduced by just over \$1M annually for the current fiscal year and going forward. A comparison of the last forecast with current expectations can be found below:

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Last Forecast	30.6M	31.9M	32.7M	33.7M
Current Forecast	30.6M	30.6M	31.6M	32.5M
Variance	-	(1.3M)	(1.1M)	(1.2M)

Because the Local Revenue Measure ended FY 2023-24 with just under \$1.8M in fund balance, there will be no impact to budgets or operations in the current Fiscal Year. The 2025-27 Financial Plan will be developed based on these latest assumptions and less funding will be available.

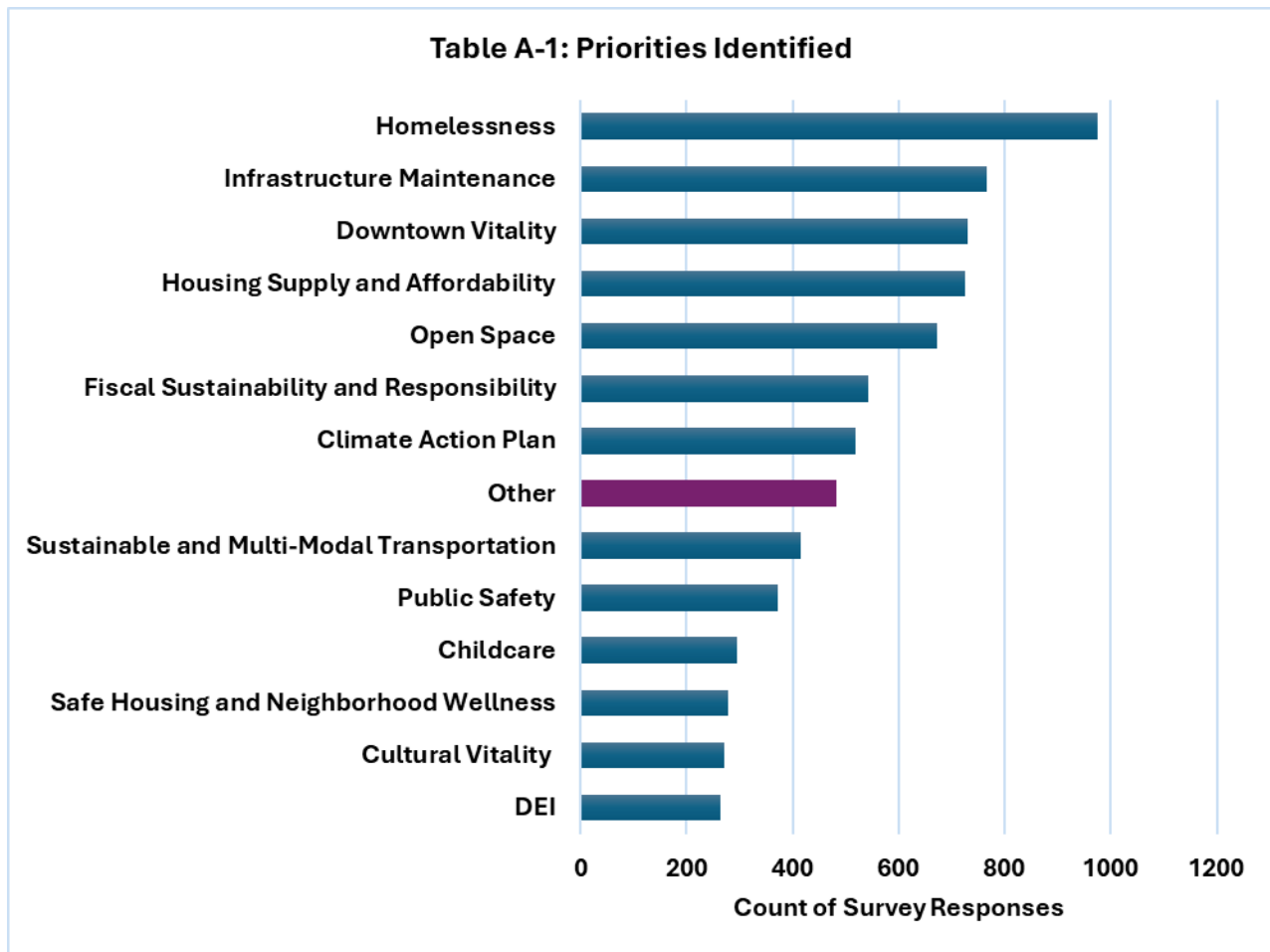
Community Identified Priorities

In developing the 2025-27 Financial Plan, the City conducted rigorous public outreach to better understand the community's priorities generally and for use of Local Revenue Measure funds specifically.

The 2025-27 Community Priorities Survey was conducted via the City's online engagement platform, [Open City Hall](#), and was open for one month from November 12, 2024 to December 13, 2024. The City utilizes several outreach methods and distribution channels for the survey including:

1. Utility invoice inserts
2. City website (Open City Hall)
3. City news & e-notification
4. Press releases
5. Social media
6. Outreach to over 100 community groups

A total of 1,629 survey responses identified the following priorities for the City as a whole:



Community members in attendance at the Community Forum on January 23rd, 2025 ranked the Local Revenue Measure priorities in the following order:

How would you prioritize LRM funding?

Total Votes	128
Poll Option	Count
Street Maintenance and Transportation	92
Address Homelessness	85
Open Space/Natural Areas Preservation and Maintenance	83
Safe and Clean Public Spaces	81
Community Safety and Emergency Preparedness	75
Youth/Senior Services & Recreation Facilities	74
Economic Development and Business Retention	69
Creek and Flood Protection	68
Protection of Financial Stability	54
Other Services and Projects	48

2025-27 Financial Plan Proposed Local Revenue Measure Allocations

In the next two years, the City will need to constrain planned expenditures to match the reductions in available funding. The Local Revenue Measure, as a cyclical revenue stream, will need to be re-allocated each year based on funding availability, identified need, the ballot measure priorities approved by voters, and the priorities expressed by community members during the early stages of the financial planning process.

Community members have consistently ranked the services provided to address homelessness, maintain infrastructure, support downtown vitality, and improve housing supply and affordability as top priorities overall and for use of the Local Revenue Measure.

In order to preserve these valued services for the community, staff recommend a reduction in Capital Expenditures funded by the Local Revenue Measure and an increased allocation to fund the services the community wants. This re-allocation will also preserve funding to maintain many of the newly acquired assets, like the North Broad Street Park, the currently under construction Laguna Lake Dog Park, and the vehicles recently added to the City's fleet.

This reduction in Capital Expenditures has been developed with an eye for the operational impact that these projects can have. Staff is carefully evaluating construction of new assets understanding that they can create additional maintenance needs. Maintenance projects often reduce operating costs and save money for the City over time and should be preserved. High priority projects that the City has already committed to, like Righetti Park, will move forward, and may create additional pressures on City finances.

The table below shows the percentage of Local Revenue Measure funds typically budgeted for capital expenditures (the "Capital Ratio"):

LRM	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Revenue	\$24.3M	\$27.0M	\$30.3M	\$31.9M
Capital	\$17.9M	\$18.9M	\$22.1M	\$22.4M
Capital Ratio	74%	70%	73%	70%

Staff's recommended allocation of Local Revenue Measure funds results in a modest reduction to capital expenditures as a percentage of revenue as seen in the table below:

LRM	FY 2025-26	FY 2026-27
Revenue	\$31.6M	\$32.5M
Capital	\$21.9M	\$21.9M
Capital Ratio	69%	67%

As economic conditions and community priorities evolve in future financial plans, staff will reconsider the appropriate capital funding levels.

Draft Capital Improvement Plan

As part of the development of the 2025-27 Financial Plan, staff has prepared a preliminary draft of the Capital Improvement Plan (CIP) that aligns proposed projects with the community's Local Revenue Measure (LRM) priorities. This draft represents the balanced two-year CIP, focusing on funding projects that are ready for programming, design, or construction —ensuring that staffing resources are in place to support successful project delivery. The table below categorizes all proposed projects by priority.

CIP Project	2025-2026	2026-2027
Community Safety and Emergency Preparedness Total	\$1,874,000	\$2,914,448
Electric Vehicle Charging Stations	\$442,000	\$270,000
2000513-02 - Corporation Yard EV Charging Station		\$240,000
2000513-04 - Various City Facilities EV Charging Stations	\$30,000	\$30,000
2000513-05 - 1042 Walnut (Police Station) EV Charging Station	\$412,000	
Fire Fleet	\$300,000	\$650,000
2000554-02 - Patrol - Type VI Fire Engine		\$350,000
2000554-09 - Station 5 Fire Apparatus	\$300,000	\$300,000
Fire Station 1 Wash Area	\$40,000	\$150,000
Fire Station 1 Vehicle Wash Area	\$40,000	\$150,000
Fire Station 3 & 4 Remodel Space Study and Design	\$1,017,000	

2000516-00 - Fire Station 3&4 Remodel	\$1,017,000	
Major Facility Maintenance		\$205,000
2000075-01.02 - IT Room Heat Pump Replacements		\$20,000
2000075-01.03 - City Hall Fire Alarm Fire Alarm Control Panel		\$115,000
2000075-08.03 - Police Department Emergency Communications Center Workstation/Carpet Replacement		\$50,000
2000075-15.01 - Facility Roll Up Door Replacements		\$20,000
Major Facility Replacements	\$75,000	
2000522 - 1106 Walnut HVAC Controls	\$75,000	
Police Building - 1042 Tenant Improvements		\$1,300,000
Police Building - 1042 TI (HVAC Replacement)		\$300,000
Police Building - 1042 TI (Hydronic System)		\$1,000,000
Police Fleet		\$139,448
2000553-06 - Police Patrol Electric SUV (1-2 Vehicles Per Year)		\$4,448
2000553-13 - Investigations Mini Van (1614) Hybrid		\$70,000
2000553-17 - Investigations SUV (1535)		\$65,000
Public Safety Center		\$200,000
2000523-03 - Public Safety Center Programming		\$200,000

CIP Project	2025-2026	2026-2027
Creek and Flood Protection Total	\$200,000	\$5,250,000
Pismo Street Retaining Wall - Storm Response	\$100,000	\$1,900,000
2001032-01 - Pismo Street Retaining Wall Adjacent to Vista Grande	\$100,000	\$1,900,000
Storm Drain System Replacement		\$750,000
2090742-01 - Drainage Infrastructure Replacement		\$750,000
Storm Response and Recovery	\$100,000	\$2,600,000
2001071-02 - Mitigation Planting (Storm Response and Recovery)	\$100,000	\$2,000,000
2001071-06 - Laguna Lake Golf Course Repairs Bridge Replacement	\$0	\$600,000

CIP Project	2025-2026	2026-2027
Economic Development and Business Retention Total	\$260,000	\$130,000

Banner Arms, Bench Arms Rests, Signs	\$25,000	\$25,000
2000157-00 - Banner Arms, Bench Arm Rests, Signs	\$25,000	\$25,000
Big Belly Replacements	\$85,000	\$85,000
Recycling-Solid Waste Big Belly in Downtown	\$85,000	\$85,000
Downtown Zig-Zig Lighting		\$20,000
2000512-00 - Downtown Zig-Zag Lighting Maintenance		\$20,000
Roadway Barriade Enhancements	\$150,000	
Roadway Barricade Enhancements	\$150,000	

CIP Project	2025- 2026	2026- 2027
Open Space/Natural Areas Preservation and Maintenance Total	\$675,000	\$743,500
Open Space Acquisition	\$150,000	\$150,000
2099837-00 - Open Space Acquisition	\$150,000	\$150,000
Open Space Maintenance	\$125,000	\$125,000
2001011-01 - General Open Space Maintenance	\$75,000	\$75,000
2001011-02 - Open Space Fencing	\$50,000	\$50,000
Streets Fleet		\$68,500
2000520-07.01 - Urban Forest Pickup (0852) EV		\$68,500
Urban Forest Maintenance	\$400,000	\$400,000
2000027-00 - Urban Forest Maintenance	\$400,000	\$400,000

CIP Project	2025- 2026	2026- 2027
Other Services and Projects Total	\$210,000	\$310,000
Public Art Installations	\$100,000	\$100,000
2000510-00 - Public Art Installations	\$100,000	\$100,000
Public Art Maintenance	\$110,000	\$210,000
2000503-05 - Public Art Coordination	\$110,000	\$110,000
2000503-06 - Public Art Procurement		\$100,000

CIP Project	2025-2026	2026-2027
Protection of Financial Stability Total	\$4,000,000	\$4,000,000
CIP Reserve	\$4,000,000	\$4,000,000
CIP Reserve	\$4,000,000	\$4,000,000

CIP Project	2025- 2026	2026- 2027
Safe and Clean Public Spaces Total	\$455,000	\$335,000
City Hall Drought Tolerant Landscaping	\$300,000	

2000508-00 - City Hall Drought Tolerant Landscaping and Restroom	\$300,000	
Neighborhood Traffic Improvements		\$35,000
2001015-00 - Neighborhood Traffic Improvements		\$35,000
Park Major Maintenance & Repairs	\$15,000	\$50,000
2001010-07.02 - Mission Plaza Railing Upgrade		\$35,000
2001010-10.05 - Concrete Bench & Table Replacements	\$15,000	\$15,000
Sidewalk Replacement and Cleaning	\$140,000	\$250,000
2001002-01 - Sidewalk Replacement and Cleaning	\$140,000	\$250,000

CIP Project	2025-2026	2026-2027
Street Maintenance and Transportation Total	\$7,251,924	\$6,977,000
Active Transportation Plan Implementation		\$100,000
2000608-01 - Bicycle Facility Improvements		\$100,000
ATP - Foothill Boulevard Complete Street Project (Planning)		\$200,000
2001058-00 - ATP - Foothill Boulevard Complete Street Project		\$200,000
ATP - Higuera Complete Street Project	\$2,500,000	
2001057-00 - ATP - Higuera Complete Street Project	\$2,500,000	
California & Taft Roundabout		\$2,250,000
2091503-00 - California & Taft Roundabout		\$2,250,000
Corp Yard Storage Stalls		\$50,000
Corp Yard Material Storage Stalls		\$50,000
Parking Lot Maintenance	\$178,236	
2000031-04.01 - Meadow Park Parking Lot	\$178,236	
Prado Road Bridge & Road Widening	\$2,267,551	
2091252-00 - Prado Road Bridge & Road Widening	\$2,267,551	
Prado Road Interchange	\$2,267,551	
2091613-03 - Prado Interchange	\$2,267,551	
Ramona Crossing Improvements	\$20,000	\$200,000
Ramona Crossing Improvements	\$20,000	\$200,000
Street Lights		\$80,000
2001016-00 - Streetlights Annual Maintenance		\$80,000
Street Reconstruction & Resurfacing	\$3,960,000	\$3,000,000
2001065-00 - Pavement Management (Annual Paving Project)	\$3,960,000	\$3,000,000
Streets Fleet		\$362,000
2000520-01 - Streets- Sweeper (1703) EV		\$200,000
2000520-02.05 - Parks Maintenance Turf Tender (0609)		\$22,000
2000520-03.02 - Facilities Maintenance 3/4 ton Pickup with Utility Bed (0829) EV		\$75,000
2000520-26.02 - Engineering Compact Pickup (0905)		\$65,000
Traffic Maintenance and Replacement	\$338,688	\$430,000
2001003-00- Traffic Signs & Striping Maintenance	\$160,000	\$130,000
2001003-01- No Parking Sign Installations	\$78,688	\$100,000
2001003-02 Traffic Signal Asset Maintenance and Replacements (ADA)	\$100,000	\$200,000
Transportation Impact Fee Program Update	\$50,000	
2000165-00 - Transportation Impact Fee Program Update	\$50,000	

Transportation Monitoring & Modeling Update	\$15,000	\$55,000
2000537-00 - Transportation Monitoring & Modeling Update	\$15,000	\$55,000
Higuera Street Widening	\$190,000	
2091610-00 - Higuera Street Widening Chumash to Fontana	\$190,000	
Vision Zero Program Implementation		\$250,000
2000073-00 - Vision Zero Program Implementation		\$250,000

CIP Fund Optimization & Reallocation

As part of the draft CIP development, staff conducted a review of existing CIP accounts to ensure that available funds are used effectively and aligned with current city goals and priorities. This effort allows the City to direct resources toward projects that are ready for delivery in the 2025-27 CIP while maintaining flexibility for future funding decisions. The table below represents two categories in which staff were able to reallocate LRM funding towards capital projects in the 2025-27 Financial Plan.

- 1. Completed Projects with Remaining Balances** – Some projects have been fully delivered and closed out but still have unspent funds. Staff is recommending the reallocation of these remaining balances to support priority projects in the upcoming CIP cycle.
- 2. Projects Previously Funded** – Certain projects received funding for design in previous financial plans, but based on staffing resources and competing priorities, have yet to be funded for construction. Based on this, the CIP Review Committee has recommended prioritizing projects that can move forward within this two-year cycle. For projects that are not scheduled for construction at this time, and have funding appropriated into the project account, staff is recommending the reallocation of those funds to support the 2025-27 Financial Plan. Design and construction funding can be reconsidered in a later CIP when resources allow.

CIP Project	2025-2026
Completed Projects with Remaining Balances	\$306,364
Downtown Renewal	-\$73,342
2001008-01 - Broad Street - West Side - Higuera to Marsh	-\$73,342
Major Facility Maintenance	\$145,794
2000075-03.12 - Circulation Pump Rebuild	-\$3,595
2000075-05.01 - Fire Station 1 Administration Building Roof	-\$30,332
2000075-28 - Railroad Safety Trail Fencing Replacement	\$111,867
Railroad Safety Trail Taft to Pepper	-\$27,150
2091375-00 - Railroad Safety Trail Taft to Pepper	-\$27,150
OpenSLO Downtown	-\$60,078

2000155-00 - Open SLO Downtown Renewal	-\$60,078
Projects Previously Funded	\$272,356
	-
Park Major Maintenance & Repairs	\$223,975
2001010-06.02 - Meadow Park Exercise Equipment	-\$40,000
2001010-09.02 - Sinsheimer Stadium Irrigation and Drainage	- \$158,075
2001010-13.05 - Madonna Road Landscaping and Irrigation	-\$25,900
Bob Jones Trail Solar Lighting	-\$48,381
2000501-01 - Bob Jones Trail and RRSST Solar Lighting	-\$48,381

Preview of the 10-Year CIP

Beyond the balanced two-year CIP, staff is developing a constrained 10-year CIP to provide a longer-term outlook on project delivery. While LRM resources have not yet been assigned beyond the two-year cycle, this preview helps illustrate anticipated project phasing and scheduling.

Two key initiatives in the 10-year CIP include the phased development of Righetti Parks and the implementation of Active Transportation Plan (ATP) projects. The Righetti Parks project will be delivered in multiple phases, beginning with core infrastructure and key amenities, followed by expanded recreational facilities and park enhancements in later years. The ATP projects will also be phased to align with available funding and staffing capacity, prioritizing high-impact improvements that enhance pedestrian and bicycle connectivity across the city.

The following tables provide an overview of these projects and their anticipated delivery timelines.

ATP Phased Projects										
Current CIP Project List	2025- 2026	2026-2027	2025- 2027	2026-2028	2025- 2028	2026-2029	2025- 2029	2026-2030	2025- 2030	2026-2031
2001057-00 - ATP - Higuera	\$2,500,000									
2001058-01 - ATP - Foothill		\$200,000		\$2,500,000						
2001070-01 - ATP-South Broad					\$3,000,000					
2001062-00 - ATP - Railroad Safety Trail (Orcutt to Tiburon)								\$700,000		\$1,450,000
2091503-00 - California & Taft Roundabout		\$2,250,000								

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REVENUE ENHANCEMENT OVERSIGHT COMMISSION

CIP Development Process

The CIP development process began with a citywide call for projects, where Department Heads identified and submitted capital project requests. Each department then ranked its projects based on specific criteria to ensure alignment with operational needs and strategic goals. The CIP Review Committee further evaluated and ranked projects using the City Charter's established criteria, which consider factors such as alignment with Council Goals, operational impact, and staffing capacity.

Throughout this process, staff worked iteratively with the CIP Review Committee to refine project rankings and ensure the CIP remained balanced. Once a balanced plan was established and the Committee reached consensus on project prioritization and scheduling, the draft was presented to the City Manager for review and approval. The Leadership Team then provided further input before advancing the plan.

Most recently, staff conducted 2-2-1 meetings with City Council members to gather initial feedback. At this stage, staff is actively seeking input on the draft CIP to identify potential issues or concerns before returning for final approval in May. This review period provides an opportunity to refine the plan further and ensure alignment with community priorities and funding availability.