



Council Agenda Report

Item 6c

Department: Finance
Cost Center: 2002
For Agenda of: 6/17/2025
Placement: Public Hearing
Estimated Time: 30 min

FROM: Emily Jackson, Finance Director
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SUBJECT: ADOPTION OF THE 2025-27 FINANCIAL PLAN

RECOMMENDATION

Adopt a Draft Resolution entitled, "A Resolution of the Council of the City of San Luis Obispo, California, approving the 2025-27 Financial Plan and Fiscal Year 2025-26 Budget."

POLICY CONTEXT

Although the City adopts a two-year Financial Plan (Attachment A), the budget is adopted annually. Pursuant to Section 804 of the City Charter, the City Council must adopt the FY 2025-26 Budget by June 30, 2025, for the appropriations to be in place when the next fiscal year begins. This action is accomplished by Resolution, which is provided as Attachment B.

Development of the 2025-27 Financial Plan was guided by the City's Fiscal Policies and Budget Balancing Strategies, both of which were approved by the City Council as part of the Budget Foundation item in January 2025.

DISCUSSION

Background

The purpose of this Public Hearing is to adopt the 2025-27 Financial Plan and appropriate the FY 2025-26 budget (Attachment A). The resolution (Attachment B) also adopts the appropriation limit as required under Article XIII B of the California Constitution.

The 2025-27 Financial Plan and FY 2025-26 Budget were developed following extensive community participation and several Council budget workshops and business items beginning in October 2024 including:

- October 1, 2024: Council provided input on the Financial Planning Calendar and community outreach survey.
- November 12, 2024: The Community Priorities Survey was sent to community members to share their feedback on budget priorities. The survey was open for

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one month and widely advertised in utility bills, on social media, at advisory body meetings, and shared with community groups.

- December 10, 2024: Staff presented “Setting the Stage for the 2025-27 Financial Plan” which included information on the regulatory environment and state laws that impact how cities operate, macroeconomic conditions, and the budgetary implications of the community’s growth.
- January 14, 2025: Staff presented the “Budget Foundation,” which included additional economic information, a review of the City’s unfunded pension obligations, updated fiscal policies, and an overview of the long-term Capital Improvement Plan. Council provided input on the Community Forum and Goal Setting Workshop and shared feedback relative to existing Major City Goals.
- January 23, 2025: The City Council and Citizens Revenue Enhancement Oversight Commission held a joint meeting, “Community Forum,” which provided an opportunity for community members to share their priorities for the upcoming budget.
- February 8, 2025: The City Council conducted a Goal Setting Workshop, during which Council developed the 2025-27 Major City Goals.
- April 15, 2025: Staff presented “Strategic Budget Direction,” which included a draft budget, draft work plans based on the 2025-27 Major City Goals, and during which Council directed staff to make changes to the draft budget and the draft work plans prior to budget adoption in June.

The proposed 2025-27 Financial Plan includes Citywide expenditures by fund as follows:

	Actuals	Budget	Financial Plan	
Citywide	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
General Fund	\$118,691,743	\$126,511,337	\$117,607,178	\$120,844,660
Water Fund	29,876,176	40,870,113	40,025,257	33,548,476
Sewer Fund	38,716,328	35,805,101	29,034,524	28,106,201
Parking Fund	28,922,763	52,855,425	11,514,113	10,101,970
Transit Fund	6,560,413	17,220,676	9,615,713	14,236,283
Other Funds	8,315,742	9,378,496	9,817,626	10,224,310
Total	\$231,083,164	\$282,641,147	\$217,614,410	\$217,061,901
<i>YoY Change</i>		22%	-23%	0%

Changes to the Preliminary Financial Plan

During the Strategic Budget Direction item on April 15, 2025, Council directed staff to increase funding for Community Action Partnership of San Luis Obispo (CAPSLO’s) hotel voucher program from \$45,000 per year to \$90,000 based on the understanding that the \$45,000 allotted in the current year was fully spent within six months and is expected to be spent down at a similar rate in the future. The proposed final budget also includes an additional \$25,000 in the Police Department budget to accommodate an increased annual contribution to the County’s Animal Services program that was unknown at the time that the preliminary budget numbers were presented to the City Council.

These expenditure increases were offset through correction of an identified error. In the

draft budget, \$150,000 in grant revenue was budgeted in the Police Grant Fund but belongs in the General Fund. Adding this revenue to the General Fund budget more than offset the increased expenditures.

At the April 15, 2025 Strategic Budget Direction meeting, the City Council also provided feedback to the City Manager on the proposed Major City Goal Workplan, resulting in the addition of new items and clarification of existing tasks. Staff also identified and incorporated a few items that were unintentionally omitted from the original draft. In addition, minor administrative edits were made to improve clarity and consistency. All updates have been incorporated into the final Workplan included in the 2025–27 Financial Plan (Attachment A). Additionally, to support ongoing progress reporting, each task now includes an estimated completion date. The list below reflects both [Council-directed updates](#) and items added by staff for completeness.

Cultural Vitality, Economic Resilience, and Fiscal Sustainability

Updated – 3a: Clarified to support all childcare options and evaluate approaches such as permit streamlining for childcare businesses.

Added – 5f: Complete a fiscal analysis of golf operations at Laguna Lake Golf Course and conduct a Council Study Session to evaluate fiscal impacts, capital needs, and potential reuse options prior to major infrastructure investments.

Added – 5g: Develop a strategic framework that connects existing strategic plans, incorporates the City’s mission and vision, and outlines core services to support a longer-term planning approach beyond the two-year Financial Plan.

Housing and Neighborhood Livability – Healthy, Safe, and Affordable

Updated – 2e: Revised to indicate that the RFP will be presented to Council alongside a Study Session regarding potential scoping of a Land Use and Circulation Element (LUCE).

Infrastructure and Sustainable Transportation

Updated – 3e: In collaboration with the Avila Ranch contractor, pursue the design and construction of interim Fire Station 5, targeting a projected opening date of 2028.

As noted during presentation of the draft budget, the sales tax revenue forecast was prepared prior to significant new tariffs. The precise impact of these tariffs is unknown, but at a macro-economic level they can be expected to cause higher prices and slower growth in the near term. During a May meeting, the City’s sales tax consultant provided a forecast approximately \$1 million lower than this budget assumes. Staff have not incorporated their revised estimate since frequent rapid changes to tariffs make accurately forecasting their impacts on sales tax impossible but will closely monitor results and adjust the budget mid-year if necessary.

Previous Council or Advisory Body Action

The draft budget was presented to Council during the Strategic Budget Direction meeting on April 15, 2025. Council’s direction from that meeting was incorporated into the attached

proposed Financial Plan. The Planning Commission reviewed the Capital Improvement Plan on May 28, 2025, and confirmed the plan's conformity with the General Plan. The Revenue Enhancement Oversight Commission reviewed the proposed use of Local Revenue Measure funds on May 8, 2025, and recommended staff's proposal to the City Council for adoption.

Public Engagement

As described above, development of the Financial Plan incorporated public engagement at each step, including community surveys, outreach to community groups, a community forum, and several public hearings prior to adoption.

CONCURRENCE

All departments participated in the development of the 2025-27 Financial Plan and concur with the staff recommendation.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) does not apply to the recommended action in this report, because the action does not constitute a "Project" under CEQA guidelines.

FISCAL IMPACT

Budgeted: Yes

Budget Year: 2024-25

Funding Identified: Yes

Fiscal Analysis:

As outlined in detail in the Financial Plan, the City is appropriating \$217,614,410 (all funds) in the FY 2025-26 budget. All funds budgets are balanced and projected to maintain adequate reserves as called for by policy.

ALTERNATIVES

Council could direct modifications to the proposed Financial Plan and adopt the modified budget. Should Council pursue this option, direction on specific modifications would need to be provided.

Council could choose to not adopt the budget and provide direction on desired changes. Should Council pursue this option, direction on specific modifications would need to be provided and the hearing would need to be continued until the June 24th meeting at which point the modified budget could be adopted.

ATTACHMENTS

A - Draft 2025-27 Financial Plan

B - Draft Resolution Adopting FY 2025-26 Budget