



Council Agenda Correspondence

DATE: November 4, 2025

TO: Mayor and Council

FROM: Greg Hermann, Deputy City Manager

VIA: Whitney McDonald, City Manager

SUBJECT: ITEM #6A – FISCAL YEAR 2024-25 YEAR END BUDGET REPORT

Below is initial information in response to the funding request received from the San Luis Obispo Museum of Art (SLOMA) on October 30, 2025:

The purpose of this Council Agenda Correspondence is to provide additional context and background to the [letter correspondence](#) and proposal received from the San Luis Obispo Museum of Art (SLOMA) on October 30, 2025, requesting that the City Council consider funding in the total amount of \$2.5 million towards a new, expanded museum space in downtown San Luis Obispo.

Background and Summary of Request

As Council is aware, the City of San Luis Obispo enjoys a long-standing public / private partnership with the SLOMA that stretches back over 60 years, including through the lease of City property at the location of the existing museum at 1010 Broad Street tangent to Mission Plaza in 1967. This relationship has supported a wide variety of activities and initiatives during this time in support of the visual arts, including the establishment of a formal Community Partnership Agreement with SLOMA beginning in 2021 in furtherance of the City's Public Art Program.

Over the past five years, SLOMA has built a strong staff and Board of Directors, increased museum offerings and patrons of the museum, and re-invigorated its long-standing goal of assembling a contemporary museum space of sufficient size and building characteristics to meet its growing needs. A study commissioned by SLOMA to help them better understand their space and building needs was prepared by the firm Lord Cultural Resources (2023), which identified that demand exists for increased museum offerings, and that a sufficiently sized new museum could attract as many as 110,000 visitors per year. Importantly, this study also found that construction of a new museum at the existing location that would meet this need is cost prohibitive.

SLOMA's *Proposal for Supporting the Future San Luis Obispo Museum of Art: A New Home in the Heart of Downtown* submitted to Council on October 30, 2025, describes SLOMA's plans to expand from the 1010 Broad Street location by bringing together three existing storefront properties on Higuera Street between Chorro and Garden, while also maintaining and featuring connectivity to the creek walk, Mission Plaza, and the Cultural Arts District. The three properties together would form a 24,000-square-foot museum facility with multiple galleries, a museum café and store, a blend of indoor and outdoor space, and downstairs offices supportive of SLOMA's operations and storage needs. The 1010 Broad Street property would be used for expanded arts education programming, which is consistent with the existing lease agreement with the City. At present, staff have facilitated and participated in SLOMA and the existing property owner's formal pre-application with the Community Development Department, including a site walk and meeting, to provide early input and feedback related to planning, building, and other pertinent development review items related to the proposed project.

SLOMA's proposal indicates that the total project is estimated at \$20 million, to be raised and implemented in two phases. SLOMA has requested that the City Council consider total funding of \$2.5 million, of which \$500,000 would be used for the first phase to immediately furnish and activate the new museum space, while the remaining \$2 million would be used towards the eventual purchase of the property at a later time. SLOMA indicates that the City's participation would bring the total funds raised to over \$11 million towards the overall capital campaign.

Staff Analysis

Staff concurs that the project has significant alignment with the City's existing Major City Goals, the City's Economic Development Strategic Plan, and other pertinent vision documents and studies, as highlighted in SLOMA's proposal¹. Notably, the proposal also utilizes the Arts and Economic Prosperity 6 model for estimating economic activity associated with a museum of this size and the anticipated number of visitors and patrons, concluding that SLOMA's operation of the proposed facility would contribute nearly \$5 million annually to the local economy and \$3 million in direct audience spending. The proposed project represents another key Downtown investment, in addition to the Cultural Arts District Parking Garage, new SLO REP Theatre, and the Mission Plaza Enhancement Project, that will help to ensure the Downtown's vibrancy into the future. In this regard, the proposal is also consistent with the San Luis Obispo Downtown Concept Plan (2017) goals for Strong Identity ("Foster an economically and culturally diverse

¹ The project described in the proposal aligns with the following goals, plans, and documents:

- a. Major City Goals – Cultural Vitality, Economic Resilience, and Fiscal Sustainability; Diversity, Equity, and Inclusion; Climate Action
- b. *Economic Development Strategic Plan* – Placemaking & Promotion
- c. *Downtown SLO Development Report*, Resonance Consultancy (2021)
- d. *Arts and Economic Prosperity 5* (2015) and *Economic Impact of the Arts & Culture Sector* (2025)
- e. *The Rise of the Experiential Economy*, Cushman & Wakefield (2025)

downtown...”) and for Art, Culture, and History (“Expand cultural, historical, and artistic opportunities...”), as well as policies found within the Land Use Element of the General Plan (2014) including policy 4.1 (“Downtown is the community’s urban center serving as the cultural, social, entertainment, and political center of the City... The City wants its urban core to be economically healthy and realizes that private and public investments in the Downtown support each other”) and policy 4.3 (“Cultural facilities, such as museums and galleries should be Downtown.”).

The Fiscal Year 2024-25 Year End Report indicates that the City concluded the last budget year with approximately \$4.1 million in unassigned fund balance, based on unaudited financials. This amount assumes that the City will make an Additional Discretionary Payment (ADP) to CalPERS to help address the City’s unfunded pension liability in the amount of \$2 million. Consistent with the City’s most recent ADP, the City Council may wish to increase the ADP to approximately \$2.9 million to account for increases in staffing costs since the ADP was originally established in Fiscal Year 2018-19, in which case the \$4.1 million in available fund balance would drop to \$3.2 million. Staff is recommending that appropriations from the available fund balance be made in February 2026 when the FY 2025-26 Second Quarter Budget Report is presented and the final audit has been completed.

As part of adoption of the Financial Plan every two years, the City Council reviews and adopts the City’s fiscal policies for the Financial Plan period. Section 8 of the City’s Fiscal Policies- CalPERS & Unfunded Liabilities sets the following prioritization of unassigned General Fund balance:

- a. Additional discretionary payments to CalPERS
- b. Infrastructure investments
- c. Emerging Health and Safety needs of the community

The Council ultimately, however, has full discretion to allocate funding as it deems appropriate.

Council may choose to direct staff to facilitate all or a portion of SLOMA’s proposal for funding, in which case it is recommended that available one-time year end funds accrued from FY 2024-25 be assigned from General Fund balance for this purpose. Staff would then work with SLOMA to develop a Grant Agreement that includes the following terms, as well as any other key items or considerations that Council might direct:

- a. Milestones for submittal and City approval of a fundraising plan demonstrating project feasibility, project schedule, obtaining all required building permits and planning entitlements based on project phasing,
- b. requirements for allowable uses and timing of City funds,
- c. forecasted operating budgets demonstrating a sustainable business model,
- d. identification of additional public benefits,
- e. appropriate funding security terms for the project should the property no longer be used for the purposes intended at some time in the future,

- f. consider provisions related to the currently leased space to ensure consistency with the vision for the Cultural Arts District.

Staff would return to Council with the draft Grant Agreement and any other pertinent project details at a future City Council meeting. As mentioned above, appropriations from fund balance are recommended to occur as part of the Second Quarter Budget Report to be presented in February 2026, after the audit has been completed. Additionally, negotiation and development of a Grant Agreement would take time; therefore, it is recommended that, if directed by Council, the Grant Agreement and appropriation from available fund balance be considered as part of the Second Quarter Budget Report in February 2026. SLOMA has indicated that Council direction to staff to negotiate a Grant Agreement to provide funding will satisfy the requirements of challenge grant ending this calendar year.

Staff also received the following questions regarding agenda correspondence for this item. The questions are below with staff's responses shown in italics:

- 1) Please provide a short summary of all the funds we provide to SLOMA annually, including how that has changed over time. Also, have we made any one-time donations to them for specific projects over the past 2-3 financial plans?**

The City entered into partnership agreements with SLOMA to support larger scale public art projects beginning with the 2021-23 Financial Plan. The City is currently in the third, two-year partnership agreement which has allowed for both permanent and temporary public art projects throughout the City. The initial partnership agreement from 2021-2023 provided an annual \$60,000 administrative fee to procure and manage installations related to the Orcutt Roundabout sculpture, large scale mural on the back of the Fremont Theater, and two temporary sculpture showcases on the Mission Plaza Lawn. The 2023-2025 and the current 2025-2027 partnership agreements increased the annual SLOMA administrative fee to \$100,000 for procurement and management for key City funded public art projects such as the Garden Street Alley, three different rotating sculptures at the Mission Plaza lawn, the scheduled "Shift" roundabout sculpture on Froom Ranch Road, and future sculpture art for the upcoming Righetti Community Park.

- 2) What is the City's annual contribution to the Performing Arts Center?**

The current amounts budgeted in the 2025-27 Financial Plan for the City's contribution to the Performing Arts Centers is \$351,191 in FY 25-26 and \$359,971 in FY 26-27.