



## Council Agenda Correspondence

**DATE:** February 17, 2026

**TO:** Mayor and Council

**FROM:** **Emily Jackson, Finance Director**

**VIA:** Whitney McDonald, City Manager

**SUBJECT:** ITEM #6A FY 2025-26 SECOND QUARTER BUDGET REPORT

Staff received the following questions, regarding the FY 2025-26 Second Quarter Budget Report. The questions are below with staff's response shown in italics:

- 1) On page 293 of the packet, the Parks and Rec funding is discussed, stating that the funding was not spent in FY 2023-24. Can you provide context as to why those funds weren't spent that year? If they weren't spent, have we confirmed that there is a need for them to be set aside for the same purpose again?**

*The CAPSLO stipends, which are provided to CAPSLO from federal and state sources, are received by the Parks and Recreation Department to support the childcare programs and services provided to the community. These funds are unsolicited by the City and received from CAPSLO based on the number of qualifying families enrolled within the City programs and are restricted for use for childcare, specifically. Staff utilize the funds to support and offset registration costs for income qualifying families, as well as for programming costs such as supplies, snacks, and furnishings based on extra enrollments and changing program locations, contract services, and supporting staffing. As the City budgets directly each year for the Youth Services Division, and the CAPSLO stipends are not guaranteed and the stipends vary in amount pending qualified enrollment, the City practice is to use the funds as needed for the qualifying families and to support non-budgeted services if an un-forecasted budget issue arises (e.g., change in venues, unknown increase in costs or licensing, staffing changes). Recent conversations between City staff and CAPSLO leaders determined that the stipends will continue to be received from CAPSLO with the understanding that they may end at any time based on CAPSLO's state and federal support.*

*As the stipend amounts received by the City were unknown and not anticipated in FY 2023-2024, staff were unable to fully utilize the funds based on the criteria that they are specific to childcare programs. The opportunity to carry over the stipend funds to the current fiscal year allowed staff to plan for utilization of the funds and begin to draw down the current balance to support the program and families. Staff do anticipate future carryover, but at a significantly lower amount in order to maintain support for the community and address any SLCUSD schedule and program impacts.*

- 2) The narrative mentioned that leftover funds from the CAPSLO childcare grants in FY 2023-24 ended up in assigned fund balance and are being reallocated in this budget. Can you explain why they ended up there and what the policy is going forward for handling unspent grant funds from this grant?**

*The CAPSLO stipends, which CAPSLO receives from federal and state funding support, are provided directly to the City Parks and Recreation Department to support licensed childcare for the community. The stipends are based on the number of qualifying families enrolled in the City's licensed Before and After School programs (based on head counts). The criteria of the funds are specific and only to be used to support childcare related program support such as necessary supplies/furnishings/materials for childcare facilities, contract services, scholarship/funding support, and support staffing costs. CAPSLO provides a stipend check to the City traditionally on a monthly basis (sometimes received quarterly) and averages approximately \$5,400 each time. As these stipends are not always consistent and may be suspended based on federal and state support at any time from CAPSLO, the City has not been formally using them as a budget supplement, but rather as revenue for the Youth Services division. Similar to previous American Rescue Plan Act (ARPA) funds that the City received, staff draw down on the stipend funds, when possible, to support the youth services programs for the community.*

*As the CAPSLO stipend funds are specific to support the Parks and Recreation childcare programs, unused funds are transferred over from year to year to ensure use of the funds are not reallocated to other programs or within the General Fund. Going forward, staff will utilize accounting processes rather than budget to carry over funds from year to year.*

- 3) There is discussion of temporary staffing costs in Parks and Rec. Do we anticipate that these costs will go away or eventually become budgeted ongoing staffing costs?**

*The Parks and Recreation Department has a Memorandum of Understanding (MOU) with the San Luis Coastal Unified School District (SLCUSD) to provide staffing for the Transitional Kindergarten (TK) and Kindergarten (K) program at each of the five elementary school campuses within the city limits. The specific MOU for the TK/K program is confirmed annually, typically in the spring of the prior academic year, as SLCUSD determines their schedule for the upcoming school year. Over the last few years, the SLCUSD has modified the TK/K school schedule, and therefore City's programming needs, on an annual academic basis. The most recent modification occurred after the approved 2025-2027 Financial Plan and was not factored into staffing budgets.*

*The current MOU outlines that the City will provide childcare during the school day hours for all times when the TK/K are not in their class (they do an "early and late" program with their teachers), resulting in the City providing childcare during the entirety of the day (7 am – 6 pm). This extended day care has resulted in an increase in temporary staff costs from previous years. The SLCUSD pays the childcare costs for each child's care directly to the City. As each academic year has had a slightly nuanced version of support for the TK program, the staffing model has not been reliable enough to accurately forecast a consistent staffing budget. While staff anticipate the 2026-2027 school year to resume to a more "typical" school day and as such a more typical staffing structure, ongoing demands for childcare and the City's commitment to providing childcare to as many children as possible within the facilities allotted, forecast an elevated increase on temporary staffing budget needs, which would become part of the budgeted ongoing staff costs. The increased staffing expenditures are supplemented by the reimbursement fees collected from SLCUSD to the City.*

- 4) Page 304 describes the Public Safety Equipment Fund revenue and expenses. It appears that we have budgeted less money for the fund in FY 2025-26 than was budgeted in FY 2024-25. Also, we had fewer expenditures in FY 2024-25 than was budgeted and we anticipate spending less than the budgeted revenue in FY 2025-26. This seems to indicate that we are building up at least some reserves in that fund.**

- a) What is the current balance in that fund?**

*The fund had a balance of \$508,976 as of June 30, 2025 and is projected to increase to \$549,002 by June 30, 2026.*

**b) How is it determined how much to budget in revenue and expense for the fund each year? And, do we take into account the fund balance when budgeting?**

*The Public Safety Equipment Fund is supported by transfers from the General Fund, based on the amount reasonably expected to cover needed equipment replacements over time. These transfers are budgeted consistently year over year to reduce volatility in General Fund costs. Expenditures are budgeted based on scheduled equipment replacement intervals and naturally differ from revenues. Fund balance is considered when budgeting in order to ensure that the balance available will cover scheduled replacements.*

**5) How much money is in the Public Art Fund? Is there enough to cover the \$100,000 needed to relocate the sculpture at the junction of Higuera and Marsh?**

*The estimated \$100,000 to potentially remove and relocate the “Olas Portola-Fuenta Seca” sculpture from its current location to another location within the City was obtained by staff in January 2026.*

*The current balance of the Public Art Fund is \$1,738,369 and of this amount, \$476,861 is allocated to two ongoing capital improvement projects. The remaining balance available for future awards is \$1,261,508. There are two ongoing capital improvement projects that receive Public Art Fund funding; they are 2000503 – Public Art Maintenance and 2000510 – Public Art Installations with remaining project budgets of \$192,576 and \$314,049, respectively, including funding from sources other than the Public Art Fund.*

*The table below outlines the project plans of the two Capital Improvement Project funds within the Public Art program workplans for projects and programming; however, Council can provide direction to staff to review and shift priorities. Should the “Olas Portola-Fuenta Seca” sculpture, at the junction of Higuera and Marsh be relocated, an alternative piece would likely need to be selected in its place, and it would be added to the repository of art that needs on-going maintenance. If desired, staff recommend a project timeline estimated at 12-18 months and to be incorporated in a future financial plan, including identification of an art piece to be installed in the vacated location (purchase and installation cost to be determined).*

<b>2000503 – Public Art Maintenance</b>	<b>FY 2025-26*</b>	<b>FY 2026-27</b>
Box Art Program and Small Projects	\$35,000	\$30,000
Critical Maintenance	\$108,835	\$27,600
Ongoing Maintenance	\$30,000	\$60,000
Program Coordination	\$110,000	\$115,000
<b>Total</b>	<b>\$283,835</b>	<b>\$222,600</b>

<b>2000510 – Public Art Installations</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>
SLOMA Partnership Projects & Contract	\$155,000	\$415,000
City Projects	\$36,000	\$30,000
Upcoming City Projects		Community Mural Cultural Arts District Parking Structure Emerson Park Chumash Cultural Installation
<b>Total</b>	<b>\$191,000</b>	

*\*The project plan shown above includes amounts already spent during the fiscal year and will not align with the remaining project budgets.*

**6) How much would full implementation of a Rental Registry cost?**

*The current estimate for full implementation of a registry using off-the-shelf rental registry software is around \$300,000 - \$500,000 annually for the first few years, The registry could become less costly after the program is established. In addition, over time the program could become cost neutral if registration fees cover the cost of the program.*

In addition to the questions above, staff is also providing updated information about the City’s sales tax performance through the third quarter of 2025 (September 2025 or first quarter of FY 2025-26). This information was provided by the HdL (the City’s sales tax consultant) on February 10, 2026, after the FY 2025-26 Second Quarter Budget Report was published. The FY 2025-26 budget was set based on a forecast provided by HdL in February 2025. HdL provided an updated forecast in May 2025, too late to incorporate into the budget, that suggested that sales tax may underperform by up to \$1.3 million due to the impact of tariffs. Those tariffs have since been reduced significantly, and HdL provided an updated forecast in February 2026 that suggests sales tax should come in at or slightly above budget for the year.