



**Second Quarter Financial Report**

Fiscal Year 2025-26

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**Introduction**

This financial report provides an overview of the City’s revenues and expenditures through the first half of the fiscal year (July 1, 2025 – December 31, 2025). 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 (e.g. property tax which is largely received in the second half of the fiscal 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 halfway into the year should not always be expected to equal one half of budgeted amounts. Commentary will be provided only when analysis suggests that full-year results may differ significantly from budget.

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## General Fund Summary

Halfway through the year, staff expect that revenue targets will be attained and expenditures will finish the year on budget. The tables below detail year-to-date (YTD) results as compared to budget and prior year actuals. Commentary is provided where results are not in line with expectations.

### Revenue:

General Fund	FY 2024-25		FY 2025-26	
	Actuals	Budget	YTD Actuals	% Received
<b>Tax &amp; Franchise Revenue</b>				
Sales Tax	\$ 54,357,111	\$ 55,470,441	\$ 18,801,871	34%
Property Tax	24,923,847	25,944,966	4,662,363	18%
Transient Occupancy Tax	11,417,888	11,099,705	4,882,559	44%
Utility User Tax	7,501,436	6,605,306	2,707,760	41%
Business Tax	3,138,271	3,230,170	3,121,913	97%
Franchise Fees	2,622,351	2,242,429	645,423	29%
Cannabis Tax	814,502	1,000,000	429,254	43%
<b>Total Tax &amp; Franchise Revenue</b>	<b>104,775,406</b>	<b>105,593,017</b>	<b>35,251,142</b>	<b>33%</b>
<b>User Fees</b>				
Development Review	5,697,332	4,606,812	3,753,392	81%
Parks & Recreation	2,643,907	2,280,283	1,154,881	51%
Fire	3,331,998	1,759,183	1,158,712	66%
Police	834,584	690,200	386,622	56%
Business Licenses	792,548	632,470	317,840	50%
<b>Total User Fees</b>	<b>13,300,370</b>	<b>9,968,947</b>	<b>6,771,447</b>	<b>68%</b>
General Government	7,778,702	1,669,077	2,783,372	167%
2023 Storm Reimbursement	909,090	-	53,123	
<b>Total Revenue</b>	<b>\$ 126,763,568</b>	<b>\$ 117,231,041</b>	<b>\$ 44,859,085</b>	<b>38%</b>

### Tax Revenue:

**Sales Tax (including Local Revenue Measure & Prop 172 Safety Tax):** The budget for sales tax revenue was developed in February 2025, prior to the announcement of significant new and increased federal import taxes. The City's sales tax consultants advised staff in May 2025 that these tariffs would have a negative impact on sales tax revenue and presented a risk of up to \$1.3 million to the revenue budget. This impact has yet to appear in sales tax data, which includes results through October. At 34% received, sales tax to date is slightly higher than the 31% received at the same point in FY 2024-25 budget, but considerably lower than the 41% received at the same point in FY 2023-24. Staff will closely monitor results and any developments in federal trade policy which could impact local spending.

**Property Tax:** The City participates in the Teeter Plan, which means that the City is not exposed to delinquent payments and can reasonably expect to collect 100% of budgeted amounts. Staff expect to meet or modestly exceed budget by year-end.

**Business Tax:** This revenue stream is generally received at the beginning of the fiscal year with license renewals and is largely collected for this fiscal year. Staff expect to collect additional payments throughout the remainder of the year and meet budget by year-end.

While other tax revenue categories show year to date results higher or lower than 50%, staff do not expect significant variances for the full year.

**Fee & Other Revenue:**

**Development Review Fees:** FY 2025-26 revenues are trending above projections. At midyear, the Community Development Department has collected 81% of the total annual budget. This over-realization of fee revenue was due in large part to an unusually strong July during which fees were received for review for Phase 5 of Avila Ranch, as well as the steady ongoing permitting activity supported by the build out of Avila Ranch and strong Accessory Dwelling Unit (ADU) activity. Based on current trends, the Department anticipates finishing the year approximately \$1 million above budget.

The FY 2025-26 revenue budget was based on revenues from the first half of FY 2024-25, a period marked by slowing development activity and macroeconomic uncertainty. Projections were set conservatively at the lowest level since 2019 due to the trends being observed as well as the ongoing uncertainty in the market. While overall development remains below historical highs, the ongoing build-out of Avila Ranch, and steady ADU and other development is anticipated to support a steady stream of revenue for the department for the next several years.

**Fire Department Fees:** Halfway through the year, the Fire Department has collected 66% of its budgeted revenue. This is primarily due to the agreement to provide fire services to Cal Poly for which revenue has been recognized for the full year. Fire Department Permits are also trending above budget and prior year actuals from the same period. Staff expect a modestly favorable result at year-end.

**General Government:** This line includes earnings on cash and investment balances which have benefited greatly from elevated interest rates. Staff expect investment income to outperform budget once again, although to a lesser degree due to recent policy actions by the Federal Reserve.

Though other fee categories show year-to-date results other than 50% of budget, staff do not expect significant variances for the full year.

**Operating Expenditures:** Year-to-date results for the General Fund are largely as expected at this point in the year.

General Fund	FY 2024-25		FY 2025-26	
	Actuals	Budget	YTD Actuals	% Expended
Staffing	\$ 75,489,526	\$ 78,908,239	\$ 43,772,097	55%
Other Operating Expenditures	18,291,470	21,313,033	13,796,103	65%
<b>Total</b>	<b>\$ 93,780,996</b>	<b>\$ 100,221,272</b>	<b>\$ 57,568,200</b>	<b>57%</b>

**Staffing:** While more than 50% of staffing budgets have been expended halfway through the year, adjusted for upfront annual payments including unfunded pension liabilities, this line is expected to finish the year under budget. The General Fund is trending towards 3% salary savings at year-end, which is lower than the 4% assumption built into the long-term forecast for the General Fund. This is in large part due to lower vacancy rates Citywide which may be attributable to a deteriorating labor market. Other more distinct

drivers are detailed in the departmental sections below. Staff expect that the primary impact of lower salary savings will be that unassigned fund balance at year-end will be slightly lower than in recent years. In the last three years, salary savings rates of 4-7% have delivered budgetary savings of \$2.5 to \$3.8 million.

**Other Operating Expenditures:** This line item shows 65% spent halfway through the year due to typical purchasing activities. Staff open purchase orders and encumber funds at the beginning of each fiscal year to be spent throughout the year. Excluding balances on open purchase orders, just 38% of budget has been paid to vendors.

The table below details the budget and year-to-date actuals for both staffing and other operating expenditures by department:

Department	FY 2024-25		FY 2025-26	
	Actuals	Budget	YTD Actuals	% Expended
Police	\$ 24,657,118	\$ 25,604,534	\$ 15,268,412	60%
Fire	18,787,150	18,114,272	10,826,401	60%
Public Works	16,581,895	18,136,536	10,678,028	59%
Administration & IT	11,565,191	12,392,391	6,817,022	55%
CDD	7,864,816	9,059,766	5,570,933	61%
Parks & Rec	6,014,160	6,231,512	3,327,294	53%
Finance	2,686,591	2,850,096	1,670,222	59%
Non-Departmental	350,542	2,399,772	251,409	10%
HR	2,085,986	2,061,730	1,152,405	56%
City Attorney	1,652,744	1,863,615	1,144,438	61%
Utilities	1,534,804	1,507,048	861,636	57%
<b>Total</b>	<b>\$ 93,780,996</b>	<b>\$ 100,221,272</b>	<b>\$ 57,568,200</b>	<b>57%</b>

While the General Fund as a whole is expected to finish the year on budget, staff note several departmental level variances:

**City Attorney’s Office:** As directed by City Council on September 12, 2025, staff increased the contract for outside counsel legal support in the California Voting Rights Act matter related to the City’s transition to a Citywide Single Vote form of elections. The necessary increase was unplanned and has caused a \$50,000 unbudgeted expenditure. Staff plan to offset this unbudgeted spending via an administrative budget amendment during the fourth quarter of the fiscal year and no variance is expected at year-end.

**Fire:** The Department’s staffing expenditures are trending above budget at the mid-point of the fiscal year. Several vacant positions and two long-term injury vacancies are driving significant unbudgeted overtime expenditures. Four firefighter positions are currently vacant, requiring a minimum of one shift daily to be filled at overtime rates. The next recruit academy to hire new firefighters is planned for FY 2026-27 and shift coverage overtime will persist until then. The savings from these vacant positions will partially offset overtime costs, as will reimbursements for mutual aid. Despite these offsets, staff expect that the department will exceed its staffing budget at year-end.

**Police:** The Department’s staffing expenditures are trending slightly above budget mainly due to overtime expenditures. Comparing the same time frame to last fiscal year, overtime hours increased by 8.9% or

roughly 800 hours. This was primarily due to mandatory training that occurs every other year, providing personnel to assist with the Gifford Fire, increasing enforcement for Cal Poly back to school in September and an increase in investigative cases. The Department still needs to plan for St. Patrick’s Day enforcement, which will occur in March. It is likely that the Department will exceed the staffing budget at year end.

**Parks and Recreation:** The Department is trending slightly above budget for FY 2025-26 due to temporary staffing costs, primarily within the Youth Services Division. Expanded childcare programming has increased the need for temporary staffing to support program delivery. Although salary expenditures are expected to exceed currently budgeted amounts, increased program participation and associated revenues are expected to fully offset these costs.

### Recommended Use of FY 2024-25 Unassigned Fund Balance

The City’s Annual Comprehensive Financial Report, including audited financial statements, was presented to Council on January 13, 2026. The report included the following table detailing General Fund unassigned fund balance of \$3,468,954 as of June 30, 2025:

General Fund - Fund Balance as of June 30, 2025		
Nonspendable:		\$ 5,533,017
Restricted:		
	Risk Management	\$ 594,469
		\$ 594,469
Committed:		
	General government programs	\$ 848,111
	Risk management	4,437,620
	Contingency fund	14,607,203
		\$ 19,892,934
Assigned:		
	CalPERS pension payment	\$ 2,000,000
	Solid Waste AB939	270,825
	Establishment of Section 115 Trust	2,000,000
	Revenue stabilization	2,000,000
	Development services	145,136
	SLO Repertory Theater Grant	6,700,000
	Economic Development Tenant Improvement	608,000
	Storm Related Costs	5,125,068
	Storm Related Reimbursements	909,090
	Subsequent year expenditures	2,559,825
		\$ 22,317,944
Unassigned:		\$ 3,468,954
<b>Total Fund Balance</b>		<b>\$ 51,807,318</b>

In addition to the unassigned fund balance, the assigned balance includes General Fund balance for purposes including:

**115 Trust Fund:** As part of the 2019-21 Financial Plan, the City Council identified establishment of a Section 115 Trust Fund as a work task under the Fiscal Sustainability Major City Goal. Establishment of the Trust was to be completed by February 2020 but was delayed due to uncertainty about the budgetary impacts of COVID-19. The Trust was established in early 2023 and, prior to its establishment, \$2.0 million was assigned in the General Fund (shown above) to be deposited to the Trust upon establishment. In addition to the \$2.0 million assigned for this purpose, staff had planned to recommend allocation of \$2.4 million of FY 2022-23 unassigned fund balance to make an initial contribution to the Trust, but instead recommended allocation of that funding to the Infrastructure Investment Fund to address increased infrastructure costs due to inflationary factors. Despite \$2.0 million being assigned for the 115 Trust, the City has not made an initial contribution to the Trust. The \$2.0 million could be deposited into the Trust, paid directly to CalPERS, or unassigned and moved into the General Fund budget to support capital or operating costs. As part of the comprehensive budget update scheduled to be presented to Council on March 3, 2026, staff will provide an overview of the purpose of a Section 115 Trust fund and seek direction from Council on whether or not the City should deposit the \$2.0 million assigned for this purpose into the 115 Trust or reallocate it for another purpose.

**Tenant Improvement:** Funding for tenant improvements was assigned via [Resolution No. 11203](#), using funding that arose from passage of Local Revenue Measure in November 2020. Originally intended to be used for tenant improvements in the downtown area, this money has since been used to fund Economic Development initiatives like the Buy Local Bonus program. The balance at June 30, 2025, of \$608,000 is expected to be drawn down entirely in the 2025-27 Financial Plan.

Financial Plan Fiscal Policies Section 8. CalPERS and Unfunded Liabilities sets the following prioritization for use of unassigned General Fund balance:

- a. Additional Discretionary Payments (ADP) to CalPERS
- b. Infrastructure investments
- c. Emerging Health and Safety needs of the community

In line with this policy, staff make the following recommendations for one-time use of FY 2024-25 unassigned fund balance:

<b>Unassigned Fund Balance*</b>	<b>\$ 3,468,954</b>
Appropriation Recommendations	
Increased CalPERS ADP	869,804
Infrastructure Investments	1,212,229
Insurance Fund	802,798
SLOMA Contribution	500,000
Parks & Rec Grants	84,123
<b>Remainder</b>	<b>\$ -</b>

\*After \$2.0 million CalPERS ADP

**CalPERS ADP:** Staff recommend a contribution of \$869,804 in addition to the \$2.0 million held in Assigned Fund Balance within the General Fund. This increased payment reflects the growth in staffing costs since the City began making these payments.

These ADPs are critical to reducing the City’s pension debt. The City’s unfunded liability as of June 30, 2024, the most recent actuarial measurement date, decreased by \$7.0 million or 3.6% year over year thanks to strong investment returns in conjunction with the City’s commitment to making regular ADPs. As detailed in the table below, the City’s Funded Ratio also improved to 66.2%:

Funded Status	6/30/2023	6/30/2024
Unfunded Liability	\$ 195,372,315	\$ 188,434,821
Funded Ratio	63.5%	66.2%

In addition to the General Fund, staff recommend ADPs from all funds with staffing costs. Information on each of the other funds can be found in their respective writeups in the Enterprise Fund and Special Revenue and Other Funds sections that follow. These payments will be made from each fund’s year-end reserves, which are sufficient to cover the increased payments.

**Insurance Fund Reserves:** Staff recommend a transfer of \$802,798 to the Insurance Fund to help meet reserve requirements for liability and workers compensation self-insurance policies. Policy calls for funding the reserve at 150% of the trailing five-year average claims, or the Historical Claims Basis level, and as called for by the City’s actuaries, or the Actuarial Basis level. Staff’s recommendation will increase the fund’s reserve to the Historical Claims Basis level. Staff plan to recommend additional contributions from unassigned fund balance over the next five years to meet the reserve level recommended by the City’s actuaries, which is \$3.1 million higher than the Historical Claims Basis level as detailed in the table below:

Insurance Fund	Historical Claims Basis	Actuarial Basis
Fund Balance at 6/30/2025	\$ 4,437,620	\$ 4,437,620
Target	5,240,418	8,350,000
<b>Variance</b>	<b>\$ 802,798</b>	<b>\$ 3,912,380</b>

Additional information can be found in the Insurance Fund writeup within the Special Revenue & Other Funds section of this report.

**SLOMA Contribution:** As directed by Council on November 4, 2025, staff have included a recommended appropriation of \$500,000 as a grant to the San Luis Obispo Museum of Art (SLOMA) to assist with their Downtown museum expansion. A proposed grant agreement with SLOMA will be presented to Council for consideration as a separate Council agenda item.

**Parks and Recreation Grants:** This amount represents CAPSLO stipends for childcare provided to the Parks and Recreation department that was unused in FY 2023-24 and contributed to the unassigned fund balance amount in that year. This appropriation will return the funds to the Parks and Recreation Department to ensure that these funds are used for their intended purpose.

**Infrastructure Fund Investments:** Staff recommend transferring the remaining unassigned fund balance to the Infrastructure Investment Fund (IIF) for use on eligible infrastructure projects. The Public Works Department has identified an immediate funding need of approximately \$2 million for the Higuera

Complete Streets Project, which is construction-ready and scheduled for Council consideration as a business item also on February 17, 2026. Staff recommend allocating the remaining FY 2024-25 unassigned fund balance (\$1,212,229) to the IIF with the intent that it remain available for appropriation to the Higuera Complete Streets Project, should Council authorize the issuance of a Request for Proposals to move this project forward to construction. If Council does not authorize the Higuera Complete Streets Project to move forward at that time, the funding would remain available in the IFF for that project in the future or another infrastructure project that requires funding.

**Current Infrastructure Investment Fund Earmarks**

FY 2025-2026 IIF Fund Summary		
Payment	Amount	Ending Account Balance
Starting Fund Balance FY 25-26	\$14,658,406.00	\$14,658,406.00
Prado Bridge Widening (Design) FY 26-27	\$(3,500,000.00)	\$11,158,406.00
Prado Bridge Widening FY 27-28	\$(11,158,406.00)	\$-

**Local Revenue Measure Fund Balance:** In addition to the General Fund unassigned balance, the Local Revenue Measure had a fund balance of \$848,111 at the end of FY 2024-25. Appropriation of Local Revenue Measure funds requires review and approval of recommendations by the Revenue Enhancement Oversight Commission. As detailed in the Sales Tax variance explanation above, staff have been advised by the City’s consultants to expect a shortfall in revenue in the current year. Staff and the Revenue Enhancement Oversight Commission do not recommend appropriation of Local Revenue Measure Fund Balance since the balance may be necessary to offset this revenue shortfall.

**Enterprise Fund Summaries**

The City uses Enterprise funds to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing certain services is recovered primarily through user charges. This section of the report includes a write up on the budget status of the City’s four enterprise funds (Water, Sewer, Parking and Transit) through the second quarter of FY 2025-26. As noted in the General Fund Summary above, staff is recommending use of General Fund unassigned fund balance to increase the planned additional discretionary payment (ADP) to CalPERS to ensure that the ADP amount reflects changes in staffing costs for each fund since the City began making these payments. This amount supplements the \$2 million that the City holds in assigned fund balance in the General Fund. A portion of the unassigned fund balance in the General Fund will be used to supplement the \$2 million for the General Fund share of cost for the ADP and the four enterprise funds will make payments for their share of costs from each fund’s year-end reserves, which are sufficient to cover the increased payments. The total amounts paid from each fund are as follows:

CalPERS ADP	
General Fund	\$ 2,869,804
Water Fund	238,745
Sewer Fund	246,093
Parking Fund	98,570
Transit Fund	15,959
Whale Rock	27,033
TBID	9,983
<b>Total</b>	<b>\$ 3,506,187</b>

### Water Fund Summary

The Water Fund’s year-to-date actuals for revenues and expenditures are generally in line with expectations and anticipated trends. Observed variances are primarily attributable to seasonal revenue patterns, timing of grant receipts, and standard budget administration practices, rather than structural changes to the fund.

#### Revenue:

Water Fund	FY 2024-25		FY 2025-26	
	Actuals	Budget	YTD Actuals	% Received
Water Sales	\$ 21,379,368	\$ 21,449,631	\$ 10,668,685	50%
Base Charges	7,650,544	8,448,140	3,547,393	42%
Setup Fees	125,561	160,000	124,485	78%
Other Revenue	6,972,868	4,351,680	722,316	17%
<b>Total Revenue</b>	<b>\$ 36,128,340</b>	<b>\$ 34,409,451</b>	<b>\$ 15,062,879</b>	<b>44%</b>

**Base Charges:** Base charge revenue reflects normal billing and collection patterns and is not a cause for concern at this time. Approximately 7% of the variance from the expected 50% of base charge revenue collected by the second quarter is due to timing differences in billing. Part of the July utility bills reflects service provided in June and is therefore recorded in the prior fiscal year. Staff will continue to monitor base charge revenues, and no material variance is anticipated based on current trends.

**Setup Fees:** Setup fee revenues are trending above budget and include a one-time \$36,000 payment resulting from a settlement agreement with the developer of Avila Ranch. Because setup fees are driven by the timing of development activity, they are inherently variable and fluctuate throughout the fiscal year.

**Other Revenue:** Other revenues are below budget due to the timing of Proposition 1B grant reimbursements, which fund the Groundwater Well Development project and increases the City’s water supply and resiliency. Of the \$4.1 million that was budgeted for the Proposition 1B grant, \$176 thousand

has been realized to date. Staff anticipate more aggressive drawdowns on this grant funding once construction is underway.

Strong investment performance has partially offset lower-than-anticipated revenues elsewhere in the Other Revenue category. Investment income was budgeted at \$50 thousand for the fiscal year, and approximately \$326 thousand has been realized to date. Investment earnings are inherently variable and should not be relied upon as a consistent or ongoing source to offset revenue shortfalls.

**Expenditures:**

Water Fund	FY 2024-25		FY 2025-26	
	Actuals	Budget	YTD Actuals	% Expended
Staffing	\$ 5,495,997	\$ 6,225,377	\$ 3,085,746	50%
Other Operating Expenditures	15,015,367	20,974,582	16,863,771	80%
<b>Total Expenditures</b>	<b>\$ 20,511,364</b>	<b>\$ 27,199,960</b>	<b>\$ 19,949,517</b>	<b>73%</b>

**Staffing:** Excluding upfront annual payments for CalPERS unfunded liability and retiree healthcare, approximately 41% of the staffing budget has been expended through the second quarter, compared to an expected midyear spend of approximately 46.6%. Staffing expenditures are trending below expectations primarily due to vacancies within the Utility Billing and Water Distribution teams.

**Operating Expenditures:** Year-to-date actuals are over 50 % expended primarily due to purchase orders that were opened at the beginning of the fiscal year and annual prepaid expenditures. While these amounts are reflected as obligations, only about 60% of the budget has actually been paid to vendors to date. About \$11.4 million of the early-year activity is attributable to Source of Supply costs. These costs primarily cover expenses related to dam operation, maintenance, and capital infrastructure for the City's raw water supplies. Staff expect the Water Fund to finish the fiscal year within budget.

**Sewer Fund Summary**

The Sewer Fund’s year-to-date financial performance through the second quarter is generally in line with expectations. Variances are primarily driven by the timing of grant receipts, revenue allocations, and standard budget administration practices rather than changes in underlying financial drivers.

**Revenue:**

Sewer Fund	FY 2024-25		FY 2025-26	
	Actuals	Budget	YTD Actuals	% Received
Service Charges	\$ 15,201,167	\$ 15,229,215	\$ 7,792,980	51%
Base Charges	5,942,531	6,329,610	2,730,136	43%
Other Revenue	3,748,643	210,000	1,424,094	678%
<b>Total Revenue</b>	<b>\$ 24,892,342</b>	<b>\$ 21,768,825</b>	<b>\$ 11,947,210</b>	<b>55%</b>

**Service Charges:** Service charge and base fee revenues are tracking slightly ahead of the proportional mid-year benchmark, with approximately 51% of the budgeted amount realized through the second quarter.

This reflects accurate forecasting, and staff do not anticipate a material variance in this revenue category by the end of the fiscal year.

**Base Charges:** Base charge revenue reflects normal billing and collection patterns and is not a cause for concern at this time. Approximately 7% of the variance from the expected 50% of base charge revenue collected by the second quarter is due to timing differences in billing. Part of the July utility bills reflect service provided in June and is therefore recorded in the prior fiscal year. Staff will continue to monitor base charge revenues, and no material variance is anticipated based on current trends.

**Other Revenue:** Other revenues are performing above budgeted expectation, due to strong interest on investments, one-time reimbursements from regional partners, and delayed grant payments. Strong investment performance reflects favorable variance of about \$534 thousand. One-time reimbursements from regional partners reflect a favorable variance of \$355 thousand. Delayed grant payments reflect a favorable variance of \$208 thousand. All variances are due to one-time or variable revenues and should not be relied upon as a consistent or ongoing sources of revenue.

**Expenditures:**

Sewer Fund	FY 2024-25		FY 2025-26		
	Actuals	Budget	YTD Actuals	% Expended	
Staffing	\$ 5,552,235	\$ 6,042,596	\$ 3,116,835	52%	
Other Operating Expenditures	3,905,154	4,828,711	2,717,979	56%	
<b>Total Expenditures</b>	<b>\$ 9,457,388</b>	<b>\$ 10,871,306</b>	<b>\$ 5,834,813</b>	<b>54%</b>	

**Staffing:** Excluding upfront annual payments for CalPERS unfunded liability and retiree healthcare, approximately 43% of the staffing budget has been expended through the second quarter, compared to an expected spend of approximately 46.6% at midyear. Expenditures are trending below expectations primarily due to vacancies within the Utility Billing team.

**Other Operating Expenditures:** Year-to-date actuals are greater than 50% of budget, primarily due to purchase orders that were opened at the beginning of the fiscal year. While these amounts are reflected as obligations, 37% of the budget has actually been paid to vendors to date. While the Sewer Fund is expected to finish the fiscal year within budget, staff are monitoring two operational challenges. First, the Water Resource Recovery Facility's (WRRF) regulatory sampling requirements are currently being determined by the Regional Water Board. Performance in baseline testing will establish ongoing sampling requirements and can materially impact budgetary needs. Second, the WRRF biogas cogeneration system is at the end of its useful life. This asset offsets electrical and natural gas usage at the facility, which reduces operational costs and aligns with the City's Lead by Example Climate Action Plan. Staff plan to keep Council informed of any recommendations in maintaining or replacing this asset. Beyond these two challenges, the WRRF's post-construction operating budget will be evaluated in the coming year to determine whether the forecasted operating conditions and the associated allocated resources are sufficient.

## Parking Fund Summary

The Parking Fund’s year-to-date performance is generally in line with expectations. Revenue variances, primarily in Fines and Other Revenue, are due to delayed receipt of payments that will be realized by year-end. Year-to-date expenditures reflect a minor variance due to annual upfront payments and purchase orders opened at the beginning of the fiscal year.

**Revenue:**

Parking Fund	FY 2024-25		FY 2025-26		
	Actuals	Budget	YTD Actuals	% Received	
Meters	\$ 4,589,728	\$ 4,312,367	\$ 2,007,477	47%	
Structures	1,886,338	2,860,504	1,501,682	52%	
Long-Term Parking	522,895	500,000	233,422	47%	
Fines	1,113,016	1,231,100	441,034	36%	
Other Revenue	2,671,989	671,984	187,102	28%	
<b>Total Revenue</b>	<b>\$ 10,783,966</b>	<b>\$ 9,575,955</b>	<b>\$ 4,370,716</b>	<b>46%</b>	

The revenue budget is based on projections from the [2024 Parking Rate Study](#), reflecting reduced rates effective July 1, 2024. Technology upgrades recommended in the Technology Roadmap, including new payment equipment in parking garages and at on-street locations, were installed during the current fiscal year and are operating as anticipated.

**Meters:** Parking meter revenue includes hourly parking sessions from on-street and surface parking lot areas, including mobile app payments. New payment equipment was installed on-street and in surface parking lot areas in November 2025. While the equipment is functioning as intended, meter revenue is currently tracking slightly below budget due to fewer parking transactions compared to the same period in the prior fiscal year. If on-street parking activity does not increase, staff anticipates a modest negative variance to budget by year-end.

**Structures:** New parking structure gating equipment recommended by the Technology Roadmap was installed at the beginning of the fiscal year. The equipment is functioning as intended, resulting in higher revenue compared to the prior fiscal year when equipment failures occurred, and is meeting budget expectations. Staff does not anticipate a variance to budget by year-end.

**Long-Term Parking:** Long-term parking revenue includes sales of on-street permits, residential district permits, and garage parking permits. Garage parking permit rates were reduced from \$85 per month to \$45 per month effective July 1, 2024. Since the rate reduction, garage permit sales have steadily increased and are expected to continue to grow with the opening of the Cultural Arts District Parking Garage in Spring 2026. In addition, the digital permit platform will be expanded in April 2026 to include 10-Hour On-Street Permits, which is anticipated to further support permit sales. Staff expect this increased adoption will lead to budget attainment at year-end.

**Fines:** Parking Fines revenue includes all revenue collected from paid parking citations. In March 2025, the City implemented a new citation management system consistent with recommendations from the Technology Roadmap. Under the new system, citation payments are temporarily held in an escrow account and reconciled monthly once mailed check payments are received. This change has resulted in a slight

delay in revenue recognition, contributing to the year-to-date variance. Staff expects these funds to be received and does not anticipate a material variance to budget by fiscal year-end.

**Other Revenue:** Other Revenue in FY 2024-25 included \$1.7 million generated through higher returns on investments. Elevated interest rates during FY 2024–25 produced stronger earnings on pooled cash balances from the Cultural Arts District Parking Structure (CADPS) bond issuance, while budget assumptions remained conservative. Investment interest is based on available cash, and as the CADPS construction progresses toward completion, cash balance will dwindle; therefore, staff expects minimal investment income and budgeted accordingly. This line also includes Other Rent & Lease Revenue which is budgeted based on current lease agreements, for which most of the revenue is collected toward the end of the fiscal year. Staff expect this line to finish on budget once all lease payments are collected.

**Expenditures:**

Parking Fund	FY 2024-25		FY 2025-26		
	Actuals	Budget	YTD Actuals	% Expended	
Staffing	\$ 2,109,475	\$ 2,198,513	\$ 1,182,929	54%	
Other Operating Expenditures	1,707,291	1,750,531	931,628	53%	
<b>Total Expenditures</b>	<b>\$ 3,816,767</b>	<b>\$ 3,949,044</b>	<b>\$ 2,114,557</b>	<b>54%</b>	

**Staffing:** Excluding upfront annual payments for the CalPERS unfunded liability and retiree healthcare, approximately 48% of the staffing budget has been expended through the second quarter. Staffing expenditures are forecasted to continue tracking as anticipated and staff does not project a variance to the budget by year-end.

**Other Operating Expenditures:** Year-to-date actuals include purchase orders established at the beginning of the fiscal year. While these amounts are reflected as obligations, only 41% of the budget has been expended through the second quarter. Staff will continue to monitor expenditures closely and anticipate the fund will finish the fiscal year under budget.

## Transit Fund Summary

The Transit Fund’s year-to-date results are generally consistent with expectations. The Transit Fund is heavily subsidized by Federal grants which are reimbursement-based; as a result, revenues are realized after expenses are incurred and draw down requests are submitted. Grant funds budgeted but not expended during the current fiscal year will remain available for reimbursement in future fiscal years. Through the first six months of the current fiscal year, overall transit ridership has increased by 18% compared to the same period in the prior fiscal year, which significantly exceeds the 2% annual growth forecasted in the recently adopted Short-Range Transit Plan.

### Revenue:

Transit Fund	FY 2024-25		FY 2025-26	
	Actuals	Budget	YTD Actuals	% Received
Bus Fares	\$ 234,855	\$ 260,000	\$ 121,081	47%
Cal Poly Transit Payments	750,000	750,000	562,500	75%
Federal Grants	8,859,273	8,254,281	641,382	8%
State Grants	1,360,509	2,733,722	1,174,746	43%
Other	998,813	30,455	520,452	1709%
<b>Total Revenue</b>	<b>\$ 12,203,449</b>	<b>\$ 12,028,458</b>	<b>\$ 3,020,161</b>	<b>25%</b>

**Local (Bus Fare):** Local bus fare revenue includes fares collected on board buses, as well as revenue from physical and digital pass sales.

**Cal Poly Transit Payments:** Cal Poly transit payment revenue is generated through a three-year agreement between the City and Cal Poly for transit services. Payments are received quarterly, and three payments have been received to date. Staff does not anticipate a variance to budget by year-end.

**Federal Grants:** Federal grant revenue includes capital and operating funds from federal formula grant programs and is dependent on the timing of capital expenditures and operating drawdowns. The City continues to draw down American Rescue Plan Act (ARPA) operating funds awarded in 2022, with drawdowns occurring quarterly (October, January, April, and July) to align with federal reporting requirements. To date, one drawdown is reflected in the table above. Several federally funded capital projects are currently underway, and reimbursement for eligible expenses is expected by year-end. Federal funds budgeted to these projects but not expended will remain available for reimbursement in future fiscal years.

**State Grants:** State grant revenue primarily consists of Transportation Development Act (TDA) funds, which are generated by statewide sales tax and administered by the San Luis Obispo Council of Governments (SLOCOG). Because the City adopts its budget prior to the final calculation of TDA allocations, actual funding amounts may differ from budgeted assumptions. Based on final allocation amounts provided by SLOCOG, the final calculation was less than previously estimated. Staff anticipate a negative variance of \$384,000 by year-end. This reduction in funding is not expected to impact service levels or the delivery of capital projects because the Transit Fund has sufficient TDA fund reserves from prior fiscal years that can be drawn upon to cover any eligible operating or capital expense shortfalls resulting from the negative variance.

**Other Revenue:** Other revenue includes earnings on cash and investment balances, as well as other grants and subventions. During the fiscal year, the City applied for and received a \$400,000 rebate from Central Coast Community Energy (3CE) related to the purchase of six new electric buses. In addition, interest earnings are currently exceeding budget by approximately \$60,000 due to higher than anticipated investment returns driven by the continued elevated interest rate environment. As a result, staff anticipates a significant positive variance by year-end.

**Expenditures**

Transit Fund	FY 2024-25		FY 2025-26	
	Actuals	Budget	YTD Actuals	% Expended
Staffing	\$ 393,432	\$ 391,095	\$ 215,680	55%
Other Operating Expenditures	4,992,796	5,612,975	4,412,387	79%
<b>Total Expenditures</b>	<b>\$ 5,386,228</b>	<b>\$ 6,004,069</b>	<b>\$ 4,628,066</b>	<b>77%</b>

**Staffing:** Excluding upfront annual payments for the CalPERS unfunded liability and retiree healthcare, approximately 48% of the staffing budget has been expended through the second quarter. Staffing expenditures are expected to continue tracking as anticipated, and staff does not project a variance to the budget by year-end.

**Other Operating Expenditures:** Year-to-date actuals include purchase orders established at the beginning of the fiscal year. While these amounts are reflected as obligations, only 37% of the budget has been expended to date. Staff will continue to monitor expenditures closely and anticipates a positive variance by year-end.

## Special Revenue and Other 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, and any difference is due to open purchase orders carried over from the prior year.

#### Revenue:

TBID	FY 2024-25		FY 2025-26		
	Actuals	Budget	YTD Actuals	% Received	
Assessments	\$ 2,304,764	\$ 2,219,941	\$ 986,917	44%	
<b>Total Revenue</b>	<b>\$ 2,304,764</b>	<b>\$ 2,219,941</b>	<b>\$ 986,917</b>	<b>44%</b>	

While less than half of the budget has been recorded to date, revenue is recorded on a more than one month delay and staff expect to collect at least the budgeted amount for the full year.

#### Expenditures:

TBID	FY 2024-25		FY 2025-26		
	Actuals	Budget	YTD Actuals	% Expended	
Staffing	241,390	\$ 262,464	\$ 105,615	40%	
Other Operating Expenditures	1,911,188	2,109,984	1,856,979	88%	
<b>Total Expenditures</b>	<b>\$ 2,152,578</b>	<b>\$ 2,372,448</b>	<b>\$ 1,962,594</b>	<b>83%</b>	

The TBID procures many of its services in advance, leading to a high percent of other operating expenditures 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	FY 2024-25		FY 2025-26		
	Actuals	Budget	YTD Actuals	% Received	
Investment Income	\$ 20,157	\$ 7,500	\$ 4,241	57%	
<b>Total Revenue</b>	<b>\$ 20,157</b>	<b>\$ 7,500</b>	<b>\$ 4,241</b>	<b>57%</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 2024-25		FY 2025-26		
Boysen Ranch	Actuals	Budget	YTD Actuals	% Expended	
Authorized Expenditures	5,023	\$ 12,535	\$ 12,535	100%	
<b>Total Expenditures</b>	<b>\$ 5,023</b>	<b>\$ 12,535</b>	<b>\$ 12,535</b>	<b>100%</b>	

The fund has made its budgeted payment for authorized conservation activities. Staff expect no further payments and the fund will finish on budget.

**Insurance Fund**

The Insurance Fund serves to pay the City’s annual costs for liability, workers’ compensation, pollution, volunteer, and property insurance needed to protect the City as well as direct claims-related expenses. It is also intended to maintain adequate reserves for future claims and unpredictable increases in insurance costs.

**Revenue:**

	FY 2024-25		FY 2025-26		
Insurance Fund	Actuals	Budget	YTD Actuals	% Received	
Transfers in	\$ 6,000,000	\$ 6,000,000	\$ 4,500,000	75%	
<b>Total Revenue</b>	<b>\$ 6,000,000</b>	<b>\$ 6,000,000</b>	<b>\$ 4,500,000</b>	<b>75%</b>	

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

**Expenditures:**

	FY 2024-25		FY 2025-26		
Insurance Fund	Actuals	Budget	YTD Actuals	% Expended	
Workers Comp	774,732	\$ 2,069,183	\$ 1,269,313	61%	
Liability & Other	3,020,344	3,457,975	2,285,842	66%	
<b>Total Expenditures</b>	<b>\$ 3,795,076</b>	<b>\$ 5,527,158</b>	<b>\$ 3,555,155</b>	<b>64%</b>	

While recent actions to reduce premiums have delivered savings to the Insurance Fund, additional contributions from the General Fund are necessary to build and maintain adequate reserves in this fund according to City policy and actuarial estimates. The City’s Fund Balance and Reserve Policy establishes that the Insurance Fund will maintain funding to cover 150% of the average claim costs for the past five years. The policy also states that actuarial information will be taken into consideration. Based on the most recent actuarial study dated October 10, 2025, the City should maintain a reserve of \$5,129,000 for liability claims and \$3,222,000 for workers’ compensation claims, totaling \$8,351,000, if funding at a 75% probability level. The insurance fund reserve was \$4,437,620 as of June 30, 2025. This is \$802,798 below the required funding level of 150% of the five-year average claims costs, and \$3,913,380 below the actuarial recommended funding level at a 75% probability level, as detailed in the table below:

Insurance Fund	Historical Claims Basis	Actuarial Basis
Fund Balance at 6/30/2025	\$ 4,437,620	\$ 4,437,620
Target	5,240,418	8,350,000
<b>Variance</b>	<b>\$ 802,798</b>	<b>\$ 3,912,380</b>

As noted earlier in the report, staff is recommending allocation of \$802,792 from FY 2024-25 General Fund unassigned fund balance to address a portion of the variance and plans to recommend additional unassigned fund balance allocations of up to \$1 million per year (pending availability) over the next five years to bring the Insurance Fund reserves to a policy-compliance level.

**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 FY 2019-20 budget and, going forward, an annual allocation is made from the General Fund.

**Revenue:**

	FY 2024-25		FY 2025-26		
<b>Public Safety</b>	<b>Actuals</b>	<b>Budget</b>	<b>YTD Actuals</b>	<b>% Received</b>	
Transfers in	\$ 387,334	\$ 236,226	\$ 177,170	75%	
<b>Total Revenue</b>	<b>\$ 387,334</b>	<b>\$ 236,226</b>	<b>\$ 177,170</b>	<b>75%</b>	

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

**Expenditures:**

	FY 2024-25		FY 2025-26		
<b>Public Safety</b>	<b>Actuals</b>	<b>Budget</b>	<b>YTD Actuals</b>	<b>% Expended</b>	
Equipment Purchases	307,329	\$ 222,889	\$ 92,175	41%	
<b>Total Expenditures</b>	<b>\$ 307,329</b>	<b>\$ 222,889</b>	<b>\$ 92,175</b>	<b>41%</b>	

The fund budgets for replacement of public safety equipment currently in service and is expected to finish the year on budget. Any unspent funds remain available for future scheduled purchases.

**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 2024-25		FY 2025-26		
<b>San Luis Ranch CFD</b>	<b>Actuals</b>	<b>Budget</b>	<b>YTD Actuals</b>	<b>% Received</b>	
Tax Revenue	\$ 1,911,925	\$ 1,368,152	\$ 272,192	20%	
<b>Total Revenue</b>	<b>\$ 1,911,925</b>	<b>\$ 1,368,152</b>	<b>\$ 272,192</b>	<b>20%</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:**

San Luis Ranch CFD	FY 2024-25		FY 2025-26	
	Actuals	Budget	YTD Actuals	% Expended
Authorized Expenditures	181,313	\$ 339,417	\$ 193,242	57%
Transfers	245,664	207,243	155,432	75%
Debt Service	927,450	946,700	562,600	59%
<b>Total Expenditures</b>	<b>\$ 1,354,427</b>	<b>\$ 1,493,360</b>	<b>\$ 911,274</b>	<b>61%</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:**

Avila Ranch CFD	FY 2024-25		FY 2025-26	
	Actuals	Budget	YTD Actuals	% Received
Tax Revenue	\$ 560,516	\$ 767,253	\$ 771,488	101%
<b>Total Revenue</b>	<b>\$ 560,516</b>	<b>\$ 767,253</b>	<b>\$ 771,488</b>	<b>101%</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. Year to date results include accruals for tax payments to be made in April and are subject to change.

**Expenditures:**

Avila Ranch CFD	FY 2024-25		FY 2025-26	
	Actuals	Budget	YTD Actuals	% Expended
Authorized Expenditures	50,435	\$ 99,011	\$ 85,367	86%
Transfers	386,517	234,122	175,592	75%
<b>Total Expenditures</b>	<b>\$ 436,952</b>	<b>\$ 333,133</b>	<b>\$ 260,958</b>	<b>78%</b>

The fund budgets for authorized services expenditures including maintenance, utilities, and supplies, and is expected to finish the year on or under budget. Because the development is new, maintenance costs are currently lower than revenues. At full buildout it is expected that costs to serve this neighborhood will exceed revenue and the General Fund will provide services above and beyond what the CFD pays for. All unexpended funds fall to fund balance and are available for expenditure in future years

## Capital Improvement Program Update

During the first half of the fiscal year, the City continued to make significant progress in delivering its Capital Improvement Program (CIP) projects. The capital summary table below provides detail on completed and ongoing projects through the first two quarters, showcasing efforts to enhance infrastructure, maintain critical systems, and improve community spaces.

Key projects completed during this period include the Water Resource Recovery Facility Upgrade, Downtown Multi-Space Pay Station Installation, and sewer replacement projects at Morro and Mill and Sierra Way. These accomplishments underscore the City's commitment to providing high-quality public facilities and ensuring long-term reliability of essential infrastructure.

In addition to completed projects, construction resources are dedicated to completing ongoing construction projects, such as the Mission Plaza Enhancements and the Cultural Arts District Parking Structure. Both projects are in the City's downtown core and are highly anticipated legacy projects. Upcoming projects entering construction include EV Bus Charging Infrastructure at the Transit Yard, and the long awaited Righetti Community Park, which is expected to break ground in Spring 2026.

Completed & Ongoing Construction Capital Projects (July 2025 -December 2025)				
Project Number	Project	Total Budget	Estimated Construction Completion Date	Additional Comments
2000561	Morro and Mill Sewer Replacement	\$ 2,800,000	Completed	
2091219	Water Resource Recovery Facility Upgrade	\$ 143,376,754	Completed	
2000075-13.01	Jack House Roof and Windows	\$ 499,554	Completed	
2000539-02	Sierra Way Sewer Replacement	\$ 2,766,449	Completed	
2000114-02	City Hall's Finance/IT Remodel	\$ 1,337,705	Completed	
2000574-01	Downtown Multi-Space Pay Station Installation	\$ 1,400,000	Completed	
2091506-02	Bob Jones Trail Groundwater Well Drilling (Packet 2)	\$ 569,037	Completed	
2000096	Sewer-main Replacement: Foothill and Santa Rosa CalTrans	\$ 598,591	Completed	
2090649	Mid-Higuera Bypass	\$ 11,550,000	Q3 FY 25-26	Construction ongoing.
2091439	Mission Plaza Enhancements	\$ 3,729,574	Q3 FY 25-26	Construction Ongoing.
2000577-04	1106 Walnut TI	\$ 1,887,843	Q3 FY 25-26	Construction Ongoing.
2000616	Roadway Paving 2025	\$ 9,117,000	Q3 FY 25-26	Construction Ongoing.
2000577-04	1106 Walnut Fence	\$ 512,734	Q3 FY 25-26	Construction Ongoing.
2000615-01	Grand Ave Striping and Signage Modifications	\$ 429,000	Q3 FY 25-26	Construction Started in Q2.
2000117	Cultural Arts District Parking Structure	\$ 47,000,000	Q3 FY 25-26	Construction Ongoing.
2000402_403	EV Bus Charging Infrastructure	\$ 1,103,225	Q4 FY 25-26	Construction Starting Q3 FY25-26
2000054-01	Righetti Community Park	\$ 13,668,912	Q2 FY 27-28	Construction Starting in Q3 FY25-26

Status of Major and Legacy Projects in Design				
Project Number	Project	TOTAL ESTIMATED PROJECT COST (Construction Phase)	Estimated Construction Start Date	Additional Comments
2091503	California and Taft Roundabout	\$ 6,800,000	Q1 FY 26-27	Right of way acquisition in progress and finalizing design documents. Construction start pending right-of-way resolution, could slip into Q2 FY27.
2091252	Prado Road Bridge and Road Widening	\$ 33,100,100	Q2 FY 27-28	Regulatory permits secured. 90% construction documents under development. A value analysis of this project in coordination with the Prado Interchange is under development.
2091613	Prado Road Interchange	\$ 99,000,000	Q2 FY 29-30	Construction cost reduced by Council on November 4, 2025 from \$124M to \$99M. The consultant team is currently developing a supplemental project report and advancing construction documents. Supplemental project report is planned to be considered by Council in mid-calendar year 2026.

## **Major City Goals Update**

This report includes an update on all Major City Goal tasks from the 2025-27 Financial Plan with an original completion date in the first half of FY 2025-26. As of the second quarter, eleven Major City Goal tasks have been completed or are on track and four have been delayed. Additional detail on how each task was completed or why it was delayed can be found in the tables that follow:

Major City Goal Task	Estimated Completion	Status Update
<b>On track tasks:</b>		
<p><b>Support the cultural arts, including the Cultural Arts District :</b> c. Complete the update to the City's Historic Resources Inventory. Complete initial phase of the project updating the Historic Preservation Ordinance and Historic Context Statement (Phase 1) and complete the update of the Historic Resources Inventory (Phase 2). ** (FY 2027 Q4)</p>	FY 2026 Q2	<p><b>Phase 1 Complete.</b> On December 2, 2025, the City Council held a public hearing to introduce an ordinance repealing the existing Historic Preservation Ordinance (SLOMC 14.01) and replacing it with updated provisions, and adopted a resolution approving updates to the Historic Context Statement. Following the second reading, the ordinance will become effective on February 13, 2026.</p>
<p><b>Balance operational needs and infrastructure investments with consideration of the long-term fiscal sustainability of the City organization:</b> b. Conduct an RFP process to evaluate banking service providers that will provide secure banking services at the best value to the City.</p>	FY 2026 Q2	<p><b>Complete.</b> On October 7, 2025, the City Council awarded a seven-year contract to JPMorgan Chase to continue serving as the City's primary banking services provider, determining that selecting this provider was in the City's best interest.</p>
<p><b>Facilitate programs and initiatives to support diverse community engagement and representation:</b> b. Partner with Diversity Coalition's BIPOC Board Leadership Program to increase representation of underserved and underrepresented groups on City Advisory Bodies through a separate training/panel session in conjunction with the existing program.</p>	FY 2026 Q2	<p><b>Complete.</b> On Thursday, November 13, at the Ludwick Community Center, the Office of Diversity, Equity, and Inclusion sponsored and hosted a community mixer designed to build connections between local nonprofits and community members. The event created space for nonprofit organizations to share information about their missions and board opportunities with participants who had just attended the BIPOC Board Leadership Conference earlier that day. During the BIPOC Board Leadership Program, the Office of Diversity, Equity, and Inclusion also presented on City Advisory Bodies and shared clear, accessible information on how community members can become more engaged in City and County government. Together, these efforts supported pathways to civic participation, leadership, and belonging.</p>
<p><b>Facilitate programs and initiatives to support diverse community engagement and representation:</b> d. Develop and distribute a "how to" guide in Spanish and other languages on how to participate in public meetings and share public comment.</p>	FY 2026 Q2	<p><b>Near complete.</b> A "How to" Guide has been developed and translated into Spanish and is currently in the final stages of review. In August 2026, staff will host a community workshop in the Council Chambers to walk through the guide in a hands-on and welcoming way. The workshop will offer a deeper understanding of the content, provide community members with the opportunity to be present in the Council Chambers, and practice making public comment in a supportive environment. This approach seeks to strengthen access, build confidence, and increase community participation by at least 15 percent moving forward.</p>
<p><b>Facilitate sustainable growth that aligns with climate, economic, and housing goals:</b> c. Conduct a study session on implications and implementation of State Fire Hazard maps for local responsibility areas.</p>	FY 2026 Q2	<p><b>Complete.</b> A Study Session was held on October 7, 2025, during which Council provided direction on proposed amendments to the WUI code (adopted 12/2/25), as well as guidance on implementation of the code changes, as reflected in the meeting minutes.</p>
<p><b>Promote the expansion and diversification of housing opportunities for all:</b> b. Create an informational handbook to assist the community in understanding state and local regulations for the development of ADUs and the creation of Urban Lot Splits and evaluate options for adopting pre-approved ADU plans.</p>	FY 2026 Q2	<p><b>Complete and In Progress.</b> The ADU and Urban Lot Split Guide will be uploaded to the City website before the end of February 2026. Staff continue to evaluate options for adopting pre-approved ADU plans, however, with recent state law changes, architects can request that any of their plans submitted become "pre-approved" plans and provided on the City's webpage.</p>
<p><b>Ensure housing is safe, healthy, and affordable, while facilitating stronger protections for renters:</b> a. Conduct a study session with the City Council to identify needs and opportunities regarding renter protections, based on the memo produced in 2024, and receive direction on items for further consideration and development.</p>	FY 2026 Q2	<p><b>Complete.</b> A Study Session was held on October 28, 2025, during which Council provided direction to proceed with near-term strategic actions within the current work program, advance a Rental Registry study session in February 2026 incorporating Council feedback, and initiate development of a Safe Housing Strategic Plan in the next fiscal year. Council also directed staff to conduct additional research on identified policy questions and data gaps related to rental housing conditions, enforcement, and tenant and landlord education.</p>
<p><b>Ensure housing is safe, healthy, and affordable, while facilitating stronger protections for renters:</b> c. Adopt and implement updated California Building Standards and local amendments (building code)</p>	FY 2026 Q1	<p><b>Complete.</b> The updated California Building Standards and local amendments (building code, fire code, etc.) were adopted by Council on December 2, 2025 via Ordinances 1751 and 1752.</p>
<p><b>Collaborate with partners to prevent and reduce homelessness:</b> c. Homeless Services - Meet monthly with CAPSLO to support effectiveness of the 40 Prado Homeless Service Center, including updates to Good Neighbor Policy which will be presented to Council in Q2 of FY25-26.</p>	FY 2026 Q2	<p><b>Ongoing and Near Complete.</b> Leadership and staff from the City and CAPSLO continue to meet monthly to collaborate on collective homelessness response strategic planning efforts and partnership opportunities. CAPSLO will present updates to Council on their Homeless Services Division's 2025-2028 Strategic Alignment Plan and the 2025 CAPSLO Good Neighbor Policy at the March 17, 2026 City Council meeting.</p>

Major City Goal Task	Estimated Completion	Status Update
<b>Advance street safety improvements and support Vision Zero goals for all road users:</b> a. Start construction of the 2025 Arterials Paving project which could include streets such as Sacramento Drive, Tank Farm, and Calle Joaquin depending on available funding.	FY 2026 Q2	<b>Complete.</b> Construction started in September 2025. Due to insufficient funding, work on Calle Joaquin was excluded from the project.
<b>Support policies and programs aimed at expanding mass transportation and public transit:</b> a. Execute new SLO Transit Operations and Maintenance Agreement.	FY 2026 Q2	<b>Near Complete.</b> RFP has been published and responses are due by February 20, 2026. Council item is scheduled for April 7, 2026 to award the contract.
<b>Delayed tasks:</b>		
<b>Continue implementation of the Climate Action Plan (CAP) and Lead by Example (LBE) Plan Work Programs:</b> g. Develop and adopt internal policies focused on zero emissions buildings, facilities, and vehicles (LBE)	<del>FY 2026 Q2</del> FY 2026 Q4	<b>Delayed.</b> An internal review draft has been written and is currently under review. Staff expects the internal policies to be completed and enforced by FY 2026 Q4.
<b>Facilitate sustainable growth that aligns with climate, economic, and housing goals:</b> b. Conduct a study session on the status of the City's growth management regulations.	<del>FY 2026 Q2</del> FY 2026 Q3	<b>Delayed and Recommended Change.</b> Given emergent community needs and an impacted agenda forecast, this item has been moved to FY 2026 Q3 and is recommended to be presented to Council in memo format rather than as a study session during this financial plan.
<b>Support the cultural arts, including the Cultural Arts District :</b> a. Complete the construction of the Mission Plaza Project to enhance the experience of the plaza and downtown.	<del>FY 2026 Q2</del> FY 2026 Q3	<b>Delayed and Near Complete.</b> Project construction is expected to be complete by March. Completion is behind schedule due to weather and contractor delays. The tenant lease for the kiosk has been executed with the owners of Linnea's.
<b>Build out park infrastructure to support community recreation and accessibility:</b> a. Start construction of Righetti Ranch Park (Phase 1).	<del>FY 2026 Q2</del> FY 2026 Q4	<b>Delayed and Near Complete.</b> On December 2, 2025 the Council awarded a construction contract for the Righetti Community Park, anticipated to begin in Spring 2026. Components of the park scheduled for construction include the fields, playground, and restrooms, as well as the pickleball courts and bike pump track.