



# CITY COUNCIL STAFF REPORT

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**TO:** Honorable Mayor and City Council      **DATE:** February 9, 2021  
**FROM:** Matthew Bronson City Manager  
**PREPARED BY:** Deanne Purcell, Administrative Services Director  
**SUBJECT:** FY 2020-21 Mid-Year Financial Review and General Fund Financial Forecast

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## RECOMMENDATION

Receive the FY 2020-21 Mid-Year Financial Review and General Fund Financial Forecast and provide initial input and direction to inform the development of the FY 2021-23 budget.

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## BACKGROUND

Consistent with the Council's adopted financial policies, this report provides an update on the City's current financial condition for this fiscal year and financial projections for revenues and expenditures over the next five years. The report begins with the City's mid-year financial status for both the General Fund and two Enterprise Funds (Water and Wastewater) and requested consideration of mid-year budget appropriation changes. Following this mid-year information, staff will provide the results of a multi-year General Fund financial forecast that updates the previous forecast presented last year to the Council prior to the COVID-19 pandemic. This information represents the beginning of the FY 2021-23 budget development process. As an overall summary comment, the City is in a favorable financial position with additional revenues projected that will allow the City to make substantial progress on addressing community needs.

## FY 2020-21 Mid-Year Financial Report

### **General Fund Overview**

The General Fund is the City's primary fund with taxes and major user fees funding basic public services such as Police, Fire, Public Works, Community Development, Administration, and Parks and Recreation. The Council adopted a FY 2020-21 General Fund budget of \$12.96 million and included below is a summary of the projected year-end totals based on mid-year actuals that shows an estimated \$1 million General Fund surplus or \$965,000 more than budgeted:

Table 1

<b>GF Summary</b>	<b>FY 2020-21</b>	
	<b>Budget</b>	<b>Projected</b>
Beginning Reserves	\$ 4,704,800	\$ 4,704,800
Revenues/Transfers In	12,999,900	14,510,600
Expenditures/Transfers Out	12,963,400	13,509,200
<b>Annual Surplus</b>	<b>36,500</b>	<b>1,001,400</b>
Ending Reserves	\$ 4,741,300	\$ 5,706,200
<b>% of Operating Expenditures</b>	<b>38%</b>	<b>46%</b>

**General Fund Revenues**

For FY 2020-21, the City’s top five revenues (property tax, sales tax, cannabis tax, franchise fees, and transient occupancy tax) comprise 83% of total revenue, excluding transfers in. Total General Fund revenues are projected to end the fiscal year at \$14.5 million compared to \$13.0 million budgeted. Projections are determined by various factors that include historical trends, revenue received, anticipated business growth, or consulting with tax revenue experts and could change based on the remainder of the fiscal year.

The COVID pandemic is unlike anything the City has ever experienced and although it has impacted the economy beginning in March 2020, the City has not been impacted as much as other agencies mainly due to the diversity of the City’s revenues. The latest Beacon Economic Forecast reported in November 2020 that the recession caused by COVID restrictions which technically ended in April 2020 as the worst quarter in economic history was followed by one of the best quarters, though some sectors continue to struggle given continued restrictions particularly travel, recreation, and hospitality businesses. As the Council is aware, the City has provided significant assistance to local businesses including allocation of over \$700,000 in business assistance microgrants.

Table 2 below highlights the General Fund budgeted revenue for FY 2020-21 compared to projected revenue at year-end. As shown in the table, revenues are anticipated to be higher by \$1.5 million with further information provided on the revenue categories:

Table 2

<b>Top 5 GF Revenue</b>	<b>Budget</b>	<b>Projected</b>	<b>Over/ (Under)</b>	<b>% of Budget</b>
1. Property Tax	\$ 4,993,000	\$ 4,961,800	\$ (31,200)	99.4%
2. Sales Tax	2,600,000	3,582,800	982,800	137.8%
3. Cannabis Tax	1,500,000	2,300,000	800,000	153.3%
4. Franchise Fees	575,000	596,700	21,700	103.8%
5. TOT	380,000	442,200	62,200	116.4%
<b>Total Top 5</b>	<b>\$ 10,048,000</b>	<b>\$ 11,883,500</b>	<b>\$ 1,835,500</b>	<b>118.3%</b>
All Other & Transfers In	2,951,900	2,627,100	(324,800)	89.0%
<b>Total GF Revenues</b>	<b>\$ 12,999,900</b>	<b>\$ 14,510,600</b>	<b>\$ 1,510,700</b>	<b>111.6%</b>

Property Tax is estimated to be on track with budget, showing a small variance of \$31,200. The County of San Luis Obispo has estimated a 5% increase in property tax revenue from the prior year, which falls in line with the City’s budgeted numbers.

Sales Tax is estimated to be higher than budget, or a projected \$982,800 increase. The City works with a sales tax consultant who has estimated a 7.7% increase from the prior year actuals. Much of this has to do with the significant increase in cannabis sales in the second full year of operation for this industry in the city. In addition, the new 1% sales tax measure (Measure F-20) that passed in November 2020 will start collection in April and add an estimated \$548,000 in revenue in the current year. For the quarter ending September 30, 2020, the City has realized a 25% increase in sales tax revenue from the prior year quarter ending September 30, 2019, the highest increase among cities in the county. This can mainly be credited to increased cannabis tax revenue as cannabis sales now comprise 24% percent of the City’s sales tax revenues as well as online sales where there has been a significant increase in online shopping mainly due to the pandemic. Losses were reported in restaurants and fuel/service stations for the quarter due to fewer people eating out and traveling due to the pandemic.

Cannabis Tax is estimated to be \$800,000 higher than budgeted. This number is based on revenues received through the second quarter ending December 31, 2020 along with expectations for continued revenue growth in the second half of the fiscal year. The City added three cannabis businesses in 2020 and currently collects cannabis tax revenue from 11 operating businesses including three retailers, six manufacturers, and two distributors.

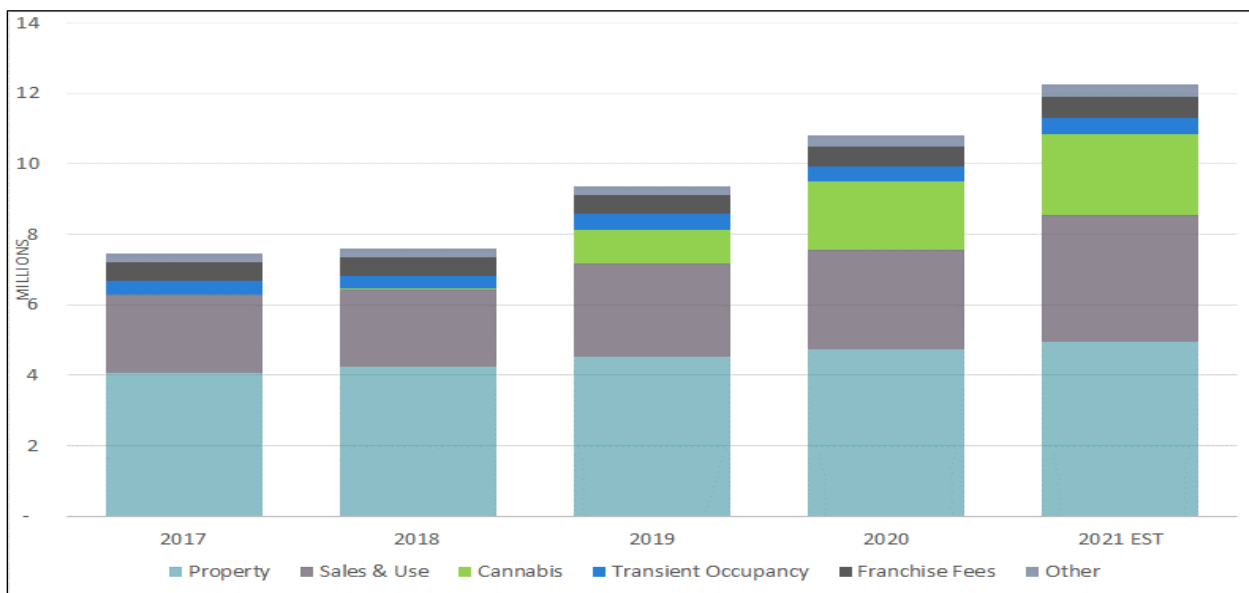
Franchise Fees are projected to be slightly higher by \$21,700 than budget based on amounts received through the second quarter ending December 31, 2020.

Transient Occupancy Tax (TOT) is estimated to be \$62,200 higher than budget. The FY 2020-21 budget originally estimated that due to the pandemic, hotels would see a revenue shortfall of approximately \$200,000 although TOT revenue is being generated more than expected given an influx of visitors to the area.

Other Revenue includes other taxes, utility users tax, licenses and permits, service charges and other miscellaneous revenues. The estimated decrease of \$325,000 in these other revenues is mainly due to the COVID-19 pandemic. City services including special events, recreation classes, recreation rentals, use of crew and equipment, Tiny Tots preschool enrichment program and other miscellaneous services have had little to no activity during the pandemic for a revenue loss of approximately \$300,000. Construction permits and plan check fees have also been impacted by the pandemic and are \$175,000 below budgeted levels. The CARES Act funding from the State of \$163,155 has helped to offset the losses in this revenue category.

Chart 1 below highlights the General Fund top five revenues for the last five fiscal years. These revenues have increased by \$4.7 million or 63% from FY 2016-17 (\$7.5 M) to FY 2020-21 (estimated \$12.2 M) with the new cannabis tax generating \$5.2 million in its first three years:

Chart 1



### General Fund Expenditures

Table 3 below shows that overall General Fund expenditures are projected to end the year over the current budget by \$545,800. These projections are based on best estimates using the most current data and historical trends and could change with six months remaining in the fiscal year:

Table 3

<b>GF Expenditures</b>	<b>Budget</b>	<b>Projected</b>	<b>Variance</b>	<b>% of Budget</b>
Salaries and Benefits	\$ 7,640,800	\$ 7,640,800	\$ -	100.00%
Supplies and Services	4,755,300	5,301,100	545,800	111.48%
Debt Service	166,300	166,300		100.00%
Transfers Out	401,000	401,000		100.00%
<b>Total GF Expenditures</b>	<b>\$ 12,963,400</b>	<b>\$ 13,509,200</b>	<b>\$ 545,800</b>	<b>104.21%</b>

Key variances for the Supplies and Services category include:

- Due to the pandemic and various cancellations, the following accounts are under budget:
  - Special Events - (\$19,000)
  - Training and Education - (\$59,000)
  - Marketing and Meetings - (\$12,000)
  - Tiny Tots program - (\$31,000)
  - Services Other - (\$62,000)
- Services – Building is under budget by (\$20,000) related to the revenue decrease in construction permits
- Economic Development is over budget by \$748,000 due to microgrants from the City to assist local businesses. A corresponding mid-year budget appropriation request includes 1) CARES Act funding of \$163,155 from the State, 2) \$500,000 from the new 1% sales tax measure (Measure F-20) approved in November 2020 and 3) the remaining balance, or \$201,000, from the SB 1090 Diablo Canyon Power Plant settlement funds received in FY 2019-20 will be carried over to FY 2020-21 and used for economic development services that are underway this fiscal year.

In general, departments are in line with budgeted amounts within their respective departments aside from the pandemic-related costs as mentioned above. Staff would also note that there is no estimated savings in Salaries and Benefits given that the City is now fully staffed after filling vacant positions this year.

### Water Fund

Water Fund revenues are up 8% from this time last year which is mainly due to the rate increase implemented on July 1, 2020 with the adopted budget for FY 2020-21. The City is on track to meet the budgeted revenue amounts for this year as shown in the table on the next page which compares to actual amounts from last year:

Table 4

<b>Water Fund</b>	<b>FY 2019-20</b>		<b>FY 2020-21</b>	
<b>Revenue</b>	<b>Q2 Actual</b>	<b>Actual 7/1-6/30</b>	<b>Q2 Actual</b>	<b>Budget 7/1-6/30</b>
Use of Money and Property	\$ -	\$ 45,621		\$ 25,000
Charges for Services	1,586,360	3,973,531	1,717,897	4,061,000
Transfers In		1,212,804		2,392,500
<b>Grand Total</b>	<b>\$ 1,586,360</b>	<b>\$5,231,956</b>	<b>\$1,717,897</b>	<b>\$ 6,478,500</b>

In terms of Water Fund expenditures, Supplies and Services are 79% expended to date due to the annual payment at the beginning of the fiscal year for liability insurance and the semi-annual payment made to the County in July and December for the Lopez Water Contract that includes a debt service payment and routine operations and maintenance. Overall, Water Fund expenditures are below budget for the second quarter with 33% expended to date. This is mainly due to anticipated capital projects that have not yet started and transfers-out that are reconciled and accounted for annually as a year-end adjustment. Below in Table 5 is further information on Water Fund expenditures:

Table 5

<b>Water Fund</b>	<b>FY 2019-20</b>		<b>FY 2020-21</b>	
<b>Expenditures</b>	<b>Q2 Actual</b>	<b>Actual 7/1-6/30</b>	<b>Q2 Actual</b>	<b>Budget 7/1-6/30</b>
Salaries and Benefits	\$ 353,000	\$ 673,764	\$ 352,327	\$ 775,179
Supplies and Services	1,568,969	2,029,699	1,613,461	2,047,273
Major Capital	38,233	48,161		3,364,200
Debt Service	10,904	174,589	240,548	240,548
Transfers Out		353,203		359,400
<b>Grand Total</b>	<b>\$ 1,971,106</b>	<b>\$3,279,416</b>	<b>\$2,206,335</b>	<b>\$ 6,786,600</b>

### Wastewater Fund

Wastewater Fund revenues are up 2% from this time last year which is mainly due to the rate increase implemented on July 1, 2020 with the adopted budget for FY 2020-21. The City is on track to meet the budgeted revenue amounts for this year as shown in Table 6 below which compares to actual amounts from last year:

Table 6

<b>Wastewater Fund</b>	<b>FY 2019-20</b>		<b>FY 2020-21</b>	
<b>Revenue</b>	<b>Q2 Actual</b>	<b>Actual 7/1-6/30</b>	<b>Q2 Actual</b>	<b>Budget 7/1-6/30</b>
Use of Money and Property	\$ -	\$ 44,767	\$ -	\$ 36,000
Charges for Services	329,954	1,263,722	336,610	1,273,000
Transfers In				600,000
<b>Grand Total</b>	<b>\$ 329,954</b>	<b>\$ 1,308,489</b>	<b>\$ 336,610</b>	<b>\$ 1,909,000</b>

In terms of expenditures, Wastewater Fund expenditures are below budget for the second quarter with 28% expended to date. The main reason is due to anticipated capital projects that have not yet started and transfers-out that are reconciled and accounted for annually as a year-end adjustment. The following page includes additional information on Wastewater Fund expenditures as shown in Table 7:

Table 7

Wastewater Fund Expenditures	FY 2019-20		FY 2020-21	
	Q2 Actual	Actual 7/1-6/30	Q2 Actual	Budget 7/1-6/30
Salaries and Benefits	\$ 290,359	\$ 653,879	\$ 276,346	\$ 636,901
Supplies and Services	259,517	508,376	249,226	384,121
Major Capital	40,198	83,301	224	689,000
Debt Service	21,808	4,616	21,808	21,808
Transfers Out		209,403		209,600
<b>Grand Total</b>	<b>\$ 611,882</b>	<b>\$ 1,459,575</b>	<b>\$ 547,603</b>	<b>\$ 1,941,430</b>

### Carryover of Capital Project Funding and Authorized Appropriations

Per Council's adopted financial policies, any unused appropriations at the end of fiscal year 2019-20 in active capital improvement projects and multi-year programs are hereby re-appropriated for continued use in fiscal year 2020-21. These carryovers include \$1,203,701 in the Capital Projects Fund, \$20,000 in the Street Rehabilitation and Repair Fund, \$450,077 in the Water Fund, and \$715,758 in the Wastewater Fund. A detailed listing is included in Attachment 1.

The financial policies also authorize any remaining balance of one-time authorized appropriations to be carried forward with the approval of the City Manager and Administrative Services Director. Council approved a FY 2019-20 mid-year request of a \$1 million reinvestment of one-time funds from General Fund reserves for one-time expenditures but this funding was not fully expended last fiscal year due to uncertainty around COVID impacts. Additionally, there was a remaining balance of \$201,000 from the Diablo Canyon settlement funds received in FY 2019-20 that will be carried over to FY 2020-21 for economic development services underway this fiscal year. Below in Table 8 is a list of authorized one-time appropriations that will be carried over to FY 2020-21 for implementation this fiscal year using General Fund reserves:

Table 8

Carryover from FY 2019-20	Description
\$ 201,600	Remaining balance Diablo Settlement
35,000	Tree and vegetation planting at parks, Grand Avenue, and Oak Park medians
41,000	Minor improvements at various parks
40,000	City pool vehicles replacement
10,000	Corp yard equipment
500,000	Pension paydown made December 2020
<b>\$ 827,600</b>	<b>Total Carryover for Special One-Time Authorized Appropriations</b>

### Requested Mid-Year Budget Appropriations

With the current fiscal year halfway completed, departments have had the opportunity to re-evaluate their current operations and identify any unforeseen needs that have become known. Staff is requesting the Council's consideration of mid-year budget appropriation changes for the General Fund totaling \$431,500 along with appropriations requested for other funds including Water (\$18,500), Wastewater (\$60,000), and Gas Tax (\$75,000) are below in Table 9 and in further detail in Attachment 2:

Table 9

<b>Department</b>	<b>Funding Source</b>	<b>Appropriation Request</b>	<b>Description</b>
Administrative Services	General Fund	\$ 50,000	Update Phone System
Community Development	General Fund	30,000	Building Fee Study CIP - Project 1004 16th Street Park Playground
Public Works	General Fund	93,000	New Street Signs for the City
Public Works	General Fund	75,000	Emergency Back-Up Power at City Hall
Public Works	General Fund	18,500	Portable Compressor for Jackhammer Operations
Public Works	General Fund	25,000	Replace 2 Plastic Storage Sheds
Police	General Fund	40,000	Non-profit grant funding assistance
Non-Department	General Fund	100,000	
<b>Total General Fund</b>		<b>\$ 431,500</b>	
Public Works	<b>Water Fund</b>	<b>\$ 18,500</b>	Emergency Back-Up Power at Well #4 Perform Sewer Video for South Grover Beach
Public works	<b>Wastewater Fund</b>	<b>\$ 60,000</b>	
Public Works	<b>Gas Tax Fund</b>	<b>\$ 75,000</b>	Grand Ave Restriping

### CARES Act

The City received \$163,155 in State distributions for CARES Act funding. These funds were used for the second round of the microgrant program in the amount of \$110,000 with \$15,313 used for street barriers for restaurants serving outdoors due to the pandemic restrictions along with \$15,000 for matching grants for businesses to construct permanent outdoor spaces matching grants. The remaining balance of approximately \$23,000 is intended to cover a portion of public safety payroll costs related to COVID-19. A budget adjustment is requested to be made with the

mid-year budget appropriations to reflect both the revenue and expenditure appropriation with no impact to the General Fund.

**Measure F-20 1% Sales Tax**

In November 2020, Measure F-20 was approved to add a 1% local sales tax with collections for this new sales tax beginning in April 2021. Using projections from the City’s sales tax consultants, this new 1% percent sales tax will generate approximately \$548,000 in this fiscal year 2020-21. Council previously provided direction to use additional General Fund revenues this year including this new funding source to be used for additional business support. A budget adjustment is requested to be made with the mid-year budget adjustments to reflect this additional revenue and expenditure appropriation with no impact to the General Fund.

Pending Council direction on these mid-year appropriation requests, staff will return to the Council at a subsequent meeting for approval of these requested appropriation changes. Table 10 below shows the General Fund impact of these requests this fiscal year along with the related changes in General Fund reserves from the carryover of capital project funding and authorized appropriations:

Table 10

<b>GF Summary</b>	<b>FY 2020-21 Projected</b>
Revenues/Transfers In	\$ 14,510,600
Expenditures/Transfers Out	13,509,200
Annual Surplus	\$ 1,001,400
<b>Less: Mid-Year Requests</b>	<b>431,500</b>
<b>Revised Annual Surplus</b>	<b>\$ 569,900</b>
Beginning Reserves	4,704,800
<b>Less: Carryover Authorized Appropriations</b>	<b>827,600</b>
Ending Reserves	\$ 4,447,100
<b>% of Operating Expenditures</b>	<b>36%</b>

**General Fund Financial Forecast**

In the previous year, the City conducted a five-year General Fund financial forecast that was presented to the Council on February 18, 2020. Staff has updated this financial forecast given current and future conditions and the forecast is intended to be a valuable tool to help the Council and staff make prudent financial decisions and inform the development of the upcoming two-year budget (FY 2021-23) and future budgets.

As one of the most stressful and unsettling times in U.S. economic history comes to an end, multiple forecasts suggest that better times are on the horizon. Despite the economic pain the COVID-19 pandemic has created, Beacon Economics’ latest forecast for the U.S. and California indicates that the nation’s economy is not devastated and has already seen a remarkable rebound in economic activity and is moving into the new year with a good degree of economic momentum. According to UCLA Anderson’s latest forecast, more fiscal aid and the release of pent-up consumer demand following mass vaccinations, with the assumption a large number of people will have received one of the vaccines by summer, promise a bright future by mid-2021. The forecast anticipates that a surge in services consumption and continued strength in housing markets will propel the economy forward.



That is not to say that there have not been impacts to individuals or businesses, but rather the pandemic has disproportionately affected some individuals or businesses more than others and there will be lingering economic hardship to some after the pandemic is over. The greatest losses have been in the leisure and hospitality, retail and education sectors. Statewide, the unemployment rate was 9% in December 2020, compared to 3.9% in December 2019 and up from 8.1% the prior month (November 2020). The economists expect the state’s unemployment rate to be 6.9% in 2021, followed by 5.2% in 2022 and 4.4% in 2023.

Fortunately, Grover Beach has seen few permanent closures of businesses and the City’s microgrant program that has already contributed over \$700,000 to support local business has proven successful. To date, the City has gotten through the pandemic with little impact to its finances. This can mainly be attributed to the make-up and diversity of the City’s revenues and that the City does not rely heavily on the tourism and hospitality industries for its revenues. Even with the strong recovery forecasted beginning in the second quarter of this calendar year, economists are predicting only modest inflation around 2.1% to 2.2% per year. In addition, the unemployment rate is expected to improve gradually remaining above 6% through 2021 before falling to 4% by 2023.

Attachment 3 shows a detailed version of this long-term financial forecast with a high-level summary below in Table 11:

Table 11

<b>FIVE-YEAR FORECAST</b>					
<b>General Fund</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
Revenues	\$ 16,543,700	\$ 17,077,500	\$ 17,563,900	\$ 17,971,400	\$ 18,374,100
Expenditures	13,902,800	14,260,600	14,493,200	14,815,100	15,113,600
Annual Surplus	2,640,900	2,816,900	3,070,700	3,156,300	3,260,500
Beginning Reserves	4,447,100	7,088,000	9,904,900	12,975,600	16,131,900
Ending Reserves	\$ 7,088,000	\$ 9,904,900	\$ 12,975,600	\$ 16,131,900	\$ 19,392,400
<b>Percent of Operating Expenditures</b>	<b>53%</b>	<b>72%</b>	<b>93%</b>	<b>112%</b>	<b>132%</b>

There are numerous findings and assumptions built into the forecast including the continued growth in the cannabis industry in Grover Beach and related sales tax revenue increases as well as passage of Measure F-20 approved in November 2020. Overall, the forecast indicates the General Fund is in a positive position over the five-year period given projected revenue increases described below:

- Property Tax Revenues.* This year’s forecast assumes that the City’s property tax revenues will increase by 4% next year from the current fiscal year FY 2020-21 using the County’s revenue estimates and given the continued strength of the real estate market. The tight supply and steady demand from home buyers have boosted home values across California and in the County. In January 2021, the Mortgage Bankers Association reported a booming refinance activity, their highest since March 2020 with record low interest rates which have also resulted in increased purchasing power. To support recovery, the Federal reserve has promised not to raise rates through 2023.
- Sales Tax Revenues.* This year’s forecast assumes that the City’s sales tax revenues will also increase by 4.0% from the current revenue in FY 2020-21. The City had a significant

increase in sales tax in FY 2019-20 due to the cannabis industry and an increase in online sales and the forecast anticipates this increase to continue. The forecast includes an additional \$2.2 million from Measure F-20 approved in November 2020.

- *Cannabis Tax Revenues.* This year's forecast assumes that the City will receive \$2.3 million for the FY 2020-21 (an increase of \$800,000 over what was budgeted), \$2.4 million in FY 2021-22, and an 2% annual inflationary increase in these revenues for the following years. These estimates are an acknowledgement that the City has received significant revenue thus far but also an establishment of a baseline of cannabis revenues given the current operation of businesses within the city. There continues to be a degree of uncertainty in the cannabis industry as cannabis businesses begin operating in nearby cities and the industry continues to face pressure from an illegal market that is not taxed or regulated. Staff continues to recommend consideration of these revenues primarily for one-time uses such as capital projects or pension liability payments rather than extensive funding for ongoing service needs.
- *Transient Occupancy Tax (TOT) Revenues.* TOT revenues were the most impacted tax revenues during the pandemic, due to a significant decrease in travel for business or pleasure. TOT revenues were \$433,000 for both FY 2018-19 and 2019-20 and are projected to be \$442,000 for FY 2020-21. Although TOT revenues did not show a decline from prior years during the pandemic, TOT was originally estimated to be over \$500,000 last fiscal year after adoption of the short-term rental ordinance and related collection of TOT from short-term rentals. As a result, the impact from the pandemic was offset due to additional TOT revenue from short-term rental collections that kept TOT revenues stable or in line with the prior years.

## **FISCAL IMPACT**

The General Fund mid-year appropriations requested for the current FY 2020-21 budget total \$431,500 while the Water, Wastewater and Gas Tax Fund appropriations requested total \$18,500, \$60,000 and \$75,000 respectively. Total FY 2019-20 carryover of special one-time authorized General Fund appropriations total \$827,600 and will come out of General Fund reserves.

## **ALTERNATIVES**

The Council has the following alternatives to consider:

1. Receive the FY 2020-21 Mid-Year Budget Review and General Fund Financial Forecast and provide input and direction to inform the development of the FY 2021-23 budget; or
2. Provide staff with alternate direction.

## **PUBLIC NOTIFICATION**

The agenda was posted in accordance with the Brown Act.

## **Attachments**

1. FY 2019-20 CIP Carryover to FY 2020-21
2. Mid-Year Appropriation Requests
3. General Fund Five Year Financial Forecast

	<b>Expenditure</b>	<b>Revenue/ Transfers from Other Funds</b>
<b>CAPITAL PROJECTS FUND</b>		
1004-16th St Park Rehabilitation	\$ 22,000	\$ 22,000
1258-Ramona Garden Park Playground	24,235	24,235
2273-Citywide Sidewalk Improvements	67,261	67,261
2283-Local Street Rehabilitation Program	974,694	974,694
3002-City Corp Yard Improvements	75,000	75,000
3263-Facility Improvements	40,511	40,511
<b>Total Capital Projects Fund</b>	<b>\$ 1,203,701</b>	<b>\$ 1,203,701</b>
<b>STREET REHABILITATION and REPAIR FUND</b>		
2295-10-Street Rehabilitation and Repair	\$ 20,000	
<b>Total Street Rehabilitation and Repair Fund</b>	<b>\$ 20,000</b>	
<b>WATER FUND</b>		
4001 - Regional Groundwater Sustainability Project	\$ 375,251	
4265 - Water Delivery Upgrades	74,826	
<b>Total Water Fund</b>	<b>\$ 450,077</b>	
<b>WASTEWATER FUND</b>		
5001 - Sewer System Upgrades	\$ 693,258	\$ 303,000
5003 - Front Street Lift Station Upgrades	22,500	
<b>Total Wastewater Fund</b>	<b>\$ 715,758</b>	<b>\$ 303,000</b>

<b>Department</b>	<b>Funding Source</b>	<b>Appropriation Request</b>	<b>Description</b>	<b>Comments</b>
Administrative Services	General Fund	\$ 50,000	Update Phone System	Replacing the existing outdated analog phone system using an internet-based Microsoft Teams platform with the additional cost of phone units, headsets, and licensing
Community Development	General Fund	30,000	Building Fee Study	Update of City building fees for plan review and inspections services. Fees have not been updated in approximately 20 years and do not reflect the current costs to retain contract building services.
Public Works	General Fund	93,000	CIP - Project 1004 16th Street Park Playground	Additional allocation of funds to the Playground CIP for the design recommended by the Parks, Recreation, and Beautification Commission pending Council direction.
Public Works	General Fund	75,000	New Street Signs for the City	Replacement of the current street signs which are approximately 40 years old with new reflective signs with larger font.
Public Works	General Fund	18,500	Emergency Back-Up Power at City Hall	Funding will provide an external connection to the current City and PD generator should the current generator fail during a power outage
Public Works	General Fund	25,000	Portable Compressor for Jackhammer Operations	Current compressor is out of service (red tagged) by the State due to emission regulations. Without this equipment, staff has had to rely on our neighboring jurisdictions and equipment rental companies to perform routine and emergency street, water line, and sewer line repairs.
Police	General Fund	40,000	Replace 2 Plastic Storage Sheds	Police uses two large plastic sheds to store equipment outside. The sheds are between 10-20 years old and have started to break apart and have sunken into the pavement causing driveway deterioration. Police needs to replace these sheds with strong metal sheds that will be placed on a new concrete foundation. The metal sheds will allow for proper storing of equipment that will not get wet or dirty and meet outside storage requirements for evidence items.
Non-Department	General Fund	100,000	Non-profit Grant Funding Assistance	Funding assistance for local nonprofit agencies serving Grover Beach through an application process conducted in spring 2021.
<b>Total General Fund</b>		<b>\$ 431,500</b>		
Public Works	<b>Water Fund</b>	<b>\$ 18,500</b>	Emergency Back-Up Power at Well #4	Funding will provide an emergency power supply to the Well #4 pumps should the current generator fail during a power outage.
Public works	<b>Wastewater Fund</b>	<b>\$ 60,000</b>	Perform Sewer Video for South Grover Beach	Important tool to identify potential problems that should be addressed during routine maintenance (i.e. root intrusion; broken or punctured, misaligned, off-grade, or corroded lines) and a requirement of the State.
Public Works	<b>Gas Tax Fund</b>	<b>\$ 75,000</b>	Grand Ave Restriping	Refresh lane markings and bike lanes from 4th to 8th Streets and 11th Street to Oak Park Boulevard for enhanced safety and guidance to drivers and pedestrians prior to future street rehabilitation

## GENERAL FUND FIVE YEAR FINANCIAL FORECAST: 2021-2026

	2018-19	2019-20	2020-21		FIVE YEAR-FORECAST				
	Actual	Actual	Budget	Revised	2021-22	2022-23	2023-24	2024-25	2025-26
<b>REVENUES</b>									
Taxes and Franchise Fees									
Property Tax	4,527,700	4,725,500	4,993,000	4,962,000	5,160,000	5,314,800	5,474,000	5,583,000	5,695,000
Sales Tax									
General: 1%	1,681,300	1,802,100	1,700,000	1,941,000	2,019,000	2,109,000	2,193,000	2,272,000	2,347,000
Measure X: 1/2%	884,400	1,017,800	900,000	1,095,000	1,115,000	1,151,000	1,184,000	1,215,000	1,244,000
Measure F-20: 1%				548,000	2,230,000	2,302,000	2,368,000	2,430,000	2,488,000
Franchise Fees	555,500	585,000	575,000	597,000	609,000	621,000	633,000	646,000	659,000
Fiber Optic Cable					100,000	102,000	104,000	106,000	108,000
Transient Occupancy Tax	433,200	433,500	380,000	442,000	451,000	460,000	469,000	478,000	488,000
Utility Users Tax	169,500	172,600	167,000	176,000	180,000	184,000	188,000	192,000	196,000
Cannabis Tax	953,300	1,936,700	1,500,000	2,300,000	2,400,000	2,448,000	2,497,000	2,547,000	2,598,000
Business Tax	149,500	165,500	155,000	169,000	172,000	175,000	179,000	183,000	187,000
Other Taxes	161,600	146,300	165,000	179,000	183,000	187,000	191,000	195,000	199,000
Total Taxes and Franchises	9,516,000	10,985,000	10,535,000	12,409,000	14,619,000	15,053,800	15,480,000	15,847,000	16,209,000
From Other Governments	33,600	616,800	334,300	340,000	30,000	31,000	32,000	33,000	34,000
Licenses and Permits	280,500	241,000	223,500	151,000	175,000	225,000	250,000	255,000	260,000
Service Charges	901,200	719,200	883,100	543,000	865,000	882,000	900,000	918,000	936,000
Use of Money and Property	332,500	207,800	275,000	186,000	210,000	214,000	218,000	222,000	226,000
Other Revenues	62,400	57,200	60,000	30,000	45,000	60,000	60,000	60,000	60,000
Total Revenues	11,126,200	12,827,000	12,310,900	13,659,000	15,944,000	16,465,800	16,940,000	17,335,000	17,725,000
<b>EXPENDITURES</b>									
Operating Programs	10,977,200	12,131,200	12,374,300	12,757,500	13,307,100	13,719,400	14,025,400	14,347,300	14,645,800
Debt Service	155,400	155,400	188,100	188,100	153,500	99,000	25,600	25,600	25,600
CIP (Tr Out Fund 11 start in FY 21)	27,600	54,700	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Total Expenditures	11,160,200	12,341,300	12,862,400	13,245,600	13,760,600	14,118,400	14,351,000	14,672,900	14,971,400
<b>OTHER SOURCES (USES)</b>									
Transfers In									
Cost Allocation Transfers	453,200	470,000	486,000	486,000	495,700	505,600	515,700	526,000	536,500
Other Transfers In	87,300	101,600	102,000	102,000	104,000	106,100	108,200	110,400	112,600
Long-Term Debt Issued	434,600								
Wastewater Fund Repayment					(142,200)	(142,200)	(142,200)	(142,200)	(142,200)
Total Other Sources (Uses)	975,100	571,600	588,000	588,000	457,500	469,500	481,700	494,200	506,900
<b>Sources Over Uses</b>	941,100	1,057,300	36,500	1,001,400	2,640,900	2,816,900	3,070,700	3,156,300	3,260,500
<b>Less: Mid Year Requests (See Attachment 2)</b>				431,500					
<b>Revised Sources Over Uses</b>				569,900					
Reserves, Start of Year *	2,706,400	3,647,500	4,704,800	3,877,200	4,447,100	7,088,000	9,904,900	12,975,600	16,131,900
Reserves, End of Year	3,647,500	4,704,800	4,741,300	4,447,100	7,088,000	9,904,900	12,975,600	16,131,900	19,392,400
* 2018-19 reserves at start of the year is net of the advance payable to Wastewater Fund of \$1,435,700. FY 2020-21 revised includes \$827,600 carryover authorized appropriations.									
Reserve % Operating Costs	33%	39%	38%	36%	53%	72%	93%	112%	132%