

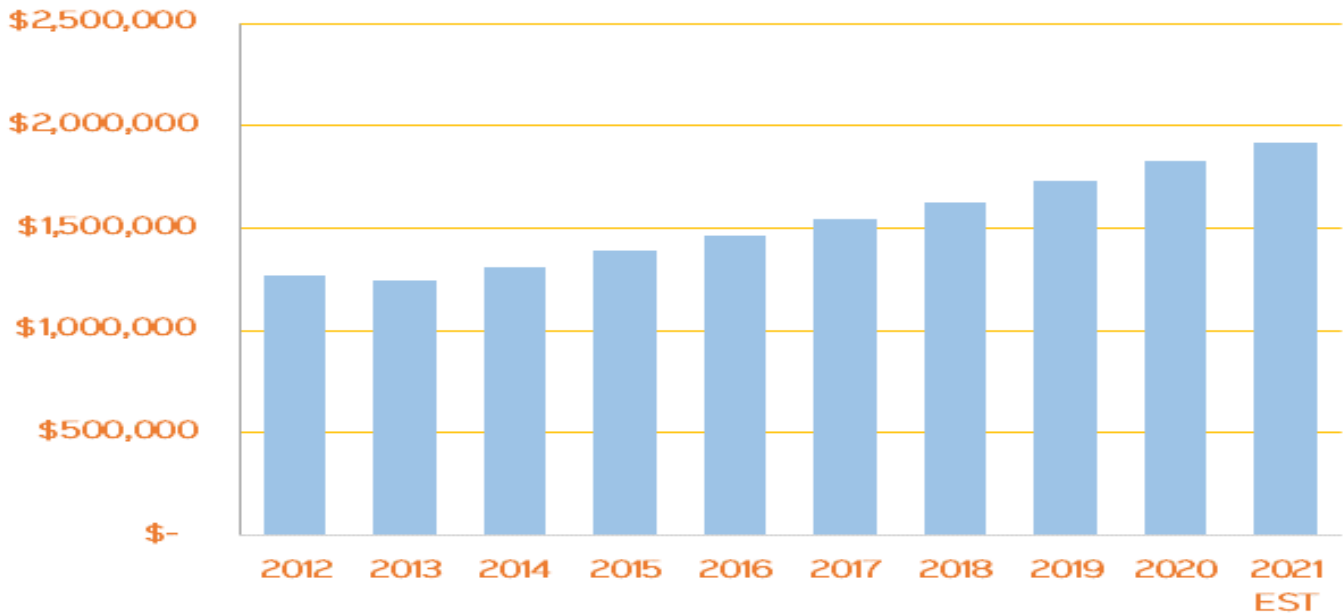
FINANCIAL TRENDS



Financial Trends

FINANCIAL TRENDS

PROPERTY TAX ASSESSED VALUATION: LAST TEN YEARS



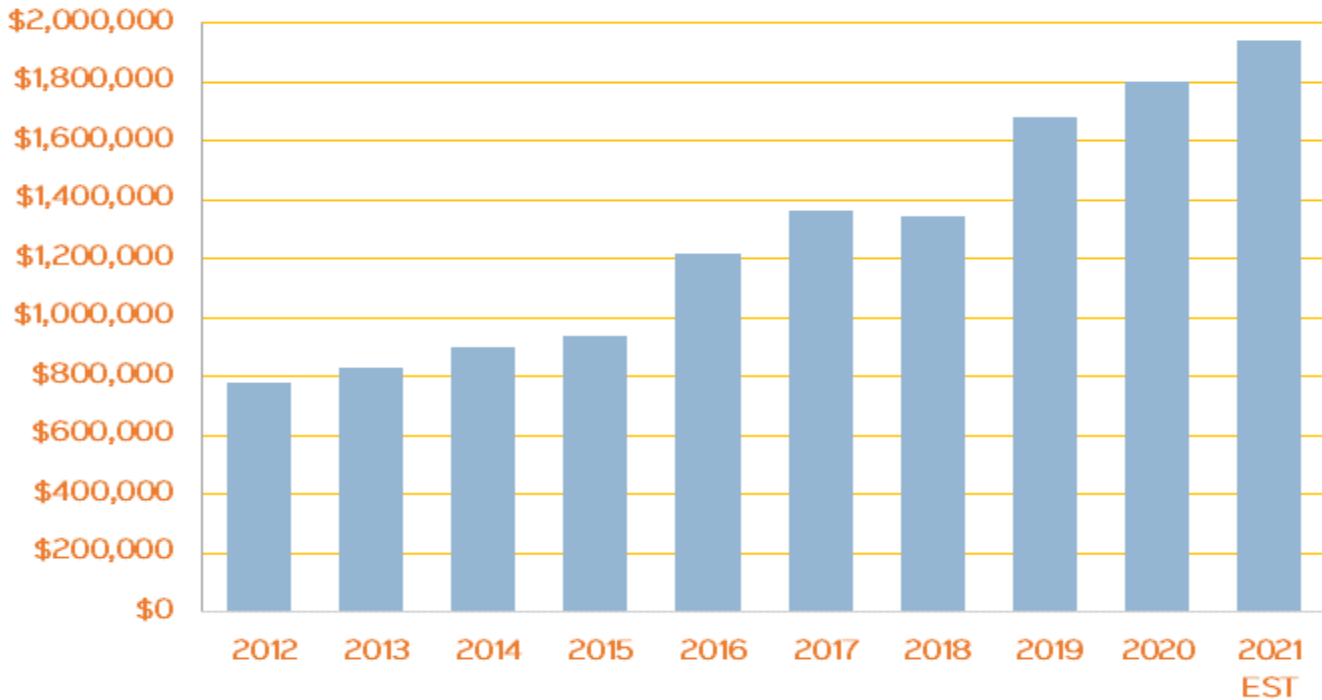
Property Tax

Property tax has historically been the General Fund’s largest and most stable revenue source and comprises over 28% of General Fund revenues. Property tax revenue is driven by changes in assessed value as determined by the San Luis Obispo County Assessor’s Office. As shown in the chart and table, assessed valuation decreased in 2012 and 2013 although more modestly compared with other cities in California. Assessed valuation has increased since then with an average annual increase of 5.6% over the past five years. The FY 2021-23 budget assumes that the City’s property tax revenues will increase by 4% in FY 2021-22 and 3% in FY 2022-23.

ASSESSED VALUATION TRENDS		
Fiscal Year Ending	Amount	% Change
2012	\$ 1,269,692	-2.2%
2013	\$ 1,247,859	-1.7%
2014	\$ 1,309,746	5.0%
2015	\$ 1,392,728	6.3%
2016	\$ 1,465,324	5.2%
2017	\$ 1,548,746	5.7%
2018	\$ 1,627,338	5.1%
2019	\$ 1,730,926	6.4%
2020	\$ 1,831,301	5.8%
2021 EST	\$ 1,919,661	4.8%
Average Annual % Change		
Last 2 Years		5.3%
Last 5 Years		5.6%
Last 10 Years		4.0%

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SALES TAX REVENUE: LAST TEN YEARS



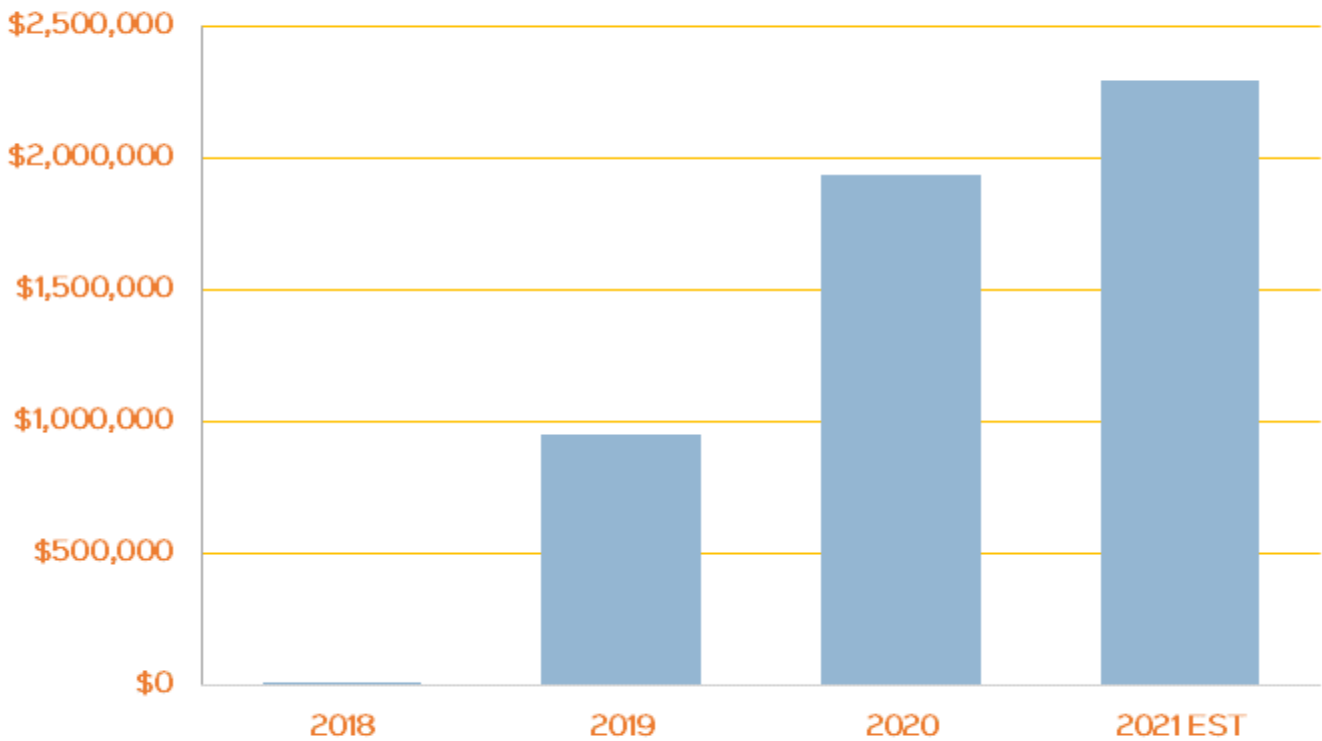
Sales Tax

Sales tax is the General Fund’s second largest revenue source through FY 2020-21 at 21% of General Fund revenue. Sales tax revenue has grown significantly in the past years due to the introduction of the cannabis industry at the end of fiscal year 2018. As shown in the chart and table, sales tax revenue increased in 2019 by 24.9%. Sales tax revenue has continued to increase since then with an average annual increase over the last five years of 10.2%. Next year’s budget includes additional sales tax revenue from Measure F-20, approved by voters in November 2020, of \$2.2 million in FY 2021-22 and \$2.3 million in FY 2022-23.

SALES TAX		
Fiscal Year Ending	Amount	% Change
2012	\$ 779,100	4.8%
2013	\$ 829,900	6.5%
2014	\$ 897,700	8.2%
2015	\$ 935,800	4.2%
2016	\$ 1,215,000	29.8%
2017	\$ 1,364,900	12.3%
2018	\$ 1,345,900	-1.4%
2019	\$ 1,681,300	24.9%
2020	\$ 1,802,100	7.2%
2021 EST	\$ 1,941,000	7.7%
Average Annual % Change		
Last 2 Years		7.4%
Last 5 Years		10.2%
Last 10 Years		10.4%

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CANNABIS TAX REVENUE: LAST FOUR YEARS



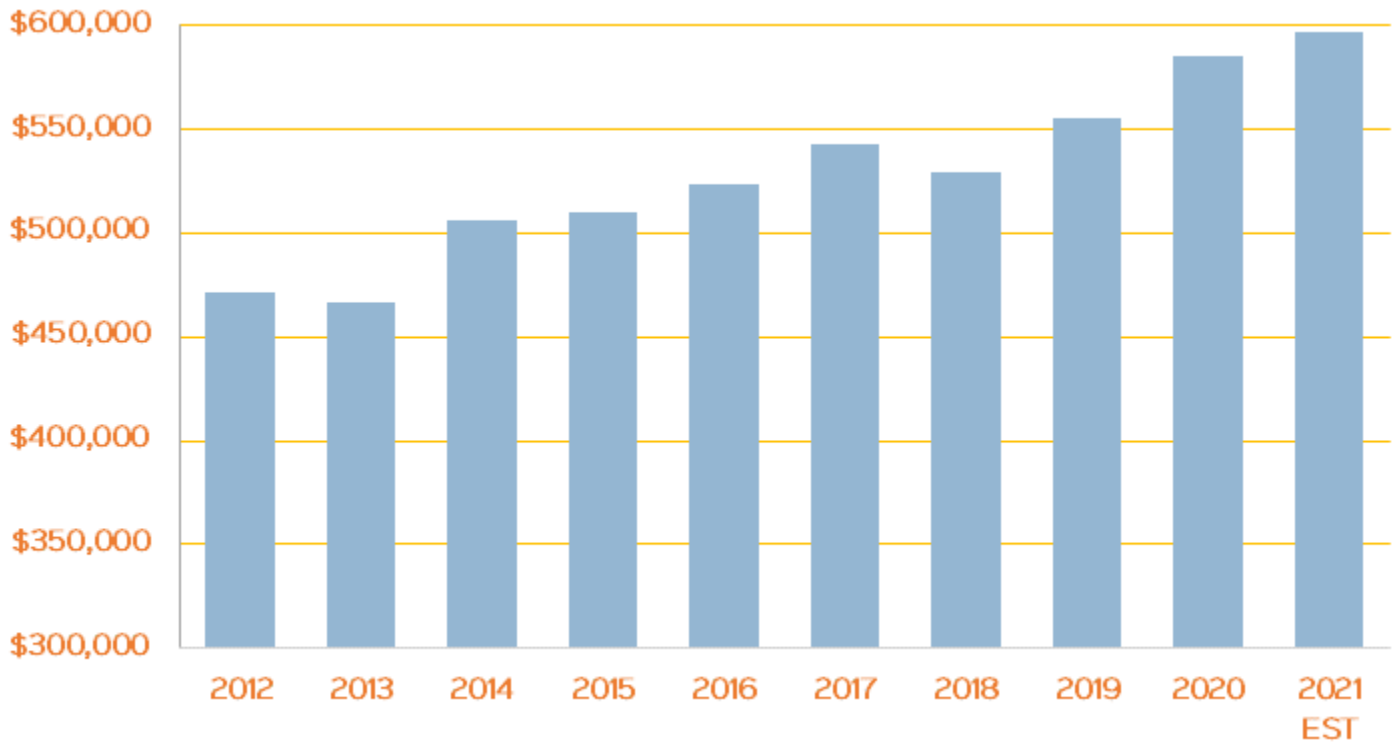
Cannabis Tax

The City’s started collecting Cannabis Tax revenues in 2018 and it is already the City’s third largest tax revenue generator in the General Fund at 12%. Cannabis revenue has increased significantly over the past four years increasing from \$16,000 in the first year of collection to an estimated \$2.3 million in FY 2020-21. This industry has a degree of uncertainty as cannabis businesses begin operating in nearby cities and the industry in general continues to face significant pressure from an illegal market that is not taxed or regulated.

CANNABIS TAX		
Fiscal Year Ending	Amount	% Change
2018	\$ 16,359	-4.5%
2019	\$ 953,342	5727.6%
2020	\$ 1,936,729	103.2%
2021 EST	\$ 2,300,000	18.8%
Average Annual % Change		
Last 2 Years		61.0%
Last 4 Years		1461.3%

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FRANCHISE FEE REVENUE: LAST TEN YEARS



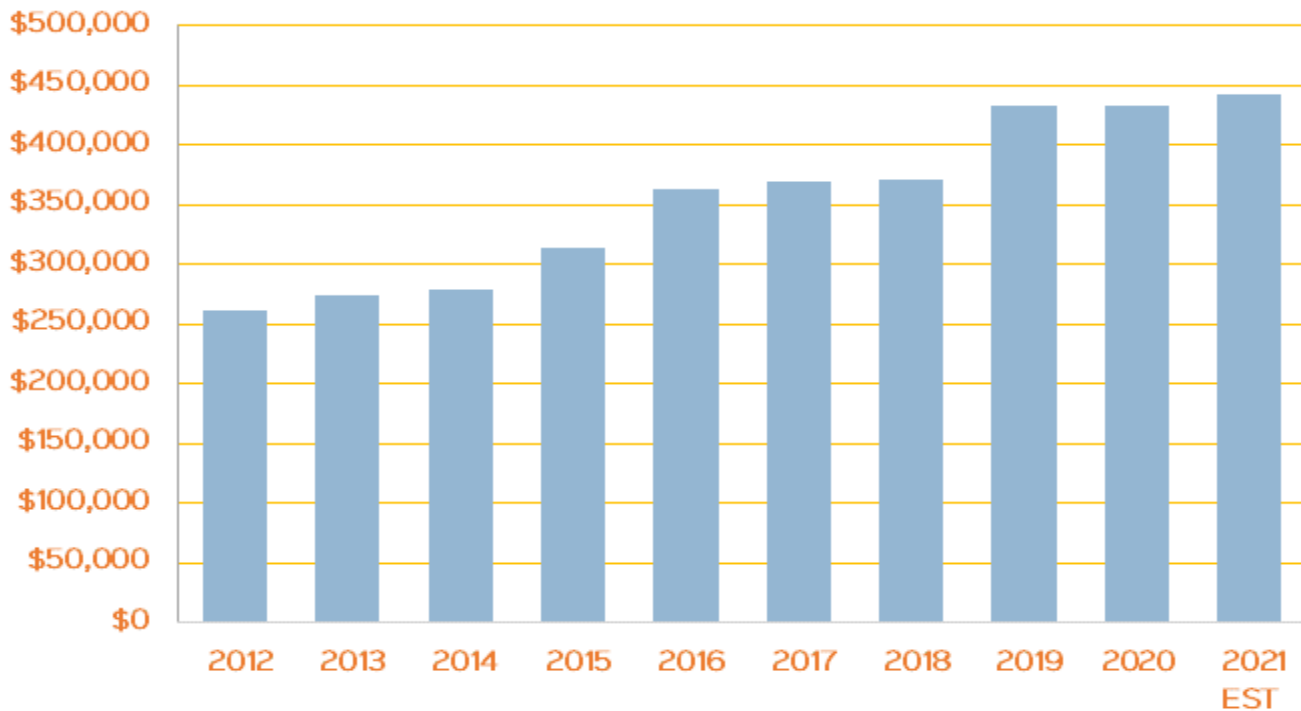
Franchise Fees

This revenue source is comprised of franchises paid to the City from utilities and private companies such as Comcast, AT&T, etc. Franchise fees are fairly stable and have averaged a 2.7% annual increase over the past five years. FY 2021-22 includes the new fiber optic cable or an additional \$100,000 in franchise fees.

FRANCHISE FEE		
Fiscal Year Ending	Amount	% Change
2012	\$ 471,400	-2.4%
2013	\$ 466,200	-1.1%
2014	\$ 506,200	8.6%
2015	\$ 509,600	0.7%
2016	\$ 523,300	2.7%
2017	\$ 542,900	3.7%
2018	\$ 529,200	-2.5%
2019	\$ 555,460	5.0%
2020	\$ 585,000	5.3%
2021 EST	\$ 597,000	2.1%
Average Annual % Change		
Last 2 Years		3.7%
Last 5 Years		2.7%
Last 10 Years		2.2%

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TRANSIENT OCCUPANCY TAX REVENUE: LAST TEN YEARS



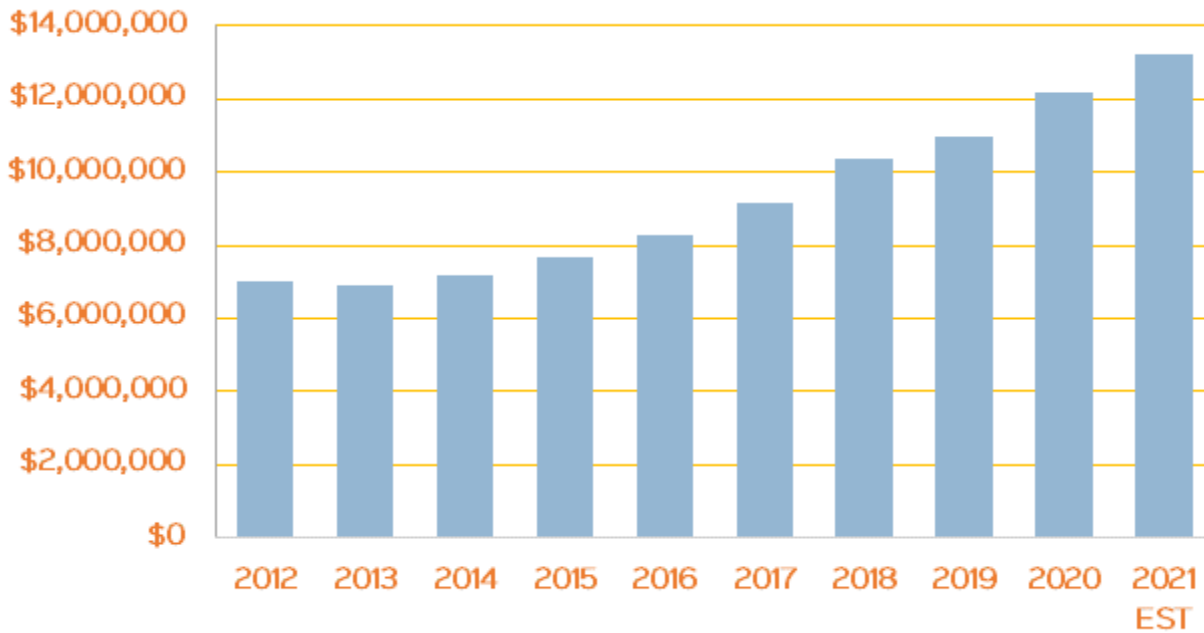
Transient Occupancy Tax

The City's Transient Occupancy Tax (TOT) revenues were stable during the recession and began growing in 2012. Due to the passage of Measure L-18 in November 2018 along with steady growth in TOT, revenue for FY 2018-19 increased by 16.7%. However, due to COVID-19 and the related impact on the tourism industry, TOT did not see any significant increases in FY 2019-20. TOT is projected to see an increase in FY 2021-22 as tourism picks up after the COVID-19 pandemic has ended.

TRANSIENT OCCUPANCY TAX		
Fiscal Year Ending	Amount	% Change
2012	\$ 260,800	18.4%
2013	\$ 273,400	4.8%
2014	\$ 278,500	1.9%
2015	\$ 314,300	12.9%
2016	\$ 363,400	15.6%
2017	\$ 368,700	1.5%
2018	\$ 371,200	0.7%
2019	\$ 433,249	16.7%
2020	\$ 433,500	0.1%
2021 EST	\$ 442,000	2.0%
Average Annual % Change		
Last 2 Years		1.0%
Last 5 Years		4.2%
Last 10 Years		7.4%

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GENERAL FUND OPERATING COSTS: LAST TEN YEARS



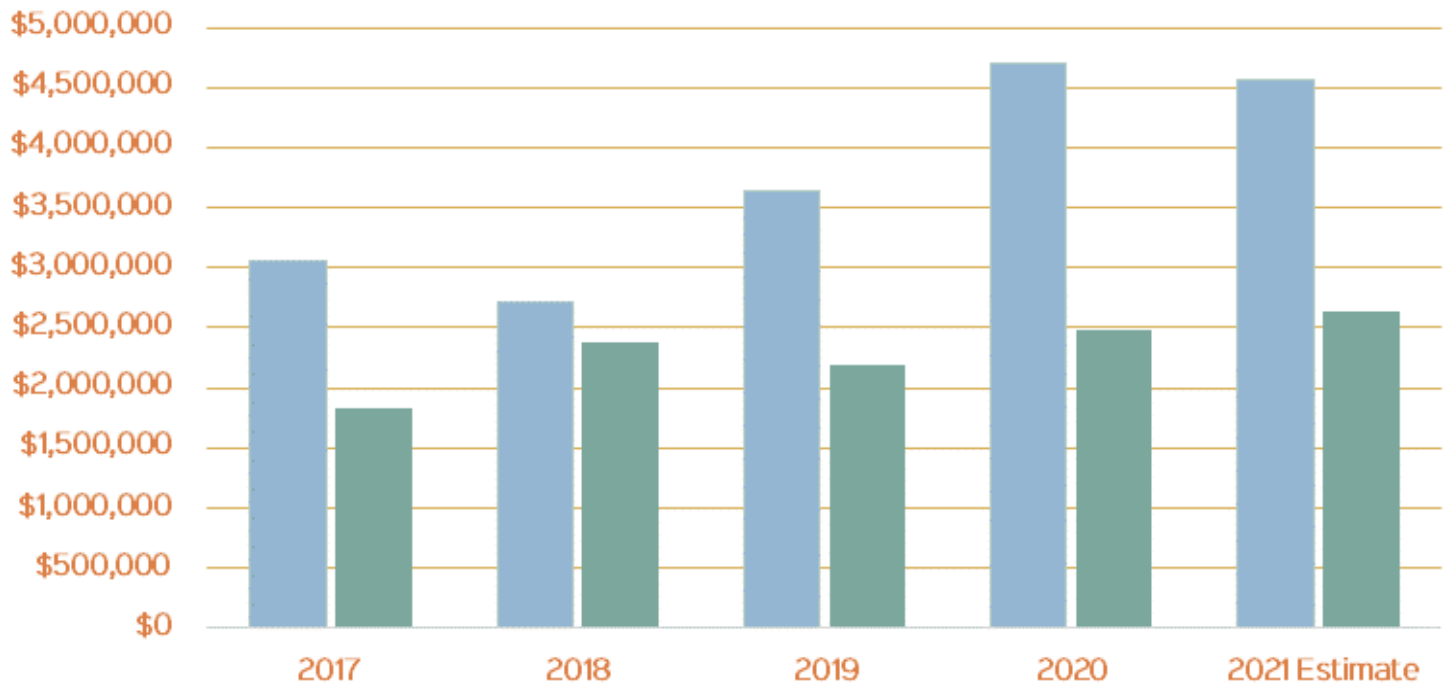
General Fund Operating Costs

The average annual increase in operating costs has been 9.9% over the last five years due to increased revenue capacity. Next year's budget includes an 18% increase (excluding one-time expenses) in operating costs due to a variety of factors including a General Fund contribution of \$2.1 million in FY 2021-22 to fund capital projects and six new positions, with three of the new positions in the Police Department. This budget follows passage of the Measure F-20 sales tax, approved by voters in November 2020, to address important community needs. These needs include infrastructure projects, economic development, and public safety and emergency services. Measure F-20 sales tax revenues are estimated to bring in an additional \$2.2 million for FY 2021-22 and \$2.3 million in FY 2022-23.

General Fund Operating Expenditures		
Fiscal Year	Amount	% Change
2012	\$ 7,026,400	-3.6%
2013	\$ 6,929,700	-1.4%
2014	\$ 7,170,300	3.5%
2015	\$ 7,670,500	7.0%
2016	\$ 8,270,000	7.8%
2017	\$ 9,129,900	10.4%
2018	\$ 10,368,565	13.6%
2019	\$ 10,977,200	5.9%
2020	\$ 12,185,900	11.0%
2021 EST	\$ 13,210,442	8.4%
Average Annual % Change		
Last 2 Years		9.7%
Last 5 Years		9.9%
Last 10 Years		6.3%

Financial Trends

GENERAL FUND RESERVES: LAST FIVE YEARS ACTUAL COMPARED WITH 25% POLICY GOAL



General Fund Reserves

The graph depicts the ending reserves for the General Fund over the past four years and the estimate for the current year along with the amount based on the Council’s 25% current reserve policy goal. Ending reserves have remained higher than the policy level in recent years given the strong economy and prudent fiscal management focused on cost containment. This scope of reserves adheres to Council’s policy goal to ensure adequate reserves for emergencies or unforeseen circumstances or one-time needs. Ending reserves are projected to steadily increase through FY 2021-22 and FY 2022-23 to 32% and 36% respectively. The reserve policy goal increased to 25% of operating expenditures as approved by the Council as part of adopting the FY 2020-21 budget.

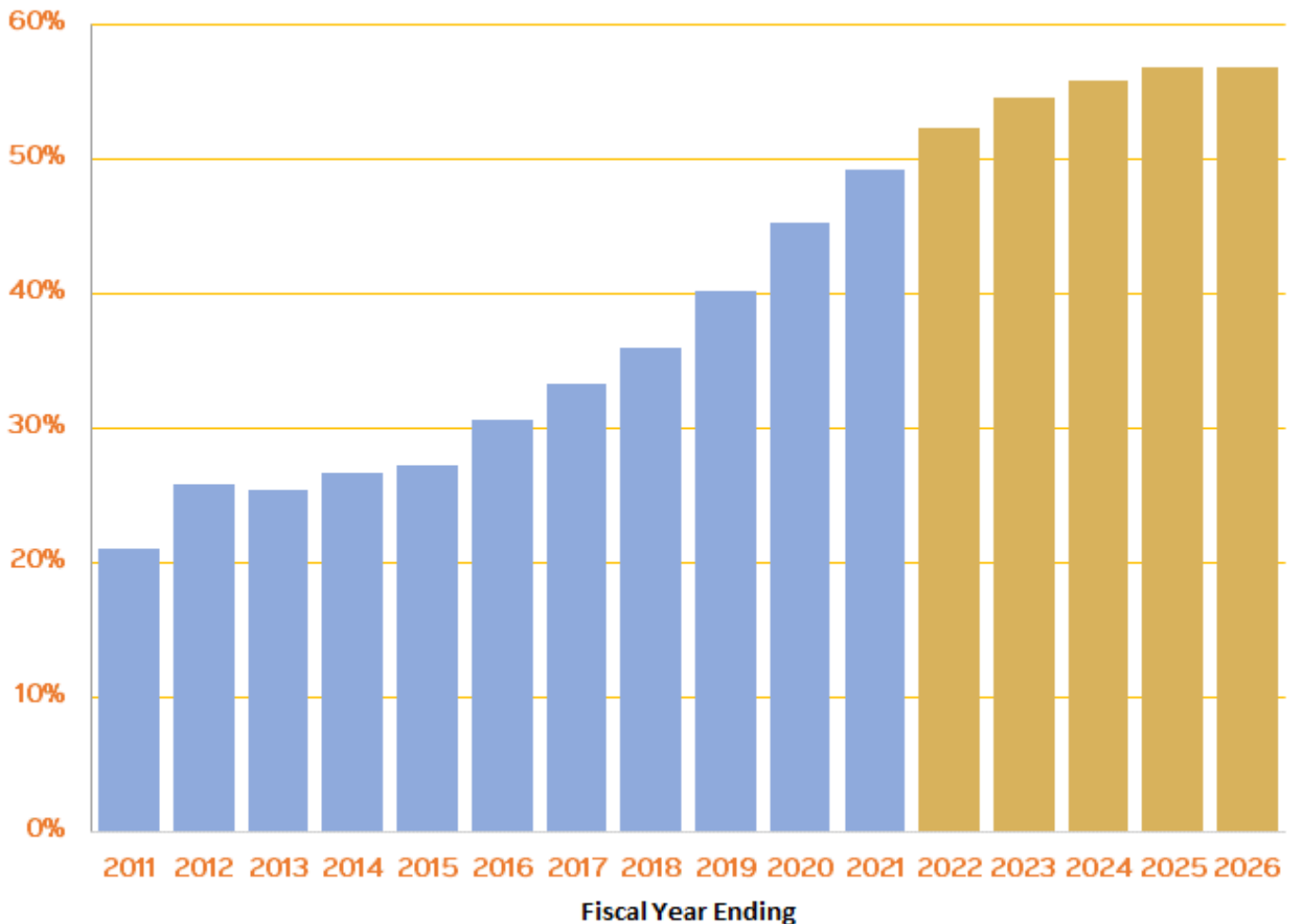
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EMPLOYER PENSION CONTRIBUTION RATES

Pension Cost Increases

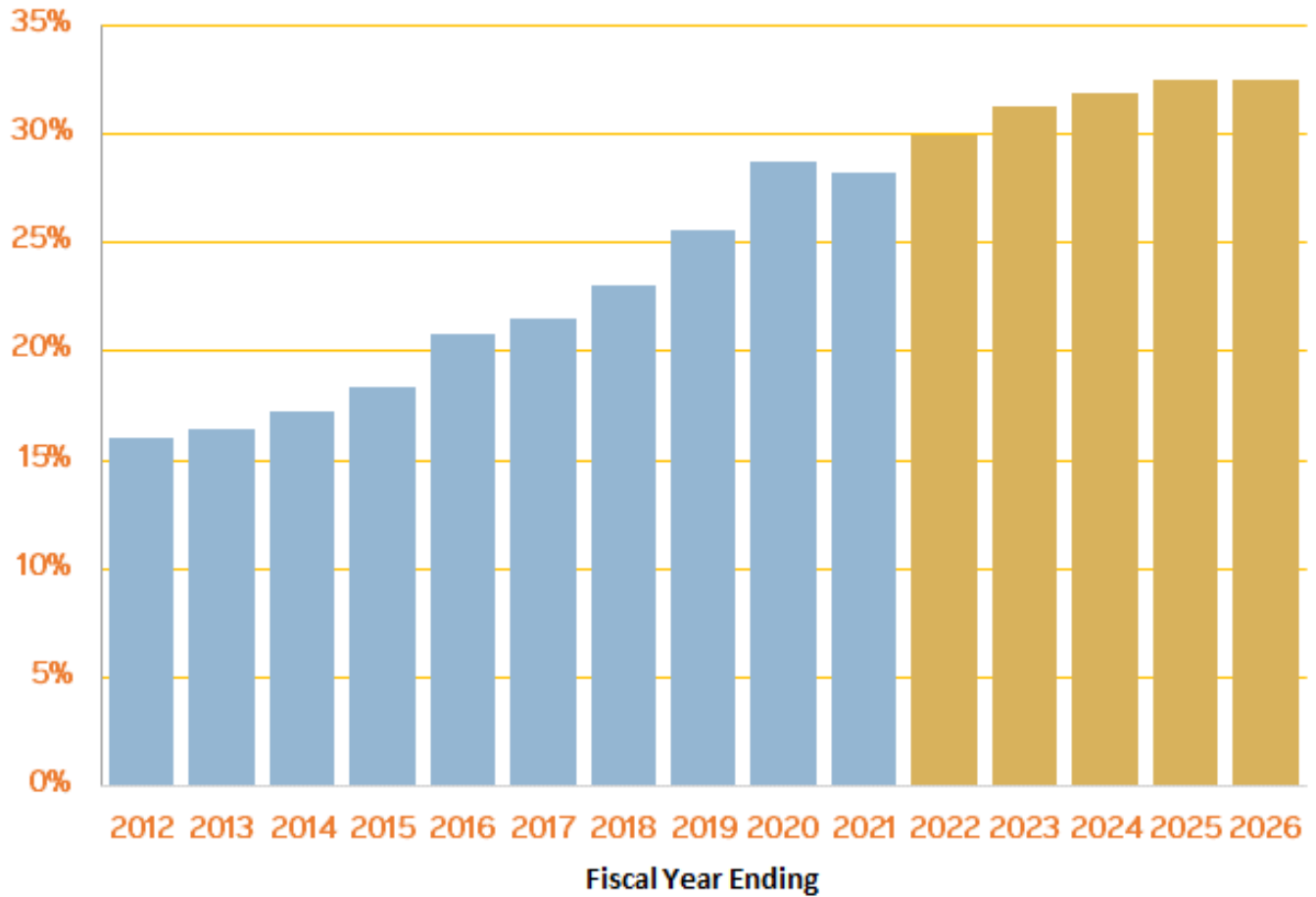
A significant cost driver for the City and other cities in the state is pension cost increases. Given various factors particularly underperforming CalPERS investment returns, the cost of employee pensions is projected to almost double over the next five years. By 2026, pension costs will comprise 57% of payroll costs for public safety employees compared with 49% today and 32% for non-public safety employees compared with 28% today. Addressing long-term pension costs will be a key challenge for the City to address particularly given the recent stock market volatility and impacts on CalPERS investment returns.

CALPERS EMPLOYER CONTRIBUTION RATES: CLASSIC SWORN EMPLOYEES



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CALPERS EMPLOYER CONTRIBUTION RATES: CLASSIC MISCELLANEOUS EMPLOYEES



Financial Trends



