

City of Arroyo Grande
Fiscal Year 2023-24
Second Quarter Financial Status Report

INTRODUCTION

The following report is an overview of the City's fiscal position at the end of the second quarter for Fiscal Year (FY) 2023-24. The purpose of this report is to update the public and the City Council on the City's financial position at the end of the second quarter of the fiscal year and compare actual results to the prior year and the budgeted Target, to determine the City's performance. The second quarter timeframe is July 1 through December 31, 2023.

The financial report is organized in the following sections:

Section 1 – an overview of City's financial position at the end of the second quarter of FY 2023-24. This includes a comparison of second quarter results between the current and prior year. In addition, second quarter results will be compared to the budgeted Target. As part of the analysis, brief explanations of significant revenue and expenditure variances are included.

Section 2 – a listing of any personnel changes occurring during the second quarter and a summary of headcount by department. This section also includes the City's calculated vacancy rate.

Section 3 – an update on the Capital Improvement Projects (CIP) managed by the Public Works and Community Development Departments. This section includes CIP that were completed in the second quarter along with their final costs.

Section 4 – a listing of Budget Amendment Requests previously approved by Council and completed in the second quarter of the fiscal year, as well as a list of additional budget adjustments that are being presented to Council along with the second quarter report for consideration and approval.

Section 5 – an update on the Goal Status Reports to Council that includes progress towards completing Major City Goals and Capital Improvement Plan.

ENSURING FISCAL STABILITY:

In Fall 2020, the City Council established a goal to ensure financial stability for the organization throughout the planning, budgeting, and expenditure process, including preparation and presentation of year-end and quarterly financial reports.

SECTION 1: OVERVIEW OF FINANCIAL POSITION

CITY FUND STRUCTURE

The overall City budget is comprised of many individual funds, which are categorized below. This financial report will focus primarily on the Consolidated General Fund but will also report on all Governmental Funds.

Consolidated General Fund – The Consolidated General Fund is the primary operating fund of the City, which accounts for resources and services traditionally associated with government. The Consolidated General Fund provides administrative, financial, police protection, community development, public works, fire, and recreation services to the community and other funds. The Consolidated General Fund accounts for revenues that have unrestricted uses and are not required legally or by contractual agreement to be accounted for in another fund. The City has historically reported on the Consolidated General Fund separately from the Local Sales Tax Fund, although the City's auditors traditionally combine this information in the Annual Comprehensive Financial Report (ACFR). The Local Sales Tax Fund accounts for the revenues derived from Measure O-06, a local 1/2% sales tax approved by the City's voters in November 2006. Measure O-06 included advisory measures when passed providing direction on the uses to which the funding should be allocated. To ensure accountability, the measure included a provision requiring the City to publish and distribute an annual report to each household on the revenues and expenditures from the sales tax proceeds. To aid in the collection and reporting of this information, the City has accounted for this fund in a separate account. This report will present information for the Consolidated General Fund that includes Local Sales Tax Fund Measure O-06 revenues and expenditures.

Special Revenue Funds – Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds – This fund is used to account for the accumulation of resources and payment of long-term debt principal interest. This includes the USDA loan issued by the City to finance the relocation of City Hall.

Enterprise Funds - An enterprise fund is a separate accounting and financial reporting mechanism for which revenues and expenditures are segregated into a fund with financial statements separate from all other governmental activities. These funds include Water and Sewer services provided to City residents.

Private Purpose Fund – The private-purpose fund was created to hold the assets of the former Redevelopment Agency of the City of Arroyo Grande until they are distributed.

Agency Funds – Agency funds are funds that the City holds on behalf of another entity. Currently, there are three Agency funds. One is the Sanitation District fund, which accounts for the receipt and remittance of wastewater processing fees on behalf of the South San Luis Obispo County Sanitation District. The second is the Downtown Parking Fund, which collects assessments from Arroyo Grande Village merchants within the boundaries of the Parking and Business Improvement Area for maintenance of the Village parking lots. The third is the San Luis Obispo Tourism Marketing District

(SLOTMD) Fund, which accounts for the receipt and remittance of assessments collected from lodging operators on behalf of the SLOTMD.

The following chart below shows an overview of the City's fund structure.

ALL FUNDS						
GOVERNMENTAL FUNDS			PROPRIETARY FUNDS	FIDUCIARY FUNDS		
General Fund	Legislative & Information Services	Fire Protection Impact Fees	Enterprise Funds	Private Purpose Fund	Successor Agency to RDA	Agency Funds
	Administrative Services	Public Access Television				
	Community Development	Police Protection Impact	Sewer			Downtown Parking
	Police Department	Park Development	Sewer Facility			Sanitation Distribution
	Recreation Services	Park Improvement	Water			San Luis Obispo Tourism
	Public Works	Recreation Community Center	Water Facility			Marketing District (SLOTMD)
	Local Sales Tax Fund	Grace Lane Assessment District	Lopez Water			
		Parkside Assessment District				
		Street (Gas Tax)				
		Traffic Signalization				
		Traffic Circulation				
		Transportation Facility Impact				
		Transportation				
		In-Lieu Water Neutralization				
		In-Lieu Affordable Housing				
		Tourism Business Improvement Dist.				
		Water Availability				
		CDBG Grant Fund				
		American Rescue Plan Act (ARPA)				
		State COPS Block Grant				

CURRENT YEAR ACTUALS COMPARED TO PRIOR YEAR

Table 1 below reflects revenue and expenditure patterns through the end of the second quarter of FY 2023-24 and compares the current quarter results against the prior year's results for all Governmental Funds as well as the City's Consolidated General Fund. The totals in the table reflect the second quarter actuals for both revenue and expenditures, divided by that fiscal year's annual budget.

Table 1

Governmental Funds			
	Second Quarter FY 2023-24	Second Quarter FY 2022-23	Variance
Revenue	\$ 13,099,729	\$ 13,304,501	\$ (204,771)
Expenditures	\$ 13,413,321	\$ 12,102,789	\$ 1,310,533

Consolidated General Fund			
	Second Quarter FY 2023-24	Second Quarter FY 2022-23	Variance
Revenue	\$ 8,612,371	\$ 7,426,224	\$ 1,186,147
Expenditures	\$ 12,350,666	\$ 10,691,410	\$ 1,659,256

The following discussion focuses on both the City's Governmental Funds and the Consolidated General Fund and provides a comparison between second quarter results for the current and prior year for both revenue and expenditures. Governmental Funds and Consolidated General Fund revenue and expenditures for the second quarter of this year are generally on Target with prior year. The Governmental Funds category includes Special Revenue Funds, Debt Service Funds, as well as the Consolidated General Fund.

Governmental Funds – At the end of the second quarter of FY 2023-24, Governmental Fund revenue was -1.5%, or \$204,771 lower than prior year, and expenditures were higher by 10.8% or \$1.3 million.

The majority of the revenue and expenditure variances in Governmental Funds were attributed to variances within the Consolidated General Fund and the American Rescue Plan Act (ARPA) Fund, which is separate from the Consolidated General Fund and not otherwise addressed in this report. The Governmental Funds category includes the Consolidated General Fund as well as other Special Revenue Funds. The Consolidated General Fund and ARPA Fund variances are explained as follows:

Consolidated General Fund - The Consolidated General Fund is the primary operating fund of the City and accounts for resources and services traditionally associated with government. Consolidated General Fund revenue in the second quarter was 16%, or \$1.2 million higher than the second quarter of the prior year. Expenditures increased by 15.5%, or \$1.7 million higher than the second quarter of the prior year. The majority of the variance between the two fiscal years is related to increased costs of one-time payments for Liability and Property Insurance, CalPERS Unfunded Accrued Liability, and Workers Compensation.

ARPA Fund – The ARPA Fund was created to help separately track funding provided pursuant to the American Rescue Plan Act. This Act is intended to provide financial aid to families, governments, businesses, schools, non-profits and others impacted by the COVID-19 public health crisis. To date the City has received the full amount allocated totaling \$4,300,241. In FY 2021-22 expenditures incurred totaled \$604,246. In FY 2022-23 expenditures incurred totaled \$745,837 the remaining \$2,950,158 is currently recognized as revenue in FY 2023-24.

CONSOLIDATED GENERAL FUND IMPACTS

The following discussion focuses on the City's Consolidated General Fund performance. Chart 1 starts off with a simple overview of Consolidated General Fund performance compared to the Target. Next are expenditures by category (Table 2). This is followed by a summarized look at FY 2023-24 second quarter actual expenditures compared to the Target (Table 3). Lastly, a discussion of Consolidated General Fund revenue is included, which compares second quarter actual results to the Target (Table 4).

Using the Target as a comparator against actual results provides a simplified method to evaluate performance for each quarter. The Target for revenues does not use the 50% Target but a Target of 35.4% that more accurately reflects the anticipated revenues to be received in the second quarter of the fiscal year. Revenue realization is typically low at the end of the second quarter of the fiscal year due to the timing of receipt of major tax revenues, the time lag involved in billing cycles, and the receipt of reimbursements. The City's actual second quarter financial results will be compared to both the prior year's second quarter and the budgeted Target. The Target for expenditures is calculated as one-half (50%) of the FY 2023-24 Budget and represents the 6-month period from July 2023 through December 2023, except for the Non-Departmental Annual Payments line that has a Target of the full budget and the Measure O-06 Sales & Use Tax CIP allocation line that has a Target of zero as the allocation is completed in the fourth quarter. This approach decreased the Target from 50% to 42% for the second quarter.

Chart 1

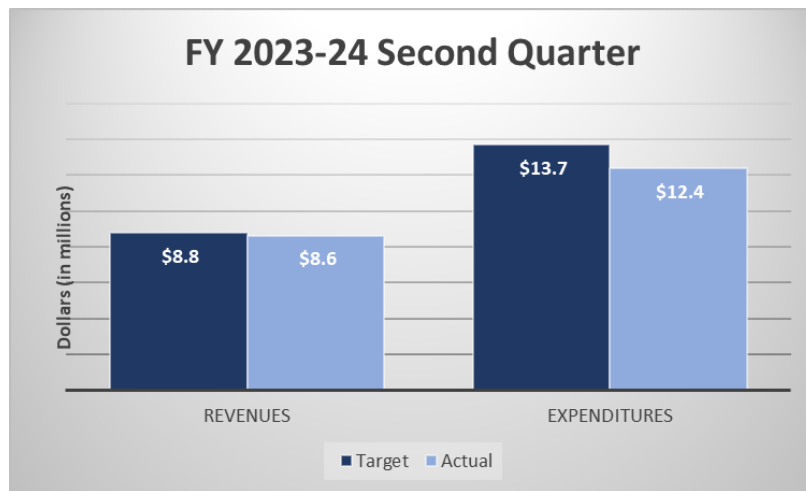


Chart 1 shows a simple comparison of actual second quarter revenue and expenditures to the Target. The actual second quarter Consolidated General Fund revenue is less than the budgeted Target by \$151,113, which is not unusual since revenue realization is typically lower than the Target through the second quarter due to the time lag involved in billing cycles and the receipt of reimbursements. Likewise, actual expenditures

through second quarter totaled \$12.4 million, or 38% of the full year's Budget, and are under the Target by \$1.3 million. A more detailed discussion on Consolidated General Fund revenue and expenditure variances is included later in this report.

Table 2

Expenditure Category	FY 2023-24	% of
	Q2 Actuals	Actuals
Personnel Costs	\$ 7,014,023	56.8%
Operating Costs	4,786,024	38.8%
Debt Service	299,523	2.4%
Capital Outlay	57,498	0.5%
Transfers Out	193,597	1.6%
Total	<u>\$ 12,350,665</u>	

Table 2 reflects major expenditure cost categories within the Consolidated General Fund. This chart is intended to explain where the City's resources were spent during the second quarter. Within the total expenditures of \$7 million, 56.8% of the City's costs are associated with personnel, 38.8% with operating and maintenance, 2.4% for the City's debt service, 0.5% for Capital Outlay, and 1.6% with transfers to other funds.

Table 3 reflects the second quarter status of all Consolidated General Fund operating departments. Some departments include multiple divisions. The divisions are consolidated under their respective department, rather than reflected individually within the table.

Table 3 – Consolidated General Fund Expenditures by Department

Consolidated General Fund Department Variances - Second Quarter					
Consolidated General Fund Department	2023-24 Adjusted	2023-24 Q2 Target	2023-24 Q2 Actuals	Dollar Fav/(Unfav)	% Fav/(Unfav)
City Administration	\$ 1,601,100	\$ 800,550	\$ 677,636	\$ 122,914	8%
Legislative & Information Services	449,460	224,730	186,393	38,337	9%
Measure O-06 Sales & Use Tax	1,269,800	634,900	624,883	10,017	1%
Measure O-06 CIP Allocation	7,715,691	-	-	-	0%
Administration Services	5,284,902	2,642,451	2,497,794	144,657	3%
Non-Departmental Annual Payments	2,836,525	2,836,525	2,755,499	81,026	3%
Community Development	1,850,122	925,061	724,868	200,193	11%
Police Department	6,905,599	3,452,800	3,012,668	440,132	6%
Recreation Services	901,370	450,685	485,983	(35,298)	-4%
Public Works	3,430,898	1,715,449	1,384,943	330,506	10%
TOTAL EXPEDITURES	32,245,467	13,683,153	12,350,666	1,332,487	4%

Overall, second quarter expenditures were \$1.6 million under the Target. The majority of City departments were under their spending Targets, except for Recreation Services. Some of the more significant savings occurred in the Police, Community Development, Public Works, Administrative Services, and City Administration Departments. A more detailed explanation of key expenditure variances by individual department/division is provided below.

KEY EXPENDITURE VARIANCES FOR INDIVIDUAL DIVISIONS/DEPARTMENTS FOR FISCAL YEAR 2023-24

Department: Police Services	Police Services includes the functions of Administration, Patrol Services, Support Services and the Office of Traffic Safety (OTS) Grant for Traffic/DUI Enforcement Program. For simplicity, Police Services will be analyzed in total rather than by individual divisions. Some of the more significant variances include:
Division: Various (4201, 4203, 4204, 4209)	
Issue: Overall savings in salaries and benefits and contractual services	
Impact to Consolidated General Fund: \$440,132 savings	

- The Police Department currently has two vacancies and one medical leave, resulting in labor savings of approximately \$190,000.
- The contract with the County Sheriff Department for dispatch services is paid semiannually in the months of January and June. Payments for these services will not be made until the third and fourth quarters, resulting in a second quarter favorable variance to the Target of \$248,500.

Department: Community Development
Division: Various (4130, 4212)
Issue: Overall savings in salaries and contractual services
Impact to Consolidated General Fund: \$200,193 savings

The Community Development Department includes the functions of Planning and Building & Safety Divisions. The majority of the favorable variance in this department can be attributed to salary savings and lower spending in contractual services. Some of the more significant variances include:

- The vacancy of the Building Permit Technician position resulted in a portion of the divisions overall labor savings totaling approximately \$65,000.
- Minimal contractual services for the Planning Division were incurred through second quarter resulting in \$130,990 of favorability to the Target. The following table will summarize where these savings occurred:

Planning Contractual Services	Budget	Target	Expenditures	Variance
Comprehensive General Plan Update	418,182	209,091	93,337	115,755
On-Call Environmental Review Services	25,000	12,500	-	12,500
On-Call Planning Services and Misc. Planning Studies	15,000	7,500	4,765	2,735
	458,182	229,091	98,102	130,990

Department: Public Works
Division: Various (4213, 4301, 4305, 4307, 4420, 4430)
Issue: Overall savings in salaries and contractual services
Impact to Consolidated General Fund: \$330,506 savings

The Public Works Department includes the functions of Government Buildings, Engineering, Auto Shop, Administration, Park Maintenance, and Soto Sports Complex Divisions within the Consolidated General Fund. The majority of the favorable variance in this department can be attributed to salary savings. For simplicity, Public Works will be analyzed in total rather

than by individual divisions. Some of the more significant variances include:

- The Public Works Administration Division had a vacant Public Works Director/Assistant City Manager position and had a vacant Assistant Capital Projects Manager the majority of the second quarter resulting in labor savings of approximately \$186,100.
- The Parks Division has \$50,000 for Tree removal support at \$50,000 for Open Space Fuel Management that will be completed in the third and fourth quarter of this fiscal year.
- The Parks Division has savings of approximately \$25,000 related to the new mower allocated in the first quarter financial status report that will be received in the third quarter.

Department: Administrative Services
Division: Various (4120, 4140)
Issue: Overall savings in Transfers Out to CIP Projects and debt service
Impact to Consolidated General Fund: \$144,657 savings

This fund accounts for the revenues derived from Measure O-06, a local 1/2% sales tax approved by the City's voters in November 2006. The majority of the favorable variance in this department can be attributed to transfers and lower spending in debt service. Some of the more significant variances include:

- The variance for Measure O-06 Sales & Use Tax Fund through the end of the second quarter results from Transfers Out to Capital Improvement Program (CIP) Projects; the July through December allocation towards projects is completed once a project is finished or at the end of the fiscal year. This is resulting in a second quarter favorable variance to the Target of \$115,000.

- The Administrative Services Division has \$27,200 for a carryover to complete the Development Impact Fee Nexus Study in the third quarter of the fiscal year.

Department: City Administration
Division: Various (4001, 4002, 4003, 4099, 4101, 4110)
Issue: Overall savings in contractual services
Impact to Consolidated General Fund: \$122,914 savings

The City Administration Department includes the functions of City Council, City Attorney, Retirees, City Manager, and Human Resources Divisions within the Consolidated General Fund. The majority of the favorable variance in this department can be attributed to lower spending in contractual services. Some of the

more significant variances include:

- The Legislative & Information Services Division had a vacant Deputy City Clerk/Communications Coordinator position for a portion of the second quarter resulting in labor savings of approximately \$18,000.
- Minimal contractual services for the City Manager Division were incurred through second quarter resulting in \$50,500 of favorability to the Target related to the Ballot Measure and Polling Consultants continuing work in the third quarter and the Economic Development Consultant budgeted to begin in the third quarter.
- The City Council Division has a variance of \$37,500 related to the timing of the Community Services Grant program and \$10,750 related to the Retraining Scholarship Program being completed in the second half of the fiscal year.

KEY REVENUE VARIANCES BY ACCOUNT FOR THE SECOND QUARTER

Table 4 – Consolidated General Fund Revenue

Consolidated General Fund Revenue Variances - Second Quarter					
REVENUE BY CATEGORY	FY 2023-24 Budget	FY 2023-24 Q2 Target	FY 2023-24 Q2 Actuals	Dollar (Unfav)/Fav	% Fav/(Unfav)
Property Tax	\$ 6,327,486	\$ 2,109,162	\$ 1,873,788	\$ (235,374)	-4%
Sales Tax	5,268,158	1,756,053	1,693,861	(62,192)	-1%
Measure O-06 Sales & Use Tax	2,962,000	987,333	1,179,264	191,930	6%
Transient Occ. Tax	1,545,000	643,750	654,766	11,016	1%
Property Tax in Lieu of VLF	2,001,300	-	-	-	0%
Franchise Fees	795,600	331,500	250,974	(80,526)	-10%
License & Permit Fees	455,800	227,900	289,750	61,850	14%
User Fees	521,500	260,750	472,844	212,094	41%
Planning Fees	371,500	185,750	217,524	31,774	9%
Recreation Fees	415,867	207,934	296,713	88,780	21%
Transfers In	3,114,066	1,557,033	1,377,504	(179,529)	-6%
Other Revenue	992,640	496,320	305,383	(190,937)	-19%
TOTAL	24,770,917	\$ 8,763,486	8,612,372	(151,113)	-1%

As reflected in Table 4, second quarter actual revenue was short of the Target by \$151,113. This table uses a Target of 35.4% that more accurately reflects the anticipated revenues to be received in the second quarter of the fiscal year. Revenue realization is typically low at the end of the second quarter of the fiscal year due to the time lag involved in billing cycles and the receipt of reimbursements. A more

detailed discussion is included below to help explain actual revenue variances through the second quarter compared to the Target.

Property Tax – The majority of the City’s property tax revenue comes from Secured Property Taxes. This tax is billed on a fiscal year (July 1- June 30) basis and is payable in two (2) annual installments. Property owners typically receive their first property tax bill at the end of September or early October, with a due date of November 1st. The majority of property tax related to the first installment was received in December 2023. The second property tax bill installment is received in April 2024 and will be included in the fourth quarter report. Property tax typically represents around 26% of the City’s annual revenue. The Target is based on four month of Property Tax revenue. Actual revenue received in this category was lower than the Target.

Sales Tax and Measure O-06 Sales & Use Tax – Sales tax and Measure O-06 Sales & Use Tax realization through second quarter is on track. Actual sales tax revenue received through second quarter was \$1.7 million and Measure O-06 Sales & Use Tax revenue received through second quarter was \$1.2 million which represents four month of payments (July-October). The Target is also based on four months of revenue, taking into account the timing of anticipated payments.

Transient Occupancy Tax (TOT) – TOT revenue is reflecting an \$11,016 favorable variance to the Target. The Target and actual TOT revenue represents only five months of TOT receipts due to the timing of payments. Lodging facilities have thirty days after the month’s end to make their TOT payments.

Property Tax in Lieu of Vehicle License Fees (VLF) – Property tax in lieu of VLF is received in two installments during the fiscal year. Typically, the revenue is received in the months of January (3rd quarter) and June (4th quarter). The Target for this revenue is zero in the second quarter.

Franchise Fees – Only five months of Waste Water Connection franchise fees were received through second quarter. In addition, Charter Communications franchise fees earned in the second quarter will not be paid and received until the third quarter. In light of the timing of payments, the Target is based on 5 months of revenue. Without the Charter communications franchise fee receipts, the actual revenue at the end of the second quarter is lower than the Target by \$80,526.

License & Permit Fees, User Fees, and Planning Fees – License and permit revenue is above the Target by \$61,850. User fee revenue is above the Target by \$212,094. Planning revenue exceeded the Target by \$31,774. The Target is based on 50% or 6 months of the fiscal year’s total budget. Revenue in this category is customer driven and fluctuates over the course of a year as well as year over year based on demand.

Recreation Fees – Recreation revenue is above the Target by \$88,780. The Target is based on 6 months of the fiscal year’s total budget.

Other Revenues – This revenue category includes business license tax, fines, revenue from other government agencies, charges for services and any other revenues accounts received in the consolidated general fund. The largest variance in this category is related to three revenue accounts.

The revenue from other government agencies accounts for the SB 1090 funds earmarked for use of the General Plan Update. Once these funds are spent for this project, the revenue will be recognized at that time, resulting in a revenue shortfall to the Target of approximately \$185,000.

SECTION 2: POSITION CHANGES AND HEADCOUNT NUMBERS

POSITION ALLOCATION CHANGES MADE BY THE CITY COUNCIL (2nd Quarter)

None made during this quarter.

FULL TIME EQUIVALENT (FTE) BY DEPARTMENT – PERMANENT STAFF ONLY

The following table reflects FTE staffing by department. The table only includes permanent staff and does not include part-time or temporary staffing. While departments may hire part-time staff on a regular or seasonal basis, they are not included in the analysis below.

Department	Adopted Budget Headcount (FTE's)	Vacancies (2nd Qtr)	% of Total Staffing	Vacant Positions
City Manager & Human Resources	3	1	4%	City Manager
Administrative Services	7	-	9%	
Community Development	10	1	13%	Permit Tech.
Legislative & Info Services	2	-	3%	
Police Services	29	2	37%	Police Officer (2)
Public Works	24	-	31%	
Recreation Services	3	-	4%	
Total	78	4	100%	

EMPLOYEE VACANCY RATE

The City's employee vacancy rate at the end of the second quarter of FY 2023-24 was 5.1%. This equates to four (4) vacant positions. The vacancy rate tracks the number of permanent vacant positions at the end of the quarter in comparison to the total number of permanent positions available. Unlike a turnover rate, which tracks employees that separated during the period, the vacancy rate only looks at vacancies at the end of period. The costs associated with turnover includes the cost of advertising new positions, training, overtime, lowered productivity, and workload balance.

SECTION 3: UPDATE ON COMPLETED CAPITAL PROJECTS

This information is provided to keep the Council apprised of the status of the City's Capital Improvement Projects (CIP).

Project	Fund	Budget FY 2023-24	Current Status	Project Budget Expended
Financial Management Software	Sewer/Water/Sales Tax	\$ 413,000	In Progress	\$ 22,038
Women's Club Lighting Project	Donations	\$ 821	In Progress	\$ -
Public Safety Video Cameras	COPS/Sales Tax	\$ 1,125,000	In Progress	\$ 850
Replacement Generator at Fire Station 1	Other Gov Agencies/General/Sales Tax	\$ 610,714	In Progress	\$ 11,210
Arroyo Grande Creek Remediation	Sales Tax, FEMA, CalOES	\$ 400,000	In Progress	\$ 115,344
Active Transportation Plan	ATP/Sales Tax	\$ 250,000	In Progress	\$ 16,302
Fair Oaks Ave Active Transportation Improvements, Valley Road to Traffic Way	Developer/Other Gov Agencies/Sales Tax	\$ 125,000	In Progress	\$ -
191 Tally Ho	Sales Tax	\$ 110,000	In Progress	\$ 850
Bridge Street Bridge Habitat Mitigation	HBP	\$ 100,290	In Progress	\$ 25,107
Virginia Drive and S. Halcyon Road Curb Ramp and Sidewalk Improvement	CDBG	\$ 56,749	In Progress	\$ -
Swinging Bridge Rehabilitation	Sales Tax	\$ 1,100,292	In Progress	\$ 11,386
Arroyo Grande Creek Stabilization	Sales Tax	\$ 6,300	In Progress	\$ -
Pavement Management Program	USHA/General/SB1/Sale s Tax/General Fund	\$ 6,825,153	In Progress	\$ 2,072,581
Sidewalk Repairs and Improvements	Sales Tax/CDBG	\$ 586,644	In Progress	\$ 57,950
Traffic Way Bridge Replacement	HBP/Sales Tax	\$ 1,165,593	In Progress	\$ 59,327
Trenchless Sewer Rehabilitation -El Camino Real to West Branch St.	ARPA	\$ 282,000	In Progress	\$ 4,400
Lift Station 3	FEMA/CalOES/Sales Tax	\$ 850,000	In Progress	\$ 21,141
Phased Mains Replacement - South Halcyon Road, Cornwall Street to Fair Oaks Avenue	Water Facility/ARPA	\$ 1,535,892	In Progress	\$ 48,718
Phased Main Replacement - Highway 101 Crossing Upgrade, El Camino Real to West Branch Street	ARPA/Water Fund	335000	In Progress	\$ 623,990
Public Works Office Space Remodel	Sales Tax	\$ 100,000	Not Started	\$ -
City Hall Front Door ADA (CDBG)	CDBG	\$ 53,341	Not Started	\$ -
Fire Station 1 Apparatus Bay Doors	Sales Tax	\$ 115,000	Not Started	\$ -
Recreation Services / Community Center Building	Sales Tax	\$ 44,745	Not Started	\$ -
Halcyon Road Complete Streets	HSIP/RSHA/USHA/Safe Routes to School/General/Sales Tax/ATP	\$ 1,304,000	Not Started	\$ -
Water Well #11 Facilities	Water Availability	\$ 42,771	Not Started	\$ -
Galvanized Service Replacements	Water	\$ 63,655	Not Started	\$ -

SECTION 4: APPROPRIATION TRANSFERS AND BUDGET ADJUSTMENTS

Administrative and Previously-Approved Second Quarter Budget Adjustments

The following second quarter budget adjustments were previously approved by Council or are classified as administrative and not requiring Council approval.

Administrative Services Department: Appropriated \$13,800 from Public Access Television (PEG) special revenue fund to increase the Council Chamber Audio/Video System Project Upgrade budget. PEG special revenue fund accounts for fees collected from Charter Communications that are restricted for support of public, education, and government access programming and equipment. The Council Chamber Audio/Video system qualifies for PEG funding as a public and government access project. Approved on 11/28/2023 Council meeting, item 12.b.

Administrative Services Department: Appropriated funds for 15 budget adjustments reviewed in the First Quarter Financial Status Report. The overall impact to the budget increased the Consolidated General Fund expenditures by \$200,271, and Water Availability expenditures by \$24,900, as reflected in the following table:

Request	Revenue	Expenditure	General Fund	Water Fund Impact	Water Availability Fund Impact
Carryover OTS Grant for Traffic/DUI Enforcement	22,824	22,824	-	-	-
Carryover Retraining Scholarship Program	21,500	21,500	-	-	-
Carryover F250 Replacement Public Works Truck	-	78,433	78,433	-	-
Carryover User Fees & DIF Contractual Services	-	27,200	27,200	-	-
Carryover Cash for Grass Program	-	24,900	-	-	24,900
CDBG Grant increase	7,958	7,958	-	-	-
Reallocate Vehicle Replacement Funding towards Mower	-	50,000	-	-	-
Reallocate Salary Savings to Contractual Services for CIP	-	60,000	-	-	-
Tree Removal Support	-	50,000	50,000	-	-
Increased need to fill Potholes	-	10,000	10,000	-	-
Village Sign at Traffic Way & Branch	-	15,000	15,000	-	-
Community Development Intern	-	10,000	-	-	-
Central Coast Blue (CCB) Operating Costs	-	28,971	-	28,971	-
Phased Main Replacement at Cornwall Avenue, from Rena to El Camino Real (ECR)	-	171,300	-	171,300	-
Totals	52,282	578,086	180,633	200,271	24,900

Approved on 12/12/2023 Council meeting, item 9.c.

Public Works Department: Appropriate \$4,000 from the General Fund reserve to reflect salary adjustments with two existing City staff classifications: Public Works Manager and Citywide Fleet Coordinator. Approved on 12/12/2023 Council meeting, item 9.e.

Public Works Department: Appropriate \$59,400 from the General Fund reserve to provide street sweeping services for the remaining six months of the fiscal year with the new street sweeping contract. Approved on 12/12/2023 Council meeting, item 9.i.

Additional Requested Second Quarter Budget Adjustments

In addition to the administrative budget adjustments for the CIP and the adjustments previously-approved by the City Council during the second quarter, six budget adjustments are proposed for approval along with the review and receipt of this report.

- Community Development: Appropriate \$23,000 from the General Fund Balance to account for the increased costs related to Building Contractual Services. Recent development and building permit activity has increased and a demand for plan check services has resulted. In order to help decrease the processing time to return building permit plan checks to customers, additional contractual services totaling \$180,000 is requested. These increases are expected to be offset by a conservative increase to fee revenues totaling \$123,700. Additionally, it is recommended to reallocate the remaining \$38,300 of budgeted expenditures within the Building Division salary savings to cover a portion of this increased costs since the contractual firm has been providing this service until the new Building Permit technician began with the City in January 2024.
- City Administration: Appropriate \$150,000 from the General Fund Balance to account for the increased costs related to the City Attorney contract. Best, Best, and Krieger continues to provide exceptional service to the City and has increased the amount of hours used by approximately 50 hours per month to a monthly average of approximately 165 hours. This increased service level was not reflected in the original budget estimates for FY 2023-24, but has been seen as necessary to update some of the City's practices. Opportunities to reduce legal costs in the future are being identified. City staff will incorporate a more accurate estimate in the Mid-Cycle FY 2024-25 budget update at a future Council meeting.
- Legislative and Information Services: Appropriate \$12,310 from the General Fund Balance to add the Escribe Webcasting Module to provide video indexing to the City Council meetings and support the automation of meetings.
- COPS Fund: Appropriate \$25,000 from the State COPS Block Grant Fund to purchase license plate readers, evidence drying rack, handheld laser speed gun, and a drone. All pieces of equipment are eligible for COPS Grant Fund use but the special revenue fund did not incorporate these items into this budget.
- Water Fund: Appropriate \$13,975 from the Water Enterprise Fund Balance to fund the City's share of the Central Coast Blue (CCB). This increase is related to the CCB Mid-year Budget request presented to the CCB Board on Monday, February 5, 2024, due to substantive work activities related to the start-up of the Authority, including but not limited to legal and financial advisor services.
- Sewer Fund: Appropriate \$20,000 from the Sewer Enterprise Fund Balance to replace one of the pumps at Lift Station # 1. The pumps at Lift Station # 1 are the City's largest sewage pumps and pump around 250,000 gallons of raw sewage per day for it to flow via gravity in the collection system to the plant in Oceano.

SECTION 5: UPDATE ON MAJOR CITY GOALS AND CAPITAL IMPROVEMENT PLAN

This information is provided to keep the Council apprised of the status of the Goal Status Reports to Council that includes progress towards completing Major City Goals and Capital Improvement Plan. These reports present updates and communications about the status of City projects, goals, and performance measures. The four major goals are:

**Funding**

Support a thriving community through fiscal responsibility, economic development efforts, and additional and alternative revenue streams.

**Fire Services**

Implement operational and fire and emergency service delivery improvements through the Five Cities Fire Authority, and complete the transition of services to Oceano due to its exit from the Authority.

**Infrastructure**



Invest in and complete critical infrastructure projects throughout the City through the strategic prioritization of projects based on available resources.

**General Plan Update**


Prioritize and complete major work efforts for the comprehensive General Plan update to provide a vision and framework for future development within the City.


The following tables provide a breakdown of the Council Goal's Work Plan by goal. Here is a key for purposes of defining each department.

Key	
CMO	City Manager's Office
AS	Administrative Services
LIS	Legislative and Information Services
PD	Police Department
PW	Public Works
Rec	Recreation Services
Fire	Five Cities Fire Authority
CD	Community Development

Goal	Strategy	Task/Action	Carryover Action or New	Responsible Department	Anticipated to Start	Completion Target	Update
Funding 	1. 1 Economic Development	1.1a Evaluate Economic Development Management Services	New	CMO	1Q FY2023-24	2Q FY 2023-24	In Progress
		1.1b Obtain Economic Development Management Services	New	CMO	3Q FY 2023-24	3Q FY 2023-24	Not started
		1.1c Support Modifications to the AGTBID	New	CMO/CA/Rec/LIS	In Progress	2Q FY 2023-24	Completed
		1.1c.i. Transition Administration to City staff	New	CMO/Rec/PW	In Progress	1Q FY 2023-24	Completed
		1.1c.ii. Complete Modifications to AGTBID Bylaws and Advisory Board Structure	New	CMO/CA/LIS	In Progress	2Q FY 2023-24	Completed
		1.1d 400 W. Branch Disposition and Development Agreement	New	CMO/CA/CD	In Progress	4Q FY 2023-24	In Progress
		1.1e Complete Transition of Temporary Parklets to Permanent Parklets	Carryover	CD/PW	In Progress	1Q FY2023-24	Completed
		1.1f Develop 1-3 Special Events that drive visitation during shoulder and winter months and build destination awareness	New	Rec	In Progress	4Q FY 2023-24	In Progress
	1.2 Pursue Revenue Measure	1.2a Issue an RFP for a consultant to develop a survey and outreach strategy to community	New	CMO/LIS	1Q FY2023-24	1Q FY2023-24	Completed
		1.2b Award contract with consultant to develop a survey and outreach strategy to community	New	CMO/LIS	1Q FY2023-24	1Q FY2023-24	Completed
		1.2c Conduct public outreach to the community to communicate need for additional revenue, including facilitation of a Citizen Committee	Carryover	CMO/LIS	1Q FY2023-24	1Q FY 2024-25	In Progress
		1.2d Bring Revenue ballot measure to Council for consideration	Carryover	CMO/AS/LIS	3Q FY 2023-24	4Q FY 2023-24	In Progress
	1.3 Evaluate Potential to Enable Cannabis Businesses within City	1.3a Conduct study session with the City Council regarding potential cannabis ordinance	Carryover	CD/CA/CMO	3Q FY 2023-24	3Q FY 2023-24	Not started
		1.3b Prepare and adopt cannabis ordinance, if directed by the City Council	New	CD/CA/CMO	3Q FY 2023-24	1Q FY 2024-25	Not started
		1.3c Evaluate feasibility of a Cannabis Tax	New	CD/AS/CA/CMO	3Q FY 2023-24	1Q FY 2024-25	Not started
Fire Services 	2.1 Work with Regional Partners on Fire Services in 5 Cities	2.1a Pursue potential contract with the County to serve Oceano	New	Fire/CMO	3Q FY 2023-24	4Q FY 2023-24	In Progress
	2.2 Funding for Fire Services	2.2a Consider including Public Safety in proposed Revenue measure	New	CMO/AS/LIS	3Q FY 2023-24	4Q FY 2023-24	In Progress

Goal	Strategy	Task/Action	Carryover Action or New	Responsible Department	Anticipated to Start	Completion Target	Update
Infrastructure 	3.1 Pursue Alternative Funding Sources for Infrastructure Needs	3.1a Consider Community partnership for Mark M. Millis Community Center construction	Carryover	CMO/Rec/PW	In progress	4Q FY 2023-24	In Progress
		3.1b Include infrastructure in new Revenue Measure plans and outreach	Carryover	AS/CMO/LIS/ PW/CD	1Q FY 2023-24	4Q FY 2024-25	In Progress
		3.1c Collect FEMA reimbursement for January - March 2023 storm damage	New	AS	In progress	3Q FY2024-25	In Progress
		3.1d Pursue Grant applications and administration for infrastructure projects	Carryover	PW/CD/AS	In progress	Ongoing	In Progress
	3.2 Work with Regional Partners on Infrastructure Projects	3.2a Support ongoing development and financing of Central Coast Blue project	Carryover	CMO/AS/PW	In Progress	Ongoing	In Progress
		3.2b NCMA Management Agreement Amendments	New	PW	3Q FY 2023-24	Ongoing	In Progress
	3.3 Prioritize Key Infrastructure Projects	3.3a Traffic Way Bridge	Carryover	CD/PW	In progress	2Q FY 2025-26	In Progress
		3.3a.i. Traffic Way Bridge Design	Carryover	CD/PW	In progress	4 Q FY 2023-24	In Progress
		3.3a.ii. Traffic Way Bridge ROW	Carryover	CD/PW	1Q FY 2023-24	3Q FY 2023-24	In Progress
		3.3a.iii. Traffic Way Bridge Construction	Carryover	CD/PW	3Q FY 2024-25	2Q FY 2025-26	Not started
		3.3b Swinging Bridge Rehabilitation	Carryover	CD/PW	In progress	2Q FY 2024-25	In Progress
		3.3b.i. Swinging Bridge Rehabilitation NEPA	Carryover	CD/PW	In progress	3Q FY 2023-24	Completed
		3.3bii Swinging Bridge Rehabilitation Bid for Construction	Carryover	CD/PW	3Q FY 2023-24	3Q FY 2023-24	Completed
		3.3b.iii. Swinging Bridge Construction	New	CD/PW	4Q FY 2023-24	2Q FY 2024-25	In Progress

Goal	Strategy	Task/Action	Carryover Action or New	Responsible Department	Anticipated to Start	Completion Target	Update
Infrastructure (continued) 		3.3c Halcyon Complete Streets	New	CD/PW			Not started
		3.3c.i. Halcyon Complete Streets Design acquisition	New	CD/PW	1Q FY 2024-25	1Q FY 2024-25	Not started
		3.3c.ii. Halcyon Complete Streets ROW acquisition	New	CD/PW	1Q FY 2023-24	1Q FY 2024-25	In Progress
		3.3c.iii. Halcyon Complete Streets Construction	New	CD/PW	1Q FY 2024-25	2Q FY 2025-26	Not started
		3.3d ATP Development	New	CD/PW	In Progress	3Q FY 2024-25	In Progress
		3.3d.i. Award ATP Contract to Consultant	New	CD/PW	4Q FY 2022-23	4Q FY 2022-23	Completed
		3.3d.ii. Final Approval of ATP by Council	New	CD/PW	3Q FY 2024-25	3Q FY 2024-25	Not started
		3.3e 2022 Pavement Management Program Construction	New	CD/PW	1Q FY 2023-24	2Q FY 2023-24	In Progress
		3.3f 2024 Pavement Management Program Design	New	CD/PW	2Q FY 2023-24	3Q FY 2023-24	Completed
		3.3g 2024 Pavement Management Program Construction	New	CD/PW	4Q FY 2023-24	1Q FY 2024-25	In Progress
		3.3h Community Safety Camera Network	Carryover	Police/CD	In Progress	4Q FY 2024-25	In Progress
		3.3i Replacement Generator at Station 1	New	CD/PW/Fire	4Q FY 2022-23	4Q FY 2023-24	In Progress
		3.3j Lift Station 3	New	CD/PW	1Q FY 2023-24	1Q FY 2024-25	In Progress
		3.3k AG Creek Remediation (Debris removal and bank stabilization)	New	CD/PW	4Q FY 2022-23	4Q FY 2023-24	In Progress
		3.3l Concrete Repair Program	New	CD/PW	1Q FY 2024-25	4Q FY 2024-25	In Progress
		3.3m Concept plan/design for new Mark M. Millis Community Center Building	New	CD/PW/Rec	1Q FY 2023-24	4Q FY 2023-24	In Progress
		3.3n CMP Lining	New	CD/PW	1Q FY 2024-25	Ongoing	In Progress

Goal	Strategy	Task/Action	Carryover Action or New	Responsible Department	Anticipated to Start	Completion Target	Update
General Plan Update 	4.1 Public Outreach	4.1a Plan and Host a Kick-Off Meeting with Community	New	CD/LIS	1Q FY 2023-24	1Q FY 2023-24	Completed
	4.2 Diversity Equity Inclusion Justice Lens	4.2a Management of DEIJ consultant	New	CD	In Progress	Ongoing	In Progress
	4.3 General Plan Elements		New	CD	2Q FY 2023-24	3Q FY 2024-25	Not started
	4.4 Baseline Analysis of Existing and Future Business Needs	4.4a Survey Local Businesses	Carryover Action	CD	1Q FY 2023-24	4Q FY 2023-24	Not started
		4.4b Conduct a Retail Market Analysis	New	CD	1Q FY 2023-24	4Q FY 2023-24	Not started
	4.5 Climate Action Plan		New	CD	2Q FY 2023-24	3Q FY 2025-26	Not started
	4.6 Code Update	4.6a Bring code changes to Planning Commission for approval	New	CD	3Q FY 2025-26	3Q FY 2025-26	Not started
		4.6b Bring draft Ordinance of code revision update to Council	New	CD	4Q FY 2025-26	4Q FY 2025-26	Not started
	4.7 EIR	4.7a Complete draft EIR	New	CD	1Q FY 2024-25	3Q FY 2024-25	Not started
		4.7b Complete final EIR	New	CD	3Q FY 2024-25	4Q FY 2024-25	Not started
	4.8 Objective Design Standards		Carryover	CD/CA	1Q FY 2023-24	1Q FY 2023-24	In Progress