

City of Arroyo Grande
Fiscal Year 2024-25
First Quarter Financial Status Report

INTRODUCTION

The following report is an overview of the City's fiscal position at the end of the first quarter of Fiscal Year (FY) 2024-25. The purpose of this report is to update the public and the City Council on the City's financial position at year end and compare actual results to the prior year and the Adjusted Budget to determine the City's performance. The year end timeframe is July 1, 2024 through September 30, 2024.

The financial report is organized in the following sections:

Section 1 – an overview of City's financial position after the end of the first quarter of FY 2024-25. This includes a comparison of first quarter results between the current and prior year. In addition, first 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 first 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 first quarter along with their final costs.

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

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 Measure O 2006 Sales Tax Fund, although the City's auditors traditionally combine this information in the Annual Comprehensive Financial Report (ACFR). The Measure O 2006 Sales Tax Fund accounts for the revenues derived from Measure O 2006, a local 1/2% sales tax approved by the City's voters in November 2006. Measure O 2006 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 Measure O 2006 Sales Tax Fund 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	Debt Service Funds	City Hall Debt Service	Enterprise Funds	Private Purpose Fund	Successor Agency to RDA	Agency Funds	Downtown Parking Sanitation Distribution San Luis Obispo Tourism Marketing District (SLOTMD)		
	Administrative Services	Public Access Television								Sewer	
	Community Development	Police Protection Impact		Sewer Facility							
	Police Department	Park Development		Water							
	Recreation Services	Park Improvement		Water Facility							
	Public Works	Recreation Community Center		Lopez Water							
	Local Sales Tax Fund	Grace Lane Assessment District									
		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 first quarter of FY 2024-25 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 first quarter actuals for both revenue and expenditures, divided by that fiscal year’s annual budget.

Table 1

Governmental Funds			
	First Quarter FY 2024-25	First Quarter FY 2023-24	Variance
Revenue	\$ 5,285,963	\$ 6,101,535	\$ (815,572)
Expenditures	\$ 8,126,865	\$ 7,465,647	\$ 661,218

Consolidated General Fund			
	First Quarter FY 2024-25	First Quarter FY 2023-24	Variance
Revenue	\$ 2,722,776	\$ 2,554,661	\$ 168,115
Expenditures	\$ 7,673,579	\$ 7,024,014	\$ 649,565

The following discussion focuses on both the City’s Governmental Funds and the Consolidated General Fund and provides a comparison between first quarter results for the current and prior year for both revenue and expenditures. Governmental Funds and Consolidated General Fund revenue and expenditures for the first 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 first quarter of FY 2024-25, Governmental Fund revenue was -13.4%, or \$815,572 lower than prior year, and expenditures were higher by 8.9% or \$661,218.

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 first quarter was 6.6%, or \$168,115 higher than the first quarter of the prior year. Expenditures increased by 9.2%, or \$649,565 higher than the first 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 totaled \$604,246. In FY 2022-23, expenditures totaled \$745,837. In FY 2023-24, expenditures incurred totaled \$1,163,495. The remaining \$1,786,663 is currently recognized as revenue in FY 2024-25.

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 2024-25 first quarter actual expenditures compared to the Target (Table 3). Lastly, a discussion of Consolidated General Fund revenue is included, which compares first 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 25% Target but a Target of 12.2% that more accurately reflects the anticipated revenues to be received in the first quarter of the fiscal year. Revenue realization is typically low at the end of the first 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 first quarter financial results will be compared to both the prior year's first quarter and the budgeted Target. The Target for expenditures is calculated as one-fourths (25%) of the FY 2024-25 Budget and represents the 3-month period from July 2024 through September 2024, except for the Non-Departmental Annual Payments line that has a Target of the full budget. This approach increased the Target from 25% to 30% for the first quarter.

Chart 1

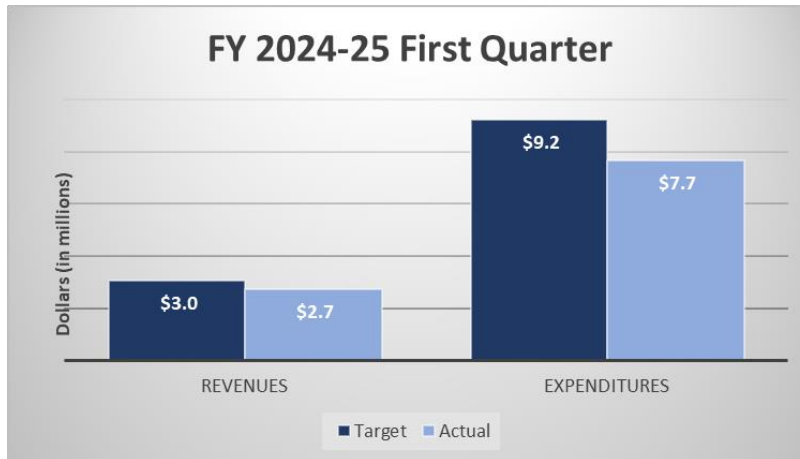


Chart 1 shows a simple comparison of actual first quarter revenue and expenditures to the Target. The actual first quarter Consolidated General Fund revenue is less than the budgeted Target by \$325,720, which is not unusual since revenue realization is typically lower than the Target through the first quarter due to the time lag involved in billing cycles and the receipt of reimbursements. Likewise, actual

expenditures through first quarter totaled \$7.7 million, or 25% of the full year’s Budget, and are under the Target by \$1.5 million. A more detailed discussion on Consolidated General Fund revenue and expenditure variances is included later in this report.

Table 2

Expenditure Category	FY 2024-25	% of
	Q1 Actuals	Actuals
Personnel Costs	\$ 4,603,337	60.0%
Operating Costs	2,891,595	37.7%
Debt Service	90,575	1.2%
Capital Outlay	2,248	0.0%
Transfers Out	85,824	1.1%
Total	<u>\$ 7,673,579</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 first quarter. Within the total expenditures of \$7.7 million, 60% of the City’s costs are associated with personnel, 37.7% with operating and maintenance, 1.2% for the City’s debt

service, 0.0% for Capital Outlay, and 1.1% with transfers to other funds.

Table 3 reflects the first 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 - First Quarter					
Consolidated General Fund Department	FY 2024-25 Budget	FY 2024-25 Q1 Target	FY 2024-25 Actuals	Dollar Fav/(Unfav)	% Fav/(Unfav)
City Administration	\$ 1,859,650	\$ 464,913	\$ 275,841	\$ 189,072	10%
Legislative & Information Services	577,060	144,265	93,754	50,511	9%
Measure O 2006 Sales Tax Fund	1,331,900	332,975	306,269	26,706	2%
Measure O 2006 CIP Allocation	2,720,912	-	-	-	0%
Administration Services	7,326,705	1,831,676	1,433,503	398,173	5%
Non-Departmental Annual Payments	3,066,141	3,066,141	3,176,058	(109,917)	-4%
Community Development	2,079,622	519,906	191,495	328,411	16%
Police Department	7,407,347	1,851,837	1,371,842	479,995	6%
Recreation Services	768,750	192,188	247,772	(55,584)	-7%
Public Works	3,284,359	821,090	577,045	244,045	7%
TOTAL EXPEDITURES	30,422,446	9,224,991	7,673,579	1,551,412	5%

Overall, first quarter expenditures were \$1.5 million under the Target. The majority of City departments were under spent, except for Non-Departmental Annual Payments and Recreation Services. Some of the more significant savings occurred in the Police, Administrative Services, Community Development, and Public Works 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 2024-25

Department: Police Services
Division: Various (4201, 4203, 4204, 4207)
Issue: Overall savings in salaries and benefits and contractual services
Impact to Consolidated General Fund: \$479,995 savings

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:

- The Police Department currently has three vacancies throughout the first quarter fiscal year, resulting in labor savings of approximately \$353,300.
- The contract with the County Sheriff Department for dispatch services is paid semiannually in the months of December and June. Payments for these services will not be made until the second and fourth quarters, resulting in a first quarter favorable variance to the Target of \$138,200.
- The variance for Police Administration through the end of the first quarter results from City’s contract with the County for Animal Control Services; the July through September payment was made in the second quarter, resulting in a first quarter favorable variance to the Target of \$26,400.
- The Police Department administers the ABC Grant and OTS Traffic Enforcement program that operate of the federal fiscal year from October 1, 2023, to September 30, 2024, these programs had savings totaling \$12,800.

Department: Administrative Services
Division: Various (4120, 4140, 4145)
Issue: Overall savings in Transfers Out to CIP Projects and debt service
Impact to Consolidated General Fund: \$398,173 overage

The Administrative Services Department includes the City’s Fiscal and Information Technology functions, as well as Non-Departmental expenditures. This budget included a line item reflecting budgeted Transfers Out to Capital Improvement Program (CIP) Projects; the July through September allocation toward projects is completed once a project is finished or at the end of the

fiscal year. This represents all of the first quarter favorable variance to the Target.

Department: Community Development
Division: Various (4130, 4160)
Issue: Overall savings in salaries and contractual services
Impact to Consolidated General Fund: \$328,173 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 Building Division contractual services has a variance of \$140,000 related to the timing of invoices from CSG Consultants, the billing is based on services provided in each month. The July, August, and September invoices were paid in October.
- Contractual services for the Planning Division had savings of approximately \$114,000 related to the Comprehensive General Plan Update, this is an ongoing update that is anticipated to be carried over in FY 2024-25.
- The Building Permit Technician position has been on medical leave and the Intern position has been vacant the first quarter of the fiscal year resulted in a portion of the Division’s overall labor savings totaling approximately \$30,000.

Department: Public Works
Division: Various (4301, 4305, 4307, 4308, 4320, 4330)
Issue: Overall savings in salaries and contractual services
Impact to Consolidated General Fund: \$244,045 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. Some of the more significant variances

include:

- The Public Works Administration Division has a vacant Capital Projects Manager, Assistant Capital Projects Manager, and Engineering Inspector for the first quarter of the fiscal year resulting in labor savings of approximately \$116,500.
- The Engineering Division has savings of approximately \$30,200 that can be attributed to lower spending in contractual services. Contractual Services in this Division is generally spent towards contract engineering services, including services for State and Federal grant coordination, development review, special assignments, checking of maps and plans, surveying services, traffic engineering, GIS, and other related storm water permits and reports.
- The Public Works Administration Division has savings of approximately \$26,700 can be attributed to lower spending in contractual services. Contractual Services in this Division is generally spent

towards street sweeping, upgrading signal controls, installation of new street name signs, and monthly routine maintenance costs for traffic signals and miscellaneous consultant services.

- The Parks Division has savings of approximately \$13,000 related to the Tree trimming and removals that the team is actively working on to complete.

KEY REVENUE VARIANCES BY ACCOUNT FOR THE FIRST QUARTER

Table 4 – Consolidated General Fund Revenue

Consolidated General Fund Revenue Variances - First Quarter					
REVENUE BY CATEGORY	FY 2024-25 Budget	FY 2024-25 Q1 Target	FY 2024-25 Q1 Actuals	Dollar (Unfav)/Fav	% Fav/(Unfav)
Property Tax	\$ 6,458,359	\$ 538,197	\$ 229,768	\$ (308,429)	-5%
Sales Tax	5,236,392	436,366	391,441	(44,925)	-1%
Measure O-06 Sales & Use Tax	2,955,000	246,250	318,348	72,098	2%
Transient Occ. Tax	1,591,350	265,225	342,925	77,700	5%
Property Tax in Lieu of VLF	2,215,938	-	-	-	0%
Franchise Fees	811,500	135,250	103,115	(32,135)	-4%
License & Permit Fees	590,800	147,700	130,958	(16,742)	-3%
User Fees	682,340	170,585	247,313	76,728	11%
Planning Fees	402,100	100,525	119,252	18,727	5%
Recreation Fees	371,600	92,900	94,871	1,971	1%
Transfers In	2,796,300	699,075	688,752	(10,323)	0%
Other Revenue	865,691	216,423	56,033	(160,390)	-19%
TOTAL	\$ 24,977,370	\$ 3,048,496	\$ 2,722,776	\$ (325,720)	-1%

As reflected in Table 4, first quarter revenue is below the Target by \$325,720. This table uses a Target of 12.4% that more accurately reflects the anticipated revenues to be received in the first quarter of the fiscal year. Revenue realization is typically low at the end of the first 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 first 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 will be received in December 2024. The second property tax bill installment is received in April 2025 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 one month of Property Tax revenue. Actual revenue received in this category was lower than this conservative Target.

Sales Tax and Measure O 2006 Sales Tax Fund – Sales tax and Measure O 2006 Sales Tax Fund realization through first quarter is on track. Actual sales tax revenue received through the first quarter was \$391,441, and Measure O 2006 Sales Tax Fund revenue received through the first quarter was \$318,348, which represents one month of payments (July). The Target is also based on one month of revenue, taking into account the timing of anticipated payments.

Transient Occupancy Tax (TOT) – TOT revenue is reflecting a \$77,700 favorable variance to the Target. The Target and actual TOT revenue represents only two 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 first quarter.

Franchise Fees – Only two months of Waste Connection franchise fees were received through first quarter. In addition, Charter Communications franchise fees earned in the first quarter will not be paid and received until the second quarter. In light of the timing of payments, the Target is based on 2 months of revenue. Without the Charter communications franchise fee receipts, the actual revenue at the end of the first quarter is lower than the Target by \$32,135.

License & Permit Fees, User Fees, and Planning Fees – License and permit revenue is below the Target by \$16,742. User fee revenue is above the Target by \$76,728. Planning revenue exceeded the Target by \$18,727. The Target is based on 25% or 3 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 \$1,971. The Target is based on 3 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 \$90,900. Lucia Mar Reimbursement related to the School Resource Officer payment due in September has not been received, creating a variance of \$20,475. The majority of the revenue from Business Licenses is received in December and January of each year, resulting in a revenue shortfall to the Target of approximately \$21,200.

SECTION 2: POSITION CHANGES AND HEADCOUNT NUMBERS

POSITION ALLOCATION CHANGES MADE BY THE CITY COUNCIL (First 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 (1st Qtr)	% of Total Staffing	Vacant Positions
City Manager & Human Resources	3	-	4%	
Administrative Services	7	-	9%	
Community Development	10	-	13%	
Legislative & Info Services	2	-	3%	
Police Department	29	3	37%	Police Officer (3)
Public Works	24	3	31%	Engineering Inspector, CIP Manager, CIP Assistant Manager
Recreation Services	3	-	4%	
Total	78	6	100%	

EMPLOYEE VACANCY RATE

The City's employee vacancy rate at the end of the first quarter of FY 2024-25 was 7.7%. This equates to six (6) 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 City Council apprised of the status of the City's Capital Improvement Projects (CIP).

Project	Fund	Budget FY 2024-25	Current Status	Project Budget Expended
Bridge Street Bridge Habitat Mitigation	HBP	\$ 48,628	In Progress	\$ 126,889
Arroyo Grande Creek Stabilization	Sales Tax	\$ 40,000	In Progress	\$ 41,086
Pavement Management Program	USHA/General/SB1/Sales Tax/General Fund/Betterments Grant/ARPA/CDBG	\$ 5,000,000	In Progress	\$ 5,353,205
Sidewalk Repairs and Improvements	Sales Tax/Betterments Grant	\$ 663,000	Not Started	\$ 486,776
Traffic Way Bridge Replacement	HBP/Sales Tax	\$ 6,911,469	In Progress	\$ 746,207
Recreation Services / Community Center Building	Sales Tax	\$ 75,000	In Progress	\$ 2,520
Halcyon Road Complete Streets	HSIP/RSHA/USHA/Safe Routes to School/General/Sales Tax/ATP	\$ 4,433,500	In Progress	\$ 1,062,988
City Hall Second Story Water Leak Repair	Sales Tax	\$ 20,000	Not Started	
ADA Transition Plan	CDBG/Other Gov Agencies/Sales Tax	\$ 111,725	Not Started	\$ -
PD EOC Upgrade	Other Gov Agencies/Sales Tax	\$ 100,000	Not Started	\$ -
Le Point Street Parking Lot Expansion	Sales Tax/In-Lieu Parking Fee	\$ 42,500	In Progress	\$ 1,695
New Play Structure - Parkside Park	Parkside Assessment District	\$ 250,000	Not Started	\$ -
ADA Bathrooms Elm Street Park	Sales Tax	\$ 235,000	Not Started	\$ -
Wayfinding	Sales Tax	\$ 60,000	In Progress	\$ -
Corrugated Metal Pipe (CMP) Investigation and Repair	Sales Tax	\$ 100,000	Not Started	\$ 3,200
Wastewater Master Plan Update	Sewer Fund	\$ 100,000	In Progress	\$ 3,963
SCADA Software/Electronics Design and Upgrade	Water Fund	\$ 330,000	Not Started	\$ -
Water Plan Update	Water Fund	\$ 100,000	In Progress	\$ 4,418

SECTION 4: APPROPRIATION TRANSFERS AND BUDGET ADJUSTMENTS

Administrative and Previously-Approved First Quarter Budget Adjustments

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

Capital Improvement: Administrative Carryover of \$6,107,699 for the Capital Projects listed in the table below. Capital Project funds do not have annual appropriated budgets. Control over capital projects is maintained by a project-length capital improvement budget. This project-length budget authorizes total expenditures over the duration of a construction project, rather than year by year.

Fund	Project #	Project Title	Project Budget Adjustment
350	5453	Financial Management Software	\$ 315,762
350	5463	Women's Club Lighting Project	821
350	5468	Public Safety Camera System	628,717
350	5476	City Hall Front Door Accessibility Improvements	53,341
350	5477	PW Office Space Remodel	98,994
350	5479	Fire Station 1 Apparatus Bay Doors	115,000
350	5556	Recreation Services / Community Center Building	44,745
350	5606	Halcyon Rd. Complete Streets	1,304,000
350	5616	Halcyon Rd. at Virginia Dr. Curb	56,749
350	5620	Swinging Bridge Reinforcement	343,271
350	5638	Pavement Management Program	1,130,128
350	5658	Concrete Improvements	99,868
350	5679	Traffic Way Bridge Replacement Project	607,723
350	5695	Active Transportation Plan (ATP)	144,217
640	5911	Phased Mains Replacement	80,361
640	5944	Water Well #11 Facilities	42,771
640	5973	Phased Main Replacement - Highway 101 Crossing Upgrade	291,200
640	5977	Phased Main Replacement - Cornwall	750,000
			\$ 6,107,669

Police Department: Receive \$155,600 of California Highway Patrol Grant funds and appropriated the funding to help address ongoing traffic safety concerns. Approved on August 13, 2024, City Council meeting, Item 9.g.

Police Department: Receive \$75,000 of Office of Traffic Safety Grant funds and appropriated the funding to implement driving under the influence enforcement services. Approved on September 9, 2024, City Council meeting, Item 9.d.

Additional Requested First Quarter Budget Adjustments

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

Nine of the adjustments request to carryover funds for non-CIP projects that were budgeted in FY 2023-24 and were not completed in that fiscal year but are expected to be completed in the current year. These five requested carryover adjustments include:

- Affordable Housing Trust Fund: Appropriate \$448,370.37 from the Affordable Housing Trust Fund Balance to support the development of Housing Authority of San Luis Obispo (HASLO)'s affordable housing project consisting of 63 affordable multi-family units located at 700 Oak Park Blvd. Approved on July 25, 2023, City Council meeting, Item 9.m.
- City Council: Reallocate \$21,500 from the retraining scholarship program funded using SB 1090 funds. This program was approved at the March 9, 2021, City Council meeting, Item 10.a., The original approval was for \$40,000. In FY 2021-22, \$15,000 was spent and in FY 2022-23, \$3,500 was spent. This program has now ended. The reallocation of \$21,500 would support a "buy local" program for business impacted by the Traffic Way Bridge CIP project.
- City Manager's Office: Carryover \$37,500 related to Economic Development Consultant. This work effort was delayed during the recruitment and hiring process of the new City Manager and the project is currently underway.
- Community Development Department: Carryover \$243,900 from contractual services related to the General Plan Update. This is an on-going project like a CIP that spans over multiple fiscal years but is budgeted within the Community Development department budget.
- Public Works Department: Carryover \$52,200 for replacing the pump on Well #3 from the Water Fund. This project was not completed in FY 2034-24, creating the need to carryover these funds while the contractor completes the replacement.
- Public Works Department: Carryover \$25,300 for replacing the galvanized service replacements from the Water Fund. This project is an ongoing work effort within the Water Division to upgrade as many as practical each fiscal year.
- Public Works Department: Carryover \$114,200 for the Cash for Grass program from the Water Availability Special Revenue Fund that has been allocated to residents participating in the program but has not been processed for payment related to completion of work in FY 2023-24.
- Police Department: Carryover \$44,100 related to the Office of Traffic Safety (OTS) Grant for Traffic/DUI Enforcement Program. This Grant program operates from October 1, 2023, through September 30, 2024. This carryover is due to the misalignment of the program year ending in September but budgeted in FY 2023-24.
- Police Department: Carryover \$28,047 related to the Alcoholic Beverage Control (ABC) 4207 Grant for implementing public awareness, minor decoy operations, shoulder tap operations, Informed Merchants preventing Alcohol-Related Crime Tendencies (IMPACT), and generally, implementation of ABC Alcohol Policing Partnership program. This Grant program operates from October 1, 2023, through September 30, 2024. This carryover is due to the misalignment of the program year ending in September but budgeted in FY 2023-24.

Three additional budget adjustments are requested as described in more detail below:

- Police Department: The proposed includes an increase in the Police Department's COPS Grant Fund 271 budget to add 2 line items, reflecting a total increase of \$128,900. This increase would include:
 - Appropriate \$48,900 from the COPS Grant Fund balance to purchase 19 Staccato Firearms new duty pistols.

- Appropriate \$80,000 from the COPS Grant Fund balance to purchase radio encryption equipment.

Finally, the reallocation of ARPA funds is included as a request. Reallocations of the City’s ARPA funding were approved at the February 8, 2022, May 24, 2022, September 27, 2022, May 9, 2023, April 9, 2024, and April 23, 2024 City Council meetings. As projects are completed and total costs are submitted the following Table was prepared to demonstrate a total overview of the City’s ARPA allocations. The first column in the Table shows the City Council Approved Allocation. The second column in the Table shows the spending through the end of FY 2023-24. The third column in the Table shows the anticipated spending of funds through the allotted ARPA deadline of December 31, 2024, to commit ARPA funds by way of a contract or purchase order and spend these monies no later than December 31, 2026. The final column in the Table shows funds that need to be reallocated, related to project savings.

ARPA Funding Allocation	CC Approved Allocation	Spent through 06/30/2024	Expected to Spend	Amount to Reallocate
COVID related City expenditures	42,375	42,375	-	-
Water Infrastructure Projects	1,350,150	756,931	578,700	14,519
Sewer Infrastructure Projects	549,200	353,912	-	195,288
Stormwater Infrastructure Projects	900,842	881,502	-	19,340
Public Safety Video Cameras	546,493	162,076	352,296	32,121
Fire Station 1 Apparatus Bay Doors	130,000	-	123,275	6,725
Streets Infrastructure Projects	229,165	24,958	204,207	-
Homeless Shelter Support	300,000	33,746	266,254	-
Non-Profit Assistance/Community Service Grants	114,129	114,129	-	-
Childcare Assistance - First 5, 5% request	100,000	100,000	-	-
Smart Share ADU SLO Proposal	37,887	32,000	5,887	-
Grand Total	4,300,241	2,501,630	1,530,619	267,993

Staff reviewed the 5-year Capital Improvement Project Plan, accessed any other outstanding projects that have risen as health and safety related issued, and reviewed the US Treasury issued its Final Rule governing eligible expenditures of the ARPA funds. With the timeframe to obligate all ARPA funds before December 31, 2024, staff recommends moving the remaining \$267,993 to the revenue loss category. The revenue loss category can be used towards the provision of government services by the City and will be obligated in line with the U.S. Department of Treasury rules of obligation before December 31, 2024 (which requires a contract or agreement to further commit the funds).