



MEMORANDUM

TO: City Council

FROM: Nicole Valentine, Director of Administrative Services

SUBJECT: Fiscal Year 2024-25 Second Quarter Status Report and One Budget Adjustment Request Approval

DATE: March 11, 2025

RECOMMENDATION:

Receive and file the Fiscal Year 2024-25 Second Quarter Financial Status Report and approve one Budget Adjustment Request in the amount of \$48,200 for the Traffic Signalization Special Revenue Fund.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Preparation of the Fiscal Year (FY) 2024-25 Second Quarter Financial Status Report (the "Q2 Report") requires staff time within the existing work plan and budget for the Administrative Services Department. At the end of the second quarter, FY 2024-25 revenues for the Consolidated General Fund were \$8.4 million, or one percent (1%), lower than the Budget Target ("Target"). Actual Expenditures were \$13.2 million and below the Target by approximately \$2.3 million, or seven percent (7%).

The City Council is being asked to approve one budget adjustment. The request is from the Traffic Signalization Special Revenue Fund totaling \$48,200.

BACKGROUND:

Each Fiscal Year the City Council adopts a budget, which commits government resources and services to accomplish the City's mission of making Arroyo Grande the best place possible for everyone who lives, works, and visits here. The Q2 Report is the second of four financial performance reports that staff will present to Council during the 2024-25 Fiscal Year. The purpose of the FY 2024-25 Q2 Report is to:

- Compare second quarter revenues received and expenditures incurred to the second quarter of the prior year and to the budgeted Target to determine the City's financial performance;
- Provide explanations for key account variances and identify any potential trends that might impact financial planning; and

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- Provide other key second quarter information including headcount statistics, status of Capital Improvement Projects, and requests for City Council’s approval of Budget Adjustment Requests that have not previously been approved.

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 2024-25 Budget and represents the 6-month period from July 2024 through December 2024, except for the Non-Departmental Annual Payments line that has a Target of the full budget. This approach increases the expenditure Target from 50% to 51% for the second quarter. The Target for revenues does not use the 50% Target but a Target of 35% that more accurately reflects the anticipated revenues to be received in the second quarter of the Fiscal Year. Using the Target as a comparator against actual results provides a simplified method to evaluate performance for the quarter.

The Q2 Report also includes a section regarding Budget Adjustments Requests. This section summarizes individual budget adjustments approved by the City Council during the second quarter, as well as administrative adjustments completed by City staff. Additionally, this section of the report includes new Budget Adjustment Requests not otherwise addressed in past City Council agenda items. Approval will enable the City to complete important work items and meet the needs of the community.

ANALYSIS OF ISSUES:

Second Quarter Revenue and Expenditures Compared to Prior Year

Table 1: Current Year Q2 Actuals Compared to Prior Year Q2 Actuals

	Second Quarter FY 2024-25	Second Quarter FY 2023-24	Variance
Revenue	8,372,875	7,125,292	1,247,583
Expenditures	13,229,380	12,350,574	878,806

The Consolidated General Fund shown in Table 1 is the primary operating fund of the City and 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.

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

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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 presents information for the Consolidated General Fund that includes Measure O 2006 Tax Fund revenues and expenditures. Consolidated General Fund revenues at the second quarter of this year were approximately \$1.2 million more than the second quarter of the prior year. Expenditures were approximately \$878,806 higher at the end of the second quarter of the current Fiscal Year versus the second quarter of the prior year. A more thorough explanation of second quarter variances is set forth in the attached financial report (Attachment 1).

Q2 Revenue and Expenditures Compared to Target

Table 2: Current Year Q2 Actuals Compared to Target

	FY 2024-25 Q2 Target	FY 2024-25 Q2 Actuals	Variance
Revenue	8,738,854	8,372,875	(365,980)
Expenditures	15,497,973	13,229,380	(2,268,593)

Table 2 above compares second quarter actual results to the budgeted Target. Q2 actual revenue was short of the Target by \$365,980. Q2 actual expenditures were short of the Target by approximately \$2.3 million. The following is a summary of the Q2 revenue and expenditure variances compared to the budgeted Target. A more thorough explanation of second quarter variances is set forth in the attached financial report.

Budget Adjustments

Staff identified one budget adjustment request that is described in more detail below:

- Traffic Signalization: Appropriate \$48,200 from the Traffic Signalization Special Revenue Fund balance to fund the City's share of the Opticom preemptive devices on the traffic signals surrounding the Traffic Way Bridge closure that will interface with the FCFA Fleet Vehicles. Two Opticom preemptive devices were identified in the project scope previously, but the project team believes utilizing these on 7 traffic signals would have a larger benefit. The FCFA Board approved a similar action on February 3, 2025, to add the software to all seven fleet vehicles.

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. Receive and file the Fiscal Year 2024-25 Second Quarter Financial Status Report and approve one Budget Adjustment Request for Traffic Signalization in the amount of \$48,200;
2. Receive and file the FY 2024-25 Second Quarter Financial Status Report and do not approve the Budget Adjustment Request and provide further direction to staff;
or
3. Provide other direction to staff.

ADVANTAGES:

The financial report presents an updated review of the City's financial performance in the second quarter of FY 2024-25. Approval of the requested budget adjustment will enable staff to continue providing high quality services to the organization and to the public.

DISADVANTAGES:

No disadvantages have been identified at this time.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

ATTACHMENTS:

1. Fiscal Year 2024-25 Second Quarter Financial Status Report