

## City of Arroyo Grande

### Fiscal Year 2023-24

### 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 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 first quarter of the fiscal year and compare actual results to the prior year and the budgeted Target, to determine the City's performance. The first quarter timeframe is July 1 through September 30, 2023.

The financial report is organized in the following sections:

**Section 1** – an overview of City's financial position at the end of the first quarter of FY 2023-24. 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.

**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**

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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	Sewer	Successor Agency to RDA	Downtown Parking
	Administrative Services	Public Access Television				
	Community Development	Police Protection Impact		Sewer Facility		Sanitation Distribution
	Police Department	Park Development				
	Recreation Services	Park Improvement		Water		San Luis Obispo Tourism
	Public Works	Recreation Community Center				
	Local Sales Tax Fund	Grace Lane Assessment District		Water Facility		Marketing District
		Parkside Assessment District				
Special Revenue Funds		Street (Gas Tax)		Lopez Water	Private Purpose Fund	Agency Funds
		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 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 first quarter actuals for both revenue and expenditures, divided by that fiscal year's annual budget.

Table 1

Governmental Funds			
	First Quarter FY 2023-24	First Quarter FY 2022-23	Variance
Revenue	\$ 6,101,535	\$ 6,518,227	\$ (416,692)
Expenditures	\$ 7,465,739	\$ 7,205,272	\$ 260,467

Consolidated General Fund			
	First Quarter FY 2023-24	First Quarter FY 2022-23	Variance
Revenue	\$ 2,554,661	\$ 2,264,418	\$ 290,243
Expenditures	\$ 7,024,105	\$ 6,557,687	\$ 466,418

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 2023-24, Governmental Fund revenue was -6.4%, or \$416,692 lower than prior year, and expenditures were higher by 3.6% or \$260,467.

The majority of the revenue and expenditure variances in Governmental Funds were attributed to variances within the Consolidated General Fund and the newly created 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 12.8%, or \$290,243 higher than the first quarter of the prior year. Expenditures increased by 7.1%, or \$466,418 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 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**

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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 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 12.4% 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 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 2023-24 Budget and represents the 3-month period from July 2023 through September 2023, except for the Non-Departmental Annual Payments line that has a Target of the full budget. This approach increased the Target from 25% to 33% for the first quarter.

Chart 1

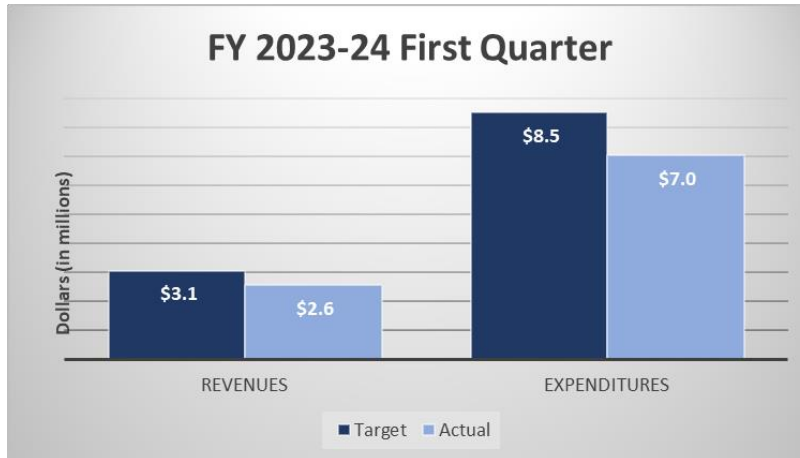


Chart 1 shows a simple comparison of actual first quarter revenue and expenditures to the Target. The actual first quarter Consolidated General Fund revenue is less than the budgeted Target by \$500,000, which is not unusual since revenue realization is typically lower than the Target through the first quarter due to the time lag involved in billing cycles and the receipt of reimbursements. Likewise, actual

expenditures through first quarter totaled \$7 million, or 28% 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 2023-24 Q1 Actuals	% of Actuals
Personnel Costs	\$ 4,142,302	59.0%
Operating Costs	2,626,489	37.4%
Debt Service	90,912	1.3%
Capital Outlay	78,578	1.1%
Transfers Out	85,824	1.2%
Total	<u>\$ 7,024,105</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 million, 59% of the City's costs are associated with personnel, 37.4% with operating and maintenance, 1.3% for the City's debt service, 1.1% for

Capital Outlay, and 1.2% 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	2023-24 Adjusted	2023-24 Q1 Target	2023-24 Q1 Actuals	Dollar Fav/(Unfav)	% Fav/(Unfav)
City Administration	\$ 1,579,600	\$ 394,900	\$ 294,452	\$ 100,448	6%
Legislative & Information Services	449,460	112,365	85,106	27,259	6%
Measure O-06 Sales & Use Tax	3,154,001	788,500	294,741	493,759	16%
Administration Services	4,646,830	1,161,708	1,259,434	(97,726)	-2%
Non-Departmental Annual Payments	2,836,525	2,836,525	2,755,499	81,026	3%
Community Development	2,578,122	644,531	390,647	253,884	10%
Police Department	6,882,775	1,720,694	1,193,335	527,359	8%
Recreation Services	901,370	225,343	233,700	(8,357)	-1%
Public Works	2,510,055	627,514	517,191	110,323	4%
<b>TOTAL EXPEDITURES</b>	<b>25,538,738</b>	<b>8,512,080</b>	<b>7,024,105</b>	<b>1,487,975</b>	<b>6%</b>

Overall, first quarter expenditures were \$1.5 million under the Target. Though all City departments were under their spending Targets, except for Recreation Services and Administrative Services. Some of the more significant savings occurred in the Measure O-06 Sales & Use Tax Fund, City Administration, Police, Public Works, and Community Development 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: \$527,359 savings	

- The Police Department currently has two vacancies and one medical leave, resulting in labor savings of approximately \$322,000.
- 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 \$124,300.
- 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 \$25,100.

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:

Department: Measure O-06 Sales & Use Tax Fund

Division: Fund 218

Issue: Overall savings in Transfers Out to CIP Projects and debt service

Impact to Consolidated General Fund: \$493,759 savings

- The variance for Measure O-06 Sales & Use Tax Fund through the end of the first quarter results from Transfers Out to Capital Improvement Program (CIP) Projects; the July through September allocation towards projects is completed once a project is finished or at the end of the fiscal year. This is resulting in a first quarter favorable variance to the Target of \$471,100.

- The Debt Service for the new Animal Services Shelter is paid semiannually in the months of November and May. 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 \$15,000.

Department: Community Development

Division: Various (4130, 4212)

Issue: Overall savings in salaries and contractual services

Impact to Consolidated General Fund: \$253,884 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 resulting in labor savings of approximately \$85,300.
- Minimal contractual services for the Planning Division were incurred through first quarter resulting in \$101,828 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	104,546	8,343	96,203
On-Call Environmental Review Services	25,000	6,250	-	6,250
On-Call Planning Services and Misc. Planning Stud	15,000	3,750	4,375	(625)
	458,182	114,546	12,718	101,828

- The Building Division contractual services has a variance of \$36,000 related to the timing of invoices from CSG Consultants, the billing is based on services provided in each month. The September invoice has not been received until October.

Department: Public Works

Division: Various (4213, 4301, 4305, 4307, 4420, 4430)

Issue: Overall savings in salaries and contractual services

Impact to Consolidated General Fund: \$110,323 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. The Public Works Administration Division currently has a vacant Public Works Director/Assistant City Manager position and had a vacant Assistant Capital Projects Manager the majority of the first quarter resulting in labor savings of approximately \$107,200.



Department: City Administration
Division: Various (4001, 4002, 4003, 4099, 4101, 4110)
Issue: Overall savings in contractual services
Impact to Consolidated General Fund: \$100,448 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:

- Minimal contractual services for the City Manager Division were incurred through first quarter resulting in \$37,900 of favorability to the Target related to the Ballot Measure and Polling Consultants beginning work in the second quarter and the Economic Development Consultant budgeted to begin in the third quarter.
- The City Attorney Division has a variance of \$42,300 related to the timing of invoices from BBK, the billing is based on services provided in each month. The September invoice was not received until October.
- The City Council Division has a variance of \$18,750 related to the timing of the Community Services Grant program being approved in the third quarter of the fiscal year.

## 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	2023-24 Budget	FY 2023-24 Q1 Target	FY 2023-24 Q1 Actuals	Dollar (Unfav)/Fav	% Fav/(Unfav)
Property Tax	\$ 6,327,486	\$ 527,291	\$ 36,814	\$ (490,477)	-8%
Sales Tax	5,268,158	439,013	417,648	(21,365)	0%
Measure O-06 Sales & Use Tax	2,962,000	246,833	269,036	22,203	1%
Transient Occ. Tax	1,545,000	257,500	294,849	37,349	2%
Property Tax in Lieu of VLF	2,001,300	-	-	-	0%
Franchise Fees	795,600	132,600	44,095	(88,505)	-11%
License & Permit Fees	455,800	113,950	127,490	13,540	3%
User Fees	521,500	130,375	220,417	90,042	17%
Planning Fees	371,500	92,875	145,083	52,208	14%
Recreation Fees	415,867	103,967	203,252	99,285	24%
Transfers In	3,114,066	778,517	688,752	(89,765)	-3%
Other Revenue	948,316	237,079	107,226	(129,853)	-14%
<b>TOTAL</b>	<b>24,726,593</b>	<b>\$ 3,060,000</b>	<b>2,554,662</b>	<b>(505,338)</b>	<b>-2%</b>

As reflected in Table 4, first quarter actual revenue was short of the Target by \$505,338. 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 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 one month of Property Tax revenue. Actual revenue received in this category was lower than this conservative Target.

**Sales Tax and Measure O-06 Sales & Use Tax** – Sales tax and Measure O-06 Sales & Use Tax realization through first quarter is on track. Actual sales tax revenue received through first quarter was \$417,648 and Measure O-06 Sales & Use Tax revenue received through first quarter was \$269,036 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 an \$37,349 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 Water 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 \$88,505.

**License & Permit Fees, User Fees, and Planning Fees** – License and permit revenue is above the Target by \$13,540. User fee revenue is above the Target by \$90,042. Planning revenue exceeded the Target by \$52,208. 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 \$99,285. 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. 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 \$20,900.

## SECTION 2: POSITION CHANGES AND HEADCOUNT NUMBERS

**POSITION ALLOCATION CHANGES MADE BY THE CITY COUNCIL (1st 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
<b>City Manager &amp; Human Resources</b>	3	1	4%	City Manager
<b>Administrative Services</b>	7	-	9%	
<b>Community Development</b>	10	1	13%	Permit Tech.
<b>Legislative &amp; Info Services</b>	2	-	3%	
<b>Police Services</b>	29	3	37%	Police Officer (3)
<b>Public Works</b>	24	-	31%	
<b>Recreation Services</b>	3	-	4%	
<b>Total</b>	78	5	100%	

**EMPLOYEE VACANCY RATE**

The City's employee vacancy rate at the end of the first quarter of FY 2023-24 was 6.4%. This equates to five (5) 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 Number	Project	Fund	Budget FY 2023-24*	Current Status	Project Budget Expended
350-5614	Bridge Street Bridge Habitat Mitigation	HBP	\$ 48,628	In Progress	\$ 49,971
350-5679	Traffic Way Bridge Replacement	HBP/Sales Tax	\$ 718,000	In Progress	\$ 7,190
350-5638	Pavement Management Program	USHA/General/SB1/Sales Tax/General Fund	\$ 1,663,380	In Progress	\$ 232,167
350-5453	Financial Management Software	Sewer/Water/Sales Tax	\$ 188,000	In Progress	\$ 14,038
350-5468	Public Safety Video Cameras	COPS/Sales Tax	\$ 1,000,000	In Progress	\$ -
350-5695	Active Transportation Plan	ATP/Sales Tax	\$ 125,000	In Progress	\$ 6,878
350-5601	Fair Oaks Ave Active Transportation Improvements, Valley Road to Traffic Way	Developer/Other Gov Agencies/Sales Tax	\$ 75,000	In Progress	\$ -
350-5478	Arroyo Grande Creek Remediation	Sales Tax, FEMA, CalOES	\$ 400,000	In Progress	\$ -
350-5610	191 Tally Ho	Sales Tax	\$ 110,000	In Progress	\$ 850
350-5616	Virginia Drive and S. Halcyon Road Curb Ramp and Sidewalk Improvement	CDBG	\$ 56,749	In Progress	\$ -
612-5853	Lift Station 3	FEMA/CalOES/Sales Tax	\$ 850,000	Not Started	\$ -
640-5973	Phased Main Replacement - Highway 101 Crossing Upgrade, El Camino Real to West Branch Street	ARPA/Water Fund	\$ 43,800	Not Started	\$ 548,350
350-5479	Fire Station 1 Apparatus Bay Doors	Sales Tax	\$ 115,000	Not Started	\$ -
350-5606	Halcyon Road Complete Streets	HSIP/RSHA/USHA/Safe Routes to School/General/Sales Tax/ATP	\$ 1,304,000	Not Started	\$ -
350-5477	Public Works Office Space Remodel	Sales Tax	\$ 100,000	In Progress	
612-5817	Trenchless Sewer Rehabilitation -El Camino Real to West Branch St.	ARPA	\$ 282,000	Not Started	\$ -

\*This does not include the Carryover CIP projects listed below. The Carryover CIP projects will be incorporated into the Second Quarter Financial Status report.

## 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 Council or are classified as administrative and not requiring Council approval.

Capital Improvement: Administrative Carryover of \$9,307,342 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	225,000
350	5463	Women's Club Lighting Project	821
350	5468	Public Safety Camera System	125,000
350	5473	Replacement Generator at FCFA Station 1	610,714
350	5476	City Hall Front Door Accessibility Improvements	53,341
350	5556	Recreation Services / Community Center Building	44,745
350	5601	Fair Oaks Ave Active Transportation Improvements	50,000
350	5620	Swinging Bridge Reinforcement	1,100,292
350	5621	Arroyo Grande Creek Stabilization	6,300
350	5638	Pavement Management Program	4,882,779
350	5658	Concrete Improvements	452,238
350	5679	Traffic Way Bridge Replacement Project	447,593
350	5695	Active Transportation Plan (ATP)	125,000
640	5911	Phased Mains Replacement	785,892
640	5944	Water Well #11 Facilities	42,771
640	5946	Galvanized Service Replacements	63,655
640	5973	Phased Main Replacement - Highway 101 Crossing Upgrade	291,200
			9,307,342

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 07/25/2023 Council meeting, item 9.m.

Water Fund: Appropriate \$55,000 from the Water Enterprise Fund Balance to fund the City's share of the Central Coast Blue (CCB) project costs to submit an application to the Environmental Protection Agency (EPA) for a Water Infrastructure Finance and Innovation Act (WIFIA) loan. The initial WIFIA application fee is \$25,000 and the S&P RES fee is \$30,000. Approved on 08/08/2023 Council meeting, item 9.c.

Public Works Department: Appropriate \$90,000 from the General Fund reserve for the purchase of decorative concrete barriers and planters associated with the long-term parklets program, along with wayfaring street signs to guide vehicles to the Olohan and Le Point parking areas. Approved on 08/08/2023 Council meeting, item 9.h.

City Manager's Office: Reallocate \$26,500 of budgeted expenditures within the City Manager salary savings to fund the executive recruitment services for a new City Manager. Approved on 08/22/2023 Council meeting, item 9.b.

Capital Improvement: Appropriate \$413,400 from Urban State Highway Account funds (USHA) to increase the 2022 Pavement Management Program (PMP) budget and to reallocate \$134,406 of Local Sales Tax Funds from PMP to the 2022 Concrete Repairs Project to include the two add alternate elements from the initial bid. Approved on 08/22/2023 Council meeting, item 9.j.

Administrative Services Department: Reallocate the funding to incorporate the approval of the MOU's with AGPOA and SEIU, as well as establishing the salary and benefits for the Management Group. The total cost of these agreements was \$787,725. The FY 2023-24 budget had built in funds anticipation of these agreements. Approved on 09/12/2023 Council meeting, item 9.e.

Police Department: Receive \$65,000 of Office of Traffic Safety Grant funds and appropriated the funding to implement driving under the influence enforcement services. Approved on 09/12/2023 Council meeting, item 9.h.

Police Department: Receive \$41,500 of Department of Alcoholic Beverage Control (ABC) Grant funds and appropriated the funding to implement 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. Approved on 09/12/2023 Council meeting, item 9.i.

Capital Improvement: Appropriate \$3,228.88 of Local Sales Tax Funds for the City's portion of the Federal Emergency Management Agency (FEMA) replacement of plant and materials for the Habitat Mitigation Phase of the Bridge Street Bridge Rehabilitation Project related to the 2023 storm event damages. Council approved a budget adjustment totaling \$51,662. FEMA assistance will be provided at a 75% federal cost share totaling \$38,746.50. California Governor's Office of Emergency Services (Cal OES) assistance will be provided at an 18.75% state cost share totaling \$9,686.62. The City is responsible for the remaining 6.25% totaling \$3,228.88. This request is to use Local Sales Tax Fund balance for the City's \$3,228.88 portion. Approved on 09/26/2023 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, fifteen new budget adjustments are proposed for approval along with the review and receipt of this report.

Five of the adjustments request to carryover funds for non-CIP projects that were budgeted in FY 2022-23 and were not completed in that fiscal year but are expected to be completed in the current year. These five requested carryover adjustments include:

- Police Department: Carryover \$22,824 related to the Office of Traffic Safety (OTS) Grant for Traffic/DUI Enforcement Program. This Grant program operates from October 1, 2022 through September 30, 2023. This carryover is due to the misalignment of the program year ending in September but budgeted in FY 2022-23. The invoice for July 1 through September 30, 2023, was submitted totaling \$22,824 and it is anticipated to be received within the next few weeks.

- City Council: Carryover \$21,500 for 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 is administered by the South County Chamber of Commerce in partnership with SLO Partners. The Chamber is continuing to process scholarships throughout this fiscal year as needs arise.
- Public Works Department: Carryover \$78,433 for the purchase of an F250 Replacement Truck. This replacement vehicle purchased was placed in November of 2022, but was not received until July of 2023.
- Administrative Services Department: Carryover \$27,000 for the User Fee and Development Impact Fee studies. The User Fee study was completed in the second quarter of FY 2023-24 and it is anticipated that the Development Impact Fee study will be completed in the third quarter of FY 2023-24.
- Public Works Department: Carryover \$24,971 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 2022-23.

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

- CDBG: The CDBG allocation from the County was presented to Council totaling \$56,749. The final allocation provided totals \$64,707, an increase of \$7,958 to the City. This budget adjustment request will increase both revenues and expenditures and will not have an impact on the general fund.
- Public Works Department: The proposed includes an increase in the Public Works Department's budget for minor adjustments to 5 line items, reflecting a total increase of \$75,000. This increase would include:
  - Reallocate \$50,000 of budgeted expenditures within the Public Works budget for the Engineering small truck to be used for a replacement riding mower. The mower was originally budgeted for replacement in FY 2024-25 but has become a higher priority replacement, when compared to the requested Engineering small truck. The Engineering small truck will be requested for replacement in FY 2024-25. No funds are being requested from general fund balance.
  - Reallocate \$60,000 of budgeted expenditures within the Public Works Administration Division salary savings, related to staff medical leave, to continue to fund a consultant to provide CIP project management services from October through December of 2023.
  - Appropriate \$50,000 from the general fund to provide additional capacity in the maintenance of City owned trees. Specifically, the emergency removal or trimming of 40 to 60 foot tall City trees. Such maintenance is dangerous for City employees without the specialized equipment needed, such as cranes, tall bucket trucks and a large crew.
  - Appropriate \$10,000 from the general fund to support the Streets team in purchasing a high quality and longer lasting asphalt pothole filler product to support the increased number of potholes each year.

- Appropriate \$15,000 from the general fund to update the “Welcome to Arroyo Grande” sign and medians at Traffic Way & Branch. This work would include a larger brick pedestal, new Village sign and rock installed at the larger and smaller medians at this location.
- Community Development Department: Reallocate \$10,000 of budgeted expenditures within the Building Division salary savings to fund an intern position within Community Development to assist with research, project renderings, scanning, and organizing project files.
- Water Fund: Appropriate \$28,971 from the Water Enterprise Fund Balance to fund the City’s share of the Central Coast Blue (CCB).
  - Appropriate \$3,501 of FY 2022-23 true up costs related to the operating budget. This was reviewed and approved by the CCB Board on September 18, 2023, item 7.a.
  - Appropriate \$25,470 associated with the work completed by Urban Futures, Inc. to provide financial support in the application to the Environmental Protection Agency (EPA) for a Water Infrastructure Finance and Innovation Act (WIFIA) loan and S&P Application. The agreement with Urban Futures was reviewed and approved by the CCB Board on June 19, 2023, item 6.b.
- Water Fund: Appropriate \$171,300 to fund the Phased Main Replacement at Cornwall Avenue, from Rena to El Camino Real (ECR). The total project cost is \$750,000, the remaining portion of the project is funded with ARPA funds and discussed in additional detail below.

Finally, the reallocation of ARPA funds is included as a budget request. Previous reallocations of the City’s ARPA funds were approved at the February 8, 2022; May 24, 2022; September 27, 2022; and May 9, 2023 City Council meetings. As projects are completed and project estimates are confirmed, allocation funding numbers in Table 4 provide the City Council approved allocations spent through the end of FY 2022-23. The third column of Table 4 shows expected spending of funds through the allotted ARPA deadline of December 31, 2024. ARPA funds must be committed by way of a contract or purchase order and spend these monies no later than December 31, 2026. The final column shows funds that need to be reallocated as a result of budgeted project savings.

Table 1 – ARPA Allocation

ARPA Funding Allocation	CC Approved Allocation	Spent through 06/30/2023	Expected to Spend	Amount to Reallocate
COVID related City expenditures	42,375	69,624	-	(27,249)
Water Infrastructure Projects	1,350,150	51,400	1,298,750	-
Sewer Infrastructure Projects	549,200	165,534	383,666	-
Stormwater Infrastructure Projects	900,842	881,502	-	19,340
Public Safety Video Cameras	880,700	-	516,493	364,207
Streets Infrastructure Projects	24,958	24,958	-	-
Homeless Shelter Support	300,000	-	300,000	-
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	-	37,887	-
<b>Grand Total</b>	<b>4,300,241</b>	<b>1,407,148</b>	<b>2,536,796</b>	<b>356,297</b>

Staff reviewed the 5-year Capital Improvement Project Plan, accessed any other outstanding projects that were prioritized due to public health and safety related issues, and reviewed the most recent US Treasury



Final Rule governing eligible expenditures of the ARPA funds. During this review the Swinging Bridge Reinforcement project was identified because the timeframe for completion of this project makes it eligible for ARPA funding. The budget request of ARPA funds is to reallocate the \$356,297 to the Swinging Bridge Reinforcement project. This project is currently out to bid and is anticipated to be completed by December 31, 2024.

Through the review process it was noted that the Phased Main Replacement at Cornwall Avenue project, from Rena to El Camino Real (ECR), is funded with the Water Infrastructure Project funds but was inadvertently budgeted in FY 2026-27 with an estimated total project cost of \$1 million. The Council previously approved this project to be funded with an ARPA allocation of \$578,700. The phased main replacement in Cornwall Avenue, from Rena to ECR, is not anticipated to cost \$1 million. The main replacement on Fair Oaks, from Elm to Alder, was 2,000 feet with more services and had a total cost of \$741,841.17. The main to be replaced in Cornwall Avenue is only 1,400 feet with fewer services and considerably less traffic. The anticipated project budget is now being set at \$750,000, for these reasons.

Table 5 below shows the resulting total allocations of ARPA funding if approved as recommended by the Council, after which City staff would confirm eligibility and ensure the appropriate ARPA funding conditions are attached to each project:

Table 5 – Updated ARPA Allocation

ARPA Funding Allocation	CC Approved Allocation
COVID related City expenditures	69,624
Water Infrastructure Projects	1,350,150
Sewer Infrastructure Projects	549,200
Stormwater Infrastructure Projects	881,502
Public Safety Video Cameras	516,493
Streets Infrastructure Projects	24,958
Homeless Shelter Support	300,000
Non-Profit Assistance/Community Service Grants	114,129
Childcare Assistance - First 5, 5% request	100,000
Smart Share ADU SLO Proposal	37,887
Swinging Bridge Reinforcement	356,297
<b>Grand Total</b>	<b>4,300,241</b>

## 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
<b>Funding</b> 	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/RS/LIS	In Progress	2Q FY 2023-24	In Progress
		1.1c.i. Transition Administration to City staff	New	CMO/RS	In Progress	1Q FY 2023-24	Complete
		1.1c.ii. Complete Modifications to AGTBID Bylaws and Advisory Board Structure	New	CMO/CA/LIS	In Progress	2Q FY 2023-24	In Progress
		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	In Progress
		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	Not started
	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
<b>Fire Services</b> 	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	4Q FY 2024-25	4Q FY 2024-25	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	Complete
		3.3bii Swinging Bridge Rehabilitation Bid for Construction	Carryover	CD/PW	3Q FY 2023-24	3Q FY 2023-24	Not started
		3.3b.iii. Swinging Bridge Construction	New	CD/PW	4Q FY 2023-24	2Q FY 2024-25	Not started

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	In Progress
		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	Not started
		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	In Progress
	4.2 Diversity Equity Inclusivity 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