

City of Arroyo Grande

Fiscal Year 2022-23

Third Quarter Financial Status Report

## INTRODUCTION

The following report is an overview of the City's fiscal position at the end of the third quarter of Fiscal Year (FY) 2022-23. 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 third quarter of the fiscal year and compare actual results to the prior year and the budgeted Target, to determine the City's performance. The third quarter timeframe is July 1 through March 31, 2023.

The financial report is organized in the following sections:

**Section 1** – an overview of City's financial position at the end of the third quarter of the FY 2022-23. This includes a comparison of third quarter results between the current and prior year. In addition, third 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 third 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 third quarter along with their final costs.

**Section 4** – a listing of Budget Amendment Requests previously approved by Council and completed in the third quarter, as well as a list of additional budget adjustments that are being presented to Council along with the third 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 General Fund but will also report on all Governmental Funds.

General Fund – The General Fund is the primary operating fund of the City, which accounts for resources and services traditionally associated with government.

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	Agency Funds	
	Administrative Services	Public Access Television		Sewer				Successor Agency to RDA
	Community Development	Police Protection Impact	Water	Sanitation Distribution				
	Police Department	Park Development	Water Facility	San Luis Obispo Tourism Marketing District (SLOTMD)				
	Recreation Services	Park Improvement	Lopez Water					
	Public Works	Recreation Community Center						
		Grace Lane Assessment District						
		Local Sales Tax Fund						
		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 third quarter of FY 2022-23 and compares the current quarter results against the prior year's results for all Governmental Funds as well as the City's General Fund. The totals in the table reflect the third quarter actuals for both revenue and expenditures, divided by that fiscal year's annual budget.

Table 1

<b>Governmental Funds</b>			
	Third Quarter FY 2022-23	Third Quarter FY 2021-22	Variance
Revenue	\$ 21,556,870	\$ 19,216,446	\$ 2,340,424
Expenditures	\$ 18,066,687	\$ 14,970,655	\$ 3,096,032

<b>General Fund</b>			
	Third Quarter FY 2022-23	Third Quarter FY 2021-22	Variance
Revenue	\$ 14,119,614	\$ 13,578,788	\$ 540,826
Expenditures	\$ 15,861,492	\$ 13,178,274	\$ 2,683,218

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

Governmental Funds – At the end of the third quarter of FY 2022-23, Governmental Fund revenue was 12.2%, or \$2.3 million higher than prior year, and expenditures were higher by 20.7% or \$3.1 million.

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

General Fund - The General Fund is the primary operating fund of the City and accounts for resources and services traditionally associated with government. General Fund revenue in the third quarter was 4%, or \$540,826 higher than the third quarter of the prior year. Expenditures increased by 20.4% or \$2.7 million higher than the third quarter of the prior year. The majority of the variance between the two fiscal quarters is related to increased costs of one-time payments for Liability and Property Insurance, CalPERS Unfunded Accrued Liability, and Workers Compensation. Additionally, the Employee Retention Incentive Program increased expenditures in FY 2022-23 compared to the prior year.

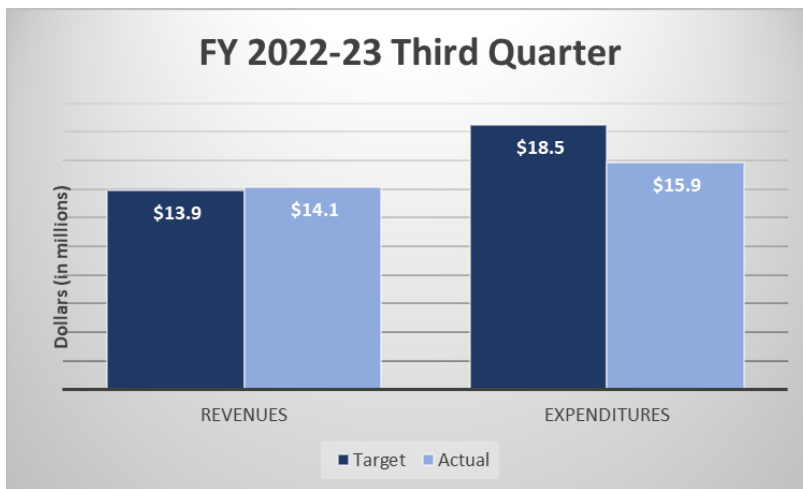
ARPA Fund – The ARPA Fund was created to help separately track funding provided pursuant to the American Rescue Plan Act. This Act is intended to provide financial aid to families, governments, businesses, schools, non-profits and others impacted by the COVID-19 public health crisis. To date the City has received the full amount allocated totaling \$4,300,241. In FY 2021-22 expenditures incurred totaled \$604,246, the remaining \$3,695,996.22 is currently recognized as revenue in FY 2022-23.

## GENERAL FUND IMPACTS

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The following discussion focuses on the City’s General Fund performance. Chart 1 starts off with a simple overview of General Fund performance compared to the Target. Next are expenditures by category (Table 2). This is followed by a summarized look at FY 2022-23 third quarter actual expenditures compared to the Target (Table 3). Lastly, a discussion of General Fund revenue is included, which compares third 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 quarter. The Target for revenues does not use the 75% Target but a Target of 65.8% that more accurately reflects the anticipated revenues to be received in the third quarter of the fiscal year. Revenue realization is typically low at the end of the third 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 third quarter financial results will be compared to both the prior year’s third quarter and the budgeted Target. The Target for expenditures is calculated as three-fourths (75%) of the FY 2022-23 Budget and represents the 9-month period from July 2022 through March 2023, except for the Non-Departmental Annual Payments line that has a Target of the full budget. This approach increased the Target from 75% to 78% for the third quarter.



The Target for expenditures is calculated as three-fourths (75%) of the FY 2022-23 Budget and represents the 9-month period from July 2022 through March 2023, except for the Non-Departmental Annual Payments line that has a Target of the full budget. This approach increased the Target from 75% to 78% for the third quarter.

Chart 1

Chart 1 shows a simple comparison of actual third quarter revenue and expenditures to the Target. The actual third quarter General Fund revenue is more than the budgeted Target by \$219,000. Property Tax, Sales Tax and Transient Occupancy Tax are all trending to show positive results when compared to the Target through the third quarter. Actual expenditures through third quarter totaled \$15.9 million, or 67% of the full year’s Budget, and are under the Target by \$2.6 million. A more detailed discussion on General Fund revenue and expenditure variances is included later in this report.

Table 2

Expenditure Category	FY 2022-23	% of
	Q3 Actuals	Actuals
Personnel Costs	\$ 9,726,183	61.3%
Operating Costs	5,402,124	34.1%
Debt Service	300,390	1.9%
Capital Outlay	293,247	1.8%
Transfers Out	139,547	0.9%
<b>Total</b>	<b>\$ 15,861,491</b>	

Table 2 reflects major expenditure cost categories within the General Fund. This chart is intended to explain where the City’s resources were spent during the third quarter. Within the total expenditures of \$15.9 million, 61.3% of the City’s costs are associated with personnel, 34.1% with operating and maintenance, 1.9% for the City’s debt service, 1.8% for Capital Outlay, and 0.9% with transfers to other funds.

Table 3 reflects the third quarter status of all 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 – General Fund Expenditures by Department

General Fund Department Variances - Third Quarter					
General Fund Department	2022-23 Q3		2022-23 Q3	Dollar	%
	2022-23 Budget	Target	Actuals	Fav/(Unfav)	Fav/(Unfav)
City Administration	\$ 1,355,056	\$ 1,016,292	\$ 711,873	\$ 304,419	22%
Legislative & Information Services	496,875	372,656	268,483	104,173	21%
Administration Services	6,239,729	4,679,797	4,650,485	29,312	0%
Non-Departmental Annual Payments	3,218,631	3,218,631	2,685,301	533,330	17%
Community Development	2,099,600	1,574,700	1,242,079	332,621	16%
Police Department	6,543,934	4,907,951	4,156,148	751,803	11%
Recreation Services	1,230,500	922,875	782,381	140,494	11%
Public Works	2,377,065	1,782,799	1,364,741	418,058	18%
<b>TOTAL EXPEDITURES</b>	<b>23,561,390</b>	<b>18,475,701</b>	<b>15,861,491</b>	<b>2,614,210</b>	<b>11%</b>

Overall, third quarter expenditures were \$2,614,209 under the Target. Though all City departments were under their spending Targets, some of the more significant savings occurred in the Non-Departmental Annual Payments, Police, Public Works, and Community Development Departments. The third quarter Target is based on nine months or 75%, except for the Non-Departmental Annual Payments line that has a Target of the full budget. This line includes the City’s Unfunded Accrued Liability (UAL) retirement payment and the General and Liability Insurance payment. 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 2022-23**

Department: Administrative Services
Division: 4120-Administrative Services and 4145-Non Departmental
Issue: Overall savings in Contractual Services and CalPERS prepayment
Impact to General Fund: \$562,642 savings

The Administrative Services Department includes the City’s Fiscal as well as Information Technology functions. The annual CalPERS UAL retirement payment was budgeted at \$1,856,772 but the actual expenditure was \$1,319,522. This budget also includes funding for a true-up payment to the Five Cities Fire Authority (FCFA)

totaling an estimated \$550,000 (\$50,000 per year for 10 years + \$50,000 for FY 2022-23) for the City’s

share of accrued actuarial liability for employees who worked for the City before the FCFA was formed. No new CalPERS plan was created for the FCFA and instead all FCFA employees have been covered under the City of Arroyo Grande’s CalPERS pension plans. As a result, the City’s CalPERS plans include liabilities for employees and retirees of the City and of FCFA. Since the JPA was formed, FCFA has paid the full costs of the City’s Fire Safety CalPERS plans. As a result, the FCFA has been paying the CalPERS liabilities of City of Arroyo Grande employees that were incurred before the FCFA was formed. The City will be required to pay back these amounts as part of the unwinding process contemplated in the Third Amendment to the JPA. The final results of the Actuarial Analysis has been completed and will be discussed in Section 4: Budget Adjustment Requests for the Third Quarter.

<b>Department: Police Services</b>
<b>Division: Various (4201, 4203, 4204, 4209)</b>
<b>Issue: Overall savings in salaries and benefits</b>
<b>Impact to General Fund: \$751,803 savings</b>

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 has \$247,300 budgeted for vehicle replacement for a Ford Ranger Crew Cab, Ford F250, and Ford Transit Van. With vehicle order delays from the manufacture, none of these vehicles have arrived, creating a variance of approximately \$90,400.
- The Police Department currently has one vacancy, one medical leave, and has had filled position vacancies with successive promotions throughout the first half of the fiscal year, resulting in labor savings of approximately \$496,000.
- The contract with the County Sheriff Department for dispatch services is paid semiannually in the months of February and June. Payments for these services will not be made until the third and fourth quarters, resulting in a third quarter favorable variance to the Target of \$111,400.

<b>Department: Public Works</b>
<b>Division: Various (4213, 4305, 4307, 4420, 4430)</b>
<b>Issue: Overall savings in salaries and contractual services</b>
<b>Impact to General Fund: \$418,058 savings</b>

The Public Works Department includes the functions of Government Buildings, Auto Shop, Administration, Park Maintenance, and Soto Sports Complex Divisions within the General Fund. The majority of the favorable variance in this department can be attributed to salary savings and lower spending in contractual services. For

simplicity, Public Works will be analyzed in total rather than by individual divisions. Some of the more significant variances include:

- The Government Buildings Division vehicle replacement payment for the 3/4 Ton Pickup with Utility Bed will not be paid until the City receives the equipment later this fiscal year, resulting in a favorable variance of \$45,750.
- The Public Works Administration Division currently has a vacant Assistant Capital Projects Manager position in the third quarter resulting in labor savings of approximately \$199,800.
- The amount billed by PG&E for electricity charges through the third quarter was lower than anticipated resulting in a third quarter favorable variance of \$18,100.
- Minimal contractual services for the Public Works Administration Division were incurred through third quarter resulting in \$44,522 of favorability to the Target. The following table will summarize where these savings occurred:

PW Administration Services	Budget	Target	Expenditures	Variance
Street sweeping services	28,800	21,600	18,900	2,700
Traffic signal services	43,000	32,250	11,445	20,805
Facility Dude Annual Fee	1,000	750	-	750
CIP Consultant Services	7,000	5,250	-	5,250
Charter Communication	600	450	433	17
Misc. consultant services	20,000	15,000	-	15,000
	100,400	75,300	30,778	44,522

- The vacancy of the Maintenance Worker position in the Parks Maintenance division in the third quarter resulted in labor savings of approximately \$62,900.
- The Parks Maintenance Division equipment replacement payment for the Riding Lawn Mower that is being delayed until FY 2024-25 and a portion of the Wood Chipper will not be paid until the City receives the equipment later this fiscal year, resulting in a favorable variance of \$50,250.

Department: Community Development
Division: Various (4301, 4130, 4212)
Issue: Overall savings in salaries and contractual services
Impact to General Fund: \$332,621 savings

The Community Development Department includes the functions of Planning, Engineering, 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. Salary

savings within Community Development is attributed to several staffing variances that occurred through the third quarter of the fiscal year and include:

- The Planning Division filled position vacancies with successive promotions throughout the first half of the fiscal year, resulting in labor savings of approximately \$106,500.
- Minimal contractual services for the Planning Division were incurred through third quarter resulting in \$118,713 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	100,000	75,000	-	75,000
On-Call Environmental Review Services	50,000	37,500	-	37,500
On-Call Planning Services and Misc. Planning Studies	30,000	22,500	16,288	6,212
	180,000	135,000	16,288	118,712

- The City Engineer and Engineering intern positions were vacant in the third quarter resulting in a favorable variance of \$55,200.
- The Building Division contractual services has a variance of \$45,300 related to the timing of invoices from BPR, the City's building services contractor. The March invoice was not received until April resulting in a favorable variance.

## KEY REVENUE VARIANCES BY ACCOUNT FOR THE THIRD QUARTER

Table 4 – General Fund Revenue

General Fund Revenue Variances - Third Quarter					
REVENUE BY CATEGORY	2022-23 Budget	FY 2022-23 Q3 Target	FY 2022-23 Q3 Actuals	Dollar (Unfav)/Fav	% Fav/(Unfav)
Property Tax	\$ 6,079,509	\$ 4,053,006	4,286,473	\$ 233,467	4%
Sales Tax	4,730,375	\$ 2,759,385	3,058,085	298,700	6%
Transient Occ. Tax	1,300,000	\$ 866,667	992,542	125,874	10%
Property Tax in Lieu of VLF	1,933,600	\$ 966,800	1,007,376	40,576	2%
Franchise Fees	703,900	\$ 469,267	395,336	(73,931)	-11%
License & Permit Fees	431,100	\$ 323,325	394,110	70,785	16%
User Fees	536,800	\$ 402,600	502,203	99,603	19%
Planning Fees	353,700	\$ 265,275	301,129	35,854	10%
Recreation Fees	822,610	\$ 616,958	553,189	(63,769)	-8%
Transfers In	3,012,700	\$ 2,259,525	2,216,025	(43,500)	-1%
Other Revenue	1,223,738	\$ 917,804	413,147	(504,657)	-41%
<b>TOTAL</b>	<b>21,128,032</b>	<b>\$ 13,900,612</b>	<b>14,119,615</b>	<b>219,003</b>	<b>1%</b>

As reflected in Table 4, third quarter actual revenue was higher than the Target by \$219,003. This table uses a Target of 65.8% that more accurately reflects the anticipated revenues to be received in the third quarter of the fiscal year. Property Tax, Sales Tax and Transient Occupancy Tax are all trending to show positive results when compared to the Target through the third quarter. A more detailed discussion is included below to help explain actual revenue variances through third 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 second property tax bill at the end of September or early October, with a due date of November 1<sup>st</sup>. Most of the property tax related to the first installment was received in December 2022. The second property tax bill installment is received in April 2023 and will be included in the fourth quarter report. Property tax typically represents around 29% of the City’s annual revenue. The Target is based on eight months of Property Tax revenue. Actual revenue received in this category was higher than this Target in part because many taxpayers made the full payment in December.

**Sales Tax** – Sales tax realization through third quarter is 6% higher than the target. Actual sales tax revenue received through third quarter was \$3,058,085 and represents seven months of payments (Jul – Feb). The Target is also based on seven months of revenue, taking into account the timing of anticipated payments.

**Transient Occupancy Tax (TOT)** – TOT revenue is reflecting an \$125,875 favorable variance to the Target. The Target and actual TOT revenue represents eight 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 (3<sup>rd</sup> quarter) and June (4<sup>th</sup> quarter). The Target for this revenue is 50% at the end of the third quarter of the fiscal year.



**Franchise Fees** – Only eight months of South County Sanitary (Waste Connection) franchise fees were received through the third quarter. In addition, Charter Communications franchise fees earned in the third quarter will not be paid and received until the third quarter. In light of the timing of payments, the Target is based on 8 months of revenue. Without the Charter communications franchise fee receipts, the actual revenue at the end of the third quarter is lower than the Target by \$73,931.

**License & Permit Fees and Planning Fees**– License and permit revenue is above the Target by \$70,785. Planning revenue exceeded the Target by \$35,854. The Target is based on 75% or 9 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 fell short of the Target by \$63,769. The Target is based on 9 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 general fund. The largest variance in this category is related to three revenue accounts. The expense recovery for police vehicles revenue related to the sale of surplus Police Patrol vehicles has not taken place since the new leased vehicles have not yet been received. This results in a revenue shortfall of approximately \$290,250. 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 \$125,000. The revenue from Office of Traffic Safety Grant for Police is a reimbursable grant. A reimbursement for approximately \$108,900 was submitted in April and is anticipated to be received before the end of the fiscal year and should correct the variance related to this specific grant.

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## SECTION 2: POSITION CHANGES AND HEADCOUNT NUMBERS

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

None made during this quarter.

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

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

Department	Adopted Budget Headcount (FTE's)	Vacancies (3rd Qtr)	% of Total	Vacant Positions
City Manager & Human Resources	3	-	4%	
Administrative Services	7	1	9%	IT Manager
Community Development	10	2	13%	City Engineer and Permit Tech.
Legislative & Info Services	2	-	3%	
Police Services	29	1	37%	Police Officer
Public Works	24	2	31%	Maintenance Worker and Assistant Capital Projects Manager
Recreation Services	3	-	4%	
<b>Total</b>	<b>78</b>	<b>6</b>	<b>100%</b>	

### EMPLOYEE VACANCY RATE

The City's employee vacancy rate at the end of the third quarter of FY 2022-23 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 Council apprised of the status of the City's Capital Improvement Projects (CIP).

Project Number	Project	Fund	Budget FY 2022-23*	Current Status	Project Budget Expended
350-5564	Elm St. Park Playground Structure	State Grant/Donations/Park Improvement/Sales Tax	\$ 280,703	Completed	\$ 250,372
350-5607	Pedestrian Crossing Enhancements	HSIP/RSHA	\$ 370,977	Completed	\$ 328,456
350-5795	Oak Park Boulevard / El Camino Real Storm Drain System	ARPA	\$ 384,570	Completed	\$ 218,382
612-5821	Trenchless Sewer Rehabilitation - Wood, Sandalwood, Cameron, Woodland Backyards	ARPA	\$ 246,777	Completed	\$ 145,111
350-5797	Storm Drain System at 251 East Grand Avenue	ARPA	\$ 14,731	Completed	\$ 3,176
350-5515	Various Park Renovations	Park Improvement	\$ 43,418	In Progress	\$ 31,761
350-5563	Citywide Trash/Recycle Receptacle Replacement	Park Improvement	\$ 1,582	In Progress	\$ -
350-5565	Soto Sports Complex Fencing Repairs	Park Improvement	\$ 17,952	In Progress	\$ 11,250
350-5612	Systematic Safety Analysis Report Program (SSARP)	General	\$ 2,664	In Progress	\$ -
350-5614	Bridge Street Bridge Habitat Mitigation	HBP	\$ 48,628	In Progress	\$ 49,971
350-5620	Swinging Bridge Rehabilitation	Sales Tax	\$ 1,160,474	In Progress	\$ 24,387
350-5658	Sidewalk Repairs and Improvements	Sales Tax/CDBG	\$ 205,924	In Progress	\$ 50,258
350-5679	Traffic Way Bridge Replacement	HBP/Sales Tax	\$ 629,030	In Progress	\$ 85,369
350-5463	Woman's Club Improvements	Sales Tax/Donations	\$ 4,367	In Progress	\$ 1,345
350-5473	Replacement Generator at Station 1 Fuel Management System/Dispenser	Other Gov Agencies/General/Sales Tax	\$ 660,911	In Progress	\$ 36,647
350-5474	Replacement	General/Sewer/Water/Sales Tax	\$ 64,350	In Progress	\$ 33,333
350-5540	Central Irrigation Controls	Park Improvement	\$ 15,000	In Progress	\$ 5,253
350-5559	ADA Drinking Fountains	Park Improvement	\$ 12,484	In Progress	\$ -
350-5681	Fair Oaks/Halcyon Road Traffic Signal Update	Traffic Signalization	\$ 40,000	In Progress	\$ 14,137
640-5944	Water Well #11 Facilities	Water Availability	\$ 42,771	In Progress	\$ -
640-5946	Galvanized Service Replacements	Water	\$ 88,093	In Progress	\$ 20,183
640-5975	Central Coast Blue	Water Availability	\$ 1,774,574	In Progress	\$ 1
350-5638	Pavement Management Program	USHA/General/SB1/Sales Tax	\$ 5,407,698	In Progress	\$ 717,961
612-5852	The Pike Sewer Line Replacement	Sewer	\$ 24,977	In Progress	\$ -
350-5621	Arroyo Grande Creek Stabilization	Sales Tax	\$ 40,000	In Progress	\$ 12,000
350-5453	Financial Management Software	Sewer/Water/Sales Tax	\$ 225,000	In Progress	\$ -
350-5468	Public Safety Video Cameras	COPS/Sales Tax	\$ 125,000	In Progress	\$ -
350-5472	Network Switch Replacement	Sales Tax	\$ 24,000	In Progress	\$ -
640-5953	SCADA Software/Electronics Upgrade	Water	\$ 229,900	In Progress	\$ -
350-5450	Corporation Yard Renovations	General/Sewer/Water/Sales Tax	\$ 80,502	In Progress	\$ -
350-5476	City Hall Front Door ADA (CDBG)	CDBG	\$ 53,341	In Progress	\$ -
350-5422	Le Point Street Parking Lot Expansion	Sales Tax	\$ 85,000	In Progress	\$ 2,699
350-5695	Active Transportation Plan	ATP/Sales Tax	\$ 125,000	In Progress	\$ -
350-5794	Corrugated Metal Pipe (CMP) Lining	Sales Tax/ARPA	\$ 500,000	In Progress	\$ -

Project Number	Project	Fund	Budget FY 2022-23*	Current Status	Project Budget Expended
640-5911	Phased Mains Replacement - South Halcyon Road, Cornwall Street to Fair Oaks Avenue	Water Facility/ARPA	\$ 719,474	In Progress	\$ -
350-5566	Various Open Space Fire / Fuel Management	Sales Tax	\$ 100,000	In Progress	\$ 4,100
350-5601	Fair Oaks/Orchard Avenue Intersection Improvements	Developer	\$ 50,000	In Progress	\$ -
350-5470	Report Management System (RMS) Upgrade at PD	COPS	\$ 150,000	In Progress	\$ -
350-5556	Recreation Services / Community Center Building	Sales Tax	\$ 46,195	In Progress	\$ -
350-5796	Storm Water Master Plan Update / Watershed Management Plan	ARPA	\$ 222,500	In Progress	\$ -
350-5642	Brisco Road / US 101 Interchange	RSHA/STIP/MPDG/ Traffic Signalization /Transportation Facility	\$ 1,407,468	This Project is No Longer Happening	\$ -
612-5849	Maintenance Hole Rehabilitation	Developer/Sewer	\$ 69,842	Not Started	\$ -
350-5629	Guardrail Replacement	Sales Tax	\$ 55,000	Not Started	\$ -
350-5430	Short Street Plaza	General	\$ 30,000	Not Started	\$ -
350-5554	Soto Sports Complex ADA Bleachers	Park Improvement	\$ 15,000	Not Started	\$ -
640-5973	Phased Main Replacement - Highway 101 Crossing Upgrade, El Camino Real to West Branch Street	ARPA	\$ 291,200	Not Started	\$ -
612-5826	Trenchless Sewer Rehabilitation - Woodland Drive and Ash Street	Developer/Sewer	\$ 132,200	Not Started	\$ -

## SECTION 4: APPROPRIATION TRANSFERS AND BUDGET ADJUSTMENTS

### **Administrative and Previously-Approved Third Quarter Budget Adjustments**

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

Water Fund: Reallocated \$20,000 of budgeted expenditures within the Water Fund from the Maintenance: Machinery and Equipment line item to the newly created Central Coast Blue (CCB) Operating expenditures line item. The Central Coast Blue Regional Recycled Water Authority Board of Directors approved an operating Budget for the remainder of FY 2022-23 on March 22, 2023. The total budget is \$78,580, and Arroyo Grande's 25% share is \$19,645.

Administrative Services Department: Appropriated funds for 2 budget adjustments reviewed in the Second Quarter Financial Status Report that have been completed and are listed below:

- \$75,000 Administrative Services Department: The IT Division had two failed recruitments for IT Manager since the retirement of the City's long-term employee in August 2022. Since that time, staff used an existing Consultant for staff augmentation support. This budget request reallocated \$75,000 from salary savings to consultant services within the IT Division.
- \$100,000 Public Works Department: The Public Works Administrative Divisions has had an employee taking long-term leave. Contractual services have been required in order to continue providing CIP management services to City staff and the community. Additionally, this division had two vacancies, its Associate Engineer and Administrative Secretary positions, in the second quarter resulting in labor savings of approximately \$100,000. This budget request reallocated \$100,000 from salary savings to consultant services to provide CIP Support necessitated by employee leave in the Department.

### **Additional Requested Third Quarter Budget Adjustments**

In addition to the adjustments described above, four new budget adjustments are proposed for approval along with the review and receipt of this report.

- \$337,401 Administrative Services Department: The Non-Departmental Division budget includes \$550,000 for funding as a true-up payment to the Five Cities Fire Authority (FCFA) for the City's share of accrued actuarial liability for employees who worked for the City before the FCFA was formed. The FCFA was formed in July 2010 as a Joint Powers Authority. At that time, the FCFA became the employer for fire safety personnel previously employed by its member agencies. The City of Grover Beach and the Oceano Community Services District retained the CalPERS liabilities for the past service of their employees. No new CalPERS plan was created for the FCFA and, instead, all FCFA employees have been covered under the City of Arroyo Grande's CalPERS pension plans. As a result, the City's CalPERS plans include liabilities for employees and retirees of the City and of FCFA. Since the JPA was formed, FCFA has paid the full costs of the City's Fire Safety CalPERS plans. As a result, the FCFA has been paying the CalPERS liabilities of City of Arroyo Grande employees that were incurred before the FCFA was formed. The FCFA retained the actuarial firm Foster & Foster to calculate the actuarial accrued liability (AAL) for each person in the Fire Safety Classic tier, mirroring CalPERS actuarial valuation methods and assumptions. The actual cost the City owes FCFA is \$887,401, which is \$337,401 more than is currently budgeted. It is requested that the City Council approve a budget adjustment in the amount of \$337,401 from the General Fund balance to appropriate sufficient funds for the City to pay the total amount

owed to the FCFA for its past CalPERS payments on behalf of Arroyo Grande fire personnel employed by the City prior to formation of the Authority.

- \$18,433 Public Works Department: The Public Works Governmental Building Division budgeted \$61,000 for a 3/4 Ton Pickup with Utility Bed. Vehicle and Equipment costs continue to increase with supply chain issues continuing to play a factor on replacing equipment. The truck has been received but the cost for the utility bed has increased. Therefore, the Department is requesting an additional amount of \$18,433 to outfit the Utility Bed of the Pickup Truck.
- \$20,000 Public Works Department: The Public Utilities Division is requesting to increase its Water Availability Rebates budget by \$20,000 to continue to offer the Cash for Grass program to residents. This increase is based on direction provided by Council at the March 28, 2023, meeting when the Stage 1 Water Shortage Emergency was rescinded to continue to encourage water conservation for the community.
- \$22,830 Legislative & Information Services Department: The Legislative & Information Services Department received the final invoice from the County Clerk-Recorder for costs related to the November 2022 election totaling \$52,829.13. This is substantially more than the \$30,000 originally budgeted. The County Clerk-Recorder's Office stated the increase in cost for the election is due to additional mandated requirements, such as sending every voter a vote-by-mail ballot, city council districts, as well as general increases in the cost of supplies, postage, and labor.