

## City of Arroyo Grande Fiscal Year 2019-20 Year-End Financial Status Report

### INTRODUCTION

The following report is an overview of the City's fiscal position at the end of Fiscal Year (FY) 2019-20. The purpose of this report is to update the public and the City Council on the City's financial position at year-end and compare actual results to the Adjusted Budget to determine the City's performance.

The report is organized in the following sections:

**Section 1** – an overview of City's financial position at the end of the FY 2019-20, as well as brief explanations of significant variances to the budget.

**Section 2** – a listing of Budget Amendment Requests made throughout the year.

**Section 3** – a listing of any personnel changes occurring during the year and a summary of headcount by department. This section also includes the City's calculated vacancy rate.

**Section 4** – an update on the Capital Improvement Projects (CIP) managed by the Public Works and Community Development Departments. This section includes CIP that were completed along with their final cost.

#### The FY 2019-20 Budget Highlights

Like most municipal agencies in California, the City of Arroyo Grande has faced budget challenges over the years, most notably from rising pension and health care costs. The FY 2018-20 Biennial Budget was no exception. City staff presented a 10-year Financial Forecast prior to the budget development process which revealed that significant cost increases to the City's California Public Employees' Retirement System (CalPERS) pension plan were imminent and would lead to a situation where expenses would exceed revenue for the next decade. With the results of the 10-Year Financial Forecast as the impetus, the City Council met over five public meetings to discuss budget priorities and budget balancing strategies to address the forecasted shortfall. As a result of these meetings, the City Council made significant changes within the budget to address the fiscal imbalance. Some of the difficult choices included a number of recommended efficiency measures, which resulted in reduced operating budgets; prepayment of the CalPERS unfunded liability to reduce future retirement costs; revenue enhancements, which included significant increases in fees; and staffing reductions.

## COVID-19 Pandemic

During the third quarter of FY 2019-20, incidences of the COVID-19 virus were being detected outside of China and shortly the virus began spreading to other parts of the world. The first confirmed case of COVID-19 in the United States occurred in Snohomish County, Washington on January 21, 2020. California's first confirmed COVID-19 case occurred on January 26, 2020, and San Luis Obispo County had its first case on March 14, 2020. In an effort to curtail the spread of COVID-19, Governor Gavin Newsom declared a State of Emergency on March 4, 2020. On March 16, 2020, the Arroyo Grande City Manager proclaimed a local emergency in the City and the City Council ratified the proclamation at its next regular City Council meeting on March 24, 2020. In an effort to slow the spread of the virus, a Shelter-at-Home Order, which mandated cessation of non-essential activities and gatherings, was initiated on March 19, 2020, to prevent further transmission of this highly communicable virus. The Shelter-at-Home directive, limiting residents' movement and the closing of nonessential businesses, has had a significant impact on how the City conducts business and more specifically on the City's ability to generate revenue.

At the onset of the virus, the City chose to take a proactive approach to understanding and addressing the financial impacts as a result of the COVID-19 pandemic. One of the City's first actions in response to the virus was to develop a current year Financial Forecast to quantify the financial impacts resulting from the Shelter-at-Home Order. At the April 14, 2020 City Council meeting, Council reviewed and discussed potential impacts to the City's revenue stream as a result of COVID-19. Staff estimated that revenues in FY 2019-20 would be negatively impacted by approximately \$1.2 million dollars due to the COVID-19 pandemic. At subsequent City Council meetings (April 28, 2020, and May 12, 2020), the City Council approved short-term cost containment strategies to address the anticipated revenue shortfall. These strategies included implementing a hiring and travel chill, identifying operating cost savings, and use of one-time available reserves to offset a portion of the reduced revenue (including \$439,700 in expenditure savings mistakenly identified in the April 28, 2020 agenda item). The City's cost containment strategies identified roughly \$586,000 in expenditure savings and the remaining \$647,000 shortfall would be addressed by using available General Fund reserves.

In addition to providing some insight on the fiscal challenges faced during the FY 2018-20 Biennial Budget and the unique set of challenges in the current year attributed to the COVID-19 pandemic, the following Section 1 will focus on the City's financial performance, including variances to revenue and expenditures and the degree to which COVID-19 has had an impact on both.

**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 on primarily 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 payable 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 two 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 Sanitation District. The other is the Downtown Parking Fund, which collects assessments from Arroyo Grande Village merchants for maintenance of the Village parking lots.

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	City Hall Debt Service	Sewer	Successor Agency to RDA	Downtown Parking
	Administrative Services	Public Access Television		Sewer Facility		
	Community Development	Police Protection Impact	Water			
	Police Department	Park Development	Water Facility			
	Recreation Services	Park Improvement	Lopez Water			
	Public Works	Recreation Community Center				
		Grace Lane Assessment District				
		Parkside Assessment District				
		Street (Gas Tax)				
		Traffic Signalization				
		Traffic Circulation				
		Transportation Facility Impact				
		Transportation				
		In-Lieu Water Neutralization				
		In-Lieu Affordable Housing				
		Tourism Business Improvement Dist.				
		Water Availability				
		CDBG Grant Fund				
		State COPS Block Grant				

## CURRENT YEAR ACTUALS COMPARED TO PRIOR YEAR

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The table below reflects the year-end status of revenue and expenditures for all Governmental Funds as well as the City's General Fund for a two-year period.

Governmental Funds		
	FY 2018-19	FY 2019-20
Revenue	\$ 24,085,605	\$ 24,550,039
Expenditures	\$ 23,736,903	\$ 22,848,639
General Fund		
	FY 2018-19	FY 2019-20
Revenue	\$ 18,608,864	\$ 18,773,758
Expenditures	\$ 20,683,635	\$ 18,762,014

The following discussion focuses on both the City's Governmental Funds and the General Fund and provides a comparison between actual and prior year results for both revenue and expenditures. The Governmental Funds category includes Special Revenue Funds, Debt Service Funds, as well as the General Fund.

Governmental Funds - At year-end, Governmental Fund revenue was 2%, or \$464,434, above the prior year and expenditures were lower by \$888,264 (4%), both reflecting positive performance. The revenue increase from the prior year was primarily due to an increase in property taxes received. The variance in expenditures can be narrowed down to three significant variances, two centered around employee retirement costs and the third is related to an increase in the cost of CIP projects funded through the City's Local Sales Tax Fund. Their explanation is as follows:

- The City made two prepayments to the CalPERS retirement system within the past two years to pay down its unfunded liability obligation. One payment of \$3 million was made in FY 2018-19 and the other payment of \$2 million was made in FY 2019-20. The variance between the two payments (\$3M versus \$2M) is contributing to the savings variance between years.
- The Safety Plan is the specific retirement plan for Police department staff, as opposed to the Miscellaneous Plan which covers all other City staff. The City's retirement plans include the "Normal" cost of CalPERS retirement obligations, in addition to the portion of "Unfunded Liability Costs" the City is also responsible to pay. In FY 2018-19, the City paid approximately \$481,000 more in the Safety Plan's unfunded liability payment than was required to pay in FY 2019-20. The amount payable for the unfunded liability payment is determined annually by CalPERS.
- The Local Sales Tax Fund, which is the half cent sales tax derived through Measure O-06, is used to fund a number of CIP projects. The amount of Local Sales Tax used to pay for CIP projects increased by \$648,000 from FY 2018-19 to FY 2019-20, offsetting the labor savings identified above.

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 was less than one

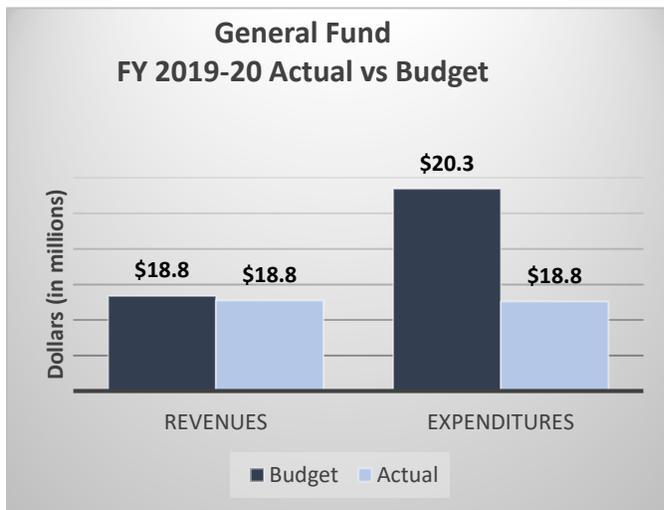
percent (1%) higher than the prior year and expenditures were 9% or \$2.0 million lower, both positive performance indicators.

- The favorable expenditure variance can once again be explained by the favorable variance in the CalPERS retirement costs for the City’s Safety Plan, which included the \$1 million dollar payment difference between the two unfunded liability prepayments between the years.
- The current fire services agreement with Five Cities Fire Authority (FCFA) is paid with both General Funds and Local Sales Tax funds. In FY 2019-20, the cost for FCFA service was paid using both General Fund and Local Sales Tax dollars, based on a set budgeted amount. In FY 2018-19, the cost of fire services was paid entirely from the General Fund, unlike FY 2019-20 where the Local Sales Tax fund paid a portion of FCFA costs. Using the Local Sales Tax fund to pay for a portion of the cost in FY 2019-20 resulted in a \$471,600 variance between fiscal years.

## GENERAL FUND IMPACTS

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The following discussion focuses on the City’s General Fund performance. The chart below starts off with a simple overview of General Fund performance compared to the budget. This is followed with an extensive look at expenditures, more specifically FY 2019-20 actual expenditures compared to the Adopted Budget. Lastly, a discussion on revenue is included which compares actual results to both the Adjusted Budget and latest Forecast, which factored in anticipated impacts due to COVID-19.



The chart to the left shows a simple comparison of actual revenue and expenditures to the budget. Both General Fund revenue columns reflect \$18.8 million when rounded. The revenue variance is less than 1%. However, actual expenditures totaled \$18.8 million for the year, or 8.2% less than the \$20.3 million Adjusted Budget. In total, actual expenditures ended the year \$1.6 million lower than the Adjusted Budget. Additional information on General Fund revenue and expenditure variances are discussed in more detail further within this report.

Expense Category	FY 2019-20	% of
	Actuals	Actuals
Personnel Costs	\$ 12,405,475	66%
Operating Costs	5,717,506	30%
Debt Service	134,822	1%
Capital Outlay	134,614	1%
Transfers Out	369,597	2%
<b>Total</b>	<b>\$ 18,762,014</b>	

The table to the left reflects major cost categories within the General Fund. This chart is intended to explain where the City's resources are spent. With total expenditures of \$18.8 million, 66% of the City's cost is associated with personnel costs, 30% with operating and maintenance costs, 2% with transfers to other funds (primarily transfers to CIP Fund), and 1% each for the City's debt service and capital outlays.

Table 1 below shows the year-end status of all General Fund operating departments/divisions expenditures. Some departments include more than one division. However, the Divisions are consolidated under their respective department, rather than reflected individually within the table.

Table 1 – General Fund by Department

General Fund Department Variances - Year End				
General Fund Department (and Divisions)	2019-20 Adjusted Budget	2019-20 Actual Results	Dollar Fav/(Unfav)	% Fav/(Unfav)
City Administration	1,054,800	984,426	70,374	7%
Legislative & Information Services	1,145,769	1,060,845	84,924	7%
Administration Services	4,755,143	4,236,841	518,302	11%
Community Development	2,130,108	1,833,473	296,635	14%
Police Department	8,485,969	7,828,943	657,026	8%
Recreation Services	1,128,500	899,786	228,714	20%
Public Works	2,082,751	1,917,700	165,051	8%
Subtotal	20,783,040	18,762,014	2,021,026	10%
Expenditure Savings	(439,700)	-	(439,700)	100%
<b>TOTAL EXPEDITURES</b>	<b>20,343,340</b>	<b>18,762,014</b>	<b>1,581,326</b>	<b>8%</b>

Overall, expenditures were under the Adjusted Budget by 8% or \$1.6 million. As was discussed, at the onset of the COVID-19 pandemic, the City took a proactive approach in an effort to understand and address the financial impacts due to COVID-19. The City Council approved a number of short-term cost containment strategies to address anticipated revenue shortfalls. This played a significant role in the overall expenditure savings for the year. A more detailed explanation of expenditure variances by individual department/division is provided below.

## KEY EXPENDITURE VARIANCES FOR INDIVIDUAL DIVISIONS/DEPARTMENTS FOR FISCAL YEAR 2019-20

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Department: City Administration
Division: 4101-City Manager
Issue: Overall savings in salaries and contractual services
Impact to General Fund: \$35,675 savings
Service Level Impact: None

Overall, the City Manager Division came in favorable by \$40,836. The City Manager Division mainly functions to capture the labor costs and expenditures incurred by the City Manager. The City Manager position became vacant starting in May when the former City Manager resigned. The position remained vacant for the

remainder of the fiscal year, contributing to a favorable variance in salaries and benefits of \$52,658. However, all but approximately \$10,675 of this salary savings was offset by the City Manager's leave payout.

In addition, a mid-year Budget Amendment Request (BAR) was approved in March 2020 to increase appropriations for contracted services associated with promotion and education of a proposed ballot measure for a Local Sales Tax Initiative. A budget of \$25,000 was approved in order to retain a professional outreach firm to engage in public education efforts regarding the need for an increase in the City's Local Sales Tax funding to increase vital public safety, street and sidewalk maintenance, and other infrastructure needs. However, the City Council did not approve placement of the Local Sales Tax Measure on the November 2020 ballot and thus the money was never spent.

Department: Administrative Services
Division: 4120-Administrative Services
Issue: Overall savings in salaries and workers compensation costs
Impact to General Fund: \$147,612 savings
Service Level Impact: None

The Administrative Services Department includes the City's Fiscal as well as Human Resources functions. The Division posted overall salary savings of \$152,943 for the year. The majority of the salary savings is attributed to two factors:

- Salary savings resulting from the vacancy of the Administrative Services Director position for a portion of the fiscal year (\$45,612).
- Prior to the start of the 2019-20 fiscal year, it was determined that workers' compensation costs were going to be \$102,000 higher than originally budgeted. To reflect the anticipated increase in the budget, a budget adjustment was made increasing the Administrative Services Division's budget for the full \$102,000. However, past practice is to allocate actual workers' compensation costs by division, rather than charge the whole amount to Administrative Services. The net impact would reflect workers' compensation cost savings in the Administrative Services' Division and an unbudgeted cost for each department, nullifying any overall impact city-wide.

Department: Community Development
Division: 4130-Community Development
Issue: Savings in contractual services
Impact to General Fund: \$185,468 savings
Service Level Impact: None

The Community Development Department ended the year \$207,641 under the Adjusted Budget. The majority of the savings (\$185,468) occurred within the contractual services account. This savings is related to a carryover budget adjustment made at the beginning of

the fiscal year to increase appropriations for contractual services required to complete a number of

planning elements within the year; however, not all those elements were completed nor services rendered in FY 2019-20.

Department: Community Development
Division: 4301-Engineering
Issue: Salary savings due to staffing impacts during the fiscal year
Impact to General Fund: \$79,728 savings
Service Level Impact: None

Salary savings of \$79,728 within the Engineering Division is not attributed to any one specific factor, rather it is a result of a number of staffing changes occurring during the year that include:

- A Community Development Department (CDD) staff member was on maternity leave and the position was not backfilled.
- A vacancy occurred within the part-time CDD Intern position for the year.
- Savings is attributed to an Engineer position budgeted at the higher paying Associate Engineer position, yet filled during the year at a lower paying Assistant Engineer job classification.

Department: Administrative Services
Division: 4145-Non Departmental
Issue: Savings in contractual services and utility costs
Impact to General Fund: \$360,777 savings
Service Level Impact: None

The Non Departmental Division is set up to capture overhead costs that are not specific and can't be linked to any one division. For example, this Division includes all of the City's insurance costs, utilities costs, and payment for Five Cities Fire Authority (FCFA). The majority of the \$299,000 savings in the division was the

result of an over estimation of contractual services included during the FY 2019-20 budget development process. This oversight was not identified until later in the fiscal year.

In addition, utility costs for the City were favorable by \$61,777. An analysis of the actual utility costs (water, cable, electric, gas) revealed that over the past three years, utility costs have typically been below their budgeted amount. As part of the FY 2020-21 budget, budgeted utility costs were reduced by 7% to account for declining utility costs.

Department: Police Services
Division: Various (4201,4203,4204)
Issue: Overall savings in a number of Police expenditure accounts the majority of which is salary savings
Impact to General Fund: \$647,000 savings
Service Level Impact: None

For simplicity, Police Services will be analyzed in total rather than by individual divisions. Overall, the Police Services expenditures were favorable to the adjusted budget by \$656,426. Some of the more significant variances include:

- The majority of the Police Department's favorable variance is attributed to salary savings, the result of vacant permanent Police Officer positions during the fiscal year. In April 2020, the City imposed a hiring chill to increase salary savings to offset the impacts of COVID-19. The Department ended the year with three vacant permanent Police Officer positions. While not all three positions remained vacant throughout the year, they remained vacant for long enough to generate approximately \$269,000 in salary savings.

- The Police Support Services budget included six (6) part-time Police positions each providing a number of policing services. Vacancies within these positions resulted in salary savings of approximately \$89,000.
- The actual amount of CalPERS retirement costs specific to the Police Department was \$175,733, or 6% under the amount budgeted. The majority of the CalPERS savings was attributed to a reduction in the amount of unfunded liability the City was required to pay. Unfunded retirement liability is budgeted based on estimates provided by CalPERS' Actuarial Office, whose original estimate was overstated.
- Travel and training costs are favorable by \$16,228. The Police Department's training and travel costs were favorable prior to COVID-19; however, additional savings were realized due to the City's travel chill implemented in the fourth quarter.
- Total Police Department contracted services ended the year \$41,762 under the Adopted Budget. The Police Administration Division budgeted for various contractual services during the fiscal year, but some of those services were never incurred or were contracted for a lesser amount resulting in a \$24,322 variance. In addition, the actual cost for Animal Control Services, contracted through the County's Animal Services Department, was lower by \$17,440.
- The Police Department's standard practice has been to purchase vehicles through a lease to purchase program over a period of four years. The lease for Police Administrative vehicles expired in May 2019 of the previous fiscal year. The City now owns these vehicles due to the expiration of their leases. While a leased cost to replace these vehicles was budgeted in FY 2019-20, the delay in not replacing these vehicles within the year reflects a \$54,969 savings.

Department: Public Works
Division: 4307-Public Works Admin
Issue: Savings in salaries, contractual services and power accounts.
Impact to General Fund: \$64,511 savings
Service Level Impact: None

Overall, the Public Works Administration Division reflected a 10% or \$98,264 favorable variance compared to the Adjusted Budget. The Public Works Administration Division includes administrative staff as well as the City's contracted services for street sweeping, traffic signal maintenance, and other smaller

consulting services. The budget also includes the cost of providing street lighting throughout the City. The major variances within this division are explained as follows:

- Actual salary and benefits were favorable by \$32,993, the result of the Capital Projects Engineer's time being allocated to the Bridge Street Project (fund 350-Capital Improvement Projects) in anticipation of reimbursement from Caltrans. Originally, this position was budgeted 100% in the General Fund.
- The contractual services account was 33%, or \$30,451, under the Adopted Budget. The majority of this variance was related to savings for traffic signal maintenance. Actuals have been consistently lower the past couple of years and a lower amount will be reflected in future budgets.
- PG&E is responsible for repairs and maintenance of street lighting, while the City pays the cost of that lighting. The City's cost for street lighting was favorable to the Adopted Budget by 14% or \$34,060. The City's street lights were converted to LED lighting in the first half of FY 2018-19. Savings in the current year is attributed to switching to the more efficient LED lighting, which was budgeted prior to the LED upgrades.

Department: Recreation Services
Division: 4421-Recreation Administration
Issue: Savings in salaries
Impact to General Fund: \$104,682 savings
Service Level Impact: Due to COVID-19, most Recreation Services were suspended in mid-March.

The Recreation Services Administration Division includes administrative staff responsible for managing the number of recreation services provided by the City. The Division captures labor costs for both the Director of Recreation Services and two Recreation Supervisors, one of which splits her time (25% Recreation & 75% Child Services). The Division also includes five (5) part-time staff to manage sports facilities and provide overall support to administrative staff.

- The salary savings is attributed to a partial year vacancy in the Recreation Supervisor position. In addition, the position was eventually filled as a Recreation Coordinator position rather than the costlier Recreation Supervisor position.
- Part-time Recreational staff were furloughed for the final quarter of the year due to COVID-19, resulting in approximately \$43,000 in savings.

## KEY REVENUE VARIANCES BY ACCOUNT FOR THE FISCAL YEAR

Table 2 – General Fund Revenue

General Fund Revenue Variances - Year End					
REVENUE BY CATEGORY	FY 2019-20 Budgeted	FY 2019-20 Forecasted	FY 2019-20 Actual	Budget vs Actual (Unfav)/Fav	Fcst vs Actual (Unfav)/Fav
Property Tax	5,351,600	5,131,000	5,510,258	158,658	379,258
Sales Tax	4,142,700	3,595,000	4,171,130	28,430	576,130
Transient Occ. Tax	1,141,500	839,000	927,052	(214,448)	88,052
Franchise Fees	689,500	690,000	652,362	(37,138)	(37,638)
License & Permit Fees	597,300	677,000	619,720	22,420	(57,280)
Triple Flip-VLF	1,719,000	1,741,000	1,740,876	21,876	(124)
User Fees	461,700	485,000	544,738	83,038	59,738
Planning Fees	514,100	514,000	571,419	57,319	57,419
Recreation Fees	795,200	612,000	594,142	(201,058)	(17,858)
Transfers In	2,638,000	2,638,000	2,637,996	(4)	(4)
Other Revenue (minor variances)	787,847	739,000	804,065	16,218	65,065
<b>TOTAL</b>	<b>18,838,447</b>	<b>17,661,000</b>	<b>18,773,758</b>	<b>(64,689)</b>	<b>1,112,758</b>

As shown in Table 2, actual revenue fell short of the Adjusted Budget by only \$64,689 for the year. The Forecast developed at the start of the COVID-19 pandemic (included in Table 2) anticipated an overall shortfall of \$1.2 million in revenue by year's end. At the time of the Forecast, all indicators pointed to significant revenue reductions due to the Shelter-at-Home directive and the closure of many local businesses. The pessimistic view of revenue in the final quarter of 2020 was based on the economic realities at the time, which included the largest increase in the unemployment rate on record dating back to 1939, as well as a record drop in consumer spending as the economy retrenched amid COVID-19. In hindsight, that pessimistic view of the economy did not materialize in the significant revenue reductions forecasted. Originally, the Forecast anticipated decreases in the following revenue accounts: Sales Tax (\$547,700), Transient Occupancy Tax (TOT) (\$302,500), Property Tax (\$220,600) and Recreation Fees (\$183,200). A more detailed discussion is included below to help explain actual revenue variances compared to the Adjusted Budget and the Forecast.

**Property Tax** – Property tax ended the year favorable by \$158,658, or 3% above the Adjusted Budget. While the Forecast assumed property taxes would end the year \$220,600 below the Adjusted Budget based on estimates provided by the County’s Auditor/Controller Department, actual property tax receipts exceeded the Forecast by \$379,000. Property tax collected grew 14% over the previous fiscal year.

**Sales Tax** – Actual sales tax revenue exceeded the Adjusted Budget by \$28,430 (1%) and the Forecast by \$576,130. In the first three quarters of the fiscal year, sales tax remained on target and benefited from California’s implementation of the *Wayfair v. South Dakota* ruling that requires out-of-state retailers to collect and remit sales tax on merchandise sold to California customers. The ruling has led overall to increased sales tax statewide. However, in the final quarter of the year, sales tax revenues were forecasted to decline due to the consequences of COVID-19 as previously discussed.

Unexpectedly, certain business categories like building and construction, online shopping, general consumer goods, and food and drugs continued to show strong sales tax receipts during the pandemic and exceeded expectations. Other business categories like restaurants and hotels, auto and transportation were moderately impacted (20% decline in sales tax); whereas, fuel and service stations were impacted the most (50% > decline). Fortunately, the City received a large and unexpected one-time payment of sales tax in the fourth quarter in the amount of \$101,000, paid by a local construction firm for the purchase of a large piece of construction equipment.

**Transient Occupancy Tax (TOT)** – TOT revenue fell short of the Adjusted Budget by \$214,448. This shortfall was expected due to the Shelter-at-Home order implemented in mid-March, which closed or severely limited most lodging establishments for an extended period. However, TOT revenue exceeded the Forecast by \$88,052 or 10%, even though falling short of the Adjusted Budget.

**License & Permit Fees** – License and permit revenue exceeded the Adjusted Budget by \$22,420, primarily due to increased revenue in electrical and excavation permits. However, the Forecast predicted an increase in permit fees for the final quarter based on a run rate through the first nine-months. This increase did not materialize and permit revenue fell short by \$57,280.

**User Fees** – User fees exceeded both the Adjusted Budget and Forecast by \$75,721 and \$52,421 respectively. The majority of the favorable variance came from increases in park user fees in the first nine-months of the year and an increase in the amount of telecommunication site lease revenue with the addition of two site leases.

**Recreation Fees** – Actual recreation fees fell short of the Adjusted Budget by \$200,990. In mid-March, the Children in Motion program was closed due to COVID-19 restrictions and remained closed through the end of the fiscal year. Other recreational services, such as special interest classes and sports leagues, were also closed during this time frame, negatively impacting recreation fee revenue.

## **FUND BALANCE AVAILABLE**

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The actual Fund Balance Available (FBA) for the General Fund ended the year at \$4.6 million. FBA remained flat for the year because actual revenue only exceeded expenditures by \$11,744. However, the FBA exceeded the Adjusted Budget by \$1.5 million. The ending year-end reserve balance is computed to be 24.6% and exceeds the City's Fund Balance reserve goal of 20%. When using the FY 2019-20 ending FBA of \$4.6 million as the beginning balance for the FY 2020-21 budget, the reserve balance in the current year would increase to 23.8% from a budgeted 18.4%, assuming budget targets are met in the current fiscal year.

## SECTION 2: APPROPRIATION TRANSFERS AND BUDGET ADJUSTMENTS

The City's Administrative Policy C-005 gives the City Council the authority to amend, supplement, or reduce the budget by majority vote. The City Manager has the authority to make administrative changes as long as those changes do not impact the budgeted year-end fund balance. The following adjustments were made during the fiscal year.

\$6,517 Public Works: Transferred appropriations from Public Works contractual services accounts to machinery & equipment to pay for a new vehicle lift in the mechanic's shop.

\$13,204 Community Development: Transferred appropriations from Planning contractual services account to CIP account to complete Local Roadway Safety Project.

\$12,600 Police: Transferred appropriations from the police canine program for the replacement of an antiquated radio repeater.

\$8,567 Community Development: Adding appropriations for unanticipated revenue for peer review by on-call consultant related to grading and drainage work and traffic study for Pilgrim Way.

\$20,000 Capital Improvement: Transferred \$20,000 in projected cost savings from City Hall Roof Replacement capital project to establish a new Recreation Services Building Roof Repairs capital improvement project.

\$31,211 Legislative & Information Services: Increased appropriations to cover settlement agreement pertaining to method of conducting elections and district-based election system.

\$26,000 Community Development: Transferred appropriations from Planning contractual services account to CIP account to begin design plans for the Swinging Bridge.

\$99,608 Capital Improvement: Transferred additional revenue into CIP account to complete Systematic Safety Analysis Report.

\$281,792 Various Departments: Carryover requests in the General Fund from FY 2018-19.

\$10,000 Water: Transferred appropriations from maintenance lines & pump account to water meters account to replace water meters.

\$177,579 Capital Improvement: Transferred appropriations from Local Sales Tax funding from the completed Sierra Drive Drainage Improvements Project and CMP lining program to fund emergency storm drain system repairs on Oak Park Blvd at El Camino Real.

\$18,880 Police: Adding appropriations for unanticipated Nuclear Power Preparedness Program funds from California Office of Emergency Services grant to fund the purchase of a mobile electronic message board.

\$18,333 Parkside Village Assessment: Increase appropriations in the Parkside Village Assessment District for turf and sprinkler replacement.

\$88,949 Various Departments: Increase appropriations to various revenue and expenditure accounts as recommended in the Mid-Year budget presentation to the City Council on 2/25/20, item 11.A.

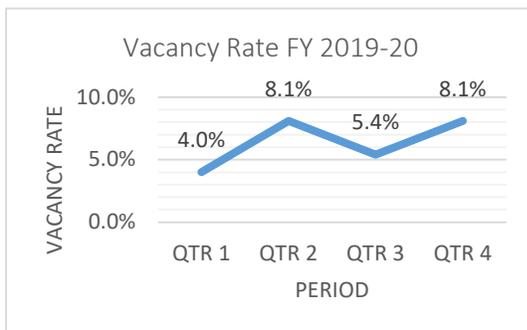
**SECTION 3: POSITION CHANGES**

**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 (end of 4 <sup>th</sup> Qtr.)	% of Total Staffing
<b>City Manager</b>	1.00	1	6.4%
<b>Administrative Services</b>	6.00	0	7.7%
<b>Community Development</b>	10.00	1	12.8%
<b>Legislative &amp; Info Services</b>	4.00	0	5.1%
<b>Police Services</b>	29.00	3	37.2%
<b>Public Works</b>	21.00	1	27.0%
<b>Recreation Services</b>	3.00	0	3.8%
<b>Total</b>	74.00	6	100%

**EMPLOYEE VACANCY RATE**



The City’s employee vacancy rate at the end of the fourth quarter was 8.1%. This equates to 6 vacant positions. The vacancy rate tracks the number of current open permanent positions in comparison to the total number of permanent positions available throughout the City. Up to this point, the City has not tracked the vacancy rate over time. It is the intent that the City will track and report its vacancy rate over time in order to help evaluate potential impacts associated with turnover. Examples of the costs

associated with turnover include the cost of advertising new positions, training, overtime, lowered productivity, and workload balance. The current vacancy rate of 8.1% at the end of the fourth quarter reflects the regular turnover associated with voluntary and involuntary separations, as well as hiring delays brought on by the hiring chill implemented in April 2020 for the remainder of the year.

## SECTION 4: 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). The projects listed below represent projects that were completed in FY 2019-20.

FY 2019-20 Completed Capital Improvement Projects									
Project Title	Comments	Total Amount Budgeted for Project	Total Final Project Costs	% Expended	FY 2019-20 Budget for Project	FY 2019-20 Project Costs	% Expended	Fund Center	Funding Sources
City Hall Roof Replacement	Replace roof on City Hall building	40,000	32,004	80%	40,000	32,004	80%	010	General Fund
Recreation Services Center Roof Repair	Repairs to roof on Recreation Services building	20,000	20,000	100%	20,000	20,000	100%	010	General Fund
Various Park Improvements	Turf and infield renovations at Soto Sports Complex	5,652	5,652	100%	5,652	5,652	100%	214	Park Improvement
ADA Drinking Fountains at Parks	Replace existing drinking fountains with ADA compliant drinking fountains at City parks and facilities	10,000	7,516	75%	10,000	7,516	75%	214	Park Improvement
Pavement Management Program	Annual pavement maintenance on the City's public streets and parking lots	1,746,638	1,053,074	60%	1,746,638	1,029,991	59%	218	Sales Tax, Urban SHA, SB-1
Concrete Repairs	Annual repairs and upgrades to sidewalks throughout the City	190,003	124,343	65%	190,003	107,812	57%	218	Sales Tax
Sierra Drive Drainage Improvements	Redirection of storm water along Sierra Drive to alleviate flooding	214,600	120,679	56%	255	255	100%	218	Sales Tax
Huasna Road/Oro Drive Corrugated Metal Pipe (CMP) and Woodland Drive Sewer Lining	Rehabilitation of deteriorated storm drain and sewer pipe by lining the existing pipes	305,575	269,367	88%	262,930	253,057	96%	218,612	Sales Tax, Sewer Fund
Oak Park Boulevard/El Camino Real Emergency Storm System Repair	Emergency repair project for the failed storm drain system on Oak Park Boulevard at El Camino Real	177,579	136,608	77%	177,579	136,608	77%	218	Sales Tax
Lift Station No. 1 Force Main Replacement	Replace existing 8-inch cast iron force main with an 8-inch PVC force main	1,164,880	866,777	74%	1,079,344	781,241	72%	612,634	Sewer Fund, Sewer Facility, Developer
Galvanized Service Replacements	Replacement of services installed prior to 1980 with new PVC services	129,850	17,630	14%	129,850	17,630	14%	640	Water Fund
Coach Road/Garden Street Pipe Bridge Evaluation	Structural analysis to determine the condition of the steel pipe bridges crossing Arroyo Grande Creek	81,000	47,726	59%	23,808	23,808	100%	640	Water Fund
Well No. 7 Evaluation and Repair	Evaluate existing condition and replace pump and appurtenances at Well No. 7	50,000	46,302	93%	2,316	2,316	100%	241	Water Availability