



CITY OF MORRO BAY

Citizens Oversight Committee

Acting as Citizens Finance Advisory Committee

NOTICE OF REGULAR MEETING

Mission Statement

The City of Morro Bay provides essential public services and infrastructure to maintain a safe, clean and healthy place for residents and visitors to live, work and play.

Agenda

TUESDAY, JULY 17, 2018

VETERANS MEMORIAL HALL – 3:30 PM

209 SURF ST., MORRO BAY, CA

ESTABLISH QUORUM AND CALL TO ORDER

COMMITTEE MEMBERS ANNOUNCEMENTS & PRESENTATIONS

PUBLIC COMMENT PERIOD - Members of the audience wishing to address the Committee on business matters may do so at this time.

To increase the effectiveness of the Public Comment Period, the following rules shall be followed:

- When recognized by the Chairperson, please come forward to the podium, and state your name and address for the record. Comments are to be limited to three minutes.
- All remarks shall be addressed to the Committee, as a whole, and not to any individual member thereof.
- The Committee respectfully requests that you refrain from making slanderous, profane or personal remarks against any elected official, commissioner, committee member and/or staff.
- Please refrain from public displays or outbursts such as unsolicited applause, comments or cheering.
- Any disruptive activities that substantially interfere with the ability of the Committee to carry out its meeting will not be permitted, and offenders will be requested to leave the meeting.
- Your participation in Committee meetings is welcome, and your courtesy will be appreciated.

A. CONSENT CALENDAR

1. APPROVAL OF MINUTES FOR THE MAY 15, 2018, CITIZENS OVERSIGHT/FINANCE ADVISORY COMMITTEE MEETING

B. BUSINESS ITEMS

1. BRIEF FINANCE UPDATE, (Finance Director)

2. RECOMMEND TO THE CITY COUNCIL AUTHORIZATION FOR SOLE SOURCE PURCHASE OF A FIRE ENGINE PUMPER FROM PIERCE MANUFACTURING, (FIRE/FINANCE DIRECTOR)
3. THIRD QUARTER INVESTMENT REPORT (PERIOD ENDING MARCH 31, 2018) FOR FISCAL YEAR 2017/18; (Finance Director)
4. REVIEW OF FISCAL YEAR 2017/18 THIRD QUARTER BUDGET PERFORMANCE AND STATUS REPORT – NINE MONTHS ENDING MARCH 31, 2018, (Finance Director)
5. RECEIVE ORAL PRESENTATION AND DISCUSSION OF OPENGOV TRANSPARENCY PORTAL AND PROVIDE INPUT ON DEPLOYMENT AND TRAINING, (Finance Director and Senior Accounting Technician)
6. FUTURE AGENDA ITEMS

C. SCHEDULE NEXT MEETING

August 21, 2018

D. ADJOURNMENT

THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 72 HOURS PRIOR TO THE DATE AND TIME SET FOR THE MEETING. PLEASE REFER TO THE AGENDA POSTED AT CITY HALL FOR ANY REVISIONS, OR CALL CITY HALL AT 772-6201 FOR FURTHER INFORMATION.

MATERIALS RELATED TO AN ITEM ON THIS AGENDA SUBMITTED TO THE COMMITTEE AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC INSPECTION AT CITY HALL LOCATED AT 595 HARBOR STREET DURING NORMAL BUSINESS HOURS.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE CITY CLERK'S OFFICE AT LEAST 72 HOURS PRIOR TO THE MEETING TO INSURE REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.

**MINUTES – CITIZENS OVERSIGHT/ FINANCE
ADVISORY COMMITTEE
REGULAR MEETING – MAY 15, 2018
VETERANS MEMORIAL HALL – 3:30 P.M.**

MEMBERS PRESENT:	Barbara Spagnola John Martin Dawn Addis Bart Beckman David Betonte John Erwin	Chairperson Vice-Chairperson Member Member Member Member
MEMBERS ABSENT:	Walter Heath	Member
STAFF PRESENT:	Jennifer Callaway Sandy Martin Valerie Webb	Finance Director Budget and Accounting Manager Senior Accounting Technician

ESTABLISH A QUORUM AND CALL TO ORDER

A quorum was established with 6 members present and the meeting was called to order at 3:30 p.m.

COMMITTEE MEMBERS ANNOUNCEMENTS & PRESENTATIONS

The 3rd quarter investment report will be presented to council at the June 26th meeting.

The community is invited to a workshop on the WRF project, 3pm May 16th at the library.

The Morro Bay Open Space Alliance is presenting a benefit concert on June 8th 7-10pm at St Timothy Church.

PUBLIC COMMENT PERIOD

<https://youtu.be/JFZrMAY3Yas?t=5m11s>

No public comment.

A. CONSENT CALENDAR

1. APPROVAL OF MINUTES FOR THE APRIL 25, 2018, SPECIAL CITIZENS OVERSIGHT/FINANCE ADVISORY COMMITTEE MEETING

<https://youtu.be/JFZrMAY3Yas?t=5m46s>

MOTION: Member Addis moved to approve the CFAC meeting minutes of April 25, 2018, without revision. Member Betonte seconded and the motion carried 6-0.

B. BUSINESS ITEMS

1. DISCUSSION OF INPUT ON PROPOSED FY 2018/19 OPERATING AND CAPITAL BUDGETS

<https://youtu.be/JFZrMAY3Yas?t=7m21s>

Council had budget study sessions on May 8th and May 9th
Finance Director Jennifer Callaway reviewed the highlights of those sessions and answered questions from committee members. Topics of discussion included fund balance reserves, legal fees and impact fees. Ms. Callaway also discussed the utility discount program and capital projects, in particular the stairs at Surf Street. Members noted that mindfulness is a good sentiment and goal to have, but encouraged staff to take action to progress toward these goals. The last question was concerning the use of emergency funds to purchase of the Cerrito Peak property.

2. **SUBCOMMITTEE UPDATES**

<https://youtu.be/JFZrMAY3Yas?t=1h41m26s>

None.

3. **FUTURE AGENDA ITEMS**

<https://youtu.be/JFZrMAY3Yas?t=1h41m37s>

3rd Quarter investment report

Budget update including 3rd quarter measure Q

Result of fee study RFP

C. **SCHEDULE NEXT MEETING**

The next Regular Meeting of the Citizens Finance Advisory Committee is scheduled for Tuesday, June 19, 2018.

D. **ADJOURNMENT**

<https://youtu.be/JFZrMAY3Yas?t=1h44m>

The meeting adjourned at 5:15 p.m.

Recorded by:
Valerie Webb



AGENDA NO: B-2

MEETING DATE: July 10, 2018

Staff Report

TO: Citizen’s Finance Advisory Committee

DATE: July 17, 2018

FROM: Steven C. Knuckles, Fire Chief

SUBJECT: Recommend to the City Council authorization for sole source purchase of a Fire Engine Pumper from Pierce Manufacturing

RECOMMENDATION

Staff recommends the Citizen’s Finance Advisory Committee (CFAC) recommend the City Council authorize the sole source purchase of an Arrow XT 1,500 GPM Fire Engine Pumper, from Pierce Manufacturing, in an amount not to exceed \$650,000, since it is the only fire engine manufacture that can service all of Morro Bay’s needs.

ALTERNATIVES

Follow the bidding or open market procedure as described in Morro Bay Municipal Code (MBMC).

FISCAL IMPACT

The Fire Engine Pumper (Engine 5391) will be purchased with funds from the Bertha Shultz Trust (\$275,000, Fund 515-2305), Measure Q (\$60,000, Fund 003), Government Impact Fees (\$73,500, Fund 900) and a loan from the City’s General Fund Emergency Reserve (\$241,500, Fund 051). The original budget for the fire engine purchase was approved in the FY 2018/19 adopted budget for \$675,000. Pierce Manufacturing will provide a \$28,100 discount with full payment and therefore, the contract amount has been reduced to \$650,000. Staff’s recommendation is that the General Fund Emergency Reserve funds would be utilized as a loan in lieu of outside financing and be reimbursed by Measure Q in the amount of \$60,375 for the next four years (FY 2019/20, 2020/21, 2021/22 and 2022/23). The General Fund Emergency Reserve is estimated to close FY 2017/18 with \$3.1 million, \$225,000 above the target minimum balance.

SUMMARY

Staff is requesting CFAC recommend the City Council authorize bypassing the formal bid process otherwise required by the MBMC and having the City enter into a contract with Pierce Manufacturing to purchase a fire engine pumper, a as a sole source provider. Staff believes the fire engine pumper produced by Pierce Manufacturing are unique, *i.e.* Pump Under Cab (PUC) powered by a Power Take Off (PTO), shorter wheel base, largest compartment space available than all others, dedicated service facility in Paso Robles, and therefore, only available from one vendor.

Our current Engine 5391 has served our community since 1994 and has roughly responded to 23,000 incidents including 1,200 fires. Because our current Engine 5391 was still performing well on its pump testing in 2014, we extended its replacement to 25 years due in 2019. The last couple of years we have experienced mechanical failures in the engine and pump costing over \$30,000.

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Prepared By: SK

Dept Review: SK

City Manager Review: _____

City Attorney Review: JWP

More importantly, Engine 5391 was out of service for 11 weeks (21%) in 2018 due to needed repairs.

BACKGROUND

It is vital for the City to maintain a reliable fleet of fire apparatus to meet our mission of delivering quality emergency services in Morro Bay. The MBFD 5-Year Strategic Plan recommendation and our 2012 update support this, stating;

“Assure all Fire Department apparatus is up to date, meets NFPA standards, and is reliable.

“Solution: Provide for an ongoing apparatus replacement program which replaces first line squads at 10 years, engines at 20 years and first line Ladder Truck at 25 years.”

The objectives of our replacement engine are:

- To comply with Occupational Safety and Health Administration (OSHA), and National Fire Protection Association (NFPA) requirements.
- Meet the requirements of a Type I pumper as per FIRESCOPE.
- Can perform mobile fire attack while moving for wildland interface firefighting.
- Provide 1,500 gallons per minute pump and carry a minimum of 2,725 feet of firehose to continue Morro Bay’s ISO rating of “3”.
- Can travel on all roads in Morro Bay and Auto / Mutual Aid areas in San Luis Obispo County especially north coast communities.
- Can carry the identical compliment of equipment as Engine 5392 and Truck 5341.
- Able to use local resources in San Luis Obispo County for warranty, maintenance, and fire pump repair to reduce travel time and out of service days.
- Consistent equipment operations to standardize training for utilization and operational effectiveness for cross staffing multiple apparatus daily.
- Purchase from a stable company that will be in business during the life of the fire engine to insure proprietary parts are available for warranty work and repairs.

Staff has been diligently researching fire engine pumper designs and standards, manufacturing trends, state-of-the-art technology, Occupational Safety and Health Administration (OSHA), National Fire Protection Association (NFPA) requirements, and EPA emissions requirements. Staff has also researched more than five fire apparatus manufacturers and fire apparatus service organizations, and met with users of four late-model fire apparatus. Other factors staff took into consideration in this process include:

1. The size of the company and stability that help to guarantee the company remains in business throughout the life of the fire engine purchased by the City. That would help to ensure proprietary parts are available, archived construction drawings and parts lists can be

easily retrieved and future engines purchased by the City will be built consistent with units already in service.

2. The age of the company and experience in constructing fire apparatus equates to a thorough understanding of the fire service and ability to provide the best product to the City. It also helps to ensure they have a long history of examining problems and solving them before the Fire Department experiences difficulties.
3. The larger and more stable the company is, the better it can provide warranty support, not only for the entire unit, but also for the individual components such as electrical and structural components, frame rails, cabs, and bodies.
4. If the manufacturer under consideration is a single source builder, (*i.e.* builds both the cab and chassis and the body in its own plant), then the Department needs only to go to one place for support rather than have to consult multiple parties if it needs technical assistance. Manufacturers of engines that purchase cab and chassis units from other builders can only support what they construct. They are dependent on the subcontractor accepting responsibility, assuming the subcontractor is still in business.
5. Larger, more stable manufacturers that build the entire unit integrate properly engineered electrical, plumbing, and drive train components from the ground up rather than depend on numerous subcontractors. This helps to ensure that everything works together as is designed.
6. Engine and drive train components have never been as complex and sophisticated as they are today. Motors and transmissions are fully electronic and demand careful and meticulous engineering. Fire apparatus manufacturers under consideration must be able to prove that they can properly install, cool, and utilize diesel motors, transmissions, axles, alternators, generators, and other essential components used in fire service applications.

Since 1981, the fire department has purchased six fire apparatus from Pierce Manufacturing with success:

- 1981 Engine 5381 (Replaced in 2008, 27 years of service)
- 1982 Truck 5341 (Replaced in 2014, 32 years of service)
- 1994 Engine 5391 (Scheduled replacement in 2019)
- 2008 Engine 5392 (Scheduled replacement in 2033)
- 2009 Rescue 5351 (Scheduled replacement in 2029)
- 2014 Truck 5341 (Scheduled replacement in 2044)

In light of those facts, Pierce Manufacturing became the optimum choice. Oshkosh Truck Manufacturing Company, a long-time manufacturer of heavy trucks, wholly owns Pierce Manufacturing Inc. Pierce also offers its customers:

- A dedicated service facility in Paso Robles. No other manufacture has that. We would have to drive over 200 miles for service and warranty repairs. Major cost for just transporting unit.
- Pierce Manufacturing is the only manufacture that builds a 1,500 GPM Pump Under Cap (PUC) that offers up to 300 cubic feet of compartment space with 177.50” wheelbase. The most compartment space to wheelbase in the industry.
- The 1,500 GPM low profile Pierce PUC pump allows for better maneuverability in tight areas in our city.
- With the Pierce 1,500 GPM PUC being powered by a Power Take Off (PTO), we will be capable to perform mobile fire attack during wildland fires; this is a Pierce exclusive.
- TAK4 Independent Front Suspension providing better ride qualities and most of all decrease stopping distances for safer operations.
- Pierce provides an Arrow XT model to match our current Morro Bay units, Engine 5392 and Truck 5341, for safety, easier operation, and continuity.
- The Detroit DD13 Engine and Drivetrain will match our current units. A Pierce exclusive that will provide many years of service to the city backed up by Detroit diesel dealerships in SLO County.
- San Luis Obispo, Santa Maria, Five Cities Fire Authority, Los Osos, Atascadero, and Cambria Fire Departments have purchased Pierce products in the last two years.

DISCUSSION

MBMC, section 3.08.070 states: “Bidding or open market procedure may be dispensed with ... or when the commodity can be obtained from only one vendor.” While there are a number of fire engine manufacturers, Pierce is the only company producing a rear engine PTO, which allows for a shorter fire engine pumper wheelbase and turning radius while providing more storage space. The shorter turning radius allows the fire engine pumper access to all Morro Bay streets, while carrying all “first out” equipment, which distinguishes it from all other fire engine pumper on the market. Other manufacturers that have the storage capacity for all of the “first out” equipment have a much larger wheelbase, which cannot access all streets in Morro Bay. Therefore, due to the many tight physical constraints resulting from Morro Bay’s hillsides and narrow residential streets, the public’s safety can be best served by the City’s purchase of a fire engine pumper with a shorter than typical turning radius. Based on staff’s review of what is available in the industry, Pierce is the sole source able to provide that equipment.

Pierce Manufacturing builds high quality fire engine pumpers manufacturing their own cab, chassis, body, and pump. Purchasing a Pierce fire engine will maintain our City-owned fleet of fire engines as 100% Pierce-manufactured. Similarities in features and operation improves operational effectiveness. Firefighters depend on the quality product manufactured by Pierce as well as the availability of parts, service, and support. Our experience with Pierce instills confidence that the product will operate well for the next 20-25 years and that the company will be around to support our needs. Our experience with other manufactures does not instill this same level of confidence. MBFD engine 2504, purchased in 1980, experienced significant problems early on and was failing after only 10 years of service. There are less expensive manufacturers than Pierce, however staff feels any initial savings in the purchase price would only put the City at great risk of having to spend more in the long run due to repairs and early replacement.

The City Attorney and Finance Director have reviewed the sole source justification and believe a sole source purchase is warranted.

CONCLUSION

A Fire Department committee was developed to research, design, and develop our purchase request with objective to design a fire engine pumper that will fill our community's needs to the year of 2039-2044. Our Fire Engine Pumper Replacement Committee, headed by Engineer Paramedic Travis Hasch with Captain Paramedic Michael Talmadge, Engineer Paramedic Scott Subler, and Engineer Paramedic Jeff Simpson assisting concluded the sole source purchase of an Arrow XT, 1,500 GPM PUC, from Pierce Manufacturing, in an amount not to exceed \$650,000 is the most fiscally and operationally responsible decision. With concurrence from CFAC, staff will bring this item forward to the City Council in August with a resolution stipulating the terms of the General Fund Emergency Reserve loan and repayment.



AGENDA NO: B-3

MEETING DATE: July 17, 2018

Staff Report

TO: CFAC Chair and Committee Members

DATE: July 11, 2018

FROM: Jennifer Callaway, Finance Director

SUBJECT: Third Quarter Investment Report (period ending March 31, 2018) for Fiscal Year 2017/18

RECOMMENDATION

Receive the attached Third Quarter Investment Report (period ending March 31, 2018) for Fiscal Year 2017/18.

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

DISCUSSION

Attached for your consideration is the Third Quarter Investment Report for FY 2017/18.

As of March 31, 2018, the City's weighted portfolio yield of 1.14% was below the Local Agency Investment Fund (LAIF) yield of 1.51%. With interest rates increasing staff will monitor rates closely and as investments mature replace those investments with an appropriate maturity and credit rating equivalent investment.

During the quarter, yields have generally been increasing anticipating continued economic growth. Passage of the new tax provisions added to investor's belief in growth in the economy and inflation, while also increasing the federal budget deficit and supply of Treasury debt. Many believe that the new tax provisions will lead to higher potential for inflation and higher future interest rates.

As such, staff's strategy will be to focus on the purchase of short-term (two years or less in maturity) investments as the rewards for longer term investments in the three to five-year maturity do not have adequate spreads to justify the risk of holding longer term maturities.

CONCLUSION

Staff recommends that the Committee receive the Third Quarter Investment Report (period ending March 31, 2018) for Fiscal Year 2017/18.

ATTACHMENT

1. Third Quarter Investment Report for FY 2017/18 (period ending March 31, 2018)

Prepared By: JC

Dept Review: _____

City Manager Review: _____

City Attorney Review: _____

CITY OF MORRO BAY
QUARTERLY PORTFOLIO PERFORMANCE
3/31/2018

INVESTMENT OR CUSIP NUMBER	INSTITUTION	PURCHASE PRICE	MARKET VALUE	COUPON INTEREST RATE	PURCHASE DATE	MATURITY DATE	DAYS TO MATURITY
LAIF	LOCAL AGENCY INVESTMENT FUND	\$ 7,743,195	\$ 7,743,195	1.51%	DAILY	DAILY	1
MONEY MARKET ACCOUNT:							
MM	RABOBANK - MONEY MARKET	2,531,522	2,531,522	0.20%	DAILY	DAILY	1
SWEEP	RABOBANK - SWEEP	4,099,121	4,099,121	0.05%	DAILY	DAILY	1
MM	OPUS BANK	4,044,881	4,044,881	1.59%	DAILY	DAILY	1
Government Agency							
3134G8PD5	FHLM Corp	500,003	497,548	1.350%	3/30/2016	9/30/2019	
3136G1KD0	FNMA	498,933	499,015	1.000%	6/13/2013	4/30/2018	
CERTIFICATES OF DEPOSIT:							
1404202A7	ZION BANK - CAPITAL ONE BANK	250,005	252,772	2.400%	4/12/2017	4/12/2022	1,473
902856	TBK BANK	250,000	250,000	2.050%	1/24/2017	1/11/2019	286
4100093030	LEADER BANK	250,000	250,000	1.551%	1/6/2014	1/6/2019	281
254671VW7	ZION BANK - DISCOVER BANK	250,001	251,224	2.000%	9/11/2013	9/11/2018	164
05568P5Y9	ZION BANK - BMW BANK	250,001	251,262	2.100%	10/25/2013	10/25/2018	208
36160NYZ6	ZION BANK - Synchrony Bank CD	250,001	251,661	2.150%	10/25/2013	10/25/2018	208
38148PGK7	ZION BANK - GOLDMAN SACHS BANK	250,003	245,243	1.550%	8/3/2016	8/3/2021	1,221
3090683803	STATE FARM BANK	250,000	250,000	1.980%	10/21/2013	10/21/2018	204
4923509568	PENTAGON FEDERAL CREDIT UNION	250,000	250,000	3.000%	2/5/2014	2/5/2019	311
		<u>\$ 21,667,666</u>	<u>\$ 21,667,443</u>				
					% OF LIQUID PORTFOLIO HOLDINGS	WEIGHTED AVERAGE RATE OF EARNINGS	WEIGHTED AVERAGE MATURITY
					<u>85.006%</u>	<u>1.140%</u>	<u>51</u>

Portfolio holdings as of the third quarter ended March 31, 2018, are in compliance with the current Investment Policy. With 85.006%

of the portfolio held in liquid instruments, the City's portfolio is well above the 65% to 70% target liquidity rate approved by the City Council in March 2018.



AGENDA NO: B-4

MEETING DATE: July 17, 2018

Staff Report

TO: CFAC Chair and Committee Members

DATE: July 11, 2018

FROM: Jennifer Callaway, Finance Director

SUBJECT: Review of Fiscal Year 2017/18 Third Quarter Budget Performance and Status Report – Nine Months Ending March 31, 2018

RECOMMENDATION

Receive Fiscal Year 2017/18 Third Quarter Budget Performance and Status Report – Nine Months Ending March 31, 2018

DISCUSSION

On June 12, 2018 the City Council of the City of Morro Bay received the Fiscal Year (FY) 2017/18 Third Quarter Budget Performance and Status Report. In addition, the City council adopted resolution No 35-18 authorizing staff to proceed with the third-quarter budget adjustments.

During the May 15, 2018 Citizen’s Finance Advisory Committee staff noted that due to the timing of meetings the third quarter budget performance report would not be presented to the Committee prior to being presented to the City Council on June 12, 2018. Staff noted that the Committee would have an opportunity to review the third quarter status report and provide comment during the next regularly scheduled CFAC meeting, therefore, provided as Attachment 1 is the FY 2017/18 Third Quarter Budget Performance and Status Report – Nine Months Ending March 31, 2018 Council agenda item. The Committee is welcome to provide feedback on the third quarter report. Should the Committee have any concerns or recommended changes these can be addressed during the year-end close process.

ATTACHMENT

1. FY 2017/18 Third Quarter Budget Performance and Status Report – Nine Months Ending March 31, 2018

Prepared By: JC

Dept Review: _____

City Manager Review: _____

City Attorney Review: _____



AGENDA NO: A-9

MEETING DATE: June 12, 2018

Staff Report

TO: Mayor and City Council

DATE: June 5, 2018

FROM: Jennifer Callaway, Finance Director

SUBJECT: Fiscal Year 2017/18 Third Quarter Budget Performance and Status Report – Nine Months Ending March 31, 2018, and Adoption of Resolution 35-18 Authorizing Staff to Proceed with Third-Quarter Budget Adjustments

RECOMMENDATION

Staff recommends that the City Council:

- A. Receive FY 2017/18 Third Quarter Budget Performance and status report and authorize budget adjustments as recommended in the attached Third Quarter Budget Performance Report;
- B. Adopt Resolution No. 35-18 authorizing staff to proceed with the third-quarter budget adjustments.

BACKGROUND

The attached Third Quarter Budget Report covers the first nine months of the fiscal year beginning July 1, 2017 and ending March 31, 2018. The report presents analysis related to the key General Fund revenues and expenditures by category as well as an analysis of the City's enterprise funds, Water Reclamation Facility (WRF) project, and other funds.

With the financial analysis of activity through March 31, 2018, staff is able to provide an update based on revenue and expenditure trends for the current fiscal year and advise on potential future revenue and expenditure challenges which may materialize during the fiscal year.

Due to the timing of the report, the third-quarter budget performance report has not been presented to the Citizen's Finance Advisory Committee (CFAC). CFAC was notified during the May Committee meeting Third Quarter Report would be presented to Council on June 12, 2018, prior to the Committee's June meeting.

DISCUSSION

FY 2017/18 Third Quarter Budget Performance and Status Report

An analysis of the FY 2017/18 General Fund revenues identified two significant revenue areas that are trending quite well. Property tax receipts are significantly higher than budgeted. Upon closer review of budget figures, it appears property tax was budgeted with no growth expectation. In light of a strong economy, property values continue to rise, and the City's actual receipts are reflective of that. Staff is proposing a budget adjustment to reconcile budget to actual receipts.

01181.0001/478967.1	
Prepared By: <u> JC </u>	Dept Review: <u> JC </u>
City Manager Review: <u> SC </u>	City Attorney Review: <u> </u>

During the mid-year budget update staff recommended a reduction to budgeted business tax revenue. During the last several months, staff prioritized internal audit and review of business tax receipts, bringing actual receipts to the highest level in the past four years. Staff continues to audit the business tax process; and considering the efforts of staff's work, a budget augmentation of \$140,000 is recommended at this time.

Staff is also proposing a budget adjustment to reduce Plan Check Fees receipts, as the timing of receipt of those fees will likely be in the next fiscal year (FY 2018/19) and is also correcting the budgeted allocation of the new SB 1 gas tax funds. The adopted budget included the new SB 1 gas tax monies being transferred to the General Fund; however, due to the requirements stipulated in SB1 and by resolution, Council directed those funds be allocated to the City's pavement management plan.

Expenditure adjustments proposed are primarily related to the solar installation program and utility usage. The City has yet to receive the solar energy credits, which in the future years will likely offset the debt principal and interest, as well as reduce overall utility charges. Also, staff is recommending expenditure adjustments to purchase four new garbage receptacles for the downtown district to replace broken containers, purchase of a new power washer, which is used to clean the public restrooms, etc. and an \$8,000 adjustment for mold remediation and repairs at the Community Center.

Enterprise fund adjustments are recommended to reimburse the Sewer Fund for water related expenditures for the Water Reclamation Facility (WRF) project. Those expenditures occurred in prior years and the budget adjustment that is recommended would reimburse the Sewer Fund for payment of these expenditures. Also, there is a budget adjustment for the Sewer Fund to formally approve the budget appropriation for the One Water Capital project. The funding was conceptually approved during the budget discussions; however, it was inadvertently left off of the Sewer Accumulation budget worksheet for capital projects.

Lastly, staff is recommending adjustments from the Facilities Maintenance Fund to support the mold remediation and repairs previously discussed at the Community Center as well as the renovation of the Del Mar Restrooms. The Fire Department is also requesting appropriation from its Fire Donation Account to support both the Local Hazard Mitigation Plan and Emergency Plan.

CONCLUSION

The available Third Quarter preliminary data for FY 2017/18 highlights the efforts that staff has taken to maximize resources and control expenditures. Staff will continue to examine revenue and expenditure activity and work to identify opportunities to enhance revenue to support current and future operating needs.

ATTACHMENTS

1. Third Quarter FY 2017/18 Budget Performance and Status Report for period ending March 31, 2018.
2. Resolution No. 35-18 Approving Amendments to the City's Fiscal Year 2017/18 Budget to Authorize Various Additional Expenditures.

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

INTRODUCTION

Purpose

This is the third quarterly budget report for the Fiscal Year 2017/18, for the nine-month period ending March 31, 2018. The purpose of this quarterly public reporting is twofold. First, it ensures that the City is consistently monitoring its revenues and expenditures so that it can proactively respond to unanticipated changes or emerging trends. Third, and equally important, these reports increase the transparency of City finances. The City is ultimately accountable to its residents to use the revenue it brings in efficiently and effectively to provide the highest quality services, and quarterly public reporting provides taxpayers with the information they need to hold the City to this standard.

Content

This quarterly report presents an overview of the City’s operating revenues and expenditures from various Funds for the nine-month period ending March 31, 2018, as compared to previous years, and explains any notable aberrations or trends in these numbers.

This report includes data on General Fund operating revenues and expenditures, as these represent the funds used to provide essential City services, as well as the City’s three enterprise funds: Harbor, Water and Sewer, the Water Reclamation Facility (WRF) Capital Project, the City’s District Sales Tax Measure known as Measure Q and lastly the City’s Tourism Business Improvement District (TBID).

Timeframe and Limitations

The information in this report is the most accurate and up-to-date information available at the time of publication. However, this report is not an audited financial statement, and the numbers provided herein are preliminary and subject to change as the year progresses. No data on revenues and expenditures are final until the City has completed its annual comprehensive audit, which is released in the winter of each year for the prior fiscal year.

With respect to revenues: The City monitors and adjusts its year-end revenue projections based on revenue performance and other developments that may affect City revenues in order to develop a more accurate picture of the City’s anticipated year-end financial position.

With respect to expenditures: The expenditure information in this report is extracted directly from the City’s financial management system, and adjustments are made to account for certain known payments, reimbursements, or transfers between City departments and funds that have not yet been processed in the system at the time of publication. It represents a snapshot of City expenditures at a certain point in time and does not reflect final FY 2017/18 adjustments.

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QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

EXECUTIVE SUMMARY

Status of FY 2017/18 Adopted Budget

Overall, third quarter revenue trends are steady when compared to the third quarter of Fiscal Year 2016/17, at about 66% of budgeted levels. Of the City's most economically-sensitive revenues – property tax is up from prior year results by 9% or \$230,000. In addition, as a result of staff efforts to internally audit and enhance the business tax collections, business tax is trending high with actual receipts exceeding budget at the third quarter. Charges for Service continue to trend well, due to increased development activity.

Overall, General Fund expenditures for the third quarter continue to trend low with third quarter Supplies, Materials and Services expenditures at about 57% of budget. Overall salary and benefits are trending on target with 74% expensed as of the third quarter. Staff continues to monitor both revenues and expenditures through year-end and continue to true-up budget figures to more closely align to actual results. As such, there are a series of budget adjustments recommended for revenues and expenditures.

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

GENERAL FUND – KEY REVENUE ANALYSIS

The following discussion provides a status of significant General Fund revenue sources as of the third quarter, ending March 31, 2018.

Staff monitors each revenue source closely and may recommend certain revenue adjustments based on revenue actuals or state budget actions.

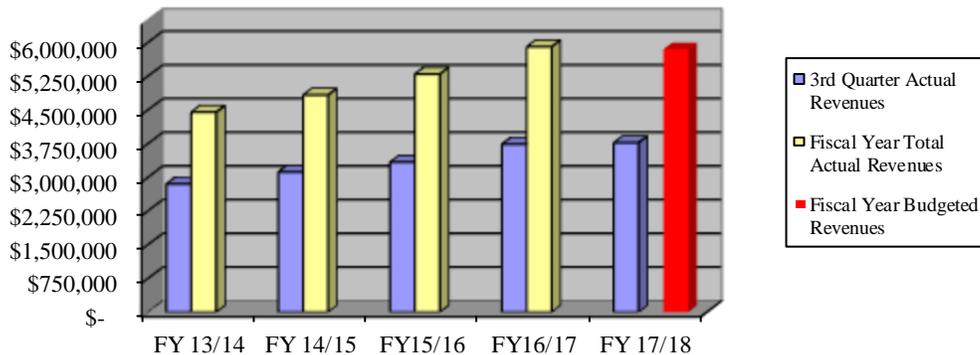
Other Taxes

Other taxes include sales and use tax, Prop 172 public safety sales tax, property transfer tax, transient occupancy tax (TOT), and Franchise Fees. As a category, other taxes represent 44% of the Cities total General Fund revenues, inclusive of transfers in, with transient occupancy tax being the third largest revenue source for the City. For purposes of the quarterly review, an analysis of Other Taxes as a grouping, as well as individual analysis of Sales and Use Tax, TOT and Franchise Fees will be discussed.

Analysis – Third quarter receipts are trending consistent with those in prior years with a slight adjustment being recommended for Sales Tax per the City’s Sales Tax consultant, HDL’s most recent estimates. As subsets of the “other taxes” category, a detailed analysis of sales tax, TOT and Franchise fees is following.

OTHER TAXES

Quarterly and Annual Revenues
5-Year History



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Revenues	\$ 2,851,819	\$ 3,116,393	\$ 3,336,739	\$ 3,736,915	\$ 3,769,620
Fiscal Year Total Actual Revenues	\$ 4,448,934	\$ 4,828,679	\$ 5,297,172	\$ 5,902,745	
Fiscal Year Budgeted Revenues					\$ 5,848,717
3rd Quarter Percent of Total	64.10%	64.54%	62.99%	63.31%	64.45%
Recommended Budget Revision					7,500

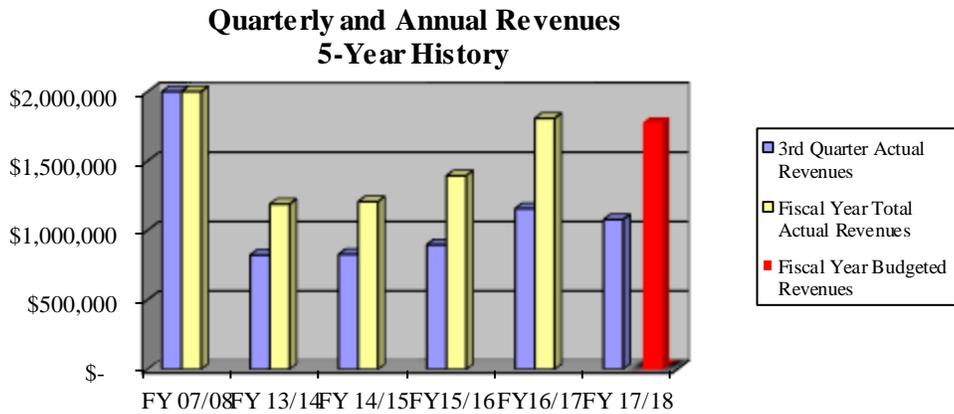
QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

Sales Tax

Sales tax generates approximately 13% of revenues, the third largest revenue source for the City’s General Fund in FY 2017/18. The City’s General Fund receives 1 cent for every 7.5 cents of sales tax paid per dollar on retail sales and taxable services transacted within Morro Bay. Previously, the State Board of Equalization retained 25% of the City’s 1-cent share, referred to as the “Triple Flip,” requiring the San Luis Obispo County Auditor to replace it with an equal amount of property tax revenue. Revenues are remitted from the State to the City on a monthly basis, and from the County to the City on a biannual basis. These revenues are placed in the General Fund for unrestricted uses. The “triple flip” period ended in FY 2015/16 and is no longer impacting sales tax receipts.

Analysis – As a revenue category, third quarter receipts are trending in line with those in the same period in the past fiscal year. HDL, the City’s sales tax consultant, are projecting year-end receipts to total \$1.8 million and therefore a budget augmentation of \$7,500 is recommended.

Sales Tax



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Revenues	\$ 823,434	\$ 827,915	\$ 896,937	\$ 1,158,014	\$ 1,078,877
Fiscal Year Total Actual Revenues	\$ 1,189,656	\$ 1,207,332	\$ 1,394,145	\$ 1,807,642	
Fiscal Year Budgeted Revenues					\$ 1,777,664
3rd Quarter Percent of Total	69.22%	68.57%	64.34%	64.06%	60.69%

Recommended Budget Revision **7,500**

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

As depicted in the graph below, the categories of Fuel and Service Stations and Building and Construction represent the most significant increase in sales tax from the 3rd quarter of 2016 to the 3rd quarter of 2017. The most significant decrease in growth occurred in the category of food and drug due to correction of a prior year double payment. There is not significant change in the sales tax revenue in the General Retail category; however, it should be noted that sales tax revenue has increased slightly in both the Restaurants and Hotels and Construction areas, when compared to the same quarter results from the prior fiscal year.



QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

TOT Tax

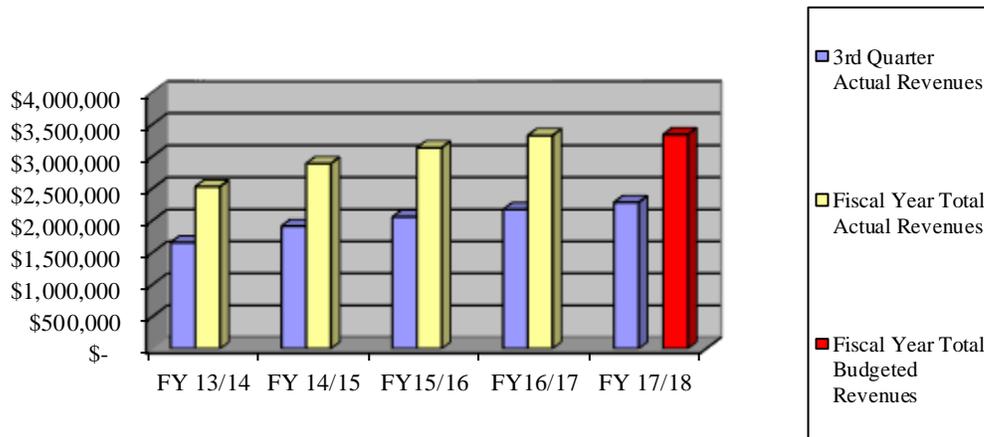
Transient Occupancy Tax (TOT) accounts for 26% of the City’s general fund revenues for FY 2017/18. As a highly economically-sensitive revenue source, the City closely monitors this funding source for any indication that the tourism market is slowing down.

The City levies a 10% transient occupancy tax (TOT) on all hotel, motel, vacation rentals and RV parks within the municipal limits of Morro Bay. This tax helps to fund City services provided to transitory visitors to Morro Bay. In addition, the City collects additional revenues for the Tourism Business Improvement District (TBID) in the amount of 3% on all hotels, motels, inns, etc., which funds the Tourism program within the City and a 1 percent tax on all hotels, motels, vacation rentals and RV parks which is the share for the County Tourism program.

Analysis – Visit California, formerly the California Travel and Tourism Commission, reports that the total number of visitors to California grew 2.1% in 2017, following a 1.9% expansion in 2016. Total international visits to California will decline by 0.9% in 2017 before picking up to just above 2.5% in 2018 and increasing each year through 2021 (Source: California Office of Tourism). Third quarter TOT revenues are trending slightly ahead of prior year third quarter results, when viewed as a percentage of budget. Staff is not recommending a budget adjustment at this time.

Transient Occupancy Tax

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Revenues	\$ 1,655,251	\$ 1,911,525	\$ 2,054,974	\$ 2,172,520	\$ 2,283,410
Fiscal Year Total Actual Revenues	\$ 2,527,352	\$ 2,888,638	\$ 3,136,366	\$ 3,327,073	
Fiscal Year Total Budgeted Revenues					\$ 3,343,371
3rd Quarter Percent of Total	65.49%	66.17%	65.52%	65.30%	68.30%

Recommended Budget Revision	-
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QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

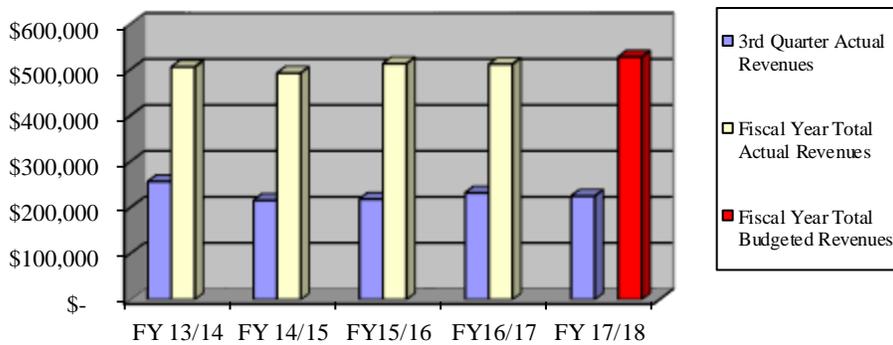
Franchise Fees

Franchise fees are collected by the City for the privilege of operating a utility service within Morro Bay, and as a fee in lieu of a business tax. Franchise fees are currently received for electricity, garbage, cable TV and natural gas. Franchise fees represent 4.0% of budgeted General Fund revenues in FY 2017-18.

Analysis – Historically, franchise payments are not remitted equally throughout the fiscal year; specifically, with Electricity Franchise Fees generally not be remitted until the third quarter. Based on the third quarter results, franchise fee revenues to date are 42.67% of budgeted total receipts, generally consistent with the prior year’s 3rd quarter results. No budget adjustment is recommended at this time.

Franchise Fees

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Revenues	\$ 256,726	\$ 215,698	\$ 218,472	\$ 232,019	\$ 225,098
Fiscal Year Total Actual Revenues	\$ 505,659	\$ 492,572	\$ 513,081	\$ 511,696	
Fiscal Year Total Budgeted Revenues					\$ 527,484
3rd Quarter Percent of Total	50.77%	43.79%	42.58%	45.34%	42.67%

Recommended Budget Revision -

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

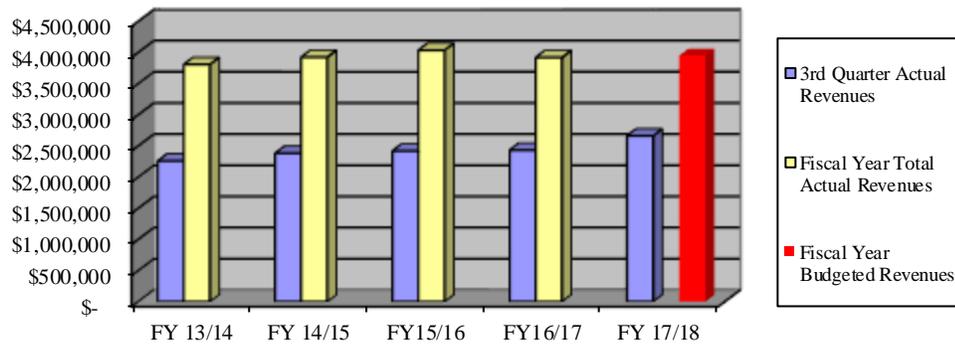
Property Tax

Property tax, including property tax in-lieu, is the third largest revenue category for the City’s General Fund, accounting for 29% of budgeted General Fund revenues in FY 2017/18. Property tax is levied by the San Luis Obispo County Assessor’s Office at 1% of a property’s assessed value, of which the City receives approximately 10.696 cents per dollar paid on property located within the municipal limits of Morro Bay.

Analysis – Property tax distributions are largely received in the third and fourth quarters. The chart below depicts the 3rd quarter receipts for the past four years as compared to the current fiscal year. Third quarter receipts are trending slightly higher than in prior years. Property tax revenue for FY 2017/18 was budgeted consistent with previous year’s actuals projecting relatively flat real estate transactions. However, estimates provided by the San Luis Obispo County Auditor, Controller, Treasurer, Tax Collector indicate that year-end estimates will be significantly higher than prior years actuals due to increased property values. Therefore, a budget adjustment of \$178,000 is recommended at this time.

PROPERTY TAX

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Revenues	\$ 2,257,067	\$ 2,381,457	\$ 2,417,925	\$ 2,431,627	\$ 2,660,638
Fiscal Year Total Actual Revenues	\$ 3,805,601	\$ 3,921,347	\$ 4,035,432	\$ 3,917,348	
Fiscal Year Budgeted Revenues					\$ 3,948,634
3rd Quarter Percent of Total	59.31%	60.73%	59.92%	62.07%	67.38%
Recommended Budget Revision					\$ 178,000

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

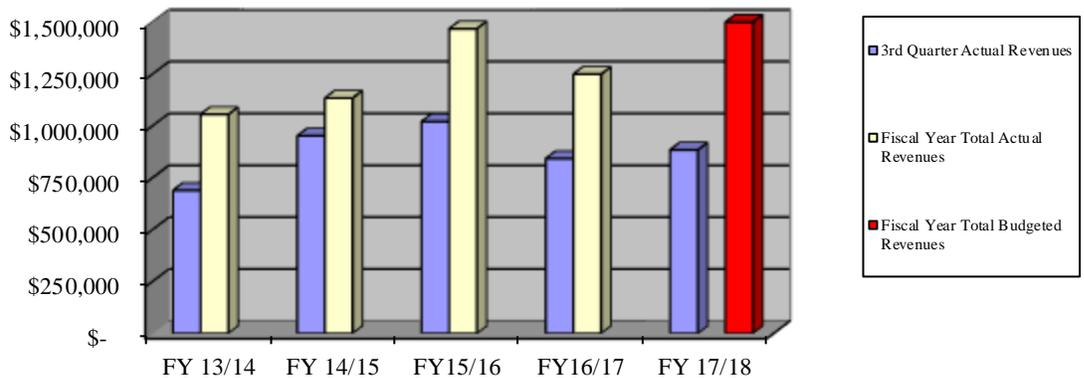
Charges for Services

City service revenues consist primarily of Plan Check fees, Building Inspection fees and Recreation sports and youth services fees. These fees are assessed based on recovery formulas, which reflect approximate costs of providing these services and, as a total category, account for 8% of the City’s General Fund revenues. Generally, community Development and Recreation Services account for most of these fees.

Analysis – Third quarter receipts are trending low when compared to prior years. While both Community Development and Fire Plan Check Fee revenues has surged, as well as recreation program revenues, particularly with the opening of the pool, the timing of cash receipts can delay recording expenses to the revenues. As a result staff recommends a budget reduction of \$65,000 at this time.

Charges for Services

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Revenues	\$ 689,058	\$ 952,138	\$ 1,021,195	\$ 842,420	\$ 884,579
Fiscal Year Total Actual Revenues	\$ 1,055,168	\$ 1,134,047	\$ 1,468,119	\$ 1,249,118	
Fiscal Year Total Budgeted Revenues					\$1,692,918
3rd Quarter Percent of Total	65.30%	83.96%	69.56%	67.44%	52.25%

Recommended Budget Revision	(65,000)
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QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

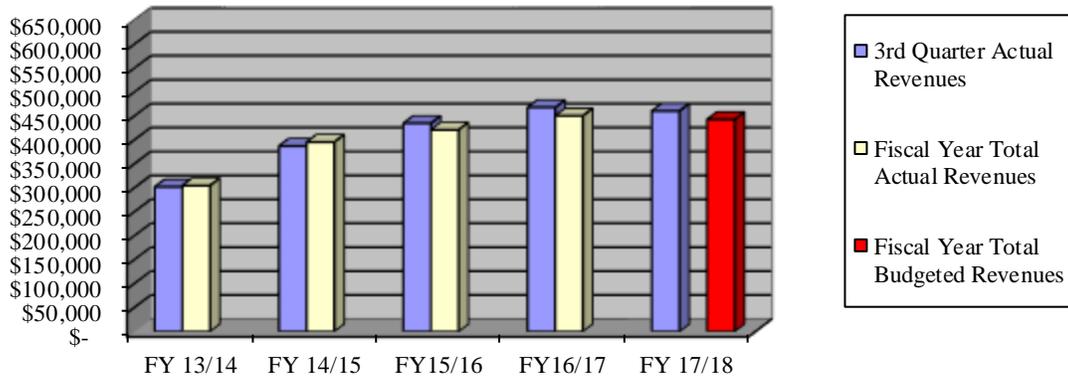
Licenses and Permits

Licenses and permits consist mainly of business and transient vendor taxes. Conditional use permits, and coastal permits are the other primary revenues sources in this category. The Licenses and Permits category represents approximately 5% of total City General Fund revenues for FY 2017/18. As business and transient vendor taxes are the largest subset of this revenue category, an independent analysis of that revenue source follows.

Analysis – Third quarter licenses and permit revenue as an overall category is trending consistent with prior year’s third quarter results and is currently above budgeted figures. This is primarily due to staff’s efforts at collecting business licenses and internal auditing that has been happening in the department. Therefore, staff recommends a budget adjustment of \$160,000 to overall Licenses & Permit revenues, with the primary adjustment being to business licenses which is discussed in detail following.

Licenses & Permits

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Revenues	\$ 302,138	\$ 387,504	\$ 434,923	\$ 468,133	\$ 460,615
Fiscal Year Total Actual Revenues	\$ 305,021	\$ 395,769	\$ 421,205	\$ 450,571	
Fiscal Year Total Budgeted Revenues					\$ 442,859
3rd Quarter Percent of Total	99.05%	97.91%	103.26%	103.90%	104.01%

Recommended Budget Revision	160,000
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QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

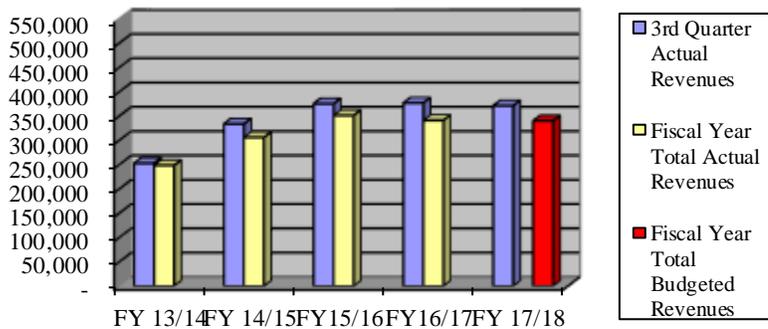
Business Tax

The City requires all business located within Morro Bay, or those that operate within Morro Bay, to obtain a business tax certificate. Business taxes apply to businesses operating as a general or sub-contractor, as a home occupation, from a commercial or office space rental, or as a business conducting temporary activities within the City limits. The amount of business tax paid by each business is based on the type of business being operated and varies depending on that type. Businesses, with gross receipts under \$4,000 per year for all work conducted within Morro Bay, are exempt from applying for and receiving a business tax certificate. These activities account for approximately 4% of annual General Fund operating revenues. Annual renewal payments are due in July, or for newer businesses, the month in which the business started.

Analysis – Business tax revenue grew steadily from FY 2013/14 through FY 2015/16, at which point revenues appear to have flattened out. Staff recommended a significant budget adjustment at mid-year to realign budget to prior year actual receipts. In addition, during that time, with staffing transitions in the department, a concentrated effort has been made to bring past due licenses current and conduct internal audits or assessments. As a result of this diligence, a significant increase in business tax revenue has occurred and staff is recommending a budget augmentation of \$140,000.

Business Tax

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Revenues	252,509	333,721	375,262	376,817	371,186
Fiscal Year Total Actual Revenues	\$ 248,181	\$ 305,844	\$ 351,055	\$ 340,956	
Fiscal Year Total Budgeted Revenues					\$ 340,000
3rd Quarter Percent of Total	101.74%	109.11%	106.90%	110.52%	109.17%
Recommended Budget Revision					140,000

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

GENERAL FUND – KEY EXPENDITURE ANALYSIS

The following discussion provides a status of significant General Fund expenditures as of the third quarter ending March 31, 2017. Staff monitors each revenue source closely, and may recommend certain expenditure adjustments based on actuals or state budget actions.

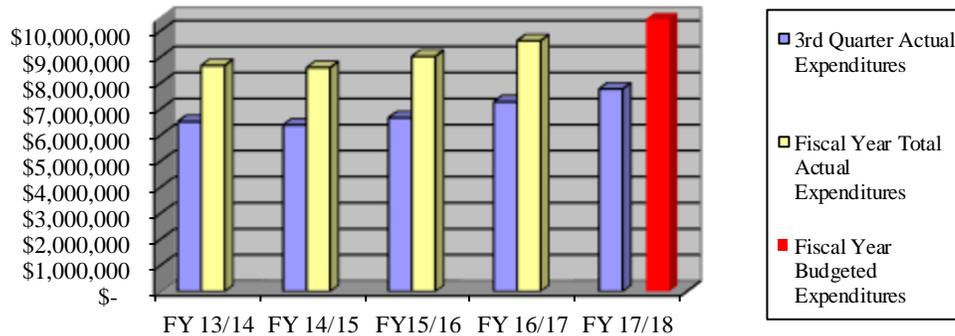
SALARIES AND BENEFITS

Salaries and benefits include full-time employee salaries, elected official’s stipends, temporary/relief employees, overtime, other benefits, pensions and health care. Under typical circumstances, it would be expected that salaries and benefits would be at approximately 50% of total budget at the end of the third quarter.

Analysis – Third quarter results are well, at approximately 74.4% of budgeted totals. This includes substantial fire related personnel costs due to mutual aid assistance provided for the fires and landslide that occurred in late 2017, totaling \$253,000. These expenditures are reimbursed, and an offsetting revenue adjustment was recommended during the mid-year adjustment. There are no budget adjustments recommended at this time.

SALARIES AND BENEFITS

**Quarterly and Annual Expenditures
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Expenditures	\$ 6,519,981	\$ 6,392,074	\$ 6,667,669	\$ 7,283,733	\$ 7,777,140
Fiscal Year Total Actual Expenditures	\$ 8,675,535	\$ 8,595,238	\$ 9,027,716	\$ 9,625,716	
Fiscal Year Budgeted Expenditures					\$ 10,458,342
3rd Quarter Percent of Total	75.15%	74.37%	73.86%	75.67%	74.36%

Recommended Budget Revision	-
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QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

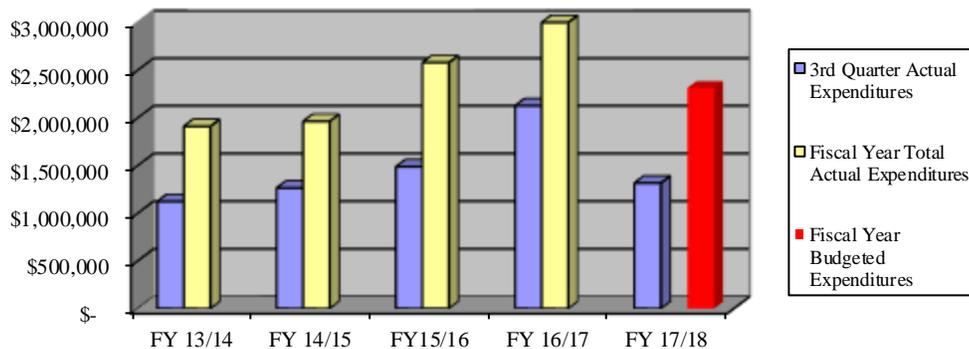
SUPPLIES, MATERIALS AND SERVICES

Operating expenditures consist of all General Fund costs to provide services, including supplies and materials, consulting services, contract services, and debt service. For analysis materials, utilities, insurance, payment to other agencies and transfers are categorized individually as they are often expenditure categories that staff have limited control or ability to reduce expenditures. The category of supplies, materials and services, the Cities most controllable expenditure category, should trend around the 50% level for the third quarter. Consulting and contractual services, a component of this category, may have various contract start dates and payments may not be equally spread throughout the fiscal year so variation from the 50% amount may be explained due to these consulting and contractual services.

Analysis – Third quarter results are trending low at about 57% of budgeted totals (exclusive of transfers). Staff continues to provide services and looks towards the remainder of the fiscal year, being cognizant of operational expenditures and needs. Staff is recommending a budget adjustment to support purchase of four new garbage cans for the downtown area to replace broken receptacles as well as the purchase of a new power washer to replace a broken power washer.

SUPPLIES, MATERIALS AND SERVICES

**Quarterly and Annual Expenditures
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Expenditures	\$ 1,122,908	\$ 1,264,616	\$ 1,488,224	\$ 2,126,966	\$ 1,316,092
Fiscal Year Total Actual Expenditures	\$ 1,910,336	\$ 1,963,521	\$ 2,579,514	\$ 3,022,358	
Fiscal Year Budgeted Expenditures					\$ 2,313,665
3rd Quarter Percent of Total	58.78%	64.41%	57.69%	70.37%	56.88%

Recommended Budget Revision **12,200**

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

FY 2017/18 Recommended Budget Adjustments

Budget adjustments are recommended for the following revenues as of the third quarter as described below:

GENERAL FUND					
Fund	Acct	Sub	General Fund Revenues		
001	3510	3051	Sales Tax - City Portion	7,500	
001	3510	3101	Business Tax	140,000	
001	3510	3730	Rental Income	(55,000)	
001	4210	3426	Plan Check Fees - Fire	(40,000)	
001	4210	3473	EMS Service & Transport	(25,000)	
001	7105	3121	Encroachment Permits	17,400	
001	7105	3127	Coastal Permit	2,600	
001	3510	3011	Property Tax Current Secured	129,000	
001	3510	3021	Property Tax in Lieu-VLF	44,000	
001	3510	3020	Property Tax Admin Fee	5,000	
001	7710	3820	Transfer from Special Revenue	(73,613)	
TOTAL GENERAL FUND REVENUES				\$	151,887
			General Fund Expenditures		
001			Interest Expense	7,508	
001	7250	8110	Interest Expense	7,508	
001	7250	8130	Principal Repayment	27,682	
001	4210	4910	Employer Benefits	301,247	
001	5215	5201	Other Expense	4,200	
001	5230	5201	Other Expense	8,000	
001	7250	6301	Electricity	35,000	
001	5215	6300	Utilities	25,000	
001	5220	6300	Utilities	3,291	
001	4210	6300	Utilities	7,000	
001	3515	6300	Utilities	3,000	
001	TOTAL GENERAL FUND EXPENDITURES			\$	421,927

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

General Fund

Revenues:

- Sales Tax: A budget augmentation of \$7,500 is recommended due to higher forecasted receipts in the adopted FY 2017/18 budget. This recommendation aligns budget to the most recent sales tax estimates provided by HDL, the City's Sales Tax Consultant.
- Business Tax: A budget augmentation of \$140,000 is recommended due to staff efforts to bring current past due accounts and audit tax receipts.
- Plan Check Fees – Fire: A budget reduction of \$40,000 is recommended due to the timing of payment for pulled permits.
- EMS Services & Transport: A budget reduction of \$25,000 due to lower than anticipated receipts.
- Encroachment Permits: A \$17,400 budget augmentation is recommended due to increased activity.
- Coastal Permits: A \$2,600 budget increase is recommended due to activity that has occurred through the first nine months of the fiscal year.
- Property Tax Current Secured: A \$129,000 budget increase is recommended due actual receipts through the third quarter. Budgeted Property tax revenue appears to have been estimated low.
- Property Tax In-Lieu VLF: A budget augmentation of \$44,000 is recommended due to actual receipts through the third quarter.
- Property Tax Admin Fee: A \$5,000 budget adjustment is recommended due to actual charges incurred through the third quarter.
- Rental Income: A \$55,000 budget reduction is recommended due to higher than expected budgeted receipts.
- Transfers In From Special Revenue Funds: A budget reduction of \$73,613 is recommended at this time. Upon closer review of the adopted FY 2017/18 budget, staff identified that the new SB 1 gas tax funds were scheduled to transfer into the General Fund. The new SB 1 gas tax funds, by resolution, were directed to fund the pavement management plan. This budget adjustment is recommended to redirect the SB 1 funds to the pavement management plan.

Expenditures:

- Interest Expense: A budget augmentation of \$7,508 is recommended due to unbudgeted interest for the solar installation loan payment.
- Principal Repayment: A budget augmentation of \$27,682 is recommended due to unbudgeted principal repayment for the solar installation loan. Staff anticipates a energy credits will offset these payments in the future, however at this point the City has not received full credits for the energy reduction.
- Other Expense: A budget adjustment of \$4,200 is recommended to purchase four new garbage receptacles for the downtown to replace broken units.
- Other Expense: A budget adjustment of \$8,000 is recommended to purchase a new power washer to replace the existing power washer which is no longer in service.
- Electricity: Budget augmentation of \$35,000 is recommended due to higher cost of electricity. Staff anticipates that the solar energy credits will offset these costs in the future but for audit purposes staff proposed to align budget to actual expenses.
- Utilities: A total budget augmentation of \$38,291 is recommended due to higher than expected utility charges.

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

- Employer Benefits: A budget increase of \$301,247 is recommended. Council previously approved the transfer of revenue from the General Fund Emergency Reserve into the General Fund to prepay the Fire Safety CalPERS Side Fund. This is a clean-up adjustment from this direction to account for the actual expense.

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

FINANCIAL SUMMARIES, PROJECTIONS AND RECOMMENDATIONS

General Fund

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the third quarter of FY 2017/18, and is sorted by revenue and expenditure category, which includes comparison information from the prior year. In the last column are projections of final balances for the current fiscal year, based upon the trends observed through the third quarter.

City of Morro Bay
Schedule of General Fund
Operating Revenues vs. Operating Expenditures
By Category
For the period ended March 31, 2018

	FY17/18 Adopted Budget	FY17/18 3rd Qtr Actuals	FY17/18 % YTD	FY17/18 Finance Projection
Revenues				
Property Tax	\$ 3,948,634	\$ 2,660,638	67%	\$ 4,126,634
Other Taxes	200,198	182,235	91%	200,198
Transient Occupancy Tax	3,343,371	2,283,410	68%	3,343,371
Sales Tax	1,777,664	1,078,877	61%	1,785,164
Franchise Fees	527,484	225,098	43%	527,484
Licenses & Permits	102,859	89,429	87%	122,859
Business Tax	340,000	371,186	109%	480,000
Charges for Services	1,692,918	884,579	52%	1,627,918
Fines & Forfeitures	12,000	15,172	126%	12,000
Intergovernmental	60,394	43,622	72%	60,394
Other Sources	39,933	44,217	111%	39,933
Use of Money & Property	443,927	267,532	60%	388,927
Fund Transfers	1,618,098	1,230,496	76%	1,544,485
Total Revenues	14,107,480	9,376,490	66%	14,259,367
Expenditures				
Salaries	5,093,885	3,441,012	68%	5,062,331
Overtime	500,527	374,430	75%	500,527
Part-time	906,245	652,347	72%	906,245
Other Salaries	336,846	255,482	76%	336,846
Labor Costs Applied	104,446	113,066	108%	136,000
Benefits	3,516,393	2,940,802	84%	3,817,640
Supplies, Materials and Services	2,313,665	1,316,092	57%	2,325,865
Utilities	357,852	316,441	88%	431,143
Insurance	142,770	107,078	75%	142,770
Debt Service	-	17,595		35,190
Payment to other Agencies	40,775	28,805	71%	40,775
Total Expenditures	\$ 13,313,403	\$ 9,563,151	72%	\$ 13,735,331
Transfers In/Out	512,822	512,822	100%	512,822
Total Operating Expenditures	\$ 13,826,225	\$ 10,075,973	73%	\$ 14,248,153
Net Surplus or (Use) of Reserves	\$ 281,255	\$ (699,483)		\$ 11,214

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the third quarter of FY 2017/18 displayed by revenue type and expenditures per department. The chart includes comparison information from the prior year and serves to monitor Department expenditures related to both budgeted amounts and prior year actuals. In the last column are projections of final balances for the current fiscal year based upon the trends observed through the third quarter.

City of Morro Bay Schedule of General Fund Operating Revenues vs. Operating Expenditures By Department For the period ended March 31, 2018

	FY17/18 Adopted Budget	FY17/18 3rd Qtr Actuals	FY17/18 % YTD	FY17/18 Finance Projection
Revenues				
Property Tax	\$ 3,948,634	\$ 2,660,638	67%	\$ 4,126,634
Other Taxes	200,198	182,235	91%	200,198
Transient Occupancy Tax	3,343,371	2,283,410	68%	3,343,371
Sales Tax	1,777,664	1,078,877	61%	1,785,164
Franchise Fees	527,484	225,098	43%	527,484
Licenses & Permits	102,859	89,429	87%	122,859
Business Tax	340,000	371,186	109%	480,000
Charges for Services	1,692,918	884,579	52%	1,627,918
Fines & Forfeitures	12,000	15,172	126%	12,000
Intergovernmental	60,394	43,622	72%	60,394
Other Sources	39,933	44,217	111%	39,933
Use of Money & Property	443,927	267,532	60%	388,927
Fund Transfers	1,618,098	1,230,496	76%	1,544,485
Total Revenues	14,107,480	9,376,490	66%	14,259,367
Expenditures				
City Council	134,575	89,183	66%	\$ 134,575
City Manager	275,441	181,886	66%	\$ 275,441
Contract Services	768,105	403,752	53%	\$ 768,105
City Clerk/HR/Elections	439,500	297,853	68%	\$ 439,500
Deputy City Manager	43,872	38,769	88%	\$ 43,872
Accounting & Treasury	616,680	449,665	73%	\$ 619,680
Police Department	3,335,362	2,393,480	72%	\$ 3,335,362
Support Services	231,122	180,389	78%	\$ 231,122
Fire Department	2,734,285	2,434,475	89%	\$ 3,042,532
Emergency Operations Center	8,967	3,692	41%	\$ 8,967
Community Development	1,053,470	576,189	55%	\$ 1,053,470
Public Works	626,349	445,298	71%	\$ 626,349
Consolidated Maintenance	855,800	846,080	99%	\$ 885,000
Vehicle, Parks, Facilities	120,361	86,404	72%	\$ 123,652
Streets, Street Trees, Storm Drains/Creeks	864,144	320,459	37%	\$ 872,144
Street lighting	106,000	65,803	62%	\$ 106,000
Curbside Recycling	-	-	0%	\$ -
Recreation Services - Administration	308,403	198,650	64%	\$ 308,403
Recreation Services - Dance 39+	11,500	8,969	78%	\$ 11,500
Recreation Services - Sports	430,856	266,626	62%	\$ 421,394
Recreation Services - Youth Services	348,612	230,003	66%	\$ 348,612
Recreation Services - Community Pool	-	9,462	-	\$ 9,462
Electricity	-	36,063	-	\$ 70,190
Total Expenditures	\$ 13,313,403	\$ 9,563,151	72%	\$ 13,735,332
Transfers In/Out	512,822	\$ 512,822.00	100%	512,822
Total Operating Expenditures	\$ 13,826,225	\$ 10,075,973	73%	\$ 14,248,154
Net Surplus or (Use) of Reserves	\$ 281,255	\$ (699,483)	\$	11,213

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

The groups of financial summaries on the following pages present data by governmental fund type: For purposes of this 3rd quarter report we have focused on the Enterprise Funds, Harbor, Water, and Sewer.

Enterprise Funds

The Enterprise Funds are Proprietary Funds used to report the same functions presented as business-type activities. The Harbor Enterprise Fund accounts for revenues received from harbor leases, rentals, moorings, and other sources, which are expended for maintenance, operation, patrolling, and improvements of the harbor. The Water Enterprise Fund accounts for revenues received primarily from water service charges, which are expended for maintenance, operations, and improvements to the water system while the sewer enterprise fund accounts for revenues received primarily from sewer service charges, which are expended for maintenance, operations and improvements to the sanitary sewer system.

A summary of each operating fund is found below:

Harbor Operating Fund - 331

	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Revenues	\$ 1,504,390	\$ 1,258,010	\$ 1,296,883	\$ 1,306,451	\$ 1,239,366
Fiscal Year Total Actual Revenues	\$ 2,597,358	\$ 1,992,648	\$ 2,104,019	\$ 1,940,152	
Fiscal Year Total Budgeted Revenues					\$ 2,447,969
3rd Quarter Percent of Total	57.92%	63.13%	61.64%	67.34%	50.63%
3rd Quarter Actual Expenditures	\$ 1,394,147	\$ 1,361,225	\$ 1,553,721	\$ 1,480,813	\$ 1,452,012
Fiscal Year Total Actual Expenditures	\$ 2,319,373	\$ 2,096,385	\$ 2,118,296	\$ 2,166,628	
Fiscal Year Total Budgeted Expenditures					\$ 2,445,158
3rd Quarter Percent of Total	60.11%	64.93%	73.35%	68.35%	59.38%
Recommended Budget Revision Revenues					-
Recommended Budget Revision Expenditures					-

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

WATER FUND - 311

	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Revenues	\$ 2,515,222	\$ 2,295,398	\$ 3,045,548	\$ 3,448,523	\$ 3,987,346
Fiscal Year Total Actual Revenues	\$ 5,761,587	\$ 3,657,206	\$ 4,338,311	\$ 4,928,645	
Fiscal Year Total Budgeted Revenues					\$ 5,479,700
3rd Quarter Percent of Total	43.66%	62.76%	70.20%	69.97%	72.77%
3rd Quarter Actual Expenditures	\$ 3,337,994	\$ 3,417,671	\$ 3,965,353	\$ 2,807,179	\$ 3,276,831
Fiscal Year Total Actual Expenditures	\$ 4,680,790	\$ 4,477,798	\$ 5,416,380	\$ 3,939,944	
Fiscal Year Total Budgeted Expenditures					\$ 5,404,500
3rd Quarter Percent of Total	71.31%	76.32%	73.21%	71.25%	60.63%
Recommended Budget Revision Revenues					
Recommended Budget Revision Expenditures					\$ 244,254

SEWER FUND - 321

	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Revenues	\$ 2,921,878	\$ 3,033,246	\$ 3,460,730	\$ 4,003,519	\$ 4,506,070
Fiscal Year Total Actual Revenues	\$ 4,198,241	\$ 4,336,206	\$ 5,118,266	\$ 5,690,877	
Fiscal Year Total Budgeted Revenues					\$ 6,266,000
3rd Quarter Percent of Total	69.60%	69.95%	67.62%	70.35%	71.91%
3rd Quarter Actual Expenditures	\$ 1,395,366	\$ 2,178,088	\$ 2,306,504	\$ 1,850,648	\$ 2,668,590
Fiscal Year Total Actual Expenditures	\$ 4,112,811	\$ 4,696,610	\$ 3,814,036	\$ 3,170,631	
Fiscal Year Total Budgeted Expenditures					\$ 4,395,470
3rd Quarter Percent of Total	33.93%	46.38%	60.47%	58.37%	60.71%
Recommended Budget Revision Revenues					\$ 244,254
Recommended Budget Revision Expenditures					\$ 345,575

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

FY 2017/18 Recommended Budget Adjustments

Budget adjustments are recommended for the following revenues and expenditures as of the third quarter as described below:

ENTERPRISE FUNDS				
<i>Enterprise Funds - Revenues</i>				
<i>Sewer Accumulation Fund</i>				
952				
952	7710	3802	Intrafund Revenue Transfers	244,254
303	TOTAL ENTERPRISE FUND REVENUES			\$ 244,254
 <i>Enterprise Funds - Expenditures</i>				
<i>Water Accumulation Fund</i>				
951				
951	7710	8501	Transfer Out (Sewer Accumulation Fund)	244,254
951				244,254
 <i>Sewer Accumulation Fund</i>				
952				
952	7710	8410	Intrafund Expense Transfers	345,575
952				345,575
TOTAL ENTERPRISE FUND EXPENDITURES				\$ 589,829

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Enterprise Funds

Revenues:

- Sewer Accumulation Fund: A budget augmentation of \$244,254 is recommended for prior year water related expenditures for the Water Reclamation Facility (WRF) project. These charges were paid for from the sewer fund and the request would support the water fund refunding the sewer accumulation fund for these expenditures.

Expenditures:

- Water Accumulation Fund: An expenditure adjustment of \$244,254 is recommended as this is the offsetting transfer out of the water accumulation fund to reimburse the sewer accumulation fund for prior years water related WRF expenditures as discussed above
- Sewer Accumulation Fund: A budget adjustment of \$345,575 is requested to align the FY 2017/18 Capital budget worksheets with the approved budget. During adoption of the FY 2017/18 budget, the Council discussed and conceptually approved a budget of \$345,575 from the Sewer Accumulation Fund to fund the Sewer portion of the One Water Capital Project. The actual budget request was inadvertently left out of the formal budget adoption pages. This is a clean-up item to align budget and expenditures.

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

Water Reclamation Facility Capital Project

The Water Reclamation Facility (WRF) project has been on-going for many years. As of FY 2017/18 staff established a separate capital project to account for the transactions associated with this project. Prior to that the costs had been captured through various sewer related accounts.

Below is a snapshot of expenditures, by category for the WRF project for the first nine months of FY 2017/18. Staff is working to capture all prior year costs in a similar format for the Council and Community. With 42% of budget expended through the third quarter, no budget adjustments are recommended at this time.

**City of Morro Bay
Schedule of WRF
Project Expenditures
For the period ended March 31, 2018**

	FY17/18 Adopted Budget	FY17/18 3rd Qtr Actuals	FY17/18 % YTD
Expenditures			
Salaries & Benefits	75,000	65,871	88%
Laboratory Testing	25,000	-	0%
Miscellaneous Operating Supplies	5,000	6,947	139%
Engineering Services	145,000	79,392	55%
Consulting Services		90	
Program Mgmt & DB	700,000	520,646	74%
Grant Support	30,000	11,565	39%
Government Relations	57,000	45,651	80%
Postage	-	2,645	
Meetings & Conferences	-	225	
Travel Expenses	-	2,164	
Maintenance Contracts	44,776	44,776	100%
Business Equipment Expense	-	433	
Land Acquisition	-	-	
Water Reclamation Facility (WRF) - Onsite Improv	250,000	-	0%
Design Phase - Lift Station & Force	650,000	61,884	10%
Planning & Permitting	222,000	81,539	37%
Total Expenses	\$ 2,203,776	\$ 923,830	42%

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

Other Funds

Other Funds can consist of internal service type funds that are used to account for various types of insurance coverage for the City, and to manage the City's information technology needs. In addition, the City has other funds that have been set-up to accumulate monies for various projects or capital and equipment needs, such as the facility maintenance fund. The report covers the Morro Bay Tourism Business Improvement District, the Measure Q fund, Risk Management Fund and Opportunity Fund. The Risk Management Fund is an internal service fund used to pay legal and insurance expenditures on behalf of the City. The Opportunity Fund was set up by the previous administration to set-aside funds for future projects or activities that the City wanted to pursue. The Opportunity fund is available for general fund purposes and is not restricted to its use. The Risk Management Fund may be appropriated for other purposes, however by City policy, a minimum fund balance of \$100,000 is required to be maintained in this fund. City staff would not recommend re-appropriating funds in the risk management fund for purposes other than insurance or litigation. Both the Measure Q and Morro Bay Tourism Business Improvement District are discussed in more detail below:

Morro Bay Tourism Business Improvement District

On April 27, 2009, Ordinance No. 546 was enacted, establishing Chapter 3.60 of the Morro Bay Municipal Code, which is entitled Tourism Business Improvement District (MTBID) Law. Lodging establishments self-assess an additional transient occupancy tax on rooms rented, which is paid to the City, then returned to the Tourism Bureau for promoting tourism in Morro Bay. For the first year, the MTBID assessment rate was 3%; ensuing years were set at 2%, per the Ordinance.

On September 13, 2010, Staff introduced Ordinance No. 562, which increased the MTBID assessment rate back to 3%. The Ordinance was passed on September 27th and became effective October 28, 2010.

Annually in May, the MTBID's annual report and budget are presented to the City Council, and a public hearing is set, which allows affected businesses the opportunity to protest the MBBID assessment. A Resolution is brought forward to confirm the results of the public hearing, renew the activities of the MTBID for the upcoming fiscal year, and approve the levy and collection of the 3% assessments from the hoteliers.

In 2013, the MTBID formed a 501c(6) corporation, Morro Bay Tourism Bureau, to carry out the marketing activities of the MTBID, as well as manage the Visitors Center.

As part of the Management Partners' 2015 Organizational Study, the recommendation to *develop a proposal for integrating Tourism Bureau activities with City operations* was explored by staff. City staff held a public workshop on September 22, 2015, to discuss this with stakeholders, presented the concept to the MTBID board at a special meeting on 12/10/15, and ultimately presented the results of the City's outreach and recommendations to the City Council on January 12, 2016, with two management scenarios. The Council adopted Resolution No. 03-16, discontinuing the City's contract with the Morro Bay Tourism Bureau, and merging operations and marketing (via Mental Marketing) efforts into the City, beginning June 2016.

For third quarter 2017/18 Revenues and expenditures are trending well. It should be noted that revenues include fund transfers in which is the General Fund's contribution towards TBID. For FY 2017/18 the general fund contribution was budgeted at \$134,928. With the mid-year reduction of \$9,500 which aligned the general fund support to FY 2016/17 actual receipts per the authorizing resolution, the total general fund contribution for FY 2017/18 totaled \$124,428. When excluding transfers, Assessments continue to trend low at 59% for the first nine

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

months of the calendar year. While no budget reduction to assessments is recommended at this time, staff has been cautioned to monitor and limit expenses until more data is available.

TBID

	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Revenues	\$ 639,816	\$ 603,392	\$ 506,727	\$ 624,673	\$ 666,131
Fiscal Year Total Actual Revenues	\$ 862,222	\$ 882,109	\$ 841,295	\$ 935,834	
Fiscal Year Total Budgeted Revenues					\$ 1,037,291
3rd Quarter Percent of Total	74.21%	68.40%	60.23%	66.75%	64.22%
3rd Quarter Actual Expenditures	\$ 651,646	\$ 636,598	\$ 542,834	\$ 606,844	\$ 708,362
Fiscal Year Total Actual Expenditures	\$ 845,913	\$ 872,550	\$ 660,205	\$ 917,560	
Fiscal Year Total Budgeted Expenditures					\$ 1,046,791
3rd Quarter Percent of Total	77.03%	72.96%	82.22%	66.14%	67.67%
Recommended Budget Revision Revenues				\$	-
Recommended Budget Revision Expenditures				\$	-

*Revenues includes transfers in and Assessment collections

Measure Q

With the November 7, 2006 election, the citizens of Morro Bay voted in a ½ cent district sales tax, commonly known as “Measure Q.” This is a general tax and has no sunset date. The ballot measure stated: *The Morro Bay Vital Public Services Restoration and Protection Measure. To preserve Morro Bay’s safety and character by funding essential services including upgrading firefighter/paramedic equipment, fire stations, police, street and pothole repairs, improving storm drains to protect the bay from pollution and other general city services, shall an ordinance be adopted increasing the City sales tax by one-half cent, subject to independent annual financial audits, and establishing an independent citizens’ advisory committee to review annual expenditures?”*

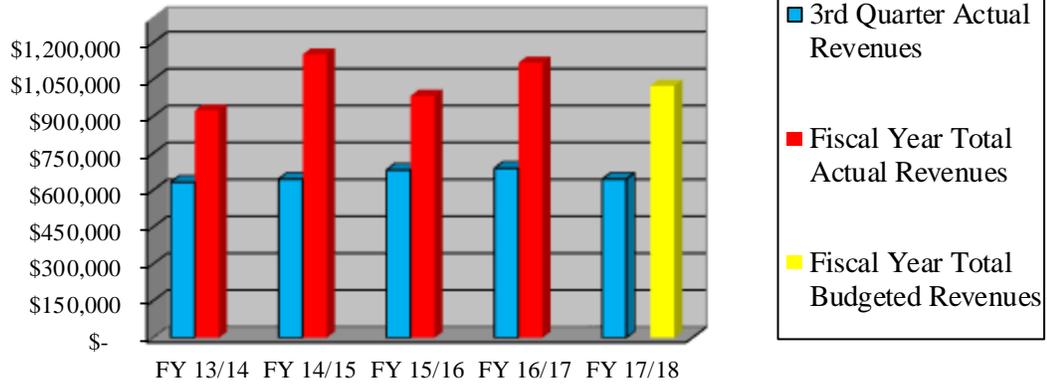
Ordinance 519 was enacted on August 14, 2006, to establish Chapter 3.22, City of Morro Bay Transactions and Use Tax. The City Council divides the annual revenue estimate between the departments, based on the language in the Measure, campaign polls, and departmental requests.

The chart below indicates that Measure Q revenues are trending consistent with prior years. A budget increase to Measure Q tax revenue of \$33,871 is recommended per the most recent year-end estimates provided by HDL, the City’s sales tax consultant.

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

Measure Q Revenues

Quarterly and Annual Revenues
5-Year History



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Revenues	\$ 632,745	\$ 645,366	\$ 682,498	\$ 689,350	\$ 644,822
Fiscal Year Total Actual Revenues	\$ 923,776	\$ 1,151,549	\$ 983,602	\$ 1,118,270	
Fiscal Year Total Budgeted Revenues					\$1,024,129
3rd Quarter Percent of Total	68.50%	56.04%	69.39%	61.64%	62.96%

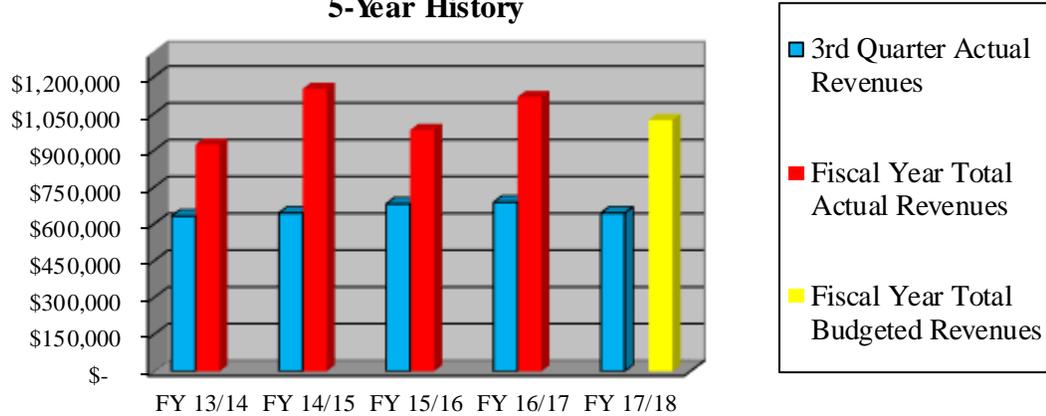
Recommended Budget Revision	33,871
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QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

Measure Q Expenditures are trending well as the City has made progress on the pavement management plan. There are no recommended adjustments at this time.

Measure Q Expenditures

**Quarterly and Annual Revenues
5-Year History**



	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
3rd Quarter Actual Expenditures	\$ 370,227	\$ 793,506	\$458,325	\$ 178,665	\$ 877,979
Fiscal Year Total Actual Expenditures	\$1,306,450	\$1,408,279	\$582,073	\$1,544,827	
Fiscal Year Total Budgeted Expenditures					\$1,089,542
3rd Quarter Percent of Total	28.34%	56.35%	78.74%	11.57%	80.58%

The Measure Q third quarter update has not yet been presented to the Citizen's Finance Advisory Committee (CFAC).

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

FY 2017/18 Recommended Budget Adjustments

Budget adjustments are recommended for the following expenditures as of the third quarter as described below:

OTHER FUNDS

<i>Other Funds Revenues</i>			
<i>Measure Q</i>			
003			
003	1111	3051	Sales Tax- City Portion
			33,871
			33,871
 <i>Facilities Maintenance Fund</i>			
052	3510	3730	Rental Income
			29,250
 <hr/> TOTAL OTHER FUNDS REVENUES <hr/>			
003			\$ 63,121
 <i>Facilities Maintenance Fund</i>			
052	6150	5199	Miscellaneous Operating Supplies
			21,000
052	6150	5502	Building Maintenance Supplies
			1,200
052	6150	6106	Contract Services
			7,000
052	6150	6810	Equipment Rental
			4,500
			33,700
 <i>Fire Donation Account</i>			
515	2305		Local Hazard Mitigation Plan
			5,500
515	2305		Emergency Plan
			6,000
			11,500
 <hr/> TOTAL OTHER FUNDS EXPENDITURES <hr/>			
			\$ 45,200

CAPITAL PROJECTS

<i>Pavement Management Plan</i>			
915			
915	9614	3215	SB 1 RMRA 2032(h)(2)
			61,378
915	9614	3216	SB1 GF Loan Repay
			12,235
915			TOTAL Pavement Management Plan
			\$ 73,613

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Other Funds

Revenues:

- Sales Tax: City Portion – Measure Q: Staff recommends a budget augmentation of \$33,871 to align budget with the most recent sales tax estimates provided by HDL.
- Rental Income – Facilities Maintenance: Staff recommends a budget augmentation of \$29,250 due to the lessee occupying the property for longer than originally anticipated. This adjustment will align budget to actual receipts.
- Pavement Management Plan: A budget augmentation of \$73,613 is recommended to redirect the SB 1 new gas tax revenue to the pavement management plan as directed by resolution.

Expenditures:

- Miscellaneous Operating Supplies – Facilities Maintenance: A \$21,000 budget adjustment is recommended to support purchase of supplies to complete the Del Mar Restroom Reconstruction and supplies for mold remediation at the Community Center.
- Miscellaneous Maintenance Supplies – Facilities Maintenance: To support previously unbudgeted costs such as an appraisal of the now vacant Market plaza building previously occupied by Distasio's.
- Contract Services – Facilities Maintenance: A budget adjustment of \$7,000 is recommended for mold remediation services and repairs at the community center.
- Equipment Rental – Facilities Maintenance: A budget adjustment of \$4,500 is recommended to support rental of equipment used for the renovation of the Del Mar Restrooms.
- Local Hazard Mitigation Plan: Fire Donation Account – A budget adjustment of \$5,500 is recommended to support funding of the local hazard mitigation plan through the Fire Department.
- Emergency Plan: Fire Donation Account – A budget adjustment of \$6,000 is recommended for final payment towards the City's updated Emergency Plan.

QUARTERLY BUDGET REPORT – 3rd QUARTER FY 2017/18

CONCLUSION

The financial results from the FY 2017/18 third quarter data highlighted areas where budget expectations exceeded actual receipts and areas where the City is in good position. The third quarter report highlights that the City's proactive measures of limiting expenditures, defunding positions through attrition, and staff efforts to maximize resources, has positioned the City well for year-end, with some excess revenues over expenditures forecasted at this time. As staff works to close out the fiscal year and year-end excess figures are refined, staff will bring forth options for the Council to consider in directing allocation of any year-end excess revenues.

RESOLUTION NO. 35-18

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
APPROVING AMENDMENTS TO THE CITY'S FISCAL YEAR 17/18 BUDGET
TO AUTHORIZE VARIOUS ADDITIONAL EXPENDITURES**

**THE CITY COUNCIL
City of Morro Bay, California**

WHEREAS, third-quarter adjustments were discussed and approved during the June 12, 2018 Council meeting; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California, the operating budgets of the City are amended by the additional revenues and expenditures, as shown on the attached Exhibit 1, as presented and discussed at the June 12, 2018 Council Meeting.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 12th day of June 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

JAMIE L. IRONS, Mayor

ATTEST:

DANA SWANSON, City Clerk

General Fund Revenues				
Fund	Prog	Acct	Description	Adjustment
001	3510	3051	Sales Tax - City Portion	7,500
001	3510	3101	Business Tax	140,000
001	3510	3730	Rental Income	(55,000)
001	4210	3426	Plan Check Fees - Fire	(40,000)
001	4210	3473	EMS Service & Transport	(25,000)
001	7105	3121	Encroachment Permits	17,400
001	7105	3127	Coastal Permit	2,600
001	3510	3011	Property Tax Current Secured	129,000
001	3510	3021	Property Tax in Lieu-VLF	44,000
001	3510	3020	Property Tax Admin Fee	5,000
001	7710	3820	Transfer from Special Revenue	(73,613)
Total General Fund				151,887

Enterprise Funds Revenues				
Fund	Prog	Acct	Description	Adjustment
952	7710	3802	Transfer Out (Sewer Accumulation Fund)	244,254
Total Other Funds				244,254

Other Funds Revenues				
Fund	Prog	Acct	Description	Adjustment
003	1111	3051	Sales Tax- City Portion	33,871
052	3510	3730	Rental Income	29,250
Total Other Funds				63,121

Capital Projects Revenues				
Fund	Prog	Acct	Description	Adjustment
				-
Total Other Funds				-

Grand Total: Revenues 459,262.14

General Fund Expenditures				
Fund	Prog	Acct	Description	Adjustment
001	7250	8110	Interest Expense	7,508
001	7250	8130	Principal Repayment	27,682
001	4210	4910	Employer Benefits	301,247
001	5215	5201	Other Expense	4,200
001	5230	5201	Other Expense	8,000
001	7250	6301	Electricity	35,000
001	5215	6300	Utilities	25,000
001	5220	6300	Utilities	3,291
001	4210	6300	Utilities	7,000
001	3515	6300	Utilities	3,000
Total General Fund				421,927

Enterprise Funds Expenditures				
Fund	Prog	Acct	Description	Adjustment
951	7710	8501	Transfer Out (Sewer Accumulation Fund)	244,254
952	7710	8410	Intrafund Expense Transfers	345,575
Total Other Funds				589,829

Other Funds Expenditures				
Fund	Prog	Acct	Description	Adjustment
052	6150	5199	Miscellaneous Operating Supplies	21,000
052	6150	5502	Building Maintenance Supplies	1,200
052	6150	6106	Contract Services	7,000
052	6150	6810	Equipment Rental	4,500
515	2305		Local Hazard Mitigation Plan	5,500
515	2305		Emergency Plan	6,000
Total Other Funds				45,200

Capital Projects Expenditures				
Fund	Prog	Acct	Description	Adjustment
915	9614	3215	SB 1 RMRA 2032(h)(2)	61,378
915	9614	3216	SB1 GF Loan Repay	12,235
Total Other Funds				73,613

Grand Total: Expenditures 1,130,569.52