

CITY OF MORRO BAY

Citizens Oversight Committee

Acting as Citizens Finance Advisory Committee

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, November 20, 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 - None

B. BUSINESS ITEMS

1. BRIEF FINANCE UPDATE, (Finance Director)
2. FISCAL YEAR 2018/19 FIRST QUARTER BUDGET PERFORMANCE AND STATUS REPORT FOR THE THREE-MONTH PERIOD ENDING SEPTEMBER 30, 2018

RECOMMENDATION: Receive the Fiscal Year 2018/19 budget update and status report and provide feedback.

3. FIRST QUARTER INVESTMENT REPORT (PERIOD ENDING SEPTEMBER 30, 2018) FOR FISCAL YEAR 2018/19

RECOMMENDATION: Receive and file.

4. FISCAL YEAR 2017/18 AUDITED AND COMPREHENSIVE ANNUAL FINANCIAL REPORT UPDATE AND SCHEDULE, (verbal update)

C. SCHEDULE NEXT MEETING

December 18, 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.



AGENDA NO: B-2

MEETING DATE: November 20, 2018

Staff Report

TO: Chairman and Committee Members **DATE:** November 16, 2018
FROM: Jennifer Callaway, Finance Director
SUBJECT: Fiscal Year 2018/19 First Quarter Budget Performance and Status Report for the Three-Month Period Ending September 30, 2018

RECOMMENDATION

Receive the Fiscal Year 2018/19 first quarter budget update and status report and provide feedback.

DISCUSSION

Attached for your review and feedback is the draft First Quarter Budget Performance and Status Report for the three-month period ending September 30, 2018. As per Council direction, budget status reports are being provided to the Citizens Finance Advisory Committee (CFAC) prior to presentation to Council for CFAC review and feedback. Provided as Attachment 1 is the draft First Quarter Budget Performance and Status Report for the three-month period ending September 30, 2018. Edits and minor modifications may be incorporated into the final report provided to the City Council during the late November City Council meeting, along with any CFAC feedback and recommendations.

CONCLUSION

Staff recommends the Committee review the draft First Quarter Budget Performance and Status Report for the three-month period ending September 30, 2018 and provide feedback.

ATTACHMENT

1. First Quarter Budget Performance and Status Report for the three-month period ending September 30, 2018

Prepared By: JC

Dept Review: _____

City Manager Review: _____

City Attorney Review: _____

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

INTRODUCTION

Purpose

This is the first quarterly budget report for the Fiscal Year 2018/19, for the three-month period ending September 30, 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. Second, 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 the General Fund for the quarter ending September 30, 2018, as compared to previous years, and explains any notable aberrations or trends in these numbers.

This report focuses on General Fund operating revenues and expenditures, as these represent the funds used to provide essential City services.

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

Table of Contents

Introduction.....	1
Executive Summary.....	2
General Fund – Key Revenue Analysis.....	3
Other Taxes	3
Sales Tax	4
Transient Occupancy Tax	5
Franchise Fees	6
Property Tax	7
Charges for Service.....	8
Licenses and Permits.....	9
Business Tax	10
General Fund – Key Expenditure Analysis.....	11
Salaries and Benefits.....	11
Supplies, Materials and Services	12
Financial Summaries and Projections.....	13
General Fund by Category	13
General Fund by Department	14
Other Funds	15
Morro Bay TBID.....	15
Measure Q	17
FY 2018/19 Recommended Budget Adjust	19
Conclusion	16

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

EXECUTIVE SUMMARY

Status of FY 2018/19 Adopted Budget

Overall, first quarter revenue trends are steady when compared to the first quarter of Fiscal Year 2017/18, at about 17% of budgeted levels. Of the City's most economically-sensitive revenues - sales tax is about 9% lower than those receipts in the 1st quarter of the prior year while Transient Occupancy Tax (TOT) is consistent with prior year's first quarter results. Fines and Forfeitures, Charges for Service, and Licenses and Permits categories are trending higher than the prior year.

Overall, General Fund expenditures for the first quarter are trending higher than prior years due to large one-time expenditures made during the beginning of the year. Supplies, Materials and Services expenditures at about 15% of budget, consistent with prior years. Overall salary and benefits are trending high but primarily due to the large upfront CalPERS Unfunded Accrued Liability (UAL) payment made in July. The UAL payment is a one-time payment made in July which totaled \$869,087 and resulted in a savings to the City's General Fund of approximately \$35,000. With only three months of data available, however, it is difficult to predict revenues and expenditures for the remainder of the year. In light of this, staff continues to be cautiously optimistic while monitoring fiscal developments very closely.

U.S. Economic Outlook

The Congressional Budget Office (CBO) estimates that between 2018 and 2028, actual and potential real output alike are projected to expand at an average annual rate of 1.9 percent. In 2018, real Gross Domestic Product (GDP) is projected to grow by 3.1 percent, about 0.6 percentage points faster than the pace of its growth in 2017. The pickup in growth is largely the result of increases in government spending, reductions in taxes, and faster growth in private investment.

The Federal Reserve has been gradually reducing its support for economic growth and this process is likely to continue through 2020, in the CBO's view. The CBO expects the Federal Reserve to continue to raise the federal funds interest rate from 1.6 percent in the first half of 2018 to 2.8 percent in 2019 before reaching 3.4 percent, where it remains from 2020 to 2022. Similarly, in the CBO's forecast, by the end of 2021, the interest rate on 3-month Treasury bills rises to 3.2 percent and the rate on 10-year Treasury notes rises to 4.0 percent.

State Budget Update

The 2017 Budget Act continues to bolster the State's Rainy-Day fund and pay down accumulated debts and liabilities, to counter the potential fiscal impact of federal policy changes on California and the potential end of an economic expansion that has surpassed historical averages. While maintaining fiscal prudence, the Budget focuses state spending on the Governor's key priorities – investing in education, counteracting the effects of poverty, and improving the state's streets, roads and transportation infrastructure.

The budget uses dedicated proceeds from Proposition 2 to pay down nearly \$1.8 billion in past budgetary borrowing and state employee pension liabilities. In addition, the budget reflects a \$6 billion supplemental payment to CalPERS through a loan from the Surplus Money Investment Fund that will reduce the state's unfunded liabilities, stabilize state contribution rates, and save \$11 billion over the next two decades.

The budget implements the Road Repair and Accountability Act of 2017 (SB 1), which returns the gas tax's purchasing power to 1994 levels, and provides \$54 billion in new funding over the next decade, split evenly between state and local funding.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

GENERAL FUND – KEY REVENUE ANALYSIS

The following discussion provides a status of significant General Fund revenue sources as of the first quarter, ending September 30, 2018.

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

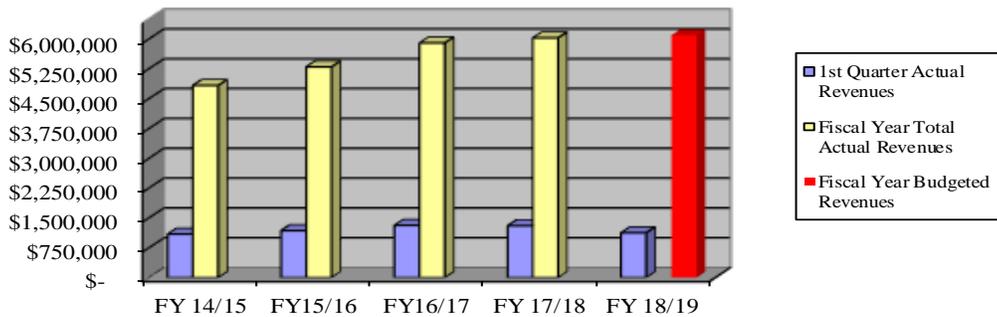
Other Taxes

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 second 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 – First quarter receipts are trending slightly lower than those in the same period in the past fiscal year, primarily due to lower than expected sales tax receipts due to a reporting issue with the State. Given the anomaly with the reporting system, staff anticipates a true to occur during the second quarter of the year and therefore no budget adjustment is recommended at this time. A detailed analysis of sales tax, TOT and Franchise fees is following.

OTHER TAXES

Quarterly and Annual Revenues
5-Year History



	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19
1st Quarter Actual Revenues	\$ 1,091,081	\$ 1,179,798	\$ 1,311,780	\$ 1,303,092	\$ 1,124,612
Fiscal Year Total Actual Revenues	\$ 4,828,679	\$ 5,297,172	\$ 5,896,997	\$ 6,025,040	\$ 6,091,317
Fiscal Year Budgeted Revenues					\$ 6,091,317
1st Quarter Percent of Total	22.60%	22.27%	22.24%	21.63%	18.46%

Recommended Budget Revision **No Change**

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

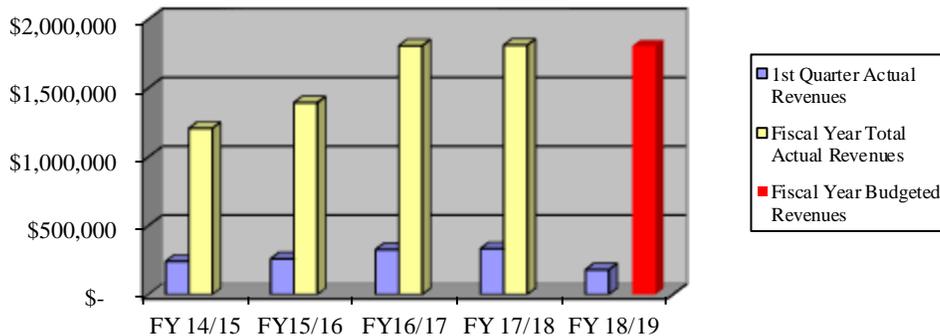
Sales Tax

Sales tax generates approximately 14% of revenues, the third largest revenue source for the City’s General Fund in FY 2018/19. 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, first quarter receipts are trending well below those in the same period in the past fiscal year. The lower than expected receipts are due to the California Department of Tax and Fee Administration’s (CDTFA) transition to a new reporting system which resulted in multiple returns not processed in the current period for the second period in a row. A true-up and reconciliation is expected to occur during the second quarter, so no budget adjustment is recommended at this time. Staff will continue to monitor sales tax receipts and meet with the City’s sales tax consultant’s HDL to analyze trends, however there is cause to believe that sales tax overall is down approximately 2% within the City and 3.8% in the County as a whole. Any budget recommendations for adjustments will be brought forth with the mid-year update.

Sales Tax

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
1st Quarter Actual Revenues	\$ 240,848	\$ 259,457	\$ 326,803	\$ 333,152	\$ 180,016
Fiscal Year Total Actual Revenues	\$ 1,207,332	\$ 1,394,145	\$ 1,807,642	\$ 1,811,884	
Fiscal Year Budgeted Revenues					\$ 1,806,000
1st Quarter Percent of Total	19.95%	18.61%	18.08%	18.39%	9.97%

Recommended Budget Revision	No Change
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QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

TOT Tax

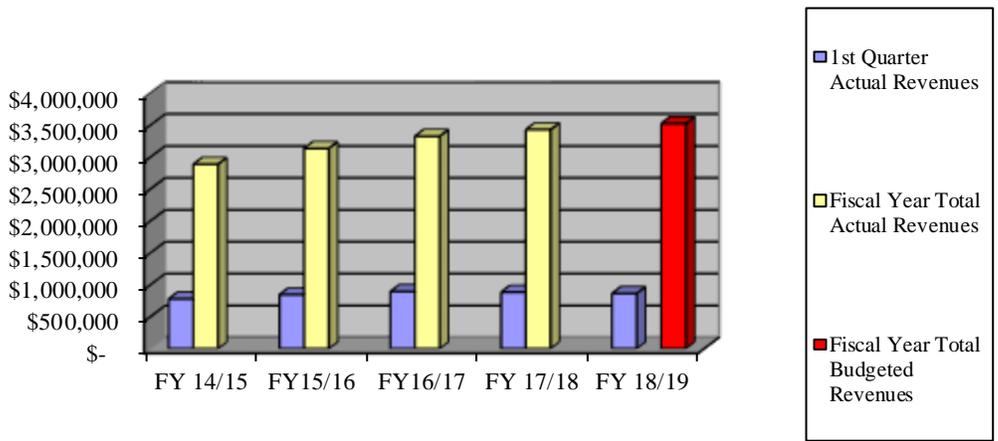
Transient Occupancy Tax (TOT) accounts for 25% of the City’s general fund revenues for FY 2018/19. As a highly economically-sensitive revenue source, the City closely monitors this funding source for any indication that the tourism market is slowing down.

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). First quarter TOT revenues are trending in line with prior year first quarter results, when viewed as a percentage of budget. When late payments are accounted for, TOT is trending higher than in previous years, a reflection of a strong summer travel season. At this time, staff is not recommending a budget adjustment, but will continue to monitor this funding source closely to assess the need for future budget adjustments.

Transient Occupancy Tax

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
1st Quarter Actual Revenues	\$ 779,178	\$ 843,923	\$ 895,546	\$ 885,172	\$ 864,974
Fiscal Year Total Actual Revenues	\$ 2,888,638	\$ 3,136,366	\$ 3,327,073	\$ 3,429,186	
Fiscal Year Total Budgeted Revenues					\$ 3,524,835
1st Quarter Percent of Total	26.97%	26.91%	26.92%	25.81%	24.54%

Recommended Budget Revision	No Change
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QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

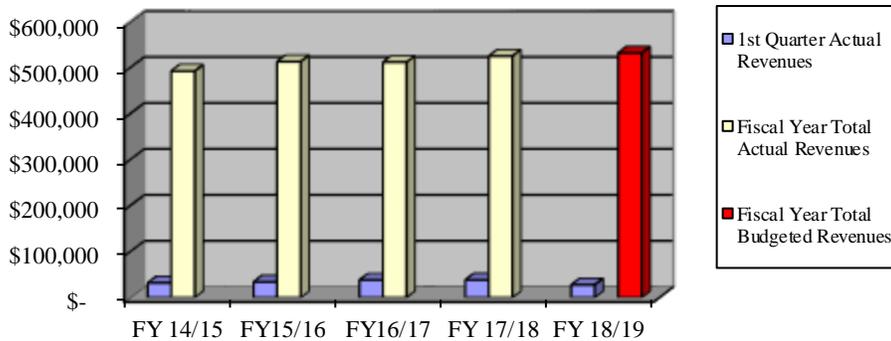
Franchise Fees

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 2018-19.

Analysis – Historically, franchise payments are not remitted equally throughout the fiscal year; therefore, first quarter receipts are not necessarily predictive. Total franchise fee revenues to date are 5.2% of budgeted total receipts, generally consistent with the prior year’s 1st quarter results. No budget adjustment is recommended at this time.

Franchise Fees

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
1st Quarter Actual Revenues	\$ 32,085	\$ 34,093	\$ 38,354	\$ 38,372	\$ 27,752
Fiscal Year Total Actual Revenues	\$ 492,572	\$ 513,081	\$ 511,696	\$ 524,997	
Fiscal Year Total Budgeted Revenues					\$ 531,799
1st Quarter Percent of Total	6.51%	6.64%	7.50%	7.31%	5.22%

Recommended Budget Revision	No Change
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QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

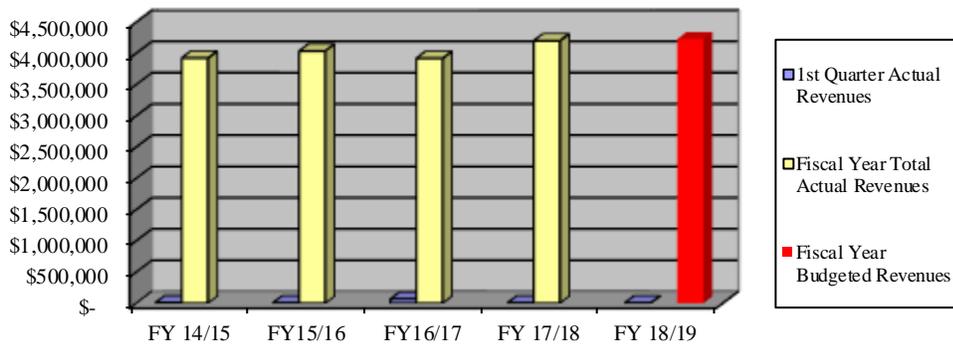
Property Tax

Property tax, including property tax in-lieu, is the second largest revenue category for the City’s General Fund, accounting for 30% of budgeted General Fund revenues in FY 2018/19. 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 13.7 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, however the chart below depicts the 1st quarter receipts for the past four years as compared to the current fiscal year. First quarter receipts are trending consistent with prior years. Property tax revenue for FY 2018/19 was budgeted consistent with previous year’s actuals projecting relatively flat real estate transactions.

PROPERTY TAX

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
1st Quarter Actual Revenues	\$ 7,750	\$ 5,718	\$ 66,907	\$ 4,220	\$ 6,025
Fiscal Year Total Actual Revenues	\$ 3,921,347	\$ 4,035,432	\$ 3,917,348	\$ 4,197,259	
Fiscal Year Budgeted Revenues					\$ 4,227,326
1st Quarter Percent of Total	0.20%	0.14%	1.71%	0.10%	0.14%

Recommended Budget Revision	No Change
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QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

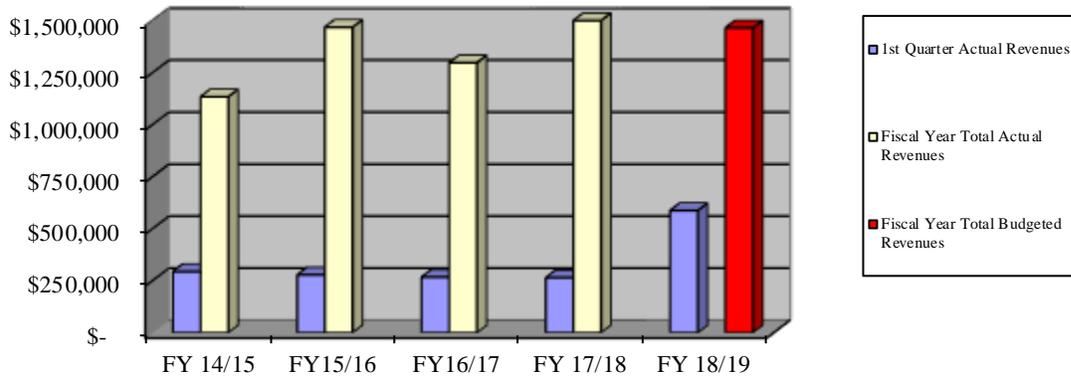
Charges for Services

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 10% of the City’s General Fund revenues. Community Development and Recreation Services account for most of these fees.

Analysis – First quarter receipts are trending quite high when compared to those in the same period in the prior fiscal year. Charges for Services are higher than in prior years due to timing of receipts for plan check fees and the new Information Technology service fee. Staff will continue to monitor this revenue source; however, no budget revisions are recommended at this time.

Charges for Services

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
1st Quarter Actual Revenues	\$ 294,031	\$ 278,023	\$ 267,467	\$ 264,736	\$ 587,219
Fiscal Year Total Actual Revenues	\$ 1,134,047	\$ 1,468,119	\$ 1,297,352	\$ 1,727,579	
Fiscal Year Total Budgeted Revenues					\$ 1,464,764
1st Quarter Percent of Total	25.93%	18.94%	20.62%	15.32%	40.09%

Recommended Budget Revision	No Change
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QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

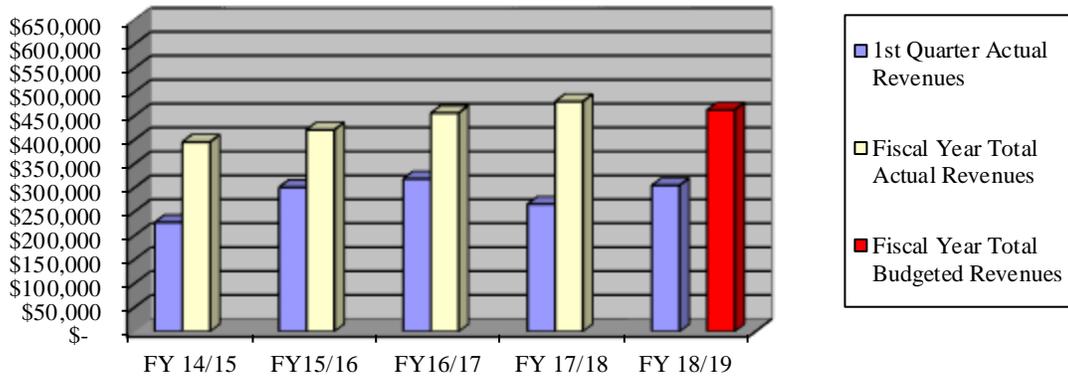
Licenses and Permits

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 represent approximately 0.6% of total City General Fund revenues for FY 2018/19. As business and transient vendor taxes are the largest subset of this revenue category, an independent analysis of that revenue source follows.

Analysis – First quarter licenses and permit revenue as an overall category is trending higher than the first quarter results from the previous fiscal year due to increased revenues from encroachment permits, coastal permits and conditional use permits. Business tax is the largest subset of this category. Staff will continue to monitor this revenue source to assess the need for mid-year budget adjustments; however, no budget revisions are recommended at this time.

Licenses & Permits

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
1st Quarter Actual Revenues	\$ 227,818	\$ 301,018	\$ 318,860	\$ 266,122	\$ 305,079
Fiscal Year Total Actual Revenues	\$ 395,769	\$ 421,205	\$ 456,319	\$ 480,440	
Fiscal Year Total Budgeted Revenues					\$ 462,859
1st Quarter Percent of Total	57.56%	71.47%	69.88%	55.39%	65.91%

Recommended Budget Revision **No Change**

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

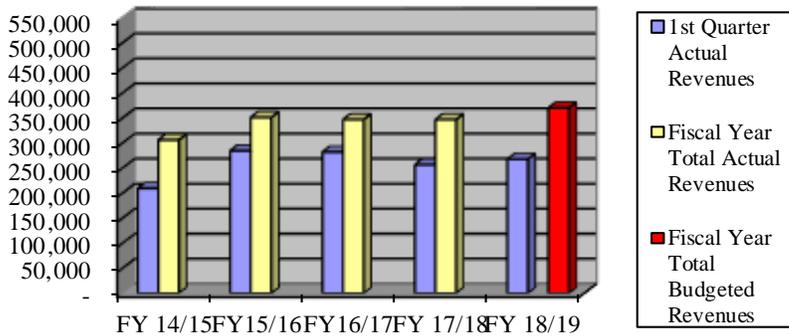
Business Tax

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 2.6% of annual General Fund operating revenues. Annual renewal payments are due on the anniversary of the license issuance.

Analysis – When viewed as a percentage of budget, current year first quarter revenues are trending consistent with those from previous years and therefore no budget adjustment is recommended at this time.

Business Tax

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
1st Quarter Actual Revenues	209,590	284,507	281,942	256,600	267,608
Fiscal Year Total Actual Revenues	\$ 305,844	\$ 351,055	\$ 346,704	\$ 346,700	
Fiscal Year Total Budgeted Revenues					\$ 370,000
1st Quarter Percent of Total	68.53%	81.04%	81.32%	74.01%	72.33%

Recommended Budget Revision **No Change**

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

GENERAL FUND – KEY EXPENDITURE ANALYSIS

The following discussion provides a status of significant General Fund expenditures as of the first quarter ending September 30, 2018. Staff monitors each revenue source closely, and may recommend certain expenditure adjustments based on actuals or state budget actions.

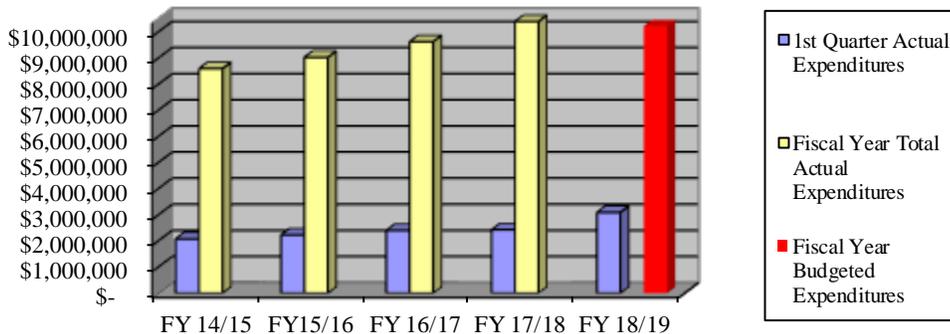
SALARIES AND BENEFITS

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 25% of total budget at the end of the first quarter.

Analysis – First quarter results are trending higher than those in the same period in prior years, at approximately 30.2% of budgeted totals. This is due to the \$869,087 upfront prepayment of the City's CalPERS UAL. This is a one-time payment which, paid in July, saved the City's general fund approximately \$35,000. When the one-time payment is removed, salaries and benefits total 24% of budget which is consistent with prior years and on target with first quarter expectations. Within the Salaries and Benefits categories, staff is closely monitoring overtime as it is trending quite high due to increased overtime in the fire department. There is no recommendation for adjustments at this time.

SALARIES AND BENEFITS

Quarterly and Annual Expenditures
5-Year History



	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19
1st Quarter Actual Expenditures	\$ 2,081,974	\$ 2,227,163	\$ 2,401,146	\$ 2,430,774	\$ 3,093,334
Fiscal Year Total Actual Expenditures	\$ 8,595,238	\$ 9,027,716	\$ 9,625,716	\$ 10,400,147	\$ 10,400,147
Fiscal Year Budgeted Expenditures					\$ 10,228,401
1st Quarter Percent of Total	24.22%	24.67%	24.95%	23.37%	30.24%
Recommended Budget Revision					No Change

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

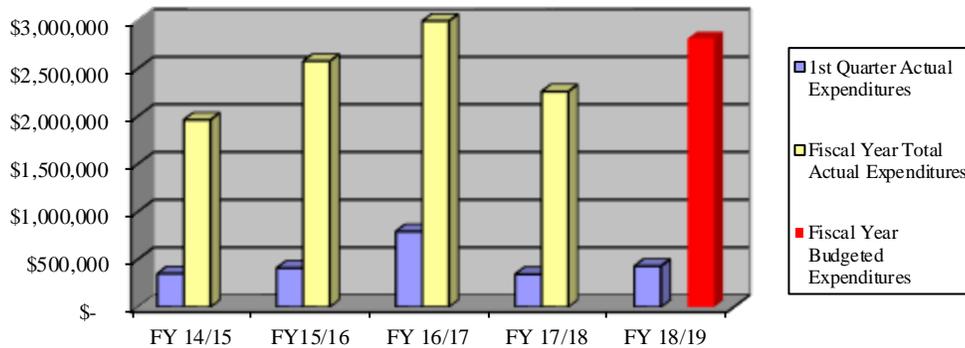
SUPPLIES, MATERIALS AND SERVICES

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 25% level for the first 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 25% amount may be explained due to these consulting and contractual services.

Analysis – First quarter results are trending consistent with those in the same period in prior years, at approximately 15.25% of budgeted totals (exclusive of transfers). There is no recommendation for adjustments at this time.

SUPPLIES, MATERIALS AND SERVICES

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
1st Quarter Actual Expenditures	\$ 350,762	\$ 409,774	\$ 792,839	\$ 343,802	\$ 429,439
Fiscal Year Total Actual Expenditures	\$ 1,963,521	\$ 2,579,514	\$ 3,022,358	\$ 2,260,582	
Fiscal Year Budgeted Expenditures					\$ 2,815,232
1st Quarter Percent of Total	17.86%	15.89%	26.23%	15.21%	15.25%

Recommended Budget Revision	No Change
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QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

FINANCIAL SUMMARIES, PROJECTIONS AND RECOMMENDATIONS

General Fund

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the first quarter of FY 2018/19, 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 early trends observed through the first quarter.

**City of Morro Bay
Schedule of General Fund
Operating Revenues vs. Operating Expenditures
By Category
For the period ended September 30, 2018**

	FY17/18 Adopted Budget	FY17/18 1st Qtr Actuals	FY17/18 % YTD	FY18/19 Adopted Budget	FY18/19 1st Qtr Actuals	FY18/19 % YTD	FY18/19 Finance Projection
Revenues							
Property Tax	\$ 3,948,634	\$ 4,220	0%	\$ 4,227,326	\$ 6,025	0%	\$ 4,227,326
Other Taxes	200,198	46,396	23%	228,683	51,870	23%	228,683
Transient Occupancy Tax	3,543,371	885,172	25%	3,524,835	864,974	25%	3,524,835
Sales Tax	1,777,664	333,152	19%	1,806,000	180,016	10%	1,806,000
Franchise Fees	527,484	38,372	7%	531,799	27,752	5%	531,799
Licenses & Permits	97,859	27,770	28%	92,859	37,471	40%	92,859
Business Tax	520,730	256,600	49%	370,000	267,608	72%	370,000
Charges for Services	1,149,348	264,736	23%	1,464,764	587,219	40%	1,464,764
Fines & Forfeitures	12,000	5,367	45%	12,000	5,871	49%	12,000
Intergovernmental	60,394	-	0%	62,642	-	0%	62,642
Other Sources	39,422	5,785	15%	14,225	13,235	93%	14,225
Use of Money & Property	443,927	134,630	30%	389,600	42,679	11%	389,600
Fund Transfers	1,316,851	257,449	20%	1,605,795	301,183	19%	1,605,795
Total Revenues	13,637,882	2,259,649	17%	14,330,528	2,385,903	17%	14,330,528
Expenditures							
Salaries	5,240,831	1,071,856	20%	5,158,666	1,136,239	22%	\$ 5,214,666
Overtime	247,177	116,992	47%	202,529	123,273	61%	\$ 202,529
Part-time	901,245	284,876	32%	895,092	256,482	29%	\$ 895,092
Other Salaries	332,189	63,483	19%	325,391	79,437	24%	\$ 325,391
Labor Costs Applied	1,500	23,682	1579%	26,280	708	3%	\$ 26,280
Benefits	3,546,193	851,162	24%	2,549,737	628,108	25%	\$ 2,549,737
PERS UAL				1,070,706	869,087	81%	\$ 869,087
Supplies, Materials and Services	2,295,924	330,369	14%	2,815,232	429,439	15%	\$ 2,755,232
Utilities	357,852	94,416	26%	434,222	78,006	18%	\$ 434,222
Insurance	142,770	35,693	25%	160,974	42,641	26%	\$ 160,974
Debt				35,190	-	0%	\$ 35,190
Payment to other Agencies	40,775	17,316	42%	30,525	5,241	17%	\$ 30,525
Total Expenditures	\$ 13,106,456	\$ 2,889,845	22%	\$ 13,704,544	\$ 3,648,661	27%	\$ 13,498,925
Transfers In/Out	522,322	-	0%	624,080	89,270	14%	624,080
Total Operating Expenditures	\$ 13,628,778	\$ 2,889,845	21%	\$ 14,328,624	\$ 3,737,931	26%	\$ 14,123,005
Net Surplus or (Use) of Reserves	\$ 9,104	\$ (630,196)		\$ 1,904	\$ (1,352,028)		\$ 207,523

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the first quarter of FY 2018/19 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 early trends observed through the first quarter.

**City of Morro Bay
Schedule of General Fund
Operating Revenues vs. Operating Expenditures
By Department
For the period ended September 30, 2018**

	FY17/18 Adopted Budget	FY17/18 1st Qtr Actuals	FY17/18 % YTD	FY18/19 Adopted Budget	FY18/19 1st Qtr Actuals	FY18/19 % YTD	FY18/19 Finance Projection
Revenues							
Property Tax	\$ 3,948,634	\$ 4,220	0%	\$ 4,227,326	\$ 6,025	0%	\$ 4,227,326
Other Taxes	200,198	46,396	23%	\$ 228,683	\$ 51,870	23%	\$ 228,683
Transient Occupancy Tax	3,543,371	885,172	25%	\$ 3,524,835	\$ 864,974	25%	\$ 3,524,835
Sales Tax	1,777,664	333,152	19%	\$ 1,806,000	\$ 180,016	10%	\$ 1,806,000
Franchise Fees	527,484	38,372	7%	\$ 531,799	\$ 27,752	5%	\$ 531,799
Licenses & Permits	97,859	27,770	28%	\$ 92,859	\$ 37,471	40%	\$ 92,859
Business Tax	520,730	256,600	49%	\$ 370,000	\$ 267,608	72%	\$ 370,000
Charges for Services	1,149,348	264,736	23%	\$ 1,464,764	\$ 587,219	40%	\$ 1,464,764
Fines & Forfeitures	12,000	5,367	45%	\$ 12,000	\$ 5,871	49%	\$ 12,000
Intergovernmental	60,394	-	0%	\$ 62,642	\$ -	0%	\$ 62,642
Other Sources	39,422	5,785	15%	\$ 14,225	\$ 13,235	93%	\$ 14,225
Use of Money & Property	443,927	134,630	30%	\$ 389,600	\$ 42,679	11%	\$ 389,600
Fund Transfers	1,316,851	257,449	20%	\$ 1,605,795	\$ 301,183	19%	\$ 1,605,795
Total Revenues	13,637,882	2,259,649	17%	14,330,528	2,385,903	17%	14,330,528
Expenditures							
City Council	134,575	43,635	32%	150,550	37,221	25%	\$ 150,550
City Manager	280,441	52,706	19%	341,743	91,944	27%	\$ 350,207
City Attorney	-	-	0%	409,376	21,717		\$ 409,376
Contract Services	768,105	61,259	8%	694,176	167,141	24%	\$ 633,513
City Clerk/HR/Elections	419,500	103,619	25%	397,875	105,704	27%	\$ 412,869
Deputy City Manager	117,284	20,530	18%	-	-	0%	\$ -
Accounting & Treasury	616,680	120,985	20%	629,073	152,649	24%	\$ 627,995
Police Department	3,336,552	729,100	22%	3,166,165	920,995	29%	\$ 3,154,969
Support Services	231,122	40,657	18%	233,099	73,476	32%	\$ 232,993
Fire Department	2,480,935	691,828	28%	2,557,512	821,329	32%	\$ 2,390,648
Emergency Operations Center	8,967	(8,531)	-95%	11,967	523	4%	\$ 11,967
Community Development	1,053,470	182,487	17%	1,136,633	242,986	21%	\$ 1,130,082
Public Works	626,349	154,122	25%	679,146	123,278	18%	\$ 704,146
Consolidated Maintenance	855,800	255,066	30%	866,162	246,135	28%	\$ 861,897
Vehicle, Parks, Facilities	120,361	26,314	22%	127,231	37,725	30%	\$ 126,309
Streets, Street Trees, Storm Drains/Creeks	864,144	78,636	9%	870,390	203,651	23%	\$ 865,660
Street lighting	106,000	20,077	19%	122,000	9,540	8%	\$ 122,000
Curbside Recycling	-	-	0%	26,280	-	0%	\$ 26,280
Recreation Services - Administration	318,203	58,422	18%	318,961	79,953	25%	\$ 322,333
Recreation Services - Dance 39+	11,500	3,053	27%	10,000	3,502	35%	\$ 10,000
Recreation Services - Sports	411,856	127,735	31%	406,811	161,970	40%	\$ 405,737
Recreation Services - Youth Services	344,612	126,064	37%	290,432	120,825	42%	\$ 290,432
Recreation Services - Teen Programs	-	-		51,100	7,302	14%	\$ 51,100
Recreation Services - Community Pool	-	-		147,862	16,548	11%	\$ 147,862
Electricity	-	2,079		60,000	2,548	4%	\$ 60,000
Total Expenditures	\$ 13,106,456	\$ 2,889,845	22%	\$ 13,704,544	\$ 3,648,661	27%	\$ 13,498,925
Transfers In/Out	522,322	\$ -	0%	624,080	\$ 89,270.00	14%	624,080
Total Operating Expenditures	\$ 13,628,778	\$ 2,889,845	21%	\$ 14,328,624	\$ 3,737,931	26%	\$ 14,123,005
Net Surplus or (Use) of Reserves	\$ 9,104	\$ (630,196)		\$ 1,904	\$ (1,352,028)		\$ 207,523

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

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 which 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 (MBTBID) 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 MBTBID 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 MBTBID assessment rate back to 3%. The Ordinance was passed on September 27th and became effective October 28, 2010.

Annually in May, the MBTBID'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 MBTBID for the upcoming fiscal year, and approve the levy and collection of the 3% assessments from the hoteliers.

In 2013, the MBTBID formed a 501c(6) corporation, Morro Bay Tourism Bureau, to carry out the marketing activities of the MBTBID, 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 MBTBID 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 the first quarter of FY 2018/19 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 2018/19 the general fund contribution was budgeted at \$157,000. When excluding transfers, Assessments are trending well at 24% for the first three months of the calendar year. This is trending slightly lower than prior years due to the timing of receipts and late payments that were not adjusted for. This aligns with the trending of TOT for the City's general fund and staff is not recommending a budget adjustment at this time.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

TBID

	<u>FY 14/15</u>	<u>FY15/16</u>	<u>FY16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
1st Quarter Actual Revenues	\$ 261,191	\$ 206,217	\$ 309,571	\$ 345,301	\$ 236,851
Fiscal Year Total Actual Revenues	\$ 882,109	\$ 841,295	\$ 935,834	\$ 935,691	
Fiscal Year Budgeted Revenues					\$ 997,135
1st Quarter Percent of Total	29.61%	24.51%	33.08%	36.90%	23.75%
1st Quarter Actual Expenditures	\$ 163,621	\$ (2,109)	\$ 206,741	\$ 292,124	\$ 262,070
Fiscal Year Total Actual Expenditures	\$ 872,550	\$ 660,205	\$ 917,560	\$ 917,930	
Fiscal Year Budgeted Expenditures					\$ 997,135
1st Quarter Percent of Total	18.75%	-0.32%	22.53%	31.82%	26.28%
Recommended Budget Revision Revenues					No Change
Recommended Budget Revision Expenditures					No Change
<i>*Revenues include transfers in and Assessment collections</i>					

DRAFT

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

Measure Q

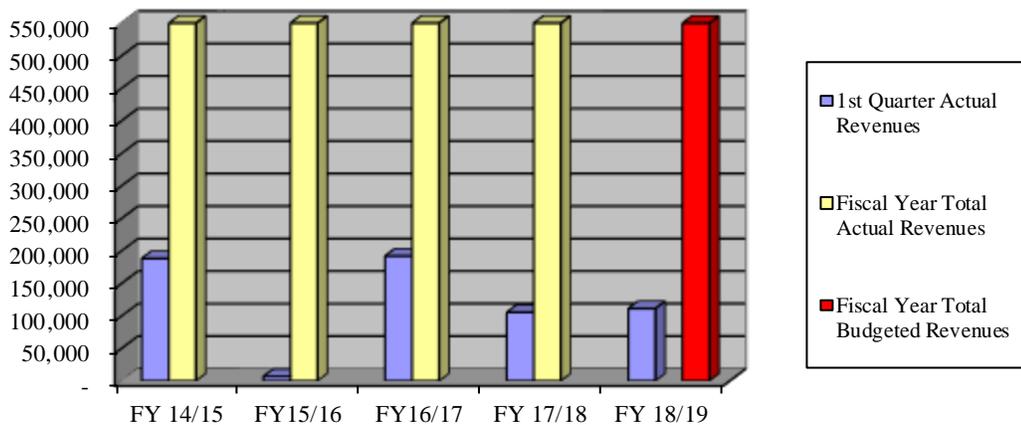
With the November 7, 2006 election, the citizens of Morro Bay voted in a ½ cent district sales tax, commonly known as “Measure Q.” This is a general tax and has no sunset date. The ballot measure stated: *The Morro Bay Vital Public Services Restoration and Protection Measure. To preserve Morro Bay’s 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.

Measure Q revenues are trending well as indicated in the chart below, therefore no revenue budget adjustments are recommended at this time:

Measure Q

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
1st Quarter Actual Revenues	188,183	6,728	191,948	105,412	111,338
Fiscal Year Total Actual Revenues	\$ 1,151,549	\$ 983,602	\$ 1,118,270	\$ 1,062,895	\$ 1,083,000
Fiscal Year Total Budgeted Revenues					\$ 1,083,000
1st Quarter Percent of Total	16.34%	0.68%	17.16%	9.92%	10.28%

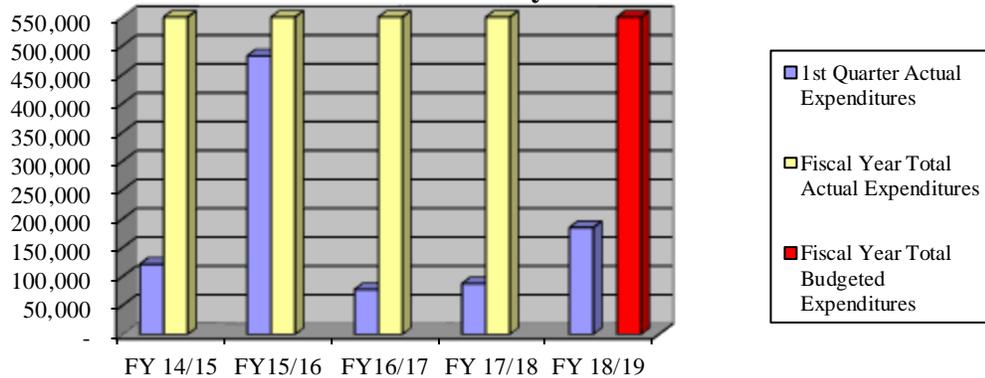
Recommended Budget Revision **No Change**

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

Measure Q Expenditures are generally trending well and are consistent with prior year actuals. Work on the City's pavement management plan had not begun as of September 30, 2018 and therefore the expenditures provided do not reflect a transfer of Measure Q funds to the pavement management plan. There are no recommended budget adjustments at this time.

Measure Q

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



	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>
1st Quarter Actual Expenditures	121,706	482,838	77,934	88,167	185,403
Fiscal Year Total Actual Expenditures	\$ 1,408,279	\$ 582,073	\$ 1,544,827	\$ 952,398	
Fiscal Year Total Budgeted Expenditures					\$ 1,083,000
	0	8.64%	82.95%	5.04%	9.26%

Recommended Budget Revision

No Change

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

FY 2018/19 Recommended Budget Adjustments

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

GENERAL FUND				
Fund	Acct	Sub	General Fund Expenditures	
001	3110	4110-4911	Salary & Benefits - CM	11,000
001		4110-4911	Salary & Benefits	45,000
001	5205	4110-4911	Salary & Benefits - PW	30,763
001	3115	6106	Contractual Services	(60,000)
001			TOTAL GENERAL FUND EXPENDITURES	\$ 26,763

CAPITAL PROJECTS				
920	9922	3996	Programmed Use of Fund Balance	2,300
303			TOTAL CAPITAL FUND REVENUES	\$ 2,300

CAPITAL PROJECTS				
301	7710	8540	Transfer to Capital Improvement Fund	2,300
920	9922	7204	Other Vehicles	2,300
			TOTAL CAPITAL PROJECTS EXPENDITURES	\$ 4,600

OTHER FUNDS				
Other Funds Expenditures				
Parks In-Lieu				
904				
904	6160	6106	Contract Services	12,769
904				12,769
Wastewater Treatment Plant				
599				
599	5255	4110	Regular Pay	(22,079)
599	5255	4599	Other Pay	(150)
599	5255	4910	Employer Paid Benefits	(9,214)
599	5255	4911	Pension Normal Cost	(2,320)
599				(33,763)
North Point Assessment District				
565				
565	6162	4110-4911	Salary & Benefits	3,000
565	6162	6301	Electricity	500
565	6162	6303	Water	1,500
565	6162	6305	Disposal	200
565	6162	6106	Contract Services	3,003
430				8,203
Cloisters Park Maintenance Assessment District				
570				
570	6167	5109	Uniform/Safety Equipment	2,000
570	6167	5199	Miscellaneous Operating Supplies	100
570	6167	5501	Grounds Maintenance Supplies	500
570	6167	6301	Electricity	1,100
570	6167	6303	Water	25,000
570	6167	6305	Disposal	1,600
570	6167	6106	Contract Services	55,000
430				55,000
Information Technology Fund				
450				
450	3520	6640	Maintenance Contracts	3,995
450				3,995
			TOTAL OTHER FUNDS EXPENDITURES	\$ 46,204

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

General Fund

Expenditures:

- Salary & Benefits - City Manager (CM): A budget augmentation of \$11,000 is recommended in accordance with the annual review of the City Manager.
- Salary & Benefits -General Fund organizational reclassification: A budget augmentation of \$45,000 is recommended in accordance with staff's recommendation to reclassify employees currently working out of class into an appropriate salary band.
- Salary and Benefits – Public Works: A budget augmentation of \$30,763 is recommended to adjust public works salary and benefits due to the reallaction of staff time from the wastewater treatment plant and north point assessment district.
- Contractual Services: A \$60,000 budget reduction is recommended due to savings from the Fee Study contract award and lower than budgeted cost of Animal Services.

Capital Projects

Revenues:

- Trolley Replacement Programmed Use of Fund Balance: A budget augmentation of \$2,300 is recommended due to bids for the purchase of the new trolley coming in slightly above budget.

Expenditures:

- Transfer to Capital Improvement Fund: A budget augmentation of \$2,300 is recommended to transfer funds from the Transit fund to the Trolley Replacement Capital proejct for the purchase of the new trolley.
- Other Vehicles – Trolley Replacement: A budget augmentation of \$2,300 is recommended to appropriate additional funds for the purchase of the new trolley given bids for the purchase were slightly higher than the approved budget.

Other Funds

Expenditures:

- Parks In-Lieu: A budget adjustment of \$12,769 is recommended to fund the installation of artifical turf at Centennial park.
- WasteWater Treatment Plant - Salary and Benefits: A budget reduction of \$33,763 is recommended due to the overallocation of administrative staff time to the treatment plant.
- North Point Assessment District – Salary and Benefits: A budget augmentation of \$3,000 is recommended to support the previously approved assessments for the District and Engineers report.
- North Point Assessment District – Electricity: A \$500 budget augmentation is recommended for appropriation of utilities within the District.

QUARTERLY BUDGET REPORT – 1ST QUARTER FY 2018/19

- North Point Assessment District – Water: A \$1,500 budget augmentation is recommended for appropriation of utilities within the District.
- North Point Assessment District – Disposal: A \$200 budget augmentation is recommended for appropriation of utilities within the District.
- North Point Assessment District – Contractual Services: A budget augmentation of \$3,003 is recommended for professional surveying work to complete in-house design of site improvements which will include, but is not limited to, additional parking lot lighting, a 4 foot high retaining wall around the existing parking lot, and miscellaneous signage modifications. Sufficient funds currently exist in the assessment district reserves. This is Phase 1 of the project.
- Cloisters Park Maintenance Assessment District – Uniforms/Safety Equipment: A budget augmentation of \$2,000 is recommended recommended to support the previously approved assessments for the District and Engineers report.
- Cloisters Park Maintenance Assessment District – Miscellaneous Operating Supplies: A budget augmentation of \$100 is recommended recommended to support the previously approved assessments for the District and Engineers report.
- Cloisters Park Maintenance Assessment District – Ground Maintenance Supplies: A budget augmentation of \$500 is recommended recommended to support the previously approved assessments for the District and Engineers report.
- Cloisters Park Maintenance Assessment District – Electricity: A \$1,100 budget augmentation is recommended for appropriation of utilities within the District.
- Cloisters Park Maintenance Assessment District – Water: A \$25,000 budget augmentation is recommended for appropriation of utilities within the District.
- Cloisters Park Maintenance Assessment District – Disposal: A \$1,600 budget augmentation is recommended for appropriation of utilities within the District.
- Cloisters Park Maintenance Assessment District – Contractual Services: A budget augmentation of \$55,000 is recommended for a landscape architect and shade structure.
- Information Technology Fund – Maintenance Contracts: A budget augmentation of \$3,995 is recommended for the purchase of

CONCLUSION

The financial results from the FY 2018/19 first quarter data, confirms that the City is trending well and on track for the year. The first quarter report highlights that the City must continue to monitor the sales tax revenues into the mid-year update as well as striving to contain costs as much as possible. As the fiscal year progresses, staff will continue to closely monitor revenue and expenditure activity and work to identify opportunities to enhance revenue to support current and future operating and capital needs.

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AGENDA NO: B-3

MEETING DATE: November 20, 2018

Staff Report

TO: Chairman and Committee Members **DATE:** November 16, 2018
FROM: Jennifer Callaway, Finance Director
SUBJECT: First Quarter Investment Report (period ending September 30, 2018) for Fiscal Year 2018/19

RECOMMENDATION

Receive and file.

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

DISCUSSION

Attached for your consideration is the First Quarter Investment Report for FY 2018/19.

As of September 30, 2018, the City's weighted portfolio yield of 1.660% was below the Local Agency Investment Fund (LAIF) yield of 2.16%. With interest rates increasing staff will work to remain more vigilant in monitoring 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. With four investments reaching maturity, the FHLM Corp on September 30, 2018, BMW Bank and Synchrony Bank both on October 25, 2018 and State Farm Bank of October 21, 2018 it is imperative that staff purchase certificates of deposits to appropriately invest the city's funds. 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 First Quarter Investment Report (period ending September 30, 2018) for Fiscal Year 2018/19.

ATTACHMENT

1. First Quarter Investment Report for FY 2018/19 (period ending September 30, 2018)

Prepared By: JC

Dept Review: _____

City Manager Review: _____

City Attorney Review: _____

CITY OF MORRO BAY
QUARTERLY PORTFOLIO PERFORMANCE
9/30/2018

INVESTMENT OR CUSIP NUMBER	INSTITUTION	PURCHASE PRICE	MARKET VALUE	COUPON INTEREST RATE	PURCHASE DATE	MATURITY DATE	DAYS TO MATURITY
LAIF	LOCAL AGENCY INVESTMENT FUND	\$ 10,315,144	\$ 10,315,144	2.16%	DAILY	DAILY	1
MONEY MARKET ACCOUNT:							
MM	RABOBANK - MONEY MARKET	2,319,378	2,319,378	0.20%	DAILY	DAILY	1
SWEEP	RABOBANK - SWEEP	3,004,132	3,004,132	0.05%	DAILY	DAILY	1
MM	OPUS BANK	5,083,991	5,083,991	2.12%	DAILY	DAILY	1
Government Agency							
3134G8PD5	FHLM Corp	500,003	497,548	1.350%	3/30/2016	9/30/2019	
CERTIFICATES OF DEPOSIT:							
1404202A7	ZION BANK - CAPITAL ONE BANK	250,005	252,772	2.400%	4/12/2017	4/12/2022	1,290
902856	TBK BANK	250,000	250,000	2.050%	1/24/2017	1/11/2019	103
4100093030	LEADER BANK	250,000	250,000	1.551%	1/6/2014	1/6/2019	98
05568P5Y9	ZION BANK - BMW BANK	250,001	251,262	2.100%	10/25/2013	10/25/2018	25
36160NYZ6	ZION BANK - Synchrony Bank CD	250,001	251,661	2.150%	10/25/2013	10/25/2018	25
38148PGK7	ZION BANK - GOLDMAN SACHS BANK	250,003	245,243	1.550%	8/3/2016	8/3/2021	1,038
3090683803	STATE FARM BANK	250,000	250,000	1.980%	10/21/2013	10/21/2018	21
4923509568	PENTAGON FEDERAL CREDIT UNION	250,000	250,000	3.000%	2/5/2014	2/5/2019	128
		<u>\$ 23,222,657</u>	<u>\$ 23,221,130</u>				
					% OF LIQUID PORTFOLIO HOLDINGS	WEIGHTED AVERAGE RATE OF EARNINGS	WEIGHTED AVERAGE MATURITY
					<u>89.235%</u>	<u>1.660%</u>	<u>30</u>

Portfolio holdings as of the first quarter ended September 30, 2018, are in compliance with the current Investment Policy. With 89.235%

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.