

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, February 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

1. APPROVAL OF MINUTES FOR THE January 16, 2018, REGULAR CITIZENS OVERSIGHT/FINANCE ADVISORY COMMITTEE MEETING

B. BUSINESS ITEMS

1. BRIEF FINANCE DEPARTMENT UPDATE – AUDIT, BUDGET, STAFFING, OPENGOV, CSMFO (Finance Director)

2. REVIEW OF FY 2017/18 SECOND QUARTER BUDGET PERFORMANCE REPORT FOR THE SIX-MONTH PERIOD ENDING DECEMBER 31, 2018, (Finance Director)

Recommendation: Receive the draft FY 2017/18 Second Quarter Budget Performance and Status Report for the Six-Month Period ending December 31, 2017 and provide input.

3. REVIEW OF FY 2017/18 SECOND QUARTER TRANSACTIONS FROM THE COLLECTION OF THE GENERAL PURPOSE LOCAL SALES TAX, COMMONLY KNOWN AS "MEASURE Q"; (Finance Director)

Recommendation:

1. Staff recommends that the Committee review the FY 2017/18 transactions and Budget Status Report for the Measure Q fund, suggest any amendments deemed necessary, and approve the transactions with those suggestions; and
2. Approve staff's recommendation to transfer Measure Q funding into a Capital Pavement Management Plan Project, pending City Council approval; and
3. Approve staff's recommendation to fund equipment needs for the Fire Department with Measure Q funds, pending City Council approval.

4. RECEIVE ORAL REPORT OF 10-YEAR FINANCIAL FORECAST UPDATE

5. RECEIVE 1ST QUARTER INVESTMENT REPORT

6. SUBCOMMITTEE UPDATES

7. FUTURE AGENDA ITEMS

C. SCHEDULE NEXT MEETING

March 20, 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 – JANUARY 16, 2018
VETERANS MEMORIAL HALL – 3:30 P.M.**

MEMBERS PRESENT:	Barbara Spagnola	Chairperson
	Bart Beckman	Member
	David Betonte	Member
	John Erwin	Member
	Walter Heath	Member
	Dawn Addis	Member
	John Martin	Member
STAFF PRESENT:	Scott Collins	City Manager
	Jennifer Callaway	Finance Director
	Monique Lomeli	Account Clerk

ESTABLISH A QUORUM AND CALL TO ORDER

A quorum was established with 7 members present and the meeting was called to order at 3:30 p.m.

COMMITTEE MEMBERS ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/ioCzAIzFFh4?t=1m59s>

Member Heath expressed sentiments regarding the recent Montecito tragedies, encouraging the public to support local businesses and participate in community clean-up events.

PUBLIC COMMENT PERIOD

<https://youtu.be/ioCzAIzFFh4?t=3m45s>

No public comment.

A. CONSENT CALENDAR

1. APPROVAL OF MINUTES FOR THE NOVEMBER 28, 2017, REGULAR CITIZENS OVERSIGHT/FINANCE ADVISORY COMMITTEE MEETING

<https://youtu.be/ioCzAIzFFh4?t=4m1s>

MOTION: Member Addis moved to approve the CFAC meeting minutes of November 28, 2017 as presented. Member Betonte seconded and the motion carried 7-0.

B. BUSINESS ITEMS

1. BRIEF FINANCE DEPARTMENT UPDATE – AUDIT AND CAFR
<https://youtu.be/ioCzAIzFFh4?t=4m49s>

Finance Director Jennifer Callaway presented a brief financial update, summarizing efforts to increase transparency, and responded to Committee Member inquiries.

Member Martin suggested modifying the AP ledger to include vendor information and purchase descriptions.

No public comment.

2. REVIEW OF FY 2017/18 FIRST QUARTER TRANSACTIONS FROM THE COLLECTION OF THE GENERAL PURPOSE LOCAL SALES TAX, COMMONLY KNOWN AS “MEASURE Q”
<https://youtu.be/ioCzAIzFFh4?t=21m11s>

Finance Director Callaway presented the staff report.

Committee Members provided feedback on the format of the First Quarter Transactions report.

There was a discussion regarding the use of Measure Q funds for storm drain maintenance and a School Resource Officer.

In response to inquiry by Member Erwin, Finance Director Callaway agreed to provide information regarding the secondary funding source of the School Resource Officer.

No public comment.

3. REVIEW OF CITY COUNCIL PRESENTATION FOR JANUARY 23, 2018 COUNCIL MEETING
<https://youtu.be/ioCzAIzFFh4?t=46m3s>

Chairperson Spagnola presented a draft PowerPoint presentation entitled “Citizens Oversight Committee Measure Q Overview” and received Committee feedback regarding format and edits.

No public comment.

4. REVIEW OF FY 18/19 BUDGET DATES (Receive & File)
<https://youtu.be/ioCzAIzFFh4?t=1h10m57s>

Finance Director Callaway presented the FY 18/19 budget dates.

The Committee suggested educating the community through an informational timeline, including a narrative tied into annual goals and objectives.

No public comment.

5. SUBCOMMITTEE UPDATES

a. PUBLIC FRIENDLY BUDGET DOCUMENTS SUBCOMMITTEE

The subcommittee encouraged staff to make the budget friendly document more accessible on the main page of the City's website, move forward on the budget calendar created by the subcommittee, and research options regarding a potential budget webcast.

No public comment.

6. FUTURE AGENDA ITEMS

<https://youtu.be/ioCzAIzFFh4?t=1h28m27s>

The Committee requested the mid-year budget review be included on the next meeting agenda.

C. SCHEDULE NEXT MEETING

The next Regular Meeting of the Citizens Finance Advisory Committee is scheduled for Tuesday, February 20, 2018.

D. ADJOURNMENT

<https://youtu.be/ioCzAIzFFh4?t=1h44m19s>

The meeting adjourned at 5:15 p.m.

Recorded by:
Monique Lomeli

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AGENDA NO: B-2

MEETING DATE: February 20, 2018

Staff Report

TO: Chairman and Committee Members

DATE: February 14, 2018

FROM: Jennifer Callaway, Finance Director

SUBJECT: Review of FY 2017/18 Second Quarter Budget Performance Report for the Six-Month Period Ending December 31, 2017

RECOMMENDATION

Receive the draft FY 2017/18 Second Quarter Budget Performance and Status Report for the Six-Month Period ending December 31, 2017 and provide input.

BACKGROUND

The attached draft Quarterly Budget Report covers the first six months of the fiscal year beginning July 1, 2017 and ending December 31, 2017. 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.

Through financial analysis of activity through December 31, 2017, 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.

The report provided to the CFAC committee is in draft format and may be revised for the February 27th Council update as staff continues to analyze the TBID (Tourism Fund) and incorporates budget updates related to the Tourism fund.

DISCUSSION

An analysis of the FY 2017/18 General Fund revenues identified two significant revenue areas that are trending short of budget expectations. Detail on all adjustment can be found in Attachment A to this report, however the significant adjustments are highlight below. First, Business tax was budgeted at \$520,730. Prior years actuals trended at approximately \$340,000. Therefore, staff is recommending a budget reduction in this revenue source of approximately \$180,000 to align more closely with prior year actual results. This was previously discussed with the City Council in January.

Secondly, the City's Transient Occupancy Tax (TOT) is in line with prior years receipts when viewed as actuals received, however TOT was budgeted at \$3,543,371, over \$200,000 higher than prior year actual receipts. As a percentage of budget, TOT receipts are trending behind expectations.

Prepared By: JC

Dept Review: JC

City Manager Review: _____

City Attorney Review: _____

Therefore, staff is recommending a budget reduction of approximately \$200,000 to this revenue category to again, align more closely with prior year actuals.

Staff is recommending a budget adjustment to plan check fees. Both the Fire Department and Community Development Department are actively completing plan check fees for increased building related activity within the City. This is a strong indicator that the economy continues to remain strong.

The City has confirmed that Cal Fire and FEMA reimbursements totaling \$390,577 will be received prior to yearend for strike team support of the southern California wildfires and landslide. Therefore, a revenue adjustment to account for these funds is included in the staff report. Of this amount, \$253,350 is directly attributed to overtime and personnel costs incurred by the City as a result of the strike team support. The remaining reimbursement is for equipment and administrative costs.

Revenue adjustments recommended at this time total \$173,851

Expenditure adjustments recommended during the mid-year total \$192,447. This includes the \$253,350 for the overtime and personnel costs resulting from the fire department's support of the southern California fires and \$20,000 for contractual services to support the costs of recruitments.

Due to the revenue shortfalls discussed with business tax and TOT coupled with the expenditure adjustments, staff is recommending a budget reduction of \$63,143 as a result of not filling the vacant Deputy City Manager position for the remainder of the year.

Staff is continuing to review the mid-year report and would appreciate feedback from the Committee. For presentation to the City Council, staff will be including information related to the Tourism budget as well as potential cost savings related to prepayment of the City's CalPERS side fund.

CONCLUSION

The second quarter report cautions the Committee, Council, Staff and Community that revenue shortfalls will have to be mitigated throughout the remaining half of the year. Due to this, a third quarter report will be prepared and presented to the Committee and Council to ensure that the general fund remains balanced.

ATTACHMENTS

1. Second Quarter FY 2017/18 Budget Performance and Status Report for period ending December 31, 2017.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

INTRODUCTION

Purpose

This is the second quarterly budget report for the Fiscal Year 2017/18, for the six-month period ending December 31, 2017. 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 six-month period ending December 31, 2017, 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 – 2nd QUARTER FY 2017/18

EXECUTIVE SUMMARY

Status of FY 2017/18 Adopted Budget

Overall, second quarter revenue trends are steady when compared to the second quarter of Fiscal Year 2016/17, at about 45% of budgeted levels. Of the City's most economically-sensitive revenues - sales tax is down by about 2% or \$17,000 from receipts in the 2nd quarter of the prior year while Transient Occupancy Tax (TOT) is trending on par with actual receipts from the prior fiscal year at the second quarter period. It is important to note that while actual receipts are trending consistent for TOT, as a percentage of budget, TOT is trending approximately 3% less than in the prior year, as budget was increased significantly during the FY 2017/18 budget process. This is also true for business tax which was budgeted significantly higher than prior year actuals. Charges for Service are trending very well, due to increased development activity generating significantly more plan check fees for both the Fire Department and Community Development Department as well as the Fire Department's mutual aid work and support of the fires and landslide that occurred during late 2017. The Fire Departments support of these tragedies is reimbursed to the City to offset corresponding costs the City incurs.

Overall, General Fund expenditures for the second quarter continue to trend low with second quarter Supplies, Materials and Services expenditures at about 39% of budget. Overall salary and benefits are trending a bit high which is to be expected given the amount of mutual aid support provided for the fires and landslides that occurred down south. Staff is continuing to monitor both revenues and expenditures through the third quarter and continue to true-up budget figures to more closely align to actual results. As such, a series of budget adjustments in recommended for revenues and expenditures.

U.S. Economic Outlook

The Congressional Budget Office (CBO) estimates, in real terms, Gross Domestic Product (GDP) expansion by 2.2 percent in calendar year 2017 and by 2.0 percent in 2018. The CBO expects consumer spending and capital investment by businesses to drive that growth. The growth of real GDP in the CBO's forecast averages is 1.5 percent annually in 2019 and 2020.

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 raise the federal funds interest rate from 0.9 percent in the second quarter of 2017 to 2.0 percent by the end of 2018, and then 3.0 percent by the end of 2020. Similarly, in the CBO's forecast, by the end of 2020, the interest rate on 3-month Treasury bills rises to 2.7 percent and the rate on 10-year Treasury notes rises to 3.5 percent.

In addition, the federal lawmakers still face the longer-term budget issues posed by the large projected national debt and implementation of rising health care costs due to the aging population.

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

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

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 – 2nd QUARTER FY 2017/18

GENERAL FUND – KEY REVENUE ANALYSIS

The following discussion provides a status of significant General Fund revenue sources as of the second quarter, ending December 31, 2017.

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

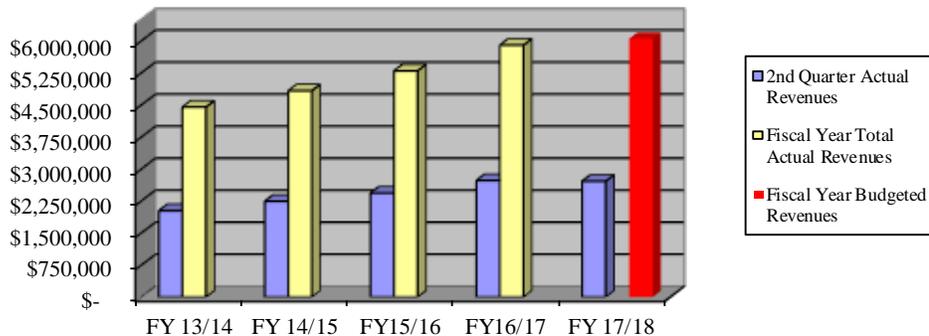
Other Taxes

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 – Second quarter receipts continue to trend behind those receipts in prior years and therefore a budget reduction of \$200,000 for the category of “Other Taxes” is recommended, this includes a \$20,000 increase in Sales Tax Prop 172 revenues which were budgeted slightly less than year-end actuals for FY 16/17. 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>FY15/16</u>	<u>FY16/17</u>	<u>FY 17/18</u>
2nd Quarter Actual Revenues	\$ 2,022,854	\$ 2,242,006	\$ 2,434,683	\$ 2,727,457	\$ 2,712,525
Fiscal Year Total Actual Revenues	\$ 4,448,934	\$ 4,828,679	\$ 5,297,172	\$ 5,896,997	
Fiscal Year Budgeted Revenues					\$ 6,048,717
2nd Quarter Percent of Total	45.47%	46.43%	45.96%	46.25%	44.84%
Recommended Budget Revision					(200,000)

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

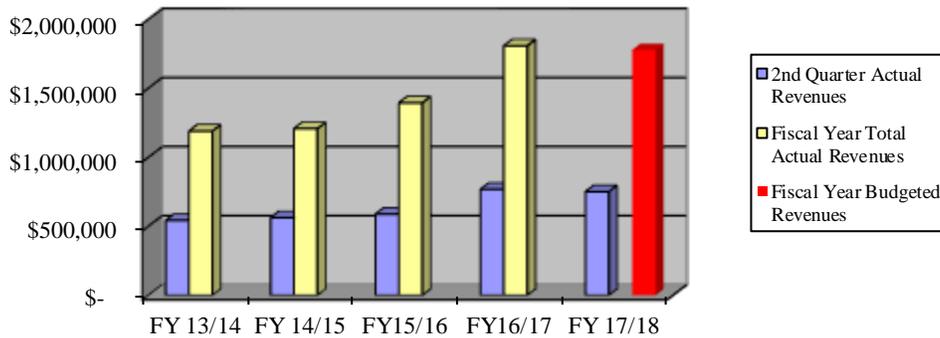
Sales Tax

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, second quarter receipts are trending in line with those in the same period in the past fiscal year. Staff will continue to monitor sales tax receipts and meet with the City’s sales tax consultant’s HDL to analyze trends. Any budget recommendations for adjustments will be brought forth with the third-quarter update.

Sales Tax

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



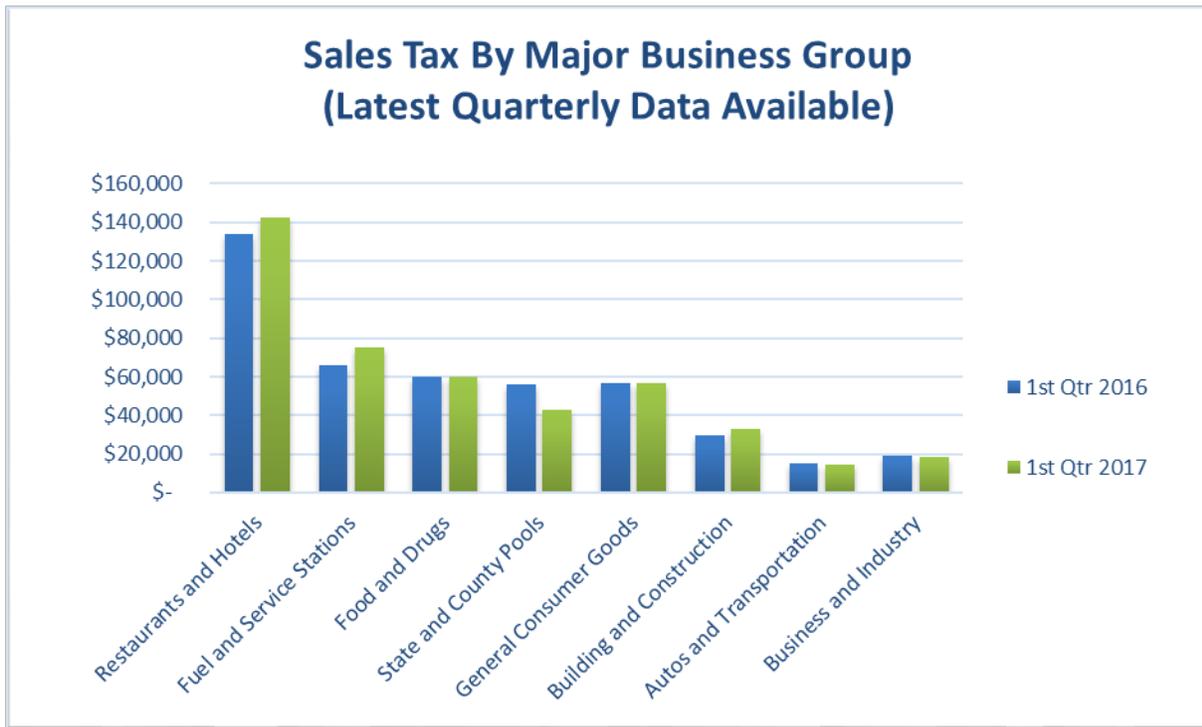
	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
2nd Quarter Actual Revenues	\$ 542,084	\$ 562,291	\$ 588,667	\$ 767,884	\$ 750,841
Fiscal Year Total Actual Revenues	\$ 1,189,656	\$ 1,207,332	\$ 1,394,145	\$ 1,807,642	
Fiscal Year Budgeted Revenues					\$ 1,777,664
2nd Quarter Percent of Total	45.57%	46.57%	42.22%	42.48%	42.24%

Recommended Budget Revision

-

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

As depicted in the graph below, the categories of Restaurants and Hotels and Fuel and Service Stations represent the most significant increase in sales tax from the 2nd quarter of 2016 to the 2nd quarter of 2017. The most significant decrease in growth occurred in allocations from the countywide use tax pool. According to HDL analysis, project-driven spikes in allocations elsewhere in the region temporarily depressed the City's share and State corrections further reduced the City's share. 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 Food and Construction areas, when compared to the same quarter results from the prior fiscal year.



Staff will continue to monitor these revenues through the mid-year to determine if a budget adjustment will be recommended at that time.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

TOT Tax

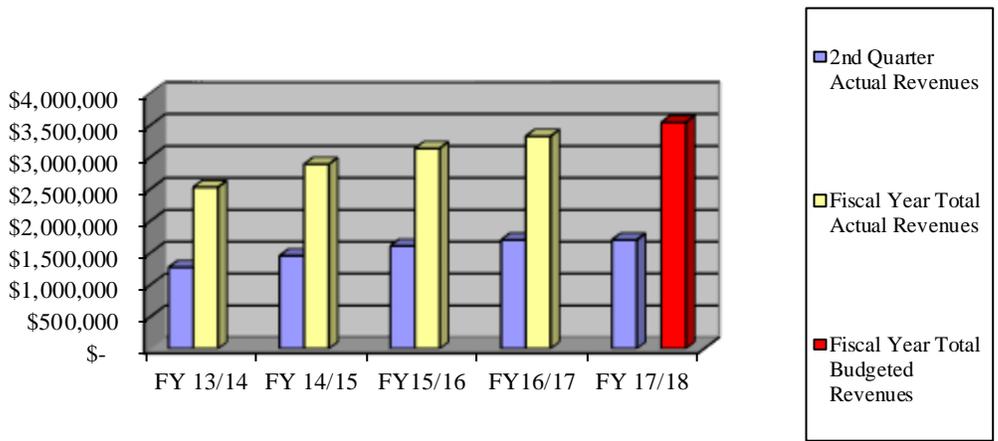
Transient Occupancy Tax (TOT) accounts for 26% of the City’s general fund revenues for FY 2017/18. As a highly economically-sensitive revenue source, the City closely monitors this funding source for any indication that the tourism market is slowing down.

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). Second quarter TOT revenues are trending below prior year second quarter results, when viewed as a percentage of budget. As a result, staff is recommending a budget reduction of \$200,000 to this revenue source. Second quarter actual receipts total \$1,702,037 when compared to second quarter FY 16/17 receipts of \$1,701,933. The recommended budget adjustment would more closely align the TOT budgeted amount of FY 2016/17 actual receipts.

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>
2nd Quarter Actual Revenues	\$ 1,272,730	\$ 1,455,090	\$ 1,607,926	\$ 1,701,933	\$ 1,702,037
Fiscal Year Total Actual Revenues	\$ 2,527,352	\$ 2,888,638	\$ 3,136,366	\$ 3,327,073	
Fiscal Year Total Budgeted Revenues					\$ 3,543,371
2nd Quarter Percent of Total	50.36%	50.37%	51.27%	51.15%	48.03%

Recommended Budget Revision	(200,000)
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QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

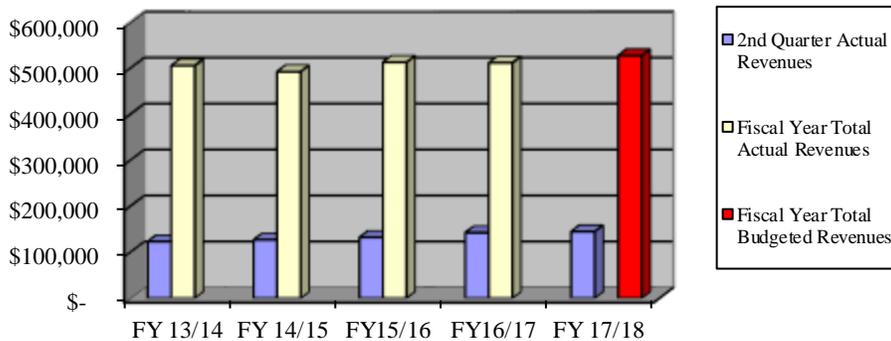
Franchise Fees

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 second quarter results, franchise fee revenues to date are 7.2% of budgeted total receipts, consistent with the prior year’s 2nd 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>
2nd Quarter Actual Revenues	\$ 123,137	\$ 126,873	\$ 132,314	\$ 142,446	\$ 144,862
Fiscal Year Total Actual Revenues	\$ 505,659	\$ 492,572	\$ 513,081	\$ 511,696	
Fiscal Year Total Budgeted Revenues					\$ 527,484
2nd Quarter Percent of Total	24.35%	25.76%	25.79%	27.84%	27.46%

Recommended Budget Revision -

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

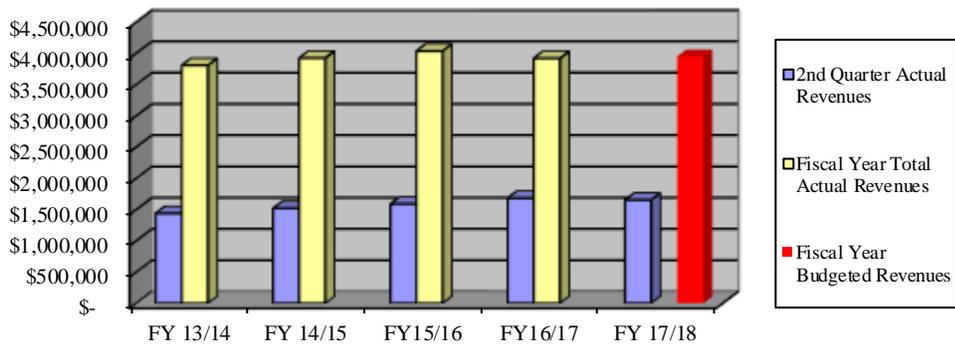
Property Tax

Property tax, including property tax in-lieu, is the second 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, however the chart below depicts the 2nd quarter receipts for the past four years as compared to the current fiscal year. Second quarter receipts are trending consistent with prior years. Property tax revenue for FY 2017/18 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 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
2nd Quarter Actual Revenues	\$ 1,437,128	\$ 1,519,476	\$ 1,588,966	\$ 1,680,724	\$ 1,651,301
Fiscal Year Total Actual Revenues	\$ 3,805,601	\$ 3,921,347	\$ 4,035,432	\$ 3,917,348	
Fiscal Year Budgeted Revenues					\$ 3,948,634
2nd Quarter Percent of Total	37.76%	38.75%	39.38%	42.90%	41.82%

Recommended Budget Revision

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

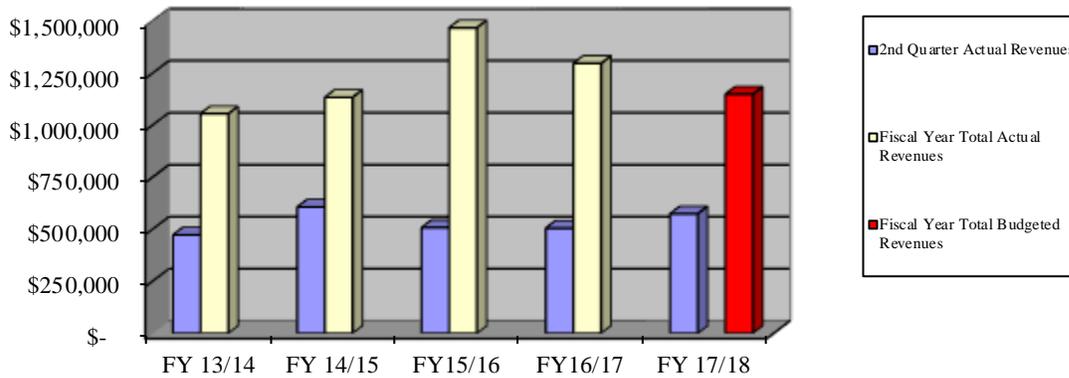
Charges for Services

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 – Second quarter receipts are trending very high, as both Community Development and Fire Plan Check Fee revenues has surged, as well as recreation program revenues, particularly with the opening of the pool. In addition, the Fire Departments reimbursement for their strike team support of the various fires and landslide that occurred in late 2017 is included in the charges for services category. As a result of the increased building activity, use of the City’s recreational programs and Fire Service reimbursements, a \$544,081 budget augmentation is recommended.

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>
2nd Quarter Actual Revenues	\$ 472,753	\$ 606,960	\$ 507,974	\$ 505,004	\$ 574,312
Fiscal Year Total Actual Revenues	\$ 1,055,168	\$ 1,134,047	\$ 1,468,119	\$ 1,297,352	
Fiscal Year Total Budgeted Revenues					\$1,149,348
2nd Quarter Percent of Total	44.80%	53.52%	34.60%	38.93%	49.97%

Recommended Budget Revision	544,081
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QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

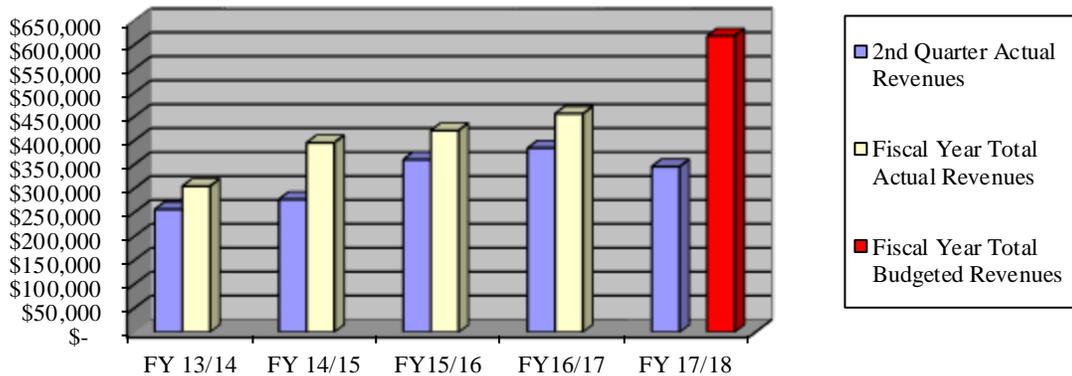
Licenses and Permits

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 – Second quarter licenses and permit revenue as an overall category is trending significantly lower than the second quarter results from the previous fiscal year. Business tax is the largest subset of this category and is the primary reason why overall licenses and permits are trending low. As previously discussed during the first quarter update, business license revenue was budgeted significantly higher than prior year actuals. Therefore, a budget reduction of \$175,730 to this revenue category is recommended at this time.

Licenses & Permits

Quarterly and Annual Revenues
5-Year History



	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
2nd Quarter Actual Revenues	\$ 256,417	\$ 277,300	\$ 360,386	\$ 384,530	\$ 345,779
Fiscal Year Total Actual Revenues	\$ 305,021	\$ 395,769	\$ 421,205	\$ 456,319	
Fiscal Year Total Budgeted Revenues					\$ 618,589

2nd Quarter Percent of Total	84.07%	70.07%	85.56%	84.27%	55.90%
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Recommended Budget Revision **(175,730)**

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

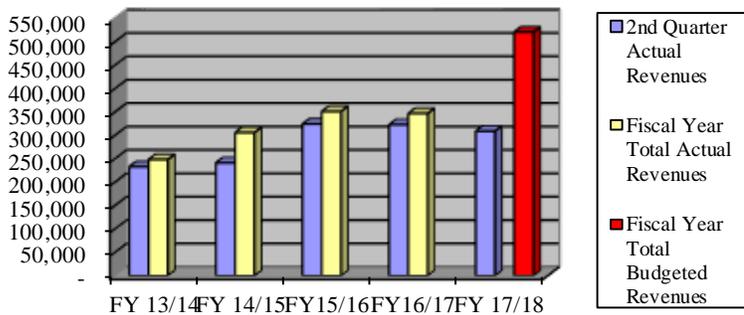
Business Tax

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. When viewed as a percentage of budget, current year second quarter revenues are trending much lower than those of the previous year. This is due to FY 2017/18 budgeted business and transient vendor tax revenues being quite high compared to actual receipts from the prior years. Business Tax budgeted revenues increased in FY 2015/16 when the City engaged the services of Municipal Auditing Services to audit business tax receipts. At the time it was expected that the Business Tax audit would result in a substantial increase Business Tax revenue for the City, so the budgeted estimates were increased. Those higher estimates were carried into future years despite significantly lower actual receipts. Staff will budget revenues for FY 2018/19 in line with actual receipts from the past several years to avoid shortfalls in the future and is recommending a budget reduction of \$180,730 to more closely align budget to prior year actuals as well as quarter over quarter receipts.

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>
2nd Quarter Actual Revenues	232,860	241,281	324,236	322,787	308,867
Fiscal Year Total Actual Revenues	\$ 248,181	\$ 305,844	\$ 351,055	\$ 346,704	\$ 520,730
Fiscal Year Total Budgeted Revenues					\$ 520,730
2nd Quarter Percent of Total	93.83%	78.89%	92.36%	93.10%	59.31%
Recommended Budget Revision					(180,730)

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

GENERAL FUND – KEY EXPENDITURE ANALYSIS

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

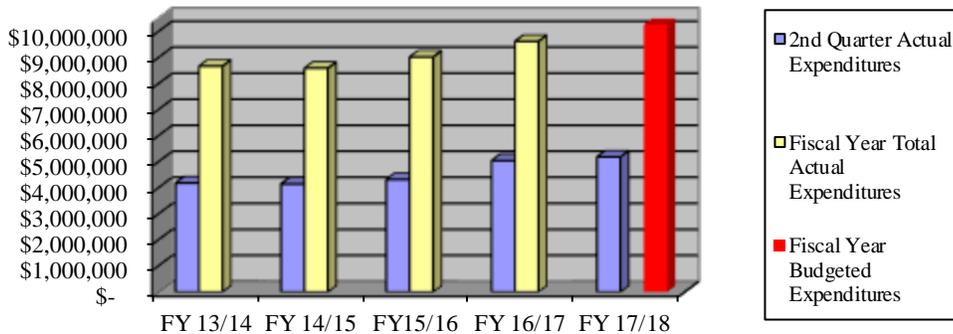
SALARIES AND BENEFITS

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 second quarter.

Analysis – Second quarter results are well, at approximately 50.5% 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 in the Charges for Services Category previously discussed (page 9). There are also some salary savings within various departments due to staffing transitions and vacancies. However, given some of the revenue shortfalls previously discussed, specifically with TOT and Business Tax, staff does not recommend re-appropriation of those savings at this time. An overall budget augmentation of \$189,207 is recommended for Salaries and Benefits.

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>
2nd Quarter Actual Expenditures	\$ 4,192,310	\$ 4,151,356	\$ 4,326,271	\$ 5,050,750	\$ 5,186,818
Fiscal Year Total Actual Expenditures	\$ 8,675,535	\$ 8,595,238	\$ 9,027,716	\$ 9,625,716	\$ 9,625,716
Fiscal Year Budgeted Expenditures					\$ 10,269,135
2nd Quarter Percent of Total	48.32%	48.30%	47.92%	52.47%	50.51%
Recommended Budget Revision					189,207

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

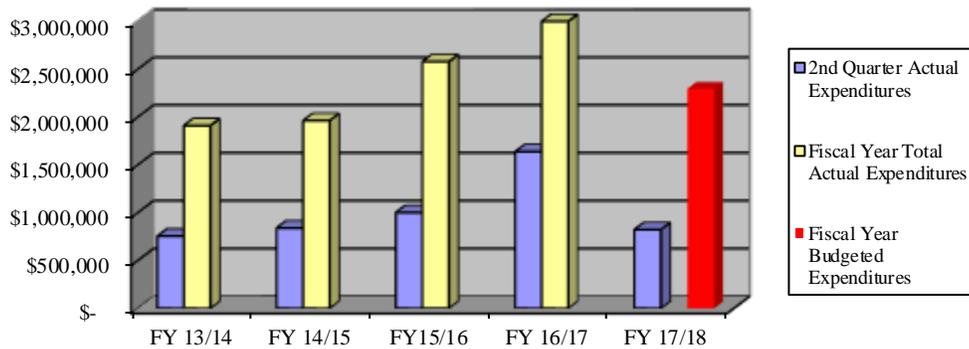
SUPPLIES, MATERIALS AND SERVICES

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 City's most controllable expenditure category, should trend around the 50% level for the second 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 – Second quarter results are trending a bit low at about 39% of budgeted totals (exclusive of transfers). As staff continues to provide services and looks toward the remainder of the fiscal year, a small budget augmentation of \$12,740 is recommended to help offset unbudgeted expenditures primarily related to recruitments and various recreational program services.

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>
2nd Quarter Actual Expenditures	\$ 755,414	\$ 840,080	\$ 1,001,382	\$ 1,638,283	\$ 822,445
Fiscal Year Total Actual Expenditures	\$ 1,910,336	\$ 1,963,521	\$ 2,579,514	\$ 3,022,358	
Fiscal Year Budgeted Expenditures					\$ 2,295,924
2nd Quarter Percent of Total	39.54%	42.78%	38.82%	54.21%	35.82%

Recommended Budget Revision	12,740
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QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

FY 2017/18 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 Revenues	
001	3510	3064	Transient Occupancy Tax	(200,000)
001	3510	3101	Business License	(180,730)
001	4210	3426	Plan Check Fees - Fire	70,000
001	4210	3272	Other Fire Services	390,577
001	6110	3469	Special Events	6,000
001	7105	3121	Encroachment Permits	5,000
001	7105	3426	Plan Check Fees - CDD	10,000
001	7105	3420	Design Review Fees - CDD	30,000
001	6110	3490	Program Revenue	8,000
001	7105	3902	Miscellaneous/Other	5,500
001	5270	3499	Miscellaneous/Other	204
001	6110	3501	Processing Fees	(4,200)
001	6125	3499	Other Rev/Current Services	(3,000)
001	6130	3480	Rec Sports Fees	25,000
001	6140	3482	Rec Youth Services	10,000
001	6143	3482	Rec Youth Services	1,500
TOTAL GENERAL FUND REVENUES				\$ 173,851
			General Fund Expenditures	
001			Salary & Benefits - DCM	(63,143)
001	3125		Overtime Pay - Fire	253,350
001	4210		Salary & Benefits - Recreation	(1,000)
001	6110-6143		Misc. Other Expenditures	(5,000)
001	3125	8705	General Operating Supplies	(485)
001	3125	5301	Consulting Services	(1,940)
001	3125	6105	Promotion & Advertising	(3,000)
001	3125	6107	Professional Development	(900)
001	3125	6125	Meetings & Conferences	(1,000)
001	3125	6510	Mileage Reimbursement	(194)
001	3125	6511	Meals & Lodging	(1,000)
001	3125	6513	Travel Expense	(1,000)
001	3125	6514	Association Membership	(750)
001	3125	6519	Contractual Services	20,000
001	3140	6106	Contract Services	(1,190)
001	4110	6107	Contract Services - Recreation	4,000
001	6110-6143	6106	Recreation Supplies	4,000
001	6140	5102	Professional Development	1,200
001	6110		Transfers to Special Revenue Fund	(9,500)
001	7710			(9,500)
TOTAL GENERAL FUND EXPENDITURES				\$ 192,447

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

General Fund

Revenues:

- Transient Occupancy Tax: A budget reduction of \$200,000 is recommended due to higher forecasted receipts in the adopted FY 2017/18 budget. This reduction will align the budget to actual receipts and prior year end actuals.
- Business Tax: A budget reduction of \$180,730 is recommended due to higher forecasted receipts in the adopted FY 2017/18 budget. This reduction will align the budget to actual receipts and prior year end actuals.
- Plan Check Fees – Fire and Community Development: A total budget augmentation of \$80,000 is recommended due to increased building activity in the City.
- Other Fire Services: A budget augmentation of \$390,577 is recommended due to confirmed expected receipts for mutual aid services provided during the fires and landslide that occurred during late 2017.
- Special Events: A \$6,000 budget augmentation is recommended due to increased event activity and to more closely align FY 2017/18 projections with FY 2016/17 year-end actuals.
- Encroachment Permits: A \$5,000 budget increase is recommended due to activity that has occurred through the first six months of the fiscal year.
- Design Review Fees: A \$30,000 budget increase is recommended due to the activity that has occurred through the first six months of the fiscal year.
- Program Revenue: A budget augmentation of \$8,000 is recommended to align program revenue with prior year actuals.
- Notification Fees: A \$5,500 budget adjustment is recommended due to an increase in notification related fees within Community Development.
- Miscellaneous/Other: A \$204 budget augmentation is recommended due to increased activity within the curbside recycling program.
- Processing Fees: A \$4,200 budget reduction is recommended due to an increase in processing related fees in Recreation, which include credit card charges, etc.
- Other Revenues/Current Services – A \$3,000 budget reduction is recommended due to changes in the 39+ Dance program.
- Recreation Sports Fees – A \$25,000 budget augmentation is recommended to capture fees related to the opening and continued use of the pool facility. Staff will be creating a separate Department center in the Finance system to track pool revenues and expenditures for easy tracking. This will be included in the third quarter update.
- Recreation Youth Services – A \$10,000 budget augmentation is recommended due to increased participation and to align budget with prior year-end actuals.
- Recreation Teen Program – A \$1,500 budget augmentation is recommended due to increased fees being collected through the snack shop.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

Expenditures:

- Salary & Benefits - Deputy City Manager (DCM): A budget reduction of \$63,143 is recommended due to the separation of the DCM from City service. Given the projected revenue shortfalls with both the business tax and TOT revenues previously discussed, staff is proposing to keep the DCM position vacant through the remainder of the fiscal year to help mitigate those shortfalls.
- Overtime Pay - Fire: A budget augmentation of \$253,350 is recommended as this is direct reimbursement for staff time and strike team support of the fires and landslide that occurred during late 2017. A revenue augmentation has also been recommended.
- Salary and Benefits – Recreation: An overall \$1,000 budget reduction is recommended due to staffing restructuring within the division and various programs.
- Operating Expenditures – Deputy City Manager’s Department: A \$15,269 budget reduction is recommended to the remaining Deputy City Manager’s Department operating expenditures. To help mitigate the shortfalls expected with operating revenues related to business tax and TOT, staff is proposing to freeze all DCM related expenditures at this time.
- Contractual Services: A \$20,000 budget augmentation is recommended to help offset costs related to recruitments, specifically the City Manager recruitment.
- Contract Services – A \$1,190 budget reduction is recommended for the Police Department.
- Contract Services – A total budget augmentation of \$4,000 is recommended for the recreation programs.
- Professional Development: A budget augmentation of \$1,200 is recommended for increased staff training within the Recreation Division.
- Transfers to Special Revenue Fund: A \$9,500 budget reduction to the transfer of funds to the Tourism Business Improvement District (TBID) fund is recommended as a result of prior year FY 2016/17 actual receipts.

QUARTERLY BUDGET REPORT – 2nd 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 second 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 second quarter.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

City of Morro Bay
Schedule of General Fund
Operating Revenues vs. Operating Expenditures
By Category
For the period ended December 31, 2017

	FY17/18 Adopted Budget	FY17/18 2nd Qtr Actuals	FY17/18 % YTD	FY17/18 Finance Projection
Revenues				
Property Tax	\$ 3,948,634	\$ 1,651,301	42%	\$ 3,948,634
Other Taxes	200,198	114,785	57%	200,198
Transient Occupancy Tax	3,543,371	1,702,037	48%	3,343,371
Sales Tax	1,777,664	750,841	42%	1,777,664
Franchise Fees	527,484	144,862	27%	527,484
Licenses & Permits	97,859	36,912	38%	102,859
Business Tax	520,730	308,867	59%	340,000
Charges for Services	1,149,348	574,312	50%	1,693,429
Fines & Forfeitures	12,000	11,268	94%	12,000
Intergovernmental	60,394	2,889	5%	60,394
Other Sources	39,422	14,421	37%	44,922
Use of Money & Property	443,927	225,748	51%	443,927
Fund Transfers	1,316,851	566,837	43%	1,316,851
Total Revenues	13,637,882	6,105,081	45%	13,811,733
Expenditures				
Salaries	5,240,831	2,346,945	45%	5,196,831
Overtime	247,177	250,156	101%	500,527
Part-time	901,245	501,872	56%	906,245
Other Salaries	332,189	217,612	66%	336,846
Labor Costs Applied	1,500	94,897	6326%	1,500
Benefits	3,546,193	1,775,337	50%	3,516,393
Supplies, Materials and Services	2,295,924	822,445	36%	2,308,664
Utilities	357,852	192,886	54%	340,257
Insurance	142,770	71,385	50%	142,770
Debt Service	-	17,595		17,595
Payment to other Agencies	40,775	22,932	56%	40,775
Total Expenditures	\$ 13,106,456	\$ 6,314,062	48%	\$ 13,308,403
Transfers In/Out	522,322	522,322	100%	512,822
Total Operating Expenditures	\$ 13,628,778	\$ 6,836,384	50%	\$ 13,821,225
Net Surplus or (Use) of Reserves	\$ 9,104	\$ (731,303)		\$ (9,492)

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

The following table is the *Schedule of General Fund Operating Revenues vs. Operating Expenditures* for the second 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 second quarter.

City of Morro Bay
Schedule of General Fund
Operating Revenues vs. Operating Expenditures
By Department
For the period ended December 31, 2017

	FY17/18 Adopted Budget	FY17/18 2nd Qtr Actuals	FY17/18 % YTD	FY17/18 Finance Projection
Revenues				
Property Tax	\$ 3,948,634	\$ 1,651,301	42%	\$ 3,948,634
Other Taxes	200,198	114,785	57%	200,198
Transient Occupancy Tax	3,543,371	1,702,037	48%	\$ 3,343,371
Sales Tax	1,777,664	750,841	42%	\$ 1,777,664
Franchise Fees	527,484	144,862	27%	\$ 527,484
Licenses & Permits	97,859	36,912	38%	\$ 102,859
Business Tax	520,730	308,867	59%	\$ 340,000
Charges for Services	1,149,348	574,312	50%	\$ 1,693,429
Fines & Forfeitures	12,000	11,268	94%	\$ 12,000
Intergovernmental	60,394	2,889	5%	\$ 60,394
Other Sources	39,422	14,421	37%	\$ 44,922
Use of Money & Property	443,927	225,748	51%	\$ 443,927
Fund Transfers	1,316,851	566,837	43%	\$ 1,316,851
Total Revenues	13,637,882	6,105,081	45%	13,811,733
Expenditures				
City Council	134,575	43,635	32%	\$ 134,575
City Manager	280,441	52,706	19%	\$ 275,441
Contract Services	768,105	61,259	8%	\$ 768,105
City Clerk/HR/Elections	419,500	103,619	25%	\$ 439,500
Deputy City Manager	117,284	20,530	18%	\$ 43,872
Accounting & Treasury	616,680	120,985	20%	\$ 614,601
Police Department	3,336,552	729,100	22%	\$ 3,335,361
Support Services	231,122	40,657	18%	\$ 231,122
Fire Department	2,480,935	691,828	28%	\$ 2,734,285
Emergency Operations Center	8,967	(8,531)	-95%	\$ 8,967
Community Development	1,053,470	182,487	17%	\$ 1,053,470
Public Works	626,349	154,122	25%	\$ 626,349
Consolidated Maintenance	855,800	255,066	30%	\$ 855,800
Vehicle, Parks, Facilities	120,361	26,314	22%	\$ 120,361
Streets, Street Trees, Storm Drains/Creeks	864,144	78,636	9%	\$ 864,144
Street lighting	106,000	20,077	19%	\$ 106,000
Curbside Recycling	-	-	0%	\$ -
Recreation Services - Administration	318,203	58,422	18%	\$ 306,403
Recreation Services - Dance 39+	11,500	3,053	27%	\$ 8,500
Recreation Services - Sports	411,856	127,735	31%	\$ 425,856
Recreation Services - Youth Services	344,612	126,064	37%	\$ 353,612
Electricity	-	2,079		\$ 2,079
Total Expenditures	\$ 13,106,456	\$ 2,889,845	22%	\$ 13,308,403
Transfers In/Out	522,322	\$ -	0%	512,822
Total Operating Expenditures	\$ 13,628,778	\$ 2,889,845	21%	\$ 13,821,225
Net Surplus or (Use) of Reserves	\$ 9,104	\$ 3,215,236		\$ (9,492)

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

The groups of financial summaries on the following pages present data by governmental fund type: For purposes of this 2nd quarter report we have focused on the Enterprise Funds, Harbor, Water, and Sewer. The fund information starts with a beginning fund balance, adds current year revenues, and subtracts current year expenditures, resulting in an ending fund balance. Adopted budget amounts are provided as a basis for comparison of actuals to date.

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>
2nd Quarter Actual Revenues	\$ 872,606	\$ 844,693	\$ 832,086	\$ 882,218	\$ 809,290
Fiscal Year Total Actual Revenues	\$ 2,597,358	\$ 1,992,648	\$ 2,104,019	\$ 1,940,152	
Fiscal Year Total Budgeted Revenues					\$ 2,429,658
2nd Quarter Percent of Total	33.60%	42.39%	39.55%	45.47%	33.31%
2nd Quarter Actual Expenditures	\$ 1,018,755	\$ 939,398	\$ 1,031,230	\$ 1,057,560	\$ 948,674
Fiscal Year Total Actual Expenditures	\$ 2,319,373	\$ 2,096,385	\$ 2,118,296	\$ 2,166,628	
Fiscal Year Total Budgeted Expenditures					\$ 2,429,658
2nd Quarter Percent of Total	43.92%	44.81%	48.68%	48.81%	39.05%
Recommended Budget Revision Revenues					18,311
Recommended Budget Revision Expenditures					\$ 15,500

QUARTERLY BUDGET REPORT – 2nd 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>
2nd Quarter Actual Revenues	\$ 1,737,733	\$ 1,586,902	\$ 2,062,875	\$ 2,417,816	\$ 2,686,792
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
2nd Quarter Percent of Total	30.16%	43.39%	47.55%	49.06%	49.03%
2nd Quarter Actual Expenditures	\$ 2,242,331	\$ 2,264,964	\$ 2,464,111	\$ 1,694,995	\$ 2,110,540
Fiscal Year Total Actual Expenditures	\$ 4,680,790	\$ 4,477,798	\$ 5,416,380	\$ 3,659,970	
Fiscal Year Total Budgeted Expenditures					\$ 5,479,700
2nd Quarter Percent of Total	47.90%	50.58%	45.49%	46.31%	38.52%
Recommended Budget Revision Revenues					
Recommended Budget Revision Expenditures					\$ (75,200)

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>
2nd Quarter Actual Revenues	\$ 1,940,134	\$ 2,011,389	\$ 2,269,228	\$ 2,660,409	\$ 2,955,602
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
2nd Quarter Percent of Total	46.21%	46.39%	44.34%	46.75%	47.17%
2nd Quarter Actual Expenditures	\$ 818,688	\$ 1,915,074	\$ 1,019,443	\$ 1,424,012	\$ 2,065,045
Fiscal Year Total Actual Expenditures	\$ 4,112,811	\$ 4,696,610	\$ 3,814,036	\$ 3,170,631	
Fiscal Year Total Budgeted Expenditures					\$ 6,266,000
2nd Quarter Percent of Total	19.91%	40.78%	26.73%	44.91%	32.96%
Recommended Budget Revision Revenues					
Recommended Budget Revision Expenditures					\$ (1,870,530)

FY 2017/18 Recommended Budget Adjustments

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

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

ENTERPRISE FUNDS

<i>Enterprise Funds - Revenues</i>				
<i>Harbor Operating Fund</i>				
331				
331	6510	3439	Other Harbor Services	4,945
331	6510	3443	Mooring Rental	3,780
331	6510	3445	Slip Transient Sub Lease	9,586
				<u>18,311</u>
<hr/>				
303			<i>TOTAL ENTERPRISE FUND REVENUES</i>	\$ 18,311
<hr/>				
<i>Enterprise Funds - Expenditures</i>				
<i>Harbor Operating Fund</i>				
331				
331	6510	4310	Part-Time Pay	3,000
331	6510	6301	Electricity	9,000
331	6510	6303	Water	2,500
331	6510	6750	Business Equipment Rental	4,000
331	6511	4310	Part-Time Pay	(3,000)
				<u>15,500</u>
<hr/>				
311			<i>Water Revenue Fund</i>	
311	7710	8410	Transfer Out to Utility Discount Program	(75,200)
311				<u>(75,200)</u>
<hr/>				
321			<i>Sewer Revenue Fund</i>	
321	7710	8520	TRFR to Other Government Funds	(1,870,530)
321				<u>(1,870,530)</u>
<hr/>				
			<i>TOTAL ENTERPRISE FUND EXPENDITURES</i>	\$ (1,930,230)

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Enterprise Funds

Revenues:

- Other Harbor Services: A budget adjustment of \$4,945 is recommended due to
- Mooring Rental: A budget adjustment of \$3,780 is recommended due to increased mooring rentals.
- Slip Transient Sub Lease: A budget adjustment of \$9,586 is recommended due to increase slip rentals.

Expenditures:

- Part-Time Pay - Harbor Operations: A budget augmentation of \$3,000 is recommended due to increased staffing needs.
- Electricity – Harbor Operations: A budget augmentation of \$9,000 is recommended due to increased electricity costs.
- Water – Harbor Operations: A budget adjustment of \$2,500 is recommended due to increased water expenditures.
- Business Equipment Rental – Harbor Operations: A budget adjustment of \$4,000 is recommended due to continued repairs needed on the Harbor Department's Copier. Staff is determining if another copier can be transferred to the Harbor Department to lessen these costs.
- Part-time Pay – Lifeguard Program: A \$3,000 budget reduction is recommended due to estimated staffing needs.
- Transfer out – Water Revenue Fund: A \$75,200 budget reduction is recommended as this amount represents transfer of funds to the Utility Discount Program. The amount is also budgeted in the accumulation fund and therefore is double counted in the FY 2017/18 budget.
- Transfer to Other Government Funds: A budget adjustment of \$1,870,530 is recommended to account for a double counting of capital improvements in both the sewer revenue fund and sewer accumulation fund. This was previously discussed with Council in late 2017.

QUARTERLY BUDGET REPORT – 2nd 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 six months of FY 2017/18. Staff is working to capture all prior year costs in a similar format for the Council and Community.

**City of Morro Bay
Schedule of WRF
Project Expenditures
For the period ended December 31, 2017**

	FY17/18 Adopted Budget	FY17/18 2nd Qtr Actuals	FY17/18 % YTD
Expenditures			
Salaries & Benefits	100,000	37,186	37%
Laboratory Testing	50,000	-	0%
Miscellaneous Operating Supplies	5,000	1,585	32%
Engineering Services	295,000	78,272	27%
Program Mgmt & DB	1,200,000	338,494	28%
Grant Support	60,000	7,523	13%
Government Relations	-	31,924	
Maintenance Contracts	42,204	44,776	106%
Land Acquisition	337,000	-	0%
Water Reclamation Facility (WRF) - Onsite Improv	600,000	-	0%
Design Phase - Lift Station & Force	1,200,000	-	0%
Planning & Permitting	372,000	34,939	9%
Total Expenses	\$ 4,261,204	\$ 574,698	13%

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

FY 2017/18 Recommended Budget Adjustments

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

<i>CAPITAL PROJECTS</i>			
<i>Sewer Capital Improvement Fund - WWTP Relocation & Treatment Alternative Expenditures</i>			
922			
922	8312	4999	Labor Costs Applied (25,000)
922	8312	5114	Laborator Testing (25,000)
922	8312	6104	Engineering Services (150,000)
922	8312	6196	Program Management & DB (500,000)
922	8312	6197	Grant Support (30,000)
922	8312	6198	Government Relations 57,000
922	8312	6640	Maintenance Contracts 2,572
922	8312	7101	Land Acquisition (337,000)
922	8312	7103	Water Reclamation Facility (WRF) - Onsite Improv Design/Bid (350,000)
922	8312	7104	Design Phase - Lift Station & Force Main (550,000)
922	8312	7105	Planning & Permitting (150,000)
922			-
922			<i>TOTAL WWTP RELOCATION EXPENDITURES</i> \$ (2,057,428)

It is important to note that these adjustments are due to project delays and are recommended to more accurately reflect expected expenditures for the fiscal year. Unless the project scope changes significantly, these budget reductions are not cost savings, but rather expenditures that are deferred till future years as the project progresses.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

- Labor Costs Applies: A budget reduction of \$25,000 is recommended to align with projected year-end estimates.
- Laborator Testing: A budget reduction of \$25,000 is recommended to align with projected year-end estimates.
- Engineering Services: A budget reduction of \$150,000 is recommended given the status of the project as of the second quarter and to better align with projected year-end estimates.
- Program Management & DB: A budget reduction of \$500,000 is recommended given the status of the project as of the second quarter and to better align with projected year-end estimates.
- Grant Support: A budget reduction of \$30,000 is recommended given the status of the project as of the second quarter and to better align with projected year-end estimates.
- Government Relations: A budget augmentation of \$57,000 is recommended to capture unbudgeted costs of lobbying services by the Ferguson Group.
- Maintenance Contracts: A budget augmentation of \$2,572 is recommended to capture unbudgeted cost of a copier machine that was rented for specific use on WRF related activity. Staff is reviewing the lease on the copier and considering either terminating the lease or reassigning the Copier to the Harbor Department as their copier is experiencing increased maintenance needs.
- Land Acquisition: A budget reduction of \$337,000 is recommended as acquisition of the proposed site is not forecaste to occur during the remainder of the fiscal year.
- Water Reclamation Facility (WRF) – Onsite Improve Design/Bid: A budget reduction of \$350,000 is recommended to more closely align budget with projected actual expenditures through the second half of the fiscal year.
- Design Phase – Lift Station & Force Main: A budget reduction of \$550,000 is recommended to more closely align budgeted with expecte expenditures through the second half of the fiscal year.
- Planning & Permitting: A budget reduction of \$150,000 is recommended to more closely align budget with expected expenditures through the remainder of the fiscal year

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

With the recommended budget adjustments, staff proposes the project budget to be revised as follows:

**City of Morro Bay
Schedule of WRF
Project Expenditures
For the period ended December 31, 2017**

	FY17/18 Adopted Budget	FY17/18 2nd Qtr Actuals	FY17/18 % YTD	FY17/18 Finance Projection
Expenditures				
Salaries & Benefits	100,000	37,186	37%	75,000
Laboratory Testing	50,000	-	0%	25,000
Miscellaneous Operating Supplies	5,000	1,585	32%	5,000
Engineering Services	295,000	78,272	27%	145,000
Program Mgmt & DB	1,200,000	338,494	28%	700,000
Grant Support	60,000	7,523	13%	30,000
Government Relations	-	31,924		57,000
Maintenance Contracts	42,204	44,776	106%	42,204
Land Acquisition	337,000	-	0%	-
Water Reclamation Facility (WRF) - Onsite Improv	600,000	-	0%	250,000
Design Phase - Lift Station & Force	1,200,000	-	0%	650,000
Planning & Permitting	372,000	34,939	9%	222,000
Total Expenses	\$ 4,261,204	\$ 574,698	13%	\$ 2,201,204

QUARTERLY BUDGET REPORT – 2nd 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 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.

FY 2017/18 Recommended Budget Adjustments

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

<i>OTHER FUNDS</i>				
<i>Other Funds Expenditures</i>				
<i>Risk Management</i>				
430				
430	4301	6106	Legal Fees - City's Share of Fees for Diablo Plant Closure	15,000
430				15,000
 <i>Opportunity Fund</i>				
480			SLO County Economic Study	40,000 *
480	7710	8501		40,000
480				40,000
<i>TOTAL OTHER FUND EXPENDITURES</i>				\$ 55,000

*Approval of this recommendation is effectively an approval to transfer \$40,000 from the Opportunity Fund to the General Fund to fund the City's share of the economic study.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

SUMMARY OF KEY RECOMMENDED BUDGET ADJUSTMENTS

Other Funds

- Legal Fees – Risk Management Fund: Staff recommends a budget adjustment of \$16,000. This reflects the City's share of the San Luis Obispo County litigation costs against the Diabio Plant Closure.
- Opportunity Fund – Staff recommends a budget adjustment and use of \$40,000 in funds available in the Opportunity Fund to contribute towards the San Luis Obispo County Economic Study. If approved, these funds would be transferred into the general fund, City Manager's budget and disbursed as contract services. Approval of this budget adjustment would also approve the corresponding expense from the City Manager's general fund budget.

QUARTERLY BUDGET REPORT – 2nd QUARTER FY 2017/18

CONCLUSION

The financial results from the FY 2017/18 second quarter data highlighted areas where budget expectations exceeded actual receipts and areas where the City is in good position. The second quarter report highlights that the City must continue to monitor the most economically sensitive revenue category of TOT as well as the rental income category closely into the third quarter update as well as strive 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: February 20, 2018

Staff Report

TO: Chairman and Committee Members **DATE:** February 14, 2018
FROM: Jennifer Callaway, Finance Director
SUBJECT: Review of FY 2017/18 Second Quarter Transactions and Budget Status Report from the Collection of the General Purpose Local Sales Tax, commonly known as “Measure Q”

RECOMMENDATION

1. Staff recommends that the Committee review the FY 2017/18 transactions and Budget Status Report for the Measure Q fund, suggest any amendments deemed necessary, and approve the transactions with those suggestions; and
2. Approve staff's recommendation to transfer Measure Q funding into a Capital Pavement Management Plan Project, pending City Council approval; and
3. Approve staff's recommendation to fund equipment needs for the Fire Department with Measure Q funds, pending City Council approval.

BACKGROUND

In June 2017, the City Council adopted the City of Morro Bay's FY 2017/18 Operating and Capital Budgets, which included an allocation of \$1,024,129 in Measure Q funds for Fire Station #53 debt service, full-time relief Firefighter position, replacement of fire equipment, a comprehensive rewrite of the Morro Bay Emergency Management Plan, 50% of the School Resource Officer position, Police standby pay, an allocation to the Sheriff's Department for Bomb Team and Special Operations Unit, and pavement management repair and replacement. Included in this report is an accounting of the second quarter transactions and a second quarter budget update.

DISCUSSION

As part of the Measure Q ballot language, the City was to establish an independent Citizen's Advisory Committee to review annual expenditures. In accordance with this language, staff has compiled the second quarter revenues and expenditures, with supporting documentation from the City's Finance system, for the Committee's review and consideration. FY 2017/18 expenditure detail is provided in the chart below:

Prepared By: JC _____	Dept Review: ____
City Manager Review: _____	City Attorney Review: ____

City of Morro Bay
Schedule of Measure Q - Second Quarter Transactions
Operating Revenues vs. Operating Expenditures
Fiscal Year 2017/18 - Period Ending December 31, 2017

	FY17/18 Adopted Budget	FY17/18 Second Quarter Transactions	FY17/18 % YTD	G/L Acct Number from Accumulated Transactions Listing Report
Revenues				
Sales Tax	\$ 1,024,129	\$ 452,616	44%	
Charges for Services - Sale of Plans/Specs	-			
Interest	-			
Grants - CalRecycle	-			
Total Revenues	1,024,129	452,616	44%	
Expenditures				
Fire				
Salaries & Benefits (Relief Firefighter)	143,836	42,912	30%	003-4210-4110 to 4910
Transfer to General Fund (Remaining balance of Relief Firefighter)	116,443		0%	
Fire Station #53 Debt Service	91,512	58,406	64%	003-4210 8110 + 003-4210-8130
Equipment (Generator and Fire Hose)	5,200	1,076	21%	003-4210 5199
EOC Emergency Management Plan	15,000	12,500		003-4120 6106
Total Fire	371,991	114,894	31%	
Police				
School Resource Officer Salary and Benefits	77,309		0%	
Standby Pay	13,000		0%	
Payment to Other Agency's - SLO Sheriff	14,600	14,600	100%	003-4110 8721
Total Police	104,909	14,600	14%	
Public Works				
Streets				
Street Maintenance - Computer Operating Supplies				
Street Maintenance - Equipment Rental		12,080		003-5230 6810
Street Maintenance - Consulting Services				
Storm Drain/Creek Maint				
Repairs/Maint Materials				
Pavement Management Plan	529,737			
Salaries & Benefits		7,269		003-9614 4110 + 003-9614 4910
Miscellaneous Operating Supplies				
Consulting Services - Rick Engineering		1,499		003-5230-6105
Contractual Services - Pavement Coatings Co.				
Postage				
Total Public Works	529,737	20,848	4%	
Equipment - Black Hill Repeater	17,492			
Gain/Loss on Investment -GASB 31				
Total Operating Expenditures	\$ 1,024,129	\$ 150,342	15%	
Use of Carryforward Funds				
Net Operating Revenues over Expenditures & Carryforwards	\$ -	\$ 302,274		

The accumulated transaction report accounting for the detail of the second quarter expenditures is included as Attachment A for review. The detail above includes reference to the G/L Account numbers so figures can be easily traced back to the source data. On the Accumulated transaction report in Attachment 1 the G/L account numbers and expenditure totals have been highlighted for easy reference.

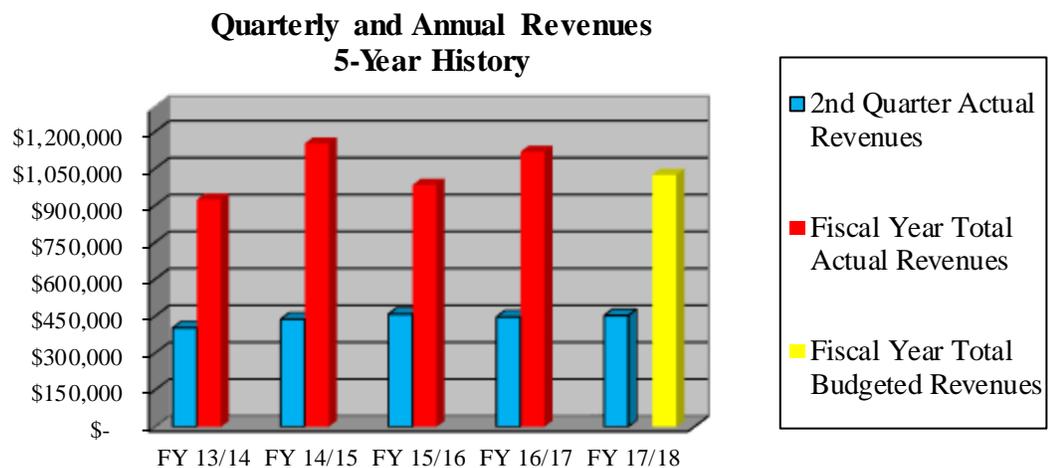
Second Quarter Budget Update

As part of this report, staff has prepared a second quarter budget update, analyzing both revenue and expenditure trends compared to prior year's second quarter results. This analysis is meant to be a high-level review to ensure that revenues are trending well and gauge the need for any expenditure adjustments.

Second Quarter Measure Q Revenues

Second quarter FY 2017/18 Measure Q sales tax has generated \$452,616 (44% of budgeted revenues) for the first five months of the quarter (July and November). Measure Q revenues for the second quarter are trending consistent with prior year second quarter results as indicated below:

Measure Q Revenues

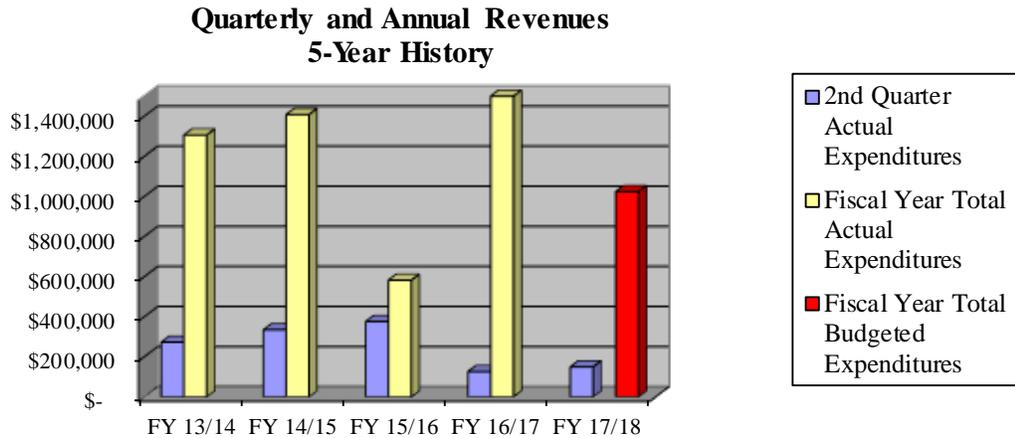


	<u>FY 13/14</u>	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>
2nd Quarter Actual Revenues	\$ 402,622	\$ 437,892	\$ 458,250	\$ 446,882	\$ 452,616
Fiscal Year Total Actual Revenues	\$ 923,776	\$ 1,151,549	\$ 983,602	\$ 1,118,270	
Fiscal Year Total Budgeted Revenues					\$1,024,129
2nd Quarter Percent of Total	43.58%	38.03%	46.59%	39.96%	44.20%

Second Quarter Expenditures

Second quarter expenditures are also trending well at approximately 14% of budgeted revenues as indicated in the chart below:

Measure Q Expenditures



	<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>
2nd Quarter Actual Expenditures	\$ 272,738	\$ 335,296	\$ 375,877	\$ 126,949	\$ 150,342
Fiscal Year Total Actual Expenditures	\$ 1,306,450	\$ 1,408,279	\$ 582,073	\$ 1,544,827	
Fiscal Year Total Budgeted Expenditures					\$1,024,129
2nd Quarter Percent of Total	20.88%	23.81%	64.58%	8.22%	14.68%

Budget Recommendations:

Fire Equipment

With the adoption of the FY 2017/18 budget, the Measure Q fund included approximately \$77,000 to fund an School Resource Officer position (the Department’s 18th Officer). It was later learned that PG&E would no longer be sharing the cost of the SRO position and therefore the City chose to no longer provide these services. Therefore, the SRO police allocation of \$77,309 has not been expensed. Staff’s recommendation is to re-appropriate \$65,935 for fire equipment. Fire equipment needs are discussed more fully below.

The City’s Fire Department provided significant strike team support during the fire season. As part of the California’s Master Mutual Aid Agreement and California Fire Assistant Agreement (CFAA), the Fire Department participated in nine campaign fires throughout San Luis Obispo County and California as well as responded to Santa Barbara County to assist in the rescue attempts in the community of Montecito. As part of the agreements with the Governor’s Office of Emergency Services, Cal Fire and FEMA, the City is reimbursed fully for payroll, apparatus, equipment repairs and administrative support. This money is deposited into the general fund as reimbursement of offsetting payroll costs as well as other expenses. As staff has been preparing the mid-year financial update and 10-year financial forecast, a few key general fund revenue sources, i.e. business tax and transient occupancy tax (TOT), are trending quite low. To help mitigate these shortfalls, staff is recommending that offsetting fire equipment needs, as detailed below, be funded

from Measure Q, specifically a reallocation of most of the SRO funds.

Safety Equipment	\$	9,500
Single Layer Pants and Coats		
Gloves		
Wildland Boots		
Small Tools	\$	42,078
K-Saw		
Auto Extrication Pump		
Auto Extrication Pump		
(2 out of 3) Thermal Imaginers		
Outside Vehicle Repair	\$	5,500
Rescue 5351 Emission Repair		
Wildland Hose	\$	2,835
1,500' Single Jacket Wildland Hose		
Miscellaneous Operating Supplies	\$	5,500
Tents, Sleeping bags, and Pads		
Chain Saw Chains		
Mud Waders		
Meals and Lodging	\$	522
Monticito Mud Flow		
Total	\$	65,935

This is a one-time recommendation as staff is proactively reviewing and updating budget and forecast estimates to more closely align with actual receipts. It is not staff's intention to create any precedent with this recommendation for future funding decisions.

Pavement Management

During the June Budget Adoption approximately \$930,000 was incorporated into the budget for the City's Pavement Management Plan. This \$930,000 consists of approximately \$530,000 in measure Q funds, \$245,000 in Urban State Highway Account (USHA) grant funds, \$61,000 in SB 1 Road Maintenance Rehabilitation Act (new gas tax) funds and \$90,917 in CalRecycle Grant funds. For clear accounting, staff recommends creating a new capital project for Pavement Management and transferring the measure Q contribution of \$530,000 into that project. Creating a new project will assist with reporting out of the grant funds and specifically the SB 1 funds in a more clear and concise manner.

Keeping the role of the committee in mind to review Measure Q expenditures, staff would continue to provide an accounting of the pavement management transactions in the new capital project fund to provide accountability to CFAC on the use of the Measure Q funds.

CONCLUSION

After reviewing the detailed transactions, any recommended changes/findings are to be presented to City Council for its review and final disposition.

ATTACHMENT

1. Accumulated Transactions Listing

Accumulated Transaction Listing

G/L Date Range 07/01/17 - 12/31/17

Include Sub Ledger Detail

Exclude Accounts with No Activity

G/L Date	Journal	Journal Type	Sub Ledger	Description/Project	Source	Reference	Debit Amount	Credit Amount	Actual Balance
G/L Account Number 003-4110 8721 Payment To Other Agency								Balance To Date:	\$0.00
09/07/2017	2018-00000124	JE	AP	A/P Invoice Entry	Accounts Payable		4,600.00		4,600.00
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Dist. Amount</i>
8182017.5	San Luis Obispo County Sheriff			Bomb Task Force	08/18/2017	Check	156589	4,600.00	4,600.00
							Total	\$4,600.00	\$4,600.00
Month September 2017 Totals							\$4,600.00	\$0.00	\$4,600.00
11/02/2017	2018-00000262	JE	AP	A/P Invoice Entry	Accounts Payable		10,000.00		14,600.00
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Dist. Amount</i>
10022017.3	San Luis Obispo County Sheriff			Sheriff Narcotics & gang Task Force	10/02/2017	Check	157020	10,000.00	10,000.00
							Total	\$10,000.00	\$10,000.00
Month November 2017 Totals							\$10,000.00	\$0.00	\$14,600.00
Account Payment To Other Agency Totals							\$14,600.00	\$0.00	\$14,600.00
Department Police Department Totals							\$14,600.00	\$0.00	\$14,600.00
G/L Account Number 003-4210 4110 Regular Pay								Balance To Date:	\$0.00
10/20/2017	2018-00000241	JE	HR	Payroll Post B Bi-Weekly 171020	Payroll Post		2,702.50		2,702.50
<i>Payroll Batch</i>	<i>Batch Number</i>			<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B	171020			Brady, Grant N				8,516.50	2,702.50
							Total	\$8,516.50	\$2,702.50
Month October 2017 Totals							\$2,702.50	\$0.00	\$2,702.50
11/03/2017	2018-00000266	JE	HR	Payroll Post B Bi-Weekly 171103	Payroll Post		2,702.50		5,405.00
<i>Payroll Batch</i>	<i>Batch Number</i>			<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B	171103			Brady, Grant N				2,941.37	2,702.50
							Total	\$2,941.37	\$2,702.50
11/17/2017	2018-00000289	JE	HR	Payroll Post B Bi-Weekly 171117	Payroll Post		2,702.50		8,107.50
<i>Payroll Batch</i>	<i>Batch Number</i>			<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B	171117			Brady, Grant N				4,094.85	2,702.50
							Total	\$4,094.85	\$2,702.50
Month November 2017 Totals							\$5,405.00	\$0.00	\$8,107.50
12/01/2017	2018-00000323	JE	HR	Payroll Post B Bi-Weekly 171201	Payroll Post		2,702.50		10,810.00
<i>Payroll Batch</i>	<i>Batch Number</i>			<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B	171201			Brady, Grant N				3,056.72	2,702.50
							Total	\$3,056.72	\$2,702.50

Accumulated Transaction Listing

G/L Date Range 07/01/17 - 12/31/17

Include Sub Ledger Detail

Exclude Accounts with No Activity

G/L Date	Journal	Journal Type	Sub Ledger	Description/Project	Source	Reference	Debit Amount	Credit Amount	Actual Balance
G/L Account Number 003-4210 4110 Regular Pay							Balance To Date:		\$0.00
12/15/2017	2018-00000391	JE	HR	Payroll Post B Bi-Weekly 171215	Payroll Post		2,702.50		13,512.50
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171215		Brady, Grant N				10,323.62	2,702.50
							Total	\$10,323.62	\$2,702.50
12/29/2017	2018-00000430	JE	HR	Payroll Post B Bi-Weekly 171229	Payroll Post		2,965.70		16,478.20
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171229		Brady, Grant N				4,454.17	2,965.70
							Total	\$4,454.17	\$2,965.70
Month December 2017 Totals							\$8,370.70	\$0.00	\$16,478.20
Account Regular Pay Totals							\$16,478.20	\$0.00	\$16,478.20
G/L Account Number 003-4210 4120 Overtime Pay							Balance To Date:		\$0.00
10/20/2017	2018-00000241	JE	HR	Payroll Post B Bi-Weekly 171020	Payroll Post		5,575.13		5,575.13
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171020		Brady, Grant N				8,516.50	5,575.13
							Total	\$8,516.50	\$5,575.13
Month October 2017 Totals							\$5,575.13	\$0.00	\$5,575.13
11/17/2017	2018-00000289	JE	HR	Payroll Post B Bi-Weekly 171117	Payroll Post		1,153.48		6,728.61
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171117		Brady, Grant N				4,094.85	1,153.48
							Total	\$4,094.85	\$1,153.48
Month November 2017 Totals							\$1,153.48	\$0.00	\$6,728.61
12/01/2017	2018-00000323	JE	HR	Payroll Post B Bi-Weekly 171201	Payroll Post		115.35		6,843.96
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171201		Brady, Grant N				3,056.72	115.35
							Total	\$3,056.72	\$115.35
12/15/2017	2018-00000391	JE	HR	Payroll Post B Bi-Weekly 171215	Payroll Post		7,382.25		14,226.21
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171215		Brady, Grant N				10,323.62	7,382.25
							Total	\$10,323.62	\$7,382.25

Accumulated Transaction Listing

G/L Date Range 07/01/17 - 12/31/17

Include Sub Ledger Detail

Exclude Accounts with No Activity

G/L Date	Journal	Journal Type	Sub Ledger	Description/Project	Source	Reference	Debit Amount	Credit Amount	Actual Balance
G/L Account Number	003-4210 4120 Overtime Pay							Balance To Date:	\$0.00
12/29/2017	2018-00000430	JE	HR	Payroll Post B Bi-Weekly 171229	Payroll Post		1,249.60		15,475.81
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171229		Brady, Grant N				4,454.17	1,249.60
							Total	\$4,454.17	\$1,249.60
					Month	December 2017 Totals	\$8,747.20	\$0.00	\$15,475.81
					Account	Overtime Pay Totals	\$15,475.81	\$0.00	\$15,475.81
G/L Account Number	003-4210 4599 Other Pay							Balance To Date:	\$0.00
10/20/2017	2018-00000241	JE	HR	Payroll Post B Bi-Weekly 171020	Payroll Post		238.87		238.87
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171020		Brady, Grant N				8,516.50	238.87
							Total	\$8,516.50	\$238.87
					Month	October 2017 Totals	\$238.87	\$0.00	\$238.87
11/03/2017	2018-00000266	JE	HR	Payroll Post B Bi-Weekly 171103	Payroll Post		238.87		477.74
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171103		Brady, Grant N				2,941.37	238.87
							Total	\$2,941.37	\$238.87
11/17/2017	2018-00000289	JE	HR	Payroll Post B Bi-Weekly 171117	Payroll Post		238.87		716.61
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171117		Brady, Grant N				4,094.85	238.87
							Total	\$4,094.85	\$238.87
					Month	November 2017 Totals	\$477.74	\$0.00	\$716.61
12/01/2017	2018-00000323	JE	HR	Payroll Post B Bi-Weekly 171201	Payroll Post		351.67		1,068.28
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171201		Brady, Grant N				3,056.72	238.87
B		171201		Brady, Grant N				112.80	112.80
							Total	\$3,169.52	\$351.67
12/15/2017	2018-00000391	JE	HR	Payroll Post B Bi-Weekly 171215	Payroll Post		238.87		1,307.15
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171215		Brady, Grant N				10,323.62	238.87
							Total	\$10,323.62	\$238.87

Accumulated Transaction Listing

G/L Date Range 07/01/17 - 12/31/17

Include Sub Ledger Detail

Exclude Accounts with No Activity

G/L Date	Journal	Journal Type	Sub Ledger	Description/Project	Source	Reference	Debit Amount	Credit Amount	Actual Balance
G/L Account Number 003-4210 4599 Other Pay							Balance To Date:		\$0.00
12/29/2017	2018-00000430	JE	HR	Payroll Post B Bi-Weekly 171229	Payroll Post		238.87		1,546.02
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171229		Brady, Grant N				4,454.17	238.87
							Total	\$4,454.17	\$238.87
Month December 2017 Totals							\$829.41	\$0.00	\$1,546.02
Account Other Pay Totals							\$1,546.02	\$0.00	\$1,546.02
G/L Account Number 003-4210 4910 Employer Paid Benefits							Balance To Date:		\$0.00
10/20/2017	2018-00000241	JE	HR	Payroll Post B Bi-Weekly 171020	Payroll Post		1,742.55		1,742.55
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171020		Brady, Grant N				8,516.50	1,742.55
							Total	\$8,516.50	\$1,742.55
Month October 2017 Totals							\$1,742.55	\$0.00	\$1,742.55
11/03/2017	2018-00000266	JE	HR	Payroll Post B Bi-Weekly 171103	Payroll Post		1,617.26		3,359.81
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171103		Brady, Grant N				2,941.37	1,617.26
							Total	\$2,941.37	\$1,617.26
11/17/2017	2018-00000289	JE	HR	Payroll Post B Bi-Weekly 171117	Payroll Post		1,020.95		4,380.76
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171117		Brady, Grant N				4,094.85	1,020.95
							Total	\$4,094.85	\$1,020.95
Month November 2017 Totals							\$2,638.21	\$0.00	\$4,380.76
12/01/2017	2018-00000323	JE	HR	Payroll Post B Bi-Weekly 171201	Payroll Post		1,654.49		6,035.25
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171201		Brady, Grant N				3,056.72	1,636.08
B		171201		Brady, Grant N				112.80	18.41
							Total	\$3,169.52	\$1,654.49
12/15/2017	2018-00000391	JE	HR	Payroll Post B Bi-Weekly 171215	Payroll Post		2,037.48		8,072.73
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171215		Brady, Grant N				10,323.62	2,037.48
							Total	\$10,323.62	\$2,037.48

Accumulated Transaction Listing

G/L Date Range 07/01/17 - 12/31/17

Include Sub Ledger Detail

Exclude Accounts with No Activity

G/L Date	Journal	Journal Type	Sub Ledger	Description/Project	Source	Reference	Debit Amount	Credit Amount	Actual Balance
G/L Account Number 003-4210 4910 Employer Paid Benefits								Balance To Date:	\$0.00
12/29/2017	2018-00000430	JE	HR	Payroll Post B Bi-Weekly 171229	Payroll Post		1,338.83		9,411.56
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171229		Brady, Grant N				4,454.17	1,338.83
							Total	\$4,454.17	\$1,338.83
Month December 2017 Totals							\$5,030.80	\$0.00	\$9,411.56
Account Employer Paid Benefits Totals							\$9,411.56	\$0.00	\$9,411.56
G/L Account Number 003-4210 5199 Miscellaneous Operating Supplies								Balance To Date:	\$0.00
10/27/2017	2018-00000262	JE	AP	A/P Invoice Entry	Accounts Payable		1,076.42		1,076.42
<i>Invoice Number</i>	<i>Vendor</i>		<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>		<i>Amount</i>	<i>Dist. Amount</i>
352880	Noble Saw		Generator 2000 Watt	10/27/2017	Check	157004		1,076.42	1,076.42
							Total	\$1,076.42	\$1,076.42
Month October 2017 Totals							\$1,076.42	\$0.00	\$1,076.42
Account Miscellaneous Operating Supplies Totals							\$1,076.42	\$0.00	\$1,076.42
G/L Account Number 003-4210 6106 Contractual Services								Balance To Date:	\$0.00
09/21/2017	2018-00000160	JE	AP	A/P Invoice Entry	Accounts Payable		12,500.00		12,500.00
<i>Invoice Number</i>	<i>Vendor</i>		<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>		<i>Amount</i>	<i>Dist. Amount</i>
2017-1	David L. Mathe		Emergency Mangement Plan	09/15/2017	Check	156641		12,500.00	12,500.00
							Total	\$12,500.00	\$12,500.00
Month September 2017 Totals							\$12,500.00	\$0.00	\$12,500.00
Account Contractual Services Totals							\$12,500.00	\$0.00	\$12,500.00
G/L Account Number 003-4210 8110 Interest Expense								Balance To Date:	\$0.00
09/30/2017	2018-00000279	JE	GL	Semi-annual payment on USDA loan	JE 915-18		25,406.25		25,406.25
Month September 2017 Totals							\$25,406.25	\$0.00	\$25,406.25
Account Interest Expense Totals							\$25,406.25	\$0.00	\$25,406.25
G/L Account Number 003-4210 8130 Principal Repayment								Balance To Date:	\$0.00
09/30/2017	2018-00000279	JE	GL	Semi-annual payment on USDA loan	JE 915-18		33,000.00		33,000.00
Month September 2017 Totals							\$33,000.00	\$0.00	\$33,000.00
Account Principal Repayment Totals							\$33,000.00	\$0.00	\$33,000.00
Department Fire Department Totals							\$114,894.26	\$0.00	

Accumulated Transaction Listing

G/L Date Range 07/01/17 - 12/31/17

Include Sub Ledger Detail

Exclude Accounts with No Activity

G/L Date	Journal	Journal Type	Sub Ledger	Description/Project	Source	Reference	Debit Amount	Credit Amount	Actual Balance	
								Balance To Date:	\$0.00	
G/L Account Number	003-5230 6105 Consulting Services									
09/07/2017	2018-00000124	JE	AP	A/P Invoice Entry	Accounts Payable		1,198.90		1,198.90	
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Dist. Amount</i>	
0056770	Rick Engineering Company			Consulting Services - From July 01- July 28, 2017	08/24/2017	Check	156585	1,198.90	1,198.90	
							Total	\$1,198.90	\$1,198.90	
							Month September 2017 Totals	\$1,198.90	\$0.00	\$1,198.90
10/05/2017	2018-00000185	JE	AP	A/P Invoice Entry	Accounts Payable		300.00		1,498.90	
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Dist. Amount</i>	
1020	Terra Solutions			Work Review for GI Data for City of Morro Bay	09/18/2017	Check	156796	2,670.00	300.00	
							Total	\$2,670.00	\$300.00	
							Month October 2017 Totals	\$300.00	\$0.00	\$1,498.90
							Account Consulting Services Totals	\$1,498.90	\$0.00	\$1,498.90
								Balance To Date:	\$0.00	
G/L Account Number	003-5230 6810 Equipment Rental									
07/27/2017	2018-00000037	JE	AP	A/P Invoice Entry	Accounts Payable		4,031.25		4,031.25	
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Dist. Amount</i>	
18087853	Caterpillar Financial Services Corp			Skid Steer/Equip. Lease Jun-Aug 2017	06/30/2017	Check	156132	4,031.25	4,031.25	
							Total	\$4,031.25	\$4,031.25	
							Month July 2017 Totals	\$4,031.25	\$0.00	\$4,031.25
08/24/2017	2018-00000099	JE	AP	A/P Invoice Entry	Accounts Payable		4,026.58		8,057.83	
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Dist. Amount</i>	
18158737	Caterpillar Financial Services Corp			SkidSteer/Equip. Lease Aug 15-Sep 15	07/31/2017	Check	156421	4,026.58	4,026.58	
							Total	\$4,026.58	\$4,026.58	
							Month August 2017 Totals	\$4,026.58	\$0.00	\$8,057.83
09/21/2017	2018-00000160	JE	AP	A/P Invoice Entry	Accounts Payable		2,008.62		10,066.45	
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Dist. Amount</i>	
18231970	Caterpillar Financial Services Corp			Skid Steer Equipment Lease	08/30/2017	Check	156632	2,008.62	2,008.62	
							Total	\$2,008.62	\$2,008.62	
							Month September 2017 Totals	\$2,008.62	\$0.00	\$10,066.45

Accumulated Transaction Listing

G/L Date Range 07/01/17 - 12/31/17

Include Sub Ledger Detail

Exclude Accounts with No Activity

G/L Date	Journal	Journal Type	Sub Ledger	Description/Project	Source	Reference	Debit Amount	Credit Amount	Actual Balance
G/L Account Number 003-5230 6810 Equipment Rental								Balance To Date:	\$0.00
12/14/2017	2018-00000377	JE	AP	A/P Invoice Entry	Accounts Payable		2,013.29		12,079.74
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Dist. Amount</i>
18465870	Caterpillar Financial Services Corp			Skid Stter/Equip Leas - Dec 15, 2017 - Jan 15, 2018	11/30/2017	Check	157275	2,013.29	2,013.29
							Total	\$2,013.29	\$2,013.29
Month December 2017 Totals							\$2,013.29	\$0.00	\$12,079.74
Account Equipment Rental Totals							\$12,079.74	\$0.00	\$12,079.74
Department Street Maintenance Totals							\$13,578.64	\$0.00	
G/L Account Number 003-9614 4110 Regular Pay								Balance To Date:	\$0.00
09/08/2017	2018-00000139	JE	HR	Payroll Post B Bi-Weekly 170908 P0146.FY18 - Pavement Management Plan, MB2018-ST01 Pavement Plan	Payroll Post		440.64		440.64
<i>Payroll Batch</i>	<i>Batch Number</i>			<i>Employee Name</i>			<i>Gross Pay</i>	<i>Dist. Amount</i>	
B	170908			Newman, Pamela			2,624.03	440.64	
							Total	\$2,624.03	\$440.64
09/22/2017	2018-00000171	JE	HR	Payroll Post B Bi-Weekly 170922 P0146.FY18 - Pavement Management Plan, MB2018-ST01 Pavement Plan	Payroll Post		660.20		1,100.84
<i>Payroll Batch</i>	<i>Batch Number</i>			<i>Employee Name</i>			<i>Gross Pay</i>	<i>Dist. Amount</i>	
B	170922			Newman, Pamela			2,710.03	660.20	
							Total	\$2,710.03	\$660.20
Month September 2017 Totals							\$1,100.84	\$0.00	\$1,100.84
10/06/2017	2018-00000203	JE	HR	Payroll Post B Bi-Weekly 171006 P0146.FY18 - Pavement Management Plan, MB2018-ST01 Pavement Plan	Payroll Post		660.20		1,761.04
<i>Payroll Batch</i>	<i>Batch Number</i>			<i>Employee Name</i>			<i>Gross Pay</i>	<i>Dist. Amount</i>	
B	171006			Newman, Pamela			2,710.03	660.20	
							Total	\$2,710.03	\$660.20
10/20/2017	2018-00000241	JE	HR	Payroll Post B Bi-Weekly 171020 P0146.FY18 - Pavement Management Plan, MB2018-ST01 Pavement Plan	Payroll Post		297.09		2,058.13
<i>Payroll Batch</i>	<i>Batch Number</i>			<i>Employee Name</i>			<i>Gross Pay</i>	<i>Dist. Amount</i>	
B	171020			Newman, Pamela			2,710.03	297.09	
							Total	\$2,710.03	\$297.09
Month October 2017 Totals							\$957.29	\$0.00	\$2,058.13

Accumulated Transaction Listing

G/L Date Range 07/01/17 - 12/31/17

Include Sub Ledger Detail

Exclude Accounts with No Activity

G/L Date	Journal	Journal Type	Sub Ledger	Description/Project	Source	Reference	Debit Amount	Credit Amount	Actual Balance	
G/L Account Number 003-9614 4110 Regular Pay								Balance To Date:	\$0.00	
11/03/2017	2018-00000266	JE	HR	Payroll Post B Bi-Weekly 171103 P0146.FY18 - Pavement Management Plan, MB2018-ST01 Pavement Plan	Payroll Post		1,155.35		3,213.48	
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>	
B		171103		Newman, Pamela				2,710.03	1,155.35	
							Total	\$2,710.03	\$1,155.35	
11/17/2017	2018-00000289	JE	HR	Payroll Post B Bi-Weekly 171117 P0146.FY18 - Pavement Management Plan, MB2018-ST01 Pavement Plan	Payroll Post		957.29		4,170.77	
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>	
B		171117		Newman, Pamela				2,710.03	957.29	
							Total	\$2,710.03	\$957.29	
							Month November 2017 Totals	\$2,112.64	\$0.00	\$4,170.77
12/01/2017	2018-00000323	JE	HR	Payroll Post B Bi-Weekly 171201 P0146.FY18 - Pavement Management Plan, MB2018-ST01 Pavement Plan	Payroll Post		1,023.31		5,194.08	
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>	
B		171201		Newman, Pamela				2,710.03	1,023.31	
							Total	\$2,710.03	\$1,023.31	
							Month December 2017 Totals	\$1,023.31	\$0.00	\$5,194.08
							Account Regular Pay Totals	\$5,194.08	\$0.00	\$5,194.08
G/L Account Number 003-9614 4910 Employer Paid Benefits								Balance To Date:	\$0.00	
09/08/2017	2018-00000139	JE	HR	Payroll Post B Bi-Weekly 170908 P0146.FY18 - Pavement Management Plan, MB2018-ST01 Pavement Plan	Payroll Post		277.35		277.35	
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>	
B		170908		Newman, Pamela				2,624.03	277.35	
							Total	\$2,624.03	\$277.35	
09/22/2017	2018-00000171	JE	HR	Payroll Post B Bi-Weekly 170922 P0146.FY18 - Pavement Management Plan, MB2018-ST01 Pavement Plan	Payroll Post		17.36		294.71	
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>	
B		170922		Newman, Pamela				2,710.03	17.36	
							Total	\$2,710.03	\$17.36	
							Month September 2017 Totals	\$294.71	\$0.00	\$294.71

Accumulated Transaction Listing

G/L Date Range 07/01/17 - 12/31/17

Include Sub Ledger Detail

Exclude Accounts with No Activity

G/L Date	Journal	Journal Type	Sub Ledger	Description/Project	Source	Reference	Debit Amount	Credit Amount	Actual Balance
G/L Account Number 003-9614 4910 Employer Paid Benefits								Balance To Date:	\$0.00
10/06/2017	2018-00000203	JE	HR	Payroll Post B Bi-Weekly 171006 P0146.FY18 - Pavement Management Plan, MB2018-ST01 Pavement Plan	Payroll Post		402.91		697.62
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171006		Newman, Pamela				2,710.03	402.91
							Total	\$2,710.03	\$402.91
10/20/2017	2018-00000241	JE	HR	Payroll Post B Bi-Weekly 171020 P0146.FY18 - Pavement Management Plan, MB2018-ST01 Pavement Plan	Payroll Post		7.82		705.44
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171020		Newman, Pamela				2,710.03	7.82
							Total	\$2,710.03	\$7.82
Month October 2017 Totals							\$410.73	\$0.00	\$705.44
11/03/2017	2018-00000266	JE	HR	Payroll Post B Bi-Weekly 171103 P0146.FY18 - Pavement Management Plan, MB2018-ST01 Pavement Plan	Payroll Post		705.09		1,410.53
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171103		Newman, Pamela				2,710.03	705.09
							Total	\$2,710.03	\$705.09
11/17/2017	2018-00000289	JE	HR	Payroll Post B Bi-Weekly 171117 P0146.FY18 - Pavement Management Plan, MB2018-ST01 Pavement Plan	Payroll Post		25.18		1,435.71
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171117		Newman, Pamela				2,710.03	25.18
							Total	\$2,710.03	\$25.18
Month November 2017 Totals							\$730.27	\$0.00	\$1,435.71
12/01/2017	2018-00000323	JE	HR	Payroll Post B Bi-Weekly 171201 P0146.FY18 - Pavement Management Plan, MB2018-ST01 Pavement Plan	Payroll Post		639.24		2,074.95
<i>Payroll Batch</i>		<i>Batch Number</i>		<i>Employee Name</i>				<i>Gross Pay</i>	<i>Dist. Amount</i>
B		171201		Newman, Pamela				2,710.03	639.24
							Total	\$2,710.03	\$639.24
Month December 2017 Totals							\$639.24	\$0.00	\$2,074.95
Account Employer Paid Benefits Totals							\$2,074.95	\$0.00	\$2,074.95
G/L Account Number 003-9614 6106 Contractual Services								Balance To Date:	\$0.00
07/01/2017	2018-00000504	JE	GL	Audit Entry 1				53,439.20	(53,439.20)

Accumulated Transaction Listing

G/L Date Range 07/01/17 - 12/31/17

Include Sub Ledger Detail

Exclude Accounts with No Activity

G/L Date	Journal	Journal Type	Sub Ledger	Description/Project	Source	Reference	Debit Amount	Credit Amount	Actual Balance
G/L Account Number 003-9614 6106 Contractual Services								Balance To Date:	\$0.00
P0161.MB2016ST07 - Bike & Pedestrian Paths, San Jancito									
						Month July 2017 Totals	\$0.00	\$53,439.20	(\$53,439.20)
08/10/2017	2018-00000063	JE	AP	A/P Invoice Entry	Accounts Payable		53,439.20		.00
P0161.MB2016ST07 - Bike & Pedestrian Paths, San Jancito									
<i>Invoice Number</i>	<i>Vendor</i>			<i>Description</i>	<i>Invoice Date</i>	<i>Payment Type</i>	<i>Payment Number</i>	<i>Amount</i>	<i>Dist. Amount</i>
Retention	Pavement Coatings Co			MB2017-STO1 RETENTION PAYMENT	07/25/2017	Check	156343	53,439.20	53,439.20
							Total	\$53,439.20	\$53,439.20
Month August 2017 Totals							\$53,439.20	\$0.00	\$0.00
Account Contractual Services Totals							\$53,439.20	\$53,439.20	\$0.00
Department Pavement Management Plan Totals							\$60,708.23	\$53,439.20	
Fund Sales & Use Tax Measure Q Totals							\$203,781.13	\$53,439.20	
Grand Totals							\$203,781.13	\$53,439.20	

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AGENDA NO: B-5

MEETING DATE: February 20, 2018

Staff Report

TO: Chairman and Committee Members

DATE: February 15, 2018

FROM: Jennifer Callaway, Finance Director

SUBJECT: Receive 1st Quarter Investment Report

RECOMMENDATION

Receive and file.

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

DISCUSSION

Attached is the First Quarter Investment Report for FY 2017/18 (Attachment 1).

As of September 30, 2017, the City's weighted portfolio yield of 0.9% was slightly below the Local Agency Investment Fund (LAIF) yield of 1.11%. 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. According to the Wall Street Journal, some investors expect that a tax overhaul will stimulate growth in the economy and inflation, while also increasing the budget deficit and supply of Treasury debt.

At the conclusion of the Federal Reserve's September Open Market Committee, twelve of the sixteen officials predicted another rate increase. 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.

Staff also recommended that the City Council approve changes to the City's investment policy, updating the delegation of authority with the new staff. The investment policy is included as Attachment 2 with the recommended changes redlined. The recommended changes are under the Delegation of Authority section (page 3 of Attachment 2) and highlighted below for reference:

Delegation of Authority: The following positions and corresponding City personnel are delegated the power to invest the funds of the City:

Prepared By: JC

Dept Review: _____

City Manager Review: _____

City Attorney Review: _____

City Manager:	Scott Collins
Finance Dir/Treasurer:	Jennifer Callaway
Accounting and Budget Manager:	Sandra Martin
Senior Accounting Technician:	Valerie Webb

These designations may change with the annual affirmation of this policy. Each delegate is required to adhere to the requirements set forth in the investment policy.

ATTACHMENTS:

1. First Quarter Investment Report for FY 2017/18 (July through September 2017)
2. City of Morro Bay Investment Policy

CITY OF MORRO BAY
QUARTERLY PORTFOLIO PERFORMANCE
9/30/2017

INVESTMENT OR CUSIP NUMBER	INSTITUTION	PURCHASE PRICE	MARKET VALUE	COUPON INTEREST RATE	PURCHASE DATE	MATURITY DATE	DAYS TO MATURITY
LAIF	LOCAL AGENCY INVESTMENT FUND	\$ 7,201,599	\$ 7,201,599	1.070%	DAILY	DAILY	1
MONEY MARKET ACCOUNT:							
MM	RABOBANK - MONEY MARKET	2,528,999	2,528,999	0.200%	DAILY	DAILY	1
SWEEP	RABOBANK - SWEEP	3,510,795	3,510,795	0.005%	DAILY	DAILY	1
MM	OPUS BANK	2,019,554	2,019,554	1.140%	DAILY	DAILY	1
Government Agency							
3134G8PD5	FHLM Corp	500,003	497,548	1.350%	3/30/2016	9/30/2019	
3136G1KDO	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	1,655
902856	TBK BANK	250,000	250,000	2.050%	1/24/2017	1/11/2019	468
4100093030	LEADER BANK	250,000	250,000	1.551%	1/6/2014	1/6/2019	463
34387ABU2	ZIONS BANK - FLUSHING BANK	250,004	250,066	1.250%	12/17/2015	12/18/2017	79
20451PPL4	ZIONS BANK - COMPASS BANK	250,001	250,088	1.250%	12/16/2015	12/18/2017	79
02006LYZ0	ZIONS BANK - ALLY BANK	250,001	249,881	1.000%	3/17/2016	3/19/2018	170
9497484B0	ZION BANK - WELLS FARGO	250,001	249,884	1.100%	3/23/2016	3/23/2018	174
254671VW7	ZION BANK - DISCOVER BANK	250,001	251,224	2.000%	9/11/2013	9/11/2018	346
05568P5Y9	ZION BANK - BMW BANK	250,001	251,262	2.100%	10/25/2013	10/25/2018	390
36160NYZ6	ZION BANK - Synchrony Bank CD	250,001	251,661	2.150%	10/25/2013	10/25/2018	390
38148PGK7	ZION BANK - GOLDMAN SACHS BANK	250,003	245,243	1.550%	8/3/2016	8/3/2021	1,403
3090683803	STATE FARM BANK	250,000	250,000	1.980%	10/21/2013	10/21/2018	386
4923509568	PENTAGON FEDERAL CREDIT UNION	250,000	250,000	3.000%	2/5/2014	2/5/2019	493
		<u>\$ 19,509,900</u>	<u>\$ 19,509,588</u>				

% OF LIQUID PORTFOLIO HOLDINGS	WEIGHTED AVERAGE RATE OF EARNINGS	WEIGHTED AVERAGE MATURITY
<u>78.222%</u>	<u>0.900%</u>	<u>84</u>

Portfolio holdings as of the first quarter ended September 30, 2017, are in compliance with the current Investment Policy. With 78.222% of the portfolio held in liquid instruments, the cash needs of the City will be met.

CITY OF MORRO BAY INVESTMENT POLICY JULY 2016

PURPOSE

This investment policy establishes the practices and procedures to be used in managing the City of Morro Bay's (City) portfolio in accordance with the requirements of the State of California Government Code and the guidelines provided by the California Debt and Investment Advisory Commission (CDIAC) and the Government Finance Officers Association (GFOA).

SCOPE OF THE POLICY

This policy governs the investment of money that is not required to meet the immediate needs of the City.

LEGAL AUTHORITY

Government Code Sections: California Government Code Sections 53600 to 53609, 53635, and 16429.1 govern the investment of local agency funds.

Legislative Changes: Any applicable legislative actions will be acted on as of their effective dates and will be incorporated into the policy annually, specifying the California Government Code sections that have been added, deleted or amended.

OBJECTIVES

The City Treasurer will consider the following factors in priority order when assessing investment opportunities:

Safety: The primary objective is the preservation of principal. Capital losses will be avoided, whether from default or erosion of market value, meaning that the City will not sell or trade an investment because of market fluctuation. The two types of risk to be minimized are:

1. Credit risk – the risk that an issuer or other counterparty to an investment will not fulfill its obligations; and
2. Interest rate or market risk – the risk that changes in interest rates will adversely affect the fair value of an investment.

Liquidity: The second objective is the liquidity of the portfolio. The portfolio should remain sufficiently flexible to enable the City to meet the operating requirements that are reasonably anticipated. In order to ensure liquidity, the investment policy must recognize that calculating cash flows are the basis of any good investment strategy. Meeting the daily cash flow demand goes hand-in-hand with meeting the City's liquidity needs.

Yield: The third objective, behind safety and liquidity, is attaining a market rate of return throughout the budgetary and economic cycles.

While managing the portfolio, the Treasurer, and designated staff, will strive to maintain public trust by avoiding any transactions that might impair public confidence in the City. When selecting investment instruments, the Treasurer, and designated staff, will remain cognizant of any social and policy considerations that have been established and defined in this policy.

GENERAL STRATEGY

The Treasurer, and designated staff, may follow a passive or active investment strategy. Passive investment policies adhere to the investment goal of holding investments to maturity. Active investment strategy is the buying and selling of investments to achieve a certain benchmark objective. Great care, coupled with the advice of a fiscal agent, should be followed with an active investment policy.

The City follows the passive investment strategy of holding investments to maturity.

STANDARD OF CARE

Prudent Investor Standard: The prudence standard for trust investing traces back to Harvard College v. Amory, 26 Mass. (9 Pick.) 446 (1830). Judge Samuel Putnam stated that trustees should "observe how men of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety, of the capital to be invested."

This standard will be followed by the Treasurer, and designated staff.

Ethics and Conflict of Interest: The Treasurer, and designated staff, shall refrain from personal business activities that could conflict with the proper execution of the investment program or which could impair their ability to make impartial decisions.

Delegation of Authority: The following positions and corresponding City personnel are delegated the power to invest the funds of the City:

City Manager: ~~David Buckingham~~ Scott Collins
~~Admin Services~~ Finance Dir/Treasurer: ~~Susan Slayton~~ Jennifer Callaway
~~Human Resources Analyst~~ Accounting and Budget Manager: ~~Laurie~~
~~Goforth~~ Sandra Martin
Senior Accounting Technician: ~~Cristie Brazzi~~ Valearie Webb

These designations may change with the annual affirmation of this policy. Each delegate is required to adhere to the requirements set forth in the investment policy.

SAFEKEEPING AND CUSTODY

Third-party Safekeeping: Ownership of the City's investment securities will be protected through third-party custodial safekeeping. The custodian will provide the City with a safekeeping receipt or monthly, itemized statement. Exceptions to this requirement are made for certificates of deposit, money market funds and investment pools.

Internal Controls: These are designed to ensure that the assets of the City are protected from theft, loss, or misuse. Such internal controls that are in place include:

1. Control of collusion;
2. Separation of duties;
3. Safekeeping of securities; and
4. Written confirmation of telephone transactions and wire transfers.

The City will separate the person who authorizes or performs the transaction from the person or people who ultimately record or otherwise account for the transaction to achieve separation of duties.

Delivery vs. Payment: All investment transactions should be conducted using standard delivery vs. payment procedures. In delivery vs. payment, the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian, and ensures that securities are deposited in an eligible financial institution prior to the release of funds.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The City will only conduct business with approved banks, savings and loans, credit unions, and securities brokers/dealers. A list of financial dealers and institutions is to be maintained. Broker/dealers and institutions must meet all requirements established by federal and state law.

SUITABLE AND AUTHORIZED INVESTMENTS

Authorized Investment Types: The City, by virtue of California Government Code Sections 53600 – 09, has the ability to invest in numerous types of instruments. The City has looked at its goals, objectives, and standards of care in establishing a list of authorized investment types that also meet statutory requirements. Those types of investment instruments that meet the criteria for the City are:

1. Securities of the U. S. Government, or its agencies;
2. California’s Local Agency Investment Fund (LAIF) pool;
3. FDIC Insured Certificates of Deposit up to \$250,000;
4. Bankers’ Acceptances (not exceeding 40% of the City’s portfolio/max maturity 180 days);
5. Money Market funds;
6. Collateralized deposits;
7. Passbook savings accounts; and
8. Repurchase agreements and reverse repurchase agreements (no more than 25% of the City’s portfolio).

Prohibited Investment Types: In addition to a listing of authorized investments, California Government Code Section 53601.6 prohibits local agencies from investing in the following instruments:

1. Inverse floaters;
2. Range notes or mortgage-derived, interest-only strips;
3. Any security that could result in zero interest accrual if held to maturity;
4. Stock; and
5. Futures or options.

There may be additional investment instruments in which the City does not want the Treasurer to invest, and those will be defined in future investment policies.

INVESTMENT PARAMETERS

Diversification of Investments: The City may choose to impose more stringent restrictions or further restrictions on other investment instruments, depending on its investment goals and risk tolerances, than those proposed in the California Government Code Sections 53600 - 09. The City has indicated those authorized investments as follows:

1. Money market funds;
2. Collateralized deposits;
3. Securities of any one issuer, not to exceed 5% of the City’s portfolio, except those obligations of the U.S. government, U.S. governmental agencies, and U.S. government-sponsored enterprises;
4. Mutual funds; and
5. FDIC insured certificates of deposits.

Maximum Maturity: California Government Code Section 53601 lists the maximum maturity for any instrument as five (5) years. The exception to this time frame is made for investments with LAIF or collateralized deposits.

Minimum Credit Requirements: The City has chosen to follow the California Government Code Section 53601 that sets the minimum credit rating required for certain investment instruments as follows:

1. Short-term debt shall be rated at least "A-1" by Standard & Poor's Corporation, "P-1" by Moody's Investors Service, Inc., or "F-1" by Fitch Ratings. If the issuer of short-term debt has also issued long-term debt, this long-term debt rating shall be rated at least "A," without regard to +/- or 1, 2, 3 modifiers, by Standard & Poor's Corporation, Moody's Investors Service, Inc., or Fitch Ratings.
2. Long-term debt shall be rated at least "A," without regard to +/- or 1, 2, 3 modifiers, by Standard & Poor's Corporation, Moody's Investors Service, Inc., or Fitch Ratings.

Maximum Weighted Average Maturity of a Portfolio: As part of the monthly portfolio performance report that is provided to the City Council, a weighted average maturity (WAM) of the portfolio is calculated. While there are no requirements under state law for a maximum WAM of a portfolio, CDIAC's Local Agency Investment Guidelines suggest that local agencies include and monitor WAM to arrive at an acceptable range for future implementation of a maximum benchmark.

PORTFOLIO MANAGEMENT ACTIVITY

Active or Passive Portfolio Management: In active portfolio management, treasurers buy and sell securities based on how to maximize portfolio values over a given timeframe. In passive portfolio management, the goal is to match a market rate of return (usually a benchmark). Weighing the pros and cons of each strategy in light of staff resources and investment, the City has chosen to follow a passive portfolio management strategy.

Competitive Bidding: Investments are purchased in the most cost effective and efficient manner utilizing approved brokers/dealers on all investment transactions.

Reviewing and Monitoring of the Portfolio: The portfolio requires monthly staff review to ensure the investments are being properly tracked and reported, and quarterly reporting to the Citizens Finance Advisory Committee.

Portfolio Adjustments: If the portfolio demonstrates non-compliance with the investment policy, the Treasurer, and designated staff, may hold the affected securities to maturity to avoid losses; however, the Treasurer may choose to rebalance the portfolio earlier to bring it back into compliance **only** if the portfolio will not suffer any losses for selling the investment prior to maturity.

Performance Standards: The objective of investing is to obtain a rate of return throughout budgetary and economic cycles, commensurate with investment risk constraints and cash flow needs.

REPORTING

Reporting Methods: On a quarterly basis, the investment portfolio will be presented first to the Citizens Finance Advisory Committee for review, then at a City Council meeting, along with the quarterly financial reports, and will list the following components:

1. Types of investment;
2. Issuer names;
3. Dates of maturity;
4. Par amounts;
5. Dollar amounts;
6. Market values;
7. Descriptions of programs under the management of contracted parties;
8. A statement of compliance with the investment policy; and
9. A statement of the ability to meet cash flow needs for six months.

Governmental Accountings Standards Board (GASB) Statement No. 31 - Marking to Market: The City's portfolio is to be marked-to-market for the monthly investment report provided to the City Council and at minimum, annually for the financial statements. Market values are to be obtained from a reputable and independent source and disclosed to the City Council in the monthly written report. The independent source of pricing should not be one of the parties to the transaction being valued. Such an independent source could include a broker or other financial institution that was not counterparty to the transaction, the custodial bank if the bank was not a counterparty to the transaction, publicly available publications such as *The Wall Street Journal*, or other pricing services for which a separate fee would be paid.

This is consistent with GASB Statement No. 31, which requires that governmental entities report investments at fair value, and with the California Governmental Code, which also requires market values of investments be reported.

Calculation of Yield and Costs: All yield rates on investments will be presented at book value.

Investment Policy Adoption, Review, and Amendment: The investment policy will be reviewed, amended, and presented to the City Council annually at the beginning of the calendar year. The review should ensure that the policy is consistent with the overall objectives of preservation of principal, liquidity, and return, and is in conformance with the law, financial and economic trends, and the cash flow needs of the local agency.

Definitions or Glossary of Terms: This investment policy includes a definition section (Appendix A) in order to establish a common vocabulary between the Treasurer, and designated staff, the City Council, and the public.

APPENDIX A – INVESTMENT POLICY TERMINOLOGY

The following are examples of terminology commonly found in California City investment policies. The inclusion of these sections provides clarity to investment policies and better enables readers to understand important concepts.

Authorized Financial Dealers and Institutions: A list of financial institutions authorized to provide investment services. May also include a list of approved security broker/dealers with which the City can do business. These institutions and broker/dealers are usually selected by their ability to add value to the investment process. Some criteria to consider when choosing an approved broker/dealer include creditworthiness, expertise, and the products in which the financial dealer or institution is familiar. GFOA suggests that all entities qualifying for investment transactions provide audited financial statements; proof of industry group (National Association of Securities Dealers [NASD]) certification; proof of state registration; completed broker/dealer questionnaire; and certification of having read, understood, and agreeing to comply with the investment policy.

Bankers' Acceptance: A draft, bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

Certificate of Deposit: A time deposit with a specific maturity evidenced by a certificate.

Collateralization: Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security. California Government Code Section 53601 requires that all repurchase agreements be secured by eligible securities with a market value of 102 percent or greater of the funds borrowed. California Government Code requires public deposits to be collateralized at 110%.

Delegation of Authority: The granting of authority to manage the investment program to designated officials. Such authority is usually derived from code sections, ordinance, charters, or statutes. Government Code Section 53607, for example, allows the City Council to delegate, for a one-year period, its authority to invest or reinvest funds or to sell or exchange securities held by the local government.

Delivery vs. Payment: A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian. It ensures that securities are deposited in an eligible financial institution prior to the release of funds. A third-party custodian as evidenced by safekeeping receipts should hold securities.

Diversification: A process of investing assets among a range of security types by sector, maturity, credit rating, and call type or structure. This reduces exposure to risk by combining a variety of investments, which are unlikely to all move in the same direction. GFOA suggests diversifying a city's investment portfolio by limiting investments to avoid exposure to a specific sector, limiting investment in securities with higher credit risks, investing in instruments with varying maturities, and continuously investing a portion of the portfolio in readily available funds such as a local government investment pool, money market funds, or

overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

Ethics and Conflicts of Interest: The California Political Reform Act of 1974 requires certain designated public officials at all levels of government to publicly disclose their private economic interests and requires all public officials to disqualify themselves from participating in decisions in which they have a financial interest. As part of this requirement, local agencies are required to adopt and promulgate a Conflict of Interest Code, with certain required sections. To further promulgate this Code, investment policies sometimes include language requiring the ethical conduct of investment officers and statements regarding refraining from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. To avoid conflicts, GFOA recommends that investment officers disclose material interests in financial institutions with which they do business, disclose personal financial interests that could be related to the performance of the investment portfolio, and refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the local government.

Exemption: Language that grandfathers prohibited investments into the investment policy because they may have been held in the portfolio prior to the prohibition. When these investments mature or are liquidated, the money should be reinvested as provided by the policy and the exemption language should be removed from the policy.

FDIC: Federal Deposit Insurance Corporation is a federal agency that insures bank deposits up to \$250,000 per deposit.

General Objectives: The section of an investment policy that illustrates the three main objectives (safety, liquidity, and yield), in order of priority, of a good investment policy. In addition to these commonly included objectives, there are a myriad of other objectives for which an investment policy can strive. Safety is the preservation of principal. Liquidity is how easily an investment may be redeemed for cash. Yield is the current rate of return on a security generally expressed as a percentage of its current price. As per California Government Code Section 53600.5, safeguarding the principal of the funds under its control should be the primary objective of local agencies. Liquidity also should be a principal objective of a portfolio. The portfolio should maintain sufficient liquidity to meet operating requirements. To accomplish this, a local agency can structure a portfolio so that investments mature when cash is needed and also by investing in liquid securities with an active secondary market. Yield should be the last objective an investment portfolio should strive for, behind safety and liquidity. Since there are many different ways for yield to be calculated, the investment policy should specify how it is to be calculated.

Internal Controls: The system used to ensure that the local government assets are protected from loss, theft, or misuse. Such a system should provide a reasonable assurance that such loss, theft, or misuse can be prevented. Examples include separation of duties, delegation of authority, and documentation. GFOA suggests that an internal control system address the following points: control of collusion, separation of transaction authority from

accounting and recordkeeping, custodial safekeeping, avoidance of physical delivery of securities, clear delegation of authority to subordinate staff, written confirmation of transactions for investments and wire transfers, and development of a wire transfer agreement with the lead bank and third-party custodian.

Investment Parameters: Specified restrictions on investments to limit the amount of risk in a portfolio. These parameters may be specified in the California Government Code; however, the local agency may choose to further restrict investment options depending on its risk tolerance. Such parameters may include diversification of investments types, percentages, or dollar limits per issuer and setting maximum maturities.

Investment Types: A recitation of the investment types the local agency has been given authority in which to invest. This may be a list of securities allowable under California Government Code Section 53601 et seq., and may be further restricted by the agency itself. For a description of the allowable California local agency investment instruments, please see CDIAC's latest version of its Local Agency Investment Guidelines, available on its website at www.treasurer.ca.gov/cdiac. GFOA recommends the investment in the following types of securities: U.S. government securities and agency obligations; highly-rated certificates of deposit, bankers' acceptances, commercial paper; investment-grade state and local government obligations; repurchase agreements securitized by the previously-mentioned securities; SEC-regulated, dollar-denominated money market mutual funds; and local government investment pools.

LAIF: Local Agency Investment Fund, the State of California's investment pool in which cities, counties and special districts may participate.

Liquidity: A liquid asset is one that can be quickly and easily converted into cash without loss in value.

Market Value: The price at which a security is trading at a point in time. Selling an investment at market value can result in a gain (\$500,000 investment sold for \$515,000 = \$15,000 gain) or loss (\$500,000 investment sold for \$498,000 = \$2,000 loss). Gains and losses are dependent on changes in the current rate of interest as compared to the interest rate of the investment that is being considered for sale.

Marking-to-Market: The act of recording the price or value of a security to reflect its current market value rather than its book value.

Maximum Maturities: Maturity is the date on which the security or obligation is redeemed by the issuer in exchange for cash. California law states that local governments cannot invest in instruments with terms remaining to maturity in excess of five years unless they receive express authority from their legislative bodies to do so. Local governments should attempt to match investment maturities with anticipated cash flow requirements. There is no requirement under California law for local governments to have a weighted average maturity (WAM) restriction for their portfolio, although CDIAC's Local Agency Investment Guidelines suggests that local agencies consider adopting a WAM restriction.

Performance Standards: The criteria by which a stated goal is measured. An investment portfolio's performance and risk exposure should be evaluated against appropriate benchmarks on a regular basis. One standard that should be strived for should be a market rate of return in a given interest rate environment.

Policy Considerations: The local ordinances or other requirements that place restrictions on the policy. Local governments should consider what should be exempted from the policy and also when, or under what circumstances, the policy should be amended.

Pooling of Funds: A statement in the investment policy that except for certain restricted or special funds, cash balances should be consolidated from all funds to maximize investment earnings.

Portfolio: The collection of investment instruments held.

Prudent Investor Standard: Legal maxim that all investments should be made with care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the professional management of their business affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Reporting: Presentation of evaluation data or other information to communicate processes, roles, and results. Investment policies should include reporting requirements such as methods of reporting investments, the standards against which investments should be reported, and the requirement for calculating market value.

Reporting Methods: Ways in which investment outcomes are reported including listing of instrument values, dollar value returns, percentage yields, etc. GFOA suggests that local governments prepare investment reports at least quarterly. In California, investment reports are no longer required to be submitted to legislative bodies. This requirement is now permissive. If a local government chooses to submit an investment report in accordance with California Government Code Section 53646 to their legislative bodies, they are still required to submit copies to CDIAC for the second and fourth quarter of every calendar year until January 1, 2007. GFOA goes on to list some suggested components of investment reports including listing of securities, gains and losses, average weighted yield to maturity as compared to benchmarks, listing of investment by maturity date, and percentage of the total portfolio which each type of investment represents.

Repurchase Agreements: A repurchase agreement is a form of short-term borrowing for dealers in government securities, which are highly valued and thus considered a good source of collateral. The dealer sells the government securities to investors, usually on an overnight basis, and buys them back the following day. Investments in repurchase agreements may be made when the term of the agreement does not exceed one year.

Risk: Two of the most common risks associated with local government portfolio investing are credit risk and interest rate risk. Credit risk is the risk to an investor that an issuer will default in the timely payment of interest and/or principal on a security. Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Limiting investment to the safest types of securities, pre-qualifying financial institutions, broker/dealers, and others with which the local agency will do business, and diversifying the number of issuers in an investment portfolio can minimize credit risk. Interest rate risk can be minimized by structuring the portfolio so that investments mature at the same time that cash is required or investing operating funds in highly liquid, shorter-term securities (e.g., U.S. Treasury bills or notes).

Safekeeping and Custody: Rules derived to ensure the safety of an investment and within whose control the investment resides. Some examples include third-party safekeeping, developing lists of authorized financial dealers and institutions, developing internal controls, and using a delivery vs. payment standard for transactions. Local agencies should consider requiring securities to be held by third-party custodians, evidenced by timely statements illustrating the balance held by these custodians.

Scope: The types of funds that the policy covers (e.g., operating funds, bond proceeds, etc.). In general, investment policies cover short-term operating funds. Longer-term funds such as retirement funds are covered by other policies. The investment of bond funds usually is governed by the bond documents such as the trust indenture.

Standards of Care: The degree of care that a reasonably prudent person would exercise in the investment of local agency funds.