



CITY OF MORRO BAY CITY COUNCIL NOTICE OF SPECIAL MEETINGS

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.

SPECIAL MEETING AGENDA

Tuesday, May 25, 2021 @ 3:00 PM

AND

Wednesday, May 26, 2021 @ 3:00 PM

Held Via Teleconference

ESTABLISH QUORUM AND CALL TO ORDER

PUBLIC COMMENT FOR ITEMS ON THE AGENDA

Pursuant to Section 3 of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, this Meeting will be conducted telephonically through Zoom and broadcast live on Cable Channel 20 and streamed on the City website (click [here](#) to view). Please be advised that pursuant to the Executive Order, and to ensure the health and safety of the public by limiting human contact that could spread the COVID-19 virus, the Veterans' Hall will not be open for the meeting.

Public Participation:

In order to prevent and mitigate the effects of the COVID-19 pandemic, and limit potential spread within the City of Morro Bay, in accordance with Executive Order N-29-20, the City will not make available a physical location from which members of the public may observe the meeting and offer public comment. Remote public participation is allowed in the following ways:

- Community members are encouraged to submit agenda correspondence in advance of the meeting via email to the City Clerk's office at cityclerk@morrobayca.gov prior to the meeting and will be published on the City website with a final update one hour prior to the meeting start time. Agenda correspondence received less than an hour before the meeting start time may not be posted until after the meeting.
- Members of the public may watch the meeting either on cable Channel 20 or as streamed on the City [website](#).
- Alternatively, members of the public may watch the meeting and speak on a specific agenda item by logging in to the Zoom webinar at the **beginning** of the meeting using the information provided below. Please use the "raise hand" feature to indicate your desire to provide public comment. Each speaker will be allowed three minutes to provide input.

Please click the link below to join the webinar:

- <https://us02web.zoom.us/j/82722747698?pwd=aWZpTzcwTHlRTk9xaTlmWVNWRFUQT09>

Password: 135692

- Or Telephone Attendee: 1 (408) 638-0968 or 1 (669) 900 6833 or 1 (346) 248 7799; Webinar ID: 827 2274 7698; Password: 135692; Press *9 to "Raise Hand" for Public Comment

SPECIAL MEETING AGENDA ITEM:

I. FY 2021/22 OPERATING AND CAPITAL BUDGET STUDY SESSION

RECOMMENDATION: Council receive the proposed Fiscal Year (FY 2021/22) General Fund Operating and Capital Budget and provide feedback prior to the budget adoption scheduled for June 22, 2021.

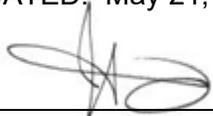
MOTION TO CONTINUE to Wednesday, May 26, 2021 at 3:00 p.m.

II. FY 2021/22 OPERATING AND CAPITAL BUDGET STUDY SESSION

RECOMMENDATION: Council receive the proposed Fiscal Year (FY 2021/22) General Fund Operating and Capital Budget and provide feedback prior to the budget adoption scheduled for June 22, 2021.

ADJOURN

DATED: May 21, 2021



John Heading, Mayor

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 24 HOURS PRIOR TO THE MEETING TO INSURE REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.



AGENDA NO: I

MEETING DATE: May 25, 2021

Staff Report

TO: Honorable Mayor and Council

DATE: May 20, 2021

FROM: Katie Lichtig, Interim Finance Director

SUBJECT: Draft Proposed FY 2021/22 Operating and Capital Budget

RECOMMENDATION

Receive the Proposed Fiscal Year (FY 2021/22) General Fund Operating and Capital Budget and provide feedback prior to budget adoption scheduled for June 22, 2021.

DISCUSSION

On May 12, 2021, the proposed FY 2021/22 Operating and Capital budget was published. The purpose of the Council’s review is to provide input to staff so that any changes can be provided when the Council considers the FY 2021/22 budget for adoption on June 22, 2021.

City-wide Overview

Overall, FY 2021/22 will be a year of strategic investments in people, equipment, and capital improvements. As mentioned in the City Manager’s transmittal, the City has been resilient, and our economy has rebounded at a record pace. While there are concerns about the long-term outlook for the Harbor Fund, all funds are returning to a healthy status, particularly the General Fund. Additionally, the inclusion of Measure Q & E support has bolstered the City’s ability to invest in staffing, infrastructure, and tools to achieve the Council’s goals and priorities which include:

- Achieving financial and economic sustainability,
- Improving public infrastructure – including implementing the Water Reclamation Facility (WRF) and One Water plan,
- Updating the City’s land use plans and addressing affordable housing issues,
- Improving community outreach and engagement, and
- Temporary Council goal of responding to the public health and economic crises related to the COVID-19 pandemic.

The following is a high-level overview summary from the transmittal:

The budget for FY 2021/22 reflects total expenditures for the City budget of \$121.7 million (including Capital Projects and excluding transfers between funds), this is an increase of \$52.3 million or 75% when compared to the FY 2020/21 Amended Budget. This increase is primarily attributed to the planned progression of the City’s Water Reclamation Facility (WRF). Without the WRF increase, the Amended Budget for 2021/22 is \$32.8 million which is an increase of

Prepared By: KL

Dept Review: _____

City Manager Review: SC

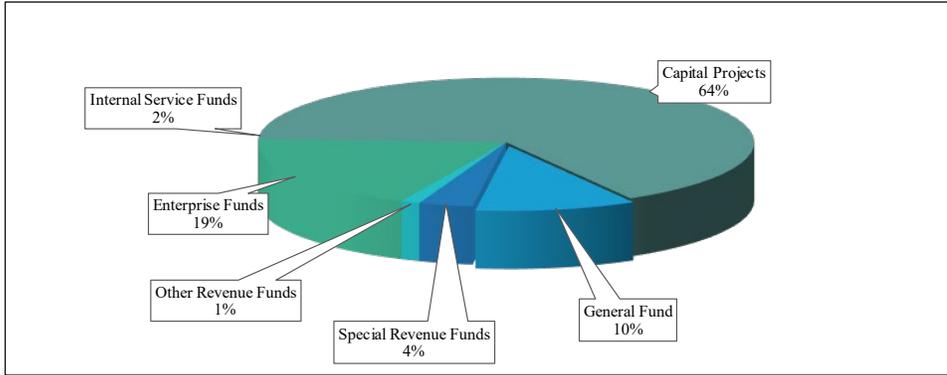
City Attorney Review: _____

\$6.4 million or 24% when compared to the 2020/21 Amended Budget. The WRF represents an additional expenditure of \$88.9 million and \$42.9 million for 2021/22 Budget and 2020/21 Amended Budget, respectively.

The City's proposed total General Fund expenditures are \$14.2 million, an increase of \$1,271,000 or 9.8% when compared to the FY 2020/21 budget. This increase is primarily attributed to increased salaries and benefits resulting from previously negotiated cost of living adjustment (COLA) increases for employees and more significantly increased benefit related costs associated with CalPERS increases, Other Post-Employment Benefits (OPEB) and health cost increases. The General Fund revenues are budgeted at \$14.3 million (excluding transfers in), a 24.5% increase over FY 2020/21 budgeted revenues. The General Fund will also receive transfers in from other funds totaling \$1.2 million for total General Fund revenues of \$15.5 million.

The following charts and tables show all major fund revenues including as a total of all city operations and capital budgets. The pie chart and table indicate that capital projects make up almost two-thirds of the total city revenues in the coming fiscal year.

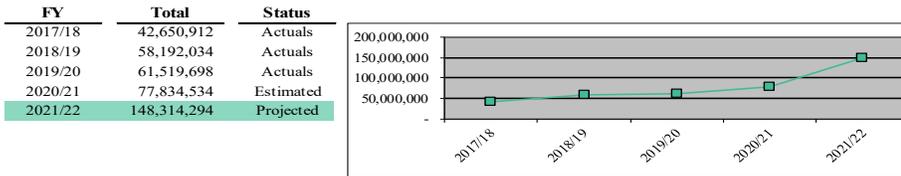
TOTAL CITY REVENUES By Fund



FY 201/22 Revenues By Fund

	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Amended	2020/21 Estimated	2021/22 Proposed	% of Total
General Fund	\$ 14,629,925	\$ 14,662,936	\$ 15,409,836	\$ 14,077,237	\$ 14,855,830	\$ 15,554,673	10.0%
Special Revenue Funds	1,998,563	2,582,537	1,791,429	1,819,250	3,140,265	5,218,340	4.0%
Other Revenue Funds	2,199,555	2,456,907	2,677,157	1,469,731	1,732,307	1,825,577	1.0%
Enterprise Funds	17,951,992	24,026,587	25,934,506	30,978,774	30,017,107	27,979,310	19.0%
Internal Service Funds	1,986,166	2,367,406	2,632,586	2,670,188	2,872,061	3,394,730	2.0%
Capital Projects	3,884,711	12,095,661	13,074,184	48,405,176	25,216,964	94,341,664	64.0%
Total Rev & Transfers In	\$ 42,650,912	\$ 58,192,034	\$ 61,519,698	\$ 99,420,356	\$ 77,834,534	\$ 148,314,294	100.0%

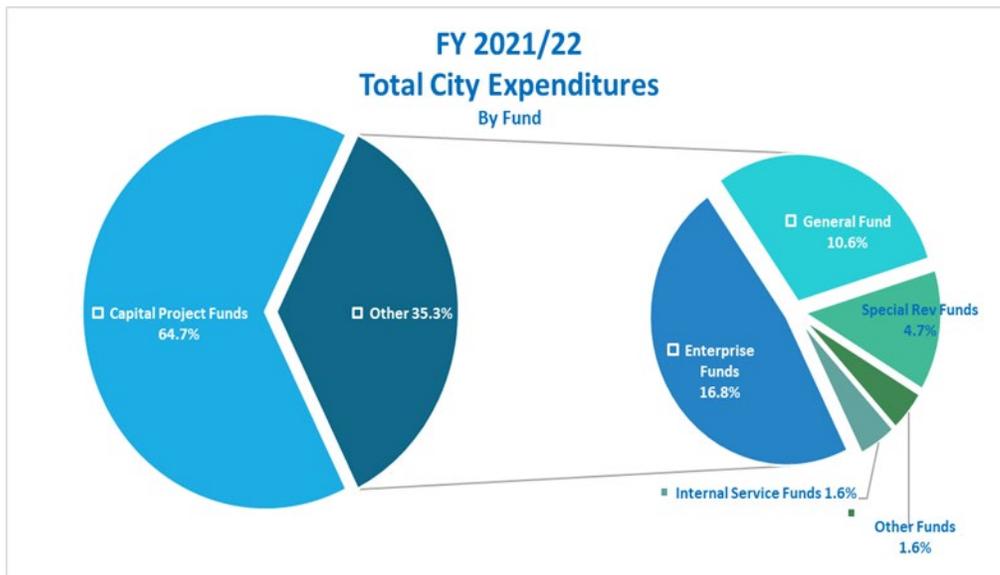
CITY REVENUE HISTORICAL TREND (Includes Transfers In)



The Proposed Budget restores many of the reductions that were required in the FY 2020/21 adopted Budget as well as enhances programs and services that are either core services or helps to achieve Council goals and priorities. The Proposed FY 2021/22 Budget directly supports the following:

- Staffing to provide maintain and enhance public safety, maintenance of public spaces, the economic engine of the city through efficient permitting and business support, and financial sustainability;
- Equipment replacement such as police patrol vehicles, lifeguard truck and maintenance truck;
- Services such as professional experts to dispatch police and fire calls for service, trim trees, process applications, conduct financial audits just to name a few;
- Capital Improvement project implementation support to speed-up project implementation;
- Capital Improvement Investments (i.e., street paving, storm drains, wayfinding signage, WRF, etc.); and
- Restoration of the General Fund Emergency Reserve (GFER).

The following pie chart and table summarizes total expenditures city-wide by fund. It is clear that capital projects make up almost two-thirds of the total city expenditures in the coming fiscal year.



FY 2021/22 Expenditures by Fund

	2017/18	2018/19	2019/20	2020/21	2020/21	2021/22	%
	Actuals	Actuals	Actuals	Amended	Estimated	Proposed	of Total
General Fund	\$ 13,334,327	\$ 13,061,271	\$ 14,297,183	\$ 12,961,405	\$ 13,033,193	\$ 15,522,048	10.6%
Special Revenue Funds	1,333,339	1,680,744	1,506,839	912,559	771,716	6,832,357	4.7%
Other Funds	1,412,112	1,404,011	1,136,421	1,578,998	1,343,565	2,344,666	1.6%
Enterprise Funds	9,627,969	7,705,514	2,603,408	14,522,159	9,776,054	24,482,615	16.8%
Internal Service Funds	2,013,766	2,218,982	2,216,374	2,236,070	2,126,708	2,266,579	1.6%
Capital Project Funds	3,884,711	12,095,661	13,074,184	48,405,176	25,216,964	94,341,664	64.7%
Total Exp	\$ 31,606,224	\$ 38,166,183	\$ 34,834,409	\$ 80,616,367	\$ 52,268,200	\$ 145,789,929	100.0%

The chart on the following page includes operating expenditure budget for all city funds (excludes transfers out and capital projects).

TOTAL CITY EXPENDITURES

BY FUND
(Excludes Transfers Out)

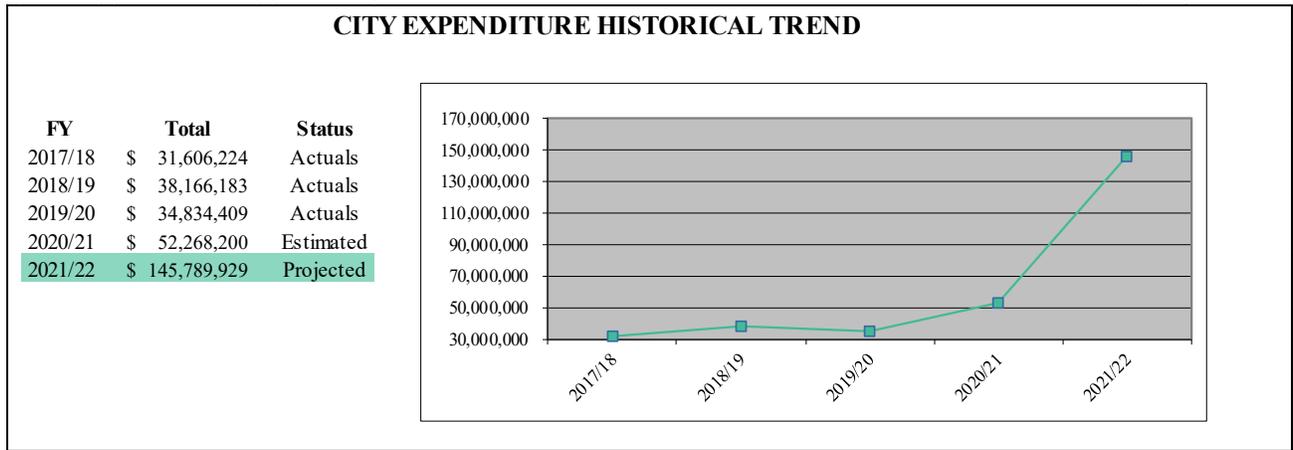
Fund	Fund Name	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Estimated	2021/22 Total Proposed
General Fund						
	General Fund	\$ 13,334,327	\$ 13,061,271	\$ 14,297,183	\$ 13,033,193	\$ 15,522,048
Special Revenue Funds						
	Measure Q&E	434,804	567,292	691,351	548,639	4,042,312
	American Rescue Plan Act	-	-	-	-	984,540
	Tourism	898,535	1,048,452	769,091	223,077	1,805,505
	Tourism Accumulation	-	65,000	46,397	-	-
Other Funds						
	Transit	314,705	274,091	268,519	185,385	\$ 295,141
	Bike Path	-	-	-	-	43,554
	LTF Roads	46	-	-	-	70,630
	Opportunity Fund	-	-	198	-	-
	Community Development Grants	358,658	-	-	-	93,956
	Community Benefit	-	-	-	-	170,000
	Economic Development Fund	-	1,676	82,740	312,462	309,800
	General Plan Maintenance Fee	24,499	20,911	18,269	15,500	15,500
	Housing In-Lieu	6,427	5,000	62,740	9,307	75,000
	Parking In-Lieu	1,840	-	-	49,500	81,809
	Government Impact Fees	70,011	147,895	36,096	70,000	71,457
	Park In-Lieu	293	-	-	-	69,500
	Harbor State Park Marina	3,800	4,100	-	5,000	5,000
	Triange Lot - Boat Yard Storage	-	4,909	13,421	30,858	19,850
	State Gas Tax	-	-	-	-	243,222
	Lower Cost Visitor Accomodations	113	-	-	-	-
	Traffic Safety	-	-	-	-	11,541
	Special Safety Grants	70,356	78,937	79,360	177,545	100,918
	Fire Donation Fund	21,359	301,983	21,558	-	-
	Jamaica Joint Defense	18,977	-	-	-	-
	Strategic Investment Spending Plan	26,628	1,626	-	-	60,000
	PEG Access Fees	-	1,703	8,861	-	117,628
	Community Development Plans	-	-	-	-	-
	County Tourism	367,388	408,333	378,005	338,714	351,030
	Assessment District	8,464	13,107	14,058	9,838	5,080
	Cloisters Assessment District	118,548	139,740	152,596	139,456	134,050
Enterprise Funds						
	Harbor Operating	1,638,218	1,981,419	1,767,274	1,497,983	\$ 2,054,385
	Harbor Equipment Replacement	118	27,586	-	85,000	50,000
	Harbor Capital	95,281	-	7,721	-	-
	Harbor Accumulation	463	-	6,879	-	380,000
	Water Operating	3,908,958	3,219,278	4,025,917	3,901,603	7,558,278
	Water Equipment Replacement	565	-	134,038	22,412	60,000
	Water Capital	-	-	-	-	-
	Water Accumulation	873,330	1,705,095	3,751,717	340,350	3,502,350
	Utility Discount Program	18,718	44,361	65,571	100,000	150,000
	Sewer Operating	703,291	(919,365)	(9,559,928)	2,118,112	7,899,605
	Sewer Equipment Replacement	445,581	-	-	-	-
	Sewer Capital	-	-	-	-	-
	Sewer Accumulation	14,648	-	-	-	217,165
	MBCSD WWTP	1,928,798	1,647,140	2,404,219	1,710,594	2,610,832
Internal Service Funds						
	Risk Management	1,465,245	1,530,235	1,648,706	1,542,404	\$ 1,460,891
	Information Technology	411,329	564,645	511,221	513,357	712,188
	Facility Maintenance	67,273	38,740	55,379	25,000	55,500
	Vehicle Replacement	62,051	-	-	45,947	38,000
	Capital Replacement	427	-	-	-	-
	Project Accumulation	607	-	1,068	-	-
	Compensable Leave	-	85,362	-	-	-
	Emergency Reserve	6,834	-	-	-	-
TOTAL Fund Exp		\$ 27,721,513	\$ 26,070,522	\$ 21,760,225	\$ 27,051,236	\$ 51,448,265

The following table outlines all capital expenditures for FY 2021/22:

Capital Projects Funds - Project Detail

General Government					\$	-
City Works Implementation	36,718	17,581				-
Morro Creek Restoration	7,315	-	-			-
Bocce Ball Court	-	2,423	508	-		29,069
Facility/Audio Visual Upgrades - Vet's I	-	8,707		-		148,200
City Park Play Equipment	-	-	-			-
ADA: Sidewalk Repairs	22,743	-	-			-
Fire Engine Replacement for #5391 - Bal after donation	-	375,981	-			-
Tidelands Park Play Structure	-	-	-			-
Tidelands Stormwater Pocket Park	-	-	49,129	6,019		-
Electric Vehicle Charging Station	-	-				57,809
Public Safety/Power Shutdown & Fiber Optic Portion	-	-	16,554	50,000		-
Security Wall Imprv - Cit Hall Blds	-	-	35,588			-
Re-pave Police Annex Parking Lot	-	-		70,000		-
Coleman Park Restroom Rebuild	-	-				318,000
Rock Area Improvements	-	-	551			-
Community Development Grants	-	-				-
General Plan Update	358,980	118,837	57,641			-
Street Improvements						-
State Route (SR)1/SR 41 Interchange	33,164	5,637	3,258	6,077		766,617
Pavement Management Plan	843,634	743,520	50,487	20,000		1,150,000
Directional Signage/Wayfinding						150,000
Storm Drains						-
Kem & Anchor Street Pipeline SD-01A	-	-	-	-		72,600
Kem & Anchor Street Pipeline SD-01B	-	-	-	-		412,300
Emergency Storm Drain Repair - Juniper/Elena				8,000		242,000
Assessment Districts						-
North Point Parking Lot Improvements	-	-	-			-
Cloister Park Landscape	-	-	19,057			-
Cloisters Play Structure						-
Transit Fund	-	329,555	-			802,006
Enterprise Fund						-
Water Capital - Non WRF	221,425	98,592	42,178	340,350		340,350
Water WRF Only		3,005,424	3,709,538	7,111,303		25,781,849
Sewer Capital - Non WRF	98,597	31,296	-	109,785		109,785
Sewer WRF Only	2,166,854	7,358,108	9,081,974	17,410,430		63,121,079
Harbor Capital	95,281	-	7,721	85,000		840,000
TOTAL Capital Exp	\$ 3,884,711	\$ 12,095,661	\$ 13,074,184	\$ 25,216,964	\$	94,341,664

The next chart indicates the City's overall spending trend which is impacted by capital expenditures and more specifically on the Water Reclamation Facility (WRF). The WRF capital project is anticipating spending more than \$88.8 million on construction of the conveyance and treatment facility in FY 2021/22. It is also worth noting that several cost components are trending upward in part due to negotiated pay and benefit increases to attract and retain staff. There are other cost increases that are out of the City's control such as retirement costs, Other Post Employment Benefits, worker's compensation and health insurance.



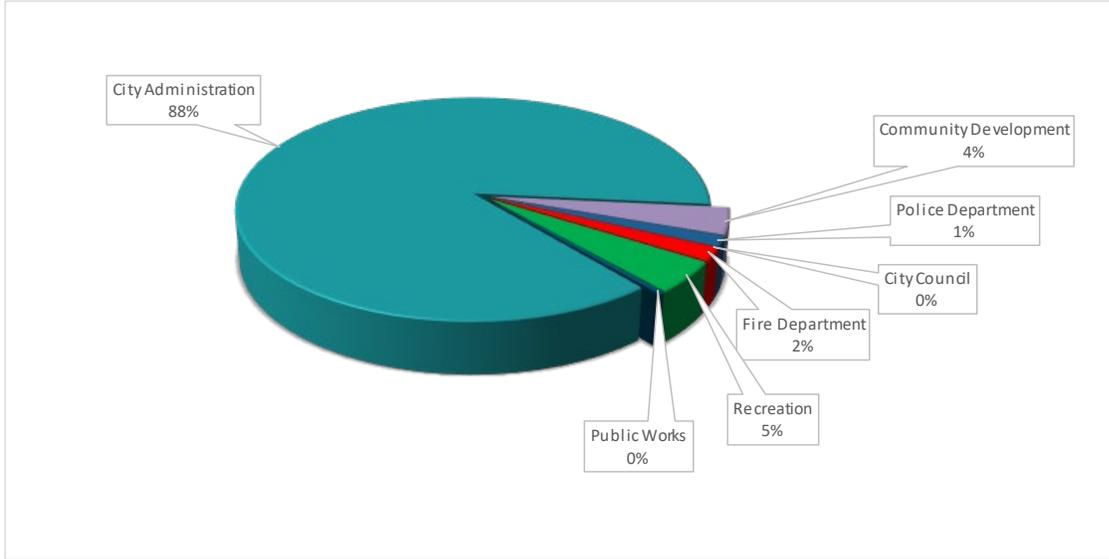
General Fund Overview

The dramatically improved financial picture in FY 2021/22 affords the City with what has been a rare opportunity in recent years to make strategic investments in our people, the tools that allow them to get the job done, and our physical assets (roads, parks, restrooms, storm drains, harbor facilities, etc.). Overall, the General Fund is healthy and will not need support from the General Fund Emergency Reserve. One caveat: This table does not include the investments being proposed from the Measures Q and E Fund to support operations historically funded by the General Fund (Police, Fire and Public Works – Consolidated Maintenance, Public Works – Engineering). Staff will present this cumulative information as part of the presentation on May 25, 2021.

	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Amended	2020/21 Estimated	2021/22 Proposed
Total General Fund Revenues	\$ 13,101,223	\$ 13,334,135	\$ 12,680,052	\$ 11,496,175	\$ 13,643,968	\$ 14,310,096
Transfers In:	1,528,702	1,328,801	2,729,784	2,581,062	1,211,862	1,244,577
Net Operating Revenues	\$ 14,629,925	\$ 14,662,936	\$ 15,409,836	\$ 14,077,237	\$ 14,855,830	\$ 15,554,673
Total General Fund Exp	\$ 13,299,249	\$ 13,026,082	\$ 14,261,906	\$ 12,926,214	\$ 12,998,004	\$ 14,197,170
City Debt Payments:	\$ 35,078	\$ 35,189	\$ 35,277	\$ 35,191	\$ 35,189	\$ 35,190
Transfers Out:	562,990	855,149	480,970	563,000	363,273	1,289,688
Net Operating Expenditures	\$ 13,897,317	\$ 13,916,420	\$ 14,778,153	\$ 13,524,405	\$ 13,396,466	\$ 15,522,048
Net Operating Surplus/(Deficit)	\$ 732,608	\$ 746,516	\$ 631,683	\$ 552,832	\$ 1,459,364	\$ 32,625

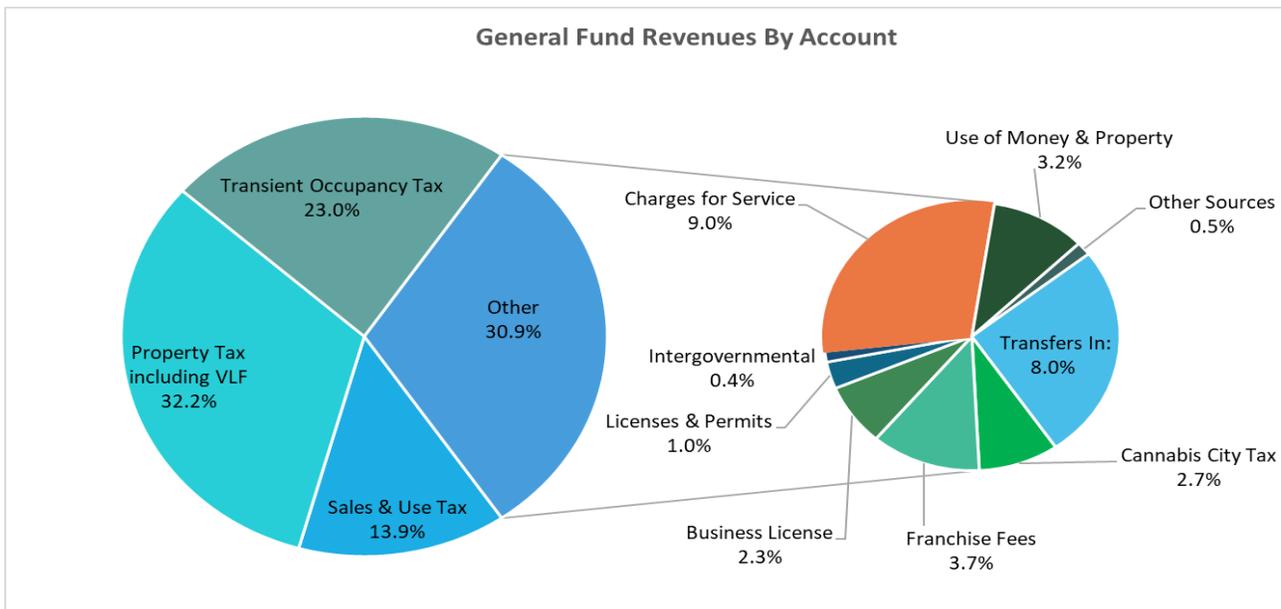
The table below outlines the percentage of the proposed FY 2021/22 General Fund revenue budget for each of the departments. City Administration includes Finance and the City's largest revenue sources are accounted for in the Finance Department.

GENERAL FUND REVENUES BY DEPARTMENT



Departments	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Amended	2020/21 Estimated	2021/22 Proposed	% of Total
City Council	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
City Administration	11,072,208	11,412,294	10,908,254	9,856,286	11,683,568	12,539,805	87.6%
Public Works	86,543	41,625	37,193	35,190	33,151	57,981	0.4%
Community Development	708,581	687,599	571,001	425,250	540,444	555,033	3.9%
Police Department	82,411	110,536	213,716	240,420	240,420	224,875	1.6%
Fire Department	557,297	396,123	377,088	726,568	568,624	277,402	1.9%
Recreation	594,183	685,958	572,800	212,461	577,761	655,000	4.6%
Total General Fund Revenues	\$ 13,101,223	\$ 13,334,135	\$ 12,680,052	\$ 11,496,175	\$ 13,643,968	\$ 14,310,096	100%

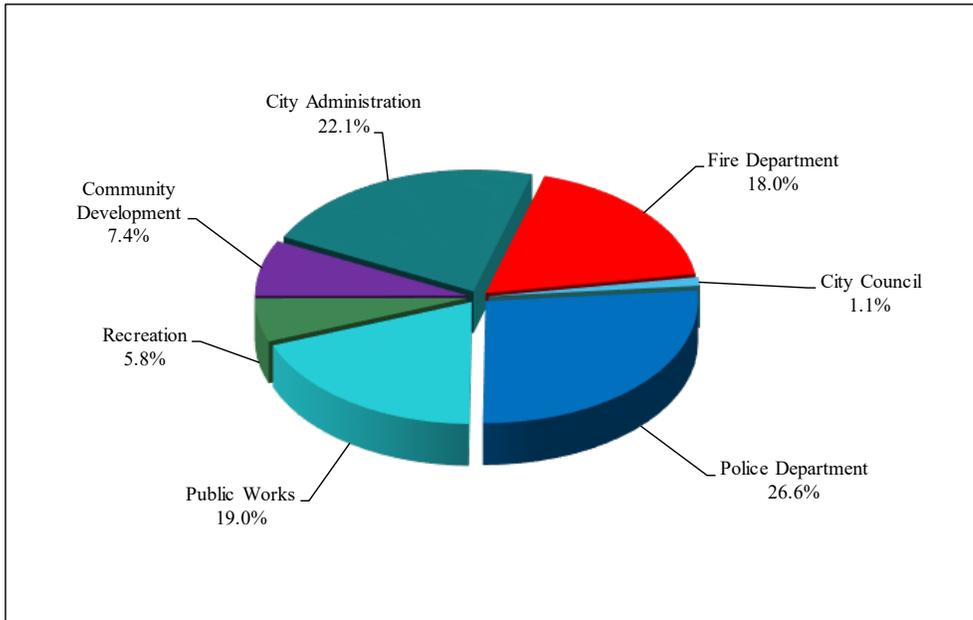
The following chart provides a break down of "City Administration" revenue sources, many of which are experience significant rebounds.



The following table indicates total operating expenditures in the General Fun by Department (excluding Measures Q and E).

Departments	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Amended	2020/21 Estimated	2021/22 Proposed	% of Total
Police Department	\$ 3,521,549	\$ 3,359,254	\$ 3,871,520	\$ 3,537,166	\$ 3,535,950	\$ 3,775,377	26.6%
Fire Department	3,200,709	2,712,709	3,010,317	2,937,326	3,174,265	2,559,130	18.0%
Public Works	2,428,683	2,418,757	2,621,367	2,366,212	2,167,946	2,697,827	19.0%
Community Development	849,906	919,817	1,024,250	914,511	911,231	1,054,326	7.4%
City Administration	2,118,967	2,295,213	2,431,410	2,365,146	2,430,494	3,133,884	22.1%
Recreation	1,070,905	1,197,289	1,211,857	721,755	721,863	817,328	5.8%
City Council	108,530	123,043	91,185	84,098	56,255	159,298	1.1%
Total General Fund Exp	\$ 13,299,249	\$ 13,026,082	\$ 14,261,906	\$ 12,926,214	\$ 12,998,004	\$ 14,197,170	100%
City Debt Payments:	\$ 35,078	\$ 35,189	\$ 35,277	\$ 35,191	\$ 35,189	\$ 35,190	
Transfers Out:	562,990	855,149	480,970	563,000	363,273	1,289,688	
Net Operating Expenditures	\$ 13,897,317	\$ 13,916,420	\$ 14,778,153	\$ 13,524,405	\$ 13,396,466	\$ 15,522,048	

**GENERAL FUND EXPENDITURES
By Department**



Departments	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Amended	2020/21 Estimated	2021/22 Proposed	% of Total
Police Department	\$ 3,521,549	\$ 3,359,254	\$ 3,871,520	\$ 3,537,166	\$ 3,535,950	\$ 3,775,377	26.6%
Fire Department	3,200,709	2,712,709	3,010,317	2,937,326	3,174,265	2,559,130	18.0%
Public Works	2,428,683	2,418,757	2,621,367	2,366,212	2,167,946	2,697,827	19.0%
Community Development	849,906	919,817	1,024,250	914,511	911,231	1,054,326	7.4%
City Administration	2,118,967	2,295,213	2,431,410	2,365,146	2,430,494	3,133,884	22.1%
Recreation	1,070,905	1,197,289	1,211,857	721,755	721,863	817,328	5.8%
City Council	108,530	123,043	91,185	84,098	56,255	159,298	1.1%
Total General Fund Exp	\$ 13,299,249	\$ 13,026,082	\$ 14,261,906	\$ 12,926,214	\$ 12,998,004	\$ 14,197,170	100%
City Debt Payments:	\$ 35,078	\$ 35,189	\$ 35,277	\$ 35,191	\$ 35,189	\$ 35,190	
Transfers Out:	562,990	855,149	480,970	563,000	363,273	1,289,688	
Net Operating Expenditures	\$ 13,897,317	\$ 13,916,420	\$ 14,778,153	\$ 13,524,405	\$ 13,396,466	\$ 15,522,048	

One item highlighted is the elimination of funding for the City's OpenGov. This is the financial data visualization and transparency platform that includes the City's budget information. Staff is

recommending eliminating this software platform because it gets very limited use by the public (less than 30 users in the last 90 days and of those 9 were identified as being from Morro Bay), the average user is staying on the site for 10 seconds (systemwide average is 3 minutes), and due to staffing reductions, the data has not been maintained. It costs staff time when it is being updated and \$8,348.60 annually.

General Fund Emergency Reserve

A significant bright note in the proposed budget is the restoration of the General Fund Emergency Reserve (GFER). As a result of the devastating loss of revenue during FY 2019/20 as a result of COVID-19 Pandemic, the City relied on \$1,438,192 from the GFER to fill the deficit. In spite of layoffs of almost 10% of the City's full-time staff, the City faced a significant budget deficit. FY 2020/21 budget anticipated using \$1,283,319 in reserve funds to help offset the devastating revenue losses due to COVID-19 Pandemic on the City's General Fund. At mid-year (February 23, 2021), Council approved revenue amendments which lowered the anticipated transfer from the GFER to the General Fund to \$671,000. The estimated revenues are expected to exceed mid-year projections (in some cases significantly higher than projected at mid-year. The proposed budget estimates that no contribution from the GFER will be necessary in the current fiscal year. Next year several transfers into the GFER including from the General Fund (\$250,000), Measure Q and E (\$125,000) and American Rescue Plan Act (ARPA) fund (\$500,000). The ARPA contribution may not be eligible based on initial review of the Interim Rules from the US Department of Treasury. Any changes based upon staff review of the Federal rules will be brought forward to Council as a supplemental recommendation with the overall budget review. The ending fund in FY 2021/22 the GFER fund balance is projected to equal \$3,329,811. This balance is slightly below the 25% minimum funding level of \$3.4 million (28% target level = \$3.8 million).

It is important to note that the GFER balance estimate does not anticipate that the General Fund will contribute back to the GFER from any year end fund balance from the General Fund. The current estimate is that the General Fund will end the current fiscal year in a better position than estimated at mid-year, creating a possibility that as much as \$1.2 million could be used to restore the General Fund Emergency Reserve. Staff will be recommending to Council that any FY 2020/21 General Fund balance (excess revenues over expenditures) when the books are closed on FY 2020/21 be directed to the GFER.

General Fund Emergency Reserve

Fund 051

SUMMARY OF REVENUES AND EXPENDITURES

	2017/18 Actuals	2018/19 Actuals	2019/20 Actuals	2020/21 Estimated	2021/22 Proposed
SOURCES OF FUNDS					
Beginning Fund Balance	\$ 3,569,106	\$ 3,276,278	\$ 3,140,915	\$ 1,766,131	\$ 2,398,561
REVENUES					
<i>Use of Money & Property</i>	\$ 35,838	\$ 56,082	\$ 58,422	\$ -	\$ -
<i>Gain On Investment</i>	-	12,842	14,420		-
<i>Sale of Property - Open Space</i>					
<i>Alliance Cerrito Peak Purchase</i>	-	-	-	265,000	-
<i>Other Sources - Reimb Tidelands</i>					
<i>Storm Water Pocket Park</i>	-	-	-	49,130	-
TOTAL REVENUES	\$ 35,838	\$ 68,924	\$ 72,842	\$ 314,130	\$ -
Transfers In:					
From Measure Q & E Fund				\$ 282,250	\$ 125,000
From American Rescue Plan Act Fund					500,000
From General Operating Fund					250,000
From GF Excess Revenues over Exp at end of FY 17/18		\$ 38,194			
From Measure Q Fire Engine Loan Pmt	\$ -		\$ 56,250	\$ 56,250	56,250
TOTAL REVENUES AND TRANSFERS IN	\$ 35,838	\$ 107,118	\$ 129,092	\$ 652,630	\$ 931,250
EXPENDITURES (Capital)					
Loss On Investment	6,834	-	-	-	-
TOTAL EXPENDITURES	\$ 6,834	\$ -	\$ -	\$ -	\$ -
Transfers Out					
<i>General Fund - PERS Side fund Liability</i>	\$ 301,247	\$ -	\$ -		\$ -
<i>General Fund - Tidelands Storm water Pocket Park</i>			49,130		
<i>General Fund- Support Operating Deficit</i>	\$ 20,585		1,438,192	\$ -	\$ -
<i>Fire Engine Capital Project Loan to Measure E</i>	-	242,481	-		-
<i>Fire- Power Safety /Power Shutdown</i>			16,554	20,200	-
TOTAL EXPENDITURES AND TRANSFERS OUT	\$ 328,666	\$ 242,481	\$ 1,503,876	\$ 20,200	\$ -
Ending Fund Balance	\$ 3,276,278	\$ 3,140,915	\$ 1,766,131	\$ 2,398,561	\$ 3,329,811

Per Reso 85-18 Definition : General Fund Budgeted Operating Expenditures (excl Transfers Out & Inc \$ 13,515,784
Minimum Level 25% \$ 3,378,946
Target Level 28% \$ 3,784,420

One last note about a change to expect in the adopted budget – staff intends to add a Five-Year Financial Forecast to the document instead of the Ten-Year Financial Forecast which has been provided in the past. It is prudent to narrow the focus based on the status of the city’s forecasting model, the validity of the long-range assumptions contained in the model, and the dynamic nature of the future economy beyond five years. Staff is committed to evaluating a new model that simplifies the construction of the forecast as well as being flexible to manage ever-changing economic and financial circumstances. Staff will publish this 5-year forecast with the staff report for budget adoption.

Measures Q and E

The City has focused on financial sustainably providing services and programs for nearly the past two decades. Dating back more than 15 years, the City has considered ways to fund the services and programs most desired by the community in the wake of lost revenues associated with the closure of the Morro Bay Power Plant and increased costs outside the City’s direct control. As a result, the Council placed a half percent local sales tax on the ballot for voter consideration (Measure Q-06). “The Morro Bay Vital Public Services Restoration and Protection Measure.” (Measure Q-06) passed with 65 percent of Morro Bay voters in November 2006. The specific language was:

“To preserve Morro Bay’s safety and character by funding essential services including upgrading firefighter/paramedic equipment, fire stations, police, street and pothole repairs, improving storm drains to protect the bay from pollution, and other general city services, shall an ordinance be adopted increasing the City sales tax by one-half cent, subject to independent annual financial audits, and establishing an independent citizens’ advisory committee to review annual expenditures?”

With the passage of Measure Q, Chapter 3.22 of the Morro Bay Municipal Code was adopted. A citizens’ oversight committee (working as the Citizens’ Finance Advisory Committee) was required by Measure Q. The Citizens’ Finance Advisory Committee (CFAC) was established and plays an important role in recommending proposed expenditures of Measure Q proceeds to Council and reporting to the Council whether Measure Q revenues have been spent as intended when the budget is adopted. This review meets one of the roles of CFAC.

Like Measure Q, Measure E is a general-purpose revenue source and revenues are deposited in the general fund. The proposed uses are captured in the language of Measure E as follows:

<p>MORRO BAY’S LOCAL RECOVERY/EMERGENCY PREPAREDNESS MEASURE</p>	<p>YES</p>
<p>To protect City of Morro Bay’s financial stability, local property values and City services, such as maintaining Morro Bay’s local Fire/Police Departments, 24/7 paramedics, 911 emergency response, health emergency/disaster preparedness; keeping beaches, public areas safe/clean; retaining/attracting businesses; and other general City services, shall the measure establishing 1¢ sales tax providing approximately \$2,000,000 annually until ended by voters be adopted, requiring independent audits, public oversight, all funds used locally?</p>	<p>NO</p>

The passage of Measure E and the continuation of Measure Q presents new opportunities to focus on certain core services, programs, and goals. On April 13, 2021, the Council adopted the following principles that assisted Staff in developing the proposed allocations to CFAC which are now contained in the Proposed FY 2021/22 Budget.

1. Maintain public safety services by funding positions that are most closely aligned with the purposes of the Measures Q and E. Expenses include Morro Bay Fire Department, Morro Bay Police Department, and Morro Bay Harbor Department personnel, equipment, and support service in addition to the Fire Headquarters Debt service and the Fire Engine loan repayment;
2. Maintain or enhance cleanliness and safety of public space such as parks, waterfront and the beach by funding personnel, supplies, operating expenses, and equipment to support City operations in departments including Public Works Consolidated Maintenance and Harbor Department;
3. Invest in infrastructure and equipment such as street paving, storm drains, vehicle replacements that support City services. This may include increasing the City's capacity to implement the current backlog of unfunded infrastructure projects.
4. Ensure City's financial health by maintaining appropriate reserves to respond to economic downturns, natural disasters and/or health emergencies as well as other unforeseen challenges or opportunities.

The proposed uses of Measure Q and E revenues meet these principles.

On April 20, 2021 and May 18, 2021, staff presented a draft Measure Q and E expenditure plan to the Citizen's Finance Advisory Committee (CFAC) which aligned the proposed expenditures with these principles. The CFAC made modifications to fund more public safety personnel (Police and Fire sworn staff) and reduce the amount dedicated to storm drain repairs and maintenance. The proposed expenditure plan models the request from CFAC with one minor exception (explained below) and includes the following major categories of expenditures:

- Staffing: To maintain and/or restore positions in the Police Department (3 positions), Fire Department (3 positions and overtime), Public Works – Consolidated Maintenance (2 positions) and the Harbor Department (Lifeguard Program).
- Equipment replacement in the Police Department (Records Management System and Report Dictation System), Public Works – Consolidated Maintenance (truck replacement) and Harbor Department (replace firefighting equipment).
- Services: To maintain and/or enhance public spaces through sidewalk replacement and trash disposal on the waterfront.
- Capital Improvement project implementation support: A pool of Measure Q & E funding is identified so that staff capacity can be enhanced to ensure CIP projects are implemented in a timely fashion.
- Capital Improvement Investments: Street paving, Storm drain maintenance and repair as well as intersection improvements at State Route 1/Main Street/State Route 41 are included in this plan.
- Debt Service on Fire Station United States Agriculture Department loan and repayment to the General Fund Emergency Reserve for purchase of a fire engine.
- Restore the General Fund Reserve

The detailed funding plan for Measure Q and E follows:

**MEASURE Q & E
Purpose and Description**

Purpose	2021-2022 Measure Q & E Request Description	Costs	Measure Q & E Purpose/Use
Police Department Staffing	Funding to support 2 Police Officers and 1 Sergeant. These costs include regular pay and all benefits. Maintain current sworn officer strength in MBPD. These police officers and Sergeant support the Police Department's commitment to public safety. This investment supports sworn personnel at 2020-21 level which ensures public safety response capabilities 24 hours a day 7 days a week 365 days a year.	\$460,752	<p>Improve police Maintain local Police Dept</p> <p>Enhance public safety Maintain 9-1-1 Emergency Response</p>
Fire Department Staffing (including transfer to General Fund for Overtime =\$73,875)	Funding to support 2 Engineer/Paramedic and one Captain Paramedic. These costs include regular pay, benefits, and Federally mandated overtime. This investment will help to maintain the council desired and strategic plan recommended 4 firefighters on duty each day. This investment supports sworn personnel at 2020-21 level which ensures public safety response capabilities 24 hours a day 7 days a week 365 days a year.	\$727,473	<p>Improve Fire Dept Maintain local Fire Dept</p> <p>Enhance public safety Maintain 9-1-1 Emergency Response</p>
Consolidated Maintenance Staffing	Funding to support one existing and one restored Consolidated Maintenance Workers. position will enhance cleanliness of waterfront, embarcadero, public restrooms, and parks. This funding will support daily operations.	\$269,578	<p>Other general City Services</p> <p>Keeping Beaches and Public Areas Safe and Clean</p>

<p>Harbor Department staffing – Lifeguard Program</p>	<p>Funding to support the ocean lifeguard program. This support allows the Harbor Department to maintain 2019 service levels, keep beaches safe and clean, and maintain 911 emergency response.</p>	<p>\$81,000</p>	<p>Enhance public safety Maintain 9-1-1 Emergency Response</p> <p>Keeping Beaches and Public Areas Safe and Clean</p>
<p>Public Works Engineering CIP Implementation Resources</p>	<p>Pool of funding to restore capacity in Public Works Engineering to achieve implementation of Capital Improvement Projects. Approach to pursue (such as staffing consultant support or another approach) will be a top priority for the new Public Works Director to assess and propose a pathway forward.</p>	<p>\$175,000</p>	<p>Street Maintenance and Pothole Repairs</p> <p>Improve Storm Drains to Protect the Bay</p> <p>Other general City services</p>
<p>Records Management System</p>	<p>Morro Bay Police Department must update the existing Records Management Systems (RMS) to be compatible with San Luis Obispo County Sheriff's Office dispatch. Updating and upgrading is mandatory to maintain inter-agency operations. This one-time expense will require \$19,470 in on-going maintenance once implemented.</p>	<p>\$98,450</p>	<p>Improve Police Dept Maintain local Police Dept</p> <p>Enhance public safety Maintain 9-1-1 Emergency Response</p>
<p>Police Report Dictation System</p>	<p>This system would allow officers to dictate their reports instead of typing. This is an efficiency tool and may reduce overtime when a report has to be written at the end of a shift.</p>	<p>\$11,000</p>	<p>Improve Police Dept Maintain local Police Dept</p> <p>Enhance public safety Maintain 9-1-1 Emergency Response</p>

<p>Fire Station #53 debt service + 10% reserve</p>	<p>The United States Department of Agriculture has loaned the City of Morro Bay \$1.5 million to complete construction of the Harbor Street Fire Station. Completing the construction of the fire station has been a Council priority for several years and we celebrated the grand opening in 2013. Additionally, Council has expressed an intent to pay down the USDA debt with proceeds from the sale of the Cloisters property when sold.</p>	<p>\$90,807</p>	<p>Enhance public safety Maintain 9-1-1 Emergency Response</p> <p>Enhance public safety/Fire Stations</p>
<p>Replacement for Engine 5391 with Type 1 Fire Combination Pumper</p>	<p>Fund a 5-year payment schedule for a Fire Apparatus that meets Type 1 Fire Combination Pumper standards to replace Engine 5391. Engine 5391 has been in service in Morro Bay since 1994 and was on the Fire Department's replacement schedule in 2014. The service life was extended 5 years to 2019 due to the performance and testing results of Engine 5391. A \$275,000 down payment is being funded by the Bertha Shultz Trust with a total price of \$675,000.</p>	<p>\$56,250</p>	<p>Improve Fire Dept Maintain local Fire Dept</p> <p>Enhance public safety Maintain 9-1-1 Emergency Response</p>
<p>Consolidated Maintenance Truck Replacement</p>	<p>Truck has racked up more than 150,000 miles, body and components are severely rusted and daily use is required. Existing trust will be removed from the fleet inventory in accordance with fleet disposal procedures. Having a reliable truck will assist the team maintain public spaces, parks, Embarcadero, restrooms, and the waterfront.</p>	<p>\$38,000</p>	<p>Other general City Services</p> <p>Keeping Beaches and Public Areas Safe and Clean</p>
<p>Harbor Patrol Firefighting System Replacement</p>	<p>Replace ineffective and old firefighting system in new (surplus) harbor patrol vessel being acquired from Port San Luis. This will allow the Harbor Department to maintain the department's firefighting</p>	<p>\$50,000</p>	<p>Enhance public safety Maintain 9-1-1 Emergency Response</p> <p>Keeping Beaches and Public Areas Safe and Clean</p>

	capability on the waterfront which directly supports keeping beaches, harbor and waterfront safe and clean.		
Harbor Department Garbage Disposal	This support allows the Harbor Department to enhance trash disposal along the waterfront and Embarcadero. Promotes environmental health of the ocean by preventing trash from overflowing waste receptacles	\$70,000	Keeping Beaches and Public Areas Safe and Clean
Sidewalk Maintenance	Contract services to replace sidewalk panels, curbs and gutters in various locations	\$25,000	Street Maintenance and Pothole Repairs Other general City services
Contribution to the General Fund Emergency Reserve	Due to the impacts of COVID-19 Pandemic the General Fund Emergency Reserve (GFER) was used to support General Fund operations due to the precipitous drop in General Fund Revenues. In FY 2020/21 a total of \$1,438,192 of the GFER balance This contribution will assist to restore a portion of the GFER.	\$125,000	Maintain and/or Enhance Public Safety Service Other general City services Particularly relevant in maintaining public safety services during the Health Emergency/ Disaster Preparedness
Storm Drain Maintenance and Repairs	This project includes the addition of approximately 125 feet of 27-inch diameter pipeline along Kern Street, between Pecho Street and Anchor Street. The flow in this area flows to the northeast and causes flooding in the 10-year storm conditions near the roundabout at Morro Bay Boulevard and Quintana Road. To mitigate flooding it is recommended this 27-inch pipeline is added to convey the flow west.	\$314,000	Improve storm drains to protect the bay
Pavement Management Program	This project will restore and maintain the City's streets. This funding is supplemented by SB 1 Road Maintenance and Rehabilitation Account (RMRA) Revenues. SB 1 gas tax of \$300,000 carry-forward	850,000	Street Maintenance and Pothole Repairs

	from previous years will supplement the Measure Q & E funds such that a total of \$1,150,000 will be dedicated to street paving in FY 2022-22.		
State Route (SR) 1/Main Street at SR 46 Intersection Improvements	Replace the existing 4-way stop signs by either constructing a modern roundabout design to eliminate the closely spaced adjoining intersections or install new coordinated traffic signals using the existing intersection configuration. The SR1/Main St.@ SR41 Interchange Improvements will reduce congestion and decrease Greenhouse Gas emissions. The project contributes to two of Council's Adopted Goals by advancing Economic Sustainability and Improving Infrastructure. These funds will be the City's match to SLO Council of Governments funding for continuation of the next phase of design.	\$600,000	Street Maintenance and Pothole Repair Other general City services

The funding plan contained in this proposed budget mirrors CFAC's desires with one exception. Instead of funding one Fire Engineer/Paramedic and two Fire Captains, the proposal outlined below includes two Fire Engineer/Paramedic and one Fire Captain. This was done to maximize Measure Q and E funds available for storm drain repairs and maintenance and create parity between Morro Bay Police and Fire Departments (2 line sworn personnel and 1 supervisor for each department). In order to invest \$600,000 in storm drains the General Fund will contribute \$286,000 to this project. CFAC approved this change when they reviewed the program on May 18, 2021.

CFAC reviewed the proposed allocations for next year and expressed overall agreement with the plan presented in the Proposed Budget with one modification. CFAC unanimously passed a motion to support funding for the Highway1/41 intersection improvements with a condition that the City Council postpone expenditure of the \$600,000 of Measure Q and E funds for further engineering and design until a comprehensive funding plan is in place for the entire project. CFAC members expressed concerns about the risks involved in moving forward with the design without knowing how the bulk of the construction funding will be secured. Staff shares these concerns yet is also concerned that if the next phase of design is not completed the possibility to compete and/or secure funding from any sources will be eliminated This includes seeking funding from Federal earmarks, State transportation sources or the San Luis Obispo Council of Governments (SLOCOG). Balancing the risks and upside potential lead staff to continue to include this project in capital improvement plan budget.

CONCLUSION

The economic and financial resiliency of the City is nothing short of remarkable. That being said much credit goes to the dedication and perseverance of the residents, council, staff, and the business community over the last year. Staff looks forward to the upcoming Study Session and receiving feedback from the Council.

ATTACHMENT

1. Link: [FY-2021-22-Proposed-Operating-and-Capital-Budget](#)
2. Measure Q & E Responses to CFAC Questions April 20, 2021
3. FY 2021/22 Operating Budget Responses to Questions May 18, 2021

Purpose #	Purpose and Use of Funds	Measure	
		Q	E
1	Improve police/Maintain local Police Department	X	X
2	Improve Fire Department/Maintain local Fire Department	X	X
3	Enhance public safety/Maintain 24/7 Paramedic Services	X	X
4	Enhance public safety/Maintain 911 Emergency Response	X	X
5	Upgrading Fire/Paramedic Equipment	X	
6	Enhance public safety/Fire Stations	X	
7	General City Services	X	X
8	Street Maintenance and Pothole Repairs	X	
9	Improve Storm Drains to Protect the Bay	X	
10	Health Emergency/Disaster Preparedness		X
11	Keeping Beaches and Public Areas Safe and Clean		X
12	Retaining/Atracting Businesses		X

Department	Type	Request	Justification and explanation of Proposed Use	Purpose #
Police	Annual Operating Costs	Police Officer	Maintain current sworn officer strength in MBPD (commonly referred to at 18th Police Officer position). The police officer supports the departments commitment to respond to public safety calls for service 24 hours a day 7 days a week.	1, 4
	Annual Operating	RMS system	MBFD must update the existing Records Management Systems (RMS) to be compatible with San Luis Obispo County Sheriff's Office dispatch. Updating and upgrading is mandatory to maintain inter-agency operations.	1, 4
	Annual Operating	Dictation Service	This would be a tool for officers to use in writing reports that would cut down on the overtime budget.	1,4
	Annual Operating	Police Sgt	Maintain current sworn officer strength in MBPD. The Sg tsupports the departments commitment to responding to public safety calls for service 24 hours a day 7 days a week. The Sgt also provides critical supervision and oversight during their assigned shift.	1, 4
Harbor				
	Vehicles/Vessels	Fire Fighting System Replacement in New Harbor Patrol Vessel	Replace ineffective and old fire fighting system in new (surplus) harbor patrol vessel being acquired from Port San Luis in order to maintain the department's fire fighting capability on the waterfront; keep beaches, harbor and waterfront safe and clean.	4, 11
	Annual Operating	Beach Lifeguard Program	This support allows the Harbor Department to maintain 2019 service levels; keep beaches safe and clean, maintaining 911 emergency response.	4, 11

	Annual Operating	Garbage Disposal	This support allows the Harbor Department to enhance trash disposal service levels, keep beaches safe and clean and promotes environmental health of the ocean by preventing trash from overflowing waste receptacles.	11
Fire				
	Annual Operating	1 Fire Engineer Paramedic for Relief duty including OT and reserves	Continue funding for vacation relief full-time firefighter Salary, Benefits, vacation relief overtime pay, and overtime to maintain staffing of 3 full-time firefighters, and funding the additional reserve part-time firefighter wage and benefits. This investment will help to maintain the council desired and strategic plan recommended 4 firefighters on duty each day.	2, 3, 4
	Annual Operating	1 Fire Captain Paramedic	Continue sworn personnel at 2020-21 level which ensures 27-7 365 emergency response capabilities. This Fire Captain Paramedic costs include regular pay, benefits, and Federally mandated overtime. This investment will help to maintain the council desired and strategic plan recommended 4 firefighters on duty each day. The Captain also provides critical supervision and oversight during their assigned shift.	2,3, 4
	Facilities	Fire Station #53 debt service + 10% reserve	The United States Department of Agriculture has loaned the City of Morro Bay \$1.5 million to complete construction of the Harbor Street Fire Station. Completing the construction of the fire station has been a Council priority for several years and we celebrated the grand opening in 2013. Additionally, council has expressed an intent to pay down the USDA debt with proceeds from the sale of the Cloisters property when sold. This debt is scheduled to be paid off in September 2041.	4, 6

	Capital	Replacement for Engine 5391 with Type 1 Fire Combination Pumper.	Fund a 5-year payment schedule for a Fire Apparatus that meets a Type 1 Fire Combination Pumper standards to replace Engine 5391. Engine 5391 had been in service in Morro Bay since 1994 and was on the Fire Department's replacement schedule in 2014. The service life was extended 5 years to 2019 due to the performance and testing results of Engine 5391. A \$275,000 down payment is being funded by the Bertha Shultz Trust with a total price of \$675,000. A five year timeline is required to repay our General Fund Emergency Reserve Funds that was used to pay the remaining balance. Five year timeline expires after the 2022-23 payment.	4, 5
Public Works	Vehicles	Public Works	Replace Truck for Parks Maintenance within Consolidated Maintenance	11, 12
	Annual Operating	Public Works	Pool for Capital Projects Implementation (same range as Environmental Programs Mgr. and Sr. Planner) plus \$15,000 depending on approach pursued. To be assessed by new Public Works Director and decision on approach	8, 9
	Annual Operating	Public Works	Funding for Engineering Technician III to enhance capital project implementation	8, 9
	Annual Operating	Public Works	Fund Environmental Programs Manager position to maintain environmental best practices in daily operations and capital projects	7, 9
	Annual Operating	Consolidated Maintenance	Funding supports the restoration of one Consolidated Maintenance worker position that was eliminated during the FY 2020-21 budget reductions. This position will help to enhance cleanliness of waterfront, embarcadero, public restrooms and parks. This funding will support daily operations.	11, 12
	Annual Operating	Consolidated Maintenance	Funding supports maintenance of one Consolidated Maintenance worker position. This position will help maintain cleanliness of waterfront, embarcadero, public restrooms and parks. This funding will support daily operations.	11, 12
	Annual Operating	Consolidated Maintenance	Fund overtime for Consolidated Maintenance to enhance cleanliness of beaches, embarcadero, public restrooms and parks. This funding will support daily operations.	11, 12
	Annual Operating	Consolidated Maintenance	Investment in replacement of sidewalk panels, curb and gutters in various locations. To be implemented by a contractor.	8, 11, 12
	Capital	Stormdrain Maintenance	Begin implementation of stormdrain maintenance which has been deferred. The OneWater Plan will be the guide for which project is prioritized.	9, 12

CFAC Responses to Questions
 April 20, 2021
 Attachment 1

	Capital	Pavment Management Plan	Continue investment in street paving. This funding is supplemented with SB1 gas tax supplement funding.	8, 12
Finance and IT				
	Annual Operating Costs	Restore General Fund Operating Reserve	This funding is in addition to \$500,000 being planned using the American Rescue Plan Act (ARP) funding. Staff awaits the Treasury Department guidance regarding eligible uses of ARP funding.	1 to 12

CFAC Questions for May 18, 2021 Meeting

Measures Q and E (Item B2)

Staff revised the table in the budget to include Purpose, request, cost and Measure Q and E priorities. This document will be added to the final adopted budget.

MEASURE Q & E Purpose and Description

Purpose	2021-2022 Measure Q & E Request Description	Costs	Measure Q & E Purpose/Use
Police Department Staffing	Funding to support 2 Police Officers and 1 Sergeant. These costs include regular pay and all benefits. Maintain current sworn officer strength in MBPD. These police officers and Sergeant support the Police Department's commitment to public safety. This investment supports sworn personnel at 2020-21 level which ensures public safety response capabilities 24 hours a day 7 days a week 365 days a year.	\$460,752	<p>Improve police Maintain local Police Dept</p> <p>Enhance public safety Maintain 9-1-1 Emergency Response</p>
Fire Department Staffing (including transfer to General Fund for Overtime = \$73,875)	Funding to support 2 Engineer/Paramedic and one Captain Paramedic. These costs include regular pay, benefits, and Federally mandated overtime. This investment will help to maintain the council desired and strategic plan recommended 4 firefighters on duty each day. This investment supports sworn personnel at 2020-21 level which ensures public safety response capabilities 24 hours a day 7 days a week 365 days a year.	\$727,473	<p>Improve Fire Dept Maintain local Fire Dept</p> <p>Enhance public safety Maintain 9-1-1 Emergency Response</p>
Consolidated Maintenance Staffing	Funding to support one existing and one restored Consolidated Maintenance Workers. position will enhance cleanliness of waterfront, embarcadero, public restrooms, and parks. This funding will support daily operations.	\$269,578	<p>Other general City Services</p> <p>Keeping Beaches and Public Areas Safe and Clean</p>

CFAC Questions for May 18, 2021 Meeting

<p>Harbor Department staffing - Lifeguard Program</p>	<p>Funding to support the ocean lifeguard program. This support allows the Harbor Department to maintain 2019 service levels, keep beaches safe and clean, and maintain 911 emergency response.</p>	<p>\$81,000</p>	<p>Enhance public safety Maintain 9-1-1 Emergency Response</p> <p>Keeping Beaches and Public Areas Safe and Clean</p>
<p>Public Works Engineering CIP Implementation Resources</p>	<p>Pool of funding to restore capacity in Public Works Engineering to achieve implementation of Capital Improvement Projects. Approach to pursue (such as staffing consultant support or another approach) will be a top priority for the new Public Works Director to assess and propose a pathway forward.</p>	<p>\$175,000</p>	<p>Street Maintenance and Pothole Repairs</p> <p>Improve Storm Drains to Protect the Bay</p> <p>Other general City services</p>
<p>Records Management System</p>	<p>Morro Bay Police Department must update the existing Records Management Systems (RMS) to be compatible with San Luis Obispo County Sheriff's Office dispatch. Updating and upgrading is mandatory to maintain inter-agency operations. This one-time expense will require \$19,470 in on-going maintenance once implemented.</p>	<p>\$98,450</p>	<p>Improve Police Dept Maintain local Police Dept</p> <p>Enhance public safety Maintain 9-1-1 Emergency Response</p>
<p>Police Report Dictation System</p>	<p>This system would allow officers to dictate their reports instead of typing. This is an efficiency tool and may reduce overtime when a report has to be written at the end of a shift.</p>	<p>\$11,000</p>	<p>Improve Police Dept Maintain local Police Dept</p> <p>Enhance public safety Maintain 9-1-1 Emergency Response</p>
<p>Fire Station #53 debt service + 10% reserve</p>	<p>The United States Department of Agriculture has loaned the City of Morro Bay \$1.5 million to complete construction of the Harbor Street Fire Station. Completing the construction of the fire station has been a Council priority for several years and we celebrated the grand opening in 2013. Additionally, Council has expressed an intent</p>	<p>\$90,807</p>	<p>Enhance public safety Maintain 9-1-1 Emergency Response</p> <p>Enhance public safety/Fire Stations</p>

CFAC Questions for May 18, 2021 Meeting

	to pay down the USDA debt with proceeds from the sale of the Cloisters property when sold.		
Replacement for Engine 5391 with Type 1 Fire Combination Pumper	Fund a 5-year payment schedule for a Fire Apparatus that meets Type 1 Fire Combination Pumper standards to replace Engine 5391. Engine 5391 has been in service in Morro Bay since 1994 and was on the Fire Department's replacement schedule in 2014. The service life was extended 5 years to 2019 due to the performance and testing results of Engine 5391. A \$275,000 down payment is being funded by the Bertha Shultz Trust with a total price of \$675,000.	\$56,250	<p>Improve Fire Dept Maintain local Fire Dept</p> <p>Enhance public safety Maintain 9-1-1 Emergency Response</p>
Consolidated Maintenance Truck Replacement	Truck has racked up more than 150,000 miles, body and components are severely rusted and daily use is required. Existing trust will be removed from the fleet inventory in accordance with fleet disposal procedures. Having a reliable truck will assist the team maintain public spaces, parks, Embarcadero, restrooms, and the waterfront.	\$38,000	<p>Other general City Services</p> <p>Keeping Beaches and Public Areas Safe and Clean</p>
Harbor Patrol Firefighting System Replacement	Replace ineffective and old firefighting system in new (surplus) harbor patrol vessel being acquired from Port San Luis. This will allow the Harbor Department to maintain the department's firefighting capability on the waterfront which directly supports keeping beaches, harbor and waterfront safe and clean.	\$50,000	<p>Enhance public safety Maintain 9-1-1 Emergency Response</p> <p>Keeping Beaches and Public Areas Safe and Clean</p>
Harbor Department Garbage Disposal	This support allows the Harbor Department to enhance trash disposal along the waterfront and Embarcadero. Promotes environmental health of the ocean by preventing trash from overflowing waste receptacles	\$70,000	<p>Keeping Beaches and Public Areas Safe and Clean</p>

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Sidewalk Maintenance	Contract services to replace sidewalk panels, curbs and gutters in various locations	\$25,000	Street Maintenance and Pothole Repairs Other general City services
Contribution to the General Fund Emergency Reserve	Due to the impacts of COVID-19 Pandemic the General Fund Emergency Reserve (GFER) was used to support General Fund operations due to the precipitous drop in General Fund Revenues. In FY 2020/21 a total of \$1,438,192 of the GFER balance This contribution will assist to restore a portion of the GFER.	\$125,000	Maintain and/or Enhance Public Safety Service Other general City services Particularly relevant in maintaining public safety services during the Health Emergency/ Disaster Preparedness
Storm Drain Maintenance and Repairs	This project includes the addition of approximately 125 feet of 27-inch diameter pipeline along Kern Street, between Pecho Street and Anchor Street. The flow in this area flows to the northeast and causes flooding in the 10-year storm conditions near the roundabout at Morro Bay Boulevard and Quintana Road. To mitigate flooding it is recommended this 27-inch pipeline is added to convey the flow west.	\$314,000	Improve storm drains to protect the bay
Pavement Management Program	This project will restore and maintain the City's streets. This funding is supplemented by SB 1 Road Maintenance and Rehabilitation Account (RMRA) Revenues. SB 1 gas tax of \$300,000 carry-forward from previous years will supplement the Measure Q & E funds such that a total of \$1,150,000 will be dedicated to street paving in FY 2022-22.	\$850,000	Street Maintenance and Pothole Repairs

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<p>State Route (SR) 1/Main Street at SR 46 Intersection Improvements</p>	<p>Replace the existing 4-way stop signs by either constructing a modern roundabout design to eliminate the closely spaced adjoining intersections or install new coordinated traffic signals using the existing intersection configuration. The SR1/Main St.@ SR41 Interchange Improvements will reduce congestion and decrease Greenhouse Gas emissions. The project contributes to two of Council's Adopted Goals by advancing Economic Sustainability and Improving Infrastructure. These funds will be the City's match to SLO Council of Governments funding for continuation of the next phase of design.</p>	<p>\$600,000</p>	<p style="text-align: center;">Street Maintenance and Pothole Repair</p> <p style="text-align: center;">Other general City services</p>
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Budget (item B3)

1. When will the funding source for Unfunded Projects be identified? A Plan for projects means estimated costs and sources of funding. What is the approximate amount of funds identified as Unfunded? Unfunded projects are just that...unfunded.

It is a best practice to identify the scope of capital needs. While the City does not have a master plan for the capital maintenance needs for our assets funding is included in the FY 2021/22 budget to initiate this assessment. That being said, including unfunded elements of projects is meant to give an indication of the amount of unfunded deferred maintenance. They do not identify all the potential general fund needs for replacement or improvements to the City's infrastructure. The amount of unfunded CIP projects in the Capital budget is approximately \$15M, with the lion's share being storm drain projects that were identified in the OneWater planning document. The OneWater plan identified the needs but did not identify funding sources.

2. For the Roundabout, the City is considering spending \$600,000 of Measure E funds for the design. Why is it prudent to spend this \$600,000 without fully understanding how the \$4.1 M would be funded? The implication is that it would also be siphoned off from Measure E.

In order to be competitive and deliver state/federal/regional funding to projects, a project must be so called "shovel ready". For a transportation project that typically means preconstruction

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activities, Project Approval and Environmental Determination (PA&ED) along with Plans, Specifications and Estimates (PSE), are complete. The \$600K is needed to complete the remaining portion of the preconstruction activities. The regional MPO, SLOCOG, has committed approximately half of the \$8.3M project. It will be up to the City to deliver at minimum, half of the remaining funds necessary. Any local (City) funds delivered to the project will need to be reviewed and approved by City Council.

Please explain the apparent inconsistency between the Measure E section which suggests using \$600,000 of those funds for this Project, but that is not reflected in the Project?

This is an oversight and will be added to the document for Council consideration.

3. The source of funds for many of the One Water Projects is from the Water/Sewer fund. What is the assumption for the estimate of needed funds for the WRF Project itself? \$138M, \$144 M, and what happens if this continues to rise? Point being, it seems as if continued increases in the WRF will further impact when these projects could be completed.

There is a limited capacity of the Water and Sewer Funds such that some One Water projects may have an extended timeline. An assessment will be conducted in FY 2021/22 to determine how much capacity may exist in those funds to invest in additional OneWater projects.

4. I apologize in advance if I missed these, but where would I find:
 - a. The Project for Demolition of the existing Water Treatment Plant – this was excluded from the 2018, 218 Rate Case. I am interested in the plans for funding this.
Correct, the cost for the demolition of the existing Wastewater Treatment Plant were not included in the Capital Cost for construction of the WRF project and therefore was not a part of the rate analysis. The apportionment of costs for demolition of the existing WWTP must be negotiated with the Cayucos Sanitary District.
The following is from the staff report from the special citizens finance committee report dated 6-22-2018:
B. Decommissioning and Demolition of the existing plant
 1. Consideration should be given to deferring this expense until the second five years. For several reasons:
 - i. Resolving the issue with the Cayucos Sanitary District on the division of expenses might be contentious and possibly involve litigation.
 - ii. The City's new General Plan appears to have designated the site the current plant sits on as recreation/open space, therefore waiting a couple of years to demo the plant will not have an adverse effect on any potential new City revenue. Also, in all likelihood the Coastal Commission will not allow any permanent structure built on the site.
Per previous discussion, the City has attractive pricing from the Design Build (DB) proposers for the decommissioning and demolition of the site. Staff believes it is prudent include it as part of the project and use low-interest financing for this aspect of the work.

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It may be beneficial to remove this from the DB team's scope and bid the work to a local contractor, but still keep it under the program.

- b. While Measure E speaks to Storm Drains, I could not find a long-term plan for funding this issue. I believe it is a problem in excess of \$10 M. And to be fair, when do you hope to have a long-term plan for the use of Measure E funds?

See Item 1 for discussion regarding unfunded projects. Yes, the OneWater plan identifies more than \$13M in storm drain improvements and likely underestimates the needs to repair/replace the existing system.

City Council has adopted principals for use of Measure E/Q Funds that will guide use of those funds in the future – (please include the principals here)

5. At the last CFAC meeting there was a representation made that construction of the \$8.4 million roundabout would serve the community for 30+ more years and have a useful life beyond conventional signalization. The traffic study for the General Plan disagrees with that conclusion and states that the intersection roundabout as currently designed is inadequate to support growth that is described in the General Plan. It seems inappropriate and unwise to build an expensive facility that won't work. See attached. Should this be delayed until there is an actual master plan for the Power Plant property and more is known/resolved about how much growth is expected to occur over the next 20 years and what the correct design should be?

The traffic analysis performed for the Circulation Element of the General Plan assumed the maximum densities allowed including complete redevelopment of the power plant and wastewater treatment plant site. The Traffic Analysis specifically for the Roundabout, however, were "based on a review of historic traffic volumes, anticipated development, the SLOCOG traffic model and the input from the City of Morro Bay." The intersection improvements at this location are needed now due to existing traffic volumes and delays and the resultant air quality issues due to idling vehicles. Waiting for analysis regarding how the power plant site along with other underdeveloped sites in the City will redevelop will exacerbate the delay and air quality issues.

6. This project has significant right of way issues, including a take of the northeast corner of Main/SR 41 (Sonic Burger parcel), and access restrictions for Taco Bell and Chevron. Have those been worked out?

The Sonic project has been conditioned to provide the needed ROW as condition of approval and the required ROW needed will be refined through preliminary design. Acquisition will occur with final design.

7. The \$314k for storm drainage in Measure Q/E is for design services related to storm drainage project SD-01B/915-9934. This appears to cover contracting services and some internal design services for a \$1.7 million project. \$1.24 million is to be funded for construction from the

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General Fund, but that funding is identified as “unfunded”. There are other smaller projects that could be fully funded and completed with same monies. What is the level of GF commitment to construct the project?

SD_01B is a critical project to relieve flooding during high intensity rainfall events in the Quintana to Kern area of Morro Bay Blvd and will need to be phased over a couple of years. As a result of this phasing the larger projects are achievable.

8. I am still a little fuzzy about Q/E budget allocations and the budget “purpose” to create a pool of funding to restore capacity in public works engineering for infrastructure projects, and the project-specific line items to pay for city staffing. Are they the same thing?

The funding for staffing is intended to fund full-time permanent positions and the City will be the employer. The “pool of funding” may be used to hire more staff members or it can be used to engage outside experts to assist full-time staff to get project designed, bid and implemented in the most expeditious manner. The primary objective is to give new Public Works Director, Greg Kwolek, flexibility to design an organizational structure to get projects implement in a timely fashion.

9. The current expenditure plan shows expenditures of over, \$4 million from Measure Q/E, including \$1.02 million in fund balance to an ending fund balance of less than \$300,000 (8.4% of revenue). Historically, this carryover has exceeded 20 percent. Is it prudent to spend the fund down that far without a solid revenue history? We all expect and hope for a strong recovery but it seems like we need more revenue history to make the kinds of long term expense commitments that are in the proposed budget.

There is a solid revenue history for Measure Q revenues and the same terms and conditions apply

10. The CFAC packet includes a number of storm drainage project descriptions that are not to be funded by Q/E. Most are unfunded. What is the purpose behind these attachments?
11. The Pavement Management Program description for 915-9614 shows the current year commitment of \$850,000 AND future budgeted annual commitments ranging from \$500,000 to \$530,604. What is the nature and authority for these forward commitments? Is there a plan for minimum commitment of funds to the program element?

Council only adopts annual budgets. Future years are not commitments, they are only projections.

12. The local budget is a complex “multidimensional” document. However, even and experienced reader would have difficulty cobbling together the expenditure and funding sources for those expenditures. One section of the budget narrative referred to a summary of general fund expenditures, but not including expenditures that may have been funded from other sources. Is there an overview table that shows all of the expenses for a department and how

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they are funded (GF, Measure Q, etc.) For example, Public Works Administration and Engineering shows revenue of \$25,000 on Page C-106 of the budget, but no other activity or revenue. Can we show the total department activity and the various funding sources in one table? Did I miss it?

The timeline for this budget is compressed at this stage it may be difficult to create this new tracking chart at this stage in the process. Finance staff agrees that summary tables like that would be helpful and will assess the possibilities to make that happen for the final budget.

13. A small item, Page A-5 refers to “sidewalk replacement and trash removal” on the waterfront. Where is the sidewalk replacement identified?

Locations of sidewalk replacement are in the areas of highest need and potential risk. The sidewalk locations are distinct from the trash removal which will be focus on the waterfront and Embarcadero.

14. I am not sure that I see the utility of identifying unfunded capital improvement projects in the CIP. It appears that time in being spent on projects that will never be built or completed. Until there is a real funding plan, these projects should probably be in the master plan where they originated. Or, the City can identify every program and project in every policy document and master plan. In my opinion, the CIP is a program that has funding attached to it. We should certainly work on funding strategies, but until we have them, no need to go through the perfunctory process of putting unfunded projects in the CIP. All the more reason for a longer term funding plan and strategy for Q/E, gas tax, SB1, ARPA, sales tax and TOT rather than the current year-year approach. In support of this approach Government Code Section 65403 states that each City that “...constructs or maintains public facilities essential to the growth and maintenance of an urban population may prepare a five-year capital improvement program. The five-year capital improvement program shall indicate the location, size, time of availability, **means of financing**, including a schedule for the repayment of bonded indebtedness, and estimates of operation costs for all proposed and related capital improvements. The five-year capital improvement program shall also indicate a schedule for maintenance and rehabilitation and an estimate of useful life of all existing and proposed capital improvements. ...At least 60 days prior to its adoption or annual revision, as the case may be, the capital improvement program shall be referred to the planning agency of each affected city and county within which the district or agency operates, for review as to its consistency with the applicable general plan, any applicable specific plans, and all elements and parts of the plan. “

The City produces a 5-year Capital Improvement Plan that complies with the Government Code. The means of financing show for all fully funded projects. That being said, staff is proposing a project next fiscal year to initiate process to assess all capital needs (facilities, vehicles, information technology, etc.). This process is complex and time consuming, but should be useful to the City as it envisions priorities for inventing in the City’s capital assets.

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15. At the last meeting, the CFAC discussed trying to make the revenue and expense projection a little more precise and reliable. Going to a five-year horizon is useful, as proposed in the budget. However, the decision that we are making including longer term commitments to maintain PD and FD service levels and a longer planning horizon may be appropriate.

This is a policy decision that should be reviewed when a new forecasting model is considered.

16. The City recently upped its fees per the Cost Study. For some departments this meant virtually 100% cost recovery. How is that represented in the current operating budget?

This is not represented in the budget. It is a best practice to conduct a fee study every 5 to 7 years. The next time a fee study is completed a better tally of cost recovery percentages will be completed.

17. There is a significant accumulation in the CDBG fund. What can these funds be used for?

In an effort to show "Fund Balance" instead of "Cash Balance" this fund was transitioned to Fund Balance. That does not make sense for a fund such as these so staff will update this schedule for the final budget.

18. The Harbor State Park Marina fund has a significant fund balance with no planned expenses. What can these funds be used for?

The State Park Marina (SPM) fund was established in 2002 when the City entered into an agreement with State Parks to operate just the marina and collect the concessionaire fees from that operation to go towards an agreed-upon multi-million dollar redevelopment of the marina, including significant dredging. Although good progress was made on planning and permitting that redevelopment in the initial years of the agreement, and some limited dredging was done around 2010, due primarily to the overwhelming cost of the remainder of the dredging the redevelopment effort was essentially shelved by mutual agreement of the parties. The City and Parks have recently begun discussions again, and Parks is commissioning a new revenue/cost study to see if there is a way forward. But in short, the revenues in this fund, per the terms of the agreement with State Parks, can only be used for the redevelopment project as originally envisioned and set forth in the agreement.

19. p.63 (B-15) Who is the City's Financial Advisor. What is the name of his/her firm?

Alex Handler from Bartel and Wells has a contract for rate analysis and financial advisory services.

20. p.65 (B-17) Have the new impact fees been implemented?

No, we paused implementation while we completed review of the General Plan/Local Coastal Program. GP/LCP review will likely be complete by Council on May 25th and staff will pick back

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up with Revenue and Cost Specialists to bring the impact fee update to Council.

21. p.70 (B-22) When will the last CCWA payment be made for the bonds that financed the Chorro Valley pipeline. CCWA loan is missing from chart.

The portion of the payment to the Central Coast Water Authority attributable to the debt issuance will be paid off in FY 2021-22. This debt is not issued to the City of Morro Bay so that is why it is not listed on the debt schedule.

22. p.209 (C-139) In the Community Developments budget overview section it states "...are supported by fees that are established with the goal of being full cost recovery." Is there a plan to get closer to 100% in the next several years?

The next phase of the Master Fee Schedule was adopted on May 11, 2021. This is the next step in full cost recovery. Best practice is to conduct a comprehensive fee study every 5 years and that is the next major step to reassess how close the City is to full cost recovery.

23. p.243 (D-5) Info Tech---has City Works been fully implemented? (CDD – Scot)

Yes, but staff is working to upgrade the online portal for permit submittal to be more user friendly and staff is seeking to purchase an online plan check application to integrate with CityWorks.

24. p.275 (E-11) Police Vehicles---What method does the City use to sell surplus P.D. vehicles (i.e., who coordinates the sale)? What type of organizations buy these vehicles?

PD typically does not sell surplus emergency vehicles, with limited exceptions. We have previously sold two Dodge Chargers to Allan Hancock Police Academy for driver training/instruction and sold the older K9 Tahoe (specifically equipped for canine) to Cal Poly when the Officer and K9 both went to Cal Poly PD. Normally we repurpose the vehicles into pool cars for training/travel and Volunteer vehicles. We also repurpose older pool and volunteer cars to other city departments (as needed) which have included Fire, Harbor, Public Works and Finance.

25. p.301 (G-21) Econ Development---Is the Chamber of Commerce required to provide measurable results for the Economic Ombudsman program?

Per the agreement, the Chamber provides annual reporting to the City regarding their efforts to support the City's economic development objectives.

26. p.433 (H-6) & p.360 (H-22) Utility Discount Program—What is the current balance of the accounts that are in arrears? Has the staff attempted to estimate the potential write off?

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The current balance is \$653,558 (as of today). Current Arrears balance as of 4/30/2021 is \$246,545.20 (compared to \$28,946 at 4/30/2020). The Accounts Receivable Aging Report shows similar balances for the same period except for the Over 90 days and over 120-day balances and of course the Total Balances

As of April 30,	Current	Over 30 Days	Over 60 Days	Over 90 Days	Over 120 Days	Total
2020	\$ 1,351,249	\$5,168	\$71,948	\$3,097	\$18,098	\$ 1,449,560
2021	\$ 1,506,501	\$2,827	\$70,948	\$23,427	\$154,682	\$ 1,758,385

A policy question about how to proceed will be presented to the City Council when it becomes clear if the Governor’s emergency order waiving penalties and prohibiting service shut-offs is being lifted. As a result of the uncertainty about State action The Finance staff has not developed a procedure to either reserve for or to write off any portion of these balances. This will be done in conjunction with the policy decision by the City Council.

27. You plan to transfer money from Measure E tax proceeds to the GFER. Rather than do that, why not simply pay in full the remaining balance on the fire engine loan? That would have the same effect of sending money to the GFER and has the additional benefits of getting a loan (or due to/due from) off of the books and you can clearly show that the “funds were used locally”.

This is definitely possible and makes . Based on the current proposed budget (\$56,250) and the outstanding balance (\$73,729) this is definitely possible. In total the outstanding balance is \$129,981. That would leave \$51,269 to dedicate to restore to the GFER.

28. Please reconcile the two direct expenditure figures of \$1.991M on page 15 and \$2.059M on page 16. (E-4 and E-5). I know that part of it is the \$8,163 USDA loan reserve contribution but what is the rest?

Transfers included in \$2.059 million but not in the \$1.991 million = \$73,876 for Fire OT plus Harbor firefighting equipment (\$50,000).

Included in the \$1.991 million but missing from \$2.059 million = \$56,250 for transfer to GFER for Fire Truck (this should be added for final printed budget)

Off by \$1 which is likely a rounding issue.

29. For several years the City budget has noted substantial increases in CalPERS, OPEB and health costs, but there is never an analysis of each component. Has any been done? If so, can we see it? What about workers compensation and unemployment benefits? What are those trends?

I am not aware of any trend analysis being conducted on any components of personnel related costs except for CalPERS. This is an important undertaking especially in conjunction with the development of a new forecasting tool.

30. When will the new 5-year financial forecast be available?

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The 5-year forecast will be available with the published staff report for budget adoption which is scheduled for the June 22, 2021 Council meeting.

31. Page 56 states that the 6/30/21 GFER balance is expected to be as low as \$1.75M or as high as \$2.39M. However, the figures presented on pages 60 and 63 (A-4 and A-7) for 2020/21 estimated (\$14.86M revenues and transfer in and \$13.40M expenditures and transfer out) yield a 2020/21 gain of \$1.46M, which added to the 6/30/20 GFER of \$2.25M yields a 6/30/21 GFER of \$3.71M. What am I missing?

Staff wanted to highlight the possible over-realized revenue that could come in if our estimates are accurate. Plus, we assumed that \$671,000 will be transferred to the General Fund to from the GFER. I realize that this approach is slightly counter intuitive (some might say conflicting). That being said staff wanted to be uber-conservative in our estimate because they are based on 8 months of data (no data from the second cannabis retailer) and it is not reasonable to simply annualize the data. Therefore, staff highlighted the range of options.

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WRF (Item B4)

1. There have been minimal items of critical concern (Refer to Table 1) throughout this Project. How then are we \$20,000,000 and counting over budget? What rises to the level of a critical concern?

Example – the original estimate for Land Acquisition was approximately \$400,000. That now sits at approximately \$1.8 M. While there were some indications of issues with Vistra and PG&E, I don't recall ever reading about cost concerns of this magnitude.

[A response to this question will be provided at the CFAC meeting.](#)

2. In a discussion with Mr. Casares and Mr. Collins, I tossed out numerous concerns about potential reasons there might be for more funding requests. In ALL cases Mr. Casares confirmed there would be NO reason to increase costs, but yet less than two months later, Carollo is asking for another \$6 M. Two of those were the support by Carollo and if the support to the Title 22 permit was included. Why then is Carollo asking for more funding?

Should we expect more requests from Carollo if the Water Reclamation schedule extends beyond the Spring of 2024? Does the Carollo contract include completing the inevitable Completion items and the typical Completion Report?

[A response to this question will be provided at the CFAC meeting.](#)

3. Please explain the need for Carollo to increase their costs to support the acceleration of the Anvil schedule. The schedule dates to match the need by the WRF were known at the time of contract execution. What changed? Is it because Anvil is in danger of making their contractual commitment?

[Because of the tight schedule to comply with the Time Schedule Order \(TSO\), the City chose to proceed with some elements of the project in parallel rather than sequentially. For example, the City chose to bid, award and, enter into a construction contract prior to receiving all the permits to construct the project and when the permits were delayed that delayed commencing actual construction. This is a risk the City took on to meet its obligation to have the new facility meeting discharge requirements prior to the tolling of the TSO. Because of these permitting delays the contractor has accelerated its work schedule by working longer hours, and results in a need to increase construction management, inspection, biological and archeological oversight.](#)

4. The Integrated Project Schedule does NOT reflect testing of the Water Reclamation through injection, filtration, and extraction. The Project seems to stop when the pipe is connected to the Injection Well.

How is the State capable of granting us a permanent potable water permit if the system isn't actually tested? And given it has been stated that there are no near-term plans to actually use

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this reclaimed water, it appears then in 5 to 10 years when we may really need this water, its use may be problematic, especially with the possibility of sea level rise and further salt water intrusion. Please explain or correct my concerns.

The water reclamation portion just as the rest of the project will be tested before acceptance by the city. The State issues a permit based on an engineering report specific to our project and processes. The water injection portion of the project is not the critical path to meet the Time Schedule Order as such schedule is still under development, any date at this point would just be a placeholder.

Upon completion, groundwater, including recovered reclaimed water, will be utilized as an additional source of water in addition to the City's state water allocation and will serve as the primary source or water supply in the case of interruption caused by natural disaster, state water project maintenance shutdown, or drought.

5. While I fully agree that maintaining the schedule is one of the best means to control cost, does the "Conformance with Time Schedule Order" date have significant meaning? The reason I ask is that I believe the Cayucos EIR stated the existing plant would be in compliance when Cayucos redirected their flows. If true and Morro Bay did not object, then we may soon be in Compliance. Note that the same firm who prepared the Cayucos EIR prepared the Morro Bay EIR.

The Time Schedule Order date is the date the city must be in compliance with its NPDES permit or face penalties from the Water Board. The existing Morro Bay / Cayucos treatment plant was not designed to meet the more stringent discharge requirements of its current permit. The existing plant was designed with treatment process that will only reliably achieve the water quality standards it was designed for, as such Morro Bay and Cayucos both needed modern treatment facilities designed to meet the more stringent requirements. We are not aware of any wastewater engineering report that states the existing plant can reliably meet the new requirements with reduced flow. In fact, the historical performance of the treatment plant shows the opposite is true plant performance increase the closer it is to its design flow. To look at it in the most simplistic of terms water flowing through a screen will only remove particles bigger than the screen openings no matter how little water you flow through the screen.

6. p. 475,7&9 (I-77,79 & 81) RO Facility---the detail pages show the revenue source as the Sewer Accumulation Fund. It should be Water. The spreadsheet on p.404 (I-6) is correct.

This is a typographical error and will be corrected with the final adopted budget.

7. p.88 (C-18) Legal---in the preliminary budget legal services for the WRF are projected to be \$365K. On the WRF budget page (p.484 I-86) they are \$195K. What makes up the difference?

C-18 is correct and the WRF budget will be corrected to match.

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8. pg 92. What is the status of Planning Loan reimbursement request re-submitted in October 2020 for \$4,783,797? When was last communication with State?

The most recent communication with the State was this morning (May 18, 2021). The State has agreed to split the disbursement request into two pieces one approved (\$3 million) and the other requiring additional documentation. As of a conference call last week the SRF project manager projected the City would receive the disbursement proceeds in July or August 2021.

9. pg 100. Timeline for award of WaterSmart grant notification? Is this new source of funds with no repayment required? Amount requested?

If awarded funding the grant monies will likely be a year or year and a half out. The City will most likely not be awarded the full \$20M –Staff has heard that Reclamation is looking to go to award amounts based on ranking (final decision is up to management at Reclamation and OMB) – but traditionally we’ve been seeing awards from \$2-\$4M (less if asking for less) and then applicants have to reapply in subsequent years to reach their award ceiling.

10. pg 102. What has already been budgeted for the hill slippage. I see an estimate of an additional \$1.3 Mil identified on page 119 for mitigation coming in Q4. Is that cost still TBD or is this # well defined?

A response to this question will be provided at the CFAC meeting.

11. pg 119. Is there a fuller detail to support expected increase of \$1 Mil in Project Management fees? Why additional expenses for injection wells totaling \$1.2 Mil including land acquisition?

A response to this question will be provided at the CFAC meeting.

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GP Traffic Study.pdf