



CITY OF MORRO BAY HARBOR ADVISORY BOARD AGENDA

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.

Regular Meeting Thursday, June 2, 2022 – 5:30 P.M. Held Via Teleconference

Cherise Hansson	Waterfront Leaseholders
Gene Doughty	South Bay/Los Osos
Sean Green	Member at Large
Cal Myers	Recreational Boating
Jeremiah O'Brien	Morro Bay Commercial Fishermen's Organization
Christopher Vaile	Member at Large
Mary Witkowski	Marine Oriented Business
Lori French	Alternate to Jeremiah O'Brien (MBCFO)

Pursuant to Assembly Bill 361 (2021-22) and Government Code section 54953 this Meeting will be conducted telephonically through Zoom. Ways to participate, watch, and submit public comment for this meeting are provided below.

Public Participation:

Remote public participation is allowed in the following ways:

- *Members of the public may watch the meeting and speak during general Public Comment or on a specific agenda item by logging in to the Zoom webinar using the information provided below. Please use the "raise hand" feature to indicate your desire to provide public comment.*

Please click the link below to join the webinar:

- <https://us02web.zoom.us/j/82722747698?pwd=aWZpTzcwTHlRTk9xaTlmWVNWRWFUQT09>

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*
- *Alternatively, members of the public may watch the meeting either on cable Channel 20 or as streamed on the City [website](#).*
- *Community members are encouraged to submit agenda correspondence in advance of the meeting via email to the Harbor Advisory Board at hab@morrobayca.gov prior to the meeting. Agenda Correspondence received at hab@morrobayca.gov by 10 a.m. on the meeting day will be posted on the City website.*

ESTABLISH QUORUM AND CALL TO ORDER
MOMENT OF SILENCE
PLEDGE OF ALLEGIANCE
CHAIR, ADVISORY BOARD MEMBER & LIAISON ANNOUNCEMENTS

PRESENTATIONS

- Ironman 70.3-mile swim-bike-run event in Morro Bay April/May, 2023

PUBLIC COMMENT

Members of the audience wishing to address the HAB on Harbor business matters not on the agenda may do so at this time. For those desiring to speak on items on the agenda, but unable to stay for the item, may also address the HAB at this time.

A. CONSENT CALENDAR

Unless an item is pulled for separate action by the Board, the following actions are approved without discussion. The public will also be provided an opportunity to comment on consent agenda items.

- A-1 Approval of Minutes from the Harbor Advisory Board meeting held on March 3, 2022.
RECOMMENDATION: Approve as submitted.
- A-2 Approval of Minutes from the Harbor Advisory Board meeting held on May 5, 2022.
RECOMMENDATION: Approve as submitted.
- A-3 Harbor Department Status Report.
RECOMMENDATION: Receive and file report.

B. BUSINESS ITEMS

- B-1 Update from the Parking Management/Paid Parking Ad-Hoc Committee on Committee's Recent Activities
RECOMMENDATION: Receive and file committee update.
- B-2 Update from the Marine Services Ad-Hoc Committee on Committee's Recent Activities
RECOMMENDATION: Receive and file committee update.
- B-3 Update from the Finance & Budget Ad-Hoc Committee on Committee's Recent Activities; and, Staff Update on the Status of Department's FY 22/23 Budgeting
RECOMMENDATION: Receive and file ad-hoc committee and staff budget updates.
- B-4 Harbor Advisory Board Member Public Engagement Outreach Assignment Reporting
RECOMMENDATION: Receive and file Harbor Advisory Board (HAB) member outreach effort reports to date.

C. DECLARATION OF FUTURE AGENDA ITEMS

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 the Morro Bay Harbor Department, 1275 Embarcadero, for any revisions or call the department at 772-6254 for further information.

Materials related to an item on this Agenda are available for public inspection during normal business hours at the Harbor Department, 1275 Embarcadero Road, or online at www.morrobayca.gov. Materials related to an item on this Agenda submitted to the Board after publication of the Agenda packet are available for inspection at the Harbor Department during normal business hours or at the scheduled meeting.

MINUTES-MORRO BAY HARBOR ADVISORY
BOARD MEETING – March 3, 2022
TELECONFERENCE – 5:30 P.M.

AGENDA NO: A-1

MEETING DATE: June 2, 2022

Harbor Advisory Board conducted this meeting in accordance with Assembly Bill 361 (2021-22) and Government Code section 54953 in response to the present State of Emergency in existence due to the threat of COVID-19. This meeting was held via teleconference for all participants.

PRESENT: Cherise Hansson Chair
Gene Doughty Member
Sean Green Member
Cal Myers Member
Jeremiah O'Brien Member
Christopher Vaile Member
Mary Witkowski Member

STAFF: Eric Endersby Harbor Director
Lori Stilts Harbor Business Coordinator

ESTABLISH QUORUM AND CALL TO ORDER

https://youtu.be/ScW_4HTRYCI?t=11

The meeting was called to order at 5:30 p.m., with a roll call quorum present.

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

CHAIR AND ADVISORY BOARD MEMBER, LIAISON ANNOUNCEMENTS, PRESENTATIONS

PUBLIC COMMENT

https://youtu.be/ScW_4HTRYCI?t=985

The public comment period was opened and closed with no comments.

A. CONSENT AGENDA

https://youtu.be/ScW_4HTRYCI?t=1033

Unless an item is pulled for separate action by the Board, the following actions are approved without discussion.

A-1 Approval of Minutes from the Harbor Advisory Board meeting held on February 3, 2021.
RECOMMENDATION: Approve as submitted.

A-2 Harbor Department Status Report.
RECOMMENDATION: Receive and file report.

MOTION: Member Doughty moved approval of the consent agenda. The Motion was seconded by Member Vaile and carried 7- 0 by roll call vote.

B. BUSINESS ITEMS

https://youtu.be/ScW_4HTRYCI?t=1131

B-1 UPDATE FROM THE PARKING MANAGEMENT/PAID PARKING AD-HOC COMMITTEE ON COMMITTEE'S RECENT ACTIVITIES

Committee Chair Myers stated the committee hasn't all had a chance meet. In addition, Walker Study is still not available for review at this time and is interested in reviewing paid parking at the Rock, which the committee really hasn't discussed to date.

Board Chair Hansson presented her paid parking at the Rock concept ideas.

There was Board discussion.

The public comment period was opened and closed with no comments.

B-2 UPDATE FROM THE MARINE SERVICES AD-HOC COMMITTEE ON COMMITTEE'S RECENT ACTIVITIES

https://youtu.be/ScW_4HTRYCI?t=2651

Committee Chair Vaile stated, he and Member Myers will be going to meet with the owners of the Morro Bay boatyard to obtain information on what services they provided and will share this information at the next HAB meeting.

The public comment period was opened and closed with no comments.

B-3 UPDATE FROM THE FINANCE & BUDGET AD-HOC COMMITTEE ON COMMITTEE'S RECENT ACTIVITIES, AND CONSIDERATION OF HARBOR DEPARTMENT FUNDING REQUEST OPTIONS FOR MEASURE E SALES TAX REVENUES FOR THE FY 22/23 BUDGET

https://youtu.be/ScW_4HTRYCI?t=2858

Committee Chair Witkowski stated the committee has been working on a port grant which is due by March 16, 2022 and Harbor funding requests using Measure E which are attached to the staff report.

Director Endersby briefed the Board on the Measure E sale tax initiative with combination with the ½ cent Measure Q sales tax measure passed about a decade ago. Together, both measures are forecast to generate approximately \$4.0M in tax revenues this coming year. In this current fiscal year, the Harbor Department submitted several Measure E budget funding requests and were approved.

Board Chair Hansson requested input from the Board for any additional funding ideas to be added to the committees funding list.

Member Doughty suggested deferred maintenance of slips.

Member O'Brien suggested safe slips and docks.

Board Chair Hansson suggested to add walkway to "Widow Walls" (south of Morro Rock) and City owned Harbor Walk areas that are not completed, and the Rock restroom.

MOTION: Member Myers moved to accept the Boards top five priority funding requests:

1. Public Safety – Lifeguard Program
2. Cleanliness – Trash Program
3. Public Safety – North T-Pier Fire System
4. Cleanliness – Public Restroom North T-Pier
5. Cleanliness – Maintenance Aide

The Motion was seconded by Member Doughty and carried 7- 0 by roll call vote.

Member Witkowski left the meeting at 6:55 pm.

The Board continued discussion to prioritize the remaining funding ideas.

The public comment period was opened and closed with no comments.

MOTION: Chair Hansson moved to accept the Boards remaining priority funding requests in the following order:

6. Public Safety – Reserve Harbor Patrol Officer Program
7. Public Safety – Launch Ramp
8. Cleanliness – Public Restroom Launch Ramp/Tidelands Park
9. Cleanliness – Public Restroom Centennial Park
10. Public Safety – City owned Harbor Walk Completions
11. Public Safety – Slip Deferred Maintenance
12. Public Safety – “Widow Walls” Walkway

The Motion was seconded by Board Member Myers and carried 6-0 by roll call vote.

B-4 HARBOR ADVISORY BOARD MEMBER PUBLIC ENGAGEMENT OUTREACH
ASSIGNMENT REPORTING

https://youtu.be/ScW_4HTRYCI?t=5227

Chair Hansson requested members to provide an oral update pertaining to their public engagement contacts and possibly add any new groups.

C. DECLARATION OF FUTURE AGENDA ITEMS

https://youtu.be/ScW_4HTRYCI?t=5927

There were no future agenda items declared.

D. ADJOURNMENT

This meeting was adjourned at 7:13 p.m. The next Regular Meeting will be held on May 5, 2022, at 5:30 p.m.

Lori Stilts
Harbor Department

MINUTES-MORRO BAY HARBOR ADVISORY
BOARD MEETING – May 5, 2022
Veterans Memorial Hall – 5:30 P.M.

AGENDA NO: A-2
MEETING DATE: June 2, 2022

Pursuant to Assembly Bill 361 (2021-22) and Government Code section 54953 this Meeting will be conducted in a hybrid format with both in-person and virtual public participation

PRESENT:	Cherise Hansson	Chair
	Gene Doughty	Member
	Sean Green	Member
	Cal Myers	Member
	Jeremiah O'Brien	Member
	Mary Witkowski	Member
ABSENT:	Christopher Vaile	Member
STAFF:	Eric Endersby	Harbor Director
	Lori Stilts	Harbor Business Coordinator

ESTABLISH QUORUM AND CALL TO ORDER

<https://youtu.be/Zgarxd3n0O0?t=41>

The meeting was called to order at 5:34 p.m., with a roll call quorum present.

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

CHAIR AND ADVISORY BOARD MEMBER, LIAISON ANNOUNCEMENTS,

PRESENTATIONS

<https://youtu.be/Zgarxd3n0O0?t=670>

Dwayne Oberhoff, the Executive Director of the Morro Bay Community Quota Fund, provided a presentation about the Quota Fund, its history, mission and current status.

PUBLIC COMMENT

<https://youtu.be/Zgarxd3n0O0?t=3588>

The public comment period was opened and closed with no comments.

A. CONSENT AGENDA

<https://youtu.be/Zgarxd3n0O0?t=3628>

Unless an item is pulled for separate action by the Board, the following actions are approved without discussion.

- A-1 Harbor Department Status Report.
RECOMMENDATION: Receive and file report.

MOTION: Board Member O'Brien moved approval of the consent agenda. The Motion was seconded by Board Myers and carried 6-0 by roll call vote.

B. BUSINESS ITEMS

<https://youtu.be/Zgarxd3n0O0?t=3733>

B-1 UPDATE FROM THE PARKING MANAGEMENT/PAID PARKING AD-HOC COMMITTEE ON COMMITTEE'S RECENT ACTIVITIES

Committee Chair Myers stated in early March the committee reached out to Council and the City Manager with the idea of adding paid parking at the Rock for alternative funding, however, learned it

may be an issue with the Coastal Commission. The City Manager did acknowledge the Rock parking could be included in the second phase of the Walker Study.

The public comment period was opened and closed with no comments.

B-2 UPDATE FROM THE MARINE SERVICES AD-HOC COMMITTEE ON COMMITTEE'S RECENT ACTIVITIES

<https://youtu.be/Zgarxd3n0O0?t=3966>

Member Myers stated there was nothing new to report.

B-3 UPDATE FROM THE FINANCE & BUDGET AD-HOC COMMITTEE ON COMMITTEE'S RECENT ACTIVITIES; AND, ORAL UPDATE ON THE STATUS OF DEPARTMENT'S FY 22/23 BUDGETING

<https://youtu.be/Zgarxd3n0O0?t=4022>

Committee Chair Witkowski stated there was nothing new to report.

Director Endersby presented the staff report, which included the budget process and congressionally directed spending, then responded to Board Member inquiries.

The public comment period was opened and closed with no comments.

B-4 HARBOR ADVISORY BOARD MEMBER PUBLIC ENGAGEMENT OUTREACH ASSIGNMENT REPORTING

<https://youtu.be/Zgarxd3n0O0?t=4964>

Chair Hansson requested members to provide an oral update pertaining to their public engagement contacts.

The public comment period was opened and closed with no comments.

C. DECLARATION OF FUTURE AGENDA ITEMS

<https://youtu.be/Zgarxd3n0O0?t=5857>

There were no future agenda items declared.

D. ADJOURNMENT

This meeting was adjourned at 7:12 p.m. The next Regular Meeting will be held on June 2, 2022, at 5:30 p.m.

Lori Stilts
Harbor Department



AGENDA NO: A-3

MEETING DATE: June 2, 2022

Staff Report

TO: Harbor Advisory Board
FROM: Eric Endersby, Harbor Director
SUBJECT: Harbor Department Status Report

DATE: May 24, 2022

RECOMMENDATION

Receive and file report.

DISCUSSION

Recent Department Activity:

Harbor Patrol statistics for May 2022 were 16 emergency responses, 94 calls for service, 32 assists of other agencies, 38 enforcement contacts, 76 bay patrols, 200 land patrols, 185 maintenance actions, 20 weather warnings, and one hazardous bar warning.

5/1/22

Harbor Patrol responded to a report of capsized kayaker off the State Park Marina, but were cancelled enroute - the kayaker righted themselves. Later, Patrol responded to multiple reports of a capsized day sailor off tip of the sandspit, and arrived on scene as they righted themselves and stated no assistance needed.

5/4/22

Harbor Patrol and Coast Guard received a report from someone in the Beach Tract of a sailboat in distress, possibly in the surfline. Patrol responded with a vessel and rescue watercraft while the Coast Guard got underway in a motor lifeboat. The subject vessel was located in no distress – the operator admitting he took a tack pretty close to the surfline.

Harbor Patrol responded to a report of an eight-year-old kayaker who was separated from their kayaking group. Patrol located the girl near the State Park Marina and reunited her with her family.

5/8/22

Harbor Patrol respond to 1001 Front street for 65 year-old male with a potential heart attack. Patrol located the victim and began an initial assessment, then handed him off to MB Fire.

Prepared By: LS

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____

5/15/22

Harbor patrol received a call from the Coast Guard for a small recreational boat on the beach south of the harbor entrance. Patrol contacted the operator of the boat by phone and confirmed that the boat was on the beach about two miles south of the harbor entrance, and all four aboard were uninjured and OK. Patrol assisted the owner to secure the boat with an anchor and stowing loose items in the cabin, and then transport the four by rescue watercraft to the Coast Guard's motor lifeboat just offshore. Patrol then brought a tow line in from a patrol boat and successfully pulled it off the beach and towed to the launch ramp. The boat had no apparent damage. The operator stated disorientation in the fog was the primary cause of the mishap.



5/17/22

Harbor Patrol responded to a report of the F/V PACIFIC VULTURE lost power while leaving the South T-Pier and was laid up against M/V NOKKEN by the incoming tide at Morro Bay Landing. Patrol took in tow and returned PACIFIC VULTURE to the South T-Pier. There was minimal damage to either boat.

Patrol responded to a medical aid for a fall victim with a head wound on the rocks on the south side of the Rock. The patient was transported by SLO Ambulance to the hospital.

5/21/22

Assisted MB Police to make contact with a moored vessel owner being investigated for sending transmissions over an emergency police radio channel. The person was located and their UHF radio confiscated.

5/25/22

Harbor Patrol was in the area and responded to a single-vehicle traffic collision at Beach and Embarcadero. The very intoxicated driver, and only occupant, was treated and arrested for DUI.



Coast Guard Change of Command

On May 13, 2022, USCG Senior Chief Ben Snider received his orders for his new posting at Station Umpqua River in Oregon as Officer in Charge, while Chief Brandon Thompson, fresh from his duty as Executive Petty Officer of Station Cape Disappointment in Washington State, took over command of Station Morro Bay as Officer in Charge.

We wish to thank Senior Chief Snider for his service here in Morro Bay and wish him well, and welcome Chief Thompson to the community.



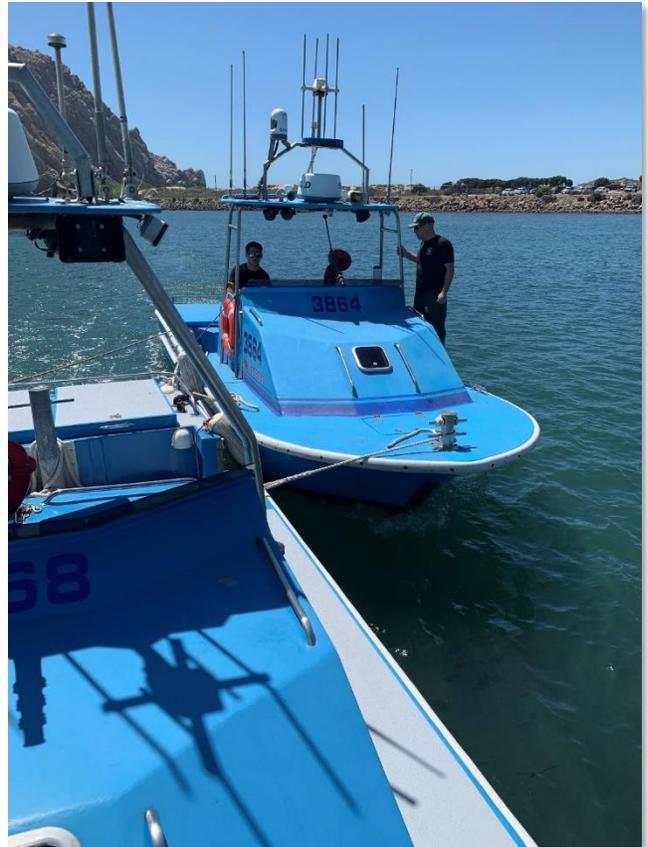
2022 Lifeguard Academy

Over the weekends of April 22-23-24, April 29-30 and May 1, and May 6-7-8, the Harbor Department conducted its annual United States Lifesaving Association Open Water Lifeguard training academy to prepare our young Lifeguard recruits for service. This training is a joint effort led by the Harbor Department with the valuable assistance of the Morro Bay Recreation Department and San Luis County Parks (for the Cayucos Pier Lifeguards). Nearly 30 recruits from the combined agencies endured brutal gale wind, high surf and frigid water training conditions.



Reserve Patrol Officer Training

Taking some time out from their usual hectic duties on the bay and waterfront, Harbor Patrol Officer Marcos Green is seen here literally showing Reserve Officer Ari Maksoudian “the ropes” in this boat towing exercise with two Harbor Patrol vessels.



Recent City Council Activity

On May 24, the City Council adopted Resolution No. 44-22, approving the assignment and assumption and conditionally authorizing the Mayor to execute documents necessary for the assignment and assumption at lease site 30W-33W, and accepting a deed of trust related thereto for Bay Front Marina, 201 Main Street.

Also on May 24, the Council approved a lease agreement between the City of Morro Bay and State of California Department of Fish and Wildlife for exclusive tie-up space on the North T-Pier for their patrol vessel accommodation dock.

Again, on May 24, the Council adopted Resolution No. 46-22, authorizing a new lease agreement with United States Coast Guard to lease a maintenance and storage facility for their storage needs at 1620 Embarcadero.

Finally on the 24th, the Council made a proclamation of the City of Morro Bay declaring National Safe Boating Week for May 21 through May 27, 2022. Harbor Patrol Supervisor Becka Kelly accepted the proclamation and thanked the Council on behalf of the department.



AGENDA NO: B-1

MEETING DATE: June 2, 2022

Staff Report

TO: Harbor Advisory Board

DATE: May 26, 2022

FROM: Eric Endersby, Harbor Director

SUBJECT: Update from the Parking Management/Paid Parking Ad-Hoc Committee on Committee's Recent Activities

RECOMMENDATION

Receive and file committee update.

BACKGROUND, DISCUSSION & CONCLUSION

The Parking Management/Paid Parking Ad-Hoc Committee of the Harbor Advisory Board will be presenting an oral update on their recent activities. This is a standing committee report agenda item.

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____



AGENDA NO: B-2

MEETING DATE: June 2, 2022

Staff Report

TO: Harbor Advisory Board

DATE: May 26, 2022

FROM: Eric Endersby, Harbor Director

SUBJECT: Update from the Marine Services Ad-Hoc Committee on Committee's Recent Activities

RECOMMENDATION

Receive and file committee report.

BACKGROUND, DISCUSSION & CONCLUSION

The Marine Services Ad-Hoc Committee of the Harbor Advisory Board will be presenting an oral update on their recent activities. This is a standing committee report agenda item.

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____



AGENDA NO: B-3

MEETING DATE: June 2, 2022

Staff Report

TO: Harbor Advisory Board

DATE: May 26, 2022

FROM: Eric Endersby, Harbor Director

SUBJECT: Update from the Finance & Budget Ad-Hoc Committee on Committee's Recent Activities; and, Staff Update on the Status of Department's FY 22/23 Budgeting

RECOMMENDATION

Receive and file ad-hoc committee and staff budget updates.

BACKGROUND

The Finance & Budget Ad-Hoc Committee will be presenting an oral update on their activities, if any. This is a standing committee report agenda item.

On May 24 and 25, 2022 the Council held budget workshops and received detailed FY 2022-2023 budget updates from the Assistant City Manager. These updates included the Harbor Fund.

DISCUSSION

The Harbor Department submitted a balanced Operating Budget, with \$2.36M projected revenues, a 6.3% increase over the prior year, and \$2.27M expenditures, a 0.6% increase, for a net surplus of ~\$90K.

Details about the Harbor Department's and remainder of the City's budgets and capital programs can be found in the attached budget study session staff reports and Power Point slides presented the City Council on May 24-25, and will be discussed by staff tonight.

ATTACHEMNTS

1. May 25, 2022 Harbor Department Budget Global Overview staff report to the City Council
2. May 25, 2022 Harbor Operating Fund overview Power Point presentation slides to the City Council
3. May 24, 2022 Budget Study Session staff report from the City Manager and Assistant City Manager to the City Council, including Harbor-related Power Point slides

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____



AGENDA NO: III

MEETING DATE: May 25, 2022

Staff Report

TO: Honorable Mayor and City Council

DATE: May 20, 2022

FROM: Eric Endersby, Harbor Director
Lori Stilts, Harbor Business Coordinator
Scott Collins, City Manager

SUBJECT: Harbor Department Budget Global Overview

RECOMMENDATION

Staff recommends the City Council receive and file report.

FISCAL IMPACT

Not applicable.

BACKGROUND

Morro Bay's waterfront, harbor and beaches are an enterprise fund zone held in trust with the State of California as the Morro Bay Tidelands Trust, and the Harbor Department is the department designated by the City to manage these assets and provide services within the Trust. The most visible of these services are the public safety, facility management and public access/environmental protection missions of the Harbor Patrol. Lesser known but equally important is the property management role of the Harbor Department, where all of the businesses on the west side of Embarcadero are on public property lease sites subject to the public overview under the Tidelands Trust. The third "leg" of the Harbor Department is its capital and maintenance/repair responsibilities for various and numerous pieces of important infrastructure.

Revenues generated in the Trust are legally obligated to be expended in the Trust for Trust purposes, and the fund designated for Harbor revenues and expenses is the Harbor Fund. Prior to the Great Recession of 2008, Harbor Fund revenues exceeded expenses by enough margin to support operations and management, as well as a modest capital program. During and after the recession, however, the revenue/expense curve began to flip, and combined with the cessation of the power plant outfall lease revenue (\$275K) in 2014, the growing State PERS unfunded pension liabilities and greatly increasing operational costs due in large part to increased use of the waterfront, bay and beaches, the Harbor Fund has become challenged to meet its operating obligations and capital needs at a time when its infrastructure is showing its age.

Prepared By: LS

Dept Review: EE

City Manager Review: SC

City Attorney Review: _____

DISCUSSION

Harbor Revenues

The ~\$2.3M Harbor Fund generates the vast majority of its revenues (~78%) from the 35 lease sites and ~90 businesses among them, where the “master” lessee builds, owns, maintains and manages the improvements for the life of the lease on which to generate revenue and make a profit, and in return they pay the City (Harbor Fund) substantial rents in the form of a minimum rent and a percentage of the gross revenues generated on the site. While lease revenues have incrementally increased over the years, and in the covid years we have seen record highs, without substantial new growth, the waterfront is largely at it’s carrying capacity in terms of revenue generation. The remainder of the Harbor Fund’s fee revenues are derived from boating-related sources such as slip and mooring fees.

In addition, for the first time in this current fiscal year (Fiscal Year 2021/22), the City Council allocated significant revenues from non-Harbor funds (Measures E/Q) to the Harbor Fund to help the sustainability of the department and its services. Staff is recommending continued use of Measure E/Q funds for the Harbor Department in FY 2022/23.

Harbor Expenses

On the expense side, like all City departments, the Harbor Department’s greatest expense is personnel, representing over 55% of the budget in the current year. It is important to note that the operations and administration of the Harbor Department are carried out with six full-time personnel, where prior to 2010 it was eight full-time positions. The organizational assessment currently underway by The Centre for Organizational Effectiveness (TCFOE) is currently assessing the Harbor Department to determine the optimal number and mix of positions to carry out its mission and responsibilities efficiently and effectively.

Other expenses, however, are significant and growing as well, such as general facility upkeep to meet service demand, costs of utilities (trash, water, electricity) and maintenance and repair. And while the Harbor Fund in general is now operationally balanced, adding the capital need drives it into the negative as currently there is identified a ~\$800K per year capital shortfall just to keep up with the infrastructure we have now. Some examples of this are the replacement needed now for both the north and south Beach Street Slips at a pre-inflationary estimate of \$1.4M, where only the south slips are currently funded (\$600K), major structural overhaul of the North T-Pier at an estimated cost of \$3.8M (which is currently being pursued in a Congressional earmark ask) and a major renovation of the public boat launch facility at an estimated cost of \$2.8M (currently staff are proposing \$210K in Measure Q/E revenues to fund planning and permitting of just the ramp and boarding float replacement in order to apply for grant funding for those projects).

CONCLUSION

While in some regards the Harbor Department’s future looks bright with record-high lease revenues, serious challenges remain. How the department heads into the future from a staffing and organizational standpoint after the TCFOE assessment is still an unknown, but holds great promise to get the department back on it’s feet. Other options, such as the Harbor Department partnering and collaborating with Public Works to manage the Harbor’s capital and maintenance program are other options to address some of the challenges. Lastly, the Harbor has extensive capital needs and will balance all of that with doing its part to address pension liabilities.

All these things, of course, require prioritization and will come at a financial cost. The City is pursuing a mixture of revenue sources, including state grants, federal infrastructure programs and funding from organizations like the Friends of the Harbor Department. These sources could be very helpful, but

can't be depended upon as consistent sources of funding on an annual basis. State and federal funding is very competitive, and it would be unfair to ask more from the Friends of the Harbor Department when they already have done so much for the Harbor.

Other more consistent sources of revenue will be necessary. The City is looking at paid parking and continued use of Measure E/Q funds, and added staffing may help the Harbor look closely at leases and other development opportunities in the waterfront to bring more revenues. The community has also brought forward a tax initiative that would be dedicated to funding Harbor infrastructure.

Without new revenues, the City will have to take a hard look at cuts to Harbor operations or reducing capital expenses in other parts of the City.

Staff is not recommending any action at this time, but welcomes input from City Council on the various revenue sources identified above.

ATTACHMENT

None



HD FY22-23 Budget Overview

HARBOR OPERATING FUND - Background

- State-Legislated Morro Bay Tidelands Trust
- Enterprise Fund zone that includes waterfront, bay and beaches
- Managed by the Harbor Department
 - Public Safety/Public Access
 - Lease/Property Management
 - Capital Improvement, Maintenance and Repair
- What's generated in the Trust stays in the Trust for Trust purposes



HD FY22-23 Budget Overview

HARBOR OPERATING FUND – Background con't

- Pre-2008, revenues comfortably exceeded expenses
- Post-2008, the equation flipped
 - Great Recession
 - Cessation of power plant outfall lease revenue
 - Growing State PERS unfunded pension liabilities
 - Greatly increasing operational costs
- Harbor Fund challenged to meet operational *and* capital needs when infrastructure really needs help



HD FY22-23 Budget Overview

HARBOR OPERATING FUND – Discussion

- Revenues - \$2.36M
 - 78% from 35 “master” leases
 - 18% from boating-related fees and services
 - 4% from miscellaneous sources
- Seeing record lease revenues, but waterfront is largely at its carrying capacity without new growth
- Sales tax from Measures Q/E allocated in separate fund for certain Harbor-related expenses



HD FY22-23 Budget Overview

HARBOR OPERATING FUND – Discussion con't

- Expenses - \$2.27M
 - Personnel = 55%
 - 6 full-time personnel where there used to be 8
 - TCFOE organizational assessment underway
 - Supply and Service costs both growing substantially
 - Inflation
 - Increasing demand on services, utilities, maintenance, repair and upkeep
- Operating Fund is balanced, but goes negative when capital need is added



HD FY22-23 Budget Overview

HARBOR OPERATING FUND – Discussion con't

- Capital need ~\$800K per year estimated over the next ten years
 - ½ of Beach Street Slips replacement funded this FY at \$600K
 - North T-Pier needs \$3.8M work; currently in a Congressional request
 - Proposing \$210K for boat launch facility ramp and boarding float planning and permitting to seek grant funding for the work (Measures Q/E)
- That's just a start



HD FY22-23 Budget Overview

HARBOR OPERATING FUND – Conclusion

- Record lease revenues, challenges remain:
 - Organizational assessment and how the Harbor Department is structured and staffed into the future, including service levels
 - Collaboration with Public Works on the department's capital program
 - Pension liabilities
- Grants and other funding programs will help, but not the answer
- Other possible revenue sources:
 - Paid parking
 - Measures Q/E
 - Community tax initiative



AGENDA NO: I

MEETING DATE: May 24, 2022

Staff Report

TO: Mayor and City Council

DATE: May 20, 2022

FROM: Scott Collins, City Manager
Sarah Johnson-Rios, Assistant City Manager/Admin Services Director

SUBJECT: Budget Study Session – Review of Draft Proposed Fiscal Year (FY) 2022-23
Operating and Capital Budget

RECOMMENDATION

Receive the Proposed Fiscal Year (FY) 2022-23 Citywide Operating and Capital Budget and provide feedback prior to budget adoption, scheduled in June.

EXECUTIVE SUMMARY

The total FY 2022-23 proposed expenditure budget of \$53.8 million net of transfers (\$76.5 million including transfers) includes \$35.1 million for operations and \$18.7 million for capital projects (both net of transfers). The proposed budget represents the City’s continued financial recovery from the COVID-19 pandemic. The recovery has been aided by increases in sales and transient occupancy taxes as well as by the community’s passage of Measure E in 2020. These factors, plus support from the Federal government, allows the City to provide its full complement of services—police, fire, water, sewer, maintenance, community development, recreation, harbor, and code enforcement. The City is also able to increase compensation for employees and invest in a class and compensation study to ensure Morro Bay remains competitive for attracting and retaining talented employees.

The budget also invests \$18.7 million in capital improvements, including the Water Reclamation Facility (WRF), water tanks, sewer pipes, roads, boating facilities, community centers and ADA access. With this investment, the City will complete the WRF facility and conveyance portions of the project so that the City can meet the State’s Time Schedule Order. While the FY 2022-23 makes critical investments in our infrastructure, including \$1.7 million invested in street repaving, more work is needed to keep pace with infrastructure and facilities maintenance and improvements. Thus, the budget includes funding for an assessment of Harbor and other City facilities.

Given the challenges of rapidly increasing inflation and the potential for an economic slowdown, the City is taking a prudent fiscal approach to budgeting. The City has secured significant financial reserves in all its funds to weather a future emergency or recession. This budget also includes \$1 million investment into a pension trust fund to help lower our overall pension liability.

Prepared By: SJR Dept Review: SJR
City Manager Review: SC City Attorney Review:

Lastly, the FY 2022-23 is presented in a new digital format for easier viewing. The proposed budget is available at: <https://www.morro-bay.ca.us/827/Budget>.

BACKGROUND

The City of Morro Bay develops an operating and capital budget each fiscal year (FY), which runs from July 1st through June 30th. City Council must review and adopt a budget for the subsequent fiscal year prior to June 30th. Preliminary input into the City's FY 2022-23 budget process began in November 2021, with the City Council's goal setting process. Council goals inform the budget development process, ensuring that the budget includes funding for all core City services, and to the extent possible, for one-time or additional City Council goals as well.

This year's City Council goals included, the following. Each goal also outlines several short-term action items. These are detailed in the Proposed Budget.

- Public Infrastructure
- Fiscal Sustainability & Economic Vitality
- Housing
- Climate Action
- Community Health

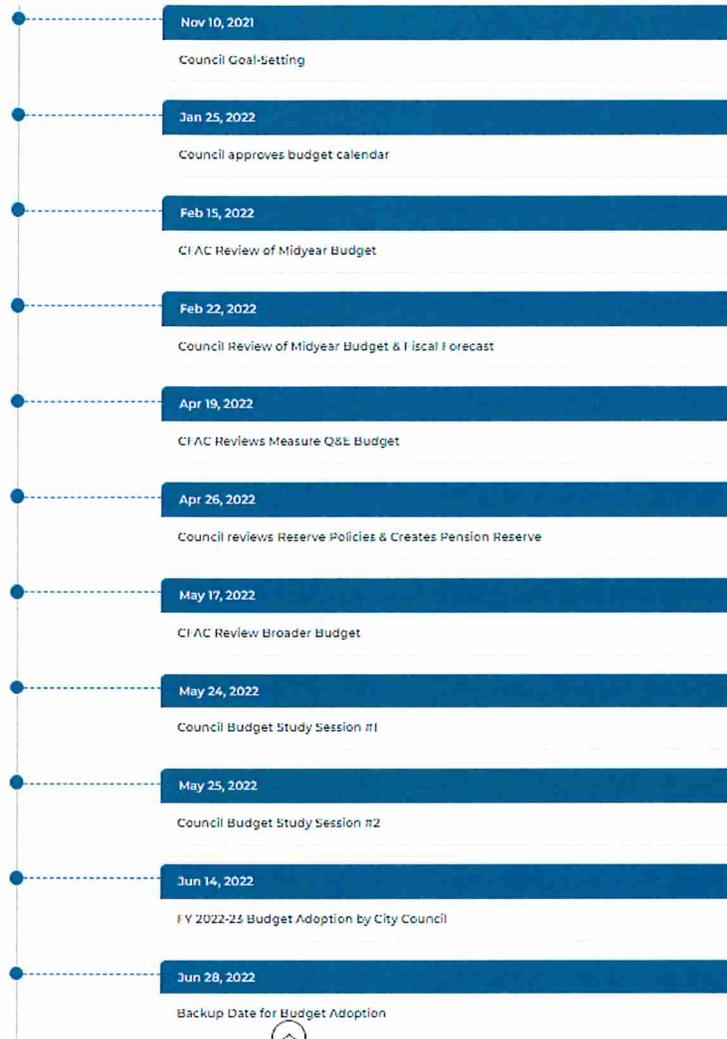
These goals are in addition to the full complement of services—police, fire, water, sewer, maintenance, community development, recreation, harbor, and code enforcement—that the City provides to the community on an ongoing basis.

The five-year fiscal forecast, presented to City Council in February along with prior year midyear budget amendments, is another key input into the budget process for the coming year. In February 2022, the General Fund forecast demonstrated a return to pre-pandemic revenue levels in key areas such as sales tax and transient occupancy revenue. This provided the City with the ability to restore services and positions in the midyear FY 2021-22 change that were eliminated at the onset of the COVID-19 pandemic.

Subsequently, staff works to prepare a draft proposed budget during the months of March and April, a thorough and time-consuming process that involves evaluating each line item in all of the City's 49 active funds and in each operating Department. This year, the City also carefully evaluated the highest priority needs for investment in capital infrastructure during the budget development process, with Finance staff working closely with the City's new Public Work team.

Beginning in April, there have been several opportunities for public input into various components of the proposed budget, including CFAC's April review of the Measure Q&E Fund Budget, Council's review of City reserve policies in April, and CFAC's May review of the proposed budget for the General Fund and six associated funds, comprising the majority of the City's operating budget. Council's Budget Study Sessions on May 24th and 25th offer additional public input opportunities on the entire FY 2022-23 Draft Proposed Budget, which was made available to the public on May 17th. Staff will incorporate any input from the Budget Study Sessions and bring back the final budget for adoption by City Council in June.

Budget Process – Key Public Input Dates



DISCUSSION

The total FY 2022-23 proposed expenditure budget of \$53.8 million net of transfers (\$76.5 million including transfers) includes \$35.1 million for operations and \$18.7 million for capital projects (both net of transfers). The total citywide revenue budget is \$46.4 million net of transfers (\$69.3 million including transfers). The remaining expenditure budget not from current-year revenues will be spent from fund balance in the Water and Sewer Funds to support water and sewer capital improvement project implementation.

The proposed FY 2022-23 budget funds the following: the operational departments which provide the following core services to our community, including police, fire, water, sewer, parks, roads, recreation, community development, code enforcement, and harbor; the supporting administrative services such as human resources, information technology, and finance; and funds 23 capital projects to improve

our shared built environment. The budget also funds efforts to achieve the City Council's goals of improving public infrastructure, achieving fiscal sustainability and economic vitality, addressing housing needs, climate action and improving community health.

Short-Term Factors: The Budget in Context

Continued Recovery - The City continues to experience financial recovery from the economic impacts of the COVID-19 pandemic. In the first several months of the pandemic, two of the City's main sources of revenue – sales tax and transient occupant tax (TOT) – plummeted drastically. It was a hard time for the community, the business community and the City organization. Fast forward to the summer of 2021, the City witnessed record TOT growth, as hotels enjoyed significant increases in their average daily rates combined with near pre-pandemic occupancy rates. At the same time, sales tax in virtually all business sectors jumped nearly 20% over the previous year, surpassing pre-pandemic levels. This record growth led to surpluses in the FY 2020-21 Budget, which have helped the City replenish spent reserves from the pandemic. This positive outcome, coupled with the infusion of new Measure E revenues, stabilized City operations and allowed for enhanced investment in our capital needs.

However, there are also some short-term factors that serve as cautions:

Inflation - Due in large part to COVID-19 impacts on the supply chain and significant consumer demand, inflation reached the nation's highest levels in 40 years this March. The Consumer Price Index (CPI) topped 8 percent for the year ending in March 2022 compared to the previous year. In addition, the California Construction Cost Index (CCCI) jumped 24.5% from April 2021 to April 2022. This inflationary pressure is felt in all aspects of our lives: grocery stores, restaurants and at the pump. As such, consumption rates and related taxes in California, SLO County and Morro Bay may fall. Significant pressure is also being felt by the City organization, as evidenced by rapidly increasing costs in City operations (staffing, supplies, and services) and capital projects.

Staffing - Another outfall from the pandemic is the "great resignation" or "great reshuffling" in the labor market as employees quit their jobs at rates far greater than the pre-COVID-19 period. Whether employees grew overwhelmed with the challenges of working during the global pandemic or sought better working conditions or better pay in different organizations, or changed careers, we are now experiencing a very low unemployment rate nationwide and quit rates remain high. This is creating labor shortages and intense competition for talent in all sectors and volatility, for organizations.

The public sector, particularly state and local government, has been hit hard by the labor shortage, and the trend could worsen in the near-term. According to a December 2021 survey by MissionSquare Research Institute, more than half of state and local workers said they were considering leaving their positions to retire, change jobs, or leave the workforce entirely. It is becoming harder to hire talent and keep talent in local government. The inability to hire and retain talent is both expensive for cities in terms of the hiring and training process, but vacancies also negatively impact local government's ability to provide core services to the community, and increases the burden on the remaining employees, thus creating a cycle of burnout and greater turnover.

Infrastructure Needs - Nationwide, across California and the Central Coast, and in Morro Bay, we are facing a looming crisis of infrastructure. Our infrastructure - roads, water, sewer, stormwater, harbor/ports, parks, facilities - the very things our community depends upon are increasingly falling into a state of disrepair. Morro Bay is not alone in this challenge. According to the American Society

of Civil Engineers 2021 Report Card for America's Infrastructure as a whole, the nation received a grade of C- for the condition of its infrastructure. That grade means that our infrastructure is "mediocre, needs attention." California received the same score as a state. This is especially true in coastal California as our infrastructure is exposed to the harsh marine environs that accelerate deterioration of our roads, pipes, tanks, and the like. The current work on the WRF as well as the recent sewer leak near the Cloisters area brings into sharp relief the need to invest in our infrastructure system. Morro Bay's infrastructure across the board is in need of repair. Important questions remain about what to prioritize most highly and how to fund the effort to repair and upgrade our infrastructure with a limited budget and staff.

Pension Liability - Like most California cities, Morro Bay has a significant unfunded pension liability. This liability has developed over decades and has been impacted by CalPERS and State regulatory contexts, leaving many aspects of this challenge out of the City's control. The City has taken incremental steps to address these liabilities over time. To address, the City has pursued cost sharing with employees, making additional discretionary payments when possible, and paying annual payments early in the fiscal year to receive nominal savings. Despite these incremental efforts, the size and scale of the remaining liabilities is significant. The CalPERS unfunded liability was estimated at just over \$27 million in the City's FY 2020-21 Annual Comprehensive Financial Report. This amount could increase given the anticipated poor returns for CalPERS for their investment in the current volatile market.

Conclusion - Taken altogether, City staff are forecasting a leveling off from recent record revenue growth in FY 2022-23. Staff are projecting modest increases in sales tax, TOT and Property tax (the City's three largest revenues for the General Fund). Further, the City is bracing for higher expenses in FY 2022-23 to keep pace with inflation. Finally, the City needs to make greater investments in its infrastructure and reduce its pension liabilities or face far higher costs in the future. The next section discusses what this all means in terms of City funding priorities and outlines the fiscally prudent approach we recommend taking as we develop the FY 2022-23 Budget.

Priorities and Issues

Projected modest revenue growth coupled with the infusion of new funding through Measure E, allows the City to invest in our "Big 3" - operations/people, infrastructure and pension liabilities. However, we must be mindful of inflation and market volatility that may drag the national and regional economy into a recession. A recession and associated reduced revenues could impact the City's ability to deliver services to our community. Thus, strong financial reserves levels are warranted.

Funding the "Big Three"

1. Operations - Services to our community depend upon our staff

The total proposed FY 2022-23 operations budget of \$35.1 million funds a wide array of services and continued efforts to achieve Council's goals. The key to delivering these services and achieving City goals is attracting and retaining highly qualified employees. The City, like most other organizations, suffered staffing reductions and turnover of many key positions in the aftermath of COVID-19. We have been fortunate to replace some of those positions, but some remain vacant. If this issue is left unaddressed, continued turnover will lead to higher costs for the City (in the form of training, overtime, and need for outside support for highly technical matters) and could lead to significant service

disruptions to our community. Thus, the proposed budget includes several important initiatives to counteract the trend and ensure the City of Morro Bay remains a desirable place to work.

- The budget includes a placeholder for compensation increases for all employees. The goal is to ensure employees receive fair increases in compensation compared to neighboring jurisdictions. The City is currently in negotiations with all bargaining groups (Police, Fire and Service Employees International Union). The City will update the budget if needed once those final agreements are in place.
- Staff is recommending that the City conduct a staffing class and compensation study. The study will compare our compensation rates with other similar communities across all position types. With this study in hand, the City can address equity issues to ensure compensation does not dissuade people from beginning or continuing to work for the City.
- The budget includes funding for training, teambuilding and culture. It is clear from the pandemic that folks are more intently evaluating their lives. Finding meaning in work and being part of an organization that values their input are increasingly important. Thus, staff is requesting funding for training to ensure our staff have the tools and skillsets to perform their duties. The budget has funding for teambuilding efforts across the organization so that we can build a values system. This effort will help build expectations that work will provide meaning, and we will also get things done together. It will help us ensure that with many new staff members, we build a lasting and successful culture, and learn to work together well. These efforts can serve to help motivate current employees and attract talent.
- Staff is requesting funding for an organizational assessment. The world is rapidly evolving, and work is a core part of that evolution. Thus, staff believes an assessment is warranted to evaluate our ability to deliver core services effectively in a changing world and identify gaps and areas for innovations. The assessment will include robust engagement with the very staff who participate in service delivery to a) make sure they know they are valued and b) ensure we utilize their expertise to make needed improvements.

2. Capital Investment - Increasing investment to get projects done

The budget allows the City to invest in critical infrastructure improvements by allocating \$18.7 million to 23 capital projects. These investments are made possible in large part thanks to our community's support for water and sewer rates and with their approval of Measure E. The City is also better able to execute on some key projects because of added staffing in the Public Works Engineering Division, which may be supplemented by contractual assistance when necessary and advisable. While these investments in known capital needs are important, the City must also professionally assess unknown capital challenges. Thus, this budget also includes funding to assess our harbor/waterfront infrastructure and other city infrastructure. Lastly, rapidly increasing inflation is stretching our investment dollars thinner, impacting our ability to fund and complete projects. Hope is on the horizon, however, as state and federal dollars and other sources of revenue are becoming available.

3. Pension liabilities - Reducing long-term liabilities through consistent short-term actions

The FY 2022-23 includes actions to address the City's unfunded pension liability, as follows:

- *Pension Reserve Policy & Trust Fund* - The next step in addressing the remaining significant unfunded liability is the creation of a section 115 pension trust fund, similar to the City's existing trust fund for other post-employment benefits, which is almost fully funded. Based on City Council's direction to establish a pension reserve policy that will guide current and future

contributions to the pension trust fund, \$1.06 million in contributions to that fund are budgeted in FY 2022-23. Once invested in that fund, which will allow for higher rates of return than other City investments allow, those funds can only legally be used to make payments towards City pension costs. The newly adopted pension reserve policy will allow the City to make additional future contributions to the trust fund on the heels of good financial years where a surplus is realized and operating reserve policies have already been met. The FY 2022-23 contribution includes funding from the General Fund, Water Fund, Sewer Fund, and Harbor Fund, commensurate with their proportionate shares of the total pension liability.

- *Employee Cost Sharing* - The City is also evaluating opportunities to moderately increase City employees' share of pension costs, particularly for the roughly half of City employees who entered the system prior to pension reform and currently pay a lower share of the total cost of higher-cost and more generous retirement benefits. The City has secured employee cost sharing in the past, which helps to reduce the City's long-term liabilities without overly impacting employees' take-home pay.

Fiscal prudence - Prepared for emergencies and economic instability

The proposed budget also creates a financial buffer against future emergencies and economic slowdowns in the form of prudent revenue projections and meeting all of the City's robust financial reserve levels. The City must also do what it can to sustain and grow its local economy.

- *Prudent Revenue Projections* - Roughly one-quarter of the City's revenues come from the relatively volatile revenue sources of sales tax (15% of total revenue) and transient occupancy tax (9% of total revenue) that fluctuate with economic trends and tourism levels. These tax revenues, along with the more stable property tax revenues (11% of total revenues) are used to provide general services that are not covered by anyone receiving an individual benefit from a service, such as public safety services and infrastructure maintenance. Approximately 46% of the City's total revenue comes from charges for current service such as water and sewer rates revenues, harbor lease revenues, and fees for recreation services, which are used to cover the cost of providing the service to individuals that benefit directly from a service and therefore pay for it directly. The City projects relatively conservatively for the less predictable revenue sources. Both sales tax and TOT have experienced rapid growth post-pandemic, rebounding to levels higher than pre-pandemic levels during FY 2021-22, and property tax has continued its relatively stable gains of 3-4% per year in recent years. Going forward, much more moderate growth (in the 2-3% range) is projected for both sales tax and TOT revenues in FY 2022-23 and subsequent years, while property tax is projected to continue its 3-4% growth per year trend. These projections are derived in partnership with San Luis Obispo County for property tax, HdL sales tax consultants for sales tax, and Visit Morro Bay for TOT.
- *Robust City Reserve Levels* - As a small City with a large share of revenues associated with tourism activity, the City of Morro Bay has robust reserve policies to ensure that it can weather economic downturns, natural disasters, or other emergencies and maintain core City services. The need for these reserves became particularly apparent through the significant impact on the City from the COVID-19 pandemic. The City was fortunate to have some reserves from which to drawdown to continue providing core services, but significant budget cuts were still required. The recovery from the pandemic has allowed the City to restore and expand reserve levels. At the end of FY 2022-23, this budget projects that reserve levels in the General Fund and associated funds (Vehicle Replacement, Compensated Leave, Capital Project

Accumulation, etc.) will total approximately \$8.6 million, collectively across those various reserves, reaching a level of approximately 50% of General Fund operating expenditures in FY 2022-23. Reserves in the major enterprise funds and Internal Services funds all meet or exceed their targets at the following levels: Water (\$1.7 million), Sewer (\$1.5 million), Harbor (\$0.4 million), Risk Management (1.0 million), and Information Technology (\$0.3 million) all also exceed minimum target levels of 15-25% of operating expenditures. This strong reserve position has been achieved through Council's commitment to fiscal sustainability. A comprehensive list of City reserve policies can be found in the Financial Policies section of the budget, and each Fund Summary presents the historic and projected fund balance and reserve level if a reserve policy exists for that fund. **Citywide, the estimated FY 2022-23 year-end reserves will total \$13.5 million.**

- *Invest in Economic Development* - Lastly, and related to fiscal and economic sustainability, the proposed budget invests in partnerships with Morro Bay Chamber to provide economic development services on behalf of the City. This effort, combined with strong relationships with Visit Morro Bay, Visit SLO CAL, and REACH (a SLO County and Santa Barbara County regional economic non-profit) will help the City and business community to strengthen existing industries and help diversify our local economy. Playing to our existing strengths and adapting to the changing world and taking advantage of opportunities such as green energy will position our community to be sustainable into the future.

Personnel

Due to the recovery from the pandemic, revenue growth, and the voters' passage of Measure E in 2020, the City has been able to restore staffing to pre-pandemic levels and in some cases increase staffing moderately where resources have been particularly constrained.

Personnel Changes

The FY 2022-23 budget adds a net total of 2.1 full-time positions and 7 full-time equivalent part-time positions (in terms of the total number of hours budgeted), for a Citywide total of 105.1 full-time positions and part-time staffing that equates to 28.7 full-time positions, in terms of the number of part-time hours budgeted.

For FY 2022-23, the staffing changes are as follows:

- Addition of a Community Services Officer non-sworn position in the Police Department to assist the Department with significant workload challenges
- Addition of a Building Inspector/Code Enforcement Officer in Community Development to support the short-term rental ordinance implementation and to address increased needs for building inspections and plan checks
- Addition of an Administrative Technician in the Public Works Department to help support departmental operations, financial administration, and capital project support
- Deletion of an Environmental Programs Manager in the Public Works Department, duties to be covered by other positions
- Addition of part-time staffing in the Recreation Services Division that equates to 4.6 additional full-time positions, continuing to restore services to pre-pandemic levels

- Addition of part-time staffing in the Fire Department that equates to 2.0 additional full-time positions, to ensure sufficient reserves are available during wildfire season
- Smaller adjustments to part-time staffing levels in other departments (representing less than one full-time equivalent position Citywide)

Other Personnel Factors

Remaining Staffing Deficiencies - There are still areas of the organization where staffing deficiencies remain. The City is engaging the Centre for Organization Effectiveness to conduct an organizational assessment of the Harbor Department currently and will engage them to conduct broader organizational assessments in FY 2022-23. There are many areas where the City's current staffing levels demand very high workloads of staff, also contributing to burnout and turnover. In addition, there are areas where the City may be missing out on opportunities, such as the ability to apply for grant revenues or to implement best practices in key areas due to a lack of staffing capacity. In addition, limited staffing levels do not always allow for sufficient training or professional development opportunities for staff, or for succession planning, which is critical to such a small organization. Despite incremental staffing increases, the City continues to provide a broad array of services as a full-service City--where public safety services are not contracted out and where utilities are provided directly by the City--using a very small staff team.

Increasing Wages - The City is currently in labor negotiations with all three bargaining groups, whose contracts all expire on June 30, 2022. As inflation hits record levels, wages have also increased. While the City of Morro Bay's current labor negotiations are still ongoing, the City anticipates increasing pressure on salaries and wages in the near future. This is a challenge when the City's revenues are not projected to increase at the same rates as wages may, and as non-salary personnel costs are also increasing.

Increasing PERS costs - CalPERS recently lowered its discount rate, or projected rate of return, from 7.0% to 6.8%, which will result in mandatory increases in employer's PERS costs, and in employee costs for those employees who entered the system after pension reform in 2012 (referred to as PEPRA employees). Employer costs are projected to rise by 2-5 percent in FY 2023-24. If CalPERS experiences even lower market returns in the near future, they may further lower the discount rate, which would further increase required employer contributions. These "normal cost" contributions for current year-retirement benefits are on top of the City's one-time unfunded actuarial liability (UAL).

Other Post-Employment Benefits - These present and anticipated cost increases will be offset to a small degree by eliminating additional contributions to the City's Other Post-Employment Benefit (OPEB) trust account in FY 2022-23 and going forward. That trust fund is largely fully funded, and discussions with the City's financial advisors and actuaries have confirmed that the City should direct any available funds to the much larger unfunded CalPERS liability instead.

Operating Budget & Major Fund Forecasts

The Proposed Budget includes \$50.6 million in operating revenues in FY2022-23. Net of transfers in from other funds, the operating revenue budget is **\$46.1 million**, an increase of \$1 million or an **increase of 2%** over the prior year's operating budget net of transfers in.

Budgeted operating expenditures are \$57.8million in. Net of transfers out to other funds, the operating expenditure budget is **\$35.1 million**, up only \$0.2 million or **an increase of 0.5%** from the prior year's budget.

While the attached slide deck presentation (Attachment 2) provides more visual depictions of the proposed operating budget and the [linked FY 2022-23 Proposed Budget document](#) (Attachment 1) provides a high level of detail, this report will focus on high points and major changes or items of note in the proposed operating budget.

While Morro Bay has 49 active funds currently, just five funds account for approximately 90% of the City's revenues and expenditures—the General Fund, Measure Q&E Fund, Water Fund, Sewer Fund, and Harbor Fund. This discussion will focus on these major funds and will present budget highlights as well as updated five-year forecasts for these funds.

General Fund

The General Fund is the City's primary unrestricted source of funds and its primary and largest operating budget fund. The City of Morro Bay is projecting \$18.3 million of revenue in FY 2022-23, which represents an 9% increase over the prior year. Budgeted expenditures are projected to increase by 25% to \$20.8 million in FY 2022-23, including transfers and one-time expenditures. The expenditure budget net of transfers and large one-time expenditures is \$16.3 million, an increase of 6% from the FY 2021-22 Amended Budget (net of transfers).

As outlined below, approximately \$2.6 million in expenditures are for interfund transfers to other funds, including capital improvement funds, internal service funds, and other components of the General Fund that are used to track reserves committed for certain purposes. Approximately half of the transfers, totaling \$1.5M, are one-time transfers to build reserve balances consistent with the Council-approved City Reserve polices:

- \$1.1M of those transfers is a one-time transfer to the General Fund Emergency Reserve Fund,
- \$0.3M is to the General Fund Vehicle Replacement Fund, and
- \$0.1M is to the General Fund Compensable Leave Fund.

These all reflect moving existing fund balance from one component of the General Fund to another, as these funds are all reported with the General Fund in the ACFR.

There are also large one-time expenditures totaling approximately \$1.9 million for debt payoff (\$1.1 million) and addressing the City's unfunded pension liability (\$0.8M). These will come from fund balance, using one-time property sale proceeds for the debt payoff and using prior year surplus to address pension liability, consistent with the City's adopted pension reserve policy (Resolution 37-22).

Net of these one-time transfers and expenditures totaling almost \$3.5 million, the City's General Fund expenditures total approximately \$17.1 million, resulting in an operating surplus of approximately \$1.2

million. This surplus is due in part to a one-time revenue of \$0.7 million from American Rescue Plan Act funds to support government services through and in the wake of the pandemic.

The proposed budget includes placeholder numbers for labor negotiations, which are still ongoing with the City's three represented bargaining groups.

Major General Fund Revenue Sources

Property Taxes - San Luis Obispo County Auditor-Controller provided property tax revenue estimates for FY 2022-23. Revenues are estimated at approximately \$5 million, up about 1% from the prior year budget. This number is lower than the recent average of 3-4% annual growth, in part because budget projections in FY 2021-22 were high.

Transient Occupancy Tax (TOT) - Visit Morro Bay provided TOT revenue estimates for FY 2022-23. Revenues are estimated at approximately \$4 million, up 2% from the prior year budget. Visit Morro Bay, consistent with HdL's sales tax projections below, projects a strong summer that may be followed by slower levels of visitation later in the fiscal year if a recession occurs. This 2% growth estimate is relatively conservative, consistent with the fiscal prudence discussion above.

Sales Tax - HdL, the City's sales tax consultant, provided sales tax revenue estimates for FY 2022-23. Revenues are estimated at approximately \$2.7 million, up almost 9% from the prior year budget. The FY 2022-23 projection from HdL is actually only up 2% from their FY 2021-22 projection, though because the City did not increase the amended budget by as much as HdL increased their projection, the growth of the FY 2022-23 budget number appears higher. Staff spoke in detail with HdL about a potential recession, which is not anticipated to occur until the latter part of the fiscal year, if it does occur. The budgeted figure is still slightly below HdL's total projected revenue for the City, also consistent with the City's conservative revenue budgeting practice.

Revenues from Current Services - This category includes revenues from Recreation activities, Community development planning activities, Fire Department mutual aid revenues, and other smaller items. Each of these categories is increasing somewhat in FY 2022-23, resulting in estimated Revenues from Current Services of \$2 million, up 4.6% from the prior year's budget. Note that this budget is reviewed by line item, resulting in an average increase of 4.6% citywide; one-time revenues from individual development projects, for example, are not carried forward as projected ongoing growth. The projected citywide growth rate is less than the Master Fee Schedule increase approved by Council this spring.

Interfund Revenue Transfers - This budget increased significantly from prior year due to a one-time transfer in of American Rescue Plan Act (ARPA) funds to provide core government services.

General Fund Expenditures

Detailed departmental expenditures are presented in the Proposed Budget document under the "Departments" section, and include expenditures by Department for each fund, including the General Fund. The Police Department continues to be the largest departmental expenditure budget in the General Fund, followed by the Fire Department and Public Works Department. Collectively, these departments (Community Development, Recreation, City Manager's Office, and Administrative Services) account for almost two-thirds of the General Fund budget, net of transfers. The remaining departments each comprise approximately 7-9% of the General Fund budget each, with City Attorney representing just under 3% and City Council representing under 1% of the General Fund Budget.

By expenditure type, there are some high points to highlight:

Personnel – General Fund personnel costs have increased by 11.6% from the prior year, due in part to adding one net new position to the General Fund (outlined in the staffing summary section of the budget), adding part-time costs to the budget to reflect increasing workload primarily in the recreation area as services are restored after the pandemic, and due to anticipated personnel cost increases pending the outcome of labor negotiations. Given the high levels of inflation this year, cost of living adjustments for staff will need to reflect a reasonable increase in order to ensure that the City is able to recruit and retain talented staff to provide critical City services. While the cost of personnel has increased, it represents a smaller percentage of the budget this year relative to the overall budget. These increases are offset by the elimination of Other Post-Employment Benefits (OPEB) contributions to the OPEB trust fund, given that it is largely fully funded. CalPERS normal costs have not yet increased in FY 2022-23 but are anticipated to increase in FY 2023-24 due to CalPERS's lowered discount rate (projected rate of return), which will take effect that year.

Supplies & Services – Supplies and services budgets have increased by 7% and 8%, respectively from the prior year to reflect inflationary costs of purchasing supplies. This represents increasing costs of providing services rather than additional service provision.

Contribution to Capital Projects – The General Fund's contribution to capital projects is as follows, consistent with the February General Fund forecast's aim to contribute approximately \$0.5 million from the General Fund to CIPs in each fiscal year. This is supplemented by Measure Q&E Fund contributions for a total contribution to CIPs of over \$3 million in FY 2022-23, higher than any prior single fiscal year. Fund forecasts project an ability contribute roughly \$2 million per year between the two funds, going forward.

Transfers to Capital Improvement Projects

These contributions are all to the General Government Capital Projects Fund (915).

Project	Amount	One-Time/Ongoing
Citywide Capital & Facilities Planning	\$200,000	One-time
Lila Keiser Pkg Lot & ADA Upgrades	\$120,000	One-time
Sequoia Ct Storm Drain Repair	\$120,000	One-time
Electric Vehicle Charging Stations	\$40,000	One-time
Local Match to LRSP Roads Funding	\$10,000	One-time
Total	\$490,000	

General Fund Reserve Balances – The General Fund and all related funds meet or exceed the minimum reserve policies set by the Council and updated on April 26, 2022 in Resolution 37-22.

- General Fund (001) \$1.5 million
- General Government Compensable Leave Fund (005) \$0.3 million
- General Fund Vehicle Replacement Fund (050) \$0.7 million
- General Fund Emergency Reserve Fund (051) \$5.4 million
- General Fund Facility Maintenance Fund (052) \$0.1 million
- General Fund Capital Accumulation Fund (460) \$0.6 million
- General Fund Project Accumulation Fund (470) N/A (moved to 460)

Total General Fund Reserves Projected at FY 2022-23 Year-End \$8.6 million

Five-Year General Fund Forecast –The updated forecast demonstrates the General Fund will continue to have an operating surplus for most of the forecast period (net of one-time expenditures in FY 2022-23 described above). The forecast conservatively projects that sales tax revenues will increase by 3% in FY 2023-24 (HdL projects 3.5%), and 2% in the out years, projects that property tax will grow by 3% annually based on County projections, and that TOT revenues will grow by 3-4% per year based on Visit Morro Bay’s projections. Expenditures are projected to increase by 5% per year, except for pension UAL costs, which are calculated using the CalPERS pension tool and have different rates of growth each year. The forecast assumes that the General Fund will contribute \$0.5 million per year to capital projects. These conservative assumptions result in the General Fund Emergency Reserve policy being met through FY 2023-24, but not thereafter. It is possible that the City performs better than this conservative forecast, which would meet the reserve policy in out years.

GENERAL FUND (001)	Forecast					
	FY 2022 Projected	FY 2023 Budget	FY 2024	FY 2025	FY 2026	FY 2027
Revenue						
Property Tax	4,993,610	5,037,900	5,189,037	5,344,708	5,505,049	5,670,201
Sales Tax	2,460,456	2,690,000	2,770,700	2,826,114	2,882,636	2,940,289
Transient Occupancy Tax	3,927,869	4,006,000	4,126,180	4,249,965	4,419,964	4,596,763
Other Revenue	4,593,677	4,512,984	4,648,373	4,787,825	4,931,459	5,079,403
Transfers In	1,218,364	2,101,864	1,424,920	1,467,668	1,511,698	1,557,048
TOTAL REVENUE	17,193,976	18,348,748	18,159,210	18,676,280	19,250,807	19,843,704
Expense						
Personnel	11,099,528	11,997,342	12,555,862	13,080,009	13,581,402	14,148,523
Operational Costs	8,591,668	9,797,999	10,287,899	10,802,294	11,342,409	11,909,529
Ongoing costs for long-term liabilities (PERS)	2,507,860	2,199,343	2,267,963	2,277,715	2,238,994	2,238,994
Other Operations & Maintenance	3,690,296	4,265,074	4,478,328	4,702,244	4,937,357	5,184,224
Transfers Out	833,166	2,070,769	632,769	632,769	632,769	632,769
Debt Service Payments	-	1,133,979	35,189	35,189	35,189	35,189
TOTAL EXPENSE	15,622,990	19,467,164	17,702,148	18,450,211	19,186,717	20,000,705
Net Surplus (Shortfall)	1,570,986	(1,118,417)	457,063	226,068	64,090	(157,001)
Capital	456,522	490,000	500,000	500,000	500,000	500,000
Net Surplus (Shortfall) including Capital	1,114,464	(1,608,417)	(42,937)	(273,932)	(435,910)	(657,001)
Contribution to 115 Trust	-	826,000				
Starting Fund Balance		3,955,000	1,520,583	1,477,646	1,203,715	767,804
ENDING FUND BALANCE	3,955,000	1,520,583	1,477,646	1,203,715	767,804	110,803
General Fund Emergency Reserve Fund Balance	4,290,000	5,377,000	5,377,000	5,377,000	5,377,000	5,377,000
Total Fund Balance as % of Total Operating Expenses (Gen Fund and GFER Total / GF + Q&E Operating)	44.2%	33.3%	33.9%	31.2%	28.0%	24.0%
Minimum Reserve Levels	MET	MET	MET	NOT MET	NOT MET	NOT MET
General Fund Emergency Reserve Policy: 33% prior year operating expenses. Includes Measure QE fund operating expenses.	6,158,489	6,844,436	6,673,790	6,956,921	7,235,531	7,543,581
Measure QE Fund Operating Expenses (excluding transfers)	3,039,097	2,647,531	2,521,459	2,631,366	2,739,133	2,858,630
Exclude from calculation - Loan Payoff		1,373,979				

NOTES
In years the minimum reserve levels are met, the General Fund will contribute 33% of available balance to a Section 115 Trust to address pension liabilities.

CFAC's input on the General Fund – The Citizens' Finance Advisory Committee (CFAC) reviewed and provided input on the General Fund at their May 17th meeting. The committee voted to accept

the General Fund budget, and that of six related funds (Compensated Leave, Facilities Maintenance, Vehicle Replacement, General Fund Emergency Reserve, Capital Accumulation, Project Accumulation) as presented, but asked staff to pass along comments from individual members. Those comments, at a high level, included the following. CFAC members commented the sales tax revenue projections seemed aggressive and the TOT projections seemed conservative, which staff evaluated and has explained above. CFAC members requested in the future that additional information about third-party revenue assumptions be provided, which staff will try to do to the extent that such information is available and public. CFAC members asked about the reserve calculation in the vehicle replacement fund, which staff reviewed and determined that it is based on the original purchase value of the General Fund vehicles, not the depreciated value, and that it is only based on vehicles, not on other equipment. CFAC requested presentation of the General Fund and Measure Q&E funds together, which staff will try to do in future budget years.

Measure Q&E Fund

The Measure Q & E Fund is a major governmental fund that tracks the receipt and expenditure of the one and one-half cent local transaction and use tax approved by Morro Bay voters. Revenues are projected at \$4.3 million of revenue, which represents a 9% increase over the prior year. Budgeted expenditures are projected to increase by 14% to \$5.2 million in FY2022-23. Expenditure numbers include a preliminary placeholder pending the results of ongoing labor negotiations; personnel costs may change pending the outcome of negotiations. Proposed expenditures exceed projected revenues by approximately \$0.9 million in order to utilize the majority of the FY 2021-22 projected fund balance of \$1 million for capital projects. The proposed budget leaves a small amount of the projected FY 2021-22 fund balance available due to anticipated personnel cost increases, which are pending resolution of labor negotiations.

Measure Q&E Fund Revenues

Revenues are projected at \$4.3 million of revenue, which represents a 9% increase over the prior year. The City uses HdL Companies, which specializes in tax revenue for municipalities in California, to provide sales tax projections, including Measure E revenue projections. Revenues are now remitted by the State entirely as Measure E revenues, reflecting the increase from one-half percent to a total one and one-half percent local transaction and use tax. HdL, the City's sales tax consultant, provided sales tax revenue estimates for FY 2022-23, which is actually only up 2% from their FY 2021-22 projection, though because the City did not increase the amended budget by as much as HdL increased their projection, the growth of the FY 2022-23 budget number appears higher. Staff spoke in detail with HdL about a potential recession, which is not anticipated to occur until the latter part of the fiscal year, if it does occur. The budgeted figure is still slightly below HdL's total projected revenue for the City, also consistent with the City's conservative revenue budgeting practice.

Measure Q&E Fund Expenditures

The City Council-adopted principles and priorities for Measure Q & E Fund expenditures are:

1. Maintain public safety services by funding staff positions that are most closely aligned with the purposes of the Measures Q and E. Expenses include costs associated with Morro Bay Fire Department, Morro Bay Police Department and Morro Bay Harbor Department personnel and equipment, in addition to the Fire Headquarter debt service and the Fire engine loan repayment;
2. Maintain or enhances the cleanliness and safety of public space such as parks, waterfront and the beach by funding personnel, supplies, 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, and vehicle replacements that support City services. This priority may include increasing capacity to implement the backlog of unfunded capital projects.
4. Ensure financial health of the City by maintaining appropriate reserves to protect against economic downturns, natural/health emergencies and other unforeseen challenges or opportunities.

Ongoing Expenditures – Primary changes to ongoing expenditures include the following:

- Police – The addition of a Community Services Officer Technician, a new non-sworn position that will assist patrol officers with providing non-emergency services to the community of Morro Bay. The Police Department previously employed both a code enforcement officer and a community services technician/crime prevention officer; the positions were eliminated due to severe budget cuts in 2005.
- Fire – budgeting the part-time reserve program in the Measure Q&E Fund. This program includes 10 part-time Reserve Firefighters, which are utilized to augment Fire Department staffing, allowing for response to large incidents such as fires, rescues, and disasters. The Reserves participate in public events, perform commercial business inspections, and fill in to cover for leave time when full-time personnel take leave. Reserves also participate in the City's response to mutual aid assignments for wildland fires throughout the State. This budget increase is offset partially by the elimination of all Fire supplies and services budget from the Measure Q&E Fund.
- Public Works – the continuation of a Maintenance Superintendent position and an Associate Engineer position, both approved by Council in the FY 2021-22 midyear budget adjustments.
- Harbor – Including the part-time Harbor Reserves program in Measure Q&E this to allow the Harbor Department to maintain current service levels to keep the harbor and beaches safe and clean, and to maintain 911 emergency response.

One-Time Expenditures – The Measure Q&E Fund proposed budget includes a one-time loan-payoff expenditure and one-time contributions to six capital projects.

- **Fire Station Loan Payoff Contribution (\$240,000)** - The remaining principal balance on the Fire Station loan from the USDA is approximately \$1.2 million. Net proceeds from the sale of the Coral Avenue property, including past interest payments received by the General Fund as well as the lump sum payment received in December 2021, will cover the remainder of the anticipated payoff. Given that the Measure Q & E fund is currently making principal and interest payments on the loan, at an interest rate of 3.75%, Measure Q & E Fund would save approximately \$500,000 in interest over the life of the loan by paying the loan off now, consistent with 2016 Council direction.

Capital Improvement Projects (CIP) - These projects are presented in detail in the CIP section of the proposed budget.

Capital Project	FY 2022-23 Measure Q & E Budget
FY 2022-23 Pavement Management	\$1,380,000
SRI/SR41/Main St Intersection Improvements	\$600,000
Automated License Plate Reader camera system	\$159,000
Citywide Speed Survey	\$75,000
ADA Accessibility Upgrades at Quintana and Main	\$90,000

Capital Project	FY 2022-23 Measure Q & E Budget
Boat Launching Facility Ramp Replacement	\$210,000
Total Measure Q & E CIP Budget	\$2,514,000

Measure Q&E Five-Year Forecast –

The Measure Q&E Fund forecast uses the same assumptions as the General Fund, conservatively projecting that sales tax revenues will increase by 3% in FY 2023-24 (HdL projects 3.5%), and 2% in the out years. Expenditures are projected to increase by 5% per year, except for pension UAL costs, which are calculated using the CalPERS pension tool and have different rates of growth each year. These projections result in Measure Q&E Fund's ability to continue to contribute almost \$2 million per year to capital projects. It is appropriate to maintain a balance of ongoing and one-time expenditures in this fund given that it does not have a highly stable or diversified revenue base. This fund does not have a reserve policy, as it is incorporated into the General Fund Emergency Reserve Policy.

MEASURE QE FUND (003)	FY 2023 Budget	FY 2024	Forecast		
			FY 2025	FY 2026	FY 2027
Revenue					
Tax Revenue	4,292,000	4,420,760	4,509,175	4,599,359	4,691,346
Other Revenue	-	-	-	-	-
Transfers In	-	-	-	-	-
TOTAL REVENUE	4,292,000	4,420,760	4,509,175	4,599,359	4,691,346
Expense					
Personnel	2,118,951	2,218,450	2,313,207	2,405,066	2,507,859
Operational Costs	1,775,929	1,864,725	1,957,962	2,055,860	2,158,653
Ongoing costs for long-term liabilities (PERS)	343,022	353,724	355,245	349,206	349,206
Other Operations & Maintenance	288,580	303,009	318,159	334,067	350,771
Transfers Out (Loan Payoff in FY 23)	240,000	-	-	-	-
Debt Service Payments	-	-	-	-	-
TOTAL EXPENSE	2,647,531	2,521,459	2,631,366	2,739,133	2,858,630
Net Surplus (Shortfall)	1,644,469	1,899,301	1,877,809	1,860,225	1,832,716
Capital	2,514,000	2,000,000	1,900,000	1,850,000	1,850,000
Net Surplus (Shortfall) including Capital	(869,531)	(100,699)	(22,191)	10,225	(17,284)
Starting Fund Balance	1,021,086	151,555	50,856	28,665	38,890
ENDING FUND BALANCE	151,555	50,856	28,665	38,890	21,606
Fund Balance % of Total Operating Expenses	3%	1%	1%	1%	0%

CFAC's input on the Measure Q&E Fund – The Citizens' Finance Advisory Committee (CFAC) reviewed and provided input on the Measure Q&E Fund at their April 28th meeting. The committee voted to recommend the Measure Q&E Fund budget to Council as presented, but asked staff to pass along comments from individual members. Individually, CFAC members commented that they would like to see out-year projections for the fund. Staff has completed that since the April meeting and it is included here below. A member also voiced concern about out-year funding for the Hwy 1 – 41 project, which is consistent with Council direction to commit City funds in order to receive SLOCOG funding for the project. A member voiced the importance of balancing that "savings" type of budget with tangible improvements now, consistent with the majority of FY 2022-23 CIP contributions which are intended for implementation now. One member voiced concern with budgeting Public Works administrative staff in the Fund and wanted to ensure the City has a way to fund the Hwy 1-41 project if SLOCOG funding falls through. One member wanted to ensure that the City has adequate funding

mechanisms for planning to maintain all underground infrastructure, which is less visible to the public. Members generally voiced support of the fund budget as presented, or various components of it, in addition to the concerns and comments voiced.

Water Fund

The Water Operating Fund is a self-supporting enterprise fund that accounts for all income and expenses associated with the City's water utility operation. Its primary revenue source is water sales to residents and businesses.

Water Fund Revenues

The City of Morro Bay is projecting \$7.7 million of revenue in FY 2022-23, which represents a 2.2% increase over the prior year. All ongoing revenues to the Water Fund come from ratepayers purchasing Water from the City. Ongoing revenues are projected to be relatively stable since rates are not increasing in FY 2022-23.

Water Fund Expenditures

Budgeted expenditures are projected to increase by 6.5% to \$9.0 million in FY 2022-23. These expenditures include one-time transfers out of the fund for capital projects. Absent capital costs, the fund has a significant operating surplus.

Personnel, Services, and Supplies - Budgeted costs are increasing in part due to anticipated operations of the new Treatment Facility. Many of these costs are rough estimates until the City has experience operating the facility, and therefore, are conservatively budgeted. In addition, personnel costs are increasing citywide, and this budget includes a placeholder for labor negotiations, which are currently ongoing, pending completion of updated Memorandums of Understanding with the City's labor groups. Finally, utilities costs and other supplies and services' costs continue to increase with inflation.

Interfund Transfers - Budgeted interfund transfers in FY 2021-22 and FY 2022-23 include the following:

- Transfer to General Fund for Cost Allocation Plan internal services - \$253,428
- Transfer to Information Technology and Risk Management Funds - \$55,796
- Transfer to Water CIP fund for Water CIPs outlined in CIP budget - \$444,000
- Transfer to Sewer CIP for Water's portion of non-financed FY 2022-23 WRF budget - \$3,184,631

Water Fund Balance

While the Annual Comprehensive Financial Report (ACFR) and the present enterprise fund balances on a net position basis, which includes long-term assets and liabilities, a useful near-term way to view the near-term fund balance is by looking at working capital, which is defined as near-term assets minus near-term liabilities. The Water Operating Fund's level of working capital was approximately \$14.3 million at that start of FY 2021-22. This far exceeds the City's minimum reserve policy for the Water Fund, which requires a reserve balance of approximately \$1.7 million in FY 2022-23.

Water Fund Five-Year Forecast

The Water Fund baseline forecast includes no rate increases. Its capital expenditure projections are tied to the Proposed Budget numbers and will likely change when the OneWater plan is updated. Based on current projected capital needs, which are likely to increase in cost based on very high

construction cost index increases, the Water Fund will not be able to meet its reserve policy in the latter part of the forecast period, with the current rate structure.

WATER OPERATING FUND (311)	FY 2023 Budget	FY 2024	Forecast		
			FY 2025	FY 2026	FY 2027
Revenue					
Rate Payer Revenue	7,604,000	7,604,000	7,604,000	7,604,000	7,604,000
Other Revenue	100,200	100,200	100,200	100,200	100,200
Transfers In	-	-	-	-	-
TOTAL REVENUE	7,704,200	7,704,200	7,704,200	7,704,200	7,704,200
Expense					
Personnel	1,118,302	1,170,407	1,219,378	1,266,286	1,319,286
Operational Costs	915,659	961,442	1,009,514	1,059,990	1,112,989
Ongoing costs for long-term liabilities (PERS)	202,643	208,965	209,864	206,296	206,296
Other Operations & Maintenance	3,862,786	4,055,925	4,258,722	4,471,658	4,695,241
Transfers Out (Ongoing)	309,224	309,224	309,224	309,224	309,224
Debt Service Payments	-	-	1,219,000	1,219,000	1,219,000
TOTAL EXPENSE	5,290,312	5,535,557	7,006,324	7,266,168	7,542,750
Net Surplus (Shortfall)	2,413,888	2,168,643	697,876	438,032	161,450
Capital	3,628,631	3,831,747	10,034,842	8,762,119	63,000
Net Surplus (Shortfall) including Capital	(1,214,743)	(1,663,104)	(9,336,966)	(8,324,087)	98,450
Contribution to 115 Trust	70,000	-	-	-	-
Starting Fund Balance	16,523,753	15,239,010	13,575,906	4,238,941	(4,085,146)
Transfer in from Accumulation & Equipment Replacement Funds (projected)	-	-	-	-	-
ENDING FUND BALANCE	15,239,010	13,575,906	4,238,941	(4,085,146)	(3,986,696)
Fund Balance % of Total Operating Expenses	250%	212%	63%	-58%	-54%

Minimum Reserve Levels	MET	MET	MET	NOT MET	NOT MET
Debt Coverage Ratio of 1.2 or greater	N/A	N/A	1.6	1.4	1.1
Operating: 25% Annual Operating Expenses (PY Budget)	1,240,625	1,524,848	1,599,185	1,674,369	1,751,057
Rate Stabilization: 5% of prior year's rates	372,200	380,200	380,200	380,200	380,200
Vehicle Replacement: 20% of original value of Water fleet	50,885	50,885	50,885	50,885	50,885
	1,663,710	1,955,933	2,030,270	2,105,454	2,182,142

NOTES
Fund Balance is defined as working capital: current assets less current liabilities
As baseline forecast, assumes no rate increases.
Transfers out include transfers to the General Fund for internal cost allocation services, transfers to the Risk and IT funds, transfers to the Water and Sewer CIP funds for Water CIPs
Assumes Water Fund contributes 30% of cash-funded portion of WRF unless additional financing is obtained, and its share of service on the facility.
In years the minimum reserve levels are met, the fund will contribute to a Section 115 Trust for pension liability in an amount commensurate to General Fund contributions from the year's operating surplus.
FY 24-25 CIPs listed in the budget include \$5M in grant funding for the Nutmeg project; this cost is shown here in case grant funding is not available.

Sewer Fund

The Sewer Operating Fund is a self-supporting enterprise fund that accounts for all income and expenses associated with the City's sewer utility operation. Its primary revenue source is sewer rate payments from residents and businesses. Beginning in FY 2022-23, this fund includes all budget for the operations of the City's collection system and wastewater treatment plant. Previously to this fiscal year, budget for the wastewater treatment plant were tracked in the 599 Fund and were governed by the Joint Powers Agreement between Morro Bay and Cayucos.

Sewer Fund Revenues

The City of Morro Bay is projecting \$11.2 million of revenue in FY 2022-23. All ongoing revenues to the Sewer Fund come from ratepayers paying for City sewer services. The FY 2021-22 revenue budget was lower than normal due to uncertain revenues during the pandemic but has been raised to levels commensurate with recent actual revenues in the FY 2022-23 budget.

Sewer Fund Expenditures

Budgeted expenditures are \$15.2 million in FY 2022-23, including over \$11 million in capital costs. The fund has an operating surplus net of transfers to the Sewer Capital Fund, and the remainder of the one-time capital costs can be covered by the fund balance.

Personnel, Services, and Supplies - Budgeted costs are increasing in part due to anticipated operations of the new Treatment Facility. Many of these costs are rough estimates until the City gains experience operating the new facility, and therefore, are conservatively budgeted. In addition, personnel costs are increasing citywide, and this budget includes a placeholder for labor negotiations, which are currently ongoing, pending completion of updated Memorandums of Understanding with the City's labor groups. Finally, utilities costs and other supplies and services' costs continue to increase with inflation.

Interfund Transfers - Budgeted interfund transfers in FY 2021-22 and FY 2022-23 include cost allocation plan contributions to the General Fund, and transfers to the Information Services and Risk Management internal service funds for those services, and in FY 2022-23, transfers to the Sewer Capital Improvement Fund for sewer capital projects including but not limited to the Water Reclamation Facility.

The FY 2022-23 Interfund transfers are as follows:

- Transfer to General Fund for Cost Allocation Plan internal services - \$257,193
- Transfer to Information Technology and Risk Management Funds - \$87,990
- Transfer to Sewer Capital Improvement Fund for Sewer's portion of the non-financed FY 2022-23 Water Reclamation Facility Project budget - \$7,430,805
- Transfer to Sewer Capital Improvement Fund for the remaining financed portion of the Water Reclamation Facility - \$1,734,348
- Transfer to Sewer Capital Improvement Fund for all other Sewer CIPs outlined in CIP budget - \$2,029,000

Sewer Fund Balance

While the Annual Comprehensive Financial Report (ACFR) and the present enterprise fund balances on a net position basis, which includes long-term assets and liabilities, a useful near-term way to view the near-term fund balance is by looking at working capital, which is defined as near-term assets minus near-term liabilities. The Water Operating Fund's level of working capital was approximately \$14.8 million at the start of FY 2021-22. This far exceeds the City's minimum reserve policy for the Sewer Fund, which requires a reserve balance of approximately \$1.5 million in FY 2022-23.

Sewer Fund Five-Year Forecast

The Sewer Fund baseline forecast includes no rate increases. It assumes that the remaining WRF budget that is not currently financed (approximately \$21 million) will be cash funded, although the City will continue to pursue grant and/or low-interest loan financing instead, which would improve the fund forecast outlook. Its capital expenditure projections are tied to the Proposed Budget numbers

and will likely change when the OneWater plan is updated. If current projected capital needs increase in cost based on very high construction cost index increases, the Sewer Fund's ability to meet its reserve policy in the latter part of the forecast period, with the current rate structure, will be strained.

SEWER OPERATING FUND (321)	FY 2023 Budget	FY 2024	Forecast		
			FY 2025	FY 2026	FY 2027
Revenue					
Rate Payer Revenue	9,460,000	9,460,000	9,460,000	9,649,200	9,842,184
Other Revenue	1,784,348	1,784,348	1,784,348	1,784,348	1,784,348
Transfers In	-	-	-	-	-
TOTAL REVENUE	11,244,348	11,244,348	11,244,348	11,433,548	11,626,532
Expense (Operating)					
Personnel	1,555,313	1,627,572	1,695,147	1,759,581	1,832,651
Operational Costs	1,262,409	1,325,529	1,391,806	1,461,396	1,534,466
Ongoing costs for long-term liabilities (PERS)	292,904	302,043	303,341	298,185	298,185
Other Operations & Maintenance	2,022,098	2,123,203	2,229,363	2,340,831	2,457,873
Transfers Out (Ongoing)	345,183	345,183	345,183	345,183	345,183
Debt Service Payments	-	-	3,609,000	3,609,000	3,609,000
TOTAL EXPENSE	3,922,594	4,095,958	7,878,693	8,054,595	8,244,706
Net Surplus (Shortfall) - Operating	7,321,754	7,148,390	3,365,655	3,378,953	3,381,826
Capital	11,194,153	8,071,282	12,489,611	4,204,000	107,000
Net Surplus (Shortfall) including Capital	(3,872,399)	(922,892)	(9,123,956)	(825,047)	3,274,826
Contribution to 115 Trust	96,000	-	-	-	-
Starting Fund Balance	20,190,088	16,221,689	15,298,797	6,174,841	5,349,794
Transfer in from Accumulation & Equipment Replacement Funds (projected)					
ENDING FUND BALANCE	16,221,689	15,298,797	6,174,841	5,349,794	8,624,619
Fund Balance % of Total Operating Expenses	316%	284%	110%	91%	141%

Minimum Reserve Levels	MET	MET	MET	MET	MET
Debt Coverage Ratio of 1.2 or greater	N/A	N/A	1.9	1.9	1.9
Operating: 25% Annual Operating Expenses (PY Budget)	966,984	1,283,181	1,344,587	1,404,914	1,464,998
Rate Stabilization: 5% of prior year's rates	460,000	473,000	473,000	473,000	482,460
Vehicle Replacement Reserve: 20% of fleet value	99,891	99,891	99,891	99,891	99,891
	1,526,874	1,856,072	1,917,477	1,977,805	2,047,349

NOTES
Fund Balance is defined as working capital: current assets less current liabilities
As baseline forecast, assumes no rate increases.
In years the minimum reserve levels are met, the fund will contribute to a Section 115 Trust for pension liability in an amount commensurate to General Fund contributions from the year's
Assumes that WRF is funded with current levels of SRF and WIFIA financing and that remainder is cash funded (appx \$21 million).

Harbor Fund

The Harbor Operating Fund tracks all Harbor operations, including general department operations, Harbor personnel, lease, property and facility management, public access, development and redevelopment, accounts receivable, and maintenance and repair.

Harbor Fund Revenues

Revenues are projected at \$2.4 million, which represents a 6.3% increase over the prior year. Almost 99% of the Harbor Fund's revenues come from current services, which represent harbor leases, slip, pier, and mooring fees, liveaboard services, miscellaneous services and boat launch ramp parking. Staff is projecting a 6.5% increase in revenues from current services in FY 2022-23 as compared to the FY 2021-22 budget. This is primarily related to increasing lease revenues and is consistent with recent actuals. Revenue related to the RV camping program has been eliminated.

Harbor Fund Expenditures

Budgeted expenditures are projected to increase by 0.6% to \$2.3 million in FY 2022-23. This allows for a projected operating surplus of approximately \$0.1 million in FY 2022-23. The primary expenditures from the Harbor Operating Fund by expenditure type include the following:

Personnel - Roughly half of the Harbor Fund's expenditures are related to personnel, including administrative and public safety personnel. For FY 2022-23, part-time lifeguard and Harbor Reserves staffing is being funded in the Measure Q & E Fund, not the Harbor Fund. The personnel budget includes a placeholder for personnel cost increases, pending labor negotiations, which are currently underway with the City's bargaining groups.

Supplies & Services – These budgets are projected to increase by over 10%, and include funding for Harbor utilities, Harbor-specific legal services, consultant services, outside equipment repair, fuel, oil and lubricants, machinery, equipment, and supplies.

Interfund Transfers - These include the following:

- \$290,000 - Transfer to Harbor Capital Fund for Harbor CIP projects (supplemented by an additional \$210,000 from Measure Q & E for Harbor CIPs).
- \$238,000 - Transfer to the General Fund for internal services such as administration, financial management, human resources, general legal services, city clerk services, and other internal services. This amount is derived from the citywide Cost Allocation Plan.
- \$86,000 - Transfer to Internal Services Funds for information technology and risk management services.

Harbor Fund Balance

While the Annual Comprehensive Financial Report (ACFR) and the present enterprise fund balances on a net position basis, which includes long-term assets and liabilities, a useful near-term way to view the near-term fund balance is by looking at working capital, which is defined as near-term assets minus near-term liabilities. The Water Operating Fund's level of working capital was approximately \$0.5 million at the start of FY 2021-22. This exceeds the City's minimum reserve policy for the Harbor Fund, which requires a reserve balance of approximately \$0.4 million in FY 2022-23.

Harbor Fund Five-Year Forecast

Preliminary estimates indicate that the Harbor Fund should be spending at least \$0.8 million on capital improvements to keep pace with infrastructure maintenance and improvement needs. Including that in the forecast demonstrates that the Harbor Fund, even with the current funding assistance from Measure Q&E, has insufficient funds to meet its capital needs. There is a standalone staff report as part of the May 24, 2022 Budget Study session agenda packet that discusses the Harbor Department's long-term financial trends and capital needs in more detail.

HARBOR OPERATING FUND (331)	FY 2023 Budget	FY 2024	Forecast		
			FY 2025	FY 2026	FY 2027
Revenue					
Harbor Leases	1,850,854	1,887,871	1,925,629	1,964,141	2,003,424
Boat Charges	413,110	421,372	429,800	438,396	447,164
Other Charges for Service	73,000	74,460	75,949	77,468	79,018
Other Revenue	24,000	24,000	24,000	24,000	24,000
Transfers In	-	-	-	-	-
TOTAL REVENUE	2,360,964	2,407,703	2,455,377	2,504,005	2,553,605
Expense					
Personnel	1,073,290	1,122,384	1,167,045	1,208,526	1,256,576
Operational Costs	830,152	871,660	915,243	961,005	1,009,055
Ongoing costs for long-term liabilities (PERS and OPEE)	243,138	250,724	251,802	247,521	247,521
Other Operations & Maintenance	512,804	538,444	565,366	593,635	623,316
Transfers Out (Ongoing)	324,394	324,394	324,394	324,394	324,394
Debt Service Payments	-	-	-	-	-
TOTAL EXPENSE	1,910,488	1,985,222	2,056,805	2,126,555	2,204,287
Net Surplus (Shortfall) - Operating	450,476	422,482	398,572	377,450	349,318
Capital	290,000	800,000	800,000	800,000	800,000
Net Surplus (Shortfall) including Capital	160,476	(377,518)	(401,428)	(422,550)	(450,682)
Contribution to 115 Trust	68,000	-	-	-	-
Starting Fund Balance	885,297	977,773	600,255	198,827	(223,723)
ENDING FUND BALANCE	977,773	600,255	198,827	(223,723)	(674,405)
Fund Balance - % of Total Operating Expenses	37%	22%	7%	-7%	-22%

Minimum Reserve Levels	MET	MET	NOT MET	NOT MET	NOT MET
15% Annual Operating Expenses (Prior Year Adopted Budget)	402,146	398,908	417,482	434,918	451,603

NOTES

Fund Balance is defined as working capital: current assets less current liabilities

Boat Charges include live aboard and other harbor services; pier dockage; mooring, slip, and floating dockage rental, slip sublease, and skiff permits

Other Charges for Services include other service fees such as launch ramp parking, coin-operated

Other Revenue includes grant funds, penalties, bad debts recovery, auctioned property, and other miscellaneous revenue

Other Operations and Maintenance includes services, supplies, debt service, capital outlay, and other expense

Ongoing transfers out include transfers to support internal services, including Risk and

In years the minimum reserve levels are met, the fund will contribute to a Section 115 Trust for pension liability in an amount commensurate to General Fund contributions from the

Capital Improvement Program (CIP) Budget

The FY 2022-23 Proposed CIP budget includes \$18.7 million to fund 23 capital projects. This funding is new budget appropriation that is in addition to prior year budget appropriations. Any unexpended capital budget from prior years will carry forward, pending Council approval of that practice again this year with budget adoption.

Below is a summary of the investments and supporting initiatives included in the budget for FY 2022-23 and an outlook for funding opportunities moving forward. Each project is discussed in detail in the ["Capital Improvements" section of the budget document.](#)

- **Water Reclamation Facility (WRF) and OneWater Projects** - The FY 2022-23 Budget includes \$12.35 million for the WRF, which will allow the City to complete the advanced treatment facility and conveyance components of the project in time to comply with the State's Time Schedule Order. This budget also includes funding for the first set of OneWater projects, in the amount of \$1.8 million. The OneWater Plan reviewed and prioritized capital needs within the water, sewer and stormwater systems. OneWater projects include water tank rehabilitation projects under construction (Blanca Street Tanks and King Street Tanks), sewer line replacement (Beachcomber) and replacement of the Lift Station #1 force main, as well as emergency fixes to several storm drains (Juniper/Elena Streets and Sequoia Court). This budget also includes funding to update the OneWater Plan as it was approved in 2018 and is scheduled to be updated, in part, to incorporate rapidly increasing inflation and costs of construction into the plan.
- **City Streets' Safety and Improvements** - The City is investing \$1.74 million in road paving for FY 2022/23, which is on top of the \$1.1 million paving project currently underway through a budget approved by Council in the FY 2021/22 Budget. According to a recent study of the conditions of our local roads, the City needs to invest roughly \$2 million annually to keep up with the current rate of deterioration. So this represents a good start, though additional investment is required. In addition, this budget funds a traffic speed survey, a traffic safety plan, and \$600,000 toward improvements to the HWY 1/41/Main Street intersection to help complete the planning and permitting portion of that project.
- **Harbor** - This budget includes \$200,000 for planning related to the public boat launch facility replacement project at Tidelands Park. The facility is in need of replacement due to safety concerns, but the City currently lacks funding to construct the project. By completing planning of the project, the City will be more competitively positioned to apply for outside funding to cover the estimated \$1 million in construction costs. The FY 2022/23 budget also includes \$90,000 to complete work on the refurbished Harbor patrol boat the City received from Port San Luis.
- **Americans with Disabilities Act (ADA) and Miscellaneous Projects** - The FY 2022/23 budget includes funding for two important ADA projects (Lila Kaiser parking lot and Quintana/Main St traffic crossing), elective vehicle charging stations, and a license plate reader program to help the Police Department investigate crimes.
- **Vehicles/Equipment** - The budget includes funding for several water and sewer vehicles and a transit vehicle. The recommended capital equipment purchases list does not include several vehicles that are to be purchased in operating funds, including three police vehicles, as well as an electric vehicle for maintenance operations.
- **Assessment of Capital Needs** - This budget also includes \$400,000 to conduct assessments of Harbor infrastructure (docks, piers, lighting, revetment, harborwalk, etc.) and other capital assets in the City (such as community centers, restrooms, parks, etc.). Having an assessment plan in hand will allow the City to understand and prioritize capital needs, plan for future improvements, and request funding from outside sources.
- **Capital Funding Opportunities** - Given the fact that the City's infrastructure needs significantly exceed its current available funding, the City must seek additional revenue. Those sources include, but are not limited to, state and federal grants. At present there are several key opportunities to consider, including funding from the Federal Bipartisan

Infrastructure Law, which will invest \$1.2 Trillion in America's infrastructure over the next five years and an unprecedented State surplus budget levels available in the upcoming state budget (topping \$90 Billion). Given the intensely competitive nature of these funding sources, the FY 2022/23 Budget includes funding for state and federal advocacy support and grant writing support. Further, Morro Bay community members have qualified a voter initiative for the November 2022 ballot for Harbor/waterfront infrastructure improvements. Lastly, City staff continue to look for other funding sources to support our capital program.

Staff Capacity to Complete Projects and CIP Reporting - Setting aside existing funds and seeking new funding sources to carry out projects are a part of the infrastructure equation. In addition to funding, the City must also secure sufficient engineer and project management staff capacity to plan for and implement projects. The City has added capacity in the past year by splitting the duties of the PW Director and City Engineer, upgrading an existing engineer position, and adding an engineer tech position (a position that had been cut during COVID out of financial necessity). Further, the Public Works Department is currently training an internal employee to perform public works inspections- a position previously not included in the organizational chart, but one that will allow the existing engineers and project managers to put more focus on capital projects output. These staffing changes, plus targeted use of engineering consultants, provide the Engineering Division sorely needed capacity to keep high priority projects moving. In addition, this staffing capacity has allowed the City to develop a regular reporting of capital project progress to the Public Works Advisory Board, and this will also be brought to the City Council in the near future.

There is a standalone staff report as part of the May 24, 2022 Budget Study session agenda packet that discusses the FY 2022/23 CIP projects in more detail, in particular the WRF and OneWater projects and their relation to the City's water and sewer funds.

NEW DIGITAL BUDGET BOOK FORMAT

New for this year's budget, the City is using a new budget platform (ClearGov) that has several advantages for clearly communicating budget data to the public, for facilitating staff's process to create the budget accurately, and for increasing the City's likelihood of receiving industry budgeting awards of excellence. The City of Morro Bay's budget is available in an easy-to-use online format that allows users to navigate to sections of the budget they would like to view without having to download and print a several-hundred-page PDF document. This optimized digital format is consistent with City Council's climate change goal and the City's efforts to reduce paper use. Members of the public that would like to download and print a PDF version will still be able to do so. In addition, the budgeting platform has a Government Finance Officers Association budget best practices checklist built in, making it easier to ensure the City's budget document includes all relevant information and is more likely to earn industry awards for excellence in budgeting. As staff capacity permits over time, the system has the capability to display capital improvement project information and to create a fiscal transparency web site that combines City budget data with available demographic data to tell a clearer story about how City services are funded.

CONCLUSION

This robust budget allows the City to adequately restore services to a pre-pandemic level by continuing to invest in core City operations; to make significant investments in capital infrastructure needs; and to continue incremental progress toward addressing the unfunded pension liability while maintaining robust reserves, thereby being able to weather future emergencies or economic

slowdowns.

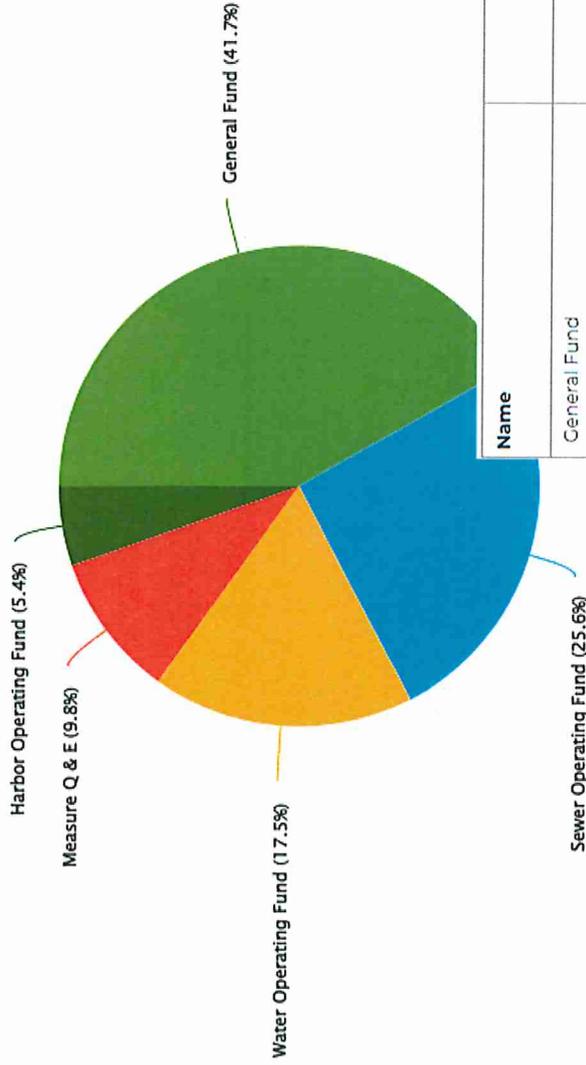
ATTACHMENTS

1. Links to FY 2022-23 Proposed Budget
 - [Interactive Digital Budget Book](#)
 - [Printable PDF Export](#)
2. Staff Presentation



Revenue by Fund

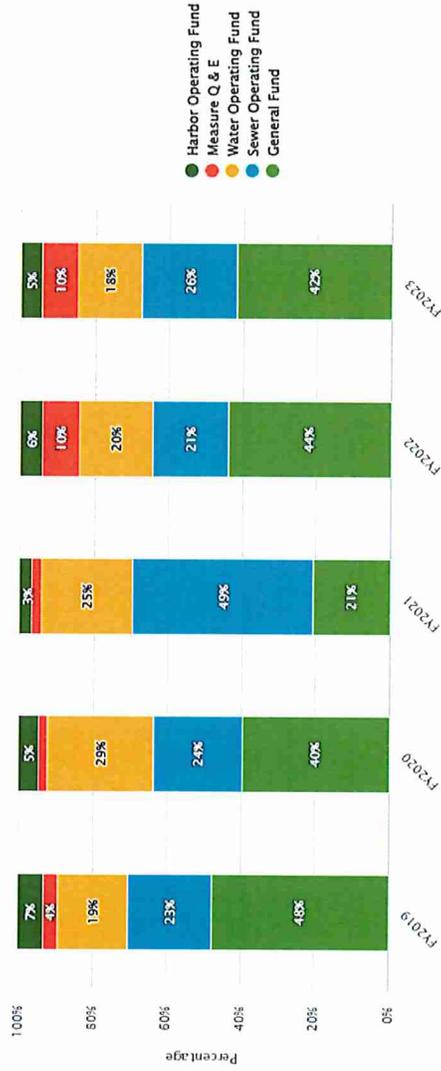
Major Funds



Name	FY2022 Amended Budget	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund	\$16,830,411	\$18,348,748	9%
Measure Q & E	\$3,938,184	\$4,292,000	9%
Harbor Operating Fund	\$2,220,100	\$2,360,964	6.3%
Sewer Operating Fund	\$7,899,605	\$11,244,348	42.3%
Water Operating Fund	\$7,540,200	\$7,704,200	2.2%
Total:	\$38,428,501	\$43,950,260	14.4%



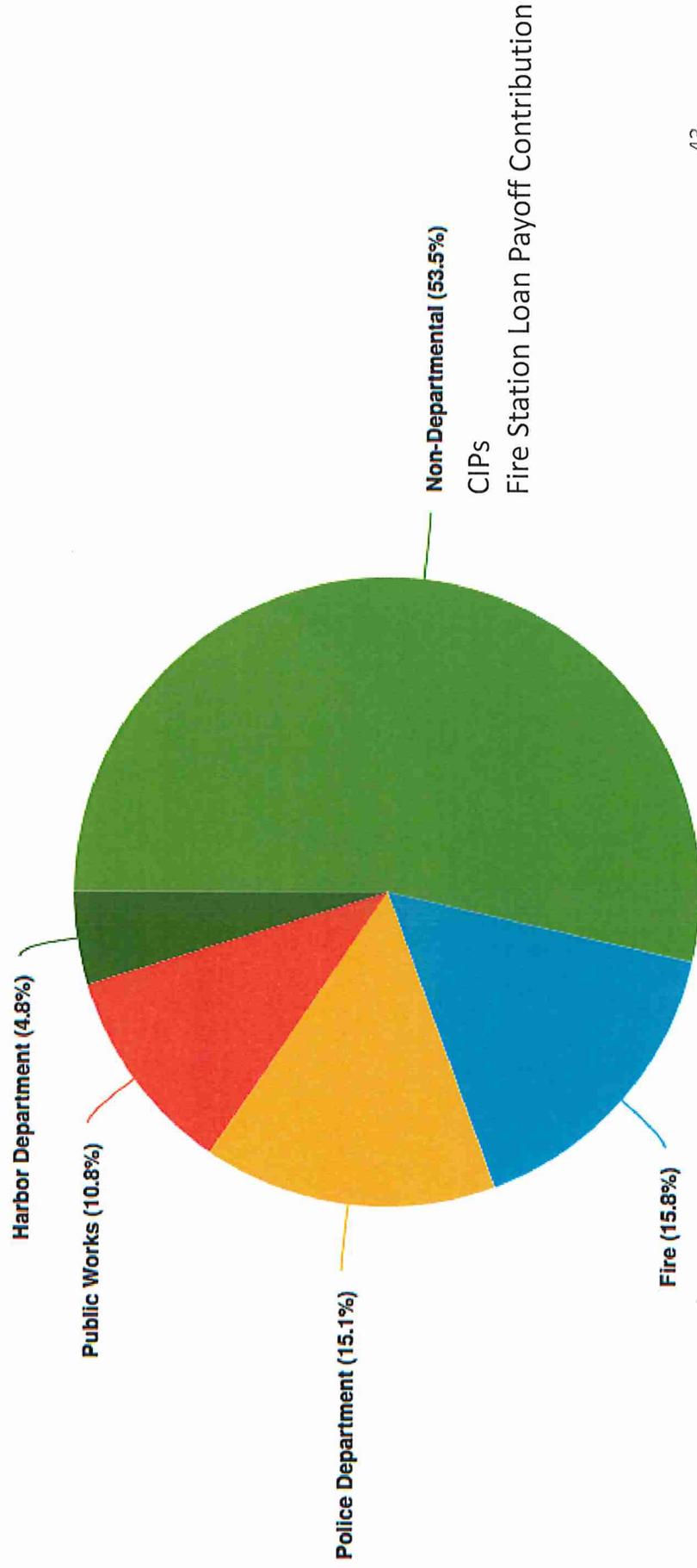
Expenditures by Fund Major Funds



Name	FY2022 Amended Budget	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund	\$16,665,520	\$20,783,164	24.7%
Measure Q & E	\$4,536,808	\$5,161,531	13.8%
Harbor Operating Fund	\$2,246,429	\$2,268,488	1%
Sewer Operating Fund	\$7,901,154	\$15,212,747	92.5%
Water Operating Fund	\$8,460,709	\$8,988,943	6.2%
Total:	\$39,810,620	\$52,414,873	31.7%



Measure Q & E Expenditures by Department





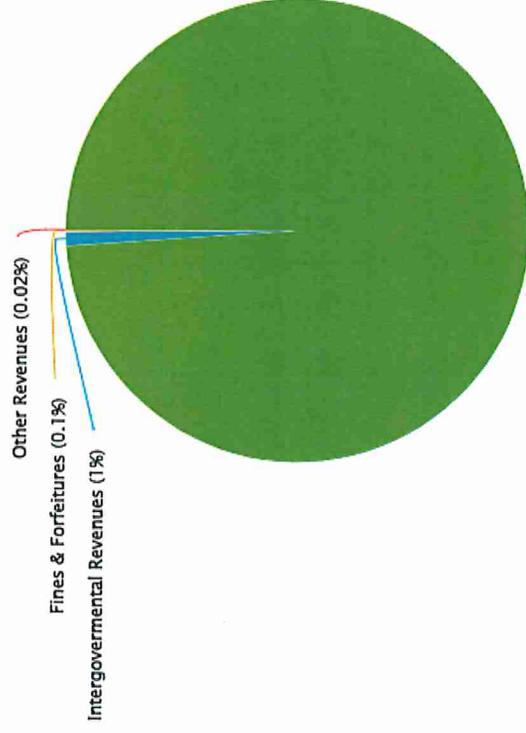
Measure Q & E Capital Expenditures

Capital Project	FY 22-23 Measure Q & E Budget
FY 2022-23 Pavement Management	\$1,380,000
SR1/SR41/Main St Intersection Improvements	\$600,000
Automated License Plate Reader camera system	\$159,000
Citywide Speed Survey	\$75,000
ADA Accessibility Upgrades at Quintana and Main	\$90,000
Boat Launching Facility Ramp Replacement	\$210,000
Total Measure Q & E CIP Budget	\$2,514,000



Harbor Operating Fund Revenue

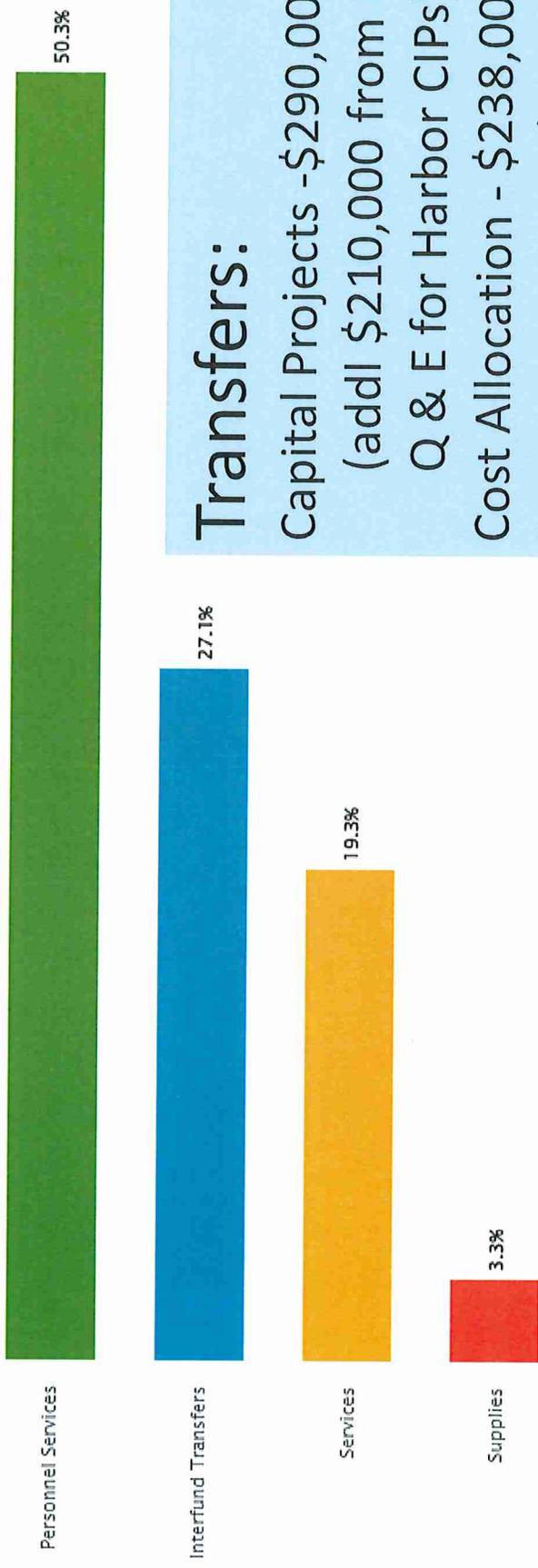
- Projecting \$2.4 million, 6.3% increase
- Primarily related to increasing lease revenues
- RV Program not reflected since program was eliminated





Harbor Operating Fund Expenditures

- Projected to increase by 0.6% to \$2.3 million
- Operating surplus of \$0.1 million



Transfers:
Capital Projects - \$290,000
(addl \$210,000 from Measure Q & E for Harbor CIPs).
Cost Allocation - \$238,000
Internal Services - \$86,000

HARBOR OPERATING FUND (331)		Forecast				
		FY 2023 Budget	FY 2024	FY 2025	FY 2026	FY 2027
Revenue						
Harbor Leases	1,850,854	1,887,871	1,925,629	1,964,141	2,003,424	
Boat Charges	413,110	421,372	429,800	438,396	447,164	
Other Charges for Service	73,000	74,460	75,949	77,468	79,018	
Other Revenue	24,000	24,000	24,000	24,000	24,000	
Transfers In	-	-	-	-	-	
TOTAL REVENUE	2,360,964	2,407,703	2,455,377	2,504,005	2,553,605	
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Personnel	1,073,290	1,122,384	1,167,045	1,208,526	1,256,576	
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Minimum Reserve Levels		MET	MET	NOT MET	NOT MET	
15% Annual Operating Expenses (PY Budget)	440,246	445,245	417,482	434,918	451,603	
CC_Special Mtg_Budget_2022-05-24 & 2022-05-24 of 139	440,246	445,245	417,482	434,918	451,603	



AGENDA NO: B-4

MEETING DATE: June 2, 2022

Staff Report

TO: Harbor Advisory Board

DATE: May 26, 2022

FROM: Eric Endersby, Harbor Director

SUBJECT: Harbor Advisory Board Member Public Engagement Outreach Assignment Reporting

RECOMMENDATION

Receive and file Harbor Advisory Board (HAB) member outreach effort reports to date.

BACKGROUND, DISCUSSION AND CONCLUSION

This agenda item is for HAB members to provide an oral update on any of their outreach efforts to date.

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____