



CITY OF MORRO BAY

Citizens Oversight Committee

Acting as Citizens Finance Advisory Committee

AGENDA

Mission Statement

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

Regular Meeting

Tuesday, October 18, 2022 - 3:00 PM

Veterans Memorial Hall

209 Surf St., Morro Bay, CA

Courtney Shepler Chair
Michael Erin Woody Member

Stephen Peck Vice-Chair
Homer Alexander Member

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. Ways to watch this meeting and submit public comment are provided below.

Public Participation:

Public participation is allowed in the following ways:

- *Community members may attend the meeting in person at the Morro Bay Veterans Hall.*
- *Alternatively, 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*

- *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 CFAC Committee at cfac@morrobayca.gov prior to the meeting. Agenda Correspondence received at cfac@morrobayca.gov by 10 a.m. on the meeting day will be posted on the City website.*

ESTABLISH QUORUM AND CALL TO ORDER

COMMITTEE MEMBER ANNOUNCEMENTS & PRESENTATIONS

BRIEF ASSISTANT CITY MANAGER / DIRECTOR UPDATE

PUBLIC COMMENT

Members of the audience wishing to address the CFAC on City 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 CFAC at this time.

A. CONSENT CALENDAR

1. APPROVAL OF MINUTES FOR THE AUGUST 16, 2022 CITIZENS' OVERSIGHT/FINANCE ADVISORY COMMITTEE MEETING

Recommendation: Approve as submitted.

B. BUSINESS ITEMS

1. INFORMATIONAL SESSION ON LOCAL TAXES LED BY HDL (HdL STAFF)

RECOMMENDATION: Receive an informational presentation regarding local tax generation from Bobby Young, HdL Companies' Director of Client Services.

C. FUTURE AGENDA ITEMS

D. SCHEDULE NEXT MEETING

January 17, 2023

E. ADJOURNMENT

THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 72 HOURS PRIOR TO THE DATE AND TIME SET FOR THE MEETING. PLEASE CALL CITY HALL AT 805-772-6201 FOR FURTHER INFORMATION.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE CITY CLERK'S OFFICE AT (805) 772-6205. NOTIFICATION 24 HOURS PRIOR TO THE MEETING WILL ENABLE THE CITY TO MAKE REASONABLE ARRANGEMENTS TO ENSURE ACCESSIBILITY TO THE MEETING.

MINUTES –CITIZENS OVERSIGHT/FINANCE
ADVISORY COMMITTEE
REGULAR MEETING – Aug 16, 2022
VETERAN’S MEMORIAL HALL /
TELECONFERENCE – 3:00 p.m.

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.

MEMBERS PRESENT: Courtney Shepler Chair
Stephen Peck Vice-Chairperson
Home Alexander Committee Member
Michael Erin Woody Committee Member

ABSENT: None

STAFF PRESENT: Scott Collins City Manager
Sarah Johnson-Rios Assistant City Manager/Admin Services Dir.
Greg Kwolek Public Works Director
Kelley Mattos Senior Administrative Services Analyst
Sara Pruitt Senior Account Technician

ESTABLISH QUORUM AND CALL TO ORDER

https://youtu.be/PvW-8Z_T0Gs?t=31

Chair Shepler called the meeting to order at 03:03 p.m. with Members present.

COMMITTEE ANNOUNCEMENTS & PRESENTATIONS - None

BRIEF ASSISTANT CITY MANAGER/DIRECTOR UPDATE

https://youtu.be/PvW-8Z_T0Gs?t=120

PUBLIC COMMENT

Chair Shepler opened public comment, seeing none, the public comment period was closed.

A. **CONSENT CALENDAR**
https://youtu.be/PvW-8Z_T0Gs?t=79

A-1 APPROVAL OF MINUTES FOR May 17, 2022 CITIZENS OVERSIGHT/FINANCE
ADVISORY COMMITTEE MEETING

MOTION: Vice Chair Peck moved to approve minutes from the May 17, 2022 Citizens Oversight/Finance Advisory Committee meeting. The motion was seconded by Chair Shepler and carried 4-0 by roll call vote.

B. **BUSINESS ITEMS**

B-1 WATER RECLAMATION FACILITY FINANCING UPDATE; (CITY MANAGER,
ASSISTANT CITY MANAGER/ADMIN SERVICES DIRECTOR/PUBLIC WORKS
DIRECTOR)
https://youtu.be/PvW-8Z_T0Gs?t=105

City Manager Collins, Assistant City Manager/Admin Services Director Johnson-Rios and Public Works Director Kwolek gave a brief presentation and answered Board Member questions.

Public Comment:

Paul Donnelly, Morro Bay, opined that the ratepayers did not cause the rate escalations and believes the city has already spent too much money on the project and wants someone to look out for the public.

Betty Winholtz, Morro Bay, opined that we need to watch out for the public rather than the bottom dollar. Stated that she did not want to have another vote to raise rates and call them CPI adjustments.

Linda Donnelly, Morro Bay, expressed disappointment with the current cost of the project and believes the project is way over-built. Noted that citizens are paying attention whether they are attending the meeting or not.

Joseph Lloyd, Morro Bay, questioned the overall long-term costs of the facility.

Chair Shepler closed public comment.

Motion: Chair Shepler moved to support staff's recommendation to City Council to apply for a State Revolving Fund loan amendment in the amount of \$21,172,000 to cover the full Water Reclamation Facility project cost and provide any relevant input to City Council for their consideration. The motion was seconded by Vice Chair Peck for discussion.

Following individual comments, the motion was carried 4-0 by roll call vote.

B-2 BUDGET-IN-BRIEF UPDATE; (CITY MANAGER, ASSISTANT CITY MANAGER/ADMIN SERVICES DIRECTOR)

https://youtu.be/PvW-8Z_T0Gs?t=3060

City Manager Collins gave a brief presentation and answered Board Member questions.

Public comment:

Betty Winholtz, Morro Bay, opined that the budget-in-brief is too simplistic and stated that the money spent on it could have been spent on a better use.

Chair Shepler closed public comment

Motion: Member Alexander moved that the CFAC Committee recommend to the City Council that their work plan be adjusted to include a two-person plus others subcommittee to develop a simplified budget brief. The motion was seconded by Member Shepler.

Chair Shepler requested a friendly amendment to include the option to receive alternatives from staff.

Amended Motion: Member Alexander moved that the CFAC Committee recommend to the City Council that their work plan be adjusted to include a two-person plus others subcommittee to develop a simplified budget brief and to include the option to receive alternatives from staff. The motion was seconded by Chair Shepler and carried 4-0 by roll call vote.

- C. FUTURE AGENDA ITEMS
https://youtu.be/PvW-8Z_T0Gs?t=4474
1. HDL
2. Budget Brief

- D. SCHEDULE NEXT MEETING
The next regularly scheduled Citizen's Oversight/Finance Committee meeting will be held on October 18, 2022, at 3:00 pm.

- E. ADJOURNMENT
The meeting adjourned at 04:17 p.m.

Recorded by:

Sara Pruitt
Senior Account Technician

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AGENDA NO: B-1

MEETING DATE: October 18, 2022

Staff Report

TO: CFAC Chair and Committee Members **DATE:** October 12, 2022
FROM: Sarah Johnson-Rios, Assistant City Manager/Admin Services Director
SUBJECT: Informational Session Regarding Local Tax by HdL

RECOMMENDATION

Receive an informational presentation regarding local tax generation from Bobby Young, HdL Companies' Director of Client Services.

BACKGROUND

Measure E is a 1.5% local transaction and use tax approved by Morro Bay voters in 2020 to keep public spaces safe and clean and maintain the City's fiscal stability. Measure E replaced Measure Q, which was a 0.5% tax approved by voters in 2006 for similar purposes. Measure E, which is paid with sales tax, is projected to generate \$4.3 million in FY 2022-23. CFAC is charged with oversight of local sales tax expenditures.

DISCUSSION

Mr. Bobby Young, Director of Client Services at HdL Companies will provide an informational session regarding the local transaction and use tax at the meeting.

ATTACHMENT

1. HdL Slide Presentation

MORRO BAY CITIZENS OVERSITE COMMITTEE

*Measure E –
Transaction and Use Taxes*
October 18, 2022

HdL  Companies





Bobby Young

Mr. Young has over 25 years of local government experience. Prior to joining HDL, he served the City of Costa Mesa for 13 years, the last 5 as Finance Director. He has also spent time as an external auditor of government and non-profit entities specializing in assessment and documentation of internal controls and annual review and preparation of client's Comprehensive Annual Financial Report (CAFR). He's been an active member in municipal affairs with both the Government Finance Officers Association (GFOA) and California Society of Municipal Finance Officers (CSMFO), and holds a Bachelor's degree from California State University, Fullerton in Accounting.

- ◎ Serving over 400 local governments
- ◎ Clients include cities, counties, and special districts
- ◎ 99% client retention rate
- ◎ Services:
 - *Sales Tax*
 - *Property Tax*
 - *Economic Development*
 - *Business License*
 - *Tax Administration (TOT, BLT, STR)*
 - *Cannabis Management*
 - *Short-term rental compliance*

ABOUT HdL Companies

HdL[®] Companies

Morro Bay Sales Tax Rate Breakdown

State General Fund	3.9375 %
City/County General Fund (Bradley-Burns)	1.0000 %
Morro Bay Local Recovery Transactions Tax (MRRT)	1.5000 %
County Public Safety (Prop 172)	0.5000 %
County Realignment (Mental Health/Welfare/Public Safety)	1.5625 %
Countywide Transportation Fund	0.2500 %
Total Rate	8.7500 %

TRANSACTION AND USE TAX (TUT)

Transaction and Use Tax

District Tax

Add-on Tax



**Legislative authority to tax -
California Revenue and Taxation
Code Section 7251 – 7279.6**

7261(a) A provision imposing a tax for the privilege of selling tangible personal property at retail upon every retailer in the district at a rate of one-eighth of 1 percent, or a multiple thereof, of the gross receipts of the retailer from the sale of all tangible personal property sold by that person at retail in the district.



FUNCTIONAL DIFFERENCES TO BRADLEY-BURNS ALL OTHER RETAILERS



HOW DO “ADD ON” TAXES AFFECT BUYING?

- There is an impact, but too small to measure
- Consumers focus on base cost
- Hassle factor
- Alternative purchase options

**FUNCTIONAL
DIFFERENCES TO
BRADLEY-BURNS
REGISTERED
VEHICLES,
VESSELS,
AIRCRAFT**

**BUYER PAYS TOTAL SALES TAX RATE
WHERE VEHICLE WILL BE REGISTERED**

Example:

1. Buyer lives in non-TUT city with total sales tax rate of 7.25%, purchases a vehicle from a car dealer in a city that has a total sales tax rate of 9.25%.

Buyer will pay 7.25% sales tax to car dealer. Local 1% Bradley-Burns tax will be allocated to city where car dealer is located. No additional local taxes will be allocated.

**FUNCTIONAL
DIFFERENCES TO
BRADLEY-BURNS
REGISTERED
VEHICLES,
VESSELS,
AIRCRAFT**

**BUYER PAYS TOTAL SALES TAX RATE
WHERE VEHICLE WILL BE REGISTERED**

Example:

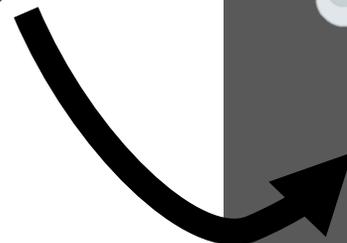
2. Buyer lives in a city with TUT - total sales tax rate of 9.25% (assume 0.25% Local TUT), purchases a vehicle from a car dealer in a city that has a total sales tax rate of 7.25%

Buyer will pay 9.25% sales tax to car dealer. Local 1% Bradley-Burns tax will be allocated to city where car dealer is located. 0.25% TUT will be remitted to City where Buyer lives. All other taxes remitted to applicable agencies.

FUNCTIONAL DIFFERENCES TO BRADLEY-BURNS

BUILDING SUPPLIES, EQUIPMENT AND BULK FUEL

DELIVERIES INTO CITY
TUT tax collected



DELIVERIES OUT OF CITY
TUT tax NOT collected

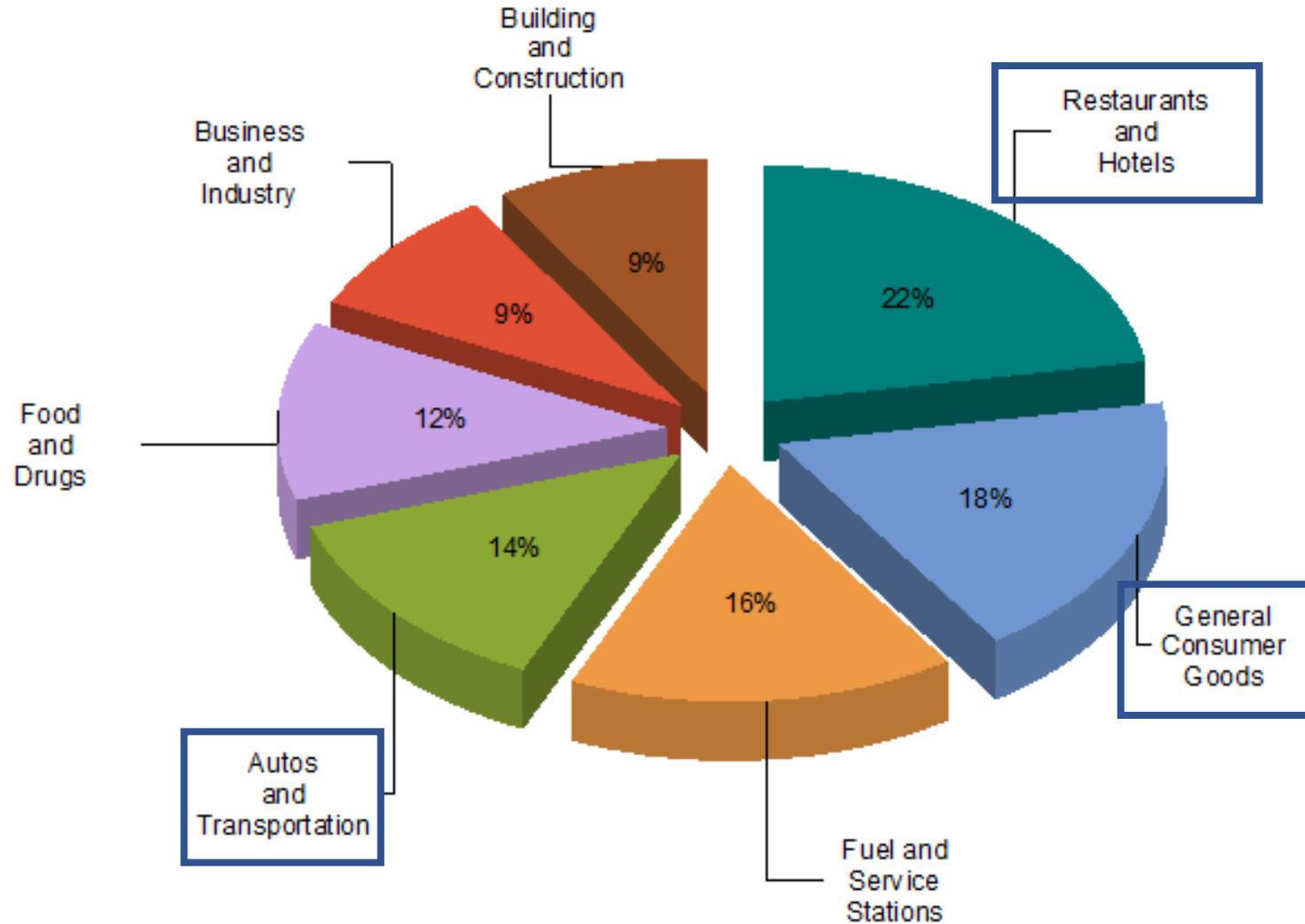


TRANSACTION & USE TAXES INFO

- Many internet retailers collecting sales tax, will also collect and remit the Local TUT to agencies – think Amazon, Ebay, Facebook, Wayfair
- Mostly ‘Out-of-Towners’ pay the tax – isn’t always applicable



MORRO BAY MEASURE E - REVENUE BREAKDOWN





MEASURE E vs BRADLEY-BURNS – MAJOR INDUSTRY GROUPS

Measure E20

Major Industry Group

Restaurants and Hotels
 General Consumer Goods
 Fuel and Service Stations
 Autos and Transportation
 Food and Drugs
 Business and Industry
 Building and Construction
 Transfers & Unidentified
 State and County Pools

FY 21/22

1,034,639
 845,365
 741,077
 625,966
 559,574
 420,057
 410,000
 36,148
 0
 4,672,826

Bradley-Burns

Major Industry Group

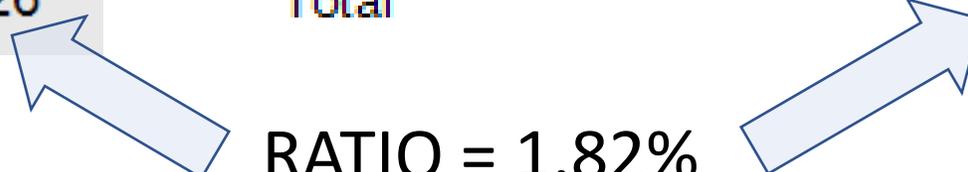
Restaurants and Hotels
 Fuel and Service Stations
 State and County Pools
 Food and Drugs
 General Consumer Goods
 Building and Construction
 Business and Industry
 Autos and Transportation
 Transfers & Unidentified

FY 21/22

710,776
 482,218
 419,803
 372,864
 272,126
 146,974
 94,556
 65,373
 7,163
 2,571,854

Total

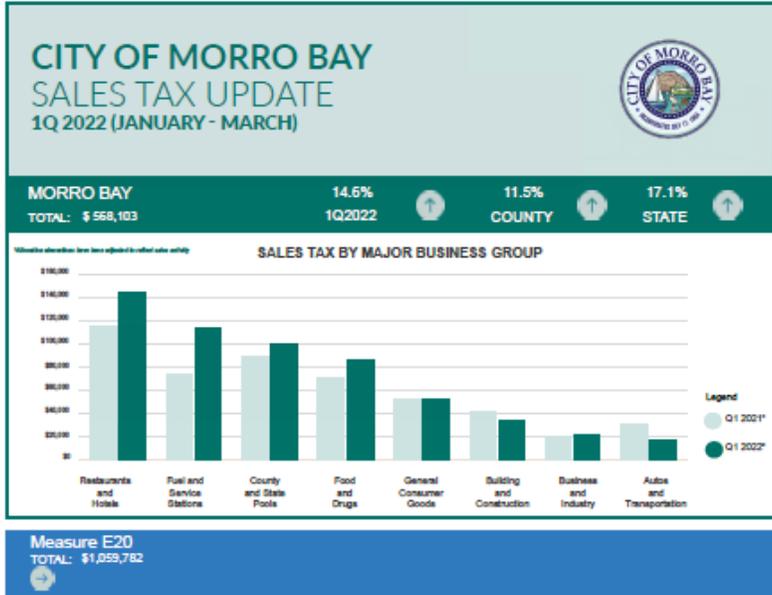
Total



RATIO = 1.82%



MORRO BAY MEASURE E AVAILABLE INFORMATION



CITY OF MORRO BAY HIGHLIGHTS

Morro Bay's Bradley-Burns tax sales tax receipts from January through March were 18.7% above the first sales period in 2021. Excluding reporting aberrations, actual sales were up 14.6%.

The largest factor in this improvement was a 54% surge in receipts from local service stations after the Russian invasion of Ukraine in February boosted the price of gasoline at the pump.

Casual dining restaurants continued their rebound compared to last year's pandemic impaired results. A new store opening boosted the food and drug category, while a closure depressed the auto-transportation group.

Allocations from the countywide use-tax pool were up the same rate as the local trend.

Measure E-20, the City's voter-approved 1.5% voter approved district tax, generated an additional \$1,058,000 in its fourth quarter since implementation, or 187.5% of the Bradley-Burns amounts previously discussed.

Net of aberrations, taxable sales for all of San Luis Obispo County grew 11.5% over the comparable time period; the Central Coast region was up 15.1%.

TOP 25 PRODUCERS

- Albertsons
- AutoZone
- Bayside Cafe
- Chevron
- Dorns Breakers Cafe
- Dutchman Seafood House
- Galley Seafood Grill & Bar
- Giovannis Fish Market
- Great American Fish
- Harbor Hut Restaurant
- McDonalds
- Miners Ace Hardware
- Mission Uniform & Linen Supply
- Morro Bay Mobil
- Natural Healing Center
- Perfect Union Morro Bay
- Rite Aid
- Shell
- Sinclair Gas
- Siren
- Spencers Fresh Markets
- Taco Temple
- Tognazzinis Dockside Restaurant
- Tognazzinis Dockside Top
- Wavelengths Surf Shop

HdL Companies
Published by HdL Companies in Summer 2022

www.hdlcompanies.com | 888.861.0220

- Where to get economic information?
- What is considered 'Confidential Information'?
- City Finance Department
- HdL Quarterly Newsletter (posted on city's website)



Thank you!

Bobby Young, Director of Client Services

byoung@hdlcompanies.com

HdL[®] Companies