



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, May 16, 2023 - 3:00 PM

Veterans Memorial Hall

209 Surf St., Morro Bay, CA

Brian Dorfman	Stephen Peck	Vice-Chair	
Kathy Hoversten	Member	Jean Johnson	Member
	Member	Michael Erin Woody	Member

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=aWZpTzdwTHlRTk9xaTlmWVNWRWFUQT09>

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

SELECT CHAIR AND VICE-CHAIR

COMMITTEE MEMBER ANNOUNCEMENTS & PRESENTATIONS

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 JANUARY 31, 2023 CITIZENS' OVERSIGHT/FINANCE ADVISORY COMMITTEE SPECIAL MEETING

Recommendation: Approve as submitted.

B. BUSINESS ITEMS

1. SEMI-ANNUAL REPORT ON MEASURE E/Q FUNDS (ASSISTANT CITY MANAGER/ADMINISTRATIVE SERVICES DIRECTOR)

RECOMMENDATION: Review the Fiscal Year (FY) 2022-23 Semi-Annual Report on Measure E/Q Funds, including FY 2022-23 Midyear Budget Amendments for Measure E/Q.

2. DISCUSSION AND INPUT ON THE FISCAL YEAR 2023-24 DRAFT PROPOSED BUDGET (ASSISTANT CITY MANAGER/ADMINISTRATIVE SERVICES DIRECTOR)

RECOMMENDATION: Staff recommends the Citizens Finance Advisory Committee (CFAC)

1. Provide input on the Proposed Measure Q & E Fund Budget for City Council consideration; and
2. Provide input on the remainder of the Proposed City Budget for City Council consideration as desired.

C. FUTURE AGENDA ITEMS

D. SCHEDULE NEXT MEETING

August 15, 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.

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.

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
Amy Watkins Interim Police Chief
Matt Vierra Fire Marshall
Becka Kelly Interim Harbor Director
Greg Kwolek Public Works Director
Emily Conrad Finance Manager
Kelley Mattos Senior Administrative Services Analyst
Liz Douglas Account Clerk III

ESTABLISH QUORUM AND CALL TO ORDER

Chair Shepler established a quorum and called the meeting to order at 3:05 p.m. with all members present.

PUBLIC COMMENT FOR ITEMS ON THE AGENDA

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

SPECIAL MEETING AGENDA ITEM:

- I. BRIEF ASSISTANT CITY MANAGER/DIRECTOR UPDATE
<https://youtu.be/3mMDA-6juSI?t=124>
- II. APPROVAL OF MINUTES FOR THE OCTOBER 18, 2022 CITIZENS' OVERSIGHT/FINANCE ADVISORY COMMITTEE MEETING
<https://youtu.be/3mMDA-6juSI?t=586>

Committee Member Woody stated he would abstain from voting on the approval of the minutes because he was not at the October 18, 2022 CFAC meeting.

MOTION: Member Peck moved to approve minutes from the October 18, 2022 Citizens Oversight/Finance Advisory Committee meeting. The motion was seconded by Member Alexander and carried 3-0-1 with Member Woody abstaining.

III. REVIEW OF FISCAL YEAR (FY) 2021-22 TRANSACTIONS FROM THE COLLECTION OF THE GENERAL-PURPOSE LOCAL SALES TAX, COMMONLY KNOWN AS MEASURE E (AND PREVIOUSLY MEASURE Q)
<https://youtu.be/3mMDA-6juSI?t=656>

City Manager Collins provided the report. City Manager Collins and Finance Manager Conrad responded to Committee Member inquiries.

Committee Member Alexander stated he would abstain from voting as he objects on paying administrative salaries with tax dollars.

Motion: Chair Shepler moved that the CFAC committee Receive and approve the presentation of the FY 2021-22 Transactions of the collection of the general purpose local sales taxes. The motion was seconded by Member Peck and carried 3-0-1 with Member Alexander abstaining.

ADJOURNMENT

The meeting adjourned at 3:47 p.m.

Recorded by:

Emily Conrad
Finance Manager



AGENDA NO: B-1
MEETING DATE: May 16, 2023

Staff Report

TO: CFAC Vice Chair and Committee Members **DATE:** May 11, 2023
FROM: Sarah Johnson-Rios, Assistant City Manager/Admin Services Director
SUBJECT: Semi-Annual Report on Measure E/Q Funds

RECOMMENDATION

Review the Fiscal Year (FY) 2022-23 Semi-Annual Report on Measure E/Q Funds, including FY 2022-23 Midyear Budget Amendments for Measure E/Q.

BACKGROUND

Measure E (like Measure Q before it) requires an independent annual financial audit and the establishment of an independent citizens' advisory committee to review annual expenditures. The Citizens' Finance Advisory Committee (CFAC) serves as that oversight committee and is to receive annual and semi-annual reporting on expenditures from Measure revenues.

Measure E was approved by the voters in November 2020 as a one percent local transaction and use tax, in addition to the half-cent local transaction and use tax from Measure Q, which was approved by the voters in 2006. The taxes are administered by the State as one tax, totaling one and a half percent. This is codified and explained in detail in Chapter 3.26 of Morro Bay's Municipal Code. While Measure E is a General Tax, the City Council has identified areas of priority spending consistent with the ballot measure language in 2020, and consistent with the prior 2006 ballot language used when Measure Q was approved. As directed by City Council on April 13, 2021, the four priority areas of spending for Measure E/Q include:

- 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 personnel and equipment, in addition to the Fire Headquarter Debt service and the Fire Engine loan repayment;
- Maintain or enhances 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;
- 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; and
- Ensure financial health of the City by maintaining appropriate reserves to protect against economic downturns, natural/health emergencies and other unforeseen challenges or opportunities.

This item was on the CFAC Agenda for the February meeting and was continued to the May

meeting due to the lack of quorum in February and the lack of a rescheduled date that worked for all committee members. Midyear budget adjustments were approved by Council on February 28th.

DISCUSSION

The attached Semi-Annual FY 2022-23 Report on Measure E/Q revenues and expenditures covers the first six months of the fiscal year beginning July 1, 2022 and ending December 31, 2022. The report outlines line-item detail for the Measure E and Q Fund revenues and expenditures fiscal year-to-date. This report, presented as Attachment 1, serves as CFAC’s semi-annual report on Measure E expenditures, as called for in the ordinance that established Measure E.

Summary data regarding citywide revenues and expenditures fiscal year-to-date, including Measure E/Q was presented to City Council on February 28, 2022 as part of the citywide midyear budget report. As of December 31, 2022, the Measure Q & E Fund (fund 003) had received 37% of budgeted revenues and expended 51% of budgeted expenditures as outlined in detail in Attachment 1.

Revenues:

As of December 31, 2022, 37% of budgeted revenues had been received in the Measure E/Q Fund. This is on track or slightly higher than anticipated for that time of year, given that it represents four months of sales tax collected as there is a two-month lag in sales tax collections.

After consultation with HdL, the company whose expertise the City utilizes to track and project sales tax revenues, staff recommends a small increase of \$122,700 to the Measure E revenue budget for the current fiscal year. This would increase the revenue budget from \$4,292,000 to \$4,414,700. That small increase of 2.9% results in a total revenue budget that is roughly 93% of HdL’s revised midyear budget projection for current fiscal year Measure E revenue. Staff considers this an appropriately conservative projection given the four months of data received to date.

Looking forward, sales tax revenue growth is anticipated to moderate further in FY 2023-24, with HdL projecting roughly a one-half percent growth from current fiscal year next fiscal year. HdL is currently projecting a return to baseline growth rates of 2-3% in FY 2024-25.

As City expenditures are increasing at a faster rate due to inflation and rising personnel costs, the City will likely face increasing resource constraints in the near to mid-term absent new revenue streams. For Measure E/Q funds, this may mean utilizing fund balance from prior years to meet capital needs associated with Council and community priorities for E/Q funds, as rising operating costs will need to be incurred to maintain existing service levels.

Expenditures:

Fund-wide, expenditures for the first six months of the year are on track at 51% of budget expended as of December 31, 2022. The table below presents expenditures by Department. The interfund transfers represent the transfers to the Capital Improvement Fund and the fire station loan payoff contribution, with no changes since budget adoption:

Department	Adopted Budget	Expenditures through 12/31/22	% Expended
Police	\$ 788,522	\$ 512,501	65%
Fire	\$ 849,328	\$ 445,581	52%
Public Works	\$ 549,199	\$ 237,519	43%
Harbor	\$ 238,118	\$ 78,560	33%
Interfund	\$ 2,754,000	\$ 1,377,000	50%

Transfers			
Total	\$ 5,179,167	\$ 2,651,160	51%

The Police Department's total is higher than 50% due to a contract encumbrance for the Records Management System (RMS). The Public Works Department's costs are slightly lower than 50% as sidewalk work has not yet begun. Staff is requesting an additional budget to complete the current scope and expanded scope not identified until after budget development. The Harbor Department's totals are lower than 50% due to the bulk of seasonal expenditures occurring at both the beginning and the end of the fiscal year.

Midyear Budget Amendments:

On February 28th, the City Council approved \$122,700 in budget increases in the Measure E/Q Fund, equating to an increase of approximately 2% in the Fund's expenditure budget. All but \$11,100 of these increases are one-time increases to improve public safety and cleanliness as outlined in the established Measure E/Q priorities. The specific recommended increases are:

Department	Description	Budget Increase	One Time or Ongoing
Police	Server Replacement	\$ 20,000	One Time
Police	Replace AED batteries	\$ 12,000	One Time
Police	RMS Software support	\$ 11,100	Ongoing
PW Consolidated Maintenance	Repair Fire station Cistern	\$ 20,000	One Time
PW Consolidated Maintenance	Encampment Cleanup	\$ 25,000	Ongoing
PW Streets	Sidewalk/curb/gutter services	\$ 34,600	One Time
Total		\$ 122,700	

These expenditure budget increases are offset entirely by the revenue budget increases, with potential for revenue to still exceed the amended budget amount and result in fund balance to be appropriated in FY 2023-24. Furthermore, there is remaining fund balance available from FY 2021-22 that would cover current year expenditures if for some reason sales tax revenues moderate more quickly than HdL projects.

Update on Capital Projects Funded by Measure E/Q:

Attachment 2 includes a status update from the City Engineer, as \$2.5 million in Measure E/Q funds for FY 2022-23 were transferred to the General Government Capital Improvement Fund for the following projects:

Capital Project	FY 2022-23 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

CONCLUSION

The midyear budget report indicates that the Measure E/Q fund is on track at midyear, with small offsetting revenue and expenditure budget increases recommended.

ATTACHMENTS

1. Budget Performance Report for Measure Q & E Fund, period ending December 31, 2022
2. Capital Improvement Projects Status Update
3. Staff Presentation

Account	Account Description	Adopted Budget	Budget Amendments	Amended Budget	Current Month Transactions	YTD Encumbrances	YTD Transactions	Budget - YTD Transactions	% Used/ Rec'd	Prior Year Total
Fund 003 - Sales & Use Tax Measure Q & E										
Department 1111 - Undistributed/Non-Dept.										
REVENUE										
3051	Sales Tax City Portion - Burns & Measure Q	.00	.00	.00	1,571.70	.00	2,173.32	(2,173.32)	+++	34,642.83
3053	Sales Tax City Portion - Measure E	4,292,000.00	.00	4,292,000.00	320,915.81	.00	1,590,018.60	2,701,981.40	37	4,668,273.56
3710	Interest Income	.00	.00	.00	.00	.00	.00	.00	+++	3,575.00
3750	Gain On Investment	.00	.00	.00	.00	.00	.00	.00	+++	3,598.00
	REVENUE TOTALS	\$4,292,000.00	\$0.00	\$4,292,000.00	\$322,487.51	\$0.00	\$1,592,191.92	\$2,699,808.08	37%	\$4,710,089.39
EXPENSE										
6106	Contractual Services	.00	.00	.00	.00	.00	.00	.00	+++	2,913.61
	EXPENSE TOTALS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	+++	\$2,913.61
	Department 1111 - Undistributed/Non-Dept. Totals	\$4,292,000.00	\$0.00	\$4,292,000.00	\$322,487.51	\$0.00	\$1,592,191.92	\$2,699,808.08	37%	\$4,707,175.78
Department 4110 - Police Department										
EXPENSE										
4110	Regular Pay	340,720.00	.00	340,720.00	28,042.31	.00	156,737.49	183,982.51	46	221,187.79
4120	Overtime Pay	.00	.00	.00	4,408.71	.00	20,223.46	(20,223.46)	+++	5,478.62
4515	Standby Pay	26,000.00	.00	26,000.00	2,964.46	.00	18,207.76	7,792.24	70	.00
4599	Other Pay	8,154.00	.00	8,154.00	10,536.77	.00	14,719.35	(6,565.35)	181	20,714.01
4910	Employer Paid Benefits	115,328.00	.00	115,328.00	13,035.80	.00	65,926.76	49,401.24	57	69,007.70
4911	Pension Normal Cost	43,911.00	.00	43,911.00	3,838.00	.00	23,012.79	20,898.21	52	18,256.75
4912	PERS Unfunded Accrued Liability	82,129.00	.00	82,129.00	.00	.00	82,128.69	.31	100	67,234.00
5504	Machinery/Equip/Supplies	7,000.00	.00	7,000.00	.00	.00	3,121.39	3,878.61	45	.00
6106	Contractual Services	100,000.00	.00	100,000.00	34,700.00	52,050.00	34,700.00	13,250.00	87	86,750.00
6640	Maintenance Contracts	28,560.00	.00	28,560.00	.00	.00	27,073.06	1,486.94	95	27,073.06
8721	Payment To Other Agency	36,720.00	.00	36,720.00	.00	.00	14,600.00	22,120.00	40	8,784.30
	EXPENSE TOTALS	\$788,522.00	\$0.00	\$788,522.00	\$97,526.05	\$52,050.00	\$460,450.75	\$276,021.25	65%	\$524,486.23
	Department 4110 - Police Department Totals	(\$788,522.00)	\$0.00	(\$788,522.00)	(\$97,526.05)	(\$52,050.00)	(\$460,450.75)	(\$276,021.25)	65%	(\$524,486.23)
Department 4210 - Fire Department										
EXPENSE										
4110	Regular Pay	314,527.00	.00	314,527.00	24,484.72	.00	152,327.41	162,199.59	48	384,626.28
4120	Overtime Pay	94,445.00	.00	94,445.00	9,072.79	.00	100,225.61	(5,780.61)	106	57,351.94
4310	Part-Time Pay	165,438.00	.00	165,438.00	.00	.00	256.00	165,182.00	0	.00
4599	Other Pay	9,361.00	.00	9,361.00	11,415.78	.00	16,153.74	(6,792.74)	173	45,491.75
4910	Employer Paid Benefits	135,596.00	.00	135,596.00	11,678.05	.00	68,118.46	67,477.54	50	118,334.59
4911	Pension Normal Cost	46,499.00	.00	46,499.00	3,614.54	.00	24,137.26	22,361.74	52	31,893.03
4912	PERS Unfunded Accrued Liability	83,462.00	.00	83,462.00	.00	.00	83,462.07	(.07)	100	79,043.00
6201	Telephone	.00	.00	.00	150.00	.00	900.00	(900.00)	+++	.00
8110	Interest Expense	.00	.00	.00	.00	.00	.00	.00	+++	44,887.50
8130	Principal Repayment	.00	.00	.00	.00	.00	.00	.00	+++	38,000.00
	EXPENSE TOTALS	\$849,328.00	\$0.00	\$849,328.00	\$60,415.88	\$0.00	\$445,580.55	\$403,747.45	52%	\$799,628.09
	Department 4210 - Fire Department Totals	(\$849,328.00)	\$0.00	(\$849,328.00)	(\$60,415.88)	\$0.00	(\$445,580.55)	(\$403,747.45)	52%	(\$799,628.09)

Account	Account Description	Adopted Budget	Budget Amendments	Amended Budget	Current Month Transactions	YTD Encumbrances	YTD Transactions	Budget - YTD Transactions	% Used/ Rec'd	Prior Year Total
Fund 003 - Sales & Use Tax Measure Q & E										
Department 5205 - Public Works										
EXPENSE										
4110	Regular Pay	76,642.00	.00	76,642.00	5,283.00	.00	35,605.00	41,037.00	46	22,932.99
4599	Other Pay	1,819.00	.00	1,819.00	110.78	.00	695.49	1,123.51	38	412.31
4910	Employer Paid Benefits	20,722.00	.00	20,722.00	1,576.45	.00	9,403.30	11,318.70	45	4,967.25
4911	Pension Normal Cost	5,653.00	.00	5,653.00	434.92	.00	2,830.47	2,822.53	50	1,669.28
4912	PERS Unfunded Accrued Liability	16,477.00	.00	16,477.00	.00	.00	16,477.19	(.19)	100	.00
6106	Contractual Services	.00	.00	.00	.00	.00	.00	.00	+++	17,235.00
EXPENSE TOTALS		\$121,313.00	\$0.00	\$121,313.00	\$7,405.15	\$0.00	\$65,011.45	\$56,301.55	54%	\$47,216.83
Department 5205 - Public Works Totals		(\$121,313.00)	\$0.00	(\$121,313.00)	(\$7,405.15)	\$0.00	(\$65,011.45)	(\$56,301.55)	54%	(\$47,216.83)
Department 5215 - Consolidated Maintenance										
EXPENSE										
4110	Regular Pay	198,992.00	.00	198,992.00	14,710.00	.00	91,826.03	107,165.97	46	77,830.19
4120	Overtime Pay	.00	.00	.00	.00	.00	571.02	(571.02)	+++	140.40
4310	Part-Time Pay	87,182.00	.00	87,182.00	.00	.00	1,120.00	86,062.00	1	9,240.00
4599	Other Pay	5,347.00	.00	5,347.00	.00	.00	1,784.92	3,562.08	33	1,547.62
4910	Employer Paid Benefits	51,942.00	.00	51,942.00	4,668.23	.00	27,193.58	24,748.42	52	21,453.04
4911	Pension Normal Cost	15,926.00	.00	15,926.00	1,098.84	.00	7,014.07	8,911.93	44	3,423.01
4912	PERS Unfunded Accrued Liability	42,997.00	.00	42,997.00	.00	.00	42,997.43	(.43)	100	30,240.00
6106	Contractual Services	25,500.00	.00	25,500.00	.00	.00	.00	25,500.00	0	25,000.00
EXPENSE TOTALS		\$427,886.00	\$0.00	\$427,886.00	\$20,477.07	\$0.00	\$172,507.05	\$255,378.95	40%	\$168,874.26
Department 5215 - Consolidated Maintenance Totals		(\$427,886.00)	\$0.00	(\$427,886.00)	(\$20,477.07)	\$0.00	(\$172,507.05)	(\$255,378.95)	40%	(\$168,874.26)
Department 5230 - Street Maintenance										
EXPENSE										
5199	Miscellaneous Operating Supplies	.00	.00	.00	.00	.00	.00	.00	+++	4.26
EXPENSE TOTALS		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	+++	\$4.26
Department 5230 - Street Maintenance Totals		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	+++	(\$4.26)
Department 6510 - Harbor Department										
EXPENSE										
4120	Overtime Pay	.00	.00	.00	313.50	.00	1,153.88	(1,153.88)	+++	.00
4310	Part-Time Pay	59,547.00	.00	59,547.00	2,630.00	.00	36,833.35	22,713.65	62	.00
4910	Employer Paid Benefits	3,700.00	.00	3,700.00	91.44	.00	2,326.44	1,373.56	63	.00
6305	Disposal	87,500.00	.00	87,500.00	5,058.43	.00	37,112.70	50,387.30	42	80,232.04
7302	Equipment Acquisition	.00	.00	.00	.00	.00	.00	.00	+++	48,563.99
EXPENSE TOTALS		\$150,747.00	\$0.00	\$150,747.00	\$8,093.37	\$0.00	\$77,426.37	\$73,320.63	51%	\$128,796.03
Department 6510 - Harbor Department Totals		(\$150,747.00)	\$0.00	(\$150,747.00)	(\$8,093.37)	\$0.00	(\$77,426.37)	(\$73,320.63)	51%	(\$128,796.03)
Department 6511 - Harbor Lifeguards										
EXPENSE										
4120	Overtime Pay	3,180.00	.00	3,180.00	.00	.00	.00	3,180.00	0	.00

Account	Account Description	Adopted Budget	Budget Amendments	Amended Budget	Current Month Transactions	YTD Encumbrances	YTD Transactions	Budget - YTD Transactions	% Used/ Rec'd	Prior Year Total
Fund 003 - Sales & Use Tax Measure Q & E										
Department 6511 - Harbor Lifeguards										
EXPENSE										
4310	Part-Time Pay	74,977.00	.00	74,977.00	63.00	.00	1,074.00	73,903.00	1	40,499.75
4910	Employer Paid Benefits	5,914.00	.00	5,914.00	4.30	.00	60.01	5,853.99	1	7,860.73
5105	First Aide Supplies	500.00	.00	500.00	.00	.00	.00	500.00	0	.00
5109	Uniforms/Safety Equipment	2,000.00	.00	2,000.00	.00	.00	.00	2,000.00	0	.00
5199	Miscellaneous Operating Supplies	800.00	.00	800.00	.00	.00	.00	800.00	0	.00
EXPENSE TOTALS		\$87,371.00	\$0.00	\$87,371.00	\$67.30	\$0.00	\$1,134.01	\$86,236.99	1%	\$48,360.48
Department 6511 - Harbor Lifeguards Totals		(\$87,371.00)	\$0.00	(\$87,371.00)	(\$67.30)	\$0.00	(\$1,134.01)	(\$86,236.99)	1%	(\$48,360.48)
Department 7710 - Interfund Transactions										
EXPENSE										
8501	Transfers Out	.00	.00	.00	.00	.00	.00	.00	+++	1,069,250.00
8510	Transfer To General Fund	240,000.00	.00	240,000.00	120,000.00	.00	120,000.00	120,000.00	50	73,876.00
8540	TRFR To Capital Imp Fund	2,514,000.00	.00	2,514,000.00	1,257,000.00	.00	1,257,000.00	1,257,000.00	50	1,264,000.00
EXPENSE TOTALS		\$2,754,000.00	\$0.00	\$2,754,000.00	\$1,377,000.00	\$0.00	\$1,377,000.00	\$1,377,000.00	50%	\$2,407,126.00
Department 7710 - Interfund Transactions Totals		(\$2,754,000.00)	\$0.00	(\$2,754,000.00)	(\$1,377,000.00)	\$0.00	(\$1,377,000.00)	(\$1,377,000.00)	50%	(\$2,407,126.00)
Fund 003 - Sales & Use Tax Measure Q & E Totals										
REVENUE TOTALS		4,292,000.00	.00	4,292,000.00	322,487.51	.00	1,592,191.92	2,699,808.08	37%	4,710,089.39
EXPENSE TOTALS		5,179,167.00	.00	5,179,167.00	1,570,984.82	52,050.00	2,599,110.18	2,528,006.82	51%	4,127,405.79
Fund 003 - Sales & Use Tax Measure Q & E Totals		(\$887,167.00)	\$0.00	(\$887,167.00)	(\$1,248,497.31)	(\$52,050.00)	(\$1,006,918.26)	\$171,801.26		\$582,683.60
Grand Totals										
REVENUE TOTALS		4,292,000.00	.00	4,292,000.00	322,487.51	.00	1,592,191.92	2,699,808.08	37%	4,710,089.39
EXPENSE TOTALS		5,179,167.00	.00	5,179,167.00	1,570,984.82	52,050.00	2,599,110.18	2,528,006.82	51%	4,127,405.79
Grand Totals		(\$887,167.00)	\$0.00	(\$887,167.00)	(\$1,248,497.31)	(\$52,050.00)	(\$1,006,918.26)	\$171,801.26		\$582,683.60

**CITY OF MORRO BAY - PUBLIC WORKS DEPARTMENT
 CAPITAL PROJECTS STATUS UPDATE - UPDATED FEBRUARY 15, 2023
 MEASURE Q & E FUNDED PROJECTS**

Project Number	FY Initiated	Project	Estimated Total Cost	Funding Source	Justification and/or Deadlines	Current Status	Next Steps
HARBOR							
923-9921	17/18	Boat Launching Facility and Float Replacement	\$1,510,000	Harbor, Measure Q&E	Launch ramp severely deteriorated and undermined - conceptual design and estimate needed to be able to pursue funding sources; \$210k approved in FY 22/23 budget from Measure Q&E	In process Partially funded and approved in 22/23 budget. 30% design drawings submitted to Harbor and PW by Shoreline Engineering in Feb and under review.	Submit 30% design drawings with grant application to Department of Boating and Waterways. Marwal Construction under contract to facilitate design consultants and grant app prep. Submit app and find additional funding sources. Submittals will be for 30%, 60%, and 90% drawings.
STREETS							
915-8229	16/17	SR1/SR41/Main St Intersection Improvements	\$8,200,000	GF/CMAQ/Impact/SHA/Measure Q&E Partially funded - 60% \$600k annually from Measure Q&E	Level of Service for intersection is an "F" (failed) with congestion during peak hours, projected to be worse with future buildout of city and new developments Priority Regional project for SLOCOG Supported by Caltrans	Project Approval and Environmental Document (PA&ED) phase Still awaiting Extended Phase 1 Findings from Tribal / Caltrans and report Continued meetings with consultant and Caltrans project team.	Start CEQA / NEPA, Project Approval Document for Caltrans; complete PA&ED by Summer of 2023 Start design concurrent with cultural environmental process Obtain shortfall of funding of approx \$3-4 million through grants
New	22/23	Annual Pavement Management Program (Surface Seal Project) FY 22/23	\$1,737,846	Bike Path Fund/SB1/Measure Q&E/LTF Measure Q&E is \$1.38 million in funding.	Pavement Condition of City-wide street network has declined rapidly from 66 (2020) to 62 (2022). Arterial roads showing structural failures and need rehab before failures escalate. After digout project, these roads and others in city to be surface sealed (chip seal or slurry seal) based upon condition and functional classification	Initial major street list presented to PWAB in June 2022 and to City Council in August for adopted resolution that was presented to CTC in September 2023. FY 22/23 Project to focus on surface seals of streets in good condition to slow down declining PCI	Design and bid doc prep to start in early 2023. Final street list to be reviewed by PWAB March/April 2023. Advertise for construction in Spring/Summer of 2023.

Project Number	FY Initiated	Project	Estimated Total Cost	Funding Source	Justification and/or Deadlines	Current Status	Next Steps
New	22/23	ADA Accessibility Upgrades at Quintana and Main Streets Intersection	\$670,000	CDBG / Measure Q&E / SLOCOG Comm Betterment Grant	The nexus of the project was from requests from citizens that have disabilities for safety features at the City's sole traffic signal. The City has received partial funds for completing the project. If those funds are not used in a timely manner, the funds may be rescinded. This project contributes to the City's goals of improving infrastructure and promoting safe, active transportation for vulnerable populations.	Recently approved in 22/23 budget - \$180k \$90k from Measure Q&E \$90k from CDBG SLOCOG selected this project to receive a grant in the amount of \$490k which was awarded at its 8/3 Board Meeting; cooperative agreement received in Feb 2023	Develop RFP for obtaining consultant services design (PS&E) for this project Council approval to enter into cooperative agreement for receipt of grant funds from SLOCOG
New	22/23	Citywide Speed Survey	\$75,000	Measure Q&E	The City's current speed survey will be out of date by May 2023. Speed surveys are used to set speed limits for sections of city-controlled roadways. Speed limits provide notice to drivers of the maximum speed limit on a roadway and are an enforcement tool to assist police in addressing violators.	In process with consultant Data gathering is 90% complete	Complete draft survey document for review by staff and presentation at PWAB in March 2023

Citizens' Finance Advisory Committee Meeting Item B-1

May 16, 2023
3:00pm



Measure E Fund

Semi-Annual Report through
December 31, 2022





Priority Expenditure Areas

- 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 personnel and equipment, in addition to the Fire Headquarter Debt service and the Fire Engine loan repayment;
- Maintain or enhances **cleanliness and safety of public spaces** 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;
- 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; &
- Ensure financial health of the City by **maintaining appropriate reserves** to protect against economic downturns, natural/health emergencies and other unforeseen challenges or opportunities.



Midyear Revenues & Expenditures

FY 2022-23 Measure E Total Revenues and Expenditures

	Adopted Budget	Expenditures through 12/31/22	% Expended
Total Revenues	4,292,000	2,699,808	37%
Total Expenditures	5,179,167	2,528,006	51%
GRAND TOTAL	(887,167)*	171,801	

*appropriation of fund balance from prior years.

- Sales tax revenues through October (4 of 12 months)
- Revenue slightly higher than anticipated



Midyear Revenue Budget Change

- Recommend increasing revenue budget by \$122,700, or 2.9% of adopted revenue budget.
- Amend budget from \$4,292,000 to \$4,414,700.
- Offset recommended expenditure budget increases.
- Represents 93% of HdL's updated Midyear Measure E forecast, leaving room for potential acceleration of slowing growth rate for sales tax.



Midyear Expenditures by Department

Department	Adopted Budget	Expenditures through 12/31/22	% Expended
Police	\$ 788,522	\$ 512,501	65%
Fire	\$ 849,328	\$ 445,581	52%
Public Works	\$ 549,199	\$ 237,519	43%
Harbor	\$ 238,118	\$ 78,560	33%
Interfund Transfers	\$ 2,754,000	\$ 1,377,000	50%
Total Expenditures	\$ 5,179,167	\$ 2,651,160	51%



Midyear Expenditure Budget Changes

Department	Description	Budget Increase	One Time/Ongoing
Police	Server Replacement	\$ 20,000	One Time
Police	Replace AED batteries	\$ 12,000	One Time
Police	RMS Software support	\$ 11,100	Ongoing
PW Consolidated Maintenance	Repair Fire station Cistern	\$ 20,000	One Time
PW Consolidated Maintenance	Encampment Cleanup	\$ 25,000	Ongoing
PW Streets	Sidewalk/curb/gutter services	\$ 34,600	One Time
Total		\$ 122,700	



Measure Q&E Capital Improvement Projects

Capital Project	FY 2022-23 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

MEASURE Q & E FUNDED PROJECTS

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AGENDA NO: B-2

MEETING DATE: May 16, 2023

Staff Report

TO: CFAC Chair and Committee Members **DATE:** May 11, 2023

FROM: Greg Carpenter, Interim City Manager
Sarah Johnson-Rios, Assistant City Manager/Admin Services Director

SUBJECT: Discussion and Input on the Fiscal Year 2023-24 Draft Proposed Budget

RECOMMENDATION

Staff recommends the Citizens Finance Advisory Committee (CFAC):

- A. Provide input on the Proposed Measure Q & E Fund Budget for City Council consideration; and
- B. Provide input on the remainder of the Proposed City Budget for City Council consideration as desired.

BACKGROUND

Consistent with CFAC's scope of work as outlined in the Advisory Body Handbook, the City Council invites CFAC input on the Measure Q & E Proposed Budget, as well as on the broader Citywide budget as time permits. CFAC's input will be provided for Council's consideration at the City Council Budget Study Sessions scheduled for May 23rd and May 24th at 5:30pm. Budget adoption is scheduled for June 13.

DISCUSSION

The FY 2023-24 Proposed Operating and Capital Budget, including Measure Q & E proposed budget are available online in both a web-based format and a printable PDF format (links listed under "Attachments").

Measure Q & E Fund Proposed Budget

The Measure Q & E Fund proposed revenue budget is approximately \$4.6 million FY 2023-24, which represents a 6% increase over the prior year budget, but no increase over projected revenues for FY 2022-23, as revenues are flattening off on the heels of strong post-pandemic growth. Budgeted Measure Q & E proposed expenditures are approximately \$5.7 million for FY2023-24, reflecting use of available fund balance to fund one-time capital improvement work. Approximately \$2.4 million of the total \$5.7 million proposed budget is appropriated for capital improvement projects, with the remainder covering operating expenses consistent with Council's established priorities for use of Measure Q & E funds, which are as follows:

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.

The Measure Q & E Fund Proposed Budget is presented in much greater detail at the link below.

Citywide Proposed Budget

The Proposed Budget funds all City services and capital projects from July 1, 2023 through June 30, 2024. The budget makes key investments in operations, City staff, capital improvements, and paying down pension liabilities, while also preserving healthy financial reserves to weather future emergencies and economic downturns.

The proposed FY 2023-24 expenditure budget of \$56.1 million includes \$36.6 million for operations and \$19.5 million for 31 capital projects (net of interfund transfers). The budget funds the following: the operational departments which provide 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 31 capital projects to improve our shared built environment. A portion of the capital funding will go toward efforts to repair infrastructure damaged by the winter storms.

The budget also funds efforts to achieve the Strategic Planning goals established by the City Council of: Improving public infrastructure, Achieving economic vitality, Addressing housing needs and homelessness response, and Improving community engagement.

The City has largely recovered from the economic impacts of the pandemic although recent events related to storm damage, and ongoing global and national events have negatively impacted our financial situation. The City's major revenue sources, particularly those tied to discretionary spending and tourism, had shown strong signs of recovery to pre-pandemic levels but are now flattening. Measure E, passed by Morro Bay voters in 2020, continues to support the City's ability to deliver core public safety services and make progress toward addressing infrastructure needs, though infrastructure needs continue to exceed funds available.

Given macroeconomic uncertainty on the horizon and expenditure growth outpacing revenue growth, the City's strong financial reserves in all its funds (totaling over \$14 million citywide) would help the City 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.

Staff will present the Measure Q & E budget in more detail at the CFAC meeting, as well as highlights of the Citywide budget and seek CFAC input on both as time permits.

ATTACHMENTS

1. FY 2023-24 Proposed Measure Q & E Fund Budget directly link: <https://city-morro-bay-ca-budget-book.cleargov.com/8736/fund-summaries/measure-q-e-fund>

2. FY 2023-24 Proposed Capital and Operating Budget –
<https://www.morrobayca.gov/827/Budget>

a. Web-Based Version:

<https://city-morro-bay-ca-budget-book.cleargov.com/8736/introduction/transmittal-letter>

b. Printable PDF Version:

https://www.morrobayca.gov/DocumentCenter/View/17718/FY-2023-24-Proposed-Operating-and-Capital-Budget_51023