



**AGENDA NO: B-2**

**MEETING DATE: May 16, 2023**

**STAFF PRESENTATION RECEIVED BY  
THE CFAC FOR PUBLIC REVIEW  
PRIOR TO THE MEETING**

# Citizens' Finance Advisory Committee Meeting

## Item B-2

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May 16, 2023  
3:00pm





# Presentation Outline

- Proposed FY 23-24 Operating & Capital Budget
  - Guided by City Council Goals
- Looking Ahead
  - Forecasts, Reserves, & Key Takeaways
- Measure Q & E Fund Budget
  - Detailed Outline & Key Changes



# Background on CFAC Review

- Ordinance requires –
  - Review of Measure expenditures (Muni Code Ch. 3.26).
- Council invites –
  - Input on Measure Q&E budget, and on Citywide budget as time permits.
- Input provided is for –
  - Council consideration at Budget Study Sessions (May 23-24)

# Proposed FY 2023-24 Operating & Capital Budget





# City Council Goals

## PUBLIC INFRASTRUCTURE



### GOAL STATEMENTS:

- (1) Assess and provide report on state of infrastructure including streets, sewer lines, sidewalks, storm drains and Harbor infrastructure.
- (2) January 2023 storm response and future mitigation.
- (3) Repair, update and enhance Veterans Hall so it can continue to serve the community.
- (4) Striping program to improve sidewalks, crosswalks & accessible parking.

### SHORT-TERM ACTIONS

- Street Paving
- Complete Capital Needs Assessments
- Complete Development Impact Fee Study
- Update Council Chamber:  
*AV upgrades, web-based agenda management system for closed captioning and improved accessibility for visually impaired*
- Prioritize storm recovery efforts, maximizing FEMA/insurance reimbursement opportunities; Hazard mitigation / climate resiliency (grant funding eligibility)
- Public safety needs assessment (Standards of Cover)
- Improve streetscape with road striping, parking lines & curb painting



# City Council Goals

## GOAL STATEMENTS:

- (1) Pursue grant writing opportunities.
- (2) Evaluate opportunities for City-owned properties.
- (3) Streamline permit process for residential and commercial development.

## SHORT-TERM ACTIONS

- Market Plaza development opportunities (currently under negotiations)
- Monitor and stay engaged in offshore wind development
- Pursue grant opportunities, including:
  - RFP for full-service Grant Writer & Grant Administration (if successful)
  - Coleman Beach area
  - Climate Action Plan & Waterfront Master Plan
  - DBW grant funding for boat ramp replacement
- Review of City-owned properties, strategy to optimize use or revenues. Explore use of commercial realtor to manage commercial rental property
- Streamline permit processing for residential (including ADUs) and commercial development (also supports Housing goal)
- Presentation to Council on Paid Parking Study and proposed Pilot Program; implement, as directed

## ECONOMIC VITALITY





# City Council Goals

## GOAL STATEMENTS:

- (1) Identify low-income housing opportunities.
- (2) Explore achievable options for unhoused residents.
- (3) Speed up processing of ADU permits to increase availability of affordable housing.

## HOUSING HOMELESSNESS RESPONSE



### SHORT-TERM ACTIONS

- Housing Element Program Implementation (Housing by-right Policy and Objective Design Guidelines projects underway – \$275K rec'd in grant funding)
- Review possible upzone of Seashell Estates property for proposed housing project
- Explore achievable options at the City level (emergency warming shelters, pallet homes, etc.)
- Continue participation in County's 5-year Housing & Infrastructure Plan
- Continue participation in the County-wide 5-year Strategic Plan to address homelessness
  - *Homeless Outreach Case Manager*
- Identify affordable housing incentive program
- Speed up processing of ADU permits to increase availability of affordable housing



# City Council Goals

## COMMUNITY ENGAGEMENT



### GOAL STATEMENTS:

- (1) Build relationships and improve the purpose of advisory bodies to attract and retain members.
- (2) Hold community workshops and study sessions on upcoming development.
- (3) Improve City website and social media presence.

### SHORT-TERM ACTIONS

- Leverage partnerships with Chamber, Visit Morro Bay, local service clubs and community organizations, and other event hosts
- Explore/assess available communication tools
- Conduct joint Council/advisory board meetings periodically and consider biannual or annual advisory board reports to Council
- Develop Historic Preservation Ordinance using draft ordinance prepared by Historical Society as a starting point
- Continue MBPD Citizens Academy, Consider Community Academy and other opportunities for project / community outreach, including study sessions and workshops
- Develop and implement outreach and communication plan using different formats to reach broad spectrum of residents
- Ad hoc Committee review of Planning Process

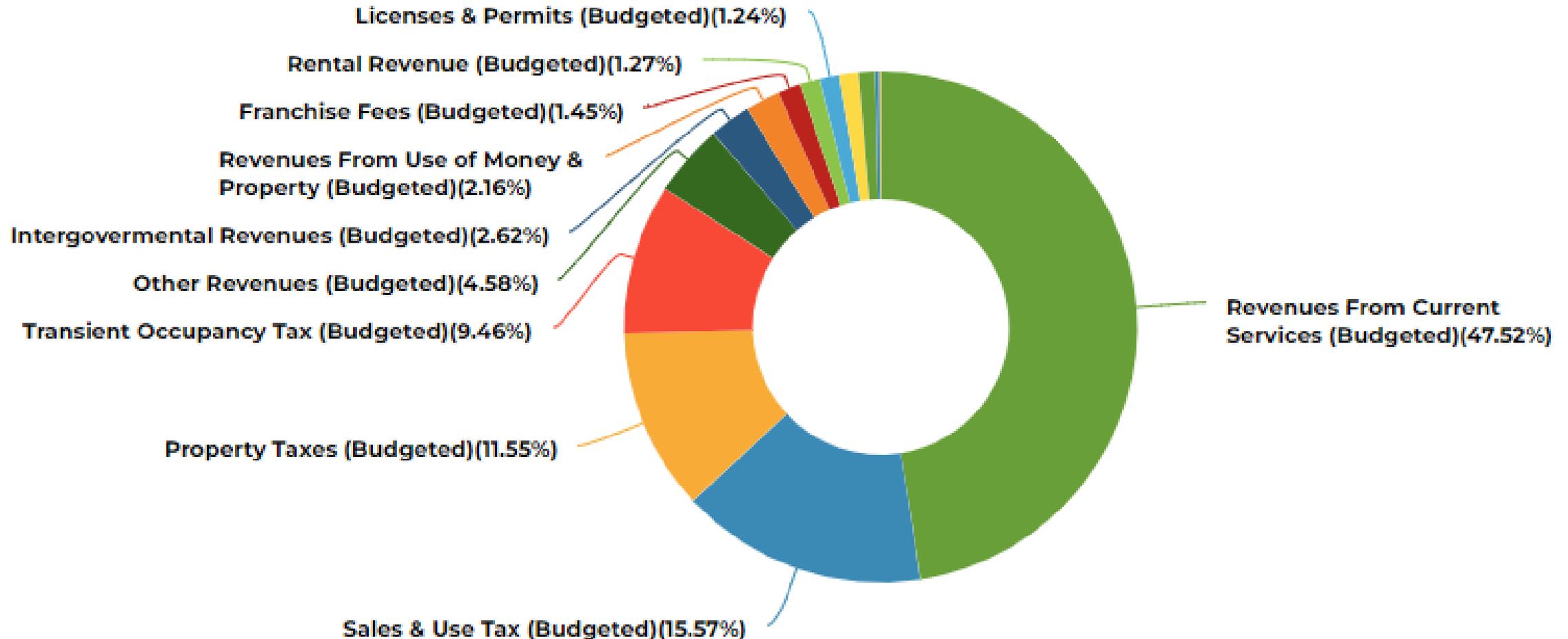


# Citywide Proposed Budget Totals

- Expenditure budget totals \$56.1 million (net of transfers) includes:
  - \$36.6 million for Operations
  - \$19.5 million for Capital Projects (net of transfers)
  - Increase of 3.5% from FY 22-23 Budget
- Revenue budget totals \$45.9 million (net of transfers):
  - Decrease of 1% due to no additional COVID relief funds
- Difference b/t revenues and expenditures comes from available fund balance to fund one-time capital needs

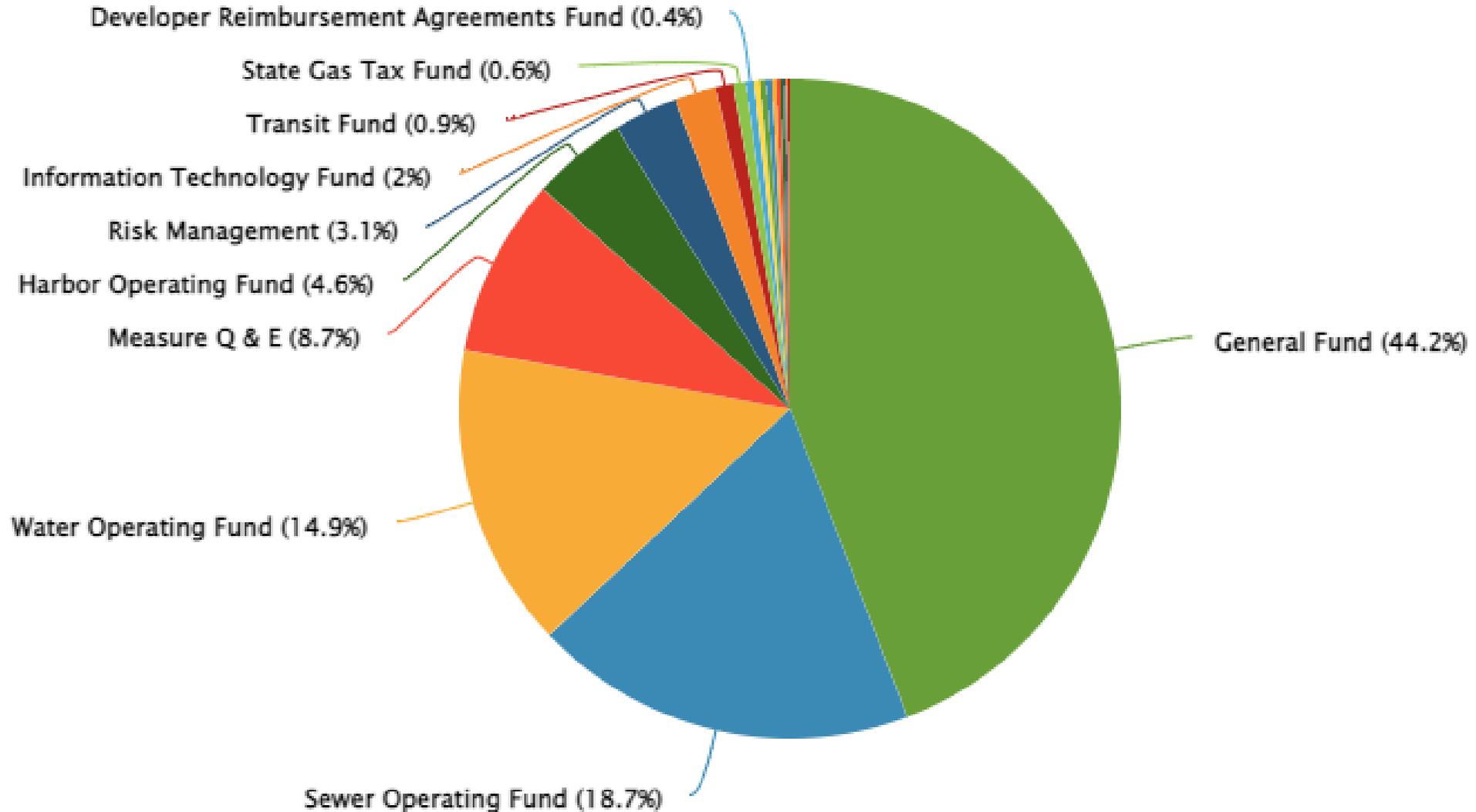


# Citywide Revenue by Type



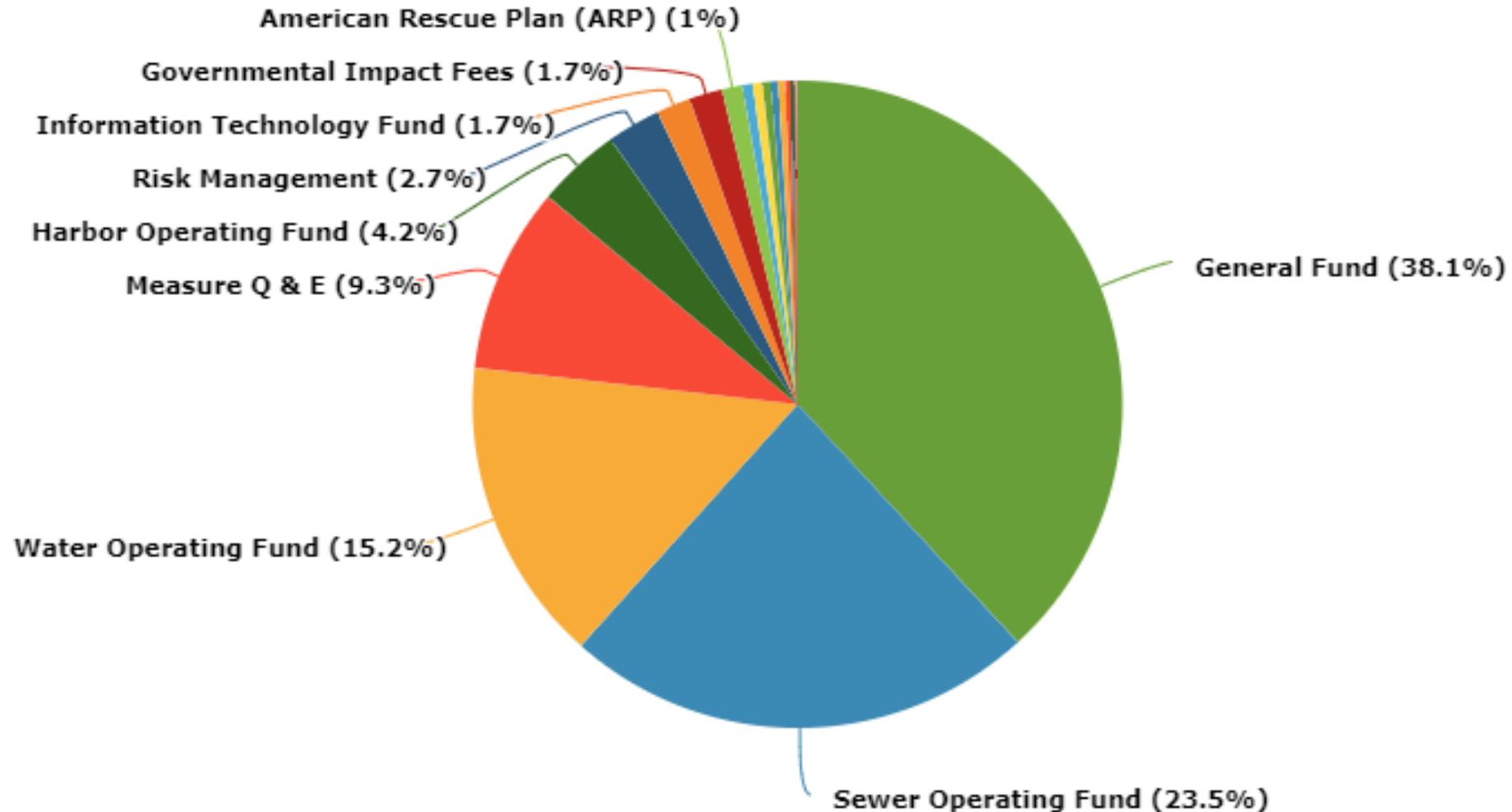


# Revenues by Fund



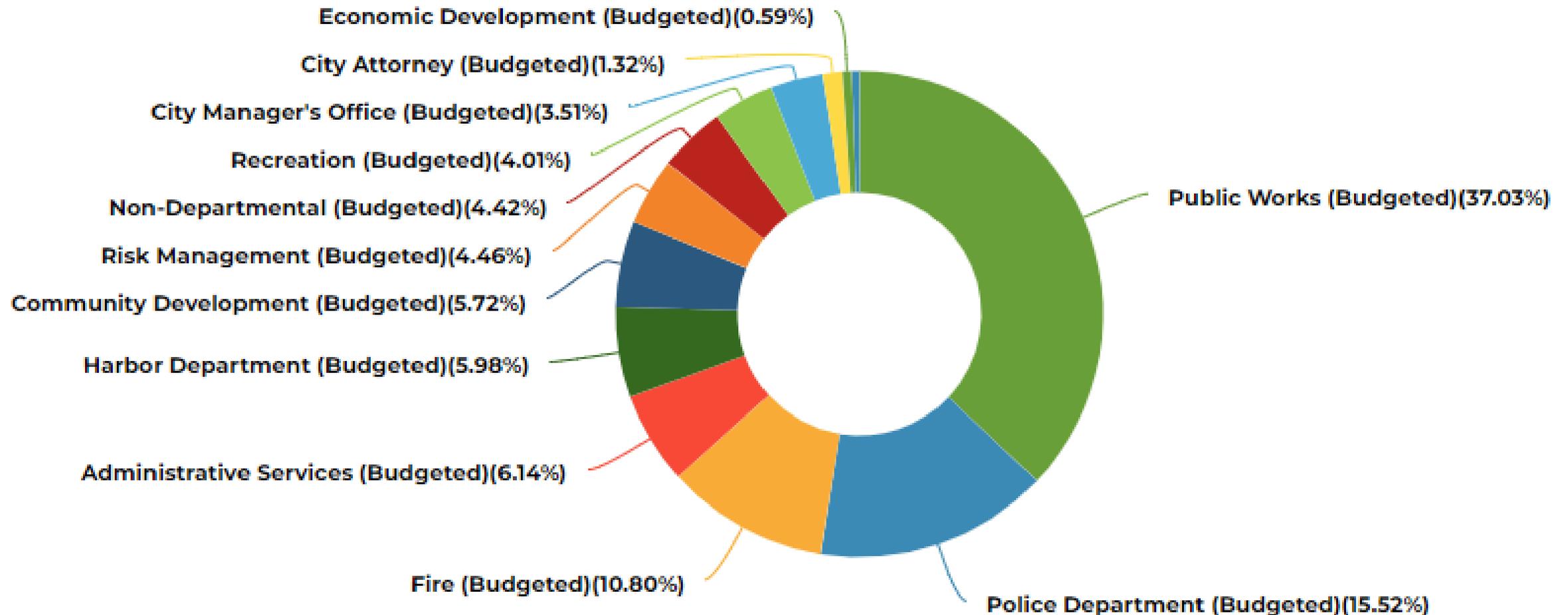


# Expenditures by Fund





# Expenditures by Department





# Personnel Changes

**Adding 2.4 net full-time positions**

CITYWIDE SUMMARY FULL-TIME STAFFING				
	2020-21	2021-22	2022-23	2023-24
	Funded	Amended	Funded	Budget
<i>Total City FTEs</i>				
City Manager	4.0	5.0	5.0	5.0
Administrative Services	6.0	9.0	9.0	9.0
Recreation Services	2.0	4.0	4.0	4.0
Community Development Dept	5.0	6.0	7.0	7.0
Police Department	20.4	21.4	22.5	22.5
Fire Department	13.8	15.0	15.0	16.0
Public Works	31.0	36.6	36.6	37.0
Harbor Department	6.0	6.0	6.0	7.0
<b>Total City-wide FTEs</b>	<b>88.1</b>	<b>103.0</b>	<b>105.1</b>	<b>107.5</b>



# Personnel Changes

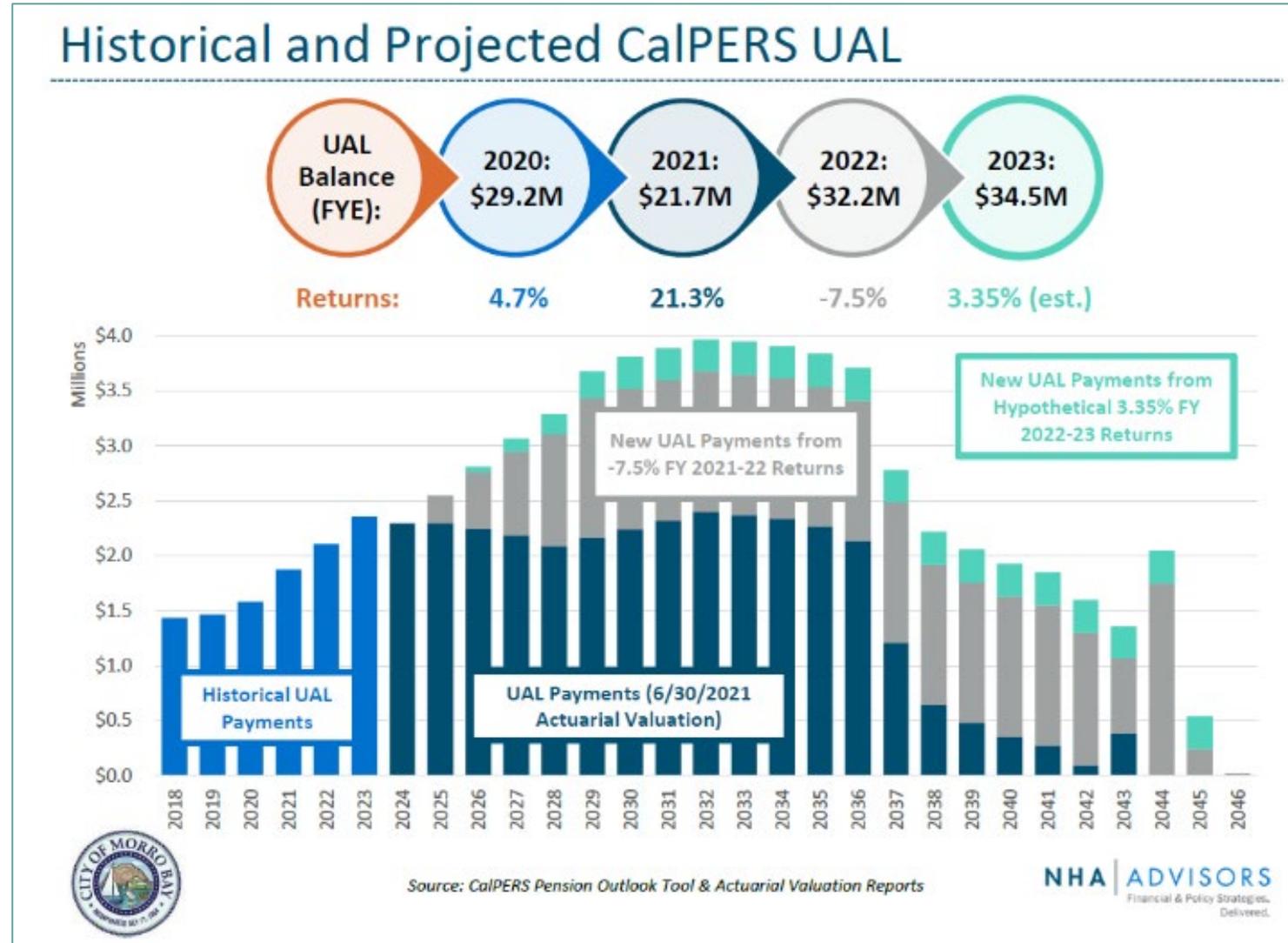
**Adding the equivalent of 1.8 part-time positions**

<b>CITYWIDE SUMMARY PART-TIME STAFFING</b>				
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
	<b>Funded</b>	<b>Amended</b>	<b>Funded</b>	<b>Budget</b>
<b><i>Total City FTEs</i></b>				
Administrative Services	0.3	0.4	0.6	0.9
City Manager's Office	0.0	0.0	0.0	0.2
Recreation Services	0.0	11.2	15.8	16.1
Community Development Dept	1.5	1.5	1.9	2.3
Fire Department	5.2	2.6	4.6	3.2
Public Works	0.7	2.6	2.7	2.5
Police	0.0	0.0	0.0	1.0
Harbor Department	2.4	3.4	3.2	4.4
<b>Total City-wide FTEs</b>	<b>10.0</b>	<b>21.7</b>	<b>28.7</b>	<b>30.5</b>



# CalPERS – Ongoing Challenge

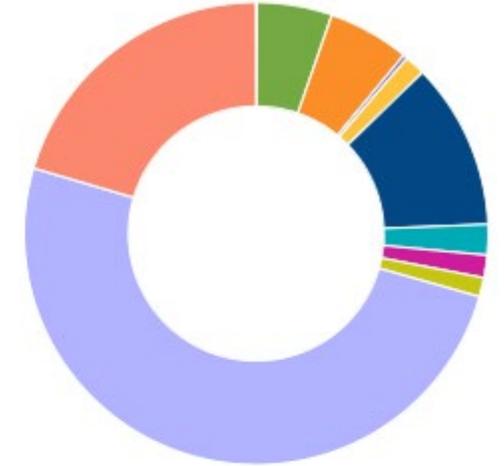
- Poor CalPERS returns will increase unfunded liability payments in future years
- FY 23-24 budget proposes appx. \$1.1 million to pension trust fund to prepare





# CIP One-Year Plan

- Investing total of **\$19.5 M** in critical infrastructure - **31 projects**
- \$6.8 M for WRF
- \$3.4 M for sewer main replacement
- \$1.3 M in other sewer projects
- \$1.6 M in water projects
- \$2.1 million in road paving
- \$1.9 M in storm recovery/mitigation
- \$0.8 M in 1/41 intersection



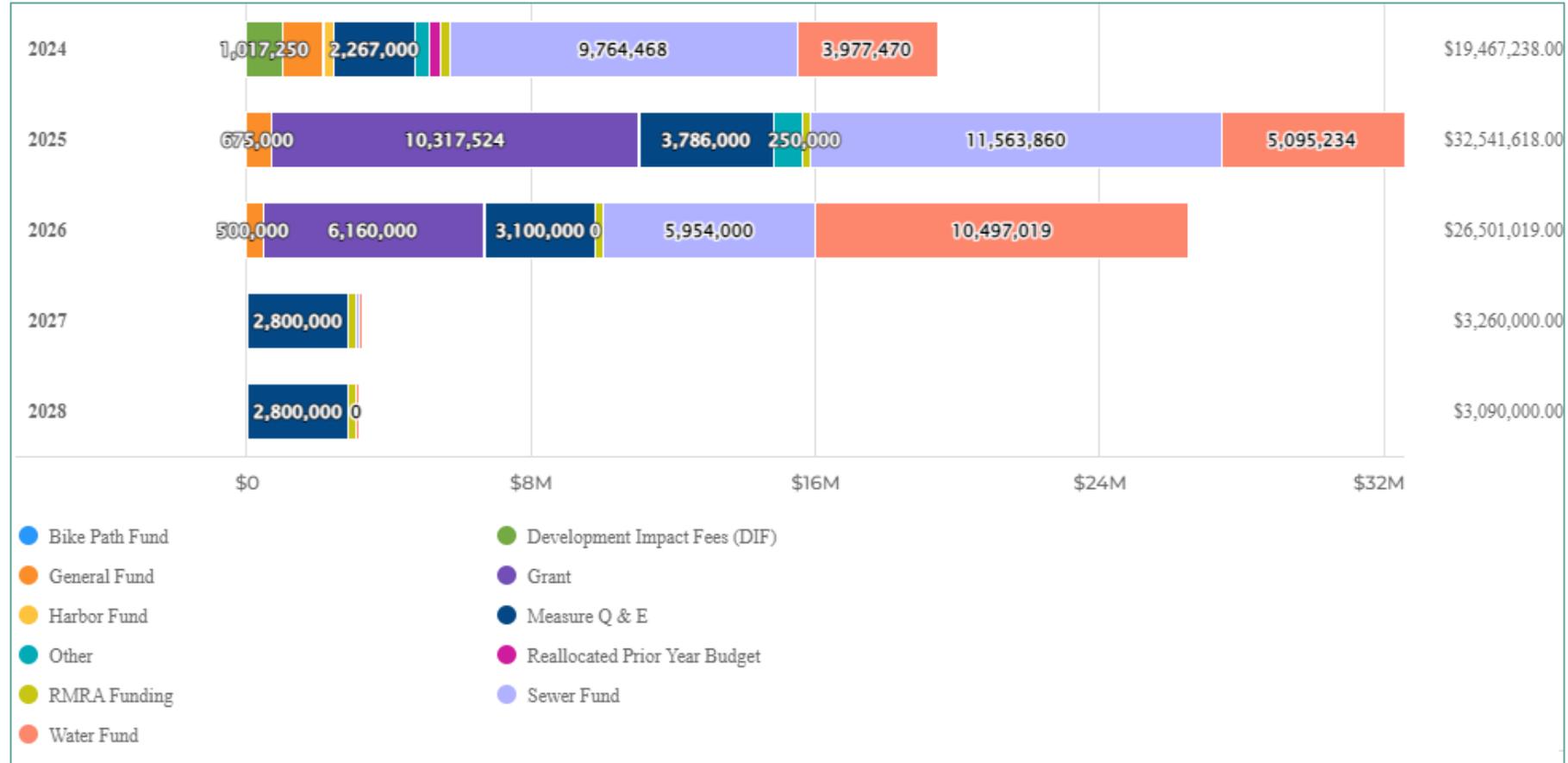
Total Funding Requested by Source

● Bike Path Fund (0%)	\$13,000.00
● Development Impact Fees (DIF) (5%)	\$1,017,250.00
● General Fund (6%)	\$1,106,865.00
● Grant (0%)	\$60,000.00
● Harbor Fund (1%)	\$280,000.00
● Measure Q & E (12%)	\$2,267,000.00
● Other (2%)	\$413,023.00
● Reallocated Prior Year Budget (2%)	\$308,162.00
● RMRA Funding (1%)	\$260,000.00
● Sewer Fund (50%)	\$9,764,468.00
● Water Fund (20%)	\$3,977,470.00
<b>TOTAL</b>	<b>\$19,467,238.00</b>



# CIP Multi-Year Plan

- Planning exercise; will refine with CIP assessments
- Planning numbers included in five-year forecasts
- Budget not appropriated until out years
- Insufficient funding to address needs



# Looking Ahead: Forecasts, Reserves, & Key Takeaways



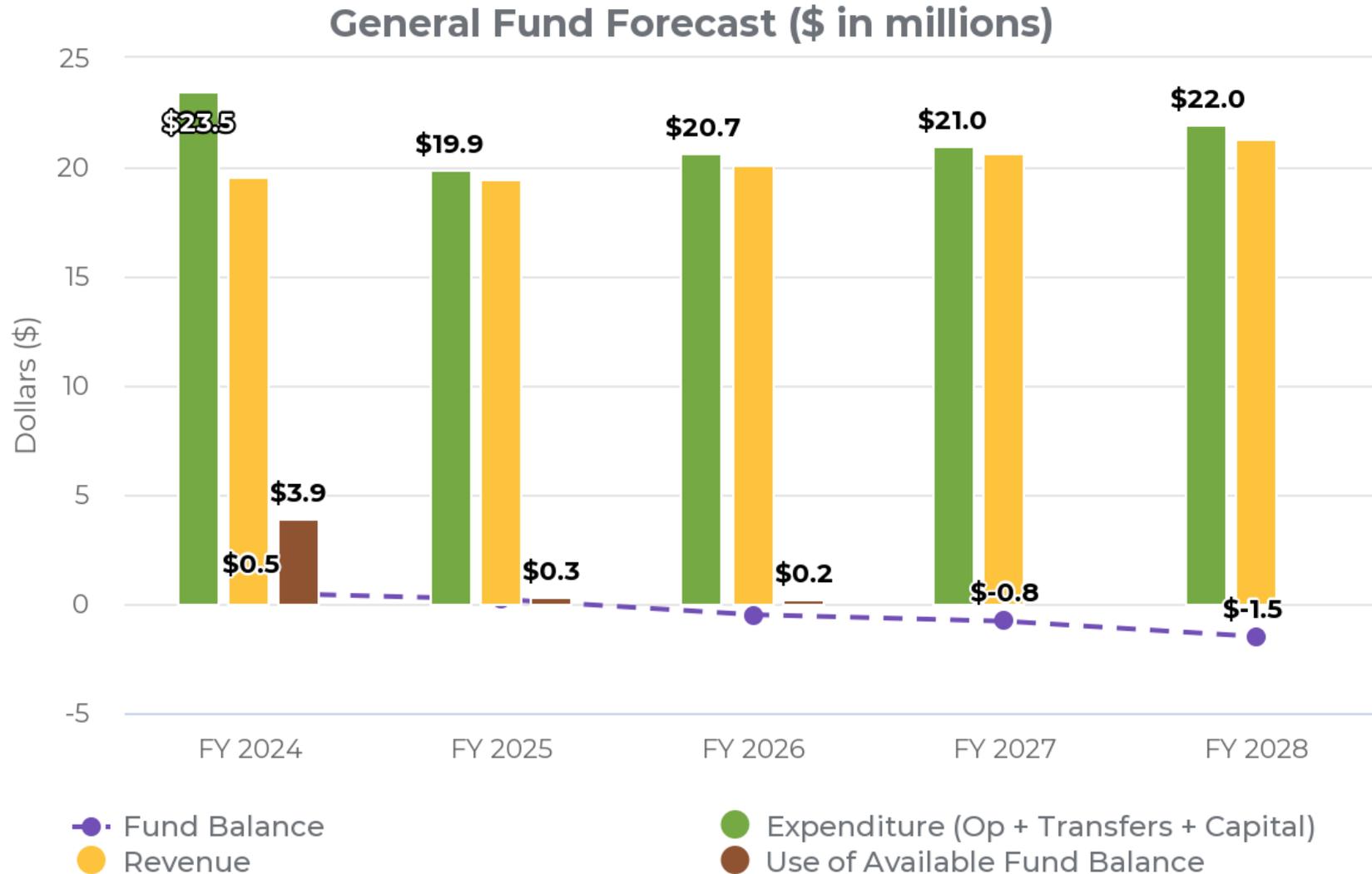


# Forecast Assumptions

Revenue/ Expenditure Category	Basis for Projection	Projection Year Increases			
		FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Property Tax	County projections	3.0%	3.0%	3.0%	3.0%
Sales Tax	City consultant projections	2.5%	2.5%	3.0%	3.0%
Transient Occupancy Tax	Visit Morro Bay projections	2.5%	2.5%	3.0%	4.0%
Other Revenue	Fees, interest, other misc.	3.0%	3.0%	3.0%	3.0%
Personnel - Operational Costs	Increasing salary and benefits costs; current staffing levels	4.0%	4.0%	4.0%	4.0%
Personnel - Ongoing costs for long-term liabilities (PERS)	CalPERS estimates	10.9%	12.5%	10.8%	8.8%
Other Operations & Maintenance	Related to CPI, anticipates falling inflation	5.0%	5.0%	4.0%	4.0%

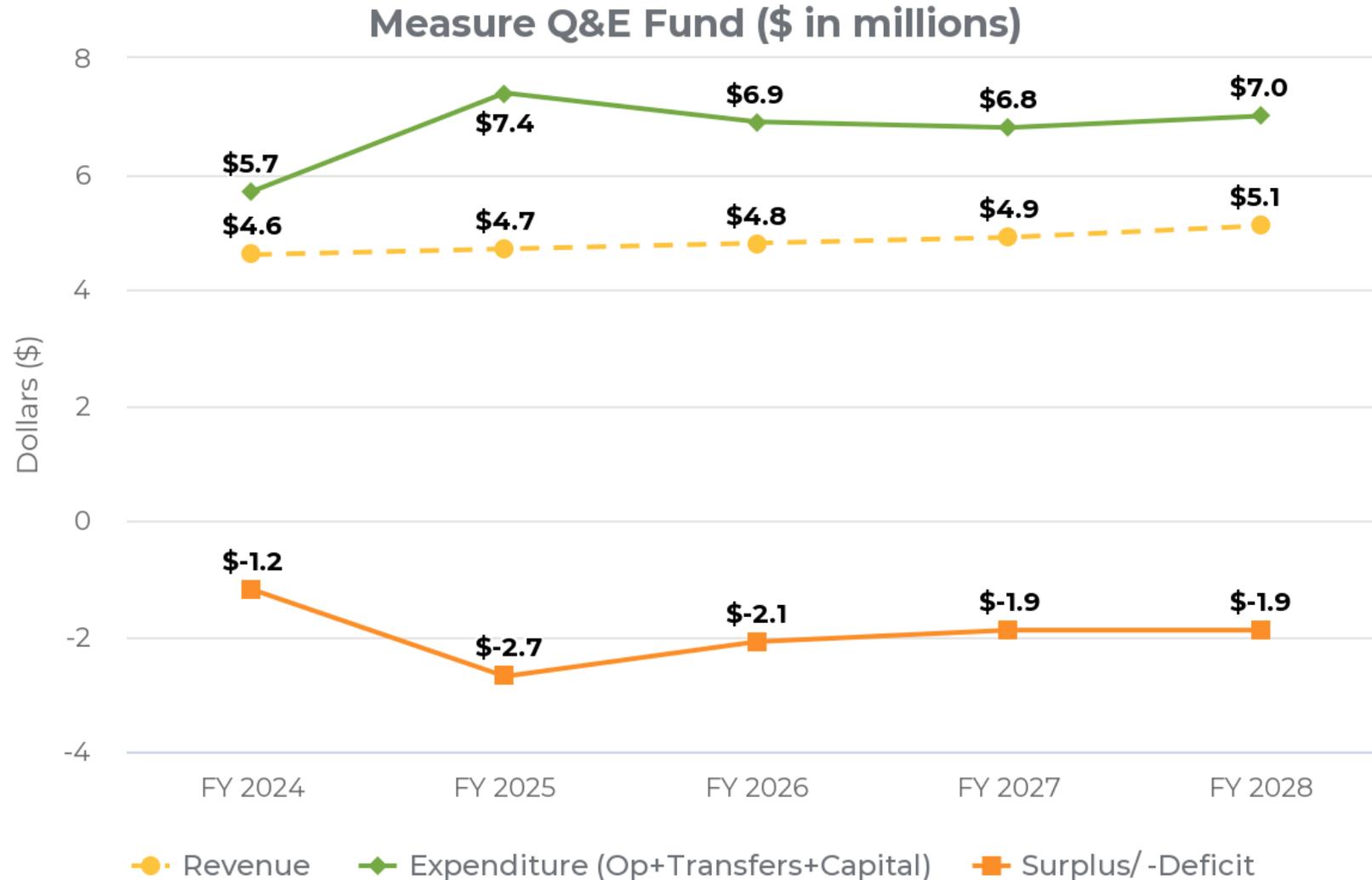


# Forecast – General Fund



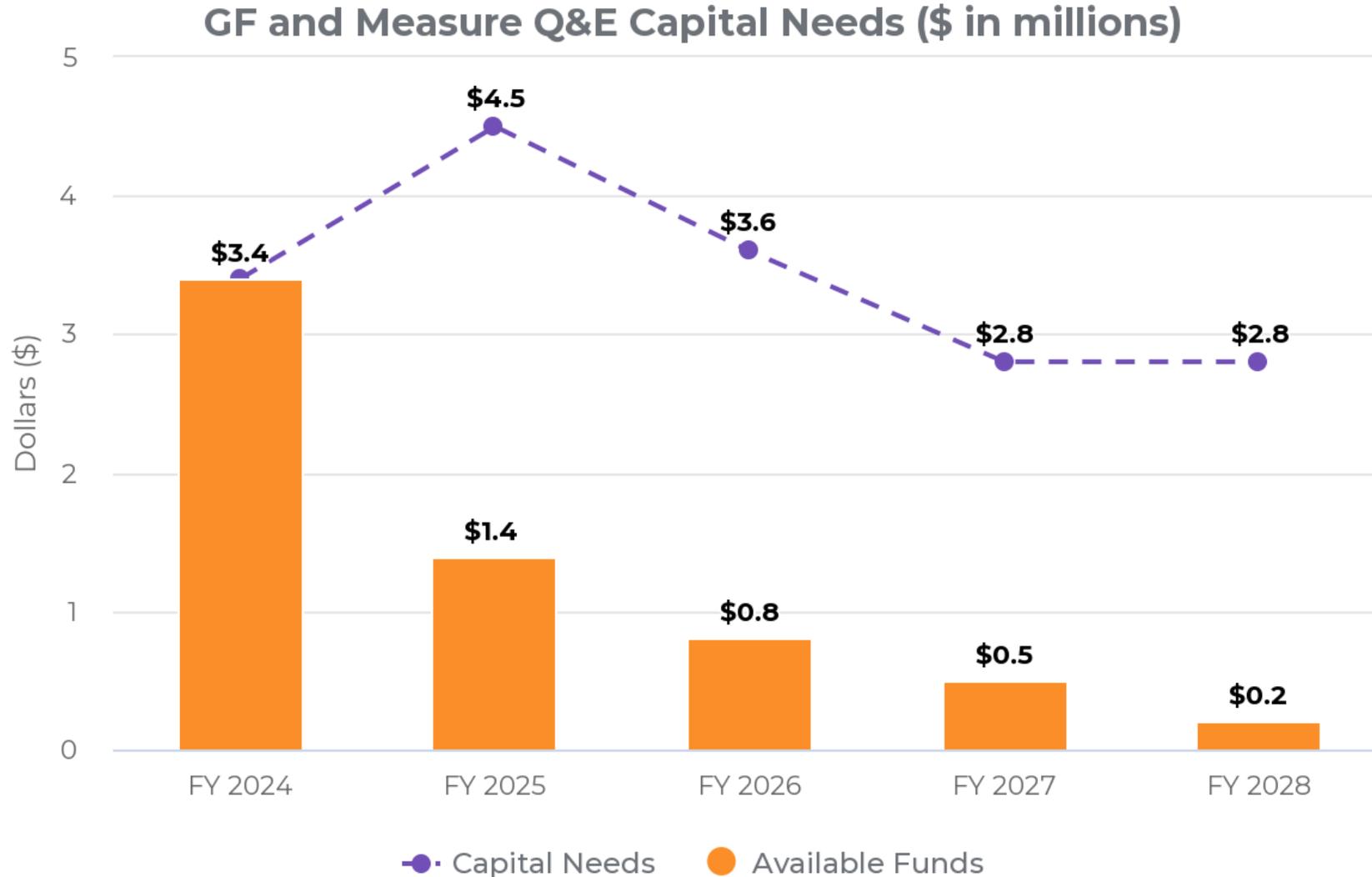


# Forecast – Measure Q & E Fund



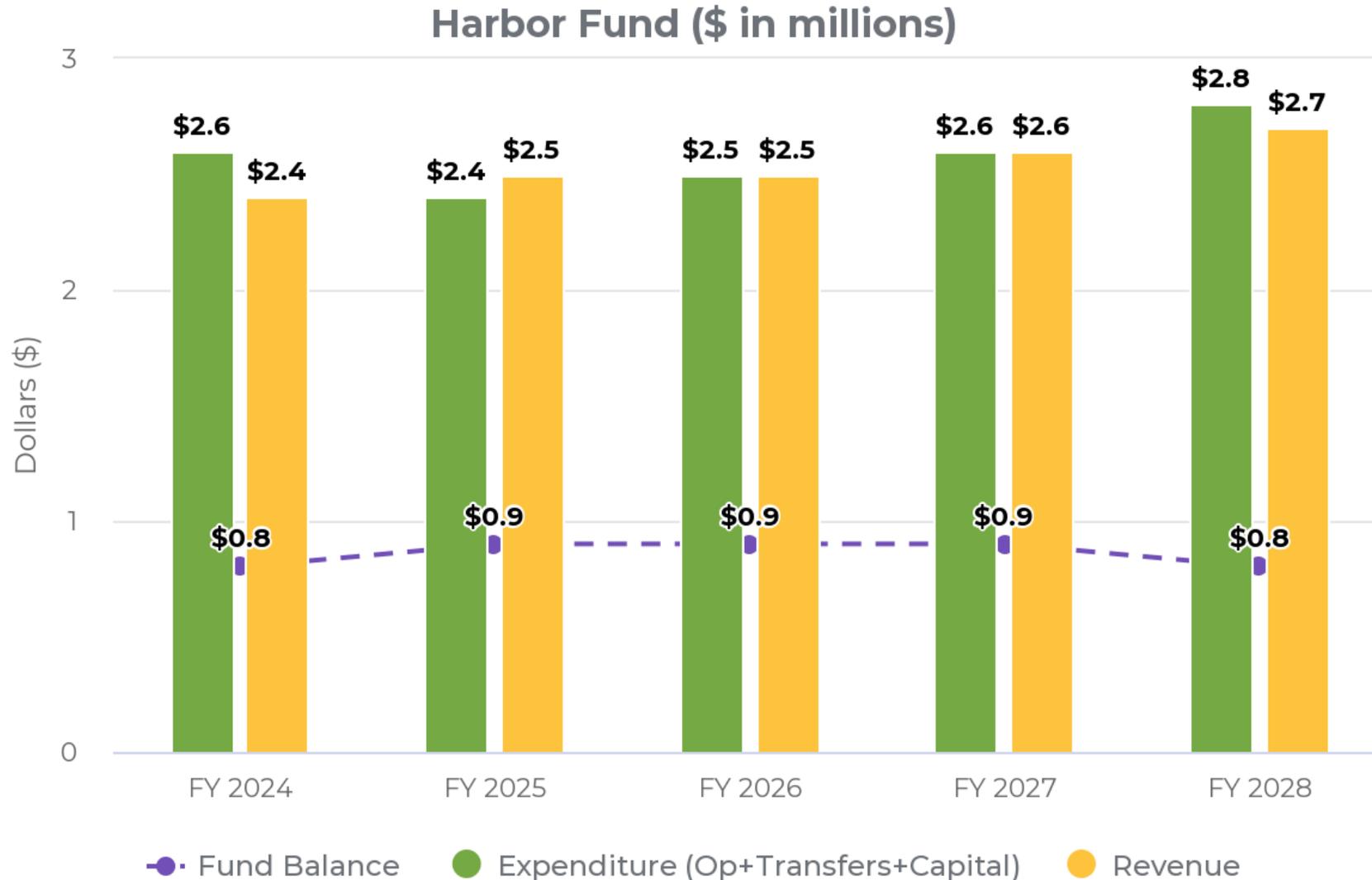


# Forecast – Unfunded Capital Needs



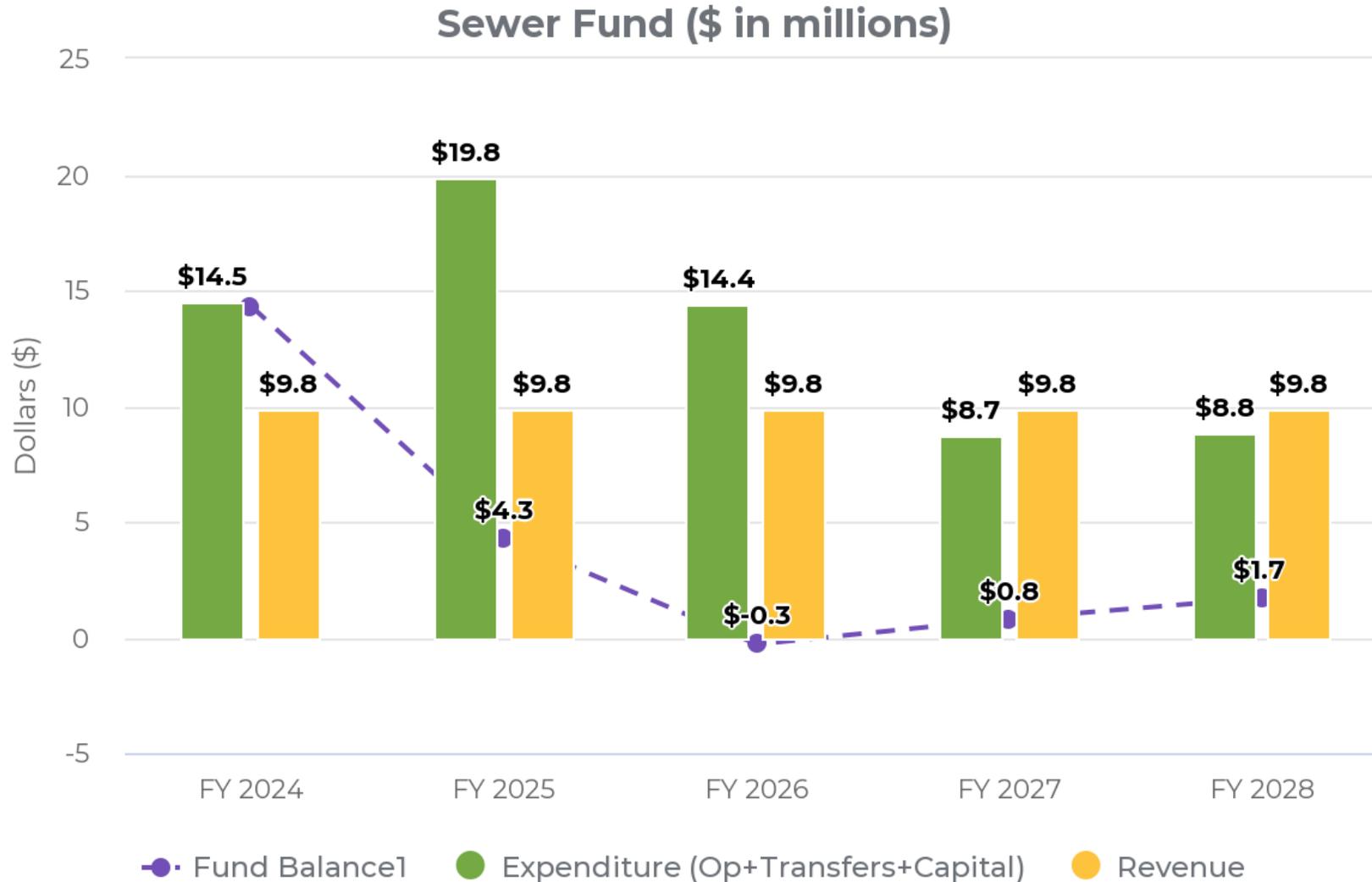


# Forecast – Harbor Fund



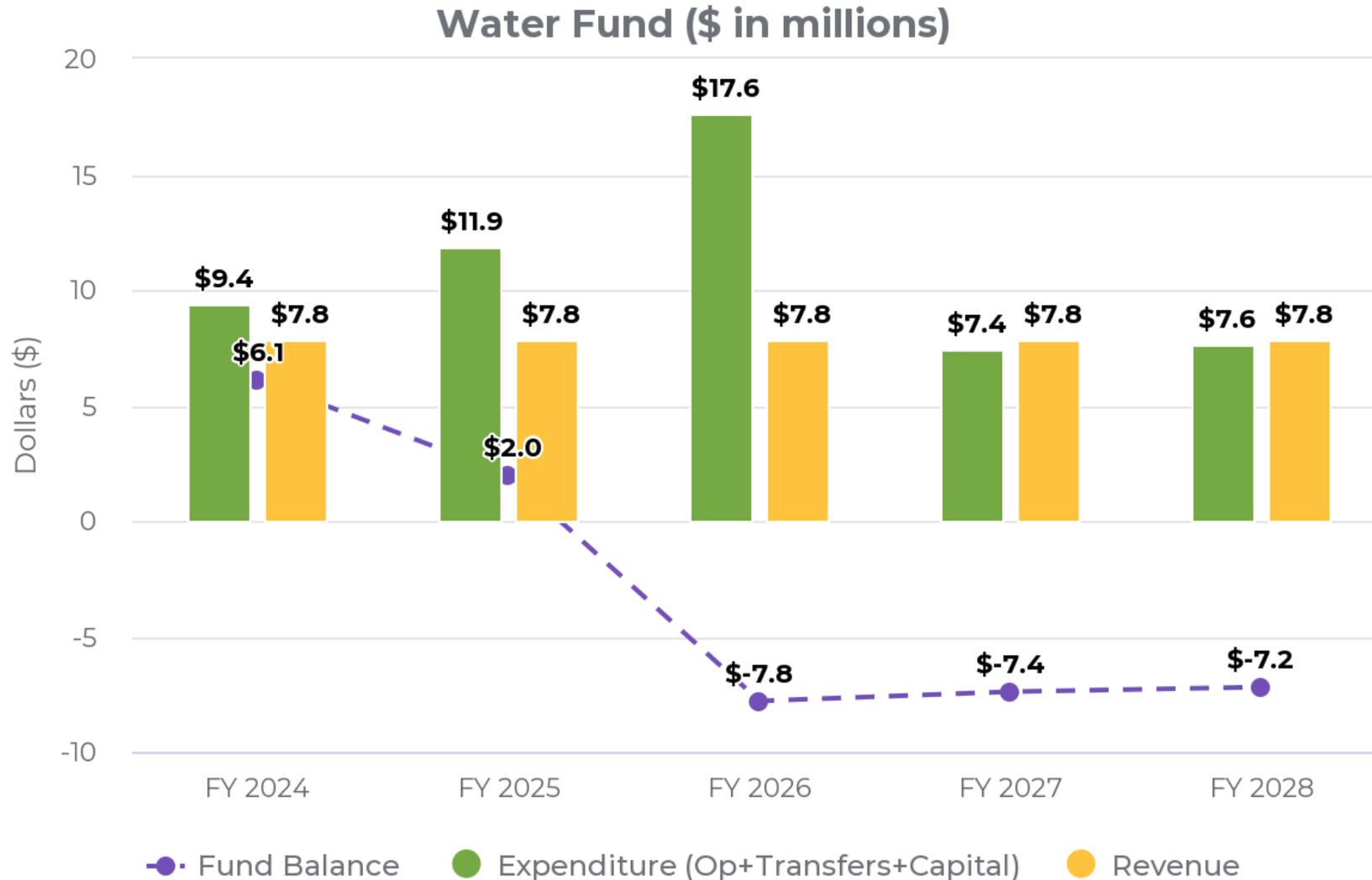


# Forecast – Sewer Fund





# Forecast – Water Fund





# Citywide Reserve Levels

General Fund (001)	\$0.5 million
General Government Compensable Leave Fund (005)	\$0.3 million
General Fund Vehicle Replacement Fund (050)	\$0.8 million
General Fund Emergency Reserve Fund (051)	\$7.1 million
General Fund Facility Maintenance Fund (052)	\$0.1 million
General Fund Capital Accumulation Fund (460)	\$0.6 million
<b>Total General Fund Reserves Projected at FY 2023-24 Year-End</b>	<b>\$9.4 million</b>
Water Fund	\$1.9 million
Sewer Fund	\$1.5 million
Harbor Fund	\$0.5 million
Risk Management	\$0.9 million
Information Technology	\$0.3 million
<b>Citywide Estimated FY 2023-24 Year-End Reserves Total</b>	<b>\$14.5 million</b>

Meets  
General  
Fund  
Emergency  
Reserve  
Policy

Total  
equates to  
40% of the  
Citywide  
Operating  
Budget



# Key Budget Takeaways

- Strong post-pandemic recovery leveling off
- Measure E helping maintain services, address some capital
- Significant unfunded capital needs
- Storm recovery expenses diverting funds from other capital
- Expenditure growth outpacing revenue growth (inflation)

- Economic cooling; potential recession
- Looming pension challenges
- Strong reserves may help weather challenges
- Ongoing (not just one-time) revenues needed to support capital work

# Measure Q & E Budget





# Measures Q & E Budget Framework

- Revenues are accounted for the Measure Q & E Fund (Fund 003).
- Operating costs are budgeted and posted in the Measure Q & E Fund.
- Capital projects are accounted for in the General Government Capital Fund (915)
  - Transfers made out of the Measures Q & E Fund based on budget and carried forward until expended on each intended project



# Council Priorities for Q & E Funds

- 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 enhance 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.



# Council Priorities for Q & E Funds

- 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.



# Measure Q&E Budget Summary

- **Revenues: \$4.6 million**
- **Expenditures: \$5.7 million**
  - \$3.4 million operating
  - \$2.3 million CIP
- Use of prior fund balance toward CIPs: \$1.1 million
- Remaining fund balance for contingencies: \$0.1 million



# Revenues

- 6% increase from FY 22-23 budget
- Roughly flat from FY 22-23 projected actuals
- Based on HdL projections (using 95%)
- Out years – anticipated return to baseline growth of 2-3%/yr



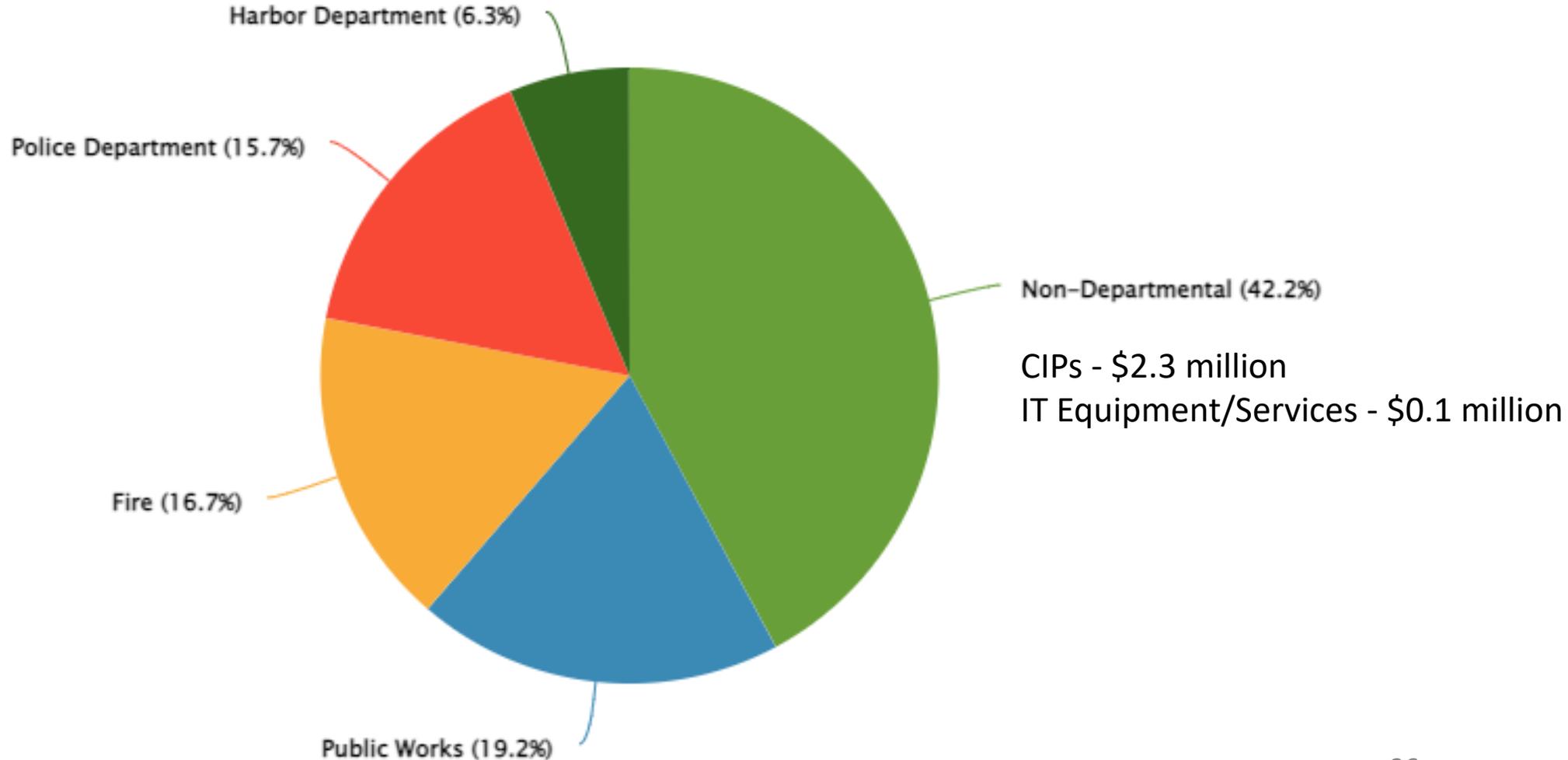


# Expenditures

- **Total: \$5.7 million**
- **Ongoing Costs: \$3.4 million**
  - Police: \$0.9 million (14% increase)
  - Fire: \$1.0 million (12% increase)
  - Public Works: \$1.1 million (100% increase)
  - Harbor: \$0.2 million (51% increase)
- **One-time Capital Costs: \$2.3 million**



# Expenditures by Department





# Operating Expenditures - Police

**Staffing** - 1 Sergeant, 2 Police Officers, and 1 Community Services Officer Technician, 1 part-time Reserve Police Officer (new for FY 23-24)

## **Supplies & Services -**

- Two unmarked police vehicles (\$98,000) – new for FY 23-24
- Evidence drying rack and refrigerator (\$19,000) – new for FY 23-24
- Contribution to the County Bomb/Drug/Gang task force (\$15,000)
- Regional SWAT team contribution (\$7,000)
- Payment for CLETS/Data lines to the San Luis Obispo Sheriff's Department (\$15,000)
- Police body camera annual support and maintenance contract costs (\$29,000).



# Operating Expenditures - Fire

**Staffing** - 1 Captain and 2 Engineers, and 1 new Firefighter-Paramedic (new for FY 23-24), as well as 7 part-time Reserve Firefighters (down from 10)

**Supplies & Services** - None.



# Operating Expenditures – Public Works

**Staffing** - 1 Maintenance Superintendent, 2 Maintenance Worker I's, and 0.8 Associate Engineer, and 0.25 Senior Engineer for CIPs (new for FY 23-24)

## **Supplies & Services -**

- Annual pavement rating contract (\$40,000) – new for FY 23-24
- City facilities repairs- (\$50,000) – new for FY 23-24
- Fire Department plumbing repairs - (\$20,000) – incomplete in FY 22-23
- Sidewalk, curb repairs, storm drain repairs (\$150,000) – new for FY 23-24
- Streets Maintenance - On-call street repairs (\$200,000) – new for FY 23-24
- Sidewalk and curb repair (\$26,000)



# Operating Expenditures – Harbor

**Staffing** - Part-time Harbor Reserves program (5) and Part-time Harbor lifeguard program (14)

## **Supplies & Services** -

- One harbor patrol response vehicle – new for FY 23-24
- Disposal funding to allow the Harbor Department to enhance trash disposal along the waterfront and Embarcadero (\$114,000)
- Lifeguard program supplies (\$3,000)



# Capital Expenditures

<b>Capital Project</b>	<b>FY 2023-24 Measure Q &amp; E Budget</b>
Active Transportation Plan / Active Corridor Studies (partial funding)	\$67,000
Local Road Safety Plan (LRSP) Implementation and Safety Improvements	\$150,000
Trash and Recycling Can Replacements	\$60,000
Sidewalk Improvements and Street Tree Replacements Project	\$150,000
Annual Pavement Management Program	\$1,840,000
<b>Total Measure Q &amp; E CIP Budget</b>	<b>\$2,267,000</b>



# B-2: Recommendation

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.