



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 17, 2023 - 3:00 PM

Veterans Memorial Hall

209 Surf St., Morro Bay, CA

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

INTERIM ASSISTANT CITY MANAGER / DIRECTOR INTRODUCTION

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 MAY 16, 2023 CITIZENS' OVERSIGHT/FINANCE ADVISORY COMMITTEE SPECIAL MEETING

Recommendation: Approve as submitted.

2. APPROVAL OF EXCUSED ABSENCE REQUEST FOR COMMITTEE MEMBER JOHNSON (SENIOR BUDGET ANALYST)

Recommendation: Staff recommends the Citizens Finance Advisory Committee (CFAC) approve the request submitted by CFAC Member Jean Johnson to excuse her absence from the October 17, 2023, Regular Citizens Finance Advisory Committee meeting.

B. BUSINESS ITEMS

1. INFORMATIONAL SESSION ON MUNICIPAL FINANCE 101 (ADMINISTRATIVE SERVICES DEPARTMENT STAFF)

Recommendation: Receive an informational presentation regarding Municipal Finance 101 from Interim Assistant City Manager/Administrative Services Director Steve Conway, Finance Manager Emily Conrad, and Senior Budget Analyst Melissa Green.

C. FUTURE AGENDA ITEMS

D. SCHEDULE NEXT MEETING

January 16, 2024

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 – MAY 16, 2023
VETERAN’S MEMORIAL HALL – 3:00 p.m.

MEMBERS PRESENT: Stephen Peck Vice-Chairperson
Kathy Hoverstein Committee Member
Jean Johnson Committee Member
Michael Erin Woody Committee Member
Brian Dorfman Committee Member

ABSENT: None

STAFF PRESENT: Greg Carpenter City Manager
Sarah Johnson-Rios Assistant City Manager/Admin Svs. Director
Emily Conrad Finance Manager
Kelley Mattos Senior Administrative Analyst
Erika Castillo Account Clerk III

ESTABLISH QUORUM AND CALL TO ORDER
<https://youtu.be/5CojiPx4lwI?si=7iAAcVvRv4L73WX6&t=14>

Vice-Chairperson Peck called the meeting to order at 3:02 p.m. with all but Member Dorfman present. Member Dorfman joined the meeting at 3:27 p.m.

SELECT CHAIR AND VICE-CHAIR
<https://youtu.be/5CojiPx4lwI?si=1xN0x075yzHKvJog&t=55>
Members voted for New Chairperson and New Vice Chairperson.

MOTION: Vice-Chairperson Peck moved to nominate himself as Chairperson and Member Woody as Vice Chairperson for the Citizens Oversight/Finance Advisory Committee meeting. The motion was seconded by Member Johnson and carried 4-0-1 with Member Dorfman absent.

COMMITTEE ANNOUNCEMENTS & PRESENTATIONS
<https://youtu.be/5CojiPx4lwI?si=zrog9l7LitUj-f3&t=96>

ASSISTANT CITY MANAGER / DIRECTOR UPDATE
https://youtu.be/5CojiPx4lwI?si=IM3U1_gzDBjaDRQ5&t=251

PUBLIC COMMENT - None

A. CONSENT CALENDAR
https://youtu.be/5CojiPx4lwI?si=Up_Sq8DdbXs2qsCU&t=674

A-1 APPROVAL OF MINUTES FOR JANUARY 31, 2023 CITIZENS OVERSIGHT/FINANCE
ADVISORY COMMITTEE MEETING

MOTION: Vice Chairperson Woody moved to approve minutes from the January 31, 2023 Citizens Oversight/Finance Advisory Committee meeting. The motion was seconded by Member Johnson and carried 3-0-2 by roll call vote with Member Dorfman absent and Member Hoverstein having abstained.

B. BUSINESS ITEMS

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

<https://youtu.be/5CojiPx4lwI?si=k0WhVLFkWBGcxe9z&t=759>

Assistant City Manager/Admin Services Director Johnson-Rios presented the report and answered Board Member questions.

Public Comment

None

Chairperson Peck closed public comment.

Motion: Member Hoverstein moved to approve 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. The motion was seconded by Member Johnson and carried 5-0 by roll call vote.

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

<https://youtu.be/5CojiPx4lwI?si=19z1K7Bra1VbdZHM&t=1745>

Assistant City Manager/Admin Services Director Johnson-Rios presented the report and answered Board Member questions.

Public Comment:

Homer Alexander, Morro Bay, expressed appreciation for the new formatting of the city budget and spoke on several topics such as inflation, combined sales tax revenue in the Q & E funds, Transit Occupancy Tax (TOT), capital projects and grants within the budget document.

Chairperson Peck closed public comment.

MOTION: Chairperson Peck moved that the following items on the Proposed Measure Q & E Fund Budget be considered for City Council: 1) Eliminate the Active Transportation Plan and Corridor Studies; 2) Eliminate Local Road and Safety Plan Implementation and Safety Improvements; 3) Include Trash and Recycling Can Replacements as this is a sanitation issue; 4) Transfer the Sidewalk Improvements and Street Tree Replacements to the Public Works Operating Budget to do incremental work; 5) Reduce the Annual Pavement Management Program to 1 Million; 6) The \$72,000 vehicle for Harbor be funded out of Harbor reserves; and 7) Ask staff to reconcile the numbers and see what sort of reserve we have to carry forward the delta between expenses and revenue. The motion was seconded by Member Woody for discussion.

Following discussion, the motion carried 5-0 by roll call vote.

Committee Members offered individual comments on the Proposed City Budget.

C. FUTURE AGENDA ITEMS

<https://youtu.be/5CojiPx4lwI?si=CdpPqCxBNSbsPI8R&t=7018>

1. Development Impact Fee Study
2. Capital Financing Needs
3. Community Engagement Goal

D. SCHEDULE NEXT MEETING

The next regularly scheduled Citizen's Oversight/Finance Committee meeting will be August 15, 2023, at 3:00 pm.

E. ADJOURNMENT

The meeting adjourned at 04:59 p.m.

Recorded by:

Erika Castillo
Account Clerk III

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AGENDA NO: A-2

MEETING DATE: October 17, 2023

Staff Report

TO: CFAC Chair and Committee Members **DATE:** October 9, 2023
FROM: Melissa Green, Senior Budget Analyst
SUBJECT: Approval of Excused Absence Request for Committee Member Johnson

RECOMMENDATION

Staff recommends the Citizens Finance Advisory Committee (CFAC) approve the request submitted by CFAC Member Jean Johnson to excuse her absence from the October 17, 2023, Regular Citizens Finance Advisory Committee meeting.

ALTERNATIVES

The Committee may choose not to excuse Ms. Johnson's absence from the October 17, 2023, meeting.

BACKGROUND/DISCUSSION

In April 2022, the Council adopted Resolution No. 39-22, amending the By-Laws for all standing advisory bodies to establish a policy regarding absences. That policy, which is included in the current Advisory Bodies Handbook and By-Laws, states:

"Because of quorum requirements, when an absence is anticipated, the individual advisory body member is responsible for notifying the Chair and the staff responsible a minimum of seven days in advance and the absence shall be counted in that member's attendance record. An advisory body member may include a written request that the absence be excused; said request must be submitted in advance and formally approved at a regular meeting of the advisory body. The unexcused absence from two consecutive regular meetings or twenty-five (25) percent of the regular meetings during any calendar year period shall constitute the resignation of such absent member. An advisory body member determined to have not met the attendance requirements herein may submit a written request to the City Council to have the previous absences excused."

Staff received a request from CFAC member Jean Johnson for Committee consideration to excuse her absence from the October 17, 2023, regular meeting. Ms. Johnson's attached email details her reason for the absence, which staff accepts as reasonable and warrants Committee consideration. Ms. Johnson has no excused or unexcused absences in the 2023 calendar year.

CONCLUSION

Staff recommends the Committee approve Ms. Johnson's request for an excused absence from the October 17, 2023 Regular Citizens Finance Advisory Committee meeting.

ATTACHMENTS

1. Request for Excused Absence submitted by Ms. Johnson
2. Link to [Advisory Bodies Handbook and By-Laws](#)

Dana Swanson

From: Jean Johnson
Sent: Wednesday, October 04, 2023 9:12 PM
To: Dana Swanson
Cc: Steve Peck
Subject: October CFAC Excused Absence Request

Hi Dana,

I will be unable to attend the upcoming October CFAC meeting due to an out-of-town family commitment. I therefore request an excused absence for that date.

Best,
Jean Johnson



MUNICIPAL FINANCE 101

CFAC MEETING

October 17, 2023

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AGENDA

Steve Conway,
Interim Assistant City
Manager/Administrative
Services Director

Emily Conrad,
Finance Manager

Melissa Green,
Sr. Budget Analyst



Municipal Accounting Basics



Municipal Budgeting Basics



Measure Q&E



Pension Debt Obligations

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Accounting Standards

GAAP – Generally Accepted Accounting Principles

- Generally accepted accounting principles, or GAAP, are standards that encompass the details, complexities, and legalities of business and corporate accounting. The Financial Accounting Standards Board (FASB) uses GAAP as the foundation for its comprehensive set of approved accounting methods and practices.

GASB – Governmental Accounting Standards Board

- Established in 1984, the Governmental Accounting Standards Board (GASB) is the independent, private- sector organization based in Norwalk, Connecticut, that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP).

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Annual Comprehensive Financial Report

- An ACFR is a set of financial statements for a state, municipality or other governmental entity that comply with the accounting requirements established by the Governmental Accounting Standards Board (GASB). It must be audited by an independent auditor using generally accepted government auditing standards.
- The ACFR consists of three sections: Introductory, Financial and Statistical.
- GFOA Best Practice – Three main groups are responsible for ACFR: the governing body (city council), financial management (staff), and independent auditors.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Morro Bay
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

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Fund Accounting

“...A tool for organizing and presenting data about financial resources that highlight the fact that certain resources have been 'segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.' For state and local governments, that tool is fund accounting.”

-Gauthier, Stephen J. Governmental Accounting, Auditing and Financial Reporting. Chicago, IL: Government Finance Officers Association, 2012.

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Governmental Funds

Includes activities usually associated with a typical state or local government's operations (public safety, general government activities, etc.)

The General Fund contains all activity that is not assigned to a specific fund. Accounts for general municipal operations (e.g., public safety, public works, recreation)



General Fund

Least restrictive
Chief operating fund



Special Revenue Funds

Restricted to a particular use
Examples: ARPA, State Gas Tax, Assessment Districts, Government Impact Fees



Debt Service

General Fixed Asset Group
General Long-Term Debt



Capital Projects

Proprietary Funds

Each of these funds accounts for revenues that are restricted as to use.



Harbor Enterprise

Operating
Capital



Sewer Enterprise

Operating
Capital



Water Enterprise

Operating
Capital



Transit Enterprise

Operating
Capital



Internal Service Funds

Risk Management
Information Technology

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Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City acting in a fiduciary capacity for other entities and individuals. Such funds are operated to carry out the specific actions of trust agreements, ordinances and other governing regulations.



Trust and Agency Fund

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MUNICIPAL BUDGETING



Fund

An accounting entity with a self-balancing set of accounts that are segregated to carry on identified activities per specific regulations, restrictions, or limitations.



Department

Budget appropriation level that limits expenditures to department or program activities.



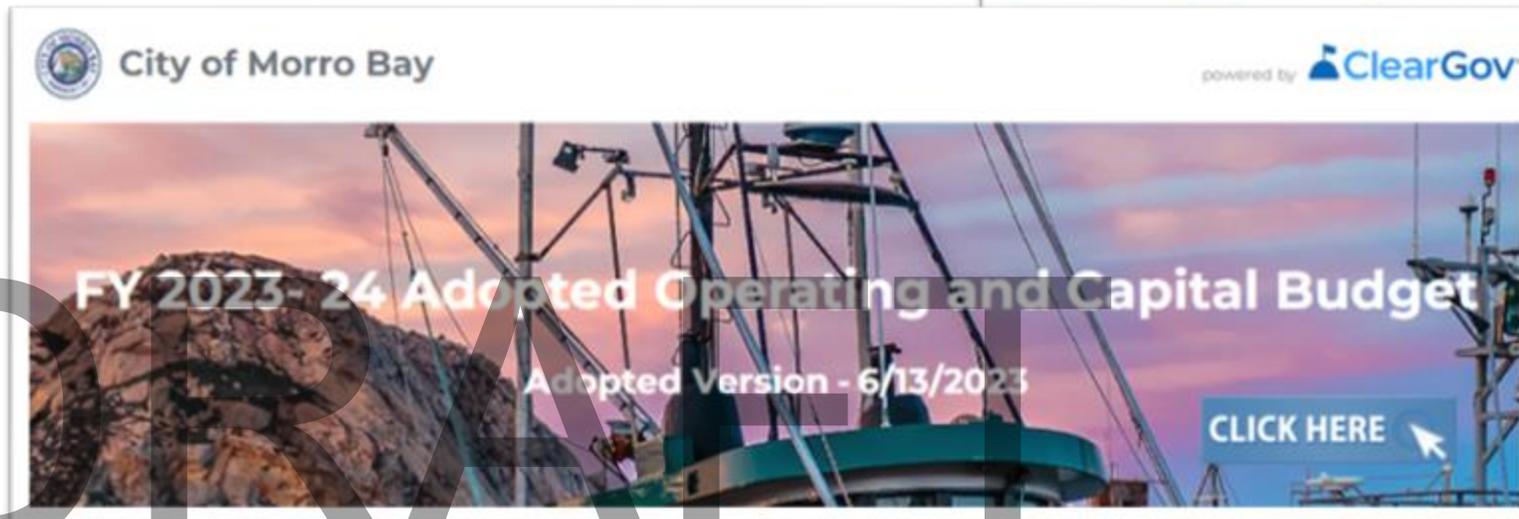
Objects of Expenditures

A classification of expenditures used for coding any department disbursement, such as “personnel services” or “capital outlay”.

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MB Budget Basics

- Annual Budget Cycle
 - Mid-Year Review
 - Year-End Review
- Five-Year Capital Improvement Plan
- Budget-in-Brief
- Interactive Budget Book



GFOA/CSMFO Budget Awards

Morro Bay has received one or both budget awards for the following fiscal years:

- 2018-19
- 2019-20
- 2020-21
- 2021-22
- 2022-23

GFOA Distinguished Budget Award

Awarded to public agencies that prepare budget documents that reflect national best practices.

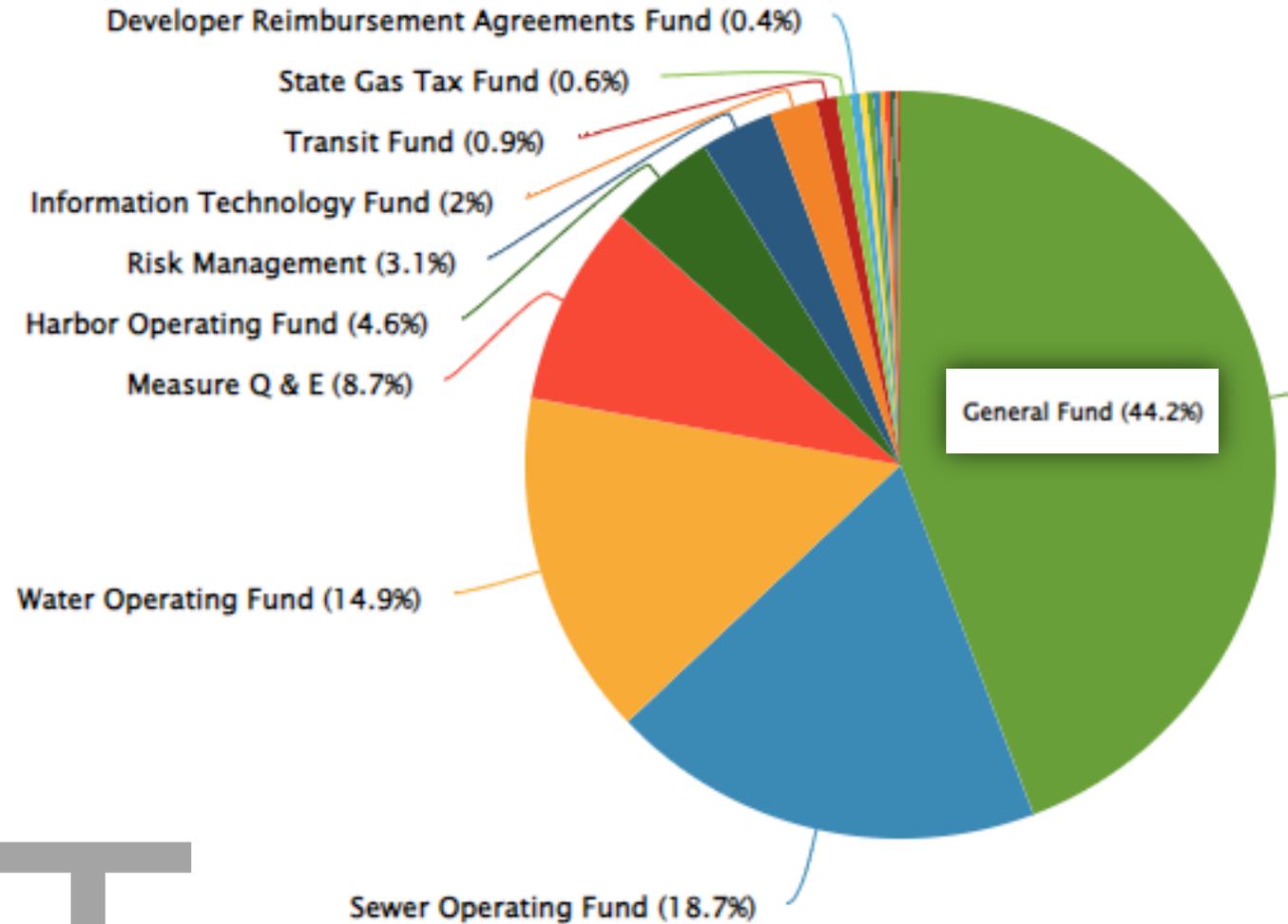
CSMFO Operating Budget Excellence Award

Awarded to California municipalities that achieve the highest standards in city budgeting.

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Primary Sources of Revenue*

1. Payment for current services
2. Sales and use tax
3. Property tax
4. Transient Occupancy Tax (TOT)

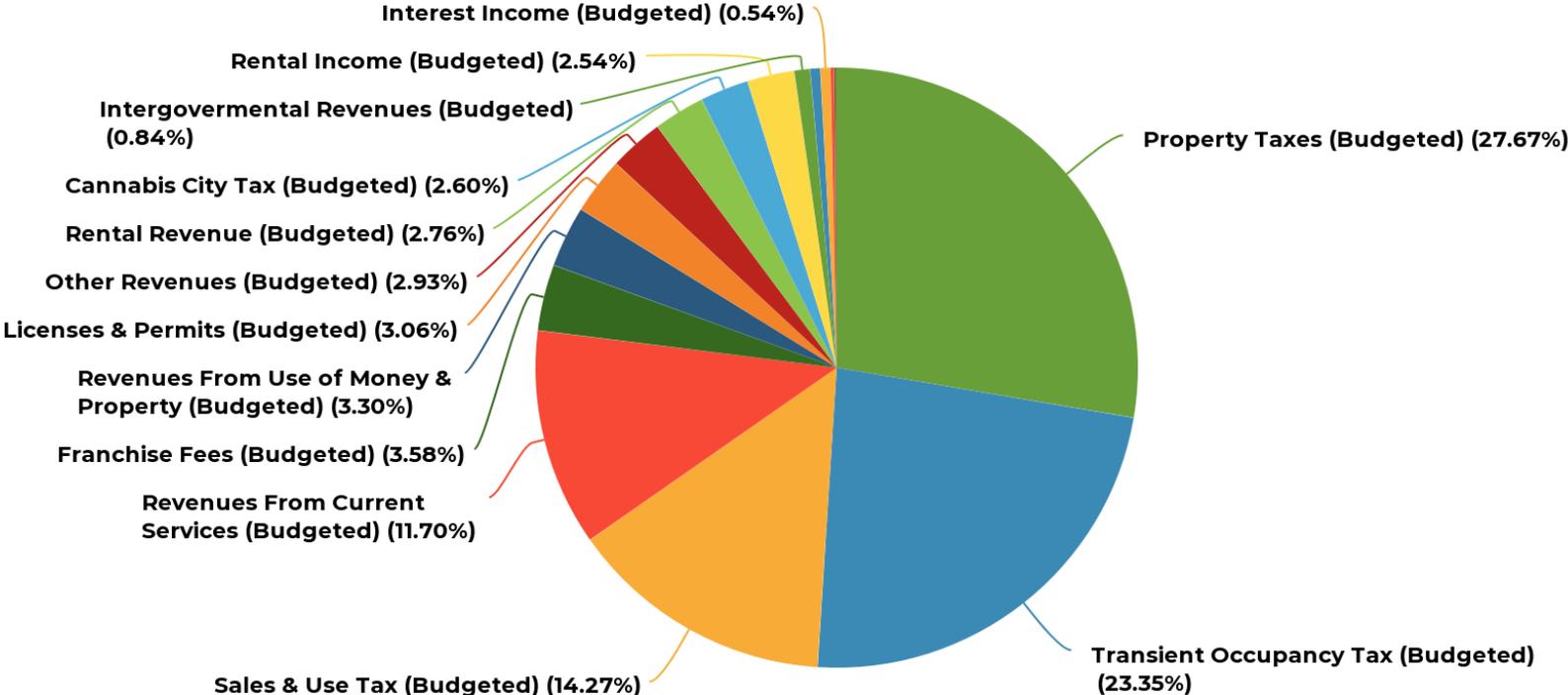


*Citywide operating revenues only

General Fund Revenues

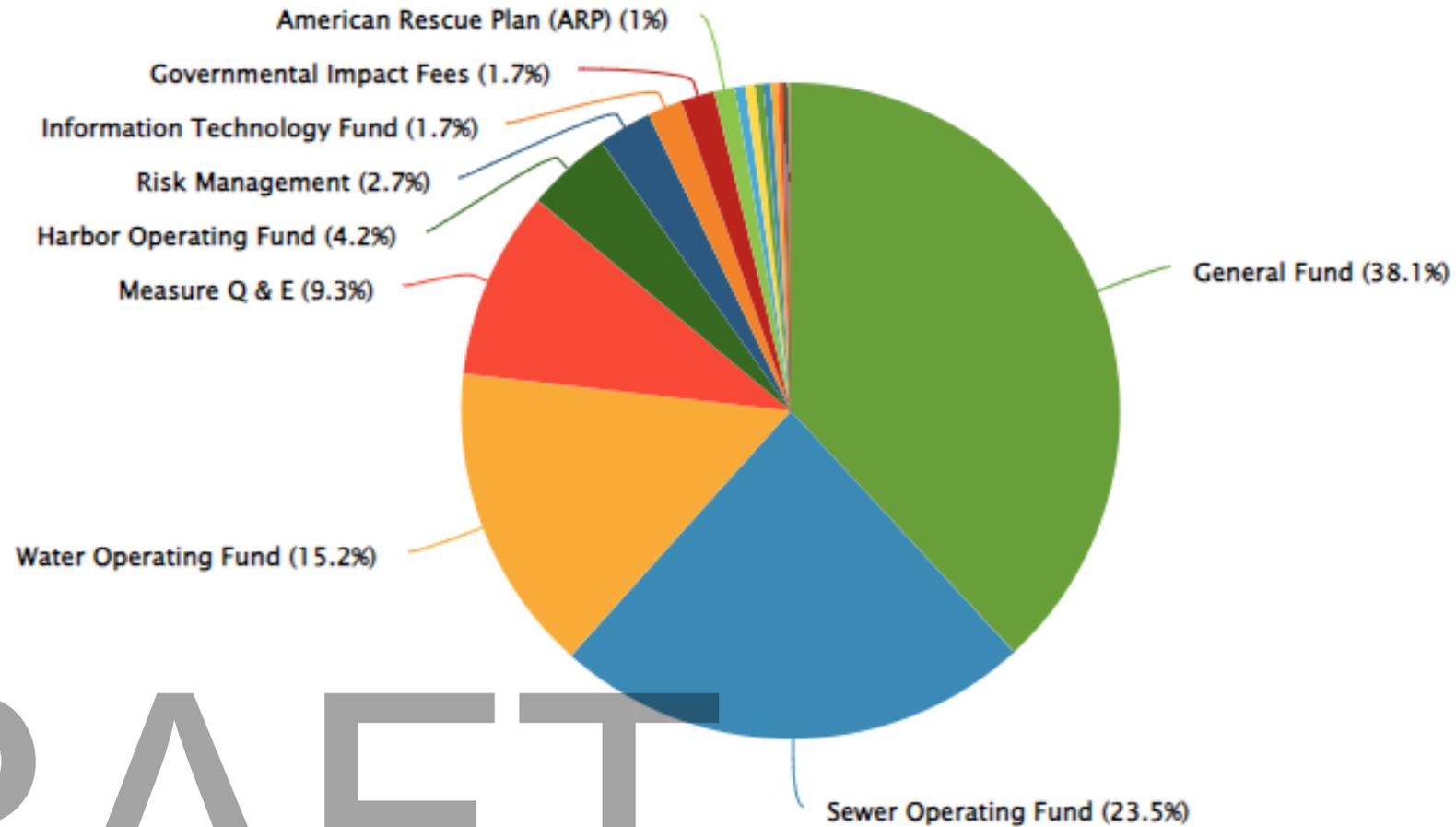
Primary Revenue Sources:

- Property Tax
- TOT
- Sales Tax
- Current Services



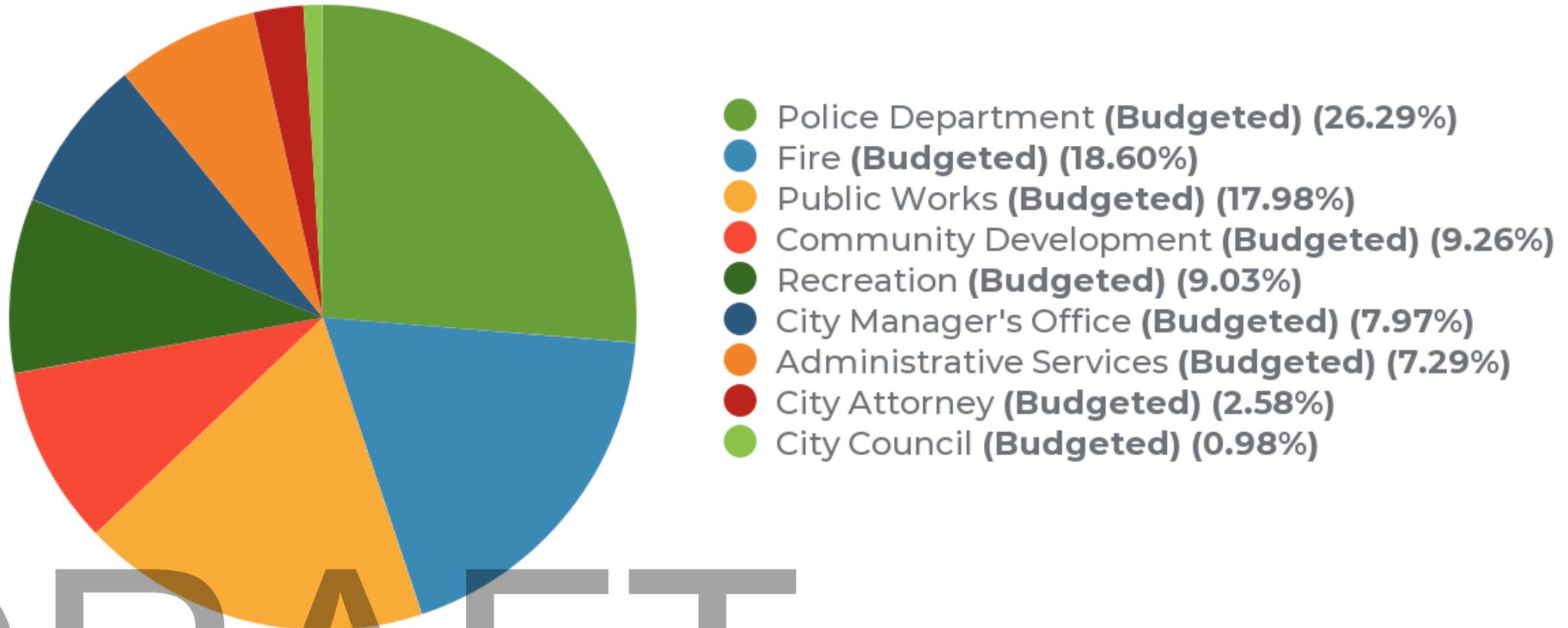
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Primary Expenditures by Fund



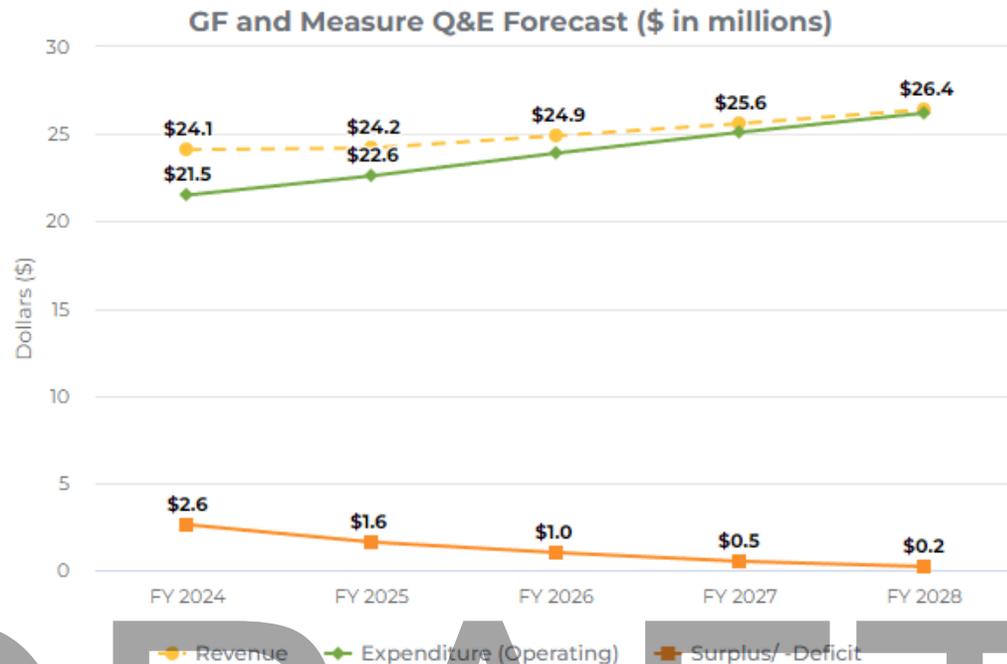
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General Fund Departmental Budgets



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Five Year Forecast – Operating General Fund/Measure Q&E Combined



- The General Fund and Measure Q&E Fund show a decreasing but **positive operating balance** through the forecast period, **excluding capital improvements** and one-time transfers.
- Adding capital expenditures and one-time transfers **moves the combined fund balance negative** throughout the forecast period, ending with a \$2.6M deficit by 2028.
- This demonstrates the City's **inability to fund** projected capital improvement needs.

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MEASURE Q&E

Background & Priorities

- *Q: ½ cent (2006) and E: 1 cent (2020) transaction and use tax*
- *Supports fiscal sustainability*
- *Maintains public safety services and staffing*
- *Ensures cleanliness and safety of public spaces*
- *Invests \$2.3M in street and sidewalk improvements*

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MEASURE Q&E

Transparency & Accountability

- *Requires an independent finance advisory committee to review annual expenditures*
- *Requires an independent annual financial audit*

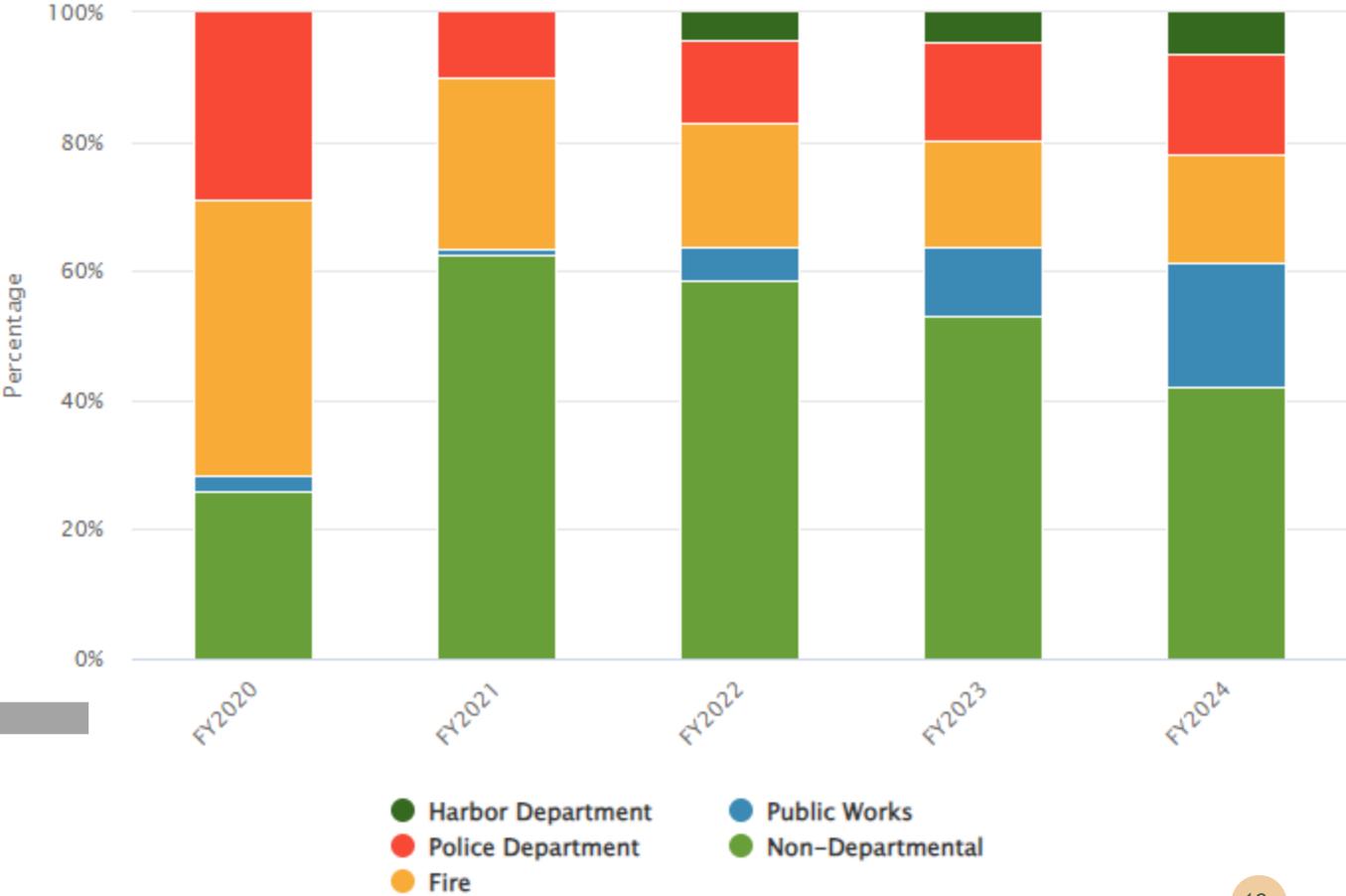
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MEASURE Q&E

FY 2023-24 Budget

- Revenue: \$4.6M (6% increase over prior year)
- Expenditures: \$5.7M (10% increase over prior year)
- Offset by projected \$1.2M fund balance

Budgeted and Historical Expenditures by Department



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Unfunded Accrued Liability (UAL)

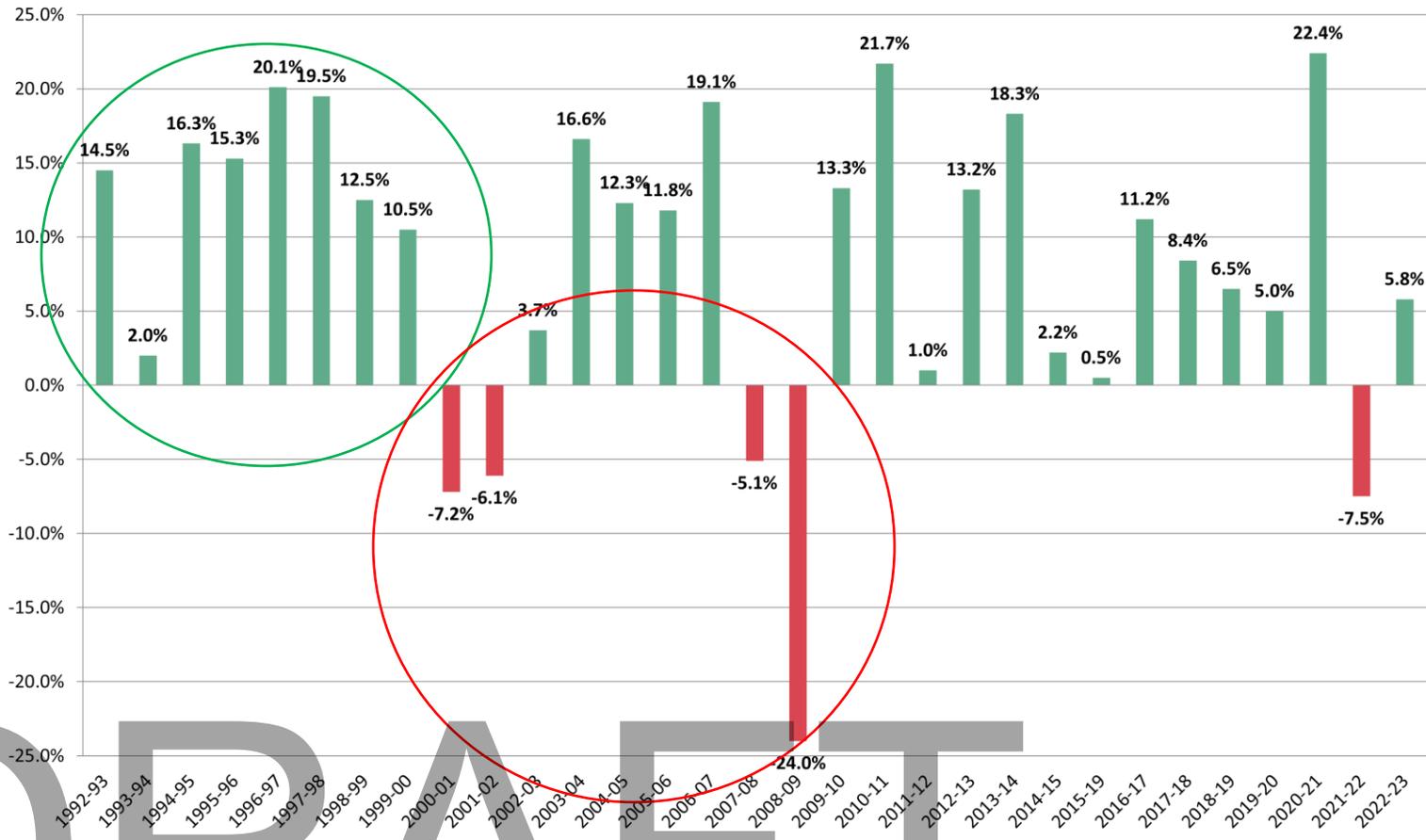
California Public Employment Retirement System (CalPERS)

- Defined Benefit – Employee benefits are computed using a formula that considers several factors, such as length of employment and salary history.
- Plans are funded from:
 - Contributions from employers (variable)
 - Contributions from employees (fixed)
 - CalPERS investment earnings
- UAL payment is required when plan liabilities exceed plan assets.
- UAL represents past service; “normal cost” is for current service

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How Did it Happen?

CalPERS Investment Returns 1992-2023



- Strong investment returns in the late 90's created momentum for enhancing benefits,
- But investment losses combined with more expensive benefits created significant unfunded liabilities.

Source: Ridgeline Municipal Strategies | 2023 CalPERS Investment Return Impact

Cost Containment Strategies

- Poor CalPERS returns will increase unfunded liability payments in future years
- Morro Bay created pension reserve policy and pension trust with CFAC input in 2022
- Pension trust balance to date is appx \$2.3M – will help “smooth the curve”



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Q&A



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