



# CITY OF MORRO BAY

## Citizens Oversight Committee

### Acting as Citizens Finance Advisory Committee

## AGENDA

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#### 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.*

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### Regular Meeting

#### Tuesday, February 20, 2024 - 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=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](mailto:cfac@morrobayca.gov) prior to the meeting. Agenda Correspondence received at [cfac@morrobayca.gov](mailto: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 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 16, 2024, CITIZENS' OVERSIGHT/FINANCE ADVISORY COMMITTEE REGULAR MEETING

**Recommendation: Approve as submitted.**

2. APPROVAL OF EXCUSED ABSENCE REQUEST FOR COMMITTEE CHAIR STEPHEN PECK; (SENIOR BUDGET ANALYST)

**Recommendation: Staff recommends the Citizens Finance Advisory Committee (CFAC) approve the request submitted by CFAC Chair Stephen Peck to excuse his absence from the February 20, 2024, Regular CFAC meeting.**

3. SECOND QUARTER INVESTMENT REPORT (PERIOD ENDING DECEMBER 30, 2023) FOR FISCAL YEAR (FY) 2023-24; (INTERIM ASSISTANT CITY MANAGER/ADMIN SERVICES DIRECTOR)

**RECOMMENDATION: Receive and file.**

B. BUSINESS ITEM

1. FISCAL YEAR 2023-24 MIDYEAR BUDGET AND FINANCIAL UPDATE; (INTERIM ASSISTANT CITY MANAGER/ADMIN SERVICES DIRECTOR)

**RECOMMENDATION: Staff recommends that the Citizens Finance Advisory Committee (CFAC) review the Midyear Budget Report for Fiscal Year (FY) 2023-24 and provide feedback on recommended budget amendments for staff to include in the Midyear Budget presentation to Council. Also, provide feedback on potential use of Measure E revenues for consideration in the Fiscal Year (FY) 2024-25 proposed budget as well as future year projections.**

C. FUTURE AGENDA ITEMS

D. SCHEDULE NEXT MEETING  
May 21, 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 – January 16, 2024  
VETERAN’S MEMORIAL HALL – 3:30p.m.

MEMBERS PRESENT: Michael Erin Woody Vice-Chairperson  
Jean Johnson Committee Member  
Brian Dorfman Committee Member

ABSENT: Stephen Peck Chair  
Kathy Hoversten Committee Member

STAFF PRESENT: Steve Conway Interim Assistant City Manager/Admin Svc Dir  
Emily Conrad Finance Manager  
Melissa Green Senior Budget Analyst  
Erika Castillo Account Clerk III

ESTABLISH QUORUM AND CALL TO ORDER  
<https://youtu.be/vQ73oXdNEIQ?si=hRcrwMmxTnShb8JX&t=32>

Vice-Chair Woody called the meeting to order at 3:35 p.m. with all but Chair Peck and Member Hoversten present.

COMMITTEE MEMBER ANNOUNCEMENTS & PRESENTATIONS  
<https://youtu.be/vQ73oXdNEIQ?si=8ZrbHW1P10j02oRC&t=68>

INTERIM ASSISTANT CITY MANAGER/DIRECTOR UPDATE  
<https://youtu.be/vQ73oXdNEIQ?si=cxLH-tyOadcO39-m>

PUBLIC COMMENT - NONE

A. CONSENT CALENDAR  
[https://youtu.be/vQ73oXdNEIQ?si=uJuSkvOnSOwl2Ok\\_&t=338](https://youtu.be/vQ73oXdNEIQ?si=uJuSkvOnSOwl2Ok_&t=338)

A-1 APPROVAL OF MINUTES FOR OCTOBER 17, 2023 CITIZENS OVERSIGHT/FINANCE  
ADVISORY COMMITTEE MEETING

**Recommendation: Approve as submitted**

A-2 APPROVAL OF EXCUSED ABSENCE REQUEST FOR COMMITTEE MEMBER  
HOVERSTEN

**Recommendation: Staff recommends the Citizens Finance Advisory Committee (CFAC) approve the request submitted by CFAC Member Kathy Hoversten to excuse her absence from the January 16, 2024 Regular CFAC Meeting.**

MOTION: Member Johnson moved to approval of Consent Items A-1 through A-2. The motion was seconded by Member Dorfman and carried 3-0-2 with Chair Peck and Member Hoversten absent.

B. BUSINESS ITEMS

<https://youtu.be/vQ73oXdNEIQ?si=rEsfrU13RC1ZKzpp&t=383>

B-1 REVIEW OF FISCAL YEAR (FY) 2022-23 TRANSACTIONS FROM THE COLLECTION OF THE GENERAL-PURPOSE LOCAL SALES TAX, COMMONLY KNOWN AS MEASURE E AND PREVIOUSLY MEASURE Q (INTERIM ASSISTANT CITY MANAGER/ADMINISTRATIVE SERVICES DIRECTOR)

[https://youtu.be/vQ73oXdNEIQ?si=qolq9rA5cScOq\\_CQ&t=384](https://youtu.be/vQ73oXdNEIQ?si=qolq9rA5cScOq_CQ&t=384)

Interim Assistant City Manager/Administrative Services Director Conway introduced the item and turned it over to Senior Budget Analyst Green who presented the report and answered Board Member questions.

Public Comment:  
None

Vice Chair Woody closed public comment.

MOTION: Member Dorfman moved to accept the staff presentation as presented. The motion was seconded by Member Johnson and carried 3-0-2 with Chair Peck and Member Johnson absent.

C. FUTURE AGENDA ITEMS

None

D. SCHEDULE NEXT MEETING

The next regularly scheduled Citizen's Oversight/Finance Committee meeting will be February 20, 2024, at 3:00 pm.

E. ADJOURNMENT

The meeting adjourned at 4:22 p.m.

Recorded by:

Erika Castillo  
Accounting Clerk III



AGENDA NO: A-2

MEETING DATE: February 20, 2024

# Staff Report

**TO:** CFAC Chair and Committee Members **DATE:** February 15, 2024  
**FROM:** Melissa Green, Senior Budget Analyst  
**SUBJECT:** Approval of Excused Absence Request for Committee Chair Stephen Peck

## **RECOMMENDATION**

Staff recommends the Citizens Finance Advisory Committee (CFAC) approve the request submitted by CFAC Chair Stephen Peck to excuse his absence from the February 20, 2024, Regular CFAC meeting.

## **ALTERNATIVES**

The Committee may choose not to excuse Chair Peck's absence from February 20, 2024, 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 chair Stephen Peck for Committee consideration to excuse his absence from the February 20, 2024, regular meeting. Chair Peck's attached email details his reason for the absence. Mr. Peck has one unexcused absence in the 2024 calendar year (January 16, 2024).

## **CONCLUSION**

Staff recommends the Committee consider Chair Peck's request for an excused absence from the February 20, 2024, Regular Citizens Finance Advisory Committee meeting.

## **ATTACHMENTS**

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

**From:** [Steve Peck](#)  
**To:** [Melissa A. Green](#); [Kathy Hoversten](#); [Brian Dorfman](#); [Michael Erin Woody](#); [Jean Johnson](#)  
**Cc:** [khove119@yahoo.com](#); [brian@briandorfman.com](#); [michaelerinwoody@icloud.com](#); [jeaniesquared@yahoo.com](#); [Stephen Peck](#); [Steve Conway](#)  
**Subject:** RE: Quorum Check - CFAC Meeting on 02-20-2024  
**Date:** Friday, February 9, 2024 5:47:12 AM

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Due to a changed out of state commitment, I cannot be there. Please consider an excused absence.

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**From:** Melissa A. Green <[magreen@morrobayca.gov](mailto:magreen@morrobayca.gov)>  
**Sent:** Wednesday, February 7, 2024 9:37 AM  
**To:** Kathy Hoversten <[khoversten@morrobayca.gov](mailto:khoversten@morrobayca.gov)>; Brian Dorfman <[bdorfman@morrobayca.gov](mailto:bdorfman@morrobayca.gov)>; Michael Erin Woody <[mwoody@morrobayca.gov](mailto:mwoody@morrobayca.gov)>; Jean Johnson <[jjohnson@morrobayca.gov](mailto:jjohnson@morrobayca.gov)>; Steve Peck <[speck@morrobayca.gov](mailto:speck@morrobayca.gov)>  
**Cc:** [khove119@yahoo.com](mailto:khove119@yahoo.com); [brian@briandorfman.com](mailto:brian@briandorfman.com); [michaelerinwoody@icloud.com](mailto:michaelerinwoody@icloud.com); [jeaniesquared@yahoo.com](mailto:jeaniesquared@yahoo.com); [steve@peckplanning.com](mailto:steve@peckplanning.com); Steve Conway <[sconway@morrobayca.gov](mailto:sconway@morrobayca.gov)>  
**Subject:** Quorum Check - CFAC Meeting on 02-20-2024

Good morning,

We have our next CFAC meeting on February 20, 2024, at 3 pm in the Veterans Hall. **Please confirm your attendance** by replying to this email **no later than February 13, 2024, by 5 pm.**

Should you have questions about agenda content, please contact Chair Peck and Interim ACM/ASD Steve Conway.

Best,



**Melissa Green**  
Senior Budget Analyst  
**City of Morro Bay**

805-772-6218  
[magreen@morrobayca.gov](mailto:magreen@morrobayca.gov)  
595 Harbor St., Morro Bay, CA 93442  
[www.morrobayca.gov](http://www.morrobayca.gov)



AGENDA NO: A-3

MEETING DATE: February 20, 2024

# Staff Report

**TO:** Citizens Finance Advisory Committee      **DATE:** February 14, 2024

**FROM:** Steve Conway, Interim Asst City Manager/Admin Services Director  
Emily Conrad, Finance Manager

**SUBJECT:** Second Quarter Investment Report (period ending December 31, 2023) for Fiscal Year (FY) 2023-24

## RECOMMENDATION

Receive and file.

## FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

## DISCUSSION

The Second Quarter Investment Report for FY 2023-24, attached, demonstrates that as of December 31, 2023, the City's weighted portfolio yield of 3.72% for the quarter was in line with the Local Agency Investment Fund (LAIF) average yield of 3.81% for that quarter. Interest rates shifted slightly lower in the second quarter anticipating future Federal Reserve target reductions on interest rates.

The City recorded \$568,522 in interest earnings for the second quarter. For comparison, in the second quarter of FY 2022-23 the City recorded \$170,764 in interest earnings. The significant increase in interest earnings is a result of higher interest rates in the market, higher cash balances for the City due to the ability to rebuild reserves, and staff efforts to pursue improved investment options consistent with Council's Investment Policy and State law.

This quarter, staff re-invested in one new certificate of deposit (BMW Bank NA) with interest rates in the 4.9 percent range to take advantage of available high-yield instruments. LAIF interest rates also continued to increase climbing over the last two years, increasing from 0.9% on December 31, 2021 to 3.9% on December 31, 2023. The interest rate increase has substantially boosted the City's earnings in this large portfolio that provides safety and liquidity through the State Treasurer's Office. These efforts, on top of actions earlier in the calendar year to procure other high-yield certificates of deposit, as well as larger U.S. Treasury Notes and a Federal Home Loan Bank (FHLB) investment, have yielded significant returns for the City. These higher interest revenues in FY 2022-23 and FY 2023-24 will help mitigate other areas of revenue cooling such as sales tax and other economically sensitive revenues.

Staff is currently evaluating investment options more comprehensively, including the exploration of utilizing an investment firm. The City recently issued requests for proposals for investment advisory services and received responses from seven firms. Many small cities utilize investment

Prepared By: EC

Dept Review: \_\_\_\_\_

City Manager Review: \_\_\_\_\_

City Attorney Review: \_\_\_\_\_

advisors with extensive expertise in municipal investments to ensure ongoing maximization of interest revenues within the confines of State law and local investment policies.

**CONCLUSION**

Staff recommends that CFAC receive the Second Quarter Investment Report (period ending December 31, 2023) for Fiscal Year 2023-24.

**ATTACHMENT**

1. Second Quarter Investment Report for FY 2023-24 (period ending December 31, 2023)

Prepared By:   EC          

Dept Review: \_\_\_\_\_

City Manager Review:       

City Attorney Review:

**CITY OF MORRO BAY**  
**QUARTERLY PORTFOLIO PERFORMANCE**  
12/31/2023

**INVESTMENT**

| OR CUSIP NUMBER                         | INSTITUTION                   | PURCHASE PRICE    | MARKET VALUE      | INTEREST RATE | PURCHASE DATE | MATURITY DATE | DAYS TO MATURITY |
|-----------------------------------------|-------------------------------|-------------------|-------------------|---------------|---------------|---------------|------------------|
| <b>POOLED MONEY INVESTMENT ACCOUNT:</b> |                               |                   |                   |               |               |               |                  |
| LAIF                                    | LOCAL AGENCY INVESTMENT FUND  | \$ 37,189,891     | \$ 37,189,891     | 2.07%         | DAILY         | DAILY         | 1                |
| <b>MONEY MARKET ACCOUNT:</b>            |                               |                   |                   |               |               |               |                  |
| MM                                      | MECHANICS BANK - MONEY MARKET | 15,711,622.53     | 15,711,623        | 4.59%         | DAILY         | DAILY         | 1                |
| SWEEP                                   | MECHANICS BANK - SWEEP        | 6,253,213.03      | 6,253,213         | 0.01%         | DAILY         | DAILY         | 1                |
| <b>SUBTOTAL LIQUID INSTRUMENTS:</b>     |                               | <b>59,154,726</b> | <b>59,154,726</b> |               |               |               |                  |

**CERTIFICATES OF DEPOSIT:**

| 3090683803 | US BANK (FORMERLY STATE FARM BANK)       |           |           |        |            | 10/24/2024 | Matured |
|------------|------------------------------------------|-----------|-----------|--------|------------|------------|---------|
| 61690UDL1  | MORGAN STANLEY                           | 246,000   | 245,559   | 3.100% | 1/24/2019  | 1/24/2024  | 24      |
| 17312Q2F5  | CITIBANK NA                              | 246,000   | 245,560   | 3.200% | 1/25/2019  | 1/25/2024  | 25      |
| 90307LAB0  | UNCLE CR. UNION, LIVERMORE, C A          | 248,000   | 247,937   | 5.000% | 1/25/2023  | 1/25/2024  | 25      |
| 052392BM8  | AUSTIN TELCO FED CREDIT UNION, TX        | 249,000   | 246,438   | 3.400% | 8/12/2022  | 8/12/2024  | 225     |
| 33715LFH8  | FIRST TECHNOLOGY CR. UNION               | 248,000   | 248,156   | 5.050% | 5/26/2023  | 5/27/2025  | 513     |
| 53052LAT6  | LIBERTY FED CR UNION, EVANSVILLE         | 248,000   | 248,013   | 5.400% | 5/24/2023  | 5/27/2025  | 513     |
| 795451BQ5  | SALLIE AE BK MURRAY, UT                  | 245,000   | 239,411   | 3.400% | 7/6/2022   | 7/7/2025   | 554     |
| 20825WAZ3  | CONNEXUS CREDIT UNION, WAUSAU            | 249,000   | 243,110   | 3.400% | 8/15/2022  | 8/15/2025  | 593     |
| 27002YFE1  | EAGLEBANK, BETHESDA, MD                  | 249,000   | 242,686   | 3.300% | 8/18/2022  | 8/18/2025  | 596     |
| 90352RDA0  | US ALLIANCE FCU RYE, NY                  | 249,000   | 248,271   | 4.700% | 5/26/2023  | 5/26/2026  | 877     |
| 39573LEC8  | GREENSTASATE CREDIT UNION                | 248,000   | 248,390   | 4.900% | 5/31/2023  | 6/1/2026   | 883     |
| 254673Q33  | DISCOVER BANK CD                         | 245,000   | 235,903   | 3.350% | 8/16/2022  | 8/17/2026  | 960     |
| 130162AX8  | CALIFORNIA CREDIT UNION, GLENDALE        | 243,000   | 244,786   | 5.150% | 8/28/2023  | 8/28/2026  | 971     |
| 444425AC6  | HUGHES FED. CREDIT UNION, TUSON, AZ      | 248,000   | 249,847   | 5.150% | 8/29/2023  | 8/31/2026  | 974     |
| 856285G21  | STATE BK, INDIA, NY                      | 250,000   | 227,599   | 1.750% | 2/9/2022   | 2/9/2027   | 1,136   |
| 25844MBN7  | DORT FINANCIAL CREDIT UNION, GRAND BLANC | 246,000   | 246,888   | 5.000% | 8/28/2023  | 2/26/2027  | 1,153   |
| 41138NAB4  | HAPO COMMUNITY CREDIT UNION, RICHLAND    | 248,000   | 248,878   | 5.000% | 8/31/2023  | 2/26/2027  | 1,153   |
| 02589ABQ4  | AMERICAN EXPRESS NATIONAL BANK           | 247,000   | 226,271   | 2.000% | 3/9/2022   | 3/9/2027   | 1,164   |
| 14042TFJ1  | CAPITAL ONE BANK (USA)                   | 246,000   | 230,066   | 2.700% | 4/6/2022   | 4/13/2027  | 1,199   |
| 05580A4P6  | BMW BANK NORTH AMERICA, UT               | 244,000   | 249,362   | 4.900% | 11/16/2023 | 11/17/2028 | 1,783   |
|            |                                          | 4,942,000 | 4,863,130 |        |            |            |         |

**U.S. OBLIGATIONS**

|           |                         |           |           |        |           |           |    |
|-----------|-------------------------|-----------|-----------|--------|-----------|-----------|----|
| 3130AV3G5 | Federal Home Loan Banks | 401,974   | 399,773   | 5.125% | 3/20/2023 | 2/23/2024 | 54 |
| 3130ARHG9 | Federal Home Loan Banks | 3,590,680 | 3,652,235 | 2.125% | 3/27/2023 | 2/28/2024 | 59 |
|           |                         | 3,992,654 | 4,052,008 |        |           |           |    |

**U.S. TREASURY BILLS**

|           |                   |           |           |        |           |           |    |
|-----------|-------------------|-----------|-----------|--------|-----------|-----------|----|
| 91282CFQ9 | US Treasury Bills | 2,998,673 | 3,087,420 | 4.580% | 4/26/2023 | 3/21/2024 | 81 |
|-----------|-------------------|-----------|-----------|--------|-----------|-----------|----|

**U.S. TREASURY NOTES & BONDS**

|           |                   |         |         |        |            |            |     |
|-----------|-------------------|---------|---------|--------|------------|------------|-----|
| 91282CFQ9 | US Treasury Notes | 996,718 | 995,742 | 4.375% | 10/31/2022 | 10/31/2024 | 305 |
|-----------|-------------------|---------|---------|--------|------------|------------|-----|

**SUBTOTAL NON-LIQUID INSTRUMENTS: 12,930,045 12,998,300**

**TOTAL INVESTMENTS: \$ 72,084,771 \$ 72,153,026**

| QUARTERLY INTEREST EARNED | YTD RECORDED INTEREST AS OF | % OF LIQUID PORTFOLIO | WEIGHTED AVERAGE RATE OF EARNINGS | WEIGHTED AVERAGE MATURITY |
|---------------------------|-----------------------------|-----------------------|-----------------------------------|---------------------------|
| OCT 23-DEC 23             | 12/31/2023                  | HOLDINGS              |                                   |                           |
| 568,522                   | 800,701                     | 82.063%               | 2.728%                            | 64                        |

**PUBLIC AGENCY RETIREMENT SERVICES (PARS) - LEAGALLY RESTRICTED INVESTMENTS EXCLUDED FROM WEIGHTED PORTFOLIO**

|                   |                                   |              |  |       |       |       |   |
|-------------------|-----------------------------------|--------------|--|-------|-------|-------|---|
| PARS OPEB         | Public Agency Retirement Services | 2,323,090.62 |  | 5.09% | DAILY | DAILY | 1 |
| PARS Pension Tru: | Public Agency Retirement Services | 2,352,734.31 |  | 4.86% | DAILY | DAILY | 1 |
|                   |                                   | 4,675,825    |  |       |       |       |   |

Portfolio holdings as of the quarter ended December 31, 2023, are in compliance with the current Investment Policy. With 82.063%  
of the portfolio held in liquid instruments, allowing the City to meet cash flow needs for at least six months, in compliance with the investment policy approved by the City Council in June 2023. The investment policy will be updated annually as required by state law.

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**AGENDA NO:** B-1  
**MEETING DATE:** February 20, 2024

# Staff Report

**TO:** Citizens Finance Advisory Committee      **DATE:** February 15, 2024  
**FROM:** Steve Conway, Interim Assistant City Manager/Admin Services Director  
Melissa Green, Senior Budget Analyst  
**SUBJECT:** Fiscal Year 2023-24 Midyear Budget and Financial Update

## **RECOMMENDATION**

Staff recommends that the Citizens Finance Advisory Committee (CFAC) review the Midyear Budget Report for Fiscal Year (FY) 2023-24 and provide feedback on recommended budget amendments for staff to include in the Midyear Budget presentation to Council. Also, provide feedback on potential use of Measure E revenues for consideration in the Fiscal Year (FY) 2024-25 proposed budget as well as future year projections.

## **FISCAL IMPACT**

Several budget adjustments are needed to reflect items previously approved by Council. These result in a total net expenditure budget decrease of approximately \$2,000 across all funds.

Additional amendments are recommended to maintain core city services and recognize new grant revenues and associated expenditures. These recommended budget amendments yet to be considered by Council result in a total net expenditure increase of approximately \$202,000 citywide, across all funds. In addition, staff recommends a reduction of \$700,000 in Measure E expenditures and a corresponding reduction of \$700,000 in both the revenue and expenditure budget for the Pavement Management Program (General Capital Improvement Projects fund).

Each recommended change is detailed by fund in the attached Midyear Budget Report (Attachment 1) and in list format in Attachment 2.

## **BACKGROUND**

The City traditionally evaluates its primary revenues and expenditures in its major funds at the middle of the fiscal year and recommends any necessary budget amendments. The Midyear Budget Report covers the first seven months of the fiscal year, beginning July 1, 2023, and ending January 31, 2024. The report presents an analysis of the key General Fund revenues and expenditures by category and the City's other major funds.

An oral update on CFAC recommendations will be provided to the City Council at the February 27, 2024, regular meeting.

Staff has traditionally presented CFAC with a fiscal update at or around midyear as well, which also serves as the precursor to the subsequent fiscal year budget development cycle.

|                                  |                                   |
|----------------------------------|-----------------------------------|
| <b>Prepared By:</b> <u>MAG</u>   | <b>Dept Review:</b> <u>SC, EC</u> |
| <b>City Manager Review:</b> ____ | <b>City Attorney Review:</b> ____ |

## **DISCUSSION**

### **Midyear Budget Report**

The Midyear Budget Report provides a high level of detail regarding fiscal year-to-date revenues and expenditures in the City's major funds and a detailed breakout of recommended budget amendments by fund.

Fiscal-Year-to-Date Update - Overall, this year's midyear report demonstrates revenues and expenditures that are on track. Citywide, across all funds, the City has received approximately 61% of revenues as of January 31, 2024, and expended approximately 43% of all budgeted expenditures. This indicates that revenues are consistent with projections. Given that the City's major revenue sources (sales tax, property tax, and Transient Occupancy Tax (TOT)) experience a routine lag in receipts of one to two months, there is reason to be cautiously optimistic that revenues will meet or exceed budgeted amounts.

### **Recommended Budget Amendments –**

- **Previously Approved by Council** – Several budget amendments are needed to reflect items previously approved by Council. These add approximately \$609,000 to the revenue or transfers in budget and approximately \$607,000 to the expenditure or transfers out budget citywide, for a total net expenditure budget decrease of approximately \$2,000 across all funds. Each change is detailed by fund herein. Grant revenues and intrafund revenue transfers fund this category of changes.
- **New Recommended Budget Amendments** – Additional amendments are recommended to maintain core city services and recognize new grant revenues and associated expenditures. These recommended budget amendments yet to be considered by Council include approximately \$609,000 in increased revenues and \$700,000 in decreased transfers in for a net revenue decrease of \$92,000. The recommended expenditure budget amendments include approximately \$810,000 in increased expenses plus a reduction of \$700,000 in transfers out, for a total net expenditure increase of approximately \$202,000 citywide across all funds. Each recommended change is detailed by fund herein. Property tax revenue increases, developer reimbursement agreements, donations, insurance proceeds, and available fund balance are the funding sources for this budget request category. Most recommended expenditure changes are one-time rather than ongoing, making fund balance an appropriate source.

A reduction in the expenditure budget for the Measure E fund is recommended to align the budget with the unaudited ending fund balance as of June 30, 2023. During FY 2023-24 budget development, the ending fund balance assumed higher FY 2022-23 revenues than were ultimately recorded, and current-year expenditures were budgeted accordingly. The expenditure budget must be reduced to bring the FY 2023-24 budget in line with available funds. This reduction will impact funding for one capital improvement project but is not anticipated to impact progress this fiscal year due to the existing project fund balance.

## **ATTACHMENTS**

1. Midyear Budget Report for FY 2023-24
2. Recommended Budget Amendments

# Midyear Budget Report

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FISCAL YEAR 2023-24

This Report covers the seven-month period through January 31, 2024. It provides an update on the City's primary revenues and expenditures in its major funds and outlines recommended budget amendments.

FEBRUARY 2024

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City of Morro Bay

Authored by: Administrative Services



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### Executive Summary

Overall, this year's midyear report demonstrates revenues and expenditures that are on track. Citywide, across all funds, the City has received approximately 61% of revenues as of January 31, 2024, and expended approximately 43% of all budgeted expenditures. This indicates that revenues are consistent with projections. Given that the City's major revenue sources (sales tax, property tax, and Transient Occupancy Tax (TOT)) experience a routine lag in receipts of one to two months, there is reason to be cautiously optimistic that revenues will meet or exceed budgeted amounts.

Several budget amendments are needed to reflect items previously approved by Council. These add approximately \$609,000 to the revenue or transfers in budget and approximately \$607,000 to the expenditure or transfers out budget citywide, for a total net expenditure budget decrease of approximately \$2,000 across all funds. Each change is detailed by fund herein. Grant revenues and intrafund revenue transfers fund this category of changes.

Additional amendments are recommended to maintain core city services and recognize new grant revenues and associated expenditures. These recommended budget amendments yet to be considered by Council include approximately \$609,000 in increased revenues and \$700,000 in decreased transfers in for a net revenue decrease of \$92,000. The recommended expenditure budget amendments include approximately \$810,000 in increased expenses plus a reduction of \$700,000 in transfers out, for a total net expenditure increase of approximately \$202,000 citywide across all funds. Each recommended change is detailed by fund herein. Property tax revenue increases, developer reimbursement agreements, donations, insurance proceeds, and available fund balance are the funding sources for this budget request category. Most recommended expenditure changes are one-time rather than ongoing, making fund balance an appropriate source.

A reduction in the expenditure budget for the Measure E fund is recommended to align the budget with the unaudited ending fund balance as of June 30, 2023. During FY 2023-24 budget development, the ending fund balance assumed higher FY 2022-23 revenues than were ultimately recorded, and current-year expenditures were budgeted accordingly. The expenditure budget must be reduced to bring the FY 2023-24 budget in line with available funds. This reduction will impact funding for one capital improvement project but is not anticipated to impact progress this fiscal year due to the existing project fund balance.

***For the reporting period, the City has received 61% of budgeted revenues and spent 43% of budgeted expenditures.***

## Introduction

This report covers the seven-month period ending January 31, 2024. This report provides an update on the City's primary revenues and expenditures in the major funds and outlines recommended budget amendments. If no significant change is anticipated, no budget amendment will be recommended.

The major funds being reviewed in detail as part of the mid-year report include General Fund (001), Measure E Fund (003), Harbor Operating Fund (331), Water Operating Fund (311), Sewer Operating Fund (321), and Transit Operating Fund (301). Minor amendments are recommended in a few of the City's smaller special purpose funds, outlined under this report's "Other Funds" section.

The information in this report is the most accurate and updated information available at the time of publication and represents a snapshot of City revenues and expenditures as of January 31, 2024. It may not represent pending payments and revenues, irregular payments, or revenue timing. As this is not an audited financial statement, the figures are preliminary and will change as the fiscal year progresses.

## Fiscal Outlook

At this time, the fiscal outlook for the City remains cautious. Flat revenues coupled with increased expenditures can significantly impact the City's financial health and operational capacity. Proactive strategies must be evaluated to navigate the City's financial constraints effectively and ensure the delivery of essential services to residents and visitors. Such strategies may include exploring efficiency improvements, revenue diversification, prioritization and resource allocation, collaboration and advocacy, and continued long-term financial planning.

### Major Revenue Sources

Overall, revenues are projected to level off or to grow much more slowly than in prior years.

**Property tax** – The County Assessor's Office provides property tax estimates each year in January and then again in the fall. The latest estimates show modest growth over budgeted amounts. According to the most recent Annual Report of the County Assessor's Office, real estate prices continue to rise due to limited housing stock. In 2023, the county-wide assessed value increased by 6.24% compared to the prior year. Locally, the assessed value for Morro Bay increased 5.6%. The County Assessor's Office is projecting 4% growth for FY 2024-25.

**Sales tax** – The City contracts with HdL to forecast sales tax revenue for both the General Fund Bradley Burns sales tax revenue and the Measure E local sales and use tax revenues. Their midyear projection is consistent with adopted budget. While the City has seen sales tax growth in the 10-15% ranges in recent years due to recovery from the pandemic, FY 2023-24 sales tax revenues were projected to grow only 0.6% from current year revenues. For 2024-25, HdL is forecasting 3% growth.

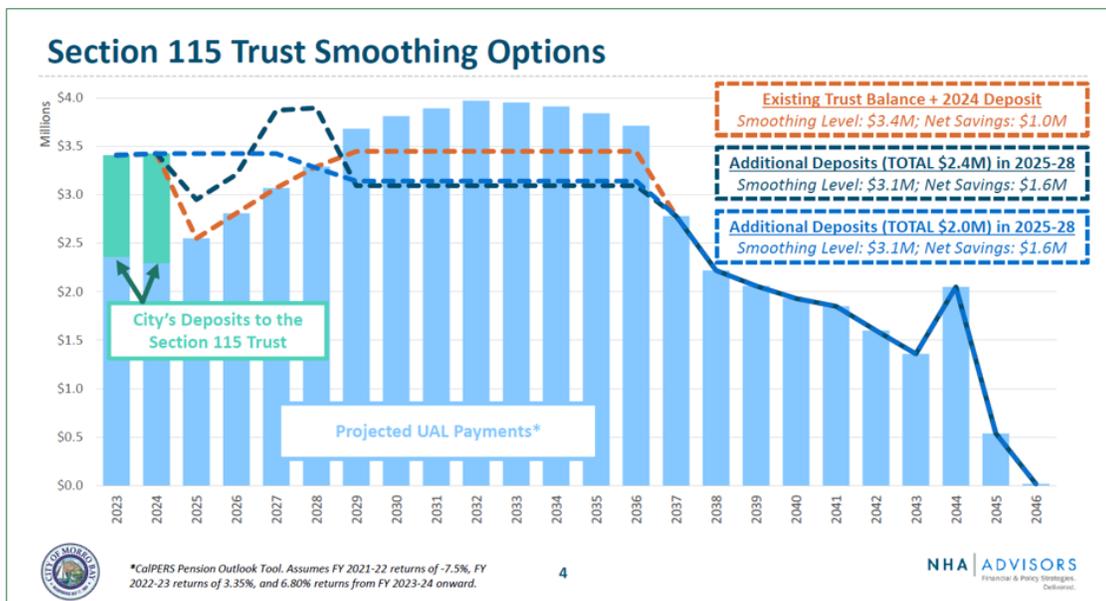
**Transient Occupancy Tax (TOT)** – Budget estimates were developed in coordination with Visit Morro Bay and are based on review of occupancy rates, average daily room rates, and regional trends. Staff's midyear analysis projects TOT revenue consistent with budget as occupancy rates remain steady across the Central Coast and statewide.

## Major Expenditures

While revenues are projected to level off or grow more slowly in the years ahead, expenditures are projected to continue to increase more rapidly.

**Current personnel costs** – The City’s core services are delivered to citizens and visitors by a dedicated workforce, the cost of which represents a large portion of the City’s expenditure budget. The City of Morro Bay’s current Memorandums of Understanding (MOUs) with bargaining groups representing City employees are expiring, and negotiations will occur this spring. The recently completed compensation study shows that many city salary ranges are below market, exacerbating an already challenging recruitment and retention landscape. Salary increases will almost certainly be requested by all bargaining units, in addition to other increases in employee benefits. Balancing the need to compensate employees fairly with the imperative to maintain fiscal sustainability is crucial for the long-term health of the city’s finances and its ability to meet the needs of its residents.

**Pension liability payments** – Pension obligations for the City of Morro Bay are comprised of payments to CalPERS for current employees’ current-year pension contributions and minimum payments toward the much larger amount associated with past pension obligations, called the “unfunded accrued liability” or UAL. The UAL is primarily associated with prior employees and more generous pension tiers that have since been phased out under State law with pension reform. The City expects to see increasing minimum UAL payments due annually for the next several years after FY 23-24, as shown visually in a generic scenario below (provided by NHA Advisors, the municipal advisors that the City has recently utilized for pension reserve guidance). The City’s UAL payments are a moving target impacted by CalPERS’s achieved rate of returns in the market. While CalPERS recently had one good year of returns over 21%, which will result in lower payments in FY 2023-24, it was followed by one year of negative returns and a second year of positive returns below the forecasted rate (-6.1% in FY 2021/22 and a +5.8% in FY 2022/23) which is a significant improvement but will still result in higher payments again starting in FY 2024-25 and beyond.



Based on Council and CFAC direction, the City has made additional progress recently toward addressing this liability by creating a pension reserve policy and appropriating initial funding for a pension reserve. Further

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planning will be needed in the FY 2024-25 budget cycle and beyond to ensure the City can maintain current service levels while meeting this obligation.

**Storm emergency recovery costs** – The FY 2023-24 budget includes \$1.9 million for storm recovery efforts, in addition to \$1.8 million budgeted in FY 2022-23. Staff continue actively working toward reimbursement for these expenditures and applying for funding to help the City mitigate the impacts of future storms.

**Unfunded capital needs** – In addition to the challenges of attracting and retaining a diverse workforce to provide high-quality services to Morro Bay’s residents and responding to and preparing for future natural disasters, the City must also maintain and improve its existing facilities and infrastructure while also planning for growth and new development. Neglecting essential infrastructure projects can lead to increased costs and service disruptions in the future. To navigate these competing priorities effectively, the city must invest in comprehensive financial planning, prioritize projects based on their impact and urgency, seek alternative funding sources, and explore innovative solutions such as public-private partnerships. By adopting a strategic and proactive approach to budgeting and resource allocation, the City can better address its immediate needs while laying the groundwork for long-term sustainability and resilience.

In summary, maintaining adequate (but not excessive) reserves, conducting thorough cost-benefit analyses for major projects, and implementing robust risk management strategies are essential steps to mitigate potential fiscal risks. Staff hopes that transparent communication about the City's budgetary challenges and priorities will foster understanding and support for the difficult decisions that may need to be made in the coming budget years.

By adopting a cautious and proactive approach to fiscal management, the city can better position itself to weather uncertainties and maintain its financial stability over the long term.

## General Fund

The General Fund remains stable at midyear, with expenditures and revenue tracking aligned with budget. The unaudited fund balance at the end of FY 2022-23 was higher than anticipated. As a result, the spendable fund balance, net of funds already appropriated as part of the FY 2023-24 Adopted Budget, is estimated to be approximately \$2.1 million. This is in addition to the General Fund Emergency Reserve Balance, which is anticipated to be approximately \$7.1 million at the end of FY 2023-24.

**Table 1 Fund Balance Summary (in thousands)**

| Fund Description                    | Fund Number | FY 2020 | FY 2021 | FY 2022 | FY 2023 (Unaudited) | FY 2024 Budgeted | FY 2024 Estimated |
|-------------------------------------|-------------|---------|---------|---------|---------------------|------------------|-------------------|
| General Fund (nonspendable)         | 001         | 3,972   | 3,974   | 3,163   | 3,190               | 3,163            | 3,163             |
| General Fund (committed – GF only)  |             |         |         | 798     |                     |                  |                   |
| General Fund (unassigned – GF only) | 001         | 407     | 2,763   | 6,412   | 5,959               | 548              | 2,100             |

These reserves, which have been built up by prudent fiscal policies, will be needed for ongoing storm recovery activities, contributions to the City’s pension reserve in accordance with the pension reserve policy, capital needs, and to continue to achieve balanced operating budgets given that the cost of providing core services is rising faster than revenues are projected to increase in the years ahead. Council may wish to consider directing

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staff to complete a new, in-depth risk analysis to determine optimal reserve levels that protect against unplanned, unavoidable costs or losses while mitigating the increased opportunity costs of tying up funds in reserve. Reserves in excess of the optimal amount could be invested in areas that yield higher returns or provide more immediate benefits to the community.

### Key General Fund Revenue Sources Analysis

The adopted General Fund Revenue Budget for FY 2023-24 is approximately \$19.6 million. As of January 31, 2024, the General Fund had received 62% of its revenues, or \$12.2 million. Based on updated County Assessor's Office projections, staff recommends revenue budget increases for various property taxes.

Overall, General Fund revenues fiscal-year-to-date are on track. The total percentage collected is slightly higher than the 58% one may expect seven months through the year despite the routine lag in collections of major revenue sources such as property tax, sales tax, and TOT. The top revenue sources are described below in more detail, as they collectively account for over three-quarters of budgeted General Fund revenues.

**Table 2 Key Revenue Sources 2020 to Current**

| Revenue Source                        | 2021 Actual       | 2022 Actual       | 2023 Actual       | 2024 Actual Thru 1-31 | 2024 Adopted      | FY 2024 % Rcv'd   | FY 2024 Estimated |
|---------------------------------------|-------------------|-------------------|-------------------|-----------------------|-------------------|-------------------|-------------------|
| Property Taxes                        | 4,842,761         | 4,981,027         | 5,275,945         | 3,103,190             | 5,214,900         | 60%               | 5,469,082         |
| Intergovernmental Revenues            | 178,234           | 97,661            | 213,615           | 92,129                | 158,120           | 58%               | 156,576           |
| Sales & Use Tax                       | 2,389,194         | 2,753,611         | 2,249,114         | 1,450,263             | 2,690,000         | 54%               | 2,697,615         |
| Cannabis City Tax                     | 220,353           | 512,944           | 502,149           | 205,831               | 490,000           | 42%               | 420,830           |
| Transient Occupancy Tax               | 3,826,276         | 4,255,140         | 4,681,648         | 2,289,076             | 4,400,000         | 52%               | 4,406,692         |
| Franchise Fees                        | 594,229           | 641,869           | 698,791           | 212,581               | 674,000           | 32% <sup>1</sup>  | 655,668           |
| Licenses & Permits                    | 574,672           | 761,616           | 660,964           | 407,962               | 577,545           | 71%               | 725,006           |
| Revenues From Current Services        | 2,027,544         | 2,434,859         | 2,219,441         | 1,016,670             | 2,084,628         | 49%               | 2,039,514         |
| Fines & Forfeitures                   | 11,765            | 22,062            | 27,056            | 17,107                | 21,270            | 80%               | 26,100            |
| Other Revenues                        | 119,379           | 330,052           | 505,615           | 498,782               | 672,748           | 74%               | 427,748           |
| Revenues From Use of Money & Property | 413,954           | 593,997           | 615,133           | 1,158,878             | 587,743           | 197% <sup>2</sup> | 737,530           |
| Interfund Revenue Transfers           | 1,221,987         | 1,224,866         | 3,088,584         | 1,710,615             | 2,023,602         | 86%               | 2,023,602         |
| <b>Total Revenue:</b>                 | <b>16,420,349</b> | <b>18,609,703</b> | <b>20,738,055</b> | <b>12,163,089</b>     | <b>19,594,556</b> | <b>62%</b>        | <b>19,785,963</b> |

### Property Tax Revenue

Property tax is the largest revenue category for the City's General Fund, accounting for 27% of budgeted General Fund revenues in FY 2023-24. Property tax is levied by the San Luis Obispo County Assessor's Office at 1% of a

<sup>1</sup> Franchise fee revenue primarily posts in the last two quarters of the fiscal year.

<sup>2</sup> This revenue category includes interest income distributed across funds as part of the year-end process. As a result, this revenue will appear to exceed budget until those year-end entries are made. Less interest income, actual revenue budget received is 70%.

## Midyear Budget Report FY 2023-24

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property's assessed value, of which the City receives approximately 13.7 cents per dollar paid on property located within the municipal limits of Morro Bay.

FY 2023-24 revenue was budgeted higher than the prior fiscal year. Property tax distributions are typically received in the fiscal year's third and fourth quarters. The County Assessor's most recent projections show slight growth over budgeted amounts.

**Recommendation:** A few midyear budget changes are recommended in this area, outlined below, given the latest County Assessor's Office estimates.

### ***Transient Occupancy Tax Revenue***

Transient Occupancy Tax (TOT) is the General Fund's second largest revenue source, accounting for 22.5% of the City's budgeted General Fund revenues for FY 2023-24. The city levies and retains a 10% TOT on all hotels, motels, vacation rentals, and RV parks to fund city services provided to visitors to Morro Bay. In addition, the City collects and remits an additional 3% to Visit Morro Bay, the Morro Bay Tourism Business Improvement District (TBID), and an additional 1.5% to Visit SLOCAL, the Countywide Tourism program.

As a highly economically sensitive revenue source, the City monitors TOT closely. In recent years, TOT revenues have plateaued. Staff anticipates FY 2023-24 revenues to come near or slightly above the budgeted amount.

**Recommendation:** Staff recommends no increases to the TOT revenue for the current fiscal year.

### ***Sales Tax Revenue***

Sales tax is the third largest revenue source for the City's General Fund in FY 2023-24, budgeted to generate 14% of the Fund's revenue for the year. The base statewide sales and use tax rate is 7.25 percent, and the City's General Fund receives 1 percent of that base tax. This sales tax revenue does not include the 1.5 cent local sales tax collected through voter-approved Measure E-20.

Sales Tax receipts are tracking in line with budget this fiscal year. As with TOT tax receipts, sales tax trends are flattening, with only a modest 3% growth projected for FY 2024-25. The City contracts with industry expert HdL to analyze collections history, forecast sales tax revenues, and pursue revenues on the City's behalf that belong to the City.

**Recommendation:** Staff does not recommend any revenue increases to Sales Tax revenue.

### ***Revenues from Current Services (Charges for Service)***

City Revenues from Current Services consist primarily of plan check fees, building inspection fees, and recreation sports and youth services fees. These fees are assessed based on recovery formulas, which reflect the approximate costs of providing these services and, as a total category, account for 11% of the City's General Fund budget for FY 2023-24. These revenues include fees for the Recreation Division programs and Community Development planning fees. These revenues are tracking slightly low with seven months behind us; however, the major revenues in this category post late in the fiscal year.

**Recommendation:** One amendment is recommended to increase the *Other Fire Services – Mutual Aid Reimbursement* revenue budget based on actual invoices approved by CalOES.

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## Other General Fund Revenues

Other General Fund revenues comprise less than a quarter of the Fund’s budgeted revenues. These include Transfers in, Franchise Fees, Cannabis City Tax, Business Tax, Rental Income, Licenses and Permits, and Grant Revenues. The status of each primary source of other General Fund revenues is summarized in the above table.

## Recommended General Fund Revenue Budget Amendments

Staff is recommending the following General Fund revenue budget amendments at midyear:

**Table 3 Previously Approved by Council General Fund Revenue Budget Amendments**

| Description                                      | Department          | Increase (Decrease) Amount | One-time/Ongoing | G/L           |
|--------------------------------------------------|---------------------|----------------------------|------------------|---------------|
| Nuclear Preparedness Program Grant               | Fire                | 30,827                     | One-Time         | 001-4210-3393 |
| Correct Transfers In for Community Grants Budget | Interfund Transfers | 25,000                     | One-Time         | 001-7710-3801 |
| Office of Traffic Safety Grant                   | Fire                | 48,000                     | One-Time         | 001-4210-3303 |
|                                                  |                     | <b>103,827</b>             |                  |               |

**Table 4 New General Fund Revenue Budget Amendments**

| Description                                                                    | Department               | Increase (Decrease) Amount | One-time/Ongoing | G/L           |
|--------------------------------------------------------------------------------|--------------------------|----------------------------|------------------|---------------|
| Property Tax Current Secured                                                   | Accounting & Treasury    | 52,721                     | Ongoing          | 001-3510-3011 |
| Property Tax Current Unsecured                                                 | Accounting & Treasury    | 6,373                      | Ongoing          | 001-3510-3012 |
| Property Tax Cnty Adm Fee                                                      | Accounting & Treasury    | 7,486                      | Ongoing          | 001-3510-3020 |
| Property Tax in Lieu-VLF                                                       | Accounting & Treasury    | 184,772                    | Ongoing          | 001-3510-3021 |
| Increase Mutual Aid Reimb- Other Fire Services per Approved Invoices to CalOES | Fire                     | 36,000                     | One-time         | 001-4210-3472 |
| Reimbursement for solid waste rate study                                       | Public Works             | 14,267                     | One-Time         | 001-5205-3990 |
| Insurance claim proceeds                                                       | Consolidated Maintenance | 54,015                     | One-Time         | 001-5215-3990 |
| Pickleball Court Resurfacing Donations – Move to CIP                           | Consolidated Maintenance | (18,973)                   | One-Time         | 001-5215-3970 |
| Developer Reimbursement Agreement Increase - Vistra                            | Community Development    | 175,000                    | One-Time         | 001-7105-3994 |
|                                                                                |                          | <b>511,660</b>             |                  |               |

**Table 5 Previously Approved by Council General Capital Fund Revenue and Expense Budget Amendments**

| Description                                                | Department                              | Increase (Decrease) Amount | One-time/Ongoing | G/L           |
|------------------------------------------------------------|-----------------------------------------|----------------------------|------------------|---------------|
| <b>Revenue</b>                                             |                                         |                            |                  |               |
| DWR Grant – Sequoia Storm Drain Improvements               | Sequoia Ct Emergency Storm Drain Repair | 300,000                    | One-Time         | 915-9950-3370 |
|                                                            |                                         | 300,000                    |                  |               |
| <b>Expenses</b>                                            |                                         |                            |                  |               |
| Offsetting expenditure for DWR grant – Sequoia Storm Drain | Sequoia Ct Emergency Storm Drain Repair | 300,000                    | One-Time         | 915-9950-6106 |

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|                                                                                                  |                                            |                |          |               |
|--------------------------------------------------------------------------------------------------|--------------------------------------------|----------------|----------|---------------|
| Contractual services reallocated to Sequoia Storm Drain from Juniper/Elena project surplus       | Juniper/Elena Emergency Storm Drain Repair | (164,041)      | One-Time | 915-9949-6106 |
| Contractual services reallocated to Sequoia Storm Drain from the completed Juniper/Elena project | Sequoia Ct Emergency Storm Drain Repair    | 164,041        | One-Time | 915-9950-6106 |
|                                                                                                  |                                            | <b>300,000</b> |          |               |

**Table 6 New General Capital Fund Revenue and Expense Budget Amendments**

| Description                                                                            | Department                  | Increase (Decrease) Amount | One-time/Ongoing | G/L           |
|----------------------------------------------------------------------------------------|-----------------------------|----------------------------|------------------|---------------|
| <b>Revenue</b>                                                                         |                             |                            |                  |               |
| Move Pickleball Court Resurfacing Donations to CIP                                     | Pickleball Courts           | 31,400                     | One-Time         | 915-8400-3281 |
| Reduce Transfers from Special Revenue                                                  | Pavement Management Program | (700,000)                  | One-Time         | 915-9614-3820 |
|                                                                                        |                             | <b>(668,600)</b>           |                  |               |
| <b>Expenses</b>                                                                        |                             |                            |                  |               |
| Offsetting contractual services expenditure for pickleball court resurfacing donations | Pickleball Courts           | 31,400                     | One-Time         | 915-8400-6106 |
| Reduce Contractual Services                                                            | Pavement Management Program | (700,000)                  | One-Time         | 915-9614-6106 |
|                                                                                        |                             | <b>(668,600)</b>           |                  |               |

The recommended budget amendments for the Annual Pavement Management Program are described in more detail in the Measure E section of this report.

### General Fund Expenditures Analysis

The adopted General Fund expenditure budget for FY 2023-24 is approximately \$23.5 million. As of January 31, 2024, General Fund expenditures totaled \$15.4 million, or 69% of budget. The percent of budget spent less transfers and one-time expenditures is 55%, which is on track for seven months into the fiscal year. The tables below demonstrate expenditures for the fiscal year to date by expense type and by Department.

**Table 7 General Fund Expenditures by Expense Type**

| Expenditure Type   | 2021 Actual  | 2022 Actual  | 2023 Actual  | 2024 thru 1-31 | 2024 Adopted Budget | FY 24 % Spent    | FY 24 Estimated |
|--------------------|--------------|--------------|--------------|----------------|---------------------|------------------|-----------------|
| Personnel Services | \$10,185,594 | \$10,351,919 | \$12,129,881 | \$7,873,007    | 13,082,007          | 60%              | 12,151,332      |
| Supplies           | \$402,762    | \$600,869    | \$749,177    | \$378,974      | 648,611             | 58%              | 675,433         |
| Other Expense      | \$9,361      | \$52,371     | \$205,500    | \$152,474      | 162,000             | 94% <sup>3</sup> | 165,113         |
| Services           | \$2,866,061  | \$3,504,596  | \$4,439,813  | \$1,737,267    | 4,279,651           | 54%              | 3,405,497       |

<sup>3</sup> This expense category includes one-time payments to other agencies, such as dispatch fees paid to SLO County, that occur at the start of the fiscal year.

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|                               |                     |                     |                     |                     |                   |                    |                   |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|--------------------|-------------------|
| Capital Outlay                | \$0                 | \$4,002             | \$101,742           | \$31,929            | 4,000             | 1396% <sup>4</sup> | 34,000            |
| Debt Service                  | \$35,101            | \$35,076            | \$1,233,788         | \$17,595            | 35,190            | 50%                | 35,600            |
| Interfund Transfers           | \$563,000           | \$1,289,688         | \$2,566,190         | \$5,253,216         | 5,253,216         | 100%               | 5,253,216         |
| <b>Total Expense Objects:</b> | <b>\$14,061,879</b> | <b>\$15,838,521</b> | <b>\$21,426,091</b> | <b>\$15,444,461</b> | <b>23,464,675</b> | <b>69%</b>         | <b>21,720,191</b> |

**Table 8 General Fund Expenditures by Department**

| Department                       | 2021 Actual         | 2022 Actual         | 2023 Actual       | 2024 Thru 1-31    | 2024 Adopted Budget | FY 24 % Spent    | FY 24 Estimated   |
|----------------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|------------------|-------------------|
| City Council                     | \$60,166            | \$108,114           | 159,494           | 111,278           | 184,539             | 60%              | 183,995           |
| City Manager's Office            | \$776,881           | \$890,770           | 1,244,805         | 664,023           | 1,283,108           | 52%              | 1,158,993         |
| City Attorney                    | \$434,374           | \$498,343           | 501,437           | 205,763           | 483,231             | 43%              | 352,603           |
| Administrative Services          | \$647,550           | \$865,646           | 1,067,829         | 617,103           | 1,211,112           | 51%              | 1,102,161         |
| Police Department                | \$3,820,833         | \$3,582,230         | 4,143,291         | 2,259,836         | 4,531,070           | 50%              | 3,561,777         |
| Fire                             | \$3,219,810         | \$2,764,102         | 3,298,872         | 1,907,394         | 3,001,547           | 64%              | 3,052,539         |
| Public Works                     | \$2,277,081         | \$2,607,967         | 3,644,219         | 1,762,339         | 3,041,046           | 58%              | 3,010,099         |
| Recreation                       | \$780,950           | \$1,210,309         | 1,298,201         | 759,125           | 1,428,889           | 53%              | 1,251,646         |
| Community Development            | \$991,689           | \$1,401,346         | 1,584,349         | 979,002           | 1,874,732           | 66% <sup>5</sup> | 1,624,496         |
| Non-Departmental/Transfers       | \$1,052,547         | \$1,909,695         | 4,483,592         | 6,178,608         | 6,425,401           | 96%              | 6,421,882         |
| <b>Total Dept. Expenditures:</b> | <b>\$14,061,879</b> | <b>\$15,838,521</b> | <b>21,426,091</b> | <b>15,444,461</b> | <b>23,464,675</b>   | <b>69%</b>       | <b>21,720,191</b> |

### Recommended General Fund Expenditure Budget Amendments

Staff is recommending the following General Fund expenditure budget amendments at midyear. The available General Fund spendable balance would cover the proposed expenditure budget amendments. Most recommended expenditure increases are one-time rather than ongoing, making available fund balance an appropriate source of funds.

### Amendments Previously Approved by Council

Council previously considered these items, and staff was given direction to expend funds and return with a budget amendment at midyear, as has been the City's past administrative practice. These items are primarily one-time expenditures that can be funded from available fund balance in the General Fund.

<sup>4</sup> This expense category includes transactions subject to a midyear budget amendment request to recognize both an insurance claim revenue budget increase and offsetting expenditure.

<sup>5</sup> Community Development has high encumbrance amounts for consulting services, which inflates the percentage spent. The actual percentage spent less encumbrances is 52% of budget.

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**Table 9 Previously Approved by Council General Fund Expenditure Budget Amendments**

| Description                                                      | Department   | Increase (Decrease) | One-time/Ongoing | G/L           |
|------------------------------------------------------------------|--------------|---------------------|------------------|---------------|
| Nuclear Preparedness Program Grant-funded Communication Supplies | Fire         | 30,827              | One-Time         | 001-4210-5108 |
| OTS Grant-funded equipment acquisition                           | Fire         | 48,000              | One-Time         | 001-4210-7302 |
| Correct G/L for Community Grants Funding Source                  | City Council | 25,000              | One-Time         | 001-2110-8721 |
|                                                                  |              | <b>103,827</b>      |                  |               |

### **Amendments for Midyear Consideration**

The items below are recommended budget amendments to be considered by Council with the midyear report. Most of these items are also one-time expenditures. However, approximately \$84,000 in spending may be ongoing and should be considered with future year budget adoptions, depending on available funding. The source of funds for these amendments in FY 2023-24 would be the increased revenues outlined above and available General Fund balance.

**Table 10 New Recommended General Fund Expenditure Budget Amendments**

| Description                                                                                                        | Department               | Increase (Decrease) | One-time/Ongoing | G/L           |
|--------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------|------------------|---------------|
| Increased Fuel Expenditures                                                                                        | Fire                     | 12,000              | One-Time         | 001-4210-5110 |
| Increased Telephone Expenditures                                                                                   | Fire                     | 2,000               | One-Time         | 001-4210-6201 |
| Increased Electricity Expenditures                                                                                 | Fire                     | 8,800               | One-Time         | 001-4210-6301 |
| Increased Meals & Lodging Exp                                                                                      | Fire                     | 4,500               | One-Time         | 001-4210-6513 |
| Additional Vehicle Repair Costs                                                                                    | Fire                     | 40,000              | One-Time         | 001-4210-6604 |
| Increased Overtime Pay (Mutual Aid Response and Coverage)                                                          | Fire                     | 156,000             | One-Time         | 001-4210-4120 |
| Increased Employer Paid Benefits (tied to Mutual Aid OT)                                                           | Fire                     | 95,000              | One-Time         | 001-4210-4910 |
| Increased Other Pay                                                                                                | Fire                     | 50,000              | One-Time         | 001-4210-4599 |
| Increased consulting services due to rise in permit counter activity; partially offset by increase in fee revenues | Public Works             | 34,267              | Ongoing          | 001-5205-6105 |
| New truck transmission funded by insurance claim proceeds                                                          | Consolidated Maintenance | 5,025               | One-Time         | 001-5215-6604 |
| Truck purchase funded by insurance claim proceeds                                                                  | Consolidated Maintenance | 31,725              | One-Time         | 001-5215-7202 |
| New truck transmission funded by insurance claim proceeds                                                          | Street Maintenance       | 5,025               | One-Time         | 001-5230-6604 |
| Homeless encampment cleanup                                                                                        | Street Maintenance       | 50,000              | Ongoing          | 001-5230-6106 |
| Developer Reimbursement Agreement Increase – Vistra                                                                | Community Development    | 175,000             | One-Time         | 001-7105-6105 |
|                                                                                                                    |                          | <b>669,341</b>      |                  |               |

If all General Fund Budget Amendments are approved, the spendable General Fund balance at the end of Fiscal Year 2023-24 would be reduced by approximately \$158,000, subject to change as the remainder of the fiscal year progresses.

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*Table 11 Summary of All Recommended General Fund Midyear Budget Amendments*

|                     | <b>Adopted Budget</b> | <b>Increase (Decrease)</b> | <b>Amended Budget</b> |
|---------------------|-----------------------|----------------------------|-----------------------|
| Total Revenues      | 19,594,556            | 615,488                    | 20,210,044            |
| Total Expenditures  | 23,464,675            | 773,169                    | 24,237,844            |
| <b>GRAND TOTALS</b> | <b>(3,870,119)</b>    | <b>(157,681)</b>           | <b>(4,027,800)</b>    |

Note: Expenditure budget exceeds revenue budget due to budgeted use of fund balance from prior years.

## Measure E Fund

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 State administers the taxes 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 priority spending areas consistent with the ballot measure language in 2020 and 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 include:

- Maintain public safety services by funding staff positions that are most closely aligned with the purposes of 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 enhance 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 the capacity to implement the backlog of unfunded capital projects; and
- Ensure the City's financial health by maintaining appropriate reserves to protect against economic downturns, natural/health emergencies, and other unforeseen challenges or opportunities.

Measure E (like Measure Q before it) requires an independent annual financial audit and the establishment of an independent citizens' advisory committee to review yearly expenditures. The Citizens’ Finance Advisory Committee (CFAC) serves as that oversight committee and is to receive annual and annual reporting on expenditures from Measure E revenues. The annual report through June 30, 2023, was on the CFAC meeting agenda for January 16, 2024.

The data here is through January 31, 2024, to be consistent with the remainder of the citywide midyear report and present as much data as possible through this point in the fiscal year. As of January 31, 2024, the Measure E Fund (fund 003) had received 52% of budgeted revenues and expended 75% of budgeted expenditures, as follows:

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**Table 12 FY 2023-24 Measure E Total Revenues and Expenditures**

|                     | Adopted Budget     | 1/31/24 Actuals    | % Rec'd/ Used | Estimated          |
|---------------------|--------------------|--------------------|---------------|--------------------|
| Total Revenues      | 4,550,000          | 2,352,531          | 52%           | 4,374,475          |
| Total Expenditures  | 5,715,712          | 3,987,948          | 75%           | 5,476,782          |
| <b>GRAND TOTALS</b> | <b>(1,165,712)</b> | <b>(1,635,417)</b> |               | <b>(1,102,307)</b> |

\*Expenditure budget exceeds revenue budget due to budgeted use of fund balance from prior years.

## Measure E Fund Revenues

Fund revenues appear on track, given that they represent five months of sales tax collected due to the two-month lag in receipts. Based on consultation with HdL, staff's projections are slightly less optimistic, projecting year-end revenue totals just below budget. Sales tax revenue growth is anticipated to remain flat in FY 2024-25.

As City expenditures increase faster 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 funds, this may mean reducing funding for capital improvements to maintain existing public safety service levels and improve existing city streets, sidewalks, and landscaping.

## Measure E Fund Expenditures

Fund-wide, expenditures for the first seven months of the year are on track at 49% of the budget expended as of January 31, 2024, excluding one-time transfers, which are completed at the start of the fiscal year. The table below presents expenditures by Department. Interfund transfers represent transfers out to the Capital Improvement Fund and General Fund Cost Allocation Plan contributions, with no changes since budget adoption.

**Table 13 FY 2023-24 Measure E Fund Expenditures by Department**

| Department          | Adopted Budget   | Actuals          | % Used     | Estimated        |
|---------------------|------------------|------------------|------------|------------------|
| Police              | 897,479          | 542,043          | 62%        | 962,654          |
| Fire                | 952,439          | 588,076          | 62%        | 933,343          |
| Public Works        | 1,096,730        | 287,139          | 26%        | 899,845          |
| Harbor              | 359,830          | 211,456          | 59%        | 321,706          |
| Interfund Transfers | 2,359,234        | 2,359,234        | 100%       | 2,359,234        |
| <b>Total</b>        | <b>5,715,712</b> | <b>3,987,948</b> | <b>75%</b> | <b>5,476,782</b> |

A portion of Fire Department overtime and employer-paid benefit expenditures will be reclassified to the General Fund to reconcile mutual aid expenditures with CalOES reimbursements.

## Recommended Measure E Fund Budget Amendments

**Revenues.** No revenue amendments are recommended.

**Expenditures.** As noted in the Executive Summary (page 3), the FY 2022-23 budget assumed higher revenues than were ultimately recorded. This resulted in an overestimation of available fund balance and, therefore, an over-budgeting of expenditures for FY 2023-24. The FY 2023-24 budget anticipated using \$1.16M of the estimated \$1.25M spendable fund balance. As of June 30, 2023, Measure E's unaudited spendable fund balance was only \$479,815. To balance the Measure E budget this fiscal year, a significant reduction in capital improvement funding must be made. Staff recommends reducing the \$1.8M contribution to the Annual Pavement Management Program by \$700,000. The Annual Pavement Management Program has a \$2.1M expenditure budget in the adopted FY 2023-24 capital budget and a carryforward budget from prior years of

# Midyear Budget Report FY 2023-24

approximately \$1.5M. As of June 30, 2023, the project’s fund balance was approximately \$1.6M. Staff can continue spending down the existing project fund balance and the remaining \$1.1M in current-year Measure E funding without impacting project progress. The General Fund section of this report includes a summary of the recommended budget amendments for the Annual Pavement Management Program.

Staff recommends a total decrease of \$700,000 in budgeted expenditures in the Measure E Fund, equating to a reduction of approximately 12% in the Fund’s expenditure budget. The specific recommended decrease is outlined below:

**Table 14 Recommended Measure E Fund Expenditure Budget Amendments**

| Description                                                   | Department             | Increase (Decrease) | One-time/ Ongoing | G/L           |
|---------------------------------------------------------------|------------------------|---------------------|-------------------|---------------|
| Reduce contribution to the Annual Pavement Management Program | Interfund Transactions | (700,000)           | One-Time          | 003-7710-8540 |
|                                                               |                        | <b>(700,000)</b>    |                   |               |

## Enterprise Funds

The Enterprise Funds are Proprietary Funds that report the same functions as business-type activities. The following funds are included in this category: Harbor Funds, Water Funds, Sewer Funds, and Transit Funds. Currently, each enterprise fund has an operating fund and a capital improvement fund. The following gives an update on significant changes or activities in these funds.

### Harbor Operating Fund

The Harbor Enterprise Fund accounts for revenues from harbor leases, slips, moorings, and other sources expended for maintenance, operation, patrolling, and harbor improvements. As of January 31, 2024, the Harbor Operating Fund had received approximately 42% of budgeted revenue (\$1 million of \$2.4 million) and expended approximately 70% of its budget (\$1.8 million of \$2.6 million). After netting out transfers and one-time expenses paid at the start of the fiscal year, the actual percent of the expenditure budget spent is 55%, which is on track with seven months behind us. As lease agreements outline, a large portion of Harbor Fund revenues are received at the end of the fiscal year for the prior year's percentage rent. Due to that contractual timing, it can be difficult to project revenue budgets in the Harbor Fund.

Last fiscal year (22-23), the Harbor Funds had an operating budget surplus of approximately \$1.2M, resulting in a working capital balance (spendable fund balance) of approximately \$1.1 million at fiscal year-end (June 30, 2023).

Harbor Department staff continues to evaluate capital improvement projects for FY 2023-24. Significant storm damage in 2023 shifted priorities to address commercial fishing dock repairs/replacement. Budgeted funding from current operations and grant funding from the Morro Bay Commercial Fisheries Organization will support the estimated \$300,000 project. More funding in the FY 2024-25 budget will be necessary to complete this work. The funding for the Beach Street Dock Replacement project has been deemed inadequate to finish the project. Continuing to spend funds on design, engineering, and permitting is not recommended by the Harbor Director. The Harbor Director recommends reallocating Beach Street project funds to the Commercial Fishing Dock repair/replacement project in the FY 2024-25 budget. Significant underfunded capital improvement needs for much of the Harbor infrastructure remain a critical consideration for future budget cycles.

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## Recommended Harbor Fund Budget Amendments

Several budget amendments in Harbor Funds are recommended at midyear. Amendments previously approved by Council, including offsetting revenues, resulted in a net decrease of \$2,265. New recommended mid-year budget amendments have no net impact on the budget. The recommended changes are outlined below.

**Table 15 Previously Approved Harbor Operating Fund Revenue and Expenditure Budget Amendments**

| Description                                                                    | Department       | Increase (Decrease) | One-time/Ongoing | G/L           |
|--------------------------------------------------------------------------------|------------------|---------------------|------------------|---------------|
| <b>Revenues</b>                                                                |                  |                     |                  |               |
| SAVE Grant for removal of abandoned vessels                                    | Harbor Operating | 38,000              | One-Time         | 331-6510-3371 |
| Oil Spill Response Grant for trailer and supplies                              | Harbor Operating | 40,000              | One-Time         | 331-6510-3371 |
| Household Hazardous Waste Grant for flare removal                              | Harbor Operating | 50,000              | One-Time         | 331-6510-3371 |
| Correct typo in adopted budget                                                 | Harbor Operating | (22,500)            | One-Time         | 331-6510-3469 |
|                                                                                |                  | <b>105,500</b>      |                  |               |
| <b>Expenditures</b>                                                            |                  |                     |                  |               |
| Grant-funded contractual services expenditure for removal of abandoned vessels | Harbor Operating | 38,000              | One-Time         | 331-6510-6106 |
| Grant-funded disposal expenditures for oil spill response                      | Harbor Operating | 40,000              | One-Time         | 331-6510-6305 |
| Grant-funded disposal expenditures for flare removal                           | Harbor Operating | 17,000              | One-Time         | 331-6510-6305 |
| Grant-funded supplies for flare removal                                        | Harbor Operating | 5,873               | One-Time         | 331-6510-5504 |
| Grant-funded promotion & advertising expenditures for flare removal            | Harbor Operating | 2,363               | One-Time         | 331-6510-6107 |
|                                                                                |                  | <b>103,236</b>      |                  |               |

**Table 16 New Harbor Capital Fund Revenue and Expenditure Budget Amendments**

| Description                                                           | Department                    | Increase (Decrease) | One-time/Ongoing | G/L           |
|-----------------------------------------------------------------------|-------------------------------|---------------------|------------------|---------------|
| <b>Revenues</b>                                                       |                               |                     |                  |               |
| MBCFO Grant for dock repairs                                          | Storm Recovery – Dock Repairs | 100,000             | One-Time         | 923-9960-3390 |
|                                                                       |                               | <b>100,000</b>      |                  |               |
| <b>Expenditures</b>                                                   |                               |                     |                  |               |
| MBCFO Grant-funded contractual services expenditures for dock repairs | Storm Recover – Dock Repairs  | 100,000             | One-Time         | 923-9960-6106 |
|                                                                       |                               | <b>100,000</b>      |                  |               |

## Water Funds

The Water Enterprise Fund accounts for revenues received primarily from water service charges, which are expended for maintenance, operations, and capital improvements to the water system. As of January 31, 2024, the Water Operating Fund had received approximately 57% of its budgeted revenues (\$4.4 of \$7.7 million) and expended approximately 40% of its budgeted expenditures (\$3.7 million of \$9.4 million).

As of June 30, 2023, the amount of unaudited working capital (spendable fund balance) in the Water Fund was approximately \$11.9 million.

***Recommended Water Funds Budget Amendments***

No budget amendments are recommended for the Water Fund.

**Sewer Funds**

The sewer enterprise funds account for revenues received primarily from sewer service charges, which are expended for maintenance, operations, and improvements to the sanitary sewer system. As of January 31, 2024, the Sewer Fund had received approximately 56% of budgeted revenue (\$5.4 of \$9.8 million) and expended approximately 49% of its budget (\$7 of \$14.5 million).

As of June 30, 2023, the unaudited working capital (spendable fund balance) amount in the Sewer Fund was approximately \$22.7 million.

***Recommended Sewer Funds Budget Amendments***

No budget amendments are recommended for the Sewer Fund.

**Transit Fund**

The Transit Fund accounts for the operations and activities associated with the City’s public transit system, Morro Bay Transit, which operates a year-round deviated fixed route with fixed route, Call-A-Ride services, and a seasonal Trolley service. The deviated fixed route operates one fixed route that flexes, or deviates, off-route to provide limited, advance-scheduled, curb-to-curb service (Call-A-Ride), then returns to the next fixed route stop.

The primary source of revenue for this Fund is Transportation Development Act (TDA) money. TDA was enacted by the State Legislature in 1971 to make funds available for transit, pedestrian way and bikeway projects, transportation planning, ridesharing, and street and road improvements. Funds for the TDA come from 1/4 cent of the retail sales tax for Local Transportation Funds (LTF) and from sales taxes on diesel fuel for State Transit Assistance (STA). These funds are allocated annually by the San Luis Obispo Council of Governments (SLOCOG) to eligible claimants under two funding programs: Local Transportation Fund (LTF) and State Transit Assistance (STA).

As of June 30, 2023, the unaudited working capital (spendable fund balance) amount in the Transit Fund was approximately \$1.9 million.

***Recommended Transit Fund Budget Amendments***

More funds are necessary to complete the MBT Replacement Bus purchase. The funding source for this request is Transportation Development Act revenue, which reduces the FY 2023-24 projected revenue surplus by \$20,000.

***Table 17 New Transit Operating Fund Expenditure Budget Amendments***

| Description                          | Department             | Increase (Decrease) | One-time/ Ongoing | G/L           |
|--------------------------------------|------------------------|---------------------|-------------------|---------------|
| Transfer to Capital Improvement Fund | Interfund Transactions | 20,000              | One-Time          | 301-7710-8540 |
|                                      |                        | <b>20,000</b>       |                   |               |

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**Table 18 New Transit Capital Fund Budget Amendments**

| Description                  | Department                    | Increase (Decrease) | One-time/Ongoing | G/L           |
|------------------------------|-------------------------------|---------------------|------------------|---------------|
| <b>Revenues</b>              |                               |                     |                  |               |
| Intrafund Revenue Transfers  | MBT Replacement Vehicle - Bus | 20,000              | One-Time         | 920-9917-3802 |
|                              |                               | <b>20,000</b>       |                  |               |
| <b>Expenditures</b>          |                               |                     |                  |               |
| MBT Replacement Bus Purchase | MBT Replacement Vehicle - Bus | 20,000              | One-Time         | 920-9917-7204 |
|                              |                               | <b>20,000</b>       |                  |               |

## Other Funds

Morro Bay has several other smaller (non-major) funds with special purposes. They are all outlined in detail each year in the [Adopted Budget document](#).

### Recommended Other Funds Budget Amendments

Minor midyear budget amendments are recommended in Other Funds, as outlined below. The only request resulting in a change in fund balance is from IT. As of June 30, 2023, the IT Fund's unaudited working capital (spendable fund balance) amount was approximately \$382,000, which exceeds both the minimum (200k) and target (\$300k) reserve policy for this fund.

**Table 19 New Other Funds (non-major) Recommended Budget Amendments**

| Fund                                   | Description                                                         | Department             | Increase (Decrease) | One-time/Ongoing | G/L           |
|----------------------------------------|---------------------------------------------------------------------|------------------------|---------------------|------------------|---------------|
| <b>Expenditures</b>                    |                                                                     |                        |                     |                  |               |
| American Rescue Plan Fund              | Correct G/L for Community Grants budget                             | Non-departmental       | (25,000)            | One-Time         | 019-1111-8721 |
| American Rescue Plan Fund              | Correct G/L for Community Grants budget                             | Interfund Transfers    | 25,000              | One-Time         | 019-7710-8510 |
|                                        |                                                                     |                        | <b>0</b>            |                  |               |
| <b>Revenues</b>                        |                                                                     |                        |                     |                  |               |
| Developer Reimbursement Agreement Fund | Increased developer reimbursement funding                           | DRA: Panorama Drive    | 45,000              | One-Time         | 045-8801-3994 |
|                                        |                                                                     |                        | <b>45,000</b>       |                  |               |
| <b>Expenditures</b>                    |                                                                     |                        |                     |                  |               |
| Developer Reimbursement Agreement Fund | Increased developer reimbursement funding                           | DRA: Panorama Drive    | 45,000              | One-Time         | 045-8801-6104 |
|                                        |                                                                     |                        | <b>45,000</b>       |                  |               |
| Information Technology Fund            | Increased consulting services for acquisition of Microsoft Licenses | Information Technology | 23,980              | One-Time         | 450-3520-6105 |
|                                        |                                                                     |                        | <b>23,980</b>       |                  |               |

## Summary Current Year and Five-Year Financial Forecasts

In addition to the discussion of Mid-Year budget status and budget revisions, staff is also providing summary Five Year Financial Forecasts prepared for both the General Fund and the Measure E fund. The summaries include estimated actuals for the current fiscal year at a summary level and five future fiscal years through FY 2028/29. The forecasts are reflective of a continuing effort by staff to analyze the City's long-term fiscal

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condition based upon current revenue and expense trends and information provided by sources such as the City's sales tax consultant, the State of California, and the County of San Luis Obispo. The forecast represents a point-in-time snapshot and represents an approximate view of what could occur if all assumptions proved to be correct. The summaries for both funds indicate revenue shortfalls in the out years based upon operating revenue versus operating expenditure deficits projected in the General Fund beginning in FY 2027/28. Additionally, Measure E appears to be unable to fully fund planned capital project support beginning in the current fiscal year and the condition extending for each of the five following fiscal years. The summary reports emphasize the importance for the City to closely monitor local economic conditions as well as county and national economic trends and make the necessary budget actions to align future service delivery and essential capital improvements with estimated available financial resources.

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| GENERAL FUND (001)                                                                                                      | FY 2023 Actual    | FY 2024 Budget    | FY 2024 Estimated | Forecast          |                   |                   |                   |                   |
|-------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                                                                         |                   |                   |                   | FY 2025           | FY 2026           | FY 2027           | FY 2028           | FY 2029           |
| <b>Beginning Fund Balance</b>                                                                                           | 9,625,766         | 9,148,381         | 9,148,381         | 5,278,261         | 5,318,217         | 5,066,715         | 5,121,890         | 4,852,711         |
| <b>Revenue</b>                                                                                                          |                   |                   |                   |                   |                   |                   |                   |                   |
| Property Tax                                                                                                            | 5,294,352         | 5,232,900         | 5,469,082         | 5,631,123         | 5,800,056         | 5,974,058         | 6,153,280         | 6,337,878         |
| Sales Tax                                                                                                               | 2,249,114         | 2,690,000         | 2,697,615         | 2,786,504         | 2,870,414         | 2,956,526         | 3,045,222         | 3,136,578         |
| Transient Occupancy Tax                                                                                                 | 4,681,648         | 4,400,000         | 4,406,962         | 4,517,136         | 4,630,065         | 4,768,967         | 4,959,725         | 5,108,517         |
| Other Revenue                                                                                                           | 5,424,357         | 5,248,054         | 5,188,702         | 5,487,337         | 5,651,957         | 5,821,516         | 5,996,161         | 6,176,046         |
| Transfers In                                                                                                            | 3,299,443         | 2,023,602         | 2,023,602         | 1,484,458         | 1,528,991         | 1,574,861         | 1,622,107         | 1,670,770         |
| <b>TOTAL REVENUE</b>                                                                                                    | <b>20,948,914</b> | <b>19,594,556</b> | <b>19,785,963</b> | <b>19,906,558</b> | <b>20,481,483</b> | <b>21,095,928</b> | <b>21,776,495</b> | <b>22,429,790</b> |
| <b>Expense</b>                                                                                                          |                   |                   |                   |                   |                   |                   |                   |                   |
| Personnel                                                                                                               | 11,303,881        | 12,195,007        | 11,685,175        | 12,845,394        | 13,581,328        | 14,324,488        | 15,053,819        | 15,505,433        |
| Operational costs                                                                                                       | 9,103,914         | 9,790,966         | 9,342,591         | 10,182,605        | 10,589,909        | 11,013,505        | 11,454,046        | 11,797,667        |
| Ongoing costs for long-term liabilities (PERS)                                                                          | 2,199,967         | 2,404,041         | 2,342,584         | 2,662,789         | 2,991,419         | 3,310,983         | 3,599,773         | 3,707,766         |
| Other Operations & Maintenance                                                                                          | 5,496,233         | 5,094,262         | 4,829,445         | 5,348,875         | 5,616,216         | 5,840,811         | 6,074,389         | 6,256,621         |
| Transfers Out (Ongoing)                                                                                                 | 638,190           | 725,851           | 725,851           | 762,144           | 800,251           | 840,263           | 882,276           | 908,745           |
| Debt Service Payments                                                                                                   | 1,233,788         | 35,190            | 35,600            | 35,190            | 35,190            | 35,190            | 35,190            | 36,246            |
| <b>TOTAL EXPENSE</b>                                                                                                    | <b>18,672,091</b> | <b>18,050,310</b> | <b>17,276,071</b> | <b>18,991,602</b> | <b>20,032,985</b> | <b>21,040,753</b> | <b>22,045,674</b> | <b>22,707,044</b> |
| <b>Net Surplus (Shortfall)-Operating</b>                                                                                | <b>2,276,823</b>  | <b>1,544,246</b>  | <b>2,509,892</b>  | <b>914,955</b>    | <b>448,499</b>    | <b>55,175</b>     | <b>(269,179)</b>  | <b>(277,254)</b>  |
| <b>Capital</b>                                                                                                          | <b>490,000</b>    | <b>1,106,865</b>  | <b>1,106,865</b>  | <b>675,000</b>    | <b>500,000</b>    | -                 | -                 |                   |
| Storm and Flooding Damages - Facilities and Equipment                                                                   |                   | 300,000           | 300,000           | -                 | -                 | -                 | -                 |                   |
| Veteran's Hall Building Improvements                                                                                    |                   | 185,027           | 185,027           | 175,000           | -                 | -                 | -                 |                   |
| Storm and Flooding Damages - Pavement and Pavement Repairs                                                              |                   | 400,000           | 400,000           | -                 | -                 | -                 | -                 |                   |
| Lila Keiser Parking Lot Rehabilitation and ADA Upgrades                                                                 |                   | 80,000            | 80,000            | -                 | -                 | -                 | -                 |                   |
| Annual Storm Drain Replacement and Major Maintenance Project                                                            |                   | -                 | -                 | 500,000           | 500,000           | -                 | -                 |                   |
| Waterways and Storm Systems Management Plan                                                                             |                   | 141,838           | 141,838           | -                 | -                 | -                 | -                 |                   |
| Citywide Capital and Facilities Planning                                                                                |                   | -                 | -                 | -                 | -                 | -                 | -                 |                   |
| <b>Net Surplus (Shortfall)-including Capital</b>                                                                        | <b>1,786,823</b>  | <b>437,381</b>    | <b>1,403,027</b>  | <b>239,955</b>    | <b>(51,501)</b>   | <b>55,175</b>     | <b>(269,179)</b>  |                   |
| Contribution to 115 Trust                                                                                               | 826,000           | 887,000           | 887,000           | 200,000           | 200,000           | -                 | -                 |                   |
| Transfers Out (One-Time)                                                                                                |                   |                   |                   |                   |                   |                   |                   |                   |
| General Fund Emergency Reserve Fund (GFER)                                                                              | 1,087,000         | 3,292,000         | 3,292,000         |                   |                   |                   |                   |                   |
| Vehicle Replacement Fund                                                                                                | 270,000           | 107,000           | 107,000           |                   |                   |                   |                   |                   |
| Compensable Leave Fund                                                                                                  | 81,000            | 21,500            | 21,500            |                   |                   |                   |                   |                   |
| <b>Ending Total Fund Balance</b>                                                                                        | <b>9,148,381</b>  | <b>5,278,261</b>  | <b>6,243,908</b>  | <b>5,318,217</b>  | <b>5,066,715</b>  | <b>5,121,890</b>  | <b>4,852,711</b>  | <b>4,575,457</b>  |
| <b>Less Non-Spendable Fund Balance</b>                                                                                  | <b>3,189,840</b>  | <b>3,163,000</b>  |
| <b>ENDING FUND BALANCE</b>                                                                                              | <b>5,958,541</b>  | <b>2,115,261</b>  | <b>3,080,908</b>  | <b>2,155,217</b>  | <b>1,903,715</b>  | <b>1,958,890</b>  | <b>1,689,711</b>  | <b>1,412,457</b>  |
| Measure QE Fund Operating Expenses (excluding transfers)                                                                | 2,425,167         | 3,448,713         | 3,448,713         | 3,625,440         | 3,820,293         | 4,009,579         | 4,198,761         |                   |
| General Fund Emergency Reserve Fund (GFER) Balance                                                                      | 3,868,082         | 7,160,082         | 7,160,082         | 7,160,082         | 7,160,082         | 7,160,082         | 7,160,082         |                   |
| <b>Total Fund Balance as % of Total Operating Expenses</b><br>(General Fund + GFER) /<br>(General Fund + Q&E Operating) | <b>46.6%</b>      | <b>43.1%</b>      | <b>49.4%</b>      | <b>41.2%</b>      | <b>38.0%</b>      | <b>36.4%</b>      | <b>33.7%</b>      |                   |
| <b>Minimum Reserve Levels</b>                                                                                           | <b>MET</b>        |                   |
| General Fund Emergency Reserve Policy: 33% operating expenses. Includes Measure QE fund operating expenses.             | 6,962,095         | 7,094,678         | 6,839,179         | 7,463,624         | 7,871,582         | 8,266,610         | 8,660,664         |                   |
| <b>AVAILABLE FUND BALANCE (EXCESS OF MINIMUM RESERVES)</b>                                                              | <b>2,864,528</b>  | <b>2,180,666</b>  | <b>3,401,811</b>  | <b>1,851,675</b>  | <b>1,192,216</b>  | <b>852,363</b>    | <b>189,130</b>    |                   |

### Fund Balance Notes

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

\* Any funds remaining after minimum reserve levels are met are available for other use.

# Midyear Budget Report FY 2023-24

| MEASURE QE FUND (003)                                                | Forecast           |                    |                   |                    |                    |                    |                    |                     |
|----------------------------------------------------------------------|--------------------|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
|                                                                      | FY 2023 Actual     | FY 2024 Budget     | FY 2024 Estimated | FY 2025            | FY 2026            | FY 2027            | FY 2028            | FY 2029             |
| <b>Revenue</b>                                                       |                    |                    |                   |                    |                    |                    |                    |                     |
| Tax Revenue                                                          | 3,721,396          | 4,550,000          | 4,364,475         | 4,663,750          | 4,780,344          | 4,923,754          | 5,071,467          | 5,223,611           |
| Other Revenue                                                        | 7,486              | -                  | 10,000            | -                  | -                  | -                  | -                  | -                   |
| Transfers In                                                         | -                  | -                  | -                 | -                  | -                  | -                  | -                  | -                   |
| <b>TOTAL REVENUE</b>                                                 | <b>3,728,882</b>   | <b>4,550,000</b>   | <b>4,374,475</b>  | <b>4,663,750</b>   | <b>4,780,344</b>   | <b>4,923,754</b>   | <b>5,071,467</b>   | <b>5,223,611</b>    |
| <b>Expense</b>                                                       |                    |                    |                   |                    |                    |                    |                    |                     |
| Personnel                                                            | 2,123,431          | 2,454,606          | 2,250,520         | 2,581,628          | 2,724,290          | 2,868,719          | 3,011,200          | 3,151,741           |
| Operational Costs                                                    | 1,782,094          | 2,036,666          | 1,800,713         | 2,118,133          | 2,202,858          | 2,290,972          | 2,382,611          | 2,477,916           |
| Ongoing costs for long-term liabilities (PERS)                       | 341,337            | 417,940            | 449,807           | 463,495            | 521,432            | 577,747            | 628,589            | 673,825             |
| Other Operations & Maintenance                                       | 316,473            | 901,872            | 867,028           | 946,966            | 994,314            | 1,034,086          | 1,075,450          | 1,116,083           |
| Transfers Out (operating)                                            | 240,000            | 92,234             | 92,234            | 96,846             | 101,688            | 106,772            | 112,111            | 117,717             |
| Debt Service Payments                                                | -                  | -                  | -                 | -                  | -                  | -                  | -                  | -                   |
| <b>TOTAL EXPENSE</b>                                                 | <b>2,679,903</b>   | <b>3,448,712</b>   | <b>3,209,782</b>  | <b>3,625,439</b>   | <b>3,820,292</b>   | <b>4,009,578</b>   | <b>4,198,761</b>   | <b>4,385,540</b>    |
| <b>Net Surplus (Shortfall)-Operating</b>                             | <b>1,048,979</b>   | <b>1,101,288</b>   | <b>1,164,693</b>  | <b>1,038,311</b>   | <b>960,052</b>     | <b>914,176</b>     | <b>872,706</b>     | <b>838,070</b>      |
| <b>Capital</b>                                                       | <b>2,514,000</b>   | <b>2,267,000</b>   | <b>1,567,000</b>  | <b>3,786,000</b>   | <b>3,100,000</b>   | <b>2,800,000</b>   | <b>2,800,000</b>   | <b>2,800,000</b>    |
| Active Transportation Plan / Active Corridor Studies                 |                    | 67,000             | 67,000            | 136,000            | -                  | -                  | -                  | -                   |
| Local Road Safety Plan (LRSP) Implementation and Safety Improvements |                    | 150,000            | 150,000           | 200,000            | 200,000            | 200,000            | 200,000            | 200,000             |
| ADA Accessibility Upgrades at Quintana and Main Streets Intersection |                    | -                  | -                 | -                  | -                  | -                  | -                  | -                   |
| Trash and Recycling Can Replacements                                 |                    | 60,000             | 60,000            | -                  | -                  | -                  | -                  | -                   |
| Sidewalk Improvements and Street Tree Replacements Project           |                    | 150,000            | 150,000           | 250,000            | 300,000            | -                  | -                  | -                   |
| SR1/SR41/Main St Intersection Improvements                           |                    | -                  | -                 | 600,000            | -                  | -                  | -                  | -                   |
| Annual Pavement Management Program                                   |                    | 1,840,000          | 1,840,000         | 2,600,000          | 2,600,000          | 2,600,000          | 2,600,000          | 2,600,000           |
| Annual Pavement Management Program-Mid Yr. Adjust                    |                    |                    | (700,000)         |                    |                    |                    |                    |                     |
| Harbor Patrol Response Vehicle                                       |                    | 72,000             | -                 | -                  | -                  | -                  | -                  | -                   |
| Unmarked Police Vehicle (Replace Administrative Sergeant Vehicle)    |                    | 49,000             | -                 | -                  | -                  | -                  | -                  | -                   |
| Unmarked Police Vehicle (Detective Vehicle)                          |                    | 49,000             | -                 | -                  | -                  | -                  | -                  | -                   |
| <b>Net Surplus (Shortfall) including Capital</b>                     | <b>(1,465,021)</b> | <b>(1,165,712)</b> | <b>(402,307)</b>  | <b>(2,747,689)</b> | <b>(2,139,948)</b> | <b>(1,885,824)</b> | <b>(1,927,294)</b> | <b>(1,961,930)</b>  |
| <b>Starting Fund Balance</b>                                         | <b>1,945,000</b>   | <b>479,979</b>     | <b>479,979</b>    | <b>77,672</b>      | <b>(2,670,018)</b> | <b>(4,809,966)</b> | <b>(6,695,790)</b> | <b>(8,623,084)</b>  |
| <b>ENDING FUND BALANCE</b>                                           | <b>479,979</b>     | <b>(685,733)</b>   | <b>77,672</b>     | <b>(2,670,018)</b> | <b>(4,809,966)</b> | <b>(6,695,790)</b> | <b>(8,623,084)</b> | <b>(10,585,014)</b> |

**NOTE**  
Measure Q&E does not have its own reserve policy, as it is covered in the General Fund Emergency Reserve policy.

| Revenues and Transfers In - CURRENT REQUESTS (Previously Approved by Council) |                                     |                                 |               |                |                      |                      |                   |                                                                                            |
|-------------------------------------------------------------------------------|-------------------------------------|---------------------------------|---------------|----------------|----------------------|----------------------|-------------------|--------------------------------------------------------------------------------------------|
| Fund                                                                          | Department                          | Account                         | G/L String    | Adopted Budget | Increase/ (Decrease) | Amended Budget Total | One-time/ Ongoing | Justification and further detailed information for request:                                |
| General Fund                                                                  | Fire                                | Nuclear Planning Assist         | 001-4210-3393 | 12,360         | 30,827               | 43,187               | One-Time          | Recognize grant award received for new radios and laptop.                                  |
| General Fund                                                                  | Interfund Transfers                 | Transfers In                    | 001-7710-3801 | -              | 25,000               | 25,000               | One-Time          | Correct GL for Community Grants budget                                                     |
| General Fund                                                                  | Fire                                | Federal Grant Other Govt Svc    | 001-4210-3303 | -              | 48,000               | 48,000               | One-Time          | Recognize grant award received for auto extrication tool.                                  |
| Harbor CIP                                                                    | Storm Recovery-Dock Repairs         | Other Grant Capital Improvement | 923-9960-3390 | -              | 100,000              | 100,000              | One-Time          | Recognize grant award received for dock repairs.(this is already posted to account)        |
| Harbor Operating                                                              | Harbor Dept                         | State Grant                     | 331-6510-3371 | 15,000         | 38,000               | 53,000               | 2 year grant      | Recognize grant award received for removal of abandoned vessels and hazards to navigation. |
| General CIP                                                                   | Sequoia Ct Emerg Storm Drain Repair | State Grant Capital Improvement | 915-9950-3370 | -              | 300,000              | 300,000              | One-Time          | Recognize grant award received for storm drain replacement project.                        |
| Harbor Operating                                                              | Harbor Dept                         | Special Events                  | 331-6510-3469 | 25,000         | (22,500)             | 2,500                | One-Time          | Correct amount, should have been 2500.00                                                   |
| Harbor Operating                                                              | Harbor Dept                         | State Grants                    | 331-6510-3371 | -              | 40,000               | 40,000               | One-Time          | Recognize grant award received                                                             |
| Harbor Operating                                                              | Harbor Dept                         | State Grants                    | 331-6510-3371 | -              | 50,000               | 50,000               | One-Time          | Recognize grant award received                                                             |
| Harbor CIP                                                                    | Harbor Dept                         | Intrafund Revenue Transfers     | 923-8351-3802 | 280,000        | (280,000)            | -                    | One-Time          | Correct adopted budget; should have been split to three projects                           |
| Harbor CIP                                                                    | Harbor Dept                         | Intrafund Revenue Transfers     | 923-9930-3802 | -              | 40,000               | 40,000               | One-Time          | Correct adopted budget; move from 8351                                                     |
| Harbor CIP                                                                    | Harbor Dept                         | Intrafund Revenue Transfers     | 923-9941-3802 | -              | 40,000               | 40,000               | One-Time          | Correct adopted budget; move from 8351                                                     |
| Harbor CIP                                                                    | Harbor Dept                         | Intrafund Revenue Transfers     | 923-9960-3802 | -              | 200,000              | 200,000              | One-Time          | Correct adopted budget; move from 8351                                                     |
|                                                                               |                                     |                                 |               | <b>332,360</b> | <b>609,327</b>       | <b>941,687</b>       |                   |                                                                                            |

| Expenditures and Transfers Out - CURRENT REQUESTS (Previously Approved by Council) |              |                            |               |                |                      |                |                   |                                                             |
|------------------------------------------------------------------------------------|--------------|----------------------------|---------------|----------------|----------------------|----------------|-------------------|-------------------------------------------------------------|
| Fund                                                                               | Department   | Account                    | G/L String    | Adopted Budget | Increase/ (Decrease) | Amended Budget | One-time/ Ongoing | Justification and further detailed information for request: |
| General Fund                                                                       | Fire         | Communication Supplies     | 001-4210-5108 | 4,590          | 30,827               | 35,417         | One-Time          | Grant funded expenditures for new radios and laptop.        |
| ARPA                                                                               | Admin        | Payments to Other Agencies | 019-1111-8721 | 25,000         | (25,000)             | -              | One-Time          | Correct GL for Community Grants budget                      |
| ARPA                                                                               | Admin        | Transfers Out              | 019-7710-8510 | -              | 25,000               | 25,000         | One-Time          | Correct GL for Community Grants budget                      |
| General Fund                                                                       | City Council | Payments to Other Agencies | 001-2110-8721 | 36,500         | 25,000               | 61,500         | One-Time          | Correct GL for Community Grants budget                      |
| General Fund                                                                       | Fire         | Equipment Acquisition      | 001-4210-7302 | -              | 48,000               | 48,000         | One-Time          | Grant funded expenditure for auto extrication tool.         |

|                  |                                            |                           |               |         |           |         |              |                                                                                                                                            |
|------------------|--------------------------------------------|---------------------------|---------------|---------|-----------|---------|--------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Harbor CIP       | Storm Recovery-Dock Repairs                | Contractual Services      | 923-9960-6106 | 200,000 | 100,000   | 300,000 | One-Time     | Grant funded expenditures for dock repairs.                                                                                                |
| Harbor Operating | Harbor Dept                                | Contractual Services      | 331-6510-6106 | 44,500  | 38,000    | 82,500  | 2 year Grant | Grant funded expenditures for removal of abandoned vessels and hazards to navigation.                                                      |
| Harbor Operating | Harbor Dept                                | Disposal                  | 331-6510-6305 | 1,306   | 40,000    | 41,306  | One-Time     | Recognize grant award received                                                                                                             |
| Harbor Operating | Harbor Dept                                | Disposal                  | 331-6510-6305 |         | 17,000    | 17,000  | One-Time     | Recognize grant award received                                                                                                             |
| Harbor Operating | Harbor Dept                                | Equipment Supplies        | 331-6510-5504 | 20,000  | 5,873     | 25,873  | One-Time     | Recognize grant award received                                                                                                             |
| Harbor Operating | Harbor Dept                                | Promotion and Advertising | 331-6510-6107 | 500     | 2,363     | 2,863   | One-Time     | Recognize grant award received                                                                                                             |
| General CIP      | Sequoia Ct Emerg Storm Drain Repair        | Contractual Services      | 915-9950-6106 | 95,000  | 300,000   | 559,041 | One-Time     | Grant funded expenditures for storm drain replacement.                                                                                     |
| General CIP      | Sequoia Ct Emerg Storm Drain Repair        | Contractual Services      | 915-9950-6106 |         | 164,041   |         | One-Time     | Reallocate the remaining project balance from Juniper/Elena Emergency Storm Drain Repair (complete) to Sequoia Ct Storm Drain Replacement. |
| General CIP      | Juniper/Elena Emergency Storm Drain Repair | Contractual Services      | 915-9949-6106 | 184,124 | (164,041) | 20,083  | One-Time     | Reallocate the remaining project balance from Juniper/Elena Emergency Storm Drain Repair (complete) to Sequoia Ct Storm Drain Replacement. |

**611,520      607,063      1,218,583**

**Revenues and Transfers In - NEW REQUESTS**

| Fund         | Department               | Account                        | G/L String    | Adopted Budget | Increase/ (Decrease) | Amended Budget | One-time/ Ongoing | Justification and further detailed information for request:                                                                                         |
|--------------|--------------------------|--------------------------------|---------------|----------------|----------------------|----------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| General Fund | Accounting & Treasury    | Property Tax Current Secured   | 001-3510-3011 | 3,691,000      | 52,721               | 3,743,721      | One-Time          | Per SLO County Assessor's Office updated projections                                                                                                |
| General Fund | Accounting & Treasury    | Property Tax Current Unsecured | 001-3510-3012 | 118,000        | 6,373                | 124,373        | One-Time          | Per SLO County Assessor's Office updated projections                                                                                                |
| General Fund | Accounting & Treasury    | Property Tax - Cnty Adm Fee    | 001-3510-3020 | (74,500)       | 7,486                | (67,014)       | One-Time          | Per SLO County Assessor's Office updated projections                                                                                                |
| General Fund | Accounting & Treasury    | Property Tax in Lieu - VLF     | 001-3510-3021 | 1,235,400      | 184,772              | 1,420,172      | One-Time          | Per SLO County Assessor's Office updated projections                                                                                                |
| General Fund | Consolidated Maintenance | Donations                      | 001-5215-3970 | 68,973         | (18,973)             | 50,000         | One-Time          | Reduce revenue in General Fund, Consolidated Maintenance Department. Revenue will be posted to the project in the General Capital Improvement Fund. |

|                           |                             |                                                           |               |           |           |           |          |                                                                                                                          |
|---------------------------|-----------------------------|-----------------------------------------------------------|---------------|-----------|-----------|-----------|----------|--------------------------------------------------------------------------------------------------------------------------|
| General CIP               | Pickelball Court            | Donations from Private Agency                             | 915-8400-3281 | -         | 31,400    | 31,400    | One-time | Recognize donations received from community group to pay for pickelball court resurfacing project.                       |
| General Fund              | Fire                        | Other Fire Services                                       | 001-4210      | 400,000   | 36,000    | 436,000   | One-time | Recognize additional mutual aid reimbursements invoiced to date.                                                         |
| General Fund              | Community Development       | Vistra Deposits for City Costs Related to Battery Project | 001-7105-3994 | 300,000   | 175,000   | 475,000   | One-time | Recognize additional deposits requested by developer to cover city costs related to the battery project.                 |
| General Fund              | Public Works                | Other misc revenues                                       | 001-5205-3990 | -         | 14,267    | 14,267    | One Time | Reimbursement for solid waste rate study                                                                                 |
| General Fund              | Consolidated Maintenance    | Other misc revenues                                       | 001-5215-3990 | -         | 43,965    | 43,965    | One-time | Proceeds from insurance claim for PW trucks.                                                                             |
| General Fund              | Consolidated Maintenance    | Other misc revenues                                       | 001-5215-3990 | -         | 5,025     | 5,025     | One-time | Proceeds from insurance claim for storm-related damage to City vehicle.                                                  |
| General Fund              | Street Maintenance          | Other misc revenues                                       | 001-5230-3990 | -         | 5,025     | 5,025     | One-time | Proceeds from insurance claim for storm-related damage to City vehicle.                                                  |
| DRA                       | DRA: 3300 Panorama          | Developer Reimbursement Agree                             | 045-8801-3994 | 140,000   | 45,000    | 185,000   | One Time | Reimbursement for traffic engineering, surveying, and plan review services for the 3300 Panorama Dr development project. |
| Transit Capital Impv Fund | Transit Fund                | Intrafund Revenue Transfers                               | 920-9917-3802 | -         | 20,000    | 20,000    | One-time | Transfer from Transit Operating to fund bus purchase                                                                     |
| General CIP               | Pavement Management Program | Transfer from Special Revenue                             | 915-9614-3820 | 1,840,000 | (700,000) | 1,140,000 | One-time | Reduce Measure E funding contribution to balance fund.                                                                   |

**7,718,873      (91,940)      7,626,933**

| <b>Expenditures and Transfers Out - NEW REQUESTS</b> |                          |                      |                   |                       |                             |                       |                          |                                                                                                                                                               |
|------------------------------------------------------|--------------------------|----------------------|-------------------|-----------------------|-----------------------------|-----------------------|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Fund</b>                                          | <b>Department</b>        | <b>Account</b>       | <b>G/L String</b> | <b>Adopted Budget</b> | <b>Increase/ (Decrease)</b> | <b>Amended Budget</b> | <b>One-time/ Ongoing</b> | <b>Justification and further detailed information for request:</b>                                                                                            |
| General Fund                                         | Public Works             | Engineering Services | 001-5205-6105     | 95,000                | 20,000                      | 129,267               | Ongoing                  | Increased demand; City Surveyor, plan review for large developments                                                                                           |
| General Fund                                         | Public Works             | Engineering Services | 001-5205-6105     |                       | 14,267                      |                       | One-Time                 | Offsetting expenditure for solid waste rate study reimbursement.                                                                                              |
| DRA                                                  | DRA: 3300 Panorama Dr    | Engineering Services | 045-8801-6104     | 140,000               | 45,000                      | 185,000               | One-time                 | Offsetting expenditures for developer reimbursement of traffic engineering, surveying, and plan review services for the 3300 Panorama Dr development project. |
| General Fund                                         | Consolidated Maintenance | Trucks               | 001-5215-7202     | -                     | 31,725                      | 31,725                | One-time                 | Offsetting expenditure for insurance claim proceeds.                                                                                                          |

|                           |                          |                              |               |         |        |         |          |                                                                                                                                                                                               |
|---------------------------|--------------------------|------------------------------|---------------|---------|--------|---------|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| General Fund              | Consolidated Maintenance | Outside Vehicle Repair/Maint | 001-5215-6604 | 0       | 5,025  | 5,025   | One-time | Initial payment for repair of storm-related damages to city truck. Insurance proceeds will offset expenditure. Costs split between Consolidated Maintenance and Street Maintenance.           |
| General Fund              | Street Maintenance       | Outside Vehicle Repair/Maint | 001-5230-6604 | 0       | 5,025  | 5,025   | One-time | Initial payment for repair of storm-related damages to city truck. Insurance proceeds will offset expenditure. Costs split between Consolidated Maintenance and Street Maintenance.           |
| General CIP               | Pickelball Court         | Contractual Services         | 915-8400-6106 | -       | 31,400 | 31,400  | One-Time | Project will resurface pickelball courts and is funded by donations from Morro Bay Active Adults.                                                                                             |
| General Fund              | Streets                  | Contractual Services         | 001-5230-6106 | 0       | 50,000 | 50,000  | Ongoing  | Cleanup along Quintana Road due to new City ordinance adopted in January 2024; additional funds will need to be requested for next fiscal year to address this and other encampment locations |
| Transit Operating Fund    | Transit Fund             | Transfer to CIP              | 301-7710-8540 | -       | 20,000 | 20,000  | One-time | Fund remaining balance of bus replacement                                                                                                                                                     |
| Transit Capital Impv Fund | Transit Fund             | Other Vehicles               | 920-9917-7204 | 110,000 | 20,000 | 130,000 | One-time | Purchase cost increased; revenue to come from Transit Fund balance                                                                                                                            |
| General Fund              | Fire                     | Telephone                    | 001-4210-6201 | 17,979  | 2,000  | 19,979  | Ongoing  | Increased monthly cost due to MDCs put in engines (per County requirements) that require cellular data connection.                                                                            |
| General Fund              | Fire                     | Electricity                  | 001-4210-6301 | 35,000  | 8,800  | 43,800  | Ongoing  | Increased monthly cost due to increase in utility rates and more city/Astound equipment in server room. Additional server equipment is increasing energy consumption.                         |
| General Fund              | Fire                     | Fuel Oil & Lubricants        | 001-4210-5110 | 30,000  | 12,000 | 42,000  | Ongoing  | Fuel prices increased and call volume increased 11%/ Partially offset by \$1,110 Mutual Aid (MA) reimbursement received for fuel use.                                                         |
| General Fund              | Fire                     | Meals & Lodging              | 001-4210-6513 | 5,500   | 4,500  | 10,000  | Ongoing  | Offset by \$5,880 MA reimbursement from CalOES for meals and lodging on MA incidents.                                                                                                         |
| General Fund              | Fire                     | Outside Vehicle Repair/Maint | 001-4210-6604 | 11,353  | 40,000 | 51,353  | One Time | Emergency repair - pump failure on Truck 5341/parts over \$10k + a week of labor. Truck still has 16 yrs of life/replacement would be appx \$2million - 4 yr build time to order a new one    |

|              |                       |                          |               |                  |                |                  |          |                                                                                                                                                                                                                                        |
|--------------|-----------------------|--------------------------|---------------|------------------|----------------|------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| General Fund | Fire                  | Overtime Pay             | 001-4210-4120 | 284,062          | 71,000         | 355,062          | Ongoing  | Overtime costs due to MA response. Overtime costs offset by CalOES Wildland Fire Reimbursement. Mutual aid reimbursements are estimated at budget development, but overtime costs are adjusted at midyear based on actual MA response. |
| General Fund | Fire                  | Other Pay                | 001-4210-4599 | 47,474           | 50,000         | 97,474           | Ongoing  | This line item adjustment can be covered by MA reimbursement.                                                                                                                                                                          |
| General Fund | Fire                  | Employer Paid Benefits   | 001-4210-4910 | 218,351          | 75,000         | 293,351          | Ongoing  | This GL code increases based on overtime worked and can be offset by MA reimbursement dollars.                                                                                                                                         |
| General Fund | Fire                  | Overtime Pay             | 001-4210-4120 | 98,223           | 85,000         | 183,223          | Ongoing  | Mutual Aid overtime posted to Measure E to be reclassified to General Fund to reconcile against Mutual Aid Reimbursement. Budget numbers reflect Measure E adopted.                                                                    |
| General Fund | Fire                  | Employer Paid Benefits   | 001-4210-4910 | 86,110           | 20,000         | 106,110          | Ongoing  | Mutual Aid benefit costs posted to Measure E to be reclassified to General Fund to reconcile against Mutual Aid Reimbursement. Budget numbers reflect Measure E adopted.                                                               |
| General Fund | Community Development | Consulting Services      | 001-7105-6105 | -                | 175,000        | 175,000          | One-Time | Offset by developer reimbursement agreement.                                                                                                                                                                                           |
| IT Fund      | IT                    | Consulting Services      | 450-3520-6105 | 467,000          | 23,980         | 490,980          | One-Time | The increased budget request is to bring the city into contractual compliance with Microsoft and will enable IT to continue improving the operations of the city.                                                                      |
| Measure E    | Interfund Transfers   | TRFR to Capital Imp Fund | 003-7710-8540 | 2,267,000        | (700,000)      | 1,567,000        | One-Time | To balance fund, reduce Measure E contribution to Annual Pavement Management Program                                                                                                                                                   |
|              |                       |                          |               | <b>3,913,052</b> | <b>109,721</b> | <b>4,022,773</b> |          |                                                                                                                                                                                                                                        |