City of Morro Bay
FY 2022- 23 Operating and Capital Budget

Proposed Version

Last updated 05/18/22

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INTRODUCTION

Public Officials & Leadership

City of Morro Bay City Council

Mayor John Headding
Mayor Pro Tem Laurel Barton
Councilmember Dawn Addis
Councilmember Jennifer Ford
Councilmember Jeff Heller

Executive Management

Scott Collins, City Manager
Chris Neumeyer, City Attorney
Sarah Johnson-Rios, Asst City Manager/Admin Services Director
Jody Cox, Police Chief
Daniel McCrain, Fire Chief
Greg Kwolek, Public Works Director
Eric Endersby, Harbor Director
Scot Graham, Community Development Director
Dana Swanson, City Clerk/Human Resources Manager/Risk Manager
Kirk Carmichael, Recreation Services Manager

Budget Preparation Team

Sarah Johnson-Rios, Asst City Manager/Admin Services Director
Kelley Mattos, Senior Administrative Services Analyst
Emily Conrad, Finance Manager
Executive Management Team

Cover Photo Credit: Danna Dykstra

Welcome to our Digital Budget Book - City Manager's Transmittal Letter for Fiscal Year 2022/23 Proposed Budget

Dear Honorable Mayor, City Councilmembers, City staff and community members,

It is my privilege to submit the proposed Fiscal Year (FY) 2022-23 Budget for your consideration. The total expenditure budget of $53.8 million net of transfers ($76.5 million including transfers) includes $35.1 million for operations and $18.7 million for capital projects (both net of transfers). The total citywide revenue budget is $46.4 million net of transfers ($69.3 million including transfers). The remaining expenditure budget not from current-year revenues will be spent from fund balance in the Water and Sewer Funds to support water and sewer capital improvement project implementation.

The proposed FY 2022-23 budget funds the following: the operational departments which provide the following core services to our community, including police, fire, water, sewer, parks, roads, recreation, community development, code enforcement, and harbor; the supporting administrative services such as human resources, information technology, and finance; and funds 23 capital projects to improve our shared built environment. The budget also funds efforts to achieve the City Council's goals of improving public infrastructure, achieving fiscal sustainability and economic vitality, addressing housing needs, climate action and improving community health.

The City continues to experience recovery from the once-in-a-century global pandemic and its crippling economic impacts. The City's major revenue sources, particularly those tied to discretionary spending and tourism, have fully recovered. Our recovery has been further aided, thanks to the generosity of our community, in the form of Measure E. Measure E, passed by Morro Bay voters, raises our standalone sales tax to 1.5%, generating another $2.5 million to address public safety, cleanliness and infrastructure needs. The Federal government also lent assistance to city governments through the American Recovery Plan Act (ARPA). Morro Bay is using its portion of ARPA funds to tackle gaps in our system - staff training and teambuilding, assessment of department services, and a class and compensation study to understand how we compare to our neighbors in terms of total compensation for the wide variety of positions in the City, in addition to general services.

We can now fully fund our operations and address gaps in services created in the wake of the pandemic. The recovery has further allowed the City to fund two new critical full-time positions in FY 2022-23, including a Building Inspector/Code Enforcement Officer to conduct short-term vacation rental monitoring and enforcement and support the high volume of building inspections being sought by residents and businesses, as well as a Community Service Officer to alleviate the burden on police officers so they can tackle more serious matters. Part-time staffing is being fully restored to pre-pandemic levels in Recreation Services, and is increasing in the Fire Department to ensure that sufficient fire reserve officers are available to address what is anticipated to be a challenging wildfire season. Areas of staffing constraints remain, and those will be evaluated through the organizational assessment to be completed in FY 2022-23.

Just as important, this budget invests $18.7 million in our built environment. Our community depends upon the City to maintain functioning sewer, water, stormwater, bridges, and road systems to carry out their daily lives. The City is also responsible for maintaining amenities that heighten our quality of life, such as parks and our community facilities (community center, active adult center, and Veterans' Hall). Thanks again to our community for supporting water and sewer rates to tackle the largest investment in the City's history, the Water Reclamation Facility (WRF). The project, estimated to cost $160 million upon completion, replaces our outdated wastewater treatment plant. In doing so, the City will meet water quality standards, remove the plant from coastal hazards, and eventually could deliver up to 80% of our future drinking water needs. These same rates allow the City to begin investing in our water and sewer pipes and tanks, many of which were built in the 1950's. Thanks also again to our community for supporting Measure E. Measure E revenues combined with the General Fund, allow the City to invest $2.0-$2.5 million per year in our roads and other capital projects, to include completing a formal assessment of harbor and other capital needs.

While we are grateful for our current financial position, challenges remain that require a fiscally prudent approach by the City. Inflationary pressures from supply chain issues and the war in Europe are adding to concerns of a potential near-term recession. Inflation is at its highest point in 40 years, and appears to be worsening monthly, if not weekly. Inflation and the threat of recession jeopardizes consumer disposable income, which the City depends upon to fund operations. Rising inflation and attendant higher costs impacts our ability to deliver capital projects on time and on budget. These macroeconomic challenges also lead to personnel cost increases in the form of wage increases for employees facing inflation, and pension cost increases as CalPERS continues to lower its projected rate of return, resulting in higher required retirement contributions.

If anything, the COVID-19 pandemic has taught us the need to be prepared for the unexpected. We must and will continue to spend wisely so that we deliver the services our community depends upon, while also strengthening our emergency reserve funds. We are better prepared to deal with a recession or emergency, and not have to resort to layoffs should a recession hit in the near-term. Layoffs have devastating effects on the organization and our ability to deliver services and infrastructure improvements to our community. This budget also funds efforts to support our employees to help retain and attract talent in this highly competitive labor market. Further, the City will pursue other sources of revenues, including, but not limited to, state and federal grants and loans, to fund much needed capital projects. Lastly, this budget invests over $1 million in a pension trust fund to lower our overall pension liabilities over time, and to be better prepared to weather potential future CalPERS cost increases. .

New for this year's budget, the City is using a new budget platform (ClearGov) that has several advantages for clearly communicating budget data to the public, for facilitating staff's process to create the budget accurately, and for increasing the City's likelihood of receiving industry budgeting awards of excellence. The City of Morro Bay's budget will be available in an easy-to-use online format that allows users to navigate to sections of the budget they would like to view without having to download and print a several-hundred-page PDF document. This optimized digital format is also consistent with City Council's climate change goal and the City's efforts to reduce paper use. Members of the public that would like to download and print a PDF version will still be able to do so, though the formatting is most optimal for viewing online. In addition, the budgeting platform has a Government Finance Officers Association budget best practices checklist built in, making it easier to ensure the City's budget document includes all relevant information and is more likely to earn industry awards for excellence in budgeting. As staff capacity permits over time, the system has the capability to display capital improvement project information and to create a fiscal transparency web site that combines City budget data with available demographic data to tell a clearer story about the Morro Bay community and how City services are funded. Peer cities, including the City of Pismo Beach locally, are also using this more modern budget presentation format and have had positive experiences with it.

Lastly, I want to thank City staff for the incredible work they do, day in and day out, to ensure critical services are provided to our community in a professional and courteous manner. Further, I am grateful for the great work of the Administrative Services Department in leading this budget process. They developed this thoughtful budget in a brand new format all while having experienced 100 percent turnover of their staff. This is a testament to the leadership of Assistant City Manager/Admin Services Director Sarah Johnson-Rios and the dedication of her staff. Special thanks also to Kelley Mattos, Senior Admin Services Analyst, for leading the onboarding of ClearGov and taking a lead role in budget development. Thanks also to Finance Manager Emily Conrad for contributing key components to the budget while also managing the broader City financial operations and utility billing. Thanks to all Admin Services staff and the Departments that participated in the budget development process. This was a truly collaborative process, and I greatly appreciate their partnership in developing this budget.

In closing, I remain optimistic about our future, despite the challenges identified above, because of my faith in our workforce, the leadership of City Council, and the continued generosity of our community to help fund the vital City services and infrastructure they depend upon.

Sincerely,

Scott Collins
City Manager

Prior Year Budget Awards

The City of Morro Bay is very proud to continue to receive awards of excellence for budgeting from government finance industry organizations. For the FY 2021-22 Adopted Budget, the City of Morro Bay received a Distinguised Budget Presentation Award from the federal Government Finance Officers' Association, and an Operating Budget Excellence Award from the California Society of Municipal Finance Officers (CSMFO) for Operating Budget Excellence. Both the federal and state public finance organizations have deemed Morro Bay's budget to effectively communicate to the public how City funds are spent. The budget document is reviewed by independent reviewers who grade Morro Bay's budget communications against stringent checklists to ensure that all information is presented clearly and in sufficient detail to provide Morro Bay residents and stakeholders with a robust understanding of how public dollars are utilized.

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of Morro Bay
California

For the Fiscal Year Beginning

July 01, 2021

Christopher P. Morrill

Executive Director

The Government Finance Officers Association of the United States and Canada

presents this

CERTIFICATE OF RECOGNITION FOR BUDGET PREPARATION

to

Finance Department
City of Morro Bay, California

The Certificate of Recognition for Budget Preparation is presented by the Government Finance Officers Association to those individuals who have been instrumental in their government unit achieving a Distinguished Budget Presentation Award. The Distinguished Budget Presentation Award, which is the highest award in governmental budgeting, is presented to those government units whose budgets are judged to adhere to program standards

Executive Director Christopher P. Morrill

Date: **January 25, 2022**

California Society of
Municipal Finance Officers
Certificate of Award
Operating Budget Excellence Award
Fiscal Year 2021-2022
Presented to the
City of Morro Bay
For meeting the criteria established to achieve the CSMFO Excellence Award in Budgeting.
February 28, 2022
Marcus Pimentel
CSMFO President
Michael Manno, Chair
Recognition Committee
Dedicated Excellence in Municipal Financial Reporting

Covid-19 Impact

The City of Morro Bay was significantly impacted by the COVID-19 pandemic, particularly after the initial onset of the pandemic. The City immediately implemented its Short-Term Fiscal Emergency Plan, reduced expenditures, and unfortunately had to eliminate approximately 10 full-time positions and additional part-time positions. All staff took pay reductions, the Mayor and City Councilmembers froze their stipends, and all nonessential expenditures were halted. The City's revenues were impacted significantly at the onset of the pandemic, resulting in a need to utilize over $1 million in General Fund Emergency Reserves to balance the budget at the end of FY 2019-20. The FY 2020-21 budget reflected reduced staffing and expenditure levels, which significantly strained City Departments' ability to deliver core City services with very limited resources. Fortunately, due to taking these immediate measures, the General Fund Emergency Reserves did not need to be further depleted to balance the FY 2020-21 budget. The FY 2021-22 budget continued to reflect a conservative approach, and it was not until Midyear Budget adjustments during FY 2021-22 that the City's revenues had recovered sufficiently so that most of the reductions during the pandemic could be reinstated into the Amended budget. Thanks in part to the infusion of $2.5 million in federal funds through the American Rescue Plan Act (APRA) and in large part to recovered revenues, the FY 2022-23 budget reflects a return to pre-pandemic levels. In some areas, such as investments in public safety and in City infrastructure and capital needs, the FY 2022-23 Budget represents increased budget and service levels due to the local voters' passage of Measure E in November 2020, which increased the local sales tax from 0.5% to 1.5%.

Morro Bay History & Community Profile

Morro Bay is a small seaside town and home to people of all ages and a variety of demographics. It is a friendly, safe, and healthy place to live, work, visit and play. With strong historical roots in the fishing industry, the city is a thriving destination for visitors, offering natural beauty, outdoor recreation, a working waterfront, a creative community, and a welcoming atmosphere. The community prides itself on being a unique location on the Central Coast and appreciates the nautical, eclectic image of a charming waterfront town that it has cultivated over time.

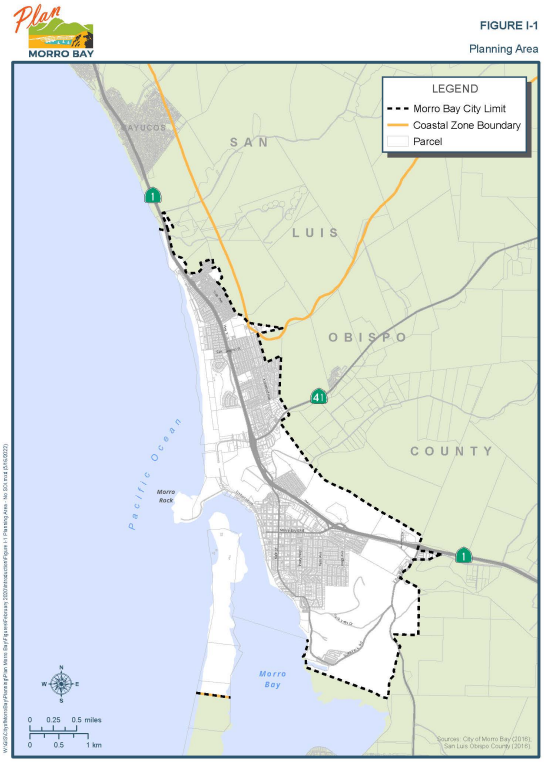
Past

Morro Bay was first named by Portuguese sea exploration navigator Juan Rodriguez Cabrillo in 1542 in his initial exploration of Upper California when he anchored near the rock he called “El Moro” to resupply. After his initial landing, however, Morro Bay did not experience much activity until 1769 when Governor Gaspar de Portola began exploring the region. His time in Morro Bay brought a small population to the area, which cultivated the beginnings of a community.

The Town of Morro was founded in 1870 by Franklin Reily, by which time the wharf along the Embarcadero had already established itself as a prominent location for produce trade with schooners traveling to and from San Francisco. The town’s population at the time of its founding was about 200. Over time, Morro Bay evolved from a trading center to a fishing port, tourist destination, energy and retirement community.

Pacific Gas & Electric (PG&E) purchased land on the waterfront in 1950's and developed the Morro Bay Power Plant over the next couple of decades. At its peak, the power plant was home to 50 full-time employees and powered nearly 500,000 homes in central California. Ultimately, the power plant was decommissioned by then owner Dynegy, Inc. following deregulation of the energy market and went completely offline in 2014. The power plant was a major economic engine for the City and community and the City has been in a transition since that time. Discussions continue about the future of that important site.

The City of Morro Bay incorporated in 1964 and throughout its development has strived for planning that contributes to the quality of life by providing amenities and services to its residents and businesses. The City has simultaneously accommodated an influx of residents and visitors to the region.



Present

The population of Morro Bay has grown slowly over the past several decades. Morro Bay is a multigenerational community with a large number of residents over 65, giving it the strength and vitality of diversity, as well as some unique considerations.

Morro Bay's age demographics describe a unique multigenerational community. There is a substantial elderly population, with the community's percentage of seniors at nearly double the state average. By comparison, the community has a relatively smaller share of youth. Despite this imbalance, the working age population has remained constant to support the local economy and community needs. As of 2014, it was estimated that approximately 20 percent of Morro Bay's residences were primarily used for vacation accommodations or seasonal uses. This large number of seasonal vacancies is not surprising because of Morro Bay's identity as a tourist destination. The community has observed very little change in job growth over the years. This constant employment is balanced by virtually no population change within the city in recent decades. The community values the small-town feel of Morro Bay, and this lack of major job or population growth is consistent with a local sentiment to keep Morro Bay a relatively small community.

Future

While Morro Bay and its residents have always taken pride in maintaining a healthy and resilient city, projected future demographic, economic, and climate change conditions have catalyzed the community's interest in clarifying a vision for a more resilient future and path forward.

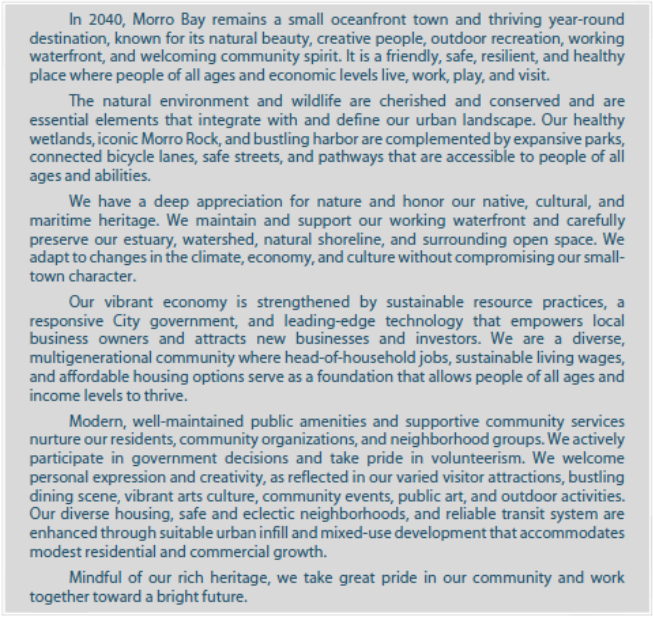
Sitting on the coast, Morro Bay is vulnerable to many changes in the next 20 years that could affect the health and well-being of the community, including sea level rise, an aging population, and development pressures. Working with adjacent jurisdictions and participating in the implementation of regional and state plans will be a cohesive approach to long-range planning that addresses the needs of the community in response to changes in the population, economy, and climate.

Community Vision

Vision & Values

Community Vision

A community vision is a long-term aspiration describing what a community wants to achieve in the future. Put simply, it describes the ideal condition of Morro Bay in 2040 and outlines the factors that will sustain long-term community character and values over time. The Community Vision was crafted by the General Plan Advisory Committee (GPAC) and City staff, based on input provided by the community during the community engagement process. The Community Vision represents a summary of the future aspirations underlying the City's General Plan, which was approved by City Council in 2021.



In 2040, Morro Bay remains a small oceanfront town and thriving year-round destination, known for its natural beauty, creative people, outdoor recreation, working waterfront, and welcoming community spirit. It is a friendly, safe, resilient, and healthy place where people of all ages and economic levels live, work, play, and visit.

The natural environment and wildlife are cherished and conserved and are essential elements that integrate with and define our urban landscape. Our healthy wetlands, iconic Morro Rock, and bustling harbor are complemented by expansive parks, connected bicycle lanes, safe streets, and pathways that are accessible to people of all ages and abilities.

We have a deep appreciation for nature and honor our native, cultural, and maritime heritage. We maintain and support our working waterfront and carefully preserve our estuary, watershed, natural shoreline, and surrounding open space. We adapt to changes in the climate, economy, and culture without compromising our small-town character.

Our vibrant economy is strengthened by sustainable resource practices, a responsive City government, and leading-edge technology that empowers local business owners and attracts new businesses and investors. We are a diverse, multigenerational community where head-of-household jobs, sustainable living wages, and affordable housing options serve as a foundation that allows people of all ages and income levels to thrive.

Modern, well-maintained public amenities and supportive community services nurture our residents, community organizations, and neighborhood groups. We actively participate in government decisions and take pride in volunteerism. We welcome personal expression and creativity, as reflected in our varied visitor attractions, bustling dining scene, vibrant arts culture, community events, public art, and outdoor activities. Our diverse housing, safe and eclectic neighborhoods, and reliable transit system are enhanced through suitable urban infill and mixed-use development that accommodates modest residential and commercial growth.

Mindful of our rich heritage, we take great pride in our community and work together toward a bright future.

Community Values

The following values, supporting the Community Vision, are intended to guide future City decision-making. These values were created through the GPAC's work and reviewed by the City Council early in the General Plan update process.

Each value describes an aspect of the community Morro Bay wants to be in 2040, while underscoring both challenges and opportunities.

· Natural Environment: Our estuary, shoreline, and open green spaces are sustainably conserved, and our parks and recreation spaces are healthy, resilient, and accessible to all.
· Heritage & Identity: We welcome visitors while maintaining our small-town character and honoring our maritime heritage.
· Jobs & Housing: A range of affordable housing options and living wage jobs provide for a high quality of life.
· Economic Vitality: Our diverse and sustainable economy supports both new and existing locally owned businesses, including community-supporting tourism.
· Infrastructure & Amenities: We have modern, resilient infrastructure and public amenities.
· Mobility & Access: Safe and accessible streets, trails, and multimodal transportation options conveniently connect people and places throughout town and to surrounding destinations.
· Good Governance: Our government is supportive, collaborative, equitable, and responsive to the needs of all segments of the population.
· Resident Services: We provide a range of public services that support a diverse and multigenerational community.

KEY ISSUES

Diverse Mix of Land Uses

Morro Bay is physically defined as a community by a land use pattern, design elements, and overall community form. The balance of uses and ways in which they are arranged dramatically affect the character, sustainability, health, and economy of the City. The uses present in the City and their locations can ensure equitable access to the coast, visitor amenities and services, and housing, employment, retail and services, education, and recreation for residents and employees. Having a diverse mix of land uses also allows for a varied economy that promotes local businesses and a strong jobs/housing balance and is able to adapt to changing markets and economic disruptions. In these ways, the form of the community directly contributes to Morro Bay's sustainability, resiliency, success, and the well-being of residents and visitors.

Housing and Jobs Growth

The community's ability to achieve a desirable jobs/housing balance is dictated by numerous factors, including physical space, regulations, resource availability, and market factors. Morro Bay's ratio of jobs to households, as of 2017, is approximately 1.07.

Commercial Fishing

Commercial fishing plays significant economic and cultural roles in Morro Bay. Voter approved Measure D ensures that areas on the north Embarcadero are specifically designated for commercial fishing infrastructure and facilities to accommodate both commercial and recreational fishing activities.

The fishing industry is organized by the Morro Bay Commercial Fisherman's Organization (MBCFO), which has over 100 members. The commercial fishing community also has strong ties to local colleges and has engaged in collaborative research with local institutions for decades. The fishing industry serves as an important part of the local economy and has continued to increase in size in recent years and decades.

The Harbor Advisory Committee and Planning Commission have worked to define and establish a Working Waterfront concept and better define Measure D. A mission statement for the Working Waterfront has been created and the Working Waterfront has been divided into three sectors. The sectors from north to south are as follows:

1. Fisheries Sector: The Measure D Zone, north of Beach Street
2. Visitor's Sector: Beach Street south to Tidelands Park launch ramp
3. Southern Sector: South of Tidelands Park launch ramp to the State Park Marina

The marine environment in Morro Bay is highly diverse, and fishing activity is managed in order to meet state and federal regulations for types of gear, species targeting, and quotas. This sustainable management is based on science-driven stock assessments. Over time, these efforts have resulted in healthier populations of species such as thresher shark, swordfish, salmon, and many others.

In 2014, the City completed two reports that contribute to future management of the fishing industry. The Commercial Fisheries Economic Impact Report sought to understand the economic scope of the industry. The Fishing Community Sustainability Plan further studied the industry and provided recommendations to facilitate the sustainability of the fishing community and working waterfront. Each of these findings were tied to their social, economic, and environmental implications. While changes to the industry and declines have occurred in the fishing industry, catch and fishing industry productivity have been increasing in recent years. With the decline in the 1990s, fishing infrastructure suffered, processing facilities closed, and improvements are now needed. While some investment in facilities and equipment has been made in recent years, additional focus is necessary to provide for the needs of the fisheries.

Recreational Boating and Infrastructure

Recreational boating is another important feature of Morro Bay. Kayaking, paddle boarding, and boat tours are commonly enjoyed activities, and several businesses in the city provide these activities. As these activities increase with the growth of Morro Bay and increasing tourism activities in California, the City will ensure that they do not interfere with the necessary operations of the commercial fishing industry, and, that no potentially dangerous space conflicts arise which would interrupt these recreational activities. Both commercial fishing and recreational boating will be protected and enhanced where possible.

Downtown and Waterfront Areas

Morro Bay's downtown and the waterfront Embarcadero areas are the commercial and cultural core of the community. They are the location of many of Morro Bay's local businesses and are within walking distance of numerous residential neighborhoods. Residents and visitors alike come to spend time in downtown and along the waterfront, which are among the major visitor attractions in the city and the wider region.

ECONOMIC DEVELOPMENT

Morro Bay's economy both shapes and is shaped by its physical development. A strong and resilient economy is crucial to the success and adaptability of the community, and critical to ensuring the City's ability to provide essential and expected municipal services to residents, businesses, and visitors. Factors affecting economic development are diverse, encompassing income and health factors, land use and transportation, the number and diversity of businesses, and resident and visitor spending patterns. City staff and officials take this multitude of factors into account when making planning decisions and balancing the economic health of the City in a way that achieves the vision for Morro Bay. The City's efforts related to economic development are shaped by its partnership with Morro Bay Chamber, Visit Morro Bay, and REACH (a regional economic development group representing SLO and Santa Barbara Counties), and is guided by the Morro Bay Economic Development Roadmap.

DEMOGRAPHICS

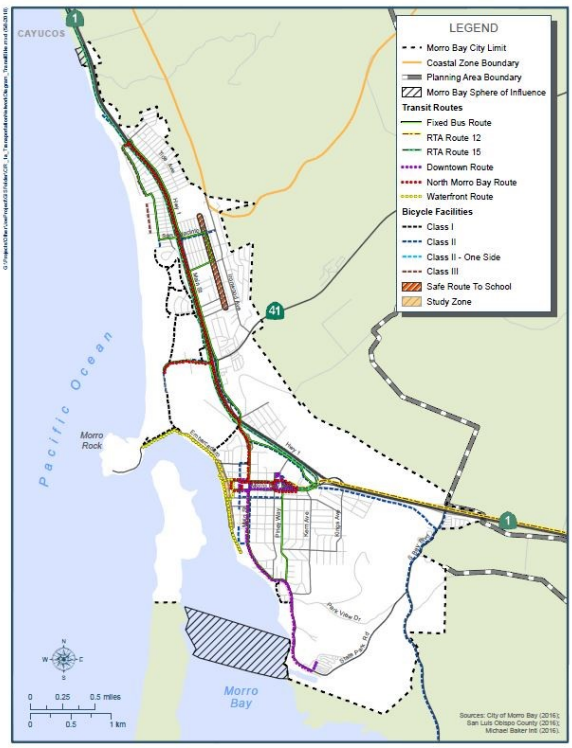
Morro Bay's demographic makeup influences the economic resiliency and composition of the community by defining the types of businesses attracted, the ability of residents to pay for goods and services, and the jobs and homes provided.

Residents tend to be more formally educated than the general state population, and unemployment is relatively low. As shown in Table ED-1, Morro Bay residents also tend to be older than the California average, with about 23 percent of residents over the age of 65 and a median age of 49. The number of working-age residents in Morro Bay is similar to the state average, however, providing for a workforce that can support economic development. These factors generally mean that residents in Morro Bay have some expendable income and the city has a reasonably sized workforce to fill local jobs.

However, a significant percentage of local residents will be retiring in the next two decades and will have less income available for goods and services.

Transportiation Network

Morro Bay's transportation network encompasses infrastructure, facilities and amenities, and transit services. The system reflects the small-town nature of the city, with a connected grid network and pedestrian and bicycle infrastructure on many of the main streets. The streets facilitate travel by a variety of modes, but they must be carefully maintained and managed to accommodate seasonal visitors without impacting local residents and employees.



Transportation Network Diagram

Morro Bay has many roadways that are designed to be complete streets, accommodating multiple travel modes and user needs. A well-designed complete street allows for easy and safe transportation that may include vehicles as well as pedestrians, bicyclists, and public transit, traveled by individuals of all ages with a wide variety of needs, destinations, and abilities.

The Complete Streets Act requires cities and counties to plan for balanced, multimodal streets that can meet the needs of all users. The method by which a street is designed to be complete depends on the location, existing infrastructure, and demand for each mode type, and could include installing or improving sidewalks and crosswalks, adding bike or bus lanes, or other features to improve the safety and flow of transportation. Many of the streets in Morro Bay already exemplify the complete streets approach, especially in downtown, and the City has implemented a number of tactics to improve mobility in other areas.

Active Transportation

The ability to safely and easily walk and bike in a community directly affects individual physical and mental health, community vitality, and citywide traffic and emissions levels. Promoting maximum bicycle and pedestrian accessibility ensures that all members of the community can meet their needs regardless of age, income level, or disability. Having a strong active transportation network improves the overall health, sustainability, and resiliency of the community.

Morro Bay's active transportation network is designed to allow safe and convenient mobility by pedestrians and bicyclists. The City's *Bicycle and Pedestrian Master Plan* was adopted in 2011 and guides the improvement of pedestrian and bicycle facilities in Morro Bay. Pedestrian mobility is generally evaluated by the connectivity of infrastructure such

as safe crosswalks and sidewalks, while bicycle mobility is evaluated based on the types of bikeways available in the community and how effectively they serve the needs of bicyclists.

Transit

Morro Bay is served by regional and local bus transit. Regional transit is operated by the San Luis Obispo Regional Transit Authority (RTA) and includes both ADA paratransit services and multiple routes connecting Morro Bay to San Luis Obispo and other nearby cities. RTA ridership has consistently increased each year since 2007.

Local fixed-route service is operated by the City and serves major campgrounds, the high school, the senior center, grocery stores, and neighborhoods throughout Morro Bay. The Morro Bay Trolley also provides access to north Morro Bay, downtown, and the waterfront from Memorial Day weekend through the first weekend in October.

The trolley offers access to the coast at Beachcomber Street and the west end of the Embarcadero, and it has a route

Morro Bay is known for a wide range of unique natural resources that include but are not limited to the coastline, estuary, wetlands, geologic features, and forests. These natural resources are critical to Morro Bay's economy and community character and offer opportunities for visitors and residents to participate in healthy activities. The City must prioritize these resources when planning for future development in order to ensure that growth does not interfere with the community benefits they provide for local residents and with the coastal access and recreation provided for visitors. At the same time, preserving the integrity of these resources requires the City to conserve energy and water, reduce air pollution and greenhouse gas emissions, and minimize waste.

Morro Bay is a coastal city that prioritizes its natural resources because of their aesthetic, recreational, environmental, and health-related benefits.

OPEN SPACE

Morro Bay is a small city that attracts visitors from across the globe for its unique coastline, rich waterfront history, and local character. The City's natural resources define the local culture, contributing to the community's identity and way of life. The parks, wetlands, agricultural areas, and especially the world-famous bay and coastline are integral parts of Morro Bay, contributing to the health of residents, the local economy, and the quality of life in the community.

Open Space Resources

The Open Space/Recreation land use designation comprises over 5,100 acres of recreation and open space area in Morro Bay's planning area, including 50 acres of local parkland and 3 linear miles of public beaches. Residents and visitors use these sites for both passive and active recreation, including organized sports, surfing, running, walking, and picnics, and children's play areas. They also serve as buffers between different land uses in Morro Bay and provide habitat for a variety of local species.

Recreation spaces range from neighborhood playgrounds to nature preserves. Assets within and access to these parks may create barriers to use for different groups of residents, such as the elderly and those with physical disabilities. Open spaces in the region are valued resources and directly contribute to the high quality of life in Morro Bay. The City will continue to work to ensure preservation of open spaces and access to them for all segments of the community.

Types of Open Space

Community-Based Open Space in Morro Bay is designated for developed parks located in neighborhoods and commercial areas. These parks and facilities create opportunities for residents and visitors to gather, play, and relax. Community-based open space is provided in approximately 12 parks in the City and includes playgrounds, picnic areas, outdoor shade shelters, playing fields and courts, and other man-made structures. Approximately half of the total community-based parks are City-owned, while the rest are funded from a variety of other sources.

Resource-Based Open Space in Morro Bay is primarily managed to protect and preserve natural resources while providing scenic and passive uses for residents and visitors. These are generally unimproved areas that preserve open space, such as environmentally sensitive habitat areas, coastlines, and wetlands. Maintained trails, benches, and stairways enhance usability, beach access, and views of some of Morro Bay's most prized visual assets, such as Morro Rock.

Resource-based open space areas can be City-owned, State-owned, or privately owned lands. The City manages three resource-based parks in Morro Bay, while the State operates two state parks, a state beach, and a state marine recreation management area. The community benefits from this collection of Morro Bay State Park, Morro Rock, and the various coastal beaches through the balance between recreational activities and untouched open space. These parks play an important role in the community and benefit residents by providing and preserving recreational resources.

Community-Based Parks, Trails, and Recreation

A number of Morro Bay parks are located in neighborhoods and community areas. Over half of the parks in the City are under 5 acres in size, primarily encompassing small play areas, benches, and barbecues. Larger parks, such as Del Mar Park, offer a broader range of recreation activities, including sport courts, a dog park, and an amphitheater. Of the 11 community-based parks in Morro Bay, about half are located along or near the waterfront. The City recently purchased "Dog Beach" just south of Toro Creek Road on the border between Cayucos and Morro Bay. This purchase was made possible through efforts and contributions of the California Coastal Conservancy, Trust for Public Lands, Harold J. Miossi Charitable Trust, Cayucos Land Conservancy, Land Conservancy of San Luis Obispo, Morro Bay Open Space Alliance, and agreement with Chevron. Dog Beach is the largest offleash beach in the populated areas of the Central Coast.

Open space for tribal resources is land designated as open space for a number of reasons. The area may be public land containing a Native American sanctified cemetery, place of worship, religious or ceremonial site, or sacred shrine. It may also include a Native American historic, cultural, or sacred site that is listed or may be eligible for listing in the California Register of Historical Resources pursuant to Public Resources Code Section 5024.1. This open space designation requires tribal consultation to determine the level of confidentiality needed for uses on the site. To date, no tribal resources have been identified in Morro Bay requiring designation of open space for preservation purposes. The City has recently become the owner of Cerrito Peak which has potential for identification of this type of resource.

The City has also provided temporary parklets in the past as a strategy to increase public amenities throughout the community. Parklets typically consist of a small seating area or green space to create places for people to relax or gather in an open, accessible public setting.

Natural Open Space

Resource-Based Parks

The City manages three resource-based parks to preserve and protect natural resources while providing scenic and passive uses for residents and visitors: Bayshore Bluffs Park, Morro Rock City Beach, and North Point Park.

These parks are all located along the shoreline and serve as coastal open spaces for the enjoyment of residents and visitors and the protection of the natural habitat.

Bayshore Bluffs Park is a 3-acre open space with a preserved meadow, a bay and wildlife observation deck, a kayak launch, a connection to the Morro Bay bike path, and a parking lot.

Morro Rock City Beach is a stretch of beach, 1 acre of which is a pedestrian trail across Morro Creek. The beach includes surf access and a parking lot. This beach serves as a connection between Morro Strand State Beach to the north and Morro Rock to the south. The endangered western snowy plover lives along this entire coastline. Passive recreation is promoted in these City parks, as well as state parks, to ensure the coexistence of visitors and the natural environment.

North Point Park, at the very northern end of Morro Bay, is a 1-acre preserved meadow with a beach access stairway and a parking lot. The City recently acquired the undeveloped area at the top of Cerrito Peak and intends to offer the land for sale to local nonprofit open space preservation groups to permanently preserve the area as publicly accessible open space.

The City is home to two resource-based state parks and a state marine recreational management area (in the bay) that total over 5,000 acres. The parks are managed, owned, and operated by the California Department of Parks and Recreation (State Parks). These parks provide coastal access and preserve important estuarine and terrestrial habitats.

Morro Bay State Park is a 2,800-acre open space in southern Morro Bay, including Morro Rock. The Morro Bay State Park General Plan guides the preservation and restoration of the park's natural and cultural resources while at the same time facilitating day use and overnight recreation by the public. The complex natural resources of the wetland and upland

areas within the park provide ample opportunities for recreation activities such as camping, boating, and golfing, in addition to areas more protected for the sake of habitat health.

The State Marine Recreational Management Area is a state park consisting of 2,100 acres of water and aquatic resources in the bay. This area provides aesthetic assets, preserves important marine habitats, and supports recreational pursuits such as kayaking and sailing. While the City does not have direct control over these areas, they are public open spaces that contribute to the city's beauty and sustainability, and the City coordinates with State Parks on any planning and conservation efforts for the preservation of these open spaces.

Morro Rock is an important feature in Morro Bay as an icon of the Central Coast. The Morro Rock parking lot acts to separate the ocean north of Morro Rock from the bay. Connected to the mainland by reclaimed land, the rock and parking lot are vulnerable to flood hazards and sea level rise.

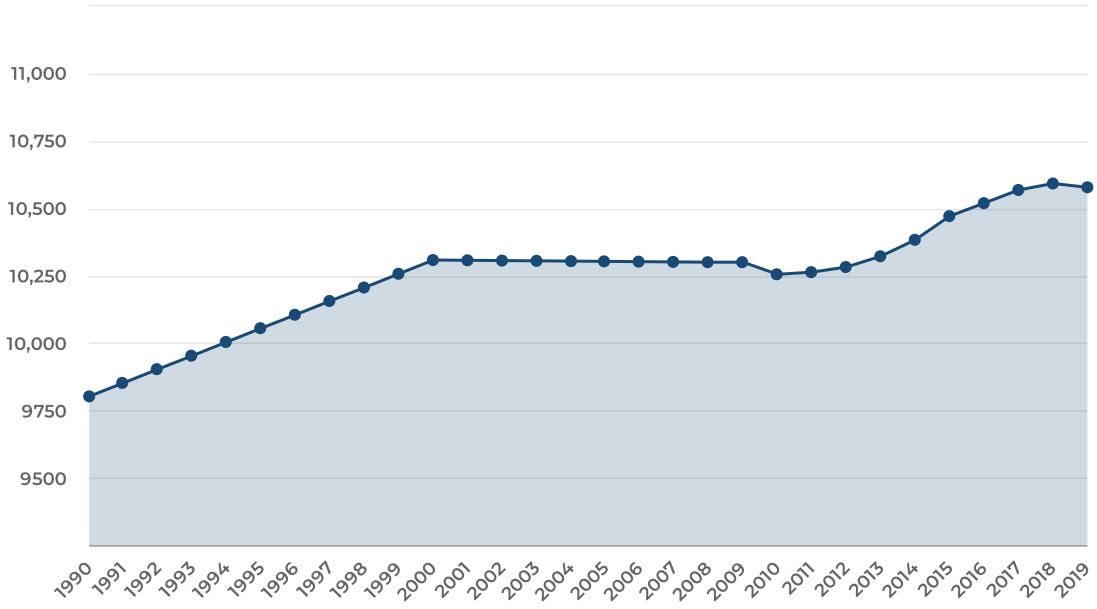
Population Overview

TOTAL POPULATION

10,578

▼ .1%
vs. 2018

GROWTH RANK
309 out of 483
Municipalities in California



** Data Source: American Community Survey, 2010 Census, 2000 US Census and 1990 US Census*

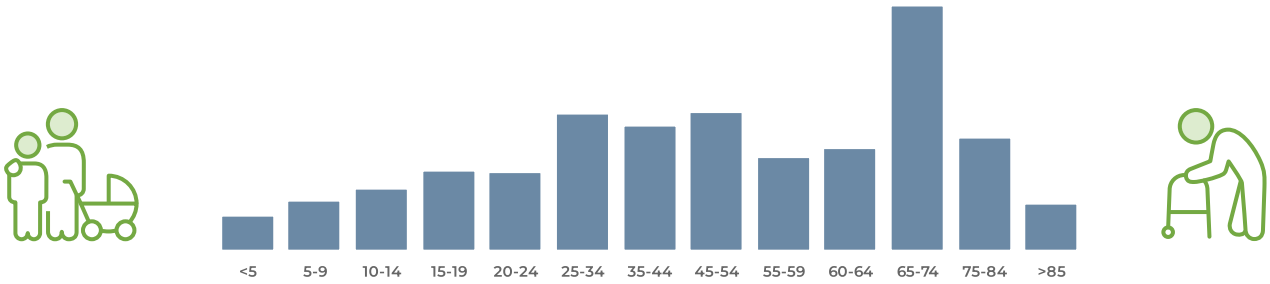
DAYTIME POPULATION

9,274

Daytime population represents the effect of persons coming into or leaving a community for work, entertainment, shopping, etc. during the typical workday. An increased daytime population puts greater demand on host community services which directly impacts operational costs.

** Data Source: American Community Survey, 2010 Census, 2000 US Census and 1990 US Census*

POPULATION BY AGE GROUP



Aging affects the needs and lifestyle choices of residents. Municipalities must adjust and plan services accordingly.

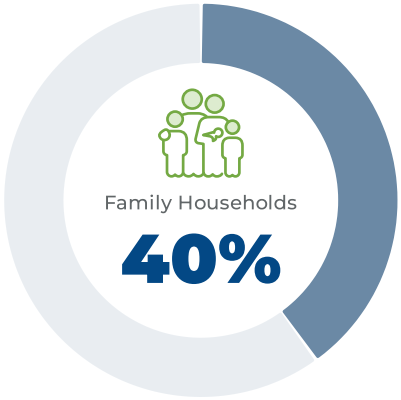
** Data Source: American Community Survey, 2010 Census, 2000 US Census and 1990 US Census*

Household Analysis

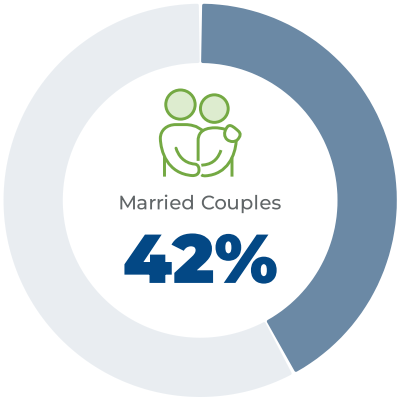
TOTAL HOUSEHOLDS

4,899

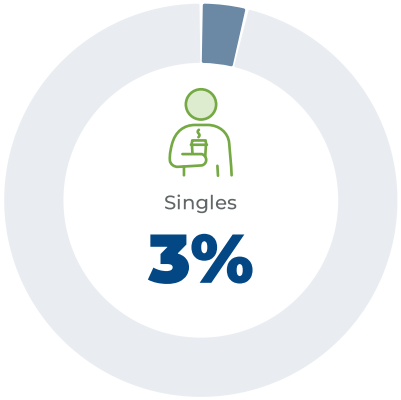
Municipalities must consider the dynamics of household types to plan for and provide services effectively. Household type also has a general correlation to income levels which affect the municipal tax base.



▼ 20%
lower than state average



▼ 15%
lower than state average



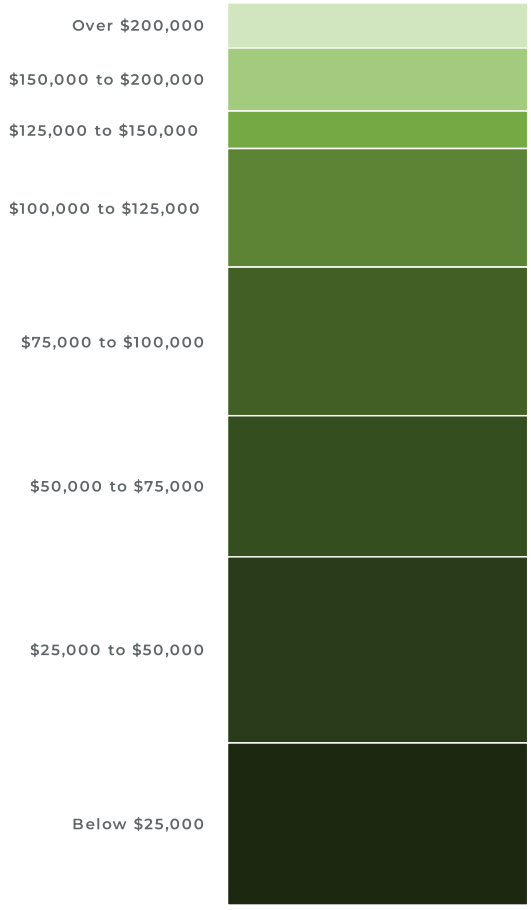
▼ 31%
lower than state average

▲ 83%
higher than state average

** Data Source: American Community Survey, 2010 Census, 2000 US Census and 1990 US Census*

Economic Analysis

Household income is a key data point in evaluating a community's wealth and spending power. Pay levels and earnings typically vary by geographic regions and should be looked at in context of the overall cost of living.



HOUSEHOLD INCOME

Above $200,000

5%

▼ 60%
lower than state average

Median Income

$68,262

▼ 9%
lower than state average

Below $25,000

18%

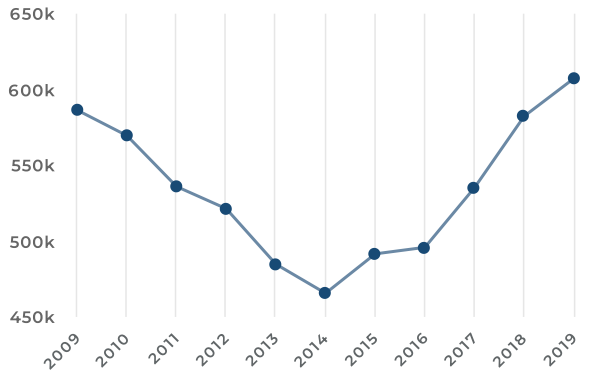
▲ 9%
higher than state average

** Data Source: American Community Survey, 2010 Census, 2000 US Census and 1990 US Census*

Housing Overview

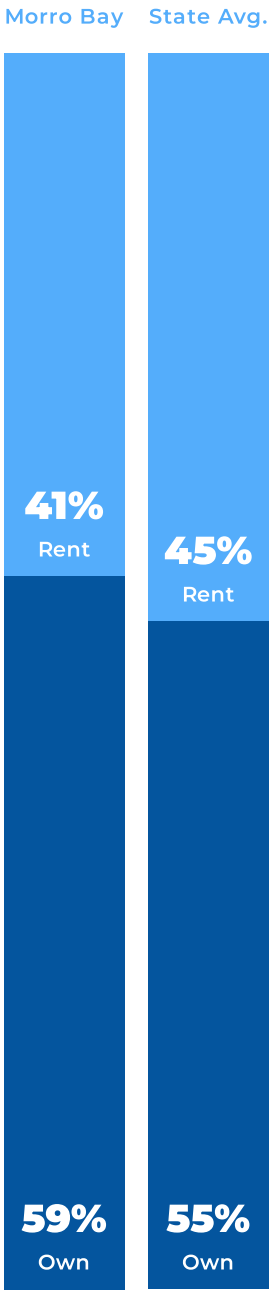
2019 MEDIAN HOME VALUE

$607,300



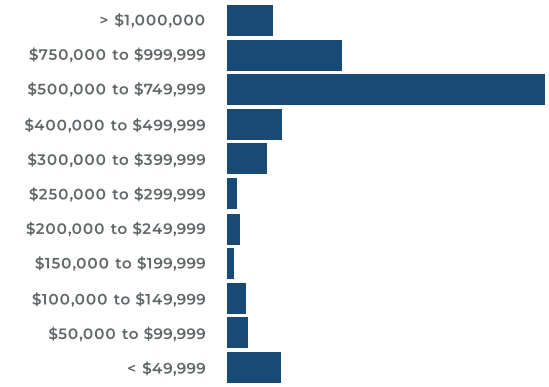
** Data Source: 2019 US Census Bureau (http://www.census.gov/data/developers/data-sets.html), American Community Survey. Home value data includes all types of owner-occupied housing.*

HOME OWNERS VS RENTERS



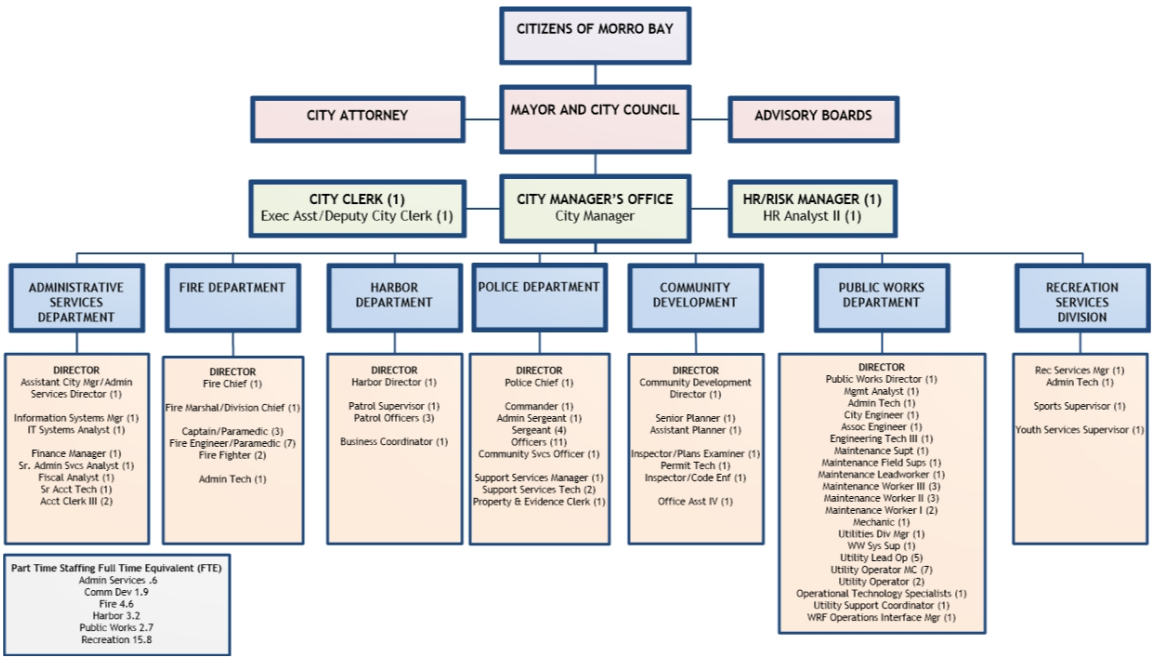
** Data Source: 2019 US Census Bureau (http://www.census.gov/data/developers/data-sets.html), American Community Survey. Home value data includes all types of owner-occupied housing.*

HOME VALUE DISTRIBUTION



** Data Source: 2019 US Census Bureau (http://www.census.gov/data/developers/data-sets.html), American Community Survey. Home value data includes all types of owner-occupied housing.*

Citywide Organization Chart



Advisory Bodies

Citizens Finance Advisory Committee (CFAC)

CFAC is appointed by the city Council to review the annual and semi-annual reports of the City relative to the activities funded with the additional general purposes local sales tax monies referred to as Measure Q & E, a 1.5% district sales tax that has no sunset date.

Harbor Advisory Board (HAB)

The HAB reviews, advises, and makes recommendations to the City Council on items pertaining to use, control, promotion, and operation of vessels and watercraft within the harbor, docks, piers, slips, utilities, and publicly owned harbor facilities and water commerce, navigation, or fishery in the Harbor. The HAB also reviews and recommends rates, tolls, fees, or other payments to be made for use or operation of the Harbor.

Planning Commission

The Planning Commission advises Council on land use matters such as the General Plan and specific plans, zoning and subdivisions. The Commission's function is to develop a general plan and recommend its adoption by the City Council, maintain the general plan after its adoption by the City Council, develop specific plans as may be necessary to implement the general plan, and periodically review the capital improvement program of the City for recommendations to the City Council. Ultimate decisions on land use reside with the City Council.

Public Works Advisory Board (PWAB)

PWAB was established to provide advisement and recommendations to Council relative to services, functions and operation of the Public Works Division, the priorities of and future planning for public works, as well as to conduct such studies and other duties and functions as may be requested by various Advisory Boards and to report those findings.

Recreation & Parks Commission

The Recreation & Parks Commission advises the Council on all matters that relate to parks and public recreation and to cooperate with other governmental agencies and civic groups in the advancement of sound recreation and parks planning and programming. The Commission formulates policies on recreation services, parks and open space for approval by the City Council, recommends the development of recreational areas, parks, facilities, open spaces, programs and improved recreation services, recommends the adoption of rules, regulations, and standards concerning recreation and parks in respect to organization, personnel, areas and facilities, program and financial support.

Fund Structure & Descriptions

Fund Structure & Descriptions

The basic accounting and reporting entity for the City of Morro Bay is a fund. A fund is a fiscal and accounting entity used to record all financial transactions related to the specific purpose for which the fund was created. Funds are established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Funds used in government are classified into three broad categories: governmental, proprietary and fiduciary.

Governmental funds include activities usually associated with a typical state or local government's operations (public safety, general government activities, etc.) Proprietary funds are used in governments to account for activities often found in the private sector (utilities, stadiums and golf courses are prime examples). Trust and Agency funds are utilized in situations where the government is acting in a fiduciary capacity as a trustee or agent. The various funds are grouped in fund types and categories as follows:

Governmental Funds - Major

- General Fund - 001 - The General Fund serves as the City's chief operating fund. All general tax revenues and other receipts not allocated by law or some other contractual agreement to other funds are accounted for in the General Fund. Expenditures of this fund include the general operating expenses traditionally associated with governments such as city administration, development services, public works, and public safety. Sub- funds below are reported as part of the General Fund in the Annual Comprehensive Financial Report:
  - Compensable Leave - 005
  - Emergency Reserve - 051
  - Facility Maintenance - 052
  - Vehicle Replacement - 050
  - Capital Replacement - 460
  - Project Accumulation (combining with 460) - 470

- Measure Q&E Fund - 003 - tracks the City's 1.5% local sales tax measure to help fund essential services as outlined by voters and prioritized by Council, primarily relating to public safety and cleanliness, infrastructure maintenance and improvement, and fiscal sustainability.

Governmental Funds - Non-Major/Special Revenue Funds

Each of these funds account for revenues that are restricted as to use. Each Fund Summary in the Fund Summary section of the budget outlines in detail what the Fund's revenues and expendtiures include.

- Morro Bay Tourism Business Improvement District (closing out) - 007
- American Rescue Plan Act - 019
- Community Development Grants - 200 through 205
- State Gas Tax - 250
- Lower Cost Visitor Accommodations - 270
- Traffic Safety - 280
- Special Safety Grants - 282
- Community Development Plans - 298
- Parking In-Lieu - 299
- Bike Path - 302
- LTF Roads - 303
- Assessment Districts - 500
- North Point Assessment District - 565
- Cloisters Assessment District - 570
- Cloisters Assessment District Accumulation Fund (combining with 570) - 575
- Government Impact Fees - 900
- Park In-Lieu - 904
- Community Benefit/Castlewind Fund - 906
- Economic Development Fund - 907
- Harbor State Park Marina - 924
- Triangle Lot Boat Storage Yard - 925
- Housing In-Lieu - 941
- Capital Projects Fund - 915

Proprietary funds are structured to impose fees or charges upon those who use their services. There are two classifications of proprietary funds: Enterprise Funds and Internal Service Funds:

Proprietary Funds - Internal Service Funds

These funds fund services provided to internal users and function as cost-reimbursement devices. Internal Service Funds account for operational support activities for the purpose of recovering the cost from the user, and for the user to identify its full cost of operations.

- Risk Management - 430
- Information Technology - 450

Proprietary Funds - Enterprise Funds

Used to account for activities that are operated in a manner similar to a private business enterprise, where the cost of the goods are to be financed or recovered primarily through external user charges. The City of Morro Bay has the following enterprise type activities:

- Harbor Enterprise
  - Harbor Operating - 331
  - Harbor Capital - 923
  - Harbor Equipment Replacement (combining with 923) - 055
  - Harbor Accumulation (combining with 331) - 953
- Sewer Enterprise
  - Sewer Operating - 321
  - Sewer Capital - 922
  - Sewer Equipment Replacement (combining with 922) - 054
  - Sewer Accumulation (combining with 321) - 952
  - Morro Bay Cayucos Sanitary District WWTP (preparing to close out) - 599
- Water Enterprise
  - Water Operating - 311
  - Water Capital - 921
  - Water Equipment Replacement (combining with 921) - 053
  - Water Accumulation (combining with 311) - 951
  - Utility Discount Program - 315
- Transit Enterprise
  - Transit Operating - 301
  - Transit Capital - 920

Fiduciary Funds

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

- Trust and Agency Fund - 515

Debt Service Funds: Debt Service Funds are used to account for the acquisition of resources and the payment of long-term debt on City obligations.

- General Long Term Debt - 011

Basis of Budgeting

The City of Morro Bay adopts an annual Operating and Capital Budget. The budgets are prepared with detailed revenue and expenditure appropriations for the fiscal year beginning July 1st and ending June 30th. Budget schedules are prepared on the same basis as the City's financial statements, and in accordance with generally accepted accounting principles (GAAP).

Budget Purpose

The Operating and Capital Budget serves as the City's financial plan, as well as a policy document, a communications tool, and an operations guide. Developed with an emphasis on long term financial stewardship, sustainability, service delivery, and program management, a fundamental purpose of these documents is to provide a linkage between the goals, services and projects the City intends to accomplish, and the resources committed to getting the work done. The format of the budget facilitates this linkage by clearly identifying key projects with linkage to City Council Goals, key routine program or service delivery, and workload highlights and metrics.

The purpose of the City's annual budget is to connect what the City Council wants to accomplish for the community with the human and financial resources necessary to do so. The budget process does this by setting City goals and objectives and establishing reasonable timeframes for achieving them, updates the five-year budget forecast and allocating resources for programs and projects. To this end, the budget serves four roles:

- **Policy Document:** Sets forth goals and objectives to be accomplished and the fundamental fiscal principles upon which the budget is prepared.
- **Fiscal Plan:** Identifies and appropriates the resources necessary to accomplish objectives and deliver services and ensures that the City's fiscal health is maintained.
- **Operations Guide:** Describes the basic organizational units and activities of the City.
- **Communications Tool:** Provides the public with a blueprint of how public resources are being used and how these allocations were made.

Basis of Budgeting and Accounting

Developed on a program basis with fund level authority, the operating budget represents services and functions provided by the City in alignment with the resources allocated during the fiscal year. The Capital Budget is funded and defined by its approved projects, with the remaining unexpended budget for ongoing or incomplete capital projects carried forward into the following fiscal year consistent with City Council approval by resolution.

The Basis of Budgeting and Accounting refers to the timing factor concept in recognizing transactions. This basis is a key component of the overall financial system because the budget determines the accounting system. For example, if the budget anticipates revenues on a cash basis, the accounting system must record only cash revenues as receipts. If the budget uses an accrual basis, accounting must do likewise. This consistency is also reflected in the City's Annual Comprehensive Financial Report (ACFR), the State Controller's Annual Cities Report, and all other report documents.

The Modified Accrual Basis is used for governmental types of funds, while the full accrual basis accounting method is used for proprietary or enterprise funds.

Governmental Funds consist of the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds. Under this basis, revenues are estimated for the period if they are susceptible to accrual, e.g. amounts can be determined and will be collected within the current period. Principal and interest on general long-term debt are budgeted as expenditures when due, whereas other expenditures are budgeted for liabilities expected to be incurred during the current period. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after fiscal year-end. Licenses, property taxes and taxpayer assessed tax revenues (e.g., franchise taxes, sales taxes, and transient occupancy tax) are all considered susceptible to accrual and so are recognized as revenues in the period earned/collected. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Expenditures are recorded when the liability is incurred. Claims, judgments, compensated absences, and principal and interest on general long-term debt are recognized as expenditures to the extent they have matured.

Proprietary fund budgets, which include enterprise funds and internal service funds, are adopted using the full accrual basis of accounting whereby revenue budget projections are developed recognizing revenues expected to be earned during the period, and expenditures are developed for expenses anticipated to be incurred in the fiscal year.

Financial Policies

In preparing this budget, staff took its primary direction from the guidelines established in the City of Morro Bay Fiscal Policies, which are summarized in this Fiscal Policies section. These fiscal policies help to ensure that the City achieves a balanced budget, where operating revenues meet or exceed operating expenditures.

Fiscal Management Policy Statements

With both a general management philosophy and one of the City Council's primary goals being achieving fiscal sustainability and economic vitality, the City of Morro Bay's conservative and cautious financial management is achieved through responsible, sustainable, and enforceable fiscal policies and internal controls to ensure prudent and efficient use of resources. These policies and controls represent long-standing accounting, budgeting, debt, investment, and reserve principles and practices, and are the foundation upon which the City maintains its fiscal stability.

Morro Bay's general fiscal management policy statements provide a summary overview of financial, operational, and budgetary management, in one comprehensive centralized format to act as guidelines and to assist elected officials and staff with understanding the City's financial practices for fiscal operations.

Fiscal policies that rise to Council review and approval standards are reviewed regularly by City Council. Currently, this includes the following policies, which were last reviewed and updated with the Council resolutions noted: Fund Balance Reserve Policies (Reso. 37-22), Investment Policy (Reso. 50-21), Debt Management Policy (Reso. 43-18), Revenue and Expenditure Policy (Reso. 52-21 and Reso. 53-21), Short-Term Fiscal Emergency Plan (Reso. 97-18), Long-Term Financial Planning Policy (Reso. 09-19), Financial Policies Related to Capital Assets (Reso. 59-19), and Donations and Grant Managemente Polices (Reso. 61-29). These policies are available in full on the City's website.

General Financial Principles

- The City's fiscal policies are structured to ensure fiscal responsibility, accountability, transparency, and efficient use of resources. Fiscal policies are to be reviewed, updated, and refined as necessary, with policy level decisions brought to City Council for review and approval, and administrative and operational level functions approved by the City Manager.
- The City's primary long-term financial goals are to maintain the City's fiscal health, preserve essential services, reduce financial risk, and support short and long-term administrative, financial, and operational goals in a financially judicious manner. Long-term financial and infrastructure planning and the annual adoption of a structurally balanced budget provides the foundation for these long-term financial goals. The City shall promote and implement strong internal financial controls to manage risks and monitor the reliability and integrity of financial transactions and operational activities.
- Financial information shall be provided in a relevant, thorough, and timely manner, to effectively communicate the City's financial status to the Council, citizens, employees, and all other interested parties.
- Financial stability goals and judicious responsiveness shall be the foundation upon which proactive and advantageous financial decisions are made, and which guide the City's response to local, regional, and broader economic changes through the years.
- The City shall undertake, adopt, and integrate new initiatives or programs in a cautious, well planned manner to support the City's long-term ability to maintain its essential services at the same level and quality required by its citizens.
- The City Council's financial and community goals, objectives, and policies are incorporated into and implemented with the development and adoption of the City's Operating and Capital Budgets.
- Efforts will be coordinated with other governmental agencies and joint power associations to achieve common policy objectives, create beneficial opportunities and services for the community, share the cost of providing governmental services, and support legislation favorable to cities at the state and federal level.
- The City will seek out, apply for, and effectively administer federal, state, local, foundation, business, and private grants which address the City's current priorities and policy objectives.

Appropriations and Budgetary Control

- The City Council shall adopt an annual balanced operating budget and the first year of an integrated five-year capital improvement plan budget by June 30th of each year, to be effective for the following fiscal year running from July 1st through June 30th. Balanced budgets present budgeted sources in excess of budgeted uses. Budgeted "Sources" include Revenues, Transfers In, and Appropriated Uses of Fund Balance. Budgeted "Uses" include Expenditures and Transfers Out. Operating and capital budgets are to align with the City's long-term financial goals.

- Each year staff provides a short recap of the prior-year budget, a mid-year budget status report, and an updated financial forecast to the City Council. This is meant to assist the Council with formulating direction for long-range fiscal planning, Operating Budget development, and capital funding appropriations.

- Budgets are prepared on the same basis of accounting used for financial reporting: governmental fund types (General, Special Revenue, and Debt Service) are budgeted according to the modified accrual basis of accounting; proprietary funds (Internal Service Funds) and fiduciary funds are budgeted under the accrual basis of accounting.
- The Operating Budget is primarily funded by current year revenues, unless the Council directs otherwise. The council may also approve the use of long-term debt for operational liabilities if they deem it fiscally prudent.
- The Capital Budget is funded with General Fund and Measure Q&E funds and with dedicated capital funding resources. Dedicated funding sources include Gas Tax (SB1) revenues, impact fees, enterprise funds where appropriate, project revenues and reimbursements; community benefit assessments; and federal, state, local, and private grants.
- In practice, budgeted revenues are relatively conservatively stated and budgeted expenditures are comprehensive. With effectively managed revenue streams and efficient use of resources, fiscal year-end operational budget surpluses will be available to fund future capital improvement projects, pay-down unfunded liabilities and contribute to the City's fiscally responsible reserve accounts.
- The City Council maintains budgetary control at the fund level; any changes in total fund appropriations during the fiscal year must be submitted to the City Council for review and Council majority approval. Operating Budget appropriations lapse at the end of each fiscal year unless specifically carried forward by appropriation in the following fiscal year's budget. Capital Budget appropriations are structured as a multi-year workplan; therefore, project expenditure balances are automatically carried forward to the following fiscal year as part of the annual budget adoption until funding is exhausted, modified, or the project is completed.
- The City budget shall comply with the annual determination of the City's appropriation limit calculated in accordance with Article XIIIB of the Constitution of the State of California and adopt an annual resolution to this effect.
- The City Manager is authorized to implement the City's workplan as approved in the adopted budget. Within a specific fund, the City Manager has the discretion to adjust appropriations between categories, departments, programs, and projects as needed to implement the adopted budget, provided no change is made to the total appropriation amount provided for any one fund. An example would be to backfill a vacant salaried position with a contract service, therefore shifting funds from wage and benefit appropriations to an operating expense expenditure within the General Fund appropriation. The City Manager also has the authority to withhold filling the position for a time if conditions warrant a delay.
- Generally, recurring expenditures are funded with recurring revenues or revenues specifically designated for operational use. One-time expenditures may be funded with one-time revenues or fund balance reserves. Fund balance reserves are generally to be used for non-recurring one-time expenditures and capital projects.
- In compliance with the Council's Fiscal Sustainability goal, fiscal stability and sustainability principles are incorporated into budget planning. Appropriating adequate funds on an annual basis for the replacement and maintenance of assets through Internal Service Funds, prioritizing infrastructure maintenance and repair in the capital budget, and institutionalizing prudent payment strategies for long-term liabilities are foundational strategies of fiscal stability and sustainability.

Auditing and Financial Reporting

- California State statutes require an annual financial audit of the City's financial records and transactions by independent Certified Public Accountants. The City shall comply with Generally Accepted Accounting Principles (GAAP) and produce annual financial reports pursuant to Governmental Accounting, Auditing, and Financial Reporting (GAAFR) guidelines. The independent auditor will issue an audit opinion to be included in the City's Annual Comprehensive Financial Report (ACFR) testifying to the financial report's conformance with accounting principles.
- Additional financial reports issued by the Auditors may include: Single Audit Report (annual report of federal grant expenditures if in excess of the federal single audit limit is expended in a fiscal year), a Transportation Development Act (TDA) report (annual report of TDA fund expenditures), an Appropriations Limit review report (to establish tax revenue appropriation limit), and a Management report on the City's Internal Controls.
- The City shall submit the ACFR to the Governmental Finance Officers Association (GFOA) Financial Reporting Program each year for review, and if in compliance with the program's requirements, to receive an award for meeting GFOA's financial reporting standards.
- Regularly scheduled external Financial Reports include the following:
- State required Annual Cities Report and Annual Streets Report completed in conjunction with the year-end close
- SB90 Mandated Cost reports for claims to comply with State regulated legislation
- Regularly scheduled internal Financial Reports are posted on the City's website for transparency.

- A midyear budget status report is presented to City Council in February each year to provide a comprehensive financial overview of the current year's budget and to propose recommended budget adjustments as appropriate.
- A year-end financial recap is provided after the City's annual financial audit is completed.

Expenditures and Purchasing

- All expenditures shall be in accordance with the City's purchasing policy, travel policy, credit card policy, contract policy and public contract code, state or federal law, or any other applicable guidelines or regulations.
- Expenditures are managed at the program level. Program managers are to ensure expenditures do not exceed the budgeted workplan and must take immediate action if at any time during the fiscal year an operating deficit is projected at year-end. Corrective actions may include expenditure reductions, or with Council approval, budget adjustments, or service reductions.
- The City's current purchasing ordinance establishes purchasing authority levels, and procedural requirements, for the procurement of supplies, equipment, and services, in conformance with Federal and State codes and regulations, and City Ordinance.
- Guidelines established by the City's Purchasing Policy direct the City's departments to purchase the best value obtainable, securing the maximum benefit for funds expended, while providing all qualified vendors an equal opportunity to do business with the City.
- The City departments shall conduct regular program and capital project reviews to determine if projected operating revenues and expenditures meet budgeted expectations. If an operating deficit is projected at year-end, the departments shall evaluate and implement corrective actions as needed and notify if services will be impacted.

Fixed Assets and Infrastructure

- Repairs and maintenance of infrastructure assets will generally not be subject to capitalization unless the repair extends the useful life of the asset.
- The City will sustain a long-range fiscal perspective through the use of a five-year Capital Improvement Plan designed to maintain the quality of City infrastructure, including streets, sidewalks, curbs and storm drains, lighting, building, parks, and trees, and through Internal Service Fund programs to both maintain and replace City building infrastructure, fixtures, and equipment, vehicles, and public works and technology equipment on an ongoing basis.
- Information Technology software, hardware, and auxiliary equipment and systems are to be maintained through the Information Technology Internal Service Fund.

Internal Service Funds

- Internal Services Funds are established to both equitably allocate operating costs to departments for support and maintenance services, and to stabilize and spread the City's replacement and operational costs over fiscal years for the purpose of providing an accurate and balanced long-range fiscal perspective of the use of services and assets.
- Technology and Office Equipment replacement and maintenance Internal Service Funds are structured to provide a consistent level of funding for the replacement of assets and projects, and to appropriately distribute support and maintenance costs to departments.
- The Risk Management Internal Service Funds shall maintain adequate reserves to pay all valid self-insured claims and insurance deductibles, including those incurred but not reported, in order to keep the insurance funds actuarially sound.
- Each Internal Service Fund will set recovery charges at rates sufficient to meet all operating expenses, depreciation, and fund balance reserve policy objectives.

Long-Term Debt

- The City shall seek to maintain a high credit rating through sound financial practices as a foundational financial practice, and to maximize borrowing costs.
- Long-term Financing Debt is typically incurred for capital improvements or special projects that cannot be financed from current or dedicated revenues, or for large liabilities resulting in significant financial impacts. In principal, long-term debt is to be used only if the debt service requirements do not negatively impact the City's ability to meet future operating, capital, and cash reserve policy requirements.
- The term for repayment of long-term financing shall not exceed the expected useful life of the project, include financing payment terms at a manageable level and does not extend beyond functionally appropriate payment terms.
- The City will monitor all forms of debt in conjunction with budget development throughout the year, and will report concerns and remedies if necessary to the City Council.

- The City will ensure compliance with bond covenants, providing financial information to reporting parties as necessary.
- The City will comply with Government Code Section 43605 limitations on debt, which limits general obligation indebtedness.

Revenues

- The City will encourage a stable revenue system to offset short-run fluctuations in any one revenue source, in part through balancing revenue fluctuations with related operational fluctuations.
- Designated and legally restricted tax and revenue funding sources will be accounted for in the appropriate funds. General taxes and revenues not allocated by law or some other contractual agreement to other funds are accounted for in the General Fund.
- Dedicated Capital Project revenues are to be directly accounted for in the appropriate capital project fund, within a designated project.
- A master schedule of User Fees is reviewed and presented to Council on an annual basis to adjust fees to an appropriate level. Operating departments shall review services and the existing fees to ensure discretionary services (not specifically waived or modified) reflect direct and reasonable indirect costs of providing such services.
- The City typically establishes user charges and fees at levels that recover the direct and indirect activity cost of providing a service or product. The City also considers market rates and charges levied by other municipalities of similar size for like services in establishing rates, fees, and charges. As some services have partial cost recovery objectives (such as Recreation classes and facility rentals), cost recovery ratios will vary in accordance with policy objectives.
- The City will follow an aggressive policy of collecting local taxes and revenues through persistent follow-up procedures, and external resources as necessary.
- Donations may be accepted in accordance with the City of Morro Bay Donation Policy most recently approved by the City Council. Under the current policy, unrestricted donations of $5,000 or less may be accepted or declined by the City Manager. Restricted donations of $500 or less may be accepted or declined by the City Manager. Unrestricted donations of more than $5,000 and restricted donations of more than $500 must be brought to the City Council for consideration. The City Manager may choose to request City Council consideration of any donation, regardless of value.

Treasury Management

- The City's Investment Policy shall be brought to the City Council for adoption at least on an annual basis as part of the proposed budget. California Government Code Section 53600 require the City Council to annually review and approve the City's Investment Policy.
- It is the policy of the City of Morro Bay to invest public funds in a manner which will provide the maximum security with the highest investment return, while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of funds. When possible, the City will prioritize investing in instruments that are active in support of climate change awareness, so long as there is no net impact to the City's earnings.
- Finance staff shall exercise due diligence to comply with the Investment Policy. The City currently practices conservative and cautious investment practices by limiting its investments to the State's Local Agency Investment Fund (LAIF) and Certificates of Deposits. The Finance Department shall prepare a quarterly investment report to City Council including cash and investments balances.

Fund Balance Reserve Policies

Prudent financial management dictates that the City reserve a portion of its funds for future use to: maintain fiscal stability; ensure the continued orderly operation of government and provision of services to residents; and to mitigate current and future risks.

The City's adopted reserve policy, recently reviewed and updated in Resolution 37-22 on April 26, 2022, includes the fund type and classification, the purpose of the reserve, minimum and maximum funding goals if appropriate, appropriate utilization of the reserve and by what authority, and reporting out of the fund balance reserve levels. Current reserve policies are summarized as follows:

Fund(s)	Reserve Level
General Fund Emergency Reserve Policy	The reserve is intended to maintain or improve the City's credit ratings, ensure operating and maintenance costs will be paid in a timely manner, pay debt service obligations, invest in needed capital improvements and equipment replacement on a timely basis, minimize impacts from economic downturns, departmental expenditure freezes due to market volatility, other economic impacts on demands, contingencies, and regulatory changes. In calculating the minimum and target funding level, one-time expenditures and transfers out are not considered in the base for determining the operating expenditures. The minimum and target funding levels are intended to ensure sufficient resources to pay budgeted operating and maintenance expenses, recognizing the timing differences between payment of expenditures and receipt of revenues. Minimum and Target Levels equate to four months and six months of operating expenses, respectively. It also provides a source of funding to allow the City to operate during short term fluctuations in revenues and/or expenditures. ◦ Minimum: 33% of on-going operating expenses in both the General Fund and Measures Q & E Fund (excluding transfers out) ◦ Target: 50% of ongoing operating expenses in both the General Fund and Measures Q & E Fund (excluding transfers out)
Pension Reserve Policy (General Fund, Water Fund, Sewer Fund, Harbor Fund)	Upon completion of the prior year's ACFR, if the GFER balance meets the minimum target established in the policy herein (currently 33%), the General Fund will contribute 33% of the audited year's realized year-end General Fund surplus to address pension liabilities in the form of a contribution to a section 115 pension trust in the following year's budget cycle. In years where Enterprise Funds (Water, Sewer, and Harbor) have also met their minimum reserve policies for the prior fiscal year (defined by current assets over current liabilities), they shall also contribute their fair share toward a section 115 trust commensurate with the General Fund's contributions to date. Funds will be held in a restricted section 115 pension trust and only utilized for one of two purposes: ◦ Saving toward a significant pay-down of the CalPERS unfunded liability with the City's staff, financial advisors and ultimately Council deem that most advantageous in the future; or ◦ In years of economic distress only, at the direction of City Council, contributing toward the City's ongoing employer's "Normal cost" portion of pension costs, if other funds are unavailable.
Facility Maintenance Reserve (General Fund)	Given the age of the City's facilities, increased maintenance needs are anticipated. The target funding level of $75,000 represents a contingency for unanticipated maintenance issues which do not rise to the capital project level. ◦ Minimum: $50,000 ◦ Target: $75,000
Vehicle Replacement Reserve (General Fund)	The reserve will provide sufficient funds should there be a need for a one-time, larger than normal expenditure related to fleet services. ◦ Minimum: 20% of replacement value of General Fund fleet or of each Enterprise Fund's fleet based on the most recently updated Vehicle Insurance Coverage list, or other internal tracking list developed by staff. ◦ Target: 30% of replacement value of General Fund fleet or of each Enterprise Fund's fleet based on the most recently updated Vehicle Insurance Coverage list, or other internal tracking list developed by staff.
Compensated Absences Reserve (General Fund)	The Compensated Absences Reserve is used to smooth expenditure fluctuations resulting from the payout of accrued leave to employees at service separation and distribution payouts ◦ Minimum: 30% of compensated absences liability established at year-end. ◦ Target: 35% of compensated absences liability established at year-end.
Information Technology Reserve (Internal Service Fund)	The reserve should allow for periodic upgrades and enhancements to the City's collection of information and communications technology, while also providing sufficient funds to meet annual operating costs. ◦ Minimum: $200,000 ◦ Target: $300,000
Risk Management Fund Reserve (Internal Service Fund)	The reserve should ensure sufficient resources exist to purchase various types of property and casualty insurance protection for the City, including liability losses, program operating costs and insurance premiums and deductibles; and to support current and future liability claims as well as any catastrophic event. ◦ Minimum: $700,000 ◦ Target: $1,000,000

Harbor Fund (Enterprise Fund)	The reserve is intended to maintain or improve Harbor credit ratings, ensure operating and maintenance costs will be paid in a timely manner, pay debt service obligations, invest in needed capital improvements and equipment replacement and other uses on a timely basis. In addition, the Harbor Accumulation Fund Reserve will maintain sufficient cash accumulation to minimize user fee increases and departmental expenditure freezes due to market volatility, economic impacts on demands, contingencies, and regulatory changes. In calculating the minimum target funding level, one-time expenditures are not considered in the base for determining operating expenditures. The minimum target funding level is intended to ensure sufficient resources to pay budgeted operating and maintenance expenses, recognizing the timing differences between payment of expenditures and receipt of revenues. It also provides a source of funding to allow the Harbor Department to operate during short-term fluctuations in revenues and expenditures. ◦ Minimum: 15% of annual operating expenses based on the most recent adopted budget. ◦ Target: 25% of annual operating expenses based on the most recent adopted budget.
Water & Sewer Funds (Enterprise Fund)	The Operating/Maintenance (Working Capital) component: intended to ensure sufficient resources to pay budgeted operating and maintenance expenses, recognizing the timing differences between payment of expenditures and receipt of revenues. It also provides a source of funding to allow the Water and Sewer Divisions to operate during short term fluctuations in revenues and/or expenditures. ◦ Minimum: 25% of annual operating expenses based on the most recent adopted budget. ◦ Target: 35% of annual operating expenses based on the most recent adopted budget. Rate Stabilization Reserve: 5% of prior fiscal year's water and sewer serve revenues to help minimize significant potential fluctuations in the Water and Sewer rates for the system operations. The Rate Stabilization component can be treated as a coverage stabilization tool enabling transfers into and out of the Water and Sewer Revenue Funds, as determined necessary by the Finance Director, after consultation with recommendation of the Water and Sewer Divisions' personnel and Public Works Director. Debt Service Reserve: held in accordance with requirements of the debt issuance to ensure the ability to make debt service payments. Vehicle Replacement Reserve: - ◦ Minimum: 20% of replacement value of each Enterprise's fleet ◦ Target: 30% of replacement value of each Enterprise's fleet

Definitions: Fund Balance and Net Position

In 2009, Governmental Accounting Standards Board ("GASB") Statement No. 54 revised fund balance classifications for "Governmental Funds" into five specific classifications of fund balance with the intent to identify the extent to which a specific fund balance reserve is available for appropriation and therefore spendable, or whether the fund balance reserve is constrained by special restrictions. Government Funds for which these new rules apply include: the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.

For "Non-Governmental Funds", equity classifications are classified as "Net Position" with sub-classifications of Restricted or Unrestricted Net Position. A third component of a Non-Governmental Fund's equity is "Net Investment in Capital Assets," which for Morro Bay refers to the non-monetary portion of equity such as vehicles and equipment, net of depreciation. Non-Governmental Fund types include Proprietary Funds (Enterprise and Internal Service Funds) and Fiduciary Funds.

Restricted Fund Balance
Represents fund balance that is subject to external enforceable legal restrictions.

Committed Fund Balance
Represents fund balance constrained by limitations the government imposes upon itself at its highest level of decision making and remains binding unless removed in the same manner.

Assigned Fund Balance
Represents fund balance identified by Council for an intended use; however, as no legal obligations exist, the funds may be re-designated and utilized for another purpose if Council chooses.

Unassigned Fund Balance
Represents funding which may be held for specific types of uses or operational funding/stabilization purposes but is not yet directed to a specific purpose. Only General Fund reserves can be designated under the "Unassigned" fund balance classification. Other fund types are by nature structured for specific purposes; hence the fund balances are therefore considered "assigned" for that purpose.

Budget Timeline

The City Council adopts an annual calendar that incorporates the strategic planning/City Council goal-setting sessions to allow Council Goals to inform budget development. Adoption of a calendar by budget calendar by resolution informs the community of the planned dates for important work on the budget.

Council Goals/Strategic Planning - Prior to FY 2022-23 budget development began, City Council held goal-setting sessions in November, which guided the development of the FY 2022-23 budget in those areas.

FY 2022-23 Budget Calendar

The detailed calendar that City Council approved in January included the following:

- February Finance prepares budget framework, training, and instructions
- Feb 15 Mid-Year Measure Q&E Budget Presentation to CFAC
- Feb 22 General Fund Forecast to Council
- Feb 22 Mid-year Budget Presentation to Council
- March Departments prepare budgets
- April City Manager/Exec Team budget meetings; draft budget development
- Apr 19 CFAC reviews and recommends Measures Q and E Funding
- Apr 26 Fiscal Policy Review by Council; preliminary budget input if needed
- May 17 City Manager delivers draft proposed budget numbers to Council
- May 17 CFAC receives update on proposed budget, time permitting
- May 24 Budget Study Session #1
- May 25 Budget Study Session #2
- Jun 14 Budget Adopted at Council Meeting
- Jun 28 Backup date for Budget Adoption

FY 2022-23 Budget - Public Meeting Dates

This year's budget process and preceding discussions that informed this budget development included a total of 10 public meetings regarding the allocation of resources available to provide City services, outlined in the timeline below.

Nov 10, 2021

Council Goal-Setting

Jan 25, 2022

Council approves budget calendar

Feb 15, 2022

CFAC Review of Midyear Budget

Feb 22, 2022

Council Review of Midyear Budget & Fiscal Forecast

Apr 19, 2022

CFAC Reviews Measure Q&E Budget

Apr 26, 2022

Council reviews Reserve Policies & Creates Pension Reserve

May 17, 2022

CFAC Review Broader Budget

May 24, 2022

Council Budget Study Session #1

May 25, 2022

Council Budget Study Session #2

Jun 14, 2022

FY 2022-23 Budget Adoption by City Council

Jun 28, 2022

Backup Date for Budget Adoption

Budget Amendments

During the course of the fiscal year, economic and workplan changes or unanticipated needs may necessitate adjustments to the adopted budgets. The City Manager is authorized to transfer appropriations between categories, departments, projects, and programs within a fund in the adopted Operating Budget, whereas the City Council holds the authority for Operating Budget appropriation increases and decreases, and transfers between funds, and for both scope and funding changes to capital projects in the Capital Budget.

BUDGET OVERVIEW

Executive Overview

Budget Summary

The City of Morro Bay's FY 2022-23 total expenditure budget of $53.8 million net of transfers ($76.5 million including transfers) includes $35.1 million for operations and $18.7 million for capital projects (both net of transfers). The operating budget net of transfers represents an increase of $0.2 million or 0.5% from the prior year budget. The total citywide revenue budget is $46.4 million net of transfers ($69.3 million including transfers), which represents a decrease of $0.3 million or 0.6% from the prior year. This decrease is in part due to the change in recording Tourism Business Improvement District funding; otherwise, Citywide revenues net of transfers would increase. The remaining $7.4 million of the expenditure budget net of transfers that is not received from not from current-year revenues will be spent from fund balance in the Water and Sewer Funds to support water and sewer capital improvement project implementation.

This budget reflects continued recovery from the fiscal impacts of the COVID-19 pandemic on the City, aided by the community's passage of Measure E in 2020, bringing the local sales tax to 1.5%, and by the one-time federal recovery funding through the American Rescue Plan Act (ARPA). This budget allows the City to fully restore service and staffing levels to pre-pandemic levels after having to make painful cuts at the onset of the pandemic. In addition, it allows the City to make critical investments in infrastructure improvements by allocating $18.7 million to 23 capital projects. In addition, this budget invests in current staffing through compensation (labor negotiations are currently ongoing at the time of budget development and placeholders have been included for the cost of compensation increases) and through organizational assessment, teambuilding, training, and classification and compensation analysis. Finally, this budget invests over $1 million in a pension trust reserve to help reduce the City's unfunded liability over time and to be prepared to better weather potential future CalPERS cost increases.

City Reserve Levels

As a small City with a large share of revenues associated with tourism activity, the City of Morro Bay has robust reserve policies to ensure that it is able to weather economic downturns, natural disasters, or other emergencies and maintain core City services. At the end of FY 2022-23, this budget projects that reserve levels in the General Fund and associated funds (Vehicle Replacement, Compensated Leave, Capital Project Accumulation, etc.) will total approximately $8.7 million, exceeding the minimum General Fund Emergency Reserve policy level of 33% of operating expenditures and, collectively across those various reserves, reaching a level of approximately 50% of General Fund operating expenditures in FY 2022-23. Reserves in the major enterprise funds - Water, Sewer, and Harbor - all also exceed minimum target levels of 15-25% of operating expenditures. This strong reserve position has been achieved through Council's commitment to fiscal sustainability.

Summary Charts

The Fund Summaries and Department Summaries sections of the budget present the City's FY 2022-23 Operating Budget in great detail. The key citywide summary charts below provide a brief overview.

Citywide Revenues and Trends

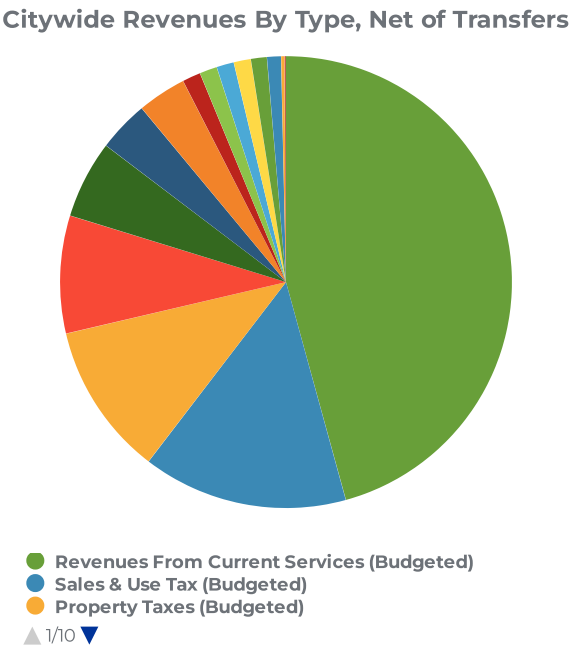
The total citywide revenue budget is $46.4 million net of transfers ($69.3 million including transfers), which represents a decrease of $0.3 million or 0.6% from the prior year. This decrease is in part due to the change in recording Tourism Business Improvement District funding; otherwise, Citywide revenues net of transfers would increase.

Current Services Revene - The City receives the largest share of its revenue (46%) as payment for the services it provides, including water services, sewer services, lease revenues, planning and permitting fees, and fees for recreation services. Charges for service are a relatively stable revenue source over time for Morro Bay, as the majority comes from water and sewer rate revenue remitted by ratepayers. Lease revenues in the Harbor Fund are also relatively stable in terms of base lease payments, but the portion of lease payments associated with a percentage of gross sales fluctuates over time and was very high in FY 2020-21.

Primary Tax Revenues - Tax revenues, including sales and use tax (15% of revenues), property tax (11%), and transient occupant tax (9%), represent the second largest share of City revenues (34% total). These revenues are used to provide general services that are not covered by anyone receiving an individual benefit from a service, such as public safety services and infrastructure maintenance. Property taxes are the most stable of the tax revenue sources, and have increased by approximately 4% per year in recent years. Sales tax and transient occupancy tax (TOT) are more volatile and depend on the state of the economy and level of tourism. These more volatile revenue sources represent roughly one-quarter of the City's total revenues, making the City's financial reserves described above particularly important. Both sales tax and TOT have rebounded to levels higher than pre-pandemic levels during FY 2021-22, and more moderate growth (in the 2-3% range) is projected for both revenue sources in FY 2022-23 and subsequent years.

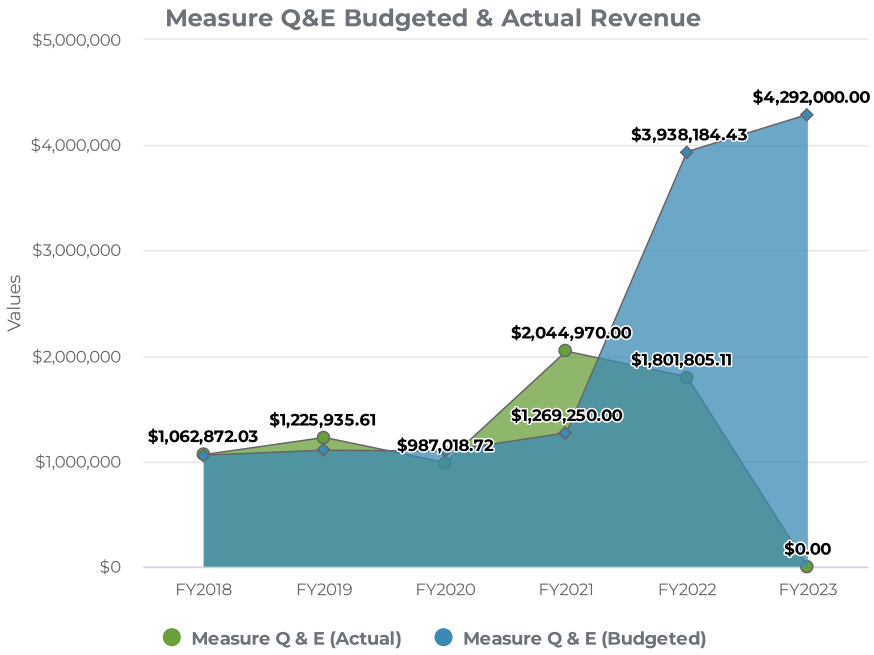
Other Revenues - The other 20% of City revenues come from a variety of smaller sources, including intergovernmental revenues, fines, cannabis tax, and others.

Each revenue source and trends for major revenue sources are explained in greater detail within each individual fund summary in the budget document.



Measure Q & E Revenue

Measure Q & E Revenue is now almost two-thirds of the City's total sales tax revenue. As depicted in the chart below, it is an increasingly significant share of the City's revenue budget. Prior to Measure E's passage by local voters in 2020, Measure Q existed as a 0.5% local sales tax that generated approximately $1 million per year. With the passage of Measure E in 2020, the prior 0.5% tax was replaced with a 1.5% total local sales tax, which is now projected to generate over $4 million annually. While sales tax as a revenue source ebbs and flows with the state of the economy and the level of tourism in Morro Bay, this funding will help the City continue to deliver critical public safety services and infrastructure maintenance and improvements.



Citywide Expenditures and Trends

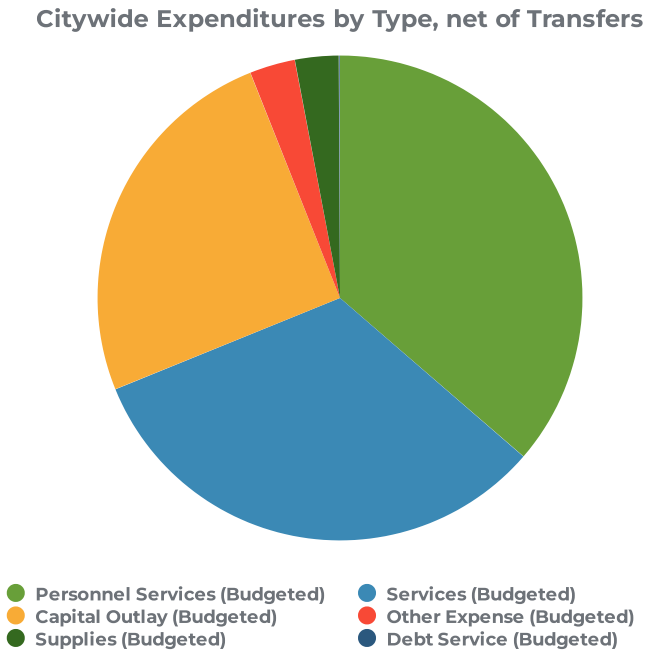
The City of Morro Bay's FY 2022-23 total expenditure budget of $53.8 million net of transfers ($76.5 million including transfers) includes $35.1 million for operations and $18.7 million for capital projects (both net of transfers).

Personnel Services - Personnel costs represent the largest share of the City's expenditure budget, given that the City provides core services through people. This 36.3% of budgeted expenditures is an area where costs continue to increase. This is due in part to pressure to increase wages in alignment with market standards as inflation increases and housing prices skyrocket in the SLO County region. In addition, retirement costs continue to increase, as CalPERS continues to lower its projected rate of return and increase required contributions from employers and some employees (specifically, PEPRA employees, who were hired after the 2012 pension reform). Costs for health insurance are also continuing to increase. As total compensation costs are projected to increase faster than revenues are projected to increase, this will continue to put pressure on the City of Morro Bay, like most cities, to continue to deliver services that residents desire with fewer resources.

Services - This category represents 32.5% of all City expenditures, and includes the cost of professional services, including various types of consultant and contract services, software services, and other services. The services expenditure category exists in both the operating and capital budgets, representing the cost of consultant services required on capital projects. Services costs are also projected to increase with rising inflation.

Capital Outlay - This constitutes 25.1% of the City's budget and accounts for the purchase of vehicles and capital equipment as well as construction costs on capital projects. Construction costs are rising even faster than costs for personnel and services, in part because inflation is compounded by supply chain constraints and local labor shortages. The California Construction Cost Index (CCCI) jumped 24.5% from April 2021 to April 2022.

Other - The other 6% of costs are accounted for by supplies (such as maintenance supplies and operating supplies) and other expenses.



Operating Expenditures by Department

The chart at left demonstrates the share of the City's operating budget that each Department accounts for. There is greater detail about each Department's operations in the Departments section of the budget document.

Public Works represents the largest share of the operating budget at 35%, due to that budget including all Water and Sewer service operating costs as well as maintenance, engineering, and administrative functions.

Police represents the second largest portion of the City's budget at 15%, which includes costs for providing all police services citywide.

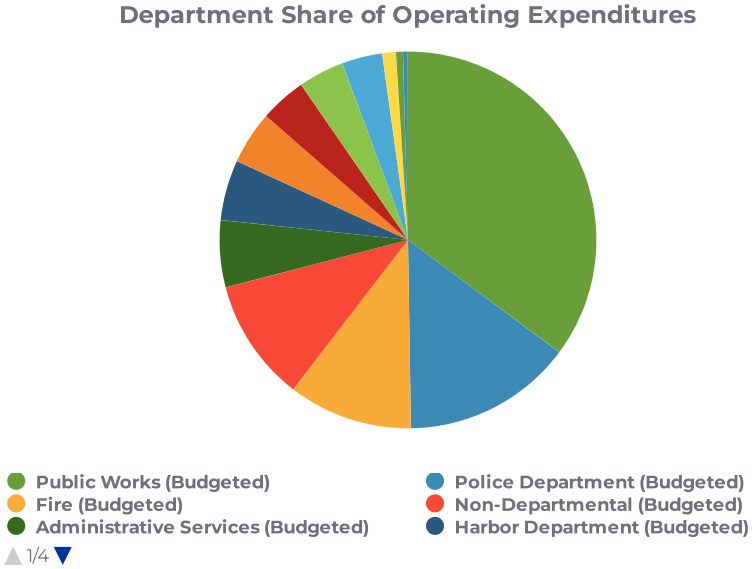
Fire is the third largest share of the City's operating budget at 11%, accounting for the cost of providing all fire services to the City of Morro Bay.

Non-Departmental costs include items such as debt service, costs associated with maintaining City rental property, and in this year's budget, a placeholder for likely personnel cost increases due to ongoing labor negotiations, that will ultimately be reallocated to departments as needed. It also includes the FY 2022-23 contributions to a pension trust, which total just over $1 million.

The departments of **Administratrive Services, Harbor, Risk Management** (within the City Manager's Office), **City Manager's Office, Community Development, Recreation Services,** each represent 3-6% of the City's operating budget.

The City contracts out for **City Attorney** services, which represent 1.2% of the City's operating budget and for **Economic Development** services, which represent 0.6% of the City's operating budget.

The **City Council** budget is the smallest departmental budget, representing 0.4% of the City's operating budget.


Department Share of Operating Expenditures
Public Works (Budgeted)
Police Department (Budgeted)
Fire (Budgeted)
Non-Departmental (Budgeted)
Administrative Services (Budgeted)
Harbor Department (Budgeted)
1/4

City Council Goals & Short-Term Actions

The City of Morro Bay's City Council undertakes a strategic goal-settting excercise every two years. The most recent City Council Goals were established at the end of 2021 to cover calendar year 2022 and Fiscal Year 2022-23. The **Council Goals** are outlined below, along with numerous **Short-Term Action Items** that City staff is undertaking to implement the overarching goals. These goals are in addition to all of **Core City Services** that staff are delivering on an ongoing basis, and built upon the foundation of **Good Governance,** which underlies all of City's work.

In the Departmental Summary pages section of the Budget document, departments outline their key goals and work efforts for the budget year, and identify where those items link to **Council Goals, Core City Services, or Good Governance**.

CITY OF MORRO BAY

2022

GOALS AND SHORT TERM ACTIONS

Morro Bay has a unique geographic location that makes it a beautiful spot for residents to live, visitors to visit, businesses to thrive, animals to call home, and all to recreate. As such, the City has identified its purpose as…the City of Morro Bay provides essential public service and infrastructure to maintain a safe, clean and healthy place for residents and visitors to live, work and play.
The City goals and short-term action items below represent a small percentage of the public services that are provided by City staff to reach this purpose. These City goals signify areas where additional focus and resources may be needed at this point in time. Morro Bay has a highly engaged community that is actively involved in committees, non-profits, advisory bodies, etc., to volunteer time and expertise to support the City in accomplishing our goals and preserving the quality of life within the City of Morro Bay. The City is committed to leveraging this time and its talented employees and volunteers.

PUBLIC INFRASTRUCTURE

Address (1) cleanliness (while maintaining sensitivity to wildlife) and safety issues in heavy tourism areas, (2) conduct a capital needs assessment, and (3) traffic circulation in Embarcadero.

SHORT-TERM ACTIONS

- Conduct a traffic speed survey
- Initiate a capital assessment effort (Harbor, facilities, stormwater, etc.)
- Review options and develop optimal staffing for City maintenance efforts
- Continue work to implement paid parking program and continue work on long-term plan
- Pursue grant opportunities for the Coleman Beach area

FISCAL SUSTAINABILITY & ECONOMIC VITALITY

(1) Create plan to address the City's unfunded liabilities while striving to achieve competitive compensation, (2) determine potential paths to secure funding for capital needs (Harbor and other needs), and (3) support expedient catalyst site development.

SHORT-TERM ACTIONS

- Seek state lobbyist contract to assist in obtaining state funding for City projects
- Assess viability for business improvement districts for Downtown and Embarcadero
- Review development opportunities for the Market Plaza property
- Complete fee study (development impact fees)
- Continue review of Vistra proposed battery project
- Assess cyber security needs
- Prepare and review policy options on liabilities (pension and health care)

HOUSING

(1) Educate the Council on new and existing State legislation related to housing, (2) identify the opportunities for additional housing options and/or explore partnerships to support these efforts, and (3) continue the Community Development Department's efforts to expedite the development review process.

SHORT-TERM ACTIONS

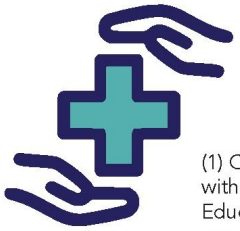
- Complete Zoning Code update
- Development of stock Accessory Dwelling Units (ADU) to provide to public for free
- Provide update to Council on new state housing legislation (such as SB 9) and general education on housing
- Implement Housing element, including reviewing housing by right, objective design guidelines, ADU ordinance update with incentives, update Density Bonus and inclusionary housing requirements
- Bring land use amendment forward for the Seashell estates property to increase density to 7 – 15 unites per acre for a future multifamily housing project
- Complete Cityworks public facing portal and integration of DigEplan (online plan check application)
- Initiate work with the Planning Commission ad hoc committee for the review of the planning process

CLIMATE ACTION

(1) Participate with other cities in SLO County to support climate action planning efforts, (2) educate Council on the technical terms around climate action to support policy advocacy and the identification of critical next steps for Morro Bay, and (3) consider opportunities to reduce reliance on carbon producing energy sources.

SHORT-TERM ACTIONS

- Pursue funding to complete Climate Action Plan update
- Continue review of Vistra proposed battery project
- Pursue electric vehicle charging station funding
- Initiate implementation of SB 1383 (organic waste for residents and businesses)
- Promote Central Coast Community Energy (3CE) New Construction Electrification Program and include in planning materials and on website
- Designate 1 week a year to conduct a renewable energy outreach campaign targeting a specific group
- Create city webpage with links to energy efficient websites
- Elevate "Climate Crisis" to "Climate Emergency" by way of resolution and seek funding to move forward in this area
- Implement 3CE Reach Code Incentive Program electrification of new residential construction with the adoption of 2022 Building Code in Jan 2023



COMMUNITY HEALTH

(1) Create plan to address immediate need for increasing COVID vaccination rates with an emphasis towards target populations with inequitable access or education. (2) Educate Council and staff about Diversity, Equity, and Inclusion (DEI) and engage in a community conversation.

SHORT-TERM ACTIONS

- Provide education to City Council and staff about DEI issues
- Support SLO County Public Health communication efforts to vaccinate members of the Morro Bay community, particularly underrepresented communities
- Inform the County process to update the 10-year plan on homelessness
- Explore opportunities to support County efforts to address homeless issues on the North Coast
- Support Filipino-American group (FANHS) rededication event of their historic monument at Coleman Beach
- Review opportunity for Boys and Girls Club to offer enrichment activities for teens in the Estero Bay region
- Provide community information and resources regarding access to mental health resources to address behavioral health or mental health crises: substance abuse issues, depressive illnesses and exacerbation of previously controlled mental health issues

Short-term Factors

Continued Recovery

The City of Morro Bay continues to experience financial recovery from the economic impacts of the COVID-19 pandemic. In the first several months of the pandemic, two of the City's main sources of revenue--sales tax and transient occupant tax (TOT)--plummeted drastically. It was a hard time for the community, the business community and the City organization. Fast forward to the summer of 2021, the City witnessed record TOT growth, as hotels enjoyed significant increases in their average daily rates combined with near pre-pandemic occupancy rates. At the same time, sales tax in virtually all business sectors jumped nearly 20% over the previous year, surpassing pre-pandemic levels. This record growth led to surpluses in the FY 2020-21 Budget, which have helped the City replenish spent reserves from the pandemic. This positive outcome, coupled with the infusion of new Measure E revenues, stabilized City operations and allowed for enhanced investment in our capital needs.

However, there are also some short-term factors that serve as cautions:

Inflation

Due in large part to COVID-19 impacts on the world supply chain system and significant consumer demand, inflation reached the nation's highest levels in 40 years this March. The Consumer Price Index (CPI) topped 8 percent for the year ending in March 2022 compared to the previous year. In addition, the California Construction Cost Index (CCCI) jumped 24.5% from April 2021 to April 2022.

This inflationary pressure is felt in all aspects of our lives: grocery stores, restaurants and at the pump. As such, consumption rates and related taxes in California, SLO County and Morro Bay may fall. Significant pressure is also being felt by the City organization, as evidenced by rapidly increasing costs in City operations (staffing, supplies, and services) and capital projects.

Staffing

Another outfall from the pandemic is the "great resignation" or "great reshuffling" in the labor market as employees quit their jobs at rates far greater than the pre-COVID-19 period. Whether employees grew overwhelmed with the challenges of working during the global pandemic, or sought better working conditions or better pay in different organizations, or changed careers to find more fulfilling and meaningful work, we are now experiencing a very low unemployment rate nationwide and quit rates remain high. This is creating labor shortages and intense competition for talent in all sectors of our economy and volatility for organizations.

The public sector, particularly state and local government, has been hit hard by the labor shortage, and the trend could worsen in the near-term. According to a December 2021 survey by MissionSquare Research Institute, more than half of state and local workers said they were considering leaving their positions to retire, change jobs, or leave the workforce entirely. It is becoming harder to hire talent, and keep talent in local government. The inability to hire and retain talent is both expensive for cities in terms of the hiring and training process, but vacancies also negatively impact local government's ability to provide core services to the community, and increases the burden on the remaining employees, thus creating a cycle of burnout and greater turnover.

Infrastructure Needs

Nationwide, across California and the Central Coast, and in Morro Bay, we are facing a looming crisis of infrastructure. Our infrastructure - roads, water, sewer, stormwater, harbor/ports, parks, facilities - the very things our community depends upon are increasingly falling into a state of disrepair. Morro Bay is not alone in this challenge. According to the American Society of Civil Engineers 2021 Report Card for America's Infrastructure as a whole, the nation received a grade of C- for the condition of its infrastructure. That grade means that our infrastructure is "mediocore, needs attention." California received the same score as a state. This is especially true in coastal California as our infrastructure is exposed to the harsh marine environs that accelerate deterioration of our roads, pipes, tanks, and the like. The current work on the WRF as well as the recent sewer leak near the Cloisters area brings into sharp relief the need to invest in our infrastructure system.

Morro Bay's infrastructure across the board is in need of repair. Important questions remain: what do you prioritize and how do you fund the effort to repair and upgrade our infrastructure with a limited budget and staff?

Pension Liability

Like most California cities, Morro Bay has a significant unfunded pension liability. These liabilities have developed over decades and have been impacted by CalPERS and State regulatory contexts, leaving many aspects of this challenge out of the City's control. The City has taken incremental steps to address these liabilities over time. On the CalPERS side, the City has pursued cost sharing with employees, making additional discretionary payments when possible, and paying annual payments early in the fiscal year to receive nominal savings.

Despite these incremental efforts, the size and scale of the remaining liabilities is significant. The CalPERS unfunded liability was estimated at just over $27 million in the City's FY 2020-21 Annual Comprehensive Financial Report. This amount could increase given the anticipated poor returns for CalPERS for their investment in the current volatile market.

Conclusion

Taken altogether, City staff are forecasting a leveling off from recent record revenue growth in FY 2022-23. Staff are projecting modest increases in sales tax, TOT and Property tax (the City's three largest revenues for the General Fund). Further, the City is bracing for higher expenses in FY 2022-23 to keep pace with inflation. Finally, the City needs to make greater investments in its infrastructure and reduce its pension liabilities or face far higher costs in the future. The next section discusses what this all means in terms of City funding priorities and outlines the fiscally prudent approach we recommend taking as we develop the FY 2022-23 Budget.

Priorities & Issues

Based upon the factors identified in the previous section, the City should proceed with a fiscally prudent approach. Projected modest revenue growth coupled with the infusion of new funding through Measure E, allows the City to invest in our "Big 3" - operations/people, infrastructure and pension liabilities in FY 2022-23. However, we must be mindful of inflation and market volatility that may drag the national and regional economy into a recession. A recession and associated reduced revenues could impact the City's ability to deliver services to our community. Thus, strong financial reserves levels are warranted.

Funding the "Big Three"

1. Operations - Services to our community depend upon our staff

The total proposed FY 2022-23 operations budget of $35.1 million funds a wide array of services for our community, from public safety to public beautification, from community development to recreation, from harbor to water and sewer services. The budget will help the City continue efforts to achieve the City Council's goals. The key to delivering these services and achieving City goals is attracting and retaining highly qualified employees. The City, like most other organizations, suffered staffing reductions and turnover of many key positions in the aftermath of COVID-19. We have been fortunate to replace some of those positions, but some remain vacant. If this issue is left unaddressed, continued turnover will lead to higher costs for the City (in the form of training, overtime, and need for outside support for highly technical matters) and could lead to significant service disruptions to our community. Thus, the proposed budget includes several important initiatives to counteract the trend and ensure the City of Morro Bay remains a desirable place to work.

- The budget includes a placeholder for compensation increases for all employees. The goal is to ensure employees receive fair increases in compensation compared to neighboring jurisdictions. The City is currently in negotiations with all bargaining groups (Police, Fire and Service Employees International Union). The City will update the budget if needed once those final agreements are in place.
- Staff is recommending that the City conduct a staffing class and compensation study. The study will compare our compensation rates with other similar communities across all position types. With this study in hand, the City can address equity issues to ensure compensation does not dissuade people from working for the City, and just as important, isn't a factor in them leaving the organization.
- The budget also includes funding for training, teambuilding and culture. It is clear from the pandemic, that folks are more intently evaluating their lives. Finding meaning in their work and being part of an organization that values their input are increasingly more important. Thus, staff is requesting funding for training to ensure our staff have the tools and skillsets to perform their duties. The budget has funding for teambuilding efforts across the organization so that we can build a values system. This effort will help build expectations that work will provide meaning, and we will also get things done together. It will help us ensure that with many new staff members, we build a lasting and successful culture, and learn to work together well. These efforts can serve to help motivate current employees and attract talent in the future.
- Staff is requesting funding for an organizational assessment. The world is rapidly evolving and work is a core part of that evolution. Thus, staff believes an assessment is warranted to evaluate our ability to deliver core services effectively in a changing world and identify gaps and areas for innovations. The assessment will include robust engagement with the very staff who participate in service delivery to a): make sure they know they are valued and b): ensure we utilize their expertise to make needed improvements.

2. Capital Investment - Increasing investment to get projects done

The budget allows the City to invest in critical infrastructure improvements by allocating $18.7 million to 23 capital projects. These investments are made possible in large part thanks to our community's support for water and sewer rates and with their approval of Measure E. The City is also better able to execute on some key projects because of added staffing in the Public Works Engineering Division, which may be supplemented by contractual assistance when necessary and advisable. While these investments in known capital needs are important, the City must also professionally assess unknown capital challenges. Thus, this budget also includes funding to assess our harbor/waterfront infrastructure and other city infrastructure. Lastly, rapidly increasing inflation is stretching our investment dollars thinner, impacting our ability to fund and complete projects. Hope is on the horizon, however, as state and federal dollars and other sources of revenue are becoming available.

Below is a summary of the investments and supporting initiatives included in the budget for FY 2022-23 and an outlook for funding opportunities moving forward. Please note the projects are discussed in detail in the "Capital Improvements" section of this budget document.

- **Water Reclamation Facility (WRF) and OneWater Projects** - The FY 2022-23 Budget includes $12.35 million for the WRF, which will allow the City to complete the advanced treatment facility and conveyance components of the project in time to comply with the State's Time Schedule Order. This budget also includes funding for the first set of OneWater projects, in the amount of $1.8 million. The OneWater Plan reviewed and prioritized capital needs within the water, sewer

and stormwater systems. OneWater projects include water water tank rehabilitation rehabilitation projects under construction (Blanca Street Tanks and King Street Tanks), sewer line replacement (Beachcomber) and replacement of the Liftstation #1 force main, as well as emergency fixes to several stormdrains (Juniper/Elena Streets and Sequoia Court). This budget also includes funding to update the OneWater Plan as it was approved in 2018 and is scheduled to be updated, in part, to incorporate rapidly increasing inflation and costs of construction into the plan.

- **City Streets' Safety and Improvements** - The City is investing $1.74 million in road paving for FY 2022/23, which is on top of the $1.1 million paving project currently underway through a budget approved by Council in the FY 2021/22 Budget. According to a recent study of the conditions of our local roads, the City needs to invest roughly $2 million annually to keep up with the current rate of deterioration. So this represents a good start, though additional investment is required. In addition, this budget funds a traffic speed survey, a traffic safety plan, and $600,000 toward improvements to the HWY 1/41/Main Street intersection to help complete the planning and permitting portion of that project.
- **Harbor** - This budget includes $200,000 for planning related to the public boat launch facility replacement project at Tidelands Park. The facility is in need of replacement due to safety concerns, but the City currently lacks funding to construct the project. By completing planning of the project, the City will be more competitively positioned to apply for outside funding to cover the estimated $1 million in construction costs. The FY 2022/23 budget also includes $90,000 to complete work on the refurbished Harbor patrol boat the City received from Port San Luis.
- **Americans with Disabilities Act (ADA) and Miscellaneous Projects** - The FY 2022/23 budget includes funding for two important ADA projects (Lila Kaiser parking lot and Quintana/Main St traffic crossing), elective vehicle charging stations, and a license plate reader program to help the Police Department investigate crimes.
- **Vehicles/Equipment -** The budget includes funding for several water and sewer vehicles and a transit vehicle. The recommended capital equipment purchases list does not include several vehicles that are to be purchased in operating funds, including three police vehicles, as well as an electric vehicle for maintenance operations.
- **Assessment of Capital Needs** - This budget also includes $400,000 to conduct assessments of Harbor infrastructure (docks, piers, lighting, revetment, harborwalk, etc.) and other other capital assets in the City (such as community centers, restrooms, parks, etc.). Having an assessment plan in hand will allow the City to understand and prioritize capital needs, plan for future improvements, and request funding from outside sources.
- **Capital Funding Opportunities** - Given the fact that the City's infrastructure needs significantly exceed its current available funding, the City must seek additional revenue. Those sources include, but are not limited to, state and federal grants. At present there are several key opportunities to consider, including funding from the Federal Bipartisan Infrastructure Law, which will invest $1.2 Trillion in America's infrastructure over the next five years and an unprecedented State surplus budget levels available in the upcoming state budget (topping $90 Billion). Given the intensely competitive nature of these funding sources, the FY 2022/23 Budget includes funding for state and federal advocacy support and grant writing support. Further, Morro Bay community members have qualified a voter initiative for the November 2022 ballot for Harbor/waterfront infrastructure improvements. Lastly, City staff continue to look for other funding sources to support our capital program.
- **Staff Capacity to Complete Projects and CIP Reporting** - Setting aside existing funds and seeking new funding sources to carry out projects are just a part of the infrastructure equation. In addition to funding, the City must also secure sufficient engineer and project management staff capacity to plan for and implement projects. The City has added capacity in the past year by splitting the duties of the PW Director and City Engineer, upgrading an existing engineer position, and adding an engineer tech position (a position that had been cut during COVID out of financial necessity). These staffing changes, plus targeted use of engineering consultants, provide the Engineering Division sorely needed capacity to keep high priority projects moving. In addition, this staffing capacity will allow the City to develop a regular reporting of capital project progress to the Public Works Advisory Board and City Council in the near future.

3. Pension liabilities - Reducing long-term liabilities through consistent short-term actions

Like most California cities, Morro Bay has a significant unfunded pension liability, estimated at just over $27 million in the City's FY 2020-21 Annual Comprehensive Financial Report. The City has taken incremental steps to address these liabilities over time, including cost sharing with employees, making additional discretionary payments to CalPERS when possible, and paying annual unfunded liability payments to CalPERS early in the fiscal year to receive nominal savings.

- **Pension Reserve Policy & Trust Fund -** The next step in addressing the remaining significant unfunded liability is the creation of a section 115 pension trust fund, similar to the City's existing trust fund for other post-employment benefits, which is almost fully funded. Based on City Council's direction to establish a pension reserve policy that will guide current and future contributions to the pension trust fund, $1.06 million in contributions to that fund are budgeted in FY 2022-23. Once invested in that fund, which will allow for higher rates of return than other City investments allow, those funds can only legally be used to make payments towards City pension costs. The newly adopted pension reserve policy will allow the City to make additional future contributions to the trust fund on the heels of good financial years where a surplus is realized and operating reserve policies have already been met. The FY 2022-23 contribution includes funding from the General Fund, Water Fund, Sewer Fund, and Harbor Fund, commensurate with their proportionate shares of the total pension liability.

- **Employee Cost Sharing -** The City is also evaluating opportunities to moderately increase City employees' share of pension costs, particularly for the roughly half of City employees who entered the system prior to pension reform and currently pay a lower share of the total cost of higher-cost and more generous retirement benefits. The City has secured employee cost sharing in the past, which helps to reduce the City's long-term liabilities without overly impacting employees' take-home pay.

Fiscal prudence - Prepared for emergencies and economic instability

While the proposed FY 2022-23 Budget includes investments in our services, staff, capital needs and long-term liabilities, it also creates a financial buffer against future emergencies and economic slowdowns. This comes in the form of prudent revenue projections and meeting all of the City's robust financial reserve levels. The City must also do what it can to sustain and grow its local economy.

- **Prudent Revenue Projections -** Roughly one-quarter of the City's revenues come from the relatively volatile revenue sources of sales tax (15% of total revenue) and transient occupancy tax (9% of total revenue) that fluctuate with economic trends and tourism levels. These tax revenues, along with the more stable property tax revenues (11% of total revenues) are used to provide general services that are not covered by anyone receiving an individual benefit from a service, such as public safety services and infrastructure maintenance. Approximately 46% of the City's total revenue comes from charges for current service such as water and sewer rates revenues, harbor lease revenues, and fees for recreation services, which are used to cover the cost of providing the service to individuals that benefit directly from a service and therefore pay for it directly. As a small City with a relatively large portion of its revenues used to provide general services coming from sources that are prone to fluctuation, it is critical for the City to have robust reserve policies, outlined below, and to project relatively conservatively for the less predictable revenue sources. Both sales tax and TOT have experienced rapid growth post-pandemic, rebounding to levels higher than pre-pandemic levels during FY 2021-22, and property tax has continued its relatively stable gains of 3-4% per year in recent years. Going forward, much more moderate growth (in the 2-3% range) is projected for both sales tax and TOT revenues in FY 2022-23 and subsequent years, while property tax is projected to continue its 3-4% growth per year trend. These projections are derived in partnership with San Luis Obispo County for property tax, HdL sales tax consultants for sales tax, and Visit Morro Bay for TOT revenue.
- **Robust City Reserve Levels** - As a small City with a large share of revenues associated with tourism activity, the City of Morro Bay has robust reserve policies to ensure that it is able to weather economic downturns, natural disasters, or other emergencies and maintain core City services. The need for these reserves became particularly apparent through the significant impact on the City from the COVID-19 pandemic. The City was fortunate to have some reserves from which to drawdown to continue providing core services, but significant budget cuts were still required. The recovery from the pandemic has allowed the City to restore and expand reserve levels. At the end of FY 2022-23, this budget projects that reserve levels in the General Fund and associated funds (Vehicle Replacement, Compensated Leave, Capital Project Accumulation, etc.) will total approximately $8.7 million, exceeding the minimum General Fund Emergency Reserve policy level of 33% of operating expenditures and, collectively across those various reserves, reaching a level of approximately 50% of General Fund operating expenditures in FY 2022-23. Reserves in the major enterprise funds, Water, Sewer, and Harbor, all also exceed minimum target levels of 15-25% of operating expenditures. This strong reserve position has been achieved through Council's commitment to fiscal sustainability. A comprehensive list of City reserve policies can be found in the Financial Policies section of the budget, and each Fund Summary presents the historic and projected fund balance and reserve level if a reserve policy exists for that fund.
- **Invest in Economic Development** - Lastly, and related to fiscal and economic sustainability, the proposed budget invests in partnerships with Morro Bay Chamber to provide economic development services on behalf of the City. This effort, combined with strong relationships with Visit Morro Bay, Visit SLO CAL, and REACH (a SLO County and Santa Barbara County regional economic non-profit) will help the City and business community to strengthen existing industries and help diversify our local economy. Playing to our existing strengths and adapting to the changing world and taking advantage of opportunities such as green energy will position our community to be sustainable into the future.

Personnel Changes

Due to the recovery from the pandemic, revenue growth, and the voters' passage of Measure E in 2020, the City has been able to restore staffing to pre-pandemic levels and in some cases increase staffing moderately where resources have been particularly constrained.

Impacts of COVID-19 on Staffing

Including part-time staffing reductions, the City reduced staffing by over 25 full-time equivalent positions after the onset of the COVID-19 pandemic and the immediate revenue reductions that the City experienced. Staff voluntarily accepted temporary pay reductions to prevent additional layoffs. This represented significant challenges for the organization and its ability to continue to deliver core City services. The pandemic and broader shifting employment trends have also played a role in the significant recent turnover that the City has experienced, and in some of the City's recruitment and retention challenges.

Recovery & Restoration of Staffing

The FY 2020-21 budget operated at significantly reduced staffing levels. In FY 2021-22, recovery from the pandemic was well underway and the City was able to budget for the restoration of many positions at the beginning of FY 2021-22, and additional positions at midyear of FY 2021-22, after revenues were more fully restored. The full-time and part-time staffing changes by Department at each stage are outlined below. This gradual restoration and augmentation of staffing resources over time will allow the City to continue to provide core City services that community members expect, and to tackle a wide range of City Council goals and deferred capital improvements.

Staffing Changes in the FY 2022-23 Budget

The FY 2022-23 budget adds a net total of 2.1 full-time positions and 7 full-time equivalent part-time positions (in terms of the total number of hours budgeted), for a Citywide total of 105.1 full-time positions and part-time staffing that equates to 28.7 full-time positions, in terms of the number of part-time hours budgeted.

For FY 2022-23, the staffing changes are as follows:

- Addition of a Community Services Officer non-sworn position in the Police Department to assist the Department with significant workload challenges
- Addition of a Building Inspector/Code Enforcement Officer in Community Development to support the short-term rental ordinance implementation and to address increased needs for building inspections and plan checks
- Addition of an Administrative Technician in the Public Works Department to help support departmental operations, financial administration, and capital project support
- Deletion of an Environmental Programs Manager in the Public Works Department, duties to be covered by other positions
- Addition of part-time staffing in the Recreation Services Division that equates to 4.6 additional full-time positions, continuing to restore services to pre-pandemic levels
- Addition of part-time staffing in the Fire Department that equates to 2.0 additional full-time positions, to ensure sufficient reserves are available during wildfire season
- Smaller adjustments to part-time staffing levels in other departments (representing less than one full-time equivalent position Citywide)

CITYWIDE SUMMARY FULL-TIME STAFFING

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Mid-year	2022-23 Budget
Total City FTEs					
City Manager	5.0	4.0	4.0	5.0	5.0
Administrative Services	7.0	6.0	7.0	9.0	9.0
Recreation Services	4.0	2.0	3.8	4.0	4.0
Community Development Dept	6.0	5.0	6.0	6.0	7.0
Police Department	21.4	20.4	21.4	21.4	22.5
Fire Department	13.8	13.8	15.0	15.0	15.0
Public Works	34.3	31.0	35.0	36.6	36.6
Harbor Department	6.0	6.0	6.0	6.0	6.0
Total City-wide FTEs	**97.4**	**88.1**	**98.1**	**103.0**	**105.1**

CITYWIDE SUMMARY PART-TIME STAFFING					
	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Mid-year	2022-23 Budget
Total City FTEs					
Administrative Services	0.3	0.3	0.4	0.4	0.6
Recreation Services	14.6	0.0	5.2	11.2	15.8
Community Development Dept	2.3	1.5	1.5	1.5	1.9
Fire Department	5.2	5.2	2.6	2.6	4.6
Public Works	1.4	0.7	2.6	2.6	2.7
Police	0.8	0.0	0.0	0.0	0.0
Harbor Department	4.0	2.4	3.4	3.4	3.2
Total City-wide FTEs	**28.5**	**10.0**	**15.7**	**21.7**	**28.7**

Ongoing Personnel Challenges

Remaining Staffing Deficiences - There are still areas of the organization where staffing deficiencies remain. The City is engaging the Centre for Organization Effectiveness to conduct an organizational assessment of the Harbor Department currently, and will engage them to conduct broader organizational assessments in FY 2022-23. There are many areas where the City's current staffing levels demand very high workloads of staff, also contributing to burnout and turnover. In addition, there are areas where the City may be missing out on opportunities, such as the ability to apply for grant revenues or to implement best practices in key areas due to a lack of staffing capacity. In addition, limited staffing levels do not always allow for sufficient training or professional development opportunities for staff, or for succession planning, which is critical to such a small organization. Despite incremental staffing increases, the City continues to provide a broad array of services as a full-service City--where public safety services are not contracted out and where utilities are provided directly by the City--using a very small staff team.

Increasing Wages - The City is currently in labor negotiations with all three bargaining groups, whose contracts all expire on June 30, 2022. As inflation hits record levels, wages have also increased. According to the Bureau of Labor Statistics, wages nationally rose between 3.2 and 4.8 percent from March 2021 to March 2022. Some local cities are offering cost of living adjustments that are higher than the national average, in part because of skyrocketing housing costs in the SLO County region, which are making it more challenging to recruit and retain talented employees, and in part because local government employees in this region often earn less than in other nearby regions, further contributing to recruitment challenges. While the City of Morro Bay's current labor negotiations are still ongoing, the City anticipates increasing pressure in the area of salaries and wages in the near future. This is a challenge when the City's revenues are not projected to increase at the same rates as wages may, and as non-salary personnel costs are also increasing.

Increasing PERS costs - CalPERS recently lowered its discount rate, or projected rate of return, from 7.0% to 6.8%, which will result in mandatory increases in employer's PERS costs, and in employee costs for those employees who entered the system after pension reform in 2012 (referred to as PEPRA employees). Employer costs are projected to rise by 2-5 percent in FY 2023-24. If CalPERS experiences even lower market returns in the near future, they may further lower the discount rate, which would further increase required employer contributions. These "normal cost" contributions for current year-retirement benefits are on top of the City's one-time unfunded actuarial liability (UAL), which was recorded at just over $27 million in the most recent Annual Comprehensive Financial Report. The FY 2022-23 budget takes additional steps to address the large UAL by establishing a section 115 pension trust based on the City's newly adopted pension reserve policy. The FY 2022-23 budget contributes $1.06 million to the pension trust citywide.

Other Post-Employment Benefits - These present and anticipated cost increases will be offset to a small degree by eliminating additional contributions to the City's Other Post-Employment Benefit (OPEB) trust account in FY 2022-23 and going forward. That trust fund is largely fully funded, and discussions with the City's financial advisors and actuaries have confirmed that the City should direct any available funds to the much larger unfunded CalPERS liability instead.

In sum, while Measure E-20 and the City's current recovery from the pandemic have strengthened revenues currently, rising personnel costs will continue to make it challenging for the City to address the increasingly complex set of legal and regulatory requirements associated with continuing to provide core City services and also addressing community and City Council goals and priorities with existing resources.

Fund Balances Summary

Fund Description	Fund Number	FY 18-19	FY 2019-20	FY 20-21	FY 21-22 Projected	FY 22-23 Projected
General Fund (nonspendable)	001	3,934	3,972	3,974	3,212	3,212
General Fund (committed - GF only)					798	
General Fund (unassigned - GF only)	001	473	407	2,763	3,955	1,521
Compensable Leave	005	224	224	148	173	254
General Fund Vehicle Replacement Fund	050	326	346	406	574	720
General Fund Emergency Reserve Fund	051	3,142	1,766	2,422	4,290	5,377
General Fund Facility Maintenance Fund	052	111	95	100	68	68
General Fund Capital Accumulation Fund	460	208	213	214	617	617
General Fund Project Accumulation Fund	470	296	302	303	-	-
Total General Fund		**8,714**	**7,325**	**10,330**	**13,687**	**11,769**
Risk Management Fund	430	1,530	1,648	1,651	1,027	1,027
Information Technology Fund	450	177	230	314	357	302
Total Internal Service Funds		**1,707**	**1,878**	**1,965**	**1,384**	**1,329**
American Rescue Plan Act	019	-	-	-	975	691
State Gas Tax Fund	250	-	-	-	-	-
Total Special Revenue Funds		**-**	**-**	**-**	**975**	**691**
Measure Q&E	003	343	645	1,375	1,021	151
Tourism Business Improvement District (TBID)	007	37	37	805	-	-
Community Development Grants	200-206	302	177	1,013	1,013	1,013
Economic Development Fund	907	190	1,105	1,029	1,007	910
Affordable Housing In-Lieu	941	300	257	259	140	155
Parking In-Lieu	299	376	385	341	299	209
Lower Cost Accomodations Mitigation Fee fund (restricted)	270	55	56	14	14	14
Traffic Safety Fund	280	1	1	1	-	-
Special Safety Grants	282	206	293	219	219	132
Bike Path Fund	302	29	40	48	62	4
LTF Roads	303	71	72	72	2	-
Assessment Districts Fund	500	74	77	80	79	82
North Point Assessment District Fund	565	(7)	(15)	(19)	(19)	(19)
Cloisters Park Maint AD	570	106	90	92	142	142
Cloisters Park Accumulation Fund	575	95	80	69	-	-
Governmental Impact Fees	900	854	1,036	995	1,609	1,656
Community Benefit Fund	906	-	250	250	80	80
Harbor State Park Marina Fund	924	462	544	644	731	826
Triangle Lot-Boat Storage Yard	925	-	14	27	50	80
Park Fee Fund (Quimby Act)	904	274	280	318	249	249
Total Governmental Funds (nonmajor)		**3,768**	**5,424**	**7,632**	**6,698**	**5,684**

Fund Description	Fund Number	FY 18-19	FY 2019-20	FY 20-21	FY 21-22 Projected	FY 22-23 Projected
Transit Operating Fund	301	223	456	407	545	593
Transit Capital Improvement Fund	920	-	-	119	119	119
Harbor Operating	331	(1,826)	(1,902)	(1,305)	(1,604)	(1,617)
Harbor Capital Improvement	923	-	-	-	706	106
Harbor Accumulation Fund	953	389	334	269	-	-
Harbor Equipment Replacement Fund	055	57	69	69	-	-
Water Operating	311	10,476	17,243	17,591	19,840	18,392
Water Capital Improvement	921	-	-	-	3,952	1,896
Water Accumulation Fund	951	3,664	93	3,226	-	-
Water Equipment Replacement Fund	921	276	151	208	-	-
Water Discount Program Fund	315	503	593	371	287	291
Sewer Operating	321	16,450	29,238	29,870	35,225	31,256
Sewer Capital Improvement	922	-	-	-	1,543	543
Sewer Accumulation Fund	952	3,992	(4,794)	741	-	-
Sewer Equipment Replacement Fund	054	465	476	535	-	-
Total Enterprise Funds		**34,669**	**41,957**	**52,101**	**60,613**	**51,579**
MB/Cayucos Wastewater Treatment Plant Fund	599	-	-	-	-	-
Trust and Agengcy Fund	515	1,041	1,000	1,307	1,345	1,383
General Capital Projects Fund	915	-	-	791	3,986	165
All Funds Total		**49,899**	**57,584**	**74,126**	**88,688**	**72,600**

Projected fund balances are higher in FY 2021-22 than the subsequent or prior years due largely to capital projects that were budgeted but will not be completed in FY 2021-22. The unexpended funds will be carried forward into FY 2022-23 and are anticipated to be spent then, thereby reducing the fund balances in FY 2022-23, to the extent that progress is made on capital projects. In other cases (e.g. ARPA, Economic Development, or impact fee funds), the City is spending one-time revenues on one-time expenditures, thereby reducing fund balances in FY 2022-23. In the General Fund, one-time expenditures for the USDA loan payoff and a pension trust contribution will lower the fund balance, though the fund still has an operating surplus.

Forecasts for Major Funds

These will be added prior to budget adoption.

Budget Adoption Resolution

This section will be added after the budget is adopted.

GANN Limit Calculation

This data will be added prior to budget adoption in June.

FUND SUMMARIES

Citywide Budget Summary - All Funds

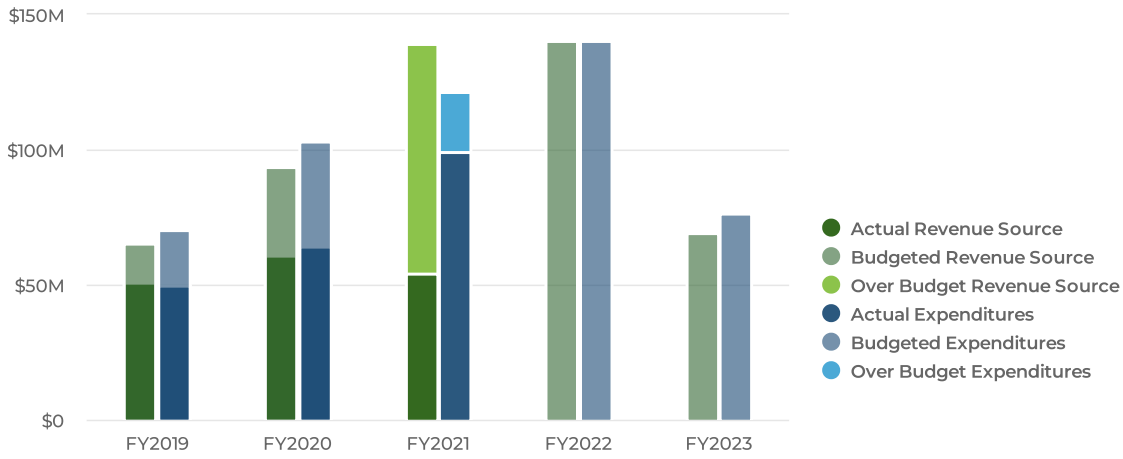
This Citywide budget summary presents data for all funds, including both operating and capital budgets.

Summary

The City of Morro Bay's Citywide revenue budget for FY 2022-23 is $69.3 million. Net of transfers, the revenue budget is $46.4 million, which represents a 0.6% decrease from the prior year, primarily due to the change in recording Tourism Business Improvement District funding; otherwise revenues citywide would be increasing.

The City of Morro Bay's Citywide expenditure budget for FY 2022-23 is $76.5 million. Net of transfers, the total Citywide Expenditure Budget is $53.8 million, which represents a 55% decrease over the prior year budget, primarily due to budgeted expenditures being lower for the Water Reclamation Facility (WRF) project.

The portion of the expenditure budget that is not covered by current-year revenues reflects the use of available Water and Sewer fund balances to cover the costs of water and sewer capital improvement projects in FY 2022-23.



Revenue by Fund

The City's largest revenue-generating fund is the **General Fund**, which comprises 26.5% of the City's revenue for FY 2022-23, a budgeted increase of 9% over FY 2021-22 budgeted revenue levels. This reflects a continued recovery from the COVID-19 pandemic, a one-time transfer in of American Rescue Act funds (ARPA), and anticipated increased revenue associated with Morro Bay providing mutual aid during wildland fire incidents outside of the City.

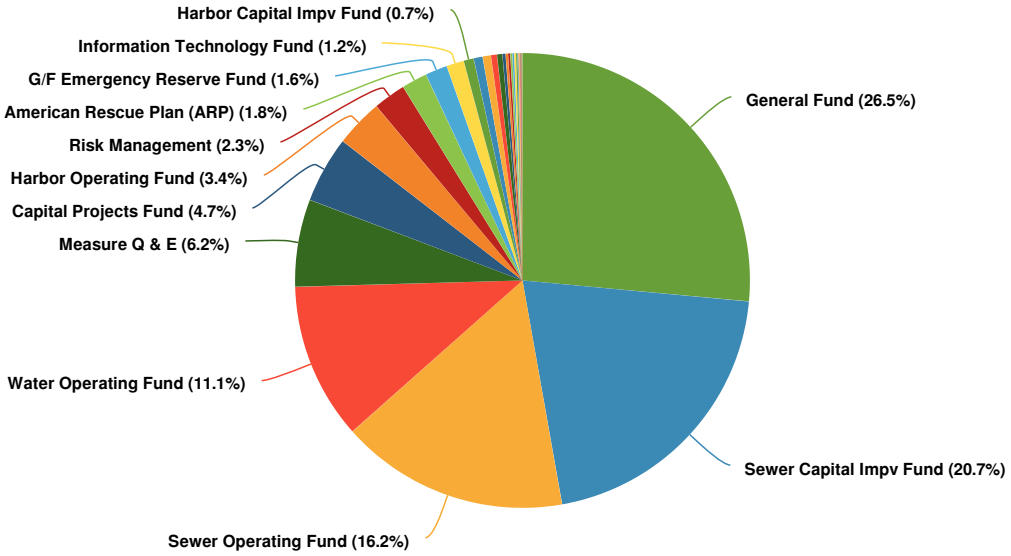
The **Sewer Capital Improvement Fund** revenues represent transfers in from other funds in order to fund Sewer capital projects; these appear in the interfund transfers category under expenditures by type.

The **Sewer and Water Operating Funds** generate the highest levels of revenue after the General Fund, representing water and sewer rates from ratepayers. Revenues are largely stable since there is no rate increase budgeted for FY 2022-23, but the Sewer Operating Fund's revenues also include projected loan drawdowns from the WRF project financing.

The **Measure Q & E** fund represents a growing proportion of Citywide revenue, with the 1.5% local sales tax projected to generate over $4 million in FY 2022-23.

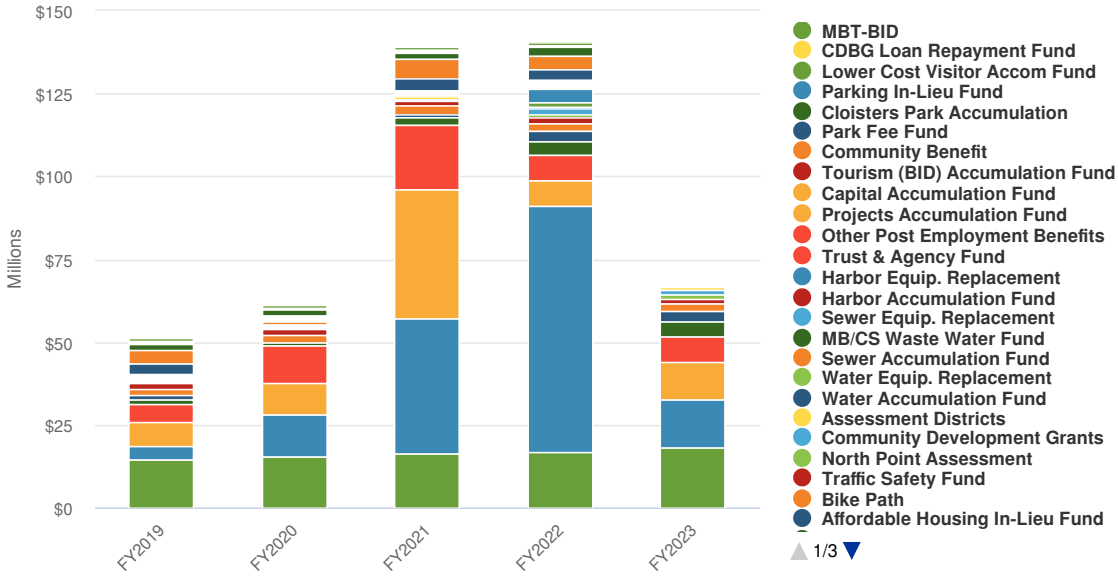
Revenues information is presented in detail for each fund in the Fund Summaries section of the Budget.

2023 Revenue by Fund



The spike in FY 2020-21 revenue is due to receipt of loan disbursement proceeds associated with the Water Reclamation Facility (WRF) capital project. This is also projected in the high FY 2021-22 projected actual revenues, given that FY 2021-22 is the year of most significant construction for the WRF.

Budgeted and Historical 2023 Revenue by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund	$16,830,411	$17,193,976	$18,348,748	9%
Unfunded Compensable Leave	$25,000	$25,000	$81,000	224%
Gen. Gov. Vehicle Replacement	$138,000	$168,400	$270,000	95.7%
G/F Emergency Reserve Fund	$1,531,250	$1,887,500	$1,087,000	-29%
G/F Facility Maintenance Fund	$24,000	$24,000	$38,000	58.3%
Capital Accumulation Fund	$100,000	$403,490	$0	-100%
Risk Management	$1,580,981	$1,578,871	$1,593,723	0.8%
Information Technology Fund	$695,499	$730,499	$860,620	23.7%
American Rescue Plan (ARP)	$1,261,055	$1,261,055	$1,261,055	0%
State Gas Tax Fund	$243,222	$260,000	$300,362	23.5%
MBT-BID	$926,015	$1,115,000	$0	-100%
Measure Q & E	$3,938,184	$3,949,183	$4,292,000	9%
Community Development Grants	$93,956	$4,190	$4,036	-95.7%
Traffic Safety Fund	$10,000	$0	$10,000	0%
Special Safety Grants	$100,000	$100,000	$100,000	0%
Bike Path	$9,504	$10,293	$14,085	48.2%
LTF Roads	$0	$0	$50,000	N/A
Assessment Districts	$0	$2,832	$2,832	N/A
North Point Assessment	$5,645	$5,645	$5,645	0%
Cloisters Park Maint AD	$148,944	$199,510	$148,944	0%
Governmental Impact Fees	$42,650	$685,365	$46,750	9.6%
Economic Development Fund	$117,806	$117,806	$117,806	0%
Capital Projects Fund	$3,403,615	$3,422,589	$3,282,346	-3.6%
State Park Marina	$92,000	$92,000	$95,000	3.3%

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Triangle Lot - Boat Storage Yard	$43,000	$44,000	$46,000	7%
Affordable Housing In-Lieu Fund	$10,000	$31,000	$20,000	100%
Transit Fund	$440,325	$432,676	$402,253	-8.6%
Transit Capital Impv Fund	$802,006	$802,006	$110,000	-86.3%
Harbor Equip. Replacement	$85,000	$0	$0	-100%
Harbor Operating Fund	$2,220,100	$2,327,000	$2,360,964	6.3%
Harbor Capital Impv Fund	$990,000	$890,000	$500,000	-49.5%
Harbor Accumulation Fund	$118,000	$118,000	$0	-100%
Sewer Operating Fund	$7,899,605	$63,583,790	$11,244,348	42.3%
MB/CS Waste Water Fund	$2,610,832	$2,139,412	$0	-100%
Sewer Capital Impv Fund	$74,241,713	$56,073,581	$14,378,784	-80.6%
Sewer Accumulation Fund	$4,351,481	$4,469,481	$0	-100%
Water Operating Fund	$7,540,200	$7,487,700	$7,704,200	2.2%
Water Discounts/Rebates	$93,000	$45,000	$80,000	-14%
Water Capital Impv Fund	$4,402,147	$4,402,147	$444,000	-89.9%
Water Accumulation Fund	$3,141,092	$3,259,592	$0	-100%
Trust & Agency Fund	$15,500		$0	-100%
Total:	**$140,321,739**	**$179,342,589**	**$69,300,501**	**-50.6%**

Revenues by Source

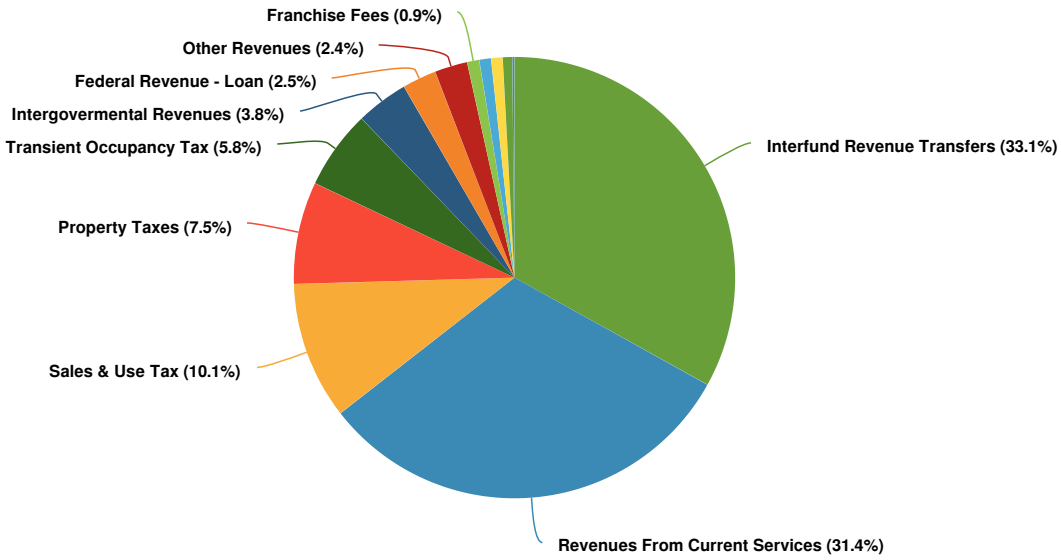
The City receives the largest share of its revenue as payment for the services it provides, including water services, sewer services, lease revenues, planning and permitting fees, and fees for recreation services.

Tax revenues, including sales and use tax, property tax, and transient occupant tax, represent that second largest share of City revenues. These revenues are used to provide general services that are not covered by anyone receiving an individual benefit from a service, such as public safety services and infrastructure maintenance.

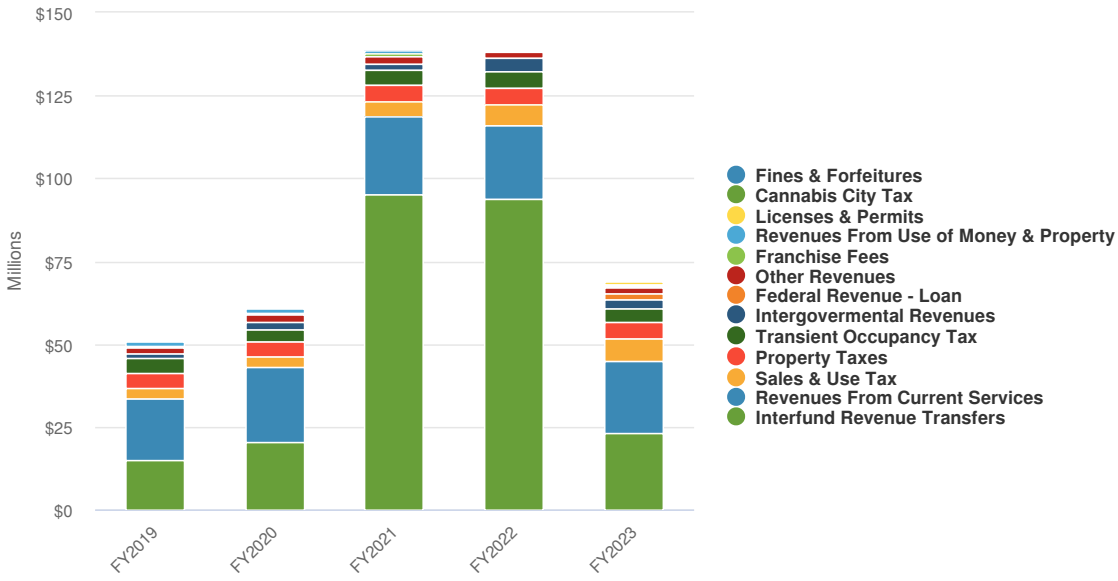
Each revenue source and trends for major revenue sources are explained in greater detail within each individual fund summary in the budget document.

Net of transfers, the revenue budget is $46.4 million, which represents a 0.6% decrease from the prior year, primarily due to the change in recording Tourism Business Improvement District funding; otherwise revenues citywide would be increasing.

Projected 2023 Revenues by Source



Budgeted and Historical 2023 Revenues by Source



Total Citywide Revenues Net of Transfers: $46.4 million.

Note that in the table below, Transient Occupancy Tax includes funds that the City previously received in the TBID fund, which are now passed along to Visit Morro Bay as the TBID operator beginning in FY 2021-22. In FY 2022-23, that fund will be closed out and all TBID revenues will be passed through the City's trust and agency fund (515), only budgeting for the 3% administrative fee that the City collects for the service of collecting and remitting those funds to Visit Morro Bay. With the TBID share of TOT removed, TOT will grow modestly in FY 2022-23 over FY 2021-22 levels.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenue Source				
Property Taxes	$5,147,424	$5,151,031	$5,195,321	0.9%
Intergovermental Revenues	$3,995,724	$3,688,794	$2,651,548	-33.6%
Sales & Use Tax	$6,398,640	$6,409,639	$6,982,000	9.1%
Cannabis City Tax	$480,000	$480,000	$480,000	0%
Transient Occupancy Tax	$4,853,884	$5,042,869	$4,006,000	-17.5%
Franchise Fees	$572,259	$572,259	$623,460	8.9%
Licenses & Permits	$520,673	$644,225	$582,245	11.8%
Revenues From Current Services	$22,309,494	$24,333,452	$21,758,563	-2.5%
Fines & Forfeitures	$115,000	$51,480	$108,300	-5.8%
Other Revenues	$1,738,140	$1,896,961	$1,661,817	-4.4%
Revenues From Use of Money & Property	$601,500	$640,154	$595,000	-1.1%
Interfund Revenue Transfers	$93,589,000	$76,075,935	$22,921,899	-75.5%
Federal Revenue - Loan	$0	$54,355,790	$1,734,348	N/A
Total Revenue Source:	**$140,321,739**	**$179,342,589**	**$69,300,501**	**-50.6%**

Expenditures by Fund

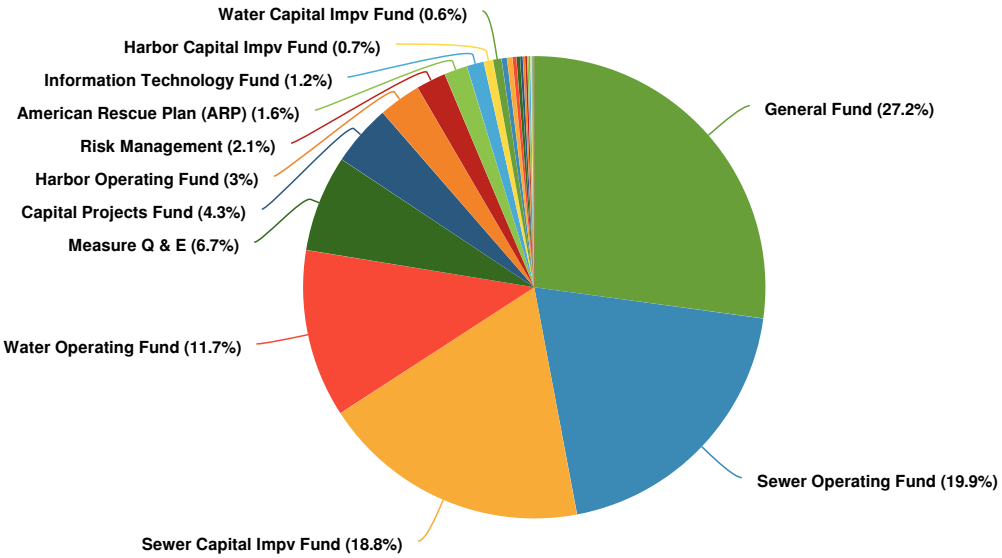
The City of Morro Bay's Citywide expenditure budget for FY 2022-23 is $76.5 million. Net of transfers, the total Citywide Expenditure Budget is $53.8 million, which represents a 55% decrease over the prior year budget, primarily due to budgeted expenditures being lower for the Water Reclamation Facility (WRF) project. The portion of the expenditure budget that is not covered by current-year revenues reflects the use of available Water and Sewer fund balances to cover the costs of water and sewer capital improvement projects in FY 2022-23.

Each major expenditure and trends are explained in greater detail within each individual fund summary in the budget document. Several funds below have no budgeted expenditures, in many cases because duplicative funds are being closed out at the end of FY 2021-22 consistent with Government Finance Officer Association best practices.

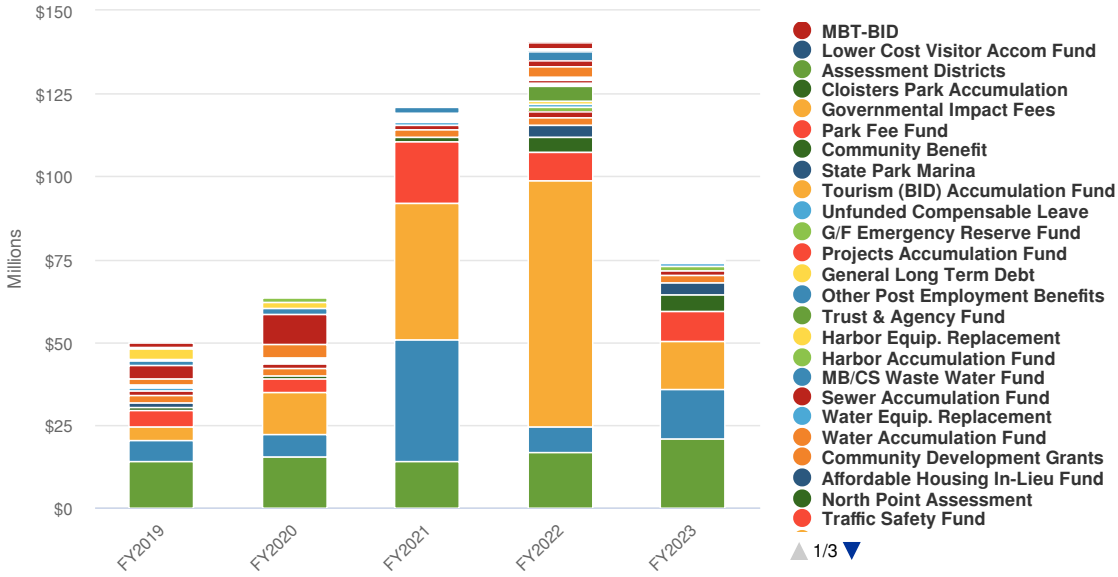
The spike in FY 2020-21 expenditures is due to receipt of loan disbursement proceeds associated with the Water Reclamation Facility (WRF) capital project. This is also projected in the high FY 2021-22 projected actual expenditures, given that FY 2021-22 is the year of most significant construction for the WRF. While expenditures are made out of the capital budget, revenues are received in the Water and Sewer Operating Funds and are then transferred to the Sewer Capital Fund, resulting in a transfer out expenditure in the operating budget.

The significant increase in General Fund expenditures in FY 2022-23 is due to one-time transfers to reserve funds, a one-time debt payoff, and a one-time contribution to address the City's unfunded pension liability. These are explained in detail in the General Fund Fund Summary.

2023 Expenditures by Fund



Budgeted and Historical 2023 Expenditures by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund	$16,665,520	$16,079,512	$20,783,164	24.7%
Gen. Gov. Vehicle Replacement	$38,000	$0	$124,000	226.3%
G/F Emergency Reserve Fund	$20,200	$20,200	$0	-100%
G/F Facility Maintenance Fund	$55,500	$55,500	$38,000	-31.5%
Projects Accumulation Fund	$0	$303,490	$0	0%
Risk Management	$2,204,546	$2,201,264	$1,593,723	-27.7%
Information Technology Fund	$712,188	$687,356	$914,990	28.5%
American Rescue Plan (ARP)	$1,284,540	$286,429	$1,245,000	-3.1%
State Gas Tax Fund	$243,222	$243,222	$300,362	23.5%
MBT-BID	$1,805,505	$1,920,000	$0	-100%
Measure Q & E	$4,536,808	$4,303,097	$5,161,531	13.8%
Community Development Grants	$93,956	$4,190	$4,036	-95.7%
Traffic Safety Fund	$11,541	$11,541	$10,000	-13.4%
Special Safety Grants	$100,918	$100,918	$187,350	85.6%
Parking In-Lieu Fund	$81,809	$41,809	$90,000	10%
Bike Path	$43,554	$3,500	$72,423	66.3%
LTF Roads	$70,630	$70,630	$52,142	-26.2%
North Point Assessment	$5,080	$5,080	$5,645	11.1%
Cloisters Park Maint AD	$134,050	$184,616	$148,944	11.1%
Cloisters Park Accumulation	$0	$50,566	$0	0%
Governmental Impact Fees	$71,457	$71,457	$0	-100%
Park Fee Fund	$69,500	$69,500	$0	-100%
Community Benefit	$170,000	$170,000	$0	-100%
Economic Development Fund	$366,820	$140,000	$215,000	-41.4%

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Capital Projects Fund	$3,614,221	$273,836	$3,282,346	-9.2%
State Park Marina	$5,000	$5,000	$0	-100%
Triangle Lot - Boat Storage Yard	$19,850	$19,850	$16,000	-19.4%
Affordable Housing In-Lieu Fund	$150,000	$150,000	$5,000	-96.7%
Transit Fund	$302,141	$289,002	$283,861	-6.1%
Transit Capital Impv Fund	$802,006	$802,006	$110,000	-86.3%
Harbor Equip. Replacement	$50,000	$69,000	$0	-100%
Harbor Operating Fund	$2,246,429	$1,946,355	$2,268,488	1%
Harbor Capital Impv Fund	$990,000	$184,000	$500,000	-49.5%
Harbor Accumulation Fund	$380,000	$387,000	$0	-100%
Sewer Equip. Replacement	$0	$534,674	$0	0%
Sewer Operating Fund	$7,901,154	$62,255,429	$15,212,747	92.5%
MB/CS Waste Water Fund	$2,617,144	$2,139,412	$0	-100%
Sewer Capital Impv Fund	$74,179,722	$54,530,790	$14,378,784	-80.6%
Sewer Accumulation Fund	$1,717,791	$5,209,791	$0	-100%
Water Equip. Replacement	$60,000	$208,000	$0	-100%
Water Operating Fund	$8,460,709	$8,430,586	$8,988,943	6.2%
Water Discounts/Rebates	$150,000	$129,100	$76,000	-49.3%
Water Capital Impv Fund	$4,391,429	$450,000	$444,000	-89.9%
Water Accumulation Fund	$3,502,350	$6,486,350	$0	-100%
Trust & Agency Fund	$15,500	$0	$0	-100%
Total:	**$140,340,789**	**$171,524,058**	**$76,512,479**	**-45.5%**

Expenditures by Department

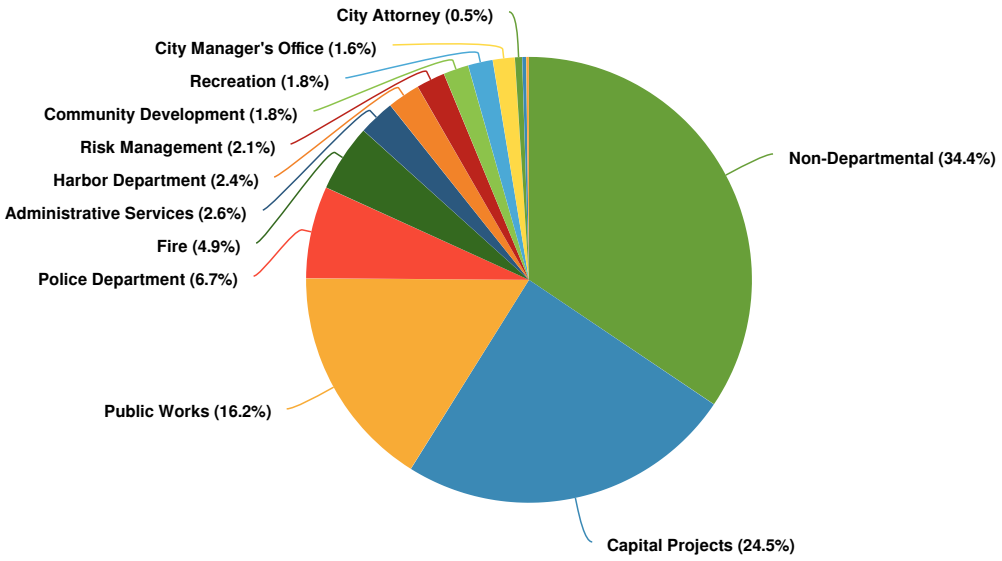
They Citywide budget includes interfund transfers between funds, which appear in the nondepartmental category, as well as capital projects, which represent 23 projects afundt a total of $18.7 million in FY 2022-23.

Public Works is the largest Department both in terms of number of staff positions and expenditures, which includes all water and sewer service operating costs. Police has the second highest budget, followed by Fire.

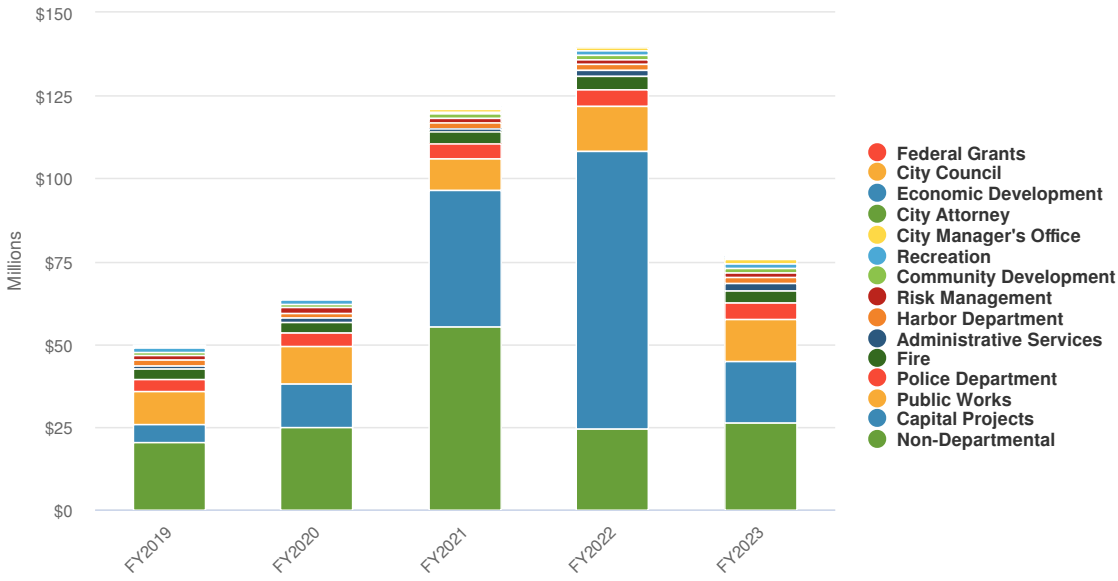
The remaining departments represent a much smaller share of the Citywide budget each, with the City Council budget representing the smallest departmental budget.

The Executive Overview section of the budget presents percentage of operating budget by department, net of transfers.

Budgeted Expenditures by Department



Budgeted and Historical Expenditures by Function

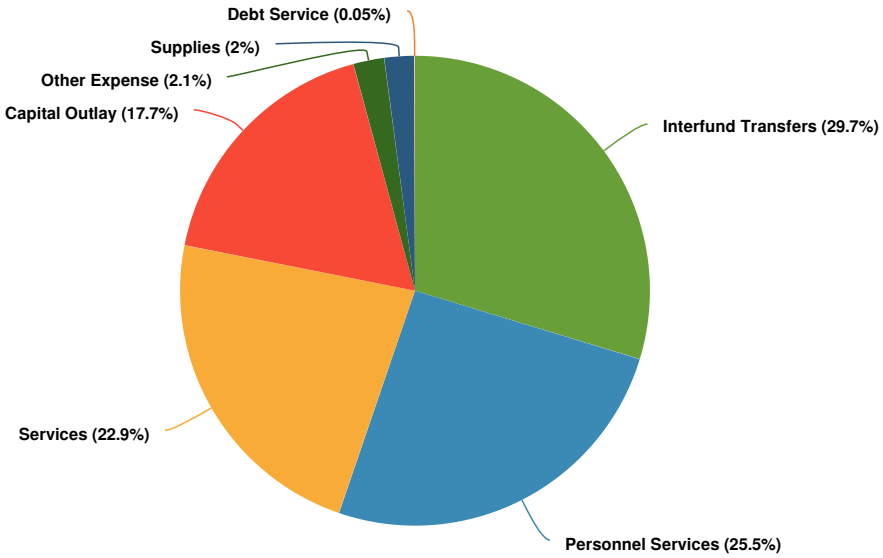


Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expenditures				
City Council	$159,610	$112,189	$145,220	-9%
City Manager's Office	$957,178	$904,773	$1,221,233	27.6%
City Attorney	$483,823	$441,068	$408,174	-15.6%
Administrative Services	$1,750,878	$1,538,353	$2,014,022	15%
Federal Grants	$93,956	$4,190	$4,036	-95.7%
Police Department	$4,812,802	$4,683,608	$5,115,537	6.3%
Fire	$3,977,755	$3,838,033	$3,738,827	-6%
Risk Management	$1,504,546	$1,501,264	$1,593,723	5.9%
Public Works	$13,849,582	$12,824,390	$12,406,262	-10.4%
Community Development	$1,172,525	$1,178,973	$1,399,978	19.4%
Recreation	$1,178,630	$1,163,030	$1,371,702	16.4%
Harbor Department	$2,003,408	$1,682,997	$1,816,358	-9.3%
Economic Development	$140,000	$140,000	$215,000	53.6%
Non-Departmental	$24,273,719	$85,265,558	$26,347,278	8.5%
Capital Projects	$83,982,378	$56,245,632	$18,715,130	-77.7%
Total Expenditures:	**$140,340,789**	**$171,524,058**	**$76,512,479**	**-45.5%**

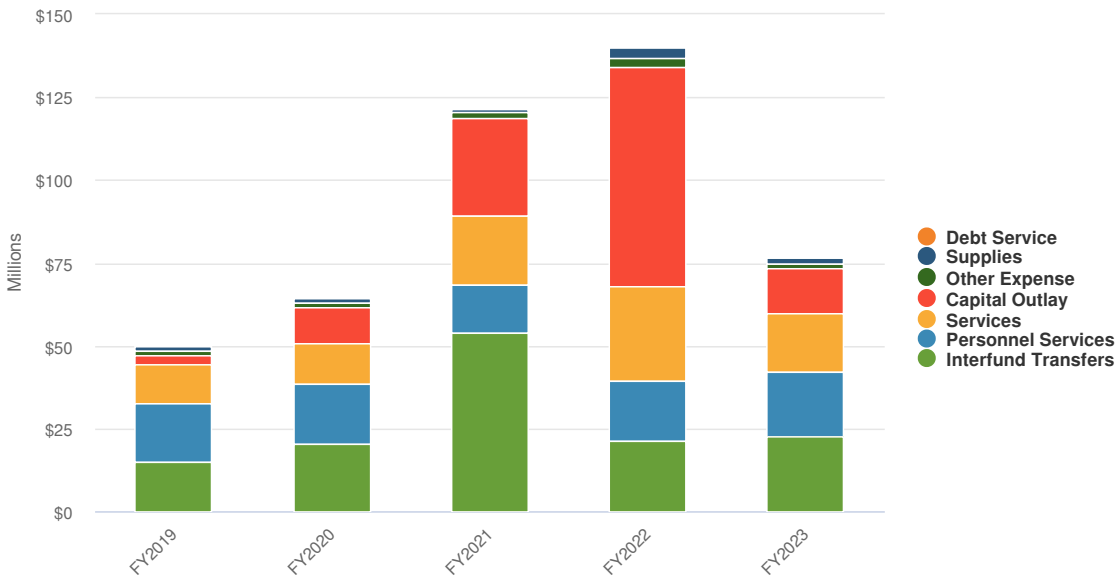
Expenditures by Expense Type

The total Citywide budget includes interfund transfers and capital outlay for the purchase of vehicles, capital equipment, and the cost of capital construction. The capital outlay portion of the budget is decreasing significantly from the prior fiscal year due to lower budgeted WRF project expenditures in FY 2022-23. For the same reason, the services budget is lower in FY 2022-23 than in the prior year, reflecting reduced levels of consultant services associated with the WRF.

Budgeted Expenditures by Expense Type



Budgeted and Historical Expenditures by Expense Type



Total Citywide Expenditure Budget Net of Transfers: $53,782,629.

Name	FY2021 Actual	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expense Objects					
Personnel Services	$14,660,569	$17,800,610	$17,013,256	$19,548,641	9.8%
Supplies	$1,196,008	$3,199,983	$3,413,266	$1,568,341	-51%
Other Expense	$1,595,597	$2,890,577	$2,598,170	$1,633,340	-43.5%
Services	$20,759,725	$28,840,438	$39,338,557	$17,489,333	-39.4%
Capital Outlay	$29,414,519	$65,888,542	$26,816,085	$13,507,784	-79.5%
Debt Service	$157,399	$260,832	$125,998	$35,190	-86.5%
Interfund Transfers	$53,966,360	$21,459,806	$82,218,726	$22,729,850	5.9%
Total Expense Objects:	**$121,750,176**	**$140,340,789**	**$171,524,058**	**$76,512,479**	**-45.5%**

Interfund Transfers

Interfund transfer entries account for transfers between funds. Because the City has historically developed separate funds for operating and capital for each enterprise, for example, and individual funds for very specific purposes, the City has a high volume of interfund transfers. With the FY 2022-23 budget, consistent with budgeting best practices outlined by the Government Finance Officers Association, several funds are being closed out to reduce the volume of these transfers somewhat in future years. Future year budgets will evaluate to close out addition and consolidate funds consistent with Government Accounting Standards Board requirements.

These transfers represent movement of cash from one fund to another. Since City Council must approve all City budgets by fund, the transfers must be budgeted for and approved in each annual budget. Interfund transfers appear in the "Nondepartmental" category of the budget. Most annual transfers occur for the following purposes:

- Cost Allocation Plan transfers to compensate the General Fund for support to the Enterprise Funds
- IT and Risk Fund Contributions for city-wide internal services and program support
- Capital Improvement Project contributions
- Emergency Reserve Contributions
- General Fund Vehicle Purchase(s)
- Other revenue and expenditures that occur to support the operations of the City

Below is the detailed table of the transfers in (revenue) and out (expenditures) for FY2022-23.

Transfers In to the Funds Listed	
Capital Improvement	
Water CIP Fund	$444,000.00
Transit CIP Fund	$13,200.00
Harbor CIP Fund	$290,000.00
Harbor CIP Fund	$210,000.00
Sewer CIP Fund	$2,029,000.00
Sewer CIP Fund	$12,349,784.00
General CIP Fund	$779,000.00
General CIP Fund	$765,500.00
General CIP Fund	$1,504,565.00
Cost Allocation, IT and Risk Fund Contributions	
Risk Management Fund	$106,366.00
IT Fund	$760,620.00
General Fund	$810,373.00
HUTA/Fire Station Payoff/General Services from ARPA	
General Fund	$1,291,491.00
Vehicle Replacement	
General Govt Vehicle Fund	$270,000.00
Compensable Leave Fund	
Compensable Leave Fund	$81,000.00
Emergency Reserve Contribution	
GF Emergency Reserve	$1,087,000.00
Water Rebate Program	
Water Discount Rebate	$80,000.00
State Revenue from Transit Fund	
LTF Roads Fund	$50,000.00
Total Source of Fund	**$22,921,899.00**

Transfers Out from the Funds Listed	
Capital Improvement	
General Fund	$490,000.00
Measure E	$2,514,000.00
Bike Path Fund	$72,423.00
LTF Roads Fund	$52,142.00
Sewer Operating Fund	
*includes WIFIA/SRF	$11,194,153.00
Harbor Operating Fund	$290,000.00
Water Operating Fund	$444,000.00
Water Operating Fund	$3,184,631.00
Transit Operating	$13,200.00
Cost Allocation, IT and Risk Fund Contributions/General Services	
General Fund	$632,769.00
Water Operating Fund	$55,796.00
Water Operating Fund	$253,428.00
Sewer Operating Fund	$257,193.00
Sewer Operating Fund	$87,990.00
Harbor Operating Fund	$86,202.00
Harbor Operating Fund	$238,192.00
Transit Operating	$52,647.00
North Point AD	$780.00
Cloisters Park AD	$11,942.00
ARPA Fund	$740,000.00
Vehicle Replacement/Compensable Leave/GF Emergency Reserve	
General Fund	$1,438,000.00
Fire Station Loan Payoff	
Measure E	$240,000.00
HUTA Revenue	
State Gas Tax Fund	$300,362.00
Traffic Safety Revenue	
Traffic Safety Fund	$10,000.00
Water Rebate Program	
Water Discount Rebate	$70,000.00
Total Use of Funds	**$22,729,850.00**

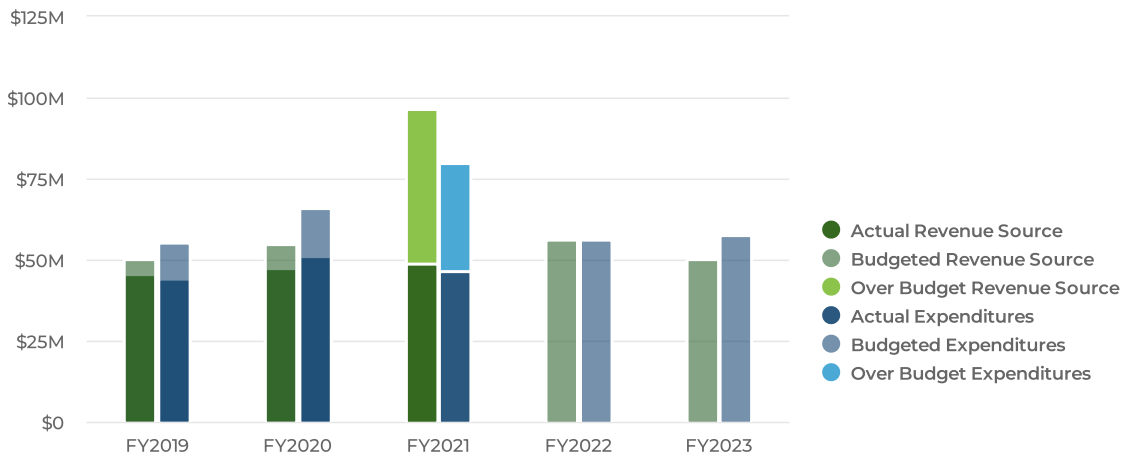
Citywide Operating Budget Summary - All Funds

This Citywide budget summary presents data for all funds, including the operating budget component of the budget, not the capital improvement portion of the budget.

Summary

The City of Morro Bay's budgeted operating revenues are $50.6 million in FY2022-23. Net of transfers in from other funds, the operating revenue budget is **$46.1 million**, an increase of $1 million or an **increase of 2%** over the prior year's operatng budget net of transfers in.

Budgeted operating expenditures are $57.8million in FY2022-23. Net of transfers out to other funds, the operating expenditure budget is **$35.1 million**, up only $0.2 million or **an increase of 0.5%** from the prior year's budget.

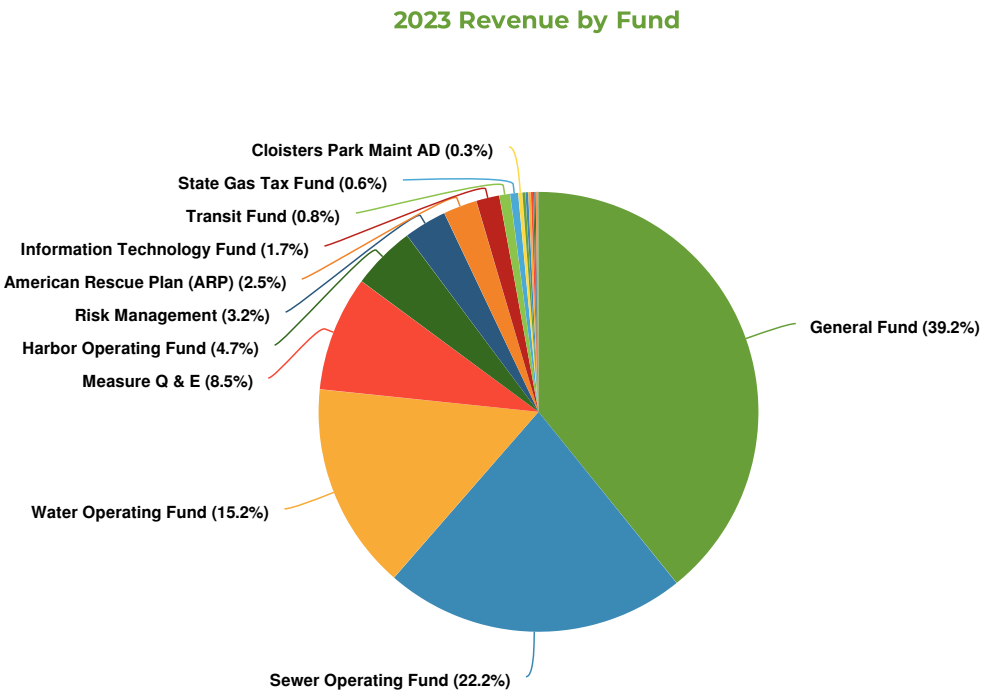


Revenue by Fund

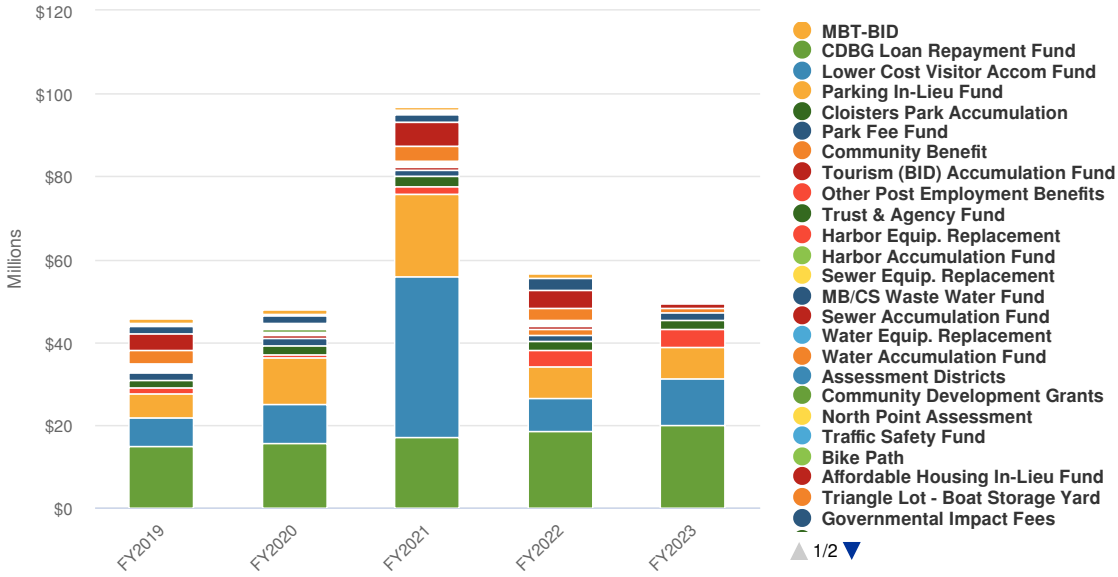
The City of Morro Bay's budgeted operating revenues are $50.6 million in FY2022-23. Net of transfers, the operating revenue budget is $46.1 million, which represents a 1% decrease from the prior year, primarily due to the change in recording Tourism Business Improvement District funding.

Each fund's revenue, and trend analysis for major revenue sources, is presented within each individual fund summary in the budget document. Several funds below have no budgeted revenues for FY 2022-23, in many cases because duplicative funds are being closed out at the end of FY 2021-22 consistent with Government Finance Officer Association best practices.

The spike in FY 2020-21 revenue is due to receipt of loan disbursement proceeds associated with the Water Reclamation Facility (WRF) capital project. This is also projected in the high FY 2021-22 projected actual revenues, given that FY 2021-22 is the year of most significant construction for the WRF.



Budgeted and Historical 2023 Revenue by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund				
General Fund	$16,830,411	$17,193,976	$18,348,748	9%
Unfunded Compensable Leave	$25,000	$25,000	$81,000	224%
Gen. Gov. Vehicle Replacement	$138,000	$168,400	$270,000	95.7%
G/F Emergency Reserve Fund	$1,531,250	$1,887,500	$1,087,000	-29%
G/F Facility Maintenance Fund	$24,000	$24,000	$38,000	58.3%
Capital Accumulation Fund	$100,000	$403,490	$0	-100%
Total General Fund:	**$18,648,661**	**$19,702,366**	**$19,824,748**	**6.3%**
Risk Management	$1,580,981	$1,578,871	$1,593,723	0.8%
Information Technology Fund	$695,499	$730,499	$860,620	23.7%
American Rescue Plan (ARP)	$1,261,055	$1,261,055	$1,261,055	0%
State Gas Tax Fund	$243,222	$260,000	$300,362	23.5%
MBT-BID	$926,015	$1,115,000	$0	-100%
Measure Q & E	$3,938,184	$3,949,183	$4,292,000	9%
Community Development Grants	$93,956	$4,190	$4,036	-95.7%
Traffic Safety Fund	$10,000	$0	$10,000	0%
Special Safety Grants	$100,000	$100,000	$100,000	0%
Bike Path	$9,504	$10,293	$14,085	48.2%
LTF Roads	$0	$0	$50,000	N/A
Assessment Districts	$0	$2,832	$2,832	N/A
North Point Assessment	$5,645	$5,645	$5,645	0%
Cloisters Park Maint AD	$148,944	$199,510	$148,944	0%
Governmental Impact Fees	$42,650	$685,365	$46,750	9.6%

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Economic Development Fund	$117,806	$117,806	$117,806	0%
State Park Marina	$92,000	$92,000	$95,000	3.3%
Triangle Lot - Boat Storage Yard	$43,000	$44,000	$46,000	7%
Affordable Housing In-Lieu Fund	$10,000	$31,000	$20,000	100%
Transit Fund	$440,325	$432,676	$402,253	-8.6%
Harbor Equip. Replacement	$85,000	$0	$0	-100%
Harbor Operating Fund	$2,220,100	$2,327,000	$2,360,964	6.3%
Harbor Accumulation Fund	$118,000	$118,000	$0	-100%
Sewer Operating Fund	$7,899,605	$63,583,790	$11,244,348	42.3%
MB/CS Waste Water Fund	$2,610,832	$2,139,412	$0	-100%
Sewer Accumulation Fund	$4,351,481	$4,469,481	$0	-100%
Water Operating Fund	$7,540,200	$7,487,700	$7,704,200	2.2%
Water Discounts/Rebates	$93,000	$45,000	$80,000	-14%
Water Accumulation Fund	$3,141,092	$3,259,592	$0	-100%
Trust & Agency Fund	$15,500		$0	-100%
Total:	**$56,482,258**	**$113,752,266**	**$50,585,371**	**-10.4%**

Revenues by Source

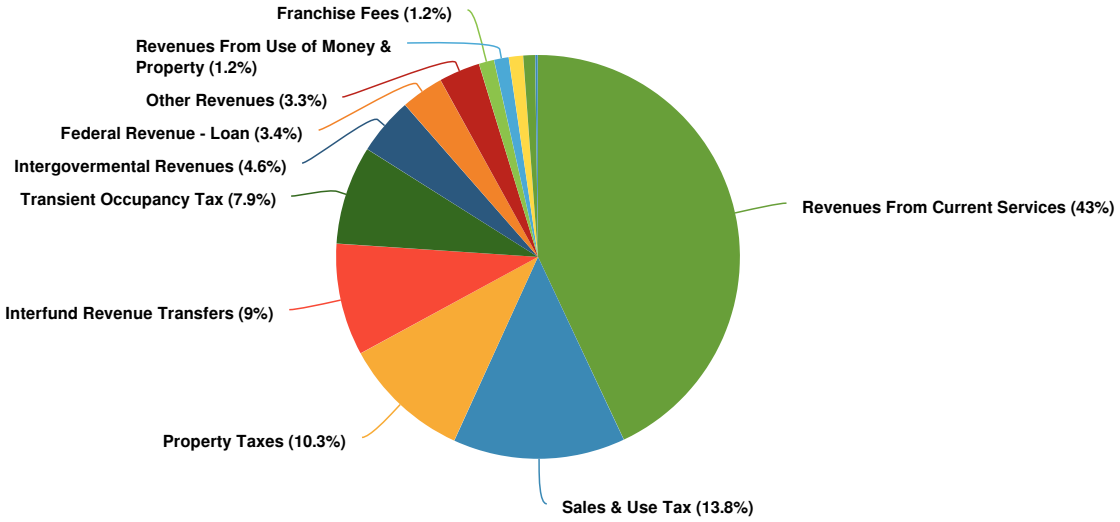
Net of transfers, the operating revenue budget is $46.1 million, which represents a 2% increase from operating revenues net of transfers in the prior year.

The City receives the largest share of its revenue as payment for the services it provides, including water services, sewer services, lease revenues, planning and permitting fees, and fees for recreation services.

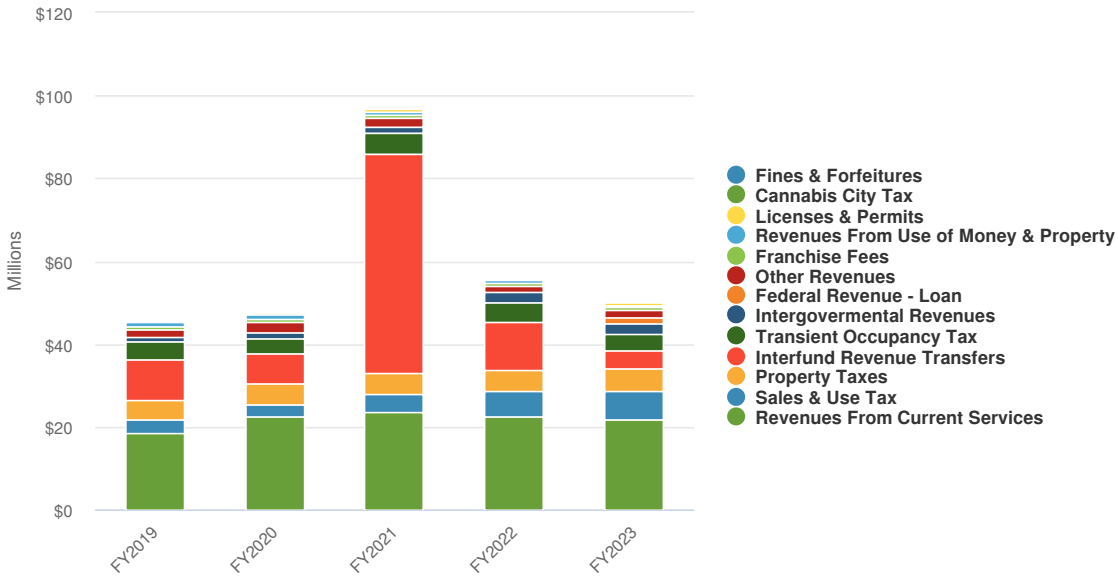
Tax revenues, including sales and use tax, property tax, and transient occupant tax, represent that second largest share of City revenues. These revenues are used to provide general services that are not covered by anyone receiving an individual benefit from a service, such as public safety services and infrastructure maintenance.

Each revenue source and trends for major revenue sources are explained in greater detail within each individual fund summary in the budget document.

Projected 2023 Revenues by Source



Budgeted and Historical 2023 Revenues by Source



Total Citywide Operating Revenues Net of Transfers: $46.1 million.

Note that in the table below, Transient Occupancy Tax includes funds that the City previously received in the TBID fund, which are now passed along to Visit Morro Bay as the TBID operator beginning in FY 2021-22. In FY 2022-23, that fund will be closed out and all TBID revenues will be passed through the City's trust and agency fund (515), only budgeting for the 3% administrative fee that the City collects for the service of collecting and remitting those funds to Visit Morro Bay. With the TBID share of TOT removed, TOT will grow modestly in FY 2022-23 over FY 2021-22 levels.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenue Source				
Property Taxes	$5,147,424	$5,151,031	$5,195,321	0.9%
Intergovermental Revenues	$2,507,119	$2,300,189	$2,321,467	-7.4%
Sales & Use Tax	$6,398,640	$6,409,639	$6,982,000	9.1%
Cannabis City Tax	$480,000	$480,000	$480,000	0%
Transient Occupancy Tax	$4,853,884	$5,042,869	$4,006,000	-17.5%
Franchise Fees	$572,259	$572,259	$623,460	8.9%
Licenses & Permits	$520,673	$644,225	$582,245	11.8%
Revenues From Current Services	$22,299,594	$24,323,552	$21,758,563	-2.4%
Fines & Forfeitures	$115,000	$51,480	$108,300	-5.8%
Other Revenues	$1,602,140	$1,760,961	$1,661,817	3.7%
Revenues From Use of Money & Property	$601,500	$640,154	$595,000	-1.1%
Interfund Revenue Transfers	$11,384,024	$12,020,117	$4,536,850	-60.1%
Federal Revenue - Loan	$0	$54,355,790	$1,734,348	N/A
Total Revenue Source:	**$56,482,258**	**$113,752,266**	**$50,585,371**	**-10.4%**

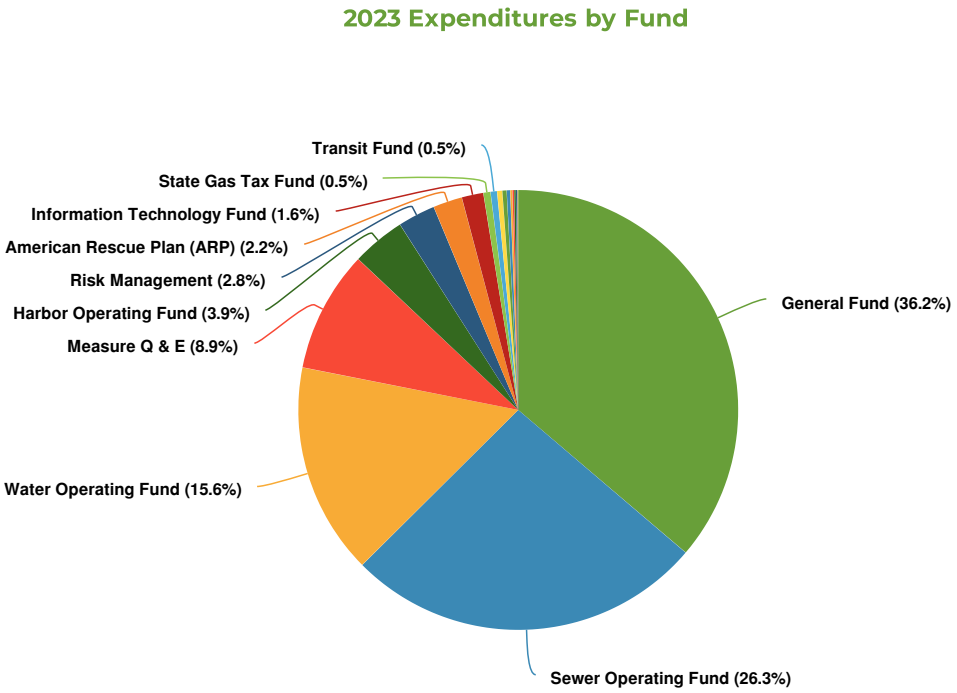
Expenditures by Fund

Budgeted operating expenditures are $57.8million in FY2022-23. Net of transfers out to other funds, the operating expenditure budget is **$35.1 million**, up only $0.2 million or **an increase of 0.5%** from the prior year's budget.

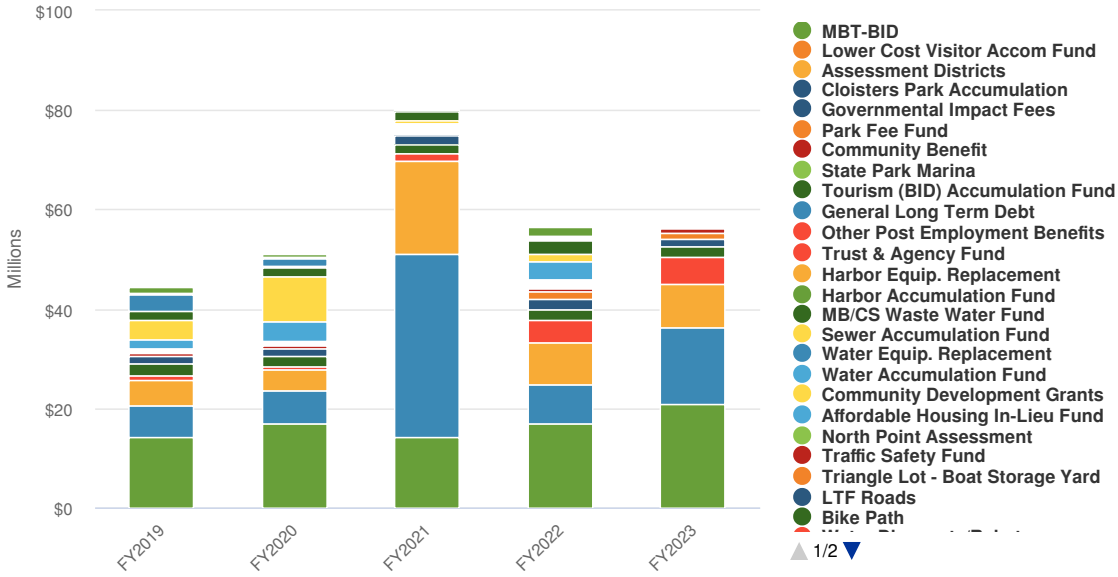
Each major expenditure and trends are explained in greater detail within each individual fund summary in the budget document. Several funds below have no budgeted expenditures, in many cases because duplicative funds are being closed out at the end of FY 2021-22 consistent with Government Finance Officer Association best practices.

The spike in FY 2020-21 expenditures is due to receipt of loan disbursement proceeds associated with the Water Reclamation Facility (WRF) capital project. This is also projected in the high FY 2021-22 projected actual expenditures, given that FY 2021-22 is the year of most significant construction for the WRF. While expenditures are made out of the capital budget, revenues are received in the Water and Sewer Operating Funds and are then transferred to the Sewer Capital Fund, resulting in a transfer out expenditure in the operating budget.

The significant increase in General Fund expenditures in FY 2022-23 is due to one-time transfers to reserve funds, a one time debt payoff, and a one-time contribution to address the City's unfunded pension liability. These are explained in detail in the General Fund Fund Summary.



Budgeted and Historical 2023 Expenditures by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund				
General Fund	$16,665,520	$16,079,512	$20,783,164	24.7%
Gen. Gov. Vehicle Replacement	$38,000	$0	$124,000	226.3%
G/F Emergency Reserve Fund	$20,200	$20,200	$0	-100%
G/F Facility Maintenance Fund	$55,500	$55,500	$38,000	-31.5%
Projects Accumulation Fund	$0	$303,490	$0	0%
Total General Fund:	**$16,779,220**	**$16,458,702**	**$20,945,164**	**24.8%**
Risk Management	$2,204,546	$2,201,264	$1,593,723	-27.7%
Information Technology Fund	$712,188	$687,356	$914,990	28.5%
American Rescue Plan (ARP)	$1,284,540	$286,429	$1,245,000	-3.1%
State Gas Tax Fund	$243,222	$243,222	$300,362	23.5%
MBT-BID	$1,805,505	$1,920,000	$0	-100%
Measure Q & E	$4,536,808	$4,303,097	$5,161,531	13.8%
Community Development Grants	$93,956	$4,190	$4,036	-95.7%
Traffic Safety Fund	$11,541	$11,541	$10,000	-13.4%
Special Safety Grants	$100,918	$100,918	$187,350	85.6%
Parking In-Lieu Fund	$81,809	$41,809	$90,000	10%
Bike Path	$43,554	$3,500	$72,423	66.3%
LTF Roads	$70,630	$70,630	$52,142	-26.2%
North Point Assessment	$5,080	$5,080	$5,645	11.1%
Cloisters Park Maint AD	$134,050	$184,616	$148,944	11.1%
Cloisters Park Accumulation	$0	$50,566	$0	0%
Governmental Impact Fees	$71,457	$71,457	$0	-100%

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Park Fee Fund	$69,500	$69,500	$0	-100%
Community Benefit	$170,000	$170,000	$0	-100%
Economic Development Fund	$366,820	$140,000	$215,000	-41.4%
State Park Marina	$5,000	$5,000	$0	-100%
Triangle Lot - Boat Storage Yard	$19,850	$19,850	$16,000	-19.4%
Affordable Housing In-Lieu Fund	$150,000	$150,000	$5,000	-96.7%
Transit Fund	$302,141	$289,002	$283,861	-6.1%
Harbor Equip. Replacement	$50,000	$69,000	$0	-100%
Harbor Operating Fund	$2,246,429	$1,946,355	$2,268,488	1%
Harbor Accumulation Fund	$380,000	$387,000	$0	-100%
Sewer Equip. Replacement	$0	$534,674	$0	0%
Sewer Operating Fund	$7,901,154	$62,255,429	$15,212,747	92.5%
MB/CS Waste Water Fund	$2,617,144	$2,139,412	$0	-100%
Sewer Accumulation Fund	$1,717,791	$5,209,791	$0	-100%
Water Equip. Replacement	$60,000	$208,000	$0	-100%
Water Operating Fund	$8,460,709	$8,430,586	$8,988,943	6.2%
Water Discounts/Rebates	$150,000	$129,100	$76,000	-49.3%
Water Accumulation Fund	$3,502,350	$6,486,350	$0	-100%
Trust & Agency Fund	$15,500	$0	$0	-100%
Total:	**$56,363,412**	**$115,283,426**	**$57,797,349**	**2.5%**

Expenditures by Department

Budgeted operating expenditures are $57.8million in FY2022-23. Net of transfers out to other funds, the operating expenditure budget is **$35.1 million**, up only $0.2 million or **an increase of 0.5%** from the prior year's budget.

Departmental operations and expenditures are explained in detail in the "Departments" section of the budget, including staffing and position listings and any changes for each Department.

The cost for City Attorney services citywide is actually increasing by 5% as presented in the City Attorney section of the budget, but a larger share of he legal services budget is now presented within each fund where direct charges occur. The City contracts out for legal services.

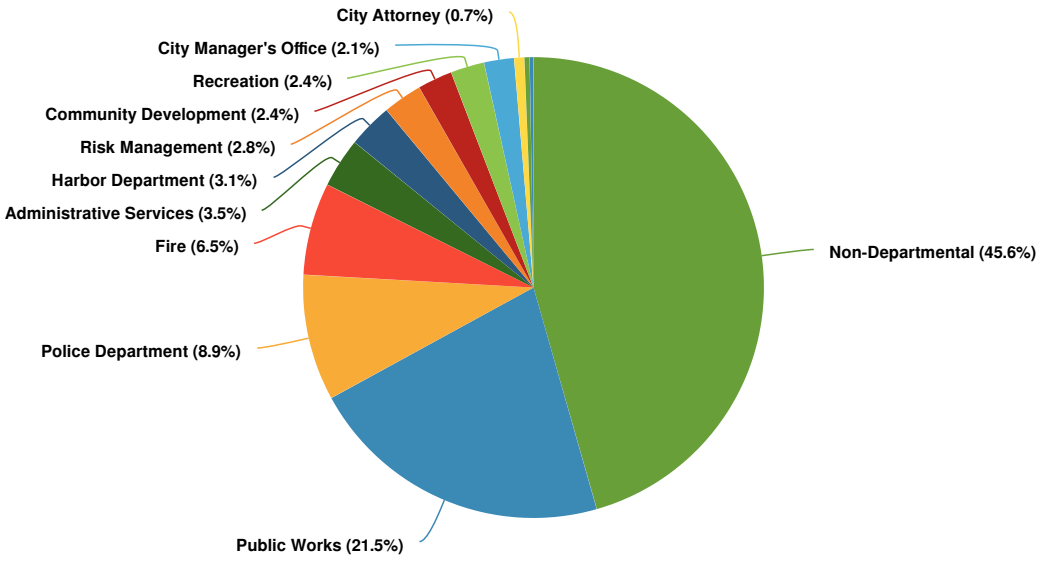
The Non-Departmental category below is largely Interfund-Transfers, which is depicted most clearly in the "Expenditures by Type" section following this section.

Public Works is the largest Department both in terms of number of staff positions and expenditures, which includes all water and sewer service operating costs. Police has the second highest budget, followed by Fire.

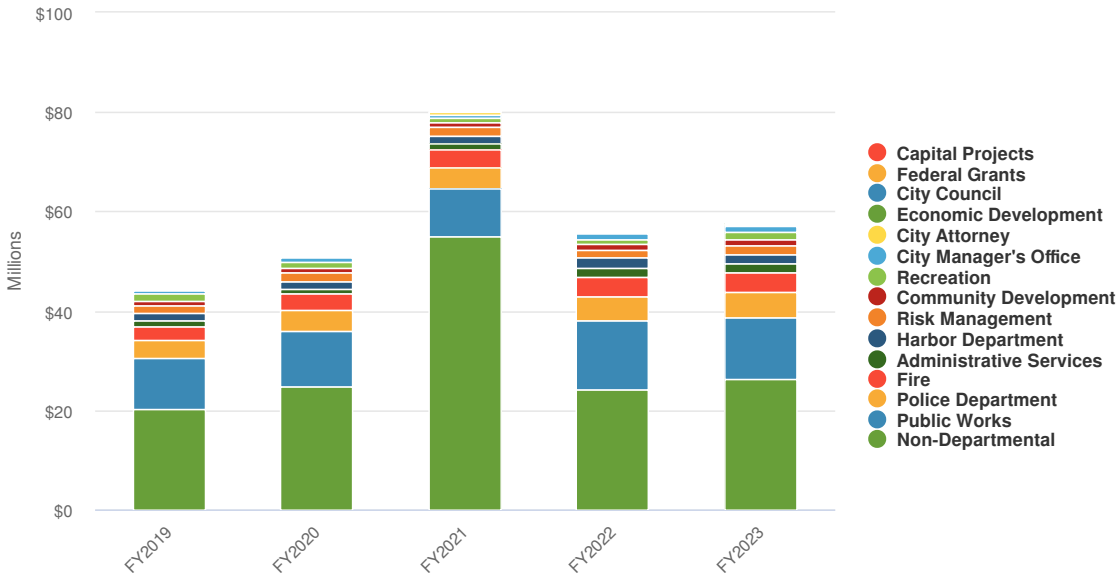
The remaining departments represent a much smaller share of the Citywide budget each, with the City Council budget representing the smallest departmental budget.

The Executive Overview section of the budget presents the percentage of operating budget by department, net of transfers.

Budgeted Expenditures by Department



Budgeted and Historical Expenditures by Function



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted
Expenditures			
City Council	$159,610	$112,189	$145,220
City Manager's Office	$957,178	$904,773	$1,221,233
City Attorney	$483,823	$441,068	$408,174
Administrative Services	$1,750,878	$1,538,353	$2,014,022
Federal Grants	$93,956	$4,190	$4,036
Police Department	$4,812,802	$4,683,608	$5,115,537
Fire	$3,977,755	$3,838,033	$3,738,827
Risk Management	$1,504,546	$1,501,264	$1,593,723
Public Works	$13,849,582	$12,824,390	$12,406,262
Community Development	$1,172,525	$1,178,973	$1,399,978
Recreation	$1,178,630	$1,163,030	$1,371,702
Harbor Department	$2,003,408	$1,682,997	$1,816,358
Economic Development	$140,000	$140,000	$215,000
Non-Departmental	$24,273,719	$85,265,558	$26,347,278
Capital Projects	$5,000	$5,000	$0
Total Expenditures:	**$56,363,412**	**$115,283,426**	**$57,797,349**

Expenditures by Expense Type

Overall, the operating budget is only increasing by 2.6% over the prior year budget. Comparing the FY 2022-23 budget net of transfers to the FY 2021-22 budget net of transfers, the budget is only increasing by $0.2 million, or 0.5%.

Personnel costs are projected to increase citywide for a variety of reasons, including: increased employee compensation, adding two additional positions to the budget, and contributing over $1 million to a pension reserve trust fund to address the City's pension liability.

Services costs are also projected to increase in the operating budget in alignment with inflation.

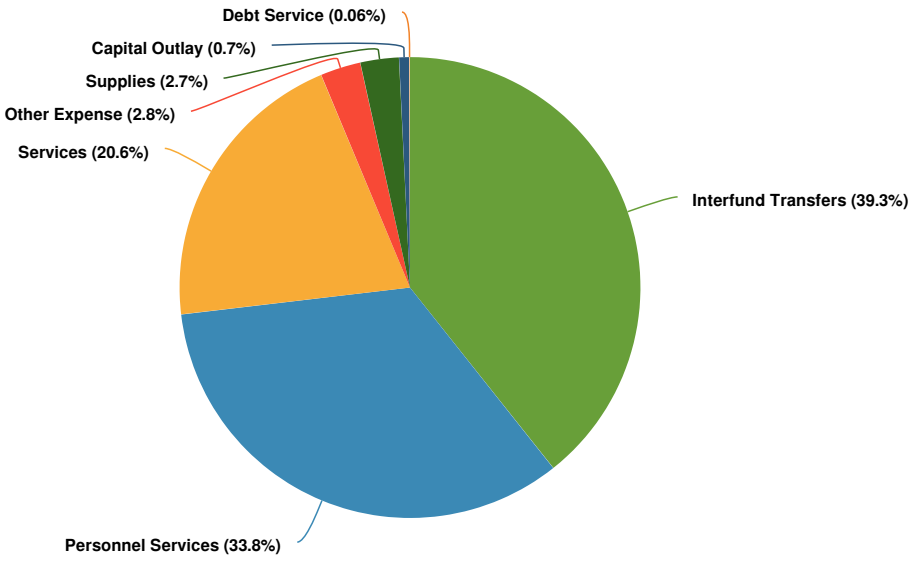
The Capital Outlay budget in the operating budget reflects the purchase of capital equipment and vehicles, and this budget is lower in this fiscal year as there were a number of one-time purchases last year.

The Debt Service budget is reduced because two notes will be paid off and the remaining debt service will be very limited.

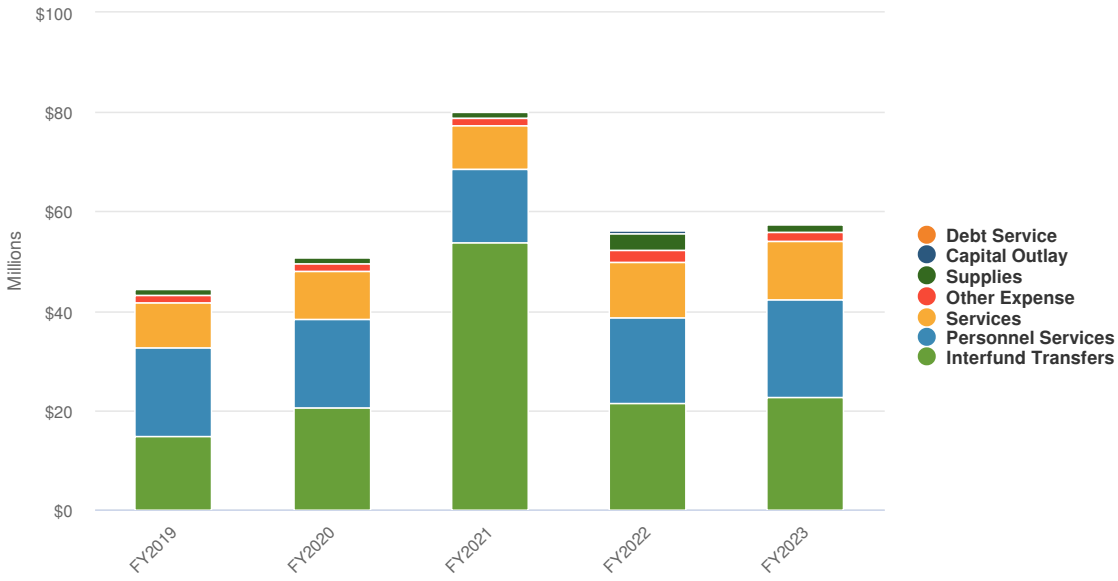
The Other Expenses budget is reduced because the City is no longer budgeting for the transfer of TBID TOT revenues to Visit Morro Bay as described under revenues. They will now go through the Trust and Agency Fund and will not be budgeted, as they simply pass in an out of the City's coffers. The three percent administrative fee that the City collects for providing this service is budgeted in the General Fund for FY 2022-23.

These figures are presented in the Executive Overview net of transfers.

Budgeted Expenditures by Expense Type



Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expense Objects				
Personnel Services	$17,326,081	$16,860,646	$19,548,641	12.8%
Supplies	$3,125,173	$3,217,825	$1,568,341	-49.8%
Other Expense	$2,590,577	$2,598,170	$1,633,340	-37%
Services	$10,996,402	$9,964,976	$11,882,987	8.1%
Capital Outlay	$604,540	$297,085	$399,000	-34%
Debt Service	$260,832	$125,998	$35,190	-86.5%
Interfund Transfers	$21,459,806	$82,218,726	$22,729,850	5.9%
Total Expense Objects:	**$56,363,412**	**$115,283,426**	**$57,797,349**	**2.5%**

Interfund Transfers

Interfund transfer entries account for transfers between funds. Because the City has historically developed separate funds for operating and capital for each enterprise, for example, and individual funds for very specific purposes, the City has a high volume of interfund transfers. With the FY 2022-23 budget, consistent with budgeting best practices outlined by the Government Finance Officers Association, several funds are being closed out to reduce the volume of these transfers somewhat in future years. Future year budgets will evaluate to close out addition and consolidate funds consistent with Government Accounting Standards Board requirements.

These transfers represent movement of cash from one fund to another. Since City Council must approve all City budgets by fund, the transfers must be budgeted for and approved in each annual budget. Interfund transfers appear in the "Nondepartmental" category of the budget. Most annual transfers occur for the following purposes:

- Cost Allocation Plan transfers to compensate the General Fund for support to the Enterprise Funds
- IT and Risk Fund Contributions for city-wide internal services and program support
- Capital Improvement Project contributions
- Emergency Reserve Contributions
- General Fund Vehicle Purchase(s)
- Other revenue and expenditures that occur to support the operations of the City

Below is the detailed table of the transfers in (revenue) and out (expenditures) for FY2022-23.

Transfers In to the Funds Listed	
Capital Improvement	
Water CIP Fund	$444,000.00
Transit CIP Fund	$13,200.00
Harbor CIP Fund	$290,000.00
Harbor CIP Fund	$210,000.00
Sewer CIP Fund	$2,029,000.00
Sewer CIP Fund	$12,349,784.00
General CIP Fund	$779,000.00
General CIP Fund	$765,500.00
General CIP Fund	$1,504,565.00
Cost Allocation, IT and Risk Fund Contributions	
Risk Management Fund	$106,366.00
IT Fund	$760,620.00
General Fund	$810,373.00
HUTA/Fire Station Payoff/General Services from ARPA	
General Fund	$1,291,491.00
Vehicle Replacement	
General Govt Vehicle Fund	$270,000.00
Compensable Leave Fund	
Compensable Leave Fund	$81,000.00
Emergency Reserve Contribution	
GF Emergency Reserve	$1,087,000.00
Water Rebate Program	
Water Discount Rebate	$80,000.00
State Revenue from Transit Fund	
LTF Roads Fund	$50,000.00
Total Source of Fund	**$22,921,899.00**

Transfers Out from the Funds Listed	
Capital Improvement	
General Fund	$490,000.00
Measure E	$2,514,000.00
Bike Path Fund	$72,423.00
LTF Roads Fund	$52,142.00
Sewer Operating Fund	
*includes WIFIA/SRF	$11,194,153.00
Harbor Operating Fund	$290,000.00
Water Operating Fund	$444,000.00
Water Operating Fund	$3,184,631.00
Transit Operating	$13,200.00
Cost Allocation, IT and Risk Fund Contributions/General Services	
General Fund	$632,769.00
Water Operating Fund	$55,796.00
Water Operating Fund	$253,428.00
Sewer Operating Fund	$257,193.00
Sewer Operating Fund	$87,990.00
Harbor Operating Fund	$86,202.00
Harbor Operating Fund	$238,192.00
Transit Operating	$52,647.00
North Point AD	$780.00
Cloisters Park AD	$11,942.00
ARPA Fund	$740,000.00
Vehicle Replacement/Compensable Leave/GF Emergency Reserve	
General Fund	$1,438,000.00
Fire Station Loan Payoff	
Measure E	$240,000.00
HUTA Revenue	
State Gas Tax Fund	$300,362.00
Traffic Safety Revenue	
Traffic Safety Fund	$10,000.00
Water Rebate Program	
Water Discount Rebate	$70,000.00
Total Use of Funds	**$22,729,850.00**

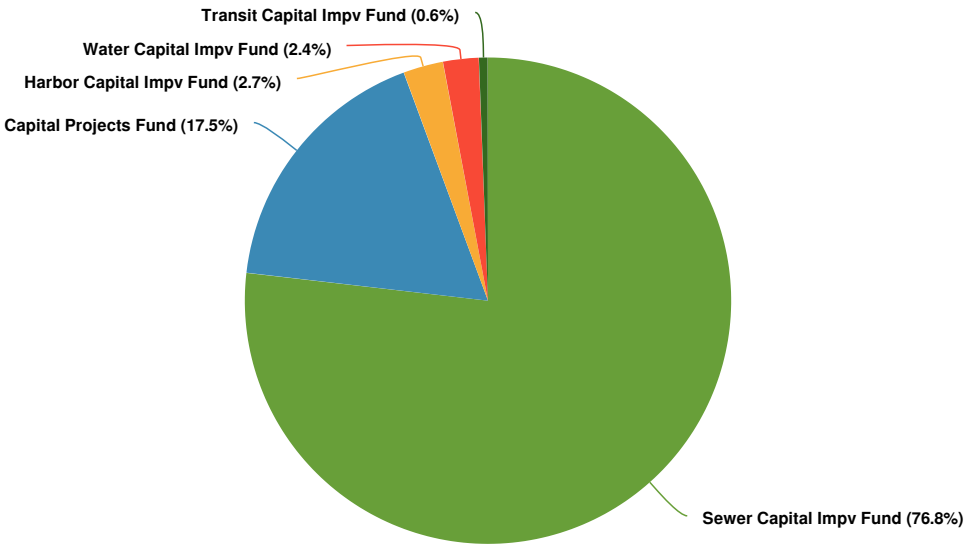
Citywide Capital Budget Summary - By Fund

This section summarizes the FY 2022-23 Capital Improvement Budget by Fund. Each of the funded projects are presented in detail in the Capital Budget section of the budget document.

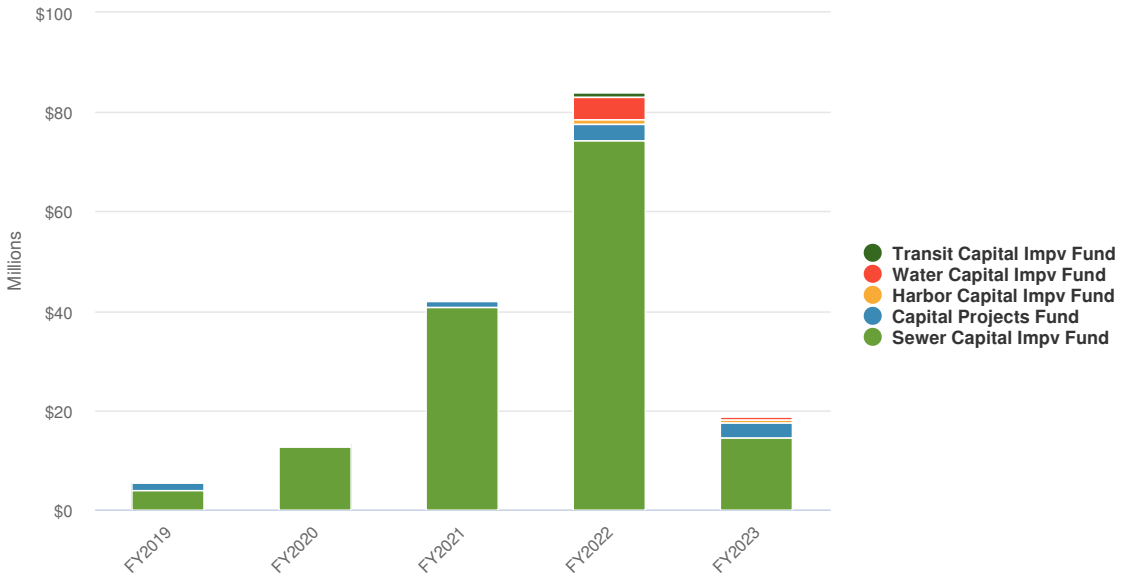
Revenue by Fund

Revenues that support the Citywide Capital Improvement Program (CIP) budget come from a variety of sources. Many projects are self-funded by the City through transfers in from other funds including the General Fund, Measure Q & E Fund, Water, Sewer, and Harbor operating funds. However, revenues also include one-time grant revenues, state gas tax funds, state transit funds, and loan disbursements for the Water Reclamation Facility (WRF) project that is financed through federal and state low-interest loans. Funding sources are detailed within each Fund Summary in that section of the budget document and for each project within the Capital Budget section of the budget.

2023 Revenue by Fund



Budgeted and Historical 2023 Revenue by Fund



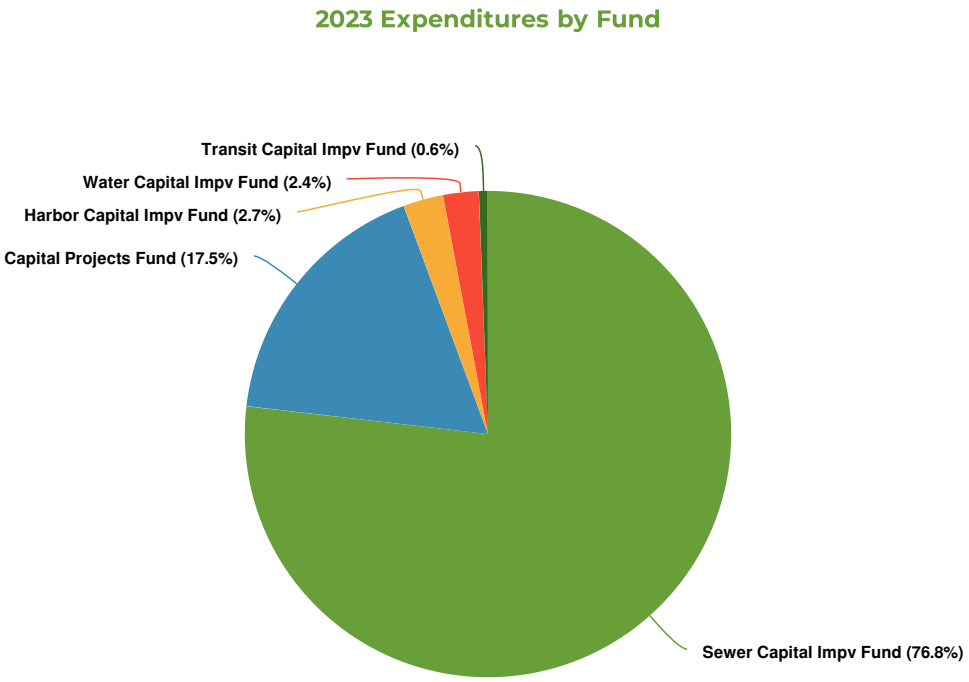
Name	FY2022 Amended Budget	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Capital Projects Fund	$3,403,615	$3,282,346	-$121,269
Transit Capital Impv Fund	$802,006	$110,000	-$692,006
Harbor Capital Impv Fund	$990,000	$500,000	-$490,000
Sewer Capital Impv Fund	$74,241,713	$14,378,784	-$59,862,929
Water Capital Impv Fund	$4,402,147	$444,000	-$3,958,147
Total:	**$83,839,481**	**$18,715,130**	**-$65,124,351**

Expenditures by Fund

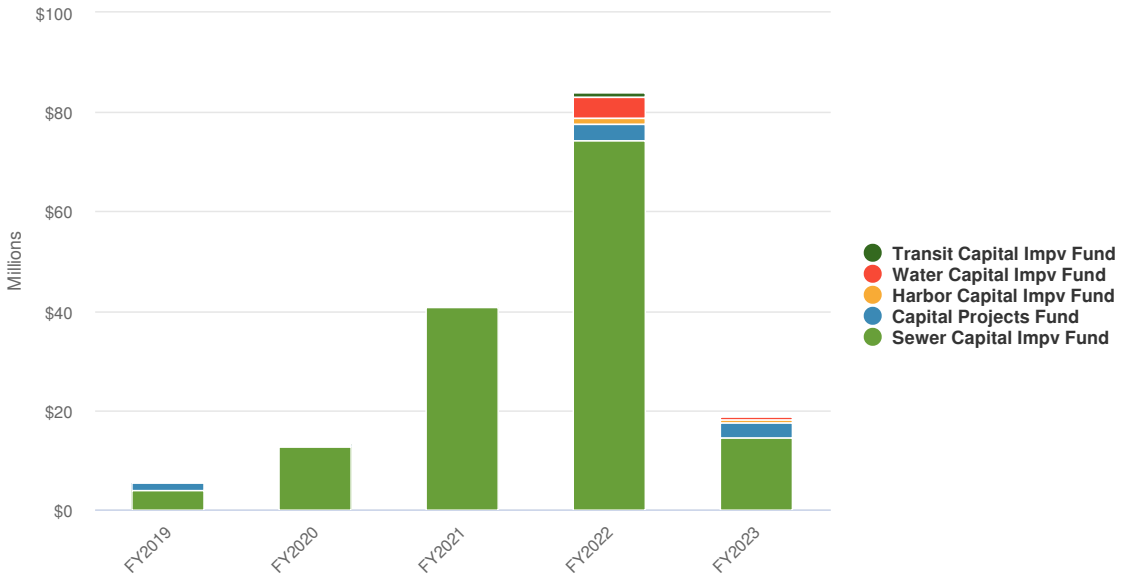
The FY 2022-23 City of Morro Bay Capital Improvement Program (CIP) budget includes 23 projects funded at a total of $18.7 million in new project budget. This is in addition to any unexpended budget appropriated in prior fiscal years, which will carry forward to FY 2022-23. The City Council approves budget carry forward in conjunction with budget adoption each year.

This year's capital program is primarily budgeted in the Sewer CIP fund for the Water Reclamation Facility (WRF) project.

Funding sources are detailed within each Fund Summary in that section of the budget document and for each project within the Capital Budget section of the budget.



Budgeted and Historical 2023 Expenditures by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Capital Projects Fund	$3,614,221	$273,836	$3,282,346	-9.2%
Transit Capital Impv Fund	$802,006	$802,006	$110,000	-86.3%
Harbor Capital Impv Fund	$990,000	$184,000	$500,000	-49.5%
Sewer Capital Impv Fund	$74,179,722	$54,530,790	$14,378,784	-80.6%
Water Capital Impv Fund	$4,391,429	$450,000	$444,000	-89.9%
Total:	**$83,977,378**	**$56,240,632**	**$18,715,130**	**-77.7%**

General Fund

The General Fund has several sub-funds or component funds that are all reported with the General Fund in the City's Annual Comprehensive Financial Report (ACFR). They are grouped here in the budget book for consistency with the ACFR. There is a Fund Summary page for each of these individual funds. These funds include the following:

- General Fund (001)
- General Government Compensable Leave Fund (005)
- General Fund Vehicle Replacement Fund (050)
- General Fund Emergency Reserve Fund (051)
- General Fund Facility Maintenance Fund (052)
- General Fund Capital Accumulation Fund (460)
- General Fund Project Accumulation Fund (470)

General Fund (001)

The City's General Fund is the City's primary unrestricted source of funds and its primary and largest operating budget fund. This fund is used to record all resource inflows and outflows that are not associated with special-purpose funds or ratepayer funds. The activities being paid for through the General Fund constitute the core administrative and operational tasks of the City. Morro Bay's General Fund accounts for the majority of most departments' operating budgets, funding staffing, supplies and services required to provide core City services.

Summary

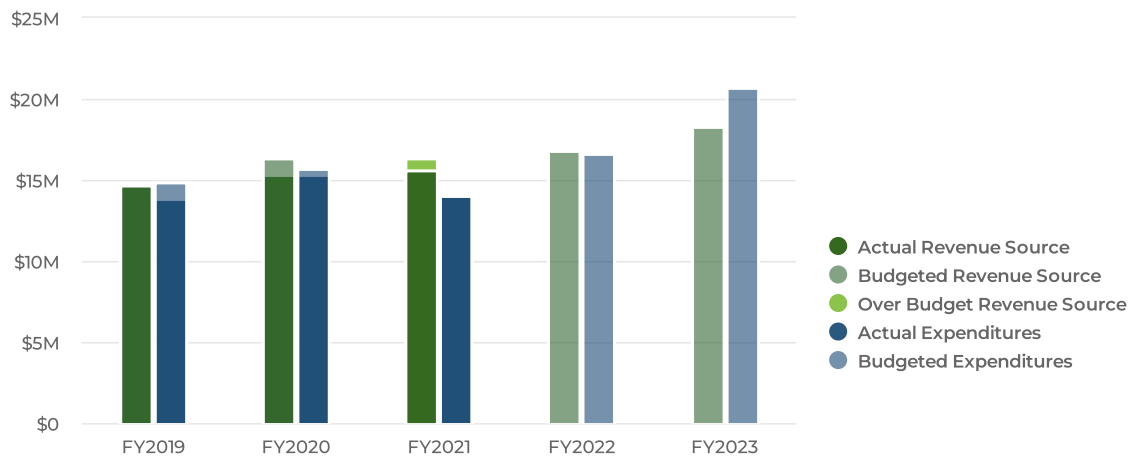
The City of Morro Bay is projecting $18.3 million of revenue in FY 2022-23, which represents an 9.02% increase over the prior year. Budgeted expenditures are projected to increase by 24.7% to $20.8 million in FY 2022-23, including transfers and one-time expenditures. The expenditure budget net of transfers and large one-time expenditures is $16.3 million, an increase of 5.8% from the FY 2021-22 Amended Budget (net of transfers).

As outlined below, approximately $2.6 million in expenditures are for interfund transfers to other funds, including capital improvement funds, internal service funds, and other components of the General Fund that are used to track reserves committed for certain purposes. Approximately half of the transfers, totaling $1.5M, are one-time transfers to build reserve balances consistent with the Council-approved City Reserve polices: $1.1M of those transfers is a one-time transfer to the General Fund Emergency Reserve Fund, $0.3M is to the General Fund Vehicle Replacement Fund, and $0.1M is to the General Fund Compensable Leave Fund. These all reflect moving existing fund balance from one component of the General Fund to another, as these funds are all reported with the General Fund in the ACFR.

There are also large one-time expenditures totaling approximately $1.9 million for debt payoff ($1.1 million) and addressing the City's unfunded pension liability ($0.8M). These will come from fund balance, using one-time property sale proceeds for the debt payoff and using prior year surplus to address pension liability, consistent with the City's adopted pension reserve policy (Resolution 37-22).

Net of these one-time transfers and expenditures totaling $3.5 million, the City's General Fund expenditures total approximately $17.1 million, resulting in an operating surplus of approximately $1.2 million. This surplus is due in part to a one-time revenue of $0.7 million from American Rescue Plan Act funds to support government services through and in the wake of the pandemic.

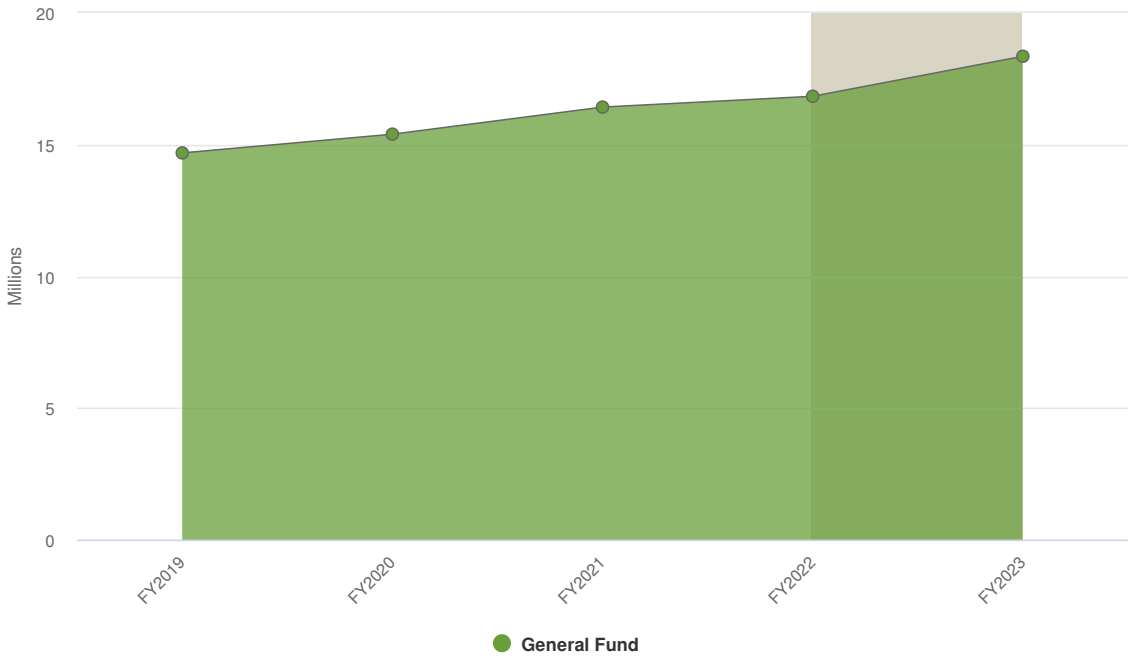
The budget document includes placeholder numbers for labor negotiations, which are still ongoing with the City's three represented bargaining groups.



Revenue by Fund

FY 2022-23 General Fund revenues and fund transfers are estimated to increase by 9.02% from the FY 2021-22 amended budget. This reflects a continued recovery from the COVID-19 pandemic, a one-time transfer in of American Rescue Act funds (ARPA), and anticipated increased revenue associated with Morro Bay providing mutual aid during wildland fire incidents outside of the City. Each revenue source is estimated using trend analysis and historical data, and in some cases input from consultants or community partners, as outlined in more detail in the following section.

Budgeted and Historical 2023 Revenue by Fund



Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund	$16,830,411	$17,193,976	$18,348,748	9%
Total General Fund:	**$16,830,411**	**$17,193,976**	**$18,348,748**	**9%**

Revenues by Source

For FY 2022-23, the primary sources of revenue for the General Fund are projected as follows:

Property Taxes - San Luis Obispo County Auditor-Controller provided property tax revenue estimates for FY 2022-23. Revenues are estimated at approximately $5 million, up about 1% from the prior year budget.

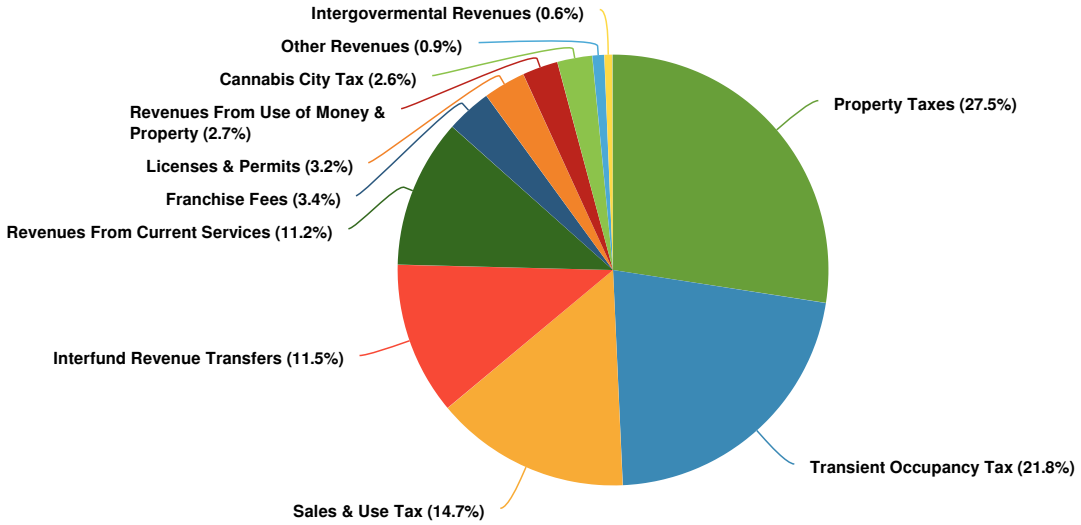
Transient Occupancy Tax (TOT) - Visit Morro Bay provided TOT revenue estimates for FY 2022-23. Revenues are estimated at approximately $4 million, up 2% from the prior year budget.

Sales Tax - HdL, the City's sales tax consultant, provided sales tax revenue estimates for FY 2022-23. Revenues are estimated at approximately $2.7 million, up almost 9% from the prior year budget, representing ongoing recovery from the pandemic. In out years, HdL expects that growth to level off.

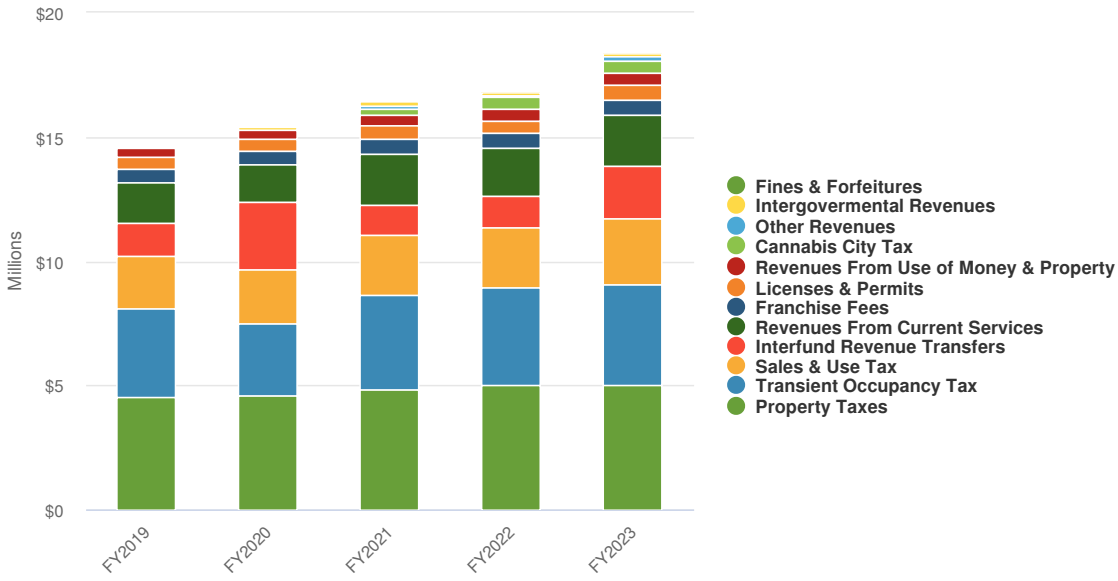
Interfund Revenue Transfers - This budget increased significantly from prior year due to a one-time transfer in of ARPA funds, which will be used to provide core government services.

Revenues from Current Services - This category includes revenues from Recreation activities, Community development planning activities, Fire Department mutual aid revenues, and other smaller items. Each of these categories is increasing somewhat in FY 2022-23, resulting in estimated Revenues from Current Services of $2 million, up 4.6% from the prior year's budget.

Projected 2023 Revenues by Source



Budgeted and Historical 2023 Revenues by Source



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenue Source				
Property Taxes	$4,992,835	$4,993,610	$5,037,900	0.9%
Intergovermental Revenues	$146,051	$99,369	$108,970	-25.4%
Sales & Use Tax	$2,460,456	$2,460,456	$2,690,000	9.3%
Cannabis City Tax	$480,000	$480,000	$480,000	0%
Transient Occupancy Tax	$3,927,869	$3,927,869	$4,006,000	2%
Franchise Fees	$572,259	$572,259	$623,460	8.9%
Licenses & Permits	$520,673	$644,225	$582,245	11.8%
Revenues From Current Services	$1,944,407	$2,058,375	$2,054,049	5.6%
Fines & Forfeitures	$10,000	$3,480	$10,300	3%
Other Revenues	$32,284	$178,815	$162,960	404.8%
Revenues From Use of Money & Property	$499,000	$557,154	$491,000	-1.6%
Interfund Revenue Transfers	$1,244,577	$1,218,364	$2,101,864	68.9%
Total Revenue Source:	**$16,830,411**	**$17,193,976**	**$18,348,748**	**9%**

Expenditures by Fund

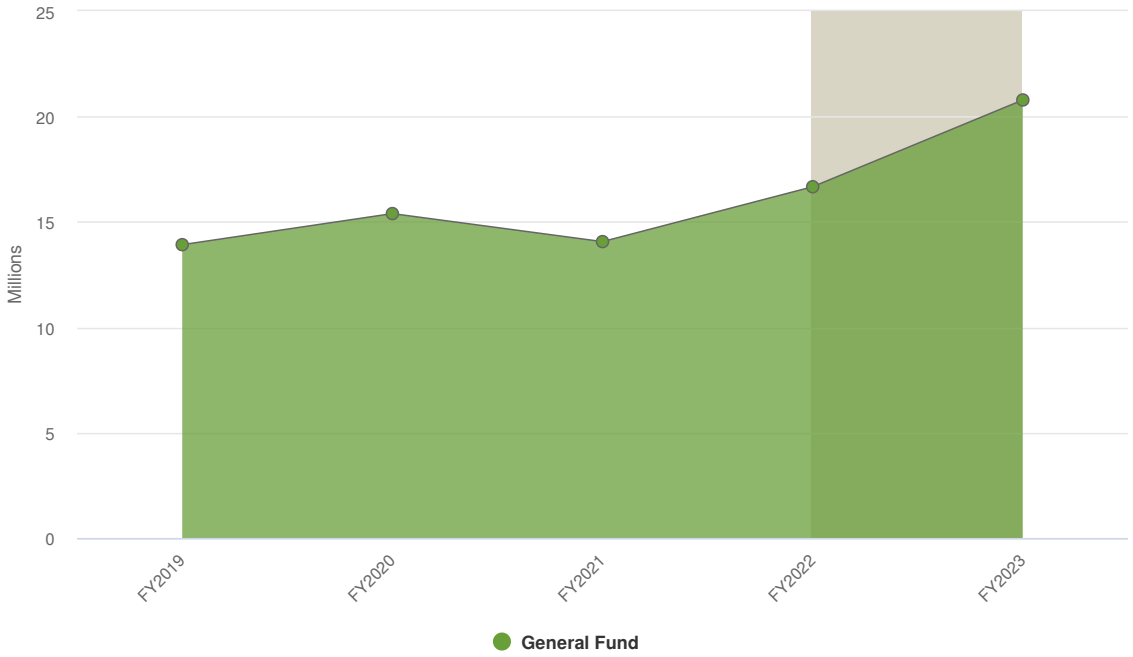
The total General Fund budget for FY 2022-23 is approximately $20.8 million, up 24.7% from the prior year budget. However, this does not represent such a significant level of ongoing increases in cost. Approximately $3.5 million of the expenditure budget is for one-time transfers to reserve funds or one-time expenditures aimed at improving the City's long-term fiscal sustainability as follows:

- $1.1M transfer to the General Fund Emergency Reserve Fund to comply with the City's reserve policy for that fund (33% of operating expenditures in the General Fund and Measure Q & E fund)
- $0.3M transfer to the General Fund Vehicle Replacement Fund to comply with the City's reserve policy for that fund (20% of the value of the General Fund fleet)
- $0.1M transfer to the General Fund Compensable Leave Fund to comply with the City's reserve policy for that fund (30% of the liability in last year's ACFR)
- $1.1M to pay off the USDA loan for the Fire Station building, consistent with 2016 Council direction, using one-time property sale proceeds received during FY 2021-22
- $0.8M for a contribution to a pension trust to address the City's long-term pension liability consistent with the City's pension reserve policy (Resolution 37-22)

Net of all interfund transfers and one-time expenditures, the FY 2022-23 General Fund budget is approximately $16.3 million, an increase of 5.8% from the FY 2021-22 Amended budget net of transfers.

The budget document includes placeholder numbers for labor negotiations, which are still ongoing with the City's three represented bargaining groups.

Budgeted and Historical 2023 Expenditures by Fund



Grey background indicates budgeted figures.

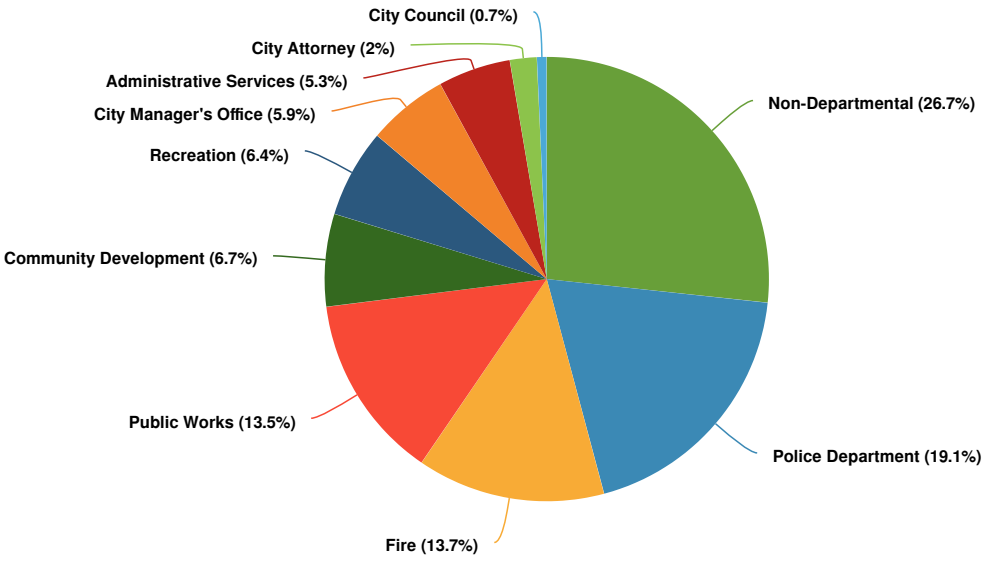
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund	$16,665,520	$16,079,512	$20,783,164	24.7%
Total General Fund:	**$16,665,520**	**$16,079,512**	**$20,783,164**	**24.7%**

Expenditures by Department

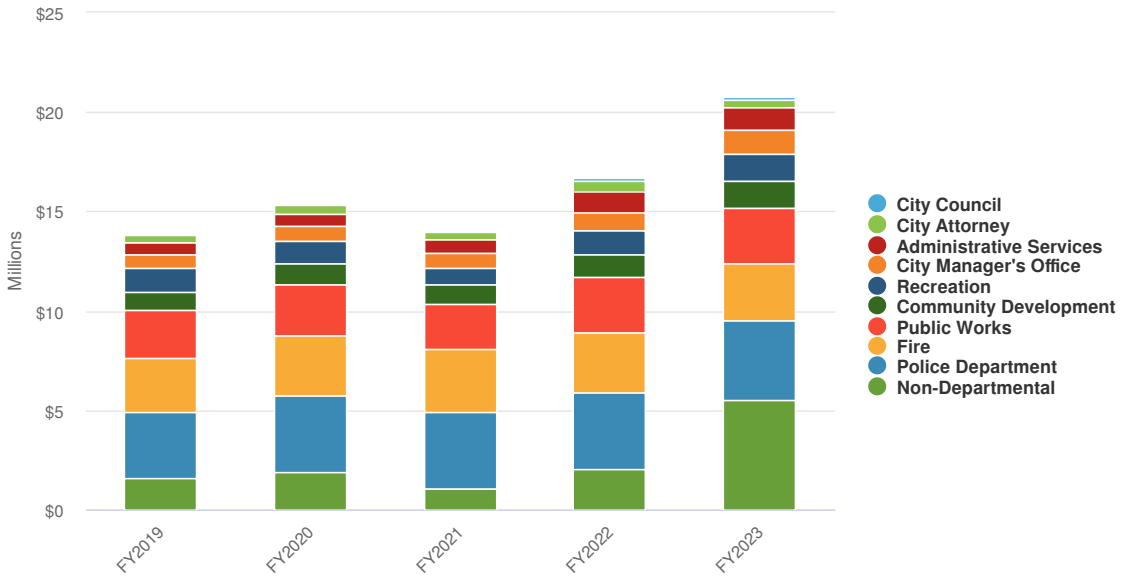
The General Fund provides funding for almost all of the City's departments (the exceptions are the utilities division of Public Works, which is funded by Water and Sewer Funds, and the Harbor Department, which is funded by the Harbor Fund and the Measure Q&E Fund).

The primary change in FY 2022-23 is the increase in the non-departmental category, largely associated with the one-time expenditures outlined above. In addition, a placeholder for personnel cost increases pending the outcome of labor negotiations which are currently underway, is also currently budgeted in non-departmental. These funds will be allocated to each department if negotiations are complete in time for the Budget Adoption. If negotiations are completed later, the City Manager has the authority to approve budget amendments between departments as long as the total budget by Fund is not increased.

Budgeted Expenditures by Department



Budgeted and Historical Expenditures by Department



The table below indicates the percentage change form the FY 2021-22 Budget to the FY 2022-23 budget. There are some changes in budgeting practice as well as operational changes that are influencing some of the percentage changes:

- The "Contract Services" Division that was previously in the General Fund has been dissolved, and each contract has been placed in the appropriate department that is managing that service. This resulted in an increase to the City Manager's Office budget.
- There is one new position recommended in the Community Development Department, outlined in that Department Summary page, which is the primary reason for that departmental budget increase.
- Recreation Services continues to restore service levels post-pandemic, which is reflected in those increased budget numbers.
- The Fire Department's budget has decreased in the General Fund but increased in the Measure Q&E Fund in order to track the full Reserves program in one fund (Measure Q & E).
- The Non-Departmental budget increased significantly due to the one-time transfers outlined in the section below. In addition, a placeholder for personnel cost increases is currently reflected in the Non-Departmental budget, pending the final outcome of labor negotiations.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expenditures				
City Council	$159,610	$112,189	$145,220	-9%
City Manager's Office	$957,178	$904,773	$1,221,233	27.6%
City Attorney	$483,823	$441,068	$408,174	-15.6%
Administrative Services	$1,038,690	$850,997	$1,099,032	5.8%
Police Department	$3,852,433	$3,866,652	$3,976,786	3.2%
Fire	$3,046,811	$2,988,687	$2,847,272	-6.5%
Public Works	$2,787,548	$2,652,807	$2,801,148	0.5%
Community Development	$1,152,725	$1,178,973	$1,399,978	21.4%
Recreation	$1,154,630	$1,139,030	$1,333,702	15.5%
Non-Departmental	$2,032,073	$1,944,336	$5,550,620	173.2%
Total Expenditures:	**$16,665,520**	**$16,079,512**	**$20,783,164**	**24.7%**

Expenditures by Expense Type

The following information provides a breakdown of expenditures by expense type, across all departments. Notable trends or changes include the following:

Personnel - Personnel costs have increased by 11.6% from the prior year, due in part to adding one net new position to the General Fund (outlined in the staffing summary section of the budget), adding part-time costs to the budget to reflect increasing workload primarily in the recreation area as services are restored after the pandemic, and due to anticipated personnel cost increases pending the outcome of labor negotiations. Given the high levels of inflation this year, cost of living adjustments for staff will need to reflect a reasonable increase in order to ensure that the City is able to recruit and retain talented staff to provide critical City services. While the cost of personnel has increased, it represents a smaller percentage of the budget this year relative to the overall budget. These increases are offset by the elimination of Other Post-Employment Benefits (OPEB) contributions to the OPEB trust fund, given that it is largely fully funded. CalPERS normal costs have not yet increased in FY 2022-23 but are anticipated to increase in FY 2023-24 due to CalPERS's lowered discount rate (projected rate of return), which will take effect that year.

Supplies - Supplies budgets have increased by 7% from the prior year to reflect inflationary costs of purchasing supplies.

Other Expenses - The significant increase here is due to the one-time $1.1 million-dollar expenditure to payoff the USDA Fire Station loan consistent with 2016 Council direction.

Services - Services budgets have increased by 8% from the prior year to reflect inflationary costs of procuring services. These are typically in the form of professional or contractual services.

Debt Service - Debt service remains unchanged in the General Fund, but the payoff of the USDA Fire Station Loan will save the Measure Q&E Fund on debt service payments, including interest payments, over the next fifteen years plus.

Interfund Transfers - This includes the following transfers, differentiated between ongoing and one-time as follows:

Transfers to Other General Funds

These contributions are all to comply with Council-adopted reserve policies.

Fund	Amount	One-Time/Ongoing
General Fund Emergency Reserve Fund	$1,087,000	One-time
General Fund Vehicle Replacement Fund	$270,000	One-time
General Fund Compensable Leave Fund	$81,000	One-time
Total	**$1,438,000**	

Transfers to Internal Service Funds

These contributions are for internal services provided to General Fund Departments.

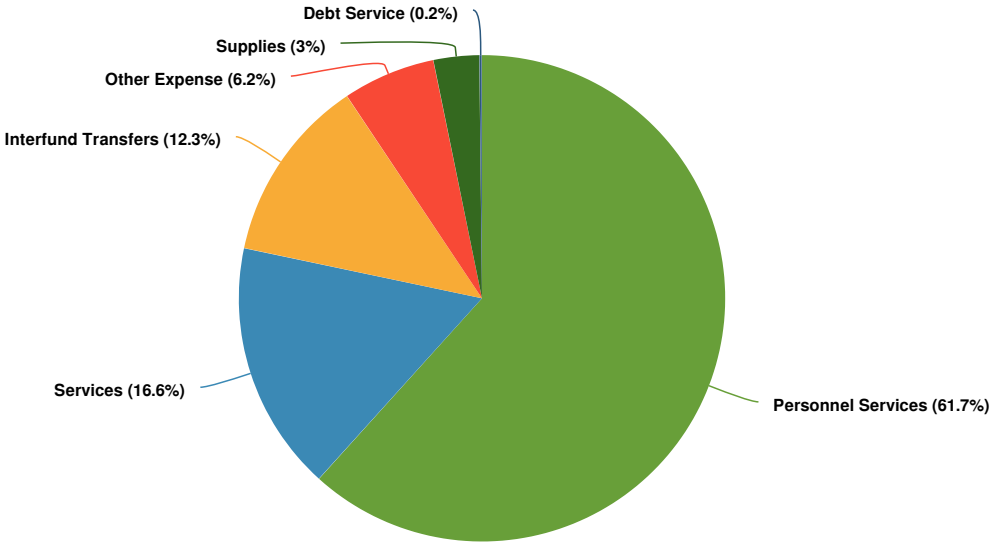
Fund	Amount	One-Time/Ongoing
Information Technology Fund	$549,805	Ongoing
Risk Management Fund	$82,964	Ongoing
Total	**$632,769**	

Transfers to Capital Improvement Projects

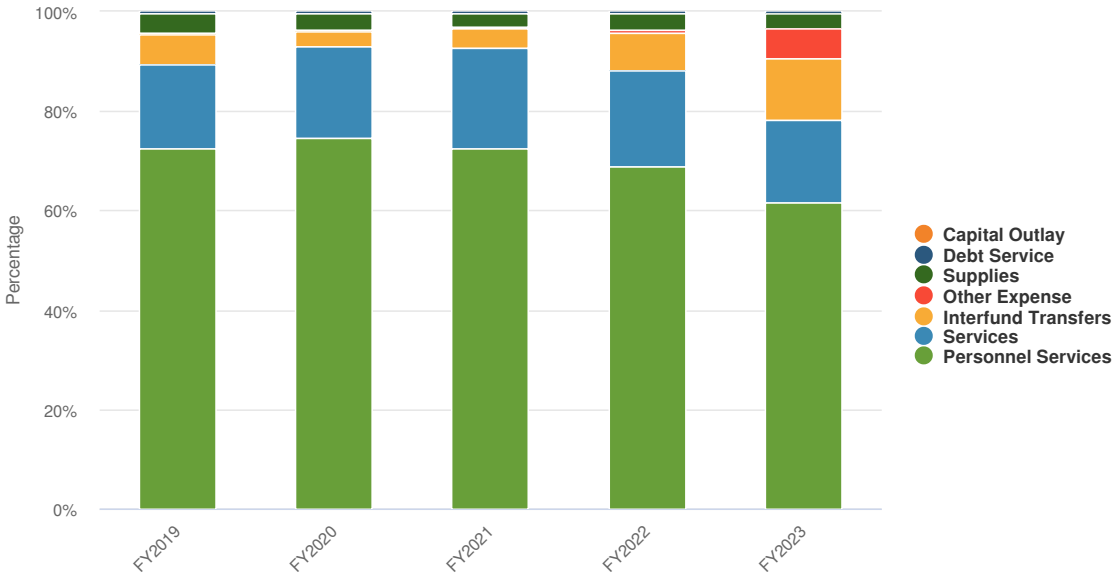
These contributions are all to the General Government Capital Projects Fund (915).

Project	Amount	One-Time/Ongoing
Citywide Capital & Facilities Planning	$200,000	One-time
Lila Keiser Pkg Lot & ADA Upgrades	$120,000	One-time
Sequoia Ct Storm Drain Repair	$120,000	One-time
Electric Vehicle Charging Stations	$40,000	One-time
Local Match to LRSP Roads Funding	$10,000	One-time
Total	**$490,000**	

Budgeted Expenditures by Expense Type



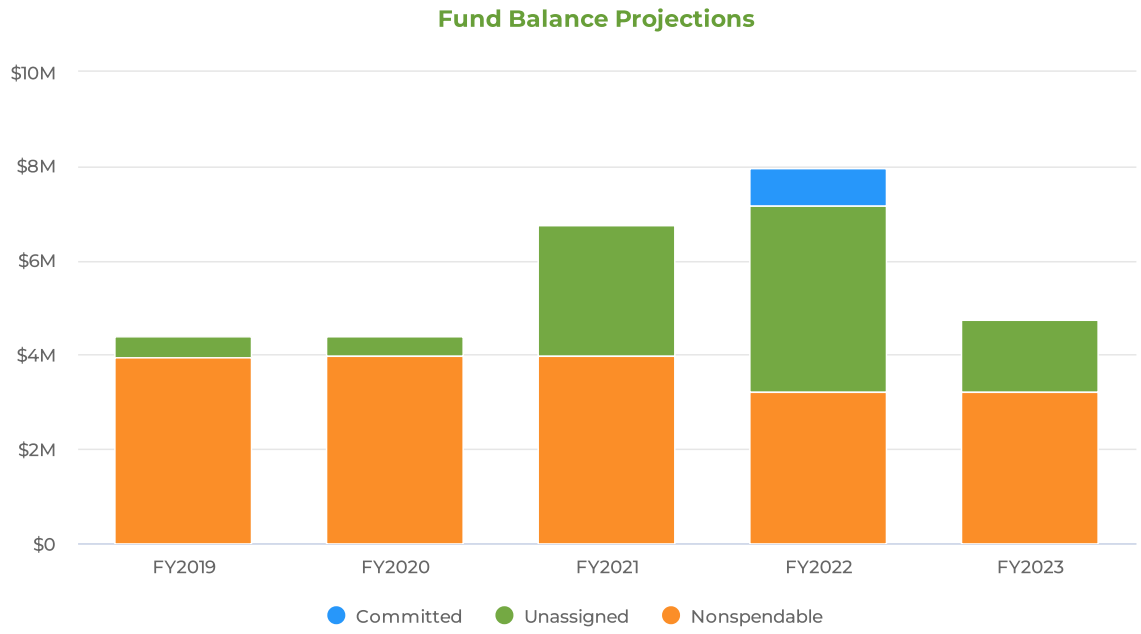
Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expense Objects				
Personnel Services	$11,485,960	$11,099,528	$12,823,342	11.6%
Supplies	$589,417	$548,814	$630,847	7%
Other Expense	$64,925	$64,350	$1,280,620	1,872.5%
Services	$3,200,340	$3,041,942	$3,452,396	7.9%
Debt Service	$35,190	$35,190	$35,190	0%
Interfund Transfers	$1,289,688	$1,289,688	$2,560,769	98.6%
Total Expense Objects:	**$16,665,520**	**$16,079,512**	**$20,783,164**	**24.7%**

Fund Balance

The fund balances reported below are for the 001 General Fund only. The other General Fund component funds (005, 050, 052, 052, 460, and 470) that are reported as part of the General Fund balance in the ACFR have their individual fund balances reported in each fund's budget summary page. Consistent with Government Accounting Board Standards, the fund balance is reported by nonspendable, restricted, committed, or unassigned fund balance. The other components of the General Fund have committed fund balances, which are committed to a specific purpose (reserves or savings for capital projects). The General Fund's balance has a nonspendable component associated with real property or assets that cannot be liquidated, and an unassigned fund balance that can be used as Council directs. The unassigned fund balance in the General Fund is projected at approximately $1.6 million at the end of FY 2022-23. The reduction from FY 2021-22 is due to the one-time transfers out to the other reserve fund components of the General Fund, not to actual expenditure of those funds.



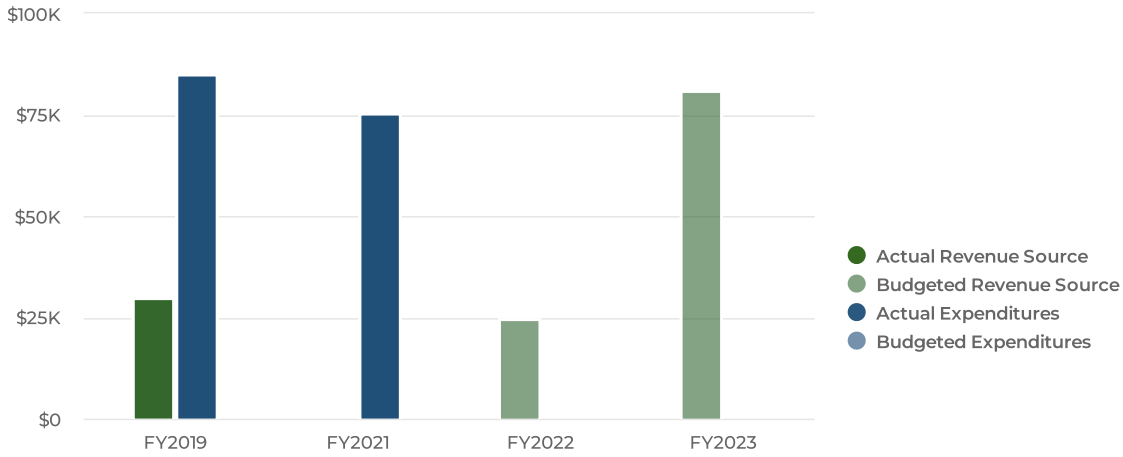
	FY2022	FY2023	% Change
Fund Balance	**Projected**	**Projected**	
Unassigned	$3,955,000	$1,521,000	-61.5%
Committed	$798,000	$0	-100%
Nonspendable	$3,212,000	$3,212,000	0%
Total Fund Balance:	**$7,965,000**	**$4,733,000**	**-40.6%**

General Government Compensable Leave Fund (005)

This General Government Compensable Leave Fund (005) was established with the FY 2016-17 budget, as a result of a Grand Jury investigation and resulting comments, regarding San Luis Obispo County cities' unfunded liability for employee compensable accumulations. Leave banks include accruals for earned time off for vacation, compensation in-lieu of overtime, floating holiday pay, and administrative leave hours, which, upon separation from City service, are payable in full. The City has maximum limits on each of these compensable accumulation banks to control this liability. The City Council-approved reserve policies call for the balance of this fund to be equal to at least thirty percent of the general government's liability for compensable leave as defined in the prior year ACFR.

Summary

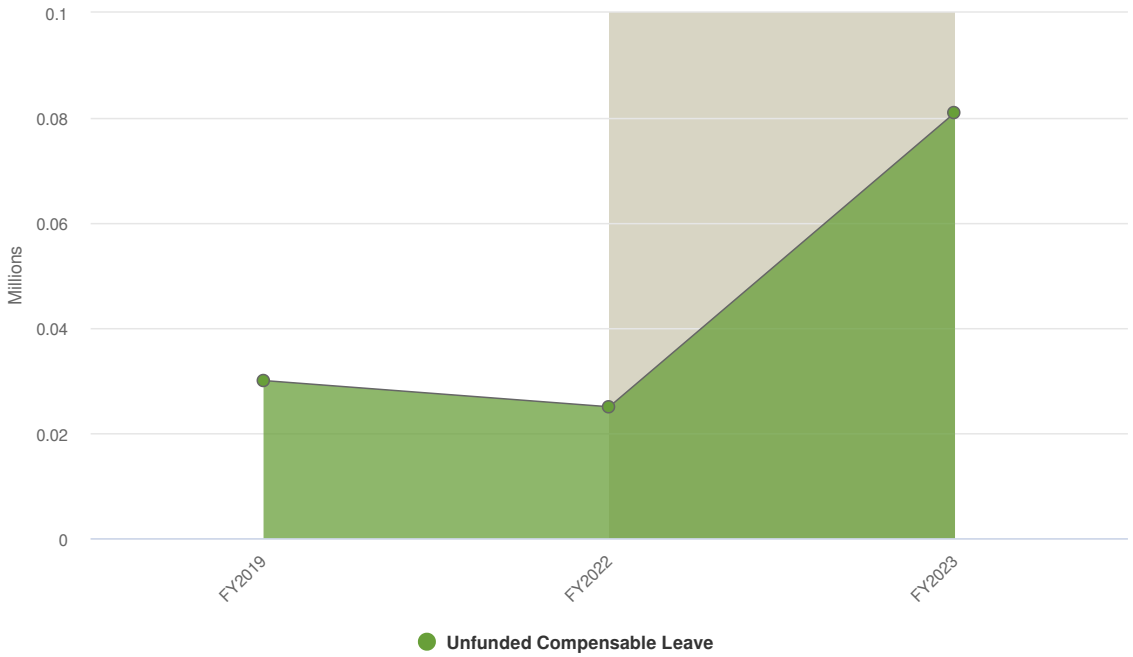
The City of Morro Bay is projecting $81,000 of revenue in FY 2022-23, which represents a 224% increase over the prior year. No expenditures are budgeted for FY 2022-23.



Revenue by Fund

The revenues in the General Government Compensable Leave Fund come from the General Fund, and this fund is reported as part of the General Fund's balance in the ACFR. In order to meet the reserve policy of setting aside thirty percent of the liability defined in the most recent ACFR, which was approximately $849,000, the Fund requires a transfer of $81,000 from the General Fund in FY 2022-23.

Budgeted and Historical 2023 Revenue by Fund



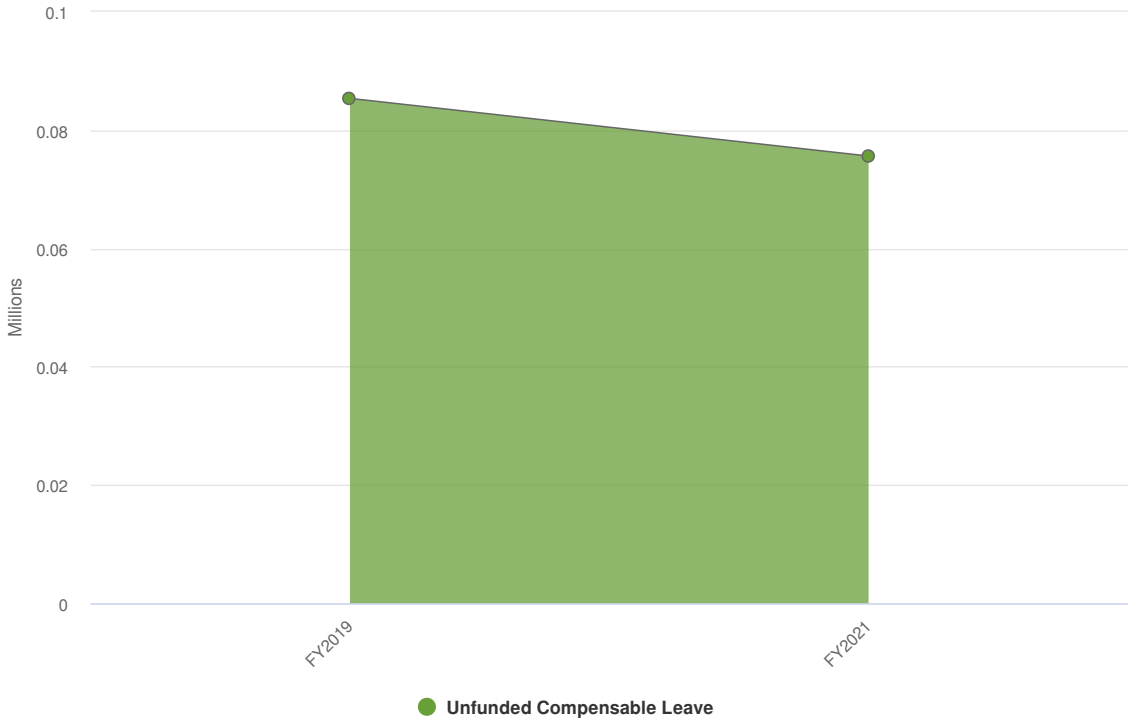
Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Unfunded Compensable Leave	$25,000	$25,000	$81,000	224%
Total Unfunded Compensable Leave:	**$25,000**	**$25,000**	**$81,000**	**224%**

Expenditures by Fund

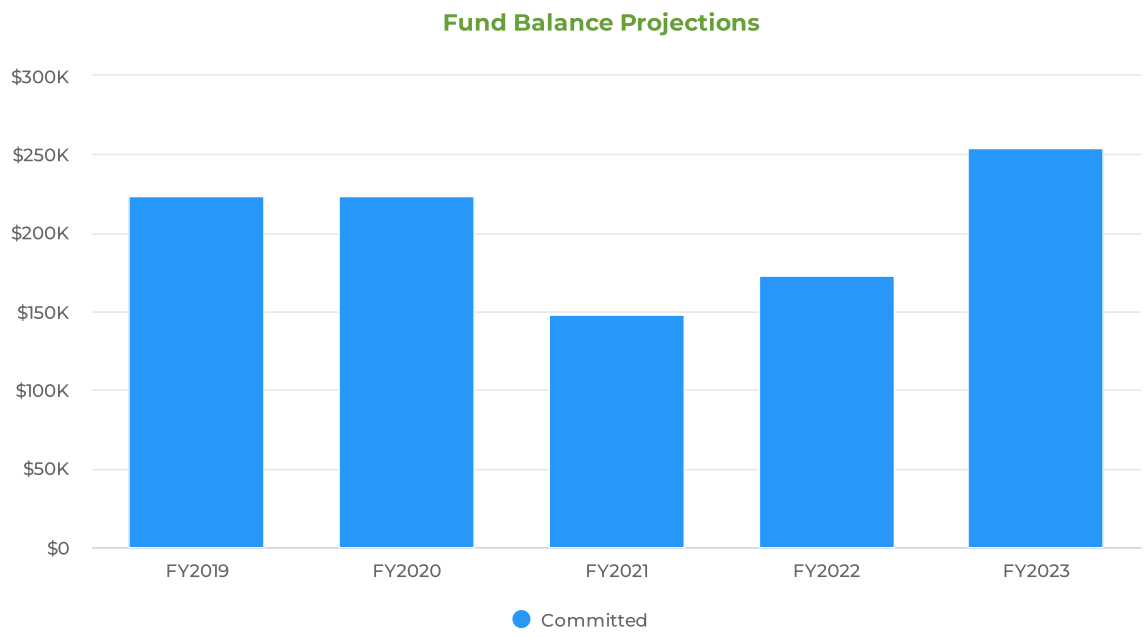
The only expenditures in this fund would be transfers into the General Fund to cover large one-time payouts of significant leave balances upon separation. That has happened in recent fiscal years, and the General Fund dollars are budgeted to transfer back into the Compensable Leave Fund in subsequent years to maintain compliance with the reserve policy. The City's practice is not to budget for expenditures in this fund given that one-time leave payouts and separations are unpredictable, and at times, the General Fund operating budget can absorb those costs without a transfer in from the Compensable Leave fund if there are savings in other areas.

Budgeted and Historical 2023 Expenditures by Fund



Fund Balance

The projected fund balance at the end of FY 2022-23 will be approximately $254,000, or approximately 30 percent of the liability for compensated absences as defined in the FY 2020-21 ACFR.



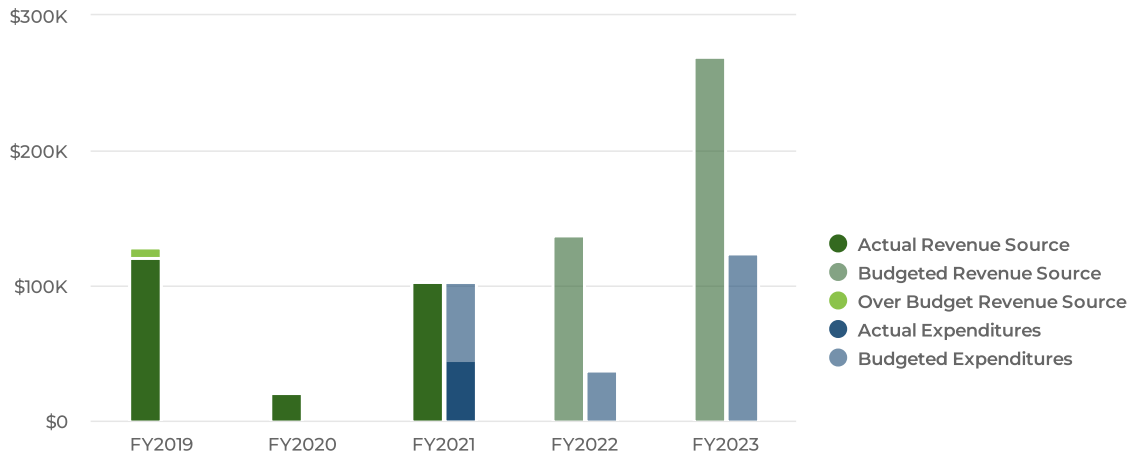
	FY2022	FY2023	% Change
Fund Balance	**Projected**	**Projected**	
Committed	$173,000	$254,000	46.8%
Total Fund Balance:	**$173,000**	**$254,000**	**46.8%**

General Fund Vehicle Replacement Fund (050)

The General Fund Vehicle Replacement Fund was established to accumulate funding for the replacement of vehicles that are used by the General Fund's departments. The City's reserve policy calls for this fund's balance to be at least twenty percent of the value of the General Fund's fleet so that sufficient funds are available to replace vehicles as needed.

Summary

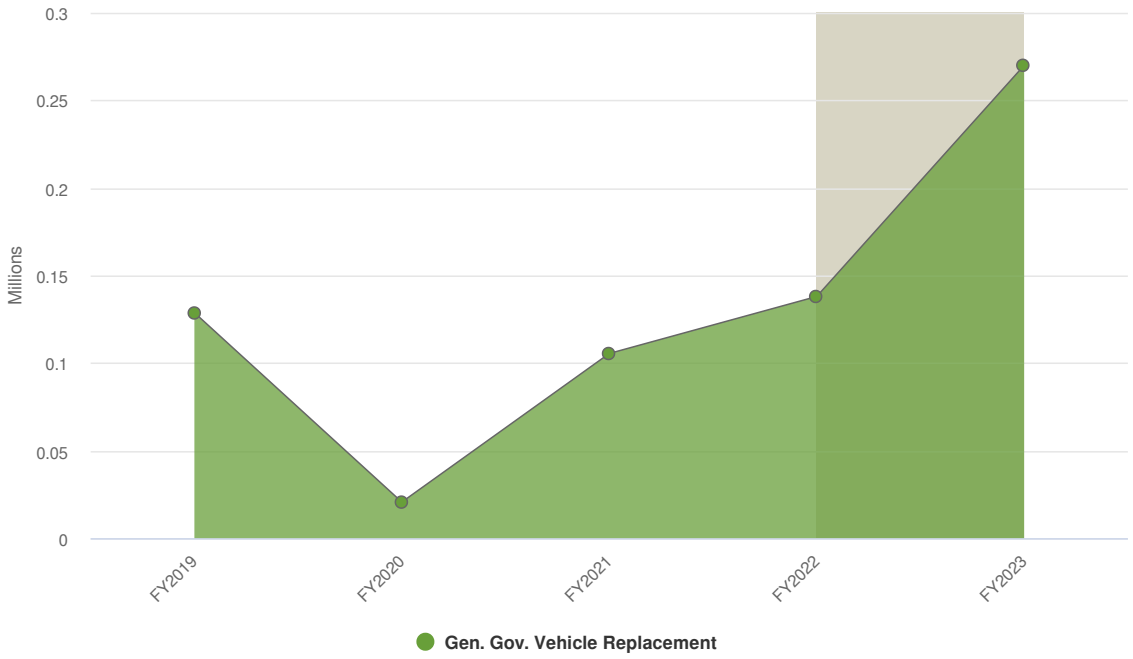
The City of Morro Bay is projecting $270,000 of revenue in FY 2022-23, which represents a 95.7% increase over the prior year. Budgeted expenditures are projected to increase by 226.3% or $86K to $124,000 in FY 2022-23.



Revenue by Fund

Revenues in this fund are transfers from the General Fund and in some cases the Measure Q & E Fund. In FY 2021-22, $100,000 is budgeted to be transferred in from the General Fund to continue to build up fund balance per the reserve policy, and $38,000 from the Measure Q & E Fund to fund a consolidated maintenance truck. In addition, $30,400 was received in insurance proceeds for a patrol vehicle that was totaled in a collision. In FY 2022-23, $270,000 is budgeted to be transferred in from the General Fund to bring this fund into compliance with the adopted City reserve policy.

Budgeted and Historical 2023 Revenue by Fund



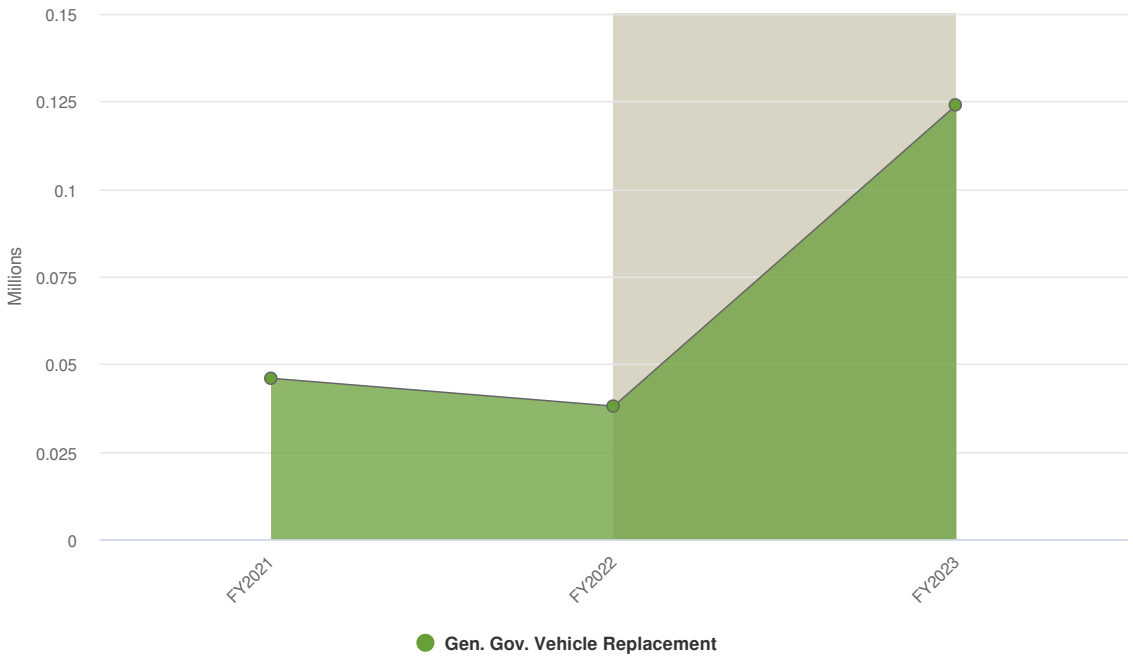
Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Gen. Gov. Vehicle Replacement	$138,000	$168,400	$270,000	95.7%
Total Gen. Gov. Vehicle Replacement:	**$138,000**	**$168,400**	**$270,000**	**95.7%**

Expenditures by Fund

The FY 2021-22 budget included $38,000 for the purchase of a consolidated maintenance truck. The truck will not be purchased in FY 2021-22, as staff are waiting for additional electric vehicle options to come on the market, consistent with Council's climate action goals. The FY 2022-23 budget includes $49,000 for the purchase of that consolidated maintenance truck (using the unspent $38,000 from FY 2021-22), as well as $75,000 for the purchase of a patrol vehicle for the Police Department. This Patrol Vehicle request is to replace the patrol vehicle (1301) that was totaled in an accident in December 2021. The purchase price will be partially offset by the $30,400 that the City has already received from insurance, as the patrol vehicle being replace was totaled in a collision.

Budgeted and Historical 2023 Expenditures by Fund

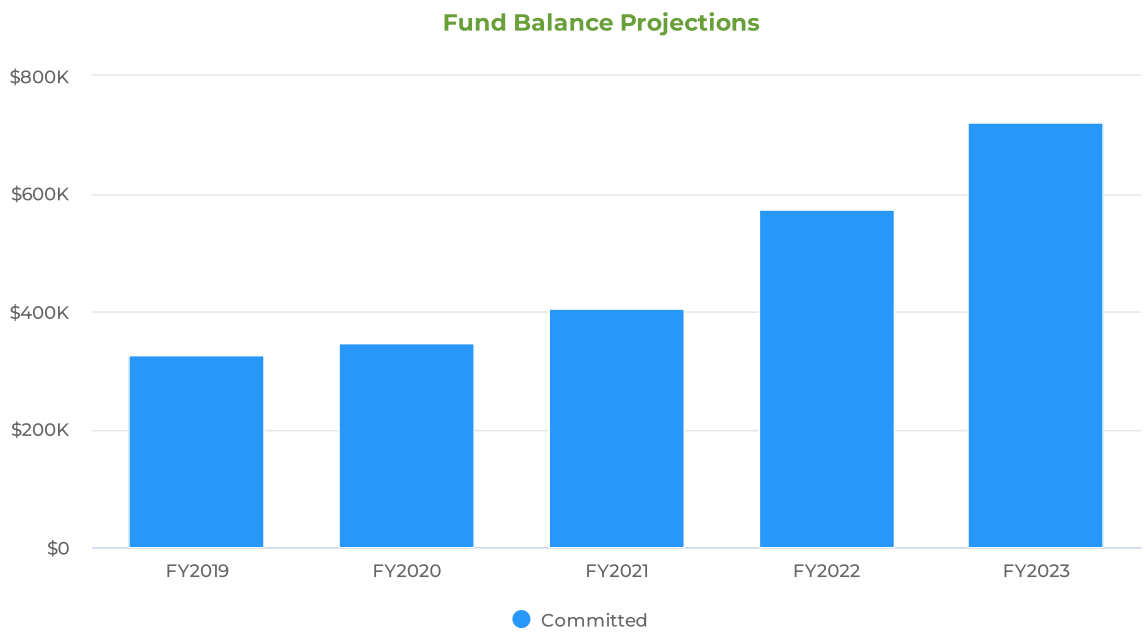


Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted ($ Change)
Gen. Gov. Vehicle Replacement	$38,000	$124,000	$86,000
Total Gen. Gov. Vehicle Replacement:	**$38,000**	**$124,000**	**$86,000**

Fund Balance

The fund balance at the end of FY 2022-23 is anticipated to be $720,000, or 20% of the total value of of the General Fund fleet, consistent with the City's Council-approved reserve policy for this Fund.



	FY2019	FY2020	FY2021	FY2022	FY2023	% Change	$ Change
Fund Balance	—	—	_	**Projected**	**Projected**		
Committed	$326,000	$346,000	$406,000	$574,000	$720,000	25.4%	$146,000
Total Fund Balance:	**$326,000**	**$346,000**	**$406,000**	**$574,000**	**$720,000**	**25.4%**	**$146,000**

General Fund Emergency Reserve Fund (051)

The General Fund Emergency Reserve Fund is used to track the General Fund Emergency Reserve (GFER) balance. While this could be tracked within the General Fund itself (001 Fund), the City's practice has been to track it separately. The balance of this fund is reported as part of the General Fund in the ACFR.

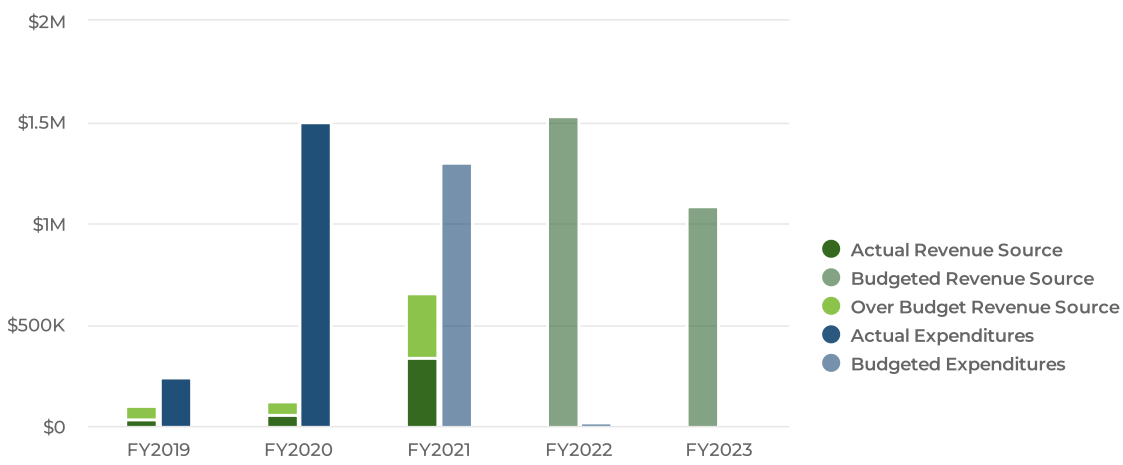
The City's reserve policies include a General Fund Reserve Policy, which states the following:

1. The GFER minimum balance is set at 33% of operating expenditures in the General Fund and the Measure Q&E Fund in the most recent adopted budget (excluding one-time expenditures and ongoing transfers out).
2. The GFER target balance is set at 50% of operating expenditures in the General Fund and the Measure Q&E Fund in the most recent adopted budget (excluding one-time expenditures and ongoing transfers out).

The GFER balance includes both the fund balance in this fund (051) as well as unassigned fund balance in the General Fund proper (001). Amounts greater than the 50% target balance will be deemed available for spending during the annual budget adoption process, at the City Council's discretion. Any use of the GFER Fund must be approved by the City Council. Efforts should be made to restore the GFER if it falls below the minimum fund balance.

Summary

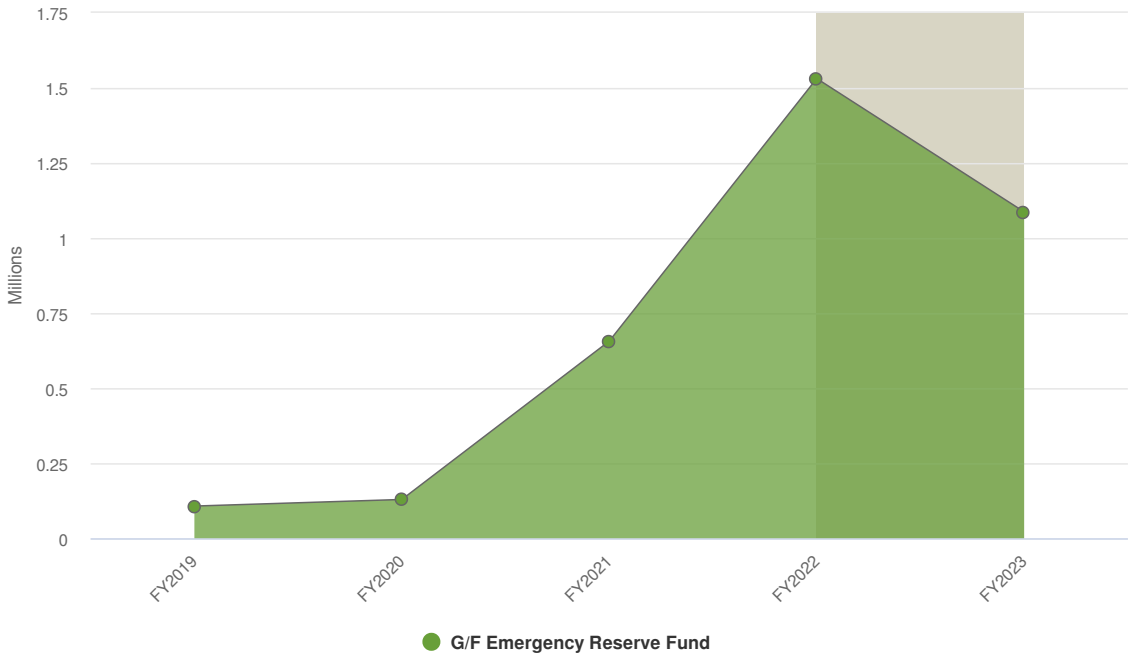
The City of Morro Bay is projecting $1.09 million of revenue in FY 2022-23, which represents a 29% decrease over the prior year. No expenditures are budgeted for FY 2022-23.



Revenue by Fund

Revenues in the General Fund Emergency Reserve Fund come in as transfer contributions from other governmental or internal services funds, primarily from the General Fund. For FY 2021-22, revenues in this fund include approximately $1 million from Measure Q & E, $0.3 million from the General Fund, and $0.6 million from the Risk Management Fund. In FY 2022-23, approximately $1.1 million in revenue is budgeted to be transferred in from the General Fund so that the General Fund Emergency Reserve Fund balance reaches 33% of the most recently adopted budget. This minimum reserve level, based on the FY 2021-22 adopted operating budget in the General Fund and Measure Q&E Fund, is approximately $5.4 million.

Budgeted and Historical 2023 Revenue by Fund



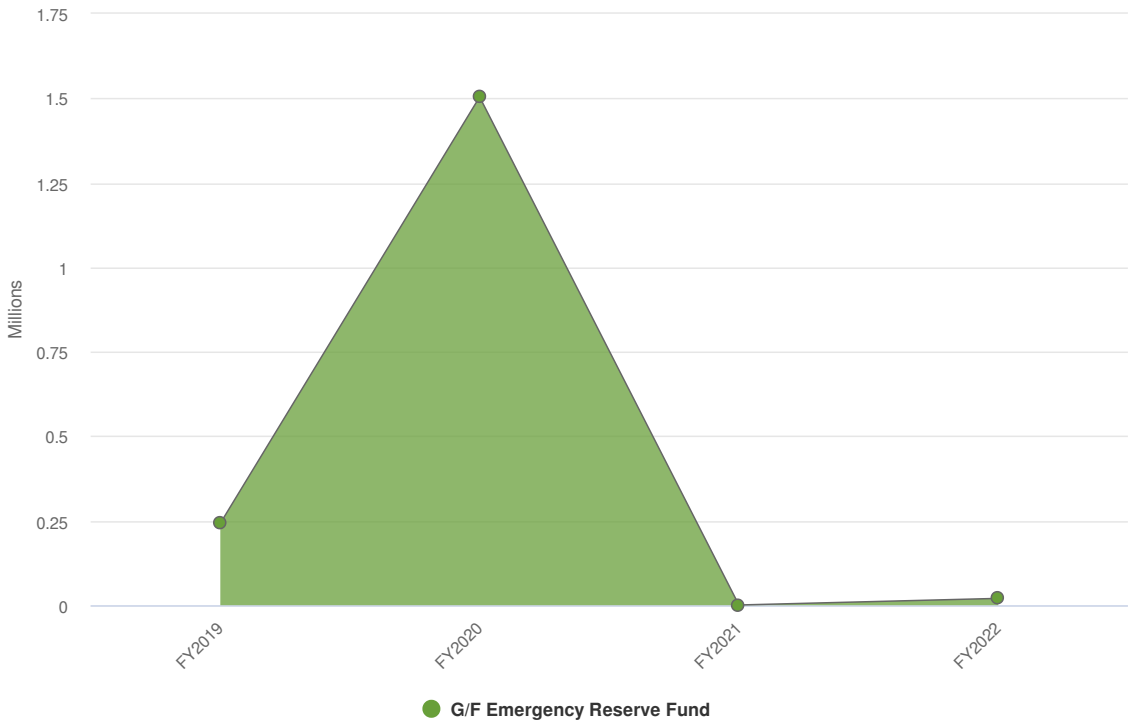
Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
G/F Emergency Reserve Fund	$1,531,250	$1,887,500	$1,087,000	-29%
Total G/F Emergency Reserve Fund:	**$1,531,250**	**$1,887,500**	**$1,087,000**	**-29%**

Expenditures by Fund

Expenditures from this fund are on an as-needed basis subject to Council approval. In past years, funds have been allocated to paying down portions of the CalPERS unfunded pension liability. At the onset of the COVID-19 pandemic, General Fund Emergency Reserves were needed to balance the General Fund operating budget ($1.4 million in FY 2019-20). In FY 2020-21, it was anticipated that GFER funds would be needed to balance the General Fund budget but due to significant fiscal constraint and budget cuts, the General Fund Emergency reserve was not drawn down in FY 2020-21. There are no expenditures budgeted in FY 2022-23.

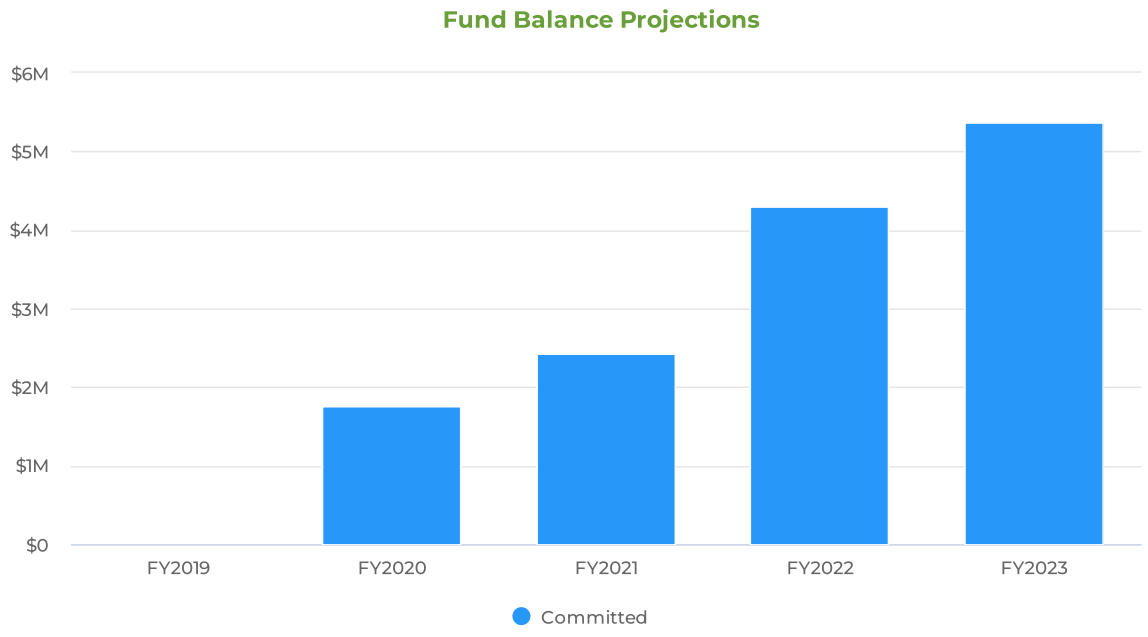
Budgeted and Historical 2023 Expenditures by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
G/F Emergency Reserve Fund	$20,200	$20,200	$0	-100%
Total G/F Emergency Reserve Fund:	**$20,200**	**$20,200**	**$0**	**-100%**

Fund Balance

Based on the most recent adopted budget (FY 2021-22), the General Fund Emergency Reserve minimum balance should be $5.4 million. This fund balance will be realized via a transfer in from the General Fund of approximately $1.1 million. For purposes of the City's reserve policy, the "GFER" balance includes the balance in this fund as well as unassigned balance in the General Fund proper (001 Fund). For FY 2022-23, the full 33% reserve level would be met in the GFER Fund (051) alone; any remaining unassigned fund balance in the 001 Fund would be above the 33% minimum reserve level.



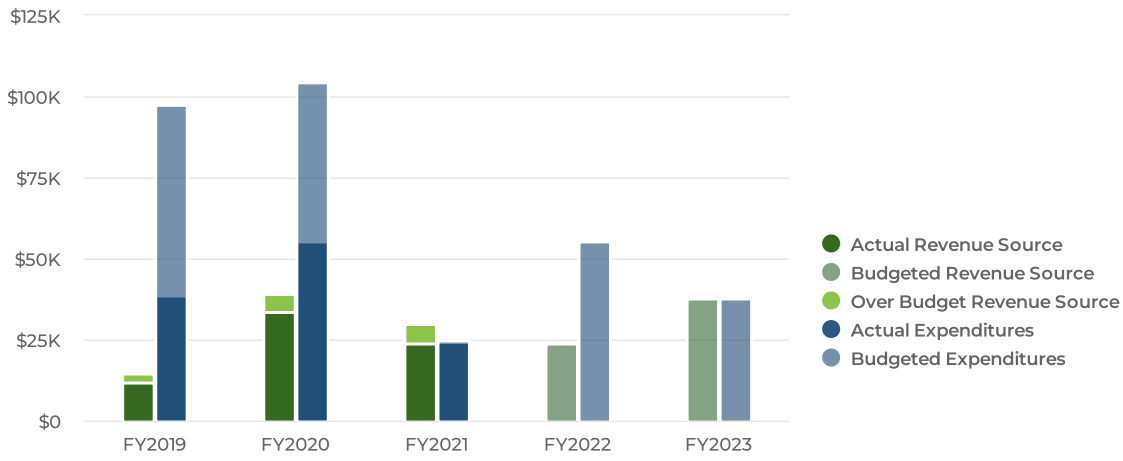
	FY2022	FY2023	% Change
Fund Balance	**Projected**	**Projected**	
Committed	$4,290,000	$5,377,000	25.3%
Total Fund Balance:	**$4,290,000**	**$5,377,000**	**25.3%**

General Fund Facility Maintenance Fund (052)

The General Fund Facility Maintenance Fund includes rental income from tenants at 781 Market Avenue property while the City assesses long-term alternative development options for the site. Funds are used to maintain City properties as needs arise.

Summary

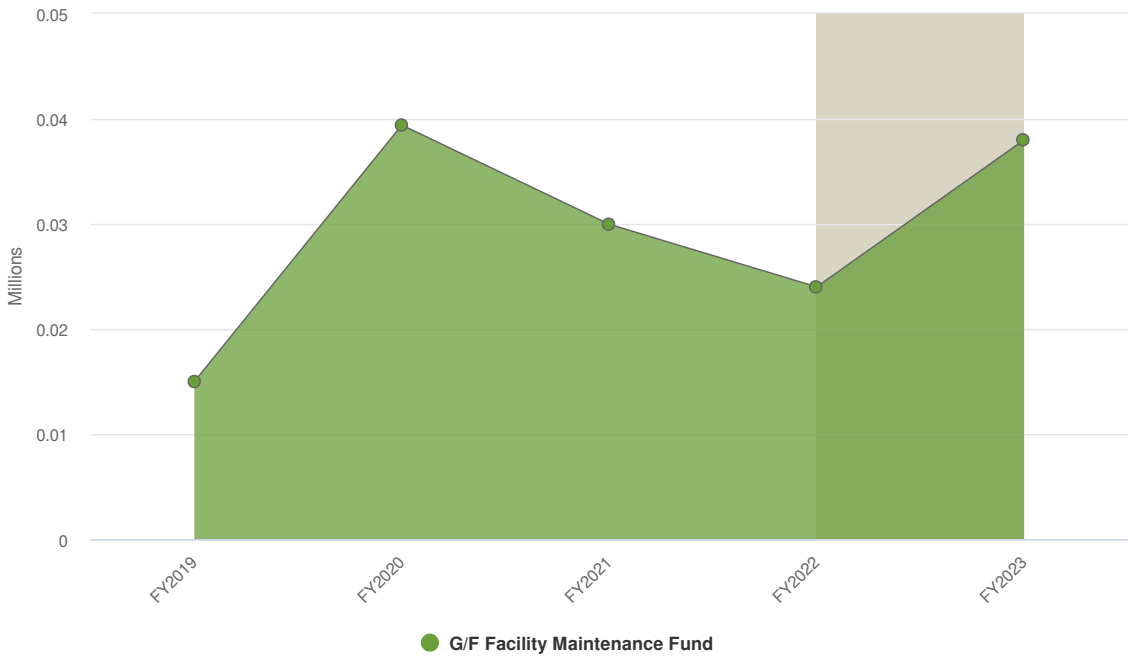
The City of Morro Bay is projecting $38,000 of revenue in FY 2022-23, which represents a 58.% increase over the prior year. Budgeted expenditures are projected to decrease by 31% to $38,000 in FY 2022-23.



Revenue by Fund

FY 2022-23 projected revenues are approximately $38,000, based on the two existing leases at 781 Market Avenue.

Budgeted and Historical 2023 Revenue by Fund



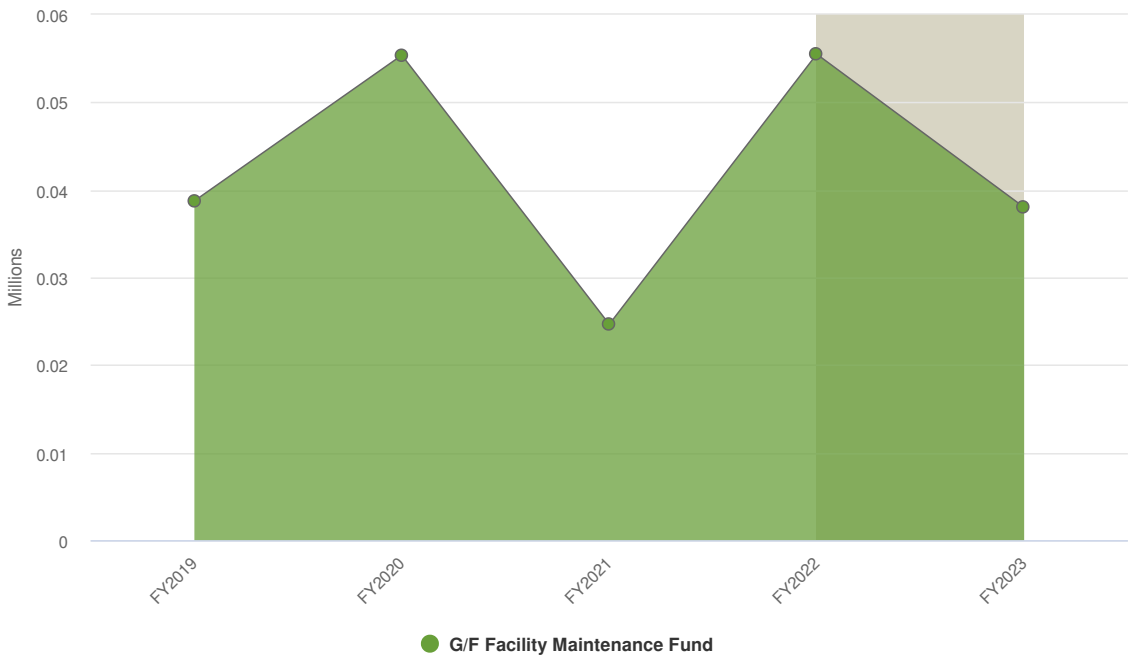
Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
G/F Facility Maintenance Fund	$24,000	$24,000	$38,000	58.3%
Total G/F Facility Maintenance Fund:	**$24,000**	**$24,000**	**$38,000**	**58.3%**

Expenditures by Fund

The FY 2022-23 budget includes funding for the Veterans Memorial Building Kitchen project, which will include the potential replacement and/or upgrades of flooring, plumbing, industrial grade kitchen equipment, and outdoor refrigerator storage.

Budgeted and Historical 2023 Expenditures by Fund

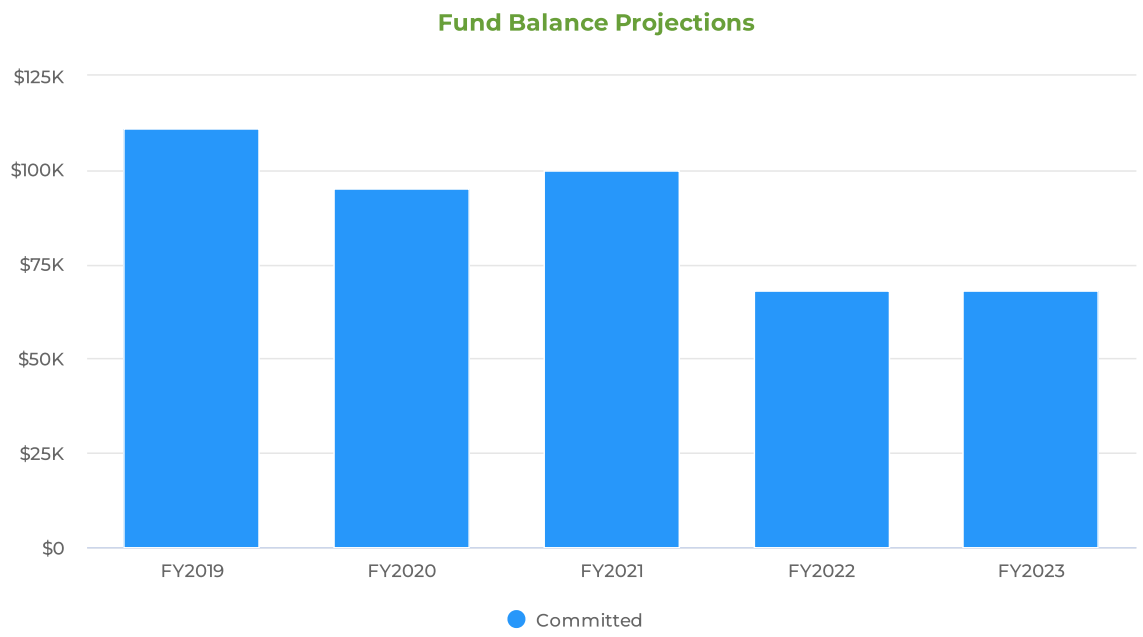


Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
G/F Facility Maintenance Fund	$55,500	$55,500	$38,000	-31.5%
Total G/F Facility Maintenance Fund:	**$55,500**	**$55,500**	**$38,000**	**-31.5%**

Fund Balance

City Council reserve policies have established the minimum balance for this fund at $50,000 and the target level at $75,000. The projected fund balance at the end of FY 2022-23 is approximately $68,000, which meets the reserve policy.



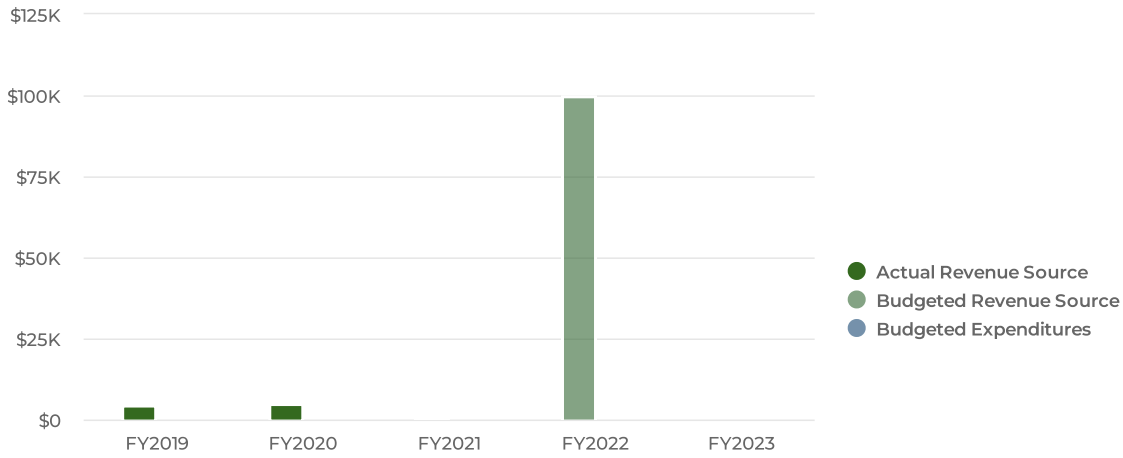
	FY2022	FY2023	% Change
Fund Balance	**Projected**	**Projected**	
Committed	$68,000	$68,000	0%
Total Fund Balance:	**$68,000**	**$68,000**	**0%**

General Fund Capital Accumulation Fund (460)

The General Fund Capital Accumulation Fund was established with the adoption of the FY 2015-16 budget. Its purpose is to account for the accumulation of funds for capital replacement, such as City Hall.

Summary

There are no revenues or expenditures budgeted in this fund in FY 2022-23.

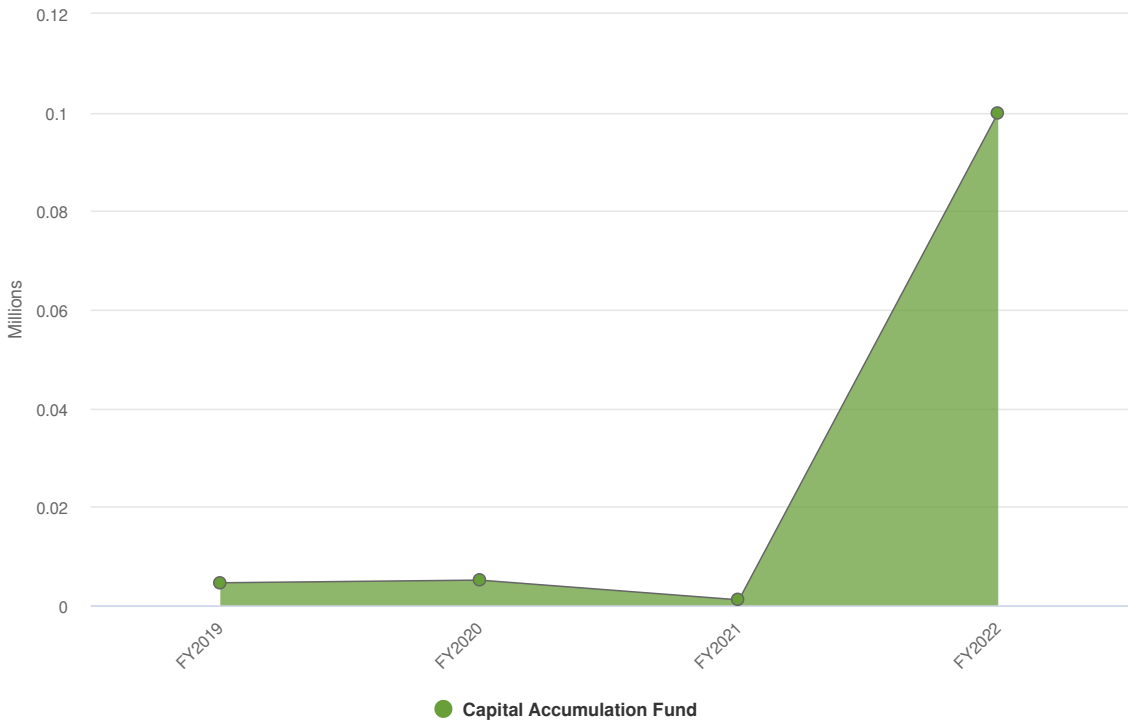


Revenue by Fund

Revenues in the fund come exclusively as transfers from the General Fund, and this fund's balance is reported with the General Fund's balance in the ACFR. No revenues are budgeted for FY 2022-23, as all available General Fund dollars are being budgeted directly for current capital improvement projects (in the General Government CIP fund, the 915 fund). The existing fund balance will remain in this Accumulation Fund for use in future years or as emergent, unplanned capital needs arise.

FY 2021-22 projected revenues include the $100,000 transfer budgeted from the General Fund and an additional $303,490 that will be transferred in from the General Fund Project Accumulation Fund (fund 470) at year-end, pending Council approval. This will close out Fund 470, which serves a duplicative purpose to fund 460. Reducing the number of funds is consistent with Government Finance Officers Association best practices regarding simplifying budget communications and reducing duplicate budgeting associated with interfund transfers.

Budgeted and Historical 2023 Revenue by Fund



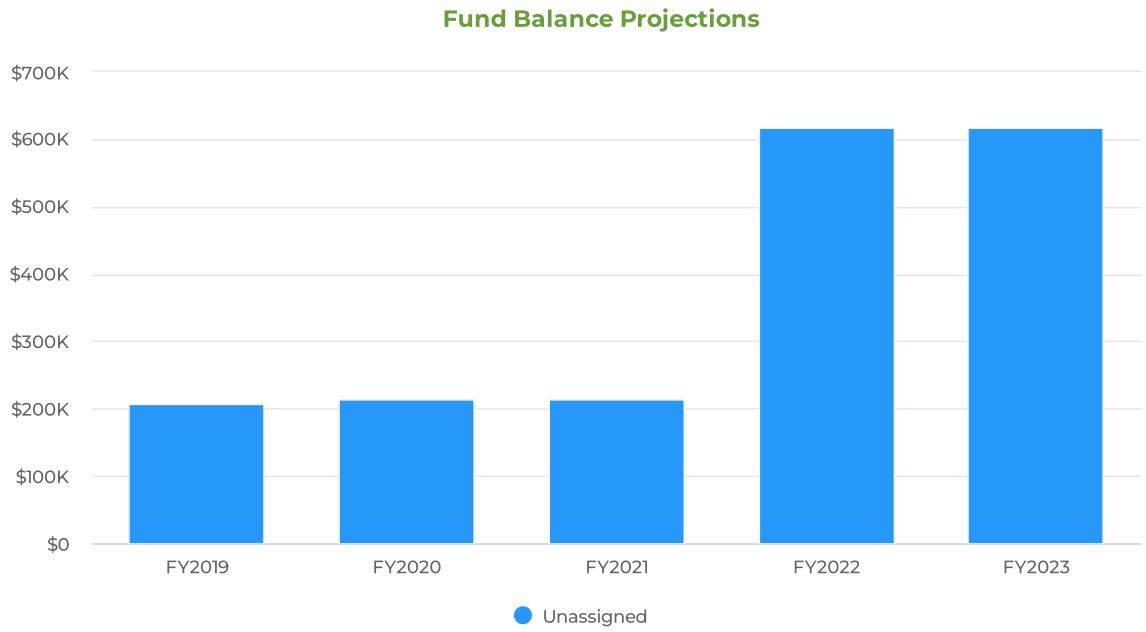
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Capital Accumulation Fund	$100,000	$403,490	$0	-100%
Total Capital Accumulation Fund:	**$100,000**	**$403,490**	**$0**	**-100%**

Expenditures by Fund

Expenditures from this fund are as-needed for unplanned, emergency capital improvement needs, or for large capital projects for which funds must be accumulated over time. There are no planned expenditures from this fund in FY 2022-23 and there have been no expenditures from this fund in recent years. However, there are several General Fund capital projects budgeted for FY 2022-23 in the General Government CIP fund, fund 915.

Fund Balance

The projected fund balance at the end of FY 2022-23 will remain at approximately $617,000.



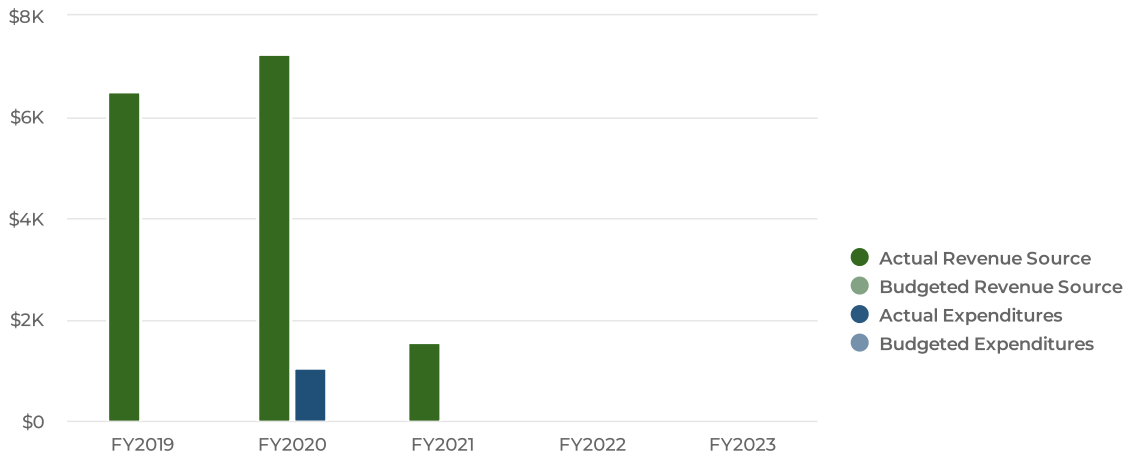
	FY2019	FY2020	FY2022	FY2023	% Change
Fund Balance	—	—	**Projected**	**Projected**	
Unassigned	$208,000	$213,000	$617,000	$617,000	0%
Total Fund Balance:	**$208,000**	**$213,000**	**$617,000**	**$617,000**	**0%**

General Fund Projects Accumulation Fund (470)

This Fund was established with the adoption of the FY 2015-16 budget. Its purpose has been to account for the accumulation of funds for capital projects. However, fund 460, the General Fund Capital Accumulation Fund, has that same purpose and these two funds are duplicative. In alignment with the Government Finance Officers Association's recommendations to simplify budgeting and budget presentation to the public, and to reduce duplicate budgeting that is associated with interfund transfers, this fund is being closed out at the end of FY 2022-23. Pending Council approval, year-end balance in this fund will be transferred to Fund 460, thus roughly doubling the fund balance available in the Capital Projects Accumulation Fund, 460.

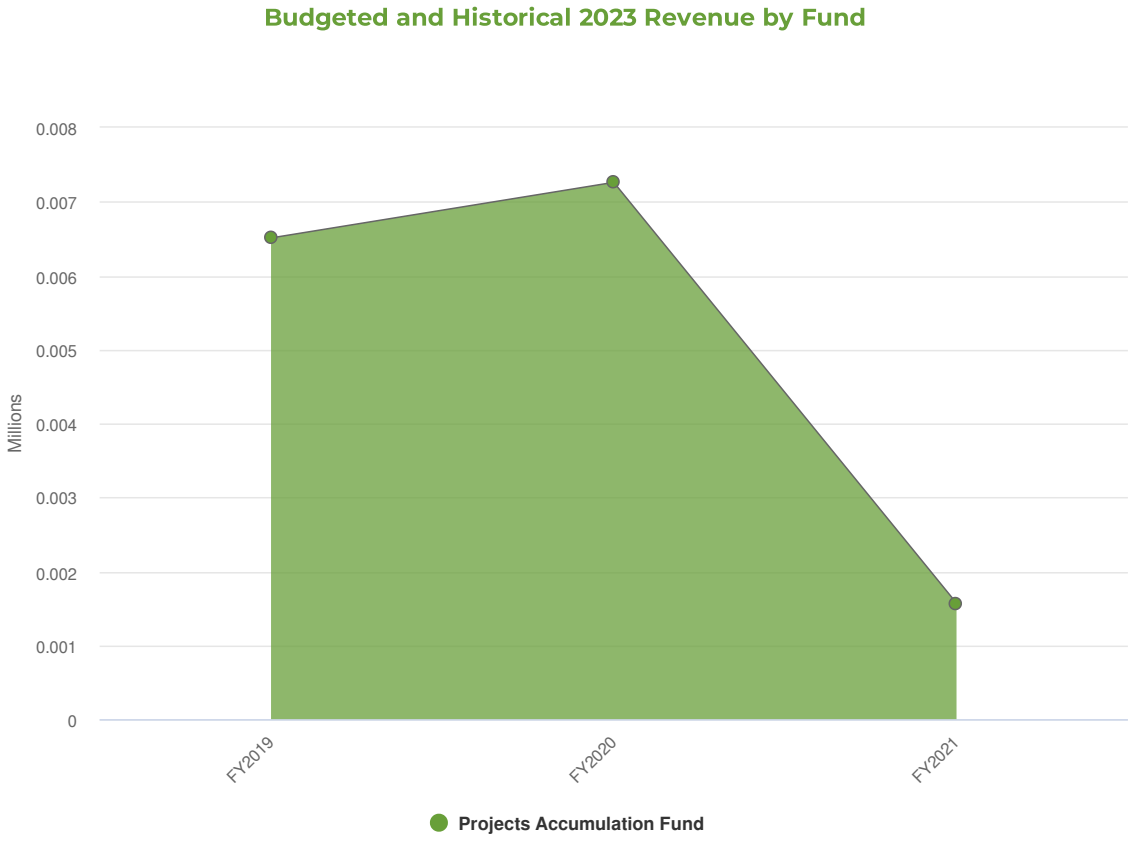
Summary

There are no revenues or expenditures budgeted for this fund in FY 2022-23, as it is being closed out and merged with the General Fund Capital Accumulation Fund, fund 460.



Revenue by Fund

The City of Morro Bay is projecting no revenue in this fund in FY 2022-23, as it is being closed out and merged with the General Fund Capital Accumulation Fund, fund 460.



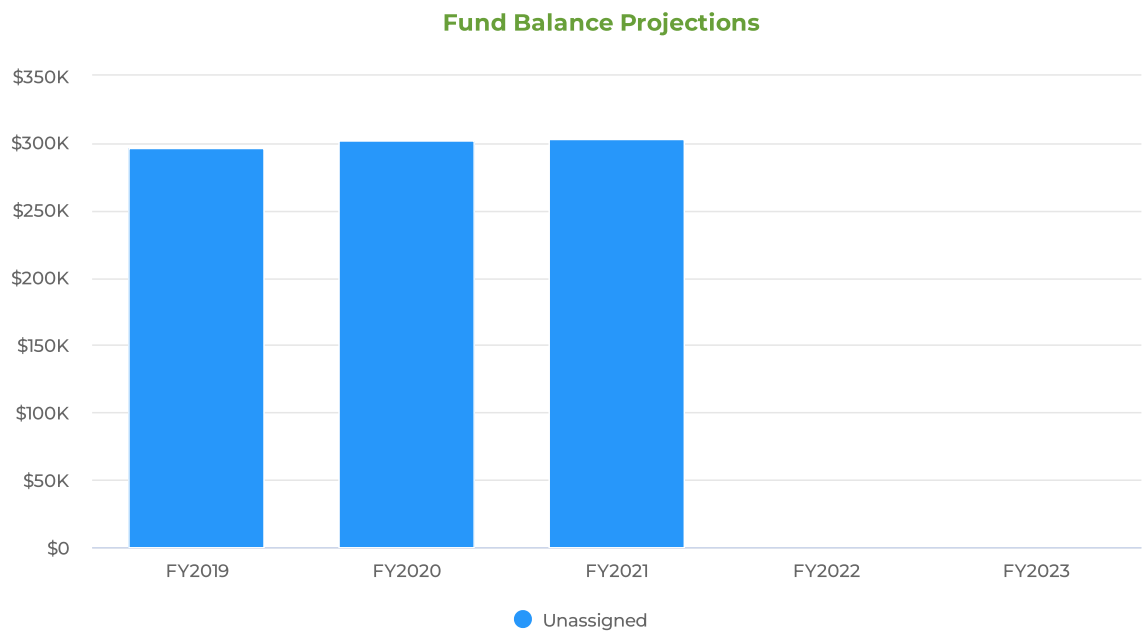
Expenditures by Fund

The City of Morro Bay is projecting no expenditures in this fund in FY 2022-23, as it is being closed out and merged with the General Fund Capital Accumulation Fund, fund 460. Projected expenditures in FY 2021-22, pending Council approval, include the transfer of the remaining projected fund balance to Fund 460.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Projects Accumulation Fund	$0	$303,490	$0	0%
Total Projects Accumulation Fund:	**$0**	**$303,490**	**$0**	**0%**

Fund Balance

Pending Council approval, year-end balance in this fund as of June 30, 2022 will be transferred to Fund 460, thus roughly doubling the fund balance available in the Capital Projects Accumulation Fund, 460.



	FY2019	FY2020	FY2021	% Change
Fund Balance	—	—	_	
Unassigned	$296,000	$302,000	$303,000	0.3%
Total Fund Balance:	**$296,000**	**$302,000**	**$303,000**	**0.3%**

Internal Service Funds

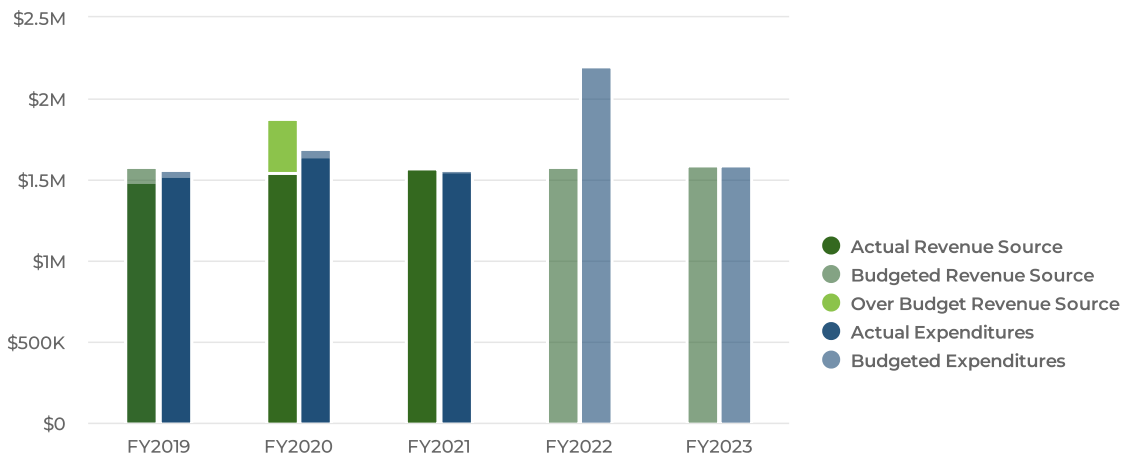
The City's two internal service funds are the Risk Management Fund and the Information Technology Fund. These funds provide citywide risk management and information technology services for all departments. They are funded through interfund transfers from other departments to pay for the cost of the services provided.

Risk Management Fund (430)

As an Internal Service Fund (ISF) this Fund collects contributions from all departments and disburses payments for the City's insurance coverage provider for worker's compensation, unemployment, general liability, property damage, earthquake and flood coverage, and also vehicle insurance.

Summary

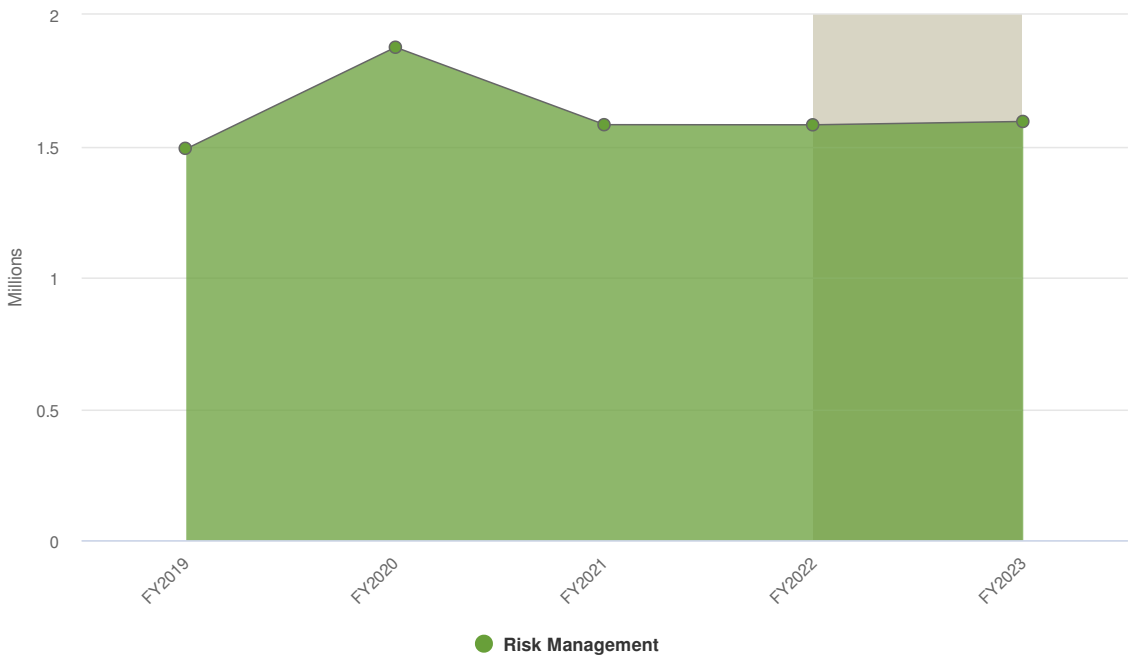
The City of Morro Bay is projecting $1.59 million of revenue in FY202-23, which represents approximately 1% or $12k increase over the prior year. Budgeted expenditures are projected to decrease by 27% or $610 thousand to $1.59 million in FY2022-23. This reduction in expenses is due to the Fund not contributing to the General Fund Emergency Reserve (GFER) or the Information Technology Fund (IT Fund) in this FY. City council approved one-time contributions to both funds in FY 2021-22 for a total amount of $700 thousand.



Revenue by Fund

Revenue for this fund is from contributing departments to cover the cost of anticipated City premiums and allocated position salaries and benefits. Projected revenue insurance premiums are provided by the California Joint Powers Insurance Authority (CJPIA) and include a projected 3.5% total premium increase.

Budgeted and Historical 2023 Revenue by Fund



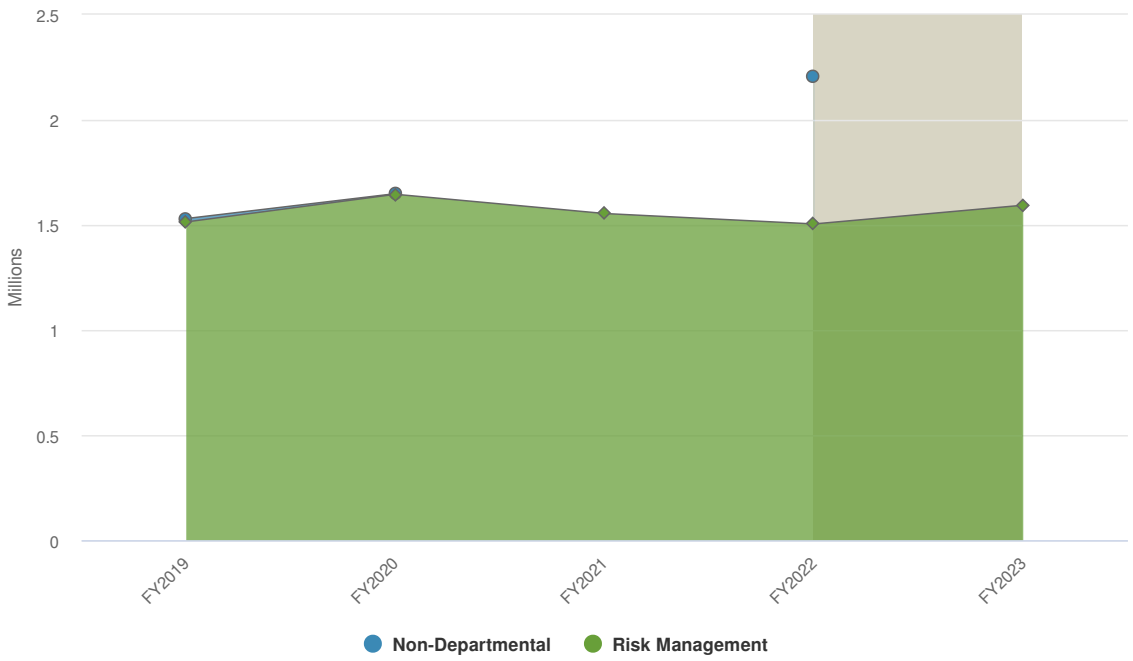
Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Risk Management	$1,580,981	$1,578,871	$1,593,723	0.8%
Total Risk Management:	**$1,580,981**	**$1,578,871**	**$1,593,723**	**0.8%**

Expenditures by Function

The Risk Management Fund includes partial position allocations for 0.34 FTE of the Human Resources Manager and 0.25 FTE of the Deputy City Clerk for a total of 0.59 FTE positions funded for risk administration. These position allocations reflect the cost of staff time necessary to provide risk management services for the City. Both positions are reflected on the City Mangaer's Departmental position list.

Budgeted and Historical Expenditures by Function



Grey background indicates budgeted figures.

Proposed expenditures reflect insurance premium costs being budgeted directly in funds where expenses occur. In an effort to reduce the volume of inter-fund transfer entries, insurance premium expenses are now budgeted in those relative accounts in those funds directly. This will increase transparency within each fund to readily identify general liability, property, and vehicle insurance expenses instead of recording the expense as a transfer into the Risk Management Fund. This budget also includes a 3.5% anticipated total premium increase, provided by the California JPIA. The property reinsurance market is continuing to harden with many carriers reducing capacity in California citing concerns over wildfire risk and mudslides, and CJPIA has also experienced multiple high severity claims during recent years, affecting all members.

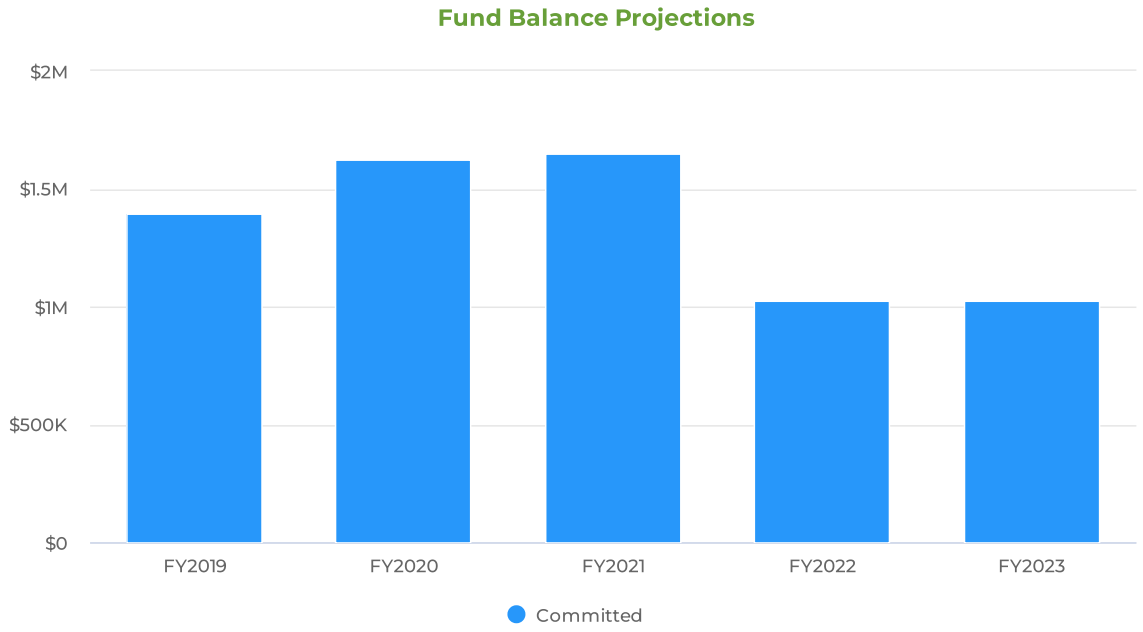
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expenditures				
Risk Management	$1,504,546	$1,501,264	$1,593,723	5.9%
Personnel Services	$102,283	$102,361	$106,367	4%
Services	$1,402,263	$1,398,903	$1,487,356	6.1%
Non-Departmental	$700,000	$700,000	$0	-100%
Interfund Transfers	$700,000	$700,000	$0	-100%
Total Expenditures:	**$2,204,546**	**$2,201,264**	**$1,593,723**	**-27.7%**

Fund Balance

Risk Management is funded through charges to departments, including charges for risk administration identified in the Cost Allocation Plan. The City Council adopted Reserve Policy sets the minimum reserve level at $700 thousand and the target reserve level at $1.0 million. It is prudent to have a significant fund balance for the Risk Management Fund to handle catastrophic incidents.

In FY 21-22 there was a one-time transfer of $600 thousand to the General Fund Emergency Reserve Fund and $1.0 million to the Information Technology Reserves because the Risk Management Fund's fund balance was substantially higher than the target fund balance level at the end of FY 2020-21.

The Risk Management fund is projected to end FY 2022-23 with a fund balance of $1.027 million, which meets and exceeds not only the minimum reserve level but also the target reserve level identified in the City's reserve policy.



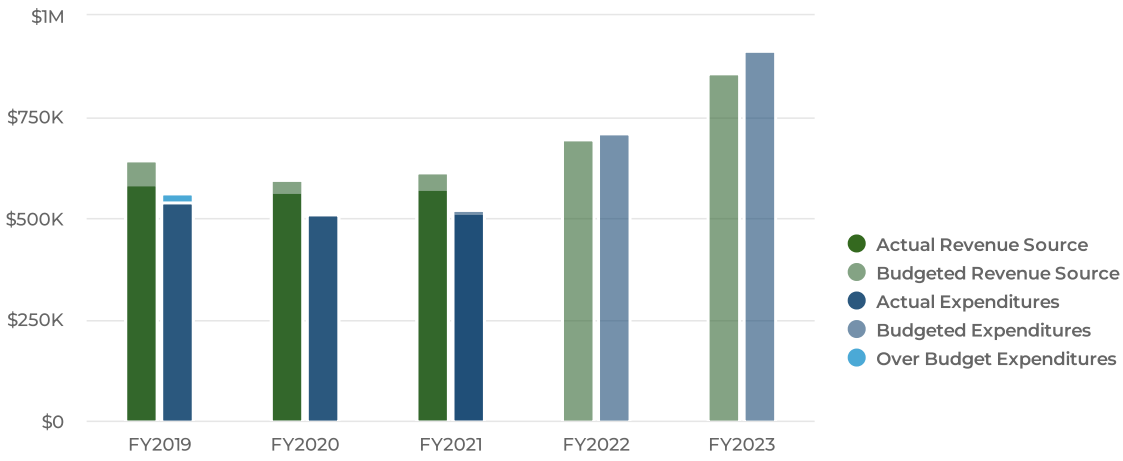
	FY2019	FY2020	FY2021	FY2022	FY2023	$ Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Committed	$1,396,690	$1,624,257	$1,651,540	$1,027,000	$1,027,000	$0
Total Fund Balance:	**$1,396,690**	**$1,624,257**	**$1,651,540**	**$1,027,000**	**$1,027,000**	**$0**

Information Technology Fund (450)

The Information Technology Fund is an internal services fund that was established with the adoption of the FY 2015-16 budget. The fund accounts for citywide expenditures on information technology services and equipment, as well as the accumulation of funds for purchasing technology, such as servers and personal computers. It is funded through transfers from other funds to pay for the technology services that they utilize.

Summary

The City of Morro Bay is projecting $860.62K of revenue in FY2023, which represents a 23.7% increase over the prior year. Budgeted expenditures are projected to increase by 28.5% or $202.8K to $914.99K in FY2023.



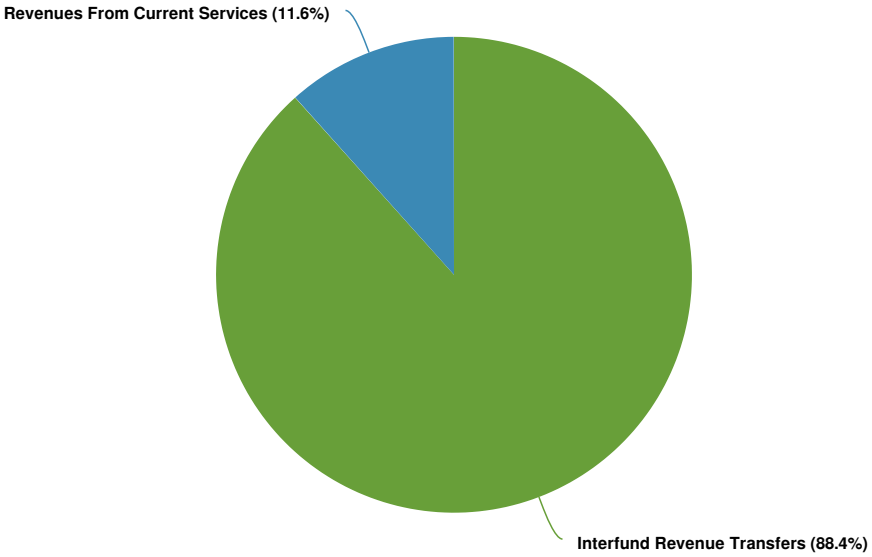
The FY 2022-23 budget increase reflects adding resources to modernize some of the City's aging information technology systems, to address evolving software needs that enhance customer service, and to adequately staff and resource the information technology function of the City to keep pace with growing needs, including but not limited to cybersecurity priorities.

Revenues by Source

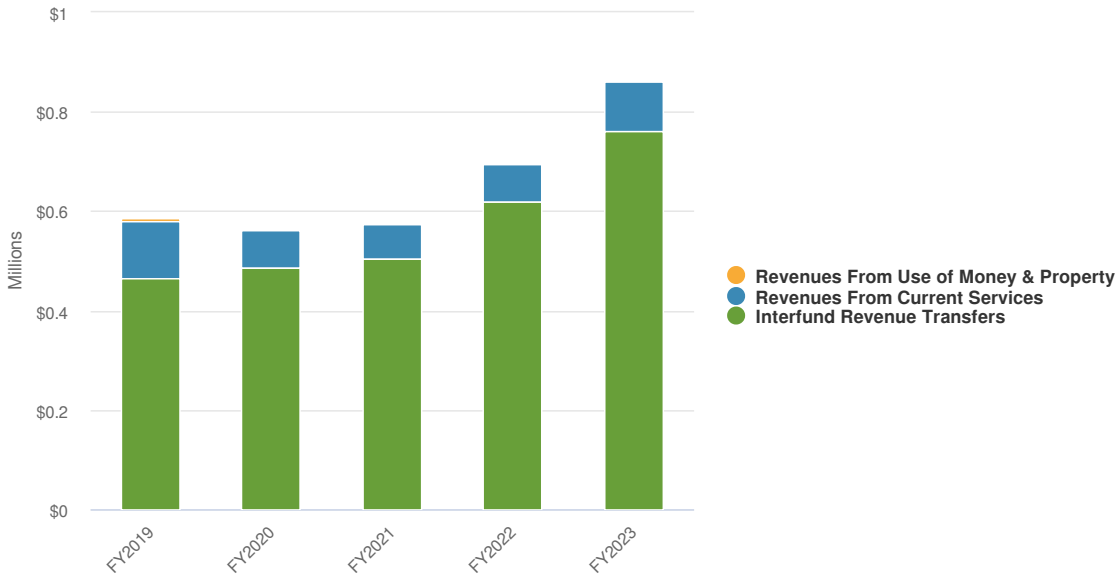
The primary revenue source for the Information Technology fund is transfers from other CIty funds, including the General Fund, that utilize information technology services. These transfers are increasing in FY 2022-23 to account for increasing costs of providing information technology and services.

A secondary and much smaller revenue source for the fund is user fees that are associate with certain types of planning and permitting transactions, to achieve partial cost recovery for the City's hard costs of delivery those services, utilizing systems such as CityWorks, ArcGIS, and Laserfiche.

Projected 2023 Revenues by Source



Budgeted and Historical 2023 Revenues by Source



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenue Source				
Administrative Services				
Other Rev/Current Services	$75,000	$110,000	$100,000	33.3%
Total Administrative Services:	**$75,000**	**$110,000**	**$100,000**	**33.3%**
Non-Departmental				
Transfers In	$620,499	$620,499	$760,620	22.6%
Total Non-Departmental:	**$620,499**	**$620,499**	**$760,620**	**22.6%**
Total Revenue Source:	**$695,499**	**$730,499**	**$860,620**	**23.7%**

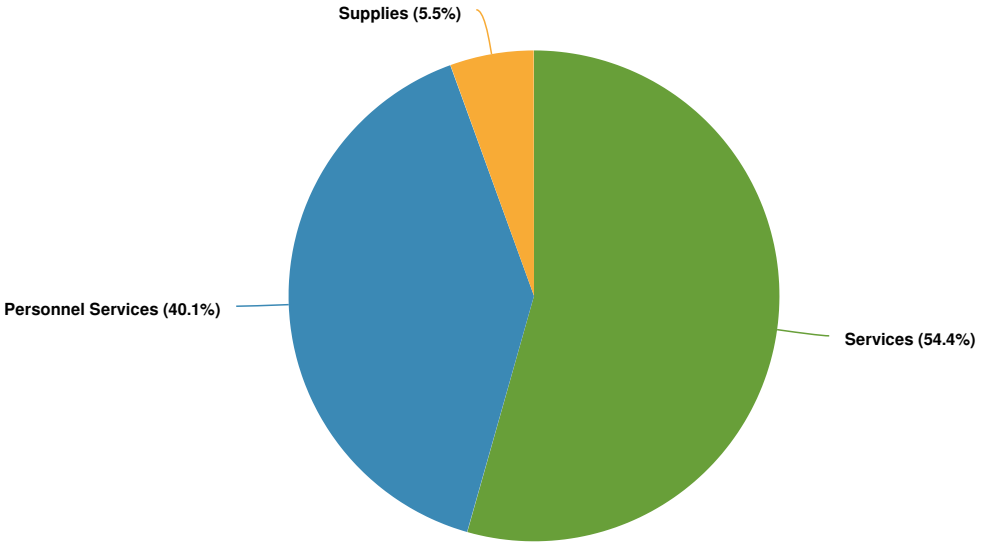
Expenditures by Expense Type

Personnel - The Information Technology Fund includes approximately 2.2 full-time equivalent positions, outlined under the Administrative Services Department section of the budget, as the City department responsible for Information Technology services and the management of this fund. Those positions serve all City departments with a variety of IT needs, including servicing all hardware (over 100 network users and devices), ensuring network security, providing customer technical support, software systems support, and research and planning for new technology solutions.

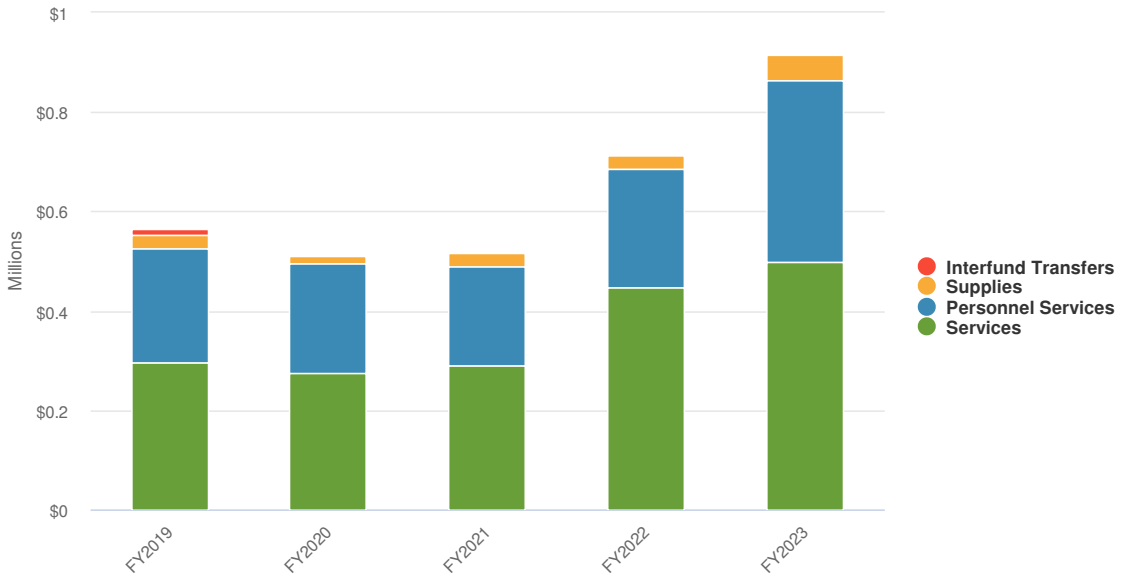
Services - The services costs include all citywide software and network systems, including but not limited to Microsoft Office, Azteca Systems for CityWorks, ESRI Enterprise (ArcGIS Support), Tyler Technologies (New World), the City's website domain fee and Laserfiche, City sourced, and virus software among other software services.

Supplies - The supplies budget includes the cost of computer replacement. This budget will likely need to increase over the years to keep pace with necessary replacements to aging City technology equipment.

Budgeted Expenditures by Expense Type



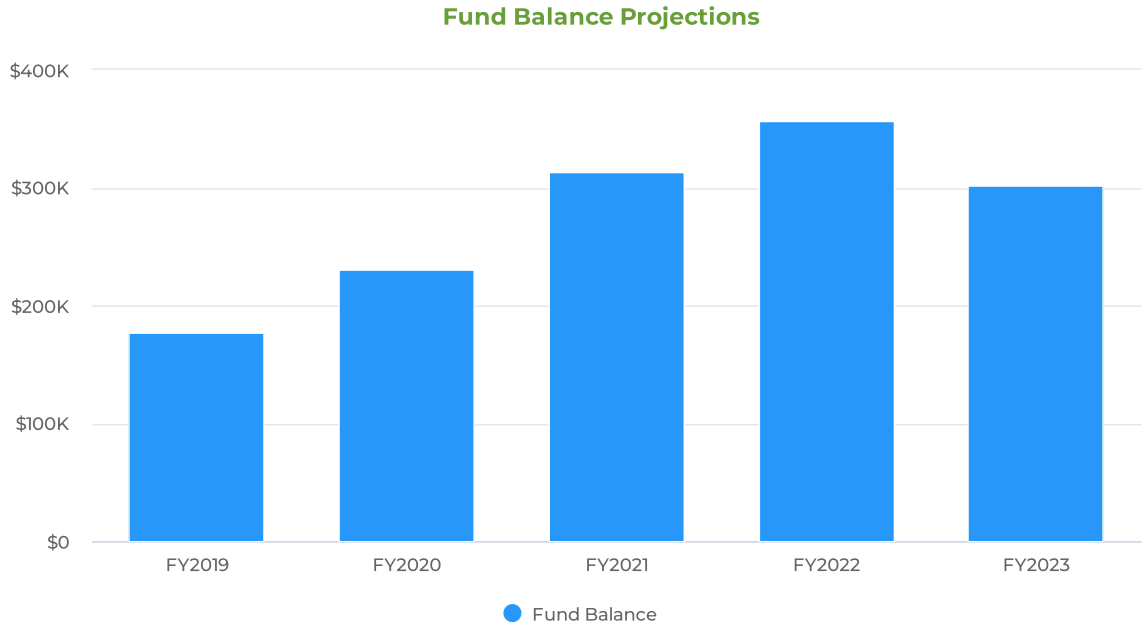
Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expense Objects				
Personnel Services	$240,674	$240,676	$366,693	52.4%
Supplies	$25,500	$60,500	$50,600	98.4%
Services	$446,014	$386,180	$497,697	11.6%
Total Expense Objects:	**$712,188**	**$687,356**	**$914,990**	**28.5%**

Fund Balance

The projected fund balance at the end of FY 2022-23 is approximately $302,000, which meets and exceeds not only the minimum but also the target reserve per the City reserve policy. The Reserve Policy states that the Fund's minimum reserve is $200,000 and the target is $300,000.



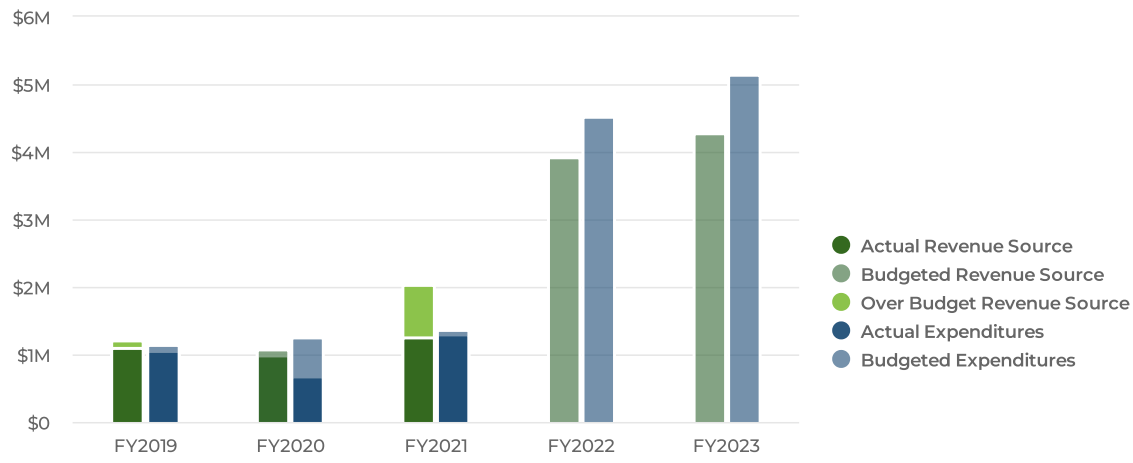
Measure Q & E Fund (003)

The Measure Q & E Fund is a major governmental fund that tracks the receipt and expenditure of the one and one-half cent local transaction and use tax approved by Morro Bay voters. Voters first approved Measure Q in 2006, which was a one-half cent transaction and use tax to preserve Morro Bay's safety and character by funding essential services including upgrading firefighter/paramedic equipment, fire stations, police, street and pothole repairs, improving storm drains to protect the bay from pollution, and other general city services. More recently, in 2020, voters approved Measure E, which further increased the transaction and use tax to a total of one and one-half percent and articulated the following priorities: maintain 24/7 911 public safety emergency response, 24/7 police services, 24/7 paramedic services, health emergency/disaster preparedness; keep beaches, public areas, and public restrooms safe and clean (including the Embarcadero and Harbor); invest in infrastructure; and protect Morro Bay's financial stability and City services. Both Measures included provisions that require an independent annual financial audit and an independent citizens' advisory committee to review annual expenditures.

Summary

The City of Morro Bay is projecting $4.3 million of revenue in FY2022-23, which represents a 9% increase over the prior year. Budgeted expenditures are projected to increase by 14% to $5.2 million in FY2022-23. Expenditure numbers include a preliminary placeholder pending the results of ongoing labor negotiations; personnel costs may change pending the outcome of negotiations.

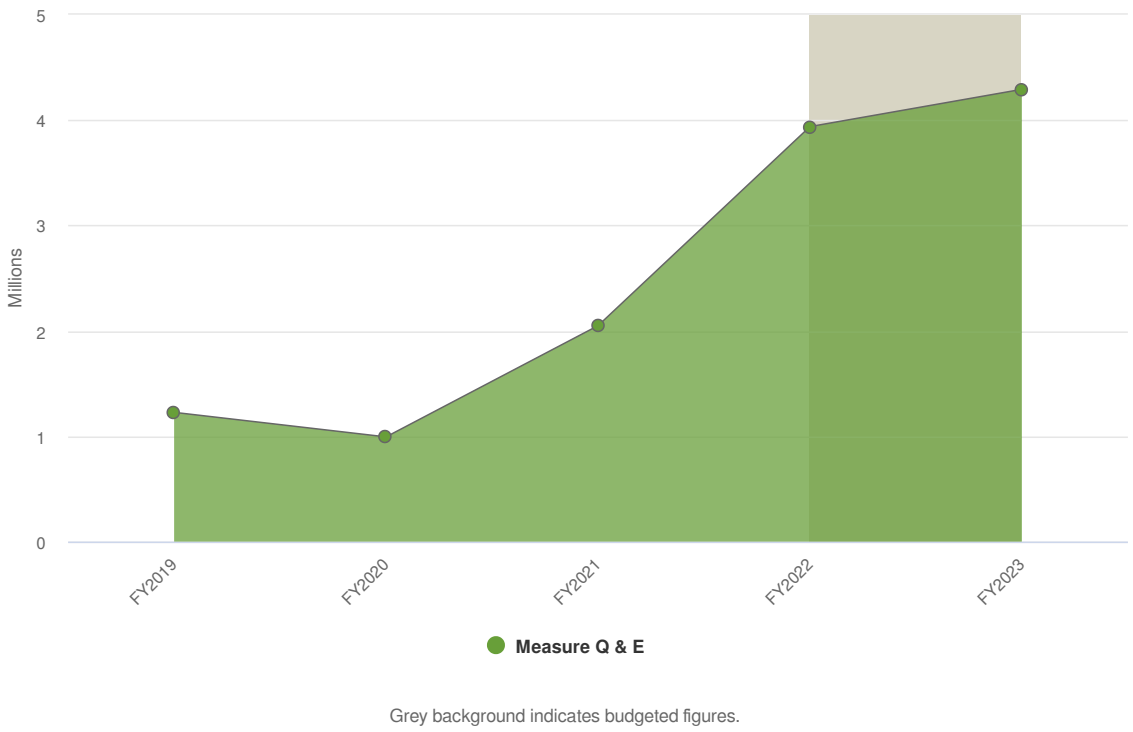
Proposed expenditures exceed projected revenues by approximately $0.9 million in order to utilize the majority of the FY 2021-22 projected fund balance of $1 million. Approximately $0.4 million of the FY 2020-21 year-end fund balance of $1.4 million was already appropriated in the FY 2021-22 budget for capital improvement projects. The proposed budget leaves a small amount of the projected FY 2021-22 fund balance available due to anticipated personnel cost increases, which are pending resolution of labor negotiations.



Revenue

The City uses HdL Companies, which specializes in tax revenue for municipalities in California, to provide sales tax projections, including Measure E revenue projections. Revenues are now remitted by the State entirely as Measure E revenues, reflecting the increase from one-half percent to a total one and one-half percent local transaction and use tax.

Budgeted and Historical Measure Q & E Revenue



Grey background indicates budgeted figures.

Measure Q & E revenues are projected to increase approximately 9% over the FY 2021-22 Amended Budget in FY 2022-23, based on HdL Companies' projections. This near-term growth reflects a projection for continued recovery from the pandemic. Out-year projections are expected to show much more moderate growth year over year.

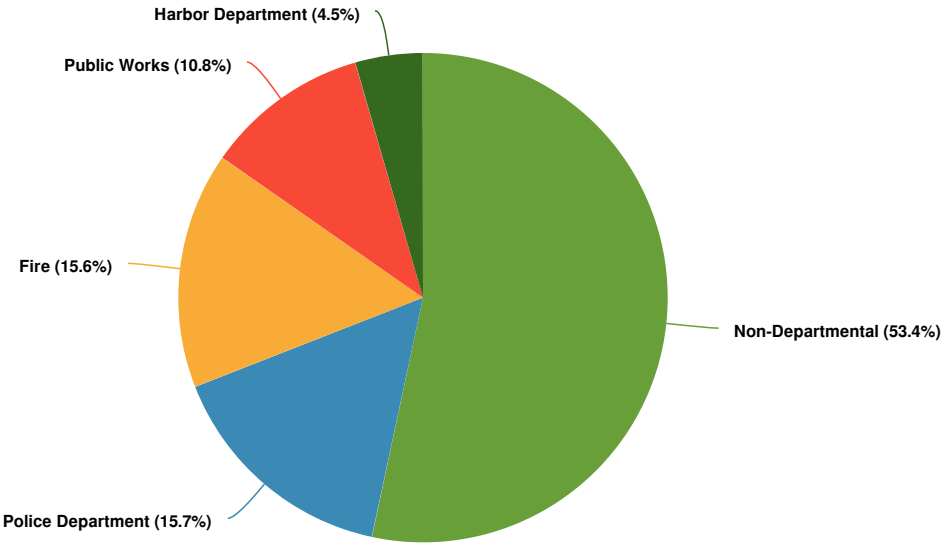
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Measure Q & E	$3,938,184	$3,949,183	$4,292,000	9%
Total Measure Q & E:	**$3,938,184**	**$3,949,183**	**$4,292,000**	**9%**

Expenditures by Department

The City Council-adopted principles and priorities for Measure Q & E Fund expenditures are as follows:

1. Maintain public safety services by funding staff positions that are most closely aligned with the purposes of the Measures Q and E. Expenses include costs associated with Morro Bay Fire Department, Morro Bay Police Department and Morro Bay Harbor Department personnel and equipment, in addition to the Fire Headquarter debt service and the Fire engine loan repayment;
2. Maintain or enhances the cleanliness and safety of public space such as parks, waterfront and the beach by funding personnel, supplies, expenses, and equipment to support City operations in departments including Public Works Consolidated Maintenance and Harbor Department;
3. Invest in infrastructure and equipment such as street paving, storm drains, and vehicle replacements that support City services. This priority may include increasing capacity to implement the backlog of unfunded capital projects.
4. Ensure financial health of the City by maintaining appropriate reserves to protect against economic downturns, natural/health emergencies and other unforeseen challenges or opportunities.

Budgeted Expenditures by Function



Note that Non-Departmental in the Chart above represents transfers to other funds for capital improvement projects and the Fire Station loan payoff, outlined in more detail below.

Each Department's FY 2022-23 expenditures from Measure Q & E Funds are as follows:

Police Department -

- **Staffing** - 1 Sergeant, 2 Police Officers, and 1 Community Services Officer Technician, a new non-sworn position that will assist patrol officers with providing non-emergency services to the community of Morro Bay. The Police Department previously employed both a code enforcement officer and a community services technician/crime prevention officer; the positions were eliminated due to severe budget cuts in 2005. Past personnel reductions currently have the department operating at the same staffing levels it had in 1986. These positions were never recovered and all non-emergency calls for service (as well as in-progress and priority calls) fell to a then reduced and overburdened sworn patrol staff which has seen a steady and consistent demand for increased services over the past few years. The CSO Technician would assist in appropriate administrative and patrol related matters and assist patrol officers assigned to the Neighborhood Cop Program to address "quality of life" and crime prevention issues within the city. Staff estimates that a full-time CSO Technician could relieve the patrol officers of having to respond to approximately 200 non-emergency calls for service per month.
- **Supplies & Services** - These include:

- Equipment for secured evidence/bike storage that is in need of replacement ($7,000).
- Annual payments to the San Luis Obispo County Sheriff's Department for Morro Bay's contribution to the County Bomb/Drug/Gang task force. This funds staff and the purchase of required equipment to respond to situations involving bombs, drugs, or gangs ($15,000).
- Annual regional SWAT team contribution. These funds go to the City of San Luis Obispo for staff and equipment that the SWAT team uses. Each agency has staff that are members of the SWAT team. The contribution amount is based on the number of SWAT members from each agency. Morro Bay has two SWAT team members ($7,000).
- Annual payment for CLETS/Data lines to the San Luis Obispo Sheriff's Department. This is for access to CLETS and Data lines that the Sheriff's department is the custodian of for the Department of Justice ($15,000).
- Records Management System funds that are budgeted in FY 2021-22 but will not be expended in that year due to project timing delays ($100,000).
- Police body camera annual support and maintenance contract costs ($29,000).

Fire Department -

- **Staffing -** 1 Captain and 2 Engineers, as well as 10 part-time Reserve Firefighters. These costs include regular pay, benefits, and federally mandated overtime. This investment will help to maintain the Council's desired and strategic plan recommending 4 firefighters on duty each day. This investment ensures public safety response capabilities 24 hours a day, 7 days a week, 365 days a year. The Reserve Firefighters are utilized to augment Fire Department staffing, allowing for response to large incidents such as fires, rescues, and disasters. The Reserves participate in public events, perform commercial business inspections, and fill in to cover for leave time when full-time personnel take leave. Reserves also participate in the City's response to mutual aid assignments for wildland fires throughout the State.
- **Supplies & Services** - None. Note that the debt service payments towards the Fire Station loan have been removed from the budget and replaced by a one-time transfer to the General Fund to enable the payoff of the loan, consistent with Council direction in 2016, using the sales proceeds of the Coral Avenue property.

Public Works Department -

- **Staffing** - 1 Maintenance Superintendent, 2 Maintenance Worker I's, part-time maintenance budget, and 0.8 Associate Engineer. Consistent with Council direction at Midyear in FY 2021-22, this consolidated maintenance staffing will enhance cleanliness of waterfront, embarcadero, public restrooms, and parks. This funding will support daily operations. The Associate Engineer position will implement critical City capital improvement projects that are consistent with Measure Q & E priorities (the remainder of the position will be charged to Water and Sewer funds for support on utilities capital project implementation).
- **Supplies & Services -** Funding for sidewalk and curb repairs ($26,000).

Harbor Department -

- **Staffing -** Part-time Harbor Reserves program and Part-time Harbor lifeguard program. The reserve and lifeguard programs allow the Harbor Department to maintain current service levels to keep the harbor and beaches safe and clean, and to maintain 911 emergency response.
- **Supplies & Services -**
  - Disposal funding to allow the Harbor Department to enhance trash disposal along the waterfront and Embarcadero. Promotes environmental health of the ocean by preventing trash from overflowing waste receptacles ($88,000).
  - Lifeguard program supplies ($3,000).

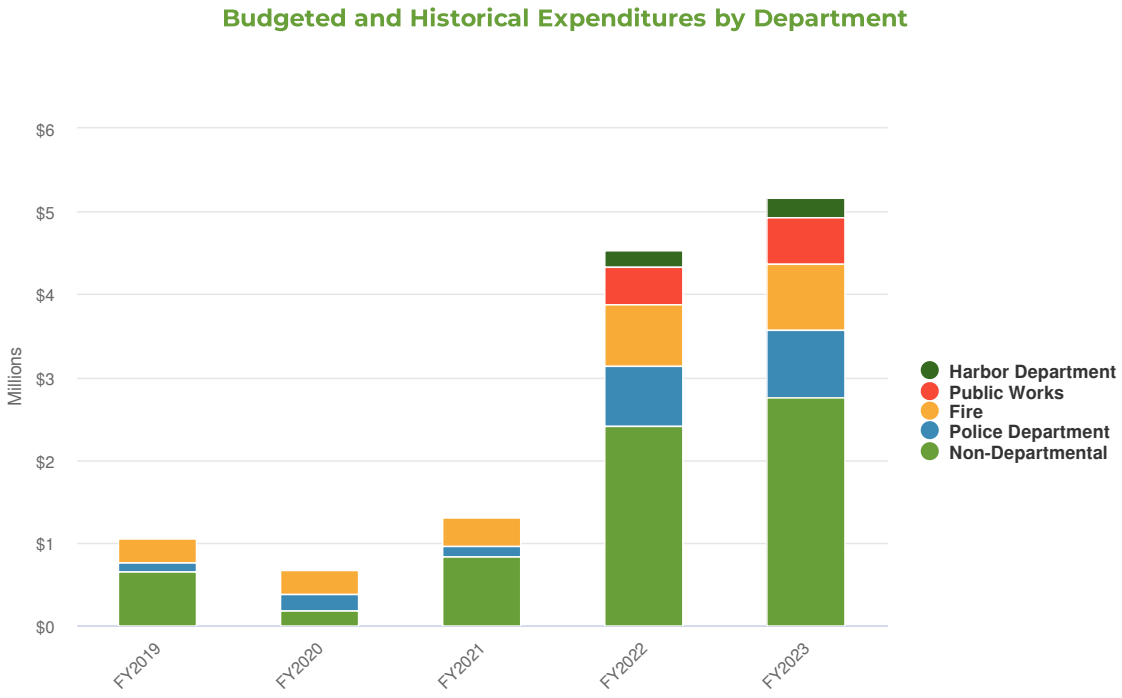
Non-Departmental -

The non-departmental expenditures are comprised of inter-fund transfers to fund six capital improvement projects consistent with Measure Q & E expenditure priorities, and one inter-fund transfer to the General Fund to support payoff of the Fire Station loan.

- **Fire Station Loan Payoff Contribution ($240,000) -** The remaining principal balance on the Fire Station loan from the USDA is approximately $1.2 million. Net proceeds from the sale of the Coral Avenue property, including past interest payments received by the General Fund as well as the lump sum payment received in December 2021, will cover the remainder of the anticipated payoff. Given that the Measure Q & E fund is currently making principal and interest payments on the loan, at an interest rate of 3.75%, Measure Q & E Fund would save approximately $500,000 in interest over the life of the loan by paying the loan off now, consistent with 2016 Council direction.

Capital Improvement Projects (CIP) - These projects are presented in much greater detail in the CIP section of the budget document.

Capital Project	FY 2022-23 Measure Q & E Budget
FY 2022-23 Pavement Management	$1,380,000
SR1/SR41/Main St Intersection Improvements	$600,000
Automated License Plate Reader camera system	$159,000
Citywide Speed Survey	$75,000
ADA Accessibility Upgrades at Quintana and Main	$90,000
Boat Launching Facility Ramp Replacement	$210,000
Total Measure Q & E CIP Budget	**$2,514,000**



Note: In the chart above, FY 19 through FY 21 numbers represent actuals and FY 22 and FY 23 represent budget.

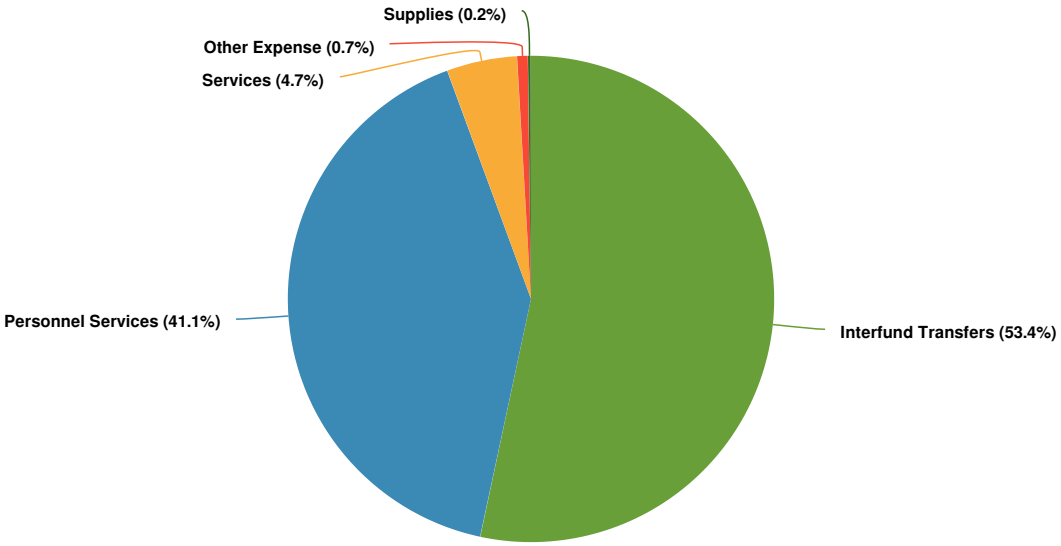
Non-Departmental in the Chart above and the table below represents transfers to other funds for capital improvement projects and the Fire Station loan payoff.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted
Expenditures			
Police Department	$729,451	$613,082	$811,401
Personnel Services	$491,001	$497,082	$639,121
Supplies	$0		$7,000
Other Expense	$36,000	$36,000	$36,720
Services	$202,450	$80,000	$128,560
Fire	$744,405	$715,217	$806,555
Personnel Services	$653,598	$624,409	$806,555
Debt Service	$90,807	$90,808	$0
Public Works	$448,577	$391,222	$559,311
Personnel Services	$348,577	$348,577	$533,811
Services	$100,000	$42,645	$25,500
Harbor Department	$201,000	$170,200	$230,264
Personnel Services	$81,000	$50,200	$139,464
Services	$70,000	$70,000	$87,500
Capital Outlay	$50,000	$50,000	$0
Supplies	$0		$3,300
Non-Departmental	$2,413,376	$2,413,376	$2,754,000
Interfund Transfers	$2,413,376	$2,413,376	$2,754,000
Total Expenditures:	**$4,536,808**	**$4,303,097**	**$5,161,531**

Expenditures by Department

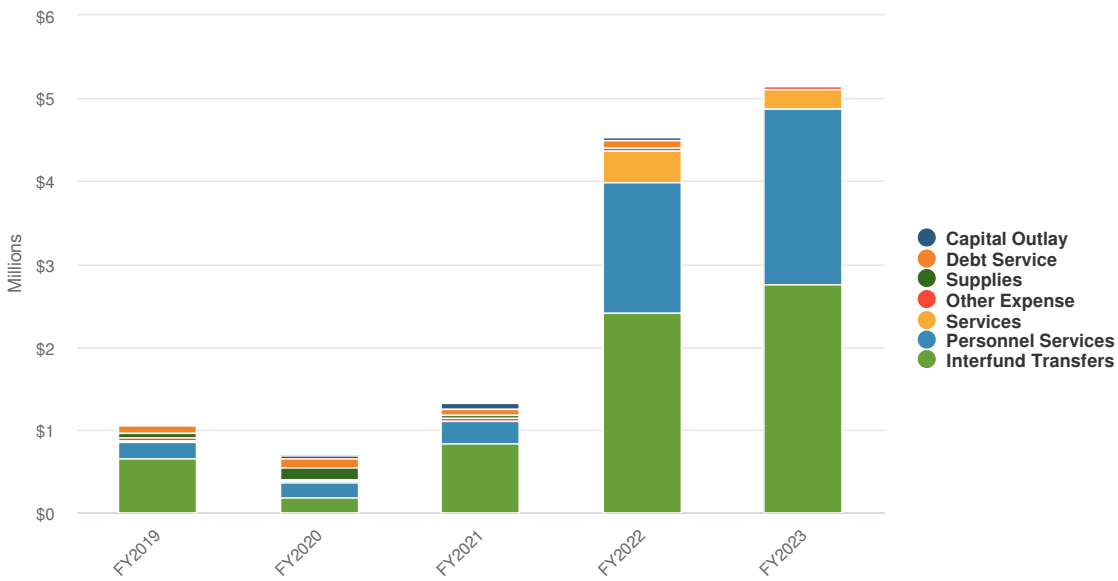
The Proposed Measure Q & E Budget is comprised of 46% ongoing operating costs and 54% one-time costs for capital improvements and the fire station loan payoff. In years where there may not be available fund balance, a higher percentage of the total will be comprised of operating expenditures.

Budgeted Expenditures by Expense Type



Note: Interfund Transfers in the Chart above represents transfers to other funds for capital improvement projects and the Fire Station loan payoff.

Budgeted and Historical Expenditures by Expense Type



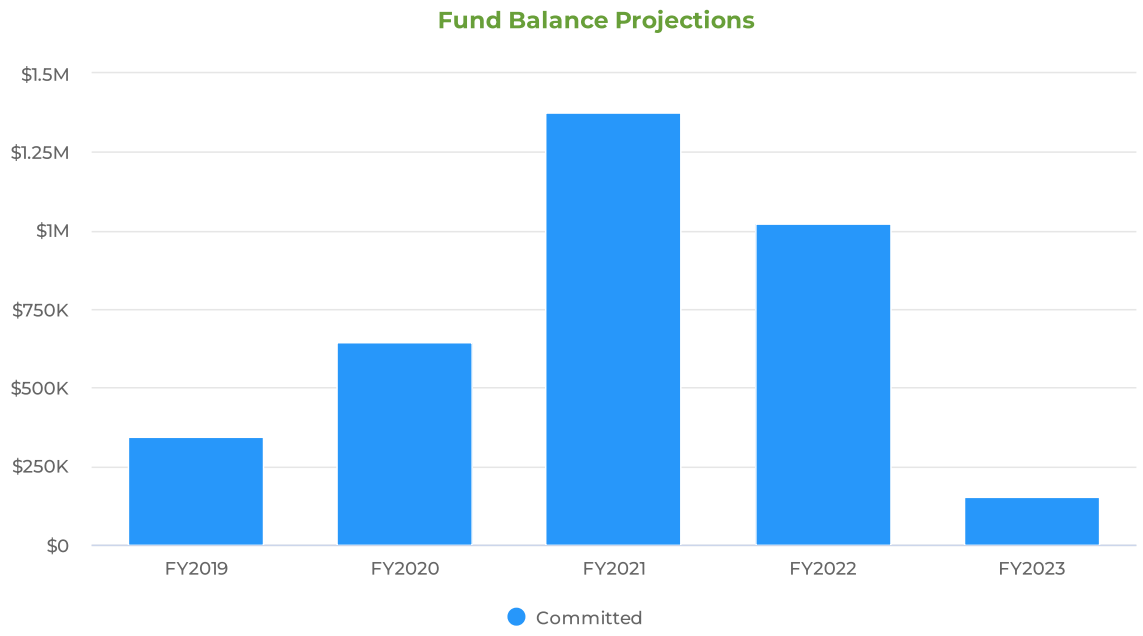
Note: In the chart above, FY 19 through FY 21 numbers represent actuals and FY 22 and FY 23 represent budget.

Interfund Transfers in the Chart above and the table below represents transfers to other funds for capital improvement projects and the Fire Station loan payoff.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted
Expense Objects			
Personnel Services	$1,574,176	$1,520,268	$2,118,951
Supplies	$0	$0	$10,300
Other Expense	$36,000	$36,000	$36,720
Services	$372,450	$192,645	$241,560
Capital Outlay	$50,000	$50,000	$0
Debt Service	$90,807	$90,808	$0
Interfund Transfers	$2,413,376	$2,413,376	$2,754,000
Total Expense Objects:	**$4,536,808**	**$4,303,097**	**$5,161,531**

Fund Balance

The fund balance in prior years has been appropriated for one-time capital projects and is proposed to be allocated to additional one-time capital projects in FY 2022-23. The General Fund Emergency Reserve Policy covers the Measure Q & E Fund in that Measure Q & E operating costs are included in the calculation to establish whether the General Fund Emergency Reserve meets the Council-directed minimum of 33% (or 50% target) of both General Fund and Measure Q & E Fund operating costs. Retaining a balance of operating and capital expenditures in the Measure Q & E Fund on an ongoing basis is advisable given the somewhat volatile nature of sales tax revenues. The one-time capital costs may continue to be funded at higher levels following years of higher than anticipated revenues, and lower levels following years of lower revenues. A portion of the projected fund balance of approximately $151,000 at the end of FY 2022-23 may be utilized if personnel costs increase higher than the current placeholder, pending the final outcome of ongoing labor negotiations with all of the City's collective bargaining groups.



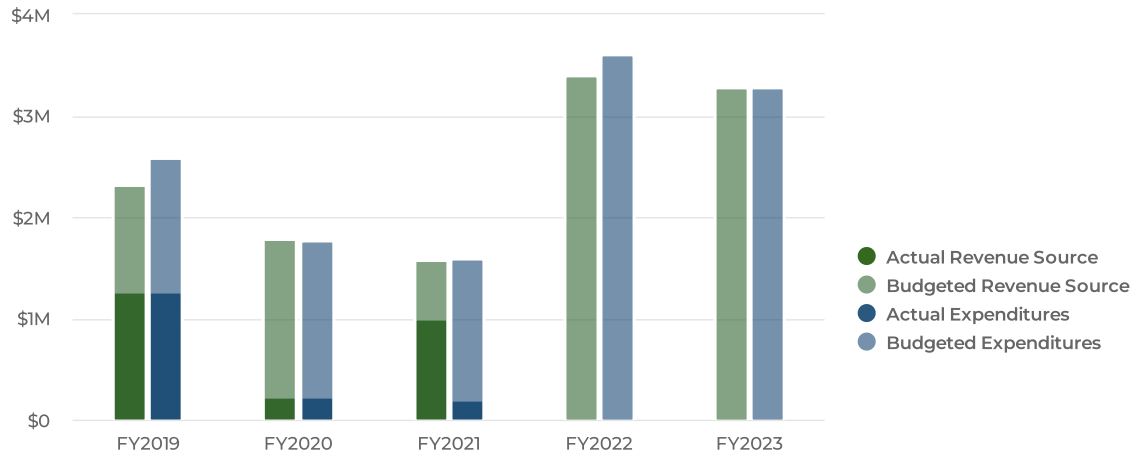
	FY2022	FY2023	% Change
Fund Balance	**Projected**	**Projected**	
Committed	$1,021,000	$151,000	-85.2%
Total Fund Balance:	**$1,021,000**	**$151,000**	**-85.2%**

General Government Capital Projects Fund (915)

The General Government Capital Projects Fund tracks all capital improvement projects funded by transfers from multiple funding sources including General Fund, Measure E, Bike Path, LTF Roads, and others. In addition, fund revenue also comes from reimbursment-based grant funding and the SB-1 Road Maintenance and Rehabilitation Program portion of State Gas Tax funds.

Summary

The City of Morro Bay is projecting $3.3 million revenue in FY2023. Budgeted expenditures are also $3.3 million in FY2023, plus any unexpended carry forward budget from ongoing or prior year capital projects. Council authorizes the carry forward of unexpended capital budget as part of budget adoption.



Revenue by Fund

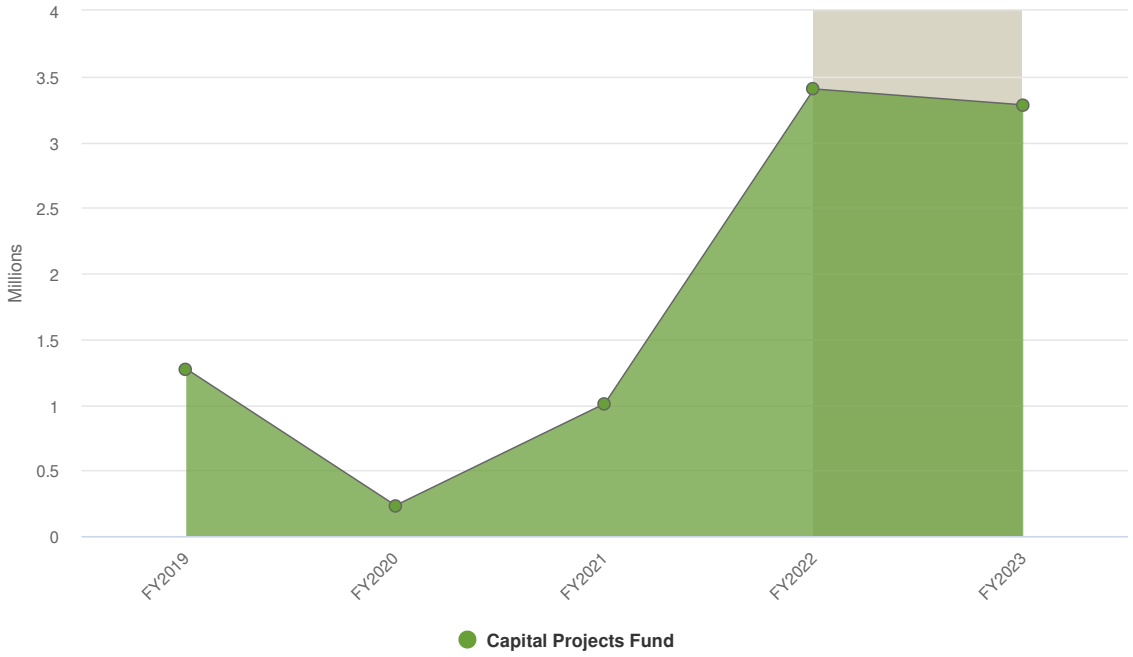
Revenues in this this fund are from several funding sources that are transferred to this projects fund to contribute towards city-wide capital projects. In FY 2022-23, the majority of projects are funded by the General Fund and Measure E funding , as well as smaller contributions from the Bike Path Fund, LTF Roads Fund, and State Gas Tax Fund (RMRA).

FY 2022-23 total budgeted revenue is $3.28 million for contributions to projects (plus any unexpended budget from prior years that will be carried forward with Council approval). The FY 2022-23 budget will be transferred as follows:

- $490,000 revenue will be from General Fund.
- $130,500 revenue will be from reimbursable Grant Funding.
- $2,304,000 from Measure E revenue.
- $357,846 collectively from Bike Bath Fund, LTF Roads Fund, and State Gas Tax RMRA Revenue.

FY 2021-22 projected revenue reflects an additional transfer into the General Capital Projects Fund for the remaining $50,000 originally budget for the Cloisters Median Project (915-9943) that has not been transferred out of the Cloisters Fund in prior years. This remaining budget funding is coming from the Cloisters Accumulation Fund balance, which will be consolidated with the Cloister Assessment District Fund and no longer used.

Budgeted and Historical 2023 Revenue by Fund



Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Capital Projects Fund	$3,403,615	$3,422,589	$3,282,346	-3.6%
Total Capital Projects Fund:	**$3,403,615**	**$3,422,589**	**$3,282,346**	**-3.6%**

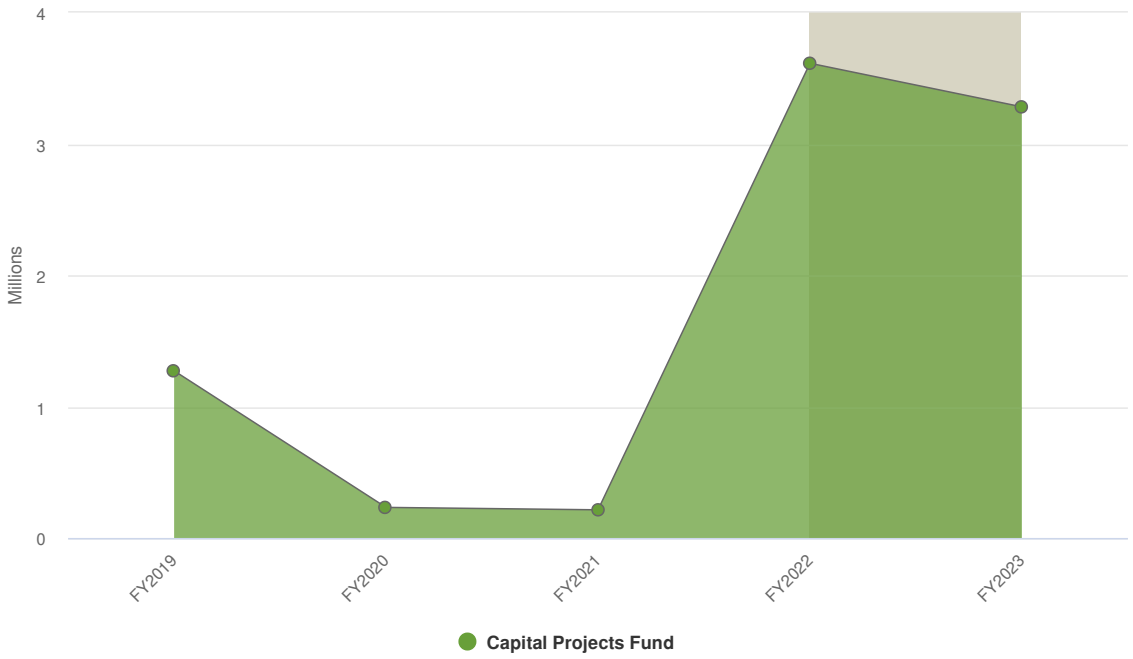
Expenditures by Fund

The FY 2022-23 general capital improvement program includes 10 new capital improvement projects (CIPs) for a total budget of $3.28 million. This total represents new budget allocation in FY 2022-23. Any remaining FY 2021-22 General Projects Fund budget that is unexpended at fiscal year-end, but for which projects are ongoing will carry-foward with City Council approval. There will likely be several projects with 2021-22 carry forward budget as a result of staff retirement and turnover during the previous fiscal year, and a temporary pause on capital work during COVID-19 until City funding stabilized.

The $3,282,346 million new funding allocation is budgeted as follows. Each of these projects are presented in further detail in the Capital Budget Section of the Budget Book.

- **Local Roadway Safety Plan**-$50,000
- **Lila Kaiser Parking Lot Rehabilitation and ADA Upgrades**-$120,000
- **Emergency Storm Drain Repair Sequoia Court**-$120,000
- **Citywide Capital and Facilities Planning**-$200,000
- **Electric Vehicle Charging Station**s-$40,000
- **ADA Accessibility Upgrades at Quintana and Main Street Intersection**-$180,500
- **SR1/SR41/Main Street Intersection Improvements**-$600,000
- **Annual Pavement Management Program**-$1,737,846
- **Citywide Speed Survey**-$75,000
- **Automated License Plate Reader Camera System**-$159,000

Budgeted and Historical 2023 Expenditures by Fund



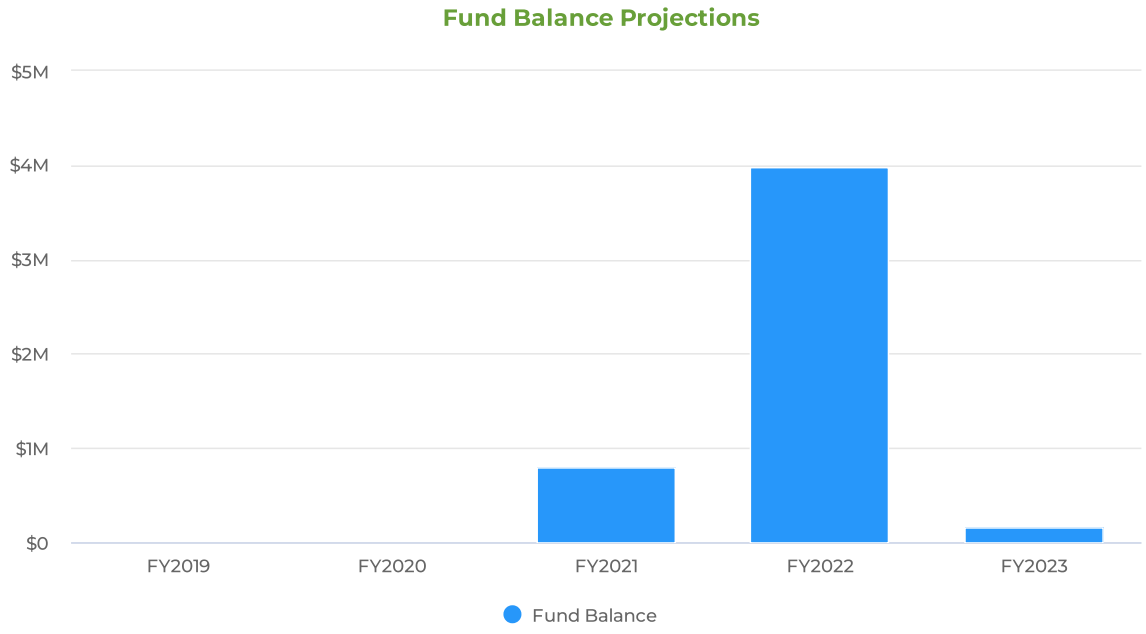
Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Capital Projects Fund	$3,614,221	$273,836	$3,282,346	-9.2%
Total Capital Projects Fund:	**$3,614,221**	**$273,836**	**$3,282,346**	**-9.2%**

Fund Balance

In prior fiscal years, funds were transferred only as capital project expenditures occurred. This resulted in confusing budgeting practices due to the multi-year nature of capital projects and carry forward budget. This practice is also unnecessary given City Council authorization to carry forward any unexpended capital project budget for projects that are still underway at the fiscal year-end.

Beginning in FY 2021-22, unexpended capital funds for active projects will remain in the CIP fund and the budget will be carried forward so that the project can be completed in the following fiscal year. The General Capital Projects Fund balance is projected to be approximately $3.9 million at the end of FY 2021-22, as there are several capital projects that continue to be ongoing. Much of these ongoing projects are expected to be completed and the budget to be spent in FY 2022-23, along with spending on new projects outlined above, for a projected year-end fund balance in the General Capital Projects Fund of approximately $165,000 at the end of FY 2022-23.



Governmental Funds (Nonmajor)

The City of Morro Bay has numerous non-major governmental funds as reported on in the City's Annual Comprehensive Financial Report (ACFR). These are considered special revenue funds, and each of these funds accounts for revenues that are restricted as to use. Each Fund Summary in the Fund Summary section of the budget outlines in detail what the Fund's revenues and expenditures include.

- Morro Bay Tourism Business Improvement District (closing out) - 007
- American Rescue Plan Act - 019
- Community Development Grants - 200 through 205
- State Gas Tax - 250
- Lower Cost Visitor Accommodations - 270
- Traffic Safety - 280
- Special Safety Grants - 282
- Community Development Plans - 298
- Parking In-Lieu - 299
- Bike Path - 302
- LTF Roads - 303
- Assessment Districts - 500
- North Point Assessment District - 565
- Cloisters Assessment District - 570
- Cloisters Assessment District Accumulation Fund (combining with 570) - 575
- Government Impact Fees - 900
- Park In-Lieu - 904
- Community Benefit/Castlewind Fund - 906
- Economic Development Fund - 907
- Harbor State Park Marina - 924
- Triangle Lot Boat Storage Yard - 925
- Housing In-Lieu - 941

The General Government Capital Projects Fund (915 Fund) is also reported on as a nonmajor governmental fund in the ACFR, but is presented here in the budget separately to draw attention to the significant level of funding and capital projects budgeted there.

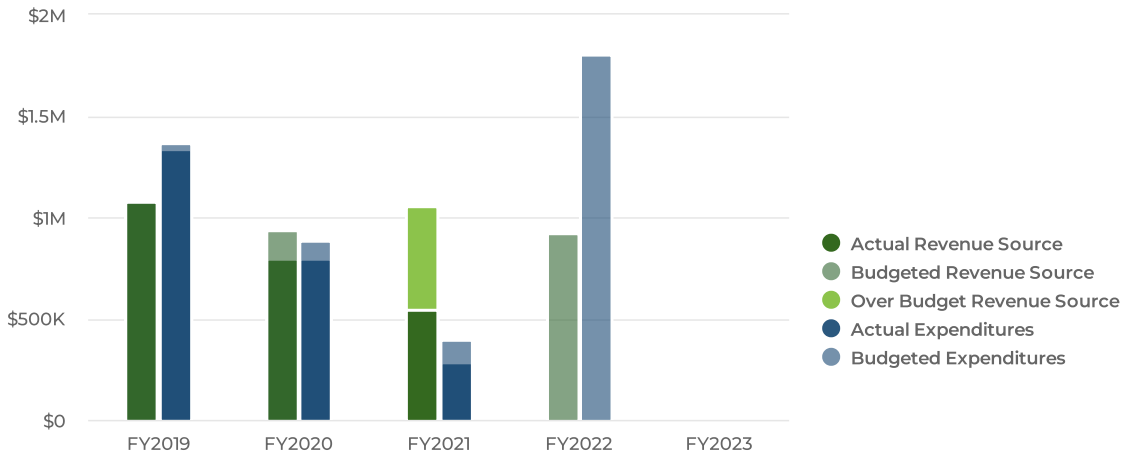
Tourism Business Improvement District Fund (007)

The Tourism Business Improvement District (TBID) Fund has been used to track the assessments that Morro Bay lodging establishments self-assess, in addition to transient occupancy tax (TOT) on lodging stays. These assessment revenues are used to promote tourism in Morro Bay with the objective of increasing visitation to Morro Bay's lodging establishments. The assessment is 3% and is assessed on hotel and short-term rental stays. The City previously served as the TBID for Morro Bay and was responsible for tourism marketing. During FY 2020-21 an assessment of the future structure of the Morro Bay TBID was completed. As a result of this analysis, City Council decided to facilitate the transition to a non-profit, Visit Morro Bay. The City now serves as the fiscal agent for the collection and pass-through of the assessments, and receives a 3 percent administrative fee for providing this service to the members of the District.

As a result of this change, this fund will be closed at the end of FY 2021-22, after all remaining funds are transferred to Visit Morro Bay. Beginning in FY 2022-23 and going forward, the City's Fiduciary Fund (515) will be used to collect assessment revenues and remit them to Visit Morro Bay, and the City's administrative fee will be received by the General Fund.

Summary

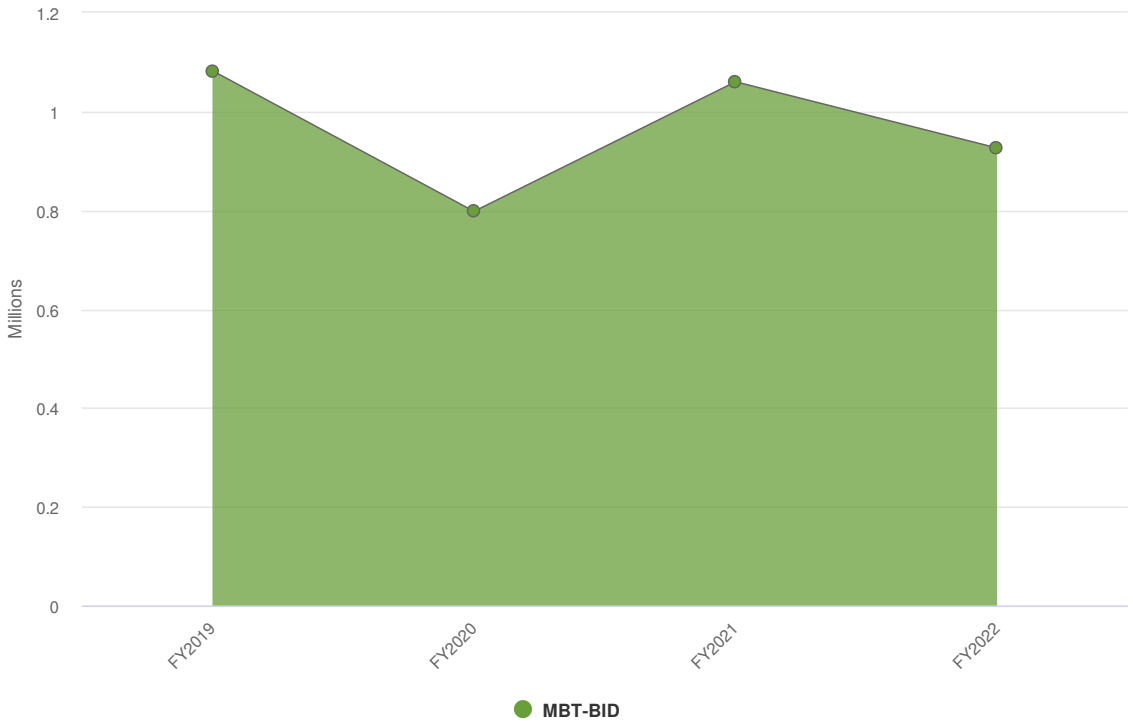
There are no revenues or expenditures budgeted for FY 2022-23, as this fund is being closed out now that the TBID is managed by Visit Morro Bay.



Revenue by Fund

TBID assessment revenues fluctuate as tourism levels fluctuate in Morro Bay. Given the actual revenues to date in FY 2021-22, staff anticipates that revenues received for the current fiscal year will exceed budgeted revenues. For FY 2022-23, given that the City will pass assessment revenues through to Visit Morro Bay, only the 3% administrative fee revenues are budgeted. Those are estimated to be $33,000 and they are budgeted in the General Fund.

Budgeted and Historical 2023 Revenue by Fund

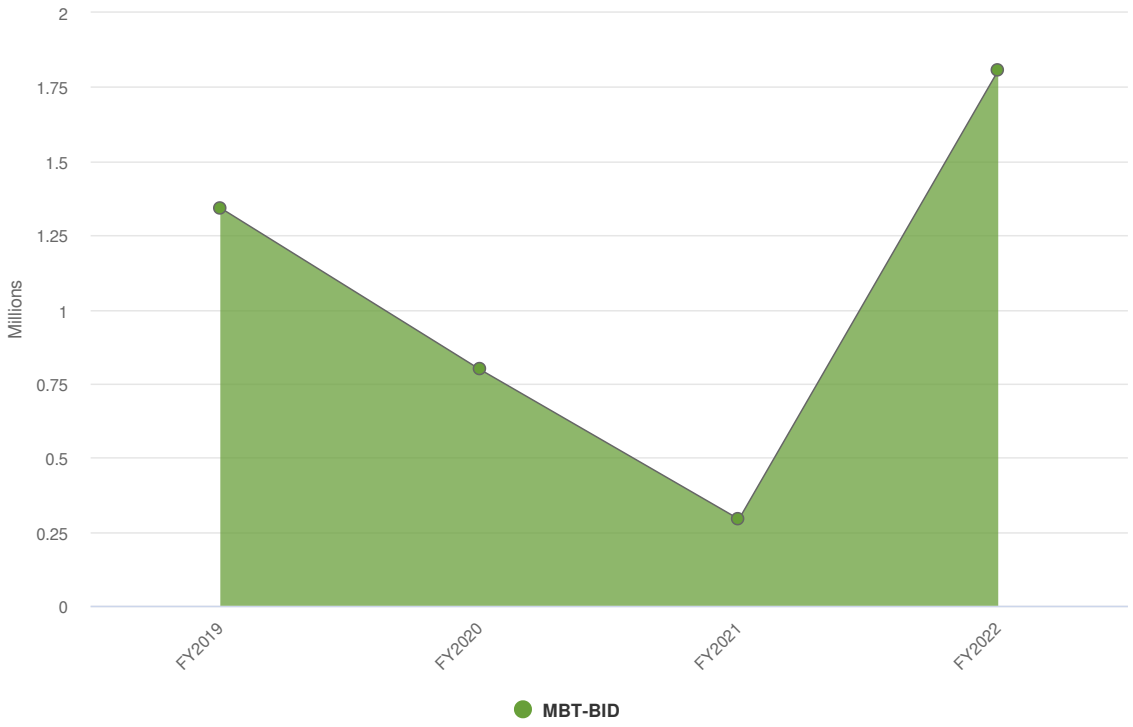


Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
MBT-BID	$926,015	$1,115,000	$0	-100%
Total MBT-BID:	**$926,015**	**$1,115,000**	**$0**	**-100%**

Expenditures by Fund

Expenditures in FY 2021-22 are projected to be higher than budgeted given that revenues are projected to be higher than budgeted, as the expenditure budget for FY 2021-22 still includes funds that are passed through to Visit Morro Bay during this transition year. In addition, any remaining fund balance will be transferred to Visit Morro Bay as part of year-end close activities in FY 2021-22, to close out the fund. A Council-approved budget amendment may be required at year-end if expenditures are indeed higher than budgeted. For FY 2022-23, no expenditures are budgeted given that the City will collect and pass assessment funds through to Visit Morro Bay going forward, collecting only a 3% administrative revenue. The City will not incur any expenditures associated with tourism marketing going forward, as the assessment dollars will be expended through Visit Morro Bay.

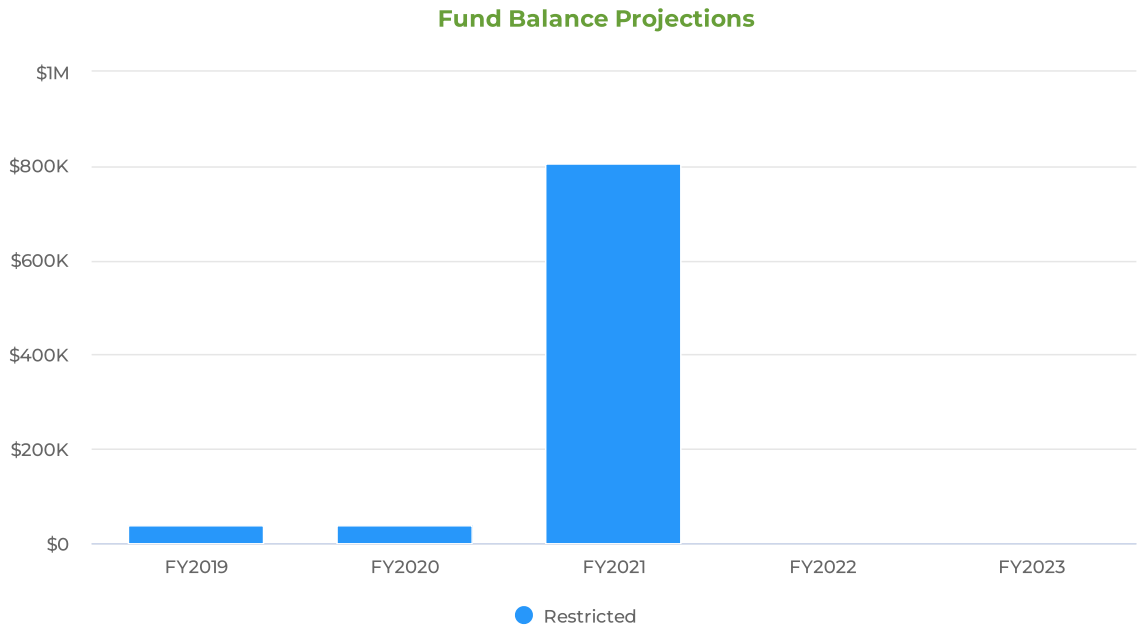
Budgeted and Historical 2023 Expenditures by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
MBT-BID	$1,805,505	$1,920,000	$0	-100%
Total MBT-BID:	**$1,805,505**	**$1,920,000**	**$0**	**-100%**

Fund Balance

The Fund Balance in FY 2020-21 was approximately $805,000. These funds were budgeted to be transferred to Visit Morro Bay in FY 2021-22. At year-end in FY 2021-22, any remaining fund balance will be transferred to Visit Morro Bay to close out the fund.



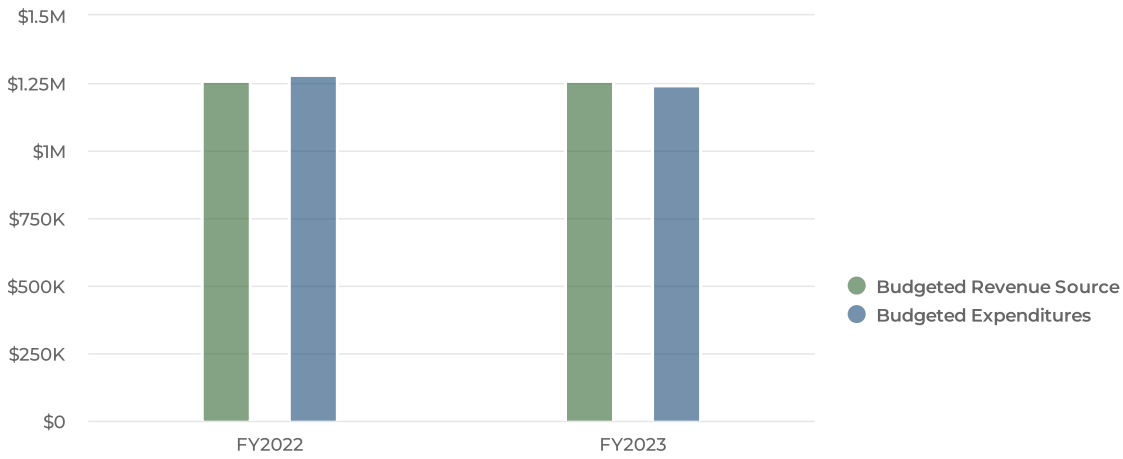
	FY2019	FY2020	FY2021	% Change
Fund Balance	—	—	–	
Restricted	$37,000	$37,000	$805,000	%
Total Fund Balance:	**$37,000**	**$37,000**	**$805,000**	**%**

American Rescue Plan Act Fund (ARPA) (019)

The Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, a part of the American Rescue Plan, delivers $350 billion to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency. These funds provide governments across the country with the resources needed to fight the pandemic, maintain vital public services, even amid declines in revenue resulting from the crisis. This is one-time funding that must be expended in accordance with the United States Treasury Department's Final Rule, which was just issued in early 2022. The City of Morro Bay's total allocation is $2,522,110, with the first half received during FY 2021-22, and the second half to be received in FY 2022-23.

Summary

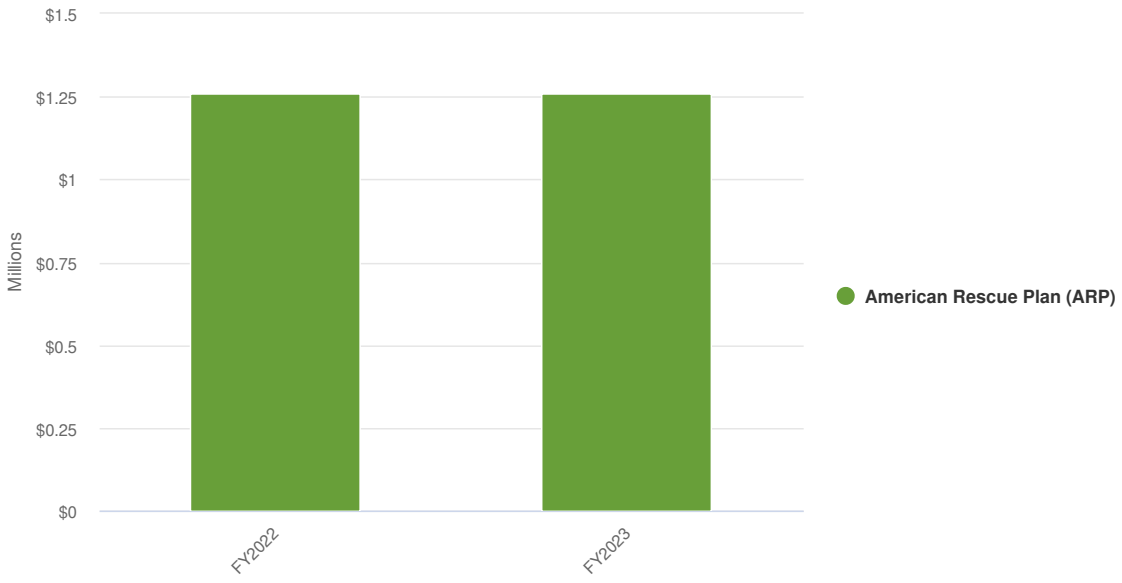
The City of Morro Bay is projecting $1.26 million of revenue in FY 2022-23, which represents a 0% increase over the prior year. Budgeted expenditures are projected to decrease by 3% to $1.25 million in FY 2022-23.



Revenue by Fund

The City of Morro Bay's total allocation is $2,522,110, with the first half received during FY 2021-22, and the second half received in FY 2022-23.

Budgeted and Historical 2023 Revenue by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
American Rescue Plan (ARP)	$1,261,055	$1,261,055	$1,261,055	0%
Total American Rescue Plan (ARP):	**$1,261,055**	**$1,261,055**	**$1,261,055**	**0%**

Expenditures by Function

The FY 2021-22 budget outlined planned expenditures for the first half of Morro Bay's American Rescue Plan Act funds prior to the final rule being issued. Given the delay in the Treasury Department's issuance of the Final Rule, which was not issued until more than halfway through FY 2021-22 and did not take effect until April 1, 2022, staff was unable to begin spending funds for the majority of the fiscal year. While the final rule did provide greater flexibility than anticipated regarding eligible uses, staff is continuing to evaluate the most effective use of a portion of the FY 2021-22 budgeted fund given the onerous federal procurement and reporting requirements for some types of use, particularly capital improvement uses. Pending Council approval, unexpended budget from FY 2021-22 will be carried forward into FY 2022-23 for expenditure for projects that are ongoing. Any remaining funds will be reallocated in the FY 2023-24 budget process, and must be spent by 2026, according to the legislation.

For FY 2022-23, the ARPA budget includes the following planned expenditures:

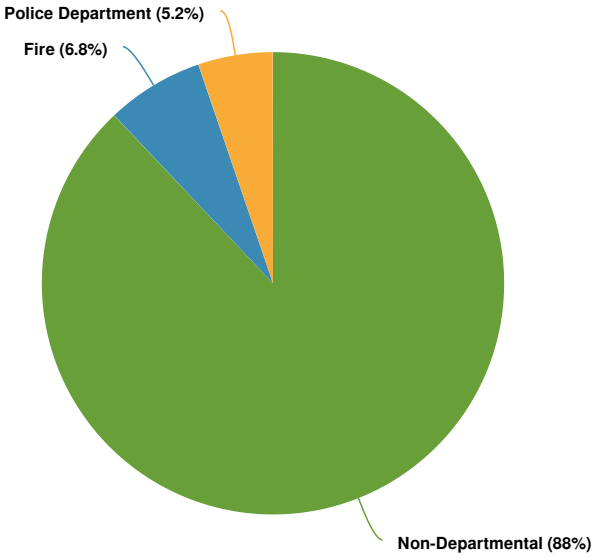
Police Department - $65,000. Replacement of one Police Department vehicle that is beyond its useful life.

Fire Department - $85,000. The purchase of EKG Heart monitors, necessary life-saving safety equipment.

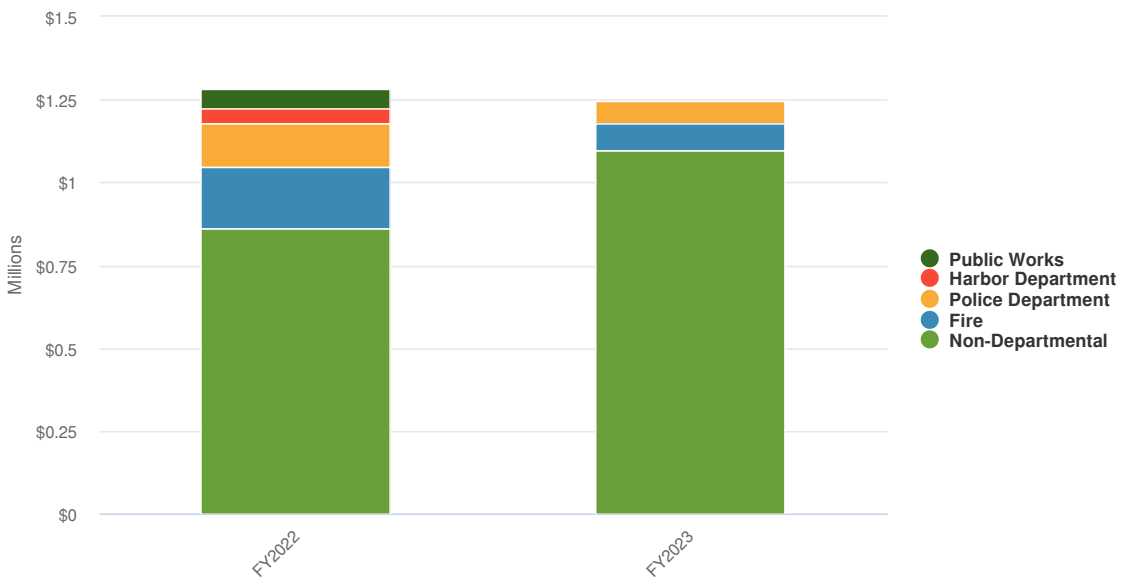
Non-Departmental -

- **Community Grant Program -** $25,000. Contributions to non-profits negatively impacted by the pandemic.
- **Homeless Services Contribution -** $50,000. Contribution to regional efforts to address homelessness, likely through SLO County.
- **Organizational Assessment and Teambuilding** - $110,000. This funding would allow the City to conduct organizational assessments in certain areas of the City organization that have experienced significant staffing turnover or operational challenges recently. The analysis will evaluate resource allocation to ensure that the City's structure is as efficient and effective as possible. In addition, the project will include teambuilding and strengths assessments for employees in some areas of the organization, to facilitate effective teams and optimize productivity.
- **Total Compensation Study** - $120,000. The City is committed to providing competitive compensation as part of an overall strategy of attracting and retaining well qualified employees. The most recent compensation study conducted in 2016 looked at salary only, did not carefully analyze whether the comparison survey classifications had similar job duties and responsibilities, and also did not evaluate employer contributions to retirement and health benefits. This study would provide objective information and the necessary data for analysis for the City to address internal and external compensation equity issues as resources permit over time.
- **Storage Area Network (SAN) Replacement** - $50,000. A SAN is a dedicated, independent high-speed network that interconnects and delivers shared pools of storage devices to multiple servers. The current SAN is 10 years old and at end-of-life.
- **Provision of Critical Government Services** - $740,000. A transfer will be made to the General Fund, as allowable under the Final Rule, to support the ongoing provision of critical government services in light of revenue loss during the pandemic period. These funds will be used to offset ongoing personnel costs for staff performing core city services, and to ensure that the City can retain the staff needed to deliver such services. Approximately 10 positions were eliminated at the onset of the pandemic and have since been restored, largely during FY 2021-22 and somewhat in FY 2022-23 with the addition of two net new positions this year. The ARPA funds will support the ongoing costs of these restored positions and will help ensure that the City is able to continue to provide service levels that the community expects.

Budgeted Expenditures by Function



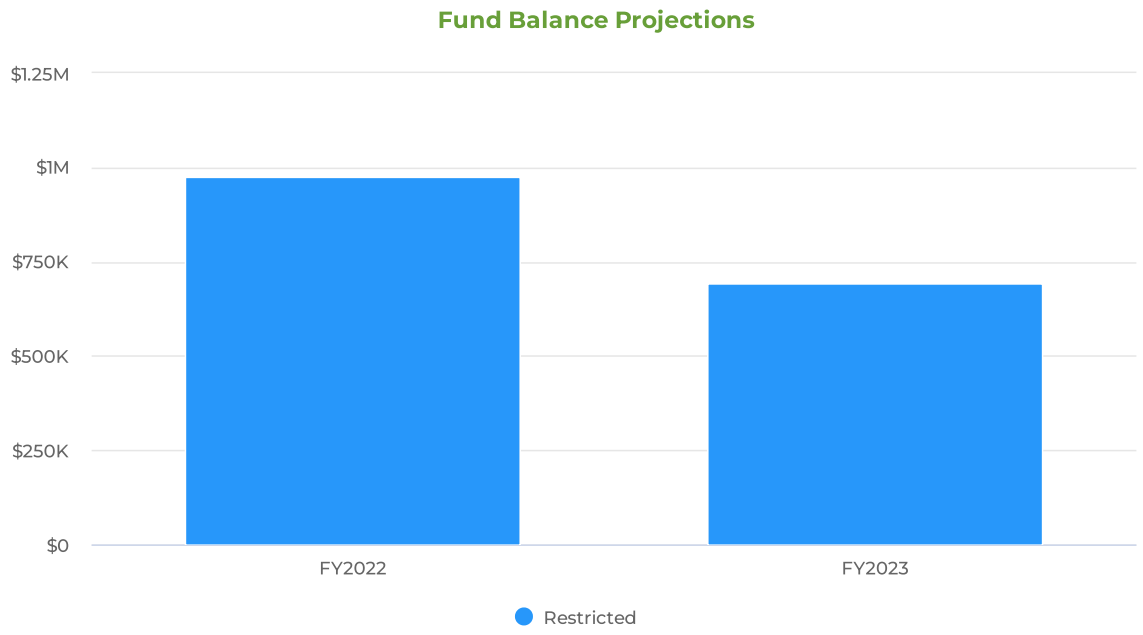
Budgeted and Historical Expenditures by Function



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expenditures				
Police Department	$130,000	$102,956	$65,000	-50%
Fire	$186,540	$134,129	$85,000	-54.4%
Public Works	$63,000	$24,000	$0	-100%
Harbor Department	$45,000		$0	-100%
Non-Departmental	$860,000	$25,344	$1,095,000	27.3%
Total Expenditures:	**$1,284,540**	**$286,429**	**$1,245,000**	**-3.1%**

Fund Balance

Given the delay in the Treasury Department's issuance of the Final Rule and resulting delay in expenditures, the fund balance ending FY 2021-22 is projected to be approximately $975,000. Pending Council approval, many of these funds will be request to be carried forward into FY 2022-23 for expenditure. It is anticipated that some prior year funds and most or all FY 2022-23 budgeted funds will be expended in FY 2022-23. Any remaining funds would be budgeted in the FY 2023-24 budget process. Under the SLFRF program, funds must be obligated by December 31, 2024 and expended by December 31, 2026.



	FY2022	FY2023	% Change
Fund Balance	**Projected**	**Projected**	
Restricted	$975,000	$691,000	-29.1%
Total Fund Balance:	**$975,000**	**$691,000**	**-29.1%**

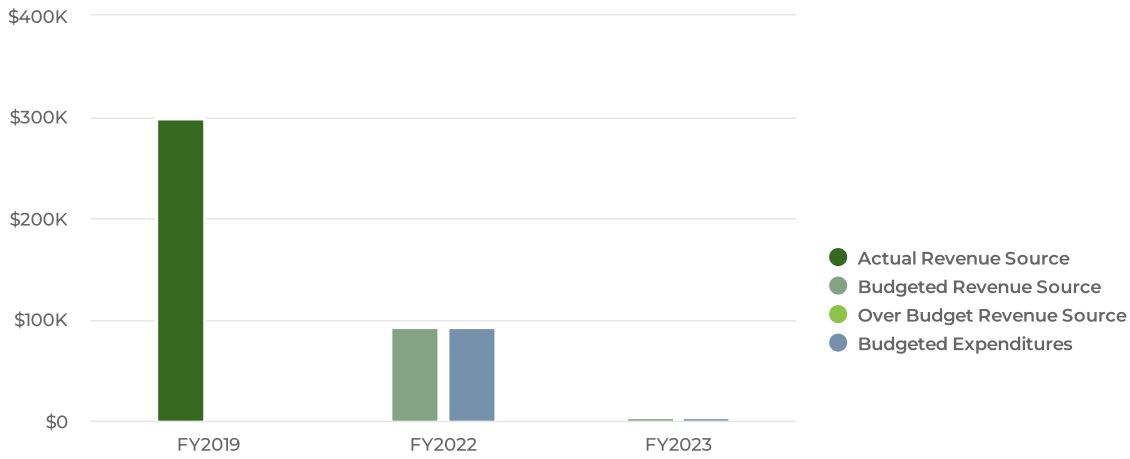
Community Development Grants Fund (200)

The Community Development Grants Fund is used to record the transactions related to the Community Development Block Grant (CDBG) and HOME programs.

Summary

The City of Morro Bay is projecting approximately $4,000 in revenue in FY2022-23, which represents a 96% decrease over the prior year. Budgeted expenditures are projected to decrease by 96% to approximately $4,000 in FY2022-23.

The CDBG program is a federal entitlement program that the City participates in through an Urban County Consortium with the County of San Luis Obispo, and the cities of Arroyo Grande, Atascadero, Paso Robles, Pismo Beach and San Luis Obispo. The City's current partnership was extended by Council Resolution 45-20 in May 2020 to approve a cooperation agreement between the City and County through fiscal year 2023.

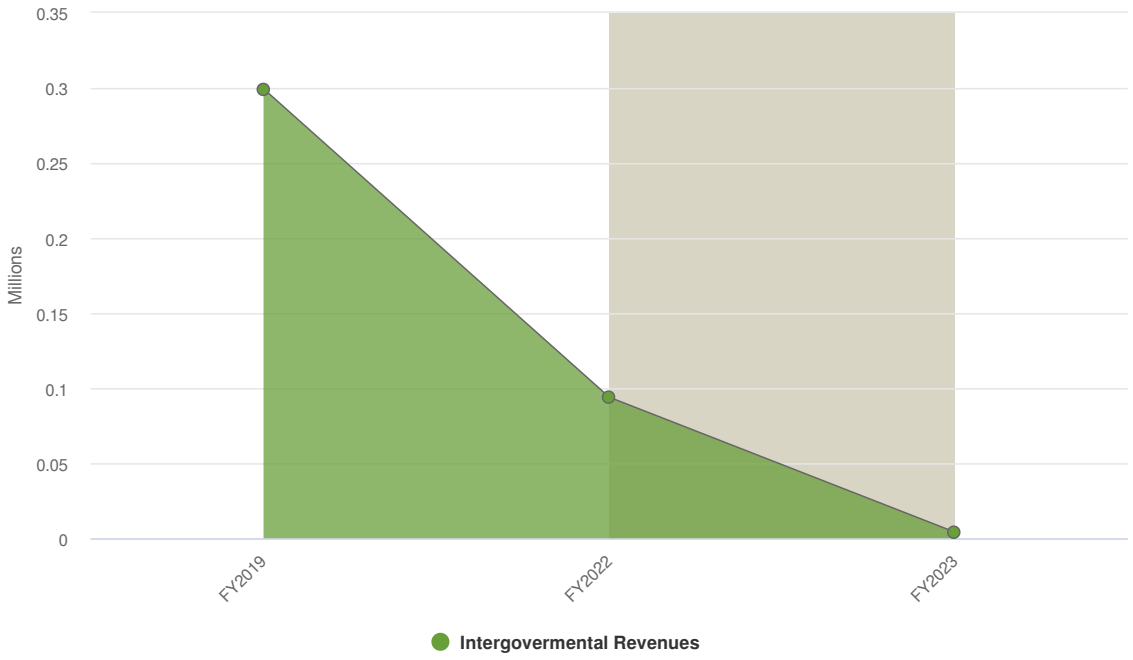


Revenues by Source

In FY2021-22 the fund was projected to receive a total of $93,956 thousand in federal grant money passed through the County of San Luis Obispo. Partial funding of $89,766 is for the purpose of awarding two local non-profit agencies to assist in low-income housing. The remaining $4,190 would reimburse city staff time for administering the program.

Beginning in FY2021-22 and continuing into FY2022-23, San Luis Obispo County will be responsible for administering the contract with the non-profit agencies. As a result, the low-income housing award portion of revenue will no longer pass through the City. As a result, the projected revenue for FY 2021-22 is only $4,190, and for FY 2022-23 $4,036. The only revenue that will come into this Fund is reimbursement of city staff time spent on administering the program on behalf of the City.

Budgeted and Historical 2023 Revenues by Source



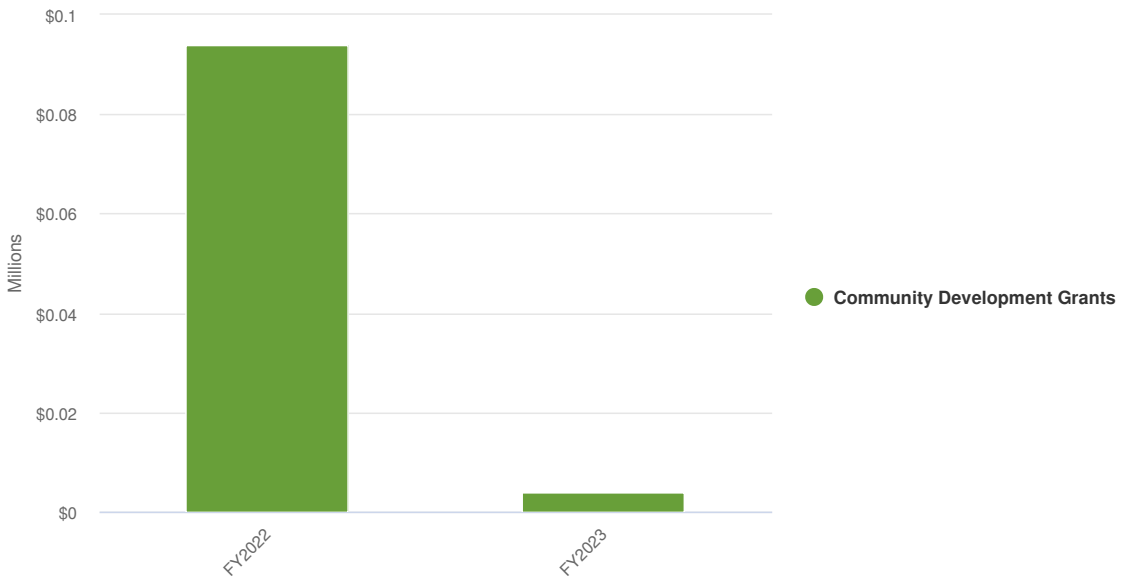
Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenue Source				
Intergovermental Revenues	$93,956	$4,190	$4,036	-95.7%
Total Revenue Source:	**$93,956**	**$4,190**	**$4,036**	**-95.7%**

Expenditures by Fund

Beginning in FY2021-22 and continuing into FY2022-23, San Luis Obispo County will be responsible for administering the contract with the non-profit agencies. As a result, the low-income housing award portion of revenue will no longer pass through the City. The projected expenditures for FY 2022-23 are $4,036. The only expenditures in this Fund will be for reimbursable city staff time spent on administering the program on behalf of the City.

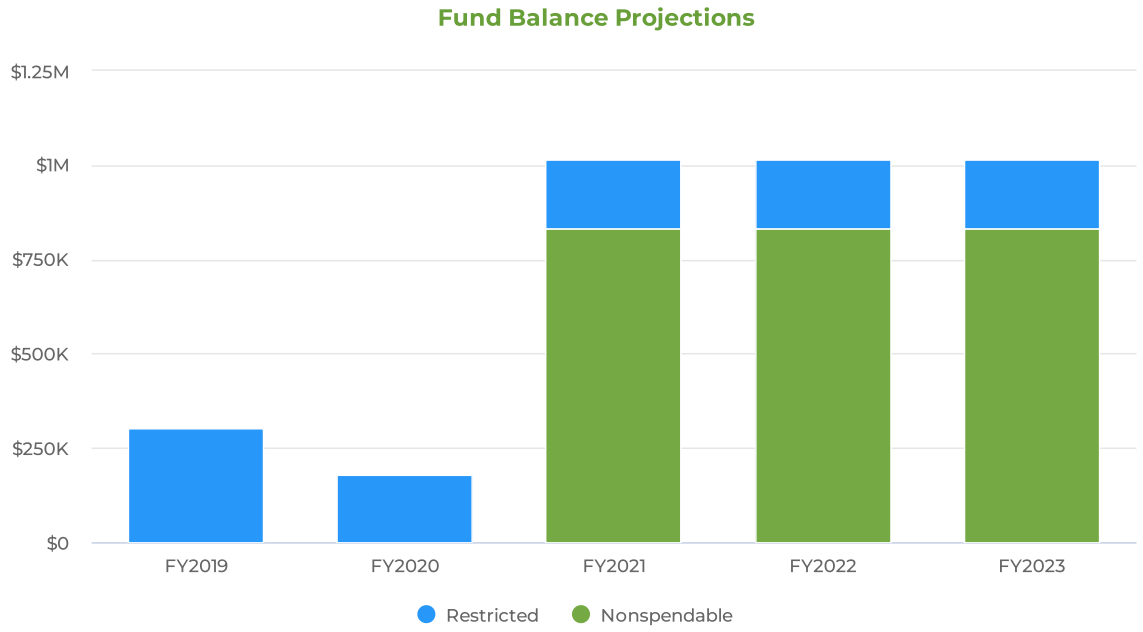
Budgeted and Historical 2023 Expenditures by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Community Development Grants	$93,956	$4,190	$4,036	-95.7%
Total Community Development Grants:	**$93,956**	**$4,190**	**$4,036**	**-95.7%**

Fund Balance

FY2020-21 fund balance has been updated to include the total of all Community Development Block Grant Special Revenue Funds (200-205) in the amount of $1,103,147 million as reflected in the June 30, 2021 Annual Comprehensive Financial Report. For FY2021-22 the total fund balances are projected to remain, and to carry forward to FY2022-23. This Community Development Grants series of fund balance also includes the HOME program, which consists of the City's former Citywide housing rehabilitation program for low-income homeowners that was discontinued in 2010. The majority of the fund balance (approximately $833,000) is for loans receivable under these programs.



For FY 2018 thru FY 2020 only the fund balance for Community Development Block Grants (200) is reflected. Subsequent years are combined to reflect the most recent ACFR.

	FY2019	FY2020	FY2021	FY2022	FY2023	% Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Restricted	$302,279	$177,333	$179,731	$179,731	$179,731	0%
Nonspendable	$0	$0	$833,416	$833,416	$833,416	0%
Total Fund Balance:	**$302,279**	**$177,333**	**$1,013,147**	**$1,013,147**	**$1,013,147**	**0%**

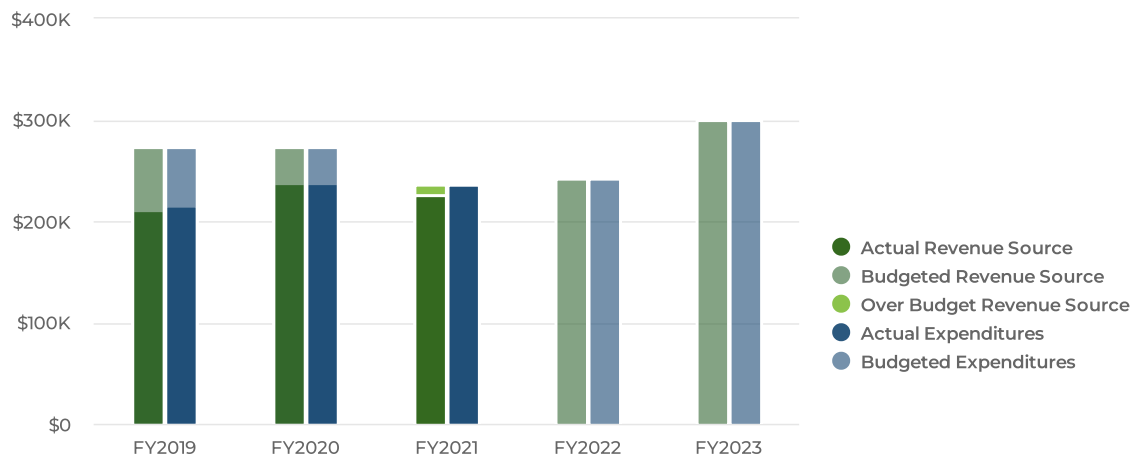
State Gas Tax Fund (250)

This fund is required by the State to account for monies received from gasoline taxes. The majority of this revenue must be expended on constructing, maintaining, or improving major City streets and storm drains. The state of California imposes per-gallon excise taxes on gasoline and diesel fuel, sales taxes on gasoline and diesel fuel and registration taxes on motor vehicles with allocations dedicated to transportation purposes. The local (city and county) portions of these allocations flow through the Highway Users Tax Account (HUTA), the familiar gasoline tax revenues that have been in place for decades, and the Road Maintenance and Rehabilitation Account (RMRA) which allocates much of the revenue from the Road Repair and Accountability Act of 2017 (SB1 Beall).

HUTA revenues are accounted for in this fund, and are transferred to the General Fund to cover ongoing street maintenance costs. RMRA revenues are deposited directly into General Government CIP Fund (915) to support the City's capital pavement improvement projects.

Summary

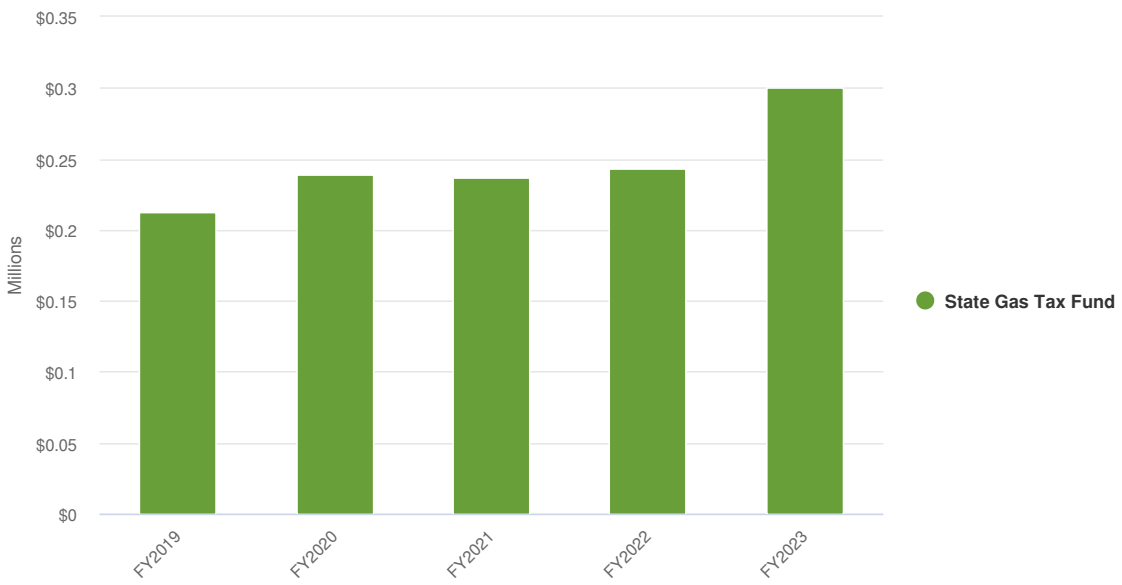
The City of Morro Bay is projecting approximately $300,000 of HUTA state gas tax revenue in FY2022-23, which represents a 23% increase over the prior year. Budgeted expenditures are also projected to increase by 23% to $300,000 in FY2022-23 commensurate with revenue amounts.



Revenue by Fund

HUTA revenue projections are based on the California Municipal Finance web site, produced by Michael Coleman, fiscal advisor for the California Society of Municipal Finance Officers and the League of California Cities. Projected revenue for FY 2021-22 is projected to be higher than budgeted based on actuals to date. Also, in FY 2022-23, revenues are anticipated to increase based on the Local Streets and Roads projections provided by the same referenced fiscal resource.

Budgeted and Historical 2023 Revenue by Fund

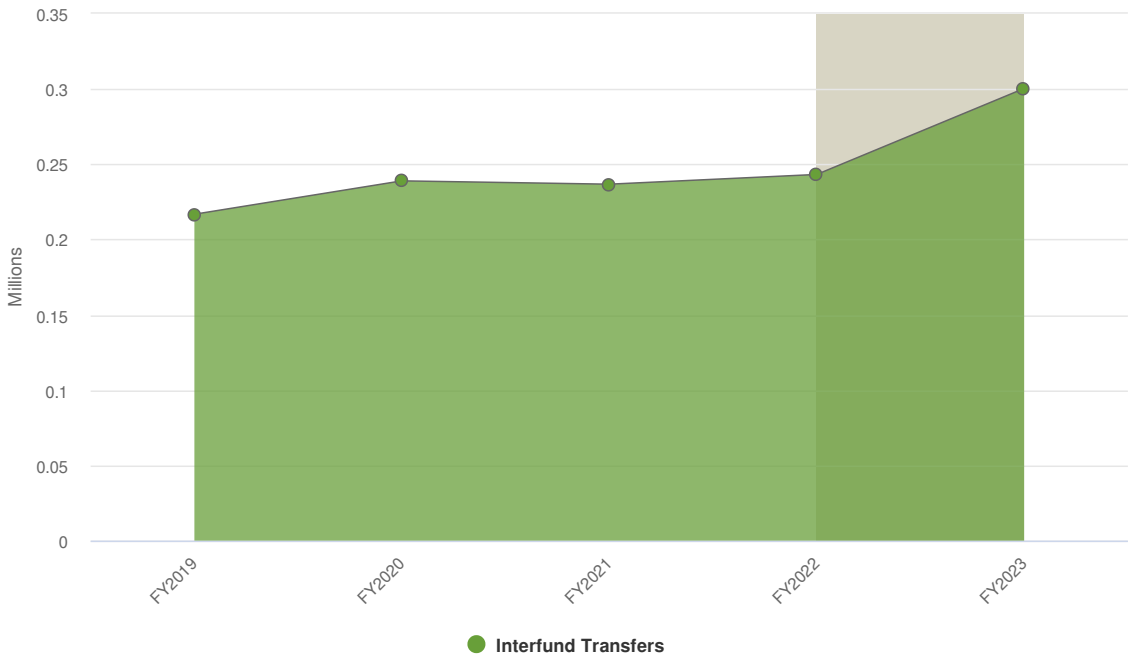


Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
State Gas Tax Fund	$243,222	$260,000	$300,362	23.5%
Total State Gas Tax Fund:	**$243,222**	**$260,000**	**$300,362**	**23.5%**

Expenditures by Expense Type

Revenue received is transferred out to the General Fund to contribute to streets and pavement projects. Those expenses are also reflected in the transfers out entry for this fund.

Budgeted and Historical Expenditures by Expense Type



Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expense Objects				
Interfund Transfers				
Transfer To General Fund	$243,222	$243,222	$300,362	23.5%
Total Interfund Transfers:	**$243,222**	**$243,222**	**$300,362**	**23.5%**
Total Expense Objects:	**$243,222**	**$243,222**	**$300,362**	**23.5%**

Fund Balance

No fund balance is carried in this fund. All revenue received is transferred out to the General Fund to contribute to streets and pavement projects. There is not projected fund balance for FY2022-23 as a result.

Fund Balance Projections

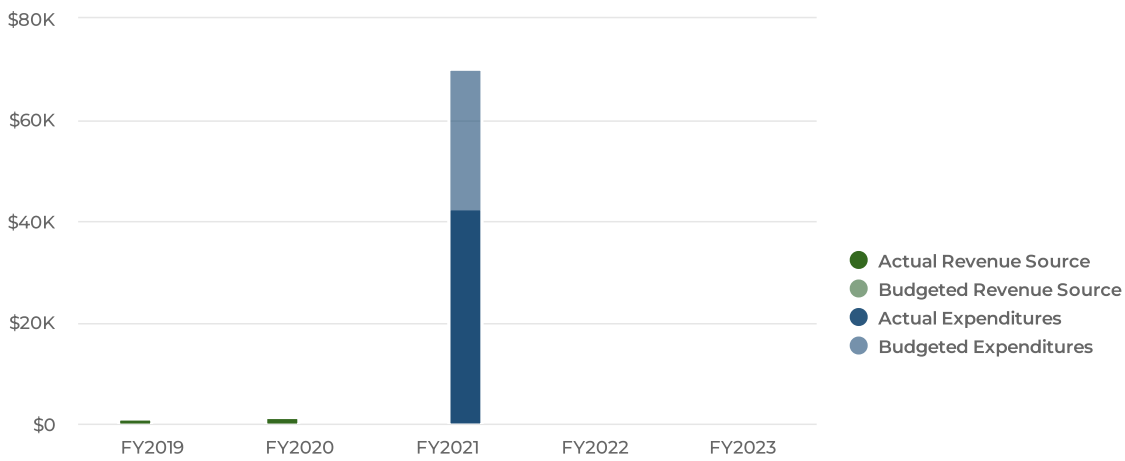
	% Change	$ Change
Fund Balance		
Restricted	$0	$0
Total Fund Balance:	**0%**	**$0**

Lower Cost Visitor Accommodations Mitigation Fee (270)

The Lower Cost Visitor Accommodations Mitigation Fee Fund was created in 2008 for the purpose of collecting in-lieu mitigation fees for lower cost visitor-serving overnight accommodations, such as hostels and campground units, as required by California Coastal Commission actions on coastal development permits, since 1977. The entire fund and accrued interest shall be used for creating accommodations and other potential projects deemed acceptable by the Coastal Commission.

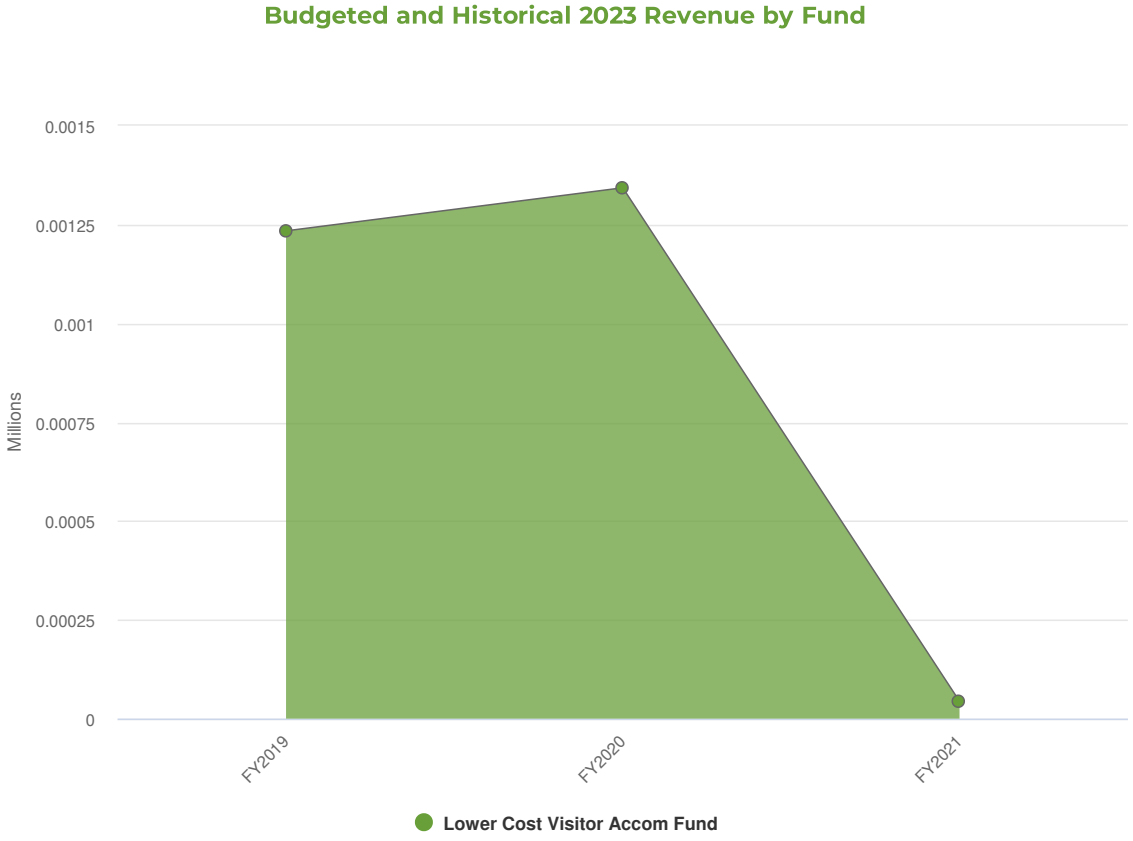
Summary

The City of Morro Bay is projecting no revenues and no expenditures in FY 2022-23.



Revenue by Fund

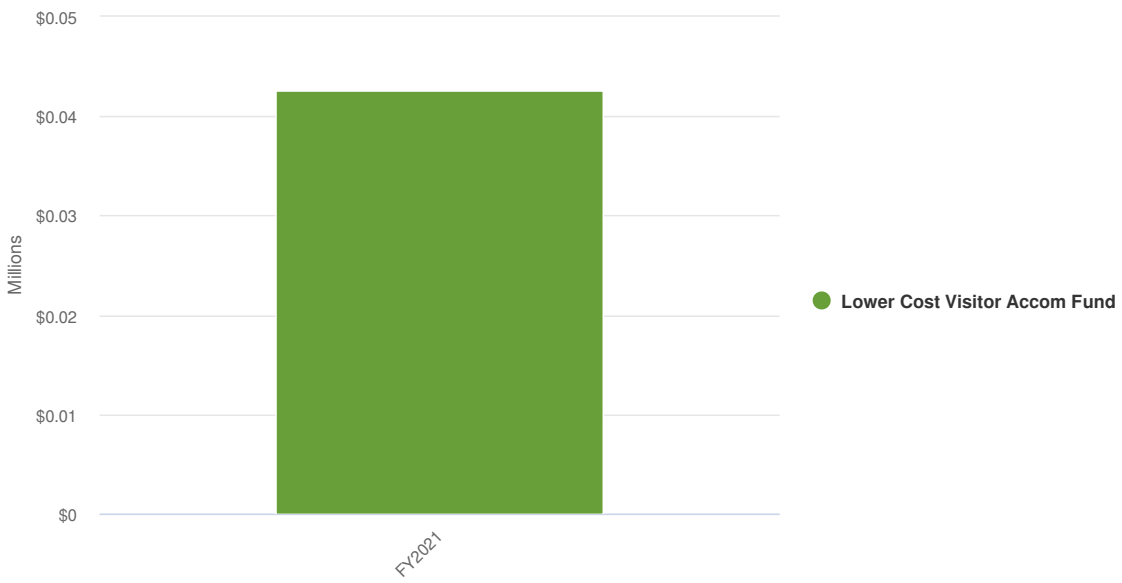
Revenues for this fund are for individual fees that can range from tens of thousands to up to $6 million in previous years. There are no anticipated revenues for FY2022-23 for the Lower Cost Visitor Accommodations Fee Fund.



Expenditures by Fund

There is no budget activity planned for FY 2022-23. Previously, in FY 2020-21, the expenditure budget for this fund was transferred out to both the General and Harbor Operating Funds to contribute to staff time for establishing and administering a coastal RV camping pilot program. The RV camping program has been discontinued so additional transfers will not be made for that program.

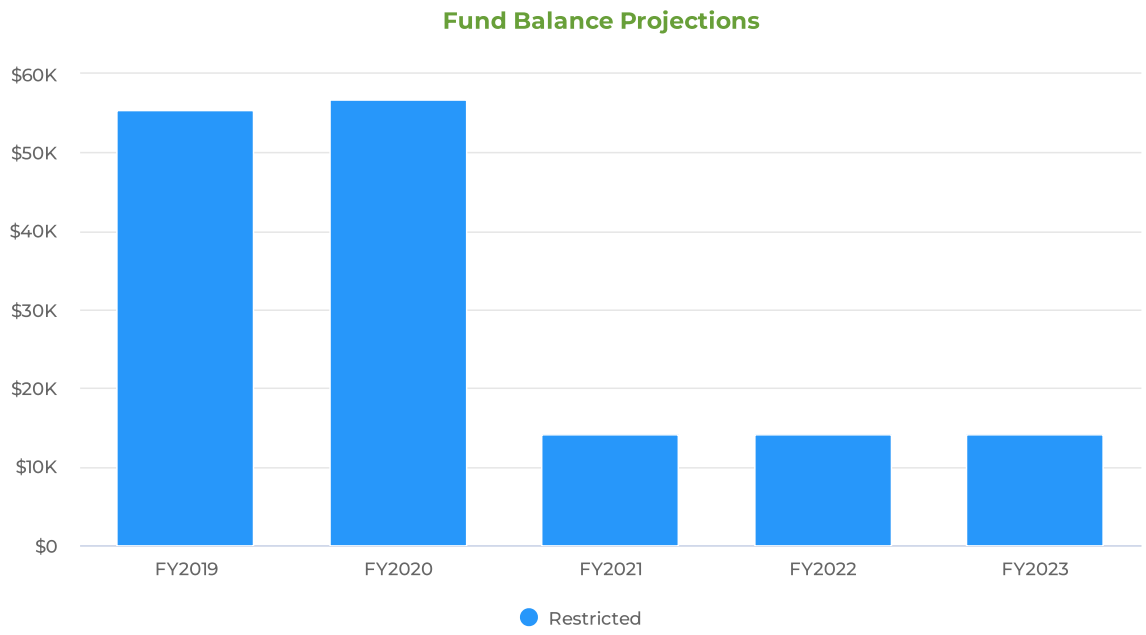
Budgeted and Historical 2023 Expenditures by Fund



Fund Balance

Any funds remaining after 10 years from their deposit date shall be donated to an acceptable agency or organization to provide lower-cost public access and recreation improvements to and along the shoreline, including improvements to the California Coastal Trail.

Fund balance was reduced by $42,000 in FY2020-21 for transfers into the General and Harbor Operating Funds for staff time spent on the RV camping pilot program. The remaining fund balance is projected to remain the same at FY2021-22 year end. The same fund balance is also projected through FY2022-23 since there are no expenditures budgeted.



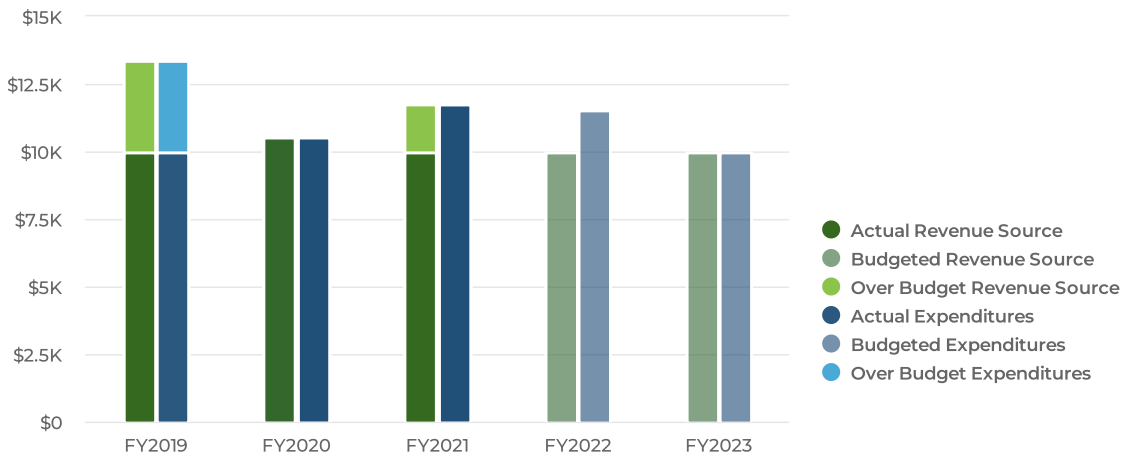
	FY2019	FY2020	FY2021	FY2022	FY2023	$ Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Restricted	$55,327	$56,670	$14,158	$14,158	$14,158	$0
Total Fund Balance:	**$55,327**	**$56,670**	**$14,158**	**$14,158**	**$14,158**	**$0**

Traffic Safety Fund (280)

The Traffic Safety Fund was established based on Section 1463 of the Penal Code, which states that all fines and forfeitures collected from any person charged with a misdemeanor under this code shall be deposited into a designated pass-through fund.

Summary

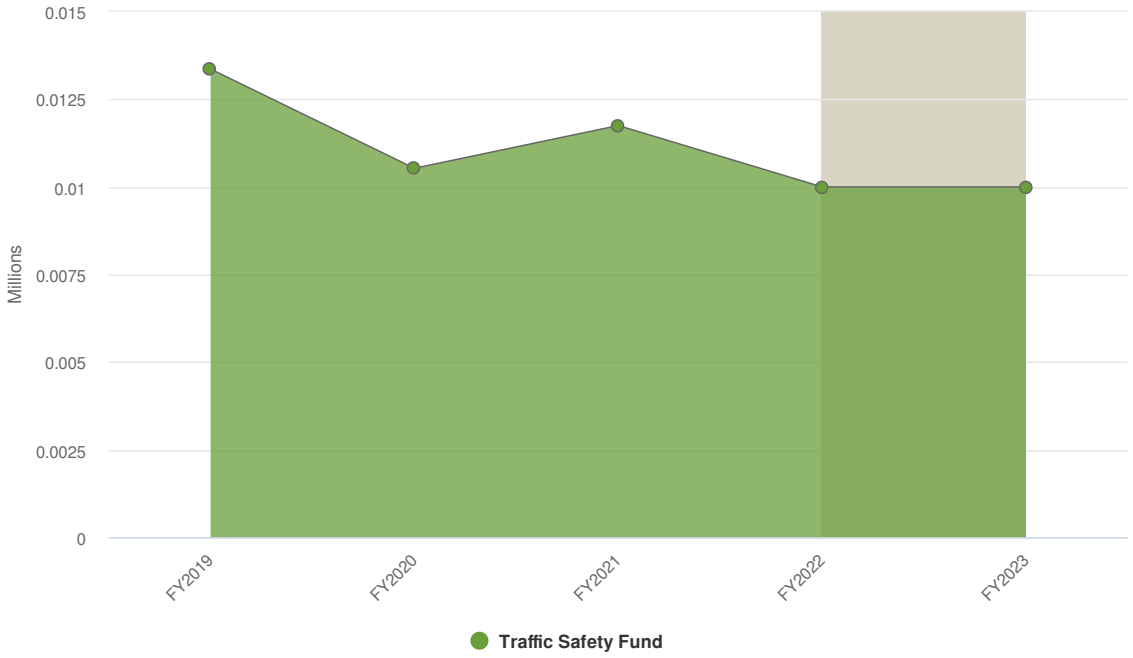
The City of Morro Bay is projecting $10,000 of revenue in FY2023, which represents a 0% increase over the prior year. Budgeted expenditures are not projected to increase in FY2023.



Revenue by Fund

Revenues in this fund come from fines and forfeitures collected from any person charged with a misdemeanor under Section 1463 of the Penal Code. Revenues must be used exclusively for official traffic control devices and the maintenance thereof, equipment and supplies for traffic law enforcement and traffic accident prevention, and for the maintenance, improvement or construction of public streets, bridges, and culverts within the City, but not for the compensation of traffic or other police officers. This revenue was previously recorded in the General Fund when received and the fund was established as a pass-through to identify traffic safety monies prior to being transferred.

Budgeted and Historical 2023 Revenue by Fund



Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Traffic Safety Fund	$10,000	$10,000	0%
Total Traffic Safety Fund:	**$10,000**	**$10,000**	**0%**

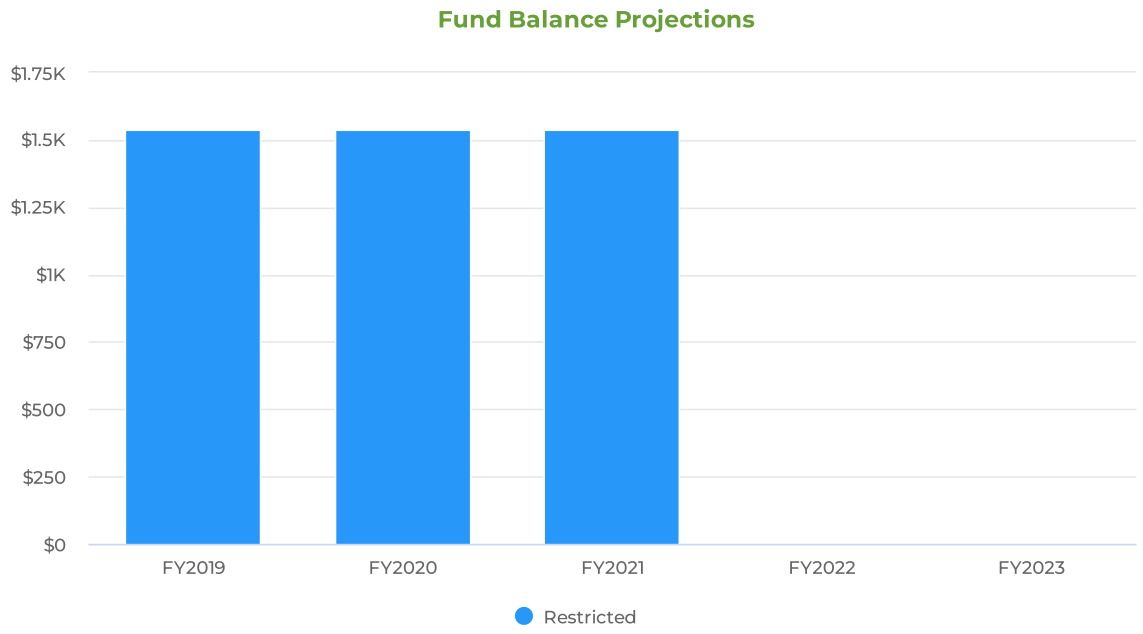
Expenditures by Fund

Expenditures for FY 2022-23 are estimated to match the total amount of revenue received with a corresponding transfer of those funds into the General Fund.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted ($ Change)
Traffic Safety Fund				
Transfer To General Fund	$11,541	$11,541	$10,000	-$1,541
Total Traffic Safety Fund:	**$11,541**	**$11,541**	**$10,000**	**-$1,541**

Fund Balance

There is no anticipated fund balance for FY 22-23 since the remaining $1,541 was transferred to the General Fund in FY 21-22, as depicted in the chart above. There is no anticipated fund balance for FY 22-23 since the remaining $1,541 was transferred to the General Fund in FY 21-22.



	FY2019	FY2020	FY2021	FY2022	FY2023	$ Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Restricted	$1,541	$1,541	$1,541	$0	$0	$0
Total Fund Balance:	**$1,541**	**$1,541**	**$1,541**	**$0**	**$0**	**$0**

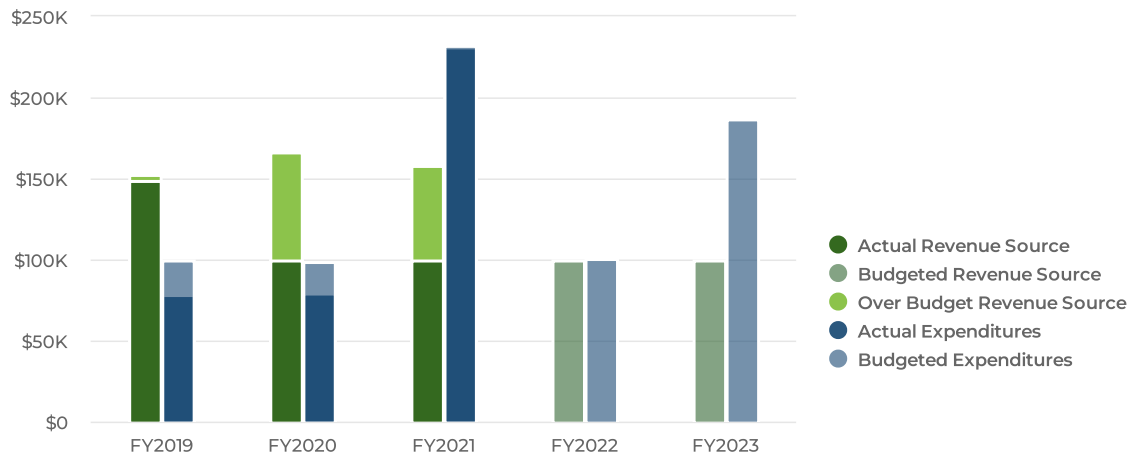
Special Safety Grants (282)

The Special Safety Grants Fund was originally established for the Supplemental Law Enforcement Services (SLESF) grant. Government Code Sections 30061-30065 establish the authority for the SLESF, also known as the state COPS grant.

Summary

The City of Morro Bay is projecting $100 thousand of grant revenue in FY2022-23, which represents no increase over the prior year. Budgeted expenditures are projected to increase by 85% to approximately $187 thousand in FY2022-23 for the purchase of a replacement patrol vehicle, body cameras and related equipment, and emergency equipment and supplies.

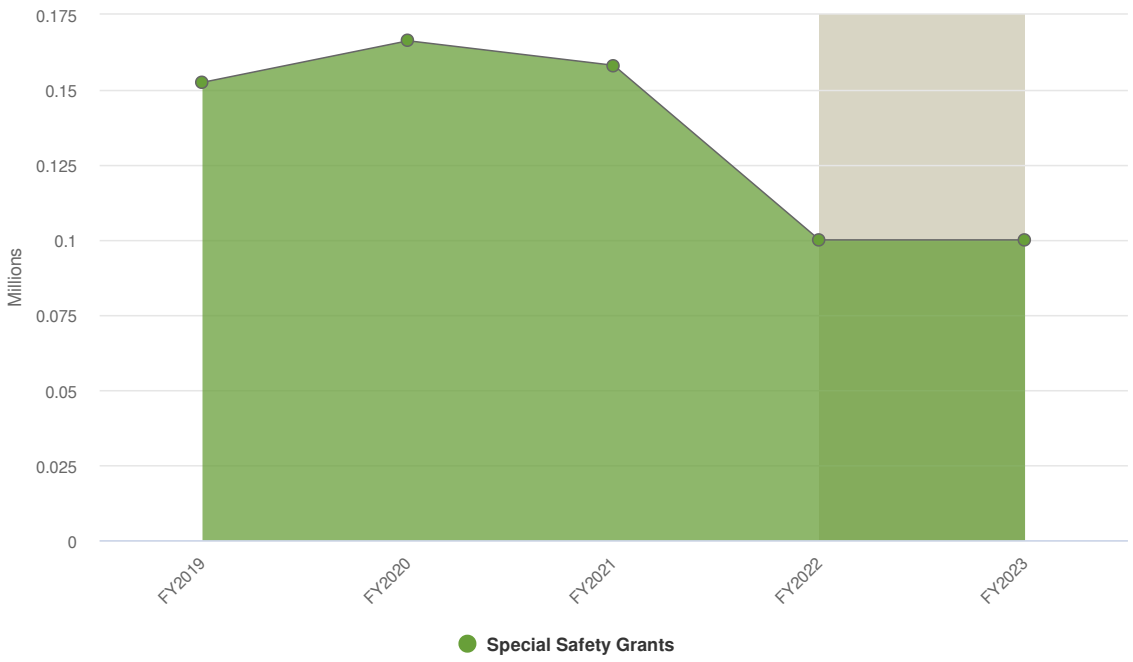
For FY 2022-23, $87 thousand in expenditures beyond anticipated grant revenue will be spent from the FY2021-22 fund balance.



Revenue by Fund

Projected grant revenues for FY 2022-23 are $100,000, and this is an annual state anticipated allocation of funding for the City. In prior years, the amount received has been higher. However, the City is budgeting conservatively for this amount of revenue based on previous year actuals.

Budgeted and Historical 2023 Revenue by Fund



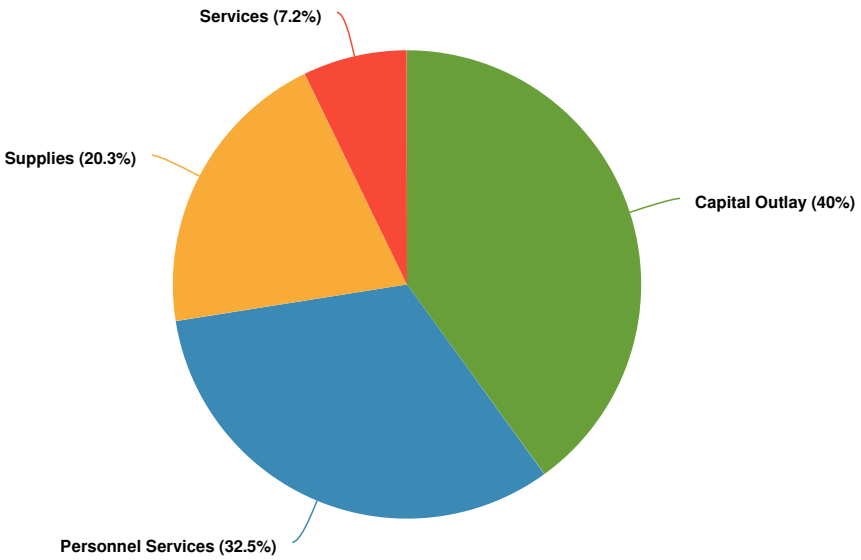
Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Special Safety Grants	$100,000	$100,000	$100,000	0%
Total Special Safety Grants:	**$100,000**	**$100,000**	**$100,000**	**0%**

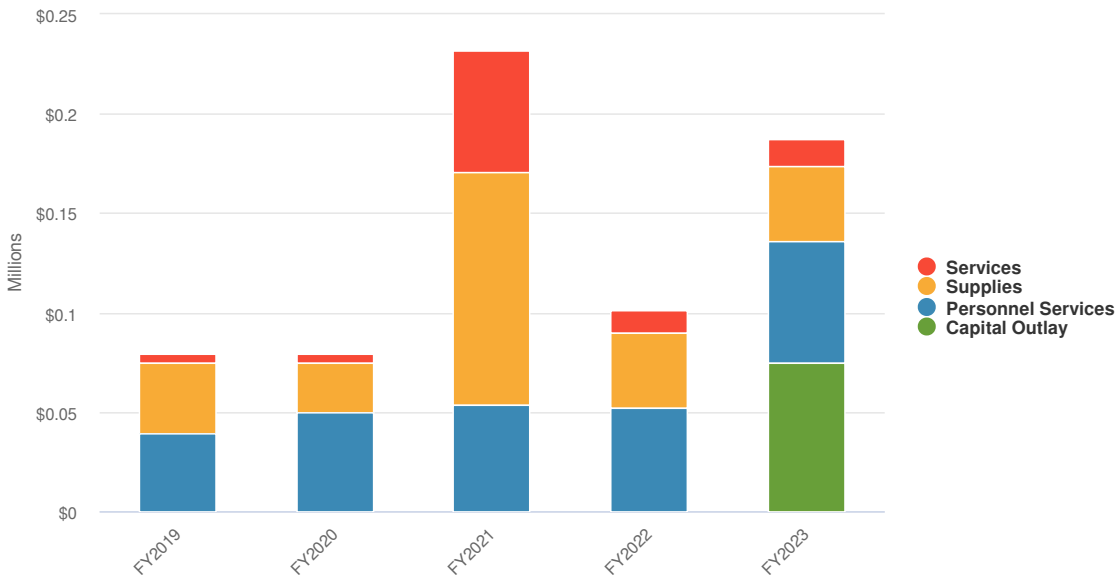
Expenditures by Expense Type

The FY 2022-23 budget includes funding for 0.75 FTE Property and Evidence position and increased benefit costs such as pension and health care. In addition, the budget includes $75 thousand for a replacement vehicle purchase, and emergency operations and safety equipment supplies. This is consistent with the intent and purpose of the SLESF grant funds.

Budgeted Expenditures by Expense Type



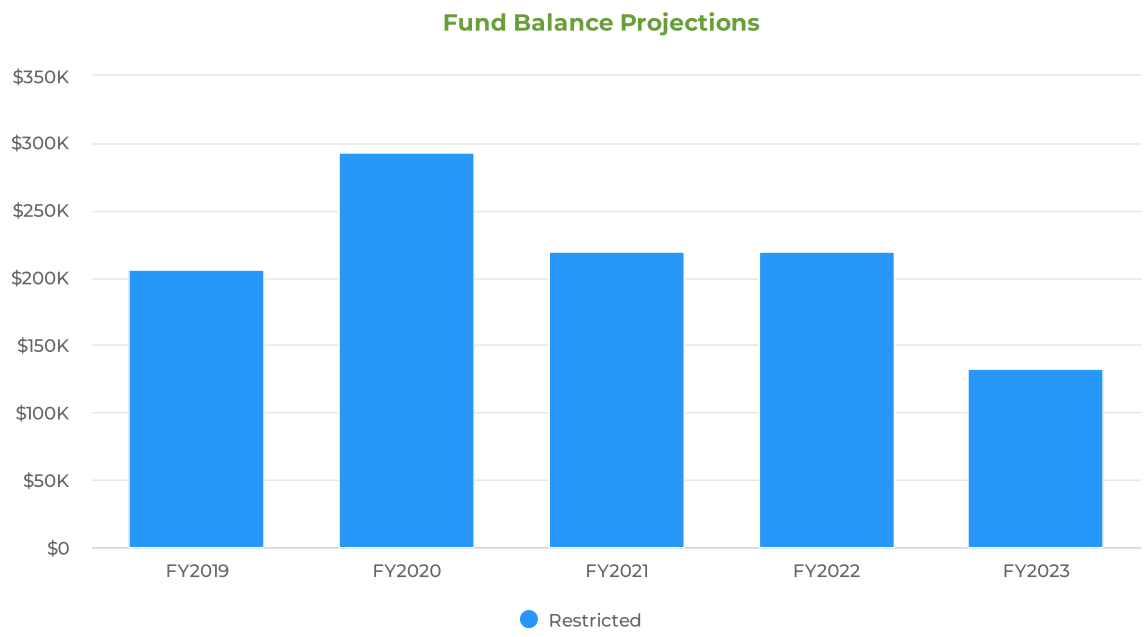
Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expense Objects				
Personnel Services	$51,918	$51,918	$60,850	17.2%
Supplies	$38,000	$38,000	$38,000	0%
Services	$11,000	$11,000	$13,500	22.7%
Capital Outlay	$0	$0	$75,000	N/A
Total Expense Objects:	**$100,918**	**$100,918**	**$187,350**	**85.6%**

Fund Balance

FY 2022-23 fund balance is projected to be approximately $132,000 reflecting a reduction in fund balance due to the planned police patrol vehicle replacement, consistent with the fund's intended uses.



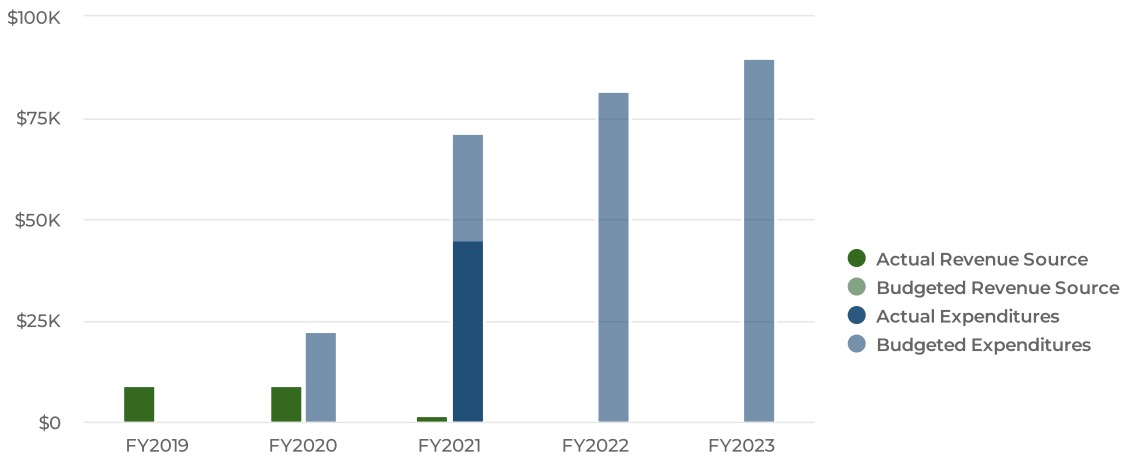
	FY2019	FY2020	FY2021	FY2022	FY2023	$ Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Restricted	$206,383	$293,355	$219,562	$219,562	$132,212	$-87,350
Total Fund Balance:	**$206,383**	**$293,355**	**$219,562**	**$219,562**	**$132,212**	**$-87,350**

Parking In-Lieu Fund (299)

The Parking In-Lieu Fund accounts for in-lieu fees charged for parking spaces required to adequately service new development. The City has established a formula for calculating the number of parking spaces required to adequately service a new business establishment, or the expansion of an existing one. Developers may choose to pay a fee, instead of dedicating real estate to parking spaces. This Fund has been set up to capture those in-lieu fees.

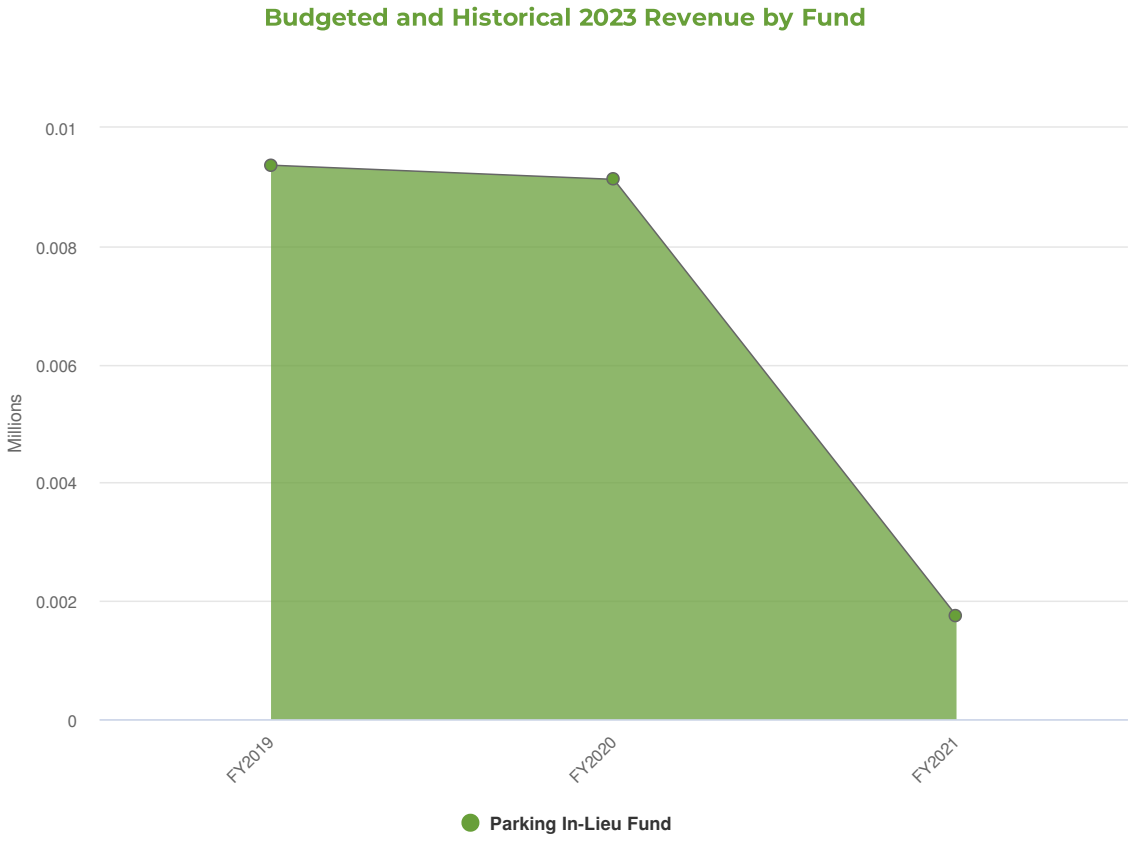
Summary

The City of Morro Bay is projecting N/A of revenue in FY2023, which represents a 0% increase over the prior year. Budgeted expenditures are projected to increase by 10% or $8.19K to $90K in FY2023.



Revenue by Fund

Revenues are one-time and are based on new development that is not able to accommodate sufficient new parking on-site. No revenues are budgeted for FY 2022-23.

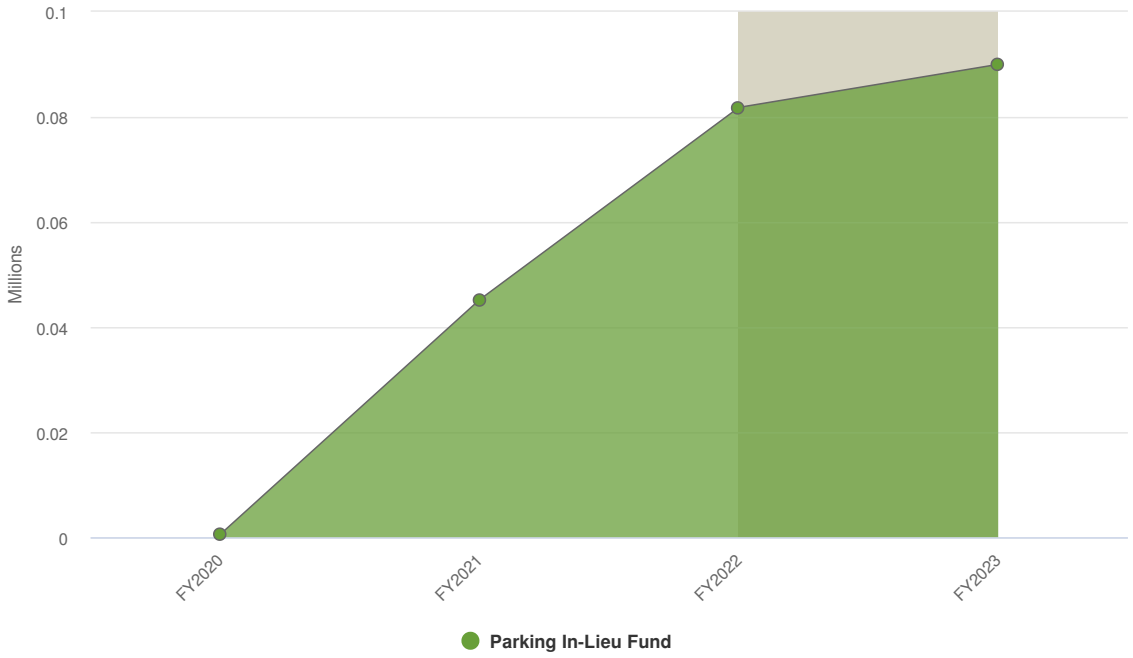


Expenditures by Fund

The FY 2021-22 budget included a $50,000 expenditure to complete the parking study and a transfer out of $31,809 to match grant funds if received to install new electric vehicle charging stations.

Only a small portion of the parking study expenditures were realized in FY 2021-22. The FY 2022-23 budget includes the remainder of the parking study expenditures as well as the next phase of the parking study and parking pilot program, as directed by City Council.

Budgeted and Historical 2023 Expenditures by Fund

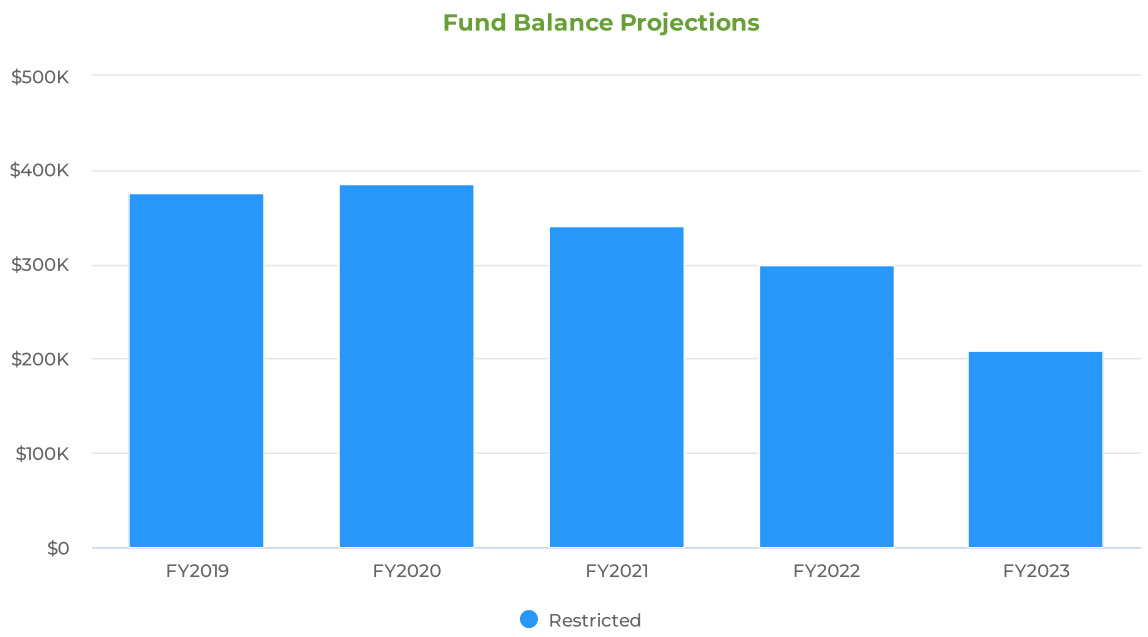


Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Parking In-Lieu Fund	$81,809	$41,809	$90,000	10%
Total Parking In-Lieu Fund:	**$81,809**	**$41,809**	**$90,000**	**10%**

Fund Balance

The fund balance in this fund will fluctuate as parking in-liue fee revenues are collected and accumulated to be spent on eligible parking activities. The projected fund balance at the end of FY 2022-23 is approximately $209,000.



	FY2022	FY2023	% Change
Fund Balance	**Projected**	**Projected**	
Restricted	$299,000	$209,000	-30.1%
Total Fund Balance:	**$299,000**	**$209,000**	**-30.1%**

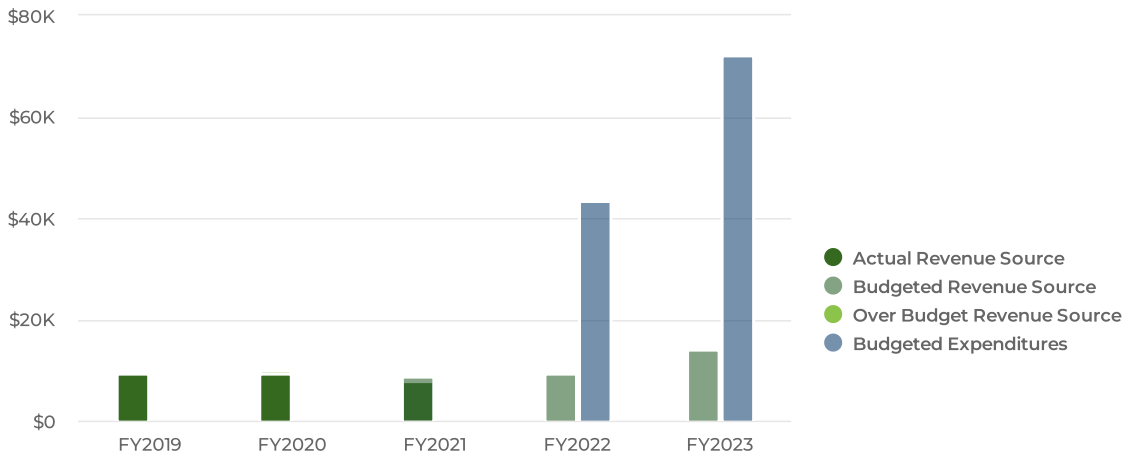
Bike Path Fund (302)

The Bike Path Fund accounts for Local Transportation Fund (LTF) revenue allocated to the City each year from the State of California per Transportation Development Act (TDA) law. The City uses these monies for pathway projects within City limits.

Summary

The City of Morro Bay is projecting approximately $14,000 of revenue in FY2022-23, which represents a 48% increase. Budgeted expenditures are projected to increase by 66% to approximately $72,000 in FY2022-23.

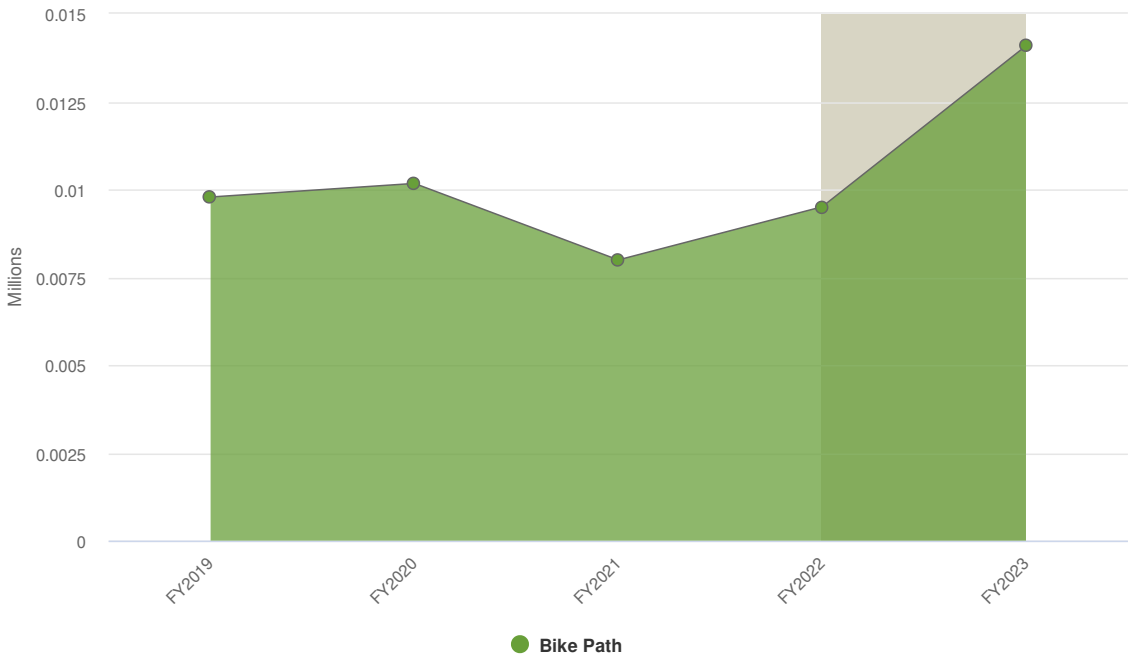
These funds are allocated annually by the San Luis Obispo Council of Governments (SLOCOG) to eligible claimants.TDA was enacted by the State Legislature in 1971 to make funds available for transit, pedestrian and bikeway path projects, transportation planning, ridesharing, street and road improvements. Funds for the LTF come from 1/4 cents of retail sales tax. TDA regulations require the City to spend two percent of the annual State LTF revenue specifically on bike and pedestrian path and lane projects.



Revenue by Fund

Revenue in the Bike Path Fund is Local Transportation Fund (LTF) revenue allocated to the City each year from the State of California per Transportation Development Act (TDA) law.

Budgeted and Historical 2023 Revenue by Fund



Grey background indicates budgeted figures.

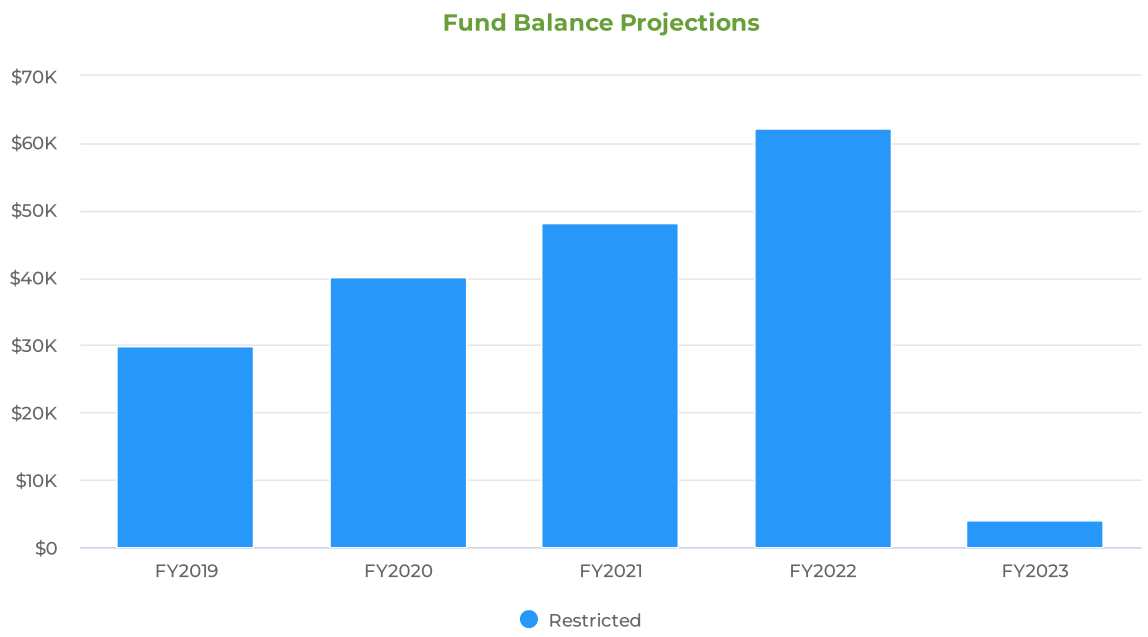
Expenditures by Fund

In FY 2021-22, budgeted expenses of $40,000 will not be spent, and those funds will go to the fund balance. For FY 2022-23, the Bike Path Fund is contributing funding for the Annual Pavement Management Program capital improvement project, which has a bike path component. The Bike Path Fund is contributing approximately $72,000 to the Annual Pavement Management program, in part using this fund balance.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Bike Path	$43,554	$3,500	$72,423	66.3%
Total Bike Path:	**$43,554**	**$3,500**	**$72,423**	**66.3%**

Fund Balance

The fund balance for FY 2022-23 is anticipated to be $4,000, after utilizing the majority of the FY 2021-22 fund balance in the annual paving project for a bike path component in FY 2022-23.



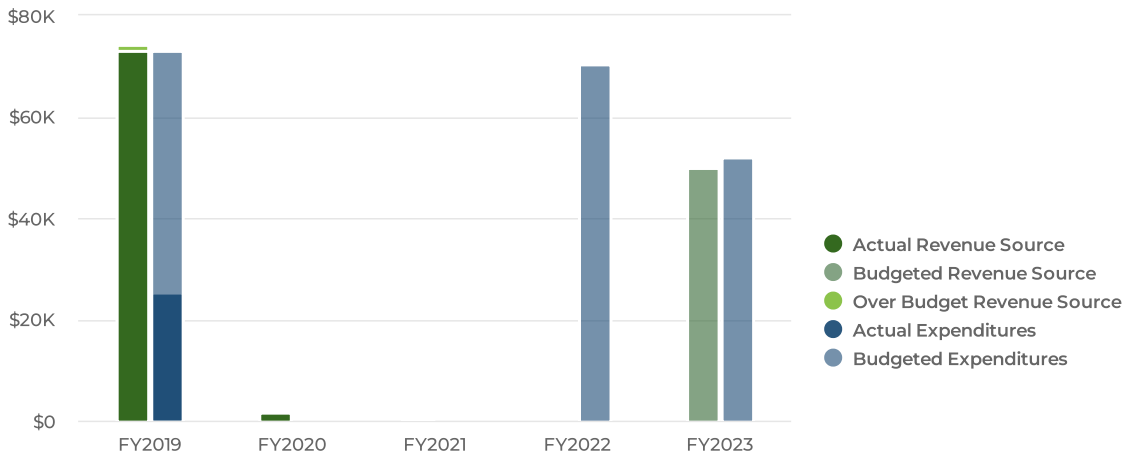
	FY2019	FY2020	FY2021	FY2022	FY2023	$ Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Restricted	$29,885	$40,054	$48,045	$62,130	$4,000	$-58,130
Total Fund Balance:	**$29,885**	**$40,054**	**$48,045**	**$62,130**	**$4,000**	**$-58,130**

Local Transportation Fund (LTF)- Roads Fund (303)

The LTF Roads Fund accounts for remaining Transportation Development Act (TDA) Local Transportation Fund (LTF) revenue transferred in from the Transit Fund. Revenue for this Fund represents remaining available allocations after the State allocations for both the Transit and Trolley Services, and Bike Path Fund are met first. The City uses these monies for pavement management projects.

Summary

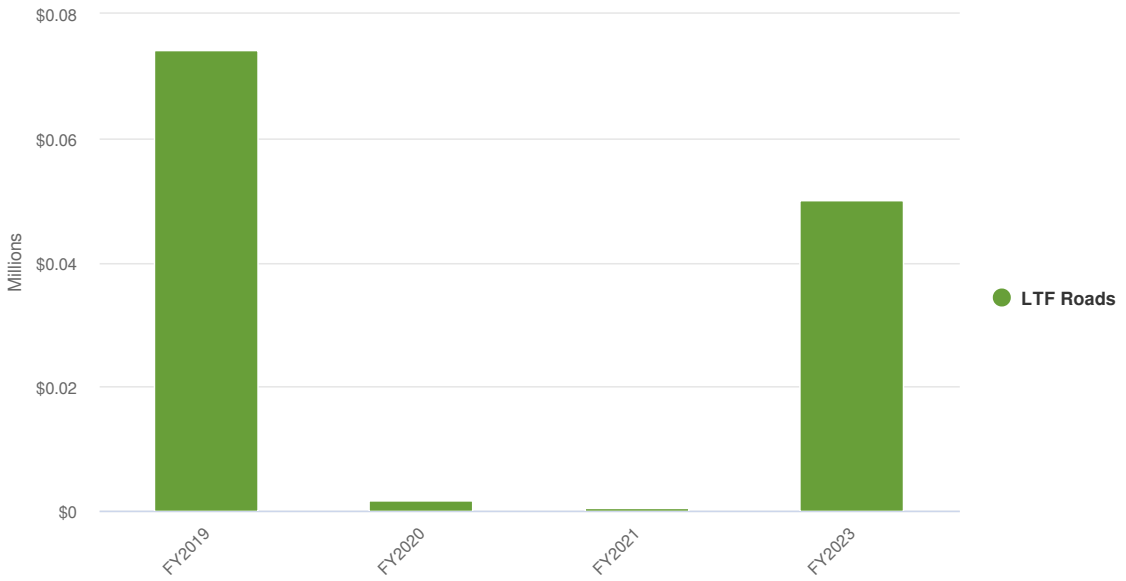
The City of Morro Bay is projecting $50,000 of revenue in FY 2022-23, which represents no increase over the prior year. Budgeted expenditures are projected to decrease by 26% to approximately $52,000 in FY2022-23. The $2,000 expenditures in excess of revenue will be covered using FY 2021-22 fund balance.



Revenue by Fund

Revenue for the LTF-Roads Fund is from a quarter cent of retail sales tax, and is allocated annually through the San Luis Obispo Council of Governments (SLOCOG) to eligible claimants based on the Transportation Development Act (TDA), Local Transportation Fund (LTF) State allocations. Per State regulations, TDA funds must be used for transit and trolley services first, and then can be used for road purposes if any remaining allocation is available. Minimal to zero revenue and expenditures were budgeted in recent years because the LTF-Roads Funds revenue from the Transit Fund is the only remaining annual revenue allocation based on these State regulations and does not occur every year. For FY 22-23 there is anticipated to be $50,000 remaining allocation from the State to be transferred from the Transit Fund.

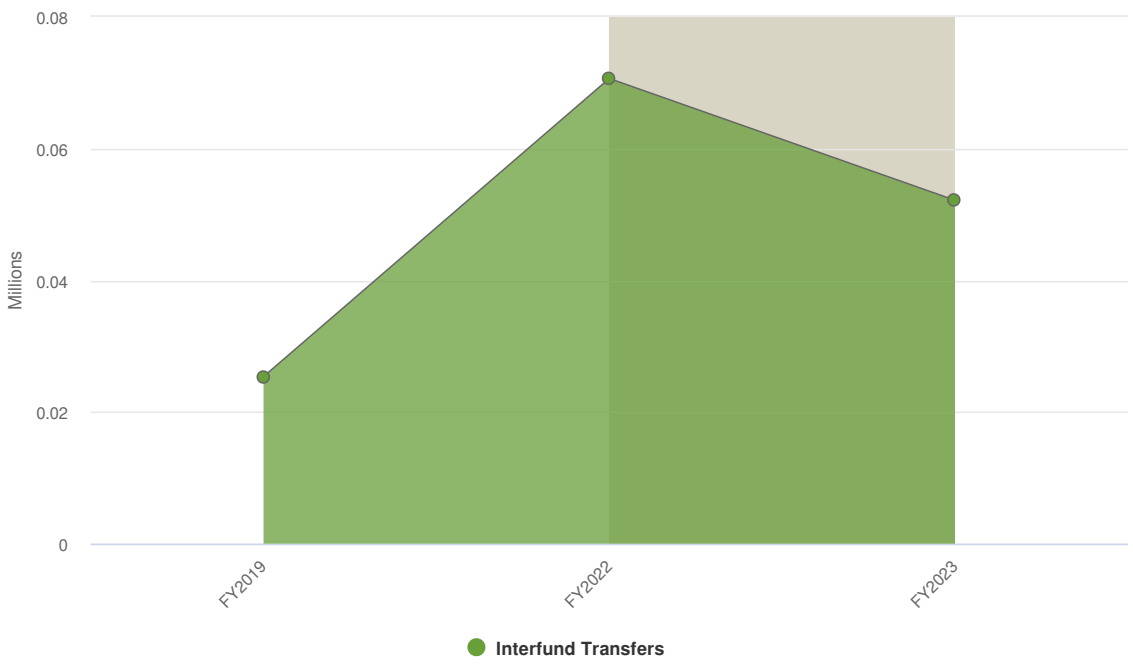
Budgeted and Historical 2023 Revenue by Fund



Expenditures by Expense Type

Expenditures for FY 2022-23 will be transferred to the General Government Capital Projects Fund to contribute to the Annual Pavement Management Program Project. The FY 2021-22 fund balance is anticipated to be spent or carried forward into the FY 2022-23 expenses for the Annual Pavement Management project budget in the General Capital Projects Fund (915).

Budgeted and Historical Expenditures by Expense Type

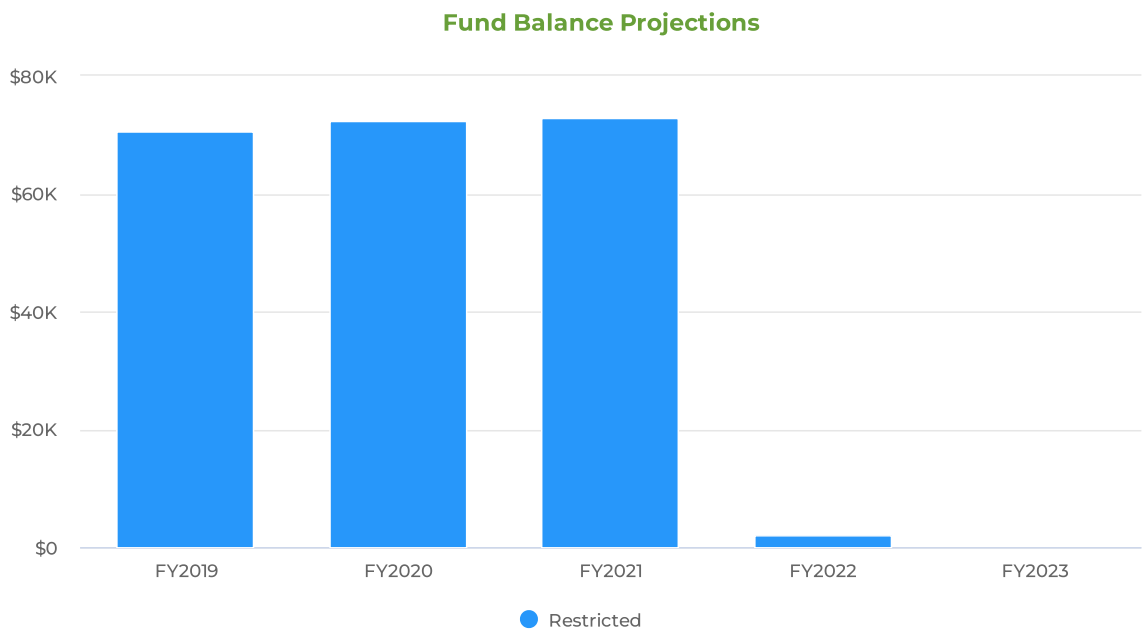


Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expense Objects				
Interfund Transfers				
Transfers Out	$70,630	$70,630	$52,142	-26.2%
Pavement Management Program	*$0*	*$0*	*$52,142*	*N/A*
Hwy 1/Hwy 41/Main Intersection Project	*$0*	*$70,630*	*$0*	*0%*
Total Interfund Transfers:	**$70,630**	**$70,630**	**$52,142**	**-26.2%**
Total Expense Objects:	**$70,630**	**$70,630**	**$52,142**	**-26.2%**

Fund Balance

The FY 21-22 projected remaining fund balance of $2,142 will be contributing to the Intersection Improvements project at Annual Pavement Management Intersection Project, reducing LTF-Roads Fund balance to zero in FY 22-23.



	FY2019	FY2020	FY2021	FY2022	$ Change
Fund Balance	—	—	_	**Projected**	
Restricted	$70,630	$72,397	$72,772	$2,142	$-70,630
Total Fund Balance:	**$70,630**	**$72,397**	**$72,772**	**$2,142**	**$-70,630**

Special Assessment Districts Fund (500)

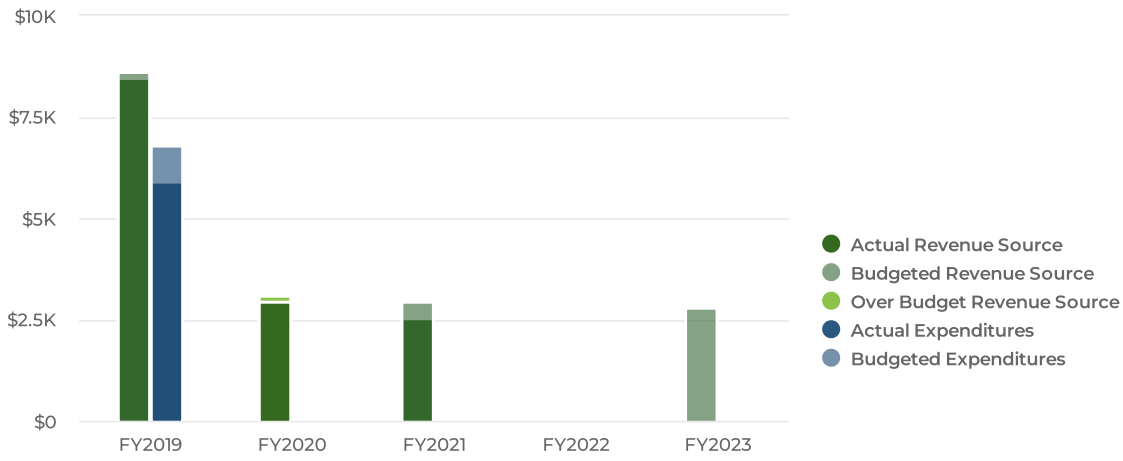
The Special Assessments Districts Fund records parcel assessments for the Stormdrain Maintenance Assessment District (also known as Loperena Assessment District).

On January 14, 1991 City Council adopted Resolution No. 3-91 forming Storm drain Assessment District No. 1 (Tract 1231, Portions of PM 97-159 and portions of Tract 1529, Loperena Assessment District) for the maintenance of storm drainage infrastructure serving Tract 1231. Then on September 13, 1999 the City Council adopted Resolution No. 73-99 annexing Parcels 1-4 of PM MB 97-159 and Lot 4 of Tract 1529 into Stormdrain Maintenance District No. 1.

Unlike Landscape/Lighting Maintenance Assessment Districts, Storm Drain Maintenance Assessment Districts do not require annual reconfirmation of the levy for the assessment to continue.

Summary

The City of Morro Bay is projecting $2,832 in revenue in FY 2022-23, which represents a 0% increase over the prior year. There are no budgeted expenditures in this fund as it only receives revenue from Loperena Storm Drain tax assessments.



Revenue by Fund

Stormdrain Assessment District No. 1 has a total annual assessment of $2,832.48 based on an assessment of $157.36 per parcel.

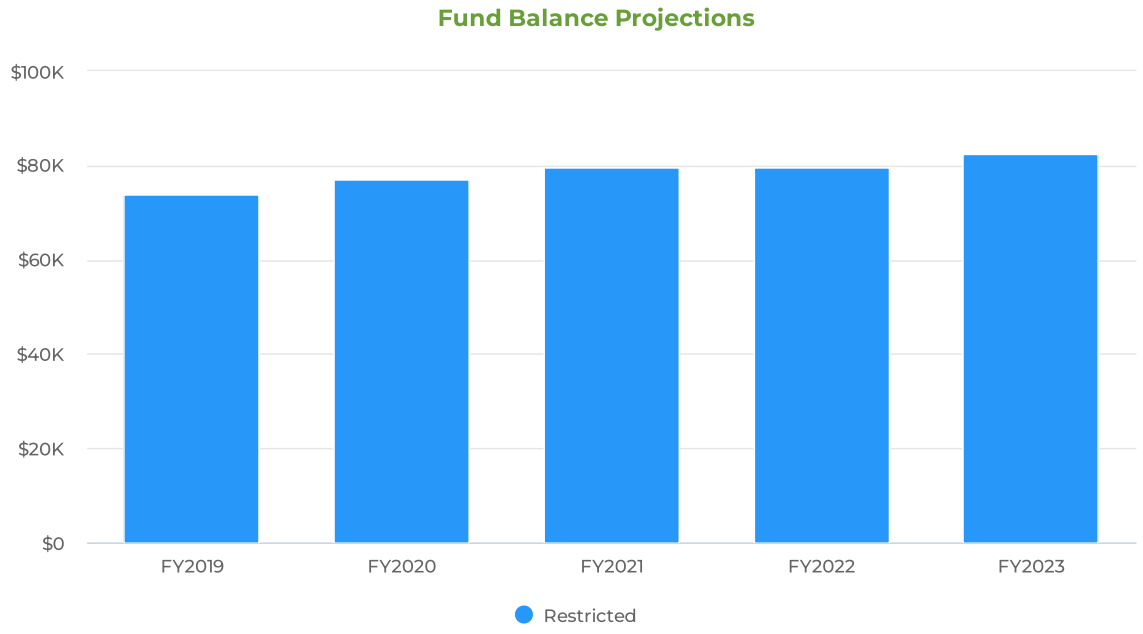
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Assessment Districts	$0	$2,832	$2,832	N/A
Total Assessment Districts:	**$0**	**$2,832**	**$2,832**	**N/A**

Expenditures by Fund

There are no expenditures budgeted for FY 2022-23. Accumulated funds will be used for storm drainage maintenance in the eligible area as needed.

Fund Balance

Accumulated funds will be used for storm drainage maintenance in the eligible area as needed.



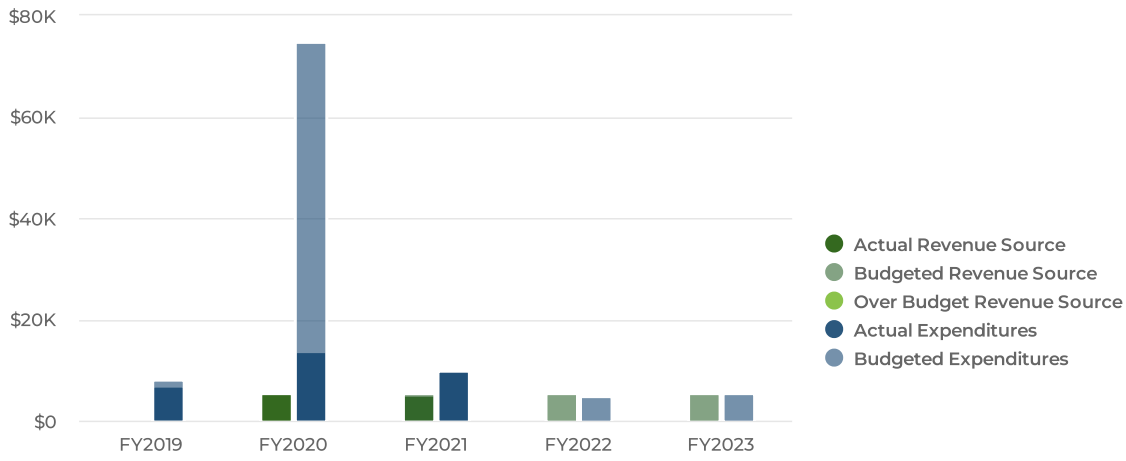
	FY2019	FY2020	FY2021	FY2022	FY2023	% Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Restricted	$73,958	$77,073	$79,623	$79,623	$82,455	3.6%
Total Fund Balance:	**$73,958**	**$77,073**	**$79,623**	**$79,623**	**$82,455**	**3.6%**

North Point Assessment Fund (565)

The North Point Assessment Fund records parcel assessments for the housing developments within the North Point Landscape/Lighting Maintenance Assessment District (Tract 2110). On December 9, 1996, the City Council adopted Resolution No. 89-96, which ordered the formation of the North Point Landscaping and Lighting Maintenance Assessment District for the ongoing maintenance of the 1.3-acre natural area. The area includes a non-irrigated meadow area, decomposed granite and asphalt walkways, stairway/beach access, drip irrigation system, public access signage and parking lot.

Summary

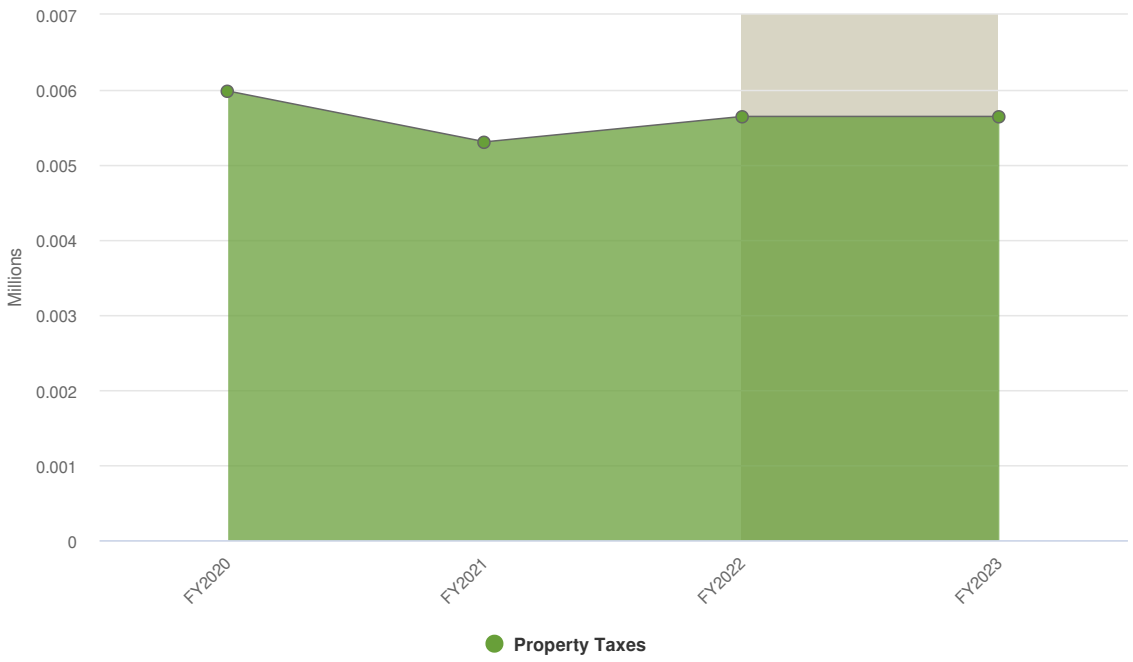
The City of Morro Bay is projecting approximately $6,000 of revenue and expenditures in FY2022-23, which represents expenditure of the full assessment amount received.



Revenues by Source

The North Point Landscaping and Lighting Maintenance Assessment District has an annual assessment of $5,645. After the initial formation of the assessment district, each year, for the assessment to continue, the City must adopt a series of three resolutions to confirm the assessment levy for the upcoming fiscal year.

Budgeted and Historical 2023 Revenues by Source



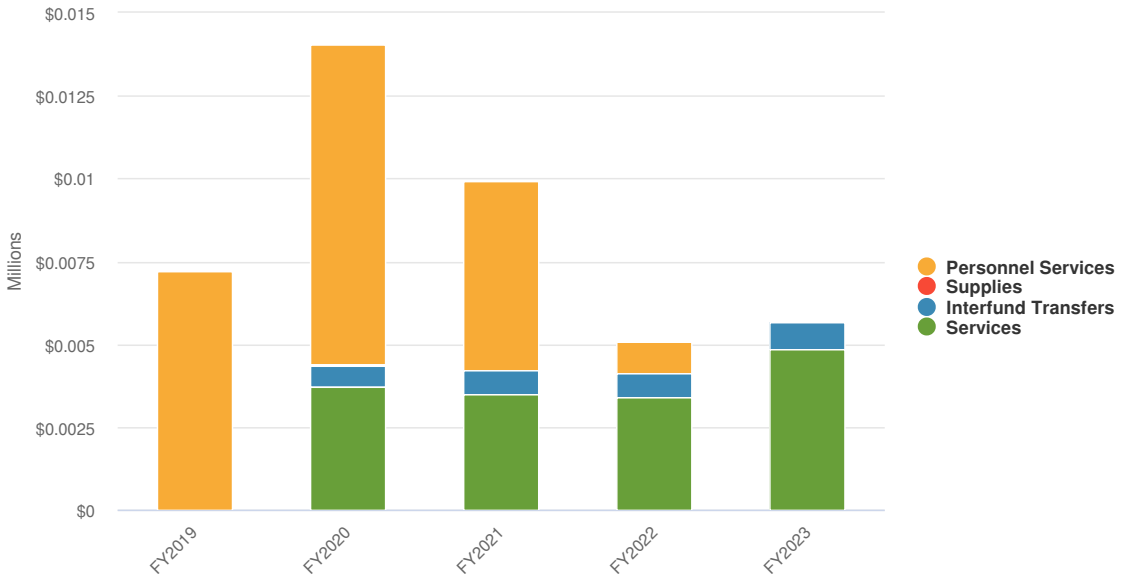
Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenue Source				
Property Taxes	$5,645	$5,645	$5,645	0%
Total Revenue Source:	**$5,645**	**$5,645**	**$5,645**	**0%**

Expenditures by Expense Type

Personnel costs have historically been charged to this fund. However, given that maintenance supplies costs are increasing and the assessment revenues generated are very small and do not increase by a consumer price index, the purchasing power of the limited assessment dollars has decreased significantly over time. In the FY 2022-23 budget, there is no room in this fund to charge staff time to it, as supplies costs utilize the full assessment dollars. However, staff will continue to maintain the current level of effort to maintain that area. That staff time is now budgeted in the General Fund.

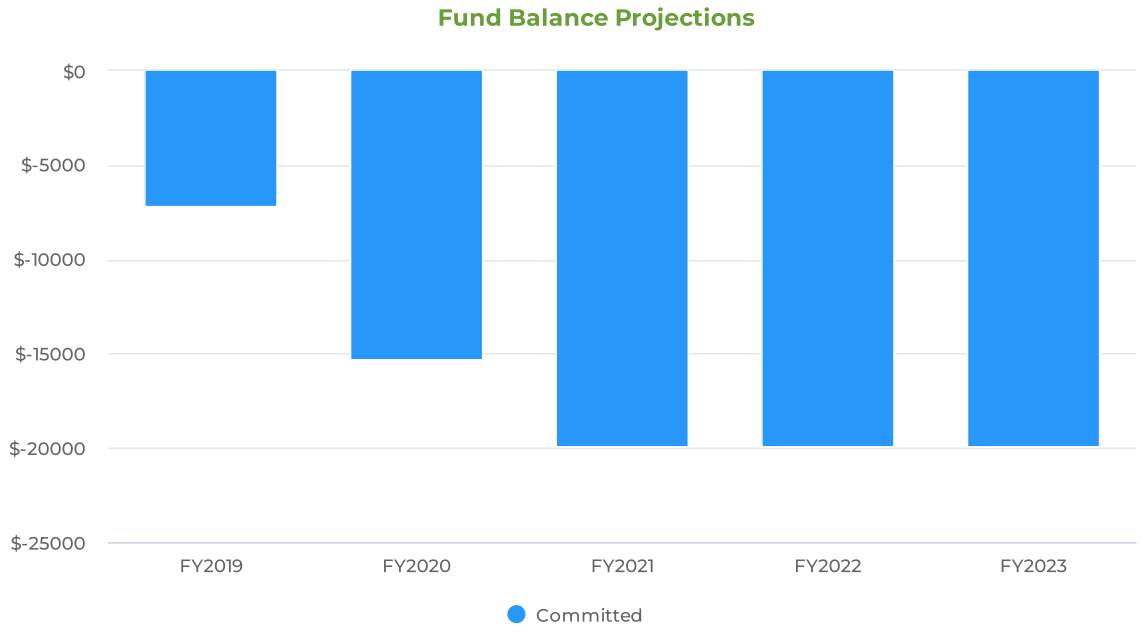
Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expense Objects				
Personnel Services	$972	$972	$0	-100%
Services	$3,396	$3,396	$4,865	43.3%
Interfund Transfers	$712	$712	$780	9.6%
Total Expense Objects:	**$5,080**	**$5,080**	**$5,645**	**11.1%**

Fund Balance

The North Point Assessments District Fund has historically been reflected in the budget documentation combined with the Special Assessments District Fund (500). The 500 Fund does have a positive fund balance but it is necessary to show the difference in the two funds since they are for different assessment districts. The negative fund balance may reflect in part the increasing maintenance costs of the North Point district over the years, given that there is CPI escalator in the annual assessment. Staff will evaluate this during FY 2022-23.



	FY2019	FY2020	FY2021	FY2022	FY2023	$ Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Committed	$-7,193	$-15,268	$-19,898	$-19,898	$-19,898	$0
Total Fund Balance:	**$-7,193**	**$-15,268**	**$-19,898**	**$-19,898**	**$-19,898**	**$0**

Cloisters Park Maintenance Assessment District (570)

This Fund was created to record parcel assessments and expenditures associated with Tract 1996 and is located within the Morro Bay City limits. The Cloisters Landscape/Lighting Maintenance Assessment District has an annual assessment of $148,944, which is a flat amount with no consumer price index escalator. After the initial formation of the assessment district, each year, for the assessment to continue, the City must adopt a series of three resolutions to confirm the levy of assessment for the upcoming fiscal year.

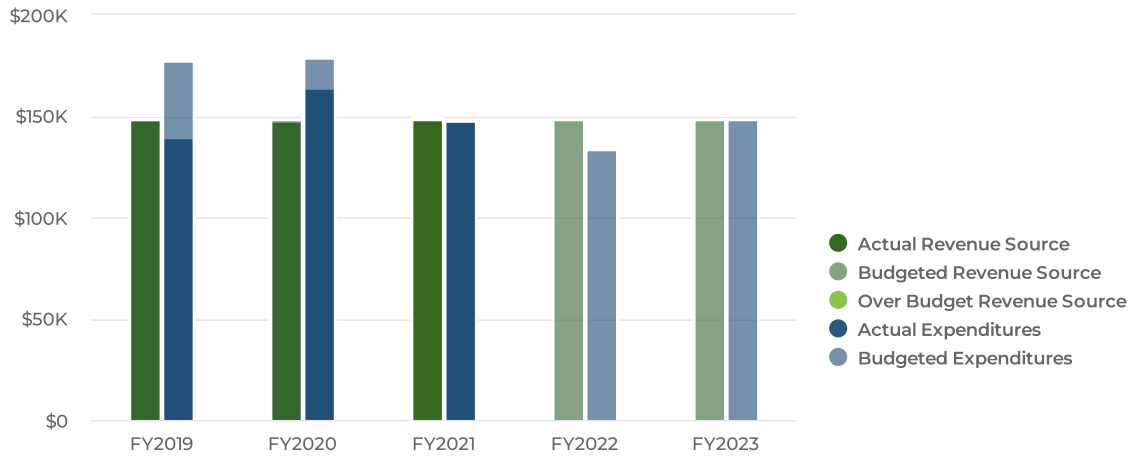
On September 23, 1996, the City Council passed Resolution No. 69-96, which approved the final map for Tract 1996, known as the Cloisters Subdivision, consisting of 124 lots. With that approval, the City Council accepted lots 121 and 122 of the Cloisters subdivision, 34 acres of open space and an organized park. Pursuant to the project Conditions of Approval, an assessment district levies an annual assessment for the maintenance of the 34 acres of improved parkland and open space.

Pursuant to the project Conditions of Approval, the assessment district levies an annual assessment for the maintenance of dozens of acres improved parkland, open space, paths, parkways, and medians

Summary

The City of Morro Bay is projecting $148,944 of revenue in FY2023, which represents a 0% increase over the prior year. Budgeted expenditures are also budgeted at that same dollar amount in FY 2022-23.

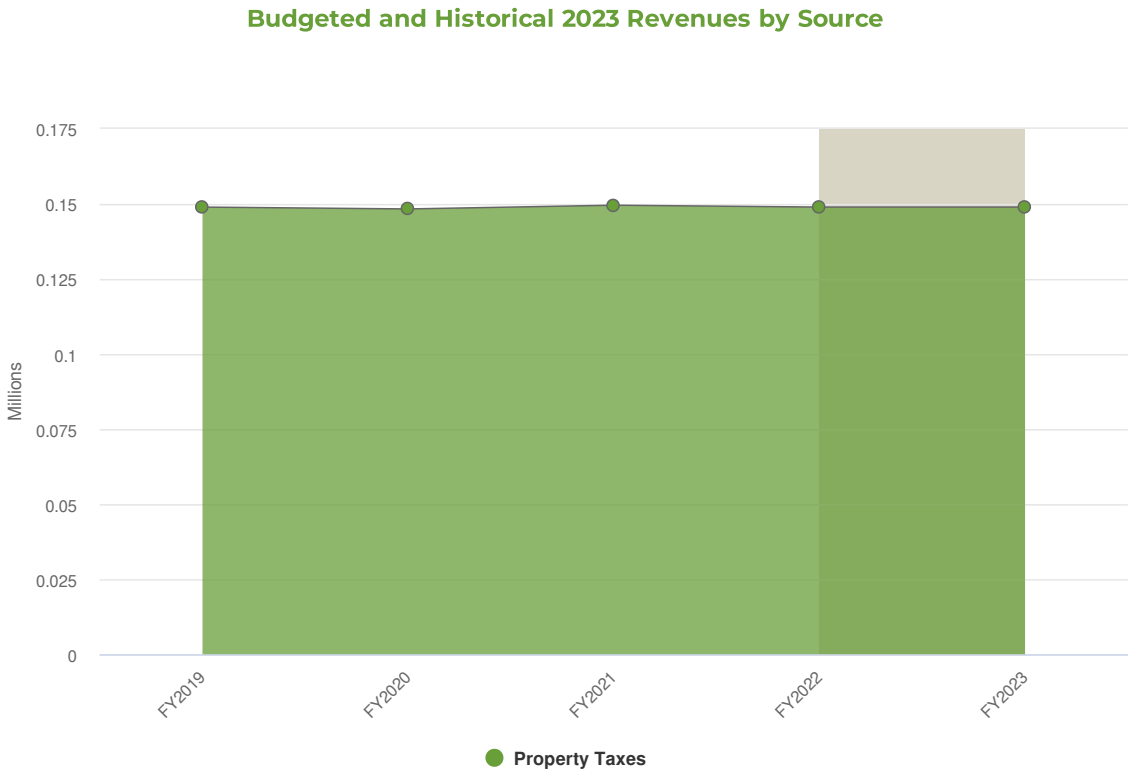
The FY 2022-23 budget includes funding for a partial 0.70 FTE Consolidated Maintenance Worker II to provide staff support for maintenance of the district.



Revenues by Source

In FY 2021-22, revenues will come from the assessments as well as a transfer in of approximately $50,566 from the Cloisters Accumulation Fund, which will be closed out at the end of FY 2021-22 and consolidated with this Cloisters Assessment District Fund.

For FY 2022-23, the Cloisters Landscape/Lighting Maintenance Assessment District annual assessment of $148,944 remains the same as in previous years.



Grey background indicates budgeted figures.

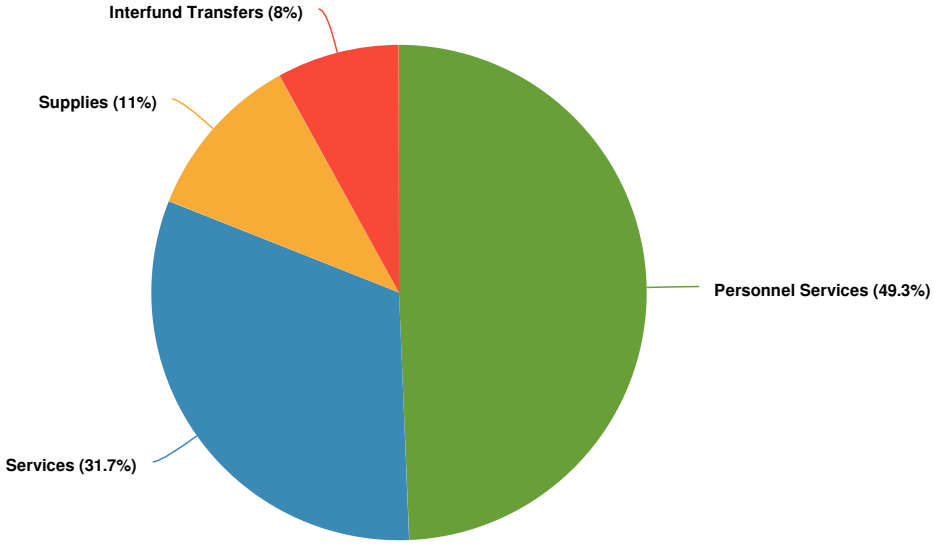
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenue Source				
Property Taxes	$148,944	$148,944	$148,944	0%
Interfund Revenue Transfers	$0	$50,566	$0	0%
Total Revenue Source:	**$148,944**	**$199,510**	**$148,944**	**0%**

Expenditures by Expense Type

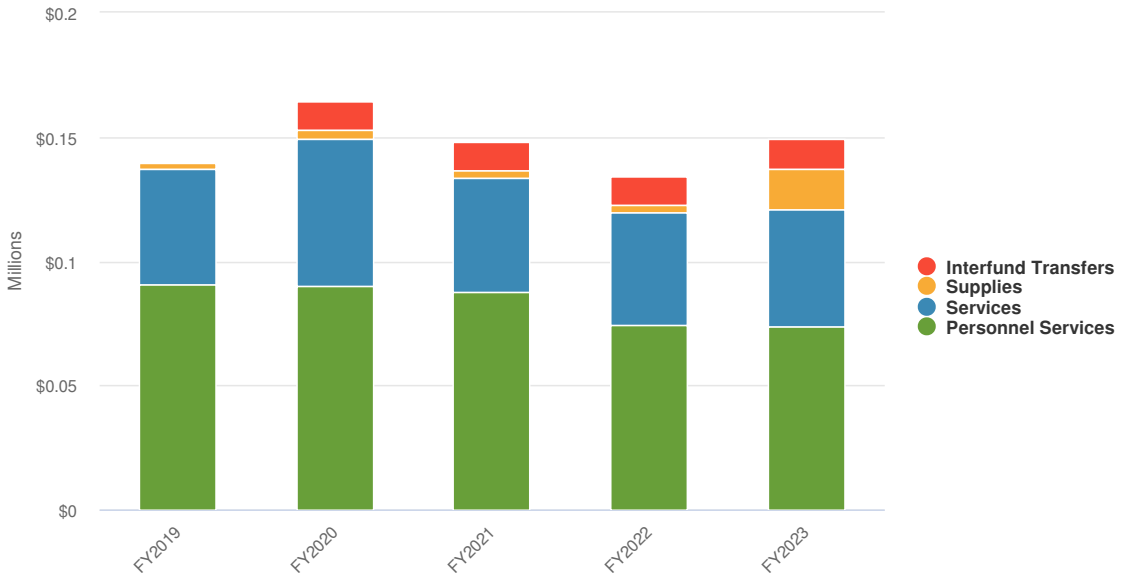
The true cost of maintaining Cloisters Park, as well as the medians and parkways within the Cloisters Assessment District exceeds revenue received from the District. All maintenance costs in excess of the District's revenues have been subsidized by the General Fund per City Council minute order on May 24, 2004, which has been reaffirmed in annual budget adoption resolutions since.

The FY 2022-23 budget includes funding for a partial 0.70 FTE Consolidated Maintenance Worker II to provide staff support for maintenance of the district. In addition, expenses for ground maintenance supplies for the district are increasing. The expenditure budget also includes a transfer out to the General Fund for Cost Allocation Plan (CAP) expenses.

Budgeted Expenditures by Expense Type



Budgeted and Historical Expenditures by Expense Type

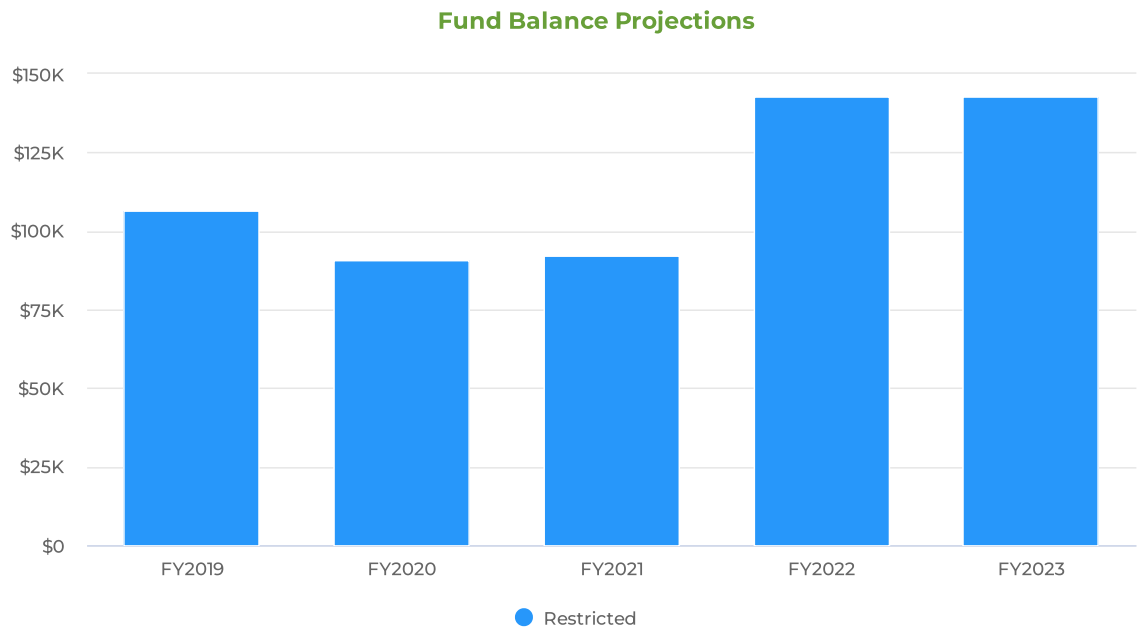


Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expense Objects				
Personnel Services	$74,542	$78,516	$73,497	-1.4%
Supplies	$3,225	$6,806	$16,327	406.2%
Services	$44,807	$37,252	$47,178	5.3%
Interfund Transfers	$11,476	$62,042	$11,942	4.1%
Total Expense Objects:	**$134,050**	**$184,616**	**$148,944**	**11.1%**

Fund Balance

As part of FY 2021-22 year-end entries, fund balance of approximately $50,566 from the Cloisters Park Accumulation Fund (575) will be transferred into this Cloisters Park Maintenance Assessments District Fund (570) because the Cloisters Accumulation Fund will no longer be used. The total projected fund balance including that transfer is anticipated to be $142,9760.

The same fund balance amount is projected to carry forward to FY 2022-23 based on budgeted equal revenue and expenditures. Future use of fund balance will be used in collaboration with Cloister residents.



	FY2019	FY2020	FY2021	FY2022	FY2023	$ Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Restricted	$106,641	$90,650	$92,194	$142,760	$142,760	$0
Total Fund Balance:	**$106,641**	**$90,650**	**$92,194**	**$142,760**	**$142,760**	**$0**

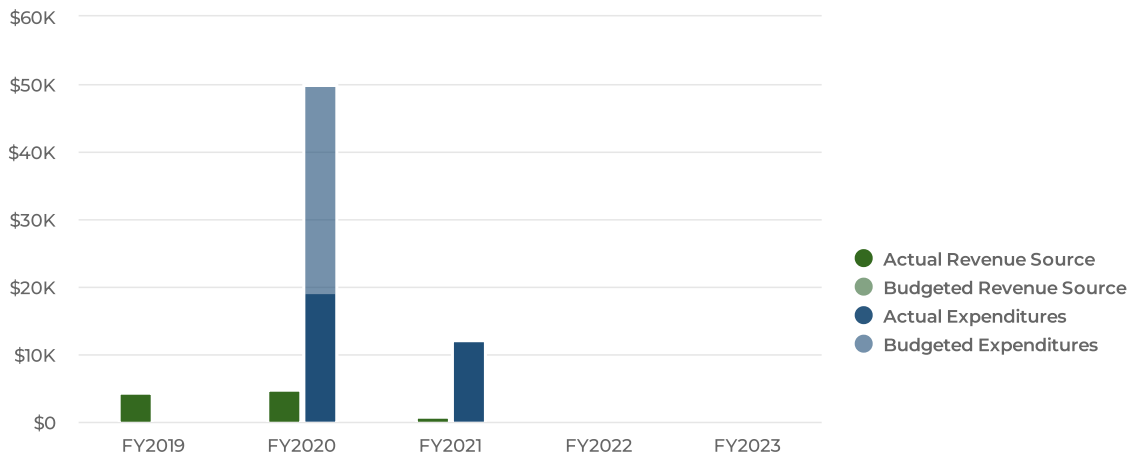
Cloisters Park Accumulation Fund (575)

The Cloisters Park Accumulation Fund was established to record revenue transferred from the Cloisters Assessment District Fund (570) for parcel assessments and expenditures associated with the Tract 1996. Its purpose has been to account for the accumulation of funds for capital project funding.

However, the Cloisters Park Assessment District Fund (570) has the same purpose and these two funds are duplicative. In alignment with the Government Finance Officer's Association (GFOA) recommendations to simplify budgeting and budget presentations to the public, and to reduce duplicate budgeting that is associated with interfund transfers, the Cloisters Park Accumulation Fund is being closed out at the end of FY 2021-22. Pending Council approval, the year-end balance in this Fund will be transferred to fund 570.

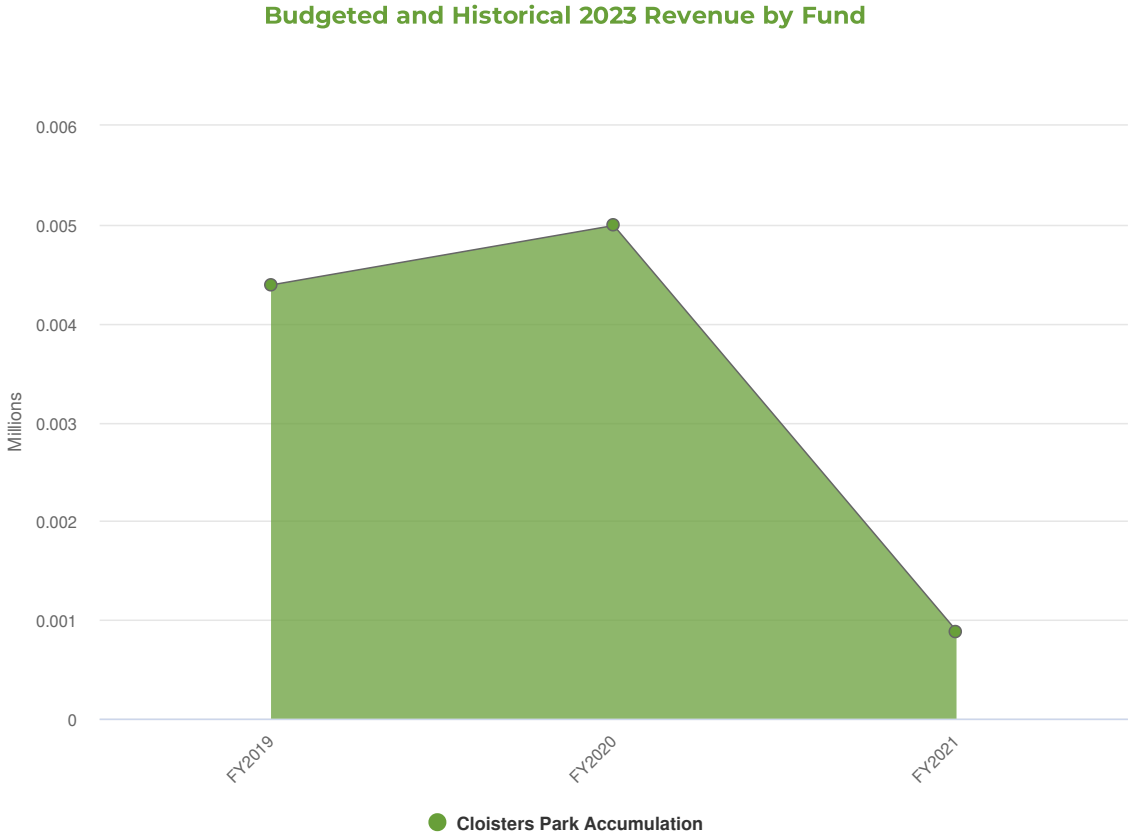
Summary

There are no revenues or expenditures budgeted for this fund in FY 2022-23, as it is being closed out and merged with the Cloisters Assessment District Fund, (fund 570) in FY 2021-22.



Revenue by Fund

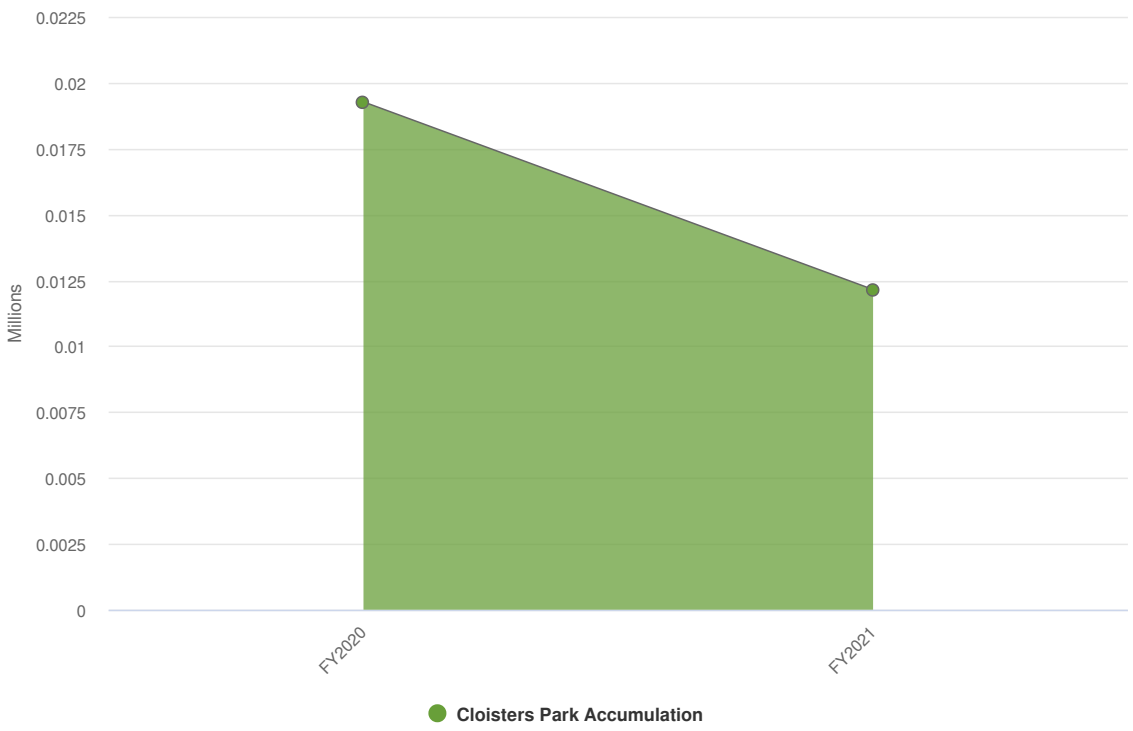
The City of Morro Bay is projecting no revenue in this Fund in FY 2022-23, as it is being closed out and merged with the Cloisters Park Assessment District Fund (fund 570) at part of FY 2021-22.



Expenditures by Fund

The City of Morro Bay is projecting no expenditures in this fund in FY2022-23, as it is being closed out and merged with the Cloisers Park Assessment District Fund (570) as part of FY 2021-22 year-end. Projected expenditures in FY 2022, pending Council approval, include the transfer of the remaining projected fund balance to Fund 570 after remaining Cloisters Median Lansdscape project budget of $18,795 is transferred out to General Fund Capital Projects Fund (915-9943).

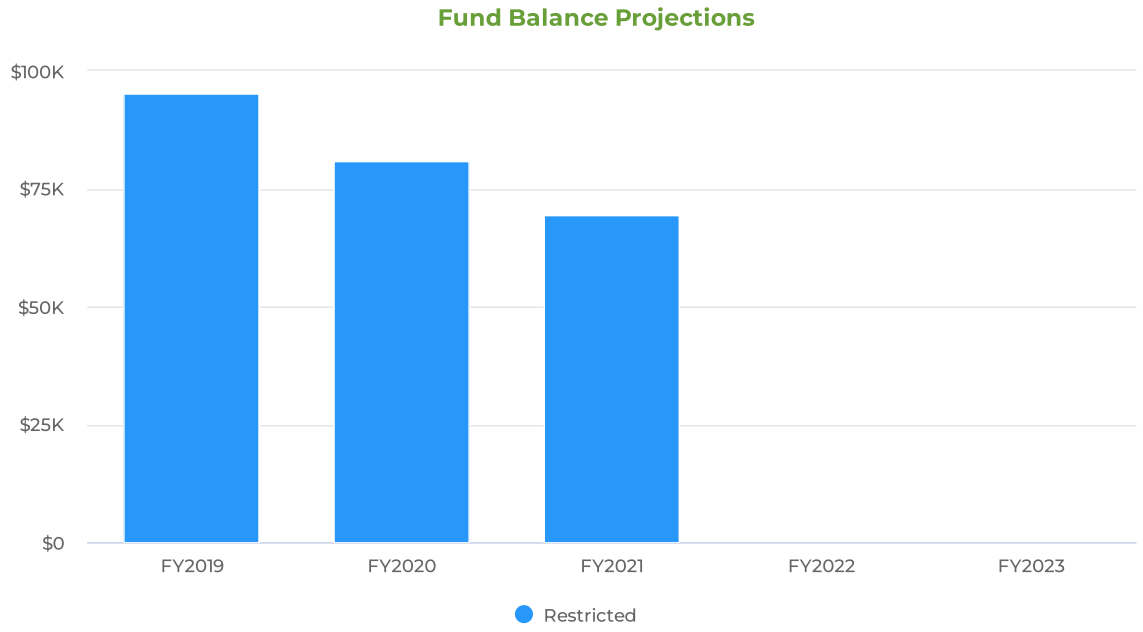
Budgeted and Historical 2023 Expenditures by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Cloisters Park Accumulation				
Transfers Out	$0	$50,566	$0	0%
Total Cloisters Park Accumulation:	**$0**	**$50,566**	**$0**	**0%**

Fund Balance

A net fund balance of $50,566 is being transferred to the Cloisters Park Assessment District Fund (fund 570) at FY 2021-22 year-end. This is the result of transferring the remaining $18,974 project budget for the Cloisters Median Landscape project to the General Capital Projects Fund (915-9943). There will no longer be a fund balance in this accumulation fund and it will no longer be used.



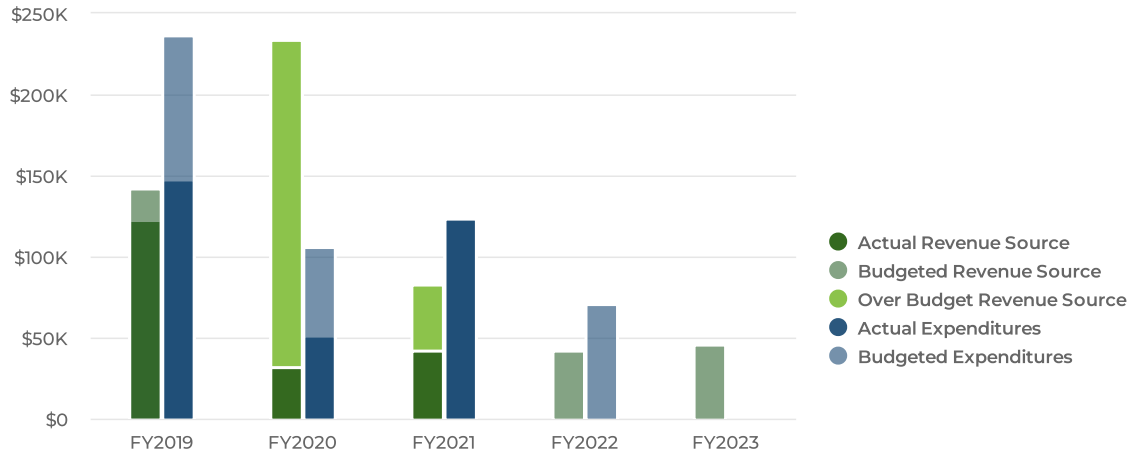
	FY2019	FY2020	FY2021	FY2022	FY2023	$ Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Restricted	$95,084	$80,802	$69,540	$0	$0	$0
Total Fund Balance:	**$95,084**	**$80,802**	**$69,540**	**$0**	**$0**	**$0**

Governmental Impact Fees (900)

As a special revenue Fund, the Government Impact Fees Fund is revenue collected to ensure that new development pays the cost of infrastructure expansion required to meet the needs of that new development in an effort to transfer the cost burden of growth away from the existing rate and taxpayers. Fees collected in this fund are permitted to be used for capital projects for new facilities, vehicles, and rehabilitation and/or renovation of existing facilities, so long as the rehabilitation or renovation is needed to serve the new development that has paid the fee. This fund was established in October 2007, when Council adopted Resolution No. 47-07, which implemented the Development Impact Fee program.

Summary

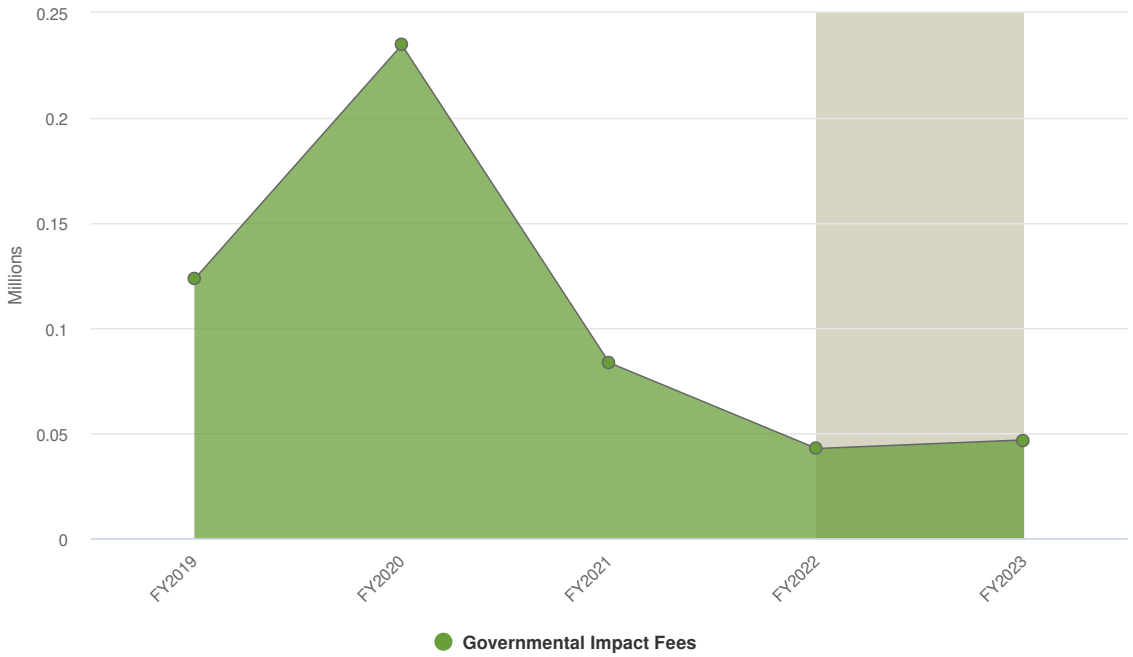
The City of Morro Bay is projecting approximately $46,000 of revenue in FY2022-23, which represents a 10% increase over the prior year. No expenditures are budgeted in FY202-23. Capital project expenditures budgeted but not spent from FY2021-22 will be carried forward for ongoing projects.



Revenue by Fund

Development Impact Fee revenue in FY 2022-23 is projected at approximately $46,000, which represents a 10% increase over the prior year. FY 2021-22 projected revenues are much higher at approximately $685,000 as a result of the one time-projects paying fees into this fund in FY 2021-22, including the new hotel under development on Morro Road and the HASLO affordable housing project, for example.

Budgeted and Historical 2023 Revenue by Fund



Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Governmental Impact Fees	$42,650	$685,365	$46,750	9.6%
Total Governmental Impact Fees:	**$42,650**	**$685,365**	**$46,750**	**9.6%**

Expenditures by Fund

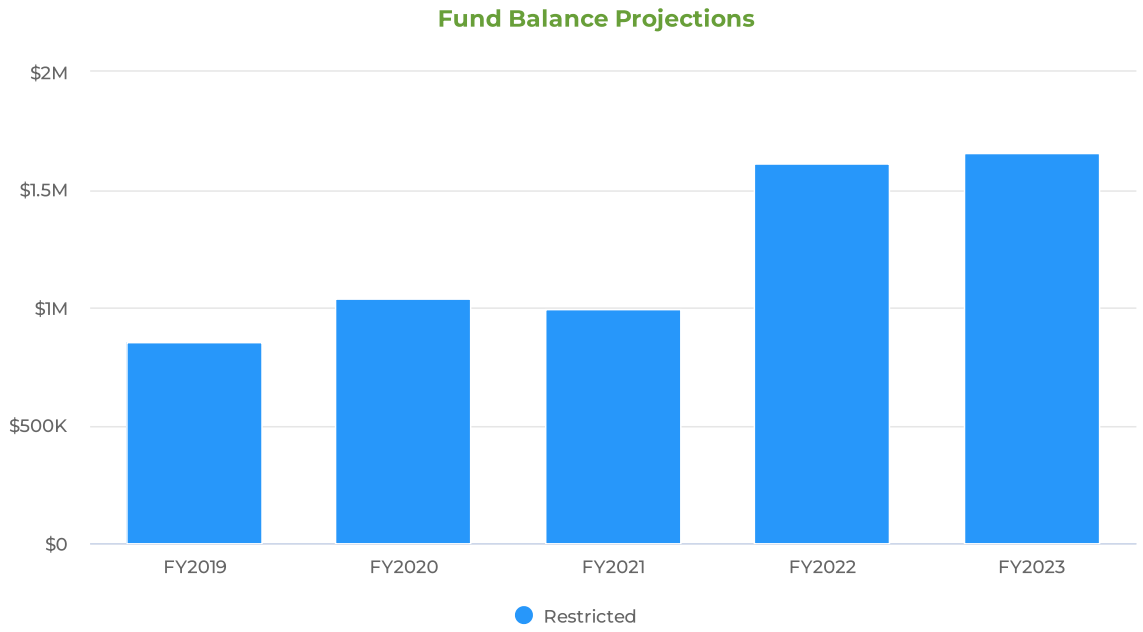
There are no new budgeted expenditures for FY2022-23. Any capital project budget not spent in FY2021-22 will be carried forward.

Budgeted and Historical 2023 Expenditures by Fund

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Governmental Impact Fees	$71,457	$71,457	$0	-100%
Total Governmental Impact Fees:	**$71,457**	**$71,457**	**$0**	**-100%**

Fund Balance

Projected fund balance for FY2021-22 includes budgeted capital project expenditures. Since there are not any expenditures anticipated for FY22-23, the FY21-22 fund balance carries forward and includes anticipated FY2022-23 revenue with a projected fund balance of $1.6 million



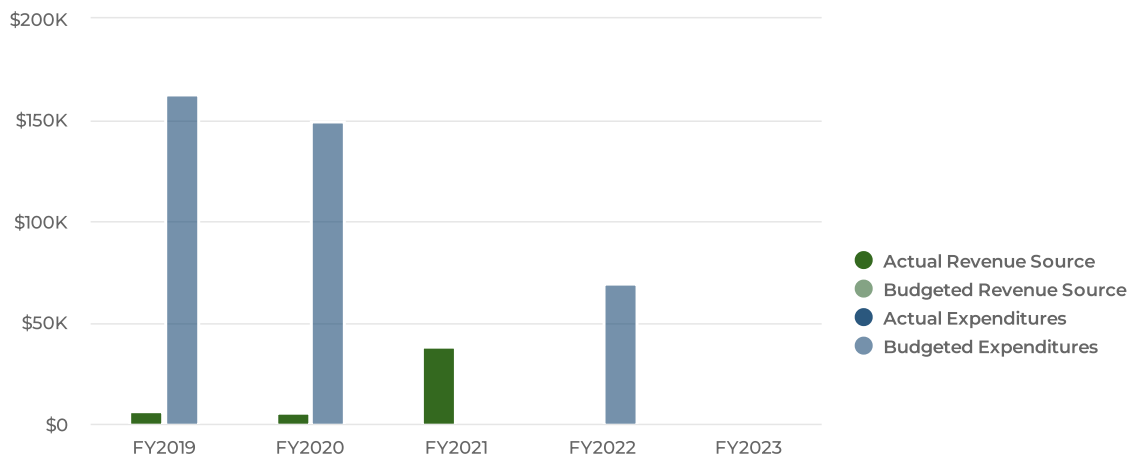
	FY2019	FY2020	FY2021	FY2022	FY2023	$ Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Restricted	$853,813	$1,036,241	$995,587	$1,609,000	$1,656,000	$47,000
Total Fund Balance:	**$853,813**	**$1,036,241**	**$995,587**	**$1,609,000**	**$1,656,000**	**$47,000**

Park Fees Fund- Quimby Act (904)

The Park Fees Fund was established as a result of 1975 Quimby Act for parkland and open space revenue for recreational purposes. The Quimby Act (California Government Code Section 66477) allows cities and counties to pass ordinances requiring developers to set aside land, donate conservation easements, or pay fees for park improvements. The goal of the Quimby Act was to require developers to contribute to and mitigate the impact of property improvements. The fund was established to manage the special revenue fees collected. Revenues generated through the Quimby Act cannot be used for the operation and maintenance of park facilities.

Summary

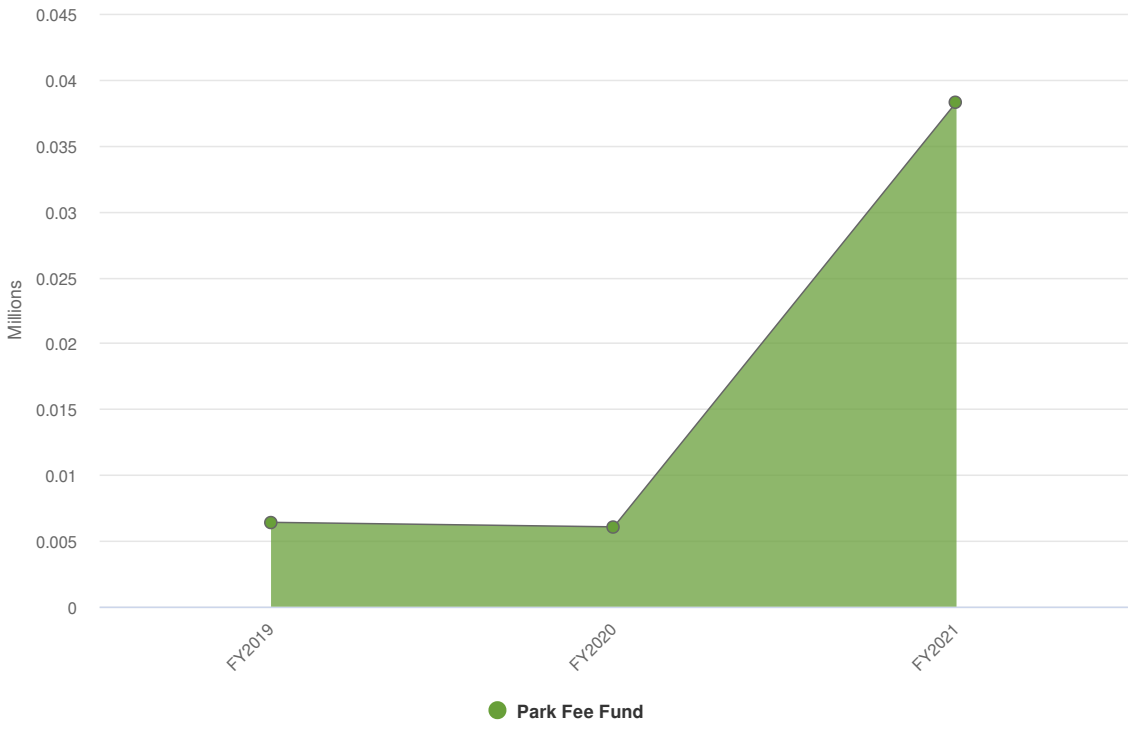
The City of Morro Bay is not budgeting for any revenues or expenditures in this fund in FY 22-23.
In FY 2021-22, $69,500 was contributed to the Coleman Park restroom improvement project.



Revenue by Fund

It is the City's practice not to budget revenues for this fund, as they are one-time and development-related.

Budgeted and Historical 2023 Revenue by Fund



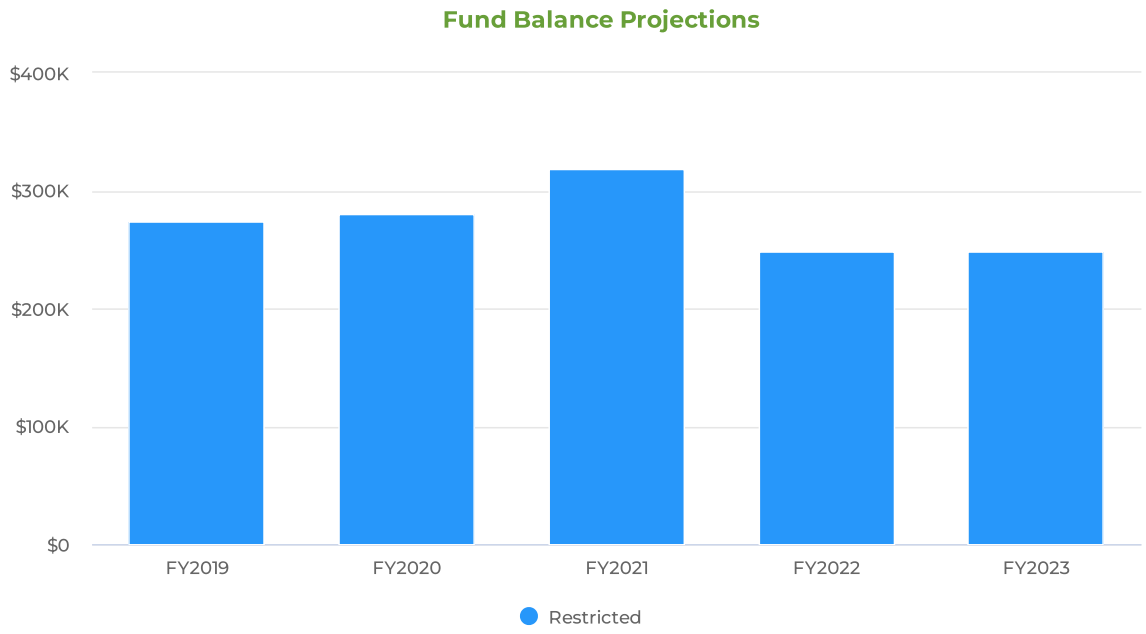
Expenditures by Fund

The City of Morro Bay is not budgeting for any new expenditures in this fund in FY 22-23. In FY 2021-22, $69,500 was contributed to the Coleman Park restroom improvement project. Any unexpended funds will be carried forward for expenditure in FY 2022-23 in the General Government CIP Fund (915).

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Park Fee Fund	$69,500	$69,500	$0	-100%
Total Park Fee Fund:	**$69,500**	**$69,500**	**$0**	**-100%**

Fund Balance

In FY 22-23 the projected fund balance is estimated to be approximately $249,000.



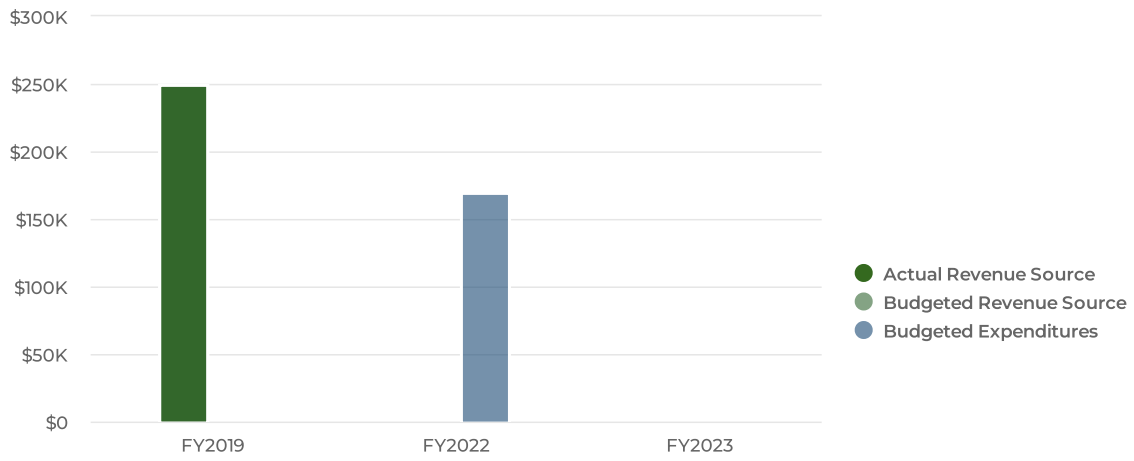
	FY2019	FY2020	FY2021	FY2022	FY2023	% Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Restricted	$273,850	$279,904	$318,202	$248,705	$248,705	0%
Total Fund Balance:	**$273,850**	**$279,904**	**$318,202**	**$248,705**	**$248,705**	**0%**

Community Benefit Fund (906)

The Community Benefit Fund is revenue from a one-time payment in exchange for the City's commitment to an exclusive arrangement with Castlewind, LLC in 2018. With execution of the agreement and acceptance of the funds, a community benefit fund was established to receive the monies and hold for future council appropriation.

Summary

The City of Morro Bay is projecting zero revenue in FY 2022-23 since the Community Benefit Fund is specifically for a one-time payment from Castle Wind LLC because of the Community Benefit Agreement (CBA) approved by City Council in November of 2018.



Revenue by Fund

This fund had one-time revenues in FY 2018-19 from Castlewind and does not anticipate any additional revenues at this time.

Expenditures by Fund

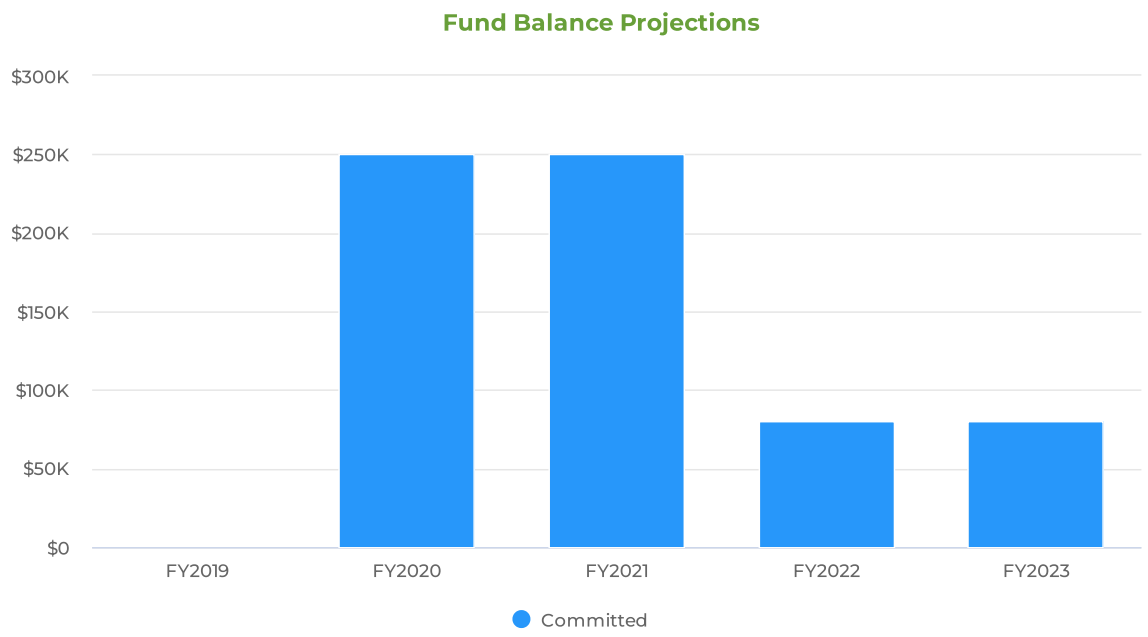
There are no budgeted expenditures in the Community Benefits Fund for FY 2022-23. Budgeted expenditures in FY 2021-22 for capital project funding contributions of $130,000 towards the Beach Street Slips Harbor capital project and $40,000 for the Coleman Park restroom capital project. The total capital project contribution of $170,000 is projected to be spent in FY 2021-22, though if work is not complete, remaining allocated funds will rollover into FY 2022-23.

There are no budgeted expenditures for FY 2022-23. The remaining available balance of $80,000 is available for future appropriation.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Community Benefit				
TRFR To Capital Imp Fund	$40,000	$40,000	$0	-100%
TRFR To Enterprise Fund	$130,000	$130,000	$0	-100%
Total Community Benefit:	**$170,000**	**$170,000**	**$0**	**-100%**

Fund Balance

The Community Benefit Fund balance has been carried forward since receipt of the one-time funds in FY 2019-20. Considering capital project contributions for FY 2021-22 of $170,000 the projected FY 2022-23 fund balance is $80,000.

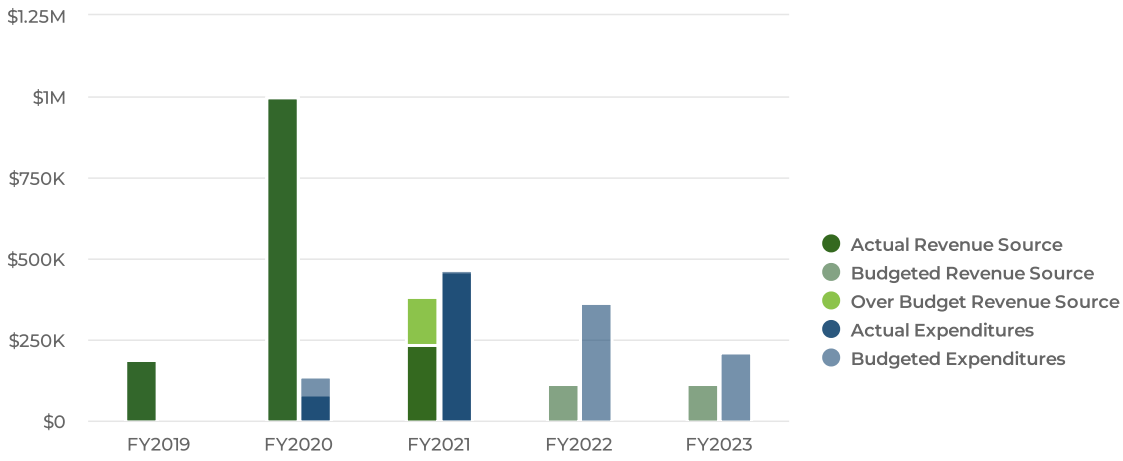


	FY2020	FY2021	FY2022	FY2023	% Change
Fund Balance	—	_	**Projected**	**Projected**	
Committed	$250,000	$250,000	$80,000	$80,000	0%
Total Fund Balance:	**$250,000**	**$250,000**	**$80,000**	**$80,000**	**0%**

Economic Development Fund (907)

The Economic Development Fund is set up to provide financial support for economic development initiatives that contribute positively to the economic health of the City of Morro Bay. Programs/projects may be derived from the implementation sections of Economic Development Strategic Plan, Downtown Waterfront Strategic Plan or may come from other City collaborations.

Summary

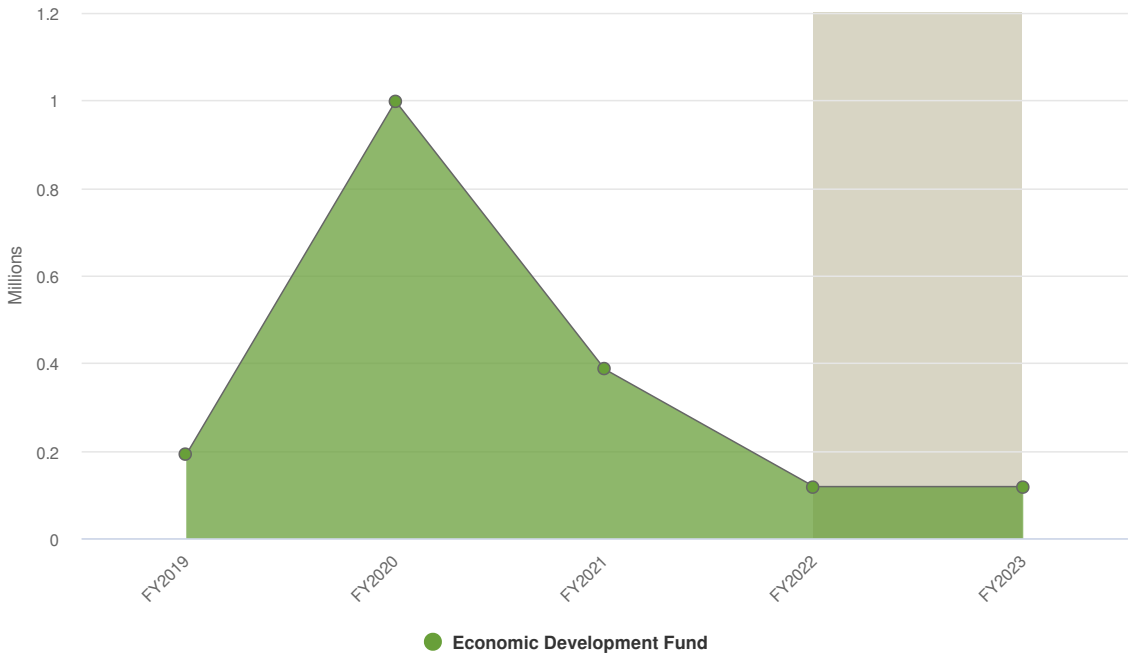


Revenue by Fund

The primary revenue source in this Fund is SB 1090 revenues associated with the closure of the Diablo Nuclear Power Plant. These funds are restricted to use for economic development activities. Past year revenues have also included community benefit funding from cannabis dispensaries and City-designated General Fund dollars for economic development.

FY 2022-23 revenues are anticipated to be $117,806 in SB 1090 Funds associated with the closure of the Diablo Plant.

Budgeted and Historical Measure Q & E Revenue



Grey background indicates budgeted figures.

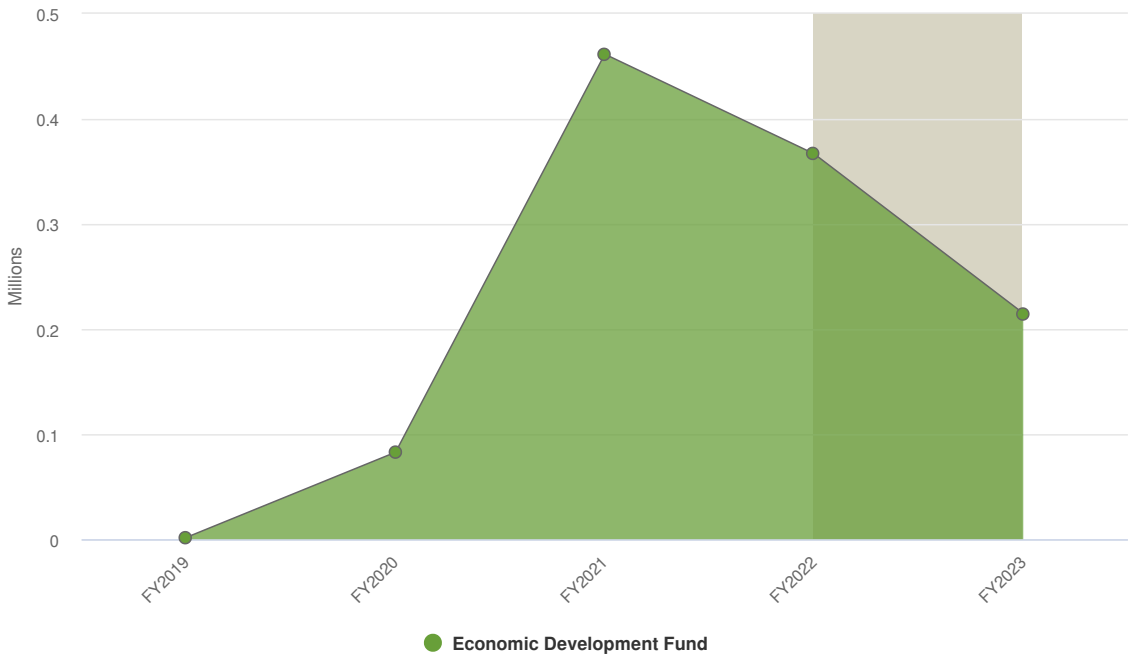
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Economic Development Fund	$117,806	$117,806	$117,806	0%
Total Economic Development Fund:	**$117,806**	**$117,806**	**$117,806**	**0%**

Expenditures by Fund

The FY 2022-23 Budget utilizes $215,000 of SB 1090, Diablo Closure settlement funds, earmarked for economic development purposes, for the following:

- Annual contract with the Chamber of Commerce for economic development services ($100,000)
- Grant writing to attract additional revenue to the City ($50,000)
- Contribution to Infrastructure Study for Offshore Wind and Space Development ($50,000)
- Miscellaneous expenditures such as banner placement throughout the City ($15,000)

Budgeted and Historical 2023 Expenditures by Fund

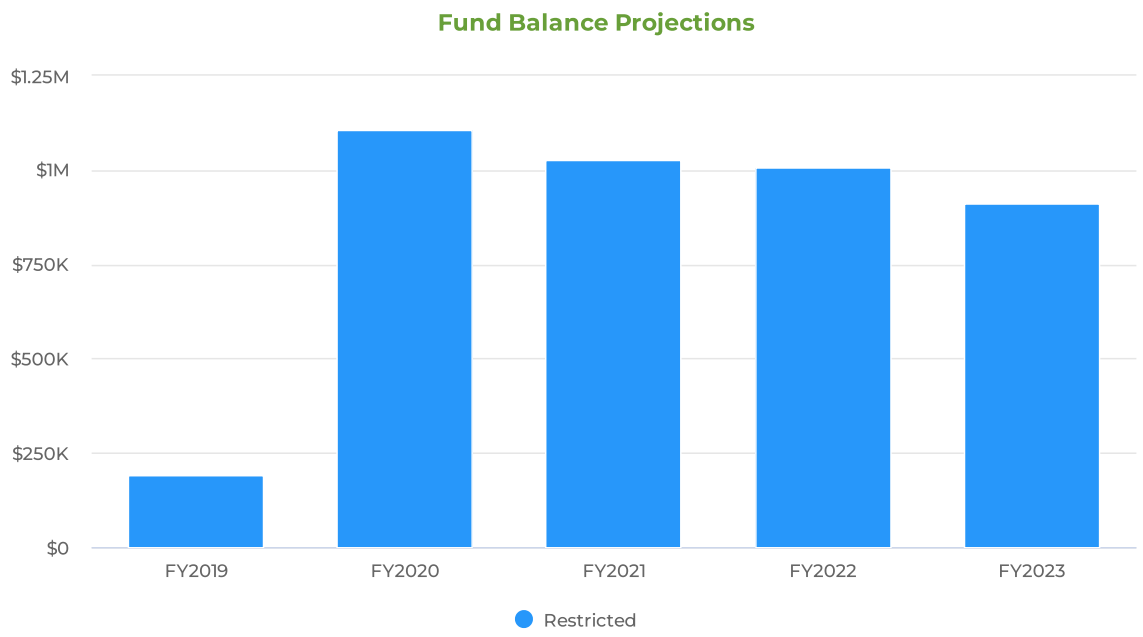


Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Economic Development Fund	$366,820	$140,000	$215,000	-41.4%
Total Economic Development Fund:	**$366,820**	**$140,000**	**$215,000**	**-41.4%**

Fund Balance

The FY 22-23 year-end fund balance is projected to be approximately $910,000. The City will gradually utilize the one-time revenues in this fund to support ongoing economic development actives as long as funds allow.



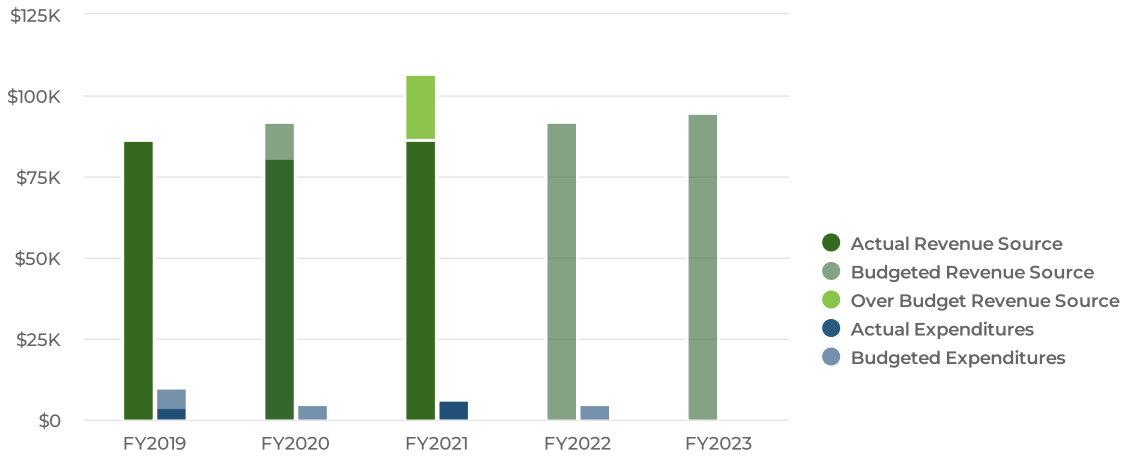
Fund Balance
Restricted
Total Fund Balance:

State Park Marina Fund (924)

The State Park Marina Fund tracks revenue from marina concessions that are received for planning and environmental review of proposed dredging and renovation of the State Park Marina.

Summary

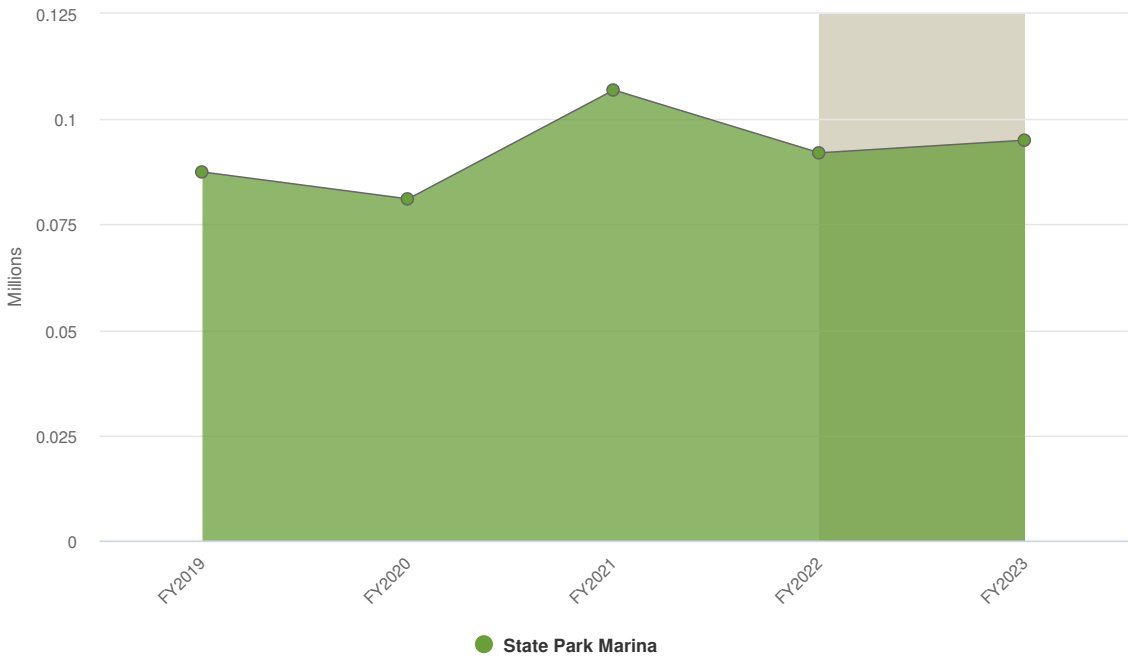
The City of Morro Bay is projecting $95,000 of revenue in FY2022-23, which represents a 3.3% increase over the prior year. This revenue is consistent with prior years. The are no expenditures budgeted for FY 2022-23.



Revenue by Fund

The City of Morro Bay is projecting $95,000 of revenue in FY2022-23, which represents a 3.3% increase over the prior year. This revenue is consistent with prior years.

Budgeted and Historical 2023 Revenue by Fund



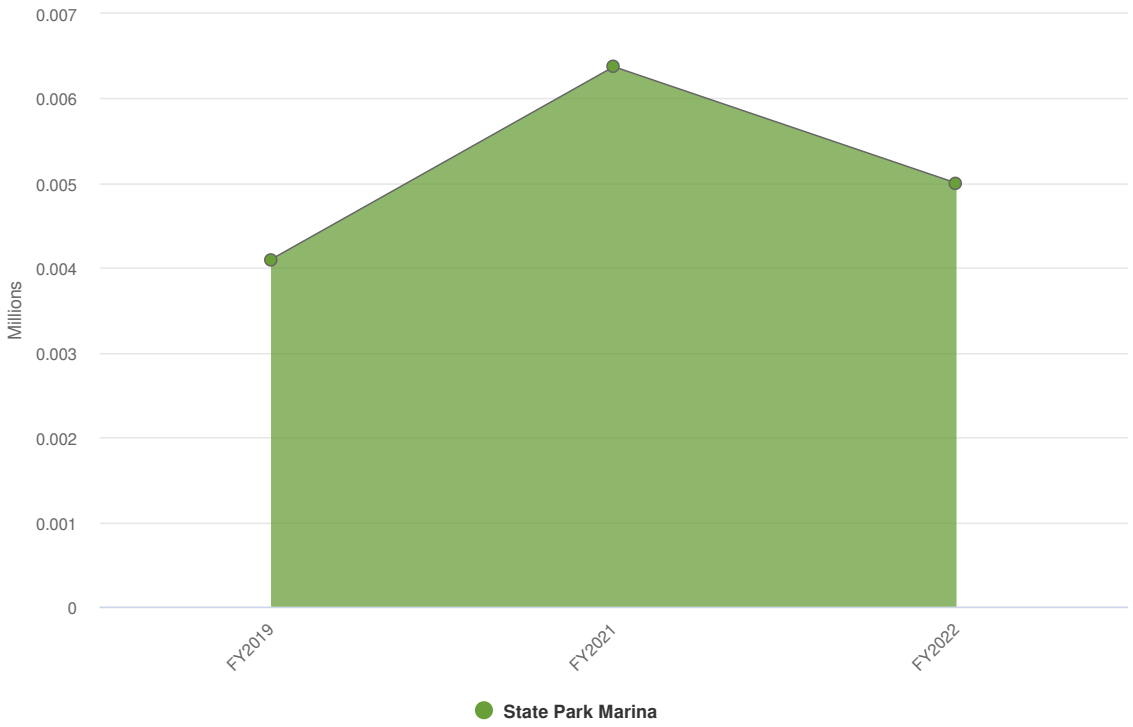
Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
State Park Marina	$92,000	$92,000	$95,000	3.3%
Total State Park Marina:	**$92,000**	**$92,000**	**$95,000**	**3.3%**

Expenditures by Fund

There are no budgeted expenditures for FY 2022-23 because the City has completed the dredging obligations. The budgeted $5,000 expenditures for FY 2021-22 are anticipated to be spent for Contract Services.

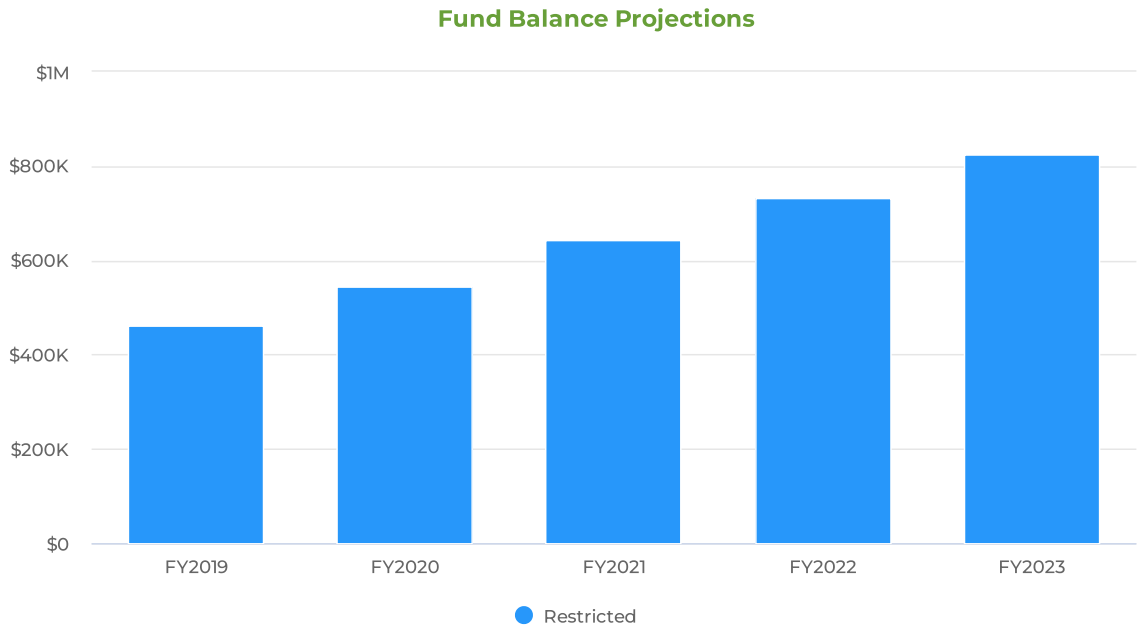
Budgeted and Historical 2023 Expenditures by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
State Park Marina	$5,000	$5,000	$0	-100%
Total State Park Marina:	**$5,000**	**$5,000**	**$0**	**-100%**

Fund Balance

The State Park Marina Fund balance for FY 2022-23 is projected to increase to $826,348. The fund balance will be spent in accordance with the City's agreement with California State Parks. There are no current expenditure plans for this fund balance.



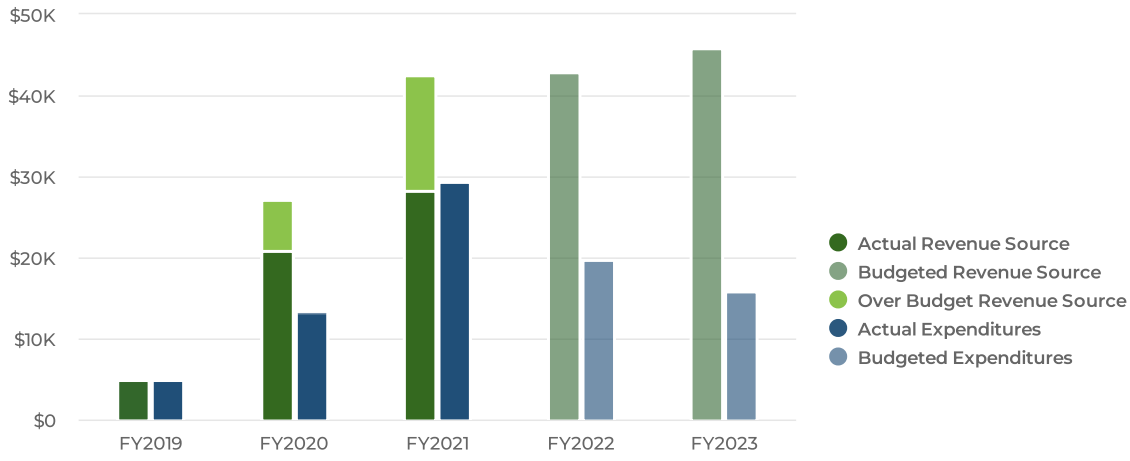
	FY2019	FY2020	FY2021	FY2022	FY2023	$ Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Restricted	$462,737	$543,814	$644,348	$731,348	$826,348	$95,000
Total Fund Balance:	**$462,737**	**$543,814**	**$644,348**	**$731,348**	**$826,348**	**$95,000**

Triangle Lot-Boat Storage Yard (925)

The Triangle Lot-Boat Storage Yard Fund is revenue received for the rental of 37 boat storage rental spaces. The Harbor Department staff provides the rental program management, including patrolling the area, renting the spaces and managing the operations.

Summary

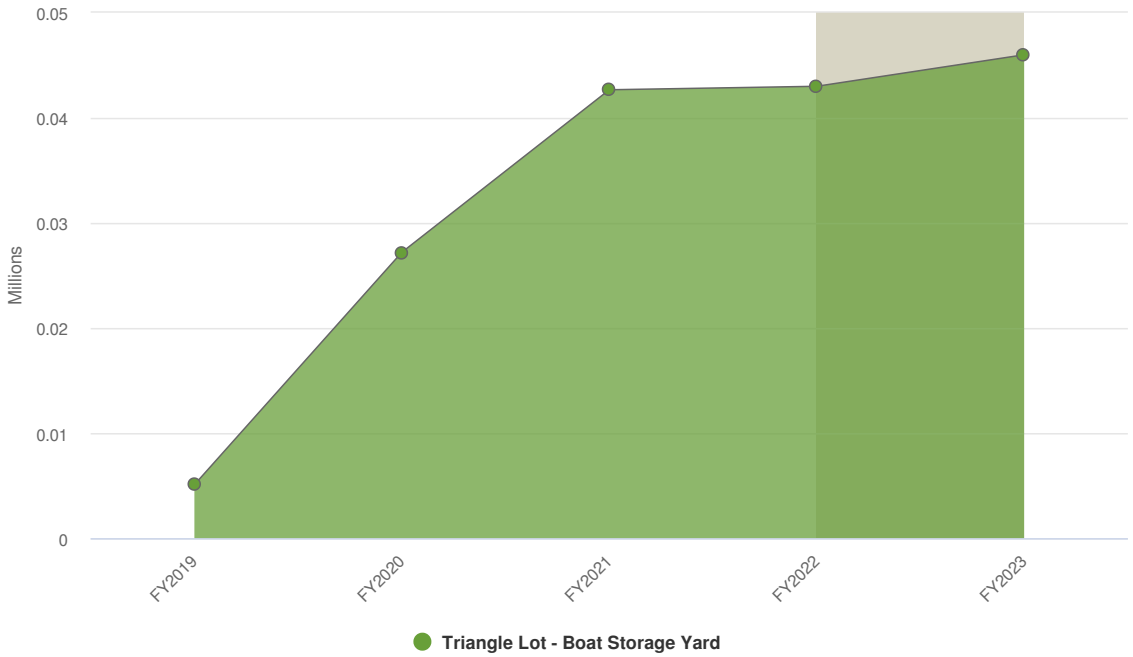
The City of Morro Bay is projecting $46,000 of revenue in FY 2022-23, which represents a 7% increase over the prior year. Budgeted expenditures are projected to decrease by 19.4% or $3,850 in FY 202-23.



Revenue by Fund

Revenue in the Triangle Lot Boat Storage Yard Fund is received from the rental of a total of 37 spaces, with boaters consistently on a waiting list for rental. As currently configured, the Triangle Boat Storage Yard contains a maximum of 37 spaces that are rented out at $104 per space. The FY 2022-23 revenue will assist in facilitating possible expansion of the area, and the maintenance of the chain-link fencing that was added previously to the rental area.

Budgeted and Historical 2023 Revenue by Fund

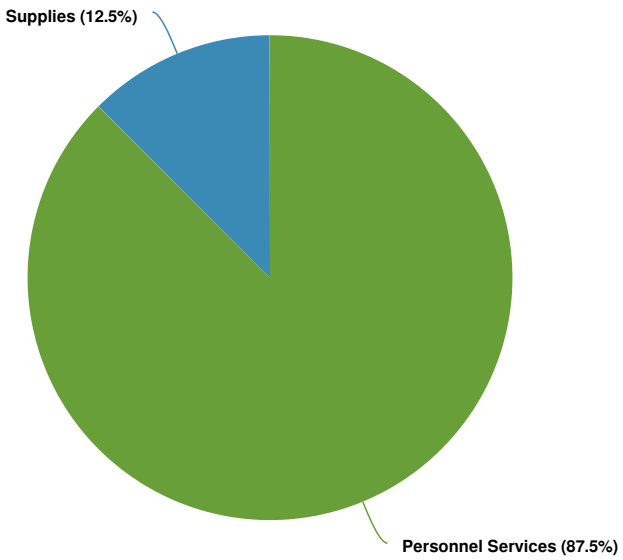


Grey background indicates budgeted figures.

Expenditures by Expense Type

Expenditures for FY 22-23 are for staff time necessary to manage the boat storage program, patrol the area, administrative costs to rent the spaces, and maintain security of the area and related supplies. Expenditures will be slightly lower in FY 2022-23 due to maintenance supplies costs decreasing nominally.

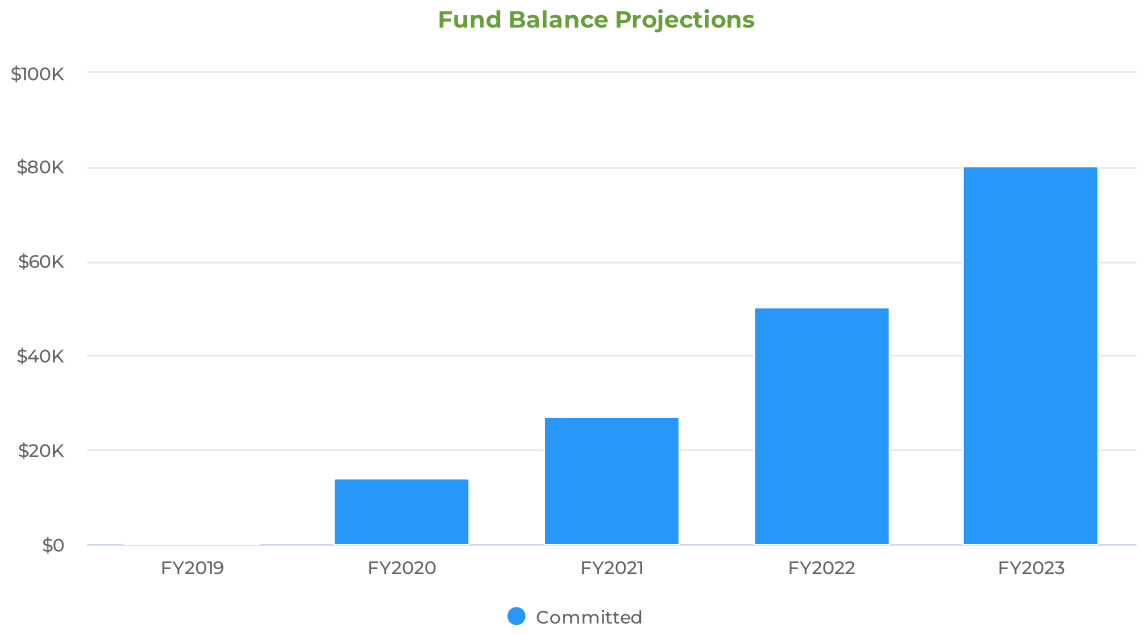
Budgeted Expenditures by Expense Type



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expense Objects				
Personnel Services	$14,100	$14,100	$14,000	-0.7%
Supplies	$5,750	$5,750	$2,000	-65.2%
Total Expense Objects:	**$19,850**	**$19,850**	**$16,000**	**-19.4%**

Fund Balance

The fund balance is projected to increase over time, as revenues exceed expenditures annually.



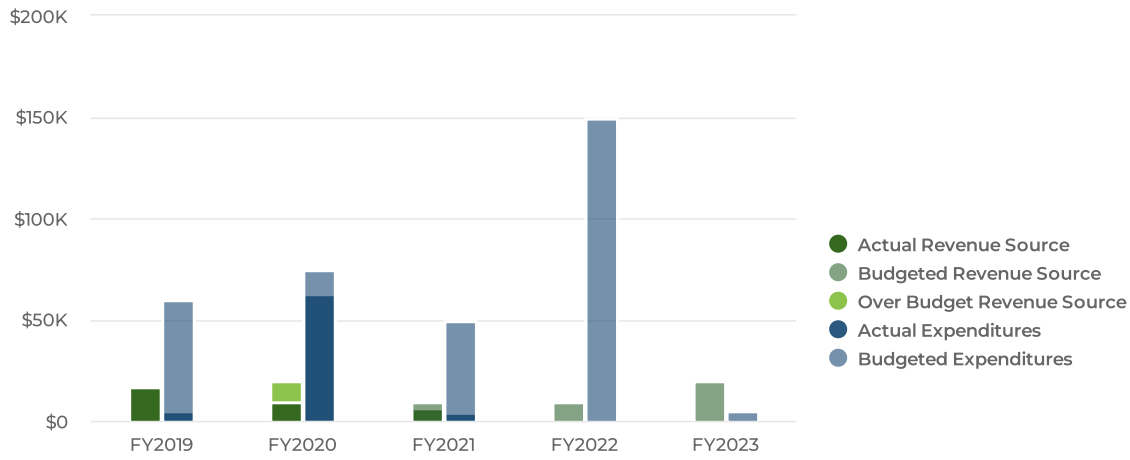
	FY2019	FY2020	FY2021	FY2022	FY2023	$ Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Committed	$173	$13,952	$27,150	$50,300	$80,300	$30,000
Total Fund Balance:	**$173**	**$13,952**	**$27,150**	**$50,300**	**$80,300**	**$30,000**

Affordable Housing In-Lieu Fund (941)

The Affordable Housing In-Lieu Fund collects in-lieu fees for affordable housing. In cases where affordable housing is required, and the developer has substantially demonstrated to the City's satisfaction that the reasonable and practical development of affordable housing, either on-site or off-site is infeasible, the City may permit the developer to satisfy the requirements to provide affordable housing by payment of an in-lieu housing fee. The fee is to be paid prior to the issuance of a building permit (where square footage is added) or a final tract map. Affordable housing in-lieu fees may be used to construct, or assist in the construction of, housing, for rent or sale to very low and/or low and moderate-income families, to purchase land for the purpose of affordable housing, to assist very low and/or low and moderate-income families to afford adequate housing, or for other measures to provide housing for very low and/or low and moderate-income families. Also, the City may use the money for capital projects, such as the Housing Element or General Plan Update. As an option, the in-lieu fees may be transferred to another public agency, such as a nonprofit housing provider, for the purpose of providing affordable housing in the City.

Summary

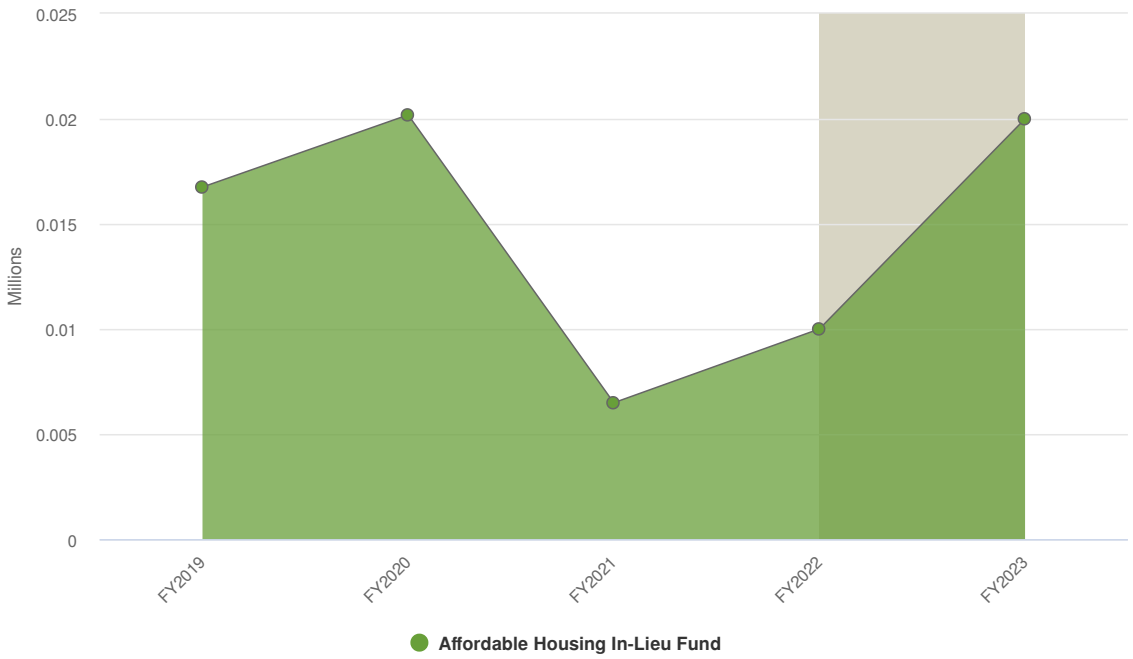
The City of Morro Bay is projecting $20K of revenue in FY2023, which represents a 100% increase over the prior year. Budgeted expenditures are projected to decrease by 96.7% or $145K to $5K in FY2023.



Revenue by Fund

Revenues in this fund are projected based on anticipated development levels. Some development will accommodate affordable housing on-site or off-site, and would not pay in-lieu fees in that case.

Budgeted and Historical 2023 Revenue by Fund



Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Affordable Housing In-Lieu Fund	$10,000	$31,000	$20,000	100%
Total Affordable Housing In-Lieu Fund:	**$10,000**	**$31,000**	**$20,000**	**100%**

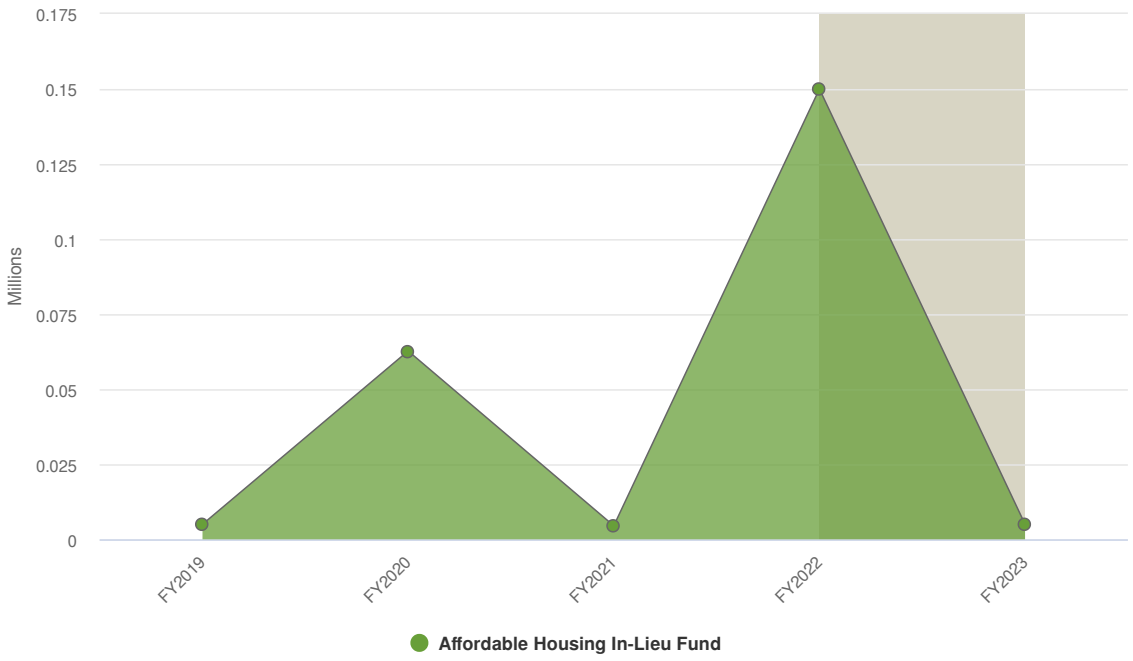
Expenditures by Fund

Fees revenue may be used to construct, or assist in the construction of, housing, for rent or sale, to very low and/or low and moderate-income families, to purchase land for the purpose of affordable housing, to assist very low and/or low and moderate-income families to afford adequate housing, or for other measures to provide housing for very low and/or low and moderate-income families. Also, the City may use the money for capital projects, such as the Housing Element or General Plan Update. As an option, the in-lieu fees may be transferred to another public agency, such as a nonprofit housing provider, for the purpose of providing affordable housing in the City.

The larger FY 2021-22 expenditures were to support the 35-unit new construction Affordable Multi-family Housing Project at 405 Atascadero Road.

In FY 2022-23, no significant expenditures are anticipated. $5,000 has been budgeted to support a local housing agency should a need arise.

Budgeted and Historical 2023 Expenditures by Fund

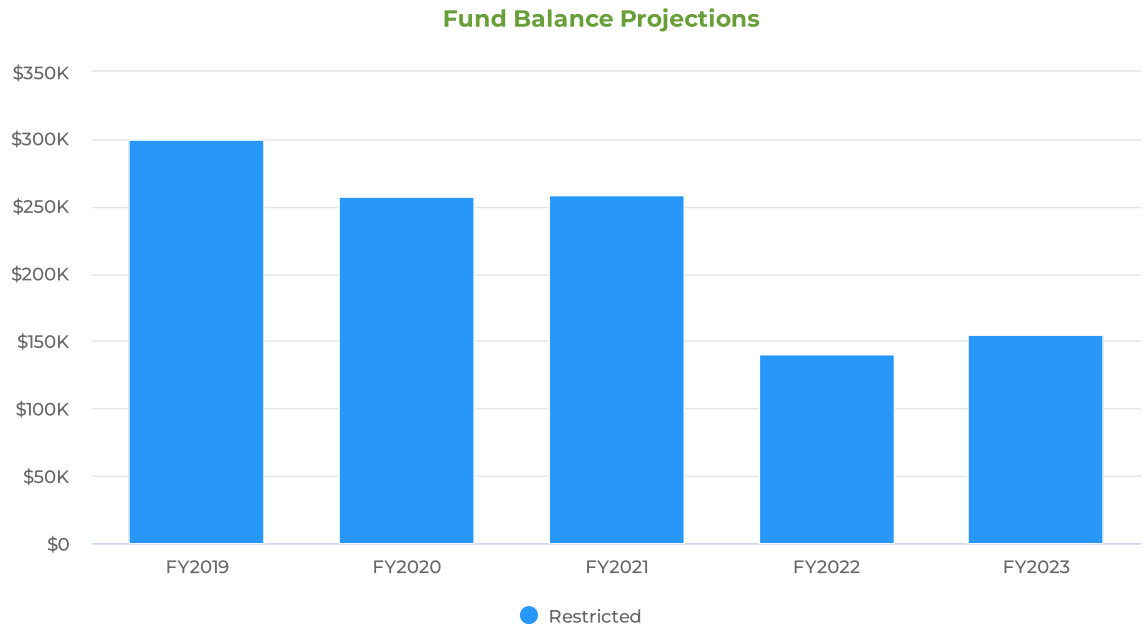


Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Affordable Housing In-Lieu Fund	$150,000	$150,000	$5,000	-96.7%
Total Affordable Housing In-Lieu Fund:	**$150,000**	**$150,000**	**$5,000**	**-96.7%**

Fund Balance

The projected fund balance at the end of FY 2022-23 is anticipated to be $155,000. The fund balance in this fund will fluctuate as funds are received and accumulated until they can be used to support eligible affordable housing development activities.



	FY2022	FY2023	% Change
Fund Balance	**Projected**	**Projected**	
Restricted	$140,000	$155,000	10.7%
Total Fund Balance:	**$140,000**	**$155,000**	**10.7%**

Enterprise Funds

The City's Enterprise Funds are used to account for activities that are operated in a manner similar to a private business enterprise, where the cost of the goods is to be financed or recovered primarily through external user charges. The City of Morro Bay has the following enterprise funds. An individual fund summary is presented for each of these funds.

- Harbor Enterprise
  - Harbor Operating - 331
  - Harbor Capital - 923
  - Harbor Equipment Replacement (combining with 923) - 055
  - Harbor Accumulation (combining with 331) - 953
- Sewer Enterprise
  - Sewer Operating - 321
  - Sewer Capital - 922
  - Sewer Equipment Replacement (combining with 922) - 054
  - Sewer Accumulation (combining with 321) - 952
  - Morro Bay Cayucos Sanitary District WWTP (preparing to close out) - 599
- Water Enterprise
  - Water Operating - 311
  - Water Capital - 921
  - Water Equipment Replacement (combining with 921) - 053
  - Water Accumulation (combining with 311) - 951
  - Utility Discount Program - 315
- Transit Enterprise
  - Transit Operating - 301
  - Transit Capital - 920

Harbor Funds

The Harbor Department manages all activities related to the Harbor Enterprise, which is tracked by the Harbor funds and includes the management of the City's Tidelands Trust stewardship of the State-granted tidelands in Morro Bay, providing for public access, waterfront property and lease management, public service, public safety, and municipal code enforcement on the waterfront, waters and beaches of Morro Bay, for facility maintenance, repair and capital improvement and replacement. The funds account for all revenues and expenses connected with the operation of the Morro Bay Harbor in accordance with the Tidelands Trust granting statutes from the State of California.

The Harbor Enterprise funds consist of the following four funds through FY 2021-22:

- Harbor Operating
- Harbor Capital
- Harbor Accumulation
- Harbor Equipment Replacement

Consistent with Government Finance Officer Association best practices and City Council direction, the Harbor Enterprise funds will be consolidated into the following two funds starting in FY 2022-23, reducing the number of interfund transfers and duplicate budgeting:

- Harbor Operating
- Harbor Capital

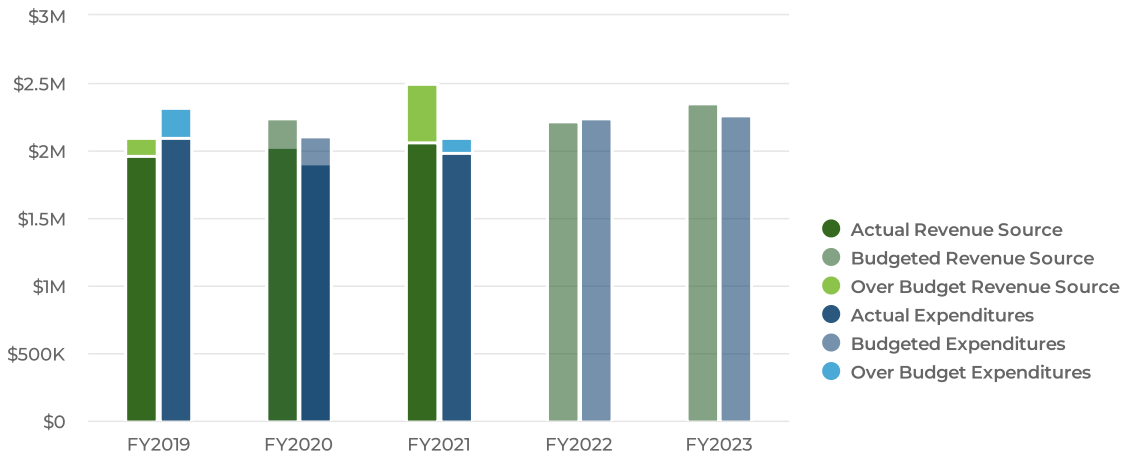
The individual fund summaries for each of the funds in this section provide detail regarding these components of the City of Morro Bay's Harbor operations. Fund balances are presented individually for each of the four funds, and a discussion of working capital and reserve levels is included in the Harbor Operating Fund summary.

Harbor Operating Fund (331)

The Harbor Operating Fund tracks all Harbor operations, including general department operations, Harbor personnel, lease, property and facility management, public access, development and redevelopment, accounts receivable, and maintenance and repair.

Summary

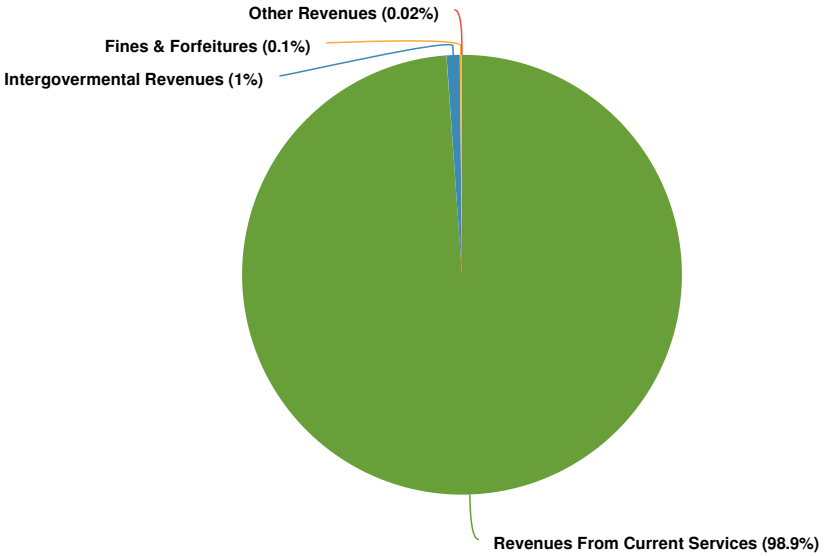
The City of Morro Bay is projecting $2.4 million of revenue in FY 2022-23, which represents a 6.3% increase over the prior year. Budgeted expenditures are projected to increase by 0.6% to $2.3 million in FY 2022-23. This allows for a projected operating surplus of approximately $0.1 million in FY 2022-23.



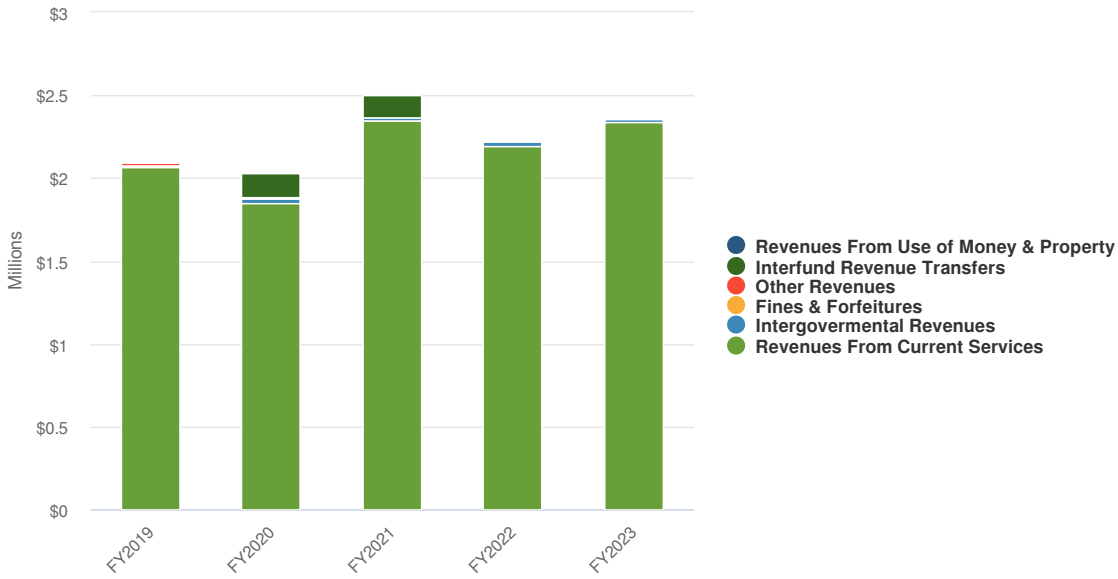
Revenues by Source

Almost 99% of the Harbor Fund's revenues come from current services, which represent harbor leases, slip, pier, and mooring fees, liveaboard services, miscellaneous services and boat launch ramp parking. Staff is projecting a 6.5% increase in revenues from current services in FY 2022-23 as compared to the FY 2021-22 budget. This is is primarily related to increasing lease revenues and is consistent with recent actuals. Revenue related to the RV camping program has been eliminated for FY 2022-23 due to City Council's implementation of an ordinance eliminating the program, which resulted from a citizens' initiative.

Projected 2023 Revenues by Source



Budgeted and Historical 2023 Revenues by Source



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenue Source				
Intergovermental Revenues	$26,200	$23,000	$23,000	-12.2%
Revenues From Current Services	$2,191,900	$2,281,000	$2,334,464	6.5%
Fines & Forfeitures	$2,000	$23,000	$3,000	50%
Other Revenues	$0	$0	$500	N/A
Total Revenue Source:	**$2,220,100**	**$2,327,000**	**$2,360,964**	**6.3%**

Expenditures by Expense Type

The primary expenditures from the Harbor Operating Fund by expenditure type include the following:

Personnel - Roughly half of the Harbor Fund's expenditures are related to personnel. The staffing list is included in the Harbor Department Summary Page of the budget book, but this includes administrative and public safety personnel. For FY 2022-23, part-time lifeguard and Harbor Reserves staffing is being funded in the Measure Q & E Fund, not the Harbor Fund. The personnel budget includes a placeholder for personnel cost increases, pending labor negotiations, which are currently underway with the City's bargaining groups. If budget amendments are required upon the completion of negotiations, they will be sought from Council at that time.

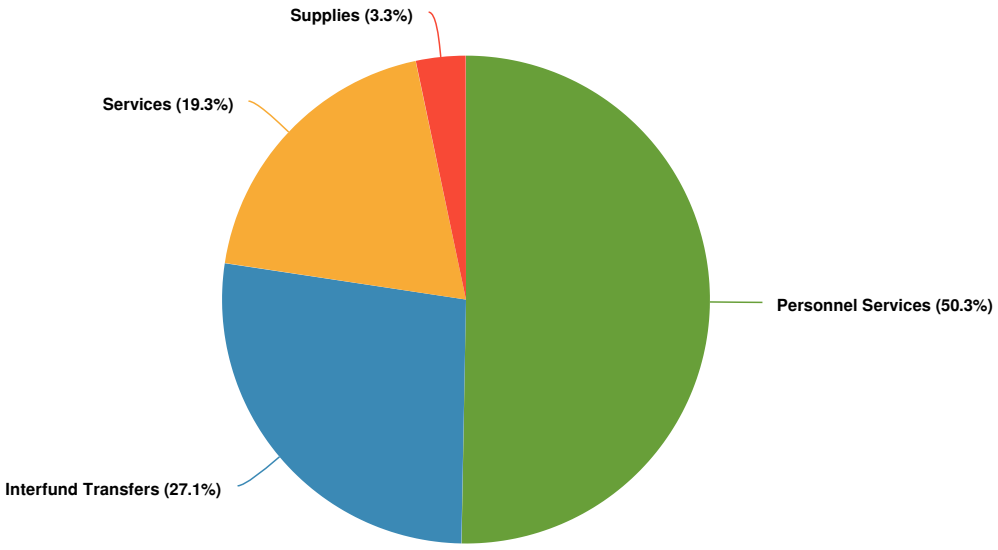
Services - This includes funding for Harbor utilities, Harbor-specific legal services, consultant services, outside equipment repair, and other services.

Supplies - This includes fuel, oil and lubricants, machinery, equipment, and supplies.

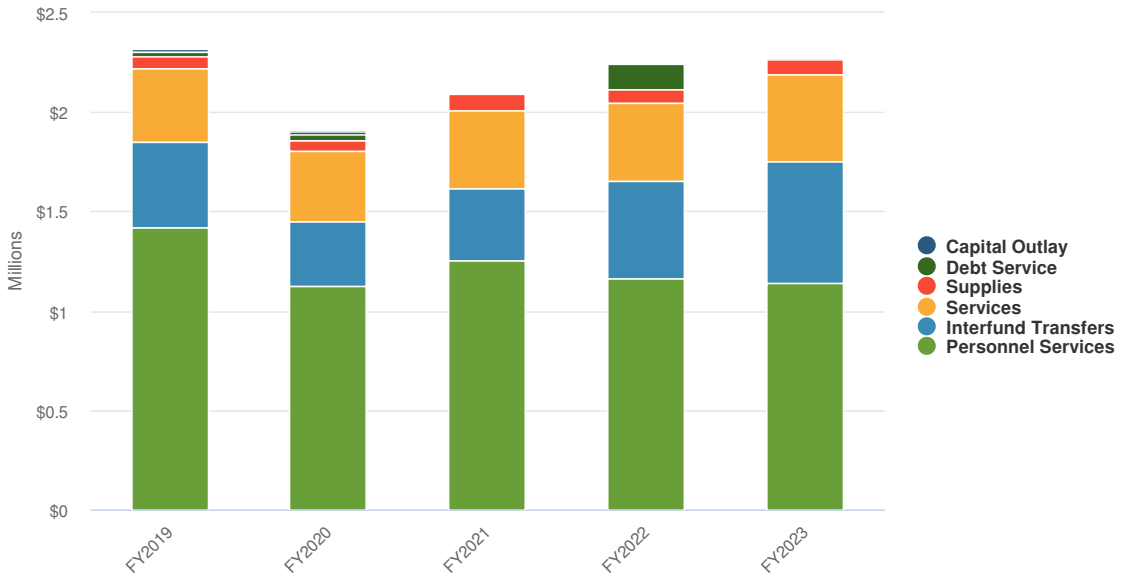
Interfund Transfers - These include the following:

- $290,000 - Transfer to Harbor Capital Fund for Harbor CIP projects (supplemented by an additional $210,000 from Measure Q & E for Harbor CIPs).
- $238,000 - Transfer to the General Fund for internal services such as administration, financial management, human resources, general legal services, city clerk services, and other internal services. This amount is derived from the citywide Cost Allocation Plan.
- $86,000 - Transfer to Internal Services Funds for information technology and risk management services.

Budgeted Expenditures by Expense Type



Budgeted and Historical Expenditures by Expense Type



While debt service was budgeted in FY 2022-23, the associated loan was fully paid off in FY 2021-22, so no debt service expenditures will be incurred in FY 2022-23.

Name	FY2021 Actual	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expense Objects					
Personnel Services	$1,252,920	$1,163,894	$1,168,173	$1,141,290	-1.9%
Supplies	$85,662	$66,100	$48,200	$74,800	13.2%
Services	$395,230	$392,579	$296,424	$438,004	11.6%
Debt Service	$6,771	$134,835	$0	$0	-100%
Interfund Transfers	$361,091	$489,021	$433,558	$614,394	25.6%
Total Expense Objects:	**$2,101,674**	**$2,246,429**	**$1,946,355**	**$2,268,488**	**1%**

Fund Balance

The fund balance figures in the bar graph below represent the operating fund's net position, consistent with how proprietary funds are reported in the City's Annual Comprehensive Financial Report (ACFR) and how they have been reported in prior year City budgets. The net position considers a fund's long-term assets and liabilities, and in the case of the Harbor Fund, it is negative largely because of the Harbor Fund's long-term pension liabilities. In addition, the Harbor Operating Fund net position in the bar graph below is presented net of the fund balance in all other funds. So, the Harbor CIP fund's positive projected fund balance in FY 2021-22 and FY 2022-23 partially offsets the negative net position in the operating fund, where long-term liabilities are tracked.

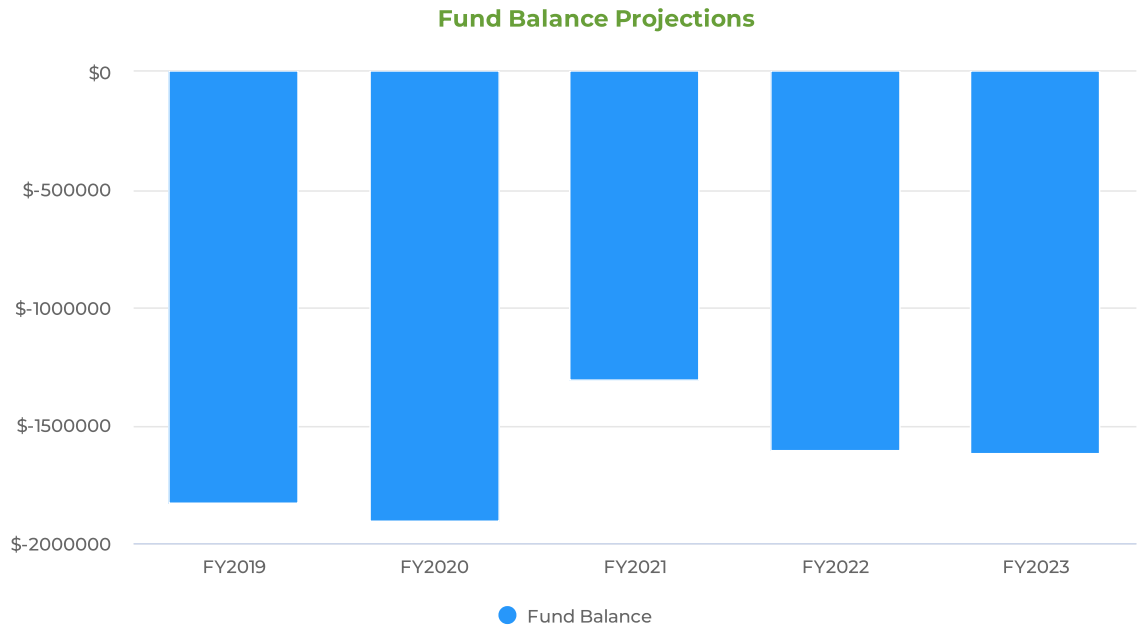
A more useful way to view the near-term fund balance is by looking at working capital, which is defined as near-term assets minus near-term liabilities. The Harbor fund's working capital was positive at the end of FY 2020-21, and is anticipated to grow due to projected surpluses in FY 2021-22 and FY 2022-23 in the operating fund, even after transfers out for the limited number of Harbor capital projects that can be accomplished using existing Harbor funds.

This level of operating surplus remains insufficient to fund projected Harbor capital maintenance and improvement needs or to address the fund's long-term liabilities, but is sufficient to meet the City's reserve policy currently.

Harbor Operating Fund Working Capital

FY 2020-21	FY 2021-22	FY 2022-23
$504,000	$911,000	$1,004,000

The Harbor Fund's level of working capital meets and exceeds the City's minimum reserve policy for the Harbor Fund, which is set at 15% of operating expenses for the most recent year's adopted budget. The FY 2021-22 budget, net of one-time transfers out, is approximately $2 million, with 15% equating to a reserve balance of approximately $307,000. The target reserve level is 25% of operating budget, which would be approximately $500,000, which is also met.

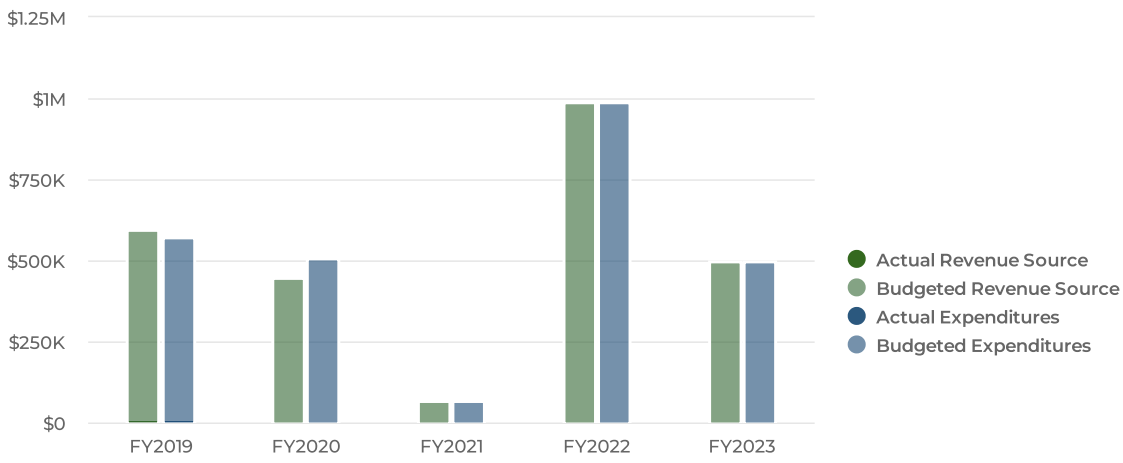


Harbor Capital Improvement Fund (923)

This fund tracks all Harbor capital improvement projects (CIPs).

Summary

The City of Morro Bay is projecting $500,000 in revenue and $500,000 in new capital project expenditures in FY2022-23 (in addition to any carry forward capital funds that may be expended in FY 2022-23).



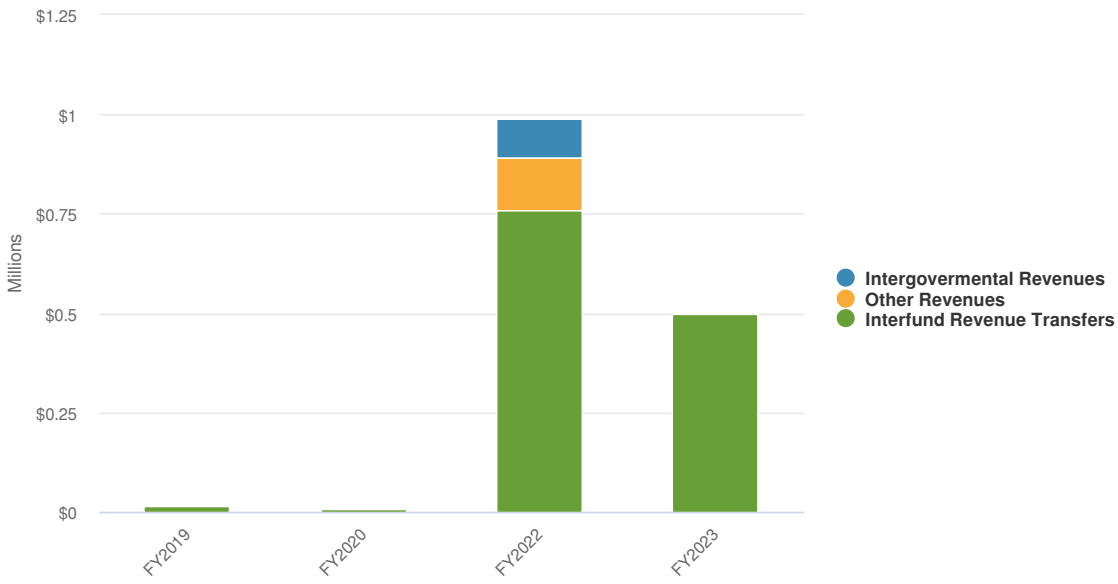
Revenues by Source

Revenues into the Harbor CIP fund are most typically transfers in from other Harbor enterprise funds or other City funds. There are one-time revenues in the form of grants or donations as well. The FY 2021-22 Harbor CIP Fund revenue budget was higher than normal due to budgeted grant revenue, donations from Friends of the Harbor Department, reimbursement funds, and Measure Q&E funds, which collectively accounted for close to $300,000 in revenue budget. The grant revenues are unlikely to be received in FY 2021-22 and are budgeted again in FY 2022-23 as a result.

FY 2022-23 revenues include $100,000 in Cable Committee grant funds associated with the Beach Slips capital improvement project. The grant is reimbursement-based, and is not projected to be received in FY 2021-22, so is being budgeted in FY 2022-23. The expenditure budget associated with that project is funded in FY 2021-22 and will be carried forward with Council approval if it is not expended in FY 2021-22.

The other $500,000 in FY 2022-23 revenues include $290,000 transferred from the Harbor Operating Fund and $210,000 transferred from the Measure Q&E Fund to cover the new Harbor CIP projects outlined below.

Budgeted and Historical 2023 Revenues by Source



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenue Source				
Intergovermental Revenues	$100,000	$0	$0	-100%
Other Revenues	$130,000	$130,000	$0	-100%
Interfund Revenue Transfers	$760,000	$760,000	$500,000	-34.2%
Total Revenue Source:	**$990,000**	**$890,000**	**$500,000**	**-49.5%**

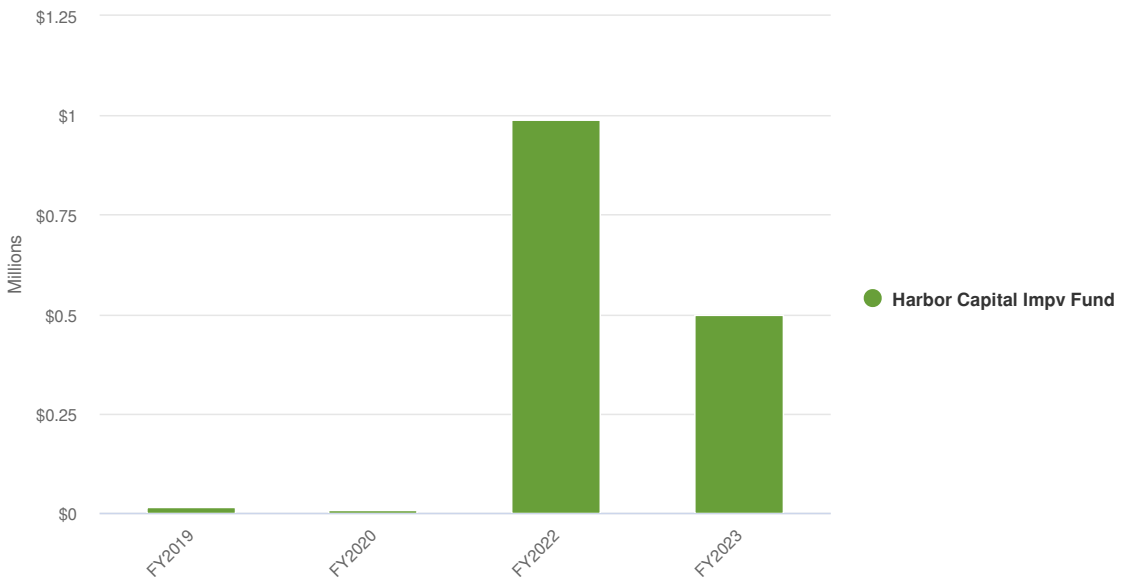
Expenditures by Fund

The FY 2022-23 budget includes $500,000 for three Harbor CIPs. This represents new budget allocation. In addition to the new FY 2022-23 budget allocation, any remaining FY 2021-22 Harbor CIP budget that is unexpended at fiscal year-end but for which projects are ongoing will be carried forward with City Council approval.

The $500,000 in new funding allocation is broken down as follows. Each of these project is presented in great detail in the CIP section of the Budget Book.

- **Harbor CIP Needs Assessment** - $200,000. New project. Funding from the Harbor Operating Fund.
- **Harbor Patrol Boat** - $90,000. Contintued project from prior year. Funding from the Harbor Operating Fund.
- **Harbor Boat Launch Ramp Design** - $210,000. New project. Funding from Measure Q&E Fund.

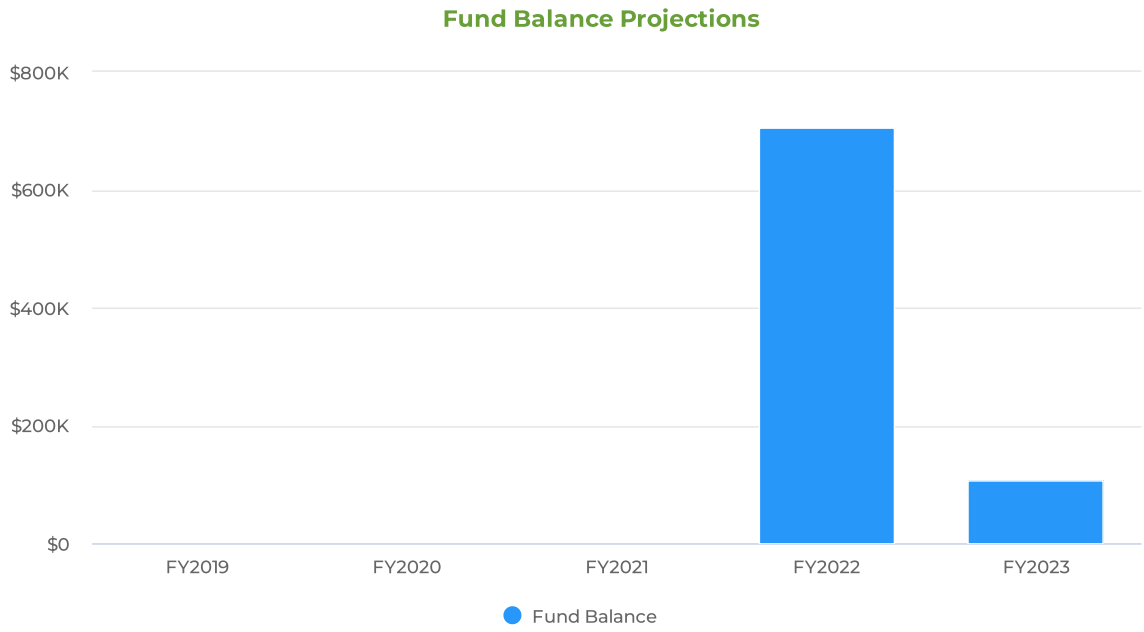
Budgeted and Historical 2023 Expenditures by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Harbor Capital Impv Fund	$990,000	$184,000	$500,000	-49.5%
Total Harbor Capital Impv Fund:	**$990,000**	**$184,000**	**$500,000**	**-49.5%**

Fund Balance

In prior years funds were transferred only as capital project expenditures occurred. This resulted in confusing budgeting practices due to the multi-year nature of capital projects and carry forward budgets. This practice is also unnecessary given City Council authorization to carry forward unexpended capital project budget for projects that are still underway at fiscal year-end. Beginning in FY 2021-22, unexpended capital funds for active projects will remain in the CIP fund and the budget will be carried forward so that the project can be completed in the next year. The Harbor CIP Fund balance is projected to be just over $700,000 at the end of FY 2021-22, as there are several capital projects that are still ongoing. Much of these funds are expected to be spent in FY 2022-23, along with spending on new projects outlined above, for a projected year-end fund balance in the Harbor CIP fund of just over $100,000 at the end of FY 2022-23.

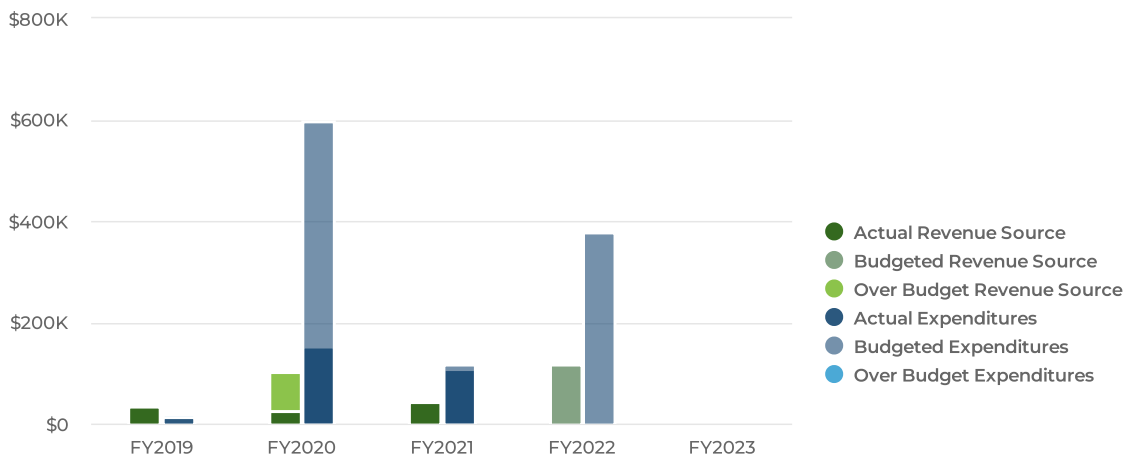


Harbor Accumulation Fund (953)

The Harbor Accumulation Fund has been used as the department's "catch-all" fund to track excess revenue savings fund for capital projects, major maintenance/refurbishment needs and emergency reserves. Per Government Finance Officer Association (GFOA) best practices and City Council direction, this fund will be closed out at the end of FY 2021-22 and any remaining balance will be transferred to the Harbor Operating Fund, where reserve and fund balances will be tracked.

Summary

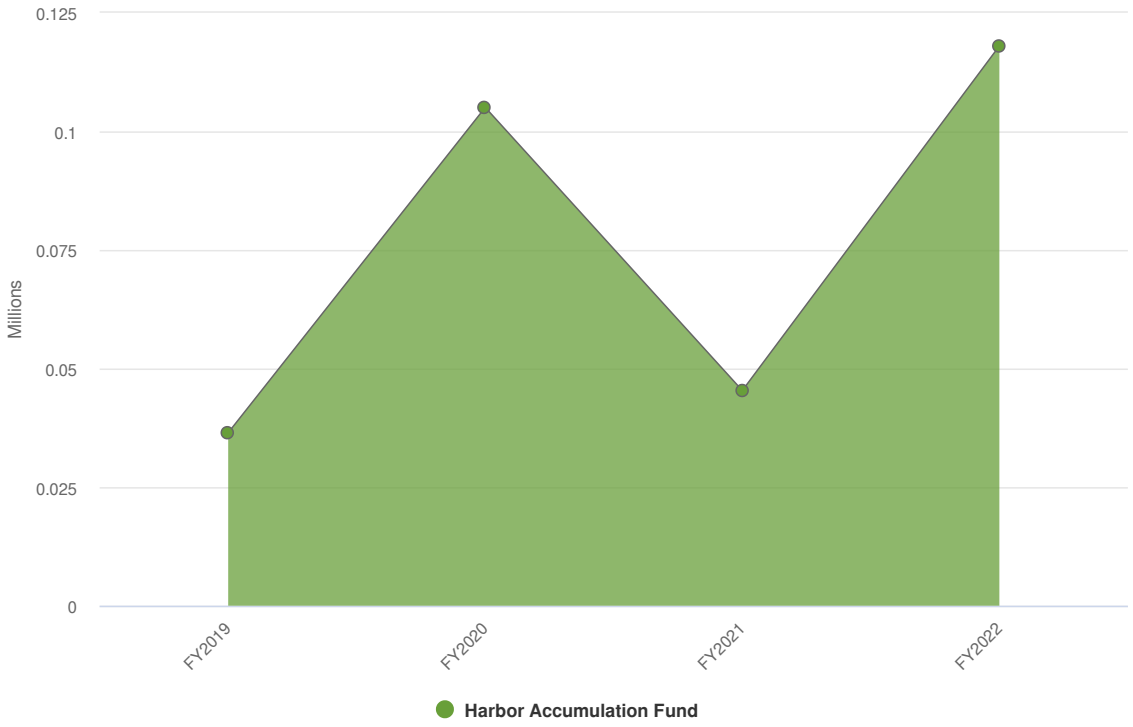
The City of Morro Bay is projecting no revenue and no expenditures for FY 2022-23 since the fund is being closed out at the end of FY 2021-22.



Revenue by Fund

Revenues from this fund have come in as interfund transfers from other Harbor enterprise funds and have been stored here until they are transferred back to the Harbor operating or capital fund for use. To reduce the number of interfund transfers, funds, and duplicate budgeting, this "pass through" function will no longer be needed once the fund is closed out, and all available funds will fall to fund balance in the Harbor operating fund. The FY 2021-22 transfers in will still be completed as budgeted in order to accommodate the budgeted transfers out for FY 2021-22, before closing out the fund.

Budgeted and Historical 2023 Revenue by Fund

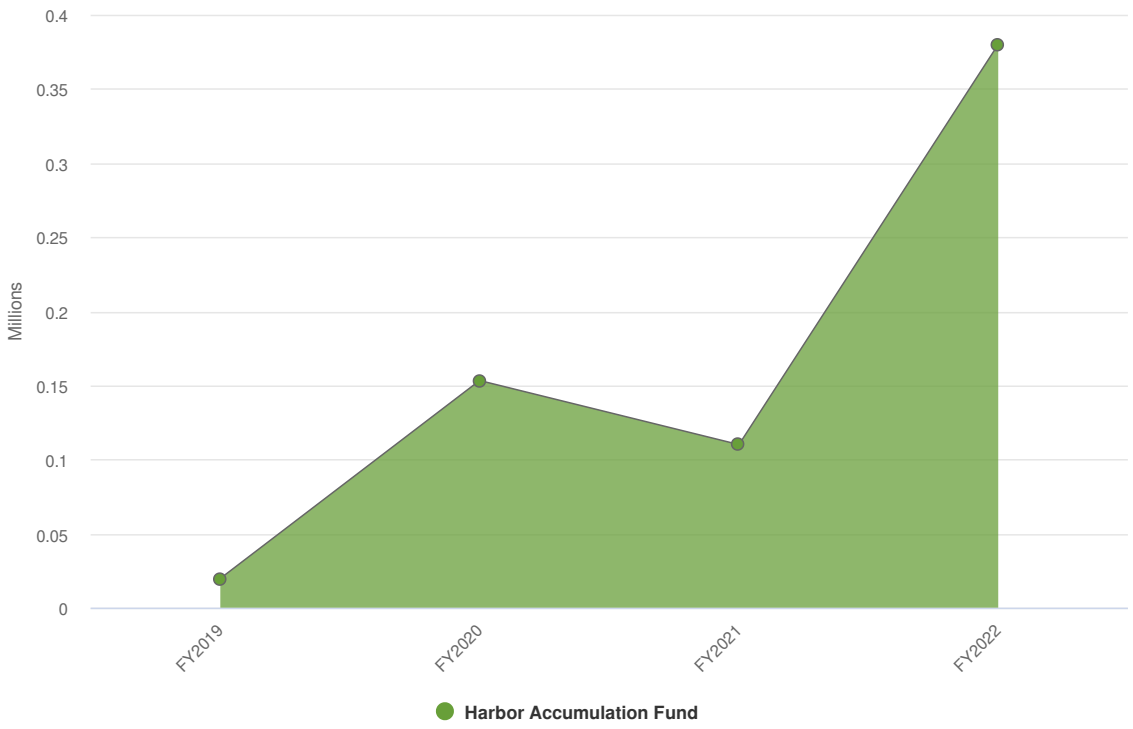


Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Harbor Accumulation Fund	$118,000	$118,000	$0	-100%
Total Harbor Accumulation Fund:	**$118,000**	**$118,000**	**$0**	**-100%**

Expenditures by Fund

Expenditures from this fund have been primarily in the form of transfers out to the Harbor capital fund, which is the case for FY 2021-22. Going forward, this "pass-through" savings fund will be closed out and any funds needed for capital expenditures will be transferred directly from the Harbor operating to the Harbor capital fund.

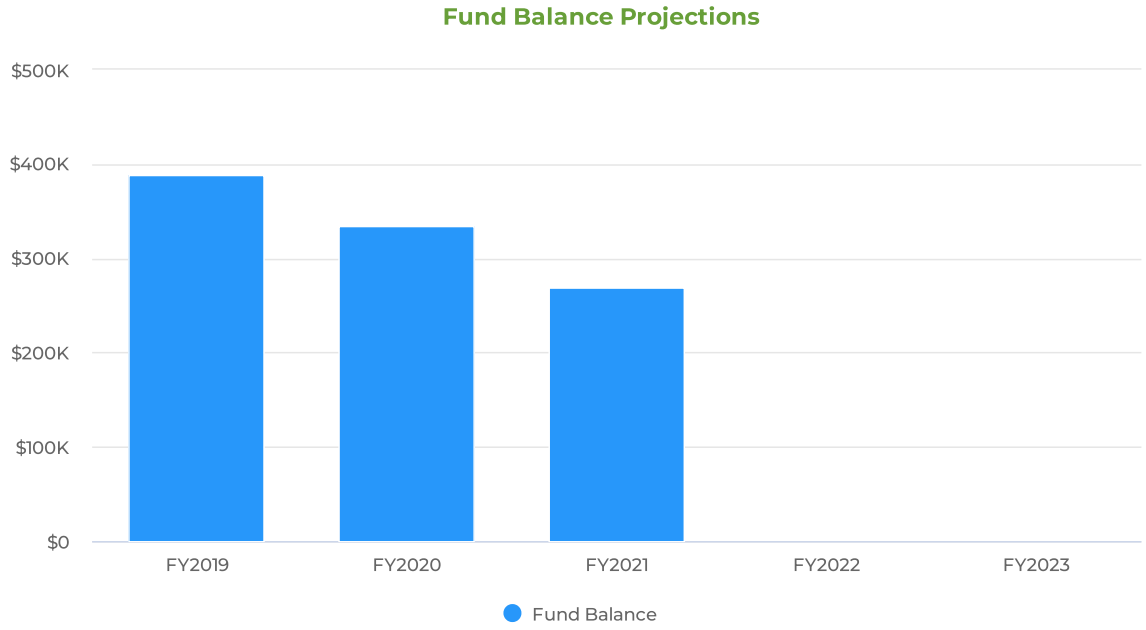
Budgeted and Historical 2023 Expenditures by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Harbor Accumulation Fund	$380,000	$387,000	$0	-100%
Total Harbor Accumulation Fund:	**$380,000**	**$387,000**	**$0**	**-100%**

Fund Balance

The remaining fund balance from FY 2020-21 will be almost entirely used to make FY 2021-22 budgeted transfers. A small remaining fund balance (projected at approximately $7,000) will be transferred to the Harbor operating fund pending Council approval with year-end budget adjustments. That will zero out the fund balance for FY 2021-22 and going forward.

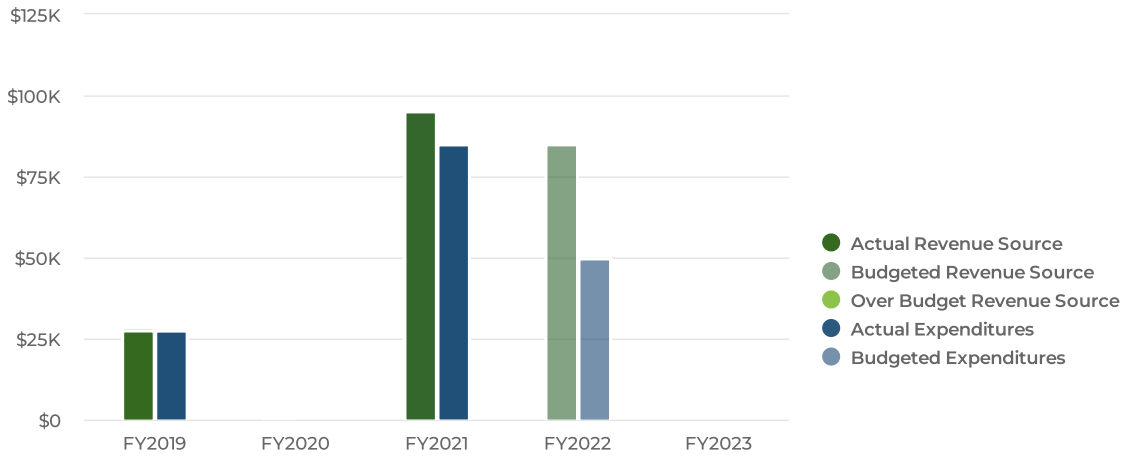


Harbor Equipment Replacement Fund (055)

The Harbor Equipment Replacement Fund is a savings fund for equipment, vehicle, watercraft and vessel replacement needs. This fund will be closed out and any balance transferred to the Harbor Operating Fund at the end of FY 2021-22. Future Equipment Replacement purchases greater than $50,000 will be tracked through the Harbor Capital Improvement Fund.

Summary

No revenues or expenditures are budgeted for FY 2022-23, given that the fund will be closed out.



Revenue by Fund

Past revenues into the equipment replacement fund have come as intrafund transfers from other Harbor enterprise funds or as one-time grant funds. There are no revenues projected for FY 2022-23 as the fund is being closed out. The FY 2021-22 revenue of $85,000 from a state grant is not projected to be received in FY 2021-22, as it was received already in FY 2020-21.

Name	FY2022 Amended Budget	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Harbor Equip. Replacement	$85,000	$0	-100%
Total Harbor Equip. Replacement:	**$85,000**	**$0**	**-100%**

Expenditures by Fund

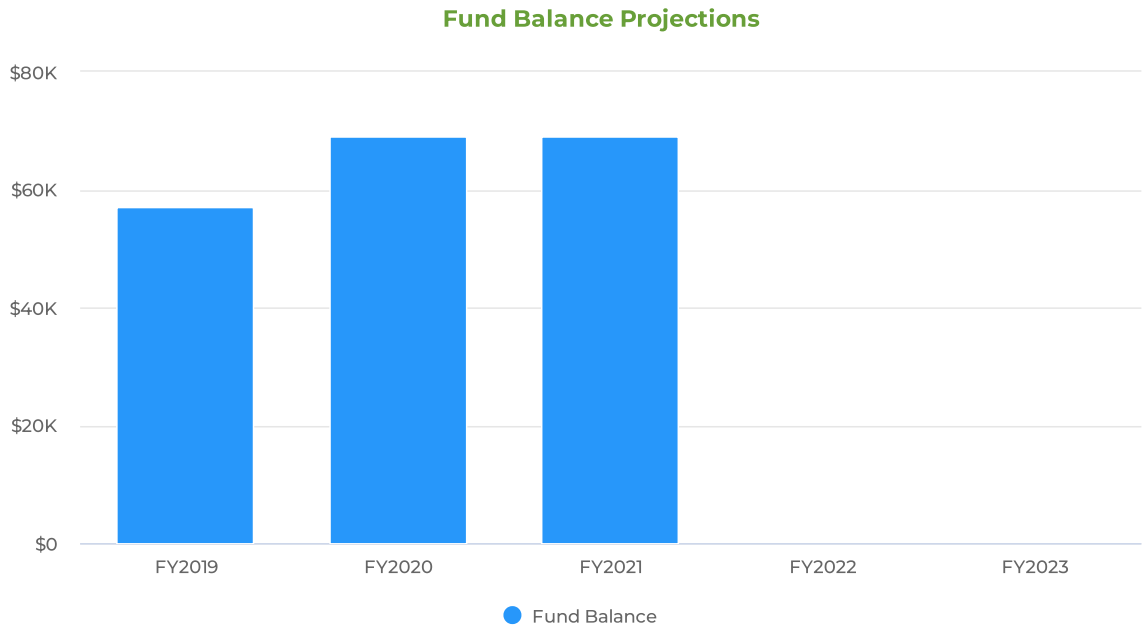
This fund will be closed out and any balance transferred to the Harbor Operating Fund at the end of FY 2021-22. Projected actuals for FY 2021-22 reflect making a $50,000 intrafund transfer to the Harbor capital fund for vessel replacement, and a transfer of approximately $19,000 in remaining projected fund balance to the Harbor operating fund, pending Council approval. Future Equipment Replacement purchases greater than $50,000 will be tracked through the Harbor Capital Improvement Fund.

Budgeted and Historical 2023 Expenditures by Fund

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Harbor Equip. Replacement	$50,000	$69,000	$0	-100%
Total Harbor Equip. Replacement:	**$50,000**	**$69,000**	**$0**	**-100%**

Fund Balance

This fund will be closed out and any balance transferred to the Harbor Operating Fund at the end of FY 2021-22. The remaining projected fund balance of approximately $19,000 (representing the prior year fund balance of $69,000 minus the $50,000 transferred to the Harbor capital fund for vessel replacement) will be transferred to the Harbor Operating Fund pending Council approval with year-end budget amendments.



Sewer Funds

The Sewer Funds track all activities related to the Sewer Enterprise. This includes all costs associated with providing wastewater collection and treatment for residents, businesses, and visitors.

The Sewer Enterprise funds consist of the following four funds through FY 2021-22:

- Sewer Operating
- Sewer Capital Improvement
- Sewer Accumulation
- Sewer Equipment Replacement

Consistent with Government Finance Officer Association best practices and City Council direction, the Sewer Enterprise funds will be consolidated into the following two funds starting in FY 2022-23, reducing the number of interfund transfers and duplicate budgeting:

- Sewer Operating
- Sewer Capital Improvement

Through FY 2021-22, there was an additional fund, the Morro Bay/Cayucos Wastewater Treatment Plant Fund (599) that tracked costs governed by the Joint Powers Agreement between Morro Bay and Cayucos to run the current wastewater treatment plant, which provided treatment services for both Morro Bay and Cayucos through early FY 2021-22. Since Cayucos is no longer a wastewater service customer of the City, all sewer costs, including the costs of operating the current wastewater treatment plant, will be budgeted and tracked in the Sewer Operating Fund (321) in FY 2022-23 and going forward.

The individual fund summaries for each of the funds in this section provide detail regarding these components of the City of Morro Bay's wastewater operations. Fund balances are presented individually for each of the four funds, and a discussion of working capital and reserve levels is included in the Sewer Operating Fund summary.

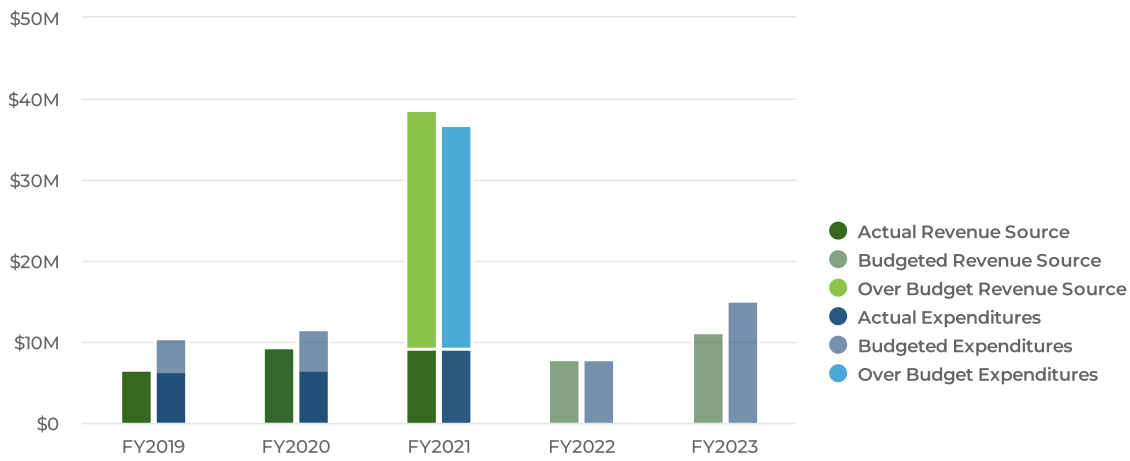
Sewer Operating Fund (321)

The Sewer Operating Fund is a self-supporting enterprise fund that accounts for all income and expenses associated with the City's sewer utility operation. Its primary revenue source is sewer rate payments from residents and businesses. Beginning in FY 2022-23, this fund includes all budget for the operations of the City's collection system and wastewater treatment plant. Previously to this fiscal year, budget for the wastewater treatment plant were tracked in the 599 Fund and were governed by the Joint Powers Agreement between Morro Bay and Cayucos.

Summary

The City of Morro Bay is projecting $11.2 million of revenue in FY 2022-23. Budgeted expenditures are $15.2 million in FY 2022-23, including over $11 million in capital costs. The fund has an operating surplus net of transfers to the Sewer Capital Fund, and the remainder of the one-time capital costs can be covered by the fund balance.

The spike in FY 2021-22 revenues and expenditures is due to the receipt of loan proceeds associated with the Water Reclamation Facility (WRF) Program, and the subsequent transfer of those proceeds to the Sewer Capital Fund where project expenditures are recorded.

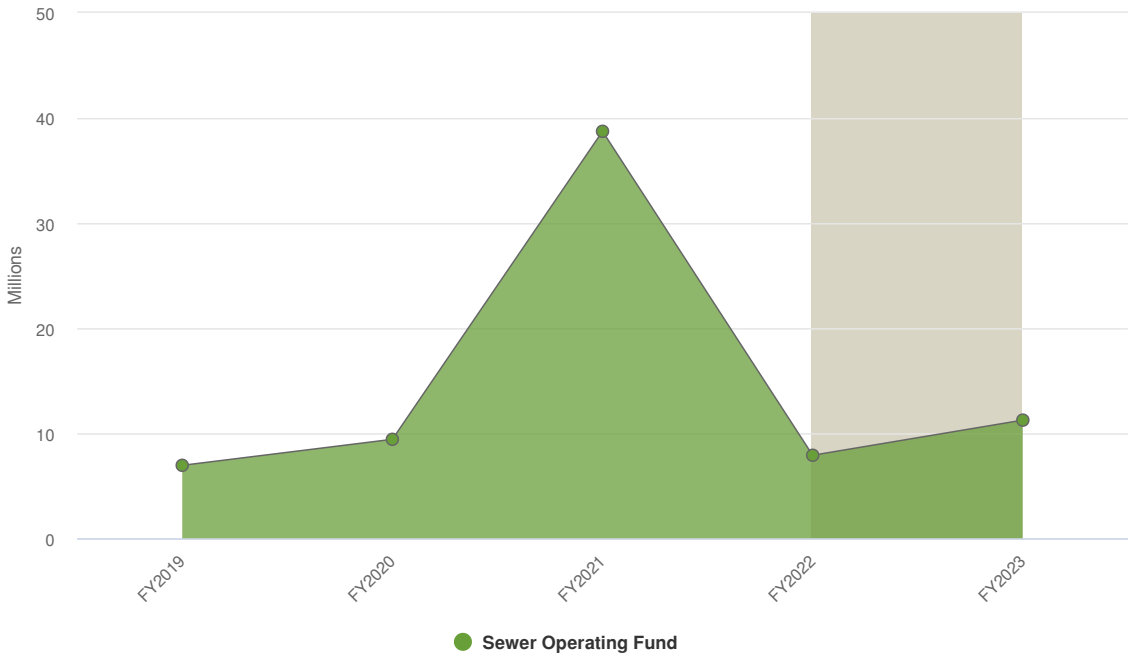


Revenue by Fund

All ongoing revenues to the Sewer Fund come from ratepayers paying for City sewer services. The jump in FY 2020-21 actual revenues accounts for one-time loan disbursement revenue associated with the Sewer Fund's share of the WRF. These revenues are reimbursements for expenditures already made by the project in the Sewer CIP fund, and they are transferred to the Sewer CIP fund to make that fund whole. Ongoing revenues are projected to be relatively stable since rates are not increasing in FY 2022-23. The FY 2021-22 revenue budget was lower than normal due to uncertain revenues during the pandemic, but has been raised to levels commensurate with recent actual revenues in the FY 2022-23 budget.

The FY 2022-23 budget also anticipates receiving the final approximately $1.7 million in loan proceeds currently approved for the WRF. To the extent that unexpended project budget from FY 2021-22 carries forward into FY 2022-23, additional loan disbursements may be received next year as well, depending on project timing.

Budgeted and Historical 2023 Revenue by Fund



Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Sewer Operating Fund	$7,899,605	$63,583,790	$11,244,348	42.3%
Total Sewer Operating Fund:	**$7,899,605**	**$63,583,790**	**$11,244,348**	**42.3%**

Expenditures by Expense Type

Looking at the historical expenditures in the Fund, the jump in FY 2020-21 expenditures accounts for a transfer of one-time loan disbursement revenue associated with the Sewer Fund's share of the WRF that was received by the Sewer Fund and transferred to the Sewer Capital Improvement Fund to reimburse that fund for costs incurred.

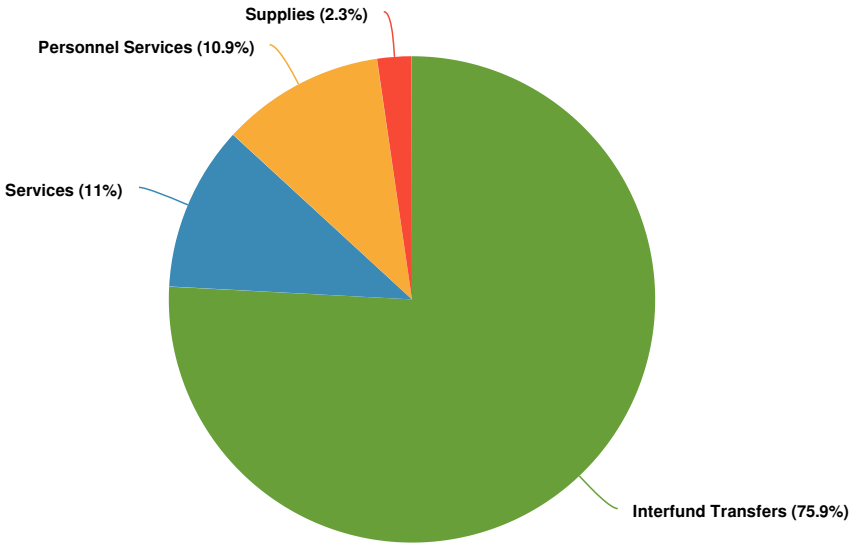
Personnel, Services, and Supplies - Budgeted costs are increasing in part due to anticipated operations of the new Treatment Facility. Many of these costs are rough estimates until the City gains experience operating the new facility, and therefore, may be over-budgeted. In addition, personnel costs are increasing citywide, and this budget includes a placeholder for labor negotiations, which are currently ongoing, pending completion of updated Memorandums of Understanding with the City's labor groups. Finally, utilities costs and other supplies and services' costs continue to increase with inflation.

Interfund Transfers - Budgeted interfund transfers in FY 2021-22 and FY 2022-23 include cost allocation plan contributions to the General Fund, and transfers to the Information Services and Risk Management internal service funds for those services, and in FY 2022-23, transfers to the Sewer Capital Improvement Fund for sewer capital projects including but not limited to the Water Reclamation Facility.

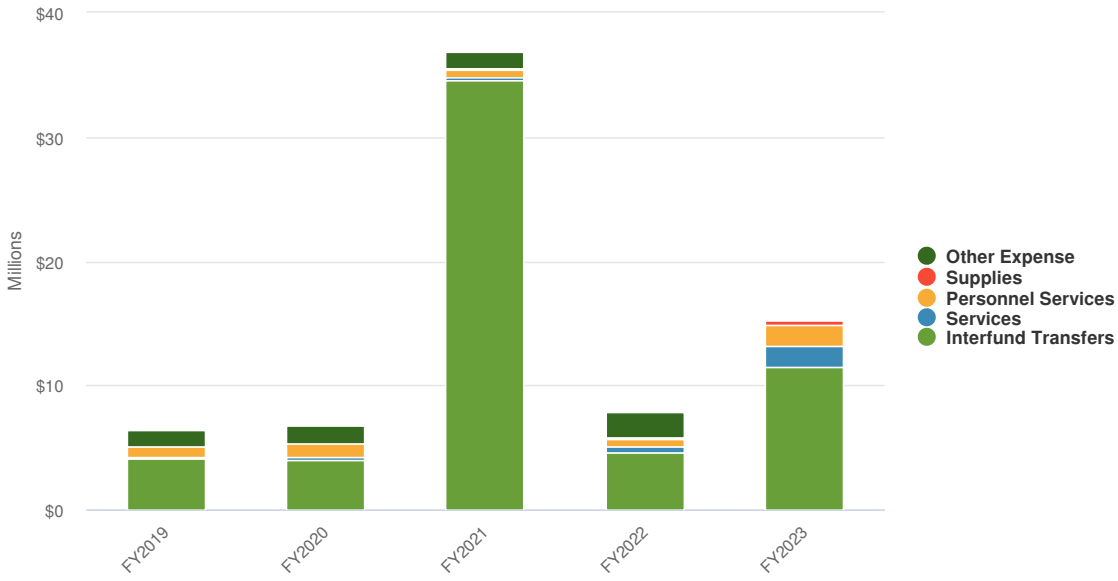
The FY 2022-23 Interfund transfers are as follows:

- Transfer to General Fund for Cost Allocation Plan internal services - $257,193
- Transfer to Information Technology and Risk Management Funds - $87,990
- Transfer to Sewer Capital Improvement Fund for Sewer's portion of the non-financed FY 2022-23 Water Reclamation Facility Project budget - $7,430,805
- Transfer to Sewer Capital Improvement Fund for the remaining financed portion of the Water Reclamation Facility - $1,734,348
- Transfer to Sewer Capital Improvement Fund for all other Sewer CIPs outlined in CIP budget - $2,029,000

Budgeted Expenditures by Expense Type



Budgeted and Historical Expenditures by Expense Type



Name	FY2021 Actual	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expense Objects					
Personnel Services	$585,983	$624,331	$538,076	$1,651,313	164.5%
Supplies	$85,958	$99,300	$212,000	$348,835	251.3%
Other Expense	$1,414,658	$2,099,886	$2,009,886	$0	-100%
Services	$189,157	$507,856	$569,897	$1,673,263	229.5%
Interfund Transfers	$34,607,388	$4,569,780	$58,925,570	$11,539,336	152.5%
Total Expense Objects:	**$36,883,143**	**$7,901,154**	**$62,255,429**	**$15,212,747**	**92.5%**

Fund Balance

The fund balance figures in the bar graph below represent the Sewer Operating Fund's net position, consistent with how proprietary funds are reported in the City's Annual Comprehensive Financial Report (ACFR) and how they have been reported in prior year City budgets. The net position considers a fund's long-term assets and liabilities, and in the case of the Sewer Fund, includes both long-term liabilities such as pension liabilities and non-spendable assets such as the value of capital assets. In addition, the Sewer Operating Fund net position in the bar graph below is presented net of the fund balance in all other Sewer Enterprise funds. So, including the balances in those other funds, the overall Sewer Enterprise Fund balance is higher.

A more useful way to view the near-term fund balance is by looking at working capital, which is defined as near-term assets minus near-term liabilities.

Sewer Operating Fund Working Capital

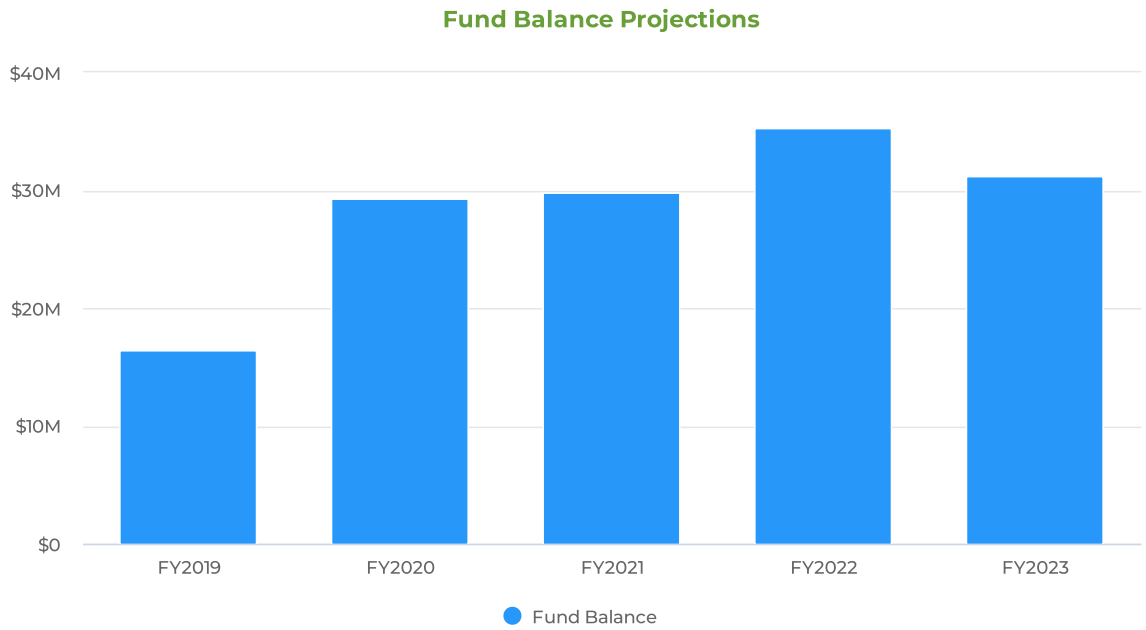
The Sewer Operating Fund's level of working capital (near-term assets minus near-term liabilities) at the end of the prior fiscal year on June 30, 2021 was as follows:

- $1,878,500 on Balance Sheet at 6/30/2021
- $12,956,227 amount due from WIFIA and SRF for work completed and funds expended on WRF during FY 2020-21 (received in FY 2021-22)
- **$14,834,727 Total Working Capital**

$14.8 million of working capital meets and exceeds the City's minimum reserve policy for the Sewer Fund, which is set as follows:

- 25% of the operating budget in the last adopted budget (FY 2021-22) - $0.9 million
- 5% of prior year's rates for rate stabilization - $0.5 million
- 20% of value of the sewer fleet - met
- Debt service coverage - not currently applicable but projected to be met when WRF debt service begins

While the Sewer Fund's cash balance will continue to fluctuate while the WRF construction is ongoing due to significant lag times in reimbursement from the State Revolving Fund loan program, the fund has sufficient capital to cover the FY 2022-23 budget. Staff is continuing to analyze options for financing the WRF project budget not yet financed, which would leave additional capital available for other Sewer CIPs in the out-years.

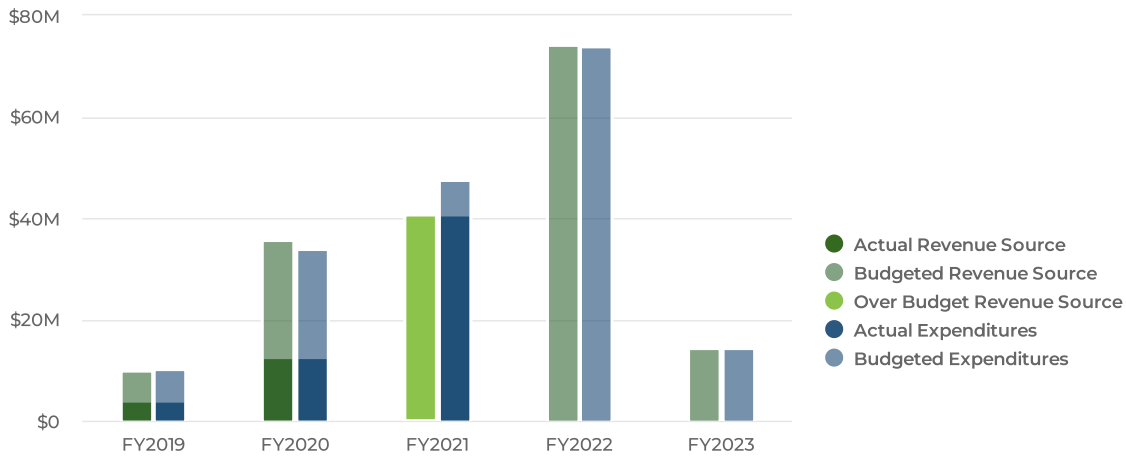


Sewer Capital Improvement Fund (922)

The Sewer Capital Improvement Fund tracks all capital improvement projects funded by the sewer enterprise.

Summary

The City of Morro Bay is projecting $14.4 million of revenue in FY 2022-23. Budgeted expenditures are also $14.4 million in FY 2022-23, plus any unexpended carry forward budget from ongoing or prior year capital projects. Council authorizes the carry forward of unexpended capital budget as part of budget adoption.



Revenue by Fund

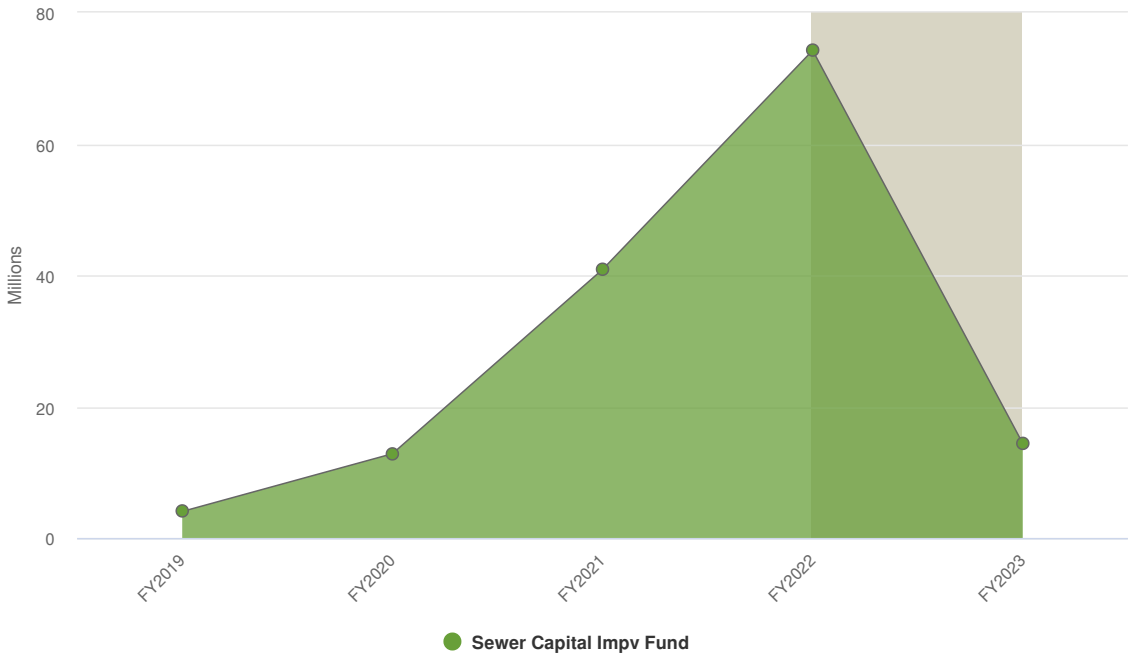
Revenues in this fund are primarily from the Sewer Operating Fund and are transferred to this fund to fund sewer capital projects. The recent spike in revenues is due to transferring in of loan disbursement proceeds associated with the Water Reclamation Facility (WRF) Program. This is reflected in the FY 2021-22 Projected Actuals as well.

In FY 2022-23, sewer capital projects other than the WRF will be funded solely through transfers from the Sewer Operating Fund, which is funded by ratepayer revenue.

The FY 2022-23 WRF project budget is approximately $12.3 million (plus any unexpended budget from prior years that will be carried forward with Council approval). The FY 2022-23 budget will be transferred in as follows:

- Approximately $1.7 million is anticipated to come from remaining loan proceeds on existing WIFIA and SRF loans for the project.
- Approximately $3.2 million in revenue will be from the Water Operating Fund, which represents 30% of the cash-funded portion of the FY 2022-23 project budget.
- Approximately $7.4 million in revenue will be from the Sewer Operating Fund, which represents 70% of the cash-funded portion of the FY 2022-23 project budget.

Budgeted and Historical 2023 Revenue by Fund



Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Sewer Capital Impv Fund				
Intrafund Revenue Transfers	$70,000	$70,000	$2,029,000	2,798.6%
From Sewer Oper Lift Station 1	*$0*	*$70,000*	*$400,000*	*N/A*
From Sewer Oper Vehicles & Equip	*$0*	*$0*	*$174,000*	*N/A*
From Sewer Oper One Water Plan Update	*$0*	*$0*	*$30,000*	*N/A*
From Sewer Oper WWTP Decomissioning	*$0*	*$0*	*$135,000*	*N/A*
From Sewer Oper Beachcomber Main Rplcmnt	*$0*	*$0*	*$1,207,000*	*N/A*
From Sewer Oper Juniper/Elana SD	*$0*	*$0*	*$83,000*	*N/A*
Transfer From Enterprise	$72,523,922	$54,355,790	$12,349,784	-83%
WRF Project Water Fund Contribution	*$0*	*$54,355,790*	*$3,184,631*	*N/A*
WRF Project Sewer Fund Contribution	*$0*	*$0*	*$7,430,805*	*N/A*
WRF Project WIFIA/SRF Loan Contribution	*$0*	*$0*	*$1,734,348*	*N/A*
Transfer From Enterprise	$1,025,039	$1,025,039	$0	-100%
Transfer From Enterprise	$622,752	$622,752	$0	-100%
Total Sewer Capital Impv Fund:	**$74,241,713**	**$56,073,581**	**$14,378,784**	**-80.6%**

Expenditures by Fund

The FY 2022-23 budget includes $14.4 million in new CIP budget for four Sewer capital improvement projects (CIPs). This represents new budget allocation. In addition to the new FY 2022-23 budget allocation, any remaining FY 2021-22 Sewer CIP budget that is unexpended at fiscal year-end but for which projects are ongoing will be carried forward with City Council approval. There will likely be significant carry forward budget from the Water Reclamation Facility project, which is reflected in the FY 2021-22 budgeted vs. projected actual totals below.

The $14,378,784 million in new funding allocation is broken down as follows. Each of these projects is presented in great detail in the CIP section of the Budget Book.

- **Water Reclamation Facility** - $12,349,784. Partially financed and partially funded by a Water fund contribution. See details under revenue section.
- **Beachcomber Dr. Sewer Main Replacement** - $1,207,000 in additional budget. Continued project from prior year.
- **Lift Station 1 Force Main Replacement** - $400,000. New project.
- **Capital Vehicles and Equipment Replacement** - $174,000. New project.
- **Wastewater Treatement Plant Decommissioning** - $135,000. New project.
- **OneWater Plan Update - Preliminary Funding** - $30,000. New project.
- **Storm Drain Improvements at Juniper/Elena** - Sewer Component - $83,000. New budget allocation for existing project.

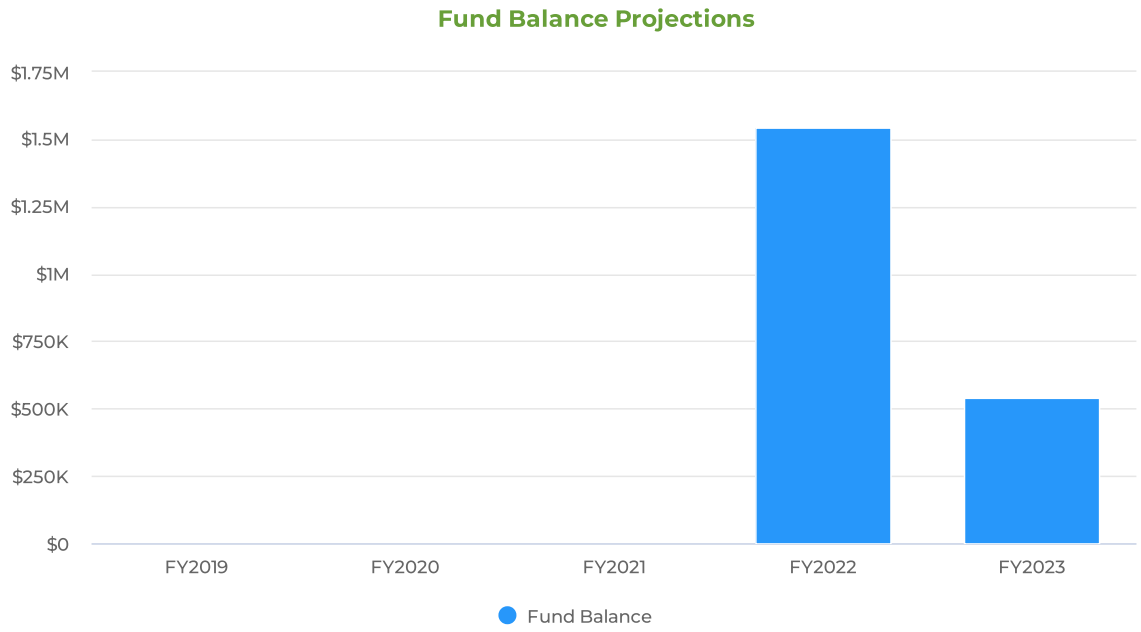
Budgeted and Historical 2023 Expenditures by Fund

Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Sewer Capital Impv Fund	$74,179,722	$54,530,790	$14,378,784	-80.6%
Total Sewer Capital Impv Fund:	**$74,179,722**	**$54,530,790**	**$14,378,784**	**-80.6%**

Fund Balance

In prior years funds were transferred only as capital project expenditures occurred. This resulted in confusing budgeting practices due to the multi-year nature of capital projects and carry forward budgets. This practice is also unnecessary given City Council authorization to carry forward unexpended capital project budget for projects that are still underway at fiscal year-end. Beginning in FY 2021-22, unexpended capital funds for active projects will remain in the CIP fund and the budget will be carried forward so that the project can be completed in the next year. The Sewer Capital Improvement Fund balance is projected to be approximately $1.5 million at the end of FY 2021-22, as there are several capital projects that are still ongoing. Much of these funds are expected to be spent in FY 2022-23, along with spending on new projects outlined above, for a projected year-end fund balance in the Sewer Capital Improvement Fund of approximately $0.5 million at the end of FY 2022-23.

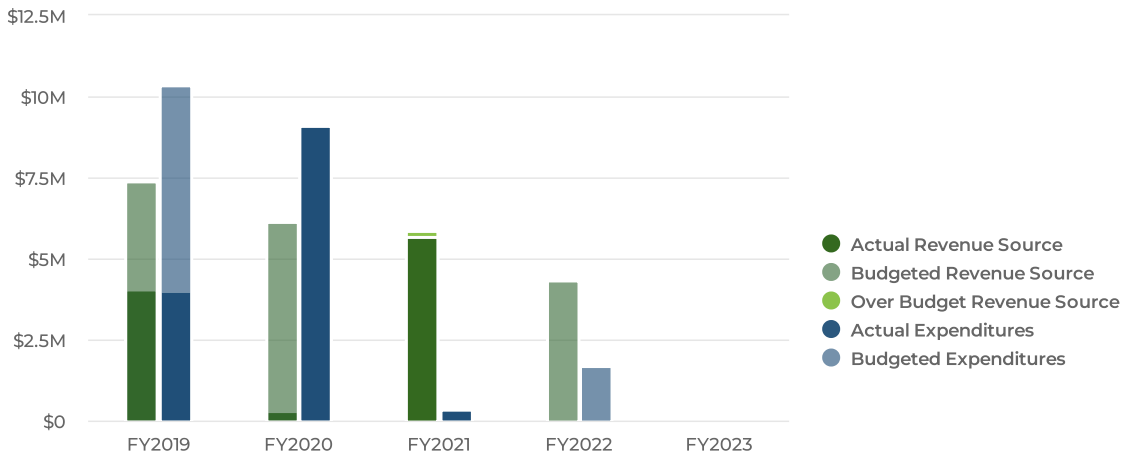


Sewer Accumulation Fund (952)

The Sewer Accumulation Fund has been used as a savings fund for capital projects and operational needs. Per Government Finance Officer Association (GFOA) best practices and City Council direction, this fund will be closed out at the end of FY 2021-22 and any remaining balance will be transferred to the Water Operating Fund, where reserve and fund balances will be tracked and accumulated for future use for capital projects.

Summary

The City of Morro Bay is projecting no revenue and no expenditures for FY2022-23, since the fund is being closed out at the end of FY 2021-22.



Revenue by Fund

Revenues from this fund have come in as intrafund transfers from other Sewer Enterprise funds and have been stored here until they are transferred back to the Sewer operating or capital fund for use. To reduce the number of interfund transfers, funds, and duplicate budgeting, this "pass through" function will no longer be needed once the fund is closed out, and all available funds will fall to fund balance in the Sewer Operating Fund. The FY 2021-22 transfers in will still be completed as budgeted in order to accommodate the budgeted transfers out for FY 2021-22 before closing out the fund.

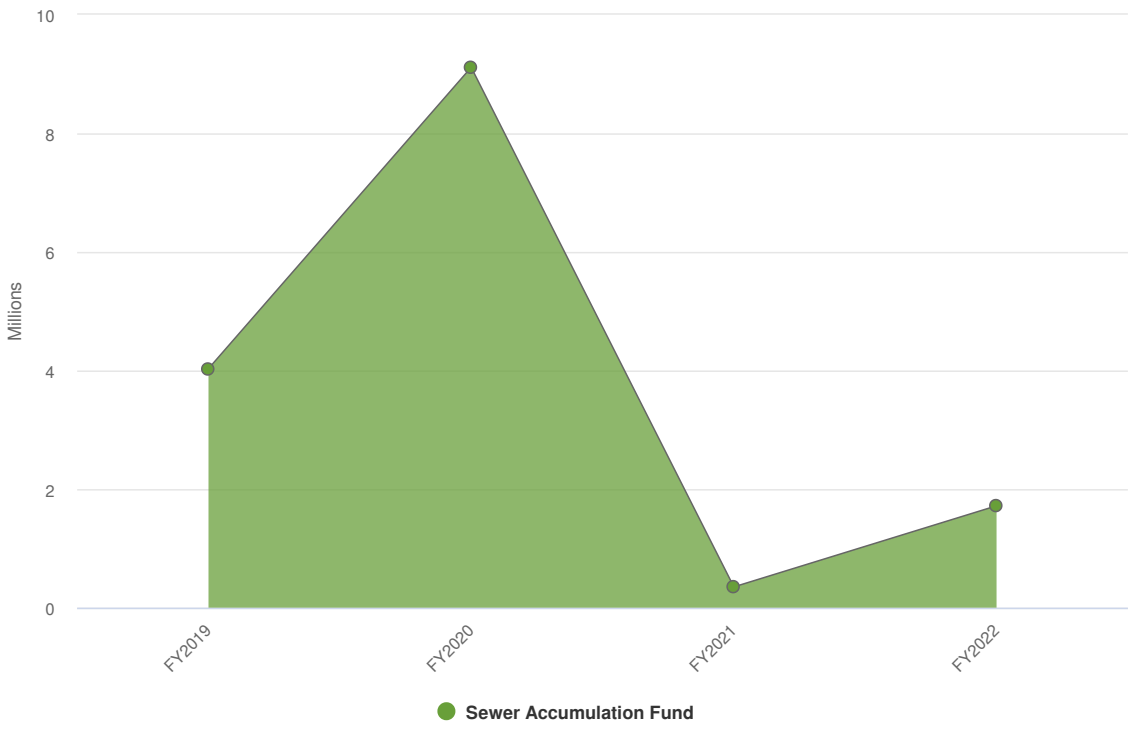
Budgeted and Historical 2023 Revenue by Fund

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Sewer Accumulation Fund	$4,351,481	$4,469,481	$0	-100%
Total Sewer Accumulation Fund:	**$4,351,481**	**$4,469,481**	**$0**	**-100%**

Expenditures by Fund

Expenditures from this fund have been primarily in the form of transfers to the Sewer Capital Fund, which is the case for FY 2021-22. Going forward, this "pass-through" savings fund will be closed out and any funds needed for capital expenditures will be transferred directly from the Sewer Operating Fund to the Sewer Capital Fund.

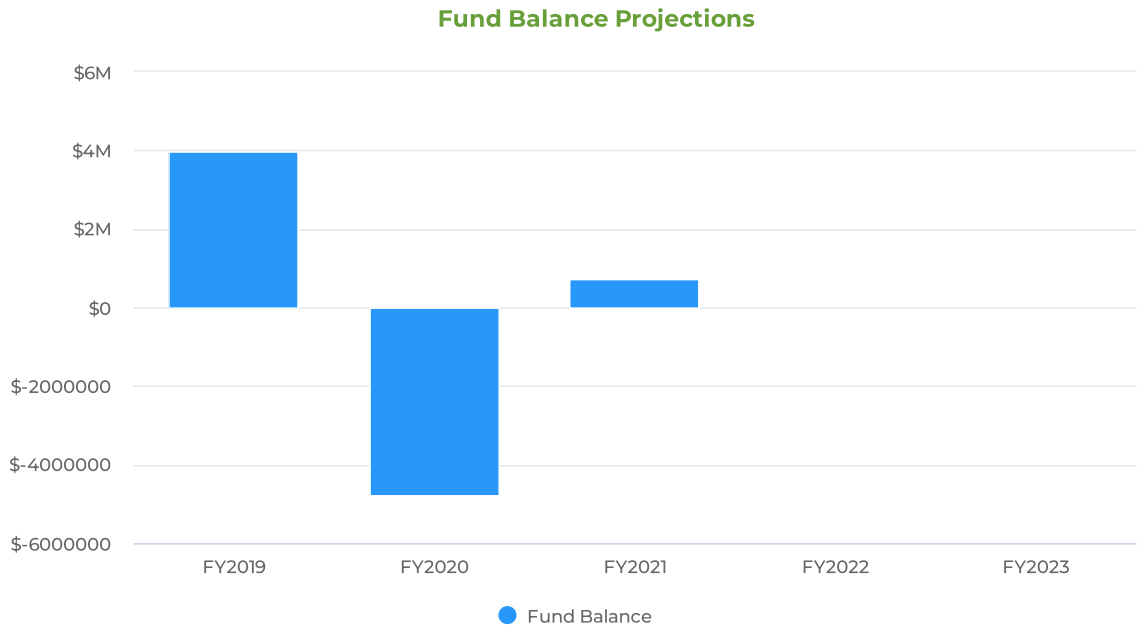
Budgeted and Historical 2023 Expenditures by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Sewer Accumulation Fund	$1,717,791	$5,209,791	$0	-100%
Total Sewer Accumulation Fund:	**$1,717,791**	**$5,209,791**	**$0**	**-100%**

Fund Balance

The remaining fund balance at the end of FY 2021-22 (projected at approximately $4.0 million) will be transferred to the Sewer Operating Fund pending Council approval with year-end budget adjustments. That will zero out the fund balance for FY 2021-22 and going forward, and all Sewer Enterprise reserves and savings for capital projects will be tracked in the Sewer Operating Fund consistent with industry standards and best practices.

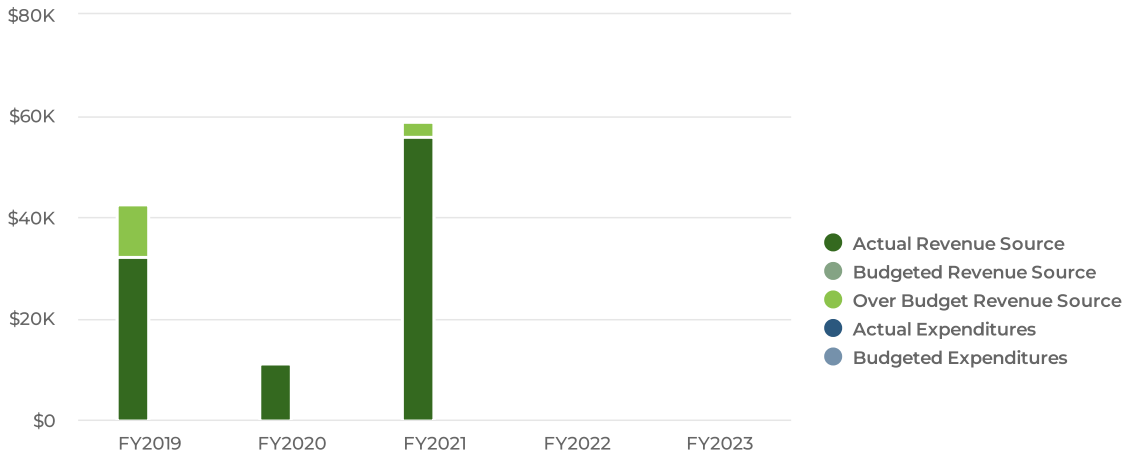


Sewer Equipment Replacement Fund (054)

The Sewer Equipment Replacement Fund has been used as a savings fund for equipment and vehicle replacement needs. This fund will be closed out and any balance transferred to the Sewer Operating Fund at the end of FY 2021-22. Future equipment replacement purchases greater than $50,000 will be tracked through the Sewer Capital Improvement Fund.

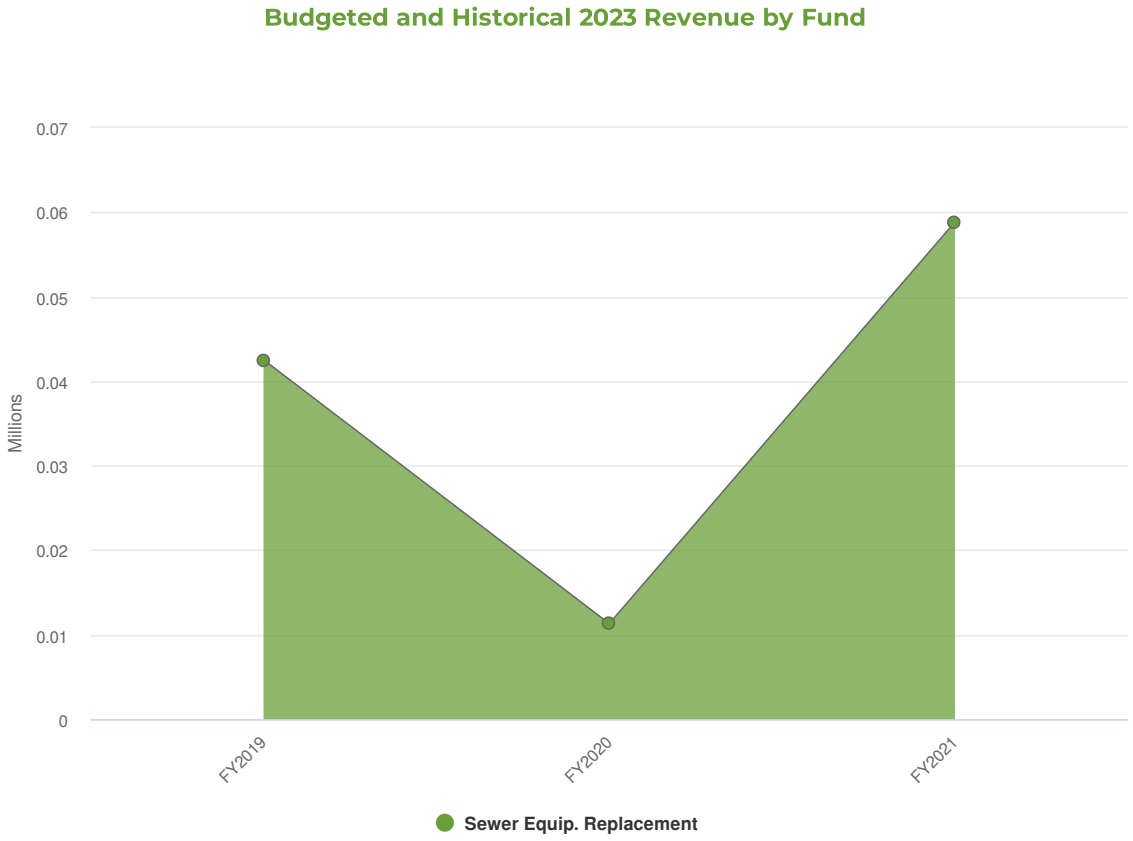
Summary

No revenues or expenditures are budgeted for FY 2022-23, given that the fund will be closed out.



Revenue by Fund

Past revenues into the Equipment Replacement Fund have come as intrafund transfers from other Sewer Enterprise funds. There are no revenues projected for FY 2021-22 nor for FY 2022-23 as the fund is being closed out.



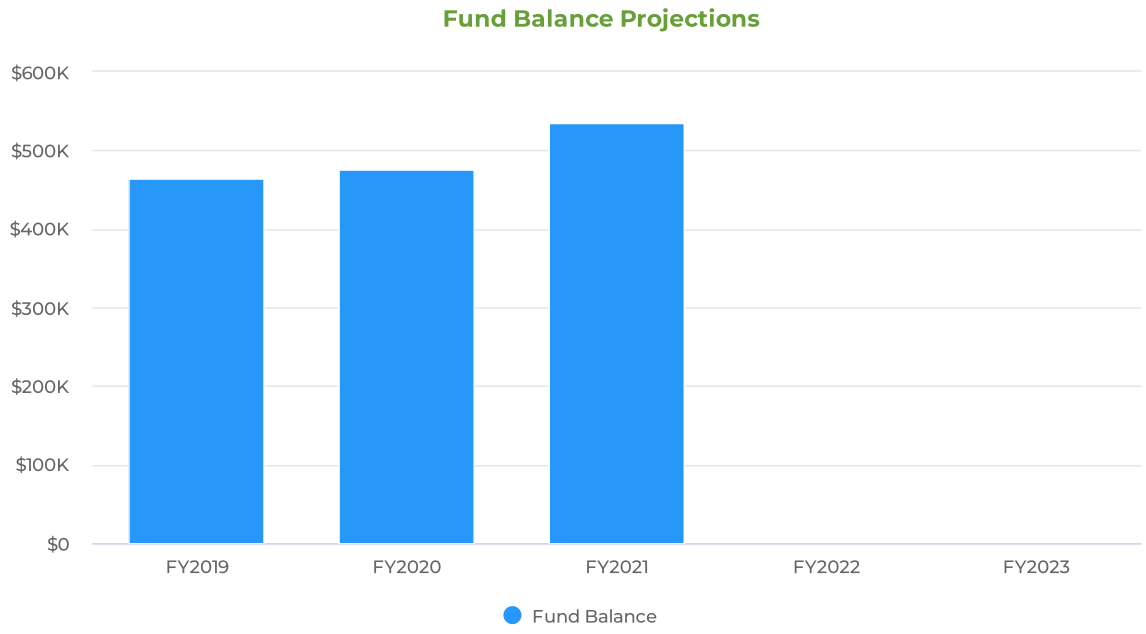
Expenditures by Fund

This fund will be closed out and any balance transferred to the Sewer Operating Fund at the end of FY 2021-22. There are no projected actuals for equipment replacement in FY 2021-22. Pending City Council approval at year-end, the remaining projected fund balance of approximately $535,000 will be transferred to the Sewer Operating Fund. Future equipment replacement purchases greater than $50,000 will be tracked through the Sewer Capital Improvement Fund.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Sewer Equip. Replacement	$0	$534,674	$0	0%
Total Sewer Equip. Replacement:	**$0**	**$534,674**	**$0**	**0%**

Fund Balance

This fund will be closed out and any balance transferred to the Sewer Operating Fund at the end of FY 2021-22. The remaining projected fund balance of approximately $535,000 will be transferred to the Sewer Operating Fund pending City Council approval with year-end budget amendments.



Morro Bay/Cayucos Wastewater Treatment Plant Fund (599)

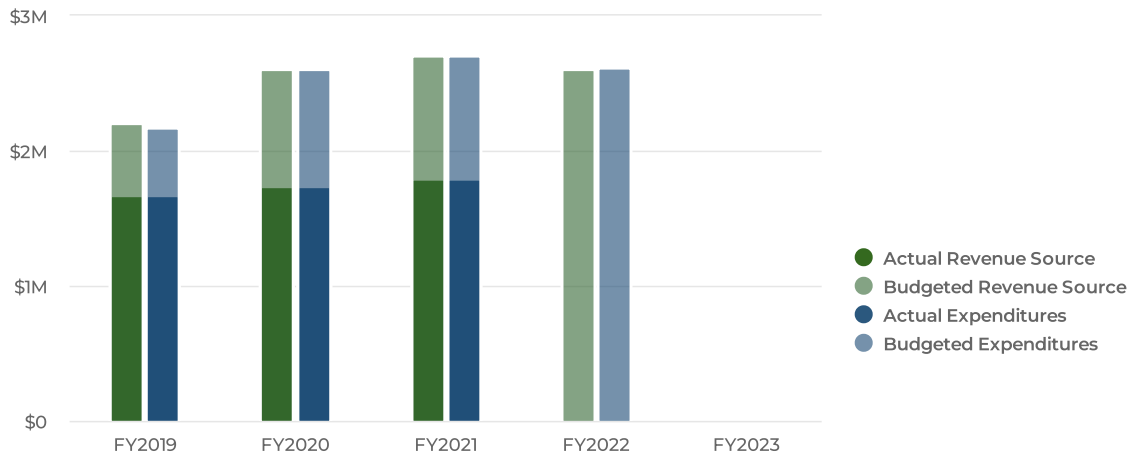
This Fund has been used to record the revenues and expenses associated with the operation of the existing Wastewater Treatment Facility, which has been operated under a Joint Powers agreement between the City and the Cayucos Sanitary District, providing wastewater collection and treatment services to the City residents and businesses, as well as to the unincorporated community of Cayucos. The existing facility was built in the 1950s, is aging, and is not in compliance with updated State requirements. A replacement facility has been in the planning stages for decades.

Cayucos built its own treatment plant, which became operational in early FY 2021-22, at which point Cayucos stopped utilizing the services provided by the City of Morro Bay's Wastewater Treatment Plan and stopped paying for those services. The City of Morro Bay is also developing its own updated Wastewater Treatment Facility to come into compliance with State requirements.

Given this, beginning in FY 2022-23, the Morro Bay/Cayucos Wastewater Treatment Plant Fund (599) will no longer be used to track wastewater treatment expenditures. Those expenditures will be fully budgeted and tracked in the Sewer Operating Fund (921), which had historically funded the majority of the costs in the 599 Fund via an interfund transfer.

Summary

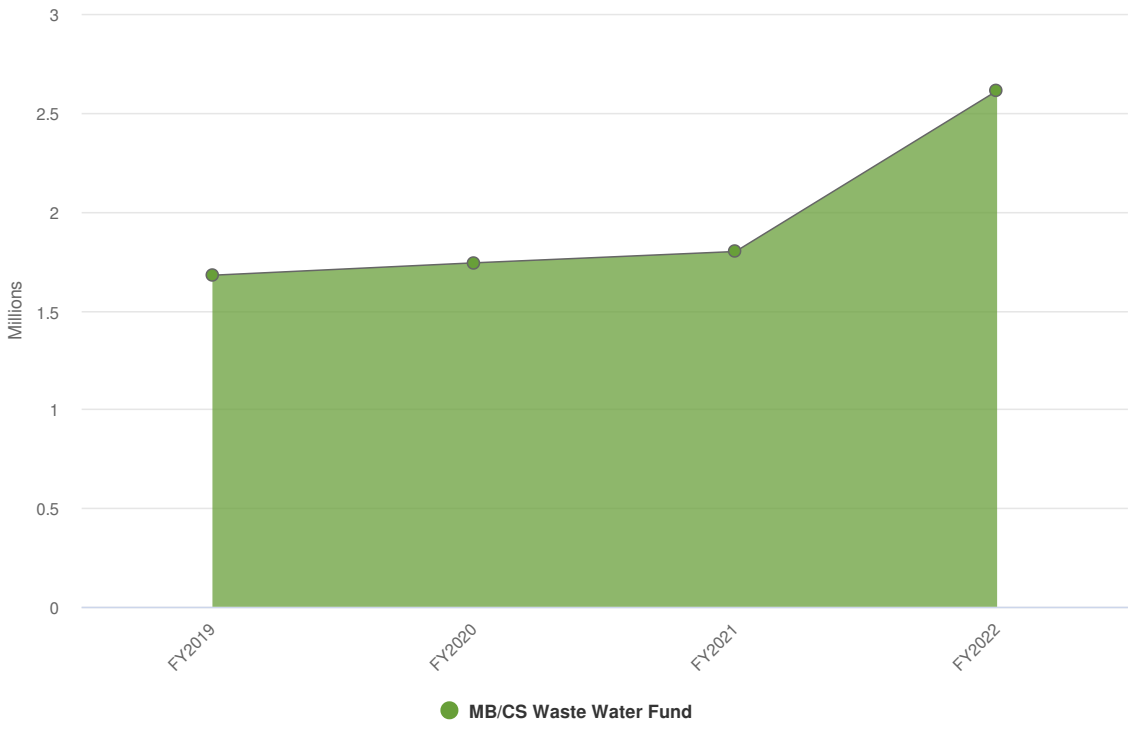
There are no revenues or expenditures budgeted in this Fund in FY 2022-23, as wastewater treatment will be tracking in the Sewer Operating Fund (921) going forward.



Revenue by Fund

The majority of revenues in this fund come in as a transfer from the Sewer Operating Fund (921) to cover the City's majority share of the existing Wastewater Treatment Plant. Under the Joint Powers Agreement with Cayucos, they pay the City for their share of usage each year, which has historically been around 20%. For FY 2021-22, very little revenue will come from Cayucos given that their own plant came online early in the fiscal year and they stopped utilizing City services. Actual revenue in FY 2021-22 overall is projected to be less than budgeted, as expenditures are projected to be less than the $2.6 million budgeted. Now that all wastewater treatment costs are borne by the City alone, they will be tracked in the Sewer Operating Fund going forward, eliminating the transfer to this Fund.

Budgeted and Historical 2023 Revenue by Fund

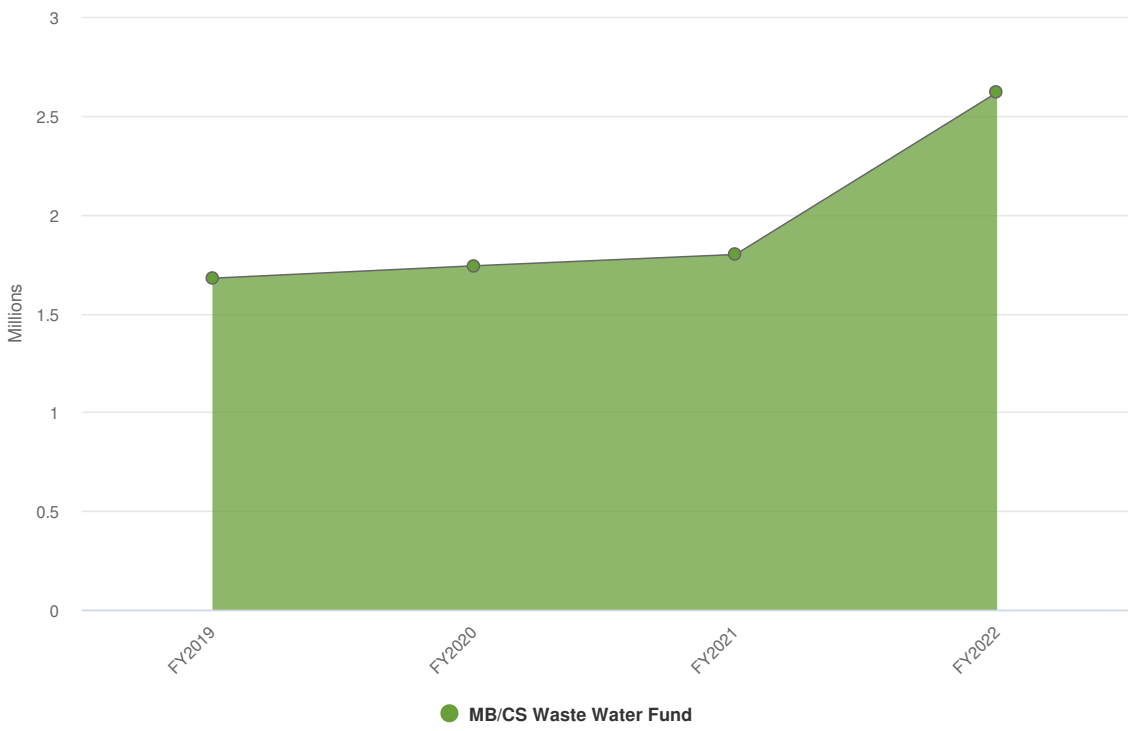


Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
MB/CS Waste Water Fund	$2,610,832	$2,139,412	$0	-100%
Total MB/CS Waste Water Fund:	**$2,610,832**	**$2,139,412**	**$0**	**-100%**

Expenditures by Fund

Expenditures in this fund reflect the cost of wastewater treatment plant operations. Expenditures are projected to be less than budgeted this year, as some of the budget was for potential emergency repairs or equipment repairs that were not needed. Going forward, all wastewater treatment costs for the City will be budgeted and tracked in the Sewer Operating Fund (921).

Budgeted and Historical 2023 Expenditures by Fund

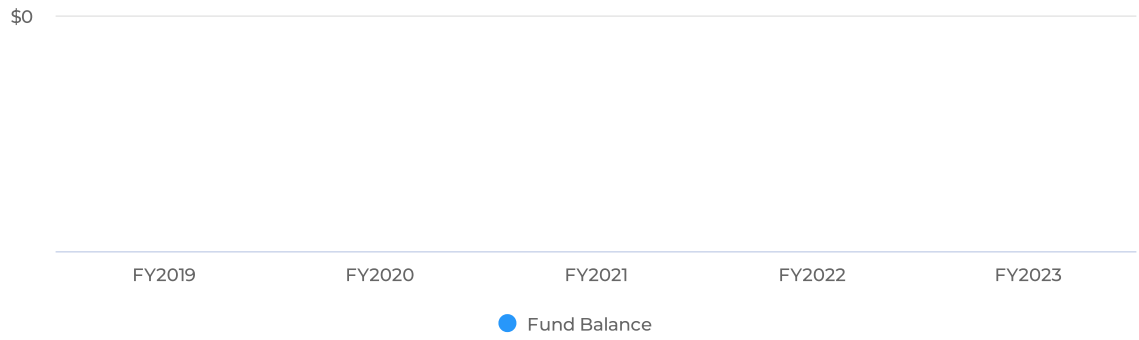


Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
MB/CS Waste Water Fund	$2,617,144	$2,139,412	$0	-100%
Total MB/CS Waste Water Fund:	**$2,617,144**	**$2,139,412**	**$0**	**-100%**

Fund Balance

This Fund has collected revenues equal to expenditures each year and has a zero fund balance at the end of each fiscal year. Any fund balance associated with wastewater collection and treatment operations is reflected in the Sewer Operating Fund balance (921 fund).

Fund Balance Projections



Water Funds

The Water Funds track all activities related to the Water Enterprise. This includes all costs associated with providing quality, clean water for the residents, businesses, and visitors.

The Water Enterprise funds consist of the following four funds through FY 2021-22:

- Water Operating
- Water Capital Improvement
- Water Accumulation
- Water Equipment Replacement

Consistent with Government Finance Officer Association best practices and City Council direction, the Water Enterprise funds will be consolidated into the following two funds starting in FY 2022-23, reducing the number of interfund transfers and duplicate budgeting:

- Water Operating
- Water Capital Improvement

The individual fund summaries for each of the funds in this section provide detail regarding Morro Bay's Water Enterprise operation. Fund balances are presented individually for each of the four funds, and a discussion of working capital and reserve levels is included in the Water Operating Fund summary.

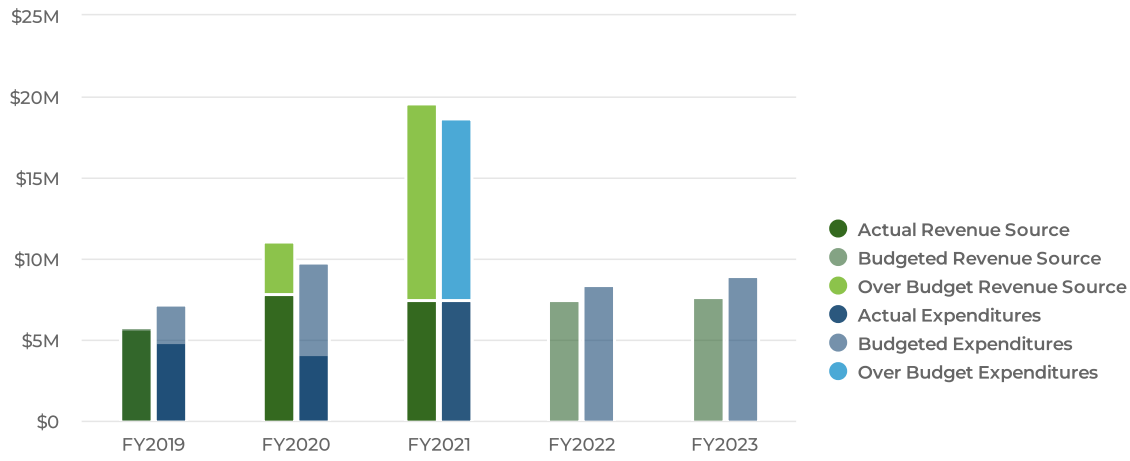
Water Operating Fund (311)

The Water Operating Fund is a self-supporting enterprise fund that accounts for all income and expenses associated with the City's water utility operation. Its primary revenue source is water sales to residents and businesses.

The City purchases water from the State and participates in the State Water Project through a 1992 agreement with the San Luis Obispo County Flood Control District and Water Conservation District. The agreement established the Central Coast Water Authority to act as the treatment and distribution facility and bonding agent for the capital costs associated with the facility and local pipeline.

Summary

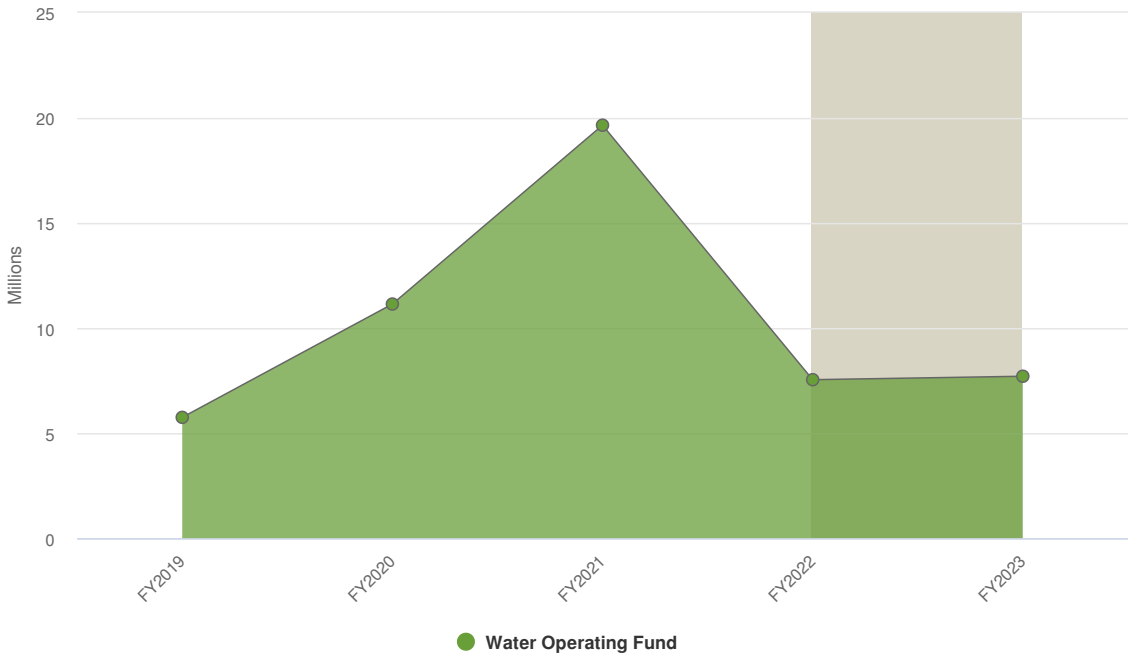
The City of Morro Bay is projecting $7.7 million of revenue in FY 2022-23, which represents a 2.2% increase over the prior year. Budgeted expenditures are projected to increase by 6.5% to $9.0 million in FY 2022-23. These expenditures include one-time transfers out of the fund for capital projects. Absent those transfers, the fund has a significant operating surplus.



Revenue by Fund

All ongoing revenues to the Water Fund come from ratepayers purchasing Water from the City. The jump in FY 2020-21 actual revenues accounts for one-time loan disbursement revenue associated with the Water Fund's share of the Water Reclamation Facility project. These revenues are reimbursements for expenditures already made by the project in the Sewer CIP fund, and they are transferred to the Sewer CIP fund to make that fund whole. Ongoing revenues are projected to be relatively stable since rates are not increasing in FY 2022-23.

Budgeted and Historical 2023 Revenue by Fund



Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Water Operating Fund	$7,540,200	$7,487,700	$7,704,200	2.2%
Total Water Operating Fund:	**$7,540,200**	**$7,487,700**	**$7,704,200**	**2.2%**

Expenditures by Expense Type

Looking at historical expenditures, the jump in FY 2020-21 expenditures accounts for a transfer of one-time loan disbursement revenue associated with the Water Fund's share of the Water Reclamation Facility project that was received by the Water Fund to the Sewer CIP fund to reimburse that fund for costs incurred.

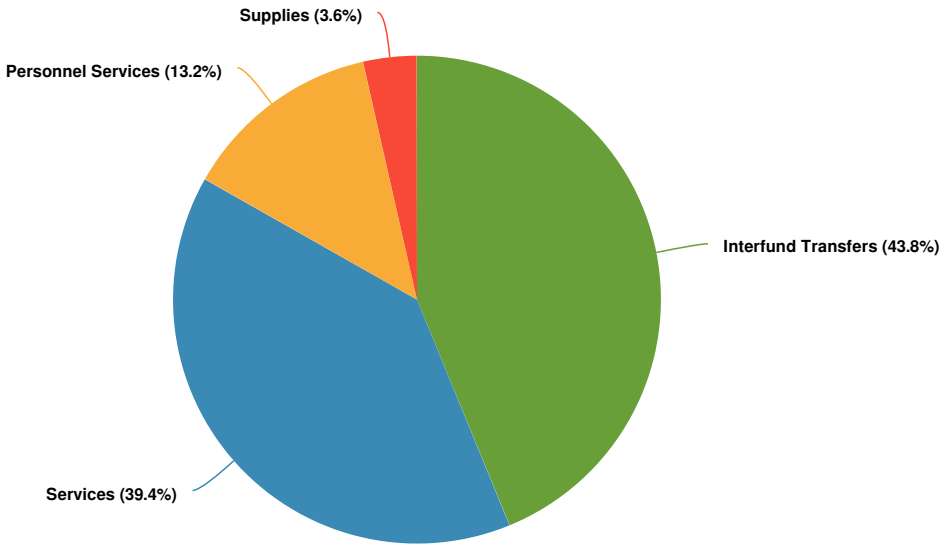
Personnel, Services, and Supplies - Budgeted costs are increasing in part due to anticipated operations of the new Treatment Facility. Many of these costs are rough estimates until the City has experience operating the facility, and therefore, may be over-budgeted. In addition, personnel costs are increasing citywide, and this budget includes a placeholder for labor negotiations, which are currently ongoing, pending completion of updated Memorandums of Understanding with the City's labor groups. Finally, utilities costs and other supplies and services' costs continue to increase with inflation.

Interfund Transfers - Budgeted interfund transfers in FY 2021-22 and FY 2022-23 include transfers to the Water CIP fund for water capital projects, cost allocation plan contributions to the General Fund, and transfers to the Information Services and Risk Management internal service funds for those services, and in FY 2022-23, cash contributions to Water's share of the Water Reclamation Facility for the portion of the project budget not yet financed.

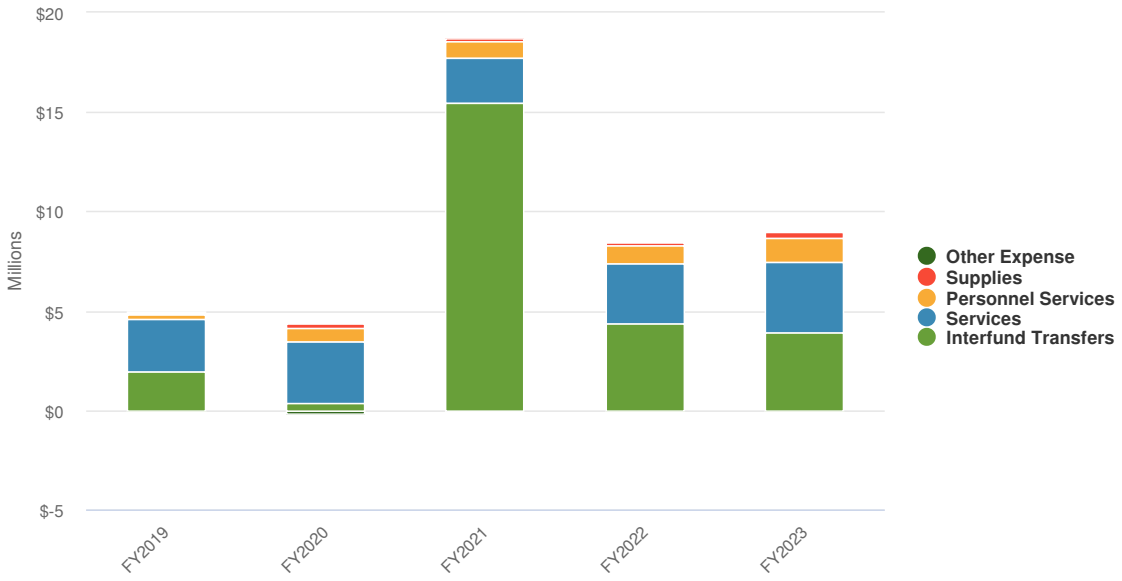
The FY 2022-23 Interfund transfers are as follows:

- Transfer to General Fund for Cost Allocation Plan internal services - $253,428
- Transfer to Information Technology and Risk Management Funds - $55,796
- Transfer to Water CIP fund for Water CIPs outlined in CIP budget - $444,000
- Transfer to Sewer CIP fund for Water's portion of the non-financed FY 2022-23 budget - $3,184,631

Budgeted Expenditures by Expense Type



Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expense Objects				
Personnel Services	$890,942	$881,119	$1,188,302	33.4%
Supplies	$163,600	$162,900	$319,625	95.4%
Services	$3,056,462	$3,036,862	$3,543,161	15.9%
Interfund Transfers	$4,349,705	$4,349,705	$3,937,855	-9.5%
Total Expense Objects:	**$8,460,709**	**$8,430,586**	**$8,988,943**	**6.2%**

Fund Balance

The fund balance figures in the bar graph below represent the Water Operating Fund's net position, consistent with how proprietary funds are reported in the City's Annual Comprehensive Financial Report (ACFR) and how they have been reported in prior year City budgets. The net position considers a fund's long-term assets and liabilities, and in the case of the Water Fund, includes both long-term liabilities such as pension liabilities and non-spendable assets such as the value of capital assets. In addition, the Water Operating Fund net position in the bar graph below is presented net of the fund balance in all other Water Enterprise funds. So, including the balances in those other funds, the overall Water Fund balance is higher.

A useful way to view the near-term fund balance is by looking at working capital, which is defined as near-term assets minus near-term liabilities.

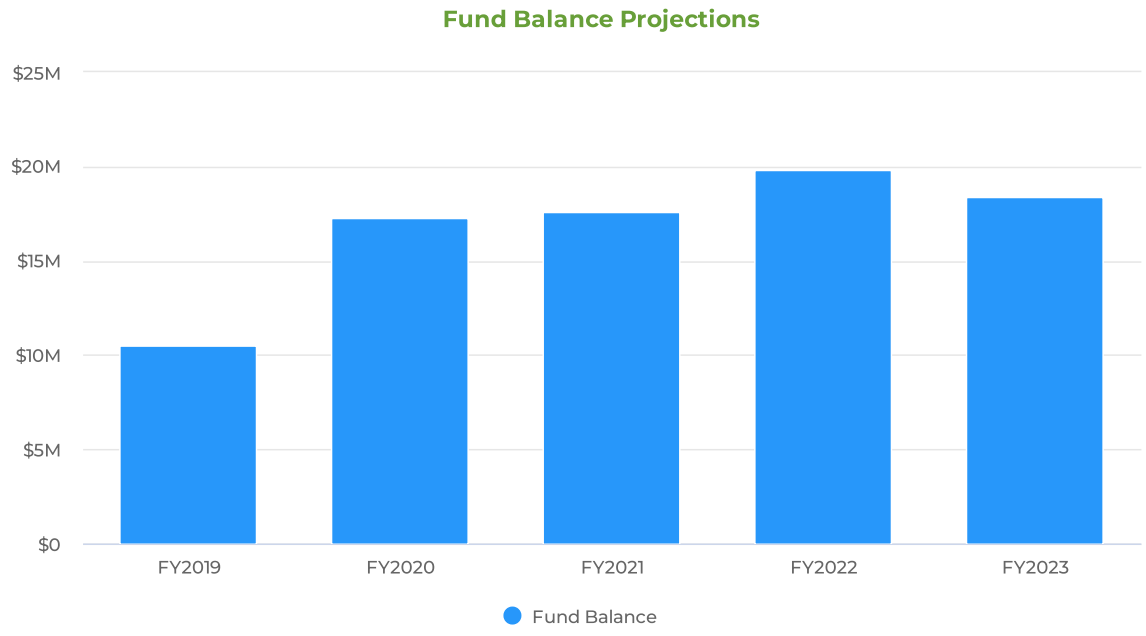
Water Operating Fund Working Capital

The Water Operating Fund's level of working capital (near-term assets minus near-term liabilities) at the end of the prior fiscal year on June 30, 2021 was as follows:

- Near term assets minus near term liabilities: $11,077,000
- Total due from WIFIA and SRF for services rendered in FY 2020-21: $3,197,196
- **Total Working Capital at 6/30/2021: $14,274,639**

$14.3 million of working capital meets and exceeds the City's minimum reserve policy for the Water Fund, which is set as follows:

- 25% of operating budget in last adopted budget (FY 2021-22) - $1.1 million
- 5% of prior year's rates for rate stabilization - $0.4 million
- 20% of value of the water fleet - met
- Debt service coverage - not currently applicable but projected to be met when WRF debt service begins

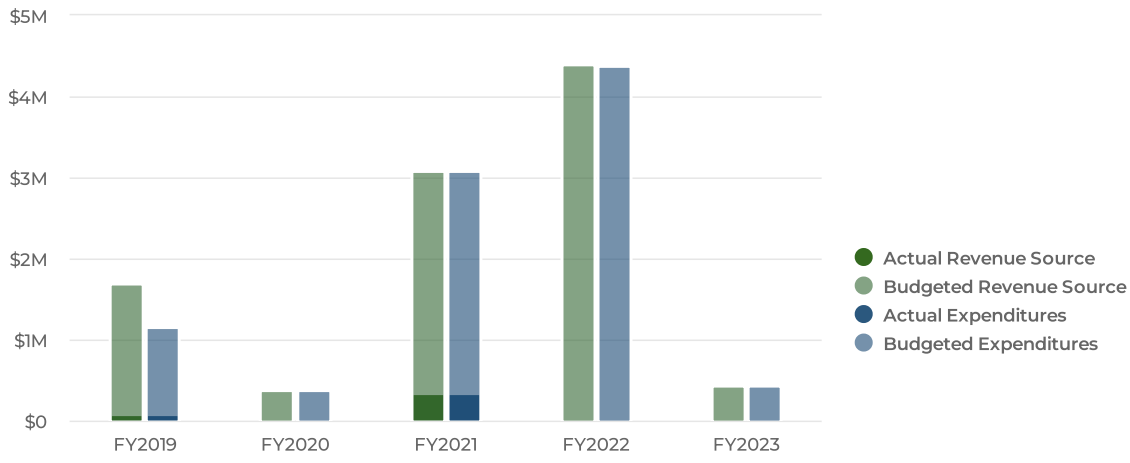


Water Capital Improvement Fund (921)

The Water Capital Improvement Fund fund tracks all Water capital improvement projects (CIPs).

Summary

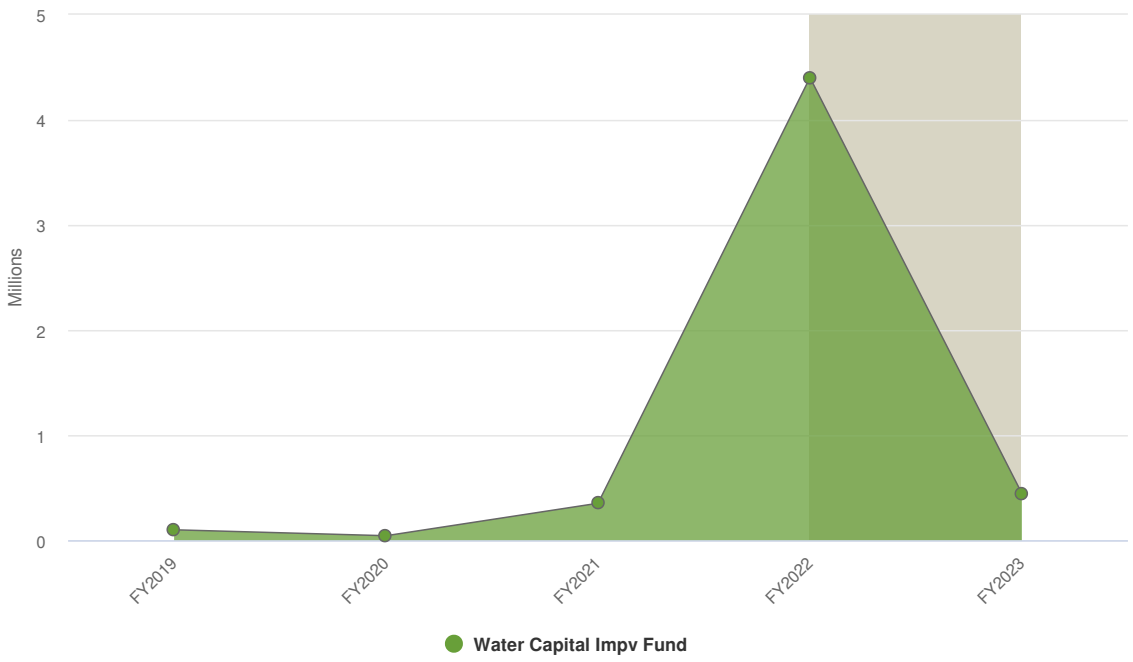
The City of Morro Bay is projecting $444,000 in revenues and $444,000 in new capital project expenditures in FY 2022-23 in addition to any carry forward capital funds that may be expended in FY 2022-23.



Revenue by Fund

Revenues into the Water CIP fund are typically transfers in from other Water Enterprise funds or other City funds. The FY 2021-22 Water CIP Fund revenue budget represents transfers in from other Water Enterprise funds, as does the FY 2022-23 revenue budget.

FY2022-23 Budgeted and Historical Revenue by Fund



Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Water Capital Impv Fund	$4,402,147	$4,402,147	$444,000	-89.9%
Total Water Capital Impv Fund:	**$4,402,147**	**$4,402,147**	**$444,000**	**-89.9%**

Expenditures by Fund

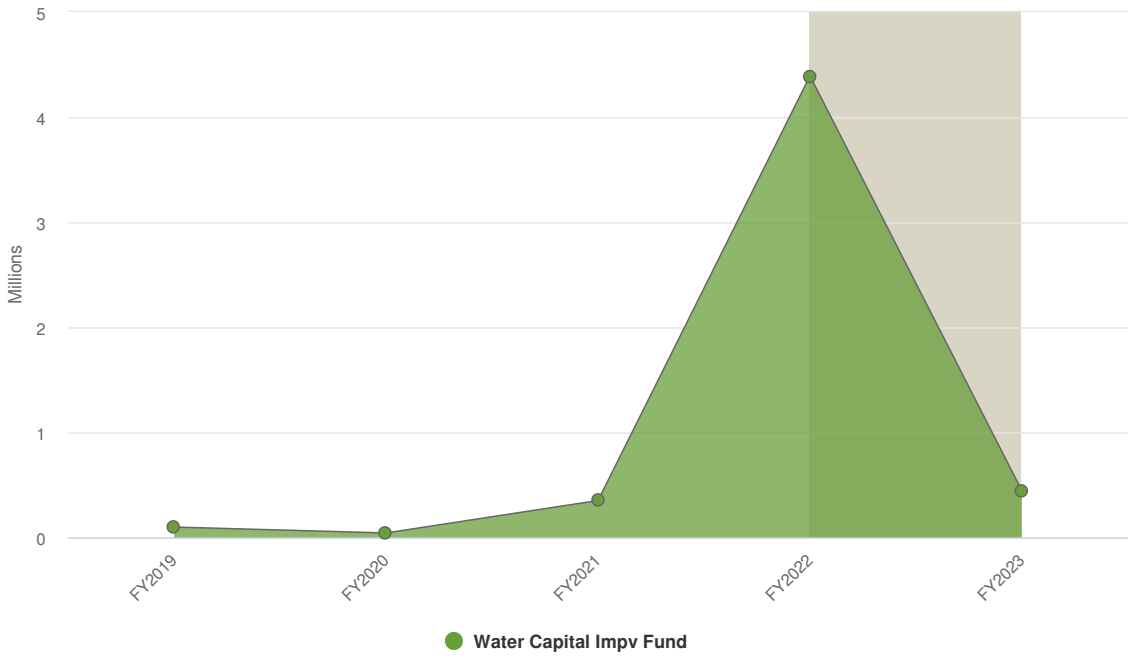
The FY 2022-23 budget includes $444,000 in new capital improvement budget for four new Water CIP allocations. In addition to the new FY 2022-23 budget allocation, any remaining, unexpended FY 2021-22 Water CIP budget for ongoing projects will be carried forward with City Council approval.

The $444,000 in new funding allocation is broken down as follows. Each of these projects is presented in great detail in the CIP section of the Budget Book.

- **Water Vehicle and Equipment Replacement** - $209,000 in additional budget. New project.
- **Water Tank Rehabilitation** - $125,000 in additional budget. Continued project from prior year.
- **Reverse Osmosis Facility Upgrades - Preliminary Plan** - $80,000 in additional budget. Continued project from prior year.
- **OneWater Plan Update - Preliminary Funding** - $30,000. New project.

In addition to these four projects budgeted in the Water Capital Fund, the Water Operating Fund will also be transferring approximately $3.2 million to the Sewer Capital Fund to cover the water-related portion of the Water Reclamation Facility budget for FY 2022-23 that is currently cash-funded.

Budgeted and Historical 2023 Expenditures by Fund

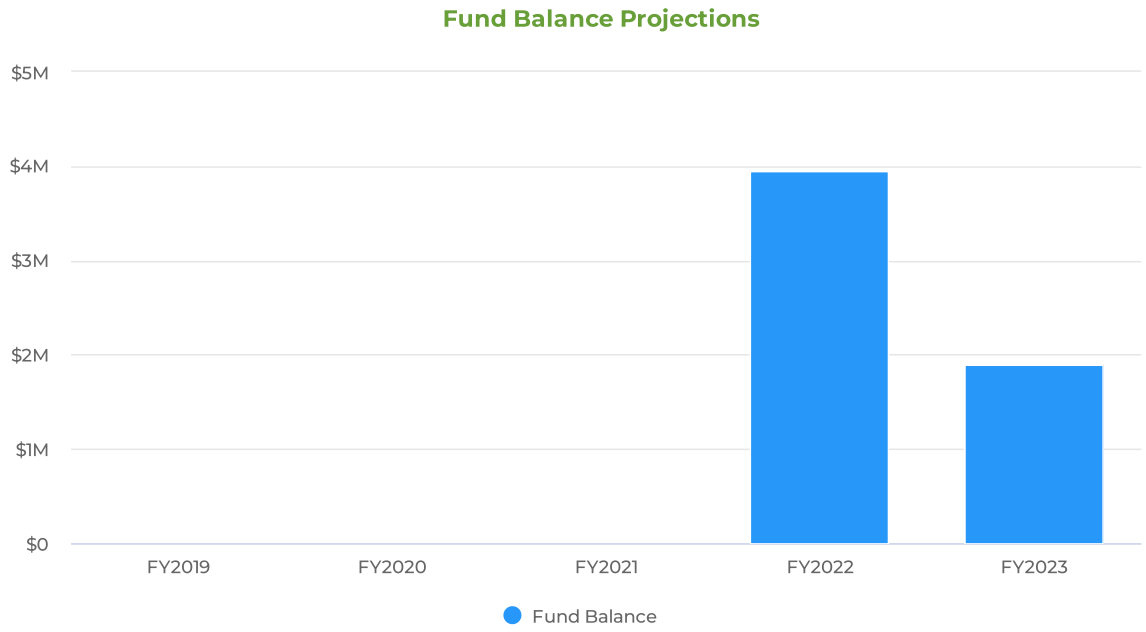


Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Water Capital Impv Fund	$4,391,429	$450,000	$444,000	-89.9%
Total Water Capital Impv Fund:	**$4,391,429**	**$450,000**	**$444,000**	**-89.9%**

Fund Balance

In prior years, budget allocations for active CIPs that were not expended within a given fiscal year were not always carried forward. This resulted in confusing budgeting practices due to the multi-year nature of capital projects. This practice is also unnecessary given City Council authorization to carry forward unexpended capital project budget for projects that are still underway at fiscal year-end. Beginning in FY 2021-22, unexpended capital funds for active projects will remain in the Water Capital Fund and the budget will be carried forward to allow projects to be completed in the next year. The Water Capital Fund balance is projected to be almost $4 million at the end of FY 2021-22, as there are several capital projects that are still ongoing. Much of these funds are expected to be spent in FY 2022-23, along with spending on new projects outlined above, for a projected year-end fund balance in the Water Capital fund of approximately $1.9 million at the end of FY 2022-23.

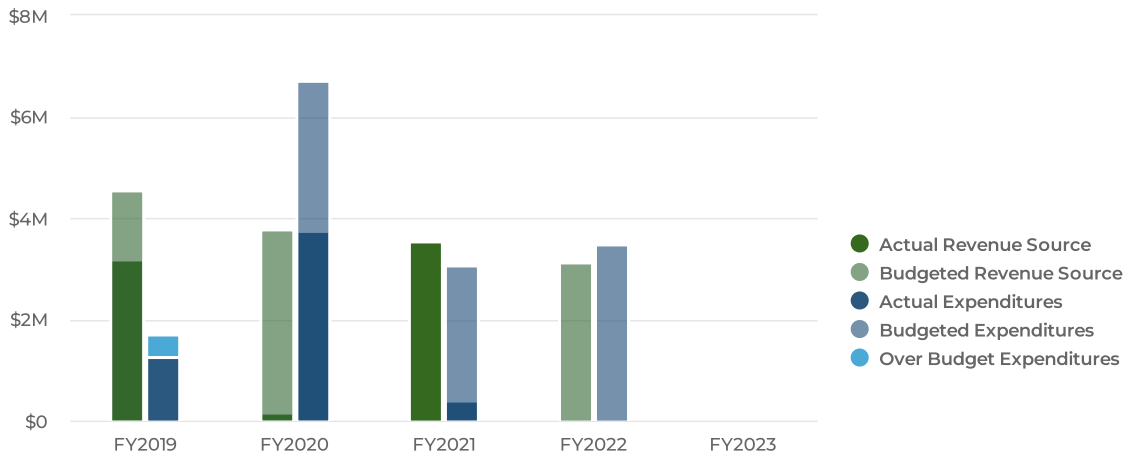


Water Accumulation Fund (951)

The Water Accumulation Fund has been used as a savings fund for capital projects and operational needs. Per Government Finance Officer Association (GFOA) best practices and City Council direction, this fund will be closed out at the end of FY 2021-22 and any remaining balance will be transferred to the Water Operating Fund, where reserve and fund balances will be tracked and accumulated for future use for capital projects.

Summary

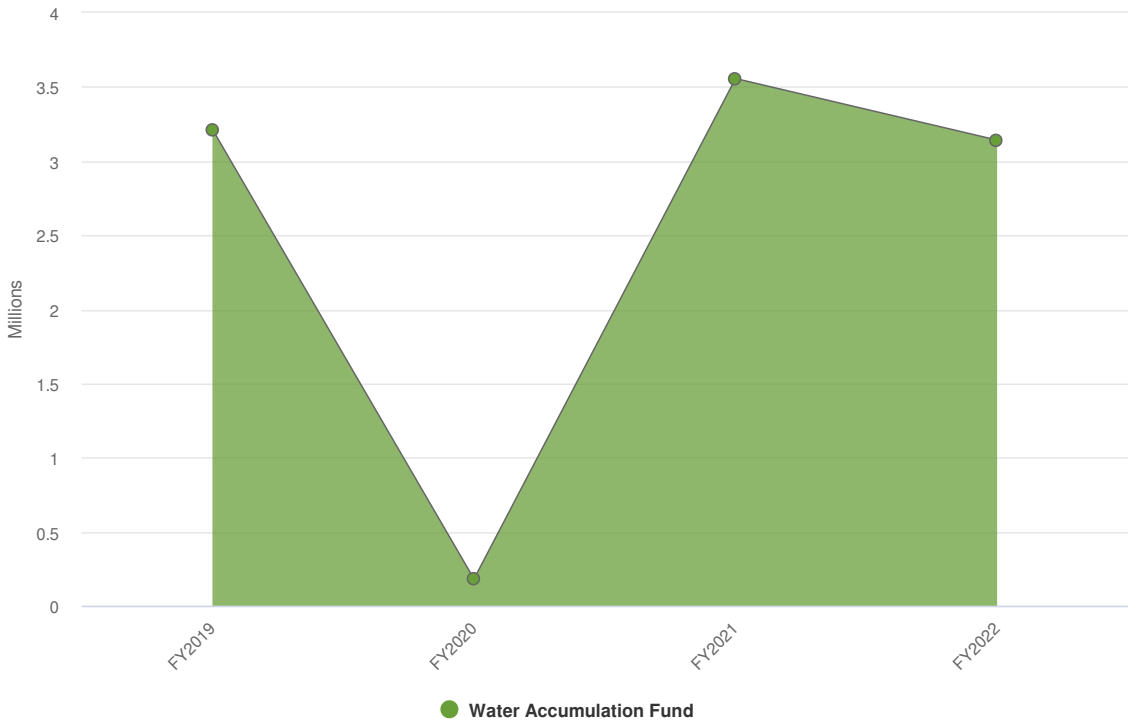
The City of Morro Bay is projecting no revenue and no expenditures for FY2022-23, since the fund is being closed out at the end of FY 2021-22.



Revenue by Fund

Revenues from this fund have come in as intrafund transfers from other Water Enterprise funds and have been stored here until they are transferred back to the Water operating or capital fund for use. To reduce the number of interfund transfers, funds, and duplicate budgeting, this "pass through" function will no longer be needed once the fund is closed out, and all available funds will fall to fund balance in the Water Operating Fund. The FY 2021-22 transfers in will still be completed as budgeted in order to accommodate the budgeted transfers out for FY 2021-22 before closing out the fund.

Budgeted and Historical 2023 Revenue by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Water Accumulation Fund	$3,141,092	$3,259,592	$0	-100%
Total Water Accumulation Fund:	**$3,141,092**	**$3,259,592**	**$0**	**-100%**

Expenditures by Fund

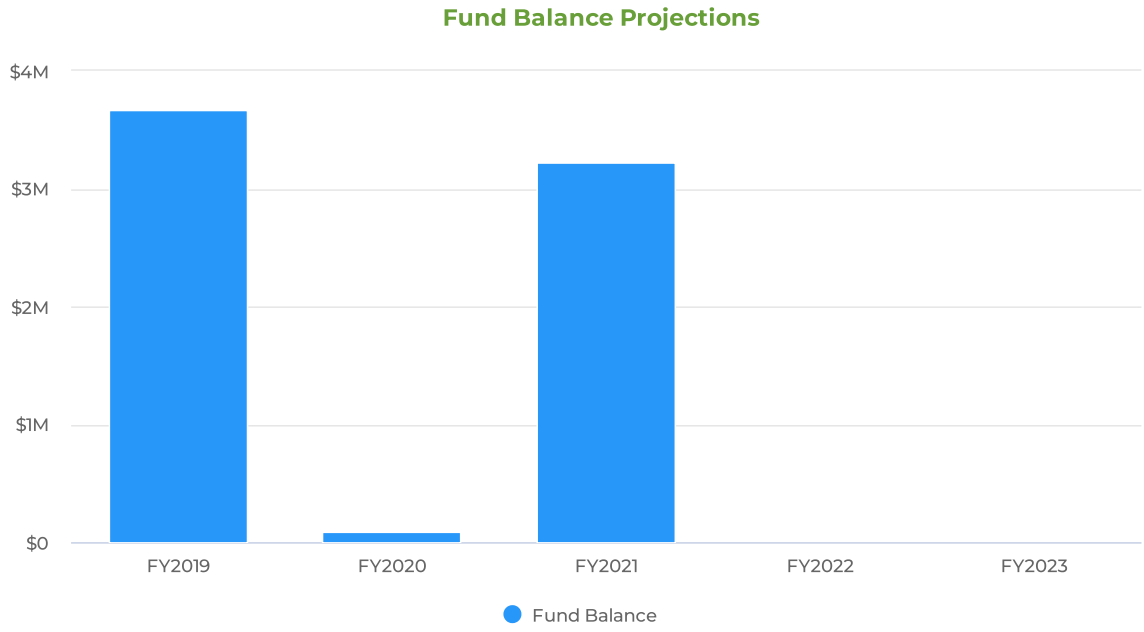
Expenditures from this fund have been primarily in the form of transfers out to the Water Capital Fund, which is the case for FY 2021-22. Going forward, this "pass-through" savings fund will be closed out and any funds needed for capital expenditures will be transferred directly from the Water Operating Fund to the Water Capital Fund.

Budgeted and Historical 2023 Expenditures by Fund

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Water Accumulation Fund	$3,502,350	$6,486,350	$0	-100%
Total Water Accumulation Fund:	**$3,502,350**	**$6,486,350**	**$0**	**-100%**

Fund Balance

The remaining fund balance from FY 2020-21 will be used in part to make FY 2021-22 budgeted transfers to the Water Capital Fund. The remaining fund balance (projected at approximately $3.0 million) will be transferred to the Water Operating Fund pending Council approval with year-end budget adjustments. That will zero out the fund balance for FY 2021-22 and going forward, and all Water enterprise reserves and savings for capital projects will be tracked in the Water Operating Fund consistent with industry standards and best practices.

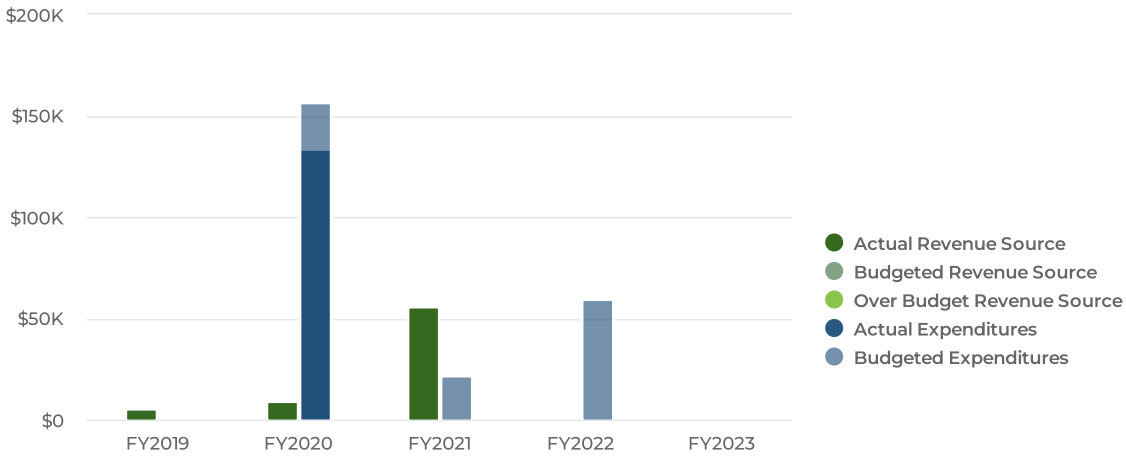


Water Equipment Replacement Fund (053)

The Water Equipment Replacement Fund has been used as a savings fund for equipment and vehicle replacement needs. This fund will be closed out and any balance transferred to the Water Operating Fund at the end of FY 2021-22. Future equipment replacement purchases greater than $50,000 will be tracked through the Water Capital Improvement Fund.

Summary

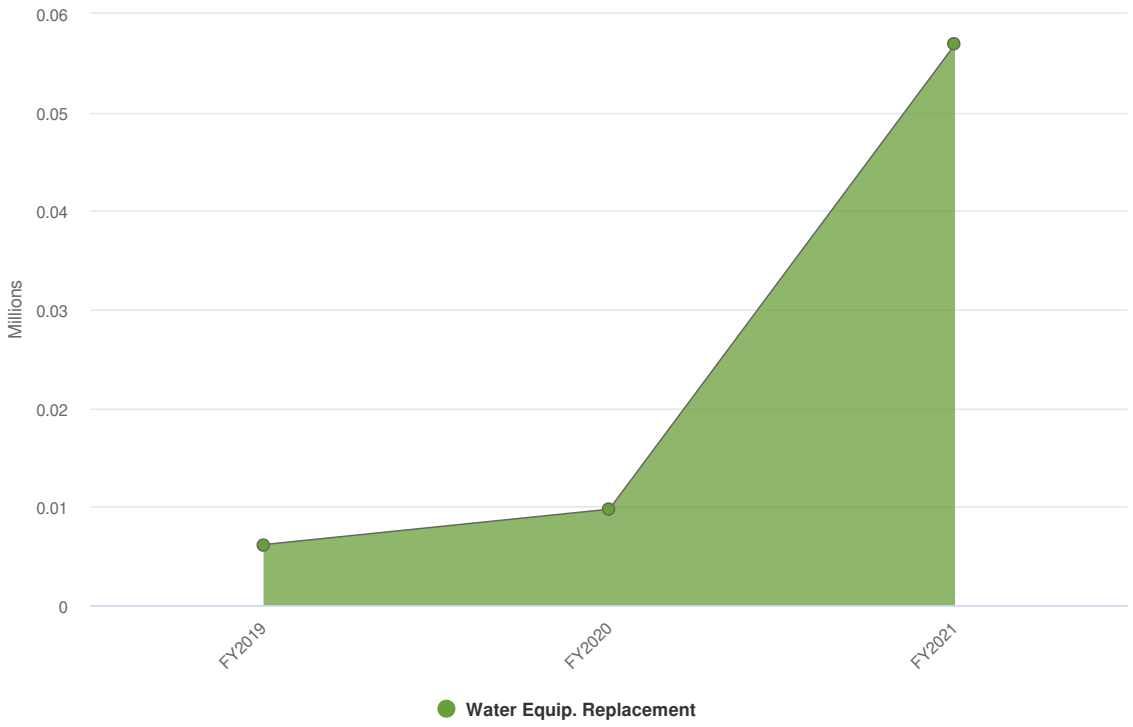
No revenues or expenditures are budgeted for FY 2022-23, given that the fund will be closed out.



Revenue by Fund

Past revenues into the equipment replacement fund have come as intrafund transfers from other Water Enterprise funds. There are no revenues projected for FY 2021-22 nor for FY 2022-23 as the fund is being closed out.

Budgeted and Historical 2023 Revenue by Fund



Expenditures by Fund

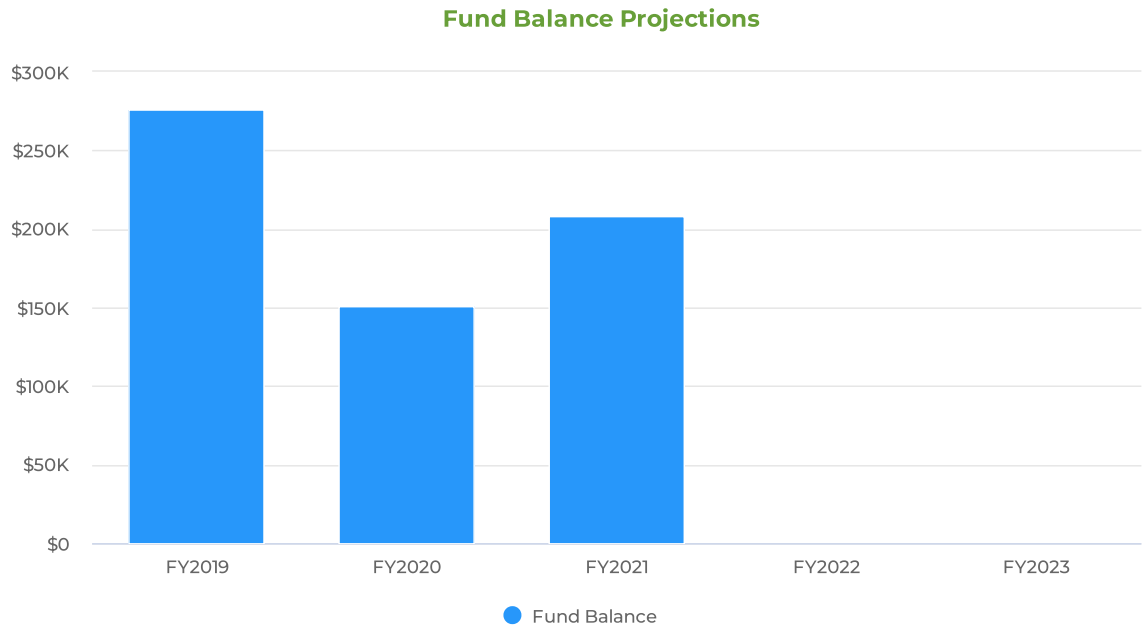
This fund will be closed out and any balance transferred to the Water Operating Fund at the end of FY 2021-22. There are no projected actuals for equipment replacement in FY 2021-22. Pending City Council approval at year-end, the remaining projected fund balance of approximately $208,000 will be transferred to the Water Operating Fund. Future equipment replacement purchases greater than $50,000 will be tracked through the Water Capital Improvement Fund.

Budgeted and Historical 2023 Expenditures by Fund

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Water Equip. Replacement	$60,000	$208,000	$0	-100%
Total Water Equip. Replacement:	**$60,000**	**$208,000**	**$0**	**-100%**

Fund Balance

This fund will be closed out and any balance transferred to the Water Operating Fund at the end of FY 2021-22. The remaining projected fund balance of approximately $208,000 will be transferred to the Water Operating Fund pending Council approval with year-end budget amendments.

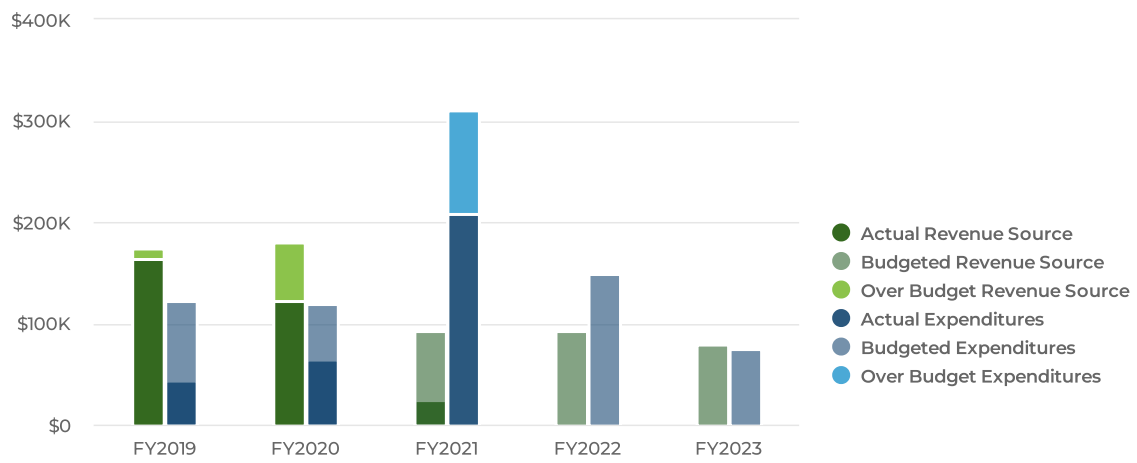


Utility Discount Fund (315)

This Fund tracks the Utility Discount Program, which was established by Council Resolution No. 54-15 on July 14, 2015. Discretionary funds are placed into this account to allow a discount of City utility bills for income-qualifying residents who are participants in the PG&E Care Program. The program is funded not through rates paid, but through late payment penalties, non-sufficient funds fees, and reconnection fees, as well as limited donations. This Fund also covers costs of the Utility Rebate Program, which began in FY 2019-20, and funds rebates for homeowners who purchase and install water conserving appliances (washer, toilets) that are eligible for rebates under the program requirements.

Summary

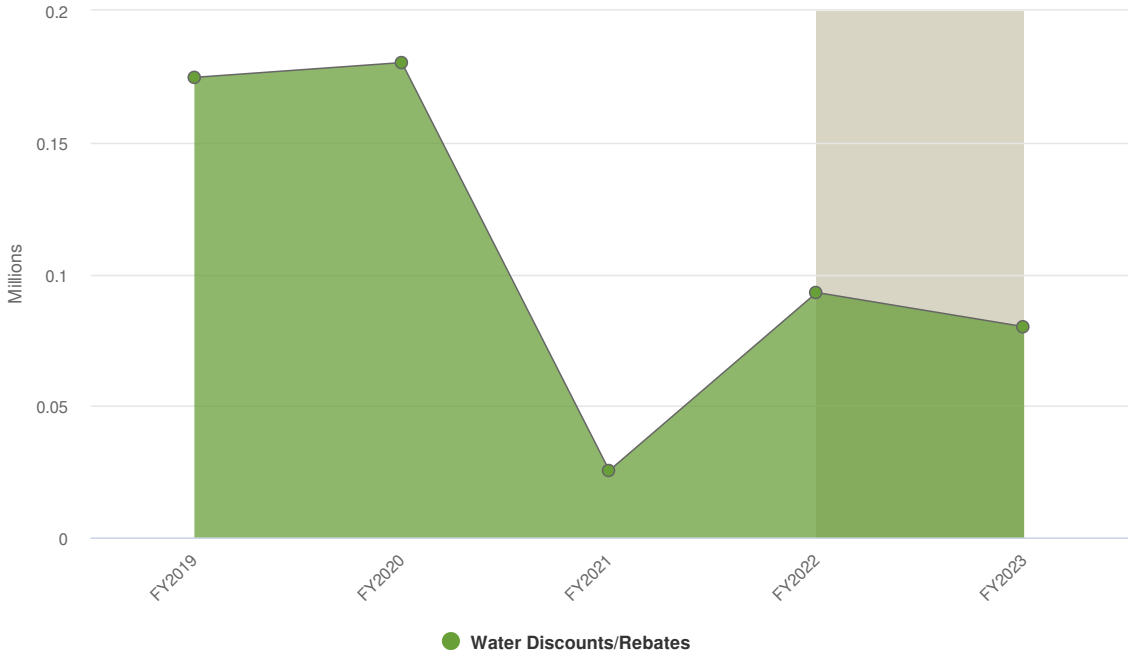
The City of Morro Bay is projecting $80,000 of revenue in FY2022-23, which represents a 14% decrease over the prior year. Budgeted expenditures are projected to decrease by 49% to $76,000 in FY2022-23.



Revenue by Fund

Revenues to the Utility Discount Fund include late payment penalties, non-sufficient funds fees, and reconnection fees, as well as limited donations. Penalties and reconnection fees were eliminated from March 2020 through December 2021 due to the COVID-19 pandemic, resulting in a significant reduction in revenue to the Fund during that period. At the same time, the discount program was increased from a 10% discount to a 25% discount per Resolution No. 54-21, resulting in increased expenditures at the same time the Fund was realizing little to no revenues. In December 2021, Council reinstated penalties and changed the discount program back to the 10% baseline discount in order to preserve the Fund's capacity to continue to give some level of legal discount to qualifying ratepayers. Penalties may eventually return to pre-pandemic revenue levels but conservative revenue projections are utilized for FY 2022-23 as the City continues to track changing customer use patterns during pandemic recovery.

Budgeted and Historical 2023 Revenue by Fund



Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Water Discounts/Rebates	$93,000	$45,000	$80,000	-14%
Total Water Discounts/Rebates:	**$93,000**	**$45,000**	**$80,000**	**-14%**

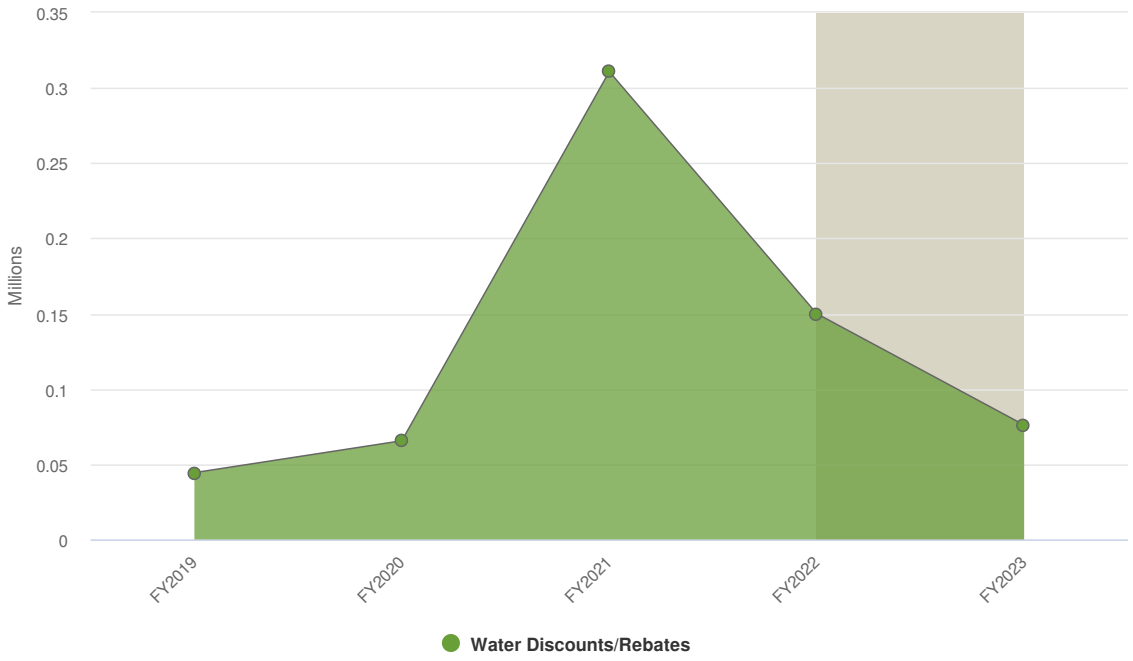
Expenditures by Fund

The primary expenditure from this fund is for utility discounts. Prior to the pandemic, under the 10% discount program, annual discount program costs were approximately $65,000. During FY 2020-21, when the discount program was increased to 25% and increased efforts were made to message the program and enroll more participants, expenditures were approximately $204,000. For FY 2021-22, staff projects that the cost of the discount program will be approximately $120,000 given that City Council lowered the discount program back to 10% effective January 2022 in order to preserve the Fund's capacity to provide some level of discount to qualifying ratepayers into the future. For FY 2022-23, expenditures for the discount program are projected to fall further to approximately $70,000 given that the discount program will be 10% for the full fiscal year (barring any additional Council action). At that level, the program is more likely to be covered through penalty-related revenues.

The rebate program is budgeted at $6,000 for FY 2022-23, consistent with recent actuals.

The high year-end expenditures for FY 2020-21 reflect both the record-setting year of discount program expenditures at $204,000 and also a year-end accounting entry that was required to correctly reflect actual expenditures and cash balances in FY 2018-19 and FY 2019-20.

Budgeted and Historical 2023 Expenditures by Fund



Grey background indicates budgeted figures.

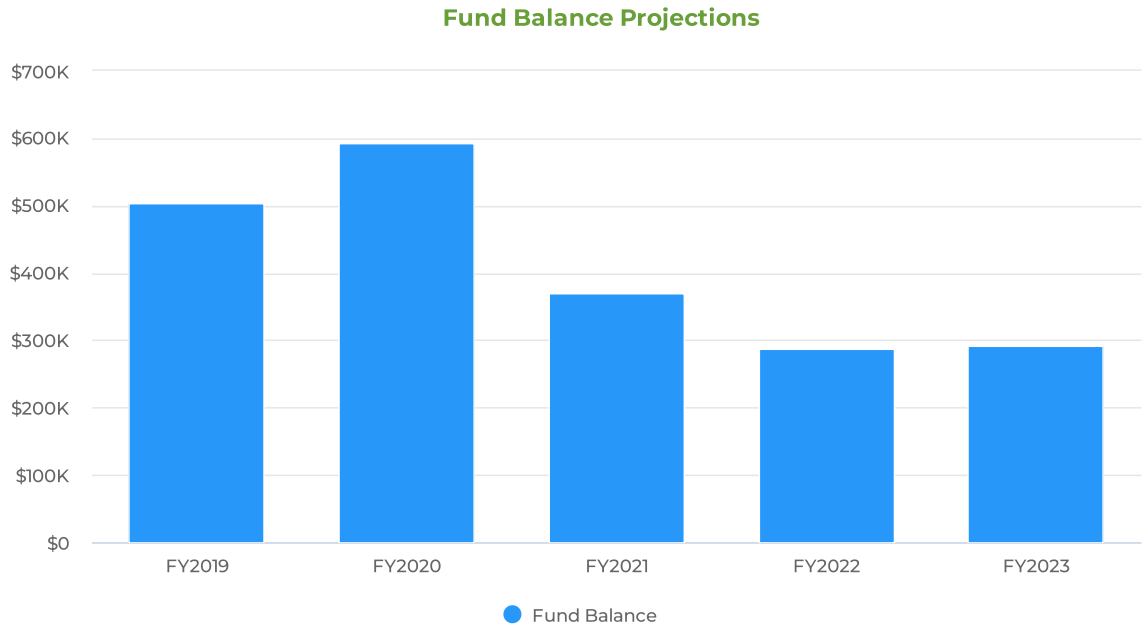
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Water Discounts/Rebates				
Other Expense				
Water Customer Discount	$150,000	$0	$0	-100%
Utility Rebate Program	$0	$3,800	$3,000	N/A
Water Conservation Rebate	$0	$5,300	$3,000	N/A
Total Other Expense:	**$150,000**	**$9,100**	**$6,000**	**-96%**
Interfund Transfers				
Transfers Out		$120,000	$70,000	N/A
Total Interfund Transfers:		**$120,000**	**$70,000**	**N/A**
Total Water Discounts/Rebates:	**$150,000**	**$129,100**	**$76,000**	**-49.3%**

Fund Balance

The FY 2018-19 and FY 2019-20 fund balances have been updated here to reflect a year-end accounting entry that was required to be made in FY 2020-21 to correctly reflect actual expenditures and cash balances in FY 2018-19 and FY 2019-20.

The fund balance declined significantly in FY 2020-21 due to revenues in the fund being largely suspended during the COVID-19 pandemic while expenditures in the fund increased due to an increased discount program during the same pandemic period.

Going forward, the fund balance is projected to stabilize as penalties are reinstated and the discount program was returned to 10%.



Transit Funds

The Transit Funds are a proprietary and major fund group, and track all activites related to the Transit Enterprise. This includes all costs associated with providing safe and accessible transit on streets, pedestrian walkways, and bike paths, as well as transportation planning, ridesharing, and street and road improvements.

The Transit Enterprise funds consist of the following two funds:

- Transit Operating
- Transit Capital Improvement

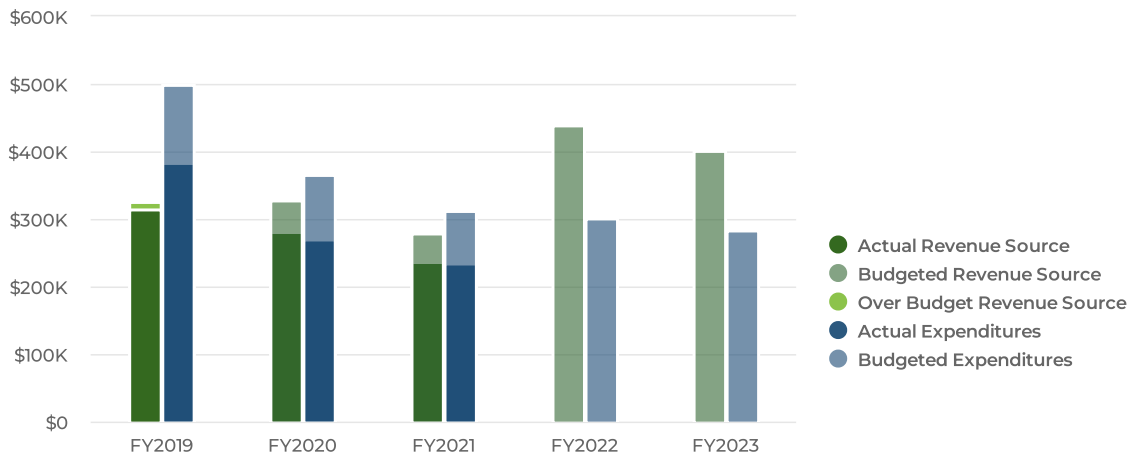
The individual fund summaries for each of the funds in this section provide detail regarding Morro Bay's Transit Enterprise operation. Fund balances are presented individual for each of the funds.

Transit Operating Fund (301)

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 routes and Call-A-Ride services, and also a seasonal Trolley service. The primary source of revenue for this Fund is the Transportation Development Act (TDA).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).

Summary

The City of Morro Bay is projecting approximately $402,000 in revenue in FY 2022-23, which represents an 8.6% decrease over the prior year. Budgeted expenditures are projected to decrease to approximately $284,000 in FY 2022-23.



Revenue by Fund

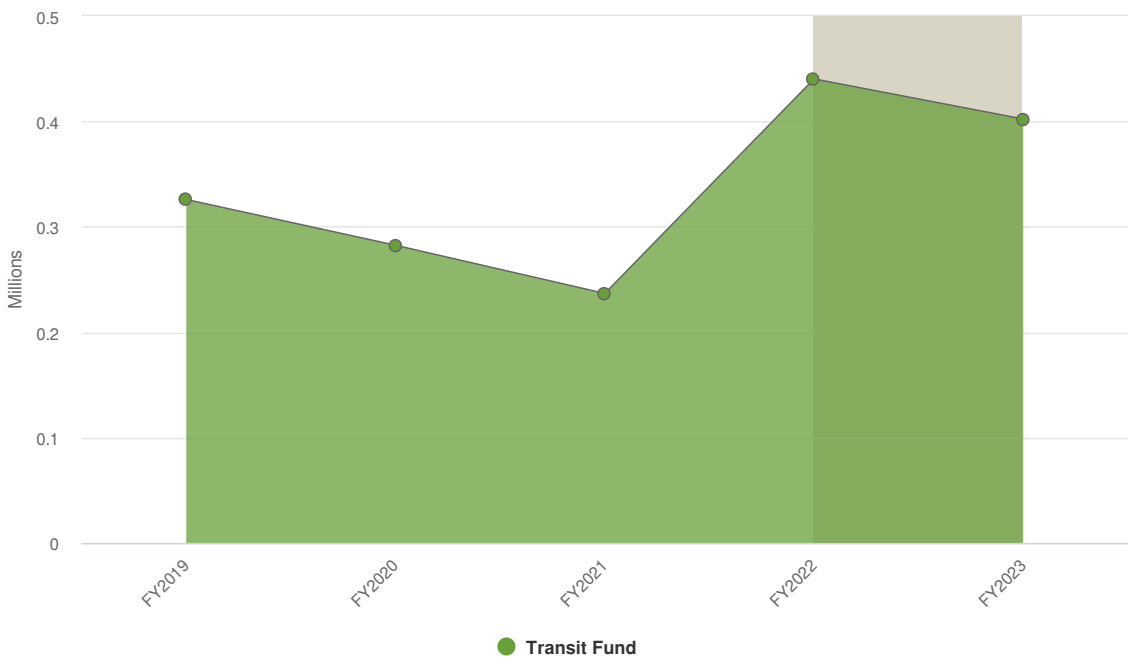
FY 2022-23 anticipated revenue for Local Transportation (TDA) and State Transit Assistance (STA) to be received by the City reflects a decrease from the prior year due to projections from the State Controller's Office. Anticipated revenue for current services is anticipated to decrease for van farebox receipts due to COVID-related impacts on trolley ridership.

The primary source of revenue for this Fund is the Transportation Development Act (TDA). TDA was enacted by the State Legislature in 1971 to make funds available for transit, pedestrianway and bikeway projects, transportation planning, ridesharing and street and road improvements. 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)
- State Transit Assistance (STA)

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). The remaining TDA funds are used for the fixed route, Call-A-Ride and Trolley services.Two percent of TDA funds received by the City are specifically set aside and transferred into the Bike Path fund (302) for bike path/lane projects. This two percent allocation must be placed in a separate account as required by TDA law regulations.

Budgeted and Historical 2023 Revenue by Fund



Grey background indicates budgeted figures.

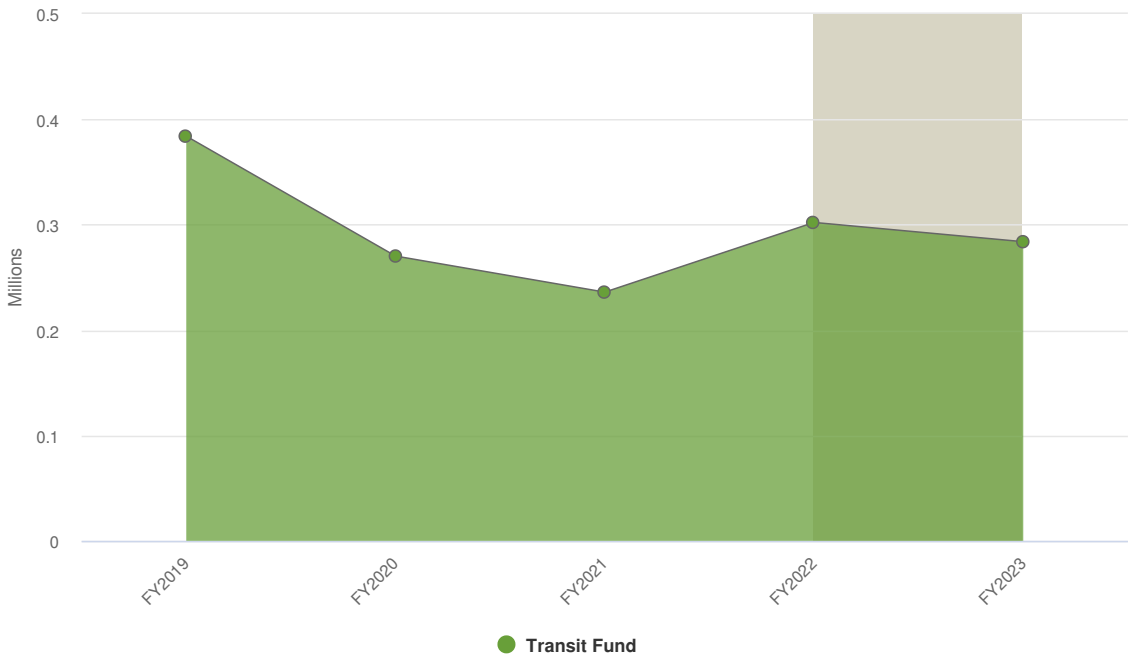
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Transit Fund	$440,325	$432,676	$402,253	-8.6%
Total Transit Fund:	**$440,325**	**$432,676**	**$402,253**	**-8.6%**

Expenditures by Fund

The FY 2022-23 budget includes anticipated expenditures of $283,861, with partial funding and a transfer out of $13,200 towards a replacement transit vehicle to the Transit Capital Improvement Fund. This expense is 10% of the total vehicle cost and is a local RTF grant match. Anticipated Customer Price Index (CPI) increases have been applied to contract services, which will be most affected in this fund, and increases to fuel and oil costs to reflect anticipated increases for those resources in the current economy.

The Transit Operating Fund is for the operations and activities that provide the City's public transit system (Morro Bay Transit). This program operates a year-round deviated fixed route, other fixed routes, and Call-A-Ride services. 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. In addition, this Fund contributes to transit capital project related improvements throughout the city. In addition, a seasonal Trolley service is provided.

Budgeted and Historical 2023 Expenditures by Fund

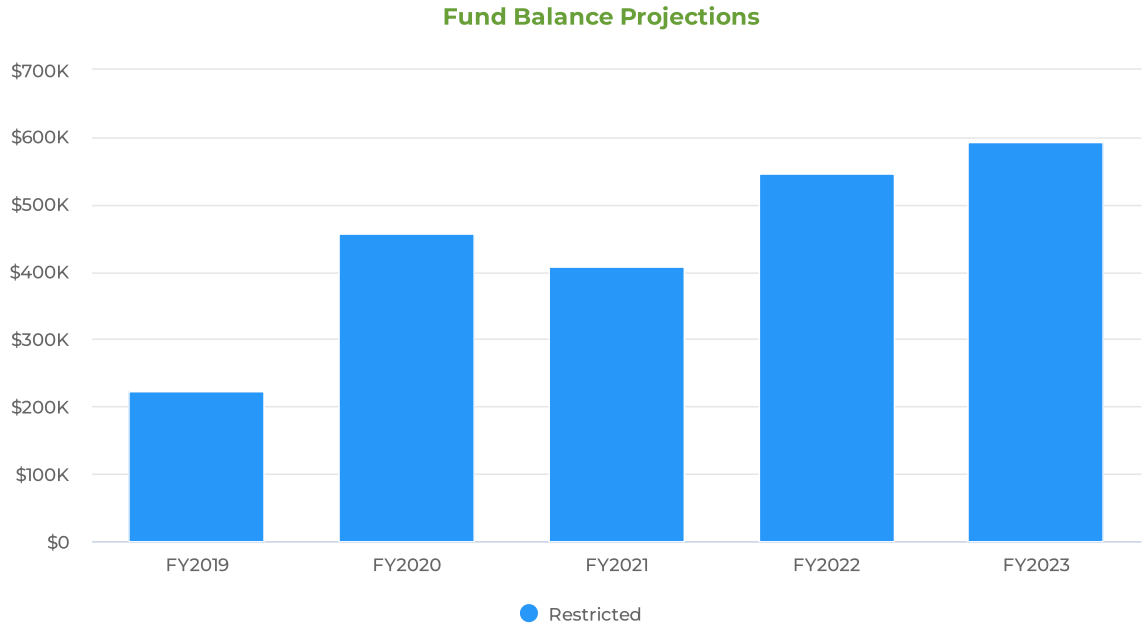


Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Transit Fund				
Supplies	$36,803	$33,955	$39,007	6%
Services	$170,792	$167,868	$179,007	4.8%
Interfund Transfers	$94,546	$87,179	$65,847	-30.4%
Total Transit Fund:	**$302,141**	**$289,002**	**$283,861**	**-6.1%**

Fund Balance

FY 2021-22 fund balance is anticipated to be $546,027, and also anticipated to increase in FY 2022-23 by $47,762 to a total balance of $593,789. The anticipated fund balance accounts for transfers out of the Transit Operating Fund for capital project contributions, and also cost allocation transfers for those fiscal years.



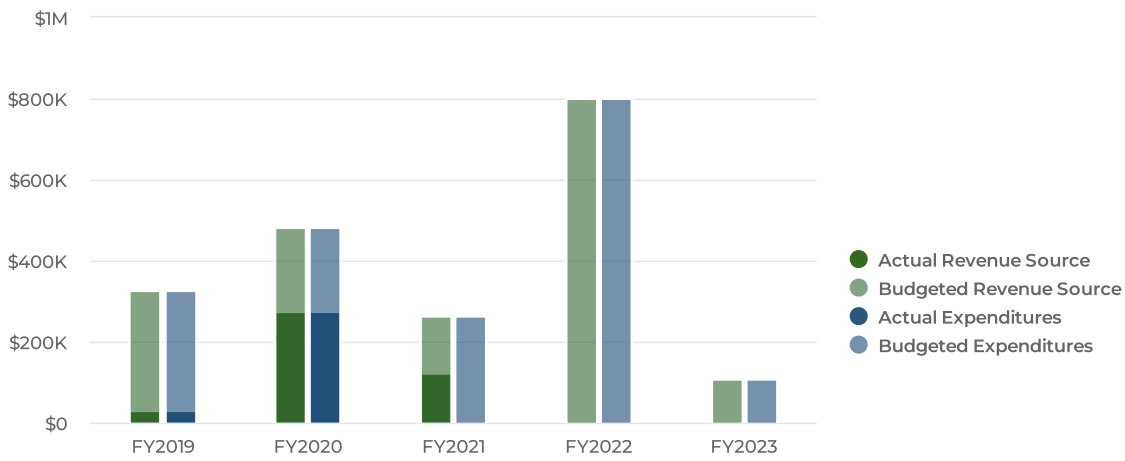
	FY2019	FY2020	FY2021	FY2022	FY2023	$ Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Restricted	$222,735	$455,920	$407,842	$546,027	$593,789	$47,762
Total Fund Balance:	**$222,735**	**$455,920**	**$407,842**	**$546,027**	**$593,789**	**$47,762**

Transit Capital Improvement (920)

The Transit Capital Improvement Fund tracks all Transit capital improvement projects (CIPs).

Summary

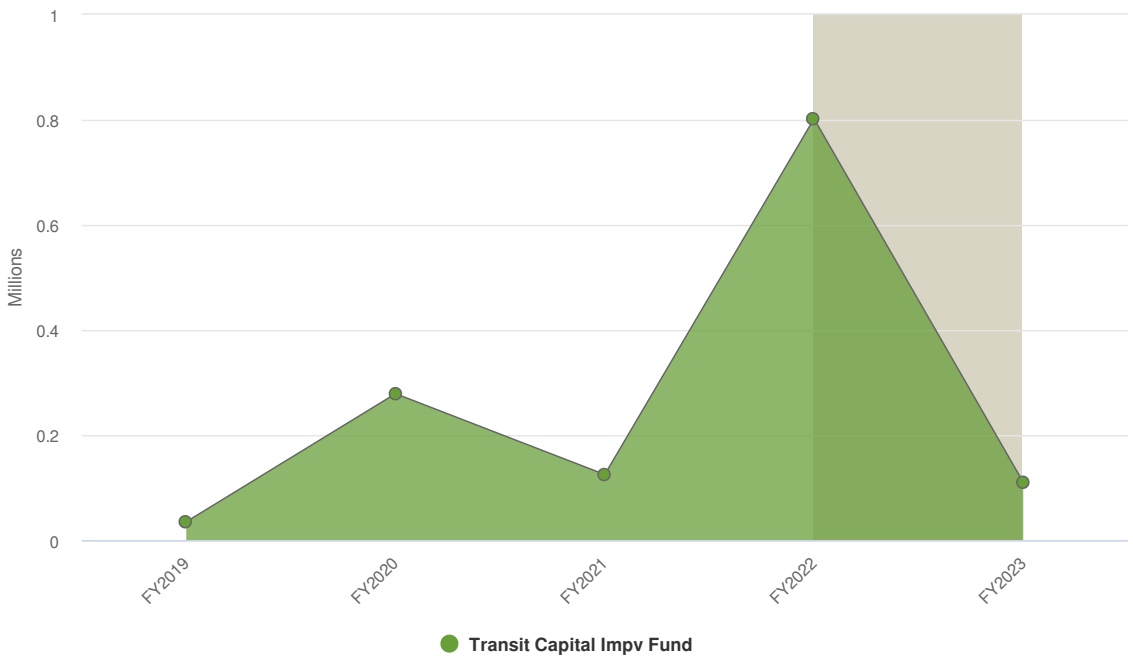
The Transit Capital Improvement Fund is budgeting $96,800 of reimbursable grant revenue and $13,200 of transfers into the fund in FY 2022-23 to fund the purchase of a new transit vehicle for a total of $110,000. This represents an 86% decrease over the FY 2021-22 budgeted revenue for capital projects. Budgeted expenditures are projected to equally decrease by 86% or $692,206 thousand to $110,000 thousand in FY 2022-23. Revenues and expenditures are budgeted at the same amount due to capital improvement project expenses being the only items budgeted in the fund. Revenues received and transferred in are specifically for the coverage of those project expenditure categories.



Revenue by Fund

Revenues into the Transit CIP Fund are typically transfers in from the Transit Operating Fund, or other City funds for contribution to capital projects. The FY 2022-23 Transit CIP Fund revenue budget represents transfers in from the Transit Operating Fund and local RTF grant revenue.

Budgeted and Historical 2023 Revenue by Fund



Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Transit Capital Impv Fund	$802,006	$802,006	$110,000	-86.3%
Total Transit Capital Impv Fund:	**$802,006**	**$802,006**	**$110,000**	**-86.3%**

Expenditures by Fund

The FY 2022-23 budget includes $110,000 in new CIP budget for two Transit CIPs. This amount represents new budget allocation. In addition to the FY 2022-23 budget, the remaining FY 2021-22 Transit CIP budget that is unexpended at fiscal year-end that is for ongoing projects will be carried forward with City Council approval and is projected to be spent.

The $110,000 in new funding allocation is for the following project contributions:

- **Replacement Transit Vehicle (new project)** - $110,000

This project is presented in greater detail in the Transit CIP section of the Budget Book.

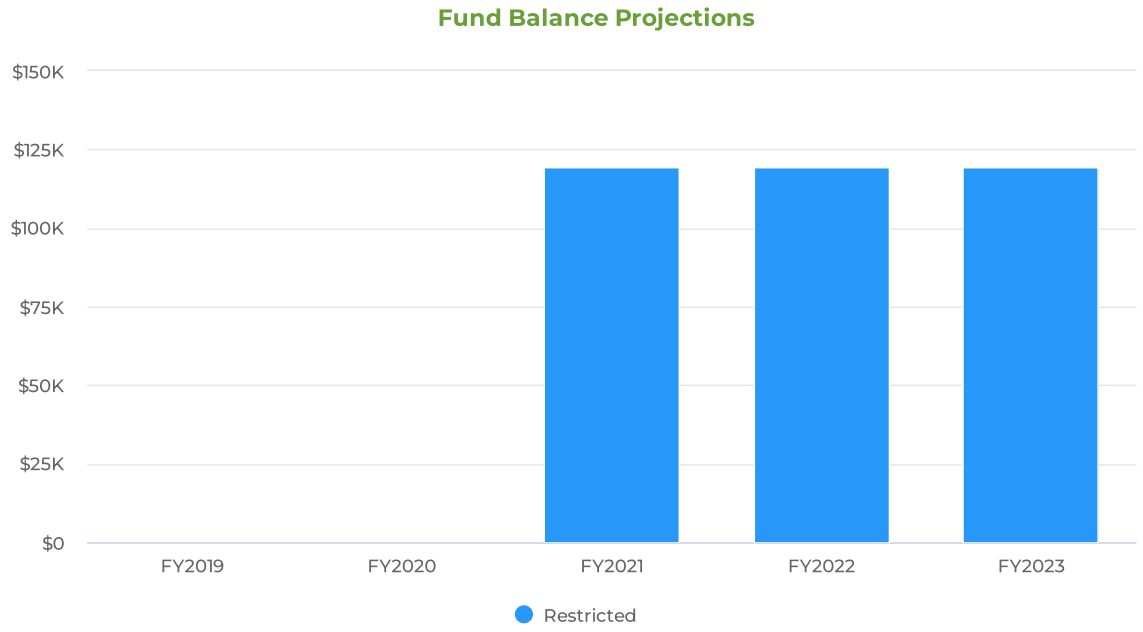
Budgeted and Historical 2023 Expenditures by Fund

Grey background indicates budgeted figures.

Fund Balance

In prior years funds, were transferred only as capital project expenditures occurred. This resulted in confusing budgeting practices due to the multi-year nature of capital projects and carry forward budgets. This practice is also unnecessary given City Council authorization to carry forward unexpended capital project budget for projects that are still underway at fiscal year-end.

Beginning in FY 2021-22, unexpended capital funds for active projects will remain in the CIP fund and the budget will be carried forward so that the project can be continued and completed in the following fiscal year. The Transit CIP Fund balance is projected to be $119,000 at the end of FY 2021-22, as there are multiple capital projects that are still ongoing and will not need further contributions. This 2021-22 fund balance is the same amount from FY 2020-21 year end and is also the continued projection for FY 2022-23 since revenue is being transferred in for the new projects listed above for a projected year-end fund balance in the Transit CIP fund of approximately $119,000 at the end of FY 2022-23.



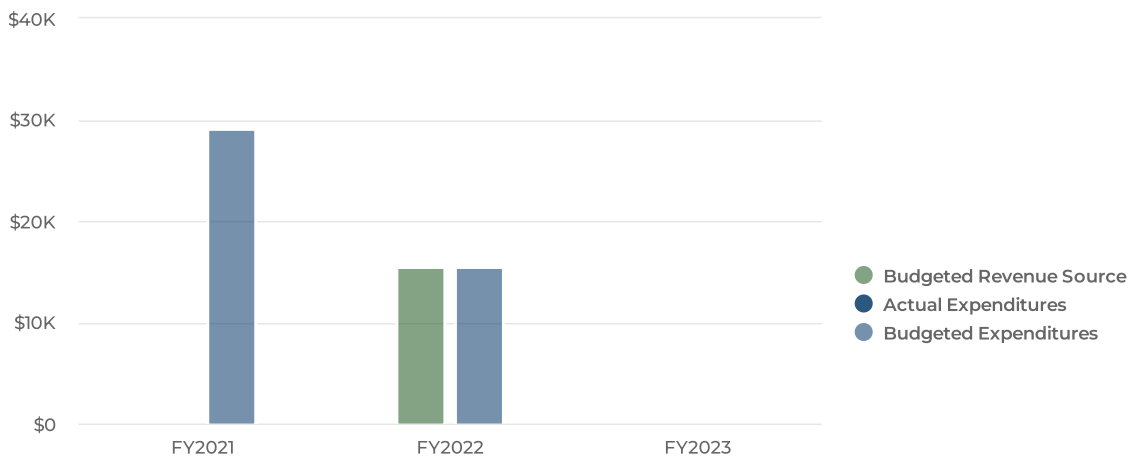
	FY2021	FY2022	FY2023	% Change	$ Change
Fund Balance	_	**Projected**	**Projected**		
Restricted	$119,438	$119,348	$119,348	0%	$0
Total Fund Balance:	**$119,438**	**$119,348**	**$119,348**	**0%**	**$0**

Trust and Agency Fund (515)

The Trust and Agency Fund is utilized in situations in which the City is acting in a fiduciary capacity as trustee or agent. Through FY 2019-20, the City held both pension/other employee benefit trust funds as well as custodial funds. As of FY 2020-21, the pension/other employee benefit trust funds were utilized to pay down the City's Unfunded Actuarial Liability (UAL), and so currently the City reports only custodial funds (assets equal liabilities). This fund is used to account for assets held by the City as an agent for individuals, private organizations, or other governments, and/or other funds.

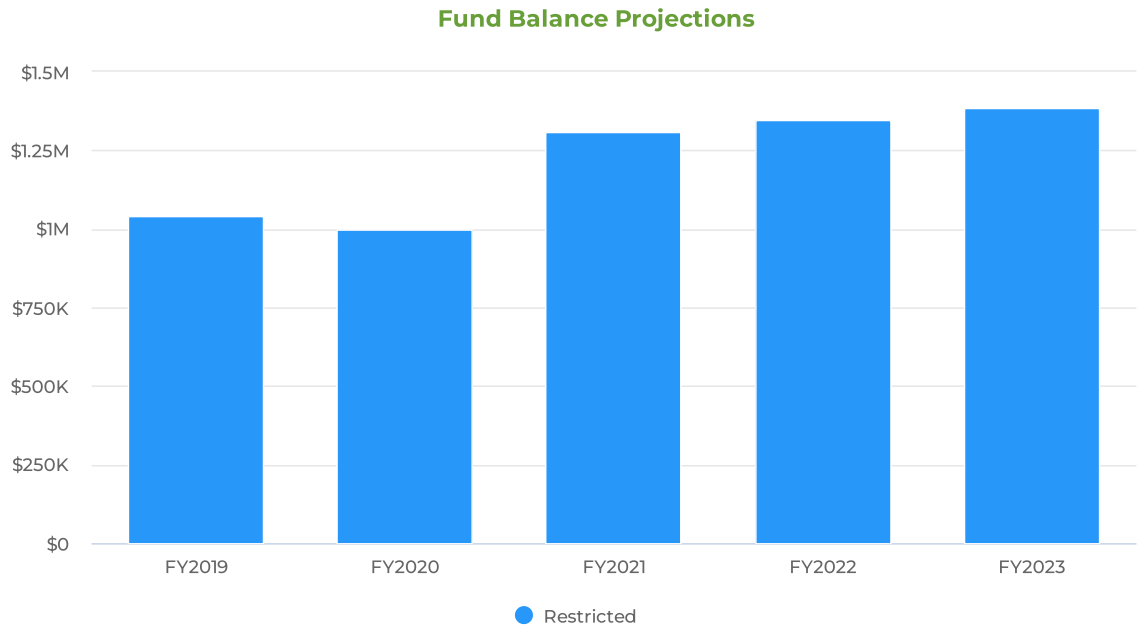
Summary

The City of Morro Bay is not budgeting any revenues or expenditures for this fund in FY2022-23.



Fund Balance

The fund balance in the 515 Fund is comprised of a number of custodial, restricted funds. The funds will be budgeted when eligible projects arise, such as for the expenditure of PEG funds (for public, educational, and governmental access purposes). There may be temporary cash balances in this fund that arise during the process of the City collecting funds on behalf of another agency and then remitting them thereafter (such as for Visit SloCal and now Visit Morro Bay).



	FY2019	FY2020	FY2021	FY2022	FY2023	% Change
Fund Balance	—	—	_	**Projected**	**Projected**	
Restricted	$1,041,004	$1,000,695	$1,307,497	$1,345,497	$1,383,497	2.8%
Total Fund Balance:	**$1,041,004**	**$1,000,695**	**$1,307,497**	**$1,345,497**	**$1,383,497**	**2.8%**

DEPARTMENTS

City Council - Operating Budget

The City Council is the elected legislative body that represents the residents and provides policy direction for the delivery of services and capital improvements for the City of Morro Bay. The City Council is comprised of five Council members, with the Mayor elected at large every two years. The City operates under a Council/Manager form of government that combines the policy leadership of elected officials with the managerial responsibility of an appointed City Manager and appointed City Attorney reporting to the Council.

With the professional support of City staff, the Mayor and City Council identify and adopt appropriate policy, program, and budget priorities for the City. As an elected legislature, the Council's priorities reflect, through its policy, regulatory and budgetary enactments, the aspirations of the residents of Morro Bay. These priorities are implicit in the programs adopted and set forth in the annual operating budget for the City of Morro Bay.

Mayor and City Council

Mayor

John Headding

Term 12/20 - 12/22

Council Member

Jeff Heller

Term 12/18 - 12/22

Council Member

Dawn Addis

Term 12/18- 12/22

Council Member

Jennifer Ford

Term 09/21 - 06/22

Mayor Pro Tem

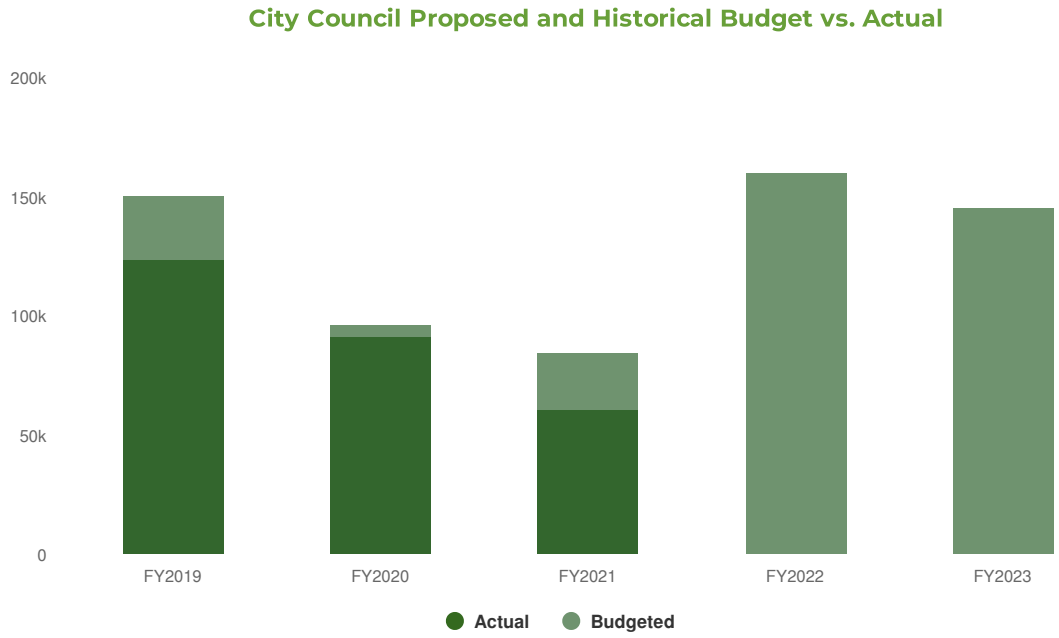
Laurel Barton

Term 12/20 - 12/24

Expenditures Summary

$145,220 -$14,390

(-9.02% vs. prior year)

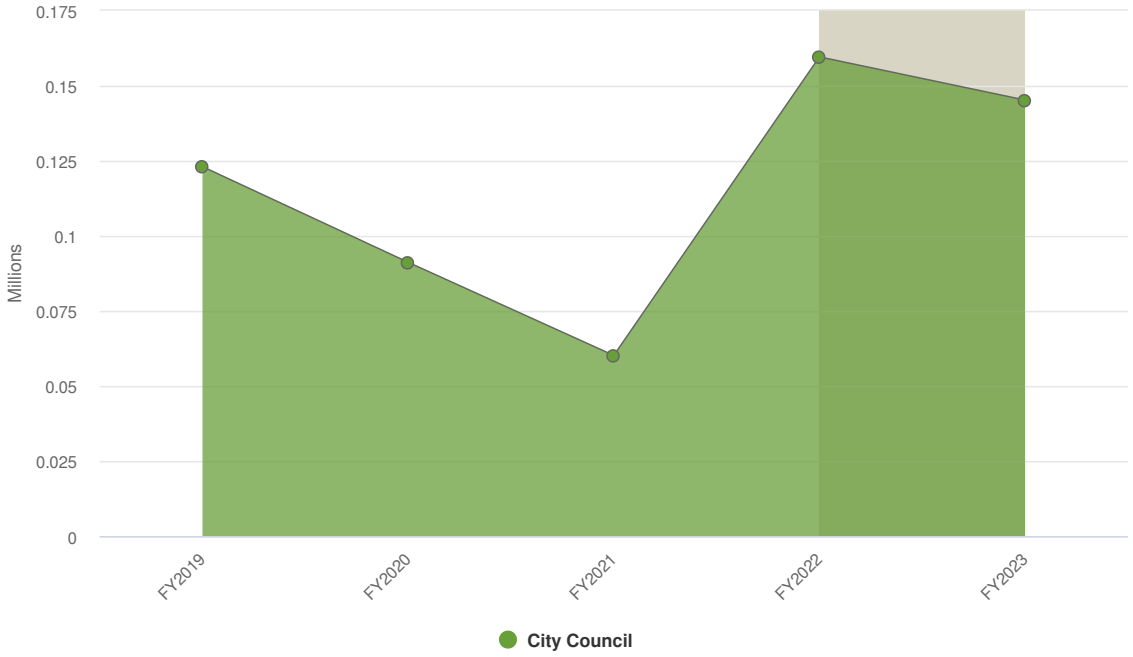


Expenditures by Function

The FY 2022-23 reflects a budgeted City Council stipend increase which is offset by a decrease in budgeted benefits costs in the personnel services category based on recent actual benefits usage. In FY2021-22, benefits were budgeted higher than necessary.

The FY 2022-23 City Council budget also includes a $25,000 General Fund contribution for the Community Grant Program, with the remaining $25,000 contributed from the American Rescue Act Fund (019) for a total of $50,000 available for Community Grants during FY 2022-23. Also budgeted is $1,000 for Community Resource Connections services.

Budgeted and Historical Expenditures by Function



Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expenditures				
City Council				
Personnel Services	$88,857	$49,400	$70,850	-20.3%
Supplies	$1,500	$500	$1,530	2%
Other Expense	$25,000	$25,000	$26,000	4%
Services	$44,253	$37,289	$46,840	5.8%
Total City Council:	**$159,610**	**$112,189**	**$145,220**	**-9%**
Total Expenditures:	**$159,610**	**$112,189**	**$145,220**	**-9%**

Key Ongoing Programs & Services

- Represents the residents of Morro Bay
- Formulates and enacts public policy in response to current and anticipated needs within political, administrative, and fiscal constraints.
- Provides community leadership as the legislative and policy-making body of the municipal government
- Oversees Advisory Boards and Commissions
- Represents the City of Morro Bay through coordination and collaboration with other agencies

City Manager's Office - Operating Budget

Scott Collins
City Manager

The City Manager's Office is comprised of the City Manager, City Clerk, Elections, Human Resources, and Risk Management. This office provides, in partnership with the City Attorney's Office and Administrative Services Department, the overall management, oversight and internal support for the City and its operational departments. The City Manager's Office consists primarily of centralized functions, providing citywide administrative management, and support to all City operational areas.

City Manager

The City Manager Division provides overall management, administration, and direction for the entire City organization, reporting to the full City Council. The City Manager's Office also supports Commissions and Committees, interacts with community groups, fosters community relationships, and provides public awareness of municipal programs, services, and goals through effective community outreach, using the City's website, media relations and the City Manager's Updates. In addition, the City Manager's office serves as a liaison between other local agencies and jurisdictions to represent the City of Morro Bay.

City Clerk

The City Clerk's Division works with the City Council, City Manager, and City Departments to ensure transparency of city government to the public regarding legislative and advisory body proceedings in an ethical, professional, and impartial manner; maintains a complete and accurate record of City Council proceedings; preserves official legislative records; serves as elections official for local municipal elections; and serves as compliance officer for state and local statutes.

Human Resources

The Human Resources Division provides effective services and vital information to employees, retirees and the public with compassion, dignity, and respect in a fair and equitable manner. It is responsible for carrying out all the activities essential to the effective administration of personnel functions, including: assisting departments in the areas of recruitment, selection, placement, professional development and separation of employees; administering benefits program; ensuring compliance with State and Federal employment-related laws and regulations; maintaining centralized personnel records; administering job classifications and compensation plans; and is responsible for the development of Memoranda of Understanding (MOU's) with the City's three bargaining units and discussions with the City's unrepresented management and confidential employees, all subject to Council direction and approval.

Risk Management

The California Joint Powers Insurance Authority (CJPIA) is the City's provider of risk management services, including insurance coverage for general liability, workers' compensation, and property insurance. The City Manager's Division coordinates activities related to coverage documents; processes all claims related to the City's property, liability and workers' compensation insurance; and implements policies and programs to reduce exposure to risk.

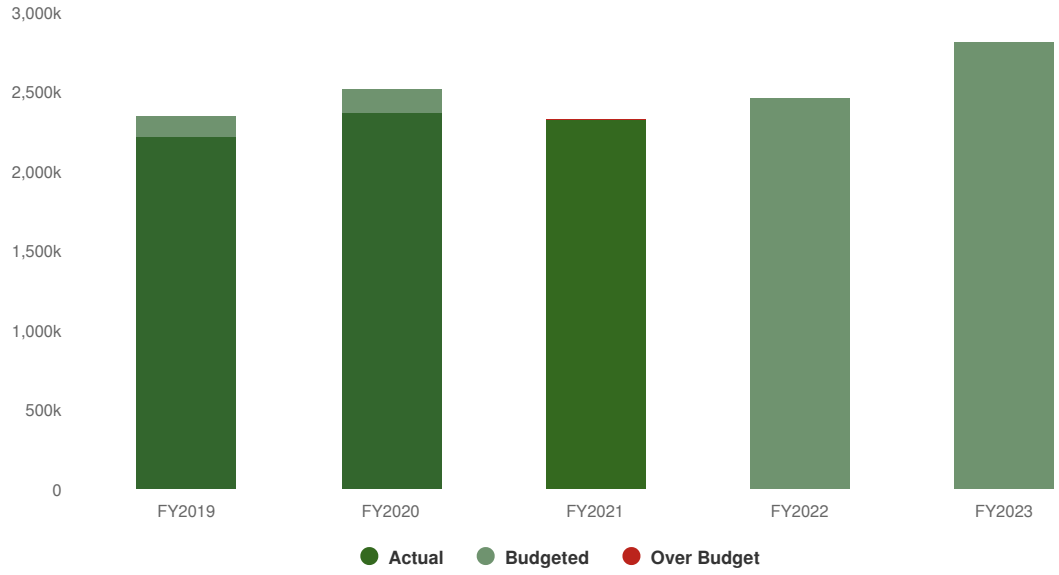
Expenditures Summary

The City Clerk has also served as the Human Resources Manager since December 2018, a dual role that is not sustainable for an organization of 100+ full-time and 150 part-time employees. As part of the FY 2021-22 Mid-Year Budget Update presented in February 2022, the City Council approved bifurcating those roles and authorized the hiring of a dedicated City Clerk. The recruitment to fill this role is ongoing an anticipated to be complete by July 1, 2022.

For FY 2022-23, expenditures in most areas increased by the consumer price index (CPI) amount, with the exception of contract services. In years' past, contract services were bundled together into a non-departmental budget. Beginning in FY 22/23, contract services will now be budgeted within the most relevant City department. For the City Manager's Office, that includes state and federal advocacy services ($60,000), AGP audio/video services ($60,000) and several smaller miscellaneous contracts.

$2,814,956 **$353,232**
(14.35% vs. prior year)

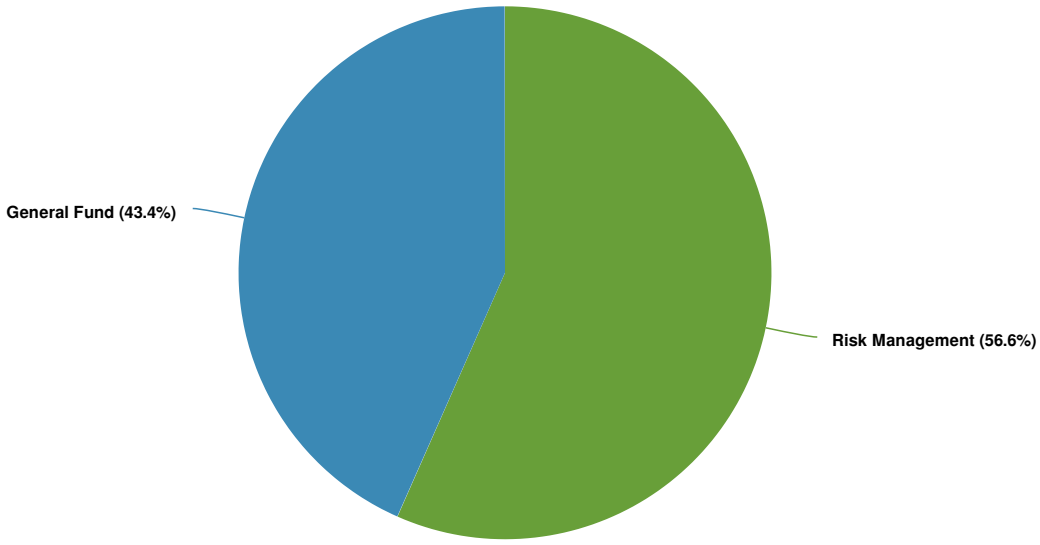
City Manager's Office Proposed and Historical Budget vs. Actual



Expenditures by Fund

Over half of the expenditures are from the Risk Management fund, which is detailed in a separate section of the FY 2022-23 Budget. The remainder of the expenditures cover the City Manager, Human Resources and City Clerk divisions.

2023 Expenditures by Fund

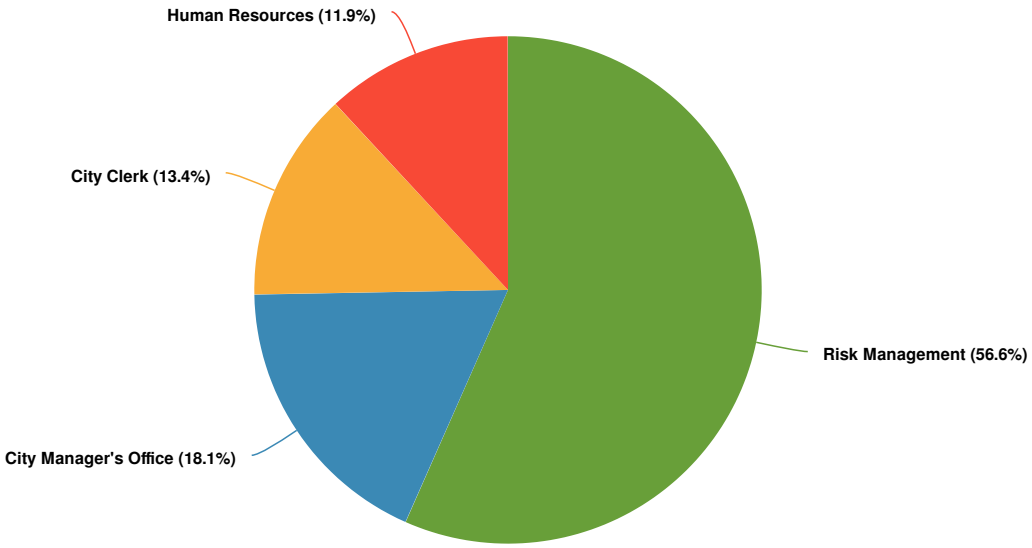


Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund				
General Fund				
Personnel Services	$764,435	$792,405	$906,606	18.6%
Supplies	$13,135	$6,452	$11,604	-11.7%
Other Expense	$3,500	$1,925	$3,000	-14.3%
Services	$176,108	$103,991	$300,023	70.4%
Total General Fund:	**$957,178**	**$904,773**	**$1,221,233**	**27.6%**
Total General Fund:	**$957,178**	**$904,773**	**$1,221,233**	**27.6%**
Risk Management				
Personnel Services	$102,283	$102,361	$106,367	4%
Services	$1,402,263	$1,398,903	$1,487,356	6.1%
Total Risk Management:	**$1,504,546**	**$1,501,264**	**$1,593,723**	**5.9%**
Total:	**$2,461,724**	**$2,406,037**	**$2,814,956**	**14.3%**

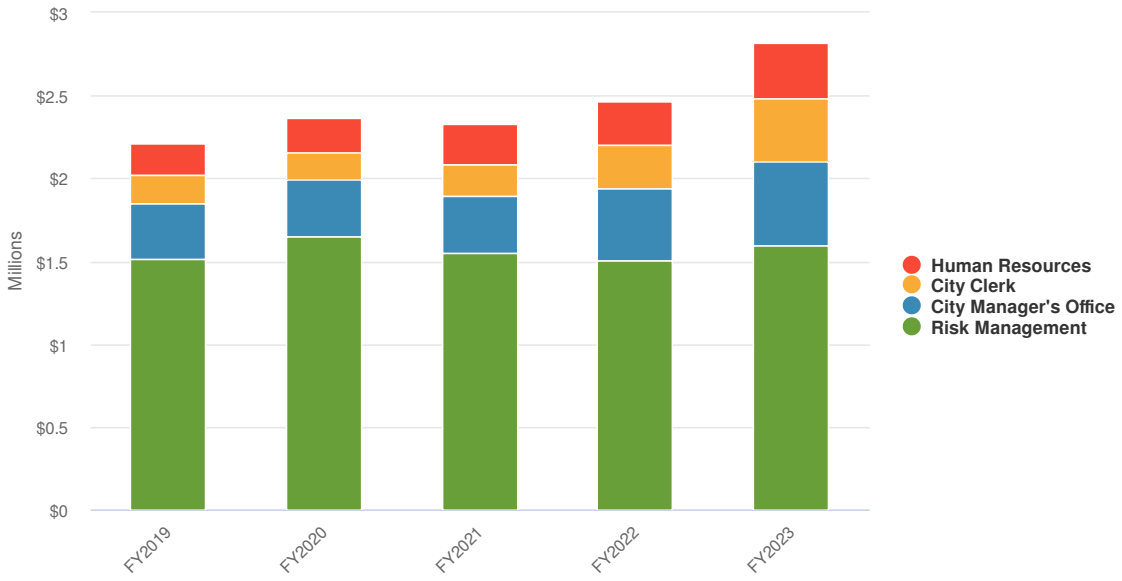
Expenditures by Function

Expenditures in most areas increased by the consumer price index (CPI) amount, with the exception of contract services. In years' past, contract services were bundled together into a non-departmental budget. Beginning in FY 2022-23, contract services will now be budgeted within the most relevant City department. For the City Manager's Office, that includes state and federal advocacy services ($60,000) , AGP audio/video services ($60,000) and several smaller miscellaneous contracts.

Budgeted Expenditures by Function



Budgeted and Historical Expenditures by Function



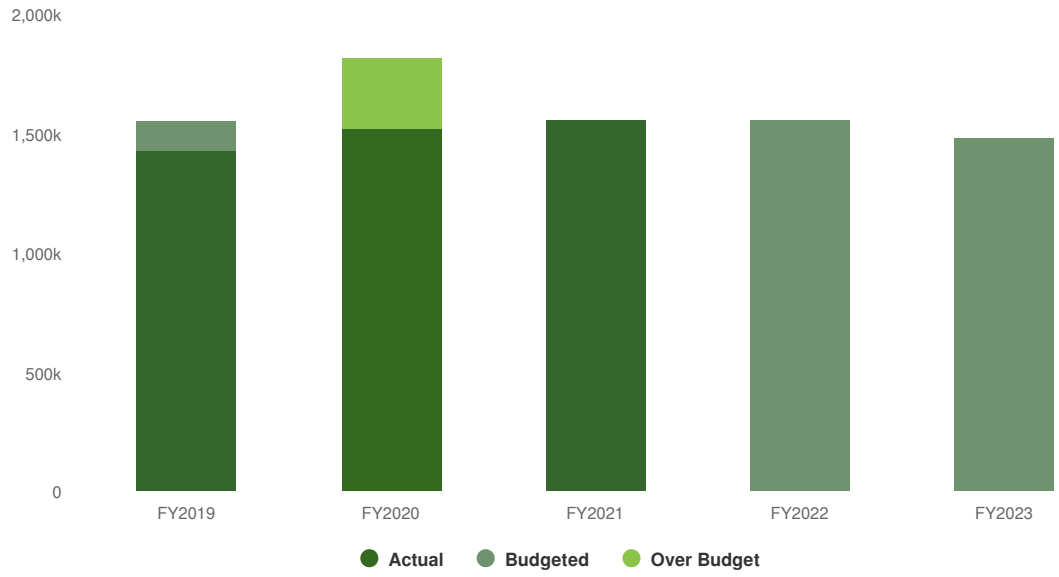
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expenditures				
City Manager's Office				
City Manager's Office	$437,996	$398,100	$509,418	16.3%
City Clerk	$261,466	$285,224	$377,193	44.3%
Human Resources	$257,716	$221,449	$334,622	29.8%
Total City Manager's Office:	**$957,178**	**$904,773**	**$1,221,233**	**27.6%**
Risk Management				
Administrative Services	$103,283	$103,361	$106,367	3%
Worker's Comp Insurance	$514,810	$514,810	$545,594	6%
Unemployment Reserve	$25,894	$26,000	$70,317	171.6%
Liability Insurance	$661,506	$676,249	$657,762	-0.6%
Other Insurance	$2,084	$2,084	$2,251	8%
Property Damage/Fire Ins	$157,693	$157,693	$189,232	20%
Vehicle Insurance	$24,276	$18,067	$22,200	-8.6%
Risk Mitigation	$15,000	$3,000	$0	-100%
Total Risk Management:	**$1,504,546**	**$1,501,264**	**$1,593,723**	**5.9%**
Total Expenditures:	**$2,461,724**	**$2,406,037**	**$2,814,956**	**14.3%**

Revenues Summary

Revenues in the City Manager's Office are almost all recorded in the Risk Management Fund. These revenues are transferred in from other funds to the Risk Management Internal Services Fund to cover the cost of insurance and risk management services.

$1,487,357 **-$72,499**
(-4.65% vs. prior year)

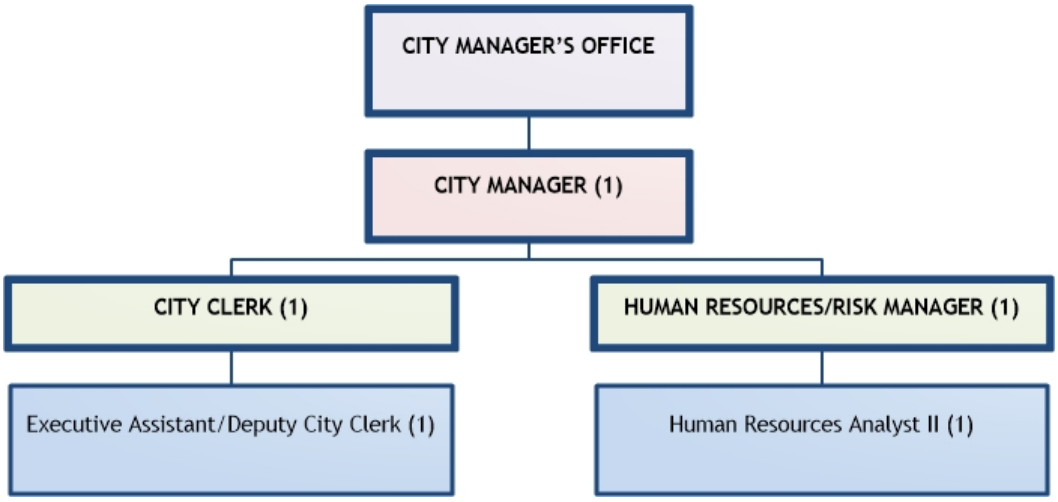
City Manager's Office Proposed and Historical Budget vs. Actual



Revenue by Fund

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Risk Management				
Other Revenues	$1,559,856	$1,557,746	$1,487,357	-4.6%
Total Risk Management:	**$1,559,856**	**$1,557,746**	**$1,487,357**	**-4.6%**
Total:	**$1,559,856**	**$1,557,746**	**$1,487,357**	**-4.6%**

City Manager's Office Organizational Chart



City Manager's Office Staffing List

Full-Time Staffing

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Midyear	2022-23 Budget
City Manager					
City Manager	1.0	1.0	1.0	1.0	1.0
HR Manager/City Clerk	1.0	1.0	1.0	0.0	0.0
City Clerk	0.0	0.0	0.0	1.0	1.0
HR Manager	0.0	0.0	0.0	1.0	1.0
Admin/Deputy City Clerk	0.0	0.0	0.0	0.0	0.0
Executive Assistant/Deputy City Clerk	1.0	1.0	1.0	1.0	1.0
Human Resources Analyst	0.0	0.0	0.0	0.0	0.0
Human Resources Analyst II	1.0	1.0	1.0	1.0	1.0
Tourism Manager	1.0	0.0	0.0	0.0	0.0
Total Department FTEs	**5.0**	**4.0**	**4.0**	**5.0**	**5.0**

Part-Time Staffing

The City Manager's Office does not have any part-time staffing.

Total City Manager's Office Full-Time Equivalents: 5.0

Department Goals & FY 2022-23 Action Items

Good Governance

- Oversee implementation of City Council goals and action items
- Manage and coordinate City support of countywide initiatives, including homelessness, housing and infrastructure improvements
- Continue modernization of systems and technology within the City Manager's Office
- Expand team building and training opportunities for City staff
- Onboard new City Clerk
- Conduct/oversee/support the November 2022 local election
- Conduct a comprehensive classification and compensation study
- Update the City's Injury & Illness Prevention Program, incorporating the City's COVID-19 Exposure Control Plan
- Update City contract and insurance requirement templates consistent with revised Purchasing Policy

Key Ongoing Programs & Services

- Support City Council and implement their direction
- Overall management of the City organization and continuous improvement
- Regionalism
- Conduct fair and impartial local elections
- Maintain transparency with the community and ease of access to City records
- Implement programs to attract, recruit and retain a skilled and high-performing workforce
- Review and update the City's Personnel Rules & Regulations
- Continue to update and implement various City policy and inspection programs as recommended by CJPIA

Activity & Workload Highlights

CITY MANAGER ACTIVITY AND WORKLOAD HIGHLIGHTS	2019-20 Actuals	2020-21 Actuals	2021-22 Estimates	2022-23 Budget
Community Engagement Efforts				
Community forums/meetings	10	0	2	5
Business walks/Conference Calls	20	10	8	15
City Manager Updates (monthly newsletter)	7	7	10	12
City Council Support				
Council meetings	28	31	31	30
City Goals – action items completed	5	5	5	10
City Staff Support and Development				
All staff meetings/events	4	4	4	4
Trainings	1	0	1	2
Department/Division Head Evaluations	9	9	9	9

CITY CLERK ACTIVITY AND WORKLOAD HIGHLIGHTS	2019-20 Actuals	2020-21 Actuals	2021-22 Estimates	2022-23 Budget
Number of Legislative Records Indexed: a. Resolutions: b. Ordinances:	 106 10	 95 8	 95 11	 95 10
Number of Commission and Committee applications and appointments processed:	30 applications to fill 14 appointments	33 applications to fill 27 appointments	33 applications to fill 28 appointments	34 applications to fill 26 appointments
Number of Legal Notices published within established timelines:	36	20	24	20
Number of Fair Political Practices Commission (FPPC) Form 700s filed:	110	76	95	90
Number of City Council Agenda Packets processed:	20 regular meetings 32 special meetings	21 regular meetings 29 special meetings	20 regular meetings 28 special meetings	20 regular meetings 26 special meetings
Number of Public Records Act requests processed:	201	123	125	125
Average initial response time to Public Record Act requests:	8 days	6 days	5 days	4-5 days
Percentage of City Council Minutes prepared within 45 business days:	72%	85%	82%	85%

HUMAN RESOURCES ACTIVITY AND WORKLOAD HIGHLIGHTS	2019-20 Actuals	2020-21 Actuals	2021-22 Estimates	2022-23 Budget
Number of full-time (FT), part-time (PT) and temporary employees:	99.5 FT 200 PT	88.1 FT 130 PT	103 FT 155 PT	106 FT 160 PT
Number of recruitments conducted:	15 FT 25 PT	15 FT 10 PT	21 FT 17 PT	15 FT 20 PT
FT Employee Turnover Ratio:	8%	16%	10%	10%
Percentage of labor agreements ratified prior to expiration of existing contracts:	100%	100%	100%	0%

City Attorney - Operating Budget

Aleshire & Wynder, LLP

The City Attorney is chief legal advisor for the City Council, City staff and all City Boards, Commissions and Committees. The City Attorney provides sound, preventative, helpful, timely and ethical legal advice. The City Attorney drafts and reviews contracts, resolutions, ordinances, staff reports and agendas. The City Attorney attends regular and special meetings of the City Council. The City Attorney monitors existing and pending litigation which may affect the City, pursues litigation on behalf of the City and serves as the municipal prosecutor. Written legal opinions are provided by the City Attorney at the City's request. City Attorney services are provided by contract with the law firm of Aleshire & Wynder, LLP, through partners and associates of the firm. Aleshire & Wynder specializes in providing the full range of legal services needed by the City and serves clients as they make decisions on behalf of the public. Aleshire & Wynder is dedicated to the representation of public entities by providing innovative, ethical, and cost-effective legal representation.

Expenditures Summary

All City Attorney Legal Services expenditures for all Funds including Water, Sewer, Harbor, and Transit have previously been budgeted in the City Attorney, General Fund budget. However, in order to reduce interfund transfers, the FY 2022-23 budget for the Water, Sewer, Harbor, and Transit Enterprise funds has been moved out of the City Attorney's General Fund budget into those enterprise fund operating budgets directly. This change will provide clarity to be able to show what legal expenses are for each fund specifically .

In FY 2022-23, the City Attorney's legal services budget across all funds includes a projected 5% increase for services, and general liability insurance costs.

Across all funds, the total legal services budgets for FY 2022-23 have increased by 5% for a total of $508,014 from FY 2021-22 budget of $483,823.

Legal Services Enterprise Fund	FY 2021-22	FY 2022-23
General Fund Legal Services	**$381,068**	**$401,397**
Water Fund	$19,524	$20,500
Sewer Fund	$36,489	$38,313
Harbor Fund	$43,200	$45,360
Transit Fund	$2,327	$2,443
Enterprise Funds Total	**$101,540**	**$106,617**
Total City Attorney Legal Services	**$482,608**	**$508,014**
Percentage Change		5%

Previously, general liability expenses had not been budgeted. correctly, and starting in FY 2022-23 general liability premium expenses are now reflected for the City Attorney's department contribution towards the General Fund expense in the amount of $6,777.

Including legal services costs in enterprise funds,the total cost for the City Attorney's Office in FY 2022-23 is $514,791.

The $408,174 figure below represents the General Fund portion.

$408,174 **-$75,649**
(-15.64% vs. prior year)

Department Goals & FY 2022-23 Action Items

- **City Council Goal: Good governance:**
  - Provide ethical, timely and preventative legal counsel to City Council, City staff and all City Boards, Commissions and Committees
  - Consistent and prompt preparation and review of contracts, leases, ordinances, resolutions, legal opinions, agendas, staff reports and other City documents
  - Timely and helpful legal advice and written opinions for decision makers
  - Brown Act and Political Reform Act compliance for agendas, meetings and City business
  - Public ethics training and counsel for City officials
  - Focus on transparency and public participation
  - Remain current on legal trends and new laws impacting City to provide preventative legal advice
- **City Council Goal: Fiscal sustainability:**
  - Provide comprehensive services from a full-service law firm while controlling costs
  - Focus on reducing exposure to legal liability and potential litigation
  - Legal counsel on sustainable funding for City capital needs, activities and harbor
  - Firm and creative contract negotiations to reduce costs while protecting City
  - Legal counsel on development opportunities for Market Plaza property and potential Downtown and Embarcadero business improvement districts (BIDs)
  - Focus on sound and proactive legal counsel addressing City's unfunded liabilities (pension and healthcare)
  - Legal counsel on economic opportunities for City at shuttered power plant property
  - Work with City staff on partnership agreements with community groups
  - Legal assistance with expedient cataylst site development
  - Provide legal counsel on development impact fees and other planning revenue options
  - Work with City on developing revenue sources from cannabis commercial activity
  - Provide legal advice on offshore windfarm opportunities for City
- **Key FY 2022-23 Projects**
  - Continue providing comprehensive legal services while keeping costs down
  - Focus on good governance through sound legal services
  - Legal assistance with public infrastructure improvements, including for streets, waterfront, harbor, public facilities, sewer and stormwater
  - Focus on development of sustainable revenue streams for City through creative and sound legal counsel
  - Provide legal counsel on the development of the Water Reclamation Facility (WRF)
  - Provide legal assistance on housing options and housing opportunities including for affordable housing
  - Legal counsel on proposed Vistra battery energy storage system (BESS)
  - Legal advice on safe and sustainable potential reuses of shuttered power plant property
  - Provide legal advice on addressing continuing impact of COVID-19 on City
  - Legal counsel on responsible and sustainable land use and development
  - Provide legal advice on local efforts to address homelessness issues
  - Legal counsel on climate action goals including implementation of SB 1383 (organic waste) mandates, EV charging stations and offshore windfarm opportunities
  - Provide legal assistance on potential Downtown and Embarcadero business improvement districts (BIDs)
  - Provide legal counsel on potential development opportunities for Market Plaza property
  - Legal assistance on development impact fees and other planning revenue options

Key Ongoing Programs & Services

- Review and preparation of ordinances, resolutions, legal opinions and staff reports
- Draft, review and finalize City contracts, leases and agreements
- Ethical, timely and preventative legal counsel to City Council, City staff and all City Boards, Commission and Committees
- Defend City against potential and actual litigation and commence litigation as directed by City Council
- Legal counsel for realization of City Council goals and action items
- Legal assistance with new and sustainable revenue sources for the City
- Legal counsel for land use, zoning, planning and public works projects
- Provide regular legal counsel for MBPD, MBFD and City public safety needs
- Legal assistance for the Harbor, management of tidelands trust land and leasehold interests
- Provide legal counsel on meeting long-term infrastructure needs
- Legal advice on responsible and sustainable land use and development

Activity & Workload Highlights

ACTIVITY AND WORKLOAD HIGHLIGHTS	2019-20 Actuals	2020-21 Actuals	2021-22 Estimates	2022-23 Projected
Staff Reports Reviewed	185	185	185	185
Public Records Requests	35	40	35	40
Contracts Reviewed/Prepared	25	30	30	30
Ordinances/Resolutions Reviewed/Prepared	20	20	25	25
Personnel Matters	20	20	20	20
WRF Issues	35	40	40	35
WWTP Issues	15	20	25	30
Harbor Leases, etc.	20	20	20	20
Phone calls/emails (substantive)	250	300	300	325
Council regular/special meetings attended	30	30	30	30
Commission/Board meetings attended	5	5	5	5

Administrative Services - Operating Budget

The Administrative Services Department includes the Finance and Information Technology functions of the City.

Finance Division
The Finance Division ensures fiscal accountability to the Council and to the public by providing financial oversight and administering accounting functions for all City funds and accounts. Finance also leads the development of the City's Annual Operating and Capital Budget, coordinates the annual financial audit and prepares the Comprehensive Annual Financial Report to verify that proper fiscal practices are maintained. In addition, Finance administers Accounts Payable, Accounts Receivable, and Payroll functions, and oversees the issuance of Business Licenses and Transient Occupancy Tax collection. In addition, Finance operates the Utility Billing function for the City's Water and Sewer services, and oversees the City's purchasing functions, ensuring that proper practices are in place and that fiscal and operational responsibility is upheld.

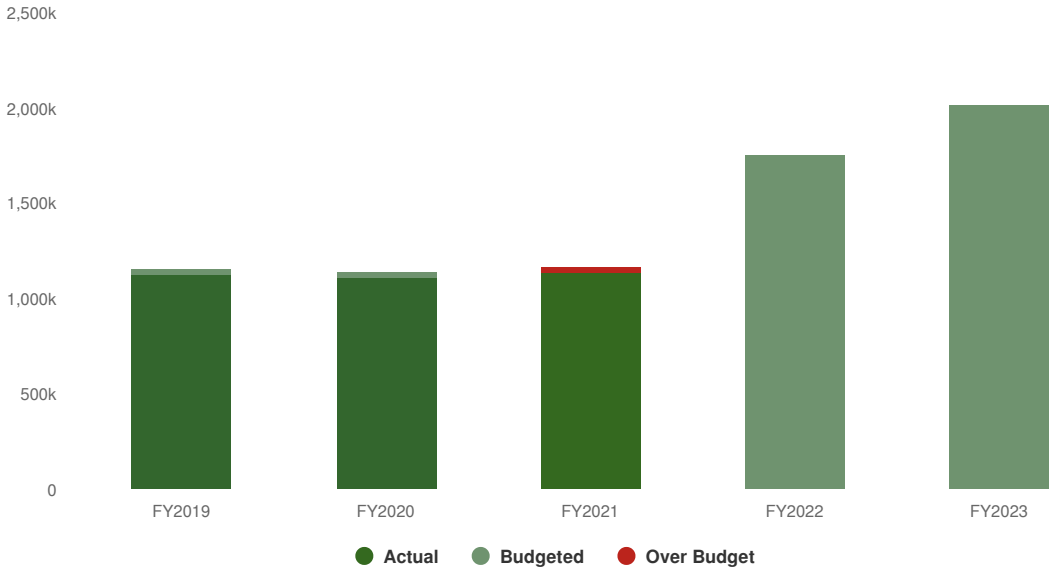
Information Technology Division
The Information Technology (IT) Division handles all centralized and many decentralized City technology services, facilitating the City's ability to deliver effective and efficient service to the public. IT staff performs maintenance and upgrades of the City's IT network system, ensures network security, supports multiple software applications, manages the Citywide IT replacement program purchases, provides technical support for over 100 City staff members, and completes research and planning for new technology solutions.

Expenditures Summary

The Department's budget increased in FY 2021-22 and FY 2022-23 for several reasons: reinstating positions that were eliminated early in the COVID-19 pandemic; the addition of a second IT position at Midyear FY 2021-22 in recognition that 1 position was no longer sufficient to address expanding IT and cybersecurity needs; personnel cost increases consistent with Citywide personnel agreements; consulting services budget for Council priority items such as addressing the unfunded pension liability and updating the cost allocation plan; and in FY 2022-23, the addition of some consultant services that were previously budgeted in a different "Consultant Services" division in the City (no net increase in cost, but reflecting those services where they are actually managed).

$2,014,022 **$263,144**
(15.03% vs. prior year)

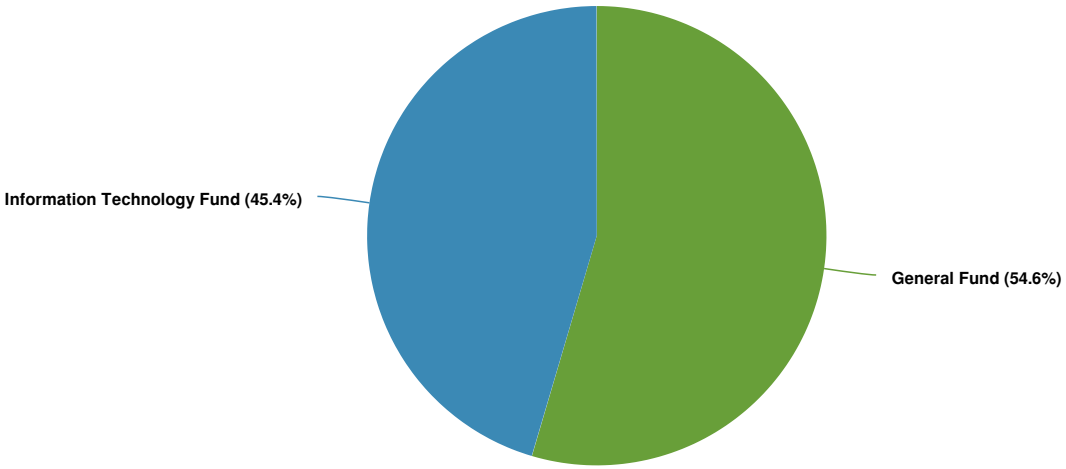
Administrative Services Proposed and Historical Budget vs. Actual



Expenditures by Fund

Just over half of the Administrative Services budget is in the General Fund, which funds the Finance Division's operations. The other portion is in the Information Technology Fund, which is an internal services fund that is funded through transfers from all funds that use technology services. IT staff is funded by the Fund, but the majority of costs represent the cost of all citywide IT network, software applications, and hardware needs.

2023 Expenditures by Fund



The reduction in personnel costs in the table below in the FY 2021-22 Projected Actuals represents very high turnover with significant salary savings due to vacancies. The FY 2022-23 Budget number is slightly less than the FY 2021-22 Amended Budget number because that number included citywide one-time payouts to partially reimburse employees for pay cuts

taken during on COVID-19 pandemic's onset. The Services budget is increasing significantly both due to increasing IT needs and costs, and due to the elimination of the non-departmental Contract Services Division, which shifted some costs to Finance.

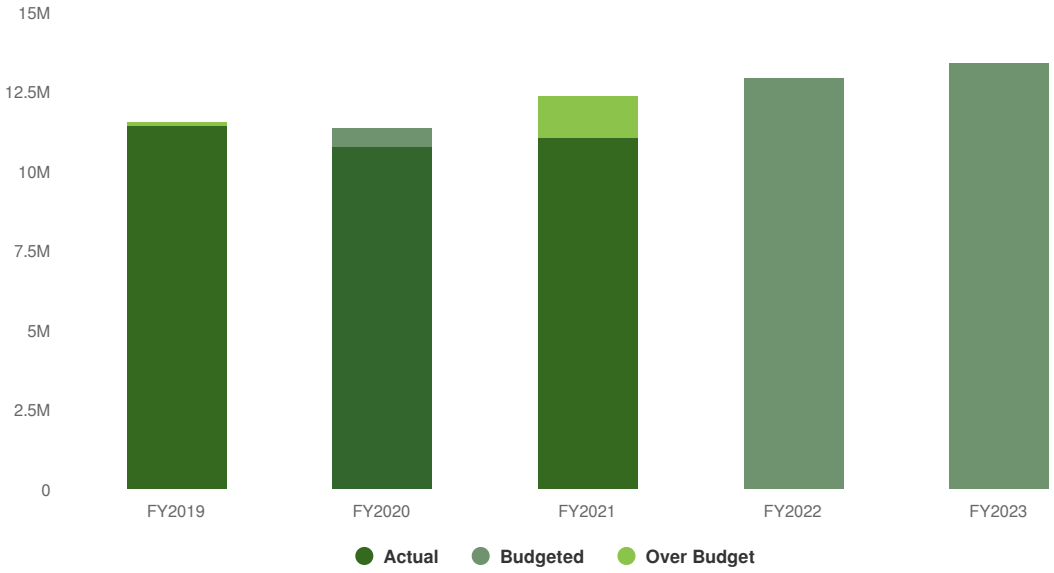
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund				
General Fund				
Personnel Services	$838,731	$647,481	$796,724	-5%
Supplies	$5,050	$9,200	$6,500	28.7%
Services	$194,909	$194,316	$295,808	51.8%
Total General Fund:	**$1,038,690**	**$850,997**	**$1,099,032**	**5.8%**
Total General Fund:	**$1,038,690**	**$850,997**	**$1,099,032**	**5.8%**
Information Technology Fund				
Personnel Services	$240,674	$240,676	$366,693	52.4%
Supplies	$25,500	$60,500	$50,600	98.4%
Services	$446,014	$386,180	$497,697	11.6%
Total Information Technology Fund:	**$712,188**	**$687,356**	**$914,990**	**28.5%**
Total:	**$1,750,878**	**$1,538,353**	**$2,014,022**	**15%**

Revenues Summary

Most of the Citywide General Fund revenues, including Transient Occupancy Tax, Sales Tax, Property Tax, and Cannabis Tax revenues are budgeted and recorded in the Finance Division. Thisrepresents approximately 99% of the Department's revenues, with the other 1% representing inter-fund transfers into the Information Technology Fund. Revenues are detailed by type below.

$13,391,760 **$463,117**
(3.58% vs. prior year)

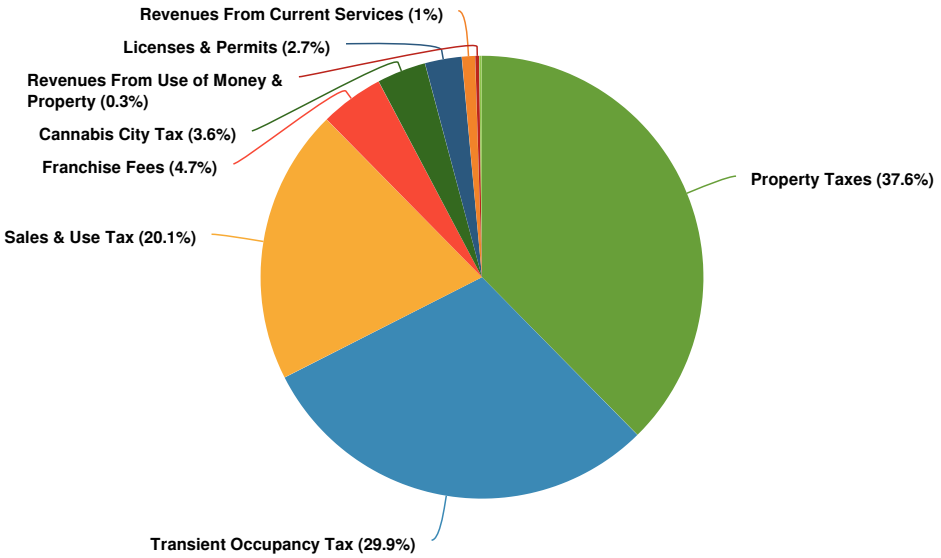
Administrative Services Proposed and Historical Budget vs. Actual



Revenues by Source

There is greater detail regarding these primary General Fund revenue sources and trends in the General Fund Summary in the Fund Summaries section of the budget.

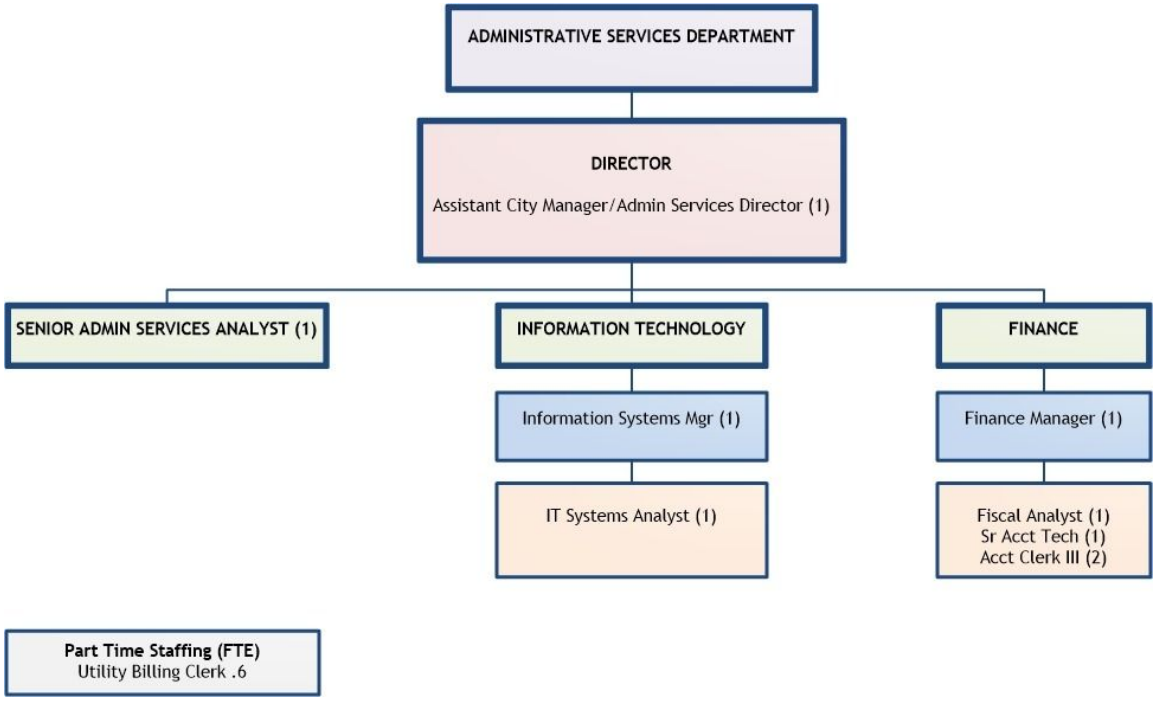
Projected 2023 Revenues by Source



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenue Source				
Property Taxes	$4,992,835	$4,993,610	$5,037,900	0.9%

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Total Property Taxes:	**$4,992,835**	**$4,993,610**	**$5,037,900**	**0.9%**
Intergovermental Revenues	$27,051	$66,369	$26,400	-2.4%
Total Intergovermental Revenues:	**$27,051**	**$66,369**	**$26,400**	**-2.4%**
Sales & Use Tax	$2,460,456	$2,460,456	$2,690,000	9.3%
Total Sales & Use Tax:	**$2,460,456**	**$2,460,456**	**$2,690,000**	**9.3%**
Cannabis City Tax	$480,000	$480,000	$480,000	0%
Total Cannabis City Tax:	**$480,000**	**$480,000**	**$480,000**	**0%**
Transient Occupancy Tax	$3,927,869	$3,927,869	$4,006,000	2%
Total Transient Occupancy Tax:	**$3,927,869**	**$3,927,869**	**$4,006,000**	**2%**
Franchise Fees	$572,259	$572,259	$623,460	8.9%
Total Franchise Fees:	**$572,259**	**$572,259**	**$623,460**	**8.9%**
Licenses & Permits	$364,173	$384,000	$359,000	-1.4%
Total Licenses & Permits:	**$364,173**	**$384,000**	**$359,000**	**-1.4%**
Revenues From Current Services	$80,000	$120,000	$131,000	63.8%
Total Revenues From Current Services:	**$80,000**	**$120,000**	**$131,000**	**63.8%**
Fines & Forfeitures	$0	$480	$0	0%
Total Fines & Forfeitures:	**$0**	**$480**	**$0**	**0%**
Other Revenues	$0	$3,115	$0	0%
Total Other Revenues:	**$0**	**$3,115**	**$0**	**0%**
Revenues From Use of Money & Property				
Gain On Interest/Investment				
Interest Income	$0	$20,000	$0	0%
Other Interest	$0	$154	$0	0%
Total Gain On Interest/Investment:	**$0**	**$20,154**	**$0**	**0%**
Rental Revenue				
Rental Income	$24,000	$24,000	$38,000	58.3%
Total Rental Revenue:	**$24,000**	**$24,000**	**$38,000**	**58.3%**
Total Revenues From Use of Money & Property:	**$24,000**	**$44,154**	**$38,000**	**58.3%**
Total Revenue Source:	**$12,928,643**	**$13,052,312**	**$13,391,760**	**3.6%**

Administrative Services Organizational Chart



Administrative Services Staffing List

Full-Time Staffing

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Midyear	2022-23 Budget
Administrative Services					
Admin Services Dir/Assistant City Mgr	0.0	0.0	1.0	1.0	1.0
Finance Director	1.0	1.0	0.0	0.0	0.0
Finance Manager	0.0	0.0	1.0	1.0	1.0
Budget/Accounting Manager	1.0	1.0	0.0	0.0	0.0
Administrative Services Analyst	0.0	0.0	1.0	1.0	1.0
Fiscal Analyst	0.0	0.0	0.0	1.0	1.0
Senior Accounting Technician	1.0	1.0	1.0	1.0	1.0
Account Clerk III	1.0	1.0	1.0	2.0	2.0
Account Clerk II	1.0	0.0	0.0	0.0	0.0
Account Clerk I	0.0	1.0	0.0	0.0	0.0
Office Assistant IV	0.0	0.0	1.0	0.0	0.0
Account Clerk In-Training	1.0	0.0	0.0	0.0	0.0
IT Service Technician	1.0	1.0	1.0	1.0	1.0
IT Systems Analyst	0.0	0.0	0.0	1.0	1.0
Total Department FTEs	**7.0**	**6.0**	**7.0**	**9.0**	**9.0**

Part-Time Staffing

Presented as full-time equivalents based on the number of hours budgeted.

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Mid-year	2022-23 Budget
Administrative Services					
Utility Billing Clerk	0.3	0.3	0.4	0.4	0.6
Total Department FTEs	**0.3**	**0.3**	**0.4**	**0.4**	**0.6**

Total Administrative Services Department Full-Time Equivalent Positions: 9.6

Department Goals & FY 2022-23 Action Items

- **Create a Plan to Address the City's Unfunded Liabilities while Striving to Achieve Competitive Compensation**
  - **City Council Goal: Fiscal Sustainability & Economic Vitality**
  - Establish and begin funding a Section 115 Pension Trust to address the City's unfunded pension liability
  - Continue to evaluate the Other Post-Employment Benefits Trust, which is largely fully funded
  - Support City efforts to complete labor negotiations with employee groups within the context of available funding

- **Determine Potential Paths to Secure Funding for Capital Needs**
  - **City Council Goal: Fiscal Sustainability & Economic Vitality**
  - Continue to evaluate financing options for the Water Reclamation Facility until completion
  - Pending completion of Citywide Capital Needs Assessment, evaluate broader capital funding options

- **Address Cybersecurity Needs**
  - **City Council Goal: Fiscal Sustainability & Economic Vitality**
  - Continue current implementation efforts & monitor industry standards and best practices

- **Continue & Enhance Financial Management Best Practices**
  - **City Council Goal: Good Governance**
  - Update the City's Cost Allocation Plan which is the basis for funding internal City services that support public services
  - Evaluate City investment options as the Water Reclamation Facility nears completion and liquidity needs decrease
  - Fully implement the City's new Purchasing section of the Municipal Code

Key Ongoing Programs & Services

- Develop and monitor the City’s Annual Operating & Capital Budget
- Maintain accurate financial reporting, coordinate the annual audit of the City’s financial statements, and prepare the Annual Comprehensive Financial Report
- Oversee the City’s investment portfolio
- Provide accounts payable, accounts receivable, and payroll services
- Perform Utility Billing function for all City Water and Sewer customers
- Oversee Business Tax and Transient Occupancy tax processing
- Support the Citizens Finance Advisory Committee and Measure Q&E expenditures and reporting
- Support citywide information technology hardware and network needs
- Support citywide software and customer service needs

Activity & Workload Highlights

ACTIVITY AND WORKLOAD HIGHLIGHTS	2019-20 Actuals	2020-21 Actuals	2021-22 Estimates	2022-23 Projected	
Finance Metrics:					
Quarterly Investment Reports	4	4	4	4	4
Accounts Payable checks issued	2,995	2,700	2,722	2,750	2,800
Payroll checks processed	5,100	5,125	4,207	4,885	4,900
Business licenses issued	2,569	2,600	2,500	2,500	2,500
Weighted avg rate of return on investments	1.65%	1.75%	0.50%	0.35%	0.50%
Journal entries written	144	120	278	200	200
Bank account reconciliations completed	121	132	156	143	143
Bank Deposits processed	334	360	370	430	400
CFAC Meetings Supported	11	11	7	7	5
Year End Journal Entries	58	58	83	60	60
Audit Schedules and Document Requests	174	175	245	175	175
Audit Adjusting Entries	3	3	3	3	3
Budget Journal Entries	9	10	9	15	8
Utility Billing Metrics:					
Leak Reviews Approved	30	48	70	61	65
Tag Notices Processed	839	640	0	135	780
Turn Off Requests Processed	136	126	588	532	560
Turn On Requests Processed	760	711	606	573	675
Utility Discount Customers Enrolled	270	300	325	255	275
Utility Rebate Customers Enrolled	0	18	18	24	30
Information Tech Metrics:					
Devices Supported	Not tracked	Not tracked	435	445	455
Systems Supported	Not tracked	Not tracked	49	50	50
Computers Replaced	10	0 (COVID)	0 (COVID)	16	24

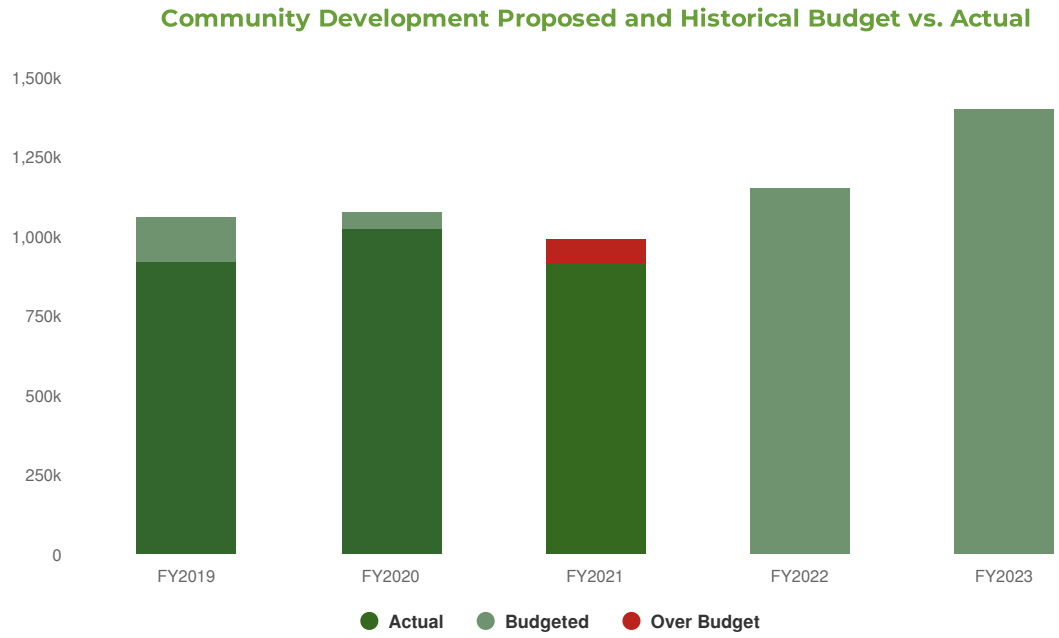
Community Development - Operating Budget

The Community Development Department (CDD) works with elected and appointed officials, other City departments, and the community to guide the physical growth, and development of the City and on preservation of the many natural resources found within the City. Community Development encompasses many aspects of the City and as such the Department oversees several programs and projects designed to benefit its residents and businesses. Department functions include planning, building, code enforcement, economic development, and grant administration.

Construction of new hotel

Expenditures Summary

$1,399,978 **$247,254**
(21.45% vs. prior year)



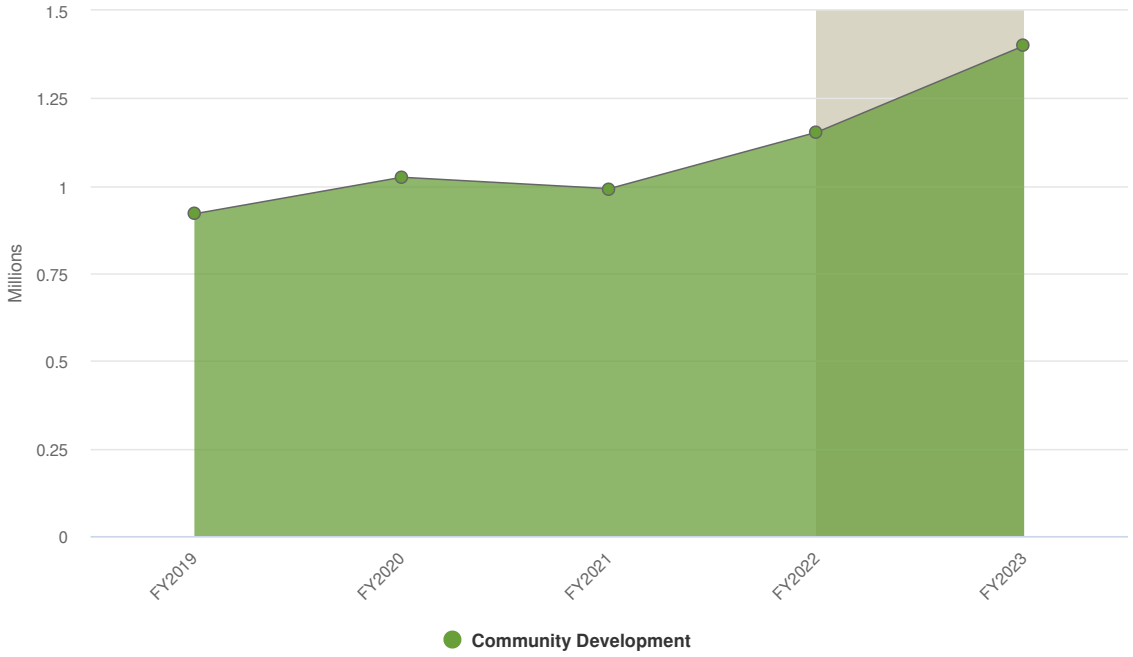
Expenditures by Function

The significant increase in the Services categorized expenses is a result of capturing the direct City expenses of processing the Vistra Battery project. The City has entered into a reimbursement agreement with Vistra to pay for all staff (including City Attorney) costs associated with processing this application.

Personnel costs include the addition of a new 1.0 FTE Building Inspector/Code Enforcement Officer position in the Building Division. This position will provide added capacity to implement and oversee the new Short Term Rental (STR) program as well as expand capacity to conduct building inspections and plan checks. The City has continued to experience a significant increase in the number of building inspections since FY 2018-19.

The Building Division has a single Building Inspector/Plans Examiner position. Given the current workload necessary to provide inspection services, a majority of plan check services are sent to an outside plan check firm (Bureau Veritas). This new position will allow the Building Division to once again perform the majority of plan checks internally, reducing costs, turnaround times and improve overall service.

Budgeted and Historical Expenditures by Function



Grey background indicates budgeted figures.

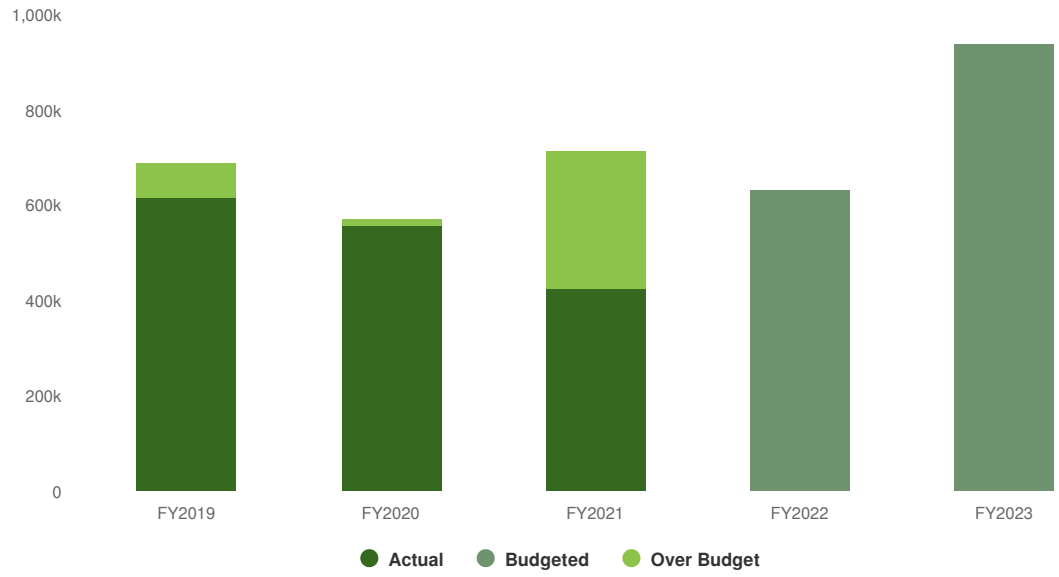
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expenditures				
Community Development				
Community Development				
Personnel Services	$974,251	$996,158	$1,103,082	13.2%
Supplies	$5,134	$5,002	$7,537	46.8%
Services	$173,340	$177,813	$289,359	66.9%
Total Community Development:	**$1,152,725**	**$1,178,973**	**$1,399,978**	**21.4%**
Total Community Development:	**$1,152,725**	**$1,178,973**	**$1,399,978**	**21.4%**
Total Expenditures:	**$1,152,725**	**$1,178,973**	**$1,399,978**	**21.4%**

Revenues Summary

The significant increase in projected revenues is a result of the increased permit activity being experienced in both the Planning and Building Division along with the Vistra Battery project reimbursement agreement that pays all staff time, and consultant costs associated with processing that project application.

$937,037 **$304,004**
(48.02% vs. prior year)

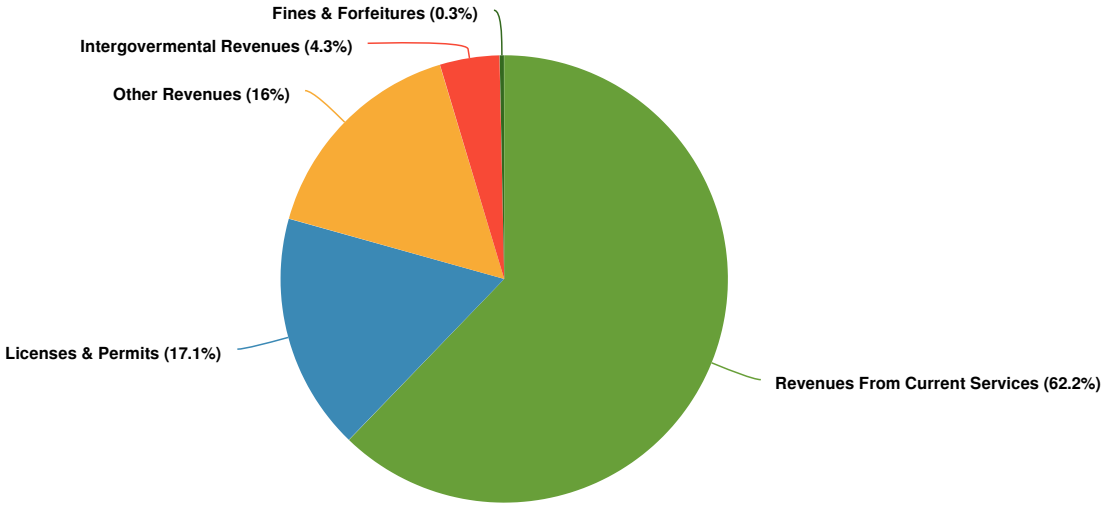
Community Development Proposed and Historical Budget vs. Actual



Revenues by Source

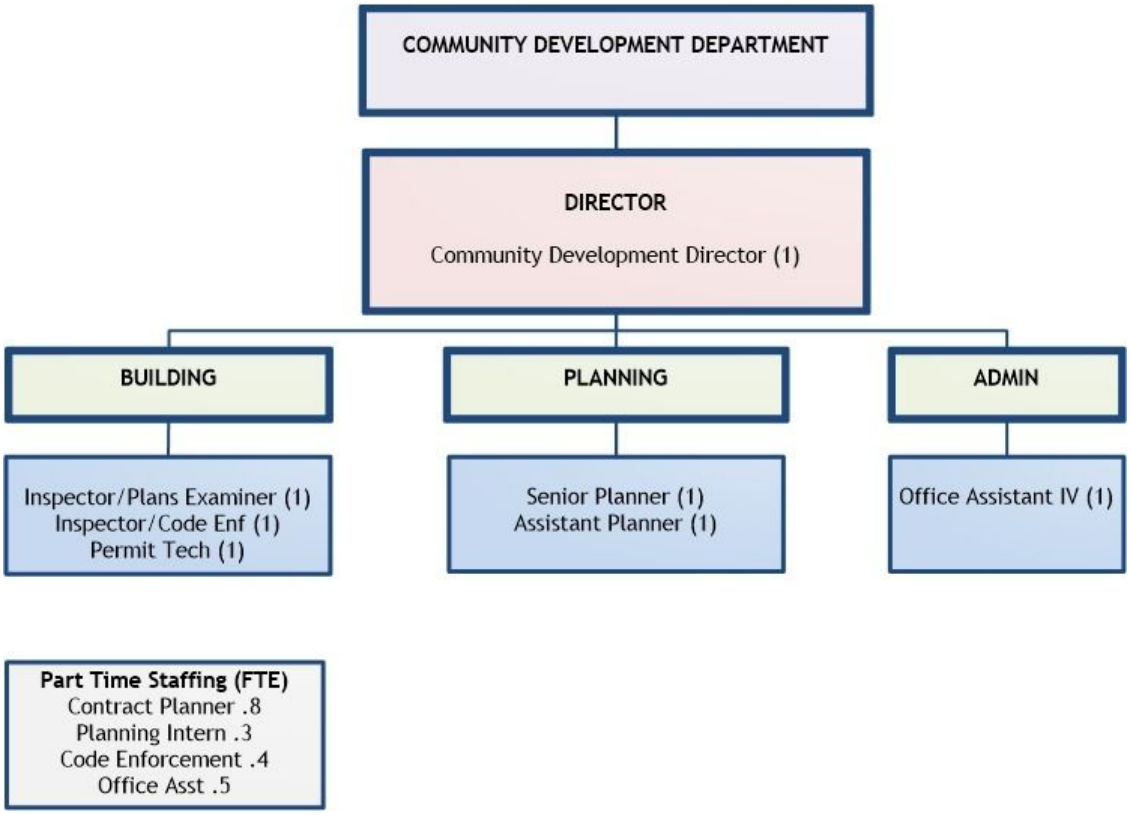
Many of the City's planning and permitting fees are booked to the Community Development Department. The City has seen an increase in development activity and associated revenue in FY 2021-22 and projects continued elevated revenue in FY 2022-23.

Projected 2023 Revenues by Source



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenue Source				
Intergovermental Revenues	$78,000	$0	$40,340	-48.3%
Licenses & Permits	$130,000	$200,000	$160,500	23.5%
Revenues From Current Services	$422,033	$636,072	$583,107	38.2%
Fines & Forfeitures	$3,000	$3,000	$3,090	3%
Other Revenues	$0	$175,000	$150,000	N/A
Total Revenue Source:	**$633,033**	**$1,014,072**	**$937,037**	**48%**

Community Development Organizational Chart



Community Development Staffing List

Full-TIme Staffing

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Midyear	2022-23 Budget
Community Development Department					
Community Development Director	1.00	1.00	1.00	1.00	1.00
Senior Planner	1.00	1.00	1.00	1.00	1.00
Assistant Planner	1.00	0.00	1.00	1.00	1.00
Permit Technician	1.00	1.00	1.00	1.00	1.00
Building Inspector	1.00	1.00	1.00	1.00	1.00
Office Assistant III/IV	1.00	1.00	1.00	1.00	1.00
Building Inspector/Code Enforcement	0.00	0.00	0.00	0.00	1.00
Total Department FTEs	**6.00**	**5.00**	**6.00**	**6.00**	**7.00**

Part-Time Staffing

Presented as full-time equivalents based on the number of hours budgeted.

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Mid-year	2022-23 Budget
Community Development Department					
Office Assistant	0.6	0.0	0.4	0.4	0.5
Contract Planner	0.8	0.7	0.7	0.7	0.8
Planning Intern	0.2	0.4	0.2	0.2	0.3
Code Enforcement	0.7	0.4	0.2	0.2	0.4
Total Department FTEs	**2.3**	**1.5**	**1.5**	**1.5**	**1.9**

Total Community Development Department Full-Time Equivalents: 8.9

Department Goals & FY 2022-23 Action Items

- **City Council Goal: Fiscal Sustainability & Economic Vitality**
  - Review development opportunities for Market Plaza property - identify buyer/developer for property and execute purchase and sale agreement
  - Continue Review of the Vistra proposed battery project - complete EIR and Master Plan process for the site and bring to Planning Commission (PC) and City Council for review
  - Complete (Development Impact) fee study - complete final draft fee study, share with Chamber for review/comment and bring forward to Council for adoption
- **City Council Goal: Housing**
  - Complete Zoning Code update **-** Continue to work with Coastal Commission Staff on final edits and bring to PC and Council for review and adoption in summer of 2022
  - Development of Stock Accessory Dwelling Unit (ADU) plans to provide to public for free - Finalize the stock ADU plans, create informational webpage on how to access and utilize the plans in summer of 2022
  - Bring land use amendment forward for the Seashell estates property to increase density to 7 - 15 units per acres - complete environmental review for the proposed a landuse amendment, revise draft zoning code to reflect the change and bring forward for review by PC and Council in summer of 2022
- **City Council Goal: Climate Action**
  - Pursue funding to complete Climate Action Plan (CAP) update - review latest funding opportunities released by the State and Federal Government for funds that could be used to update the CAP.
  - Create City webpage with links to energy efficient websites - create climate action webpage with resouce links to greenhouse gas reduction, and energy conservation resources in summer of 2022
  - Implement 3CE Reach Code incentive program for electrification of new residential construction with adoption of the 2022 building code in Jan 2023.

Key Ongoing Programs & Services

- **Building Permitting** - The Building Division intakes permit applications, planchecks construction documents and issues building permits

- **Building Inspection** - Once building permits have been issued the building inspector conducts inspections, issues correction letters and finals out project improvements

- **Planning Permitting** - The Planning Division intakes both administrative (Staff issued) and discretionary (Planning Commission) permit applications and carries the applications forward through permit issuance.

- **Code Enforcement** - The Code Enforcement Division investigates inquiries/complaints received from the public, other City Departments, and outside agencies to determine compliance with the City's Municipal Code. The focus of the Division is to educate community members on City policies and code requirements and to provide guidance on how to effectively comply with said policies.

- Managing department operations, incluiding preparation and management of the department budget
- Providing support for the City Council and Planning Commission
- Grant management

Activity & Workload Highlights

ACTIVITY AND WORKLOAD HIGHLIGHTS	2019-20 Actuals	2020-21 Actuals	2021-22 Estimates	2022-23 Projected
Building Permit Issued – New Single Family	10	8	6	15
Building Permits Issued – Residential Additions/Alterations (Includes Reroofs and Solar)	178	197	190	190
Building Permits Issued – New Commercial	0	2	3	3
Building Permits Issued – Commercial Addition/Alterations	27	21	26	25
Building Permits Issued – Multi Family	2	3	4	3
Building Permits Issued – Miscellaneous (Includes MEP, Addendums, Demo's & Fire Sprinklers)	148	137	142	140
Building Permit Plan Checks Completed	279	1034	1100	1050
Inspections Conducted	2410	2024	2000	2000
Encroachment Permits Issued	96	141	140	140
Sign Permit Applications	13	11	15	12
Conditional Use Permit Applications	16	17	18	18
Variance Applications	39	3	1	1
Coastal Development Permit Applications	20	44	45	45
Subdivision Applications	1	0	3	2
Miscellaneous Planning Applications	43	42	45	45
Accessory Dwelling Unit (ADU) Permits Issued	-	10	15	20

Fire Department - Operating Budget

The City of Morro Bay Fire Department provides a full range of all-risk emergency services including structural fire suppression, wildland fire suppression, ocean water rescues, paramedic emergency medical services, hazardous materials responses, vehicle extrication, technical rescue, and confined space response. The Fire Department utilizes two fire stations (one staffed and one unstaffed), two engines, one aerial ladder truck, one rescue vehicle, two utility vehicles, and two command vehicles. The Fire Department also participates with the Governor's Office of Emergency Services (OES) with an assigned wildland interface engine that participates in larger incidents within our County and State. The Fire Department members participate regionally in our County Arson Task Force, Hazardous Material Response Team, Urban Search and Rescue team, Fire Prevention Association, Emergency Medical Care Committee, Fire Training Officer's Association, SLO Regional Community Emergency Response Team (CERT) and Fire Chief's Association. In addition, our members participate in local County, State, and Federal Incident Management Teams.

"To enhance the quality of life by providing exceptional emergency services."

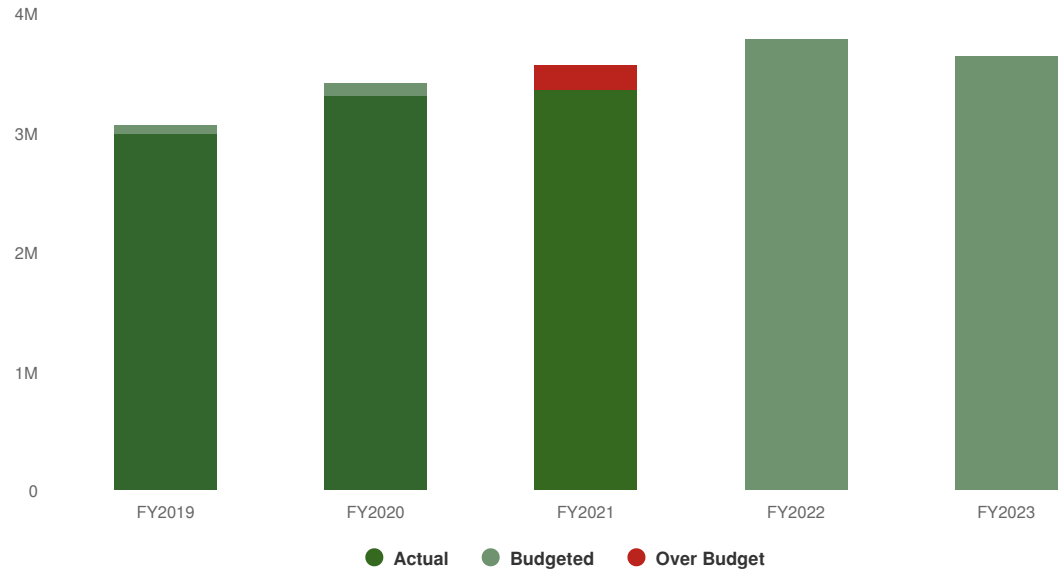
Our mission allows us to protect the community through public education, training, fire prevention, fire suppression, emergency rescue, disaster preparedness, mutual aid support, advances in modern technology, and other services to minimize the loss of life and property, damage to the environment, and adverse economic impacts due to natural or man-made emergencies or events.

Expenditures Summary

The decrease in the FY 22/23 proposed budget is due the early payoff of the construction loan to build Fire Station 1. The City elected to pay off the USDA Loan for the construction of Fire Station 1, located at 715 Harbor Street. By paying off this loan early, the City will realize a savings of approximately $500,000 in interest payments over the remaining life of the loan.

$3,653,827 **-$137,388**
(-3.62% vs. prior year)

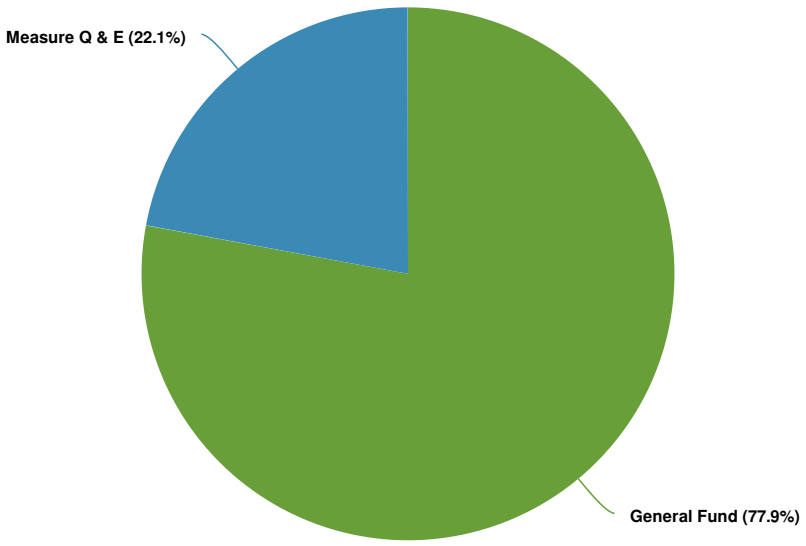
Fire Proposed and Historical Budget vs. Actual



Expenditures by Fund

In alignment with one of the stated purposes of Measures Q & E "to maintain public safety services," approximately 22.3% of the Fire Department's operating budget is comprised of Measure Q & E funds. These funds pay for the salary and benefits for one (1) Full-time Fire Captain/Paramedic position, two (2) Full-time Fire Engineer/Paramedic positions, and ten (10) Reserve Firefighter positions. The General Fund accounts for the remaining 77.7% of the Fire Department's operating budget. These funds cover the remaining personnel expenses including the Fire Chief, Division Chief/Fire Marshall, Administrative Technician, two (2) Fire Captain/Paramedics, five (5) Fire Engineer/Paramedics, and two (2) Probationary Firefighters. The General Fund also supports the maintenance of fire apparatus and equipment, professional development, and the daily operational needs of the department.

2023 Expenditures by Fund



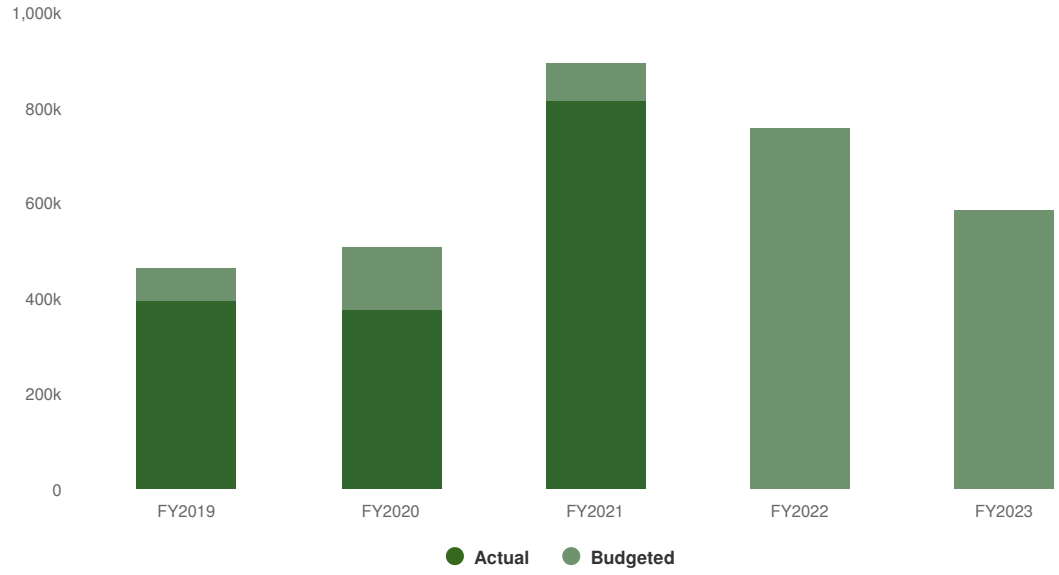
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund				
Personnel Services	$2,682,567	$2,631,986	$2,360,071	-12%
Supplies	$177,842	$164,528	$162,286	-8.7%
Other Expense	$6,825	$6,825	$113,641	1,565.1%
Services	$179,576	$185,348	$211,274	17.7%
Total General Fund:	**$3,046,811**	**$2,988,687**	**$2,847,272**	**-6.5%**
Measure Q & E				
Personnel Services	$653,598	$624,409	$806,555	23.4%
Debt Service	$90,807	$90,808	$0	-100%
Total Measure Q & E:	**$744,405**	**$715,217**	**$806,555**	**8.3%**
Total:	**$3,791,215**	**$3,703,904**	**$3,653,827**	**-3.6%**

Revenues Summary

The increase in the "Other Expense" line item is due to moving the contracted dispatch services to the Fire Department General Fund Expenses section. This pays the annual expense for CAL Fire/ San Luis Obispo County Fire to provide Emergency Command Center Dispatch Services to the Morro Bay Fire Department.

$586,140 **-$171,262**
(-22.61% vs. prior year)

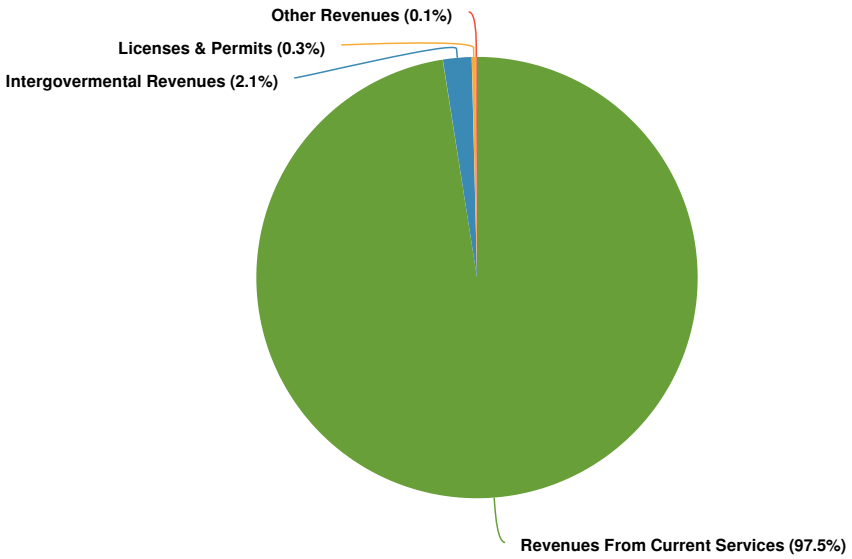
Fire Proposed and Historical Budget vs. Actual



Revenues by Source

Revenues budgeted have decreased approximately 21% from the previous year due to changing the way we predict overtime and Mutual Aid reimbursement. Historically, revenues and overtime related to Mutual Aid response were not budgeted during the initial budget cycle.The budget was adjusted at the mid-year budget review to account for Mutual Aid responses. To more accurately depict planned overtime and revenues generated during the year based on an average fire season, we added a conservative estimate of revenue. This adjustment was made to predict reimbursement income from participation in the States Mutual Aid System for FY 22/23 during the planning for this budget cycle. This reimbursement will offset the predicted overtime costs associated with participation in the Mutual Aid system. This reimbursement covers the cost of the employee assigned to the incident and the overtime required to fill their vacancy while on assignment. This number is an estimate based on the last four years of Mutual Aid activity and will vary based on the number of wildfires and disasters the Morro Bay Fire Department is requested to assist with.

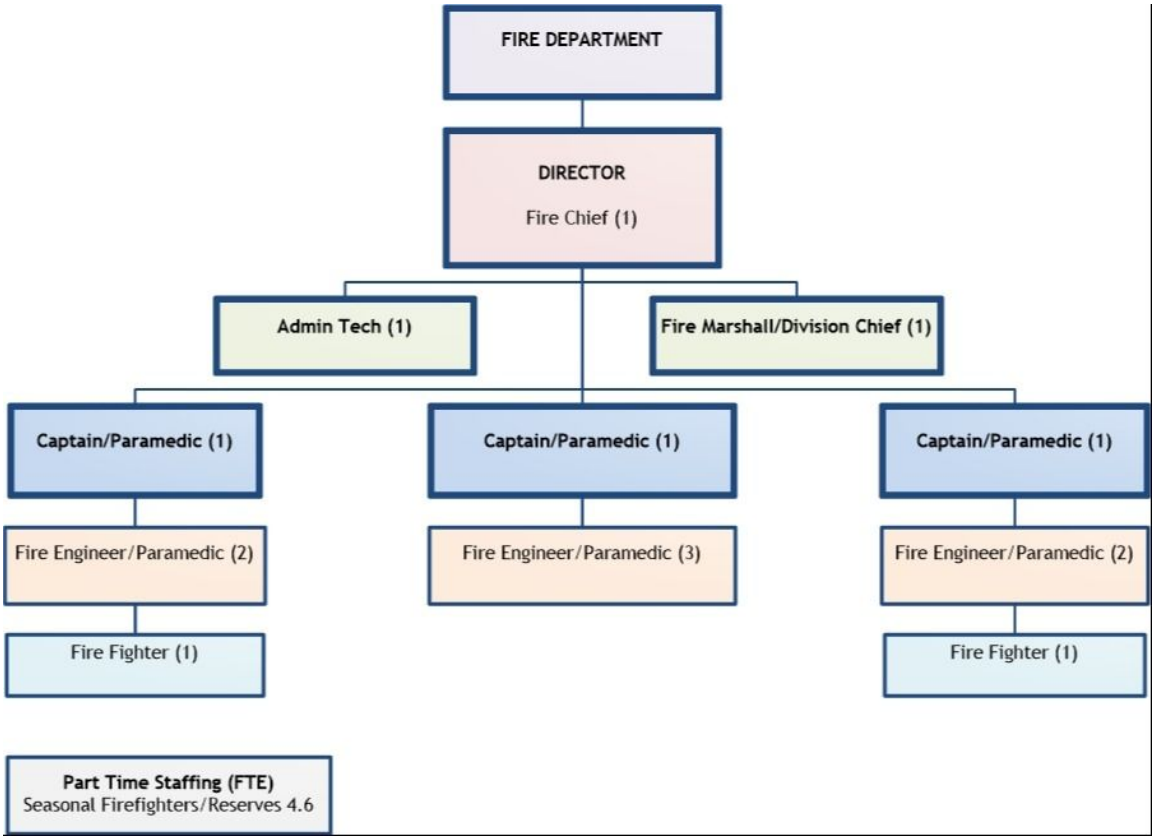
Projected 2023 Revenues by Source



The "Other Revenue" line item was reduced by 100% for this budget cycle. This line item was for grant funding from PG&E for emergency preparedness. This line item will be adjusted if grants become available from PG&E for Emergency Operations Center and Emergency Preparedness programs.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenue Source				
Intergovermental Revenues	$12,000	$12,000	$12,360	3%
Licenses & Permits	$1,500	$225	$1,545	3%
Revenues From Current Services	$724,518	$760,591	$571,635	-21.1%
Other Revenues	$19,384	$700	$600	-96.9%
Total Revenue Source:	**$757,402**	**$773,516**	**$586,140**	**-22.6%**

Fire Department Organizational Chart



Fire Department Staffing List

Full-Time Staffing

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Midyear	2022-23 Budget
Fire Department					
Fire Chief	1.00	1.00	1.00	1.00	1.00
Division Chief/Fire Marshal	1.00	1.00	1.00	1.00	1.00
Fire Captain	3.00	3.00	3.00	3.00	3.00
Fire Engineer	7.00	7.00	8.00	7.00	7.00
Firefighter	1.00	1.00	1.00	2.00	2.00
Administrative Technician	0.75	0.75	1.00	1.00	1.00
Total Department FTEs	**13.75**	**13.75**	**15.00**	**15.00**	**15.00**

Part-Time Staffing

Presented as full-time equivalent positions based on the number of hours budgeted.

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Mid-year	2022-23 Budget
Fire Department					
Seasonal Firefighters/Reserves	5.2	5.2	2.6	2.6	4.6
Total Department FTEs	**5.2**	**5.2**	**2.6**	**2.6**	**4.6**

Total Fire Department Full-Time Equivalent Positions: 19.6

Department Goals & FY 2022-23 Action Items

- **Good Governance -**
  - Strategic plan - Create an internal department specific strategic plan.
  - Grant funding - Secure grant funding for staffing, equipment, and training needs.
- **Core City Service - Employee Development**
  - Succession planning - Invest in employee development training, Chief Officer, Company Officer, Engineer training, Paramedic certification.
  - Specialty training - Technical rescue, water operations, fire inspector, and hazardous materials training to improve organizational capabilities
  - Training materials and guidelines - Revise taskbooks, create mentorship programs, explorer program.
  - Employee wellness program - Annual NFPA physicals, cancer screenings, behavioral health programs.
  - Mutual Aid - Certification in management team operations, specialty fireline positions.
- **Core City Service - Upgrade communications capabilities**
  - Upgrade Mobile Data Computers - Replace Mobile Computers in all response vehicles to allow for information sharing between dispatch and vehicles.
  - Upgrade Mobile Radios - Replace Mobile radios in all response vehicles for improved communications(potentially grant funded).

Key Ongoing Programs & Services

- Emergency Response - All-hazards response for firefighting, emergency medical care, rescues, hazardous materials incidents and transportation incidents.
- Public Service - Provide assistance for non-emergency community needs.
- Community Education - Participate in fire safety education, provide station tours and demonstrations, CPR & first aid education.
- Mutual Aid - Maintain partnerships with allied agencies to provide and receive emergency response assistance.
- Community Development - Fire plan reviews, fire code adoption, construction inspections.
- Fire Prevention - Special event permitting, commercial fire and life safety inspections, weed abatement inspections.

Activity & Workload Highlights

ACTIVITY AND WORKLOAD HIGHLIGHTS	2019 Actuals	2020 Actuals	2021 Actuals	2022 Through April
Fire Prevention				
Plan Reviews	64	67	82	63
Commercial Business Inspections	258	305	313	113
Short-term Vacation Rental Inspections	0	64	55	0
Weed Abatement Inspections	4,208	4,452	4,134	0
Calls for Service	34	41	63	44
National Incident Reporting System Data Call Volume				
Fires	28	49	51	13
Overpressure, Rupture, Explosion, Overheat	1	1	1	0
Rescue and Emergency Medical Services Incident	1,164	1,239	1,184	409
Hazardous Condition	63	44	66	11
Service Call	202	215	253	63
Good Intent Call	196	200	181	80
False Alarm and False Call	127	114	121	38
Severe Weather and Natural Disaster	2	1	1	0
Special Incident Type	5	3	1	1

Harbor Department - Operating Budget

The Harbor Department manages the State-granted Tidelands Trust area in Morro Bay, providing for public safety (Harbor Patrol and Beach Lifeguards), waterfront property and lease management, public access, code enforcement, general public service and facility maintenance, repair and capital improvement and replacement in the Trust area. The Harbor Department operates in an Enterprise Fund format where the revenues generated in the Trust by lease rents and boating-related fees are expended in the Trust for Trust-related purposes, properties and facilities on Morro Bay's waterfront, bay and beaches.

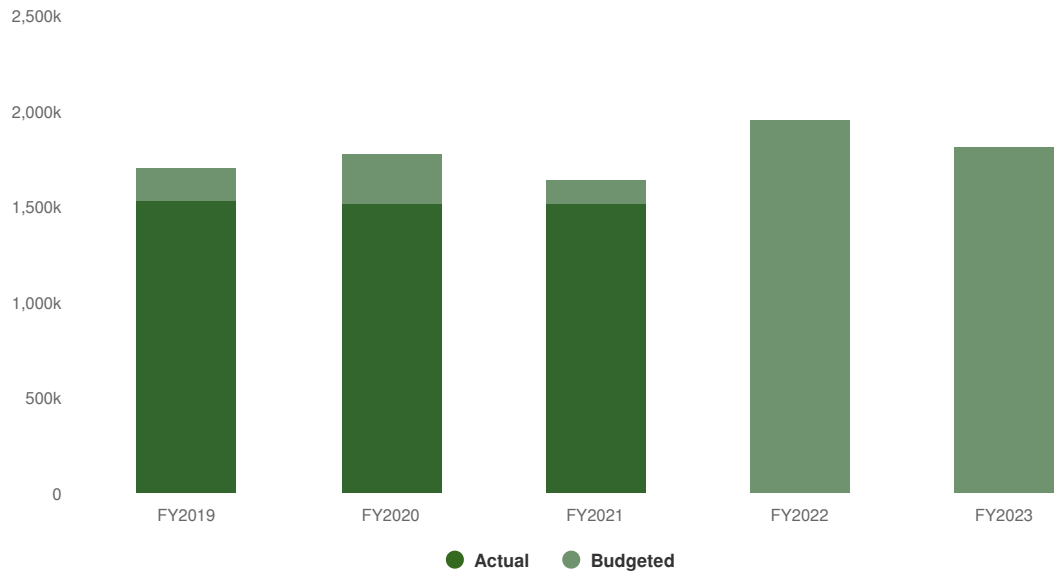
Expenditures Summary

The Harbor Operating Fund provides for the overall operation of the department's various functions, with recurring expenses balanced by recurring revenues, and any excess revenues going toward capital improvements in the Harbor Capital Improvement Fund. While grant funding does play a small but important role, the department's capital asset and equipment improvement and replacement funding needs cannot be adequately met with the current revenue streams, fee structures or lack of economic development or enhancement.

Proposed expenditures allow for a small operating surplus in FY 2022-23. Looking toward the future, addressing the department's staffing needs, maintaining competitive compensation for employees, and addressing unfunded capital needs on the waterfront will be the most significant impact on the department's budget and structure.

$1,816,358 **-$142,050**
(-7.25% vs. prior year)

Harbor Proposed and Historical Budget vs. Actual

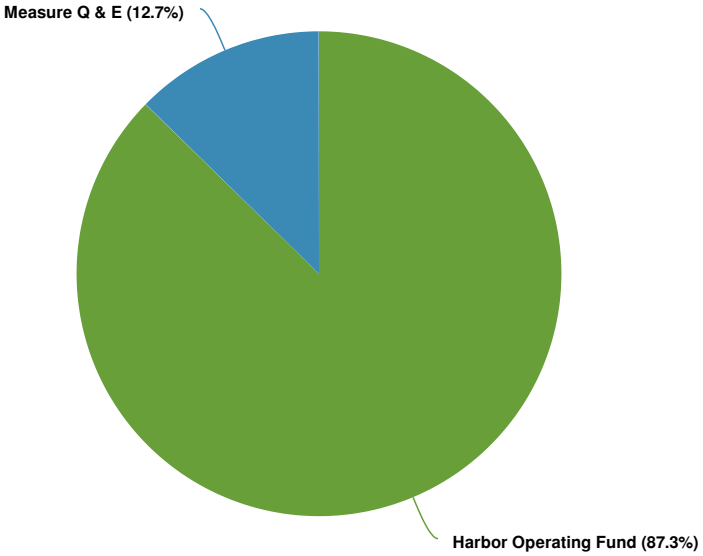


The most significant expenditure change to the Harbor Fund was the final ~$135,000 annual payment of the South T-Pier rebuilding loan in FY2022. Other expenses have largely returned to pre-pandemic levels, where many expenses were cut to bare minimums for the past two fiscal years.

Expenditures by Fund

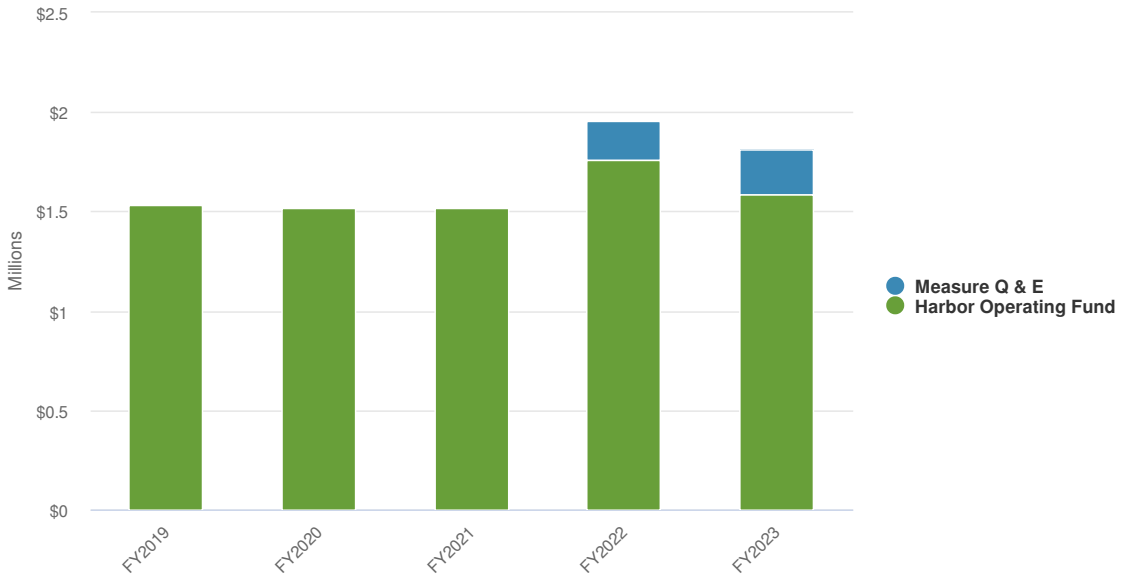
Historically, all expenses incurred by the Harbor Department were covered by the Harbor Operating Fund, which derives its revenues only from waterfront lease rents and vessel-related fees - no tax revenues. In FY 2021-22, however, recognizing that the traditional funding sources for the Harbor Department could not keep up with costs for the demands on services and infrastructure needs, for the first time the City Council allocated a portion of sales tax revenues to the Harbor Department in the form of Measure Q/E funds.

2023 Expenditures by Fund



In recent years, demands on the Harbor Department's services, supplies and infrastructure have increased significantly, and consequentially the costs for those things have increased as well, as have the costs of employment. The COVID-19 pandemic accelerated this trend with unprecedented visitorship. It is not a trend that is expected to significantly abate.

Budgeted and Historical 2023 Expenditures by Fund

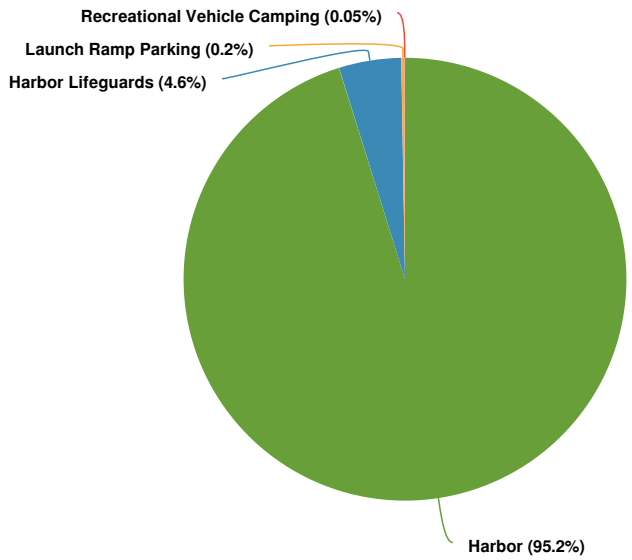


Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Measure Q & E				
Personnel Services	$81,000	$50,200	$139,464	72.2%
Supplies	$0		$3,300	N/A
Services	$70,000	$70,000	$87,500	25%
Capital Outlay	$50,000	$50,000	$0	-100%
Total Measure Q & E:	**$201,000**	**$170,200**	**$230,264**	**14.6%**
Harbor Operating Fund				
Personnel Services	$1,163,894	$1,168,173	$1,073,290	-7.8%
Supplies	$66,100	$48,200	$74,800	13.2%
Services	$392,579	$296,424	$438,004	11.6%
Debt Service	$134,835	$0	$0	-100%
Total Harbor Operating Fund:	**$1,757,408**	**$1,512,797**	**$1,586,094**	**-9.7%**
Total:	**$1,958,408**	**$1,682,997**	**$1,816,358**	**-7.3%**

Expenditures by Function

One expenditure increase by function is anticipated this year: additional use of part-time (Patrol Reserves) and temporary (Administrative Assistant) employees to fill shortfalls in staffing until the department completes an organizational assessment to guide its future structure and staffing.

Budgeted Expenditures by Function



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expenditures				
Harbor Department				
Harbor				
Personnel Services	$1,161,894	$1,160,173	$1,133,140	-2.5%
Supplies	$61,450	$47,300	$72,800	18.5%
Services	$442,554	$363,024	$522,904	18.2%
Capital Outlay	$50,000	$50,000	$0	-100%
Debt Service	$134,835	$0	$0	-100%
Total Harbor:	**$1,850,733**	**$1,620,497**	**$1,728,844**	**-6.6%**
Harbor Lifeguards				
Personnel Services	$83,000	$58,200	$79,614	-4.1%
Supplies	$3,050	$500	$3,300	8.2%
Total Harbor Lifeguards:	**$86,050**	**$58,700**	**$82,914**	**-3.6%**
Recreational Vehicle Camping				
Supplies	$1,000		$0	-100%
Services	$18,625	$1,400	$875	-95.3%

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Total Recreational Vehicle Camping:	**$19,625**	**$1,400**	**$875**	**-95.5%**
Launch Ramp Parking				
Supplies	$600	$400	$2,000	233.3%
Services	$1,400	$2,000	$1,725	23.2%
Total Launch Ramp Parking:	**$2,000**	**$2,400**	**$3,725**	**86.3%**
Total Harbor Department:	**$1,958,408**	**$1,682,997**	**$1,816,358**	**-7.3%**
Total Expenditures:	**$1,958,408**	**$1,682,997**	**$1,816,358**	**-7.3%**

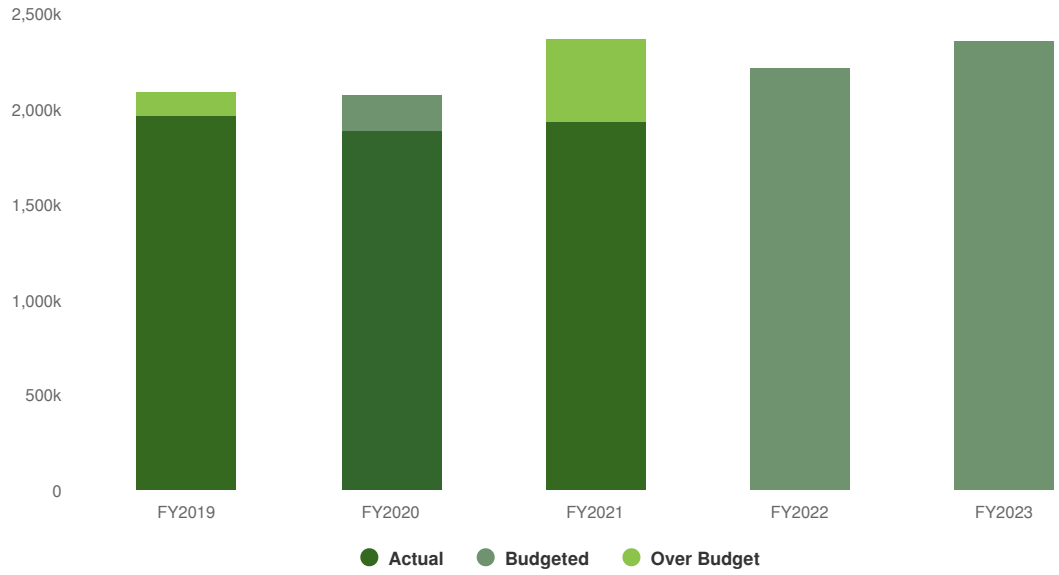
Revenues Summary

The Harbor Operating Fund provides for the overall operation of the department's various functions, with recurring expenses balanced by recurring revenues, and any excess revenues going to the Harbor Accumulation Fund for capital asset and major equipment needs. Grant funding does play a small but important role. It is noteworthy to realize, however, that the Department's capital asset and equipment improvement needs cannot be adequately met with the current revenue streams.

The most significant recent changes to the Harbor Fund were the final payment of the South T-Pier rebuilding loan (~$135,000 annually), and the Fund receiving for the first time a share of Measure Q/E property tax revenues, both occurring in FY2022. Looking toward the future, addressing the department's staffing needs, maintaining competitive compensation for employees, and addressing unfunded capital needs on the waterfront, will be the most significant impact on the Department's budget and structure.

$2,360,964 **$140,864**
(6.34% vs. prior year)

Harbor Proposed and Historical Budget vs. Actual

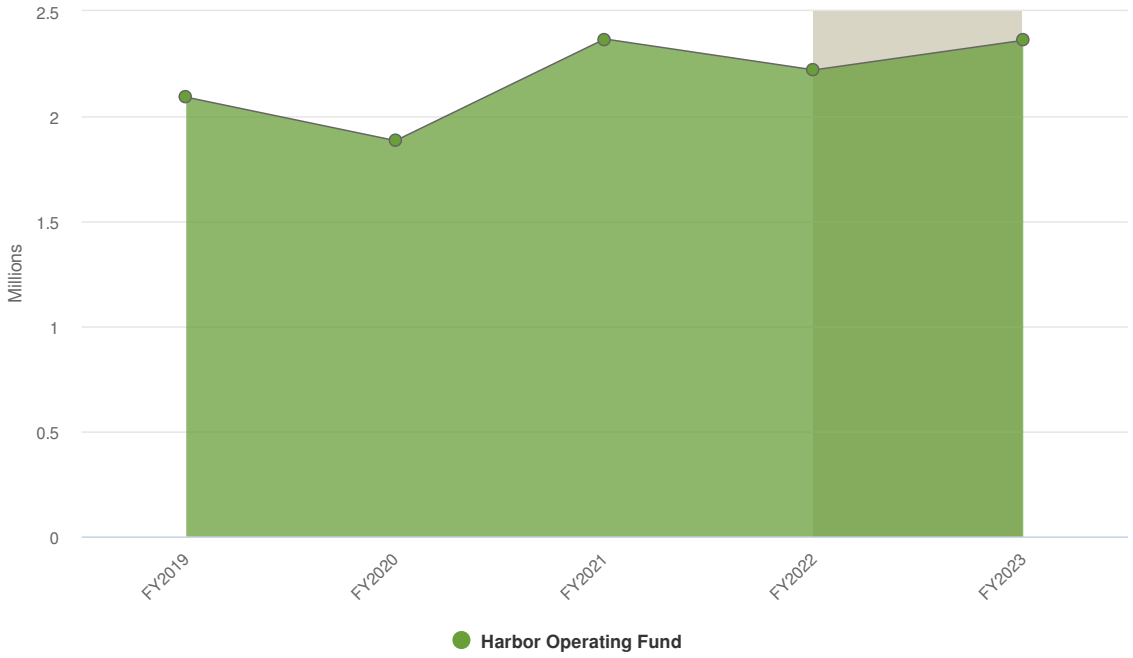


Revenue by Fund

In estimating revenues, department staff generally take a very conservative approach, using budget modeling coupled with a "look-back" of previous years' actual revenue performance, in addition to using such factors as CPI, sales, transient occupancy and property tax trends and forecasts.

In the years following the Great Recession of 2008, production of a balanced Harbor Department budget was seriously challenged. However, beginning with FY2012-13, leases and other revenues significantly rebounded, and by ~2018 had generally returned to pre-recession levels. The cessation of the annual $275,000 power plant outfall lease payments in 2012, however, placed an additional financial burden on the department, and while the COVID-19 did have some short-term negative effects on the FY2020 budget, increased visitorship to Morro Bay as a result of the pandemic has led to increased tourism-related revenues.

Budgeted and Historical 2023 Revenue by Fund



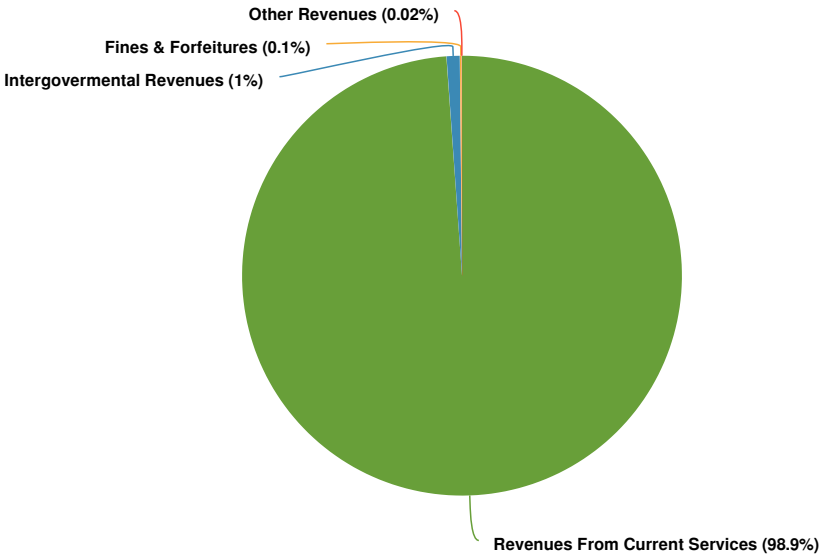
Grey background indicates budgeted figures.

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Harbor Operating Fund				
Intergovermental Revenues	$26,200	$23,000	$23,000	-12.2%
Revenues From Current Services	$2,191,900	$2,281,000	$2,334,464	6.5%
Fines & Forfeitures	$2,000	$23,000	$3,000	50%
Other Revenues	$0		$500	N/A
Total Harbor Operating Fund:	**$2,220,100**	**$2,327,000**	**$2,360,964**	**6.3%**

Revenues by Source

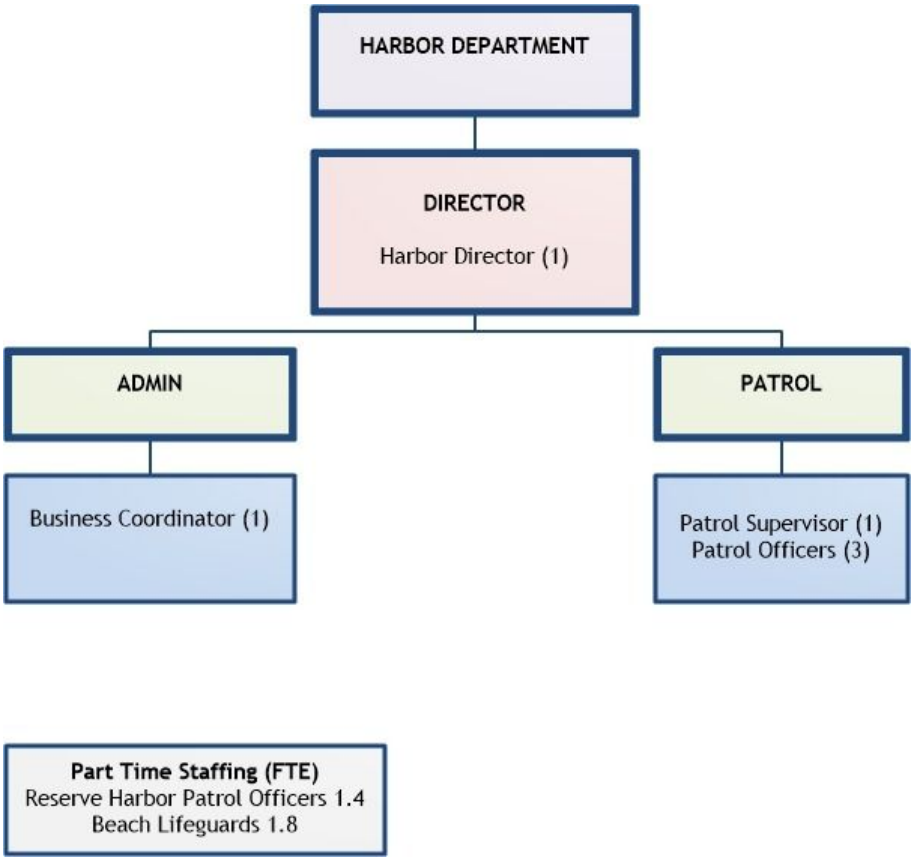
The primary sources of revenue for the Harbor Department remain waterfront lease site minimum annual and percent gross of sales rents (79%), boating-related fees (17%) and launch ramp parking fees (2.4%). Cessation of the waterfront RV camping program revenues is the only significant revenue change to the Harbor Fund this year.

Projected 2023 Revenues by Source



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenue Source				
Intergovermental Revenues	$26,200	$23,000	$23,000	-12.2%
Total Intergovermental Revenues:	**$26,200**	**$23,000**	**$23,000**	**-12.2%**
Revenues From Current Services	$2,191,900	$2,281,000	$2,334,464	6.5%
Total Revenues From Current Services:	**$2,191,900**	**$2,281,000**	**$2,334,464**	**6.5%**
Fines & Forfeitures	$2,000	$23,000	$3,000	50%
Total Fines & Forfeitures:	**$2,000**	**$23,000**	**$3,000**	**50%**
Other Revenues	$0	$0	$500	N/A
Total Other Revenues:	**$0**	**$0**	**$500**	**N/A**
Total Revenue Source:	**$2,220,100**	**$2,327,000**	**$2,360,964**	**6.3%**

Harbor Department Organizational Chart



Harbor Department Staffing List

Full-Time Staffing

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Midyear	2022-23 Budget
Harbor Department					
Harbor Director	1.0	1.0	1.0	1.0	1.0
Harbor Business Coordinator	1.0	1.0	1.0	1.0	1.0
Harbor Patrol Supervisor	1.0	1.0	1.0	1.0	1.0
Harbor Patrol Officer	3.0	3.0	3.0	3.0	3.0
Administrative Technican	0.0	0.0	0.0	0.0	0.0
Total Department FTEs	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**

Part-Time Staffing

Presented as full-time equivalent positions based on the number of hours budgeted.

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Mid-year	2022-23 Budget
Harbor Department					
Reserve Harbor Patrol Officers	1.6	1.2	1.1	1.1	1.4
Beach Lifeguards	1.4	1.2	1.8	1.8	1.8
Office Assistant	0.5	0.0	0.0	0.0	0.0
Harbor Maintenance	0.5	0.0	0.5	0.0	0.0
Total Department FTEs	**4.0**	**2.4**	**3.4**	**2.9**	**3.2**

Total Harbor Department Full-Time Equivalent Staff Positions: 9.2

Department Goals & FY 2022-23 Action Items

- **Efficient Administration of the Tidelands Trust**
  - **Core City Service**
    - Rent Audits - complete lease site percent gross rent audits per the new lease management policy
    - Lease Negotiations - complete several pending and/or underway negotiations for new or amended leases
    - Harbor Rules/Regulations and Forms - update Harbor rules and regulations, forms and documents
  - **Good Governance**
    - Organizational Assessment - complete organizational assessment of the Harbor Department for Council consideration, and implement plan
    - Billing System - purchase and implement new billing system

- **Public Safety**
  - **Core City Service**
    - Harbor Patrol Vessel - complete refurbishment currently underway for new patrol vessel and put into service

- **Providing the Necessary Facilities, Services and Public Access to the General and Boating Public**
  - **City Council Goal: Public Infrastructure**
    - Capital Needs Assessment - In partnership with the Public Works Department, initiate a capital needs assessment of Harbor-related facilities and infrastructure
    - Paid Parking - work to implement paid parking program on the Embarcadero
  - **Core City Service**
    - Beach Street Slips Replacement - complete Beach Street commercial fishing vessel South Slips replacement
    - Harbor Department Building Remodel - complete interior and exterior remodeling and reorganization of the Harbor Department office to gain public ADA-accessibility, in addition to increasing internal efficiencies

- **Resource Management and Environmental Stewardship**
  - **City Council Goal: Climate Action**
    - Offshore Wind Power Generation - continue working with state and federal regulators, commercial fishers and offshore wind industry to site wind power generation offshore Morro Bay, and establish industry operations and maintenance base in Morro Bay
  - **Core City Service**
    - Clean Marina Recertification - complete Clean Marina recertification due this year

Key Ongoing Programs & Services

- Public Safety & Enforcement - Harbor Patrol and Beach Lifeguards on Morro Bay's waterfront, bay, ocean and beaches
- Property & Lease Management - Oversee 30 waterfront master leases representing ~90 individual businesses
- Administration - Public office/front counter, slip, pier and liveaboard management, weather monitoring and reporting, Harbor Advisory Board management,
- Finance - Billing/accounts receivable, purchasing and accounts payable, budget development/management, grant acquisition and management, liens and collections
- Infrastructure/Capital & Equipment - General facility, vehicle and vessel maintenance and repair, capital project planning, contracting and execution

Activity & Workload Highlights

ACTIVITY AND WORKLOAD HIGHLIGHTS	2019-20 Actuals	2020-21 Actuals	2021-22 Estimates	2022-23 Projected
Major Lease Actions (new leases, amendments)	17	4	6	5
Lease Site Redevelopment Projects	4	2	3	5
Harbor Patrol Calls For Service	1478	1497	1217	1350
Emergency Responses	149	195	150	175
Assisting Other Agencies	379	452	408	430
Enforcement Actions	467	520	403	450
Maintenance Actions	2069	2064	1867	1900
Training Contacts/Actions	292	218	196	200

Police Department - Operating Budget

The Morro Bay Police Department employs 21 full-time and two part-time employees, including 18 sworn officers as well as three full-time and two part-time civilian employees. These staff members provide full police services to Morro Bay's community of over 10,500 residents. In addition to full-time employees, the Police Department relies heavily on civilian volunteers to enhance our community's level of service. These volunteers include citizen volunteers, Police Chaplains, Police Explorers, and Chief's Advisory Committee members.

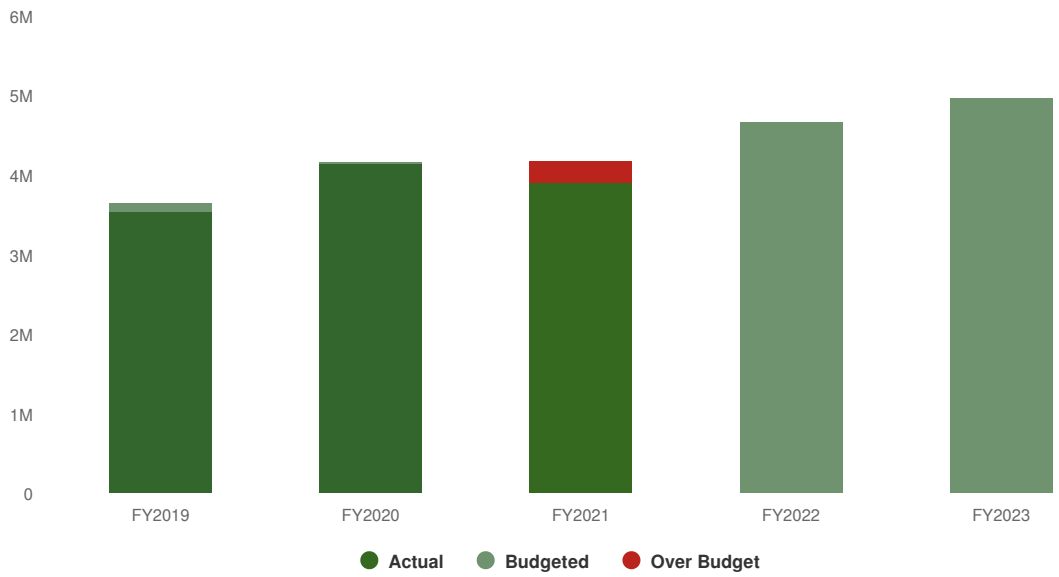
The Morro Bay Police Department continues to be part of a much larger public safety network of First Responders working closely with Morro Bay Fire and Harbor Departments as well as regional and allied agencies including State Parks, SLO County Sheriff, CHP, SLO County Probation, Cal Trans, and surrounding municipal police agencies. Together, we have formed a collaborative network of highly skilled and trained personnel and resources that keep our communities safe every day.

Expenditures Summary

The Police Department's budget for FY 2022-23 has increased slightly over previous years. However, challenges remain in recruiting and retaining highly qualified and skilled employees and obtaining and/or replacing needed equipment and resources. In addition to the City's General Fund, the Police Department relies on funding from additional sources such as Measure Q & E, SLESF/COPS Grant and the San Luis Coastal Unified School District (funding the School Resource Officer position) to provide much needed public safety services 24 hours per day, 7 days per week.

$4,975,537 **$292,735**
(6.25% vs. prior year)

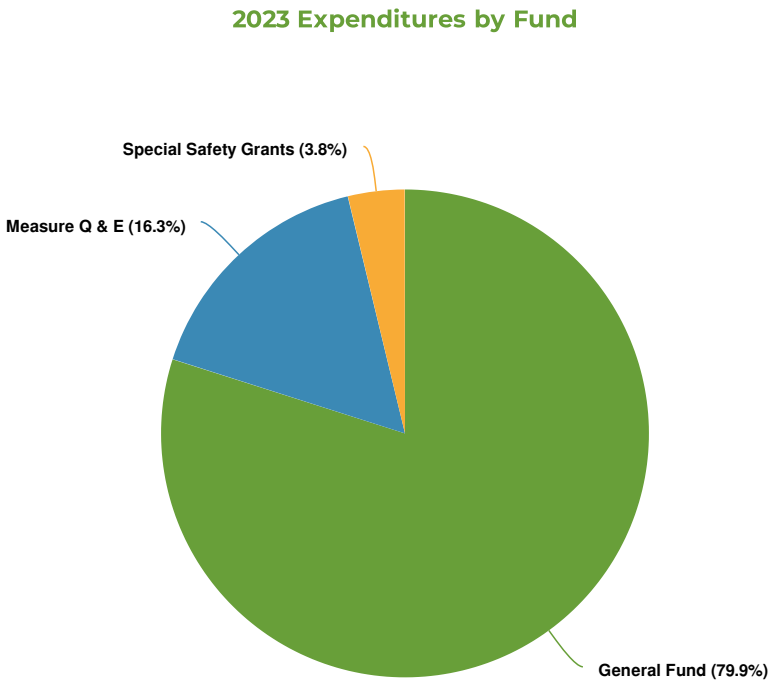
Police Proposed and Historical Budget vs. Actual



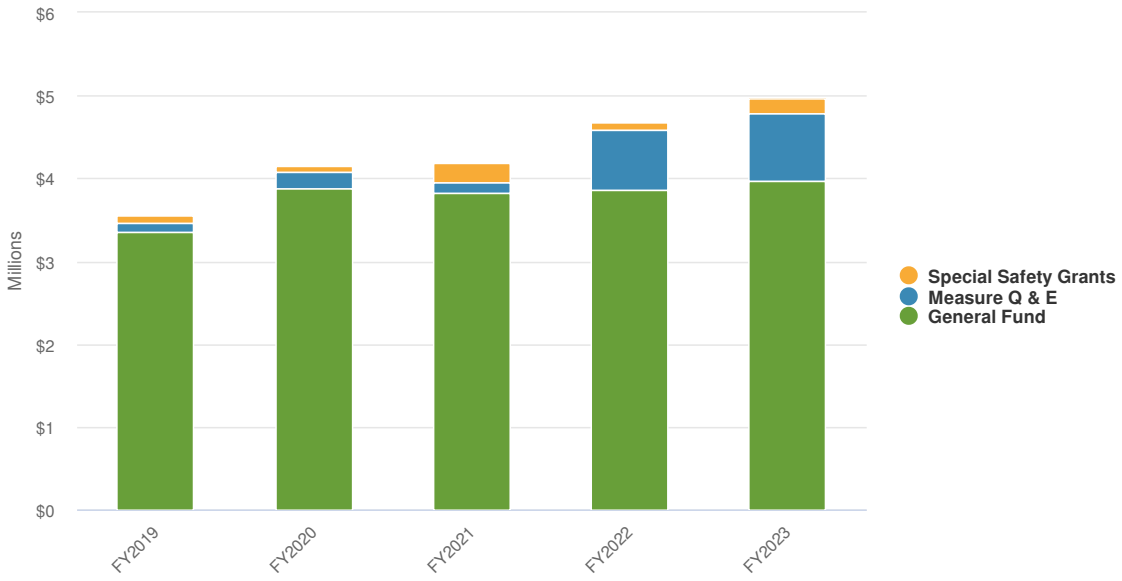
Expenditures by Fund

The FY 2021-22 budget brought the Department back to the minimum staffing level of 17 sworn officers (plus one assigned to SRO, funded by San Luis Coastal Unified School District), maintaining the same staffing levels since 1986. The FY 2022-23 budget includes the addition of a full-time, civilian Community Services Officer funded through the General Fund. Funding levels allow the Department to maintain basic policing services within budgetary constraints and guidelines. Both Measure Q & E and SLESF/COPS Grant funding have continued to be critical to the Department in maintaining all basic functions, which include personnel positions and operational/equipment needs to supplement General Fund support of the Department. New Measure "E" funding resources will be vital to maintain core services and hopefully improve upon the current staffing levels and equipment needed to meet the increased and growing demands for public safety from our law enforcement personnel.

The Department's operational expenditures have increased over the past year due to increased fuel costs, vehicle maintenance and repair costs of an aging patrol fleet, supply and equipment costs, and personnel merit increases for several employees.-



Budgeted and Historical 2023 Expenditures by Fund



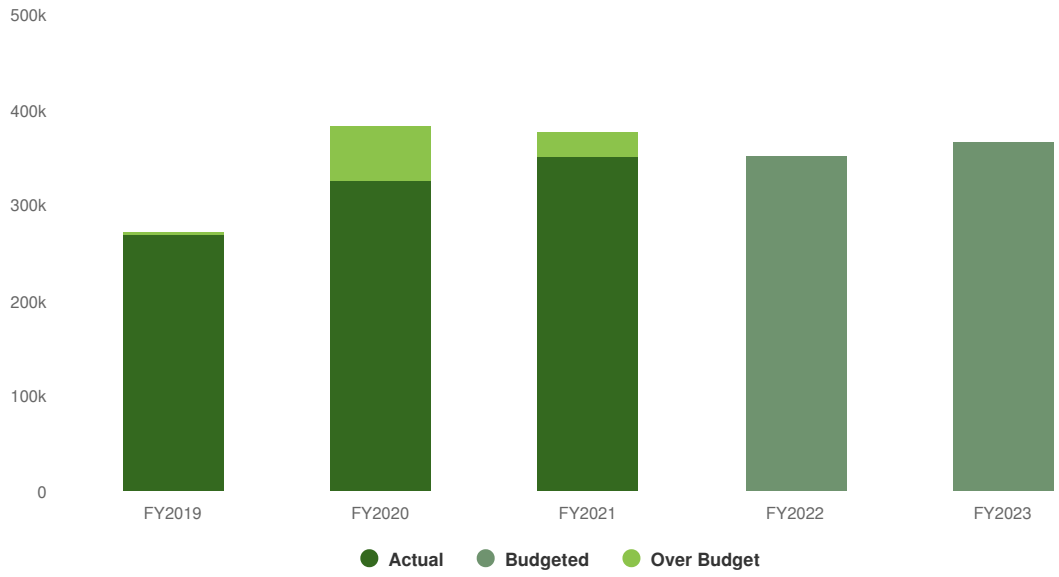
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund				
Personnel Services	$3,302,386	$3,290,855	$3,065,979	-7.2%
Supplies	$76,550	$77,050	$97,358	27.2%
Other Expense	$25,600	$25,600	$0	-100%
Services	$447,897	$473,147	$813,449	81.6%
Total General Fund:	**$3,852,433**	**$3,866,652**	**$3,976,786**	**3.2%**
Measure Q & E				
Personnel Services	$491,001	$497,082	$639,121	30.2%
Supplies	$0		$7,000	N/A
Other Expense	$36,000	$36,000	$36,720	2%
Services	$202,450	$80,000	$128,560	-36.5%
Total Measure Q & E:	**$729,451**	**$613,082**	**$811,401**	**11.2%**
Special Safety Grants				
Personnel Services	$51,918	$51,918	$60,850	17.2%
Supplies	$38,000	$38,000	$38,000	0%
Services	$11,000	$11,000	$13,500	22.7%
Capital Outlay			$75,000	N/A
Total Special Safety Grants:	**$100,918**	**$100,918**	**$187,350**	**85.6%**
Total:	**$4,682,802**	**$4,580,652**	**$4,975,537**	**6.3%**

Revenues Summary

The City's Police Department estimates FY 2022-23 total revenue of $367,071 across three funds: 70% in General Fund (001), 27% Special Safety Grants Fund (282), and 2.7% in Traffic Safety Fund (280).

$367,071 **$14,196**
(4.02% vs. prior year)

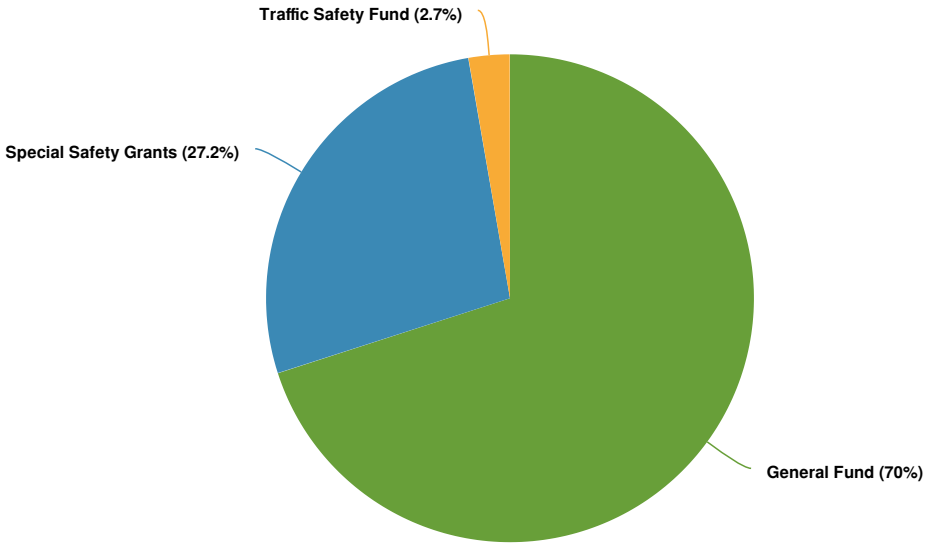
Police Proposed and Historical Budget vs. Actual



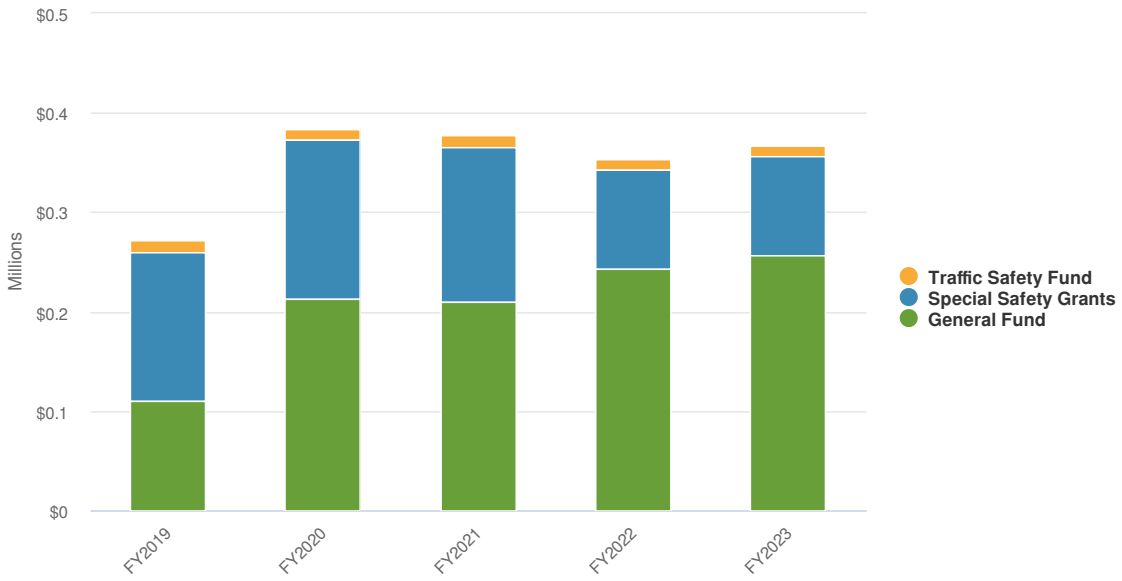
Revenue by Fund

FY 2022-23 General Fund (001) revenue is budgeted at 257,071, which represents an approximately 6% increase over the FY 2021-22 budget. Categories of revenue earnings include State Mandated Cost Reimbursement, Police Officer Standards and Training (POST) Subvention, Impound Fees, Sales of Copies and Books, Commercial Cannabis Background Checks, Subpoenas, Fingerprinting Fees, Cost Recovery, Booking Fees, reimbursement for the cost of the School Resources Officer, Parking Bail and Statutory Violations, Adminstrative Citations, Auctioned Property, and Refunds. The Traffic Safety Fund (282) estimates $10,000 in Statutory Violations revenue received through San Luis Obispo County. The Special Safety Grants Fund (280) anticipates $100,000 in revenue from the California Citizens Option for Public Safety (COPS) Program distributed through the California Supplemental Law Enforcement Services Fund (SLESF).

2023 Revenue by Fund

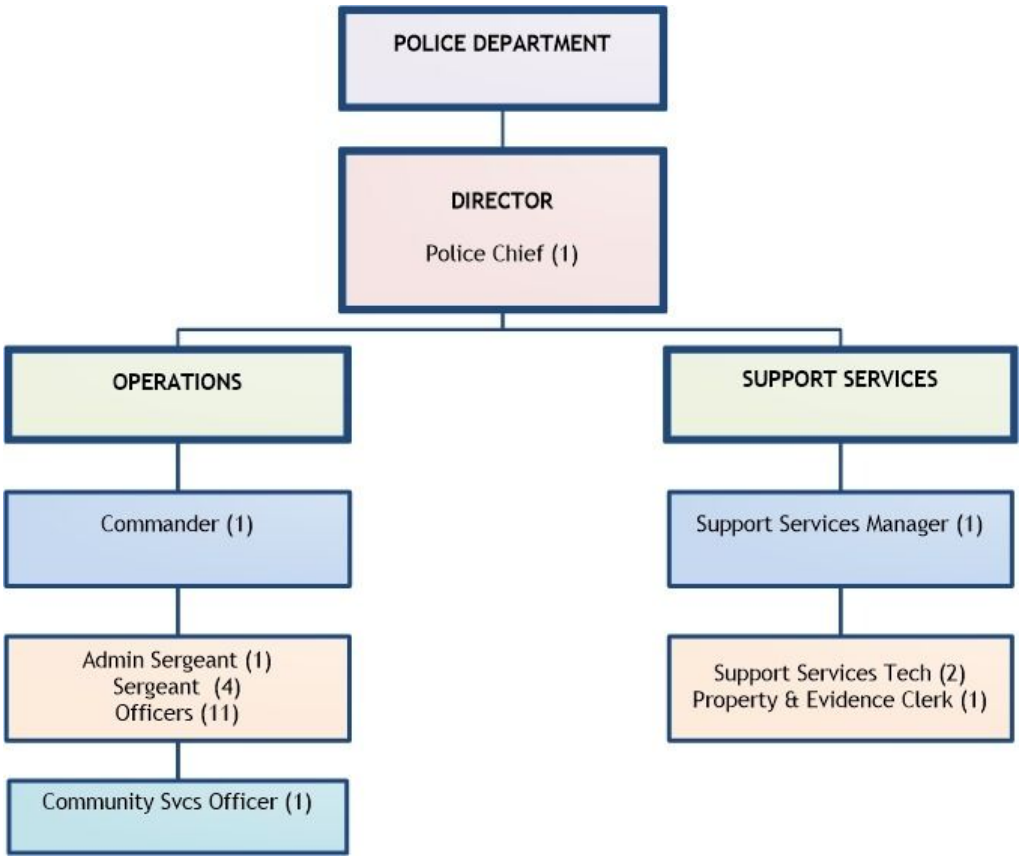


Budgeted and Historical 2023 Revenue by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund				
Intergovermental Revenues	$29,000	$21,000	$29,870	3%
Revenues From Current Services	$194,875	$32,480	$207,631	6.5%
Fines & Forfeitures	$7,000		$7,210	3%
Other Revenues	$12,000		$12,360	3%
Total General Fund:	**$242,875**	**$53,480**	**$257,071**	**5.8%**
Traffic Safety Fund				
Fines & Forfeitures	$10,000		$10,000	0%
Total Traffic Safety Fund:	**$10,000**	**$0**	**$10,000**	**0%**
Special Safety Grants				
Intergovermental Revenues	$100,000	$100,000	$100,000	0%
Total Special Safety Grants:	**$100,000**	**$100,000**	**$100,000**	**0%**
Total:	**$352,875**	**$153,480**	**$367,071**	**4%**

Police Department Organizational Chart



Police Department Staffing List

Full-Time Staffing

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Midyear	2022-23 Budget
Police Department					
Chief of Police	1.00	1.00	1.00	1.00	1.00
Police Commander	1.00	1.00	1.00	1.00	1.00
Police Sergeant	4.00	4.00	4.00	4.00	4.00
Administrative Sergeant	1.00	1.00	1.00	1.00	1.00
Corporal	1.00	0.00	0.00	0.00	0.00
Senior Officer	4.00	4.00	4.00	4.00	4.00
Officer	4.00	4.00	5.00	5.00	5.00
Officer - School Resource Officer	1.00	1.00	1.00	1.00	1.00
Officer - Detective	1.00	1.00	1.00	1.00	1.00
Community Services Officer	0.00	0.00	0.00	0.00	1.00
Support Service Manager	1.00	1.00	1.00	1.00	1.00
Support Services Technician	1.00	1.00	1.00	1.00	1.00
Support Services Technician	0.63	0.63	0.63	0.63	0.75
Property & Evidence Clerk	0.75	0.75	0.75	0.75	0.75
Total Department FTEs	**21.38**	**20.38**	**21.38**	**21.38**	**22.50**

Part-Time Staffing

The Police Department does not currently have any part-time staffing.

Total Police Department Full-Time Equivalent Positions: 22.5

Department Goals & FY 2022-23 Action Items

- **Goal #1: Recruitment and Retention**
  - **Core City Service (Public Safety)**
    - Continue to research and identify new recruiting strategies
    - Target diverse candidates both locally and externally
    - Streamline the hiring/background process
    - Focus on retention of valued employees through incentives and fair compensation

- **Goal #2: Community Safety/Crime Prevention Strategies**
  - **Core City Service (Public Safety)**
    - Monitor current crime trends for industry leading crime prevention strategies
    - Obtain and implement an ALPR camera system
    - Seek grant funding for a citywide security camera surveillance system

- **Goal #3: Enhanced Training (for officers and community education)**
  - **Core City Services (Public Safety)**
    - Continue high quality training to meet/exceed industry standards
    - Improve Officer/Community safety
    - Critical Incident, De-escalation, Crisis Resolution training
    - Increase operational readiness for critical incidents
    - Focus on Officer wellness

- **Goal #4: Implement Community Services Officer Program**
  - **Core City Services (Public Safety)**
    - Obtain non-sworn full-time Community Service Officer
    - Address non-emergency calls for service
    - Address quality of life issues
    - Address community engagement issues

Key Ongoing Programs & Services

- **Chief's Advisory Committee**:
  - The Chief's Advisory Committee continues to be an excellent resource to provide the Chief of Police with guidance and direction obtained through community input to address community concerns and review Departmental policies and procedures impacting the community.

- **Neighborhood Cop Program:**
  - The Neighborhood Cop Program continues to provide enhanced community involvement and engagement by providing direct communications with officers assigned to specific geographical locations throughout the City.

- **MBPD Citizens Academy**:
  - The Morro Bay Police Department hosts a citizens police academy to provide an inside look at how your police department works. Citizens are provided an in-depth look at all the internal functions of a full-service police agency including, patrol operations, investigations, property and evidence, administration services, training, and all those questions you always wanted to ask to understand "why" we do what we do.

- **MBPD Police Volunteers**:
  - Community members work in various capacities within the Morro Bay Police Department providing thousands of hours of volunteer service each year. Volunteers serve in both Operational and Administrative roles throughout the organization to support and supplement police services saving the City thousands of dollars each month. Our Volunteers perform tasks including: Traffic Control, Volunteer Patrol, UAS Flights, Missing Person Response, Special Events, Fleet Maintenance, Fingerprinting, Clerical Duties and Records Support.

- **Neighborhood Watch:**
  - Morro Bay Police Department partners with Neighborhood Watch to provide community safety services. Neighborhood Watch members partner in community events such as Coffee with a Cop, National Night Out and in the Neighborhood Cop Program.

- **Transitions Mental Health Association:**
  - Morro Bay Police Department partners with Transitions Mental Health through Grant funding to provide mental health services to the Morro Bay unhoused population. A Homeless Support Case Manager rides with MBPD patrol personnel each week to address the needs of these underserved community members in attempts to provide needed resources.

- **Community Outreach**:
  - Members of the Morro Bay Police Department partner in numerous community outreach programs throughout the city to be actively involved and engaged with our residents, visitors and businesses. These programs include Estero Bay Alliance for Care (EBAC), Morro Bay Active Adults, Chamber of Commerce, Rotary, San Luis Coastal Unified School District and other local and regional partners.

Activity & Workload Highlights

ACTIVITY AND WORKLOAD HIGHLIGHTS	2019-20 Actuals	2020-21 Actuals	2021-22 Estimates	2022-23 Projected
Average hours of training per sworn Officer	74	114	117	101
Average hours of training for non-sworn personnel	16	28	25	23
Total Number of Volunteer Hours	1765	1600	1682	1680
Response times	3-5 min average	3-5 min average	3-5 min average	3-5 min average
Calls for Service	12166	15500	14900	14,188
Total Arrests	624	630	607	620
Total number of reports written	1773	1743	1600	1705
Percentage of reported Traffic Collisions involving drugs or Alcohol	20%	16%	15%	17%
Number of traffic citations issued (excluding courtesy citations)	145	425	700	424
Criminal citations issued	165	250	317	244
Courtesy citations issues	284	178	158	206
DUI Arrests	89	78	79	82
Traffic collision reports	76	62	70	69
Injury collisions	13	22	27	20
Number of Parking Citations Issued	194	236	150	193
Number of parking permits issued	N/A	N/A	N/A	N/A
Number of abandoned vehicles removed from public streets	7 tows for 72 hour violations and 21 for exp. reg (Total 28)	11 tows for 72 hour violations and 9 for exp. reg (Total 20)	11 tows for 72 hour violations and 8 for exp. reg (19 Total)	9 tows for 72 hour violations and 12 for exp. reg (19 Total)
Revenue received on parking permits issued	N/A	N/A	N/A	N/A
Revenue received on parking citations issued	$4615	$9400	$3000	$5600

Public Works Department - Operating Budget

The **Public Works Department** is comprised of four divisions: Engineering, Utilities, Maintenance, and Administration. These divisions are responsible for carrying out the following functions:

- **Engineering**: encroachment, building, and planning permit reviews; parcel map reviews; and capital and maintenance projects; traffic engineering; grant writing
- **Utilities**: water treatment and distribution; wastewater treatment; maintenance of collections system; response and repair of system infrastructure
- **Maintenance**: maintenance of City parks, buildings, facilities, restrooms, medians, and rights-of-way; repair and maintenance of the City streets, curbs, sidewalks, traffic signal, lighting, and storm drains; maintenance of City vehicles
- **Administration**: transit; solid waste and recycling programs; environmental programs

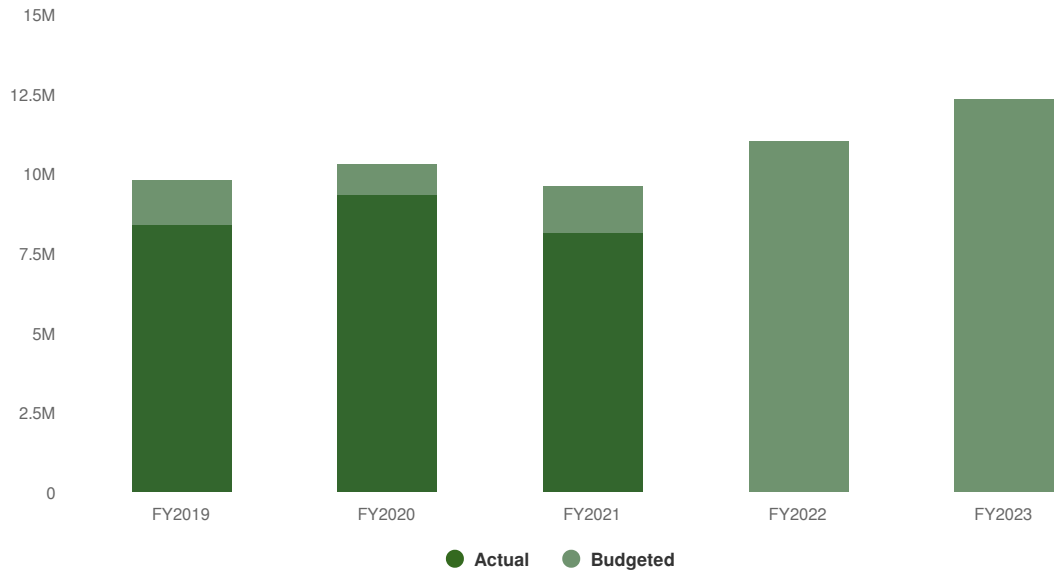
Revenue sources supporting operations and capital improvements include the General Fund, Measure Q & E, the Water and Sewer Funds, the Cloisters and North Point Assessment Districts, the Transit Fund, the Curbside Recycling Fund, as well as a variety of grant sources.

Expenditures Summary

During the pandemic, the Public Works Department downsized in anticipation of projected revenue reductions, which accounts for the relatively low expenditures in Fiscal Years 2019-20 and 2020-21. Since then, stabilized revenues and Measure E have allowed the Department to incrementally reinstate staffing cuts during the pandemic. Staffing has been increased in the Maintenance Division to enhance beautification efforts, the Engineering Division to execute on the City Council goal to improve public infrastructure and the Utilities Division to operate the new Water Reclamation Facility, which is expected to be brought online at the end of calendar year 2022.

$12,351,262 **$1,294,668**
(11.71% vs. prior year)

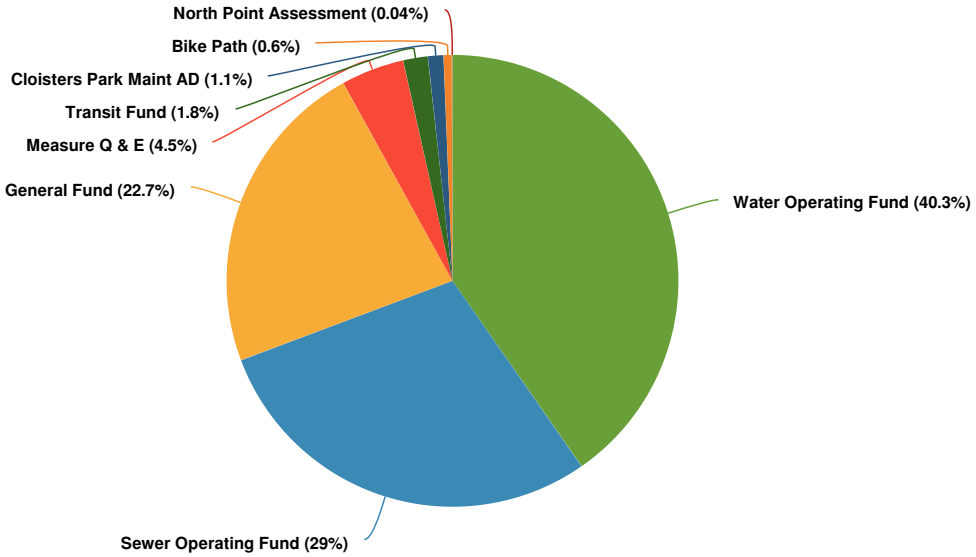
Public Works Proposed and Historical Budget vs. Actual



Expenditures by Fund

Approximately 69% of planned Department expenditures are within the Utilities Division, which will support all daily water and sewer operations, including operations at the new Water Reclamation Facility, which is expected to be brought online at the end of calendar year 2022. Over 20% of Department expenditures are from the General Fund, the vast majority of which support the Engineering and Maintenance Divisions. Measure Q & E make up 4.5% of expenditures, which also support the Engineering and Maintenance Divisions in executing on the adopted City Council goal to improve public infrastructure.

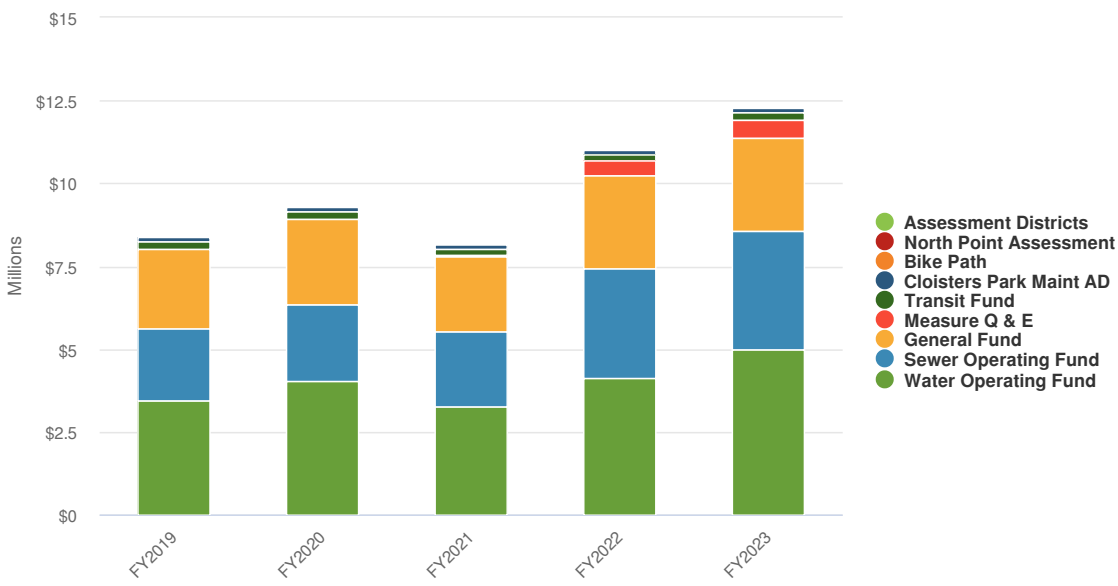
2023 Expenditures by Fund



The increase in Sewer Operating Fund expenditures can be attributed to the consolidation of the Morro Bay/Cayucos Wastewater Treatment Plant Fund (599) into the Sewer Fund. The Morro Bay/Cayucos Wastewater Treatment Plant Fund tracked costs governed by the Joint Powers Agreement between Morro Bay and Cayucos to run the current wastewater treatment plant, which provided treatment services for both Morro Bay and Cayucos through early FY 2021-22. Cayucos no longer requires wastewater collection and treatment services from Morro Bay; consequently, all sewer costs, including the costs of operating the current wastewater treatment plant, will be budgeted and tracked in the Sewer Operating Fund (321) in FY 2022-23 and going forward. Increases in expenditures of the Water Operating Fund can be attributed to a greater allocation of the Fund's participation in the operation of the new Water Reclamation Facility.

From Fiscal Year 2020-2021 and into Fiscal Year 2022-23, increases in Public Works expenditures in the General Fund and Measure Q & E Fund include adding or modifying several positions to implement the adopted City Council goal of improving public infrastructure. For example, the dual Public Works Director/City Engineer position was split into two positions to allow for enhanced focus on both roles. Other recently added positions include: Maintenance Worker I (reinstated post COVID), Engineering Technician (replacing Senior Engineer), Associate Engineer (replacing Assistant Engineer), Operation Technology Specialist, Administration Tech (replacing Environmental Programs Manager), Maintenance Leadworker (replacing a maintenance worker II), and Maintenance Superintendent (reinstated post COVID).

Budgeted and Historical 2023 Expenditures by Fund

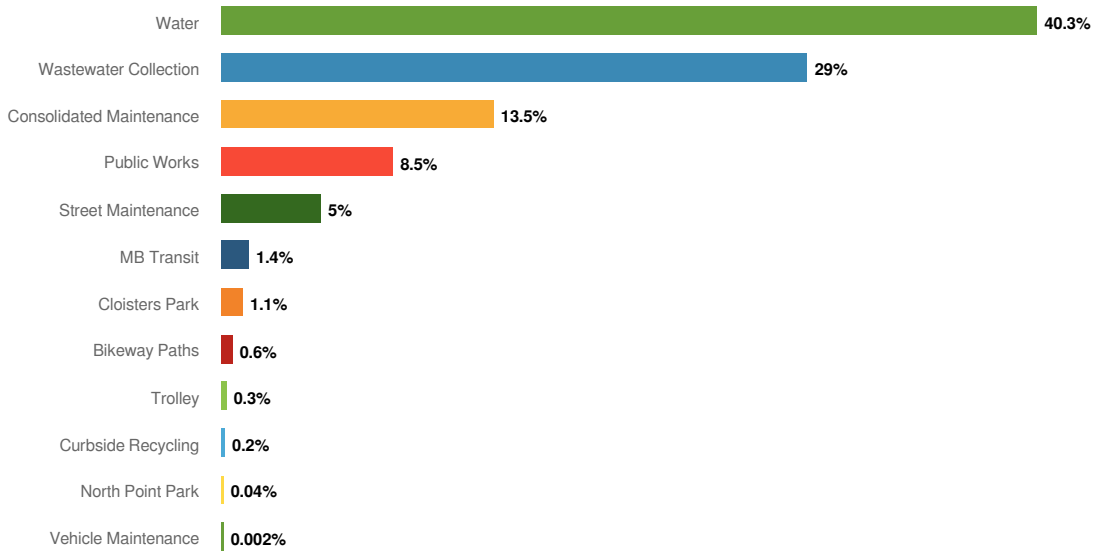


Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund				
Personnel Services	$1,880,673	$1,723,919	$1,712,902	-8.9%
Supplies	$227,606	$216,482	$242,532	6.6%
Services	$679,269	$712,406	$845,714	24.5%
Total General Fund:	**$2,787,548**	**$2,652,807**	**$2,801,148**	**0.5%**
Measure Q & E				
Personnel Services	$348,577	$348,577	$533,811	53.1%
Services	$100,000	$42,645	$25,500	-74.5%
Total Measure Q & E:	**$448,577**	**$391,222**	**$559,311**	**24.7%**
Bike Path				
Services	$40,054		$0	-100%
Interfund Transfers	$3,500	$3,500	$72,423	1,969.2%
Total Bike Path:	**$43,554**	**$3,500**	**$72,423**	**66.3%**
North Point Assessment				
Personnel Services	$972	$972	$0	-100%
Services	$3,396	$3,396	$4,865	43.3%
Total North Point Assessment:	**$4,368**	**$4,368**	**$4,865**	**11.4%**
Cloisters Park Maint AD				
Personnel Services	$74,542	$78,516	$73,497	-1.4%
Supplies	$3,225	$6,806	$16,327	406.2%
Services	$44,807	$37,252	$47,178	5.3%

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Total Cloisters Park Maint AD:	**$122,574**	**$122,574**	**$137,002**	**11.8%**
Transit Fund				
Supplies	$36,803	$33,955	$39,007	6%
Services	$170,792	$167,868	$179,007	4.8%
Total Transit Fund:	**$207,595**	**$201,823**	**$218,014**	**5%**
Sewer Operating Fund				
Personnel Services	$624,331	$538,076	$1,555,313	149.1%
Supplies	$99,300	$212,000	$348,835	251.3%
Other Expense	$2,099,886	$2,009,886	$0	-100%
Services	$507,856	$569,897	$1,673,263	229.5%
Total Sewer Operating Fund:	**$3,331,374**	**$3,329,859**	**$3,577,411**	**7.4%**
Water Operating Fund				
Personnel Services	$890,942	$881,119	$1,118,302	25.5%
Supplies	$163,600	$162,900	$319,625	95.4%
Services	$3,056,462	$3,036,862	$3,543,161	15.9%
Total Water Operating Fund:	**$4,111,004**	**$4,080,881**	**$4,981,088**	**21.2%**
Total:	**$11,056,594**	**$10,787,034**	**$12,351,262**	**11.7%**

Expenditures by Function

Budgeted Expenditures by Function



Some funds show a budget of $0 due to a consolidation of funds for accounting purposes. The following consolidations are included in the Fiscal Year 2022-23 budget:
Maintenance: Consolidated Maintenance, Vehicle Maintenance
Street Maintenance: Street Maintenance, Street Trees, Storm Drain Maintenance, Street Lighting

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expenditures				
Public Works				
Public Works				
Personnel Services	$881,655	$810,694	$900,363	2.1%
Supplies	$4,050	$3,964	$5,467	35%
Services	$127,816	$77,416	$146,496	14.6%
Total Public Works:	**$1,013,521**	**$892,073**	**$1,052,326**	**3.8%**
Consolidated Maintenance				
Personnel Services	$786,978	$839,623	$1,088,581	38.3%
Supplies	$106,791	$123,545	$141,837	32.8%
Services	$368,852	$344,272	$434,635	17.8%
Total Consolidated Maintenance:	**$1,262,621**	**$1,307,440**	**$1,665,053**	**31.9%**
Vehicle Maintenance				
Personnel Services	$118,850	$120,991	$0	-100%
Supplies	$30,151	$14,944	$0	-100%
Services	$7,551	$6,746	$214	-97.2%
Total Vehicle Maintenance:	**$156,552**	**$142,681**	**$214**	**-99.9%**
Street Maintenance				
Personnel Services	$199,880	$202,090	$228,923	14.5%
Supplies	$77,599	$66,589	$95,228	22.7%
Services	$67,607	$122,061	$289,868	328.8%
Total Street Maintenance:	**$345,085**	**$390,740**	**$614,019**	**77.9%**
Street Trees				
Personnel Services	$99,864	$99,098	$0	-100%
Supplies	$2,500	$4,540	$0	-100%
Services	$90,000	$85,114	$0	-100%
Total Street Trees:	**$192,364**	**$188,752**	**$0**	**-100%**
Street Lighting				
Supplies	$1,215	$600	$0	-100%
Services	$88,894	$92,600	$0	-100%
Total Street Lighting:	**$90,109**	**$93,200**	**$0**	**-100%**
Storm Drain/Creek Maint.				
Personnel Services	$113,742		$0	-100%

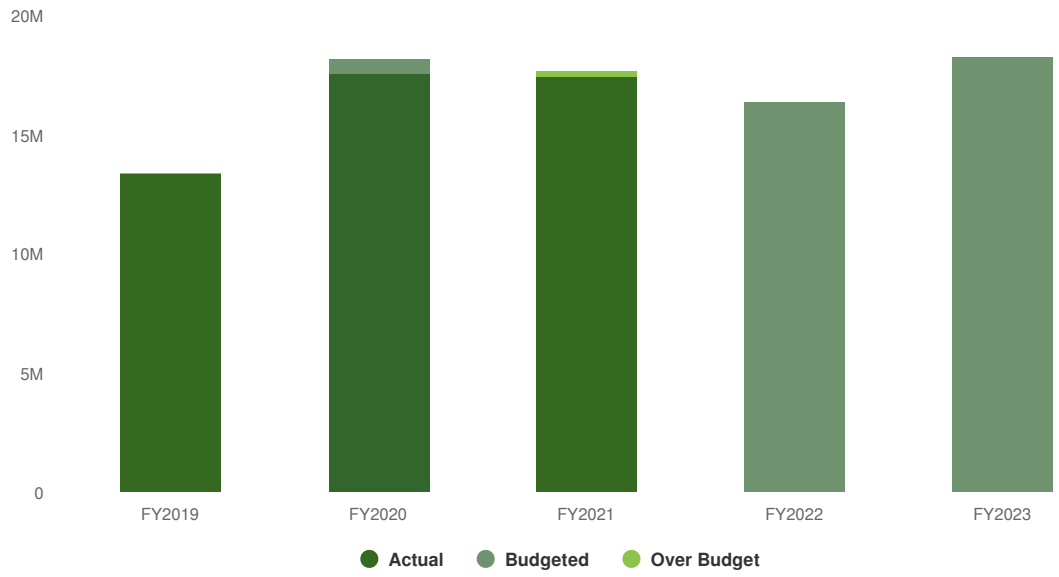
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Supplies	$5,300	$2,300	$0	-100%
Services	$28,550	$26,842	$0	-100%
Total Storm Drain/Creek Maint.:	**$147,592**	**$29,142**	**$0**	**-100%**
Water				
Personnel Services	$890,942	$881,119	$1,118,302	25.5%
Supplies	$163,600	$162,900	$319,625	95.4%
Services	$3,056,462	$3,036,862	$3,543,161	15.9%
Total Water:	**$4,111,004**	**$4,080,881**	**$4,981,088**	**21.2%**
Wastewater Collection				
Personnel Services	$624,331	$538,076	$1,555,313	149.1%
Supplies	$99,300	$212,000	$348,835	251.3%
Other Expense	$2,099,886	$2,009,886	$0	-100%
Services	$507,856	$569,897	$1,673,263	229.5%
Total Wastewater Collection:	**$3,331,374**	**$3,329,859**	**$3,577,411**	**7.4%**
MB Transit				
Supplies	$23,780	$25,266	$28,584	20.2%
Services	$143,240	$144,083	$148,857	3.9%
Total MB Transit:	**$167,020**	**$169,349**	**$177,441**	**6.2%**
Bikeway Paths				
Services	$40,054		$0	-100%
Interfund Transfers	$3,500	$3,500	$72,423	1,969.2%
Total Bikeway Paths:	**$43,554**	**$3,500**	**$72,423**	**66.3%**
Trolley				
Supplies	$13,023	$8,689	$10,423	-20%
Services	$27,552	$23,785	$30,150	9.4%
Total Trolley:	**$40,575**	**$32,474**	**$40,573**	**0%**
Curbside Recycling				
Personnel Services	$28,281		$28,847	2%
Total Curbside Recycling:	**$28,281**		**$28,847**	**2%**
North Point Park				
Personnel Services	$972	$972	$0	-100%
Services	$3,396	$3,396	$4,865	43.3%
Total North Point Park:	**$4,368**	**$4,368**	**$4,865**	**11.4%**
Cloisters Park				
Personnel Services	$74,542	$78,516	$73,497	-1.4%
Supplies	$3,225	$6,806	$16,327	406.2%

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Services	$44,807	$37,252	$47,178	5.3%
Total Cloisters Park:	**$122,574**	**$122,574**	**$137,002**	**11.8%**
Total Public Works:	**$11,056,594**	**$10,787,034**	**$12,351,262**	**11.7%**
Total Expenditures:	**$11,056,594**	**$10,787,034**	**$12,351,262**	**11.7%**

Revenues Summary

$18,209,865 **$1,864,439**
(11.41% vs. prior year)

Public Works Proposed and Historical Budget vs. Actual

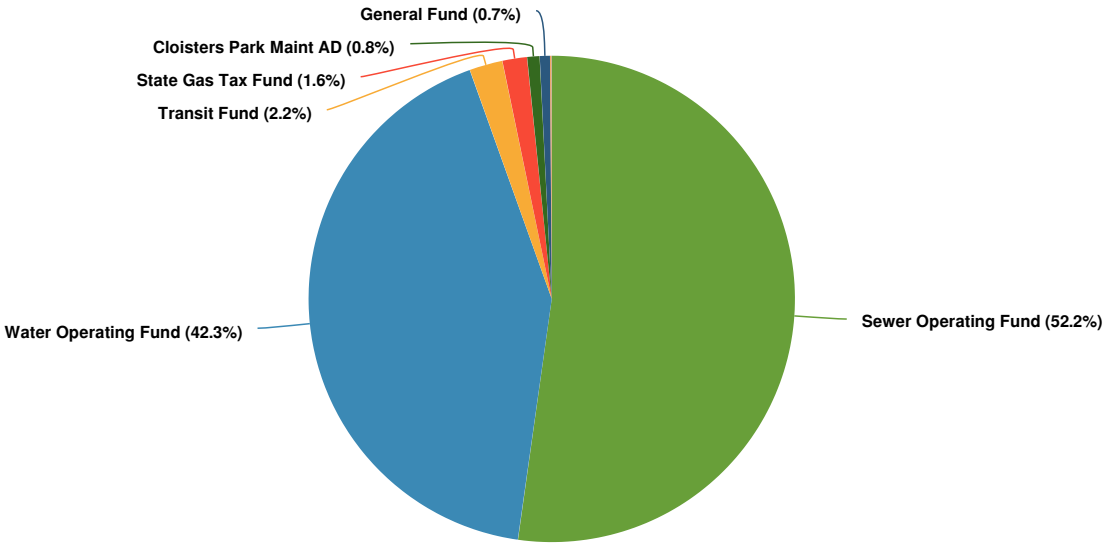


The majority of Public Works revenues come from the water and sewer rates paid by the City's ratepayers. The FY 2021-22 revenue budget was lower than normal due to uncertain revenues during the pandemic, but has been raised to levels commensurate with recent actual revenues in the FY 2022-23 budget. The FY 2022-23 budget also anticipates receiving the final approximately $1.7 million in loan proceeds currently approved for the Water Reclamation Facility project. To the extent that unexpended project budget from FY 2021-22 carries forward into FY 2022-23, additional loan disbursements may be received next year as well, depending on project timing.

Revenue by Fund

Most revenues for the Public Works Department come from water and sewer rates paid by the City's ratepayers. These revenues account for the Utilities Division. The Maintenance and Engineering Divisions are not revenue generating and depend largely on the General Fund and Measure Q & E.

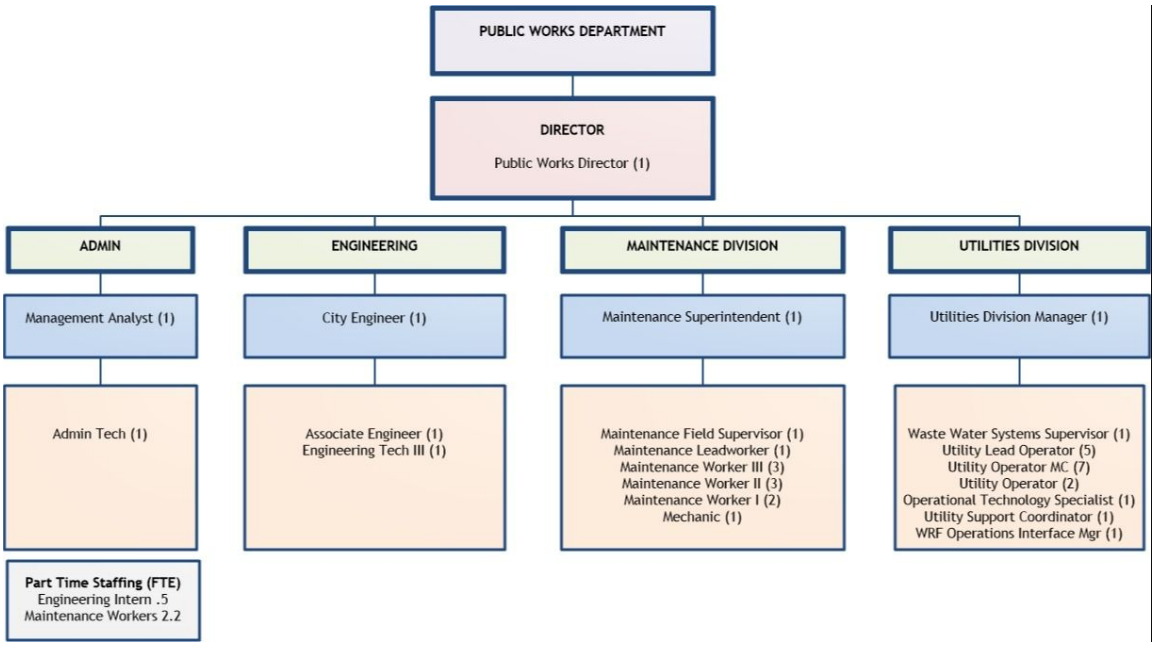
2023 Revenue by Fund



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
General Fund				
Licenses & Permits	$25,000	$60,000	$61,200	144.8%
Revenues From Current Services	$32,981	$60,732	$63,176	91.6%
Total General Fund:	**$57,981**	**$120,732**	**$124,376**	**114.5%**
State Gas Tax Fund				
Intergovermental Revenues	$243,222	$260,000	$300,362	23.5%
Total State Gas Tax Fund:	**$243,222**	**$260,000**	**$300,362**	**23.5%**
Bike Path				
Intergovermental Revenues	$9,504	$10,293	$14,085	48.2%
Total Bike Path:	**$9,504**	**$10,293**	**$14,085**	**48.2%**
North Point Assessment				
Property Taxes	$5,645	$5,645	$5,645	0%
Total North Point Assessment:	**$5,645**	**$5,645**	**$5,645**	**0%**
Cloisters Park Maint AD				
Property Taxes	$148,944	$148,944	$148,944	0%
Total Cloisters Park Maint AD:	**$148,944**	**$148,944**	**$148,944**	**0%**

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Transit Fund				
Intergovermental Revenues	$424,325	$424,476	$392,153	-7.6%
Revenues From Current Services	$16,000	$8,200	$10,100	-36.9%
Total Transit Fund:	**$440,325**	**$432,676**	**$402,253**	**-8.6%**
Sewer Operating Fund				
Revenues From Current Services	$7,841,605	$9,200,000	$9,460,000	20.6%
Fines & Forfeitures	$38,000	$25,000	$30,000	-21.1%
Other Revenues	$0	-$6,000	$0	0%
Revenues From Use of Money & Property	$20,000	$9,000	$20,000	0%
Total Sewer Operating Fund:	**$7,899,605**	**$9,228,000**	**$9,510,000**	**20.4%**
Water Operating Fund				
Revenues From Current Services	$7,485,200	$7,487,700	$7,649,200	2.2%
Fines & Forfeitures	$55,000		$55,000	0%
Total Water Operating Fund:	**$7,540,200**	**$7,487,700**	**$7,704,200**	**2.2%**
Total:	**$16,345,426**	**$17,693,990**	**$18,209,865**	**11.4%**

Public Works Organizational Chart



Public Works Staffing List

Full-Time Staffing

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Midyear	2022-23 Budget
Public Works					
Public Works Director	1.0	0.0	1.0	1.0	1.0
City Engineer	0.0	1.0	1.0	1.0	1.0
Consolidated Maintenance Superintendent	1.0	0.0	0.0	1.0	1.0
Environmental Programs Manager	1.0	1.0	1.0	1.0	0.0
Senior Civil Engineer	0.0	0.0	0.0	0.0	0.0
Associate Engineer	0.0	0.0	0.0	1.0	1.0
Assistant Engineer	2.0	1.0	1.0	0.0	0.0
Engineering Technician	0.0	0.0	1.0	1.0	1.0
Consolidated Maintenance Field Supervisor	1.0	1.0	1.0	1.0	1.0
Mechanic	1.0	1.0	1.0	1.0	1.0
Maintenance Leadworker	0.0	0.0	0.0	1.0	1.0
Consolidated Maintenance Worker III	1.0	1.0	3.0	3.0	3.0
Consolidated Maintenance Worker II	6.0	5.0	4.0	3.0	3.0
Consolidated Maintenance Worker I	2.0	2.0	2.0	2.0	2.0
Management Analyst	1.0	1.0	1.0	1.0	1.0
Administrative Technician	0.0	0.0	0.0	0.0	1.0
Office Assistant IV	1.0	0.0	0.0	0.0	0.0
Utilities Manager	1.0	1.0	1.0	1.0	1.0
WRF Operations Interface Mgr	0.0	0.0	0.0	0.6	0.6
Waste Water System Supervisor	1.0	1.0	1.0	1.0	1.0
Lead Utility Operator	5.0	5.0	5.0	5.0	5.0
Multi-Cert Utility Operator	4.0	7.0	7.0	7.0	7.0
Utility Operator	5.0	2.0	2.0	2.0	2.0
Utility Support Coordinator	0.0	0.0	0.0	1.0	1.0
Utilities Office Assistant IV	0.3	1.0	1.0	0.0	0.0
Operations Technology Specialist	0.0	0.0	1.0	1.0	1.0
Total Department FTE's	**34.3**	**31.0**	**35.0**	**36.6**	**36.6**

Part-Time Staffing

Presented as full-time equivalent positions based on the number of hours budgeted.

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Mid-year	2022-23 Budget
Public Works					
Office Assistant	0.0	0.0	0.4	0.4	0.0
Engineering Intern	0.4	0.0	0.5	0.5	0.5
Engineering Tech	0.0	0.0	0.0	0.0	0.0
Maintenance Workers	1.0	0.7	1.8	1.8	2.2
Total Department FTEs	**1.4**	**0.7**	**2.6**	**2.6**	**2.7**

Total Public Works Full-Time Equivalent Positions: 39.3

Department Goals & FY 2022-23 Action Items

- **Capital Project Implementation**
  - **City Council Goal: Public Infrastructure**
    - Award bids for pavement management, emergency storm drain repairs, and sewer main improvements
    - Complete Water Tank Rehabilitation Project
    - Build ADA access ramps
    - Continue to apply for funding for harborwalk/Coleman Park improvements
    - Build Bocce Ball Court

- **Capital Improvement Plan Development**
  - **City Council Goal: Public Infrastructure**
    - Request proposals for capital improvement planning
    - Apply for funding for specialized plans
    - Hold public meetings for capital prioritization

- **Beautification of City Spaces**
  - **City Council Goal: Public Infrastructure**
    - Update waste cans in collaboration with community groups
    - Restripe faded roadway striping
    - Repair and maintain high traffic public spaces used by residents and visitors
    - Repair roads in North Morro Bay

Key Ongoing Programs & Services

- **Engineering**: Capital project management, development reviews, right-of-way permitting, and grant writing
- **Water**: Maintenance and repair water systems and monitoring and reporting of water quality
- **Sewer**: Maintenance and repair of sewer system and monitoring and reporting of wastewater treatment
- **Transit**: Management of the trolley and deviated fixed route transit systems
- **Maintenance**: Maintenance of City streets, sidewalks, facilities, parks, trees, open space, and other City-owned and operated infrastructure
- **Environmental Programs**: Management of programs for solid waste, recycling, litter, and smoking

Activity & Workload Highlights

ACTIVITY AND WORKLOAD HIGHLIGHTS	2019-20 Actuals	2020-21 Actuals	2021-22 Estimates	2022-23 Projected
Encroachment Permit Reviews	114	139	145	132
Special Encroachment Permit Reviews	6	25	12	10
Public Works Building Permit Reviews	170	196	270	265
Public Works Planning Permit Review	95	112	126	125
Water Consumption (sold) in Million Gallons	324	345	347	345
Water Quality Complaints	28	39	25	32
Percent of Collection System Cleaned	53%	55%	54%	50%
Reportable Sanitary Sewer Overflows	2	1	3	0
MB Transit Ridership	13306	5270	9200	10000
MB Trolley	9925	1523	2500	5000
Maintenance Work Orders Completed	1214	726	1250	1250
Total Acres of Natural Parkland Maintained	11	11	11	11

Recreation Services - Operating Budget

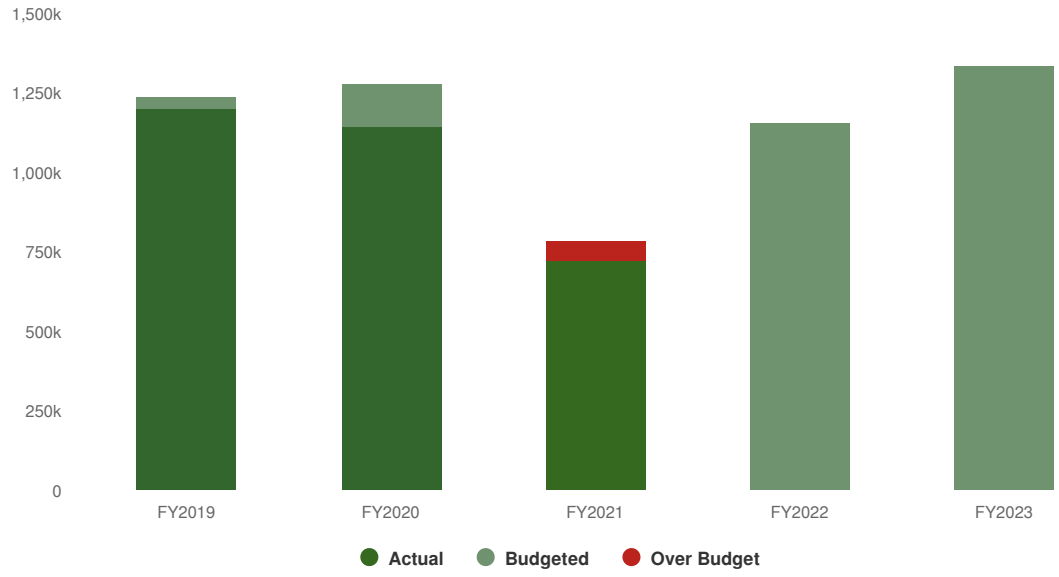
Recreation Services is committed to providing quality recreational programming, services, and opportunities in a responsive and courteous manner. Enhancing the quality of life, building a sense of community, providing positive role models to children and teens, improving self-esteem, and contributing to the health and safety of all residents and visitors are the Department's top priorities.

Expenditures Summary

FY 2022-23 will see an increase in expenditures mostly due to increased staffing related costs for salaries and benefits, and services and supplies. The Department also anticipates an increase in the use of City property for events and rentals, in addition to an increase in program participation for FY 2022-23. Through the continued transition out of the pandemic, enrollment and program participation in sports, swimming, and youth services programs are expected to increase. This also contributes to increased salary costs for all Recreation Divisions. They FY 2022-23 also includes a budgeted salary increase.

$1,333,702 **$179,072**
(15.51% vs. prior year)

Recreation Proposed and Historical Budget vs. Actual

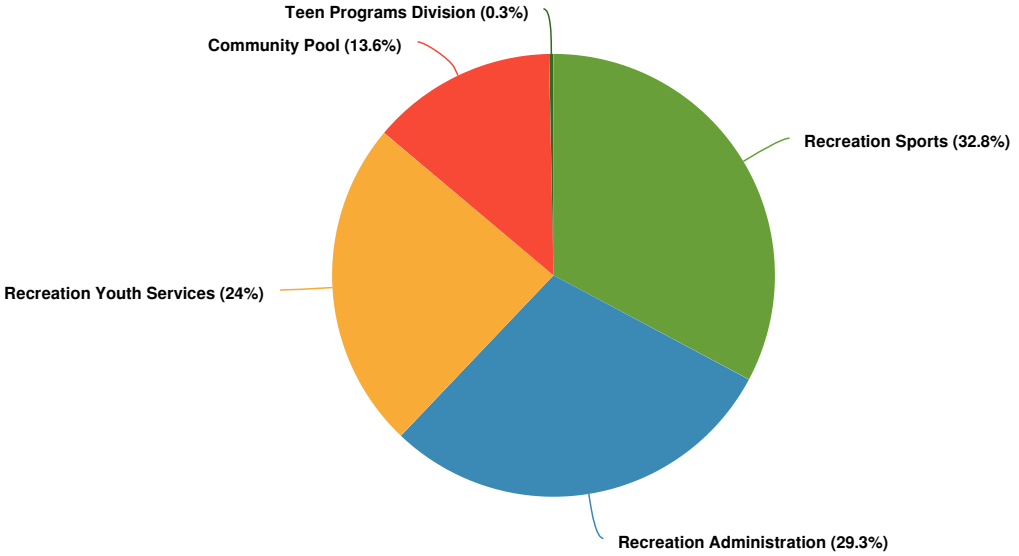


Expenditures by Function

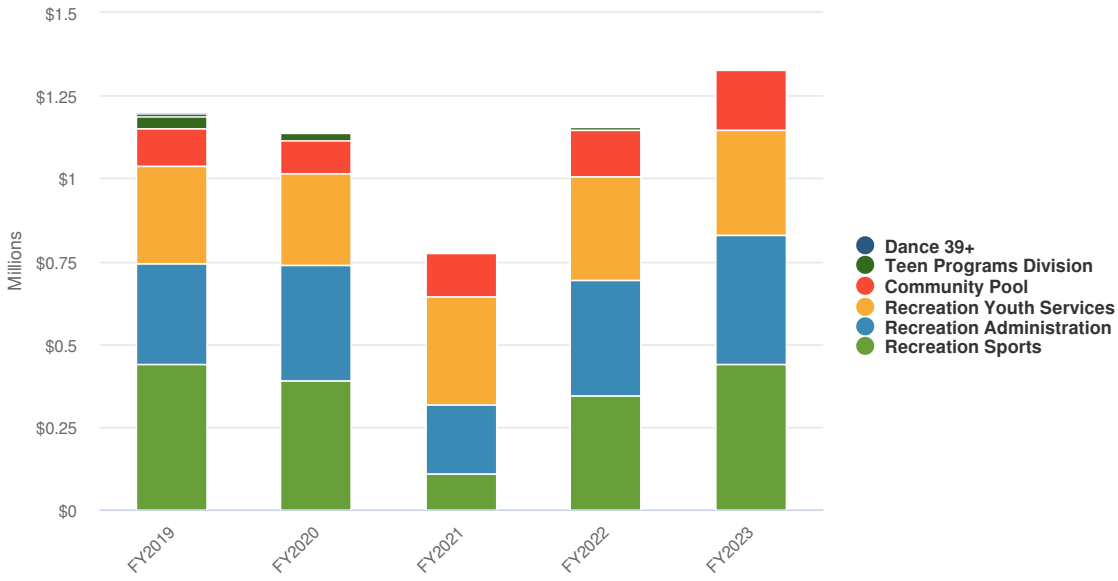
Recreation Sports revenue is projected to increase in FY 2022-23 as a result of reinstating the Recreation Supervisor position from 0.75 FTE to a 1.00 FTE or full-time position. In addition, a 7% increase in minimum wage is anticipated to increase part-time staff salaries.

After being shuttered since March of 2020, the Teen Center Program has minimal budget beginning FY 2022-23 as these services will be provided by the Boys and Girls Club through a partnership agreement. The $4,000 expenses budgeted are anticipated to be for the transfer of all services and expenses to this new operator. Expenses are anticipated to rise in the Community Pool program due to an increase in use as well as a rise in personnel necessary to provide services.

Budgeted Expenditures by Function



Budgeted and Historical Expenditures by Function



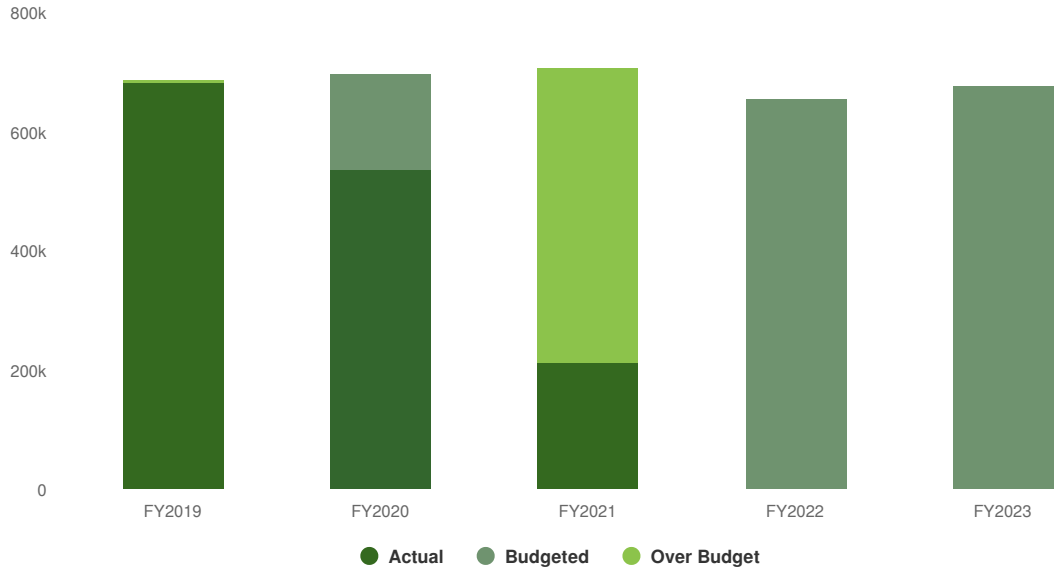
Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Expenditures				
Recreation				
Recreation Administration	$349,234	$341,018	$391,070	12%
Recreation Sports	$344,447	$320,423	$437,363	27%
Recreation Youth Services	$314,449	$311,089	$320,202	1.8%
Teen Programs Division	$8,400	$4,400	$4,145	-50.7%
Community Pool	$138,100	$162,100	$180,922	31%
Total Recreation:	**$1,154,630**	**$1,139,030**	**$1,333,702**	**15.5%**
Total Expenditures:	**$1,154,630**	**$1,139,030**	**$1,333,702**	**15.5%**

Revenues Summary

In FY 2022-23 the Department anticipates revenues returning to almost pre-pandemic levels as we are preparing for some slight hesitation with regard to use of indoor facilities and indoor sports activities.

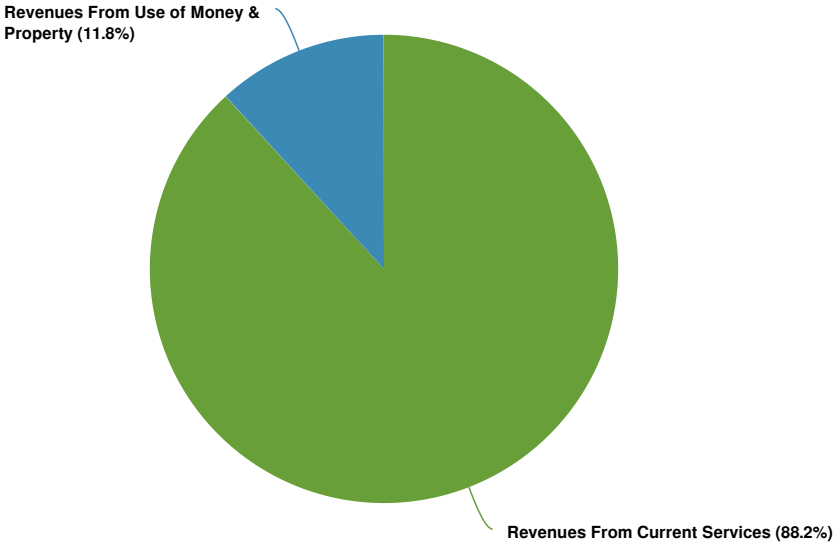
$677,500 **$22,500**
(3.44% vs. prior year)

Recreation Proposed and Historical Budget vs. Actual



Revenues by Source

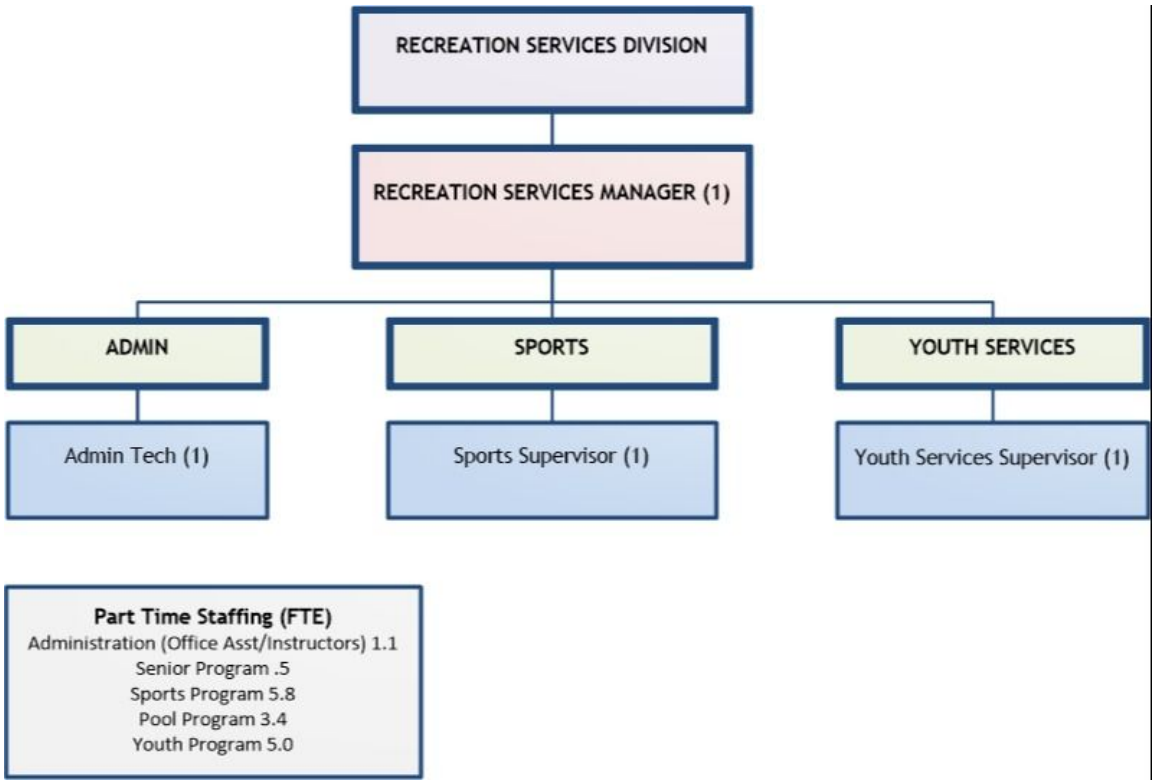
Projected 2023 Revenues by Source



Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenue Source				
Revenues From Current Services	$565,000	$558,500	$597,500	5.8%
Total Revenues From Current Services:	**$565,000**	**$558,500**	**$597,500**	**5.8%**

Name	FY2022 Amended Budget	FY2022 Projected	FY2023 Budgeted	FY2022 Amended Budget vs. FY2023 Budgeted (% Change)
Revenues From Use of Money & Property				
Rental Revenue				
Rental Income	$50,000	$40,000	$30,000	-40%
Program Revenue	$40,000	$40,000	$50,000	25%
Total Rental Revenue:	**$90,000**	**$80,000**	**$80,000**	**-11.1%**
Total Revenues From Use of Money & Property:	**$90,000**	**$80,000**	**$80,000**	**-11.1%**
Total Revenue Source:	**$655,000**	**$638,500**	**$677,500**	**3.4%**

Recreation Services Organizational Chart



Recreation Services Staffing List

Full-Time Staffing

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Midyear	2022-23 Budget
Recreation					
Recreation Services Manager	1.0	1.0	1.0	1.0	1.0
Recreation Supervisor	1.0	0.0	1.8	2.0	2.0
Recreation Coordinator	1.0	1.0	0.0	0.0	0.0
Administrative Technician	1.0	0.0	1.0	1.0	1.0
Office Assistant IV	0.0	0.0	0.0	0.0	0.0
Office Assistant III	0.0	0.0	0.0	0.0	0.0
Total Department FTEs	**4.0**	**2.0**	**3.8**	**4.0**	**4.0**

Part-Time Staffing

Presented as full-time equivalent positions based on the number of hours budgeted.

	2019-20 Funded	2020-21 Funded	2021-22 Funded	2021-22 Mid-year	2022-23 Budget
Recreation					
Administration (Office Asst / Instructors)	2.8	0.0	0.7	0.7	1.1
Senior Program	0.0	0.0	0.5	0.5	0.5
Sports Program	4.8	0.0	2.2	3.2	5.8
Pool Program	0.7	0.0	1.6	2.3	3.4
Teen Program	0.9	0.0	0.2	0.0	0.0
Youth Program	5.4	0.0	0.0	4.5	5.0
Total Department FTEs	**14.6**	**0.0**	**5.2**	**11.2**	**15.8**

Total Recreation Full-Time Equivalent Positions: 19.8

Department Goals & FY 2022-23 Action Items

- **Robust Senior Center Programs and Classes:**
  - **Council Goal: Community Health**
    - Reinstate monthly membership meetings and meals with the intent of helping to build back membership numbers to pre-COVID status
    - Increase Cuesta College Emeritus class offerings

- **Enhance and Add New City Special Events**
  - **Core City Service**
    - Create new fall community music series at Tidelands Park
    - Step up content and look of existing core events to help attract more residents and visitors

- **Develop Comprehensive Marketing and Sponsorship Plan**
  - **Core City Service**
    - Produce Community Activity Guide to better market our services
    - Create sport facility and special event advertising/sponsorship program

- **Strengthen Community Partnerships**
  - **Good Governance**
    - Finalize partnership with Boys and Girls Club and continue to support and collaborate with regard to the youth and use of City facility
    - Collaborate with MB Chamber of Commerce and MB Tourism office with regard to events, funding support, and marketing

- **Recreation Services Division Future**
  - **Good Governance/Community Health**
    - Contract with an outside consultant to assess division operations, interactions with other City Departments, and staffing model and to help better understand community needs, City direction, and Division purpose
    - Continue with proactive hiring processes and outreach that addresses and supports diversity, equity, and inclusion (DEI)

Key Ongoing Programs & Services

Senior Services - Provide programs, activities, college classes, and events that bring community and socialization as well as help stimulate the brain and body for Morro Bay's largest population.

Recreational Sports - Offer youth and adult sports programs and events that allow for exercise and help to develop skills and social behaviors in the community's youth and adults.

Community Classes - Provide a comprehensive offering of classes and workshops designed to enhance learning, health, and well-being.

Youth Services - Offer state license before and after school child care as well as a full-service summer camp program and holiday camps to the youth of the Estero Bay.

Community Pool - Provide comprehensive aquatics programming for the residents of the Estero Bay at the MBHS Aquatic Center to include swim lessons, lap swim, Junior Lifeguards, Master's swim, and aqua aerobics.

City Special Events - Offer traditional Special Events designed for the residents of Morro Bay, as well as those in the outlying communities, to help foster community.

Property Use - Coordinate short-term use of City property to include buildings, beaches, parks, and other areas used by profit and non-profit businesses and organizations, community members visitors, and City functions.

Administrative Services - Provide support to all areas of division including financial management, human resources, program registration, public contact, Recreation and Parks Commission, and office management.

Activity & Workload Highlights

ACTIVITY AND WORKLOAD HIGHLIGHTS	2019-20 Actuals	2020-21 Actuals	2021-22 Estimates	2022-23 Projected
Number of Permits Processed - internal and external	310	83	325	350
Number of Participations in Cuesta College Emeritus Classes	4,100	0	3,000	4,000
Youth Basketball Program Registrations	278	0	258	275
Youth Soccer Program Registrations	213	0	193	200
Junior Lifeguard Program Registrations	240	245	291	280
Kids Club Participations (school year care)	11,590	9,661	15,000	15,000
Kids Camp Participations (summer care)	860	432	1,800	2,000
Kids Club Spring Camp	162	64	432	450
Year-Round Swim Lessons	0	1,605	1,500	1,500
Summer Swim Lessons	300	359	1,000	1,000
Teen Center Visits	4120	0	0	N/A

CAPITAL IMPROVEMENTS

Capital Improvements: One-year Plan

The Capital Improvement Plan (CIP) enables the City to plan, schedule, and fund capital projects to ensure cost effectiveness and conformance with established plans and policies. The City's budget process guides capital spending priorities through community input, Council goal setting, Measure Q & E expenditure priorities, and the Major City Goal work programs as defined by City Council.

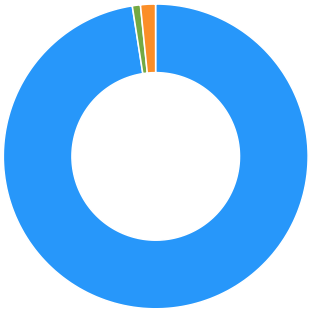
Vehicle purchases are not represented in the Capital Improvement Program, but are budgeted directly in the General Vehicle Replacement Fund, American Rescue Act (ARPA) Fund, and Special Safety Grant (COPS) operating budget and reflect the City's investment in fleet within those Funds.

Total Capital Requested

$18,715,130

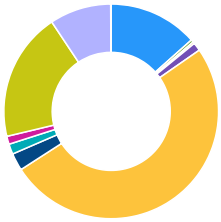
23 Capital Improvement Projects

Total Funding Requested by Department



Public Works (98%)	$18,256,130.00
Police Department (1%)	$159,000.00
Harbor Department (2%)	$300,000.00
TOTAL	**$18,715,130.00**

Total Funding Requested by Source



Measure Q & E (13%)	$2,514,000.00
Bike Path Fund (0%)	$72,423.00
LTF Roads Fund (0%)	$52,142.00
RMRA Funding (1%)	$233,281.00
Sewer Fund (51%)	$9,459,805.00
General Fund (3%)	$490,000.00
Harbor Fund (2%)	$290,000.00
Grant (1%)	$227,300.00
Water Fund (19%)	$3,628,631.00
WIFIA/SRF Loans (9%)	$1,734,348.00
Transit Fund (0%)	$13,200.00
TOTAL	**$18,715,130.00**

The capital budget allows the City to invest in critical infrastructure improvements by allocating $18.7 million to 23 capital projects. These investments are made possible in large part thanks to our community's support for water and sewer rates and with their approval of Measure E. The City is also better able to execute on some key projects because of added staffing in the Public Works Engineering Division, which may be supplemented by contractual assistance when necessary and advisable. While these investments in known capital needs are important, the City must also professionally assess unknown capital challenges. Thus, this budget also includes funding to assess our harbor/waterfront infrastructure and other city infrastructure. Lastly, rapidly increasing inflation is stretching our investment dollars thinner, impacting our ability to fund and complete projects. Hope is on the horizon, however, as state and federal dollars and other sources of revenue are becoming available.

Below is a summary of the investments and supporting initiatives included in the budget for FY 2022-23 and an outlook for funding opportunities moving forward. Please note the projects are discussed in detail in the "Capital Improvements" section of this budget document.

- **Water Reclamation Facility (WRF) and OneWater Projects** - The FY 2022-23 Budget includes $12.35 million for the WRF, which will allow the City to complete the advanced treatment facility and conveyance components of the project in time to comply with the State's Time Schedule Order. This budget also includes funding for the first set of OneWater projects, in the amount of $1.8 million. The OneWater Plan reviewed and prioritized capital needs within the water, sewer and stormwater systems. OneWater projects include water water tank rehabilitation rehabilitation projects under construction (Blanca Street Tanks and King Street Tanks), sewer line replacement (Beachcomber) and replacement of the Liftstation #1 force main, as well as emergency fixes to several stormdrains (Juniper/Elena Streets and Sequoia Court). This budget also includes funding to update the OneWater Plan as it was approved in 2018 and is scheduled to be updated, in part, to incorporate rapidly increasing inflation and costs of construction into the plan.
- **City Streets' Safety and Improvements** - The City is investing $1.74 million in road paving for FY 2022/23, which is on top of the $1.1 million paving project currently underway through a budget approved by Council in the FY 2021/22 Budget. According to a recent study of the conditions of our local roads, the City needs to invest roughly $2 million annually to keep up with the current rate of deterioration. So this represents a good start, though additional investment is required. In addition, this budget funds a traffic speed survey, a traffic safety plan, and $600,000 toward improvements to the HWY 1/41/Main Street intersection to help complete the planning and permitting portion of that project.
- **Harbor** - This budget includes $200,000 for planning related to the public boat launch facility replacement project at Tidelands Park. The facility is in need of replacement due to safety concerns, but the City currently lacks funding to construct the project. By completing planning of the project, the City will be more competitively positioned to apply for outside funding to cover the estimated $1 million in construction costs. The FY 2022/23 budget also includes $90,000 to complete work on the refurbished Harbor patrol boat the City received from Port San Luis.
- **Americans with Disabilities Act (ADA) and Miscellaneous Projects** - The FY 2022/23 budget includes funding for two important ADA projects (Lila Kaiser parking lot and Quintana/Main St traffic crossing), elective vehicle charging stations, and a license plate reader program to help the Police Department investigate crimes.
- **Vehicles/Equipment -** The budget includes funding for several water and sewer vehicles and a transit vehicle. The recommended capital equipment purchases list does not include several vehicles that are to be purchased in operating funds, including three police vehicles, as well as an electric vehicle for maintenance operations.
- **Assessment of Capital Needs** - This budget also includes $400,000 to conduct assessments of Harbor infrastructure (docks, piers, lighting, revetment, harborwalk, etc.) and other other capital assets in the City (such as community centers, restrooms, parks, etc.). Having an assessment plan in hand will allow the City to understand and prioritize capital needs, plan for future improvements, and request funding from outside sources.
- **Capital Funding Opportunities** - Given the fact that the City's infrastructure needs significantly exceed its current available funding, the City must seek additional revenue. Those sources include, but are not limited to, state and federal grants. At present there are several key opportunities to consider, including funding from the Federal Bipartisan Infrastructure Law, which will invest $1.2 Trillion investment in America's infrastructure over the next five years and an unprecedented State surplus budget levels available in the upcoming state budget (toppign $90 Billion). Given the intensely competitive nature of these funding sources, the FY 2022/23 Budget includes funding for state and federal advocacy support and grant writing support. Further, Morro Bay community members have qualified a voter initiative for the November 2022 ballot for Harbor/waterfront infrastructure improvements. Lastly, City staff continue to look for other funding sources to support our capital program.
- **Staff Capacity to Complete Projects and CIP Reporting** - Setting aside existing funds and seeking new funding sources to carry out projects are just a part of the infrastructure equation. In addition to funding, the City must also secure sufficient engineer and project management staff capacity to plan for and implement projects. The City has added capacity in the past year by splitting the duties of the PW Director and City Engineer, upgrading an existing engineer position, and adding an engineer tech position (a position that had been cut during COVID out of financial necessity). These staffing changes, plus targeted use of engineering consultants, provide the Engineering Division sorely needed capacity to keep high priority projects moving. In addition, this staffing capacity will allow the City to develop a regular reporting of capital project progress to the Public Works Advisory Board and City Council in the near future.

Police Department Requests

Itemized Requests for 2023

Automated License Plate Reader camera system	**$159,000**

Automated License Plate Reader Camera System: License Plate Reader cameras have been used to solve various crimes in other communities that would have otherwise gone unsolved, such as Homicides, Vehicle Thefts, and hit and run accidents. By...

Total: $159,000

Public Works Requests

Itemized Requests for 2023

Wastewater Treatment Plant Decomissioning **$135,000**

This project includes decommissioning of the City's existing Wastewater Treatment Plant (WWTP), which consists of shutdown, demolition and complete removal of all WWTP facilities and infrastructure at the site followed by backfilling,...

OneWater Plan Update **$60,000**

This capital request is to provide an update to the OneWater Plan document, a plan for the City's water and sewer utilities and stormwater capital improvements to address system deficiencies and future needs.

Reverse Osmosis Facility Upgrades - Preliminary Plan **$80,000**

This project will address the Reverse Osmosis (RO) system deficiencies and increase the RO system reliability. This project is to allow for planning/engineering cost to evaluate the existing RO facility and determine upgrade needs so the City can...

Water Tank Rehabilitation - Blanca and Kings Water Tanks **$125,000**

This project will provide complete rehabilitation to the four Blanca Tanks and two Kings Water Storage Tanks. Work includes replacement of internal and external coatings, replacement of access ladders, handrails, railings, and the installation of...

Local Roadway Safety Plan (LRSP) **$50,000**

A Local Roadway Safety Plan (LRSP) is a newly required safety document that addresses the 4E's of traffic safety: Engineering, Enforcement, Education, and Emergency Services. An LRSP can be a means for providing local and...

WRF - Water Reclamation Facility Project **$12,349,784**

This project involves construction of the new water reclamation facility (WRF), conveyance facilities necessary to connect the existing wastewater treatment plant (WWTP) and the new WRF, and injection wells to replenish the groundwater in the...

Morro Bay Transit Vehicle Replacement **$110,000**

This request is for the replacement of a transit bus in accordance with transit fleet needs.

Capital Vehicles and Equipment Replacement - Water **$209,000**

This request covers replacement vehicle purchases and future savings allocations for vehicle / mobile equipment replacements for Water Division in Utilities. The vehicles due for replacement in FY 22/23 with this request...

Capital Vehicles and Equipment Replacement - Sewer **$174,000**

This request covers replacement vehicle purchases and future savings allocations for vehicle / mobile equipment replacements for Sewer Division in Utilities. The vehicle due for replacement in FY 22/23 with this request is: - 2000 GMC...

Lift Station No. 1 Force Main Replacement **$400,000**

The 6" diameter, 225 foot-long force main that connects Lift Station No. 1 to Main Street main line under Highway 1 is aged and needs to be replaced. The force main experienced a leak in April 2022, and has been temporarily fixed, but a...

SR1/SR41/Main St Intersection Improvements **$600,000**

Replace the existing 4-way stop signs by either constructing a modern roundabout design in order to eliminate the closely spaced adjoining intersections or installing new coordinated traffic signals using the existing intersection configuration.

Emergency Storm Drain Repair Juniper/Elena **$83,000**

This project is for the repair of a Failed Corrugated Metal Pipe (CMP) storm drain near Juniper/Elena streets. A leaking storm drain line has caused damage to an already steep slope and is threatening the foundation of an upslope...

Citywide Capital and Facilities Planning **$400,000**

The City has a need for developing data-driven and planning-based master plans for guiding Public Works and city management in the allocation of funds and resources for capital project planning. An assessment of all city facilities, harbor...

Citywide Speed Survey **$75,000**

The City's current speed survey will be out of date by May 2023. Speed surveys are used to set speed limits for sections of city-controlled roadways. Speed limits provide notice to drivers of the maximum speed limit on a...

Electric Vehicle Charging Stations **$40,000**

With the rise in electric vehicle users in the State and in the City, an application for a state grant with the Air Pollution Control District (APCD) was obtained in 2019, for a total of 6 EV charging stations. The ratio of electric vehicles to EV...

Lila Kaiser Parking Lot Rehabilitation and ADA Upgrades **$120,000**

The project is to repair, rehabilitate, and restripe the asphalt parking lot at Lila Kaiser Park. In addition, there is need to upgrade ADA-accessible parking to the lot. The park site is not city-owned, but it is the responsibility of...

ADA Accessibility Upgrades at Quintana and Main Streets Intersection **$180,500**

A request for an audible signal crossing at Quintana Road and Main Street intersection was received by a visually impaired resident. Disabled residents are presumed a benefit group per the U.S. Department of Housing and Urban Development (HUD)...

Beachcomber Drive Sewer Main Replacement **$1,207,000**

This project includes the Beachcomber Wastewater Collections System Improvements from the OneWater Plan and consists of the replacement of approximately 2,675 feet of 12, 10 and 8-inch diameter pipeline along Beachcomber Drive between Java Street...

Emergency Storm Drain Repair - Sequoia Court **$120,000**

This project is for the repair of approximately 150 linear feet of Failed Corrugated Metal Pipe (CMP) storm drain on Sequoia Ct. The existing CMP has been stabilized by the Consolidated Maintenance crew, but the material will wash away...

Annual Pavement Management Program-FY 22-23 **$1,737,846**

Employ appropriate pavement preservation and rehabilitation technologies such as asphalt digout repairs, chip seals, slurry seals, and other treatments as required to extend the useful life of the existing asphalt street surface, rehabilitate...

Total: $18,256,130

Harbor Department Requests

Itemized Requests for 2023

Harbor Patrol Vessel Replacement **$90,000**

Completion of the final phase of the new patrol vessel acquisition and refurbishment, systems installation, rigging and parts. Requesting funding from Harbor Accumulation Fund and/or Harbor Operating Fund. The new patrol vessel will be...

Boat Launch Ramp & Float Replacement Planning **$210,000**

This project is for replacement of the concrete public boat launching facility ramp, the ramp apron, boarding floats, and boarding float abutments, and these infrastructure elements will contribute to, and maintain the safety of the launch ramp...

Total: $300,000

FY 2022-23 Unfunded Projects

Listed below are the FY2022-23 Capital Requests made by Departments that were not included in the related CIP budgets, which are now considered unfunded.
This list is not inclusive of all future year unfunded capital projects or needs, which will be evaluated in future fiscal forecasts and future budgeting cycles.

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Project Request Title	FY 2023 Cost	Department	Request Type
Rock Parking Lot Restroom Renovation	$75,000	Public Works	Public Buildings and Faciliti
Multi-Use Path Connector Loop Repair at Morro Creek	$75,000	Public Works	Parks and Creeks
Fixed Security Camera system	$80,200	Police Department	Streets and Roadways
Total FY 2022-23 Unfunded Projects	**$230,200**		

Capital Improvement Projects by Project Type:

Capital Equipment

Vehicles and Wheeled Equipment (2)

Request	Department	Capital Cost
Morro Bay Transit Vehicle Replacement	Public Works	$110,000
Harbor Patrol Vessel Replacement	Harbor Department	$90,000
Total *(FY2023)*		$200,000

Capital Improvement

Parks and Creeks (1)

Request	Department	Capital Cost
Lila Kaiser Parking Lot Rehabilitation and ADA ...	Public Works	$120,000
Total *(FY2023)*		$120,000

Capital Improvement

Public Buildings and Facilities (2)

Request	Department	Capital Cost
Citywide Capital and Facilities Planning	Public Works	$400,000
Electric Vehicle Charging Stations	Public Works	$40,000
Total *(FY2023)*		$440,000

Capital Improvement

Water (4)

Request	Department	Capital Cost
Capital Vehicles and Equipment Replacement -...	Public Works	$209,000
Water Tank Rehabilitation - Blanca and Kings ...	Public Works	$125,000
Reverse Osmosis Facility Upgrades - Preliminar...	Public Works	$80,000
OneWater Plan Update	Public Works	$60,000
Total *(FY2023)*		**$474,000**

Capital Improvement

Streets and Roadways (8)

Request	Department	Capital Cost
Annual Pavement Management Program-FY 22...	Public Works	$1,737,846
SR1/SR41/Main St Intersection Improvements	Public Works	$600,000
ADA Accessibility Upgrades at Quintana and M...	Public Works	$180,500
Automated License Plate Reader camera system	Police Department	$159,000
Emergency Storm Drain Repair - Sequoia Court	Public Works	$120,000
Emergency Storm Drain Repair Juniper/Elena	Public Works	$83,000
Citywide Speed Survey	Public Works	$75,000
Local Roadway Safety Plan (LRSP)	Public Works	$50,000
Total *(FY2023)*		**$3,005,346**

Capital Improvement

Sewer (5)

Request	Department	Capital Cost
WRF - Water Reclamation Facility Project	Public Works	$12,349,784
Beachcomber Drive Sewer Main Replacement	Public Works	$1,207,000
Lift Station No. 1 Force Main Replacement	Public Works	$400,000
Capital Vehicles and Equipment Replacement -...	Public Works	$174,000
Wastewater Treatment Plant Decomissioning	Public Works	$135,000
Total *(FY2023)*		**$14,265,784**

Capital Improvement

Harbor (1)

Request	Department	Capital Cost
Boat Launch Ramp & Float Replacement Planni...	Harbor Department	$210,000
Total *(FY2023)*		**$210,000**

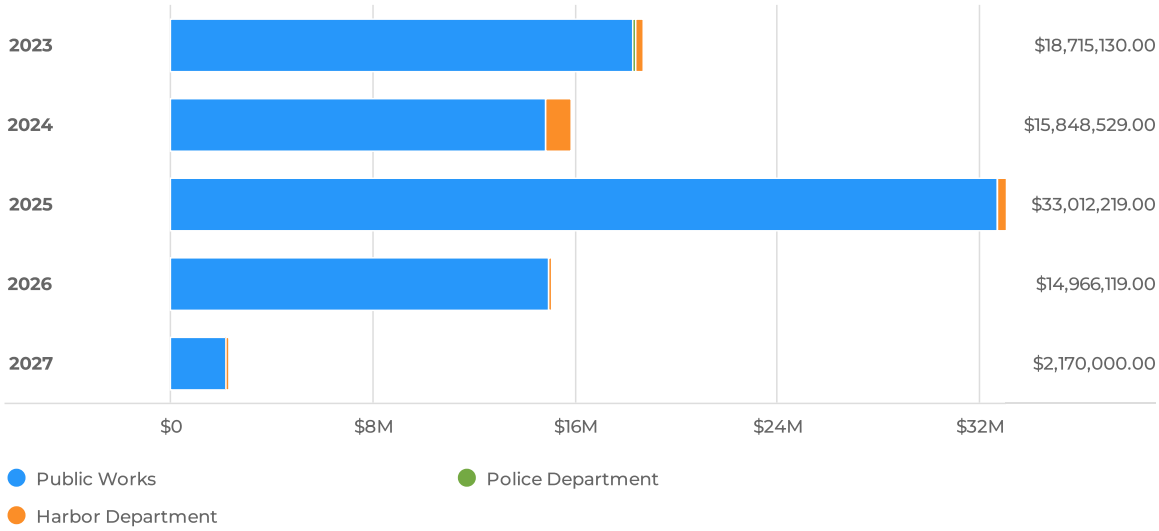
Capital Improvements: Multi-year Plan

Total Capital Requested

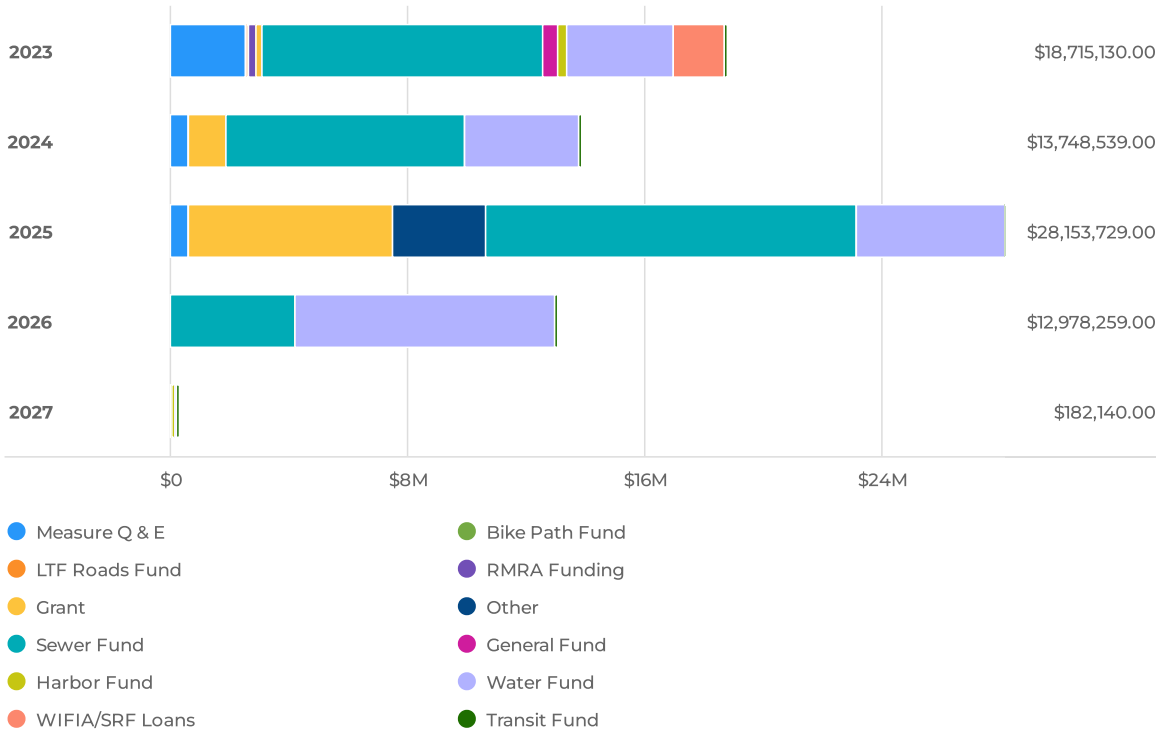
$84,711,997

25 Capital Improvement Projects

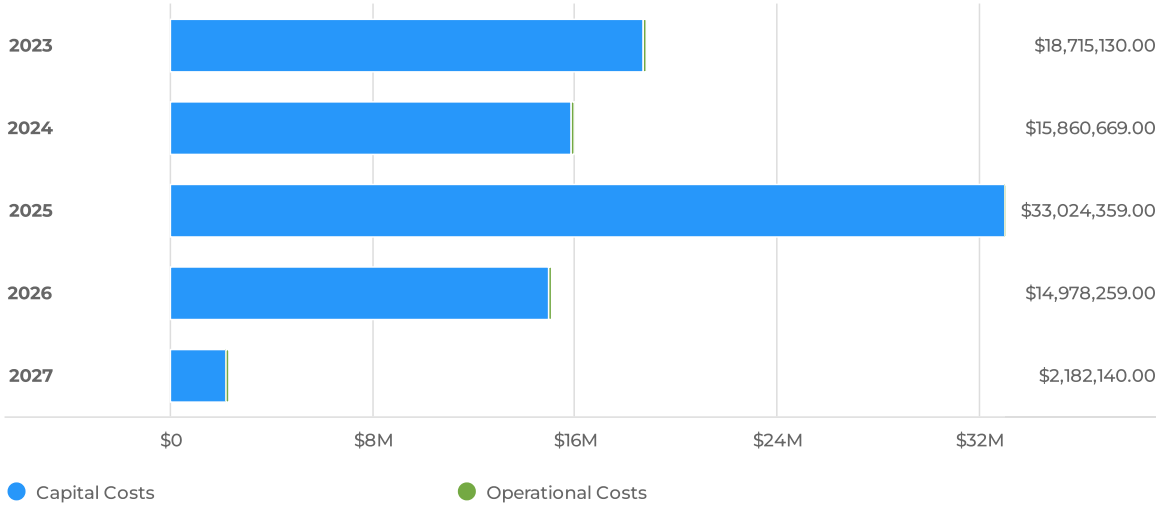
Total Funding Requested by Department



Total Funding Requested by Source



Capital Costs Breakdown



Cost Savings & Revenues

There's no data for building chart

Police Department Requests

Itemized Requests for 2023-2028

Automated License Plate Reader camera system	**$159,000**

Automated License Plate Reader Camera System: License Plate Reader cameras have been used to solve various crimes in other communities that would have otherwise gone unsolved, such as Homicides, Vehicle Thefts, and hit and run accidents. By...

Total: $159,000

Public Works Requests

Itemized Requests for 2023-2028

Main Street and Atascadero Sewer Main Replacements **$7,986,436**

This project includes Main Street and Atascadero Road Wastewater Collections System Improvements from the OneWater Plan. The project consists of: • Replacement of approximately 2,900 feet of 15-inch diameter pipeline along Main Street,...

Wastewater Treatment Plant Decomissioning **$9,185,000**

This project includes decommissioning of the City's existing Wastewater Treatment Plant (WWTP), which consists of shutdown, demolition and complete removal of all WWTP facilities and infrastructure at the site followed by backfilling,...

OneWater Plan Update **$250,000**

This capital request is to provide an update to the OneWater Plan document, a plan for the City's water and sewer utilities and stormwater capital improvements to address system deficiencies and future needs.

Reverse Osmosis Facility Upgrades - Preliminary Plan **$80,000**

This project will address the Reverse Osmosis (RO) system deficiencies and increase the RO system reliability. This project is to allow for planning/engineering cost to evaluate the existing RO facility and determine upgrade needs so the City can...

Water Tank Rehabilitation - Blanca and Kings Water Tanks **$2,750,000**

This project will provide complete rehabilitation to the four Blanca Tanks and two Kings Water Storage Tanks. Work includes replacement of internal and external coatings, replacement of access ladders, handrails, railings, and the installation of...

Local Roadway Safety Plan (LRSP) **$50,000**

A Local Roadway Safety Plan (LRSP) is a newly required safety document that addresses the 4E's of traffic safety: Engineering, Enforcement, Education, and Emergency Services. An LRSP can be a means for providing local and...

WRF - Water Reclamation Facility Project **$22,969,722**

This project involves construction of the new water reclamation facility (WRF), conveyance facilities necessary to connect the existing wastewater treatment plant (WWTP) and the new WRF, and injection wells to replenish the groundwater in the...

Morro Bay Transit Vehicle Replacement **$110,000**

This request is for the replacement of a transit bus in accordance with transit fleet needs.

Capital Vehicles and Equipment Replacement - Water **$519,000**

This request covers replacement vehicle purchases and future savings allocations for vehicle / mobile equipment replacements for Water Division in Utilities. The vehicles due for replacement in FY 22/23 with this request...

Capital Vehicles and Equipment Replacement - Sewer **$602,000**

This request covers replacement vehicle purchases and future savings allocations for vehicle / mobile equipment replacements for Sewer Division in Utilities. The vehicle due for replacement in FY 22/23 with this request is: - 2000 GMC...

Lift Station No. 1 Force Main Replacement **$400,000**

The 6" diameter, 225 foot-long force main that connects Lift Station No. 1 to Main Street main line under Highway 1 is aged and needs to be replaced. The force main experienced a leak in April 2022, and has been temporarily fixed, but a...

SR1/SR41/Main St Intersection Improvements **$8,191,766**

Replace the existing 4-way stop signs by either constructing a modern roundabout design in order to eliminate the closely spaced adjoining intersections or installing new coordinated traffic signals using the existing intersection configuration.

Emergency Storm Drain Repair Juniper/Elena **$83,000**

This project is for the repair of a Failed Corrugated Metal Pipe (CMP) storm drain near Juniper/Elena streets. A leaking storm drain line has caused damage to an already steep slope and is threatening the foundation of an upslope...

Citywide Capital and Facilities Planning **$400,000**

The City has a need for developing data-driven and planning-based master plans for guiding Public Works and city management in the allocation of funds and resources for capital project planning. An assessment of all city facilities, harbor...

Citywide Speed Survey **$75,000**

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Electric Vehicle Charging Stations **$40,000**

With the rise in electric vehicle users in the State and in the City, an application for a state grant with the Air Pollution Control District (APCD) was obtained in 2019, for a total of 6 EV charging stations. The ratio of electric vehicles to EV...

Lila Kaiser Parking Lot Rehabilitation and ADA Upgrades **$120,000**

The project is to repair, rehabilitate, and restripe the asphalt parking lot at Lila Kaiser Park. In addition, there is need to upgrade ADA-accessible parking to the lot. The park site is not city-owned, but it is the responsibility of...

ADA Accessibility Upgrades at Quintana and Main Streets Intersection **$180,500**

A request for an audible signal crossing at Quintana Road and Main Street intersection was received by a visually impaired resident. Disabled residents are presumed a benefit group per the U.S. Department of Housing and Urban Development (HUD)...

Beachcomber Drive Sewer Main Replacement **$1,207,000**

This project includes the Beachcomber Wastewater Collections System Improvements from the OneWater Plan and consists of the replacement of approximately 2,675 feet of 12, 10 and 8-inch diameter pipeline along Beachcomber Drive between Java Street...

Nutmeg Tank and related Pressure Zone Improvements **$17,895,727**

Nutmeg Tank and related Water Pressure Zone Improvements - This project includes components of the Nutmeg Tank and related Pressure Zone Improvements projects identified in the OneWater Plan, with additional modifications identified...

Emergency Storm Drain Repair - Sequoia Court **$120,000**

This project is for the repair of approximately 150 linear feet of Failed Corrugated Metal Pipe (CMP) storm drain on Sequoia Ct. The existing CMP has been stabilized by the Consolidated Maintenance crew, but the material will wash away...

Annual Pavement Management Program-FY 22-23 **$9,737,846**

Employ appropriate pavement preservation and rehabilitation technologies such as asphalt digout repairs, chip seals, slurry seals, and other treatments as required to extend the useful life of the existing asphalt street surface, rehabilitate...

Total: $82,952,997

Harbor Department Requests

Itemized Requests for 2023-2028

Harbor Patrol Vessel Replacement **$90,000**

Completion of the final phase of the new patrol vessel acquisition and refurbishment, systems installation, rigging and parts. Requesting funding from Harbor Accumulation Fund and/or Harbor Operating Fund. The new patrol vessel will be...

Boat Launch Ramp & Float Replacement Planning **$1,510,000**

This project is for replacement of the concrete public boat launching facility ramp, the ramp apron, boarding floats, and boarding float abutments, and these infrastructure elements will contribute to, and maintain the safety of the launch ramp...

Total: $1,600,000

DEBT

Government-wide Debt Overview

The City's total government-wide debt totaled $36,432,671 as of June 30, 2021, with approximately $2.5M of long-term liabilities in governmental funds and approximately $33.94M in proprietary funds. The long-term liabilities for governmental activities are comprised of a certificate of participation for Fire Station financing, a loan payable with the State of California for the replacement of HVAC system and replacement and installation of solar panels, as well as compensated absences for current employees budgeted in governmental funds.

The long-term liabilities for business-type activities are comprised of four notes payable for the Water Reclamation Facility planning and construction, as well as compensated absences for current employees budgeted in proprietary funds.

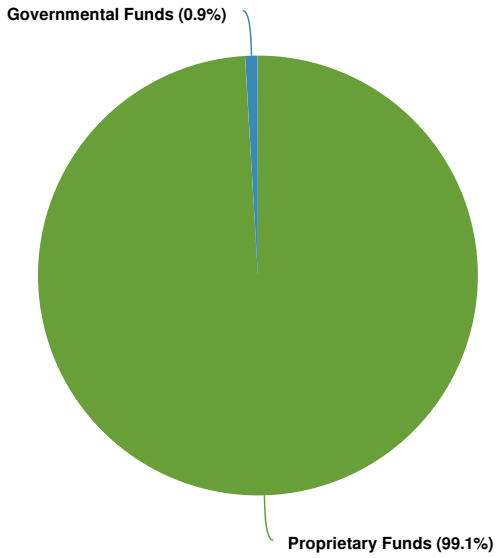
Section 43605 of the State of California Government Code states that a city shall not incur an indebtedness for public improvements which exceeds in the aggregate 15 percent of the assessed value of all real and personal property of the city. Within the meaning of this section “indebtedness” means bonded indebtedness of the city payable from the proceeds of taxes levied upon taxable property in the city. As of June 30, 2021, City's assessed value was $2,779,078,289, therefore the debt limit for bonded indebtedness payable from tax proceeds was $416,861,743. As the City has no general obligation debt payable from tax proceeds, the debt instruments that the City currently has do not lower the available debt limit for bonded indebtedness.

$134,868,810

$42,428,286 (45.90% vs. 2022 year)

The FY2022-23 budget anticipates total interest payments from the general fund of $3,892 for the State of California Note Payable for HVAC replacement and solar panel replacement and installation. The principal due on the same Note Payable is $31,298. This budget also anticipates early payoff of the remaining principal of Fire Station financing of approximately $1.2 million. Early payoff of this debt will result in approximately $500,000 savings of 3.75% interest payments. The early payoff will be financed in part by Measure Q & E, as well as net proceeds from the sale of the Coral Avenue property, including past interest payments received by the General Fund as well as the lump sum payment received in December 2021.

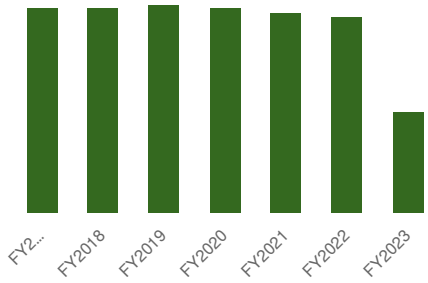
Debt by Fund



	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
All Funds	**6/30/2018 Long-Term Liabilities**	**6/30/2019 Long-Term Liabilities**	**6/30/2020 Long-Term Liabilities**	**6/30/2021 Long-Term Liabilities**	**6/30/2022 Long-Term Liabilities**	**6/30/2023 Long-Term Liabilities**
Governmental Funds	$2,556,000	$2,596,108	$2,545,557	$2,492,507	$2,440,524	$1,263,835
Proprietary Funds	$484,000	$588,441	$1,622,441	$33,724,696	$90,000,000	$133,604,975
Total All Funds:	**$3,040,000**	**$3,184,549**	**$4,167,998**	**$36,217,203**	**$92,440,524**	**$134,868,810**

Governmental Funds

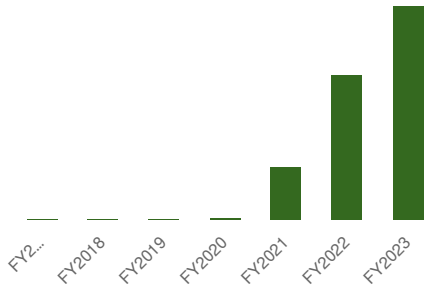
The City's governmental debt as of June 30, 2021 was approximately $2.5M, $1.2 million of which is the remaining principal balance of the Fire Station loan through United States Department of Agriculture (USDA), $427,954 for the loan payable with the State of California for the replacement of HVAC system and replacement and installation of solar panels, as well $848,553 in compensated absences for current employees. The USDA loaned the City $1.5 million to complete construction of the Harbor Street Fire Station per Council prioritization, and the fire station has been in operation since 2013. The remaining principal will be paid ahead of schedule in 2022-23 and the City will realize approximately $500,000 in interest savings. The solar panels were financed in June 2017 as part of the Solar Energy Efficiency Project. Solar panels were installed on five city-owned buildings to generate electricity to power the operational needs of that building and to transfer any excess power to benefit approximately 17 other electrical meters. The projected savings in electricity costs is anticipated to fund the annual debt service. The loan matures in 2034. Compensated absences represent the annual vacation, administrative leave, and other paid time off hours that employees are eligible to earn. These amounts are due and payable to the individual employee at the date of employment separation.



	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Governmental Funds	**6/30/2018 Long-Term Liabilities**	**6/30/2019 Long-Term Liabilities**	**6/30/2020 Long-Term Liabilities**	**6/30/2021 Long-Term Liabilities**	**6/30/2022 Long-Term Liabilities**	**6/30/2023 Long-Term Liabilities**
General Fund	$2,556,000	$2,596,108	$2,545,557	$2,492,507	$2,440,524	$1,263,835
Total Governmental Funds:	**$2,556,000**	**$2,596,108**	**$2,545,557**	**$2,492,507**	**$2,440,524**	**$1,263,835**

Proprietary Funds

The City's debt in proprietary funds as of June 30, 2021 was $33,940,164. Compensated absences make up $215,468 of this balance with the remainder being financing for the Water Reclamation Facility project through The California State Water Resources Control Board as well as the Environmental Protection Agency's Water Infrastructure Finance and Innovation Act (WIFIA). This project involves the planning and construction of a new water reclamation facility, conveyance facilities necessary to connect the existing wastewater treatment plant and the new facility, as well as injection wells to replenish the groundwater in the Lower Morro Basin. The project is necessary to comply with the Time Schedule Order R3-2018-0019 from the Regional Water Quality Control Board, and will provide a new, sustainable water supply for the city. This project is in line with Council's goals to construct a new facility in order to come into compliance with new effluent discharge requirements and produce recycled water. Repayment of the loans through the California State Water Resources Control Board will begin August 2024, and repayment of the loans through the Environmental Protection Agency will begin November 2024.



	FY2021	FY2022	FY2023	% Change
Proprietary Funds	**6/30/2021 Long-Term Liabilities**	**6/30/2022 Long-Term Liabilities**	**6/30/2023 Long-Term Liabilities**	
Enterprise Funds	$33,724,696	$90,000,000	$133,604,975	48.4%
Total Proprietary Funds:	**$33,724,696**	**$90,000,000**	**$133,604,975**	**48.4%**

Debt Snapshot

The City's total government-wide debt totaled $36,432,671 as of June 30, 2021, with approximately $2.5M of long-term liabilities in governmental funds and approximately $33.94M in proprietary funds. The long-term liabilities for governmental activities are comprised of a certificate of participation for Fire Station financing, a loan payable with the State of California for the replacement of HVAC system and replacement and installation of solar panels, as well as compensated absences for current employees budgeted in governmental funds. The long-term liabilities for business-type activities are comprised of four notes payable for the Water Reclamation Facility planning and construction, as well as compensated absences for current employees budgeted in proprietary funds.

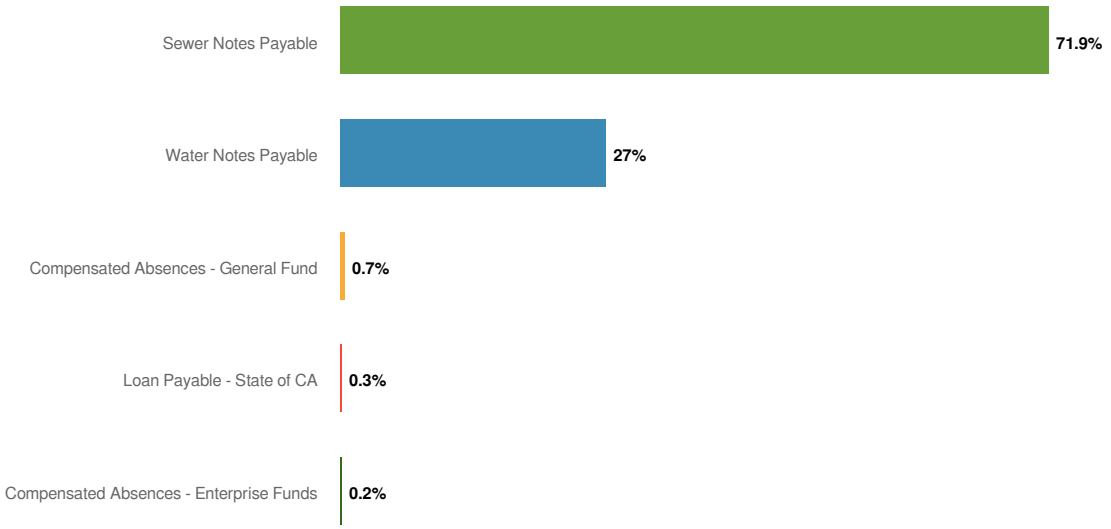
Section 43605 of the State of California Government Code establishes debt limits for cities based on assessed valuation. Cities cannot issue indebtedness for public improvements which exceeds in the aggregate of 3.75% percent of the assessed value of all real and personal property of the city. Within the meaning of this section “indebtedness” means bonded indebtedness of the city payable from the proceeds of taxes levied upon taxable property in the city. As of June 30, 2021, City's assessed value was $2,779,078,289, therefore the debt limit for bonded indebtedness payable from tax proceeds was $104,215,436. As the City has no general obligation debt payable from tax proceeds, the debt instruments that the City currently has do not lower the available debt limit for bonded indebtedness.

$134,868,810

$42,428,286 (45.90% vs. 2022 year)

The FY2022-23 budget anticipates total interest payments from the general fund of $3,892 for the State of California Note Payable for HVAC replacement and solar panel replacement and installation. The principal due on the same Note Payable is $31,298. This budget also anticipates early payoff of the remaining principal of Fire Station financing of approximately $1.2 million. Early payoff of this debt will result in approximately $500,000 savings of 3.75% interest payments. The early payoff will be financed in part by Measure Q & E, as well as net proceeds from the sale of the Coral Avenue property, including past interest payments received by the General Fund as well as the lump sum payment received in December 2021.

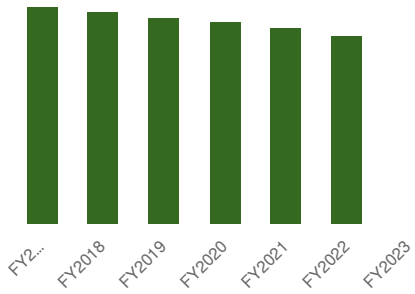
Debt by Type



	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	% Change	$ Change
Debt	**6/30/2018 Long-Term Liabilities**	**6/30/2019 Long-Term Liabilities**	**6/30/2020 Long-Term Liabilities**	**6/30/2021 Long-Term Liabilities**	**6/30/2022 Long-Term Liabilities**	**6/30/2023 Long-Term Liabilities**		
Certificates of Participation	$1,322,000	$1,289,000	$1,254,000	$1,216,000	$1,178,000	$0	-100%	$-1,178,000
Loan Payable - State of CA	$519,000	$489,000	$459,000	$427,954	$397,000	$381,000	-4%	$-16,000
Compensated Absences - General Fund	$715,000	$818,108	$832,557	$848,553	$865,524	$882,835	2%	$17,311
Harbor Notes Payable - State of CA	$484,000	$371,000	$253,000	$0	$0	$0	0%	$0
Sewer Notes Payable	$0	$217,441	$687,441	$17,039,186	$66,000,000	$97,088,449	47.1%	$31,088,449
Water Notes Payable	$0	$0	$682,000	$16,685,510	$24,000,000	$36,516,526	52.2%	$12,516,526
Compensated Absences - Enterprise Funds	$180,117	$186,238	$220,134	$215,468	$219,777	$224,173	2%	$4,396
Total Debt:	**$3,220,117**	**$3,370,787**	**$4,388,132**	**$36,432,671**	**$92,660,301**	**$135,092,983**	**45.8%**	**$42,432,682**

Certificates of Participation

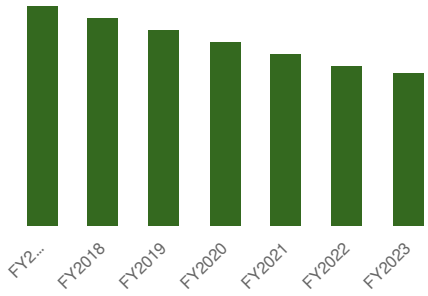
On October 12, 2001, the City entered into an installment sale agreement with the Public Property Financing Corporation of California 2011 Fire Station Financing Project, Series A and B, Certificates of Participation (the "COP") for $1,500,000 and $300,000, respectively. The principal balance of Series A mature commencing from September 2012 to September 2041, with an interest rate of 3.75%, payable on March 1 and September 1 of each fiscal year. Series B was fully paid as of June 30, 2016. Series A had an outstanding principal balance of $1,216,000 at June 30, 2021. This budget anticipates early payoff of this loan and will recognize savings of approximately $500,000 in interest expenses.



	FY2020	FY2021	FY2022	% Change	$ Change
Certificates of Participation	**6/30/2020 Long-Term Liabilities**	**6/30/2021 Long-Term Liabilities**	**6/30/2022 Long-Term Liabilities**		
USDA Fire Station Loan	$1,254,000	$1,216,000	$1,178,000	-3.1%	$-38,000
Total Certificates of Participation:	**$1,254,000**	**$1,216,000**	**$1,178,000**	**-3.1%**	**$-38,000**

Loan Payable - State of CA

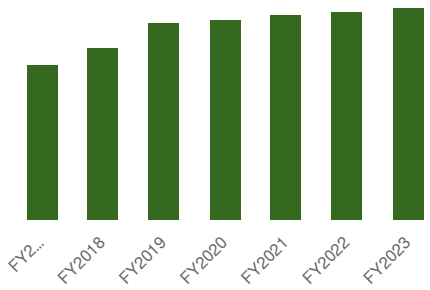
The City entered into a loan payable in the amount of $546,750 with the State of California, Energy Resources Conservation and Development Commission for the replacement of HVAC system and installation of solar panels on certain City buildings. Loan payments are payable annually, beginning December 22, 2017, in the amount of $35,189, including interest at 1.0% annum.



	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	% Change	$ Change
Loan Payable - State of CA	**6/30/2017 Long-Term Liabilities**	**6/30/2018 Long-Term Liabilities**	**6/30/2019 Long-Term Liabilities**	**6/30/2020 Long-Term Liabilities**	**6/30/2021 Long-Term Liabilities**	**6/30/2022 Long-Term Liabilities**	**6/30/2023 Long-Term Liabilities**		
California Energy Commission - Solar	$547,000	$519,000	$489,000	$459,000	$427,954	$397,000	$381,000	-4%	$-16,000
Total Loan Payable - State of CA:	**$547,000**	**$519,000**	**$489,000**	**$459,000**	**$427,954**	**$397,000**	**$381,000**	**-4%**	**$-16,000**

Compensated Absences - General Fund

Compensated absences represent the vacation, administrative leave, and other paid time off hours that employees are eligible to earn multiplied by their current hourly rate of pay. These amounts are due and payable to the individual employee at the date of employment separation. There is no fixed payment schedule for earned but unpaid compensated absences. Compensated absences have increased by approximately two percent per year in recent years, and this assumption is carried forward through the budget period. Per the City's Reserve Policy, the General Fund Compensated Absences Fund (005) maintains a balance equal to thirty percent of this liability as stated in the prior year's Annual Comprehensive Financial Report (ACFR) to support the City's ability to pay out this leave time when eligible payouts to employees occur.

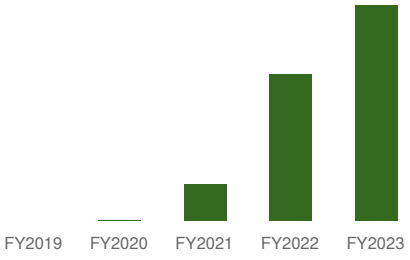


	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	% Change	$ Change
Compensated Absences - General Fund	**6/30/2017 Long-Term Liabilities**	**6/30/2018 Long-Term Liabilities**	**6/30/2019 Long-Term Liabilities**	**6/30/2020 Long-Term Liabilities**	**6/30/2021 Long-Term Liabilities**	**6/30/2022 Long-Term Liabilities**	**6/30/2023 Long-Term Liabilities**		
Compensated Absences - General Fund	$645,000	$715,000	$818,108	$832,557	$848,553	$865,524	$882,835	2%	$17,311
Total Compensated Absences - General Fund:	**$645,000**	**$715,000**	**$818,108**	**$832,557**	**$848,553**	**$865,524**	**$882,835**	**2%**	**$17,311**

Sewer Notes Payable

Note payable to the State Water Resources Control Board for the planning and construction of the Water Reclamation Facility Project: this will be payable annually beginning August 31, 2024, in the amount of $1,129,320, including interest at 0.900% annum.

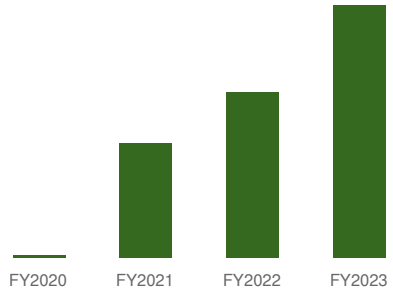
Note payable to the United States Environmental Protection Agency for the Water Infrastructure Finance and Innovation Act (WIFIA): the City has entered an agreement with the WIFIA Credit Provider for the Water Reclamation Facility for each the water and wastewater portions of the project. The principal amount for sewer is 25,183,811.



	FY2022	FY2023	% Change
Sewer Notes Payable	**6/30/2022 Long-Term Liabilities**	**6/30/2023 Long-Term Liabilities**	
State Water Resources Control Board WRF Planning	$48,000,000	$71,904,638	49.8%
Environmental Protection Agency WIFIA WRF Construction	$18,000,000	$25,183,811	39.9%
Total Sewer Notes Payable:	**$66,000,000**	**$97,088,449**	**47.1%**

Water Notes Payable

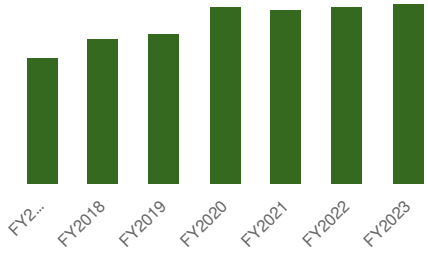
Note payable to the United States Environmental Protection Agency for the Water Infrastructure Finance and Innovation Act (WIFIA): the City has entered an agreement with the WIFIA Credit Provider for the Water Reclamation Facility for each the water and wastewater portions of the project. The principal amount for water is $36,516,526.



	FY2022	FY2023	% Change
Water Notes Payable	**6/30/2022 Long-Term Liabilities**	**6/30/2023 Long-Term Liabilities**	
Environmental Protection Agency WIFIA WRF Construction	$24,000,000	$36,516,526	52.2%
Total Water Notes Payable:	**$24,000,000**	**$36,516,526**	**52.2%**

Compensated Absences - Enterprise Funds

Compensated absences represent the vacation, administrative leave, and other paid time off hours that employees are eligible to earn multiplied by their current hourly rate of pay. These amounts are due and payable to the individual employee at the date of employment separation. There is no fixed payment schedule for earned but unpaid compensated absences. Compensated absences have increased by approximately two percent per year in recent years, and this assumption is carried forward through the budget period. The reserve balances in each enterprise fund support the City's ability to pay out this leave time when eligible payouts to employees occur.



	FY2022	FY2023	% Change
Compensated Absences - Enterprise Funds	**6/30/2022 Long-Term Liabilities**	**6/30/2023 Long-Term Liabilities**	
Compensated Absences - Enterprise Funds	$219,777	$224,173	2%
Total Compensated Absences - Enterprise Funds:	**$219,777**	**$224,173**	**2%**

APPENDIX

POLICE DEPARTMENT REQUESTS

Automated License Plate Reader camera system

Overview

Submitted By	Jody Cox, Police Chief
Request Owner	Jody Cox, Police Chief
Est. Start Date	08/01/2022
Est. Completion Date	12/31/2022
Department	Police Department
Type	Capital Improvement
Project Number	New

Description

Automated License Plate Reader Camera System:

License Plate Reader cameras have been used to solve various crimes in other communities that would have otherwise gone unsolved, such as Homicides, Vehicle Thefts, and hit and run accidents. By installing License Plate Reader cameras, staff would be alerted to vehicles that have been reported as stolen, used in the commission of a crime, or listed as missing/wanted persons. Staff would also be able to review data from the system only for investigative purposes concerning local crimes occurring within our City.

Details

Project Location Description	Various locations
Project Manager	Commander Watkins
Total Prior Year Budget	$0
Type of Project	New Construction
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Community Health

Location

Project Justification

Federal, state, and local law enforcement use historical and real-time license plate recognition (LPR) data every day to investigate amber alerts, stolen vehicles, murder, rape, child sexual exploitation, violent fugitives, human trafficking, drug trafficking, serial robberies, identity theft, and more as vehicles are used in an estimated 70% of crimes committed. Vehicles are used to travel to and from crime scenes and cross numerous jurisdictional boundaries to avoid detection. LPR cameras would alert staff to vehicles that have been used in the commission of a crime and entered into the LPR database, which is only accessed by law enforcement personnel who have met the minimum training, certification and background checks required for access to criminal justice data. This type of technology acts as a force-multiplier by collecting and storing data needed and used by law enforcement agencies without having additional patrol personnel available at multiple locations at the same time. Numerous case studies have proven that this technology has resulted in thousands of criminal cases being solved and billions of dollars in stolen property/vehicles recovered.

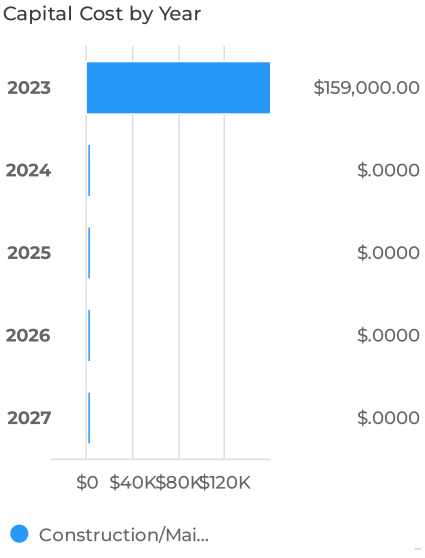
Positive Fiscal Impact

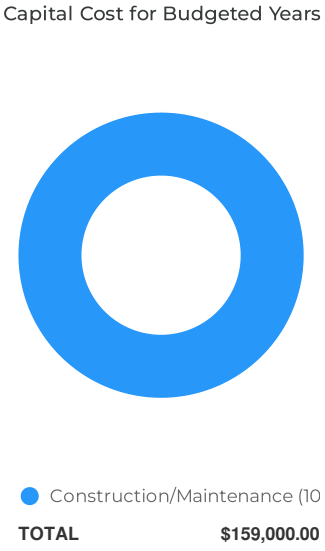
LPR technology has helped law enforcement solve thousands of crimes nationally by acting as a force-multiplier, capturing information even when a uniformed officer is not present. It has also been used to help locate criminal fugitives, human traffickers, solve cold-case murders, rapes, and serial burglaries and thefts. It has enabled financial service companies to recover billions of dollars in defaulted/stolen assets and investigate insurance fraud and other financial crimes. License plate readers are used on patrol cars, tow trucks, highway overpasses, street lights, airports and other locations to capture license plate photos of passing cars. The data is stored with a date, time and location stamp, and is compared against databases of vehicles of interest in criminal investigations, missing persons, wanted subjects, etc. This historical license plate data is immensely valuable to law enforcement investigators to provide real-time data in the daily protection of their communities.

Capital Cost

FY2023 Budget
$159,000

Total Budget
$159K





Capital Cost Breakdown

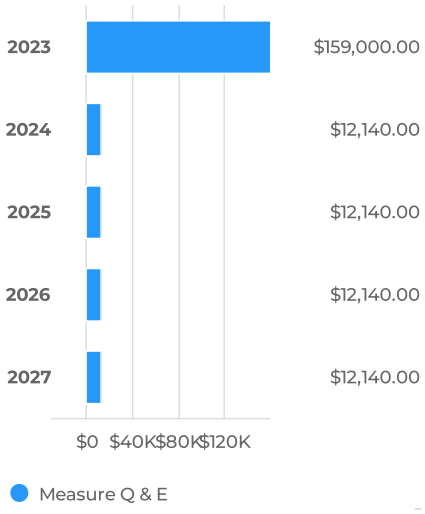
Capital Cost	FY2023	FY2024	FY2025	FY2026	FY2027
Construction/Maintenance	$159,000	$0	$0	$0	$0
Total	**$159,000**	**$0**	**$0**	**$0**	**$0**

Funding Sources

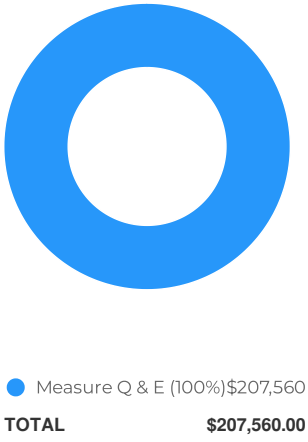
FY2023 Budget
$159,000

Total Budget
$207.56K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

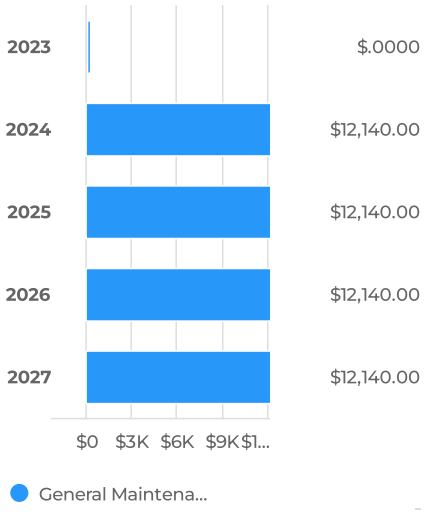
Funding Sources	FY2023	FY2024	FY2025	FY2026	FY2027
Measure Q & E	$159,000	$12,140	$12,140	$12,140	$12,140
Total	**$159,000**	**$12,140**	**$12,140**	**$12,140**	**$12,140**

Operational Costs

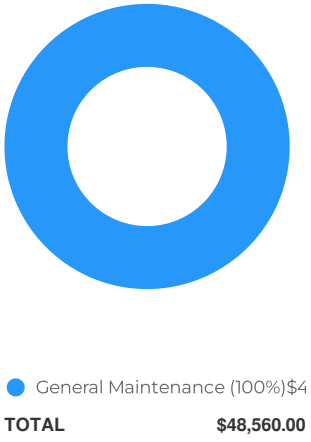
Total Budget

$48.56K

Operational Costs by Year



Operational Costs for Budgeted Years



Operational Costs Breakdown

Operational Costs	FY2023	FY2024	FY2025	FY2026	FY2027
General Maintenance	$0	$12,140	$12,140	$12,140	$12,140
Total	**$0**	**$12,140**	**$12,140**	**$12,140**	**$12,140**

PUBLIC WORKS REQUESTS

Main Street and Atascadero Sewer Main Replacements

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2022
Est. Completion Date	06/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	922-9928

Description

This project includes Main Street and Atascadero Road Wastewater Collections System Improvements from the OneWater Plan. The project consists of:

• Replacement of approximately 2,900 feet of 15-inch diameter pipeline along Main Street, between Atascadero Road and Las Vegas Street. The flow levels within the gravity sewer cause existing manholes to overflow under peak wastewater flow (PWWF) conditions. To mitigate the risk of sanitary sewer overflows (SSO) occurring during PWWF conditions, it is recommended that the existing pipeline be replaced with a 24-inch diameter pipeline.

• Replacement of approximately 1600 feet of 12-inch diameter pipeline along Main Street, between Las Vegas Street and San Joaquin Street. The flow levels within the gravity sewer cause upstream manholes to surcharge within 5 feet of the rim during PWWF conditions. To mitigate the risk of SSO occurring during PWWF conditions, it is recommended that the existing pipeline be replaced with an 18-inch diameter pipeline.

• Replacement of 6-inch diameter pipelines approximately 150 feet along San Joaquin Street, between Main Street and Alder Avenue. The flow levels within the gravity sewer cause upstream manholes to overflow under PWWF conditions. To mitigate the risk of SSO occurring during PWWF conditions, it is recommended that the existing pipeline be replaced with 12-inch diameter pipelines.

• Replacement of approximately 1,000 feet of 18-inch sewer main in Atascadero Road, between Main Street and Park Street with a 27-inch sewer main. The flow levels in the existing sewer main are reaching capacity and there is a risk of SSO occurring during PWWF conditions.

• Re-establishment of paving and striping on all affected streets

Images

Main Street Looking South - Existing Sewer Manholes in Road

Atascadero Road looking west

Details

Project Location Description	Main Street from San Joaquin to Highway 41/Atascadero Road; Atascadero Road from Main to Park Street
Project Manager	Eric Riddiough
Total Prior Year Budget	$1,025,039 is total budget shown in ERP fiscal YTD. Budget book for FY 21/22 shows $105,039 in FY 21/22 budget. Costs to date with what's encumbered in ERP is $116,316. $908,723 to be carried over into FY 22/23 which takes care of FY 22/23 needs.

Location

Type of Project	Replacement
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Supplemental Attachments

OneWater Plan(/resource/cleargov-prod/projects/documents/d50c173334d6777b79e3.jpg)

Project Justification

The OneWater Plan shows that there are critical capacity issues with the existing diameter of this mainline during peak wastewater flows. On the Main Street mainline, the flow levels of the gravity sewer cause upstream manholes to surcharge within 3 feet of the manhole rim under peak wastewater flow (PWWF) conditions. To mitigate the risk of SSO occurring during PWWF conditions, it is recommended that the existing pipeline be replaced with a 27-inch diameter pipeline.On the Atascadero Road mainline, flow levels of the gravity sewer cause upstream manholes to surcharge within 3 feet of the manhole rim under PWWF conditions. To mitigate the risk of SSO occurring during PWWF conditions, it is recommended that the existing pipeline be replaced with a 27-inch diameter pipeline. If not funded, there is high likelihood of upstream manholes to surcharge above design capacity.

Positive Fiscal Impact

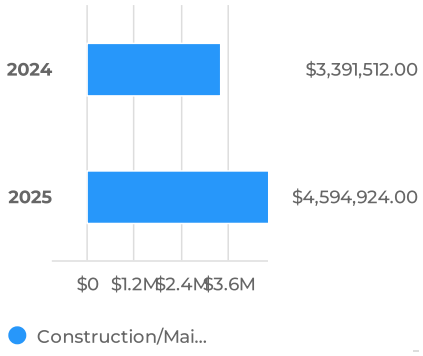
This is a necessary replacement and increase in capacity of an existing asset. No ROI is expected, but cost/maintenance avoidance will be realized with the project.

Capital Cost

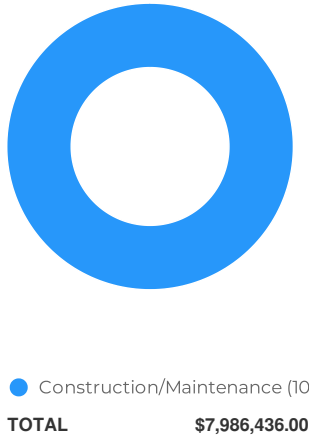
Total To Date
$1,025,039

Total Budget
$7.986M

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

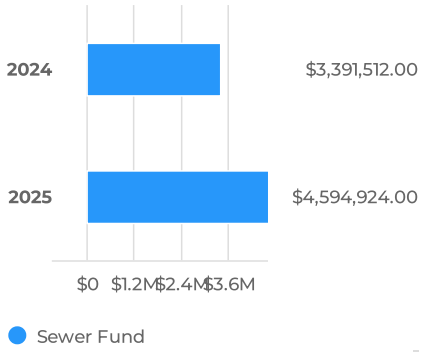
Capital Cost	To Date	FY2024	FY2025
Construction/Maintenance		$3,391,512	$4,594,924
Consulting Services	$1,025,039		
Total	**$1,025,039**	**$3,391,512**	**$4,594,924**

Funding Sources

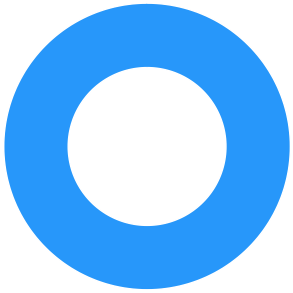
Total To Date
$1,025,039

Total Budget
$7.986M

Funding Sources by Year



Funding Sources for Budgeted Years



Sewer Fund (100%) $7,986,436.

TOTAL **$7,986,436.00**

Funding Sources Breakdown			
Funding Sources	**To Date**	**FY2024**	**FY2025**
Sewer Fund	$1,025,039	$3,391,512	$4,594,924
Total	**$1,025,039**	**$3,391,512**	**$4,594,924**

Projected Timeline

Jan 31, 2023

Design Complete

Jun 3, 2024

Begin Construction

Wastewater Treatment Plant Decomissioning

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2022
Est. Completion Date	06/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	New

Description

This project includes decommissioning of the City's existing Wastewater Treatment Plant (WWTP), which consists of shutdown, demolition and complete removal of all WWTP facilities and infrastructure at the site followed by backfilling, compaction, and grading to leave it cleared, cleaned and available for other uses in the future. The Coastal Development Permit (CDP) requires that the site be restored to a safe and level configuration roughly matching the surrounding areas within a year of the WRF being completed. The project will be coordinated with Cayucos Sanitary District, which is part of Joint Power Agreement (JPA) with the City of Morro Bay on the WWTP.

Images

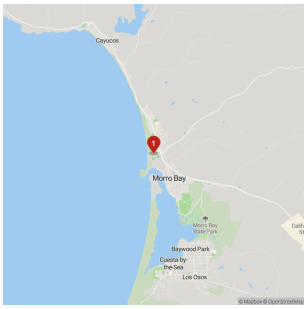
Aerial View of WWTP

Street View of Front Gate of WWTP

Details

Project Location Description	160 Atascadero Road
Project Manager	Eric Riddiough
Total Prior Year Budget	0
Type of Project	New Construction
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Public Infrastructure

Location



Supplemental Attachments

OneWater Plan(/resource/cleargov-prod/projects/documents/952daf006562f3f763f6.jpg)

Project Justification

The Coastal Development Permit for the Water Reclamation Facility (WRF) Program requires removal and restoration (decommissioning) of the existing Wastewater Treatment Plant site to a safe and level configuration that roughly matches the surrounding areas. Funding for planning and project initiation is crucial to be in compliance with WRF permits.

Positive Fiscal Impact

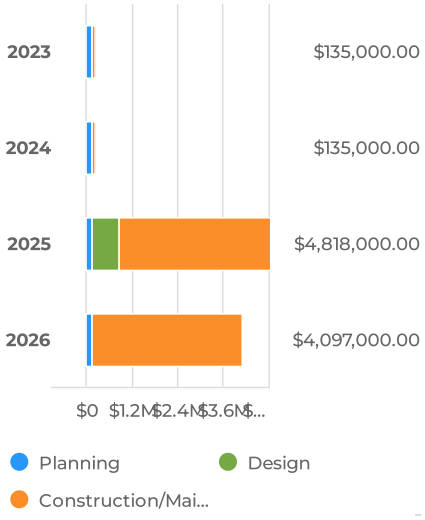
No immediate return on investment is expected for this project. It is required through the City's permits for use of this facility and the new WRF.

Capital Cost

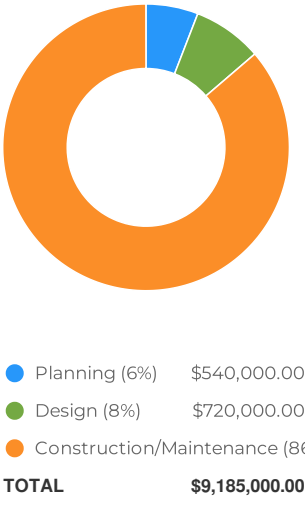
FY2023 Budget
$135,000

Total Budget
$9.185M

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

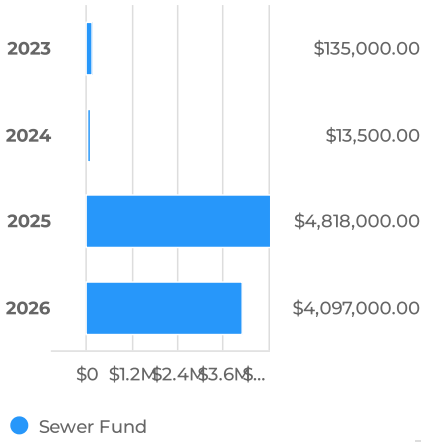
Capital Cost	FY2023	FY2024	FY2025	FY2026
Planning	$135,000	$135,000	$135,000	$135,000
Design			$720,000	
Construction/Maintenance			$3,963,000	$3,962,000
Total	**$135,000**	**$135,000**	**$4,818,000**	**$4,097,000**

Funding Sources

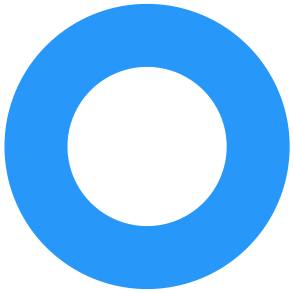
FY2023 Budget
$135,000

Total Budget
$9.064M

Funding Sources by Year



Funding Sources for Budgeted Years



Sewer Fund (100%) $9,063,500.

TOTAL	$9,063,500.00

Funding Sources Breakdown

Funding Sources	FY2023	FY2024	FY2025	FY2026
Sewer Fund	$135,000	$13,500	$4,818,000	$4,097,000
Total	**$135,000**	**$13,500**	**$4,818,000**	**$4,097,000**

Projected Timeline

Jul 1, 2022

Start Planning Process in FY 22/23

Jul 1, 2024

Decommissioning Design / Construction to start

OneWater Plan Update

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2022
Est. Completion Date	04/28/2023
Department	Public Works
Type	Capital Improvement
Project Number	New

Description

This capital request is to provide an update to the OneWater Plan document, a plan for the City's water and sewer utilities and stormwater capital improvements to address system deficiencies and future needs.

Images

OneWater Plan

Details

Project Location Description	PW Office
Project Manager	Eric Riddiough
Total Prior Year Budget	0
Type of Project	Other
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Public Infrastructure

Location

Project Justification

The original OneWater Plan, a masterplan of the City's water and sewer utilities' and stormwater capital improvements to address system deficiencies and future needs, was finalized in 2018. With changing costs/hyper inflation, needs, and updates in the system, this update is essential to keep that plan accurate and useful in order to guide the City in best management of its assets and infrastructure. Delay of funding for this update with all of the updates of the system would make the plan less useful for future planning. The project supports City Council goals, including Public Infrastructure and Fiscal Sustainability.

Positive Fiscal Impact

No return on investment (ROI) anticipated. This is for the update of an existing planning document.

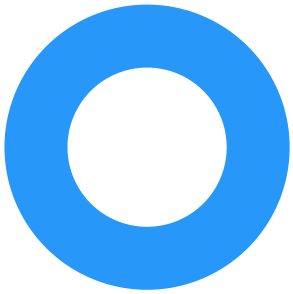
Capital Cost

FY2023 Budget
$60,000

Total Budget
$250K

Capital Cost by Year

Capital Cost for Budgeted Years



Planning (100%) $250,000.00

TOTAL **$250,000.00**

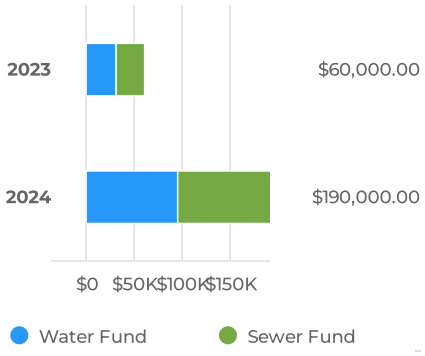
Capital Cost Breakdown		
Capital Cost	**FY2023**	**FY2024**
Planning	$60,000	$190,000
Total	**$60,000**	**$190,000**

Funding Sources

FY2023 Budget
$60,000

Total Budget
$250K

Funding Sources by Year



Funding Sources for Budgeted Years

Water Fund (50%)	$125,000.00
Sewer Fund (50%)	$125,000.00
TOTAL	**$250,000.00**

Funding Sources Breakdown

Funding Sources	FY2023	FY2024
Water Fund	$30,000	$95,000
Sewer Fund	$30,000	$95,000
Total	**$60,000**	**$190,000**

Projected Timeline

Jul 1, 2022

Start Routine Update of the City's OneWater Plan

Reverse Osmosis Facility Upgrades - Preliminary Plan

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2022
Est. Completion Date	06/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	921-9946

Description

This project will address the Reverse Osmosis (RO) system deficiencies and increase the RO system reliability. This project is to allow for planning/engineering cost to evaluate the existing RO facility and determine upgrade needs so the City can prioritize these needs. Some upgrades needed include the insulate most of the outside tanks and equipment inside the building to protect them from the elements and improve the visual appearance of the area; capacity to purchase and plumb two new calcium tanks to use in conjunction with two current tanks; purchase a tank for a chemical cleaning system; re-pipe the calcium and chemical injection process; provide an acid treatment skid; and an install anti-scalant skid.

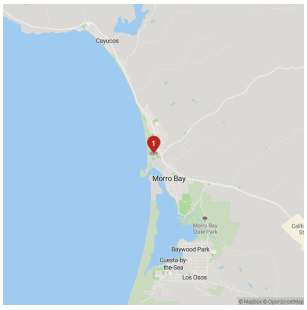
Images

RO Units

Details

Project Location Description	160 Atascadero Road
Project Manager	Eric Riddiough
Total Prior Year Budget	$310,462
Type of Project	Refurbishment
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Public Infrastructure

Location



Project Justification

The RO facility is necessary for removing Nitrates from the Morro Valley groundwater wells. This facility is used on a routine basis and during State Water shutdown to supply the City with drinking water that meets the States requirements for nitrates. Without this facility the City cannot provide safe drinking water from the City wells during State Water shutdown. In addition, with uncertainties in State water supply due to the current drought, the ability for local advanced water treatment

is critical. This facility was installed in 2009 and this project will facilitate the City in determining the long-term reliability of the BWRO and allow the City to be able to prioritize projects needed to keep this facility available in the future. Deferral of funding of this critical project puts the City at risk of not having a backup water supply to State Water.

Positive Fiscal Impact

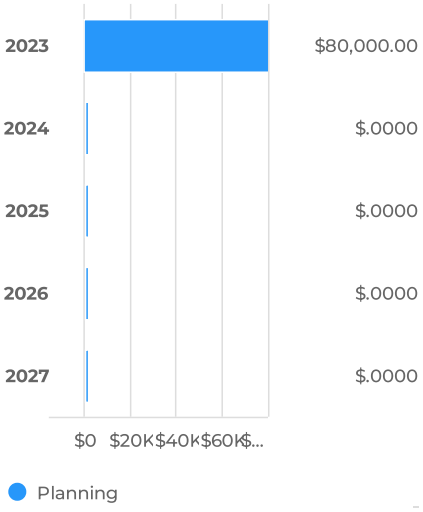
This study will contribute to assessing the system for potential operational efficiencies.

Capital Cost

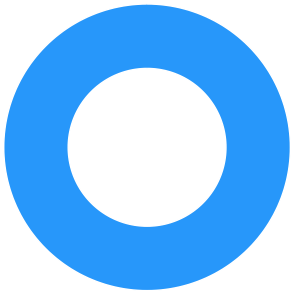
FY2023 Budget
$80,000

Total Budget
$80K

Capital Cost by Year



Capital Cost for Budgeted Years



Planning (100%)	$80,000.00
TOTAL	**$80,000.00**

Capital Cost Breakdown

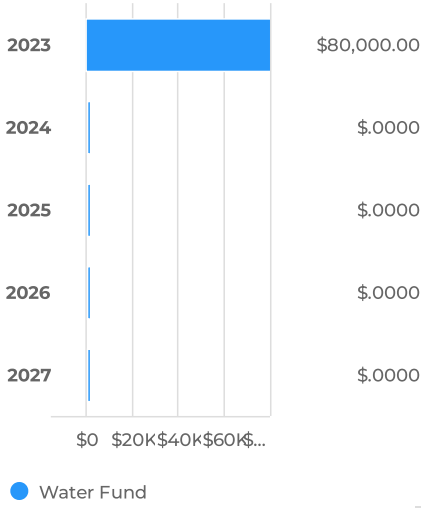
Capital Cost	FY2023	FY2024	FY2025	FY2026	FY2027
Planning	$80,000				
Total	**$80,000**				

Funding Sources

FY2023 Budget
$80,000

Total Budget
$80K

Funding Sources by Year



Funding Sources for Budgeted Years

Funding Sources Breakdown

Funding Sources	FY2023	FY2024	FY2025	FY2026	FY2027
Water Fund	$80,000	$0	$0	$0	$0
Total	**$80,000**	**$0**	**$0**	**$0**	**$0**

Water Tank Rehabilitation - Blanca and Kings Water Tanks

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2022
Est. Completion Date	06/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	921-9944

Description

This project will provide complete rehabilitation to the four Blanca Tanks and two Kings Water Storage Tanks. Work includes replacement of internal and external coatings, replacement of access ladders, handrails, railings, and the installation of OSHA required fall protection equipment. Additional features include new level gauges and mixers have also been added to the scope of this project. The full rehabilitation of Blanca Tanks 3 and 4 is under assessment to determine whether the rehabilitation will be sufficient or whether additional inspection, analysis and engineering is needed.

Images

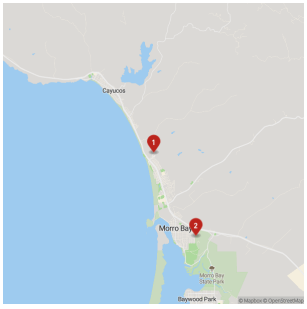
Blanca Bolted Tank

Welded Steel Tank - Kings and Blanca

Details

Project Location Description	This project has two locations. The two Kings Tanks are located at the top of King Ave. The four Blanca Tanks are located at the top of Blanca St.
Project Manager	Eric Riddiough
Total Prior Year Budget	2,691,152
Type of Project	Refurbishment
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Location



Project Justification

Due to the harsh ocean environment, deferred maintenance has caused the structure of these tanks to deteriorate. The interior and exterior coatings have failed due to time and neglect. Some of the ladders to the tanks are so deteriorated that they have been removed completely due to concerns about safe access. The handrails and railings are in need of

replacement. The California Division of Drinking Water (DDW) noted in their 2019 Sanitary Survey site visit that the tanks were not in compliance due to overall upkeep, maintenance, and safety. This project will make improvements to the overall infrastructure, water quality, provide for safety for employees, and to extend the useful life of the tanks. Blanca Tanks 3 and 4 require further analysis since they are bolted tanks, and the assessment will require additional funding into FY 22/23. This project is in process, and delay of additional funding will delay an engineering decision on the tanks that are already in poor shape, which may require additional engineering and analysis.

Positive Fiscal Impact

This project will use Public Works Utilities Division staff time for project coordination, inspection, and management. The project will improve operational efficiencies since the tanks will be rehabilitated and have reduced maintenance cost and potential for downtime in the water system.

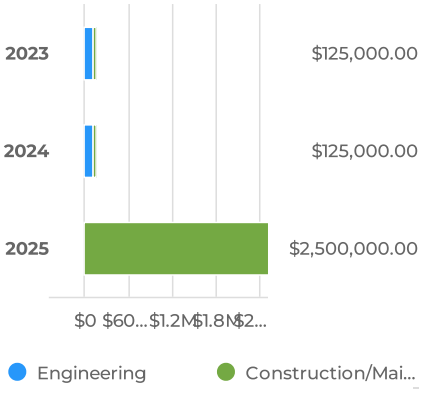
Capital Cost

Total To Date
$2,691,152

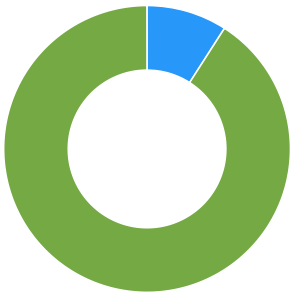
FY2023 Budget
$125,000

Total Budget
$2.75M

Capital Cost by Year



Capital Cost for Budgeted Years



Engineering (9%) $250,000.00
Construction/Maintenance (91
TOTAL **$2,750,000.00**

Capital Cost Breakdown

Capital Cost	To Date	FY2023	FY2024	FY2025
Engineering		$125,000	$125,000	
Construction/Maintenance	$2,691,152			$2,500,000
Total	**$2,691,152**	**$125,000**	**$125,000**	**$2,500,000**

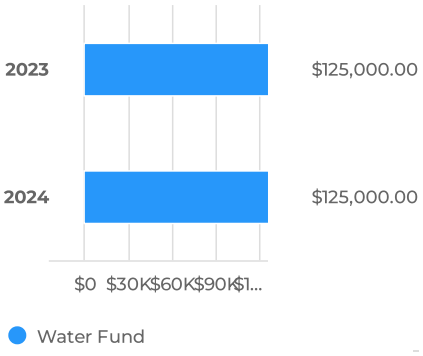
Funding Sources

Total To Date
$2,691,152

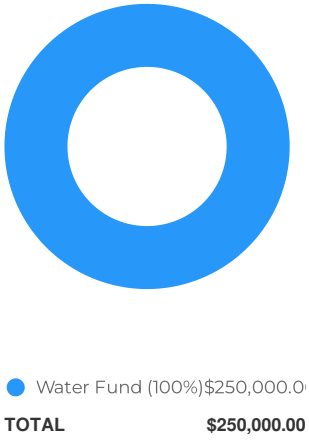
FY2023 Budget
$125,000

Total Budget
$250K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	To Date	FY2023	FY2024
Water Fund	$2,691,152	$125,000	$125,000
Total	**$2,691,152**	**$125,000**	**$125,000**

Projected Timeline

Apr 6, 2022

Tank Rehabilitation Project in progress

Jul 1, 2022

Assessment of Blanca 3&4 Tanks for Rehab and Engineering

Local Roadway Safety Plan (LRSP)

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2022
Est. Completion Date	06/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	New

Description

A Local Roadway Safety Plan (LRSP) is a newly required safety document that addresses the 4E's of traffic safety: Engineering, Enforcement, Education, and Emergency Services. An LRSP can be a means for providing local and rural road owners with an opportunity to address unique highway safety needs in their jurisdictions while contributing to the success of the State's Strategic Highway Safety Plan (SHSP). The process of preparing an LRSP creates a framework to systematically identify and analyze safety problems and recommend safety improvements. The City has entered into an agreement with the state to receive grant funds in the amount of $40,000 with the balance of needed funding being locally supplied.

Images

LRSP Visual Flow Chart

Details

Project Location Description	Citywide
Project Manager	Eric Riddiough
Total Prior Year Budget	0
Type of Project	Other
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Community Health

Location

Supplemental Attachments

Council Resolution - 1/28/20(/resource/cleargov-prod/projects/documents/1d3d1cd611c4cd1ce099.pdf)

Funded LRSP project in California(/resource/cleargov-prod/projects/documents/3ba2f57f64747aabe6c1.pdf)

Project Justification

Preparing an LRSP facilitates the development of local agency partnerships and collaboration, resulting in a prioritized list of improvements and actions that can demonstrate a defined need and contribute to the statewide plan. The LRSP offers a proactive approach to addressing safety needs and demonstrates agency responsiveness to safety challenges. An LRSP provides a framework for organizing stakeholders to identify, analyze, and prioritize roadway safety improvements on local and rural roads. The process of developing an LRSP can be tailored to local protocols, needs, and issues. In the future Highway Safety Improvement Project (HSIP) Calls-for-Projects, an LRSP (or its equivalent such as Systemic Safety Analysis Report (SSAR) or Vision Zero Action Plan) will be preferred or required for an agency to be eligible to apply for federal HSIP grant funds. The grant funds will expire if the City does not follow through on its obligation to use said funds in a timely manner.

Positive Fiscal Impact

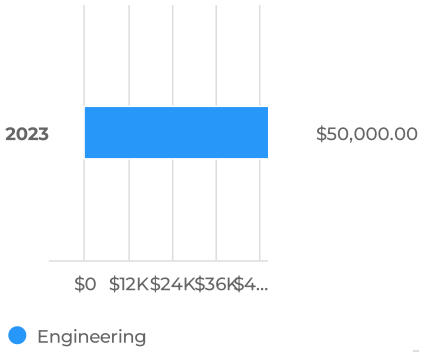
Having an LRSP will give the City the ability to apply for competitive Highway Safety Improvement Program (HSIP) grants in future funding cycles.

Capital Cost

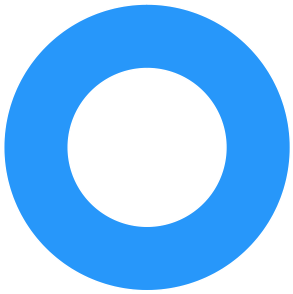
FY2023 Budget
$50,000

Total Budget
$50K

Capital Cost by Year



Capital Cost for Budgeted Years



Engineering (100%) $50,000.00

TOTAL **$50,000.00**

Capital Cost Breakdown

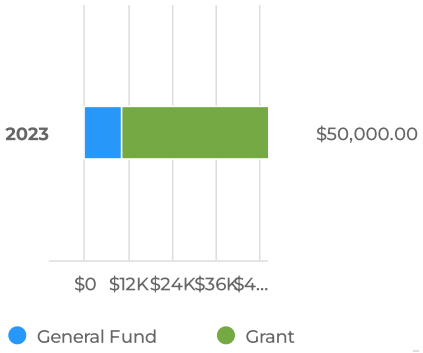
Capital Cost	FY2023
Engineering	$50,000
Total	**$50,000**

Funding Sources

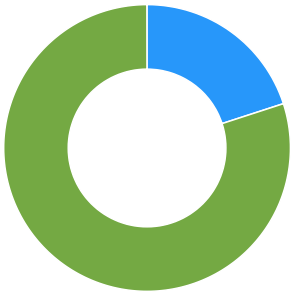
FY2023 Budget
$50,000

Total Budget
$50K

Funding Sources by Year



Funding Sources for Budgeted Years



General Fund (20%)	$10,000.00
Grant (80%)	$40,000.00
TOTAL	**$50,000.00**

Funding Sources Breakdown

Funding Sources	FY2023
General Fund	$10,000
Grant	$40,000
Total	**$50,000**

Projected Timeline

Jul 1, 2022
Obtain Consultant for LRSP

Dec 31, 2022
Complete Public Outreach for LRSP

Jun 30, 2023
Final LRSP Adopted

WRF - Water Reclamation Facility Project

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Greg Kwolek, Public Works Director
Est. Start Date	07/01/2022
Est. Completion Date	06/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	922-8312

Description

This project involves construction of the new water reclamation facility (WRF), conveyance facilities necessary to connect the existing wastewater treatment plant (WWTP) and the new WRF, and injection wells to replenish the groundwater in the Lower Morro Basin. The project which is the largest City public works project ever, is necessary to comply with Time Schedule Order R3-2018-0019 from the Regional Water Quality Control Board, as the current treatment plant does not consistently meet ocean discharge regulations. The project will also provide a new, sustainable water supply for the City. Additional information about the WRF can be found here (https://morrobaywrf.com/).

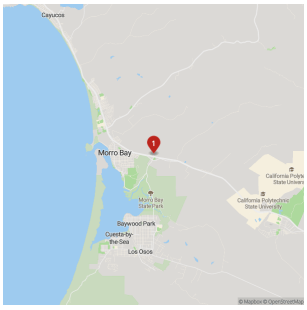
Images

WRF Project Map

Details

Project Location Description	This WRF will be located north of the intersection of Highway 1 and South Bay Boulevard. The two (2) lift stations necessary to convey raw wastewater to the new WRF will be located on Atascadero Road near the City's existing Corporation Yard and near the intersection of Main Street and Highway 1. Both lift stations will be located on City-owned property. The conveyance pipelines will run east in Atascadero Road, south in Caltrans right-of-way, south along the City's bike path, south in Main Street, southeast on Quintana Road, and north on South Bay Boulevard.
Project Manager	Paul Amico, Carollo Engineers
Total Prior Year Budget	72,523,921
Type of Project	New Construction
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Location



Project Justification

This project is in line with the City's goals to construct a new WRF to come into compliance with new effluent discharge requirements and produce recycled water. The project is necessary to comply with Time Schedule Order R3-2018-0019 from the Regional Water Quality Control Board, and will provide a new, sustainable water supply for the City. The project supports the City Council's goals of Public Infrastructure and Climate Action.

Positive Fiscal Impact

The project is essential for compliance with the City's wastewater discharge permits. Not funding this project would jeopardize a project that has had tremendous capital spending to date, and completion of the project is essential for the future of the City's water sustainability.

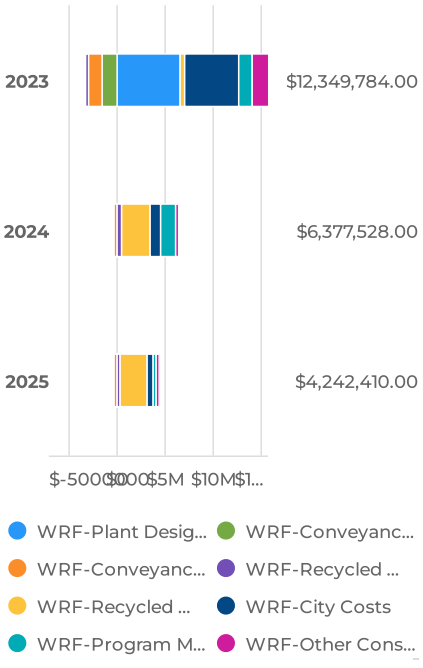
Capital Cost

Total To Date
$136,870,626

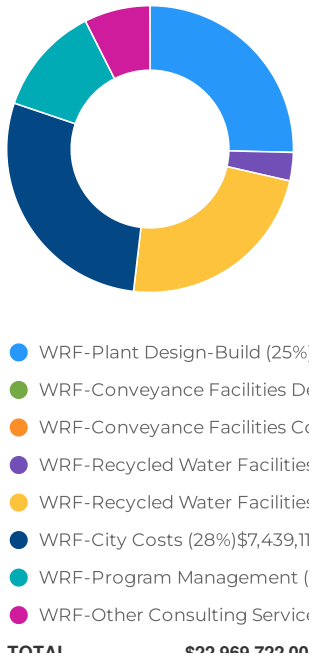
FY2023 Budget
$12,349,784

Total Budget
$22.97M

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

Capital Cost	To Date	FY2023	FY2024	FY2025
WRF-Plant Design-Build	$72,977,796	$6,665,420		
WRF-Conveyance Facilities Design, ESDC/Permitting	$6,630,042	-$1,556,439		
WRF-Conveyance Facilities Construction	$36,429,914	-$1,728,793		
WRF-Recycled Water Facilities Design, ESDC/Permitting	$2,190,112	-$46,462	$550,000	$335,000
WRF-Recycled Water Facilities Construction	$285,000	$376,174	$2,867,175	$2,867,175
WRF-City Costs	$5,246,487	$5,638,529	$1,160,353	$640,235
WRF-Program Management	$13,087,415	$1,447,873	$1,500,000	$300,000
WRF-Other Consulting Services	$23,860	$1,553,482	$300,000	$100,000
Total	**$136,870,626**	**$12,349,784**	**$6,377,528**	**$4,242,410**

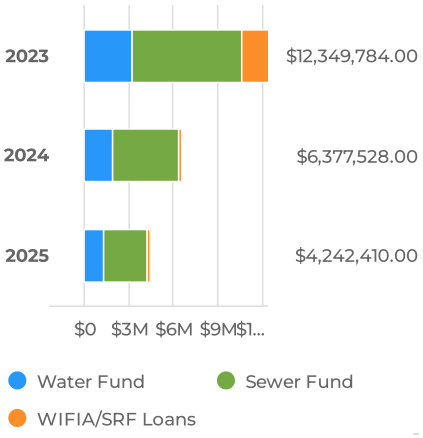
Funding Sources

Total To Date
$136,870,626

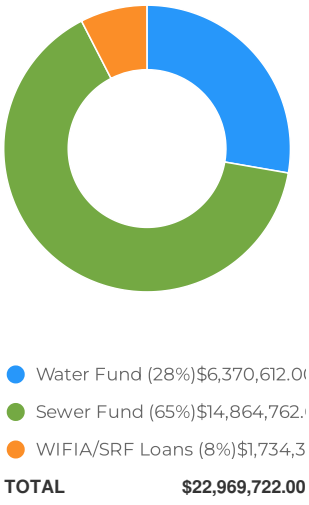
FY2023 Budget
$12,349,784

Total Budget
$22.97M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	To Date	FY2023	FY2024	FY2025
Water Fund		$3,184,631	$1,913,258	$1,272,723
Sewer Fund		$7,430,805	$4,464,270	$2,969,687
Grant	$5,000,000			
WIFIA/SRF Loans	$131,870,626	$1,734,348		
Total	**$136,870,626**	**$12,349,784**	**$6,377,528**	**$4,242,410**

Morro Bay Transit Vehicle Replacement

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Department	Public Works
Type	Capital Equipment

Description

This request is for the replacement of a transit bus in accordance with transit fleet needs.

Images

Details

Project Manager	Janeen Burlingame
New Purchase or Replacement	Replacement
New or Used Vehicle	New Vehicle
Useful Life	5

Project Justification

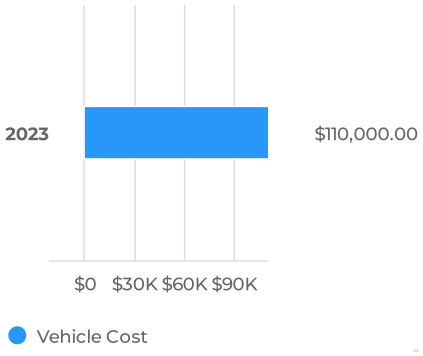
The vehicle to be replaced was purchased in 2016 and currently has over 106,000 miles. By the time a grant is awarded, the vehicle is ordered, received, and placed into service, the vehicle to be replaced would be beyond the Federal Transit Administration's useful life criteria as it will be more than seven (7) years old and over 100,000 miles.

Capital Cost

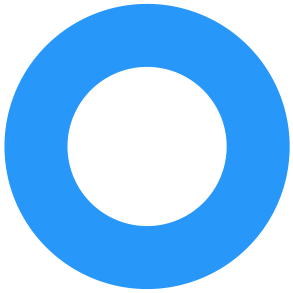
FY2023 Budget
$110,000

Total Budget
$110K

Capital Cost by Year



Capital Cost for Budgeted Years



Vehicle Cost (100%) $110,000.00

TOTAL **$110,000.00**

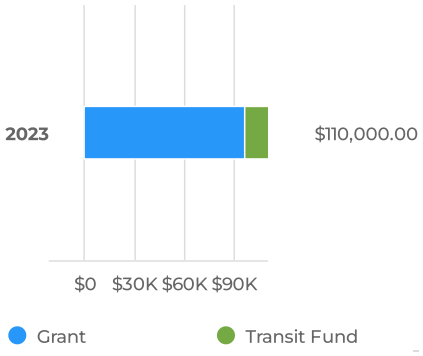
Capital Cost Breakdown		
Capital Cost	**To Date**	**FY2023**
Vehicle Cost	$0	$110,000
Total	**$0**	**$110,000**

Funding Sources

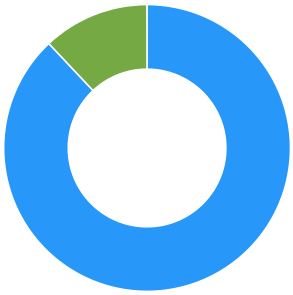
FY2023 Budget
$110,000

Total Budget
$110K

Funding Sources by Year



Funding Sources for Budgeted Years



Grant (88%)	$96,800.00
Transit Fund (12%)	$13,200.00
TOTAL	**$110,000.00**

Funding Sources Breakdown

Funding Sources	To Date	FY2023
Grant	$0	$96,800
Transit Fund		$13,200
Total	**$0**	**$110,000**

Capital Vehicles and Equipment Replacement - Water

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2022
Est. Completion Date	06/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	New

Description

This request covers replacement vehicle purchases and future savings allocations for vehicle / mobile equipment replacements for Water Division in Utilities.

The vehicles due for replacement in FY 22/23 with this request are:

- 2004 GMC 2500HD with Service Body with **2022 Ford Diesel F-250 with utility bed**

- 2004 Dodge Dakota Quad Cab 1/2 Ton Pick-up Body with **2022 Ford Maverick (Hybrid) or Lightning (Electric Ford-F-150) with shell**

The vehicle due for replacement in FY 23/24 - 25/26 with this request is:

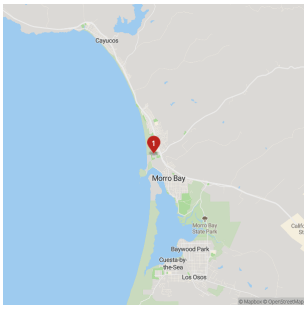
- 2001 Ford F250 3/4 Ton Pick-up Body replaced with **Ford F-150 4WD or Ford Lightning F-150 or equivalent**

Images

Details

Project Location Description	N/A
Project Manager	Damaris Hanson
Total Prior Year Budget	New - Consist with fund balance policy, fund balance has reserves to cover vehicle purchases.
Type of Project	Other
One-Time or Ongoing	Ongoing
New or Existing Project	New
City Council Goal	Fiscal Sustainability & Economic Vitality

Location



Supplemental Attachments

Reserve Estimates Backup(/resource/cleargov-prod/projects/documents/92ce9c47da0aaeae98f5.xlsx)

Project Justification

Some Public Works Utilities Division vehicles are past their useful life and scheduled for replacement. If not replaced, there may be added maintenance costs required to keep these assets functional. Reliability on service vehicles for Utilities staff is important to be able to provide water and wastewater service for the community. Without timely replacement of vehicles, maintenance costs to keep aged vehicles up will increase, as well as reliability.

Utilities staff have historically set aside funds for future capital replacements each year. Without setting aside funding, those capital needs are not planned and funds may not be allocated if done on a year to year basis. Setting aside these funds is important to the Public Works Department to cover future vehicle/equipment needs. Not funding these set aside monies may impact the division's ability to plan for future capital replacements.

Current reserves are available to use for these purchases. The requested budget is for vehicle replacements and savings for future years as required by City reserve policies.

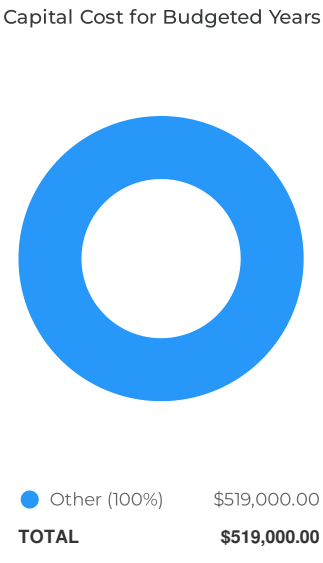
Positive Fiscal Impact

Setting aside funds for timely replacement of assets is standard, best practice for optimizing reliability in assets based upon their useful life. If assets are not replaced in the recommended sequence, then costly, added maintenance costs may result which are not budgeted in the operations accounts.

Capital Cost

FY2023 Budget
$209,000

Total Budget
$519K



Capital Cost Breakdown

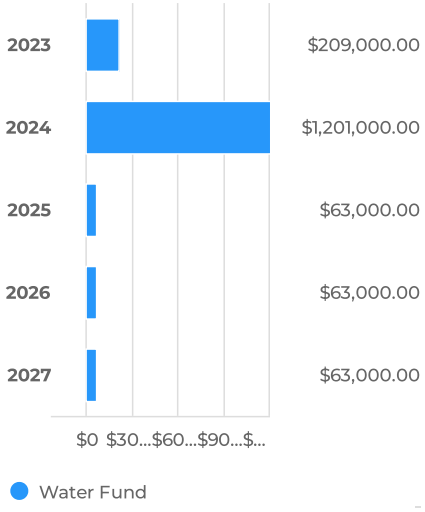
Capital Cost	To Date	FY2023	FY2024	FY2025	FY2026	FY2027
Other	$0	$209,000	$121,000	$63,000	$63,000	$63,000
Total	**$0**	**$209,000**	**$121,000**	**$63,000**	**$63,000**	**$63,000**

Funding Sources

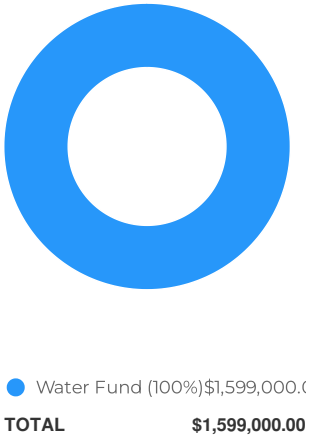
FY2023 Budget
$209,000

Total Budget
$1.599M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	To Date	FY2023	FY2024	FY2025	FY2026	FY2027
Water Fund	$0	$209,000	$1,201,000	$63,000	$63,000	$63,000
Total	**$0**	**$209,000**	**$1,201,000**	**$63,000**	**$63,000**	**$63,000**

Capital Vehicles and Equipment Replacement - Sewer

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2022
Est. Completion Date	06/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	New

Description

This request covers replacement vehicle purchases and future savings allocations for vehicle / mobile equipment replacements for Sewer Division in Utilities.

The vehicle due for replacement in FY 22/23 with this request is:

- 2000 GMC Sierra 1/2-Ton Pick-Up replaced with **2022 Ford Lightning (Electric Ford-F-150) or Equivalent with shell**

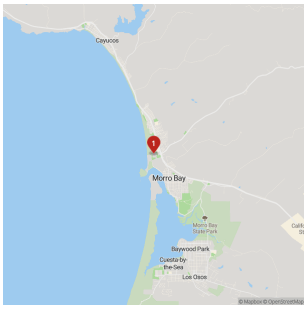
There are no vehicles scheduled for replacement in FY 23/24 - 26/27.

Images

Details

Project Location Description	n/a
Project Manager	Damaris Hanson
Total Prior Year Budget	0
Type of Project	Other
One-Time or Ongoing	Ongoing
New or Existing Project	New
City Council Goal	Fiscal Sustainability & Economic Vitality

Location



Supplemental Attachments

Reserve Estimates Backup(/resource/cleargov-prod/projects/documents/c707545e86bade809fbf.xlsx)

Project Justification

Some Utilities' vehicles are past their useful life and scheduled for replacement. If not replaced, there may be added maintenance costs required to keep these assets functional. Reliability on service vehicles for utilities staff is important to be able to provide water and wastewater service for the community. Without timely replacement of vehicles, maintenance costs to keep aged vehicles up will increase, as well as reliability.

The Utilities staff have historically set aside funds for future capital replacements each year. Without setting aside funding, those capital needs are not planned and funds may not be allocated if done on a year to year basis. Setting aside these funds is important to the Public Works Department to cover future vehicle/equipment needs. Not funding these set aside monies may impact the division's ability to plan for future capital replacements.

Current reserves are available to use for vehicle replacement, consistent with the City's reserve policies.

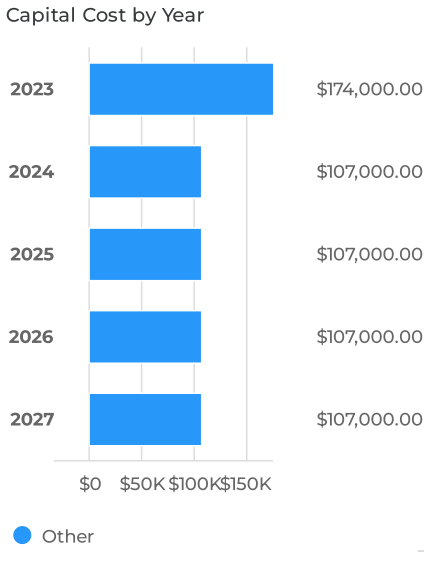
Positive Fiscal Impact

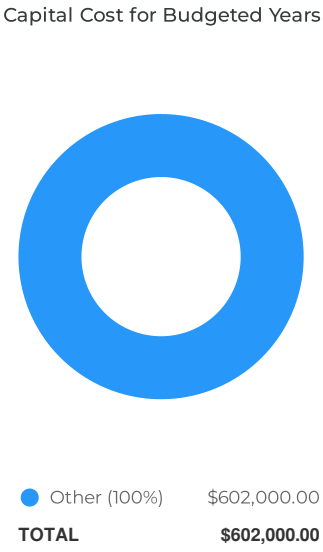
Setting aside funds for timely replacement of assets is standard, best practice for optimizing reliability in assets based upon their useful life. If assets are not replaced in the recommended sequence, then costly, added maintenance costs may result which are not budgeted in the operations accounts.

Capital Cost

FY2023 Budget
$174,000

Total Budget
$602K





Capital Cost Breakdown

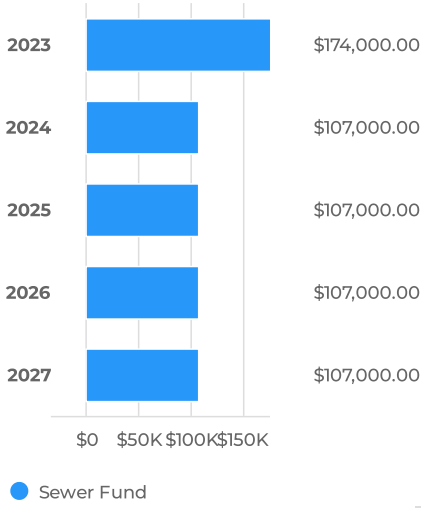
Capital Cost	To Date	FY2023	FY2024	FY2025	FY2026	FY2027
Other	$0	$174,000	$107,000	$107,000	$107,000	$107,000
Total	**$0**	**$174,000**	**$107,000**	**$107,000**	**$107,000**	**$107,000**

Funding Sources

FY2023 Budget
$174,000

Total Budget
$602K

Funding Sources by Year



Funding Sources for Budgeted Years

Funding Sources Breakdown

Funding Sources	To Date	FY2023	FY2024	FY2025	FY2026	FY2027
Sewer Fund	$0	$174,000	$107,000	$107,000	$107,000	$107,000
Total	**$0**	**$174,000**	**$107,000**	**$107,000**	**$107,000**	**$107,000**

Lift Station No. 1 Force Main Replacement

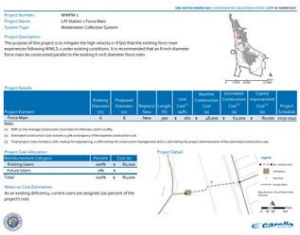
Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	04/11/2022
Est. Completion Date	06/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	New

Description

The 6" diameter, 225 foot-long force main that connects Lift Station No. 1 to Main Street main line under Highway 1 is aged and needs to be replaced. The force main experienced a leak in April 2022, and has been temporarily fixed, but a permanent fix is required.

Images



Details

Project Location Description	Near multi-use path in Cloisters district
Project Manager	Eric Riddiough
Total Prior Year Budget	0
Type of Project	Replacement
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Public Infrastructure

Location

Supplemental Attachments

OneWater Description(/resource/cleargov-prod/projects/documents/2ec3c466868bad62fbef.jpg)

Project Justification

The force main was found to have a leak on April 11, 2022 and was removed from service with a bypass temporarily for assessment and repair. The repairs to the line were made, but the City would like to accelerate the design and construction of the line's replacement in FY 22/23. The OneWater Plan identified the deficiency in this line with a recommended

replacement between the years of 2029-2040. The recent incident has given reason for accelerating this timeline in order to minimize the potential for future concerns with the line. If this project is not funded, the City will have to continually monitor this line and repairs until it is replaced.

Positive Fiscal Impact

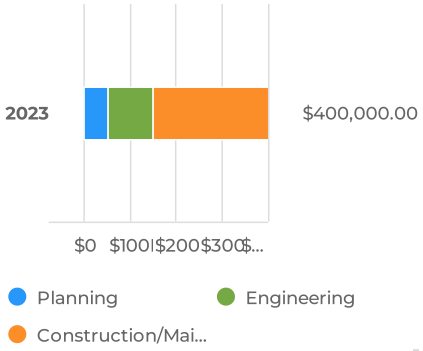
This is a replacement of an existing, necessary asset that does not have an anticipated ROI.

Capital Cost

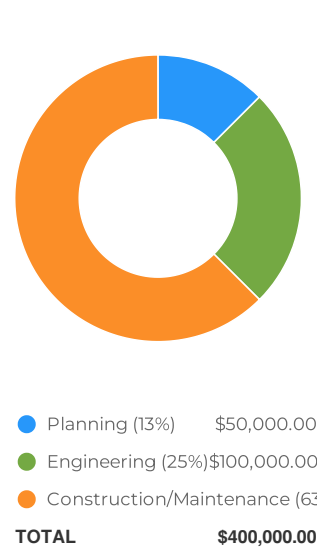
FY2023 Budget
$400,000

Total Budget
$400K

Capital Cost by Year



Capital Cost for Budgeted Years



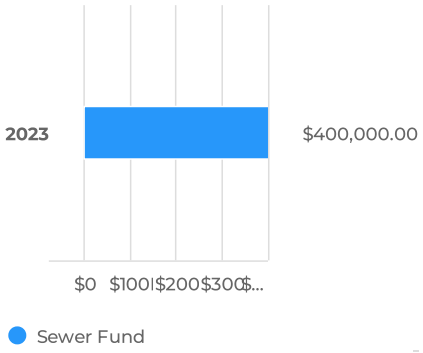
Capital Cost Breakdown	
Capital Cost	**FY2023**
Planning	$50,000
Engineering	$100,000
Construction/Maintenance	$250,000
Total	**$400,000**

Funding Sources

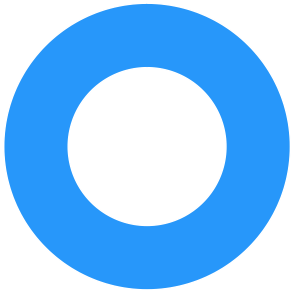
FY2023 Budget
$400,000

Total Budget
$400K

Funding Sources by Year



Funding Sources for Budgeted Years



Sewer Fund (100%) $400,000.0

TOTAL **$400,000.00**

Funding Sources Breakdown

Funding Sources	FY2023
Sewer Fund	$400,000
Total	**$400,000**

Projected Timeline

May 2, 2022
Initiate Design Contract

Sep 6, 2022
Advertise for Construction

Jun 30, 2023
Complete construction

SR1/SR41/Main St Intersection Improvements

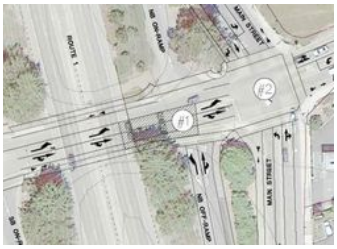
Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Greg Kwolek, Public Works Director
Est. Start Date	07/01/2022
Est. Completion Date	06/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	915-8229

Description

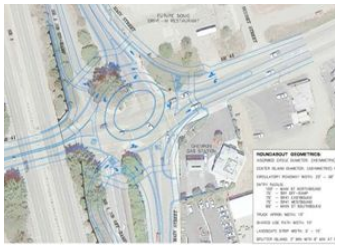
Replace the existing 4-way stop signs by either constructing a modern roundabout design in order to eliminate the closely spaced adjoining intersections or installing new coordinated traffic signals using the existing intersection configuration.

Images



SR 41/1/Main - Intersection

Traffic Signal Control Alternative



SR 41/1/Main - Intersection

Roundabout Alternative

Details

Project Location Description	SR1/SR41/Main St Intersection
Project Manager	Eric Riddiough
Total Prior Year Budget	$714,000
Type of Project	New Construction
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Location

Project Justification

The SR1/Main St.@ SR41 Interchange Improvements will reduce congestion and decrease Greenhouse Gas emissions. The project contributes to three of the Council's Adopted Goals by advancing economic sustainability, improving infrastructure, and climate action. The level of service (LOS) is deteriorating steadily as congestion continues to grow in that area of the City. This intersection serves as the principal gateway to Morro Bay from the Central Valley, our primary source of tourists. It is also the only route to Morro Bay High School which generates significant vehicle traffic during the morning, lunch and afternoon peak hours. Pedestrian and bicycle volumes have grown steadily at this intersection with the increased emphasis on Active Transportation modes.

The existing intersection has failing LOS during peak hours and will worsen with projected growth and build-out of the City. Step 1&2 Intersection Control Evaluations (ICE) have been completed and have identified the roundabout as the preferred technical solution. Caltrans and FHWA have authorized a Preliminary Assessment, Environmental Documentation (PA&ED) and NEPA/CEQA work is in progress. City funded the ICE studies and San Luis Obispo Council of Governments (SLOCOG) has funded PA&ED and PE phases. Right of way (ROW) will be acquired as a condition of adjoining development. Failure to complete PA&ED, project design and ROW acquisition may result in loss of anticipated infrastructure construction funding.

Positive Fiscal Impact

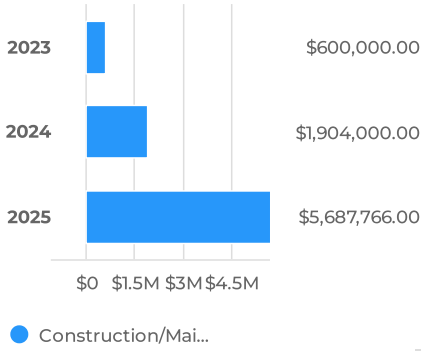
This project will use staff time for design oversight, construction inspection and management. The staff time for this project will be included in the Public Works Department's Operating Budget. SLOCOG expects the City to contribute 50% of the construction cost. All transportation funding is allocated on a reimbursable basis. The $600,000 in Revenue is available at SLOCOG for reimbursement once expenditures are made. These funds are available due to underspending on prior year's projects. Transit Funding to date is funding from the LTF Roads Fund (303).

Capital Cost

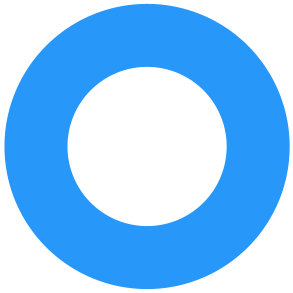
FY2023 Budget
$600,000

Total Budget
$8.192M

Capital Cost by Year



Capital Cost for Budgeted Years



Construction/Maintenance (10

TOTAL **$8,191,766.00**

Capital Cost Breakdown			
Capital Cost	**FY2023**	**FY2024**	**FY2025**
Construction/Maintenance	$600,000	$1,904,000	$5,687,766
Total	**$600,000**	**$1,904,000**	**$5,687,766**

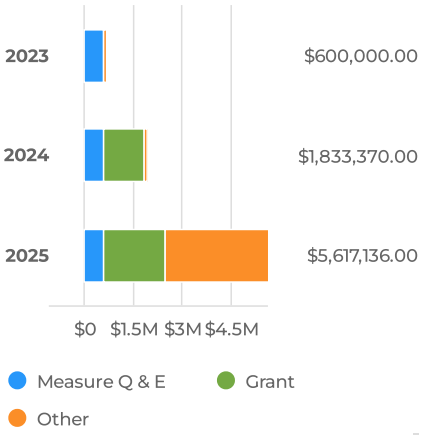
Funding Sources

Total To Date
$820,630

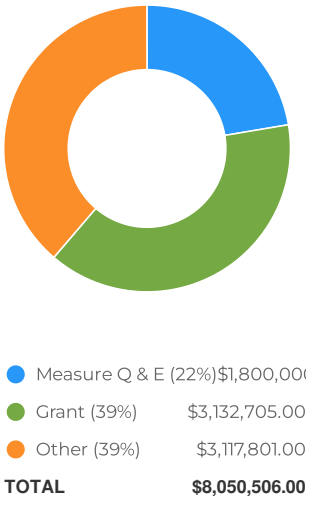
FY2023 Budget
$600,000

Total Budget
$8.051M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	To Date	FY2023	FY2024	FY2025
General Fund	$600,000			
Measure Q & E		$600,000	$600,000	$600,000
Transit Fund	$70,630			
Grant	$150,000		$1,233,370	$1,899,335
Other				$3,117,801
Total	**$820,630**	**$600,000**	**$1,833,370**	**$5,617,136**

Projected Timeline

Jul 1, 2022

Start CEQA / NEPA process Planning Community Outreach

Jun 30, 2023

Forecast Project Approval from Caltrans to move forward with Plans, Specifications, and Estimates (PS&E)

Jul 1, 2023

Start Plans, Specifications, and Estimates (PS&E)

Jul 1, 2024

Estimated Start Construction

Emergency Storm Drain Repair Juniper/Elena

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2022
Est. Completion Date	09/30/2022
Department	Public Works
Type	Capital Improvement
Project Number	915- 9949 & 922-9949

Description

This project is for the repair of a Failed Corrugated Metal Pipe (CMP) storm drain near Juniper/Elena streets. A leaking storm drain line has caused damage to an already steep slope and is threatening the foundation of an upslope structure. The design was recently finalized, and construction documents will be prepared for advertising the project for construction in the spring of 2022. Construction will likely to start in early FY 22-23 due to extra funding needed.

Images

Storm Drain to be Replaced

Looking NW toward Koa Street

Details

Project Location Description	North of Elena Street between Juniper and Koa Avenues
Project Manager	Eric Riddiough
Total Prior Year Budget	242000
Type of Project	Replacement
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Location

Project Justification

The failed storm drain line has caused damage to an already steep slope and is threatening the foundation of an upslope structure. If repair is not completed, heavy rains may cause more damage to surrounding properties, resulting in potential claims and liabilities to the City.

The remaining FY 21-22 project budget is anticipated to be $242,000, and will carry forward to FY 22-23 and contribute to this total project budget for the fiscal year. This storm drain repair work is anticipated to be completed by fall of 2022, and will use this existing carry forward funding towards completion. In addition, the Sewer Fund is contributing $83,000 of funding.

Positive Fiscal Impact

This is an emergency repair infrastructure project. There is no return on investment (ROI) projected, but there will be additional costs and potential claims if the condition is not fixed.

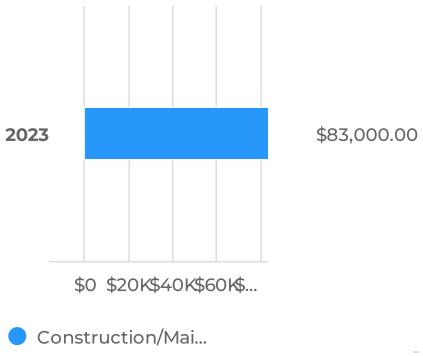
Capital Cost

Total To Date
$242,000

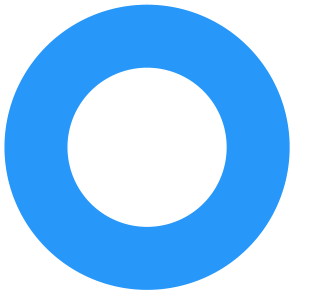
FY2023 Budget
$83,000

Total Budget
$83K

Capital Cost by Year



Capital Cost for Budgeted Years



TOTAL	$83,000.00

Capital Cost Breakdown

Capital Cost	To Date	FY2023
Engineering	$30,000	
Construction/Maintenance	$212,000	$83,000
Total	**$242,000**	**$83,000**

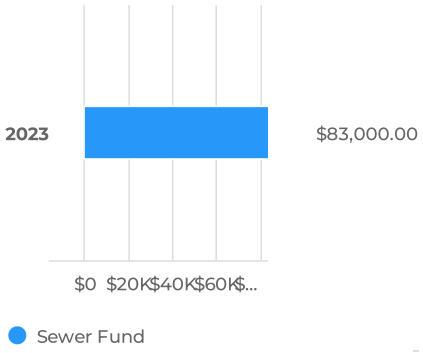
Funding Sources

Total To Date
$242,000

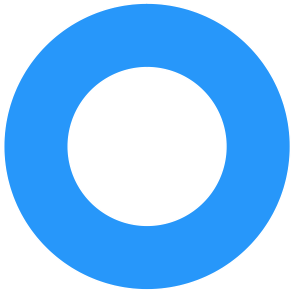
FY2023 Budget
$83,000

Total Budget
$83K

Funding Sources by Year



Funding Sources for Budgeted Years



Sewer Fund (100%) $83,000.00

TOTAL **$83,000.00**

Funding Sources Breakdown

Funding Sources	To Date	FY2023
General Fund	$242,000	
Sewer Fund		$83,000
Total	**$242,000**	**$83,000**

Citywide Capital and Facilities Planning

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Greg Kwolek, Public Works Director
Est. Start Date	07/01/2022
Est. Completion Date	06/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	New

Description

The City has a need for developing data-driven and planning-based master plans for guiding Public Works and city management in the allocation of funds and resources for capital project planning. An assessment of all city facilities, harbor facilities, and infrastructure is needed which can be analyzed with the assistance of a consultant to multi-year capital plans, asset management strategies, and return on investment of capital.

Images

Capital Planning

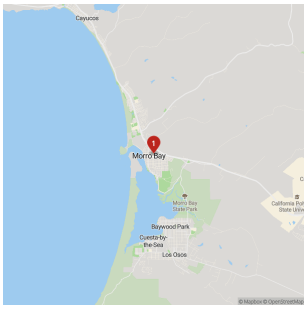
Facilities

Harbor Facilities

Details

Project Location Description	City Hall
Project Manager	Eric Riddiough
Total Prior Year Budget	New
Type of Project	Other
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Fiscal Sustainability & Economic Vitality

Location



Project Justification

The existing model of maintenance and capital project allocation is lacking strategy and vision to be able to assess long term capital needs and produce accurate costs. Completion of the assessment will help the City better prioritize capital funding.

Positive Fiscal Impact

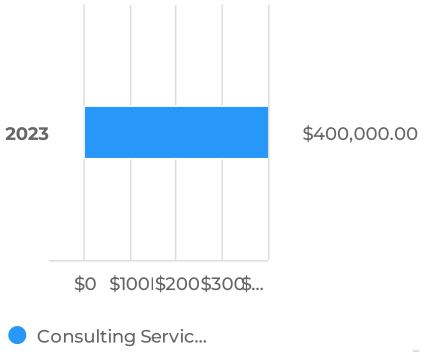
Planning and developing strategies for capital project implementation will provide staff with much needed guidance in selecting and scheduling projects for implementation during the budgeting process and throughout the current and future fiscal years.

Capital Cost

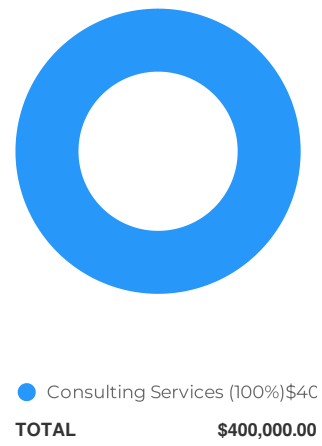
FY2023 Budget
$400,000

Total Budget
$400K

Capital Cost by Year



Capital Cost for Budgeted Years



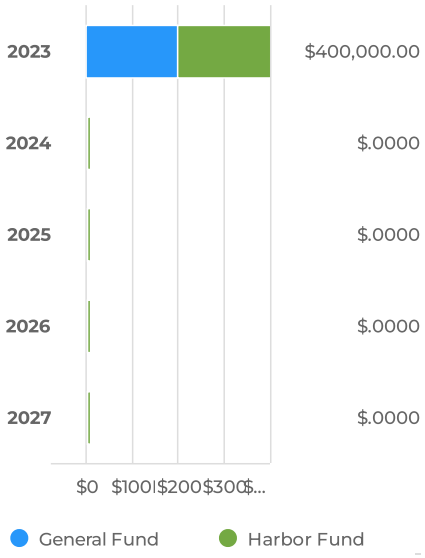
Capital Cost Breakdown		
Capital Cost	**To Date**	**FY2023**
Consulting Services		$400,000
Total		**$400,000**

Funding Sources

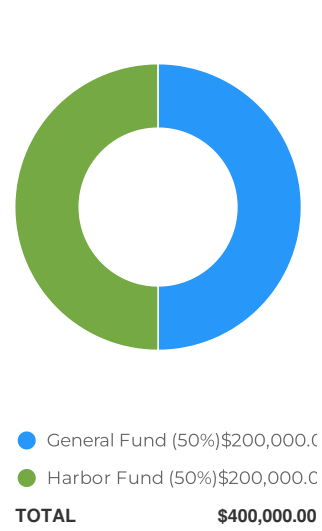
FY2023 Budget
$400,000

Total Budget
$400K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	To Date	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	$0	$200,000	$0	$0	$0	$0
Harbor Fund	$0	$200,000	$0	$0	$0	$0
Total	**$0**	**$400,000**	**$0**	**$0**	**$0**	**$0**

Citywide Speed Survey

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Greg Kwolek, Public Works Director
Est. Start Date	08/01/2022
Est. Completion Date	12/30/2022
Department	Public Works
Type	Capital Improvement
Project Number	New

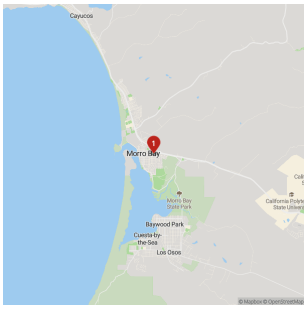
Description

The City's current speed survey will be out of date by May 2023. Speed surveys are used to set speed limits for sections of city-controlled roadways. Speed limits provide notice to drivers of the maximum speed limit on a roadway and are an enforcement tool to assist police in addressing violators. In order to make decisions about speed limits when raised by the public or City staff, a speed survey should be referenced as a tool for guiding those decisions before action is taken to establish or change a speed limit.

Details

Project Location Description	Citywide
Project Manager	Eric Riddiough
Total Prior Year Budget	New
Type of Project	Other
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Public Infrastructure

Location



Project Justification

The existing survey is out of date and the California Vehicle Code requires that a speed survey be conducted in order to facilitate speed enforcement and changes to speed limits on street sections.

Positive Fiscal Impact

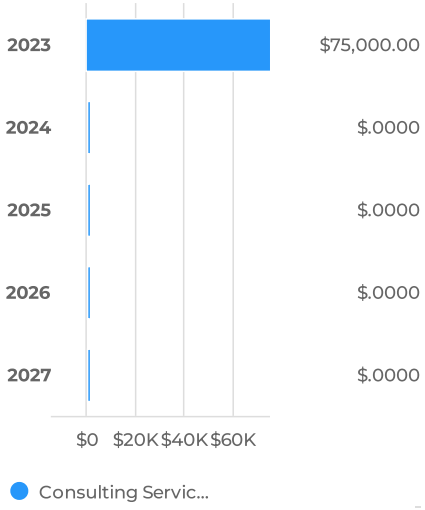
No positive fiscal impact is identified.

Capital Cost

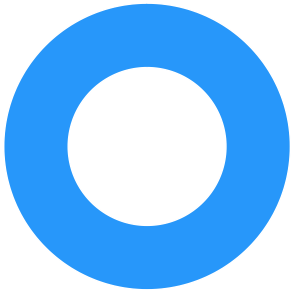
FY2023 Budget
$75,000

Total Budget
$75K

Capital Cost by Year



Capital Cost for Budgeted Years



Consulting Services (100%) $75

TOTAL **$75,000.00**

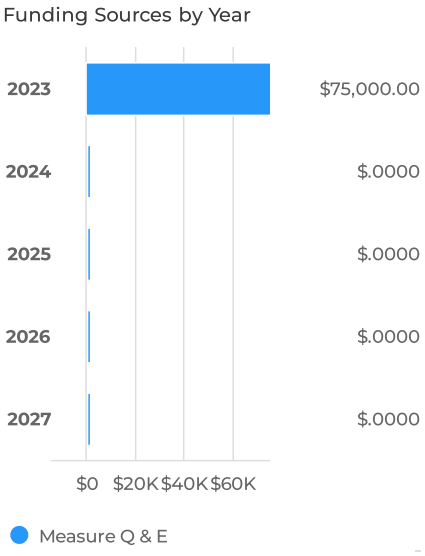
Capital Cost Breakdown

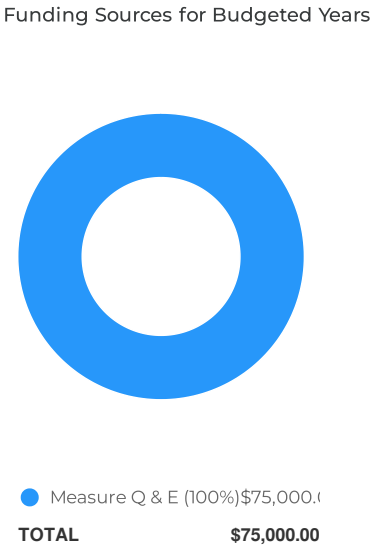
Capital Cost	To Date	FY2023	FY2024	FY2025	FY2026	FY2027
Consulting Services	$0	$75,000	$0	$0	$0	$0
Total	**$0**	**$75,000**	**$0**	**$0**	**$0**	**$0**

Funding Sources

FY2023 Budget
$75,000

Total Budget
$75K





Funding Sources Breakdown

Funding Sources	To Date	FY2023	FY2024	FY2025	FY2026	FY2027
Measure Q & E	$0	$75,000	$0	$0	$0	$0
Total	**$0**	**$75,000**	**$0**	**$0**	**$0**	**$0**

Electric Vehicle Charging Stations

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Greg Kwolek, Public Works Director
Est. Start Date	07/01/2022
Est. Completion Date	06/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	915-9942

Description

With the rise in electric vehicle users in the State and in the City, an application for a state grant with the Air Pollution Control District (APCD) was obtained in 2019, for a total of 6 EV charging stations. The ratio of electric vehicles to EV chargers has become so disproportionate that the State of California is offering grant funding through AB 617 to facilitate improvements to the electric vehicle infrastructure to help offset the lack of charging stations. Work on this project was sidelined during 2020/21, but work will progress into 2022/23 in order to put the chargers online in the Embarcadero.

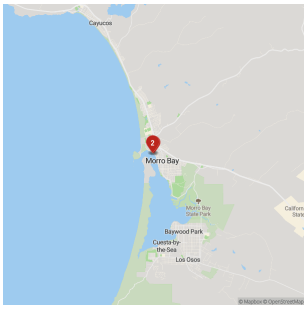
Images

Level 2 EV Charger

Details

Project Location Description	Embarcadero Parking Lots near South T-Pier
Project Manager	Pamela Newman
Total Prior Year Budget	153809
Type of Project	New Construction
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Climate Action

Location



Project Justification

This project will help the City achieve its goal of climate action, as electric vehicles play a role with greenhouse gas reduction. Currently, there are very few public options for charging EV's in Morro Bay. Many visitors from out of town frequent the Embarcadero. The charging stations will provide a means for EV charging to the public. This funding will serve as the City's match to the grant. If this were not funded, the City may lose the opportunity to utilize grant funds that it has been awarded.

Positive Fiscal Impact

This would provide a unique service to residents and visitors in our City for charging EV's. There is no anticipated financial ROI.

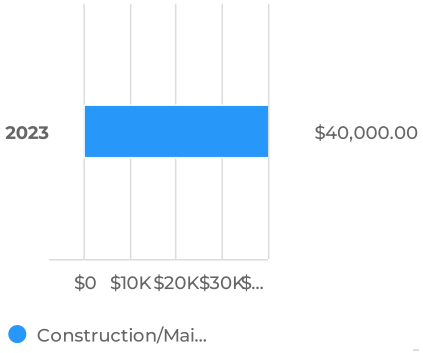
Capital Cost

Total To Date
$153,809

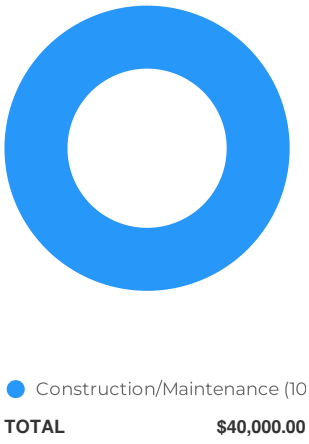
FY2023 Budget
$40,000

Total Budget
$40K

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

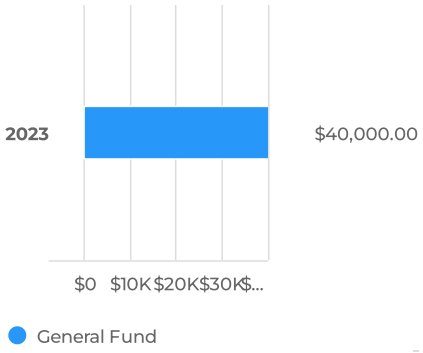
Capital Cost	To Date	FY2023
Construction/Maintenance	$153,809	$40,000
Total	**$153,809**	**$40,000**

Funding Sources

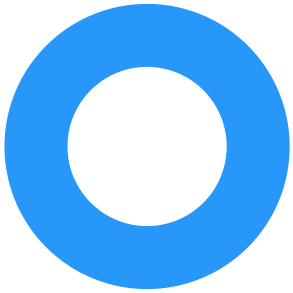
FY2023 Budget
$40,000

Total Budget
$40K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2023
General Fund	$40,000
Total	**$40,000**

Projected Timeline

Mar 23, 2022

Engineering Staff Met with Design / Build Contractor to update Cost Estimates and check status of PG&E services.

Oct 3, 2022

Anticipate response from PG&E for service installation at charging locations.

Lila Kaiser Parking Lot Rehabilitation and ADA Upgrades

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Greg Kwolek, Public Works Director
Est. Start Date	07/18/2022
Est. Completion Date	09/09/2022
Department	Public Works
Type	Capital Improvement
Project Number	New

Description

The project is to repair, rehabilitate, and restripe the asphalt parking lot at Lila Kaiser Park. In addition, there is need to upgrade ADA-accessible parking to the lot. The park site is not city-owned, but it is the responsibility of the city to maintain the facilities, including the parking lot.

Images

Parking Lot and Park looking East

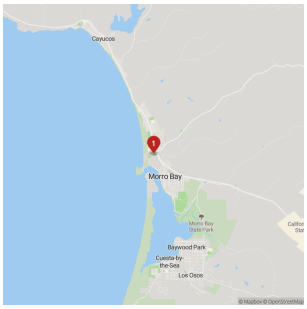
undefined

Failed Areas of Parking Lot

Details

Project Location Description	1 Park Street, Morro Bay
Project Manager	Eric Riddiough
Total Prior Year Budget	0
Type of Project	Maintenance/Repair
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Public Infrastructure

Location



Project Justification

Lila Kaiser Park is a city park that is used consistently by residents for sports activities and recreation with amenities such as a children's playground, baseball/softball diamonds, soccer fields, and picnic areas. These recreational activities contribute to community health and wellness. Repair, rehabilitation and restriping of the parking lot would improve access to the park through vehicle parking. The condition of the lot in many areas is poor, and the asphalt lot has exceeded its useful life. If the improvements were not funded, consolidated maintenance will have to spend added time doing small repairs associated with ongoing parking lot pavement failures and complaints received from the public.

Positive Fiscal Impact

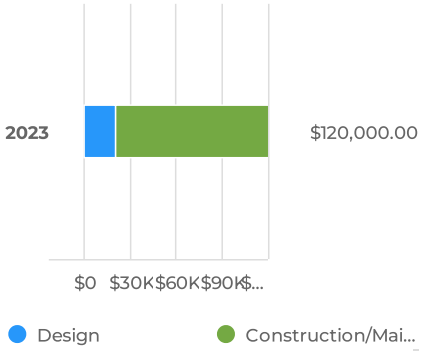
The repair of this parking lot would be a positive benefit to the users of the park. There are no expected financial returns on investment with the exception of reduced short term maintenance costs associated with the existing poor condition.

Capital Cost

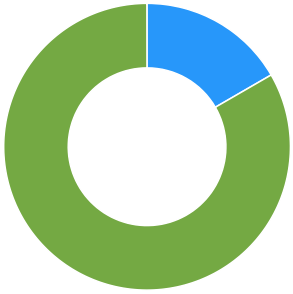
FY2023 Budget
$120,000

Total Budget
$120K

Capital Cost by Year



Capital Cost for Budgeted Years



Design (17%)	$20,000.00
Construction/Maintenance (83	
TOTAL	**$120,000.00**

Capital Cost Breakdown	
Capital Cost	**FY2023**
Design	$20,000
Construction/Maintenance	$100,000
Total	**$120,000**

Funding Sources

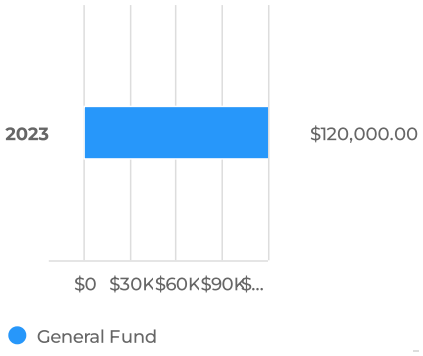
FY2023 Budget

$120,000

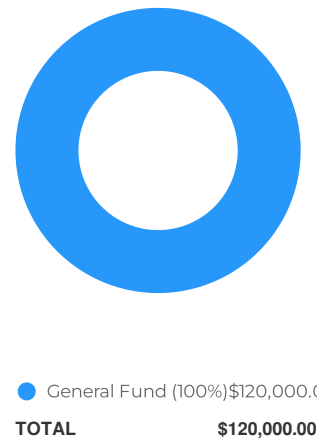
Total Budget

$120K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2023
General Fund	$120,000
Total	**$120,000**

ADA Accessibility Upgrades at Quintana and Main Streets Intersection

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	12/12/2022
Est. Completion Date	09/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	New

Description

A request for an audible signal crossing at Quintana Road and Main Street intersection was received by a visually impaired resident. Disabled residents are presumed a benefit group per the U.S. Department of Housing and Urban Development (HUD) regulations. The proposed project will also facilitate improved accessibility for elderly residents, also a presumed benefit group. In addition to improved pedestrian push buttons, the intersection is in need of ADA upgrades to curb ramps. The City was awarded a Community Development Block Grant (CDBG) award in FY 2021/22 in the amount of $37,477 to cover a portion of the pedestrian push button costs. The City plans to apply again for additional allocation of CDBG funding of $57,000 which will cover approximately 50% of the total project costs.

Images

Looking North on Main Street

Audible and ADA Complaint Pedestrian Push Button

ADA Curb Ramp With Detectable Surface

Details

Project Location Description	Intersection of Main and Quintana Streets
Project Manager	Eric Riddiough
Total Prior Year Budget	0
Type of Project	New Construction
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Public Infrastructure

Location

Project Justification

The nexus of the project was from requests from citizens that have disabilities for safety features at the City's sole traffic signal. The City has received partial funds for completing the project. If those funds are not used in a timely manner, the funds may be rescinded. This project contributes to the City's goals of improving infrastructure and promoting safe, active transportation for vulnerable populations.

Positive Fiscal Impact

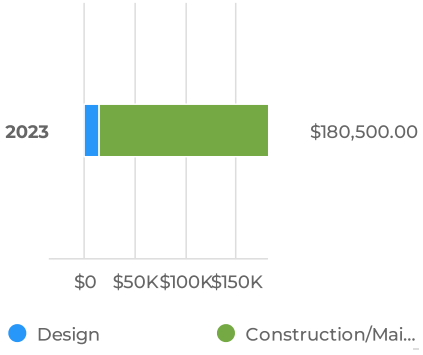
This project's impact is not financial. It provides safety upgrades to this highly traveled intersection.

Capital Cost

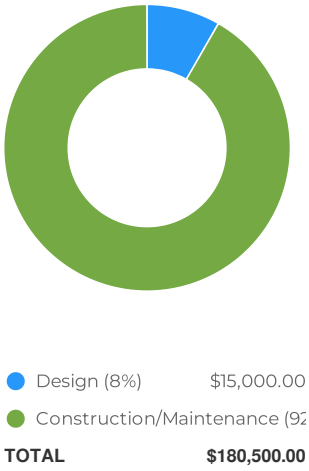
FY2023 Budget
$180,500

Total Budget
$180.5K

Capital Cost by Year



Capital Cost for Budgeted Years



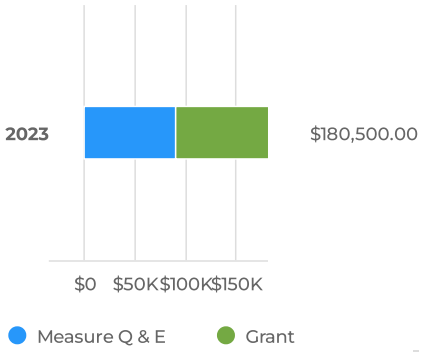
Capital Cost Breakdown	
Capital Cost	**FY2023**
Design	$15,000
Construction/Maintenance	$165,500
Total	**$180,500**

Funding Sources

FY2023 Budget
$180,500

Total Budget
$180.5K

Funding Sources by Year



Funding Sources for Budgeted Years

Measure Q & E (50%)	$90,000.0
Grant (50%)	$90,500.00
TOTAL	**$180,500.00**

Funding Sources Breakdown

Funding Sources	FY2023
Measure Q & E	$90,000
Grant	$90,500
Total	**$180,500**

Projected Timeline

Nov 1, 2022
Apply for additional CDBG funds in 2022/23 Cycle

Jan 2, 2023
Start Project Design

May 1, 2023
Advertise for Construction

Beachcomber Drive Sewer Main Replacement

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2022
Est. Completion Date	06/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	922-9929

Description

This project includes the Beachcomber Wastewater Collections System Improvements from the OneWater Plan and consists of the replacement of approximately 2,675 feet of 12, 10 and 8-inch diameter pipeline along Beachcomber Drive between Java Street and Yerba Buena Street and re-establishment of pavement and striping. Included in the project is the installation of 16 manholes and slope stabilization of the west side of Beachcomber Drive to prevent further degradation of the road surface.

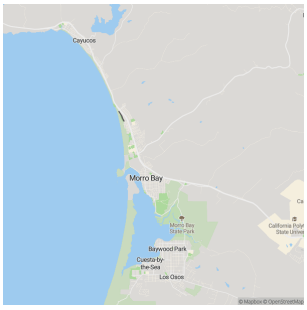
Images

Looking South on Beachcomber Drive - Sewer Main on right of roadway

Details

Project Location Description	Beachcomber Drive
Project Manager	Eric Riddiough
Total Prior Year Budget	$655,304
Type of Project	Replacement
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Location



Supplemental Attachments

OneWater Plan(/resource/cleargov-prod/projects/documents/fe39d39f1a289562f6fa.jpg)

http://www.morro-bay.ca.us/DocumentCenter/View/12500/OneWater-Plan-Final

Project Justification

The OneWater Plan shows that there are critical capacity issues with the existing diameter of this sewer mainline. Historically, high amounts of inflow and infiltration (I/I) enter the City's wastewater collection system during wet weather events. This can lead to sanitary sewer overflows (SSO), hydraulic overloading at lift stations and the new Water Recycling Facility (WRF), and higher operational costs to pump and treat the additional flows. The existing sewer mains in the Beachcomber Drive Area were identified as an area of high I/I with flow monitoring studies with the OneWater Plan. The reason for the high I/I in the area is an old sewer system made of Vitrified Clay Pipe (VCP). The pipe is cracked and uplifted which leads to inflow and infiltration of water into the sewer system. The area upstream of Lift Station 1 was shown to have the highest I/I rates in the City. The City's investigation shows that a potential large contributor to this problem is the gravity main on Beachcomber Drive. A larger diameter mainline is required to accommodate these flows until I/I issues can be resolved, which primarily come from the backyard sewer connections in the Beach Tract. If not funded, there is a high likelihood of upstream manholes to surcharge above design capacity and costly mitigation of SSO's.

Positive Fiscal Impact

This is a necessary replacement and increase in capacity of an existing asset. No return on investment is expected, but cost/maintenance avoidance will be realized with the project.

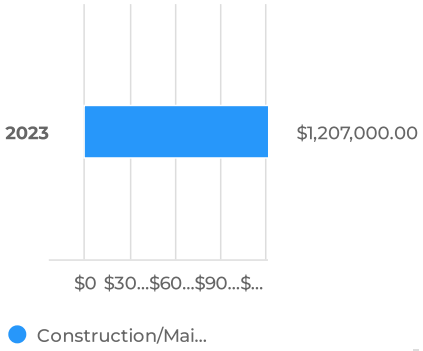
Capital Cost

Total To Date
$655,304

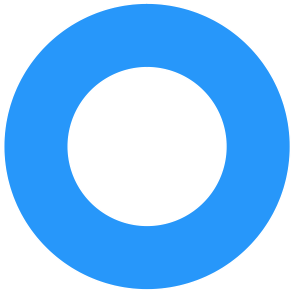
FY2023 Budget
$1,207,000

Total Budget
$1.207M

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

Capital Cost	To Date	FY2023
Construction/Maintenance		$1,207,000
Consulting Services	$655,304	
Total	**$655,304**	**$1,207,000**

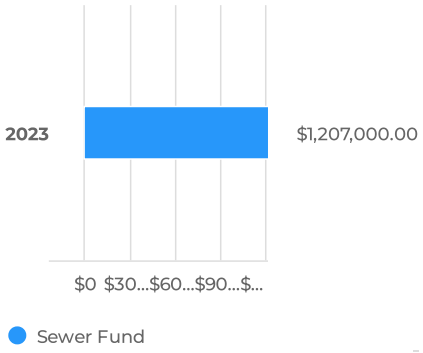
Funding Sources

Total To Date
$655,304

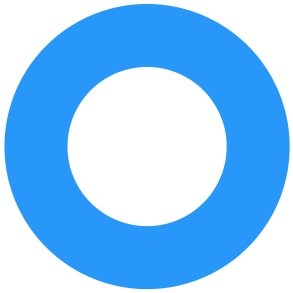
FY2023 Budget
$1,207,000

Total Budget
$1.207M

Funding Sources by Year



Funding Sources for Budgeted Years



Sewer Fund (100%)$1,207,000.(

TOTAL $1,207,000.00

Funding Sources Breakdown

Funding Sources	To Date	FY2023
Sewer Fund	$655,304	$1,207,000
Total	**$655,304**	**$1,207,000**

Projected Timeline

May 16, 2022

Finalize Design

Oct 31, 2022

Begin Construction

Nutmeg Tank and related Pressure Zone Improvements

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2022
Est. Completion Date	06/30/2023
Department	Public Works
Type	Capital Improvement
Project Number	921-9932

Description

Nutmeg Tank and related Water Pressure Zone Improvements - This project includes components of the Nutmeg Tank and related Pressure Zone Improvements projects identified in the OneWater Plan, with additional modifications identified during preliminary design.

- Nutmeg Tank Upgrade - Replacement of 0.14-million-gallon Nutmeg Tank. The existing storage tank does not have the capacity to supply Nutmeg Pressure Zone under maximum day demand conditions. To mitigate the capacity deficiency occurring under maximum day demand conditions, it is recommended that the existing storage tank is replaced with a 1,300,000-gallon storage tank.
- Pressure Reducing Valve at the Elena Tank Site - Addition of a pressure reducing valve at the Elena Tank Site. The existing Blanca zone receives water from Nutmeg zone through a bleed valve that is manually opened when necessary. To eliminate this manually opened bleed valve, it is recommended a pressure reducing valve be installed to convey water from Nutmeg zone to Blanca zone.
- Fill line for Nutmeg Tank - Replacement of approximately 1,280 feet of 4-inch diameter pipeline from the Elena Booster Pump Station to the Nutmeg Tank. The head loss within this pipeline exceed the maximum limit under PHD conditions. To mitigate the high head losses occurring under PHD conditions, it is recommended that the existing pipeline be replaced with an 8-inch diameter pipeline.
- Parallel pipeline on Juniper Avenue - Construction of approximately 2,050 feet of 8-inch diameter pipeline along Juniper Avenue, between Elena Street and Sequoia Street. The parallel pipeline will serve as a feed line from the Nutmeg pressure zone to the Blanca Pressure Zone.
- Pipeline on Sequoia Street - Construction of approximately 530 feet of 8-inch diameter pipeline along Sequoia Street, between Dogwood Avenue and Main Street. The parallel pipeline will serve as a feed line from the Nutmeg pressure zone to the Blanca Pressure Zone.
- Pipeline along Sequoia Street - Replacement of approximately 540 feet of 8-inch diameter pipeline along Sequoia Street between Dogwood Avenue and Main Street. The residual fire hydrant pressures in this area are below 20 psi under maximum day demand plus fire flow conditions. To mitigate the low residual pressures occurring under maximum day demand plus fire flow conditions, it is recommended that the existing pipeline be replaced with a 10-inch diameter pipeline.
- Elena Booster Pump Station Upgrade - Replacement of the two pumps at Elena Booster Pump Station. The existing pump station does not have the capacity to fill Nutmeg Tank under PHD conditions. To mitigate the capacity deficiency occurring under PHD conditions, it is recommended that the booster pump station replace the existing pumps with two larger pumps with a firm capacity of 0.50 mgd.
- Fill Line for Blanca Tanks – The replacement of the existing 4 inch pipeline with 2,400 ft of 8-inch diameter pipeline from the Vashon Booster Station to the Blanca Tanks (along Main Street, Zanzibar Street, Panorama Drive and Blanca Street). The head loss within the existing pipeline is approaching maximum limit under PHD condition. With the Project the the existing Vashon Booster Station will no longer be needed and will be removed.

Images

Elena Tanks

Proposed New Tank - Superimposed on photo

Existing Tank

Details

Project Location Description	Nutmeg Ave. (Tank Location), Elena - Elena and Blanca Pressure Zones
Project Manager	Eric Riddiough
Total Prior Year Budget	1082967
Type of Project	New Construction
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Location

Supplemental Attachments

OneWater Plan(/resource/cleargov-prod/projects/documents/f7bbb79327a76c968f74.jpg)

Project Justification

The existing Nutmeg Tank does not have enough capacity to supply the Nutmeg Pressure Zone under maximum daily demand conditions. Additionally, the Elena Tanks and Booster Station are failing and need to be replaced, which will be accomplished as part of this project. The design needs to continue as budgeted into FY 22/23 to keep on pace to replace Elena Tanks by FY 25/26.

Positive Fiscal Impact

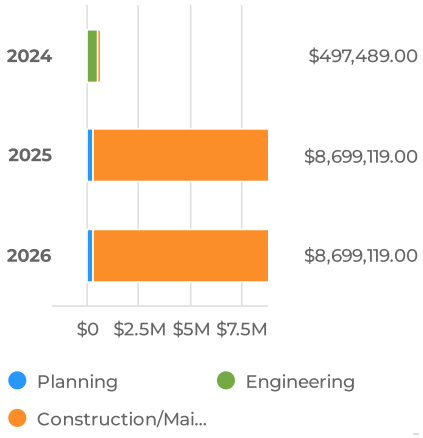
This project is an important component of the OneWater Plan. The implementation of the Nutmeg Tank and Pressure Zone improvements would eliminate the need for Elena tanks and the Vashon pump station. There will be significant operational and maintenance efficiencies gained without these old and seasoned assets online.

Capital Cost

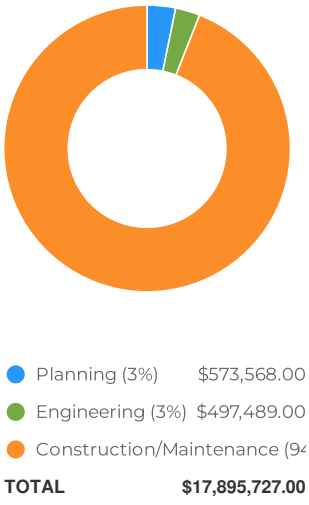
Total To Date
$1,082,967

Total Budget
$17.896M

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

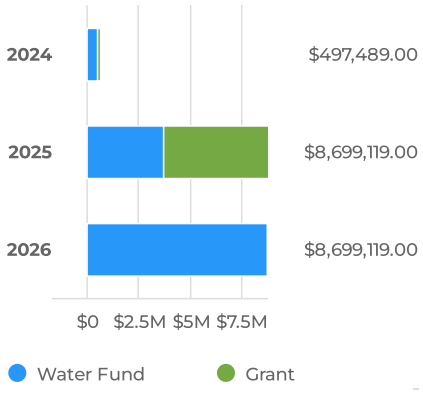
Capital Cost	To Date	FY2024	FY2025	FY2026
Planning			$286,784	$286,784
Engineering	$1,082,967	$497,489		
Construction/Maintenance			$8,412,335	$8,412,335
Total	**$1,082,967**	**$497,489**	**$8,699,119**	**$8,699,119**

Funding Sources

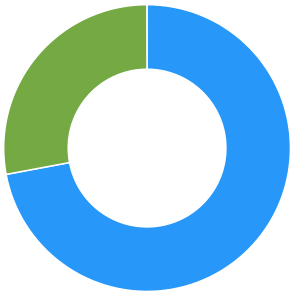
Total To Date
$1,082,967

Total Budget
$17.896M

Funding Sources by Year



Funding Sources for Budgeted Years



Water Fund (72%)	$12,895,727.0
Grant (28%)	$5,000,000.00
TOTAL	**$17,895,727.00**

Funding Sources Breakdown

Funding Sources	To Date	FY2024	FY2025	FY2026
Water Fund	$1,082,967	$497,489	$3,699,119	$8,699,119
Grant			$5,000,000	
Total	**$1,082,967**	**$497,489**	**$8,699,119**	**$8,699,119**

Projected Timeline

Apr 5, 2022
30% Design Complete

Jun 1, 2022
Proceed with full design of Nutmeg Tank and system

May 1, 2024
Start Construction of Tank

Emergency Storm Drain Repair - Sequoia Court

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	09/01/2022
Est. Completion Date	12/30/2022
Department	Public Works
Type	Capital Improvement
Project Number	New

Description

This project is for the repair of approximately 150 linear feet of Failed Corrugated Metal Pipe (CMP) storm drain on Sequoia Ct. The existing CMP has been stabilized by the Consolidated Maintenance crew, but the material will wash away over time, which could lead to additional failures in the roadway and potentially further downstream. There is a conceptual design that has been drafted by Engineering staff, but the project needs to be designed with verified hydraulic calculations using current standards of stormwater design practice.

Images

Sequoia Court Looking North - Drop Inlets on either side of roadway

Photo of Condition Inside of Storm Drain Where Bottom has Failed

Details

Project Location Description	Sequoia Court
Project Manager	Eric Riddiough
Total Prior Year Budget	0
Type of Project	Replacement
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Public Infrastructure

Location

Project Justification

The failed storm drain line is currently stabilized, but with regular rains, it may damage an area with steep slopes and potentially the roadway. If repair is not done, heavy rains may cause damage to Sequoia Ct. and surrounding properties, resulting in potential claims and liabilities to the City.

Positive Fiscal Impact

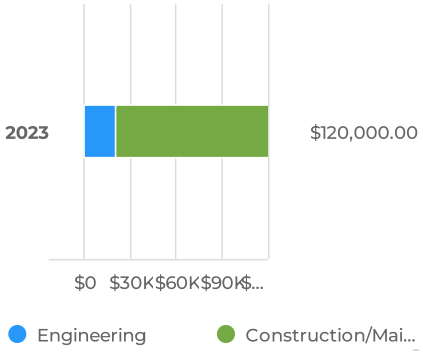
This is a high priority infrastructure project. There is no return on investment (ROI) anticipated, however, completing the project will lead to cost avoidance and avoid potential claims.

Capital Cost

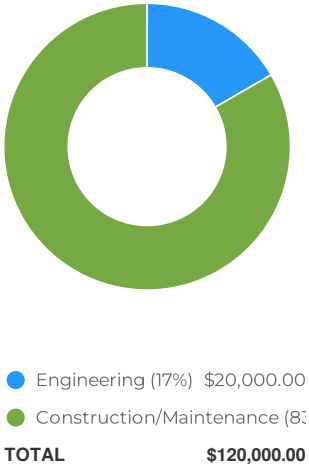
FY2023 Budget
$120,000

Total Budget
$120K

Capital Cost by Year



Capital Cost for Budgeted Years



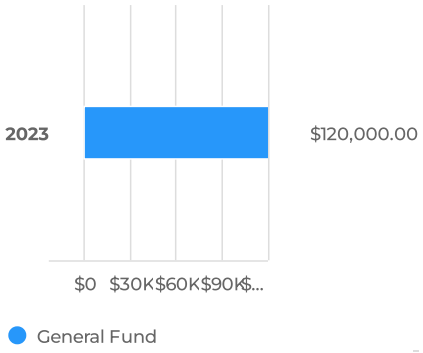
Capital Cost Breakdown	
Capital Cost	**FY2023**
Engineering	$20,000
Construction/Maintenance	$100,000
Total	**$120,000**

Funding Sources

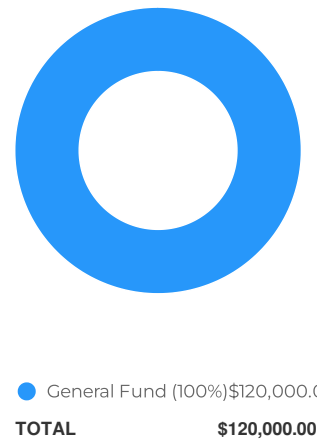
FY2023 Budget
$120,000

Total Budget
$120K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2023
General Fund	$120,000
Total	**$120,000**

Annual Pavement Management Program-FY 22-23

Overview

Submitted By	Greg Kwolek, Public Works Director
Request Owner	Greg Kwolek, Public Works Director
Est. Start Date	07/01/2022
Est. Completion Date	05/31/2023
Department	Public Works
Type	Capital Improvement
Project Number	NEW (FY 21-22 Project #915-9614)

Description

Employ appropriate pavement preservation and rehabilitation technologies such as asphalt digout repairs, chip seals, slurry seals, and other treatments as required to extend the useful life of the existing asphalt street surface, rehabilitate failing asphalt, maintenance of all apurtenances in the City's road right of way, and reduce the need for more invasive and costly reconstruction of the roadway. These funds also cover the costs of any annual Pavement Management consulting services and Pavement Analyses and Testing services that may be needed to maintain and create the City's Pavement Maintenance Program.

Images

Pacific Street (looking west)

This is one of the streets that will be rehabilitated with the Arterial Digout Project

Surface Seal Treatment Being Placed in Morro Bay

Details

Project Location Description	Various streets
Project Manager	Eric Riddiough
Total Prior Year Budget	N/A
Type of Project	Maintenance/Repair
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Public Infrastructure

Supplemental Attachments

Current PCI of Road Network(/resource/cleargov-prod/projects/documents/4b066cbe0aadacd871b4.pdf)

Pavement Management Update 2020(/resource/cleargov-prod/projects/documents/0da9f450b1ec7f3a8438.pdf)

Project Justification

- The City needs an approximate annual investment of $2 million to maintain its network of streets. These funds all contribute to the revenue used for pavement management and overall management of the City right of way.

- Necessary to maintain existing facilities, safety infrastructure and assets for the driving and biking public

- Required to maintain existing service levels

- If not funded, staff will not be able to contract out capital projects for maintenance of the City's highest valued asset, City pavements, valued at approximately $145 million. The City's pavement condition continues to deteriorate, not funding would accelerate the deterioration of this asset. At 62 Pavement Condition Index (PCI), the City is in the "Fair / AT RISK" condition rating. If the City does not spend at least $2 million a year, the condition will continue to deteriorate. At current annual funding levels of $700,000, the PCI is projected to drop to 60 by 2024 (see attached 2020 Pavement Management Plan Update Final Report)

Positive Fiscal Impact

Investing in pavement management does not contribute to operational efficiencies or ROI for the City. However, it does improve the safety and longevity of existing assets. Deferral of maintenance of pavement contributes to safety concerns with roadways, damage to vehicles and other infrastructure, and is a commonly shared concern from the public.

$233,281 RMRA revenue (General Capital Projects Fund)

$72,423 from Bike Path Fund

$52,142 from LTF Roads Fund

Capital Cost

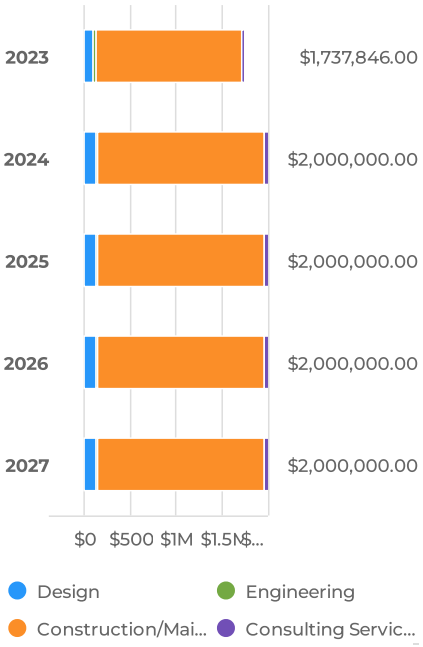
FY2023 Budget

$1,737,846

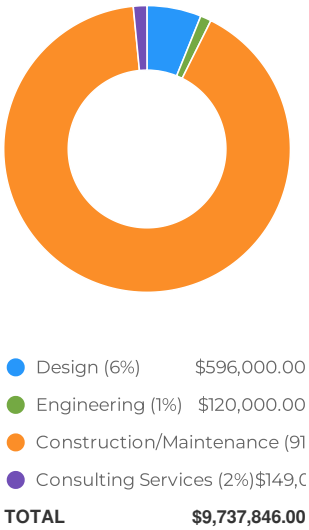
Total Budget

$9.738M

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

Capital Cost	FY2023	FY2024	FY2025	FY2026	FY2027
Design	$100,000	$124,000	$124,000	$124,000	$124,000
Engineering	$20,000	$25,000	$25,000	$25,000	$25,000
Construction/Maintenance	$1,592,846	$1,820,000	$1,820,000	$1,820,000	$1,820,000
Consulting Services	$25,000	$31,000	$31,000	$31,000	$31,000
Total	**$1,737,846**	**$2,000,000**	**$2,000,000**	**$2,000,000**	**$2,000,000**

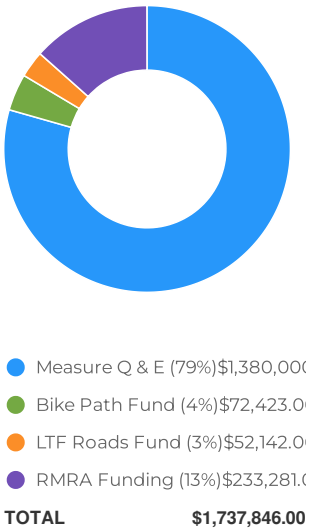
Funding Sources

FY2023 Budget
$1,737,846

Total Budget
$1.738M

Funding Sources by Year

Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2023	FY2024	FY2025	FY2026	FY2027
Measure Q & E	$1,380,000	$0	$0	$0	$0
Bike Path Fund	$72,423				
LTF Roads Fund	$52,142				
RMRA Funding	$233,281				
Total	**$1,737,846**	**$0**	**$0**	**$0**	**$0**

Projected Timeline

Sep 30, 2022

Surface Seal Street Maintenance Project - construction

HARBOR DEPARTMENT REQUESTS

Harbor Patrol Vessel Replacement

Overview

Submitted By	Eric Endersby, Harbor Director
Request Owner	Eric Endersby, Harbor Director
Department	Harbor Department
Type	Capital Equipment

Description

Completion of the final phase of the new patrol vessel acquisition and refurbishment, systems installation, rigging and parts. Requesting funding from Harbor Accumulation Fund and/or Harbor Operating Fund. The new patrol vessel will be ready for operations in FY22-23.

Previous expenditures were funded through the Harbor Equipment Replacement Fund.

Details

Project Manager	Dana Stein
New Purchase or Replacement	Replacement
New or Used Vehicle	Used Vehicle
Useful Life	10 or more years

Project Justification

Additional funding is needed to complete the final phase of the patrol vessel replacement due largely to supply chain issues and rapid inflation.

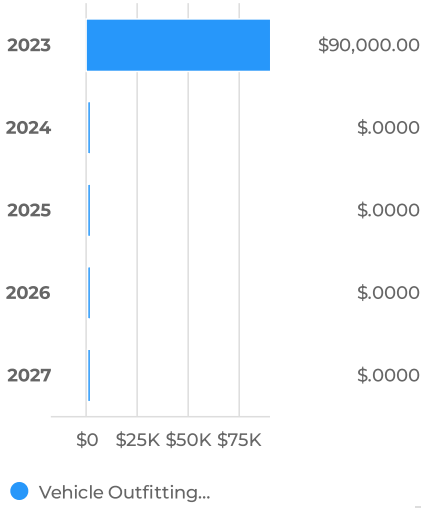
Capital Cost

Total To Date
$85,000

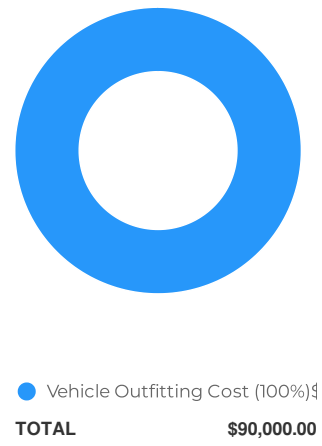
FY2023 Budget
$90,000

Total Budget
$90K

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

Capital Cost	To Date	FY2023	FY2024	FY2025	FY2026	FY2027
Vehicle Cost	$85,000					
Vehicle Outfitting Cost		$90,000	$0	$0	$0	$0
Total	**$85,000**	**$90,000**	**$0**	**$0**	**$0**	**$0**

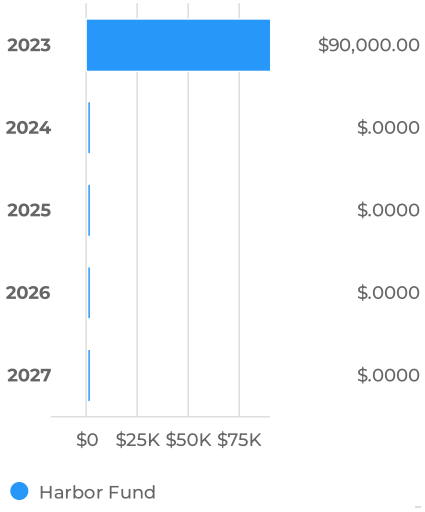
Funding Sources

Total To Date
$85,000

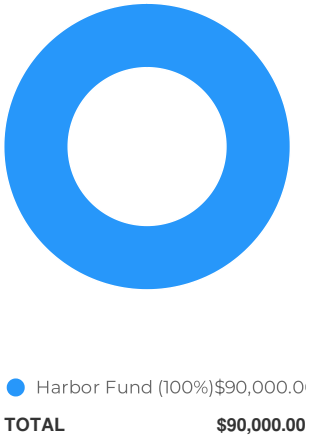
FY2023 Budget
$90,000

Total Budget
$90K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	To Date	FY2023	FY2024	FY2025	FY2026	FY2027
Other	$85,000					
Harbor Fund		$90,000	$0	$0	$0	$0
Total	**$85,000**	**$90,000**	**$0**	**$0**	**$0**	**$0**

Projected Timeline

Jul 31, 2022

Project completion estimation.

Boat Launch Ramp & Float Replacement Planning

Overview

Submitted By	Eric Endersby, Harbor Director
Request Owner	Eric Endersby, Harbor Director
Est. Start Date	09/01/2022
Est. Completion Date	03/31/2023
Department	Harbor Department
Type	Capital Improvement
Project Number	New

Description

This project is for replacement of the concrete public boat launching facility ramp, the ramp apron, boarding floats, and boarding float abutments, and these infrastructure elements will contribute to, and maintain the safety of the launch ramp for all who use it. Funding for FY 22-23 is for planning and permitting only. Preliminary construction costs are estimated to be $1.3M. The funding source for construction will be determined in upcoming years.

Images

Boat Launch Ramp

Details

Project Location Description	Southern end terminus of Embarcadero Road
Project Manager	Eric Endersby, Harbor Director
Total Prior Year Budget	New project
Type of Project	Replacement
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Public Infrastructure

Project Justification

The concrete ramp, apron and float abutments for the public boat launching facility, built in the 1980's, are degraded with potholing and concrete deterioration to the point of being safety hazards. Spending planning funds now will improve the City's position to apply for potential grant funds and other funding sources for project construction.

Capital Cost

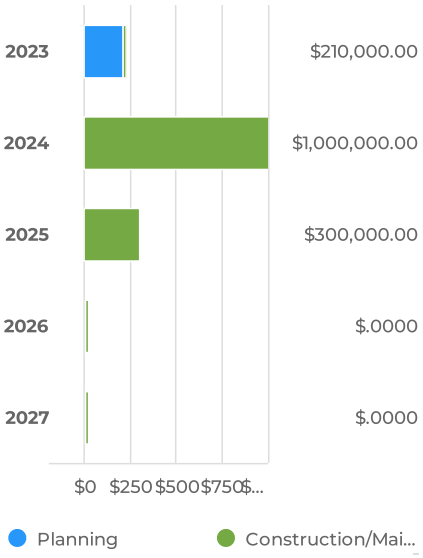
FY2023 Budget

$210,000

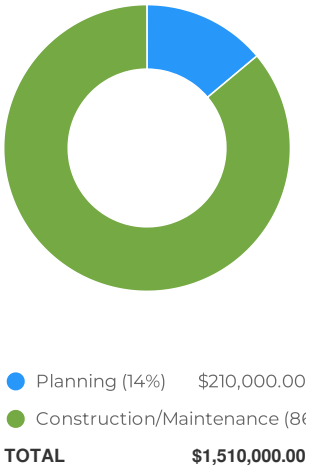
Total Budget

$1.51M

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

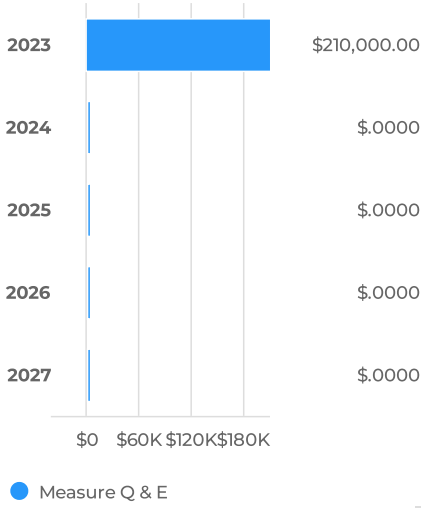
Capital Cost	FY2023	FY2024	FY2025	FY2026	FY2027
Planning	$210,000	$0	$0	$0	$0
Construction/Maintenance	$0	$1,000,000	$300,000	$0	$0
Total	**$210,000**	**$1,000,000**	**$300,000**	**$0**	**$0**

Funding Sources

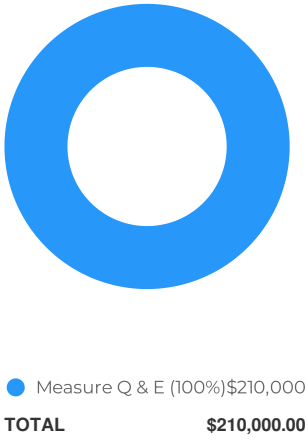
FY2023 Budget
$210,000

Total Budget
$210K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2023	FY2024	FY2025	FY2026	FY2027
Measure Q & E	$210,000	$0	$0	$0	$0
Total	**$210,000**	**$0**	**$0**	**$0**	**$0**

Glossary

Abatement: A reduction or elimination of a real or personal property tax, motor vehicle excise, a fee, charge, or special assessment imposed by a governmental unit. Granted only on application of the person seeking the abatement and only by the committing governmental unit.

Accounting System: The total structure of records and procedures that identify record, classify, and report information on the financial position and operations of a governmental unit or any of its funds, account groups, and organizational components.

Accrual Basis Accounting: Under this accounting method, transactions are recognized when they occur, regardless of the timing of related cash receipts and disbursements.

Accrued Interest: The amount of interest that has accumulated on the debt since the date of the last interest payment, and on the sale of a bond, the amount accrued up to but not including the date of delivery (settlement date). (See Interest)

Ad Valorem: Latin for "in proportion to the value". This refers to property taxes levied on value and includes the General Obligation (G.O.) Bond rates added to the 1% rate allowed by Prop. 13. These rates are applied to the secured, unsecured, supplemental, and other miscellaneous tax rolls.

Adoption: Formal action by the City Council, which sets the spending limits for the fiscal year. The City's budget is adopted by Council resolution.

Agency Fund: A fund used to account for assets held by the City in the capacity of an agent for individuals, organizations, or other governmental entities.

Amortization: The gradual repayment of an obligation over time and in accordance with a predetermined payment schedule.

Annual Budget*:* A budget applicable to a single fiscal year.

Annual Comprehensive Financial Report (ACFR): The official financial report of the City. It includes an audit opinion as well as basic financial statements and supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions.

Appropriation: A legal authorization from the community's legislative body to expend money and incur obligations for specific public purposes. An appropriation is usually limited in amount and as to the time period within which it may be expended.

Arbitrage: As applied to municipal debt, the investment of tax-exempt bonds or note proceeds in higher yielding, taxable securities. Section 103 of the Internal Revenue Service (IRS) Code restricts this practice and requires (beyond certain limits) that earnings be rebated (paid) to the IRS.

Assessed Valuation: A value assigned to real estate or other property by a government as the basis for levying taxes.

Assessment Fund*:* A fund used to account for special levies made against certain properties to defray part or all costs of a specific improvement or service deemed to primarily benefit those parties.

Audit: An examination of a community's financial systems, procedures, and data by a certified public accountant (independent auditor), and a report on the fairness of financial statements and on local compliance with statutes and regulations. The audit serves as a valuable management tool in evaluating the fiscal performance of a community.

Audit Report: Prepared by an independent auditor, an audit report includes: (a) a statement of the scope of the audit; (b) explanatory comments as to application of auditing procedures; (c) findings and opinions. It is almost always accompanied by a management letter which contains supplementary comments and recommendations.

Available Funds: Balances in the various fund types that represent non-recurring revenue sources. As a matter of sound practice, they are frequently appropriated to meet unforeseen expenses, for capital expenditures or other one-time costs.

Balanced Budget: Balanced budget is a budget with operating revenues equal to operating expenditures and neither a budget deficit nor a budget surplus. More generally, it refers to a budget with no deficit, but possible with surplus

Balance Sheet: A statement that discloses the assets, liabilities, reserves and equities of a fund or governmental unit at a specified date.

Bond: A means to raise money through the issuance of debt. A bond issuer/borrower promises in writing to repay a specified sum of money, alternately referred to as face value, par value or bond principal, to the buyer of the bond on a specified future date (maturity date), together with periodic interest at a specified rate. The term of a bond is always greater than one year.

Bond and Interest Record: (Bond Register) – The permanent and complete record maintained by a treasurer for each bond issue. It shows the amount of interest and principal coming due each date and all other pertinent information concerning the bond issue.

Bonds Authorized and Unissued: Balance of a bond authorization not yet sold. Upon completion or abandonment of a project, any remaining balance of authorized and unissued bonds may not be used for other purposes, but must be rescinded by the community's legislative body to be removed from community's books.

Bond Issue: Generally, the sale of a certain number of bonds at one time by a governmental unit.

Bond Rating (Municipal): A credit rating assigned to a municipality to help investors assess the future ability, legal obligation, and willingness of the municipality (bond issuer) to make timely debt service payments. Stated otherwise, a rating helps prospective investors determine the level of risk associated with a given fixed-income investment. Rating agencies, such as Moody's and Standard and Poors, use rating systems, which designate a letter or a combination of letters and numerals where AAA is the highest rating and C1 is a very low rating.

Budget: As the City's financial operating plan for the fiscal year, the budget displays the estimated expenditures (costs) for providing services and the estimated sources of revenue (income) to pay for them. Once the City Council adopts the budget, the total becomes the maximum spending limit. Morro Bay' budget encompasses fiscal year (July 1, through June 30).

Budget Amendment: The Council has the sole responsibility for adopting the City's budget and may amend or supplement the budget at any time after adoption. The City Manager has the authority to approve administrative adjustments to the budget as outlined in the Financial and Administrative Policies set by Council.

Budget Calendar: The schedule of key dates which the City follows in the preparation and adoption of the budget.

Budget Document: The official financial spending and resource plan submitted by the City Manager and adopted by the City Council explaining the approved budget to the public and City Council.

Budget Message: Included in the opening section of the budget, the Budget Message provides the Council and the Public with a general summary of the most important aspects of the budget, comparative data from previous fiscal years, goals and objectives, and the views and recommendations of the City Manager.

Budget Overview: This section provides an overview of the changes adopted in the budget. Additionally, the significant impacts of budgetary changes are outlined along with dollar amounts (increase/decrease).

Budget Policies: General and specific guidelines adopted by the Council that governs the financial plan's preparation and administration.

Building Permit: Fee required for new construction or for any alteration or addition to a residence or commercial building. The fee is based on square footage and valuation. Electrical or plumbing/mechanical work will require a similar permit.

Business License Tax: A tax imposed on those conducting business within the City limits. Business License Tax is a non-regulatory tax implemented for the purpose of raising revenue to support General Fund activities.

Capital Assets: All real and tangible property used in the operation of government, which is not easily converted into cash, and has an initial useful live extending beyond a single financial reporting period. Capital assets include land and land improvements; infrastructure such as roads, bridges, water and sewer lines; easements; buildings and building improvements; vehicles, machinery and equipment. Communities typically define capital assets in terms of a minimum useful life and a minimum initial cost.

Capital Budget: An appropriation or spending plan that uses borrowing or direct outlay for capital or fixed asset improvements. Among other information, a capital budget should identify the method of financing each recommended expenditure, i.e., tax levy or rates.

Capital Expenditures: Funds spent for the construction, improvement, or rehabilitation of City infrastructure.

Capital Improvement Program (CIP): The plan or schedule of expenditures for major construction of roads, sidewalks, City facilities and/or park improvements and for the purchase of equipment. The City of Morro Bay' CIP follows a five-year CIP plan.

Capital Projects: Expenditures that have a value of $50,000 or more which result in the acquisition of, construction of, rehabilitation of or additions to, infrastructure and fixed assets with a useful life of at least 3 years.

Cash: Currency, coin, checks, postal and express money orders and bankers' drafts on hand or on deposit with an official or agent designated as custodian of cash and bank deposits.

Cash Basis Accounting: A basis of accounting under which transactions are recognized only when cash is received or disbursed.

Cash Management: The process of monitoring the ebb and flow of money in an out of municipal accounts to ensure cash availability to pay bills and to facilitate decisions on the need for short- term borrowing and investment of idle cash.

Certificate of Deposit (CD): A bank deposit evidenced by a negotiable or non-negotiable instrument, which provides on its face that the amount of such deposit plus a specified interest payable to a bearer or to any specified person on a certain specified date, at the expiration of a certain specified time, or upon notice in writing.

Certificate of Participation (COP): A type of financing in which investors purchase a share of the lease revenues of a program rather than the bond being secured by those revenues. The authority usually uses the proceeds to construct a facility that is leased to the municipality, releasing the municipality from restrictions on the amount of debt that they can incur.

Collective Bargaining: The process of negotiating workers' wages, hours, benefits, working conditions, etc., between an employer and some or all of its employees, who are represented by a recognized labor union. regarding wages, hours and working conditions.

Community Development Block Grant (CDBG): Federal grant funds distributed from the U.S. Department of Housing and Urban Development that are passed through to the City. The City primarily uses these funds for housing rehabilitation, public improvements and local social programs.

Consumer Price Index: The statistical measure of changes, if any, in the overall price level of consumer goods and services. The index is often called the "cost-of-living index."

Contingency: A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

Contingent Liabilities: Items which may become liabilities of the City but are undetermined at a given date, such as pending lawsuits, unsettled disputed claims, unfilled purchase orders and uncompleted contracts.

Contract Services: Services provided to the City from the private sector or other public agencies.

Cost-Benefit Analysis: A decision-making tool that allows a comparison of options based on the level of benefit derived and the cost to achieve the benefit from different alternatives.

Debt Burden: The amount of debt carried by an issuer usually expressed as a measure of value (i.e., debt as a percentage of assessed value, debt per capita, etc.). Sometimes debt burden refers to debt service costs as a percentage of the total annual budget.

Debt Service: The repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any particular bond issue.

Deficit: The excess of liabilities over assets.

Department: A major organizational unit of the City, which has been assigned overall management responsibility for an operation, or a group of related operations within a functional area. In Morro Bay Department Heads are the chief administrators within a department.

Depreciation: The process of allocating the total cost of fixed assets over each period of their usefulness to the government.

Encumbrance: A reservation of funds to cover obligations arising from purchase orders, contracts, or salary commitments that are chargeable to, but not yet paid from, a specific appropriation account.

Enterprise Funds: An enterprise fund is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery--direct, indirect, and capital costs—are identified. This allows the community to recover total service costs through user fees if it chooses. Enterprise accounting also enables communities to reserve the "surplus" or net assets unrestricted generated by the operation of the enterprise rather than closing it out to the general fund at year-end. Services that may be treated as enterprises include, but are not limited to, water, sewer, hospital, and airport services.

Equalized Valuations (EQVs): The determination of the full and fair cash value of all property in the community that is subject to local taxation.

Estimated Receipts: A term that typically refers to anticipated local revenues often based on the previous year's receipts and represent funding sources necessary to support a community's annual budget. (See Local Receipts)

Exemptions: A discharge, established by statute, from the obligation to pay all or a portion of a property tax. The exemption is available to particular categories of property or persons upon the timely submission and approval of an application to the assessors. Properties exempt from taxation include hospitals, schools, houses of worship, and cultural institutions. Persons who may qualify for exemptions include disabled veterans, blind individuals, surviving spouses, and seniors.

Expenditure: An outlay of money made by municipalities to provide the programs and services within their approved budget.

Fiduciary Funds: Repository of money held by a municipality in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. These include pension (and other employee benefit) trust funds, investment trust funds, private- purpose trust funds, and agency funds.

Fiscal Year: A 12-month period to which the annual operating budget applies and at the end of which the City determines its financial position and results of its operations. The City's fiscal year runs from July 1st to June 30th.

Fixed Assets: Long-lived, assets such as buildings, equipment and land obtained or controlled as a result of past transactions or circumstances. Non-consumable assets of long-term nature such as land, buildings, machinery, furniture, and the other equipment. The City has defined such assets as those with an expected life in excess of one year and value in excess of $10,000.

Fixed Costs: Costs that are legally or contractually mandated such as retirement, FICA/Social Security, insurance, debt service costs or interest on loans.

Float: The difference between the bank balance for a local government's account and its book balance at the end of the day. The primary factor creating float is clearing time on checks and deposits. Delays in receiving deposit and withdrawal information also influence float.

Franchise Fees: Imposed on utility companies for the privilege of doing business in the City. Fees are usually based upon a percentage of gross revenue derived from business conducted in the City.

Full Faith and Credit: A pledge of the general taxing powers for the payment of governmental obligations. Bonds carrying such pledges are usually referred to as general obligation or full faith and credit bonds.

Full-time Equivalents (FTE): The amount of time a position has been budgeted for in terms of the amount of time a regular, full-time employee normally works in a year. Full-time employees are paid for 2,080 hours in a year equating 1.0 FTE. Correspondingly, a part-time employee who worked 1,040 hours would equate to 0.5 FTE. .

Fund: An accounting entity with a self-balancing set of accounts that are segregated for the purpose of carrying on identified activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Fund Accounting: Organizing financial records into multiple, segregated locations for money. A fund is a distinct entity within the municipal government in which financial resources and activity (assets, liabilities, fund balances, revenues, and expenditures) are accounted for independently in accordance with specific regulations, restrictions or limitations. Examples of funds include the general fund and enterprise funds. Communities whose accounting records are organized according to the Uniform Municipal Accounting System (UMAS) use multiple funds.

Fund Balance: Also known as financial position, fund balance is the excess of current assets over current liabilities and represents the cumulative effect of revenues and other financing sources over expenditure and other financing uses.

GAAP (Generally Accepted Accounting Principles): Uniform minimum standards for financial accounting and reporting. They govern the form and content of the basic financial statements of the City.

Gann Appropriation Limit: This is the common name of Proposition 4, approved by voters on November 6, 1979 which mandated an appropriation limit on the amount of tax revenues that government jurisdictions may appropriate within a fiscal year. This bill was named after Paul Gann, who was a co-
sponsor of the famous Proposition 13 initiative enacted by the voters of California on June 6, 1978 which resulted in a cap on property tax (http://en.wikipedia.org/wiki/Property_tax) rates in the state, and a prominent author and advocate of this subsequent spending limitation bill.

GASB 34: A major pronouncement of the Governmental Accounting Standards Board that establishes new criteria on the form and content of governmental financial statements. GASB 34 requires a report on overall financial health, not just on individual funds. It requires more complete information on the cost of delivering value estimates on public infrastructure assets, such as bridges, road, sewers, etc. It also requires the presentation of a narrative statement the government's financial performance, trends and prospects for the future.

GASB 45: This is another Governmental Accounting Standards Board major pronouncement that each public entity account for and report other postemployment benefits in its accounting statements. Through actuarial analysis, municipalities must identify the true costs of the OPEB earned by employees over their estimated years of actual service.

General Fund: The fund used to account for most financial resources and activities governed by the normal appropriation process.

General Obligation Bonds: Bonds issued by a municipality for purposes allowed by statute that are backed by the full faith and credit of its taxing authority.

Governing Body: A board, committee, commission, or other executive or policymaking bodyof a municipality or school district.

Government Finance Officers Association (GFOA): GFOA is the professional association of state/provincial and local finance officers in the United States and Canada, and has served the public finance profession since 1906. Approximately 16,000 GFOA members are dedicated to the sound management of government financial resources.

Grant: External contributions, and/or gifts of cash, or other assets typically from another governmental entity to be used or expended for a specific purpose, activity, or facility. An example is Community Development Block grant funding from the Federal Government.

Indirect Cost: Costs of a service not reflected in the operating budget of the entity providing the service. An example of an indirect cost of providing water service would be the value of time spent by non-water department employees processing water bills. A determination of these costs is necessary to analyze the total cost of service delivery. The matter of indirect costs arises most often in the context of enterprise funds.

Infrastructure: The basic facilities, services, and installations needed for the functioning of a community or society, such as streets and roads, sidewalks, bridges, communications systems, water and power lines, and public institutions including schools, police stations, libraries, and post offices.

Interest: Compensation paid or to be paid for the use of money, including amounts payable at periodic intervals or discounted at the time a loan is made. In the case of municipal bonds, interest payments accrue on a day-to-day basis, but are paid every six months.

Interest Rate: The interest payable, expressed as a percentage of the principal available for use during a specified period of time. It is always expressed in annual terms.

Intergovernmental Revenue: Revenue received from other governmental agencies and municipalities, such as grants from the State or Federal government.

Internal Services Fund: The Internal Service Funds are used to finance and account for special activities and services performed by a designated City department for other departments on a cost reimbursement basis.

Inter-Fund Transfers: When the City moves money between its various funds, it makes an inter-fund transfer, referred to as transfers-in and transfers-out. In aggregate, transfers in and out offset each other for the fiscal year.

Investments: Securities and real estate held for the production of income in the form of interest, dividends, rentals or lease payments. The term does not include fixed assets used in governmental operations.

Levy: To impose taxes, special assessments or service charges for the support of governmental activities. The total amount of taxes, special assessments or service charges imposed by San Luis Obispo County levying property taxes.

Licenses and Permits: Revenues earned by the issuance of licenses or permits levied in accordance with the benefits conferred by the license or permit.

Limited Obligation Bond: A bond sold by a municipality to finance projects which are secured by the revenue generated by those projects.

Line Item Budget: A budget that separates spending into categories, or greater detail, such as supplies, equipment, maintenance, or salaries, as opposed to a program budget.

Local Aid: Revenue allocated by the state or counties to municipalities and school districts.

Major Fund: Funds whose revenues, expenditures/expenses, assets, or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

Maturity Date: The date that the principal of a bond becomes due and payable in full.

Modified Accrual Basis: Under this accounting method, revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures for the most part are recognized when the related fund liability is incurred except for prepayments, accumulated employee leave and long-term debt. All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting.

Motor Vehicle in Lieu Fee: A State fee charged for the privilege of operating a vehicle on public streets. A VLF is levied annually against the market value of a motor vehicle and is imposed by the State “in lieu” of local property taxes.

Municipal(s): (As used in the bond trade) "Municipal" refers to any state or subordinate governmental unit. "Municipals" (i.e., municipal bonds) include not only the bonds of all political subdivisions, such as cities, towns, school districts, special districts, counties but also bonds of the state and agencies of the state.

Non-major Fund: Non-major funds are all governmental and enterprises funds that are not classified as major funds.

Note: A short-term loan, typically with a maturity date of a year or less.

Objects of Expenditures: A classification of expenditures that is used for coding any department disbursement, such as “personal services,” “expenses,” or “capital outlay.”

Official Statement: A document prepared for potential investors that contains information about a prospective bond or note issue and the issuer. The official statement is typically published with the notice of sale. It is sometimes called an offering circular or prospectus.

Operating Budget: A plan of proposed expenditures for personnel, supplies, and other expenses for the coming fiscal year.

Ordinance: A formal legislative enactment by the City Council. It has the full force and effect of law within City boundaries unless pre-empted by a higher form of law. An Ordinance has a higher legal standing than a Resolution and is typically codified in a City's municipal code.

Overlapping Debt: A community's proportionate share of the debt incurred by an overlapping government entity, such as a regional school district, regional transit authority, etc.

Performance Budget: A budget that stresses output both in terms of economy and efficiency.

Personnel Benefits: Those benefits paid by the City as conditions of employment.

Personnel: City employees.

Principal: The face amount of a bond, exclusive of accrued interest.

Program: A combination of activities to accomplish an end.

Program Budget: A budget that relates expenditures to the programs they fund. The emphasis of a program budget is on output.

Property Tax: Imposed on real property (land and permanently attached improvements). The tax is based upon the assessed value of such property. The tax rate may not exceed 1% of assessed value.

Proprietary Funds: Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

Public Employees' Retirement System (PERS): Provided for the City's employees, by the State of California.

Purchased Services: The cost of services that are provided by a vendor.

Refunding of Debt: Transaction where one bond issue is redeemed and replaced by a new bond issue under conditions generally more favorable to the issuer.

Reserve: An amount set aside annually to provide a funding source for extraordinary or unforeseen expenditures.

Revaluation: The assessors of each community are responsible for developing a reasonable and realistic program to achieve the fair cash valuation of property in accordance with constitutional and statutory requirements. The nature and extent of that program will depend on the assessors' analysis and consideration of many factors, including, but not limited to, the status of the existing valuation system, the results of an in-depth sales ratio study, and the accuracy of existing property record information.

Revenue Anticipation Note (RAN): A short-term loan issued to be paid off by revenues, such as tax collections and state aid. RANs are full faith and credit obligations.

Revenue Bond: A bond payable from and secured solely by specific revenues and thereby not a full faith and credit obligation.

Revolving Fund: Allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service.

Sale of Real Estate Fund: A fund established to account for the proceeds of the sale of municipal real estate other than proceeds acquired through tax title foreclosure.

Service Charge: Charges for specific services rendered.

Services and Supplies: Expenditures for services and supplies which are directly related to a department's primary service activities.

Special Revenue Fund: In governmental accounting, fund used to account for the proceeds of special revenue sources (other than special assessments, expandable trusts, or for major capital projects) that are legally restricted to expenditure for specified purpose.

Stabilization Fund: A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose.

Surplus Revenue: The amount by which cash, accounts receivable, and other assets exceed liabilities and reserves.

Tax Rate: The amount of property tax stated in terms of a unit of the municipal tax base; for example, $14.80 per $1,000 of assessed valuation of taxable real and personal property.

Tax Title Foreclosure: The procedure initiated by a municipality to obtain legal title to real property already in tax title and on which property taxes are overdue.

Transient Occupancy Tax - Imposed on hotels, motels, inns or other lodging facilities. The rate in Morro Bay is 10%.

Transfers In/Out - Money transferred from one City fund to another. Differs from revenues and expenses - see definition of these terms.

Trust Fund: In general, a fund for money donated or transferred to a municipality with specific instructions on its use. As custodian of trust funds, the treasurer invests and expends such funds as stipulated by trust agreements, as directed by the commissioners of trust funds or by the community's legislative body. Both principal and interest may be used if the trust is established as an expendable trust. For nonexpendable trust funds, only interest (not principal) may be expended as directed.

Uncollected Funds: Recently deposited checks included in an account’s balance but drawn on other banks and not yet credited by the Federal Reserve Bank or local clearinghouse to the bank cashing the checks. (These funds may not be loaned or used as part of the bank’s reserves and they are not available for disbursement.)

Undesignated Fund Balance: Monies in the various government funds as of the end of the fiscal year that are neither encumbered nor reserved, and are therefore available for expenditure once certified as part of free cash.