



City of Morro Bay FY 2023- 24 Proposed Operating and Capital Budget





TABLE OF CONTENTS

Introduction	5
Public Officials & Leadership	6
Transmittal Letter	7
Prior Year Budget Award	9
History of City	11
Demographics	19
Organization Chart	23
Fund Structure	24
Basis of Budgeting	26
Financial Policies	27
Budget Process	33
GANN Appropriation Limit	35
Budget Adoption Resolution	36
Budget Overview	37
Executive Overview	38
Strategic Plan	41
Priorities & Issues	44
Personnel Changes	46
Fund Balances Summary	49
Long-range Financial Plans	51
General Fund and Measure Q&E Combined Forecast	52
General Fund Forecast	55
Measure Q & E Fund Forecast	58
Harbor Operating Fund Forecast	61
Sewer Operating Fund Forecast	64
Water Operating Fund Forecast	67
Fund Summaries	70
Citywide Budget Summary - All Funds	71
Citywide Operating Budget Summary - All Funds	84
General Fund	92
General Fund (001)	93
General Government Compensable Leave Fund (005)	102
General Fund Vehicle Replacement Fund (050)	104
General Fund Emergency Reserve Fund (051)	106
General Fund Facility Maintenance Fund (052)	108
General Fund Capital Accumulation Fund (460)	110
Internal Service Funds	112
Risk Management Fund (430)	113
Information Technology Fund (450)	115
Measure Q & E Fund (003)	118
General Government Capital Projects Fund (915)	127
Governmental Funds (Nonmajor)	130
American Rescue Plan Act Fund (ARPA) (019)	131



Developer Reimbursement Fund (045)	133
Community Development Grants Fund (200)	134
State Gas Tax Fund (250)	136
Road Maintenance and Rehab SB1 (260)	138
Lower Cost Visitor Accommodations Mitigation Fee (270)	140
Traffic Safety Fund (280)	141
Special Safety Grants (282)	143
Parking In-Lieu Fund (299)	145
Bike Path Fund (302)	147
Local Transportation Fund (LTF)-Roads Fund (303)	149
Special Assessment Districts Fund (500)	151
North Point Assessment Fund (565)	153
Cloisters Park Maintenance Assessment District (570)	155
Governmental Impact Fees (900)	157
Park Fees Fund-Quimby Act (904)	159
Community Benefit Fund (906)	161
State Park Marina Fund (924)	162
Triangle Lot-Boat Storage Yard (925)	163
Affordable Housing In-Lieu Fund (941)	165
Enterprise Funds	167
Harbor Operating Fund (331)	168
Harbor Capital Improvement Fund (923)	171
Sewer Operating Fund (321)	173
Sewer Capital Improvement Fund (922)	177
Water Operating Fund (311)	180
Water Capital Improvement Fund (921)	184
Utility Discount Fund (315)	186
Transit Operating Fund (301)	188
Transit Capital Improvement (920)	191
Trust and Agency Fund (515)	193
Departments	194
City Council	195
City Manager's Office	198
City Attorney's Office	207
Administrative Services	210
Community Development	218
Fire	225
Harbor	232
Police	242
Public Works	254
Recreation	266
Debt	274
Government-wide Debt	275
Debt by Type Overview	279
Capital Improvements	287
One year plan	288
Multi-year plan	294
Appendix	301
Fire Requests	302



Harbor Department Requests	306
Public Works Requests	316
Storm Drain/Creek Maint. Requests	367
Transit CIP Requests	375
Wastewater Collection Requests	379
Water Requests	402
Glossary	419



INTRODUCTION



Public Officials & Leadership

City of Morro Bay City Council

Mayor Carla Wixom
Mayor Pro Tem Jennifer Ford
Councilmember Laurel Barton
Councilmember Cyndee Edwards
Councilmember Zara Landrum

Executive Management

Greg Carpenter, Interim City Manager
Chris Neumeyer, City Attorney
Sarah Johnson-Rios, Asst City Manager/Admin Services Director
Amy Watkins, Police Chief
Daniel McCrain, Fire Chief
Greg Kwolek, Public Works Director
Ted Schiafone, Harbor Director
Scot Graham, Community Development Director
Dana Swanson, City Clerk
Rachael Hendricks 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 and Department Contributors

Cover Photo Credit: Danna Dykstra



Welcome to our Digital Budget Book - City Manager's Transmittal Letter for Fiscal Year 2023-24 Proposed Budget

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

It is my privilege to submit the proposed Fiscal Year (FY) 2023-24 Budget for your consideration. The total expenditure budget of \$56.1 million net of transfers (\$81.3 million including transfers) includes \$36.6 million for operations and \$19.5 million for 31 capital projects (both net of transfers). The total citywide revenue budget is \$45.9 million net of transfers (\$71.5 million including transfers). The remaining expenditure budget not from current-year revenues will be spent from available fund balances to support one-time capital improvement project implementation.

The proposed FY 2023-24 budget funds the following: the operational departments which provide core services to our community, including police, fire, water, sewer, parks, roads, recreation, community development, code enforcement, and harbor; the supporting administrative services such as human resources, information technology, and finance; and funds 31 capital projects to improve our shared built environment. The budget also funds efforts to achieve the Strategic Planning goals established by the City Council of:

- Improving public infrastructure,
- Achieving economic vitality,
- Addressing housing needs and homelessness response, and
- Improving community engagement.

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

Staffing levels do impact the delivery of services, but they also drive costs. While the FY 23-24 budget does not dramatically increase staff capacity, it does include the addition of two new full-time positions, a Senior Engineer to assist with capital project delivery and a Firefighter, which will help the Department maintain adequate staffing and is offset by a reduction in part-time fire reserves staffing. Even with these two additions, areas of staffing constraints remain. One of the challenges the City faces is finding ways to address its ongoing revenue situation before assuming additional and ongoing staffing costs.

While maintaining core operational services, this budget also invests \$19.5 million in the City's built environment. This is in addition to \$19.2 million invested in last year's FY 22-23 budget, and many of those projects are still ongoing. 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). The largest investment in the City's history, the Water Reclamation Facility (WRF), became operational in the fall of 2022, just in time for the City to be able to weather the record storms and flooding during the winter that flooded the old treatment plant. The new plant allows the City to meet water quality standards, continue to deliver service removed from coastal hazards and flooding, and eventually could deliver up to 80% of our future drinking water needs. The City must continue to invest in our water and sewer pipes and tanks, many of which were built in the 1950's. The capital program also includes an additional \$2.1 million for street paving, which is on top of \$2.9 million budgeted in FY 22-23.

In addition, this year's capital program and significant staff capacity will be dedicated to recovery from the multiple storms that impacted Morro Bay in early 2023. The FY 23-24 budget includes \$1.9 million for storm recovery efforts, in addition to \$1.8 million budgeted in FY 22-23. Staff will be actively working toward reimbursement for these expenditures and will be applying for funding to help the City mitigate the impacts of future storms.

While the City's fiscal situation is stable and much improved from years past, challenges that require a fiscally prudent approach from the City remain. Inflationary pressures have increased the City's cost of doing business and implementing capital improvements. While expenditures continue to increase, revenues are leveling off and are projected to remain relatively flat in FY 23-24 and possibly FY 24-25. With expenditure growth outpacing revenue growth, the City is at risk of future structural deficits in some of its major funds if not carefully tracked and managed. Fortunately, prudent reserve policies leave the City in a positive position to weather this near-term uncertainty. One area of financial opportunity exists



with the pursuit of State and Federal reimbursement for costs associated with storm damage as well as funding for mitigation of future hazards. These reimbursement and funding efforts is currently, and will continue to be a priority for staff.

Another significant cost and area for concern is related to the City's pension costs which are projected to increase significantly in FY 24-25 and beyond. CalPERS investment returns have not met their established rates which results in City be required to make higher minimum payments towards the City's unfunded pension liability. The City's prior unfunded liability had been projected to be approximately \$22 million but may be increased by CALPERS to as much as \$35 million once they update their actuarial reports to reflect the less-than-anticipated investment performance. To address these rising costs, this budget invests over \$1 million in a pension trust fund (in addition to the \$1 million invested in FY 22-23) to lower our overall pension liabilities over time, and to be better prepared to weather potential future CalPERS cost increases.

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 relatively new format with limited 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 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,



Greg Carpenter
Interim 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 2022-23 Adopted Budget, the City of Morro Bay received a Distinguished 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 and transparently 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, 2022

Christopher P. Morrell
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. Morrell

Date: **December 21, 2022**



*California Society of Municipal
Finance Officers*

Certificate of Award

***Operating Budget Excellence Award
Fiscal Year 2022-2023***

Presented to the

City of Morro Bay

For meeting the criteria established to achieve the CSMFO Excellence Award in Budgeting.

February 10, 2023

Scott Catlett

Scott Catlett
2022 CSMFO President

James Russell-Field

James Russell-Field, Chair
Recognition Committee

Dedicated Excellence in Municipal Financial Reporting

Morro Bay History & Community Profile

Morro Bay is a small seaside town that 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 is located in the Central Coast archaeological region, which is defined as stretching from south of San Francisco Bay to the northern edge of the Southern California Bight. Morro Bay was historically occupied by the Obispeño Chumash and the Salinan tribes. Recent data suggests that hunting, gathering, and aquatic activity were important to those living in this region throughout history. Due to its location in proximity to various water and food sources, Morro Bay likely has many historical and cultural resources.

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 Riley, 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 1950s 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 represents a summary of the future aspirations underlying the City's General Plan [\[2\]](#), 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 General Plan Advisory Committee and Planning Commission 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.

TRANSPORTATION 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 completed 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 the 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.

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.



CONSERVATION

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



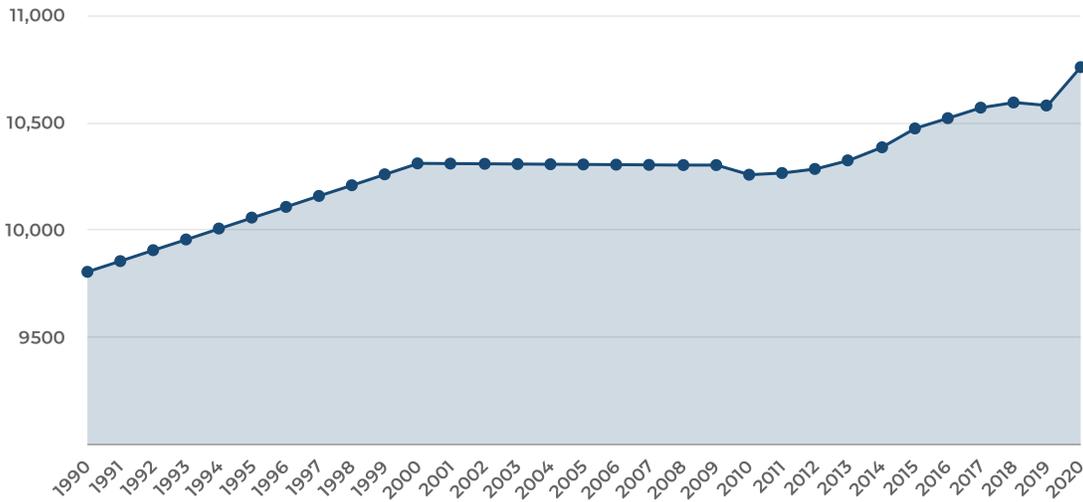
TOTAL POPULATION

10,757

▲ 1.7%
vs. 2019

GROWTH RANK

214 out of **493**
Municipalities in California



* Data Source: U.S. Census Bureau American Community Survey 5-year Data and the 2020, 2010, 2000, and 1990 Decennial Censuses



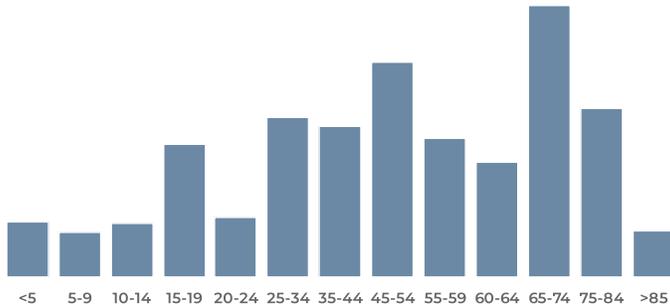
DAYTIME POPULATION

9,973

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 5-year estimates

POPULATION BY AGE GROUP



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

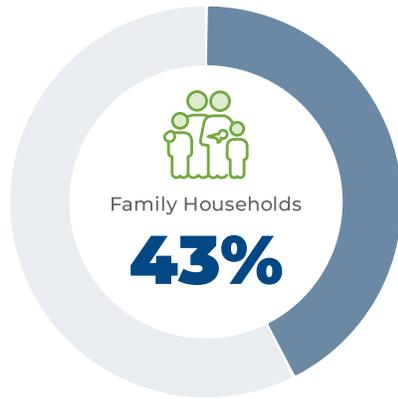
* Data Source: American Community Survey 5-year estimates

Household Analysis

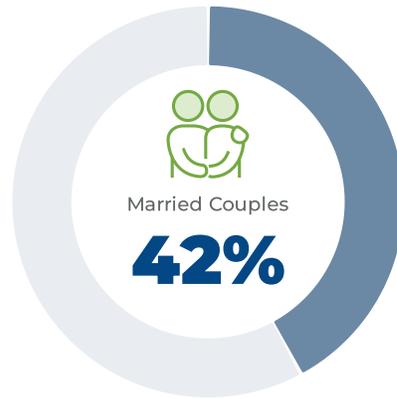
TOTAL HOUSEHOLDS

4,836

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.



▼ **14%**
lower than state average



▼ **15%**
lower than state average



▲ **62%**
higher than state average

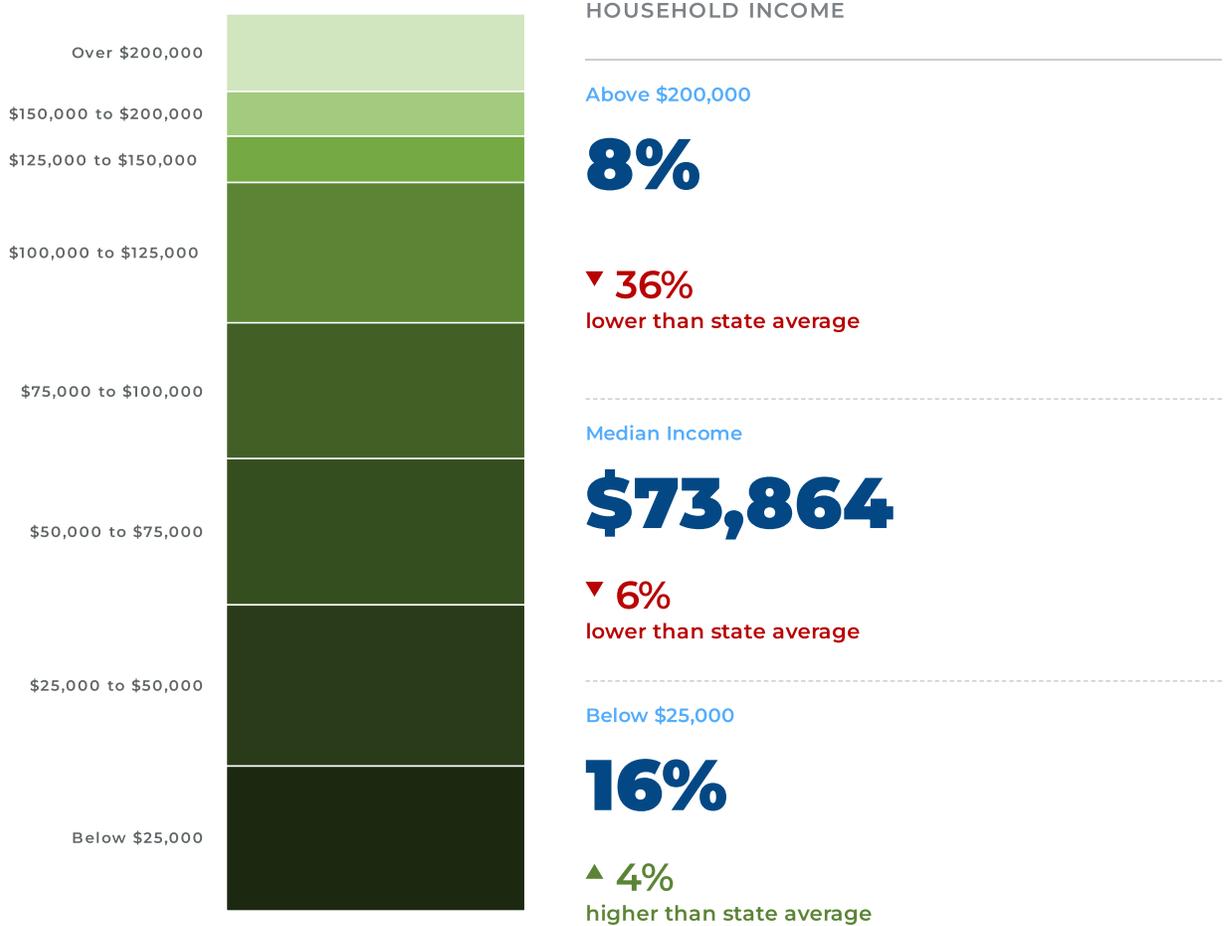


▲ **103%**
higher than state average

** Data Source: American Community Survey 5-year estimates*

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.



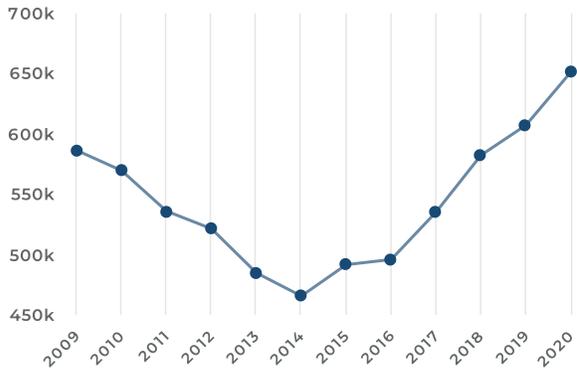
* Data Source: American Community Survey 5-year estimates

Housing Overview



2020 MEDIAN HOME VALUE

\$651,400

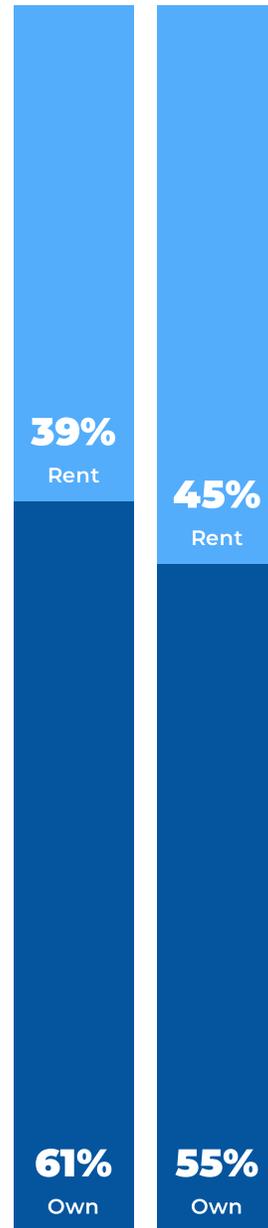


* Data Source: 2020 US Census Bureau

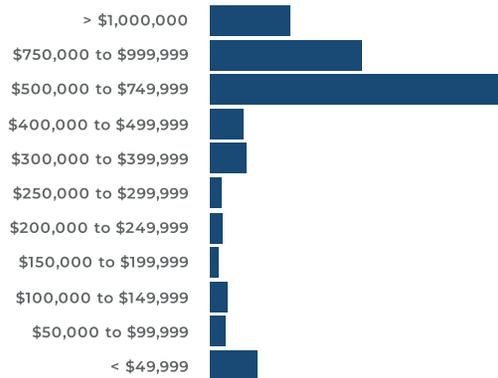
(<http://www.census.gov/data/developers/data-sets.html>), American Community Survey. Home value data includes all types of owner-occupied housing.

HOME OWNERS VS RENTERS

Morro Bay State Avg.



HOME VALUE DISTRIBUTION



* Data Source: 2020 US Census Bureau

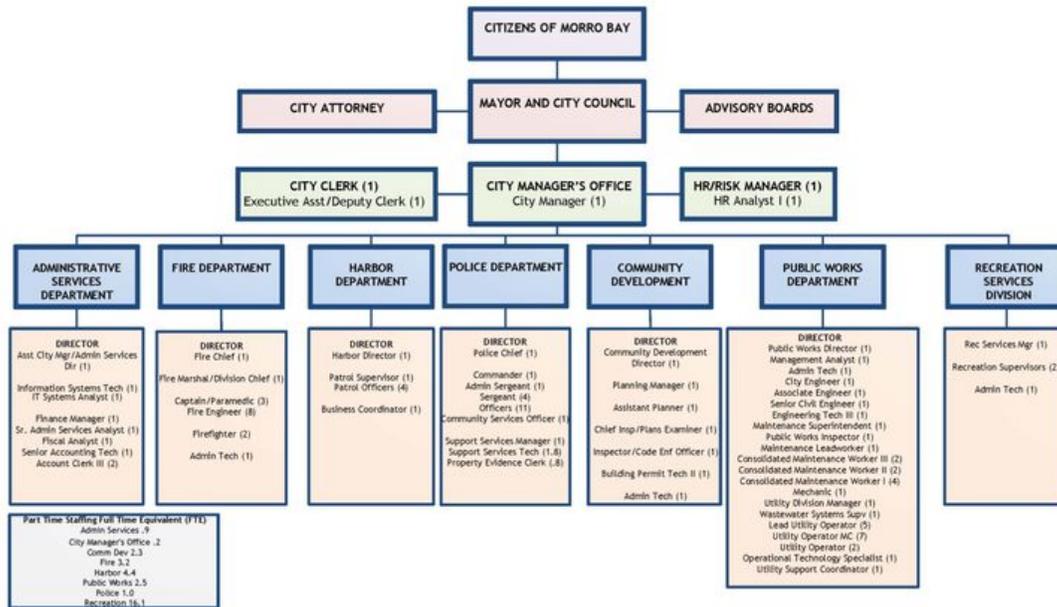
(<http://www.census.gov/data/developers/data-sets.html>), American Community Survey. Home value data includes all types of owner-occupied housing.

* Data Source: 2020 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
- 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 expenditures include.

- American Rescue Plan Act - 019
- Community Development Grants - 200
- State Gas Tax - 250
- Lower Cost Visitor Accommodations - 270
- Traffic Safety - 280
- Special Safety Grants - 282
- 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 is 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
- Sewer Enterprise
 - Sewer Operating - 321
 - Sewer Capital - 922
- Water Enterprise
 - Water Operating - 311
 - Water Capital - 921
 - 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 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

The City of Morro Bay's 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. The City'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. 69-22), 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 Management Policies (Reso. 61-19). 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 XIII B 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 investment 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	<p>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.</p> <ul style="list-style-type: none"> ◦ 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)	<p>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.</p> <p>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.</p> <p>Funds will be held in a restricted section 115 pension trust and only utilized for one of two purposes:</p> <ul style="list-style-type: none"> ◦ Saving toward a significant pay-down of the CalPERS unfunded liability with the City's staff, financial advisors and ultimately, the Council deem that most advantageous in the future; or ◦ In years of economic distress, only at the direction of the 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)	<p>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.</p> <ul style="list-style-type: none"> ◦ Minimum: \$50,000 ◦ Target: \$75,000
Vehicle Replacement Reserve (General Fund)	<p>The reserve will provide sufficient funds should there be a need for a one-time, larger than normal expenditure related to fleet services.</p> <ul style="list-style-type: none"> ◦ 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)	<p>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</p> <ul style="list-style-type: none"> ◦ 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)	<p>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.</p> <ul style="list-style-type: none"> ◦ Minimum: \$200,000 ◦ Target: \$300,000
Risk Management Fund Reserve (Internal Service Fund)	<p>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.</p> <ul style="list-style-type: none"> ◦ Minimum: \$700,000 ◦ Target: \$1,000,000

Harbor Fund (Enterprise Fund)	<p>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 basis 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.</p> <ul style="list-style-type: none"> ◦ Minimum: 15% of annual operating expenses based on the most recently adopted budget. ◦ Target: 25% of annual operating expenses based on the most recently adopted budget.
Water & Sewer Funds (Enterprise Fund)	<p>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.</p> <ul style="list-style-type: none"> ◦ Minimum: 25% of annual operating expenses based on the most recently adopted budget. ◦ Target: 35% of annual operating expenses based on the most recently adopted budget. <p>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.</p> <p>Debt Service Reserve: held in accordance with requirements of the debt issuance to ensure the ability to make debt service payments.</p> <p>Vehicle Replacement Reserve: -</p> <ul style="list-style-type: none"> ◦ 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

City Council adopts an annual budget development calendar by resolution each January to inform the community of the planned dates for important work on the budget. During Council goal-setting years, the calendar incorporates strategic planning/City Council goal-setting sessions to allow Council goals to inform budget development. If changes to the Citywide budget by fund are required, Council approval is sought during the fiscal year.

FY 2023-24 Budget Calendar

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

- o February Finance prepares budget framework, training, and instructions
- o Feb 21 Midyear Measure Q&E Budget Presentation to CFAC
- o Feb 28 Midyear Budget Presentation and Fiscal Update to Council
- o March Departments prepare FY 23-24 budget submittals
- o April 5 City Council Goals Setting Forum
- o April 11 City Council Goals Discussion
- o April 25 City Council Goals & Budget Impact Discussion
- o April City Manager/Exec Team budget meetings; draft budget development
- o May 11 Draft Proposed Budget posted publicly for review
- o May 16 CFAC reviews budget and provides input, emphasis on Measure Q&E
- o May 23 Budget Study Session #1
- o May 24 Budget Study Session #2
- o Jun 13 Budget Adopted at Council Meeting

FY 2023-24 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.



Gann Appropriation Limit

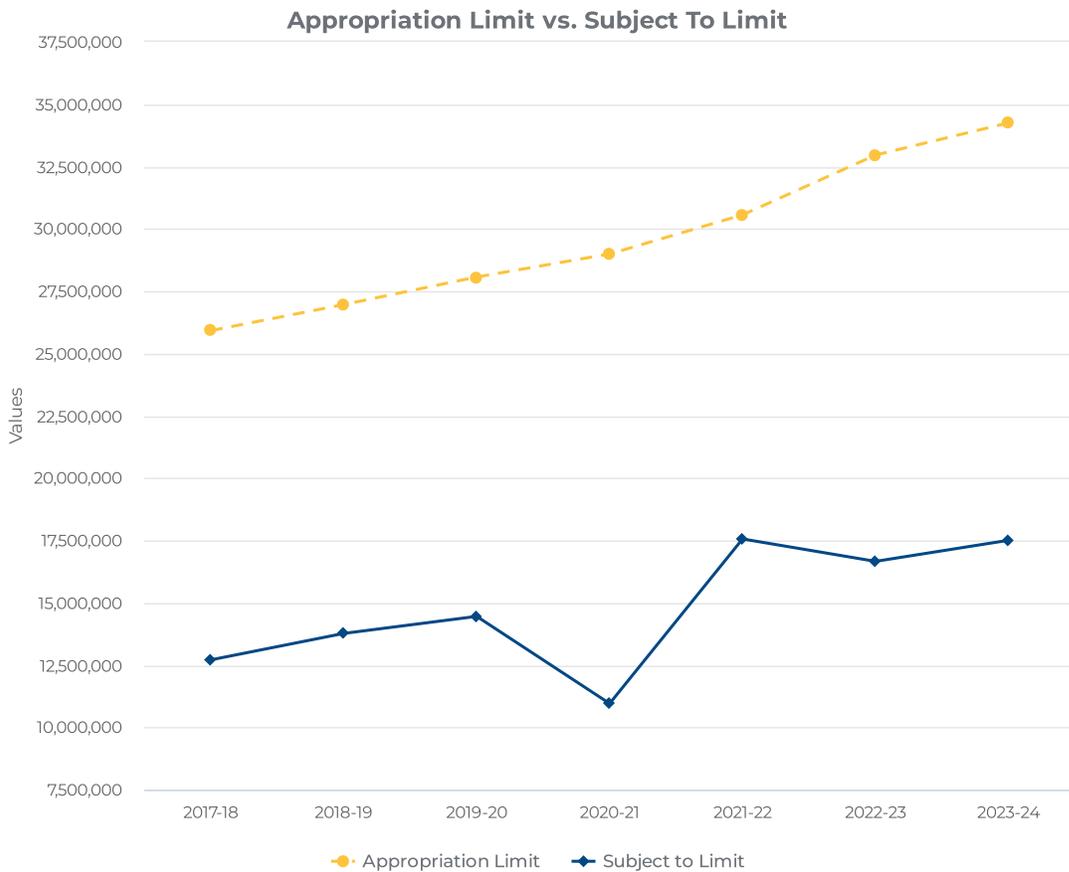
California voters approved Proposition 4, commonly known as the Gann Spending Limitation Initiative on November 6, 1979, establishing Article XIII B of the State Constitution. This proposition mandates an appropriations (spending) limit on the amount of tax revenue that the State and most local government jurisdictions may appropriate within a fiscal year.

This limit grows annually because of the population and cost-of-living factors, and only tax proceeds are subject to this limit. Charges for services, fees, grants, loans, donations, and other non-tax proceeds are excluded. Exemptions are also made for voter-approved debt, debt which existed prior to January 1, 1979, and for the cost of compliance with court or Federal government mandates.

To calculate the Gann spending limit, the prior year's limit is adjusted by the growth factor of the California Per Capita Personal Income, and also the population change of the city or the county, whichever is greater. This data is provided by the State of California Department of Finance. The upcoming fiscal year's limit is based on the amount of tax proceeds that were authorized to be spent beginning in FY 1978-79, with inflationary adjustments made annually going forward to reflect changes in the population and the cost of living.

The Gann limit calculation for FY 2023-24 is \$34.2 million. The City is well within the appropriation limit at \$17.5 million in tax proceeds subject to the limit. City Council will review the Gann limit calculation for FY 2023-24 in June 2023.

Appropriation Limit



Budget Adoption Resolution (pending budget adoption)



BUDGET OVERVIEW



Executive Overview

Budget Summary

The City of Morro Bay's FY 2023-24 total expenditure budget of \$56.1 million net of transfers (\$81.3 million including transfers) includes \$36.6 million for operations and \$19.5 million for capital projects (both net of transfers). The operating budget net of transfers represents a 4.9% increase over the prior year's budget due to rising personnel costs and persistent inflation. The total citywide revenue budget is \$45.9 million net of transfers (\$71.5 million including transfers), which represents a decrease 1% from the prior year, primarily due to no additional receipt of one-time American Rescue Plan Act (ARPA) funds. The portion of the expenditure budget that is not covered by current-year revenues reflects the use of available fund balances to cover the costs of one-time capital improvement projects in FY 2023-24.

This budget reflects a leveling off of City revenues and increasing costs to provide existing levels of service. Economic cooling has slowed revenue growth, while persistent inflation is continuing to drive expenses higher. This dynamic of expenditure growth outpacing revenue growth is unsustainable in the mid- to long-term, and the City must continually seek additional revenue generation to keep pace with community expectations for a full-service City, and to address robust City Council goals. With caution on the horizon, this budget does invest in staffing through negotiated compensation increases and small staffing additions. In addition, it utilizes a portion of available fund balances to allow the City to make critical investments in infrastructure improvements by allocating \$19.5 million to 31 capital projects. Finally, this budget utilizes prior year operating surplus to invest 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, which is particularly relevant in the current economic climate. At the end of FY 2023-24, this budget projects that reserve levels in the General Fund and associated funds (Vehicle Replacement, Compensated Leave, Capital Project Accumulation, etc.) will total approximately \$9.4 million, meeting the minimum General Fund Emergency Reserve policy level of 33% of operating expenditures and meeting reserve policy levels in all funds. Reserves in the major enterprise funds - Water, Sewer, and Harbor - all also exceed minimum target levels of 15-25% of operating expenditures, resulting in total projected City reserves of \$14.5 million at the end of FY 23-24, equivalent to 40% of the citywide operating budget. 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 2023-24 Operating Budget in great detail. The key citywide summary charts below provide a brief overview.

Citywide Revenues and Trends

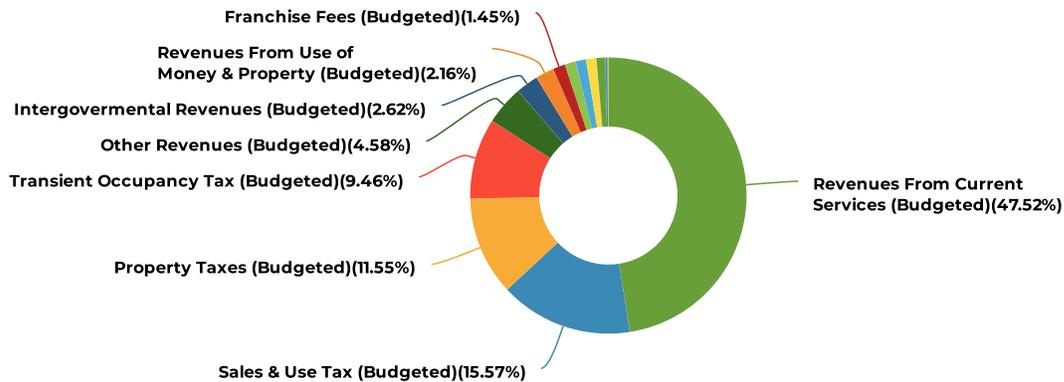
Current Services Revenue - The City receives the largest share of its revenue (48%) as payment for the services it provides, including water services, sewer services, lease revenues, planning and permitting fees, and fees for recreation services. Charges for service are a relatively stable revenue source 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.

Primary Tax Revenues - Tax revenues, including sales and use tax (16% of revenues), property tax (12%), and transient occupant tax (9%), represent the second largest share of City revenues (37% 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 3-4% 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 growth is slowing significantly in FY 23-24. More moderate growth (in the 2-3% range) is projected for both revenue sources in FY 2024-25 and beyond.

Other Revenues - The other 15-20% 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.

Citywide Revenues By Type, Net of Transfers



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 37%, 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.

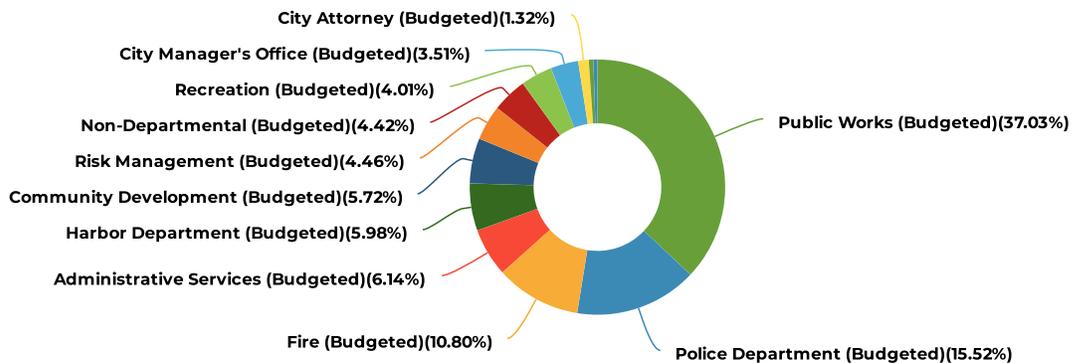
Non-Departmental costs include items such as debt service, costs associated with maintaining City rental property, and in this year's budget, a placeholder for likely personnel cost increases due to ongoing labor negotiations, that will ultimately be reallocated to departments as needed. It also includes the FY 2023-24 contributions to a pension trust, which total just over \$1 million.

The departments of **Administrative 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 1.3% 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 0.5% of the City's operating budget.

Department Share of Operating Expenditures



City Council Goals & Short-Term Actions

The City of Morro Bay's City Council undertakes a strategic goal-setting exercise every two years. The most recent City Council Goals were established in April 2023 to cover Fiscal Year 2023-24 and Fiscal Year 2024-25. **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 PURPOSE

In order to preserve the high quality of life in Morro Bay, the City's purpose is to provide essential public service and infrastructure to maintain a safe, clean and healthy place for residents and visitors to live, work and play. To achieve that purpose, the City invests the vast majority of its resources in services such as city planning, infrastructure maintenance and improvement, public safety, public utilities, recreation services, and the internal financial, human resources, and technology to support these public services.

CITY GOALS, GOAL STATEMENTS, AND SHORT-TERM ACTION ITEMS

The City is able to successfully provide these core services thanks to community support

and volunteerism that resource and supplement the City's talented professional staff. As a result of this success, the City is also able to dedicate some resources to address the emerging challenges and future-facing opportunities. In April 2023, the City Council adopted four (4) City goals and twenty-seven corresponding short-term action items. The City goals each have goal statements that outline what the City aims to achieve. The short-term action items are the area of focus related to the goals that the City will work on in Fiscal Years 2023-24 and 2024-25 (all listed below). Combining the City's work on core services with future oriented goals will help ensure our community remains a great place to live, work and play for current and future generations.



CITY COUNCIL GOALS

1. PUBLIC INFRASTRUCTURE

2. ECONOMIC VITALITY

3. HOUSING / HOMELESSNESS RESPONSE

4. COMMUNITY ENGAGEMENT

PUBLIC INFRASTRUCTURE



GOAL STATEMENTS:

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

SHORT-TERM ACTIONS

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

GOAL STATEMENTS:

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

ECONOMIC VITALITY



SHORT-TERM ACTIONS

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

GOAL STATEMENTS:

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

HOUSING

HOMELESSNESS RESPONSE



SHORT-TERM ACTIONS

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

COMMUNITY

ENGAGEMENT



GOAL STATEMENTS:

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

SHORT-TERM ACTIONS

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

Priorities & Issues

There are several priorities and issues for the upcoming fiscal year that influence the city's budget. Morro Bay must continue to invest in our "Big 3" priorities - operations/people; infrastructure; and pension liabilities. The degree to which the City is able to invest in those key priorities is impacted by near-term fiscal challenges, outlined below. The City's past and present focus on fiscal sustainability puts the City in a relatively fiscally resilient position in the face of unanticipated changes to economic conditions, natural disasters, or other challenges. However, as expenditure growth continues to outpace revenue growth, additional revenue will be needed to ensure sufficient progress toward funding these key priorities.

Continuing to Fund the "Big Three" Priorities

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

The total FY 2023-24 operations budget funds a wide array of City services, from public safety to public beautification, from community development to recreation, from harbor to water and sewer services. The budget will also 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. While most of those positions have been filled and the City is now at a total staffing level higher than pre-pandemic levels, recruitment and retention remain a challenge, particularly in some areas. Post-pandemic, the labor market saw a "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 locally. 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. It is becoming harder to hire talent, and keep talent in local government, which is expensive for cities in terms of the hiring and training process. 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.

Consistent with approved two-year agreements with employee bargaining groups, all employees will be receiving four percent cost of living adjustments in FY 23-24. Staff is also wrapping up the class and compensation study funded in the FY 22-23 budget to compare our compensation rates with other similar communities across many position types. With this study in hand for the next round of labor negotiations, 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.

2. Capital Investment - Increasing investment to get projects done

The prior year budget (FY 22-23) allocated \$19.2 million to 23 capital projects to make strides toward significant capital improvements. The FY 23-24 budget continues that progress and allocates \$19.5 million to 31 capital projects. A portion of the FY 23-24 funding is to complete projects already funded in FY 23-24, and a portion represents funding for new projects and storm recovery. To ensure that the City is better able to execute on these funded projects, a Senior Engineer position is proposed to be added in the FY 23-24 budget. Inflation persists and continues to stretch our investment dollars thinner, impacting our ability to fund and complete projects within original cost estimates. Staff continues to apply for state and federal dollars, particularly for storm recovery work. The FY 23-24 budget invests in water and sewer infrastructure, street paving, harbor infrastructure, vehicle replacement, and city facilities. Proposed projects are discussed in detail in the "Capital Improvements" section of this budget document.

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 \$32 million due to CalPERS's negative returns in FY 21-22. The City has taken several 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.

Most recently, in April 2022, Council created a Pension Reserve Policy and established a section 115 pension trust fund, similar to the City's existing trust fund for other post-employment benefits, which is almost fully funded. 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. Based on the policy, the both the FY 22-23 Budget and the FY 23-24 Budget included approximately \$1.1 million in contributions to that trust, for a total of approximately \$2.2 million. This trust will allow for higher rates of return than other City investments allow, and funds can only legally be used to make payments towards City pension costs. Contributions include funding primarily from the General Fund, but also from the Water Fund, Sewer Fund, and Harbor Fund, commensurate with their proportionate shares of the total pension liability.



The City's current employment contracts also include cost sharing for the less than 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. This helps reduce the City's long-term liabilities without overly impacting employees' take-home pay.

Near-Term Fiscal Factors

There are a few key short-term fiscal factors that impact the FY 2023-24 Citywide Budget, as follows:

Storm Recovery

The City of Morro Bay, like much of California, experienced several "atmospheric river" events in early 2023 that caused very significant flooding and infrastructure damage. Staff's preliminary estimate was that full repair of damaged roadways, storm drains, city facilities, and harbor infrastructure could cost as much as \$18 - \$20 million. Working through how to prioritize, fund, seek reimbursement for, and complete these repairs will be a significant staffing effort and fiscal investment. At budget development time, there are still significant unknowns regarding the City's eligibility for reimbursement for such repairs, and regarding the timing of any eligible reimbursement. The FY 22-23 Midyear Budget Amendments included approximately \$1.8 million toward the highest priority repairs, and the FY 23-24 Budget includes an additional \$1.9 million for storm recovery efforts. Staff will be applying for reimbursement funding from FEMA, insurance payments where eligible, and hazard mitigation funding to help the City mitigate the impacts of future storms. As more is known regarding actual repair costs and reimbursement potential, budget amendments will be taken to Council if needed.

Economic Cooling

The City's primary revenue sources, including the market-dependent sales tax and transient occupant tax (TOT), have recovered to pre-pandemic levels. Rapid revenue growth is behind us, and revenue growth is leveling off or even declining. Projections for the budget year indicate that expenditure growth will outpace revenue growth. FY 24-25 may return the City to baseline rates of revenue growth in the 2-3 percent range, with inflationary pressures still present at 5 percent or higher on the expenditure side of the ledger. Inflationary pressure makes delivering the same level of City services cost more, as the cost to provide staffing, supplies, and services, as well as capital projects, increases. This dynamic could result in structural deficits in years ahead, absent additional revenue sources.

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, and more recently with significant storm damage. At the end of FY 2023-24, this budget projects that the reserve level in the General Fund Emergency Reserve will meet the reserve policy level of 33% of operating expenditures (across the General Fund and Measure Q&E Fund). 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.

Focus on Economic Vitality

The City must also do what it can to sustain and grow its local economy to ensure related to fiscal sustainability and economic vitality, as expressed by City Council's Goals. The FY 23-24 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 will position our community to be sustainable into the future.



Personnel Changes

Personnel costs are a significant component of the City of Morro Bay's budget. The City's personnel costs include salaries, benefits, retirement contributions, employer taxes, and other related expenses for its employees. These costs are driven by a variety of factors, such as collective bargaining agreements, minimum wage requirements, and increases in CalPERS and healthcare costs.

Covid-19 is no longer a health crisis and City staffing and services have largely returned to pre-pandemic levels; however, the impact of Covid-19 continues to be felt in regards to employing personnel. With San Luis Obispo County holding the 5th lowest unemployment rate in the state, competition for skilled and experienced employees is high. In addition, the government industry experienced the most job gains during the last California Employment Development (EDD) reporting period. This is likely due to previous government layoffs during Covid, but has led to increased competition for staffing for local government.

While the labor market in San Luis Obispo County as a whole shows signs of strength, there are also challenges and uncertainties on the horizon. The City hiring and retention efforts are impacted by the high rate of inflation, increasing costs to benefits, and the difficulty of attracting and retaining staff. Inflation in the U.S., California, and San Luis Obispo County has been increasing steadily for the past two years, rivaling inflation that hasn't been seen since the 1980's. As a result, the City is faced with the challenge of balancing the need for competitive compensation packages with the fiscal responsibility of maintaining a sustainable budget.

To address these challenges, the City must be proactive in attracting and retaining talent. One of our key challenges is ensuring that employees are compensated fairly and at market. The City, with the assistance of a consultant, is currently undergoing a total compensation and benefits survey. This study should help the City better understand how its salaries and benefits compare to other public agencies in the region. The results will be the framework for identifying where adjustments to compensation may be necessary to remain competitive to retain and attract employees. Engaging in a compensation study demonstrates the City's commitment to fair and competitive compensation practices and will be published publicly. The City anticipates there will be a need to make adjustments to City employee compensation as a result of the study.

Staffing Changes in the FY 2023-24 Budget

The proposed budget for FY 2023-24 includes an increase of 2 full-time positions and 1.8 full-time equivalent part-time positions. This brings the total number of positions for the city to 107.5 full-time positions. In addition, the budget includes part-time staffing that equals to 30.5 full-time positions based on the total number of part-time hours budgeted.

For FY 2023-24, the staffing changes are as follows:

- Addition of a Senior Civil Engineer. This position will be a registered engineer primarily responsible for managing capital and construction projects for the City.
- Addition of one full-time Firefighter. This Firefighter position will be in place of three part-time Reserve Firefighters, which are increasingly challenging to recruit.
- Promotion of the Senior Planner to Planning Manager.
- Deletion of a Consolidated Maintenance Field Supervisor and addition of a Public Works Inspector. The incumbent Consolidated Maintenance Field Supervisor has been working as a Public Works Inspector in a successful trial and will be reclassified to Public Works Inspector.
- Addition of a part-time, unbenefited Reserve Police Officer.
- Addition of a part-time Office Assistant in the Harbor Department.
- Smaller adjustments to part-time, unbenefited staffing levels in other departments.
- FY 23-24 figures also include 1 Harbor Patrol Officer and a part-time (0.5 FTE) Homeless Outreach Coordinator in the Police Department, both of which were added by Council in late FY 22-23, after Budget Adoption.

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

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

Remaining Staffing Deficiencies - There are still areas of the organization where staffing deficiencies remain. 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.

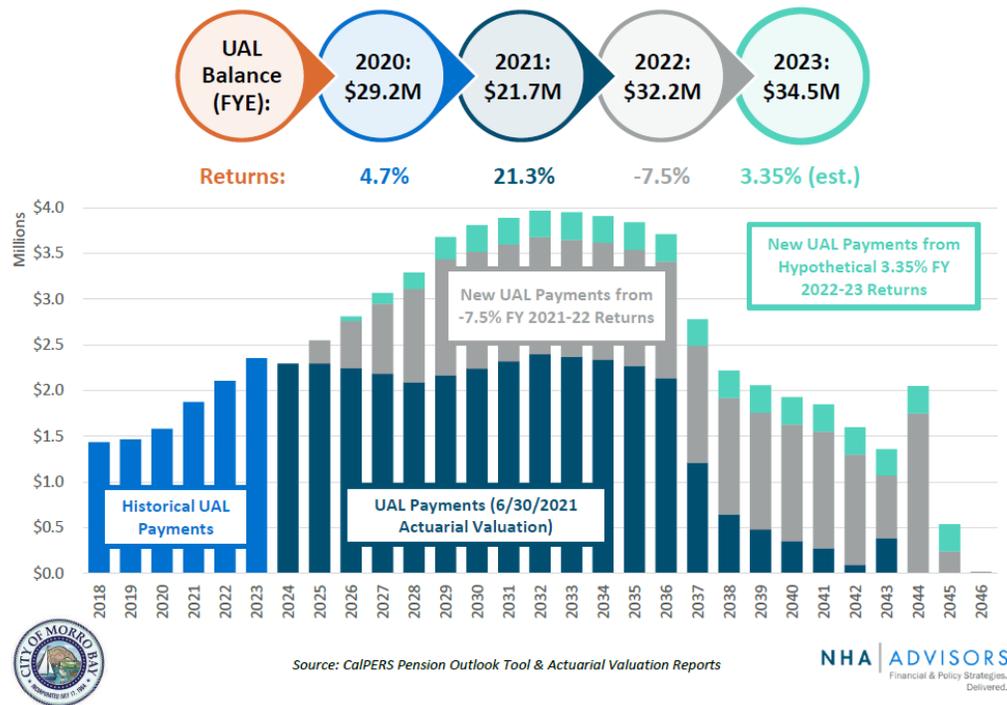
Increasing CalPERS Costs

After salaries, the largest personnel cost to the City is employee benefits, including CalPERS. The City contracts with CalPERS (California Public Employees' Retirement System) to provide retirement benefits for City employees. The City's CalPERS costs are determined by various factors such as the employee's salary, years of service, retirement age, and CalPERS formula, with the Classic Tier 1 and Tier 2 members costing a higher percentage of salary to the City to fund their future pension benefits. The City is implementing cost-sharing with all employees in the Tier 1 and Tier 2 Classic groups to lessen the City's costs. This involves the City's employees paying a portion of the employer contribution to CalPERS, as well as their employee contribution. PEPRAs employees are those that entered the CalPERS retirement after the Public Employee Pension Reform Act, which amount to 59% of City employees, and are already paying a higher share of their CalPERS retirement. PEPRAs employees are required to contribute 50% of the total annual normal cost for their pension benefits; their costs as well as the City's costs are also increasing in FY 23-24. PEPRAs employees now exceed Classic employees in the City. Currently, we have 20 employees in Tier 1, 21 employees in Tier 2, and 59 employees in PEPRAs. Most of our new hires are being hired in PEPRAs, with only 1 employee hired in the Classic Tier (2) in the last fiscal year.



In addition to rising "normal" or current year CalPERS costs, the City's unfunded liability or UAL payments that largely represent past promised benefit, are continuing to rise. CalPERS's year of positive returns temporarily lowered the City's total UAL from approximately \$29 million to approximately \$22 million, as shown below. However, subsequent CalPERS market losses undid that temporary improvement and resulted in an even higher projected UAL of up to \$35 million, which could result in higher payments starting in FY 24-25. The FY 2023-24 budget, like the 2022-23 budget before it, takes additional steps to address the large UAL by contributing over \$1 million (in addition to over \$1 million last year) to a section 115 pension trust based on the City's newly adopted pension reserve policy. The balance of that fund is legally restricted to be used for pension costs and may help the City "smooth" its future UAL payments during peak years shown in the projected graph below.

City of Morro Bay Historical and Projected CalPERS UAL



In sum, while Measure E-20 and the City's recovery from the pandemic strengthened revenues, those revenues are beginning to level off. 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 (in thousands)

Fund Description	Fund Number	FY 19-20	FY 20-21	FY 21-22	FY 22-23 Projected	FY 23-24 Budget
General Fund (nonspendable)	001	3,972	3,974	3,163	3,163	3,163
General Fund (committed - GF only)				798		
General Fund (unassigned - GF only)	001	407	2,763	6,412	4,418	548
Compensable Leave	005	224	148	173	254	276
General Fund Vehicle Replacement Fund	050	346	406	570	643	750
General Fund Emergency Reserve Fund	051	1,766	2,422	4,187	3,780	7,072
General Fund Facility Maintenance Fund	052	95	100	76	76	76
General Fund Capital Accumulation Fund	460	213	214	612	612	612
General Fund Project Accumulation Fund	470	302	303	-	-	
Total General Fund		7,325	10,330	15,991	12,496	12,497
Risk Management Fund	430	1,648	1,679	923	915	915
Information Technology Fund	450	230	356	367	335	334
Total Internal Service Funds		1,878	2,035	1,290	1,250	1,249
American Rescue Plan Act	019	-	-	792	626	1
State Gas Tax Fund	250	-	-	-	-	-
Road Maintenance and Rehab SBI	260	-	-	-	-	-
Total Special Revenue Funds		-	-	792	626	1
Measure Q&E	003	645	1,375	1,945	1,251	86
Tourism Business Improvement District (TBID)	007	37	805	-	-	-
Community Development Grants	200-206	177	1,013	1,017	1,017	1,017
Economic Development Fund	907	1,105	1,029	796	744	657
Affordable Housing In-Lieu	941	257	259	173	188	233
Parking In-Lieu	299	385	341	341	296	251
Lower Cost Accommodations Mitigation Fee fund (restricted)	270	56	14	14	14	14
Traffic Safety Fund	280	2	2	-	-	-
Special Safety Grants	282	293	220	351	264	171
Bike Path Fund	302	40	48	52	(6)	7
LTF Roads	303	72	73	2	(0.1)	(0.1)
Assessment Districts Fund	500	77	80	69	72	75
North Point Assessment District Fund	565	(15)	(20)	(19)	(19)	(19)
Cloisters Park Maint AD	570	91	92	154	165	165
Cloisters Park Accumulation Fund	575	80	69	-	-	-
Governmental Impact Fees	900	1,036	996	1,656	1,689	812
Community Benefit Fund	906	250	250	250	80	80
Harbor State Park Marina Fund	924	544	644	760	855	950
Triangle Lot-Boat Storage Yard	925	14	27	60	80	122
Park Fee Fund (Quimby Act)	904	280	318	245	249	249
Total Governmental Funds (nonmajor)		5,425	7,634	7,866	6,939	4,871



Fund Description	Fund Number	FY 19-20	FY 20-21	FY 21-22 Actual	FY 22-23 Projected	FY 23-24 Budget
Transit Operating Fund	301	1,123	1,694	1,513	1,560	1,700
Transit Capital Improvement Fund	920	-	119	424	549	549
Harbor Operating	331	35	466	1,034	997	826
Harbor Capital Improvement	923	-	-	603	603	603
Harbor Accumulation Fund	953	334	269	-	-	-
Harbor Equipment Replacement Fund	055	69	69	-	-	-
Water Operating	311	6,168	11,098	9,969	7,705	6,128
Water Capital Improvement	921	-	-	3,873	3,873	3,873
Water Accumulation Fund	951	93	3,226	-	-	-
Water Equipment Replacement Fund	921	151	208	-	-	-
Water Discount Program Fund	315	593	371	349	333	320
Sewer Operating	321	12,794	1,918	22,767	19,018	14,306
Sewer Capital Improvement	922	-	-	1,670	1,700	1,700
Sewer Accumulation Fund	952	(4,794)	741	-	-	-
Sewer Equipment Replacement Fund	054	476	535	-	-	-
Total Enterprise Funds		17,042	20,714	42,202	36,338	30,005
MB/Cayucos Wastewater Treatment Plant Fund	599	-	-	-	-	-
Trust and Agency Fund	515	1,001	1,307	1,205	1,205	1,205
General Capital Projects Fund	915	-	791	3,409	3,964	3,666
All Funds Total		32,671	42,811	72,755	62,818	53,494



Long-range Financial Plans

The City completes five-year forecasts for all of its major funds to aid in long-range financial planning. Overall, the City's fiscal position has improved in recent years, but caution is advisable given economic cooling and persistent inflation. Expenditure growth is outpacing revenue growth, resulting in potential deficits during the five-year forecast period and an inability to address the City's significant capital needs and pension liabilities with current revenue streams. Significant deferred maintenance costs coupled with rapidly rising construction cost indices mean that the City will not be able to meet all capital needs with existing revenue streams. Determining how to fund capital needs will be a core question for the City in the mid to long-term.

The City's reserve levels are robust, equating to 40% of the City's operating budget for FY 2023-24, as outlined below.

Detailed five-year forecasts and assumptions for the following major funds are on the subsequent pages.

- General Fund and Measure Q & E Fund combined (001 and 003)
- General Fund (001)
- Measure Q & E (003)
- Harbor Operating Fund (331)
- Sewer Operating Fund (321)
- Water Operating Fund (311)

Reserve Balance Summary

Citywide Reserve Levels

Fund Balances & Reserves: By the end of FY 2023-24, the City is projected to be meeting all reserve policies as adopted by Council on April 26, 2022, with the following projected reserve balances:

- General Fund (001) \$0.5 million
 - General Government Compensable Leave Fund (005) \$0.3 million
 - General Fund Vehicle Replacement Fund (050) \$0.8 million
 - General Fund Emergency Reserve Fund (051) \$7.1 million
 - General Fund Facility Maintenance Fund (052) \$0.1 million
 - General Fund Capital Accumulation Fund (460) \$0.6 million
- Total General Fund Reserves Projected at FY 2023-24 Year-End \$9.4 million**

- Water Fund \$1.9 million
 - Sewer Fund \$1.5 million
 - Harbor Fund \$0.5 million
 - Risk Management \$0.9 million
 - Information Technology \$0.3 million
- Citywide Estimated FY 2023-24 Year-End Reserves Total \$14.5 million**

Total equates to 40% of the Citywide Operating Budget in FY 2023-24

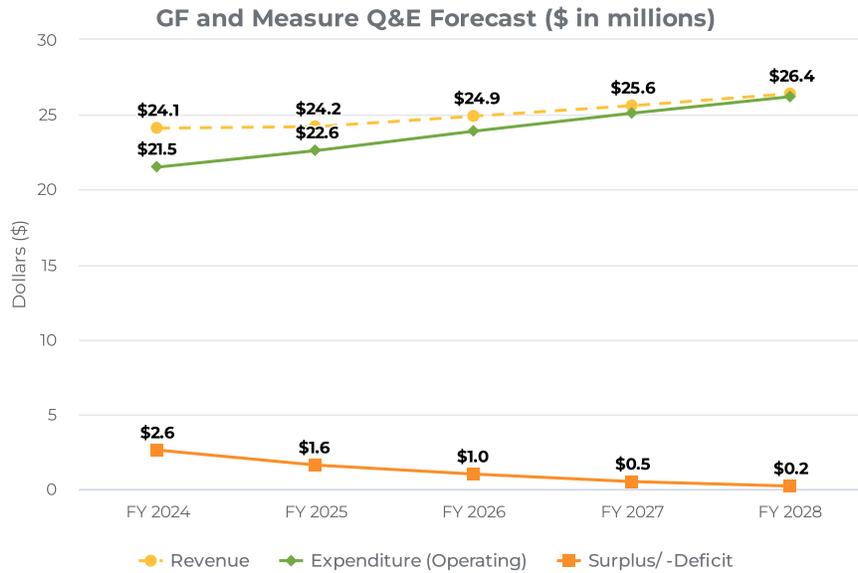


General Fund and Measure Q&E Combined Forecast

The General Fund and Measure Q&E Fund represent the City's legally unrestricted funds, though there are Council-established priorities for Measure Q&E expenditures, in line with voters' intent for those measures. The tables below show a combined General Fund and Measure Q&E fund forecast at a high level. Further detail for each fund appears in the following forecast pages for each individual fund.

Forecast Chart-Operating

The General Fund and Measure Q&E Fund show a decreasing but **positive operating balance** through the forecast period, **excluding capital improvements** and excluding one-time transfers.

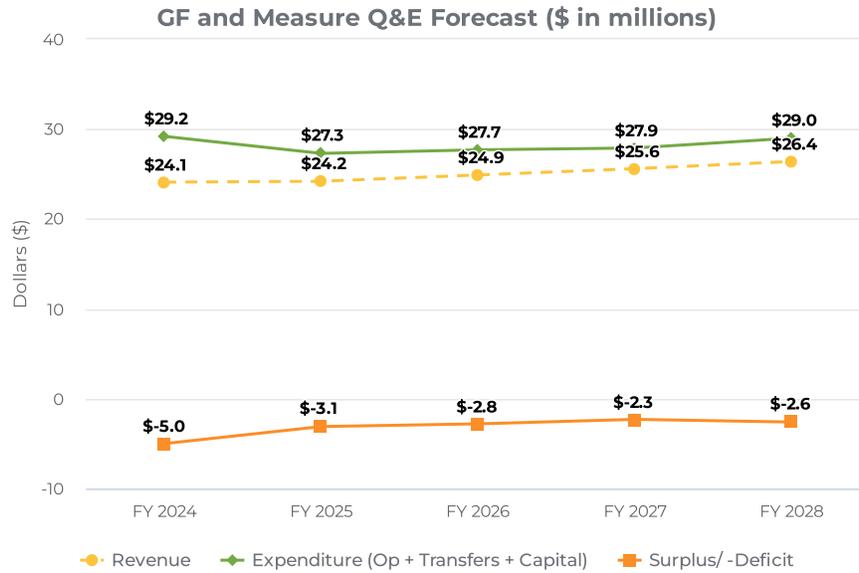


Forecast Chart-All Expenditures

Adding capital expenditures and one-time transfers moves the combined fund balance negative throughout the forecast period, ending with a \$2.6 million deficit, 9.1% of total expenditure. This is based on the current five-year capital plan, outlined in the capital improvement section of the budget, which indicates capital spending of \$2.8-\$4.5 million annually.

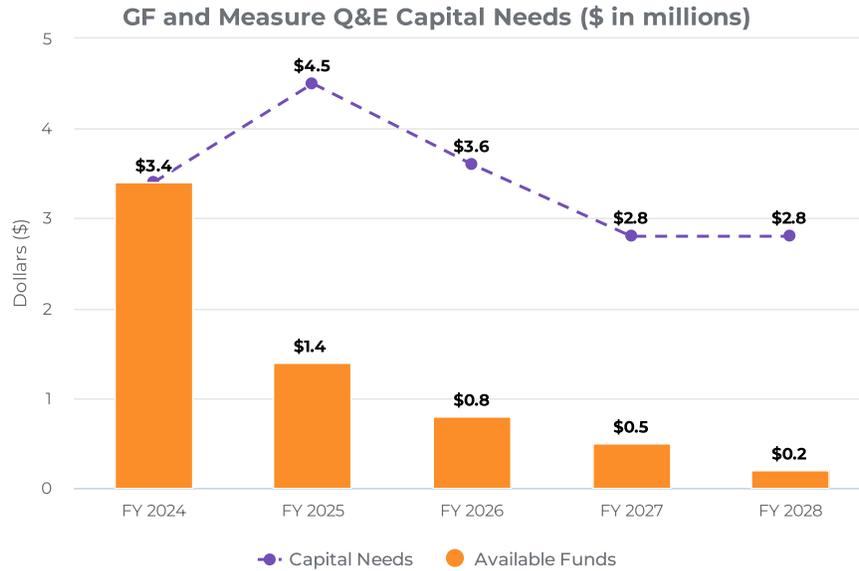
While the City would not allow these fund balances to actually go negative, this forecast demonstrates the City's inability to fund projected capital improvement needs in the five-year forecast period.

In FY 2023-24, the City will use available reserves to fund capital spending and one-time transfers, resulting in a balanced budget for the combined funds.



Capital Funding Needs

The General Fund and the Measure Q&E Fund contribute to capital improvement projects each year. While there is available fund balance to support planned capital spending in FY 2023-24, as is shown in the chart below, annual capital needs far exceed the amount supported by ongoing revenue at current projections. In addition, the challenge is likely greater than what is depicted here because the City's full set of capital needs exceeds the level of capital improvements built into this five-year forecast. Built in here is the five-year capital improvement program outlined in this budget document, which includes near-term projects with roughly known cost estimates. Current capital needs assessments are underway to broaden the City's understanding of the full range of capital costs on the horizon.



General Fund Forecast (001)

The General Fund five-year forecast demonstrates that the Fund will have a positive ending fund balance for the first two years of the forecast period, and will meet the General Fund Emergency Reserve Policy in FY 2023-24.

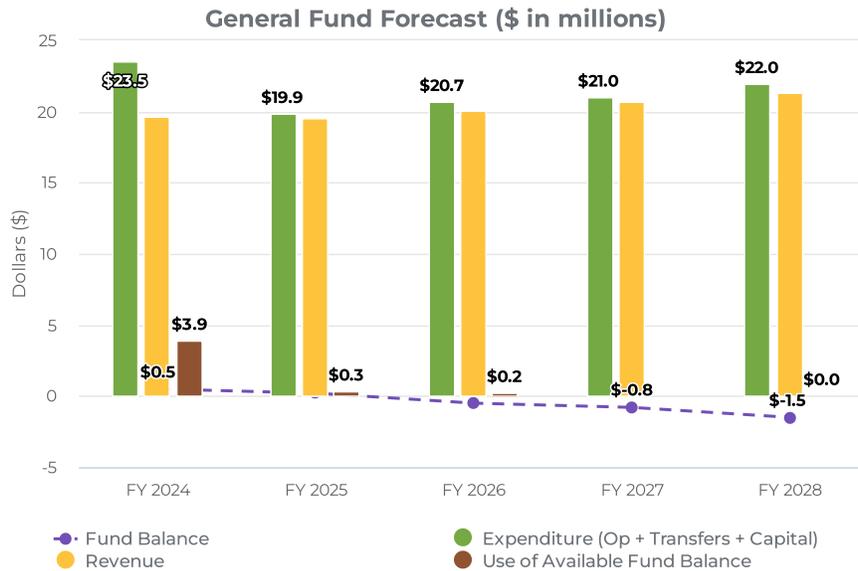
This is a conservative forecast, using assumptions that most expenditures will increase by roughly 4% per year and revenues will increase by roughly 2-4% per year, depending on revenue source. These assumptions drive the gradual erosion of the fund balance. However, it is possible that revenue growth could outpace those projections and/or that expenditure growth may slow at the end of the forecast period if inflation moderates, which would result in a more favorable picture.

Having strong reserve balances positions the City well for a potential recession or unanticipated financial impacts.

Forecast Chart

The chart below shows that the General Fund operates at a small year-to-year deficit during the forecast period, where ongoing revenues are slightly lower than ongoing expenditures. The fund remains positive for the first two years of the forecast period through use of available fund balance, and meets its reserve targets in FY 2023-24 (the larger available fund balance use in FY 2023-24 reflects large one-time transfers). In the final three forecast years the fund balance continues to erode, ending with a -\$1.5 million or 7% of expenditures in the final forecast year.

The expenditures below include capital and pension costs.



Forecast Table

GENERAL FUND (001)	Forecast				
	FY 2024 Budget	FY 2025	FY 2026	FY 2027	FY 2028
Revenue					
Property Tax	5,232,900	5,364,137	5,525,061	5,690,813	5,861,537
Sales Tax	2,690,000	2,757,250	2,826,181	2,910,967	2,998,296
Transient Occupancy Tax	4,400,000	4,510,000	4,622,750	4,761,433	4,951,890
Other Revenue	5,248,095	5,405,538	5,567,704	5,734,735	5,906,777
Transfers In	2,023,370	1,484,219	1,528,745	1,574,608	1,621,846
TOTAL REVENUE	19,594,365	19,521,144	20,070,442	20,672,555	21,340,346
Expense					
Personnel	12,195,007	12,845,394	13,581,328	14,324,488	15,053,819
Operational costs	9,838,684	10,232,231	10,641,521	11,067,182	11,509,869
Ongoing costs for long-term liabilities (PERS)	2,356,323	2,613,162	2,939,807	3,257,307	3,543,950
Other Operations & Maintenance	5,094,030	5,348,631	5,615,960	5,840,545	6,074,113
Transfers Out (Ongoing)	725,892	762,187	800,296	840,311	882,326
Debt Service Payments	35,190	35,190	35,190	35,190	35,190
TOTAL EXPENSE	18,050,119	18,991,402	20,032,774	21,040,534	22,045,447
Net Surplus (Shortfall)-Operating	1,544,246	529,742	37,667	(367,979)	(705,101)
Capital					
Storm and Flooding Damages - Facilities and Equipment	300,000	-	-	-	-
Veteran's Hall Building Improvements	185,027	175,000	-	-	-
Storm and Flooding Damages - Pavement and Pavement Repairs	400,000	-	-	-	-
Lila Keiser Parking Lot Rehabilitation and ADA Upgrades	80,000	-	-	-	-
Annual Storm Drain Replacement and Major Maintenance Project	-	500,000	500,000	-	-
Waterways and Storm Systems Management Plan	141,838	-	-	-	-
Citywide Capital and Facilities Planning	-	-	-	-	-
Net Surplus (Shortfall)-including Capital	437,381	(145,258)	(462,333)	(367,979)	(705,101)
Available Fund Balance-Beginning	4,418,116	547,997	202,738	(459,594)	(827,574)
Contribution to 115 Trust	887,000	200,000	200,000	-	-
<i>Transfers Out (One-Time)</i>					
General Fund Emergency Reserve Fund (GERF)	3,292,000				
Vehicle Replacement Fund	107,000				
Compensable Leave Fund	21,500				
ENDING FUND BALANCE BEFORE RESERVES	547,997	202,738	(459,594)	(827,574)	(1,532,675)
Measure QE Fund Operating Expenses (excluding transfers)	3,448,713	3,625,440	3,820,293	4,009,579	4,198,761
General Fund Emergency Reserve Fund (GFER) Balance	7,071,881	7,071,881	7,071,881	7,071,881	7,071,881
Total Fund Balance as % of Total Operating Expenses (General Fund + GFER) / (General Fund + Q&E Operating)	35.4%	32.2%	27.7%	24.9%	21.1%
Minimum Reserve Levels					
General Fund Emergency Reserve Policy: 33% operating expenses. Includes Measure QE fund operating expenses.	MET	NOT MET	NOT MET	NOT MET	NOT MET
	7,094,615	7,463,558	7,871,512	8,266,537	8,660,589
UNRESERVED/ AVAILABLE FUND BALANCE	525,263	(188,938)	(1,259,225)	(2,022,230)	(3,121,383)



Forecast Notes

- In years the minimum reserve levels are met, the General Fund will contribute 33% of available balance to a Section 115 Trust to address pension liabilities.
- Any funds remaining after minimum reserve levels are met are available for other use.
- Transfers in are higher in FY 24 due to final American Rescue Plan Act funds of approximately \$600,000. Other transfers in include cost allocation plan contributions and Highway Utility Tax for road repair.

Forecast Assumptions

The table below shows the assumptions underlying projection year revenue and expenditure projections.

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



Measure Q&E Fund (003)

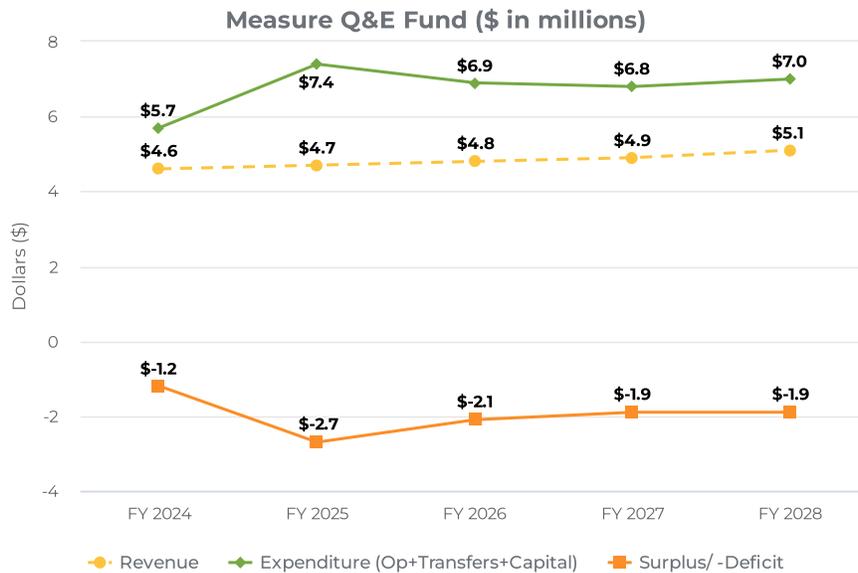
The Measure Q&E Fund forecast uses the same assumptions as the General Fund, conservatively projecting that sales tax revenues will increase by 2.5% in FY 2024-25 and FY 2025-26 and 3% in the last two forecast years. Most expenditures are projected to increase by approximately 5% per year.

These projections result in Measure Q&E Fund's ability to continue to contribute approximately \$1 million annually to capital projects. The current five-year capital plan calls for a much higher level of expenditure--between \$2.3 and \$3.8 million per year to maintain current pavement conditions and address other capital needs.

It is appropriate to maintain a balance of ongoing and one-time expenditures in this fund given that it does not have a highly stable or diversified revenue base.

Forecast Chart

The chart below shows the year-to-year balance for the Measure Q&E fund. The gap between revenue and expenditure throughout the forecast period reflects capital expenditures called for in the five-year capital plan, which cannot all be funded, as indicated by the forecast. The chart includes capital and pension expenses, but does not show use of one-time fund balance.



Forecast Table

MEASURE QE FUND (003)	FY 2024 Budget	Forecast			
		FY 2025	FY 2026	FY 2027	FY 2028
Revenue					
Tax Revenue	4,550,000	4,663,750	4,780,344	4,923,754	5,071,467
Other Revenue	-	-	-	-	-
Transfers In	-	-	-	-	-
TOTAL REVENUE	4,550,000	4,663,750	4,780,344	4,923,754	5,071,467
Expense					
Personnel	2,454,606	2,581,628	2,724,290	2,868,719	3,011,200
Operational Costs	2,036,666	2,118,133	2,202,858	2,290,972	2,382,611
Ongoing costs for long-term liabilities (PERS)	417,940	463,495	521,432	577,747	628,589
Other Operations & Maintenance	901,873	946,966	994,314	1,034,087	1,075,450
Transfers Out (operating)	92,234	96,846	101,688	106,772	112,111
Debt Service Payments	-	-	-	-	-
TOTAL EXPENSE	3,448,713	3,625,440	3,820,293	4,009,579	4,198,761
Net Surplus (Shortfall)-Operating	1,101,288	1,038,310	960,051	914,175	872,705
Capital	2,267,000	3,786,000	3,100,000	2,800,000	2,800,000
Active Transportation Plan / Active Corridor Studies	67,000	136,000	-	-	-
Local Road Safety Plan (LRSP) Implementation and Safety Improvements	150,000	200,000	200,000	200,000	200,000
ADA Accessibility Upgrades at Quintana and Main Streets Intersection	-	-	-	-	-
Trash and Recycling Can Replacements	60,000	-	-	-	-
Sidewalk Improvements and Street Tree Replacements Project	150,000	250,000	300,000	-	-
SRI/SR41/Main St Intersection Improvements	-	600,000	-	-	-
Annual Pavement Management Program	1,840,000	2,600,000	2,600,000	2,600,000	2,600,000
Harbor Patrol Response Vehicle	72,000	-	-	-	-
Unmarked Police Vehicle (Replace Administrative Sergeant Vehicle)	49,000	-	-	-	-
Unmarked Police Vehicle (Detective Vehicle)	49,000	-	-	-	-
Net Surplus (Shortfall) including Capital	(1,165,713)	(2,747,690)	(2,139,949)	(1,885,825)	(1,927,295)
Starting Fund Balance	1,251,233	85,521	(2,662,169)	(4,802,118)	(6,687,943)
ENDING FUND BALANCE	85,521	(2,662,169)	(4,802,118)	(6,687,943)	(8,615,238)

Forecast Notes

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

Forecast Assumptions

The fund balance relies on the assumptions below, which are the same as those used for the General Fund projections.

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



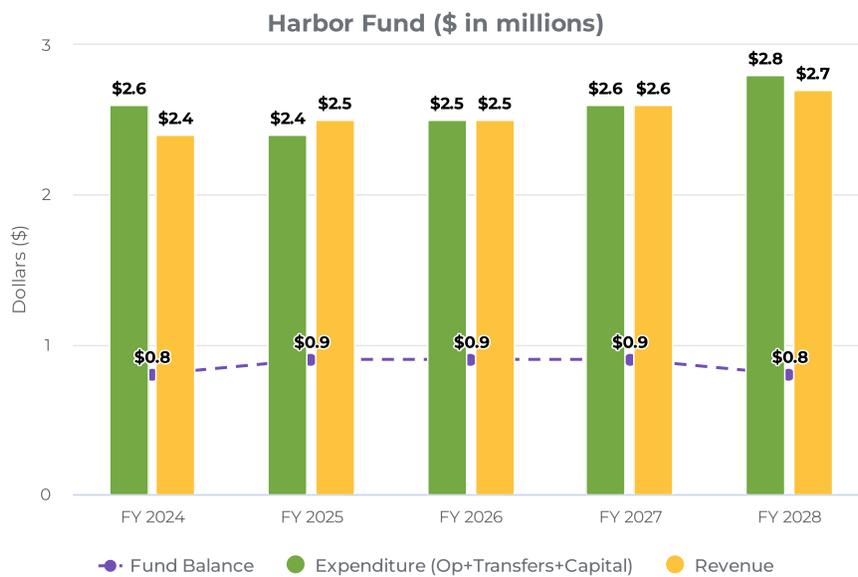
Harbor Fund Forecast (331)

This is a conservative forecast, using the assumption that Harbor revenues will increase by 3.0 percent per year and most expenditures will increase by 4-5 percent per year. While it is possible for revenues to out-perform that projection and/ or for expenditure growth to moderate in the out years if inflation tapers off, the Fund's primary challenge is how to address significant deferred capital needs.

Preliminary estimates indicate that the Harbor Fund should be spending at least \$0.8 million on capital improvements to keep pace with infrastructure maintenance and improvement needs, pending a robust capital needs assessment for the harbor. The forecast below demonstrates the Harbor Fund may be able to maintain a small operating surplus for the first three years of the forecast period, but has insufficient funds to meet its capital needs.

Forecast Chart

The chart below shows the year-to-year balance for the Harbor Fund, demonstrating nearly equal revenue and expenditures throughout the forecast period. It includes pension and very limited capital expenditures currently in the five-year capital plan, but does not include the use of fund balance. It does not include the full scale of capital infrastructure needs for the harbor.



Forecast Table

HARBOR OPERATING FUND (331)	FY 2024 Budget	Forecast			
		FY 2025	FY 2026	FY 2027	FY 2028
Revenue					
Harbor Leases	1,875,000	1,921,875	1,969,922	2,029,020	2,089,890
Boat Charges	411,610	423,958	436,677	449,777	463,271
Other Charges for Service	96,700	99,601	102,589	105,667	108,837
Other Revenue	27,000	27,810	28,644	29,504	30,389
Transfers In	-	-	-	-	-
TOTAL REVENUE	2,410,310	2,473,244	2,537,832	2,613,967	2,692,386
Expense					
Personnel	1,212,490	1,280,154	1,357,541	1,435,406	1,511,251
Operational Costs	934,750	972,140	1,011,026	1,051,467	1,093,525
Ongoing costs for long-term liabilities (PERS and OPEB)	277,740	308,014	346,515	383,939	417,726
Other Operations & Maintenance	615,050	645,802	678,093	705,216	733,425
Transfers Out (Ongoing)	397,131	416,988	437,837	459,729	482,715
Debt Service Payments	-	-	-	-	-
TOTAL EXPENSE	2,224,671	2,342,944	2,473,470	2,600,351	2,727,391
Net Surplus (Shortfall) - Operating	185,639	130,301	64,362	13,617	(35,005)
Capital	280,000	40,000	40,000	40,000	40,000
Storm Recovery - Dock Repairs	200,000				
Harbor Vehicle Replacement	40,000	40,000	40,000	40,000	40,000
North T-Pier Repairs	40,000				
Net Surplus (Shortfall) including Capital	(94,361)	90,301	24,362	(26,383)	(75,005)
Starting Fund Balance (Working Capital)	989,002	826,642	916,942	941,304	914,921
Contribution to 115 Trust	68,000	-	-	-	-
ENDING FUND BALANCE BEFORE RESERVES	826,642	916,942	941,304	914,921	839,916
Fund Balance - % of Total Operating					
Expenses	37%	39%	38%	35%	31%
Minimum Reserve Levels					
	MET	MET	MET	MET	MET
15% Annual Operating Expenses (Prior Yr Adopted Budget)	313,274	333,701	351,442	371,021	390,053
UNRESERVED/ AVAILABLE FUND BALANCE	513,368	583,242	589,862	543,900	449,863

Forecast Notes

- The FY 2023-24 Measure Q&E Fund budget includes \$360,000 in Harbor Department costs. The Harbor Fund would show an operating deficit if these expenditures occurred in the Harbor Fund rather than in Measure Q&E.
- Fund Balance is defined as working capital: current assets less current liabilities
- Boat Charges include live aboard; pier dockage; mooring, slip, and floating dockage rental, slip sublease, and skiff permits.
- Other Charges for Services include other service fees such as launch ramp parking, coin-operated services, and other rentals.
- Other Revenue includes grant funds, penalties, bad debt recovery, auctioned property, and other miscellaneous revenue.
- Other Operations and Maintenance includes services, supplies, debt service, capital outlay, and other expenses
- Transfers out are for internal services costs, including insurance, IT, finance, administration, clerk, attorney, etc. defined by cost allocation.
- In years the minimum reserve levels are met, the fund will contribute to a Section 115 Trust for pension liability in an amount commensurate to General Fund contributions from the year's operating surplus.



Forecast Assumptions

The Harbor Forecast is based on the assumptions below. Other Revenue, Other Charges for Services, and all expenditure costs are consistent across fund forecasts.

Revenue/ Expenditure Category	Basis for Projection	Projection Year Increases			
		FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Harbor Charges	Consistent with Sales Tax projections from the City's consultant	2.5%	2.5%	3.0%	3.0%
Boat Charges	Based on fee increases	3.0%	3.0%	3.0%	3.0%
Other Charges for Service	Based on fee increases	3.0%	3.0%	3.0%	3.0%
Other Revenue	Fees, interest, other misc.	3.0%	3.0%	3.0%	3.0%
Personnel - Operational Costs	Increasing salary and benefits costs; current staffing levels	4.0%	4.0%	4.0%	4.0%
Personnel - Ongoing costs for long-term liabilities (PERS)	CalPERS estimates	10.9%	12.5%	10.8%	8.8%
Other Operations & Maintenance	Related to CPI, anticipates falling inflation	5.0%	5.0%	4.0%	4.0%



Sewer Fund Forecast (321)

The Sewer Fund baseline forecast includes no rate increases, meaning essentially no revenue growth is assumed for the Fund. Most operating costs are assumed to grow by 4-5 percent per year during the forecast period. While that growth may moderate if inflation tapers off in the out years, zero revenue growth will not be sufficient to cover rising operating and capital costs going forward.

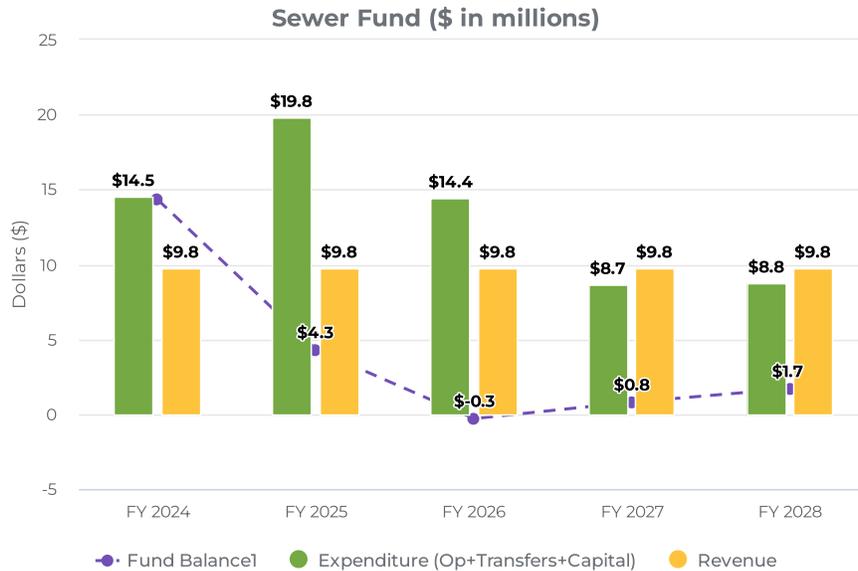
The forecast assumes that the remaining WRF (Water Reclamation Facility Project) budget that is not currently financed will be cash funded with a portion of grant funding coming to fruition in FY 24-25. It does not assumed additional low-interest financing, though the City's request for an SRF loan amendment is still pending state review.

The Sewer Fund capital expenditure projections are reflected in the Proposed Budget numbers and will likely change when the OneWater plan is updated. If current projected capital needs increase in cost based on the very high construction cost index increases, the Sewer Fund's forecast will worsen during the forecast period.

The current flat rate structure will not be able to support increases in operating and capital costs that are unavoidable due to inflation. As revenues remain flat and costs increase, the Sewer Fund will not be able to meet its reserve policy or full capital needs in the out years.

Forecast Chart

The chart below shows year-to-year balances for the Sewer Operating Fund. The fund shows a large deficit in the first few years, ending with a small positive balance in FY 2026-27 and FY 2027-28, reflecting decreasing capital costs in the outyears. The chart includes pension and capital expenditures. Decreasing fund balance shows use of reserves to cover capital costs in the early forecast years.



Forecast Table

SEWER OPERATING FUND (321)	Forecast				
	FY 2024 Budget	FY 2025	FY 2026	FY 2027	FY 2028
Revenue					
Rate Payer Revenue	9,460,000	9,460,000	9,460,000	9,460,000	9,460,000
Other Revenue	293,604	302,412	311,484	320,829	330,454
Transfers In	-	-	-	-	-
TOTAL REVENUE	9,753,604	9,762,412	9,771,484	9,780,829	9,790,454
Expense (Operating)					
Personnel	1,500,150	1,567,414	1,640,027	1,714,552	1,790,114
Operational Costs	1,394,957	1,450,755	1,508,785	1,569,137	1,631,902
Ongoing costs for long-term liabilities (PERS)	105,193	116,659	131,241	145,415	158,212
Other Operations & Maintenance	2,423,421	2,544,592	2,671,822	2,778,695	2,889,842
Transfers Out (Ongoing)	446,833	469,175	492,633	517,265	543,128
Debt Service Payments	-	3,609,000	3,609,000	3,609,000	3,609,000
TOTAL EXPENSE	4,370,404	8,190,181	8,413,482	8,619,512	8,832,085
Net Surplus (Shortfall) - Operating	5,383,200	1,572,231	1,358,003	1,161,317	958,369
Capital					
Storm and Flooding Damages - Facilities and Equipment	250,000	-	-	-	-
Manhole Rehabilitation Project	250,000	250,000	250,000	-	-
Outfall Inspection, Condition Assessment and Cleaning	600,000	-	-	-	-
Beachcomber Drive Sewer Main Replacement	150,000	-	-	-	-
Capital Vehicles and Equipment Replacement - Sewer	107,000	107,000	107,000	107,000	-
Beachcomber Drive Area Backyard Sewer Improvements - Design	100,000	1,600,000	1,500,000	-	-
Wastewater Treatment Plant Decommissioning	135,000	4,818,000	4,097,000	-	-
Main Street and Atascadero Sewer Main Replacements	3,391,512	4,594,924	-	-	-
WRF - Water Reclamation Facility Project	4,780,956	193,936	-	-	-
Net Surplus (Shortfall) including Capital	(4,381,268)	(9,991,629)	(4,595,997)	1,054,317	958,369
Starting Fund Balance (Working Capital)	19,018,305	14,306,822	4,315,194	(280,804)	773,513
Contribution to 115 Trust	330,215	-	-	-	-
ENDING FUND BALANCE BEFORE RESERVES	14,306,822	4,315,194	(280,804)	773,513	1,731,882
Fund Balance % of Total Operating Expenses	327%	53%	-3%	9%	20%
Minimum Reserve Levels					
Debt Coverage Ratio of 1.2 or greater	MET	MET	NOT MET	NOT MET	NOT MET
Operating: 25% of Annual Operating Expenses (PY Budget)	N/A	1.4	1.4	1.3	1.3
Rate Stabilization: 5% of prior year's rates	868,677	1,092,601	2,047,545	2,103,370	2,154,878
Vehicle Replacement Reserve: 20% of fleet value	473,000	473,000	473,000	473,000	473,000
	99,891	99,891	99,891	99,891	99,891
	1,441,567	1,665,492	2,620,436	2,676,261	2,727,769
UNRESERVED/ AVAILABLE FUND BALANCE	12,865,255	2,649,702	(2,901,240)	(1,902,748)	(995,887)



Forecast Notes

- Fund Balance is defined as working capital: current assets less current liabilities
- As baseline forecast, assumes no rate increases.
- In years the minimum reserve levels are met, the fund will contribute to a Section 115 Trust for pension liability in an amount commensurate to General Fund contributions from the year's operating surplus.
- Assumes that WRF is funded with current levels of SRF and WIFIA financing and that remainder is cash funded (approximately \$21 million).

Forecast Assumptions

The table below shows the assumptions that form the basis for the Sewer Fund forecast.

Revenue/ Expenditure Category	Basis for Projection	Projection Year Increases			
		FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Ratepayer revenue	Planned rate increases	0.0%	0.0%	0.0%	0.0%
Other Revenue	Fees, interest, other misc.	3.0%	3.0%	3.0%	3.0%
Personnel - Operational Costs	Increasing salary and benefits costs; current staffing levels	4.0%	4.0%	4.0%	4.0%
Personnel - Ongoing costs for long-term liabilities (PERS)	CalPERS estimates	10.9%	12.5%	10.8%	8.8%
Other Operations & Maintenance	Related to CPI, anticipates falling inflation	5.0%	5.0%	4.0%	4.0%



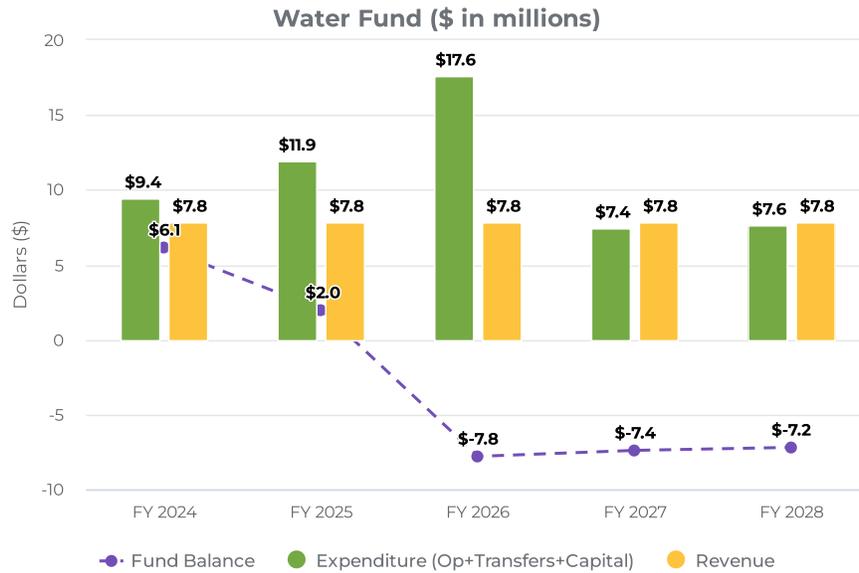
Water Fund Forecast (311)

The Water Fund baseline forecast includes no rate increases, meaning essentially no revenue growth is assumed for the Fund. Most operating costs are assumed to grow by 4-5 percent per year during the forecast period. While that growth may moderate if inflation tapers off in the out years, zero revenue growth will not be sufficient to cover rising operating and capital costs into the future. Capital expenditure projections are tied to the Multi-Year Capital Improvement Plan numbers. These costs will likely increase as the One Water plan is updated and inflation persists.

As the forecast shows, with the current flat rate structure, the Water Fund will not be able to meet either its reserve policy or any capital expenditure needs in year three of the forecast or beyond.

Forecast Chart

The chart below shows year-to-year balances for the Water Operating Fund, including capital and pension costs. Available fund balance sustains the fund in the first two forecast years, but is exhausted by FY 2025-26 and is insufficient to cover large planned capital needs in that year. The current revenue structure also does not support the fund's ongoing capital needs.



Forecast Table

WATER OPERATING FUND (311)	Forecast				
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenue					
Rate Payer Revenue	7,604,000	7,604,000	7,604,000	7,604,000	7,604,000
Other Revenue	172,837	178,022	183,363	188,864	194,530
Transfers In	-	-	-	-	-
TOTAL REVENUE	7,776,837	7,782,022	7,787,363	7,792,864	7,798,530
Expense					
Personnel	1,185,046	1,247,037	1,316,850	1,387,462	1,456,990
Operational Costs	973,607	1,012,551	1,053,053	1,095,175	1,138,982
Ongoing costs for long-term liabilities (PERS)	211,439	234,486	263,797	292,287	318,008
Other Operations & Maintenance	3,659,662	3,842,645	4,034,777	4,196,168	4,364,015
Transfers Out (Ongoing)	461,046	484,098	508,303	533,718	560,404
Debt Service Payments	-	1,219,000	1,219,000	1,219,000	1,219,000
TOTAL EXPENSE	5,305,754	6,792,780	7,078,930	7,336,348	7,600,409
Net Surplus (Shortfall)-Operating	2,471,084	989,242	708,433	456,515	198,120
Capital					
Morro Basin Wellfield Rehabilitation	500,000	1,250,000	1,734,900	-	-
Storm and Flooding Damages - Facilities and Equipment	250,000	-	-	-	-
Brackish Water Reverse Osmosis Building Improvements	400,000	-	-	-	-
Capital Vehicles and Equipment Replacement - Water	121,000	63,000	63,000	63,000	-
Replacement Vehicle - Utility Truck - Water	65,000	-	-	-	-
Nutmeg Tank and related Pressure Zone Improvements	497,489	3,699,119	8,699,119	-	-
OneWater Plan Update	95,000	-	-	-	-
WRF - Water Reclamation Facility Project	2,048,981	83,115	-	-	-
Net Surplus (Shortfall) including Capital	(1,506,387)	(4,105,992)	(9,788,586)	393,515	198,120
Starting Fund Balance (Working Capital)	7,705,171	6,128,784	2,022,792	(7,765,794)	(7,372,279)
Contribution to 115 Trust	70,000	-	-	-	-
ENDING FUND BALANCE BEFORE RESERVES	6,128,784	2,022,792	(7,765,794)	(7,372,279)	(7,174,158)
Fund Balance % of Total Operating Expenses	116%	36%	-133%	-121%	-112%
Minimum Reserve Levels					
Debt Coverage Ratio of 1.2 or greater	N/A	1.8	1.6	1.4	N/A
Operating: 25% Annual Operating Expenses (PY Budget)	1,398,709	1,326,438	1,393,445	1,464,982	1,529,337
Rate Stabilization: 5% of prior year's rates	380,200	380,200	380,200	380,200	380,200
Vehicle Replacement: 20% of original value of Water fleet	50,885	50,885	50,885	50,885	50,885
	1,829,794	1,757,523	1,824,530	1,896,067	1,960,422
UNRESERVED/ AVAILABLE FUND BALANCE	4,298,990	265,269	(9,590,324)	(9,268,346)	(9,134,580)



Forecast Notes

- o Fund Balance is defined as working capital: current assets less current liabilities
- o As baseline forecast, assumes no rate increases
- o Transfers out include transfers to the General Fund for internal cost allocation services, transfers to the Risk and IT funds, transfers to the Water and Sewer
- o CIP funds for Water CIPs
- o Assumes Water Fund contributes 30% of cash-funded portion of WRF unless additional financing is obtained, and its share of service on the facility.
- o In years the minimum reserve levels are met, the fund will contribute to a Section 115 Trust for pension liability in an amount commensurate to General Fund contributions from the year's operating surplus.

Forecast Assumptions

The table below shows the assumptions driving the Water Fund forecast.

Revenue/ Expenditure Category	Basis for Projection	Projection Year Increases			
		FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Ratepayer revenue	Planned rate increases	0.0%	0.0%	0.0%	0.0%
Other Revenue	Fees, interest, other misc.	3.0%	3.0%	3.0%	3.0%
Personnel - Operational Costs	Increasing salary and benefits costs; current staffing levels	4.0%	4.0%	4.0%	4.0%
Personnel - Ongoing costs for long-term liabilities (PERS)	CalPERS estimates	10.9%	12.5%	10.8%	8.8%
Other Operations & Maintenance	Related to CPI, anticipates falling inflation	5.0%	5.0%	4.0%	4.0%



FUND SUMMARIES





Citywide Budget Summary - All Funds

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

Summary

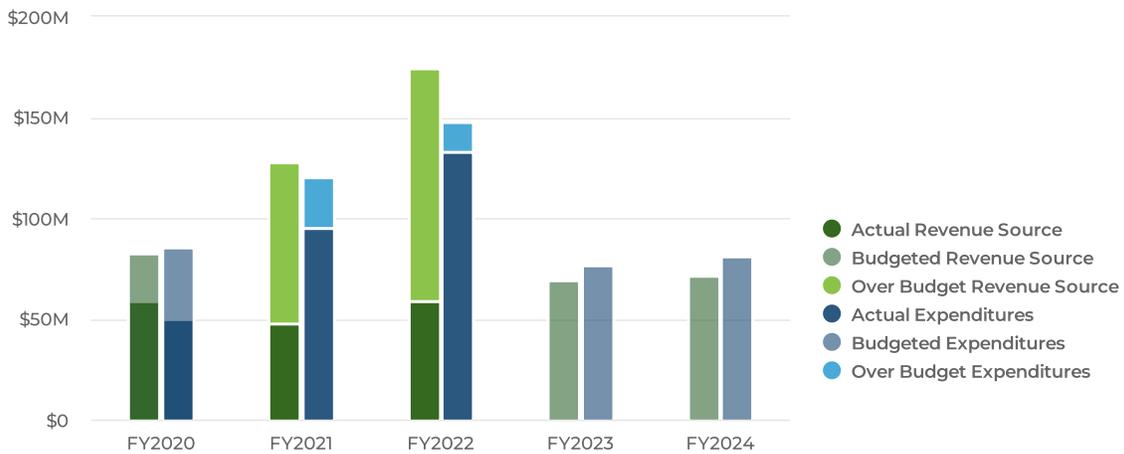
The City of Morro Bay's Citywide revenue budget for FY 2023-24 is approximately \$71.5 million, up 2.5% from the prior year budget.

Net of transfers, the revenue budget is \$45.9 million, which represents a 1% decrease from the prior year, primarily due to no additional receipt of one-time American Rescue Plan Act (ARPA) funds.

The City of Morro Bay's Citywide expenditure budget for FY 2023-24 is \$81.3 million, up 5.1% from the prior year. Net of transfers, the total Citywide Expenditure Budget is \$56.1 million, which represents a 3.5% increase over the prior year budget, primarily due to rising personnel costs and inflation.

The portion of the expenditure budget that is not covered by current-year revenues reflects the use of available fund balances to cover the costs of one-time capital improvement projects in FY 2023-24.

Spikes in Citywide revenues and expenditures in FY 2020-21 and FY 2021-22 are due to activity associated with the Water Reclamation Facility project, including interfund transfers and loan disbursements utilized to fund the project.



Revenue by Fund

The City's largest revenue-generating fund is the **General Fund**, which comprises 27% of the City's revenue for FY 2023-24, a budgeted increase of 7% over FY 2022-23 budgeted revenue levels. This reflects a continued but flattening recovery from the COVID-19 pandemic, a one-time transfer in of American Rescue Act funds (ARPA), new hotels coming online, and anticipated increased earned interest revenue.

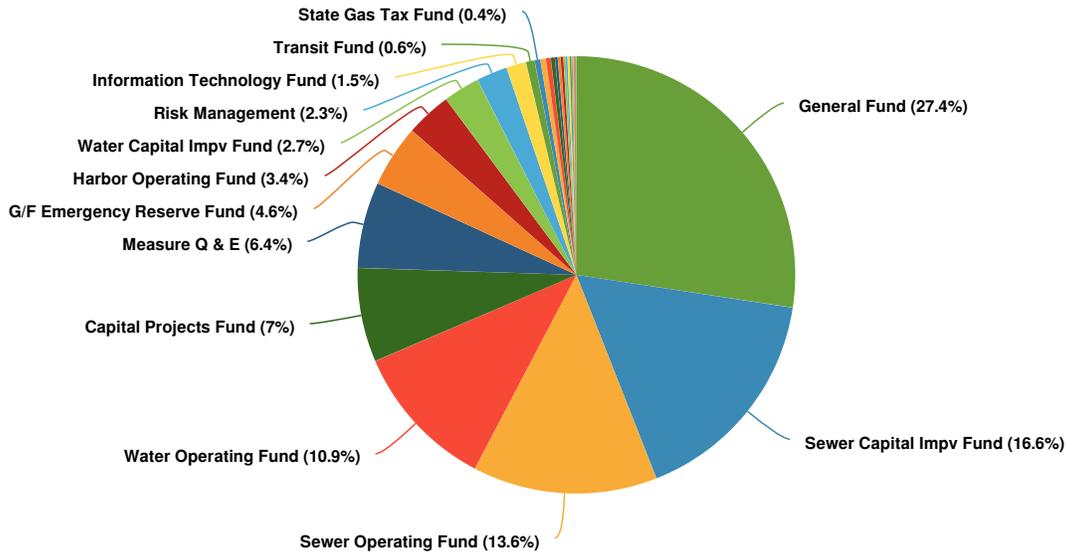
The **Sewer Capital Improvement Fund** revenues represent transfers in from other funds in order to fund Sewer capital projects; these appear in the interfund transfers category under expenditures by type.

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 flat since there is no rate increase budgeted for FY 2023-24.

The **Measure Q & E** fund represents a growing proportion of Citywide revenue, with the 1.5% local sales tax projected to generate over 6% of the City's revenue in FY 2023-24.

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

2024 Revenue by Fund



The spike in FY 2020-21 and FY 2021-22 revenue is due to receipt of loan disbursement proceeds associated with the Water Reclamation Facility (WRF) capital project.

Name	FY2022 Actual	FY2023 Budgeted	FY2023 Projected	FY2024 Budgeted	FY2023 Budgeted vs. FY2024 Budgeted (% Change)
General Fund	\$18,609,703	\$18,353,748	\$19,863,567	\$19,594,556	6.8%
Unfunded Compensable Leave	\$25,000	\$81,000	\$81,000	\$21,500	-73.5%
Gen. Gov. Vehicle Replacement	\$172,018	\$270,000	\$270,000	\$107,000	-60.4%
G/F Emergency Reserve Fund	\$1,859,585	\$1,087,000	\$1,087,000	\$3,292,000	202.9%
G/F Facility Maintenance Fund	\$17,118	\$38,000	\$38,000	\$33,600	-11.6%
Capital Accumulation Fund	\$103,530	\$0	\$0	\$0	0%
Risk Management	\$1,466,014	\$1,593,723	\$1,593,723	\$1,633,491	2.5%
Information Technology Fund	\$722,683	\$860,620	\$845,620	\$1,051,467	22.2%
American Rescue Plan (ARP)	\$1,261,055	\$1,261,055	\$1,261,055	\$0	-100%
State Gas Tax Fund	\$235,838	\$300,362	\$300,362	\$312,987	4.2%
Road Maintenance and Rehab SBI	\$0	\$0	\$0	\$260,000	N/A
Measure Q & E	\$4,710,089	\$4,292,000	\$4,622,700	\$4,550,000	6%
Developer Reimbursement Agreements Fund	\$0	\$0	\$0	\$220,000	N/A
Community Development Grants	\$2,574	\$4,036	\$4,036	\$3,667	-9.1%
CDBG Loan Repayment Fund	\$3,766	\$0	\$0	\$0	0%
Lower Cost Visitor Accom Fund	\$46	\$0	\$0	\$0	0%
Traffic Safety Fund	\$14,617	\$10,000	\$10,000	\$10,000	0%
Special Safety Grants	\$227,908	\$100,000	\$100,000	\$150,000	50%
Parking In-Lieu Fund	\$47,025	\$0	\$0	\$0	0%
Bike Path	\$8,034	\$14,085	\$14,085	\$13,315	-5.5%
LTF Roads	\$6	\$50,000	\$50,000	\$0	-100%
Assessment Districts	\$8,427	\$2,832	\$2,832	\$2,832	0%
North Point Assessment	\$5,645	\$5,645	\$5,645	\$5,645	0%
Cloisters Park Maint AD	\$144,227	\$148,944	\$149,364	\$148,944	0%
Governmental Impact Fees	\$755,263	\$46,750	\$62,750	\$140,946	201.5%
Park Fee Fund	\$1,314	\$0	\$0	\$0	0%
Economic Development Fund	\$117,806	\$117,806	\$117,806	\$117,806	0%
Capital Projects Fund	\$2,832,450	\$3,312,346	\$4,391,707	\$4,982,138	50.4%
State Park Marina	\$115,289	\$95,000	\$95,000	\$95,000	0%
Triangle Lot - Boat Storage Yard	\$48,174	\$46,000	\$46,000	\$49,000	6.5%
Affordable Housing In-Lieu Fund	\$67,301	\$20,000	\$20,000	\$100,000	400%
Transit Fund	\$263,426	\$402,253	\$409,632	\$451,177	12.2%
Transit Capital Impv Fund	\$355,398	\$110,000	\$313,303	\$60,000	-45.5%
Harbor Operating Fund	\$2,829,018	\$2,360,964	\$2,401,860	\$2,410,310	2.1%
Harbor Capital Impv Fund	\$888,604	\$500,000	\$500,000	\$280,000	-44%
Sewer Operating Fund	\$49,310,532	\$11,244,348	\$11,244,348	\$9,753,604	-13.3%
MB/CS Waste Water Fund	\$2,037,151	\$0	\$0	\$0	0%
Sewer Capital Impv Fund	\$56,890,364	\$14,378,784	\$14,401,284	\$11,908,449	-17.2%
Water Operating Fund	\$23,962,983	\$7,704,200	\$7,704,200	\$7,776,837	0.9%
Water Discounts/Rebates	\$61,217	\$80,000	\$60,000	\$60,000	-25%
Water Capital Impv Fund	\$4,402,147	\$919,000	\$1,119,000	\$1,928,489	109.8%
Total:	\$174,583,344	\$69,810,501	\$73,185,879	\$71,524,760	2.5%



Revenues by Source

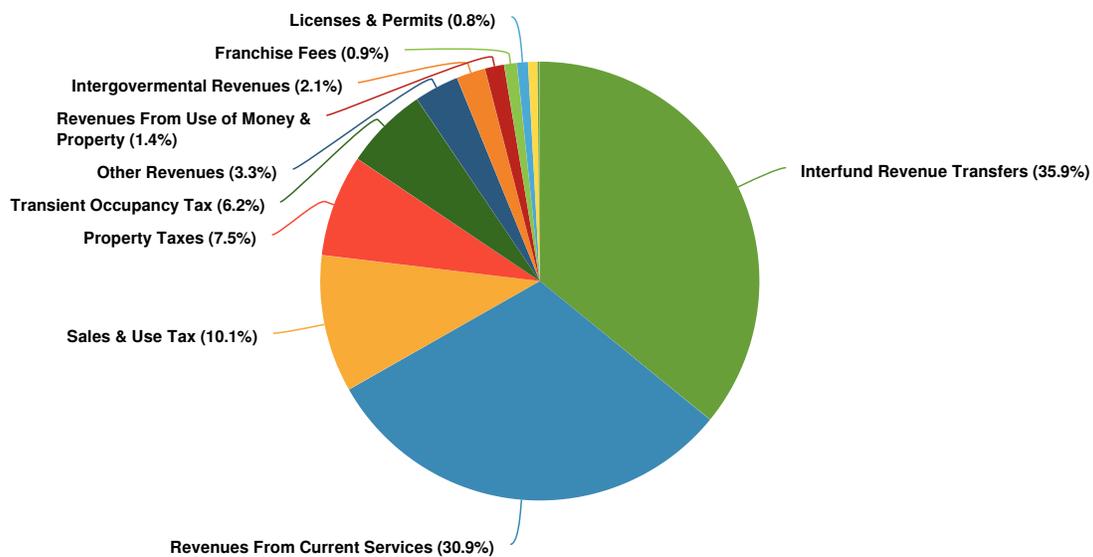
The City receives the largest share of its revenue as payment for the services it provides, including water services, sewer services, lease revenues, planning and permitting fees, and fees for recreation services.

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 \$45.9 million, which represents a 1% decrease from the prior year, primarily due to the no additional receipt of one-time American Rescue Plan Act COVID-19 response funds. .

Projected 2024 Revenues by Source



Total Citywide Revenues Net of Transfers: \$45.9 million.

Name	FY2022 Actual	FY2023 Budgeted	FY2023 Projected	FY2024 Budgeted	FY2023 Budgeted vs. FY2024 Budgeted (% Change)
Revenue Source					
Property Taxes	\$5,138,449	\$5,195,321	\$5,195,321	\$5,372,321	3.4%
Intergovernmental Revenues	\$2,768,847	\$2,651,548	\$3,306,901	\$1,536,072	-42.1%
Sales & Use Tax	\$7,456,527	\$6,982,000	\$7,312,700	\$7,240,000	3.7%
Cannabis City Tax	\$512,944	\$480,000	\$480,000	\$490,000	2.1%
Transient Occupancy Tax	\$4,255,140	\$4,006,000	\$4,300,000	\$4,400,000	9.8%
Franchise Fees	\$641,869	\$623,460	\$623,460	\$674,000	8.1%
Licenses & Permits	\$761,616	\$582,245	\$582,245	\$577,545	-0.8%
Revenues From Current Services	\$25,430,126	\$21,758,563	\$21,992,428	\$22,093,199	1.5%
Fines & Forfeitures	\$101,069	\$108,300	\$108,550	\$119,470	10.3%
Other Revenues	\$2,099,467	\$1,661,817	\$1,737,317	\$2,349,923	41.4%
Revenues From Use of Money & Property	\$971,927	\$600,000	\$600,000	\$1,006,584	67.8%
Interfund Revenue Transfers	\$124,445,364	\$23,426,899	\$25,212,609	\$25,665,646	9.6%
Federal Revenue - Loan	\$0	\$1,734,348	\$1,734,348	\$0	-100%
Total Revenue Source:	\$174,583,344	\$69,810,501	\$73,185,879	\$71,524,760	2.5%



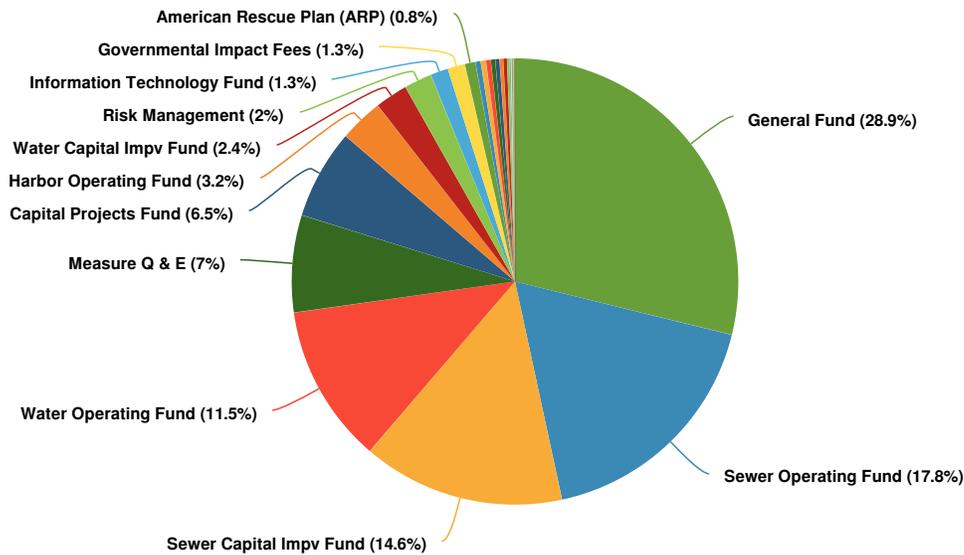
Expenditures by Fund

The City of Morro Bay's Citywide expenditure budget for FY 2023-24 is \$81.5 million, up 5.1% from the prior year. Net of transfers, the total Citywide Expenditure Budget is \$56.1 million, which represents a 3.5% increase over the prior year budget, primarily due to rising personnel costs and inflation. The portion of the expenditure budget that is not covered by current-year revenues reflects the use of available fund balances to cover the costs of one-time capital improvement projects in FY 2023-24.

Each major expenditure and trends are explained in greater detail within each individual fund summary in the budget document. The spike in FY 2020-21 and FY 2021-22 expenditures is due to the Water Reclamation Facility (WRF) capital project. 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.

General Fund expenditures in FY 2023-24 include \$5 million in one-time costs, including one-time transfers to reserve funds, a one-time contribution to address the City's unfunded pension liability, and capital improvement project contributions. These are explained in detail in the General Fund Fund Summary.

2024 Expenditures by Fund



In the spreadsheet below, the FY 2022-23 Amended Budget includes carryforward funds that were budgeted for capital improvement projects in prior years but unspent and carried forward with Council approval at budget adoption. The majority of carryforward funds are associated with the Water Reclamation Facility project.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Budgeted	FY2023 Projected	FY2024 Budgeted	FY2023 Budgeted vs. FY2024 Budgeted (% Change)
General Fund	\$15,838,521	\$20,571,918	\$20,571,918	\$21,857,450	\$23,464,675	14.1%
Gen. Gov. Vehicle Replacement	\$0	\$162,000	\$124,000	\$197,000	\$0	-100%
G/F Emergency Reserve Fund	\$40,547	\$0	\$0	\$1,494,119	\$0	0%
G/F Facility Maintenance Fund	\$38,998	\$38,000	\$38,000	\$38,000	\$33,600	-11.6%
Risk Management	\$2,204,368	\$1,593,723	\$1,593,723	\$1,602,193	\$1,633,491	2.5%
Information Technology Fund	\$708,249	\$910,168	\$910,168	\$877,999	\$1,051,413	15.5%
American Rescue Plan (ARP)	\$469,502	\$1,510,037	\$1,245,000	\$1,427,058	\$624,852	-49.8%
State Gas Tax Fund	\$235,838	\$300,362	\$300,362	\$300,362	\$312,987	4.2%
Road Maintenance and Rehab SBI	\$0	\$0	\$0	\$0	\$260,000	N/A
Measure Q & E	\$4,127,406	\$5,179,167	\$5,179,167	\$5,316,467	\$5,715,712	10.4%
Developer Reimbursement Agreements Fund	\$0	\$0	\$0	\$0	\$220,000	N/A
Community Development Grants	\$2,574	\$4,036	\$4,036	\$4,036	\$3,667	-9.1%
Lower Cost Visitor Accom Fund	\$101	\$0	\$0	\$0	\$0	0%
Traffic Safety Fund	\$14,617	\$10,000	\$10,000	\$10,000	\$10,000	0%
Special Safety Grants	\$92,054	\$187,222	\$187,222	\$187,222	\$242,574	29.6%
Parking In-Lieu Fund	\$41,609	\$90,000	\$90,000	\$45,000	\$45,000	-50%
Bike Path	\$3,500	\$72,423	\$72,423	\$72,423	\$13,000	-82%
LTF Roads	\$70,768	\$52,142	\$52,142	\$52,142	\$0	-100%
North Point Assessment	\$5,062	\$5,645	\$5,645	\$5,645	\$5,645	0%
Cloisters Park Maint AD	\$143,350	\$148,944	\$148,944	\$138,364	\$148,944	0%
Cloisters Park Accumulation	\$5,810	\$0	\$0	\$0	\$0	0%
Governmental Impact Fees	\$72,947	\$30,000	\$30,000	\$30,000	\$1,017,250	3,290.8%
Park Fee Fund	\$69,500	\$0	\$0	\$0	\$0	0%
Community Benefit	\$170,000	\$0	\$0	\$0	\$0	0%
Economic Development Fund	\$351,035	\$215,000	\$215,000	\$170,000	\$215,000	0%
Capital Projects Fund	\$214,249	\$6,956,577	\$3,312,346	\$8,035,938	\$5,290,300	59.7%
Triangle Lot - Boat Storage Yard	\$15,027	\$16,000	\$16,000	\$16,420	\$16,500	3.1%
Affordable Housing In-Lieu Fund	\$150,000	\$5,000	\$5,000	\$5,000	\$55,000	1,000%
Transit Fund	\$252,226	\$283,861	\$283,861	\$362,532	\$311,271	9.7%
Transit Capital Impv Fund	\$50,627	\$861,378	\$110,000	\$188,671	\$60,000	-45.5%
Harbor Operating Fund	\$2,036,489	\$2,276,412	\$2,276,412	\$2,446,493	\$2,572,692	13%
Harbor Capital Impv Fund	\$285,463	\$1,204,537	\$500,000	\$500,000	\$280,000	-44%
Sewer Operating Fund	\$42,353,398	\$15,225,382	\$15,225,382	\$14,993,360	\$14,465,087	-5%
MB/CS Waste Water Fund	\$2,037,151	\$0	\$0	\$0	\$0	0%
Sewer Capital Impv Fund	\$55,220,282	\$33,268,223	\$14,378,784	\$14,371,284	\$11,908,449	-17.2%
Water Operating Fund	\$20,164,988	\$9,482,127	\$9,482,127	\$9,968,468	\$9,353,389	-1.4%
Water Discounts/Rebates	\$74,372	\$76,000	\$76,000	\$76,000	\$73,000	-3.9%
Water Capital Impv Fund	\$529,257	\$4,663,862	\$919,000	\$1,119,000	\$1,928,489	109.8%
Total:	\$148,089,884	\$105,400,146	\$77,362,662	\$85,908,647	\$81,331,986	5.1%



Expenditures by Department

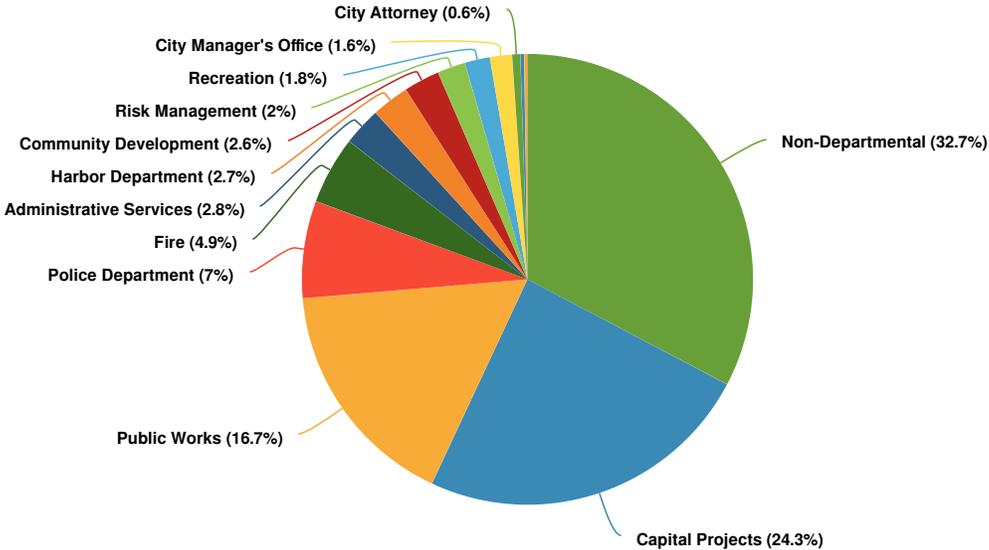
The Citywide budget includes interfund transfers between funds, which appear in the nondepartmental category, as well as capital projects, which represent 31 projects for a total of \$19.5 million in capital budget in FY 2023-24.

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



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Budgeted	FY2023 Projected	FY2024 Budgeted	FY2023 Budgeted vs. FY2024 Budgeted (% Change)
Expenditures						
City Council	\$108,114	\$155,220	\$155,220	\$155,220	\$184,539	18.9%
City Manager's Office	\$890,770	\$1,260,834	\$1,260,834	\$1,410,139	\$1,283,110	1.8%
City Attorney	\$498,343	\$408,174	\$408,174	\$408,174	\$483,231	18.4%
Administrative Services	\$1,573,895	\$2,063,272	\$2,063,272	\$2,001,443	\$2,245,725	8.8%
Federal Grants	\$2,574	\$4,036	\$4,036	\$4,036	\$3,667	-9.1%
Police Department	\$4,313,791	\$5,287,086	\$5,272,107	\$5,433,521	\$5,681,123	7.8%
Fire	\$3,642,867	\$3,983,070	\$3,875,668	\$4,028,970	\$3,953,984	2%
Risk Management	\$1,504,368	\$1,593,723	\$1,593,723	\$1,602,193	\$1,633,491	2.5%
Public Works	\$10,822,811	\$12,570,114	\$12,469,114	\$13,574,469	\$13,567,179	8.8%
Community Development	\$1,421,146	\$1,464,709	\$1,464,709	\$1,492,709	\$2,094,733	43%
Recreation	\$1,217,807	\$1,466,240	\$1,466,240	\$1,466,240	\$1,466,634	0%
Harbor Department	\$1,740,564	\$1,877,136	\$1,832,136	\$2,047,217	\$2,187,370	19.4%
Economic Development	\$124,215	\$215,000	\$215,000	\$170,000	\$215,000	0%
Non-Departmental	\$63,928,741	\$26,096,956	\$26,062,300	\$27,899,423	\$26,604,964	2.1%
Capital Projects	\$56,299,877	\$46,954,577	\$19,220,130	\$24,214,893	\$19,727,238	2.6%
Total Expenditures:	\$148,089,884	\$105,400,146	\$77,362,662	\$85,908,647	\$81,331,986	5.1%



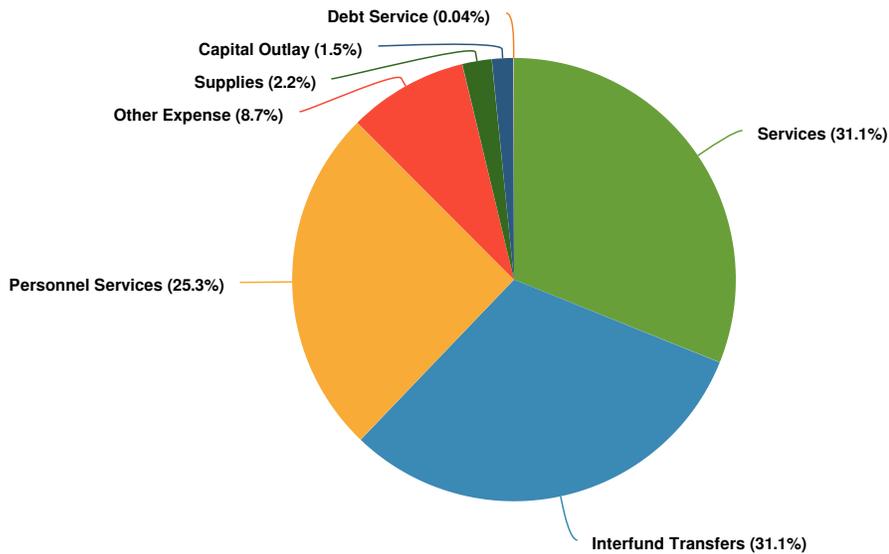
Expenditures by Expense Type

Citywide personnel costs are increasing by 6.5% from the prior year budget due to negotiated cost of living adjustments for employees (4%) and the addition of 1.5 FTEs that were added and approved by Council late in FY 22-23 and 2.5 FTEs that are proposed for FY 23-24.

Nonpersonnel costs are also increasing due to persistent inflation and a robust set of City Council goals and capital needs.

The total Citywide budget includes interfund transfers and capital outlay for the purchase of vehicles, capital equipment, and the cost of capital construction. The chart at the end of this section details each interfund transfer by fund.

Budgeted Expenditures by Expense Type



Total Citywide Expenditure Budget Net of Transfers: \$56.1 million.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Budgeted	FY2023 Projected	FY2024 Budgeted	FY2023 Budgeted vs. FY2024 Budgeted (% Change)
Expense Objects						
Personnel Services	\$15,933,112	\$19,686,562	\$19,360,224	\$19,839,107	\$20,616,267	6.5%
Supplies	\$1,476,395	\$1,586,341	\$1,578,341	\$1,876,931	\$1,751,297	11%
Other Expense	\$2,052,917	\$12,629,145	\$279,361	\$229,361	\$7,114,657	2,446.8%
Services	\$34,581,249	\$27,305,826	\$18,023,934	\$23,002,106	\$25,296,952	40.4%
Capital Outlay	\$30,675,855	\$19,788,254	\$13,716,784	\$14,525,077	\$1,258,000	-90.8%
Debt Service	\$64,933	\$1,169,169	\$1,169,169	\$1,234,169	\$35,190	-97%
Interfund Transfers	\$63,305,422	\$23,234,850	\$23,234,850	\$25,201,897	\$25,259,623	8.7%
Total Expense Objects:	\$148,089,884	\$105,400,146	\$77,362,662	\$85,908,647	\$81,331,986	5.1%

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. Staff has made efforts to consolidate funds where legally possible and will continue to evaluate such options going forward.

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:

- Capital Improvement Project contributions
- Emergency Reserve Contributions
- 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
- 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 FY 2023-24.

Note: The difference in Total Transfers In (Revenue) and Total Transfers Out (Expenditures) is due to the Utility Discount Program. The program is funded by penalties paid by ratepayers. In 2023-24, penalties are projected at \$60,000 and the cost of the Utility Discount Program is projected at \$67,000. The additional \$7,000 will come from the prior year fund balance.

Transfers In (Revenue)

Transfers In (Revenue) to the Funds Listed			
<i>Capital Improvement Funds Revenue Transfers In</i>			
Water CIP Fund	921-7710-3802	Transfers in from Water Operating Fund-Transfer from Enterprise	\$1,928,489
Harbor CIP Fund	923-8351-3802	From Harbor Operation for Capital Projects-Intrafund Revenue Transfers	\$280,000
Sewer CIP Fund	922-7710-3802	Other Sewer CIPs-Intrafund Revenue Transfers	\$1,687,000
Sewer CIP Fund	922-7710-3860	WRF Project-Transfer from Enterprise Funds (Water and Sewer)	\$6,829,937
Sewer CIP Fund	922-9928-3860	Main St. Atascadero Sewer Main-Transfer from Sewer Operating Fund	\$3,391,512
General CIP Fund	915-7710-3801	General CIPs-Transfers In from Water/Sewer/General Fund/Measure E	\$1,608,838
General CIP Fund	915-7710-3820	General CIPs-Transfers From Impact Fees/Bike Path Fund-Special Revenue	\$432,300
General CIP Fund	915-9508-3880	Transfer from Trust and Agency Fund (PEG Fees) for Vets Hall Project	\$89,973
General CIP Fund	915-9508-3810	Transfer from General Fund for Vets Hall Project	\$185,027
General CIP Fund	915-9614-3820	Transfer from Measure E for Annual Pavement Management Program contribution	\$1,840,000
General CIP Fund	915-8229-3801	Transfer from Impact Fee Fund/Trust and Agency for Hwy 1/Hwy 41 Project contribution	\$826,000
<i>Cost Allocation, IT and Risk Fund Contributions</i>			
Risk Management Fund	430-7710-3801	Personnel Cost Contributions Transfers In	\$91,001
IT Fund	450-7710-3801	IT Fund Transfers In for Services	\$971,467
General Fund	001-7710-3860	Cost Allocation Plan-Transfer In From Funds	\$1,110,763
<i>Highway User Tax Revenue/General Services from ARPA</i>			
General Fund	001-7710-3820	Highway User Tax (HUTA) Transfer From Special Rev.	\$312,987
General Fund	001-7710-3820	Transfer from ARPA Fund for unspent revenue	\$599,852
General Govt Vehicle Replacement Fund	050-7710-3802	Transfer in from General Fund	\$107,000
Gen. Govt. Compensable Leave Fund	005-7710-3801	Transfer In from General Fund	\$21,500
GF Emergency Reserve	051-7710-3801	Emergency Reserve Contribution from General Fund-Transfers In	\$3,292,000
Utility Discount Fund	315-7710-3801	Transfer In for Water Discount Rebate Program-penalties from water operating fund	\$60,000
Total Source of Funds			\$25,665,646



Transfers Out (Expenditures)

Transfers Out (Expenditures) from the Funds Listed			
<i>Fund Name</i>	<i>Account Number</i>	<i>Transfer Description</i>	<i>Amount</i>
<i>Capital Improvement Funding Contributions</i>			
General Fund	001-7710-8540	Transfer to General Capital Improvement Fund	\$1,106,865
Measure E	003-7710-8540	Pavement Management CIP-Transfer to General Capital Improvement Fund	\$1,840,000
Measure E	003-7710-8540	All other CIPs-Transfer to General Capital Improvement Fund	\$427,000
Road Maintenance and Rehab SBI	260-9614-8540	Transfer to General Capital Fund for Annual Pavement Management Project	\$260,000
Bike Path Fund	302-5262-8501	Active Transportation Plan-transfer to General Capital Improvement Fund	\$13,000
Sewer Operating Fund	321-7710-8540	Sewer CIPs-Transfer to Sewer Capital Improvement Fund	\$9,764,468
Harbor Operating Fund	331-7710-8540	Harbor Capital Projects-Transfer To Harbor Capital Improvement Fund	\$280,000
Water Operating Fund	311-7710-8540	Water CIP Projects-Transfer to Water Capital Improvements Fund	\$1,928,489
Water Operating Fund	311-7710-8501	Water Fund Contribution to WRF Project-Transfer to Sewer Capital Improvements Fund	\$2,048,981
Gov't Impact Fee Fund	900-7710-8501	Hwy 1/SR 1 Intersection CIP-Transfer to General Capital Improvement Fund	\$597,950
Gov't Impact Fee Fund	900-7710-8501	Police Annex Parking Lot CIP-Transfer to General Capital Improvement Fund	\$47,000
Gov't Impact Fee Fund	900-7710-8501	Bonita Fire Station CIP-Transfer to General Capital Improvement Fund	\$80,000
Gov't Impact Fee Fund	900-7710-8501	Coleman Park Project-Transfer to General Capital Improvement Fund	\$292,300
<i>Cost Allocation, IT and Risk Fund Contributions/General Services Contributions</i>			
General Fund	001-7710-8580	Risk Fund Personnel Contribution	\$73,133
General Fund	001-7710-8580	Information Technology Fund Contribution	\$652,718
Measure E	003-7710-8501	Information Technology Fund Contribution	\$92,234
ARPA Fund	019-7710-8501	General Fund Services Contributions-Transfers Out	\$599,852
Water Operating Fund	311-7710-8580	Risk Fund Contribution	\$8,484
Water Operating Fund	311-7710-8580	Information Technology Fund Contribution	\$73,217
Water Operating Fund	311-7710-8510	Cost Allocation Plan Contribution-Transfer To General Fund	\$379,510
Sewer Operating Fund	321-7710-8580	Risk Fund Contribution	\$6,059
Sewer Operating Fund	321-7710-8580	Information Technology Fund Contribution	\$100,004
Sewer Operating Fund	321-7710-8510	Cost Allocation Plan Contribution-Transfer to General Fund	\$340,770
Harbor Operating Fund	331-7710-8580	Information Technology Fund Contribution	\$47,151
Harbor Operating Fund	331-7710-8510	Risk Fund Contribution	\$3,325
Harbor Operating Fund	331-7710-8510	Cost Allocation Plan Contribution-Transfer to General Fund	\$346,676
North Point Assessments District (AD)	565-7710-8501	Information Technology Fund Contribution	\$211
North Point Assessments District (AD)	565-7710-8501	Cost Allocation Plan Contribution-Transfer to General Fund	\$787
Transit Operating Fund	301-7710-8510	Cost Allocation Plan Contribution-Transfer to General Fund	\$20,868
Cloisters Park Assessment District (AD)	570-7710-8510	Cost Allocation Plan Contribution-Transfer To General Fund	\$22,152
Cloisters Park Assessment District (AD)	570-7710-8501	Information Technology Fund Contribution	\$5,932
<i>Vehicle Replacement/Compensable Leave/GF Emergency Reserve</i>			
General Fund	001-7710-8510	General Fund Vehicle Replacement Fund transfer out	\$107,000
General Fund	001-7710-8510	Compensable Leave Fund transfer out	\$21,500
General Fund	001-7710-8510	General Fund Emergency Reserve Fund contribution	\$3,292,000
State Gas Tax Fund	250-7710-8510	Highway User Tax (HUTA) Revenue Transfer To General Fund	\$312,987
Utility Discount Fund	315-7710-8501	Transfer Out for Water Discount/Rebate Program	\$67,000
Total Use of Funds			\$25,259,623





Citywide Operating Budget Summary - All Funds

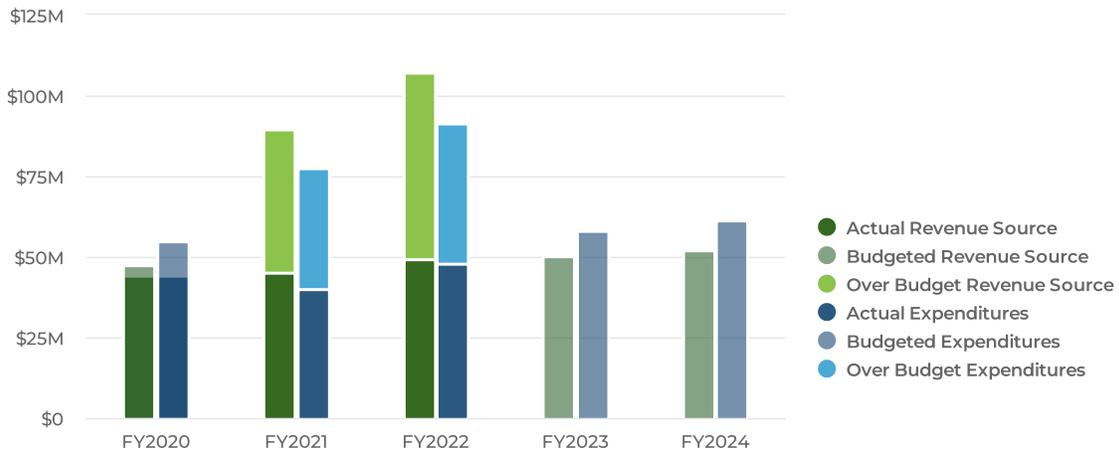
This Citywide budget summary presents data for all funds, including the operating budget component of the budget, not the capital improvement portion of the budget.

Summary

The City of Morro Bay's budgeted operating revenues are \$52.1 million in FY2023-24. Net of transfers in from other funds, the operating revenue budget is \$45.5 million, which represents a 1.9% decrease from the prior year, primarily due to no additional receipt of one-time American Rescue Plan Act (ARPA) funds.

Budgeted operating expenditures are \$61.7 million in FY2023-24. Net of transfers out to other funds, the operating expenditure budget is \$36.6 million, up 4.9% from the prior year's budget.

Spikes in Citywide revenues and expenditures in FY 2020-21 and FY 2021-22 are due to activity associated with the Water Reclamation Facility project, including interfund transfers from operating funds to capital funds, and loan disbursements utilized to fund the project.



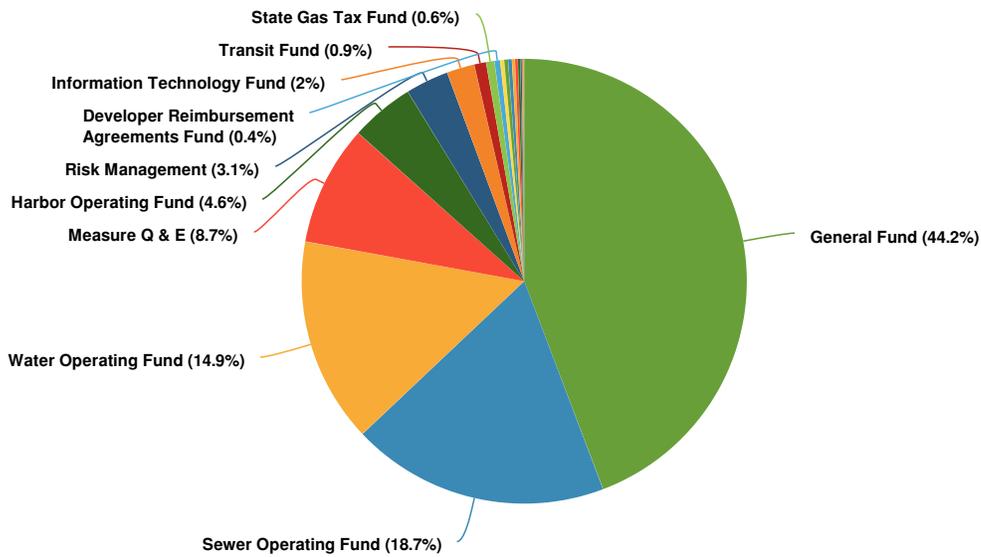
Revenue by Fund

The City of Morro Bay's budgeted operating revenues are \$52.1 million in FY2023-24, up 3% from the prior year budget. Net of transfers, the operating revenue budget is \$45.5 million, which represents a 1% decrease from the prior year, primarily due to no additional receipt of one-time American Rescue Plan Act (ARPA) funds.

The General Fund and Measure Q&E combined comprise over half of the City's operating revenue, and the Water and Sewer operating funds comprise another third of the City's revenue, with several smaller funds comprising the remainder. Each fund's revenue, and trend analysis for major revenue sources, is presented within each individual fund summary in the budget document.

The spike in FY 2020-21 and FY 2021-22 revenue is due to receipt of loan disbursement proceeds associated with the Water Reclamation Facility (WRF) capital project.

2024 Revenue by Fund



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Budgeted	FY2023 Projected	FY2024 Budgeted	FY2023 Budgeted vs. FY2024 Budgeted (% Change)
General Fund						
General Fund	\$18,609,703	\$18,353,748	\$18,353,748	\$19,863,567	\$19,594,556	6.8%
Unfunded Compensable Leave	\$25,000	\$81,000	\$81,000	\$81,000	\$21,500	-73.5%
Gen. Gov. Vehicle Replacement	\$172,018	\$270,000	\$270,000	\$270,000	\$107,000	-60.4%
G/F Emergency Reserve Fund	\$1,859,585	\$1,087,000	\$1,087,000	\$1,087,000	\$3,292,000	202.9%
G/F Facility Maintenance Fund	\$17,118	\$38,000	\$38,000	\$38,000	\$33,600	-11.6%
Capital Accumulation Fund	\$103,530	\$0	\$0	\$0	\$0	0%
Total General Fund:	\$20,786,954	\$19,829,748	\$19,829,748	\$21,339,567	\$23,048,656	16.2%
Risk Management	\$1,466,014	\$1,593,723	\$1,593,723	\$1,593,723	\$1,633,491	2.5%
Information Technology Fund	\$722,683	\$860,620	\$860,620	\$845,620	\$1,051,467	22.2%



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Budgeted	FY2023 Projected	FY2024 Budgeted	FY2023 Budgeted vs. FY2024 Budgeted (% Change)
American Rescue Plan (ARP)	\$1,261,055	\$1,261,055	\$1,261,055	\$1,261,055	\$0	-100%
State Gas Tax Fund	\$235,838	\$300,362	\$300,362	\$300,362	\$312,987	4.2%
Measure Q & E	\$4,710,089	\$4,292,000	\$4,292,000	\$4,622,700	\$4,550,000	6%
Developer Reimbursement Agreements Fund	\$0	\$0	\$0	\$0	\$220,000	N/A
Community Development Grants	\$2,574	\$4,036	\$4,036	\$4,036	\$3,667	-9.1%
CDBG Loan Repayment Fund	\$3,766	\$0	\$0	\$0	\$0	0%
Lower Cost Visitor Accom Fund	\$46	\$0	\$0	\$0	\$0	0%
Traffic Safety Fund	\$14,617	\$10,000	\$10,000	\$10,000	\$10,000	0%
Special Safety Grants	\$227,908	\$100,000	\$100,000	\$100,000	\$150,000	50%
Parking In-Lieu Fund	\$47,025	\$0	\$0	\$0	\$0	0%
Bike Path	\$8,034	\$14,085	\$14,085	\$14,085	\$13,315	-5.5%
LTF Roads	\$6	\$50,000	\$50,000	\$50,000	\$0	-100%
Assessment Districts	\$8,427	\$2,832	\$2,832	\$2,832	\$2,832	0%
North Point Assessment	\$5,645	\$5,645	\$5,645	\$5,645	\$5,645	0%
Cloisters Park Maint AD	\$144,227	\$148,944	\$148,944	\$149,364	\$148,944	0%
Governmental Impact Fees	\$755,263	\$46,750	\$46,750	\$62,750	\$140,946	201.5%
Park Fee Fund	\$1,314	\$0	\$0	\$0	\$0	0%
Economic Development Fund	\$117,806	\$117,806	\$117,806	\$117,806	\$117,806	0%
State Park Marina	\$115,289	\$95,000	\$95,000	\$95,000	\$95,000	0%
Triangle Lot - Boat Storage Yard	\$48,174	\$46,000	\$46,000	\$46,000	\$49,000	6.5%
Affordable Housing In-Lieu Fund	\$67,301	\$20,000	\$20,000	\$20,000	\$100,000	400%
Transit Fund	\$263,426	\$402,253	\$402,253	\$409,632	\$451,177	12.2%
Harbor Operating Fund	\$2,829,018	\$2,360,964	\$2,360,964	\$2,401,860	\$2,410,310	2.1%
Sewer Operating Fund	\$49,310,532	\$11,244,348	\$11,244,348	\$11,244,348	\$9,753,604	-13.3%
Sewer Accumulation Fund	\$141,487	\$0	\$0	\$0	\$0	0%
Water Operating Fund	\$23,962,983	\$7,704,200	\$7,704,200	\$7,704,200	\$7,776,837	0.9%
Water Discounts/Rebates	\$61,217	\$80,000	\$80,000	\$60,000	\$60,000	-25%
Total:	\$107,318,717	\$50,590,371	\$50,590,371	\$52,460,585	\$52,105,684	3%



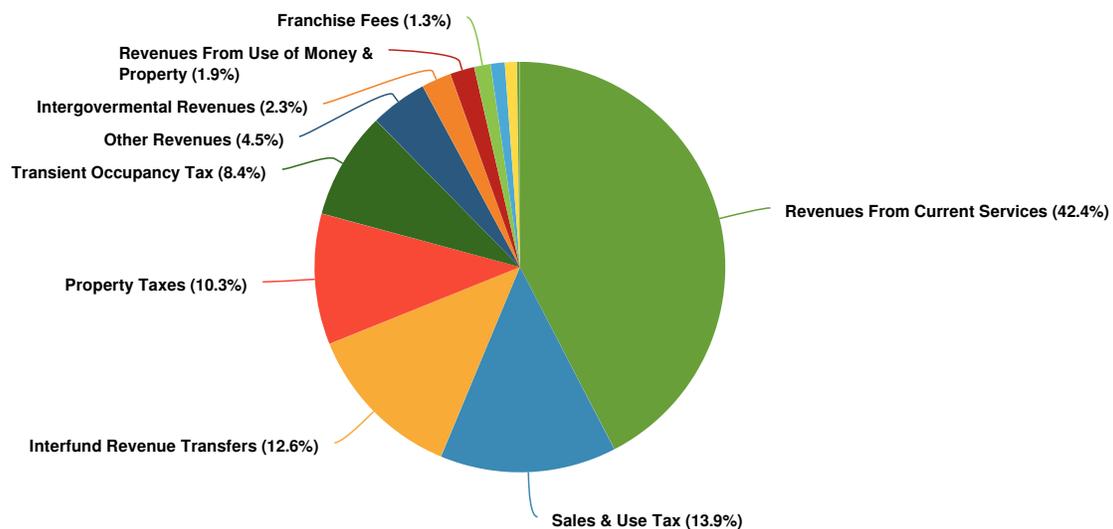
Revenues by Source

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.

Projected 2024 Revenues by Source



Total Citywide Operating Revenues Net of Transfers: \$45.5 million.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Budgeted	FY2023 Projected	FY2024 Budgeted	FY2023 Budgeted vs. FY2024 Budgeted (% Change)
Revenue Source						
Property Taxes	\$5,138,449	\$5,195,321	\$5,195,321	\$5,195,321	\$5,372,321	3.4%
Intergovernmental Revenues	\$2,395,605	\$2,321,467	\$2,321,467	\$2,328,846	\$1,216,072	-47.6%
Sales & Use Tax	\$7,456,527	\$6,982,000	\$6,982,000	\$7,312,700	\$7,240,000	3.7%
Cannabis City Tax	\$512,944	\$480,000	\$480,000	\$480,000	\$490,000	2.1%
Transient Occupancy Tax	\$4,255,140	\$4,006,000	\$4,006,000	\$4,300,000	\$4,400,000	9.8%
Franchise Fees	\$641,869	\$623,460	\$623,460	\$623,460	\$674,000	8.1%
Licenses & Permits	\$761,616	\$582,245	\$582,245	\$582,245	\$577,545	-0.8%
Revenues From Current Services	\$23,514,603	\$21,758,563	\$21,758,563	\$21,992,428	\$22,093,199	1.5%
Fines & Forfeitures	\$101,069	\$108,300	\$108,300	\$108,550	\$119,470	10.3%



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Budgeted	FY2023 Projected	FY2024 Budgeted	FY2023 Budgeted vs. FY2024 Budgeted (% Change)
Other Revenues	\$1,864,979	\$1,661,817	\$1,661,817	\$1,737,317	\$2,349,923	41.4%
Revenues From Use of Money & Property	\$971,927	\$600,000	\$600,000	\$600,000	\$1,006,584	67.8%
Interfund Revenue Transfers	\$59,703,990	\$4,536,850	\$4,536,850	\$5,465,370	\$6,566,570	44.7%
Federal Revenue - Loan	\$0	\$1,734,348	\$1,734,348	\$1,734,348	\$0	-100%
Total Revenue Source:	\$107,318,717	\$50,590,371	\$50,590,371	\$52,460,585	\$52,105,684	3%



Expenditures by Department

Budgeted operating expenditures are \$61.7 million in FY2023-24. Net of transfers out to other funds, the operating expenditure budget is **\$36.6 million**, up 4.9% 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. The spike in FY 2020-21 and FY 21-22 expenditures is due to receipt of loan disbursement proceeds associated with the Water Reclamation Facility (WRF) capital project. 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.

General Fund expenditures in FY 2023-24 include \$5 million in one-time costs, including one-time transfers to reserve funds, a one-time contribution to address the City's unfunded pension liability, and capital improvement project contributions. These are explained in detail in the General Fund Fund Summary.

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.

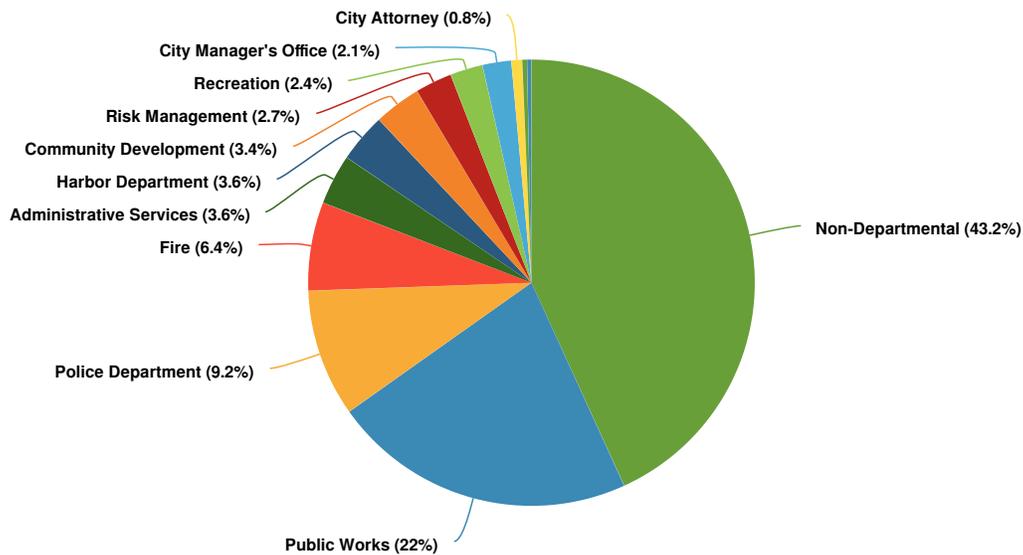
Public Works is the largest Department both in terms of number of staff positions and expenditures, which includes all water and sewer service operating costs. Police has the second highest budget, followed by Fire.

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.

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

Budgeted Expenditures by Department



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Budgeted	FY2023 Projected	FY2023 Budgeted vs. FY2024 Budgeted (% Change)
Expenditures					
City Council	\$108,114	\$155,220	\$155,220	\$155,220	18.9%
City Manager's Office	\$890,770	\$1,260,834	\$1,260,834	\$1,410,139	1.8%
City Attorney	\$498,343	\$408,174	\$408,174	\$408,174	18.4%
Administrative Services	\$1,573,895	\$2,063,272	\$2,063,272	\$2,001,443	8.8%
Federal Grants	\$2,574	\$4,036	\$4,036	\$4,036	-9.1%
Police Department	\$4,313,791	\$5,287,086	\$5,272,107	\$5,433,521	7.8%
Fire	\$3,642,867	\$3,983,070	\$3,875,668	\$4,028,970	2%
Risk Management	\$1,504,368	\$1,593,723	\$1,593,723	\$1,602,193	2.5%
Public Works	\$8,977,709	\$12,570,114	\$12,469,114	\$13,574,469	8.8%
Community Development	\$1,421,146	\$1,464,709	\$1,464,709	\$1,492,709	43%
Recreation	\$1,217,807	\$1,466,240	\$1,466,240	\$1,466,240	0%
Harbor Department	\$1,740,564	\$1,877,136	\$1,832,136	\$2,047,217	19.4%
Economic Development	\$124,215	\$215,000	\$215,000	\$170,000	0%
Non-Departmental	\$65,454,484	\$26,096,956	\$26,062,300	\$27,899,423	2.1%
Total Expenditures:	\$91,470,647	\$58,445,569	\$58,142,532	\$61,693,754	6%



Expenditures by Expense Type

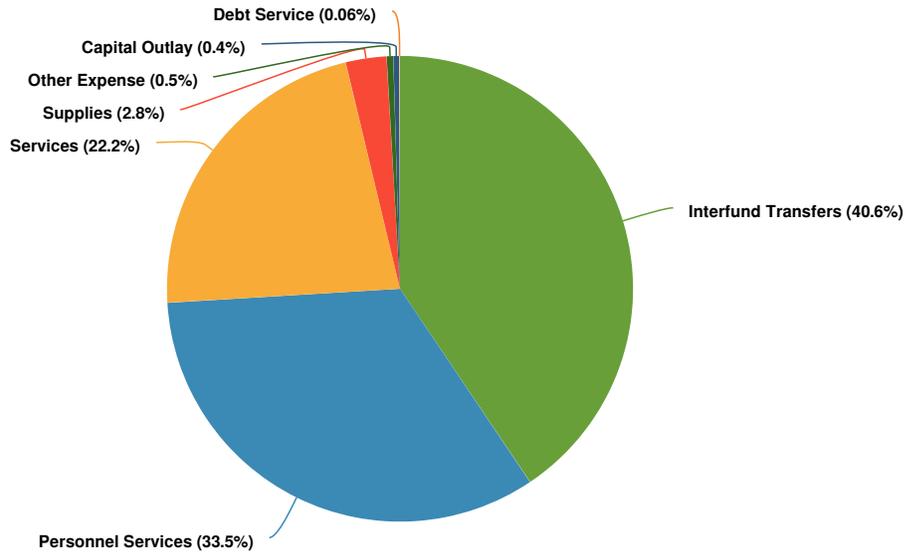
Citywide personnel costs are increasing by 6.5% from the prior year budget due to negotiated cost of living adjustments for employees (4%) and the addition of 1.5 FTEs that were added and approved by Council late in FY 22-3 and 2.5 FTEs that are proposed for FY 23-24.

Nonpersonnel costs are also increasing due to persistent inflation and a robust set of City Council goals and capital needs.

Capital outlay in the operating budget represents vehicle purchases. The chart at the end of this section details each interfund transfer by fund.

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

Budgeted Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Budgeted	FY2023 Projected	FY2024 Budgeted	FY2023 Budgeted vs. FY2024 Budgeted (% Change)
Expense Objects						
Personnel Services	\$14,763,400	\$19,360,224	\$19,360,224	\$19,653,979	\$20,616,267	6.5%
Supplies	\$1,023,048	\$1,586,341	\$1,578,341	\$1,876,931	\$1,751,297	11%
Other Expense	\$2,249,429	\$279,361	\$279,361	\$229,361	\$284,720	1.9%
Services	\$8,435,428	\$12,141,588	\$12,121,588	\$12,626,507	\$13,677,651	12.8%
Capital Outlay	\$246,724	\$674,037	\$399,000	\$870,911	\$240,000	-39.8%
Debt Service	\$117,963	\$1,169,169	\$1,169,169	\$1,234,169	\$35,190	-97%
Interfund Transfers	\$64,634,654	\$23,234,850	\$23,234,850	\$25,201,897	\$24,999,623	7.6%
Total Expense Objects:	\$91,470,647	\$58,445,569	\$58,142,532	\$61,693,754	\$61,604,748	6%



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

- 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)

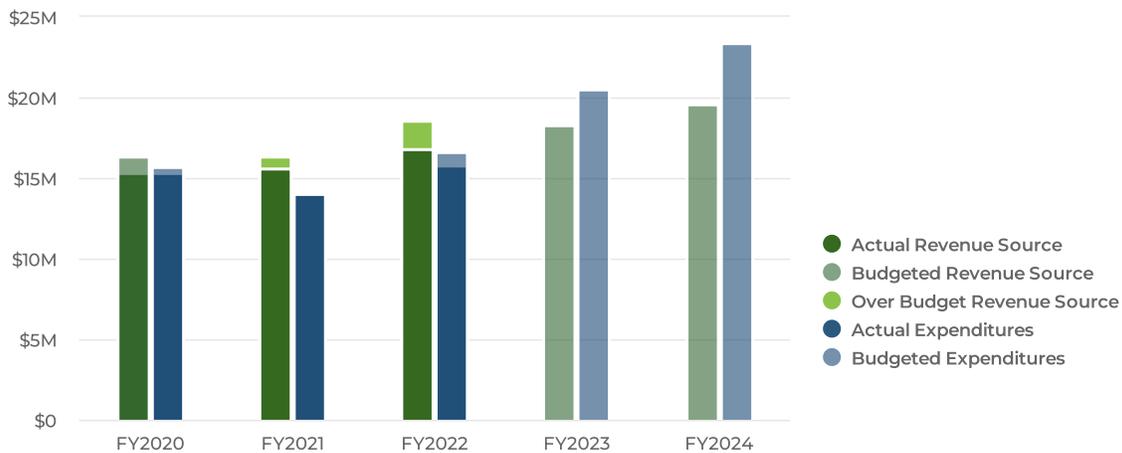
The City's General Fund is the City's primary unrestricted source of funds and its primary and largest operating budget fund. This fund is used to record all resource inflows and outflows that are not associated with special-purpose funds or ratepayer funds. The activities being paid for through the 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 \$19.6 million of revenue in FY 2023-24, which represents a 7% increase over the prior year. Budgeted expenditures are projected to increase by 14% to \$23.5 million in FY 2023-24, including transfers and one-time expenditures. The expenditure budget net one-time expenditures is \$18.1 million, an increase of 8% from the FY 2022-23 Amended Budget (net of one-time expenditures).

As outlined below, approximately \$5.4 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. Of that, \$4.3 million is one-time transfers to build reserve balances consistent with the Council-approved City Reserve polices: \$3.3 million to the General Fund Emergency Reserve Fund, \$0.9 million to the pension trust fund, \$0.1 million to the General Fund Vehicle Replacement Fund, and \$0.02 million to the General Fund Compensable Leave Fund. The remaining \$1.1 million represents the General Fund's investment in capital improvements, more than double what was invested last year.

Ongoing General Fund revenues, net of the one-time American Rescue Plan Act Funds, are approximately \$19 million, resulting in a projected operating surplus of approximately \$0.9 million. This projected operating surplus will help maintain stability in the General Fund should a mild recession occur. The General Fund's strong reserve levels will protect the City's ability to continue to deliver core services in the event of a more severe or prolonged recession, and in the fact of storm recovery efforts.



Revenues by Source

FY 2023-24 General Fund revenues and fund transfers are estimated to increase by 7% from the FY 2022-23 amended budget. This reflects a continued but flattening recovery from the COVID-19 pandemic, a one-time transfer in of American Rescue Act funds (ARPA), new hotels coming online, and anticipated increased earned interest revenue. 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. The primary sources of revenue for the General Fund are projected as follows:

Property Taxes - San Luis Obispo County Auditor-Controller provides property tax revenue estimates. Revenues are estimated at approximately \$5.2 million, up 3.5% from the prior year budget.

Transient Occupancy Tax (TOT) - Visit Morro Bay provides TOT revenue estimates. Revenues are estimated at approximately \$4.4 million, up 10% from the prior year budget. The increase is related to new hotel rooms coming on line, rather than to revenue growth in existing rooms/vacation rentals. TOT has actually been decreasing during the winter of FY 22-23. Staff will monitor TOT revenues closely and adjust as needed.

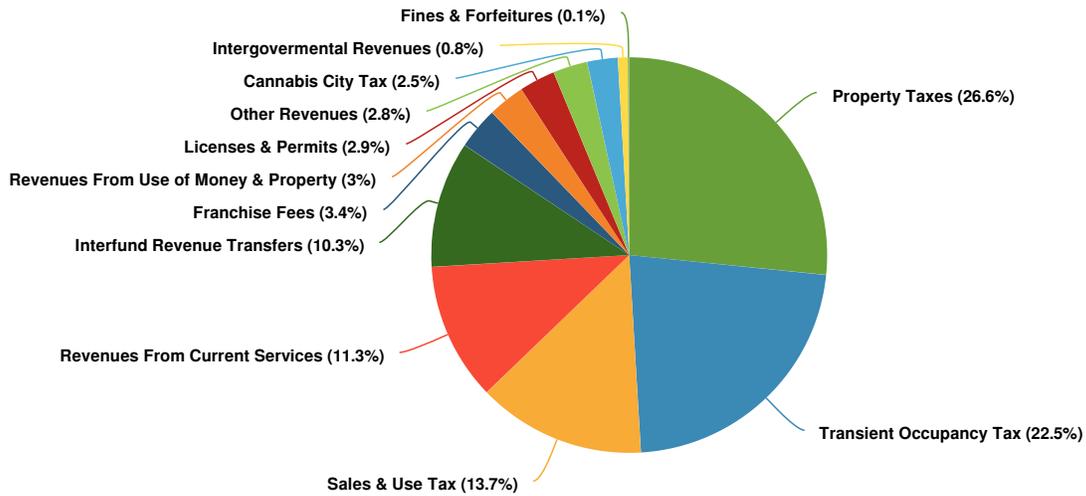
Sales Tax - HdL, the City's sales tax consultant, provided sales tax revenue estimates. Revenues are estimated at approximately \$2.7 million, flat from the prior year budget, representing the flattening of sales tax revenues projected by HdL. The budgeted amount is equal to 95% of HdL's forecasted amount, in case slowing growth happens more quickly or significantly than anticipated. In out years, HdL expects that growth to return to baseline levels of growth at 2-3%.

Interfund Revenue Transfers - This budget declined slightly due to a reduced, final-year transfer in of American Rescue Plan Act (ARPA) funds, which will be used to offset pandemic-era revenue losses and continue to provide core government services. Next year, absent that approximately \$0.6 million transfer in, interfund revenue transfers will only represent cost allocation plan contributions for internal services and Highway User Tax funds.

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 will increase somewhat in FY 2023-24, resulting in estimated Revenues from Current Services of \$2.2 million, up 7% from the prior year's budget. Many of these revenue sources will increase by the Consumer Price Index as guided by the City's Master Fee Schedule, which is increasing approximately 5% in FY 23-24.

Revenues from Use of Money and Property - While this represents a small portion of General Fund revenues, it is increasing by a higher percentage than other categories due to the City's increased interest earnings on cash investments given the current higher interest rates.

Projected 2024 Revenues by Source



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Revenue Source					
Property Taxes	\$4,981,027	\$5,037,900	\$5,037,900	\$5,214,900	3.5%
Intergovernmental Revenues	\$97,661	\$108,970	\$108,970	\$158,120	45.1%
Sales & Use Tax	\$2,753,611	\$2,690,000	\$2,690,000	\$2,690,000	0%
Cannabis City Tax	\$512,944	\$480,000	\$480,000	\$490,000	2.1%
Transient Occupancy Tax	\$4,255,140	\$4,006,000	\$4,300,000	\$4,400,000	9.8%
Franchise Fees	\$641,869	\$623,460	\$623,460	\$674,000	8.1%
Licenses & Permits	\$761,616	\$582,245	\$582,245	\$577,545	-0.8%
Revenues From Current Services	\$2,434,859	\$2,054,049	\$2,250,768	\$2,205,443	7.4%
Fines & Forfeitures	\$22,062	\$10,300	\$10,300	\$21,270	106.5%
Other Revenues	\$330,052	\$162,960	\$238,960	\$551,933	238.7%
Revenues From Use of Money & Property	\$593,997	\$496,000	\$496,000	\$587,743	18.5%
Interfund Revenue Transfers	\$1,224,866	\$2,101,864	\$3,044,964	\$2,023,602	-3.7%
Total Revenue Source:	\$18,609,703	\$18,353,748	\$19,863,567	\$19,594,556	6.8%



Expenditures by Fund

The total **General Fund budget for FY 2023-24 is approximately \$23.5 million**, up 14% from the prior year budget. However, this does not represent such a significant level of ongoing increases in cost.

Approximately **\$4.3 million** of the expenditure budget is for one-time transfers to **reserve funds** as follows:

- \$3.3 million 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)
- \$0.1 million 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)
- \$0.02 million 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)
- \$0.9 million 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)

In addition, **\$1.1 million** is being contributed to **capital improvement projects** via a transfer to the General Government CIP Fund (915). This investment in capital improvements is more than double what was invested last year.

Net of all interfund transfers and one-time expenditures, the FY 2022-23 General Fund ongoing **operating budget is approximately \$18.1 million**, an increase of 8% from the FY 2022-23 Amended budget (net of one-time expenditures).

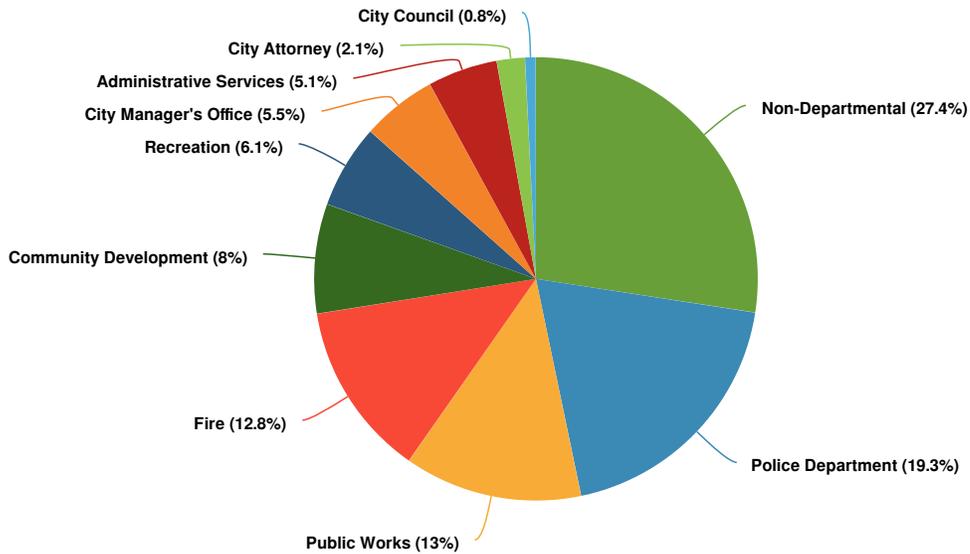
Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
General Fund	\$15,838,521	\$20,571,918	\$21,857,450	\$23,464,675	14.1%
Total General Fund:	\$15,838,521	\$20,571,918	\$21,857,450	\$23,464,675	14.1%

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 2023-24 is the increase in the non-departmental category associated with the one-time expenditures outlined above. Departmental budgets and operations are explained in much greater detail in the "Departments" section of the budget, which includes org charts, work plans, performance metrics, and more detailed budget informatoin for each department.

Budgeted Expenditures by Department



The table below indicates the percentage change from the FY 2022-23 Budget to the FY 2023-24 budget. Highlights for anomalous changes are below, with much greater detail on all departmental budgets in the "Departments" section of the budget document.

- City Council - full year of increased stipends and health insurance costs.
- City Attorney - increased one-time budget for specific projects and labor negotiations.
- Community Development - increased contract services to include significant grant-funded and reimbursable expenses.
- The Non-Departmental budget increased significantly due to the one-time transfers outlined in the section below.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expenditures					
City Council	\$108,114	\$155,220	\$155,220	\$184,539	18.9%
City Manager's Office	\$890,770	\$1,260,834	\$1,410,139	\$1,283,110	1.8%
City Attorney	\$498,343	\$408,174	\$408,174	\$483,231	18.4%
Administrative Services	\$865,646	\$1,153,104	\$1,123,444	\$1,194,312	3.6%
Police Department	\$3,582,230	\$4,156,363	\$4,249,677	\$4,531,070	9%
Fire	\$2,764,102	\$2,941,340	\$2,952,240	\$3,001,545	2%
Public Works	\$2,607,967	\$2,843,293	\$3,866,546	\$3,041,045	7%



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Community Development	\$1,401,346	\$1,464,709	\$1,492,709	\$1,874,733	28%
Recreation	\$1,210,309	\$1,428,240	\$1,428,240	\$1,433,034	0.3%
Non-Departmental	\$1,909,695	\$4,760,642	\$4,771,062	\$6,438,057	35.2%
Total Expenditures:	\$15,838,521	\$20,571,918	\$21,857,450	\$23,464,675	14.1%



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 - There are no new positions requested in the General Fund for FY 23-24. Personnel costs have increased by 4% from the prior year due to negotiated labor agreements including a 4% cost of living adjustment for FY 23-24. Given persistently high levels of inflation this year, cost of living adjustments for staff 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.

In addition, this category includes a one-time expenditure of \$0.9 million for a contribution to a pension reserve to continue addressing the City's CalPERS unfunded pension liability. CalPERS costs are not increasing dramatically in FY 23-24 but are expected to increase very rapidly starting in FY 24-25 due to CalPERS's recent poor market returns. I

Supplies - Supplies budgets have increased by 2.8% from the prior year, a nominal increase that is less than the current inflation rate.

Services - Services budgets have increased significantly from the prior year to reflect inflationary costs of procuring services. These are typically in the form of professional or contractual services. In addition, Community Development's services costs include grant-related and reimbursable one-time costs (approximately \$300,000) that will not be ongoing.

Debt Service - Debt service declined dramatically due to the payoff of the USDA Fire Station Loan in FY 22-23, which saved the City approximately \$0.5 million in 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	\$3,292,000	One-time
General Fund Vehicle Replacement Fund	\$107,000	One-time
General Fund Compensable Leave Fund	\$21,500	One-time
Total	\$3,420,500	

Transfers to Internal Service Funds

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

Fund	Amount	One-Time/Ongoing
Information Technology Fund	\$652,718	Ongoing
Risk Management Fund	\$73,174	Ongoing
Total	\$725,892	

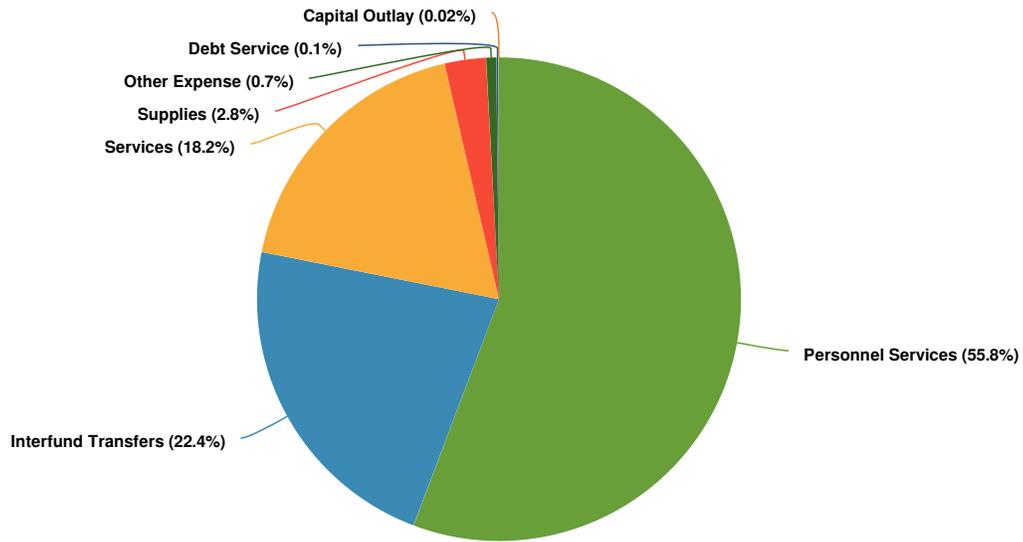
Transfers to Capital Improvement Projects

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

Project	Amount	One-Time/Ongoing
Storm & Flooding Damage - Facilities	\$300,000	One-time
Storm & Flooding Damage - Pavement	\$400,000	One-time
Vet's Hall Improvements	\$185,027	One-time
Lila Keiser Parking Lot Rebab & ADA	\$80,000	One-time
Waterways & Storm Systems Mgmt Plan	\$141,838	One-time
Total	\$1,106,865	



Budgeted Expenditures by Expense Type



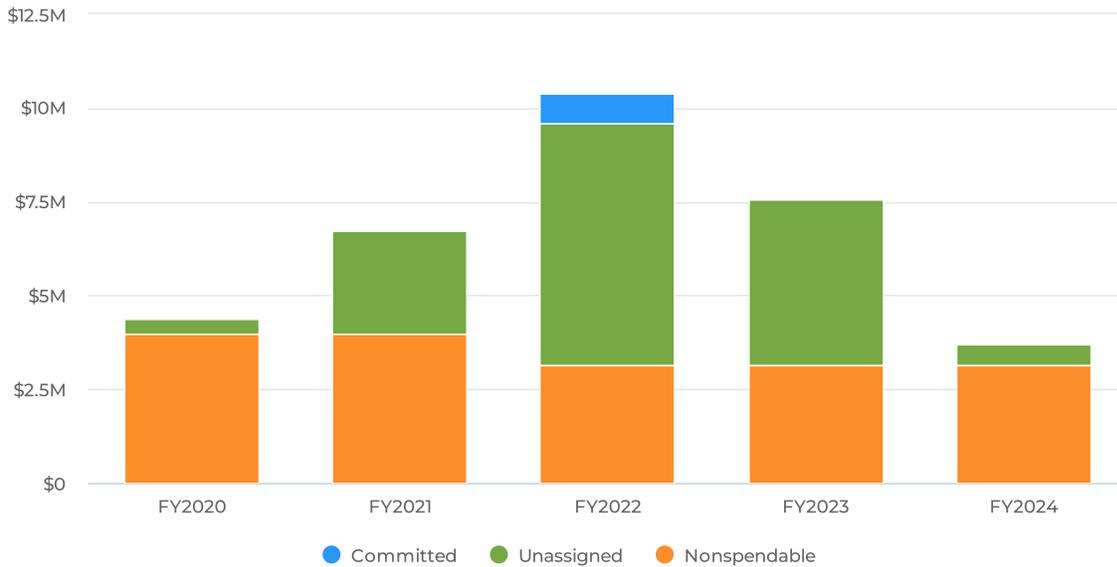
Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					
Personnel Services	\$10,351,919	\$12,586,490	\$12,680,329	\$13,082,007	3.9%
Supplies	\$600,869	\$630,847	\$827,347	\$648,610	2.8%
Other Expense	\$52,371	\$156,641	\$156,641	\$162,000	3.4%
Services	\$3,504,596	\$3,468,003	\$4,313,923	\$4,279,652	23.4%
Capital Outlay	\$4,002	\$0	\$78,853	\$4,000	N/A
Debt Service	\$35,076	\$1,169,169	\$1,234,169	\$35,190	-97%
Interfund Transfers	\$1,289,688	\$2,560,769	\$2,566,189	\$5,253,216	105.1%
Total Expense Objects:	\$15,838,521	\$20,571,918	\$21,857,450	\$23,464,675	14.1%

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 \$0.5 million at the end of FY 2023-24, after meeting the General Fund Emergency Reserve policy. The reduction from FY 2022-23 is due to the one-time transfers out to the other reserve fund components of the General Fund listed above, not to actual expenditure of those funds.

Projections



	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Unassigned	\$407,000	\$2,763,000	\$6,412,000	\$4,418,000	\$548,000	-87.6%
Committed	\$0	\$0	\$798,000	\$0	\$0	0%
Nonspendable	\$3,972,000	\$3,974,000	\$3,163,000	\$3,163,000	\$3,163,000	0%
Total Fund Balance:	\$4,379,000	\$6,737,000	\$10,373,000	\$7,581,000	\$3,711,000	-51%

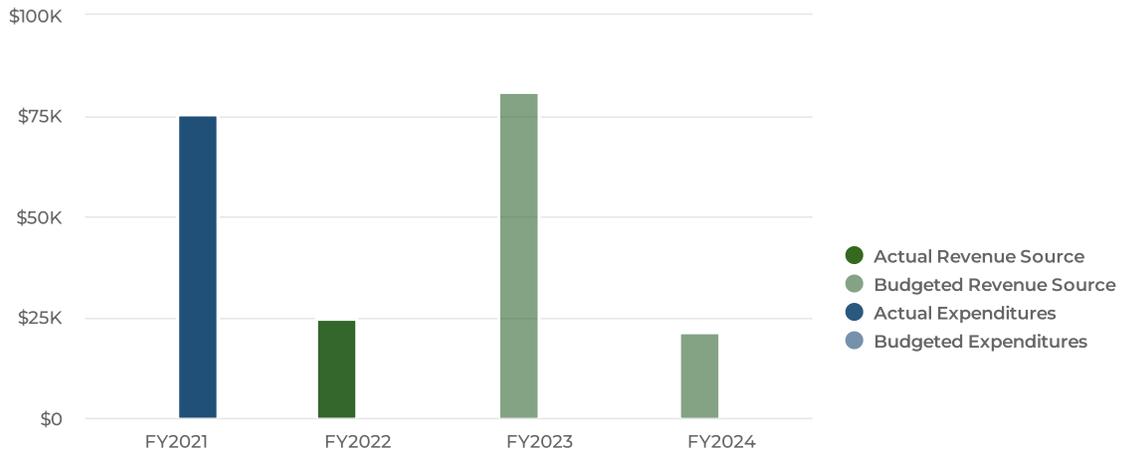


General Government Compensable Leave Fund (005)

This General Government Compensable Leave Fund (005) was established in FY 2016-17 budget as a result of Grand Jury 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 Annual Comprehensive Financial Report (ACFR).

Summary

The City of Morro Bay is projecting \$21,500 of revenue in FY 2023-24, with no budgeted expenditures.



Revenue by Fund

General Government Compensable Leave Fund revenues come from the General Fund, and this fund is reported as part of the General Fund's balance in the ACFR. To meet the reserve policy of thirty percent of the liability defined in the most recent ACFR, which was approximately \$918,700, the Fund requires a transfer of \$21,500 from the General Fund in FY 2023-24.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Unfunded Compensable Leave	\$25,000	\$81,000	\$81,000	\$21,500	-73.5%
Total Unfunded Compensable Leave:	\$25,000	\$81,000	\$81,000	\$21,500	-73.5%

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.

Fund Balance

The projected fund balance at the end of FY 2023-24 will be approximately \$275,500, or approximately 30 percent of the liability for compensated absences as defined in the FY 2021-22 ACFR.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Committed	\$224,000	\$148,000	\$173,000	\$254,000	\$275,500	8.5%
Total Fund Balance:	\$224,000	\$148,000	\$173,000	\$254,000	\$275,500	8.5%

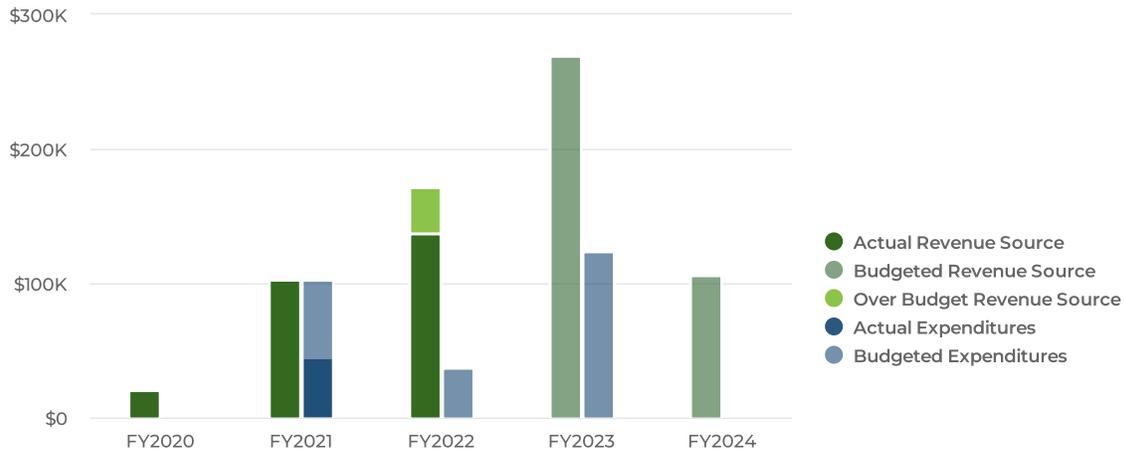


General Fund Vehicle Replacement Fund (050)

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 \$107,000 of revenue in FY 2023-24, and no new expenditures.



Revenue by Fund

Revenues in this fund are transfers from the General Fund and in some cases the Measure Q & E Fund. In FY 2023-24, \$107,000 is budgeted to be transferred in from the General Fund to bring this fund into compliance with the adopted City reserve policy.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Gen. Gov. Vehicle Replacement	\$172,018	\$270,000	\$270,000	\$107,000	-60.4%
Total Gen. Gov. Vehicle Replacement:	\$172,018	\$270,000	\$270,000	\$107,000	-60.4%

Expenditures by Fund

The FY 2021-22 budget included \$38,000 for the purchase of a consolidated maintenance truck. The truck was not purchased in FY 2021-22, as staff were waiting for additional electric vehicle options to come on the market, consistent with Council's climate action goal at the time. The FY 2022-23 budget included \$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. Those purchases are in process and there are no new purchases budgeted for FY 23-24 in this fund. .

Name	FY2022 Actual	FY2023 Amended Budget	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Gen. Gov. Vehicle Replacement	\$0	\$162,000	\$0	-100%
Total Gen. Gov. Vehicle Replacement:	\$0	\$162,000	\$0	-100%

Fund Balance

The fund balance at the end of FY 2023-24 is anticipated to be \$750,000, or 20% of the total value of of the General Fund fleet, consistent with the City's Council-approved reserve policy for this Fund.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Committed	\$346,000	\$406,000	\$570,000	\$643,000	\$750,000	16.6%
Total Fund Balance:	\$346,000	\$406,000	\$570,000	\$643,000	\$750,000	16.6%





General Fund Emergency Reserve Fund (051)

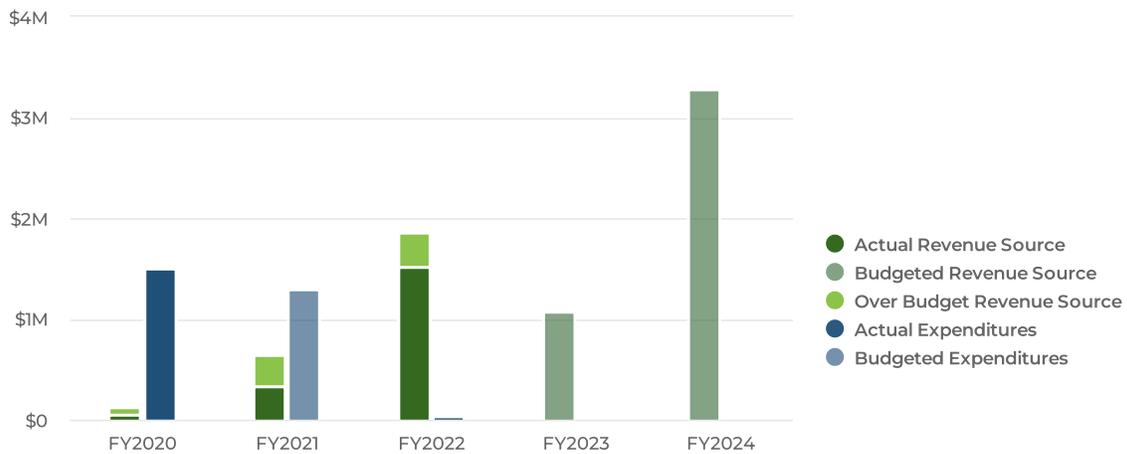
The General Fund Emergency Reserve Fund is used to track the General Fund Emergency Reserve (GFER) balance. While this could be tracked within the General Fund itself (001 Fund), the City's practice has been to track it separately. The balance of this fund is reported as part of the General Fund in the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

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 adopted budget (excluding one-time expenditures and 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 recently adopted budget (excluding one-time expenditures and 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 \$3.9 million of revenue in FY 2023-24. No expenditures are budgeted for FY 2023-24.



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. In FY 2023-34, approximately \$3.9 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 proposed operating budget in the General Fund and Measure Q&E Fund. This large transfer in helps replenish the GFER, which was partially utilized in FY 22-23 for storm recovery efforts.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
G/F Emergency Reserve Fund	\$1,859,585	\$1,087,000	\$1,087,000	\$3,292,000	202.9%
Total G/F Emergency Reserve Fund:	\$1,859,585	\$1,087,000	\$1,087,000	\$3,292,000	202.9%

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, to balance the General Fund operating budget at the onset of the COVID-19 pandemic, and for high-priority storm recovery after the significant and repeated flooding in the City in early 2023.

Name	FY2022 Actual	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
G/F Emergency Reserve Fund	\$40,547	\$1,494,119	\$0	0%
Total G/F Emergency Reserve Fund:	\$40,547	\$1,494,119	\$0	0%

Fund Balance

Based on the most FY 2023-24 proposed budget, the General Fund Emergency Reserve minimum balance should be \$7.1 million. This fund balance will be realized via a transfer in from the General Fund of approximately \$3.9 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 2023-24, the full 33% minimum reserve level will 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.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Committed	\$1,766,000	\$2,422,000	\$4,187,000	\$3,780,000	\$7,072,000	87.1%
Total Fund Balance:	\$1,766,000	\$2,422,000	\$4,187,000	\$3,780,000	\$7,072,000	87.1%

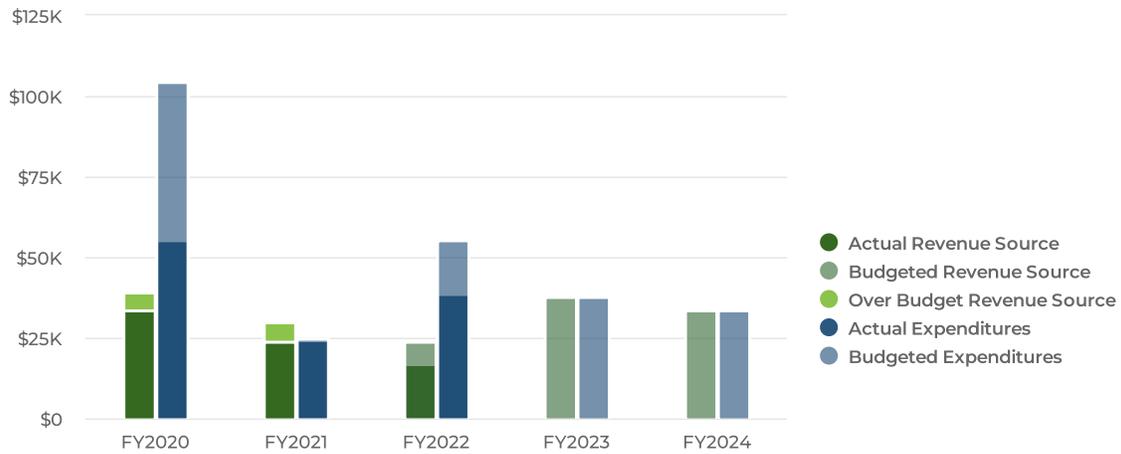


General Fund Facility Maintenance Fund (052)

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 \$33,600 of revenue in FY 2023-24, which represents a 11.6% decrease over the prior year. Budgeted expenditures are projected to decrease by 11.6% to \$33,600 in FY 2023-24.



Revenue by Fund

FY 2023-24 projected revenues are approximately \$33,600, based on the two leases at 781 Market Avenue.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
G/F Facility Maintenance Fund	\$17,118	\$38,000	\$38,000	\$33,600	-11.6%
Total G/F Facility Maintenance Fund:	\$17,118	\$38,000	\$38,000	\$33,600	-11.6%

Expenditures by Fund

The FY 2023-24 budget includes funding for plumbing repairs at the Police Department and replacing toilets at the Morro Rock restroom.



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
G/F Facility Maintenance Fund	\$38,998	\$38,000	\$38,000	\$33,600	-11.6%
Total G/F Facility Maintenance Fund:	\$38,998	\$38,000	\$38,000	\$33,600	-11.6%

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 2023-24 is approximately \$76,000, which meets the reserve policy.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Committed	\$95,000	\$100,000	\$76,000	\$76,000	\$76,000	0%
Total Fund Balance:	\$95,000	\$100,000	\$76,000	\$76,000	\$76,000	0%



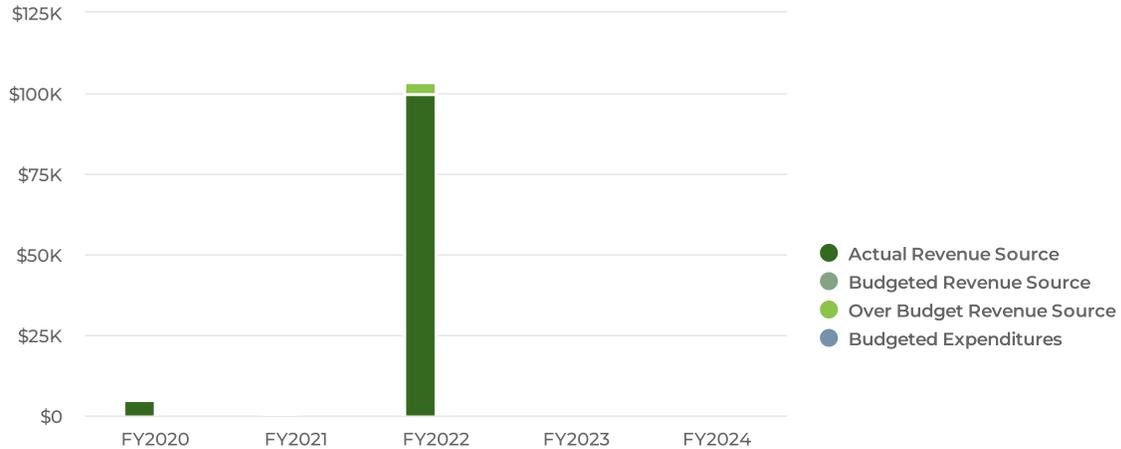


General Fund Capital Accumulation Fund (460)

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 for FY 2023-24.



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 2023-24, as all available General Fund dollars are being budgeted directly for current capital improvement projects (in the General Government CIP fund, the 915 fund).

Name	FY2022 Actual	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Capital Accumulation Fund	\$103,530	\$0	\$0	0%
Total Capital Accumulation Fund:	\$103,530	\$0	\$0	0%

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 2023-24 and there have been no expenditures from this fund in recent years. However, there are several General Fund capital projects budgeted for FY 2023-24 in the General Government CIP fund, fund 915.

Fund Balance

The projected fund balance at the end of FY 2023-24 is \$612,000.



This fund balance includes the transferred balance from the Project Accumulation Fund, which City staff closed out at City Council direction at the end of FY 2021-22, consistent with Government Finance Officers Association best practices regarding simplifying budget communications and reducing duplicate budgeting associated with interfund transfers.

Remaining fund balance will be saved for future high priority capital project needs.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Unassigned	\$213,000	\$214,000	\$612,000	\$612,000	\$612,000	0%
Total Fund Balance:	\$213,000	\$214,000	\$612,000	\$612,000	\$612,000	0%





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.

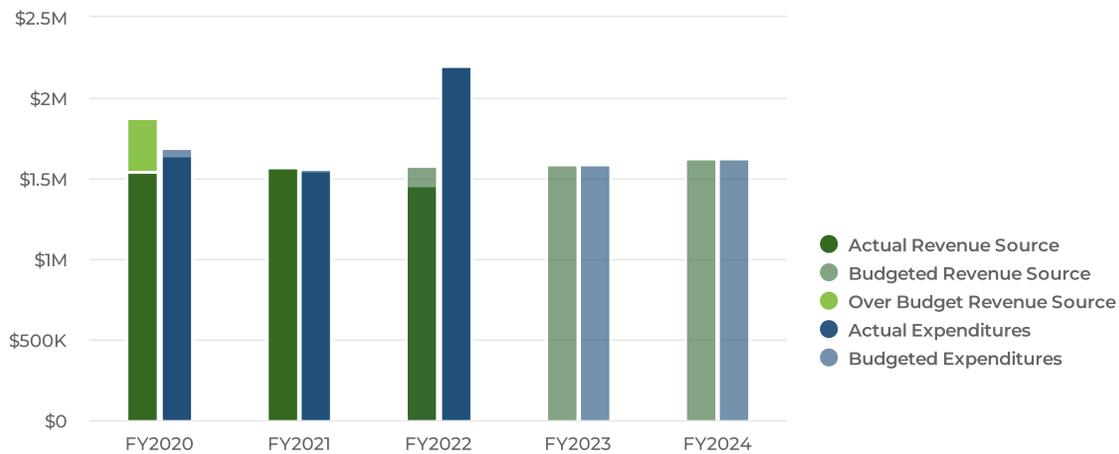


Risk Management Fund (430)

The City operates a risk management fund to ensure the financial protection of the City from potential losses due to unforeseen events or incidents. 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. This fund enables the City to safeguard public assets and protect its financial resources while maintaining fiscal responsibility. The City uses the California Joint Powers Insurance Authority (CJPIA), a self-insurance pool which provides liability protection to other member agencies. Through the CJPIA, the City is able to procure General Liability, Property, Worker's Compensation, and Crime Insurance. The CJPIA's insurance program includes 78 vehicles, 193 buildings or locations, and worker's compensation insurance for employees. The CJPIA also provides third party claims administration which investigates and processes claims against the City.

Summary

The City of Morro Bay is projecting approximately \$1.6 million of revenues and expenditures in FY2023-24, a 2.5% increase from the prior year.



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.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Risk Management					
Other Revenues	\$1,442,474	\$1,487,357	\$1,487,357	\$1,542,490	3.7%
Revenues From Use of Money & Property	\$2,415	\$0	\$0	\$0	0%
Interfund Revenue Transfers	\$21,125	\$106,366	\$106,366	\$91,001	-14.4%
Total Risk Management:	\$1,466,014	\$1,593,723	\$1,593,723	\$1,633,491	2.5%

Expenditures by Expense Type

The Risk Management Fund includes partial position allocations for a portion of the Human Resources Manager's time and a portion of the Deputy City Clerk's time for a total of less than one full-time equivalent position 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 Manager's Departmental position list.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					
Personnel Services	\$101,993	\$106,013	\$106,013	\$90,558	-14.6%
Services	\$1,402,375	\$1,487,710	\$1,496,180	\$1,542,933	3.7%
Interfund Transfers	\$700,000	\$0	\$0	\$0	0%
Total Expense Objects:	\$2,204,368	\$1,593,723	\$1,602,193	\$1,633,491	2.5%

Fund Balance

The City Council adopted Reserve Policy sets the minimum reserve level at \$700,000 and the target reserve level at \$1,000,000. 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 approximately \$915,000, which exceeds the minimum reserve level and almost meets the target level.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Committed	\$1,651,000	\$1,679,000	\$923,000	\$915,000	\$915,000	0%
Total Fund Balance:	\$1,651,000	\$1,679,000	\$923,000	\$915,000	\$915,000	0%

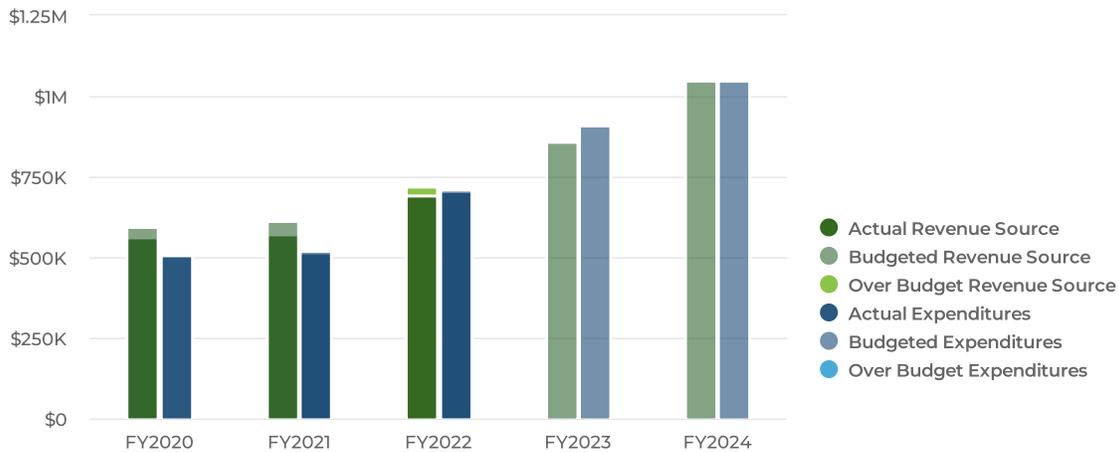


Information Technology Fund (450)

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 \$1.1 million of revenues and expenditures in FY 23-24.



Revenues by Source

The primary revenue source for the Information Technology fund is transfers from other City funds that utilize information technology services, including the General Fund, the Measure Q&E Fund, and several enterprise funds. These transfers are increasing in FY 2023-24 to account for the increasing cost of providing information technology and services. The methodology for calculating these transfers was updated in spring 2023 through a new cost allocation plan for this internal services fund.

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

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Revenue Source					
Laserfiche Fees	\$0	\$0	\$0	\$80,000	N/A
Other Rev/Current Services	\$124,502	\$100,000	\$85,000	\$0	-100%
Auctioned Property	\$600	\$0	\$0	\$0	0%
Interest Income	\$1,105	\$0	\$0	\$0	0%
Gain On Investment	\$977	\$0	\$0	\$0	0%
Transfers In	\$595,499	\$760,620	\$760,620	\$971,467	27.7%
Total Revenue Source:	\$722,683	\$860,620	\$845,620	\$1,051,467	22.2%



Expenditures by Expense Type

The FY 2023-24 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 keep pace with growing needs, including but not limited to cybersecurity priorities.

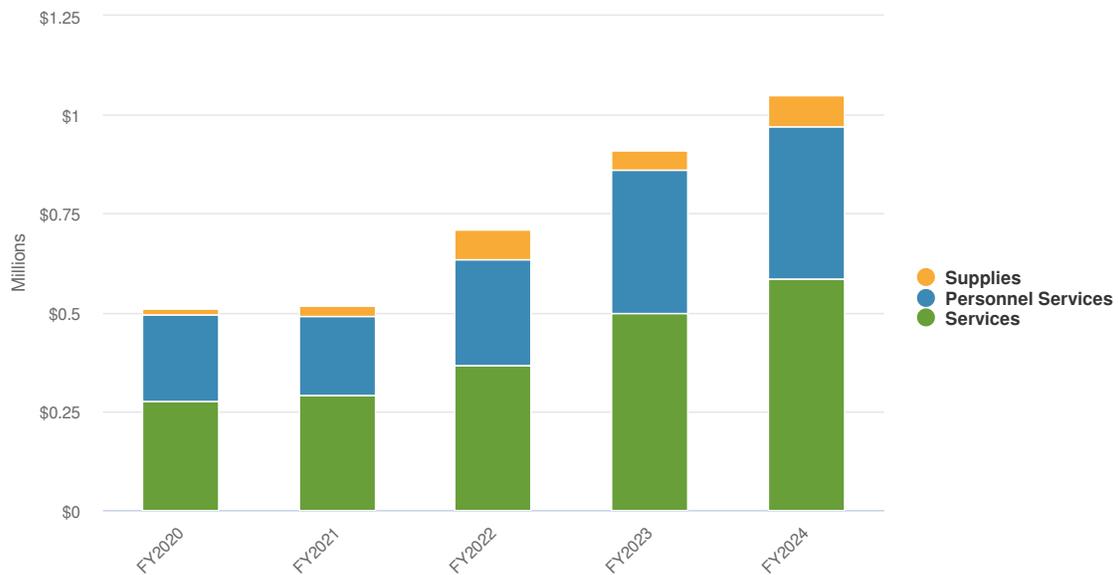
Personnel - The Information Technology Fund includes approximately 2.2 full-time equivalent positions, outlined under the Administrative Services Department section of the budget, as the City department responsible for Information Technology services and the management of this fund. Those positions serve all City departments with a variety of IT needs, including servicing all hardware (more than 450 devices), ensuring network security, providing customer technical support (to more than 180 end users), software systems support, and research, planning and implementation of new technology solutions.

Services - The services cost includes 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, ClearGov budgeting software, and anti-malware software among other software services.

The subscription cost for software increases year over year as software vendors increase their subscription rates. The typical increase in cost of software is around 5% per year. Some software subscriptions have increased by close to 20% this year (such as CityWorks Online, and CivicPlus). Our printing service fees are increasing by 27% this year partially due to spending Laserfiche scanning funds and the new large format scanner lease. In addition, included is an increase of \$28,000 for HR employee onboarding software.

Supplies - The supplies budget includes the cost of computer, network equipment, and printer replacement. This budget will likely need to increase over the years to keep pace with replacement of aging City technology equipment. The FY 23-24 budget includes an increase of \$30,000 to the Computer Operating Supplies expense line in order to replace six thirteen-year-old servers. These servers have been past end-of-life for over five years and finding replacement parts is becoming costly to maintain.

Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					
Personnel Services	\$267,010	\$361,151	\$351,816	\$386,126	6.9%
Supplies	\$74,897	\$50,600	\$50,600	\$80,600	59.3%
Services	\$366,342	\$498,417	\$475,583	\$584,687	17.3%
Total Expense Objects:	\$708,249	\$910,168	\$877,999	\$1,051,413	15.5%

Fund Balance

The projected fund balance at the end of FY 2023-24 is approximately \$334,000. This meets and exceeds not only the minimum but also the target reserve per the City reserve policy, which states that the Fund's minimum reserve is \$200,000 and the target is \$300,000.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Committed	\$299,000	\$356,000	\$367,000	\$335,000	\$334,000	-0.3%
Restricted	\$0	\$0	\$0	\$0	\$0	0%
Total Fund Balance:	\$299,000	\$356,000	\$367,000	\$335,000	\$334,000	-0.3%





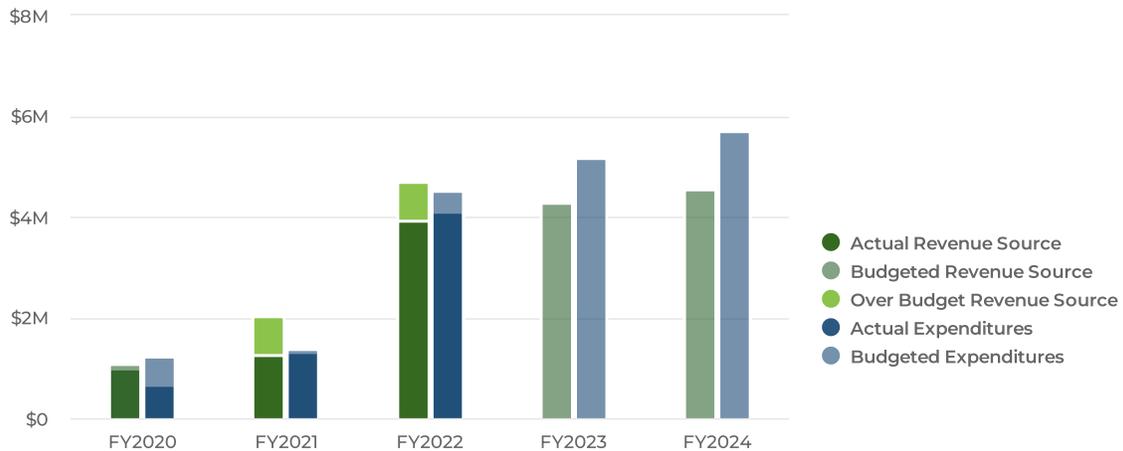
Measure Q & E Fund (003)

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 \$4.6 million of revenue in FY 2023-24, which represents a 6% increase over the prior year budget. Budgeted expenditures are projected to increase by 10% to \$5.7 million in FY2023-24.

Proposed expenditures exceed projected revenues by approximately \$1.16 million in order to utilize the majority of the FY 2022-23 projected fund balance of \$1.25 million in FY 2023-24. Approximately \$2.4 million is appropriated in the FY 2023-24 budget for capital improvement projects (see itemized table below). The proposed budget leaves a small amount of the projected FY 2023-24 fund balance available in case of unforeseen circumstances.

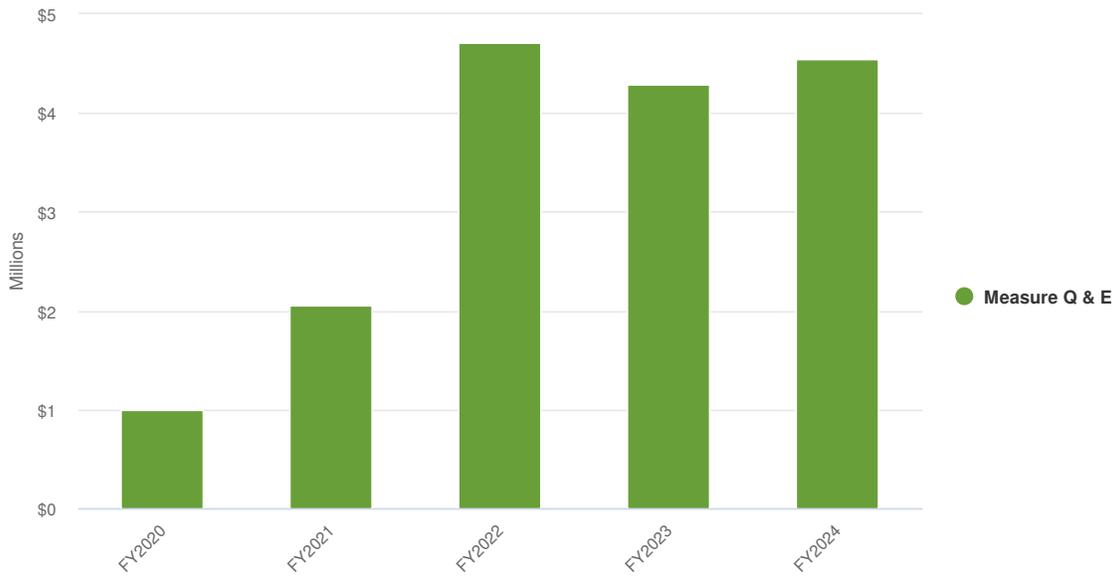


Revenue

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.

The FY 23-24 proposed revenue budget is equal to 95% of HdL's projected revenues to ensure a sufficiently conservative forecast given that all projected revenues are being programmed for expenditure during the same fiscal year received. While the proposed budget represents a 6% increase from the prior-year budget, it is about equal to or a slight reduction from the projected actual revenues by the end of the current FY 22-23. This reflects a significant slowing of sales tax revenue growth in FY 23-24. The City experienced significant growth over the past couple of years during the pandemic recovery period. Like the majority of the state, Morro Bay is expected to see revenue levels fall off significantly in FY 23-24, and then return to baseline levels of annual growth in the 2-3% range in FY 24-25 and beyond.

Budgeted and Historical Measure Q & E Revenue



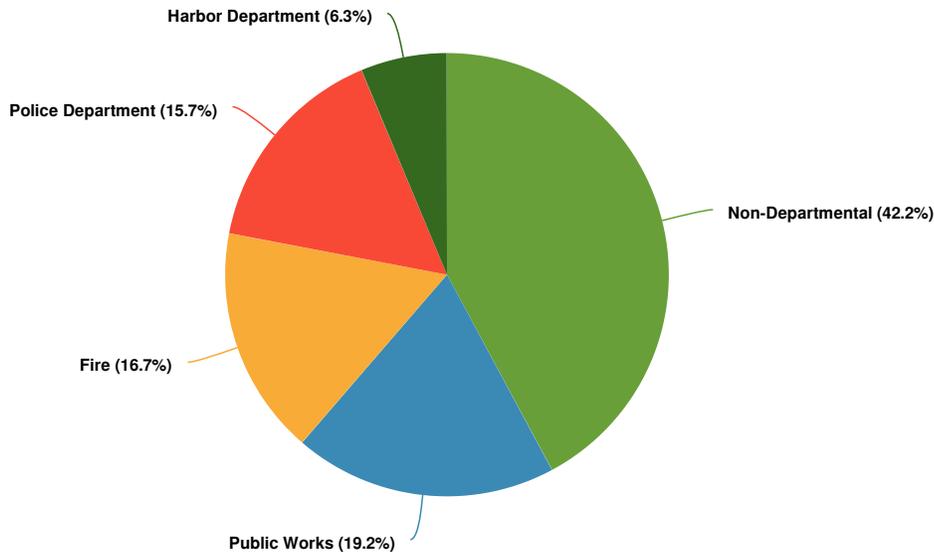
Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted
Measure Q & E	\$4,710,089	\$4,292,000	\$4,622,700	\$4,550,000
Total Measure Q & E:	\$4,710,089	\$4,292,000	\$4,622,700	\$4,550,000

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 outlined in more detail in the table below.

Each Department's FY 2023-24 expenditures from Measure Q & E Funds are as follows:

Police Department

- o **Change for FY 23-24** - 14% increase over FY 22-23, largely due to the one-time purchase of two police vehicles and the addition of a Reserve Police Officer.
- o **Funded Positions (Staffing)** - 1 Police Sergeant, 2 Police Officers, and 1 non-sworn Community Services Officer (CSO) that was added in FY 22-23 to assist the Department with providing non-emergency service support to the community of Morro Bay.

To address the staffing shortage due to limited funding, a part-time Reserve Police Officer is proposed. A police reserve program is used frequently by agencies of our size to assist officers on the street with answering calls for service, traffic enforcement, fill in shifts for an officer in training, and other additional full-time officer duties. This Reserve Police Officer is budgeted for 960 hours for the fiscal year. A Reserve Officer does not receive the benefits package similar to a full-time officer, making the part-time sworn position beneficial during times of financial

constraints. Additionally, paid Reserve Officers are often retired officers with specialty training that can assist in developing less experienced officers. Personnel reductions prior to and in 2014 currently have the department operating at the same sworn staffing levels it had in 1986. All non-emergency calls for service (as well as in-progress and priority calls) fall to sworn patrol staff, which has seen a steady and consistent demand for increased calls for service and specialty requests over the past few years.

- **Supplies & Services** - These include:
 - Evidence drying rack (\$11,000) and evidence refrigerator (\$8,000)
 - Traffic collision reporting interface with the current RMS crash module (Crossroads). Mandated reporting to California Highway Patrol (\$20,000)
 - 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 (\$14,720)
 - Police body camera annual support and maintenance contract costs (\$28,560)
 - Two unmarked police vehicles (for Police Sergeant-Administration and Police Sergeant-Detective-\$98,000 total)

Fire Department

- **Change for FY 23-24** - 12% increase over FY 22-23, largely due to the addition of a full-time Firefighter-Paramedic offset by reduction of 3 reserves.
- **Staffing** - 1 Captain and 2 Engineers, 1 new Firefighter-Paramedic, as well as 7 part-time Reserve Firefighters. This staffing model will help to maintain the Council's desired and strategic plan recommending 4 firefighters on duty each day and ensure public safety response capabilities 24 hours a day, 7 days a week, 365 days a year. Reserve Firefighters are utilized to augment Fire Department staffing, 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. However, it is increasingly challenging to recruit reserves. Therefore, in FY 23-24, 3 part-time reserve firefighters were eliminated and 1 full-time Firefighter-Paramedic was added. The City has applied regularly for grant-funded full-time positions and has not been awarded those grants. Staff will continue to apply for grant funding, but absent an award, this staffing change will help maintain adequate staffing for the Department, particularly during a longer wildfire season when the Department is called upon to provide mutual aid.
- **Supplies & Services** - None.

Public Works Department

- **Change for FY 23-24** - 100% increase over FY 22-23 due to significant increases to streets maintenance budgets, addition of annual paving rating contract, and addition of 0.25 FTE to deliver capital projects.
- **Staffing** - 1 Maintenance Superintendent, 2 Maintenance Worker I's, the departmental part-time maintenance program, 0.8 Associate Engineer, and 0.25 of a new Senior Civil Engineer position proposed for FY 23-24. Consistent with Council direction at Midyear in FY 2021-22, this consolidated maintenance staffing will continue to enhance cleanliness of waterfront, embarcadero, public restrooms, and parks. This funding will support daily operations. The Senior Civil Engineer position will implement critical City capital improvement projects that are consistent with Measure Q & E priorities (the remaining allocation of the position will be charged to Water, Sewer, and Harbor funds for support on utilities and harbor capital project implementation).
- **Supplies & Services** - These Include:
 - Public Works Admin - Annual pavement rating contract necessary to prioritize pavement management program (\$40,000)
 - Consolidated Maintenance - Department facility requests received through internal call for projects process (\$50,000)
 - Consolidated Maintenance - Fire Department cistern plumbing repairs. This expense was originally budgeted at mid-year, and the department is re-budgeting into FY 23-24 due to not being able to start the project by the end of FY 22-23 as intended (\$20,000)
 - Streets Maintenance - Sidewalk, curb repairs, and on-call storm drain repairs (\$150,000)
 - Streets Maintenance - On-call street repairs (\$200,000)

Harbor Department

- **Change for FY 23-24** - 51% increase over FY 22-23, largely due to a one-time vehicle purchase



- **Staffing** - 5 part-time positions for the Harbor Reserves program and 14 Part-time Harbor lifeguard program positions. Both 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 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. Hauler rates are anticipated to increase significantly by approximately 30% (\$114,262).
 - Lifeguard program supplies (\$3,300).
 - One harbor patrol response vehicle (\$72,000)

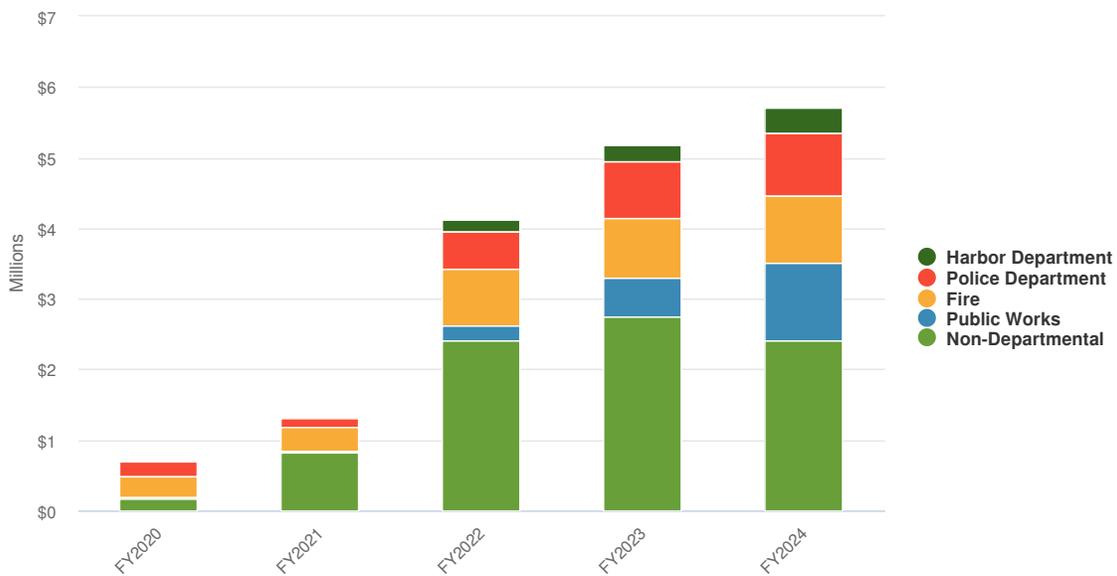
Non-Departmental

- **Change for FY 23-24** - 13% decrease from FY 22-23 due to no fire station loan payoff contribution and a 10% reduction in the level of investment in capital improvement projects. However, note that operating expenses in FY 23-24 include \$350,000 for street, sidewalk, curb and gutter, and storm drain maintenance. Public safety standards cover study (\$50,000) This one-time expense aligns with Council goals as an action item.
- Non-departmental expenditures are also comprised of inter-fund transfers to IT (Internal Service Fund) for Measure Q & E's share of IT equipment and services (\$92,234).
- The remaining non-departmental expenditures are used to fund 5 capital improvement projects consistent with Measure Q & E expenditure priorities.

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

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

Budgeted and Historical Expenditures by Department



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expenditures					
Police Department	\$524,486	\$788,522	\$831,622	\$897,479	13.8%
Personnel Services	\$401,879	\$616,242	\$616,242	\$695,199	12.8%
Supplies	\$0	\$7,000	\$39,000	\$19,000	171.4%
Other Expense	\$8,784	\$36,720	\$36,720	\$36,720	0%
Services	\$113,823	\$128,560	\$139,660	\$48,560	-62.2%
Capital Outlay	\$0	\$0	\$0	\$98,000	N/A
Fire	\$799,628	\$849,328	\$849,328	\$952,439	12.1%
Personnel Services	\$716,741	\$849,328	\$849,328	\$952,439	12.1%
Debt Service	\$82,888	\$0	\$0	\$0	0%
Public Works	\$216,095	\$549,199	\$643,399	\$1,096,730	99.7%
Personnel Services	\$173,856	\$523,699	\$523,699	\$636,730	21.6%
Services	\$42,235	\$25,500	\$119,700	\$460,000	1,703.9%
Supplies	\$4	\$0	\$0	\$0	0%
Harbor Department	\$177,157	\$238,118	\$238,118	\$359,830	51.1%
Personnel Services	\$48,360	\$147,318	\$147,318	\$170,238	15.6%
Services	\$80,232	\$87,500	\$87,500	\$114,292	30.6%
Capital Outlay	\$48,564	\$0	\$0	\$72,000	N/A
Supplies	\$0	\$3,300	\$3,300	\$3,300	0%
Non-Departmental	\$2,410,040	\$2,754,000	\$2,754,000	\$2,409,234	-12.5%
Services	\$2,914	\$0	\$0	\$50,000	N/A
Interfund Transfers	\$2,407,126	\$2,754,000	\$2,754,000	\$2,359,234	-14.3%
Total Expenditures:	\$4,127,406	\$5,179,167	\$5,316,467	\$5,715,712	10.4%



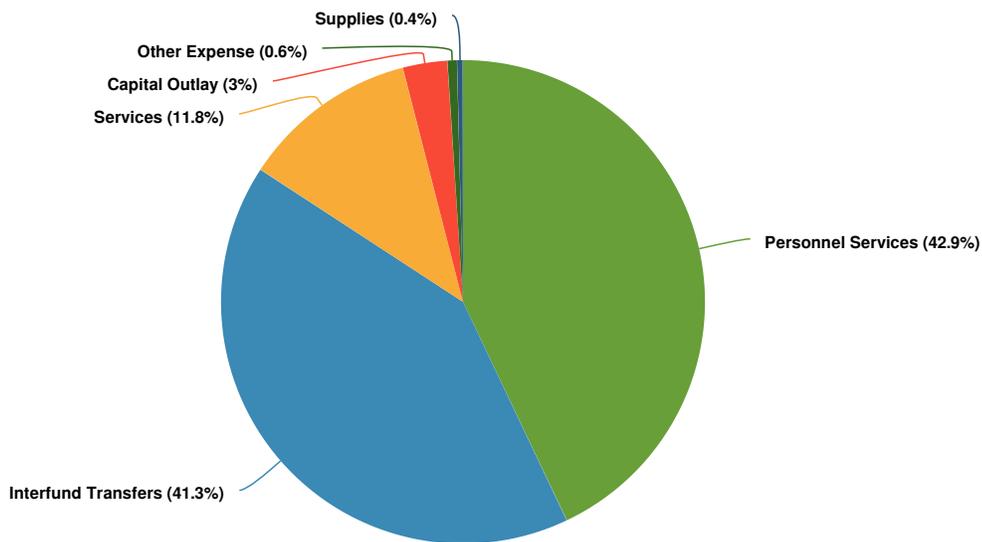
Expenditures by Expense Type

The Proposed Measure Q & E Budget is comprised of 60% operating expenses and 40% capital expenses. Note that operating expenses in FY 23-24 include \$350,000 for street, sidewalk, curb and gutter, and storm drain maintenance.

In FY 22-23, Measure Q&E was budgeted for 46% ongoing operating costs and 54% one-time costs for capital improvements and the fire station loan payoff.

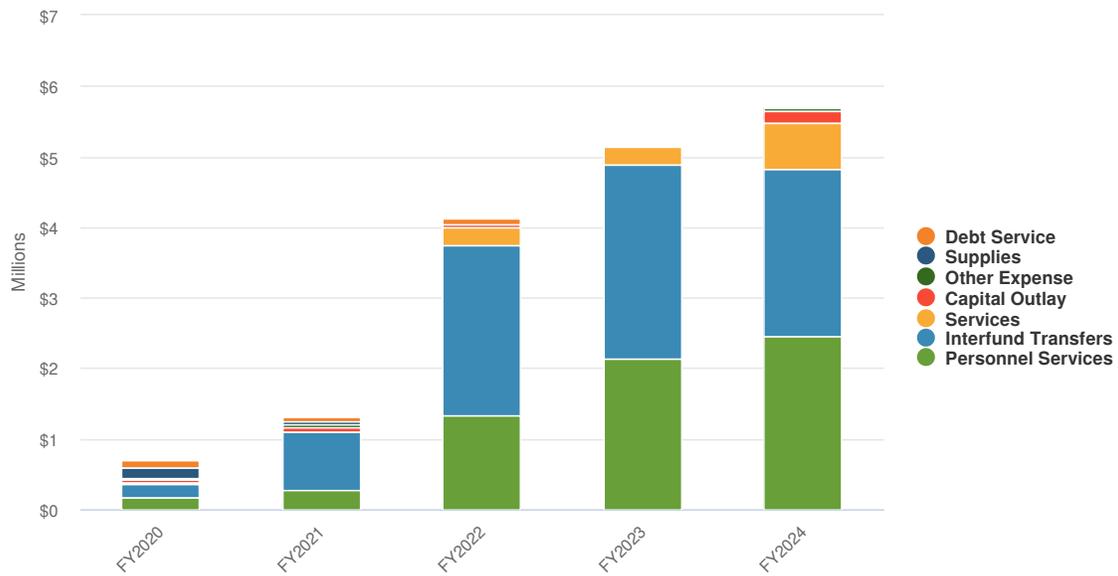
In years where there may not be available fund balance, a higher percentage of the total will be comprised of operating expenditures. Going forward, if expenditure growth continues to outpace revenue growth, a growing percentage of funds may be needed to support baseline operating service levels, leaving less available for capital improvements.

Budgeted Expenditures by Expense Type



Note: Interfund Transfers in the Chart above represents transfers to other funds for capital improvement projects (\$2,267,000) and to IT equipment and services associated with Measure Q&E-provided services (\$92,234).

Budgeted and Historical Expenditures by Expense Type



Note: In the chart above, FY 20 through FY 22 numbers represent actuals and FY 23 and FY 24 represent budget.

The percentage of total funds allocated toward personnel remains relatively flat from last year (42.9% vs 41.3%).

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					
Personnel Services	\$1,340,836	\$2,136,587	\$2,136,587	\$2,454,606	14.9%
Supplies	\$4	\$10,300	\$42,300	\$22,300	116.5%
Other Expense	\$8,784	\$36,720	\$36,720	\$36,720	0%
Services	\$239,204	\$241,560	\$346,860	\$672,852	178.5%
Capital Outlay	\$48,564	\$0	\$0	\$170,000	N/A
Debt Service	\$82,888	\$0	\$0	\$0	0%
Interfund Transfers	\$2,407,126	\$2,754,000	\$2,754,000	\$2,359,234	-14.3%
Total Expense Objects:	\$4,127,406	\$5,179,167	\$5,316,467	\$5,715,712	10.4%



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 2023-24. 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. Going forward, if expenditure growth continues to outpace revenue growth, a growing percentage of funds may be needed to support baseline operating service levels, leaving less available for capital improvements.

A fund balance of approximately \$86,000 will remain at the end of FY 23-24, barring any unforeseen circumstances.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Committed	\$645,000	\$1,375,000	\$1,945,005	\$1,251,233	\$85,521	-93.2%
Total Fund Balance:	\$645,000	\$1,375,000	\$1,945,005	\$1,251,233	\$85,521	-93.2%

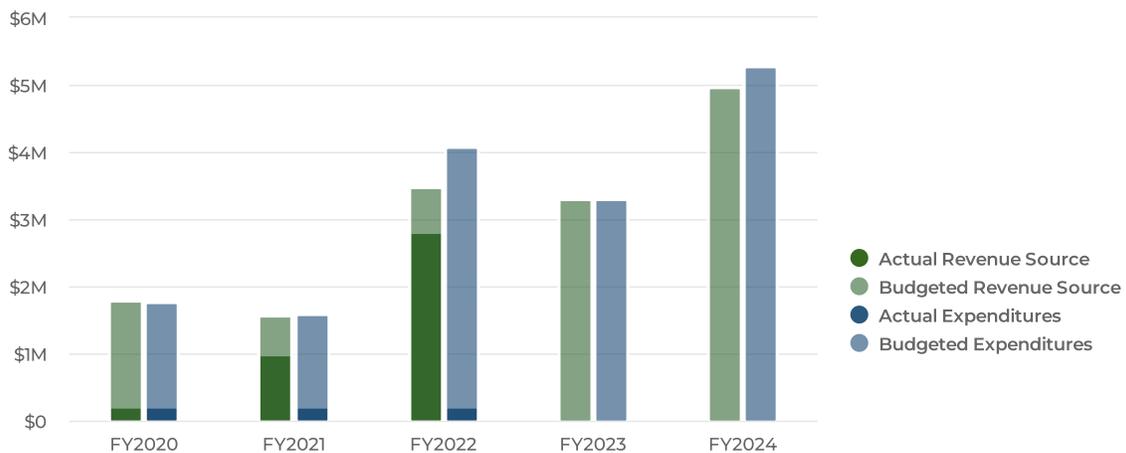


General Government Capital Projects Fund (915)

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 reimbursement-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 \$4.9 million in revenue transfers in FY 2023-24. Budgeted expenditures are \$5.2 million in FY 2023-24, plus any unexpended carry forward budget from ongoing or prior year capital projects. FY 2023-24 difference of \$308,162 of expenditures over revenue is funding that was transferred into the General Capital Projects Fund for two storm drain projects at Kern and Anchor. The budget from those projects is being reallocated to FY 2023-24 storm drain projects and is not new revenue, as it is already in the 915 fund. 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 General Capital Projects fund to contribute towards citywide capital projects. In FY 2023-24, the majority of projects are funded by the General Fund and Measure E funding. Other project funding include development impact fees and PEG fees from the Trust and Agency Fund (515). Reallocated prior year budget funding is also contributing to two new projects (Annual Storm Drain Replacement Major Maintenance and Waterways and Storm Systems Management Plan). In addition, smaller contributions from the Bike Path Fund, LTF Roads Fund, State Gas Tax Fund (RMRA), and the Governmental Impact Fees Fund.

FY 2023-24 total budgeted revenue is \$4.9 million for contributions to projects (plus any unexpended budget from prior years that will be carried forward with Council approval). The FY 2023-24 budget will be transferred as follows:

- o \$1,106,865 revenue transfer from the General Fund.
- o \$1,017,250 revenue transfer in from Governmental Development Impact Fees Fund (DIF).
- o \$2,267,000 revenue transfer from Measure E Fund.
- o \$89,973 revenue transfer in from the Trust and Agency Fund for PEG Fees revenue.
- o \$228,050 revenue transfer from the Trust and Agency Fund for Highway 1/41 impact fees.
- o \$260,000 revenue transfer from the RMRA Fund (portion of State Gas Tax)
- o \$13,000 from Bike Path Fund
- o **\$4,982,138 Total Revenue**

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Capital Projects Fund	\$2,832,450	\$3,312,346	\$4,391,707	\$4,982,138	50.4%
Total Capital Projects Fund:	\$2,832,450	\$3,312,346	\$4,391,707	\$4,982,138	50.4%

Expenditures by Fund

The FY 2023-24 general capital improvement program includes 11 new capital improvement projects and 4 (CIPs) for a total budget of \$5.71 million. This total represents new budget allocation in FY 2023-24. Any remaining FY 2022-23 or earlier General Projects Fund budget that is unexpended at fiscal year-end, but for which projects are ongoing will carry-forward with City Council approval. There will likely be several projects with 2022-23 carry forward budget.

The \$5,290,300 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.

New Projects:

- o Local Road Safety Plan (LRSP) Implementation and Safety Improvements-sub project Police Annex and crosswalk-\$197,000
- o Coleman Park Improvements-\$292,300
- o Bonita Station Remodel Design-\$80,000
- o Storm and Flooding Damages-Facilities and Equipment-\$800,000
- o Storm and Flooding Damages - Pavement and Pavement Repairs-\$400,000
- o Waterways and Storm Systems Management Plan-\$141,838
- o Trash and Recycling Can Replacements-\$60,000
- o Sidewalk Improvements and Street Tree Replacements Project-\$150,000
- o Annual Storm Drain Replacement and Major Maintenance Project-\$200,000 (Reallocated prior year budget from Kern & Anchor storm drain project)
- o Waterways and Storm Systems Management Plan-\$108,162 (Reallocated prior year budget from Kern & Anchor storm drain project)
- o Active Transportation/Active Corridor Studies - \$80,000

Continued/Ongoing new projects:

- o Lila Kaiser Parking Lot Rehabilitation and ADA Upgrades-\$80,000
- o Annual Pavement Management Program-\$2,100,000
- o Veteran's Hall Building Improvements-\$89,973
- o SRI/SR41/Main Street Intersection Improvements-\$826,000

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Capital Projects Fund	\$214,249	\$6,956,577	\$8,035,938	\$5,290,300	-24%
Total Capital Projects Fund:	\$214,249	\$6,956,577	\$8,035,938	\$5,290,300	-24%

Fund Balance

Unexpended capital funds for active projects will remain in the General Capital Projects (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 \$3.7 million at the end of FY 2023-24, as there are several capital projects that remain underway.



	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	
Restricted	\$791,220	\$3,409,000	\$3,963,825	\$3,665,663	-7.5%
Total Fund Balance:	\$791,220	\$3,409,000	\$3,963,825	\$3,665,663	-7.5%



The City of Morro Bay has numerous non-major governmental funds as reported 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.



Governmental Funds (Nonmajor)

- Developer Reimbursement Fund - 045
- American Rescue Plan Act - 019
- Community Development Grants - 200
- State Gas Tax - 250
- Road Maintenance and Rehab SBI - 260
- 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
- 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.

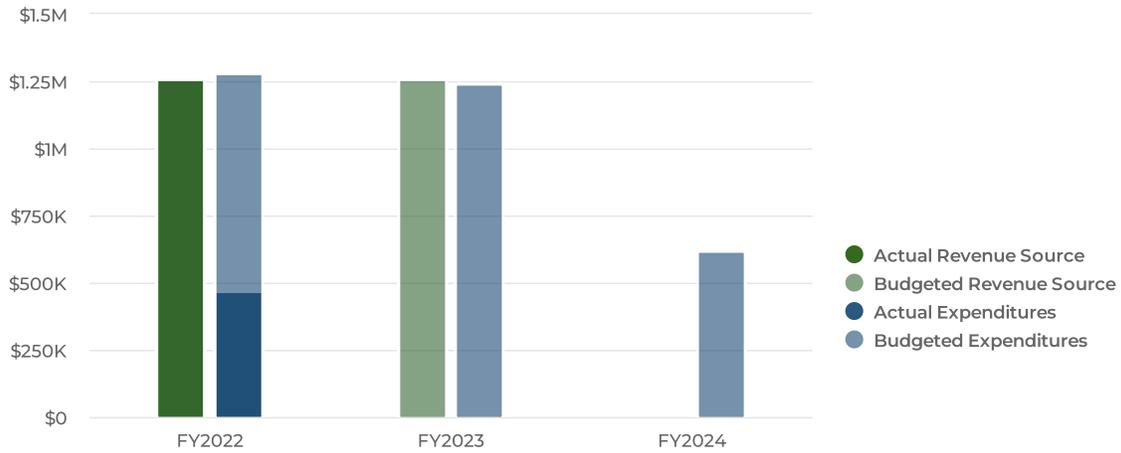


American Rescue Plan Act Fund (ARPA) (019)

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 to support their response to and recovery from the COVID-19 public health emergency. These funds provide governments with resources to fight the pandemic and maintain vital public services 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. The City of Morro Bay's total allocation is \$2,522,110.

Summary

The City of Morro Bay is projecting no additional revenue in FY 2023-24, and \$0.6 million in expenditures of revenue received in prior years.



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.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
American Rescue Plan (ARP)	\$1,261,055	\$1,261,055	\$1,261,055	\$0	-100%
Total American Rescue Plan (ARP):	\$1,261,055	\$1,261,055	\$1,261,055	\$0	-100%

Expenditures by Function

In FY 2021-22 and FY 2022-23, ARPA funds were spent to fund: an increase to the community grants program, purchase police vehicles and equipment, purchase fire safety equipment, a part-time homeless outreach coordinator, organizational development work, a classification and compensation study, information technology equipment, and a capital improvement project to improve playground equipment which is still budgeted and pending staff capacity to implement. ARPA funds were also utilized to offset revenue losses in the General Fund and ensure that the City was able to continue to provide core service during and after the pandemic.

The FY 23-24 budget proposes utilizing remaining ARPA funds to continue to increase the community grants program for local nonprofits (\$25,000 in ARPA funds to complement \$25,000 in General Funds) and to offset City revenue losses during the pandemic by supporting General Fund operating costs to deliver core services (approximately \$0.5 million). All funds must be encumbered by 2024 and expended by 2026, and the City must report annually on expenditures in accordance with federal eligibility requirements.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expenditures					
Police Department	\$115,021	\$79,979	\$80,000	\$0	-100%
Fire	\$79,137	\$192,402	\$192,402	\$0	-100%
Public Works	\$0	\$63,000	\$55,000	\$0	-100%
Harbor Department	\$0	\$45,000	\$45,000	\$0	-100%
Non-Departmental	\$275,344	\$1,129,656	\$1,054,656	\$624,852	-44.7%
Total Expenditures:	\$469,502	\$1,510,037	\$1,427,058	\$624,852	-58.6%

Fund Balance

The FY 23-24 budget appropriates all remaining ARPA funds. Under the SLFRF program, funds must be obligated by December 31, 2024 and expended by December 31, 2026.

	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	
Restricted	\$791,553	\$625,550	\$698	-99.9%
Total Fund Balance:	\$791,553	\$625,550	\$698	-99.9%



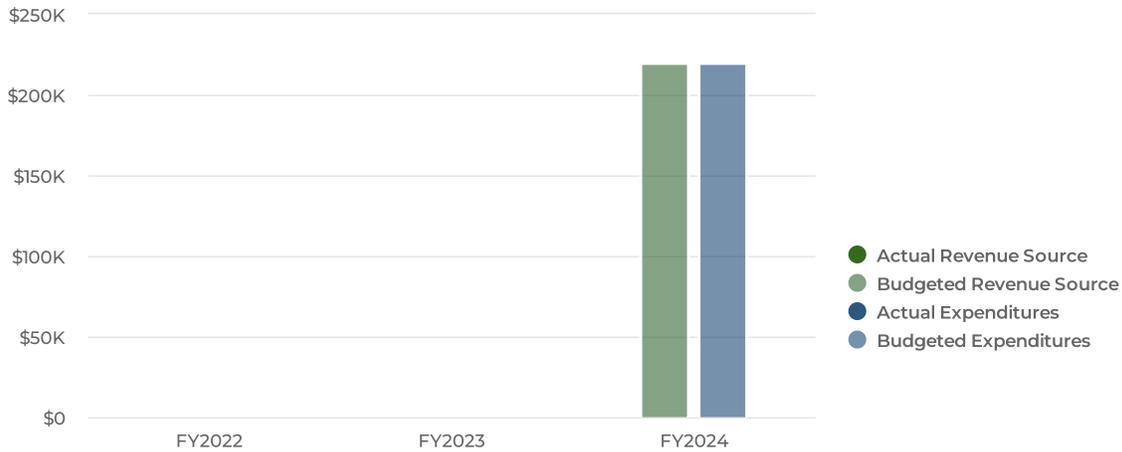


Developer Reimbursement Fund (045)

The Developer Reimbursement Fund includes projects with reimbursable contracts, which are typically used in association with projects that require environmental review where outside consultants are used. The City's Master Fee schedule includes fees for these services that cover the cost of consultant contracts plus 25 percent administrative fee for staff time to administer the contract. The revenue and corresponding expenditure for the fund is the amount of the outside consultant contract.

Summary

The City projects \$220k of revenue and expenditures in FY 2023-24 in this new fund, which does not yet have a fund balance.



Revenue by Fund

Revenue includes an anticipated amount of developer reimbursements based on project contracts expected to occur within FY 2023-24.

Name	FY2022 Actual	FY2023 Amended Budget	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Developer Reimbursement Agreements Fund	\$0	\$0	\$220,000	N/A
Total Developer Reimbursement Agreements Fund:	\$0	\$0	\$220,000	N/A

Expenditures by Fund

The expenditures include anticipated reimbursable consultant work for work performed on project contracts.

Name	FY2022 Actual	FY2023 Amended Budget	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Developer Reimbursement Agreements Fund	\$0	\$0	\$220,000	N/A
Total Developer Reimbursement Agreements Fund:	\$0	\$0	\$220,000	N/A





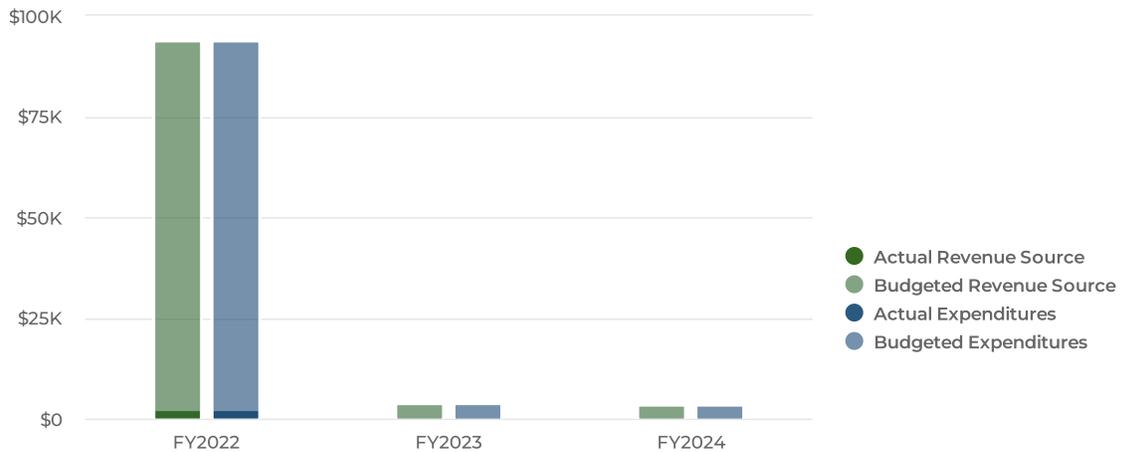
Community Development Grants Fund (200)

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 \$3,667 in revenue in FY2023-24.

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 2024. The partnership with the County is renewable every five years.



Revenues by Source

San Luis Obispo County is primarily responsible for administering the contract with the CDBG grantees. As a result, CDBG awards made by the City do not pass through the City. The projected revenue for FY 2023-24 is \$3,667. This revenue that will come into this Fund is reimbursement of city staff time spent on administering the program on behalf of the City.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Revenue Source					
Intergovernmental Revenues	\$2,574	\$4,036	\$4,036	\$3,667	-9.1%
Total Revenue Source:	\$2,574	\$4,036	\$4,036	\$3,667	-9.1%



Expenditures by Fund

San Luis Obispo County is primarily responsible for administering the contract with the CDBG grantees. As a result, the CDBG awards portion of revenue no longer passes through the City. The projected expenditures for FY 2023-24 are \$3,667. The expenditures in this Fund will be for reimbursable city staff time spent on administering the program on behalf of the City.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Community Development Grants	\$2,574	\$4,036	\$4,036	\$3,667	-9.1%
Total Community Development Grants:	\$2,574	\$4,036	\$4,036	\$3,667	-9.1%

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. No revenues or expenditures are expected for the FY2023-2024 year.

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.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$177,333	\$179,731	\$181,000	\$181,000	\$181,000	0%
Nonspendable	\$0	\$833,416	\$836,000	\$836,000	\$836,000	0%
Total Fund Balance:	\$177,333	\$1,013,147	\$1,017,000	\$1,017,000	\$1,017,000	0%





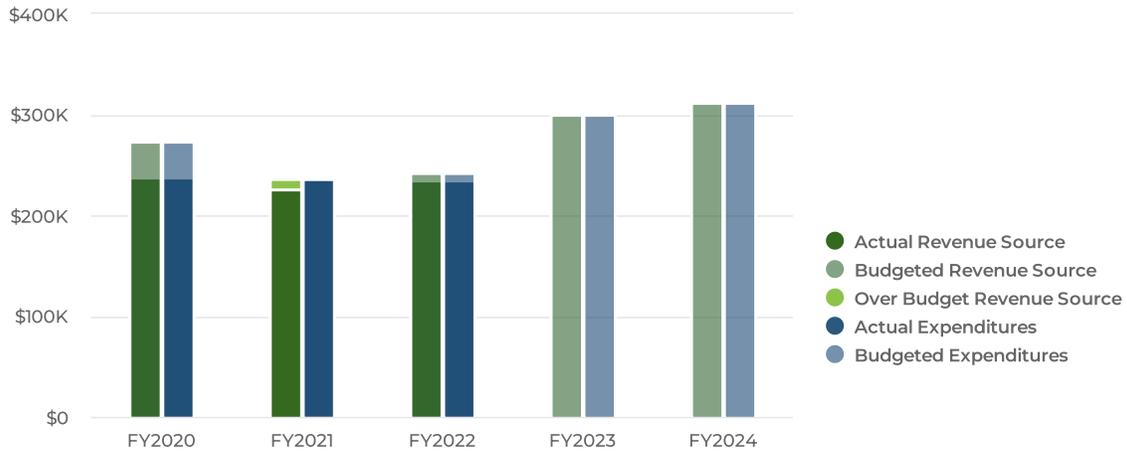
State Gas Tax Fund (250)

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 into a restricted fund (260) and transferred to General Government CIP Fund (915) to support the City's capital pavement improvement projects.

Summary

The City of Morro Bay is projecting approximately \$312,987 of HUTA state gas tax revenue in FY2023-24, which represents a 4.2% increase over the prior year. Budgeted expenditures are also projected to increase by 4.2% to \$312,987 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. In FY 2023-24, revenues are anticipated to increase based on the Local Streets and Roads projections provided by the same referenced fiscal resource.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
State Gas Tax Fund	\$235,838	\$300,362	\$300,362	\$312,987	4.2%
Total State Gas Tax Fund:	\$235,838	\$300,362	\$300,362	\$312,987	4.2%

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.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					
Interfund Transfers	\$235,838	\$300,362	\$300,362	\$312,987	4.2%
Total Expense Objects:	\$235,838	\$300,362	\$300,362	\$312,987	4.2%

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.





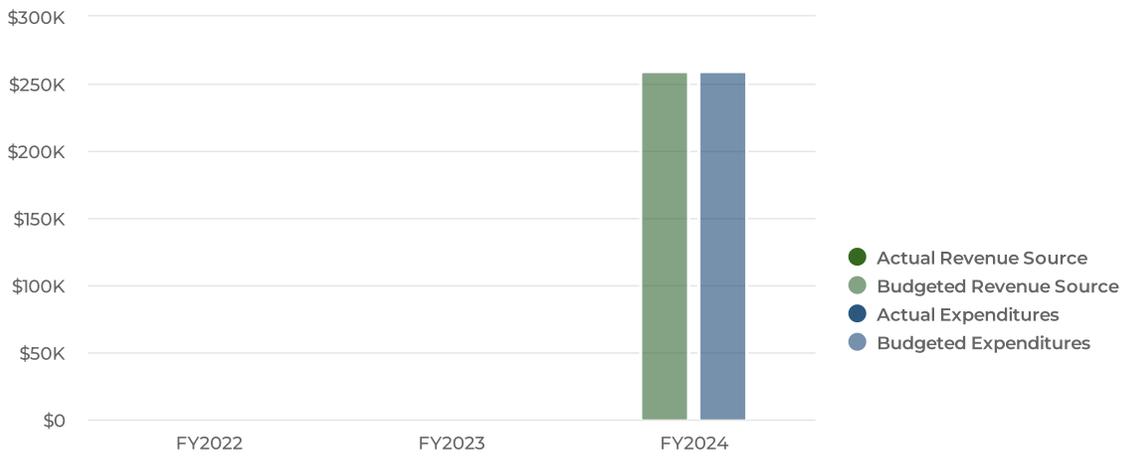
Road Maintenance and Rehab SB1 (260)

Road Maintenance and Rehabilitation Account (RMRA) revenues are a portion of the State Gas Tax apportioned to the City of Morro Bay to fund basic road maintenance, rehabilitation, and critical safety projects on the local streets and roads system. Funds are deposited into this restricted fund as required by the State and transferred into the General Government CIP Fund (915) to support the City's capital pavement improvement projects. At year-end, the amount transferred will be equal to expenditures. Unspent revenue will remain in this fund and deferred to the next fiscal year.

Summary

The City of Morro Bay is projecting approximately \$260,000 of RMRA revenue in FY2023-24, which is similar to the amount received in FY2022-23. Budgeted expenditures are \$260,000 as a transfer to General Government CIP Fund (915) to support the City's capital pavement improvement projects.

As such, there is no projected fund balance for this fund.



Revenue by Fund

RMRA 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. In FY 2023-24, revenues are anticipated to increase based on the Local Streets and Roads projections provided by the same referenced fiscal resource.

Name	FY2022 Actual	FY2023 Amended Budget	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Road Maintenance and Rehab SB1	\$0	\$0	\$260,000	N/A
Total Road Maintenance and Rehab SB1:	\$0	\$0	\$260,000	N/A

Expenditures by Expense Type

Revenue received is transferred out to the General Government CIP Fund (915) to contribute to pavement projects. Those expenses are also reflected in the transfers out entry for this fund.

Name	FY2022 Actual	FY2023 Amended Budget	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects				
Interfund Transfers	\$0	\$0	\$260,000	N/A
Total Expense Objects:	\$0	\$0	\$260,000	N/A



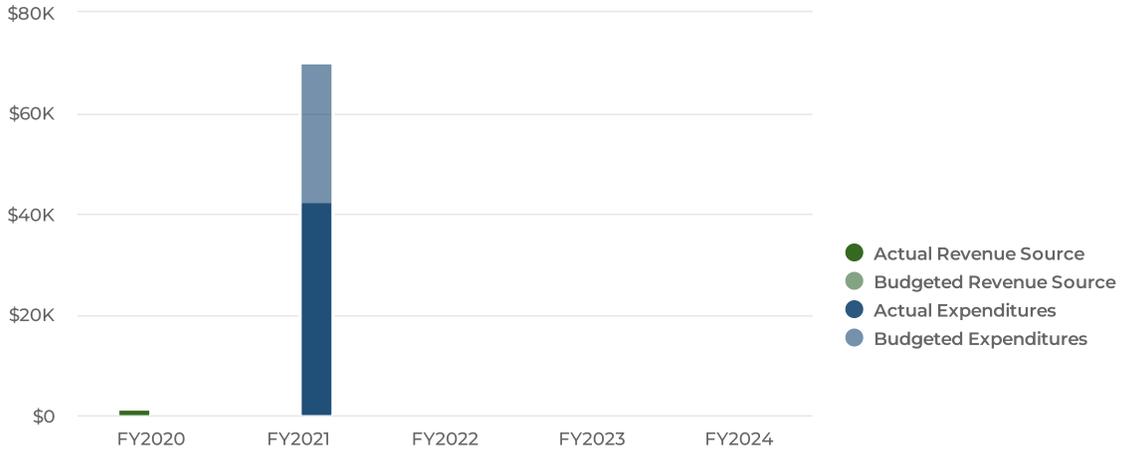


Lower Cost Visitor Accommodations Mitigation Fee (270)

The Lower Cost Visitor Accommodations Mitigation Fee Fund was created in 2008 to collect 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. Funds shall be used for creating accommodations and other potential projects deemed acceptable by the Coastal Commission. In recent years, the Coastal Commission has favored the concept of providing affordable rooms onsite instead of requiring the payment of In-lieu fees.

Summary

The City of Morro Bay projects no revenues and no expenditures in FY 2023-24.



Fund Balance

Any funds remaining 10 years following the 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.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$56,670	\$14,158	\$14,000	\$14,000	\$14,000	0%
Total Fund Balance:	\$56,670	\$14,158	\$14,000	\$14,000	\$14,000	0%

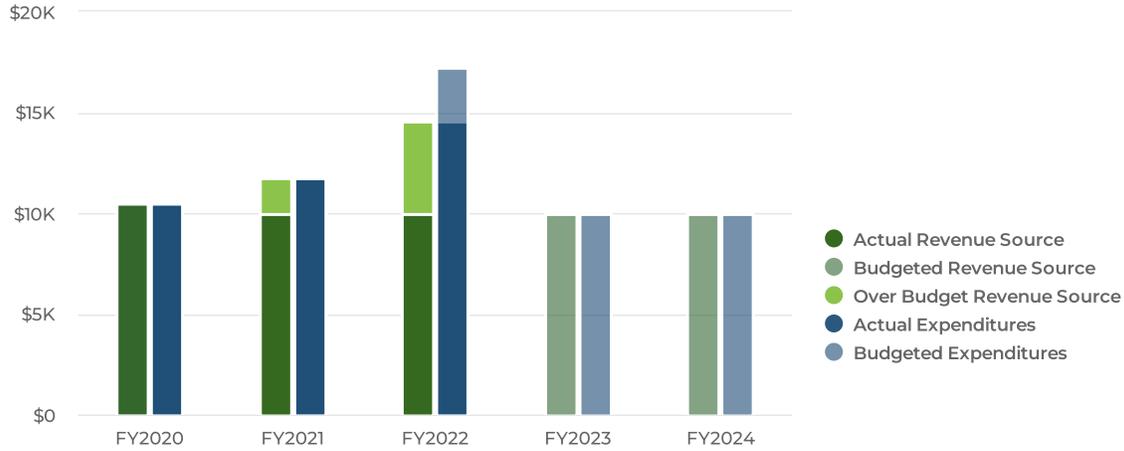


Traffic Safety Fund (280)

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 fund.

Summary

The City of Morro Bay is projecting \$10,000 of revenue in FY2023-24, which represents a 0% increase over the prior year. Budgeted expenditures are not projected to increase in FY2023-24.



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.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Traffic Safety Fund	\$14,617	\$10,000	\$10,000	\$10,000	0%
Total Traffic Safety Fund:	\$14,617	\$10,000	\$10,000	\$10,000	0%

Expenditures by Expense Type

Expenditures for FY 2023-24 are estimated to match the total amount of revenue received. Expenditures include equipment maintenance for the two Electronic Message Boards/Radar Trailers, replacement of department delineators/traffic cones, and the purchase of traffic barricades for traffic control. These expenditures will be made out of this fund rather than via a transfer to the General Fund as in prior years.



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					
Supplies	\$0	\$0	\$10,000	\$10,000	N/A
Interfund Transfers	\$14,617	\$10,000	\$0	\$0	-100%
Total Expense Objects:	\$14,617	\$10,000	\$10,000	\$10,000	0%

Fund Balance

There is no anticipated fund balance at the end of FY 23-24.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$1,541	\$1,541	\$0	\$0	\$0	0%
Total Fund Balance:	\$1,541	\$1,541	\$0	\$0	\$0	0%



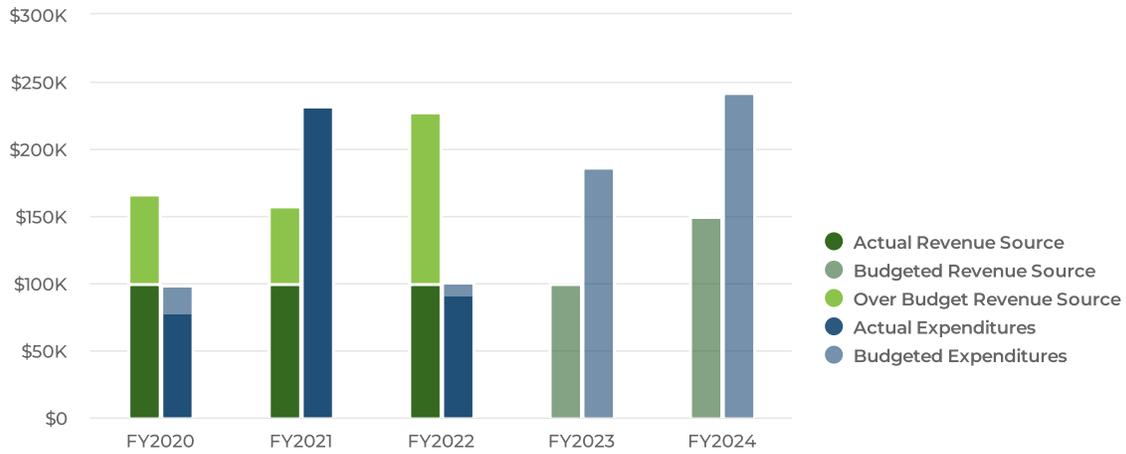


Special Safety Grants (282)

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 \$150,000 of grant revenue in FY2023-24, which represents 50% increase over the prior year. The projected increase is based on the grant award amount in FY2022-23. Budgeted expenditures are projected to be approximately \$175,000. The difference between revenues and expenditures will be spent from accumulated fund balance.



Revenue by Fund

Projected grant revenues for FY 2023-24 are \$150,000. This is an annual state anticipated allocation of funding for the City. Funding is received throughout the year in smaller installments, making it difficult to anticipate annual funding. The City remains conservative on budgeted revenue, as it difficult to predict.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Special Safety Grants	\$227,908	\$100,000	\$100,000	\$150,000	50%
Total Special Safety Grants:	\$227,908	\$100,000	\$100,000	\$150,000	50%

Expenditures by Expense Type

The FY 2023-24 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 \$66,000 for two Police Motorcycle replacement purchases.

The \$75,000 budgeted for supplies includes \$7,000 for a Tuff Shed for Property & Evidence bicycle storage, \$38,000 for department equipment/supplies during the fiscal year, and \$30,000 was for briefing room desks/chairs, and kitchen equipment and supplies after plumbing work is complete.

These expenditures are consistent with the intent and purpose of the SLESF grant funds.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					
Personnel Services	\$56,453	\$60,722	\$60,722	\$88,074	45%
Supplies	\$23,751	\$38,000	\$38,000	\$75,000	97.4%
Services	\$11,850	\$13,500	\$13,500	\$13,500	0%
Capital Outlay	\$0	\$75,000	\$75,000	\$66,000	-12%
Total Expense Objects:	\$92,054	\$187,222	\$187,222	\$242,574	29.6%

Fund Balance

FY 2023-24 fund balance is projected to be approximately \$171,000 reflecting a reduction in fund balance due to the planned expenditures, consistent with the fund's intended uses.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$293,355	\$219,562	\$351,000	\$263,778	\$171,204	-35.1%
Total Fund Balance:	\$293,355	\$219,562	\$351,000	\$263,778	\$171,204	-35.1%



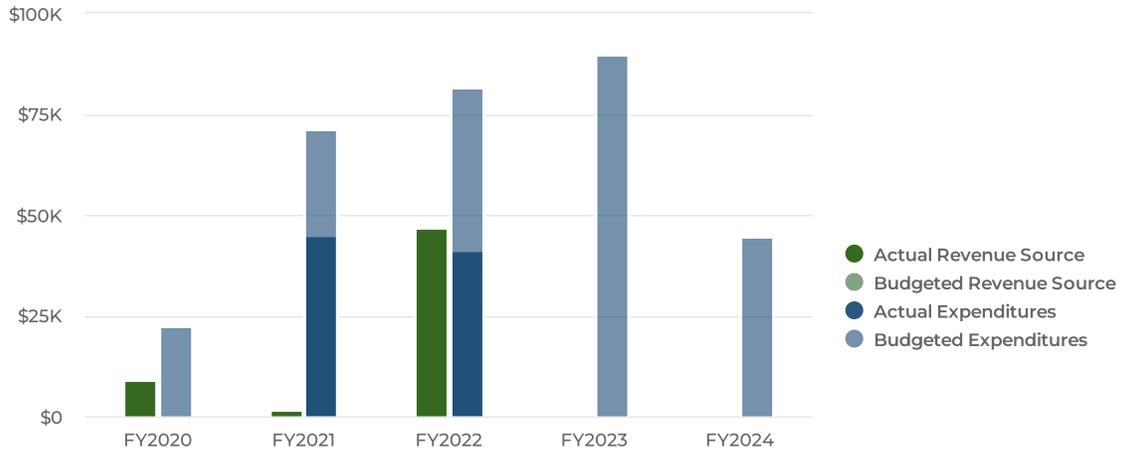


Parking In-Lieu Fund (299)

The Parking In-Lieu Fund accounts for in-lieu fees charged for parking spaces required to adequately service new development. The City has 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.

Summary

The City is expecting no revenues in FY 2023-24, and \$45,000 in expenditures.



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 2023-24.

Name	FY2022 Actual	FY2023 Budgeted	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Parking In-Lieu Fund	\$47,025	\$0	\$0	\$0	0%
Total Parking In-Lieu Fund:	\$47,025	\$0	\$0	\$0	0%

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 included 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.

Approximately half of the \$90,000 in FY 22-23 budgeted funds will be spent, at most. The FY 23-24 budget includes the unspent funds from FY 22-23 to complete the parking study analysis. Funding to fully implement a paid parking pilot program is not included. That would require additional direction and funding authorization from Council. As part of the 2023 Council Goals process, Council required that the results of the parking analysis be presented to them for direction on next steps.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Parking In-Lieu Fund	\$41,609	\$90,000	\$45,000	\$45,000	-50%
Total Parking In-Lieu Fund:	\$41,609	\$90,000	\$45,000	\$45,000	-50%

Fund Balance

The fund balance in this fund will fluctuate as parking in-lieu fee revenues are collected and accumulated to be spent on eligible parking activities. The projected fund balance at the end of FY 2023-24 is approximately \$251,000.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$385,000	\$341,000	\$341,000	\$296,000	\$251,000	-15.2%
Total Fund Balance:	\$385,000	\$341,000	\$341,000	\$296,000	\$251,000	-15.2%



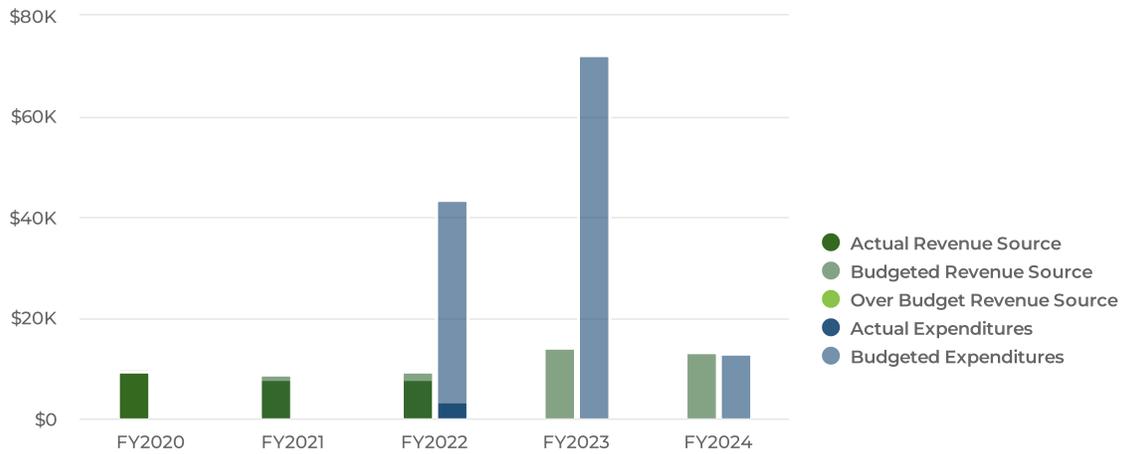
Bike Path Fund (302)

The Bike Path Fund accounts for 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. These funds are allocated annually by the San Luis Obispo Council of Governments (SLOCOG) to eligible claimants. The TDA, enacted by the State Legislature in 1971, provides two sources of funding available, Local Transportation Fund (LTF) and State Transit Assistance (STA), for transit, pedestrian, and bikeway path projects, transportation planning, ridesharing, street and road improvements. TDA regulations require the City to separately set aside 2% of its annual LTF allocation for bicycle and/or pedestrian projects within the City limits. Funds for the LTF come from 1/4 cents of retail sales tax.

Summary

The City of Morro Bay is projecting approximately \$13,315 of revenue in FY2023-24, which represents a 5.5% decrease from the prior year. For FY 2023-24, the City is budgeting \$13,000 in expenditures for the Active Transportation Plan/Active Corridor Studies capital improvement project.

Bike Path Fund monies are allocated annually by the San Luis Obispo Council of Governments (SLOCOG) to eligible claimants. The TDA, enacted by the State Legislature in 1971, provides two sources of funding available, Local Transportation Fund (LTF) and State Transit Assistance (STA), for transit, pedestrian, and bikeway path projects, transportation planning, ridesharing, street and road improvements. TDA regulations require the City to separately set aside 2% of its annual LTF allocation for bicycle and/or pedestrian projects within the City limits. Funds for the LTF come from 1/4 cents of retail sales tax.



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.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY 24 Proposed (Bike Path)	FY2023 Amended Budget vs. FY 24 Proposed (Bike Path) (% Change)	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Bike Path	\$8,034	\$14,085	\$14,085	\$13,315	-5.5%	-5.5%
Total Bike Path:	\$8,034	\$14,085	\$14,085	\$13,315	-5.5%	-5.5%



Expenditures by Fund

For FY 2023-24, the Bike Path Fund will contribute \$13,000 to the Active Transportation Plan/Active Corridor Studies capital improvement project.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Bike Path	\$3,500	\$72,423	\$72,423	\$13,000	-82%
Total Bike Path:	\$3,500	\$72,423	\$72,423	\$13,000	-82%

Fund Balance

Fund balance for FY 2023-24 is anticipated to be \$4,000, after utilizing the majority of the FY 2021-22 fund balance and the City's FY 2022-23 allocation for the FY 2022-23 annual paving project which includes a bike path component.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$40,054	\$48,045	\$52,000	\$4,000	\$4,000	0%
Total Fund Balance:	\$40,054	\$48,045	\$52,000	\$4,000	\$4,000	0%

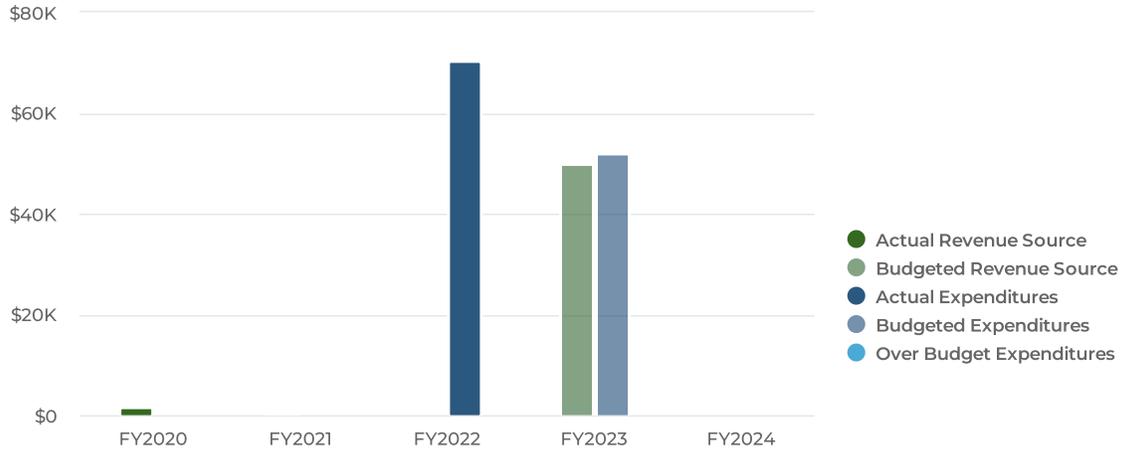


Local Transportation Fund (LTF)-Roads Fund (303)

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

No revenue or budgeted expenditures are projected in FY 2023-24.



Revenue by Fund

Revenue for the LTF-Roads Fund is derived 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) LTF State allocations. Per State regulations, TDA LTF funds may be allocated to the LTF Roads Fund for road projects after first funding transit and trolley services and meeting any unmet transit needs identified during the annual Unmet Transit Needs public hearing held by the SLOCOG and there are remaining funds available for allocation.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY 24 Proposed (LTF Roads)	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
LTF Roads	\$6	\$50,000	\$50,000	\$0	-100%
Total LTF Roads:	\$6	\$50,000	\$50,000	\$0	-100%

Expenditures by Expense Type

No expenditures are budgeted in FY 2023-24. Prior year funds were used to support eligible components of the pavement management project.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					
Other Expense	\$138	\$0	\$0	\$0	0%
Interfund Transfers	\$70,630	\$52,142	\$52,142	\$0	-100%
Total Expense Objects:	\$70,768	\$52,142	\$52,142	\$0	-100%

Fund Balance

The FY 2023-24 projected fund balance for LTF-Roads Fund is zero.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$72,397	\$72,772	\$2,000	\$-142	\$-142	0%
Total Fund Balance:	\$72,397	\$72,772	\$2,000	\$-142	\$-142	0%

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



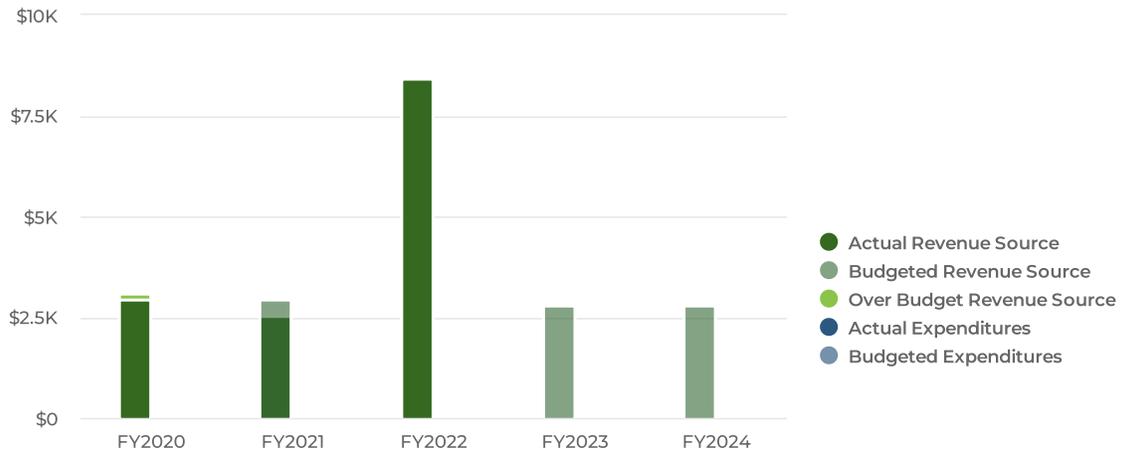
Special Assessment Districts Fund (500)

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 2023-24, which represents a 0% change 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 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Assessment Districts	\$8,427	\$2,832	\$2,832	\$2,832	0%
Total Assessment Districts:	\$8,427	\$2,832	\$2,832	\$2,832	0%

Expenditures by Fund

There are no expenditures budgeted for FY 2023-24. 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.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$77,073	\$79,623	\$69,000	\$71,832	\$74,664	3.9%
Total Fund Balance:	\$77,073	\$79,623	\$69,000	\$71,832	\$74,664	3.9%



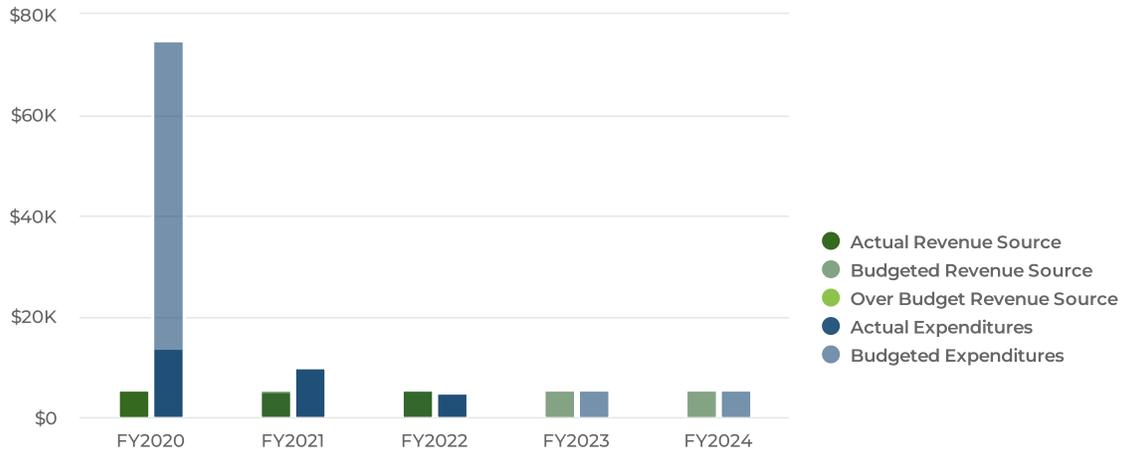


North Point Assessment Fund (565)

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 \$5,645 of revenue and expenditures in FY2023-24, 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. Revenues are flat and do not increase by the consumer price index.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Revenue Source					
Property Taxes	\$5,645	\$5,645	\$5,645	\$5,645	0%
Total Revenue Source:	\$5,645	\$5,645	\$5,645	\$5,645	0%

Expenditures by Expense Type

Personnel costs have historically been charged to this fund. However, given that maintenance services 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 2023-24 budget, there is no room in this fund to charge staff time to it, as services costs utilize the full assessment dollars. However, staff will continue to maintain the current level of effort to maintain that area with that staff time now budgeted in the General Fund.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					
Personnel Services	\$775	\$0	\$0	\$0	0%
Services	\$3,575	\$4,865	\$4,865	\$4,647	-4.5%
Interfund Transfers	\$712	\$780	\$780	\$998	27.9%
Total Expense Objects:	\$5,062	\$5,645	\$5,645	\$5,645	0%

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 no CPI escalator in the annual assessment.

	FY2020	FY2021	FY2022	FY2023	FY2024	\$ Change
Fund Balance	—	—	—	—	—	
Committed	\$-15,268	\$-19,898	\$-19,000	\$-19,000	\$-19,000	\$0
Total Fund Balance:	\$-15,268	\$-19,898	\$-19,000	\$-19,000	\$-19,000	\$0



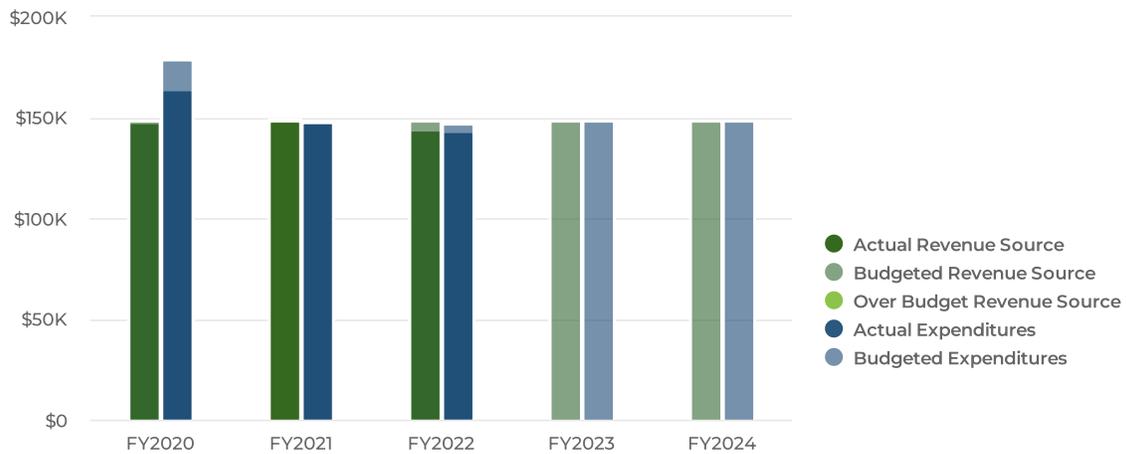
Cloisters Park Maintenance Assessment District (570)

This Fund was created to record parcel assessments and expenditures associated with Tract 1996. 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. 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.

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. The District has an annual assessment of \$148,944, which is a flat amount with no consumer price index escalator.

Summary

The City of Morro Bay is projecting approximately \$149,000 in revenues and expenditures in FY 2023-24, equal to the prior year.



Revenue by Fund

The City of Morro Bay is projecting \$148,944 of revenue in FY2023-24, which represents a 0% increase over the prior year. Expenditures are also budgeted at that same dollar amount in FY2023-24.

The FY2023-24 budget includes funding for a partial 0.70 FTE Consolidated Maintenance Worker II to provide staff support for maintenance of the district.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Cloisters Park Maint AD	\$144,227	\$148,944	\$149,364	\$148,944	0%
Total Cloisters Park Maint AD:	\$144,227	\$148,944	\$149,364	\$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. as the assessments do not increase by a consumer price index, the purchasing power of the limited assessment dollars has decreased significantly over time. 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 2023-24 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 and services for the district are increasing. The expenditure budget also includes a transfer out to the General Fund for Cost Allocation Plan (CAP) expenses.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					
Personnel Services	\$83,919	\$73,497	\$73,497	\$56,827	-22.7%
Supplies	\$6,641	\$16,327	\$5,327	\$16,297	-0.2%
Services	\$41,314	\$47,178	\$47,178	\$47,736	1.2%
Interfund Transfers	\$11,476	\$11,942	\$12,362	\$28,084	135.2%
Total Expense Objects:	\$143,350	\$148,944	\$138,364	\$148,944	0%

Fund Balance

For FY2023-24, the total projected fund balance is anticipated to be \$165,000, which includes the balance of the formerly separate Cloisters Accumulation Fund. Future use of fund balance will be used in collaboration with Cloister residents.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$90,650	\$92,194	\$154,000	\$165,000	\$165,000	0%
Total Fund Balance:	\$90,650	\$92,194	\$154,000	\$165,000	\$165,000	0%

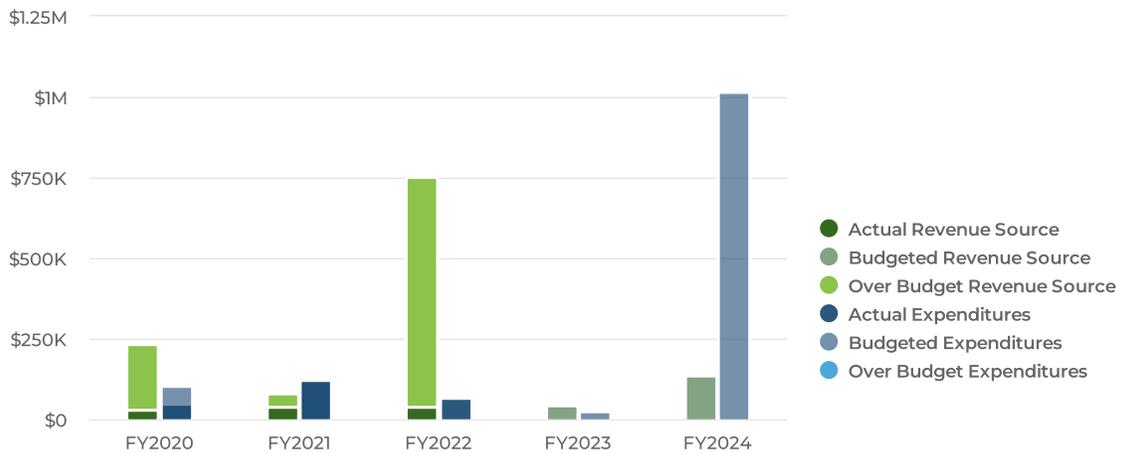


Governmental Impact Fees (900)

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 \$141,000 of revenue in FY 2023-24, which represents a 201% increase over the prior year. Expenditures totaling \$1,017,250 is budgeted for new and continued capital improvement projects in FY 2023-24 for new development. Funded capital project expenditures budgeted but not spent from FY2022-23 will be carried forward for ongoing projects in the capital funds the projects were budgeted in. For FY 2023-24 all capital projects the Governmental Impact Fees fund is contributed to are budgeted in the General Capital Projects (915) Fund. For a more detailed list, see the expenditure table below.



Revenue by Fund

Development Impact Fee revenue in FY 2023-24 is projected at approximately \$141,000, which represents a 210% increase over the prior year. This projection is consistent with actual revenue received in FY 2021-22.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Governmental Impact Fees	\$755,263	\$46,750	\$62,750	\$140,946	201.5%
Total Governmental Impact Fees:	\$755,263	\$46,750	\$62,750	\$140,946	201.5%

Expenditures by Fund

Development Impact Fees are received in various categories and each is restricted as to use. In FY 23-24, the following DIF balances will be used to support four capital improvement projects, as follows. Each project is described in detail in the Capital Improvement Program section of the budget document.

- Hwy 1/41 Intersection (existing project) - \$597,950
- Police Annex Parking Lot (existing project) - \$47,000
- Bonita Fire Station Remodel design (new project) - \$80,000
- Coleman Park Project (existing project) - \$292,300

The appropriation of these funds represents a significant increase in budgeting of DIF balances, in large part due to one-time development-related revenue that has come in in recent years.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Governmental Impact Fees					
Interfund Transfers	\$72,947	\$30,000	\$30,000	\$1,017,250	3,290.8%
Total Governmental Impact Fees:	\$72,947	\$30,000	\$30,000	\$1,017,250	3,290.8%

Fund Balance

Projected fund balance for FY2023-24 is anticipated to be approximately \$0.8 million, reflecting utilization of funds in FY 23-24 to the capital projects outlined above.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$1,036,241	\$995,587	\$1,656,000	\$1,688,750	\$812,446	-51.9%
Total Fund Balance:	\$1,036,241	\$995,587	\$1,656,000	\$1,688,750	\$812,446	-51.9%

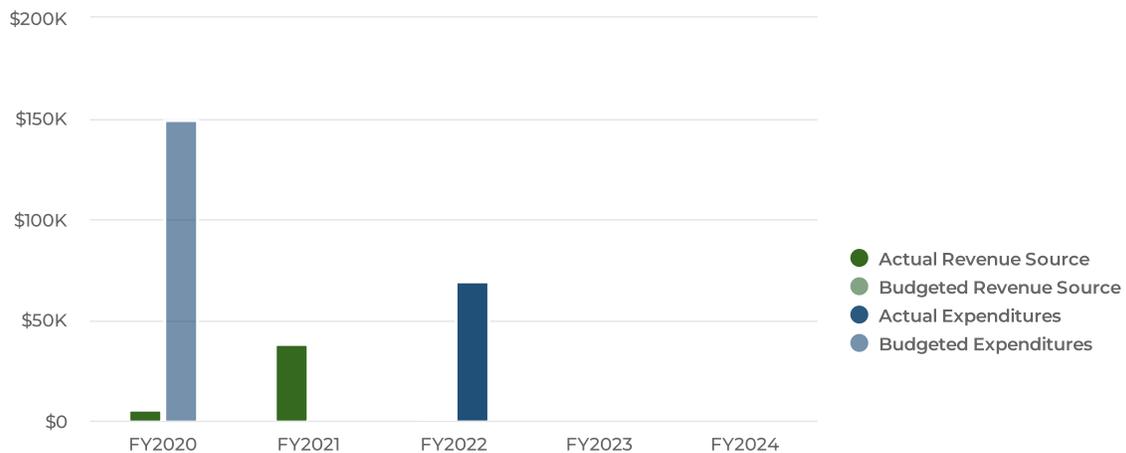


Park Fees Fund- Quimby Act (904)

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 is not budgeting any revenue or expenditures in FY 2023-24.



Revenue by Fund

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

Name	FY2022 Actual	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Park Fee Fund	\$1,314	\$0	\$0	0%
Total Park Fee Fund:	\$1,314	\$0	\$0	0%

Expenditures by Fund

The City of Morro Bay is not budgeting for any new expenditures in this fund in FY 23-24.

Name	FY2022 Actual	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Park Fee Fund	\$69,500	\$0	\$0	0%
Total Park Fee Fund:	\$69,500	\$0	\$0	0%



Fund Balance

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

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$279,904	\$318,202	\$245,000	\$248,705	\$248,705	0%
Total Fund Balance:	\$279,904	\$318,202	\$245,000	\$248,705	\$248,705	0%





Community Benefit Fund (906)

The Community Benefit Fund contains revenue from a one-time payment from 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 Community Benefit Fund is specifically for a one-time payment from Castle Wind LLC related to a November 2018 Community Benefit Agreement (CBA). No additional revenue is anticipated.



Expenditures by Fund

There are no budgeted expenditures in the Community Benefits Fund for FY 2023-24. Of the \$250,000 received, \$170,000 was appropriated (\$130,000 towards the Beach Street Slips Harbor capital project and \$40,000 for the Coleman Park restroom project). The remaining balance of \$80,000 is available for future appropriation.

Name	FY2022 Actual	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Community Benefit	\$170,000	\$0	\$0	0%
Total Community Benefit:	\$170,000	\$0	\$0	0%

Fund Balance

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Committed	\$250,000	\$250,000	\$250,000	\$80,000	\$80,000	0%
Total Fund Balance:	\$250,000	\$250,000	\$250,000	\$80,000	\$80,000	0%



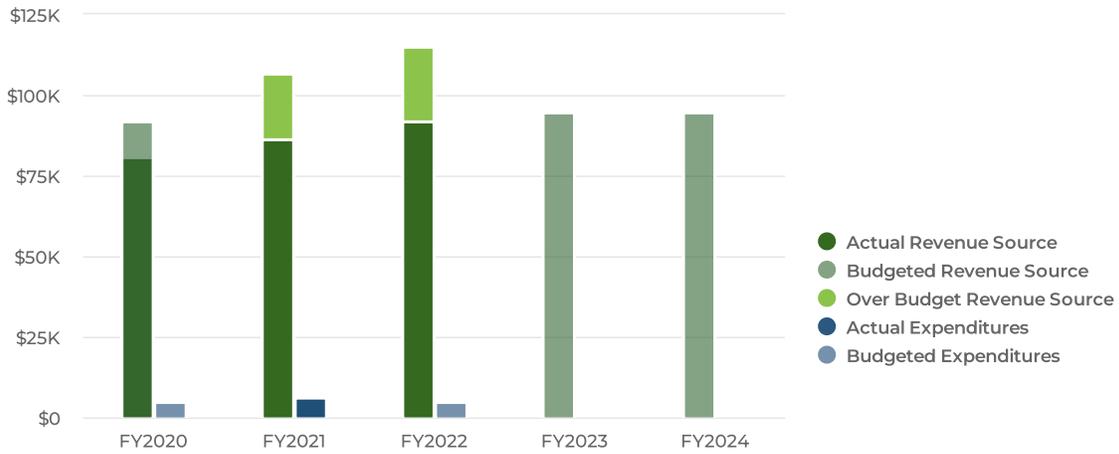


State Park Marina Fund (924)

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 FY2023-24, which represents a 0.0% increase over the prior year. This revenue is consistent with prior years. There are no budgeted expenditures for FY 2023-24 because the City has completed the dredging obligations.



Revenue by Fund

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
State Park Marina	\$115,289	\$95,000	\$95,000	\$95,000	0%
Total State Park Marina:	\$115,289	\$95,000	\$95,000	\$95,000	0%

Fund Balance

The State Park Marina Fund balance for FY 2023-24 is projected to be approximately \$950,000. 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.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$543,814	\$644,348	\$760,000	\$855,000	\$950,000	11.1%
Total Fund Balance:	\$543,814	\$644,348	\$760,000	\$855,000	\$950,000	11.1%



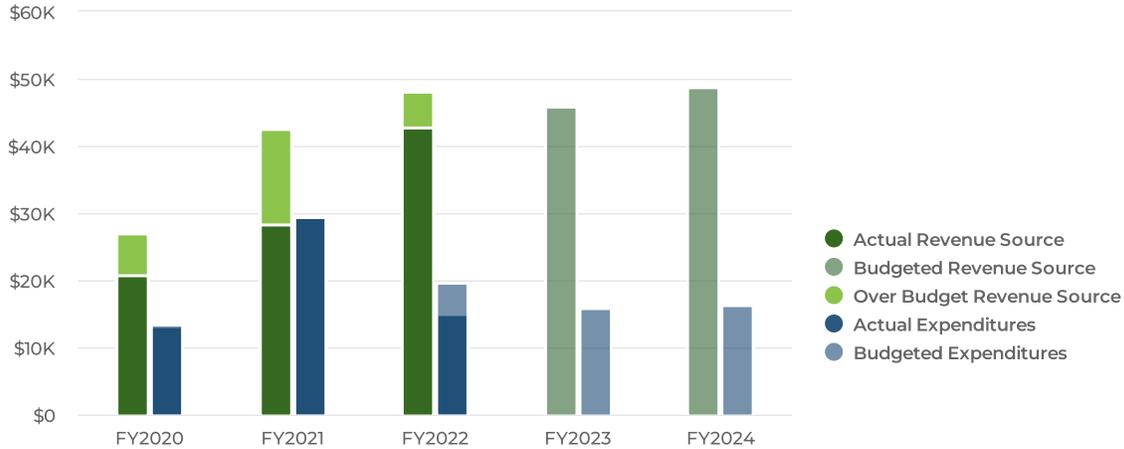


Triangle Lot-Boat Storage Yard (925)

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 \$49,000 of revenue in FY 2023-24, which represents a 6.5% increase over the prior year. Budgeted expenditures are projected to increase by \$500 in FY 2023-24.



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 \$116/mo.per space. The FY 2023-24 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.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Triangle Lot - Boat Storage Yard	\$48,174	\$46,000	\$46,000	\$49,000	6.5%
Total Triangle Lot - Boat Storage Yard:	\$48,174	\$46,000	\$46,000	\$49,000	6.5%

Expenditures by Expense Type

Expenditures for FY 23-24 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 higher in FY 2023-24 due to maintenance supplies costs increasing nominally.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Personnel Services	\$14,963	\$14,000	\$14,420	\$14,500	3.6%
Supplies	\$36	\$2,000	\$2,000	\$2,000	0%
Services	\$28	\$0	\$0	\$0	0%
Total Expense Objects:	\$15,027	\$16,000	\$16,420	\$16,500	3.1%

Fund Balance

The fund balance is projected to increase over time, as revenues exceed expenditures annually. At the end of FY 23-24, it is projected to be approximately \$122,000.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Committed	\$13,952	\$27,150	\$60,000	\$80,000	\$122,000	52.5%
Total Fund Balance:	\$13,952	\$27,150	\$60,000	\$80,000	\$122,000	52.5%



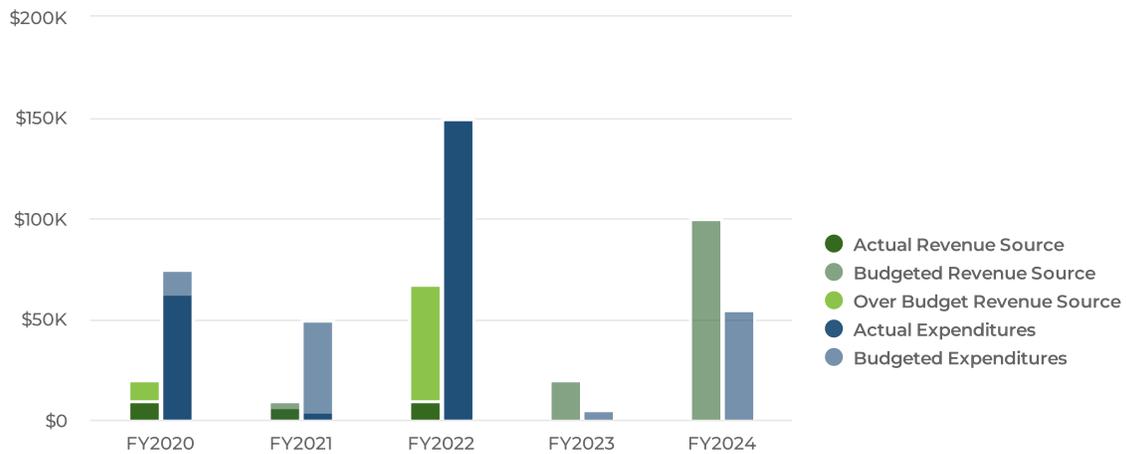


Affordable Housing In-Lieu Fund (941)

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 \$100,000 in revenue and \$55,000 in expenditures in fiscal year 2024. The increase in projected revenue is a result of new in-lieu fee requirements from the newly adopted Zoning Code.



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. Staff anticipates receiving \$100,000 in FY 2023-24.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Affordable Housing In-Lieu Fund	\$67,301	\$20,000	\$20,000	\$100,000	400%
Total Affordable Housing In-Lieu Fund:	\$67,301	\$20,000	\$20,000	\$100,000	400%



Expenditures by Fund

Fee 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. The City may also 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.

Staff has budgeted \$50,000 to support an eligible project if one should arise to meet Council's affordable housing and homelessness goals.

In addition, staff has budgeted \$5,000 in FY 2023-24 to support a local housing agency should a need arise.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Affordable Housing In-Lieu Fund	\$150,000	\$5,000	\$5,000	\$55,000	1,000%
Total Affordable Housing In-Lieu Fund:	\$150,000	\$5,000	\$5,000	\$55,000	1,000%

Fund Balance

The projected fund balance at the end of FY 2023-24 is approximately \$233,000. This fund balance will fluctuate as funds are received and accumulated until they can be used to support eligible affordable housing development activities.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$257,000	\$259,000	\$173,000	\$188,000	\$233,000	23.9%
Total Fund Balance:	\$257,000	\$259,000	\$173,000	\$188,000	\$233,000	23.9%



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
- Sewer Enterprise
 - Sewer Operating - 321
 - Sewer Capital - 922
 - Morro Bay Cayucos Sanitary District WWTP (preparing to close out) - 599
- Water Enterprise
 - Water Operating - 311
 - Water Capital - 921
 - Utility Discount Program - 315
- Transit Enterprise
 - Transit Operating - 301
 - Transit Capital - 920

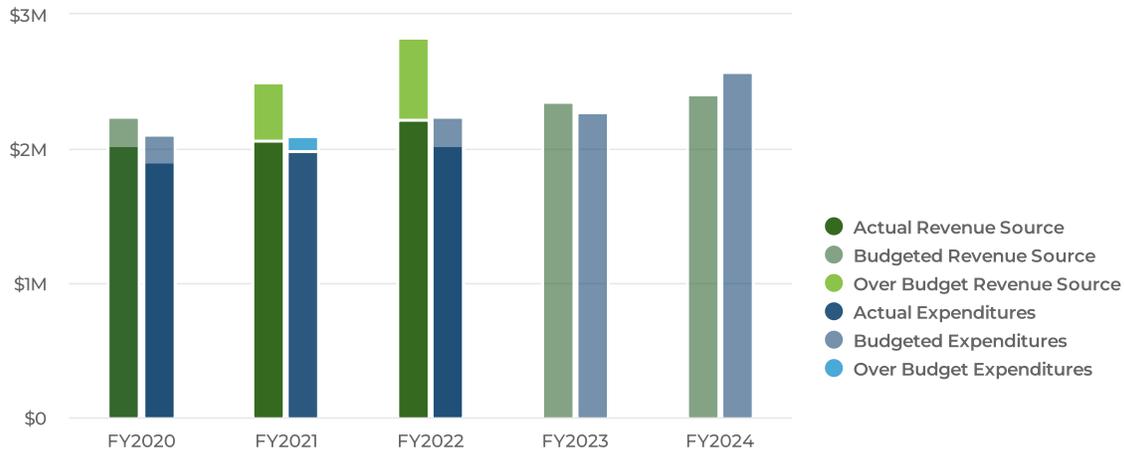


Harbor Operating Fund (331)

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. The fund accounts 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 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 2023-24, which represents a 2.1% increase over the prior year. Budgeted expenditures are projected to increase by 15.5% to \$2.5 million in FY 2023-24. The delta represents use of available fund balance for Harbor capital needs.



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 2.1% increase in revenues from current services in FY 2023-24 as compared to the FY 2022-23 budget. This is primarily related to increasing lease revenues and is consistent with recent actuals.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Revenue Source					
Intergovernmental Revenues	\$18,127	\$23,000	\$23,000	\$23,000	0%
Revenues From Current Services	\$2,588,282	\$2,334,464	\$2,370,610	\$2,383,610	2.1%
Fines & Forfeitures	\$4,864	\$3,000	\$3,250	\$3,200	6.7%
Other Revenues	\$14,397	\$500	\$0	\$500	0%

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Revenues From Use of Money & Property	\$6,837	\$0	\$0	\$0	0%
Interfund Revenue Transfers	\$196,511	\$0	\$5,000	\$0	0%
Total Revenue Source:	\$2,829,018	\$2,360,964	\$2,401,860	\$2,410,310	2.1%

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.

Beginning in FY 22-23 and continuing in FY 23-24, part-time lifeguard and Harbor Reserves staffing is being funded in the Measure Q & E Fund, not the Harbor Fund.

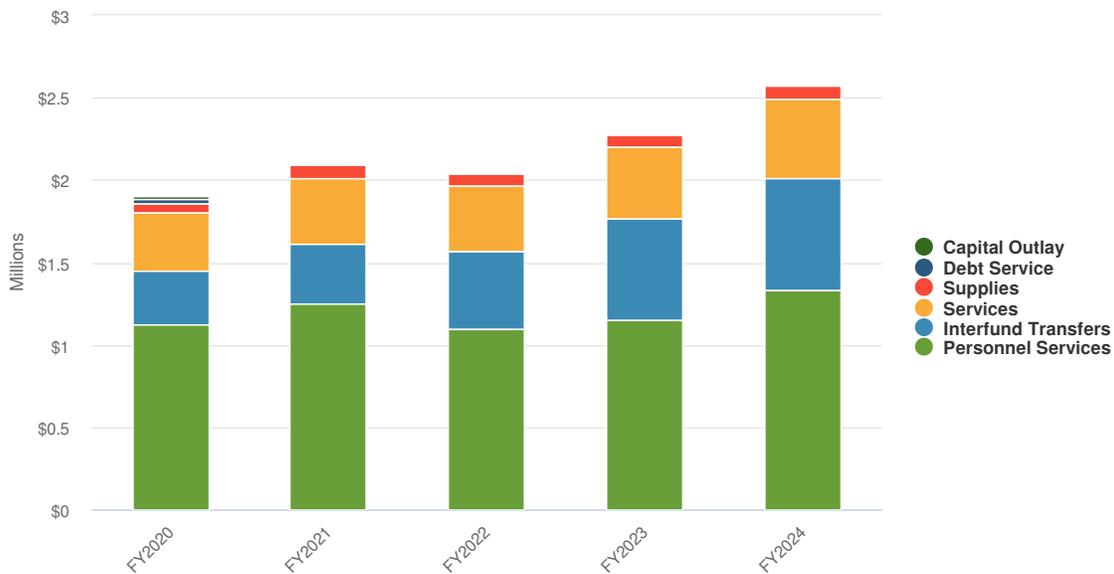
Services - This includes funding for Harbor utilities, Harbor-specific legal services, consultant services, outside equipment repair, and other services.

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

Interfund Transfers - These include the following:

- o \$280,000 - Transfer to Harbor Capital Fund for Harbor CIP projects
- o \$346,655 - 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, as well as for maintenance of public spaces in the Tidelands Trust area. This amount is derived from the citywide Cost Allocation Plan.
- o \$108,570 - Transfer to Internal Services Funds for information technology and risk management services.

Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY 24 Proposed (Harbor Operating Fund)	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					
Personnel Services	\$1,095,355	\$1,149,214	\$1,271,045	\$1,334,302	16.1%
Supplies	\$72,188	\$74,800	\$74,800	\$77,800	4%
Services	\$395,864	\$438,004	\$486,254	\$483,438	10.4%
Interfund Transfers	\$473,082	\$614,394	\$614,394	\$677,152	10.2%
Total Expense Objects:	\$2,036,489	\$2,276,412	\$2,446,493	\$2,572,692	13%

Fund Balance

The fund balance figures in the bar graph below represent the operating fund's working capital fund balance, defined as near-term assets minus near-term liabilities. Since the Harbor Fund is a proprietary or enterprise fund, its net position--which includes long-term assets and liabilities--is reported each year in the City's Annual Comprehensive Financial Report available on the City's website.

The Harbor Fund's working capital fund balance grew quite significantly in the pandemic recovery period, and as some of those funds have been appropriated for Harbor capital improvement projects, that fund balance is being spent and is projected to end FY 2023-24 at approximately \$826,642. That 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 (approximately \$313,000), as well as the target level of 25% of the most recent adopted operating budget (approximately \$522,000).

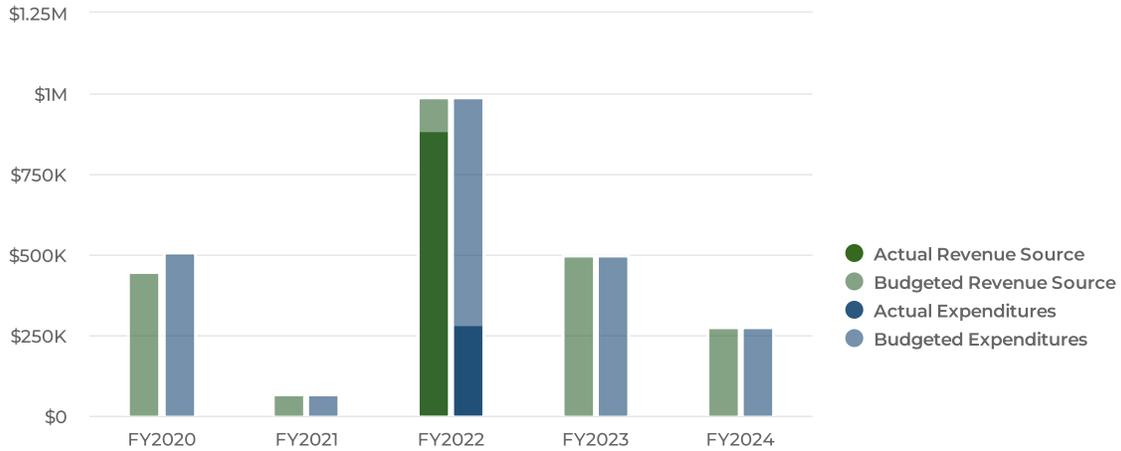
Remaining fund balance may be needed for storm repairs, in excess of the \$200,000 already budgeted in the FY 23-24 CIP. The Harbor Fund Five-Year Forecast, in the "Long-Range Financial Plans" section of the budget document, demonstrates that expenditure growth is outpacing revenue growth and the fund is projected to have an operating deficit by the end of the five-year period absent corrective action.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$35,000	\$466,000	\$1,034,000	\$997,000	\$826,642	-17.1%
Total Fund Balance:	\$35,000	\$466,000	\$1,034,000	\$997,000	\$826,642	-17.1%



Summary

The City of Morro Bay is projecting \$280,000 in revenue and \$280,000 in new capital project expenditures in FY2023-24 (in addition to any carry forward capital funds that may be expended in FY 2023-24).



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.

FY 2023-24 revenues include \$200,000 transfer in for dock repairs as a result of the Winter 2023 storms, \$40,000 transfer in for determining scope of work for the T-Pier renovation, and \$40,000 to build a reserve for future vehicle purchases.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Revenue Source					
Other Revenues	\$128,604	\$0	\$0	\$0	0%
Interfund Revenue Transfers	\$760,000	\$500,000	\$500,000	\$280,000	-44%
Total Revenue Source:	\$888,604	\$500,000	\$500,000	\$280,000	-44%

Expenditures by Function

The FY 2023-24 budget includes \$280,000 for three Harbor CIPs. This represents new budget allocation. In addition to the new FY 2023-24 budget allocation, any remaining FY 2022-23 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 \$280,000 in new funding allocation is broken down as follows. Each of these projects is presented in more detail in the CIP section of the Budget Book.

- **Harbor Dock Repairs** - \$200,000. New project. Funding from the Harbor Operating Fund.
- **North T-Pier** - \$40,000. New project. Develop scope of work for \$1.5M HUD Grant. Funding from the Harbor Operating Fund.
- **Harbor Vehicle Replacement** - \$40,000. New project. Create a vehicle replacement fund. Funding from the Harbor Operating Fund.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expenditures					
Capital Projects	\$285,463	\$1,204,537	\$500,000	\$280,000	-76.8%
Total Expenditures:	\$285,463	\$1,204,537	\$500,000	\$280,000	-76.8%

Fund Balance

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 \$600,000 at the end of FY 2023-24.

	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	
Nonspendable	\$603,000	\$603,000	\$603,000	0%
Total Fund Balance:	\$603,000	\$603,000	\$603,000	0%





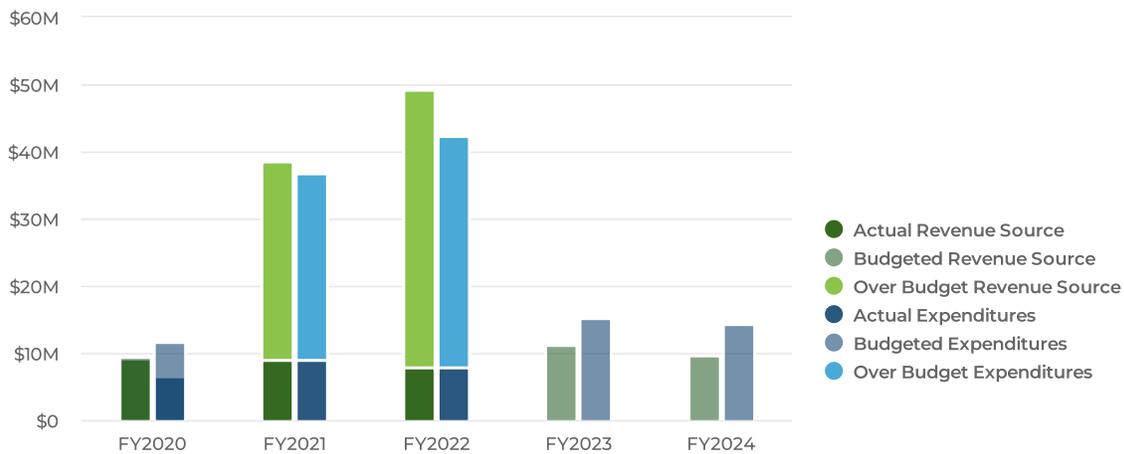
Sewer Operating Fund (321)

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 \$9.75 million of revenue in FY 2023-24. Budgeted expenditures are \$14.46 million in FY 2023-24, including over \$9.7 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 jump in FY 20-21 and FY 21-22 actual accounts for one-time loan transfers to the Sewer CIP fund for the Sewer Fund's share of the Water Reclamation Facility project, as well as loan disbursements to reimburse the fund for up-front project expenditures, which will be repaid in debt service payments over time.



Revenue by Fund

All ongoing revenues to the Sewer Fund come from ratepayers paying for City sewer services. Ongoing rate revenues are projected to be flat since rates are not increasing in FY 2023-24.

The jump in FY 20-21 and FY 21-22 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. Prior year revenue budgets included budgeted loan proceeds disbursements associated with the Water Reclamation Facility project. While the Fund may see some loan disbursements received in FY 23-24, they would be from the carry forward CIP expenditure budget and are not budgeted in FY 23-24.

The FY 23-24 revenue budget includes projected interest revenue due to the fund's current high balance and rising interest rates.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Sewer Operating Fund					
Intergovernmental Revenues	\$90,047	\$0	\$0	\$0	0%
Revenues From Current Services	\$9,703,719	\$9,460,000	\$9,460,000	\$9,460,000	0%
Fines & Forfeitures	\$34,431	\$30,000	\$30,000	\$30,000	0%
Other Revenues	-\$5,434	\$0	\$0	\$0	0%
Revenues From Use of Money & Property	\$171,431	\$20,000	\$20,000	\$263,604	1,218%
Interfund Revenue Transfers	\$39,316,339	\$0	\$0	\$0	0%
Federal Revenue - Loan	\$0	\$1,734,348	\$1,734,348	\$0	-100%
Total Sewer Operating Fund:	\$49,310,532	\$11,244,348	\$11,244,348	\$9,753,604	-13.3%



Expenditures by Expense Type

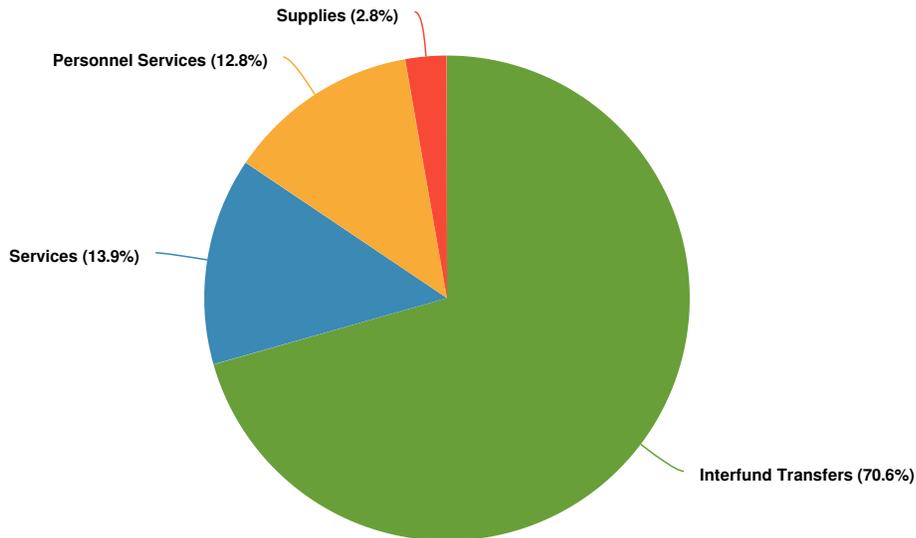
Looking at the prior fiscal year's expenditures in the Fund, the decrease in the FY 2023-24 expenditures are due to lower than anticipated transfers associated with capital improvements due to lower expenditures in the WRF program as the project components begin to wind down.

Personnel, Services, and Supplies - Budgeted costs for FY 2023-24 are right-sized since the City has operated the new waste water treatment plant for several months and now has better data on associated operating costs with which to more accurately forecast expenditures. In addition, personnel costs are increasing citywide due to inflation and the need to keep employee compensation competitive to attract and retain talent. Finally, utilities costs and other supplies and services costs continue to increase with inflation.

Interfund Transfers - Budgeted interfund transfers in FY 2023-24 are as follows:

- Transfer to General Fund for Cost Allocation Plan internal services - \$340,770
- Transfer to Information Technology and Risk Management Funds - \$126,551
- Transfer to Sewer Capital Improvement Fund for Sewer's portion of the non-financed FY 2023-24 Water Reclamation Facility Project budget - \$4,780,956
- Transfer to Sewer Capital Improvement Fund for all other Sewer CIPs outlined in CIP budget - \$4,983,512

Budgeted Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					
Personnel Services	\$577,224	\$1,662,688	\$1,719,688	\$1,850,554	11.3%
Supplies	\$47,938	\$348,835	\$367,500	\$399,000	14.4%
Other Expense	\$2,004,214	\$0	\$0	\$0	0%
Services	\$360,558	\$1,674,523	\$1,344,336	\$2,004,232	19.7%
Interfund Transfers	\$39,363,464	\$11,539,336	\$11,561,836	\$10,211,301	-11.5%
Total Expense Objects:	\$42,353,398	\$15,225,382	\$14,993,360	\$14,465,087	-5%

Fund Balance

The fund balance figures in the bar graph below represent the Sewer operating fund's working capital fund balance, defined as near-term assets minus near-term liabilities. Since the Sewer Fund is a proprietary or enterprise fund, its net position--which includes long-term assets and liabilities--is reported each year in the City's Annual Comprehensive Financial Report available on the City's website.

The Sewer Fund's working capital at the end of FY 23-24 is projected to be approximately \$14.3 million.

For FY 23-24, this meets the City's reserve policies for this fund, as follows:

- o 25% of operating budget in last adopted budget - \$0.9 million
- o 5% of prior year's rates for rate stabilization - \$0.5 million
- o 20% of value of the water fleet - \$0.1 million
- o Debt service coverage - not currently applicable but projected to be met when WRF debt service begins

However, as the five-year forecast in the long-range financial planning section of the budget demonstrates, the Sewer Fund is projected to have a deficit by FY 25-26 and to not meet reserves in that year or beyond, absent corrective action.

	FY2020	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	
Restricted	\$12,794,000	\$22,767,000	\$19,018,000	\$14,306,000	-24.8%
Total Fund Balance:	\$12,794,000	\$22,767,000	\$19,018,000	\$14,306,000	-24.8%





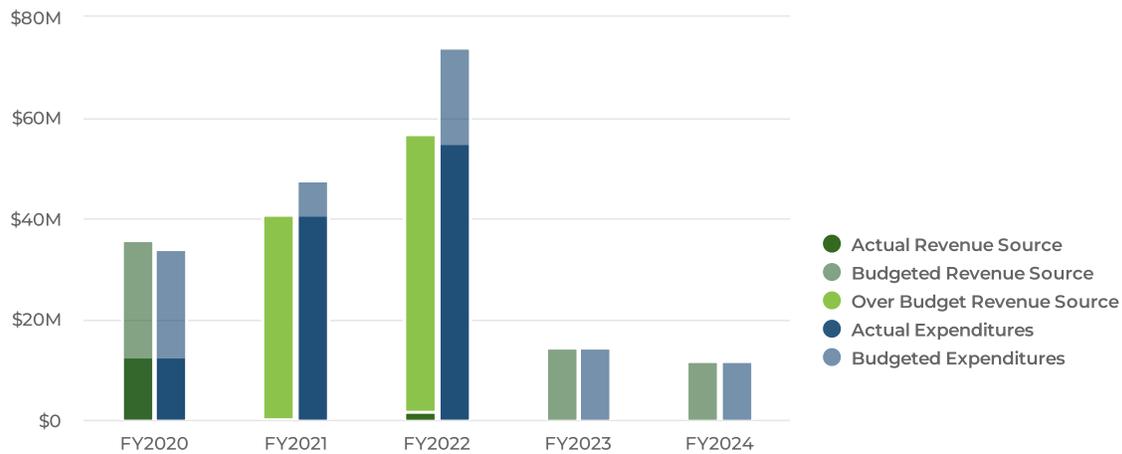
Sewer Capital Improvement Fund (922)

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

Summary

The City of Morro Bay is projecting \$11.9 million of revenue in FY 2023-24. Budgeted expenditures are also \$11.9 million in FY 2023-24, 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.

The jump in FY 20-21 and FY 21-22 actuals accounts for one-time loan transfers to the Sewer CIP fund for the Sewer Fund's share of the Water Reclamation Facility project, as well as WRF project expenditures.



Revenue by Fund

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

In FY 2023-24, sewer capital projects other than the WRF and the OneWater Plan Update will be funded solely through transfers from the Sewer Operating Fund (which is funded by ratepayer revenue). This represents approximately \$5 million in transfers in from the Sewer Operating Fund.

The FY 2023-24 WRF project budget is approximately \$6.83 million (plus any unexpended budget from prior years that will be carried forward with Council approval). The FY 2023-24 budget will be transferred in as follows:

- Approximately \$2.05 million in revenue will be from the Water Operating Fund, which represents 30% of the cash-funded portion of the FY 2023-24 project budget.
- Approximately \$4.78 million in revenue will be from the Sewer Operating Fund, which represents 70% of the cash-funded portion of the FY 2023-24 project budget.

Name	FY2022 Actual	FY2023 Amended Budget	FY2024 Budgeted	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Sewer Capital Impv Fund	\$56,890,364	\$14,378,784	\$0	\$14,401,284	\$11,908,449	-17.2%
Total Sewer Capital Impv Fund:	\$56,890,364	\$14,378,784	\$0	\$14,401,284	\$11,908,449	-17.2%

Expenditures by Fund

The FY 2023-24 budget includes \$11.9 million in CIP budget for four Sewer capital improvement projects (CIPs). This represents new budget allocation. In addition to the new FY 2023-24 budget allocation, any remaining 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; note that the FY 22-23 amended budget below includes carry forward from the prior FY 21-22 year.

The \$11,908,449 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** - \$6,829,937. Partially financed and partially funded by a Water fund contribution. See details under revenue section.
- **Main Street and Atascadero Sewer Main Replacements** - \$3,391,512. Continued project from prior year
- **Beachcomber Drive Sewer Main Replacement** - \$150,000. in additional budget. Continued project from prior year.
- **Beachcomber Backyard Sewer Replacement** - \$100,000. in additional budget. Continued project from prior year.
- **Utility Manhole Rehabilitation Project** - \$250,000. New project.
- **Sewer Vehicle Replacement** - \$107,000 in additional budget. Continued replacement from prior year.
- **Wastewater Treatment Plant Decommissioning** - \$135,000 in additional budget. Continued project from prior year..
- **OneWater Plan Update - Preliminary Funding** - \$95,000. in additional budget. Continued project from prior year.
- **Outfall inspection and Cleaning** - \$600,000. New project.
- **Storm and Flooding Damages-Facilities and Equipment** - \$250,000. New Project

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Sewer Capital Impv Fund	\$55,220,282	\$33,268,223	\$14,371,284	\$11,908,449	-64.2%
Total Sewer Capital Impv Fund:	\$55,220,282	\$33,268,223	\$14,371,284	\$11,908,449	-64.2%

Fund Balance

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 \$1.7 million at the end of FY 2023-24, as there are several capital projects that are still ongoing. This does assume that the majority of budgeted funds will be expended by the end of FY 23-24; if they are not, the actual fund balance would be higher.

	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	
Total Fund Balance:	\$1,670,000	\$1,700,000	\$1,700,000	0%



	FY2022	FY2023	FY2024	% Change
Nonspendable	\$1,670,000	\$1,700,000	\$1,700,000	0%
Total Fund Balance:	\$1,670,000	\$1,700,000	\$1,700,000	0%





Water Operating Fund (311)

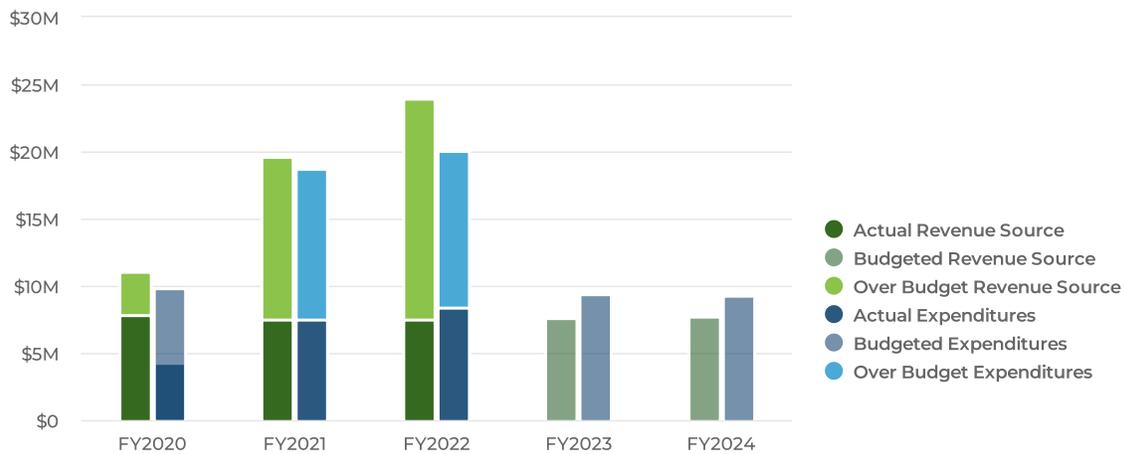
The Water Operating Fund is a self-supporting enterprise fund that accounts for all income and expenses associated with the City's water utility operation. Its primary revenue source is water sales to residents and businesses.

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 approximately \$7.7 million of revenue in FY 2023-24, which represents a 0.01% increase over the prior year. Budgeted expenditures are projected to decrease by 0.1% to \$9.35 million in FY 2023-24. These expenditures include one-time transfers out of the fund for capital projects.

The jump in FY 20-21 and FY 21-22 actual accounts for one-time loan transfers to the Sewer CIP fund for the Water Fund's share of the Water Reclamation Facility project, as well as loan disbursements to reimburse the fund for up-front project expenditures, which will be repaid in debt service payments over time.



Revenue by Fund

All ongoing revenues to the Water Fund come from ratepayers purchasing Water from the City. Ongoing revenues are projected to be relatively stable since rates are not increasing in FY 2023-24. The only projected revenue increase is due to estimated interest earned due to higher interest rates.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Water Operating Fund					
Intergovernmental Revenues	\$61,473	\$0	\$0	\$0	0%
Revenues From Current Services	\$7,616,413	\$7,649,200	\$7,649,200	\$7,649,200	0%
Fines & Forfeitures	\$25,095	\$55,000	\$55,000	\$55,000	0%
Other Revenues	\$6,583	\$0	\$0	\$0	0%
Revenues From Use of Money & Property	\$57,545	\$0	\$0	\$72,637	N/A
Interfund Revenue Transfers	\$16,195,874	\$0	\$0	\$0	0%
Total Water Operating Fund:	\$23,962,983	\$7,704,200	\$7,704,200	\$7,776,837	0.9%



Expenditures by Expense Type

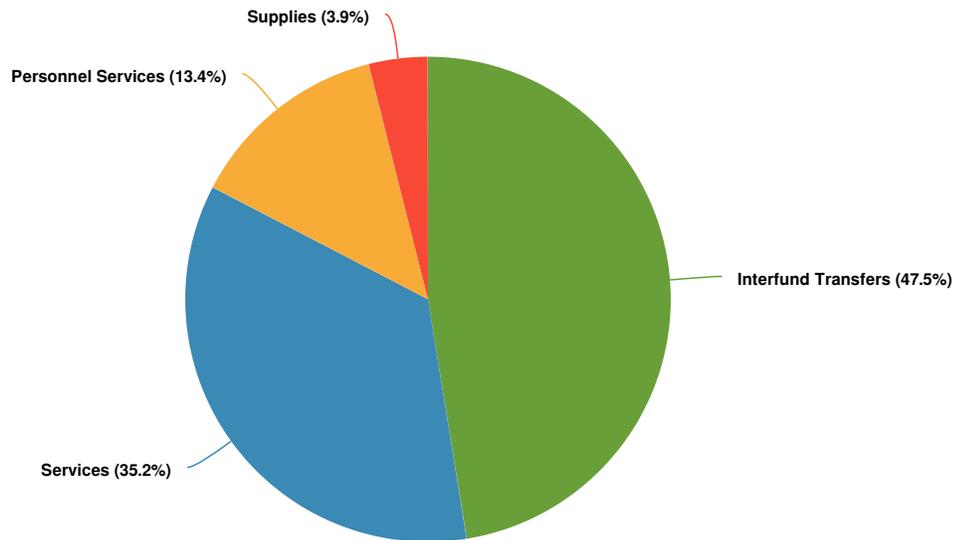
Looking at historical expenditures, the jump in FY 2020-21 and FY 2021-22 expenditures accounts for a transfer of one-time loan disbursement revenue associated with the Water Fund's share of the Water Reclamation Facility project that was received by the Water Fund to the Sewer CIP fund to reimburse that fund for costs incurred.

Personnel, Services, and Supplies - Personnel costs are increasing due to negotiated salary increases for FY 23-24. costs are decreasing slightly in part due to a reduced reliance on contractual services to support water operations. Budgeted costs are increasing in part due to anticipated operations of the new Treatment Facility. Supplies costs are increasing to keep pace with inflation.

Interfund Transfers - Budgeted interfund transfers in FY 23-24 include the following:

- Transfer to General Fund for Cost Allocation Plan internal services - \$379,345
- Transfer to Information Technology and Risk Management Funds - \$94,739
- Transfer to Water CIP fund for Water CIPs outlined in CIP budget - \$1,928,489
- Transfer to Sewer CIP fund for Water's portion of the non-financed FY 2023-24 Water Reclamation Facility budget - \$2,048,981

Budgeted Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					
Personnel Services	\$870,379	\$1,205,826	\$1,235,826	\$1,255,046	4.1%
Supplies	\$153,849	\$319,625	\$372,049	\$368,050	15.2%
Services	\$1,787,074	\$3,543,821	\$3,563,821	\$3,291,612	-7.1%
Capital Outlay	\$0	\$0	\$58,000	\$0	0%
Interfund Transfers	\$17,353,686	\$4,412,855	\$4,738,772	\$4,438,681	0.6%
Total Expense Objects:	\$20,164,988	\$9,482,127	\$9,968,468	\$9,353,389	-1.4%



Fund Balance

The fund balance figures in the bar graph below represent the operating fund's working capital fund balance, defined as near-term assets minus near-term liabilities. Since the Water Fund is a proprietary or enterprise fund, its net position--which includes long-term assets and liabilities--is reported each year in the City's Annual Comprehensive Financial Report available on the City's website.

The Water Fund's working capital at the end of FY 23-24 is projected to be approximately \$6.1 million.

For FY 23-24, this meets the City's reserve policies for this fund, as follows:

- o 25% of operating budget in last adopted budget - \$1.4 million
- o 5% of prior year's rates for rate stabilization - \$0.4 million
- o 20% of value of the water fleet - \$0.05 million
- o Debt service coverage - not currently applicable but projected to be met when WRF debt service begins

However, as the five-year forecast in the long-range financial planning section of the budget demonstrates, the Water Fund is projected to have a deficit by FY 25-26 and to not meet reserves in that year or beyond, absent corrective action.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$6,168,000	\$11,098,000	\$9,969,000	\$7,705,000	\$6,128,784	-20.5%
Total Fund Balance:	\$6,168,000	\$11,098,000	\$9,969,000	\$7,705,000	\$6,128,784	-20.5%

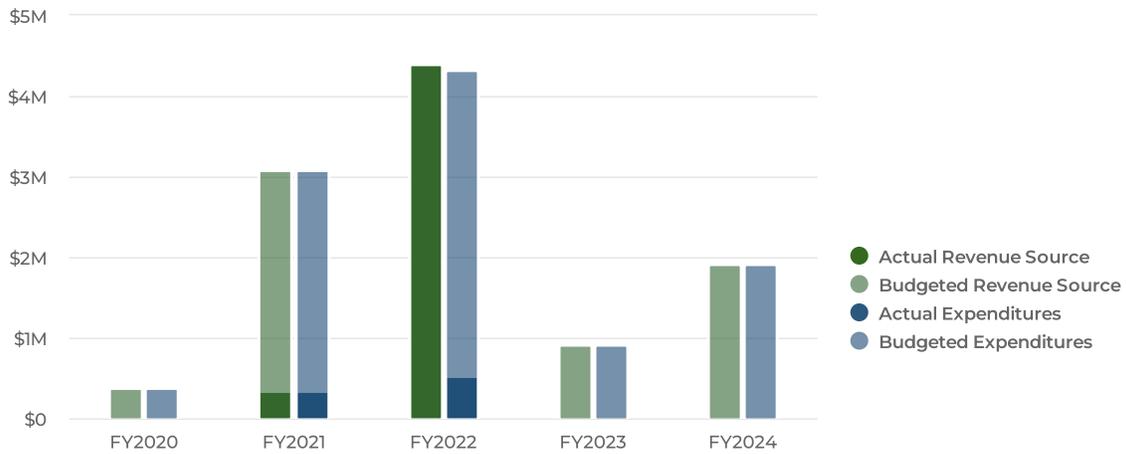


Water Capital Improvement Fund (921)

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

Summary

The City of Morro Bay is projecting \$1.9 million in revenues and \$1.9 million in new capital project expenditures in FY 2023-24 in addition to any carry forward capital funds that may not be expended in FY 2022-23.



Revenue by Fund

Revenues into the Water CIP fund are entirely transfers in from other Water Operating fund.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Water Capital Impv Fund	\$4,402,147	\$919,000	\$1,119,000	\$1,928,489	109.8%
Total Water Capital Impv Fund:	\$4,402,147	\$919,000	\$1,119,000	\$1,928,489	109.8%

Expenditures by Fund

The FY 2023-24 budget includes \$1,928,489 in new and ongoing capital improvement budget with two new Water CIP allocations. In addition to the new FY 2023-24 budget allocation, any remaining, unexpended FY 2022-23 Water CIP budget for ongoing projects will be carried forward with City Council approval.

The \$1,928,489 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.

- o **Morro Basin Wellfield Rehabilitation**-\$500,000. New Project
- o **Brackish Water Reverse Osmosis Building Improvements** - \$400,000. New Project
- o **Capital Vehicles and Equipment Replacement-Water** - \$121,000.
- o **Replacement Utility Truck** - \$65,000
- o **Nutmeg Tank and related Pressure Zone Improvements** - \$497,489. Continued Project
- o **OneWater Plan Update** - \$95,000. Continued Project
- o **Storm and Flood Damages**-Facilities and Equipment - \$250,000. New project.

In addition to these projects budgeted in the Water Capital Fund, the Water Operating Fund will also be contributing funding (reflected as a transfer) approximately \$2.04 million to the Sewer Capital Fund to cover the water-related portion of the Water Reclamation Facility (WRF) budget for FY 2023-24 that is currently cash-funded.

The WRF Program budget is included in the Sewer Capital Improvement Fund and not in the Water Capital Improvement Fund. The Water Operating Fund transfers funds to the Sewer Capital Fund for its share of the WRF Program costs.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Water Capital Impv Fund	\$529,257	\$4,663,862	\$1,119,000	\$1,928,489	-58.7%
Total Water Capital Impv Fund:	\$529,257	\$4,663,862	\$1,119,000	\$1,928,489	-58.7%

Fund Balance

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 2023-24, as there are several capital projects that are still ongoing.

	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	
Nonspendable	\$3,873,000	\$3,873,000	\$3,873,000	0%
Total Fund Balance:	\$3,873,000	\$3,873,000	\$3,873,000	0%

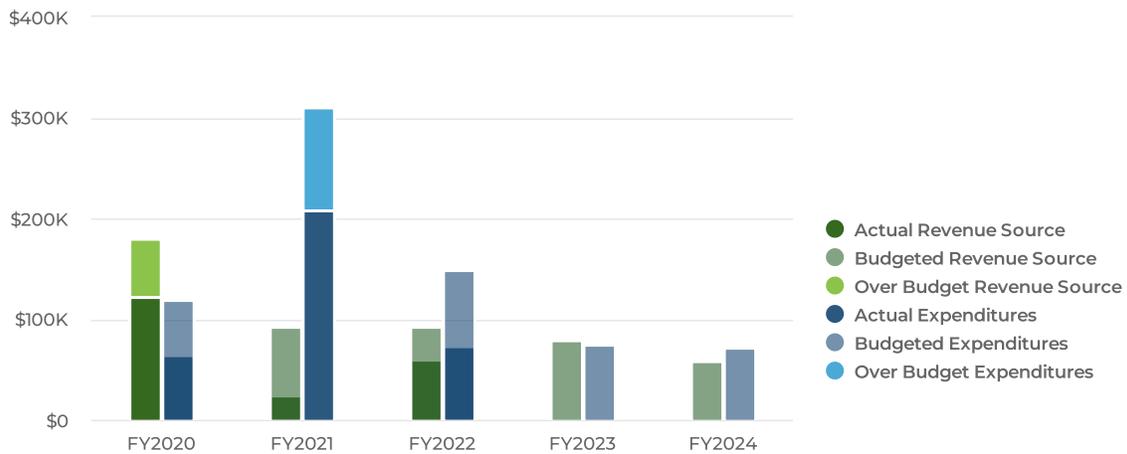


Utility Discount Fund (315)

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 \$60,000 of revenue in FY2023-24, which represents a 25% decrease over the prior year. Budgeted expenditures are projected to decrease by 4% to \$73,000 in FY2023-24.



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 2023-24 as the City continues to track changing customer use patterns.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Water Discounts/Rebates	\$61,217	\$80,000	\$60,000	\$60,000	-25%
Total Water Discounts/Rebates:	\$61,217	\$80,000	\$60,000	\$60,000	-25%

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, the cost of the discount program fell to approximately \$66,000 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 2023-24, expenditures for the discount program are projected to remain relatively constant at this level.

The utility rebate program and the water conservation rebate program are both budgeted at \$3,000 for a total of \$6,000 for FY 2023-24.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Water Discounts/Rebates					
Other Expense					
Water Customer Discount	-\$4	\$0	\$0	\$0	0%
Utility Rebate Program	\$3,705	\$3,000	\$3,000	\$3,000	0%
Water Conservation Rebate	\$4,775	\$3,000	\$3,000	\$3,000	0%
Total Other Expense:	\$8,477	\$6,000	\$6,000	\$6,000	0%
Interfund Transfers					
Transfers Out	\$65,895	\$70,000	\$70,000	\$67,000	-4.3%
Total Interfund Transfers:	\$65,895	\$70,000	\$70,000	\$67,000	-4.3%
Total Water Discounts/Rebates:	\$74,372	\$76,000	\$76,000	\$73,000	-3.9%

Fund Balance

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 have been reinstated and the discount program was returned to 10%.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Committed	\$593,000	\$371,000	\$349,000	\$333,000	\$320,000	-3.9%
Restricted	\$0	\$0	\$0	\$0	\$0	0%
Total Fund Balance:	\$593,000	\$371,000	\$349,000	\$333,000	\$320,000	-3.9%

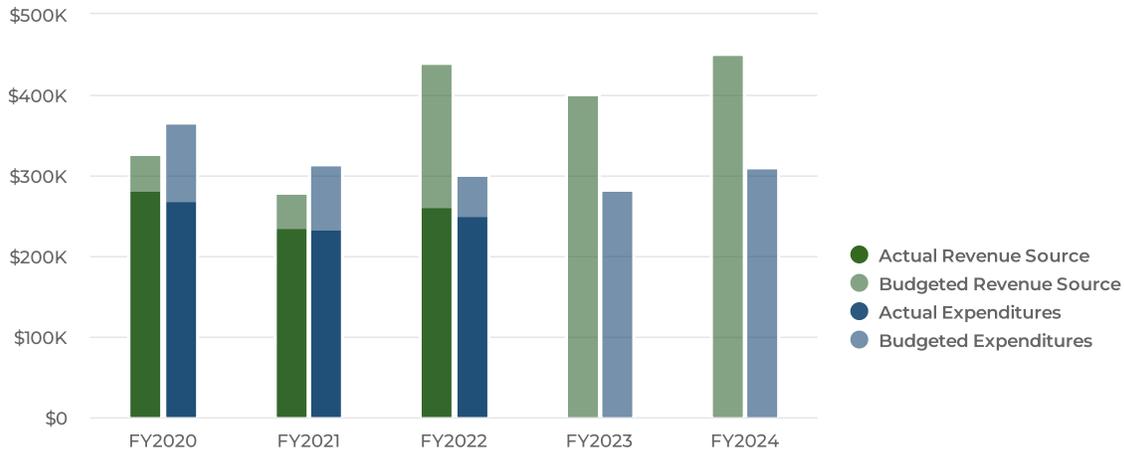


Transit Operating Fund (301)

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 is projecting \$451,177 in revenue in FY 2023-24, representing a 12.2% increase over the prior year. Expenditures are projected to increase 9.7% to \$311,269.



Revenues by Source

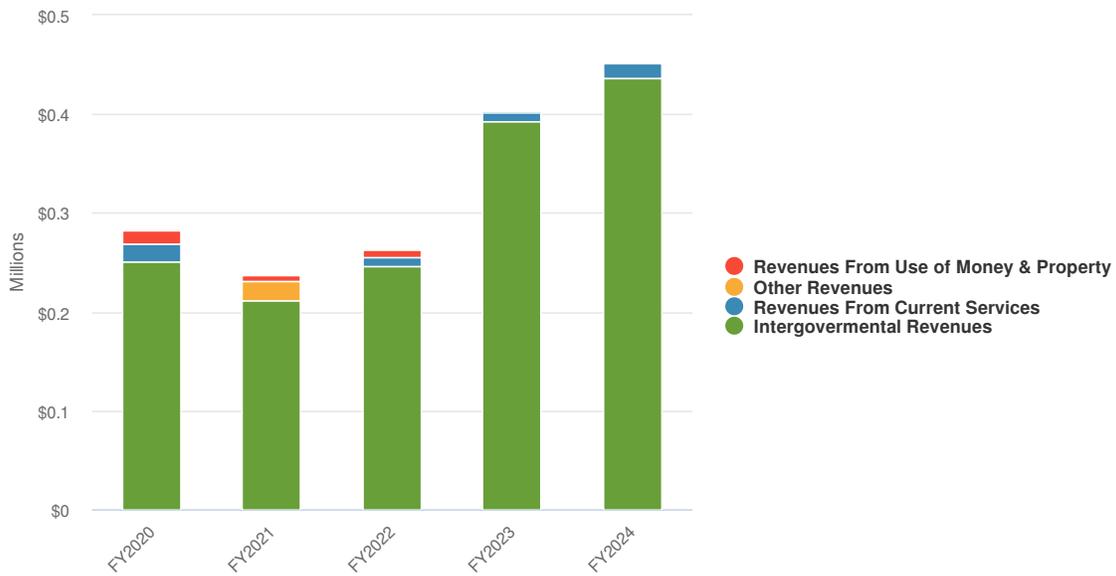
For FY 2023-24, anticipated Transportation Development Act (TDA) revenue to be received by the City reflects an increase from the prior year due to projections from the State Controller's Office. Anticipated farebox revenue for current services is anticipated to increase due to ridership increases resulting from changes in COVID-related requirements pertaining to mask wearing and rider limits for passenger distancing.

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:

- o Local Transportation Fund (LTF)
- o 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 year-round deviated fixed route and seasonal fixed route Trolley services. Two percent of TDA funds received by the City are required to be set aside for bike path/lane projects and are transferred into the Bike Path fund (302). This two percent allocation must be placed in a separate account as required by TDA law regulations.

Budgeted and Historical 2024 Revenues by Source



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Revenue Source					
Public Works					
LTF Transit	\$352,403	\$298,302	\$298,302	\$326,503	9.5%
DAR STA	\$35,226	\$42,365	\$49,744	\$69,866	64.9%
LTF Misc Trans Allocation	-\$264,615	\$0	\$0	\$0	0%
Coronavirus Relief Income	\$75,633	\$0	\$0	\$0	0%
DAR LTF Bikepaths	\$2,573	\$0	\$0	\$0	0%
LTF Transit	\$44,622	\$51,486	\$51,486	\$40,808	-20.7%
Van Farebox Receipts	\$6,683	\$6,100	\$6,100	\$10,000	63.9%
Van Farebox Receipts	\$2,281	\$4,000	\$4,000	\$4,000	0%
Total Public Works:	\$254,805	\$402,253	\$409,632	\$451,177	12.2%
Total Revenue Source:	\$263,426	\$402,253	\$409,632	\$451,177	12.2%

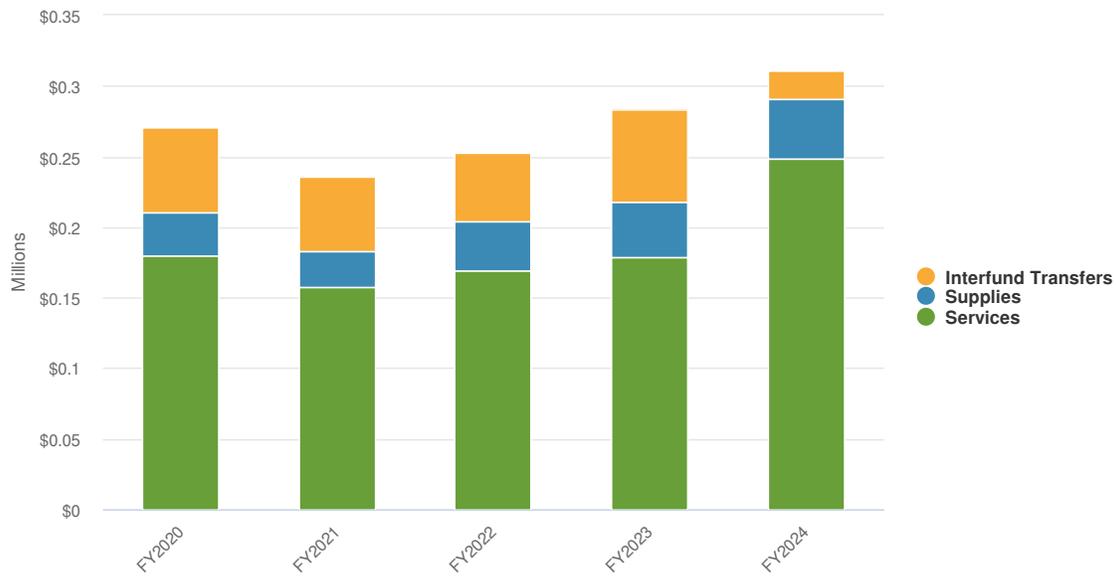
Expenditures by Expense Type

For FY 2023-24, anticipated expenditure changes due to contractual Consumer Price Index (CPI) increase to the monthly management and Vehicle Service Hour fees in January 2024, and increases in fuel and maintenance 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 with curb to curb Call-A-Ride service, and seasonal fixed route Trolley service. The deviated fixed route operates one fixed route that 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 via interfund transfers. For FY 23-24 the interfund transfers are budgeted for Cost Allocation Plan contributions.



Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expense Objects					
Supplies	\$35,376	\$39,007	\$39,007	\$41,640	6.8%
Services	\$168,834	\$179,007	\$179,007	\$248,763	39%
Interfund Transfers	\$48,016	\$65,847	\$144,518	\$20,868	-68.3%
Total Expense Objects:	\$252,226	\$283,861	\$362,532	\$311,271	9.7%

Fund Balance

For FY 2023-24 fund balance is anticipated to be approximately \$1.7 million. This is defined as working capital fund balance, which is near-term assets minus near-term liabilities. As the Transit Fund is a proprietary or enterprise fund, its net position (including long-term assets and liabilities) is reported annually in the City's Annual Comprehensive Financial Report, available on the City's web site.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$1,123,000	\$1,694,000	\$1,513,000	\$1,560,000	\$1,700,000	9%
Total Fund Balance:	\$1,123,000	\$1,694,000	\$1,513,000	\$1,560,000	\$1,700,000	9%



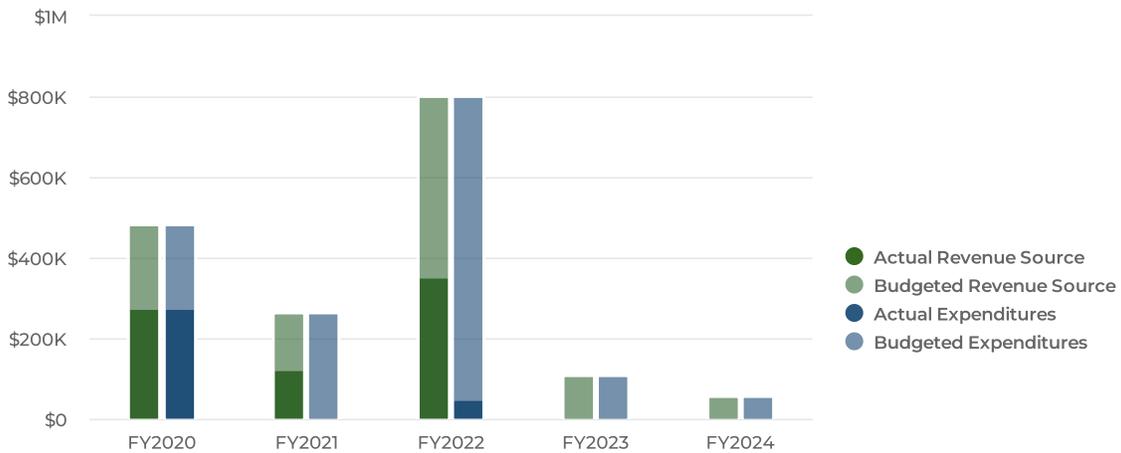


Transit Capital Improvement (920)

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

Summary

For FY 2023-24, the Transit Capital Improvement Fund is budgeting \$60,000 of reimbursable grant revenue to prepare an operational analysis of Morro Bay Transit to improve services provided that would make transit a more viable option for City residents and visitors. 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 come from transfers in from the Transit Operating Fund, or other City funds, contributing to transit capital projects, or a direct deposit into the Fund from grants received for transit capital projects. The FY 2023-24 Transit CIP Fund revenue budget represents local Rural Transit Fund (RTF) grant revenue transferred into the fund.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Transit Capital Impv Fund					
Intergovernmental Revenues	\$313,388	\$96,800	\$221,432	\$60,000	-38%
Interfund Revenue Transfers	\$42,010	\$13,200	\$91,871	\$0	-100%
Total Transit Capital Impv Fund:	\$355,398	\$110,000	\$313,303	\$60,000	-45.5%



Expenditures by Fund

The FY 2023-24 budget includes \$60,000 in new CIP budget for one Transit CIP. This amount represents new budget allocation. In addition, the remaining FY 2022-23 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 \$60,000 in new funding allocation is for the following project contribution:

- **Transit Comprehensive Operational Analysis (new project)** - \$60,000

This project is presented in greater detail in the Transit CIP section of the Budget Book.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Transit Capital Impv Fund					
Personnel Services	\$0	\$26,110	\$0	\$0	-100%
Services	\$50,627	\$436,268	\$44,544	\$60,000	-86.2%
Capital Outlay	\$0	\$399,000	\$144,127	\$0	-100%
Total Transit Capital Impv Fund:	\$50,627	\$861,378	\$188,671	\$60,000	-93%

Fund Balance

Unexpended capital funds for active projects remain in the CIP fund and the budget is 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 approximately \$549,000 at the end of FY 23-24, as there are multiple capital projects that are still ongoing and will not need further contributions.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$0	\$119,438	\$424,000	\$548,632	\$548,632	0%
Total Fund Balance:	\$0	\$119,438	\$424,000	\$548,632	\$548,632	0%



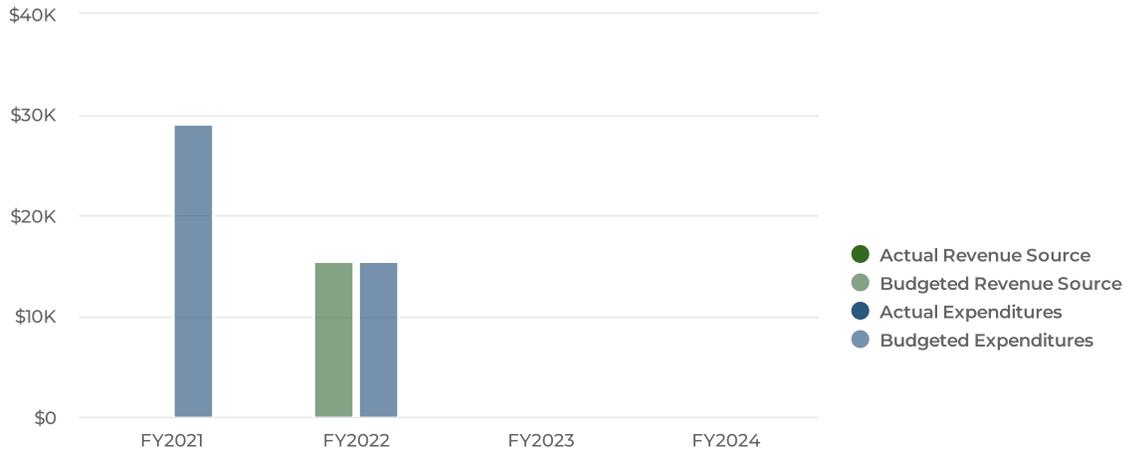


Trust and Agency Fund (515)

The Trust and Agency Fund is used in situations in which the City acts in a fiduciary capacity as trustee or agent. The fund accounts for assets held by the City as an agent for individuals, private organizations, or other governments.

Summary

The City of Morro Bay is not budgeting any revenues or expenditures for this fund in FY2023-24.



Fund Balance

The fund balance is comprised of a number of custodial, restricted funds. There may be temporary cash balances during the process of collecting and remitting funds on behalf of another agency (e.g. Visit SloCal and Visit Morro Bay). The City will budget funds when eligible projects arise, such as for the use of public, educational, and governmental access (PEG) funds. At the end of FY 23-24, the fund balance is expected to be approximately \$1.2 million.

	FY2020	FY2021	FY2022	FY2023	FY2024	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$1,000,695	\$1,307,497	\$1,205,000	\$1,205,000	\$1,205,000	0%
Total Fund Balance:	\$1,000,695	\$1,307,497	\$1,205,000	\$1,205,000	\$1,205,000	0%

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.

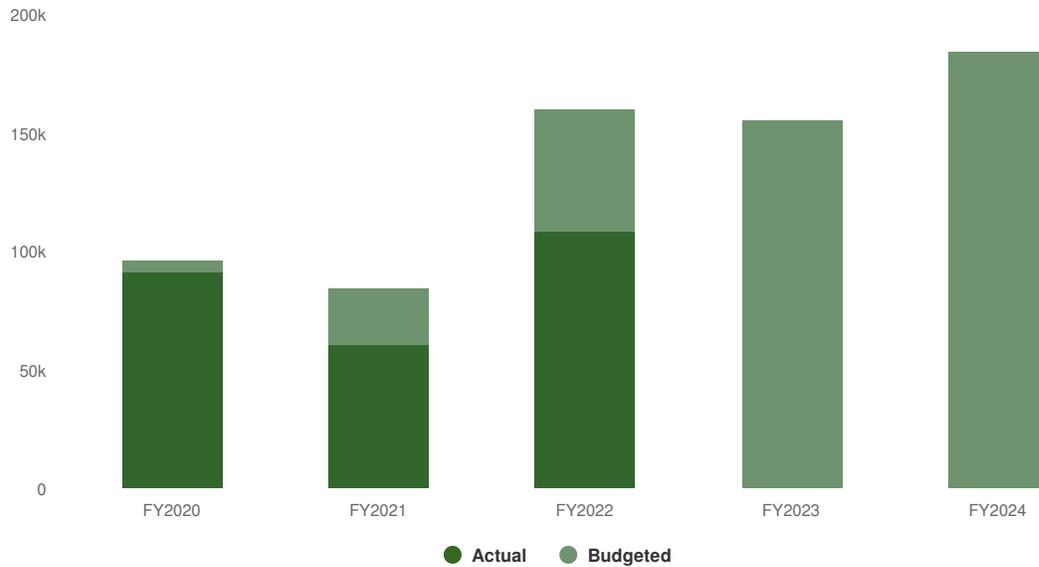
Mayor and City Council

				
Mayor	Mayor Pro Tem	Council Member	Council Member	Council Member
Carla Wixom	Jennifer Ford	Laurel Barton	Cyndee Edwards	Zara Landrum
Term 12/22 - 12/24	Term 08/22 - 12/24	Term 12/20- 12/24	Term 12/22 - 12/26	Term 12/22 - 12/26

Expenditures Summary

\$184,539 **\$29,319**
 (18.89% vs. prior year)

City Council Proposed and Historical Budget vs. Actual



Expenditures by Function

The FY 2023-24 reflects a budgeted City Council stipend increase approved by the Council in January 2022 and implemented in December 2022.

The FY 2023-24 City Council budget also includes a \$35,000 General Fund contribution for the Community Grant Program (in addition to a final year of \$25,000 in American Rescue Act funds for a total of \$60,000 for community grants). Also budgeted is \$1,500 for Community Resource Connections services.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expenditures					
City Council					
Personnel Services	\$47,039	\$70,850	\$70,850	\$100,800	42.3%
Supplies	\$202	\$1,530	\$1,530	\$1,530	0%
Other Expense	\$26,698	\$36,000	\$36,000	\$36,500	1.4%
Services	\$34,175	\$46,840	\$46,840	\$45,709	-2.4%
Total City Council:	\$108,114	\$155,220	\$155,220	\$184,539	18.9%
Total Expenditures:	\$108,114	\$155,220	\$155,220	\$184,539	18.9%

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



Greg Carpenter
Interim 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.

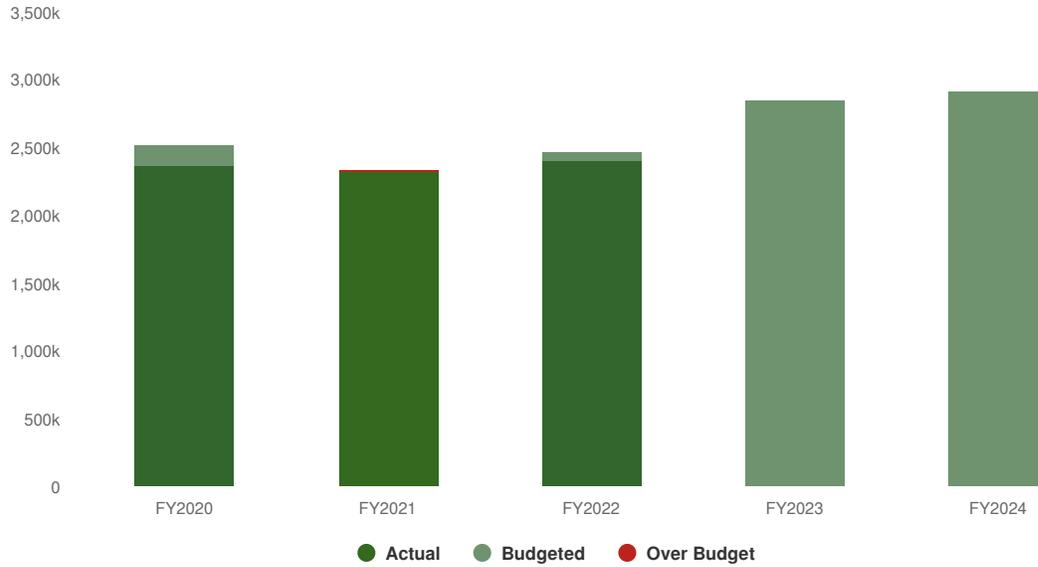
Expenditures Summary

For FY 2023-24, 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 are now 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.

\$2,916,601 **\$62,044**
(2.17% vs. prior year)



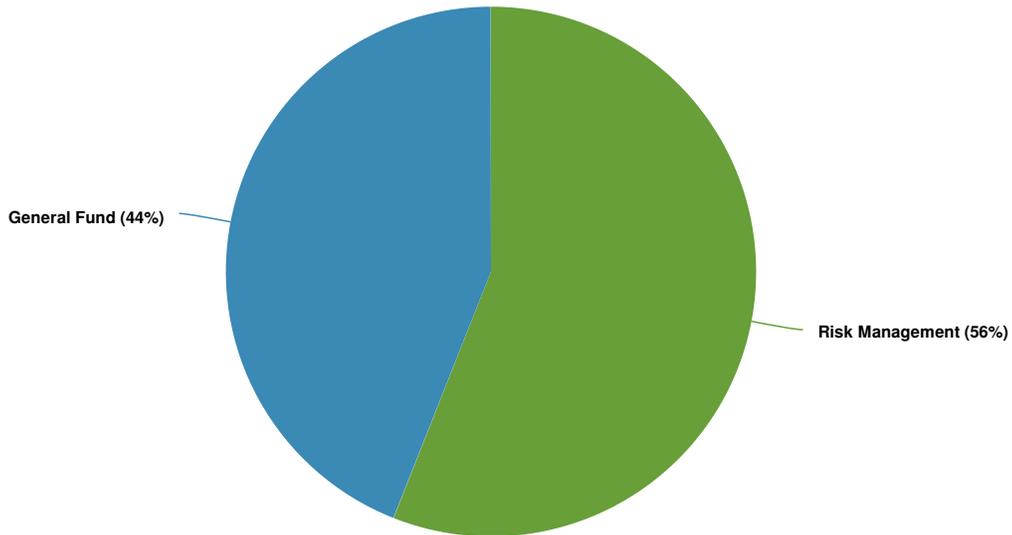
City Manager's Office Proposed and Historical Budget vs. Actual



Expenditures by Fund

Over half of the expenditures are from the Risk Management fund, which is detailed in a separate section of the FY 2023-24 Budget. The remainder of the expenditures cover the City Manager, Human Resources and City Clerk divisions.

2024 Expenditures by Fund



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
General Fund					
General Fund					

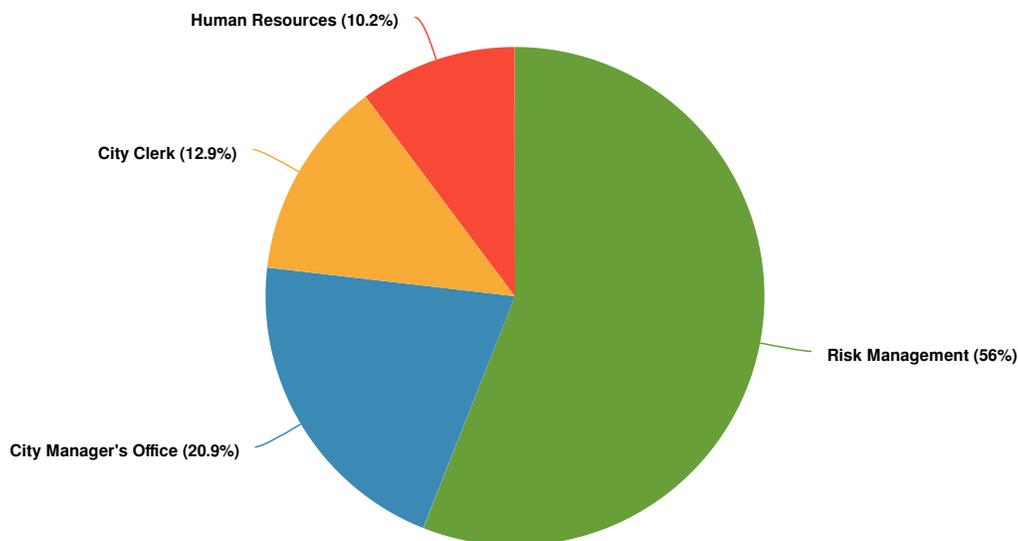
Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Personnel Services	\$699,059	\$943,441	\$1,009,966	\$903,992	-4.2%
Supplies	\$11,138	\$11,604	\$11,604	\$12,210	5.2%
Other Expense	\$1,925	\$3,000	\$3,000	\$0	-100%
Services	\$176,647	\$302,789	\$385,569	\$366,908	21.2%
Capital Outlay	\$2,001	\$0	\$0	\$0	0%
Total General Fund:	\$890,770	\$1,260,834	\$1,410,139	\$1,283,110	1.8%
Total General Fund:	\$890,770	\$1,260,834	\$1,410,139	\$1,283,110	1.8%
Risk Management					
Personnel Services	\$101,993	\$106,013	\$106,013	\$90,558	-14.6%
Services	\$1,402,375	\$1,487,710	\$1,496,180	\$1,542,933	3.7%
Total Risk Management:	\$1,504,368	\$1,593,723	\$1,602,193	\$1,633,491	2.5%
Total:	\$2,395,138	\$2,854,557	\$3,012,332	\$2,916,601	2.2%

Expenditures by Function

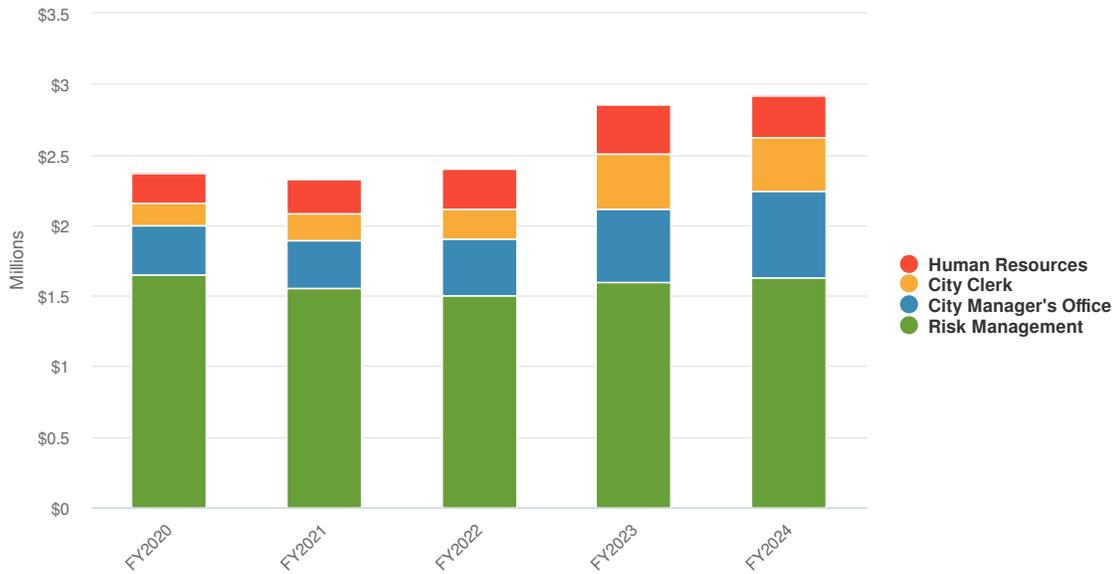
Expenditures in most areas increased by the consumer price index (CPI) amount, with the exception of contract services. In years' past, contract services were bundled together into a non-departmental budget.

Beginning in FY 2022-23, contract services are budgeted within the most relevant City department instead of a "contract services" unit. For the City Manager's Office services expenses, that includes a new funding for communications, consistent with City Council goals and action items (\$75,000), 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 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expenditures					
City Manager's Office					
City Manager's Office	\$394,057	\$525,795	\$577,795	\$608,147	15.7%
City Clerk	\$219,639	\$388,423	\$388,423	\$376,914	-3%
Human Resources	\$277,073	\$346,616	\$443,921	\$298,048	-14%
Total City Manager's Office:	\$890,770	\$1,260,834	\$1,410,139	\$1,283,110	1.8%
Risk Management					
Administrative Services	\$103,325	\$106,367	\$106,013	\$91,001	-14.4%
Worker's Comp Insurance	\$514,810	\$545,594	\$545,594	\$463,570	-15%
Unemployment Reserve	\$9,940	\$70,317	\$70,317	\$70,317	0%
Liability Insurance	\$676,249	\$657,762	\$657,762	\$720,356	9.5%
Other Insurance	\$2,084	\$2,251	\$9,751	\$10,172	351.9%
Property Damage/Fire Ins	\$157,693	\$189,232	\$189,232	\$254,551	34.5%
Vehicle Insurance	\$18,067	\$22,200	\$23,524	\$23,524	6%
Risk Mitigation	\$22,200	\$0	\$0	\$0	0%
Total Risk Management:	\$1,504,368	\$1,593,723	\$1,602,193	\$1,633,491	2.5%
Total Expenditures:	\$2,395,138	\$2,854,557	\$3,012,332	\$2,916,601	2.2%

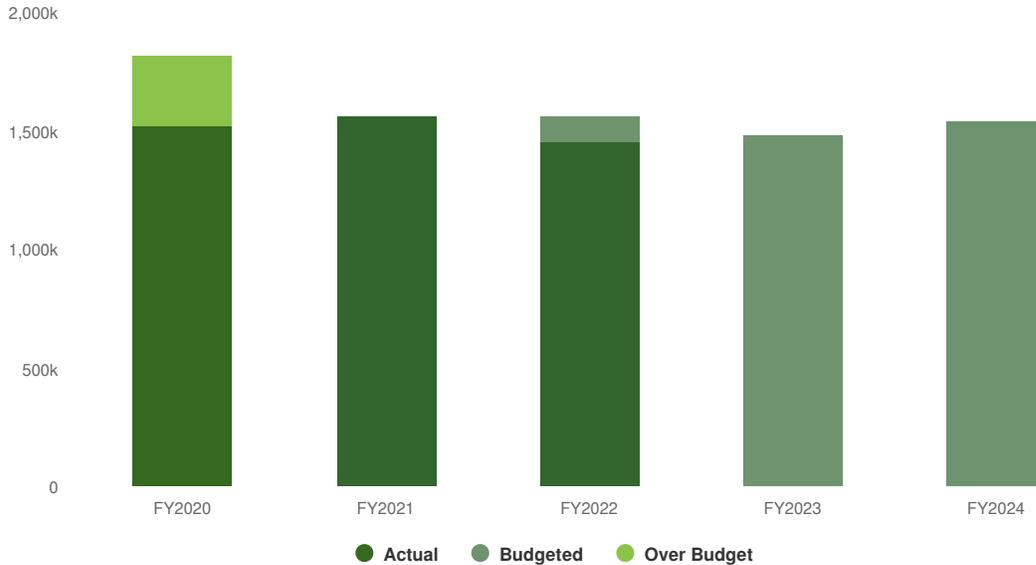


Revenues Summary

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.

\$1,542,490 **\$55,133**
 (3.71% vs. prior year)

City Manager's Office Proposed and Historical Budget vs. Actual

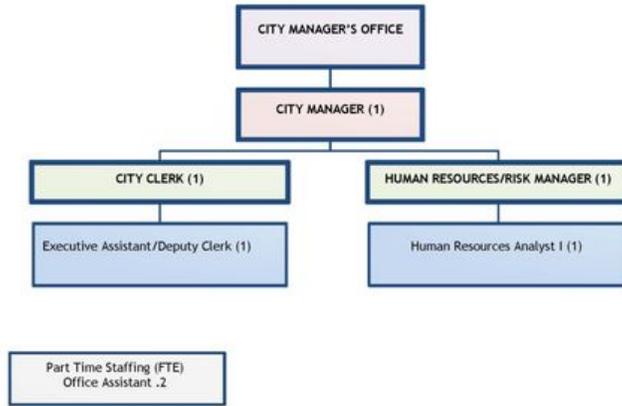


Revenue by Fund

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
General Fund					
Intergovernmental Revenues	\$3,033	\$0	\$0	\$0	0%
Revenues From Current Services	\$716	\$0	\$0	\$0	0%
Interfund Revenue Transfers	\$4,854	\$0	\$0	\$0	0%
Total General Fund:	\$8,603	\$0	\$0	\$0	0%
Risk Management					
Other Revenues	\$1,442,474	\$1,487,357	\$1,487,357	\$1,542,490	3.7%
Total Risk Management:	\$1,442,474	\$1,487,357	\$1,487,357	\$1,542,490	3.7%
Total:	\$1,451,078	\$1,487,357	\$1,487,357	\$1,542,490	3.7%



City Manager's Office Organizational Chart



City Manager's Office Staffing List

Full-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
City Manager				
City Manager	1.0	1.0	1.0	1.0
City Clerk/HR Manager	1.0	0.0	0.0	0.0
City Clerk	0.0	1.0	1.0	1.0
HR Manager	0.0	1.0	1.0	0.0
Human Resources/Risk Manager	0.0	0.0	0.0	1.0
Executive Assistant/Deputy Clerk	1.0	1.0	1.0	1.0
Human Resources Analyst I	0.0	0.0	0.0	1.0
Human Resources Analyst II	1.0	1.0	1.0	0.0
Tourism Manager	0.0	0.0	0.0	0.0
Total Department FTEs	4.0	5.0	5.0	5.0

Part-Time Staffing

Presented as full-time equivalents based on the number of hours budgeted.

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
City Manager's Office				
Part-Time Office Assistant	0.0	0.0	0.0	0.2
Total Department FTEs	0.0	0.0	0.0	0.2

Total City Manager's Office Full-Time Equivalents: 5.2

Department Goals & FY 2023-24 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 Manager and continue to support City Council
- Seek updated direction on a potential paid parking program
- Continue to work with federal and state lobbyists on seeking funding for the City
- Develop and implement enhanced public communications program

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	2020-21 Actuals	2021-22 Actuals	2022-23 Estimated	2023-24 Projected
Community Engagement Efforts				
Community forums/meetings	0	4	4	6
Business walks/Conference Calls	10	8	8	10
City Manager Updates (monthly newsletter)	7	9	11	11
City Council Support				
Council meetings	31	45	39	35
City Goals – action items completed	5	5	15	15
City Staff Support and Development				
All staff meetings/events	4	4	2	3
Trainings	0	0	1	2
Department/Division Head Evaluations	2	2	2	5

CITY CLERK ACTIVITY AND WORKLOAD HIGHLIGHTS	2020-21 Actuals	2021-22 Actuals	2022-23 Estimated	2023-24 Projected
Number of Legislative Records Indexed: a. Resolutions: b. Ordinances:	95 8	105 9	96 4	95 5
Number of Commission and Committee applications and appointments processed:	33 applications to fill 27 appointments	19 applications to fill 13 appointments	23 applications to fill 6 appointments	25 applications to fill 8 appointments
Number of Legal Notices published within established timelines:	20	19	21	21
Number of Fair Political Practices Commission (FPPC) Form 700s filed:	76	95	96	95
Number of City Council Agenda Packets processed:	21 regular meetings 29 special meetings	20 regular meetings 28 special meetings	20 regular meetings 26 special meetings	20 regular meetings 26 special meetings
Number of Public Records Act requests processed:	123	118	125	125
Average initial response time to Public Record Act requests:	6 days	6 days	7 days	6 days
Percentage of City Council Minutes prepared within 45 business days:	85%	95%	95%	95%

HUMAN RESOURCES ACTIVITY AND WORKLOAD HIGHLIGHTS	2020-21 Actuals	2021-22 Actuals	2022-23 Estimated	2023-24 Projected
Number of full-time (FT), part-time (PT) and temporary employees:	88.1 FT 130 PT	103 FT 155 PT	102 FT 192 PT	107.5 FT 140 PT
Number of recruitments conducted:	15 FT 10 PT	21 FT 17 PT	18 FT 48 PT	N/A N/A
FT Employee Turnover Ratio:	16%	10%	9%	N/A
Percentage of labor agreements ratified prior to expiration of existing contracts:	100%	100%	67%	N/A



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

For City expenditures across all funds and projects paid¹ for by the City, the total legal services budgets for FY 2023-24 have increased by 17% to \$722,451. This increase reflects legal services anticipated to be requested by the City for FY 2023-24. The \$483,231 figure in the chart below represents the General Fund portion.

FY 23-24 City Attorney's Office Citywide Budget

<u>Legal Services Enterprise Fund</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
General Fund Legal Services	\$381,068	\$401,397	\$483,231*
Water Fund	\$19,524	\$20,500	\$21,320
Sewer Fund	\$36,489	\$38,313	\$40,000
Harbor Fund	\$43,200	\$45,360	\$55,360**
Transit Fund	\$2,327	\$2,443	\$2,540
Water Reclamation Facility	\$145,000	\$110,000	\$120,000
Total City Attorney Legal Services	\$627,930	\$618,013	\$722,451
Citywide Percentage Change		-1.6%	17%

*Includes \$62,000 for one-time costs for legal services being requested in FY 23/24 that will not be part of the baseline budget for the City Attorney's office in future years, being \$32,000 for labor union negotiations and \$30,000 for project-specific legal services.

**Includes anticipated City requests for Harbor-related legal services in FY 23/24.

¹In addition to the figures in the table above, the developer of the proposed BESS project reimburses the City for fees and staff time spent on processing its application so that City funds are not used. An estimate of \$120,000 for FY 23-24 has been included in the reimbursable portion of the Community Development Department's budget and would be reimbursed by the developer if needed.

\$483,231 **\$75,057**
(18.39% vs. prior year)



Department Goals & FY 2023-24 Action Items

- **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
- **Fiscal sustainability:**
 - Provide comprehensive legal services from a full-service law firm while controlling costs
 - Focus on reducing exposure to legal liability and potential litigation
 - Legal counsel on sustainable revenue sources for the City's infrastructure needs and programs
 - Firm and creative contract negotiations to reduce costs while protecting City from legal exposure
 - Legal advice on City-owned properties and related economic opportunities
 - Continued legal counsel on development of Market Plaza property and potential source of City revenue
 - Legal counsel on possible creation of Downtown and Embarcadero business improvement districts (BIDs)
 - Assist the City with potentially developing additional revenue sources from commercial cannabis activities
 - Focus on sound and proactive legal counsel addressing the City's unfunded liabilities (pension and healthcare)
 - Legal counsel on safe and potential redevelopment of shuttered power plant property and economic opportunities
 - Legal counsel on development impact fees and other revenue options presented by City planning and land use
- **Key FY 2023-24 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, and continued legal counsel on infrastructure recovery from storm surges in early 2023
 - Focus on development of sustainable revenue streams for the City through creative and sound legal counsel
 - Provide legal assistance on housing options, housing opportunities, ADUs and affordable housing
 - Legal counsel on labor negotiations with City employee bargaining units
 - Legal counsel on streamlining permit processes for residential and commercial development
 - Provide legal assistance on potential Downtown and Embarcadero business improvement districts (BIDs)
 - Provide legal advice on local efforts to address homelessness issues
 - Legal assistance on development impact fees and other planning and community development fiscal options
 - Assist City with evaluating City-owed properties and provide legal advice on opportunities
 - Continued legal counsel on potential development opportunities for Market Plaza property
 - Legal counsel on potential offshore wind development and its impact on the City
 - Continued legal counsel on the new Water Reclamation Facility (WRF), including recycled water components, as well as decommissioning of the old wastewater treatment plant jointly owned with Cayucos Sanitary District
 - Continued legal counsel on comprehensive processing of application submitted by Vistra for a battery energy storage system (BESS)
 - Legal counsel on safe and sustainable potential reuses of shuttered power plant property where BESS is proposed by Vistra to be sited
 - Legal counsel on responsible and sustainable land use and development throughout the City

Key Ongoing Programs & Services

- o Review and preparation of ordinances, resolutions, legal opinions and staff reports
- o Draft, review and finalize City contracts, leases and agreements
- o Ethical, timely and preventative legal counsel to City Council, City staff and all City Boards, Commission and Committees
- o Defend City against potential and actual litigation and commence litigation as directed by City Council
- o Legal counsel for realization of City Council goals and action items
- o Legal assistance with new and sustainable revenue sources for the City
- o Legal counsel for land use, zoning, planning and public works projects
- o Provide regular legal counsel for MBPD, MBFD and City public safety needs
- o Legal assistance for the Harbor, management of tidelands trust land and leasehold interests
- o Provide legal counsel on meeting long-term infrastructure needs
- o Legal advice on responsible and sustainable land use and development

Activity & Workload Highlights

ACTIVITY AND WORKLOAD HIGHLIGHTS	2020-21 Actuals	2021-22 Actuals	2022-23 Estimates	2023-24 Projected
Staff Reports Reviewed	185	185	185	185
Public Records Requests	40	35	40	45
Contracts Reviewed/Prepared	30	30	30	30
Ordinances/Resolutions Reviewed/Prepared	20	25	25	25
Personnel Matters	20	20	20	20
WRF Issues	40	40	35	35
WWTP Issues	20	25	30	35
Harbor Leases, etc.	20	20	20	20
Phone calls/emails (substantive)	300	300	325	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

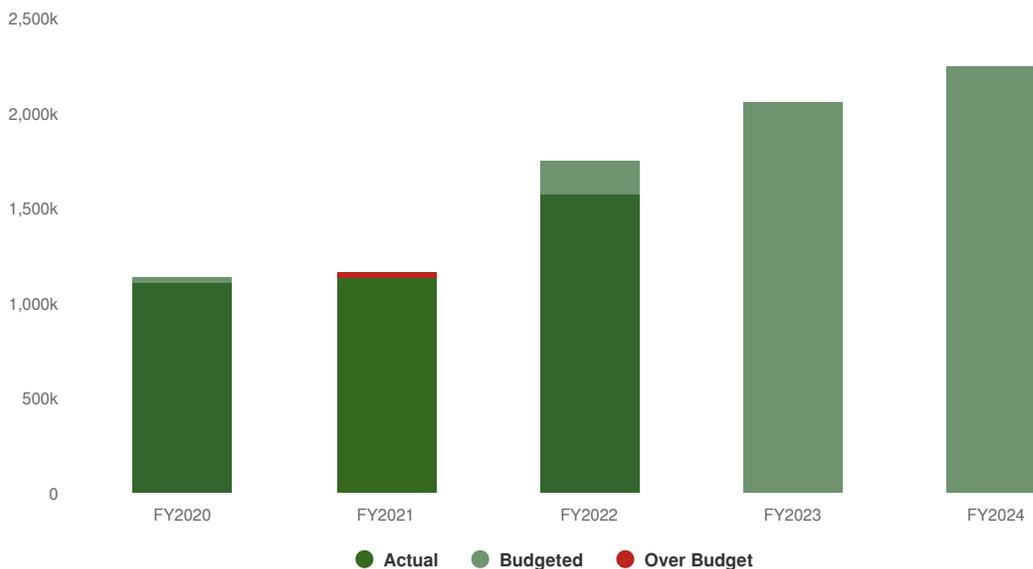
The Information Technology (IT) Division handles all centralized and many decentralized City technology services, facilitating the City's ability to deliver effective and efficient service to the public. IT staff performs maintenance and upgrades of the City's IT network system, ensures network security, 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 2023-24 for several reasons due to personnel cost increases consistent with Citywide personnel agreements, expanding information technology needs and cybersecurity requirements, and adding budget for Council priority items such as updating the developer impact fee nexus study.

\$2,245,725 **\$182,453**
(8.84% vs. prior year)

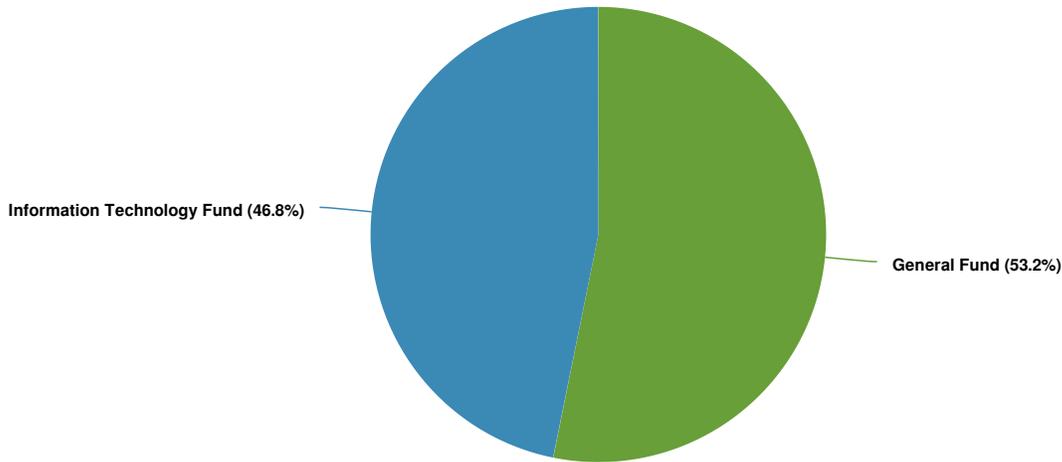
Administrative Services Proposed and Historical Budget vs. Actual



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.

2024 Expenditures by Fund



The table below indicates that the Finance Division budget is largely flat, with the addition of one-time funding (under "services") to update the development impact fee nexus study as required by state law.

The Information Technology budget is increasing due to scheduled compensation increases consistent with employee labor agreements, increased costs of computer and hardware replacement (supplies), and increased cost of existing software systems as well as some smaller, new software solutions to facilitate operational efficiencies.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
General Fund					
General Fund					
Personnel Services	\$621,229	\$849,236	\$825,236	\$831,220	-2.1%
Supplies	\$17,218	\$6,500	\$7,500	\$7,000	7.7%
Services	\$225,198	\$297,368	\$290,708	\$356,092	19.7%
Capital Outlay	\$2,001	\$0	\$0	\$0	0%
Total General Fund:	\$865,646	\$1,153,104	\$1,123,444	\$1,194,312	3.6%
Total General Fund:	\$865,646	\$1,153,104	\$1,123,444	\$1,194,312	3.6%
Information Technology Fund					
Personnel Services	\$267,010	\$361,151	\$351,816	\$386,126	6.9%
Supplies	\$74,897	\$50,600	\$50,600	\$80,600	59.3%
Services	\$366,342	\$498,417	\$475,583	\$584,687	17.3%



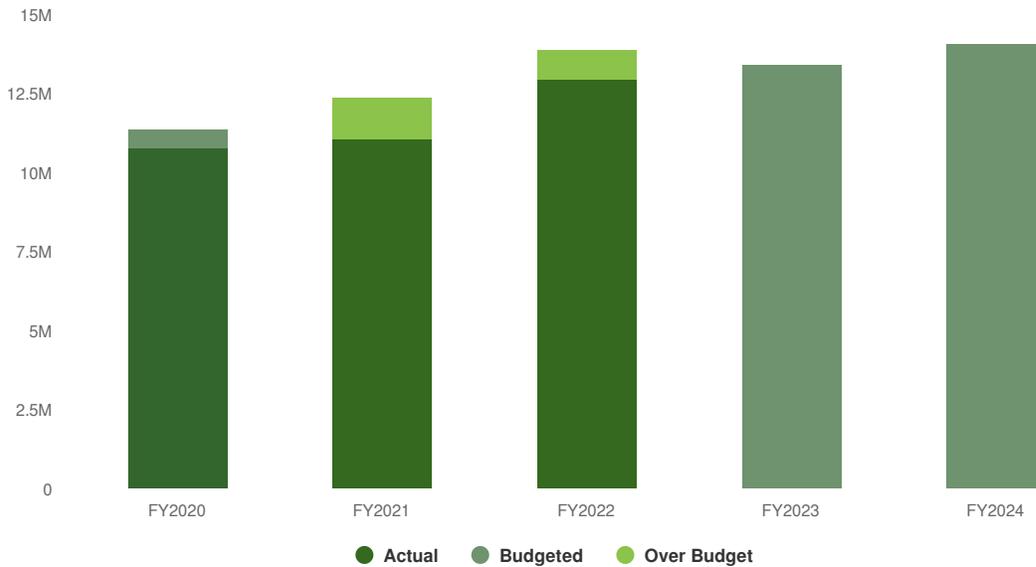
Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Total Information Technology Fund:	\$708,249	\$910,168	\$877,999	\$1,051,413	15.5%
Total:	\$1,573,895	\$2,063,272	\$2,001,443	\$2,245,725	8.8%

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. This represents 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.

\$14,077,900 **\$686,140**
 (5.12% vs. prior year)

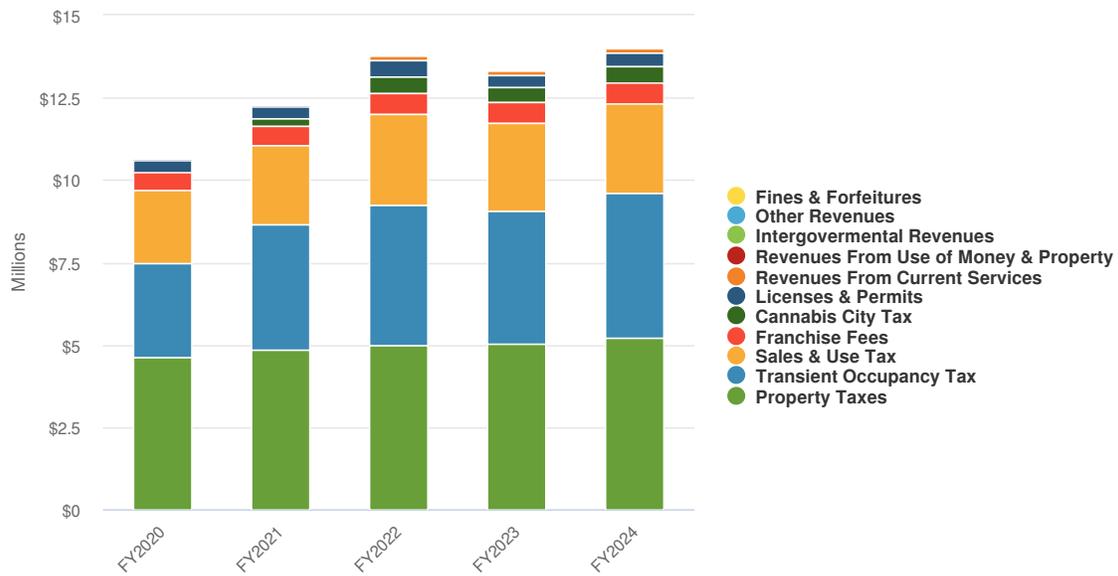
Administrative Services Proposed and Historical Budget vs. Actual



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.

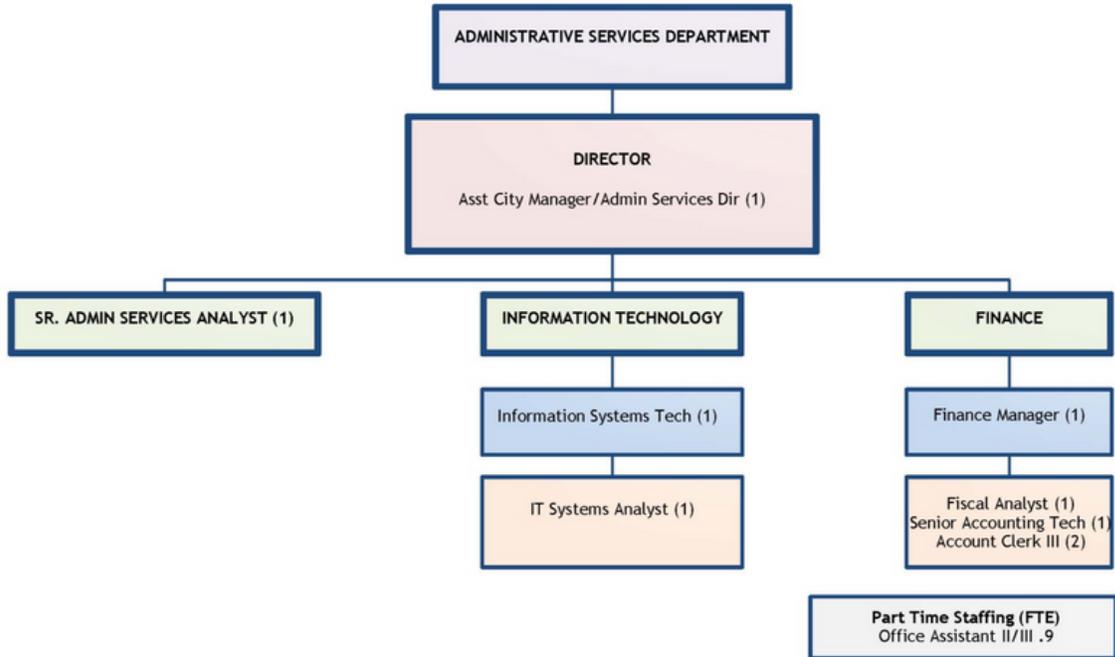
Budgeted and Historical 2024 Revenues by Source



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Revenue Source					
Property Taxes	\$4,981,027	\$5,037,900	\$5,037,900	\$5,214,900	3.5%
Intergovernmental Revenues	\$30,504	\$26,400	\$26,400	\$26,400	0%
Sales & Use Tax	\$2,753,611	\$2,690,000	\$2,690,000	\$2,690,000	0%
Cannabis City Tax	\$512,944	\$480,000	\$480,000	\$490,000	2.1%
Transient Occupancy Tax	\$4,255,140	\$4,006,000	\$4,300,000	\$4,400,000	9.8%
Franchise Fees	\$641,869	\$623,460	\$623,460	\$674,000	8.1%
Licenses & Permits	\$487,954	\$359,000	\$359,000	\$402,000	12%
Revenues From Current Services	\$138,489	\$131,000	\$116,000	\$125,000	-4.6%
Fines & Forfeitures	\$3,409	\$0	\$0	\$2,000	N/A
Other Revenues	\$3,118	\$0	\$40,000	\$20,000	N/A
Revenues From Use of Money & Property	\$36,923	\$38,000	\$38,000	\$33,600	-11.6%
Total Revenue Source:	\$13,844,988	\$13,391,760	\$13,710,760	\$14,077,900	5.1%



Administrative Services Organizational Chart



Administrative Services Staffing List

Full-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
<i>Administrative Services</i>				
Asst City Manager/Admin Services Dir	0.0	1.0	1.0	1.0
Finance Director	1.0	0.0	0.0	0.0
Finance Manager	0.0	1.0	1.0	1.0
Budget/Accounting Manager	1.0	0.0	0.0	0.0
Sr. Administrative Services Analyst	0.0	1.0	1.0	1.0
Fiscal Analyst	0.0	1.0	1.0	1.0
Senior Accounting Technician	1.0	1.0	1.0	1.0
Account Clerk III	1.0	2.0	2.0	2.0
Account Clerk II	0.0	0.0	0.0	0.0
Account Clerk I	1.0	0.0	0.0	0.0
Office Assistant IV	0.0	0.0	0.0	0.0
Account Clerk In-Training	0.0	0.0	0.0	0.0
Information Systems Technician	1.0	1.0	1.0	1.0
IT Systems Analyst	0.0	1.0	1.0	1.0
Total Department FTEs	6.0	9.0	9.0	9.0

Part-Time Staffing

Presented as full-time equivalents based on the number of hours budgeted.

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
<i>Administrative Services</i>				
Office Asst. II/III	0.3	0.4	0.6	0.9
Total Department FTEs	0.3	0.4	0.6	0.9

Total Administrative Services Department Full-Time Equivalent Positions: 9.9



Department Goals & FY 2023-24 Action Items

- **Support Storm Recovery Efforts, Maximizing Reimbursement Opportunities**
 - **City Council Goal: Public Infrastructure**
 - Work with the Public Works and Harbor Departments to fund priority improvements and seek reimbursement
- **Support Completion of Updated Development Impact Fee Study**
 - **City Council Goal: Public Infrastructure**
 - Work with the Public Works, Community Development, and other departments to update study per State law
 - Engage the Citizens Finance Advisory Committee for input
- **Determine Potential Paths to Secure Funding for Capital Needs**
 - **City Council Goal: Public Infrastructure**
 - Continue to evaluate financing options for the Water Reclamation Facility until completion
 - Pending completion of Citywide Capital Needs Assessment, evaluate broader capital funding options
 - Engage the Citizens Finance Advisory Committee for input
- **Support City Efforts to Obtain and Track Grant Funds**
 - **City Council Goal: Economic Vitality**
 - Ensure that there are adequate resources to monitor existing grant funds and support applications for additional funds
- **Support Citywide Community Engagement Efforts**
 - **City Council Goal: Community Engagement**
 - Continue partnerships with Chamber, Visit Morro Bay and other organizations
 - Conduct joint Council/Advisory Body meetings periodically
 - Continue Citizens Advisory Committee annual report to City Council
 - Consider opportunities for study sessions, workshops, and other outreach as staff capacity permits
- **Continue & Enhance Financial Management Best Practices**
 - **City Council Goal: Good Governance**
 - Implement the City's new Cost Allocation Plan and prepare to update the User Fee Study, likely in FY 24-25
 - 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 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
- Address City cybersecurity needs



Activity & Workload Highlights

ACTIVITY AND WORKLOAD HIGHLIGHTS	2019-20 Actuals	2020-21 Actuals	2021-22 Actuals	2022-23 Estimated	2023-24 Projected
Finance Metrics:					
Quarterly Investment Reports	4	4	4	4	4
Accounts Payable checks issued	2,700	2,722	2,769	2,600	2,500
Payroll checks processed	5,125	4,207	4,985	5,300	5,300
Business licenses issued	2,600	2,500	1,906	2,300	2,000
Weighted avg rate of return on investments	1.75%	0.50%	0.47%	3.00%	2.50%
Journal entries written	120	278	139	100	100
Bank account reconciliations completed	132	156	132	116	96
Bank Deposits processed	360	370	364	350	350
CFAC Meetings Supported	11	7	7	5	7
Year End Journal Entries	58	83	72	75	75
Audit Schedules and Document Requests	175	245	250	250	250
Audit Adjusting Entries	3	3	4	3	3
Budget Journal Entries	10	9	15	10	10
Utility Billing Metrics:					
Leak Reviews Approved	48	70	56	50	50
Tag Notices Processed	640	0	0	150	150
Turn Off Requests Processed	126	588	368	655	500
Turn On Requests Processed	711	606	563	500	500
Utility Discount Customers Enrolled	300	325	214	160	200
Utility Rebate Customers Enrolled	18	18	23	20	20
Information Tech Metrics:					
Devices Supported	Not tracked	435	445	455	465
Systems Supported	Not tracked	49	50	50	52
Computers Replaced	0 (COVID)	0 (COVID)	16	24	25

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.

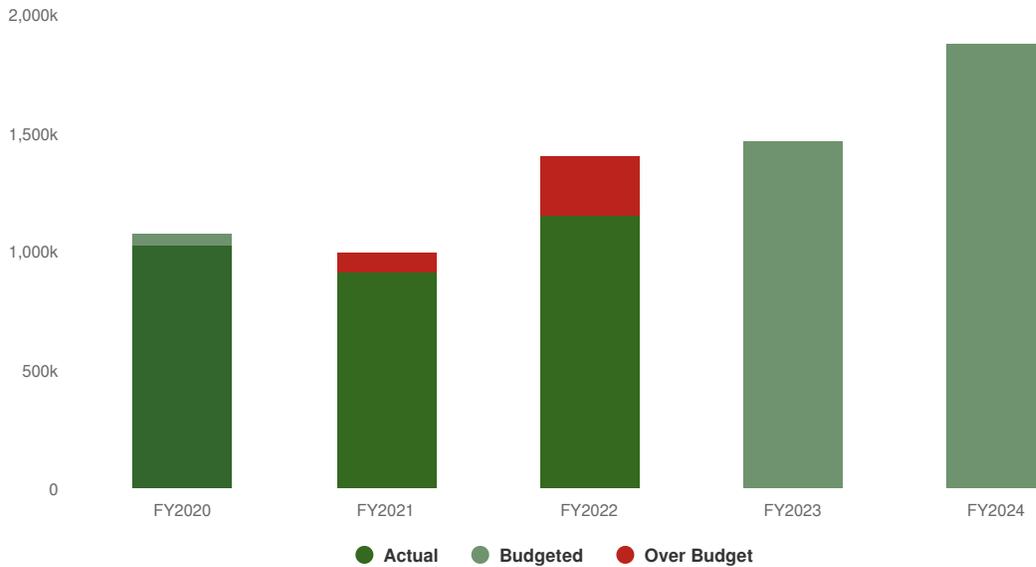


Expenditures Summary

The increase in expenditures is primarily related to contractual service agreements. These are reimbursable contracts that are paid by applicants. The amount of projected expenditures is offset by an increase in projected revenue for the fiscal year. In addition, projected expenditures include consultant contracts associated with grant funding received from the State of California for Housing Element Implementation.

\$1,874,733 **\$410,023**
(27.99% vs. prior year)

Community Development Proposed and Historical Budget vs. Actual



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. In addition, projected expenditures include consultant contracts associated with grant funding received from the State of California for Housing Element Implementation. The personnel budget has increased for bargained increases for FY 23-24.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Budgeted vs. FY2024 Budgeted (% Change)	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expenditures						
Community Development						
Community Development						
Personnel Services	\$955,504	\$1,166,013	\$1,166,013	\$1,204,341	3.3%	3.3%
Supplies	\$4,484	\$7,537	\$7,537	\$7,371	-2.2%	-2.2%
Services	\$441,358	\$291,159	\$319,159	\$663,021	127.7%	127.7%
Total Community Development:	\$1,401,346	\$1,464,709	\$1,492,709	\$1,874,733	28%	28%
Total Community Development:	\$1,401,346	\$1,464,709	\$1,492,709	\$1,874,733	28%	28%
Total Expenditures:	\$1,401,346	\$1,464,709	\$1,492,709	\$1,874,733	28%	28%

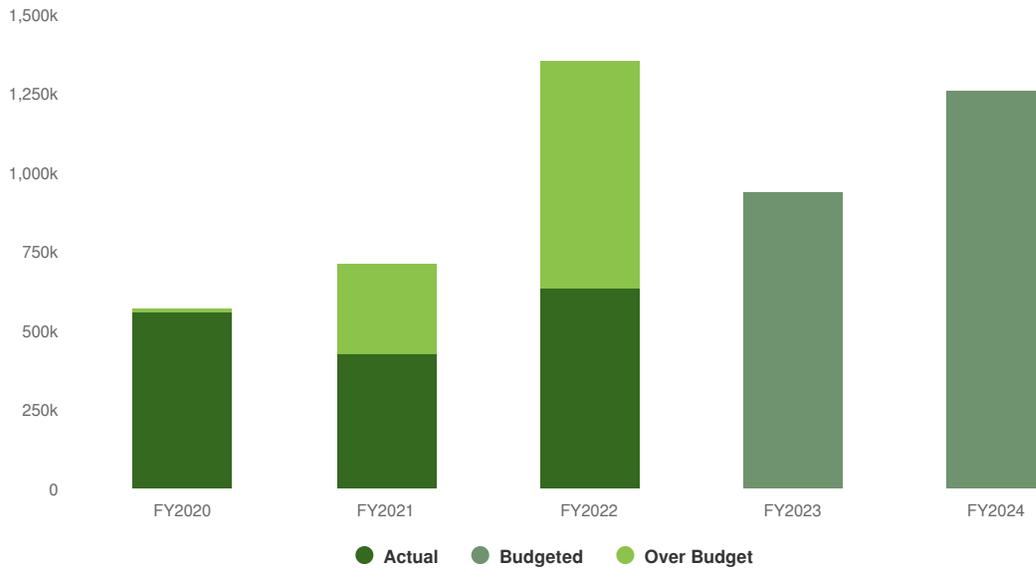
Revenues Summary

The increase in projected revenue is primarily related to contractual service agreements. These are reimbursable contracts that are paid by Applicants. In addition, State of California grant funding was received to assist with Housing Element Implementation.



\$1,257,148 **\$320,111**
 (34.16% vs. prior year)

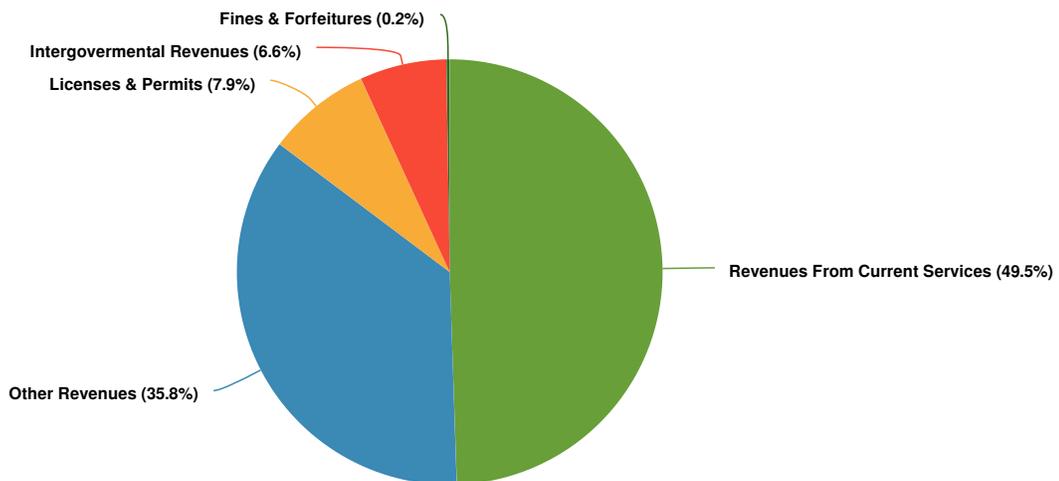
Community Development Proposed and Historical Budget vs. Actual



Revenues by Source

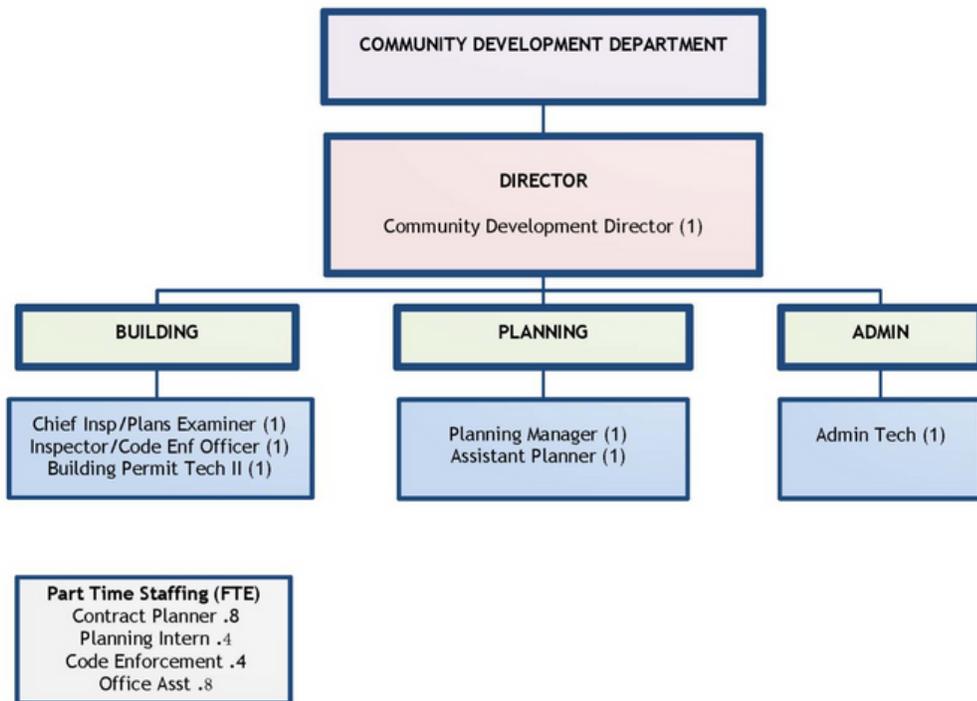
Many of the City's planning and permitting fees are booked to the Community Development Department. The City has seen an increase in development activity and associated revenue in FY 2022-23 and projects continued elevated revenue in FY 2023-24. The City has three active housing grants from the State that are also a source of revenue.

Projected 2024 Revenues by Source



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Revenue Source					
Intergovernmental Revenues	\$33,699	\$40,340	\$40,340	\$83,000	105.8%
Licenses & Permits	\$263,236	\$160,500	\$160,500	\$99,000	-38.3%
Revenues From Current Services	\$744,080	\$583,107	\$583,107	\$622,058	6.7%
Fines & Forfeitures	\$5,064	\$3,090	\$3,090	\$3,090	0%
Other Revenues	\$309,135	\$150,000	\$150,000	\$450,000	200%
Total Revenue Source:	\$1,355,213	\$937,037	\$937,037	\$1,257,148	34.2%

Community Development Organizational Chart



Community Development Staffing List

Full-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
<i>Community Development Department</i>				
Community Development Director	1.0	1.0	1.0	1.0
Senior Planner	1.0	1.0	1.0	0.0
Planning Manager	0.0	0.0	0.0	1.0
Assistant Planner	0.0	1.0	1.0	1.0
Building Permit Technician II	1.0	1.0	1.0	1.0
Building Inspector	1.0	1.0	1.0	0.0
Chief Building Insp/Plans Examiner	0.0	0.0	0.0	1.0
Administrative Technician	1.0	1.0	1.0	1.0
Building Inspector/Code Enf Officer	0.0	0.0	1.0	1.0
Total Department FTEs	5.0	6.0	7.0	7.0

Part-Time Staffing

Presented as full-time equivalents based on the number of hours budgeted.

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
<i>Community Development Department</i>				
Office Assistant	0.0	0.4	0.5	0.8
Contract Planner	0.7	0.7	0.8	0.8
Planning Intern	0.4	0.2	0.3	0.4
Code Enforcement	0.4	0.2	0.4	0.4
Total Department FTEs	1.5	1.5	1.9	2.3

Total Community Development Department Full-Time Equivalents: 9.3

Department Goals & FY 2023-24 Action Items

- **City Council Goal: Economic Vitality**
 - Market Plaza development opportunities (currently under negotiations)
 - Pursue grant opportunities, including:
 - RFP for full-service Grant Writer & Grant Administration (if successful)
 - Climate Action Plan & Waterfront Master Plan
 - Review of City-owned properties, strategy to optimize use or revenues. Explore use of commercial realtor to manage commercial rental property.
 - Streamline permit processing for residential (including ADUs) and commercial development (also supports Housing goal)
- **City Council Goal: Housing / Homelessness Response**
 - Housing Element Program Implementation (Housing by-right Policy and Objective Design Guidelines projects underway – \$275K received in grant funding)
 - Continue participation in the County-wide 5-year Strategic Plan to address homelessness
 - Homeless Outreach Case Manager
 - Continue participation in County's 5-year Housing & Infrastructure Plan
 - Review of possible upzone for Seashell Estates property for proposed housing project.
 - Explore achievable options at the City level (emergency warming shelters, pallet homes, etc.)
 - Identify affordable housing incentive program
 - Speed up processing of ADU permits to increase availability of affordable housing (Also covered under permit streamlining)
- **City Council Goal: Community Engagement**
 - Leverage partnerships with Chamber, Visit Morro Bay, local service clubs and community organizations, and other event hosts
 - Ad hoc Committee review of Planning Process
 - Conduct joint Council/advisory board meetings periodically and consider biannual or annual advisory board reports to Council
 - Consider Community Academy and other opportunities for project / community outreach, including study sessions and workshops
 - Explore/assess available communication tools
 - Develop and implement outreach and communication plan using different methods of communication.
 - Develop Historic Preservation Ordinance using draft ordinance prepared by Historical Society as a starting point.

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 final 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. The Planning Division maintains and implements goals and objectives in the General Plan/ Local Coastal Program.
- **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.
- **Administrative or Department functions** - This includes managing department operations, including preparation and management of the department budget as well as providing support for the City Council and Planning Commission. We also seek out grant funding, write and manage grants to implement City goals.



Activity & Workload Highlights

ACTIVITY AND WORKLOAD HIGHLIGHTS	2019-20 Actuals	2020-21 Actuals	2021-22 Actuals	2022-23 (to 4/13/23) Estimated	FY 23/24 Projected
Building Permit Issued – New Single Family	10	8	15	6	10
Accessory Dwelling Unit (ADU) Permits Issued (includes JADU's)	-	10	20	17	20
Building Permits Issued – Residential Additions/Alterations (Includes Reroofs and Solar)	178	197	190	173	190
Building Permits Issued – New Commercial	0	2	3	1	2
Building Permits Issued – Commercial Addition/Alterations	27	21	25	21	25
Building Permits Issued – Multi Family	2	3	3	4	3
Building Permits Issued – Miscellaneous (Includes MEP, Addendums, Demo's & Fire Sprinklers)	148	137	140	168	160
Building Permit Plan Checks Completed	279	1034	1050	787	900
Inspections Conducted	2410	2024	2000	2606	2000
Encroachment Permits Issued	96	141	140	172	150
Sign Permit Applications	13	11	12	6	10
Conditional Use Permit Applications	16	17	18	5	20
Variance Applications	39	3	1	0	1
Coastal Development Permit Applications	20	44	45	28	30
Subdivision Applications	1	0	2	0	2
Miscellaneous Planning Applications	43	42	45	12	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.

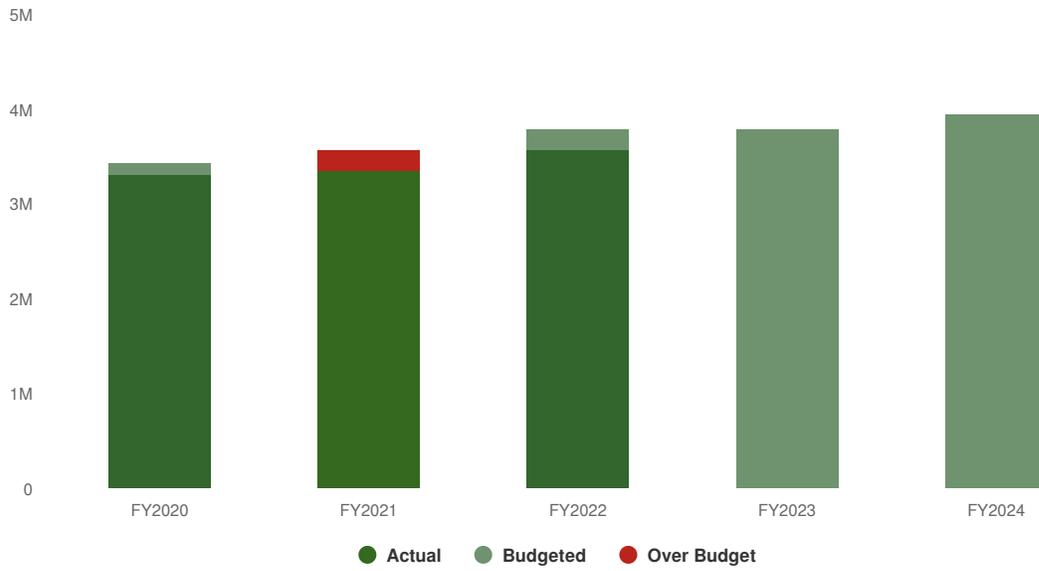
Expenditures Summary

The FY 23/24 General Fund expenditures include operational expenses totaling \$468,106.24. These operating expenses include items such as fuel, medical supplies, personal protective equipment, and repairs to apparatus. These funds also cover training expenses for department personnel, utilities such as power and water for fire station operations, and contractual services. The expenditures also include \$20,902.62 for Emergency Operations Center supplies and equipment. The EOC is utilized for disaster management operations and emergency preparedness.

The final component of General Fund expenditures are personnel costs. These costs total \$2,343,054.00 and include the pay and benefits for two Fire Captain/ Paramedics, the Fire Chief, Division Chief/ Fire Marshal, Administrative Technician, and six Fire Engineer Paramedics, and one Probationary Firefighter.

\$3,953,984 **\$163,316**
(4.31% vs. prior year)

Fire Proposed and Historical Budget vs. Actual

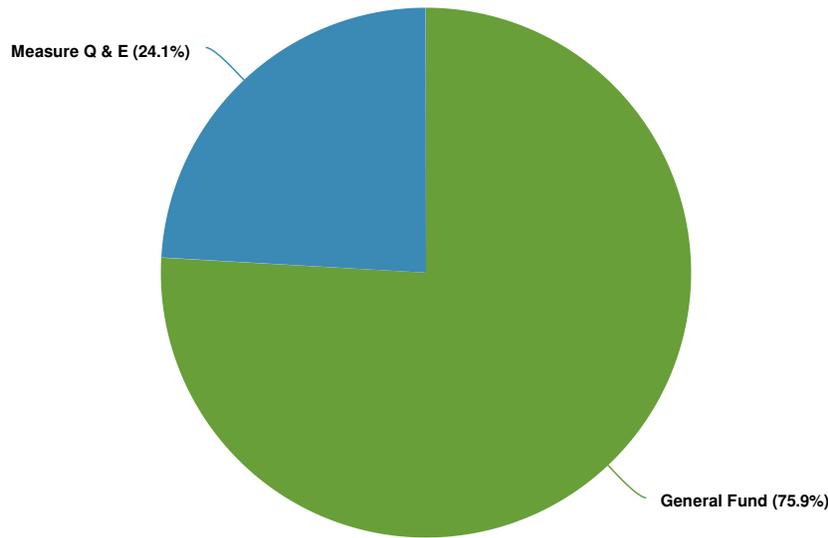


Expenditures by Fund

In alignment with one of the stated purposes of Measures Q & E "to maintain public safety services," approximately 24% 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.

2024 Expenditures by Fund



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
General Fund					
Personnel Services	\$2,380,596	\$2,447,539	\$2,450,539	\$2,512,456	2.7%
Supplies	\$184,351	\$162,286	\$165,786	\$159,049	-2%
Other Expense	\$5,000	\$113,641	\$113,641	\$116,500	2.5%
Services	\$194,155	\$217,874	\$222,274	\$213,540	-2%
Total General Fund:	\$2,764,102	\$2,941,340	\$2,952,240	\$3,001,545	2%
Measure Q & E					
Personnel Services	\$716,741	\$849,328	\$849,328	\$952,439	12.1%
Debt Service	\$82,888	\$0	\$0	\$0	0%
Total Measure Q & E:	\$799,628	\$849,328	\$849,328	\$952,439	12.1%
Total:	\$3,563,730	\$3,790,668	\$3,801,568	\$3,953,984	4.3%

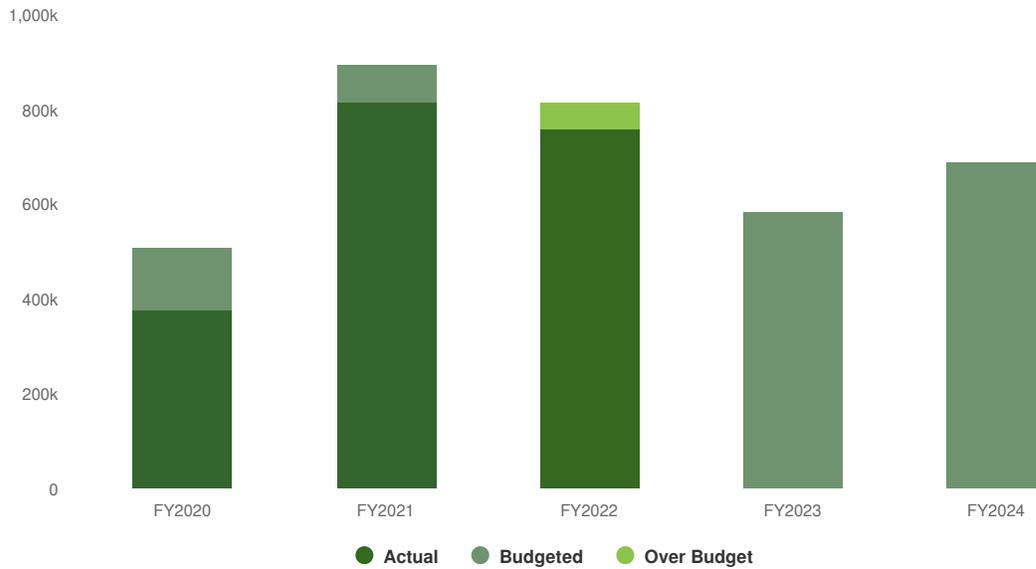
Revenues Summary



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. Personnel Services increase due to bargained increases as well for FY 2023-24.

\$687,321 **\$101,181**
 (17.26% vs. prior year)

Fire Proposed and Historical Budget vs. Actual

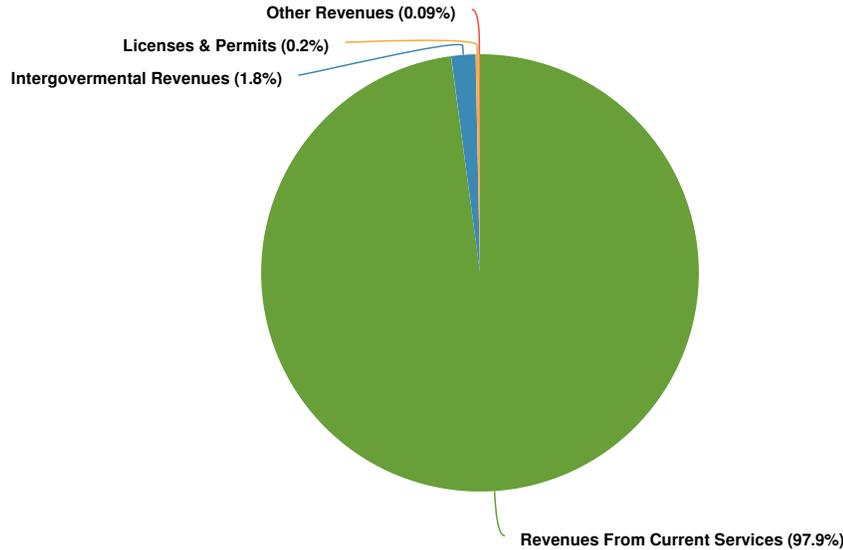


Revenues by Source

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 response revenue reimbursement. To more accurately depict planned overtime and revenues generated during the year based on an average fire season, revenue was conservatively estimated. This adjustment was made to predict reimbursement income from participation in the States Mutual Aid System for FY 23/24 during the planning for this budget cycle. This reimbursement will offset the anticipated overtime costs associated with participation in the Mutual Aid response system. This reimbursement covers the cost of the employee assigned to the incident and the overtime required to fill their vacancy while on assignment. For FY 23-24, the anticipated revenue figure is estimated based on the last four years of Mutual Aid activity and will be impacted by the actual number of wildfires and disasters the Morro Bay Fire Department is requested to assist with throughout the fiscal year and fire season.

Another portion of Fire Department revenue is comprised of First Responder fees totaling \$106,044.00. This revenue is received from the local private Emergency Medical Services (EMS) transport provider to support having Fire Department personnel trained to the level of Paramedic to support the local EMS system. This fee offsets the expense of the required medications, and training required to maintain an (ALS) advanced life support level of care.

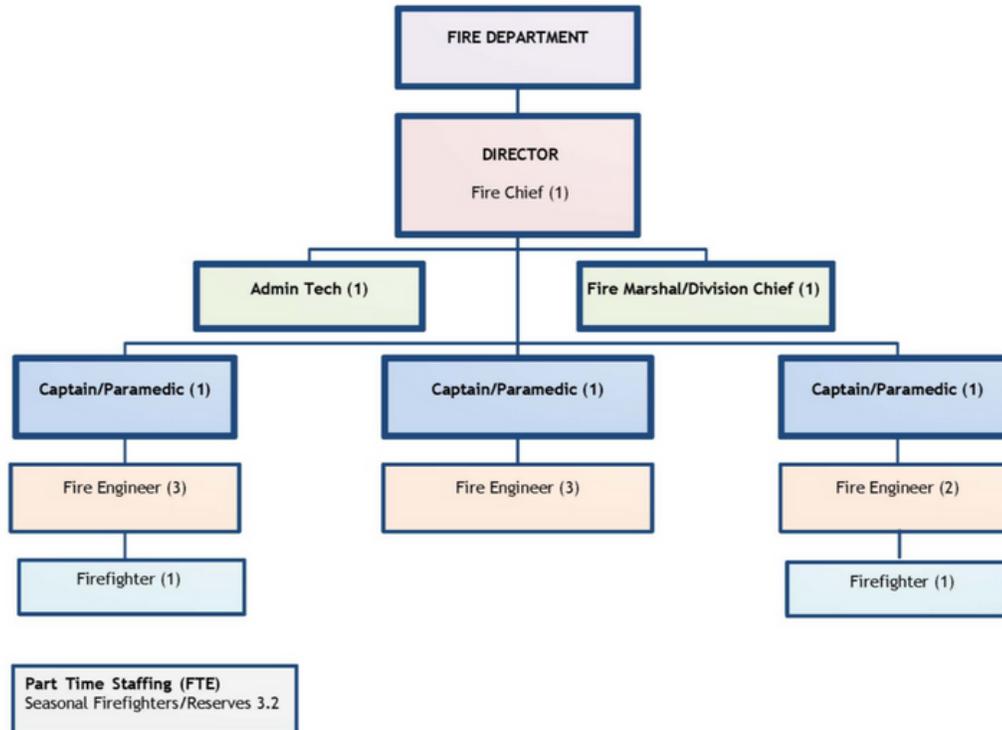
Projected 2024 Revenues by Source



The "Other Revenue" line item was reduced by 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 in the future.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Revenue Source					
Intergovernmental Revenues	\$4,707	\$12,360	\$12,360	\$12,360	0%
Licenses & Permits	\$300	\$1,545	\$1,545	\$1,545	0%
Revenues From Current Services	\$802,219	\$571,635	\$768,354	\$672,816	17.7%
Other Revenues	\$6,693	\$600	\$1,600	\$600	0%
Total Revenue Source:	\$813,920	\$586,140	\$783,859	\$687,321	17.3%

Fire Department Organizational Chart



Fire Department Staffing List

Full-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
<i>Fire Department</i>				
Fire Chief	1.00	1.00	1.00	1.00
Fire Marshal/Division Chief	1.00	1.00	1.00	1.00
Fire Captain/Paramedic	3.00	3.00	3.00	3.00
Fire Engineer	7.00	7.00	7.00	8.00
Firefighter	1.00	2.00	2.00	2.00
Administrative Technician	0.75	1.00	1.00	1.00
Total Department FTEs	13.75	15.00	15.00	16.00

Part-Time Staffing

Presented as full-time equivalent positions based on the number of hours budgeted.

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
<i>Fire Department</i>				
Seasonal Firefighters/Reserves	5.2	2.6	4.6	3.2
Total Department FTEs	5.2	2.6	4.6	3.2

Total Fire Department Full-Time Equivalent Positions: 19.2

Department Goals & FY 2023-24 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).
- **City Council Goal - Housing and Homelessness**
 - Collaborate with internal City team on homelessness policies and strategies.

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 Actuals	2023 Jan-March
Fire Prevention					
Plan Reviews	64	67	82	212	41
Commercial Business Inspections ²³	258	305	313	244	23
Short-term Vacation Rental Inspections	0	64	55	55	0
Weed Abatement Inspections	4,208	4,452	4,134	4,234	15
Calls for Service	34	41	63	63	12
National Incident Reporting System Data Call Volume					
Fires	28	49	51	34	9
Overpressure, Rupture, Explosion, Overheat	1	1	1	2	0
Rescue and Emergency Medical Services Incident	1,164	1,239	1,184	1,376	366
Hazardous Condition	63	44	66	65	50
Service Call	202	215	253	194	64
Good Intent Call	196	200	181	215	52
False Alarm and False Call	127	114	121	133	35
Severe Weather and Natural Disaster	2	1	1	0	18
Special Incident Type	5	3	1	2	0



Harbor Department - Operating Budget



Ted Schiafone
Harbor Director

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.

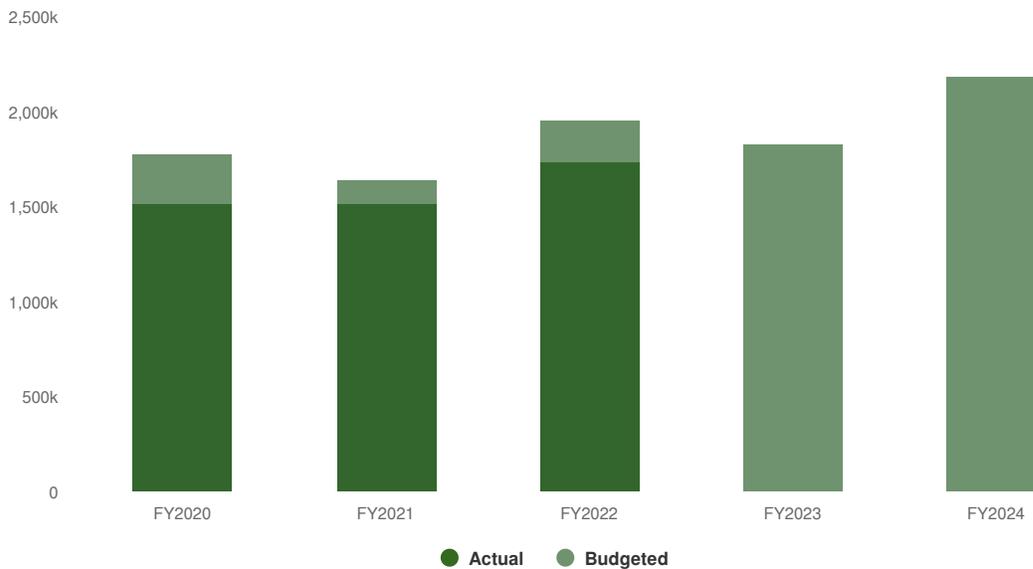
Expenditures Summary

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 2023-24. 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.

\$2,187,370 **\$355,234**
(19.39% vs. prior year)

Harbor Proposed and Historical Budget vs. Actual

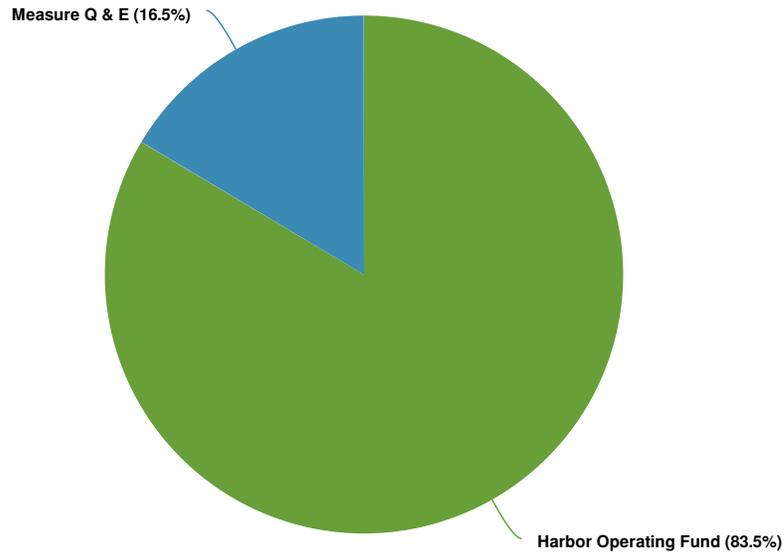


The most significant unanticipated expense was \$80,000 for emergency dock repairs as a result of the January and March storms. With the pandemic largely behind us, revenue streams are no longer climbing, while expenses are still being affected by inflationary forces.

Expenditures by Fund

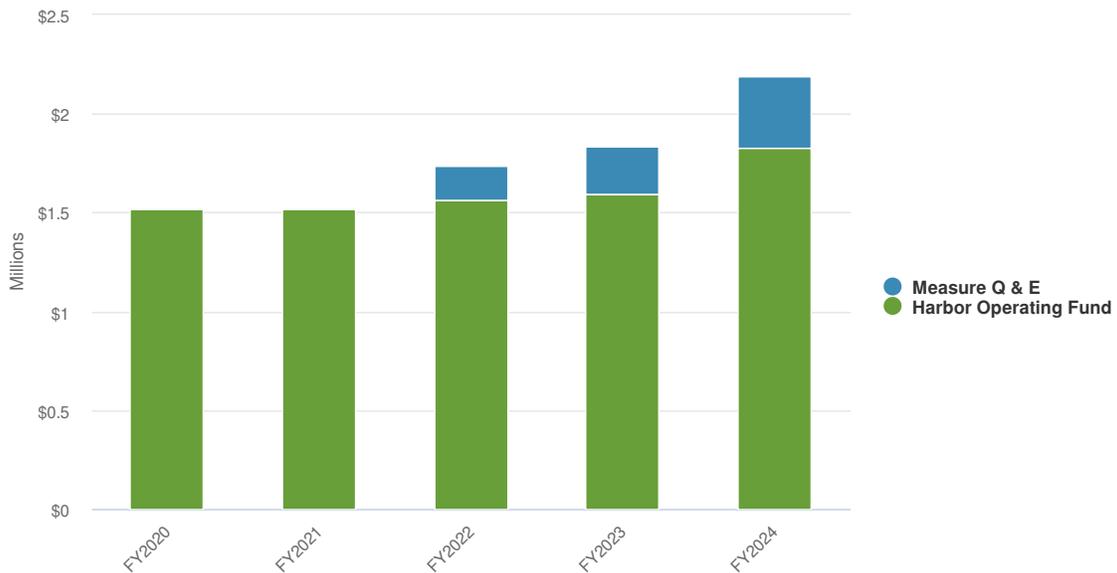
Historically, all expenses incurred by the Harbor Department were covered by the Harbor Operating Fund, which derives its revenues only from waterfront lease rents and vessel-related fees. The Harbor Department does not receive any tax revenue. In FY 2021-22, City Council allocated a portion of sales tax revenues to the Harbor Department in the form of Measure Q/E funds. Those funds continue to ensure adequate staffing of lifeguards throughout the summer months.

2024 Expenditures by Fund



In recent years, demands for the Harbor Department's services, supplies and infrastructure have increased significantly, and consequentially the costs for those items have increased as well, as have the costs of employment. The COVID-19 pandemic accelerated this trend with unprecedented visitorship. That trend has slowed with an expectation to level off in 2023-2024.

Budgeted and Historical 2024 Expenditures by Fund

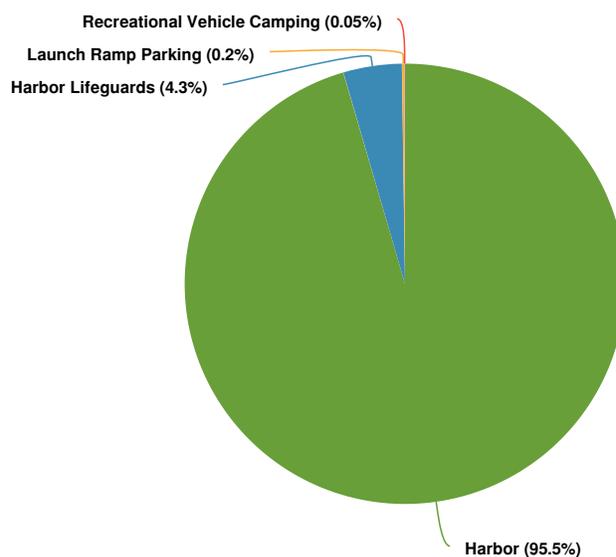


Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Measure Q & E					
Personnel Services	\$48,360	\$147,318	\$147,318	\$170,238	15.6%
Supplies	\$0	\$3,300	\$3,300	\$3,300	0%
Services	\$80,232	\$87,500	\$87,500	\$114,292	30.6%
Capital Outlay	\$48,564	\$0	\$0	\$72,000	N/A
Total Measure Q & E:	\$177,157	\$238,118	\$238,118	\$359,830	51.1%
Harbor Operating Fund					
Personnel Services	\$1,095,355	\$1,081,214	\$1,203,045	\$1,266,302	17.1%
Supplies	\$72,188	\$74,800	\$74,800	\$77,800	4%
Services	\$395,864	\$438,004	\$486,254	\$483,438	10.4%
Total Harbor Operating Fund:	\$1,563,408	\$1,594,018	\$1,764,099	\$1,827,540	14.6%
Total:	\$1,740,564	\$1,832,136	\$2,002,217	\$2,187,370	19.4%

Expenditures by Function

Personnel services comprise the largest part of the Harbor's expenses. During FY 2022-2023, emergency funds were necessary to repair docks and fingers damaged as a result of the January and March storms of 2023. The Harbor was hardest hit during these storms-- its docks, pilings, gangways, shoreline revetment and seawalls were all impacted, in some cases severely. Strong winds and tidal surge stressed an already weakened infrastructure due to decades of deferred maintenance. Daily tide changes that would normally go unnoticed now add additional stress to the structural integrity of each dock component. The Council approved \$80,000 to repair critical failures to fingers that support the boat ramp operations and a few docks that support commercial fishing. Harbor staff will continue identifying emergency funding sources to make repairs while working toward a plan to assess, prioritize and fund future dock replacement.

Budgeted Expenditures by Function



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expenditures					
Harbor Department					
Harbor					
Personnel Services	\$1,092,525	\$1,144,461	\$1,266,292	\$1,345,572	17.6%
Supplies	\$68,513	\$72,800	\$72,800	\$75,800	4.1%
Services	\$443,226	\$522,904	\$571,154	\$595,187	13.8%
Capital Outlay	\$48,564	\$0	\$0	\$72,000	N/A
Total Harbor:	\$1,652,828	\$1,740,165	\$1,910,246	\$2,088,559	20%
Harbor Lifeguards					
Personnel Services	\$51,190	\$84,071	\$84,071	\$90,968	8.2%
Supplies	\$2,790	\$3,300	\$3,300	\$3,300	0%
Total Harbor Lifeguards:	\$53,981	\$87,371	\$87,371	\$94,268	7.9%
Recreational Vehicle Camping					
Supplies	\$318	\$0	\$0	\$0	0%
Services	\$31,986	\$875	\$875	\$1,143	30.6%
Total Recreational Vehicle Camping:	\$32,304	\$875	\$875	\$1,143	30.6%
Launch Ramp Parking					
Supplies	\$567	\$2,000	\$2,000	\$2,000	0%
Services	\$885	\$1,725	\$1,725	\$1,400	-18.8%
Total Launch Ramp Parking:	\$1,452	\$3,725	\$3,725	\$3,400	-8.7%
Total Harbor Department:	\$1,740,564	\$1,832,136	\$2,002,217	\$2,187,370	19.4%
Total Expenditures:	\$1,740,564	\$1,832,136	\$2,002,217	\$2,187,370	19.4%

Revenues Summary

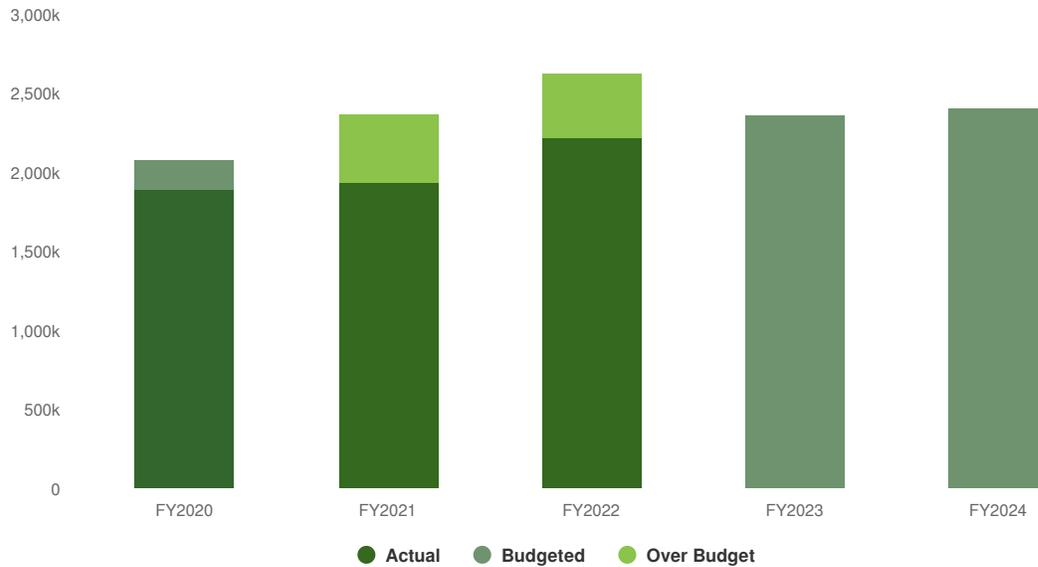
The Harbor Operating Fund provides for the overall operation of the department's various functions, with recurring expenses balanced by recurring revenues, and any excess revenues going to the Harbor Accumulation Fund for capital asset and major equipment needs. Grant funding does play a small but important 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.

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.

\$2,410,310 **\$49,346**
(2.09% vs. prior year)



Harbor Proposed and Historical Budget vs. Actual



Revenue by Fund

In estimating revenues, department staff generally takes 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.

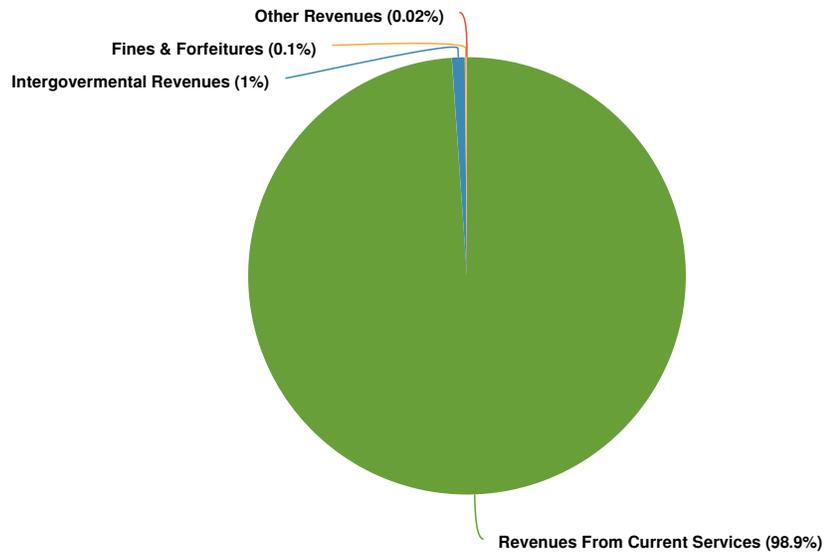
In the years following the Great Recession of 2008, production of a balanced Harbor Department budget was seriously challenged. However, beginning with FY2012-13, leases and other revenues significantly rebounded, and by 2018 had generally returned to pre-recession levels. The cessation of the annual \$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 led to increased tourism-related revenues in 2021 to 2023. The increased trend of visitorship is expected to level off in 2023-2024.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Harbor Operating Fund					
Intergovernmental Revenues	\$18,127	\$23,000	\$23,000	\$23,000	0%
Revenues From Current Services	\$2,588,282	\$2,334,464	\$2,370,610	\$2,383,610	2.1%
Fines & Forfeitures	\$4,864	\$3,000	\$3,250	\$3,200	6.7%
Other Revenues	\$14,397	\$500	\$0	\$500	0%
Total Harbor Operating Fund:	\$2,625,669	\$2,360,964	\$2,396,860	\$2,410,310	2.1%

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%).

Projected 2024 Revenues by Source

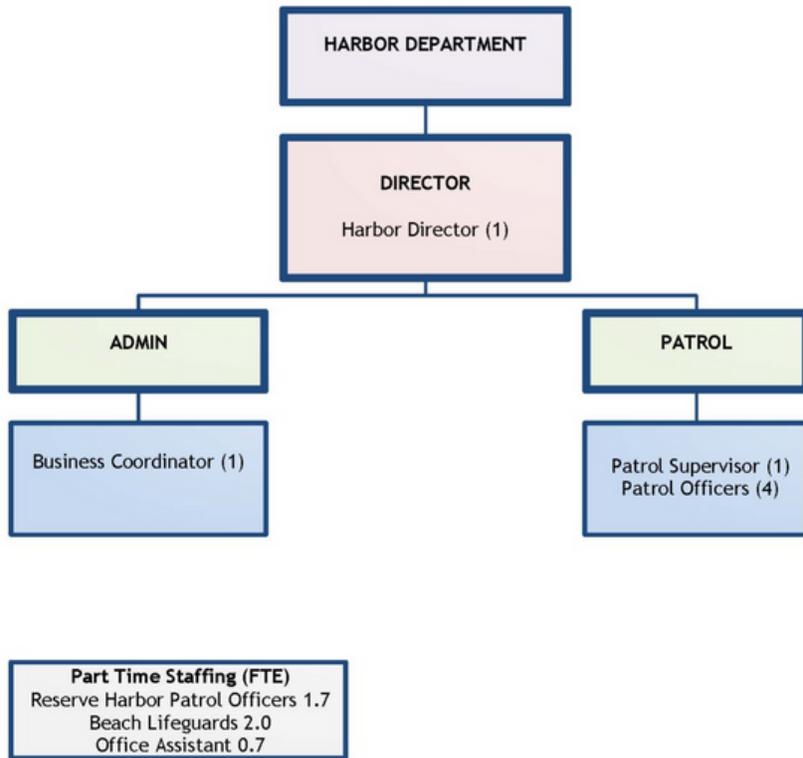


Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Revenue Source					
Intergovernmental Revenues	\$18,127	\$23,000	\$23,000	\$23,000	0%
Total Intergovernmental Revenues:	\$18,127	\$23,000	\$23,000	\$23,000	0%
Revenues From Current Services	\$2,588,282	\$2,334,464	\$2,370,610	\$2,383,610	2.1%
Total Revenues From Current Services:	\$2,588,282	\$2,334,464	\$2,370,610	\$2,383,610	2.1%

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Fines & Forfeitures	\$4,864	\$3,000	\$3,250	\$3,200	6.7%
Total Fines & Forfeitures:	\$4,864	\$3,000	\$3,250	\$3,200	6.7%
Other Revenues	\$14,397	\$500	\$0	\$500	0%
Total Other Revenues:	\$14,397	\$500	\$0	\$500	0%
Total Revenue Source:	\$2,625,669	\$2,360,964	\$2,396,860	\$2,410,310	2.1%



Harbor Department Organizational Chart



Harbor Department Staffing List

Full-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
<i>Harbor Department</i>				
Harbor Director	1.0	1.0	1.0	1.0
Harbor Business Coord	1.0	1.0	1.0	1.0
Harbor Patrol Supervisor	1.0	1.0	1.0	1.0
Harbor Patrol Officer	3.0	3.0	3.0	4.0
Administrative Technican	0.0	0.0	0.0	0.0
Total Department FTEs	6.0	6.0	6.0	7.0

Part-Time Staffing

Presented as full-time equivalent positions based on the number of hours budgeted.

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
<i>Harbor Department</i>				
Reserve Harbor Patrol Officers	1.2	1.1	1.4	1.7
Beach Lifeguards	1.2	1.8	1.8	2.0
Office Assistant	0.0	0.0	0.0	0.7
Harbor Maintenance	0.0	0.0	0.0	0.0
Total Department FTEs	2.4	2.9	3.2	4.4

Total Harbor Department Full-Time Equivalent Staff Positions: 11.4

Department Goals - FY 2023-2024

- **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
 - **Good Governance**
 - Organizational Assessment - complete organizational assessment of the Harbor Department for Council consideration, and implement plan
 - Billing System - implement new billing system

- **Public Safety**
 - **Core City Service**
 - Harbor Patrol Vehicles - purchase replacement truck for Harbor Patrol and assume a former Police SUV for Administration

- **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 a 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, in addition to increasing internal efficiencies
 - Submit a grant application to DBW to replace the boat ramp.

- **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 gather information that can be shared with stakeholders and the public.
 - **Core City Service**
 - Clean Marina Recertification - complete Clean Marina recertification

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 over 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	2020-21 Actuals	2021-22 Actuals	2022-23 Estimated	2023-24 Projected
Major Lease Actions (new leases, amendments)	4	6	5	8
Lease Site Redevelopment Projects	2	3	5	4
Harbor Patrol Calls For Service	1497	1300	1193	1350
Emergency Responses	195	159	139	175
Assisting Other Agencies	452	440	313	430
Enforcement Actions	467	460	280	400
Maintenance Actions	2064	2309	1959	1900
Training Contacts/Actions	218	196	205	200



Police Department - Operating Budget



The Morro Bay Police Department has 22.5 total full-time budgeted positions. This total includes 15.0 sworn Police Officer positions, 1.0 sworn School Resource Officer, 1.0 Police Commander, 1.0 Police Chief, 3.0 full-time civilian positions, and two 0.75 part-time civilian positions.

These staff members provide full police services to Morro Bay's community of over 10,500 residents and hundreds of thousands of visitors to the city each year. In addition to full-time employees, the Police Department relies heavily on the civilian volunteers program 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, San Luis Obispo (SLO) County Sheriff's Office, California Highway Patrol (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

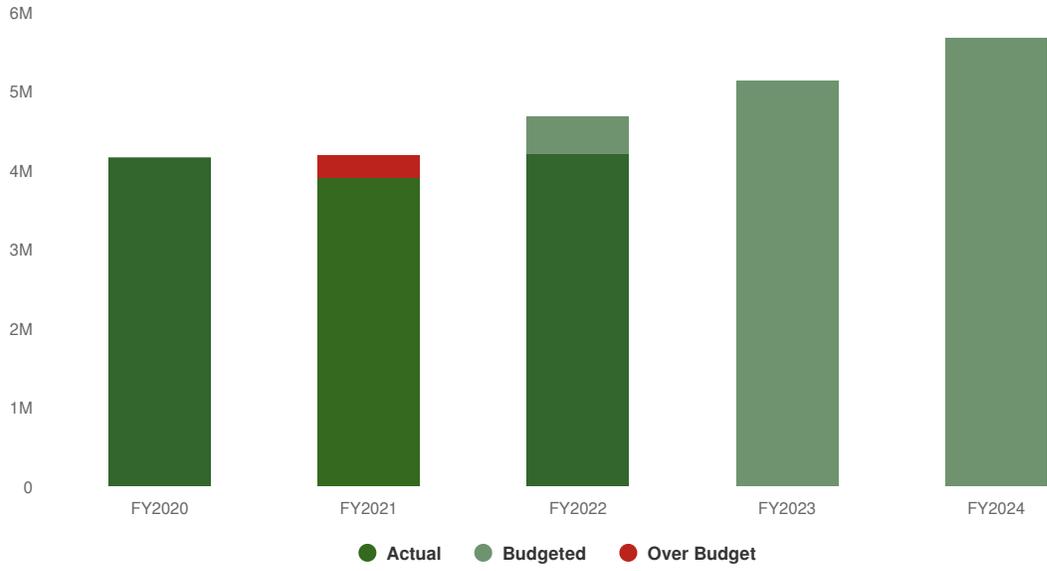
The Police Department's total budget for FY 2023-24 has increased slightly over the previous fiscal year. A Homeless Outreach Case Manager position was added at FY 22-23 mid-year. This position is included in the Police Department's personnel part-time budget, but is used as a citywide and community asset.

Staffing and operational coverage challenges remain in recruiting and retaining highly qualified and skilled employees, as well as procuring, replacing, and maintaining needed equipment and resources.

In addition to the City's General Fund, the Police Department relies on funding from additional sources to provide necessary public safety services 24 hours a day, 7 days a week, to provide 24 hour police service. The additional contributing Funds include Measure Q & E, the Traffic Safety Fund, and Special Safety Grant (COPS Grant). In addition, the San Luis Coastal Unified School District (SLCUSD) contributes the full funding of 1.0 Police Officer that is assigned solely as a School Resource Officer (SRO) position. The SRO position is a sworn position, but is a dedicated resource to the school district.

\$5,671,123 **\$539,016**
(10.50% vs. prior year)

Police Proposed and Historical Budget vs. Actual



Expenditures by Fund

The Police Department continues into FY 2023-24 with the same sworn staffing levels established in 1986. The FY 2023-24 budget continues to keep the Police Department at a minimum staffing level of 18 sworn officers (including one assigned as a School Resource Officer (SRO) funded by San Luis Obispo Unified School District). No new sworn positions were added in the 2023-24 FY budget. A part-time Police Officer Reserve allocation was added and is funded by Measure E.

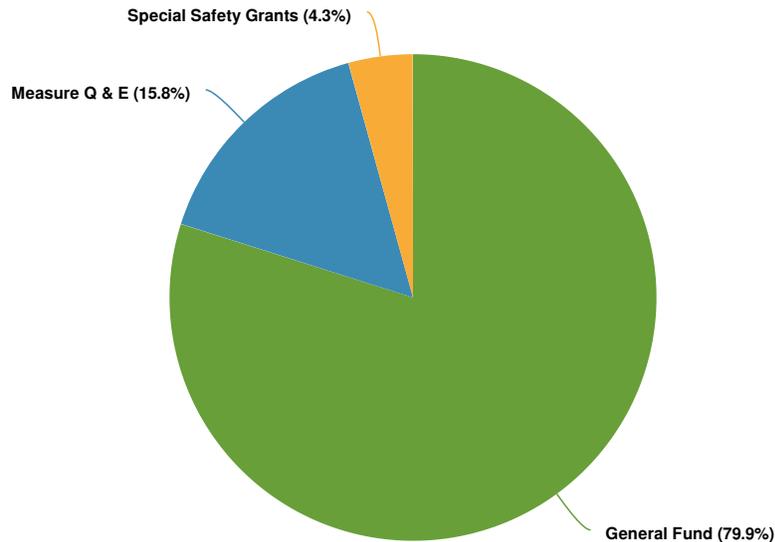
The FY 2022-23 budget included the addition of a full-time civilian Community Services Officer position funded through Measure E. However, additional fund contributions outside of the General Fund allow the Department to maintain and provide basic policing services within budgetary constraints and guidelines.

Both Measure Q & E and Special Safety (COPS Grant) funding have continued to be necessary for the Department to maintain all basic functions which include personnel positions costs, operational/equipment needs to supplement General Fund support of the Department. Measure E funding resources will be vital to maintain core services and current staffing levels, plus equipment needed to meet the increased and growing demands for public safety from our law enforcement personnel.

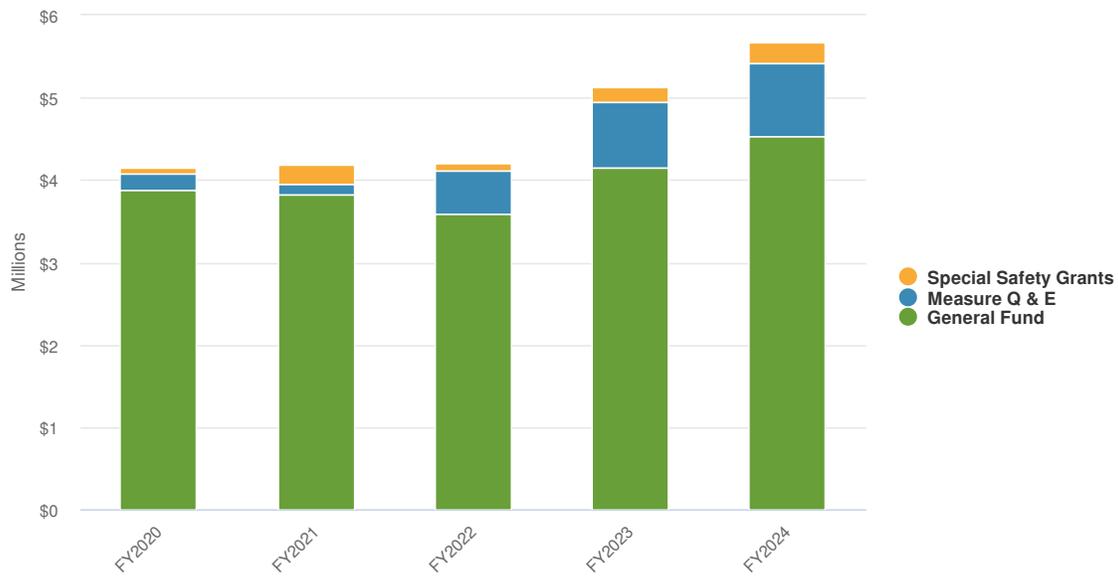
The Department's operational expenditures have increased over the past year due to increased fuel costs, increased outside vehicle maintenance and repair costs, supply and equipment costs. Two police motorcycles are funded by Special Safety (COPS Grant) to replace the two motorcycles currently in operation. The current 2007 BMW motorcycles are unable to be repaired because manufacturers parts are unavailable due to age making the current police motorcycles in the fleet unsafe and obsolete.

In addition, expenses related to personnel merit and bargained increases are also impacting the personnel budget.

2024 Expenditures by Fund



Budgeted and Historical 2024 Expenditures by Fund



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted
General Fund				
Personnel Services	\$3,006,467	\$3,245,556	\$3,338,870	\$3,539,063
Supplies	\$103,427	\$97,358	\$97,358	\$95,426
Other Expense	\$17,375	\$0	\$0	\$0
Services	\$454,961	\$813,449	\$813,449	\$896,581
Total General Fund:	\$3,582,230	\$4,156,363	\$4,249,677	\$4,531,070
Measure Q & E				
Personnel Services	\$401,879	\$616,242	\$616,242	\$695,199
Supplies	\$0	\$7,000	\$39,000	\$19,000
Other Expense	\$8,784	\$36,720	\$36,720	\$36,720
Services	\$113,823	\$128,560	\$139,660	\$48,560
Capital Outlay	\$0	\$0	\$0	\$98,000
Total Measure Q & E:	\$524,486	\$788,522	\$831,622	\$897,479
Special Safety Grants				
Personnel Services	\$56,453	\$60,722	\$60,722	\$88,074
Supplies	\$23,751	\$38,000	\$38,000	\$75,000
Services	\$11,850	\$13,500	\$13,500	\$13,500
Capital Outlay	\$0	\$75,000	\$75,000	\$66,000
Total Special Safety Grants:	\$92,054	\$187,222	\$187,222	\$242,574
Total:	\$4,198,770	\$5,132,107	\$5,268,521	\$5,671,123

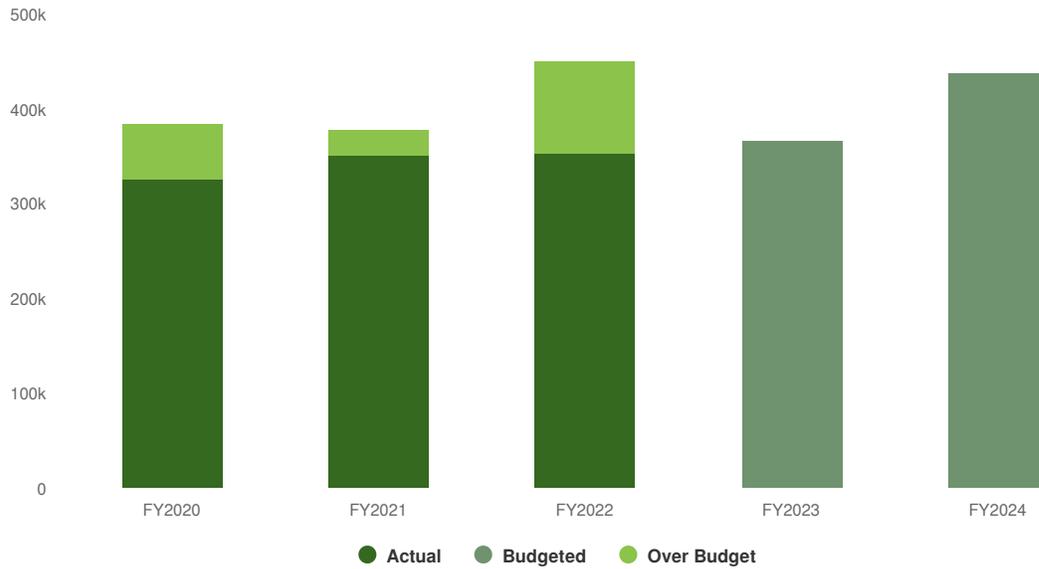
Revenues Summary



The City's Police Department estimates FY 2023-24 total revenue of \$437,531 is across three funds: 63% in General Fund (001), 2% Special Safety Grants Fund (282), and 34% in Traffic Safety Fund (280).

\$437,531 **\$70,460**
(19.20% vs. prior year)

Police Proposed and Historical Budget vs. Actual



Revenue by Fund

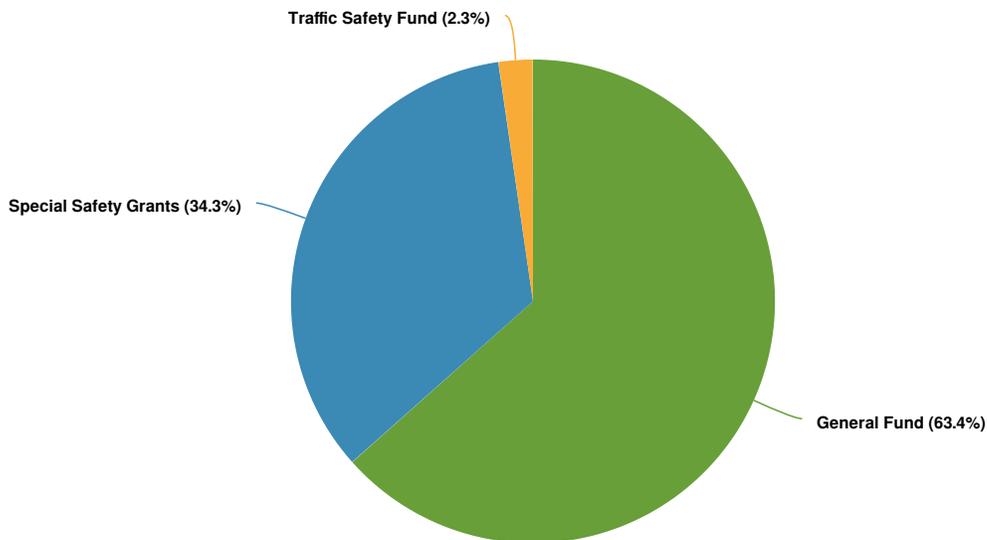
FY 2023-24 General Fund (001) revenue is budgeted at \$277,531 which represents an approximately 8% increase over the FY 2022-23 budget. Categories of revenue earnings in the General Fund include:

- State Mandated Cost Reimbursement, Police Officer Standards and Training (POST) Subvention, Impound Fees, Copies of Police Crime and Accident Reports, 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, Administrative Citations, Auctioned Property, and Refunds.

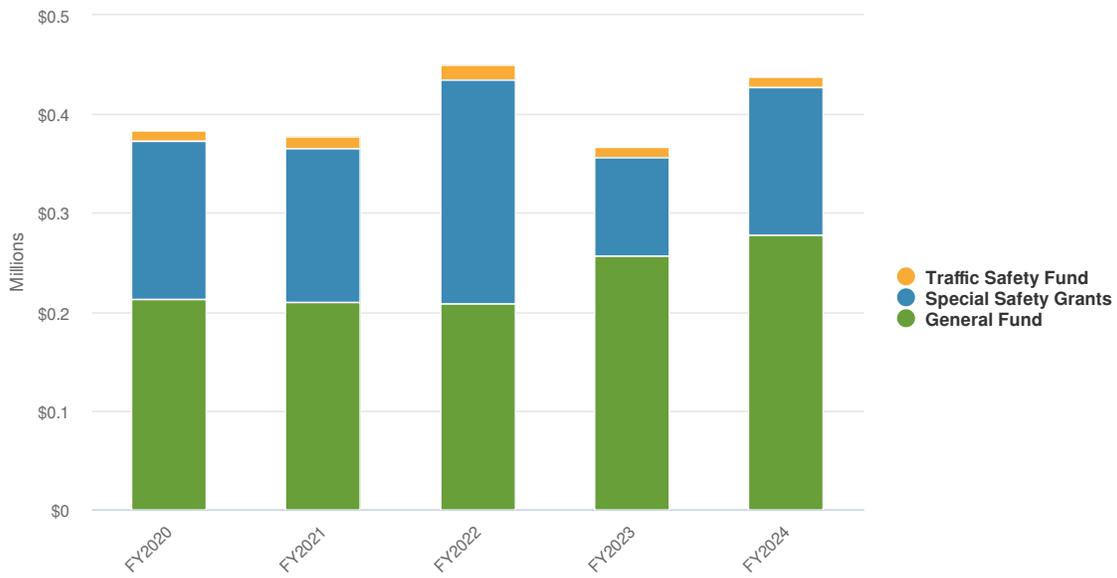
The Traffic Safety Fund (280) estimates \$10,000 in Statutory Violations revenue received through San Luis Obispo County. There is no change to this revenue amount in FY 23-24.

The Special Safety Grants Fund (282) anticipates \$150,000 in revenue from the California Citizens Option for Public Safety (COPS) Program distributed through the California Supplemental Law Enforcement Services Fund (SLESF). This is an increase of approximately 50% which reflects the actual revenue received annually.

2024 Revenue by Fund

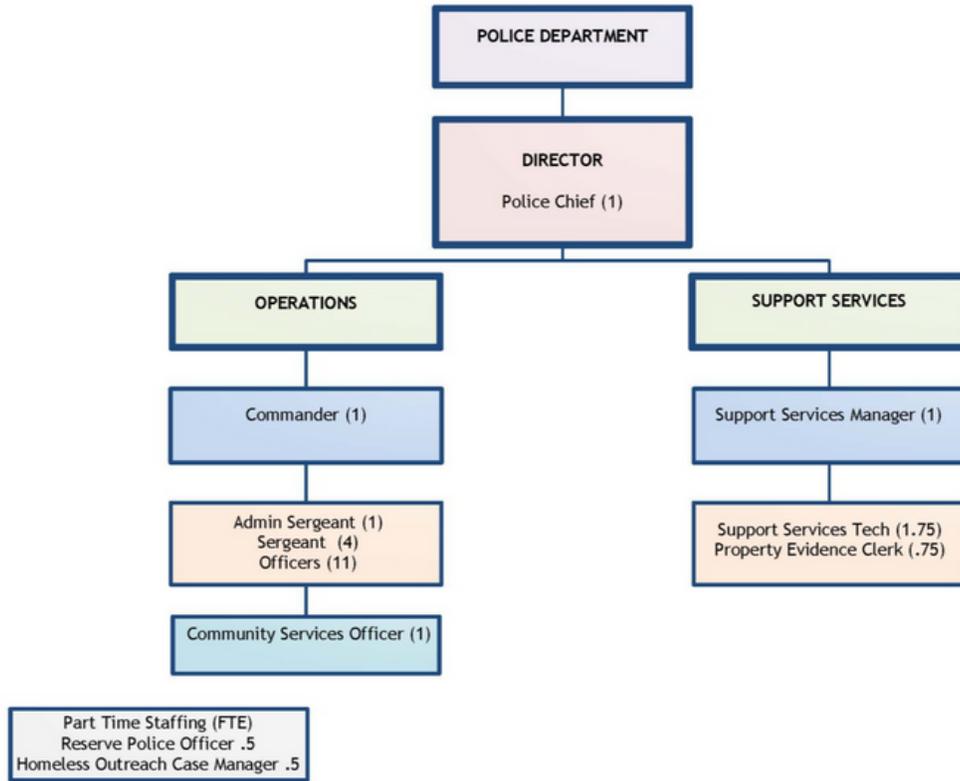


Budgeted and Historical 2024 Revenue by Fund



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
General Fund					
Intergovernmental Revenues	\$25,718	\$29,870	\$29,870	\$36,360	21.7%
Revenues From Current Services	\$161,054	\$207,631	\$207,631	\$212,631	2.4%
Fines & Forfeitures	\$13,589	\$7,210	\$7,210	\$16,180	124.4%
Other Revenues	\$8,847	\$12,360	\$12,360	\$12,360	0%
Total General Fund:	\$209,208	\$257,071	\$257,071	\$277,531	8%
Traffic Safety Fund					
Fines & Forfeitures	\$14,617	\$10,000	\$10,000	\$10,000	0%
Total Traffic Safety Fund:	\$14,617	\$10,000	\$10,000	\$10,000	0%
Special Safety Grants					
Intergovernmental Revenues	\$226,556	\$100,000	\$100,000	\$150,000	50%
Total Special Safety Grants:	\$226,556	\$100,000	\$100,000	\$150,000	50%
Total:	\$450,382	\$367,071	\$367,071	\$437,531	19.2%

Police Department Organizational Chart



Police Department Staffing List

Full-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
<i>Police Department</i>				
Police Chief	1.00	1.00	1.00	1.00
Police Commander	1.00	1.00	1.00	1.00
Police Sergeant	4.00	4.00	4.00	4.00
Administrative Sergeant	1.00	1.00	1.00	1.00
Corporal	0.00	0.00	0.00	0.00
Senior Police Officer	4.00	4.00	4.00	4.00
Officer	4.00	5.00	5.00	5.00
Officer - School Resource Officer	1.00	1.00	1.00	1.00
Officer - Detective	1.00	1.00	1.00	1.00
Community Services Officer	0.00	0.00	1.00	1.00
Police Support Service Manager	1.00	1.00	1.00	1.00
Support Services Technician	1.00	1.00	1.00	1.00
Support Services Technician	0.63	0.63	0.75	0.75
Property Evidence Clerk	0.75	0.75	0.75	0.75
Total Department FTEs	20.38	21.38	22.50	22.50

Part-Time Staffing

Presented as full-time equivalents based on the number of hours budgeted.

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
<i>Police Department</i>				
Reserve Police Officer	0.0	0.0	0.0	0.5
Homeless Outreach Case Manager	0.0	0.0	0.0	0.5
Total Department FTEs	0.0	0.0	0.0	1.0

Total Police Department Full-Time Equivalent Positions: 23.5

Department Goals & FY 2023-24 Action Items

- **Goal #1: Recruitment and Retention**
 - **Core City Service (Public Safety)**
 - Focus on retention of valued employees through incentives and fair compensation
 - Create succession plan focusing on employee development
 - Expand on opportunities for additional officer specialty assignments
 - Promote law enforcement as a career for local youth through department outreach, School Resource Officer, and programs such as Police Explorers and Community Service Officer
- **Goal #2: Community Safety/Crime Prevention Strategies**
 - **Core City Service (Public Safety)**
 - Monitor current crime trends for industry leading crime prevention strategies
 - Use technology such as the Automated License Plate Reader (ALPR) system to prevent crime and apprehend suspects through advanced investigation techniques
 - Seek grant funding for a citywide security camera surveillance system
 - Partner with county law enforcement agencies also using ALPR technology
- **Goal #3: Traffic Safety**
 - **Core City Services (Public Safety)**
 - Department to increase the number of certified motorcycle officers through training and the Reserve Officer Program
 - Continue the use of department electronic message boards to advise on traffic hazards, speed laws, and monitoring traffic flow
 - Conduct Traffic Safety Campaigns to educate drivers and pedestrians on traffic laws and unsafe driving practices
- **Goal #4: Community Engagement**
 - **Core City Services (Public Safety)**
 - Build community partnerships and connect resources to the unhoused population with Homeless Outreach Case Manager
 - Department events such as National Night Out, Coffee with a Cop, Faith and Blue, and Pizza with the Police to increase communication with the community
 - Invite community members to participate in Citizen Academy and Chief's Advisory Committee
 - Develop new ideas to improve community engagement through social media



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.
- **Community Engagement Programs:**
 - The Morro Bay Police Department works diligently throughout the year to bring officers and department staff together with the community we serve. Community events such as National Night Out, Coffee with a Cop, Faith and Blue Weekend, Pizza with the Police, Thanksgiving Meal Delivery, and Carolings Cops are some of the police department sponsored events to help bring our community together with their police department.
- **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 Actuals	2022-23 Estimated	2023-24 Projected
Average hours of training per sworn Officer	74	114	117	101	105
Average hours of training for non-sworn personnel	16	28	25	23	30
Total Number of Volunteer Hours	1765	1600	1682	1680	2150
Response times	3-5 min average	3-5 min average	3-5 min average	3-5 min average	3-5 min average
Calls for Service	12166	15500	14900	14,188	15,700
Total Arrests	624	630	607	620	685
Total number of reports written	1773	1743	1600	1705	1790
Percentage of reported Traffic Collisions involving drugs or Alcohol	20%	16%	15%	17%	19%
Number of traffic citations issued (excluding courtesy citations)	145	425	700	424	640
Criminal citations issued	165	250	317	244	330
Courtesy citations issued	284	178	158	206	180
DUI Arrests	89	78	79	82	85
Traffic collision reports	76	62	70	69	74
Injury collisions	13	22	27	20	30
Number of Parking Citations Issued	194	236	150	193	250
Number of parking permits issued	N/A	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)	23 tows for 72 hours violations and 25 for exp. registration (48 total)
Revenue received on parking permits issued	N/A	N/A	N/A	N/A	N/A
Revenue received on parking citations issued	\$4615	\$9400	\$3000	\$5600	\$9500

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.

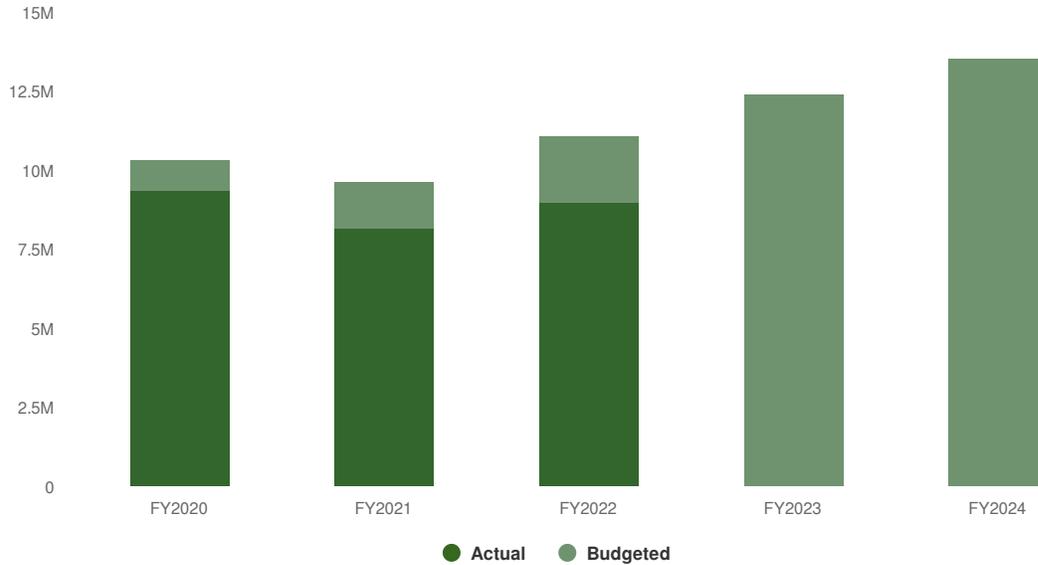
Expenditures Summary

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.

For Fiscal Year 2023-24, one Maintenance Supervisor position will be reassigned and reallocated from the Maintenance Division to the Engineering Division within the Department to support Public Works inspection efforts. This change does not add another new position to the Department. However, one new Senior Civil Engineer position will be added to support capital projects implementation, for a net total department increase in staffing of one Full-Time Equivalent (FTE) position.

\$13,561,179 **\$1,147,065**
(9.24% vs. prior year)

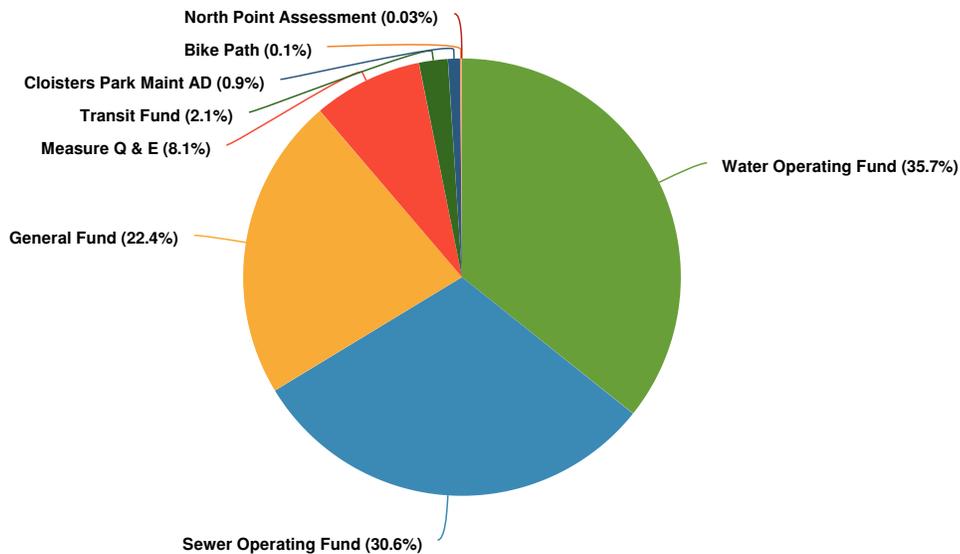
Public Works Proposed and Historical Budget vs. Actual



Expenditures by Fund

Approximately 66% of planned Department expenditures are within the Utilities Division, which will support all daily water and sewer operations, including operations at the new Water Resources Center, which was 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 8.1% of expenditures, which also support the Engineering and Maintenance Divisions in executing on the adopted City Council goal to improve public infrastructure.

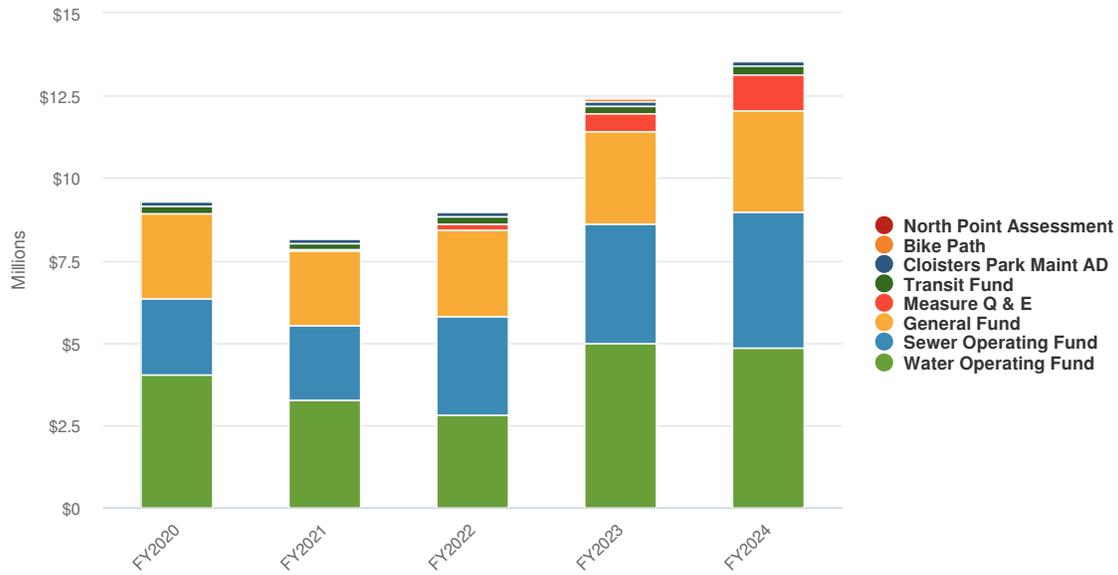
2024 Expenditures by Fund



As of FY 22-23 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, are now budgeted and tracked in the Sewer Operating Fund (321).



Budgeted and Historical 2024 Expenditures by Fund



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
General Fund					
Personnel Services	\$1,695,901	\$1,752,767	\$1,767,767	\$1,749,990	-0.2%
Supplies	\$202,146	\$242,532	\$434,532	\$269,524	11.1%
Services	\$709,919	\$847,994	\$1,585,394	\$1,017,531	20%
Capital Outlay	\$0	\$0	\$78,853	\$4,000	N/A
Total General Fund:	\$2,607,967	\$2,843,293	\$3,866,546	\$3,041,045	7%
Measure Q & E					
Personnel Services	\$173,856	\$523,699	\$523,699	\$636,730	21.6%
Supplies	\$4	\$0	\$0	\$0	0%
Services	\$42,235	\$25,500	\$119,700	\$460,000	1,703.9%
Total Measure Q & E:	\$216,095	\$549,199	\$643,399	\$1,096,730	99.7%
Bike Path					
Interfund Transfers	\$3,500	\$72,423	\$72,423	\$13,000	-82%
Total Bike Path:	\$3,500	\$72,423	\$72,423	\$13,000	-82%
North Point Assessment					
Personnel Services	\$775	\$0	\$0	\$0	0%
Services	\$3,575	\$4,865	\$4,865	\$4,647	-4.5%
Total North Point Assessment:	\$4,350	\$4,865	\$4,865	\$4,647	-4.5%
Cloisters Park Maint AD					
Personnel Services	\$83,919	\$73,497	\$73,497	\$56,827	-22.7%

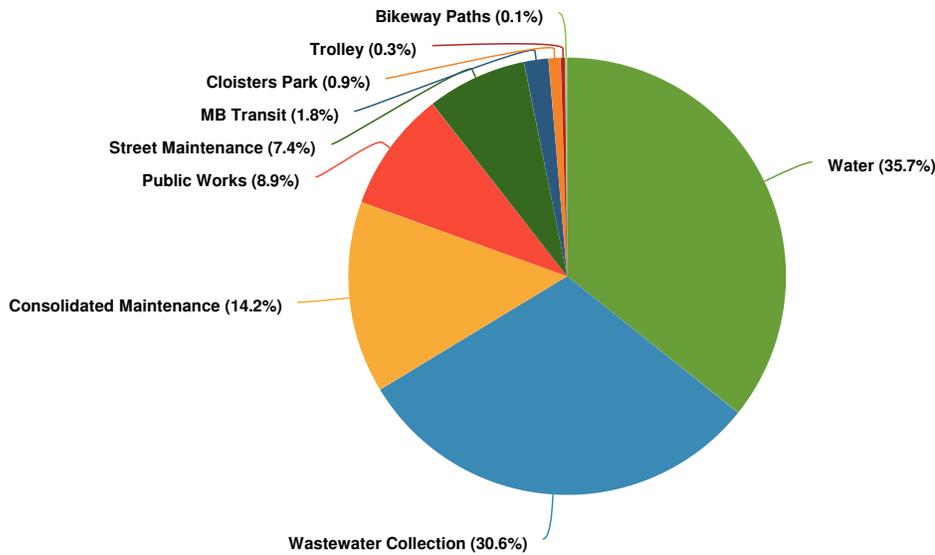


Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Supplies	\$6,641	\$16,327	\$5,327	\$16,297	-0.2%
Services	\$41,314	\$47,178	\$47,178	\$47,736	1.2%
Total Cloisters Park Maint AD:	\$131,874	\$137,002	\$126,002	\$120,860	-11.8%
Transit Fund					
Supplies	\$35,376	\$39,007	\$39,007	\$41,640	6.8%
Services	\$168,834	\$179,007	\$179,007	\$248,763	39%
Total Transit Fund:	\$204,210	\$218,014	\$218,014	\$290,403	33.2%
Sewer Operating Fund					
Personnel Services	\$577,224	\$1,566,688	\$1,623,688	\$1,746,554	11.5%
Supplies	\$47,938	\$348,835	\$367,500	\$399,000	14.4%
Other Expense	\$2,004,214	\$0	\$0	\$0	0%
Services	\$360,558	\$1,674,523	\$1,344,336	\$2,004,232	19.7%
Total Sewer Operating Fund:	\$2,989,934	\$3,590,046	\$3,335,524	\$4,149,786	15.6%
Water Operating Fund					
Personnel Services	\$870,379	\$1,135,826	\$1,165,826	\$1,185,046	4.3%
Supplies	\$153,849	\$319,625	\$372,049	\$368,050	15.2%
Services	\$1,787,074	\$3,543,821	\$3,563,821	\$3,291,612	-7.1%
Capital Outlay	\$0	\$0	\$58,000	\$0	0%
Total Water Operating Fund:	\$2,811,302	\$4,999,272	\$5,159,696	\$4,844,708	-3.1%
Total:	\$8,969,232	\$12,414,114	\$13,426,469	\$13,561,179	9.2%



Expenditures by Function

Budgeted Expenditures by Function



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Budgeted vs. FY2024 Budgeted (% Change)	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expenditures						
Public Works						
Public Works						
Personnel Services	\$672,920	\$934,649	\$934,649	\$1,017,147	8.8%	8.8%
Supplies	\$4,724	\$5,467	\$12,467	\$9,107	66.6%	66.6%
Services	\$71,764	\$148,177	\$188,177	\$185,281	25%	25%
Capital Outlay	\$0	\$0	\$3,853	\$0	0%	0%
Total Public Works:	\$749,407	\$1,088,293	\$1,139,146	\$1,211,535	11.3%	11.3%
Consolidated Maintenance						
Personnel Services	\$702,117	\$1,082,861	\$1,097,861	\$1,123,366	3.7%	3.7%
Supplies	\$118,710	\$141,837	\$316,937	\$160,215	13%	13%
Services	\$398,042	\$434,935	\$618,435	\$637,153	46.5%	46.5%
Capital Outlay	\$0	\$0	\$75,000	\$4,000	N/A	N/A
Total Consolidated Maintenance:	\$1,218,869	\$1,659,633	\$2,108,233	\$1,924,734	16%	16%
Vehicle Maintenance						
Personnel Services	\$117,744	\$0	\$0	\$0	0%	0%
Supplies	\$29,523	\$0	\$0	\$0	0%	0%



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Budgeted vs. FY2024 Budgeted (% Change)	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Services	\$9,744	\$214	\$214	\$0	-100%	-100%
Total Vehicle Maintenance:	\$157,011	\$214	\$214	\$0	-100%	-100%
Street Maintenance						
Personnel Services	\$164,932	\$230,109	\$230,109	\$246,207	7%	7%
Supplies	\$48,590	\$95,228	\$105,128	\$100,202	5.2%	5.2%
Services	\$92,053	\$290,168	\$898,268	\$655,097	125.8%	125.8%
Total Street Maintenance:	\$305,575	\$615,505	\$1,233,505	\$1,001,506	62.7%	62.7%
Street Trees						
Personnel Services	\$81,172	\$0	\$0	\$0	0%	0%
Supplies	\$436	\$0	\$0	\$0	0%	0%
Services	\$68,987	\$0	\$0	\$0	0%	0%
Total Street Trees:	\$150,595	\$0	\$0	\$0	0%	0%
Street Lighting						
Services	\$91,479	\$0	\$0	\$0	0%	0%
Total Street Lighting:	\$91,479	\$0	\$0	\$0	0%	0%
Storm Drain/Creek Maint.						
Personnel Services	\$99,108	\$0	\$0	\$0	0%	0%
Supplies	\$167	\$0	\$0	\$0	0%	0%
Services	\$20,085	\$0	\$0	\$0	0%	0%
Total Storm Drain/Creek Maint.:	\$119,360	\$0	\$0	\$0	0%	0%
Water						
Personnel Services	\$870,379	\$1,135,826	\$1,165,826	\$1,185,046	4.3%	4.3%
Supplies	\$153,849	\$319,625	\$372,049	\$368,050	15.2%	15.2%
Services	\$1,787,074	\$3,543,821	\$3,563,821	\$3,291,612	-7.1%	-7.1%
Capital Outlay	\$0	\$0	\$58,000	\$0	0%	0%
Total Water:	\$2,811,302	\$4,999,272	\$5,159,696	\$4,844,708	-3.1%	-3.1%
Wastewater Collection						
Personnel Services	\$577,224	\$1,566,688	\$1,623,688	\$1,746,554	11.5%	11.5%
Supplies	\$47,938	\$348,835	\$367,500	\$399,000	14.4%	14.4%
Other Expense	\$2,004,214	\$0	\$0	\$0	0%	0%
Services	\$360,558	\$1,674,523	\$1,344,336	\$2,004,232	19.7%	19.7%
Total Wastewater Collection:	\$2,989,934	\$3,590,046	\$3,335,524	\$4,149,786	15.6%	15.6%



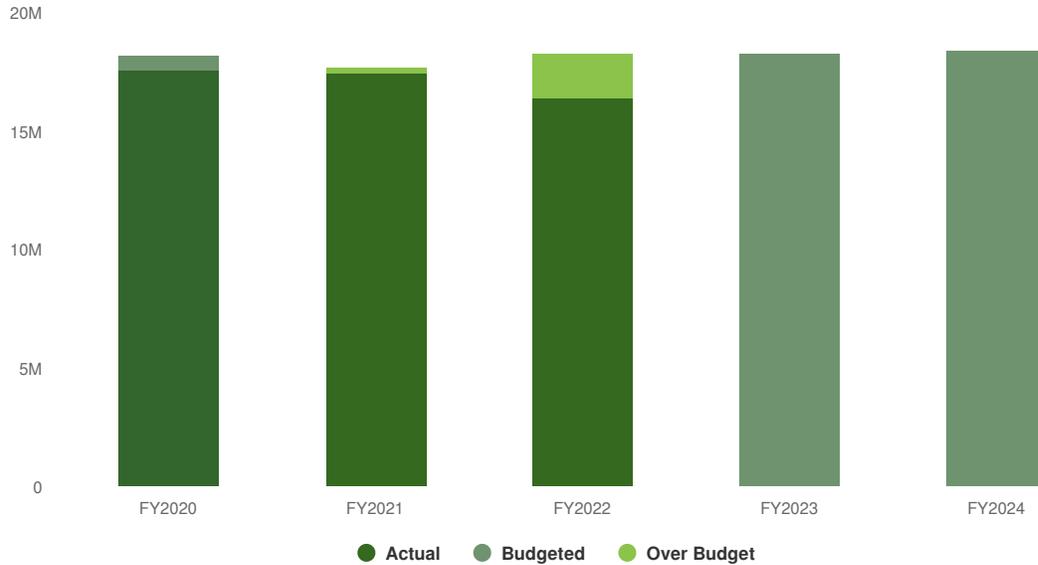
Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Budgeted vs. FY2024 Budgeted (% Change)	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
MB Transit						
Supplies	\$27,368	\$28,584	\$28,584	\$30,550	6.9%	6.9%
Services	\$143,748	\$148,857	\$148,857	\$215,045	44.5%	44.5%
Total MB Transit:	\$171,116	\$177,441	\$177,441	\$245,595	38.4%	38.4%
Bikeway Paths						
Interfund Transfers	\$3,500	\$72,423	\$72,423	\$13,000	-82%	-82%
Total Bikeway Paths:	\$3,500	\$72,423	\$72,423	\$13,000	-82%	-82%
Trolley						
Supplies	\$8,008	\$10,423	\$10,423	\$11,090	6.4%	6.4%
Services	\$25,087	\$30,150	\$30,150	\$33,718	11.8%	11.8%
Total Trolley:	\$33,094	\$40,573	\$40,573	\$44,808	10.4%	10.4%
Curbside Recycling						
Personnel Services	\$31,765	\$28,847	\$28,847	\$0	-100%	-100%
Total Curbside Recycling:	\$31,765	\$28,847	\$28,847	\$0	-100%	-100%
North Point Park						
Personnel Services	\$775	\$0	\$0	\$0	0%	0%
Services	\$3,575	\$4,865	\$4,865	\$4,647	-4.5%	-4.5%
Total North Point Park:	\$4,350	\$4,865	\$4,865	\$4,647	-4.5%	-4.5%
Cloisters Park						
Personnel Services	\$83,919	\$73,497	\$73,497	\$56,827	-22.7%	-22.7%
Supplies	\$6,641	\$16,327	\$5,327	\$16,297	-0.2%	-0.2%
Services	\$41,314	\$47,178	\$47,178	\$47,736	1.2%	1.2%
Total Cloisters Park:	\$131,874	\$137,002	\$126,002	\$120,860	-11.8%	-11.8%
Total Public Works:	\$8,969,232	\$12,414,114	\$13,426,469	\$13,561,179	9.2%	9.2%
Total Expenditures:	\$8,969,232	\$12,414,114	\$13,426,469	\$13,561,179	9.2%	9.2%

Revenues Summary

\$18,380,679 **\$170,814**
(0.94% vs. prior year)



Public Works Proposed and Historical Budget vs. Actual

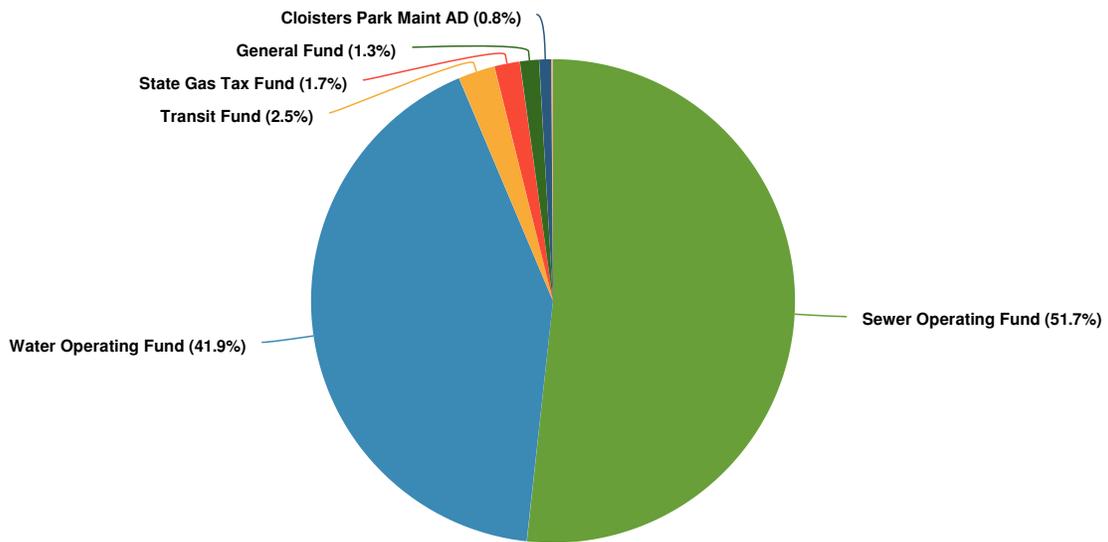


The majority of Public Works revenues come from the water and sewer rates paid by the City's ratepayers. The FY 2021-22 revenue budget was lower than normal due to uncertain revenues during the pandemic, but has bounced back to levels commensurate with recent actual revenues in the FY 2022-23 budget. The FY 2023-24 revenue budget is only slightly higher than the previous year because there has been no recent increase in the City's water and sewer rates.

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.

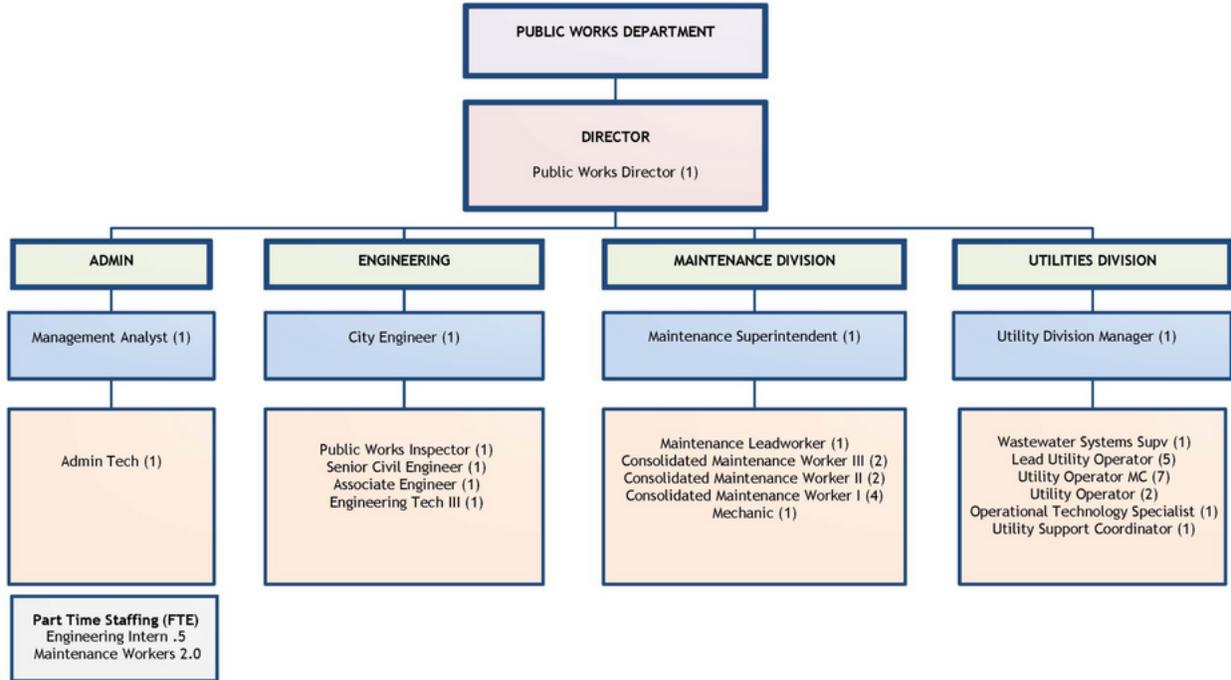
2024 Revenue by Fund



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
General Fund					
Licenses & Permits	\$10,125	\$61,200	\$61,200	\$75,000	22.5%
Revenues From Current Services	\$40,320	\$63,176	\$63,176	\$90,438	43.2%
Other Revenues	\$1,277	\$0	\$35,000	\$68,973	N/A
Total General Fund:	\$51,722	\$124,376	\$159,376	\$234,411	88.5%
State Gas Tax Fund					
Intergovernmental Revenues	\$235,838	\$300,362	\$300,362	\$312,987	4.2%
Total State Gas Tax Fund:	\$235,838	\$300,362	\$300,362	\$312,987	4.2%
Bike Path					
Intergovernmental Revenues	\$7,720	\$14,085	\$14,085	\$13,315	-5.5%
Total Bike Path:	\$7,720	\$14,085	\$14,085	\$13,315	-5.5%
North Point Assessment					
Property Taxes	\$5,645	\$5,645	\$5,645	\$5,645	0%
Total North Point Assessment:	\$5,645	\$5,645	\$5,645	\$5,645	0%
Cloisters Park Maint AD					
Property Taxes	\$143,350	\$148,944	\$148,944	\$148,944	0%
Total Cloisters Park Maint AD:	\$143,350	\$148,944	\$148,944	\$148,944	0%
Transit Fund					
Intergovernmental Revenues	\$245,842	\$392,153	\$399,532	\$437,177	11.5%
Revenues From Current Services	\$8,963	\$10,100	\$10,100	\$14,000	38.6%
Total Transit Fund:	\$254,805	\$402,253	\$409,632	\$451,177	12.2%
Sewer Operating Fund					
Intergovernmental Revenues	\$90,047	\$0	\$0	\$0	0%
Revenues From Current Services	\$9,703,719	\$9,460,000	\$9,460,000	\$9,460,000	0%
Fines & Forfeitures	\$34,431	\$30,000	\$30,000	\$30,000	0%
Other Revenues	-\$5,434	\$0	\$0	\$0	0%
Revenues From Use of Money & Property	\$9,031	\$20,000	\$20,000	\$20,000	0%
Total Sewer Operating Fund:	\$9,831,793	\$9,510,000	\$9,510,000	\$9,510,000	0%
Water Operating Fund					
Intergovernmental Revenues	\$61,473	\$0	\$0	\$0	0%
Revenues From Current Services	\$7,616,413	\$7,649,200	\$7,649,200	\$7,649,200	0%
Fines & Forfeitures	\$25,095	\$55,000	\$55,000	\$55,000	0%
Other Revenues	\$6,583	\$0	\$0	\$0	0%
Total Water Operating Fund:	\$7,709,564	\$7,704,200	\$7,704,200	\$7,704,200	0%
Total:	\$18,240,437	\$18,209,865	\$18,252,244	\$18,380,679	0.9%



Public Works Organizational Chart



Public Works Staffing List

Full-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
Public Works				
Public Works Director	0.0	1.0	1.0	1.0
City Engineer	1.0	1.0	1.0	1.0
Maintenance Superintendent	0.0	1.0	1.0	1.0
Environmental Programs Manager	1.0	1.0	0.0	0.0
Senior Civil Engineer	0.0	0.0	0.0	1.0
Associate Engineer	0.0	1.0	1.0	1.0
Assistant Engineer	1.0	0.0	0.0	0.0
Engineering Technician III	0.0	1.0	1.0	1.0
Consolidated Maintenance Field Supervisor	1.0	1.0	1.0	0.0
Public Works Inspector	0.0	0.0	0.0	1.0
Mechanic	1.0	1.0	1.0	1.0
Maintenance Leadworker	0.0	1.0	1.0	1.0
Consolidated Maintenance Wrk III	1.0	3.0	3.0	2.0
Consolidated Maintenance Wrk II	5.0	3.0	3.0	2.0
Consolidated Maintenance Wrk I	2.0	2.0	2.0	4.0
Management Analyst	1.0	1.0	1.0	1.0
Administrative Technician	0.0	0.0	1.0	1.0
Office Assistant IV	0.0	0.0	0.0	0.0
Utility Division Manager	1.0	1.0	1.0	1.0
WRF Operations Interface Mgr	0.0	0.6	0.6	0.0
Waste Water System Supervisor	1.0	1.0	1.0	1.0
Lead Utility Operator	5.0	5.0	5.0	5.0
Utility Operator MC (Multiple Cert)	7.0	7.0	7.0	7.0
Utility Operator	2.0	2.0	2.0	2.0
Utility Support Coordinator	0.0	1.0	1.0	1.0
Utilities Office Assistant IV	1.0	0.0	0.0	0.0
Operational Technology Specialist	0.0	1.0	1.0	1.0
Total Department FTE's	31.0	36.6	36.6	37.0

Part-Time Staffing

Presented as full-time equivalent positions based on the number of hours budgeted.

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
Public Works				
Office Assistant	0.0	0.4	0.0	0.0
Engineering Intern	0.0	0.5	0.5	0.5
Engineering Tech	0.0	0.0	0.0	0.0
Maintenance Workers	0.7	1.8	2.2	2.0
Total Department FTEs	0.7	2.6	2.7	2.5

Total Public Works Full-Time Equivalent Positions: 39.5



Department Goals & FY 2023-24 Action Items

- **City Council Goal: Public Infrastructure**
 - Continue project delivery of pavement management, storm drain repairs, water, and sewer priority projects
 - Complete capital needs assessments
 - Complete Development Impact Fee (DIF) study
 - Prioritize storm recovery efforts, maximizing FEMA/insurance reimbursement opportunities / climate resiliency (grant opportunities)
 - Begin Council Chambers upgrade project, with new audio/visual equipment and possible upgrades to make the Council Chambers more inviting to the public.
 - Make City streetscape more attractive by keeping up road striping, parking lines, and curb painting
- **City Council Goal: Economic Vitality**
 - Pursue grant opportunities for Coleman Park and other projects
- **City Council Goal: Community Engagement**
 - Conduct joint City Council/Advisory Board meetings periodically and consider biannual or annual advisory board reports to City Council
 - Consider Community Academy and other opportunities for project / community outreach, including study sessions or workshops

Key Ongoing Programs & Services

- **Engineering:** Capital project management, development reviews, transportation items, 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	2020-21 Actuals	2021-22 Actuals	2022-23 Projected	2023-24 Estimated
Encroachment Permit Reviews	139	205	210	205
Special Encroachment Permit Reviews	25	11	12	12
Public Works Building Permit Reviews	196	281	280	285
Public Works Planning Permit Review	112	142	140	145
Water Consumption (sold) in Million Gallons	345	347	354	360
Water Quality Complaints	39	25	17	15
Percent of Collection System Cleaned	55%	54%	40%	50%
Reportable Sanitary Sewer Overflows	1	3	5	0
MB Transit Ridership	5270	9368	9900	10000
MB Trolley	1523	3138	4600	5000
Maintenance Work Orders Completed	726	1250	1250	1250
Total Acres of Natural Parkland Maintained	11	11	11	11



Recreation Services - Operating Budget



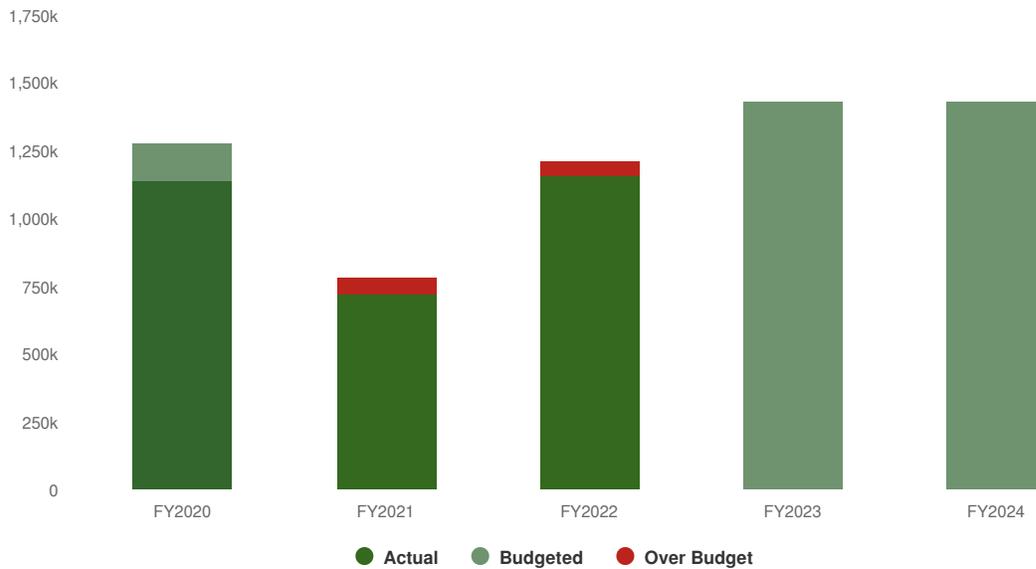
Recreation Services is committed to providing quality recreational programming, services, and opportunities in a responsive and courteous manner. Enhancing the quality of life, building a sense of community, providing positive role models for children and teens, improving self-esteem, and contributing to the health and safety of all residents and visitors are the Division's top priorities.

Expenditures Summary

FY 2024 will see a very slight increase in overall expenditure as we will have a 4% increase in FT staff salaries as well as an anticipated rise in minimum wage in 2024. With direction to maintain status quo with expenses, Recreation Services will continue to seek cost-saving measures or potential reduction in services to help offset the increase in personnel expense as well as the rising cost of equipment and supplies.

\$1,433,034 **\$4,794**
(0.34% vs. prior year)

Recreation Proposed and Historical Budget vs. Actual

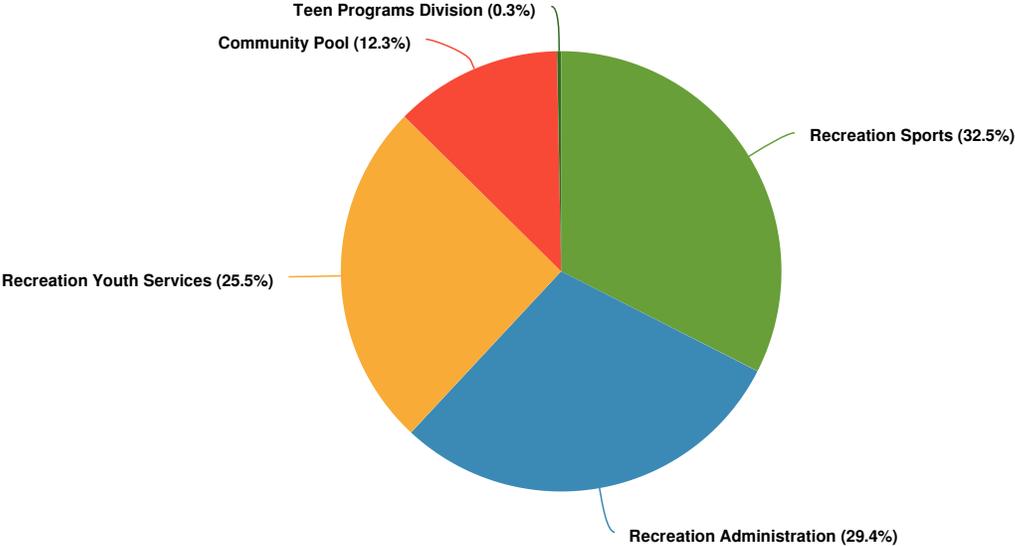


Expenditures by Function

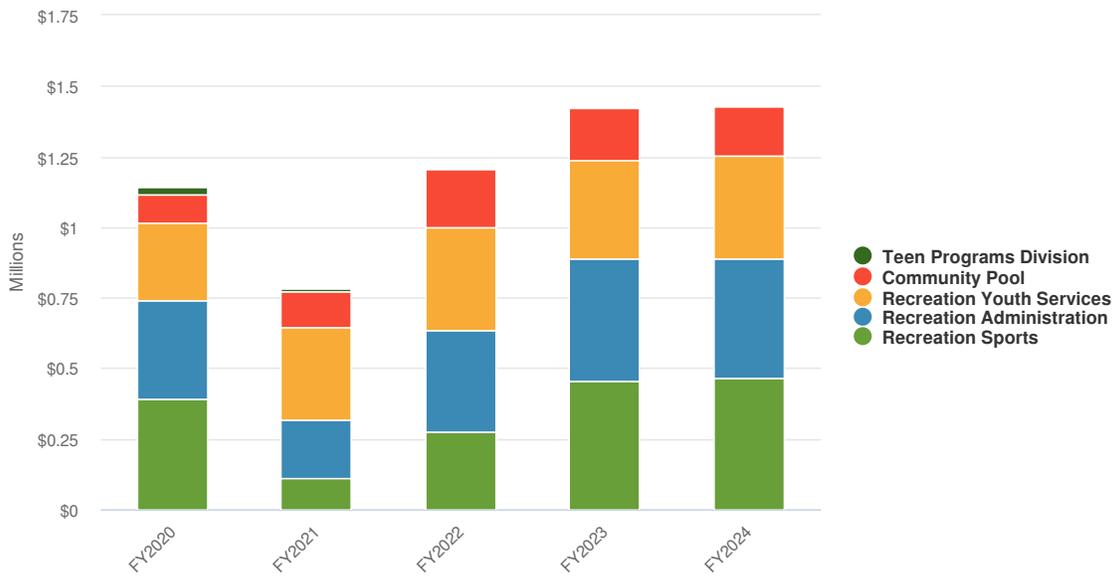
With an overall anticipated increase in expenditures of less than 1% in FY 2023-24, Recreation Services will see slight adjustments both up and down within the various areas of the Division. The Recreation Administration anticipates a drop in expenses due to less use of our facilities available for rent, which equates to a reduction of staffing needs.

Recreation Sports and Youth Services programs both expect an increase in expenses due to the increased cost of goods necessary to operate. The community pool program expects a decrease in expenses due to fine tuning of the use of the pool and the related rental costs.

Budgeted Expenditures by Function



Budgeted and Historical Expenditures by Function



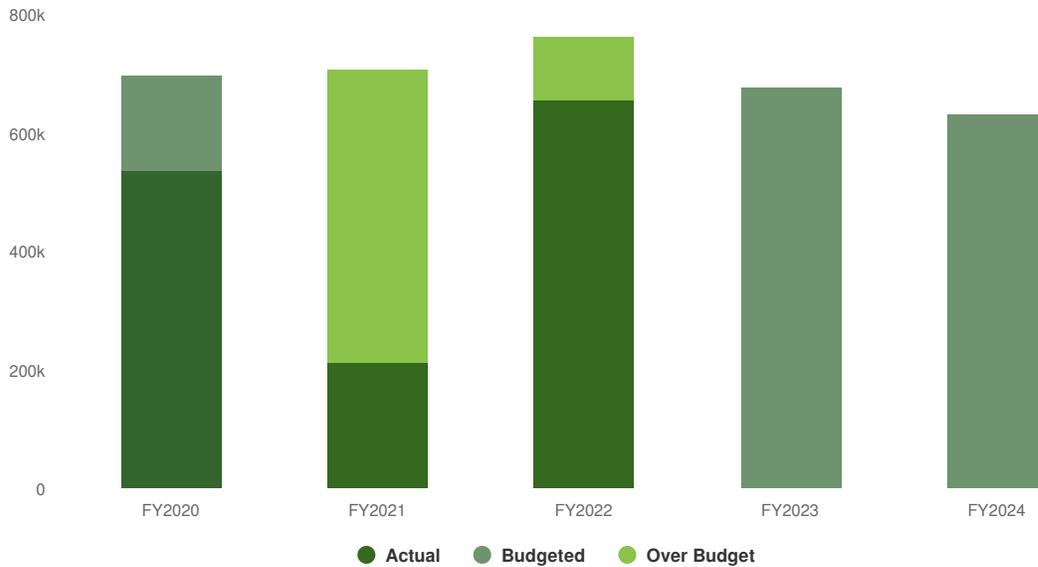
Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Expenditures					
Recreation					
Recreation Administration	\$359,286	\$431,397	\$431,397	\$421,967	-2.2%
Recreation Sports	\$272,791	\$456,882	\$456,882	\$465,608	1.9%
Recreation Youth Services	\$366,171	\$347,634	\$347,634	\$365,001	5%
Teen Programs Division	\$5,419	\$4,145	\$4,145	\$4,145	0%
Community Pool	\$206,642	\$188,182	\$188,182	\$176,313	-6.3%
Total Recreation:	\$1,210,309	\$1,428,240	\$1,428,240	\$1,433,034	0.3%
Total Expenditures:	\$1,210,309	\$1,428,240	\$1,428,240	\$1,433,034	0.3%

Revenues Summary

For FY 2024, the Division anticipates an overall drop in projected revenue of 7%. Attempting to gauge and project the use of property and services post-pandemic has proven to be a challenge for Recreation Services these last two years.

\$632,500
-\$45,000
 (-6.64% vs. prior year)

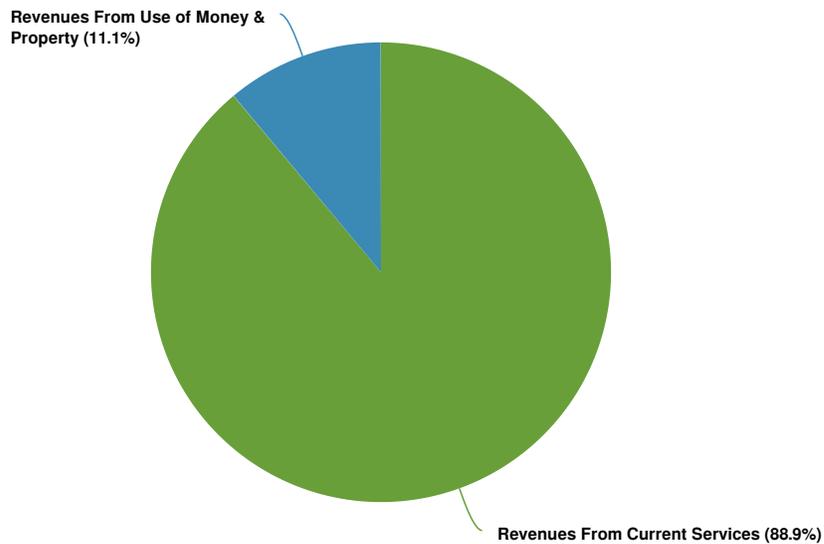
Recreation Proposed and Historical Budget vs. Actual



Revenues by Source

FY2024 is expected to see a decrease in overall revenues as we continue to adjust from the pandemic. Administration is anticipating a reduction in the use of facilities due to increased internal use and poor building conditions. Recreation Sports expects to see a decrease in revenue due to a continued decrease in youth sports attendance and competition from the local school district's offering of free summer school which affects our very popular junior lifeguard program. Community Pool anticipates a reduction in revenue again due to the free summer school program which includes a swimming class.

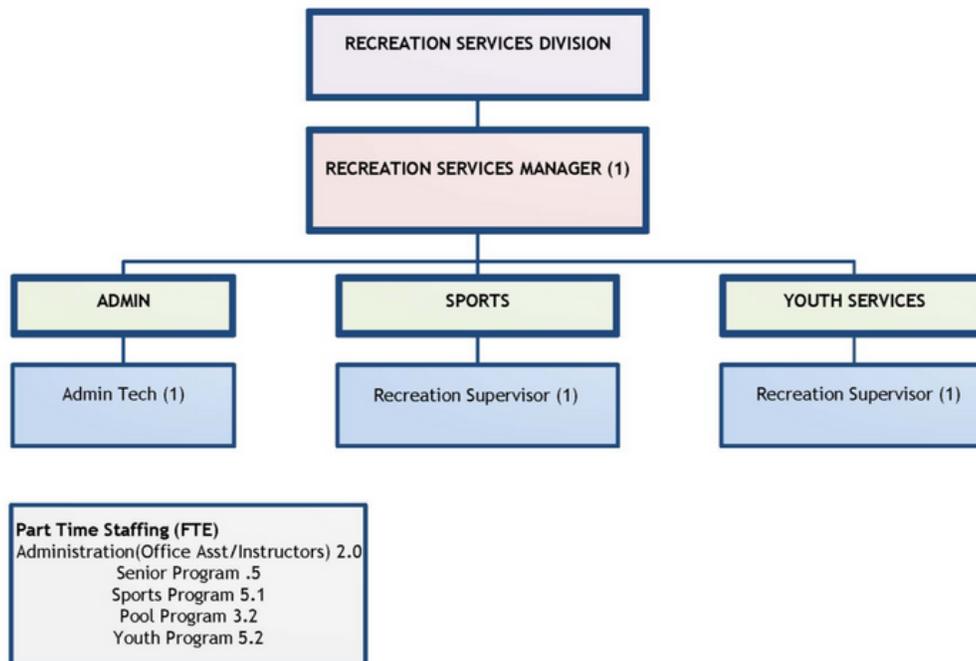
Projected 2024 Revenues by Source



Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Projected	FY2024 Budgeted	FY2023 Amended Budget vs. FY2024 Budgeted (% Change)
Revenue Source					
Revenues From Current Services	\$672,484	\$597,500	\$597,500	\$562,500	-5.9%
Total Revenues From Current Services:	\$672,484	\$597,500	\$597,500	\$562,500	-5.9%
Revenues From Use of Money & Property					
Rental Revenue					
Rental Income	\$53,907	\$30,000	\$30,000	\$30,000	0%
Program Revenue	\$35,358	\$50,000	\$50,000	\$40,000	-20%
Total Rental Revenue:	\$89,265	\$80,000	\$80,000	\$70,000	-12.5%
Total Revenues From Use of Money & Property:	\$89,265	\$80,000	\$80,000	\$70,000	-12.5%
Total Revenue Source:	\$761,749	\$677,500	\$677,500	\$632,500	-6.6%

Recreation Services Organizational Chart

The Recreation Services Division staffing model is four full-time staff with over 125 part-time staff on the books. These part-time staff are used seasonally and, depending on the time of year and programs offered, will see 25 - 75 staffers working at any given time. We pride ourselves on being a workforce development office, recruiting staff as young as 14 years old and retaining many as they move into adulthood.



Recreation Services Staffing List

Full-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
Recreation				
Recreation Services Manager	1.0	1.0	1.0	1.0
Recreation Supervisor	0.0	2.0	2.0	2.00
Recreation Coordinator	1.0	0.0	0.0	0.0
Administrative Technician	0.0	1.0	1.0	1.0
Office Assistant IV	0.0	0.0	0.0	0.0
Office Assistant III	0.0	0.0	0.0	0.0
Total Department FTEs	2.0	4.0	4.0	4.0

Part-Time Staffing

Presented as full-time equivalent positions based on the number of hours budgeted.

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Budget
Recreation				
Administration (Office Asst / Instructors)	0.0	0.7	1.1	2.0
Senior Program	0.0	0.5	0.5	0.5
Sports Program	0.0	3.2	5.8	5.1
Pool Program	0.0	2.3	3.4	3.2
Teen Program	0.0	0.0	0.0	0.0
Youth Program	0.0	4.5	5.0	5.2
Total Department FTEs	0.0	11.2	15.8	16.1

Total Recreation Full-Time Equivalent Positions: 20.1

Department Goals & FY 2023-24 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	2020-21 Actuals	2021-22 Actuals	2022-23 Estimated	2023-24 Projected
Number of Permits Processed - internal and external	83	325	350	375
Number of Participations in Cuesta College Emeritus Classes	0	3,000	4,000	4,200
Youth Basketball Program Registrations	0	258	275	275
Youth Soccer Program Registrations	0	193	200	200
Junior Lifeguard Program Registrations	245	291	200	200
Kids Club Participations (school year care)	9,661	15,000	15,000	15,000
Kids Camp Participations (summer care)	432	1,800	2,000	2,000
Kids Club Spring Camp	64	432	450	450
Year-Round Swim Lessons	1,605	1,500	1,500	1,600
Summer Swim Lessons	359	1,000	1,000	1,200
Teen Center Visits	0	0	N/A	N/A

DEBT



Government-wide Debt Overview

The City's total government-wide debt totaled \$91,691,095 as of June 30, 2022, with approximately \$2.5 million of long-term liabilities in governmental funds and approximately \$89.2M in proprietary funds. Government-wide debt is projected to be \$119.9 million at 6/30/2023 and \$135.2 million at 6/30/2024.

The long-term liabilities in governmental funds include 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 positions budgeted in governmental funds.

The long-term liabilities in proprietary funds consist of four notes payable for the planning and construction of a new Water Resource Center, 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. Also included are compensated absences for positions budgeted in proprietary funds.

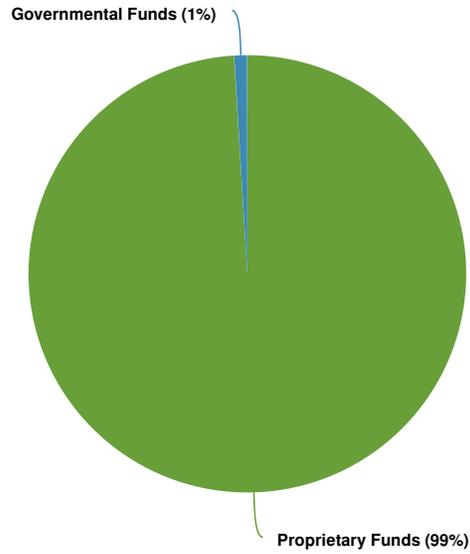
Section 43605 of the State of California Government Code states that a city shall not incur an indebtedness for public improvements which exceeds in the aggregate 15 percent of the assessed value of all real and personal property of the city. Within the meaning of this section "indebtedness" means bonded indebtedness of the city payable from the proceeds of taxes levied upon taxable property in the city. As of June 30, 2022, the City's assessed value was \$2,891,432,193, therefore the debt limit for bonded indebtedness payable from tax proceeds was \$108,428,707. 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.



The FY2023-24 budget anticipates total interest payments from the general fund of \$3,588 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 \$31,602.

In FY2022-23 the City completed early payoff of the remaining principal of Fire Station financing of approximately \$1.2 million. Early payoff of this debt resulted in approximately \$500,000 savings of 3.75% interest payments. The early payoff was 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	FY2024	% Change
All Funds	—	—	—	—	—	—	—	
Governmental Funds	\$2,556,000	\$2,596,108	\$2,545,557	\$2,492,507	\$2,493,700	\$1,303,074	\$1,289,815	-1%
Proprietary Funds	\$0	\$0	\$1,369,800	\$33,724,696	\$89,197,395	\$118,601,851	\$133,912,864	12.9%
Total All Funds:	\$2,556,000	\$2,596,108	\$3,915,357	\$36,217,203	\$91,691,095	\$119,904,925	\$135,202,679	12.8%

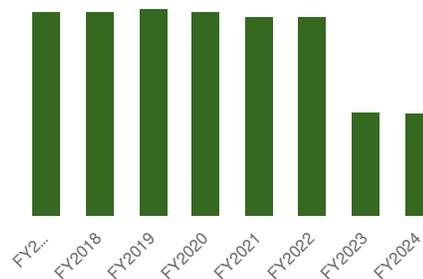
Governmental Funds

The City's governmental debt as of June 30, 2022 was approximately \$2.5 million, \$1.2 million of which was the remaining principal balance of the Fire Station loan through United States Department of Agriculture (USDA), \$397,000 for the loan payable with the State of California for the replacement of HVAC system and replacement and installation of solar panels, as well \$918,700 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 was paid ahead of schedule in FY 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 and the loan matures in 2034.

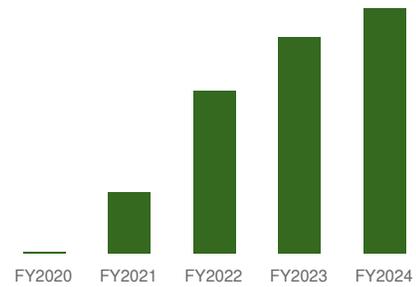
Compensated absences represent the annual vacation, administrative leave, and other paid time off hours that employees are eligible to earn. These amounts are due and payable to the individual employee at the date of employment separation.



	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Governmental Funds	—	—	—	—	—	—	—
General Fund	\$2,556,000	\$2,596,108	\$2,545,557	\$2,492,507	\$2,493,700	\$1,303,074	\$1,289,815
Total Governmental Funds:	\$2,556,000	\$2,596,108	\$2,545,557	\$2,492,507	\$2,493,700	\$1,303,074	\$1,289,815

Proprietary Funds

The City's debt in proprietary funds as of June 30, 2022 was \$89,197,395. Compensated absences make up \$295,933 of this balance and the remainder is financing for the Water Resource Center project through the California State Water Resources Control Board and 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	—	—	—	FY2023 vs FY2024
Enterprise Funds	\$33,724,696	\$89,197,395	\$118,601,851	33%
Total Proprietary Funds:	\$33,724,696	\$89,197,395	\$118,601,851	33%

Debt Snapshot

The City's total government-wide debt totaled \$91,691,095 as of June 30, 2022, with approximately \$2.5 million of long-term liabilities in governmental funds and approximately \$89.2M in proprietary funds. Government-wide debt is projected to be \$119.9 million at 6/30/2023 and \$135.2 million at 6/30/2024.

The long-term liabilities in governmental funds include 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 positions budgeted in governmental funds.

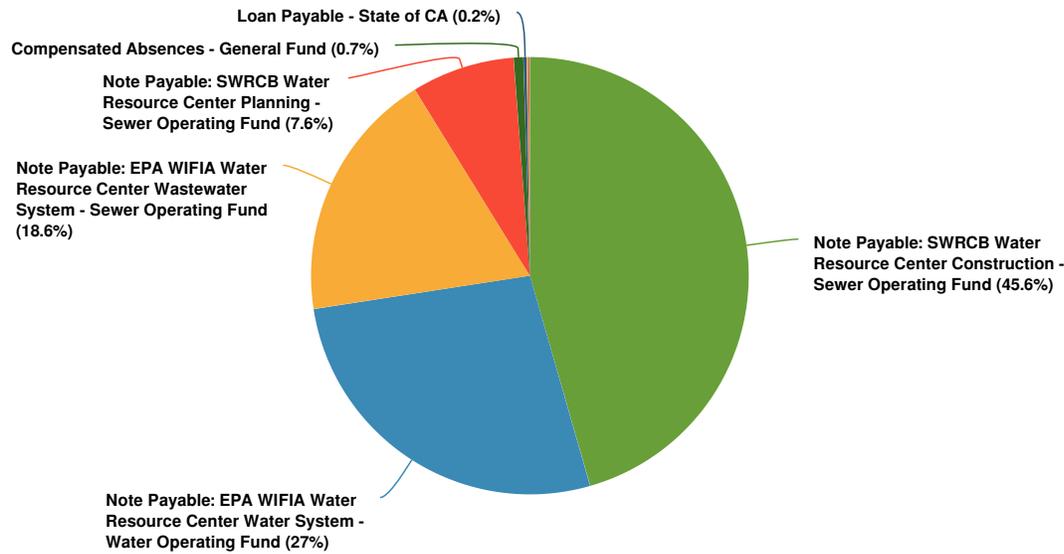
The long-term liabilities in proprietary funds consist of four notes payable for the planning and construction of a new Water Resource Center, conveyance facilities necessary to connect the existing wastewater treatment plant and the new facility, as well as injection wells to replenish the groundwater in the Lower Morro Basin. Also included are compensated absences for positions 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, 2022, the City's assessed value was \$2,891,432,193, therefore the debt limit for bonded indebtedness payable from tax proceeds was \$108,428,707. 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.



The FY2023-24 budget anticipates total interest payments from the general fund of \$3,588 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 \$31,602. In FY2022-23 the City completed early payoff of the remaining principal of Fire Station financing of approximately \$1.2 million. Early payoff of this debt resulted in approximately \$500,000 savings of 3.75% interest payments. The early payoff was 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	FY2024	% Change	\$ Change
Debt	—	—	—	—	—	—	—		
Certificates of Participation - USDA	\$1,322,000	\$1,289,000	\$1,254,000	\$1,216,000	\$1,178,000	\$0	\$0	0%	\$0
Loan Payable - State of CA	\$519,000	\$489,000	\$459,000	\$427,954	\$397,000	\$366,000	\$334,000	-8.7%	-\$32,000
Compensated Absences - General Fund	\$715,000	\$818,108	\$832,557	\$848,553	\$918,700	\$937,074	\$955,815	2%	\$18,741
Note Payable: SWRCB Water Resource Center Planning - Sewer Operating Fund	\$0	\$0	\$217,441	\$5,530,189	\$8,430,475	\$10,300,000	\$10,300,000	0%	\$0
Compensated Absences - Harbor Operating Fund	\$0	\$0	\$0	\$0	\$109,151	\$111,334	\$113,561	2%	\$2,227
Note Payable: EPA WIFIA Water Resource Center Water System - Water Operating Fund	\$0	\$0	\$682,000	\$16,685,509	\$23,708,466	\$27,000,000	\$36,516,526	35.2%	\$9,516,526
Compensated Absences - Sewer Operating Fund	\$0	\$0	\$0	\$0	\$146,814	\$149,750	\$152,745	2%	\$2,995
Compensated Absences - Water Operating Fund	\$0	\$0	\$0	\$0	\$39,968	\$40,767	\$41,583	2%	\$816

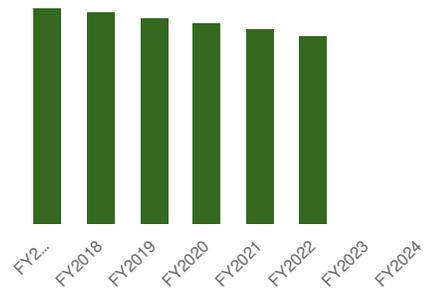
Total Debt:	\$2,556,000	\$2,596,108	\$3,915,357	\$36,217,203	\$91,691,095	\$119,904,925	\$135,202,679	12.8%	\$15,297,754
--------------------	--------------------	--------------------	--------------------	---------------------	---------------------	----------------------	----------------------	--------------	---------------------



	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	% Change	\$ Change
Note Payable: SWRCB Water Resource Center Construction - Sewer Operating Fund	\$0	\$0	\$0	\$0	\$39,573,921	\$61,000,000	\$61,604,638	1%	\$604,638
Note Payable: EPA WIFIA Water Resource Center Wastewater System - Sewer Operating Fund	\$0	\$0	\$470,359	\$11,508,998	\$17,188,600	\$20,000,000	\$25,183,811	25.9%	\$5,183,811
Total Debt:	\$2,556,000	\$2,596,108	\$3,915,357	\$36,217,203	\$91,691,095	\$119,904,925	\$135,202,679	12.8%	\$15,297,754

Certificates of Participation - USDA

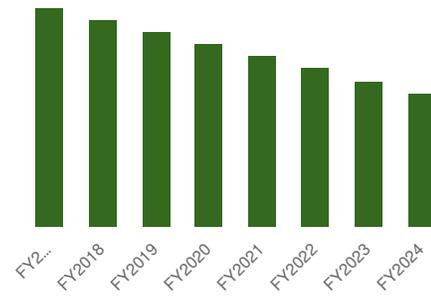
On October 12, 2001, the City entered into an installment sale agreement with the Public Property Financing Corporation of California 2011 Fire Station Financing Project, Series A and B, Certificates of Participation (the "COP") for \$1,500,000 and \$300,000, respectively. The principal balance of Series 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 \$1,178,000 at June 30, 2022 which was paid off early in 2022-23 resulting in savings of approximately \$500,000 in interest expenses.



	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	% Change	\$ Change
Certificates of Participation - USDA	—	—	—	—	—	—	—	—		
USDA Fire Station Loan	\$1,355,000	\$1,322,000	\$1,289,000	\$1,254,000	\$1,216,000	\$1,178,000	\$0	\$0	0%	\$0
Total Certificates of Participation - USDA:	\$1,355,000	\$1,322,000	\$1,289,000	\$1,254,000	\$1,216,000	\$1,178,000	\$0	\$0	0%	\$0

Loan Payable - State of CA

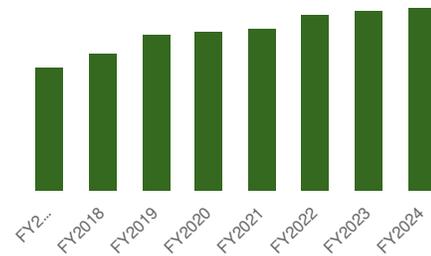
The City entered into a loan payable in the amount of \$546,750 with the State of California, Energy Resources Conservation and Development Commission for the replacement of HVAC system and installation of solar panels on certain City buildings. Loan payments are payable annually beginning December 22, 2017 in the amount of \$35,189, including interest at 1.0% annum.



	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	% Change	\$ Change
Loan Payable - State of CA	—	—	—	—	—	—	—	—		
California Energy Commission - Solar	\$547,000	\$519,000	\$489,000	\$459,000	\$427,954	\$397,000	\$366,000	\$334,000	-8.7%	-\$32,000
Total Loan Payable - State of CA:	\$547,000	\$519,000	\$489,000	\$459,000	\$427,954	\$397,000	\$366,000	\$334,000	-8.7%	-\$32,000

Compensated Absences - General Fund

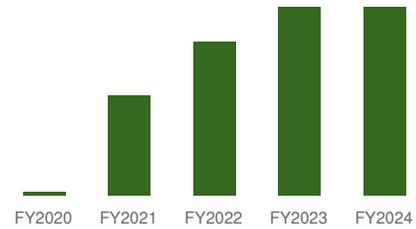
Compensated absences represent the vacation, administrative leave, and other paid time off hours that employees are eligible to earn multiplied by their current hourly rate of pay. These amounts are due and payable to the individual employee at the date of employment separation. There is no fixed payment 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	FY2024	% Change	\$ Change
Compensated Absences - General Fund	—	—	—	—	—	—	—	—		
Compensated Absences - General Fund	\$645,000	\$715,000	\$818,108	\$832,557	\$848,553	\$918,700	\$937,074	\$955,815	2%	\$18,741
Total Compensated Absences - General Fund:	\$645,000	\$715,000	\$818,108	\$832,557	\$848,553	\$918,700	\$937,074	\$955,815	2%	\$18,741

Note Payable: SWRCB Water Resource Center Planning - Sewer Operating Fund

The California State Water Resources Control Board (SWRCB) extended to the City \$10,300,000 in financing at 0.90% interest rate for the Water Resource Center project planning costs. 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. The financing was utilized in full during FY2022-23 and repayment of the loan will begin August 2024.



	FY2023	FY2024	% Change
Note Payable: SWRCB Water Resource Center Planning - Sewer Operating Fund	—	—	
Note Payable: SWRCB Water Resource Center Planning - Sewer Operating Fund	\$10,300,000	\$10,300,000	0%
Total Note Payable: SWRCB Water Resource Center Planning - Sewer Operating Fund:	\$10,300,000	\$10,300,000	0%

Compensated Absences - Harbor Operating Fund

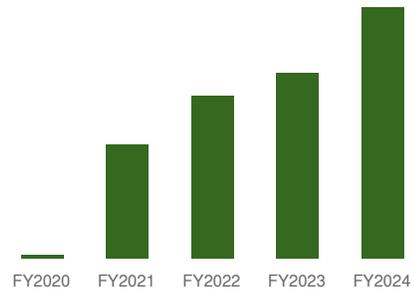
Compensated absences represent the vacation, administrative leave, and other paid time off hours that employees are eligible to earn multiplied by their current hourly rate of pay. These amounts are due and payable to the individual employee at the date of employment separation. There is no fixed payment 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. As an enterprise fund, the Harbor Operating Fund carries the liability for compensated absences of Harbor employees.



	FY2023	FY2024	% Change
Compensated Absences - Harbor Operating Fund	—	—	
Compensated Absences - Harbor Operating Fund	\$111,334	\$113,561	2%
Total Compensated Absences - Harbor Operating Fund:	\$111,334	\$113,561	2%

Note Payable: EPA WIFIA Water Resource Center Water System - Water Operating Fund

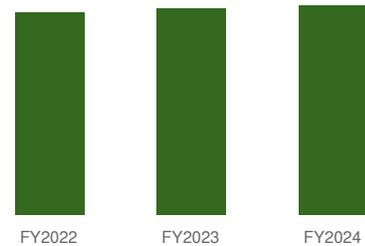
The Environmental Protection Agency's Water Infrastructure Finance and Innovation Act (WIFIA) extended to the City \$36,516,526 in financing at 0.83% interest rate for the Water Resource Center project's water system costs. This project involves the planning and construction of a new water reclamation 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. The financing is expected to be utilized in full by the end of FY2023-24 and repayment of the loan will begin November 2024.



	FY2023	FY2024	% Change
Note Payable: EPA WIFIA Water Resource Center Water System - Water Operating Fund	—	—	
Note Payable: EPA WIFIA Water Resource Center Water System - Water Operating Fund	\$27,000,000	\$36,516,526	35.2%
Total Note Payable: EPA WIFIA Water Resource Center Water System - Water Operating Fund:	\$27,000,000	\$36,516,526	35.2%

Compensated Absences - Sewer Operating 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. As an enterprise fund, the Sewer Operating Fund carries the liability for compensated absences of employees whose positions are funded through it.



	FY2023	FY2024	% Change
Compensated Absences - Sewer Operating Fund	—	—	
Compensated Absences - Sewer Operating Fund	\$149,750	\$152,745	2%
Total Compensated Absences - Sewer Operating Fund:	\$149,750	\$152,745	2%

Compensated Absences - Water Operating 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. As an enterprise fund, the Water Operating Fund carries the liability for compensated absences of employees whose positions are funded through it.



	FY2023	FY2024	% Change
Compensated Absences - Water Operating Fund	—	—	
Compensated Absences - Water Operating Fund	\$40,767	\$41,583	2%
Total Compensated Absences - Water Operating Fund:	\$40,767	\$41,583	2%

Note Payable: SWRCB Water Resource Center Construction - Sewer Operating Fund

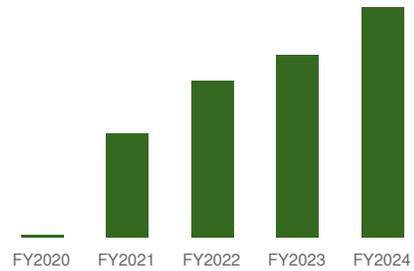
The California State Water Resources Control Board (SWRCB) extended to the City \$66,604,638 in financing at 0.90% interest rate for the Water Resource Center project construction costs. The financing included a \$5,000,000 grant component resulting in a total loan of \$61,604,638. The Water Resource Center 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. The financing is expected to be fully utilized by the end of FY2023-24 and repayment of the loan will begin August 2024.



	FY2023	FY2024	% Change
Note Payable: SWRCB Water Resource Center Construction - Sewer Operating Fund	—	—	
Note Payable: SWRCB Water Resource Center Construction - Sewer Operating Fund	\$61,000,000	\$61,604,638	1%
Total Note Payable: SWRCB Water Resource Center Construction - Sewer Operating Fund:	\$61,000,000	\$61,604,638	1%

Note Payable: EPA WIFIA Water Resource Center Wastewater System - Sewer Operating Fund

The Environmental Protection Agency's Water Infrastructure Finance and Innovation Act (WIFIA) extended to the City \$25,183,811 in financing at 0.83% interest rate for the Water Resource Center project's wastewater system costs. 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. The financing is expected to be utilized in full by the end of FY2023-24 and repayment of the loan will begin November 2024.



	FY2023	FY2024	% Change
Note Payable: EPA WIFIA Water Resource Center Wastewater System - Sewer Operating Fund	—	—	
Note Payable: EPA WIFIA Water Resource Center Wastewater System - Sewer Operating Fund	\$20,000,000	\$25,183,811	25.9%
Total Note Payable: EPA WIFIA Water Resource Center Wastewater System - Sewer Operating Fund:	\$20,000,000	\$25,183,811	25.9%

CAPITAL IMPROVEMENTS



Capital Improvements: One-year Plan

The capital budget allows the City to invest in critical infrastructure improvements by allocating \$19.5 million to 31 capital projects.

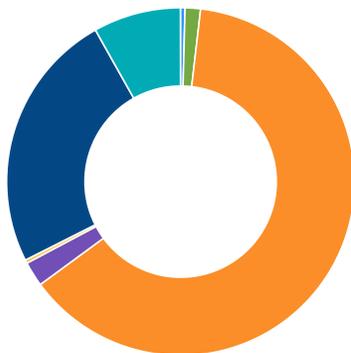
The Capital Improvement Plan (CIP) enables the City to plan, schedule, and fund capital projects to ensure cost effectiveness and conformance with established plans and policies. The City's budget process guides capital spending priorities through community input, Council goal setting, Measure Q & E expenditure priorities, and the Major City Goal work programs as defined by City Council.

Note: One harbor patrol vehicle, two police patrol vehicles, and two police patrol motorcycle purchases funded by Measure E (003), and/or the Special Safety (COPS) Grant are not represented in the Capital Improvement Program, but are budgeted directly in those operating fund budgets, and reflect the City's investment in fleet within those Funds.

Total Capital Requested \$19,467,238

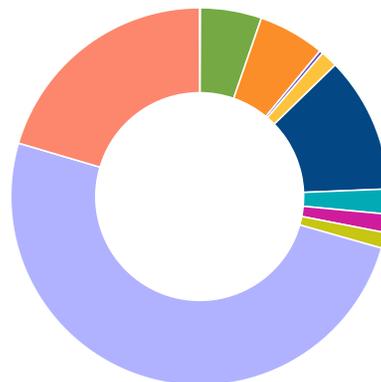
31 Capital Improvement Projects

Total Funding Requested by Department



● Fire (0%)	\$80,000.00
● Harbor Department (1%)	\$280,000.00
● Public Works (63%)	\$12,280,237.00
● Storm Drain/Creek Maint. (2%)	\$450,000.00
● Transit CIP (0%)	\$60,000.00
● Wastewater Collection (24%)	\$4,733,512.00
● Water (8%)	\$1,583,489.00
TOTAL	\$19,467,238.00

Total Funding Requested by Source



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

The City is also better able to execute on some key projects because of added staffing in the Public Works Engineering Division in FY 2022-23 and proposed in FY 2023-24, which may be supplemented by contractual assistance when necessary and advisable.

While these investments in known capital needs are important, the City is also professionally assessing unknown capital challenges. The FY 2022-23 budget included funding to assess harbor waterfront infrastructure, water and sewer infrastructure, and other city infrastructure. These efforts will continue into FY 2023-24.

Rapidly persistent inflation continues to be a challenge, impacting the City's ability to fund projects. In addition, the FY 2023-24 Capital Improvement plan is an effort to continue recovery from the January and March 2023 storm damage, adding approximately \$1.9 million to the approximately \$1.8 million already added to the FY 2023-23 budget at midyear. There are some anticipated state, federal, and insurance reimbursements eventually likely to come back to the City but are on a much longer timeline. Additional budget may still be required for further storm recovery efforts; staff will return to Council as needed and as more information is available regarding funding.

Below is a summary of the investments and supporting initiatives included in the budget for FY 2023-24 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 and Sewer Projects:**

The FY 2023-24 capital plan budget includes \$6.8 million for the Water Reclamation Facility, primarily to continue to advance the recycled water component of the project. The budget includes contract amendments for Conveyance Facilities construction, descopeing two planned capital projects from the Water Resources Center and Conveyance Construction budgets due to funding incompatibility. Funding for the Recycled Water Facilities has been maintained from the adopted FY 2022-23 budget. The Program Management budget has also been adjusted to anticipate for potential construction contractor claims.

This budget also includes \$3.4 million for the first portion of the Main Street and Atascadero Sewer Main Replacement project.

Finally, the budget includes continued funding for the OneWater Plan Update in the amount of \$190,000. The original OneWater Plan reviewed and prioritized capital needs within the water, sewer and stormwater systems in 2018 and the FY 2023-24 OneWater funding continues to build upon that original plan and continued progress.

- **City Streets' and Roadway Improvements**

The City is investing \$2.1 million in the Annual Pavement Management program FY 2023-24, which is in addition to any FY 22-23 total carry-forward funding for paving projects currently underway through a budget approved by Council in the prior two fiscal years. This represents a continued effort towards the recommended annual investment. In addition, this budget includes \$400,000 for storm-related pavement repair and an additional \$826,000 toward improvements to the HWY 1/41/Main Street intersection for efforts to complete the planning and permitting portion of that project.

- **Harbor**

This capital plan budget includes \$200,000 for dock repairs related to storm recovery, \$40,000 for a Harbor annual vehicle replacement contribution, and \$40,000 for North T-Pier repairs.

- **Americans with Disabilities Act (ADA) and Miscellaneous Projects**

The FY 2023-24 budget includes additional new funding of \$80,000 to continue Lila Kaiser parking lot rehabilitation and necessary ADA Upgrades.

- **Vehicles and Equipment**

The capital plan budget includes funding for several water and sewer vehicle and equipment replacement contributions. Designating funding in both the water and sewer operating funds will assist with efforts to replace aging vehicles and equipment closer to an annual schedule than on an as-needed basis.

Public Works Requests

Itemized Requests for 2024

Active Transportation Plan / Active Corridor Studies

\$80,000

Toward an Active California was the state's first bicycle and pedestrian plan and it includes policy and programmatic recommendations organized around four core objectives: safety, mobility, preservation, and social equity. These...

Annual Pavement Management Program

\$2,100,000

Employ appropriate pavement preservation and rehabilitation technologies such as asphalt digout repairs, chip seals, slurry seals, thin overlays, and other treatments as required to extend the useful life of the existing asphalt street surface,...

Coleman Park Improvements

\$292,300

Due to identified structural issues with the existing restroom at Coleman Park, the restroom was demolished in 2021. The first phase of this project is the installation and replacement of the demolished public restroom facility at Coleman Park...

Lila Keiser Parking Lot Rehabilitation and ADA Upgrades

\$80,000

The project is to repair, rehabilitate, and restripe the asphalt parking lot at Lila Keiser 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...

Local Road Safety Plan (LRSP) Implementation and Safety Improvements

\$197,000

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...

OneWater Plan Update

\$190,000

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. The Sewer Fund component will be...

Sidewalk Improvements and Street Tree Replacements Project

\$150,000

The City has 100's of City-owned street trees along roadway frontage throughout the city. Many of the street trees that are mature were planted many years ago are causing destruction to sidewalks, curb and gutter, asphalt roadway, and...

SRI/SR41/Main St Intersection Improvements

\$826,000

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...

Storm and Flooding Damages - Facilities and Equipment

\$800,000

This is a placeholder for facilities capital projects and equipment purchases related to the infrastructure impacts due to the 2023 winter storms. Staff will update the project scope and costs as they are further defined.

Storm and Flooding Damages - Pavement and Pavement Repairs

\$400,000

The storms of 2023 starting with the January 9th storm resulted in significant damage to pavement on several roadways that were inundated due to flooding. These roadways included Main Street, Radcliff Ave., Preston Lane, Errol Street, and...

Trash and Recycling Can Replacements

\$60,000

The project will entail the replacement of trash and recycling containers in the Embarcadero and Downtown areas.

Veteran's Hall Building Improvements

\$275,000

This project is to modernize the Veteran's Hall Building to enable it to be used as a Council Chambers. The work will include a new audio/visual architecture with new audio/visual devices; renovation of the Council Chambers, adjacent...



This Water Reclamation Facility program includes construction of three program components: the new Water Resources Center (WRC), the conveyance facilities necessary to connect the pump station near the old wastewater treatment plant (WWTP) and the...

Total: \$12,280,237

Storm Drain/Creek Maint. Requests

Itemized Requests for 2024

Annual Storm Drain Replacement and Major Maintenance Project

\$200,000

The recent heavy storms and floods of 2023 in Morro Bay have been detrimental to residents' and city-owned infrastructure with damages estimated in the tens of millions of dollars. With the possibility of increased frequency of intense...

Waterways and Storm Systems Management Plan

\$250,000

The storms and floods of 2023 in Morro Bay have been detrimental to residents' and city-owned infrastructure with damages estimated in the tens of millions of dollars. With the possibility of an increased frequency of intense storm...

Total: \$450,000

Water Requests

Itemized Requests for 2024

Brackish Water Reverse Osmosis Building Improvements

\$400,000

Background: The City of Morro Bay owns and operates six wells in the Morro well field to supply their Brackish Water Reverse Osmosis (BWRO) Facility. Currently, the BWRO brine effluent discharges to a once shared ocean outfall with the old power...

Capital Vehicles and Equipment Replacement - Water

\$186,000

This request covers replacement vehicle purchases and future savings allocations for vehicle / mobile equipment replacements for Water Division in Utilities. The vehicle due for replacement in FY 23/24 - 25/26 with this request...

Morro Basin Wellfield Rehabilitation

\$500,000

The Morro Wellfield Rehabilitation Project intends to address several potential vulnerabilities of the Morro Wellfield by implementing key infrastructure improvements to increase water production capacity, improve operational efficiency, and...

Nutmeg Tank and related Pressure Zone Improvements

\$497,489

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...

Total: \$1,583,489

Wastewater Collection Requests

Itemized Requests for 2024

Beachcomber Drive Area Backyard Sewer Improvements - Design **\$100,000**

The residential property east of Beachcomber Drive and west of SR 1 are sewerred with mostly with 6-inch VCP sewer mains located in the adjoining backyards. A preliminary design has been performed for this project as part of the Beachcomber Sewer...

Beachcomber Drive Sewer Main Replacement **\$150,000**

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...

Capital Vehicles and Equipment Replacement - Sewer **\$107,000**

This request covers replacement vehicle purchases and future savings allocations for vehicle / mobile equipment replacements for Sewer Division in Utilities. There are no vehicles scheduled for replacement in FY 23/24 -...

Main Street and Atascadero Sewer Main Replacements **\$3,391,512**

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,...

Outfall Inspection, Condition Assessment and Cleaning **\$600,000**

Background: The City's ocean outfall is used to dispose of treated wastewater effluent from the City's Water Resources Center (WRC) and their Brackish Water Reverse Osmosis (BWRO) treatment facility. The ocean outfall, which starts at...

Utility Hole (Manhole) Rehabilitation Project **\$250,000**

Background: The city's sewer utility holes are used for facilitating sewer inspection and maintenance, sewer lines joining or changing direction of sewers. The majority of the City's manholes are constructed from precast concrete with...

Wastewater Treatment Plant Decommissioning **\$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,...

Total: \$4,733,512

Transit CIP Requests

Itemized Requests for 2024

Transit Comprehensive Operational Analysis **\$60,000**

The project would consist of hiring a consultant to prepare an operational analysis of Morro Bay Transit to improve services provided that would make transit a more viable option for City residents and visitors.

Total: \$60,000



Harbor Department Requests

Itemized Requests for 2024

Harbor Vehicle Replacement **\$40,000**

The Harbor has four vehicles necessary for Operations and Safety. Due to the damaging salt environment, they must be replaced every 8 years.

North T-Pier Repairs **\$40,000**

This project is funded by a HUD Grant. It is intended to make substantial repairs and upgrades to the structure and utilities. The entire project scope called for \$3.8M in total to complete all repairs and upgrades. Currently,...

Storm Recovery - Dock Repairs **\$200,000**

These funds will be used repair docks in the Harbor due to deferred maintenance and are beginning to structurally fail. The recent storms in January and March of 2023 have accelerated structural failure.

Total: \$280,000

Fire Requests

Itemized Requests for 2024

Bonita Station Remodel Design **\$80,000**

This project will fund the engineering and design to remodel the living quarters for the Bonita Street Fire Station, including design for a remodel of the living quarters, and the creation of construction blueprints. This is the first step...

Total: \$80,000

FY 2023-24 Unfunded Projects

Listed below are the FY2023-24 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.

<u>Project Request Title</u>	<u>FY 2024 Cost</u>	<u>Department</u>	<u>Request Type</u>
Storm and Flooding Damage-Multi-Use Path Connector Loop Repair at Morro Creek	\$300,000	Public Works	Parks and Creeks
Storm and Flooding Damage-Bus and Trolley	\$400,000	MB Transit	Vehicles and Equipment
Storm and Flooding Damages-Harbor	\$7,776,000	Harbor	Harbor
Total FY 2023-24 Unfunded Projects	\$8,460,000		



Capital Improvements: Multi-year Plan

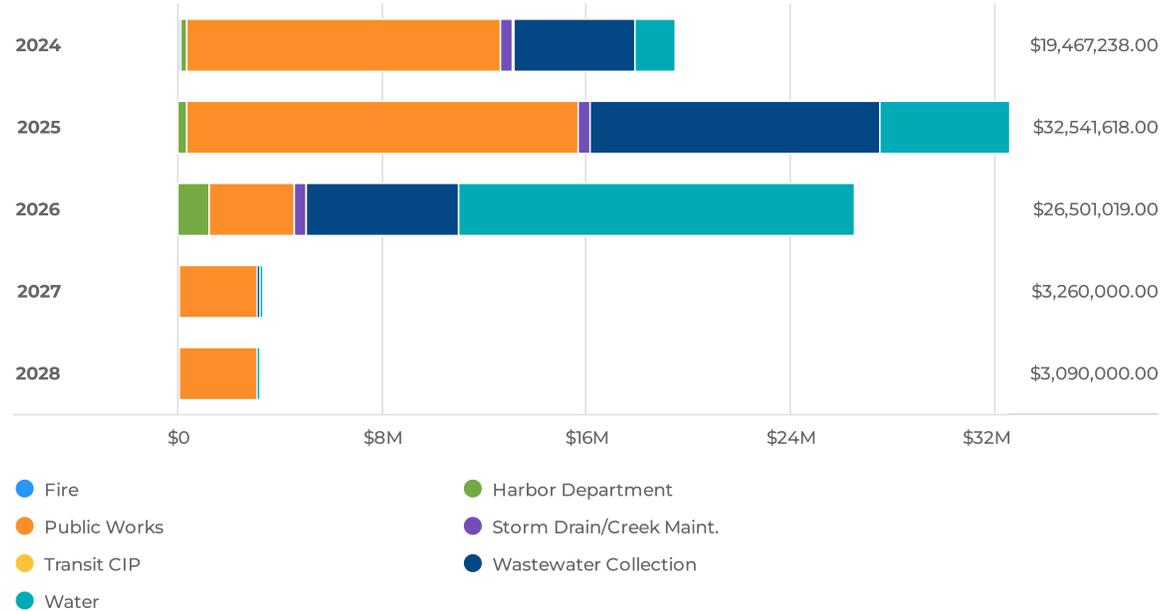
The multi-year Capital Improvements Plan identifies projects and future funding beyond the current fiscal year. This is intended to provide an outlook of what future projects are anticipated to cost in the next five years.

For FY 23-24, these are the future projects that are identified at this point in time during budget development. Capital projects are approved and funded on an annual basis as part of the budget development in single year increments. The five-year plan is updated annually with each year's budget. The numbers in this plan are included in the five-year forecasts for the City's major funds.

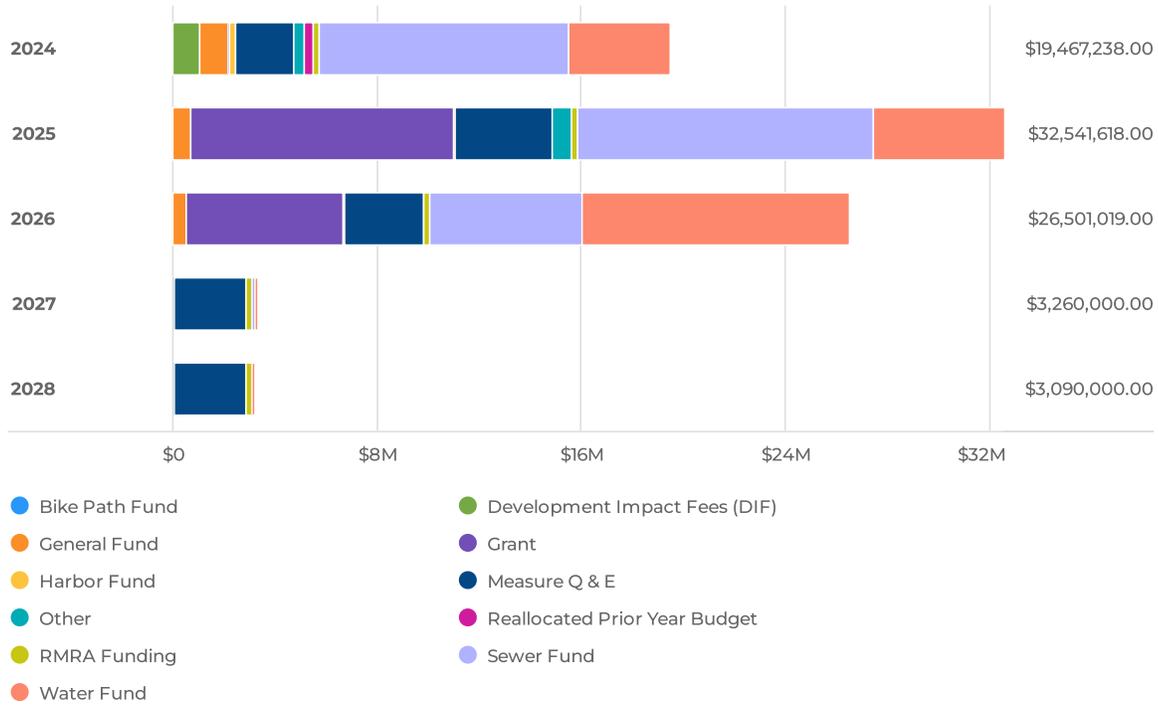
Total Capital Requested \$84,859,875

31 Capital Improvement Projects

Total Funding Requested by Department



Total Funding Requested by Source



Cost Savings & Revenues

There's no data for building chart



Public Works Requests

Itemized Requests for 2024-2029

Active Transportation Plan / Active Corridor Studies

\$230,000

Toward an Active California was the state's first bicycle and pedestrian plan and it includes policy and programmatic recommendations organized around four core objectives: safety, mobility, preservation, and social equity. These...

Annual Pavement Management Program

\$13,500,000

Employ appropriate pavement preservation and rehabilitation technologies such as asphalt digout repairs, chip seals, slurry seals, thin overlays, and other treatments as required to extend the useful life of the existing asphalt street surface,...

Coleman Park Improvements

\$1,692,300

Due to identified structural issues with the existing restroom at Coleman Park, the restroom was demolished in 2021. The first phase of this project is the installation and replacement of the demolished public restroom facility at Coleman Park...

Lila Keiser Parking Lot Rehabilitation and ADA Upgrades

\$80,000

The project is to repair, rehabilitate, and restripe the asphalt parking lot at Lila Keiser 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...

Local Road Safety Plan (LRSP) Implementation and Safety Improvements

\$997,000

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...

OneWater Plan Update

\$190,000

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. The Sewer Fund component will be...

Sidewalk Improvements and Street Tree Replacements Project

\$700,000

The City has 100's of City-owned street trees along roadway frontage throughout the city. Many of the street trees that are mature were planted many years ago are causing destruction to sidewalks, curb and gutter, asphalt roadway, and...

SRI/SR41/Main St Intersection Improvements

\$7,316,000

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...

Storm and Flooding Damages - Facilities and Equipment

\$800,000

This is a placeholder for facilities capital projects and equipment purchases related to the infrastructure impacts due to the 2023 winter storms. Staff will update the project scope and costs as they are further defined.

Storm and Flooding Damages - Pavement and Pavement Repairs

\$400,000

The storms of 2023 starting with the January 9th storm resulted in significant damage to pavement on several roadways that were inundated due to flooding. These roadways included Main Street, Radcliff Ave., Preston Lane, Errol Street, and...

Trash and Recycling Can Replacements

\$60,000

The project will entail the replacement of trash and recycling containers in the Embarcadero and Downtown areas.

Veteran's Hall Building Improvements

\$450,000

This project is to modernize the Veteran's Hall Building to enable it to be used as a Council Chambers. The work will include a new audio/visual architecture with new audio/visual devices; renovation of the Council Chambers, adjacent...



WRF - Water Reclamation Facility Project

\$10,634,512

This Water Reclamation Facility program includes construction of three program components: the new Water Resources Center (WRC), the conveyance facilities necessary to connect the pump station near the old wastewater treatment plant (WWTP) and the...

Total: \$37,049,812

Storm Drain/Creek Maint. Requests

Itemized Requests for 2024-2029

Annual Storm Drain Replacement and Major Maintenance Project

\$1,200,000

The recent heavy storms and floods of 2023 in Morro Bay have been detrimental to residents' and city-owned infrastructure with damages estimated in the tens of millions of dollars. With the possibility of increased frequency of intense...

Waterways and Storm Systems Management Plan

\$250,000

The storms and floods of 2023 in Morro Bay have been detrimental to residents' and city-owned infrastructure with damages estimated in the tens of millions of dollars. With the possibility of an increased frequency of intense storm...

Total: \$1,450,000



Wastewater Collection Requests

Itemized Requests for 2024-2029

Beachcomber Drive Area Backyard Sewer Improvements - Design **\$3,200,000**

The residential property east of Beachcomber Drive and west of SR 1 are sewerred with mostly with 6-inch VCP sewer mains located in the adjoining backyards. A preliminary design has been performed for this project as part of the Beachcomber Sewer...

Beachcomber Drive Sewer Main Replacement **\$150,000**

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...

Capital Vehicles and Equipment Replacement - Sewer **\$428,000**

This request covers replacement vehicle purchases and future savings allocations for vehicle / mobile equipment replacements for Sewer Division in Utilities. There are no vehicles scheduled for replacement in FY 23/24 -...

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,...

Outfall Inspection, Condition Assessment and Cleaning **\$600,000**

Background: The City's ocean outfall is used to dispose of treated wastewater effluent from the City's Water Resources Center (WRC) and their Brackish Water Reverse Osmosis (BWRO) treatment facility. The ocean outfall, which starts at...

Utility Hole (Manhole) Rehabilitation Project **\$750,000**

Background: The city's sewer utility holes are used for facilitating sewer inspection and maintenance, sewer lines joining or changing direction of sewers. The majority of the City's manholes are constructed from precast concrete with...

Wastewater Treatment Plant Decomissioning **\$9,050,000**

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,...

Total: \$22,164,436



Water Requests

Itemized Requests for 2024-2029

Brackish Water Reverse Osmosis Building Improvements **\$400,000**

Background: The City of Morro Bay owns and operates six wells in the Morro well field to supply their Brackish Water Reverse Osmosis (BWRO) Facility. Currently, the BWRO brine effluent discharges to a once shared ocean outfall with the old power...

Capital Vehicles and Equipment Replacement - Water **\$375,000**

This request covers replacement vehicle purchases and future savings allocations for vehicle / mobile equipment replacements for Water Division in Utilities. The vehicle due for replacement in FY 23/24 - 25/26 with this request...

Morro Basin Wellfield Rehabilitation **\$3,484,900**

The Morro Wellfield Rehabilitation Project intends to address several potential vulnerabilities of the Morro Wellfield by implementing key infrastructure improvements to increase water production capacity, improve operational efficiency, and...

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...

Total: \$22,155,627

Harbor Department Requests

Itemized Requests for 2024-2029

Harbor Vehicle Replacement **\$200,000**

The Harbor has four vehicles necessary for Operations and Safety. Due to the damaging salt environment, they must be replaced every 8 years.

North T-Pier Repairs **\$1,500,000**

This project is funded by a HUD Grant. It is intended to make substantial repairs and upgrades to the structure and utilities. The entire project scope called for \$3.8M in total to complete all repairs and upgrades. Currently,...

Storm Recovery - Dock Repairs **\$200,000**

These funds will be used repair docks in the Harbor due to deferred maintenance and are beginning to structurally fail. The recent storms in January and March of 2023 have accelerated structural failure.

Total: \$1,900,000



Transit CIP Requests

Itemized Requests for 2024-2029

Transit Comprehensive Operational Analysis**\$60,000**

The project would consist of hiring a consultant to prepare an operational analysis of Morro Bay Transit to improve services provided that would make transit a more viable option for City residents and visitors.

Total: \$60,000

Fire Requests

Itemized Requests for 2024-2029

Bonita Station Remodel Design**\$80,000**

This project will fund the engineering and design to remodel the living quarters for the Bonita Street Fire Station, including design for a remodel of the living quarters, and the creation of construction blueprints. This is the first step...

Total: \$80,000

APPENDIX



FIRE REQUESTS



Bonita Station Remodel Design

Overview

Request Owner	Daniel McCrain, Fire Chief
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Fire
Type	Capital Improvement
Project Number	New

Description

This project will fund the engineering and design to remodel the living quarters for the Bonita Street Fire Station, including design for a remodel of the living quarters, and the creation of construction blueprints. This is the first step in being able to apply for grants or construction loans to complete the remodel. The project will utilize Fire Development Impact Fee funds.

Details

Project Location	460 Bonita Street
Description	
Project Manager	Daniel McCrain Fire Chief
Total Prior Year Budget	0
Type of Project	Refurbishment
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Public Infrastructure

Location

Address: 460 Bonita Street



Project Justification

At the city council meeting on May 24th, 2004, the council voted 5/0 that their intent was to reopen and seek funding to staff the Bonita Street Fire Station. Fire Department staff began the process of remodeling the Bonita Street Fire Station in 2005. The City applied for a CDBG Grant to build a new fire station. The city received a grant to rebuild the apparatus bay and was applying for funding sources to build new living quarters. The economic downturn of 2008 stalled the project, and the living quarters remain uninhabitable. The current annual call volume of over 2,000 responses and the queuing of multiple simultaneous incidents justifies the need for two engine companies. Driving time from the primary station to the Bonita Street Station is 6 minutes, placing any response north of Bonita Street outside of an acceptable response time. The expense of building a new fire station to essential service standards is cost prohibitive. The city currently owns the Bonita Street station and the apparatus bay meets all current requirements, the living quarters is detached and does not have to meet essential service standards. By doing a remodel of the living quarters, we can take steps toward opening a second station for a fraction of the cost of new construction. The creation of engineered blueprints is the first step in this process.

Positive Fiscal Impact

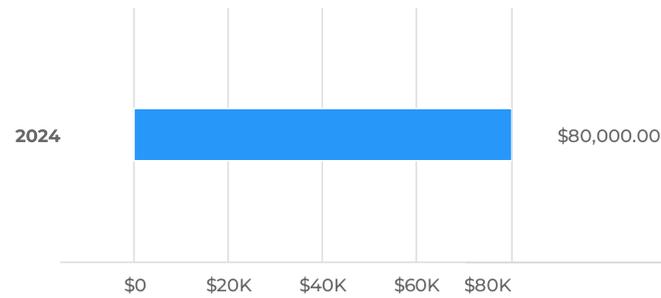
The city has collected Development Impact Fees earmarked for Fire Department operations as part of the building permit process. By utilizing these fees for this process, we can ensure those funds are being spent appropriately to address expanding city services. These are funds that have already been collected and must be spent on improving Fire Department services. Without spending these funds after a period of time, the city may be liable to pay the fees back to developers. The

positive fiscal impact is the use of fees designed to expand the City Fire Department services based on development without requesting funding from the general fund or other tax dollars. Any funding not expended on the design process will be carried forward to assist with the building cost once other funding sources are identified.

Capital Cost

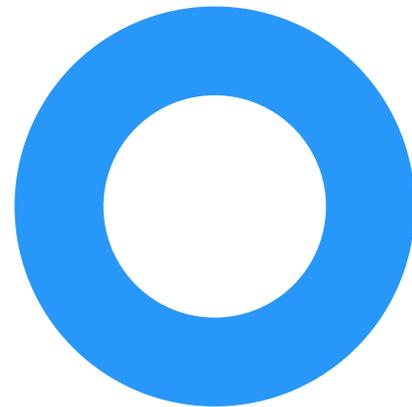
FY2024 Budget	Total Budget (all years)	Project Total
\$80,000	\$80K	\$80K

Capital Cost by Year



● Design

Capital Cost for Budgeted Years



● Design (100%) \$80,000.00
TOTAL \$80,000.00

Capital Cost Breakdown

Capital Cost	FY2024	Total
Design	\$80,000	\$80,000
Total	\$80,000	\$80,000

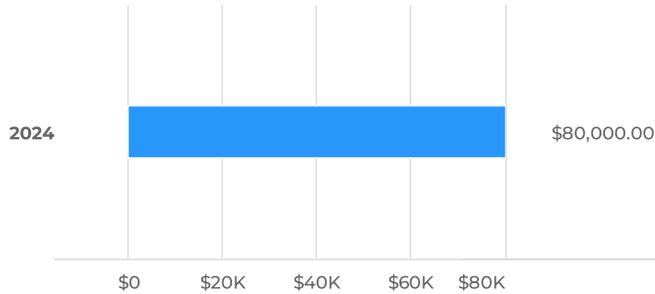
Funding Sources

FY2024 Budget
\$80,000

Total Budget (all years)
\$80K

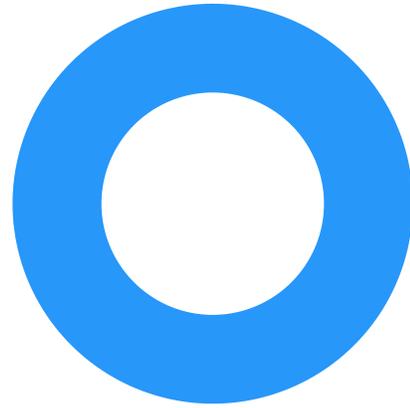
Project Total
\$80K

Funding Sources by Year



● Development Impact Fees (DI...

Funding Sources for Budgeted Years



● Development Impact Fees (DIF) (100%) \$80,000.00
TOTAL \$80,000.00

Funding Sources Breakdown

Funding Sources	FY2024	Total
Development Impact Fees (DIF)	\$80,000	\$80,000
Total	\$80,000	\$80,000

HARBOR DEPARTMENT REQUESTS



Harbor Vehicle Replacement

Overview

Request Owner	Ted Schiafone, Harbor Director
Department	Harbor Department
Type	Capital Equipment

Description

The Harbor has four vehicles necessary for Operations and Safety. Due to the damaging salt environment, they must be replaced every 8 years.

Details

Project Manager	Ted Schiafone, Harbor Director
New Purchase or Replacement	Replacement
New or Used Vehicle	New Vehicle
Useful Life	8

Project Justification

The Harbor has historically funded vehicles and vessels on an as-needed basis. While the Harbor will need to fund replacement of two vehicles in this current FY 23-24 budget year, we should plan replacements in the future. The total replacement cost of the four Harbor vehicles would be approximately \$320,000. Reserving \$40,000 each year would allow for funding \$320,000 over the eight years. We will need to adjust this number as future estimates of vehicle replacement costs will increase.

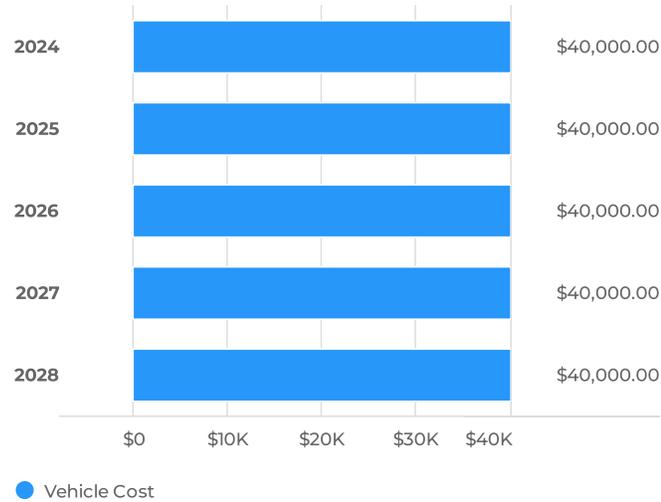
Capital Cost

FY2024 Budget
\$40,000

Total Budget (all years)
\$200K

Project Total
\$200K

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown						
Capital Cost	FY2024	FY2025	FY2026	FY2027	FY2028	Total
Vehicle Cost	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$200,000
Total	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$200,000

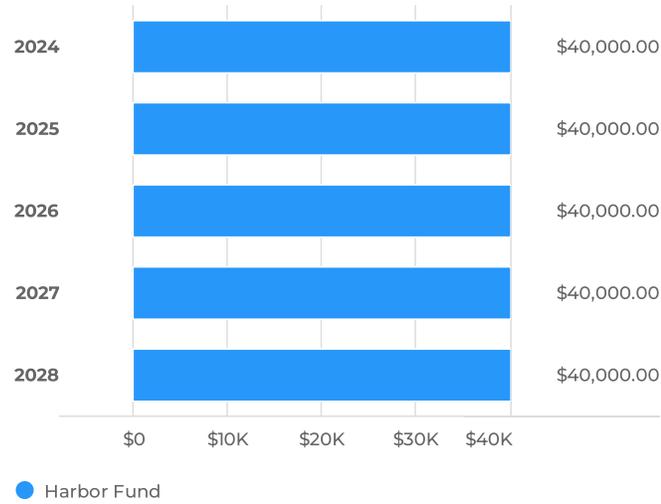
Funding Sources

FY2024 Budget
\$40,000

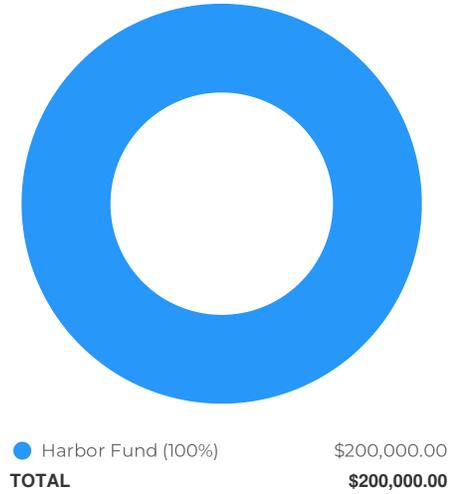
Total Budget (all years)
\$200K

Project Total
\$200K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2024	FY2025	FY2026	FY2027	FY2028	Total
Harbor Fund	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$200,000
Total	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$200,000

North T-Pier Repairs

Overview

Request Owner	Ted Schiafone, Harbor Director
Est. Start Date	03/27/2023
Est. Completion Date	05/03/2032
Department	Harbor Department
Type	Capital Improvement
Project Number	New

Description

This project is funded by a HUD Grant. It is intended to make substantial repairs and upgrades to the structure and utilities. The entire project scope called for \$3.8M in total to complete all repairs and upgrades. Currently, \$1.5M has been appropriated for the project. The Harbor has made a follow-up request to Congress to fund the additional \$2.3M. We are waiting on that notification to determine the scope of repairs and upgrades that can be completed with the \$1.5M that is approved. Planning will begin in 2023 with design and engineering occurring in 2024. Construction would not start until 2025.

Images



Details

Project Location Description	North T-Pier is adjacent to the Harbor Office
Project Manager	Ted Schiafone, Harbor Director
Total Prior Year Budget	0
Type of Project	Refurbishment
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Public Infrastructure

Location



Supplemental Attachments

 [North T-Pier\(/resource/cleargov-prod/projects/documents/f30230756c05fe4f2428.pdf\)](#)

HUD Grant document

Project Justification

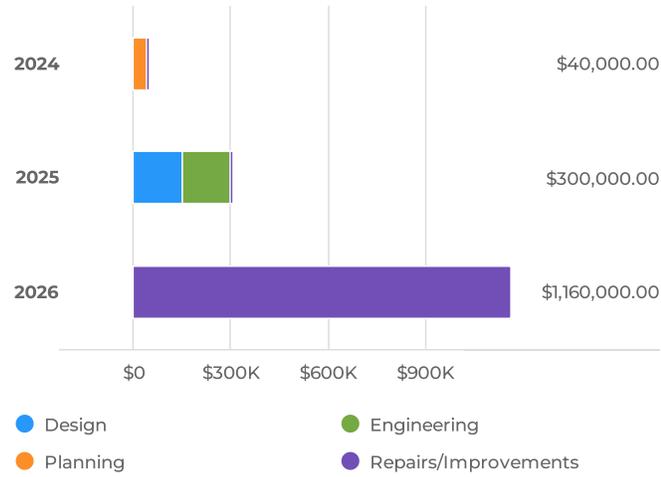


The North T-Pier is an important structure within the Harbor. This pier berths the Coast Guard and Morro Bay Harbor Patrol. The pier is also used to support education, commercial fishing operations, and a location for residents and visitors to fish without a California Fishing License.

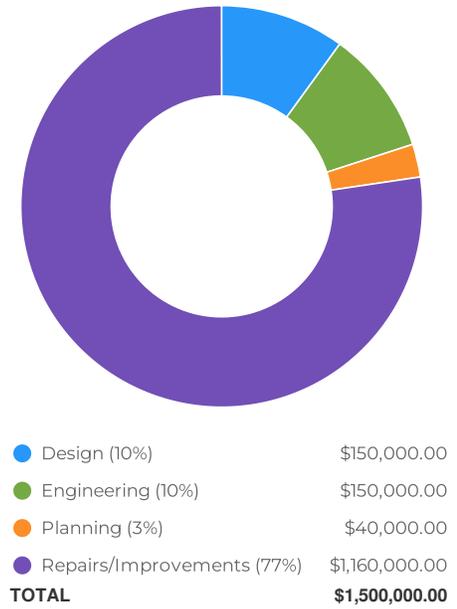
Capital Cost

FY2024 Budget **\$40,000** Total Budget (all years) **\$1.5M** Project Total **\$1.5M**

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown				
Capital Cost	FY2024	FY2025	FY2026	Total
Planning	\$40,000			\$40,000
Design		\$150,000		\$150,000
Engineering		\$150,000		\$150,000
Repairs/Improvements			\$1,160,000	\$1,160,000
Total	\$40,000	\$300,000	\$1,160,000	\$1,500,000



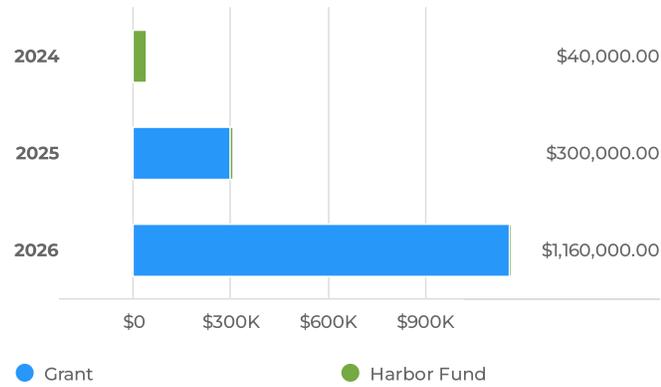
Funding Sources

FY2024 Budget
\$40,000

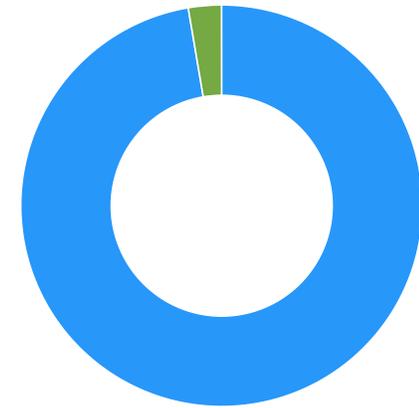
Total Budget (all years)
\$1.5M

Project Total
\$1.5M

Funding Sources by Year



Funding Sources for Budgeted Years



● Grant (97%)	\$1,460,000.00
● Harbor Fund (3%)	\$40,000.00
TOTAL	\$1,500,000.00

Funding Sources Breakdown

Funding Sources	FY2024	FY2025	FY2026	Total
Harbor Fund	\$40,000			\$40,000
Grant		\$300,000	\$1,160,000	\$1,460,000
Total	\$40,000	\$300,000	\$1,160,000	\$1,500,000

Storm Recovery - Dock Repairs

Overview

Request Owner	Ted Schiafone, Harbor Director
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Harbor Department
Type	Capital Improvement
Project Number	New

Description

These funds will be used repair docks in the Harbor due to deferred maintenance and are beginning to structurally fail. The recent storms in January and March of 2023 have accelerated structural failure.

Images



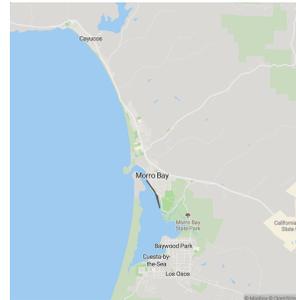
Harbor Dock

Example of damage

Details

Project Location	Harbor Docks
Description	
Project Manager	Ted Schiafone, Harbor Director
Total Prior Year Budget	\$200000
Type of Project	Maintenance/Repair
One-Time or Ongoing	Ongoing
New or Existing Project	New
City Council Goal	Public Infrastructure

Location



Project Justification

Maintenance on Harbor Docks has been deferred for decades. The recent storms in January and March of 2023 have accelerated structural failure. The storms created such stress on the components that years of possible useful life have been eliminated. Everyday, tidal action is causing structural damage. If we don't take action throughout the next year, it will be necessary to take these docks out of service and lose potential slip rent. The repairs that will be made are not the long term solution. These repairs are necessary to extend the life of a dock for 4-6 more years as we develop a much longer term solution.

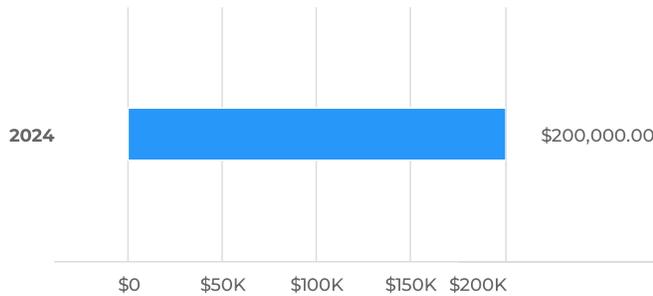
Positive Fiscal Impact

Harbor slips contribute to the Harbor Operations Fund. If we don't make repairs, we must remove them from service and lose that potential income.

Capital Cost

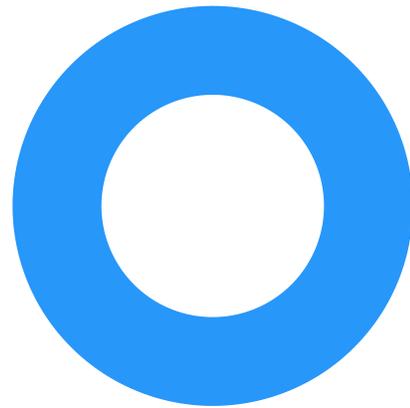
FY2024 Budget	Total Budget (all years)	Project Total
\$200,000	\$200K	\$200K

Capital Cost by Year



● Repairs/Improvements

Capital Cost for Budgeted Years



● Repairs/Improvements (100%) \$200,000.00
TOTAL \$200,000.00

Capital Cost Breakdown

Capital Cost	FY2024	Total
Repairs/Improvements	\$200,000	\$200,000
Total	\$200,000	\$200,000

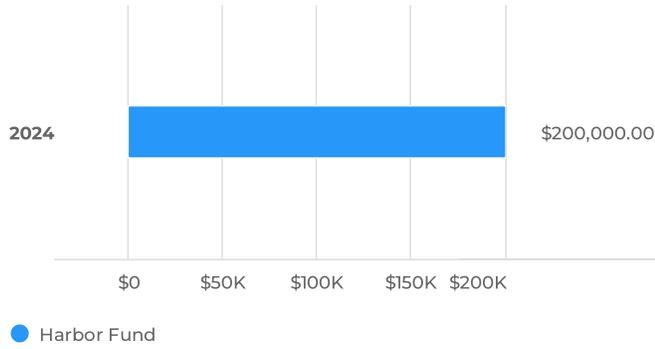
Funding Sources

FY2024 Budget
\$200,000

Total Budget (all years)
\$200K

Project Total
\$200K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown		
Funding Sources	FY2024	Total
Harbor Fund	\$200,000	\$200,000
Total	\$200,000	\$200,000

PUBLIC WORKS REQUESTS



Active Transportation Plan / Active Corridor Studies

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	01/01/2024
Est. Completion Date	02/28/2025
Department	Public Works
Type	Capital Improvement
Project Number	New

Description

Toward an Active California was the state's first bicycle and pedestrian plan and it includes policy and programmatic recommendations organized around four core objectives: safety, mobility, preservation, and social equity. These recommendations are intended to shape active transportation at the state level while providing guidance and inspiration for regional and local plans. Many local agencies have since developed local Active Transportation Plans to focus on local bike and ped efforts. The City of Morro Bay adopted the 2011 Morro Bay Bicycle & Pedestrian Master Plan in February of 2012. With the influx of new federal, state, and regional grant programs, it is apparent that an update to the City's 2011 plan is necessary in order to be competitive and successful in applying for these grants. The Active Transportation Plan would be an opportunity to do exhaustive community outreach and stakeholder engagement in order to identify the most pressing active transportation priorities in order to pursue grant opportunities. Most active transportation improvements would require millions of dollars that the City is not capable of funding on its own, so acquisition of grants is crucial for meeting active transportation goals for promoting community health and wellness through augmentation of safe pedestrian and bicycle facilities.

In addition to updating the 2011 Bicycle & Pedestrian Master Plan with a new plan, specific corridor studies of areas where the city would like to encourage active transportation may be beneficial, such as Morro Bay Boulevard and Main Street, in order to connect neighborhoods to the downtown with safe, active transportation options.

Images



ATP1



Bike Map

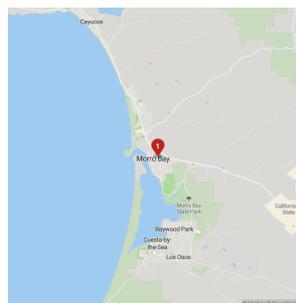


Ped Crossing

Details

Project Location Description	Various
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



Project Justification

The City does not have a funding source for improvements to active transportation (bike and pedestrian facilities) with the exception of \$30-40k per year in Bike path funds through Transit, which is typically used for bicycle striping projects in the City in coordination with pavement preservation projects.

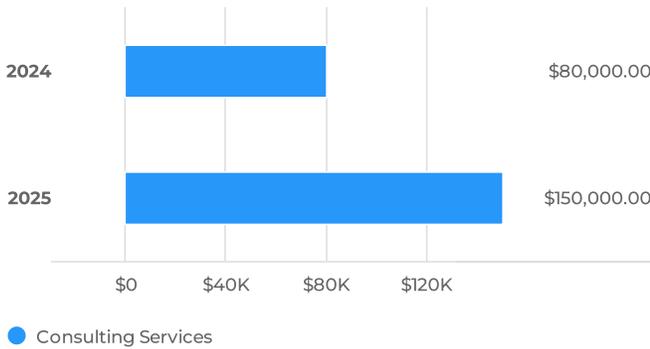
Positive Fiscal Impact

The plan will provide opportunities to pursue grants for meeting future infrastructure needs for active transportation.

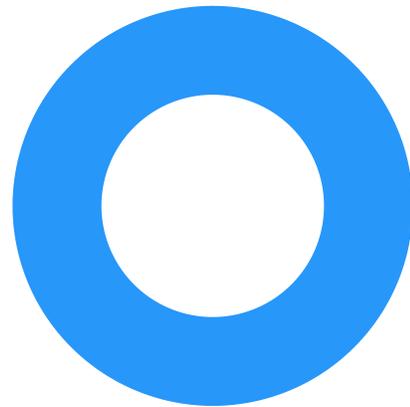
Capital Cost

FY2024 Budget	Total Budget (all years)	Project Total
\$80,000	\$230K	\$230K

Capital Cost by Year



Capital Cost for Budgeted Years



● Consulting Services (100%)	\$230,000.00
TOTAL	\$230,000.00

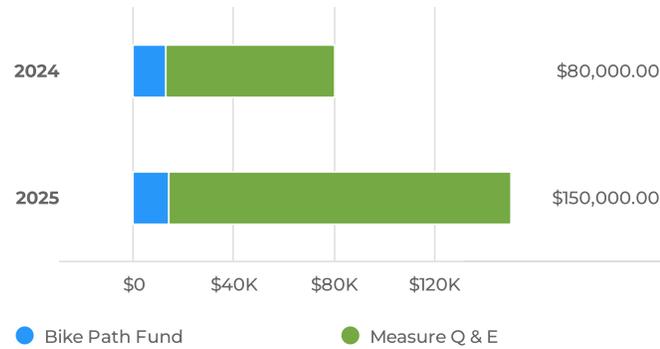
Capital Cost Breakdown

Capital Cost	FY2024	FY2025	Total
Consulting Services	\$80,000	\$150,000	\$230,000
Total	\$80,000	\$150,000	\$230,000

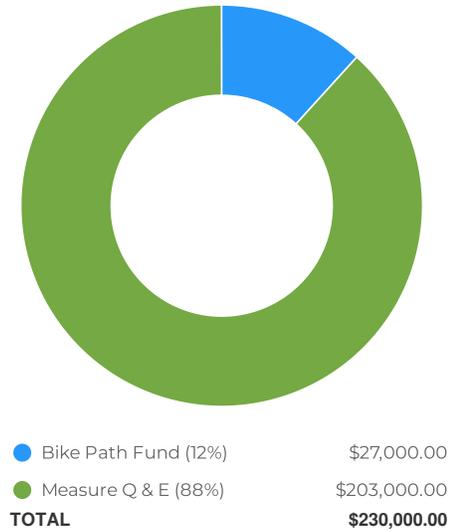
Funding Sources

FY2024 Budget **\$80,000** Total Budget (all years) **\$230K** Project Total **\$230K**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2024	FY2025	Total
Measure Q & E	\$67,000	\$136,000	\$203,000
Bike Path Fund	\$13,000	\$14,000	\$27,000
Total	\$80,000	\$150,000	\$230,000

Projected Timeline

Jul 1, 2023

Procure Transportation Consultant and begin Application for Sustainable Transportation Planning Grant to pursue funding for Active Transportation Plan - Identify potential corridor projects

[View More](#)

Feb 29, 2024

Submit Sustainable Communities grant application



May 1, 2024

Prepare application for ATP Cycle 7 grant process

Feb 28, 2025

Adopt Active Transportation Plan



Annual Pavement Management Program

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Public Works
Type	Capital Improvement
Project Number	9614

Description

Employ appropriate pavement preservation and rehabilitation technologies such as asphalt digout repairs, chip seals, slurry seals, thin overlays, and other treatments as required to extend the useful life of the existing asphalt street surface, rehabilitate failing asphalt, maintenance of all appurtenances 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



Surface Seal Treatment Being Placed in Morro Bay



Digout Paving

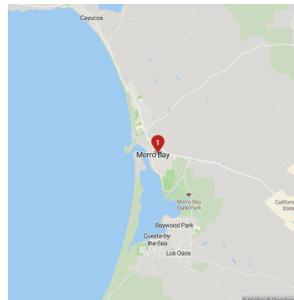


Paving / Rolling

Details

Project Location	Various streets
Description	
Project Manager	Eric Riddiough
Total Prior Year Budget	2790926
Type of Project	Maintenance/Repair
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Public Infrastructure

Location



Supplemental Attachments

 [Current PCI of Road Network\(/resource/cleargov-prod/projects/documents/4b066cbe0aadacd871b4.pdf\)](/resource/cleargov-prod/projects/documents/4b066cbe0aadacd871b4.pdf)

 [Pavement Management Update 2020\(/resource/cleargov-prod/projects/documents/0da9f450b1ec7f3a8438.pdf\)](/resource/cleargov-prod/projects/documents/0da9f450b1ec7f3a8438.pdf)

Project Justification

- The 2022 Annual Pavement Management Report showed that the City needs an annual investment of \$2.8 million to maintain the PCI of its network of streets. These funds all contribute to the revenue used for pavement management and overall management of the City right of way. The city allocated \$1.1 million in FY 21/22 and \$1.7 million in FY 22/23. The City needs to develop another revenue stream to be able to reach \$2.8 million.

- 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 61 Pavement Condition Index (PCI) and dropping 1-2 points per year, the City is in the "Fair / AT RISK" condition rating. If the City does not spend at least \$2.8 million a year, the condition will continue to deteriorate. At current annual funding levels of \$1,700,000, the PCI is projected to drop to 59 by 2027 which is reflected in the 2022 Pavement Management Report prepared by Pavement Engineering, Inc.

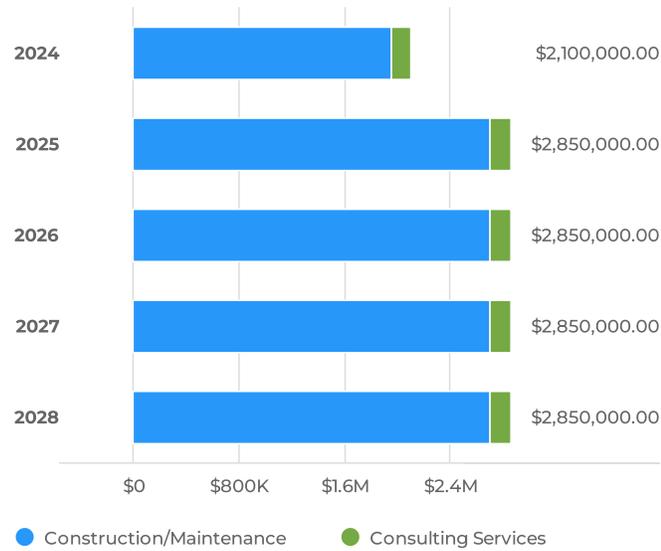
Positive Fiscal Impact

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 of the public. The City is currently only spending 50% of what is shown to be necessary to keep PCI from dropping further.

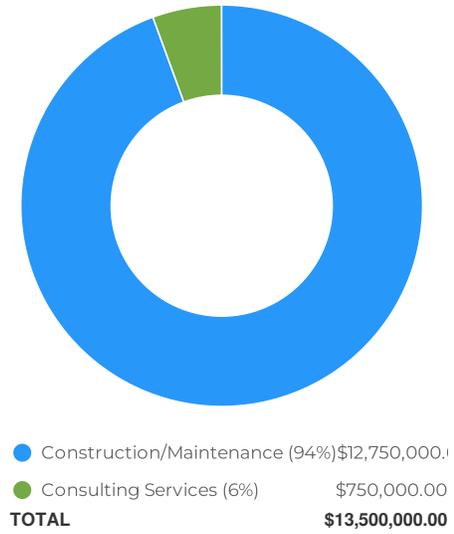
Capital Cost

Total To Date **\$2,790,926**
 FY2024 Budget **\$2,100,000**
 Total Budget (all years) **\$13.5M**
 Project Total **\$16.291M**

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown							
Capital Cost	To Date	FY2024	FY2025	FY2026	FY2027	FY2028	Total
Engineering	\$20,000						\$20,000
Construction/Maintenance	\$2,672,270	\$1,950,000	\$2,700,000	\$2,700,000	\$2,700,000	\$2,700,000	\$15,422,270
Consulting Services	\$98,656	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$848,656
Total	\$2,790,926	\$2,100,000	\$2,850,000	\$2,850,000	\$2,850,000	\$2,850,000	\$16,290,926

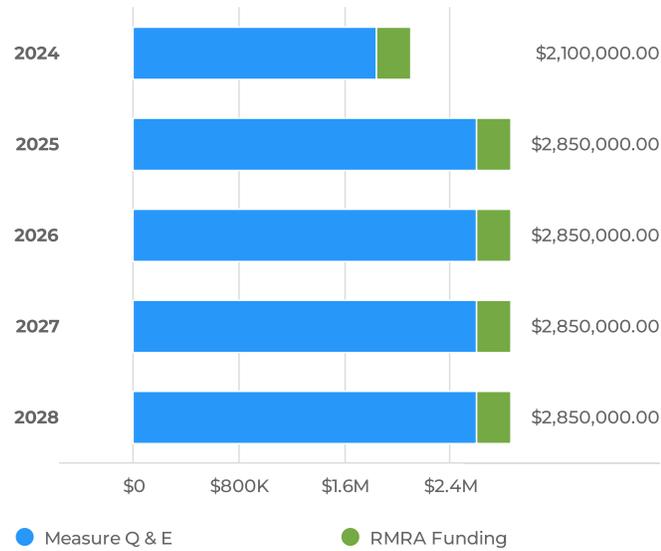
Funding Sources

FY2024 Budget
\$2,100,000

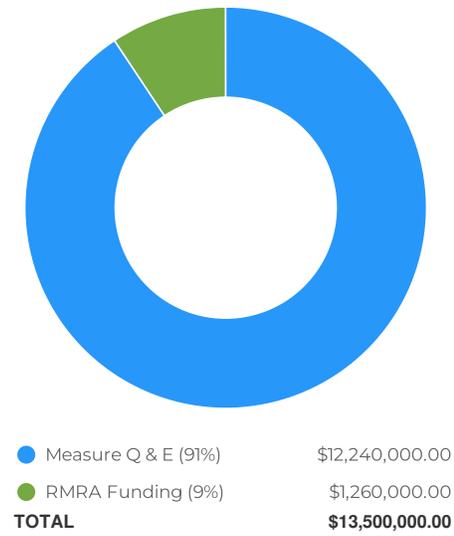
Total Budget (all years)
\$13.5M

Project Total
\$13.5M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown						
Funding Sources	FY2024	FY2025	FY2026	FY2027	FY2028	Total
Measure Q & E	\$1,840,000	\$2,600,000	\$2,600,000	\$2,600,000	\$2,600,000	\$12,240,000
RMRA Funding	\$260,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,260,000
Total	\$2,100,000	\$2,850,000	\$2,850,000	\$2,850,000	\$2,850,000	\$13,500,000

Coleman Park Improvements

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/18/2023
Est. Completion Date	05/01/2027
Department	Public Works
Type	Capital Improvement
Project Number	New

Description

Due to identified structural issues with the existing restroom at Coleman Park, the restroom was demolished in 2021. The first phase of this project is the installation and replacement of the demolished public restroom facility at Coleman Park. The new restroom structure will include four individual restrooms (including two accessible restrooms) and an attached concession area. This phase also includes the addition of an accessible parking space and concrete sidewalk around the structure. Future phases of the project would include potential landscaping and hardscape improvements to the park area including the basketball court, dirt parking and kayak/paddleboard launching area. Some public outreach was conducted in 2021 and conceptual designs have been created and presented to the PWAB. The city plans to pursue funding with the conceptual drawings prepared so that planning, design and construction can occur in future fiscal years. In 2023-24, \$292,300 Parks Development Impact Fees are budgeted to support this project.

Some funding sources have already budgeted in prior years, totaling \$318,000, including \$69,500 Local Park Impact/In-Lieu Fees, \$40,000 Castle Winds Community Development, \$31,500 Deferred Maintenance Fund, \$177,000 Proposition 68 Per Capita Grant.

FY 2023-24 will include 292,300 Parks Development Impact Fees. The City has also obtained \$600,000 in state grant funding that will be budgeted in FY 2024-25.

The project is estimated to need additional funds of approximately \$800,000 depending on final construction costs.

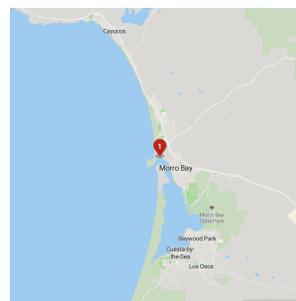
Images



Details

Project Location Description	101 Coleman Drive (in between Morro Rock and Embarcadero Road)
Project Manager	Pamela Newman, Associate Engineer
Total Prior Year Budget	\$318,000
Type of Project	Refurbishment
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Community Health

Location



Project Justification

Current public restrooms are located approximately a quarter mile from Coleman Park and the replacement of the demolished structure will allow public access to a restroom within walking distance to the multi-use path without having to walk down to the Rock Parking Lot. The replacement structure will add individual restroom units to reduce waiting lines and temporary cleaning closures. An addition of the concession area could supplement revenues used for maintenance of the park. If not funded this year, a lack of accessible public restrooms for this park will increase the use and maintenance costs for other public restrooms within the quarter mile vicinity and include the loss of a potential revenue source from future concession park related rentals.

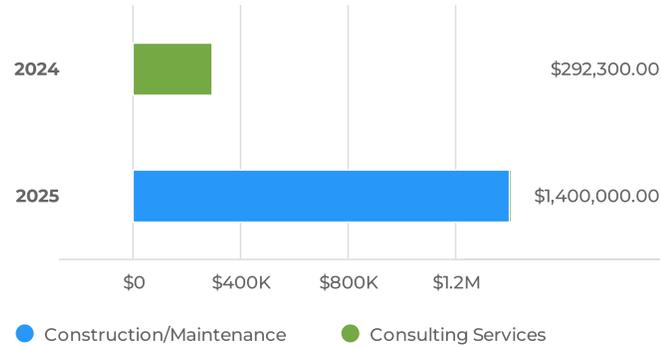
Positive Fiscal Impact

Replacement of the restrooms with a new structure and facility equipment will provide water efficient savings and reduce current maintenance costs in addition to rental funds from the new concession. An addition of the concession area could supplement revenues used for maintenance of the park. Improvements at Coleman Park will likely bring a positive impact to the recreation area with the addition of amenities and features. The City can also leverage funding for this project for additional grant fund applications to pay for other improvements and amenities at Coleman Park. The City has approximately \$900,000 in funding identified already and will be pursuing other grants for the balance of the project costs.

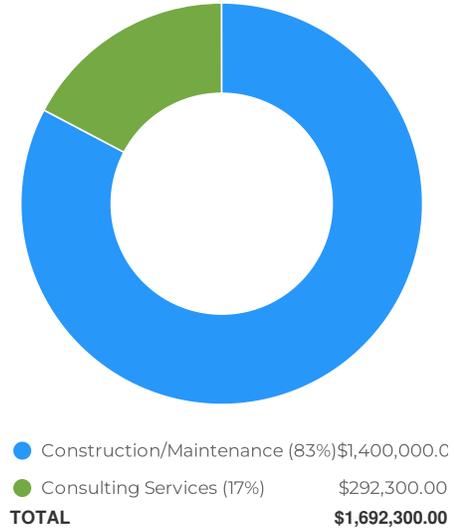
Capital Cost

Total To Date	FY2024 Budget	Total Budget (all years)	Project Total
\$318,000	\$292,300	\$1.692M	\$2.01M

Capital Cost by Year



Capital Cost for Budgeted Years

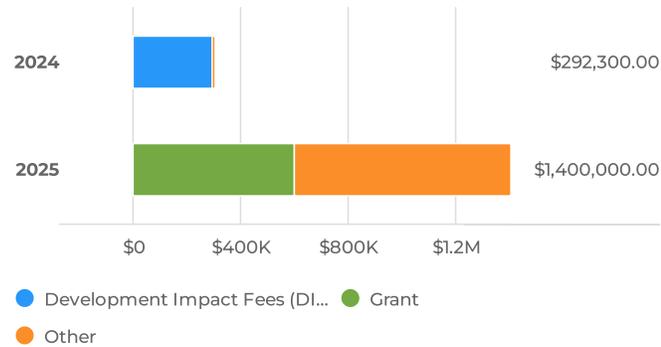


Capital Cost Breakdown				
Capital Cost	To Date	FY2024	FY2025	Total
Construction/Maintenance			\$1,400,000	\$1,400,000
Consulting Services		\$292,300		\$292,300
Other	\$318,000			\$318,000
Total	\$318,000	\$292,300	\$1,400,000	\$2,010,300

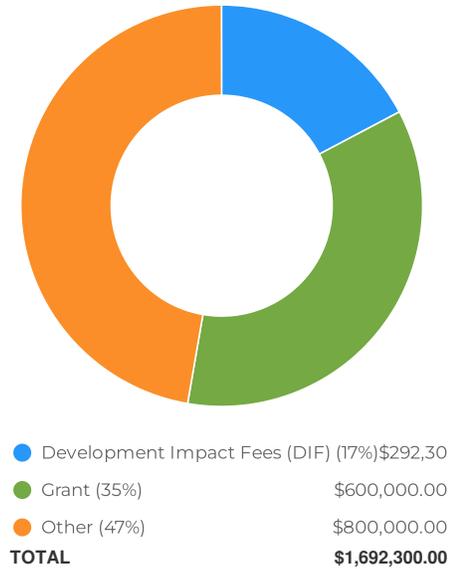
Funding Sources

FY2024 Budget **\$292,300** Total Budget (all years) **\$1.692M** Project Total **\$1.692M**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown			
Funding Sources	FY2024	FY2025	Total
Grant		\$600,000	\$600,000
Other		\$800,000	\$800,000
Development Impact Fees (DIF)	\$292,300		\$292,300
Total	\$292,300	\$1,400,000	\$1,692,300

Lila Keiser Parking Lot Rehabilitation and ADA Upgrades

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Public Works
Type	Capital Improvement
Project Number	915-8456

Description

The project is to repair, rehabilitate, and restripe the asphalt parking lot at Lila Keiser 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



Lila Keiser Sign

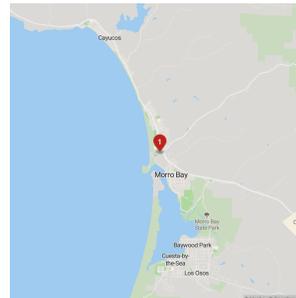


Failed Areas of Parking Lot

Details

Project Location Description	1 Park Street, Morro Bay
Project Manager	Eric Riddiough
Total Prior Year Budget	120000
Type of Project	Refurbishment
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Location



Project Justification

Lila Keiser 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.

Design is 90% complete, and the probable cost estimate shows that construction cost is \$167,000 (a shortfall of \$80,000 from FY 22/23 budget). The condition of the lot has gotten worse over the last year, and construction costs have increased dramatically since first budgeted.

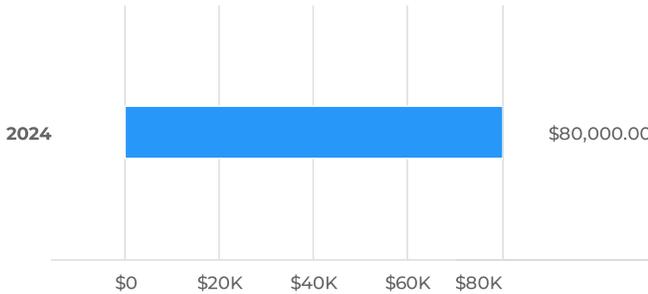
Positive Fiscal Impact

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

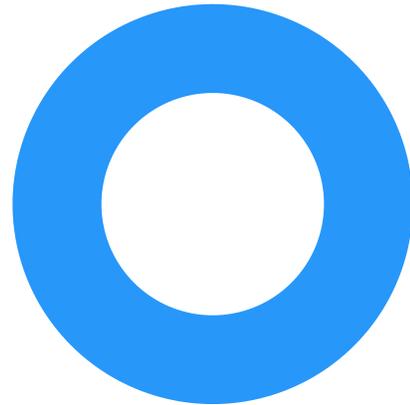
Total To Date	FY2024 Budget	Total Budget (all years)	Project Total
\$120,000	\$80,000	\$80K	\$200K

Capital Cost by Year



● Construction/Maintenance

Capital Cost for Budgeted Years



● Construction/Maintenance (100%) \$80,000.00
TOTAL \$80,000.00

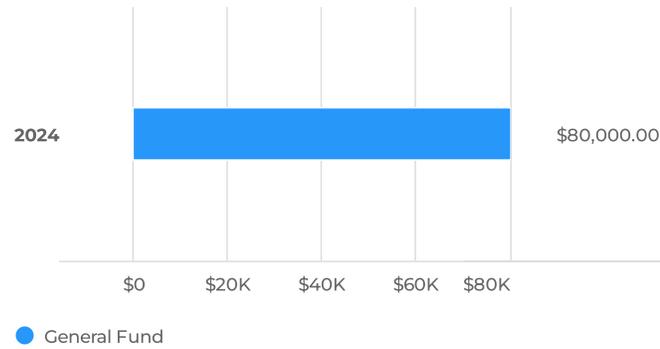
Capital Cost Breakdown

Capital Cost	To Date	FY2024	Total
Construction/Maintenance	\$120,000	\$80,000	\$200,000
Total	\$120,000	\$80,000	\$200,000

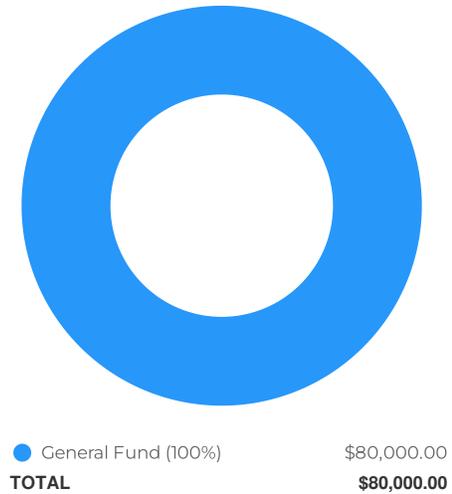
Funding Sources

Total To Date **\$120,000** FY2024 Budget **\$80,000** Total Budget (all years) **\$80K** Project Total **\$200K**

Funding Sources by Year

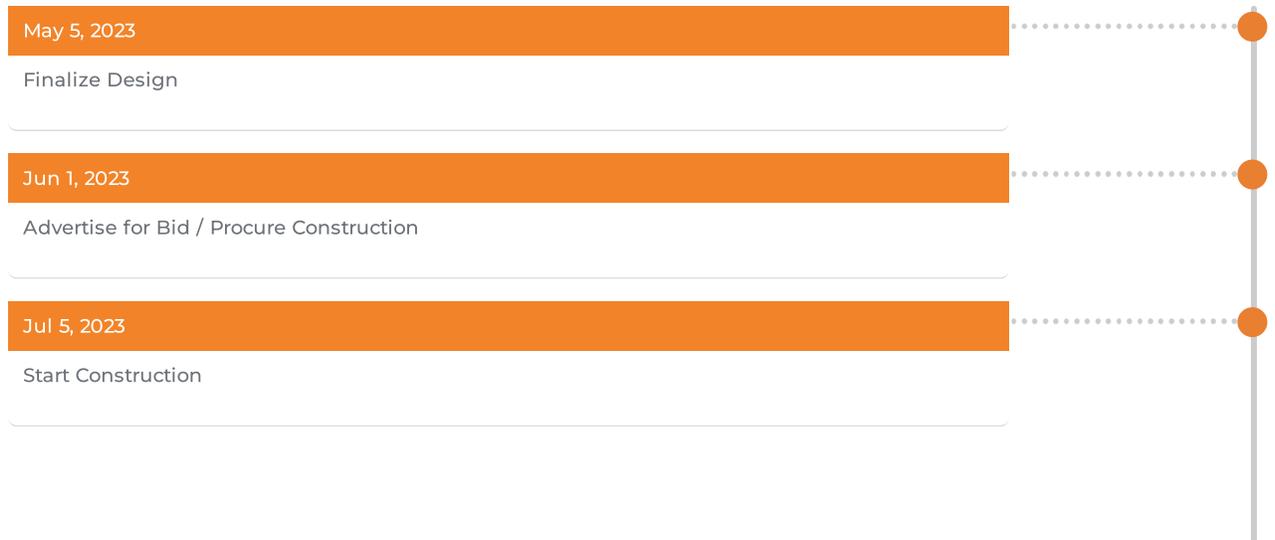


Funding Sources for Budgeted Years



Funding Sources Breakdown			
Funding Sources	To Date	FY2024	Total
General Fund	\$120,000	\$80,000	\$200,000
Total	\$120,000	\$80,000	\$200,000

Projected Timeline



Aug 11, 2023

Finish Construction



Local Road Safety Plan (LRSP) Implementation and Safety Improvements

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	01/01/2024
Est. Completion Date	12/27/2024
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.

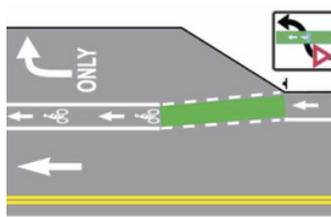
After the LRSP has been adopted, priority projects will be presented to PWAB and selected for implementation. Some potential projects include crosswalk additions and improvements, traffic calming, and signage and striping improvements. These improvements will likely require design by a traffic engineering consultant followed by procurement for construction. Some preliminary options for analysis have been noted by Public Works including the crosswalk on Morro Bay Boulevard at Kern, addition of crosswalks on Main Street between the State Park and Olive Street, and bicycle lanes on South Bay Boulevard just to name a few. There are many other project ideas that will be explored during the LRSP process.

Within the LRSP plan, funding of \$47,000 is allocated to finish the Police Department Annex pavement project, and also to upgrade the crosswalk on Morro Bay Boulevard in front of the police station. This crosswalk is west of Kern Avenue. Police Department personnel must park in the annex area, and use this crosswalk. To ensure the crossing is as safe as possible for staff and the public, this crosswalk needs improvements to the flashing signals to alert drivers of pedestrians. This project element of the LRSP plan will be made a priority to improve safety crossing at this location.

Images



LRSP



Bicycle Conflict Striping

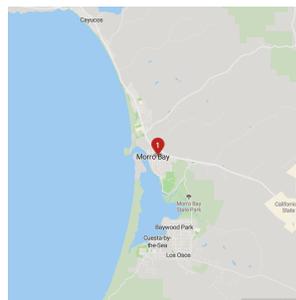


Radar Feedback Sign

Details

Project Location Description	Various
Project Manager	Eric Riddiough
Total Prior Year Budget	0
Type of Project	New Construction
One-Time or Ongoing	Ongoing
New or Existing Project	New

Location



Project Justification

Safety of public infrastructure for the driving, cycling, and walking public is of highest priority. The LRSP will inform the decision makers on project ideas where some of the concerns are greatest, with the goal of reducing the potential for incidents and improving the overall safety of residents. If not funded this year, then the city would defer safety concerns for another year.

Positive Fiscal Impact

These improvements would not provide any direct fiscal impact. They are safety improvements that would reduce potential unfunded liability for safety concerns to the driving, walking and cycling public.

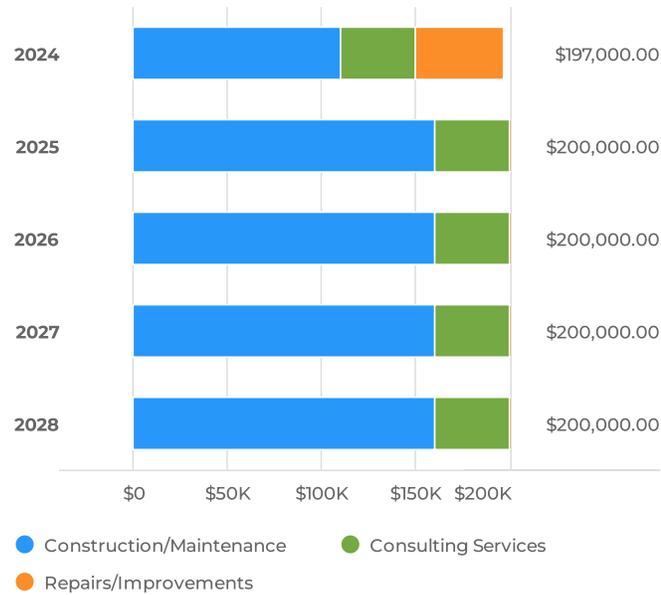
Capital Cost

FY2024 Budget
\$197,000

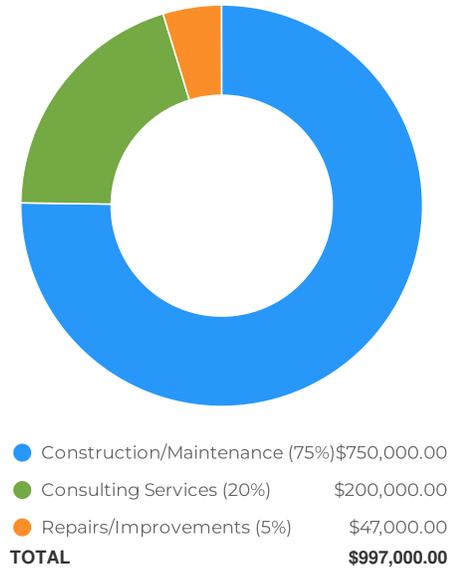
Total Budget (all years)
\$997K

Project Total
\$997K

Capital Cost by Year



Capital Cost for Budgeted Years



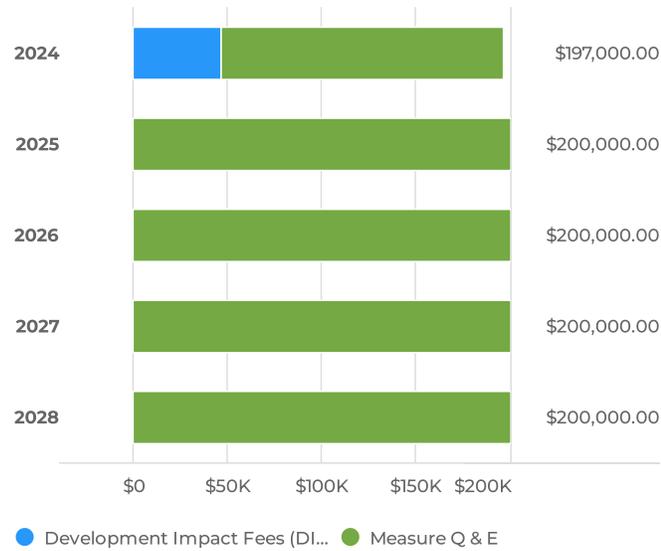
Capital Cost Breakdown

Capital Cost	FY2024	FY2025	FY2026	FY2027	FY2028	Total
Repairs/Improvements	\$47,000					\$47,000
Construction/Maintenance	\$110,000	\$160,000	\$160,000	\$160,000	\$160,000	\$750,000
Consulting Services	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$200,000
Total	\$197,000	\$200,000	\$200,000	\$200,000	\$200,000	\$997,000

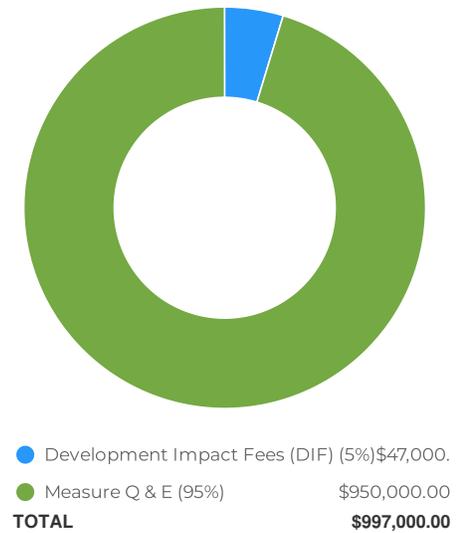
Funding Sources

FY2024 Budget **\$197,000** Total Budget (all years) **\$997K** Project Total **\$997K**

Funding Sources by Year



Funding Sources for Budgeted Years



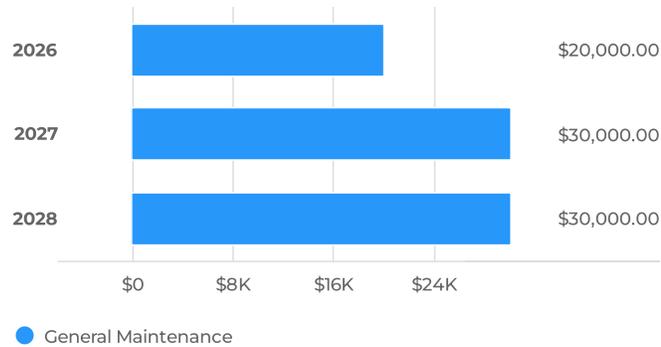
Funding Sources Breakdown						
Funding Sources	FY2024	FY2025	FY2026	FY2027	FY2028	Total
Measure Q & E	\$150,000	\$200,000	\$200,000	\$200,000	\$200,000	\$950,000
Development Impact Fees (DIF)	\$47,000					\$47,000
Total	\$197,000	\$200,000	\$200,000	\$200,000	\$200,000	\$997,000

Operational Costs

Total Budget (all years)
\$80K

Project Total
\$80K

Operational Costs by Year



Operational Costs for Budgeted Years



Operational Costs Breakdown

Operational Costs	FY2026	FY2027	FY2028	Total
General Maintenance	\$20,000	\$30,000	\$30,000	\$80,000
Total	\$20,000	\$30,000	\$30,000	\$80,000

Projected Timeline

Jan 1, 2024

LRSP Finalized and Adopted

Feb 1, 2024

Priority Projects selected and design services procured

May 1, 2024

Complete design of improvements

Jun 10, 2024

Start Construction

Dec 27, 2024

Finish project



OneWater Plan Update

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	04/28/2024
Department	Public Works
Type	Capital Improvement
Project Number	921-9639 and 922-9639

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. The Sewer Fund component will be funded by Sewer Master Plan Fees collected in the Trust and Agency Fund (515).

Images

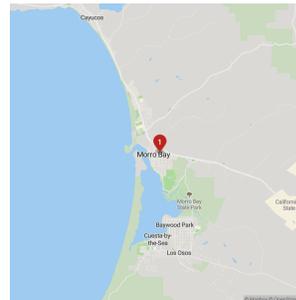


OneWater Plan

Details

Project Location	PW Office
Description	
Project Manager	Eric Riddiough
Total Prior Year Budget	60000
Type of Project	Other
One-Time or Ongoing	One-Time
New or Existing Project	In progress
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.

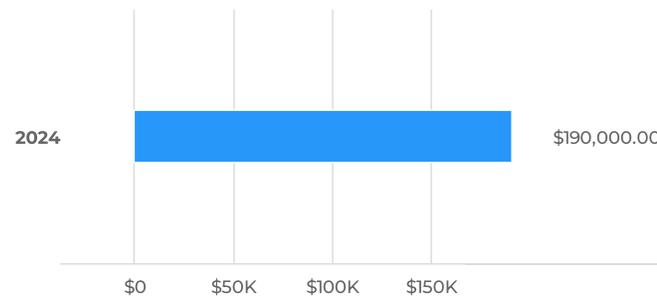
Positive Fiscal Impact

No return on investment (ROI) is anticipated. This is an update of an existing planning document.

Capital Cost

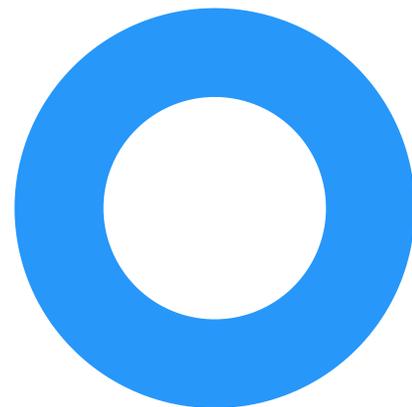
Total To Date	FY2024 Budget	Total Budget (all years)	Project Total
\$60,000	\$190,000	\$190K	\$250K

Capital Cost by Year



● Consulting Services

Capital Cost for Budgeted Years



● Consulting Services (100%) \$190,000.00
TOTAL \$190,000.00

Capital Cost Breakdown

Capital Cost	To Date	FY2024	Total
Consulting Services	\$60,000	\$190,000	\$250,000
Total	\$60,000	\$190,000	\$250,000

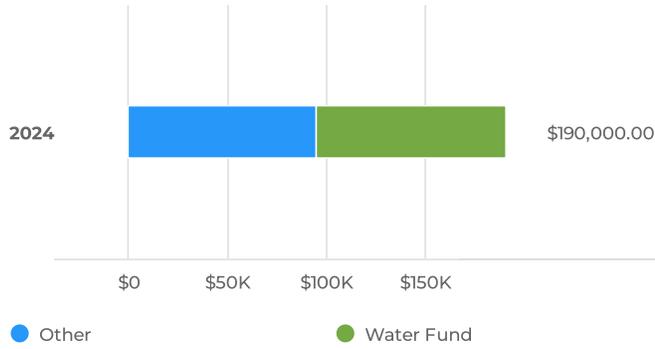
Funding Sources

FY2024 Budget
\$190,000

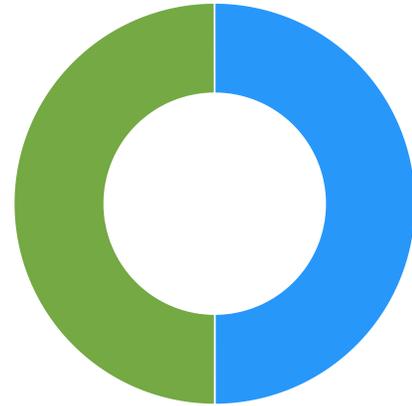
Total Budget (all years)
\$190K

Project Total
\$190K

Funding Sources by Year



Funding Sources for Budgeted Years



● Other (50%)	\$95,000.00
● Water Fund (50%)	\$95,000.00
TOTAL	\$190,000.00

Funding Sources Breakdown

Funding Sources	FY2024	Total
Water Fund	\$95,000	\$95,000
Other	\$95,000	\$95,000
Total	\$190,000	\$190,000

Sidewalk Improvements and Street Tree Replacements Project

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Public Works
Type	Capital Improvement
Project Number	New

Description

The City has 100's of City-owned street trees along roadway frontage throughout the city. Many of the street trees that are mature were planted many years ago are causing destruction to sidewalks, curb and gutter, asphalt roadway, and other public infrastructure. The damage to city infrastructure is an unfunded liability to the city from a maintenance and safety perspective. In addition, these areas where uplift of sidewalk has occurred cause areas to be out of compliance with the Americans with Disabilities Act (ADA). This project would be to correct some areas where street trees have caused damage and remove the tree and replace with a more appropriate street tree with an underground growing zone so that the roots do minimal damage to the infrastructure. The project would also include the replacement of sidewalks, curb and gutter, curb ramps, and portions of roadway that have been affected by street trees.

Being a tree-friendly city, the City of Morro Bay values public outreach and involvement about what areas to address and make improvements and tree replacements. This project would only tackle a small portion of but could be a small step towards creating a safer, more walkable city with less

Images

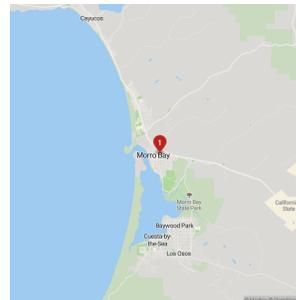


Tree Uplifted Sidewalk

Details

Project Location	Various
Project Manager	Eric Riddiough
Total Prior Year Budget	0
Type of Project	Replacement
One-Time or Ongoing	Ongoing
New or Existing Project	New
City Council Goal	Public Infrastructure

Location



Project Justification



Current damage to city infrastructure caused by street trees is an unfunded liability to the city from a maintenance and safety perspective. Areas where uplift of sidewalk has occurred cause areas to be out of compliance with the Americans with Disabilities Act (ADA). Also, damaged curbs cause water to not flow and pond in areas which, over time, cause further damage to the roadway. The city receives numerous claims every year from parties that trip and fall on sidewalks, and progress towards eliminating these hazards would reduce the use of public funds on sidewalk claims.

The City continues to retain its character as a tree-friendly city with shade and canopy in its downtown area. Gradual tree replacement with more appropriate trees to protect city walkable surfaces is the desired outcome; not the elimination of street trees.

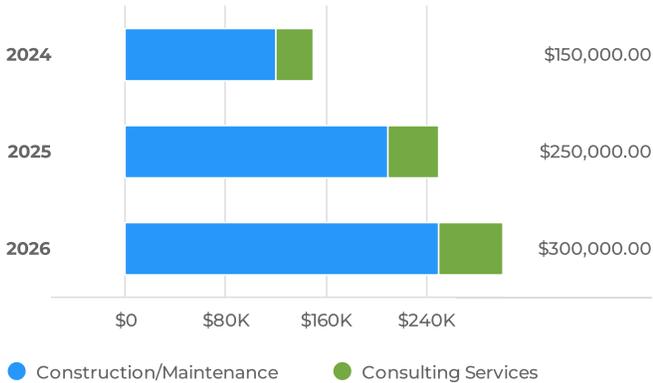
Positive Fiscal Impact

There is no direct positive fiscal impact of this project, but elimination of walking hazards will reduce the City's potential liability to trip and fall claims associated with sidewalks.

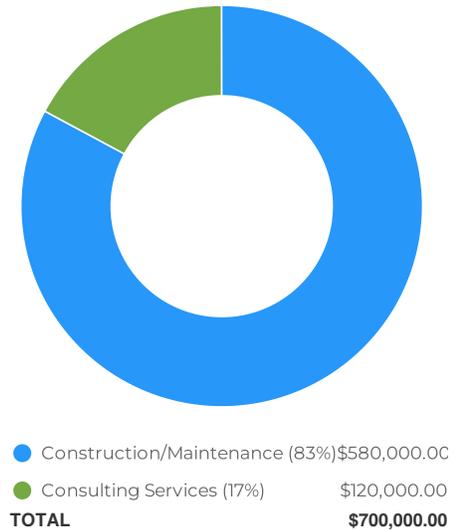
Capital Cost

FY2024 Budget	Total Budget (all years)	Project Total
\$150,000	\$700K	\$700K

Capital Cost by Year



Capital Cost for Budgeted Years



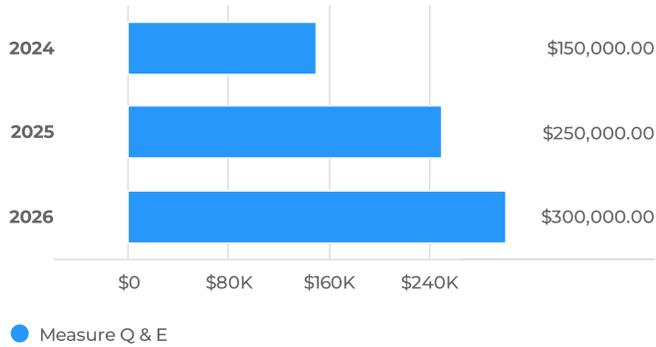
Capital Cost Breakdown				
Capital Cost	FY2024	FY2025	FY2026	Total
Construction/Maintenance	\$120,000	\$210,000	\$250,000	\$580,000
Consulting Services	\$30,000	\$40,000	\$50,000	\$120,000
Total	\$150,000	\$250,000	\$300,000	\$700,000



Funding Sources

FY2024 Budget **\$150,000** Total Budget (all years) **\$700K** Project Total **\$700K**

Funding Sources by Year

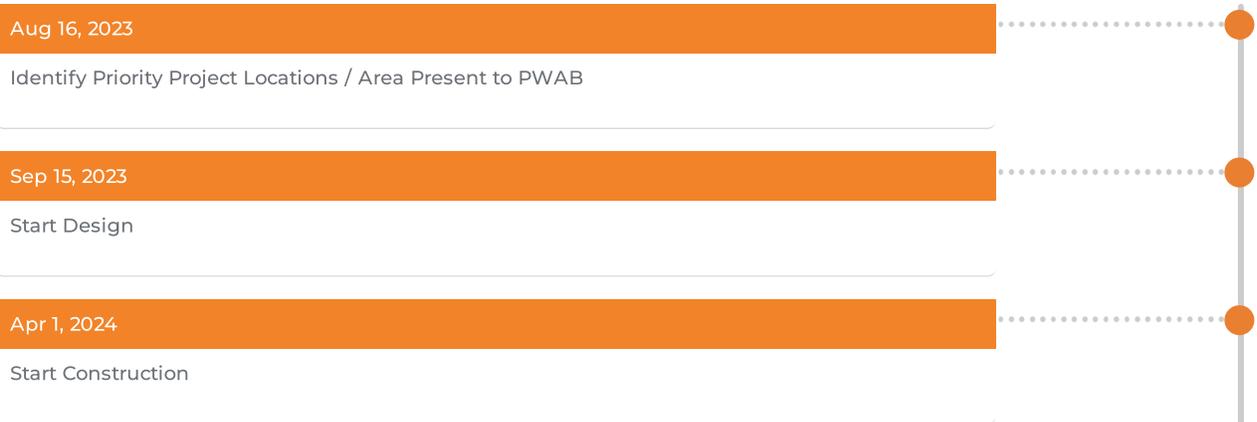


Funding Sources for Budgeted Years



Funding Sources Breakdown				
Funding Sources	FY2024	FY2025	FY2026	Total
Measure Q & E	\$150,000	\$250,000	\$300,000	\$700,000
Total	\$150,000	\$250,000	\$300,000	\$700,000

Projected Timeline



Jun 30, 2024

Project Completion



SRI/SR41/Main St Intersection Improvements

Overview

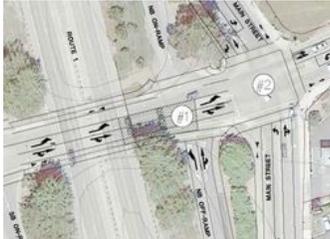
Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Public Works
Type	Capital Improvement
Project Number	915-8229

Description

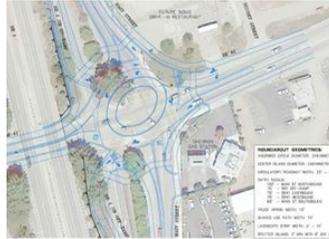
Replace the existing 4-way stop signs by either constructing a modern roundabout design in order to eliminate the closely spaced adjoining intersections or installing new coordinated traffic signals using the existing intersection configuration.

Note that prior year budgets total approximately \$1.5 million.

Images



SR 41/1/Main - Intersection
Traffic Signal Control Alternative



SR 41/1/Main - Intersection
Roundabout Alternative

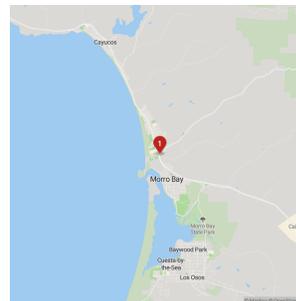


Intersection

Details

Project Location	SR1/SR41/Main St Intersection
Description	
Project Manager	Eric Riddiough
Total Prior Year Budget	FY 22 expenses \$51,652 + FY 23 budget \$1,481,093 = \$1,532,745
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 is a project with the purposes of reducing congestion, increasing safe passage of vehicles and pedestrians, and decreasing 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 this area of the City, especially now with the development of more housing and commercial sites in the area. 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 failures of LOS during peak hours and will worsen with projected growth of the City. Step 1&2 Intersection Control Evaluations (ICE), Phase 1 and Extended Phase 1 cultural studies have been completed and the Traffic Operations Analysis Report (TOAR) is in process. Caltrans and FHWA have authorized a Preliminary Assessment, Environmental Documentation (PA&ED) and NEPA/CEQA work is in progress. The city funded the ICE studies and PA&ED and will fund PS&E and San Luis Obispo Council of Governments (SLOCOG) has set aside funding for construction. 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.

Once PS&E has begun, a preliminary cost estimate will be developed and refined to identify the amount of funding needed to complete construction.

Positive Fiscal Impact

There are no direct fiscal impacts of the project, but the intersection will have increased operational efficiencies and safety improvements as a result. SLOCOG has set aside up to a maximum of \$5.89 million for construction costs with the expectation that the City would contribute 50% of the construction cost. All transportation funding is allocated on a reimbursable basis. The City has committed \$2.5 million of Measure Q & E funds, Developer Impact Fee Funds, and project-specific fees from 2022-2025 for design and PA&ED and partial funding of the construction. Once final construction costs are determined, additional funding may be required.

Capital Cost

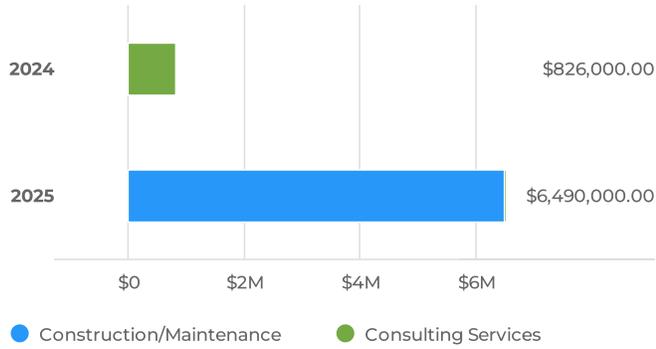
Total To Date
\$1,532,745

FY2024 Budget
\$826,000

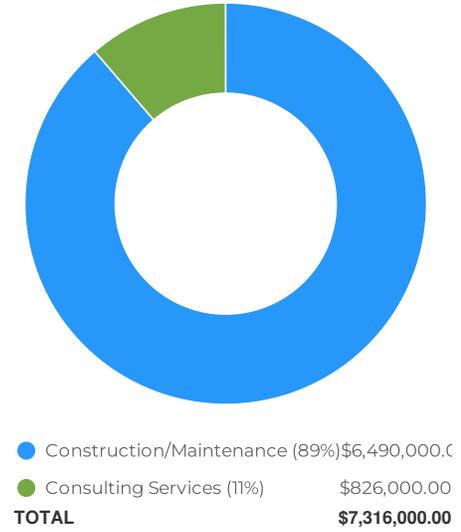
Total Budget (all years)
\$7.316M

Project Total
\$8.849M

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown				
Capital Cost	To Date	FY2024	FY2025	Total
Construction/Maintenance			\$6,490,000	\$6,490,000
Consulting Services		\$826,000		\$826,000
Other	\$1,532,745			\$1,532,745
Total	\$1,532,745	\$826,000	\$6,490,000	\$8,848,745

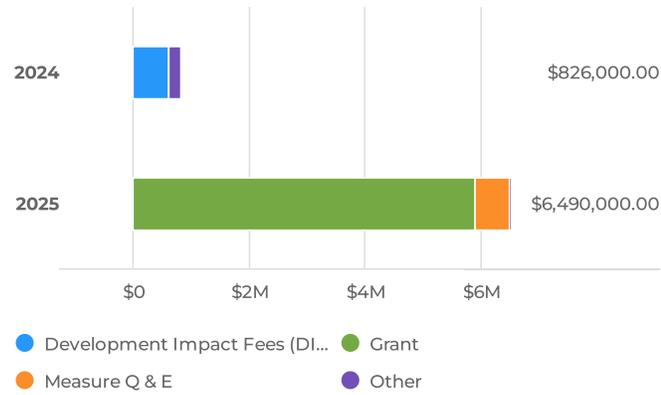
Funding Sources

FY2024 Budget
\$826,000

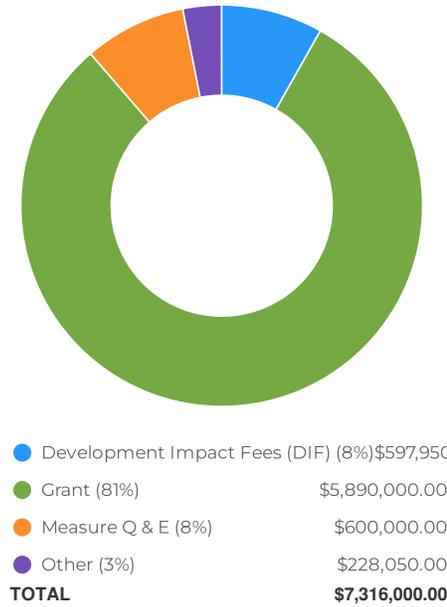
Total Budget (all years)
\$7.316M

Project Total
\$7.316M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown			
Funding Sources	FY2024	FY2025	Total
Measure Q & E		\$600,000	\$600,000
Grant		\$5,890,000	\$5,890,000
Other	\$228,050		\$228,050
Development Impact Fees (DIF)	\$597,950		\$597,950
Total	\$826,000	\$6,490,000	\$7,316,000

Projected Timeline

Aug 1, 2023

Start PS&E for preferred and approved intersection alternative



Mar 1, 2024

Finish PS&E and Bid for Construction

Jul 1, 2024

Start Construction



Storm and Flooding Damages - Facilities and Equipment

Overview

Request Owner	Greg Kwolek, Public Works Director
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2025
Department	Public Works
Type	Capital Improvement
Project Number	New

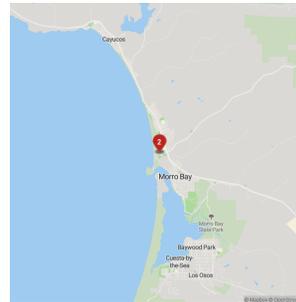
Description

This is a placeholder for facilities capital projects and equipment purchases related to the infrastructure impacts due to the 2023 winter storms. Staff will update the project scope and costs as they are further defined.

Details

Project Location Description	Corp yard, wells, and WWTP
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



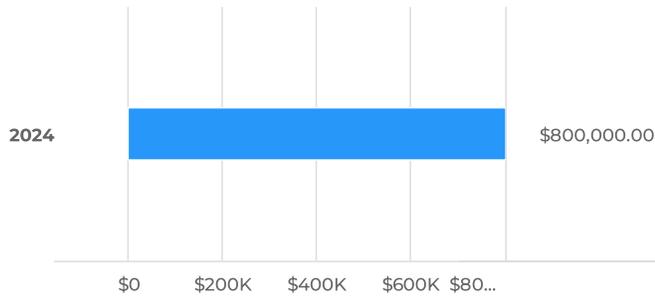
Project Justification

This is a placeholder for facilities capital projects and equipment purchases related to the infrastructure impacts due to the 2023 winter storms. Staff will update the project scope and costs as they are further defined.

Capital Cost

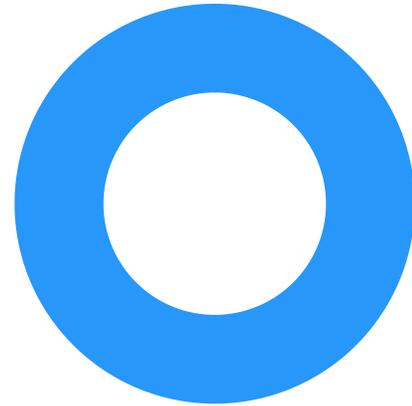
FY2024 Budget **\$800,000** Total Budget (all years) **\$800K** Project Total **\$800K**

Capital Cost by Year



● Repairs/Improvements

Capital Cost for Budgeted Years



● Repairs/Improvements (100%) \$800,000.00
TOTAL \$800,000.00

Capital Cost Breakdown

Capital Cost	FY2024	Total
Repairs/Improvements	\$800,000	\$800,000
Total	\$800,000	\$800,000

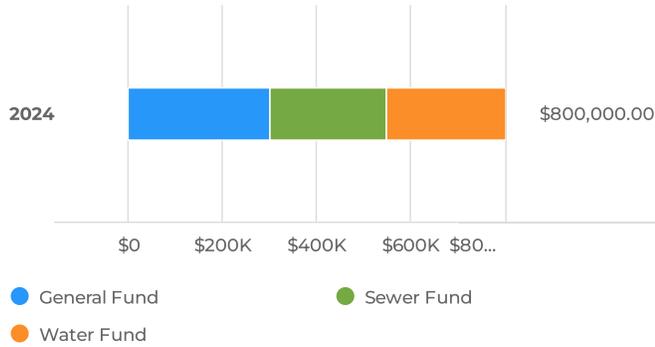
Funding Sources

FY2024 Budget
\$800,000

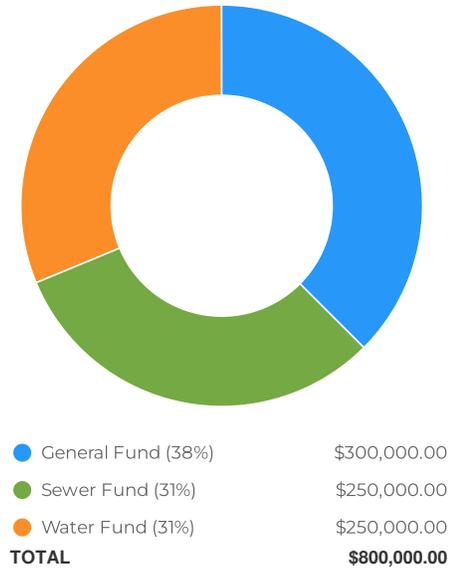
Total Budget (all years)
\$800K

Project Total
\$800K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2024	Total
General Fund	\$300,000	\$300,000
Water Fund	\$250,000	\$250,000
Sewer Fund	\$250,000	\$250,000
Total	\$800,000	\$800,000

Storm and Flooding Damages - Pavement and Pavement Repairs

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Public Works
Type	Capital Improvement
Project Number	New

Description

The storms of 2023 starting with the January 9th storm resulted in significant damage to pavement on several roadways that were inundated due to flooding. These roadways included Main Street, Radcliff Ave., Preston Lane, Errol Street, and Atascadero Road. South Bay Boulevard also experienced severe damage to the pavement, but it also had several areas where the shoulder of the road was washed out and needed to be repaired. One repair to the road was already made so that it could be opened back up to traffic. Other areas of South Bay Boulevard are still impacted with reduced bike lane due to shoulder erosion. This request is for allocating funding to make repairs and replace pavement in areas damaged by flooding.

Images



Pavement Damage



Main Street - mud

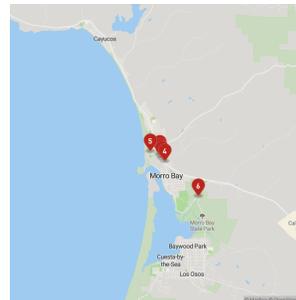


South Bay flooded

Details

Project Location	various
Description	
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

The pavement life has deteriorated dramatically as a result of the storms. If not funded, further degradation will occur resulting in potential damages to vehicles and safety concerns.

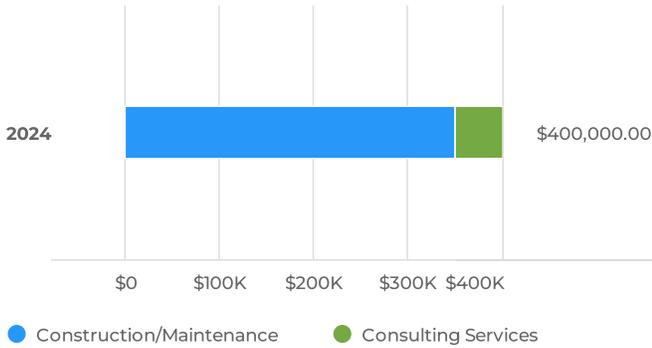
Positive Fiscal Impact

There is no positive fiscal impact resulting from this project. This project is to restore roadways to original condition for damages done during the heavy storms. This will limit future liabilities associated with poor roadway conditions.

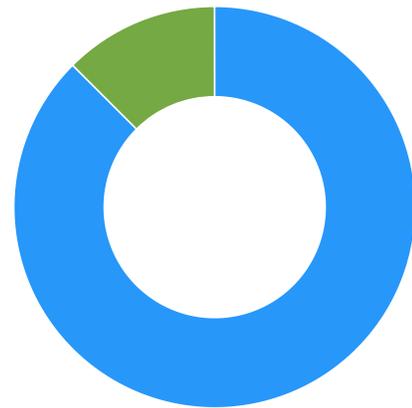
Capital Cost

FY2024 Budget	Total Budget (all years)	Project Total
\$400,000	\$400K	\$400K

Capital Cost by Year



Capital Cost for Budgeted Years



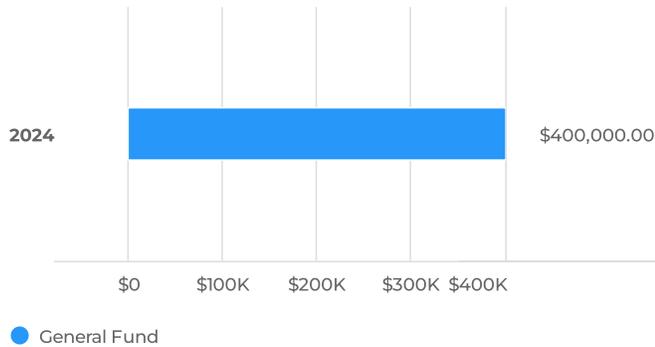
● Construction/Maintenance (88%) \$350,000.00
● Consulting Services (13%) \$50,000.00
TOTAL \$400,000.00

Capital Cost Breakdown		
Capital Cost	FY2024	Total
Construction/Maintenance	\$350,000	\$350,000
Consulting Services	\$50,000	\$50,000
Total	\$400,000	\$400,000

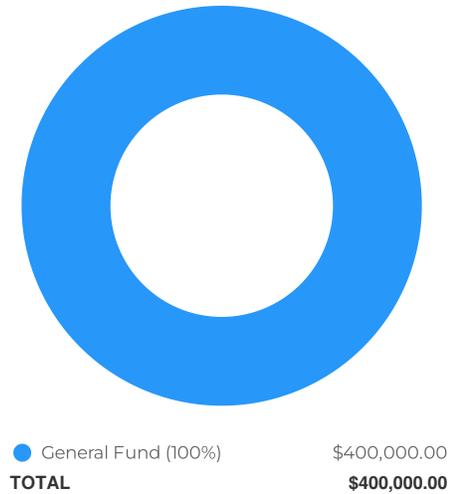
Funding Sources

FY2024 Budget **\$400,000** Total Budget (all years) **\$400K** Project Total **\$400K**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown		
Funding Sources	FY2024	Total
General Fund	\$400,000	\$400,000
Total	\$400,000	\$400,000

Trash and Recycling Can Replacements

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Public Works
Type	Capital Improvement
Project Number	NEW

Description

The project will entail the replacement of trash and recycling containers in the Embarcadero and Downtown areas.

Details

Project Location Description	Various locations along the Embarcadero and Downtown
Project Manager	Dale Simpson, Consolidated Maintenance Superintendent
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

Project Justification

The current trash and recycling containers along the Embarcadero and Downtown areas are beyond their useful life, starting to degrade where doors are rusting and not functioning properly, and the current configuration allows for birds to pull trash out of containers, scattering material on the ground, leading to an unsightly appearance and potential for pollution in the bay that could impact fish and wildlife.

Positive Fiscal Impact

Container replacement would address cleanliness and bay pollution issues as new containers would be designed to eliminate the ability for birds to pull trash out that can then scattered on the ground or be blown into the bay.

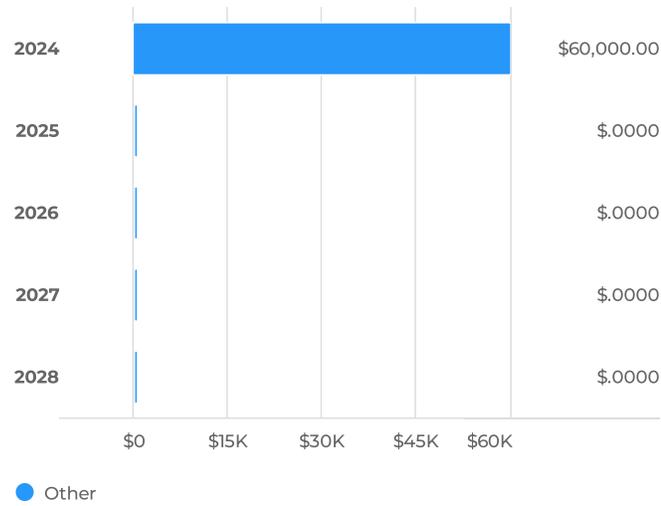
Capital Cost

FY2024 Budget
\$60,000

Total Budget (all years)
\$60K

Project Total
\$60K

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown							
Capital Cost	To Date	FY2024	FY2025	FY2026	FY2027	FY2028	Total
Other	\$0	\$60,000	\$0	\$0	\$0	\$0	\$60,000
Total	\$0	\$60,000	\$0	\$0	\$0	\$0	\$60,000

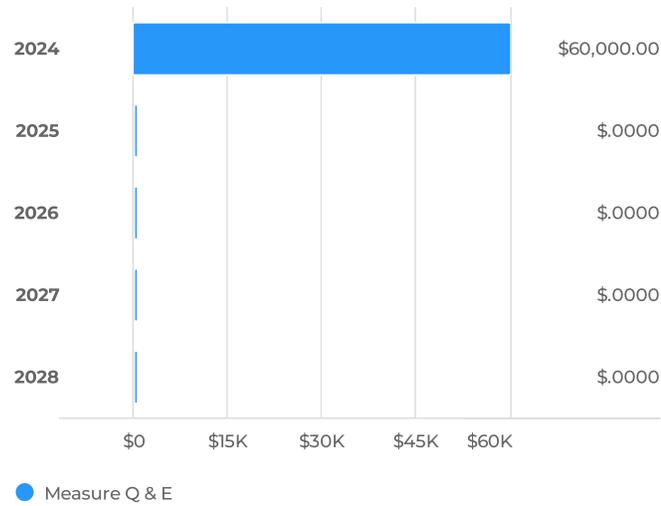
Funding Sources

FY2024 Budget
\$60,000

Total Budget (all years)
\$60K

Project Total
\$60K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown							
Funding Sources	To Date	FY2024	FY2025	FY2026	FY2027	FY2028	Total
Measure Q & E	\$0	\$60,000	\$0	\$0	\$0	\$0	\$60,000
Total	\$0	\$60,000	\$0	\$0	\$0	\$0	\$60,000

Veteran's Hall Building Improvements

Overview

Request Owner	Greg Kwolek, Public Works Director
Est. Start Date	07/01/2023
Est. Completion Date	12/31/2024
Department	Public Works
Type	Capital Improvement
Project Number	915-9508

Description

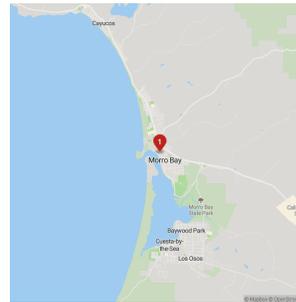
This project is to modernize the Veteran's Hall Building to enable it to be used as a Council Chambers. The work will include a new audio/visual architecture with new audio/visual devices; renovation of the Council Chambers, adjacent conference room, the audio visual control room; electrical upgrades, and ADA upgrades to the building and restroom facilities.

The "other" funding source for this project is Public, Educational and Governmental Access funds (PEG).

Details

Project Location Description	209 Surf Street, Morro Bay, CA 93442
Project Manager	Eric Riddiough, Senior Civil Engineer
Total Prior Year Budget	156,900
Type of Project	Refurbishment
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Location



Project Justification

In recent years, the state of the Council Chambers electrical and audio/visual components have deteriorated to the point of being unreliable during public meetings. Further, the audio/visual system architecture is over 30 years old and outdated, limiting access to the City's public meetings. The current setup of the audio/visual equipment requires setup and breakdown for each of the seven (average) public meetings that occur each month, which comes as an expense to the City. In order to accommodate permanent placement of audio/equipment, the project must include a renovation of the walls of the council chambers room, the adjacent conference room, and the audio/visual control room. The building also lacks accessible restrooms, which this project would address.

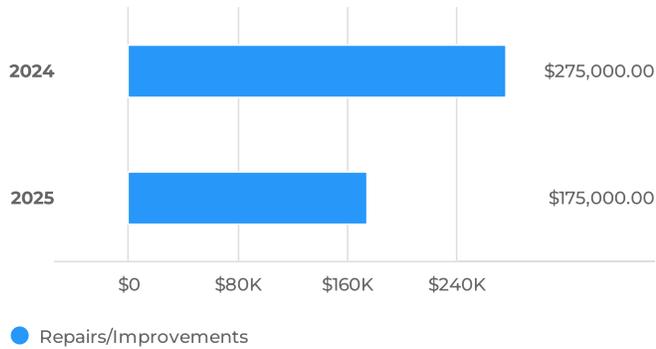
Positive Fiscal Impact

In the long run, this project will reduce the reliance on outside contractors to run City public meetings, which will represent a positive return for the City. Also, upgrading the building's restrooms to an ADA standard will reduce associated liabilities.

Capital Cost

Total To Date	FY2024 Budget	Total Budget (all years)	Project Total
\$156,900	\$275,000	\$450K	\$606.9K

Capital Cost by Year



Capital Cost for Budgeted Years



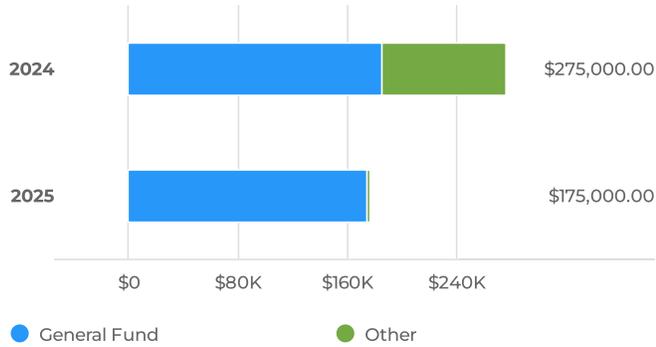
Capital Cost Breakdown

Capital Cost	To Date	FY2024	FY2025	Total
Repairs/Improvements	\$156,900	\$275,000	\$175,000	\$606,900
Total	\$156,900	\$275,000	\$175,000	\$606,900

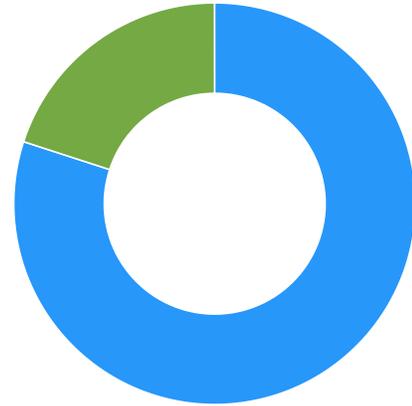
Funding Sources

Total To Date **\$148,200** FY2024 Budget **\$275,000** Total Budget (all years) **\$450K** Project Total **\$598.2K**

Funding Sources by Year



Funding Sources for Budgeted Years



● General Fund (80%) \$360,027.00
 ● Other (20%) \$89,973.00
TOTAL **\$450,000.00**

Funding Sources Breakdown

Funding Sources	To Date	FY2024	FY2025	Total
General Fund	\$30,572	\$185,027	\$175,000	\$390,599
Other	\$117,628	\$89,973		\$207,601
Total	\$148,200	\$275,000	\$175,000	\$598,200

WRF - Water Reclamation Facility Project

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2025
Department	Public Works
Type	Capital Improvement
Project Number	922-8312

Description

This Water Reclamation Facility program includes construction of three program components: the new Water Resources Center (WRC), the conveyance facilities necessary to connect the pump station near the old wastewater treatment plant (WWTP) and the new WRC, and the indirect potable reuse project, which includes injection wells to replenish the groundwater in the Lower Morro Basin. The project which is the largest City public works project ever, was necessary to comply with the 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 City has met the Time Schedule Order and is now focused on closing out the WRC and conveyance facilities projects, as well as the planning and design of the indirect potable reuse project. This component of the program will provide a new, local, and sustainable water supply for the City. Additional information about the WRF can be found [here \(https://morrobaywrf.com/\)](https://morrobaywrf.com/).

The recommended FY24 budget maintains the current adopted budget of \$159.8M and includes budget transfers between the individual budget line items to cover contract amendments for Conveyance Facilities construction, descopeing two planned capital projects from the Water Resources Center and Conveyance Construction budgets due to funding incompatibility, adjusting internal and contracted City costs, and moving budget into program contingency to account for potential construction contractor claims. Funding for the Recycled Water Facilities has been maintained from the adopted FY23 budget. The Program Management budget has also been adjusted to accommodate the potential construction contractor claims.

Images



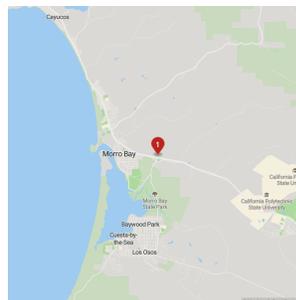
WRF Project Map

Details

Project Location Description

This WRF is 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

Location



	Quintana Road, and north on South Bay Boulevard.
Project Manager	Paul Amico, Carollo Engineers
Total Prior Year Budget	149220410
Type of Project	New Construction
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Project Justification

This project is in line with the City's goals to construct a new WRC to come into compliance with new effluent discharge requirements and produce recycled water. The project was 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 goal of Public Infrastructure.

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

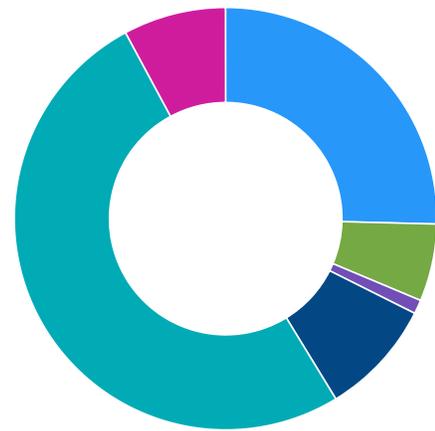
Total To Date	FY2024 Budget	Total Budget (all years)	Project Total
\$149,220,410	\$6,829,937	\$10.635M	\$159.855M

Capital Cost by Year



- WRF-City Costs
- WRF-Conveyance Facilities D...
- WRF-Plant Design-Build
- WRF-Recycled Water Facilitie...
- WRF-Conveyance Facilities C...
- WRF-Other Consulting Servic...
- WRF-Program Management
- WRF-Recycled Water Facilitie...

Capital Cost for Budgeted Years



- WRF-City Costs (25%) \$2,865,536.00
- WRF-Conveyance Facilities Construction (6%)
- WRF-Conveyance Facilities Design, ESDC/Per...
- WRF-Other Consulting Services (1%)\$120,000.
- WRF-Plant Design-Build (-5%)\$-520,000.00000
- WRF-Program Management (9%)\$1,000,000.00
- WRF-Recycled Water Facilities Construction (
- WRF-Recycled Water Facilities Design, ESDC/
- TOTAL \$10,634,512.00**

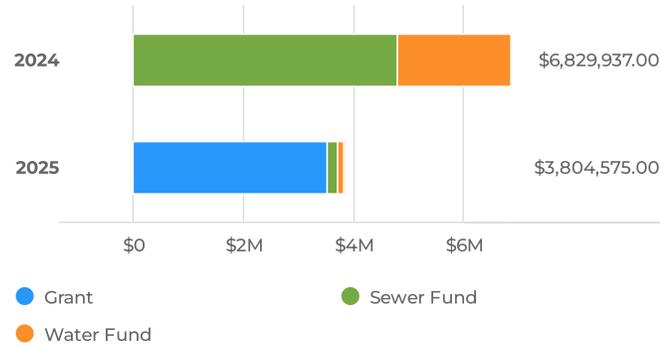
Capital Cost Breakdown				
Capital Cost	To Date	FY2024	FY2025	Total
WRF-Plant Design-Build	\$79,643,216	-\$520,000		\$79,123,216
WRF-Conveyance Facilities Design, ESDC/Permitting	\$5,073,603	-\$117,567		\$4,956,036
WRF-Conveyance Facilities Construction	\$34,701,121	\$667,193		\$35,368,314
WRF-Recycled Water Facilities Design, ESDC/Permitting	\$2,143,650	\$550,000	\$335,000	\$3,028,650
WRF-Recycled Water Facilities Construction	\$661,174	\$2,867,175	\$2,867,175	\$6,395,524
WRF-City Costs	\$10,885,016	\$2,613,136	\$252,400	\$13,750,552
WRF-Program Management	\$14,535,288	\$700,000	\$300,000	\$15,535,288
WRF-Other Consulting Services	\$1,577,342	\$70,000	\$50,000	\$1,697,342
Total	\$149,220,410	\$6,829,937	\$3,804,575	\$159,854,922



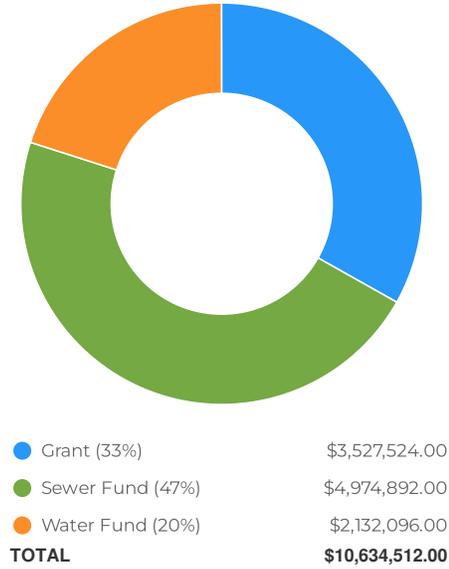
Funding Sources

Total To Date **\$149,220,410**
 FY2024 Budget **\$6,829,937**
 Total Budget (all years) **\$10.635M**
 Project Total **\$159.855M**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	To Date	FY2024	FY2025	Total
Water Fund	\$3,184,631	\$2,048,981	\$83,115	\$5,316,727
Sewer Fund	\$7,430,805	\$4,780,956	\$193,936	\$12,405,697
Grant			\$3,527,524	\$3,527,524
WIFIA/SRF Loans	\$138,604,974			\$138,604,974
Total	\$149,220,410	\$6,829,937	\$3,804,575	\$159,854,922



STORM DRAIN/CREEK MAINT. REQUESTS



Annual Storm Drain Replacement and Major Maintenance Project

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Storm Drain/Creek Maint.
Type	Capital Improvement
Project Number	New

Description

The recent heavy storms and floods of 2023 in Morro Bay have been detrimental to residents' and city-owned infrastructure with damages estimated in the tens of millions of dollars. With the possibility of increased frequency of intense storm events, stormwater management is of great concern to the City and its residents. Several existing storm drain lines have shown evidence of failure or are near failure, and heavy rains will continue to cause damage to public and private property and present safety hazards if not addressed with replacement projects.

This request is to establish an annual program for identification of hot spot storm drain concerns in the existing network and replace lines over time. This will also incorporate some of the capacity storm drain improvements that are unfunded identified in the 2018 OneWater Plan.

-Funding of \$200,00 for this project is from the previously allocated carry-forward budget for project 9934-Storm Drain 01B Pipeline and Kern.

Images



Harbor

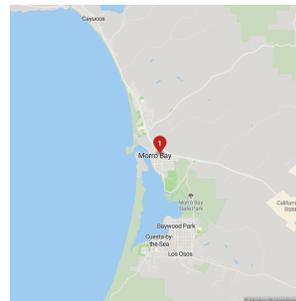


Elena / Juniper

Details

Project Location	various
Description	
Project Manager	Eric Riddiough
Total Prior Year Budget	0
Type of Project	Replacement
One-Time or Ongoing	Ongoing
New or Existing Project	New
City Council Goal	Public Infrastructure

Location



Project Justification

With the possibility of an increased frequency of intense storm events, stormwater management is of great concern to the City and its residents. Several existing storm drain lines have shown evidence of failure or are near failure, and heavy rains will continue to cause damage to public and private property and present safety hazards if not addressed with replacement projects.

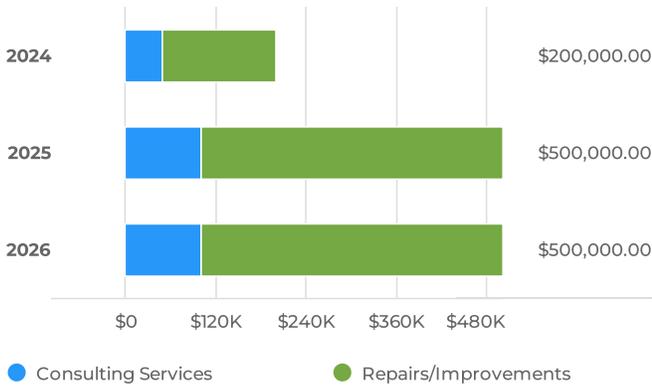
Positive Fiscal Impact

This does not have a direct fiscal impact for the City, but future unfunded liabilities for public and private property and safety will be reduced with the implementation of a regular storm drain replacement project.

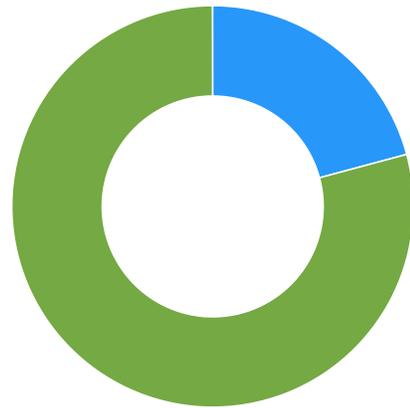
Capital Cost

FY2024 Budget	Total Budget (all years)	Project Total
\$200,000	\$1.2M	\$1.2M

Capital Cost by Year



Capital Cost for Budgeted Years



● Consulting Services (21%)	\$250,000.00
● Repairs/Improvements (79%)	\$950,000.00
TOTAL	\$1,200,000.00

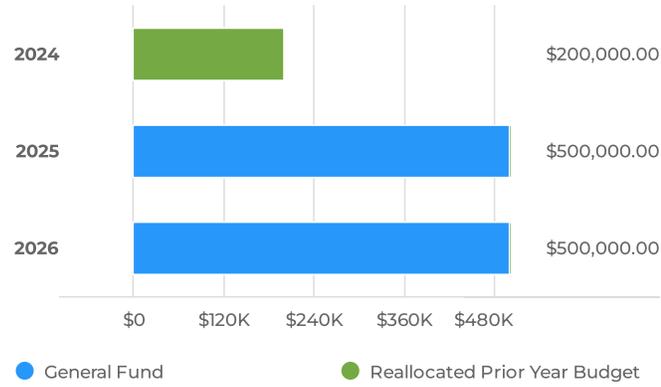
Capital Cost Breakdown

Capital Cost	FY2024	FY2025	FY2026	Total
Repairs/Improvements	\$150,000	\$400,000	\$400,000	\$950,000
Consulting Services	\$50,000	\$100,000	\$100,000	\$250,000
Total	\$200,000	\$500,000	\$500,000	\$1,200,000

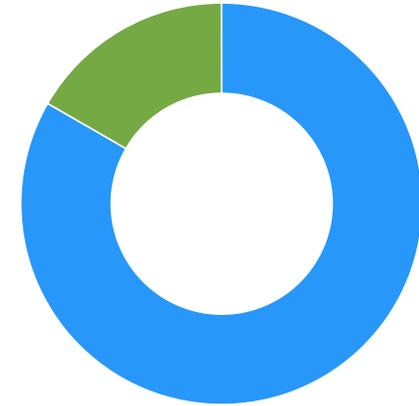
Funding Sources

FY2024 Budget **\$200,000** Total Budget (all years) **\$1.2M** Project Total **\$1.2M**

Funding Sources by Year



Funding Sources for Budgeted Years



● General Fund (83%) \$1,000,000.00
● Reallocated Prior Year Budget (17%) \$200,000.00
TOTAL **\$1,200,000.00**

Funding Sources Breakdown

Funding Sources	FY2024	FY2025	FY2026	Total
General Fund		\$500,000	\$500,000	\$1,000,000
Reallocated Prior Year Budget	\$200,000			\$200,000
Total	\$200,000	\$500,000	\$500,000	\$1,200,000

Waterways and Storm Systems Management Plan

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Storm Drain/Creek Maint.
Type	Other
Project Number	New

Description

The storms and floods of 2023 in Morro Bay have been detrimental to residents' and city-owned infrastructure with damages estimated in the tens of millions of dollars. With the possibility of an increased frequency of intense storm events, stormwater management is of great concern to the City and its residents. The city does not have a recent plan on record for looking at flooding issues or any plan for addressing maintenance concerns for streambeds on public or private property.

This request would be to develop a Waterways and Storm System Management Plan to assess the hydrology of the City's tributary areas and stormwater conduits, an approach and plan to address flooding, erosion, water quality, and ecological issues in the Morro Bay and Chorro Valley Watersheds that can be implemented with approval from various regulatory agencies. The plan may address potential stream maintenance and management, flood control alternatives, stream bank stabilization, debris and silt management, habitat conservation and restoration, and other topics to be determined. In addition, an overall assessment of the City's storm drain system in concert with the OneWater Plan update is necessary not only to assess the capacity of the City's system but also current deficiencies and a condition assessment of existing assets.

Possible Hazard Mitigation eligibility for this project in the future.

Partial funding for this project is combined from two previously allocated carry-forward budgets for a total of \$108,162 in funding:

- \$62,700 from project 9933-SD-01A Pipeline Kern & Anchor
- \$45,462 from project 9934-SD 01B Pipeline Ker & Anchor

Images



Flooding on South Bay



Morro Creek

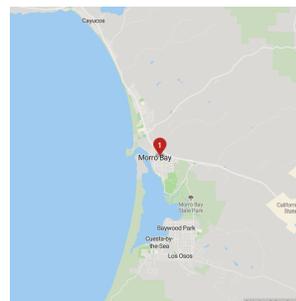


Harbor Storm Drain

Details

Project Location	various
Description	
Project Manager	Eric Riddiough
Total Prior Year Budget	0
Type of Project	Other
One-Time or Ongoing	One-Time
New or Existing Project	New

Location



Project Justification

The storms and floods of 2023 in Morro Bay have been detrimental to residents' and city-owned infrastructure with damages estimated in the tens of millions of dollars. With the possibility of an increased frequency of intense storm events, stormwater management is of great concern to the City and its residents.

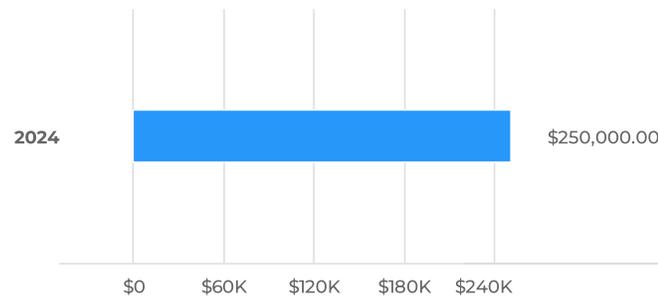
Positive Fiscal Impact

A plan like this may be a first step in assessing the risk of flooding and addressing ways to minimize costly flood and storm related concerns for the City and its residents.

Capital Cost

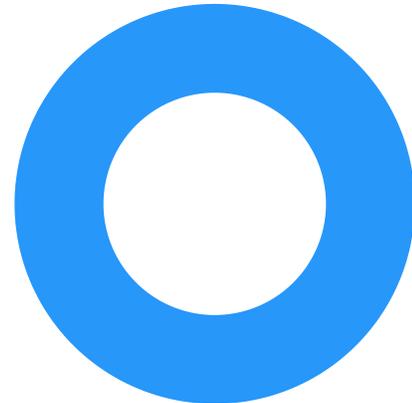
FY2024 Budget	Total Budget (all years)	Project Total
\$250,000	\$250K	\$250K

Capital Cost by Year



● Consulting Services

Capital Cost for Budgeted Years



● Consulting Services (100%) \$250,000.00
TOTAL **\$250,000.00**

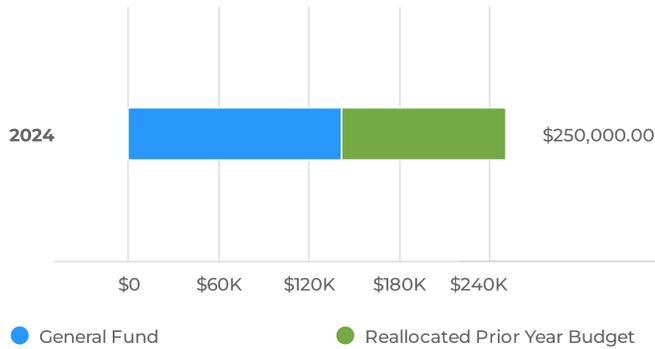
Capital Cost Breakdown

Capital Cost	FY2024	Total
Consulting Services	\$250,000	\$250,000
Total	\$250,000	\$250,000

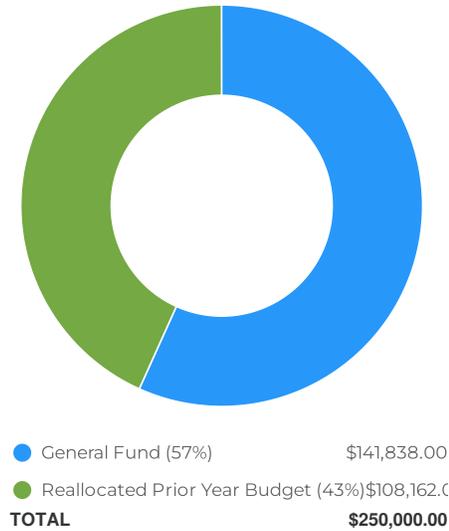
Funding Sources

FY2024 Budget **\$250,000** Total Budget (all years) **\$250K** Project Total **\$250K**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2024	Total
General Fund	\$141,838	\$141,838
Reallocated Prior Year Budget	\$108,162	\$108,162
Total	\$250,000	\$250,000

Projected Timeline

Jul 1, 2023

Develop RFP

Sep 30, 2023

Procure Consultant for Plan Development

Jan 15, 2024

Draft of Plan



Mar 1, 2024

Final Draft of Plan



TRANSIT CIP REQUESTS



Transit Comprehensive Operational Analysis

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	08/01/2023
Est. Completion Date	12/31/2024
Department	Transit CIP
Type	Other
Project Number	New (920-8032)

Description

The project would consist of hiring a consultant to prepare an operational analysis of Morro Bay Transit to improve services provided that would make transit a more viable option for City residents and visitors.

Images



Morro Bay Transit Logo



Morro Bay Transit Bus



Morro Bay Trolley

Details

Project Location Description	City limits
Project Manager	Janeen Burlingame, Management Analyst
Total Prior Year Budget	0
Type of Project	Other
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	None

Project Justification

Travel patterns for residents and visitors using the City's local public transit systems began to change prior to the COVID pandemic and were exacerbated during the pandemic have resulted in impacts to ridership that the City wants to evaluate and identify recommendations for short-, medium-, and long-term opportunities to redefine or modify existing transit services to create services that serve diverse demands.

Positive Fiscal Impact

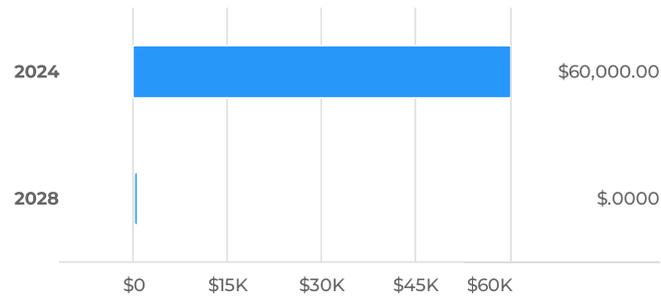


The operational analysis will result in the identification of short-, medium-, and long-term opportunities to redefine or modify existing transit services to create services designed to increase usage by residents and visitors, enabling the City to be more efficient and effective in the use of Transportation Development Act Local Transportation Fund and State Transit Assistance funds it receives from the State.

Capital Cost

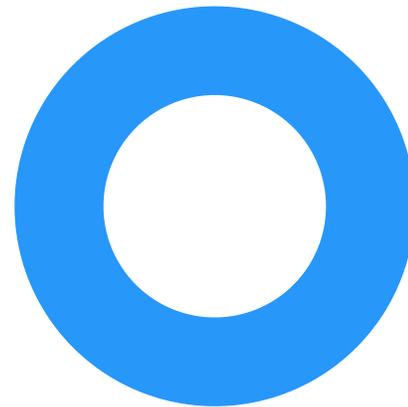
FY2024 Budget	Total Budget (all years)	Project Total
\$60,000	\$60K	\$60K

Capital Cost by Year



● Planning

Capital Cost for Budgeted Years



● Planning (100%) \$60,000.00
TOTAL \$60,000.00

Capital Cost Breakdown

Capital Cost	To Date	FY2024	FY2028	Total
Planning	\$0	\$60,000		\$60,000
Total	\$0	\$60,000		\$60,000

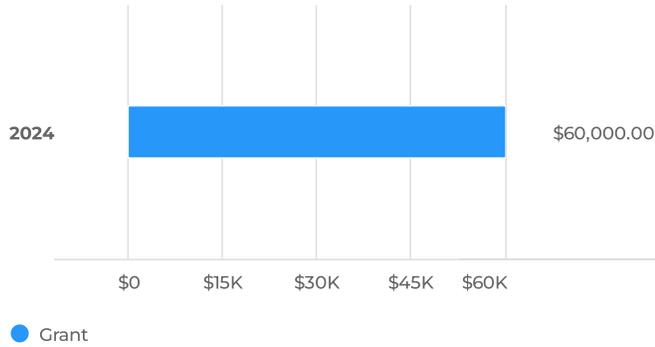
Funding Sources

FY2024 Budget
\$60,000

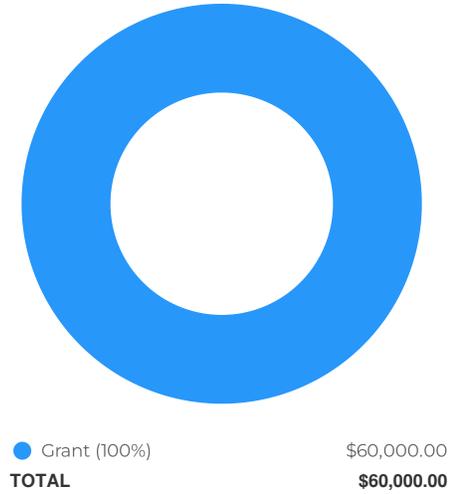
Total Budget (all years)
\$60K

Project Total
\$60K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown			
Funding Sources	To Date	FY2024	Total
Grant	\$0	\$60,000	\$60,000
Total	\$0	\$60,000	\$60,000

WASTEWATER COLLECTION REQUESTS



Beachcomber Drive Area Backyard Sewer Improvements - Design

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2026
Department	Wastewater Collection
Type	Capital Improvement
Project Number	New

Description

The residential property east of Beachcomber Drive and west of SR1 are sewerred with mostly with 6-inch VCP sewer mains located in the adjoining backyards. A preliminary design has been performed for this project as part of the Beachcomber Sewer Main project. This is funding to do a feasibility study and full design (PS&E) to come up with a plan to replace the existing sewer mains with 8-inch PVC sewer mains in existing easement, or in the street, and replace the existing cap and/or plug at the end of each sewer main with a cleanout or manhole. Construction costs are speculative and very preliminary at this point and will not be requested until 65-75% design is complete.

Images

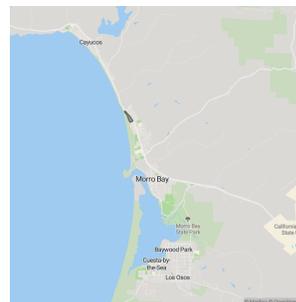


Beachcomber Drive

Details

Project Location Description	Beach Tract east of Beachcomber Drive
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 Plan\(/resource/cleargov-prod/projects/documents/5ac45824c57c5de20d7d.jpg\)](#)

Project Justification

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 connections 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 with 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. A preliminary design was started this year and continued design is essential to mitigate the I/I and SSO's in the future.

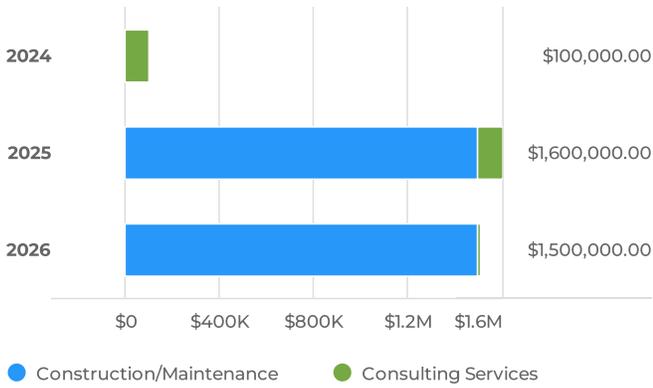
Positive Fiscal Impact

This is a necessary replacement to decrease stormwater inflow to the sanitary sewer system. The ROI is unknown at this time, but it is estimated that wastewater processing volumes will significantly reduce during heavy rain events.

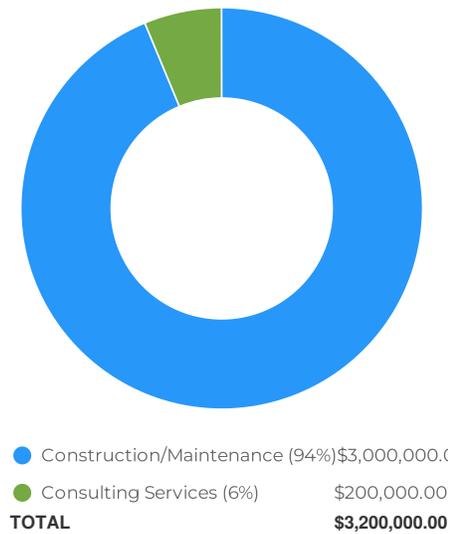
Capital Cost

FY2024 Budget	Total Budget (all years)	Project Total
\$100,000	\$3.2M	\$3.2M

Capital Cost by Year



Capital Cost for Budgeted Years



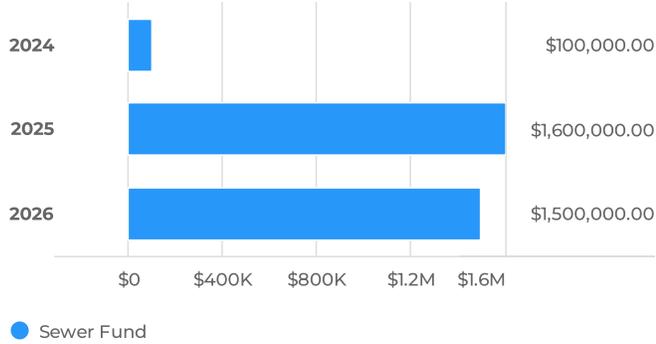
Capital Cost Breakdown

Capital Cost	FY2024	FY2025	FY2026	Total
Construction/Maintenance		\$1,500,000	\$1,500,000	\$3,000,000
Consulting Services	\$100,000	\$100,000		\$200,000
Total	\$100,000	\$1,600,000	\$1,500,000	\$3,200,000

Funding Sources

FY2024 Budget **\$100,000** Total Budget (all years) **\$3.2M** Project Total **\$3.2M**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2024	FY2025	FY2026	Total
Sewer Fund	\$100,000	\$1,600,000	\$1,500,000	\$3,200,000
Total	\$100,000	\$1,600,000	\$1,500,000	\$3,200,000

Beachcomber Drive Sewer Main Replacement

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Wastewater Collection
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 new manholes, slope stabilization, roadway restoration of the west side of Beachcomber Drive to prevent further degradation of the road surface.

Images

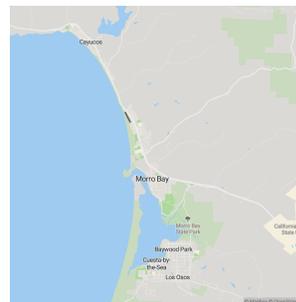


Looking South on Beachcomber Drive - Sewer Main on right of roadway

Details

Project Location	Beachcomber Drive
Description	
Project Manager	Eric Riddiough
Total Prior Year Budget	1751912
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 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.

The 100% design was completed in FY 22/23, and the probable cost estimate shows that another \$150,000 is needed in budgeted funds for the construction of this main line.

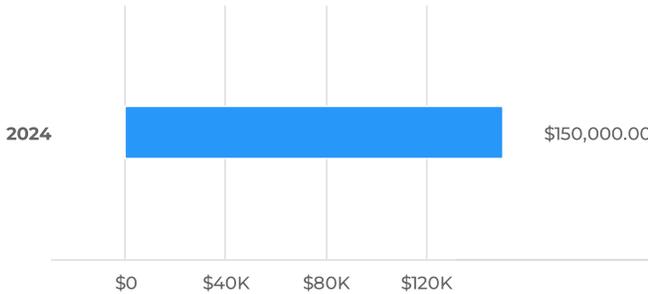
Positive Fiscal Impact

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

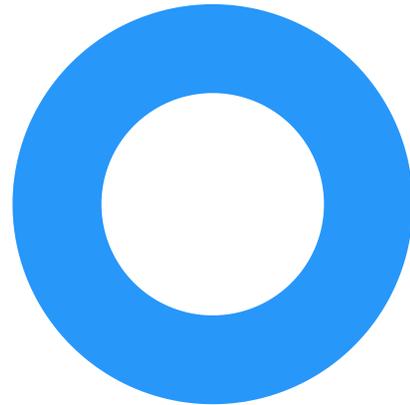
Total To Date	FY2024 Budget	Total Budget (all years)	Project Total
\$1,751,912	\$150,000	\$150K	\$1.902M

Capital Cost by Year



● Construction/Maintenance

Capital Cost for Budgeted Years



● Construction/Maintenance (100%) \$150,000.00
TOTAL \$150,000.00

Capital Cost Breakdown

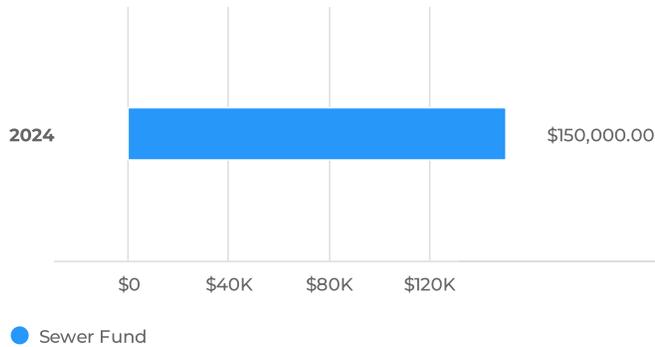
Capital Cost	To Date	FY2024	Total
Construction/Maintenance	\$1,207,000	\$150,000	\$1,357,000
Consulting Services	\$514,912		\$514,912
Other	\$30,000		\$30,000
Total	\$1,751,912	\$150,000	\$1,901,912



Funding Sources

FY2024 Budget **\$150,000** Total Budget (all years) **\$150K** Project Total **\$150K**

Funding Sources by Year



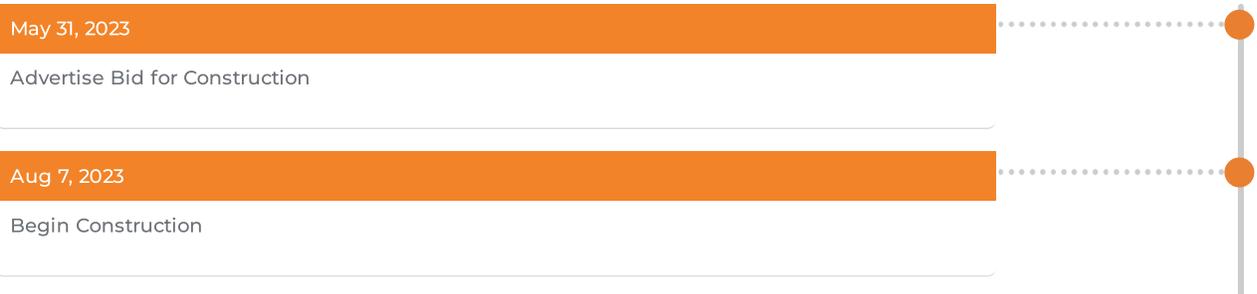
Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2024	Total
Sewer Fund	\$150,000	\$150,000
Total	\$150,000	\$150,000

Projected Timeline



Capital Vehicles and Equipment Replacement - Sewer

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Wastewater Collection
Type	Capital Improvement
Project Number	922-9919

Description

This request covers replacement vehicle purchases and future savings allocations for vehicle / mobile equipment replacements for Sewer Division in Utilities.

There are no vehicles scheduled for replacement in FY 23/24 - 26/27.

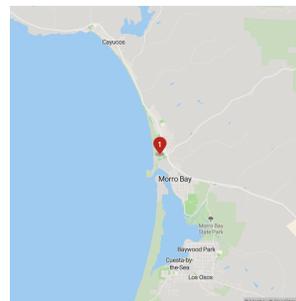
Images



Details

Project Location	n/a
Description	
Project Manager	Damaris Hanson
Total Prior Year Budget	174000
Type of Project	Other
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
City Council Goal	Fiscal Sustainability & Economic Vitality

Location



Supplemental Attachments

[Reserve Estimates Backup\(/resource/cleargov-prod/projects/documents/c707545e86bade809fbf.xlsx\)](/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.

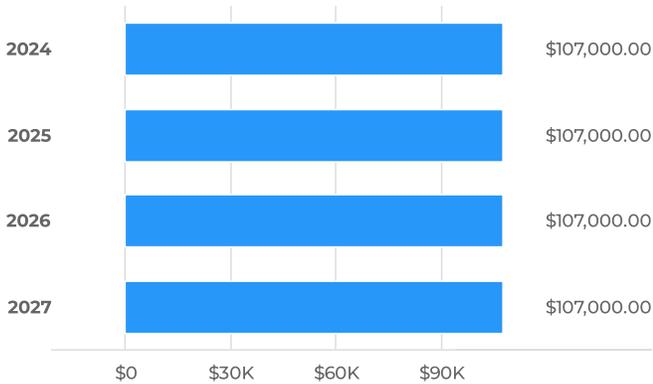
Positive Fiscal Impact

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

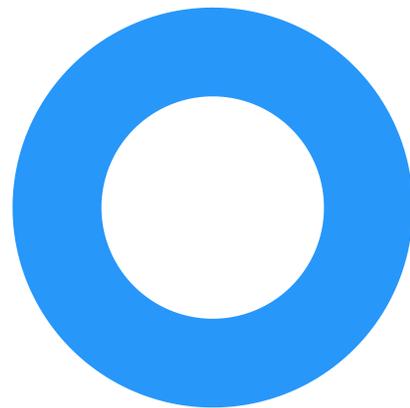
Total To Date	FY2024 Budget	Total Budget (all years)	Project Total
\$174,000	\$107,000	\$428K	\$602K

Capital Cost by Year



● Other

Capital Cost for Budgeted Years



● Other (100%)

\$428,000.00

TOTAL

\$428,000.00

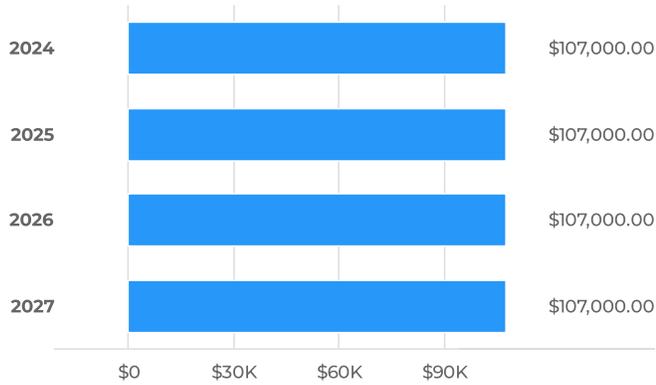
Capital Cost Breakdown

Capital Cost	To Date	FY2024	FY2025	FY2026	FY2027	Total
Other	\$174,000	\$107,000	\$107,000	\$107,000	\$107,000	\$602,000
Total	\$174,000	\$107,000	\$107,000	\$107,000	\$107,000	\$602,000

Funding Sources

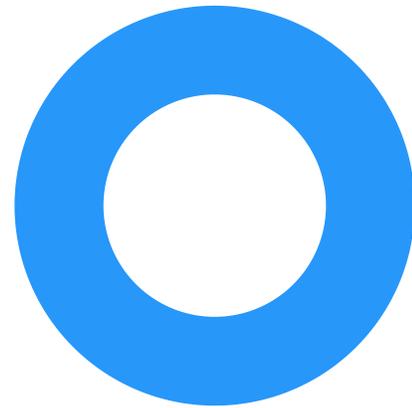
FY2024 Budget **\$107,000** Total Budget (all years) **\$428K** Project Total **\$428K**

Funding Sources by Year



● Sewer Fund

Funding Sources for Budgeted Years



● Sewer Fund (100%) \$428,000.00
TOTAL **\$428,000.00**

Funding Sources Breakdown

Funding Sources	FY2024	FY2025	FY2026	FY2027	Total
Sewer Fund	\$107,000	\$107,000	\$107,000	\$107,000	\$428,000
Total	\$107,000	\$107,000	\$107,000	\$107,000	\$428,000

Main Street and Atascadero Sewer Main Replacements

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2026
Department	Wastewater Collection
Type	Capital Improvement
Project Number	922-9928 (1Water-Wastewater Collection)

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	FY 22 expenditures \$71,131 + FY 23 Budget \$920,289 = \$991,420
Type of Project	Replacement
One-Time or Ongoing	One-Time
New or Existing Project	In progress

Location



Supplemental Attachments

 [OneWater Plan\(/resource/cleargov-prod/projects/documents/d50c173334d6777b79e3.jpg\)](/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 utility holes to surcharge within 3 feet of the utility hole 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 utility holes to surcharge within 3 feet of the utility hole 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 a high likelihood of upstream utility holes to surcharge above design capacity.

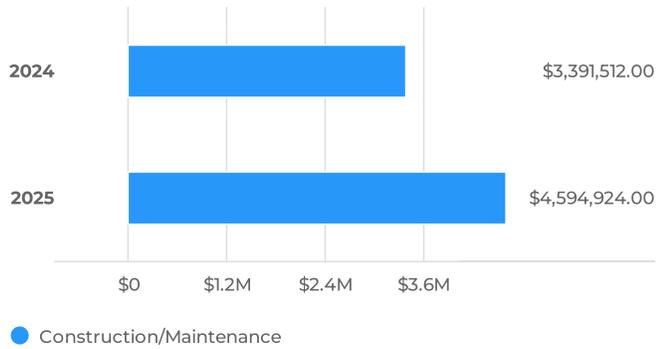
Positive Fiscal Impact

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.

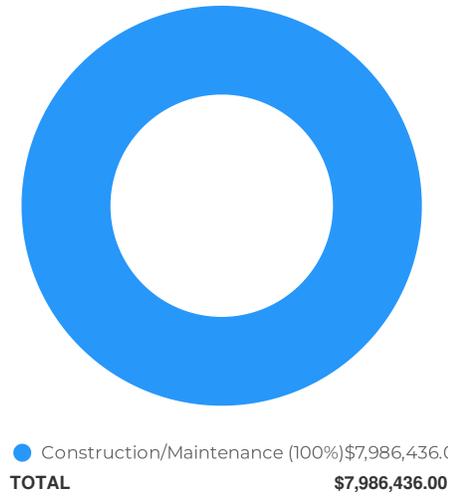
Capital Cost

FY2024 Budget **\$3,391,512** Total Budget (all years) **\$7.986M** Project Total **\$7.986M**

Capital Cost by Year



Capital Cost for Budgeted Years

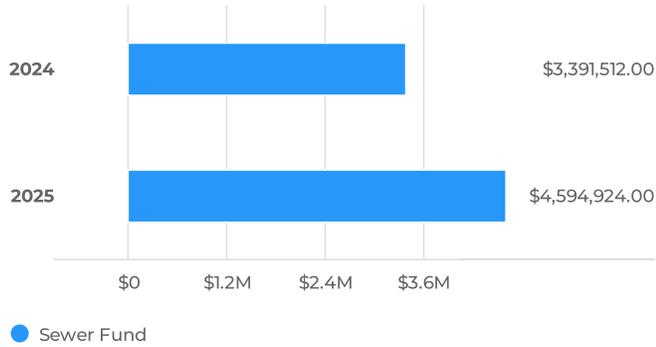


Capital Cost Breakdown			
Capital Cost	FY2024	FY2025	Total
Construction/Maintenance	\$3,391,512	\$4,594,924	\$7,986,436
Total	\$3,391,512	\$4,594,924	\$7,986,436

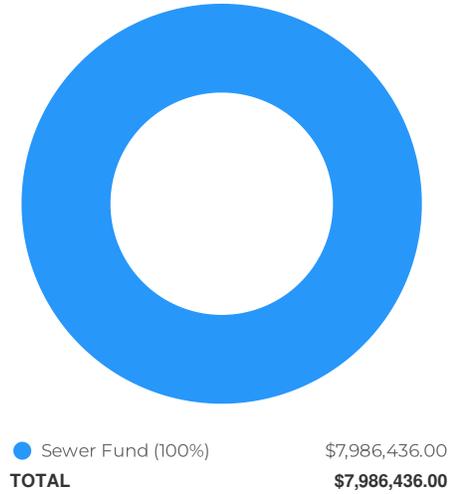
Funding Sources

FY2024 Budget **\$3,391,512** Total Budget (all years) **\$7.986M** Project Total **\$7.986M**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2024	FY2025	Total
Sewer Fund	\$3,391,512	\$4,594,924	\$7,986,436
Total	\$3,391,512	\$4,594,924	\$7,986,436

Outfall Inspection, Condition Assessment and Cleaning

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Wastewater Collection
Type	Capital Improvement
Project Number	New

Description

Background:

The City's ocean outfall is used to dispose of treated wastewater effluent from the City's Water Resources Center (WRC) and their Brackish Water Reverse Osmosis (BWRO) treatment facility. The ocean outfall, which starts at the air-relief structure near the existing wastewater treatment plant (WWTP) and extends approximately 2,700 feet offshore and 50 feet below sea level. The outfall pipeline consists of a 5,160-foot long 27-inch cement lined steel and reinforced concrete pipe. The 170-foot long diffuser section contains 34 diffuser ports to emit treated effluent into the ocean. The city annually inspects their ocean outfall diffuser, however the last time the pipeline and diffuser were inspected internally, and a condition assessment was performed was in 2011.

General Scope of Services:

The list below is the anticipated scope for this project. Note the City reserves the right to remove, edit, or add to this list as needed to meet the project needs.

1. Exterior debris removal along pipeline and diffuser
2. Interior cleaning of Outfall Pipeline
3. Pipeline Condition Assessment and internal inspection
4. Diffuser Condition Assessment and internal inspection
5. Air-Relief Structure Assessment

Images



Air Relief Structure and Outfall to Ocean

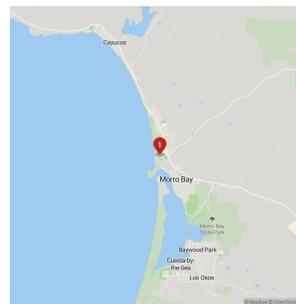


Outfall

Details

Project Location	160 Atascadero Road
Description	
Project Manager	Damaris Hanson
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

The City has not performed a condition assessment of the entire outfall system since 2011. The outfall is critical to the operation of the new WRC to meet NPDES permit requirements. This assessment will identify rehabilitation, repairs and replacement needs for the facility. Furthermore, the WRC NPDES permit dilution ratio calculations assume open diffuser ports (and clear of debris) to meet the dilution ratio identified in the permit.

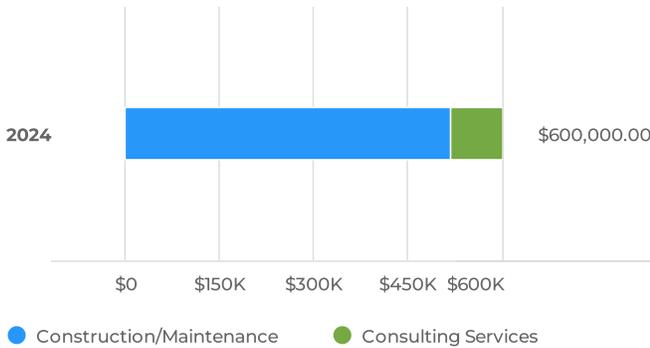
Positive Fiscal Impact

This is necessary maintenance of an existing asset for permit compliance. No return on investment is expected, but cost/maintenance avoidance will be realized with the project.

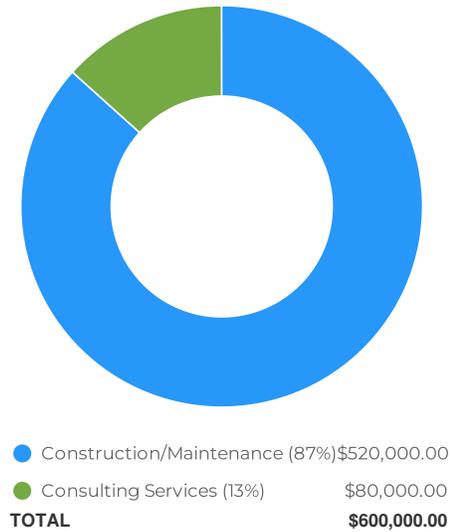
Capital Cost

FY2024 Budget	Total Budget (all years)	Project Total
\$600,000	\$600K	\$600K

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

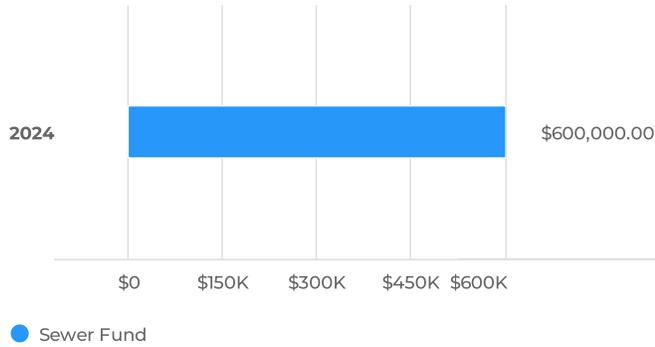
Capital Cost	FY2024	Total
Construction/Maintenance	\$520,000	\$520,000
Consulting Services	\$80,000	\$80,000
Total	\$600,000	\$600,000



Funding Sources

FY2024 Budget **\$600,000** Total Budget (all years) **\$600K** Project Total **\$600K**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown		
Funding Sources	FY2024	Total
Sewer Fund	\$600,000	\$600,000
Total	\$600,000	\$600,000

Utility Hole (Manhole) Rehabilitation Project

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Wastewater Collection
Type	Capital Improvement
Project Number	New

Description

Background:

The city's sewer utility holes are used for facilitating sewer inspection and maintenance, sewer lines joining or changing direction of sewers. The majority of the City's manholes are constructed from precast concrete with metal rings and lids. Over time deterioration of the concrete structures can occur due to the hydrogen sulfide (H₂S) gas commonly found in sewer systems. The byproduct of H₂S also leads to the formation of sulfuric acid, which breaks down concrete and leads to structural failure if not addressed.

General Scope of Services:

The list below is the anticipated scope for this project. Note the City reserves the right to remove, edit, or add to this list as needed to meet the project needs.

1. This section covers repair, structural restoration and rehabilitation of existing manholes as required to eliminate leakage into the structures and provide protection against corrosion.
2. The removal of any loose and unsound substrate.
3. Cleaning of the area to be sprayed with high pressure water.
4. The repair and filling of voids.
5. The repair and sealing on the inverts and benches.
6. The elimination of active infiltration.
7. The application of adding a protective coating to the concrete.

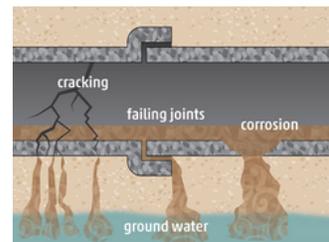
Images



Manholes - before/after



Infiltration

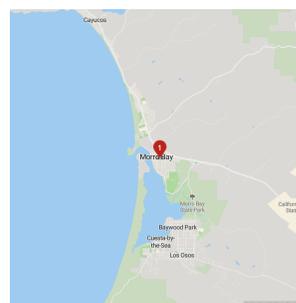


Failures

Details

Project Location	various - citywide
Description	
Project Manager	Damaris Hanson
Total Prior Year Budget	0
Type of Project	Maintenance/Repair
One-Time or Ongoing	Ongoing
New or Existing Project	New
City Council Goal	Public Infrastructure

Location



Project Justification

Some of the City's utility holes are starting to show signs of concrete degradation and have reached their expected service life. The sewer system is also seeing an increase of inflow and infiltration (I&I) of groundwater and stormwater during rain events. The increase in stormwater getting into the sewer system can stress the sewer pumping stations and the wastewater treatment facility. Utility holes that have cracking, failing joints, and corrosion also lead to exfiltration and the leakage of wastewater out of the sanitary sewer system. This can lead to contamination of groundwater and nearby water bodies. If a regular utility hole rehabilitation program is not implemented, the cost of repairs can increase dramatically over time.

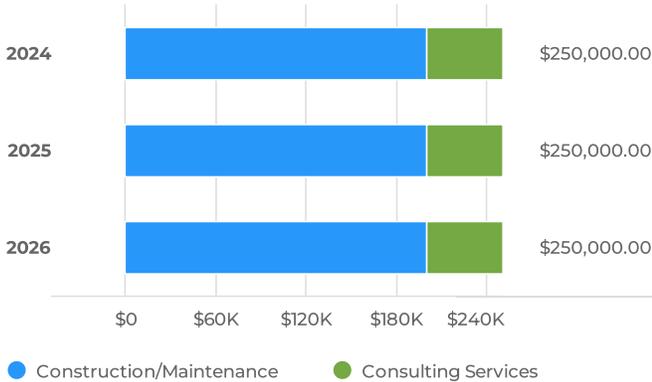
Positive Fiscal Impact

This is necessary maintenance of existing assets for permit compliance. No return on investment is expected, but cost/maintenance avoidance will be realized with the project.

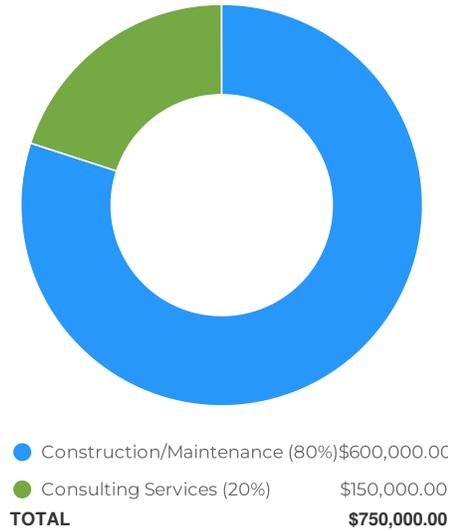
Capital Cost

FY2024 Budget	Total Budget (all years)	Project Total
\$250,000	\$750K	\$750K

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

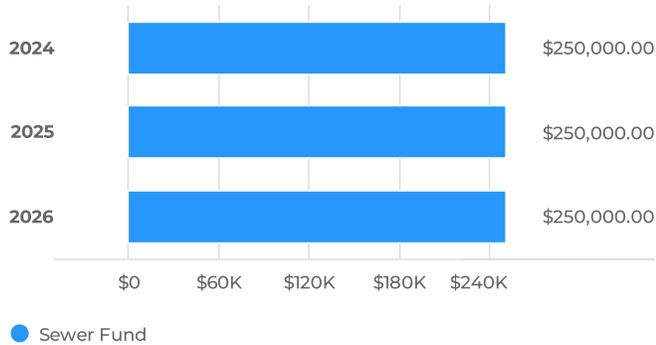
Capital Cost	FY2024	FY2025	FY2026	Total
Construction/Maintenance	\$200,000	\$200,000	\$200,000	\$600,000
Consulting Services	\$50,000	\$50,000	\$50,000	\$150,000
Total	\$250,000	\$250,000	\$250,000	\$750,000



Funding Sources

FY2024 Budget **\$250,000** Total Budget (all years) **\$750K** Project Total **\$750K**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2024	FY2025	FY2026	Total
Sewer Fund	\$250,000	\$250,000	\$250,000	\$750,000
Total	\$250,000	\$250,000	\$250,000	\$750,000

Wastewater Treatment Plant Decommissioning

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2027
Department	Wastewater Collection
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

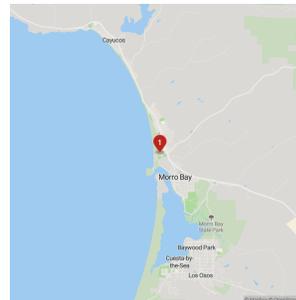


Street View of Front Gate of WWTP

Details

Project Location	160 Atascadero Road
Description	
Project Manager	Eric Riddiough
Total Prior Year Budget	157500
Type of Project	New Construction
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Location



Supplemental Attachments

 [OneWater Plan\(/resource/cleargov-prod/projects/documents/952daf006562f3f763f6.jpg\)](/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.

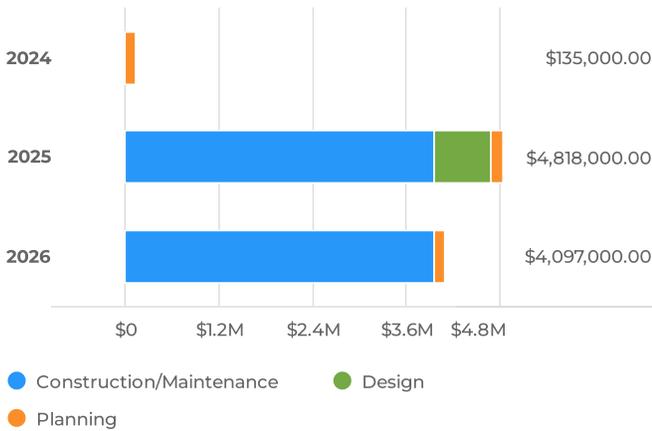
Positive Fiscal Impact

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.

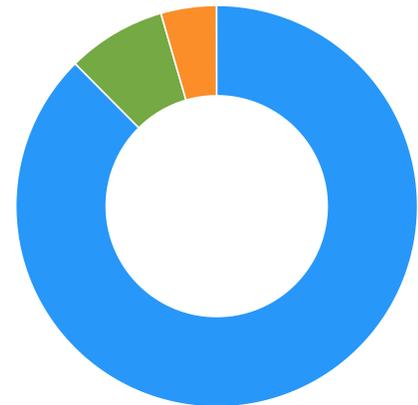
Capital Cost

Total To Date	FY2024 Budget	Total Budget (all years)	Project Total
\$157,500	\$135,000	\$9.05M	\$9.208M

Capital Cost by Year



Capital Cost for Budgeted Years



Construction/Maintenance (88%)	\$7,925,000.00
Design (8%)	\$720,000.00
Planning (4%)	\$405,000.00
TOTAL	\$9,050,000.00

Capital Cost Breakdown

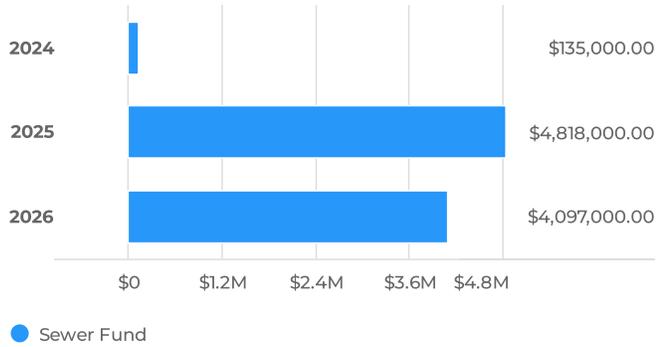
Capital Cost	To Date	FY2024	FY2025	FY2026	Total
Planning	\$157,500	\$135,000	\$135,000	\$135,000	\$562,500
Design			\$720,000		\$720,000
Construction/Maintenance			\$3,963,000	\$3,962,000	\$7,925,000
Total	\$157,500	\$135,000	\$4,818,000	\$4,097,000	\$9,207,500



Funding Sources

FY2024 Budget **\$135,000** Total Budget (all years) **\$9.05M** Project Total **\$9.05M**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2024	FY2025	FY2026	Total
Sewer Fund	\$135,000	\$4,818,000	\$4,097,000	\$9,050,000
Total	\$135,000	\$4,818,000	\$4,097,000	\$9,050,000

WATER REQUESTS



Brackish Water Reverse Osmosis Building Improvements

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Water
Type	Capital Improvement
Project Number	New

Description

Background:

The City of Morro Bay owns and operates six wells in the Morro well field to supply their Brackish Water Reverse Osmosis (BWRO) Facility. Currently, the BWRO brine effluent discharges to a once shared ocean outfall with the old power plant just east of Morro Rock. The Regional Water Quality Control Board has directed the City to relocate the brine effluent discharge point to the City's existing air-relief structure that connects to their ocean outfall used for the WRC since the power plant outfall is no longer in use and the brine effluent discharge is no longer being diluted.

The current orientation of the BWRO facility discharge infrastructure currently connects to this existing effluent discharge system, however it will need to be reoriented within the BWRO building to connect to existing conveyance infrastructure within Atascadero Road which connects to the air-relief structure. Additionally, the roll-seal system connecting directly to the City's existing water wells within the BWRO facility is to be oriented to discharge to the existing Pump Station-A to be recycled at the WRC.

General Scope of Services:

The list below is the anticipated scope for this project. Note the City reserves the right to remove, edit, or add to this list as needed to meet the project needs.

- Removal of existing BWRO facility infrastructure that is not needed for new orientation.
- Construction and installation of new structural building features, piping and mechanical appurtenances

Images



RO1



RO2

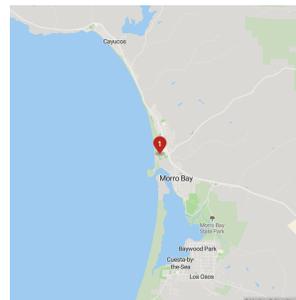


RO3

Details

Project Location	160 Atascadero Road
Description	
Project Manager	Damaris Hanson
Total Prior Year Budget	0
Type of Project	Refurbishment
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Public Infrastructure

Location



Project Justification

The Regional Water Quality Control Board has directed the City to relocate the brine effluent discharge point to the City's existing air-relief structure that connects to their ocean outfall used for the WRC since the power plant outfall is no longer in use and the brine effluent discharge is no longer being diluted. This project is needed to meet the RWQCB direction.

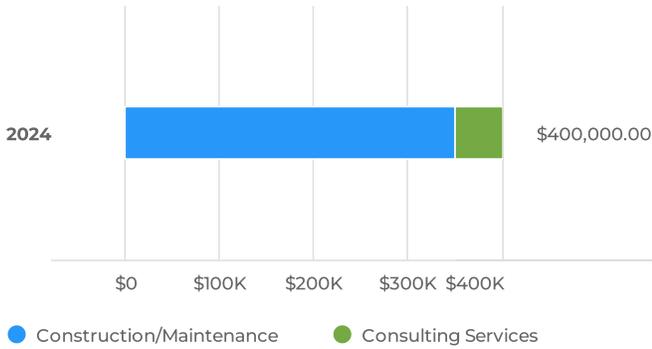
Positive Fiscal Impact

This project is needed to meet the RWQCB to meet direction and standards to avoid potential notices of violation. No financial return on investment is expected with the project.

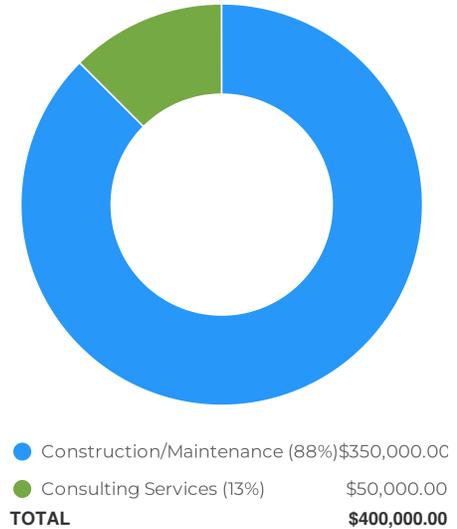
Capital Cost

FY2024 Budget	Total Budget (all years)	Project Total
\$400,000	\$400K	\$400K

Capital Cost by Year



Capital Cost for Budgeted Years



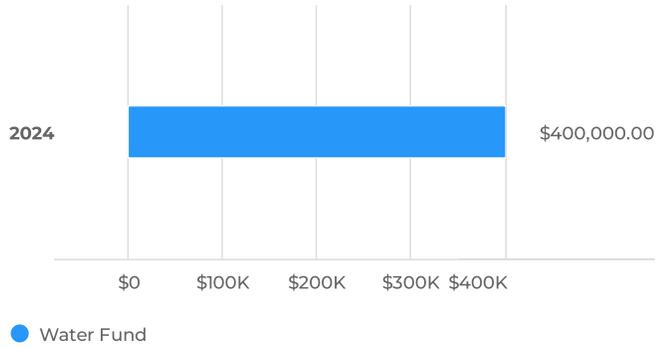
Capital Cost Breakdown		
Capital Cost	FY2024	Total
Construction/Maintenance	\$350,000	\$350,000
Consulting Services	\$50,000	\$50,000
Total	\$400,000	\$400,000



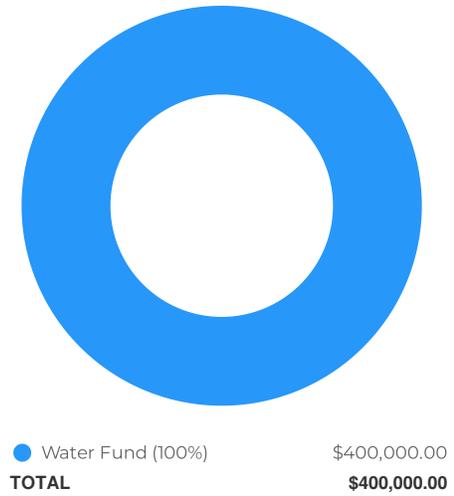
Funding Sources

FY2024 Budget **\$400,000** Total Budget (all years) **\$400K** Project Total **\$400K**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown		
Funding Sources	FY2024	Total
Water Fund	\$400,000	\$400,000
Total	\$400,000	\$400,000

Capital Vehicles and Equipment Replacement - Water

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2024
Department	Water
Type	Capital Improvement
Project Number	921-9905

Description

This request covers replacement vehicle purchases and future savings allocations for vehicle / mobile equipment replacements for Water Division in Utilities.

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**

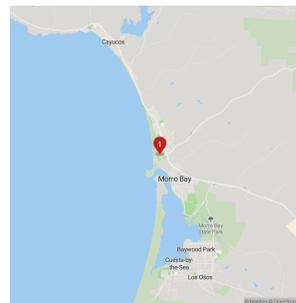
Images



Details

Project Location	N/A
Description	
Project Manager	Damaris Hanson
Total Prior Year Budget	209000
Type of Project	Other
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
City Council Goal	Fiscal Sustainability & Economic Vitality

Location



Supplemental Attachments

 [Reserve Estimates Backup\(/resource/cleargov-prod/projects/documents/92ce9c47da0aaeae98f5.xlsx\)](/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 of 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.

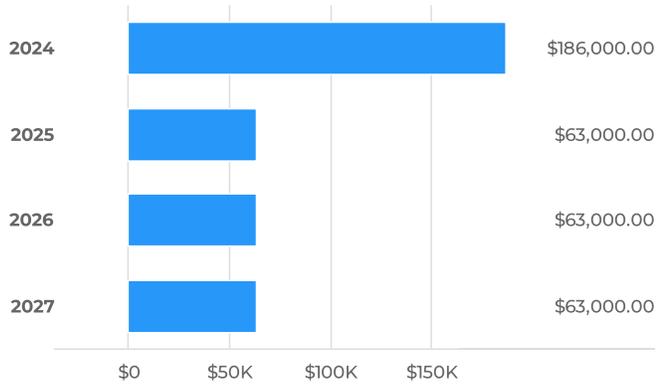
Positive Fiscal Impact

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

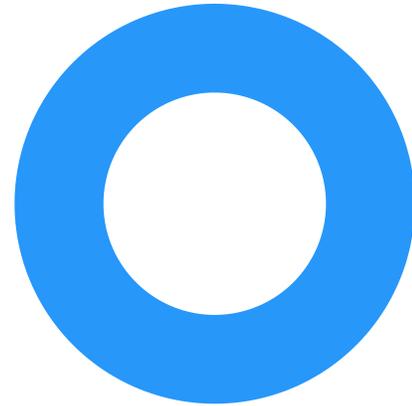
Total To Date	FY2024 Budget	Total Budget (all years)	Project Total
\$209,000	\$186,000	\$375K	\$584K

Capital Cost by Year



● Other

Capital Cost for Budgeted Years



● Other (100%)	\$375,000.00
TOTAL	\$375,000.00

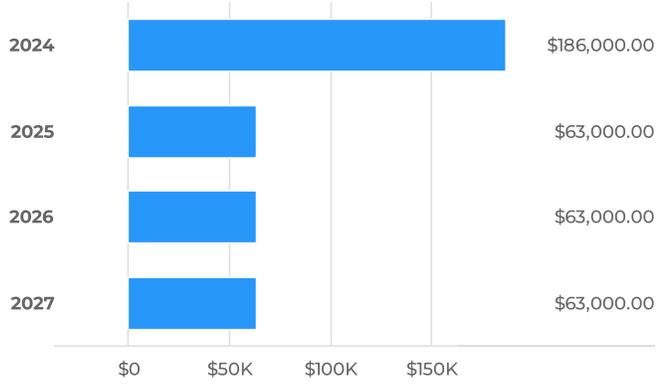
Capital Cost Breakdown

Capital Cost	To Date	FY2024	FY2025	FY2026	FY2027	Total
Other	\$209,000	\$186,000	\$63,000	\$63,000	\$63,000	\$584,000
Total	\$209,000	\$186,000	\$63,000	\$63,000	\$63,000	\$584,000

Funding Sources

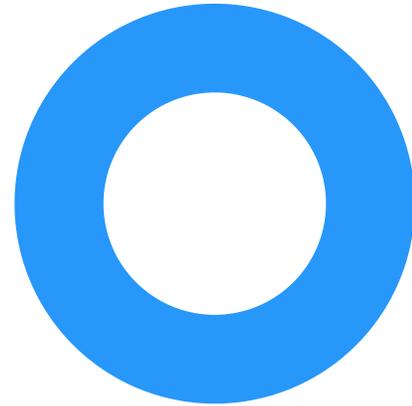
FY2024 Budget **\$186,000** Total Budget (all years) **\$375K** Project Total **\$375K**

Funding Sources by Year



● Water Fund

Funding Sources for Budgeted Years



● Water Fund (100%) \$375,000.00
TOTAL **\$375,000.00**

Funding Sources Breakdown

Funding Sources	FY2024	FY2025	FY2026	FY2027	Total
Water Fund	\$186,000	\$63,000	\$63,000	\$63,000	\$375,000
Total	\$186,000	\$63,000	\$63,000	\$63,000	\$375,000

Morro Basin Wellfield Rehabilitation

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2024
Est. Completion Date	12/01/2026
Department	Water
Type	Capital Improvement
Project Number	New

Description

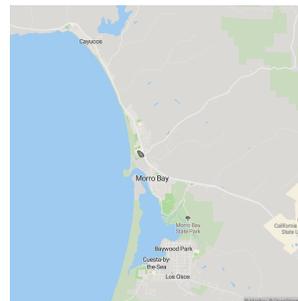
The Morro Wellfield Rehabilitation Project intends to address several potential vulnerabilities of the Morro Wellfield by implementing key infrastructure improvements to increase water production capacity, improve operational efficiency, and provide long-term reliability for the City's water production infrastructure. Currently, the project aims to rehabilitate the City's six active wells and install two new wells, though staff may recommend additional improvements upon completion of a needs assessment of the wells. The improvements to the existing wells will include rehabilitation or replacement of each of the following components: 1) Electrical, Instrumentation and Control (EI&C); 2) mechanical infrastructure; and 3) site civil and structural. The project components for the new wells will include: 1) well siting; 2) well drilling; 3) well equipping; and, 4) connection to the Brackish Water Reverse Osmosis Facility.

Staff is seeking grant funding from the U.S. Bureau of Reclamation's WaterSMART Drought Response Program. Once grant is obtained, work will begin on planning / engineering.

Details

Project Location	Morro Basin
Description	
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

These upgrades will provide the City with a resilient water supply that it can rely upon during periods of extended drought or State Water Project shutdowns.

Positive Fiscal Impact

This project will provide for more efficient operations of the Morro Wellfield by reducing operator time and electricity costs.

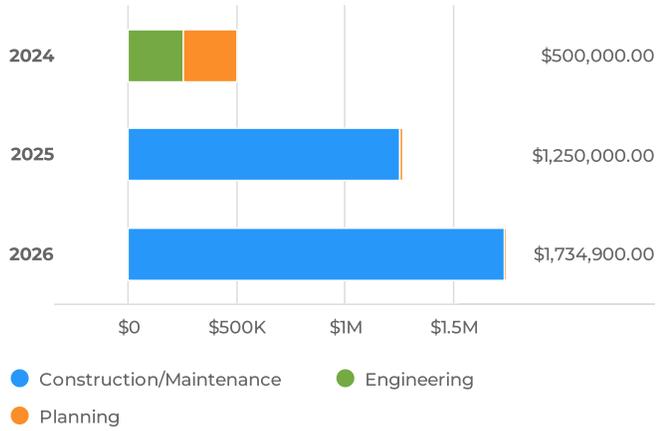
Capital Cost

FY2024 Budget
\$500,000

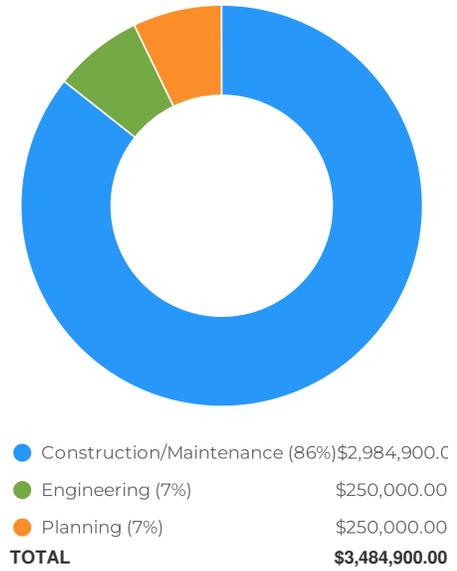
Total Budget (all years)
\$3.485M

Project Total
\$3.485M

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

Capital Cost	FY2024	FY2025	FY2026	Total
Planning	\$250,000			\$250,000
Engineering	\$250,000			\$250,000
Construction/Maintenance		\$1,250,000	\$1,734,900	\$2,984,900
Total	\$500,000	\$1,250,000	\$1,734,900	\$3,484,900

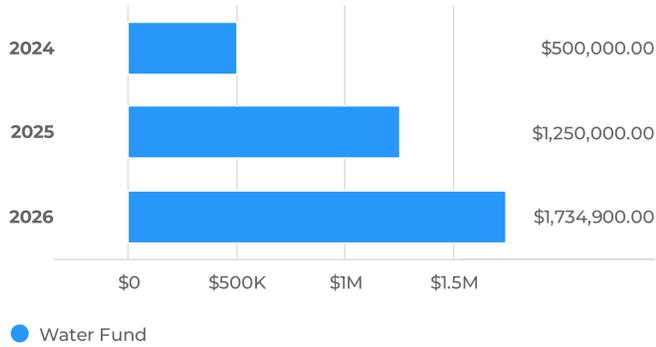
Funding Sources

FY2024 Budget
\$500,000

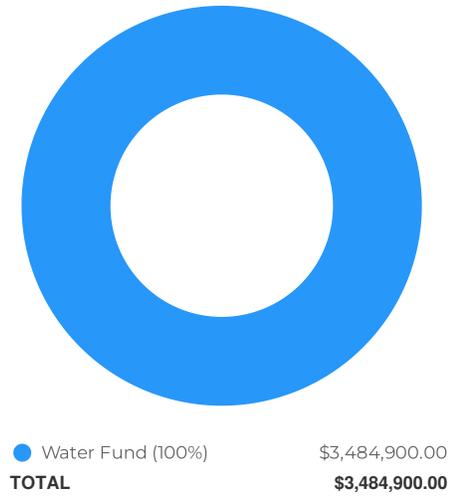
Total Budget (all years)
\$3.485M

Project Total
\$3.485M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2024	FY2025	FY2026	Total
Water Fund	\$500,000	\$1,250,000	\$1,734,900	\$3,484,900
Total	\$500,000	\$1,250,000	\$1,734,900	\$3,484,900

Nutmeg Tank and related Pressure Zone Improvements

Overview

Request Owner	Eric Riddiough, City Engineer
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2027
Department	Water
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.
- Pressure Reducing Valve at Greenwood to tie in Blanca and Elena zones

Images





Elena Tanks



Proposed New Tank -
Superimposed on photo



Existing Water Tank

Details

Project Location	Nutmeg Ave. (Tank Location), Elena -
Description	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\(/resource/cleargov-prod/projects/documents/f7bbb79327a76c968f74.jpg\)](/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. The improvements to the water system from the OneWater Plan and the Cannon Corp designs are based on the California Fire Code which determines the rate and duration of fire flow requirements based on the type and size of the structure/facility being protected and the State Board's Division of Drinking Water (DDW) Title 22 CCR which determines the requirements of the water system delivering the water to the structure/facility. 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. One of the Elena Tanks failed in late 2022 and could not be repaired. The tank has been taken out of service. As a result, the zone is deficient of the necessary volume of fire flow and water supply.

Page ES-9 of the OneWater Plan states:

"Storage Improvements Nutmeg Tank (Project PWS-1): In order to provide additional storage for Nutmeg zone, it is recommended the City demolish the existing Nutmeg Tank and construct a new 1.0 MG tank. Elena Tank (PWS-2): In order to provide more storage to the Elena zone, it is recommended the City demolish the two existing Elena Tanks and construct a new 0.15 MG tank."

Page 3-8 states:

"The recommended fire flows and durations used in this OneWater Plan are summarized in Section 3.1.6, and were developed based on input from City staff, including the City's Fire Marshall, and Carollo experience on similar projects. The maximum recommended fire flow and duration is 4,000 gallons per minute (gpm) for a duration of four hours. This provision equates to a storage requirement of 0.96 million gallons (MG)."

The Nutmeg tank design is to accommodate fire flow and normal demand as well as the reduced volume when the Elena tanks are removed completely from service.

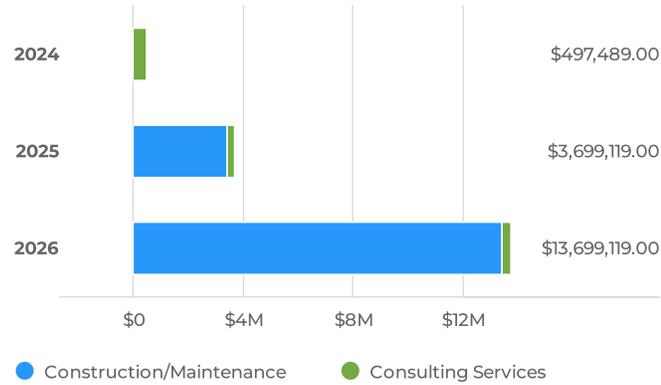
Positive Fiscal Impact

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. The City has pursued and will continue to pursue other funding sources (grants, earmarks, etc.) for supplementing funding. However, if other funding is not obtained, the water fund will need to cover the total project cost.

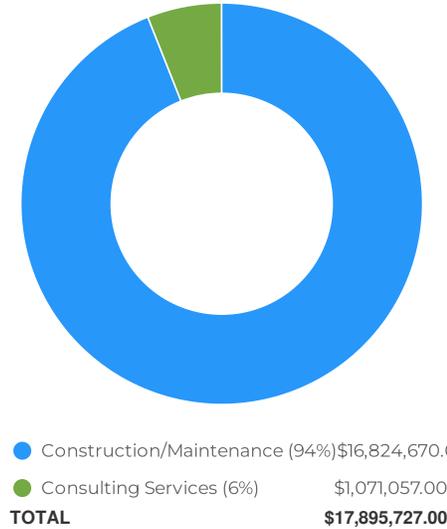
Capital Cost

Total To Date **\$909,962** FY2024 Budget **\$497,489** Total Budget (all years) **\$17.896M** Project Total **\$18.806M**

Capital Cost by Year



Capital Cost for Budgeted Years

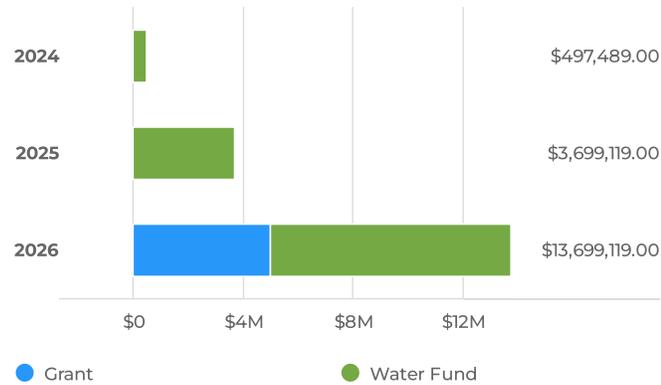


Capital Cost Breakdown					
Capital Cost	To Date	FY2024	FY2025	FY2026	Total
Construction/Maintenance	\$215,797		\$3,412,335	\$13,412,335	\$17,040,467
Consulting Services	\$535,065	\$497,489	\$286,784	\$286,784	\$1,606,122
Other	\$159,100				\$159,100
Total	\$909,962	\$497,489	\$3,699,119	\$13,699,119	\$18,805,689

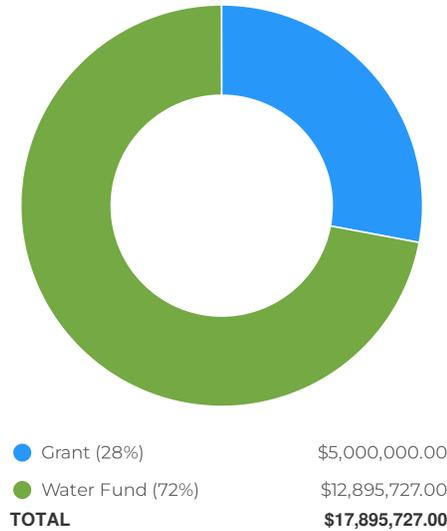
Funding Sources

FY2024 Budget **\$497,489** Total Budget (all years) **\$17.896M** Project Total **\$17.896M**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown				
Funding Sources	FY2024	FY2025	FY2026	Total
Water Fund	\$497,489	\$3,699,119	\$8,699,119	\$12,895,727
Grant			\$5,000,000	\$5,000,000
Total	\$497,489	\$3,699,119	\$13,699,119	\$17,895,727

Projected Timeline

Jun 1, 2023

Circulate MND for public review upon completion of 30% design.

Jul 31, 2023

Approve Contract for Final Design

Aug 31, 2023

Start Final Design, Procure Right of Way



Apr 1, 2024

Procure Construction of Tank and Other Improvements

Sep 16, 2024

Start Construction



Glossary

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)

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.

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.

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 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 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.

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 life 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.

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.

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 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 the total cost 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.

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.

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-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.

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 \(http://en.wikipedia.org/wiki/Property_tax\)](http://en.wikipedia.org/wiki/Property_tax) rates in the state, and a prominent author and advocate of this subsequent spending limitation bill.

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 body of 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.

Interfund 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.

Licenses and Permits: Revenues earned by the issuance of licenses or permits levied in accordance with the benefits conferred by the license or permit.

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.



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.

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.

Non-major Fund: Non-major funds are all governmental and enterprises funds that are not classified as major funds.

Objects of Expenditures: A classification of expenditures that is used for coding any department disbursement, such as "personal services," "expenses," or "capital outlay."

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.

Personnel Benefits: Those benefits paid by the City as conditions of employment.

Personnel: City employees.

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.

Reserve: An amount set aside to provide a funding source for extraordinary or unforeseen expenditures.

Revolving Fund: Allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service.

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.

Transient Occupancy Tax - Imposed on hotels, motels, inns or other lodging facilities. The rate in Morro Bay is 10%.

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.

