

# Midyear Budget Report

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FISCAL YEAR 2023-24

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

FEBRUARY 2024

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City of Morro Bay

Authored by: Administrative Services



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### Executive Summary

Overall, this year's midyear report demonstrates revenues and expenditures that are on track. Citywide, across all funds, the City has received approximately 60% of revenues as of January 31, 2024, and expended approximately 43% of all budgeted expenditures. This indicates that revenues are consistent with projections. Given that the City's major revenue sources (sales tax, property tax, and Transient Occupancy Tax (TOT)) experience a routine lag in receipts of one to two months, there is reason to be cautiously optimistic that revenues will meet or exceed budgeted amounts.

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

Additional amendments are recommended to maintain core city services and recognize new grant revenues and associated expenditures. These recommended budget amendments yet to be considered by Council include approximately \$608,000 in increased revenues. The recommended expenditure budget amendments include approximately \$810,000 in increased expenses for a total net expenditure increase of approximately \$202,000 citywide across all funds. Each recommended change is detailed by fund herein. Property tax revenue increases, developer reimbursement agreements, donations, insurance proceeds, and available fund balance are the funding sources for this budget request category. Most recommended expenditure changes are one-time rather than ongoing, making fund balance an appropriate source.

***For the reporting period, the City has received 60% of budgeted revenues and spent 43% of budgeted expenditures.***

## Introduction

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

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

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

## Fiscal Outlook

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

### Major Revenue Sources

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

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

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

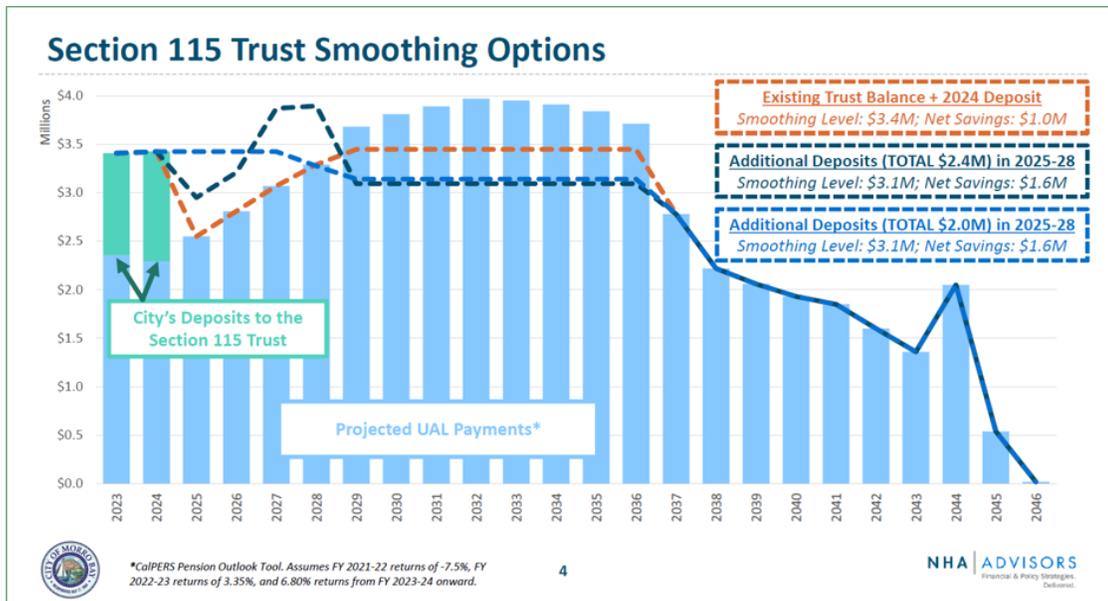
**Transient Occupancy Tax (TOT)** – Budget estimates were developed in coordination with Visit Morro Bay and are based on review of occupancy rates, average daily room rates, and regional trends. Staff's midyear analysis projects TOT revenue consistent with budget as occupancy rates remain steady across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

## Major Expenditures

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

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

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



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

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

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

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

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

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

## General Fund

The General Fund remains stable at midyear, with expenditures and revenue tracking aligned with budget. The unaudited fund balance at the end of FY 2022-23 was higher than anticipated. As a result, the spendable fund balance, net of funds already appropriated as part of the FY 2023-24 Adopted Budget, is estimated to be approximately \$2.6 million. This is in addition to the General Fund Emergency Reserve Balance, which is anticipated to be approximately \$7.1 million at the end of FY 2023-24.

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

Fund Description	Fund Number	FY 2020	FY 2021	FY 2022	FY 2023 (Unaudited)	FY 2024 Budgeted	FY 2024 Estimated
General Fund (nonspendable)	001	3,972	3,974	3,163	3,190	3,163	3,163
General Fund (committed – GF only)				798			
General Fund (unassigned – GF only)	001	407	2,763	6,412	6,449	548	2,600

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

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

### Key General Fund Revenue Sources Analysis

The adopted General Fund Revenue Budget for FY 2023-24 is approximately \$19.6 million. As of January 31, 2024, the General Fund had received 60% of its revenues, or \$11.8 million. Based on updated County Assessor's Office projections, staff recommends revenue budget increases for various property taxes.

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

**Table 2 Key Revenue Sources 2021 to Current**

Revenue Source	2021 Actual	2022 Actual	2023 Actual	2024 Actual Thru 1-31	2024 Adopted	FY 2024 % Rcv'd	FY 2024 Estimated
Property Taxes	4,842,761	4,981,027	5,275,945	3,103,190	5,214,900	60%	5,469,112
Intergovernmental Revenues	178,234	97,661	213,615	92,162	158,120	58%	156,586
Sales & Use Tax	2,389,194	2,753,611	2,249,114	959,546	2,690,000	35%	2,697,615
Cannabis City Tax	220,353	512,944	502,149	246,608	490,000	42%	420,830
Transient Occupancy Tax	3,826,276	4,255,140	4,681,648	2,289,076	4,400,000	52%	4,406,692
Franchise Fees	594,229	641,869	698,791	233,811	674,000	32% <sup>1</sup>	655,668
Licenses & Permits	574,672	761,616	660,964	418,995	577,545	71%	725,006
Revenues From Current Services	2,027,544	2,434,859	2,219,441	1,064,373	2,084,628	49%	2,003,194
Fines & Forfeitures	11,765	22,062	27,056	17,107	21,270	80%	26,100
Other Revenues	119,379	330,052	505,615	499,836	672,748	74%	517,911
Revenues From Use of Money & Property	413,954	593,997	615,133	1,162,692	587,743	197% <sup>2</sup>	683,648
Interfund Revenue Transfers	1,221,987	1,224,866	3,088,584	1,710,615	2,023,602	86%	2,023,602
<b>Total Revenue:</b>	<b>16,420,349</b>	<b>18,609,703</b>	<b>20,738,055</b>	<b>11,798,012</b>	<b>19,594,556</b>	<b>60%</b>	<b>19,785,963</b>

### Property Tax Revenue

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

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

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

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

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

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

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

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

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

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

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

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

The City contracts with industry expert HdL to analyze collections history, forecast sales tax revenues, and pursue revenues on the City's behalf that belong to the City. Sales Tax receipts are tracking slightly low, adjusted for the delay in receipts; however, HdL is projecting revenues close to budgeted amounts. As with TOT tax receipts, sales tax trends are flattening, with only a modest 3% growth projected for FY 2024-25.

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

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

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

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

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## Other General Fund Revenues

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

## Recommended General Fund Revenue Budget Amendments

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

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

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

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

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

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

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

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

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

Description	Department	Increase (Decrease) Amount	One-time/Ongoing	G/L
<b>Revenue</b>				
Move Pickleball Court Resurfacing Donations to CIP	Pickleball Courts	31,400	One-Time	915-8400-3281
	<b>FUND 915 REV TOTAL</b>	<b>31,400</b>		
<b>Expenses</b>				
Offsetting contractual services expenditure for pickleball court resurfacing donations	Pickleball Courts	31,400	One-Time	915-8400-6106
	<b>FUND 915 EXP TOTAL</b>	<b>31,400</b>		

## General Fund Expenditures Analysis

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

**Table 7 General Fund Expenditures by Expense Type 2021 to Current**

Expenditure Type	2021 Actual	2022 Actual	2023 Actual	2024 thru 1-31	2024 Adopted Budget	FY 24 % Spent	FY 24 Estimated
Personnel Services	\$10,185,594	\$10,351,919	\$12,129,881	\$7,873,007	13,082,007	60%	12,151,332
Supplies	\$402,762	\$600,869	\$749,177	\$378,974	648,611	58%	675,433
Other Expense	\$9,361	\$52,371	\$205,500	\$152,474	162,000	94% <sup>3</sup>	165,113
Services	\$2,866,061	\$3,504,596	\$4,439,813	\$1,737,267	4,279,651	54%	3,405,497
Capital Outlay	\$0	\$4,002	\$101,742	\$31,929	4,000	1396% <sup>4</sup>	34,000
Debt Service	\$35,101	\$35,076	\$1,233,788	\$17,595	35,190	50%	35,600
Interfund Transfers	\$563,000	\$1,289,688	\$2,566,190	\$5,253,216	5,253,216	100%	5,253,216
<b>Total Expense Objects:</b>	<b>\$14,061,879</b>	<b>\$15,838,521</b>	<b>\$21,426,091</b>	<b>\$15,444,461</b>	<b>23,464,675</b>	<b>69%</b>	<b>21,720,191</b>

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

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

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**Table 8 General Fund Expenditures by Department 2021 to Current**

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

## Recommended General Fund Expenditure Budget Amendments

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

### Amendments Previously Approved by Council

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

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

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

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

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### ***Amendments for Midyear Consideration***

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

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

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

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

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

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

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

## Measure E Fund

Measure E was approved by the voters in November 2020 as a one percent local transaction and use tax, in addition to the half-cent local transaction and use tax from Measure Q, which was approved by the voters in 2006. The State administers the taxes as one tax, totaling one and a half percent. This is codified and explained in detail in Chapter 3.26 of Morro Bay’s Municipal Code. While Measure E is a General Tax, the City Council has identified priority spending areas consistent with the ballot measure language in 2020 and the prior 2006 ballot language used when Measure Q was approved. As directed by City Council on April 13, 2021, the four priority areas of spending for Measure E include:

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

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

The data here is through January 31, 2024, to be consistent with the remainder of the citywide midyear report and present as much data as possible through this point in the fiscal year. As of January 31, 2024, the Measure E Fund (fund 003) had received 33% of budgeted revenues and expended 75% of budgeted expenditures, as follows:

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

	<b>Adopted Budget</b>	<b>1/31/24 Actuals</b>	<b>% Rec'd/ Used</b>	<b>Estimated</b>
Total Revenues	4,550,000	1,507,274	33%	4,374,475
Total Expenditures	5,715,712	3,987,948	75%	5,476,782
<b>GRAND TOTALS</b>	<b>(1,165,712)</b>	<b>(2,480,674)</b>		<b>(1,102,307)</b>

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

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## Measure E Fund Revenues

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

As City expenditures increase faster due to inflation and rising personnel costs, the City will likely face increasing resource constraints in the near to mid-term absent new revenue streams. For Measure E funds, this may mean reducing funding for capital improvements to maintain existing public safety service levels and improve existing city streets, sidewalks, and landscaping.

## Measure E Fund Expenditures

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

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

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

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

## Recommended Measure E Fund Budget Amendments

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

**Expenditures.** No expenditure amendments are recommended.

## Enterprise Funds

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

### Harbor Operating Fund

The Harbor Enterprise Fund accounts for revenues from harbor leases, slips, moorings, and other sources expended for maintenance, operation, patrolling, and harbor improvements. As of January 31, 2024, the Harbor Operating Fund had received approximately 42% of budgeted revenue (\$1 million of \$2.4 million) and expended approximately 70% of its budget (\$1.8 million of \$2.6 million). After netting out transfers and one-time expenses paid at the start of the fiscal year, the actual percent of the expenditure budget spent is 55%, which is on track

## Midyear Budget Report FY 2023-24

with seven months behind us. As lease agreements outline, a large portion of Harbor Fund revenues are received at the end of the fiscal year for the prior year's percentage rent. Due to that contractual timing, it can be difficult to project revenue budgets in the Harbor Fund.

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

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

### ***Recommended Harbor Fund Budget Amendments***

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

**Table 14 Previously Approved Harbor Operating Fund Revenue and Expenditure Budget Amendments**

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

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**Table 15 New Harbor Capital Fund Revenue and Expenditure Budget Amendments**

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

## Water Funds

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

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

### **Recommended Water Funds Budget Amendments**

No budget amendments are recommended for the Water Fund.

## Sewer Funds

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

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

### **Recommended Sewer Funds Budget Amendments**

No budget amendments are recommended for the Sewer Fund.

## Transit Fund

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

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

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to eligible claimants under two funding programs: Local Transportation Fund (LTF) and State Transit Assistance (STA).

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

### **Recommended Transit Fund Budget Amendments**

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

**Table 16 New Transit Operating Fund Expenditure Budget Amendments**

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

**Table 17 New Transit Capital Fund Budget Amendments**

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

### **Other Funds**

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

### **Recommended Other Funds Budget Amendments**

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

**Table 18 New Other Funds (non-major) Recommended Budget Amendments**

Fund	Description	Department	Increase (Decrease)	One-time/Ongoing	G/L
<b>Expenditures</b>					
American Rescue Plan Fund	Correct G/L for Community Grants budget	Non-departmental	(25,000)	One-Time	019-1111-8721
American Rescue Plan Fund	Correct G/L for Community Grants budget	Interfund Transfers	25,000	One-Time	019-7710-8510
		<b>FUND 019 TOTAL</b>	<b>0</b>		
<b>Revenues</b>					

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Developer Reimbursement Agreement Fund	Increased developer reimbursement funding	DRA: Panorama Drive	45,000	One-Time	045-8801-3994
		<b>FUND 045 TOTAL</b>	<b>45,000</b>		
<b>Expenditures</b>					
Developer Reimbursement Agreement Fund	Increased developer reimbursement funding	DRA: Panorama Drive	45,000	One-Time	045-8801-6104
		<b>FUND 045 TOTAL</b>	<b>45,000</b>		
Information Technology Fund	Increased consulting services for acquisition of Microsoft Licenses	Information Technology	23,980	One-Time	450-3520-6105
		<b>FUND 450 TOTAL</b>	<b>23,980</b>		

## Summary Current Year and Five-Year Financial Forecasts

In addition to the discussion of Mid-Year budget status and budget revisions, staff is also providing summary Five Year Financial Forecasts prepared for both the General Fund and the Measure E fund. The summaries include estimated actuals for the current fiscal year at a summary level and five future fiscal years through FY 2028/29. The forecasts reflect a continuing effort by staff to analyze the City's long-term fiscal condition based on current revenue and expense trends and information provided by sources such as the City's sales tax consultant, the State of California, and the County of San Luis Obispo. The forecast represents a point-in-time snapshot and an approximate view of what could occur if all assumptions are proven correct. The summaries for both funds indicate revenue shortfalls in the out years based upon operating revenue versus operating expenditure deficits projected in the General Fund beginning in FY 2027/28. Additionally, Measure E appears to be unable to fully fund planned capital project support beginning in the next fiscal year and the condition extending for each of the following forecasted fiscal years. The summary reports emphasize the importance for the City to closely monitor local economic conditions and county and national economic trends and make the necessary budgetary recommendations to align future service delivery and essential capital improvements with estimated available financial resources.

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GENERAL FUND (001)	FY 2023 Actual	FY 2024 Budget	FY 2024 Estimated	Forecast				
				FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<b>Beginning Fund Balance</b>	9,625,766	9,639,131	9,639,131	5,769,011	5,505,425	4,845,966	4,506,113	3,842,880
<b>Revenue</b>								
Property Tax	5,294,352	5,232,900	5,469,082	5,631,123	5,800,056	5,974,058	6,153,280	6,337,878
Sales Tax	2,739,864	2,690,000	2,786,615	2,786,504	2,870,414	2,956,526	3,045,222	3,136,578
Transient Occupancy Tax	4,681,648	4,400,000	4,406,962	4,517,136	4,630,065	4,768,967	4,959,725	5,108,517
Other Revenue	5,424,357	5,248,054	5,188,702	5,487,337	5,651,957	5,821,516	5,996,161	6,176,046
Transfers In	3,299,443	2,023,602	2,023,602	1,484,458	1,528,991	1,574,861	1,622,107	1,670,770
<b>TOTAL REVENUE</b>	<b>21,439,664</b>	<b>19,594,556</b>	<b>19,785,963</b>	<b>19,906,558</b>	<b>20,481,483</b>	<b>21,095,928</b>	<b>21,776,495</b>	<b>22,429,790</b>
<b>Expense</b>								
Personnel	11,303,881	12,195,007	11,685,175	12,845,394	13,581,328	14,324,488	15,053,819	15,505,433
Operational costs	9,103,914	9,790,966	9,342,591	10,182,605	10,589,909	11,013,505	11,454,046	11,797,667
Ongoing costs for long-term liabilities (PERS)	2,199,967	2,404,041	2,342,584	2,662,789	2,991,419	3,310,983	3,599,773	3,707,766
Other Operations & Maintenance	5,496,233	5,094,262	4,829,445	5,348,875	5,616,216	5,840,811	6,074,389	6,256,621
Transfers Out (Ongoing)	638,190	725,851	725,851	762,144	800,251	840,263	882,276	908,745
Debt Service Payments	1,233,788	35,190	35,600	35,190	35,190	35,190	35,190	36,246
<b>TOTAL EXPENSE</b>	<b>18,672,091</b>	<b>18,050,310</b>	<b>17,276,071</b>	<b>18,991,602</b>	<b>20,032,985</b>	<b>21,040,753</b>	<b>22,045,674</b>	<b>22,707,044</b>
<b>Net Surplus (Shortfall)-Operating</b>	<b>2,767,573</b>	<b>1,544,246</b>	<b>2,509,892</b>	<b>914,955</b>	<b>448,499</b>	<b>55,175</b>	<b>(269,179)</b>	<b>(277,254)</b>
<b>Capital</b>	<b>490,000</b>	<b>1,106,865</b>	<b>1,106,865</b>	<b>675,000</b>	<b>500,000</b>	-	-	-
Storm and Flooding Damages - Facilities and Equipment		300,000	300,000	-	-	-	-	-
Veteran's Hall Building Improvements		185,027	185,027	175,000	-	-	-	-
Storm and Flooding Damages - Pavement and Pavement Repairs		400,000	400,000	-	-	-	-	-
Lila Keiser Parking Lot Rehabilitation and ADA Upgrades		80,000	80,000	-	-	-	-	-
Annual Storm Drain Replacement and Major Maintenance Project		-	-	500,000	500,000	-	-	-
Waterways and Storm Systems Management Plan		141,838	141,838	-	-	-	-	-
Citywide Capital and Facilities Planning		-	-	-	-	-	-	-
<b>Net Surplus (Shortfall)-including Capital</b>	<b>2,277,573</b>	<b>437,381</b>	<b>1,403,027</b>	<b>239,955</b>	<b>(51,501)</b>	<b>55,175</b>	<b>(269,179)</b>	<b>(277,254)</b>
Contribution to 115 Trust	826,000	887,000	887,000	200,000	200,000	-	-	-
Transfers Out (One-Time)								
General Fund Emergency Reserve Fund (GFER)	1,087,000	3,292,000	3,292,000	303,542	407,958	395,028	394,054	287,532
Vehicle Replacement Fund	270,000	107,000	107,000					
Compensable Leave Fund	81,000	21,500	21,500					
<b>Ending Total Fund Balance</b>	<b>9,639,131</b>	<b>5,769,011</b>	<b>6,734,658</b>	<b>5,505,425</b>	<b>4,845,966</b>	<b>4,506,113</b>	<b>3,842,880</b>	<b>3,278,094</b>
<b>Less Non-Spendable Fund Balance</b>	<b>3,189,840</b>	<b>3,163,000</b>						
<b>Ending Available Fund Balance</b>	<b>6,449,291</b>	<b>2,606,011</b>	<b>3,571,658</b>	<b>2,342,425</b>	<b>1,682,966</b>	<b>1,343,113</b>	<b>679,880</b>	<b>115,094</b>
Measure E Fund Operating Expenses (excluding transfers)	2,425,167	3,448,713	3,448,713	3,625,440	3,820,293	4,009,579	4,198,761	4,408,699
General Fund Emergency Reserve Fund (GFER) Balance	3,868,082	7,160,082	7,160,082	7,463,624	7,871,582	8,266,610	8,660,664	8,948,195
<b>Total Fund Balance as % of Total Operating Expenses (General Fund + GFER) / (General Fund + Q&amp;E Operating)</b>	<b>48.9%</b>	<b>45.4%</b>	<b>51.8%</b>	<b>43.4%</b>	<b>40.1%</b>	<b>38.4%</b>	<b>35.6%</b>	<b>33.4%</b>
<b>Minimum Reserve Levels</b>	<b>MET</b>							
General Fund Emergency Reserve Policy: 33% operating expenses. Includes Measure E fund operating expenses.	6,962,095	7,094,678	6,839,179	7,463,624	7,871,582	8,266,610	8,660,664	8,948,195
<b>AVAILABLE FUND BALANCE (EXCESS OF MINIMUM RESERVES)</b>	<b>3,355,278</b>	<b>2,671,416</b>	<b>3,892,561</b>	<b>2,342,425</b>	<b>1,682,966</b>	<b>1,343,113</b>	<b>679,880</b>	<b>115,094</b>

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MEASURE E FUND (003)	Forecast							
	FY 2023 Actual	FY 2024 Budget	FY 2024 Estimated	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Starting Fund Balance	1,944,836	1,251,233	1,325,072	85,521	(2,662,168)	(4,802,117)	(6,687,941)	(8,615,235)
<b>Revenue</b>								
Tax Revenue	4,566,654	4,550,000	4,364,475	4,663,750	4,780,344	4,923,754	5,071,467	5,223,611
Other Revenue	7,486	-	10,000	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
<b>TOTAL REVENUE</b>	<b>4,574,140</b>	<b>4,550,000</b>	<b>4,374,475</b>	<b>4,663,750</b>	<b>4,780,344</b>	<b>4,923,754</b>	<b>5,071,467</b>	<b>5,223,611</b>
<b>Expense</b>								
Personnel	2,123,431	2,454,606	2,250,520	2,581,628	2,724,290	2,868,719	3,011,200	3,151,741
Operational Costs	1,782,094	2,036,666	1,800,713	2,118,133	2,202,858	2,290,972	2,382,611	2,477,916
Ongoing costs for long-term liabilities (PERS)	341,337	417,940	449,807	463,495	521,432	577,747	628,589	673,825
Other Operations & Maintenance	316,473	901,872	867,028	946,966	994,314	1,034,086	1,075,450	1,116,083
Transfers Out (operating)	240,000	92,234	92,234	96,846	101,688	106,772	112,111	117,717
Debt Service Payments	-	-	-	-	-	-	-	-
<b>TOTAL EXPENSE</b>	<b>2,679,903</b>	<b>3,448,712</b>	<b>3,209,782</b>	<b>3,625,439</b>	<b>3,820,292</b>	<b>4,009,578</b>	<b>4,198,761</b>	<b>4,385,540</b>
Net Surplus (Shortfall)-Operating	1,894,236	1,101,288	1,164,693	1,038,311	960,052	914,176	872,706	838,070
<b>Capital</b>								
Active Transportation Plan / Active Corridor Studies		67,000	67,000	136,000	-	-	-	-
Local Road Safety Plan (LRSP) Implementation and Safety Improvements		150,000	150,000	200,000	200,000	200,000	200,000	200,000
ADA Accessibility Upgrades at Quintana and Main Streets Intersection		-	-	-	-	-	-	-
Trash and Recycling Can Replacements		60,000	60,000	-	-	-	-	-
Sidewalk Improvements and Street Tree Replacements Project		150,000	150,000	250,000	300,000	-	-	-
SR1/SR41/Main St Intersection Improvements		-	-	600,000	-	-	-	-
Annual Pavement Management Program		1,840,000	1,840,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
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	(619,764)	(1,165,712)	(1,102,307)	(2,747,689)	(2,139,948)	(1,885,824)	(1,927,294)	(1,961,930)
<b>ENDING FUND BALANCE</b>	<b>1,325,072</b>	<b>85,521</b>	<b>222,765</b>	<b>(2,662,168)</b>	<b>(4,802,117)</b>	<b>(6,687,941)</b>	<b>(8,615,235)</b>	<b>(10,577,165)</b>

**NOTE**

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

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General Fund (001) and Measure E (003)	FY 2024 Budget	FY 2025	FY 2026	Forecast		
				FY 2027	FY 2028	FY 2029
Available Fund Balance-Beginning	10,890,364	909,489	(2,459,692)	(5,004,975)	(7,272,123)	(9,897,285)
General Fund	19,594,556	19,906,558	20,481,483	21,095,928	21,776,495	22,429,790
Measure E	4,550,000	4,663,750	4,780,344	4,923,754	5,071,467	5,223,611
<b>TOTAL REVENUE</b>	<b>24,144,556</b>	<b>24,570,308</b>	<b>25,261,827</b>	<b>26,019,682</b>	<b>26,847,962</b>	<b>27,653,401</b>
General Fund	18,050,310	18,991,602	20,032,985	21,040,753	22,045,674	22,707,044
Measure E	3,448,712	3,625,440	3,820,293	4,009,579	4,198,761	4,385,540
<b>TOTAL EXPENSE</b>	<b>21,499,022</b>	<b>22,617,042</b>	<b>23,853,278</b>	<b>25,050,332</b>	<b>26,244,435</b>	<b>27,092,584</b>
<b>OPERATING REVENUE OVER EXPENDITURE (Operating)</b>						
Combined Revenue	24,144,556	24,570,308	25,261,827	26,019,682	26,847,962	27,653,401
Combined Expenditure (Operating)	21,499,022	22,617,042	23,853,278	25,050,332	26,244,435	27,092,584
Combined Surplus (Deficit)	<b>2,645,534</b>	<b>1,953,265</b>	<b>1,408,550</b>	<b>969,350</b>	<b>603,527</b>	<b>560,817</b>
General Fund Surplus (Deficit)	1,544,246	914,955	448,499	55,175	(269,179)	(277,254)
Measure E Surplus (Deficit)	1,101,288	1,038,310	960,051	914,175	872,706	838,071
	<b>2,645,534</b>	<b>1,953,265</b>	<b>1,408,550</b>	<b>969,350</b>	<b>603,527</b>	<b>560,817</b>
<b>COMBINED REVENUE OVER EXPENDITURE (Op + One-time Transfers + Capital)</b>						
Combined Revenue	24,144,556	24,570,308	25,261,827	26,019,682	26,847,962	27,653,401
Combined Expenditure (Op + One-time Transfers & Section 115 + Capital)	29,180,388	27,581,584	28,061,235	28,245,360	29,438,489	30,180,116
Combined Surplus (Deficit) including all expenditures	<b>(5,035,832)</b>	<b>(3,011,277)</b>	<b>(2,799,408)</b>	<b>(2,225,678)</b>	<b>(2,590,527)</b>	<b>(2,526,715)</b>
Total Operating	<b>21,499,023</b>	<b>22,617,042</b>	<b>23,853,278</b>	<b>25,050,332</b>	<b>26,244,435</b>	<b>27,092,584</b>
Total One-Time Transfers + Section 115	<b>4,307,500</b>	<b>503,542</b>	<b>607,958</b>	<b>395,028</b>	<b>394,054</b>	<b>287,532</b>
Total Capital	<b>3,373,865</b>	<b>4,461,000</b>	<b>3,600,000</b>	<b>2,800,000</b>	<b>2,800,000</b>	<b>2,800,000</b>
General Fund Operating	18,050,310	18,991,602	20,032,985	21,040,753	22,045,674	22,707,044
General Fund One-Time Transfers + Section 115	4,307,500	503,542	607,958	395,028	394,054	287,532
General Fund Capital	1,106,865	675,000	500,000	-	-	-
Measure E Operating	3,448,713	3,625,440	3,820,293	4,009,579	4,198,761	4,385,540
Measure E One-Time Transfers + Section 115	-	-	-	-	-	-
Measure E Fund Capital	2,267,000	3,786,000	3,100,000	2,800,000	2,800,000	2,800,000
General Fund Available Fund Balance	2,606,011	3,571,658	2,342,425	1,682,966	1,343,113	679,880
Measure E Available Fund Balance	85,521	(2,662,169)	(4,802,117)	(6,687,941)	(8,615,235)	(10,577,165)
<b>ENDING FUND BALANCE BEFORE RESERVES</b>	<b>2,691,532</b>	<b>909,489</b>	<b>(2,459,692)</b>	<b>(5,004,975)</b>	<b>(7,272,123)</b>	<b>(9,897,285)</b>
<b>Minimum Reserve Levels</b>						
General Fund Emergency Reserve Policy: 33% operating expenses. Includes Measure E fund operating expenses.	7,094,678	7,463,624	7,871,582	8,266,610	8,660,664	8,948,195
<b>UNRESERVED/ AVAILABLE FUND BALANCE</b>	<b>2,756,937</b>	<b>909,489</b>	<b>(2,459,692)</b>	<b>(5,004,975)</b>	<b>(7,272,123)</b>	<b>(9,897,285)</b>