



City of Morro Bay

FY 2024-25 Operating and Capital Budget



Adopted Version - 7/01/2024



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INTRODUCTION

Public Officials & Leadership

City of Morro Bay City Council

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

Executive Management

Yvonne Kimball, City Manager
Chris Neumeyer, City Attorney
Amy Watkins, Police Chief
Daniel McCrain, Fire Chief
Emily Conrad, Finance Director
Greg Kwolek, Public Works Director
Ted Schiafone, Harbor Director
Michael Codron, Interim Community Development Director
Dana Swanson, City Clerk
Rachael Hendricks, Human Resources Manager/Risk Manager
Kirk Carmichael, Recreation Services Manager

Budget Preparation Team

Emily Conrad, Finance Director
Melissa Green, Administrative Programs Manager
Sara Pruitt, Fiscal Analyst
Executive Management Team and Department Contributors

Cover Photo Credit: Matt Boyer





Transmittal Letter from the City Manager of Morro Bay

Yvonne Kimball, City Manager

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

I am pleased to present the Revised Proposed Fiscal Year (FY) 2024-25 Budget for your consideration. The budget anticipates total revenues of **\$50.3 million**, excluding transfers, and **\$68.6 million, including transfers**. The total citywide expenditure budget is **\$60.6 million**, excluding transfers, and **\$78.9 million, including transfers**. It includes **\$41.6 million for operations** and **\$19 million for 12 capital projects** (both net of 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 FY 2024-25 budget funds the following: **the operational departments that provide core services to our community**, including police, fire, water, sewer, parks, roads, transit, recreation, community development, code enforcement, harbor and recreation programs; the supporting administrative services such as human resources, information technology, and finance; and funds **12 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.

In recent years, Morro Bay has been at the forefront of **two significant energy projects**. One is a 600 MW battery storage project proposed by Vistra Corporation. The other is the floating offshore wind initiative, a federal and state energy directive aiming to generate 5GW power by 2030. These initiatives propose offshore wind turbines to be established in the waters off the coast of Morro Bay. The energy-related projects have generated much interest in the community, which has led to increased demands on city resources and staff capacity. It is anticipated that the City will continue to seek grants and other funding opportunities to address capacity needs.

Despite various service needs and ever-changing demands, the City's **primary sources of revenue have remained stable**. Although traditional revenues like property taxes, sales taxes, and Transient Occupancy Tax (TOT) have recovered to pre-pandemic levels, they have now plateaued. Fortunately, Measure E, which was approved by Morro Bay voters in 2020, aids the City in providing essential public safety services and addressing infrastructure requirements. However, one of the City's persistent challenges is to ascertain methods of stabilizing unpredictable revenue sources, detecting potential losses, and capitalizing on achievable revenue prospects.

Staffing costs are one of the largest City expenses, second only to capital projects. Ensuring **adequate staffing levels** is crucial for delivering critical services, but it can also drive up costs. During FY 2023-24, the city experienced many key position vacancies. However, despite these changes, productivity was not hampered. This is a testimony to the dedication of the amazing team of staff. It is anticipated that these positions will be filled in FY 2024-25. The FY 2024-25 budget has allocated funds for **team building and employee recognition events**, as well as adequate resources for training and **professional development** opportunities. While the FY 2024-25 budget does not dramatically increase staff capacity, it includes converting three existing part-time positions (two in Recreation Services and one in Community Development) to full-time positions and a new Assistant to the City Manager/Public Relations Manager. These positions will support the **efficient delivery of council priorities** and address new emerging needs. Even with these additions, areas of staffing constraints remain.

It is possible that a new council will be seated in FY 2024-25 following the 2024 election. To support council effectiveness, this budget includes funding for new council orientation, training, and goal-setting needs. Also on the 2024 ballot is Measure A. This citizen initiative seeks to prohibit, unless approved by voters, any changes to the existing land use of visitor-serving or commercial/recreation fishing on certain designated parcels. This budget includes adequate costs for the election.



While maintaining core operational services, this budget also invests **\$19 million in the City's built environment**. This is in addition to \$19.4 million invested in last year's FY 2023-24 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. The City is planning on the last piece of the project: recycled water in FY 2024-25. The new plant allows the City to meet water quality standards and provides a safe and reliable water source for Morro Bay's homes and businesses. The project will create a drought buffer and could eventually be capable of providing up to 80 percent of the City's water needs. The City must continue to invest in our water and sewer pipes and tanks, many of which were built in the 1950s. The City will continue to spend down the accumulated \$3 million of existing project funding for the Annual Pavement Management Program in addition to the proposed \$1.6 million in new budget allocation.

Despite the City's **stable fiscal situation and strong reserves**, there are still **significant challenges ahead** that demand a fiscally responsible approach. The City is facing rising costs and inflationary pressures, particularly in regards to implementing capital improvements. While expenses continue to mount, revenue growth is projected to level off and remain relatively stagnant in the upcoming fiscal year. Without diligent tracking and management, this disparity between expenditure and revenue growth could lead to potential structural deficits in some of the City's major funds.

FY 2023-24 marked the end of all collective bargaining units' existing contract period. City staff has been in negotiations with all units since this spring. **Rising labor costs** coupled with inflationary adjustments are anticipated and reflected in the proposed FY 2024-25 budget. As of the writing of this letter, the City has reached a tentative agreement with two out of three bargaining units and anticipates reaching tentative agreement with the final unit before the end of FY 2023-24. Another significant cost and area for concern continues to relate to the City's pension cost. CalPERS investment returns have not met their target rates, which results in the City being required to make higher minimum payments towards its unfunded pension liability. This budget invests an additional \$400,000 in a **pension trust fund** to address these rising costs, 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 Finance Department in leading this budget process. I was impressed with the leadership of Melissa Green, Administrative Programs Manager, and Emily Conrad, Finance Director. They led the budget development efforts with limited support from me, yet prepared a budget reflecting my directives of focusing on council goals and growth opportunities for employees. This budget would not have been possible without the participation of all City Departments. My heartfelt thanks go to all members of the Executive Team for their talent, open-mindedness, and meaningful support. The Team developed this thoughtful budget in a relatively new format with limited staff. This was a truly collaborative process, and I greatly appreciate the opportunity to direct, review, and deliver this budget. I can't do this without all the aforementioned individuals.

In closing, I reaffirm our commitment to serving the community by continuing to achieve the priorities established by the City Council. I am also optimistic about our future 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,

Yvonne Kimball
City Manager



Prior Year Budget Awards

The City of Morro Bay is proud to continue receiving awards of excellence for budgeting from government finance industry organizations.

Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to City of Morro Bay for its Annual Budget for the fiscal year beginning July 1, 2023. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

California Society of Municipal Finance Officers (CSMFO) presented an Operating Budget Excellence Award to City of Morro Bay for its Annual Budget for the fiscal year beginning July 1, 2023. To receive such an award, the City's budget document is reviewed by independent reviewers 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.

Both awards are valid for a period of 12 months only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA and CSMFO to determine its eligibility for another award.





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Morro Bay
California**

For the Fiscal Year Beginning

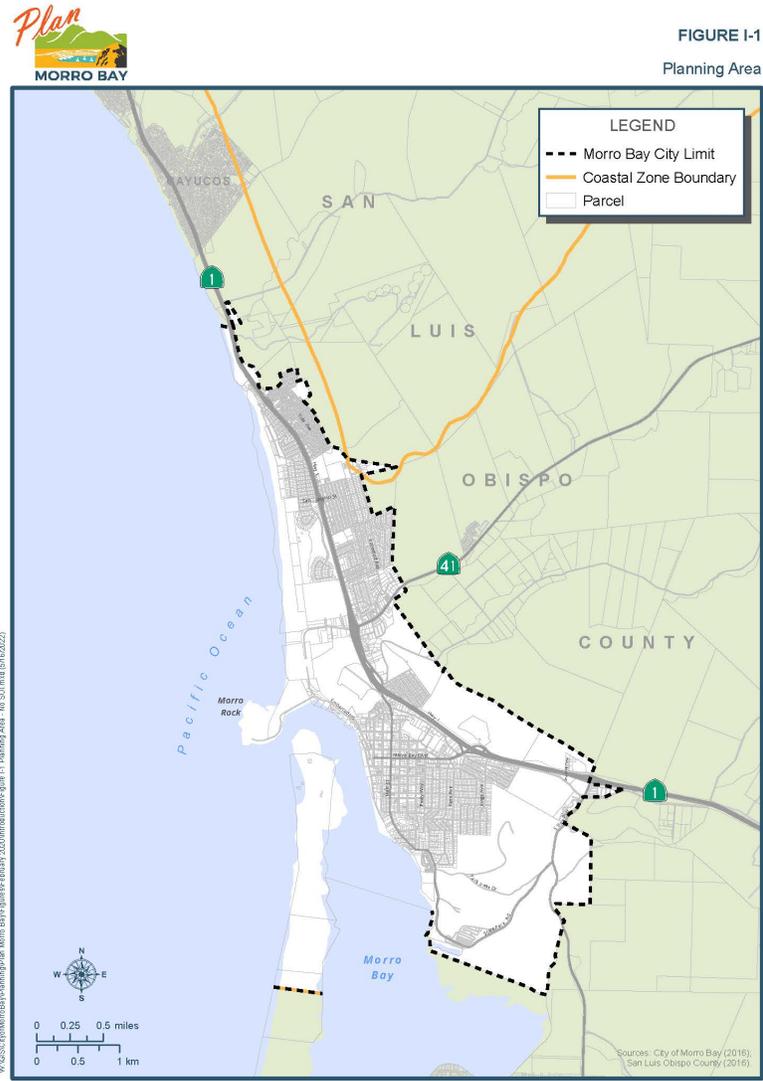
July 01, 2023

Christopher P. Morill

Executive Director

Morro Bay History & Community Profile

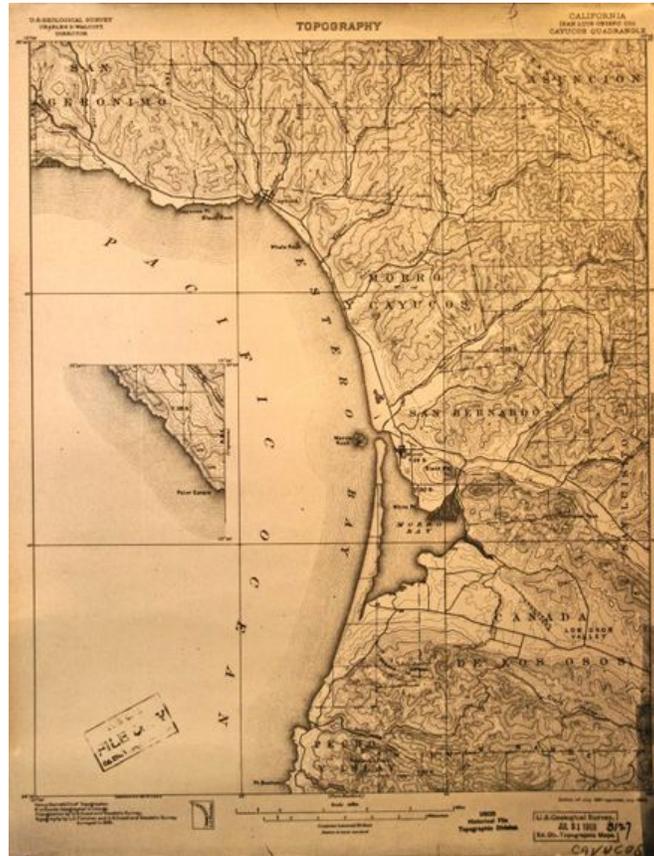
Morro Bay, a small seaside town, is not just a friendly, safe, and healthy place to live, work, and play, but also a captivating destination for visitors. With strong historical roots in the fishing industry, the city offers a unique blend of natural beauty, outdoor recreation, a working waterfront, 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.



Plan Morro Bay Map

Past

Morro Bay is in the Central Coast archaeological region, a place of significant historical importance, stretching from south of San Francisco Bay to the northern edge of the Southern California Bight. The Obispeño Chumash and the Salinan tribes historically occupied Morro Bay, their presence and activities shaping the region's history. Recent data suggests that hunting, gathering, and aquatic activities were important to those living in this region throughout history, underscoring the rich heritage of Morro Bay. Due to its proximity to various water and food sources, Morro Bay likely has many historical and cultural resources, a testament to its past.



Historical Topographic Map of Morro Bay

Morro Bay was first named by Portuguese sea exploration navigator Juan Rodriguez Cabrillo in 1542. In his initial exploration of Upper California, 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, cultivating a community's beginnings. The Town of Morro was founded in 1870 by Franklin Riley. By then, 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 harbor, tourist destination, energy, and retirement community.

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

The City of Morro Bay was 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

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 significant 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 the need for new investments in public and private property. Working with adjacent jurisdictions and implementing regional and state plans will require a cohesive approach to long-range planning that addresses the community's needs in response to population, climate and economic changes.

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 their arrangement dramatically affect the City's character, sustainability, health, and economy. The uses present in the City and their locations can ensure equitable access to the coast, visitor amenities and services, 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 solid jobs/housing balance and can 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

Numerous factors dictate the community's ability to achieve a desirable jobs/housing balance, including physical space, regulations, resource availability, and market factors. As of 2017, Morro Bay's ratio of jobs to households is approximately 1.07, however, most employees continue to commute to the City from other areas in SLO county for work.

Commercial Fishing

Commercial fishing plays significant economic and cultural roles in Morro Bay. Voter-approved Measure D ensures that State owned Tidelands on the north Embarcadero are specifically designated for commercial fishing infrastructure and facilities to accommodate 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 is an integral 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. 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 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 contributing to future fishing industry management. The Commercial Fisheries Economic Impact Report sought to understand the economic scope of the industry. The Fishing Community Sustainability Plan further studied the sector and provided recommendations to facilitate the sustainability of the fishing community and working waterfront. These findings were tied to their social, economic, and environmental implications. Regulatory changes to the industry and declines have occurred in the fishing industry and unfortunately catch and fishing industry productivity has been decreasing in recent years. With the decline in the 1990s, fishing infrastructure suffered, processing facilities closed, and improvements were 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 critical feature of Morro Bay. Kayaking, paddleboarding, 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 the growing 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 that 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 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. Economic development factors 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 the Morro Bay Chamber, Visit Morro Bay, and REACH (a regional economic development group representing SLO and Santa Barbara Counties). The [Morro Bay Economic Development Roadmap \(https://www.morrobayca.gov/DocumentCenter/View/10745/_Morro-Bay-EDSP-Roadmap_FINAL\)](https://www.morrobayca.gov/DocumentCenter/View/10745/_Morro-Bay-EDSP-Roadmap_FINAL) guides them.

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. Morro Bay residents also tend to be older than the California average, with about 30 percent of residents over 65 and a median age of 49. The number of working-age residents in Morro Bay is similar to the state average, providing 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 residents will retire in the next two decades and will have less income for goods and services.

Transportation Network Diagram

Morro Bay has many roadways 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, 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 enhance the safety and flow of transportation. Many of the streets in Morro Bay already exemplify the complete streets approach, especially downtown, and the City has implemented several 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 community members can meet their needs regardless of age, income level, or disability. Having a strong, active transportation network improves the community's overall health, sustainability, and resiliency.

Morro Bay's active transportation network is designed to allow safe and convenient mobility for pedestrians and bicyclists. The City's Bicycle and Pedestrian Master Plan, adopted in 2011, guides the improvement of pedestrian and bicycle facilities in Morro Bay. Pedestrian mobility is generally evaluated by infrastructure connectivity, such as safe crosswalks and sidewalks. In contrast, bicycle mobility is assessed 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). It includes ADA paratransit services and multiple fixed routes connecting Morro Bay to San Luis Obispo and other nearby cities with connections to local transit service at Morro Bay City Park.

The City operates a year round local deviated fixed route service that serves major campgrounds, the high school, the senior center, Community Center, library, grocery stores, and neighborhoods throughout Morro Bay. The Morro Bay Trolley operates a seasonal fixed route service with access to north Morro Bay, downtown, and the waterfront from the first weekend in June through the first weekend in October.

The trolley offers access to the coast along Beachcomber Street and Sandalwood Avenue to Morro Strand State beach in the north, on the waterfront connecting to the Harborwalk that runs along the Embarcadero to Morro Rock beach, and out to Morro Bay State Park, heron rookery natural preserve and marina in the south.



Conservation

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 to ensure that growth does not interfere with the community benefits they provide for residents and the coastal access and recreation offered to visitors. At the same time, preserving the integrity of these resources requires the City to conserve energy and water, reduce air pollution and greenhouse gas emissions, and minimize waste.



Morro Bay is a coastal city that prioritizes its natural resources because of their aesthetic, recreational, environmental, and health-related benefits. 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 in Morro Bay's planning area, including 50 acres of local parkland and three linear miles of public beaches. Residents and visitors use these sites for passive and active recreation, including organized sports, surfing, running, walking, picnics, and children's play areas. They also serve as buffers between different land uses in Morro Bay and provide habitat for various 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 older adults 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 preserve open spaces and access to them for all community segments.

Types of Open Space

Community-Based Open Space in Morro Bay is designated for developed parks in neighborhoods and commercial areas. These parks and facilities allow 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 community-based parks are City-owned, while the rest are funded from various 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 essential role in the community and benefit residents by providing and preserving recreational resources.

Community-Based Parks, Trails, and Recreation

Several 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 sports 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 Cayucos and Morro Bay border. 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 an agreement with Chevron. Dog Beach is the largest off-leash beach in the populated areas of the Central Coast.

Open space for tribal resources is land designated as open space for several 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 listed or 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 confidentiality level needed for site uses. To date, no tribal resources have been identified in Morro Bay requiring open space designation for preservation purposes. The City has recently become the owner of Cerrito Peak, which has the 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, creating places for people to relax or gather in an open, accessible public setting.

Resource-Based Parks

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

These parks are all located along the shoreline and serve as coastal open spaces for residents and visitors to enjoy and protect 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 connects 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 and 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 one-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 sell the land 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) totaling over 5,000 acres. The parks are managed, owned, and operated by the California Department of Parks and Recreation (State Parks). They 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 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 habitat health.

The State Marine Recreational Management Area is a state park with 2,100 acres of water and aquatic resources in the bay. This area provides aesthetic assets, preserves critical 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 to preserve these open spaces.

Morro Rock is an important feature in Morro Bay and an icon of the Central Coast. The Morro Rock parking lot separates 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



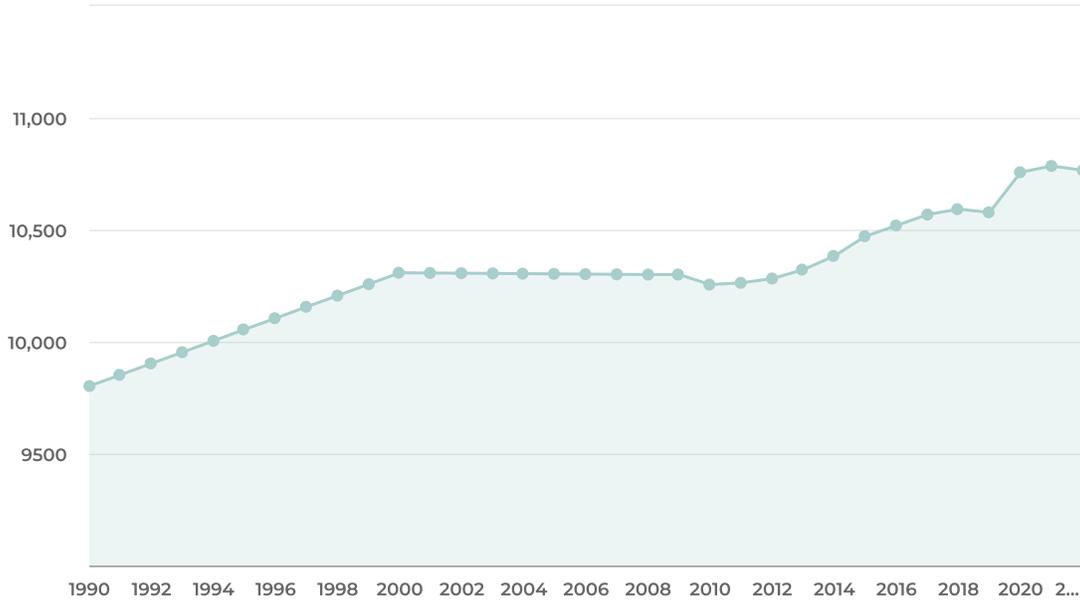
TOTAL POPULATION

10,766

▼ **.2%**
vs. 2021

GROWTH RANK

212 out of **498**
Municipalities in California



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



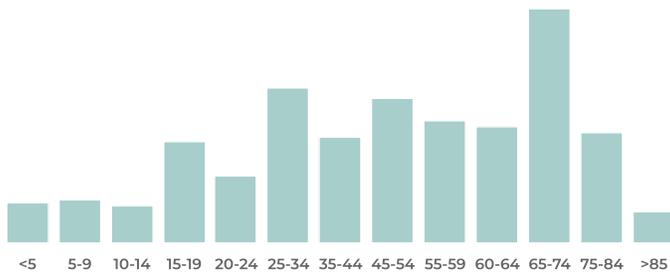
DAYTIME POPULATION

10,351

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.

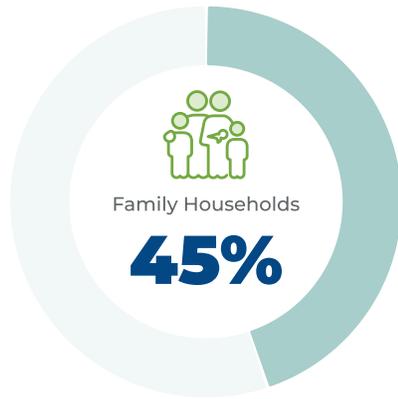
* Data Source: American Community Survey 5-year estimates

Household Analysis

TOTAL HOUSEHOLDS

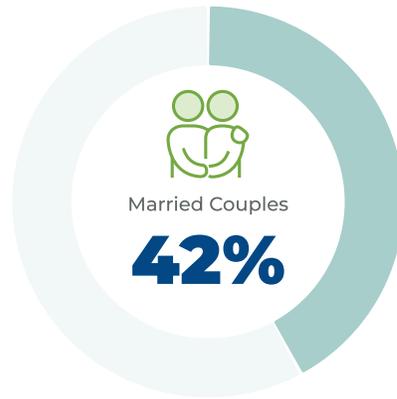
4,852

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.



▼ **9%**

lower than state average



▼ **15%**

lower than state average



▲ **62%**

higher than state average



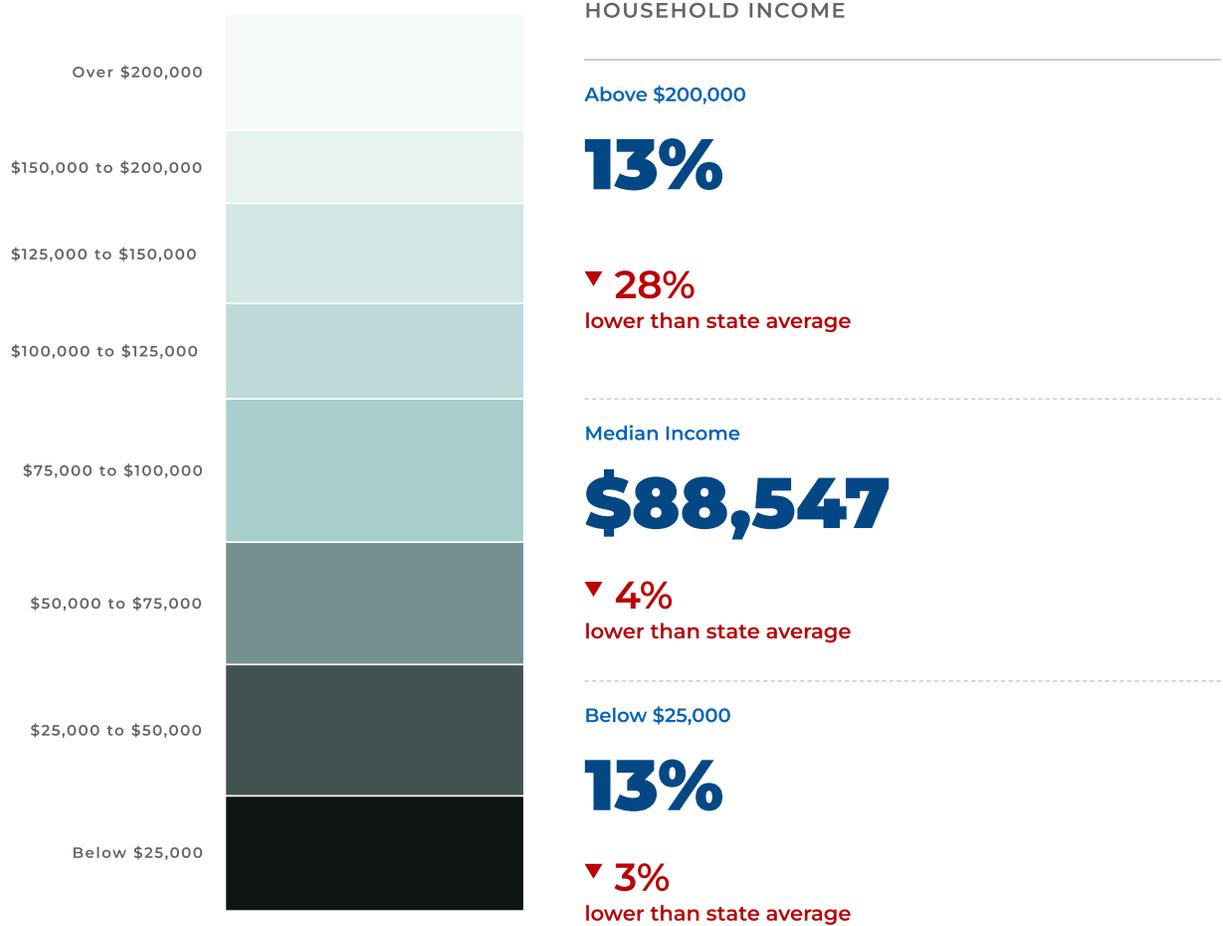
▲ **65%**

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.

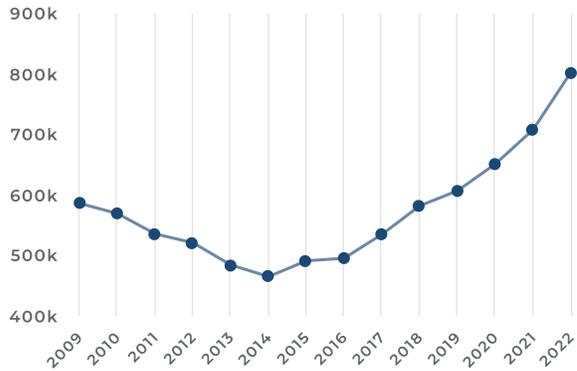


* Data Source: American Community Survey 5-year estimates

Housing Overview



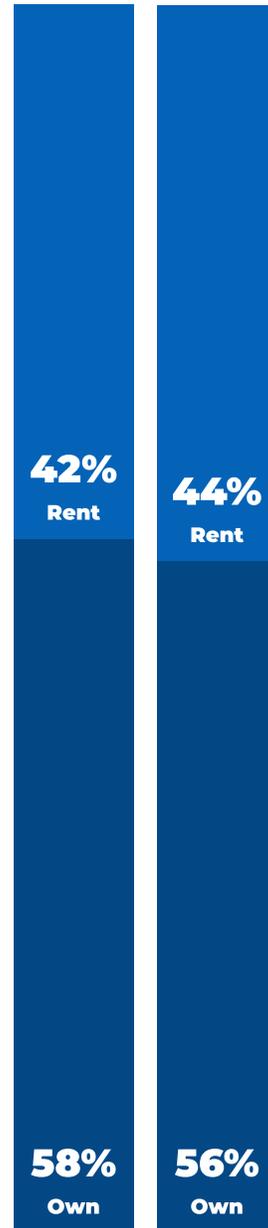
2022 MEDIAN HOME VALUE
\$802,700



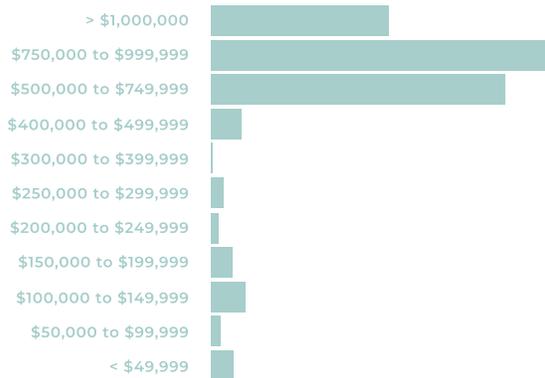
* Data Source: 2022 US Census Bureau (<http://www.census.gov/data/developers/data-sets.html>), American Community Survey. Home value data includes all types of owner-occupied housing.

HOME OWNERS VS RENTERS

Morro Bay State Avg.



HOME VALUE DISTRIBUTION

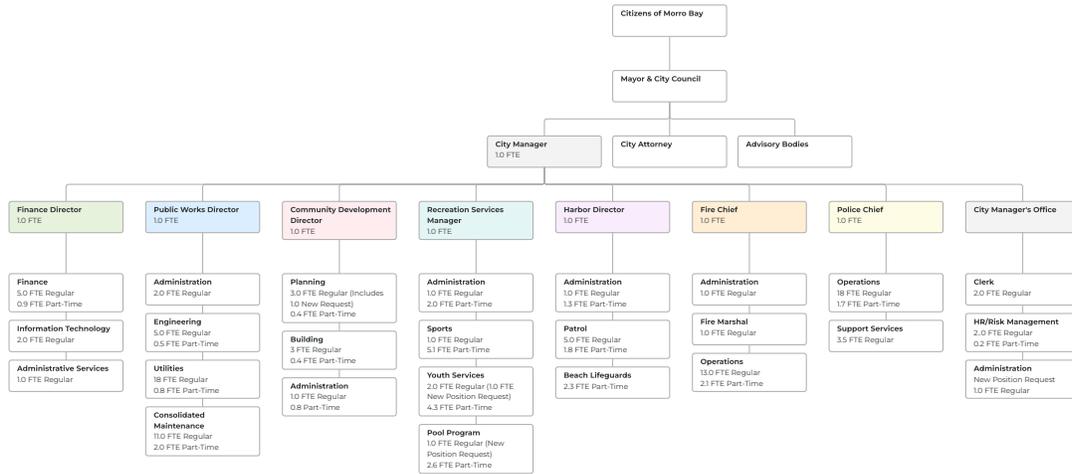


* Data Source: 2022 US Census Bureau (<http://www.census.gov/data/developers/data-sets.html>), American Community Survey. Home value data includes all types of owner-occupied housing.

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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, with particular focus on activities funded with the additional general purposes local sales tax monies referred to as Measure E, a 1.5% district sales tax that has no sunset date. Additionally, CFAC's purpose is to provide citizen input to City Council on financial policy issues such as City budgets and other items requested by City Council, as well as to promote citizen participation with, and understanding of, governmental financial information and processes. CFAC may also undertake special financial projects as directed by the City Council, City Manager, or City Treasurer.

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, for example). 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 City's funds are grouped in fund types and categories as follows:

Governmental Funds for the City include two major funds and twenty-two (22) non-major special revenue funds as detailed below.

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:
 - Unfunded 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
- Developer Reimbursement Agreements - 045
- Community Development Grants - 200
- State Gas Tax - 250
- SB-1 Road Maintenance & Rehabilitation Act (RMRA) - 260
- Lower Cost Visitor Accommodations - 270
- Traffic Safety - 280
- Special Safety Grants - 282
- Parking In-Lieu - 299
- Bike Path - 302
- Local Transportation Fund (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
- 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 provide services 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. For these funds, the "users" are internal City departments.

- o Risk Management - 430
- o Information Technology - 450

Proprietary Funds - Enterprise Funds

These 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 type activities:

- o Harbor Enterprise
 - Harbor Operating - 331
 - Harbor Capital - 923
- o Sewer Enterprise
 - Sewer Operating - 321
 - Sewer Capital - 922
- o Water Enterprise
 - Water Operating - 311
 - Water Capital - 921
 - Water Discount/Rebate Program - 315
- o Transit Enterprise
 - Transit Operating - 301
 - Transit Capital - 920

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.

- o 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. The City operates a general long-term debt fund for governmental fund type debt. Debt for proprietary funds is presented within the proprietary funds that incurred the debt.

- o 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: Investment Policy (Reso. 41-23), Fund Balance Reserve Policies (Reso. 37-22), 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 or equal to 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 (adds value to 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), Certificates of Deposits, and US securities. 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 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 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 revenue 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 2024-25 Budget Calendar

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

- February Finance prepares budget framework, training, and instructions
- Feb 20 Midyear Measure Q&E Budget Presentation to CFAC
- Feb 27 Midyear Budget Presentation and Fiscal Update to Council
- March Departments prepare FY 2024-25 budget submittals
- April 17 New capital requests PWAB review
- April City Manager/Exec Team budget meetings; draft budget development
- April Preliminary Council input on budget and/or fiscal policies if needed
- May 9 City Manager delivers draft proposed budget numbers to Council
- May 21 CFAC reviews budget and provides input, emphasis on Measure Q&E
- May 28 Budget Study Session #1
- May 29 Budget Study Session #2 (if needed)
- June 11 Budget Adopted at Council Meeting
- June 25 Backup date for Budget Adoption

FY 2024-25 Budget - Public Meeting Dates

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



Gann Appropriation Limit

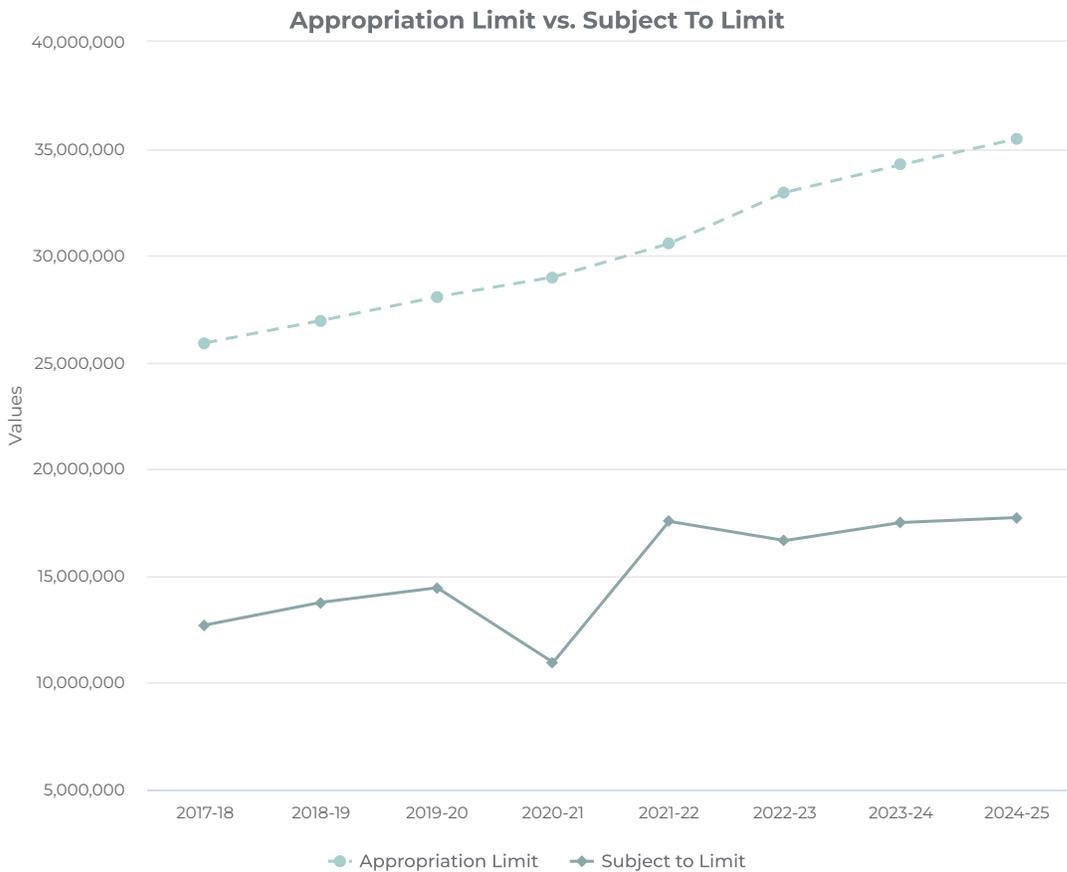
California voters approved Proposition 4, commonly known as the Gann Spending Limitation Initiative on November 6, 1979, establishing Article XIII B of the State Constitution. This proposition mandates an appropriations (spending) limit on the amount of tax revenue that the State and most local government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

This limit changes 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 2024-25 is \$35.5 million. The City is well within the appropriation limit at \$17.7 million in tax proceeds subject to the limit. City Council will review the Gann limit calculation for FY 2024-25 in June 2024.

Appropriation Limit



GANN Limit Resolution

RESOLUTION NO. 51-24

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, ESTABLISHING THE ANNUAL PROPOSITION 4 APPROPRIATIONS LIMIT FOR THE FISCAL YEAR 2024-25

THE CITY COUNCIL City of Morro Bay, California

WHEREAS, Article XIII B of the California Constitution restricts the appropriation of tax proceeds that the City receives in any given fiscal year; and

WHEREAS, the City has calculated the FY 2024-25 appropriations limit, in accordance with the provisions of Article XIII B of the California Constitution; and

WHEREAS, in June 1990, the California voters approved Proposition 111, amending the Gann Initiative to provide local agencies with the option of using either the city or county population change percentage, whichever is greater. The City is calculating this limit using the San Luis Obispo County population change and the California Per Capita Personal Income, referred to as the Price Factor (outlined in Exhibit 3, attached hereto); and

WHEREAS, the City has complied with Government Code 7910.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California, to adopt Resolution No. 51-24, which accepts the calculation of the FY 2024-25 appropriations limit, as prepared by the Morro Bay Finance Department, and establishes the FY 2024-25 appropriations limit at \$35,461,193, based on the calculation detailed in Exhibits 1 and 2 attached hereto.

PASSED AND ADOPTED, by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 25th day of June 2024, by the following vote:

AYES: Wixom, Barton, Edwards, Ford, Landrum
NOES: None
ABSENT: None
ABSTAIN: None
RECUSED: None



CARLA WIXOM, Mayor

ATTEST:



DANA SWANSON, City Clerk

Budget Adoption Resolution

RESOLUTION NO. 47-24

RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
ADOPTING THE FISCAL YEAR 2024-25 OPERATING AND CAPITAL BUDGET

THE CITY COUNCIL
City of Morro Bay, California

WHEREAS, the City of Morro Bay is required to appropriate and expend funds, to conduct the day-to-day business activity of the City; and

WHEREAS, the Morro Bay City Council finds and determines those appropriations and expenditures are necessary for continued efficiency, economy, and effectiveness of the City government operations; and

WHEREAS, the continuing efforts of staff to operate the business of the City, within an approved budget, and to create savings, wherever feasible, are acknowledged by the City Council; and

WHEREAS, the City Council reviewed the Proposed Budget on May 28 and 29, 2024 and provided input, and there are no subsequent changes to the proposed budget since the May 28-29, 2024 Budget Study Sessions; and

WHEREAS, the City Council recognizes that Capital Improvement Projects and one-time expenditures of the American Rescue Plan Act (ARPA) and General Fund Vehicle Maintenance funds that were authorized and approved in the current and prior fiscal years, may not be completed by June 30, 2024; and

WHEREAS, the total Proposed Citywide revenue budget for FY 2024-25 is \$50.3 million and the proposed citywide expenditure budget for FY 2024-25 is \$60.6 million (net of transfers);

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California:

1. The Fiscal Year 2024-25 Operating and Capital Budget, attached hereto as Exhibit 2, at <https://www.morrobayca.gov/827/Budget>, and incorporated herein by reference, including the administrative corrections outlined in Exhibit 1 hereto and any amendments made during the City Council meeting dated June 25, 2024, are adopted and incorporated herein by reference; and
2. Staff is directed to incorporate the administrative corrections outlined in Exhibit 1 hereto and any amendments made during the City Council meeting dated June 25, 2024 and to prepare and publish a final adopted budget document, with approved amendments; and
3. Subject to paragraph 4, below, the City Manager is authorized to transfer appropriations within the adopted budget, including from and to capital projects or capital outlay items, so long as those changes do not significantly and negatively prevent implementation of any City Council direction or policy, and total appropriations are not exceeded; and
4. City Council approval is required to transfer appropriations between funds and may approve amendments to adopted budget by adoption of one or more resolutions; and
5. Notwithstanding paragraph 4 above, the City Council authorizes and directs staff to complete any necessary year-end reconciliation of allocations to and from compensated



absences reserves in accordance with the City of Morro Bay Reserve Policy, established by City Council via Resolution 37-22; and

6. City Council authorizes and directs the carry forward of unspent budget balances for capital projects, ARPA-funded projects, and General Fund Vehicle Replacement funds approved in the current and prior fiscal years, but not completed by June 30, 2024, to the Capital Improvement Project budgets, ARPA Project budgets, and GF Vehicle Replacement Fund budgets for the FY 2024-25 fiscal year; and
7. City Council approval is required for any proposed increase to the number of CalPERS benefited, budgeted positions, hired; and
8. Per City Council minute order May 24, 2004, any expenditures, in excess of the assessments received for the Cloister Assessment District, will be subsidized by the General Fund, without additional request made to the City Council; and

PASSED AND ADOPTED, by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 25th day of June 2024, by the following vote:

AYES: Wixom, Barton, Edwards, Ford, Landrum
NOES: None
ABSENT: None
ABSTAIN: None
RECUSE: None



CARLA WIXOM, Mayor

ATTEST:


DANA SWANSON, City Clerk

BUDGET OVERVIEW



Executive Overview

Budget Summary

The City of Morro Bay's budget for FY 2024-25 has total expenditures of **\$60.6 million** net of transfers (\$78.9 million including transfers), with **\$41.6 million** allocated for operations and **\$19 million** for capital projects (both net of transfers). The operating expenditure budget, net of transfers, reflects an **11% increase** over the previous year's budget due to rising personnel costs, persistent inflation, and the start of debt service payments for the Water Reclamation Facility project. The citywide revenue budget is **\$50.3 million** net of transfers (\$68.6 million including transfers). The operating revenue budget, net of transfers, is **\$46.6 million**, consistent with the prior year's budget due to a continued flattening of sales tax revenues. The portion of the expenditure budget not covered by current-year revenues reflects the use of available fund balance to cover the costs of one-time capital improvement projects and capital outlay in FY 2024-25.

This budget reflects a leveling off of City revenues and increasing costs to provide existing levels of service, a testament to the City's commitment to meeting community expectations. Economic cooling has slowed revenue growth, while persistent inflation drives higher expenses. 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 includes a conservative estimate of anticipated cost-of-living adjustments, and other benefit increases due to ongoing union contract negotiations. It also includes small staffing additions, demonstrating the City's dedication to maintaining service levels. In addition, it utilizes a portion of available fund balances to allow the City to make critical investments in infrastructure improvements by allocating \$19 million in new funding to 12 capital projects. Finally, this budget utilizes fund balance to invest \$0.4 million in a pension trust reserve to help reduce the City's unfunded liability over time and to be prepared to weather potential future CalPERS cost increases better.

City Reserve Levels

The City of Morro Bay, a small city heavily reliant on tourism, has implemented strong reserve policies to ensure it can withstand economic challenges, natural disasters, and emergencies while providing essential city services. By the end of the 2024-25 fiscal year, the budget anticipates that the General Fund and associated funds (such as Vehicle Replacement, Compensated Leave, and Capital Project Accumulation) will have reserves totaling around \$12.2 million, meeting the minimum General Fund Emergency Reserve policy of 33% of operating expenditures and meeting reserve policy levels in all funds. The major enterprise funds (Water, Sewer, and Harbor) and both internal services funds (Risk Management and Information Technology) are projected to have reserves exceeding the minimum target levels of 15-25% of operating expenditures. This will result in total projected City reserves of \$16.5 million at the end of the fiscal year, equivalent to 40% of the citywide operating budget. The City Council's dedication to fiscal sustainability has led to this strong reserve position.

Summary Charts

The Fund Summaries and Departments sections of the budget present the City's FY 2024-25 Operating Budget in detail. The key citywide summary charts below provide a brief overview.

Citywide Revenues and Trends

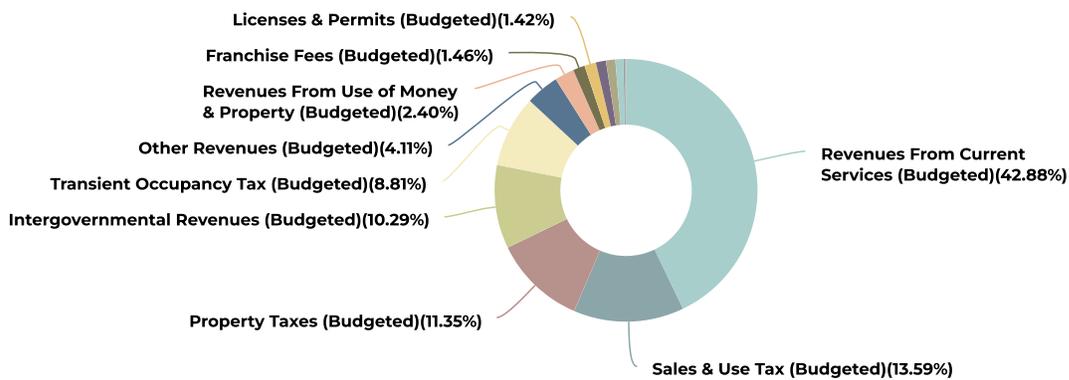
Current Services Revenue - The City receives the largest share of its revenue (43%) as payment for the services it provides, including water services, sewer services, lease revenues, planning and permitting fees, and fees for recreation services. Charges for service are a relatively stable revenue source 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 (13.5% of revenues), property tax (11.3%), and transient occupant tax (8.7%), represent the second-largest share of City revenues (33.5% 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 status of the economy and the tourism level. 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 has slowed significantly in recent years. More moderate growth (in the 2-3% range) is projected for both revenue sources in FY 2025-26 and beyond.

Other Revenues - The other 20-25% of City revenues come from various smaller sources, including intergovernmental revenues, fines, and cannabis taxes.

The budget document explains each revenue source and trends for major revenue sources in greater detail within each individual fund summary.

Citywide Revenues By Type, Net of Transfers



Operating Expenditures by Department

The chart below illustrates the percentage of the City's operating budget allocated to each department. For more detailed information about each department's operations, refer to the Departments section of the budget document.

Public Works represents the largest share of the operating budget at 43%, due to that budget including all Water and Sewer service operating costs and maintenance, engineering, and administrative functions.

Police represents the second-largest portion of the City's budget at 14%, which includes costs for providing all police services citywide.

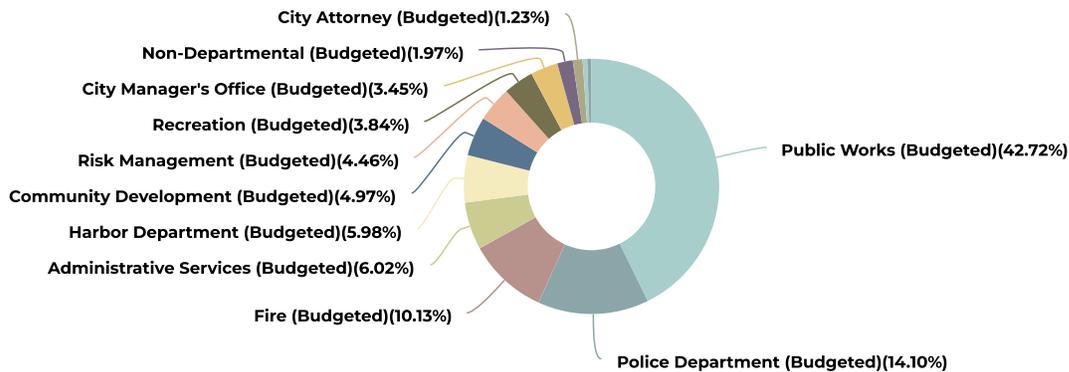
Fire is the third-largest share of the City's operating budget at 10%, accounting for the cost of providing all fire services to the City of Morro Bay.

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

Non-departmental costs include costs associated with investment in the 115 Pension Trust, maintenance at the Triangle/Boat Storage Lot, a transfer out to general fund capital improvement projects from SB-1/Road Maintenance and Rehabilitation for pavement management, the Parking in Lieu Fund budgeted revenues and expenditures, insurance costs such as workers' compensation and general liability, and the cost of the Balance of Standards of Cover survey for the Fire Department.

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

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 embrace controversial projects. 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 FY 2024-25 operations budget supports a wide range of City services, including public safety, public beautification, community development, recreation, and harbor, as well as water and sewer services. The budget will also aid the City in pursuing the City Council's objectives. Attracting and retaining highly qualified employees is crucial for delivering these services and meeting the City's goals. Like many other organizations, the City experienced staffing reductions and turnover in key positions following COVID-19. While most of these positions have been filled, and the City's total staffing level is now higher than pre-pandemic levels, recruitment and retention remain challenging, especially in certain areas. The post-pandemic labor market has seen a significant increase in resignations and job changes, leading to a very low local unemployment rate. This has resulted in labor shortages, fierce competition for talent across all sectors of the economy, and organizational volatility. The labor shortage has greatly affected the public sector, particularly state and local government. Hiring and retaining talent in local government has become increasingly difficult and expensive. Vacancies also have a negative impact on the local government's ability to provide essential services to the community and place additional strain on remaining employees, leading to burnout and higher turnover.

The closing of FY 2023-24 marks the conclusion of the two-year contract agreements with the City's three labor units. With the completion of a class and compensation study, the City has a set of parameters for the ongoing round of labor negotiations. Personnel costs are expected to increase in FY 2024-25.

2. Capital Investment - *Increasing investment to get projects done*

The prior year's budget (FY 2023-24) allocated \$19.5 million to 31 capital projects to make strides toward significant capital improvements. The FY 2024-25 budget continues that progress and allocates \$18 million in new funding to 15 capital projects. To ensure that the City can better execute these funded projects, the FY 2023-24 budget added a new Senior Engineer to the Public Works team. Inflation persists and continues to stretch City investment dollars thinner, impacting staff's ability to invest and complete projects within original cost estimates. Staff continues to work on storm recovery projects. The FY 2024-25 budget invests in water and sewer infrastructure, street paving, harbor infrastructure, and city facilities. This budget document's "Capital Improvements" section includes detailed descriptions of each proposed project.

3. Embrace Controversial Projects - *Political decisions may not dictate the provision of core city services, but they will impact budget priorities.*

This coming year presents a critical juncture for our community as we approach the Battery Energy Storage System (BESS) project application and the offshore wind (OSW) development. Both are identified as key projects for renewable energy goals. The BESS project proposes construction and operation of a 600-MW Battery Energy Storage System facility (BESS Facility), demolition and removal of the existing Morro Bay Power Plant building and stacks, and adoption of a Master Plan for the entire 107-acre Vistra owned old power plant property. The OSW development involves the creation of floating offshore wind energy infrastructure 20 miles off the coast of Morro Bay harbor. The development is driven by ambitious federal and state renewable energy goals, including a federal target of developing 30 gigawatts offshore wind energy by 2030 and California's objective of producing 25 gigawatts by 2045. Our community stands at the forefront of cutting-edge energy industry. City council and staff are tasked with enormous responsibilities to analyze their impact. These projects along with other controversial issues in our community will continue to test our technical and emotional resilience, challenging us to balance short-term needs with long-term implications. The year 2024 also brings an election with local decisions that may shape the future of the city. The FY 2024-25 budget accounts for election costs and limited costs to respond to BESS and OSW. Currently, the City has no grant assistance for energy projects. Under City Council's direction, in FY 2024-25, staff will continue to seek grant funding to enhance our capacity to manage initiatives like OSW. Providing expert consultation, thorough analysis and being able to communicate accurate information is essential to supporting the City Council in building public trust. Public engagement remains a top priority for the City Council as our community navigates controversies in the coming year. The FY 2024-25 Budget continues to fund existing communication tools and proposes to add a full-time position in the City Manager's Office dedicated to community outreach and communication.

Near-Term Fiscal Factors

There are a few key short-term fiscal factors that impact the FY 2024-25 Citywide Budget, as follows:

Economic Volatility

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 the City now faces a leveling off or even declining revenue stream. The five-year fiscal forecast projections indicate that expenditure growth will outpace revenue growth. FY 2024-25 is projecting a return to baseline revenue growth rates in the 2-3 percent range, with inflationary pressures still present at 4-5 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 of providing staffing, supplies, services, and capital projects increases. This dynamic could result in structural deficits in years ahead, absent additional revenue sources.

Robust City Reserve Levels

The City of Morro Bay has robust reserve policies to ensure that it can 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 2024-25, 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.

While current reserves meet or exceed Council-established minimums, the five-year fiscal outlook, particularly for the General Fund and Measure Q&E, projects the need to utilize those reserves to maintain a balanced operating budget and provide minimal levels of capital improvement funding. Staff has recommended re-examining reserve thresholds to maximize available resources in the years ahead. A risk-based reserve analysis can help the City identify the optimal reserve threshold that is unique to the City's combination of risk factors, such as sea-level rise, nuclear disaster, economic downturn, etc. The Government Finance Officer's Association (GFOA) provides recommended reserve ranges based on the level of risk a City faces¹.

- **Minimal Risk:** 16.6% of revenues/expenditures
- **Low to Moderate Risk:** 17-25% of revenues/expenditures
- **Moderate to High Risk:** 26-35% of revenues/expenditures
- **High Risk:** greater than 35% of revenues/expenditures

Identifying where the City falls in terms of risk tolerance will provide better insight for Council in determining the appropriate reserve policy. This priority has been added to the Administrative Services goals list for FY 2024-25.

Focus on Economic Vitality

The City's commitment to sustain and grow its local economy, as expressed by City Council's Goals, is a forward-looking strategy. The FY 2024-25 budget clearly reflects this, as it continues to invest in the partnership with Morro Bay Chamber to provide economic development services on behalf of the City. New in FY 2024-25, the budget includes a request to fund an Assistant to the City Manager/Public Relations Manager. This position will dedicate a portion of its workload to Economic Development and community outreach, improving the City Manager's Office's ability to contribute to the local economy and respond to community needs. This strategic effort, in collaboration with Visit Morro Bay, Visit SLO CAL, and REACH (a SLO County and Santa Barbara County regional economic non-profit), is not just about strengthening existing industries but also about diversifying our local economy. By playing to our existing strengths and adapting to the changing world, we are not just positioning our community to be sustainable in the future, but also to thrive.

Over the years, the city has accumulated a long list of capital improvement projects that need to be completed. In FY 2023-24, the Public Works Department reported a list of 45 active capital projects. Many of these projects deal with City Council priorities, aging infrastructure, and road, water, wastewater, and other systems improvements that impact the quality of life for Morro Bay residents and visitors. Most have already been allocated budget by City Council but others are in earlier stages of project development. Further, many of the projects are considered "high priority." Funding is an issue. Staff will continue to seek innovative funding solutions, such as lobbying for ear-mark funding at the federal level and leveraging partnership opportunities when possible.

It is to be recognized that the high cost of the projects is not the only challenge that keeps projects from being completed. Limited staffing resources is an important contributor. For all active capital projects, there is approximately one staff person in Engineering available to advance these projects at any given time. In addition, the two Engineering staff who work on capital



projects have been with the City less than six months. This limited allocation of staff resources means most projects are advanced incrementally with only three to five projects being completed annually. Meanwhile, critical infrastructure continues to age and upcoming projects cannot be developed, while dozens of open projects remain to be completed. Retention and recruitment of talented people as well as employing technology where possible will continue to be key factors to achieve fiscal sustainability and operational excellence.

1. Source: Should We Rethink Reserves? (gfoa.org) (<https://www.gfoa.org/materials/gfr0823-rethink-reserves>) and General Fund Reserve Calculation Worksheet (gfoa.org) (<https://www.gfoa.org/materials/general-fund-reserve-calculation-worksheet>)

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 compensation 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 local government industry experienced an 11.11% job loss since March 2023, the last California Employment Development (EDD) year over year reporting period. This is by far the greatest decrease in employment by industry in the county, with the second largest decrease occurring in Other Services at a 5.13% decrease over last March. The county saw increased employment in agriculture at 5.77% and accommodations at 4.55%. The drastic decrease in local government employment nears the Covid-era decline of 12% and reflects the challenges the City has experienced with recruiting and retaining employees.

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, has completed a total compensation and benefits survey which helped the City better understand how its salaries and benefits compare to other public agencies in the region. The results have identified undermarket classifications and the City is in the process of addressing the identified needs while keeping within responsible financial limits. The City has reached tentative agreements with Service Employees International Union (SEIU), Morro Bay Fire Fighters Association (MBFFA), and the Police Officers Association (POA). All three contracts make efforts to increase compensation closer to market levels.

Staffing Changes in the FY 2024-25 Budget

The proposed budget for FY 2024-25 includes an increase of 4 full-time positions. This brings the total number of positions for the city to 111.5 full-time positions. In addition, the budget includes part-time staffing that equals to 29 full-time equivalent positions based on the total number of part-time hours budgeted.

For FY 2024-25, the staffing changes are as follows:

- City Manager's Office created a new full-time benefited Assistant to the City Manager/Public Relations Manager position. The duties will be to assist with community outreach and other efforts identified by the City Council goals. The position will be split between the General Fund and the Economic Development Fund commensurate with that role's duties.
- Recreation Services converted a long-time part-time Aquatics Coordinator position to a full-time benefited Recreation Specialist
- Recreation Services converted a long-time part-time Kids Camp Director position to a full-time benefited Recreation Specialist
- Community Development converted a part-time contract planner to a full-time benefited Assistant Planner position.
- Smaller adjustments were made to part-time, unbenefited staffing levels in other departments resulting in a net decrease in part-time budget

CITYWIDE SUMMARY FULL-TIME STAFFING					
Presented as full-time equivalents (FTE) based on the number of hours budgeted.					
	2020-21 Funded	2021-22 Funded	2022-23 Funded	2023-24 Funded	2024-25 Budget
Administrative Services	6.0	9.0	9.0	9.0	9.0
City Manager's Office	4.0	5.0	5.0	5.0	6.0
Recreation Services	2.0	4.0	4.0	4.0	6.0
Community Development	5.0	6.0	7.0	7.0	8.0
Fire Department	13.8	15.0	15.0	16.0	16.0
Public Works	31.0	36.6	36.6	37.0	37.0
Police	20.4	21.4	22.5	22.5	22.5
Harbor	6.0	6.0	6.0	7.0	7.0
Total Citywide FTE Count	88.2	103.0	105.1	107.5	111.5

CITYWIDE SUMMARY PART-TIME STAFFING					
Presented as full-time equivalents (FTE) based on the number of hours budgeted.					
	2020-21 Funded	2021-22 Funded	2022-23 Funded	2023-24 Funded	2024-25 Budget
Administrative Services	0.3	0.4	0.6	0.9	0.3
City Manager's Office	0.0	0.0	0.0	0.2	0.2
Recreation Services	0.0	11.2	15.8	16.1	14.0
Community Development	1.5	1.5	2.0	2.4	1.6
Fire Department	5.2	2.6	4.6	3.2	2.1
Public Works	0.7	2.7	2.7	2.5	3.9
Police	0.0	0.0	0.0	1.0	1.7
Harbor	2.4	2.9	3.2	4.4	5.3
Total Citywide FTE Count	10.1	21.3	28.9	30.7	29.0

Remaining Staffing Deficiencies

There are still areas of the organization where staffing deficiencies remain. There are many areas in which 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 implemented 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.

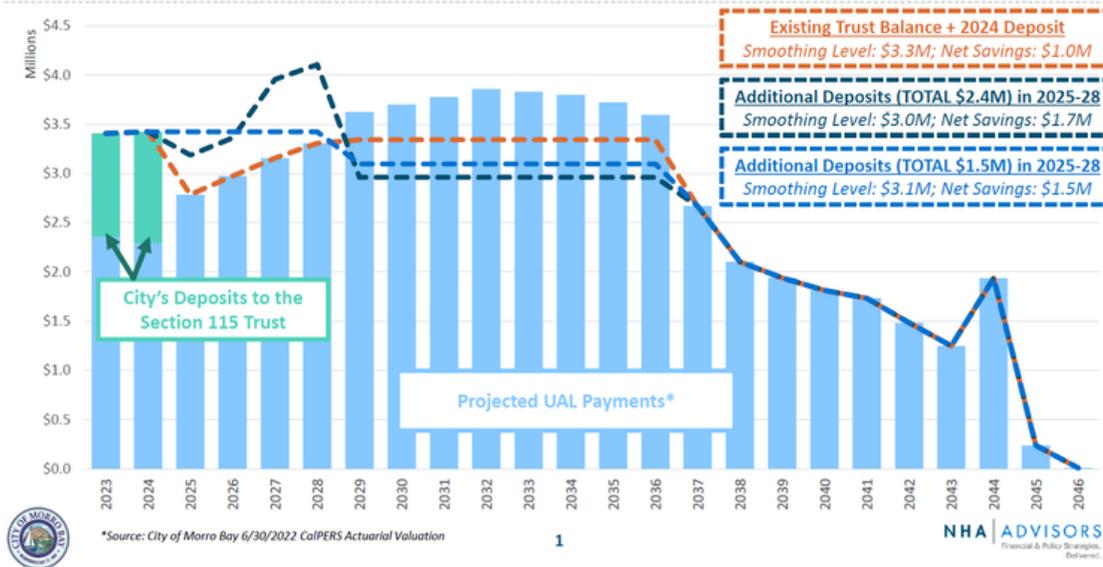
PEPRA employees are those who entered the CalPERS retirement after the Public Employee Pension Reform Act, which amounts to 67% of City employees, and already pay a higher share of their CalPERS retirement. PEPRA employees are required to contribute 50% of the total annual normal cost for their pension benefits; their costs, as well as the City's costs, are also increasing in FY 2024-25. PEPRA employees now exceed Classic employees in the City. Currently, we have 16 employees in Tier 1, 21 employees in Tier 2, and 75 employees in PEPRA. Most of our new hires are being hired in PEPRA.

In addition to rising "normal" or current year CalPERS costs, the City's unfunded liability or UAL payments that largely represent past promised benefits are continuing to rise. CalPERS' positive returns in 2021 temporarily lowered the City's total UAL from approximately \$29 million to approximately \$22 million. However, subsequent CalPERS market losses undid that temporary improvement and resulted in an even higher UAL of approximately \$34 million, resulting in higher payments starting in FY 2024-25. The FY 2024-25 budget, like the FY 2023-24 budget before it, takes additional steps to address the large UAL by contributing \$0.4 million (in addition to over \$2 million combined from the last two years) 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, as shown in the projected graph below.

Section 115 Trust Smoothing Options



The FY 2022-23 Budget and FY 2023-24 Budget included approximately \$1.1 million in contributions to that trust, for roughly \$2.2 million. This Pension Trust may potentially allow for higher rates of return than other City investments, 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. For FY 2024-25, staff recommends following the guidance of the City's financial advisor (NHA Advisors) to contribute \$0.4 million in the Section 115 trust, per the second scenario listed in the chart above. Assuming an annual investment earnings rate of 4.5% and Section 115 total deposits of \$4.6 million from FY 2022-23 through FY 2027-28, the City could see an estimated net savings of approximately \$1.7 million. This assumes continued deposits in FY 2025-26 through FY 2027-28, funding allocations that compete with other priorities, such as the staffing and capital improvement costs described above.

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.

Fund Balances Summary

	2021 Actual	2022 Actual	2023 Actual	2024 Estimated	2025 Projected
General Fund	6,737,000	10,373,000	9,639,131	7,139,468	6,175,964
<i>Unassigned</i>	2,763,000	6,412,000	6,449,291	3,976,468	3,012,964
<i>Committed</i>	-	798,000	-	-	-
<i>Nonspendable</i>	3,974,000	3,163,000	3,189,840	3,163,000	3,163,000
Unfunded Compensable Leave	148,000	173,000	254,155	275,655	308,332
Gen. Gov. Vehicle Replacement	406,000	570,000	740,672	759,004	551,043
G/F Emergency Reserve Fund	2,422,000	4,187,000	3,868,082	7,160,082	7,160,082
G/F Facility Maintenance Fund	100,000	76,000	77,981	86,109	114,701
Capital Accumulation Fund	214,000	612,000	621,166	621,166	126,587
Projects Accumulation Fund	303,000	-	-	-	-
Risk Management	1,679,000	923,000	940,035	951,435	944,935
Information Technology Fund	356,000	367,000	382,320	427,619	356,143
State Gas Tax Fund	-	-	-	-	-
Road Maintenance and Rehab SB1	-	-	-	-	-
MBT-BID	805,000	-	-	-	-
Bike Path	48,045	52,000	66,974	67,289	79,397
LTF Roads	72,772	2,000	1,717	1,717	1,717
Assessment Districts	79,623	88,050	90,882	93,714	96,546
North Point Assessment	(19,898)	(19,315)	(16,381)	(16,381)	(16,923)
Cloisters Park Maint AD	92,194	153,852	184,490	184,490	179,332
Cloisters Park Accumulation	69,540	-	-	-	-
Governmental Impact Fees	995,587	1,656,087	1,758,104	814,462	896,518
Park Fee Fund	318,202	245,344	249,530	249,530	249,530
Community Benefit	250,000	250,000	80,000	80,000	80,000
Economic Development Fund	1,029,000	796,000	758,918	757,224	657,302
Measure Q & E	1,375,000	1,945,000	1,325,072	323,655	910,698
Capital Projects Fund	791,220	3,409,000	5,316,233	8,275,248	3,160,195
State Park Marina	644,348	760,000	868,458	943,973	1,038,973
Triangle Lot - Boat Storage Yard	27,150	60,000	92,904	115,188	150,963
Affordable Housing In-Lieu Fund	259,000	173,000	188,733	194,394	149,394
Developer Reimbursement Agreements Fund	-	-	-	-	-
Community Development Grants	1,013,147	1,017,000	1,019,718	1,021,118	1,021,118
Lower Cost Visitor Accom Fund	14,158	14,000	14,093	14,093	14,093
Traffic Safety Fund	1,541	-	18,924	21,923	21,923
Special Safety Grants	219,562	351,000	253,852	197,438	171,057
Parking In-Lieu Fund	341,000	341,000	326,866	280,511	237,511
Transit Fund	1,694,000	1,513,000	1,921,055	2,047,414	2,147,062
Transit Capital Impv Fund	119,438	424,000	199,113	48,627	48,627
Harbor Equip. Replacement	69,000	-	-	-	-
Harbor Operating Fund	466,000	1,034,000	1,353,849	2,019,852	1,999,010
Harbor Capital Impv Fund	-	603,000	810,417	672,800	245,173
Harbor Accumulation Fund	269,000	-	-	-	-



	2021 Actual	2022 Actual	2023 Actual	2024 Estimated	2025 Projected
Sewer Equip. Replacement	535,000	-	-	-	-
Sewer Operating Fund	1,918,000	22,767,000	23,832,493	19,428,006	11,985,252
Sewer Capital Impv Fund	-	1,670,000	3,581,394	3,581,394	3,581,394
Sewer Accumulation Fund	741,000	-	-	-	-
Water Equip. Replacement	208,000	-	-	-	-
Water Operating Fund	11,098,000	9,969,000	11,807,246	10,230,695	8,431,616
Water Discounts/Rebates	371,000	349,000	404,582	391,582	378,582
Water Capital Impv Fund	-	3,873,000	3,776,979	4,600,000	350,965
Water Accumulation Fund	3,226,000	-	-	-	-
Trust & Agency Fund	1,307,497	1,205,000	1,068,101	750,000	750,000

Interfund Transfers

Interfund transfer entries account for transfers between funds. The City has a high volume of interfund transfers due to the number of individual funds, including separate enterprise capital and operating funds. 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 "Non-departmental" category of the budget. Most annual transfers occur for the following purposes:

- Capital Improvement Project contributions
- Reserve contributions to keep the City compliant with Council policy
- 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 2024-25.

TRANSFERS IN (REVENUE)			
<i>CAPITAL IMPROVEMENT FUND TRANSFERS IN (REVENUE)</i>			
General CIP Fund	915-9508-3801	From Capital Accumulation Fund for Vet's Hall Rehab	\$ 144,579
General CIP Fund	915-9614-3801	From SBI Fund for Pavement Management Program	\$ 269,999
General CIP Fund	915-9614-3801	From General Fund for Pavement Management Program	\$ 650,000
General CIP Fund	915-9614-3801	From Capital Accumulation Fund for Pavement Management Program	\$ 350,000
General CIP Fund	915-9614-3801	From Measure E for Pavement Management Program	\$ 350,000
General CIP Fund	915-9641-3801	From General Fund for Storm Drain Rehab and Replacement	\$ 500,000
General CIP Fund	915-8313-3801	From Measure E Fund for Morro Bay Bridge Inspection & Assessment	\$ 80,000
Transit CIP Fund	920-9917-3802	From Transit Operating for Replacement Bus	\$ 19,200
Water CIP Fund	921-8036-3802	From Water Operating for Morro Bay Wellfield Basin Rehab	\$ 1,250,000
Water CIP Fund	921-9932-3802	From Water Operating for Nutmeg Pressure Zone	\$ 1,800,000
Sewer CIP Fund	922-8249-3802	From Sewer Operating for Beachcomber Sewer Improvements	\$ 100,000
Sewer CIP Fund	922-8312-3860	From Water and Sewer Operating for WRF Funding	\$ 277,051
Sewer CIP Fund	922-9928-3860	From Sewer Operating for Main and Atascadero Water Plan	\$ 4,594,924
Sewer CIP Fund	922-8560-3802	From Sewer Operating for Manhole Rehab and Replacement	\$ 150,000
Sewer CIP Fund	922-8501-3860	From Sewer Operating for WWTP Decommission Plans	\$ 4,818,000
<i>COST ALLOCATION PLAN-GENERAL FUND/RISK/IT CONTRIBUTIONS</i>			
General Fund	001-7710-3860	From Enterprise Funds for General Fund CAP	\$ 1,197,637
Risk Management Fund	430-7710-3801	From all Funds for Risk Management CAP	\$ 97,802
IT Fund	450-7710-3801	From all funds for IT Fund CAP	\$ 1,047,492
<i>OTHER TRANSFERS</i>			
General Fund	001-7710-3820	From Development Impact Fee Fund for Dev Imp Fee Study	\$ 58,890
General Fund	001-7710-3820	From State Gas Tax for Highway Users Tax	\$ 303,607
General Fund	001-7710-3820	From American Rescue Plan Act (ARPA) Fund for Revenue Recovery	\$ 60,504
Compensable Leave Fund	005-7710-3801	From General Fund for Reserve for Compensable Leave	\$ 32,677
Water Operating Fund	311-7710-3801	From Water Discounts/Rebate Fund for Cost Recovery for Discounts/Rebates	\$ 30,000
Sewer Operating Fund	321-7710-3801	From Water Discounts/Rebate Fund for Cost Recovery for Discounts/Rebates	\$ 37,000
Water Discounts/Rebates Fund	315-7710-3801	From Water/Sewer Operating Funds for Penalty Revenue	\$ 60,000
TOTAL TRANSFERS IN			\$ 18,279,362

TRANSFERS OUT (EXPENDITURES)

TRANSFERS TO CAPITAL IMPROVEMENT FUNDS (EXPENSES)			
General Fund	001-7710-8540	To CIP for Pavement Management Program	\$ 650,000
General Fund	001-7710-8540	To CIP for Storm Drain Replacement	\$ 500,000
Measure E Fund	003-7710-8540	To CIP for Pavement Management Program	\$ 350,000
Measure E Fund	003-7710-8540	To CIP for Bridge Inspection/Assessment	\$ 80,000
SBI-Road Maint. And Rehab Fund	260-9614-8540	To CIP for Pavement Management Program	\$ 269,999
Transit Fund	301-7710-8540	To CIP for Bus Replacement	\$ 19,200
Water Operating Fund	311-7710-8540	To Water CIP for various Capital Projects	\$ 3,050,000
Water Operating Fund	311-7710-8540	To Sewer CIP for Water portion of WRF Funding	\$ 83,115
Sewer Operating Fund	321-7710-8540	To Sewer CIP for various Capital Projects	\$ 9,856,860
Capital Accumulation Fund	460-7710-8501	To CIP for Pavement Management Program	\$ 350,000
Capital Accumulation Fund	460-7710-8501	To CIP for Vet's Hall Rehab	\$ 144,579
COST ALLOCATION PLAN-TRANSFERS TO GENERAL FUND / RISK MANAGEMENT / IT FUNDS			
General Fund	001-7710-8580	To IT Fund and Risk Management for CAP	\$ 870,382
Transit Fund	301-7710-8510	To General Fund for CAP	\$ 27,797
Water Operating Fund	311-7710-8510	To General Fund for CAP	\$ 369,983
Water Operating Fund	311-7710-8580	To IT Fund and Risk Management for CAP	\$ 92,557
Sewer Operating Fund	321-7710-8510	To General Fund for CAP	\$ 393,665
Sewer Operating Fund	321-7710-8580	To IT Fund and Risk Management for CAP	\$ 119,088
Harbor Operating Fund	331-7710-8510	To General Fund for CAP	\$ 385,899
Harbor Operating Fund	331-7710-8580	To IT Fund and Risk Management for CAP	\$ 57,300
North Point Assessment District	565-7710-8501	To General Fund for CAP	\$ 751
North Point Assessment District	565-7710-8501	To IT Fund and Risk Management for CAP	\$ 205
Cloisters Assessment District	570-7710-8501	To IT Fund and Risk Management for CAP	\$ 5,762
Cloisters Assessment District	570-7710-8510	To General Fund for CAP	\$ 19,542
OTHER TRANSFERS			
General Fund	001-7710-8510	To Compensable Leave Fund for Reserve Requirement	\$ 32,677
American Resuce Plan Act Fund	019-7710-8510	To General Fund for Revenue Recovery due to COVID-19	\$ 60,504
State Gas Tax Fund	250-7710-8510	To General Fund from Highway Users Tax	\$ 303,607
Water Discounts/Rebates Fund	315-7710-8510	To Water/Sewer for Cost Recovery for Discounts/Rebates	\$ 67,000
Water Operating Fund	311-7710-8501	To Water Discounts/Rebate Fund for Water Penalty Fee Revenue	\$ 30,000
Sewer Operating Fund	321-7710-8501	To Water Discounts/Rebate Fund for Sewer Penalty Fee Revenue	\$ 30,000
Government Impact Fees Fund	900-3110-8501	To General Fund for Development Impact Fee Study	\$ 58,890
TOTAL TRANSFERS OUT			\$ 18,279,362



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 2024-25, 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 2024-25, 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) \$3.9 million (includes Measure E available fund balance)
- General Government Compensable Leave Fund (005) \$0.3 million
- General Fund Vehicle Replacement Fund (050) \$0.6 million
- General Fund Emergency Reserve Fund (051) \$7.2 million
- General Fund Facility Maintenance Fund (052) \$0.1 million
- General Fund Capital Accumulation Fund (460) \$0.1 million

Total General Fund Reserves Projected at FY 2024-25 Year-End \$12.2 million

- Risk Management Fund \$0.7 million (minimum reserve level)
- Information Technology Fund \$0.2 million (minimum reserve level)
- Water Fund \$1.4 million (minimum reserve level)
- Sewer Fund \$1.7 million (minimum reserve level)
- Harbor Fund \$0.3 million (minimum reserve level)

Citywide Estimated FY 2024-25 Year-End Reserves Total \$16.5 million

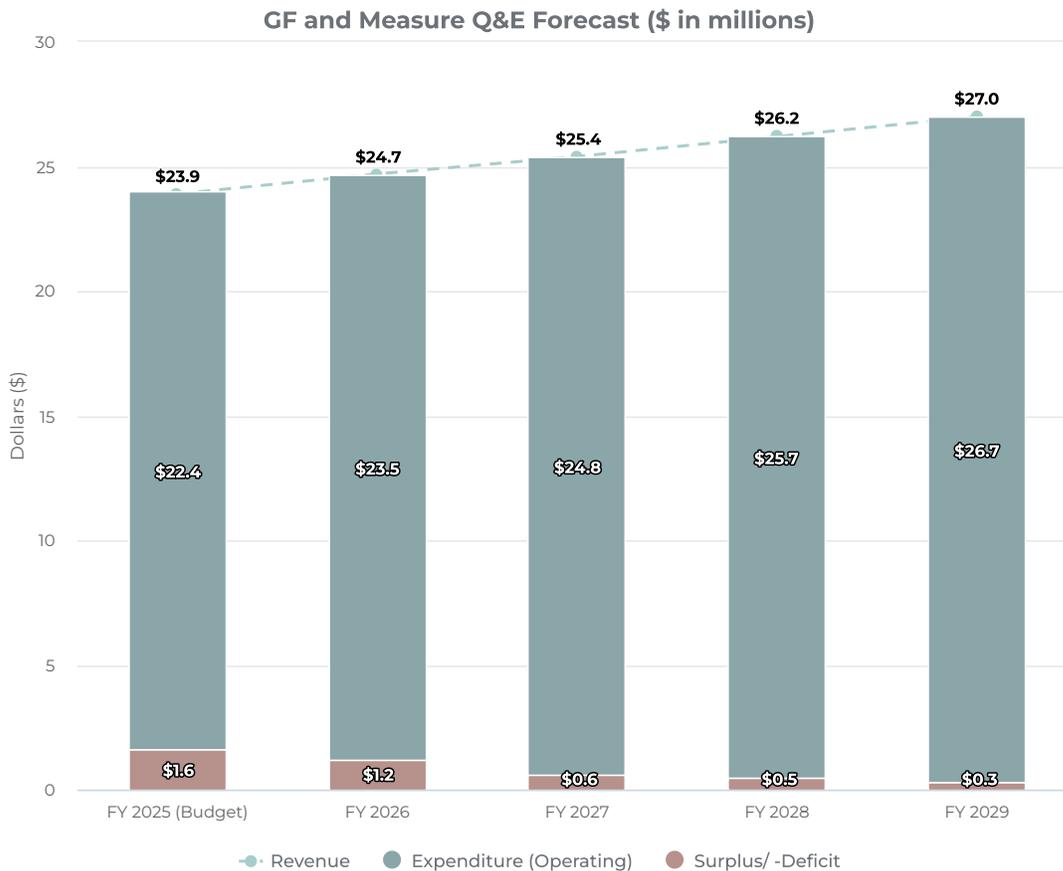
Total equates to 40% of the Citywide Operating Budget (net of transfers) in FY 2024-25

General Fund and Measure Q&E Combined Forecast

The General Fund and Measure E Fund represent the City's legally unrestricted funds, though there are Council-established priorities for Measure E expenditures in line with voters' intent for those measures. The tables below show a combined General Fund and Measure 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

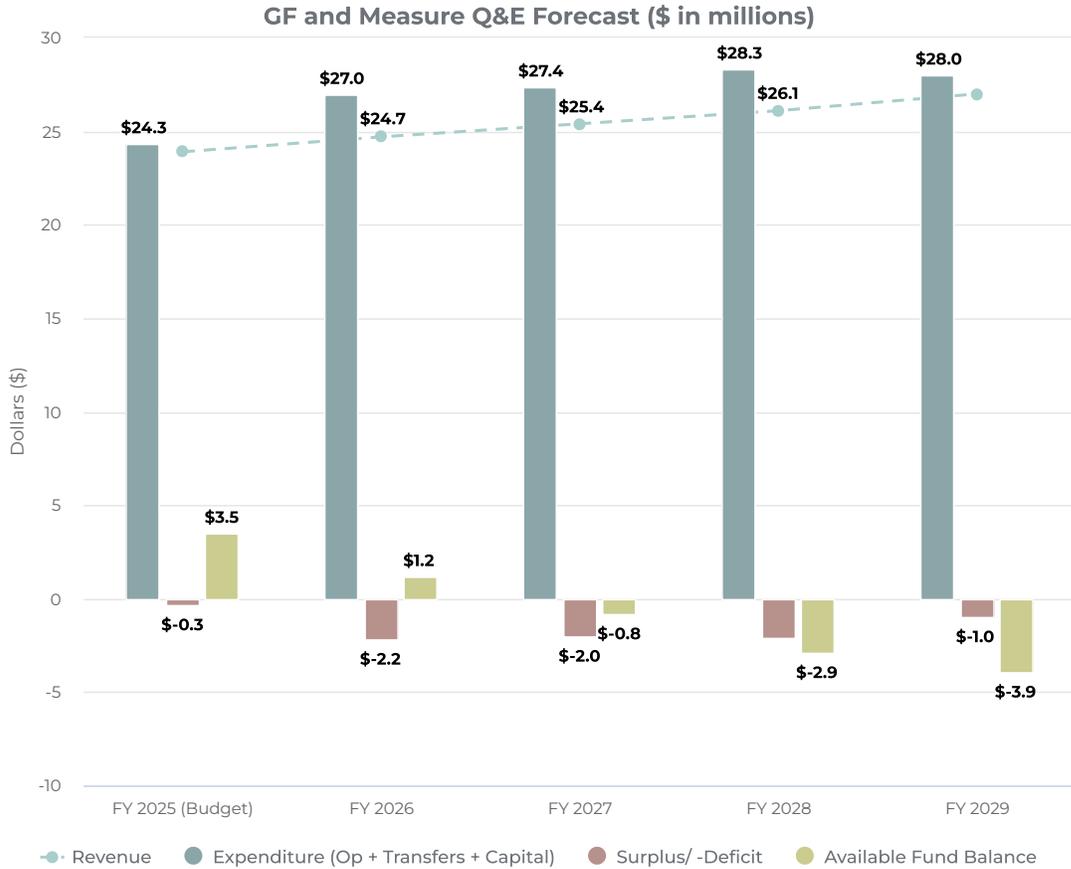
The General Fund and Measure E Fund show a decreasing but **positive operating balance** through the forecast period, **excluding capital improvements** and excluding one-time transfers.



Forecast Chart-All Expenditures

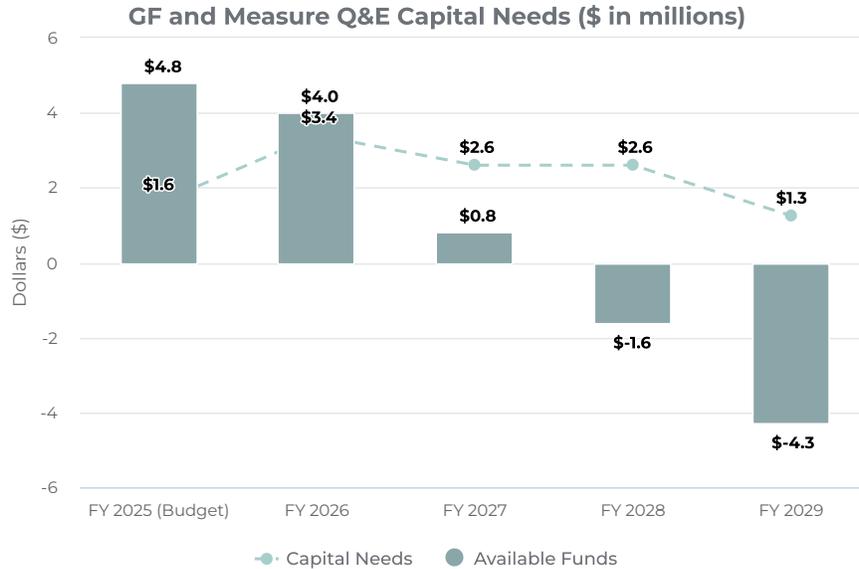
Adding capital expenditures and one-time transfers moves the combined fund balance negative beginning in FY 2027 and beyond. This is based on the current five-year capital plan, outlined in the capital improvement section of the budget, which indicates capital spending of \$1-3 million annually.

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 and beyond.



Capital Funding Needs

The General Fund and the Measure E Fund contribute to capital improvement projects each year. While there is available fund balance to support planned capital spending in FY 2024-25, annual capital needs far exceed the amount supported by ongoing revenue at current projections. In addition, the challenge may be greater than is depicted here should the five-year Capital Improvement Plan (CIP) for general government projects exceed current estimates. This forecast uses the FY 2024-25 Multi-Year CIP.



Combined General Fund and Measure E Forecast

General Fund (001) and Measure E (003)			Forecast			
	FY 2024	FY 2025				
	Estimated	Proposed	FY 2026	FY 2027	FY 2028	FY 2029
Beginning Available Fund Balance	7,774,363	3,804,209	3,459,824	1,246,757	(751,288)	(2,889,769)
General Fund	20,260,231	19,628,627	20,238,433	20,809,035	21,433,306	22,125,001
Measure E	4,375,918	4,313,735	4,486,284	4,620,873	4,759,499	4,902,284
TOTAL REVENUE	24,636,148	23,942,362	24,724,718	25,429,908	26,192,805	27,027,286
General Fund	17,630,252	19,090,281	19,989,241	21,080,271	21,842,974	22,728,300
Measure E	3,110,335	3,271,789	3,514,232	3,711,655	3,850,485	4,011,642
TOTAL EXPENSE	20,740,587	22,362,070	23,503,474	24,791,926	25,693,459	26,739,941
OPERATING REVENUE OVER EXPENDITURE						
(Operating)						
Combined Revenue	24,636,148	23,942,362	24,724,718	25,429,908	26,192,805	27,027,286
Combined Expenditure (Operating)	20,740,587	22,362,070	23,503,474	24,791,926	25,693,459	26,739,941
Combined Surplus (Deficit)	3,895,561	1,580,292	1,221,244	637,981	499,346	287,344
General Fund Surplus (Deficit)	2,629,979	538,345	249,192	(271,236)	(409,668)	(603,298)
Measure E Surplus (Deficit)	1,265,583	1,041,946	972,052	909,218	909,014	890,643
COMBINED REVENUE OVER EXPENDITURE						
(Op + One-time Transfers + Capital)						
Combined Revenue	24,636,148	23,942,362	24,724,718	25,429,908	26,192,805	27,027,286
Combined Expenditure (Op + One-time Transfers & Section 115 + Capital)	28,633,142	24,286,747	26,937,785	27,427,953	28,331,286	28,029,660
Combined Surplus (Deficit) including all expenditures	(3,996,994)	(344,385)	(2,213,067)	(1,998,045)	(2,138,481)	(1,002,375)
Total Operating	20,740,587	22,362,070	23,503,474	24,791,926	25,693,459	26,739,941
Total One-Time Transfers + Section 115	4,518,690	344,677	34,311	36,026	37,828	39,719
Total Capital	3,373,865	1,580,000	3,400,000	2,600,000	2,600,000	1,250,000
General Fund Operating	17,630,252	19,090,281	19,989,241	21,080,271	21,842,974	22,728,300
General Fund One-Time Transfers + Section 115	4,518,690	344,677	34,311	36,026	37,828	39,719
General Fund Capital	1,106,865	1,150,000	2,100,000	1,600,000	1,600,000	600,000
Measure E Operating	3,110,335	3,271,789	3,514,232	3,711,655	3,850,485	4,011,642
Measure E One-Time Transfers + Section 115			-	-	-	-
Measure E Fund Capital	2,267,000	430,000	1,300,000	1,000,000	1,000,000	650,000
General Fund Available Fund Balance	3,480,554	2,524,223	639,104	(1,268,159)	(3,315,654)	(4,558,672)
Measure E Available Fund Balance	323,655	935,601	607,653	516,871	425,885	666,528
ENDING FUND BALANCE BEFORE RESERVES	3,804,209	3,459,824	1,246,757	(751,288)	(2,889,769)	(3,892,144)
General Fund Emergency Reserve Fund Balance	7,160,082	7,160,082	7,160,082	7,160,082	7,160,082	7,160,082
Minimum Reserve Levels						
<i>General Fund Emergency Reserve Policy</i>	6,844,394	7,379,483	7,756,146	8,181,336	8,478,841	8,824,181
UNRESERVED/ AVAILABLE FUND BALANCE	4,119,897	3,240,423	650,693	(1,772,542)	(4,208,529)	(5,556,243)

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 2024-25.

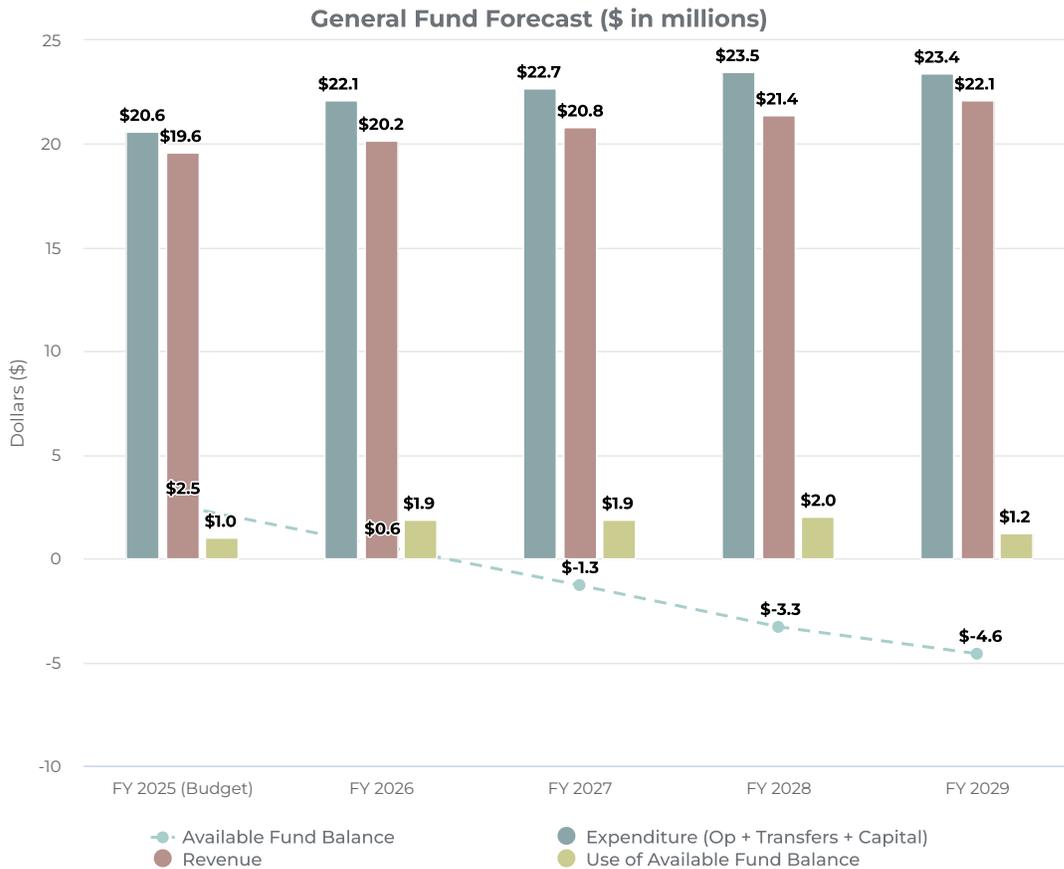
This is a conservative forecast, using assumptions that most expenditures will increase by 3-5% per year and revenues will increase by roughly 2-4% per year, depending on revenue source. These assumptions drive the gradual erosion of the fund balance. However, it is possible that revenue growth could 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.

Strong reserve balances position 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 revenues are slightly lower than 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 2024-25. In the final three forecast years, the fund balance continues to erode, ending with a \$4.7 million deficit by the final year. Dipping into reserves by that amount would result in holding only 9% of planned operating expenditures in reserve by the year 2030.

The expenditures below include capital and pension costs.



Forecast Table

			Forecast			
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GENERAL FUND (001)	Estimated	Proposed				
Beginning Fund Balance	9,639,131	6,643,554	5,687,223	3,802,104	1,894,841	(152,654)
Revenue						
Property Tax	5,415,366	5,660,782	5,887,214	6,063,830	6,245,745	6,433,117
Sales Tax	2,724,544	2,632,000	2,697,800	2,765,245	2,848,202	2,933,648
Transient Occupancy Tax	4,395,032	4,500,000	4,612,500	4,727,813	4,869,647	5,064,433
Other Revenue	5,653,737	5,215,205	5,371,661	5,532,811	5,698,795	5,869,759
Transfers In	2,071,552	1,620,639	1,669,259	1,719,336	1,770,916	1,824,044
TOTAL REVENUE	20,260,231	19,628,627	20,238,433	20,809,035	21,433,306	22,125,001
Expense						
Personnel	11,878,446	12,825,966	13,761,311	14,613,596	15,183,354	15,869,947
<i>Operational costs</i>	9,383,426	10,227,542	11,045,745	11,774,765	12,245,755	12,735,585
<i>Ongoing costs for long-term liabilities (PERS)</i>	2,495,020	2,598,424	2,715,565	2,838,832	2,937,599	3,134,362
Other Operations & Maintenance	4,990,765	5,358,743	5,296,247	5,508,097	5,673,340	5,843,540
Transfers Out (Ongoing)	725,851	870,382	896,493	923,388	951,090	979,623
Debt Service Payments	35,190	35,190	35,190	35,190	35,190	35,190
TOTAL EXPENSE	17,630,252	19,090,281	19,989,241	21,080,271	21,842,974	22,728,300
Net Surplus (Shortfall)-Operating	2,629,979	538,345	249,192	(271,236)	(409,668)	(603,298)
Capital	1,106,865	1,150,000	2,100,000	1,600,000	1,600,000	600,000
Annual Pavement Management Program	-	650,000	1,600,000	1,600,000	1,600,000	600,000
Storm and Flooding Damages - Facilities and Equipment	300,000	-	-	-	-	-
Veteran's Hall Building Improvements	185,027	-	-	-	-	-
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	-	-	-	-	-
Net Surplus (Shortfall)-including Capital	1,523,114	(611,655)	(1,850,808)	(1,871,236)	(2,009,668)	(1,203,298)
Contribution to I15 Trust *	1,098,190	312,000	-	-	-	-
Transfers Out (One-Time)						
General Fund Emergency Reserve Fund (GFER)	3,292,000	-	-	-	-	-
Vehicle Replacement Fund	107,000	-	-	-	-	-
Compensable Leave Fund	21,500	32,677	34,311	36,026	37,828	39,719
Ending Total Fund Balance	6,643,554	5,687,223	3,802,104	1,894,841	(152,654)	(1,395,672)
Less Non-Spendable Fund Balance	3,163,000	3,163,000	3,163,000	3,163,000	3,163,000	3,163,000
Ending Available Fund Balance	3,480,554	2,524,223	639,104	(1,268,159)	(3,315,654)	(4,558,672)
Measure E Fund Operating Expenses (excluding transfers)	3,110,335	3,271,789	3,514,232	3,711,655	3,850,485	4,011,642
General Fund Emergency Reserve Fund (GFER) Balance	7,160,082	7,160,082	7,160,082	7,160,082	7,160,082	7,160,082
Total Fund Balance as % of Total Operating Expenses (General Fund + GFER) / (General Fund + Q&E Operating)	51.3%	43.3%	33.2%	23.8%	15.0%	9.7%
Minimum Reserve Levels *	MET	MET	MET	NOT MET	NOT MET	NOT MET
General Fund Emergency Reserve Policy	6,844,394	7,379,483	7,756,146	8,181,336	8,478,841	8,824,181
AVAILABLE FUND BALANCE (EXCESS OF MINIMUM RESERVES) *	3,796,243	2,304,822	43,040	(2,289,413)	(4,634,414)	(6,222,770)

Forecast Notes

- GFER minimum reserves = 33% of operating (General Fund and Measure E combined)
- 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.

Category	Basis	Year 1	Year 2	Year 3	Year 4	Year 5
Other Operations and Maintenance	Estimated CPI	Budget	3.00%	3.00%	3.00%	3.00%
Personnel-Pension	CalPERS Pension Outlook Tool	Budget	0.78%	0.77%	0.76%	0.76%
Personnel-UAL	CalPERS Pension Outlook Tool	Budget	6.45%	6.40%	4.75%	9.37%
Property Tax	SLO County Projections	Budget	4.00%	3.00%	3.00%	3.00%
Sales Tax	HdL Projections	Budget	2.50%	2.50%	3.00%	3.00%
TOT	HdL Projections	Budget	2.50%	2.50%	3.00%	4.00%



Measure E Fund Forecast (003)

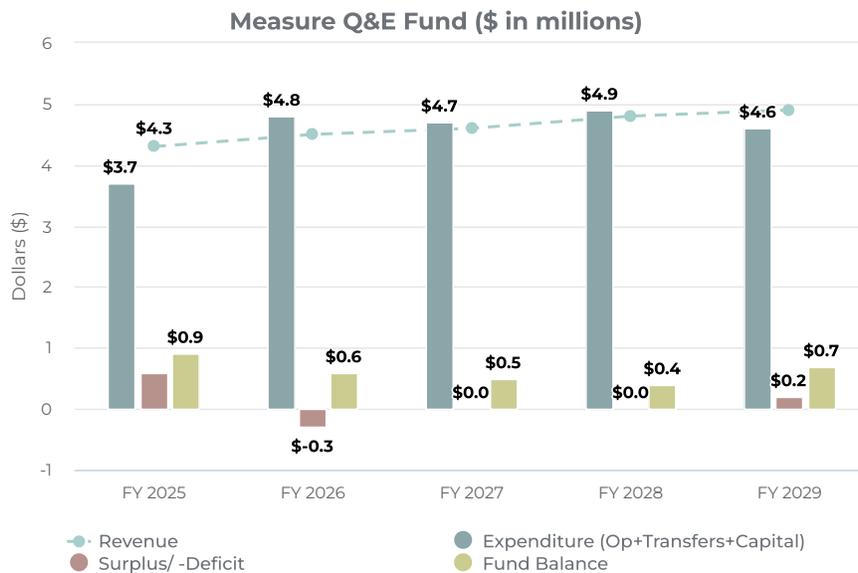
The Measure E Fund forecast uses the same assumptions as the General Fund, conservatively projecting that sales tax revenues will increase by 2.5% in FY 2025-26 and FY 2026-27 and 3% in the last two forecast years. Most expenditures are projected to increase by approximately 5% per year.

These projections result in Measure 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 E fund. The chart includes capital and pension expenses.



Forecast Table

MEASURE E FUND (003)	FY 2024	FY 2025	Forecast			
	Estimated	Proposed	FY 2026	FY 2027	FY 2028	FY 2029
Starting Fund Balance	1,325,072	323,655	935,601	607,653	516,871	425,885
Revenue						
Tax Revenue	4,365,918	4,313,735	4,486,284	4,620,873	4,759,499	4,902,284
Other Revenue	10,000	-	-	-	-	-
Transfers In	-	-	-	-	-	-
TOTAL REVENUE	4,375,918	4,313,735	4,486,284	4,620,873	4,759,499	4,902,284
Expense						
Personnel	2,177,086	2,611,695	2,834,337	3,011,363	3,129,184	3,268,701
<i>Operational Costs</i>	<i>1,801,706</i>	<i>2,143,570</i>	<i>2,345,065</i>	<i>2,499,840</i>	<i>2,599,833</i>	<i>2,703,827</i>
<i>Ongoing costs for long-term liabilities (PERS)</i>	<i>375,381</i>	<i>468,126</i>	<i>489,271</i>	<i>511,523</i>	<i>529,350</i>	<i>564,874</i>
Other Operations & Maintenance	841,014	660,093	679,896	700,293	721,302	742,941
Transfers Out (operating)	92,234	-	-	-	-	-
Debt Service Payments	-	-	-	-	-	-
TOTAL EXPENSE	3,110,335	3,271,789	3,514,232	3,711,655	3,850,485	4,011,642
Net Surplus (Shortfall)-Operating	1,265,583	1,041,946	972,052	909,218	909,014	890,643
Capital						
	2,267,000	430,000	1,300,000	1,000,000	1,000,000	650,000
Morro Bay Bridge Inspection & Assessment	-	80,000	-	-	-	-
Active Transportation Plan / Active Corridor Studies	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	-	300,000	-	-	-
Annual Pavement Management Program	1,840,000	350,000	1,000,000	1,000,000	1,000,000	650,000
Net Surplus (Shortfall) including Capital	(1,001,417)	611,946	(327,948)	(90,782)	(90,986)	240,643
ENDING FUND BALANCE	323,655	935,601	607,653	516,871	425,885	666,528

Forecast Notes

Measure 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.

Category	Basis	Year 1	Year 2	Year 3	Year 4	Year 5
Other Operations and Maintenance	Estimated CPI	Budget	3.00%	3.00%	3.00%	3.00%
Personnel-Pension	CalPERS Pension Outlook Tool	Budget	0.78%	0.77%	0.76%	0.76%
Personnel-UAL	CalPERS Pension Outlook Tool	Budget	6.45%	6.40%	4.75%	9.37%
Sales Tax	GF projections	Budget	2.50%	2.50%	3.00%	3.00%

Harbor Fund Forecast (331)

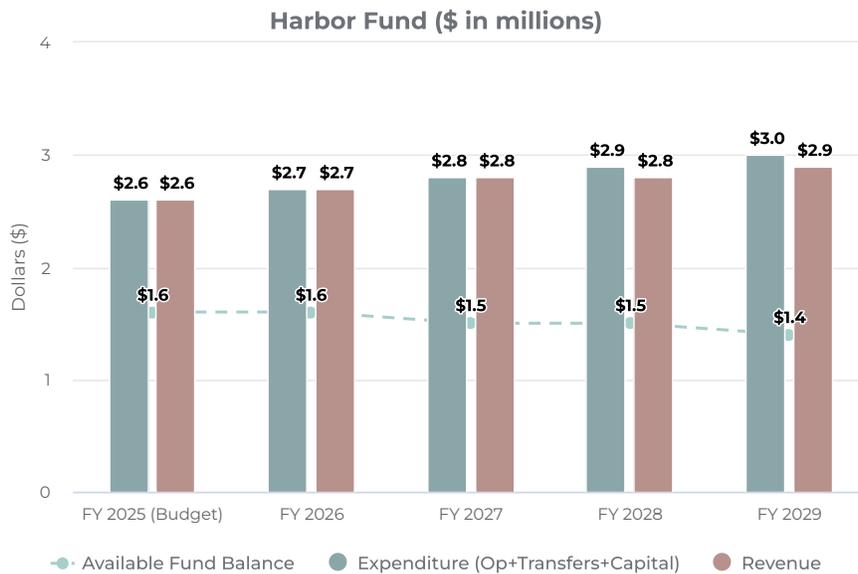
This is a conservative forecast, using the assumption that Harbor revenues will increase by 2.5-3.0 percent per year and most expenditures will increase by 4-5 percent per year. While it is possible for revenues to outperform that projection and/ or for expenditure growth to moderate in the out years 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 spend 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 that 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.

The only capital project included in the FY 2024-25 one-year plan is for Storm Recovery-Dock Repairs. This project will utilize funding received in prior years and held at fund balance in the Harbor Capital Improvement Fund.

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	FY 2025	Forecast			
	Estimated	Proposed	FY 2026	FY 2027	FY 2028	FY 2029
Starting Fund Balance (Working Capital)	1,353,849	2,019,852	1,996,523	1,987,328	1,940,414	1,876,209
Revenue						
Harbor Leases	2,061,916	1,967,250	2,016,431	2,066,842	2,128,847	2,192,713
Boat Charges	416,739	426,016	438,797	451,961	465,520	479,485
Other Charges for Service	64,208	73,500	75,705	77,976	80,315	82,725
Other Revenue	675,110	155,018	159,668	164,458	169,392	174,474
Transfers In	-	-	-	-	-	-
TOTAL REVENUE	3,217,972	2,621,784	2,690,601	2,761,237	2,844,074	2,929,396
Expense						
Personnel	1,295,817	1,529,590	1,592,413	1,658,240	1,714,098	1,772,084
<i>Operational Costs</i>	<i>1,052,295</i>	<i>1,220,903</i>	<i>1,281,333</i>	<i>1,344,767</i>	<i>1,398,232</i>	<i>1,453,826</i>
<i>Ongoing costs for long-term liabilities (PERS)</i>	<i>243,522</i>	<i>308,687</i>	<i>311,080</i>	<i>313,473</i>	<i>315,866</i>	<i>318,259</i>
Other Operations & Maintenance	507,676	644,324	642,024	661,284	681,123	701,557
Transfers Out (Ongoing)	400,477	443,199	465,359	488,627	513,058	538,711
Debt Service Payments	-	-	-	-	-	-
TOTAL EXPENSE	2,203,970	2,617,113	2,699,796	2,808,151	2,908,279	3,012,352
Net Surplus (Shortfall) - Operating	1,014,003	4,671	(9,195)	(46,914)	(64,205)	(82,956)
Capital Revenues (Transfers, Grants, Other)	-	-	-	-	-	-
Capital Expenditures	280,000	-	-	-	-	-
Storm Recovery - Dock Repairs	200,000	-	-	-	-	-
Harbor Vehicle Replacement	40,000	-	-	-	-	-
Capital Facilities Planning	-	-	-	-	-	-
Beach Street Slips	-	-	-	-	-	-
Boat Launch Ramp & Float Repair	-	-	-	-	-	-
North T-Pier Repairs	40,000	-	-	-	-	-
Net Surplus (Shortfall) including Capital	734,003	4,671	(9,195)	(46,914)	(64,205)	(82,956)
Contribution to 115 Trust	68,000	28,000	-	-	-	-
Ending Fund Balance Before Reserves	2,019,852	1,996,523	1,987,328	1,940,414	1,876,209	1,793,253
Fund Balance - % of Total Operating Expenses	92%	76%	74%	69%	65%	60%
Minimum Reserve Levels	MET	MET	MET	MET	MET	MET
15% Annual Operating Expenses (Prior Yr Adopted Budget)	349,189	349,189	392,567	404,969	421,223	436,242
Unreserved/Available Fund Balance	1,670,663	1,647,334	1,594,761	1,535,444	1,454,986	1,357,011

Forecast Notes

- o The FY 2024-25 Measure Q&E Fund budget includes \$314,000 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.
- o Fund Balance is defined as working capital: current assets less current liabilities
- o Boat Charges include live aboard; pier dockage; mooring, slip, and floating dockage rental, slip sublease, and skiff permits.
- o Other Charges for Services include other service fees such as launch ramp parking, coin-operated services, and other rentals.
- o Other Revenue includes grant funds, penalties, bad debt recovery, auctioned property, and other miscellaneous revenue.
- o Other Operations and Maintenance includes services, supplies, debt service, capital outlay, and other expenses
- o Transfers out are for internal services costs, including insurance, IT, finance, administration, clerk, attorney, etc. defined by cost allocation.
- 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 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				
		2024-25	2025-26	2026-27	2027-28	2028-29
Harbor Charges	Sales Tax projections from the City's consultant	Budget	2.5%	2.5%	3.0%	3.0%
Boat Charges	Based on fee increases	Budget	3.0%	3.0%	3.0%	3.0%
Other Charges for Service	Based on fee increases	Budget	3.0%	3.0%	3.0%	3.0%
Other Revenue	Prior year actuals	Budget	3.0%	3.0%	3.0%	3.0%
Personnel-Pension (Normal Cost)	CalPERS Pension Outlook Tool	Budget	0.78%	0.77%	0.76%	0.76%
Personnel - UAL	CalPERS Pension Outlook Tool	Budget	6.45%	6.40%	4.75%	9.37%
Other Operations & Maintenance	Related to CPI, anticipates falling inflation	Budget	3.0%	3.0%	3.0%	3.0%

Sewer Fund Forecast (321)

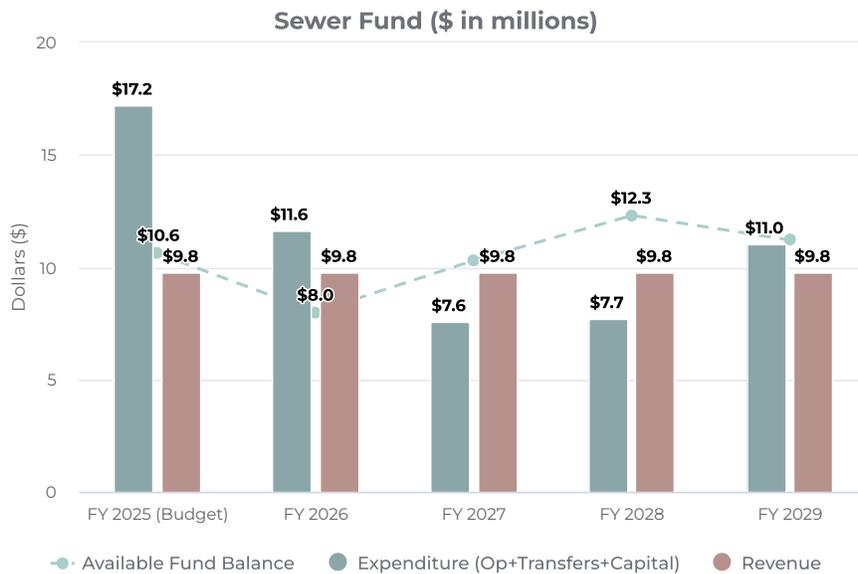
The Sewer Fund baseline forecast includes no rate increases, meaning essentially no revenue growth is assumed for the Fund. Most operating costs are assumed to grow by 3-5 percent per year during the forecast period. While that growth may moderate if inflation tapers off in the future, zero revenue growth 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 2024-25. It does not assume additional low-interest financing, though the City's request for an SRF loan amendment is still pending state review.

The Proposed Budget numbers reflect the Sewer Fund capital expenditure projections 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.

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, followed by rising and falling fund balance as capital costs decrease and increase over time. 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 OPERATION FUND (321)	FY 2024	FY 2025	Forecast			
	Estimated	Proposed	FY 2026	FY 2027	FY 2028	FY 2029
Starting Fund Balance (Working Capital)	23,832,493	19,678,503	12,277,089	10,450,658	12,698,341	14,788,636
Revenue						
Rate Payer Revenue	8,614,799	9,460,000	9,460,000	9,460,000	9,460,000	9,460,000
Other Revenue	681,178	293,604	302,412	311,484	320,829	330,454
Transfers In	0	37,000	38,110	39,253	40,431	41,644
TOTAL REVENUE	9,295,978	9,790,604	9,800,522	9,810,738	9,821,260	9,832,098
Expense (Operating)						
Personnel	1,496,188	1,868,288	1,959,651	2,056,814	2,136,210	2,233,296
Operational Costs	1,180,645	1,537,898	1,614,793	1,695,532	1,763,354	1,833,888
Ongoing costs for long-term liabilities (PERS)	315,543	330,390	344,858	361,282	372,856	399,408
Other Operations & Maintenance	1,638,478	2,362,381	2,336,434	2,406,527	2,478,723	2,553,085
Transfers Out (Ongoing)	446,833	512,753	528,136	543,980	560,299	577,108
Debt Service Payments	0	2,555,736	2,555,733	2,555,733	2,555,733	2,555,733
TOTAL EXPENSE	3,581,500	7,299,158	7,379,954	7,563,054	7,730,965	7,919,222
Net Surplus (Shortfall) - Operating	5,714,478	2,491,446	2,420,569	2,247,683	2,090,295	1,912,876
Capital	9,764,468	9,856,860	4,247,000	-	-	3,000,000
Storm and Flooding Damages - Facilities and Equipment	250,000	-	-	-	-	-
Manhole Rehabilitation Project	250,000	150,000	150,000	-	-	-
Outfall Inspection, Condition Assessment and Cleaning	600,000	-	-	-	-	-
Beachcomber Drive Sewer Main Replacement	150,000	-	-	-	-	-
Capital Vehicles and Equipment Replacement - Sewer	107,000	-	-	-	-	-
Beachcomber Drive Area Backyard Sewer Improvements - Design	100,000	100,000	-	-	-	3,000,000
Wastewater Treatment Plant Decommissioning Main Street and Atascadero	135,000	4,818,000	4,097,000	-	-	-
Sewer Main Replacements	3,391,512	4,594,924	-	-	-	-
WRF - Water Reclamation Facility Project	4,780,956	193,936	-	-	-	-
Net Surplus (Shortfall) including Capital	(4,049,990)	(7,365,414)	(1,826,431)	2,247,683	2,090,295	(1,087,124)
Contribution to 115 Trust	104,000	36,000	-	-	-	-
Ending Fund Balance Before Reserves	19,678,503	12,277,089	10,450,658	12,698,341	14,788,636	13,701,512
Fund Balance % of Total Operating Expenses	549%	168%	142%	168%	191%	173%
Minimum Reserve Levels	MET	MET	MET	MET	MET	MET
Debt Coverage Ratio of 1.2 or greater	N/A	2.0	1.9	1.9	1.8	1.7
Operating: 25% PY Operating Expenses	868,677	1,149,155	1,824,789	1,844,988	1,890,764	1,932,741
Rate Stabilization: 5% of prior year's rates	473,000	473,000	473,000	473,000	473,000	473,000
Vehicle Replacement Reserve: 20% of fleet value	99,891	99,891	99,891	99,891	99,891	99,891
	1,441,567	1,722,046	2,397,680	2,417,879	2,463,655	2,505,632
Unreserved/Available Fund Balance	18,236,936	10,555,044	8,052,977	10,280,462	12,324,981	11,195,880

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.



Forecast Assumptions

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

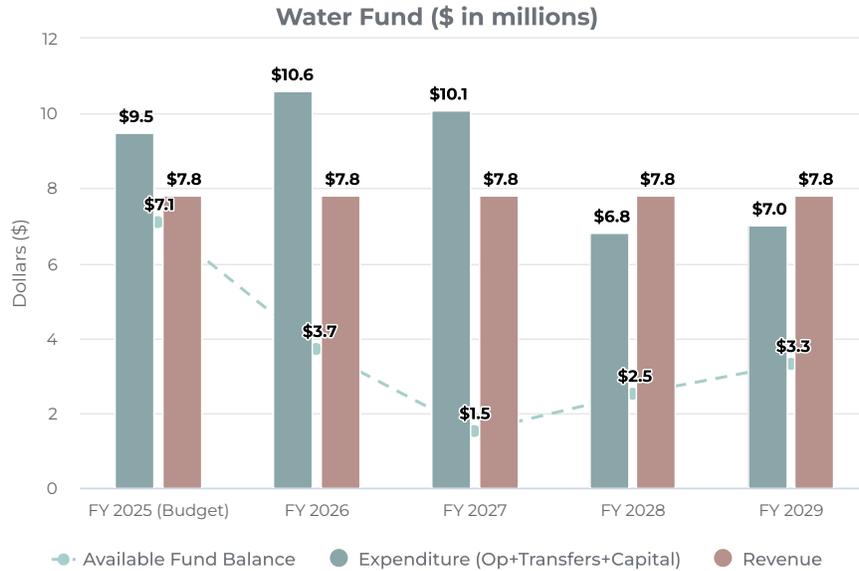
Revenue/ Expenditure Category	Basis for Projection	Projection Year Increases				
		2024-25	2025-26	2026-27	2027-28	2028-29
Ratepayer revenue	Budgeted rate increases	Budget	0.0%	0.0%	0.0%	0.0%
Other Revenue	Prior Year Actuals	Budget	3.0%	3.0%	3.0%	3.0%
Personnel - Pension (Normal Cost)	CalPERS Pension Outlook Tool	Budget	1.8%	0.0%	1.7%	1.7%
Personnel - UAL	CalPERS Pension Outlook Tool	Budget	6.1%	4.6%	9.3%	2.0%
Other Operations & Maintenance	Related to CPI, anticipates falling inflation	Budget	3.0%	3.0%	3.0%	3.0%

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 future, 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.

Forecast Chart

The chart below shows year-to-year balances for the Water Operating Fund, including capital and pension costs. Available fund balance depletes in the first three years of the forecast, rebounding in the out years when capital costs lower. The current revenue structure may be insufficient to support large capital projects in the extended forecast period.



Forecast Table

WATER OPERATING FUND (311)	FY 2024	FY 2025	Forecast			
	Estimated	Proposed	FY 2026	FY 2027	FY 2028	FY 2029
Starting Fund Balance (Working Capital)	11,807,246	10,230,695	8,554,563	5,753,328	3,501,394	4,573,428
Revenue						
Rate Payer Revenue	7,195,632	7,604,000	7,604,000	7,604,000	7,604,000	7,604,000
Other Revenue	74,550	172,837	178,022	183,363	188,864	194,530
Transfers In	0	30,000	30,900	31,827	32,782	33,765
TOTAL REVENUE	7,270,182	7,806,837	7,812,922	7,819,190	7,825,645	7,832,295
Expense						
Personnel	1,075,725	1,371,885	1,439,550	1,511,308	1,570,083	1,642,055
<i>Operational Costs</i>	<i>873,358</i>	<i>1,132,475</i>	<i>1,189,099</i>	<i>1,248,554</i>	<i>1,298,496</i>	<i>1,350,436</i>
<i>Ongoing costs for long-term liabilities (PERS)</i>	<i>202,367</i>	<i>239,409</i>	<i>250,451</i>	<i>262,754</i>	<i>271,587</i>	<i>291,619</i>
Other Operations & Maintenance	2,568,106	3,647,933	3,622,571	3,731,248	3,843,186	3,958,481
Transfers Out (Ongoing)	461,211	369,983	381,082	392,515	404,290	416,419
Debt Service Payments	0	936,053	936,053	936,053	936,053	936,053
TOTAL EXPENSE	4,105,042	6,325,854	6,379,257	6,571,124	6,753,612	6,953,008
Net Surplus (Shortfall)-Operating	3,165,140	1,480,983	1,433,666	1,248,066	1,072,033	879,287
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	-	-	-	-	-
Replacement Vehicle - Utility Truck - Water	65,000	-	-	-	-	-
Nutmeg Tank and related Pressure Zone Improvements	497,489	1,800,000	2,500,000	3,500,000	-	-
OneWater Plan Update	95,000	-	-	-	-	-
WRF - Water Reclamation Facility Project	2,048,981	83,115	-	-	-	-
Net Surplus (Shortfall) including Capital	(812,330)	(1,652,132)	(2,801,234)	(2,251,934)	1,072,033	879,287
Contribution to 115 Trust	70,000	24,000	-	-	-	-
Ending Fund Balance Before Reserves	10,924,916	8,554,563	5,753,328	3,501,394	4,573,428	5,452,714
Fund Balance % of Total Operating Expenses	345%	135%	90%	53%	68%	78%
Minimum Reserve Levels						
Debt Coverage Ratio of 1.2 or greater	N/A	2.6	2.5	2.3	2.1	1.9
Operating: 25% Annual Operating Expenses (PY Budget)	1,326,480	1,026,261	1,581,463	1,594,814	1,642,781	1,688,403
Rate Stabilization: 5% of prior year's rates	380,200	359,782	380,200	380,200	380,200	380,200
Vehicle Replacement: 20% of original value of Water fleet	50,886	50,885	50,885	50,885	50,885	50,885
	1,757,566	1,436,927	2,012,548	2,025,899	2,073,866	2,119,488
Unreserved/Available Fund Balance	9,167,351	7,117,636	3,740,780	1,475,495	2,499,562	3,333,226

Forecast Notes

- Fund Balance is defined as working capital: current assets less current liabilities
- As baseline forecast, assumes no rate increases
- 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
- CIP funds for Water CIPs
- Assumes Water Fund contributes 30% of cash-funded portion of WRF unless additional financing is obtained, and its share of service on the facility.
- 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				
		2024-25	2025-26	2026-27	2027-28	2028-29
Ratepayer revenue	Budgeted rate increases	Budget	0.0%	0.0%	0.0%	0.0%
Other Revenue	Prior Year Actuals	Budget	3.0%	3.0%	3.0%	3.0%
Personnel - Pension (Normal Cost)	CalPERS Pension Outlook Tool	Budget	1.8%	0.0%	1.7%	1.7%
Personnel - UAL	CalPERS Pension Outlook Tool	Budget	6.1%	4.6%	9.3%	2.0%
Other Operations & Maintenance	Related to CPI, anticipates falling inflation	Budget	3.0%	3.0%	3.0%	3.0%

FUND SUMMARIES





Citywide Budget Summary - All Funds

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

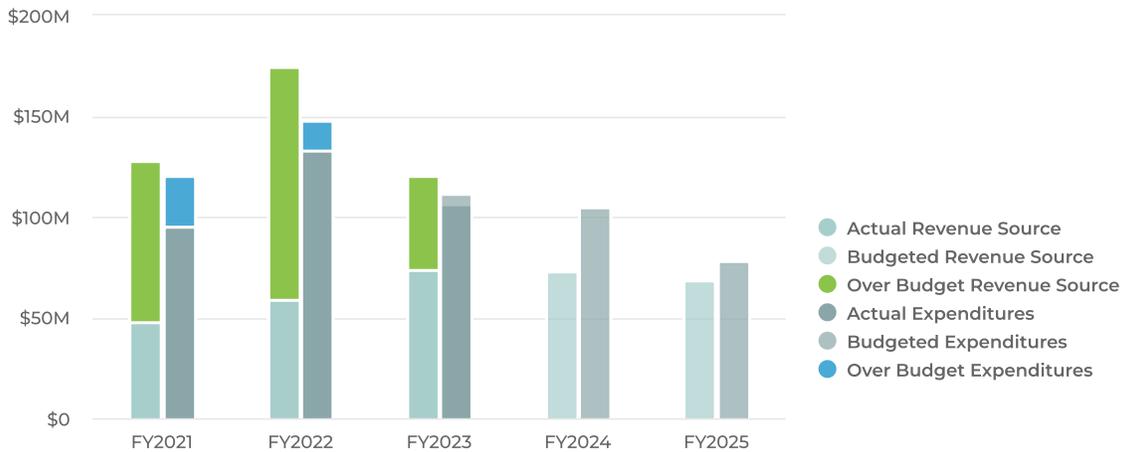
Summary

The City of Morro Bay's Citywide revenue budget for FY 2024-25 is approximately **\$68.6 million**, down 7% from the prior year's budget. Net of transfers, the revenue budget is **\$50.3 million**, which represents a 5% increase from the prior year.

The City of Morro Bay's Citywide expenditure budget for FY 2024-25 is **\$78.9 million**, down 25% from the prior year. Net of transfers, the total Citywide Expenditure Budget is **\$60.6 million**, a 24% decrease over the prior year's budget. The decrease in spending from the prior year is due to one-time expenditures in FY 2023-24, including a \$1.1 million contribution to the Section 115 trust, \$3.3 million transfer to the General Fund Emergency Reserve Fund, and \$1 million in Development Impact Fee transfers to support capital improvements. Additionally, capital expenditures in FY 2024-25 are lower than prior years in order to allow staff to spend down existing project balances while also evaluating the City's capital needs and funding sources.

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 and trust contributions in FY 2024-25.

Spikes in Citywide revenues and expenditures from FY 2020-21 to FY 2022-23 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 29% of the City's revenue for FY 2024-25.

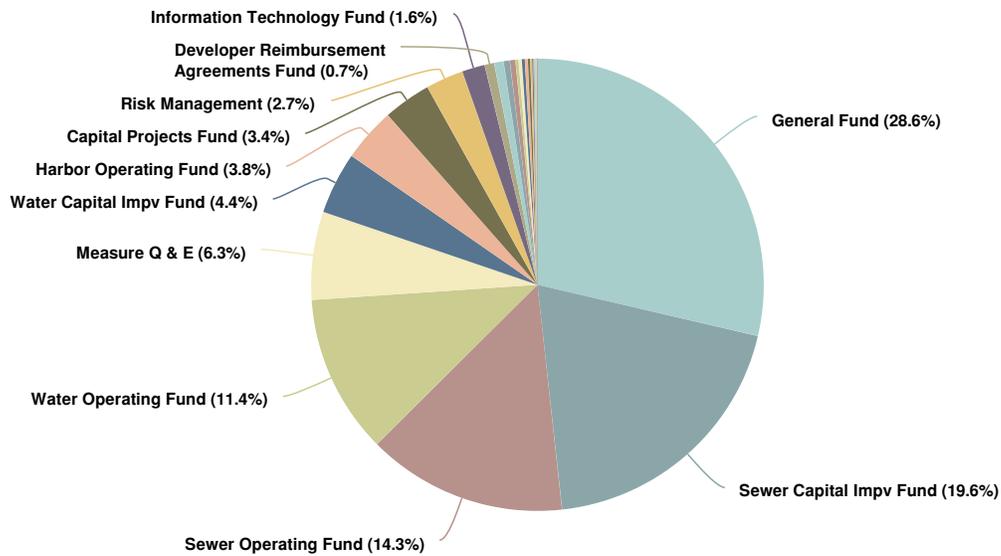
The **Sewer Capital Improvement Fund** revenues represent transfers in from other funds in order to fund Sewer capital projects; these appear in the interfund transfers category under expenditures by type.

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 2024-25.

The **Measure 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 2024-25.

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

2025 Revenue by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
General Fund	\$18,609,703	\$21,228,805	\$20,610,044	\$19,638,001	-4.7%
Unfunded Compensable Leave	\$25,000	\$81,000	\$21,500	\$32,677	52%
Gen. Gov. Vehicle Replacement	\$172,018	\$285,347	\$107,000	\$0	-100%
G/F Emergency Reserve Fund	\$1,859,585	\$1,166,503	\$3,292,000	\$0	-100%
G/F Facility Maintenance Fund	\$17,118	\$13,823	\$33,600	\$62,592	86.3%
Capital Accumulation Fund	\$103,530	\$12,759	\$0	\$0	0%
Risk Management	\$1,466,014	\$1,614,136	\$1,633,491	\$1,848,524	13.2%
Information Technology Fund	\$722,683	\$864,160	\$1,051,467	\$1,127,492	7.2%
American Rescue Plan (ARP)	\$1,261,055	\$1,259,335	\$0	\$0	0%
State Gas Tax Fund	\$235,838	\$300,672	\$312,987	\$303,607	-3%
Road Maintenance and Rehab SB1	\$0	\$745,494	\$260,000	\$269,999	3.8%
Measure Q & E	\$4,710,089	\$4,578,570	\$4,550,000	\$4,313,735	-5.2%
Developer Reimbursement Agreements Fund	\$0	\$35,832	\$265,000	\$470,000	77.4%
Community Development Grants	\$2,574	\$3,900	\$3,667	\$3,667	0%
CDBG Loan Repayment Fund	\$3,766	\$2,725	\$0	\$0	0%
Lower Cost Visitor Accom Fund	\$46	\$289	\$0	\$0	0%
Traffic Safety Fund	\$14,617	\$18,923	\$10,000	\$10,000	0%
Special Safety Grants	\$227,908	\$105,661	\$150,000	\$150,000	0%
Parking In-Lieu Fund	\$47,025	\$6,712	\$0	\$0	0%
Bike Path	\$8,034	\$15,593	\$13,315	\$12,108	-9.1%
LTF Roads	\$6	\$319	\$0	\$0	0%
Assessment Districts	\$8,427	\$2,832	\$2,832	\$2,832	0%
North Point Assessment	\$5,645	\$7,162	\$5,645	\$5,645	0%
Cloisters Park Maint AD	\$144,227	\$153,412	\$148,944	\$148,944	0%
Governmental Impact Fees	\$755,263	\$133,255	\$140,946	\$140,946	0%
Park Fee Fund	\$1,314	\$5,126	\$0	\$0	0%
Economic Development Fund	\$117,806	\$117,806	\$117,806	\$117,806	0%
Capital Projects Fund	\$2,832,450	\$4,339,781	\$5,803,538	\$2,344,578	-59.6%
State Park Marina	\$115,289	\$108,821	\$95,000	\$95,000	0%
Triangle Lot - Boat Storage Yard	\$48,174	\$50,601	\$49,000	\$53,000	8.2%
Affordable Housing In-Lieu Fund	\$67,301	\$16,288	\$100,000	\$10,000	-90%
Transit Fund	\$263,426	\$306,879	\$451,177	\$458,093	1.5%
Transit Capital Impv Fund	\$355,398	\$216,953	\$80,000	\$160,000	100%
Harbor Operating Fund	\$2,829,018	\$3,534,824	\$2,515,810	\$2,621,784	4.2%
Harbor Capital Impv Fund	\$888,604	\$500,000	\$380,000	\$0	-100%
Sewer Operating Fund	\$49,310,532	\$29,961,394	\$9,753,604	\$9,790,604	0.4%
MB/CS Waste Water Fund	\$2,037,151	\$0	\$0	\$0	0%
Sewer Capital Impv Fund	\$56,890,364	\$23,213,250	\$11,908,449	\$13,467,499	13.1%
Water Operating Fund	\$23,962,983	\$24,121,803	\$7,776,837	\$7,806,837	0.4%
Water Discounts/Rebates	\$61,217	\$112,795	\$60,000	\$60,000	0%
Water Capital Impv Fund	\$4,402,147	\$1,182,512	\$1,928,489	\$3,050,000	58.2%
Total:	\$174,583,344	\$120,426,054	\$73,632,148	\$68,575,969	-6.9%



Revenues by Source

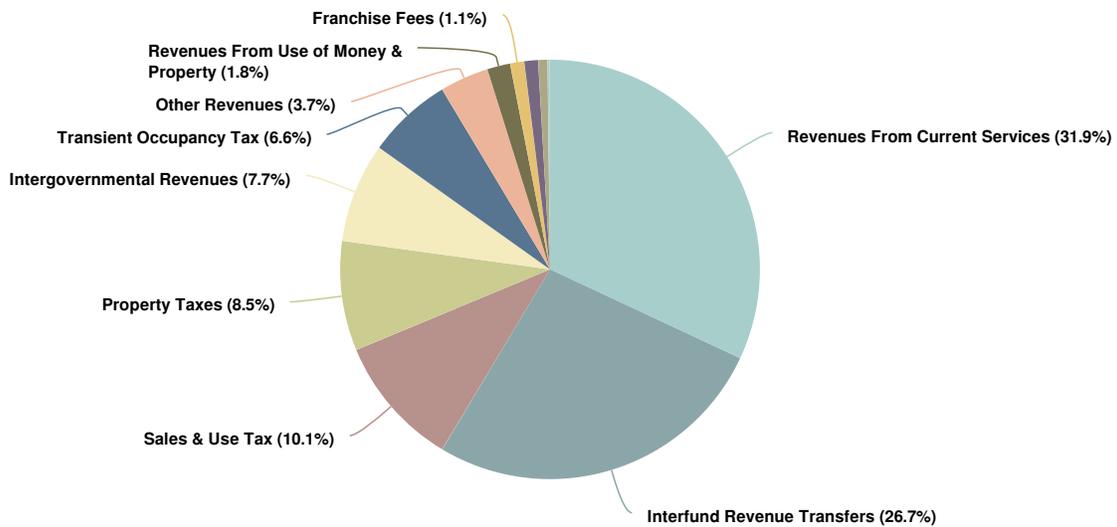
The City receives the largest share of its revenue as payment for the services it provides, including water services, sewer services, lease revenues, planning and permitting fees, and fees for recreation services.

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 **\$50.3 million**, which represents a **5% increase** from the prior year.

Projected 2025 Revenues by Source



The spike in Intergovernmental Revenues for FY 2024-25 is due to a projected \$3.5 grant for the WRF project (Sewer Capital Improvement Fund).

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source						
Property Taxes	\$5,138,449	\$5,195,321	\$5,433,366	\$5,623,673	\$5,799,575	3.1%
Intergovernmental Revenues	\$2,768,847	\$3,379,705	\$2,697,654	\$2,664,299	\$5,257,404	97.3%
Sales & Use Tax	\$7,456,527	\$7,104,700	\$7,306,518	\$7,240,000	\$6,945,735	-4.1%
Cannabis City Tax	\$512,944	\$480,000	\$502,149	\$490,000	\$490,000	0%
Transient Occupancy Tax	\$4,255,140	\$4,006,000	\$4,681,648	\$4,400,000	\$4,500,000	2.3%
Franchise Fees	\$641,869	\$623,460	\$698,791	\$674,000	\$747,380	10.9%
Licenses & Permits	\$761,616	\$582,245	\$660,964	\$577,545	\$725,000	25.5%
Revenues From Current Services	\$25,430,126	\$21,980,656	\$20,019,322	\$22,506,699	\$21,908,809	-2.7%
Fines & Forfeitures	\$101,069	\$108,300	\$154,342	\$119,470	\$128,608	7.6%
Other Revenues	\$2,099,467	\$2,363,250	\$2,395,449	\$2,619,232	\$2,569,262	-1.9%
Revenues From Use of Money & Property	\$971,927	\$600,000	\$4,605,267	\$1,006,584	\$1,224,833	21.7%
Interfund Revenue Transfers	\$124,445,364	\$25,978,103	\$71,270,584	\$25,710,646	\$18,279,363	-28.9%
Federal Revenue - Loan	\$0	\$1,734,348	\$0	\$0	\$0	0%
Total Revenue Source:	\$174,583,344	\$74,136,088	\$120,426,054	\$73,632,148	\$68,575,969	-6.9%



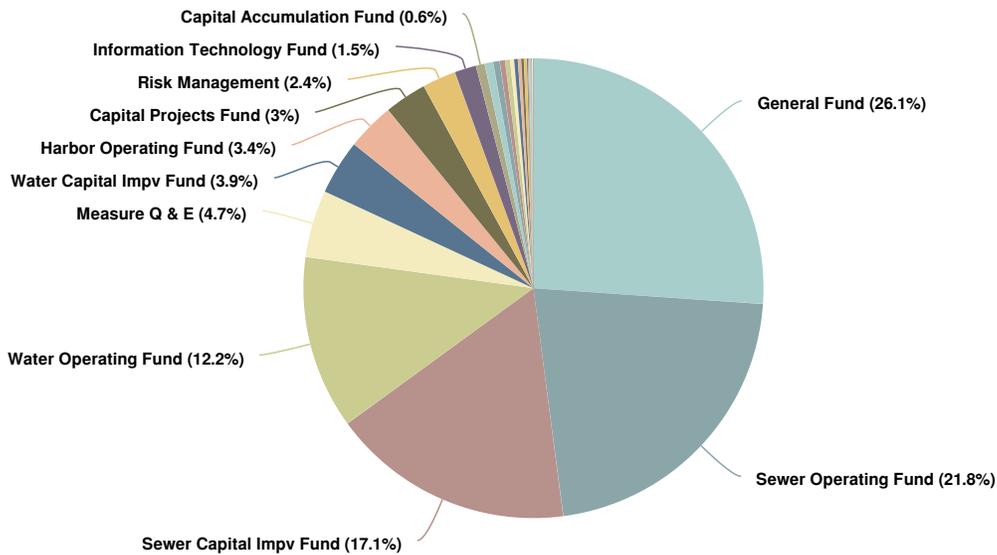
Expenditures by Fund

The City of Morro Bay's Citywide expenditure budget for FY 2024-25 is **\$78.9 million**, down 25% from the prior year. Net of transfers, the total Citywide Expenditure Budget is **\$60.6 million**, which represents a 24% decrease over the prior year budget, primarily due to the reduction of one-time expenditures from FY 2023-24. 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 and trust contributions in FY 2024-25.

Major expenditure trends are explained in greater detail within each fund summary in the budget document. The spike in FY 2020-21 through FY 2022-23 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 2024-25 include **\$1.5 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. The Fund Summary for the General Fund explains these in detail.

2025 Expenditures by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
General Fund	\$15,838,521	\$21,426,091	\$23,796,502	\$20,584,958	-13.5%
Gen. Gov. Vehicle Replacement	\$0	\$114,450	\$87,000	\$207,961	139%
G/F Emergency Reserve Fund	\$40,547	\$1,485,169	\$0	\$0	0%
G/F Facility Maintenance Fund	\$38,998	\$12,433	\$33,600	\$34,000	1.2%
Capital Accumulation Fund	\$0	\$3,472	\$0	\$494,579	N/A
General Long Term Debt	\$0	-\$2,593,634	\$0	\$0	0%
Risk Management	\$2,204,368	\$1,580,924	\$1,633,491	\$1,855,342	13.6%
Information Technology Fund	\$708,249	\$856,177	\$1,075,393	\$1,198,968	11.5%
American Rescue Plan (ARP)	\$469,502	\$1,259,335	\$793,274	\$60,504	-92.4%
State Gas Tax Fund	\$235,838	\$300,672	\$312,987	\$303,607	-3%
Road Maintenance and Rehab SB1	\$0	\$745,494	\$260,000	\$269,999	3.8%
Measure Q & E	\$4,127,406	\$5,198,334	\$5,715,712	\$3,731,789	-34.7%
Developer Reimbursement Agreements Fund	\$0	\$35,832	\$265,000	\$470,000	77.4%
Community Development Grants	\$2,574	\$3,819	\$3,667	\$3,667	0%
Lower Cost Visitor Accom Fund	\$101	\$70	\$0	\$0	0%
Traffic Safety Fund	\$14,617	\$0	\$10,000	\$10,000	0%
Special Safety Grants	\$92,054	\$203,056	\$242,574	\$176,381	-27.3%
Parking In-Lieu Fund	\$41,609	\$22,597	\$45,000	\$43,000	-4.4%
Bike Path	\$3,500	\$370	\$13,000	\$0	-100%
LTF Roads	\$70,768	\$0	\$0	\$0	0%
North Point Assessment	\$5,062	\$4,227	\$5,645	\$6,187	9.6%
Cloisters Park Maint AD	\$143,350	\$122,775	\$148,944	\$154,102	3.5%
Cloisters Park Accumulation	\$5,810	\$0	\$0	\$0	0%
Governmental Impact Fees	\$72,947	\$31,238	\$1,017,250	\$58,890	-94.2%
Park Fee Fund	\$69,500	\$940	\$0	\$0	0%
Community Benefit	\$170,000	\$0	\$0	\$0	0%
Economic Development Fund	\$351,035	\$155,000	\$215,000	\$217,728	1.3%
Capital Projects Fund	\$214,249	\$2,432,971	\$11,206,754	\$2,344,578	-79.1%
Triangle Lot - Boat Storage Yard	\$15,027	\$17,995	\$16,500	\$17,225	4.4%
Affordable Housing In-Lieu Fund	\$150,000	\$524	\$55,000	\$55,000	0%
Tourism (BID) Accumulation Fund	\$0	\$162,124	\$0	\$0	0%
Transit Fund	\$252,226	\$283,758	\$331,271	\$358,445	8.2%
Transit Capital Impv Fund	\$50,627	\$442,049	\$578,000	\$160,000	-72.3%
Harbor Operating Fund	\$2,036,489	\$2,457,899	\$2,675,928	\$2,645,113	-1.2%
Harbor Capital Impv Fund	\$285,463	\$585,447	\$1,242,093	\$0	-100%
Sewer Operating Fund	\$42,353,398	\$33,110,254	\$14,465,087	\$17,222,018	19.1%
MB/CS Waste Water Fund	\$2,037,151	\$0	\$0	\$0	0%
Sewer Capital Impv Fund	\$55,220,282	\$21,301,938	\$23,960,793	\$13,467,499	-43.8%
Water Operating Fund	\$20,164,988	\$13,755,340	\$9,353,389	\$9,605,526	2.7%
Water Discounts/Rebates	\$74,372	\$57,699	\$73,000	\$73,000	0%
Water Capital Impv Fund	\$529,257	\$1,278,423	\$5,577,441	\$3,050,000	-45.3%
Total:	\$148,089,884	\$106,855,262	\$105,209,295	\$78,880,066	-25%



Expenditures by Department

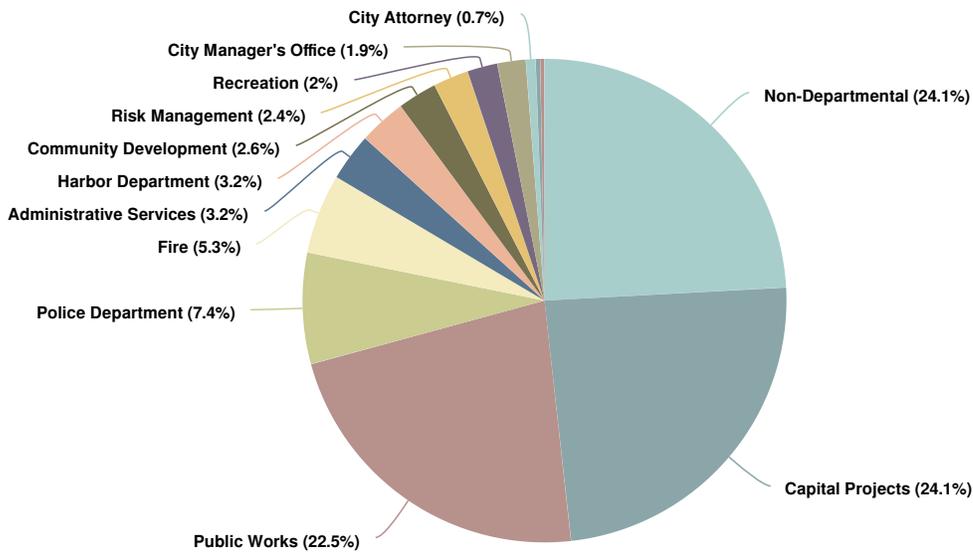
The Citywide budget includes interfund transfers between funds, which appear in the nondepartmental category, as well as capital projects, which represent **12 projects** for a total capital budget of **\$19 million** in FY 2024-25.

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

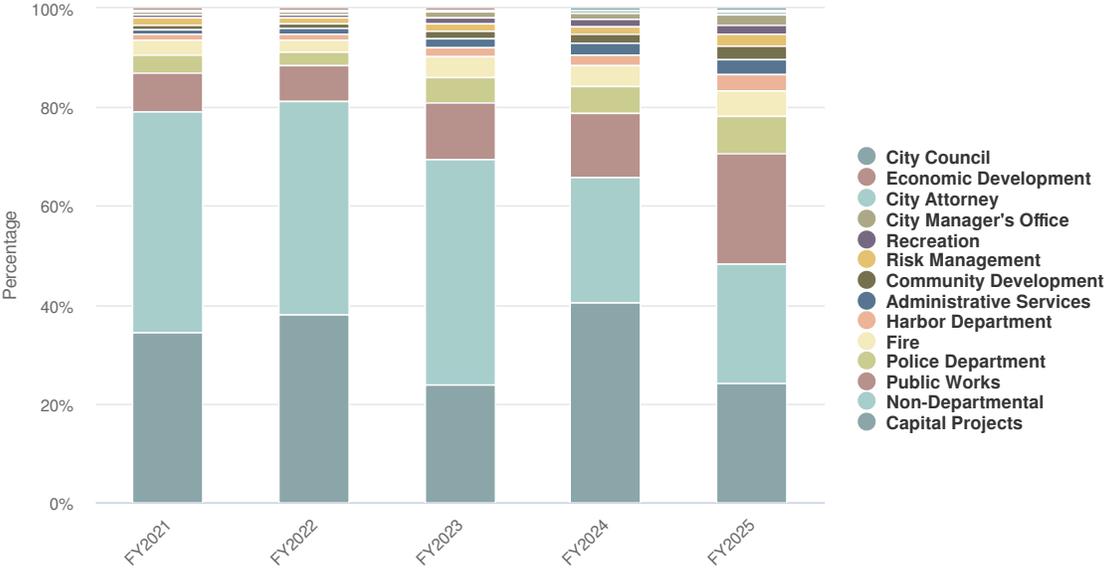
The remaining departments represent a much smaller share of the Citywide budget each, with the City Council budget representing the smallest departmental budget.

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

Budgeted Expenditures by Department



Budgeted and Historical Expenditures by Function



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expenditures					
City Council	\$108,114	\$159,494	\$184,539	\$243,665	32%
Total City Council:	\$108,114	\$159,494	\$184,539	\$243,665	32%
City Manager's Office					
City Manager's Office	\$394,057	\$480,018	\$608,146	\$696,802	14.6%
City Clerk	\$219,639	\$360,239	\$376,914	\$461,072	22.3%
Human Resources	\$277,073	\$404,548	\$298,048	\$336,099	12.8%
Total City Manager's Office:	\$890,770	\$1,244,805	\$1,283,108	\$1,493,974	16.4%
City Attorney					
City Attorney	\$498,343	\$501,437	\$483,231	\$512,872	6.1%
Total City Attorney:	\$498,343	\$501,437	\$483,231	\$512,872	6.1%
Administrative Services					
Accounting & Treasury	\$866,242	\$1,051,497	\$1,194,311	\$1,306,012	9.4%
Information Technology	\$707,654	\$855,189	\$1,075,393	\$1,198,968	11.5%
Total Administrative Services:	\$1,573,895	\$1,906,686	\$2,269,704	\$2,504,980	10.4%
Police Department					
Police Department	\$3,907,134	\$4,438,879	\$4,799,310	\$4,962,816	3.4%
Support Services	\$314,603	\$679,487	\$698,449	\$724,059	3.7%
State Police Grants	\$92,054	\$201,516	\$242,574	\$176,381	-27.3%
Total Police Department:	\$4,313,791	\$5,319,883	\$5,740,333	\$5,863,257	2.1%
Fire					
Fire Department	\$3,626,452	\$4,390,614	\$4,256,968	\$4,189,132	-1.6%
EOC Disaster Preparedness	\$16,415	\$11,199	\$51,810	\$21,008	-59.5%
Total Fire:	\$3,642,867	\$4,401,813	\$4,308,778	\$4,210,140	-2.3%
Risk Management					
Administrative Services	\$103,325	\$90,429	\$91,001	\$104,620	15%
Worker's Comp Insurance	\$514,810	\$545,594	\$463,570	\$481,187	3.8%
Unemployment Reserve	\$9,940	\$20,619	\$70,317	\$70,317	0%
Liability Insurance	\$676,249	\$657,763	\$720,356	\$819,765	13.8%
Other Insurance	\$2,084	\$9,688	\$10,172	\$10,172	0%
Property Damage/Fire Ins	\$157,693	\$232,841	\$254,551	\$343,368	34.9%
Vehicle Insurance	\$18,067	\$22,199	\$23,524	\$25,913	10.2%
Risk Mitigation	\$22,200	\$0	\$0	\$0	0%
Total Risk Management:	\$1,504,368	\$1,579,133	\$1,633,491	\$1,855,342	13.6%
Public Works					
Public Works	\$749,407	\$1,053,804	\$1,211,535	\$1,431,518	18.2%
Consolidated Maintenance	\$1,218,869	\$1,988,290	\$2,011,735	\$2,055,518	2.2%



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Vehicle Maintenance	\$157,011	\$0	\$0	\$0	0%
Street Maintenance	\$305,575	\$1,116,146	\$1,001,506	\$1,083,032	8.1%
Street Trees	\$150,595	\$0	\$0	\$0	0%
Street Lighting	\$91,479	\$0	\$0	\$0	0%
Storm Drain/Creek Maint.	\$119,360	\$0	\$0	\$0	0%
Water	\$2,819,779	\$4,761,090	\$4,850,708	\$5,961,871	22.9%
Wastewater Collection	\$2,989,934	\$3,032,524	\$4,149,786	\$6,786,405	63.5%
Wastewater Treatment	\$1,845,103	\$0	\$0	\$0	0%
MB Transit	\$171,116	\$194,653	\$245,595	\$264,622	7.7%
Bikeway Paths	\$3,500	\$0	\$13,000	\$0	-100%
Trolley	\$33,094	\$34,368	\$44,808	\$46,826	4.5%
Curbside Recycling	\$31,765	\$29,839	\$0	\$0	0%
North Point Park	\$4,350	\$3,447	\$4,647	\$5,231	12.6%
Cloisters Park	\$131,874	\$110,257	\$120,860	\$128,798	6.6%
Total Public Works:	\$10,822,811	\$12,324,417	\$13,654,180	\$17,763,821	30.1%
Community Development					
Community Development	\$1,421,146	\$1,584,349	\$1,874,732	\$1,593,422	-15%
DRA: 3300 Panorama Drive	\$0	\$35,832	\$185,000	\$140,000	-24.3%
DRA: Seashell Estates	\$0	\$0	\$40,000	\$40,000	0%
DRA: Market Plaza	\$0	\$0	\$40,000	\$40,000	0%
DRA: Vistra/BESS	\$0	\$0	\$0	\$250,000	N/A
County CDBG	\$2,574	\$3,819	\$3,667	\$3,667	0%
Total Community Development:	\$1,423,720	\$1,624,000	\$2,143,399	\$2,067,089	-3.6%
Recreation					
Recreation Administration	\$359,286	\$387,848	\$421,967	\$423,628	0.4%
Recreation Sports	\$272,791	\$356,430	\$465,608	\$456,239	-2%
Recreation Youth Services	\$366,171	\$376,138	\$365,001	\$463,189	26.9%
Teen Programs Division	\$5,419	\$4,668	\$0	\$0	0%
Community Pool	\$206,642	\$173,117	\$176,313	\$254,458	44.3%
R & P City Facilities	\$7,498	\$12,142	\$33,600	\$0	-100%
Total Recreation:	\$1,217,807	\$1,310,343	\$1,462,489	\$1,597,514	9.2%
Harbor Department					
Harbor Department	\$1,652,828	\$1,915,678	\$2,191,795	\$2,371,953	8.2%
Harbor Lifeguards	\$53,981	\$110,968	\$94,268	\$112,258	19.1%
Recreational Vehicle Camping	\$32,304	\$256	\$1,143	\$0	-100%
Launch Ramp Parking	\$1,452	\$1,248	\$3,400	\$3,400	0%
Total Harbor Department:	\$1,740,564	\$2,028,150	\$2,290,606	\$2,487,611	8.6%
Economic Development					
PGE Diablo Closure Funds- SB1090	\$124,215	\$155,000	\$215,000	\$217,728	1.3%



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Total Economic Development:	\$124,215	\$155,000	\$215,000	\$217,728	1.3%
Non-Departmental					
Undistributed/Non-Dept.	-\$85,105	\$698,338	\$1,873,614	\$992,667	-47%
Contract Services	\$610,091	\$0	\$0	\$0	0%
Promotion & Advertising	\$59	\$162,124	\$0	\$0	0%
City Rental Property	\$30,565	\$16,919	\$16,801	\$16,381	-2.5%
Electricity	\$71,209	\$73,022	\$78,318	\$80,474	2.8%
Interfund Transactions	\$63,301,922	\$47,728,664	\$25,006,623	\$17,950,473	-28.2%
Total Non-Departmental:	\$63,928,741	\$48,679,067	\$26,975,356	\$19,039,996	-29.4%
Capital Projects					
Parks and Creeks CIP					
City Park Play Equipment	\$0	\$0	\$250,000	\$0	-100%
Bocce Ball Court (Prelim. Est.)	\$8,605	\$50,395	\$0	\$0	0%
Morro Bay Bridge Inspection/Assessment	\$0	\$0	\$0	\$80,000	N/A
Pickleball Court	\$0	\$0	\$31,400	\$0	-100%
Coleman Skate Park Renov	\$0	\$0	\$610,300	\$0	-100%
Closter Park Ctr Median Landsca	\$5,810	\$0	\$0	\$0	0%
Total Parks and Creeks CIP:	\$14,415	\$50,395	\$891,700	\$80,000	-91%
General Government CIP					
Storm and Flooding Damages - Facilities and Equipment	\$0	\$0	\$800,000	\$0	-100%
Storm and Flooding Damages - Pavement and Pavement Repairs	\$0	\$0	\$856,019	\$0	-100%
Local Roadway Safety Plan (LRSP)	\$0	\$0	\$282,000	\$0	-100%
Citywide Speed Survey	\$0	\$34,630	\$5,370	\$0	-100%
Automated License Plate Reader Camera System	\$0	\$152,299	\$6,701	\$0	-100%
Waterways and Storm Systems Management Plan	\$0	\$0	\$250,000	\$0	-100%
Bonita Fire Station Remodel	\$0	\$0	\$80,000	\$0	-100%
Citywide Capital and Facilities Planning	\$0	\$27,380	\$372,620	\$0	-100%
Lila Kaiser Parking Lot Rehabilitation and ADA Upgrades	\$0	\$31,732	\$168,268	\$0	-100%
General Plan Update	\$28,396	\$34,068	\$0	\$0	0%
Annual Storm Drain Replacement and Major Maintenance Project	\$0	\$0	\$200,000	\$500,000	150%
Sidewalk Improvements and Street Tree Replacements Project	\$0	\$0	\$150,000	\$0	-100%
Emergency Storm Drain Repair - Sequoia Court	\$0	\$25,000	\$559,041	\$0	-100%
Total General Government CIP:	\$28,396	\$305,110	\$3,730,019	\$500,000	-86.6%
Harbor CIP					
595 Embarcadero Sewer Lateral/FI	\$88,952	\$0	\$0	\$0	0%



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Boat Launch Ramp & Float Replacement Planning	\$0	\$56,495	\$73,505	\$0	-100%
Repave Police Annex Parking Lot	\$1,490	\$6,400	\$58,280	\$0	-100%
Harbor Vessels/Equipment	\$190,776	\$90,678	\$58,546	\$0	-100%
North T Pier Renovations	\$0	\$0	\$111,750	\$0	-100%
Storm Recovery - Dock Repairs	\$0	\$0	\$300,000	\$0	-100%
Emergency Dock Repairs	\$0	\$81,327	\$0	\$0	0%
Total Harbor CIP:	\$281,218	\$234,900	\$602,081	\$0	-100%
Streets CIP					
Beach Street Slips- North/South	\$5,735	\$36,843	\$485,672	\$0	-100%
Hwy 1/Hwy 41 Main Inter.	\$51,652	\$135,849	\$2,171,244	\$0	-100%
Direction Sign Prog/Wayfinding	\$0	\$188,200	\$0	\$0	0%
ADA Accessibility Upgrades	\$0	\$0	\$670,500	\$0	-100%
Pavement Management Program	\$44,862	\$1,262,997	\$3,627,929	\$1,619,999	-55.3%
SD-01A Pipeline Kern & Anchor	\$0	\$0	\$72,600	\$0	-100%
SD-01B Pipeline Kern & Anchor	\$0	\$166,838	\$45,462	\$0	-100%
Total Streets CIP:	\$102,249	\$1,790,727	\$7,073,407	\$1,619,999	-77.1%
Sewer CIP					
Lift Station No. 1 Force Main Replacement	\$0	\$24,245	\$375,755	\$0	-100%
Beachcomber Drive Area Backyard Sewer Improvements - Design	\$0	\$0	\$100,000	\$100,000	0%
WWTP Relocation & Trmt Altern	\$55,099,683	\$21,097,933	\$15,506,026	\$3,804,575	-75.5%
Wastewater Treatment Plant Decommissioning	\$0	\$11,250	\$281,250	\$4,818,000	1,613.1%
Outfall Inspection, Condition Assessment and Cleaning	\$0	\$0	\$600,000	\$0	-100%
Manhole Rehabilitation Project	\$0	\$0	\$250,000	\$150,000	-40%
OneWater Plan	\$0	\$0	\$250,000	\$0	-100%
1Water-WW Collect Main St & Atas	\$71,131	\$5,361	\$4,306,440	\$4,594,924	6.7%
1Water-WW Collect LS1/Beachcombe	\$49,468	\$16,590	\$1,885,322	\$0	-100%
Emer StormDrain Repair Jun/Elen	\$21,983	\$423,629	\$20,083	\$0	-100%
Capital Vehicles & Equipment Replacement - Sewer	\$0	\$0	\$281,000	\$0	-100%
Total Sewer CIP:	\$55,242,265	\$21,579,008	\$23,855,876	\$13,467,499	-43.5%
Transit CIP					
Active Transportation Plan / Active Corridor Studies	\$0	\$0	\$80,000	\$0	-100%
Transit Comprehensive Operational Analysis	\$0	\$0	\$60,000	\$0	-100%
MBT-Replacement Vehicle - Bus	\$0	\$0	\$130,000	\$160,000	23.1%
Replacement Vehicle- Trolley	\$0	\$0	\$249,127	\$0	-100%
Automated Fare Collection System	\$0	\$0	\$74,000	\$0	-100%
ZEB Implementation Plan	\$0	\$0	\$40,000	\$0	-100%



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
City Park Transit Hub Impr	\$50,627	\$442,049	\$24,873	\$0	-100%
Total Transit CIP:	\$50,627	\$442,049	\$658,000	\$160,000	-75.7%
Public Facilities CIP					
Trash and Recycling Can Replacements	\$0	\$0	\$60,000	\$0	-100%
Security Impr - Harbor Bldg	\$0	\$0	\$40,000	\$0	-100%
New EV Charging Station	\$0	\$2,139	\$95,670	\$0	-100%
Vet's BldgImpv-AudioVis/Chairs	\$2,105	\$1,794	\$355,887	\$144,579	-59.4%
Pub Safety-Pwr Shutdown(wFiber)	\$49,347	\$0	\$0	\$0	0%
Total Public Facilities CIP:	\$51,452	\$3,933	\$551,557	\$144,579	-73.8%
Water CIP					
Morro Basin Wellfield Rehabilitation	\$0	\$0	\$500,000	\$1,250,000	150%
Capital Vehicles and Equipment Replacement - Water	\$0	\$92,629	\$302,371	\$0	-100%
Re-Skin Desal Plant Bldg	\$0	\$0	\$200,000	\$0	-100%
RO Membrane Replacement	\$0	\$0	\$80,000	\$0	-100%
1Water-Nutmeg Pressure Zone	\$173,005	\$43,972	\$1,363,479	\$1,800,000	32%
Reskin & Coat Six Storage Tanks	\$356,251	\$1,078,309	\$1,856,591	\$0	-100%
RO Bldg Tank & Piping Modificati	\$0	\$0	\$300,000	\$0	-100%
Corp Yard R/O Bld Roof Repairs	\$0	\$0	\$200,000	\$0	-100%
Brackish Water Reverse Osmosis Building Improvements	\$0	\$0	\$400,000	\$0	-100%
Total Water CIP:	\$529,257	\$1,214,911	\$5,202,441	\$3,050,000	-41.4%
Total Capital Projects:	\$56,299,877	\$25,621,033	\$42,565,081	\$19,022,077	-55.3%
Total Expenditures:	\$148,089,884	\$106,855,262	\$105,209,295	\$78,880,066	-25%



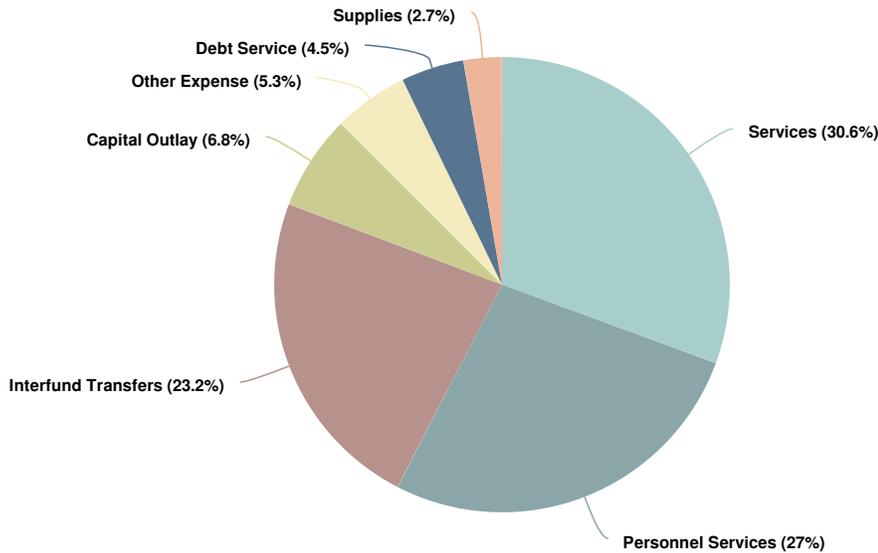
Expenditures by Expense Type

Citywide personnel costs are increasing by **1.8%** from the prior year budget. Compared to the prior year, the city's total regular full-time equivalent count has increased from **107.5** to **111.5** due to the conversion of three part-time positions to full-time (two in Recreation Services, one in Community Development), and the addition of one new full-time position in the City Manager's Office. In both the current and prior year, the City contributed to a Section 115 trust to address long-term pension liabilities. That contribution decreased from \$1.1 million in FY 2023-24 to \$0.4 million in FY 2024-25. After accounting for the change in trust contributions, the actual increase in personnel costs from prior year to current is approximately **6%**. This increase is due to the anticipated cost-of-living adjustments resulting from this year's collective bargaining with the City's three unions.

Non-personnel 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 Interfund Transfers page in the *Budget Overview* section details each interfund transfer by fund.

Budgeted Expenditures by Expense Type



Total Citywide Expenditure Budget Net of Transfers: \$61 million.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$15,933,112	\$16,476,746	\$20,917,267	\$21,294,023	1.8%
Supplies	\$1,476,395	\$1,637,063	\$1,760,541	\$2,145,257	21.9%
Other Expense	\$2,052,917	\$901,379	\$7,114,657	\$4,171,341	-41.4%
Services	\$34,581,249	\$28,744,518	\$47,444,782	\$24,134,443	-49.1%
Capital Outlay	\$30,675,855	\$8,923,142	\$2,657,235	\$5,328,661	100.5%
Debt Service	\$64,933	\$1,404,349	\$35,190	\$3,526,979	9,922.7%
Interfund Transfers	\$63,305,422	\$48,768,066	\$25,279,623	\$18,279,362	-27.7%
Total Expense Objects:	\$148,089,884	\$106,855,262	\$105,209,295	\$78,880,066	-25%





Citywide Operating Budget Summary - All Funds

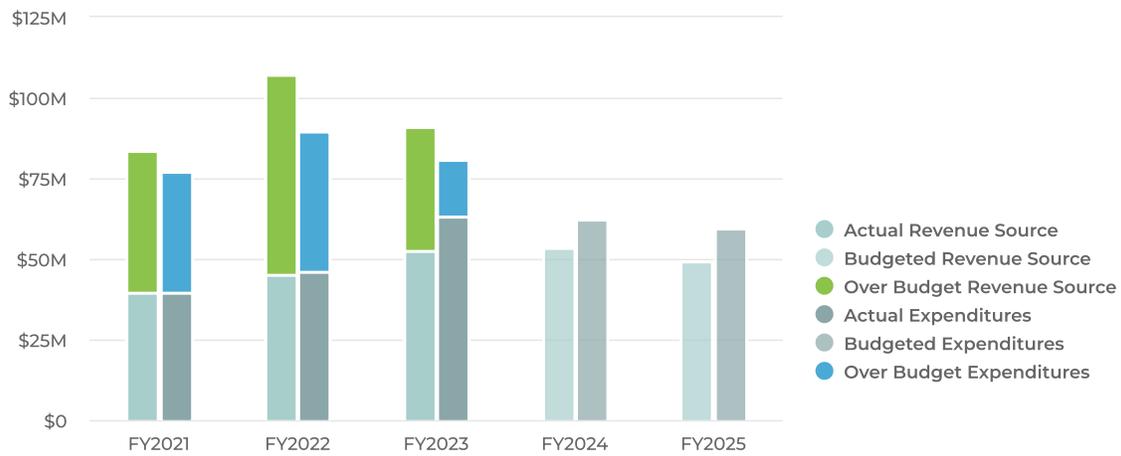
This Citywide budget summary presents data for all funds, including the operating budget component of the budget, not the capital improvement portion of the budget.

Summary

The City of Morro Bay's budgeted operating revenues are **\$49.6 million** in FY 2024-25. Net of transfers-in from other funds, the operating revenue budget is **\$46.6 million**, consistent with FY 2023-24.

Budgeted operating expenditures are **\$59.9 million** in FY 2024-25. Net of transfers out to other funds, the operating expenditure budget is **\$41.6 million**, up 11% from the prior year's budget.

Spikes in Citywide revenues and expenditures between FY 2020-21 and FY 2022-23 are due to activity associated with the Water Reclamation Facility (WRF) capital project, including interfund transfers from operating funds to capital funds and loan disbursements utilized to fund the project.



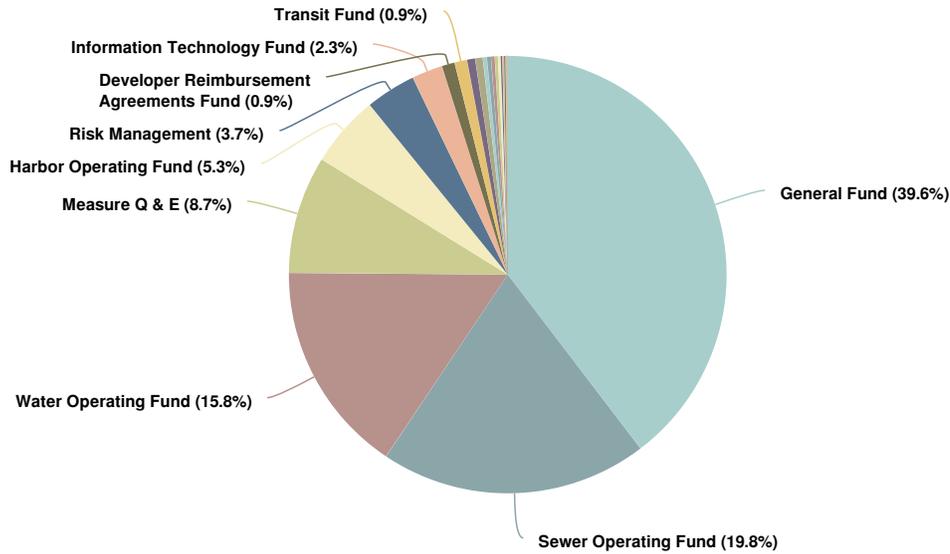
Revenue by Fund

The City of Morro Bay's budgeted operating revenues are **\$49.6 million** in FY 2024-25. Net of transfers in from other funds, the operating revenue budget is **\$46.6 million**, consistent with FY 2023-24.

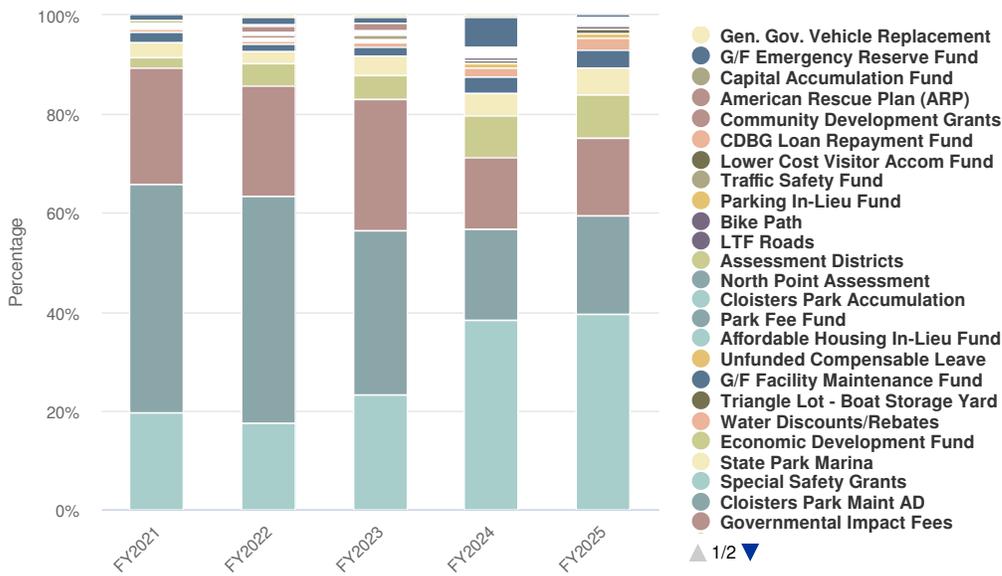
The General Fund and Measure Q&E combined comprise nearly half of the City's operating revenue, and the Water and Sewer operating funds comprise another third of the City's revenue, with several smaller funds comprising the remainder. Each fund's revenue, and trend analysis for major revenue sources,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

The spike in FY 2020-21, FY 2021-22, and FY 2022-23 revenue is due to receipt of loan disbursement proceeds associated with the WRF capital project.

2025 Revenue by Fund



Budgeted and Historical 2025 Revenue by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
General Fund	\$18,609,703	\$21,228,805	\$20,610,044	\$19,638,001	-4.7%
Unfunded Compensable Leave	\$25,000	\$81,000	\$21,500	\$32,677	52%
Gen. Gov. Vehicle Replacement	\$172,018	\$285,347	\$107,000	\$0	-100%
G/F Emergency Reserve Fund	\$1,859,585	\$1,166,503	\$3,292,000	\$0	-100%
G/F Facility Maintenance Fund	\$17,118	\$13,823	\$33,600	\$62,592	86.3%
Capital Accumulation Fund	\$103,530	\$12,759	\$0	\$0	0%
Risk Management	\$1,466,014	\$1,614,136	\$1,633,491	\$1,848,524	13.2%
Information Technology Fund	\$722,683	\$864,160	\$1,051,467	\$1,127,492	7.2%
American Rescue Plan (ARP)	\$1,261,055	\$1,259,335	\$0	\$0	0%
State Gas Tax Fund	\$235,838	\$300,672	\$312,987	\$303,607	-3%
Road Maintenance and Rehab SB1	\$0	\$745,494	\$260,000	\$269,999	3.8%
Measure Q & E	\$4,710,089	\$4,578,570	\$4,550,000	\$4,313,735	-5.2%
Developer Reimbursement Agreements Fund	\$0	\$35,832	\$265,000	\$470,000	77.4%
Community Development Grants	\$2,574	\$3,900	\$3,667	\$3,667	0%
CDBG Loan Repayment Fund	\$3,766	\$2,725	\$0	\$0	0%
Lower Cost Visitor Accom Fund	\$46	\$289	\$0	\$0	0%
Traffic Safety Fund	\$14,617	\$18,923	\$10,000	\$10,000	0%
Special Safety Grants	\$227,908	\$105,661	\$150,000	\$150,000	0%
Parking In-Lieu Fund	\$47,025	\$6,712	\$0	\$0	0%
Bike Path	\$8,034	\$15,593	\$13,315	\$12,108	-9.1%
LTF Roads	\$6	\$319	\$0	\$0	0%
Assessment Districts	\$8,427	\$2,832	\$2,832	\$2,832	0%
North Point Assessment	\$5,645	\$7,162	\$5,645	\$5,645	0%
Cloisters Park Maint AD	\$144,227	\$153,412	\$148,944	\$148,944	0%

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Governmental Impact Fees	\$755,263	\$133,255	\$140,946	\$140,946	0%
Park Fee Fund	\$1,314	\$5,126	\$0	\$0	0%
Economic Development Fund	\$117,806	\$117,806	\$117,806	\$117,806	0%
State Park Marina	\$115,289	\$108,821	\$95,000	\$95,000	0%
Triangle Lot - Boat Storage Yard	\$48,174	\$50,601	\$49,000	\$53,000	8.2%
Affordable Housing In-Lieu Fund	\$67,301	\$16,288	\$100,000	\$10,000	-90%
Transit Fund	\$263,426	\$306,879	\$451,177	\$458,093	1.5%
Harbor Operating Fund	\$2,829,018	\$3,534,824	\$2,515,810	\$2,621,784	4.2%
Sewer Operating Fund	\$49,310,532	\$29,961,394	\$9,753,604	\$9,790,604	0.4%
Water Operating Fund	\$23,962,983	\$24,121,803	\$7,776,837	\$7,806,837	0.4%
Water Discounts/Rebates	\$61,217	\$112,795	\$60,000	\$60,000	0%
Total:	\$107,177,231	\$90,973,558	\$53,531,672	\$49,553,892	-7.4%

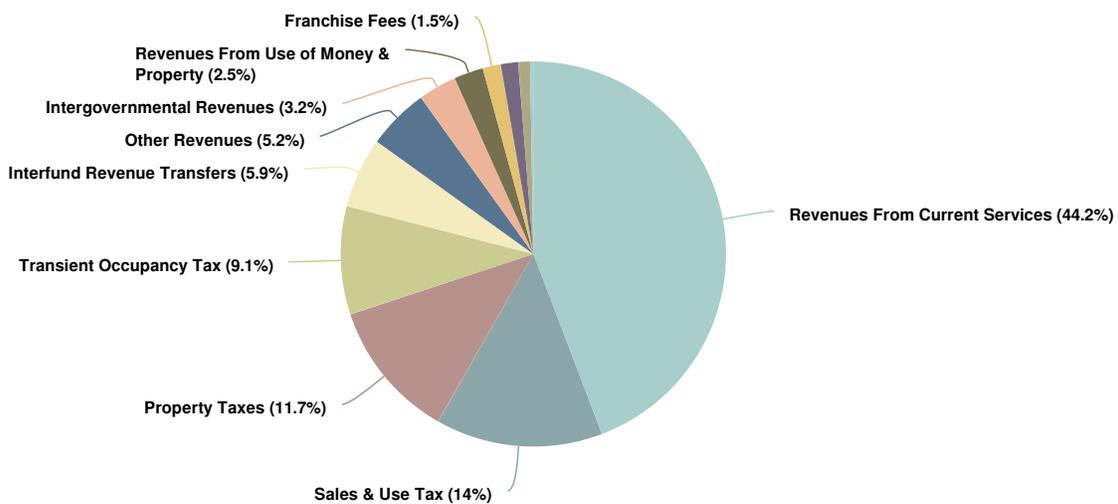
Revenues by Source

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

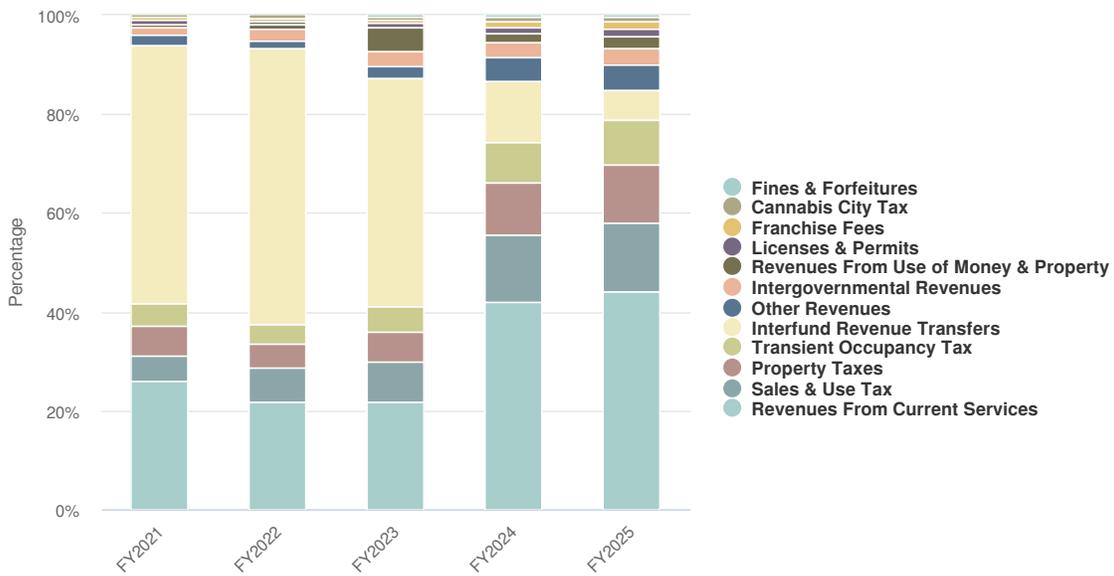
Tax revenues, including sales and use tax, property tax, and transient occupant tax, represent the second largest share of City revenues. These revenues are used to provide general services that are not covered by anyone receiving an individual benefit from a service, such as public safety services and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

Each revenue source and trends for major revenue sources are explained in greater detail the Fund Summary section of the budget document.

Projected 2025 Revenues by Source



Budgeted and Historical 2025 Revenues by Source



Total Citywide Operating Revenues Net of Transfers: \$46.6 million.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Property Taxes	\$5,138,449	\$5,433,366	\$5,623,673	\$5,799,575	3.1%
Intergovernmental Revenues	\$2,395,605	\$2,531,941	\$1,682,899	\$1,589,080	-5.6%
Sales & Use Tax	\$7,456,527	\$7,306,518	\$7,240,000	\$6,945,735	-4.1%
Cannabis City Tax	\$512,944	\$502,149	\$490,000	\$490,000	0%
Transient Occupancy Tax	\$4,255,140	\$4,681,648	\$4,400,000	\$4,500,000	2.3%
Franchise Fees	\$641,869	\$698,791	\$674,000	\$747,380	10.9%
Licenses & Permits	\$761,616	\$660,964	\$577,545	\$725,000	25.5%
Revenues From Current Services	\$23,373,116	\$19,892,251	\$22,506,699	\$21,908,809	-2.7%
Fines & Forfeitures	\$101,069	\$154,342	\$119,470	\$128,608	7.6%
Other Revenues	\$1,864,979	\$2,388,649	\$2,619,232	\$2,569,262	-1.9%
Revenues From Use of Money & Property	\$971,927	\$4,605,267	\$1,006,584	\$1,224,833	21.7%
Interfund Revenue Transfers	\$59,703,990	\$42,117,672	\$6,591,570	\$2,925,610	-55.6%
Total Revenue Source:	\$107,177,231	\$90,973,558	\$53,531,672	\$49,553,892	-7.4%



Expenditures by Department

Budgeted operating expenditures are **\$59.9 million** in FY 2024-25. Net of transfers-out to other funds, the operating expenditure budget is **\$41.6 million**, up 11% from the prior year's budget. The debt service category is seeing a major increase compared to prior years due to the Water Reclamation Facility (WRF) project loans coming due, resulting in a **\$3 million** increase to the overall budget. A loan amendment application for the State Revolving Fund loan is expected to be approved by June 2024. Approval of the amendment will include restructuring of the loan repayment schedule which would reduce payments for FY 2024-25 and push them out further into the future.

All major expenditures and trends are explained in greater detail within each individual fund summary in the budget document. The spike in FY 2020-21 through FY 2022-23 expenditures is due to receipt of loan disbursement proceeds associated with the WRF capital project. While expenditures are made from the capital budget, revenues are received by the Water and Sewer Operating Funds. They are then transferred to the Sewer Capital Fund at year-end to cover project costs which results in a transfer out expenditure in the operating budgets.

General Fund expenditures in FY 2024-25 include **\$1.5 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 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.

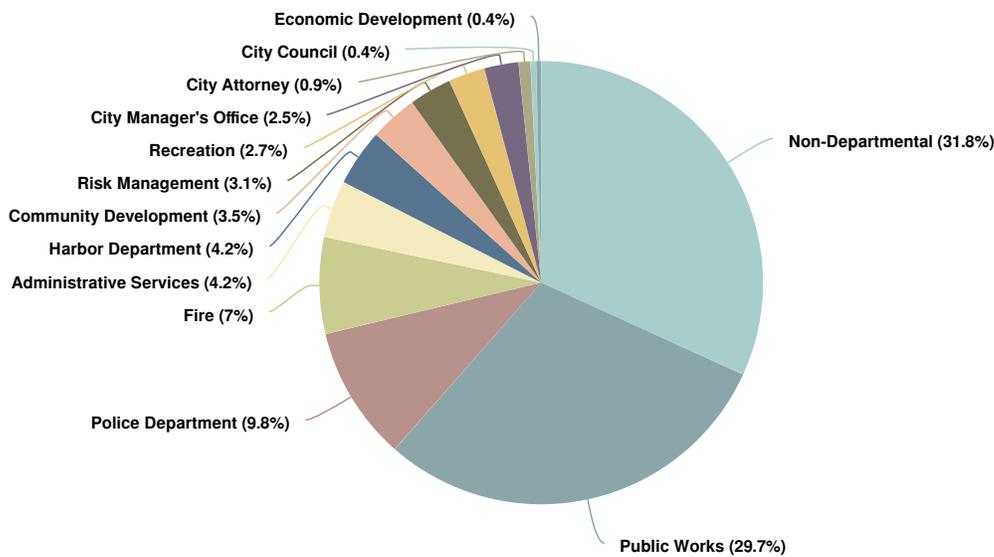
Public Works is the largest department both in terms of number of staff positions and expenditures, which includes all water and sewer service operating costs. Police has the second-highest budget, followed by Fire.

The remaining departments each represent a much smaller share of the Citywide budget, 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. This category also includes a \$400,000 contribution to the established Section 115 Trust.

Budgeted Expenditures by Department



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expenditures					
City Council	\$108,114	\$159,494	\$184,539	\$243,665	32%
Total City Council:	\$108,114	\$159,494	\$184,539	\$243,665	32%
City Manager's Office					
City Manager's Office	\$394,057	\$480,018	\$608,146	\$696,802	14.6%
City Clerk	\$219,639	\$360,239	\$376,914	\$461,072	22.3%
Human Resources	\$277,073	\$404,548	\$298,048	\$336,099	12.8%
Total City Manager's Office:	\$890,770	\$1,244,805	\$1,283,108	\$1,493,974	16.4%
City Attorney					
City Attorney	\$498,343	\$501,437	\$483,231	\$512,872	6.1%
Total City Attorney:	\$498,343	\$501,437	\$483,231	\$512,872	6.1%
Administrative Services					
Accounting & Treasury	\$866,242	\$1,051,497	\$1,194,311	\$1,306,012	9.4%
Information Technology	\$707,654	\$855,189	\$1,075,393	\$1,198,968	11.5%
Total Administrative Services:	\$1,573,895	\$1,906,686	\$2,269,704	\$2,504,980	10.4%
Police Department					
Police Department	\$3,907,134	\$4,438,879	\$4,799,310	\$4,962,816	3.4%
Support Services	\$314,603	\$679,487	\$698,449	\$724,059	3.7%
State Police Grants	\$92,054	\$201,516	\$242,574	\$176,381	-27.3%
Total Police Department:	\$4,313,791	\$5,319,883	\$5,740,333	\$5,863,257	2.1%
Fire					
Fire Department	\$3,626,452	\$4,390,614	\$4,256,968	\$4,189,132	-1.6%
EOC Disaster Preparedness	\$16,415	\$11,199	\$51,810	\$21,008	-59.5%
Total Fire:	\$3,642,867	\$4,401,813	\$4,308,778	\$4,210,140	-2.3%
Risk Management					
Administrative Services	\$103,325	\$90,429	\$91,001	\$104,620	15%
Worker's Comp Insurance	\$514,810	\$545,594	\$463,570	\$481,187	3.8%
Unemployment Reserve	\$9,940	\$20,619	\$70,317	\$70,317	0%
Liability Insurance	\$676,249	\$657,763	\$720,356	\$819,765	13.8%
Other Insurance	\$2,084	\$9,688	\$10,172	\$10,172	0%
Property Damage/Fire Ins	\$157,693	\$232,841	\$254,551	\$343,368	34.9%
Vehicle Insurance	\$18,067	\$22,199	\$23,524	\$25,913	10.2%
Risk Mitigation	\$22,200	\$0	\$0	\$0	0%
Total Risk Management:	\$1,504,368	\$1,579,133	\$1,633,491	\$1,855,342	13.6%
Public Works					
Public Works	\$749,407	\$1,053,804	\$1,211,535	\$1,431,518	18.2%
Consolidated Maintenance	\$1,218,869	\$1,988,290	\$2,011,735	\$2,055,518	2.2%



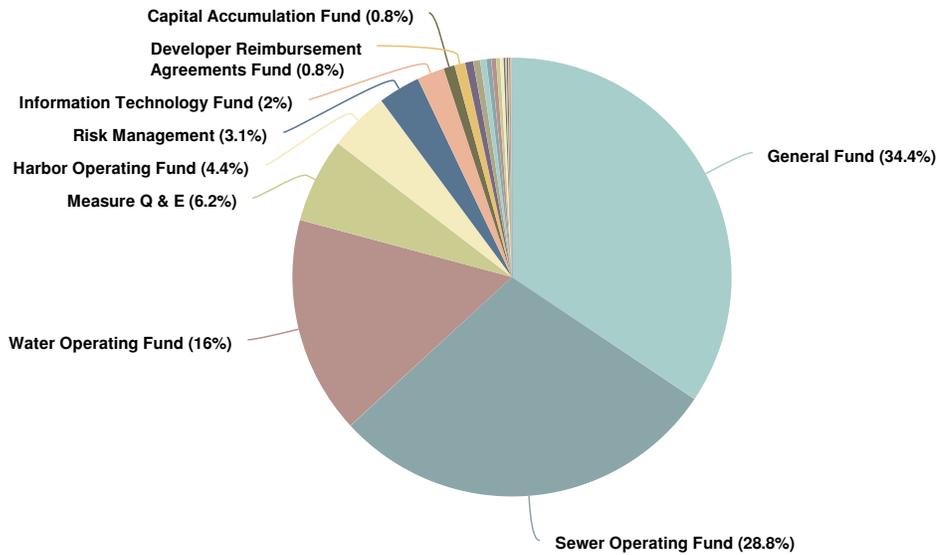
Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Vehicle Maintenance	\$157,011	\$0	\$0	\$0	0%
Street Maintenance	\$305,575	\$1,116,146	\$1,001,506	\$1,083,032	8.1%
Street Trees	\$150,595	\$0	\$0	\$0	0%
Street Lighting	\$91,479	\$0	\$0	\$0	0%
Storm Drain/Creek Maint.	\$119,360	\$0	\$0	\$0	0%
Water	\$2,819,779	\$4,697,578	\$4,850,708	\$5,961,871	22.9%
Wastewater Collection	\$2,989,934	\$2,968,965	\$4,149,786	\$6,786,405	63.5%
MB Transit	\$171,116	\$194,653	\$245,595	\$264,622	7.7%
Bikeway Paths	\$3,500	\$0	\$13,000	\$0	-100%
Trolley	\$33,094	\$34,368	\$44,808	\$46,826	4.5%
Curbside Recycling	\$31,765	\$29,839	\$0	\$0	0%
North Point Park	\$4,350	\$3,447	\$4,647	\$5,231	12.6%
Cloisters Park	\$131,874	\$110,257	\$120,860	\$128,798	6.6%
Total Public Works:	\$8,977,709	\$12,197,346	\$13,654,180	\$17,763,821	30.1%
Community Development					
Community Development	\$1,421,146	\$1,584,349	\$1,874,732	\$1,593,422	-15%
DRA: 3300 Panorama Drive	\$0	\$35,832	\$185,000	\$140,000	-24.3%
DRA: Seashell Estates	\$0	\$0	\$40,000	\$40,000	0%
DRA: Market Plaza	\$0	\$0	\$40,000	\$40,000	0%
DRA: Vistra/BESS	\$0	\$0	\$0	\$250,000	N/A
County CDBG	\$2,574	\$3,819	\$3,667	\$3,667	0%
Total Community Development:	\$1,423,720	\$1,624,000	\$2,143,399	\$2,067,089	-3.6%
Recreation					
Recreation Administration	\$359,286	\$387,848	\$421,967	\$423,628	0.4%
Recreation Sports	\$272,791	\$356,430	\$465,608	\$456,239	-2%
Recreation Youth Services	\$366,171	\$376,138	\$365,001	\$463,189	26.9%
Teen Programs Division	\$5,419	\$4,668	\$0	\$0	0%
Community Pool	\$206,642	\$173,117	\$176,313	\$254,458	44.3%
R & P City Facilities	\$7,498	\$12,142	\$33,600	\$0	-100%
Total Recreation:	\$1,217,807	\$1,310,343	\$1,462,489	\$1,597,514	9.2%
Harbor Department					
Harbor Department	\$1,652,828	\$1,915,678	\$2,191,795	\$2,371,953	8.2%
Harbor Lifeguards	\$53,981	\$110,968	\$94,268	\$112,258	19.1%
Recreational Vehicle Camping	\$32,304	\$256	\$1,143	\$0	-100%
Launch Ramp Parking	\$1,452	\$1,248	\$3,400	\$3,400	0%
Total Harbor Department:	\$1,740,564	\$2,028,150	\$2,290,606	\$2,487,611	8.6%
Economic Development					
PGE Diablo Closure Funds-SB1090	\$124,215	\$155,000	\$215,000	\$217,728	1.3%
Total Economic Development:	\$124,215	\$155,000	\$215,000	\$217,728	1.3%



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Non-Departmental					
Undistributed/Non-Dept.	\$111,406	\$698,338	\$1,873,614	\$992,667	-47%
Contract Services	\$610,091	\$0	\$0	\$0	0%
Promotion & Advertising	\$59	\$162,124	\$0	\$0	0%
City Rental Property	\$30,565	\$16,919	\$16,801	\$16,381	-2.5%
Electricity	\$71,209	\$73,022	\$78,318	\$80,474	2.8%
Interfund Transactions	\$62,913,363	\$47,435,940	\$25,006,623	\$17,950,473	-28.2%
Total Non-Departmental:	\$63,736,693	\$48,386,343	\$26,975,356	\$19,039,996	-29.4%
Total Expenditures:	\$89,752,856	\$80,814,435	\$62,644,214	\$59,857,989	-4.4%

Expenditures by Fund

2025 Expenditures by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
General Fund	\$15,838,521	\$21,426,091	\$23,796,502	\$20,584,958	-13.5%
Gen. Gov. Vehicle Replacement	\$0	\$114,450	\$87,000	\$207,961	139%
G/F Emergency Reserve Fund	\$40,547	\$1,485,169	\$0	\$0	0%
G/F Facility Maintenance Fund	\$38,998	\$12,433	\$33,600	\$34,000	1.2%
Capital Accumulation Fund	\$0	\$3,472	\$0	\$494,579	N/A
General Long Term Debt	\$0	-\$2,593,634	\$0	\$0	0%
Risk Management	\$2,204,368	\$1,580,924	\$1,633,491	\$1,855,342	13.6%
Information Technology Fund	\$708,249	\$856,177	\$1,075,393	\$1,198,968	11.5%



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
American Rescue Plan (ARP)	\$469,502	\$1,259,335	\$793,274	\$60,504	-92.4%
State Gas Tax Fund	\$235,838	\$300,672	\$312,987	\$303,607	-3%
Road Maintenance and Rehab SB1	\$0	\$745,494	\$260,000	\$269,999	3.8%
Measure Q & E	\$4,127,406	\$5,198,334	\$5,715,712	\$3,731,789	-34.7%
Developer Reimbursement Agreements Fund	\$0	\$35,832	\$265,000	\$470,000	77.4%
Community Development Grants	\$2,574	\$3,819	\$3,667	\$3,667	0%
Lower Cost Visitor Accom Fund	\$101	\$70	\$0	\$0	0%
Traffic Safety Fund	\$14,617	\$0	\$10,000	\$10,000	0%
Special Safety Grants	\$92,054	\$203,056	\$242,574	\$176,381	-27.3%
Parking In-Lieu Fund	\$41,609	\$22,597	\$45,000	\$43,000	-4.4%
Bike Path	\$3,500	\$370	\$13,000	\$0	-100%
LTF Roads	\$70,768	\$0	\$0	\$0	0%
North Point Assessment	\$5,062	\$4,227	\$5,645	\$6,187	9.6%
Cloisters Park Maint AD	\$143,350	\$122,775	\$148,944	\$154,102	3.5%
Cloisters Park Accumulation	\$5,810	\$0	\$0	\$0	0%
Governmental Impact Fees	\$72,947	\$31,238	\$1,017,250	\$58,890	-94.2%
Park Fee Fund	\$69,500	\$940	\$0	\$0	0%
Community Benefit	\$170,000	\$0	\$0	\$0	0%
Economic Development Fund	\$351,035	\$155,000	\$215,000	\$217,728	1.3%
Triangle Lot - Boat Storage Yard	\$15,027	\$17,995	\$16,500	\$17,225	4.4%
Affordable Housing In-Lieu Fund	\$150,000	\$524	\$55,000	\$55,000	0%
Tourism (BID) Accumulation Fund	\$0	\$162,124	\$0	\$0	0%
Transit Fund	\$252,226	\$283,758	\$331,271	\$358,445	8.2%
Harbor Operating Fund	\$2,036,489	\$2,457,899	\$2,675,928	\$2,645,113	-1.2%
Sewer Operating Fund	\$42,353,398	\$33,110,254	\$14,465,087	\$17,222,018	19.1%
Water Operating Fund	\$20,164,988	\$13,755,340	\$9,353,389	\$9,605,526	2.7%
Water Discounts/Rebates	\$74,372	\$57,699	\$73,000	\$73,000	0%
Total:	\$89,752,856	\$80,814,435	\$62,644,214	\$59,857,989	-4.4%



Expenditures by Expense Type

Citywide personnel costs are increasing by **1.8%** over the prior year's budget. Personnel costs include a one-time contribution to the City's Section 115 Trust, which is smaller than prior year contributions. The decrease in Section 115 contributions is consistent with recommendations from the City's financial consultants, NHA Advisors. Personnel costs, net of the pension trust contributions, are rising **6%** over prior year and assume COLAs and equity adjustments as part of the ongoing union contract negotiations.

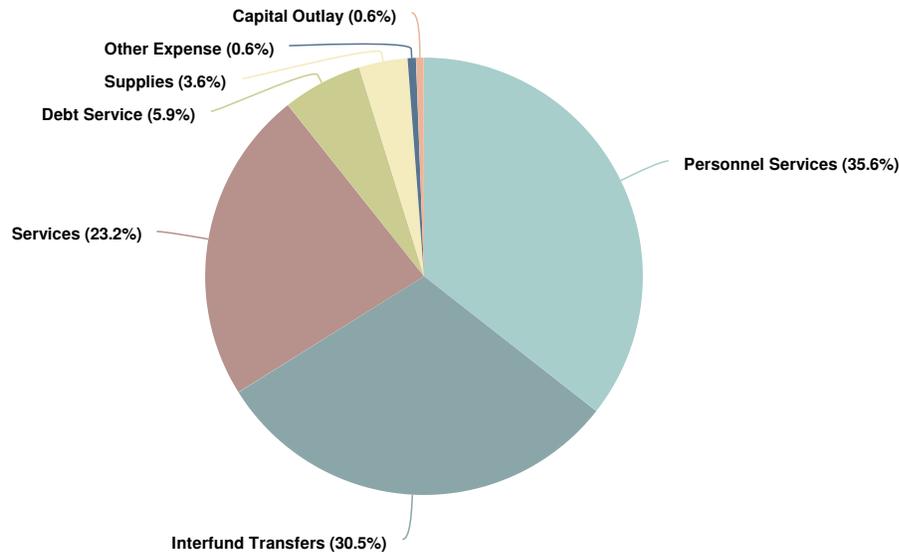
Non-personnel costs are increasing due to persistent inflation and the need to replace an aging inventory of supplies, particularly in public safety and utilities. The supplies budgets for both Fire and Police have increased 30% and 15%, respectively, compared to FY 2023-24. Fire will be replacing firefighter turnout gear, which is required every five years. Police will be purchasing replacement firearms. In Utilities, the Water and Sewer supplies budgets are increasing by over 30% due to anticipated increases in laboratory testing and chemical costs.

Staff was directed to keep discretionary expense budgets as flat as possible for FY 2024-25. Citywide, budget requests for Services, which include consulting services, contracts for construction and maintenance, staff professional development and related travel expenses, remained flat over FY 2023-24.

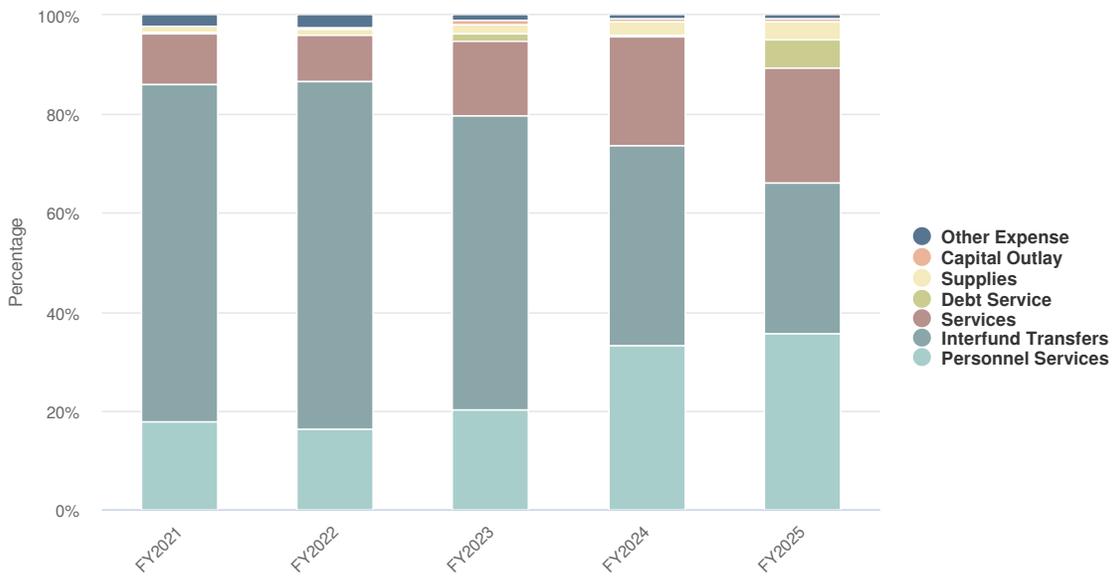
Capital outlay in the operating budget represents vehicle and equipment purchases.

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

Budgeted Expenditures by Expense Type



Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$14,763,400	\$16,347,986	\$20,917,267	\$21,294,023	1.8%
Supplies	\$1,023,048	\$1,442,444	\$1,760,541	\$2,145,257	21.9%
Other Expense	\$2,249,429	\$712,806	\$284,720	\$366,766	28.8%
Services	\$8,435,428	\$12,099,528	\$13,921,398	\$13,894,941	-0.2%
Capital Outlay	\$246,724	\$625,888	\$445,475	\$350,661	-21.3%
Debt Service	\$117,963	\$1,404,349	\$35,190	\$3,526,979	9,922.7%
Interfund Transfers	\$62,916,863	\$48,181,434	\$25,279,623	\$18,279,362	-27.7%
Total Expense Objects:	\$89,752,856	\$80,814,435	\$62,644,214	\$59,857,989	-4.4%



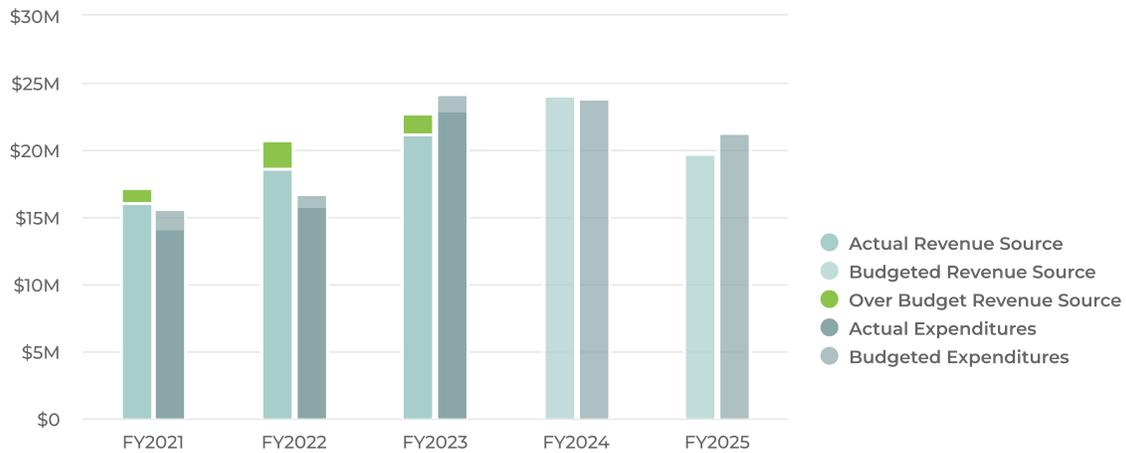
General Fund

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

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

Summary

The City of Morro Bay is projecting **\$19.7 million** of revenue in FY 2024-25, which represents a 18% decrease over the prior year's amended budget. Budgeted expenditures are projected to decrease by 11% to **\$21.3 million** in FY 2024-25.





General Fund (001)

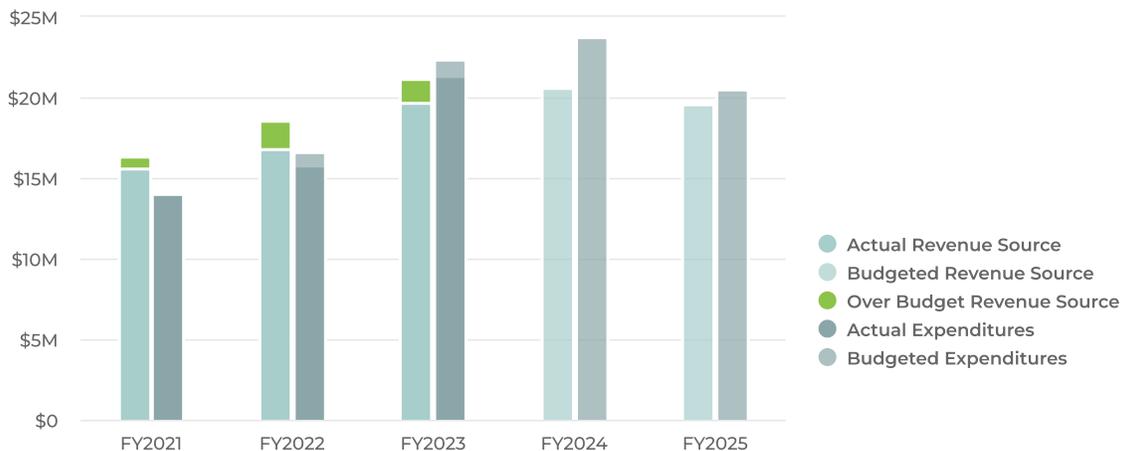
The City's General Fund is the City's primary unrestricted source of funds and its primary and largest operating budget fund. This fund is used to record all resource inflows and outflows that are not associated with special-purpose funds or ratepayer funds. The activities being paid for through the 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 2024-25, representing a 5% decrease over the prior year. This can be partially explained by the change in how the Fire Department budgets for mutual aid revenue. By waiting until mid-year to include mutual aid revenues and expenditures, the Fire Department's budgeted revenues are over \$0.4 million lower than the prior year. With that accounted for, the net decrease over the prior year's revenues is approximately 3%. Budgeted expenditures are projected to decrease by 13% to **\$20.6 million** in FY 2024-25, including transfers and one-time expenditures. The expenditure budget net one-time expenditures is **\$19.1 million**, similar to FY 2023-24 Amended Budget (net of one-time expenditures).

Approximately **\$2 million** of the projected expenditures are allocated for **interfund transfers** to other funds, serving various purposes. These include capital improvement funds, internal service funds, and other components of the General Fund that track reserves committed for specific uses. Specifically, \$0.9 million is earmarked for Information Technology and Risk Management services for the General Fund, and \$0.03 million is allocated to the General Fund Compensable Leave Fund. The remaining \$1.1 million represents the General Fund's investment in capital improvements.

Ongoing General Fund revenues are approximately **\$19.2 million**, resulting in a balanced General Fund operating budget. As discussed under the *Long-Range Financial Plans* section of this budget, the General Fund forecast for the five-year period following the current budget year reflects an inability to fund both operating and capital expenditures without dipping into the City's healthy reserves.



Revenues by Source

FY 2024-25 General Fund revenues and fund transfers are estimated to **decrease by 5%** from the FY 2023-24 amended budget. This reflects the change in how Fire budgets for Mutual Aid response (deferring that budget until mid-year, when actuals are known post-fire season), as well as the end of American Rescue Plan Act funds (ARPA), and a flattening of tax revenues as the economy cools post pandemic. 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 **\$5.6 million, up 3.2%** from the prior year amended figures.

Transient Occupancy Tax (TOT) - Visit Morro Bay provides TOT revenue input which staff compares against HdL estimates and prior year actuals. Revenues are estimated at approximately **\$4.5 million, up 2.3%** from the prior year budget.

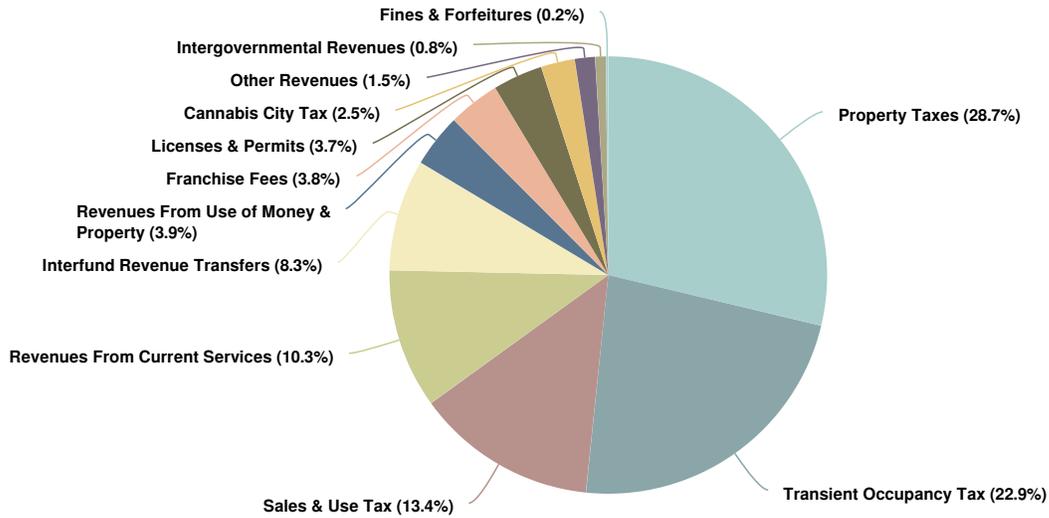
Sales Tax - HdL, the City's sales tax consultant, provided sales tax revenue estimates. Revenues are estimated at approximately **\$2.6 million, slightly lower** than the prior year budget, but higher than projected FY 2024 actuals. The budgeted amount is equal to 95.5% of HdL's forecast, to provide a conservative buffer in case growth slows 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 21%** due to the decrease in American Rescue Plan Act (ARPA) funds. This year, interfund revenue transfers represent mainly cost allocation plan contributions for internal services and Highway User Tax funds. A small transfer from the Government Impact Fees fund is also included in this category for FY 2024-25 to fund the Development Impact Fee Nexus Study. Approximately \$60K in unspent ARPA funds will also transfer in to the General Fund to recover revenue losses from COVID-19 impacts. This represents the final receipt of ARPA interfund transfer revenue for the General Fund.

Revenues from Current Services - This category includes revenues from recreation activities, Community development planning activities, Fire Department mutual aid revenues, and other smaller items. Estimated Revenues from Current Services are **\$2 million, down 23%** from the prior year's amended 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 3.5% in FY 2024-25.

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 2025 Revenues by Source



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Property Taxes	\$4,981,027	\$5,275,945	\$5,466,252	\$5,642,154	3.2%
Total Property Taxes:	\$4,981,027	\$5,275,945	\$5,466,252	\$5,642,154	3.2%
Intergovernmental Revenues	\$97,661	\$213,615	\$236,947	\$159,000	-32.9%
Total Intergovernmental Revenues:	\$97,661	\$213,615	\$236,947	\$159,000	-32.9%
Sales & Use Tax	\$2,753,611	\$2,739,864	\$2,690,000	\$2,632,000	-2.2%
Total Sales & Use Tax:	\$2,753,611	\$2,739,864	\$2,690,000	\$2,632,000	-2.2%
Cannabis City Tax	\$512,944	\$502,149	\$490,000	\$490,000	0%
Total Cannabis City Tax:	\$512,944	\$502,149	\$490,000	\$490,000	0%
Transient Occupancy Tax	\$4,255,140	\$4,681,648	\$4,400,000	\$4,500,000	2.3%
Total Transient Occupancy Tax:	\$4,255,140	\$4,681,648	\$4,400,000	\$4,500,000	2.3%
Franchise Fees	\$641,869	\$698,791	\$674,000	\$747,380	10.9%
Total Franchise Fees:	\$641,869	\$698,791	\$674,000	\$747,380	10.9%
Licenses & Permits	\$761,616	\$660,964	\$577,545	\$725,000	25.5%
Total Licenses & Permits:	\$761,616	\$660,964	\$577,545	\$725,000	25.5%
Revenues From Current Services	\$2,434,859	\$2,356,030	\$2,641,443	\$2,023,897	-23.4%
Total Revenues From Current Services:	\$2,434,859	\$2,356,030	\$2,641,443	\$2,023,897	-23.4%



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Fines & Forfeitures	\$22,062	\$27,056	\$21,270	\$31,090	46.2%
Total Fines & Forfeitures:	\$22,062	\$27,056	\$21,270	\$31,090	46.2%
Other Revenues	\$330,052	\$369,026	\$776,242	\$293,840	-62.1%
Total Other Revenues:	\$330,052	\$369,026	\$776,242	\$293,840	-62.1%
Revenues From Use of Money & Property					
Gain On Interest/Investment					
Interest Income	\$50,768	\$141,886	\$101,743	\$275,000	170.3%
Other Interest	\$247	\$1,144	\$0	\$0	0%
Gain On Investment	\$39,492	\$0	\$0	\$0	0%
Total Gain On Interest/Investment:	\$90,507	\$143,031	\$101,743	\$275,000	170.3%
Rental Revenue					
Rental Income	\$468,131	\$431,677	\$446,000	\$458,000	2.7%
Revenues From Current Services	\$35,358	\$40,425	\$40,000	\$40,000	0%
Total Rental Revenue:	\$503,489	\$472,102	\$486,000	\$498,000	2.5%
Total Revenues From Use of Money & Property:	\$593,997	\$615,133	\$587,743	\$773,000	31.5%
Interfund Revenue Transfers	\$1,224,866	\$3,088,584	\$2,048,602	\$1,620,639	-20.9%
Total Interfund Revenue Transfers:	\$1,224,866	\$3,088,584	\$2,048,602	\$1,620,639	-20.9%
Total Revenue Source:	\$18,609,703	\$21,228,805	\$20,610,044	\$19,638,001	-4.7%



Expenditures by Fund

The total General Fund budget for FY 2024-25 is **\$20.6 million, down 13%** from the prior year's amended budget. This decrease does not reflect a change in the services provided and is largely explained by the \$3.2 million decrease in one-time contributions to the General Fund Emergency Reserve Fund and Section 115 trust to address unfunded pension liabilities (interfund transfers).

Approximately **\$2 million** of the projected expenditures are allocated for **interfund transfers** to other funds, serving various purposes. These include capital improvement funds, internal service funds, and other components of the General Fund that track reserves committed for specific uses. Specifically, \$0.9 million is earmarked for Information Technology and Risk Management services for the General Fund, and \$0.03 million is allocated to the General Fund Compensable Leave Fund. The remaining \$1.15 million represents the General Fund's investment in capital improvements.

The breakdown of General Fund interfund transfers is as follows:

- **\$0.03 million** (One-Time)
 - 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** (Ongoing)
 - Transfer to the Information Technology and Risk Management funds for the General Fund share of those services
- **\$1.15 million** (One-Time)
 - Transfer to General Capital Projects Fund to support capital improvement projects

In addition, **\$0.3 million** (one-time) is being contributed to a pension trust to address the City's long-term pension liability consistent with the City's pension reserve policy (Resolution 37-22) and recommendations from the City's financial consultant, NHA Advisors.

Net of one-time expenditures, the FY 2024-25 General Fund ongoing operating budget is approximately **\$19.1 million**.

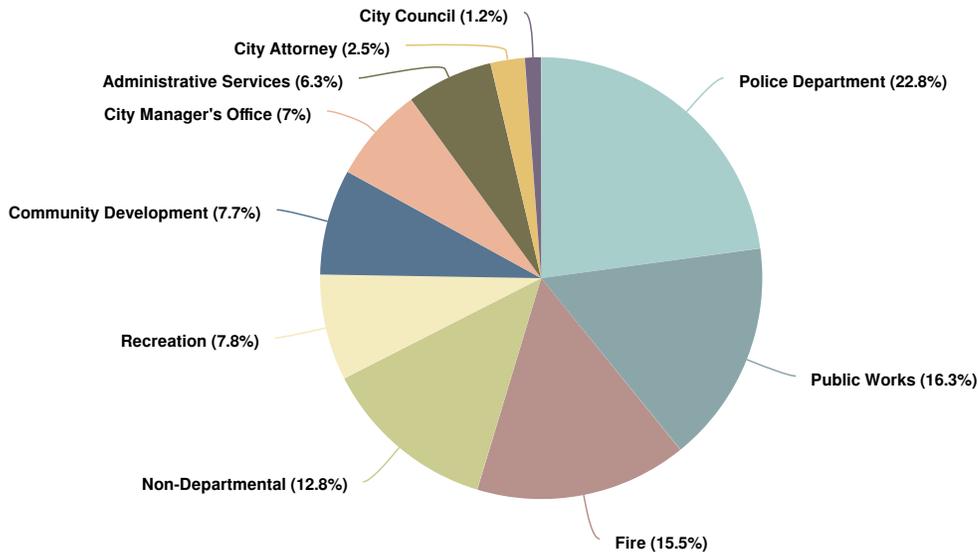
Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
General Fund	\$15,838,521	\$21,426,091	\$23,796,502	\$20,584,958	-13.5%
Total General Fund:	\$15,838,521	\$21,426,091	\$23,796,502	\$20,584,958	-13.5%

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 E Fund).

The primary change in FY 2024-25 is the increase in personnel costs associated with ongoing collective bargaining efforts with the City's three unions. Departmental budgets and operations are explained in greater detail in the *Departments* section of the budget, which includes org charts, work plans, performance metrics, and more detailed budget information for each department.

Budgeted Expenditures by Department



The table below indicates the percentage change from the FY 2023-24 Budget to the FY 2024-25 budget. Highlights for anomalous changes are below, with much greater detail on all departmental budgets in the *Departments* section of the budget document.

- o **City Council** - The FY 2024-25 budget includes \$50,000 of one-time expenditures offset by ARPA revenues. Net of these expenditures, the actual percent change from the prior year is 5%.
- o **City Manager's Office** - This department includes the City Manager's Office, City Clerk, and Human Resources divisions. Both City Clerk and Human Resources saw an increase in cost of services. In particular, recruitment costs have increased for Human Resources due to several vacancies in executive positions. City Clerk has also absorbed some costs previously budgeted under City Manager's Office.
- o **Fire** - The FY 2024-25 budget does not include estimates for mutual aid activity, which will be added via a midyear budget adjustment when both revenues and expenditures are known. This change in protocol is artificially inflating the negative percent change over prior year budget.
- o **Community Development** - This year's budget marks the first year that the Battery Energy Storage System project revenues and expenditures are budgeted in the Developer Reimbursement Agreements Fund (045), artificially inflating the negative percent change over prior year budget.
- o **Recreation** - The FY 2024-25 Budget includes the conversion of two part-time positions to full-time, benefited Recreation Specialist positions. The increase in full-time personnel costs is partially offset by a reduction in part-time pay. Additionally, this staffing change recognizes this division's consistent revenue generation and importance to the residents of the City of Morro Bay.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expenditures					
City Council	\$108,114	\$159,494	\$184,539	\$243,665	32%
Total City Council:	\$108,114	\$159,494	\$184,539	\$243,665	32%
City Manager's Office					
City Manager's Office	\$394,057	\$480,018	\$608,146	\$637,912	4.9%
City Clerk	\$219,639	\$360,239	\$376,914	\$461,072	22.3%
Human Resources	\$277,073	\$404,548	\$298,048	\$336,099	12.8%
Total City Manager's Office:	\$890,770	\$1,244,805	\$1,283,108	\$1,435,084	11.8%
City Attorney					
City Attorney	\$498,343	\$501,437	\$483,231	\$512,872	6.1%
Total City Attorney:	\$498,343	\$501,437	\$483,231	\$512,872	6.1%
Administrative Services					
Accounting & Treasury	\$865,646	\$1,050,910	\$1,194,311	\$1,306,012	9.4%
Total Administrative Services:	\$865,646	\$1,050,910	\$1,194,311	\$1,306,012	9.4%
Police Department					
Police Department	\$3,267,627	\$3,463,804	\$3,832,621	\$3,979,315	3.8%
Support Services	\$314,603	\$679,487	\$698,449	\$724,059	3.7%
Total Police Department:	\$3,582,230	\$4,143,291	\$4,531,070	\$4,703,375	3.8%
Fire					
Fire Department	\$2,747,686	\$3,287,672	\$3,281,564	\$3,174,297	-3.3%
EOC Disaster Preparedness	\$16,415	\$11,199	\$51,810	\$21,008	-59.5%
Total Fire:	\$2,764,102	\$3,298,872	\$3,333,374	\$3,195,305	-4.1%
Public Works					
Public Works	\$702,191	\$931,124	\$968,628	\$1,196,575	23.5%
Consolidated Maintenance	\$1,049,995	\$1,599,436	\$1,420,912	\$1,428,745	0.6%
Vehicle Maintenance	\$157,011	\$0	\$0	\$0	0%
Street Maintenance	\$305,571	\$1,083,821	\$651,506	\$733,032	12.5%
Street Trees	\$150,595	\$0	\$0	\$0	0%
Street Lighting	\$91,479	\$0	\$0	\$0	0%
Storm Drain/Creek Maint.	\$119,360	\$0	\$0	\$0	0%
Curbside Recycling	\$31,765	\$29,839	\$0	\$0	0%
Total Public Works:	\$2,607,967	\$3,644,219	\$3,041,046	\$3,358,351	10.4%
Community Development					
Community Development	\$1,401,346	\$1,584,349	\$1,874,732	\$1,593,422	-15%
Total Community Development:	\$1,401,346	\$1,584,349	\$1,874,732	\$1,593,422	-15%



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Recreation					
Recreation Administration	\$359,286	\$387,848	\$421,967	\$423,628	0.4%
Recreation Sports	\$272,791	\$356,430	\$465,608	\$456,239	-2%
Recreation Youth Services	\$366,171	\$376,138	\$365,001	\$463,189	26.9%
Teen Programs Division	\$5,419	\$4,668	\$0	\$0	0%
Community Pool	\$206,642	\$173,117	\$176,313	\$254,458	44.3%
Total Recreation:	\$1,210,309	\$1,298,201	\$1,428,889	\$1,597,514	11.8%
Non-Departmental					
Undistributed/Non-Dept.	-\$91,917	\$1,844,380	\$1,093,867	\$489,443	-55.3%
Contract Services	\$610,091	\$0	\$0	\$0	0%
Promotion & Advertising	\$59	\$0	\$0	\$0	0%
City Rental Property	\$30,565	\$16,919	\$16,801	\$16,381	-2.5%
Electricity	\$71,209	\$73,022	\$78,318	\$80,474	2.8%
Interfund Transactions	\$1,289,688	\$2,566,190	\$5,253,216	\$2,053,059	-60.9%
Total Non-Departmental:	\$1,909,695	\$4,500,512	\$6,442,202	\$2,639,357	-59%
Total Expenditures:	\$15,838,521	\$21,426,091	\$23,796,502	\$20,584,958	-13.5%



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 four position changes requested in the General Fund for FY 2024-25. These include the conversion of three part-time to full-time positions (one in Community Development and two in Recreation Services), partially offset by a corresponding reduction in part-time costs. Also new this year is a position request for the City Manager's Office to provide an Assistant to the City Manager/Public Relations Manager to assist with economic development, community outreach, project management, and legislative affairs. This position is proposed to be partially funded by the Economic Development Fund (907).

Overall, after accounting for one-time contributions to the City's pension trust in both FY 2023-24 and FY 2024-25, personnel costs are projected to increase by 6% due to ongoing labor contract negotiations with the City's three unions. As of the writing of this budget, the City has reached tentative agreements with all three bargaining units, although these agreements have yet to be approved by City Council. As such, a conservative buffer has been incorporated into all personnel costs which assume cost-of-living adjustments (COLA) and other equity adjustments will be included in the final budget. Given persistently high levels of inflation in recent years, COLAs for staff reflect a reasonable increase in order to ensure that the City is able to recruit and retain talented staff, the very people who provide critical City services.

Supplies - Supplies budgets have increased by 16.9% from the prior year, due largely to the purchase of new firearms for the Police Department and turnout gear for the Fire Department, both per industry best practice.

Services - Services budgets have remained flat at the request of the City Manager to maximize available resources for anticipated personnel cost increases associated with collective bargaining efforts.

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 Compensable Leave Fund	\$32,677	One-time
Total	\$32,677	

Transfers to Internal Service Funds

These contributions are for the General Fund's share of Internal Services.

Fund	Amount	One-Time/Ongoing
Information Technology Fund	\$805,260	Ongoing
Risk Management Fund	\$65,122	Ongoing
Total	\$870,382	

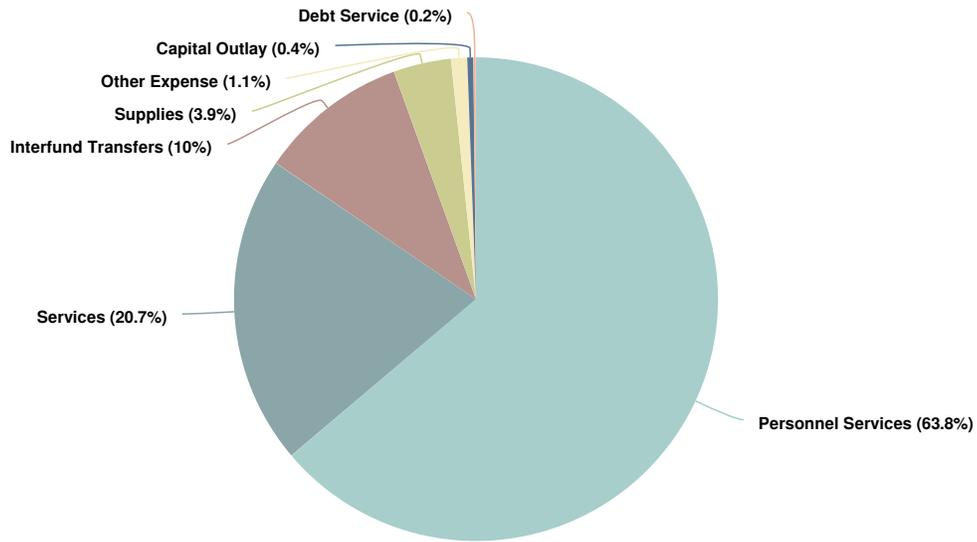
Transfers to Capital Improvement Projects

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

Project	Amount	One-Time/Ongoing
Annual Storm Drain Replacement	\$500,000	One-time (repeating once in FY 2025-26)
Annual Pavement Management Plan	\$650,000	One-time (repeating annual for project duration)
Total	\$1,150,000	



Budgeted Expenditures by Expense Type



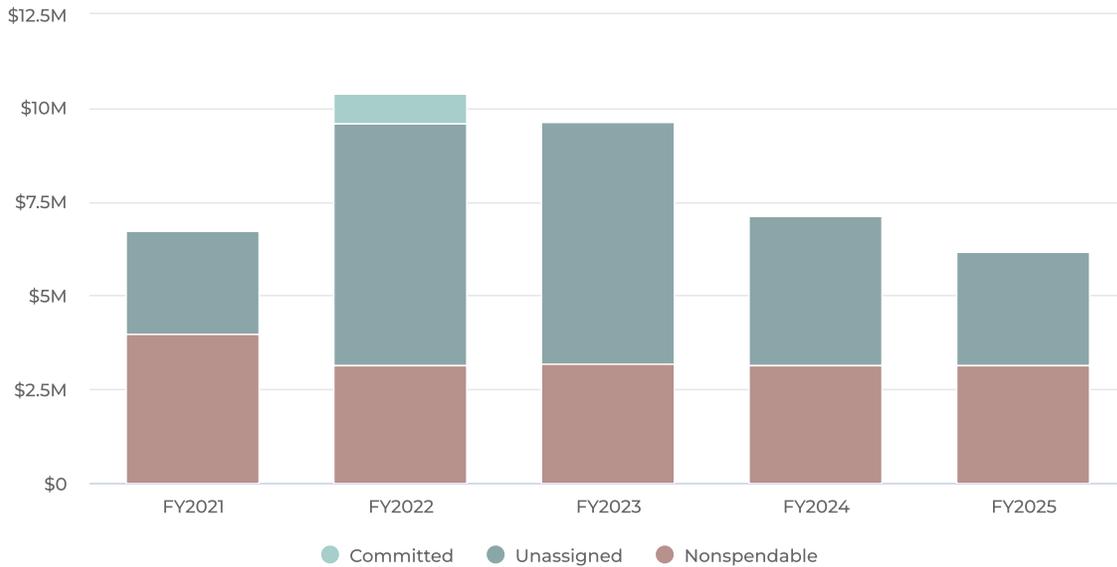
Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$10,351,919	\$12,129,881	\$13,383,007	\$13,137,966	-1.8%
Supplies	\$600,869	\$749,177	\$679,438	\$794,222	16.9%
Other Expense	\$52,371	\$205,500	\$162,000	\$219,046	35.2%
Services	\$3,504,596	\$4,439,813	\$4,279,651	\$4,261,475	-0.4%
Capital Outlay	\$4,002	\$101,742	\$4,000	\$84,000	2,000%
Debt Service	\$35,076	\$1,233,788	\$35,190	\$35,190	0%
Interfund Transfers	\$1,289,688	\$2,566,190	\$5,253,216	\$2,053,059	-60.9%
Total Expense Objects:	\$15,838,521	\$21,426,091	\$23,796,502	\$20,584,958	-13.5%

Fund Balance

The fund balances reported below are for the 001 General Fund only. The other General Fund component funds (005, 050, 051, 052, and 460) 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 Governmental Accounting Standards Board, the fund balance is reported as non-spendable, 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 non-spendable 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/available fund balance in the General Fund is projected at approximately **\$3 million** at the end of FY 2024-25. The decline in fund balance from FY 2023 to FY 2024 is the result of a transfer from General Fund available fund balance to the General Fund Emergency Reserve Fund (051) to meet Council's reserve minimum.

Projections



Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Unassigned	\$2,763,000	\$6,412,000	\$6,449,291	\$3,976,468	\$3,012,964	-24.2%
Committed	\$0	\$798,000	\$0	\$0	\$0	0%
Nonspendable	\$3,974,000	\$3,163,000	\$3,189,840	\$3,163,000	\$3,163,000	0%
Total Fund Balance:	\$6,737,000	\$10,373,000	\$9,639,131	\$7,139,468	\$6,175,964	-13.5%

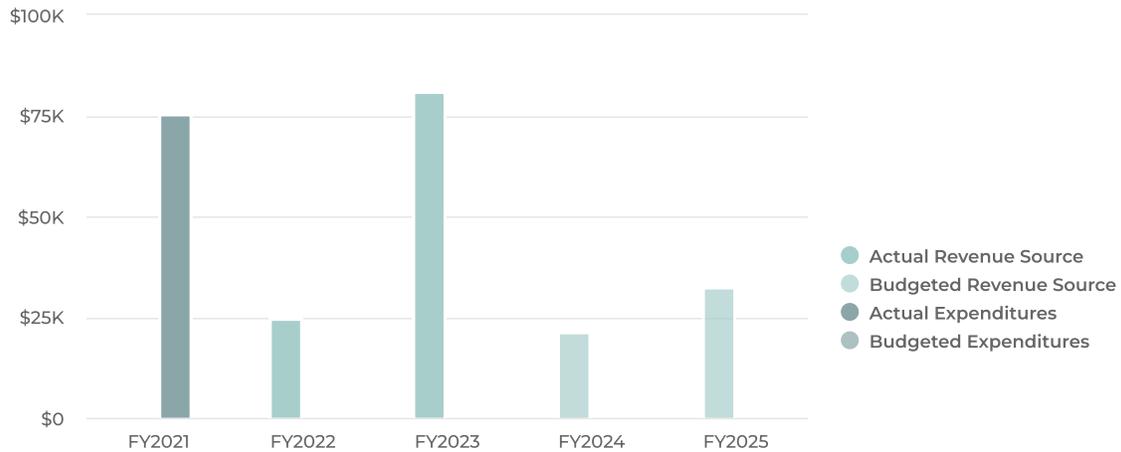


General Government Compensable Leave Fund (005)

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 **\$32,677** of revenue in FY 2024-25, 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 \$1 million, the Fund requires a transfer of \$32,677 from the General Fund in FY 2024-25.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Unfunded Compensable Leave	\$25,000	\$81,000	\$21,500	\$32,677	52%
Total Unfunded Compensable Leave:	\$25,000	\$81,000	\$21,500	\$32,677	52%



Fund Balance

The projected fund balance at the end of FY 2024-25 is **\$308,332**, or approximately **30 percent of the liability** for compensated absences as defined in the FY 2022-23 ACFR.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Committed	\$148,000	\$173,000	\$254,155	\$275,655	\$308,332	11.9%
Total Fund Balance:	\$148,000	\$173,000	\$254,155	\$275,655	\$308,332	11.9%

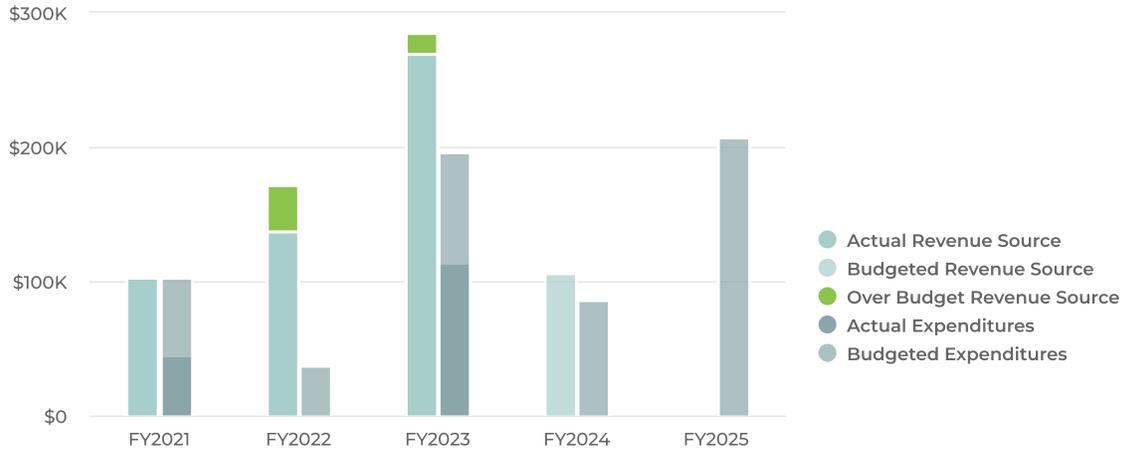


General Fund Vehicle Replacement Fund (050)

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 no new revenue and **\$207,961** in expenditures.



Revenue by Fund

Revenues in this fund are transfers from the General Fund and in some cases the Measure E Fund. In FY 2024-25, **no new revenue** is proposed because the fund is already in compliance with Council reserve policy.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Gen. Gov. Vehicle Replacement	\$172,018	\$285,347	\$107,000	\$0	-100%
Total Gen. Gov. Vehicle Replacement:	\$172,018	\$285,347	\$107,000	\$0	-100%

Expenditures by Fund

The FY 2024-25 budget includes proposed expenditures for the **replacement of three vehicles**, one SUV for Police, one truck for Fire, and one truck for Consolidated Maintenance. Using State of California vehicle replacement standards, **74% of the City's trucks and 86% of SUVs are eligible for replacement.**

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Gen. Gov. Vehicle Replacement	\$0	\$114,450	\$87,000	\$207,961	139%
Total Gen. Gov. Vehicle Replacement:	\$0	\$114,450	\$87,000	\$207,961	139%

Fund Balance

The fund balance at the end of FY 2024-25 is anticipated to be **\$551K** due to current year expenditures from this fund. In FY 2025-26, a contribution to this fund will be required to meet Council's reserve threshold for this fund.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Committed	\$406,000	\$570,000	\$740,672	\$759,004	\$551,043	-27.4%
Total Fund Balance:	\$406,000	\$570,000	\$740,672	\$759,004	\$551,043	-27.4%



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).

Summary

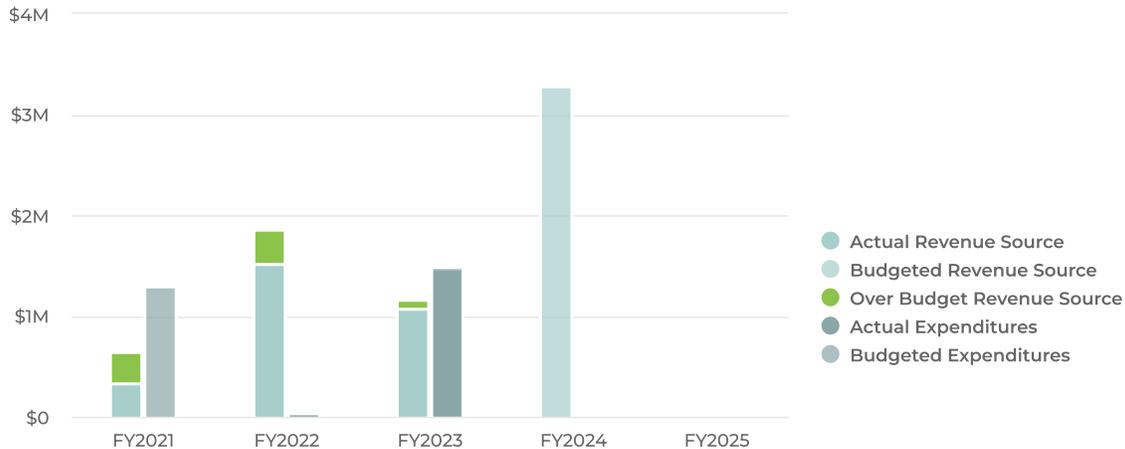
No revenues or expenditures are proposed for FY 2024-25.

The City's General Fund Emergency Reserve Policy states:

The **GFER minimum balance is set at 33%** of operating expenditures in the General Fund and the Measure E Fund in the most adopted budget (excluding one-time expenditures and transfers out).

The **GFER target balance is set at 50%** of operating expenditures in the General Fund and the Measure 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 (001). Amounts greater than the 50% target balance will be deemed available for spending during the annual budget adoption process at 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.



Revenues by Source

In FY 2023-24, the General Fund made a large contribution of \$3.3 million to the GFER Fund to better reflect the total amount held in reserve.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Revenues From Use of Money & Property	\$28,335	\$79,503	\$0	\$0	0%
Interfund Revenue Transfers	\$1,831,250	\$1,087,000	\$3,292,000	\$0	-100%
Total Revenue Source:	\$1,859,585	\$1,166,503	\$3,292,000	\$0	-100%



Fund Balance

Based on the FY 2024-25 proposed budget, the General Fund Emergency Reserve minimum balance should be **\$7.4 million**. For purposes of the City's reserve policy, the "GFER" balance includes the balance in this fund as well as the unassigned balance in the General Fund (001 Fund). For FY 2024-25, the combined total of the GFER Fund and available fund balance in the General Fund is projected to equal **43% of operating expenses** (General Fund and Measure E combined). The projected GFER Fund balance at the end of FY 2024-25 is **\$7.2 million**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Committed	\$2,422,000	\$4,187,000	\$3,868,082	\$7,160,082	\$7,160,082	0%
Total Fund Balance:	\$2,422,000	\$4,187,000	\$3,868,082	\$7,160,082	\$7,160,082	0%

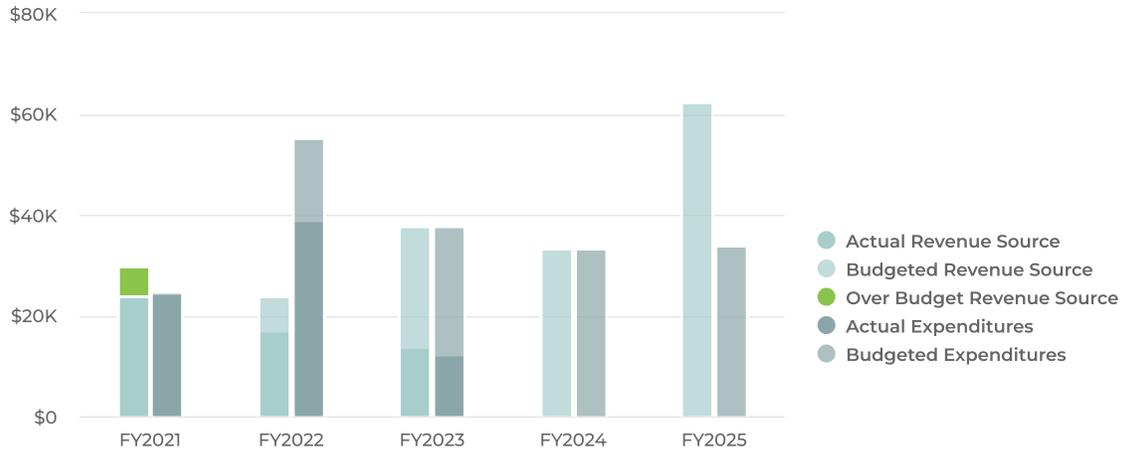


General Fund Facility Maintenance Fund (052)

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 **\$62,592** of revenue in FY 2024-25, an 86% increase over the prior year. This increase is due to new tenancies and increased rental rates. Budgeted expenditures are projected to remain flat in FY 2024-25. The projected surplus in this fund will be utilized at midyear should unexpected facility maintenance needs arise.



Revenue by Fund

FY 2023-24 projected revenues are approximately **\$62.5K**, based on the two leases at 781 Market Avenue.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
G/F Facility Maintenance Fund	\$17,118	\$13,823	\$33,600	\$62,592	86.3%
Total G/F Facility Maintenance Fund:	\$17,118	\$13,823	\$33,600	\$62,592	86.3%

Expenditures by Fund

FY 2024-25 expenditures are proposed to be used to replace the front doors and locker room door at the Police Station.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
G/F Facility Maintenance Fund	\$38,998	\$12,433	\$33,600	\$34,000	1.2%
Total G/F Facility Maintenance Fund:	\$38,998	\$12,433	\$33,600	\$34,000	1.2%

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 2024-25 is **\$115K**, which exceeds the reserve policy.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Committed	\$100,000	\$76,000	\$77,981	\$86,109	\$114,701	33.2%
Total Fund Balance:	\$100,000	\$76,000	\$77,981	\$86,109	\$114,701	33.2%

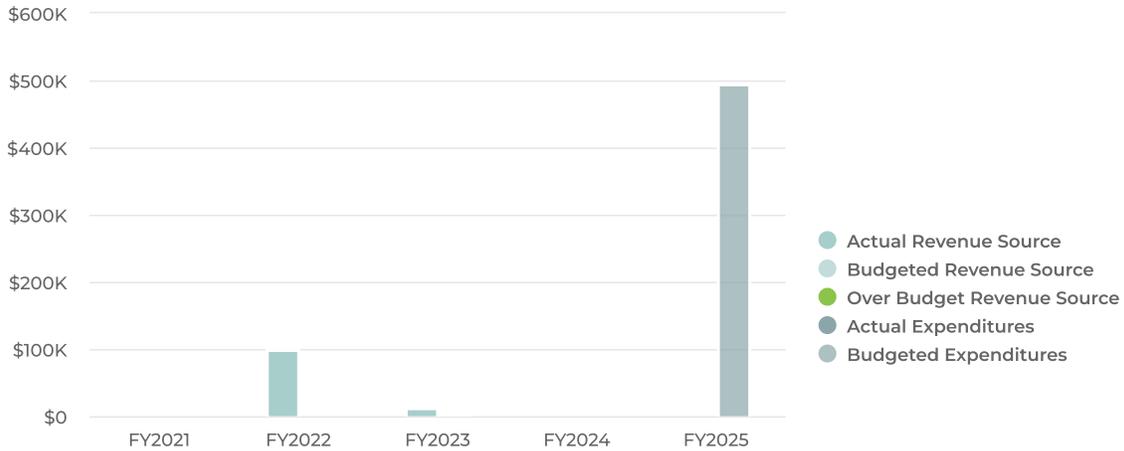


General Fund Capital Accumulation Fund (460)

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

The FY 2024-25 budget proposes **\$494,579** in expenditures to support the Veteran's Hall Improvements project and the Annual Pavement Management Program via a transfer out to the General Government Capital Improvements Fund (915). **No new revenues** are projected for the current year.



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 2024-25.

Name	FY2022 Actual	FY2023 Actual	FY2025 Budgeted	FY2024 undefined vs. FY2025 Budgeted (% Change)
Capital Accumulation Fund	\$103,530	\$12,759	\$0	0%
Total Capital Accumulation Fund:	\$103,530	\$12,759	\$0	0%

Expenditures by Fund

Name	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Capital Accumulation Fund	\$3,472	\$0	\$494,579	N/A
Total Capital Accumulation Fund:	\$3,472	\$0	\$494,579	N/A

Fund Balance

The projected fund balance at the end of FY 2024-25 is **\$126,587** due to a one-time transfer to the General Government Capital Improvements Fund (915). No reserve policy has been established for this fund. Use of this fund is reserved for high-priority capital projects, including emergency projects where no other funding source exists.

In FY 2021-22, this fund received \$300K in cash due to the closure of the Capital Projects Accumulation Fund (470), increasing the unassigned fund balance to \$612K. Because this was a balance sheet transaction, it does not present as budgetary revenue.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Unassigned	\$214,000	\$612,000	\$621,166	\$621,166	\$126,587	-79.6%
Total Fund Balance:	\$214,000	\$612,000	\$621,166	\$621,166	\$126,587	-79.6%

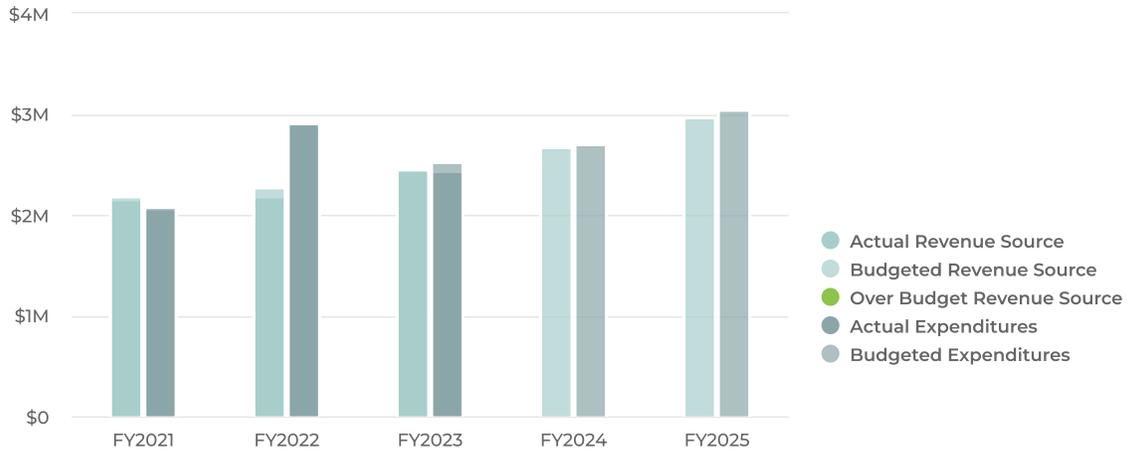


Internal Service Funds

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.

Summary

The City of Morro Bay is projecting **\$3 million of revenue** in FY 2024-25, which represents a **10.8% increase** over the prior year's amended budget. Budgeted expenditures are projected to **increase by 12.8%** or \$345K to **\$3 million** in FY 2024-25.



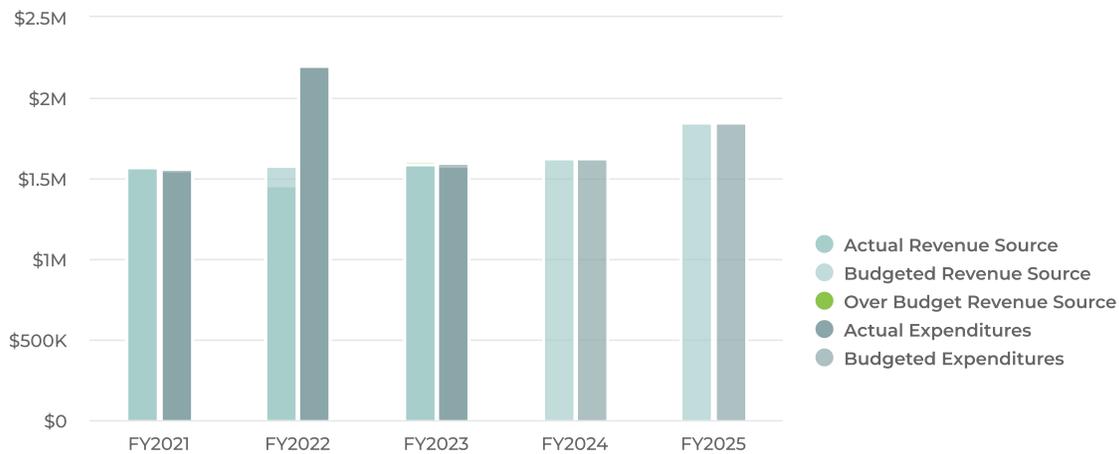


Risk Management Fund (430)

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 **\$1.8 million** of revenues and **\$1.9 million** of expenditures in FY 2024-25, approximately **13% higher** than 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 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Risk Management					
Other Revenues	\$1,442,474	\$1,488,704	\$1,542,490	\$1,750,722	13.5%
Revenues From Use of Money & Property	\$2,415	\$19,066	\$0	\$0	0%
Interfund Revenue Transfers	\$21,125	\$106,366	\$91,001	\$97,802	7.5%
Total Risk Management:	\$1,466,014	\$1,614,136	\$1,633,491	\$1,848,524	13.2%

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 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$101,993	\$89,198	\$90,558	\$103,275	14%
Other Expense	\$0	\$1,791	\$0	\$0	0%
Services	\$1,402,375	\$1,489,935	\$1,542,933	\$1,752,067	13.6%
Interfund Transfers	\$700,000	\$0	\$0	\$0	0%
Total Expense Objects:	\$2,204,368	\$1,580,924	\$1,633,491	\$1,855,342	13.6%

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 2021-22 there was a one-time transfer of \$600K 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 that fiscal year. The Risk Management fund is projected to end FY 2024-25 with a fund balance of approximately **\$945K**, which **exceeds the minimum** reserve level and almost meets the target level.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Committed	\$1,679,000	\$923,000	\$940,035	\$951,435	\$944,935	-0.7%
Total Fund Balance:	\$1,679,000	\$923,000	\$940,035	\$951,435	\$944,935	-0.7%

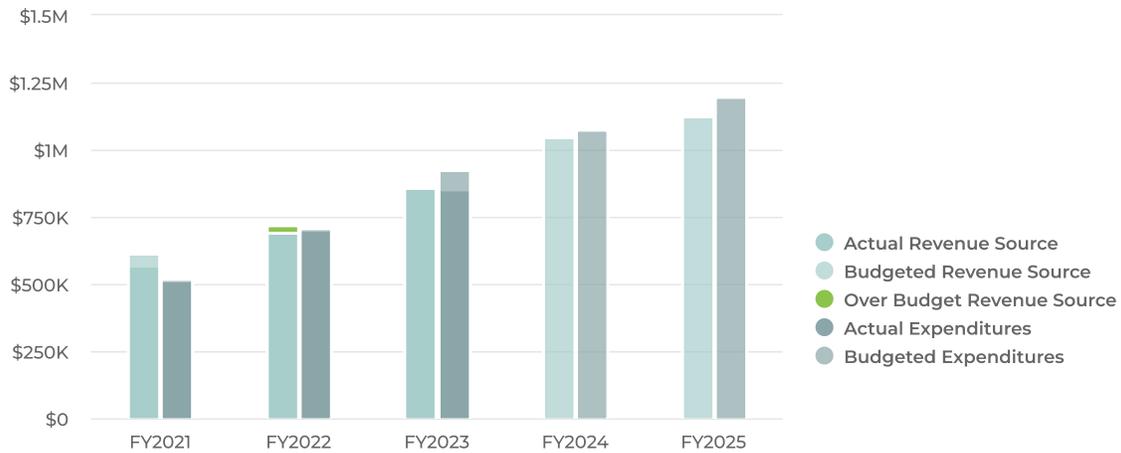


Information Technology Fund (450)

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 **\$1.2 million** of expenditures in FY 2024-25. Expenditures in excess of revenue are to come from fund balance.

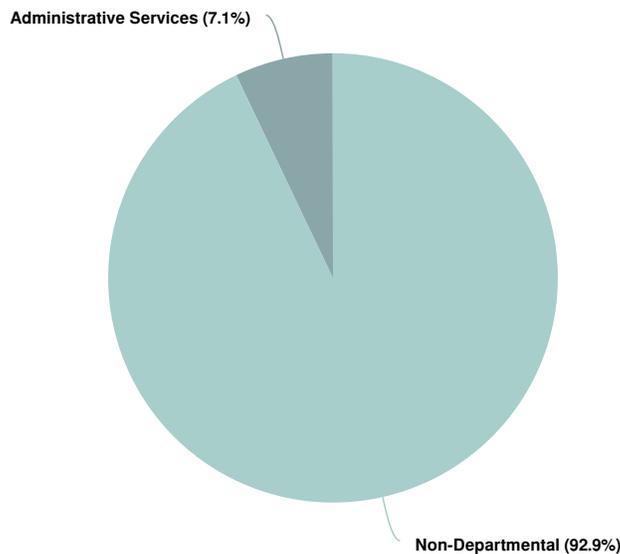


Revenue by Department

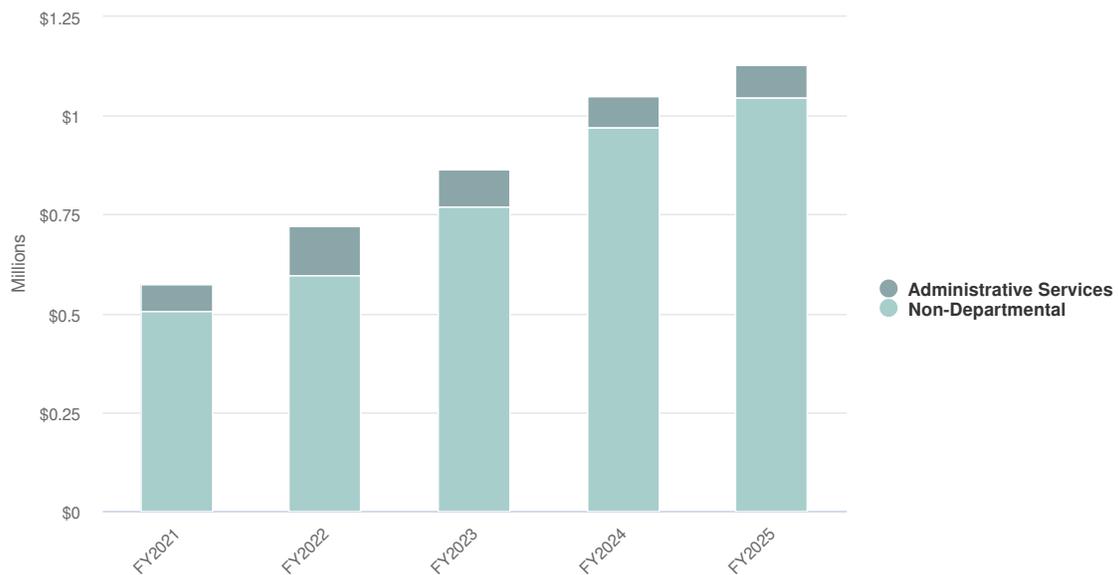
The primary revenue source for the Information Technology fund is transfers from other City funds that utilize information technology services, including the General Fund, the Measure E Fund, and several enterprise funds. These transfers are increasing in FY 2024-25 to account for the increasing cost of providing information technology 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.

Projected 2025 Revenue by Department



Budgeted and Historical 2025 Revenue by Department



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue					
Administrative Services	\$125,102	\$95,254	\$80,000	\$80,000	0%
Non-Departmental	\$597,581	\$768,905	\$971,467	\$1,047,492	7.8%
Total Revenue:	\$722,683	\$864,160	\$1,051,467	\$1,127,492	7.2%

Expenditures by Expense Type

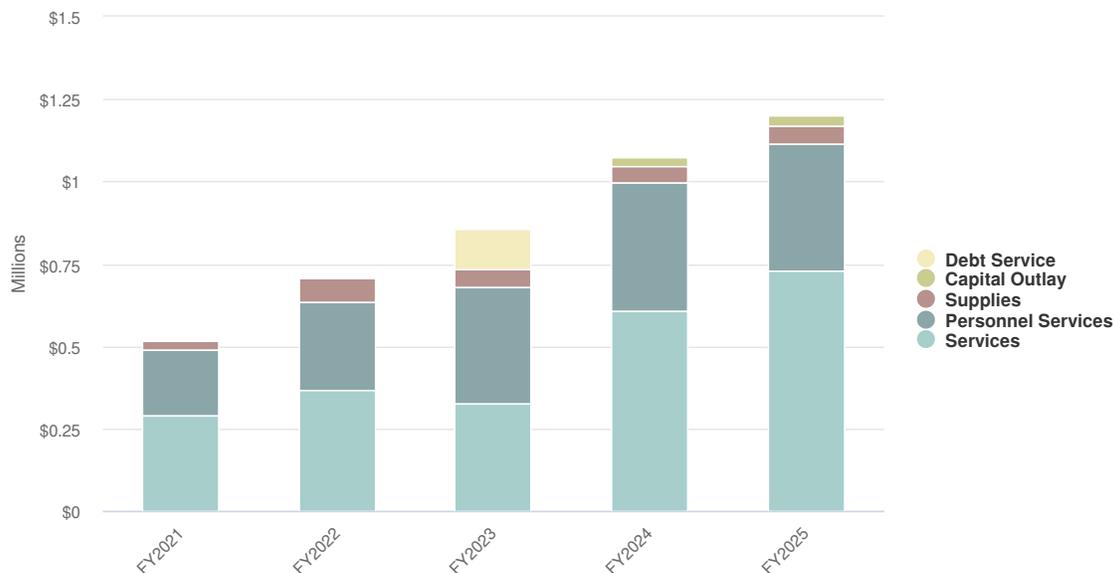
The FY 2024-25 budget increase reflects adding resources to modernize some of the City's aging information technology systems, to address evolving software needs that enhance customer service, and to keep pace with growing needs, including but not limited to cybersecurity priorities and business process automation.

Personnel - The Information Technology Fund includes 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, City Sourced, ESRI Enterprise (ArcGIS Support), Tyler Technologies (New World), the City's website domain fee, Laserfiche, 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.

Supplies - The supplies budget includes the cost of computer, network equipment, and printer replacement. Starting this year, a replacement schedule has been established with annual replacement costs. These costs are budgeted for FY 2024-25 as current expenditures but include amounts expected to fall to fund balance each year. As this fund balance accumulates, it will provide a future revenue source for necessary replacements per the newly established schedule.

Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$267,010	\$356,757	\$386,126	\$382,558	-0.9%
Supplies	\$74,897	\$50,674	\$53,143	\$56,038	5.4%
Services	\$366,342	\$325,043	\$608,667	\$731,673	20.2%
Capital Outlay	\$0	\$0	\$27,457	\$28,700	4.5%
Debt Service	\$0	\$123,704	\$0	\$0	0%
Total Expense Objects:	\$708,249	\$856,177	\$1,075,393	\$1,198,968	11.5%

Fund Balance

The projected fund balance at the end of FY 2024-25 is approximately **\$356K**. 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**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Committed	\$356,000	\$367,000	\$382,320	\$427,619	\$356,143	-16.7%
Restricted	\$0	\$0	\$0	\$0	\$0	0%
Total Fund Balance:	\$356,000	\$367,000	\$382,320	\$427,619	\$356,143	-16.7%



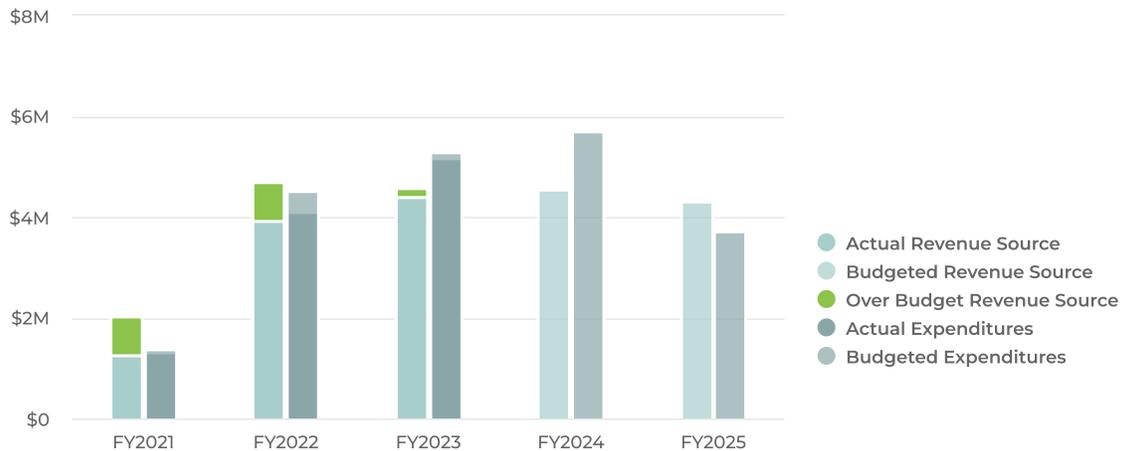
Measure Q & E Fund (003)

The Measure E Fund is a major governmental fund that tracks the receipt and expenditure of the one-and-one-half (0.015) cent local transaction and use tax approved by Morro Bay voters. Voters first approved Measure Q in 2006, which was a one-half (0.005) 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 (0.015) 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. The California Department of Tax and Fee Administration (CDTFA) administers and collects the transactions and use taxes for the City of Morro Bay. CDTFA treats both measures as one tax and reports collections under Measure E only.

Summary

The City of Morro Bay is projecting **\$4.3 million** of revenue in FY 2024-25, which represents a 5% decrease over the prior year budget, but a 3% increase over estimated actuals for FY 2023-24. Budgeted expenditures are projected to decrease by 35% to **\$3.7 million** in FY 2024-25.

Projected revenues exceed proposed expenditures by approximately \$0.6 million. The decrease in expenditures over the prior year is a result of utilizing available fund balance in FY 2022-23 and FY 2023-24 to fund capital improvements, consistent with recommendations made by the Citizens Finance Advisory Committee (CFAC). For the current year, staff recommends reserving a small surplus for contingency.

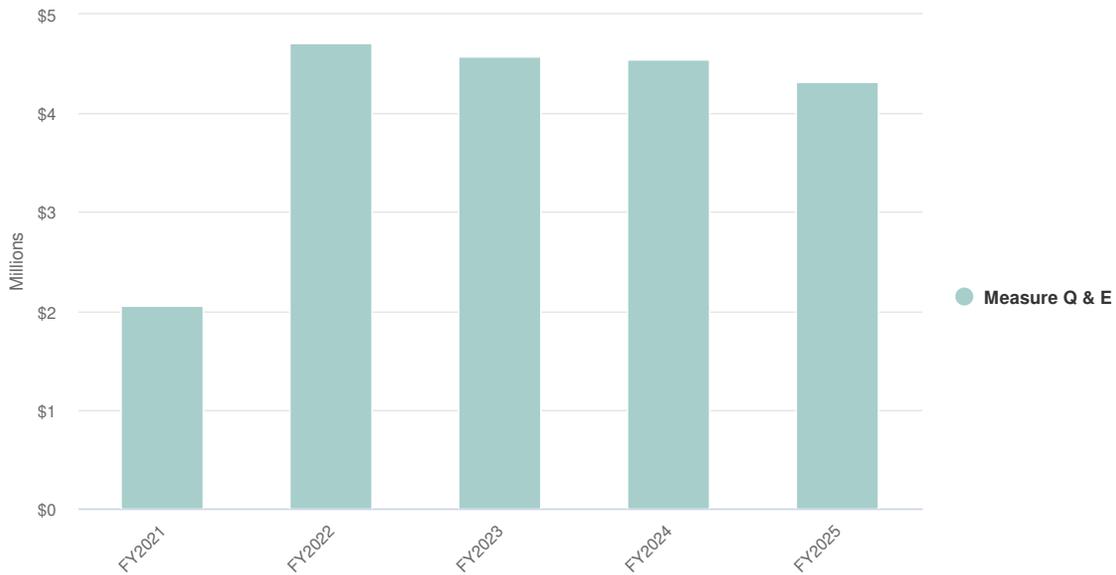


Revenue

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 2024-25 proposed revenue budget is equal to 95.5% of HdL's projected revenues to ensure a sufficiently conservative forecast. This is in response to a significant slowing of sales tax revenue growth in FY 2023-24, which is projected to end the year under-realizing budgeted revenues by approximately 2.4%. The City experienced significant growth during the pandemic recovery period. Like the majority of the state, Morro Bay is expected to see revenue levels maintain baseline levels of annual growth in the 2-3% range in FY 2024-25 and beyond.

Budgeted and Historical Measure Q & E Revenue



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Measure Q & E	\$4,710,089	\$4,578,570	\$4,550,000	\$4,313,735	-5.2%
Total Measure Q & E:	\$4,710,089	\$4,578,570	\$4,550,000	\$4,313,735	-5.2%

Revenues by Source

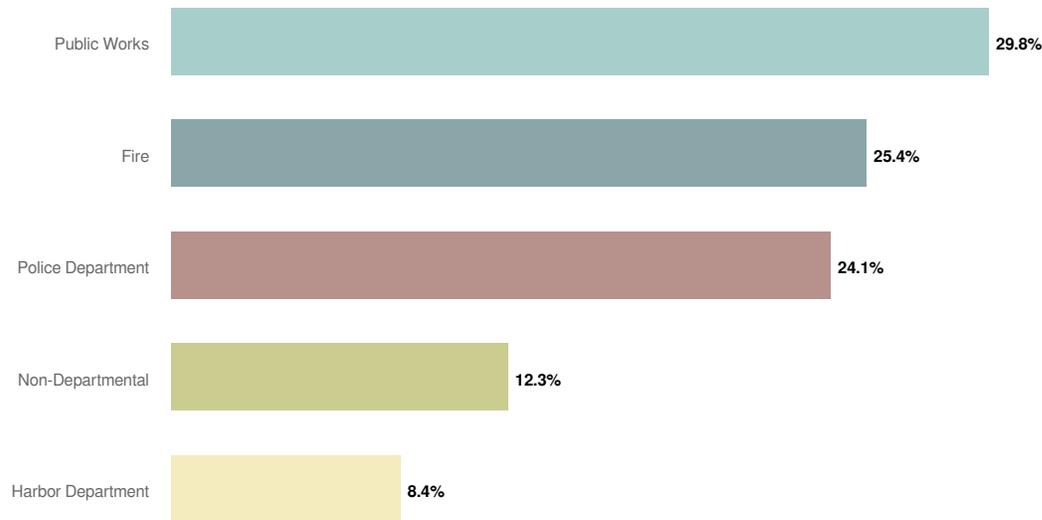
Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Sales & Use Tax	\$4,702,916	\$4,566,654	\$4,550,000	\$4,313,735	-5.2%
Revenues From Use of Money & Property	\$7,173	\$11,916	\$0	\$0	0%
Total Revenue Source:	\$4,710,089	\$4,578,570	\$4,550,000	\$4,313,735	-5.2%

Expenditures by Department

The City Council-adopted principles and priorities for Measure 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.

The following is a summary of the major components of each department's use of Measure E funds.

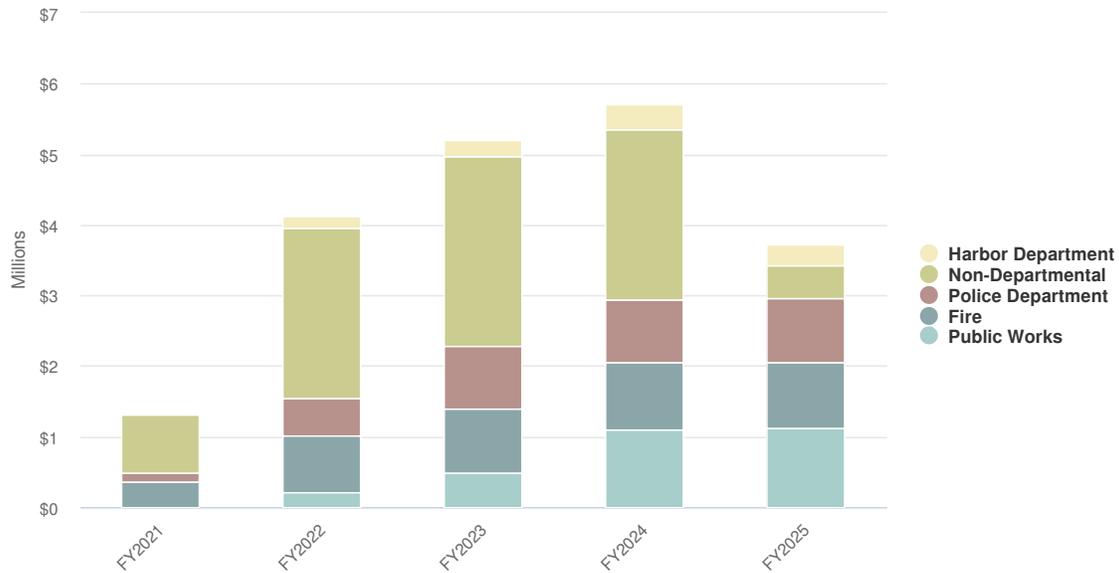
Police Department	
Change for FY 2024-25	0.1% increase over FY 2023-24
Funded Positions (Staffing)	Police Sergeant, 2 Police Officers, and 1 non-sworn Community Services Officer (CSO) that was added in FY 22-23 to assist the Department with providing non-emergency service support to the community of Morro Bay. To address the staffing shortage due to limited funding, the use of retired annuitants has been implemented to provide extra help to the Department. Retired annuitants are limited to 960 hours per calendar year. 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.

Police Department	
Supplies & Services	<ul style="list-style-type: none"> ◦ 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 (\$27,073) ◦ Mobile Surveillance Unit (\$30,000)
Fire Department	
Change for FY 2024-25	0.6% decrease over FY 2023-24
Funded Positions (Staffing)	1 Captain, 2 Engineers, 1 Firefighter-Paramedic, as well as 3 seasonal 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. Seasonal 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. They also participate in the City's response to mutual aid assignments for wildland fires throughout the State. However, it is increasingly challenging to recruit for these positions. Therefore, in FY 2023-24, 3 part-time 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 2024-25	1.5% increase over FY 2023-24
Funded Positions (Staffing)	1 Maintenance Superintendent, 2 Maintenance Workers, the departmental part-time maintenance program, 0.8 Associate Engineer, and 0.25 Senior Civil Engineer. 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 E priorities (the remaining allocation of the position is charged to Water, Sewer, and Harbor funds for support on utilities and harbor capital project implementation).
Supplies & Services	<ul style="list-style-type: none"> ◦ Consolidated Maintenance <ul style="list-style-type: none"> ▪ City Hall HVAC Repair (\$15,000) ▪ Repainting Public Restrooms (\$30,000) ▪ Kitchen Upgrades at the Police Station (\$25,000) ◦ Streets Maintenance <ul style="list-style-type: none"> ▪ Sidewalk, curb repairs, and on-call storm drain repairs (\$150,000) ▪ On-call street repairs/road striping (\$200,000)
Harbor Department	



Harbor Department	
Change for FY 2024-25	12.8% decrease over FY 2023-24
Funded Positions (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	<ul style="list-style-type: none"> ◦ New Rescue Board (\$1,000) ◦ Upfitting for harbor response vehicle (\$2,000) ◦ Uniforms and rescue equipment for lifeguard program (\$2,000) ◦ 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% (\$120,000).
Non-Departmental	
Change for FY 2024-25	80.9% decrease over FY 2023-24. This reflects the funds diminishing ability to fund capital improvements. However, note that operating expenses in FY 2024-25 include \$350,000 for street, sidewalk, curb and gutter, and storm drain maintenance for the second year in a row. This category of spending also includes \$30K in funding for the Public Safety Standards of Cover study, originally authorized in the FY 2023-24 budget but still ongoing as of the date of this budget document.
Capital Improvement Project (CIP) contributions	<p>These projects are presented in much greater detail in the CIP section of the budget document.</p> <ul style="list-style-type: none"> ◦ \$350,000 - Annual Pavement Management Program ◦ \$80,000 - Morro Bay Bridge Inspection and Assessment Project <p>The total CIP contribution from Measure E for FY 2024-25 is \$430,000.</p>

Budgeted and Historical Expenditures by Department



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expenditures					
Police Department					
Personnel Services	\$401,879	\$719,235	\$695,199	\$784,708	12.9%
Supplies	\$0	\$15,731	\$19,000	\$0	-100%
Other Expense	\$8,784	\$18,176	\$36,720	\$36,720	0%
Services	\$113,823	\$129,423	\$48,560	\$47,073	-3.1%
Capital Outlay	\$0	\$12,605	\$98,000	\$30,000	-69.4%
Total Police Department:	\$524,486	\$895,170	\$897,479	\$898,501	0.1%
Fire					
Personnel Services	\$716,741	\$896,565	\$952,439	\$946,835	-0.6%
Services	\$0	\$1,900	\$0	\$0	0%
Debt Service	\$82,888	\$0	\$0	\$0	0%
Total Fire:	\$799,628	\$898,465	\$952,439	\$946,835	-0.6%
Public Works					
Personnel Services	\$173,856	\$436,657	\$636,730	\$692,756	8.8%
Services	\$42,235	\$57,725	\$460,000	\$420,000	-8.7%
Supplies	\$4	\$0	\$0	\$0	0%
Total Public Works:	\$216,095	\$494,382	\$1,096,730	\$1,112,756	1.5%
Harbor Department					
Personnel Services	\$48,360	\$138,560	\$170,238	\$187,397	10.1%
Services	\$80,232	\$79,856	\$114,292	\$120,000	5%
Capital Outlay	\$48,564	\$0	\$72,000	\$0	-100%
Supplies	\$0	\$1,057	\$3,300	\$6,300	90.9%
Total Harbor Department:	\$177,157	\$219,473	\$359,830	\$313,697	-12.8%
Non-Departmental					
Personnel Services	\$0	-\$67,586	\$0	\$0	0%
Other Expense	\$0	\$4,431	\$0	\$0	0%
Services	\$2,914	\$0	\$50,000	\$30,000	-40%
Interfund Transfers	\$2,407,126	\$2,754,000	\$2,359,234	\$430,000	-81.8%
Total Non-Departmental:	\$2,410,040	\$2,690,844	\$2,409,234	\$460,000	-80.9%
Total Expenditures:	\$4,127,406	\$5,198,334	\$5,715,712	\$3,731,789	-34.7%

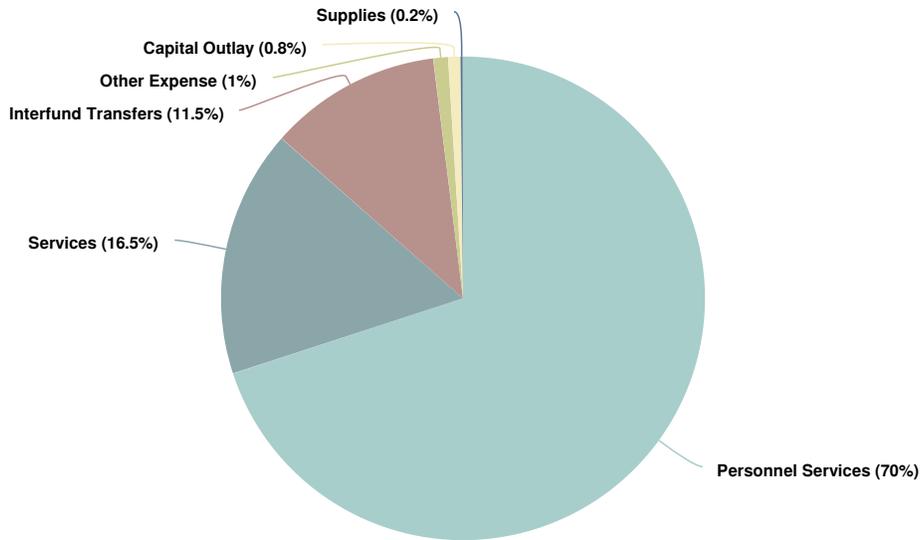


Expenditures by Expense Type

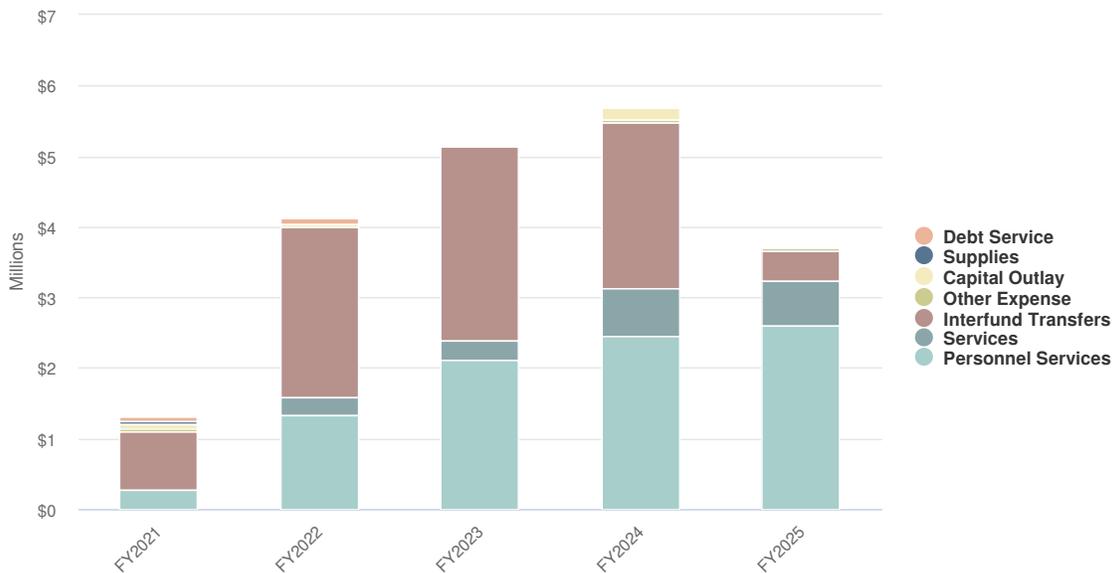
The Proposed Measure E Budget comprises **88% operating expenses and 12% capital expenses**. Note that operating expenses in FY 2024-25 include **\$350,000** for street, sidewalk, curb and gutter, and storm drain maintenance.

In years when there may not be available fund balance, a higher percentage of the total will 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



Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$1,340,836	\$2,123,431	\$2,454,606	\$2,611,695	6.4%
Supplies	\$4	\$16,787	\$22,300	\$6,300	-71.7%
Other Expense	\$8,784	\$22,607	\$36,720	\$36,720	0%
Services	\$239,204	\$268,904	\$672,852	\$617,073	-8.3%
Capital Outlay	\$48,564	\$12,605	\$170,000	\$30,000	-82.4%
Debt Service	\$82,888	\$0	\$0	\$0	0%
Interfund Transfers	\$2,407,126	\$2,754,000	\$2,359,234	\$430,000	-81.8%
Total Expense Objects:	\$4,127,406	\$5,198,334	\$5,715,712	\$3,731,789	-34.7%

Fund Balance

The fund balance in prior years has been appropriated for one-time capital projects. The **General Fund Emergency Reserve Policy covers the Measure E Fund**, in that Measure 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 E Fund operating costs.

Retaining a balance of operating and capital expenditures in the Measure 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 **\$910K** will remain at the end of FY 2024-25, barring any unforeseen circumstances.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Committed	\$1,375,000	\$1,945,005	\$1,325,072	\$323,655	\$910,698	181.4%
Total Fund Balance:	\$1,375,000	\$1,945,005	\$1,325,072	\$323,655	\$910,698	181.4%

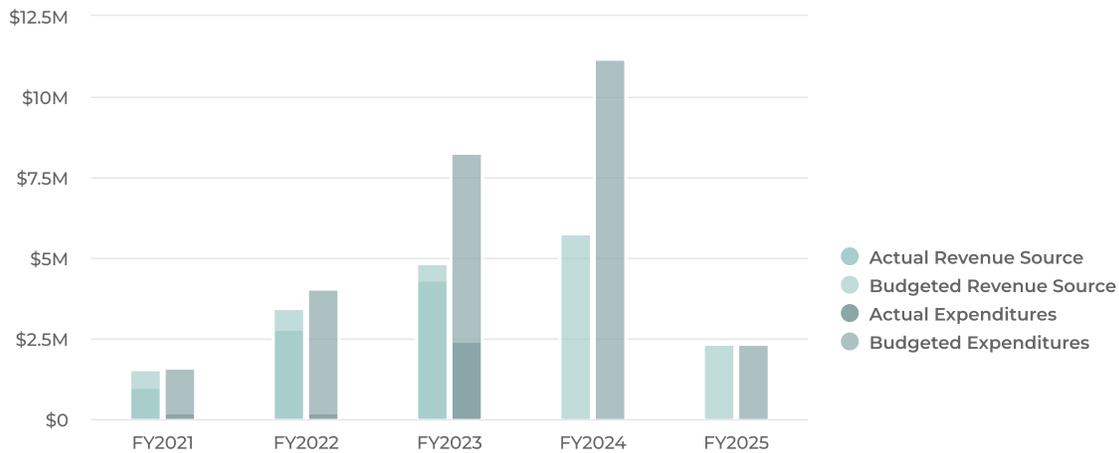


General Government Capital Projects Fund (915)

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 **\$2.3 million** in revenue transfers in FY 2024-25. Budgeted expenditures are **\$2.3 million**, plus any unexpended carry-forward budget from ongoing or prior year capital projects. Council authorizes the carry forward of unexpended capital budget as part of budget adoption.



Revenue by Fund

Revenues in this fund are from several funding sources that are transferred to this General Capital Projects fund to contribute towards citywide capital projects. In FY 2024-25, 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). In addition, smaller contributions may come from the Bike Path Fund, LTF Roads Fund, State Gas Tax Fund (RMRA), and the Governmental Impact Fees Fund.

FY 2024-25 total budgeted revenue is **\$2.3 million** for contributions to projects (plus any unexpended budget from prior years that will be carried forward with Council approval). The FY 2024-25 budget will be transferred as follows:

- \$1,150,000** revenue transfer from the General Fund.
- \$430,000** revenue transfer from Measure E Fund.
- \$269,999** revenue transfer from the RMRA Fund (portion of State Gas Tax)
- \$494,579** revenue transfer from the General Fund Capital Accumulation Fund

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Capital Projects Fund	\$2,832,450	\$4,339,781	\$5,803,538	\$2,344,578	-59.6%
Total Capital Projects Fund:	\$2,832,450	\$4,339,781	\$5,803,538	\$2,344,578	-59.6%



Expenditures by Fund

The FY 2024-25 general capital improvement program includes **four** capital improvement projects totaling **\$2.3** million. This total represents new budget allocation in FY 2024-25. Any remaining FY 2023-24 or earlier fund balance 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 a 2023-24 carry-forward budget.

The **\$2,344,578** 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 \$80,000 - Morro Bay Bridge Inspection & Assessment Project

Continued/Ongoing new projects:

- o \$1,619,999 - Annual Pavement Management Program
- o \$500,000 - Annual Storm Drain Replacement & Major Maintenance Program
- o \$144,579 - Veteran's Hall Building Improvements

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Capital Projects Fund	\$214,249	\$2,432,971	\$11,206,754	\$2,344,578	-79.1%
Total Capital Projects Fund:	\$214,249	\$2,432,971	\$11,206,754	\$2,344,578	-79.1%

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 **\$3.2 million** at the end of FY 2024-25, This assumes that most budgeted funds will be expended by the end of FY 2024-25; if not, the actual fund balance would be higher.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$791,220	\$3,409,000	\$5,316,233	\$8,275,248	\$3,160,195	-61.8%
Total Fund Balance:	\$791,220	\$3,409,000	\$5,316,233	\$8,275,248	\$3,160,195	-61.8%

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)

- American Rescue Plan Act - 019
- Developer Reimbursement Fund - 045
- Community Development Grants - 200
- State Gas Tax - 250
- Road Maintenance and Rehab SB1 - 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.

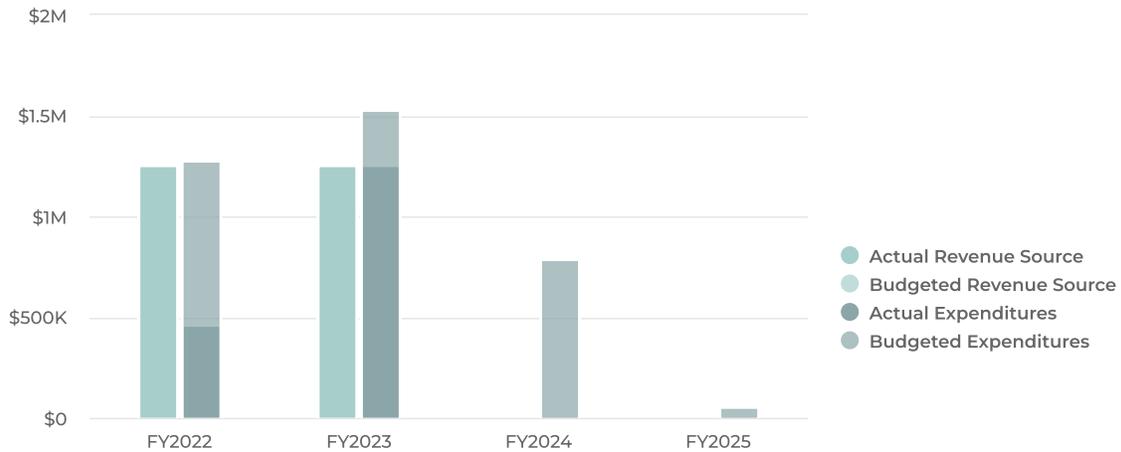


American Rescue Plan Act Fund (ARPA) (019)

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 projects **no additional revenue** in FY 2024-25 and **\$60.5K** in expenditures, which represents a transfer out to the General Fund for revenue recovery due to COVID-19 impacts. This small balance is the estimated remainder of funds unspent from prior years. After this transfer is complete, the balance of this fund will drop to zero.



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 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
American Rescue Plan (ARP)	\$1,261,055	\$1,259,335	\$0	\$0	0%
Total American Rescue Plan (ARP):	\$1,261,055	\$1,259,335	\$0	\$0	0%

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 2023-24 budget allocated remaining ARPA funds to increase the community grants program for local nonprofits (\$25,000 in APRA 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 \$0.6 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.

For FY 2024-25, a small remnant of ARPA funds will be transferred to the General Fund for revenue recovery related to COVID-19 impacts. This transfer will support the Community Grants Program and other City Council priorities for the coming year.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expenditures					
Police Department	\$115,021	\$5,146	\$59,210	\$0	-100%
Fire	\$79,137	\$169,437	\$22,965	\$0	-100%
Public Works	\$0	\$49,276	\$0	\$0	0%
Harbor Department	\$0	\$44,802	\$0	\$0	0%
Non-Departmental	\$275,344	\$990,674	\$711,099	\$60,504	-91.5%
Total Expenditures:	\$469,502	\$1,259,335	\$793,274	\$60,504	-92.4%

Fund Balance

The FY 2024-25 budget appropriates all remaining ARPA funds. Under the SLFRF program, funds must be obligated by December 31, 2024 and expended by December 31, 2026.



Developer Reimbursement Fund (045)

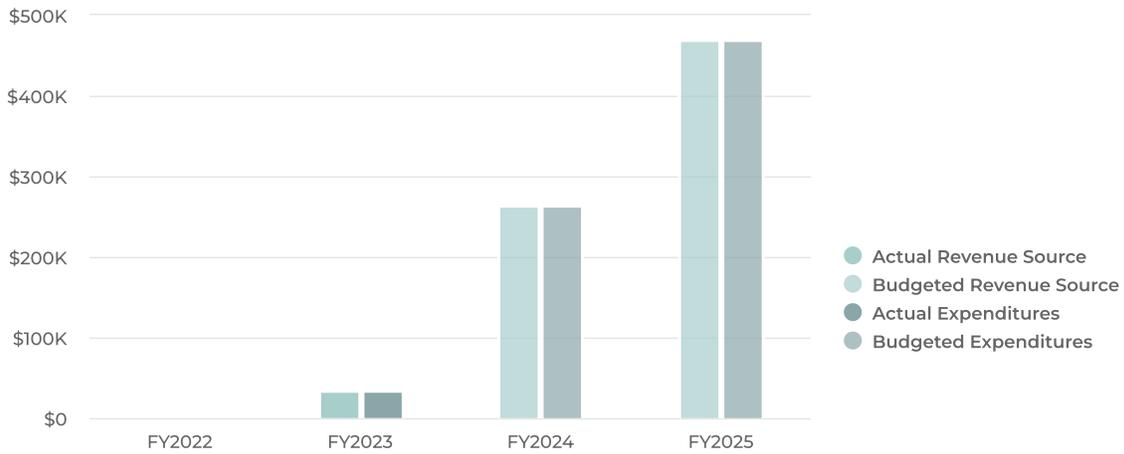
The Developer Reimbursement Fund includes projects with reimbursable contracts, which are typically used in association with projects that require environmental review where outside consultants are used. The City's Master Fee Schedule includes fees for these services that cover the cost of consultant 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 of Morro Bay is projecting **\$470K** of revenue in FY 2024-25, which represents a 77% increase over the prior year. Budgeted expenditures are projected to increase proportionately to \$470K in FY 2024-25.

Developer reimbursement agreements in this budget include:

- o \$140,000 Panorama
- o \$40,000 Seashell Estates
- o \$40,000 Market Plaza
- o \$250,000 Battery Energy Storage System (BESS)



Revenue by Fund

Revenue includes an anticipated amount of developer reimbursements based on project contracts expected to occur within FY 2024-25.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Developer Reimbursement Agreements Fund	\$0	\$35,832	\$265,000	\$470,000	77.4%
Total Developer Reimbursement Agreements Fund:	\$0	\$35,832	\$265,000	\$470,000	77.4%

Expenditures by Fund

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

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Developer Reimbursement Agreements Fund	\$0	\$35,832	\$265,000	\$470,000	77.4%
Total Developer Reimbursement Agreements Fund:	\$0	\$35,832	\$265,000	\$470,000	77.4%



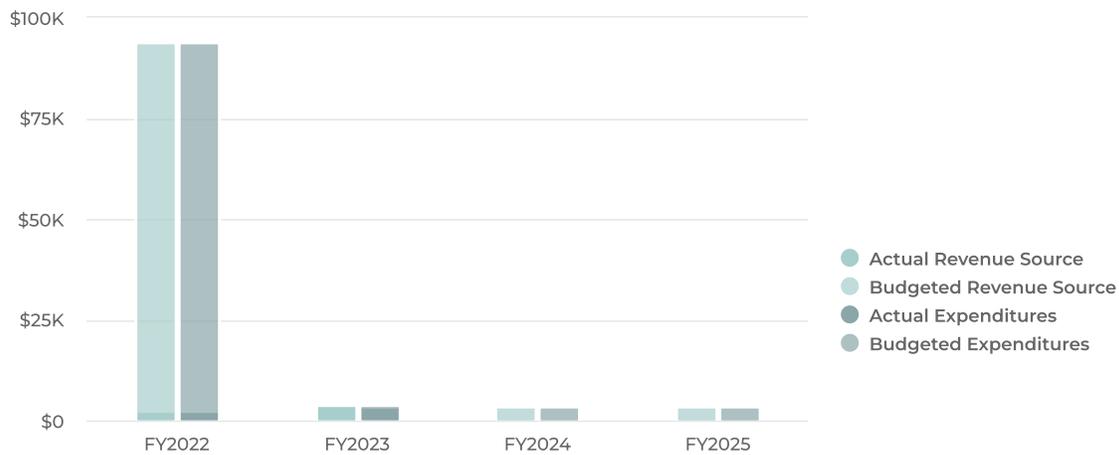
Community Development Grants Fund (200)

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 and expenditures in FY 2024-25.

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 cooperative agreement between the City and County through fiscal year 2024. The partnership with the County is renewable every five years. During 2024-25, the County is expected to engage the cities in the process of updating the Consolidated Plan and cooperative agreement.



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 2024-25 is **\$3,667**. The 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 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Intergovernmental Revenues	\$2,574	\$3,900	\$3,667	\$3,667	0%
Total Revenue Source:	\$2,574	\$3,900	\$3,667	\$3,667	0%

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 2024-25 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 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Community Development Grants	\$2,574	\$3,819	\$3,667	\$3,667	0%
Total Community Development Grants:	\$2,574	\$3,819	\$3,667	\$3,667	0%

Fund Balance

FY 2020-21 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 FY 2021-22, the total fund balances are projected to remain and to carry forward to FY 2022-23. 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 \$838,000) is for loans receivable under these programs. No change in fund balance is anticipated for FY 2024-25.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$179,731	\$181,000	\$182,911	\$183,028	\$183,028	0%
Nonspendable	\$833,416	\$836,000	\$836,807	\$838,090	\$838,090	0%
Total Fund Balance:	\$1,013,147	\$1,017,000	\$1,019,718	\$1,021,118	\$1,021,118	0%



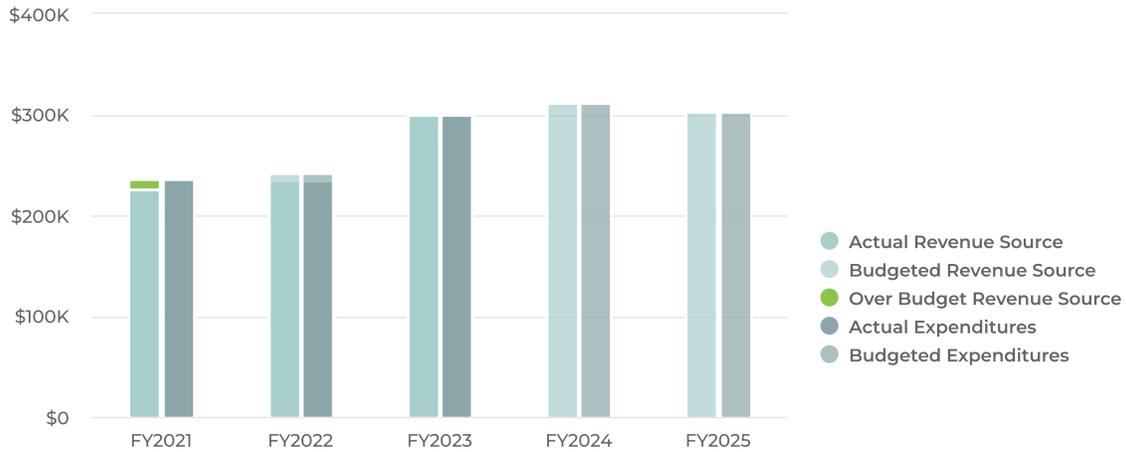
State Gas Tax Fund (250)

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 **\$303,607** of HUTA state gas tax revenue in FY 2024-25, which represents a 3% decrease over the prior year. Budgeted expenditures are also projected to decrease by 3% to **\$303,607** commensurate with revenue amounts.



Revenue by Fund

HUTA revenue projections are based on the California Municipal Finance website, produced by Michael Coleman, fiscal advisor for the California Society of Municipal Finance Officers and the League of California Cities. In FY 2024-25, revenues are anticipated to remain mostly flat based on the Local Streets and Roads projections provided by the same referenced fiscal resource.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
State Gas Tax Fund	\$235,838	\$300,672	\$312,987	\$303,607	-3%
Total State Gas Tax Fund:	\$235,838	\$300,672	\$312,987	\$303,607	-3%



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 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Interfund Transfers	\$235,838	\$300,672	\$312,987	\$303,607	-3%
Total Expense Objects:	\$235,838	\$300,672	\$312,987	\$303,607	-3%

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.



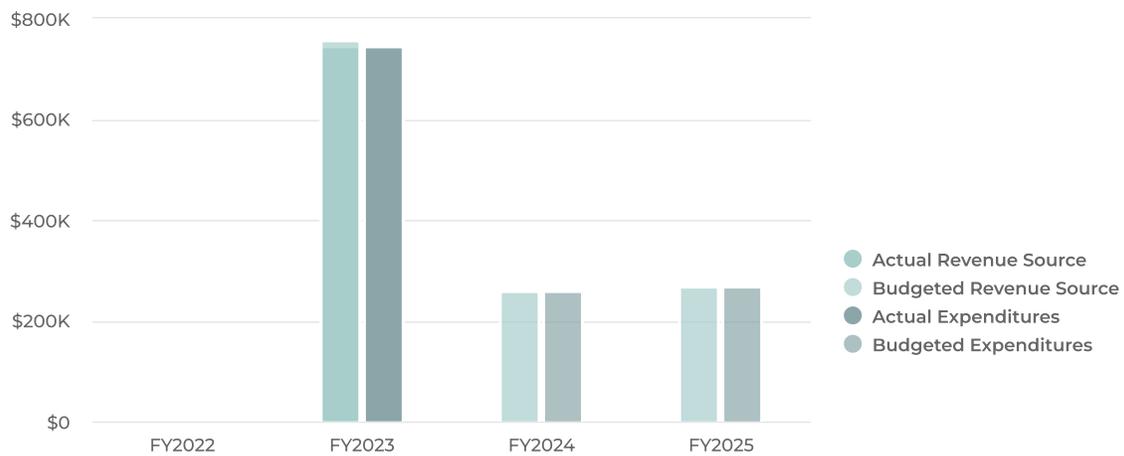
Road Maintenance and Rehab SB1 (260)

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 **\$270K** of RMRA revenue in FY 2024-25, which is similar to the amount received in FY 2023-24. Budgeted expenditures are **\$270K** as a transfer to General Government CIP Fund (915) to support the City's Annual Pavement Management Program.

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 2024-25, revenues are anticipated to increase based on the Local Streets and Roads projections provided by the same referenced fiscal resource.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Road Maintenance and Rehab SB1	\$0	\$745,494	\$260,000	\$269,999	3.8%
Total Road Maintenance and Rehab SB1:	\$0	\$745,494	\$260,000	\$269,999	3.8%

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 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Interfund Transfers	\$0	\$745,494	\$260,000	\$269,999	3.8%
Total Expense Objects:	\$0	\$745,494	\$260,000	\$269,999	3.8%



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 2024-25.



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.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$14,158	\$14,000	\$14,093	\$14,093	\$14,093	0%
Total Fund Balance:	\$14,158	\$14,000	\$14,093	\$14,093	\$14,093	0%

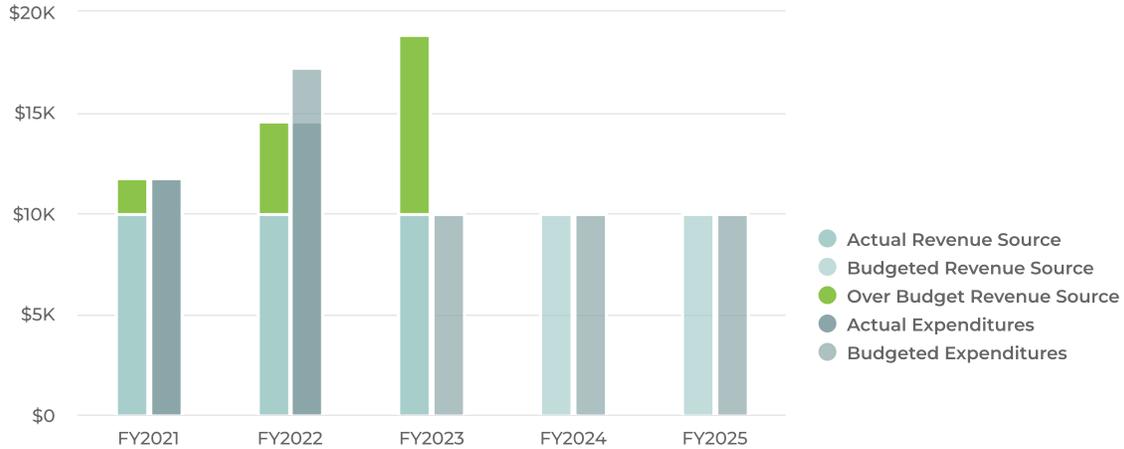


Traffic Safety Fund (280)

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 FY 2024-25, which represents a **0% increase** over the prior year. Budgeted **expenditures are not projected to increase** in FY 2024-25.



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 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Traffic Safety Fund	\$14,617	\$18,923	\$10,000	\$10,000	0%
Total Traffic Safety Fund:	\$14,617	\$18,923	\$10,000	\$10,000	0%

Expenditures by Expense Type

Expenditures for FY 2024-25 are estimated to match the total amount of revenue received. Expenditures will be made out of this fund rather than via a transfer to the General Fund.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Supplies	\$0	\$0	\$10,000	\$10,000	0%
Interfund Transfers	\$14,617	\$0	\$0	\$0	0%
Total Expense Objects:	\$14,617	\$0	\$10,000	\$10,000	0%

Fund Balance

The anticipated fund balance at the end of FY 2024-25 is **\$21,923**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$1,541	\$0	\$18,924	\$21,923	\$21,923	0%
Total Fund Balance:	\$1,541	\$0	\$18,924	\$21,923	\$21,923	0%

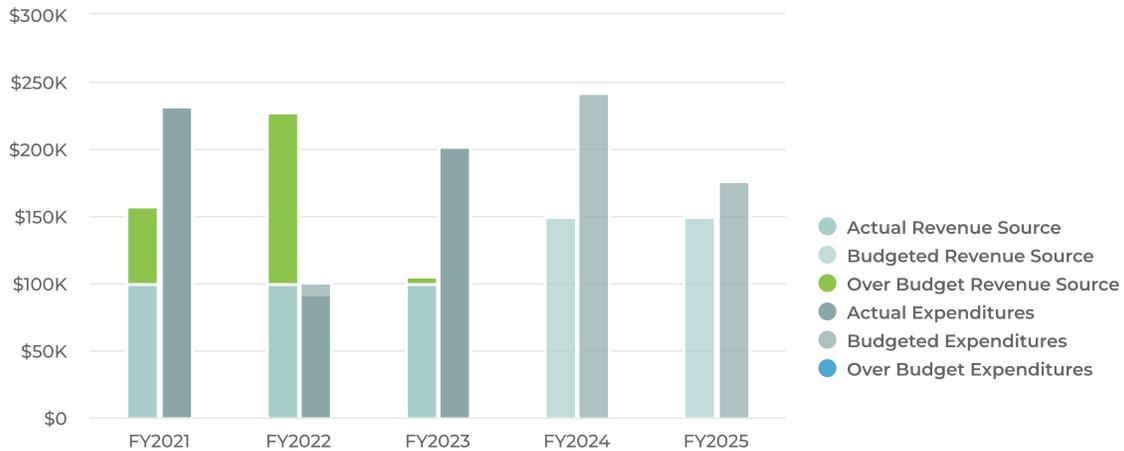


Special Safety Grants (282)

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 **\$150K** of grant revenue in FY 2024-25, a 0% increase over the prior year. Budgeted expenditures are projected to be approximately **\$176K**. The difference between revenues and expenditures will come from the accumulated fund balance.



Revenue by Fund

Projected grant revenues for FY 2024-25 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 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Special Safety Grants	\$227,908	\$105,661	\$150,000	\$150,000	0%
Total Special Safety Grants:	\$227,908	\$105,661	\$150,000	\$150,000	0%

Expenditures by Expense Type

The FY 2024-25 budget includes funding for 0.75 FTE Property and Evidence Technician and increased benefit costs such as pension and health care.

In addition, the budget includes **\$90k** for departmental supplies and equipment, as well as **\$23k** for services and professional development. These expenditures are consistent with the intent and purpose of the SLESF grant funds.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$56,453	\$83,412	\$88,074	\$64,381	-26.9%
Supplies	\$23,751	\$34,435	\$75,000	\$89,500	19.3%
Other Expense	\$0	\$1,540	\$0	\$0	0%
Services	\$11,850	\$14,724	\$13,500	\$22,500	66.7%
Capital Outlay	\$0	\$68,944	\$66,000	\$0	-100%
Total Expense Objects:	\$92,054	\$203,056	\$242,574	\$176,381	-27.3%

Fund Balance

FY 2024-25 fund balance is projected to be approximately **\$171,057** reflecting a reduction in fund balance due to the planned expenditures, consistent with the fund's intended uses.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$219,562	\$351,000	\$251,668	\$197,438	\$171,057	-13.4%
Nonspendable	\$0	\$0	\$2,184	\$0	\$0	0%
Total Fund Balance:	\$219,562	\$351,000	\$253,852	\$197,438	\$171,057	-13.4%

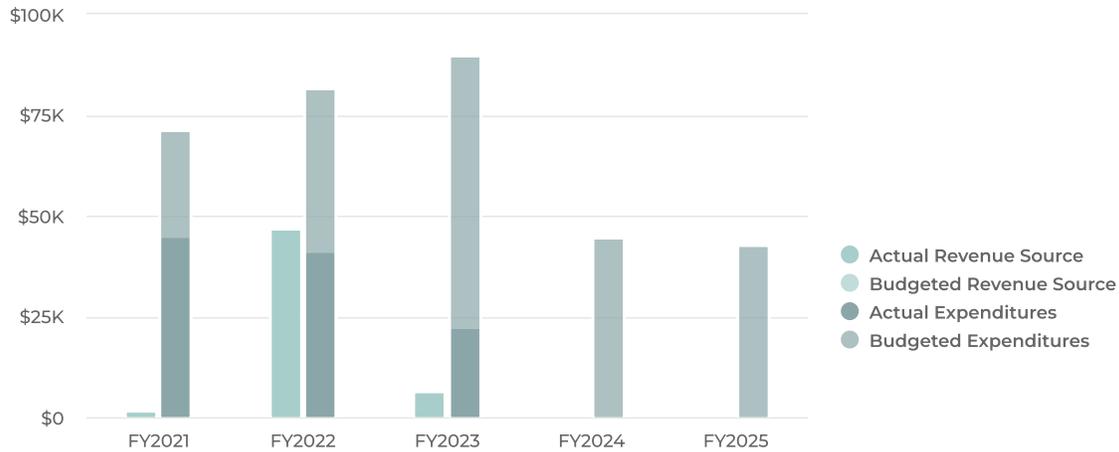


Parking In-Lieu Fund (299)

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 of Morro Bay is projecting **\$0 of revenue** in FY 2024-25, the same as the prior year. Budgeted expenditures are projected to **decrease by 4.4% or \$2K** to \$43K in FY 2024-25.



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 2024-25.

Name	FY2022 Actual	FY2023 Amended Budget	FY2023 Actual	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Parking In-Lieu Fund	\$47,025	\$0	\$6,712	\$0	0%
Total Parking In-Lieu Fund:	\$47,025	\$0	\$6,712	\$0	0%

Expenditures by Fund

Planned expenditures in this fund include additional spending for the parking study contract started in FY 2023-24.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Parking In-Lieu Fund	\$41,609	\$22,597	\$45,000	\$43,000	-4.4%
Total Parking In-Lieu Fund:	\$41,609	\$22,597	\$45,000	\$43,000	-4.4%



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 2024-25 is approximately **\$238K**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$341,000	\$341,000	\$326,866	\$280,511	\$237,511	-15.3%
Total Fund Balance:	\$341,000	\$341,000	\$326,866	\$280,511	\$237,511	-15.3%



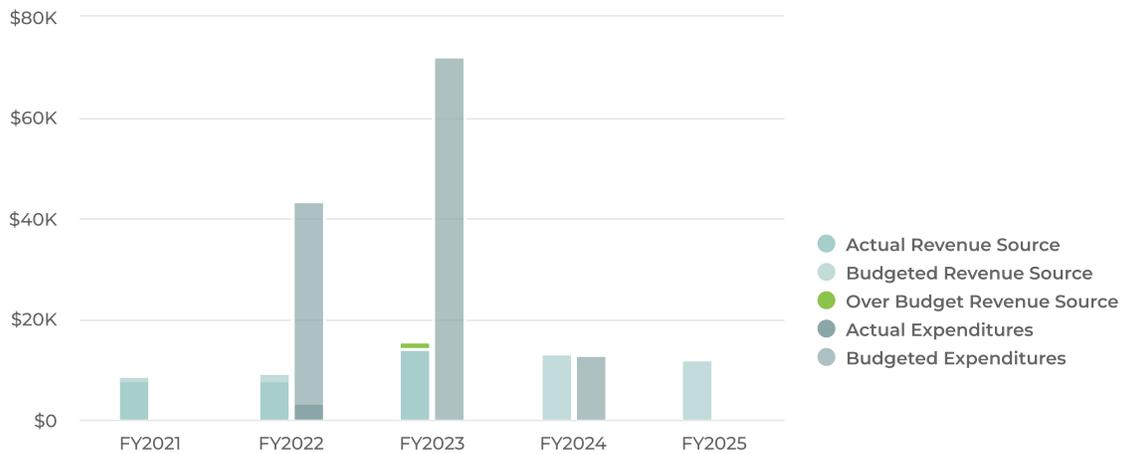
Bike Path Fund (302)

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 **\$12K** of revenue in FY 2024-25, a **9.1% decrease** from the prior year. No expenditures are proposed.

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 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Bike Path	\$8,034	\$15,593	\$13,315	\$12,108	-9.1%
Total Bike Path:	\$8,034	\$15,593	\$13,315	\$12,108	-9.1%



Expenditures by Fund

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Bike Path	\$3,500	\$370	\$13,000	\$0	-100%
Total Bike Path:	\$3,500	\$370	\$13,000	\$0	-100%

Fund Balance

Fund balance for FY 2024-25 is anticipated to be **\$79K**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$48,045	\$52,000	\$66,974	\$67,289	\$79,397	18%
Total Fund Balance:	\$48,045	\$52,000	\$66,974	\$67,289	\$79,397	18%

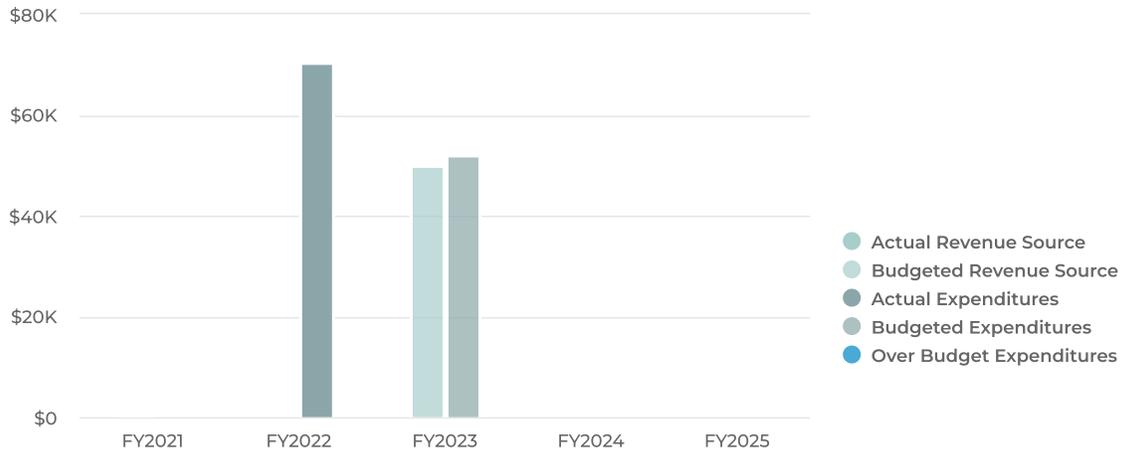


Local Transportation Fund (LTF)-Roads Fund (303)

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 2024-25.



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 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
LTF Roads	\$6	\$319	\$0	\$0	0%
Total LTF Roads:	\$6	\$319	\$0	\$0	0%

Expenditures by Expense Type

No expenditures are budgeted in FY 2024-25. Prior year funds were used to support eligible components of the pavement management project.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Other Expense	\$138	\$0	\$0	\$0	0%
Interfund Transfers	\$70,630	\$0	\$0	\$0	0%
Total Expense Objects:	\$70,768	\$0	\$0	\$0	0%

Fund Balance

The FY 2024-25 projected fund balance for LTF-Roads Fund is **\$1,717**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$72,772	\$2,000	\$1,717	\$1,717	\$1,717	0%
Total Fund Balance:	\$72,772	\$2,000	\$1,717	\$1,717	\$1,717	0%

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



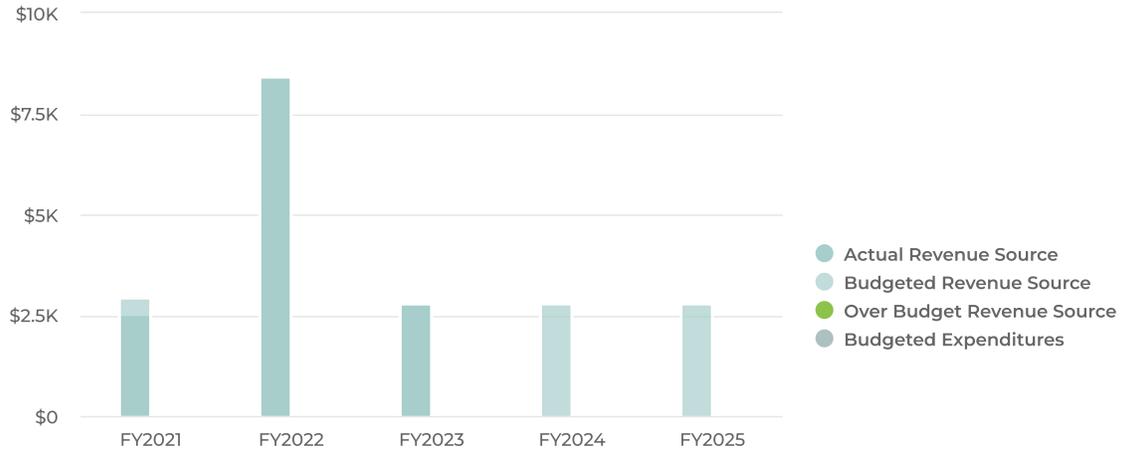
Special Assessment Districts Fund (500)

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 projects **\$2,832** in revenue in FY 2024-25, which represents a 0% change over the prior year. This fund has **no budgeted expenditures** 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 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 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 2024-25. Accumulated funds will be used as needed for storm drainage maintenance in the eligible area.

Fund Balance

The FY 2024-25 projected fund balance for Special Assessments Districts Fund is **\$97K**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$79,623	\$88,050	\$90,882	\$93,714	\$96,546	3%
Total Fund Balance:	\$79,623	\$88,050	\$90,882	\$93,714	\$96,546	3%

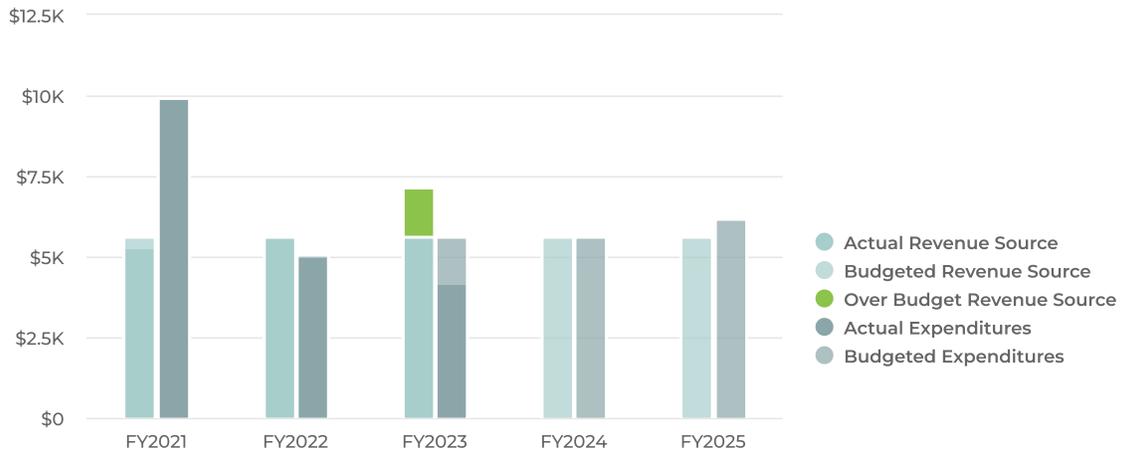


North Point Assessment Fund (565)

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 **\$6,187** in expenditures in FY 2024-25, which represents expenditure of the full assessment amount received. Expenditures in excess of revenues will have to be subsidized by the general fund.



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 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Property Taxes	\$5,645	\$5,645	\$5,645	\$5,645	0%
Revenues From Use of Money & Property	\$0	\$1,517	\$0	\$0	0%
Total Revenue Source:	\$5,645	\$7,162	\$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. As a result, this fund has no room to charge staff time, 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.

The expenditure budget includes disposal costs for the District, as well as a transfer to the General Fund for Cost Allocation Plan (CAP) expenses.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$775	-\$137	\$0	\$0	0%
Services	\$3,575	\$3,584	\$4,647	\$5,231	12.6%
Interfund Transfers	\$712	\$780	\$998	\$956	-4.2%
Total Expense Objects:	\$5,062	\$4,227	\$5,645	\$6,187	9.6%

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 is due to the City providing services without any incoming revenue to offset cost.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	\$ Change
Fund Balance	—	—	—	—	—	
Committed	\$-19,898	\$-19,315	\$-16,381	\$-16,381	\$-16,923	\$-542
Total Fund Balance:	\$-19,898	\$-19,315	\$-16,381	\$-16,381	\$-16,923	\$-542



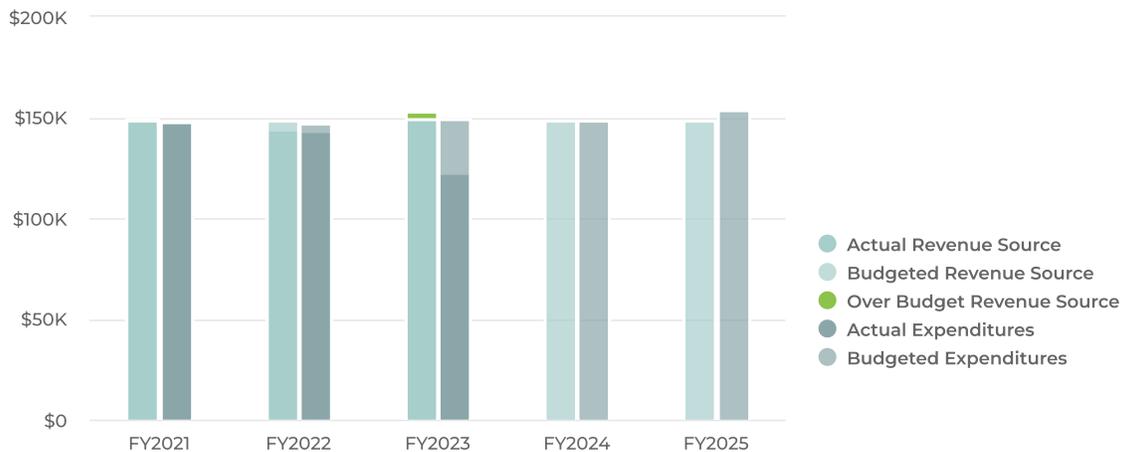
Cloisters Park Maintenance Assessment District (570)

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 **\$149K** in revenues and **\$154K** in expenditures for FY 2024-25, similar to the prior year. Any expenditures in excess of revenues will come from fund balance.



Revenue by Fund

The City of Morro Bay is projecting **\$148,944** of revenue in FY 2024-25, a 0% increase over the prior year.

The FY 2024-25 budget includes funding for a partial 0.70 FTE Consolidated Maintenance Worker II to provide staff support for the maintenance of the district.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Cloisters Park Maint AD	\$144,227	\$153,412	\$148,944	\$148,944	0%
Total Cloisters Park Maint AD:	\$144,227	\$153,412	\$148,944	\$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 2024-25 budget includes funding for a partial 0.70 FTE Consolidated Maintenance Worker II to provide staff support for the district's maintenance. In addition, expenses for ground maintenance supplies and services are increasing. The expenditure budget also includes a transfer to the General Fund for Cost Allocation Plan (CAP) expenses.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$83,919	\$74,834	\$56,827	\$64,765	14%
Supplies	\$6,641	\$1,702	\$16,297	\$16,297	0%
Other Expense	\$0	\$156	\$0	\$0	0%
Services	\$41,314	\$33,721	\$47,736	\$47,736	0%
Interfund Transfers	\$11,476	\$12,362	\$28,084	\$25,304	-9.9%
Total Expense Objects:	\$143,350	\$122,775	\$148,944	\$154,102	3.5%

Fund Balance

For FY 2024-25, the total projected fund balance is anticipated to be **\$179K**, which includes the balance of the formerly separate Cloisters Accumulation Fund. Future use of fund balance will be used in collaboration with Cloister residents.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$90,657	\$152,199	\$183,375	\$184,490	\$179,332	-2.8%
Nonspendable	\$1,537	\$1,653	\$1,115	\$0	\$0	0%
Total Fund Balance:	\$92,194	\$153,852	\$184,490	\$184,490	\$179,332	-2.8%



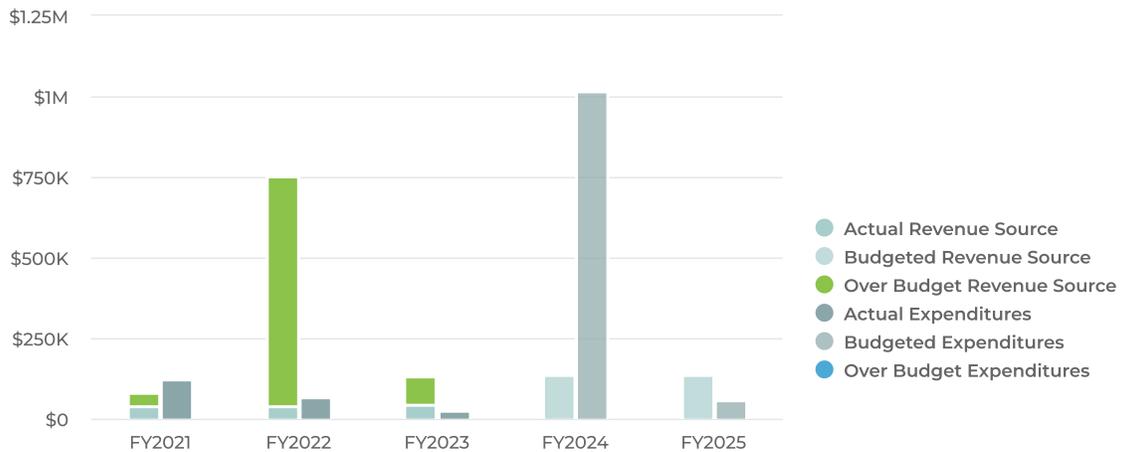


Governmental Impact Fees (900)

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. Council implemented the Development Impact Fee program by adoption of Resolution No. 47-07 in October 2007.

Summary

The City of Morro Bay projects approximately **\$141K** of revenue in FY 2024-25, which represents a 0% increase over the prior year. Expenditures totaling **\$59K** are budgeted to complete the Development Impact Fee Nexus Study started in FY 2023-24.



Revenue by Fund

Development Impact Fee revenue in FY 2024-25 is projected at approximately **\$141K**, similar to the prior year. This projection is consistent with actual revenue received in FY 2023-24.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Governmental Impact Fees	\$755,263	\$133,255	\$140,946	\$140,946	0%
Total Governmental Impact Fees:	\$755,263	\$133,255	\$140,946	\$140,946	0%

Expenditures by Fund

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Governmental Impact Fees					

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Other Expense	\$0	\$1,238	\$0	\$0	0%
Interfund Transfers	\$72,947	\$30,000	\$1,017,250	\$58,890	-94.2%
Total Governmental Impact Fees:	\$72,947	\$31,238	\$1,017,250	\$58,890	-94.2%

Fund Balance

Projected fund balance for FY 2024-25 is anticipated to be approximately **\$0.9 million**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$995,587	\$1,656,087	\$1,758,104	\$814,462	\$896,518	10.1%
Total Fund Balance:	\$995,587	\$1,656,087	\$1,758,104	\$814,462	\$896,518	10.1%



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 2024-25.

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 Actual	FY2024 Projected	FY2025 Budgeted
Park Fee Fund	\$1,314	\$5,126	\$0	\$0
Total Park Fee Fund:	\$1,314	\$5,126	\$0	\$0

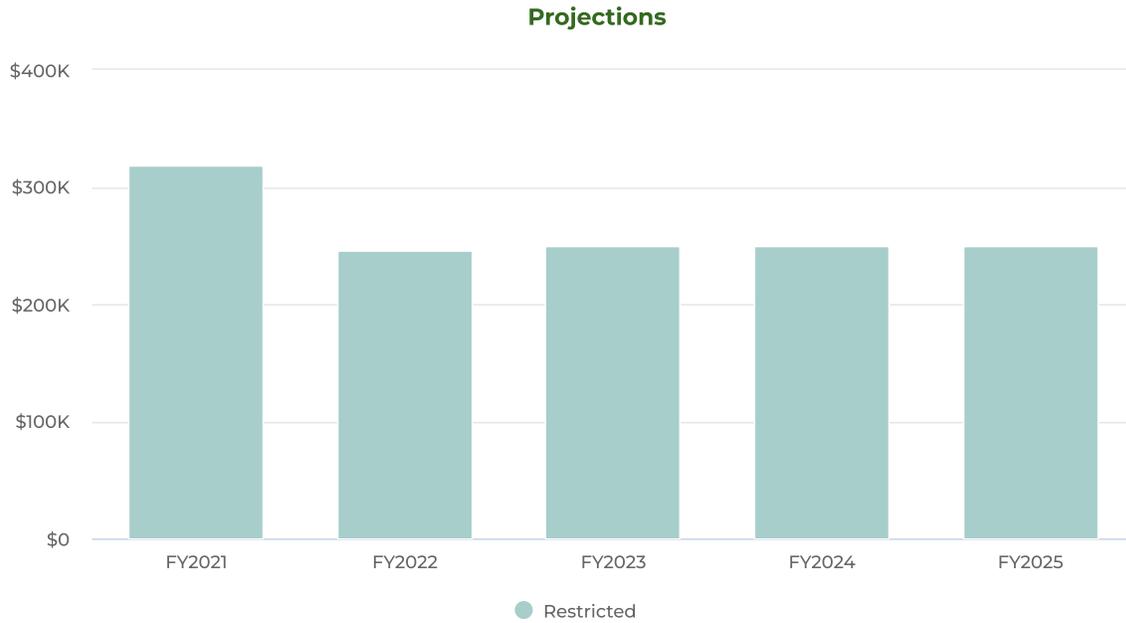
Expenditures by Fund

The City of Morro Bay is not budgeting for any new expenditures in this fund in FY 2024-25.

Name	FY2022 Actual	FY2023 Actual	FY2024 Projected	FY2025 Budgeted
Park Fee Fund	\$69,500	\$940	\$0	\$0
Total Park Fee Fund:	\$69,500	\$940	\$0	\$0

Fund Balance

In FY 2024-25, the projected fund balance is estimated to be approximately **\$250K**.



Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$318,202	\$245,344	\$249,530	\$249,530	\$249,530	0%
Total Fund Balance:	\$318,202	\$245,344	\$249,530	\$249,530	\$249,530	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 2024-25. 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 Actual	FY2024 Projected	FY2025 Budgeted
Community Benefit	\$170,000	\$0	\$0	\$0
Total Community Benefit:	\$170,000	\$0	\$0	\$0

Fund Balance

The fund balance for FY 2024-25 is projected to remain **\$80K**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Committed	\$250,000	\$250,000	\$80,000	\$80,000	\$80,000	0%
Total Fund Balance:	\$250,000	\$250,000	\$80,000	\$80,000	\$80,000	0%

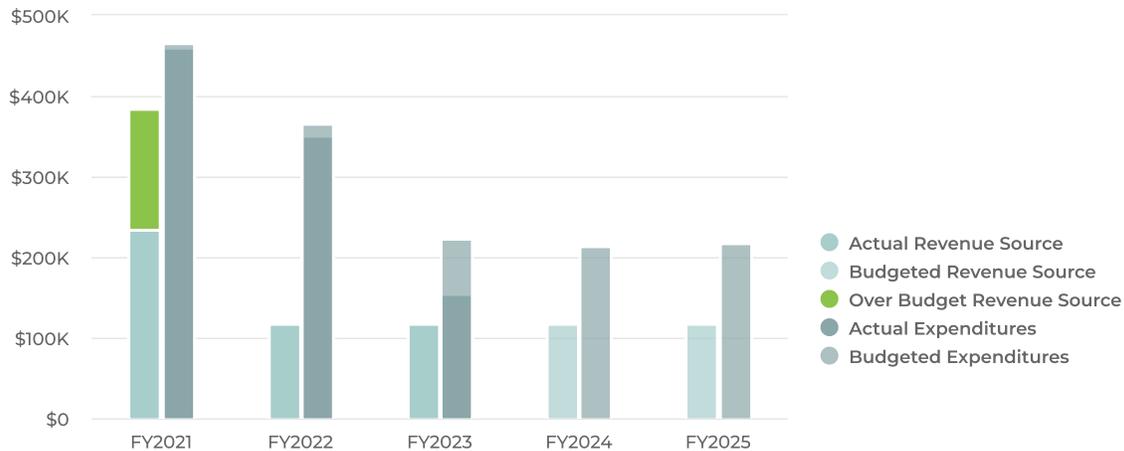


Economic Development Fund (907)

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

Summary

The City of Morro Bay projects **\$118K** in revenue and **\$218K** of proposed expenditures for FY 2024-25. Expenditures in excess of revenues are to come from fund balance.



Revenue by Fund

In recent years, this Fund's sole revenue source has been SB 1090 revenues associated with the closure of the Diablo Nuclear Power Plant. SB 1090 was signed into law by then Governor Brown in September 2018. It included \$10 million in Economic Development Funds to ease the impact of the plant's closure on local communities. The funds are ultimately provided by PG&E rate payers, pursuant to the CPUC enacted rate changes required by SB 1090. These funds are restricted to economic development activities. The City's final payment will be received in FY 2024-25, and there are no ongoing economic development revenue sources thereafter. Past year revenues have also included community benefit funding from cannabis dispensaries (which remain unspent) and City-designated General Fund dollars for economic development.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Economic Development Fund	\$117,806	\$117,806	\$117,806	\$117,806	0%
Total Economic Development Fund:	\$117,806	\$117,806	\$117,806	\$117,806	0%

Expenditures by Fund

The FY 2024-25 Budget uses **\$218K** of SB 1090 Diablo Closure settlement funds, earmarked for economic development purposes, for the following:

- o Annual contract with the Chamber of Commerce for economic development services (\$50,000)
- o Grant writing to attract additional revenue to the City (\$55,000)
- o Funding for as-needed research, peer review, and/or evaluation of federal offshore wind energy development plans (\$50,000)
- o Funding for a new Management Analyst equivalent position in the City Manager's Office who will spend a portion of their time on Economic Development activities (approx. \$53,000)
- o Miscellaneous supplies, such as banner placements throughout the City (\$10,000)

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Economic Development Fund	\$351,035	\$155,000	\$215,000	\$217,728	1.3%
Total Economic Development Fund:	\$351,035	\$155,000	\$215,000	\$217,728	1.3%

Fund Balance

The projected fund balance at the end of FY 2024-25 is **\$657K**. Of that, **\$137,500 is cannabis dispensary community benefit funding**, and the remainder is **SB 1090 funding** associated with the closure of the Diablo power plant.

The City will gradually use the one-time revenues in this fund to support ongoing economic development activities as long as funds allow.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$1,029,000	\$796,000	\$758,918	\$757,224	\$657,302	-13.2%
Total Fund Balance:	\$1,029,000	\$796,000	\$758,918	\$757,224	\$657,302	-13.2%

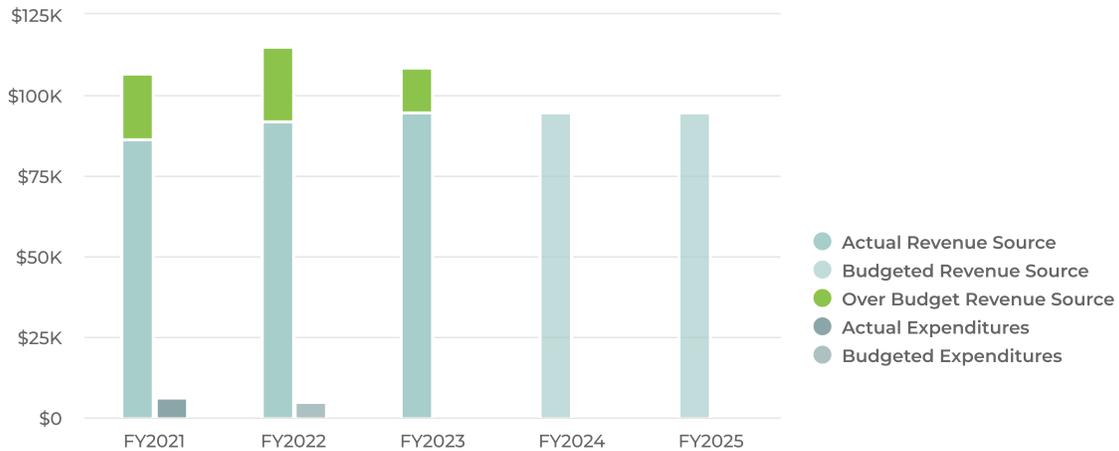


State Park Marina Fund (924)

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 FY 2024-25, which represents a 0.0% increase over the prior year. This revenue is consistent with prior years. There are **no budgeted expenditures** for FY 2024-25 because the City has completed the dredging obligations.

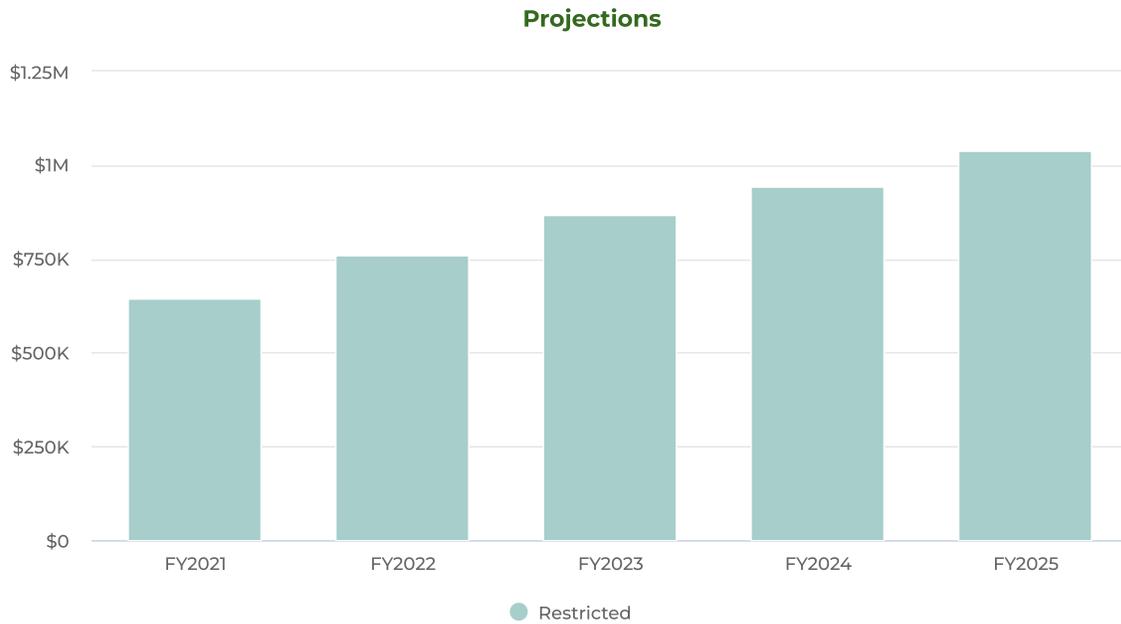


Revenue by Fund

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
State Park Marina					
Revenues From Current Services	\$115,289	\$108,821	\$95,000	\$95,000	0%
Total State Park Marina:	\$115,289	\$108,821	\$95,000	\$95,000	0%

Fund Balance

The State Park Marina Fund balance for FY 2024-25 is projected to be approximately **\$1 million**. 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.



Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$644,348	\$760,000	\$868,458	\$943,973	\$1,038,973	10.1%
Total Fund Balance:	\$644,348	\$760,000	\$868,458	\$943,973	\$1,038,973	10.1%

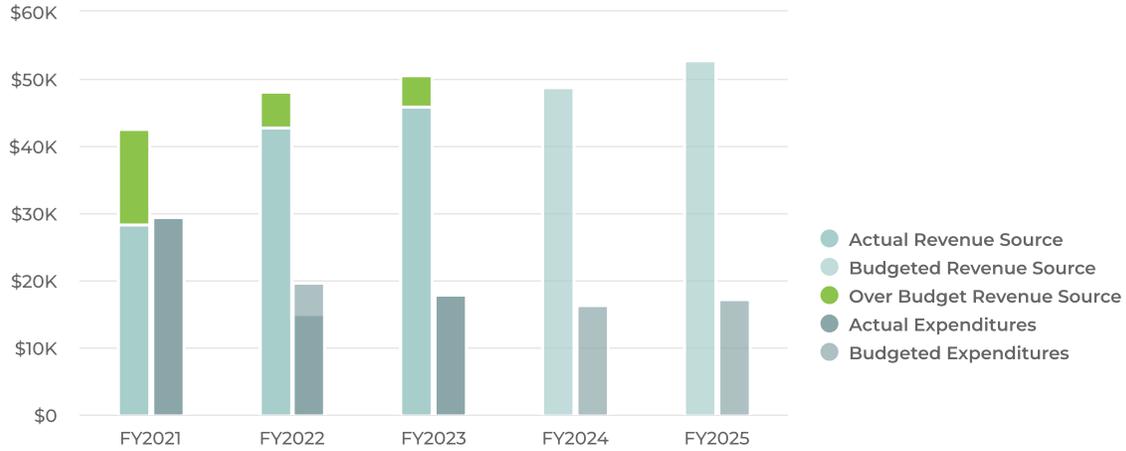


Triangle Lot-Boat Storage Yard (925)

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 projects **\$53K** of revenue in FY 2024-25, which represents a 8% increase over the prior year. Budgeted expenditures are projected to increase 5% to **\$17K** in FY 2024-25.



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 **\$120/mo. per space**.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Triangle Lot - Boat Storage Yard	\$48,174	\$50,601	\$49,000	\$53,000	8.2%
Total Triangle Lot - Boat Storage Yard:	\$48,174	\$50,601	\$49,000	\$53,000	8.2%

Expenditures by Expense Type

Expenditures for FY 2024-25 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 2024-25 due to personnel cost increases.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$14,963	\$17,378	\$14,500	\$15,225	5%
Supplies	\$36	\$617	\$2,000	\$2,000	0%
Services	\$28	\$0	\$0	\$0	0%
Total Expense Objects:	\$15,027	\$17,995	\$16,500	\$17,225	4.4%

Fund Balance

The fund balance is projected to increase over time, as revenues exceed expenditures annually. At the end of FY 2024-25, it is projected to be approximately **\$151K**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Committed	\$27,150	\$60,000	\$92,904	\$115,188	\$150,963	31.1%
Total Fund Balance:	\$27,150	\$60,000	\$92,904	\$115,188	\$150,963	31.1%

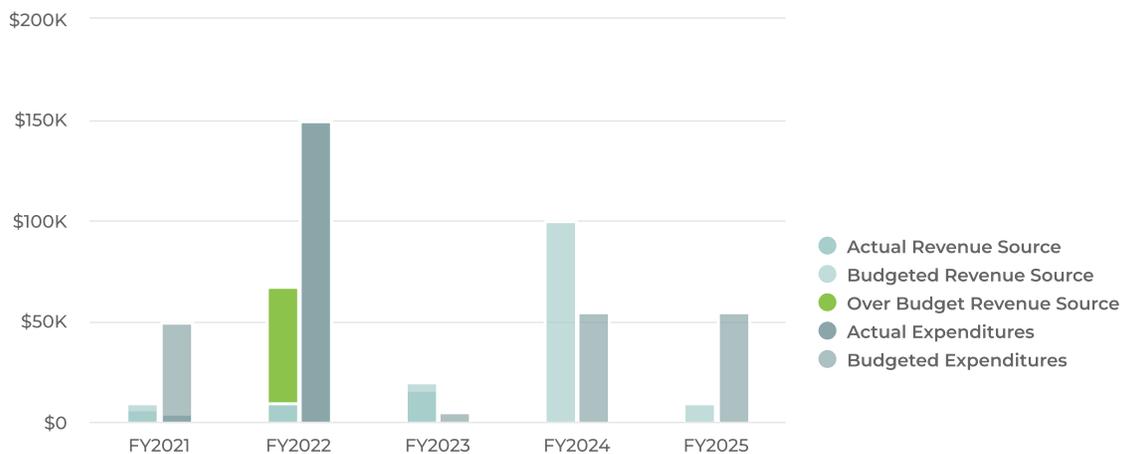


Affordable Housing In-Lieu Fund (941)

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 **\$10K** of revenue in FY 2024-25, which represents a 90% decrease over the prior year. Budgeted expenditures are projected to increase by 0% to **\$55K** in FY 2024-25.



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 **\$10,000** in FY 2024-25.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Affordable Housing In-Lieu Fund	\$67,301	\$16,288	\$100,000	\$10,000	-90%
Total Affordable Housing In-Lieu Fund:	\$67,301	\$16,288	\$100,000	\$10,000	-90%

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 2024-25 to support a local housing agency should a need arise.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Affordable Housing In-Lieu Fund	\$150,000	\$524	\$55,000	\$55,000	0%
Total Affordable Housing In-Lieu Fund:	\$150,000	\$524	\$55,000	\$55,000	0%

Fund Balance

The projected fund balance at the end of FY 2024-25 is approximately **\$149K**. This fund balance will fluctuate as funds are received and accumulated until they can be used to support eligible affordable housing development activities.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$259,000	\$173,000	\$188,733	\$194,394	\$149,394	-23.1%
Total Fund Balance:	\$259,000	\$173,000	\$188,733	\$194,394	\$149,394	-23.1%



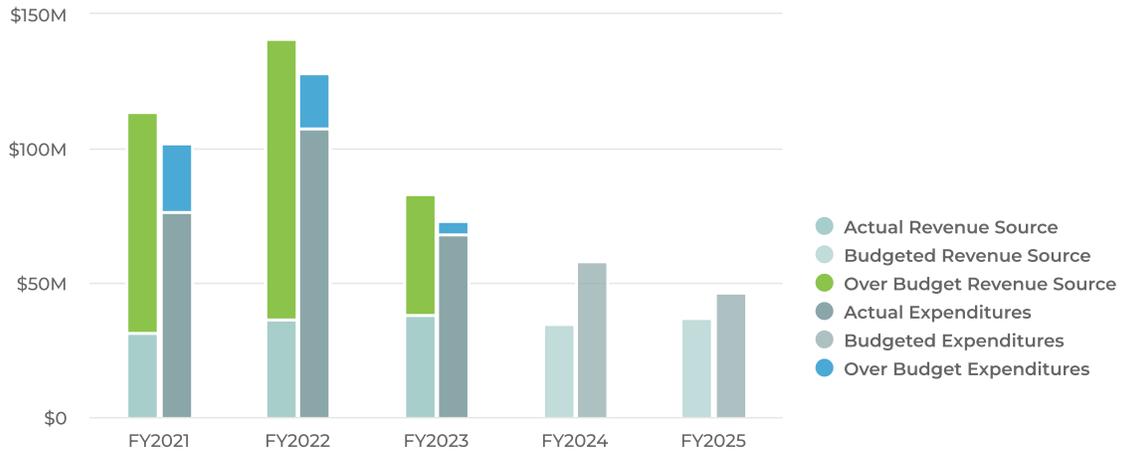
Enterprise Funds

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

Summary

The City of Morro Bay is projecting **\$37 million** of combined Enterprise Fund revenue in FY 2024-25, which represents a **7.3% increase** over the prior year. Budgeted expenditures are projected to decrease by **20%** or \$11.7 million to **\$46.6 million** in FY 2024-25.



Increased budget activity in FY 2021-FY 2023 is related to the WRF project, impacting the Sewer and Water Enterprise Funds.

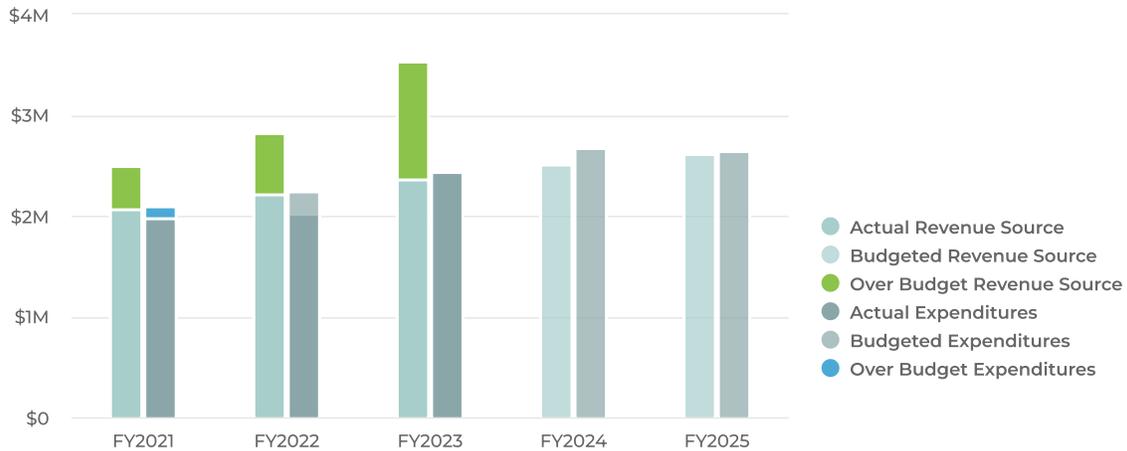


Harbor Operating Fund (331)

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. At the writing of this budget, a reorganization of this department is under consideration by City administration.

Summary

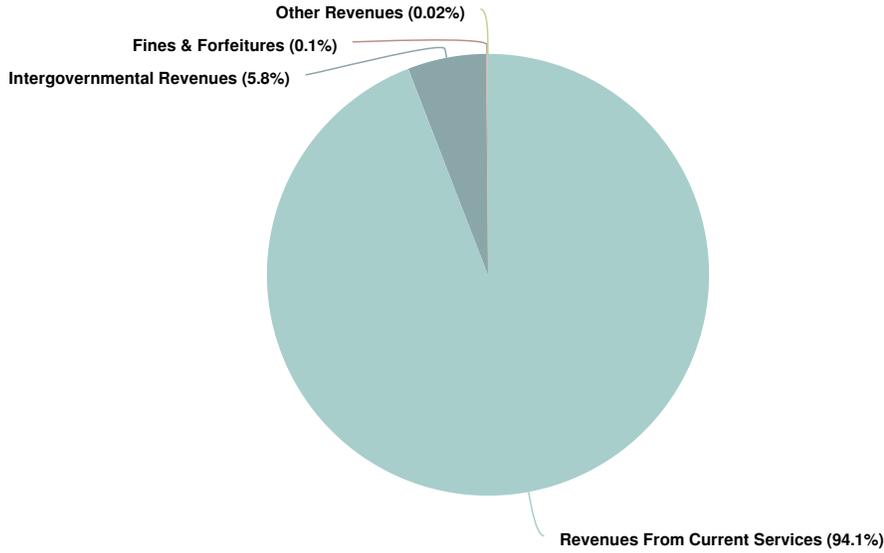
The City of Morro Bay is projecting **\$2.6 million** in revenue for FY 2024-25, **4% higher** than the prior year. Expenditures are projected to be **1.2% lower** than prior year, at **\$2.6 million**.



Revenues by Source

Almost 95% 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 4% increase in revenues from current services in FY 2024-25 as compared to the prior year budget. This is primarily related to increasing lease revenues and is consistent with recent actuals.

Projected 2025 Revenues by Source



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Intergovernmental Revenues	\$18,127	\$25,198	\$151,000	\$151,000	0%
Revenues From Current Services	\$2,588,282	\$445,650	\$2,361,110	\$2,467,766	4.5%
Fines & Forfeitures	\$4,864	\$3,871	\$3,200	\$2,518	-21.3%
Other Revenues	\$14,397	\$0	\$500	\$500	0%
Revenues From Use of Money & Property	\$6,837	\$2,762,382	\$0	\$0	0%
Interfund Revenue Transfers	\$196,511	\$297,723	\$0	\$0	0%
Total Revenue Source:	\$2,829,018	\$3,534,824	\$2,515,810	\$2,621,784	4.2%

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 2022-23 and continuing in FY 2024-25, part-time lifeguard and Harbor Reserves staffing is being funded in the Measure E Fund, not the Harbor Fund.

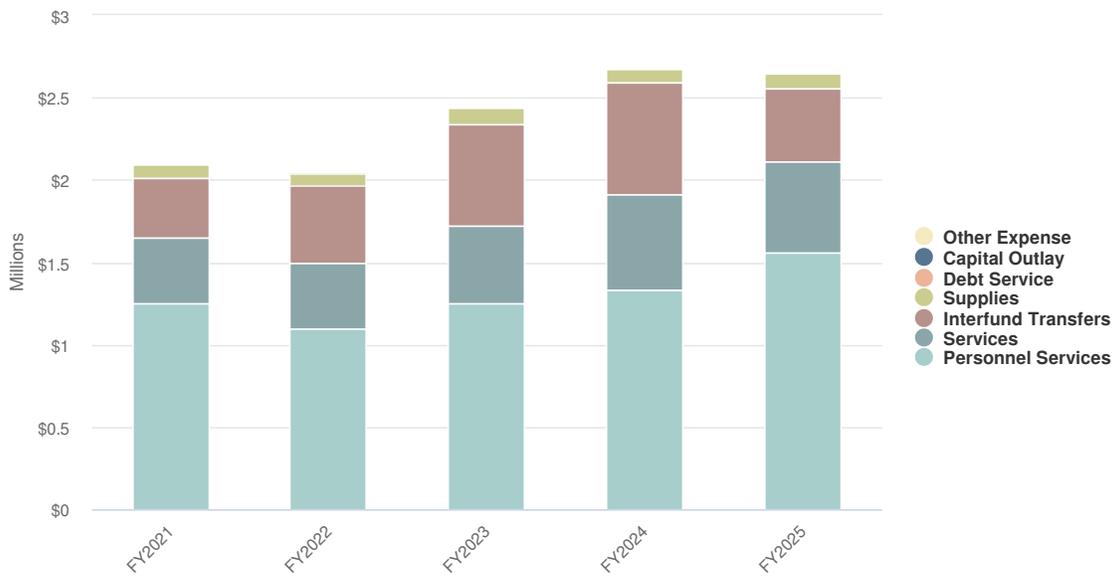
Services - This includes funding for Harbor utilities, Harbor-specific legal services, consultant services, outside equipment repair, and other services.

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

Interfund Transfers - Budgeted transfers total **\$443,199** and include the following:

- o \$385,899 - 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 \$57,300 - Transfer to Internal Services Funds for information technology and risk management services.

Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$1,095,355	\$1,251,838	\$1,334,302	\$1,557,590	16.7%
Supplies	\$72,188	\$100,931	\$83,673	\$91,000	8.8%
Other Expense	\$0	\$11,629	\$0	\$0	0%
Services	\$395,864	\$468,484	\$580,801	\$553,324	-4.7%
Capital Outlay	\$0	\$10,623	\$0	\$0	0%
Interfund Transfers	\$473,082	\$614,394	\$677,152	\$443,199	-34.5%
Total Expense Objects:	\$2,036,489	\$2,457,899	\$2,675,928	\$2,645,113	-1.2%



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 some of those funds have been appropriated for Harbor capital improvement projects. The projected working fund balance at the end of FY 2024-25 is **\$2 million**. 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 \$349K), as well as the target level of 25% of the prior year's adopted operating budget (approximately \$582K).

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 FY 2025-26 absent corrective action.

In addition to the minimum reserves required by policy, the Harbor Operating Fund also maintains reserves for planned vehicle, vessel, and equipment replacements. The reserves are tracked via an asset account on the fund's balance sheet. Each year, funds are set aside in this account to support future capital asset acquisition. For FY 2024-25, the Harbor Operating Fund is setting aside an additional **\$40K**, bringing the total accumulation to approximately **\$59K**. In future years, these reserves can be transferred to the Harbor Capital Improvement Fund (923) to support the acquisition of vehicles, vessels, or equipment. Fund 923 currently maintains a separate reserve for vehicles, vessels, and equipment totaling **\$52K**. Combined, the total reserves for harbor vehicles, vessels, and equipment are **\$111K**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$466,000	\$1,034,000	\$1,353,849	\$2,019,852	\$1,999,010	-1%
Total Fund Balance:	\$466,000	\$1,034,000	\$1,353,849	\$2,019,852	\$1,999,010	-1%

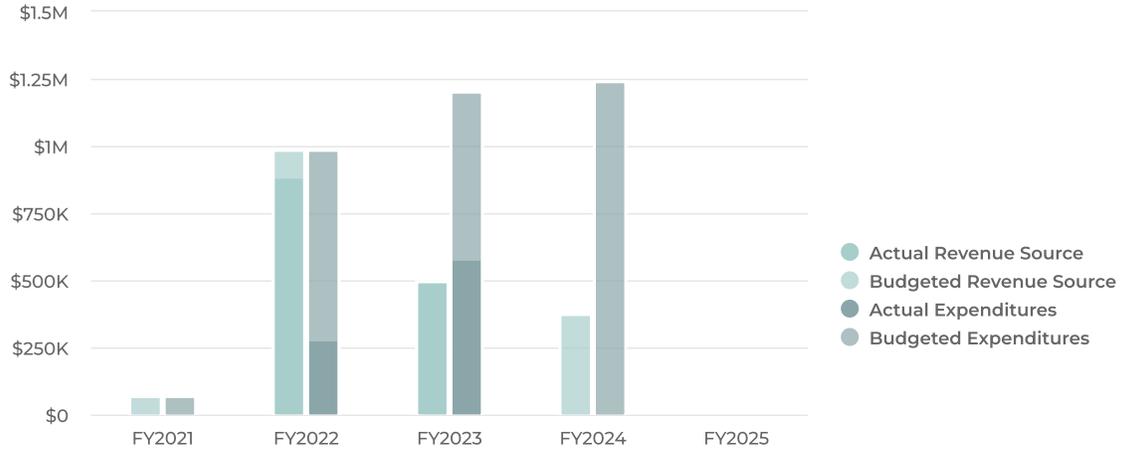


Harbor Capital Improvement Fund (923)

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

Summary

No new revenue or expenditures are planned for FY 2024-25. The Department will continue to make progress on capital projects funded in prior years. That budget is carried forward each year as part of the budget adoption resolution approved by Council.



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.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Intergovernmental Revenues	\$0	\$0	\$100,000	\$0	-100%
Other Revenues	\$128,604	\$0	\$0	\$0	0%
Interfund Revenue Transfers	\$760,000	\$500,000	\$280,000	\$0	-100%
Total Revenue Source:	\$888,604	\$500,000	\$380,000	\$0	-100%

Expenditures by Function

There is **no new budget allocation** for FY 2024-25. Any remaining FY 2023-24 Harbor CIP budget that is unexpended at fiscal year-end but for which projects are ongoing will be carried forward with City Council approval.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expenditures					
Non-Departmental	\$0	\$292,723	\$0	\$0	0%
Capital Projects	\$285,463	\$292,723	\$1,242,093	\$0	-100%
Total Expenditures:	\$285,463	\$585,447	\$1,242,093	\$0	-100%

Fund Balance

Any unspent 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 approximately **\$245K** at June 30, 2024, as several capital projects are still ongoing and will have unexpended funds that will be carried forward to FY 2024-25.

The Harbor Capital Improvements Fund balance also includes approximately **\$52K** reserved for future vehicle/vessel/equipment replacements.

Financial Summary	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	
Assigned	\$603,000	\$810,417	\$672,800	\$245,173	-63.6%
Nonspendable	\$0	\$0	\$0	\$0	0%
Total Fund Balance:	\$603,000	\$810,417	\$672,800	\$245,173	-63.6%



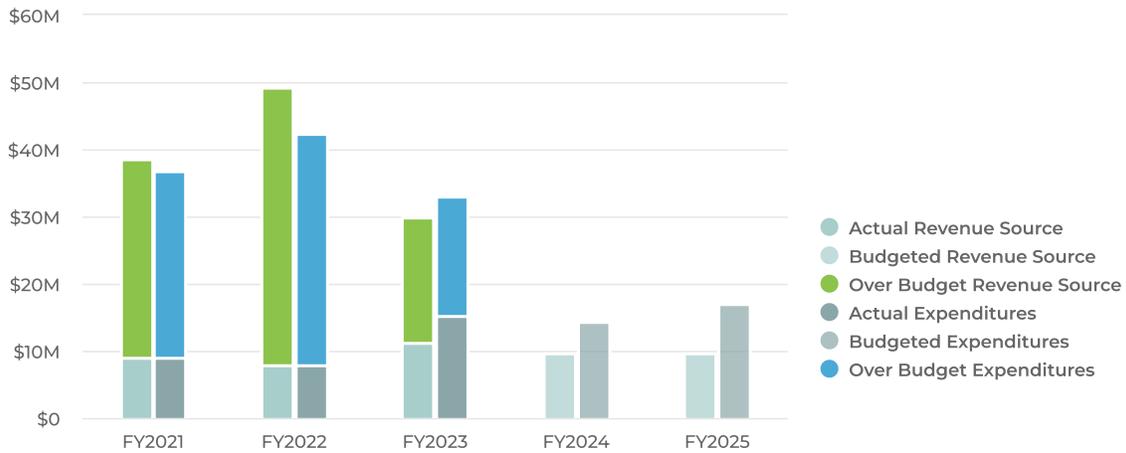
Sewer Operating Fund (321)

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 activity for the City's collection system and wastewater treatment plant operations. Previously, budget activity for the wastewater treatment plant was tracked in the 599 Fund and was governed by the Joint Powers Agreement between Morro Bay and Cayucos.

Summary

The City of Morro Bay is projecting **\$9.8 million** of revenue in FY 2024-25. Budgeted expenditures are **\$17.2 million** in FY 2024-25, including **\$10.4 million** in transfers for capital costs (\$9.9 million) and the City's cost allocation plan (\$0.5 million). 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 2020-21 through FY 2022-23 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 loan disbursements to reimburse the fund for up-front project expenditures, which will be repaid in debt service payments over time.

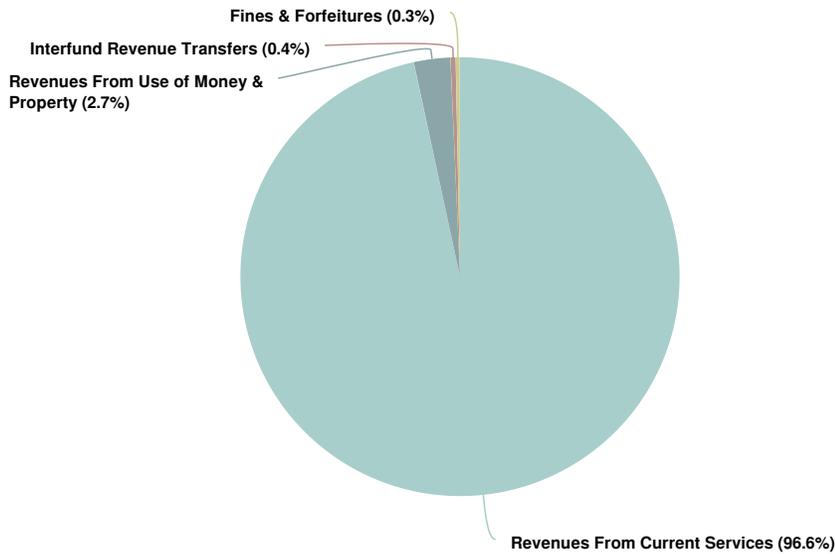


Revenues by Source

All ongoing revenues to the Sewer Fund come from ratepayers paying for City sewer services. Ongoing rate revenues are projected to be flat since no rate increases are budgeted for FY 2024-25. The city is conducting a rate study to determine if there is a need to raise rates in the coming years.

The jump in actual revenues during FY 2020-21 through FY 2022-23 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.

Projected 2025 Revenues by Source



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Intergovernmental Revenues	\$90,047	-\$25,621	\$0	\$0	0%
Revenues From Current Services	\$9,703,719	\$9,389,382	\$9,460,000	\$9,460,000	0%
Fines & Forfeitures	\$34,431	\$58,843	\$30,000	\$30,000	0%
Other Revenues	-\$5,434	\$635	\$0	\$0	0%
Revenues From Use of Money & Property	\$171,431	\$434,397	\$263,604	\$263,604	0%
Interfund Revenue Transfers	\$39,316,339	\$20,103,758	\$0	\$37,000	N/A
Total Revenue Source:	\$49,310,532	\$29,961,394	\$9,753,604	\$9,790,604	0.4%

Expenditures by Expense Type

FY 2024-25 will see lower expenditures in the WRF program as the project components begin to wind down, resulting in a decrease in interfund transfers and the expenditure budget as a whole.

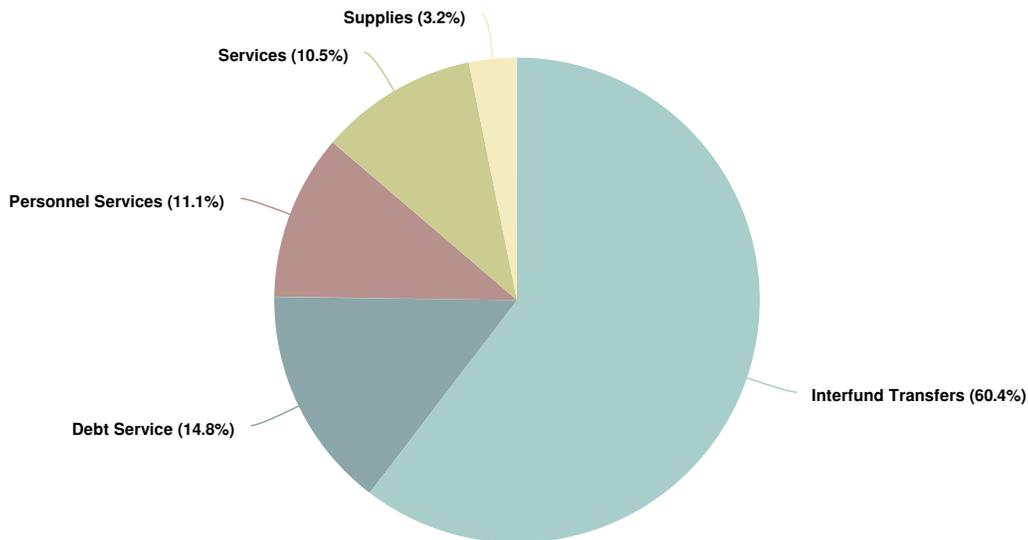
Personnel - Personnel costs are increasing slightly, reflecting the need to keep employee compensation competitive to attract and retain talent.

Services and Supplies - Budgeted costs for supplies are increasing 37% in FY 2024-25, reflecting the rising cost of meeting new State of California regulations. In addition, costs for utilities, chemicals, lab supplies, and other operating supplies are increasing due to persistent inflation. The services budget for FY 2024-25 is decreasing slightly, reflecting savings in some insurance premiums and a reduction in consultant services.

Interfund Transfers - Budgeted interfund transfers in FY 2024-25 total **\$10,399,613** and are as follows:

- Transfer to General Fund for Cost Allocation Plan internal services - **\$393,665**
- Transfer to Information Technology and Risk Management Funds - **\$119,088**
- Transfer to Sewer Capital Improvement Fund - **\$9,856,860**
- Transfer to Water Discounts/Rebates Fund - **\$30,000**

Budgeted Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$577,224	\$1,581,436	\$1,850,554	\$1,904,288	2.9%
Supplies	\$47,938	\$256,555	\$399,000	\$547,500	37.2%
Other Expense	\$2,004,214	\$84,415	\$0	\$0	0%
Services	\$360,558	\$1,226,772	\$2,004,232	\$1,814,881	-9.4%
Debt Service	\$0	\$0	\$0	\$2,555,736	N/A
Interfund Transfers	\$39,363,464	\$29,961,074	\$10,211,301	\$10,399,613	1.8%
Total Expense Objects:	\$42,353,398	\$33,110,254	\$14,465,087	\$17,222,018	19.1%

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 2024-25 is projected to be approximately **\$12 million**.

For FY 2024-25, this **meets the City's reserve policies** for this fund, as follows:

- 25% of operating budget in last adopted budget - \$1.1 million
- 5% of prior year's rates for rate stabilization - \$0.5 million
- 20% of value of the water fleet - \$0.1 million
- Debt service coverage ratio - 2.0

The five-year forecast for the Sewer Operating Fund, as explained in detail in the *Long-Range Financial Plans* section of this budget, projects the Sewer Operating Fund meeting all reserve policies throughout the forecast period. However, capital needs continue to be assessed and may tip the scales for the fund's reserves if larger project needs are identified.

In addition to the minimum reserves required by policy, the Sewer Operating Fund also maintains reserves for planned vehicle and equipment replacements. These reserves are tracked via an asset account on the fund's balance sheet. Each year, funds are set aside in this account to support the future replacement of major equipment and vehicles. For FY 2024-25, the Sewer Operating Fund is setting aside an additional **\$100K**, bringing the total accumulation to approximately **\$632K**. In future years, these reserves can be transferred to the Sewer Capital Improvement Fund (922) to support the acquisition of vehicles and/or equipment. Fund 922 currently maintains a separate reserve for vehicles and equipment totaling **\$257K**. Combined, the total reserves for water vehicles/equipment replacement are **\$889K**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$1,918,000	\$22,767,000	\$23,832,493	\$19,428,006	\$11,985,252	-38.3%
Total Fund Balance:	\$1,918,000	\$22,767,000	\$23,832,493	\$19,428,006	\$11,985,252	-38.3%





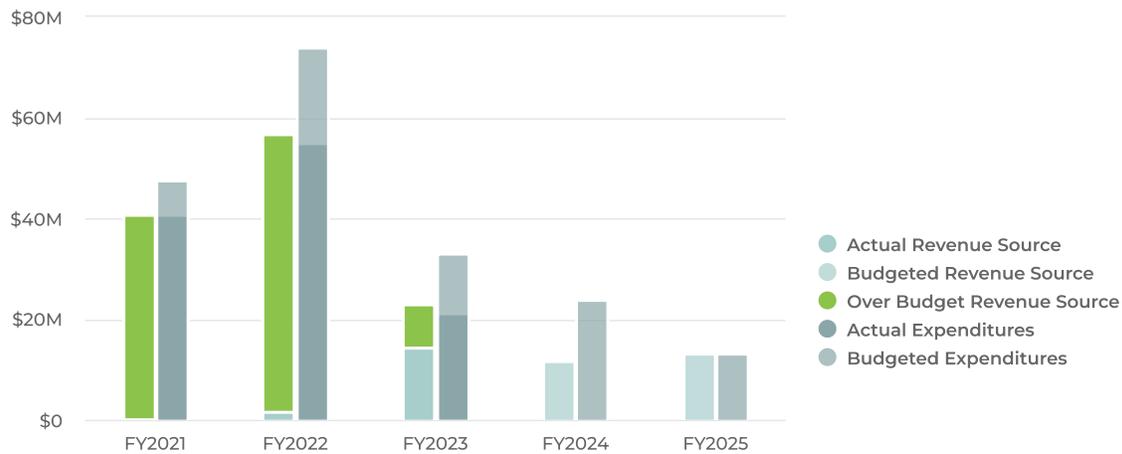
Sewer Capital Improvement Fund (922)

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

Summary

The City of Morro Bay is projecting **\$13.5 million** in revenues and expenditures for FY 2024-25. Any unexpended budget from prior years will be carried forward for ongoing capital projects. The City Council authorizes the carry-forward of the ongoing capital budget as part of budget adoption.

High actuals in FY 2020-21 through FY 2022-23 resulted from one-time loan transfers to the Sewer CIP fund for the Sewer Fund's share of the Water Reclamation Facility project and 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.

In FY 2024-25, sewer capital projects other than the WRF will be funded solely through transfers from the Sewer Operating Fund, which is funded by ratepayer revenue. This represents approximately **\$9.9 million** in transfers in from the Sewer Operating Fund.

The FY 2024-25 WRF project budget is approximately **\$3.8 million** (plus any unexpended budget from prior years that will be carried forward with Council approval). The FY 2024-25 WRF budget will be transferred in as follows:

- o Approximately **\$3.5 million** in revenue will be from grants.
- o Approximately **\$0.1 million** in revenue will be from the Water Operating Fund, which represents 30% of the cash-funded portion of the FY 2024-25 project budget.
- o Approximately **\$0.2 million** in revenue will be from the Sewer Operating Fund, which represents 70% of the cash-funded portion of the FY 2024-25 project budget.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Sewer Capital Impv Fund	\$56,890,364	\$23,213,250	\$11,908,449	\$13,467,499	13.1%
Total Sewer Capital Impv Fund:	\$56,890,364	\$23,213,250	\$11,908,449	\$13,467,499	13.1%

Expenditures by Fund

The FY 2024-25 budget includes **\$13.4 million** in CIP budget for **five** Sewer capital improvement projects (CIPs). This represents new budget allocation. In addition to the new FY 2024-25 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 a significant carry-forward budget from the Water Reclamation Facility project.

The **\$13,467,499** million in new funding allocation is broken down as follows. The *Capital Improvements* section of the Budget Book presents each project in great detail.

- o **\$4,818,000** - Wastewater Treatment Plant Decommissioning | Ongoing project
- o **\$4,594,924** - Main Street and Atascadero Sewer Main Replacements | Ongoing project
- o **\$3,804,575** - Water Reclamation Facility | Ongoing project
- o **\$150,000** - Utility Manhole Rehabilitation Project | Ongoing project
- o **\$100,000** - Beachcomber Backyard Sewer Replacement | Ongoing project

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Sewer Capital Impv Fund	\$55,220,282	\$21,301,938	\$23,960,793	\$13,467,499	-43.8%
Total Sewer Capital Impv Fund:	\$55,220,282	\$21,301,938	\$23,960,793	\$13,467,499	-43.8%

Fund Balance

Unexpended capital funds for active projects will remain in the CIP fund and the budget will be carried forward to complete the project in the next year. The Sewer Capital Improvement Fund balance is projected to be approximately **\$3.6 million** at the end of FY 2024-25, as there are several capital projects that are still ongoing. This assumes that most budgeted funds will be expended by the end of FY 2024-25; if not, the actual fund balance would be higher.

The CIP fund balance also includes **\$257K** reserved for future vehicle/equipment replacement.

Financial Summary	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	
Assigned	\$1,670,000	\$3,581,394	\$3,581,394	\$3,581,394	0%
Nonspendable	\$0	\$0	\$0	\$0	0%
Total Fund Balance:	\$1,670,000	\$3,581,394	\$3,581,394	\$3,581,394	0%



Water Operating Fund (311)

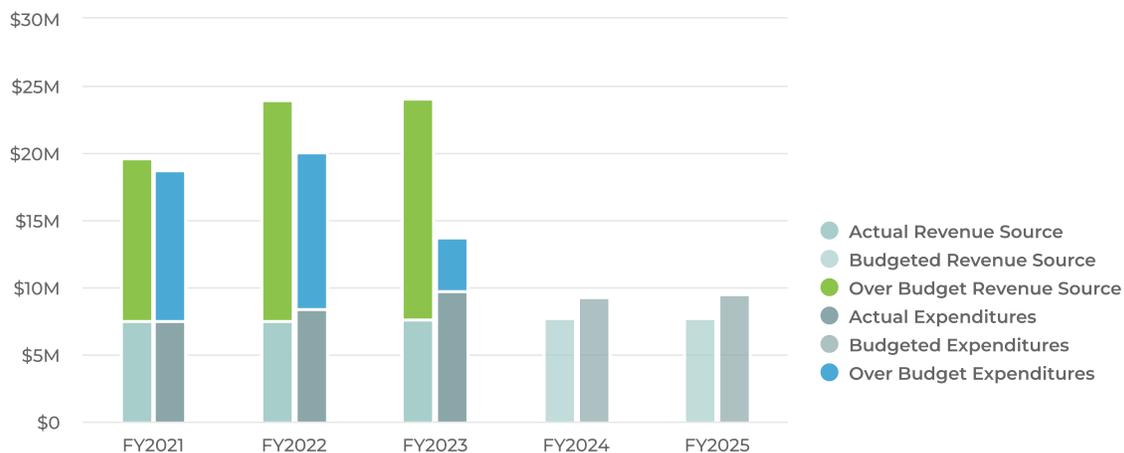
The Water Operating Fund is a self-supporting enterprise fund that accounts for all income and expenses associated with the City's water utility operation. Its primary revenue source is water sales to residents and businesses.

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 **\$7.8 million** of revenue in FY 2024-25, which represents a 0.4% increase over the prior year. The increase is due to budgeting the estimated transfer in from the Water Discounts/Rebates Fund to cover the cost of the Discount Program. In prior budgets, this transfer in revenue has not been budgeted, but the transfer in has been completed. Budgeted expenditures are projected to increase by 2.7% to **\$9.6 million** in FY 2024-25. These expenditures include one-time transfers out of the fund for capital projects as well as the initial debt service payment for WIFIA loan for the Water Reclamation Facility construction.

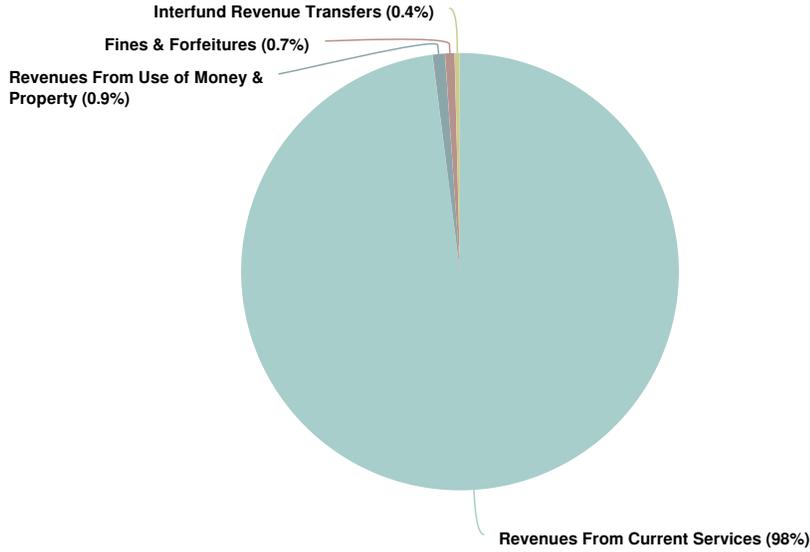
The jump in FY 2020-21, FY 2021-22, and FY 2022-23 actual expenditures reflects transfers of loan proceeds to the Sewer CIP fund for the Water Fund's share of the Water Reclamation Facility project costs, as well as loan disbursements to reimburse the fund for up-front project expenditures, which will be repaid in debt service payments over time. Repayment begins in FY 2024-25.



Revenues by Source

All ongoing revenues to the Water Fund come from ratepayers purchasing Water from the City. Revenues are flat from the prior year, as no budgeted rate increases are included for FY 2024-25. The City is currently completing a rate study to determine if rate increases are warranted in the coming years.

Projected 2025 Revenues by Source



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Intergovernmental Revenues	\$61,473	\$0	\$0	\$0	0%
Revenues From Current Services	\$7,616,413	\$7,340,604	\$7,649,200	\$7,649,200	0%
Fines & Forfeitures	\$25,095	\$45,649	\$55,000	\$55,000	0%
Other Revenues	\$6,583	\$1,189	\$0	\$0	0%
Revenues From Use of Money & Property	\$57,545	\$516,655	\$72,637	\$72,637	0%
Interfund Revenue Transfers	\$16,195,874	\$16,217,707	\$0	\$30,000	N/A
Total Revenue Source:	\$23,962,983	\$24,121,803	\$7,776,837	\$7,806,837	0.4%

Expenditures by Expense Type

Looking at historical expenditures, the jump in FY 2020-21, FY 2021-22, and FY 2022-23 actual expenditures reflects transfers of loan proceeds to the Sewer CIP fund for the Water Fund's share of the Water Reclamation Facility project costs, as well as loan disbursements to reimburse the fund for up-front project expenditures, which will be repaid in debt service payments over time. Repayment begins in FY 2024-25.

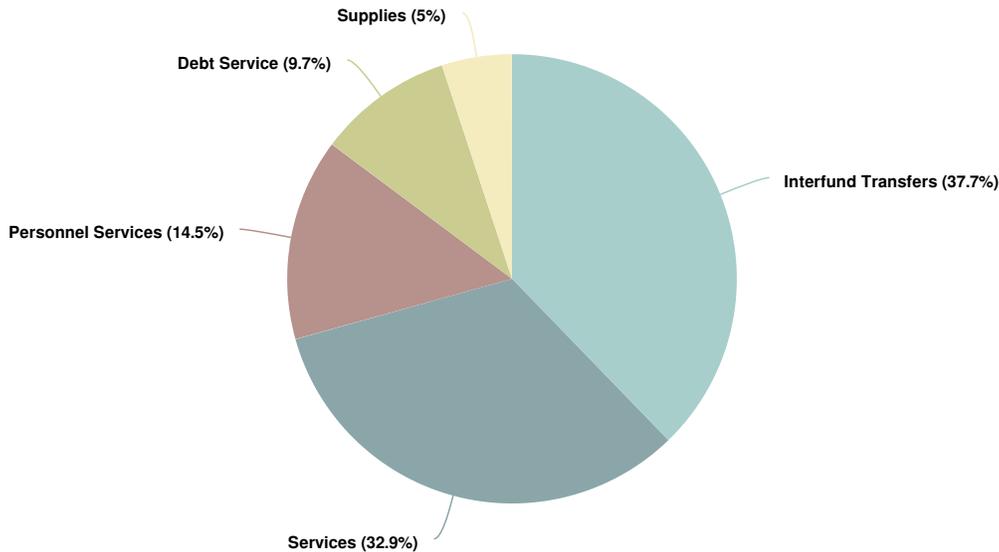
Personnel, Services, and Supplies - Personnel costs are increasing for FY 2024-25 due to the FY 2024-25 through FY 2026-27 collective bargaining contracts. Budgeted service costs are decreasing at the request of the City Manager. Supplies costs are increasing in response to regulatory actions imposed by state and federal government, including the new lead and copper rules.

A major expenditure increase can be seen in the **debt service** category, heralding the start of loan payments for the WRF project.

Interfund Transfers - Budgeted interfund transfers in FY 2024-25 total **\$3,625,655** and include the following:

- o **\$3,050,000** - Transfer to the Water Capital Improvements fund for Water projects outlined in CIP budget.
- o **\$369,983** - Transfer to General Fund for Cost Allocation Plan internal services.
- o **\$92,557** - Transfer to Information Technology and Risk Management Funds for the Water Department's share of those services.
- o **\$83,115** - Transfer to Sewer CIP fund for Water's portion of the non-financed FY 2024-25 Water Reclamation Facility budget.
- o **\$30,000** - Transfer to the Utility Discounts Fund (315)

Budgeted Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$870,379	\$1,229,772	\$1,255,046	\$1,395,885	11.2%
Supplies	\$153,849	\$181,288	\$368,050	\$484,000	31.5%
Other Expense	\$0	\$146,788	\$0	\$0	0%
Services	\$1,787,074	\$3,303,569	\$3,291,612	\$3,163,933	-3.9%



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Debt Service	\$0	\$46,857	\$0	\$936,053	N/A
Interfund Transfers	\$17,353,686	\$8,847,065	\$4,438,681	\$3,625,655	-18.3%
Total Expense Objects:	\$20,164,988	\$13,755,340	\$9,353,389	\$9,605,526	2.7%

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 2024-25 is projected to be approximately **\$8.4 million**.

For FY 2024-25, this **meets the City's reserve policies** for this fund, as follows:

- o 25% of operating budget in last adopted budget - **\$1.0 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 Coverage Ratio - **2.6**

However, as the five-year forecast in the **Long-Range Financial Plans** section of the budget demonstrates, the Water Fund's outlook is unstable and two out of five years in the forecast do not comply with Council reserve policies.

In addition to the minimum reserves required by policy, the Water Operating Fund also maintains reserves for planned vehicle and equipment replacements. These reserves are tracked via an asset account on the fund's balance sheet. Each year, funds are set aside in this account to support the future replacement of major equipment and vehicles. For FY 2024-25, the Water Operating Fund is setting aside an additional **\$63K**, bringing the total accumulation to approximately **\$214K**. In future years, these reserves can be transferred to the Water Capital Improvement Fund (921) to support the acquisition of vehicles and/or equipment. Fund 921 currently maintains a separate reserve for vehicles and equipment totaling **\$304K**. Combined, the total reserves for water vehicles/equipment replacement are **\$518K**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$11,098,000	\$9,969,000	\$11,807,246	\$10,230,695	\$8,431,616	-17.6%
Total Fund Balance:	\$11,098,000	\$9,969,000	\$11,807,246	\$10,230,695	\$8,431,616	-17.6%



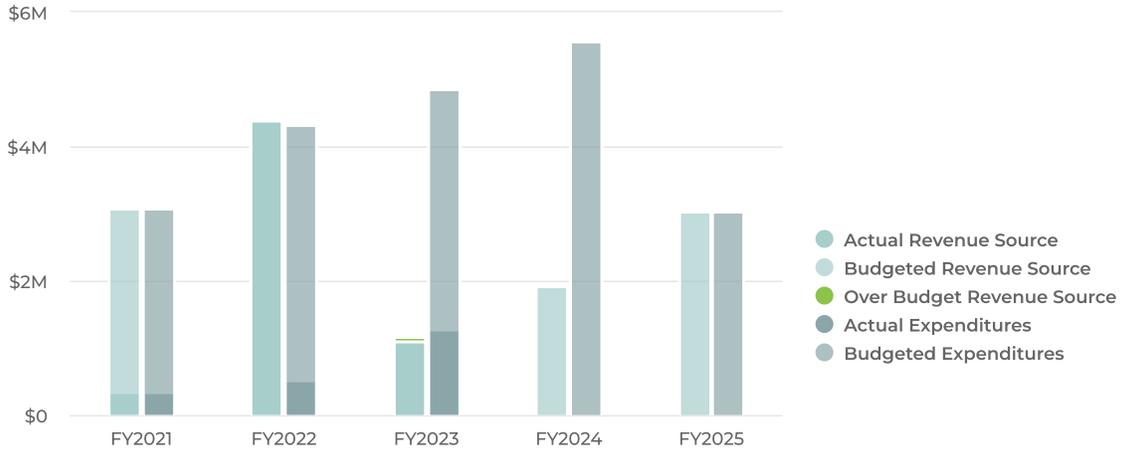


Water Capital Improvement Fund (921)

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

Summary

The City of Morro Bay is projecting **\$3.1 million** in revenues, as transfers from Water Operating Fund, and **\$3.1 million in new capital project expenditures** in FY 2024-25. Additionally, any unexpended budget from FY 2023-24 that is for ongoing projects will be carried forward for use in the current year as part of the City Council budget adoption resolution.



Revenue by Fund

Revenues into the Water CIP fund consist entirely of transfers in from the Water Operating fund.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Water Capital Impv Fund	\$4,402,147	\$1,182,512	\$1,928,489	\$3,050,000	58.2%
Total Water Capital Impv Fund:	\$4,402,147	\$1,182,512	\$1,928,489	\$3,050,000	58.2%

Expenditures by Fund

The FY 2024-25 budget includes **\$3,050,000** in ongoing capital improvement budget. This is new funding allocation. In addition to the new budget allocation, any unexpended project budget from FY 2023-24 for ongoing projects will be carried forward with City Council approval.

The \$3,050,000 in new funding allocation is broken down as follows. The *Capital Improvements* section of this budget describes these projects in detail.

- **\$1,250,000** - Morro Basin Wellfield Rehabilitation | Ongoing project
- **\$1,800,000** - Nutmeg Tank and related Pressure Zone Improvements | Ongoing project

In addition to these projects budgeted in the Water Capital Fund, the Water Operating Fund will also contribute approximately \$0.1 million (reflected as a transfer) to the Sewer Capital Improvements Fund to cover the water-related portion of the cash-funded Water Reclamation Facility (WRF) budget for FY 2024-25.

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 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Water Capital Impv Fund	\$529,257	\$1,278,423	\$5,577,441	\$3,050,000	-45.3%
Total Water Capital Impv Fund:	\$529,257	\$1,278,423	\$5,577,441	\$3,050,000	-45.3%

Fund Balance

Unexpended capital funds for active projects will remain in the Water Capital Improvement Fund, and the budget will be carried forward to allow projects to be completed in the next year. The Water Capital Improvement Fund's ending fund balance is projected to be almost **\$4.6 million** at June 30, 2024, as several capital projects are still ongoing and will have unexpended funds that will be carried forward to FY 2024-25. Assuming completion of all active projects, the ending fund balance at June 30, 2025 will be approximately **\$351K**.

The Water Capital Improvement fund balance also includes **\$304K** reserved for future vehicle/equipment replacement.

Financial Summary	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	
Assigned	\$3,873,000	\$3,776,979	\$4,600,000	\$350,965	-92.4%
Nonspendable	\$0	\$0	\$0	\$0	0%
Total Fund Balance:	\$3,873,000	\$3,776,979	\$4,600,000	\$350,965	-92.4%

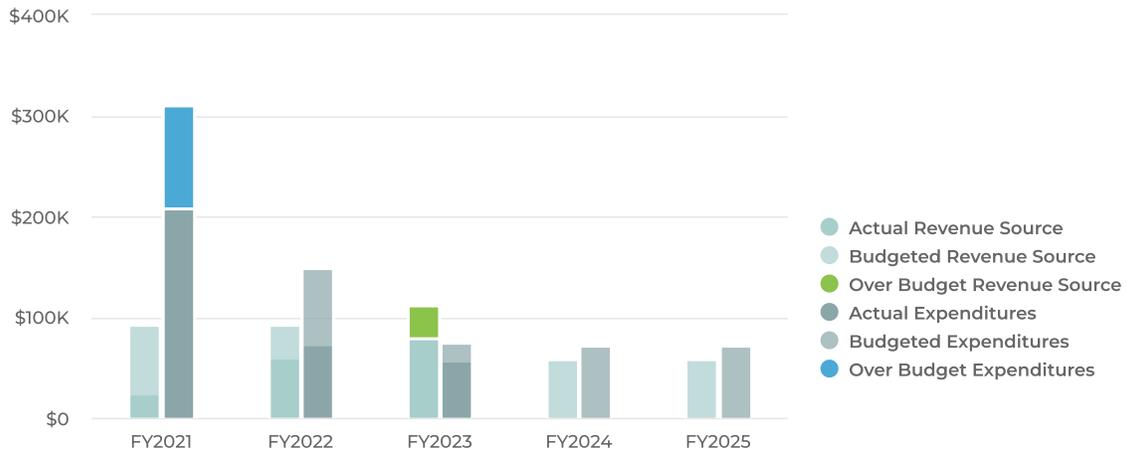


Utility Discount Fund (315)

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. 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 **\$60K** of revenue in FY 2024-25, which represents a **0% increase** over the prior year. Budgeted expenditures are projected to **remain flat** in FY 2024-25.



Revenue by Fund

Revenues to the Utility Discount Fund include late payment penalties, insufficient funds fees, and reconnection fees. 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.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Water Discounts/Rebates	\$61,217	\$112,795	\$60,000	\$60,000	0%
Total Water Discounts/Rebates:	\$61,217	\$112,795	\$60,000	\$60,000	0%

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.

The utility discount program is budgeted at **\$67K** and the water conservation rebate program is budgeted at **\$6K** for a total combined expenditure budget of **\$73K** in FY 2024-25.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Water Discounts/Rebates					
Other Expense					
Loss on Investment	\$0	\$739	\$0	\$0	0%
Water Customer Discount	-\$4	\$0	\$0	\$0	0%
Utility Rebate Program	\$3,705	\$2,610	\$3,000	\$3,000	0%
Water Conservation Rebate	\$4,775	\$1,425	\$3,000	\$3,000	0%
Total Other Expense:	\$8,477	\$4,774	\$6,000	\$6,000	0%
Interfund Transfers					
Transfers Out	\$65,895	\$52,925	\$67,000	\$67,000	0%
Total Interfund Transfers:	\$65,895	\$52,925	\$67,000	\$67,000	0%
Total Water Discounts/Rebates:	\$74,372	\$57,699	\$73,000	\$73,000	0%

Fund Balance

The fund balance declined significantly in FY 2020-21 due to penalties being largely suspended during the COVID-19 pandemic, while expenditures increased due to the administrative decision to raise the discount rate from 10% to 25% for eligible customers in order to provide additional financial relief. Going forward, the fund balance is projected to stabilize as penalties have been reinstated, and the discount rate returned to 10%. The projected ending fund balance for FY 2024-25 is **\$378K**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Committed	\$371,000	\$349,000	\$404,582	\$391,582	\$378,582	-3.3%
Total Fund Balance:	\$371,000	\$349,000	\$404,582	\$391,582	\$378,582	-3.3%

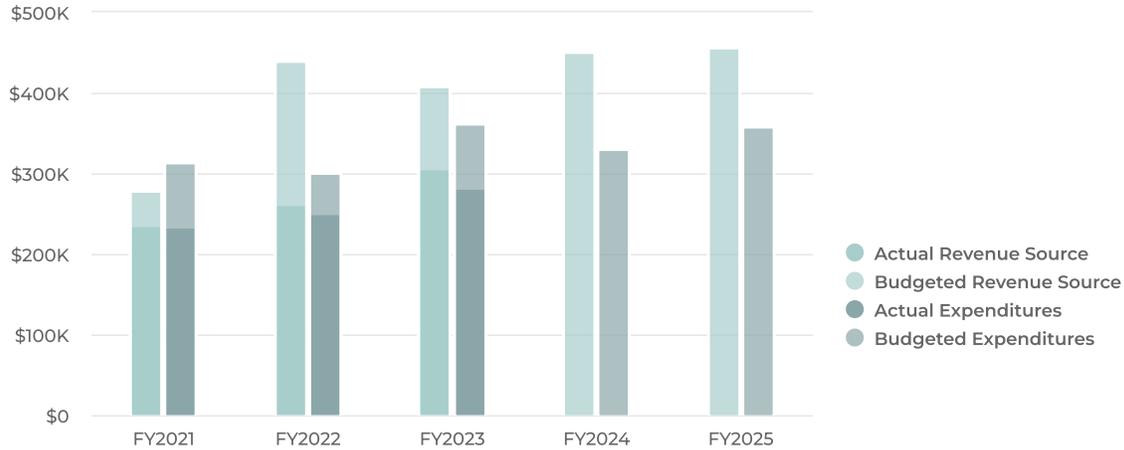


Transit Operating Fund (301)

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 **\$458K** in revenue for FY 2024-25, a **1.5% increase** over the prior year. Expenditures are projected to increase to **\$358K**.



Revenues by Source

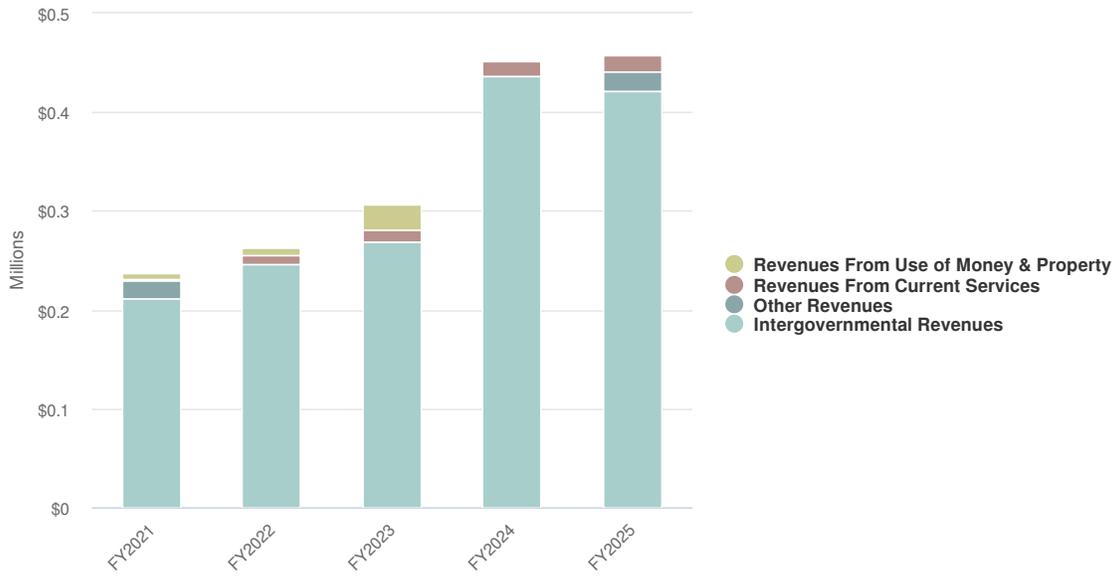
For FY 2024-25, anticipated Transportation Development Act (TDA) revenue to be received by the City reflects an increase from the prior year due to projections from the State Controller's Office. Anticipated farebox revenue for current services is anticipated to increase due to ridership increases resulting 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 2025 Revenues by Source



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Public Works					
LTF Transit	\$352,403	\$457,733	\$326,503	\$318,079	-2.6%
DAR STA	\$35,226	\$49,743	\$69,866	\$60,988	-12.7%
LTF Misc Trans Allocation	-\$264,615	-\$289,378	\$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	\$40,808	\$42,826	4.9%
Van Farebox Receipts	\$6,683	\$7,965	\$10,000	\$13,000	30%
Van Farebox Receipts	\$2,281	\$2,554	\$4,000	\$4,000	0%
Other Rev/Current Services	\$0	\$1,321	\$0	\$0	0%
Programmed Use of Fund Balance	\$0	\$0	\$0	\$19,200	N/A
Rental Income	\$0	\$254	\$0	\$0	0%
Total Public Works:	\$254,805	\$281,678	\$451,177	\$458,093	1.5%
Non-Departmental					
Interest Income	\$4,229	\$25,201	\$0	\$0	0%
Gain On Investment	\$4,392	\$0	\$0	\$0	0%
Total Non-Departmental:	\$8,621	\$25,201	\$0	\$0	0%
Total Revenue Source:	\$263,426	\$306,879	\$451,177	\$458,093	1.5%

Expenditures by Expense Type

For FY 2024-25, anticipated expenditure changes are 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 2024-25, the interfund transfers are budgeted for Cost Allocation Plan contributions.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Supplies	\$35,376	\$38,134	\$41,640	\$38,400	-7.8%
Other Expense	\$0	\$7,379	\$0	\$0	0%
Services	\$168,834	\$190,887	\$248,763	\$273,048	9.8%
Interfund Transfers	\$48,016	\$47,358	\$40,868	\$46,997	15%
Total Expense Objects:	\$252,226	\$283,758	\$331,271	\$358,445	8.2%

Fund Balance

For FY 2024-25 fund balance is anticipated to be approximately **\$2.1 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 website.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$1,694,000	\$1,513,000	\$1,921,055	\$2,047,414	\$2,147,062	4.9%
Total Fund Balance:	\$1,694,000	\$1,513,000	\$1,921,055	\$2,047,414	\$2,147,062	4.9%

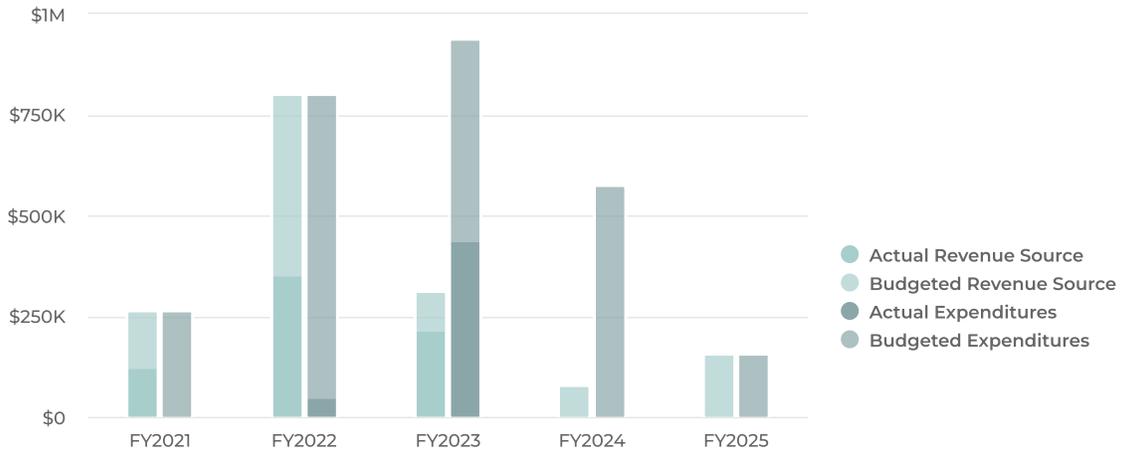


Transit Capital Improvement (920)

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

Summary

For FY 2024-25, the Transit Capital Improvement Fund is budgeting **\$141K of reimbursable grant revenue** and a **\$19K contribution from the Transit Operating Fund** to purchase a **replacement Morro Bay Transit bus**. 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 2024-25 Transit CIP Fund revenue budget represents local Rural Transit Fund (RTF) grant revenue transferred into the fund plus a small transfer from Transit Operating.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Transit Capital Impv Fund					
Intergovernmental Revenues	\$313,388	\$125,082	\$60,000	\$140,800	134.7%
Interfund Revenue Transfers	\$42,010	\$91,871	\$20,000	\$19,200	-4%
Total Transit Capital Impv Fund:	\$355,398	\$216,953	\$80,000	\$160,000	100%

Expenditures by Fund

The FY 2024-25 budget includes **\$160K** in new CIP budget for one Transit CIP. This amount represents new budget allocation. In addition, any remaining FY 2023-24 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 \$160K in new funding allocation is for the following project contribution:

- **Morro Bay Transit Vehicle Replacement (\$160,000)**

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

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Transit Capital Impv Fund					
Personnel Services	\$0	\$870	\$0	\$0	0%
Services	\$50,627	\$410,703	\$124,873	\$0	-100%
Capital Outlay	\$0	\$30,476	\$453,127	\$160,000	-64.7%
Total Transit Capital Impv Fund:	\$50,627	\$442,049	\$578,000	\$160,000	-72.3%

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 **\$50,000** at the end of FY 2024-25. This assumes that most budgeted funds will be expended by the end of FY 2024-25; if not, the actual fund balance would be higher.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Assigned	\$119,438	\$424,000	\$199,113	\$48,627	\$48,627	0%
Restricted	\$0	\$0	\$0	\$0	\$0	0%
Total Fund Balance:	\$119,438	\$424,000	\$199,113	\$48,627	\$48,627	0%

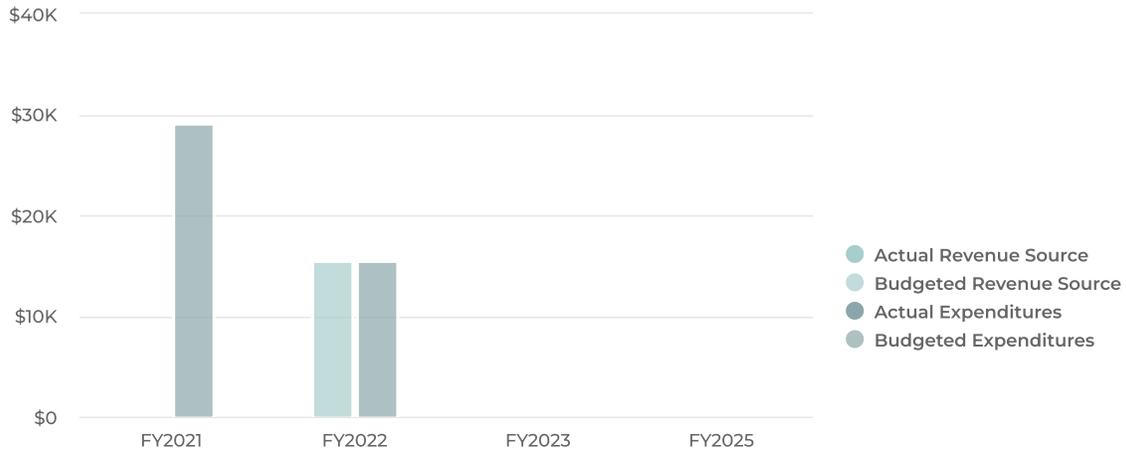


Trust and Agency Fund (515)

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 FY 2024-25.



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 2024-25, the fund balance is expected to be approximately **\$0.7 million**.

Financial Summary	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$1,307,497	\$1,205,000	\$1,068,101	\$750,000	\$750,000	0%
Total Fund Balance:	\$1,307,497	\$1,205,000	\$1,068,101	\$750,000	\$750,000	0%

DEPARTMENTS

City Council

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.

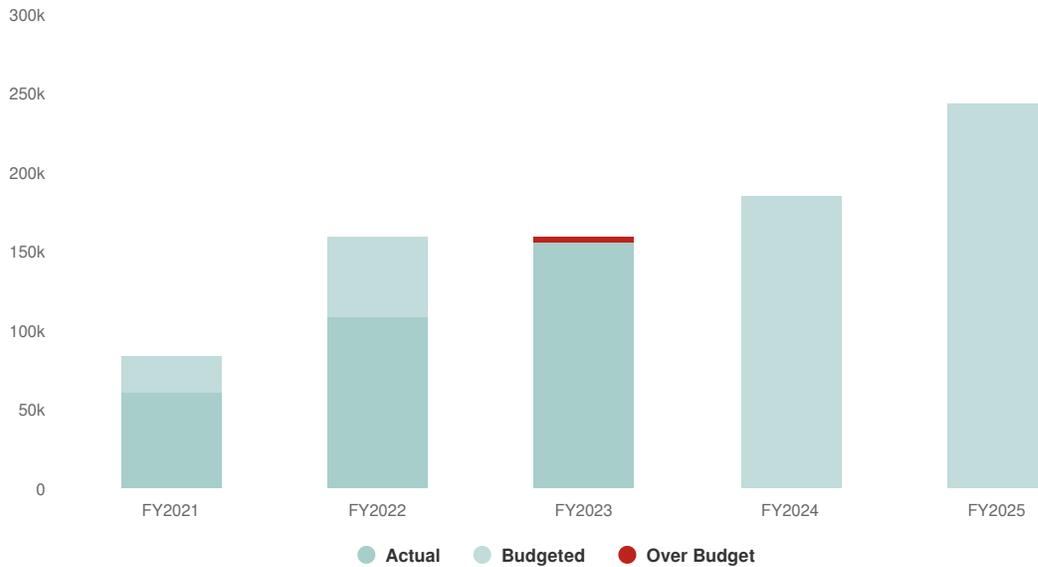
Mayor and Councilmembers

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

Expenditures Summary

\$243,665 **\$59,126**
 (32.04% vs. prior year)

City Council Proposed and Historical Budget vs. Actual



The FY 2024-25 City Council Budget includes \$50,000 in one-time expenditures offset by ARPA funding to provide an additional \$25,000 in Community Grants and \$25,000 for a professional facilitator for the next phase of goal setting.

Expenditures by Function

The FY 2024-25 City Council budget includes a \$35,000 General Fund contribution for the Community Grant Program and \$1,500 for Community Resource Connections services.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expenditures					
City Council					
Personnel Services	\$47,039	\$79,494	\$100,800	\$103,119	2.3%
Supplies	\$202	\$3,735	\$1,530	\$3,200	109.2%
Other Expense	\$26,698	\$36,959	\$36,500	\$61,500	68.5%
Services	\$34,175	\$39,307	\$45,709	\$75,846	65.9%
Total City Council:	\$108,114	\$159,494	\$184,539	\$243,665	32%
Total Expenditures:	\$108,114	\$159,494	\$184,539	\$243,665	32%

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



Yvonne Kimball
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 (HR) is essential for attracting, retaining, and developing a qualified, high-performing workforce that delivers exceptional service to Morro Bay residents and visitors. HR accomplishes this through targeted recruitment efforts, professional development, efficient benefits administration, and positive labor relations. These services ensure a fair, efficient, and compliant work environment, critical for attracting and retaining talent who wish to do their best work serving the City of Morro Bay. Additionally, HR safeguards the City's interests by maintaining accurate personnel records, administering job classifications and compensation plans, and ensuring compliance with employment laws. HR fosters positive labor relations through collaboration with bargaining units and discussions with unrepresented employees, promoting a productive and harmonious work culture.

Risk Management

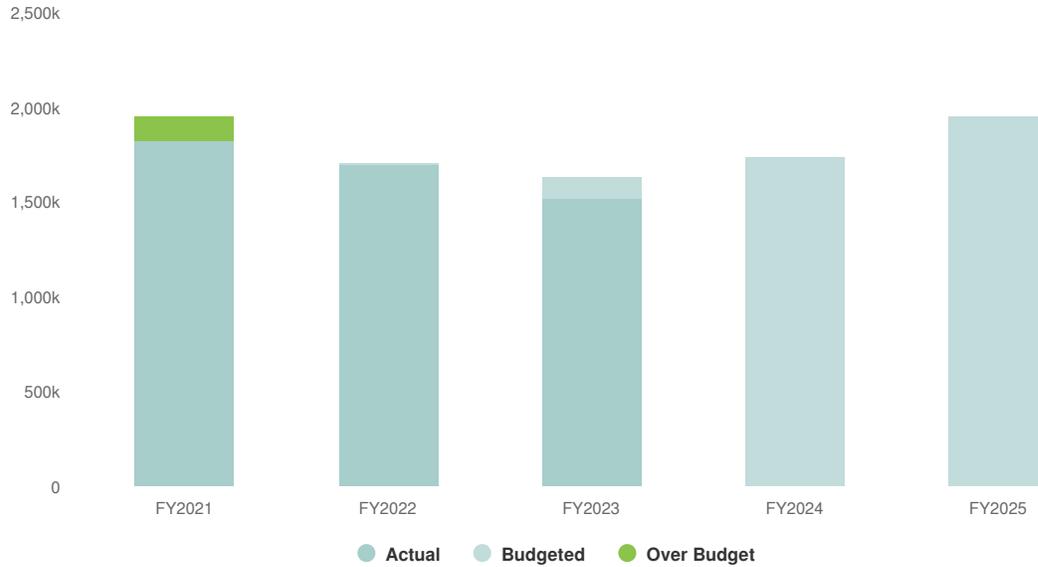
The City of Morro Bay is committed to ensuring a safe environment for our employees, residents, and visitors. The Risk Management Division plays a role in achieving this goal. The California Joint Powers Insurance Authority (CJPIA) is the City's primary provider of risk management services, including insurance coverage for general liability, workers' compensation, and property insurance. In addition to managing these insurance policies, Risk Management actively works to minimize the City's exposure to risk. The Risk Management Division coordinates activities related to coverage documents; processes and manages all claims related to the City's property, liability, and workers' compensation insurance; coordinates ongoing safety training for employees to ensure they have the knowledge and skills to work safely and implements policies and programs to reduce risk exposure.

Revenues Summary

Revenues in the City Manager's Office are mainly 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.

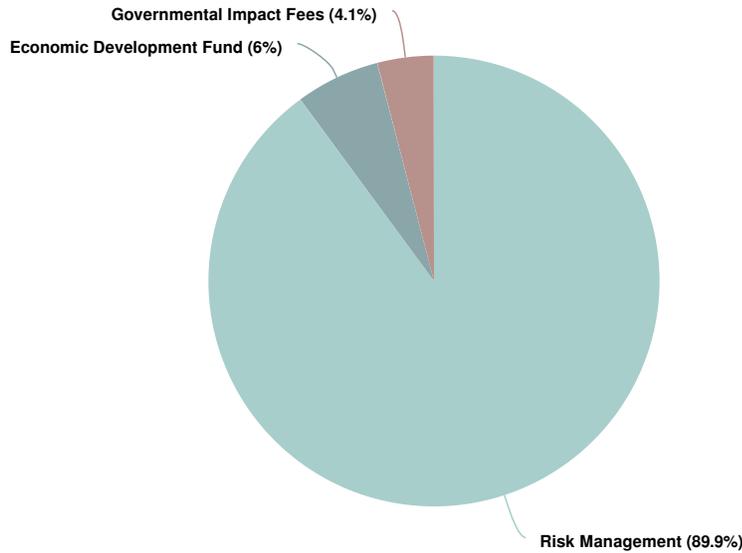
\$1,947,434 **\$208,232**
(11.97% vs. prior year)

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



Revenue by Fund

2025 Revenue by Fund



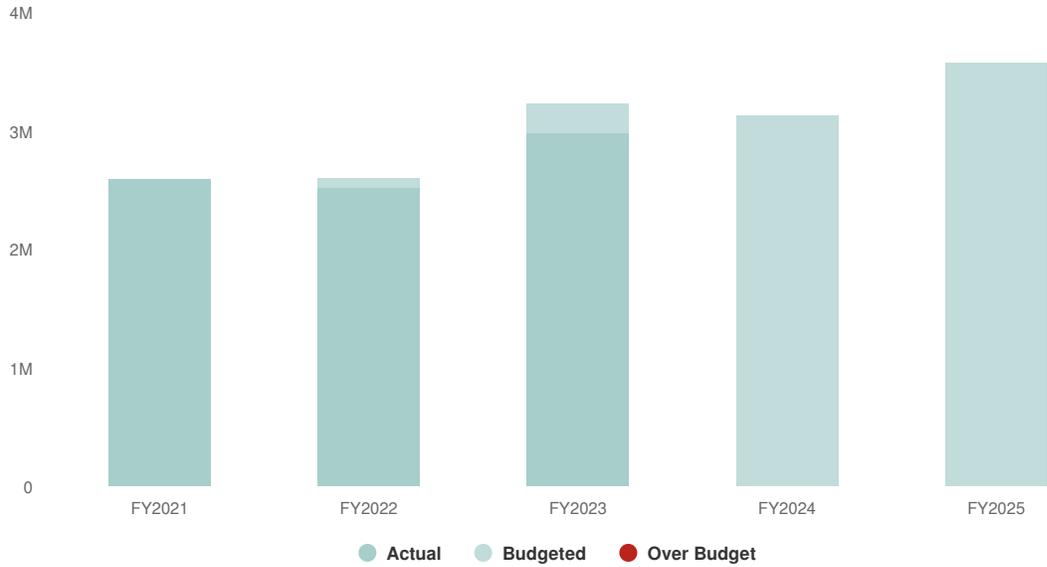
Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
General Fund	\$8,603	\$2,440	\$0	\$0	0%
Risk Management	\$1,442,474	\$1,488,704	\$1,542,490	\$1,750,722	13.5%
Governmental Impact Fees	\$127,905	\$29,172	\$78,906	\$78,906	0%
Economic Development Fund	\$117,806	\$0	\$117,806	\$117,806	0%
Total:	\$1,696,788	\$1,520,316	\$1,739,202	\$1,947,434	12%

Expenditures Summary

For FY 2024-25, 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 now budgeted within the most relevant City department. For the City Manager's Office, that includes state and federal advocacy services (\$78,000), AGP audio/video services (\$75,000), consolidated election services provided by SLO County Clerk-Recorder's Office (\$35,000), and several smaller miscellaneous contracts.

\$3,567,045 **\$435,446**
 (13.90% vs. prior year)

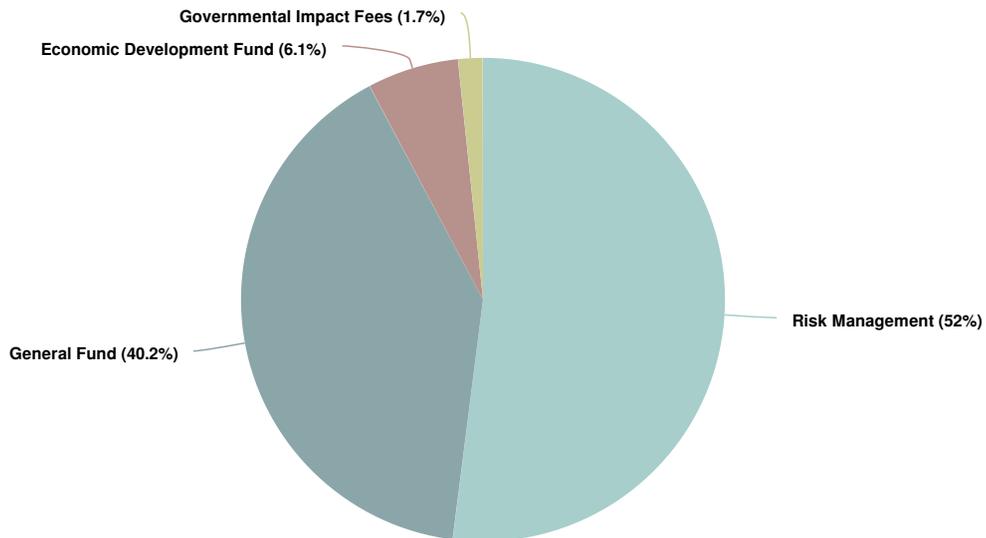
City Manager's Office Proposed and Historical Budget vs. Actual



Expenditures by Fund

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

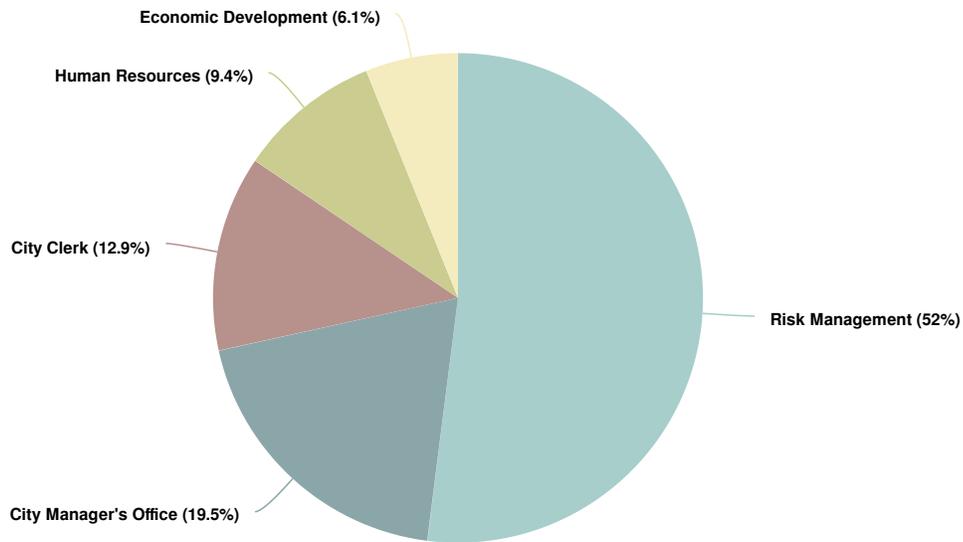
2025 Expenditures by Fund



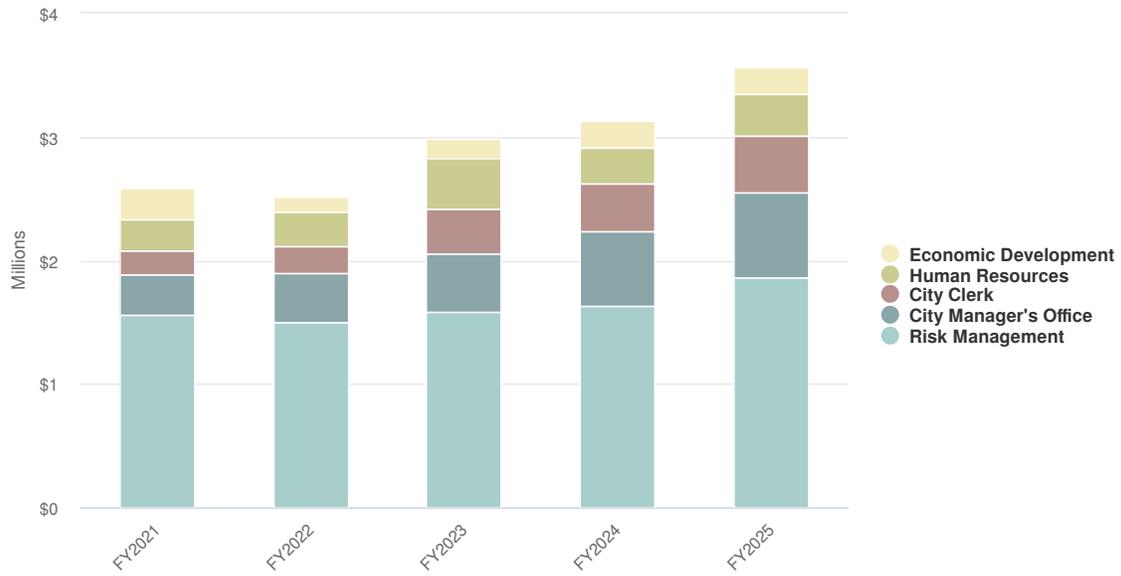
Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
General Fund	\$890,770	\$1,244,805	\$1,283,108	\$1,435,084	11.8%
Risk Management	\$1,504,368	\$1,579,133	\$1,633,491	\$1,855,342	13.6%
Governmental Impact Fees	\$0	\$0	\$0	\$58,890	N/A
Economic Development Fund	\$124,215	\$155,000	\$215,000	\$217,728	1.3%
Total:	\$2,519,353	\$2,978,938	\$3,131,599	\$3,567,045	13.9%

Expenditures by Function

Budgeted Expenditures by Function



Budgeted and Historical Expenditures by Function

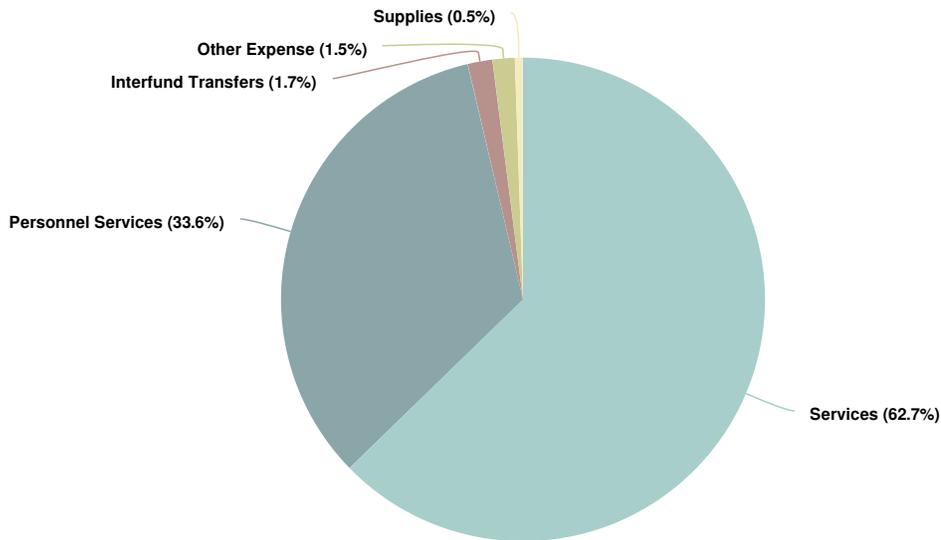


Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expenditures					
City Manager's Office					
City Manager's Office	\$394,057	\$480,018	\$608,146	\$696,802	14.6%
City Clerk	\$219,639	\$360,239	\$376,914	\$461,072	22.3%
Human Resources	\$277,073	\$404,548	\$298,048	\$336,099	12.8%
Total City Manager's Office:	\$890,770	\$1,244,805	\$1,283,108	\$1,493,974	16.4%
Risk Management					
Administrative Services	\$103,325	\$90,429	\$91,001	\$104,620	15%
Worker's Comp Insurance	\$514,810	\$545,594	\$463,570	\$481,187	3.8%
Unemployment Reserve	\$9,940	\$20,619	\$70,317	\$70,317	0%
Liability Insurance	\$676,249	\$657,763	\$720,356	\$819,765	13.8%
Other Insurance	\$2,084	\$9,688	\$10,172	\$10,172	0%
Property Damage/Fire Ins	\$157,693	\$232,841	\$254,551	\$343,368	34.9%
Vehicle Insurance	\$18,067	\$22,199	\$23,524	\$25,913	10.2%
Risk Mitigation	\$22,200	\$0	\$0	\$0	0%
Total Risk Management:	\$1,504,368	\$1,579,133	\$1,633,491	\$1,855,342	13.6%
Economic Development					
PGE Diablo Closure Funds-SB1090	\$124,215	\$155,000	\$215,000	\$217,728	1.3%
Total Economic Development:	\$124,215	\$155,000	\$215,000	\$217,728	1.3%
Total Expenditures:	\$2,519,353	\$2,978,938	\$3,131,599	\$3,567,045	13.9%



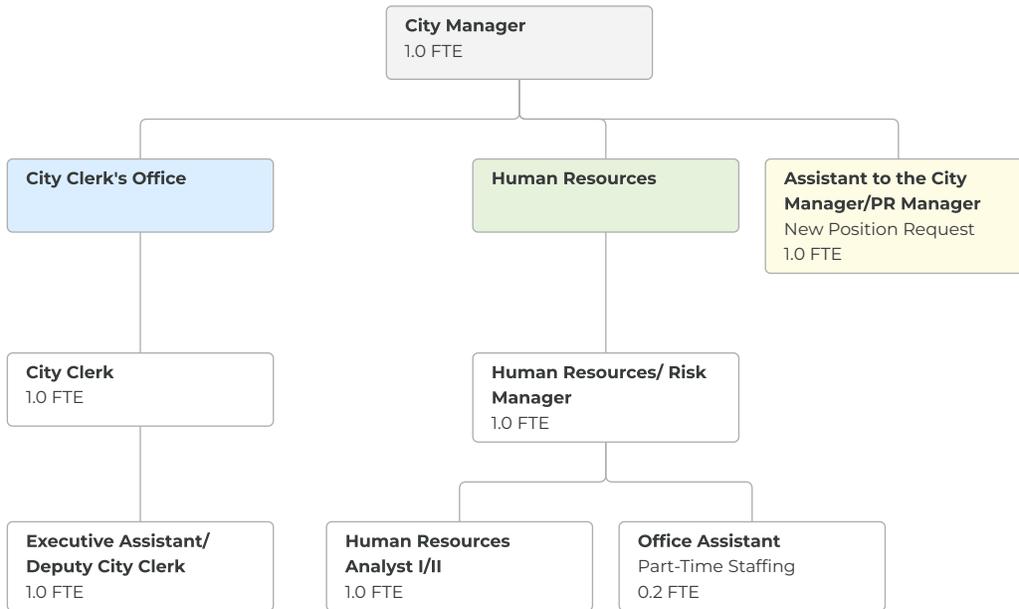
Expenditures by Expense Type

Budgeted Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$801,052	\$1,001,904	\$994,550	\$1,198,670	20.5%
Supplies	\$11,138	\$8,605	\$22,210	\$19,010	-14.4%
Other Expense	\$1,925	\$2,304	\$0	\$53,000	N/A
Services	\$1,703,237	\$1,966,125	\$2,114,839	\$2,237,475	5.8%
Capital Outlay	\$2,001	\$0	\$0	\$0	0%
Interfund Transfers	\$0	\$0	\$0	\$58,890	N/A
Total Expense Objects:	\$2,519,353	\$2,978,938	\$3,131,599	\$3,567,045	13.9%

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 Funded	2024-25 Budget
City Manager's Office					
City Manager	1.0	1.0	1.0	1.0	1.0
City Clerk/HR Manager	1.0	0.0	0.0	0.0	0.0
City Clerk	0.0	1.0	1.0	1.0	1.0
HR Manager	0.0	1.0	1.0	0.0	0.0
HR/Risk Manager	0.0	0.0	0.0	1.0	1.0
Executive Assistant/Deputy Clerk	1.0	1.0	1.0	1.0	1.0
Human Resources Analyst I	0.0	0.0	0.0	1.0	1.0
Human Resources Analyst II	1.0	1.0	1.0	0.0	0.0
Tourism Manager	0.0	0.0	0.0	0.0	0.0
Assistant to the City Manager/ PR Manager	0.0	0.0	0.0	0.0	1.0
Total Dept. FTEs	4.0	5.0	5.0	5.0	6.0

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 Funded	2024-25 Budget
City Manager's Office					
Part-Time Office Assistant	0.0	0.0	0.0	0.2	0.2
Total Dept. FTEs	0.0	0.0	0.0	0.2	0.2

Total City Manager's Office Full-Time Equivalents: 6.2

Position Changes Effective FY 2024-25

New position request: Assistant to the City Manager/Public Relations Manager. Budget split between General Fund and Economic Development Fund.



Department Goals & FY 2024-25 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
- 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, loss prevention, safety and inspection programs as recommended by CJPIA

Activity & Workload Highlights

2020-21 Actuals 2021-22 Actuals 2022-23 Actuals 2023-24 Estimated 2024-25 Projected

City Manager Activity and Workload Highlights

Community Engagement Efforts

Community forums/meetings	0	4	4	4	4
Business walks/Conference Calls	10	8	8	10	8
City Manager Updates (monthly newsletter)	7	9	10	3	11

City Council Support

Council meetings	31	45	43	40	40
City Goals – action items completed	5	5	15	15	15

City Staff Support and Development

All staff meetings/events	4	4	1	1	3
All Staff Training	N/A	N/A	N/A	4	4
Department/Division Head Evaluations	2	2	2	3	4

2020-21 Actuals 2021-22 Actuals 2022-23 Actuals 2023-24 Estimated 2024-25 Projected

City Clerk Activity and Workload Highlights

Number of Legislative Records Indexed

a. Resolutions	95	105	83	80	85
b. Ordinances	8	9	6	9	6
Commission and Committee applications and appointments processed (applications / appointments)	33 / 27	19 / 13	21 / 11	10 / 6	24 / 12
Legal Notices published within established timelines	20	19	13	20	14
Fair Political Practices Commission (FPPC) Form 700s filed	76	95	90	90	90
City Council Agenda Packets processed (regular / special)	21 / 29	20 / 28	19 / 26	20 / 20	21/21
Public Records Act requests processed	123	118	90	90	90
Average initial response time to Public Record Act requests	6 days	6 days	7 days	6 days	6 days
Percentage of City Council Minutes prepared within 45 business days	85%	95%	93%	97%	95%



Human Resources Activity and Workload Highlights

	2020-21 Actuals	2021-22 Actuals	2022-23 Actuals	2023-24 Estimated	2024-25 Projected
Full-Time (FT), Part-Time (PT) Employee Count	88.1 FT 130 PT	103 FT 155 PT	98 FT 216 PT	102 FT 192 PT	111.5 FT 122 PT
Recruitments Conducted	15 FT 10 PT	21 FT 17 PT	18 FT 48 PT	21 FT 78 PT	N/A
FT Employee Turnover Ratio	16%	10%	14.29%	12.75%	N/A
Percentage of labor agreements ratified prior to expiration of existing contracts	100%	100%	67%	100%	N/A

City Attorney



Aleshire & Wynder, LLP
Chris F. Neumeyer

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 2024-25 have decreased by 2% to \$707,985. This amount reflects legal services anticipated to be requested by the City for FY 2024-25. The \$507,416 figure in the chart below represents the General Fund portion.

FY 2024-25 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>	<u>FY 2024-25</u>
General Fund Legal Services	\$381,068	\$401,397	\$483,231	\$507,416
Water Fund	\$19,524	\$20,500	\$21,320	\$24,518
Sewer Fund	\$36,489	\$38,313	\$40,000	\$46,000
Harbor Fund	\$43,200	\$45,360	\$55,360	\$82,730
Transit Fund	\$2,327	\$2,443	\$2,540	\$2,921
Water Reclamation Facility	\$145,000	\$110,000	\$120,000	\$44,400
Total City Attorney Legal Services	\$627,930	\$618,013	\$722,451	\$707,985
Citywide Percentage Change		-1.6%	17%	-2%

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 \$60,000 for FY 2024-25 has been included in the reimbursable portion of the Developer Reimbursement Agreement Fund, Fund 045, budget and would be reimbursed by the developer if needed.

\$512,872 **\$29,641**
(6.13% vs. prior year)

Department Goals & FY 2024-25 Action Items

o **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

o **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 real properties, strategies to maximize their revenues and optimization of use, and related economic opportunities
- Legal counsel on development impact fees and other revenue options presented by City planning and land use
- Continued legal counsel on development of Market Plaza property and potential source of City revenue
- 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 possible creation of Downtown and Embarcadero business improvement districts (BIDs)

o **Key FY 2024-25 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 storm water
- Focus on development of sustainable revenue streams for the City through creative and sound legal counsel
- Assist City with evaluating City-owned properties, strategies to maximize revenue and optimize use, and legal advice on opportunities
- Legal counsel on potential development opportunities at Morro Elementary School site located at 1130 Napa Avenue
- Provide legal assistance on housing options, housing opportunities, ADUs and affordable housing
- Continue providing legal counsel and legal advice on local efforts to address homelessness issues
- Legal assistance with development of Historic Preservation Ordinance using draft ordinance prepared by Historical Society as a starting point
- Continue providing legal counsel on storm recovery efforts throughout the City
- Further legal counsel on achieving goals of greater government transparency and community engagement
- Legal counsel on regulation of vacation rentals and enforcement of local codes for vacation rentals
- Continued legal counsel on potential development opportunities for Market Plaza property
- Legal assistance for review and update of Harbor Department Lease Management Policy
- Legal assistance on development impact fees and other planning and community development fiscal options
- Legal counsel on proposed 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

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

Activity & Workload Highlights

	2020-21 Actuals	2021-22 Actuals	2022-23 Actuals	2023-24 Estimated	2024-25 Projected
Activity and Workload Highlights					
Staff Reports Reviewed	185	185	185	185	185
Public Records Requests	40	35	40	45	40
Contracts Reviewed/Prepared	30	30	30	35	35
Ordinances/Resolutions Reviewed and/or Prepared	20	25	25	25	25
Personnel Matters	20	20	20	20	20
WRF Issues	40	40	35	40	14
WWTP Issues	20	25	30	35	40
Harbor Leases, Enforcement, Tidelands, etc.	20	20	20	30	35
Phone calls/emails (substantive)	300	300	325	350	350
Council regular/special meetings attended	30	30	30	30	30
Commission/Board meetings attended	5	5	5	5	5

Administrative Services



Emily Conrad
Finance Director

The Administrative Services Department includes the City's Finance and Information Technology functions.

Finance

Finance ensures fiscal accountability to the Council and 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 multiple annual financial audits and reports, and prepares the Annual Comprehensive Financial Report to verify that proper fiscal practices are maintained. 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

Information Technology (IT) handles all centralized and 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, provides technical support for over 100 City staff members, and completes research and planning for new technology solutions.

Revenues Summary

Most of the Citywide General Fund revenues, including Sales Tax, Property Tax, Transient Occupancy 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.

\$14,731,756 **\$402,504**
(2.81% vs. prior year)

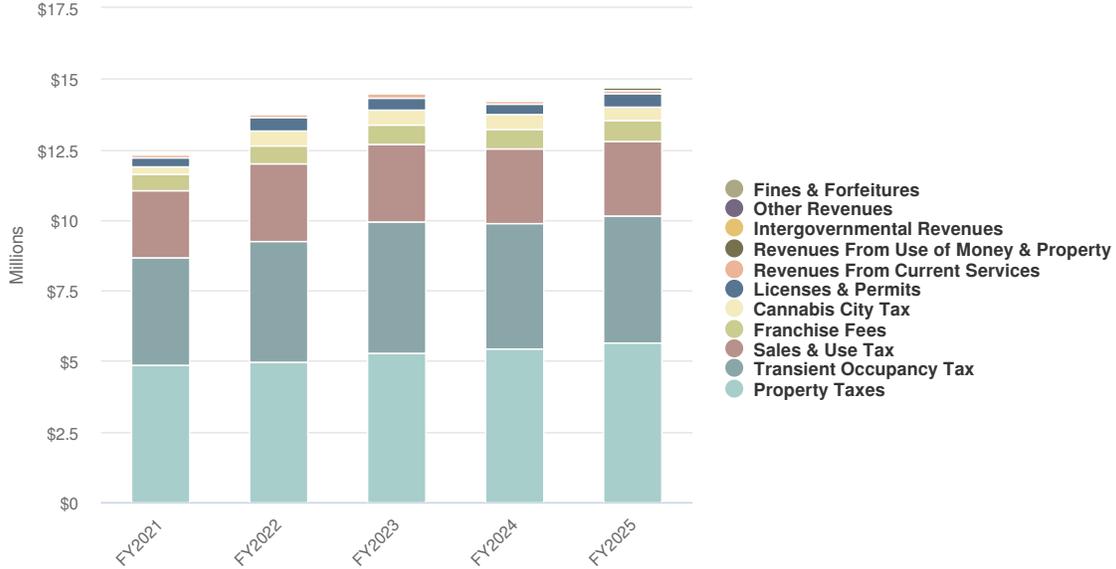
Administrative Services Proposed and Historical Budget vs. Actual



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 2025 Revenues by Source



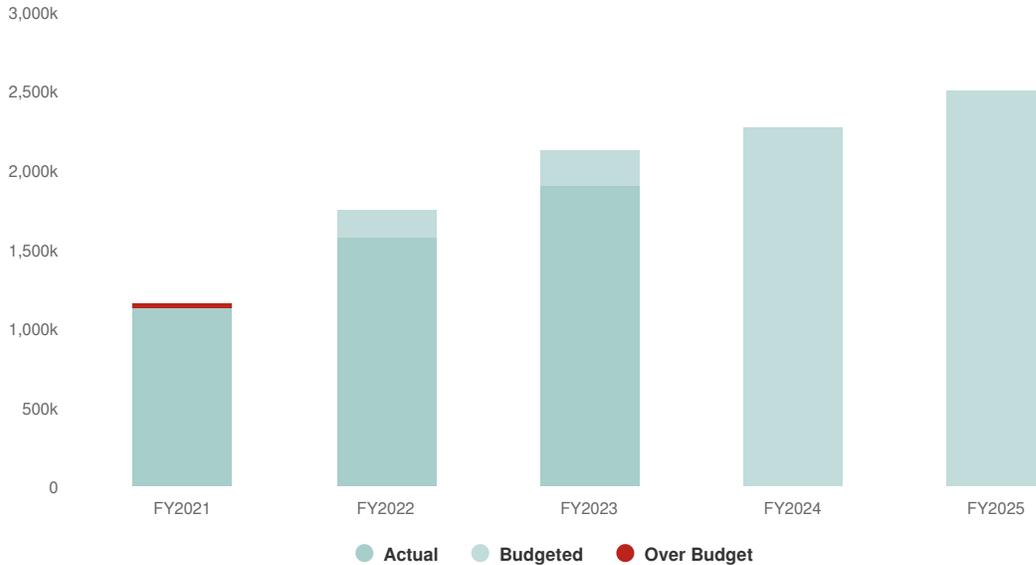
Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Property Taxes	\$4,981,027	\$5,275,945	\$5,466,252	\$5,642,154	3.2%
Intergovernmental Revenues	\$30,504	\$29,567	\$26,400	\$27,280	3.3%
Sales & Use Tax	\$2,753,611	\$2,739,864	\$2,690,000	\$2,632,000	-2.2%
Cannabis City Tax	\$512,944	\$502,149	\$490,000	\$490,000	0%
Transient Occupancy Tax	\$4,255,140	\$4,681,648	\$4,400,000	\$4,500,000	2.3%
Franchise Fees	\$641,869	\$698,791	\$674,000	\$747,380	10.9%
Licenses & Permits	\$487,954	\$426,956	\$402,000	\$477,000	18.7%
Revenues From Current Services	\$138,489	\$145,290	\$125,000	\$126,350	1.1%
Fines & Forfeitures	\$3,409	\$17,467	\$2,000	\$7,000	250%
Other Revenues	\$3,118	\$8,417	\$20,000	\$20,000	0%
Revenues From Use of Money & Property	\$36,923	\$13,640	\$33,600	\$62,592	86.3%
Total Revenue Source:	\$13,844,988	\$14,539,734	\$14,329,252	\$14,731,756	2.8%

Expenditures Summary

The Department's budget increased in FY 2024-25 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 development impact fee nexus study.

\$2,504,980
\$235,276
(10.37% 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 Finance and Administrative Services operations. The other portion is the Information Technology (IT) Fund, an internal services fund. The IT Fund receives revenue via a cost allocation plan which charges all funds that utilize technology services. The fund includes IT personnel costs, but most of the budget represents the cost of citywide IT networks, software applications, and hardware.

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.

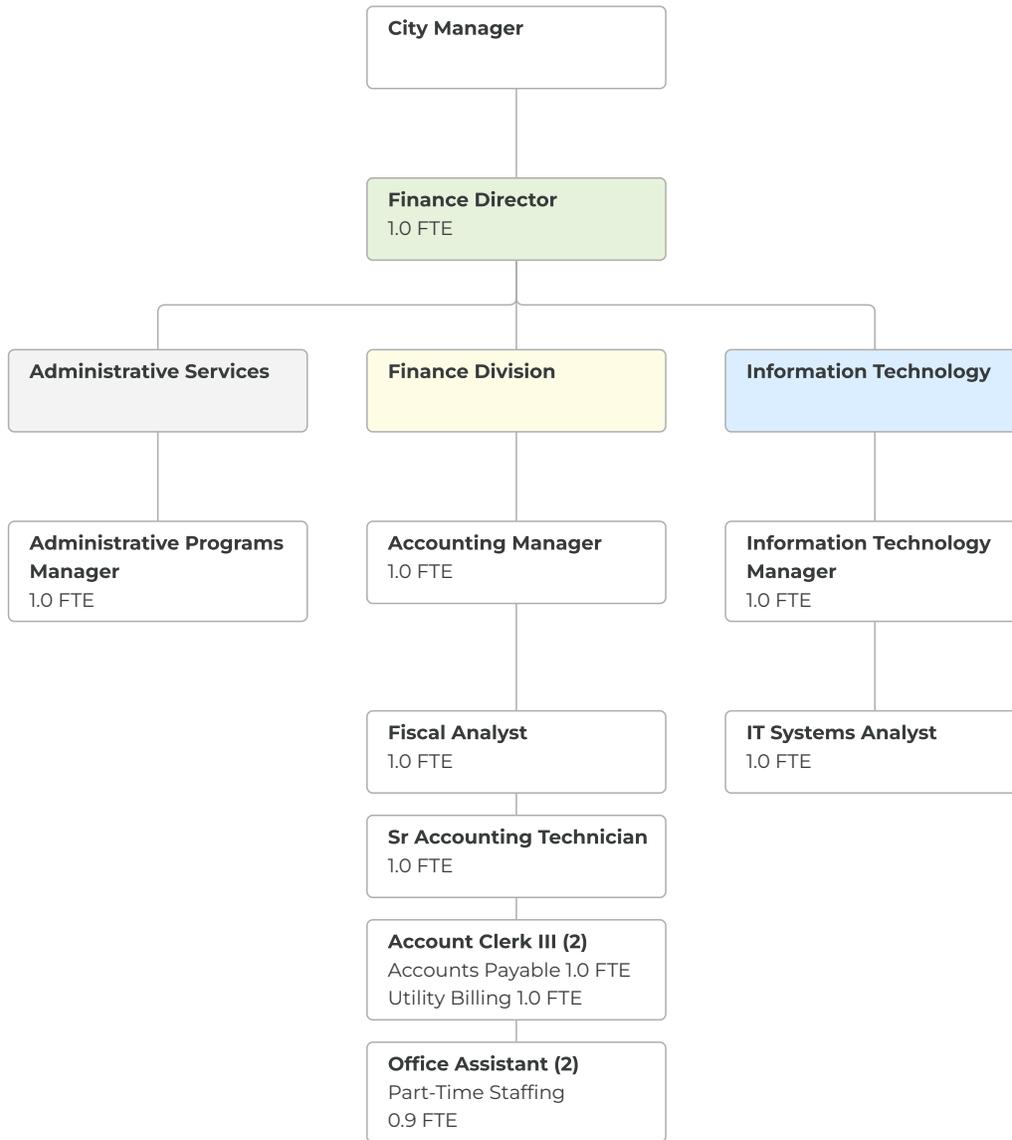
The Information Technology budget is increasing due to scheduled compensation increases consistent with employee labor agreements, increased costs of computer and hardware replacement (supplies), and increased cost of existing software systems as well as some smaller, new software solutions to facilitate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

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
General Fund					
General Fund					
Personnel Services	\$621,229	\$740,018	\$831,220	\$941,660	13.3%
Supplies	\$17,218	\$10,811	\$7,000	\$7,000	0%
Services	\$225,198	\$300,081	\$356,091	\$357,352	0.4%



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Capital Outlay	\$2,001	\$0	\$0	\$0	0%
Total General Fund:	\$865,646	\$1,050,910	\$1,194,311	\$1,306,012	9.4%
Total General Fund:	\$865,646	\$1,050,910	\$1,194,311	\$1,306,012	9.4%
Information Technology Fund					
Personnel Services	\$267,010	\$356,757	\$386,126	\$382,558	-0.9%
Supplies	\$74,897	\$50,273	\$53,143	\$56,038	5.4%
Services	\$366,342	\$325,043	\$608,667	\$731,673	20.2%
Capital Outlay	\$0	\$0	\$27,457	\$28,700	4.5%
Debt Service	\$0	\$123,704	\$0	\$0	0%
Total Information Technology Fund:	\$708,249	\$855,776	\$1,075,393	\$1,198,968	11.5%
Total:	\$1,573,895	\$1,906,686	\$2,269,704	\$2,504,980	10.4%

Administrative Services Organizational Chart



Administrative Services Staffing List

Full-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Budget
Administrative Services					
Asst City Manager/ Admin Services Dir	0.0	1.0	1.0	1.0	0.0
Finance Director	1.0	0.0	0.0	0.0	1.0
Accounting Manager ¹	0.0	1.0	1.0	1.0	1.0
Budget/Accounting Manager	1.0	0.0	0.0	0.0	0.0
Administrative Programs Manager ²	0.0	1.0	1.0	1.0	1.0
Fiscal Analyst	0.0	1.0	1.0	1.0	1.0
Senior Accounting Technician	1.0	1.0	1.0	1.0	1.0
Account Clerk III	1.0	2.0	2.0	2.0	2.0
Account Clerk II	0.0	0.0	0.0	0.0	0.0
Account Clerk I	1.0	0.0	0.0	0.0	0.0
Office Assistant IV Information Technology Manager ³	0.0	0.0	0.0	0.0	0.0
IT Systems Analyst	1.0	1.0	1.0	1.0	1.0
Total Dept FTEs	6.0	9.0	9.0	9.0	9.0

Part-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Budget
Administrative Services					
Office Assistant II/III	0.3	0.4	0.6	0.9	0.9
Total Dept FTEs	0.3	0.4	0.6	0.9	0.9

Total Administrative Services Full-Time Equivalents: 9.9

Position Changes Effective FY 2024-25

1. Finance Manager changed to Accounting Manager (coincides with salary increase)
2. Sr. Administrative Services Analyst changed to Administrative Programs Manager (title change only)
3. Information Systems Technician changed to Information Technology Manager (coincides with salary increase)

Department Goals & FY 2024-25 Action Items

- **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
- **Support Completion of Updated User Fee Study**
 - **Good Governance**
 - Work with all departments to facilitate an update to the City's user fees, which are presented in the Master Fee Schedule
 - Engage the Citizens Finance Advisory Committee for input
- **Complete a Risk-Based Reserve Analysis**
 - **Good Governance**
 - Utilize Government Finance Officers Association (GFOA) resources to determine reserve policy recommendations for Council consideration
 - Engage the Citizen's 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 the Capital Project prioritization, 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**
 - **Good Governance**
 - Implement the City's new Cost Allocation Plan
 - 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
- **Improve Efficiency of Administrative Programs through Business Process Automation**
 - **Good Governance**
 - Utilize existing software to streamline and automate internal processes, such as contract administration, budget transfer requests, travel requests, and reimbursement claim forms.
- **Evaluate the Delivery of Core City Services to the Business Community**
 - **City Council Goal: Community Engagement, Good Governance**
 - In response to feedback from members of the business community, evaluate whether use of the current third-party provider of business licenses and transient occupancy tax administration meets City staff's customer service standards. Evaluate whether bringing the services back in-house would increase the level of customer service. If so, assess the actions that would be required in order to do so.
 - Support the Community Development Department's implementation of the Short-Term Rental (STR) ordinance.

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

	2020-21 Actuals	2021-22 Actuals	2022-23 Actuals	2023-24 Estimated	2024-25 Projected
Activity and Workload Highlights					
Finance Metrics					
Quarterly Investment Reports	4	4	4	4	4
Accounts Payable checks issued	2,722	2,769	3,064	3,000	3,000
Payroll checks processed	4,207	4,985	5,270	5,456	5,456
Business licenses issued	2,500	1,906	2,379	2,194	2,200
Weighted avg rate of return on investments	0.50%	0.47%	3.37%	4.07%	4.00%
Journal entries written	278	139	116	120	120
Bank account reconciliations completed	156	132	96	96	96
Bank Deposits processed	370	364	276	295	295
CFAC Meetings Supported	7	7	5	7	7
Year End Journal Entries	83	72	80	80	80
Audit Schedules and Document Requests	245	250	305	305	305
Audit Adjusting Entries	3	4	8	3	3
Budget Journal Entries	9	15	11	20	25
Utility Billing Metrics					
Leak Reviews Approved	70	56	50	68	75
Tag Notices Processed	0	0	150	360	400
Turn Off Requests Processed	588	368	655	475	500
Turn On Requests Processed	606	563	500	457	500
Utility Discount Customers Enrolled	325	214	160	131	150
Utility Rebate Customers Enrolled	18	23	20	15	20
Information Technology Metrics					
Devices Supported	435	445	455	465	475
Systems Supported	49	50	50	52	55
Computers Replaced	0 (COVID)	16	24	30	30

Community Development



Airlin Singewald
Community Development Director

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.



Revenues Summary

The decrease in expected revenue is related to a reduction in budgeted developer reimbursement agreement revenue. All major developer reimbursement agreements are now budgeted in the Developer Reimbursement Agreements Fund (045).

\$1,065,461 **-\$366,687**
(-25.60% vs. prior year)

Community Development Proposed and Historical Budget vs. Actual

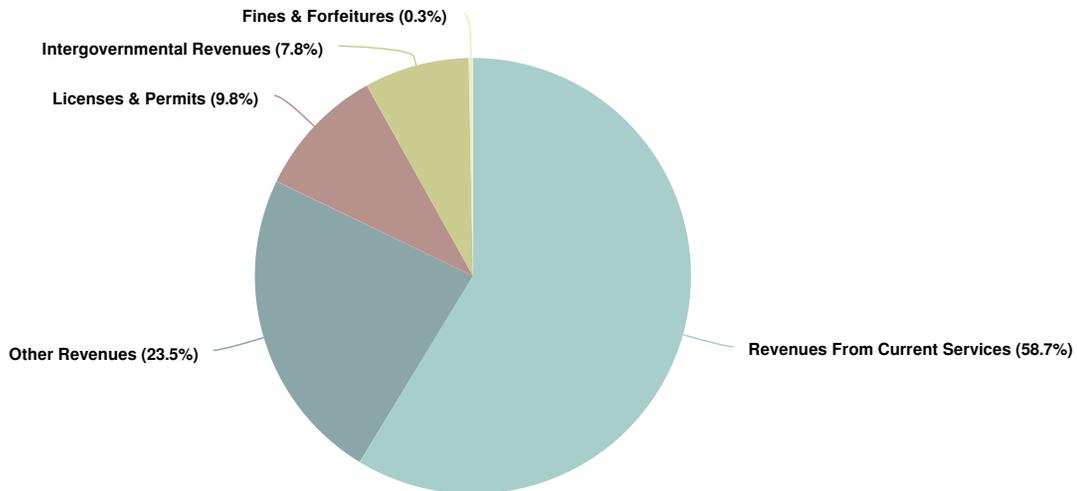


CDD revenues fluctuate from year-to-year based on the volume of services requested, such as planning and building permits.

Revenues by Source

Many of the City's planning and permitting fees are booked to the Community Development Department. The City also has three active housing grants from the State that are a source of revenue.

Projected 2025 Revenues by Source



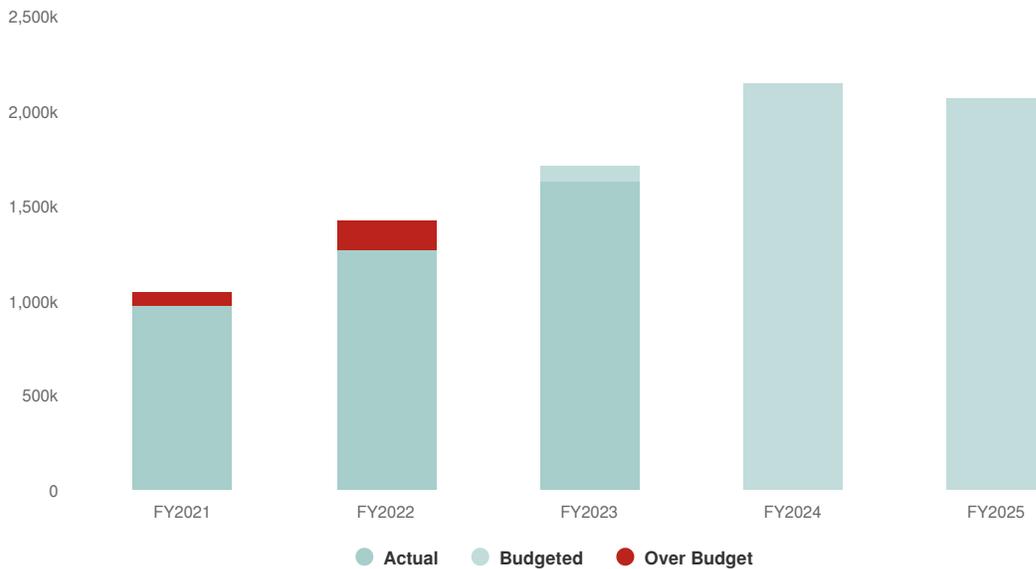
Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Intergovernmental Revenues	\$33,699	\$86,450	\$83,000	\$83,000	0%
Licenses & Permits	\$263,236	\$135,889	\$99,000	\$104,000	5.1%
Revenues From Current Services	\$744,080	\$611,769	\$622,058	\$625,371	0.5%
Fines & Forfeitures	\$5,064	\$3,102	\$3,090	\$3,090	0%
Other Revenues	\$309,135	\$268,340	\$625,000	\$250,000	-60%
Total Revenue Source:	\$1,355,213	\$1,105,550	\$1,432,148	\$1,065,461	-25.6%

Expenditures Summary

Expenditures are expected to remain relatively flat in Community Development as only minor changes to staffing levels are proposed, including converting a part-time planner to a full-time Assistant Planner. Over the course of the fiscal year, expenditures will increase for consultant services along with revenues associated with grants (Waterfront Master Plan). In general, Community Development will be processing more projects under reimbursement agreements to ensure cost recovery. These agreements are budgeted in the Developer Reimbursement Agreements fund (045).

\$2,067,089 **-\$76,310**
 (-3.56% vs. prior year)

Community Development Proposed and Historical Budget vs. Actual



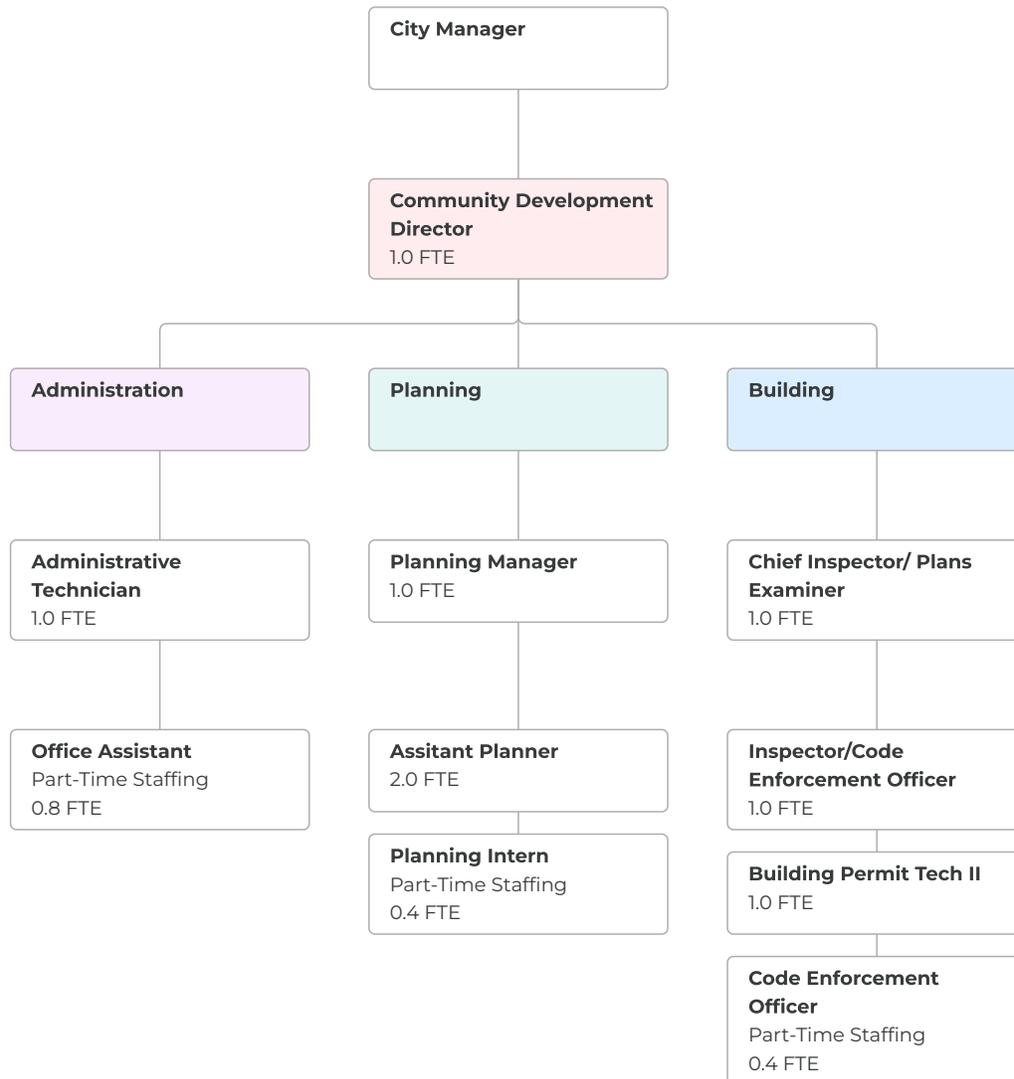
Expenditures by Function

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expenditures					
Community Development					
Community Development	\$1,421,146	\$1,584,349	\$1,874,732	\$1,593,422	-15%
DRA: 3300 Panorama Drive	\$0	\$35,832	\$185,000	\$140,000	-24.3%
DRA: Seashell Estates	\$0	\$0	\$40,000	\$40,000	0%
DRA: Market Plaza	\$0	\$0	\$40,000	\$40,000	0%
DRA: Vistra/BESS	\$0	\$0	\$0	\$250,000	N/A
County CDBG	\$2,574	\$3,819	\$3,667	\$3,667	0%
Total Community Development:	\$1,423,720	\$1,624,000	\$2,143,399	\$2,067,089	-3.6%
Total Expenditures:	\$1,423,720	\$1,624,000	\$2,143,399	\$2,067,089	-3.6%

Expenditures by Expense Type

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services					
Community Development	\$958,078	\$1,095,542	\$1,208,008	\$1,318,950	9.2%
Total Personnel Services:	\$958,078	\$1,095,542	\$1,208,008	\$1,318,950	9.2%
Supplies					
Community Development	\$4,484	\$12,941	\$7,371	\$10,171	38%
Total Supplies:	\$4,484	\$12,941	\$7,371	\$10,171	38%
Services					
Community Development	\$461,158	\$515,517	\$928,020	\$737,968	-20.5%
Total Services:	\$461,158	\$515,517	\$928,020	\$737,968	-20.5%
Total Expense Objects:	\$1,423,720	\$1,624,000	\$2,143,399	\$2,067,089	-3.6%

Community Development Organizational Chart



Community Development Staffing List

All positions are presented as Full-Time Equivalents (FTE) based on the number of hours worked.

Full-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Budget
Community Development					
Community Development Director	1.0	1.0	1.0	1.0	1.0
Senior Planner	1.0	1.0	1.0	0.0	0.0
Planning Manager	0.0	0.0	0.0	1.0	1.0
Assistant Planner	0.0	1.0	1.0	1.0	2.0
Building Permit Technician II	1.0	1.0	1.0	1.0	1.0
Building Inspector	1.0	1.0	1.0	0.0	0.0
Chief Building Inspector/Plans Examiner	0.0	0.0	0.0	1.0	1.0
Administrative Technician	1.0	1.0	1.0	1.0	1.0
Building Inspector/Code Enforcement Officer	0.0	0.0	1.0	1.0	1.0
Total Department FTEs	5.0	6.0	7.0	7.0	8.0

Part-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Budget
Community Development					
Office Assistant	0.0	0.4	0.5	0.8	0.8
Contract Planner	0.7	0.7	0.8	0.8	0.0
Planning Intern	0.4	0.2	0.3	0.4	0.4
Code Enforcement	0.4	0.2	0.4	0.4	0.4
Total Dept. FTEs	1.5	1.5	2.0	2.4	1.6

Total Community Development Department Full-Time Equivalents: 9.6

Staffing Changes effective FY 2024-25

The Community Development Department proposes to convert a part-time contract planner to a full-time Assistant Planner. The increase of 1.0 FTE under Full-Time Staffing is partially offset by the decrease of 0.8 FTE in Part-Time staffing, resulting in a net increase of 0.2 FTE.

Department Goals & FY 2024-25 Action Items

- **City Council Goal: Economic Vitality**
 - Market Plaza development opportunities (currently under negotiations)
 - Pursue grant opportunities for an update to the Climate Action Plan
 - Initiate work on the Waterfront Master Plan utilizing grant funding from the California Coastal Commission
 - Review of City-owned properties, and development of a strategy to optimize use or revenues.
 - Continue to streamline permit processing for residential (including ADUs) and commercial development (also supports Housing goal)
- **City Council Goal: Housing / Homelessness Response**
 - Housing Element Program Implementation (prioritize affordable housing development and work with property owners to identify lodging properties that may be suitable for affordable, multi-family housing (H1.1.17))
 - Continue participation in the County-wide 5-year Strategic Plan to address homelessness
 - Continue participation in County's 5-year Housing & Infrastructure Plan
 - Process applications for new housing developments including Panorama Drive and Seashell Estates
 - Evaluate the City's in-lieu fee to ensure that it is sufficient to support Housing Element goals and continue to work on an affordable housing incentive program
- **City Council Goal: Community Engagement**
 - Leverage partnerships with Chamber, Visit Morro Bay, local service clubs and community organizations, and other event hosts
 - Conduct joint Council/advisory board meetings periodically and consider biannual or annual advisory board reports to Council
 - Consider implementation of a Community Academy program to educate participating community members on a wide variety of local government issues and challenges
 - 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.
- **Good Governance:**
 - Collaborate with Administrative Services to implement the City's Short-Term Rental (STR) ordinance.

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

	2020-21 Actuals	2021-22 Actuals	2022-23 Actuals	2023-24 Estimated	2024-25 Projected
Activity and Workload Highlights					
Building Permit Issued – New Single Family	8	15	6	10	10
Accessory Dwelling Unit (ADU) Permits Issued (includes JADU's)	10	20	17	20	16
Building Permits Issued – Residential Additions/Alterations (includes reroofs and solar)	197	190	173	190	200
Building Permits Issued – New Commercial	2	3	1	2	1
Building Permits Issued – Commercial Addition/Alterations	21	25	21	25	22
Building Permits Issued – Multi Family	3	3	4	3	2
Building Permits Issued – Miscellaneous (Includes MEP, Addendums, Demo's & Fire Sprinklers)	137	140	168	160	170
Building Permit Plan Checks Completed	1034	1050	787	900	1000
Inspections Conducted	2024	2000	2606	2000	2100
Encroachment Permits Issued	141	140	172	150	150
Sign Permit Applications	11	12	6	10	15
Conditional Use Permit Applications	17	18	5	20	15
Variance Applications	3	1	0	1	1
Coastal Development Permit Applications	44	45	28	30	35
Subdivision Applications	0	2	0	2	2
Miscellaneous Planning Applications	42	45	12	20	22

Fire Department



Daniel McCrain
Fire Chief

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, one UTV, 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.

Revenues Summary

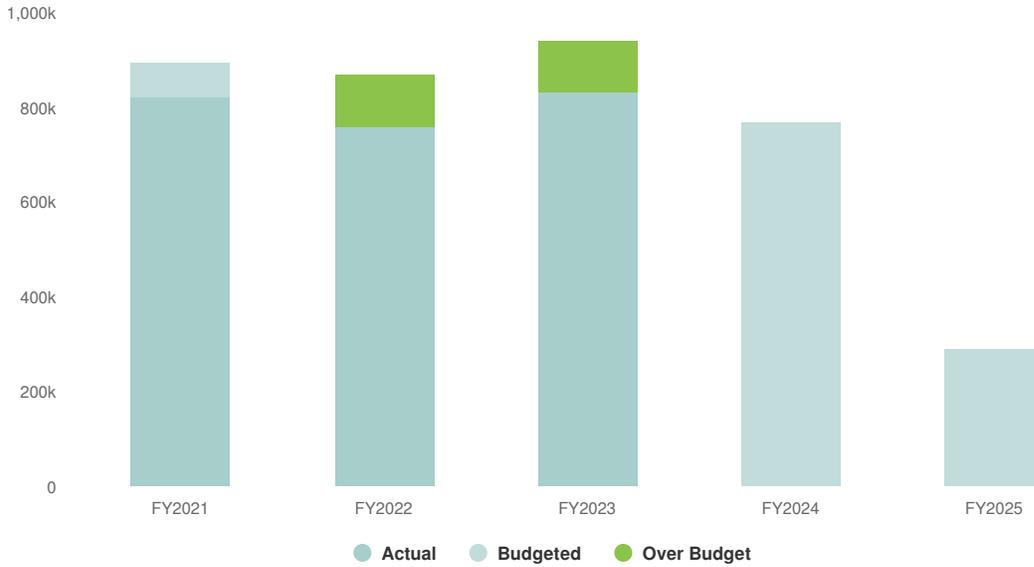
In recent years, Fire Department revenues have exceeded budgeted estimates due to mutual aid reimbursements for Morro Bay Fire Department response to statewide incidents. As part of mutual aid agreements, Fire Department personnel are deployed during the fire season to support fire suppression and other large disaster response efforts throughout the state. For FY 2024-25, the City will delay mutual aid revenue and expenditure budgeting until the midyear review, which occurs after the close of the fire season. This will provide accurate tracking and reporting of mutual aid program costs and revenues. This change in procedure accounts for the decrease in estimated FY 2024-25 revenues compared to the prior year.

A portion of Fire Department Current Services revenue includes First Responder fees. 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 aid the local EMS system. This fee offsets the expense of the required medications and training to maintain an advanced life support (ALS) level of care. Other fire department revenues include plan check fees and fire inspection fees from services provided by the Fire Marshal.

For FY 2024-25, Mutual Aid activity will be determined 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. This reimbursement will offset 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. Mutual aid reimbursement was historically budgeted as "other fire services". This year it will be tracked in "mutual aid reimbursement" and will be adjusted at mid-year based on actual amounts received.

\$289,584 **-\$477,508**
(-62.25% vs. prior year)

Fire Proposed and Historical Budget vs. Actual



Revenues by Source

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Intergovernmental Revenues	\$4,707	\$50,546	\$91,187	\$12,360	-86.4%
Licenses & Permits	\$300	\$0	\$1,545	\$0	-100%
Revenues From Current Services	\$857,240	\$828,596	\$673,760	\$276,624	-58.9%
Other Revenues	\$6,693	\$62,505	\$600	\$600	0%
Total Revenue Source:	\$868,941	\$941,647	\$767,092	\$289,584	-62.2%

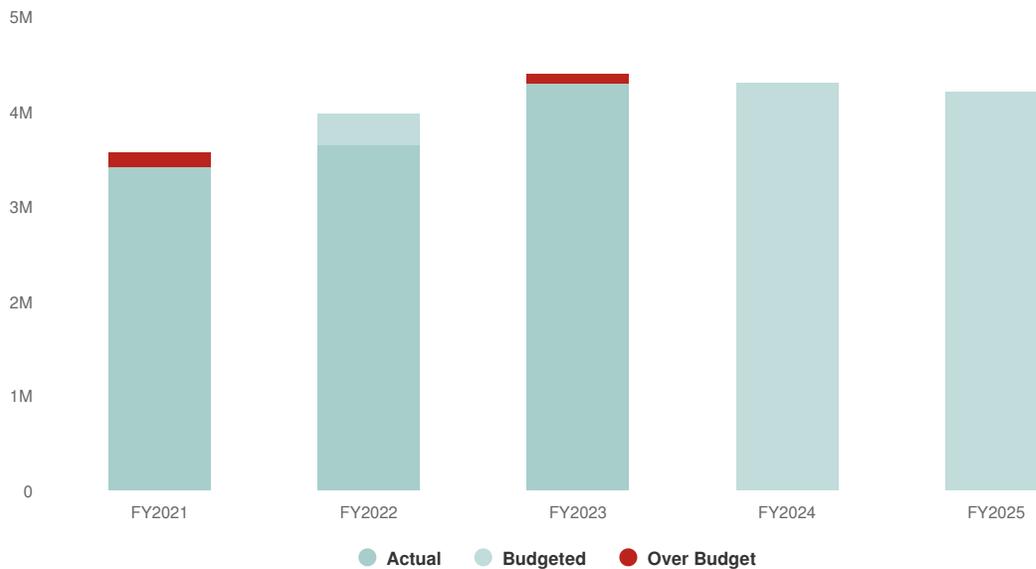
Expenditures Summary

The FY 2024-25 Fire Department expenditures include operating expenses totaling \$650K. 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 remaining component of Fire Department expenditures is personnel costs. These costs equate to 84% of expenditures and include salaries and benefits for the entire department.

\$4,210,140 **-\$98,638**
(-2.29% vs. prior year)

Fire Proposed and Historical Budget vs. Actual

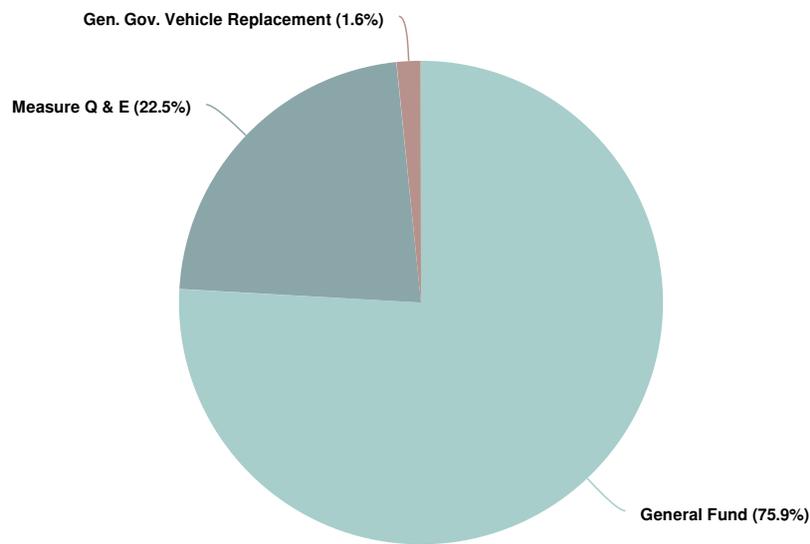


Expenditures by Fund

In alignment with the original ballot language for Measures Q & E, Measure E funding contributes to "maintaining public safety services" for the City of Morro Bay. Approximately 23% of the Fire Department's operating budget consists of Measure E funds. These funds pay for the salary and benefits for one (1) Fire Captain/Paramedic position, two (2) Fire Engineer/Paramedic positions, one (1) Firefighter Paramedic position, and all Part-time Firefighter positions.

The General Fund accounts for the remaining 77% 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, six (6) Fire Engineer/Paramedics, and one (1) Firefighter Paramedic. The General Fund also supports the maintenance of fire apparatus and equipment, professional development, and the daily operational needs of the department. The General Government Vehicle Replacement Fund is supporting the replacement of a Fire vehicle in FY 2024-25.

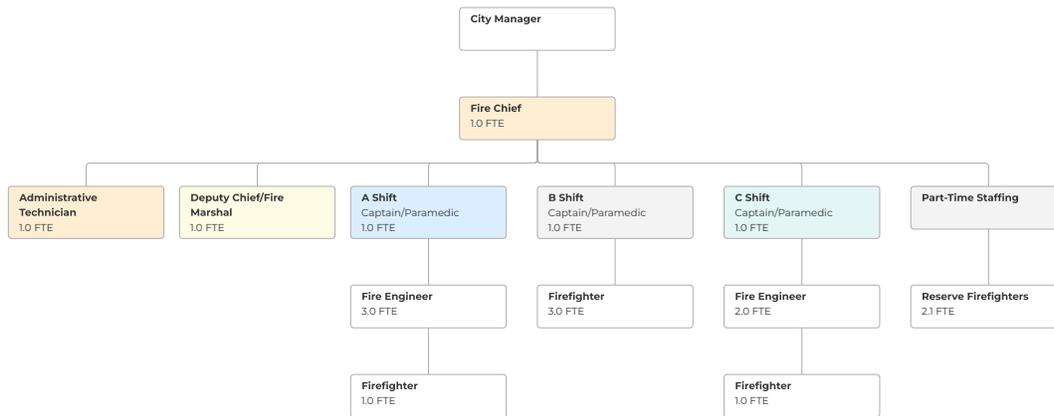
2025 Expenditures by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
General Fund					
Personnel Services	\$2,380,596	\$2,740,417	\$2,813,456	\$2,550,590	-9.3%
Supplies	\$184,351	\$188,811	\$189,877	\$247,350	30.3%
Other Expense	\$5,000	\$111,745	\$116,500	\$148,546	27.5%
Services	\$194,155	\$257,899	\$213,541	\$248,819	16.5%
Total General Fund:	\$2,764,102	\$3,298,872	\$3,333,374	\$3,195,305	-4.1%
Gen. Gov. Vehicle Replacement					
Capital Outlay	\$0	\$35,039	\$0	\$68,000	N/A
Total Gen. Gov. Vehicle Replacement:	\$0	\$35,039	\$0	\$68,000	N/A
American Rescue Plan (ARP)					
Capital Outlay	\$79,137	\$169,437	\$22,965	\$0	-100%

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Total American Rescue Plan (ARP):	\$79,137	\$169,437	\$22,965	\$0	-100%
Measure Q & E					
Personnel Services	\$716,741	\$896,565	\$952,439	\$946,835	-0.6%
Services	\$0	\$1,900	\$0	\$0	0%
Debt Service	\$82,888	\$0	\$0	\$0	0%
Total Measure Q & E:	\$799,628	\$898,465	\$952,439	\$946,835	-0.6%
Total:	\$3,642,867	\$4,401,813	\$4,308,778	\$4,210,140	-2.3%

Fire Department Organizational Chart



Fire Department Staffing List

Full-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Budget
Fire Department					
Fire Chief	1.0	1.0	1.0	1.0	1.0
Deputy Chief/Fire Marshal ¹	1.0	1.0	1.0	1.0	1.0
Fire Captain/Paramedic	3.0	3.0	3.0	3.0	3.0
Fire Engineer	7.0	7.0	7.0	8.0	8.0
Firefighter	1.0	2.0	2.0	2.0	2.0
Administrative Technician	0.8	1.0	1.0	1.0	1.0
Total Department FTEs	13.8	15.0	15.0	16.0	16.0

Part-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Budget
Fire Department					
Seasonal Firefighter/Reserves	5.2	2.6	4.6	3.2	2.1
Total Dept. FTEs	5.2	2.6	4.6	3.2	2.1

Total Fire Department Full-Time Equivalents: 18.1

Title Changes Effective FY 2024-25 - Job Duties and Salary to Remain the Same

1. Fire Marshal/Division Chief changed to Deputy Chief/Fire Marshal

Department Goals & FY 2024-25 Action Items

- **City Council Goal - Public Infrastructure**
 - Conduct a Standards of Cover and Community Risk Assessment for Fire and Police services.
- **Good Governance**
 - **Strategic planning**
 - Create an internal department-specific strategic plan.
 - **Revenue Generation**
 - Secure grant funding for staffing, equipment, and training needs.
 - **Employee Development & Safety**
 - 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.
 - Replace firefighter turnout equipment to comply with NFPA guidelines.
 - **Emergency Preparedness**
 - Upgrade Mobile Radios - Replace Mobile radios in all response vehicles for improved communications (potentially grant funded).



Key Ongoing Programs & Services

- **Emergency Response** - All-hazards response for firefighting, emergency medical care, rescues, hazardous materials incidents and transportation incidents.
- **Public Service** - Provide assistance for non-emergency community needs.
- **Community Education** - Participate in fire safety education, provide station tours and demonstrations, CPR & first aid education.
- **Mutual Aid** - Maintain partnerships with allied agencies to provide and receive emergency response assistance.
- **Community Development** - Fire plan reviews, fire code adoption, construction inspections.
- **Fire Prevention** - Special event permitting, commercial fire and life safety inspections, weed abatement inspections.

Activity & Workload Highlights

	2020-21 Actuals	2021-22 Actuals	2022-23 Actuals	2023-24 Estimated	2024-25 Projected
Activity and Workload Highlights					
Fire Prevention					
Plan Reviews	67	82	212	134	36
Commercial Business Inspections	305	313	244	206	42
Short-term Vacation Rental Inspections	64	55	55	24	0
Weed Abatement Inspections	4,452	4,134	4,234	4,163	0
Calls for Service	41	63	63	19	2
National Incident Reporting System Data Call Volume					
Fires	49	51	34	33	5
Overpressure, Rupture, Explosion, Overheat	1	1	2	1	0
Rescue and Emergency Medical Services Incident	1,239	1,184	1,376	1,532	371
Hazardous Condition	44	66	65	86	42
Service Call	215	253	194	244	54
Good Intent Call	200	181	215	185	67
False Alarm and False Call	114	121	133	153	28
Severe Weather and Natural Disaster	1	1	0	22	4
Special Incident Type	3	1	2	0	0

Harbor Department

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.

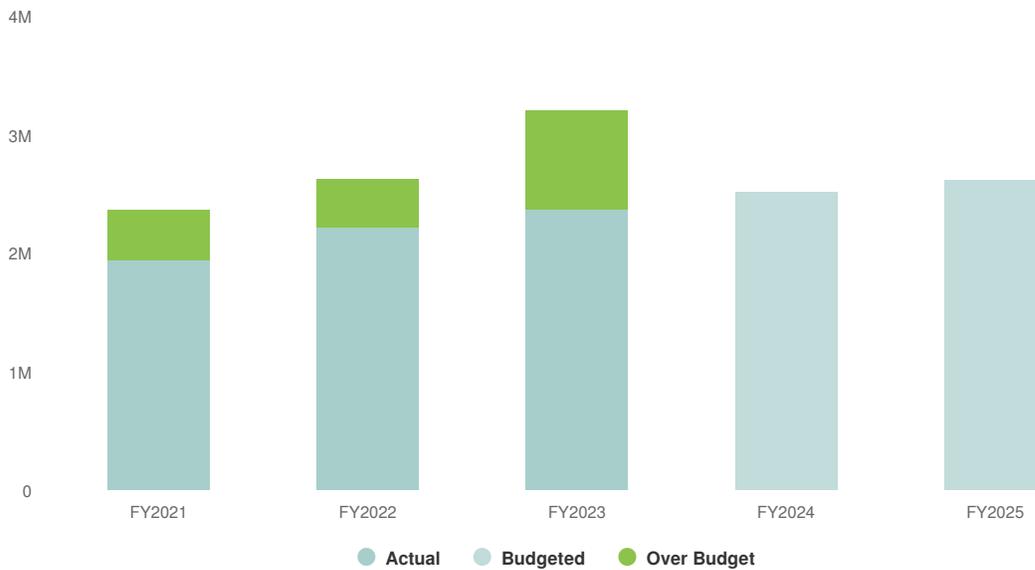
Revenues Summary

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 held in reserve 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.

\$2,621,784 **\$105,974**
(4.21% vs. prior year)

Harbor Proposed and Historical Budget vs. Actual

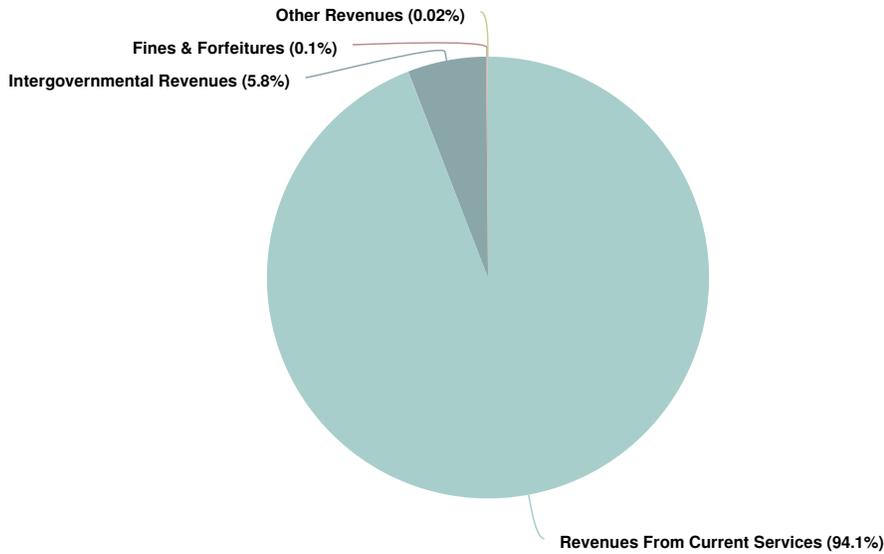


Revenues by Source

The primary sources of revenue for the Harbor Department remain waterfront lease site minimum annual and percent gross rents, boating-related fees and launch ramp parking fees.

In the years following the Great Recession of 2008, production of a balanced Harbor Department budget was seriously challenged. However, beginning with FY 2012-13, 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 FY 2019-20 budget, increased tourism to Morro Bay as a result of the pandemic led to increased tourism-related revenues in 2021 to 2023, which has slowly led to leveling off in 2024. In estimating revenues, department staff generally takes a conservative approach, using budget modeling coupled with a "look-back" of previous years' actual revenue performance, and using factors such as CPI, sales, transient occupancy and property tax trends and forecasts. Due to the anticipated leveling off of tourism, revenue estimates for 2024-25 will slightly increase over the 2023-24 budget year.

Projected 2025 Revenues by Source



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Intergovernmental Revenues	\$18,127	\$25,198	\$151,000	\$151,000	0%
Total Intergovernmental Revenues:	\$18,127	\$25,198	\$151,000	\$151,000	0%
Revenues From Current Services	\$2,588,282	\$445,650	\$2,361,110	\$2,467,766	4.5%
Total Revenues From Current Services:	\$2,588,282	\$445,650	\$2,361,110	\$2,467,766	4.5%
Fines & Forfeitures	\$4,864	\$3,871	\$3,200	\$2,518	-21.3%
Total Fines & Forfeitures:	\$4,864	\$3,871	\$3,200	\$2,518	-21.3%
Other Revenues	\$14,397	\$0	\$500	\$500	0%
Total Other Revenues:	\$14,397	\$0	\$500	\$500	0%

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenues From Use of Money & Property					
Gain On Interest/Investment					
Interest Income	\$0	\$385,290	\$0	\$0	0%
Total Gain On Interest/Investment:	\$0	\$385,290	\$0	\$0	0%
Rental Revenue					
Other Income	\$0	\$2,348,871	\$0	\$0	0%
Total Rental Revenue:	\$0	\$2,348,871	\$0	\$0	0%
Total Revenues From Use of Money & Property:	\$0	\$2,734,161	\$0	\$0	0%
Total Revenue Source:	\$2,625,669	\$3,208,880	\$2,515,810	\$2,621,784	4.2%



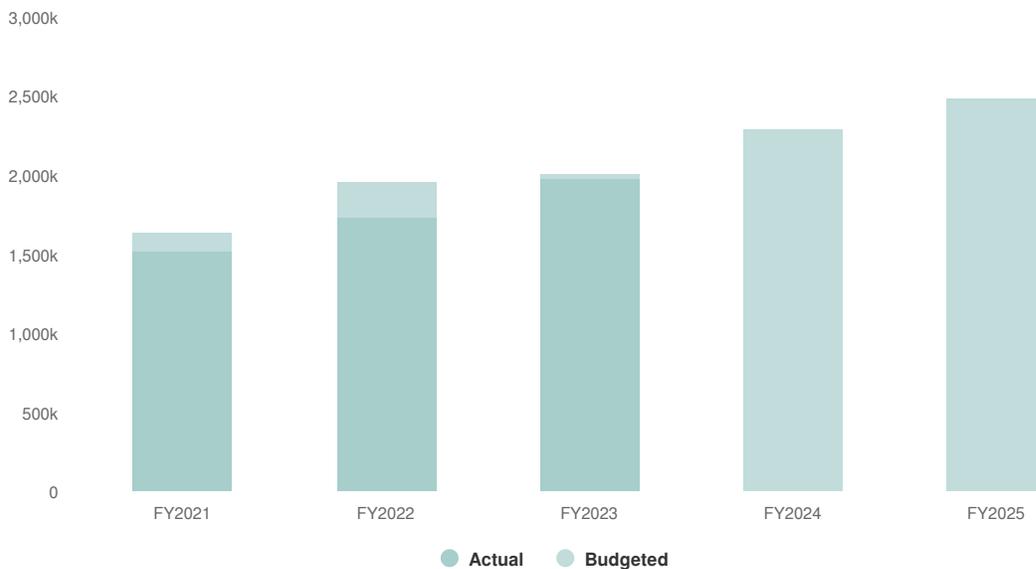
Expenditures Summary

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.

Proposed expenditures, net of transfers, allow for a small operating surplus in FY 2024-25. With transfers, the Harbor Department's projected expenditure budget exceeds revenues by approximately \$20k. 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.

\$2,487,611 **\$197,004**
(8.60% vs. prior year)

Harbor Proposed and Historical Budget vs. Actual

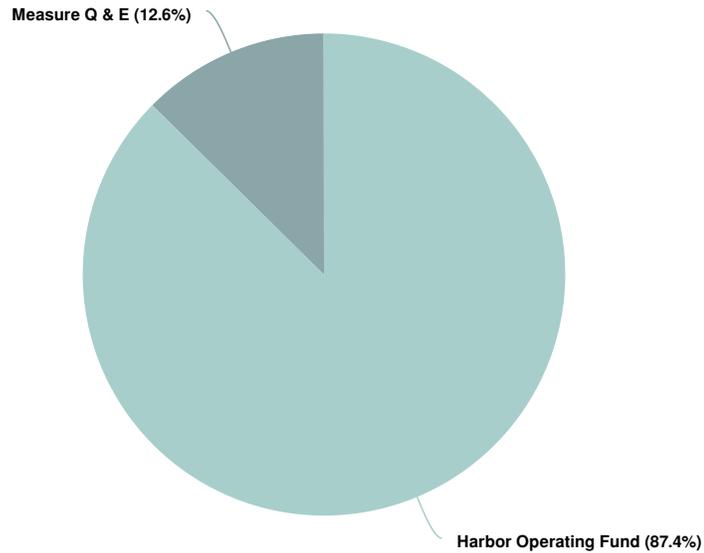


With the pandemic largely behind us, revenue streams are no longer climbing, while expenses are still being affected by inflationary forces.

Expenditures by Fund

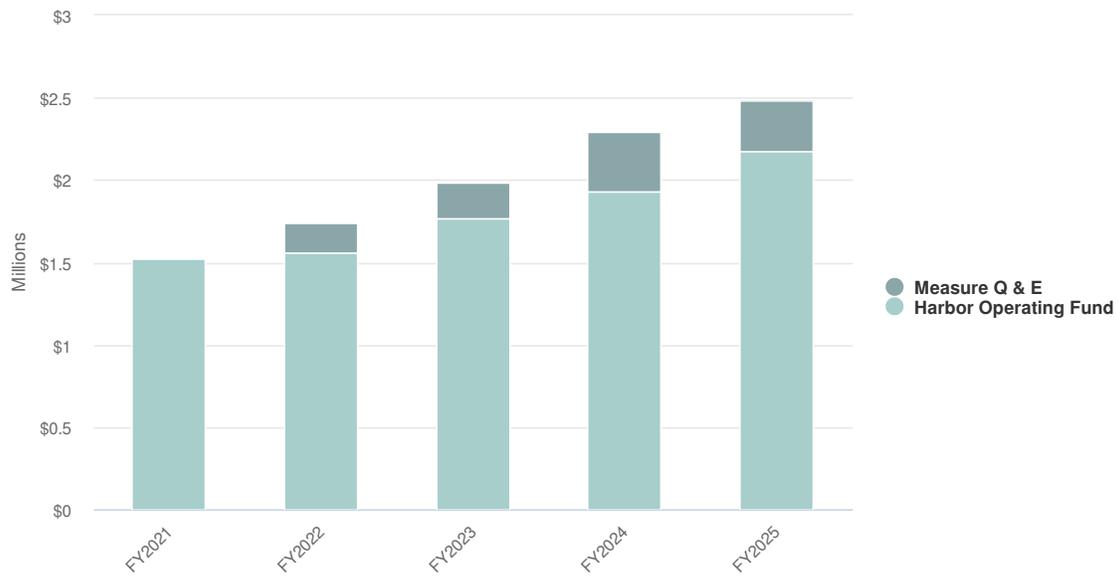
Historically, all expenses incurred by the Harbor Department were covered by the Harbor Operating Fund, which derives its revenues only from waterfront lease rents and vessel-related fees. The Harbor Department does not receive any tax revenue. In FY 2023-24, City Council allocated a portion of sales 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.

2025 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 tourism. That trend slowed in 2023-24 and the expectation is for these costs to level off in 2024-25.

Budgeted and Historical 2025 Expenditures by Fund

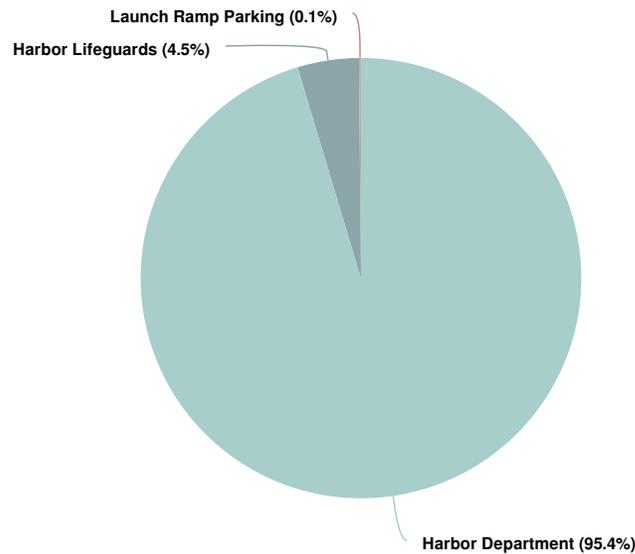


Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Measure Q & E					
Personnel Services	\$48,360	\$138,560	\$170,238	\$187,397	10.1%
Supplies	\$0	\$1,057	\$3,300	\$6,300	90.9%
Services	\$80,232	\$79,856	\$114,292	\$120,000	5%
Capital Outlay	\$48,564	\$0	\$72,000	\$0	-100%
Total Measure Q & E:	\$177,157	\$219,473	\$359,830	\$313,697	-12.8%
Harbor Operating Fund					
Personnel Services	\$1,095,355	\$1,183,838	\$1,266,302	\$1,529,590	20.8%
Supplies	\$72,188	\$100,931	\$83,673	\$91,000	8.8%
Services	\$395,864	\$468,484	\$580,801	\$553,324	-4.7%
Capital Outlay	\$0	\$10,623	\$0	\$0	0%
Total Harbor Operating Fund:	\$1,563,408	\$1,763,876	\$1,930,776	\$2,173,914	12.6%
Total:	\$1,740,564	\$1,983,349	\$2,290,606	\$2,487,611	8.6%

Expenditures by Function

Personnel services comprise the largest part of the Harbor's expenses. Major storms during fiscal years 2022-23 and 2023-24 caused significant damage to docks, sea walls and revetments. Emergency funding for dock repairs was obtained in 2022-23 and additional funding to continue repairs was obtained in 2023-24. More funding will be needed to complete repairs of all damaged infrastructure. Harbor staff will continue identifying funding sources to make repairs while working toward a plan to assess, prioritize, and fund future dock, seawall, and revetment repairs and replacements. The Harbor Department funded \$40,000 for a reserve account for future vehicle/vessel replacement during the 2023-24 budget cycle. Another \$40,000 will be funded in the 2024/25 budget cycle. Unlike prior years, these reserves are no longer being budgeted as Capital expenditures. Instead, the Finance Department will set aside the requested amount in a specific asset account matching the intended use of the funds. These reserves will be described and enumerated in the Harbor Operating Fund Summary.

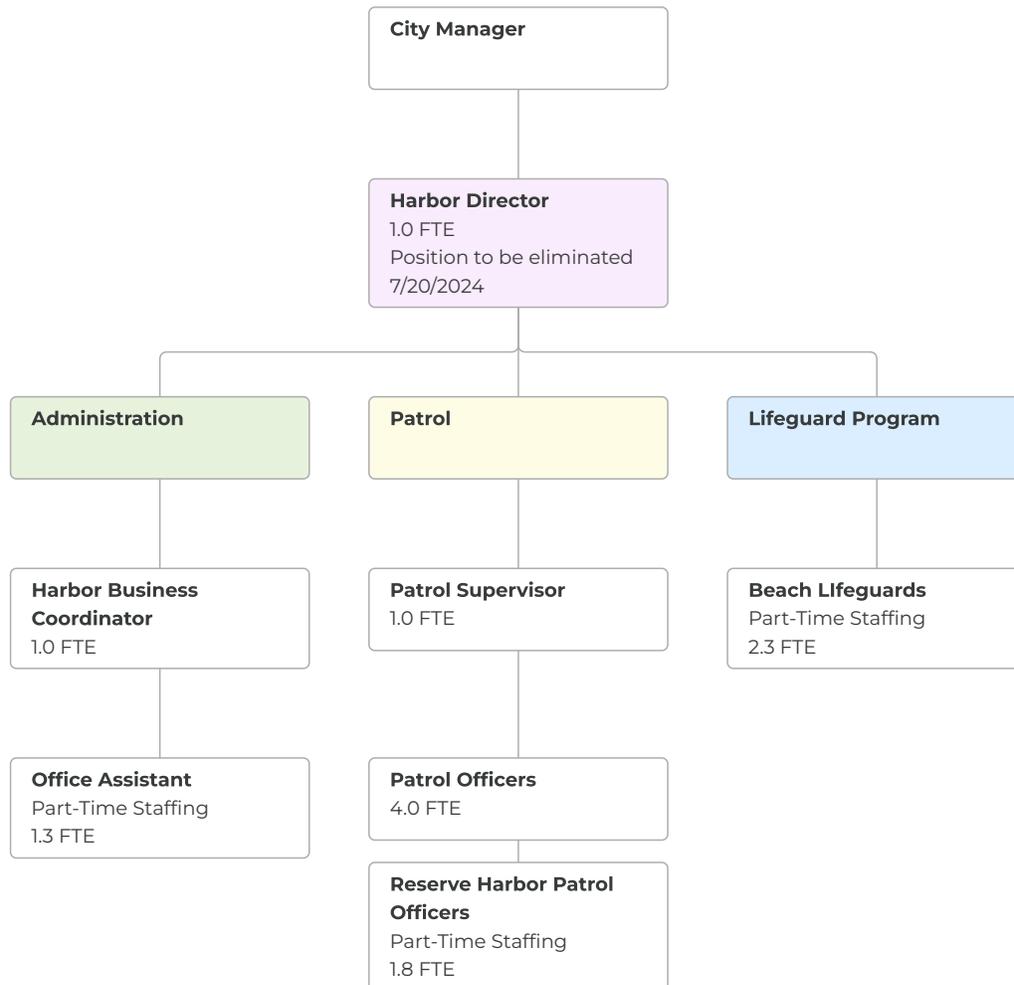
Budgeted Expenditures by Function



To see the full picture of the Harbor Operating Fund's projected revenues over expenditures, view the Harbor Operating Fund under the Fund Summaries section of this budget.

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expenditures					
Harbor Department					
Harbor Department	\$1,652,828	\$1,870,877	\$2,191,795	\$2,371,953	8.2%
Harbor Lifeguards	\$53,981	\$110,968	\$94,268	\$112,258	19.1%
Recreational Vehicle Camping	\$32,304	\$256	\$1,143	\$0	-100%
Launch Ramp Parking	\$1,452	\$1,248	\$3,400	\$3,400	0%
Total Harbor Department:	\$1,740,564	\$1,983,349	\$2,290,606	\$2,487,611	8.6%
Total Expenditures:	\$1,740,564	\$1,983,349	\$2,290,606	\$2,487,611	8.6%

Harbor Department Organizational Chart



Harbor Department Staffing List

Full-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Budget
Harbor Department					
Harbor Director*	1.0	1.0	1.0	1.0	1.0
Harbor Business Coordinator	1.0	1.0	1.0	1.0	1.0
Harbor Patrol Supervisor	1.0	1.0	1.0	1.0	1.0
Harbor Patrol Officer	3.0	3.0	3.0	4.0	4.0
Administrative Technician	0.0	0.0	0.0	0.0	0.0
Total Dept FTEs	6.0	6.0	6.0	7.0	7.0

Part-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Budget
Harbor Department					
Reserve Harbor Patrol Officers	1.2	1.1	1.4	1.7	1.7
Beach Lifeguards	1.2	1.8	1.8	2.0	2.3
Office Assistant	0.0	0.0	0.0	0.7	1.3
Harbor Maintenance	0.0	0.0	0.0	0.0	0.0
Total Dept FTEs	2.4	2.9	3.2	4.4	5.3

Total Harbor Department Full-Time Equivalents: 12.3

*The Harbor Director position will be eliminated effective 7/20/2024.

Department Goals - FY 2024-2025

- **Efficient Administration of the Tidelands Trust**
 - **Core City Service**
 - Appraisals - complete lease site appraisals to adjust base rent and improve revenue
 - 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
 - Property Management - implement new property management system
- **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, complete a capital needs assessment of Harbor-related facilities and infrastructure
 - **Core City Service**
 - North T-Pier Assessment - complete above-water and below-water assessment for future funding
 - Complete the Storm Recovery - Dock Repairs project to restore commercial fishing docks
- **Resource Management and Environmental Stewardship**
 - **Core City Service**
 - Offshore Wind Power Generation: Continue working with state and federal regulators, commercial fishers, and the offshore wind industry to gather information that can be shared with stakeholders and the public.
 - 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 35+ 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

	2020-21 Actuals	2021-22 Actuals	2022-23 Actuals	2023-24 Estimated	2024-25 Projected
Activity and Workload Highlights					
Major Lease Actions (new leases, amendments)	4	6	5	8	7
Lease Site Redevelopment Projects	2	3	5	4	3
Harbor Patrol Calls For Service	1497	1300	1193	1144	1212
Emergency Responses	195	159	139	143	147
Assisting Other Agencies	452	440	313	522	425
Enforcement Actions	467	460	280	370	370
Maintenance Actions	2064	2309	1959	2648	2305
Training Contacts/Actions	218	196	205	238	213

Police Department



Amy Watkins
Police Chief

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.

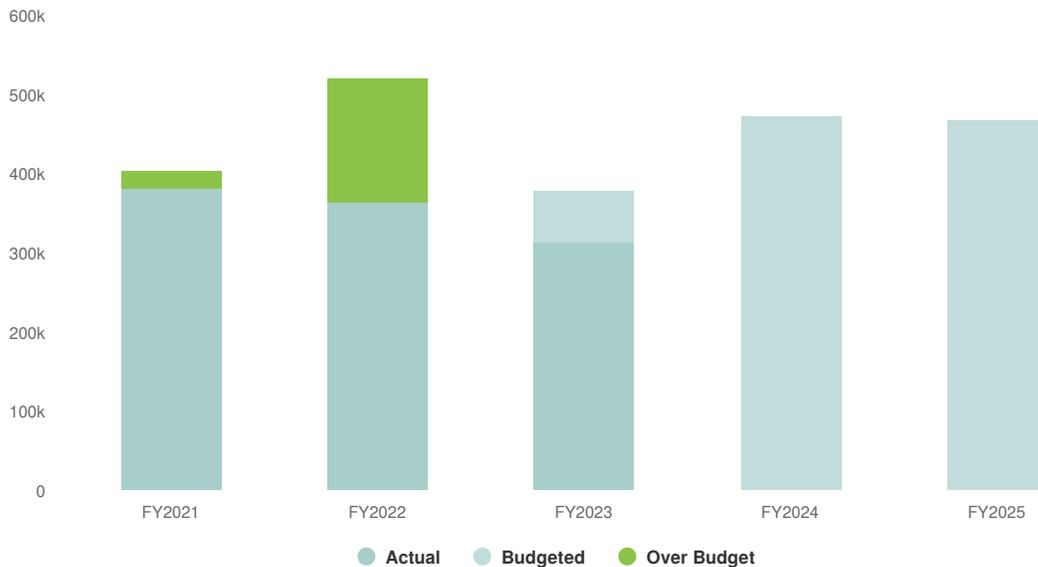
The Morro Bay Police Department continues to be part of a much larger public safety network of First Responders working closely with Morro Bay Fire and Harbor Departments as well as regional and allied agencies including State Parks, San Luis Obispo (SLO) County Sheriff's Office, California Highway Patrol (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.

Revenues Summary

The City's Police Department estimates FY 2024-25 total revenue of \$468K across four funds: 58% in General Fund (001), 32% in Special Safety Grants Fund (282), 8% in Governmental Impact Fees Fund (900), and 2% in Traffic Safety Fund (280).

\$467,825 **-\$5,566**
(-1.18% vs. prior year)

Police Proposed and Historical Budget vs. Actual



Revenue by Fund

FY 2024-25 General Fund (001) revenue is budgeted at \$272K, 2% lower than the FY 2023-24 budget. Categories of revenue earnings in the General Fund include:

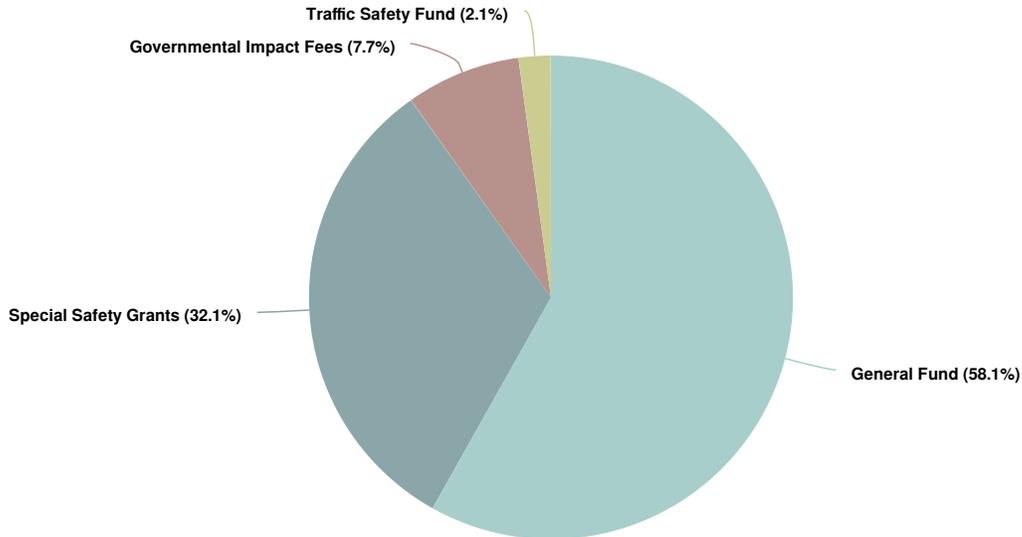
- State Mandated Cost Reimbursement, Police Officer Standards and Training (POST) Subvention, Impound Fees, Copies of Police Crime and Accident Reports, Commercial Cannabis Background Checks, Subpoenas, Fingerprinting Fees, Cost Recovery, Booking Fees, reimbursement for the cost of the School Resources Officer, Parking Bail and Statutory Violations, Administrative Citations, Auctioned Property, and Refunds.
- The decrease in General Fund revenue is due to Cannabis Background Renewal Fees. This revenue is reduced for FY 2024-25 as a result of lack of staffing required to complete the renewals.

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). There is no change to this revenue amount in FY 2024-25.

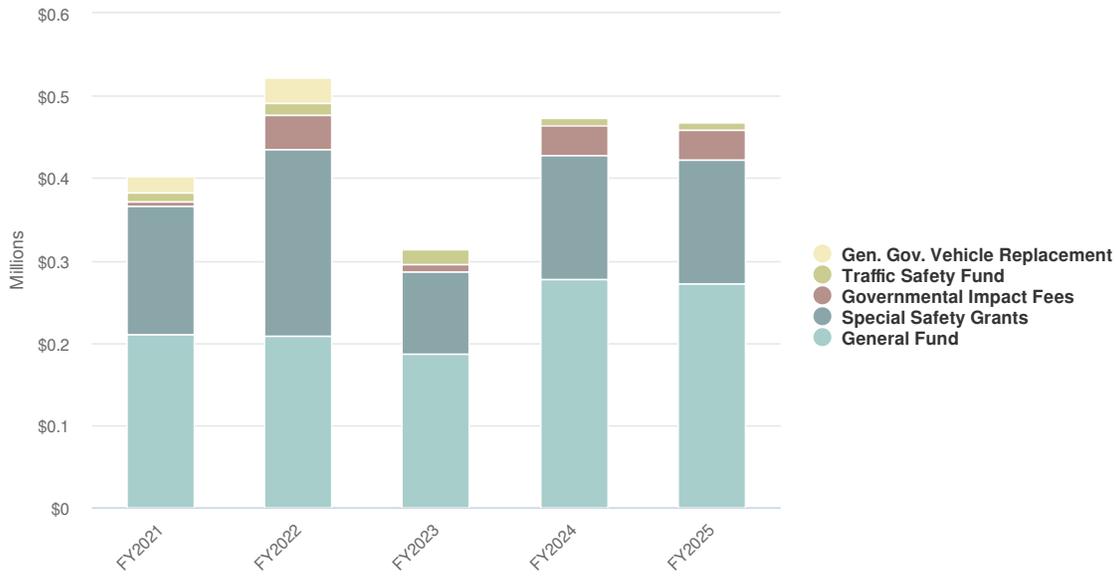
The Governmental Impact Fees Fund (900) anticipated \$36K in revenue from impact fees paid for new development. There is no change to this revenue amount in FY 2024-25.

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 2024-25.

2025 Revenue by Fund



Budgeted and Historical 2025 Revenue by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
General Fund					
Intergovernmental Revenues	\$25,718	\$47,052	\$36,360	\$36,360	0%
Revenues From Current Services	\$161,054	\$111,415	\$212,631	\$201,365	-5.3%
Fines & Forfeitures	\$13,589	\$6,487	\$16,180	\$21,000	29.8%
Other Revenues	\$8,847	\$21,158	\$12,360	\$13,240	7.1%
Total General Fund:	\$209,208	\$186,112	\$277,531	\$271,965	-2%
Gen. Gov. Vehicle Replacement					
Other Revenues	\$30,400	\$0	\$0	\$0	0%
Total Gen. Gov. Vehicle Replacement:	\$30,400	\$0	\$0	\$0	0%
Traffic Safety Fund					
Fines & Forfeitures	\$14,617	\$18,923	\$10,000	\$10,000	0%
Total Traffic Safety Fund:	\$14,617	\$18,923	\$10,000	\$10,000	0%
Special Safety Grants					
Intergovernmental Revenues	\$226,556	\$100,000	\$150,000	\$150,000	0%
Total Special Safety Grants:	\$226,556	\$100,000	\$150,000	\$150,000	0%
Governmental Impact Fees					
Revenues From Current Services	\$40,533	\$8,832	\$860	\$860	0%
Other Revenues	\$0	\$0	\$35,000	\$35,000	0%
Total Governmental Impact Fees:	\$40,533	\$8,832	\$35,860	\$35,860	0%
Total:	\$521,315	\$313,867	\$473,391	\$467,825	-1.2%

Expenditures Summary

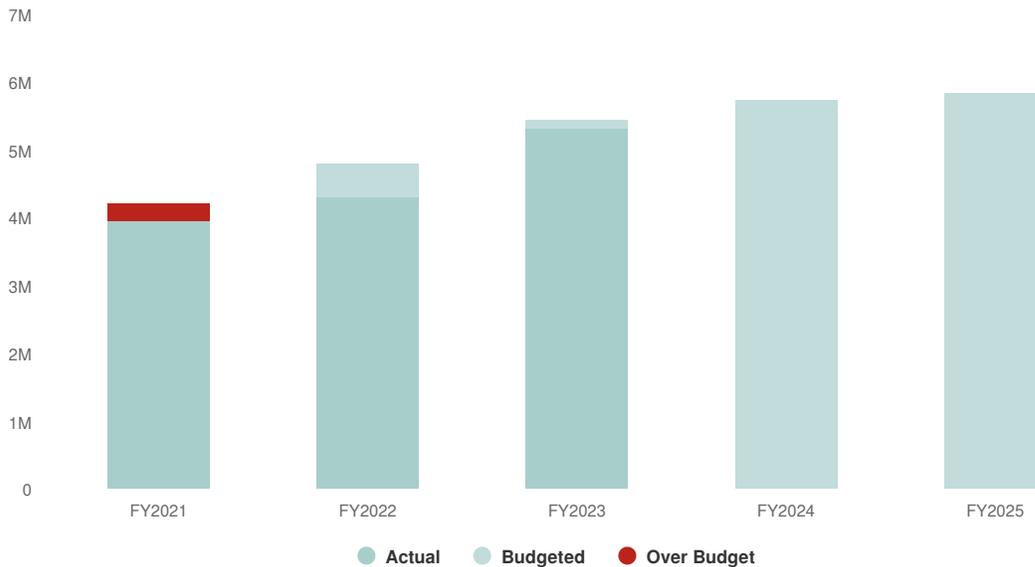
The Police Department's total budget for FY 2024-25 has increased slightly over the previous fiscal year. The Homeless Outreach Case Manager position added in FY 2023-24, remains funded for this budget year. This position is included in the Police Department's personnel part-time budget, but is used 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. The additional contributing Funds include Measure E, the Traffic Safety Fund, and Special Safety Grant (COPS Grant) Fund. 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.

\$5,863,257 **\$122,924**
(2.14% vs. prior year)

Police Proposed and Historical Budget vs. Actual



Expenditures by Fund

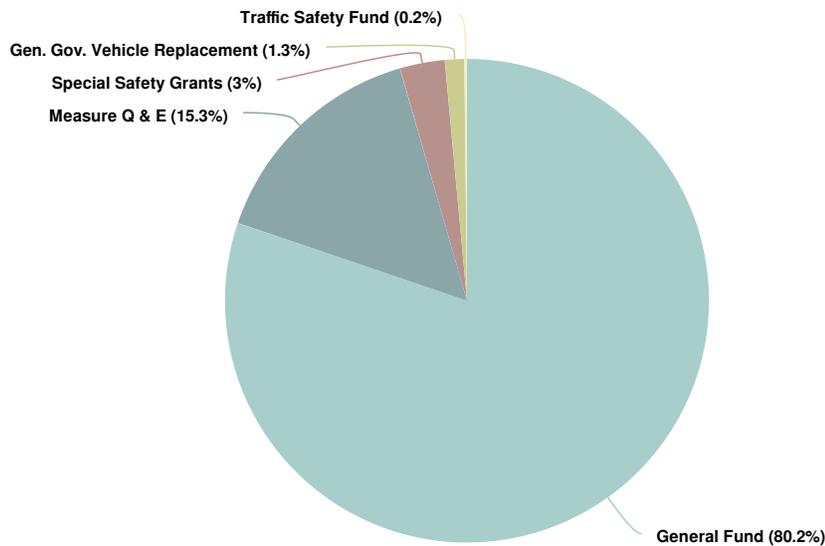
The Police Department continues into FY 2024-25 with the same sworn staffing levels established in 1986. The FY 2024-25 budget continues to keep the Police Department at a minimum staffing level of 18 sworn officers (including one assigned as a School Resource Officer (SRO) funded by San Luis Obispo Unified School District). Two, retired officers were hired in 2024, and will be working as "extra help" to fill needed areas of traffic enforcement and investigations. These two positions are each limited to 960 hours per year and funded by Measure E.

Both Measure E and Special Safety (COPS Grant) funding have continued to be necessary for the Department to maintain all basic functions, which include personnel costs and 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.

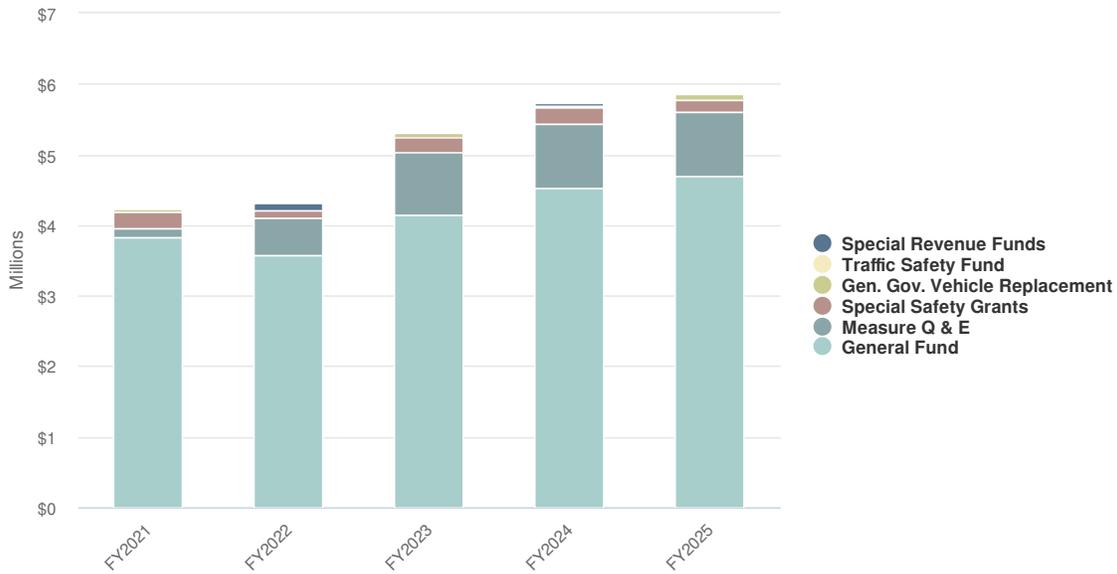
The Department's operational expenditures have increased over the past year due to increased fuel costs, increased outside vehicle maintenance and repair costs, supply and equipment costs. For FY 2024-25, the department will replace its stock of firearms. This is considered best practice for law enforcement. Firearms used by law enforcement officers are recommended to be replaced in specific intervals to ensure proper function.

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

2025 Expenditures by Fund



Budgeted and Historical 2025 Expenditures by Fund

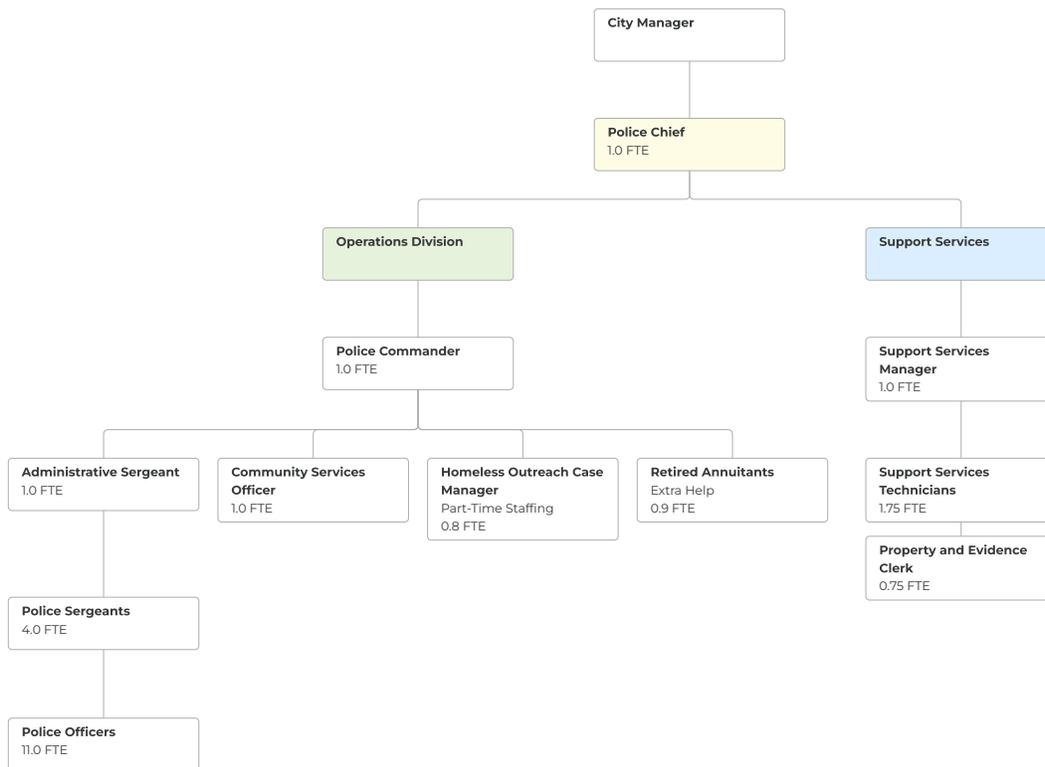


Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
General Fund	\$3,582,230	\$4,143,291	\$4,531,070	\$4,703,375	3.8%
Gen. Gov. Vehicle Replacement	\$0	\$74,760	\$0	\$75,000	N/A
Special Revenue Funds					
American Rescue Plan (ARP)	\$115,021	\$5,146	\$59,210	\$0	-100%
Total Special Revenue Funds:	\$115,021	\$5,146	\$59,210	\$0	-100%
Measure Q & E	\$524,486	\$895,170	\$897,479	\$898,501	0.1%
Traffic Safety Fund	\$0	\$0	\$10,000	\$10,000	0%
Special Safety Grants	\$92,054	\$201,516	\$242,574	\$176,381	-27.3%
Total:	\$4,313,791	\$5,319,883	\$5,740,333	\$5,863,257	2.1%

Expenditures by Expense Type

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$3,464,800	\$3,985,560	\$4,322,336	\$4,469,284	3.4%
Supplies	\$127,178	\$170,581	\$199,426	\$229,316	15%
Other Expense	\$26,159	\$22,823	\$36,720	\$36,720	0%
Services	\$580,634	\$979,464	\$958,641	\$1,022,937	6.7%
Capital Outlay	\$115,021	\$161,455	\$223,210	\$105,000	-53%
Total Expense Objects:	\$4,313,791	\$5,319,883	\$5,740,333	\$5,863,257	2.1%

Police Department Organizational Chart



Police Department Staffing List

Full-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Budget
Police Department					
Police Chief	1.0	1.0	1.0	1.0	1.0
Police Commander	1.0	1.0	1.0	1.0	1.0
Police Sergeant	4.0	4.0	4.0	4.0	4.0
Administrative Sergeant	1.0	1.0	1.0	1.0	1.0
Corporal	0.0	0.0	0.0	0.0	0.0
Senior Police Officer	4.0	4.0	4.0	4.0	4.0
Officer	4.0	5.0	5.0	5.0	5.0
Office - School Resources Officer	1.0	1.0	1.0	1.0	1.0
Officer - Detective	1.0	1.0	1.0	1.0	1.0
Community Services Officer	0.0	0.0	1.0	1.0	1.0
Police Support Services Manager	1.0	1.0	1.0	1.0	1.0
Support Services Technician	1.6	1.6	1.8	1.8	1.8
Property Evidence Clerk	0.8	0.8	0.8	0.8	0.8
Total Department FTEs	20.4	21.4	22.5	22.5	22.6

Part-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Budget
Police Department					
Extra Help (Retired Annuitants)	0.0	0.0	0.0	0.5	0.9
Homeless Outreach Case Manager	0.0	0.0	0.0	0.5	0.8
Total Department FTEs	0.0	0.0	0.0	1.0	1.7

Total Police Department Full-Time Equivalents: 24.3

Department Goals & FY 2024-25 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
 - 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 Extra Help Police Officers
 - 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 (City Council Goal)**
 - **Core City Services (Public Safety)**
 - Build community partnerships and connect resources to the unhoused population with Homeless Outreach Case Manager. Increase services provided to the unhoused population through programs such as community shower events
 - 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

- **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 Caroling 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), 805 Street Outreach, Morro Bay Active Adults, Chamber of Commerce, Rotary, San Luis Coastal Unified School District and other local and regional partners.

Activity & Workload Highlights

	2020-21 Actuals	2021-22 Actuals	2022-23 Actuals	2023-24 Estimated	2024-25 Projected
Activity and Workload Highlights					
Average hours of training per sworn Officer	114	117	101	107	107
Average hours of training for non-sworn personnel	28	25	23	35	35
Total Number of Volunteer Hours	1600	1682	1680	2151	2150
Response times (average)	3-5 min	3-5 min	3-5 min	3-5 min	3-5 min
Calls for Service	15500	14900	14,188	12,150	11,400
Total Arrests	630	607	620	578	600
Total number of reports written	1743	1600	1705	1488	1500
Percentage of reported Traffic Collisions involving drugs or Alcohol	16%	15%	17%	10%	10%
Number of traffic citations issued (excluding courtesy citations)	425	700	424	398	400
Criminal citations issued	250	317	244	204	250
Courtesy citations issued	178	158	206	224	200
DUI Arrests	78	79	82	66	70
Traffic collision reports	62	70	69	64	65
Injury collisions	22	27	20	30	24
Number of Parking Citations Issued	236	150	193	39	100
Number of parking permits issued	N/A	N/A	N/A	N/A	N/A
Number of abandoned vehicles removed from public streets					
Tows for 72-hour Violations	11	11	9	1	10
Tows for Expired Registration	9	8	12	39	20
Revenue received on parking permits issued	N/A	N/A	N/A	N/A	N/A
Revenue received on parking citations issued	\$9,400	\$3,000	\$5,600	\$9,500	\$7,000

Public Works Department



Greg Kwolek
Public Works Director

The **Public Works Department** is comprised of four divisions: Engineering, Utilities, Maintenance, and Administration. These divisions are responsible for carrying out the following functions:

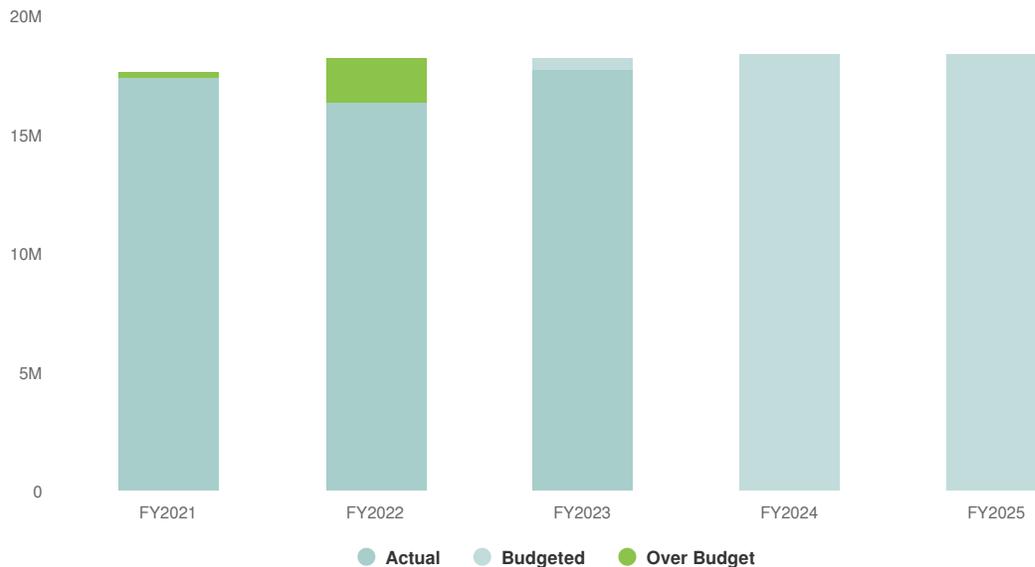
- **Engineering:** encroachment, building, and planning permit reviews; parcel map reviews; and capital and maintenance projects; traffic engineering; grant writing
- **Utilities:** water treatment and distribution; wastewater treatment; maintenance of collections system; response and repair of system 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 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.

Revenues Summary

\$18,451,728 **\$21,740**
(0.12% vs. prior year)

Public Works Proposed and Historical Budget vs. Actual

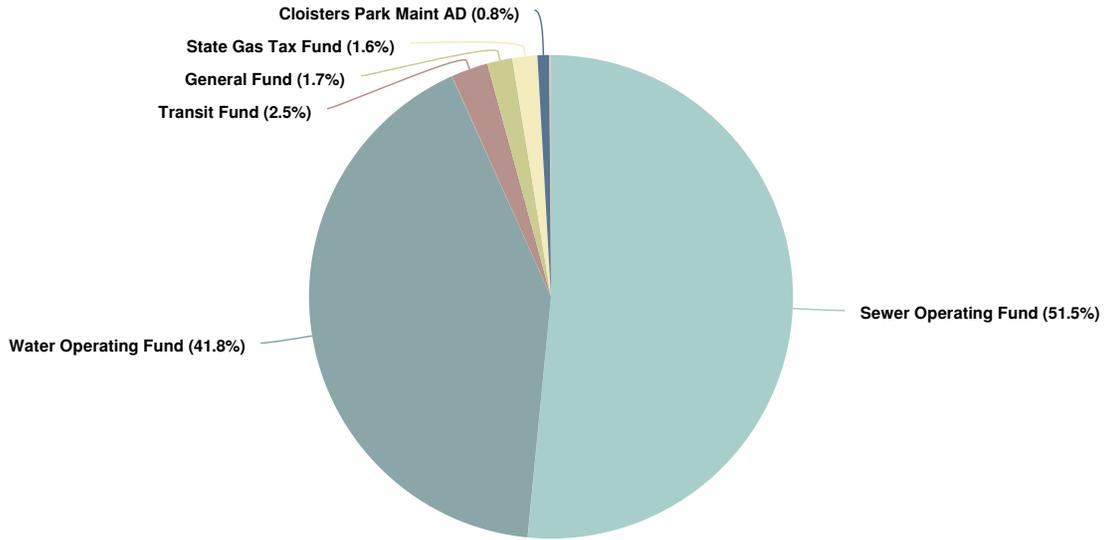


The majority of Public Works revenues come from the water and sewer rates paid by the City's ratepayers. The FY 2021-22 revenue budget was lower than normal due to uncertain revenues during the pandemic, but has bounced back to levels commensurate with recent actual revenues in the FY 2022-23 budget. The FY 2024-25 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 E.

2025 Revenue by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
General Fund	\$51,722	\$163,874	\$283,720	\$309,131	9%
State Gas Tax Fund	\$235,838	\$300,672	\$312,987	\$303,607	-3%
Bike Path	\$7,720	\$14,219	\$13,315	\$12,108	-9.1%
North Point Assessment	\$5,645	\$5,645	\$5,645	\$5,645	0%
Cloisters Park Maint AD	\$143,350	\$148,944	\$148,944	\$148,944	0%
Transit Fund	\$254,805	\$281,678	\$451,177	\$458,093	1.5%
Sewer Operating Fund	\$9,831,793	\$9,423,239	\$9,510,000	\$9,510,000	0%
Water Operating Fund	\$7,709,564	\$7,387,442	\$7,704,200	\$7,704,200	0%
Total:	\$18,240,437	\$17,725,713	\$18,429,988	\$18,451,728	0.1%

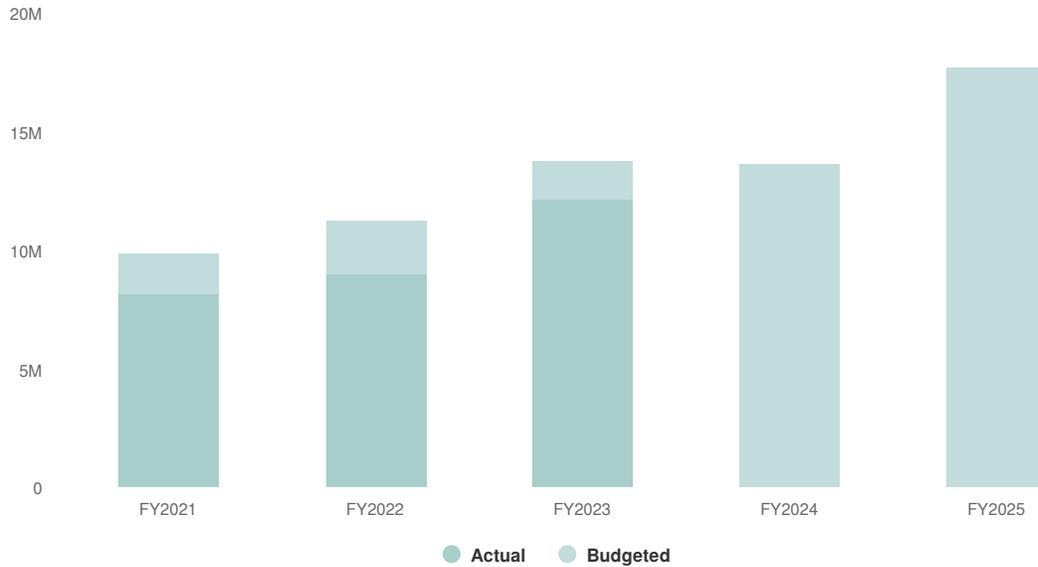
Expenditures Summary

During the pandemic, the Public Works Department downsized in anticipation of projected revenue reductions, which accounts for the relatively low expenditures in Fiscal Year 2020-21. Since then, stabilized revenues and Measure E have allowed the Department to incrementally reinstate staffing cuts during the pandemic.

A major increase in spending is the result of debt service payments commencing for the Water Reclamation Facility, adding approximately \$3.5 million to the Public Works budget in FY 2024-25. A loan amendment application for the State Revolving Fund loan is expected to be approved by June 2024. Approval of the amendment will include restructuring of the loan repayment schedule which would reduce payments for FY 2024-25 and push them out further into the future.

\$17,763,821
\$4,109,641
(30.10% vs. prior year)

Public Works Proposed and Historical Budget vs. Actual

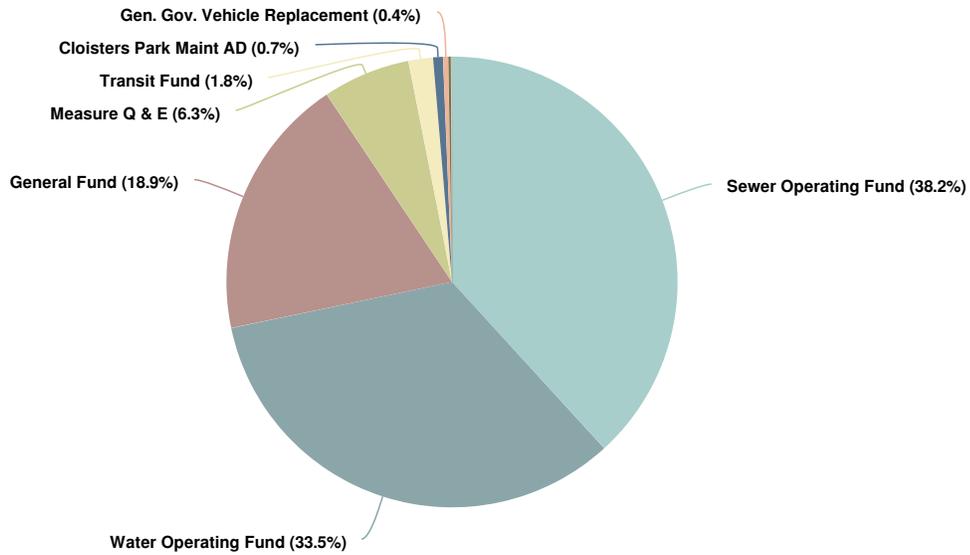


\$3.5 million in new debt service expenditures are included in the Public Works Department, Utilities Division (Water and Sewer).

Expenditures by Fund

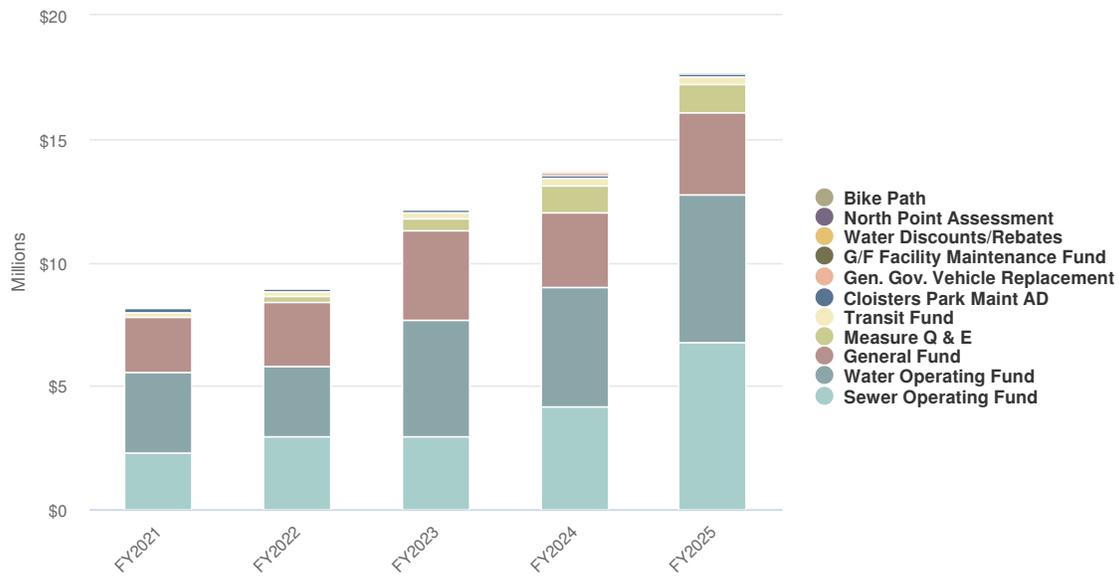
Approximately 72% of planned Department expenditures are within the Utilities Division, which will support all daily water and sewer operations, including operations and debt service payments related to the new Water Resources Center, which was brought online at the end of calendar year 2022. 19% of Department expenditures are from the General Fund, the vast majority of which support the Engineering and Maintenance Divisions. Measure E make up 6.3% of expenditures, which also support the Engineering and Maintenance Divisions in executing on the adopted City Council goal to improve public infrastructure.

2025 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).

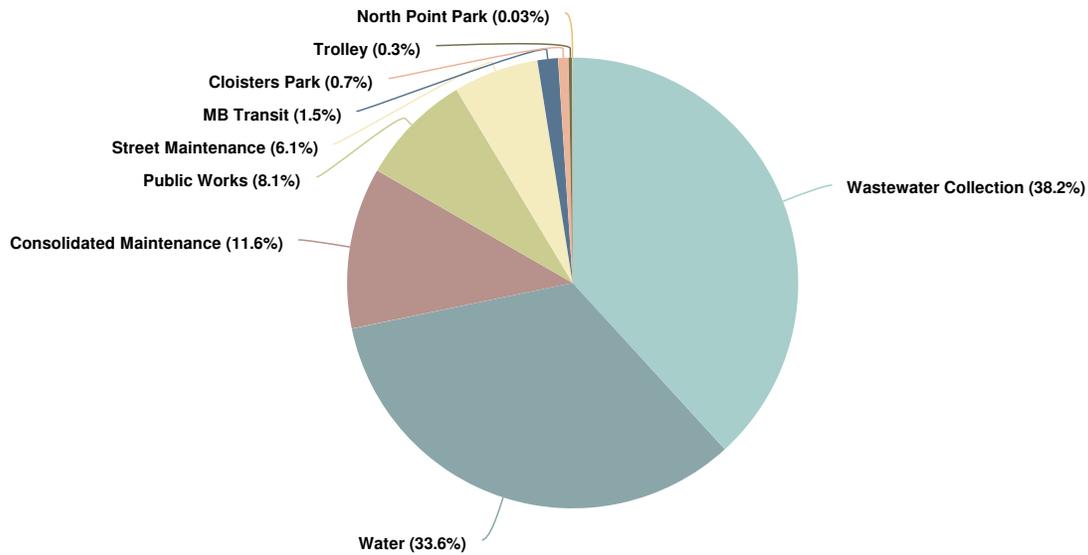
Budgeted and Historical 2025 Expenditures by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
General Fund	\$2,607,967	\$3,644,219	\$3,041,046	\$3,358,351	10.4%
Gen. Gov. Vehicle Replacement	\$0	\$0	\$87,000	\$64,961	-25.3%
G/F Facility Maintenance Fund	\$0	\$0	\$0	\$34,000	N/A
Measure Q & E	\$216,095	\$494,382	\$1,096,730	\$1,112,756	1.5%
Bike Path	\$3,500	\$0	\$13,000	\$0	-100%
North Point Assessment	\$4,350	\$3,447	\$4,647	\$5,231	12.6%
Cloisters Park Maint AD	\$131,874	\$110,257	\$120,860	\$128,798	6.6%
Transit Fund	\$204,210	\$229,021	\$290,403	\$311,448	7.2%
Sewer Operating Fund	\$2,989,934	\$2,968,764	\$4,149,786	\$6,786,405	63.5%
Water Operating Fund	\$2,811,302	\$4,693,543	\$4,844,708	\$5,955,871	22.9%
Water Discounts/Rebates	\$8,477	\$4,035	\$6,000	\$6,000	0%
Total:	\$8,977,709	\$12,147,668	\$13,654,180	\$17,763,821	30.1%

Expenditures by Function

Budgeted Expenditures by Function

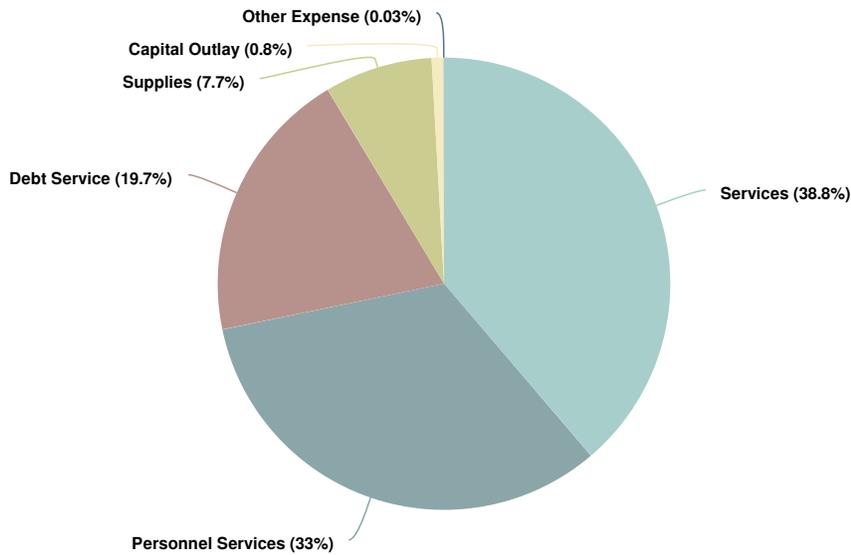


Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expenditures					
Public Works					
Public Works	\$749,407	\$1,053,603	\$1,211,535	\$1,431,518	18.2%
Consolidated Maintenance	\$1,218,869	\$1,939,014	\$2,011,735	\$2,055,518	2.2%
Vehicle Maintenance	\$157,011	\$0	\$0	\$0	0%
Street Maintenance	\$305,575	\$1,116,146	\$1,001,506	\$1,083,032	8.1%
Street Trees	\$150,595	\$0	\$0	\$0	0%
Street Lighting	\$91,479	\$0	\$0	\$0	0%
Storm Drain/Creek Maint.	\$119,360	\$0	\$0	\$0	0%
Water	\$2,819,779	\$4,697,578	\$4,850,708	\$5,961,871	22.9%
Wastewater Collection	\$2,989,934	\$2,968,764	\$4,149,786	\$6,786,405	63.5%
MB Transit	\$171,116	\$194,653	\$245,595	\$264,622	7.7%
Bikeway Paths	\$3,500	\$0	\$13,000	\$0	-100%
Trolley	\$33,094	\$34,368	\$44,808	\$46,826	4.5%
Curbside Recycling	\$31,765	\$29,839	\$0	\$0	0%
North Point Park	\$4,350	\$3,447	\$4,647	\$5,231	12.6%
Cloisters Park	\$131,874	\$110,257	\$120,860	\$128,798	6.6%
Total Public Works:	\$8,977,709	\$12,147,668	\$13,654,180	\$17,763,821	30.1%
Total Expenditures:	\$8,977,709	\$12,147,668	\$13,654,180	\$17,763,821	30.1%



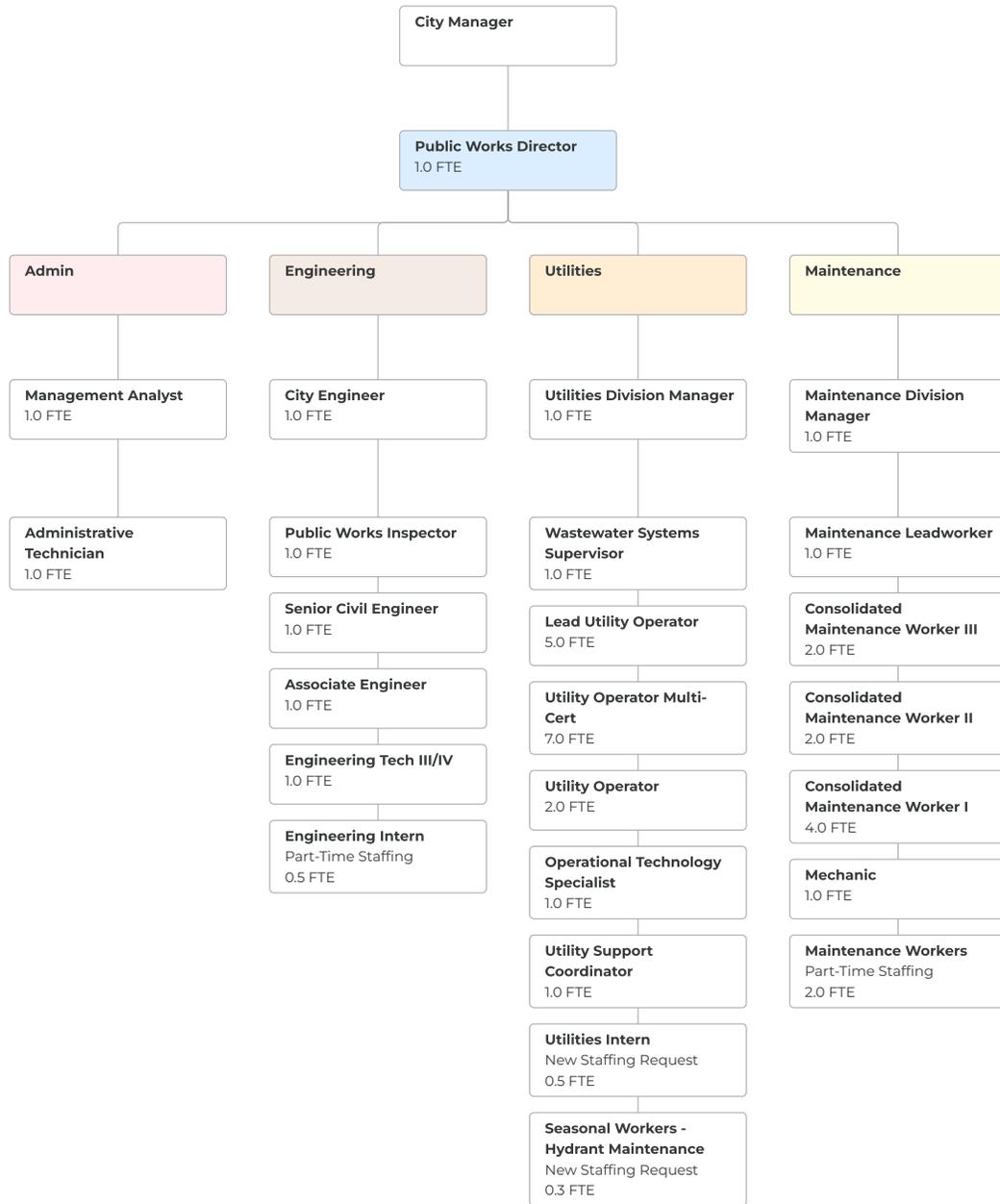
Expenditures by Expense Type

Budgeted Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expense Objects					
Personnel Services	\$3,402,054	\$4,905,225	\$5,375,147	\$5,862,212	9.1%
Supplies	\$445,955	\$792,327	\$1,094,511	\$1,370,372	25.2%
Other Expense	\$2,012,690	\$6,091	\$6,000	\$6,000	0%
Services	\$3,113,509	\$6,295,426	\$7,074,522	\$6,884,487	-2.7%
Capital Outlay	\$0	\$101,742	\$91,000	\$148,961	63.7%
Debt Service	\$0	\$46,857	\$0	\$3,491,789	N/A
Interfund Transfers	\$3,500	\$0	\$13,000	\$0	-100%
Total Expense Objects:	\$8,977,709	\$12,147,668	\$13,654,180	\$17,763,821	30.1%

Public Works Organizational Chart



Public Works Staffing List

Full-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Budget
Public Works Department					
Public Works Director	0.0	1.0	1.0	1.0	1.0
City Engineer	1.0	1.0	1.0	1.0	1.0
Maintenance Division Manager*	0.0	1.0	1.0	1.0	1.0
Environmental Programs Manager	1.0	1.0	0.0	0.0	0.0
Senior Civil Engineer	0.0	0.0	0.0	1.0	1.0
Associate Engineer	0.0	1.0	1.0	1.0	1.0
Assistant Engineer	1.0	0.0	0.0	0.0	0.0
Engineering Technician	0.0	1.0	1.0	1.0	1.0
Consolidated Maintenance Field Supervisor	1.0	1.0	1.0	0.0	0.0
Public Works Inspector	0.0	0.0	0.0	1.0	1.0
Mechanic	1.0	1.0	1.0	1.0	1.0
Maintenance Leadworker	0.0	1.0	1.0	1.0	1.0
Consolidated Maintenance Worker III	1.0	3.0	3.0	2.0	2.0
Consolidated Maintenance Worker II	5.0	3.0	3.0	2.0	2.0
Consolidated Maintenance Worker I	2.0	2.0	2.0	4.0	4.0
Management Analyst	1.0	1.0	1.0	1.0	1.0
Administrative Technician	0.0	0.0	1.0	1.0	1.0
Office Assistant IV	0.0	0.0	0.0	0.0	0.0
Utilities Division Manager	1.0	1.0	1.0	1.0	1.0
WRF Operations Interface Manager	0.0	0.6	0.6	0.0	0.0
Wastewater System Supervisor	1.0	1.0	1.0	1.0	1.0
Lead Utilities Operator	5.0	5.0	5.0	5.0	5.0
Utilities Operator - MultiCert	7.0	7.0	7.0	7.0	7.0
Utilities Operator	2.0	2.0	2.0	2.0	2.0
Utilities Support Coordinator	0.0	1.0	1.0	1.0	1.0
Utilities Office Assistant	1.0	0.0	0.0	0.0	0.0
Operational Technology Specialist	0.0	1.0	1.0	1.0	1.0
Total Department FTEs	31.0	36.6	36.6	37.0	37.0

Part-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Budget
Public Works Department					
Office Assistant (See Admin Svcs)	0.0	0.4	0.0	0.0	0.0
Engineering Intern	0.0	0.5	0.5	0.5	0.5
Utilities Intern	0.0	0.0	0.0	0.0	0.5
Seasonal Worker - Hydrant Maintenance	0.0	0.0	0.0	0.0	0.3
Maintenance Worker	0.7	1.8	2.2	2.0	2.0
Total Department FTEs	0.7	2.7	2.7	2.5	3.3

Total Public Works Department Full-Time Equivalents: 40.3



Staffing Changes for FY 2024-25

*Classification title change from Consolidated Maintenance Superintendent to Maintenance Division Manager (no associated salary increase)

Department Goals & FY 2024-25 Action Items

- **City Council Goal: Public Infrastructure**
 - Continue project delivery of pavement management, storm drain repairs, water, and sewer priority projects
 - 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

	2020-21 Actuals	2021-22 Actuals	2022-23 Actuals	2023-24 Estimated	2024-25 Projected
Activity and Workload Highlights					
Encroachment Permit Reviews	139	205	210	275	300
Special Encroachment Permit Reviews	25	11	12	15	20
Public Works Building Permit Reviews	196	281	280	285	300
Public Works Planning Permit Review	112	142	140	100	120
Water Consumption (sold) in Million Gallons	345	347	354	328	330
Water Quality Complaints	39	25	17	19	15
Percent of Collection System Cleaned	55%	54%	40%	50%	50%
Reportable Sanitary Sewer Overflows	1	3	5	1	0
MB Transit Ridership	5,270	9,368	9,900	10,000	11,000
MB Trolley	1,523	3,138	4,600	5,000	5,500
Maintenance Work Orders Completed	726	1250	1250	300	350
Total Acres of Natural Parkland Maintained	11	11	11	11	11

Note: Maintenance Work Order estimates for FY 2024 forward will use data available in CityWorks only. Requests received via email and phone will not be estimated.

Recreation Services



Kirk Carmichael
Recreation Services Manager

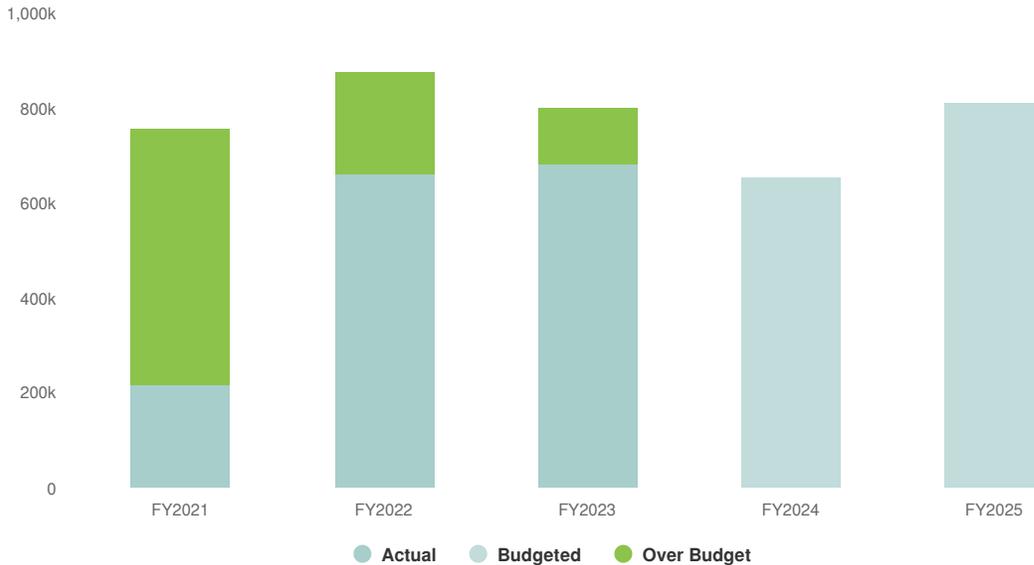
Recreation Services is committed to providing quality recreational programming, services, and opportunities in a responsive and courteous manner. Enhancing the quality of life, building a sense of community, providing positive role models for children and teens, improving self-esteem, and contributing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

Revenues Summary

For FY 2024-25, the Division is projecting an overall increase in budgeted revenue of 24%. Over the last three years, the division has come in well over budget, with revenues significantly exceeding our expectations. The projected revenue for FY 2024-25 is more reflective of the trends of previous FY actuals.

\$811,108 **\$157,500**
(24.10% vs. prior year)

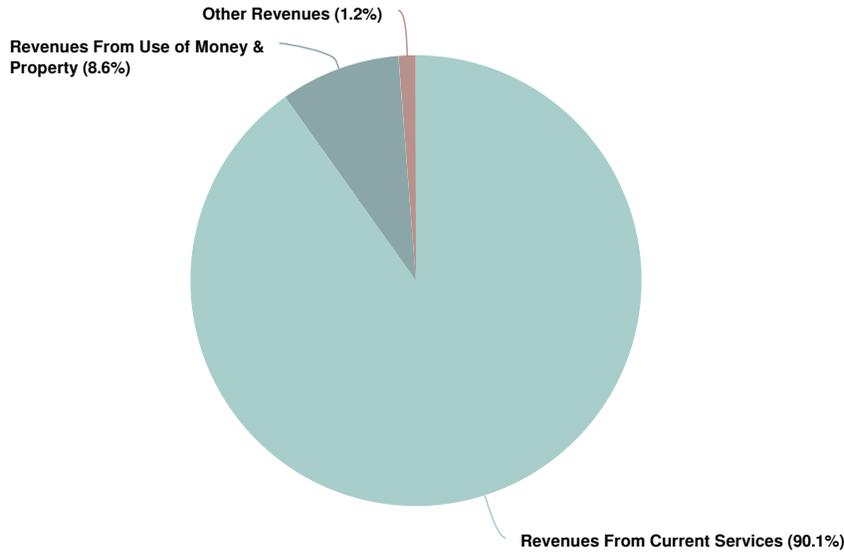
Recreation Proposed and Historical Budget vs. Actual



Revenues by Source

FY 2024-25 is expected to see an increase in overall revenues as we continue to adjust from the pandemic. Administration, which manages the use of City property, has experienced large increases in park and facility use since the pandemic. Community classes have also rebounded with increased participation and new opportunities made available. Recreation Sports expects a slight increase in revenue as we develop new and exciting adult sports opportunities such as co-ed kickball and soccer. Aquatics also anticipates a slight increase in revenue due to popularity and increased programming, such as teaching a summer school class on behalf of SLCUSD. Our Youth Services Division anticipates another great year of revenue and an expected increase due to a continued partnership with SLCUSD and CAPSLO, who fund before and after-school childcare year-round.

Projected 2025 Revenues by Source



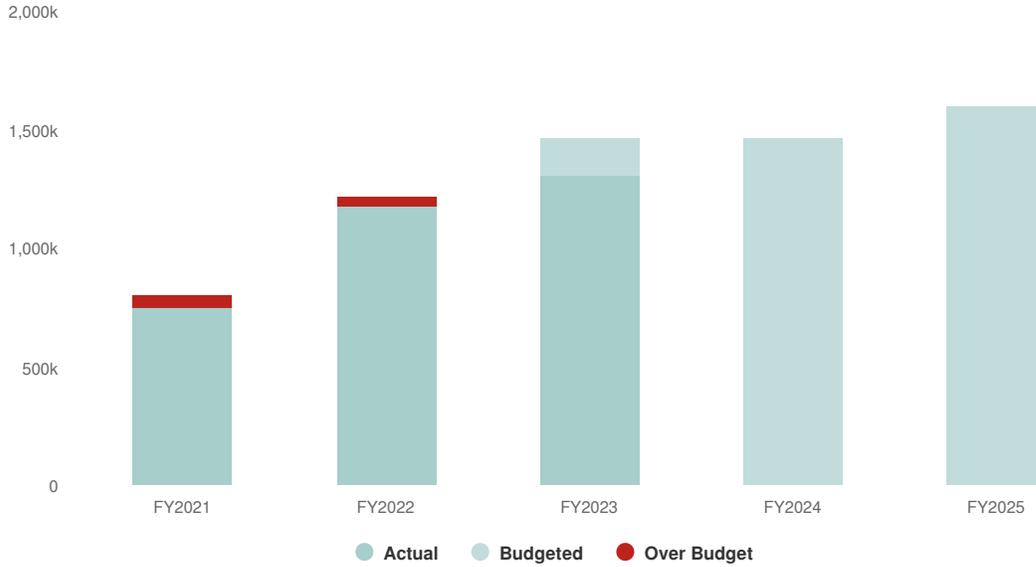
Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Revenue Source					
Revenues From Current Services	\$789,106	\$728,533	\$583,608	\$731,108	25.3%
Total Revenues From Current Services:	\$789,106	\$728,533	\$583,608	\$731,108	25.3%
Other Revenues	\$0	\$0	\$0	\$10,000	N/A
Total Other Revenues:	\$0	\$0	\$0	\$10,000	N/A
Revenues From Use of Money & Property					
Rental Revenue					
Rental Income	\$53,907	\$31,512	\$30,000	\$30,000	0%
Revenues From Current Services	\$35,358	\$40,425	\$40,000	\$40,000	0%
Total Rental Revenue:	\$89,265	\$71,937	\$70,000	\$70,000	0%
Total Revenues From Use of Money & Property:	\$89,265	\$71,937	\$70,000	\$70,000	0%
Total Revenue Source:	\$878,370	\$800,470	\$653,608	\$811,108	24.1%

Expenditures Summary

FY 2024-25 will see a slight increase in overall expenditure as we are converting two part-time staff to full-time, one in Aquatics and the other in Youth Services. With direction from the City Manager to keep expenditures flat in the coming year, Recreation Services will continue to seek cost-saving measures to help offset the increase in personnel expenses as well as the rising cost of equipment and supplies.

\$1,597,514 **\$135,025**
(9.23% vs. prior year)

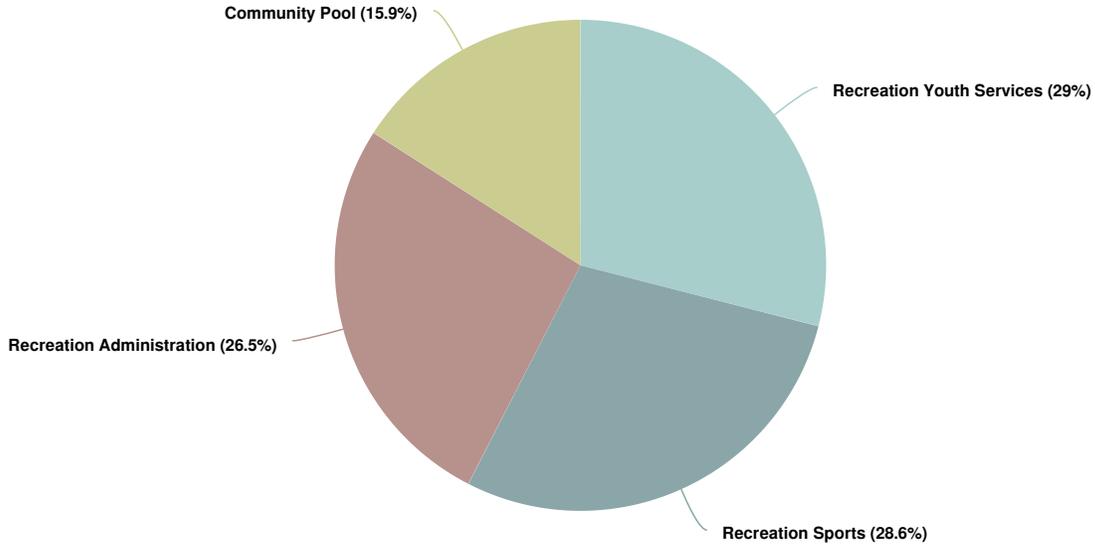
Recreation Proposed and Historical Budget vs. Actual



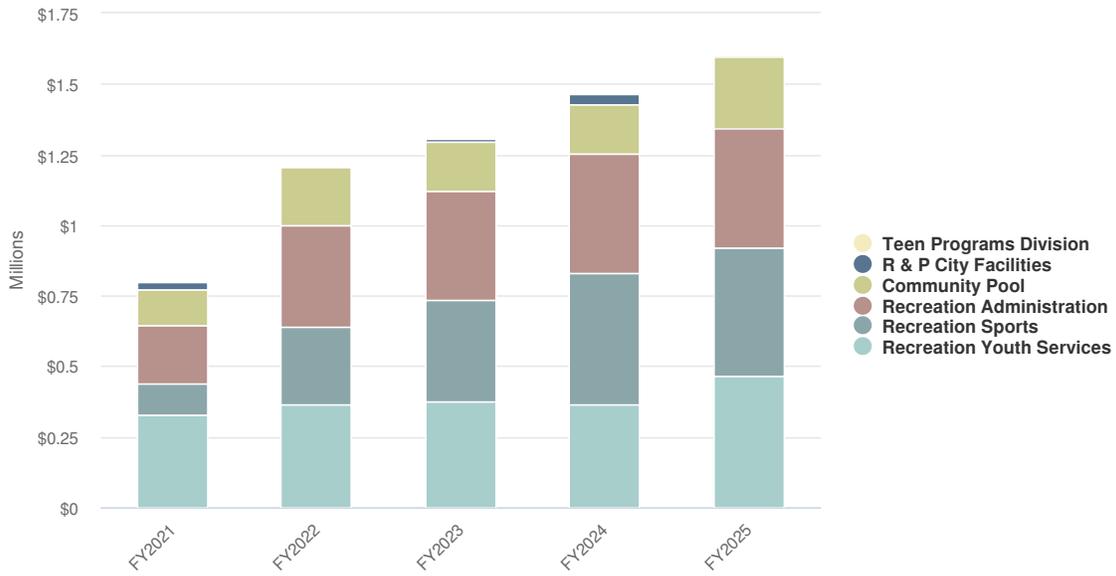
Expenditures by Function

Personnel costs account for the majority of expenditure increases in FY 2024-25. With that exception, Recreation Services will see slight adjustments both up and down within the various areas of the Division. Administration anticipates a slight decrease in operating expenses this year due to the reallocation of funds for our part-time (PT) to full-time (FT) staff conversion. Our Youth Services program projects an increase in expenses due to the increased cost of goods necessary to operate, along with the conversion of a PT staffer to FT. The Aquatics program expects an increase in expenses due to the conversion of a PT staffer to FT. Recreational Sports expects to see a slight decrease in expenses due to the declining participation in our youth sports.

Budgeted Expenditures by Function



Budgeted and Historical Expenditures by Function



Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Expenditures					
Recreation					
Recreation Administration					
Personnel Services	\$326,209	\$346,129	\$375,261	\$366,462	-2.3%
Supplies	\$5,798	\$4,573	\$6,000	\$20,000	233.3%
Other Expense	\$1,373	\$3,475	\$9,000	\$6,000	-33.3%
Services	\$25,906	\$33,671	\$31,706	\$31,166	-1.7%
Total Recreation Administration:	\$359,286	\$387,848	\$421,967	\$423,628	0.4%
Recreation Sports					
Personnel Services	\$210,288	\$252,303	\$348,873	\$342,491	-1.8%
Supplies	\$46,920	\$64,478	\$76,000	\$68,500	-9.9%
Services	\$15,583	\$39,650	\$40,735	\$45,248	11.1%
Total Recreation Sports:	\$272,791	\$356,430	\$465,608	\$456,239	-2%
Recreation Youth Services					
Personnel Services	\$331,772	\$343,543	\$334,898	\$431,068	28.7%
Supplies	\$22,401	\$17,997	\$11,500	\$11,000	-4.3%
Services	\$11,998	\$14,598	\$18,603	\$21,121	13.5%
Total Recreation Youth Services:	\$366,171	\$376,138	\$365,001	\$463,189	26.9%
Teen Programs Division					

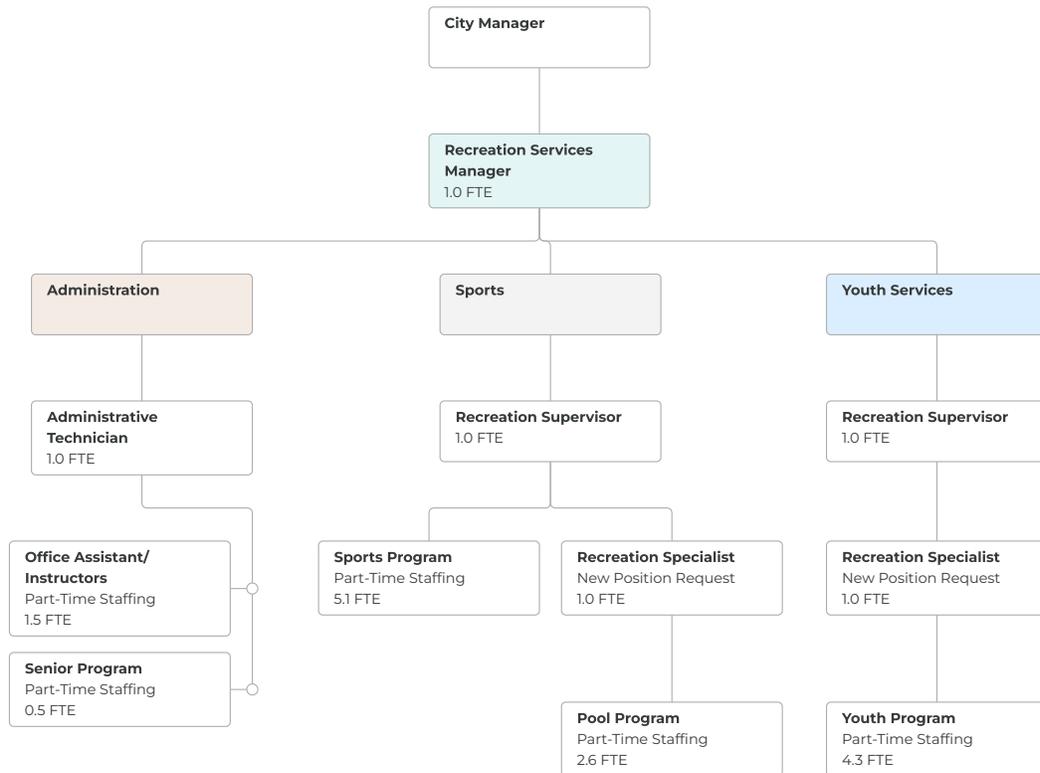


Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2025 Budgeted	FY2024 Amended Budget vs. FY2025 Budgeted (% Change)
Services	\$5,419	\$4,668	\$0	\$0	0%
Total Teen Programs Division:	\$5,419	\$4,668	\$0	\$0	0%
Community Pool					
Personnel Services	\$169,658	\$160,086	\$136,813	\$223,858	63.6%
Supplies	\$2,784	\$2,164	\$3,000	\$4,000	33.3%
Services	\$34,200	\$10,867	\$36,500	\$26,600	-27.1%
Total Community Pool:	\$206,642	\$173,117	\$176,313	\$254,458	44.3%
R & P City Facilities					
Supplies	\$7,498	\$12,142	\$0	\$0	0%
Services	\$0	\$0	\$33,600	\$0	-100%
Total R & P City Facilities:	\$7,498	\$12,142	\$33,600	\$0	-100%
Total Recreation:	\$1,217,807	\$1,310,343	\$1,462,489	\$1,597,514	9.2%
Total Expenditures:	\$1,217,807	\$1,310,343	\$1,462,489	\$1,597,514	9.2%



Recreation Services Organizational Chart

For years, the Recreation Services Division staffing model has been four full-time staff with over 125 part-time staff on the books. This year, the Division is converting two part-time staff to full-time, increasing our full-time staff level to six. We continue to lean heavily on part-time staff with the need for over 100 staffers to manage our offerings. Part-time staffing and hours worked equate to approximately 14 full-time positions, making Recreation Services the third-largest department/division in the City. 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 Funded	2024-25 Budget
<i>Recreation Services Department</i>					
Recreation Services Manager	1.0	1.0	1.0	1.0	1.0
Recreation Supervisor	0.0	2.0	2.0	2.0	2.0
Recreation Coordinator	1.0	0.0	0.0	0.0	0.0
Administrative Technician	0.0	1.0	1.0	1.0	1.0
Office Assistant IV	0.0	0.0	0.0	0.0	0.0
Office Assistant III	0.0	0.0	0.0	0.0	0.0
Recreation Specialist	0.0	0.0	0.0	0.0	2.0
Total Department FTEs	2.0	4.0	4.0	4.0	6.0

Part-Time Staffing

	2020-21 Funded	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Budget
<i>Recreation Services Department</i>					
Administration (Office Asst/Instructors)	0.0	0.7	1.1	2.0	1.5
Senior Program	0.0	0.5	0.5	0.5	0.5
Sports Program	0.0	3.2	5.8	5.1	5.1
Pool Program	0.0	2.3	3.4	3.2	2.6
Teen Program	0.0	0.0	0.0	0.0	0.0
Youth Program	0.0	4.5	5.0	5.2	4.3
Total Department FTEs	0.0	11.2	15.8	16.1	14.0

Total Recreation Services Department Full-Time Equivalents: 20.0

Department Goals & FY 2024-25 Action Items

- **Robust Senior Center Programs and Classes**
 - **Council Goal: Community Engagement**
 - **Core City Service - Public Health & Wellness**
 - Continue offering, and add to, existing special events with the intent of helping to increase membership numbers
 - Increase Cuesta College Emeritus class offerings
- **Enhance and Add New City Special Events**
 - **Council Goal: Community Engagement & Economic Vitality**
 - Continue with and expand fall community music series at Tidelands Park, working with the Morro Bay Seniors
 - Step up content and delivery of existing core events to increase attendance at events
- **Develop a Comprehensive Marketing and Sponsorship Plan**
 - **Council Goal: Economic Vitality**
 - **Good Governance**
 - Produce a Community Activity Guide to better market our services
 - Create a sports facility and special event advertising/sponsorship program
- **Strengthen Community Partnerships**
 - **Council Goal: Community Engagement, Economic Vitality**
 - **Good Governance**
 - Continue to partner with the Bay Osos Kiwanis with regard to special event enhancement
 - Collaborate with MB Chamber of Commerce and MB Tourism office with regard to events, funding support, and marketing
- **Improve Organizational Effectiveness**
 - **Good Governance**
 - 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 licensed before and after school child care as well as a full-service summer camp program and holiday camps for the youth of Estero Bay.

Community Pool - Provide comprehensive aquatics programming for the residents of the Estero Bay at the MBHS Aquatic Center, which includes 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. Continue to partner with Visit Morro Bay to support tourist driving events.

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

	2020-21 Actuals	2021-22 Actuals	2022-23 Actuals	2023-24 Estimated	2024-25 Projected
Activity and Workload Highlights					
Number of Permits Processed - internal and external	83	325	414	597	600
Number of Participations in Cuesta College Emeritus Classes	0	3,000	3,608	4,191	4,250
Youth Basketball Program Registrations	0	258	257	314	300
Youth Soccer Program Registrations	0	193	142	128	125
Junior Lifeguard Program Registrations	245	291	256	310	325
Kids Club Participations (school year care)	9,661	15,000	14,725	16,471	17,500
Kids Camp Participations (summer care)	432	1,800	2,494	2,158	2,500
Kids Club Spring Camp	64	432	328	389	400
Year-Round Swim Lessons	1,605	1,500	1,001	835	900
Summer Swim Lessons	359	1,000	1,350	1,654	1,750

DEBT

Government-wide Debt Overview

The City's total government-wide debt totaled \$118,525,007 as of June 30, 2023, with approximately \$1.4 million of long-term liabilities in governmental funds and approximately \$117.1 million in proprietary funds. Government-wide debt is projected to be \$123.6 million at 6/30/2024 and \$122.1 million at 6/30/2025, based on the most recent amortization schedules.

The long-term liabilities in governmental funds decreased by \$1.1 million over prior year due to the early payoff of the certificate of participation for Fire Station construction financing, an action taken to realize \$500K in interest savings over the life of the loan. The remaining long-term liabilities in the governmental funds are a loan payable with the State of California for the replacement of HVAC system and replacement and installation of solar panels, and the compensated absences liability 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 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. Also included in proprietary long-term liabilities is the compensated absences liability for positions budgeted in proprietary funds.

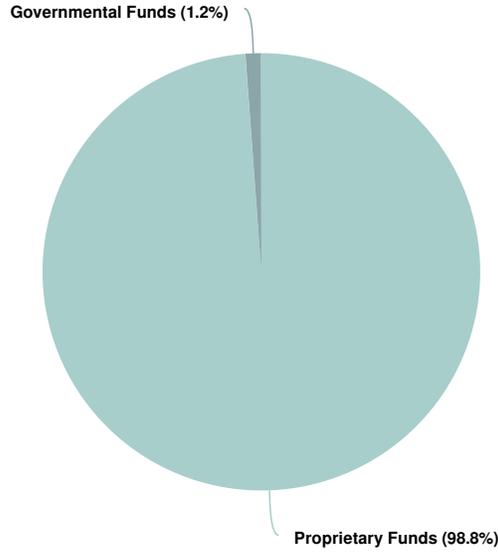
Section 43605 of the State of California Government Code states that a city shall not incur an indebtedness for public improvements which exceeds in the aggregate 15 percent of the assessed value of all real and personal property of the city. Within the meaning of this section, "indebtedness" means bonded indebtedness of the city payable from the proceeds of taxes levied upon taxable property in the city. As of June 30, 2023, the City's assessed value was \$3,084,906,729, therefore the debt limit for bonded indebtedness payable from tax proceeds was \$115,684,002. 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 FY 2024-25 budget anticipates total interest payments from the general fund of \$3,261 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 \$31,928.

In FY 2022-23 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 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



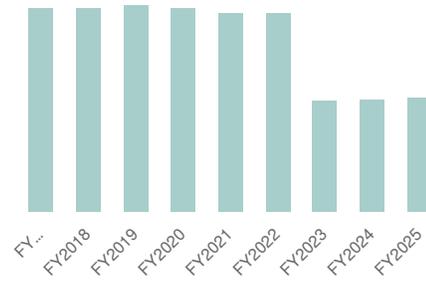
Financial Summary	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
All Funds	—	—	—	—	—	—	—	—	
Governmental Funds	\$2,556,068	\$2,596,103	\$2,545,190	\$2,492,506	\$2,493,667	\$1,393,440	\$1,413,227	\$1,435,257	1.6%
Proprietary Funds	\$0	\$0	\$1,369,800	\$33,724,696	\$89,197,395	\$117,131,567	\$122,215,137	\$120,631,887	-1.3%
Total All Funds:	\$2,556,068	\$2,596,103	\$3,914,990	\$36,217,202	\$91,691,062	\$118,525,007	\$123,628,364	\$122,067,144	-1.3%

Governmental Funds

The City's governmental debt as of June 30, 2023 was approximately \$1.4M, \$365,669 was the remaining balance of the loan payable with the State of California for the replacement of HVAC system and replacement and installation of solar panels, as well \$1,027,771 in compensated absences liability for current employees.

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.

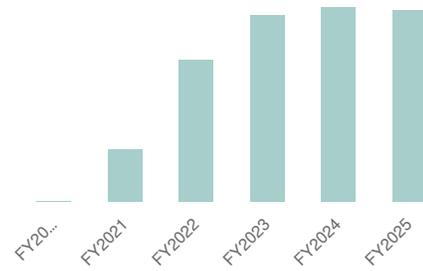
Compensated absences represent the annual vacation, administrative leave, and other paid time off hours that employees are eligible to earn. These amounts are due and payable to the individual employee at the date of employment separation.



Financial Summary	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Governmental Funds	—	—	—	—	—	—	—	—	—
General Fund	\$2,546,750	\$2,556,068	\$2,596,103	\$2,545,190	\$2,492,506	\$2,493,667	\$1,393,440	\$1,413,227	\$1,435,257
Total Governmental Funds:	\$2,546,750	\$2,556,068	\$2,596,103	\$2,545,190	\$2,492,506	\$2,493,667	\$1,393,440	\$1,413,227	\$1,435,257

Proprietary Funds

The City's debt in proprietary funds as of June 30, 2023 was \$117,131,568. The compensated absences liability make up \$279,201 of this balance and the remainder is financing for the Water Reclamation Facility 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.



Financial Summary	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Proprietary Funds	—	—	—	—	—	—	
Enterprise Funds	\$1,369,800	\$33,724,696	\$89,197,395	\$117,131,567	\$122,215,137	\$120,631,887	-1.3%
Total Proprietary Funds:	\$1,369,800	\$33,724,696	\$89,197,395	\$117,131,567	\$122,215,137	\$120,631,887	-1.3%

Debt Snapshot

The City's total government-wide debt totaled \$118,525,007 as of June 30, 2023, with approximately \$1.4 million of long-term liabilities in governmental funds and approximately \$117.1 million in proprietary funds. Government-wide debt is projected to be \$123.6 million at 6/30/2024 and \$122.1 million at 6/30/2025, based on the most recent amortization schedules.

The long-term liabilities in governmental funds decreased by \$1.1 million over prior year due to the early payoff of the certificate of participation for Fire Station construction financing, an action taken to realize \$500K in interest savings over the life of the loan. The remaining long-term liabilities in the governmental funds are a loan payable with the State of California for the replacement of HVAC system and replacement and installation of solar panels, and the compensated absences liability 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 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. Also included in proprietary long-term liabilities is the compensated absences liability for positions budgeted in proprietary funds.

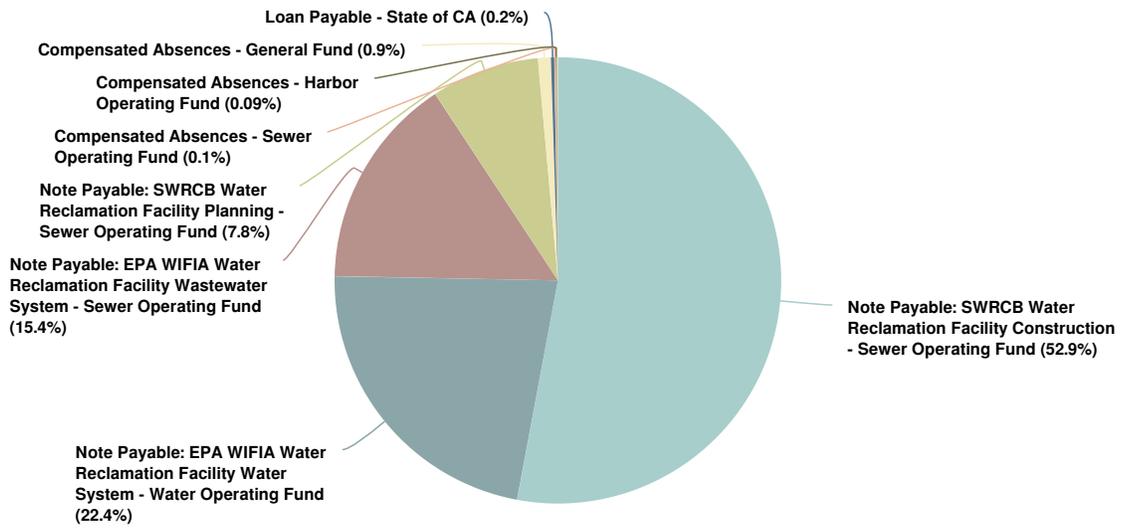
Section 43605 of the State of California Government Code states that a city shall not incur an indebtedness for public improvements which exceeds in the aggregate 15 percent of the assessed value of all real and personal property of the city. Within the meaning of this section, "indebtedness" means bonded indebtedness of the city payable from the proceeds of taxes levied upon taxable property in the city. As of June 30, 2023, the City's assessed value was \$3,084,906,729, therefore the debt limit for bonded indebtedness payable from tax proceeds was \$115,684,002. 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 FY 2024-25 budget anticipates total interest payments from the general fund of \$3,261 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 \$31,928.

In FY 2022-23 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 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



Financial Summary	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Debt	—	—	—	—	—	—	—	—	—
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
Loan Payable - State of CA	\$546,750	\$519,068	\$488,995	\$458,633	\$427,953	\$396,967	\$365,669	\$334,067	\$302,139
Compensated Absences - General Fund	\$645,000	\$715,000	\$818,108	\$832,557	\$848,553	\$918,700	\$1,027,771	\$1,079,160	\$1,133,118
Note Payable: SWRCB Water Reclamation Facility Planning - Sewer Operating Fund	\$0	\$0	\$0	\$217,441	\$5,530,189	\$8,430,475	\$10,300,000	\$10,300,000	\$9,542,644
Compensated Absences - Harbor Operating Fund	\$0	\$0	\$0	\$0	\$0	\$109,151	\$95,933	\$100,729	\$105,766
Note Payable: EPA WIFIA Water Reclamation Facility Water System - Water Operating Fund	\$0	\$0	\$0	\$682,000	\$16,685,509	\$23,708,466	\$26,621,967	\$27,376,182	\$27,326,584
Compensated Absences - Sewer Operating Fund	\$0	\$0	\$0	\$0	\$0	\$146,814	\$107,953	\$113,351	\$119,018
Compensated Absences - Water Operating Fund	\$0	\$0	\$0	\$0	\$0	\$39,968	\$75,315	\$79,081	\$83,035
Note Payable: SWRCB Water Reclamation Facility Construction - Sewer Operating Fund	\$0	\$0	\$0	\$0	\$0	\$39,573,921	\$61,567,651	\$64,910,850	\$64,606,075

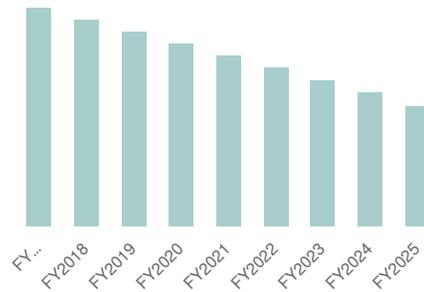
Total Debt:	\$2,546,750	\$2,556,068	\$2,596,103	\$3,914,990	\$36,217,202	\$91,691,062	\$118,525,007	\$123,628,364	\$122,067,144
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Financial Summary	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Note Payable: EPA WIFIA Water Reclamation Facility Wastewater System - Sewer Operating Fund	\$0	\$0	\$0	\$470,359	\$11,508,998	\$17,188,600	\$18,362,748	\$19,334,944	\$18,848,765
Total Debt:	\$2,546,750	\$2,556,068	\$2,596,103	\$3,914,990	\$36,217,202	\$91,691,062	\$118,525,007	\$123,628,364	\$122,067,144

Loan Payable - State of CA

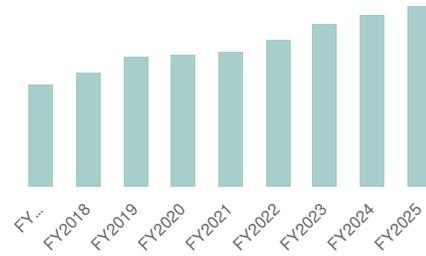
The City entered into a loan payable in the amount of \$546,750 with the State of California, Energy Resources Conservation and Development Commission for the replacement of HVAC system and installation of solar panels on certain City buildings. Loan payments are payable annually beginning December 22, 2017 in the amount of \$35,189, including interest at 1.0% annum. This loan will be paid off in FY 2033-34.



Financial Summary	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	% Change	\$ Change
Loan Payable - State of CA	—	—	—	—	—	—	—	—	—		
California Energy Commission - Solar	\$546,750	\$519,068	\$488,995	\$458,633	\$427,953	\$396,967	\$365,669	\$334,067	\$302,139	-9.6%	\$-31,928
Total Loan Payable - State of CA:	\$546,750	\$519,068	\$488,995	\$458,633	\$427,953	\$396,967	\$365,669	\$334,067	\$302,139	-9.6%	\$-31,928

Compensated Absences - General Fund

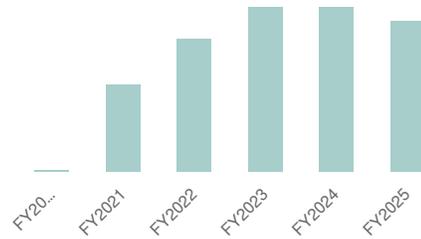
Compensated absences represent the vacation, administrative leave, and other paid time off hours that employees are eligible to earn multiplied by their current hourly rate of pay. These amounts are due and payable to the individual employee at the date of employment separation. There is no fixed payment schedule for earned but unpaid compensated absences. 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.



Financial Summary	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	% Change	\$ Change
Compensated Absences - General Fund	—	—	—	—	—	—	—	—	—		
Compensated Absences - General Fund	\$645,000	\$715,000	\$818,108	\$832,557	\$848,553	\$918,700	\$1,027,771	\$1,079,160	\$1,133,118	5%	\$53,958
Total Compensated Absences - General Fund:	\$645,000	\$715,000	\$818,108	\$832,557	\$848,553	\$918,700	\$1,027,771	\$1,079,160	\$1,133,118	5%	\$53,958

Note Payable: SWRCB Water Reclamation Facility 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 Reclamation Facility 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.



Financial Summary	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Note Payable: SWRCB Water Reclamation Facility Planning - Sewer Operating Fund	—	—	—	—	—	—	
Note Payable: SWRCB Water Reclamation Facility Planning - Sewer Operating Fund	\$217,441	\$5,530,189	\$8,430,475	\$10,300,000	\$10,300,000	\$9,542,644	-7.4%
Total Note Payable: SWRCB Water Reclamation Facility Planning - Sewer Operating Fund:	\$217,441	\$5,530,189	\$8,430,475	\$10,300,000	\$10,300,000	\$9,542,644	-7.4%

Compensated Absences - Harbor Operating Fund

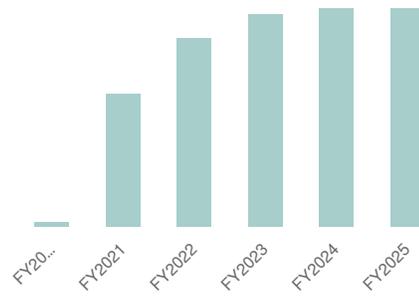
Compensated absences represent the vacation, administrative leave, and other paid time off hours that employees are eligible to earn multiplied by their current hourly rate of pay. These amounts are due and payable to the individual employee at the date of employment separation. There is no fixed payment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



Financial Summary	FY2022	FY2023	FY2024	FY2025	% Change
Compensated Absences - Harbor Operating Fund	—	—	—	—	
Compensated Absences - Harbor Operating Fund	\$109,151	\$95,933	\$100,729	\$105,766	5%
Total Compensated Absences - Harbor Operating Fund:	\$109,151	\$95,933	\$100,729	\$105,766	5%

Note Payable: EPA WIFIA Water Reclamation Facility 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 Reclamation Facility 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 FY 2023-24 and repayment of the loan will begin November 2024.



Financial Summary	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Note Payable: EPA WIFIA Water Reclamation Facility Water System - Water Operating Fund	—	—	—	—	—	—	
Note Payable: EPA WIFIA Water Reclamation Facility Water System - Water Operating Fund	\$682,000	\$16,685,509	\$23,708,466	\$26,621,967	\$27,376,182	\$27,326,584	-0.2%
Total Note Payable: EPA WIFIA Water Reclamation Facility Water System - Water Operating Fund:	\$682,000	\$16,685,509	\$23,708,466	\$26,621,967	\$27,376,182	\$27,326,584	-0.2%

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



Financial Summary	FY2022	FY2023	FY2024	FY2025	% Change
Compensated Absences - Sewer Operating Fund	—	—	—	—	
Compensated Absences - Sewer Operating Fund	\$146,814	\$107,953	\$113,351	\$119,018	5%
Total Compensated Absences - Sewer Operating Fund:	\$146,814	\$107,953	\$113,351	\$119,018	5%

Compensated Absences - Water Operating Fund

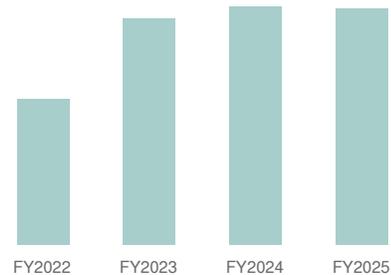
Compensated absences represent the vacation, administrative leave, and other paid time off hours that employees are eligible to earn multiplied by their current hourly rate of pay. These amounts are due and payable to the individual employee at the date of employment separation. There is no fixed payment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



Financial Summary	FY2022	FY2023	FY2024	FY2025	% Change
Compensated Absences - Water Operating Fund	—	—	—	—	
Compensated Absences - Water Operating Fund	\$39,968	\$75,315	\$79,081	\$83,035	5%
Total Compensated Absences - Water Operating Fund:	\$39,968	\$75,315	\$79,081	\$83,035	5%

Note Payable: SWRCB Water Reclamation Facility Construction - Sewer Operating Fund

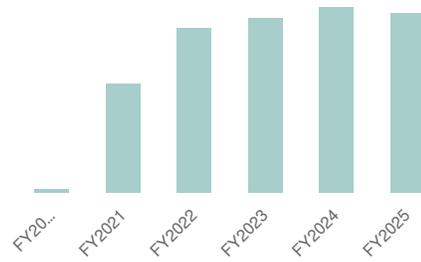
The California State Water Resources Control Board (SWRCB) extended to the City \$66,604,638 in financing at 0.90% interest rate for the Water Resource Center project construction costs. The financing included a \$5,000,000 grant component resulting in a total loan of \$61,604,638. The Water Reclamation Facility 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.



Financial Summary	FY2023	FY2024	FY2025	% Change
Note Payable: SWRCB Water Reclamation Facility Construction - Sewer Operating Fund	—	—	—	
Water Recycling Bonds	\$16,114,152	\$16,114,152	\$15,809,377	-1.9%
Clean Water State Revolving Fund	\$45,453,499	\$48,796,698	\$48,796,698	0%
Total Note Payable: SWRCB Water Reclamation Facility Construction - Sewer Operating Fund:	\$61,567,651	\$64,910,850	\$64,606,075	-0.5%

Note Payable: EPA WIFIA Water Reclamation Facility 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 Reclamation Facility 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.



Financial Summary	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	% Change
Note Payable: EPA WIFIA Water Reclamation Facility Wastewater System - Sewer Operating Fund	—	—	—	—	—	—	
Note Payable: EPA WIFIA Water Reclamation Facility Wastewater System - Sewer Operating Fund	\$470,359	\$11,508,998	\$17,188,600	\$18,362,748	\$19,334,944	\$18,848,765	-2.5%
Total Note Payable: EPA WIFIA Water Reclamation Facility Wastewater System - Sewer Operating Fund:	\$470,359	\$11,508,998	\$17,188,600	\$18,362,748	\$19,334,944	\$18,848,765	-2.5%

CAPITAL IMPROVEMENTS

Capital Improvements: One-year Plan

The capital budget allows the City to invest in critical infrastructure improvements by allocating \$19 million of revenue to 12 capital projects.

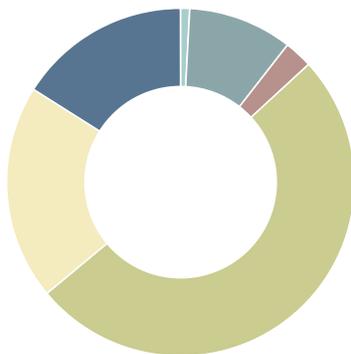
The Capital Improvement Plan (CIP) enables the City to plan, schedule, and fund capital projects to ensure cost-effectiveness and conformance with established plans and policies. The City's budget process guides capital spending priorities through community input, Council goal setting, Measure E expenditure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

Note: A new vehicle for Police, a new truck for Fire, and a new truck for Consolidated Maintenance, funded by the General Fund Vehicle Replacement Fund (050), are not represented in the Capital Improvement Plan but are budgeted directly in Fund 050 and reflect the City's investment in fleet within those departments.

Total Capital Requested \$19,022,077

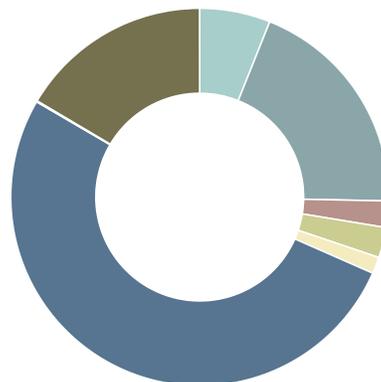
12 Capital Improvement Projects

Total Funding Requested by Department



MB Transit (1%)	\$160,000.00
Public Works (10%)	\$1,844,578.00
Storm Drain/Creek Maint. (3%)	\$500,000.00
Wastewater Collection (51%)	\$9,662,924.00
Wastewater Treatment (20%)	\$3,804,575.00
Water (16%)	\$3,050,000.00
TOTAL	\$19,022,077.00

Total Funding Requested by Source



General Fund (6%)	\$1,150,000.00
Grant (19%)	\$3,668,324.00
Measure Q & E (2%)	\$430,000.00
Other (3%)	\$494,579.00
RMRA Funding (1%)	\$269,999.00
Sewer Fund (52%)	\$9,856,860.00
Transit Fund (0%)	\$19,200.00
Water Fund (16%)	\$3,133,115.00
TOTAL	\$19,022,077.00

The total capital expenditure budget requested for FY 2024-25 is approximately **\$19 million**.

The City is better able to execute on some key projects because of added staffing in the Public Works Engineering Division in recent years, which may be supplemented by professional consultants when necessary, advisable, and economical.

Rapidly persistent inflation continues to be a challenge, impacting the City's ability to fund projects. The FY 2023-24 Capital Improvement plan included funding for storm recovery efforts in response to the January and March 2023 events, adding approximately \$1.9 million to the \$1.8 million funded in FY 2022-23. Staff continues to develop long-term plans to address these needs, in addition to the ever-growing list of deferred maintenance and other necessary infrastructure improvements.

Below is a summary of the investments and supporting initiatives included in the budget for FY 2024-25 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.

- o **Water and Sewer Projects:**

The FY 2024-25 capital plan budget includes \$3.8 million for the Water Reclamation Facility, primarily to continue to advance the recycled water component of the project. It also includes \$4.8 million for the Wastewater Treatment Plant Decommissioning project.

This budget also includes \$4.6 million for the Main Street and Atascadero Sewer Main Replacement project, bringing the total fund for this project to approximately \$9 million.

Finally, the budget includes continued funding for both the Morro Basin Wellfield Rehabilitation and Nutmeg Tank and Related Pressure Zone Improvements projects.

- o **City Streets' and Roadway Improvements**

The City projects \$1.7 million in new revenue for the Annual Pavement Management program in FY 2024-25, primarily relying on the carry-forward funding for paving projects currently underway through a budget approved by Council in prior fiscal years. This represents a continued effort towards the recommended annual investment. In addition, this budget includes \$250,000 for sidewalk improvements and street tree replacements.

- o **Harbor**

No new funding requests for Harbor Department CIPs are included in this budget. Work on the Storm Recovery - Dock Repairs project and North T-Pier Repairs project continues using funding from prior year capital budgets.

Public Works Requests

Itemized Requests for 2025

Annual Pavement Management Program

\$1,619,999

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,...

Morro Bay Bridge Inspection and Assessment

\$80,000

Storms and king tide activity in 2023 and 2024 has resulted in erosion around the abutments supporting the three bridges in Morro Bay. These bridges are at Morro Creek on the multi-use trail, Morro Creek and Main Street and Chorro Creek at...

Veteran's Hall Building Improvements

\$144,579

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

Total: \$1,844,578



Storm Drain/Creek Maint. Requests

Itemized Requests for 2025

Annual Storm Drain Replacement and Major Maintenance Project **\$500,000**

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...

Total: \$500,000

Water Requests

Itemized Requests for 2025

Morro Basin Wellfield Rehabilitation **\$1,250,000**

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 **\$1,800,000**

Staff is evaluating alternatives to replacing the Nutmeg tank and associated upgrades. The alternative would decrease costs while increasing fire flows and storage in the Nutmeg zone. Alternatives include various OneWater projects and newly...

Total: \$3,050,000

Wastewater Collection Requests

Itemized Requests for 2025

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...

Main Street and Atascadero Sewer Main Replacements **\$4,594,924**

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,...

Utility Hole (Manhole) Rehabilitation Project **\$150,000**

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 **\$4,818,000**

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: \$9,662,924



MB Transit Requests

Itemized Requests for 2025

Morro Bay Transit Vehicle Replacement

\$160,000

This request is for the replacement of a transit bus in accordance with transit fleet needs.

Total: \$160,000

Wastewater Treatment Requests

Itemized Requests for 2025

WRF - Water Reclamation Facility Project

\$3,804,575

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: \$3,804,575

Prior Year CIP

To view the capital projects funded in prior year budgets, please select one of the hyperlinks below.

- [FY 2023-24 Capital Improvements: One-Year Plan](#) 
- [FY 2022-23 Capital Improvements: One-Year Plan](#) 
- [FY 2021-22 Adopted Operating and Capital Budget](#) 
- [Prior Year Budget Archive](#) 

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.

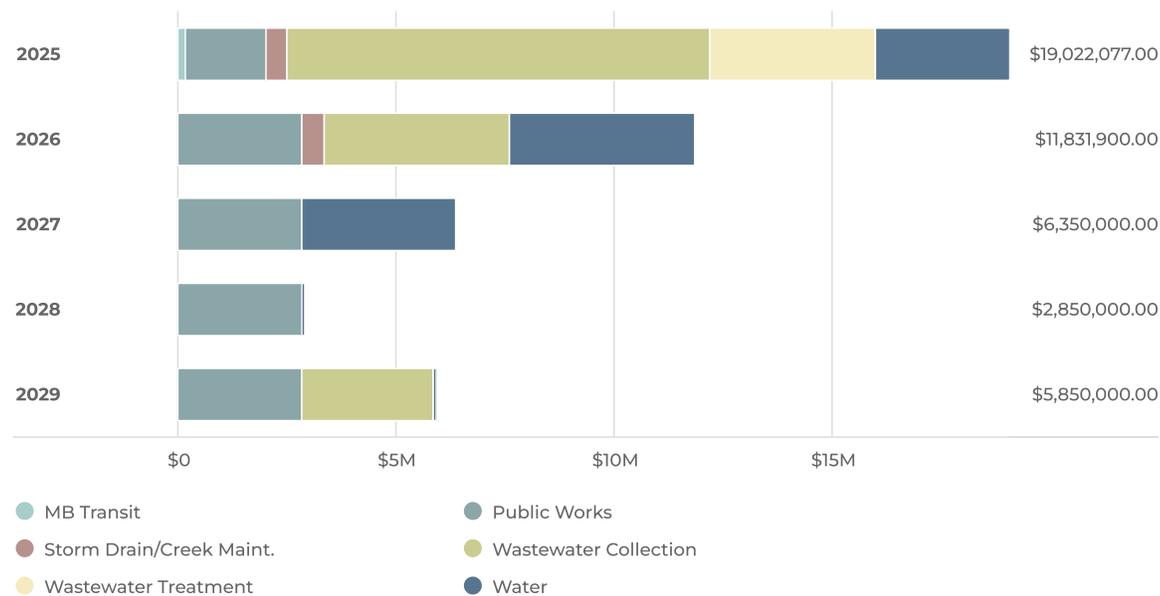
For FY 2024-25, these are the future projects that are identified at this point in time during budget development. Capital projects are approved and funded on an annual basis as part of the budget development in single-year increments. The five-year plan is updated annually with each year's budget. The numbers in this plan are included in the five-year forecasts for the City's major funds.

Total Capital Requested

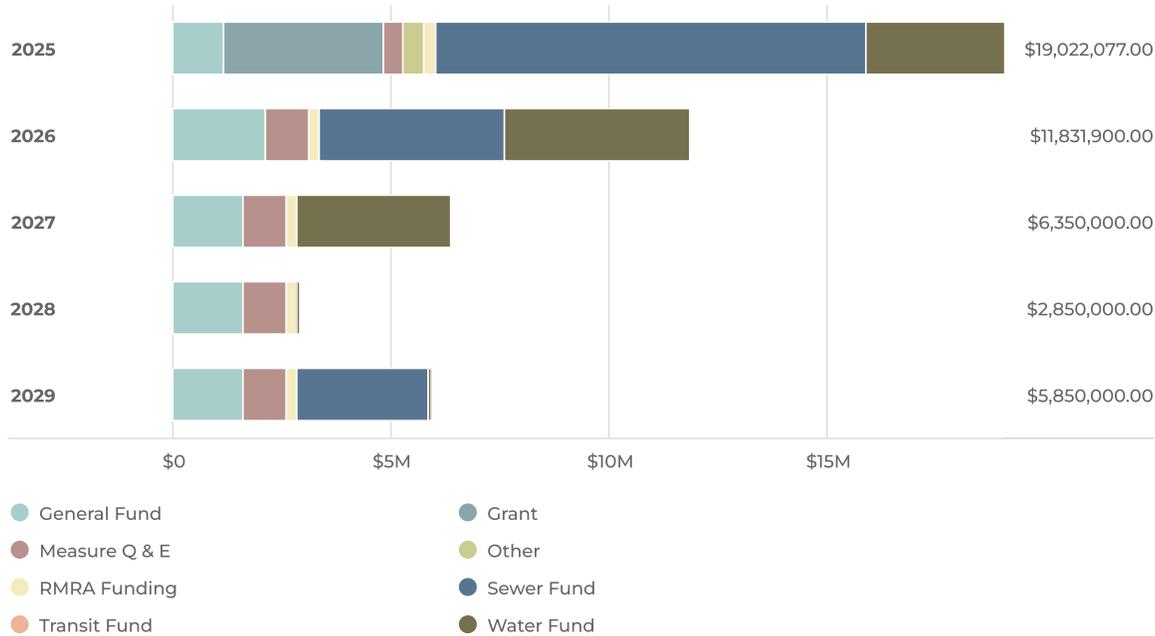
\$45,903,977

12 Capital Improvement Projects

Total Funding Requested by Department



Total Funding Requested by Source



Public Works Requests

Itemized Requests for 2025-2030

Annual Pavement Management Program

\$13,019,999

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,...

Morro Bay Bridge Inspection and Assessment

\$80,000

Storms and king tide activity in 2023 and 2024 has resulted in erosion around the abutments supporting the three bridges in Morro Bay. These bridges are at Morro Creek on the multi-use trail, Morro Creek and Main Street and Chorro Creek at...

Veteran's Hall Building Improvements

\$144,579

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

Total: \$13,244,578



MB Transit Requests

Itemized Requests for 2025-2030

Morro Bay Transit Vehicle Replacement **\$160,000**

This request is for the replacement of a transit bus in accordance with transit fleet needs.

Total: \$160,000

Storm Drain/Creek Maint. Requests

Itemized Requests for 2025-2030

Annual Storm Drain Replacement and Major Maintenance Project **\$1,000,000**

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...

Total: \$1,000,000

Wastewater Collection Requests

Itemized Requests for 2025-2030

Beachcomber Drive Area Backyard Sewer Improvements - Design **\$3,100,000**

The residential property east of Beachcomber Drive and west of SR 1 are sewered 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 Street and Atascadero Sewer Main Replacements **\$4,594,924**

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,...

Utility Hole (Manhole) Rehabilitation Project **\$300,000**

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 **\$8,915,000**

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: \$16,909,924



Water Requests

Itemized Requests for 2025-2030

Morro Basin Wellfield Rehabilitation

\$2,984,900

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

\$7,800,000

Staff is evaluating alternatives to replacing the Nutmeg tank and associated upgrades. The alternative would decrease costs while increasing fire flows and storage in the Nutmeg zone. Alternatives include various OneWater projects and newly...

Total: \$10,784,900

Wastewater Treatment Requests

Itemized Requests for 2025-2030

WRF - Water Reclamation Facility Project

\$3,804,575

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: \$3,804,575



APPENDIX

MB TRANSIT REQUESTS



Morro Bay Transit Vehicle Replacement

Overview

Request Owner	Janeen Burlingame, Management Analyst
Department	MB Transit
Type	Capital Equipment

Description

This request is for the replacement of a transit bus in accordance with transit fleet needs.

Images



Details

Project Manager	Janeen Burlingame
New Purchase or Replacement	Replacement
New or Used Vehicle	New Vehicle
Useful Life	5

Project Justification

The vehicle to be replaced was purchased in 2019 and currently has over 79,000 miles. By the time a grant is awarded, the vehicle is ordered, received, and placed into service, the vehicle to be replaced would be beyond the Federal Transit Administration's useful life criteria as it will be more than six (6) years old or over 100,000 miles.

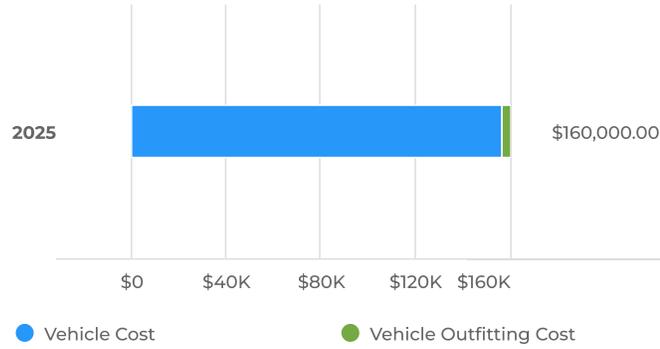
Capital Cost

FY2025 Budget
\$160,000

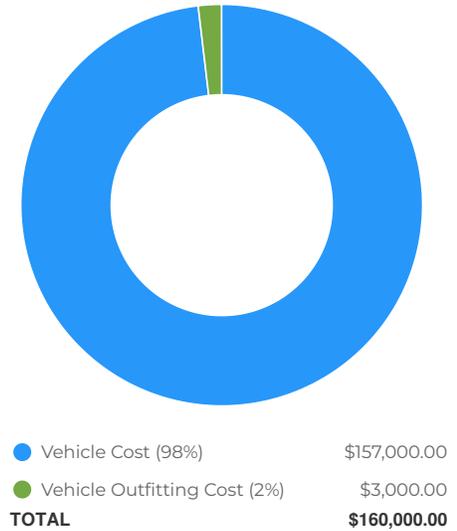
Total Budget (all years)
\$160K

Project Total
\$160K

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown		
Capital Cost	FY2025	Total
Vehicle Cost	\$157,000	\$157,000
Vehicle Outfitting Cost	\$3,000	\$3,000
Total	\$160,000	\$160,000

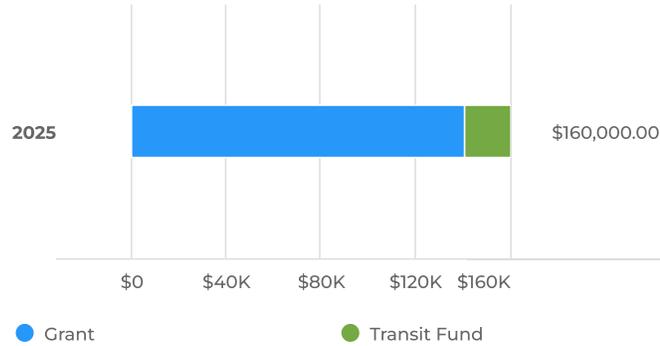
Funding Sources

FY2025 Budget
\$160,000

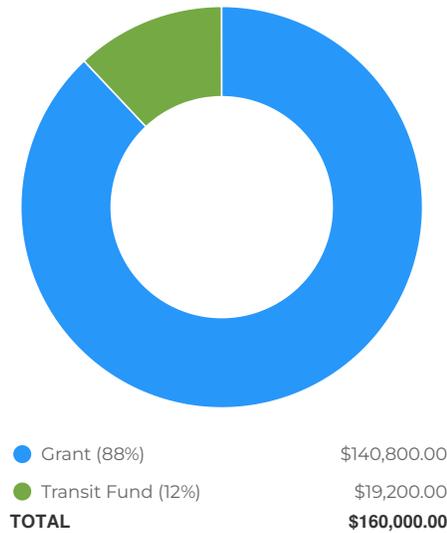
Total Budget (all years)
\$160K

Project Total
\$160K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown		
Funding Sources	FY2025	Total
Grant	\$140,800	\$140,800
Transit Fund	\$19,200	\$19,200
Total	\$160,000	\$160,000

PUBLIC WORKS REQUESTS

Annual Pavement Management Program

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2028
Department	Public Works
Type	Capital Improvement
Project Number	915-9614

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 apurtenances in the City's road right of way, and reduce the need for more invasive and costly reconstruction of the roadway. These funds also cover the costs of any annual Pavement Management consulting services and Pavement Analyses and Testing services that may be needed to maintain and create the City's Pavement Maintenance Program.

Images



Digout Paving

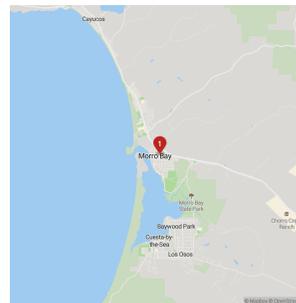


Paving / Rolling

Details

Project Location	Various streets
Description	
Project Manager	Cynthia Cecil
Total Prior Year Budget	\$5,172,933
Type of Project	Maintenance/Repair
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Location



Project Justification

The 2022 Annual Pavement Management Report indicates that the City needs an annual investment of \$2.8 million to maintain the PCI of its network of streets. These funds are earmarked for pavement management and overall management of the City's right of way. For this purpose, the city has allocated \$1.1 million in FY 21/22, \$1.7 million in FY 22/23, and \$2.1 million in FY 23/24. However, the City needs to identify another revenue stream to bridge the gap and reach the required \$2.8 million investment. As of May 2024, the unspent balance from the prior year funding for this project is approximately \$3.4 million.

The Pavement Management Program is necessary to maintain existing facilities, safety infrastructure and assets for the driving and biking public. It is 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. The condition will continue to deteriorate if the City does not spend at least \$2.8 million a year. At current annual funding levels, the PCI is projected to drop to 59 by 2027 which is reflected in the 2022 Pavement Management Report prepared by Pavement Engineering, Inc.

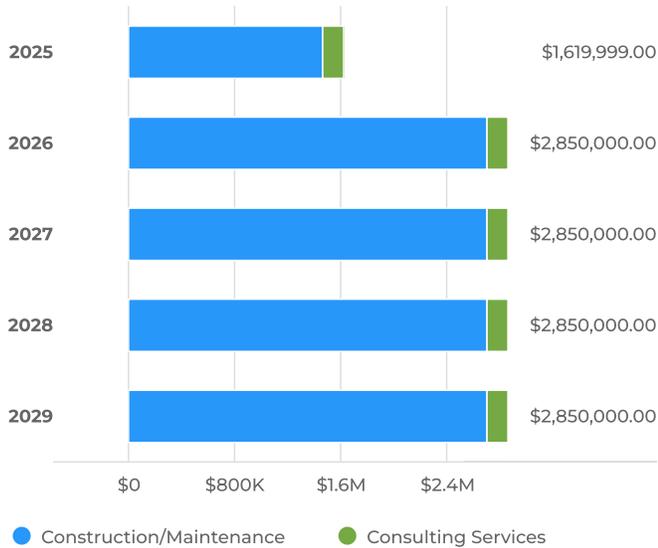
Positive Fiscal Impact

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.

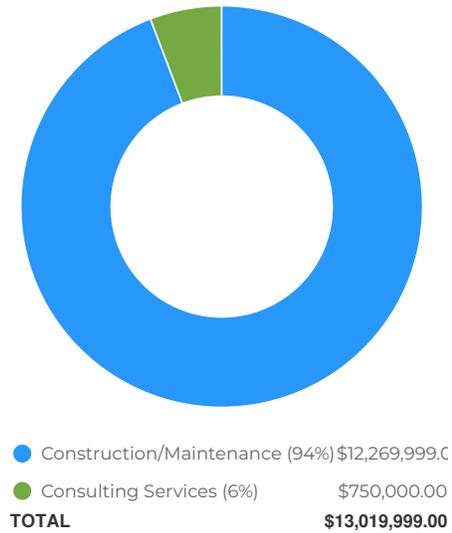
Capital Cost

Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$5,172,933	\$1,619,999	\$13.02M	\$18.193M

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown							
Capital Cost	To Date	FY2025	FY2026	FY2027	FY2028	FY2029	Total
Construction/Maintenance	\$4,572,933	\$1,469,999	\$2,700,000	\$2,700,000	\$2,700,000	\$2,700,000	\$16,842,933
Consulting Services	\$600,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$1,350,000
Total	\$5,172,933	\$1,619,999	\$2,850,000	\$2,850,000	\$2,850,000	\$2,850,000	\$18,192,933



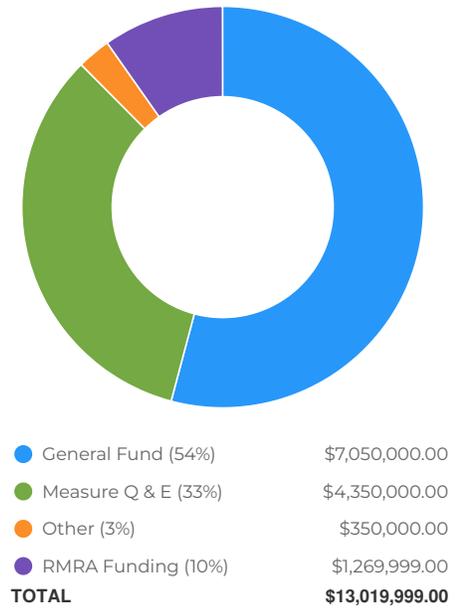
Funding Sources

Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$5,172,933	\$1,619,999	\$13.02M	\$18.193M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	To Date	FY2025	FY2026	FY2027	FY2028	FY2029	Total
General Fund		\$650,000	\$1,600,000	\$1,600,000	\$1,600,000	\$1,600,000	\$7,050,000
Measure Q & E	\$3,984,600	\$350,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$8,334,600
Grant	\$396,541						\$396,541
Other		\$350,000					\$350,000
RMRA Funding	\$791,792	\$269,999	\$250,000	\$250,000	\$250,000	\$250,000	\$2,061,791
Total	\$5,172,933	\$1,619,999	\$2,850,000	\$2,850,000	\$2,850,000	\$2,850,000	\$18,192,932

Morro Bay Bridge Inspection and Assessment

Overview

Request Owner	Cynthia Cecil, City Engineer
Est. Start Date	07/15/2024
Est. Completion Date	06/13/2025
Department	Public Works
Type	Capital Improvement
Project Number	915-8313

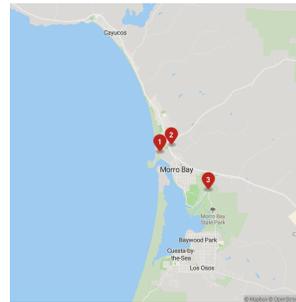
Description

Storms and king tide activity in 2023 and 2024 has resulted in erosion around the abutments supporting the three bridges in Morro Bay. These bridges are at Morro Creek on the multi-use trail, Morro Creek and Main Street and Chorro Creek at Southbay Blvd. This project would be to hire a consultant to evaluate the impact of the erosion on the structural integrity of these bridges.

Details

Project Location Description	Multi-use trail over Morro Creek, Main Street over Morro Creek, South Bay Blvd over Chorro Creek
Project Manager	Cindy Cecil, City Engineer
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

Additional erosion could lead to undermining the bridge foundations, resulting in damage to the bridge structure and unsafe conditions.

Positive Fiscal Impact

There is no positive fiscal impact resulting from this project. This project would potentially limit future liabilities if structural integrity of the bridges is found to have been degraded and is addressed prior to failures.

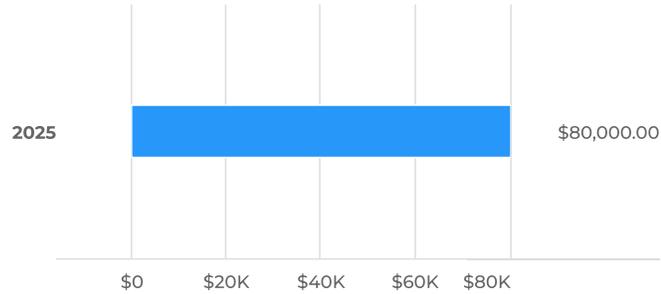
Capital Cost

FY2025 Budget
\$80,000

Total Budget (all years)
\$80K

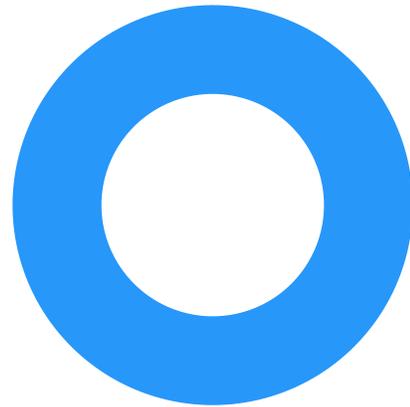
Project Total
\$80K

Capital Cost by Year



● Consulting Services

Capital Cost for Budgeted Years



● Consulting Services (100%) \$80,000.00
TOTAL \$80,000.00

Capital Cost Breakdown

Capital Cost	FY2025	Total
Consulting Services	\$80,000	\$80,000
Total	\$80,000	\$80,000

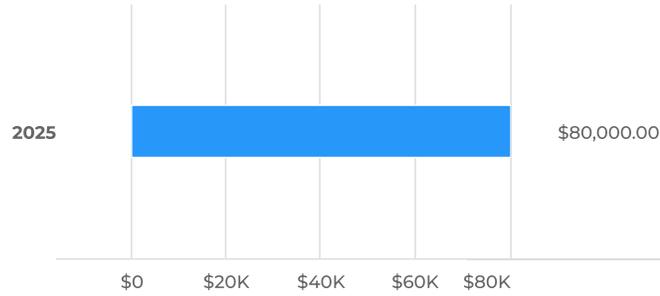
Funding Sources

FY2025 Budget
\$80,000

Total Budget (all years)
\$80K

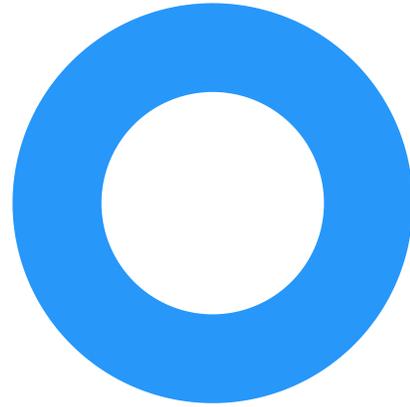
Project Total
\$80K

Funding Sources by Year



● Measure Q & E

Funding Sources for Budgeted Years



● Measure Q & E (100%)

\$80,000.00

TOTAL

\$80,000.00

Funding Sources Breakdown

Funding Sources	FY2025	Total
Measure Q & E	\$80,000	\$80,000
Total	\$80,000	\$80,000

Veteran's Hall Building Improvements

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2025
Department	Public Works
Type	Capital Improvement
Project Number	915-9508

Description

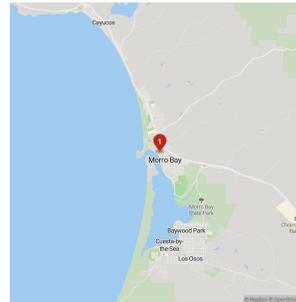
This project is to modernize the Veteran's Hall Building so that it can be used as Council Chambers. The work will include a new audio/visual architecture with new audio/visual devices, renovation of the Council Chambers, adjacent conference room, and audiovisual control room, electrical upgrades, and ADA upgrades to the building and restroom facilities.

The "Other" funding source is the General Fund Capital Accumulation Fund (460).

Details

Project Location	209 Surf Street, Morro Bay, CA 93442
Description	
Project Manager	Cynthia Cecil
Total Prior Year Budget	\$453,620
Type of Project	Refurbishment
One-Time or Ongoing	Ongoing
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 has 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 the 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.

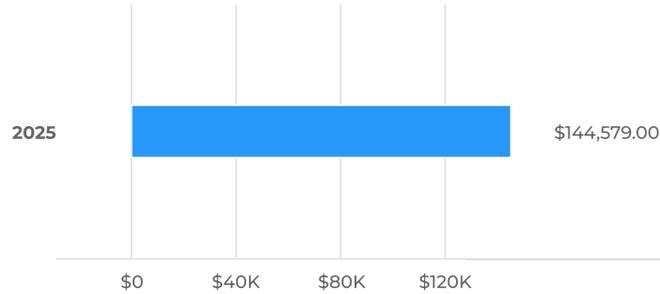
Positive Fiscal Impact

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

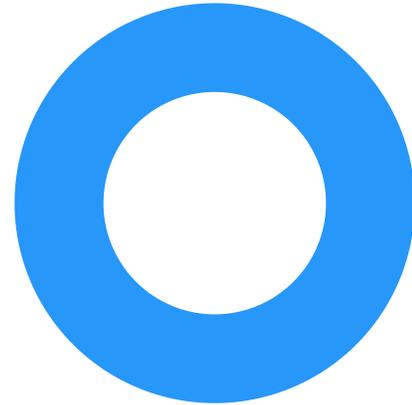
Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$453,620	\$144,579	\$144.579K	\$598.199K

Capital Cost by Year



● Repairs/Improvements

Capital Cost for Budgeted Years



● Repairs/Improvements (100%) \$144,579.00
TOTAL \$144,579.00

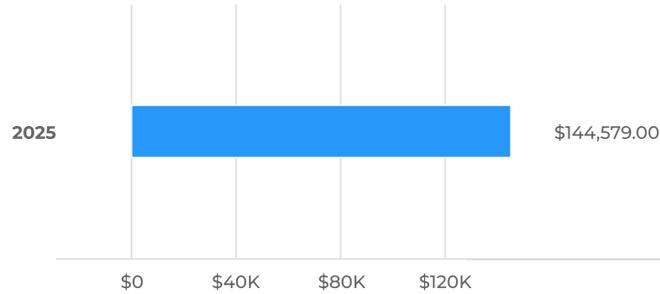
Capital Cost Breakdown

Capital Cost	To Date	FY2025	Total
Repairs/Improvements	\$453,620	\$144,579	\$598,199
Total	\$453,620	\$144,579	\$598,199

Funding Sources

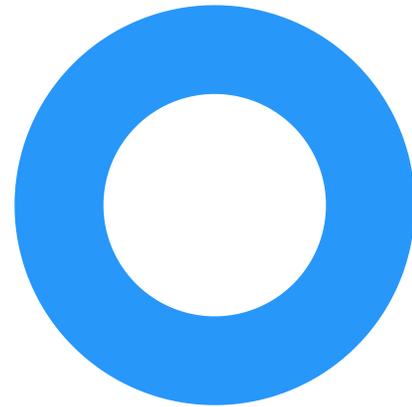
Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$453,620	\$144,579	\$144.579K	\$598.199K

Funding Sources by Year



● Other

Funding Sources for Budgeted Years



● Other (100%)

\$144,579.00

TOTAL

\$144,579.00

Funding Sources Breakdown

Funding Sources	To Date	FY2025	Total
General Fund	\$215,599		\$215,599
Water Fund	\$30,571		\$30,571
Other	\$207,450	\$144,579	\$352,029
Total	\$453,620	\$144,579	\$598,199

STORM DRAIN/CREEK MAINT. REQUESTS

Annual Storm Drain Replacement and Major Maintenance Project

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2026
Department	Storm Drain/Creek Maint.
Type	Capital Improvement
Project Number	915-9641

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

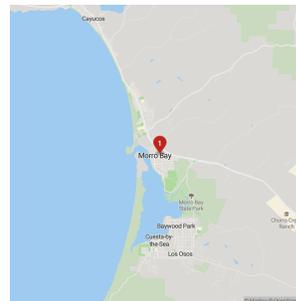


Elena / Juniper

Details

Project Location	Various
Description	
Project Manager	Cynthia Cecil
Total Prior Year Budget	\$200,000
Type of Project	Replacement
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
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.

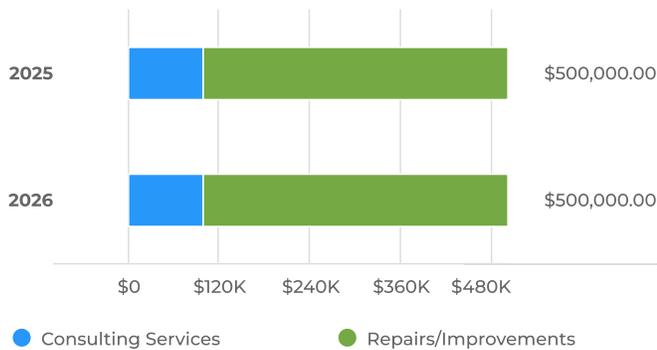
Positive Fiscal Impact

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.

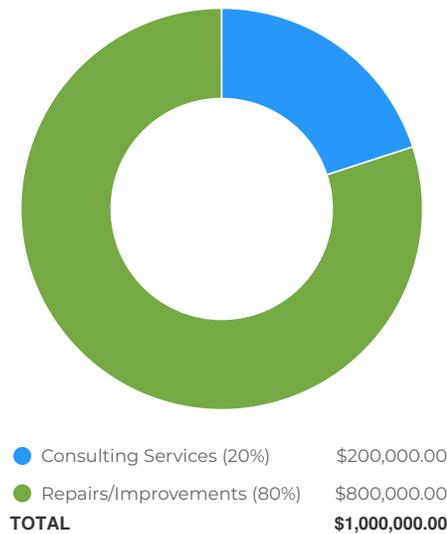
Capital Cost

Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$200,000	\$500,000	\$1M	\$1.2M

Capital Cost by Year



Capital Cost for Budgeted Years

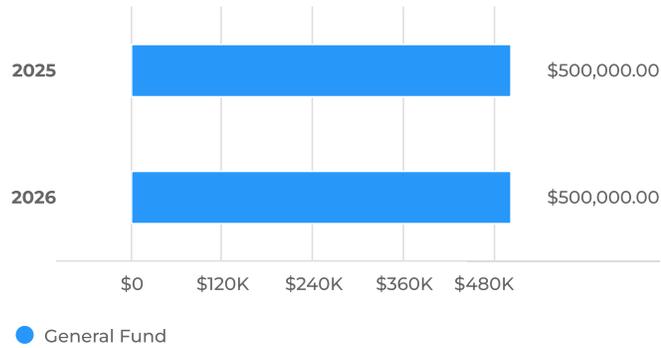


Capital Cost Breakdown				
Capital Cost	To Date	FY2025	FY2026	Total
Repairs/Improvements	\$150,000	\$400,000	\$400,000	\$950,000
Consulting Services	\$50,000	\$100,000	\$100,000	\$250,000
Total	\$200,000	\$500,000	\$500,000	\$1,200,000

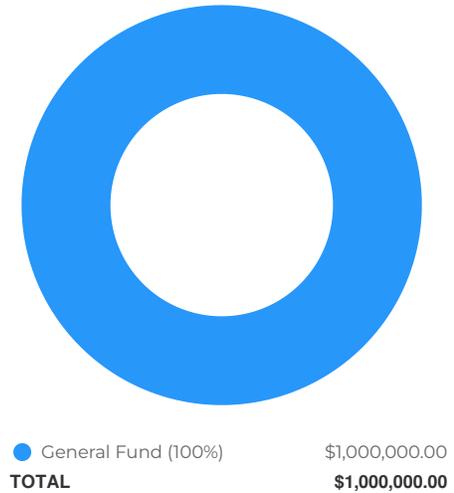
Funding Sources

Total To Date **\$200,000**
 FY2025 Budget **\$500,000**
 Total Budget (all years) **\$1M**
 Project Total **\$1.2M**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	To Date	FY2025	FY2026	Total
General Fund	\$200,000	\$500,000	\$500,000	\$1,200,000
Total	\$200,000	\$500,000	\$500,000	\$1,200,000

WASTEWATER COLLECTION REQUESTS

Beachcomber Drive Area Backyard Sewer Improvements - Design

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2029
Department	Wastewater Collection
Type	Capital Improvement
Project Number	922-8249

Description

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 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

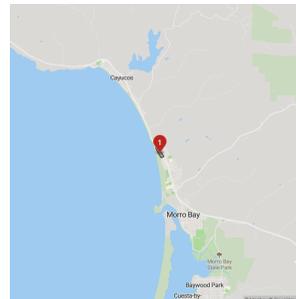


Beachcomber Drive

Details

Project Location	Beach Tract east of Beachcomber Drive
Description	
Project Manager	Cynthia Cecil
Total Prior Year Budget	\$100,000
Type of Project	Replacement
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Location



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.

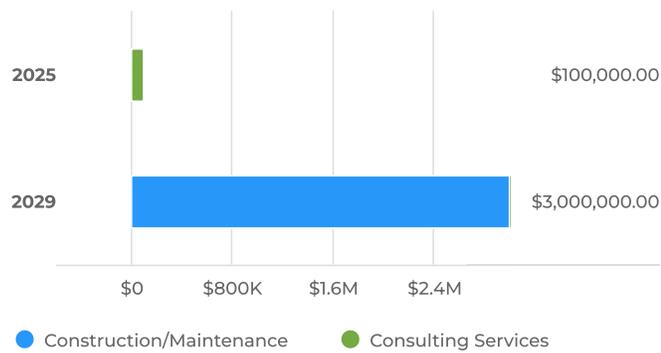
Positive Fiscal Impact

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.

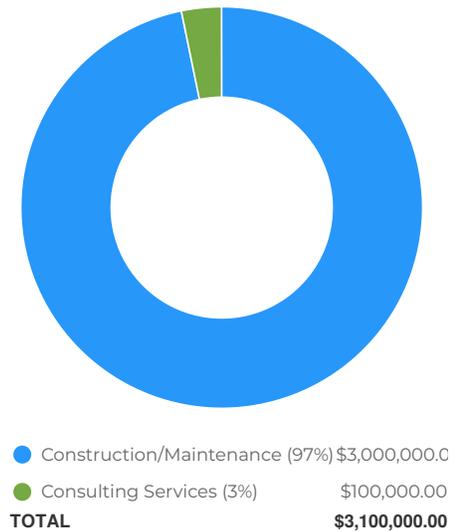
Capital Cost

Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$100,000	\$100,000	\$3.1M	\$3.2M

Capital Cost by Year



Capital Cost for Budgeted Years

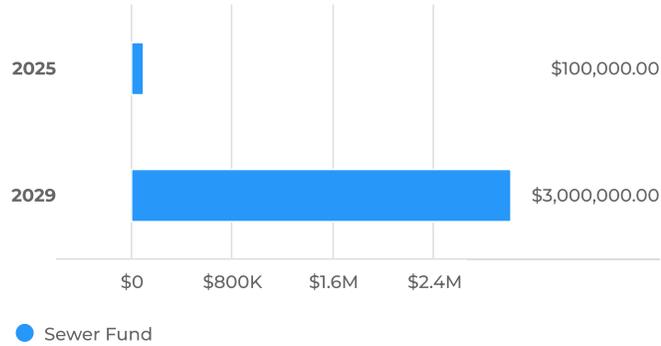


Capital Cost Breakdown				
Capital Cost	To Date	FY2025	FY2029	Total
Construction/Maintenance			\$3,000,000	\$3,000,000
Consulting Services	\$100,000	\$100,000		\$200,000
Total	\$100,000	\$100,000	\$3,000,000	\$3,200,000

Funding Sources

Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$100,000	\$100,000	\$3.1M	\$3.2M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	To Date	FY2025	FY2029	Total
Sewer Fund	\$100,000	\$100,000	\$3,000,000	\$3,200,000
Total	\$100,000	\$100,000	\$3,000,000	\$3,200,000

Main Street and Atascadero Sewer Main Replacements

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2026
Department	Wastewater Collection
Type	Capital Improvement
Project Number	922-9928

Description

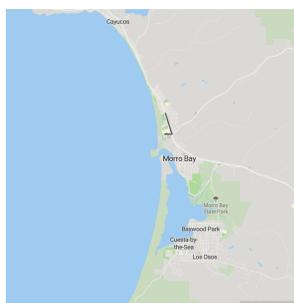
This project includes Main Street and Atascadero Road Wastewater Collections System Improvements from the OneWater Plan. The project consists of:

- Replacement of approximately 2,900 feet of 15-inch diameter pipeline along Main Street, between Atascadero Road and Las Vegas Street. The flow levels within the gravity sewer cause existing manholes to overflow under peak wastewater flow (PWWF) conditions. To mitigate the risk of sanitary sewer overflows (SSO) occurring during PWWF conditions, it is recommended that the existing pipeline be replaced with a 24-inch diameter pipeline.
- Replacement of approximately 1600 feet of 12-inch diameter pipeline along Main Street, between Las Vegas Street and San Joaquin Street. The flow levels within the gravity sewer cause upstream manholes to surcharge within 5 feet of the rim during PWWF conditions. To mitigate the risk of SSO occurring during PWWF conditions, it is recommended that the existing pipeline be replaced with an 18-inch diameter pipeline.
- Replacement of 6-inch diameter pipelines approximately 150 feet along San Joaquin Street, between Main Street and Alder Avenue. The flow levels within the gravity sewer cause upstream manholes to overflow under PWWF conditions. To mitigate the risk of SSO occurring during PWWF conditions, it is recommended that the existing pipeline be replaced with 12-inch diameter pipelines.
- Replacement of approximately 1,000 feet of 18-inch sewer main in Atascadero Road, between Main Street and Park Street with a 27-inch sewer main. The flow levels in the existing sewer main are reaching capacity and there is a risk of SSO occurring during PWWF conditions.
- Re-establishment of paving and striping on all affected streets

Details

Project Location Description	Main Street from San Joaquin to Highway 41/Atascadero Road; Atascadero Road from Main to Park Street
Project Manager	Cynthia Cecil
Total Prior Year Budget	\$4,382,932
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 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.

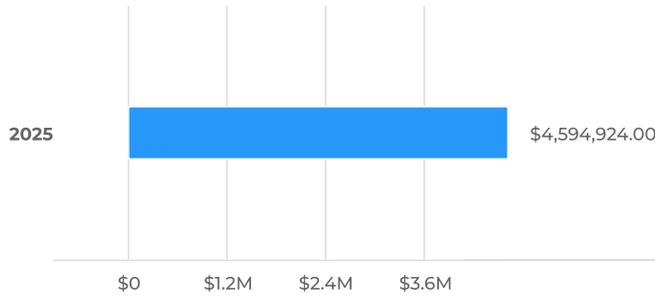
Positive Fiscal Impact

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

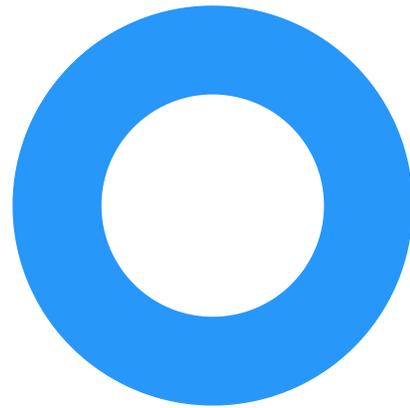
Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$4,382,932	\$4,594,924	\$4.595M	\$8.978M

Capital Cost by Year



● Construction/Maintenance

Capital Cost for Budgeted Years



● Construction/Maintenance (100%) \$4,594,924.00
TOTAL \$4,594,924.00

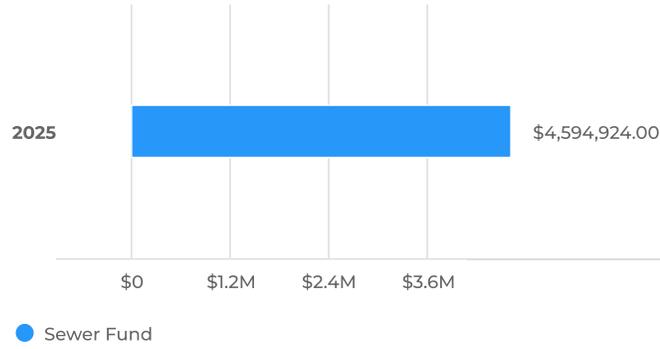
Capital Cost Breakdown

Capital Cost	To Date	FY2025	Total
Construction/Maintenance	\$4,382,932	\$4,594,924	\$8,977,856
Total	\$4,382,932	\$4,594,924	\$8,977,856

Funding Sources

Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$4,382,932	\$4,594,924	\$4.595M	\$8.978M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	To Date	FY2025	Total
Sewer Fund	\$4,382,932	\$4,594,924	\$8,977,856
Total	\$4,382,932	\$4,594,924	\$8,977,856

Utility Hole (Manhole) Rehabilitation Project

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2025
Department	Wastewater Collection
Type	Capital Improvement
Project Number	922-8560

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.

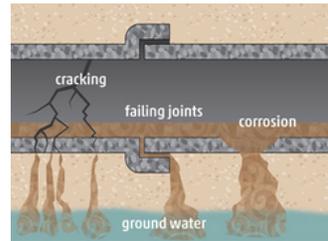
Images



Manholes - before/after



Infiltration

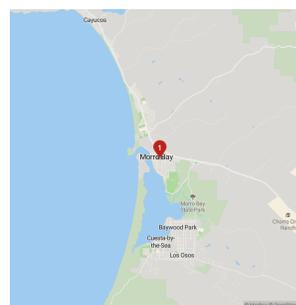


Failures

Details

Project Location	Various - Citywide
Description	
Project Manager	Damaris Hanson
Total Prior Year Budget	\$250,000
Type of Project	Maintenance/Repair
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
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.

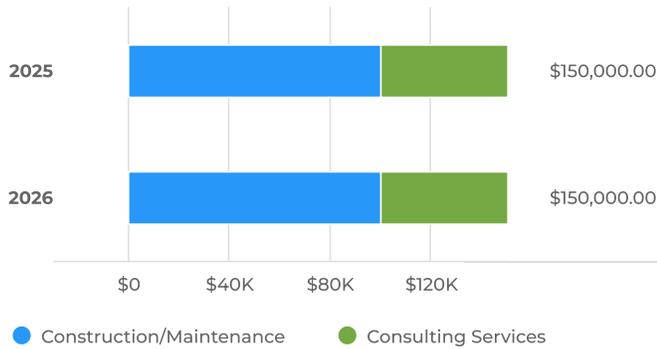
Positive Fiscal Impact

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.

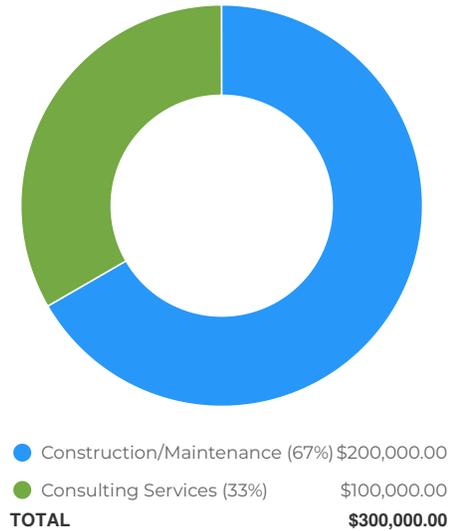
Capital Cost

Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$250,000	\$150,000	\$300K	\$550K

Capital Cost by Year



Capital Cost for Budgeted Years



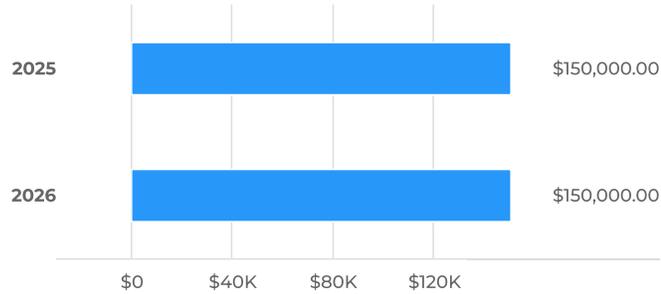
Capital Cost Breakdown				
Capital Cost	To Date	FY2025	FY2026	Total
Construction/Maintenance	\$200,000	\$100,000	\$100,000	\$400,000
Consulting Services	\$50,000	\$50,000	\$50,000	\$150,000
Total	\$250,000	\$150,000	\$150,000	\$550,000



Funding Sources

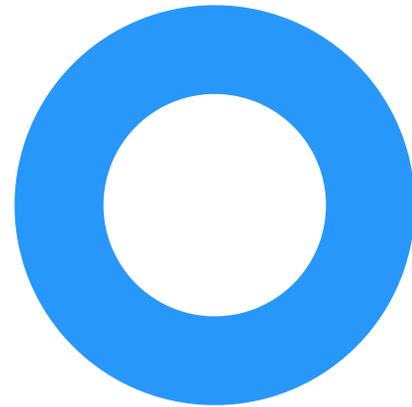
Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$250,000	\$150,000	\$300K	\$550K

Funding Sources by Year



● Sewer Fund

Funding Sources for Budgeted Years



● Sewer Fund (100%) \$300,000.00
TOTAL **\$300,000.00**

Funding Sources Breakdown

Funding Sources	To Date	FY2025	FY2026	Total
Sewer Fund	\$250,000	\$150,000	\$150,000	\$550,000
Total	\$250,000	\$150,000	\$150,000	\$550,000

Wastewater Treatment Plant Decommissioning

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2027
Department	Wastewater Collection
Type	Capital Improvement
Project Number	922-8501

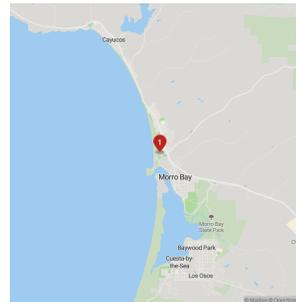
Description

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.

Details

Project Location	160 Atascadero Road
Description	
Project Manager	Cynthia Cecil
Total Prior Year Budget	\$292,500
Type of Project	New Construction
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Location



Project Justification

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.

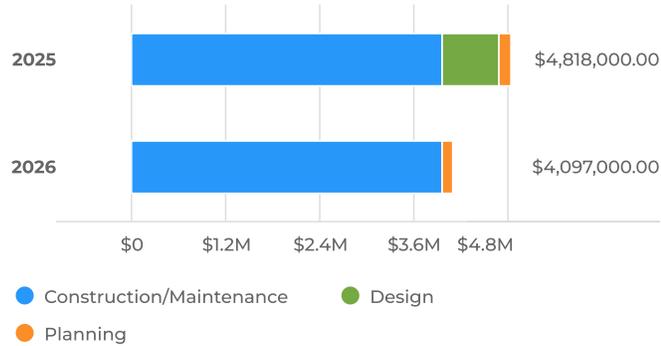
Positive Fiscal Impact

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.

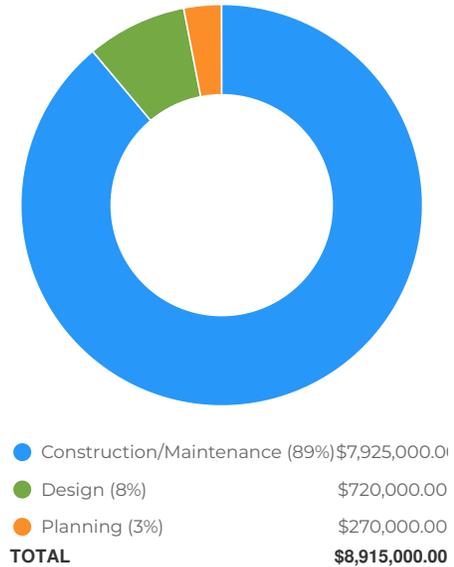
Capital Cost

Total To Date **\$292,500** FY2025 Budget **\$4,818,000** Total Budget (all years) **\$8.915M** Project Total **\$9.208M**

Capital Cost by Year



Capital Cost for Budgeted Years

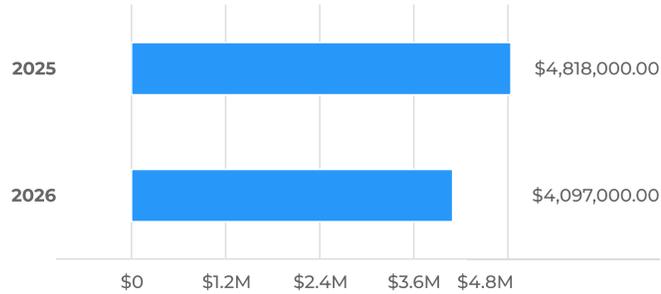


Capital Cost Breakdown				
Capital Cost	To Date	FY2025	FY2026	Total
Planning	\$292,500	\$135,000	\$135,000	\$562,500
Design		\$720,000		\$720,000
Construction/Maintenance		\$3,963,000	\$3,962,000	\$7,925,000
Total	\$292,500	\$4,818,000	\$4,097,000	\$9,207,500

Funding Sources

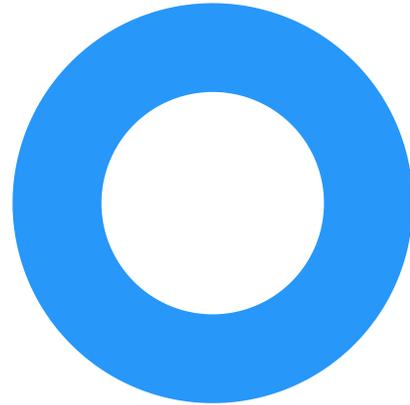
Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$292,500	\$4,818,000	\$8.915M	\$9.208M

Funding Sources by Year



● Sewer Fund

Funding Sources for Budgeted Years



● Sewer Fund (100%) \$8,915,000.00
TOTAL \$8,915,000.00

Funding Sources Breakdown

Funding Sources	To Date	FY2025	FY2026	Total
Sewer Fund	\$292,500	\$4,818,000	\$4,097,000	\$9,207,500
Total	\$292,500	\$4,818,000	\$4,097,000	\$9,207,500

WASTEWATER TREATMENT REQUESTS

WRF - Water Reclamation Facility Project

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2023
Est. Completion Date	10/31/2026
Department	Wastewater Treatment
Type	Capital Improvement
Project Number	922-8312

Description

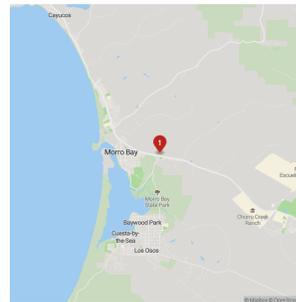
This Water Reclamation Facility program includes construction of three program components: the new Water Resources Center (WRC), the conveyance facilities necessary to connect the pump station near the old wastewater treatment plant (WWTP) and the new WRC, and the indirect potable reuse project, which includes injection wells to replenish the groundwater in the Lower Morro Basin. The project, which is the largest City public works project to date, 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/>).

The recommended FY2024-25 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, reducing the scope of 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 FY2023-24 budget. The Program Management budget has also been adjusted to accommodate the potential construction contractor claims.

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 Quintana Road, and north on South Bay Boulevard.
Project Manager	Anthony Cemo, Carollo Engineers
Total Prior Year Budget	\$156,035,774
Type of Project	New Construction
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Location



Project Justification

This project is in line with the City's goals to construct a new Water Reclamation Facility 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.

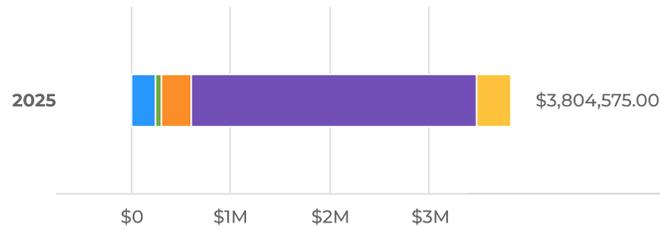
Positive Fiscal Impact

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

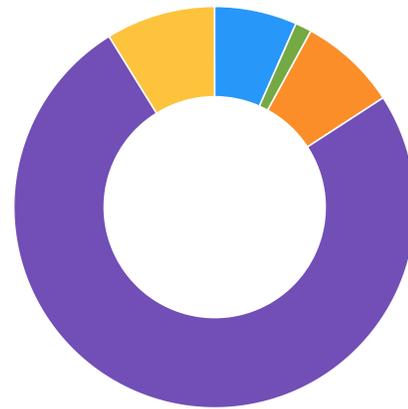
Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$156,035,774	\$3,804,575	\$3.805M	\$159.84M

Capital Cost by Year



- WRF-City Costs
- WRF-Program Management
- WRF-Other Consulting Services
- WRF-Recycled Water Facilities Construction
- WRF-Recycled Water Facilities Design, ESDC/Permitting

Capital Cost for Budgeted Years



- WRF-City Costs (7%) \$252,400.00
- WRF-Other Consulting Services (1%) \$50,000.00
- WRF-Program Management (8%) \$300,000.00
- WRF-Recycled Water Facilities Construction (62%) \$2,361,175.00
- WRF-Recycled Water Facilities Design, ESDC/Permitting (22%) \$833,000.00
- TOTAL \$3,804,575.00**

Capital Cost Breakdown

Capital Cost	To Date	FY2025	Total
WRF-Plant Design-Build	\$79,123,216		\$79,123,216
WRF-Conveyance Facilities Design, ESDC/Permitting	\$4,956,036		\$4,956,036
WRF-Conveyance Facilities Construction	\$35,368,314		\$35,368,314
WRF-Recycled Water Facilities Design, ESDC/Permitting	\$2,693,650	\$335,000	\$3,028,650
WRF-Recycled Water Facilities Construction	\$3,528,349	\$2,867,175	\$6,395,524
WRF-City Costs	\$13,483,579	\$252,400	\$13,735,979
WRF-Program Management	\$15,235,288	\$300,000	\$15,535,288
WRF-Other Consulting Services	\$1,647,342	\$50,000	\$1,697,342
Total	\$156,035,774	\$3,804,575	\$159,840,349

Funding Sources

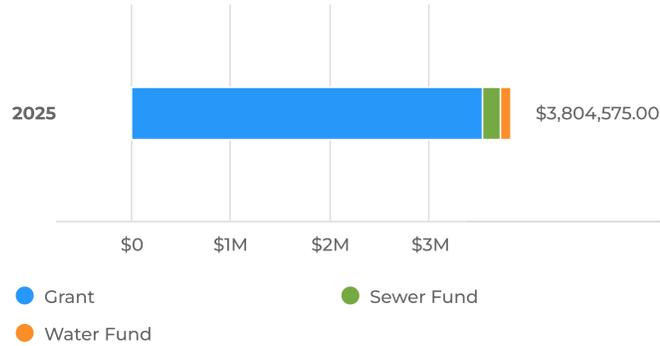
Total To Date
\$156,035,374

FY2025 Budget
\$3,804,575

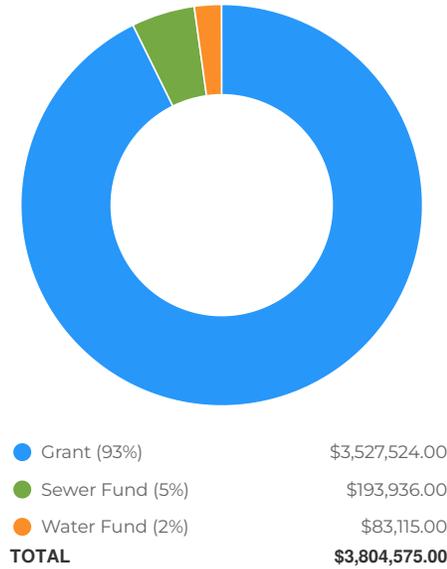
Total Budget (all years)
\$3.805M

Project Total
\$159.84M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown			
Funding Sources	To Date	FY2025	Total
Water Fund	\$5,233,612	\$83,115	\$5,316,727
Sewer Fund	\$12,211,761	\$193,936	\$12,405,697
Grant	\$138,590,001	\$3,527,524	\$142,117,525
Total	\$156,035,374	\$3,804,575	\$159,839,949

WATER REQUESTS

Morro Basin Wellfield Rehabilitation

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2024
Est. Completion Date	12/31/2027
Department	Water
Type	Capital Improvement
Project Number	921-8036

Description

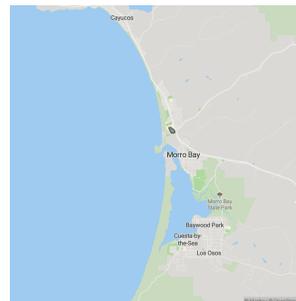
The Morro Wellfield Rehabilitation Project intends to address several potential vulnerabilities of the Morro Wellfield by implementing key infrastructure improvements to increase water production capacity, improve operational efficiency, and provide long-term reliability for the City's water production 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	Cynthia Cecil
Total Prior Year Budget	\$500,000
Type of Project	Maintenance/Repair
One-Time or Ongoing	One-Time
New or Existing Project	In progress
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.

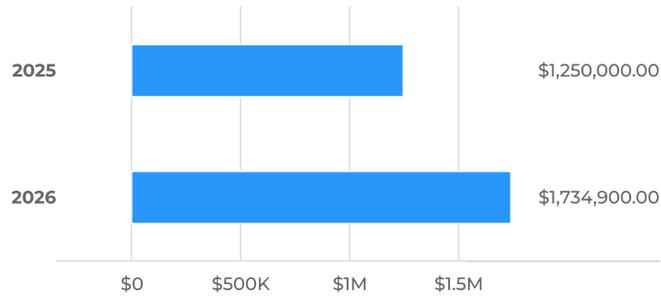
Positive Fiscal Impact

This project will provide for more efficient operations of the Morro Wellfield by reducing operator time and electricity costs.

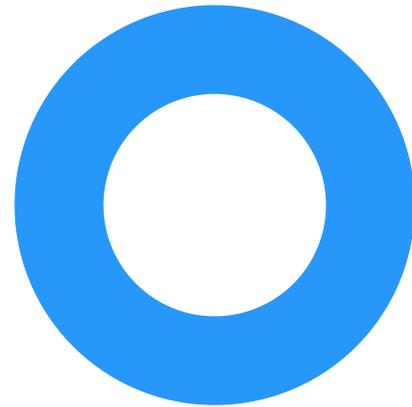
Capital Cost

Total To Date **\$500,000**
 FY2025 Budget **\$1,250,000**
 Total Budget (all years) **\$2.985M**
 Project Total **\$3.485M**

Capital Cost by Year



Capital Cost for Budgeted Years



● Construction/Maintenance (100%) \$2,984,900.00
TOTAL **\$2,984,900.00**

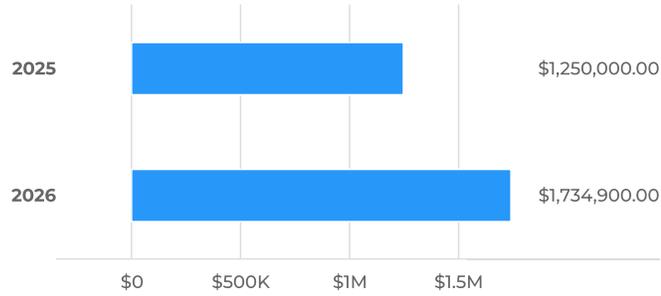
Capital Cost Breakdown

Capital Cost	To Date	FY2025	FY2026	Total
Planning	\$250,000			\$250,000
Design	\$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

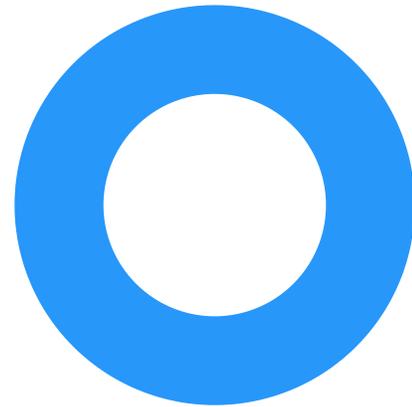
Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$500,000	\$1,250,000	\$2.985M	\$3.485M

Funding Sources by Year



● Water Fund

Funding Sources for Budgeted Years



● Water Fund (100%)	\$2,984,900.00
TOTAL	\$2,984,900.00

Funding Sources Breakdown

Funding Sources	To Date	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	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2025
Est. Completion Date	06/30/2027
Department	Water
Type	Capital Improvement
Project Number	921-9932

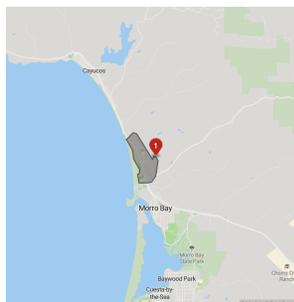
Description

Staff is evaluating alternatives to replacing the Nutmeg tank and associated upgrades. The alternative would decrease costs while increasing fire flows and storage in the Nutmeg zone. Alternatives include various OneWater projects and newly proposed projects that would consolidate the pressure zones.

Details

Project Location Description	Nutmeg Ave. (Tank Location), Elena - Elena and Blanca Pressure Zones
Project Manager	Cynthia Cecil
Total Prior Year Budget	\$1,363,479
Type of Project	Replacement
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
City Council Goal	Public Infrastructure

Location



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. 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 in 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 accommodates fire flow, normal demand, and reduced volume when the Elena tanks are removed completely from service.

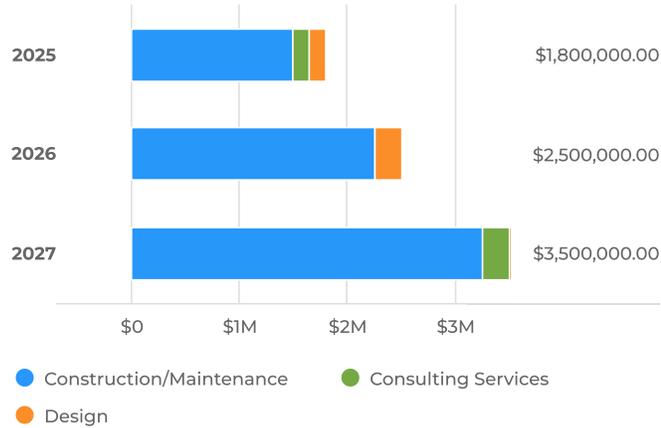
Positive Fiscal Impact

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.

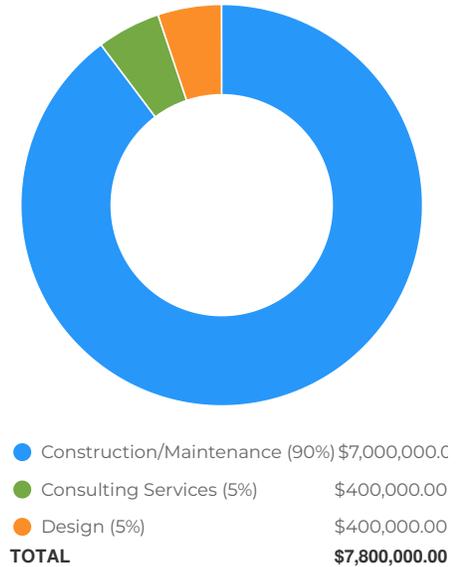
Capital Cost

Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$1,363,479	\$1,800,000	\$7.8M	\$9.163M

Capital Cost by Year



Capital Cost for Budgeted Years

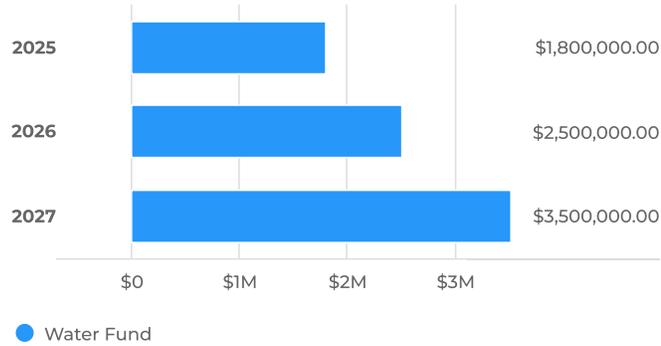


Capital Cost Breakdown					
Capital Cost	To Date	FY2025	FY2026	FY2027	Total
Design	\$136,348	\$150,000	\$250,000		\$536,348
Construction/Maintenance	\$1,090,783	\$1,500,000	\$2,250,000	\$3,250,000	\$8,090,783
Consulting Services	\$136,348	\$150,000		\$250,000	\$536,348
Total	\$1,363,479	\$1,800,000	\$2,500,000	\$3,500,000	\$9,163,479

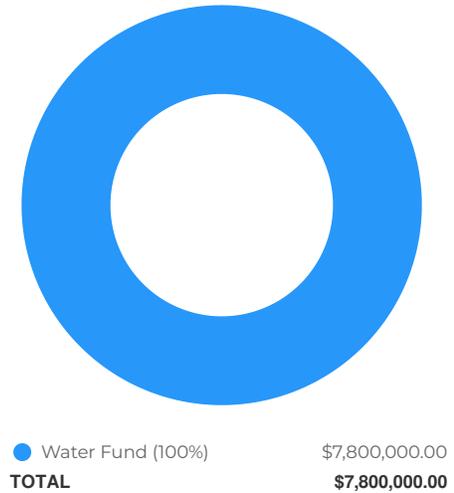
Funding Sources

Total To Date	FY2025 Budget	Total Budget (all years)	Project Total
\$1,363,479	\$1,800,000	\$7.8M	\$9.163M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	To Date	FY2025	FY2026	FY2027	Total
Water Fund	\$1,363,479	\$1,800,000	\$2,500,000	\$3,500,000	\$9,163,479
Total	\$1,363,479	\$1,800,000	\$2,500,000	\$3,500,000	\$9,163,479

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 policy-making 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, expendable 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.