



City of Morro Bay FY 2025-26 Operating and Capital Budget



Adopted Version - 7/01/2025



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INTRODUCTION



Public Officials & Leadership



City of Morro Bay City Council

Mayor Carla Wixom
Mayor Pro Tem Cyndee Edwards
Council Member Zara Landrum
Council Member Jeff Eckles
Council Member Bill Luffee

Executive Management

Yvonne Kimball, City Manager
Robert Schultz, Interim City Attorney
Amy Watkins, Police Chief
Daniel McCrain, Fire Chief
Emily Conrad, Finance Director
Greg Kwolek, Public Works Director
Airlin Singewald, Community Development Director
Chris Munson, Harbor Vitality Director
Dana Swanson, City Clerk
Rachael Hendricks, Human Resources Manager/Risk Manager
Kirk Carmichael, Recreation Services Manager

Budget Preparation Team

Emily Conrad, Finance Director
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Sara Pruitt, Fiscal Analyst
Executive Management Team and Department Contributors



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 Proposed Fiscal Year (FY) 2025-26 Budget for your consideration. The budget anticipates total revenues of **\$48.3 million**, excluding transfers, and **\$63.7 million, including transfers**. The total citywide expenditure budget is **\$53.4 million**, excluding transfers, and **\$68.9 million, including transfers**. It includes **\$39.6 million for the operating expenditure budget** and **\$13.8 million for 14 capital projects, both net of transfers**. The remaining expenditures budget, not from current-year revenues, will be spent from available fund balance to support one-time capital improvement project implementation. The Budget consists of a total of 30 funds.

The FY 2025-26 budget funds the following: **the operational departments that provide core services to our community**, including police, fire, water, sewer, parks, roads, recreation, community development, code enforcement, harbor, and recreation programs; the supporting administrative services such as human resources, information technology, and finance; and funds **14 capital projects** in the areas of streets, water, sewer, harbor, and public safety communication systems. The budget also funds efforts to achieve the **Strategic Planning goals** established by the City Council:

- Economic Vitality & Fiscal Health,
- Infrastructure Resiliency,
- Morro Elementary School (Site).

The first two goals represent City's ongoing commitment to public services. The last goal reflects a new priority that emerged from this year's goal process. Given its evolving scope of focus, fund allocations are made for research, assessment, and community outreach. This Budget also includes information on how each department contributes to these goals in the coming year.

A sustainable budget is essential to achieving these goals and continuing to provide core services at a high level. In FY 2025-26, the City's primary revenue sources continue to be stable with a slower growth pace. Traditional revenues like property tax, sales tax, and Transient Occupancy Tax (TOT) have recovered to pre-pandemic levels and have now plateaued. Staffing costs are one of the largest City expenses, second only to capital projects. Ensuring adequate staffing levels is crucial for delivering critical services. The FY 2025-26 budget proposes to fund approximately 117.5 full-time positions across 10 departments and divisions. While the FY 2025-26 budget does not dramatically increase staff capacity, it includes converting existing part-time positions in Public Works / Maintenance to one full-time position, adding a new full-time capital project manager to expedite critical capital projects, and the conversion of a police sergeant to the commander position. These positions will support the efficient delivery of council priorities on maintenance and capital project delivery. The City recently completed the transfer of transit services to San Luis Obispo County's Regional Transit Authority. The Transit Fund is removed from the FY 25-26 Budget.

Looking ahead, the City's 10-year fiscal forecast indicated that we continue to have budget challenges in the next few years, particularly in allocating a desirable level of funding for large infrastructure projects. In response to uncertainties and growing needs, we applied a priority-based budgeting approach to developing the FY 25-26 budget. Proactive measures were implemented to further control operational expenditures and boost revenues. Here are some highlights.

- **Cost Containment:** Departments are being asked to closely review their operational budget line by line. By doing so, expenditure estimates and requests are as precise and necessary as possible to reduce

unnecessary contingencies or "padding". As a result, more funds can be allocated towards critical needs across the board and capital projects.

- **Renegotiating Contracts:** Where appropriate, Departments renegotiate vendor and service contracts to secure better pricing and terms.
- **Updating Revenue Sources:** We are reviewing opportunities to strengthen our revenue sources, including a routine evaluation of fee schedules to ensure that service costs are appropriately supported and sustainable for the long term.
- **Proper Cost Allocation:** We are updating the City's cost allocation plan to reflect changes in how costs are distributed across funds. This annual update ensures that the General Fund — which supports vital services like public safety and community programs — is preserved and used strategically.
- **Project Prioritization:** We closely examine our growing list of capital needs and prioritize them based on council priority and available resources. We implement better tracking methodology and make realistic plans to deliver projects. We consider enhanced project staffing to expedite delivery and phase out some capital projects and initiatives over longer periods.
- **Possible Hiring Slowdown:** Although not a direct "ask," departments are considering keeping non-essential vacancies open longer or reevaluating them. Critical positions will continue to be recruited and filled as soon as possible.
- **Continued Operational Efficiencies.** Staff are encouraged to find creative ways to streamline processes, collaborate, and focus on delivering core services efficiently.

Although these are not new concepts, truly embracing them requires tremendous trust, dedication, and a strong commitment to collaboration. I'm genuinely grateful for how our departments have responded to this year's financial directives. I also want to thank City staff for the incredible work they do 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. 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 the 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, 2024. 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, 2024. 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, 2024

Christopher P. Morrill
Executive Director

*California Society of Municipal
Finance Officers*

Certificate of Award

***Operating Budget Excellence Award
Fiscal Year 2024-2025***

Presented to the

City of Morro Bay

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

February 7, 2025



Ernie Reyna

Ernie Reyna
2024 CSMFO President

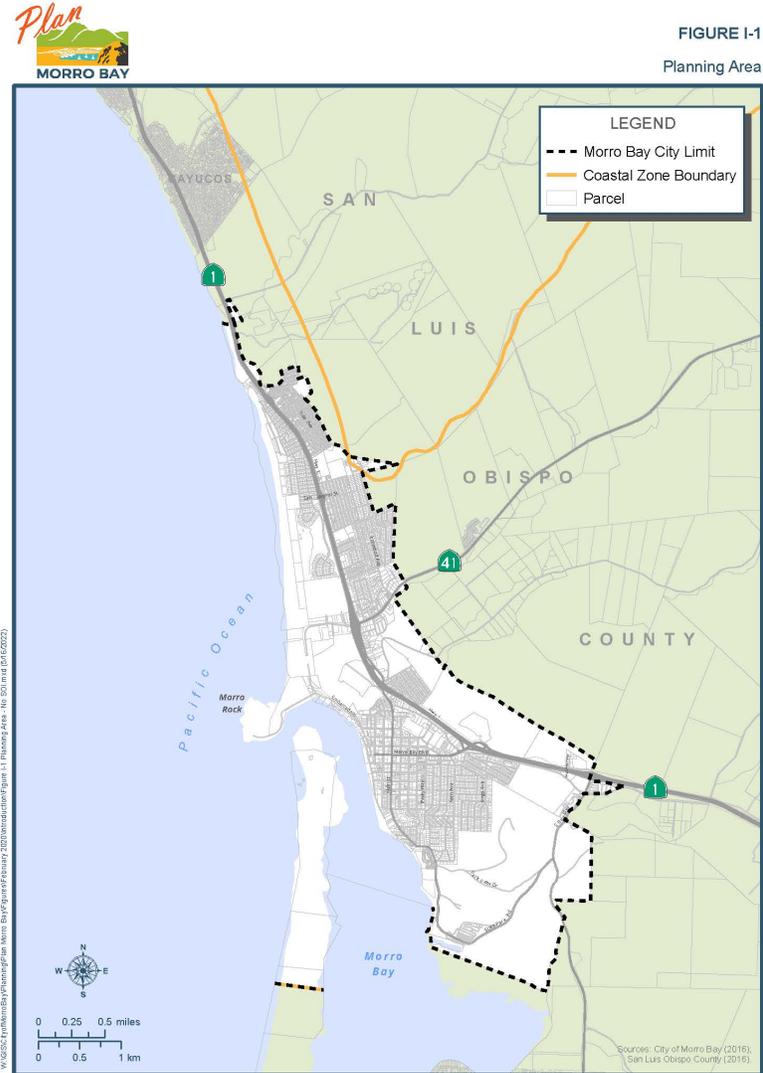
James Russell-Field

James Russell-Field, Chair
Recognition Committee

Dedicated to Excellence in Municipal Financial Reporting

Morro Bay History & Community Profile

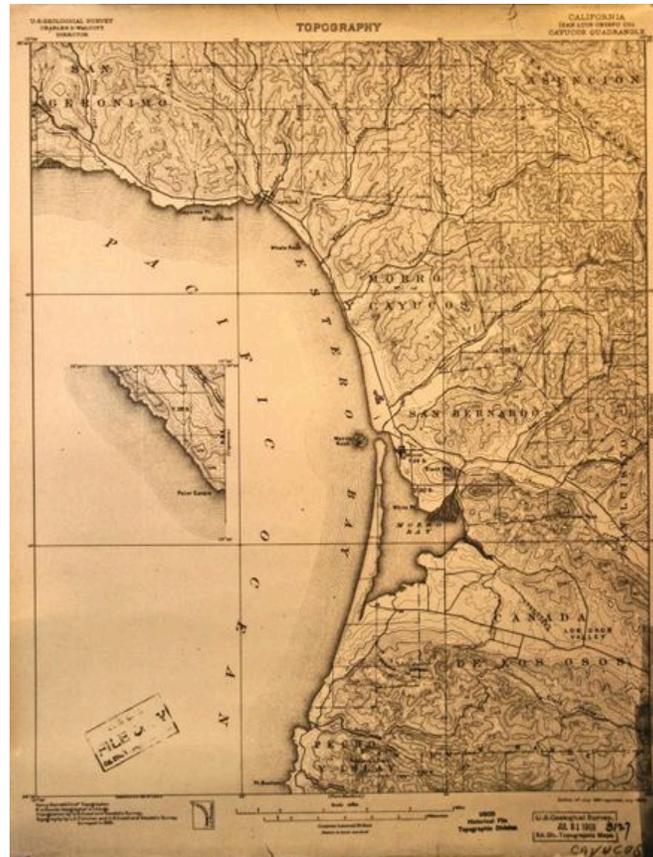
Morro Bay, a small seaside town, is not just a friendly, safe, and healthy place to live, work, and play, but also a captivating destination for visitors. With strong historical roots in the fishing industry, the city offers a unique blend of natural beauty, outdoor recreation, a working waterfront, 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 [G](#), 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. Based on the U.S. Bureau of Labor Statistics data, San Luis Obispo County's jobs to households ratio is approximately 1.06. Morro Bay is more residential and has a tourism-focused economy. It has a lower jobs-to-households ratio compared to the broader county area. Most employees commute to the City from other areas in SLO County for work.

Commercial Fishing Heritage

Historically, commercial fishing played a significant economic and cultural role 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.

Regulatory changes to the industry and declines have occurred in the fishing industry since the late 1990s. Some processing facilities closed as a result. 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. With the decline in the 1990s, improvements were needed. Community and the City continues to make investment in facilities and equipment 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 supported 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.

In recent years, Morro Bay has drawn national and state attention surrounding renewable energy issues. The City received an application for a Battery Energy Storage System (BESS) project to construct and operate a 600-MW BESS facility on the 107-acre Vistra-owned retired power plant property. Offshore Wind (OSW) energy infrastructure development has also been considered to take place 20 miles off the coast of Morro Bay Harbor. Both are identified as key projects for state and federal renewable energy goals. 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. Both projects are controversial. The BESS project has been paused since late 2024 while the OSW development also took a slower approach; however, the uncertain future of these projects may continue to impact the economy and economic development strategies of Morro Bay and the entire region.

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. Both regional transit and local transit is operated by the San Luis Obispo Regional Transit Authority (RTA). Regional transit services include 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.

Local transit includes a year round deviated fixed route bus with Call-A-ride door to door service and a seasonal fixed route trolley service operating the first weekend in June through the last weekend in September. The bus serves major campgrounds, the high school, the senior center, Community Center, library, grocery stores, and neighborhoods throughout Morro Bay. The trolley provides access to north Morro Bay, downtown, and the waterfront as well as offering access to the coast along Beachcomber Street and Sandalwood Avenue to Morro Strand State beach in the north, to 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 has 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. Miozzi 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.

Resource-Based Open Space and 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. A few years ago, the City 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



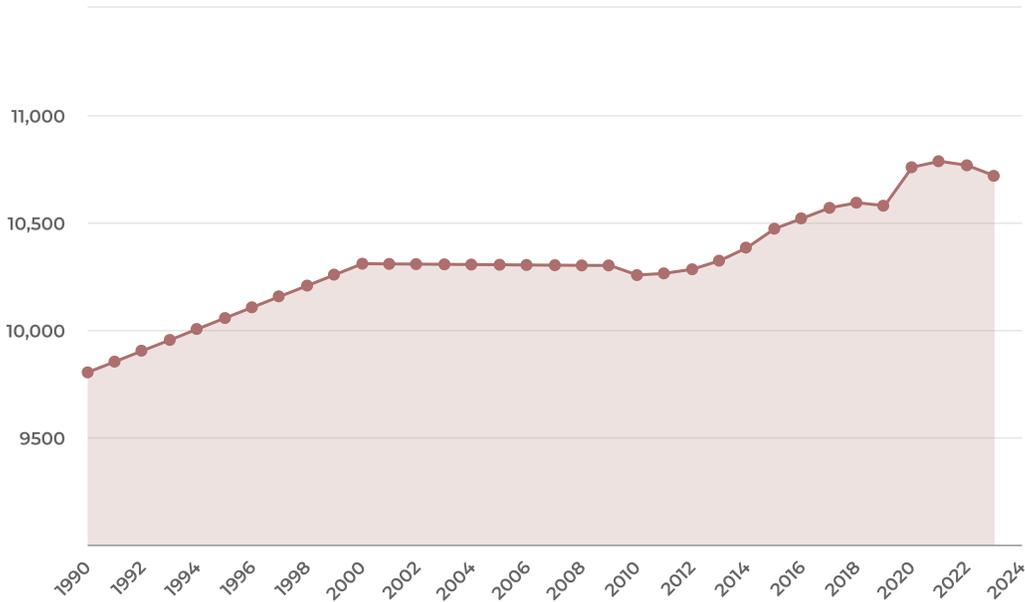
TOTAL POPULATION

10,717

▼ **.5%**
vs. 2022

GROWTH RANK

244 out of **503**
Municipalities in California



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



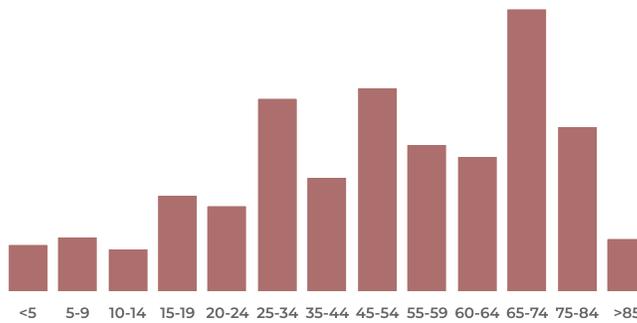
DAYTIME POPULATION

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.

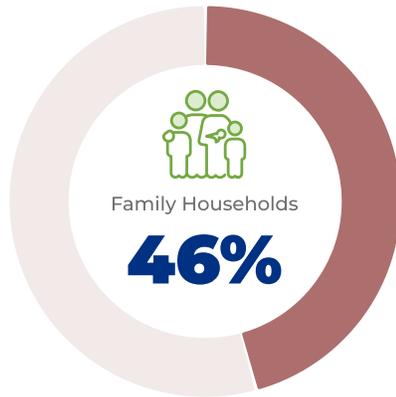
* Data Source: American Community Survey 5-year estimates

Household Analysis

TOTAL HOUSEHOLDS

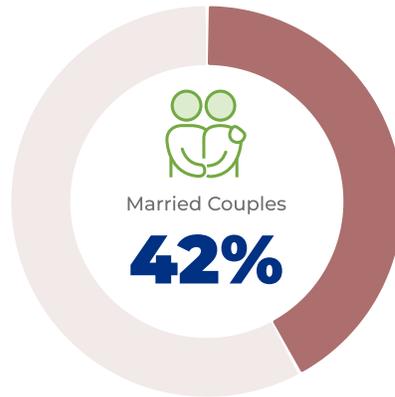
4,989

It is important to 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 tax base.



▼ **6%**

lower than state average



▼ **15%**

lower than state average



▲ **62%**

higher than state average



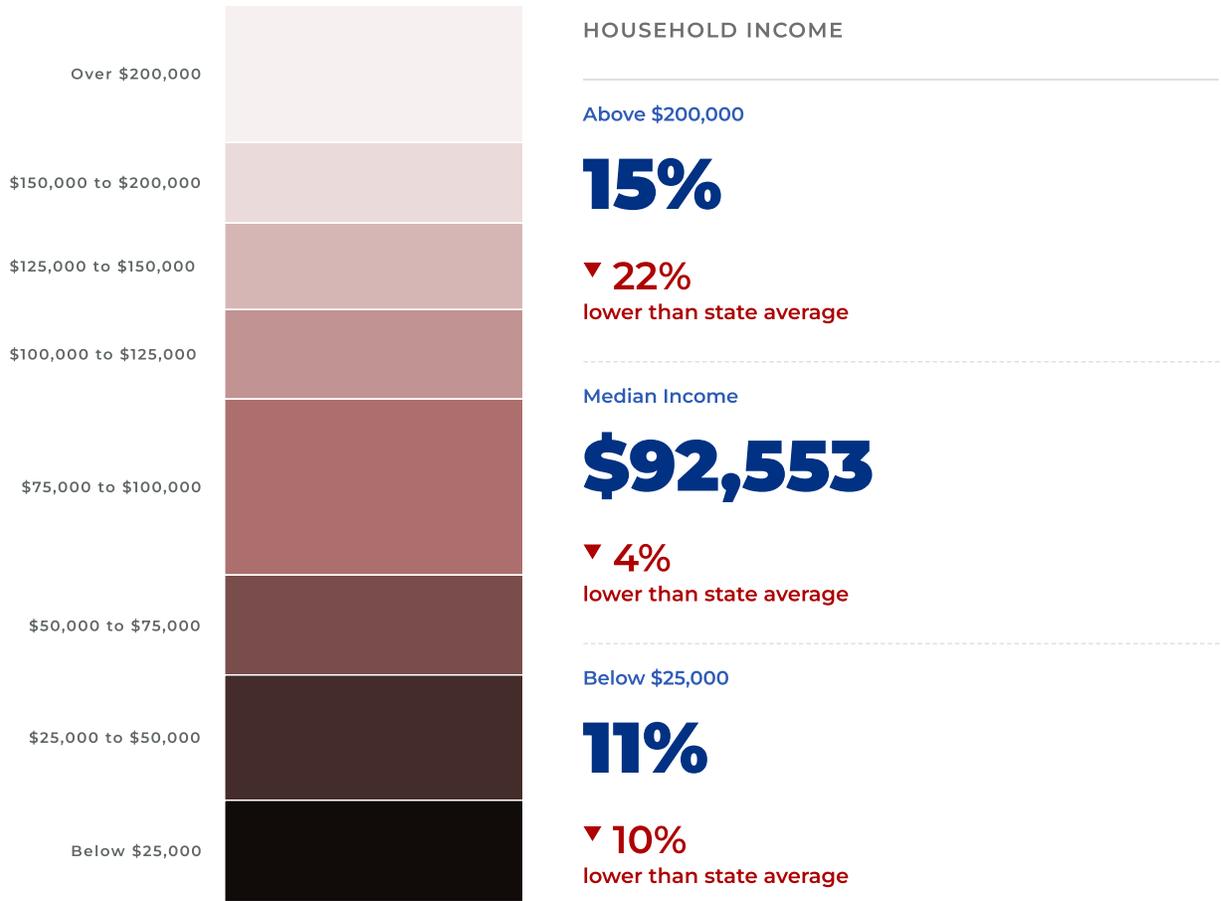
▲ **54%**

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.

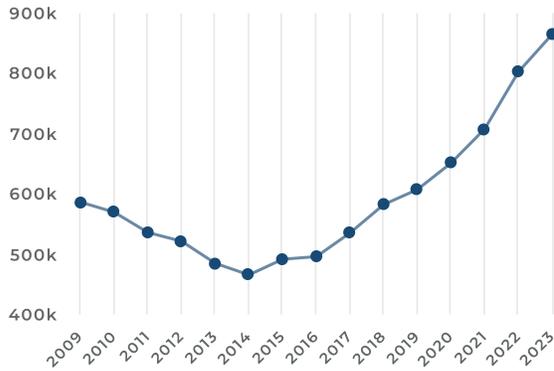


* Data Source: American Community Survey 5-year estimates

Housing Overview



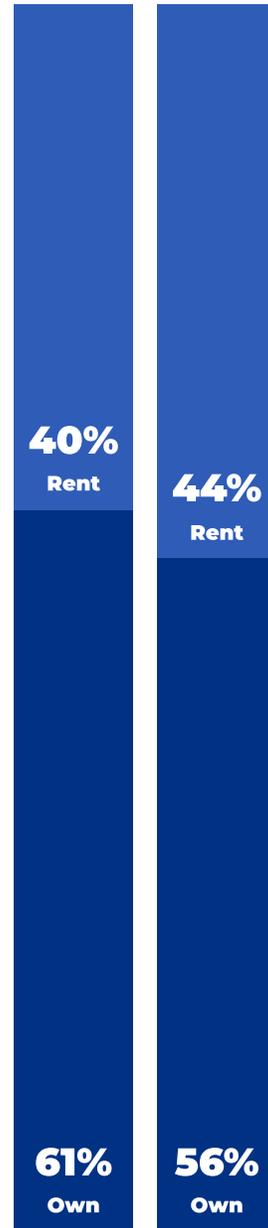
2023 MEDIAN HOME VALUE
\$864,900



* Data Source: 2023 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.

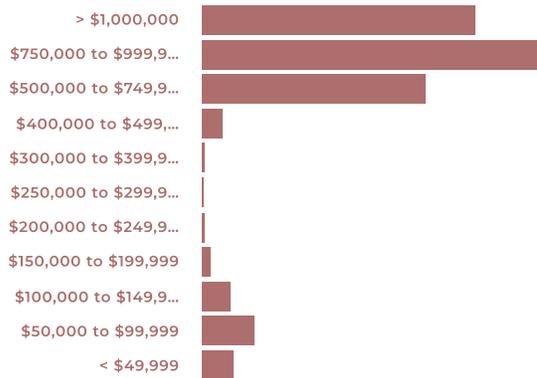
HOME OWNERS VS RENTERS

Morro Bay State Avg.



* Data Source: 2023 US Census Bureau (<http://www.census.gov/data/developers/data-sets.html>), American Community Survey. Home value data includes all types of owner-occupied housing.

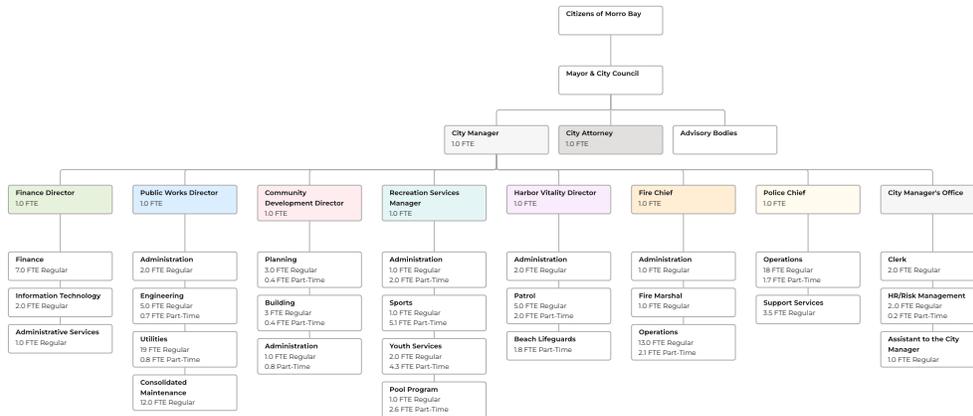
HOME VALUE DISTRIBUTION



* Data Source: 2023 US Census Bureau (<http://www.census.gov/data/developers/data-sets.html>), American Community Survey. Home value data includes all types of owner-occupied housing.

Citywide Organization Chart

Citywide Organizational 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 a particular focus on activities funded with the additional general purposes local sales tax monies referred to as Measure QE, 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 by request of 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.

The City's funds are grouped in fund types and categories as follows:

Governmental Funds	Proprietary Funds	Fiduciary Funds
Used to account for activities primarily supported by taxes, grants, and similar revenue sources, and includes: General Funds, Account Groups, Special Revenue Funds, Debt Service Funds, Capital Projects and Internal Service Funds	Used to account for activities that receive significant support from user fees, and includes: Enterprise Funds	Used to account for resources that a government holds, as a trustee or agent, on behalf of an outside party that cannot be used to support the government's own programs, and includes: Trust & Agency Funds
<u>General Fund Group</u>	<u>Water Enterprise Funds</u>	<u>Trust & Agency/Custodial Funds</u>
001 - General Fund	311 - Water Operating	510 - 115 Pension Trust
005 - Unfunded Compensable Leave	315 - Water Discounts/Rebates	512 - Other Post-Empmnt Benefits (OPEB)
050 - General Government Vehicle Repl.	921 - Water Capital Improvement	515 - Trust & Agency
051 - G/F Emergency Reserve		
052 - G/F Facility Maintenance	<u>Sewer Enterprise Funds</u>	
460 - Capital Accumulation	321 - Sewer Operating	
	922 - Sewer Capital Improvement	
<u>Account Group</u>		
002 - General Fixed Asset Group	<u>Harbor Enterprise Funds</u>	
011 - General Long Term Debt	311 - Harbor Operating	
	923 - Harbor Capital Improvement	
<u>Special Revenue Funds</u>		
003 - Measures Q & E		
200 - Community Development Grants		
201 - CDBG Loan Repayment		
204 - CDBG 04/05 Housing Rehab		
205 - 05/06 Home Partnership		
250 - State Gas Tax		
260 - Road Maintenance and Rehab		
270 - Lower Cost Visitor Accommodation		
280 - Traffic Safety		



- 282 - Special Safety Grants
- 299 - Parking In-Lieu
- 302 - Bike Path
- 303 - LTF Roads
- 500 - Assessment Districts
- 565 - North Point Assessment
- 570 - Cloisters Park Maint AD
- 900 - Governmental Impact Fees
- 904 - Park Fee Fund-Quimby Act
- 906 - Community Benefit
- 907 - Economic Development
- 924 - State Park Marina
- 925 - Triangle Lot - Boat Storage Yard
- 941 - Affordable Housing In-Lieu

Capital Project Funds

- 915 - Capital Projects

Internal Service Funds

- 430 - Risk Management
- 450 - Information Technology

Relationship between Funds and Departments

The City's organizational structure comprises departments engaged in various activities essential for the City's operations, while its financial activities are reported through funds. The following table illustrates the City's appropriated funds and the departments (or divisions within departments) that utilize these funds as a source of revenue.

Appropriated Fund Description	Fund Number	City Manager's Office	City Attorney's Office	Administrative Services (Finance Division)	Administrative Services (IT Division)	Fire	Police	Harbor	Public Works (Engineering, Admin, Maintenance Divisions)	Public Works (Utilities Divisions)	Recreation	Community Development
General Fund	001	x	x	x		x	x		x		x	x
Measure Q&E	003					x	x	x	x			
Unfunded Compensable Leave	005	x	x	x		x	x		x		x	x
Developer Reimbursement Fund	045								x			x
General Fund Vehicle Replacement Fund	050	x	x	x		x	x		x		x	x
General Fund Facility Maintenance Fund	052								x			
State Gas Tax Fund	250								x			
Road Maintenance Rehab SB1	260								x			
Traffic Safety Fund	280						x					
Special Safety Grants	282						x					
Bike Path Fund	302								x			
Roads LTF Fund	303								x			
Water Operating	311									x		
Water Discount Program Fund	315									x		
Sewer Operating	321									x		
Harbor Operating	331							x				
Risk Management Fund	430	x										
Information Technology Fund	450				x							
Assessment Districts Fund	500								x			
North Point Assessment District Fund	565								x			
Cloisters Park Maint AD	570								x			
Governmental Impact Fees	900	x				x	x		x			
Economic Development Fund	907	x										
General Capital Projects Fund	915								x			
Water Capital Improvement	921									x		
Sewer Capital Improvement	922									x		
Harbor Capital Improvement	923							x				
Harbor State Park Marina Fund	924								x			
Triangle Lot-Boat Storage Yard	925							x				
Affordable Housing In-Lieu	941											x

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. 50-24), 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 provide 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 throughout 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 (SBI) 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.
- The Information Technology Internal Service Fund is 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

<p>Harbor Fund (Enterprise Fund)</p>	<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.
<p>Water & Sewer Funds (Enterprise Fund)</p>	<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: equal to an annual debt service payment and 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 2025-26 Budget Calendar

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

- February Finance prepares budget framework, training, and instructions
- Feb 18 Midyear Measure Q&E Budget Presentation to CFAC
- Feb 25 Midyear Budget Presentation and Fiscal Update to Council
- March Departments prepare FY 2025-26 budget submittals
- April City Manager/Exec Team budget meetings; draft budget development
- April Preliminary Council input on budget and/or fiscal policies if needed
- May 8 City Manager delivers draft proposed budget numbers to Council
- May 20 CFAC reviews budget and provides input, emphasis on Measure Q&E
- May 27 Budget Study Session #1
- May 28 Budget Study Session #2 (if needed)
- June 10 Budget Adopted at Council Meeting
- June 24 Backup date for Budget Adoption

FY 2025-26 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

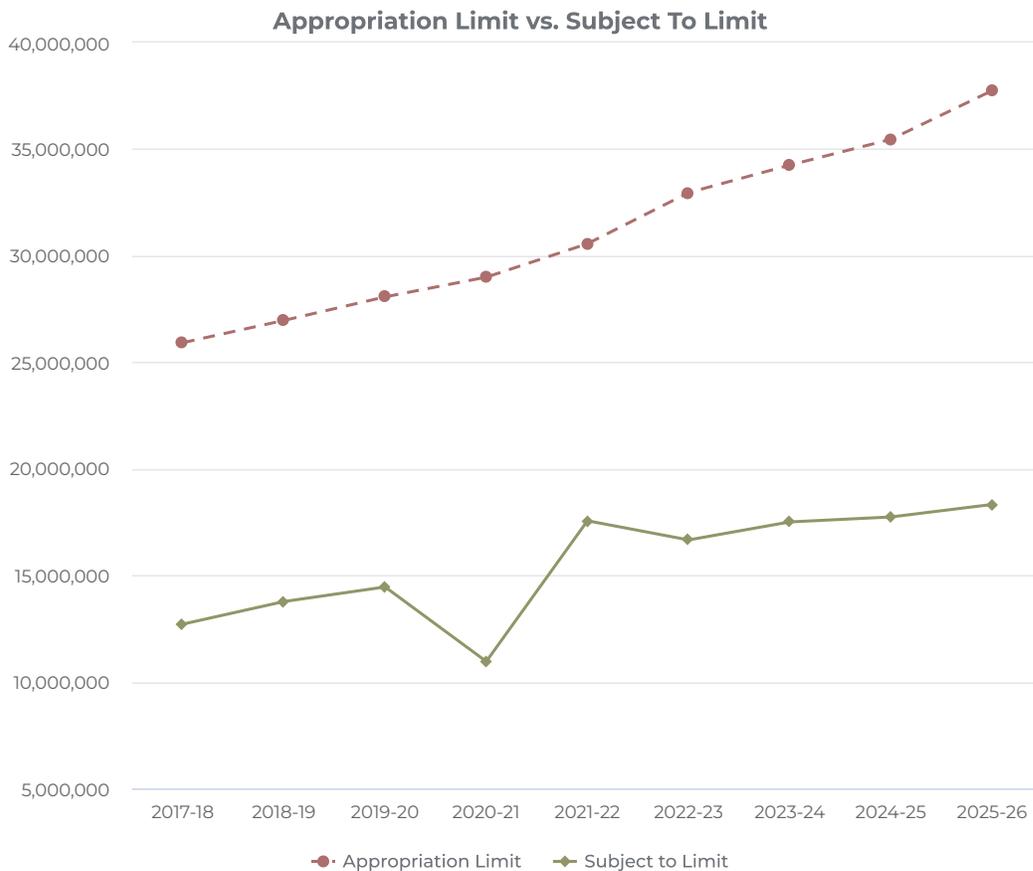
California voters approved Proposition 4, commonly known as the Gann Spending Limitation Initiative on November 6, 1979, establishing Article XIII B of the State Constitution. This proposition mandates an appropriations (spending) limit on the amount of tax revenue that the State and most local government 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 2025-26 is \$37.7 million. The City is 51% below this appropriation limit at \$18.3 million in tax proceeds subject to the limit. City Council will review the Gann limit calculation for FY 2025-26 in June 2025 and adopt by resolution.

Appropriation Limit



GANN Limit Resolution

RESOLUTION NO. 43-25

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, ESTABLISHING THE ANNUAL PROPOSITION 4 APPROPRIATIONS LIMIT FOR THE FISCAL YEAR 2025-26

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 2025-26 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. 43-25, which accepts the calculation of the FY 2025-26 appropriations limit, as prepared by the Morro Bay Finance Department, and establishes the FY 2025-26 appropriations limit at \$37,744,894, 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 24th day of June 2025, by the following vote:

AYES: Wixom, Eckles, Edwards, Landrum, Luffee
NOES: None
ABSENT: None
ABSTAIN: None
RECUSED: None

Carla Wixom
Carla Wixom (Jun 25, 2025 16:35 PDT)
CARLA WIXOM, Mayor

ATTEST:

Dana Swanson
DANA SWANSON, City Clerk

Budget Adoption Resolution

RESOLUTION NO. 38-25

RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
ADOPTING THE FISCAL YEAR 2025-26 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, 2025 and provided input, and there are no subsequent changes to the proposed budget since the May 28, 2025 Budget Study Sessions; and

WHEREAS, the City Council recognizes that Capital Improvement Projects and one-time expenditures of the General Fund Vehicle Replacement funds that were authorized and approved in the current and prior fiscal years, may not be completed by June 30, 2025; and

WHEREAS, the total Proposed Citywide revenue budget for FY 2025-26 is \$48.3 million and the proposed citywide expenditure budget for FY 2025-26 is \$53.4 million (net of transfers);

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

1. The Fiscal Year 2025-26 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 24, 2025, 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 24, 2025 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, and General Fund Vehicle Replacement funds approved in the current and prior fiscal years, but not completed by June 30, 2025, to the Capital Improvement Project budgets, and GF Vehicle Replacement Fund budgets for the FY 2025-26 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 24th day of June 2025, by the following vote:

AYES: Wixom, Eckles, Edwards, Landrum, Luffee
NOES: None
ABSENT: None
ABSTAIN: None
RECUSED: None

Carla Wixom
Carla Wixom (Jun 25, 2025 16:31 PDT)
CARLA WIXOM, Mayor

ATTEST:

Dana Swanson

DANA SWANSON, City Clerk

BUDGET OVERVIEW



Executive Overview

Budget Summary

The City of Morro Bay's budget for FY 2025-26 has total expenditures of **\$53.4 million** net of transfers (**\$68.9 million** including transfers), with **\$39.6 million** allocated for operations and **\$13.8 million** for capital projects (both net of transfers). The citywide operating expenditure budget, net of transfers, reflects a **7% decrease** over the previous year's budget, despite increasing personnel costs and persistent inflation. The decrease is largely in debt service. The \$3.5 million in debt service for Water Reclamation Facility financing has been reduced by 54%, from \$3.5 million to \$1.6 million, through FY 2026-27 due to multiple years of staff efforts to amend the SRF loan agreement, which included a delay in the repayment commencement date. Additionally, the transfer of transit services to the Regional Transit Authority means both the Transit Operating and Transit Capital Improvement Funds have been closed, accounting for over \$350 thousand of the decrease. The remaining decrease in citywide operating budget over prior year can be seen departmental reductions to Supplies and Services budgets. The citywide revenue budget is **\$48.3 million** net of transfers (\$63.7 million including transfers). The operating revenue budget, net of transfers, is **\$46.7 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 programmed use of available fund balance to cover the costs of one-time capital improvement projects and capital outlay in FY 2025-26.

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 future years 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 \$13.8 million in new funding to 14 capital projects.

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 2025-26 fiscal year, the budget anticipates that the General Fund Emergency Reserve Fund balance will be approximately \$7.8 million or 45%, exceeding the minimum requirement of 33% of budgeted operating expenses, but falling below the target amount of 50%. As such, this budget does not include an increase to that reserve balance. Conversely, the minimum reserve requirements for the Government Vehicle Replacement Fund and Compensable Leave Fund are estimated to be unmet at the close of FY 2024-25. In response, this budget includes transfers out of the general fund to both funds. The City Council Reserve Policy for these funds allows for three years to bring the reserves back to the minimum requirement. The FY 25-26 budget includes a \$100 thousand transfer into the Government Vehicle Replacement Fund, and a \$10 thousand transfer to the Compensable Leave Fund for the next two years. 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 \$15.4 million at the end of the fiscal year, equivalent to 39% of the citywide operating budget (net of transfers). 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 2025-26 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 (34.7%) 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 services 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 (11.2% of revenues), property tax (9.6%), and transient occupancy tax (7.2%), represent the second-largest share of City revenues (28.0% 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 20% 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 2026-27 and beyond.

Other Revenues - The other 13% of City revenues come from various smaller sources, including intergovernmental revenues, fines, rental income, interest earnings, 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 Expenditures and Trends

Services - This category represents the largest share all City expenditures, and includes the cost of professional services, including various types of consultant and contract services, software services, and other services. The services expenditure category exists in both the operating and capital budgets, representing the cost of consultant services required on capital projects. Services costs are also projected to increase with rising inflation. The largest expenditures in this category are professional services related to capital projects, including consulting, contracting, and engineering services (\$15.7 million combined); insurance costs (\$3 million); and the state water contract (\$2 million).

Personnel Services - Personnel costs represent just over one-third, or 33%, of Citywide expenditures. The City provides core services through people. This is an area where costs continue to increase. This is due in part to pressure to increase wages in alignment with market standards as inflation increases and housing prices skyrocket in the SLO County region. In addition, retirement costs continue to increase, as CalPERS continues to lower its projected rate of return and increase required contributions from employers and some employees (specifically, PEPRAs employees, who were hired after the 2012 pension reform). Costs for health insurance are also continuing to increase. As total compensation costs are projected to increase faster than revenues are projected to increase, this will continue to put pressure on the City of Morro Bay, like most cities, to continue to deliver with fewer resources the services that residents desire.

Capital Outlay - This constitutes 22% of the City's budget and accounts for the purchase of vehicles and capital equipment as well as construction costs on capital projects. Construction costs are rising even faster than costs for personnel and services, in part because inflation is compounded by supply chain constraints and local labor shortages.

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

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.

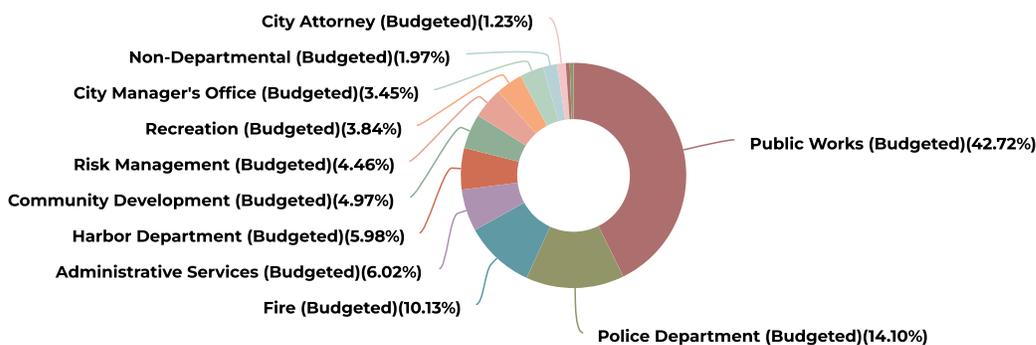
Administrative Services, Harbor, Community Development, Risk Management (within the City Manager's Office), **Recreation Services, and City Manager's Office** each represent 3-6% of the City's operating budget.

Non-departmental costs represent 2% of the operating budget and include costs associated with 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, budgeting of a 3% vacancy factor in the General Fund, and insurance costs such as workers' compensation and general liability.

City Attorney services are currently in transition from contracting with a legal firm to recruiting an in-house attorney. This budget is estimated to represent 1.0% of the City's operating budget.

City Council costs 0.6% of the City's operating budget and includes budget for compensation, supplies, meetings and conferences, and community grants.

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 March 2025 to cover Fiscal Year 2025-26 and Fiscal Year 2026-27. **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 City 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 Council Goals

Economic Vitality & Fiscal Health

Goal Statement

A vibrant and active business community supported by coordinated strategies for economic vitality and fiscal health that create the conditions for individual business success and the long-term fiscal health of the City.

- **Downtown Revitalization**

Using existing plans, identify and implement programs for beautification and incentivizing private property improvements, including façade rehabilitation.

- **General Fund Reserve Analysis**

Perform a risk-based analysis of the City's Reserve Policy to identify appropriate reserve levels for long-term financial planning.

- **Revenue Enhancement**

Develop a comprehensive strategy for increasing revenues over time to support the provision of core services.

- **Planning and Building Permit Services**

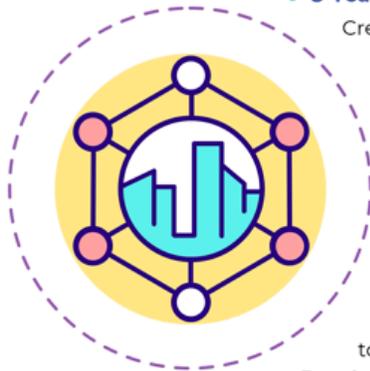
Perform outreach and engagement with customers of the City's planning and building permit services to identify changes to improve satisfaction and increase economic activity in the City associated with building permits.



Infrastructure Resiliency

Goal Statement

An infrastructure program that includes regular maintenance to prolong the life of existing infrastructure (streets, buildings, structures, equipment) while implementing a Capital Improvement Plan that prioritizes new projects in alignment with available resources (funding and staff).



- **5-Year CIP**

Create a 5-Year Capital Improvement Plan (CIP) that prioritizes infrastructure projects in consideration of available resources (funding and staff).

- **Infrastructure Maintenance**

Increase the City's efficiency and awareness of infrastructure maintenance requirements by improving the City's asset management and work order system, including the functionality of the public-facing Service Request form.

- **Harbor Infrastructure**

Utilize the recently completed study of the harbor revetments to prioritize projects and identify maintenance responsibilities. Develop a funding strategy informed by research on grant opportunities.

Morro Elementary School (Site)

Goal Statement

Work with the San Luis Coastal Unified School District to acquire or partner on the Morro Elementary School site or assist in development for the purpose of preserving community access, historic preservation, and/or housing development consistent with the City's General Plan.

- **Acquisition Plan**

Identify partners, such as market-rate and affordable housing developers, to work on a plan to fund the acquisition of the Morro Elementary School site.

- **Community Engagement**

Continue to engage with the community regarding uses of the school site that take into consideration the current land use designation for the property and cost of acquisition.

- **Grants**

Identify potential grant opportunities for historic preservation, public access, and other beneficial uses of the property that could be supported by one or more grants.



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 priorities – operations/ the staff who provide core services; infrastructure; and revenue streams.

Additionally, City Council adopted three goals for FY 2025-26 and FY 2026-27. They are:

- Economic Vitality/ Fiscal Health,
- Infrastructure Resilience,
- Morro Elementary School (Site).

A sustainable budget is essential to achieving these goals and continuing to provide core services at a high level. 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 on-going priorities

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

The FY 2025-26 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. City addressed the findings of a compensation study and negotiated a three -year contract with all three bargaining units prior to the beginning of FY 2024-25. The City also recruited and filled three director positions in FY 2024-25. These changes along with other employee engagement programs have reversed high vacancy rate issue persisted in the past few years. As of April 2025, the City's vacancy rate is as low as 4%. The FY 2025-26 budget will continue to fund the adjustments made on compensation. It proposes to fund approximately 117.5 full-time positions across 10 departments and divisions. While the FY 2025-26 budget does not dramatically increase staff capacity, it includes converting existing part-time positions in Public Works / Maintenance to one full-time position, adding a new full-time capital project manager to expedite critical capital projects, and the conversion of a police sergeant to the commander position. These positions will support the efficient delivery of council priorities on maintenance and capital project delivery.

2. Capital Investment - Increasing investment to get projects done

The FY 2025-26 budget continues that progress and allocates \$13.8 million in new funding to 14 capital projects. The budget invests in water and sewer infrastructure, street paving, harbor infrastructure, and city facilities. This "Capital Improvements" section includes detailed descriptions of each proposed project. The Engineering Division prepared a capital project list with nearly 40 projects ranging from streets, storm systems, facilities, harbor infrastructure, park, water, and sewer. Inflation persists and continues to stretch City investment dollars thinner, impacting staff's ability to invest and complete projects within original cost estimates. The City has many successes in grants and innovative funding solutions, such as lobbying for ear-mark funding at the federal level and leveraging partnership opportunities when possible. Capacity to deliver these projects remains challenging. To ensure that the City can better execute these funded projects, the FY 2025-26 budget added a new Capital Project Manager.

3. Ascertain revenue streams and address future budget challenges. The City's primary revenue sources continue to be stable with a slower growth pace. Although traditional revenues like property tax, sales tax, and Transient Occupancy Tax (TOT) have recovered to pre-pandemic levels, they have now plateaued. One of the City's persistent challenges is to ascertain methods of increasing revenues, stabilizing sources, detecting potential losses, and capitalizing on achievable revenue prospects. The City's 10-year fiscal forecast indicated that we continue to have budget challenges in the next few years, particularly in allocating a desirable level of funding for large infrastructure projects.

Near-Term Fiscal Factors

There are a few key short-term fiscal factors that impact the FY 2025-26 Citywide Budget, as follows:

Focus on Fiscal Health and 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 2025-26 is projecting a return to baseline revenue growth rates in the 2-3 percent range. City also predicts a fee study that will bring 3-5% increase. A cost-allocation update is also implemented in the FY 2025-26 Budget. Coupled with low growth, the cost of providing staffing, supplies, services, and capital projects increases at a higher rate than revenue growth. This dynamic could result in structural deficits in years ahead, absent additional revenue sources. Moving forward, the city 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.

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. 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-to-ten-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 2025-26.

Focus on Priority Based Budgeting

One way to effectively address challenges and maximize resources is to utilize a priority-based budgeting approach. The FY 2025-26 budget is developed under this concept. Proactive measures were implemented to further control operational expenditures and boost revenues. Measures such as cost containment, project prioritization, collaboration across functions are implemented to achieve the goal of creating a culture of sustainable fiscal health.

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. The City's 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 the key challenges is ensuring that employees are compensated fairly and at market rates within the confines of available funding and adopted financial policies. The City, with the assistance of a consultant, 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. Several under-market classifications were identified and the City is in the process of addressing those deficiencies while keeping within responsible financial limitations. Effective July 1, 2024, the City reached 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 2025-26 Budget

The proposed budget for FY 2025-26 includes an increase of 2 full-time positions. This brings the total number of regular positions for the city to 117.5 full-time equivalents. In addition, the budget includes part-time staffing that equals 25 full-time equivalent positions based on the total number of part-time hours budgeted.

For FY 2025-26, the staffing changes are as follows:

- Conversion of four part-time maintenance aides to one full-time Consolidated Maintenance Worker.
- Addition of a Utilities Project Manager to better position the City to execute on its multi-year capital improvement plan for the Water and Sewer funds.
- Additionally, 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.					
	2021-22 Funded	2022-23 Funded	2023-24 Funded	2024-25 Amended¹	2025-26 Budget
Administrative Services	9.0	9.0	9.0	11.0	11.0
City Attorney	0.0	0.0	0.0	1.0	1.0
City Manager's Office	5.0	5.0	5.0	6.0	6.0
Recreation Services	4.0	4.0	4.0	6.0	6.0
Community Development	6.0	7.0	7.0	8.0	8.0
Fire Department	15.0	15.0	16.0	16.0	16.0
Public Works	36.6	36.6	37.0	37.0	39.0
Police	21.4	22.5	22.5	22.5	22.5
Harbor	6.0	6.0	7.0	8.0	8.0
Total Citywide FTE Count	103.0	105.1	107.5	115.5	117.5

CITYWIDE SUMMARY PART-TIME STAFFING					
Presented as full-time equivalents (FTE) based on the number of hours budgeted.					
	2021-22 Funded	2022-23 Funded	2023-24 Funded	2024-25 Amended¹	2025-26 Budget
Administrative Services	0.4	0.6	0.9	0.0	0.0
City Manager's Office	0.0	0.0	0.2	0.2	0.1
Recreation Services	11.2	15.8	16.1	14.0	14.0
Community Development	1.5	2.0	2.4	1.6	1.6
Fire Department	2.6	4.6	3.2	2.1	2.5
Public Works	2.7	2.7	2.5	3.3	1.5
Police	0.0	0.0	1.0	1.7	1.7
Harbor	2.9	3.2	4.4	4.3	3.6
Total Citywide FTE Count	21.3	28.9	30.7	27.2	25.0

1. During FY 2024-25, the City Council approved converting two part-time positions into full-time regular staff to facilitate in-house business tax administration. This change eliminated part-time staffing in Administrative Services (City Revenue Processing 0.3 FTE) and reduced part-time staffing in Public Works (Utility Billing 0.6 FTE). Additionally, two part-time positions in the Harbor Department (1.3 FTE) were merged into one full-time regular position to better meet that department's needs.

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 volumes of work for staff, which directly contributes to burnout and staff 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. 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.

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.

Section 115 Trust Smoothing



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 City has contributed approximately \$2.5M to a Section 115 trust to protect against severe fluctuations in UAL payments to CalPERS. The balance of this 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 above.

Fund Balances Summary

Fund	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimated	Budgeted Revenue	Budgeted Expenditure	FY 2026 Projected
General Fund	10,373,000	9,639,131	7,288,094	6,657,108	20,174,723	21,532,459	5,299,372
<i>Unassigned</i>	6,412,000	6,449,291	4,098,355	3,467,108			2,109,372
<i>Committed</i>	798,000						
<i>Nonspendable</i>	3,163,000	3,189,840	3,189,739	3,190,000			3,190,000
Unfunded Compensable Leave	173,000	254,155	275,655	308,332	10,000	-	318,332
Gen. Gov. Vehicle Replacement	570,000	740,672	801,216	593,255	275,000	175,000	693,255
G/F Emergency Reserve Fund	4,187,000	3,868,082	7,500,425	7,650,425	-	-	7,650,425
G/F Facility Maintenance Fund	76,000	77,981	104,726	133,318	62,592	60,000	135,910
Capital Accumulation Fund	612,000	621,166	654,889	160,310	-	-	160,310
Total General Fund Group	15,991,000	15,201,187	16,625,005	15,502,748	20,522,315	21,767,459	14,257,604
Risk Management	923,000	940,035	946,322	929,754	1,886,101	1,885,902	929,653
Information Technology Fund	367,000	382,320	655,826	584,350	1,210,966	1,233,377	561,939
Total Internal Service Funds	1,290,000	1,322,355	1,602,148	1,514,104	3,097,067	3,119,278	1,491,892
Measure Q/E	1,945,000	1,325,072	450,998	2,314,220	4,400,000	5,166,071	1,548,149
<i>Unassigned</i>		1,325,072	399,498	2,314,220			1,548,149
<i>Nonspendable</i>			51,500				
American Rescue Plan Act (ARPA)	-						
Developer Reimb Agreements Fund	-				210,000	210,000	
Community Development Grants	1,017,000	1,019,718	1,022,402	1,022,402			1,022,402
<i>Restricted</i>			182,911	182,911			182,911
<i>Nonspendable</i>			839,490	839,490			839,490
CDBG Loan Repayment Fund	-						
State Gas Tax Fund					311,517	311,517	
Road Maintenance and Rehab SBI					266,556	266,556	
Lower Cost Visitor Accom Fund	14,000	14,093	14,859	14,859			14,859
Traffic Safety Fund		18,924	36,036	36,036	10,000		46,036
Special Safety Grants	351,000	253,852	388,252	328,252	150,000	150,000	328,252
Parking In-Lieu Fund	341,000	326,866	342,456	299,456			299,456
Bike Path	52,000	66,974	70,083	82,191	11,389		93,580
LTF Roads	2,000	1,717	1,810	1,810	29,000		30,810
Assessment Districts	88,050	90,882	97,124	99,956	2,832		102,788
North Point Assessment	(19,315)	(16,381)	(16,546)	(17,088)	5,645	5,594	(17,037)
Cloisters Park Maint AD	153,852	184,490	189,120	183,962	148,944	145,707	187,199
<i>Restricted</i>	153,852	184,490	187,813	183,962			187,199
<i>Nonspendable</i>			1,307				
Governmental Impact Fees	1,656,087	1,758,104	1,036,744	1,118,800	140,946		1,259,746
Park Fee Fund	245,344	249,530	263,077	263,077			263,077
Community Benefit	250,000	80,000	80,000	80,000			80,000
Economic Development Fund	796,000	758,918	936,044	953,850		123,640	830,210
State Park Marina	760,000	868,458	965,599	1,060,599	110,000	85,000	1,085,599
Triangle Lot - Boat Storage Yard	60,000	92,904	126,120	161,895	53,000	17,225	197,670
<i>Committed</i>	60,000	92,904	125,874	161,895			197,670
<i>Nonspendable</i>			246				
Affordable Housing In-Lieu Fund	173,000	188,733	205,123	218,123	10,000	55,000	173,123
Total Special Revenue Funds	7,885,018	7,282,854	6,209,301	8,222,400	5,859,829	6,536,310	7,545,919
Transit Operating Fund	1,513,000	1,921,055	2,460,330				
Water Operating Fund	9,969,000	11,807,246	13,308,019	11,488,609	7,806,837	11,305,665	7,989,780
Water Discounts/Rebates	349,000	404,582	464,195	451,195	60,000	73,000	438,195
Sewer Operating Fund	22,767,000	23,832,493	22,479,626	18,542,795	9,790,604	9,407,658	18,925,740
Harbor Operating Fund	1,034,000	1,353,849	1,561,847	1,850,288	2,763,321	2,861,156	1,752,453
Total Enterprise Funds	35,632,000	39,319,225	40,274,016	32,332,886	20,420,762	23,647,480	29,106,168

Fund	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimated	Budgeted Revenue	Budgeted Expenditure	FY 2026 Projected
Capital Projects Fund	3,409,000	5,316,233	8,855,866	4,025,909	4,279,443	4,279,443	4,025,909
Transit Capital Impv Fund	424,000	199,113	36,819	-	-	-	-
Water Capital Impv Fund	3,873,000	3,776,979	4,229,301	3,703,665	5,021,985	5,021,985	3,703,665
Sewer Capital Impv Fund	1,670,000	3,581,394	8,486,400	6,164,363	4,247,000	4,247,000	6,164,363
Harbor Capital Impv Fund	603,000	810,417	656,016	378,495	269,525	269,525	378,495
Total Capital Projects Funds	9,979,000	13,684,136	22,264,402	14,272,432	13,817,953	13,817,953	14,272,432
Trust & Agency Fund	1,205,000	1,068,101	777,373	967,373	-	-	967,373
Pension 115 Trust	-	-	2,500,040	2,500,536	-	-	2,500,536
Other Post Employment Benefits	-	-	2,504,897	2,599,897	-	-	2,599,897
Total Fiduciary Funds	1,205,000	1,068,101	5,782,310	6,067,806	-	-	6,067,806
Grand Totals	71,982,018	77,877,858	92,757,182	77,912,376	63,717,925	68,888,480	72,741,821



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 2025-26.

TRANSFERS IN (REVENUE)			
<i>CAPITAL IMPROVEMENT FUND TRANSFERS IN (REVENUE)</i>			
Governmental CIP Fund	915-8039-3801	From Measure Q/E Fund for Police Radio Communications Upgrade	\$317,687
Governmental CIP Fund	915-8037-3801	From Measure Q/E Fund for Storm Drain Assessment	\$86,300
Governmental CIP Fund	915-9614-3801	From SBI Fund for Pavement Management Program	\$ 266,556
Governmental CIP Fund	915-9614-3801	From General Fund for Pavement Management Program	\$1,000,000
Governmental CIP Fund	915-9614-3801	From Measure Q/E for Pavement Management Program	\$1,000,000
Governmental CIP Fund	915-9641-3801	From General Fund for Annual Storm Drain Replacement	\$300,000
Governmental CIP Fund	915-9827-3801	From Measure Q/E Fund for Sidewalk/Street Tree Replacement	\$300,000
Water CIP Fund	921-8036-3860	From Water Operating for Morro Bay Wellfield Basin Rehab	\$ 1,734,900
Water CIP Fund	921-8050-3860	From Water Operating for Water Meter Replacements	\$ 500,000
Water CIP Fund	921-9932-3860	From Water Operating for Nutmeg Tank/Pressure Zone	\$ 2,500,000
Sewer CIP Fund	922-8501-3860	From Sewer Operating for WWTP Decommission Plans	\$ 4,097,000
Harbor CIP Fund	923-8140-3860	From Harbor Operating for Boat Launch Ramp Replacement	\$ 69,525
Harbor CIP Fund	923-9960-3860	From Harbor Operating for Storm Recovery - Deck Repairs	\$ 100,000
<i>COST ALLOCATION PLAN-GENERAL FUND/RISK/IT CONTRIBUTIONS</i>			
General Fund	001-7710-3860	From Enterprise Funds for General Fund CAP	\$ 1,207,474
Risk Management Fund	430-7710-3801	From all Funds for Risk Management CAP	\$ 118,794
IT Fund	450-7710-3801	From all funds for IT Fund CAP	\$ 1,130,966
<i>OTHER TRANSFERS</i>			
General Fund	001-7710-3820	From State Gas Tax for Highway Users Tax	\$ 311,517
Compensable Leave Fund	005-7710-3801	From General Fund for Reserve for Compensable Leave	\$ 10,000
Vehicle Replacement Fund	050-7710-3802	From General Fund for Reserve for General Government Vehicles	\$ 100,000
Vehicle Replacement Fund	050-7710-3802	From Measure Q/E Fund for Current Year Vehicle Purchases	\$ 175,000
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			\$ 15,452,719

TRANSFERS OUT (EXPENDITURES)

<i>TRANSFERS TO CAPITAL IMPROVEMENT FUNDS (EXPENSES)</i>			
General Fund	001-7710-8540	From General Fund for Pavement Management Program	\$1,000,000
General Fund	001-7740-8540	From General Fund for Annual Storm Drain Replacement	\$300,000
Measure Q/E Fund	003-7710-8540	From Measure Q/E Fund for Storm Drain Assessment	\$86,300
Measure Q/E Fund	003-7710-8540	From Measure Q/E for Pavement Management Program	\$1,000,000
Measure Q/E Fund	003-7710-8540	From Measure Q/E Fund for Sidewalk/Street Tree Replacement	\$300,000
Measure Q/E Fund	003-7710-8540	From Measure Q/E Fund for Police Radio Communications Upgrade	\$317,687
Road Maint & Rehab/SB-1 Fund	260-1111-8540	From SBI Fund for Pavement Management Program	\$ 266,556
Water Operating Fund	311-7710-8540	From Water Operating for Morro Bay Wellfield Basin Rehab	\$ 1,734,900
Water Operating Fund	311-7710-8540	From Water Operating for Water Meter Replacements	\$ 500,000
Water Operating Fund	311-7710-8540	From Water Operating for Nutmeg Tank/Pressure Zone	\$ 2,500,000
Sewer Operating Fund	321-7710-8540	From Sewer Operating for WWTP Decomission Plans	\$ 4,097,000
Harbor Operating Fund	331-7710-8540	From Harbor Operating for Boat Launch Ramp Replacement	\$ 69,525
Harbor Operating Fund	331-7710-8540	From Harbor Operating for Storm Recovery - Deck Repairs	\$ 100,000
<i>COST ALLOCATION PLAN-TRANSFERS TO GENERAL FUND / RISK MANAGEMENT / IT FUNDS</i>			
General Fund	001-7710-8580	To IT Fund and Risk Management for CAP	\$ 952,635
Water Operating Fund	311-7710-8510	To General Fund for CAP	\$ 373,493
Water Operating Fund	311-7710-8580	To IT Fund and Risk Management for CAP	\$ 102,490
Sewer Operating Fund	321-7710-8510	To General Fund for CAP	\$ 385,252
Sewer Operating Fund	321-7710-8580	To IT Fund and Risk Management for CAP	\$ 130,963
Harbor Operating Fund	331-7710-8510	To General Fund for CAP	\$ 447,883
Harbor Operating Fund	331-7710-8580	To IT Fund and Risk Management for CAP	\$ 63,672
North Point Assessment District	565-7710-8501	To General Fund for CAP	\$ 846
<i>OTHER TRANSFERS</i>			
General Fund	001-7710-8510	To Compensable Leave Fund for Reserve Requirement	\$ 10,000
General Fund	001-7710-8510	To Vehicle Replacement Fund for Reserve Requirement	\$ 100,000
Measure Q/E Fund	003-7710-8510	To Vehicle Replacement Fund for Current Year Vehicle Purchases	\$ 175,000
State Gas Tax Fund	250-7710-8510	To General Fund from Highway Users Tax	\$ 311,517
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
TOTAL TRANSFERS OUT			\$ 15,452,719

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 43% of the City's operating budget of \$39.7 million for FY 2025-26, 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 resolution 37-22, with the following projected reserve balances:

- General Fund (001) \$4.1 million (General Fund unassigned fund balance)
- General Government Compensable Leave Fund (005) \$0.3 million
- General Fund Vehicle Replacement Fund (050) \$0.6 million
- General Fund Emergency Reserve (051) \$7.6 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 \$12.8 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)

Total Internal Service Funds and Proprietary Funds Reserves Projected at FY 2024-25 Year-End \$4.3 million

Citywide Estimated FY 2024-25 Year-End Reserves Total \$17.1 million

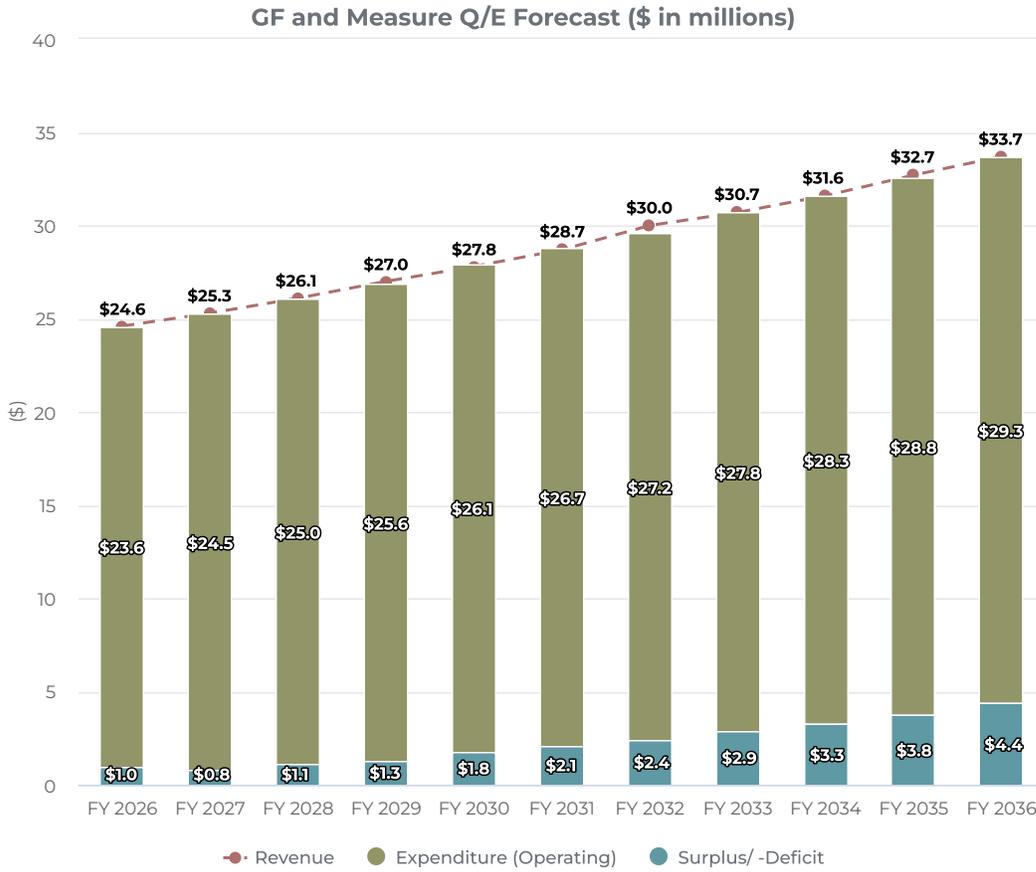
Total equates to 43% of the Citywide Operating Budget of \$39.6 million (net of transfers) in FY 2025-26

General Fund and Measure Q/E Combined Forecast

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

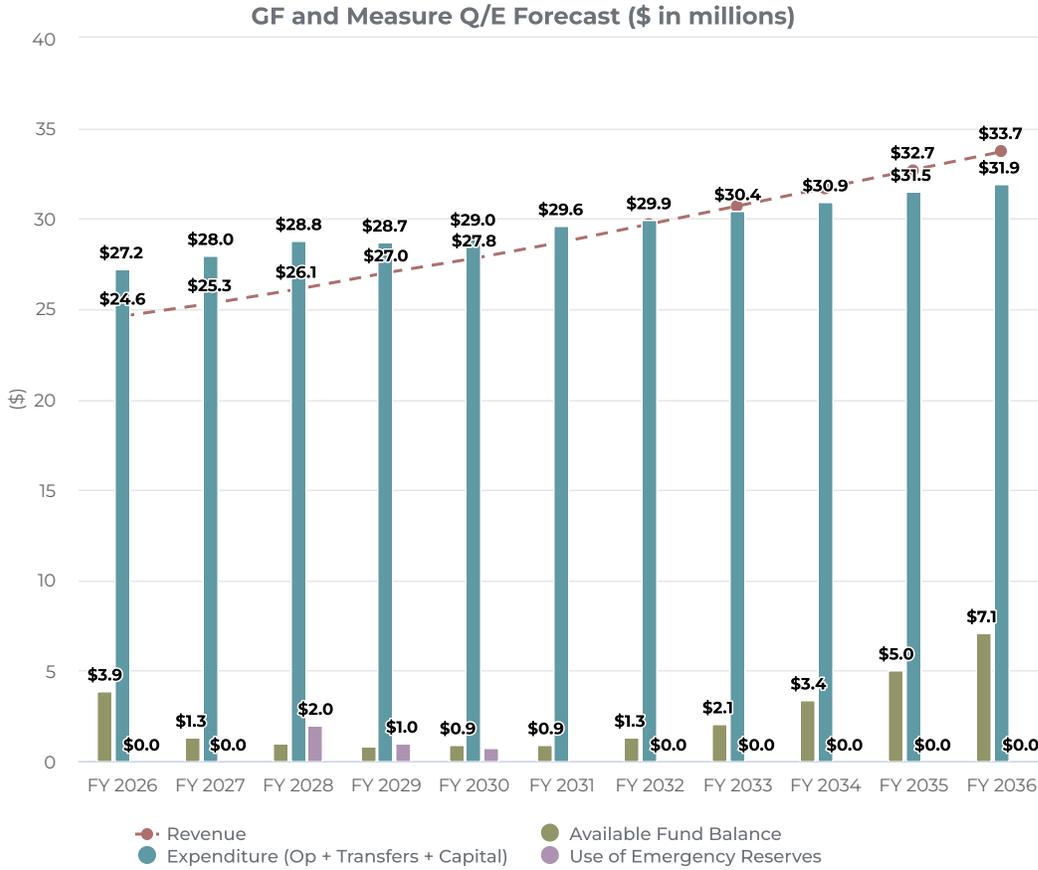
Forecast Chart-Operating

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



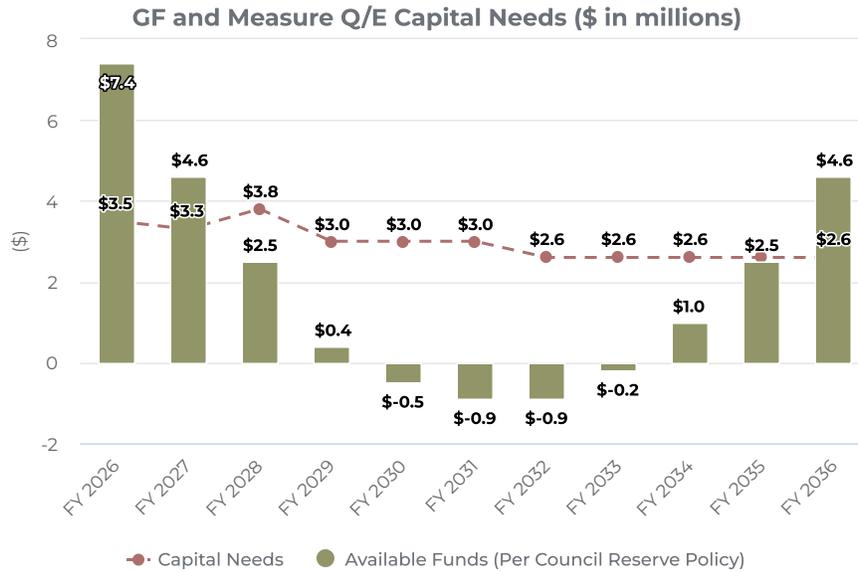
Forecast Chart-All Expenditures

Adding capital expenditures and one-time transfers pushes the combined fund balance to below \$1.0 million, requiring withdrawals from emergency reserves in FY 2028-FY2031 to sustain capital spending at desired levels. This is based on the current five-year capital plan, outlined in the capital improvement section of the budget, which indicates capital spending of at least \$3 million annually.



Capital Funding Needs

The General Fund and the Measure Q/E Fund contribute to capital improvement projects each year. While there is available fund balance to support planned capital spending in FY 2025-26, annual capital needs exceed the amount required to maintain Council's emergency reserve policy, currently set to a minimum 33% of operating costs. The chart below shows the city's anticipated capital needs (bars) compared with the available funds (dashed line). Starting in FY 2028, it is anticipated that the City would draw the combined fund balance below levels meeting the City Council reserve policy, resulting in only 18% of operating costs held in reserve by 2031. 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 2025-26 Multi-Year CIP through FY 2031, then assumes minimal ongoing contributions to annual programs.



Combined General Fund and Measure Q/E Forecast

General Fund (001) and Measure E (003)	Forecast					
	FY 2025 Estimated	FY 2026 Proposed	FY 2027	FY 2028	FY 2029	FY 2030
Beginning Available Fund Balance	4,592,540	6,546,131	4,422,324	2,592,862	2,033,034	1,787,322
General Fund	20,796,062	20,174,723	20,916,579	23,581,741	23,569,943	24,101,978
Measure E	5,640,638	4,400,000	4,532,000	4,667,960	4,807,999	4,952,239
TOTAL REVENUE	26,436,700	24,574,723	25,448,579	28,249,701	28,377,942	29,054,217
General Fund	19,211,017	20,122,458	21,157,595	21,571,457	22,105,908	22,489,962
Measure E	3,347,416	3,462,084	3,342,259	3,415,917	3,488,813	3,562,166
TOTAL EXPENSE	22,558,433	23,584,543	24,499,854	24,987,374	25,594,722	26,052,128
OPERATING REVENUE OVER EXPENDITURE (Operating)						
Combined Revenue	26,436,700	24,574,723	25,448,579	28,249,701	28,377,942	29,054,217
Combined Expenditure (Operating)	22,558,433	23,584,543	24,499,854	24,987,374	25,594,722	26,052,128
Combined Surplus (Deficit)	3,878,267	990,180	948,725	3,262,327	2,783,221	3,002,089
General Fund Surplus (Deficit)	1,585,046	52,264	(241,016)	2,010,284	1,464,035	1,612,016
Measure E Surplus (Deficit)	2,293,222	937,916	1,189,741	1,252,043	1,319,185	1,390,073
COMBINED REVENUE OVER EXPENDITURE (Op + One-time Transfers + Capital)						
Combined Revenue	26,436,700	24,574,723	25,448,579	28,249,701	28,377,942	29,054,217
Combined Expenditure (Op + One-time Transfers & Section 115 + Capital)	24,483,110	26,698,530	27,278,041	28,766,086	28,623,654	28,981,286
Combined Surplus (Deficit) including all expenditures	1,953,590	(2,123,807)	(1,829,462)	(516,385)	(245,712)	72,931
Total Operating	22,558,433	23,584,543	24,499,854	24,987,374	25,594,722	26,052,128
Total One-Time Transfers + Section 115	344,677	110,000	110,500	11,025	11,246	11,470
Total Capital	1,580,000	3,003,987	2,667,687	3,767,687	3,017,687	2,917,687
General Fund Operating	19,211,017	20,122,458	21,157,595	21,571,457	22,105,908	22,489,962
General Fund One-Time Transfers + Section 115	344,677	110,000	110,500	11,025	11,246	11,470
General Fund Capital	1,150,000	1,300,000	1,000,000	2,350,000	1,600,000	1,600,000
	20,705,694	21,532,458	22,268,095	23,932,482	23,717,154	24,101,433
Measure E Operating	3,347,416	3,462,084	3,342,259	3,415,917	3,488,813	3,562,166
Measure E One-Time Transfers + Section 115						
Measure E Fund Capital	430,000	1,703,987	1,667,687	1,417,687	1,417,687	1,317,687
	3,777,416	5,166,071	5,009,946	4,833,604	4,906,500	4,879,853
General Fund Available Fund Balance	4,188,468	2,830,732	1,479,216	1,128,475	981,265	981,810
Measure E Available Fund Balance	2,314,220	1,548,149	1,070,203	904,559	806,057	878,443
ENDING FUND BALANCE BEFORE RESERVES	6,546,131	4,422,324	2,592,862	2,033,034	1,787,322	1,860,253
General Fund Emergency Reserve Fund Balance	7,650,434	7,803,442	7,959,511	6,118,701	5,241,075	4,595,897
Minimum Reserve Levels						
General Fund Emergency Reserve Policy: 33% operating expenses. Includes Measure E fund operating expenses.	7,444,283	7,782,899	8,084,952	8,245,833	8,446,258	8,597,202
UNRESERVED/ AVAILABLE FUND BALANCE	6,752,281	4,442,867	2,467,421	(94,098)	(1,417,861)	(2,141,053)

General Fund Forecast (001)

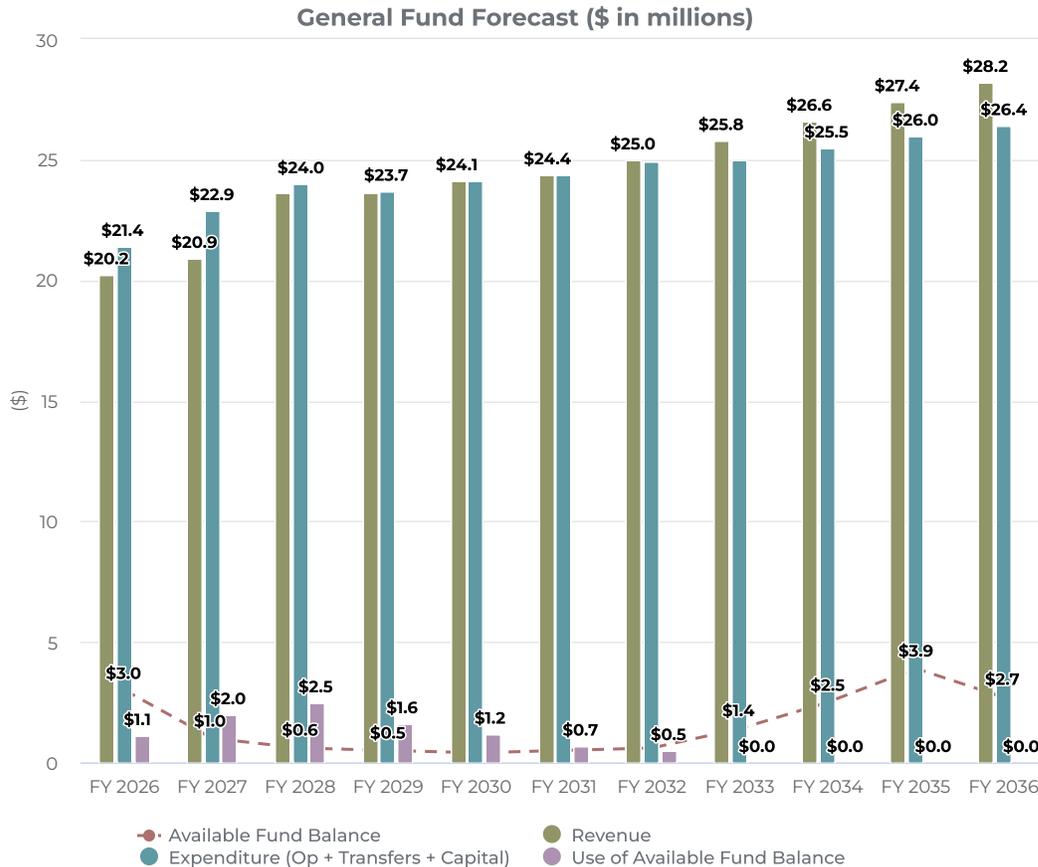
The General Fund ten-year forecast demonstrates that the Fund will have a positive ending fund balance for the first two years of the forecast period and will meet the General Fund Emergency Reserve Policy in FY 2025-26.

This forecast is based on assumptions that (non-personnel) operating expenditures will increase by 3% per year and revenues will increase by roughly 3-4% per year, depending on revenue source. Less favorable returns in critical revenue sources may result in greater use of emergency reserves, which this forecast assumes will be required to fund capital spending at desired levels. This forecast does not comply with the City Council's current reserve policy, which requires 33% of operating costs held in reserve. By FY 2031, this forecast assumes only 20.5% held in reserve.

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 operating expenditures (FY 2026-27 and FY 2027-28). The fund remains positive for the first two years of the forecast period through use of available fund balance, and meets its reserve target in FY 2025-26 and FY 2026-27. For the next eight forecast years (FY 2027-28 through FY 2034-35, the minimum reserve requirement of 33% (of budgeted operating (on-going) expenses in the General Fund and Measure Q/E Fund) is not met. During that time period, the reserve level dips to 20.5%. It is important to note that the operating budget is in balance; the reserve is not met due to projected capital spending on maintenance of essential City infrastructure.

The expenditures below include capital and pension costs.



Forecast Table

GENERAL FUND (001)	FY 2025	FY 2026 Budget	Forecast			
	Estimated		FY 2027	FY 2028	FY 2029	FY 2030
Beginning Fund Balance	7,288,099	7,378,468	6,020,732	4,669,216	4,318,475	4,171,265
Revenue						
Property Tax	5,673,093	5,977,292	6,216,384	6,465,039	6,723,641	6,992,587
Sales Tax	2,631,457	2,725,761	2,780,276	2,863,684	2,949,595	3,038,083
Transient Occupancy Tax	4,500,000	4,590,000	4,681,800	4,822,254	4,966,922	5,115,929
Other Revenue	6,370,874	5,362,678	5,523,559	5,689,265	5,859,943	6,035,742
Transfers In	1,620,638	1,518,991	1,564,561	1,611,498	1,659,842	1,709,638
TOTAL REVENUE	20,796,062	20,174,723	20,766,579	21,451,741	22,159,943	22,891,978
Expense						
Personnel	12,649,460	13,963,320	14,814,739	15,039,370	15,378,915	15,562,215
Operational costs	10,061,584	10,987,798	11,712,993	11,830,123	11,948,424	12,067,908
Ongoing costs for long-term liabilities (PERS)	2,587,876	2,975,523	3,101,746	3,209,248	3,430,491	3,494,307
Other Operations & Maintenance	5,655,985	5,171,313	5,326,452	5,486,246	5,650,833	5,820,358
Transfers Out (Ongoing)	870,382	952,635	981,214	1,010,650	1,040,970	1,072,199
Debt Service Payments	35,189	35,190	35,190	35,190	35,190	35,190
TOTAL EXPENSE	19,211,017	20,122,458	21,157,595	21,571,457	22,105,908	22,489,962
Net Surplus (Shortfall)-Operating	1,585,046	52,264	(391,016)	(119,716)	54,035	402,016
Capital	1,150,000	1,300,000	1,000,000	2,350,000	1,600,000	1,600,000
Annual Pavement Management Program	650,000	1,000,000	1,000,000	1,600,000	1,600,000	1,600,000
Annual Storm Drain Replacement Project	500,000	300,000	-	-	-	-
Replacement Type 3 Fire Engine	-	-	-	750,000	-	-
Net Surplus (Shortfall)-including Capital	435,046	(1,247,736)	(1,391,016)	(2,469,716)	(1,545,965)	(1,197,984)
Transfers In (One-Time)	-	-	150,000	2,130,000	1,410,000	1,210,000
Section 115 Trust	-	-	150,000	130,000	410,000	460,000
General Fund Emergency Reserve Fund (GFER)	-	-	-	2,000,000	1,000,000	750,000
Transfers Out (One-Time)	344,677	110,000	110,500	11,025	11,246	11,470
General Fund Emergency Reserve Fund (GFER)	-	-	-	-	-	-
Vehicle Replacement Fund	-	100,000	100,000	-	-	-
Compensable Leave Fund	32,677	10,000	10,500	11,025	11,246	11,470
Section 115 Trust	312,000	-	-	-	-	-
Ending Total Fund Balance	7,378,468	6,020,732	4,669,216	4,318,475	4,171,265	4,171,810
Less Non-Spendable Fund Balance	3,190,000	3,190,000	3,190,000	3,190,000	3,190,000	3,190,000
Ending Available Fund Balance	4,188,468	2,830,732	1,479,216	1,128,475	981,265	981,810
Measure E Fund Operating Expenses (excluding transfers)	3,347,416	3,462,084	3,342,259	3,415,917	3,488,813	3,562,166
General Fund Emergency Reserve Fund (GFER) Balance	7,650,434	7,803,442	7,959,511	6,118,701	5,241,075	4,595,897
Total Fund Balance as % of Total Operating Expenses (General Fund + GFER) / (General Fund + Q&E Operating)	52.5%	45.1%	38.5%	29.0%	24.3%	21.4%
Minimum Reserve Levels *	MET	MET	MET	NOT MET	NOT MET	NOT MET
General Fund Emergency Reserve Policy: 33% operating expenses. Includes Measure E fund operating expenses.	7,444,283	7,782,899	8,084,952	8,245,833	8,446,258	8,597,202
AVAILABLE FUND BALANCE (EXCESS OF MINIMUM RESERVES)	* 4,394,618	2,851,275	1,353,775	(998,657)	(2,223,918)	(3,019,496)

Forecast Notes

- o GFER minimum reserves = 33% of operating (General Fund and Measure Q/E combined)
 - o 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.
 - o Any funds remaining after minimum reserve levels are met are available for other use.
 - o Transfers In include cost allocation plan contributions and Highway Utility Tax for road repair.
- NOTE: For readability, the five-year forecast is pictured. The ten-year forecast is attached for viewing.

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 Q/E Fund Forecast (003)

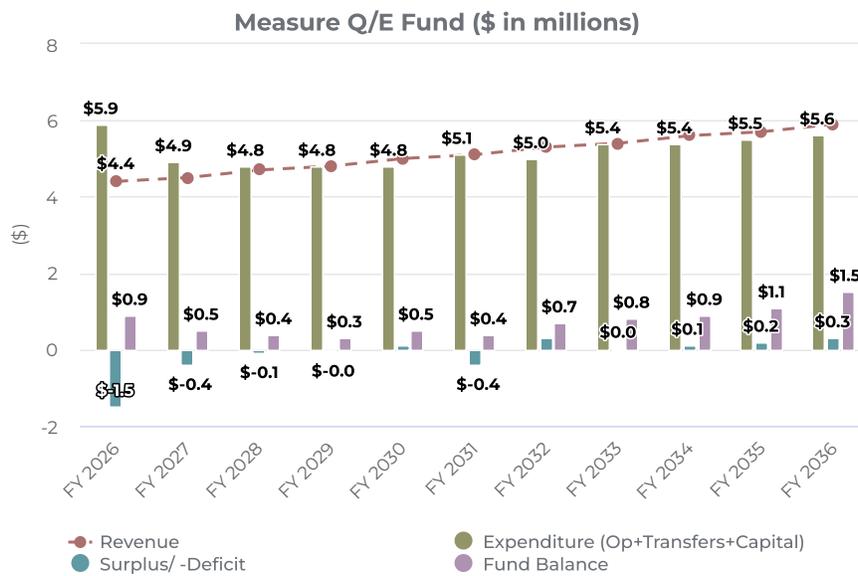
The Measure Q/E Fund forecast uses the same assumptions as the General Fund, conservatively projecting that sales tax revenues will increase by 2.5% in FY 2025-26 and FY 2026-27 and 3% in the last two forecast years. Most expenditures are projected to increase by approximately 5% per year.

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

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

Forecast Chart

The chart below shows the year-to-year balance for the Measure Q/E fund. The chart includes capital and pension expenses.



Forecast Table

MEASURE Q/E FUND (003)	FY 2025 Estimated	FY 2026 Proposed	Forecast			
			FY 2027	FY 2028	FY 2029	FY 2030
Starting Fund Balance	450,998	2,314,220	1,548,149	1,070,203	904,559	806,057
Revenue						
Tax Revenue	4,440,638	4,400,000	4,532,000	4,667,960	4,807,999	4,952,239
Other Revenue	-	-	-	-	-	-
Transfers In	1,200,000	-	-	-	-	-
TOTAL REVENUE	5,640,638	4,400,000	4,532,000	4,667,960	4,807,999	4,952,239
Expense						
Personnel	2,611,283	2,762,855	2,802,303	2,859,762	2,915,974	2,972,141
Operational Costs	2,131,363	2,263,115	2,285,746	2,308,603	2,354,775	2,401,871
Ongoing costs for long-term liabilities (PERS)	479,919	499,740	516,557	551,159	561,198	570,270
Other Operations & Maintenance	736,133	524,229	539,956	556,155	572,840	590,025
Transfers Out (operating)	-	175,000	-	-	-	-
Debt Service Payments	-	-	-	-	-	-
TOTAL EXPENSE	3,347,416	3,462,084	3,342,259	3,415,917	3,488,813	3,562,166
Net Surplus (Shortfall)-Operating	2,293,222	937,916	1,189,741	1,252,043	1,319,185	1,390,073
Capital	430,000	1,703,987	1,667,687	1,417,687	1,417,687	1,317,687
Police Digital Radio Communications Upgrade	-	317,687	317,687	317,687	317,687	317,687
Morro Bay Bridge Inspection & Assessment	80,000	-	-	-	-	-
Storm Drain Assessment	-	86,300	-	-	-	-
Local Road Safety Plan (LRSP) Implementation and Safety Improvements	-	-	100,000	100,000	100,000	-
Sidewalk Improvements and Street Tree Replacements Project	-	300,000	250,000	-	-	-
Annual Pavement Management Program	350,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net Surplus (Shortfall) including Capital	1,863,222	(766,071)	(477,946)	(165,644)	(98,502)	72,386
ENDING FUND BALANCE	2,314,220	1,548,149	1,070,203	904,559	806,057	878,443

Forecast Notes

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

NOTE: For readability, the five-year forecast is pictured. The ten-year forecast is attached for viewing.

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)

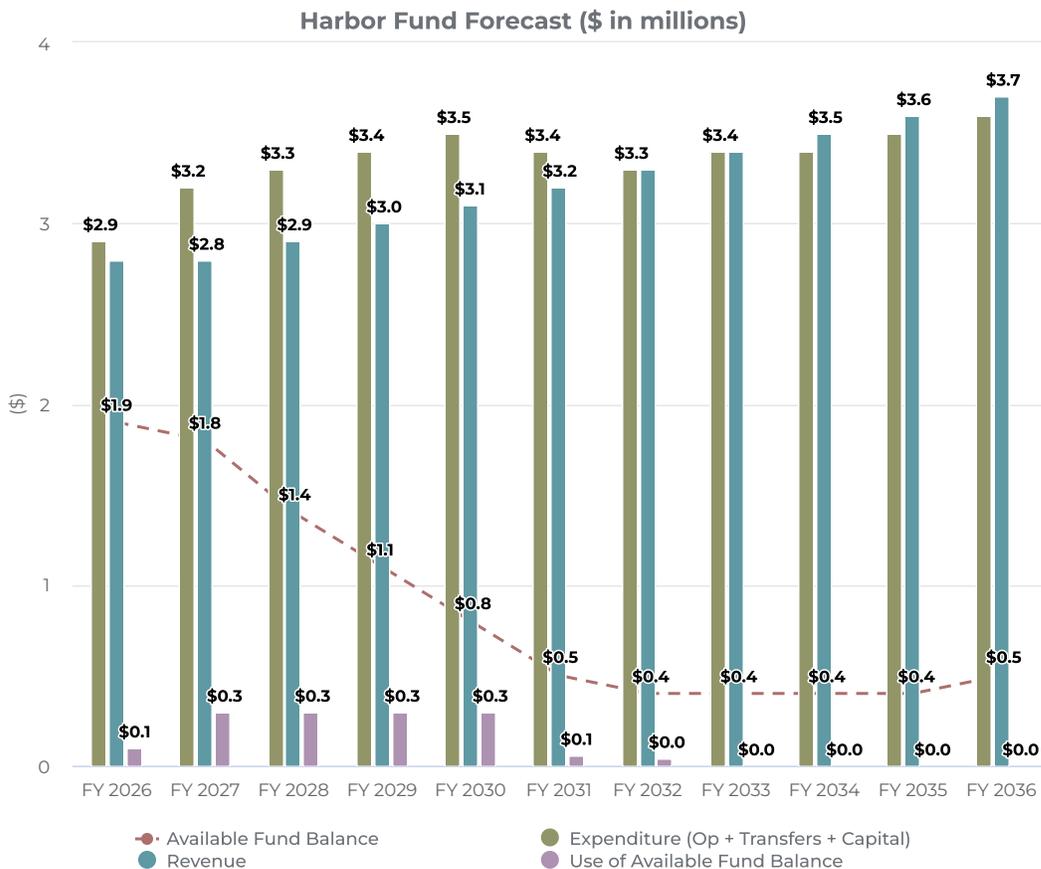
This is a conservative forecast, using the assumption that Harbor revenues will increase by 2.0-3.0 percent per year and most expenditures will increase by 2-3 percent per year. While it is possible for revenues to outperform that projection and/ or for expenditures to grow in the out-years if inflation continues, the Fund's primary challenge is how to address significant deferred capital needs.

The Harbor Fund multi-year Construction-In-Progress is in development; this forecast assumes between \$200K-\$400K per year. The 5- year forecast below demonstrates that the Harbor Fund may be able to maintain a small operating surplus but has insufficient funds to meet the capital needs in a 10-year forecast.

The capital projects included in the FY 2025-26 one-year plan are for the Storm Recovery-Dock Repairs and the North T-Pier Repairs. These projects 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 2025	FY 2026	Forecast			
	Estimated	Proposed	FY 2027	FY 2028	FY 2029	FY 2030
Starting Fund Balance (Working Capital)	1,561,847	1,850,288	1,752,453	1,411,838	1,097,034	796,666
Revenue						
Harbor Leases	2,156,519	2,162,721	2,205,975	2,272,155	2,340,319	2,410,529
Boat Charges	414,881	466,600	480,598	495,016	509,867	525,163
Other Charges for Service	71,348	75,000	77,250	79,568	81,955	84,413
Other Revenue	184,677	59,000	60,770	62,593	64,471	66,405
Transfers In	-	-	-	-	-	-
TOTAL REVENUE	2,827,425	2,763,321	2,824,594	2,909,331	2,996,611	3,086,510
Expense						
Personnel	1,440,518	1,550,340	1,624,699	1,649,411	1,687,012	1,720,020
Other Operations & Maintenance	627,267	629,736	613,608	632,016	650,977	670,506
Transfers Out (Ongoing)	443,199	511,555	526,902	542,709	558,990	575,760
Debt Service Payments	-	-	-	-	-	-
TOTAL EXPENSE	2,510,984	2,691,631	2,765,208	2,824,136	2,896,979	2,966,285
Net Surplus (Shortfall) - Operating	316,441	71,690	59,385	85,195	99,632	120,224
Capital Expenditures	-	169,525	400,000	400,000	400,000	400,000
Storm Recovery - Dock Repairs	-	100,000	-	-	-	-
Beach Street Slips	-	-	-	-	-	-
Boat Launch Ramp & Float Repair	-	-	-	-	-	-
North T-Pier Repairs	-	69,525	-	-	-	-
Net Surplus (Shortfall) including Capital	316,441	(97,835)	(340,615)	(314,805)	(300,368)	(279,776)
Contribution to 115 Trust	28,000	-	-	-	-	-
Ending Fund Balance Before Reserves	1,850,288	1,752,453	1,411,838	1,097,034	796,666	516,890
Fund Balance - % of Total Operating Expenses	74%	65%	51%	39%	27%	17%
Minimum Reserve Levels	MET	MET	MET	MET	MET	MET
15% Annual Operating Expenses (Prior Yr Adopted Budget)	330,865	355,808	376,648	414,781	423,620	434,547
Unreserved/Available Fund Balance	1,519,423	1,396,645	1,035,191	682,253	373,046	82,344

Forecast Notes

- 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.
- o Ten-Year Forecast Capital Spending Total, \$2,800,000
 - The Harbor Fund multi-year CIP in development assumes \$200k-\$400k per year, which is likely insufficient.

NOTE: For readability, the five-year forecast is pictured. The ten-year forecast is attached for viewing.

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				
		2025-26	2026-27	2027-28	2028-29	2029-30
Harbor Charges	Sales Tax projections from the City's consultant	Budget	2.0%	3.0%	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	0.76%	0.75%	1.49%	0.74%
Personnel - UAL	CalPERS Pension Outlook Tool	Budget	6.03%	4.79%	9.43%	2.35%
Other Operations & Maintenance	Related to CPI, anticipates continued 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.

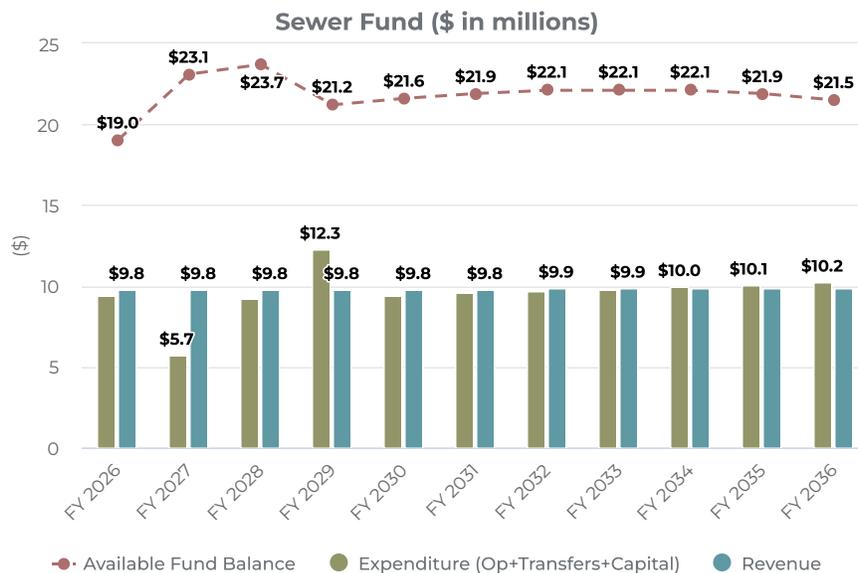
The forecast assumes that the remaining project budgets related to the WRF (Water Reclamation Facility Project) and former Wastewater Treatment Plant Decommissioning that is not currently financed will be cash-funded, largely with approximately \$9 million in grant funding that was awarded in FY 2024-25.

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.

WIFIA debt service for the WRF planning and construction loans began in FY 2024-25 at \$646K annually and will continue through 2058. Repayment of the SRF loans will begin in FY 2027-28 at approximately \$3.6 million annually, at which point the minimum requirements for this fund will not be met. Despite the high fund balance, the ratio of annual revenue to annual operating expenses falls slightly below the minimum of 1.2 required by the City's loan agreements. Staff is monitoring the levels closely and evaluating options.

Forecast Chart

The chart below shows year-to-year balances for the Sewer Operating Fund. The fund shows a large fund balance throughout the forecast period with rising and falling fund balance as capital costs decrease and increase over time. The chart includes pension and capital expenditures.



Forecast Table

SEWER OPERATING FUND (321)	FY 2025	FY 2026	Forecast			
	Estimated	Proposed	FY 2027	FY 2028	FY 2029	FY 2030
Starting Fund Balance (Working Capital)	22,479,626	18,542,795	18,925,740	22,936,843	23,485,877	20,916,023
Revenue						
Rate Payer Revenue	9,632,861	9,460,000	9,460,000	9,460,000	9,460,000	9,460,000
Other Revenue	1,034,786	293,604	302,412	311,484	320,829	330,454
Transfers In	37,000	37,000	38,110	39,253	40,431	41,644
TOTAL REVENUE	10,704,647	9,790,604	9,800,522	9,810,738	9,821,260	9,832,098
Expense (Operating)						
Personnel	1,583,337	2,039,386	2,139,104	2,170,523	2,216,844	2,260,768
<i>Operational Costs</i>	<i>1,254,261</i>	<i>1,667,205</i>	<i>1,750,565</i>	<i>1,768,071</i>	<i>1,785,752</i>	<i>1,821,467</i>
<i>Ongoing costs for long-term liabilities (PERS)</i>	<i>329,076</i>	<i>372,181</i>	<i>388,539</i>	<i>402,452</i>	<i>431,093</i>	<i>439,301</i>
Other Operations & Maintenance	1,907,308	2,079,405	2,126,337	2,190,127	2,255,831	2,323,506
Transfers Out (Ongoing)	542,753	546,215	562,601	579,479	596,864	614,770
Debt Service Payments	645,652	645,652	645,652	4,235,850	4,235,850	4,235,850
TOTAL EXPENSE	4,679,050	5,310,658	5,473,694	9,175,980	9,305,389	9,434,894
Net Surplus (Shortfall) - Operating	6,025,597	4,479,946	4,326,828	634,758	515,871	397,204
Capital	9,926,428	4,097,000	230,000	-	3,000,000	-
Manhole Rehabilitation Project	150,000	-	230,000	-	-	-
Beachcomber Drive Area Backyard Sewer Improvements - Design	100,000	-	-	-	3,000,000	-
Wastewater Treatment Plant Decommissioning	4,818,000	4,097,000	-	-	-	-
Main Street and Atascadero Sewer Main Replacements	4,594,924	-	-	-	-	-
LSI Force Main Project - Amended	69,568	-	-	-	-	-
WRF - Water Reclamation Facility Project	193,936	-	-	-	-	-
Net Surplus (Shortfall) including Capital	(3,900,831)	382,946	4,096,828	634,758	(2,484,129)	397,204
Contribution to 115 Trust	36,000	-	85,725	85,725	85,725	85,725
Ending Fund Balance Before Reserves	18,542,795	18,925,740	22,936,843	23,485,877	20,916,023	21,227,502
Fund Balance % of Total Operating Expenses	396%	356%	419%	256%	225%	225%
Minimum Reserve Levels	MET	MET	MET	NOT MET	NOT MET	NOT MET
Debt Coverage Ratio of 1.2 or greater	10.3	7.9	7.6	1.1	1.1	1.1
Operating: 25% PY Operating Expenses	2,367,081	1,832,289	1,832,289	1,368,424	2,293,995	2,326,347
Rate Stabilization: 5% of prior year's rates	475,929	473,000	473,000	473,000	473,000	473,000
Vehicle Replacement Reserve: 20% of fleet value	99,891	99,892	99,891	99,891	99,891	99,891
	2,942,901	2,405,181	2,405,180	1,941,315	2,866,886	2,899,238
Unreserved/Available Fund Balance	15,599,894	16,520,559	20,531,663	21,544,562	18,049,137	18,328,263

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, and transfers to the Sewer Capital Improvement Fund.
- The City's multi-year capital improvement plan covers five years, thus no capital expenditures are forecaster beyond that period.

NOTE: For readability, the five-year forecast is pictured. The ten-year forecast is attached for viewing.

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				
		2025-26	2026-27	2027-28	2028-29	2029-30
Ratepayer revenue	Adopted Rates	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	0.8%	0.8%	1.5%	0.7%
Personnel - UAL	CalPERS Pension Outlook Tool	Budget	6.0%	4.8%	9.4%	2.4%
Other Operations & Maintenance	Related to CPI, anticipates falling inflation	Budget	3.0%	3.0%	3.0%	3.0%

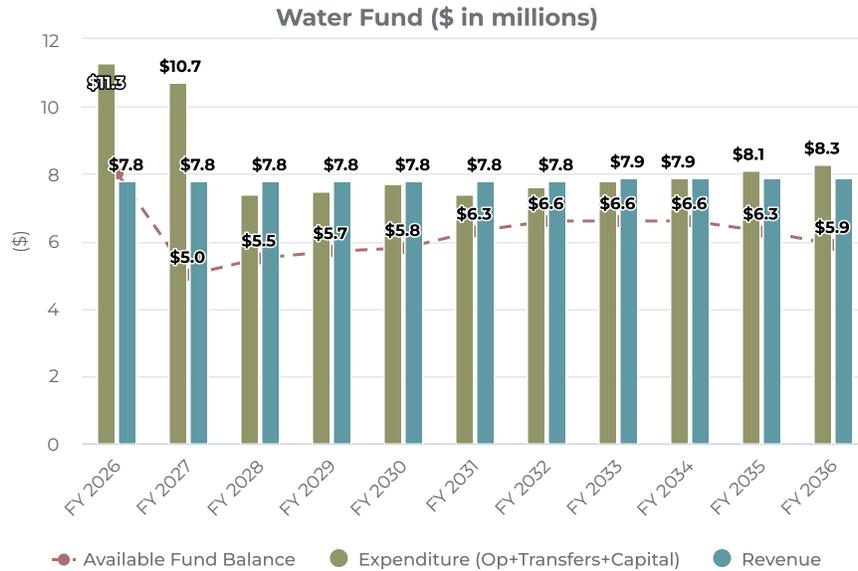
Water Fund Forecast (311)

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 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 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.

WIFIA debt service for the planning and construction of the Water Reclamation Facility commenced in FY 2024-25 at \$936,053 annually and will continue through 2058.

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 2025	FY 2026	Forecast			
	Estimated	Proposed	FY 2027	FY 2028	FY 2029	FY 2030
Starting Fund Balance (Working Capital)	13,308,019	11,488,610	7,989,781	5,035,437	5,434,403	5,685,058
Revenue						
Rate Payer Revenue	7,417,127	7,604,000	7,604,000	7,604,000	7,604,000	7,604,000
Other Revenue	236,721	172,837	178,022	183,363	188,864	194,530
Transfers In	30,000	30,000	30,900	31,827	32,782	33,765
TOTAL REVENUE	7,683,847	7,806,837	7,812,922	7,819,190	7,825,645	7,832,295
Expense						
Personnel	1,320,384	1,552,747	1,642,239	1,669,527	1,694,853	1,746,475
Operational Costs	1,084,105	1,274,206	1,337,917	1,351,296	1,364,809	1,392,105
Ongoing costs for long-term liabilities (PERS)	236,279	278,540	304,322	318,231	330,044	354,370
Other Operations & Maintenance	3,597,165	3,575,983	3,667,812	3,777,847	3,891,182	4,007,918
Transfers Out (Ongoing)	492,540	505,983	521,162	536,797	552,901	569,488
Debt Service Payments	936,053	936,053	936,053	936,053	936,053	936,053
TOTAL EXPENSE	6,346,142	6,570,766	6,767,267	6,920,224	7,074,990	7,259,934
Net Surplus (Shortfall)-Operating	1,337,706	1,236,071	1,045,655	898,966	750,656	572,361
Capital	3,133,115	4,734,900	4,000,000	500,000	500,000	500,000
Morro Basin Wellfield Rehabilitation	1,250,000	1,734,900	-	-	-	-
Nutmeg Tank and related Pressure Zone Improvements	1,800,000	2,500,000	3,500,000	-	-	-
Water Meter Replacements	-	500,000	500,000	500,000	500,000	500,000
WRF - Water Reclamation Facility Project	83,115	-	-	-	-	-
Net Surplus (Shortfall) including Capital	(1,795,409)	(3,498,829)	(2,954,345)	398,966	250,656	72,361
Contribution to 115 Trust	24,000	-	-	-	-	-
Ending Fund Balance Before Reserves	11,488,610	7,989,781	5,035,437	5,434,403	5,685,058	5,757,420
Fund Balance % of Total Operating Expenses	181%	122%	74%	79%	80%	79%
Minimum Reserve Levels	MET	MET	MET	MET	MET	MET
Debt Coverage Ratio of 1.2 or greater	2.6	3.6	2.1	1.9	1.8	1.6
Operating: 25% Annual Operating Expenses (PY Budget)	1,713,986	1,612,103	1,612,103	1,691,817	1,730,056	1,768,747
Rate Stabilization: 5% of prior year's rates	369,949	380,200	380,200	380,200	380,200	380,200
Vehicle Replacement: 20% of original value of Water fleet	50,885	50,886	50,885	50,885	50,885	50,885
	2,134,820	2,043,189	2,043,188	2,122,902	2,161,141	2,199,832
Unreserved/Available Fund Balance	9,353,790	5,946,592	2,992,249	3,311,501	3,523,917	3,557,587

Forecast Notes

- o Fund Balance is defined as working capital: current assets less current liabilities.
- o As baseline forecast, assumes no rate increases.
- o Transfers Out include transfers to the General Fund for internal cost allocation services, transfers to the Risk and IT funds, and transfers to the Water CIP fund.
- o The City's multi-year capital improvement plan covers five years. Thus, no capital expenditures are forecasted beyond that period.

NOTE: For readability, the five-year forecast is pictured. The ten-year forecast is attached for viewing.



Forecast Assumptions

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

Revenue/ Expenditure Category	Basis for Projection	Projection Year Increases				
		2025-26	2026-27	2027-28	2028-29	2029-30
Ratepayer revenue	Adopted rates	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	0.8%	0.8%	0.8%	1.5%
Personnel - UAL	CalPERS Pension Outlook Tool	Budget	6.0%	4.8%	9.4%	2.4%
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.

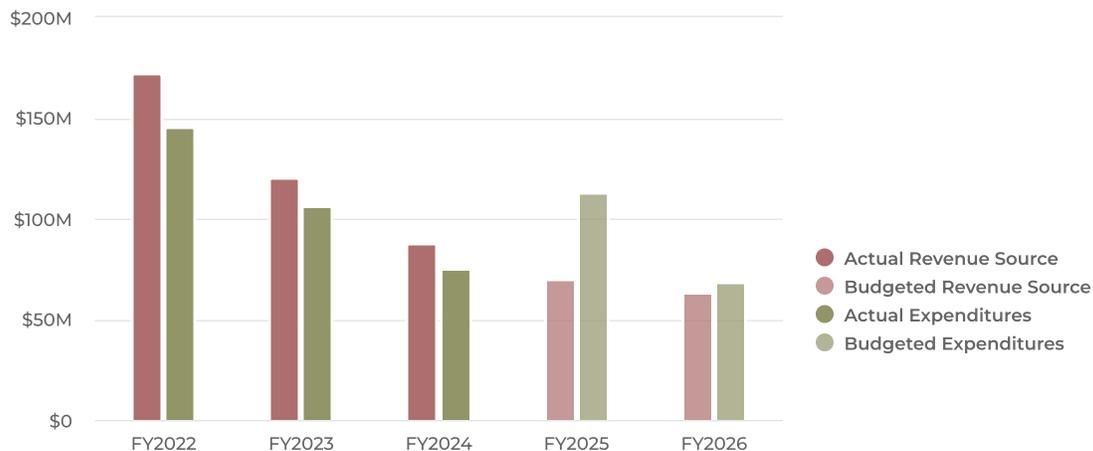
Summary

The City of Morro Bay's Citywide revenue budget for FY 2025-26 is approximately **\$63.7 million**, down 10% from the prior year's budget. Net of transfers, the revenue budget is **\$48.3 million**, which represents an 8% decrease from the prior year.

The City of Morro Bay's Citywide expenditure budget for FY 2025-26 is **\$68.9 million**, down 39% from the prior year. Net of transfers, the total Citywide Expenditure Budget is **\$53.4 million**, a 43% decrease over the prior year's budget.

The portion of the expenditure budget not covered by current-year revenues illustrates the use of available fund balances to finance the costs of one-time capital improvement projects in FY 2025-26. Unspent capital budget is carried forward annually, according to the budget resolution adopted by City Council. Consequently, the FY 2024-25 amended expenditure budget includes the originally adopted budget, routine amendments authorized by Council, and roughly \$33 million of unspent CIP budget.

Spikes in Citywide revenues and expenditures in FY 2021-22 and 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.



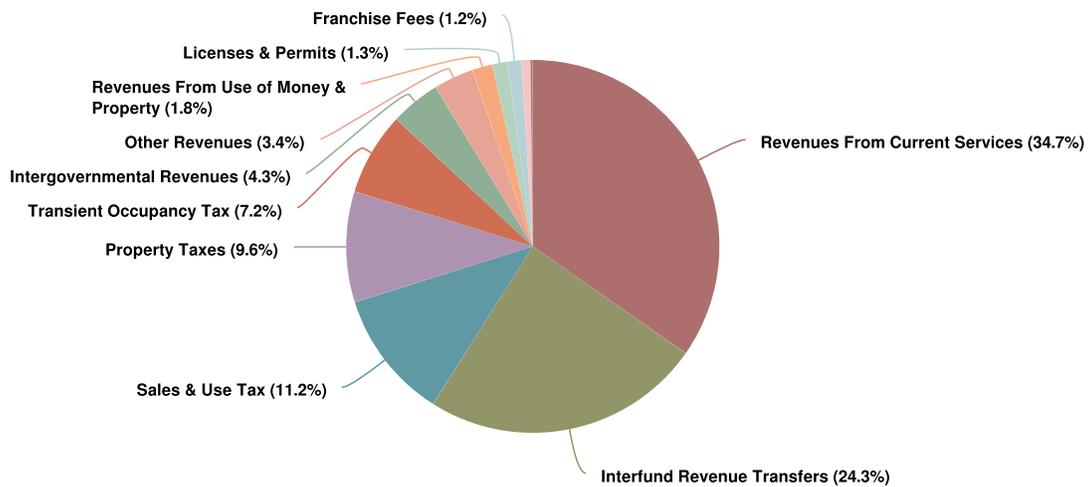
Revenues by Source

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

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

Projected 2026 Revenues by Source



In the following table, the spike in intergovernmental Revenues in FY 2024-25 was due to a projected \$3.5 million grant for the Water Reclamation Facility project (Sewer Capital Improvement Fund).

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Property Taxes	\$5,138,449	\$5,433,366	\$5,711,986	\$5,799,575	\$6,116,365	5.5%
Intergovernmental Revenues	\$2,768,847	\$2,697,654	\$8,069,314	\$6,031,600	\$2,756,936	-54.3%
Sales & Use Tax	\$7,456,527	\$7,306,518	\$7,286,166	\$6,945,735	\$7,125,761	2.6%
Cannabis City Tax	\$512,944	\$502,149	\$469,133	\$490,000	\$490,000	0%
Transient Occupancy Tax	\$4,255,140	\$4,681,648	\$4,473,923	\$4,500,000	\$4,590,000	2%
Franchise Fees	\$641,869	\$698,791	\$782,158	\$747,380	\$781,155	4.5%
Licenses & Permits	\$776,179	\$772,710	\$826,633	\$845,000	\$817,000	-3.3%
Revenues From Current Services	\$23,378,412	\$19,907,575	\$22,456,567	\$22,960,202	\$22,127,743	-3.6%
Fines & Forfeitures	\$101,069	\$154,342	\$152,610	\$128,608	\$126,627	-1.5%
Other Revenues	\$2,099,467	\$2,359,618	\$2,244,257	\$2,569,262	\$2,193,787	-14.6%
Revenues From Use of Money & Property	\$971,976	\$4,605,267	\$5,320,638	\$1,224,833	\$1,139,833	-6.9%
Interfund Revenue Transfers	\$124,445,364	\$71,270,584	\$30,512,749	\$18,428,931	\$15,452,719	-16.1%
Total Revenue Source:	\$172,546,243	\$120,390,222	\$88,306,134	\$70,671,126	\$63,717,925	-9.8%



Expenditures by Expense Type

As a full-service city with fully staffed emergency services departments and a working harbor, the majority of the citywide expenditure budget consists of services (38%) and personnel (33%) costs.

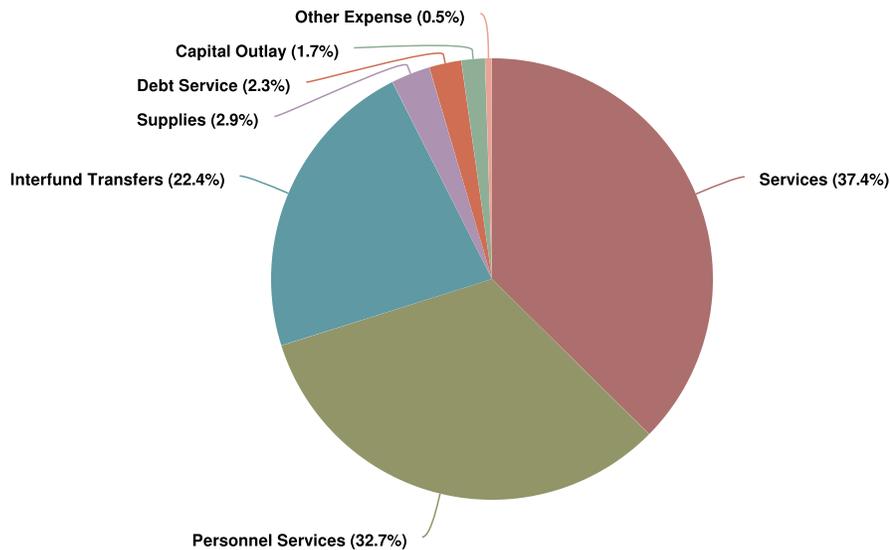
Services expenditures are largely utilized for contractors and consultants engaged with city staff on its extensive multiyear Capital Improvement Plan, but also include assistance with financial audits and advising, information technology services, planning services, routine janitorial and landscaping services, and other priority professional services.

Citywide personnel costs are increasing 3.5% from the prior year's budget. Compared to the prior year adopted budget, the city's total regular full-time equivalent (FTE) count is proposed to increase from 111.5 to 117.5. This change includes four FTEs authorized by Council during FY 2024-25: two in Administrative Services to accommodate in-house business tax administration, one new office assistant in Harbor, and one new staff City Attorney position. For FY 2025-26, the conversion of four part-time maintenance positions (2.0 FTE) to one full-time Maintenance Worker III position (1.0 FTE) is proposed. Additionally, a new Utilities Project Manager (1.0 FTE) split between the Water and Sewer Operating Funds is proposed. This year, staff is including a 3% vacancy factor to more accurately budget for anticipated personnel costs. For all employee groups, FY 2025-26 includes negotiated increases in both salaries and benefits. The current Memorandums of Understanding will remain in effect through the FY 2026-27 budget cycle.

Staff was directed to keep discretionary expense budgets as flat as possible for FY 2025-26, as they did in FY 2024-25. Citywide, budget requests for services, supplies, capital outlay, and other expenses, decreased over the prior year's amended budget.

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



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$14,975,190	\$16,476,746	\$20,817,393	\$21,781,746	\$22,533,321	3.5%
Supplies	\$1,238,159	\$1,637,063	\$1,603,064	\$2,311,257	\$1,978,598	-14.4%
Other Expense	\$2,052,917	\$739,255	\$560,147	\$11,536,363	\$347,301	-97%
Services	\$33,932,304	\$28,729,976	\$17,922,011	\$53,073,695	\$25,777,422	-51.4%
Capital Outlay	\$30,675,855	\$8,923,142	\$4,201,845	\$2,351,871	\$1,182,225	-49.7%
Debt Service	\$64,933	\$1,404,349	\$200,857	\$3,526,979	\$1,616,895	-54.2%
Interfund Transfers	\$63,157,565	\$48,768,066	\$30,099,727	\$18,428,930	\$15,452,719	-16.1%
Total Expense Objects:	\$146,096,923	\$106,678,597	\$75,405,043	\$113,010,841	\$68,888,480	-39%

Revenue by Fund

The City's largest revenue-generating fund is the **General Fund**, which comprises 32% of the City's revenue for FY 2025-26.

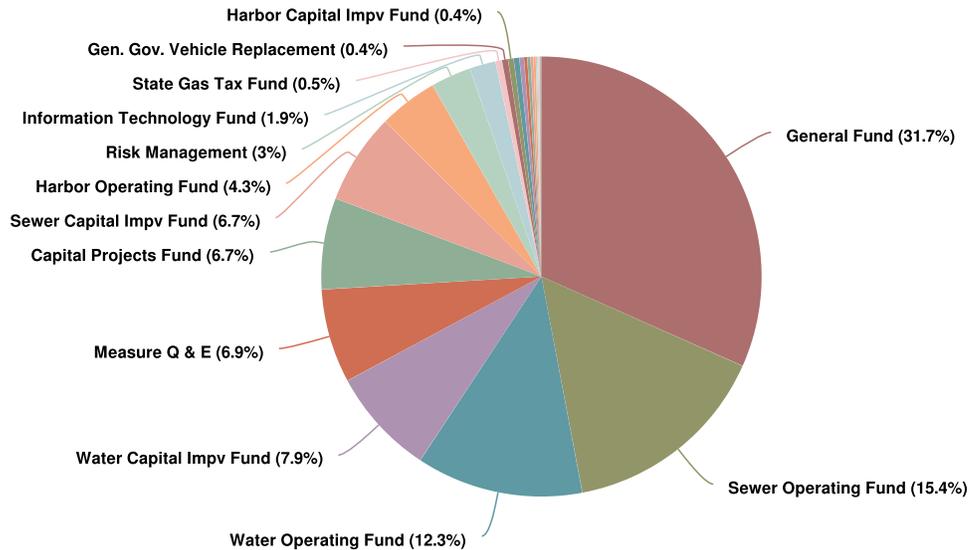
The **Sewer and Water Operating Funds** generate the highest levels of revenue after the General Fund, representing water and sewer rates from ratepayers. Revenues are largely flat since there is no rate increase budgeted for FY 2025-26.

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

The **Measure Q/E** fund represents a growing proportion of Citywide revenue, with the 1.5% local sales tax projected to generate nearly 7% of the City's revenue in FY 2025-26.

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

2026 Revenue by Fund



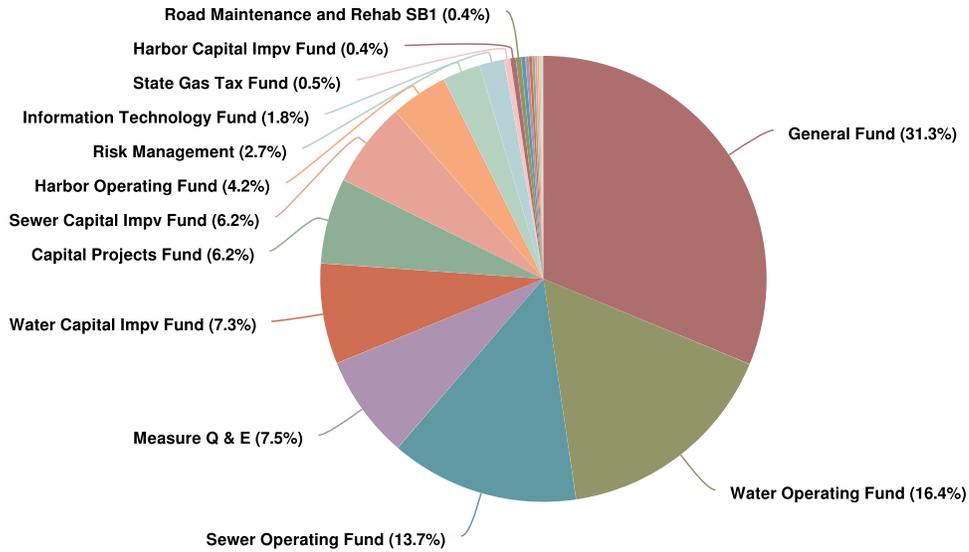
Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
General Fund	\$18,609,703	\$21,228,805	\$21,145,947	\$20,856,590	\$20,174,722	-3.3%
Unfunded Compensable Leave	\$25,000	\$81,000	\$21,500	\$32,677	\$10,000	-69.4%
Gen. Gov. Vehicle Replacement	\$172,018	\$285,347	\$147,544	\$80,000	\$275,000	243.8%
G/F Emergency Reserve Fund	\$1,859,585	\$1,166,503	\$3,632,343	\$0	\$0	0%
G/F Facility Maintenance Fund	\$17,118	\$13,823	\$56,975	\$62,592	\$62,592	0%
Capital Accumulation Fund	\$103,530	\$12,759	\$33,723	\$0	\$0	0%
Risk Management	\$1,466,014	\$1,614,136	\$1,570,405	\$1,848,524	\$1,886,101	2%
Information Technology Fund	\$722,683	\$864,160	\$1,118,259	\$1,127,492	\$1,210,966	7.4%
American Rescue Plan (ARP)	\$1,261,055	\$1,259,335	\$732,869	\$0	\$0	0%
State Gas Tax Fund	\$235,838	\$300,672	\$301,653	\$303,607	\$311,517	2.6%
Road Maintenance and Rehab SB1	\$0	\$745,494	\$0	\$269,999	\$266,556	-1.3%
Measure Q & E	\$4,710,089	\$4,578,570	\$4,519,482	\$4,313,735	\$4,400,000	2%
Developer Reimbursement Agreements Fund	\$0	\$0	\$108,573	\$470,000	\$210,000	-55.3%
Community Development Grants	\$2,574	\$3,900	\$0	\$3,667	\$0	-100%
CDBG Loan Repayment Fund	\$3,766	\$2,725	\$2,684	\$0	\$0	0%
Lower Cost Visitor Accom Fund	\$46	\$289	\$765	\$0	\$0	0%
Traffic Safety Fund	\$14,617	\$18,923	\$17,112	\$10,000	\$10,000	0%
Special Safety Grants	\$227,908	\$105,661	\$297,452	\$150,000	\$150,000	0%
Parking In-Lieu Fund	\$47,025	\$6,712	\$18,945	\$0	\$0	0%
Bike Path	\$8,034	\$15,593	\$16,109	\$12,108	\$11,389	-5.9%
LTF Roads	\$6	\$319	\$93	\$0	\$29,000	N/A
Assessment Districts	\$8,427	\$2,832	\$6,241	\$2,832	\$2,832	0%
North Point Assessment	\$5,645	\$7,162	\$5,645	\$5,645	\$5,645	0%
Cloisters Park Maint AD	\$144,227	\$153,412	\$157,216	\$148,944	\$148,944	0%
Governmental Impact Fees	\$755,263	\$133,255	\$295,890	\$140,946	\$140,946	0%
Park Fee Fund	\$1,314	\$5,126	\$13,547	\$0	\$0	0%
Economic Development Fund	\$117,806	\$117,806	\$286,626	\$117,806	\$0	-100%
Capital Projects Fund	\$2,832,450	\$4,339,781	\$5,168,215	\$3,011,578	\$4,279,443	42.1%
State Park Marina	\$115,289	\$108,821	\$97,141	\$95,000	\$110,000	15.8%
Triangle Lot - Boat Storage Yard	\$48,174	\$50,601	\$51,416	\$53,000	\$53,000	0%
Affordable Housing In-Lieu Fund	\$67,301	\$16,288	\$16,391	\$10,000	\$10,000	0%
Transit Fund	\$263,426	\$306,879	\$426,020	\$458,093	\$0	-100%
Transit Capital Impv Fund	\$355,398	\$216,953	\$230,346	\$220,000	\$0	-100%
Harbor Operating Fund	\$2,829,018	\$3,534,824	\$4,170,230	\$2,621,784	\$2,763,321	5.4%
Harbor Capital Impv Fund	\$888,604	\$500,000	\$485,666	\$0	\$269,525	N/A
Sewer Operating Fund	\$49,310,532	\$29,961,394	\$20,288,383	\$9,790,604	\$9,790,604	0%
Sewer Capital Impv Fund	\$56,890,364	\$23,213,250	\$10,719,015	\$13,537,067	\$4,247,000	-68.6%
Water Operating Fund	\$23,962,983	\$24,121,803	\$10,065,326	\$7,806,837	\$7,806,837	0%
Water Discounts/Rebates	\$61,217	\$112,795	\$117,666	\$60,000	\$60,000	0%
Water Capital Impv Fund	\$4,402,147	\$1,182,512	\$1,962,720	\$3,050,000	\$5,021,985	64.7%
Other Post Employment Benefits	\$50	\$0	\$0	\$0	\$0	0%
Total:	\$172,546,243	\$120,390,222	\$88,306,134	\$70,671,126	\$63,717,925	-9.8%



Expenditures by Fund

Major expenditure trends are explained in greater detail within each fund summary in the budget document. Spikes in expenditures within the Water and Sewer Operating and Capital funds over the past four years are related 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 an interfund transfer expenditure in the operating budgets.

2026 Expenditures by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
General Fund	\$15,838,521	\$21,411,549	\$23,460,876	\$21,487,576	\$21,532,458	0.2%
Gen. Gov. Vehicle Replacement	\$0	\$114,450	\$87,000	\$287,961	\$175,000	-39.2%
G/F Emergency Reserve Fund	\$40,547	\$1,485,169	\$0	\$0	\$0	0%
G/F Facility Maintenance Fund	\$38,998	\$12,433	\$30,230	\$34,000	\$60,000	76.5%
Capital Accumulation Fund	\$0	\$3,472	\$0	\$494,579	\$0	-100%
General Long Term Debt	\$0	-\$2,593,634	\$1,201,391	\$0	\$0	0%
Risk Management	\$2,204,368	\$1,580,924	\$1,533,366	\$1,865,092	\$1,885,902	1.1%
Information Technology Fund	\$708,249	\$856,177	\$787,565	\$1,198,968	\$1,233,377	2.9%
American Rescue Plan (ARP)	\$469,502	\$1,259,335	\$732,869	\$60,504	\$0	-100%
State Gas Tax Fund	\$235,838	\$300,672	\$301,653	\$303,607	\$311,517	2.6%
Road Maintenance and Rehab SB1	\$0	\$745,494	\$0	\$269,999	\$266,556	-1.3%
Measure Q & E	\$4,127,406	\$5,198,334	\$5,350,373	\$3,853,907	\$5,166,071	34%
Developer Reimbursement Agreements Fund	\$0	\$35,832	\$108,573	\$470,000	\$210,000	-55.3%
Community Development Grants	\$2,574	\$3,819	\$0	\$3,667	\$0	-100%
Lower Cost Visitor Accom Fund	\$101	\$70	\$0	\$0	\$0	0%
Traffic Safety Fund	\$14,617	\$0	\$0	\$10,000	\$0	-100%
Special Safety Grants	\$92,054	\$203,056	\$163,769	\$184,600	\$150,000	-18.7%
Parking In-Lieu Fund	\$41,609	\$22,597	\$2,000	\$43,000	\$0	-100%
Bike Path	\$3,500	\$370	\$13,000	\$0	\$0	0%
LTF Roads	\$70,768	\$0	\$0	\$0	\$0	0%
North Point Assessment	\$5,062	\$4,227	\$5,811	\$6,187	\$5,594	-9.6%
Cloisters Park Maint AD	\$143,350	\$122,775	\$149,965	\$154,102	\$145,707	-5.4%
Governmental Impact Fees	\$72,947	\$31,238	\$1,017,250	\$58,890	\$0	-100%
Park Fee Fund	\$69,500	\$940	\$0	\$0	\$0	0%
Community Benefit	\$170,000	\$0	\$0	\$0	\$0	0%
Economic Development Fund	\$351,035	\$155,000	\$109,500	\$217,728	\$123,640	-43.2%
Capital Projects Fund	\$214,249	\$2,432,971	\$1,628,581	\$12,055,380	\$4,279,443	-64.5%
State Park Marina	\$0	\$0	\$0	\$0	\$85,000	N/A
Triangle Lot - Boat Storage Yard	\$15,027	\$17,995	\$18,199	\$17,225	\$17,225	0%
Affordable Housing In-Lieu Fund	\$150,000	\$524	\$0	\$55,000	\$55,000	0%
Transit Fund	\$252,226	\$283,758	\$358,291	\$358,445	\$0	-100%
Transit Capital Impv Fund	\$50,627	\$442,049	\$392,640	\$424,000	\$0	-100%
Harbor Equip. Replacement	\$50,000	\$0	\$0	\$0	\$0	0%
Harbor Operating Fund	\$2,036,489	\$2,457,899	\$2,842,756	\$2,701,789	\$2,861,156	5.9%
Harbor Capital Impv Fund	\$285,463	\$585,447	\$640,068	\$555,042	\$269,525	-51.4%
Sewer Operating Fund	\$42,353,398	\$33,110,254	\$19,331,611	\$17,291,586	\$9,407,658	-45.6%
Sewer Capital Impv Fund	\$55,220,282	\$21,301,938	\$5,814,010	\$31,718,208	\$4,247,000	-86.6%
Water Operating Fund	\$20,164,988	\$13,755,340	\$7,755,243	\$9,605,526	\$11,305,666	17.7%
Water Discounts/Rebates	\$74,372	\$57,699	\$58,053	\$73,000	\$73,000	0%
Water Capital Impv Fund	\$529,257	\$1,278,423	\$1,510,399	\$7,151,272	\$5,021,985	-29.8%
Total:	\$146,096,923	\$106,678,597	\$75,405,043	\$113,010,841	\$68,888,480	-39%



Expenditures by Department

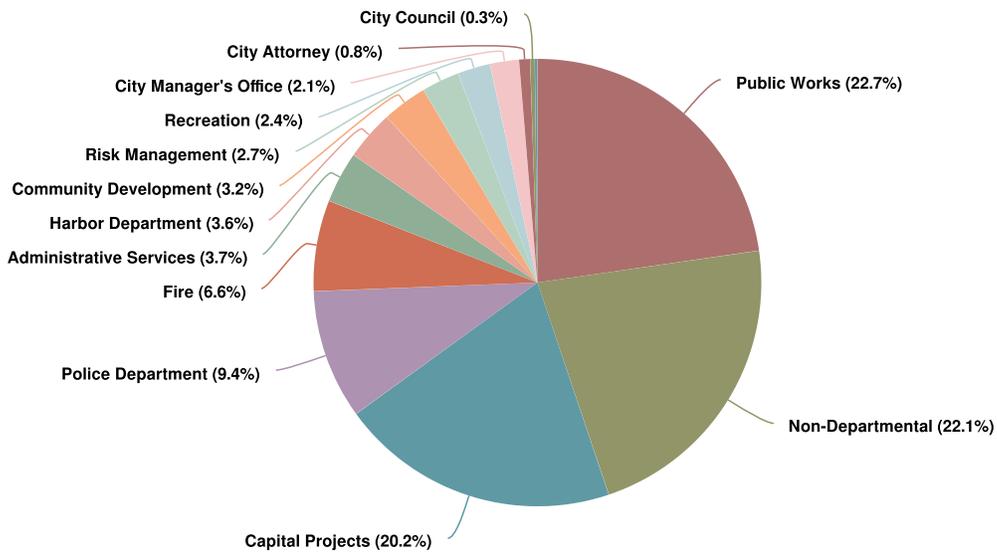
The Citywide budget includes interfund transfers between funds, which appear in the non-departmental category, as well as capital projects, which represent **14 projects** for a total capital budget of **\$13.8 million** in FY 2025-26.

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.

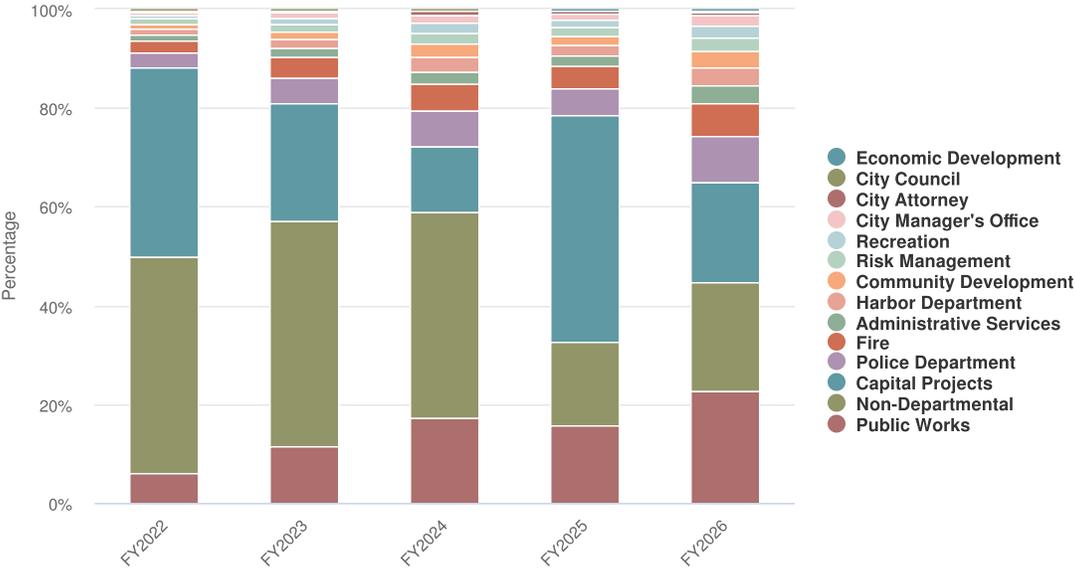
The remaining departments represent a much smaller share of the Citywide budget each, with the City Council budget representing the smallest departmental budget.

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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expenditures						
City Council	\$108,114	\$159,494	\$193,612	\$243,665	\$235,137	-3.5%
City Manager's Office	\$890,770	\$1,244,805	\$1,162,655	\$1,524,034	\$1,441,730	-5.4%
City Attorney	\$498,343	\$501,437	\$578,556	\$512,872	\$540,088	5.3%
Administrative Services	\$1,573,895	\$1,892,144	\$1,876,992	\$2,535,891	\$2,557,513	0.9%
Police Department	\$4,313,791	\$5,319,883	\$5,356,296	\$5,980,094	\$6,447,341	7.8%
Fire	\$3,642,867	\$4,401,813	\$4,193,360	\$5,135,227	\$4,520,074	-12%
Risk Management	\$1,504,368	\$1,579,133	\$1,563,716	\$1,865,092	\$1,885,902	1.1%
Public Works	\$8,977,709	\$12,324,417	\$12,991,452	\$17,763,882	\$15,648,854	-11.9%
Community Development	\$1,423,720	\$1,624,000	\$1,947,225	\$2,067,089	\$2,229,166	7.8%
Recreation	\$1,217,807	\$1,310,343	\$1,664,762	\$1,597,514	\$1,625,967	1.8%
Harbor Department	\$1,740,564	\$2,028,150	\$2,226,536	\$2,554,287	\$2,480,993	-2.9%
Economic Development	\$124,215	\$155,000	\$109,500	\$217,728	\$123,640	-43.2%
Non-Departmental	\$63,780,883	\$48,516,943	\$31,623,272	\$19,109,564	\$15,249,122	-20.2%
Capital Projects	\$56,299,877	\$25,621,033	\$9,917,109	\$51,903,902	\$13,902,953	-73.2%
Total Expenditures:	\$146,096,923	\$106,678,597	\$75,405,043	\$113,010,841	\$68,888,480	-39%





Citywide Operating Budget Summary - All Funds

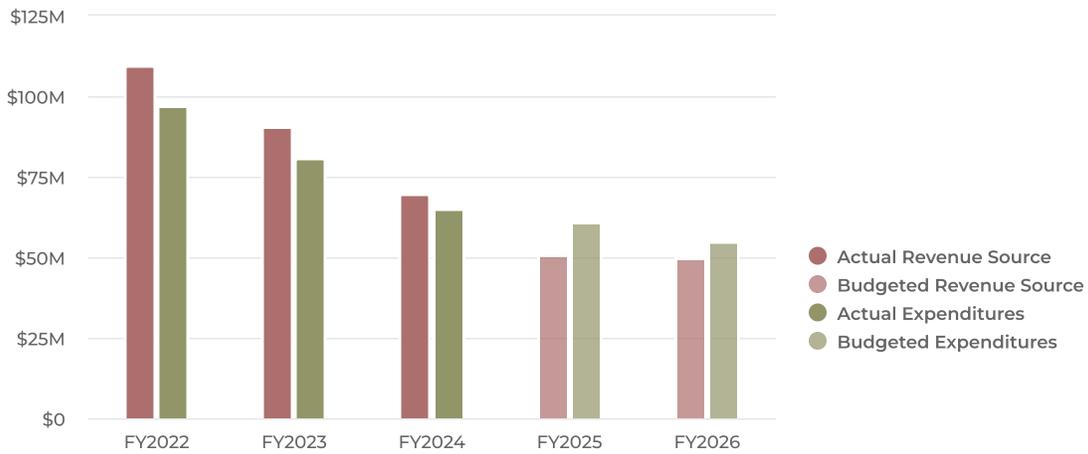
This Citywide budget summary presents data for all funds, including the operating budget component of the budget, not the capital improvement portion of the budget.

Summary

The City of Morro Bay's budgeted operating revenues are **\$49.9 million** in FY 2025-26, about 2% lower than prior year. Net of transfers-in from other funds, the operating revenue budget is **\$46.7 million**.

Budgeted operating expenditures are **\$55.1 million** in FY 2025-26, a 10% reduction from the prior year. Net of transfers out to other funds, the operating expenditure budget is **\$39.6 million**, down 7% 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.



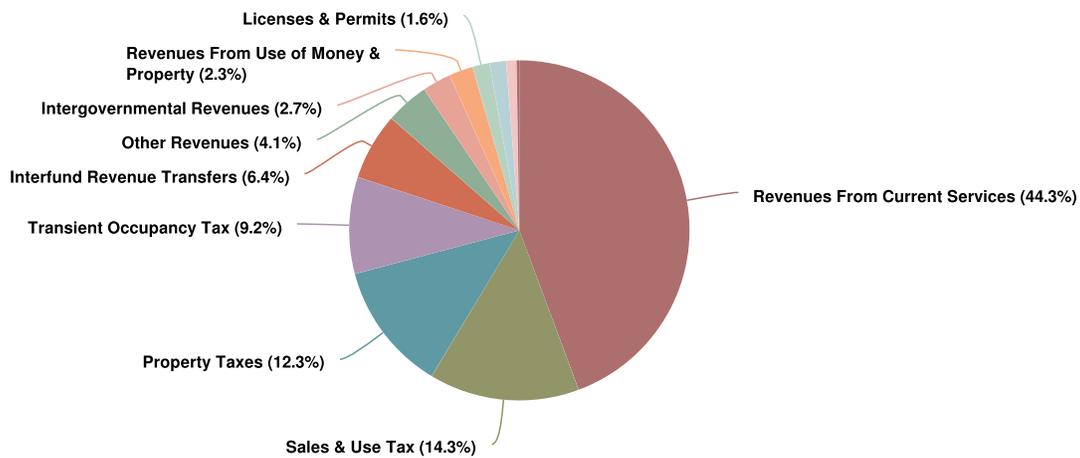
Revenues by Source

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.

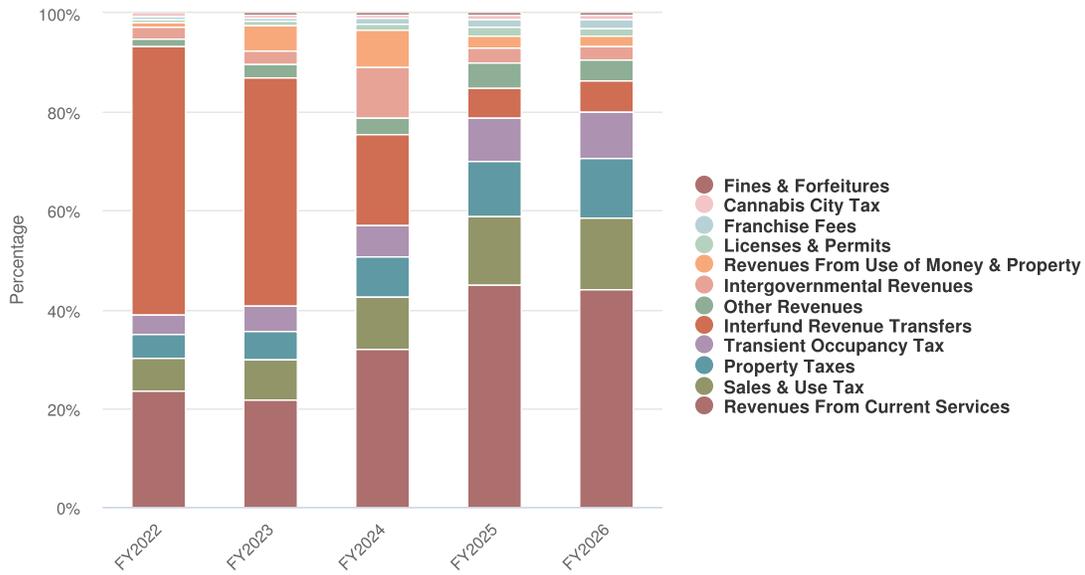
Tax revenues, including sales and use tax, property tax, and transient occupant tax, represent the second largest share of City revenues. These revenues are used to provide general services that are not covered by anyone receiving an individual benefit from a service, such as public safety services and 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 2026 Revenues by Source



Budgeted and Historical 2026 Revenues by Source



Total Citywide Operating Revenues Net of Transfers: \$46.7 million.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Property Taxes	\$5,138,449	\$5,433,366	\$5,711,986	\$5,799,575	\$6,116,365	5.5%
Intergovernmental Revenues	\$2,395,605	\$2,531,941	\$7,293,600	\$1,636,276	\$1,360,951	-16.8%
Sales & Use Tax	\$7,456,527	\$7,306,518	\$7,286,166	\$6,945,735	\$7,125,761	2.6%
Cannabis City Tax	\$512,944	\$502,149	\$469,133	\$490,000	\$490,000	0%
Transient Occupancy Tax	\$4,255,140	\$4,681,648	\$4,473,923	\$4,500,000	\$4,590,000	2%
Franchise Fees	\$641,869	\$698,791	\$782,158	\$747,380	\$781,155	4.5%
Licenses & Permits	\$776,179	\$772,710	\$826,633	\$845,000	\$817,000	-3.3%
Revenues From Current Services	\$25,679,138	\$19,780,504	\$22,387,978	\$22,960,202	\$22,127,743	-3.6%
Fines & Forfeitures	\$101,069	\$154,342	\$152,610	\$128,608	\$126,627	-1.5%
Other Revenues	\$1,864,979	\$2,352,818	\$2,266,121	\$2,569,262	\$2,043,787	-20.5%
Revenues From Use of Money & Property	\$971,976	\$4,605,267	\$5,294,247	\$1,224,833	\$1,139,833	-6.9%
Interfund Revenue Transfers	\$59,703,990	\$42,117,672	\$12,769,226	\$3,005,610	\$3,180,751	5.8%
Total Revenue Source:	\$109,497,866	\$90,937,726	\$69,713,781	\$50,852,481	\$49,899,972	-1.9%

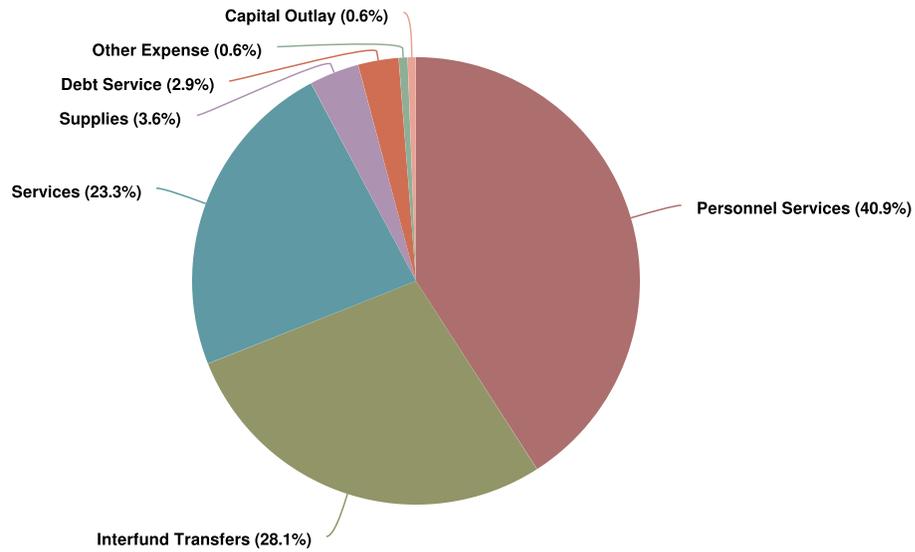
Expenditures by Expense Type

Citywide personnel costs are increasing by **3.5%** over the prior year's budget. This year, staff is including a 3% vacancy factor to more accurately budget for anticipated personnel costs. For all employee groups, FY 2025-26 includes negotiated increases in both salaries and benefits. The current Memorandums of Understanding will remain in effect through the FY 2026-27 budget cycle.

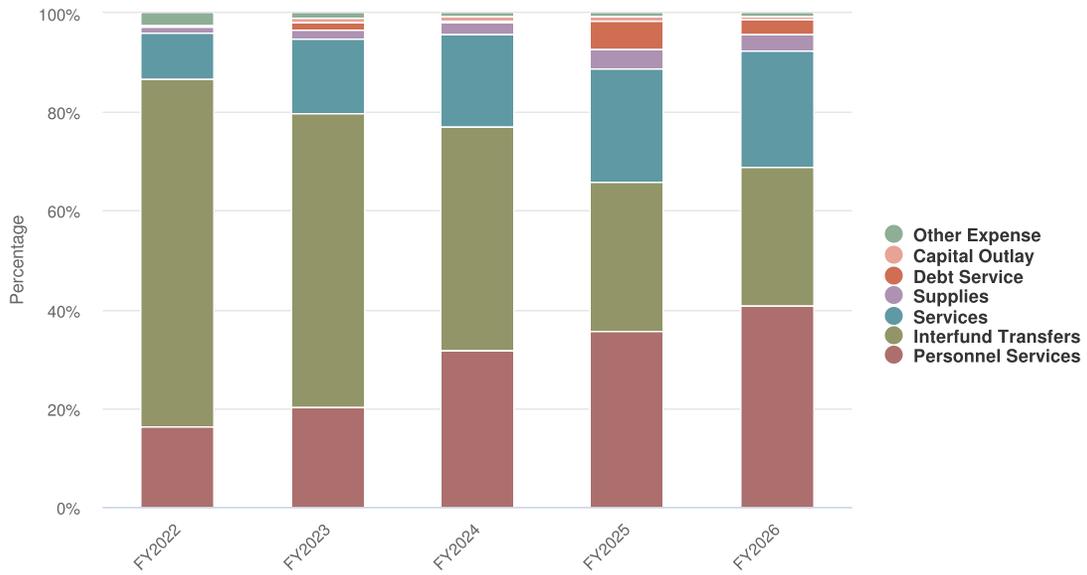
Staff was directed to keep discretionary expense budgets as flat as possible for FY 2025-26, as they did in FY 2024-25. Citywide, budget requests for services, supplies, capital outlay, and other expenses, decreased over the prior year.

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

Budgeted Expenditures by Expense Type



Budgeted and Historical Expenditures by Expense Type



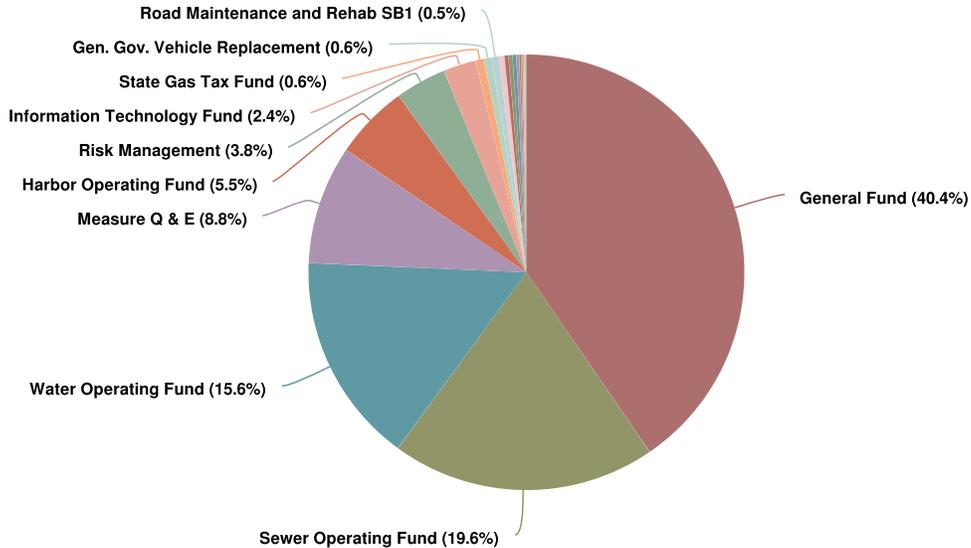
Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$15,721,322	\$16,347,986	\$20,776,064	\$21,781,746	\$22,533,321	3.5%
Supplies	\$1,261,284	\$1,442,444	\$1,581,722	\$2,311,257	\$1,978,598	-14.4%
Other Expense	\$2,249,429	\$712,806	\$404,665	\$419,766	\$347,301	-17.3%
Services	\$9,084,374	\$12,084,986	\$12,250,038	\$14,104,467	\$12,813,994	-9.1%
Capital Outlay	\$246,724	\$681,726	\$546,250	\$533,794	\$327,700	-38.6%
Debt Service	\$117,963	\$1,404,349	\$200,857	\$3,526,979	\$1,616,895	-54.2%
Interfund Transfers	\$68,580,303	\$48,181,434	\$29,659,750	\$18,428,930	\$15,452,719	-16.1%
Total Expense Objects:	\$97,261,398	\$80,855,731	\$65,419,345	\$61,106,939	\$55,070,527	-9.9%

Revenue by Fund

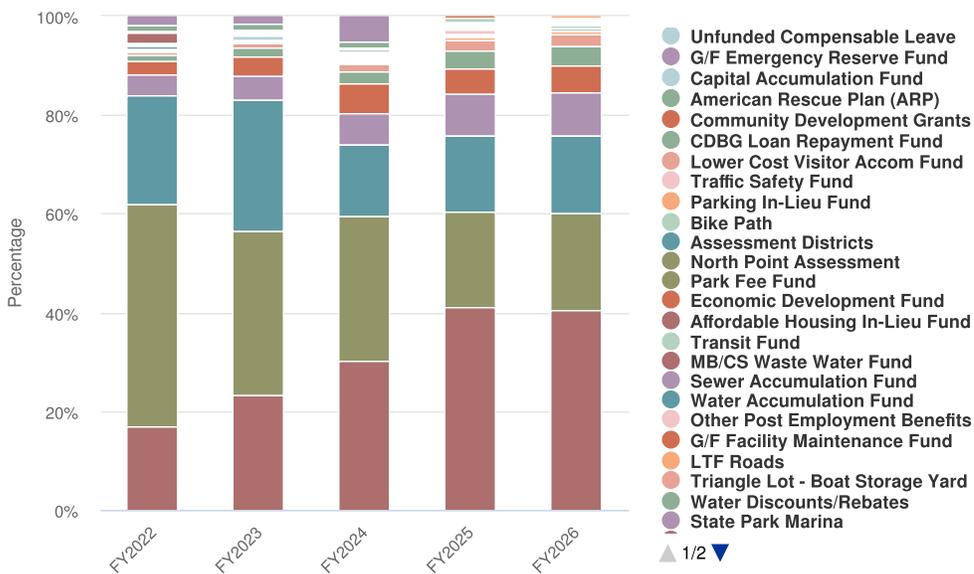
The General Fund and Measure Q&E combined comprise nearly half of the City's operating revenue, and the Water and Sewer operating funds comprise another third of the City's revenue, with several smaller funds comprising the remainder. Each fund's revenue, and trend analysis for major revenue sources,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

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

2026 Revenue by Fund



Budgeted and Historical Revenue by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
General Fund	\$18,609,703	\$21,228,805	\$21,145,947	\$20,856,590	\$20,174,722	-3.3%
Unfunded Compensable Leave	\$25,000	\$81,000	\$21,500	\$32,677	\$10,000	-69.4%
Gen. Gov. Vehicle Replacement	\$172,018	\$285,347	\$147,544	\$80,000	\$275,000	243.8%
G/F Emergency Reserve Fund	\$1,859,585	\$1,166,503	\$3,632,343	\$0	\$0	0%
G/F Facility Maintenance Fund	\$17,118	\$13,823	\$56,975	\$62,592	\$62,592	0%
Capital Accumulation Fund	\$103,530	\$12,759	\$33,723	\$0	\$0	0%
Risk Management	\$1,466,014	\$1,614,136	\$1,570,405	\$1,848,524	\$1,886,101	2%
Information Technology Fund	\$722,683	\$864,160	\$1,118,259	\$1,127,492	\$1,210,966	7.4%
American Rescue Plan (ARP)	\$1,261,055	\$1,259,335	\$732,869	\$0	\$0	0%
State Gas Tax Fund	\$235,838	\$300,672	\$301,653	\$303,607	\$311,517	2.6%
Road Maintenance and Rehab SB1	\$0	\$745,494	\$0	\$269,999	\$266,556	-1.3%
Measure Q & E	\$4,710,089	\$4,578,570	\$4,519,482	\$4,313,735	\$4,400,000	2%
Developer Reimbursement Agreements Fund	\$0	\$0	\$108,573	\$470,000	\$210,000	-55.3%
Community Development Grants	\$2,574	\$3,900	\$0	\$3,667	\$0	-100%
CDBG Loan Repayment Fund	\$3,766	\$2,725	\$2,684	\$0	\$0	0%
Lower Cost Visitor Accom Fund	\$46	\$289	\$765	\$0	\$0	0%
Traffic Safety Fund	\$14,617	\$18,923	\$17,112	\$10,000	\$10,000	0%
Special Safety Grants	\$227,908	\$105,661	\$297,452	\$150,000	\$150,000	0%
Parking In-Lieu Fund	\$47,025	\$6,712	\$18,945	\$0	\$0	0%
Bike Path	\$8,034	\$15,593	\$16,109	\$12,108	\$11,389	-5.9%
LTF Roads	\$6	\$319	\$93	\$0	\$29,000	N/A
Assessment Districts	\$8,427	\$2,832	\$6,241	\$2,832	\$2,832	0%
North Point Assessment	\$5,645	\$7,162	\$5,645	\$5,645	\$5,645	0%
Cloisters Park Maint AD	\$144,227	\$153,412	\$157,216	\$148,944	\$148,944	0%
Governmental Impact Fees	\$755,263	\$133,255	\$295,890	\$140,946	\$140,946	0%
Park Fee Fund	\$1,314	\$5,126	\$13,547	\$0	\$0	0%
Economic Development Fund	\$117,806	\$117,806	\$286,626	\$117,806	\$0	-100%
State Park Marina	\$115,289	\$108,821	\$97,141	\$95,000	\$110,000	15.8%
Triangle Lot - Boat Storage Yard	\$48,174	\$50,601	\$51,416	\$53,000	\$53,000	0%
Affordable Housing In-Lieu Fund	\$67,301	\$16,288	\$16,391	\$10,000	\$10,000	0%
Transit Fund	\$263,426	\$306,879	\$426,020	\$458,093	\$0	-100%
Harbor Operating Fund	\$2,829,018	\$3,534,824	\$4,170,230	\$2,621,784	\$2,763,321	5.4%
Sewer Operating Fund	\$49,310,532	\$29,961,394	\$20,288,383	\$9,790,604	\$9,790,604	0%
MB/CS Waste Water Fund	\$2,037,151	\$0	-\$26,391	\$0	\$0	0%
Sewer Accumulation Fund	\$141,487	\$0	\$0	\$0	\$0	0%
Water Operating Fund	\$23,962,983	\$24,121,803	\$10,065,326	\$7,806,837	\$7,806,837	0%
Water Discounts/Rebates	\$61,217	\$112,795	\$117,666	\$60,000	\$60,000	0%
Water Accumulation Fund	\$141,949	\$0	\$0	\$0	\$0	0%
Other Post Employment Benefits	\$50	\$0	\$0	\$0	\$0	0%
Total:	\$109,497,866	\$90,937,726	\$69,713,781	\$50,852,481	\$49,899,972	-1.9%



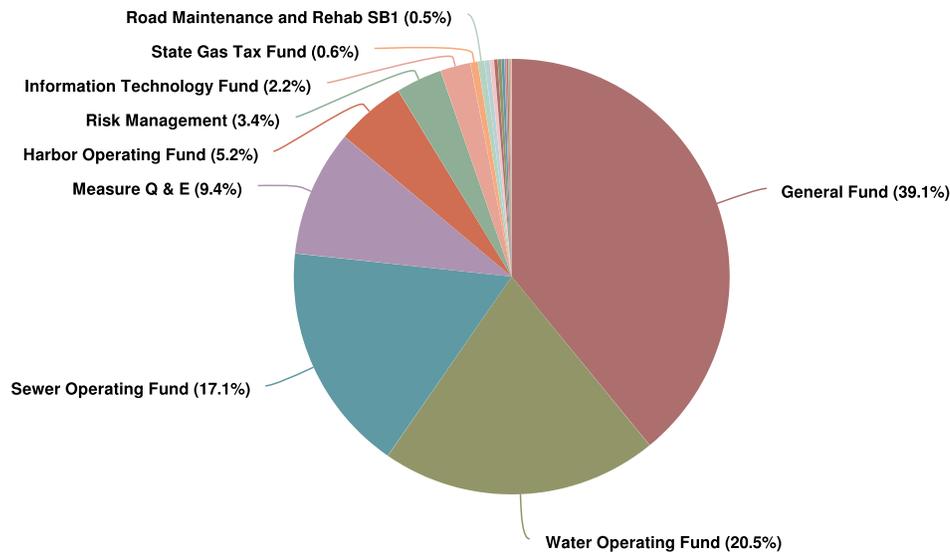
Expenditures by Fund

As would be expected given their share of the City's operating revenue budget, the combined General Fund and Measure Q&E make up nearly half of the citywide operating expenditure budget, with the water and sewer operating funds comprising the majority of the remaining half of the budget.

Expenditure budgets are largely consistent with the prior year, with the exception of Measure Q&E, which is proposed to provide additional capital funding in FY 2025-26. The Water Operating Fund is proposed to increase its investment in capital projects this year, while the Sewer Operating Fund is decreasing its capital contributions, particularly in comparison to recent prior years during with the Water Reclamation Facility was being constructed.

The other notable change from prior year is the Transit Operating & Capital funds, which have no proposed revenues or expenditures due to the transition of transit activities to the Regional Transit Authority.

2026 Expenditures by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
General Fund	\$15,838,521	\$21,411,549	\$23,460,876	\$21,487,576	\$21,532,458	0.2%
Gen. Gov. Vehicle Replacement	\$0	\$114,450	\$87,000	\$287,961	\$175,000	-39.2%
G/F Emergency Reserve Fund	\$40,547	\$1,485,169	\$0	\$0	\$0	0%
G/F Facility Maintenance Fund	\$38,998	\$12,433	\$30,230	\$34,000	\$60,000	76.5%
Capital Accumulation Fund	\$0	\$3,472	\$0	\$494,579	\$0	-100%
General Long Term Debt	\$0	-\$2,593,634	\$1,201,391	\$0	\$0	0%
Risk Management	\$2,204,368	\$1,580,924	\$1,533,366	\$1,865,092	\$1,885,902	1.1%
Information Technology Fund	\$708,249	\$856,177	\$787,565	\$1,198,968	\$1,233,377	2.9%
American Rescue Plan (ARP)	\$469,502	\$1,259,335	\$732,869	\$60,504	\$0	-100%
State Gas Tax Fund	\$235,838	\$300,672	\$301,653	\$303,607	\$311,517	2.6%
Road Maintenance and Rehab SB1	\$0	\$745,494	\$0	\$269,999	\$266,556	-1.3%
Measure Q & E	\$4,127,406	\$5,198,334	\$5,350,373	\$3,853,907	\$5,166,071	34%
Developer Reimbursement Agreements Fund	\$0	\$35,832	\$108,573	\$470,000	\$210,000	-55.3%
Community Development Grants	\$2,574	\$3,819	\$0	\$3,667	\$0	-100%

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Lower Cost Visitor Accom Fund	\$101	\$70	\$0	\$0	\$0	0%
Traffic Safety Fund	\$14,617	\$0	\$0	\$10,000	\$0	-100%
Special Safety Grants	\$92,054	\$203,056	\$163,769	\$184,600	\$150,000	-18.7%
Parking In-Lieu Fund	\$41,609	\$22,597	\$2,000	\$43,000	\$0	-100%
Bike Path	\$3,500	\$370	\$13,000	\$0	\$0	0%
LTF Roads	\$70,768	\$0	\$0	\$0	\$0	0%
North Point Assessment	\$5,062	\$4,227	\$5,811	\$6,187	\$5,594	-9.6%
Cloisters Park Maint AD	\$143,350	\$122,775	\$149,965	\$154,102	\$145,707	-5.4%
Cloisters Park Accumulation	\$5,810	\$0	\$0	\$0	\$0	0%
Governmental Impact Fees	\$72,947	\$31,238	\$1,017,250	\$58,890	\$0	-100%
Park Fee Fund	\$69,500	\$940	\$0	\$0	\$0	0%
Community Benefit	\$170,000	\$0	\$0	\$0	\$0	0%
Economic Development Fund	\$351,035	\$155,000	\$109,500	\$217,728	\$123,640	-43.2%
State Park Marina	\$0	\$0	\$0	\$0	\$85,000	N/A
Triangle Lot - Boat Storage Yard	\$15,027	\$17,995	\$18,199	\$17,225	\$17,225	0%
Affordable Housing In-Lieu Fund	\$150,000	\$524	\$0	\$55,000	\$55,000	0%
Tourism (BID) Accumulation Fund	\$0	\$162,124	\$0	\$0	\$0	0%
Transit Fund	\$252,226	\$283,758	\$358,291	\$358,445	\$0	-100%
Harbor Equip. Replacement	\$50,000	\$0	\$0	\$0	\$0	0%
Harbor Operating Fund	\$2,036,489	\$2,457,899	\$2,842,756	\$2,701,789	\$2,861,156	5.9%
Harbor Accumulation Fund	\$380,000	\$0	\$0	\$0	\$0	0%
Sewer Operating Fund	\$42,353,398	\$33,110,254	\$19,331,611	\$17,291,586	\$9,407,658	-45.6%
MB/CS Waste Water Fund	\$2,037,151	\$0	\$0	\$0	\$0	0%
Sewer Accumulation Fund	\$1,717,791	\$0	\$0	\$0	\$0	0%
Water Equip. Replacement	\$0	\$55,838	\$0	\$0	\$0	0%
Water Operating Fund	\$20,164,988	\$13,755,340	\$7,755,243	\$9,605,526	\$11,305,666	17.7%
Water Discounts/Rebates	\$74,372	\$57,699	\$58,053	\$73,000	\$73,000	0%
Water Accumulation Fund	\$3,323,601	\$0	\$0	\$0	\$0	0%
Total:	\$97,261,398	\$80,855,731	\$65,419,345	\$61,106,939	\$55,070,527	-9.9%



Expenditures by Department

Budgeted operating expenditures are **\$55.1 million** in FY 2025-26. Net of transfers-out to other funds, the operating expenditure budget is **\$39.6 million**, down 10% from the prior year's amended budget.

All major expenditures and trends are explained in greater detail within each individual fund summary in the budget document. The spike in FY 2021-22 and 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 2025-26 include **\$1.4 million** in one-time costs, including one-time transfers to reserve funds 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.

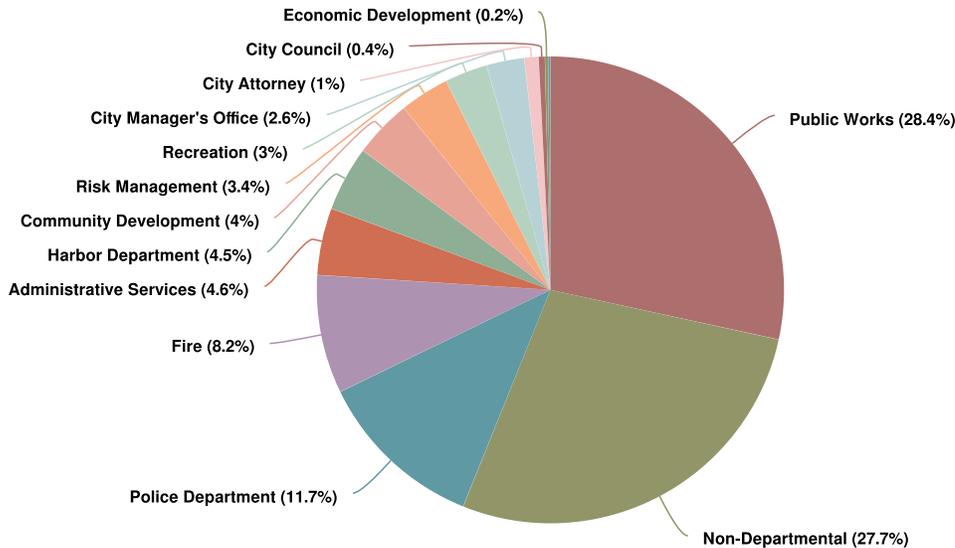
Public Works is the largest department both in terms of number of staff positions and expenditures, which includes all water and sewer service operating costs. Police has the second-highest budget, followed by Fire.

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.

Budgeted Expenditures by Department



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expenditures						
City Council	\$108,114	\$159,494	\$193,612	\$243,665	\$235,137	-3.5%
City Manager's Office	\$890,770	\$1,244,805	\$1,162,655	\$1,524,034	\$1,441,730	-5.4%
City Attorney	\$498,343	\$501,437	\$578,556	\$512,872	\$540,088	5.3%
Administrative Services	\$1,573,895	\$1,892,144	\$1,876,992	\$2,535,891	\$2,557,513	0.9%
Police Department	\$4,313,791	\$5,319,883	\$5,356,296	\$5,980,094	\$6,447,341	7.8%
Fire	\$3,642,867	\$4,401,813	\$4,193,360	\$5,135,227	\$4,520,074	-12%
Risk Management	\$1,504,368	\$1,579,133	\$1,563,716	\$1,865,092	\$1,885,902	1.1%
Public Works	\$10,822,811	\$12,253,184	\$12,922,863	\$17,763,882	\$15,648,854	-11.9%
Community Development	\$1,423,720	\$1,624,000	\$1,947,225	\$2,067,089	\$2,229,166	7.8%
Recreation	\$1,217,807	\$1,310,343	\$1,664,762	\$1,597,514	\$1,625,967	1.8%
Harbor Department	\$1,740,564	\$2,028,150	\$2,226,536	\$2,554,287	\$2,480,993	-2.9%
Economic Development	\$124,215	\$155,000	\$109,500	\$217,728	\$123,640	-43.2%
Non-Departmental	\$69,400,133	\$48,386,343	\$31,623,272	\$19,109,564	\$15,249,122	-20.2%
Capital Projects	\$0	\$0	\$0	\$0	\$85,000	N/A
Total Expenditures:	\$97,261,398	\$80,855,731	\$65,419,345	\$61,106,939	\$55,070,527	-9.9%





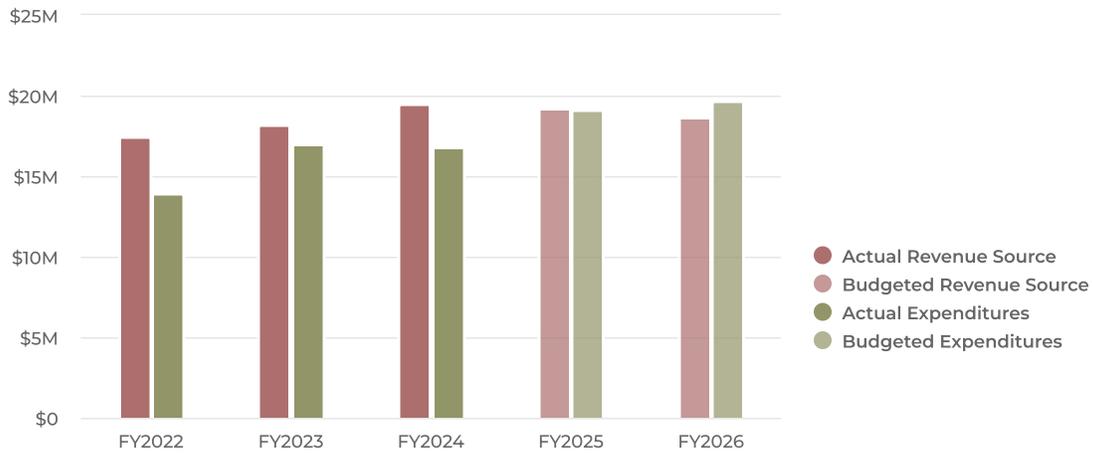
General Fund

The General Fund has several sub-funds or component funds that are all reported with the General Fund Group 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 **\$20.2 million** of revenue in FY 2025-26, which represents a 3% decrease over the prior year's amended budget. Budgeted expenditures are projected to increase by less than 1% to **\$21.5 million** in FY 2025-26.





General Fund (001)

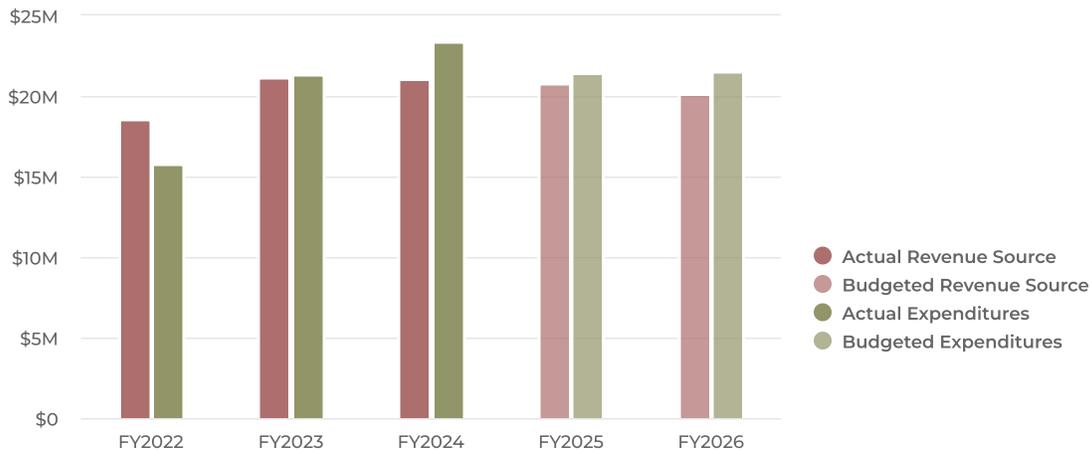
The City's General Fund is the City's primary unrestricted source of funds and its primary and largest operating budget fund. This fund is used to record all resource inflows and outflows that are not associated with special-purpose funds or ratepayer funds. The activities being paid for through the General Fund constitute the core administrative and operational tasks of the City. Morro Bay's General Fund accounts for the majority of City departments' operating budgets, funding staffing, supplies and services required to provide core City services. Departments funded by the General Fund include City Attorney, City Council, City Manager's Office (including Clerk and HR), Community Development, the Finance Division of Administrative Services, Fire, Police, the Administration, Engineering, and Consolidated Maintenance Divisions of Public Works, and the Recreation Services Division.

Summary

The City of Morro Bay is projecting **\$20.2 million of revenue** in FY 2025-26, representing a 3% decrease over the prior year's amended budget. As with FY 2024-25, the City is delaying budgeting for mutual aid activity until mid-year due to the challenge of predicting fire season demands. For FY 2024-25, projected mutual aid reimbursement totals approximately \$1 million. After adjusting for mutual aid, the actual change over FY 2024-25 is an increase of \$0.6 million or 2.7%. **Budgeted expenditures are projected to decrease by 0.6% to \$21.5 million** in FY 2025-26, including transfers and one-time expenditures. The expenditure budget net one-time expenditures is \$20.1 million, similar to FY 2024-25 Amended Budget.

Approximately **\$2.3 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, \$0.95 million is earmarked for Information Technology and Risk Management services for the General Fund, \$100K is allocated to the General Government Vehicle Replacement Fund, and \$10K is allocated to the General Fund Compensable Leave Fund. The remaining \$1.3 million represents the General Fund's investment in capital improvements.

Ongoing General Fund revenues are approximately **\$20.2 million** and ongoing General Fund expenditures are approximately **\$20.1 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 2025-26 General Fund revenues and fund transfers are estimated to decrease by 3% from the FY 2024-25 amended budget. This reflects the change in how the City budgets Mutual Aid response (deferring that budget until mid-year, when actual reimbursable costs are known post-fire season). 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 **\$6 million, up 5.6%** from the prior year amended figures.

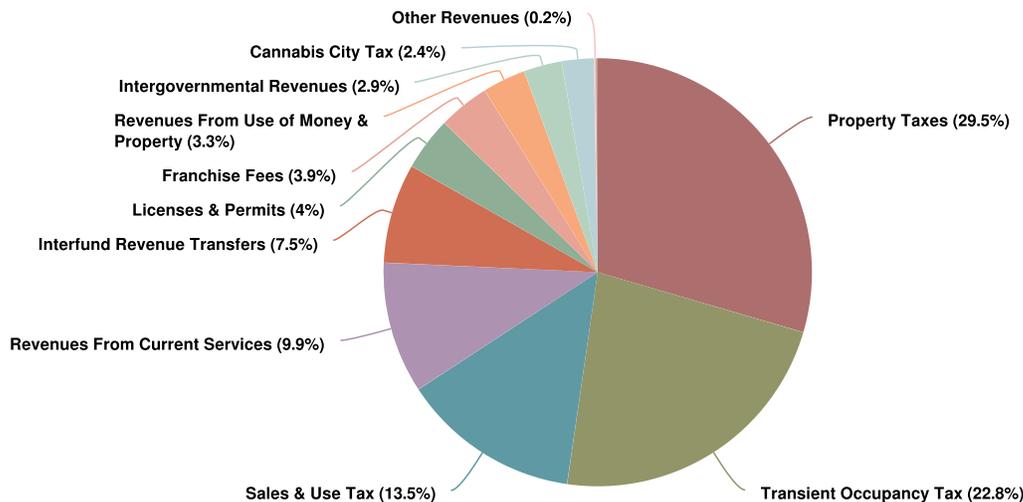
Transient Occupancy Tax (TOT) - Visit Morro Bay provides TOT revenue input which staff compares against HdL estimates and prior year actuals. Revenues are estimated at approximately **\$4.6 million, up 2%** from the prior year budget.

Sales Tax - HdL, the City's sales tax consultant, provided sales tax revenue estimates. Revenues are estimated at approximately **\$2.7 million, up 3.6%** from the prior year amended budget, but slightly lower than FY 2024 actuals. The budgeted amount is equal to approximately 95% of HdL's forecast, to provide a conservative buffer in case growth slows more quickly or significantly than anticipated. HdL expects that growth will remain around 2-3% for the near term.

Interfund Revenue Transfers - This budget **declined 6.3%** due to one-time revenue transfers in FY 2024-25 from the American Rescue Plan Act (ARPA) and Governmental Impact Fees funds. This year, interfund revenue transfers are comprised of cost allocation plan contributions for internal services and Highway User Tax funds.

Revenues from Current Services - This category includes revenues from recreation activities, Community Development Department planning & building activities, Fire Department mutual aid revenues, and other smaller items. Estimated Revenues from Current Services are **\$2.1 million, down 33%** from the prior year's amended budget. Again, this reduction is largely due to the delay in budgeting mutual aid reimbursement, which ranges from \$0.5 - \$1.0 million each year. Many of these revenue sources are proposed to be increased at the recommendation of the City's forthcoming fee study, which may result in higher revenue than this budget projects.

Projected 2026 Revenues by Source



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Property Taxes	\$4,981,027	\$5,275,945	\$5,554,565	\$5,642,154	\$5,958,944	5.6%
Intergovernmental Revenues	\$97,661	\$213,615	\$359,378	\$206,196	\$579,489	181%



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Sales & Use Tax	\$2,753,611	\$2,739,864	\$2,777,093	\$2,632,000	\$2,725,761	3.6%
Cannabis City Tax	\$512,944	\$502,149	\$469,133	\$490,000	\$490,000	0%
Transient Occupancy Tax	\$4,255,140	\$4,681,648	\$4,473,923	\$4,500,000	\$4,590,000	2%
Franchise Fees	\$641,869	\$698,791	\$782,158	\$747,380	\$781,155	4.5%
Licenses & Permits	\$776,179	\$772,710	\$826,633	\$845,000	\$817,000	-3.3%
Revenues From Current Services	\$2,420,295	\$2,244,283	\$2,226,236	\$3,075,290	\$2,000,775	-34.9%
Fines & Forfeitures	\$22,062	\$27,056	\$34,193	\$31,090	\$23,627	-24%
Other Revenues	\$330,052	\$369,026	\$667,671	\$293,840	\$30,980	-89.5%
Revenues From Use of Money & Property	\$593,997	\$615,133	\$914,747	\$773,000	\$658,000	-14.9%
Interfund Revenue Transfers	\$1,224,866	\$3,088,584	\$2,060,218	\$1,620,639	\$1,518,991	-6.3%
Total Revenue Source:	\$18,609,703	\$21,228,805	\$21,145,947	\$20,856,590	\$20,174,722	-3.3%

Expenditures by Expense Type

The total General Fund budget for FY 2025-26 is **\$21.5 million, essentially flat** with an increase of only 0.2% from the prior year's amended budget. Net of one-time expenditures, the FY 2025-26 General Fund ongoing operating budget is approximately **\$20.1 million**.

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

Personnel - Only minor position changes are requested in the General Fund for FY 2025-26. These include the conversion of four part-time maintenance positions (2.0 FTE) to one full-time Maintenance Worker III position (1.0 FTE), largely offset by the reduction in part-time costs. This change is due to difficulties in finding qualified candidates willing to accept part-time work. Other minor position changes are included in this budget which result in a nominal or neutral budget impact, including advancing an existing planner to the next tier of their career series and converting an Administrative Sergeant position to Police Commander.

Beginning with the FY 2024-25 budget, the City entered into three-year bargaining agreements with the City's employee groups, resulting in significant increases in salaries and benefits meant to compete with the rising cost of living and prevent unnecessary turnover. New in this year's budget, the City has included a 3% vacancy factor to more accurately budget for General Fund personnel costs. Overall, the personnel budget is increasing 2.7% over the prior year amended budget.

Supplies - Supplies budgets have decreased by 23.5% from the prior year, normalizing after significant investment in Fire and Police apparatus in FY 2024-25.

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

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	\$10,000	One-time
General Government Vehicle Replacement	\$100,000	One-time
Total	\$110,000	

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	\$874,412	Ongoing
Risk Management Fund	\$78,223	Ongoing
Total	\$952,635	

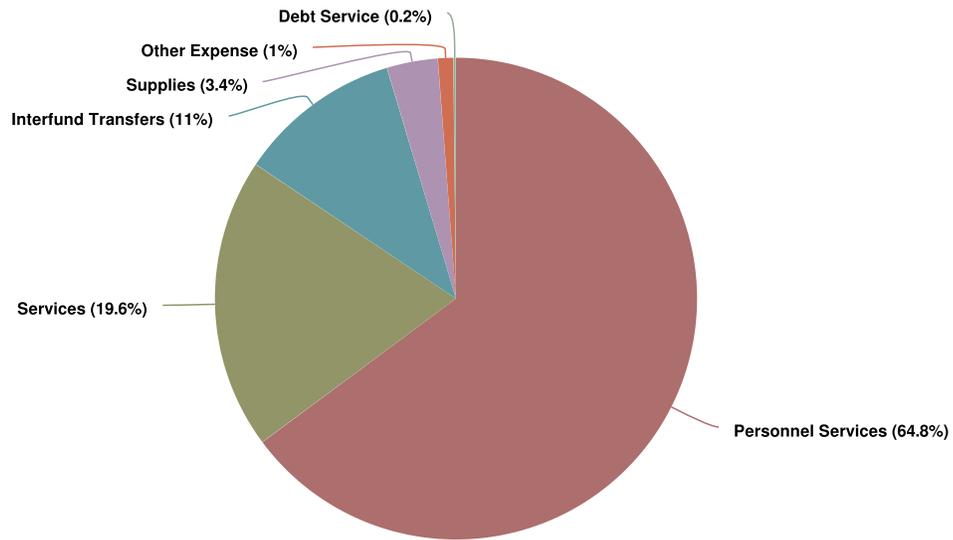
Transfers to Capital Improvement Projects

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

Project	Amount	One-Time/Ongoing
Annual Storm Drain Replacement	\$300,000	One-time
Annual Pavement Management Plan	\$1,000,000	One-time
Total	\$1,300,000	



Budgeted Expenditures by Expense Type



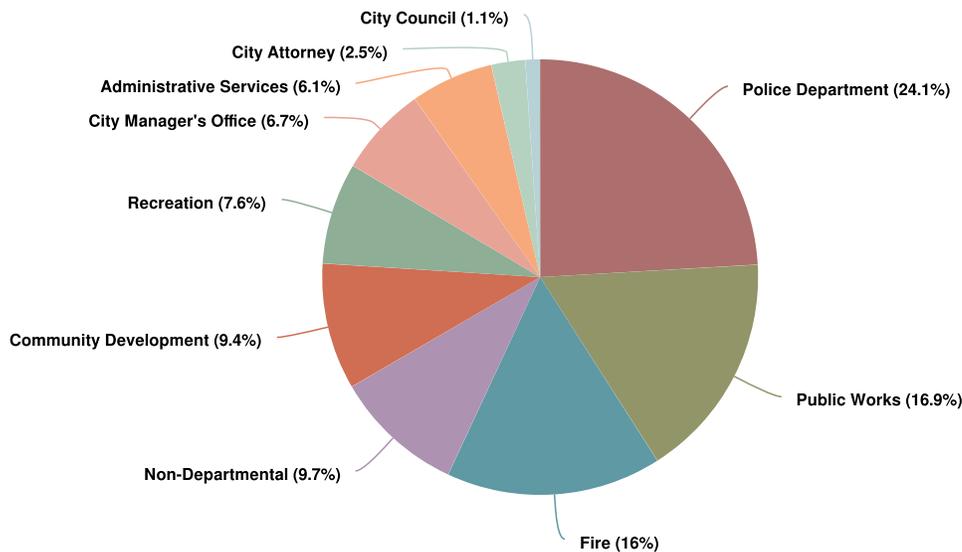
Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$10,351,919	\$12,129,881	\$12,450,409	\$13,617,951	\$13,963,320	2.5%
Supplies	\$600,869	\$749,177	\$728,921	\$960,222	\$734,989	-23.5%
Other Expense	\$52,371	\$205,500	\$532,754	\$272,046	\$224,581	-17.4%
Services	\$3,504,596	\$4,425,271	\$4,273,368	\$4,336,975	\$4,211,743	-2.9%
Capital Outlay	\$4,002	\$101,742	\$133,421	\$132,133	\$0	-100%
Debt Service	\$35,076	\$1,233,788	\$35,189	\$35,190	\$35,190	0%
Interfund Transfers	\$1,289,688	\$2,566,190	\$5,306,815	\$2,133,059	\$2,362,635	10.8%
Total Expense Objects:	\$15,838,521	\$21,411,549	\$23,460,876	\$21,487,576	\$21,532,458	0.2%

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, the Harbor Department, which is funded by the Harbor Fund and the Measure Q&E Fund, and the Information Technology division, which is funded by the Information Technology Fund).

The primary change in FY 2025-26 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 2024-25 Amended Budget to the FY 2025-26 budget. Highlights of anomalous changes are below, with much greater detail on all departmental budgets in the *Departments* section of the budget document.

- **City Council** - The FY 2024-25 budget included \$50,000 for Community Grants of one-time expenditures offset by ARPA revenue recovery. The ARPA funding was fully expended in FY 2024-25, therefore the one-time expenditures for Community Grants is decreased to \$35,000. Additionally, the election of new councilmembers resulted in increased health benefits costs. The overall result is a budget decrease of 3.5%.
- **City Attorney** - During FY 2024-25, the City Council voted to bring city attorney services back in-house rather than continuing to contract with an outside legal firm. This change is driving the increase in expenditures for FY 2025-26.
- **Fire** - The FY 2025-26 budget does not include estimates for mutual aid reimbursable costs, which will be added via a midyear budget adjustment when costs are known. This change in protocol is artificially inflating the negative percent change over prior year amended budget, which includes nearly \$0.8 million in mutual aid expenditures.
- **Community Development** - The FY 2025-26 budget includes \$375,000 of grant reimbursable expenditures for the Waterfront Master Plan.

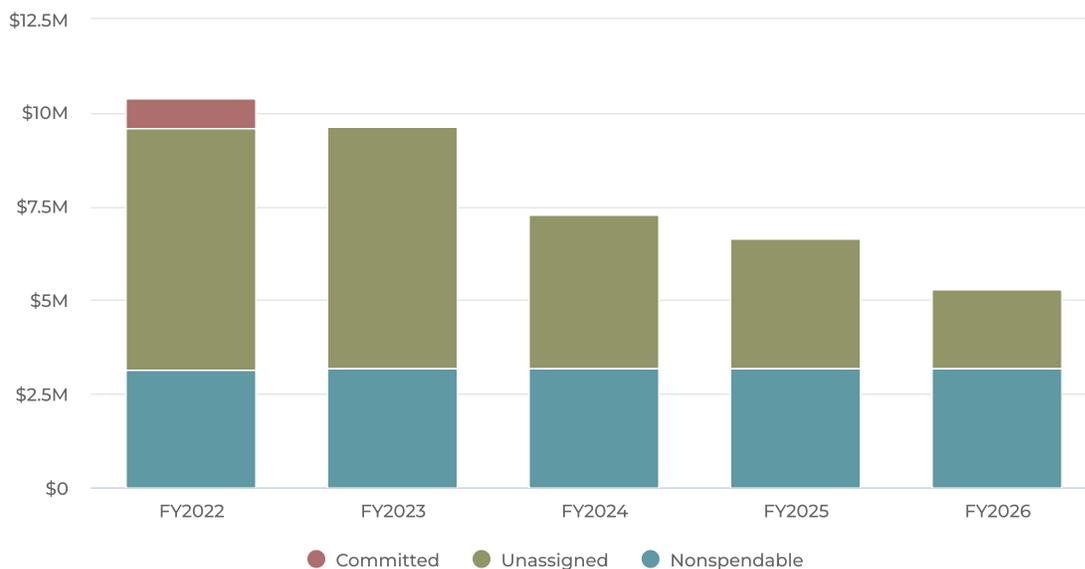
Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expenditures						
City Council	\$108,114	\$159,494	\$193,612	\$243,665	\$235,137	-3.5%
City Manager's Office	\$890,770	\$1,244,805	\$1,162,351	\$1,465,144	\$1,441,730	-1.6%
City Attorney	\$498,343	\$501,437	\$578,556	\$512,872	\$540,088	5.3%
Administrative Services	\$865,646	\$1,036,368	\$1,032,399	\$1,336,923	\$1,324,136	-1%
Police Department	\$3,582,230	\$4,143,291	\$4,207,772	\$4,749,875	\$5,186,992	9.2%
Fire	\$2,764,102	\$3,298,872	\$3,239,564	\$3,990,392	\$3,438,342	-13.8%
Public Works	\$2,607,967	\$3,644,219	\$3,171,250	\$3,358,412	\$3,634,088	8.2%
Community Development	\$1,401,346	\$1,584,349	\$1,838,651	\$1,593,422	\$2,019,166	26.7%
Recreation	\$1,210,309	\$1,298,201	\$1,342,232	\$1,597,514	\$1,625,967	1.8%
Non-Departmental	\$1,909,695	\$4,500,512	\$6,694,488	\$2,639,357	\$2,086,813	-20.9%
Total Expenditures:	\$15,838,521	\$21,411,549	\$23,460,876	\$21,487,576	\$21,532,458	0.2%

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 **\$2.8 million** at the end of FY 2025-26. 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. Absent a sizable operating surplus, available fund balance will continue to be relied upon to fund general governmental capital projects.

Projections



Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Unassigned	\$6,412,000	\$6,449,291	\$4,098,355	\$3,467,112	\$2,109,376	-39.2%
Committed	\$798,000	\$0	\$0	\$0	\$0	0%
Nonspendable	\$3,163,000	\$3,189,840	\$3,189,739	\$3,190,000	\$3,190,000	0%
Total Fund Balance:	\$10,373,000	\$9,639,131	\$7,288,094	\$6,657,112	\$5,299,376	-20.4%

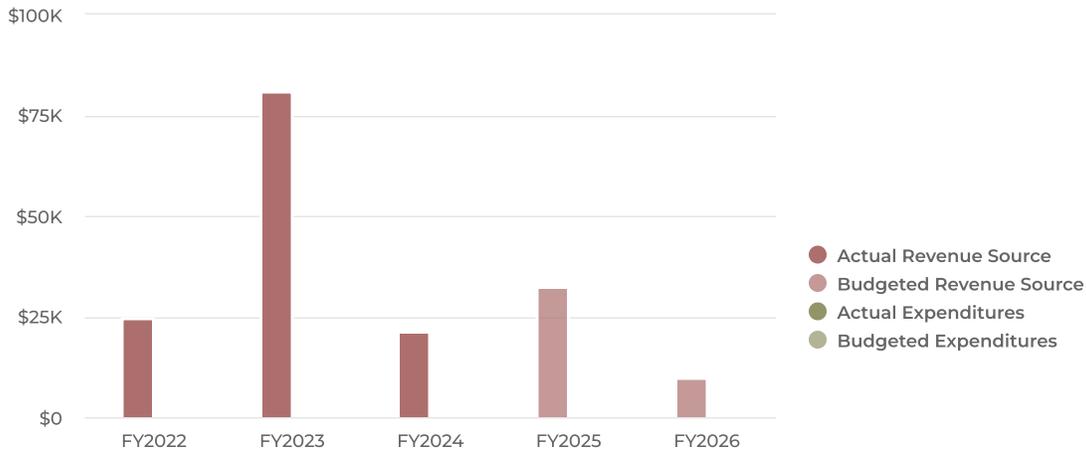


General Government Compensable Leave Fund (005)

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 **\$10K** of revenue in FY 2025-26, 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 \$10,000 from the General Fund in FY 2025-26.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Unfunded Compensable Leave	\$25,000	\$81,000	\$21,500	\$32,677	\$10,000	-69.4%
Total Unfunded Compensable Leave:	\$25,000	\$81,000	\$21,500	\$32,677	\$10,000	-69.4%

Fund Balance

The projected fund balance at the end of FY 2025-26 is **\$318K**, or approximately **30 percent of the liability** for compensated absences as defined in the FY 2023-24 ACFR.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Committed	\$173,000	\$254,155	\$275,655	\$308,332	\$318,332	3.2%
Total Fund Balance:	\$173,000	\$254,155	\$275,655	\$308,332	\$318,332	3.2%

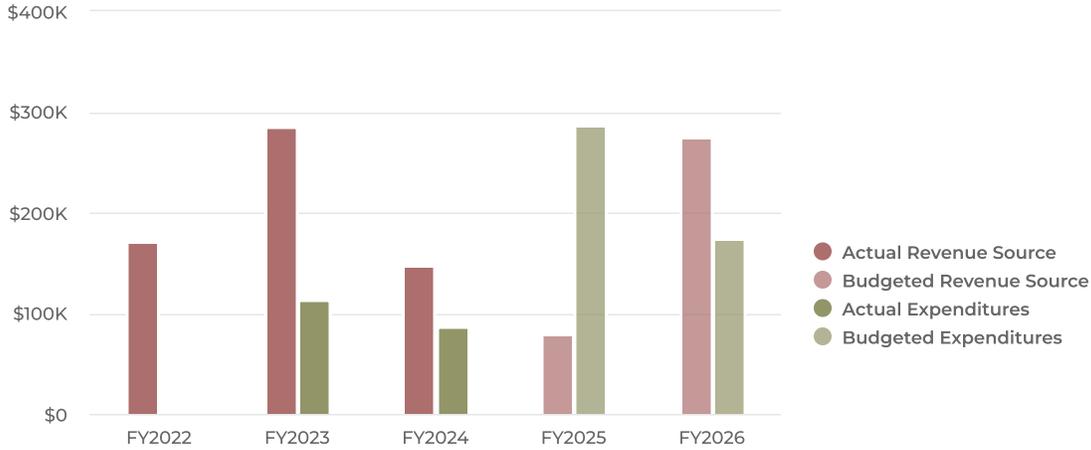


General Fund Vehicle Replacement Fund (050)

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 **\$175K** in revenues and expenditures for FY 2025-26.



Revenue by Fund

Revenues in this fund are transfers from the General Fund and Measure Q/E Fund. In FY 2025-26, **\$175K** of interfund revenue transfer is proposed to fund the replacement of two vehicles: one patrol vehicle for Police and one dump truck for Consolidated Maintenance. The source of funding is Measure Q/E.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Gen. Gov. Vehicle Replacement	\$172,018	\$285,347	\$147,544	\$80,000	\$275,000	243.8%
Total Gen. Gov. Vehicle Replacement:	\$172,018	\$285,347	\$147,544	\$80,000	\$275,000	243.8%

Expenditures by Fund

The FY 2025-26 budget includes proposed expenditures for the **replacement of two vehicles**, one for Police and one for Consolidated Maintenance. Using State of California vehicle replacement standards, the majority of the City's fleet is eligible for replacement. The patrol vehicle in Police will be retired and used by the Community Services Officer. The 2008 dump truck in Consolidated Maintenance will be transferred to the Utilities Division to maximize the value of that aging asset.



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Gen. Gov. Vehicle Replacement	\$0	\$114,450	\$87,000	\$287,961	\$175,000	-39.2%
Total Gen. Gov. Vehicle Replacement:	\$0	\$114,450	\$87,000	\$287,961	\$175,000	-39.2%

Fund Balance

The fund balance at the end of FY 2025-26 is anticipated to be **\$693K**. In the coming years, contributions to this fund will be required to meet Council's reserve threshold for its general governmental vehicles.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Committed	\$570,000	\$740,672	\$801,216	\$593,255	\$693,255	16.9%
Total Fund Balance:	\$570,000	\$740,672	\$801,216	\$593,255	\$693,255	16.9%



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

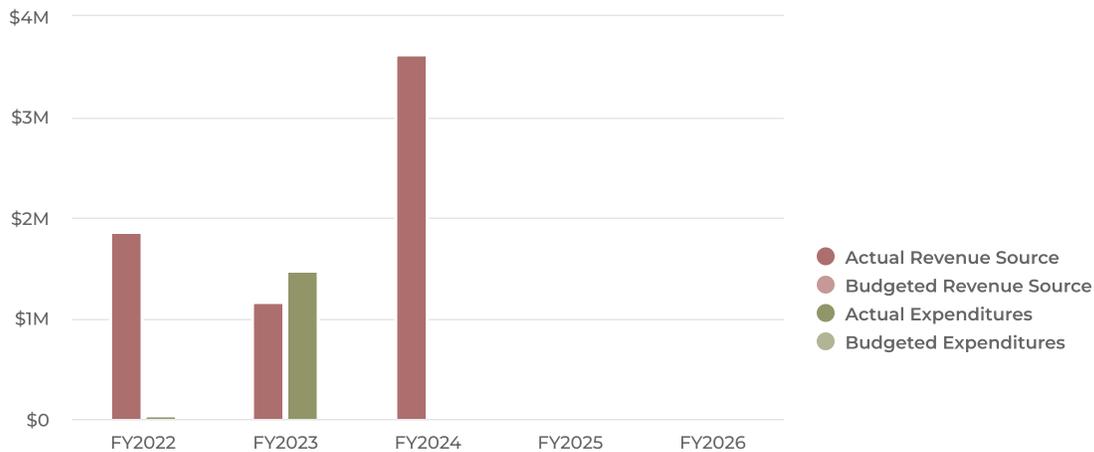
No revenues or expenditures are proposed for FY 2025-26.

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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Revenues From Use of Money & Property	\$28,335	\$79,503	\$340,343	\$0	\$0	0%
Interfund Revenue Transfers	\$1,831,250	\$1,087,000	\$3,292,000	\$0	\$0	0%
Total Revenue Source:	\$1,859,585	\$1,166,503	\$3,632,343	\$0	\$0	0%



Fund Balance

Based on the FY 2025-26 proposed budget, the General Fund Emergency Reserve minimum balance should be **\$7.8 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 2025-26, the combined total of the GFER Fund and available fund balance in the General Fund is projected to equal **42% of operating expenses** (General Fund and Measure E combined). The projected GFER Fund balance at the end of FY 2025-26 is **\$7.5 million**.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Committed	\$4,187,000	\$3,868,082	\$7,500,425	\$7,650,425	\$7,650,425	0%
Total Fund Balance:	\$4,187,000	\$3,868,082	\$7,500,425	\$7,650,425	\$7,650,425	0%

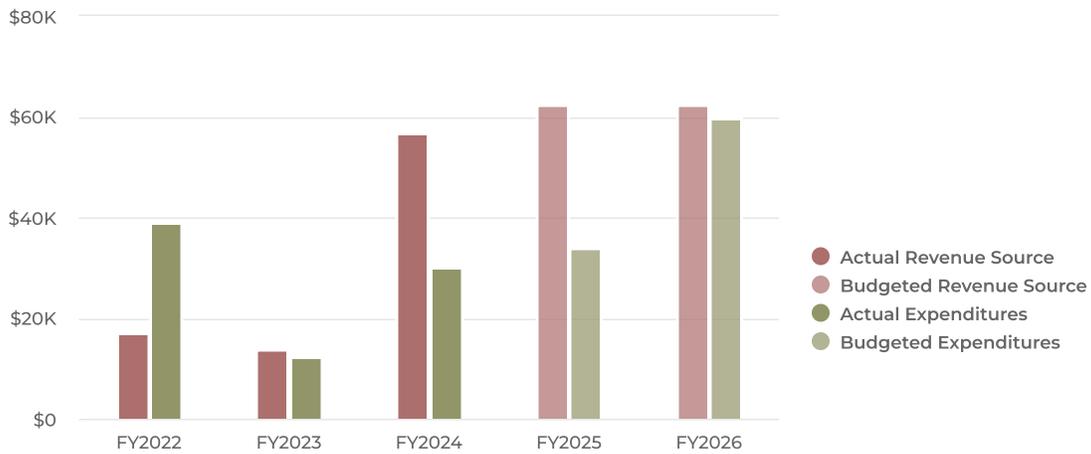


General Fund Facility Maintenance Fund (052)

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 2025-26, a 0% increase over the prior year, and **\$60,000** of expenditures, a 76.5% increase over prior year.



Revenue by Fund

FY 2025-26 projected revenues are approximately **\$62.5K**, based on the two leases at 781 Market Avenue.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
G/F Facility Maintenance Fund	\$17,118	\$13,823	\$56,975	\$62,592	\$62,592	0%
Total G/F Facility Maintenance Fund:	\$17,118	\$13,823	\$56,975	\$62,592	\$62,592	0%

Expenditures by Fund

FY 2025-26 expenditures are proposed to be used to recarpet City Hall.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
G/F Facility Maintenance Fund	\$38,998	\$12,433	\$30,230	\$34,000	\$60,000	76.5%
Total G/F Facility Maintenance Fund:	\$38,998	\$12,433	\$30,230	\$34,000	\$60,000	76.5%

Fund Balance

City Council reserve policies have established the minimum balance for this fund at **\$50,000** and the target level at **\$75,000**. The projected fund balance at the end of FY 2025-26 is **\$136K**, which exceeds the reserve policy.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Committed	\$76,000	\$77,981	\$104,726	\$133,318	\$135,910	1.9%
Total Fund Balance:	\$76,000	\$77,981	\$104,726	\$133,318	\$135,910	1.9%

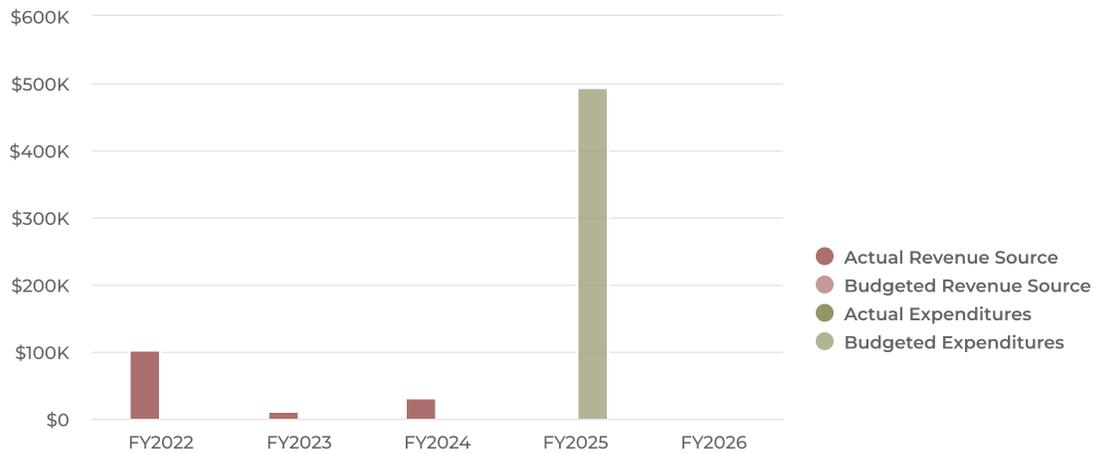


General Fund Capital Accumulation Fund (460)

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

No revenues or expenditures are planned for FY 2025-26. In FY 2024-25, a transfer out of this fund was made to support the Annual Pavement Management Program.



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 2025-26.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Capital Accumulation Fund	\$103,530	\$12,759	\$33,723	\$0	\$0	0%
Total Capital Accumulation Fund:	\$103,530	\$12,759	\$33,723	\$0	\$0	0%

Expenditures by Fund

No expenditures are requested for FY 2025-26.

Name	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Capital Accumulation Fund	\$3,472	\$0	\$494,579	\$0	-100%
Total Capital Accumulation Fund:	\$3,472	\$0	\$494,579	\$0	-100%



Fund Balance

The projected fund balance at the end of FY 2025-26 is **\$160K**. 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.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Unassigned	\$612,000	\$621,166	\$654,889	\$160,310	\$160,310	0%
Total Fund Balance:	\$612,000	\$621,166	\$654,889	\$160,310	\$160,310	0%

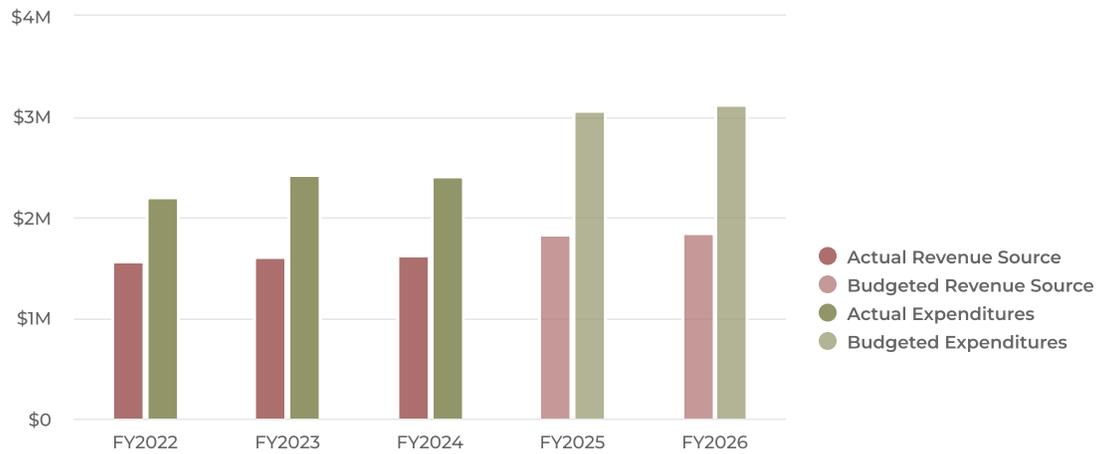


Internal Service Funds

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

Summary

- The City of Morro Bay is projecting **\$3 million of revenue** in FY 2025-26, 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 2025-26.



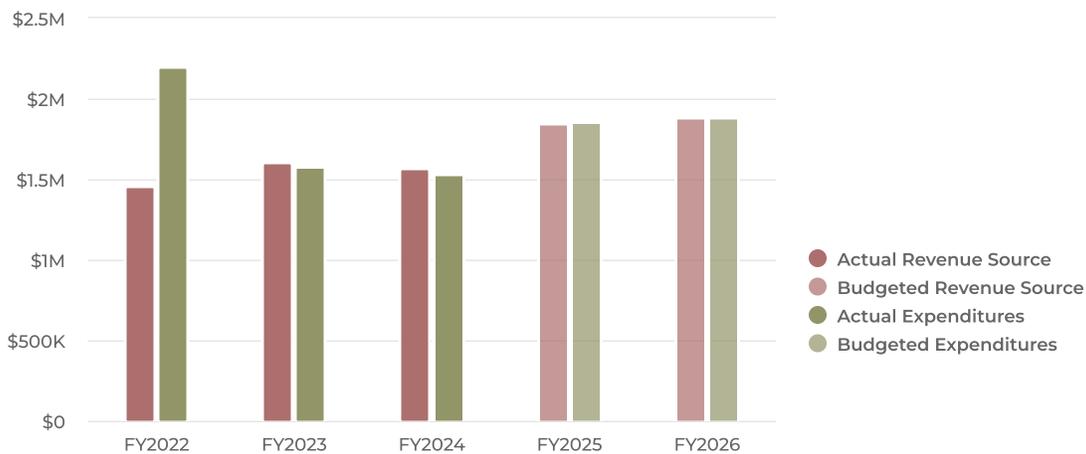


Risk Management Fund (430)

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 expenditures in FY 2025-26, on par with 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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Risk Management						
Other Revenues	\$1,442,474	\$1,488,704	\$1,472,011	\$1,750,722	\$1,767,307	0.9%
Revenues From Use of Money & Property	\$2,415	\$19,066	\$7,393	\$0	\$0	0%
Interfund Revenue Transfers	\$21,125	\$106,366	\$91,001	\$97,802	\$118,794	21.5%
Total Risk Management:	\$1,466,014	\$1,614,136	\$1,570,405	\$1,848,524	\$1,886,101	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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$101,993	\$89,198	\$61,183	\$103,275	\$106,620	3.2%
Supplies	\$0	\$0	\$0	\$0	\$10,500	N/A
Other Expense	\$0	\$1,791	\$0	\$0	\$0	0%
Services	\$1,402,375	\$1,489,935	\$1,472,183	\$1,761,817	\$1,768,782	0.4%
Interfund Transfers	\$700,000	\$0	\$0	\$0	\$0	0%
Total Expense Objects:	\$2,204,368	\$1,580,924	\$1,533,366	\$1,865,092	\$1,885,902	1.1%

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 2025-26 with a fund balance of approximately **\$930K**, which **exceeds the minimum** reserve level and almost meets the target level.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Committed	\$923,000	\$940,035	\$946,322	\$929,754	\$929,953	0%
Total Fund Balance:	\$923,000	\$940,035	\$946,322	\$929,754	\$929,953	0%

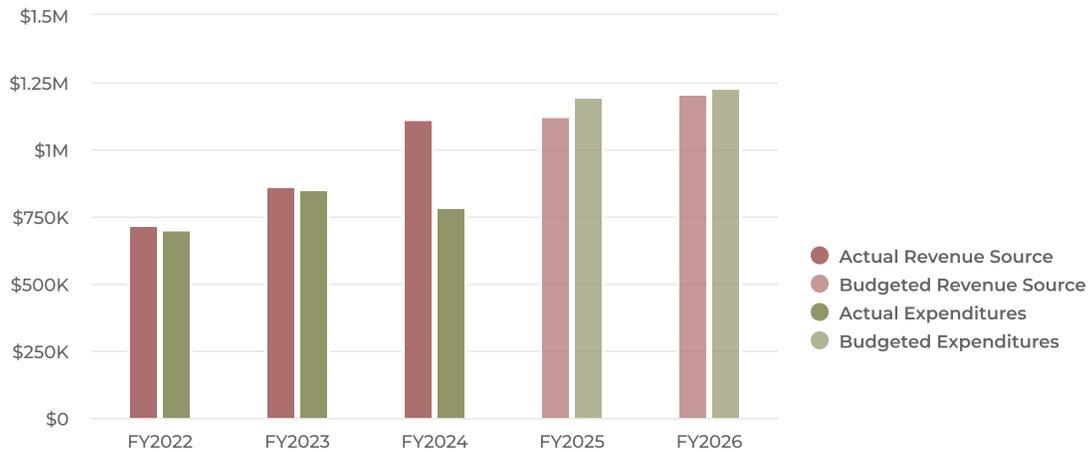


Information Technology Fund (450)

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

Summary

The City of Morro Bay is projecting **\$1.2 million** of revenues and **\$1.2 million** of expenditures in FY 2025-26.

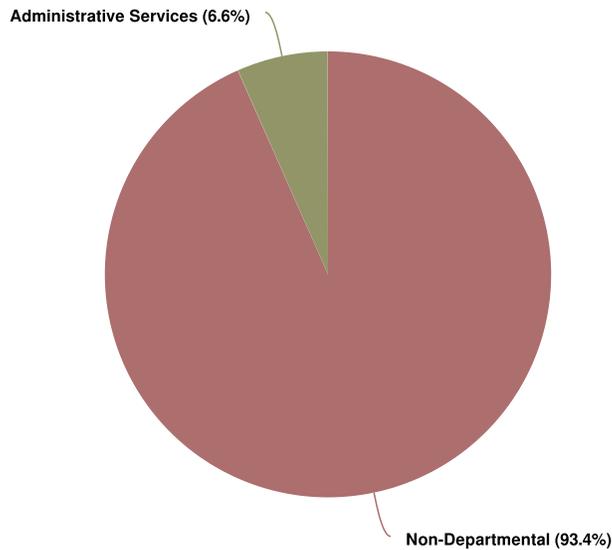


Revenue by Department

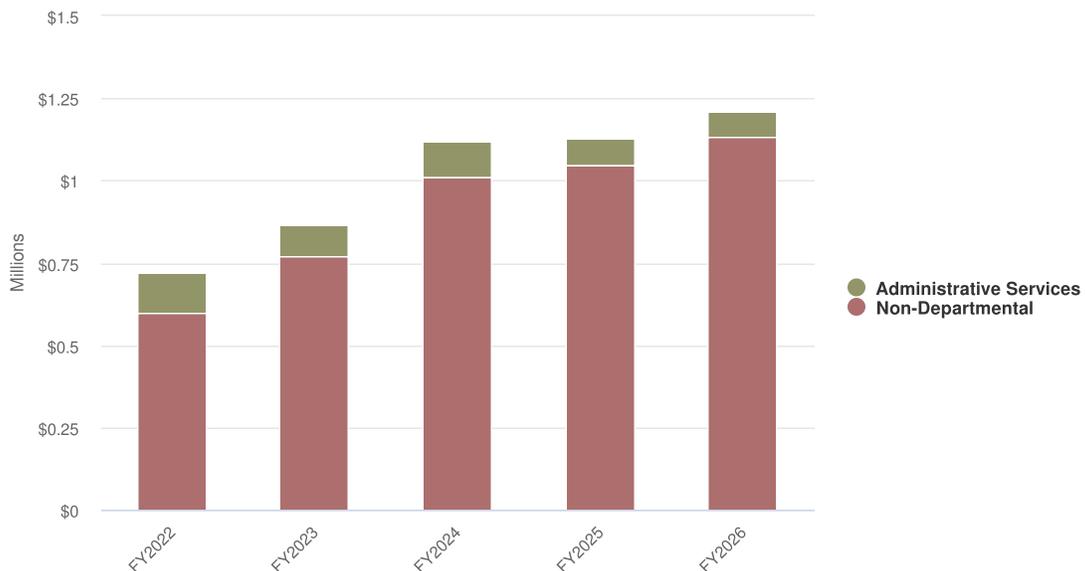
The primary revenue source for the Information Technology fund is transfers from other City funds that utilize information technology services, including the General Fund, the Measure E Fund, and several enterprise funds. These transfers are increasing in FY 2025-26 to account for the increasing cost 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 2026 Revenue by Department



Budgeted and Historical Revenue by Department



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue						
Administrative Services	\$125,102	\$95,254	\$108,410	\$80,000	\$80,000	0%
Non-Departmental	\$597,581	\$768,905	\$1,009,849	\$1,047,492	\$1,130,966	8%
Total Revenue:	\$722,683	\$864,160	\$1,118,259	\$1,127,492	\$1,210,966	7.4%

Expenditures by Expense Type

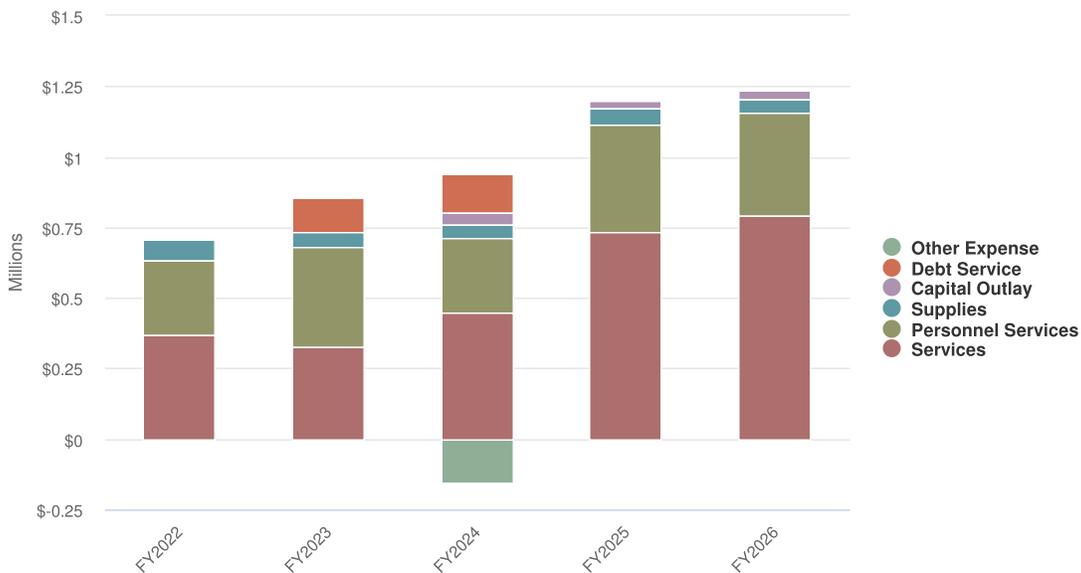
The FY 2025-26 nominal budget increase reflects adding resources to modernize some of the City's aging information technology systems, to address evolving software needs that enhance customer service, and to keep pace with growing needs, including but not limited to cybersecurity priorities and business 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 2025-26 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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$267,010	\$356,757	\$264,135	\$382,558	\$364,941	-4.6%
Supplies	\$74,897	\$50,674	\$48,273	\$56,038	\$49,038	-12.5%
Other Expense	\$0	\$0	-\$152,270	\$0	\$0	0%
Services	\$366,342	\$325,043	\$445,754	\$731,673	\$790,698	8.1%
Capital Outlay	\$0	\$0	\$42,058	\$28,700	\$28,700	0%
Debt Service	\$0	\$123,704	\$139,616	\$0	\$0	0%
Total Expense Objects:	\$708,249	\$856,177	\$787,565	\$1,198,968	\$1,233,377	2.9%

Fund Balance

The projected fund balance at the end of FY 2025-26 is approximately **\$584K**. 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	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Committed	\$367,000	\$382,320	\$655,826	\$584,350	\$561,939	-3.8%
Total Fund Balance:	\$367,000	\$382,320	\$655,826	\$584,350	\$561,939	-3.8%



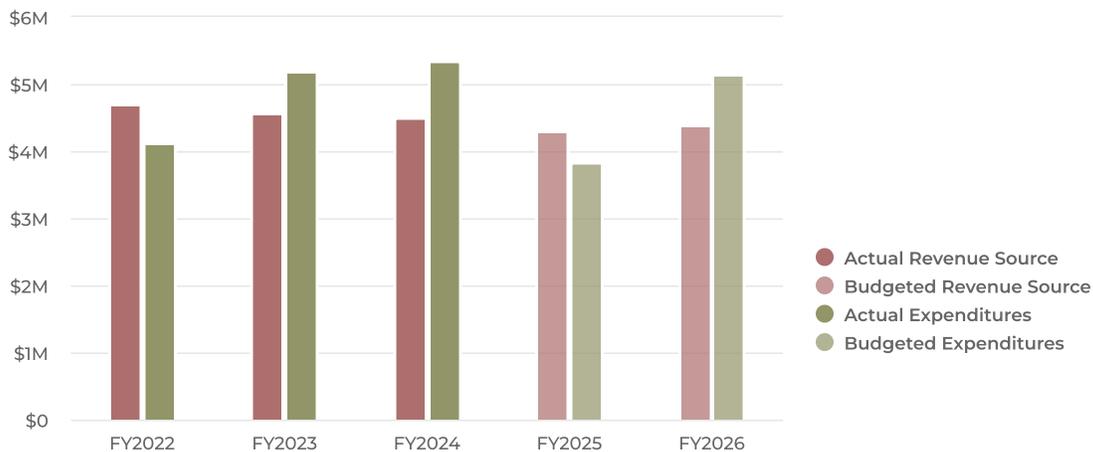
Measure Q & E Fund (003)

The Measure Q/E Fund is a major governmental fund that tracks the receipt and expenditure of the one-and-one-half (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.

Summary

The City of Morro Bay is projecting **\$4.4 million** of revenue in FY 2025-26, which represents a 2% increase over the prior estimated actuals. Budgeted expenditures are projected to increase by 34% to **\$5.2 million** in FY 2025-26.

Projected revenues exceed proposed expenditures by approximately \$0.8 million. The increase in expenditures over the prior year is a result of utilizing available fund balance in 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. The fund balance increased due to the return of \$1.2 million in prior year contributions to the project for the Highway 41-Highway 1-Main Street intersection.

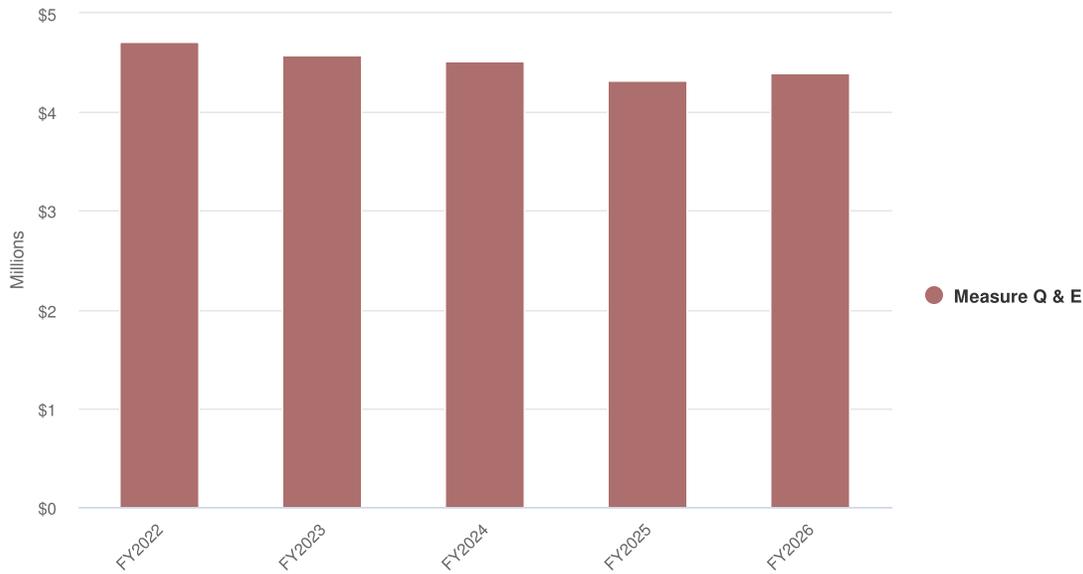


Revenue

The City uses HdL Companies, which specializes in tax revenue for municipalities in California, to provide sales tax projections, including Measure Q/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 2025-26 proposed revenue budget is equal to 97.7% of HdL's projected revenues to ensure a sufficiently conservative forecast. This is in response to a leveling off of sales tax revenue growth in FY 2023-24 and FY 2024-25. 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 2025-26 and beyond.

Budgeted and Historical Measure Q/E Revenue



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Measure Q & E	\$4,710,089	\$4,578,570	\$4,519,482	\$4,313,735	\$4,400,000	2%
Total Measure Q & E:	\$4,710,089	\$4,578,570	\$4,519,482	\$4,313,735	\$4,400,000	2%

Revenues by Source

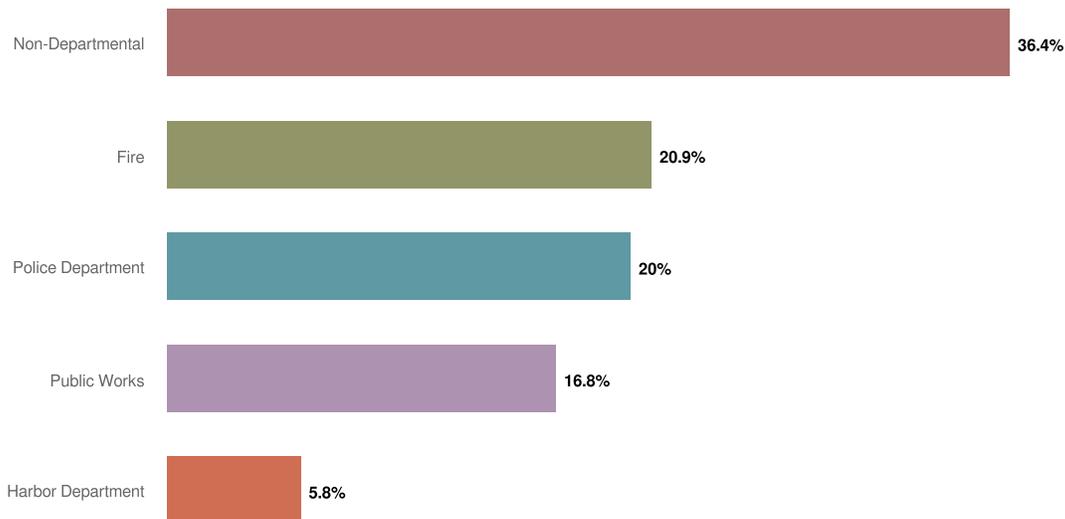
Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Sales & Use Tax	\$4,702,916	\$4,566,654	\$4,509,073	\$4,313,735	\$4,400,000	2%
Revenues From Use of Money & Property	\$7,173	\$11,916	\$10,409	\$0	\$0	0%
Total Revenue Source:	\$4,710,089	\$4,578,570	\$4,519,482	\$4,313,735	\$4,400,000	2%

Expenditures by Department

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

1. Maintain public safety services by funding staff positions that are most closely aligned with the purposes of the Measure Q/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.

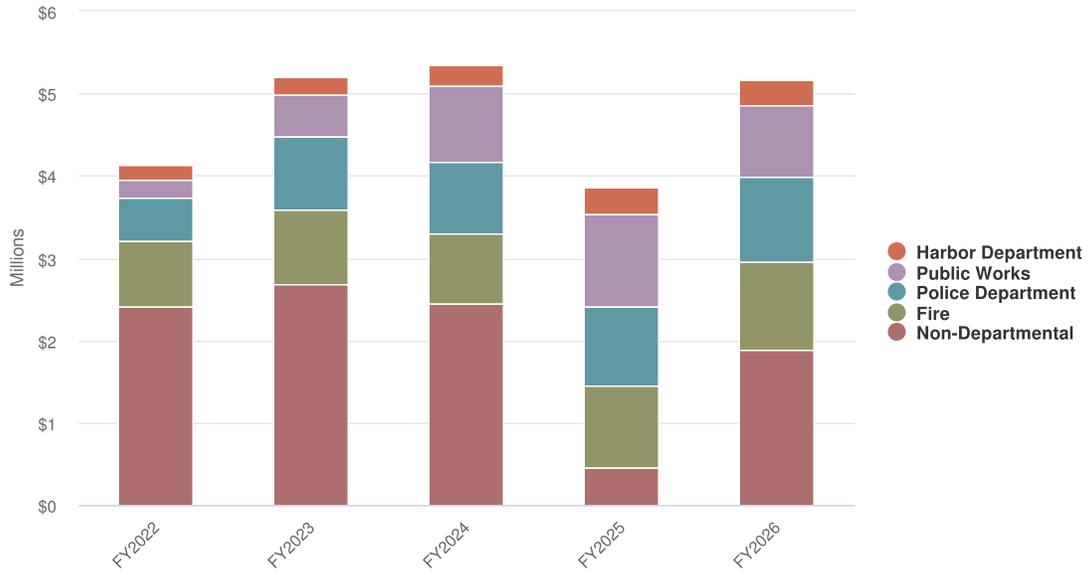
Police Department	
Change for FY 2025-26	7.8% increase over FY 2024-25 amended budget

Police Department	
Funded Positions (Staffing)	<p>1 Police Sergeant, 2 Police Officers, 1 non-sworn Community Services Officer (CSO), 1 Property Evidence Clerk.</p> <p>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.</p>
Supplies & Services	<ul style="list-style-type: none"> o Mobile Data Centers for patrol vehicles (\$40,000) o Tasers (\$23,046) o 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). o 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) o 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) o Maintenance Contract (\$29,463)
Fire Department	
Change for FY 2025-26	8.5% increase over FY 2024-25 amended budget
Funded Positions (Staffing)	<p>1 Captain-Paramedic, 2 Engineer-Paramedic, 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. Note: Mutual Aid financial activity is tracked entirely in the General Fund.</p>
Supplies & Services	None.
Public Works Department	
Change for FY 2025-26	22% decrease over FY 2024-25 amended budget



Public Works Department	
Funded Positions (Staffing)	1 Maintenance Superintendent, 2 Maintenance Workers, 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"> ▪ Painting Facilities (\$34,000) ▪ Resurface Monte Young Tennis Courts (\$36,000) ○ Streets Maintenance <ul style="list-style-type: none"> ▪ On-call street repairs/road striping (\$200,000)
Harbor Department	
Change for FY 2025-26	7% decrease over FY 2024-25 amended budget
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"> ○ First Aide Supplies (\$500) ○ New Rescue Board (\$1,000) ○ Upfitting for harbor response vehicle (\$500) ○ Uniforms and rescue equipment for lifeguard program (\$2,000) ○ Miscellaneous Operating Supplies (\$1,000) ○ 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 increased significantly by approximately 30% (\$120,000).
Non-Departmental	
Change for FY 2025-26	Overall 308% increase over FY 2024-25 amended budget, largely due to increased contributions to CIP (more detail on CIP below). <ul style="list-style-type: none"> ○ \$175,000 Transfer Out to General Governemnt Vehicle Replacement Fund for: <ul style="list-style-type: none"> ▪ Public Works Dump Truck (\$100,000) ▪ Police Department Patrol Vehicle (\$75,000)
Capital Improvement Project (CIP) contributions	The total CIP contribution from Measure E for FY 2025-26 is \$1,703,987 . These projects are presented in much greater detail in the CIP section of the budget document. <ul style="list-style-type: none"> ○ \$1,000,000 - Annual Pavement Management Program ○ \$300,000 - Sidewalks/Street Trees ○ \$86,300 Storm Drain Assessment ○ \$317,687 Police Radio Communication Upgrades

Budgeted and Historical Expenditures by Department



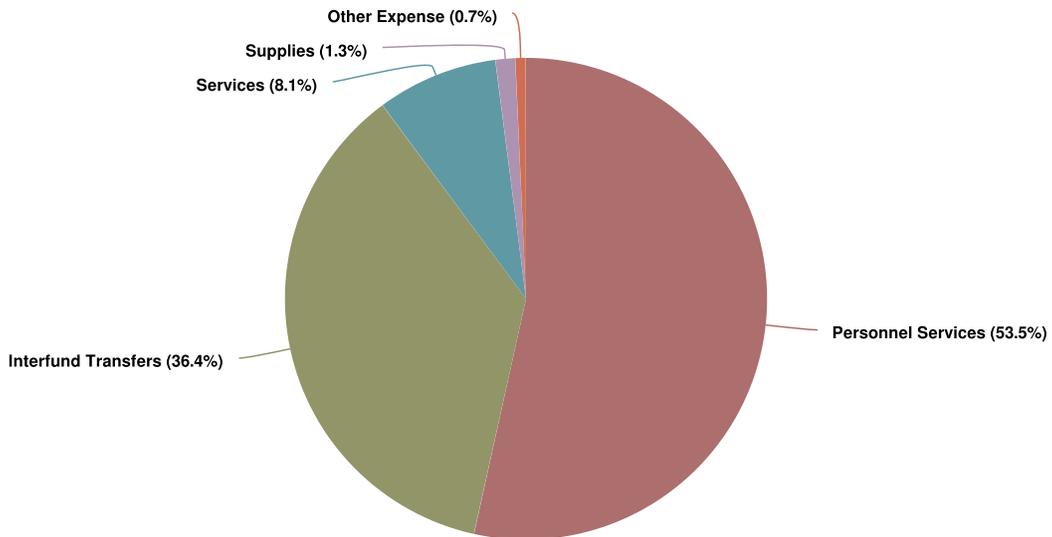
Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expenditures						
Police Department						
Personnel Services	\$401,879	\$719,235	\$723,835	\$846,826	\$906,120	7%
Supplies	\$0	\$15,731	\$17,658	\$0	\$63,046	N/A
Other Expense	\$8,784	\$18,176	\$20,691	\$36,720	\$36,720	0%
Services	\$113,823	\$129,423	\$40,323	\$47,073	\$29,463	-37.4%
Capital Outlay	\$0	\$12,605	\$75,939	\$30,000	\$0	-100%
Total Police Department:	\$524,486	\$895,170	\$878,445	\$960,619	\$1,035,350	7.8%
Fire						
Personnel Services	\$716,741	\$896,565	\$854,361	\$946,835	\$1,081,732	14.2%
Services	\$0	\$1,900	\$1,300	\$50,000	\$0	-100%
Debt Service	\$82,888	\$0	\$0	\$0	\$0	0%
Total Fire:	\$799,628	\$898,465	\$855,661	\$996,835	\$1,081,732	8.5%
Public Works						
Personnel Services	\$173,856	\$436,657	\$508,902	\$692,756	\$599,086	-13.5%
Services	\$42,235	\$57,725	\$336,232	\$420,000	\$270,000	-35.7%
Capital Outlay	\$0	\$0	\$81,216	\$0	\$0	0%
Supplies	\$4	\$0	\$0	\$0	\$0	0%
Total Public Works:	\$216,095	\$494,382	\$926,350	\$1,112,756	\$869,086	-21.9%
Harbor Department						
Personnel Services	\$48,360	\$138,560	\$124,942	\$197,397	\$175,917	-10.9%
Services	\$80,232	\$79,856	\$122,030	\$120,000	\$120,000	0%
Capital Outlay	\$48,564	\$0	\$0	\$0	\$0	0%
Supplies	\$0	\$1,057	\$4,663	\$6,300	\$5,000	-20.6%
Total Harbor Department:	\$177,157	\$219,473	\$251,635	\$323,697	\$300,917	-7%
Non-Departmental						
Personnel Services	\$0	-\$67,586	-\$154	\$0	\$0	0%
Other Expense	\$0	\$4,431	\$0	\$0	\$0	0%
Services	\$2,914	\$0	\$7,202	\$30,000	\$0	-100%
Interfund Transfers	\$2,407,126	\$2,754,000	\$2,431,234	\$430,000	\$1,878,987	337%
Total Non-Departmental:	\$2,410,040	\$2,690,844	\$2,438,282	\$460,000	\$1,878,987	308.5%
Total Expenditures:	\$4,127,406	\$5,198,334	\$5,350,373	\$3,853,907	\$5,166,071	34%



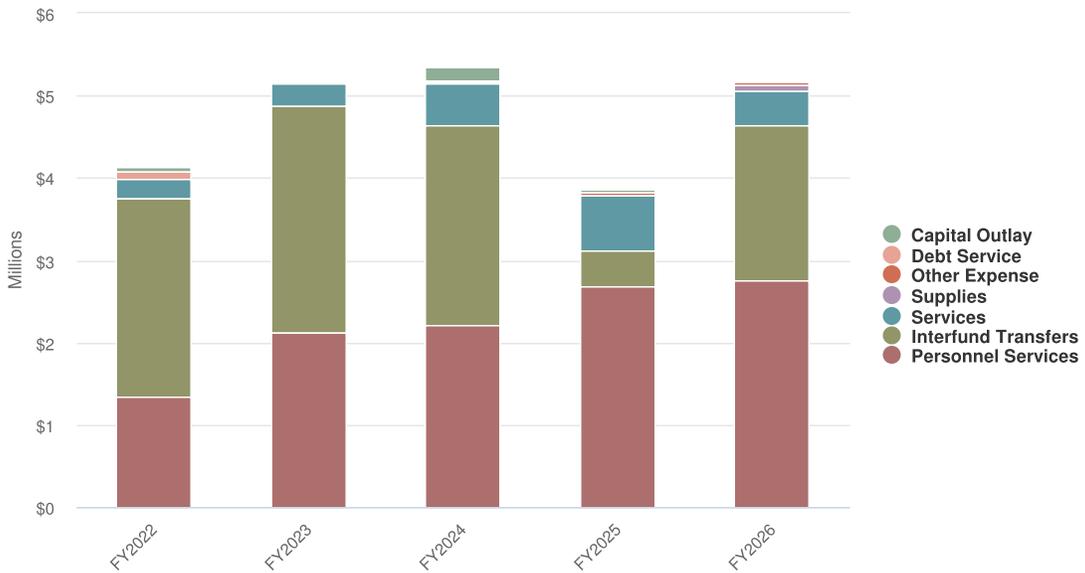
Expenditures by Expense Type

The Proposed Measure E Budget comprises **67% operating expenses and 33% capital expenses**. Note that operating expenses in FY 2025-26 include **\$200,000** for on-call street and sidewalk repair.

Budgeted Expenditures by Expense Type



Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$1,340,836	\$2,123,431	\$2,211,885	\$2,683,814	\$2,762,855	2.9%
Supplies	\$4	\$16,787	\$22,321	\$6,300	\$68,046	980.1%
Other Expense	\$8,784	\$22,607	\$20,691	\$36,720	\$36,720	0%
Services	\$239,204	\$268,904	\$507,087	\$667,073	\$419,463	-37.1%
Capital Outlay	\$48,564	\$12,605	\$157,154	\$30,000	\$0	-100%
Debt Service	\$82,888	\$0	\$0	\$0	\$0	0%
Interfund Transfers	\$2,407,126	\$2,754,000	\$2,431,234	\$430,000	\$1,878,987	337%
Total Expense Objects:	\$4,127,406	\$5,198,334	\$5,350,373	\$3,853,907	\$5,166,071	34%

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 Q/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 Q/E Fund on an ongoing basis is advisable given the somewhat volatile nature of sales tax revenues. The one-time capital costs may continue to be funded at higher levels following years of higher than anticipated revenues, and lower levels following years of lower revenues. Going forward, if expenditure growth continues to outpace revenue growth, a growing percentage of funds may be needed to support baseline operating service levels, leaving less available for capital improvements.

A fund balance of approximately **\$863K** will remain at the end of FY 2025-26, barring any unforeseen circumstances.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Committed	\$1,945,005	\$1,325,072	\$399,498	\$2,314,220	\$1,548,149	-33.1%
Nonspendable	\$0	\$0	\$51,500	\$0	\$0	0%
Total Fund Balance:	\$1,945,005	\$1,325,072	\$450,998	\$2,314,220	\$1,548,149	-33.1%

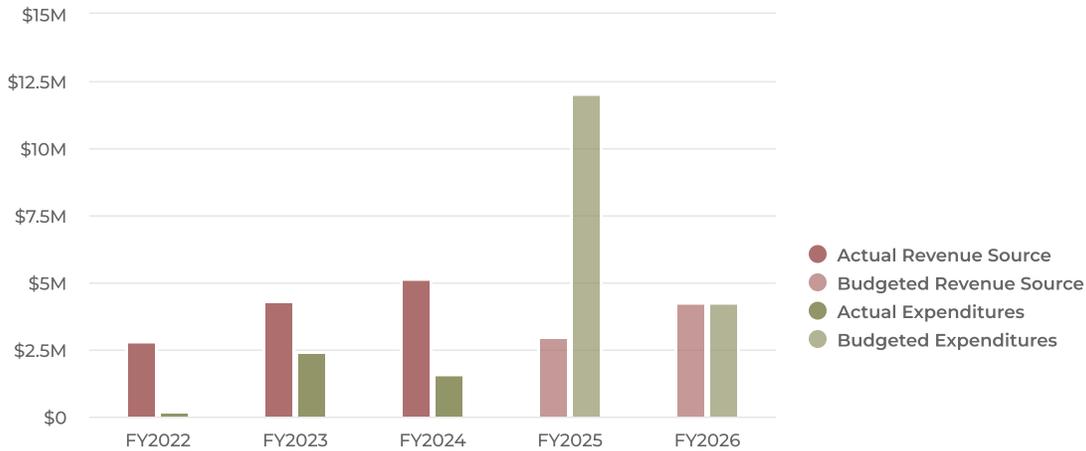


General Government Capital Projects Fund (915)

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

Summary

The City of Morro Bay is projecting **\$4.3 million** in revenue transfers in FY 2025-26. Budgeted expenditures are **\$4.3 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 2025-26, the projects are funded by the General Fund, Measure Q/E funding, and State Gas Tax Fund (SB-1 RMRA).

FY 2025-26 total budgeted revenue is **\$4.3 million** for contributions to projects (plus any unexpended budget from prior years that will be carried forward with Council approval). The funds will be transferred as follows:

- \$1,008,900** grant from the Federal Emergency Management Agency (FEMA)
- \$1,300,000** revenue transfer from the General Fund
- \$1,703,987** revenue transfer from Measure E Fund
- \$266,556** revenue transfer from the RMRA Fund (portion of State Gas Tax)

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Capital Projects Fund	\$2,832,450	\$4,339,781	\$5,168,215	\$3,011,578	\$4,279,443	42.1%
Total Capital Projects Fund:	\$2,832,450	\$4,339,781	\$5,168,215	\$3,011,578	\$4,279,443	42.1%



Expenditures by Fund

The FY 2025-26 general capital improvement program includes **five** capital improvement projects totaling **\$4.3** million. This total represents new budget allocation in FY 2025-26. Any remaining FY 2024-25 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 FY 2024-25 carry-forward budget.

The **\$4,279,443** 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 \$317,687 Police Radio Communications Upgrades

Continued/Ongoing new projects:

- o \$2,266,556 - Annual Pavement Management Program
- o \$300,000 - Annual Storm Drain Replacement & Major Maintenance Program
- o \$300,000 - Sidewalk Improvements and Street Tree Replacement
- o \$1,095,200 - Storm Drain Assessment

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Capital Projects Fund	\$214,249	\$2,432,971	\$1,628,581	\$12,055,380	\$4,279,443	-64.5%
Total Capital Projects Fund:	\$214,249	\$2,432,971	\$1,628,581	\$12,055,380	\$4,279,443	-64.5%

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 **\$5.8 million** at the end of FY 2025-26, This assumes that most budgeted funds will be expended by the end of FY 2025-26 and prior year funds will not be utilized.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$3,409,000	\$5,316,233	\$8,855,866	\$4,025,909	\$4,025,909	0%
Total Fund Balance:	\$3,409,000	\$5,316,233	\$8,855,866	\$4,025,909	\$4,025,909	0%



Governmental Funds (Nonmajor)

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.

- Developer Reimbursement Fund - 045
- Community Development Grants - 200
- State Gas Tax - 250
- Road Maintenance and Rehab SBI - 260
- Lower Cost Visitor Accommodations - 270
- Traffic Safety - 280
- Special Safety Grants - 282
- 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 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.



Developer Reimbursement Fund (045)

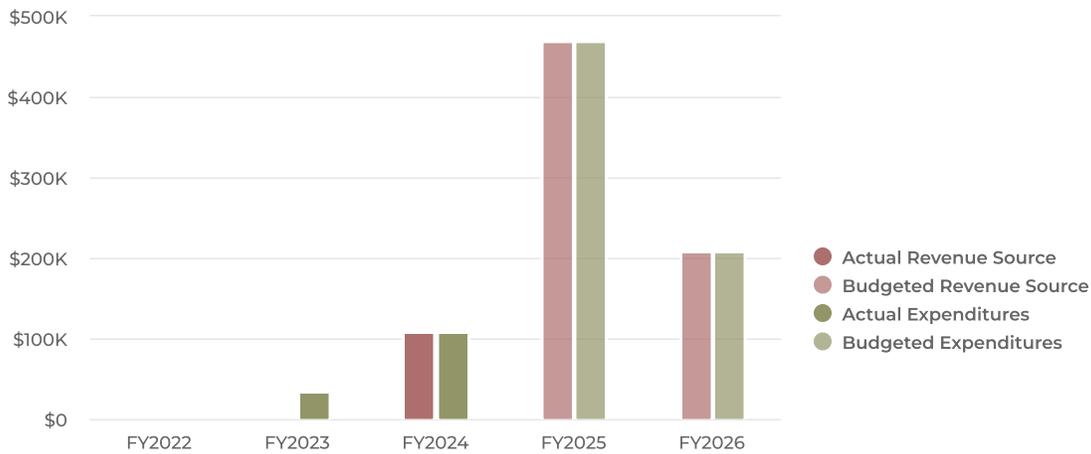
The Developer Reimbursement Fund includes projects with reimbursable contracts, which are typically used in association with projects that require environmental review where outside consultants are used. The City's Master Fee Schedule includes fees for these services that cover the cost of consultant 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 **\$210K** of revenue in FY 2025-26, which represents a 55% decrease over the prior year. Budgeted expenditures are projected to decrease by 55% or \$260K to \$210K in FY 2025-26.

Developer reimbursement agreements in this budget include:

- o \$140,000 Panorama
- o \$50,000 Seashell Estates
- o \$20,000 Atascadero Road



Revenue by Fund

Revenue includes an anticipated amount of developer reimbursements based on project contracts expected to occur within FY 2025-26.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Developer Reimbursement Agreements Fund	\$0	\$0	\$108,573	\$470,000	\$210,000	-55.3%
Total Developer Reimbursement Agreements Fund:	\$0	\$0	\$108,573	\$470,000	\$210,000	-55.3%

Expenditures by Fund

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

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Developer Reimbursement Agreements Fund	\$0	\$35,832	\$108,573	\$470,000	\$210,000	-55.3%
Total Developer Reimbursement Agreements Fund:	\$0	\$35,832	\$108,573	\$470,000	\$210,000	-55.3%



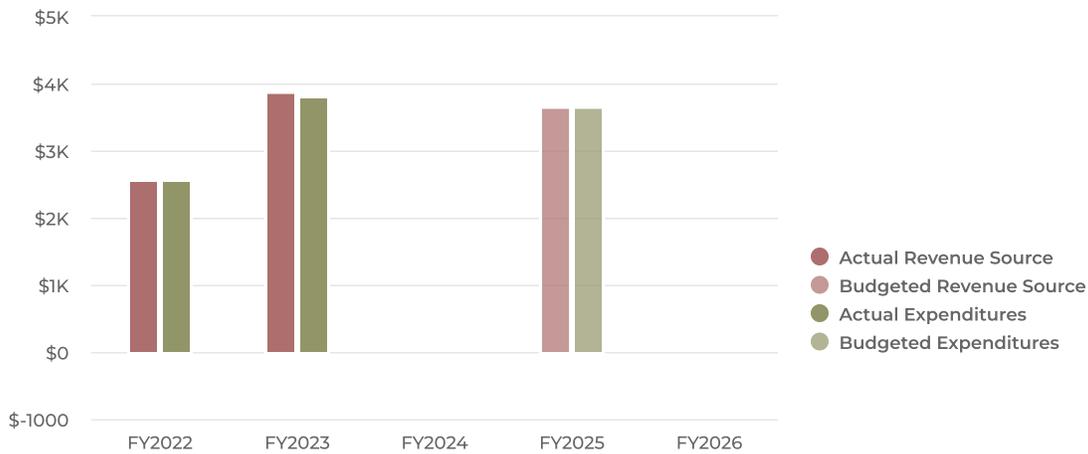
Community Development Grants Fund (200)

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 **\$0** in revenue and expenditures in FY 2025-26.

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, along with the cities of Arroyo Grande, Atascadero, Paso Robles, Pismo Beach, and San Luis Obispo. The City's current partnership was extended by Council Resolution 31-23 in June 2023 to approve a cooperation agreement between the City and County through fiscal year 2026. The partnership with the County is renewable every three years. During 2025-26, the County is expected to engage the cities in the process of updating the 2025-2029 Consolidated Plan and cooperation agreement.



Revenues by Source

San Luis Obispo County is primarily responsible for administering the contract with the CDBG grantees.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Intergovernmental Revenues	\$2,574	\$3,900	\$0	\$3,667	\$0	-100%
Total Revenue Source:	\$2,574	\$3,900	\$0	\$3,667	\$0	-100%

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 **\$0**.



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Community Development Grants	\$2,574	\$3,819	\$0	\$3,667	\$0	-100%
Total Community Development Grants:	\$2,574	\$3,819	\$0	\$3,667	\$0	-100%

Fund Balance

Fund balance includes the total of all Community Development Block Grant Special Revenue Funds (200-205) in the amount of \$1,021,118 million as reflected in the June 30, 2024 Annual Comprehensive Financial Report. The 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 \$839,490) is for loans receivable under these programs. No change in fund balance is anticipated for FY 2025-26.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$181,000	\$182,911	\$182,911	\$182,911	\$182,911	0%
Nonspendable	\$836,000	\$836,807	\$839,490	\$839,490	\$839,490	0%
Total Fund Balance:	\$1,017,000	\$1,019,718	\$1,022,401	\$1,022,401	\$1,022,401	0%



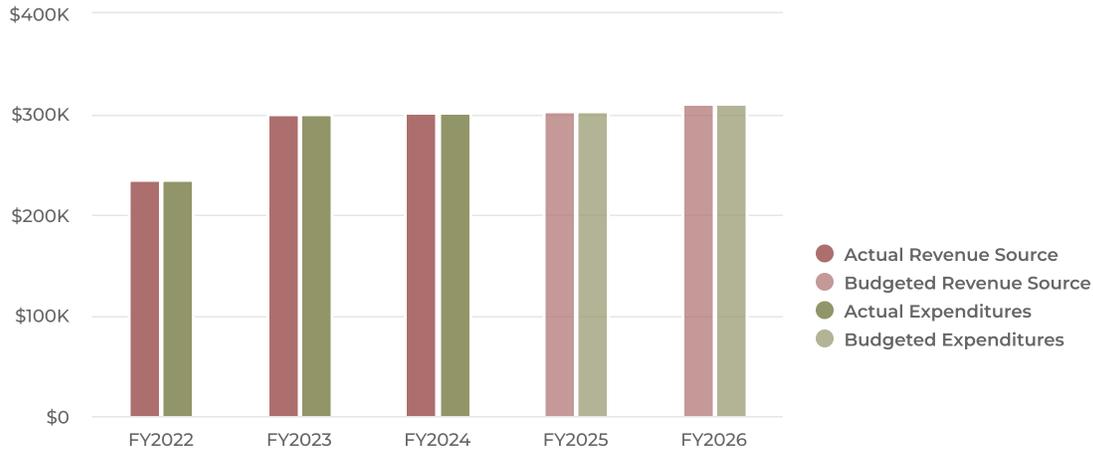
State Gas Tax Fund (250)

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 **\$312K** of HUTA state gas tax revenue in FY 2025-26, which represents a 2.6% increase over the prior year. Budgeted expenditures are also projected to increase by 2.6% to **\$312K** 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 2025-26, 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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
State Gas Tax Fund	\$235,838	\$300,672	\$301,653	\$303,607	\$311,517	2.6%
Total State Gas Tax Fund:	\$235,838	\$300,672	\$301,653	\$303,607	\$311,517	2.6%

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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Interfund Transfers	\$235,838	\$300,672	\$301,653	\$303,607	\$311,517	2.6%
Total Expense Objects:	\$235,838	\$300,672	\$301,653	\$303,607	\$311,517	2.6%

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.



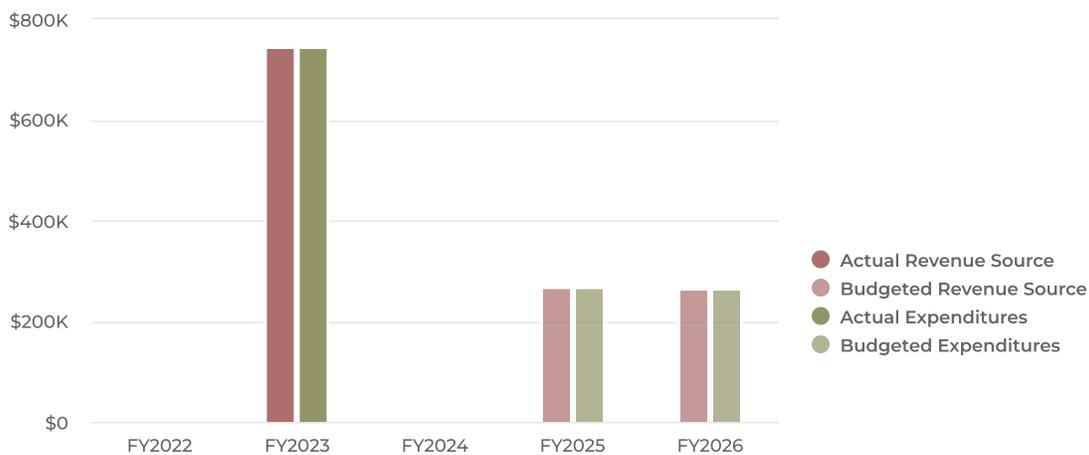
Road Maintenance and Rehab SB1 (260)

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 \$267K of revenue in FY 2025-26, which represents a 1.3% decrease over the prior year. Budgeted expenditures are projected to decrease by 1.3% or \$3K to \$267K in FY 2025-26.

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 2025-26, revenues are anticipated to decrease based on the Local Streets and Roads projections provided by the same referenced fiscal resource.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Road Maintenance and Rehab SB1	\$0	\$745,494	\$0	\$269,999	\$266,556	-1.3%
Total Road Maintenance and Rehab SB1:	\$0	\$745,494	\$0	\$269,999	\$266,556	-1.3%

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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Interfund Transfers	\$0	\$745,494	\$0	\$269,999	\$266,556	-1.3%
Total Expense Objects:	\$0	\$745,494	\$0	\$269,999	\$266,556	-1.3%



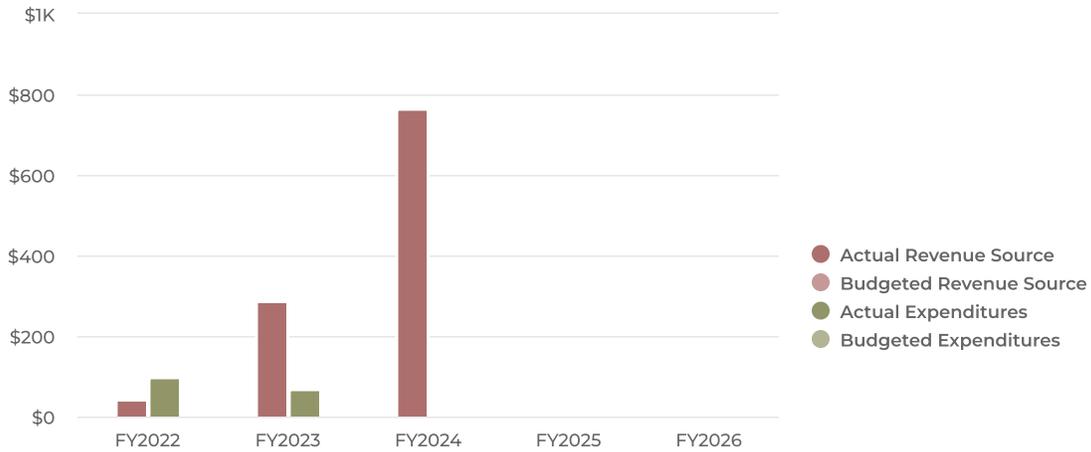


Lower Cost Visitor Accommodations Mitigation Fee (270)

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 2025-26.



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	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$14,000	\$14,093	\$14,858	\$14,859	\$14,859	0%
Total Fund Balance:	\$14,000	\$14,093	\$14,858	\$14,859	\$14,859	0%

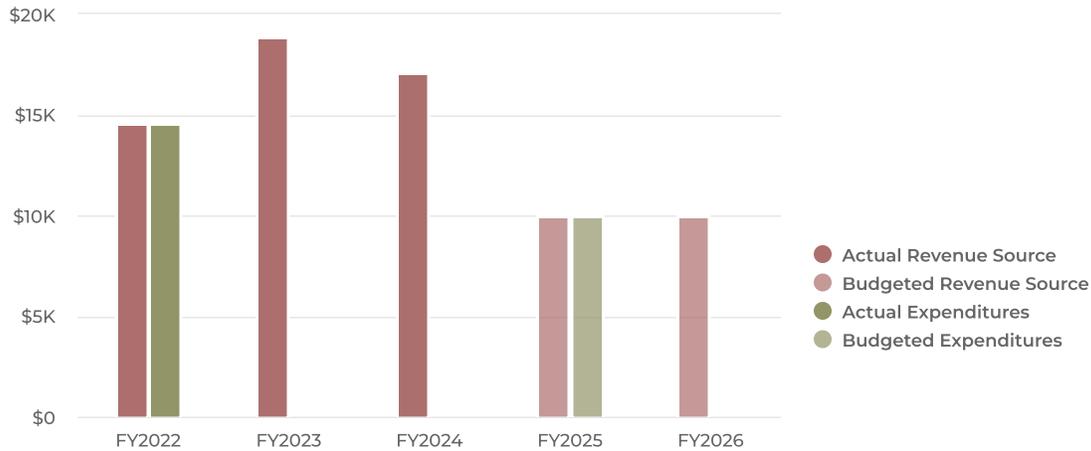


Traffic Safety Fund (280)

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 **\$10K** of revenue in FY 2025-26, which represents a **0% increase** over the prior year. There are no budgeted expenditures.



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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Traffic Safety Fund	\$14,617	\$18,923	\$17,112	\$10,000	\$10,000	0%
Total Traffic Safety Fund:	\$14,617	\$18,923	\$17,112	\$10,000	\$10,000	0%

Expenditures by Expense Type

There are no expenditures budgeted for FY 2025-26.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Supplies	\$0	\$0	\$0	\$10,000	\$0	-100%
Interfund Transfers	\$14,617	\$0	\$0	\$0	\$0	0%
Total Expense Objects:	\$14,617	\$0	\$0	\$10,000	\$0	-100%

Fund Balance

The anticipated fund balance at the end of FY 2025-26 is **\$46K**.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$0	\$18,924	\$36,036	\$36,036	\$46,036	27.8%
Total Fund Balance:	\$0	\$18,924	\$36,036	\$36,036	\$46,036	27.8%

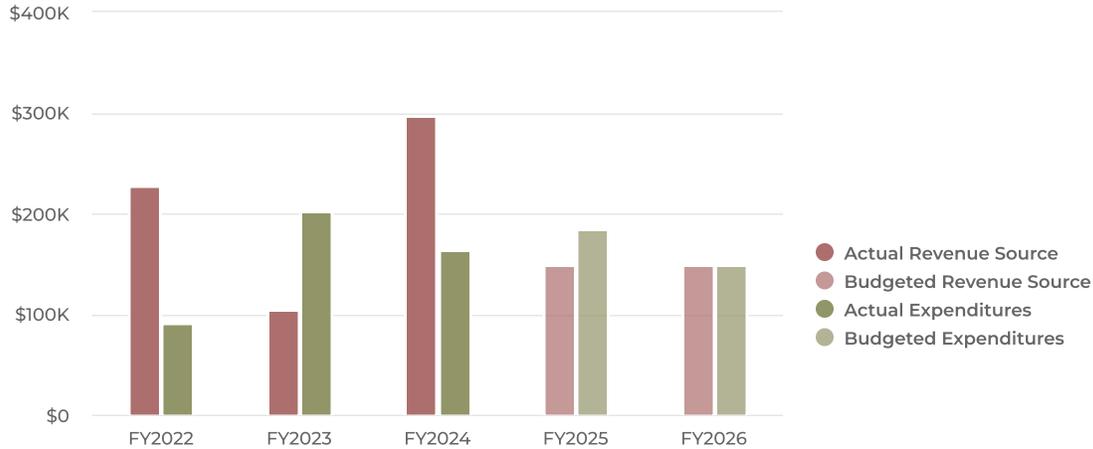


Special Safety Grants (282)

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 2025-26, a 0% increase over the prior year. Budgeted expenditures are projected to be approximately **\$141K**.



Revenue by Fund

Projected grant revenues for FY 2025-26 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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Special Safety Grants	\$227,908	\$105,661	\$297,452	\$150,000	\$150,000	0%
Total Special Safety Grants:	\$227,908	\$105,661	\$297,452	\$150,000	\$150,000	0%

Expenditures by Expense Type

The FY 2025-26 budget includes **\$81K** for departmental supplies and services, as well as **\$60K** for a replacement vehicle. These expenditures are consistent with the intent and purpose of the SLESF grant funds.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$56,453	\$83,412	\$40,274	\$0	\$0	0%
Supplies	\$23,751	\$34,435	\$43,898	\$89,500	\$56,400	-37%
Other Expense	\$0	\$1,540	\$0	\$0	\$0	0%
Services	\$11,850	\$14,724	\$16,334	\$40,100	\$33,600	-16.2%
Capital Outlay	\$0	\$68,944	\$63,263	\$55,000	\$60,000	9.1%
Total Expense Objects:	\$92,054	\$203,056	\$163,769	\$184,600	\$150,000	-18.7%

Fund Balance

The FY 2025-26 fund balance is projected to be approximately **\$353K**.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$351,000	\$251,668	\$388,252	\$328,252	\$328,252	0%
Nonspendable	\$0	\$0	\$0	\$0	\$0	0%
Total Fund Balance:	\$351,000	\$251,668	\$388,252	\$328,252	\$328,252	0%

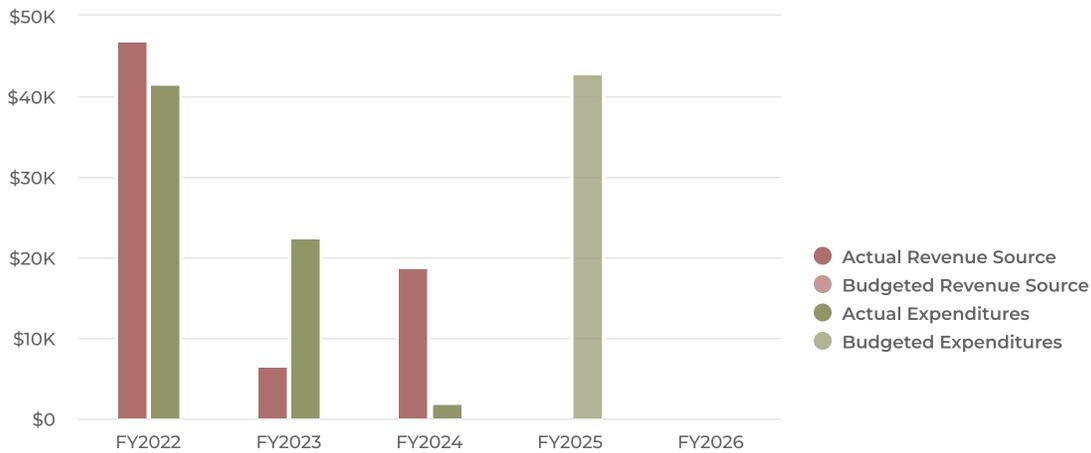


Parking In-Lieu Fund (299)

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 FY2026, which represents a 0% increase over the prior year. Budgeted expenditures are projected to decrease by 100% or \$43K to \$0 in FY2026.



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 2025-26.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Parking In-Lieu Fund	\$47,025	\$6,712	\$18,945	\$0	\$0	0%
Total Parking In-Lieu Fund:	\$47,025	\$6,712	\$18,945	\$0	\$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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Parking In-Lieu Fund	\$41,609	\$22,597	\$2,000	\$43,000	\$0	-100%
Total Parking In-Lieu Fund:	\$41,609	\$22,597	\$2,000	\$43,000	\$0	-100%

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 2025-26 is approximately **\$299K**.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$341,000	\$326,866	\$342,456	\$299,456	\$299,456	0%
Total Fund Balance:	\$341,000	\$326,866	\$342,456	\$299,456	\$299,456	0%



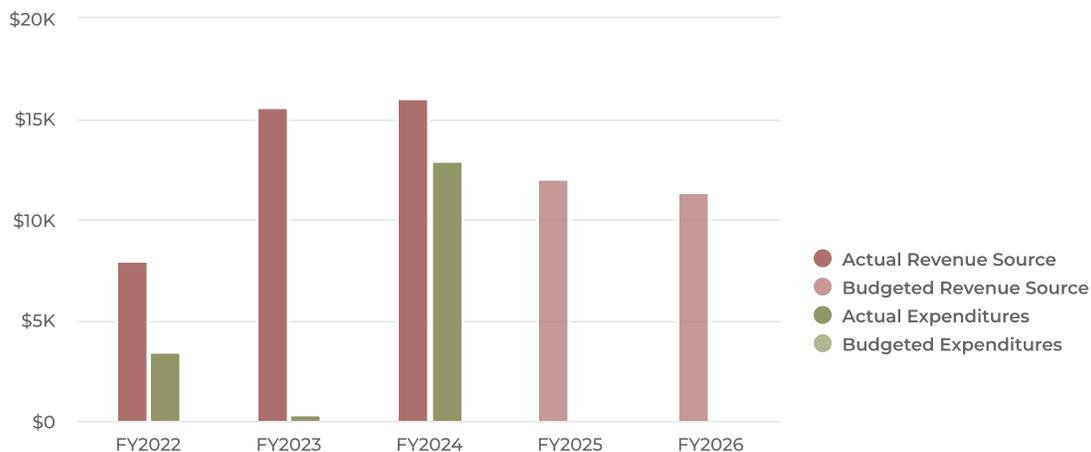
Bike Path Fund (302)

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 **\$11K** of revenue in FY 2025-26, a **5.9% 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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Bike Path	\$8,034	\$15,593	\$16,109	\$12,108	\$11,389	-5.9%
Total Bike Path:	\$8,034	\$15,593	\$16,109	\$12,108	\$11,389	-5.9%

Expenditures by Fund

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Bike Path	\$3,500	\$370	\$13,000	\$0	\$0	0%
Total Bike Path:	\$3,500	\$370	\$13,000	\$0	\$0	0%

Fund Balance

Fund balance for FY 2025-26 is anticipated to be **\$93.5K**.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$52,000	\$66,974	\$70,083	\$82,191	\$93,580	13.9%
Total Fund Balance:	\$52,000	\$66,974	\$70,083	\$82,191	\$93,580	13.9%

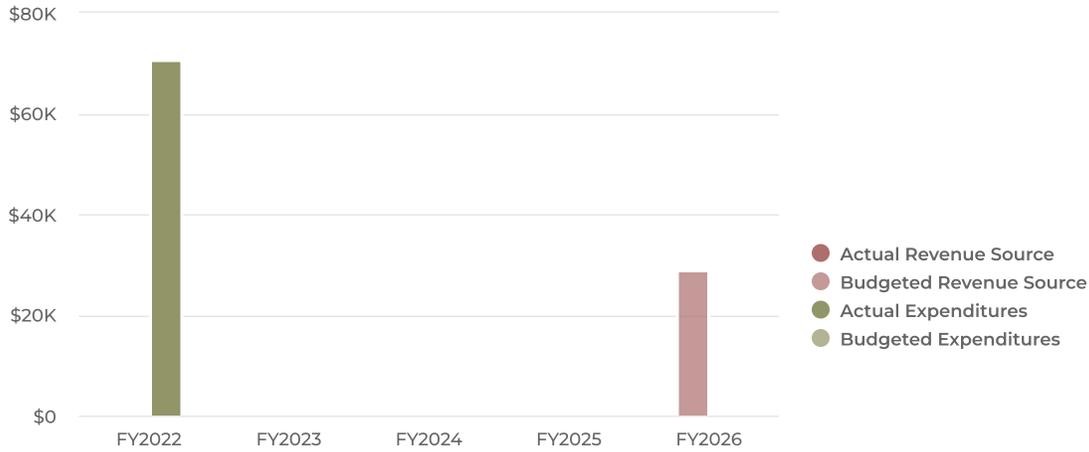


Local Transportation Fund (LTF)-Roads Fund (303)

The LTF Roads Fund accounts for remaining Transportation Development Act (TDA) Local Transportation Fund (LTF) revenue available after the State allocations for both the local transit services that are administered, maintained, and operated by the San Luis Obispo Regional Transit Authority, and Bike Path Fund are met first. The City uses these monies for pavement management projects.

Summary

In FY 2025-26, the City projects \$29,000 in revenue and no expenditures.



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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
LTF Roads	\$6	\$319	\$93	\$0	\$29,000	N/A
Total LTF Roads:	\$6	\$319	\$93	\$0	\$29,000	N/A

Expenditures by Expense Type

No expenditures are budgeted in FY 2025-26. Prior year funds were used to support eligible components of the pavement management project.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Other Expense	\$138	\$0	\$0	\$0	\$0	0%



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Interfund Transfers	\$70,630	\$0	\$0	\$0	\$0	0%
Total Expense Objects:	\$70,768	\$0	\$0	\$0	\$0	0%

Fund Balance

The projected fund balance for FY 2025-26 is \$30.8K.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$2,000	\$1,717	\$1,810	\$1,810	\$30,810	%
Total Fund Balance:	\$2,000	\$1,717	\$1,810	\$1,810	\$30,810	%



Special Assessment Districts Fund (500)

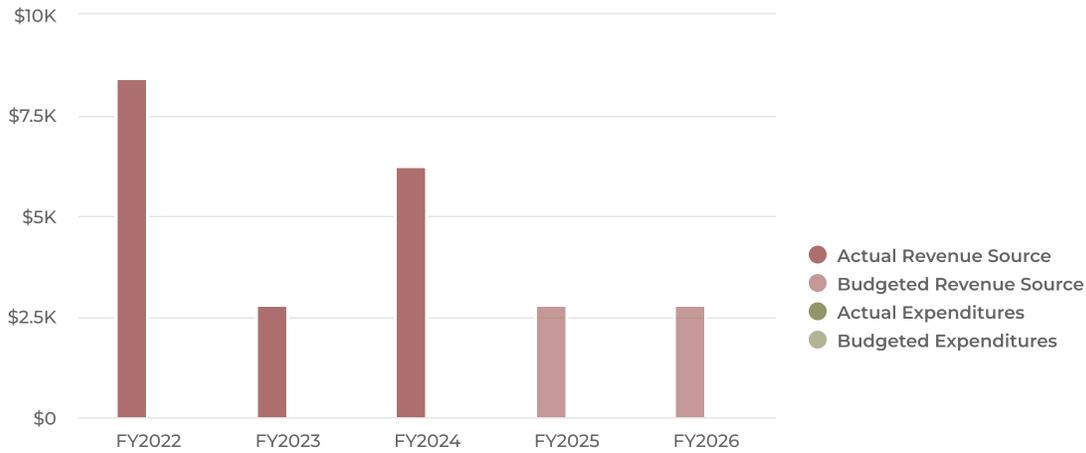
The Special Assessments Districts Fund records parcel assessments for the Stormdrain Maintenance Assessment District (also known as Loperena Assessment District).

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

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

Summary

The City of Morro Bay projects **\$2,832** in revenue and **no expenditures** in FY 2025-26, which represents a 0% change over the prior year.



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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Assessment Districts	\$8,427	\$2,832	\$6,241	\$2,832	\$2,832	0%
Total Assessment Districts:	\$8,427	\$2,832	\$6,241	\$2,832	\$2,832	0%

Expenditures by Fund

There are no expenditures budgeted for FY 2025-26. Accumulated funds will be used as needed for storm drainage maintenance in the eligible area.



Fund Balance

The FY 2025-26 projected fund balance for the Special Assessments Districts Fund is **\$102.8K**.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$88,050	\$90,882	\$97,124	\$99,956	\$102,788	2.8%
Total Fund Balance:	\$88,050	\$90,882	\$97,124	\$99,956	\$102,788	2.8%



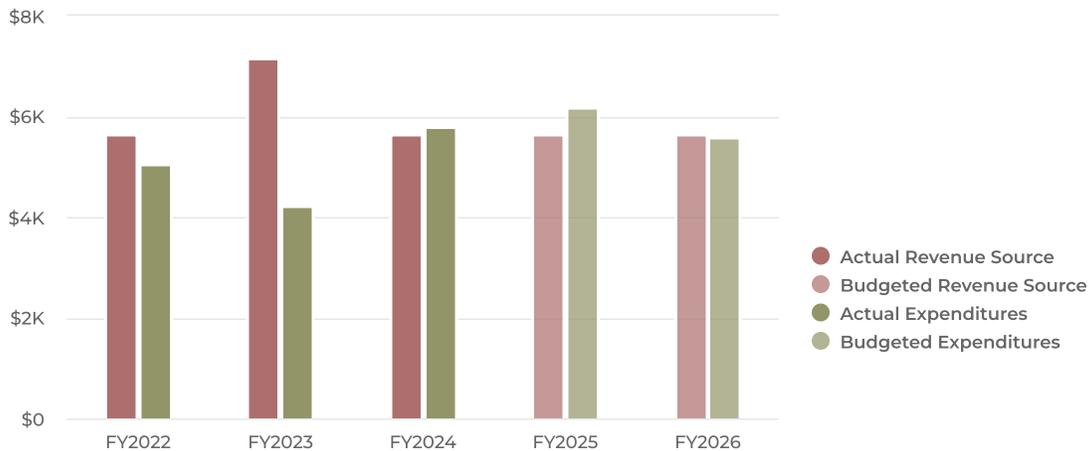


North Point Assessment Fund (565)

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 **\$5,645** in expenditures in FY 2025-26, which represents expenditure of the full assessment amount received.



Revenues by Source

The North Point Landscaping and Lighting Maintenance Assessment District has an annual assessment of **\$5,645**. After the initial formation of the assessment district, each year, for the assessment to continue, the City must adopt a series of three resolutions to confirm the assessment levy for the upcoming fiscal year. Revenues are flat and do not increase by the consumer price index.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Property Taxes	\$5,645	\$5,645	\$5,645	\$5,645	\$5,645	0%
Revenues From Use of Money & Property	\$0	\$1,517	\$0	\$0	\$0	0%
Total Revenue Source:	\$5,645	\$7,162	\$5,645	\$5,645	\$5,645	0%

Expenditures by Expense Type

Personnel costs have historically been charged to this fund. However, given that maintenance services costs are increasing and the assessment revenues generated are very small and do not increase by a consumer price index, the purchasing power of the limited assessment dollars has decreased significantly over time. 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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$775	-\$137	\$0	\$0	\$0	0%
Services	\$3,575	\$3,584	\$4,813	\$5,231	\$4,748	-9.2%
Interfund Transfers	\$712	\$780	\$998	\$956	\$846	-11.5%
Total Expense Objects:	\$5,062	\$4,227	\$5,811	\$6,187	\$5,594	-9.6%

Fund Balance

North Point Assessments District funds were historically reflected in the budget documentation within the Special Assessments District Fund (500), which also included the Loperana Storm Drain Assessment District funds. In recent years, the North Point Assessment District funds were moved to a dedicated fund (565) to more clearly show the actual fund balance for each assessment. The negative fund balance is due to the City providing services without any incoming revenue to offset cost.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	\$ Change
Fund Balance	—	—	—	—	—	
Committed	\$-19,315	\$-16,381	\$-16,546	\$-17,088	\$-17,037	\$51
Total Fund Balance:	\$-19,315	\$-16,381	\$-16,546	\$-17,088	\$-17,037	\$51



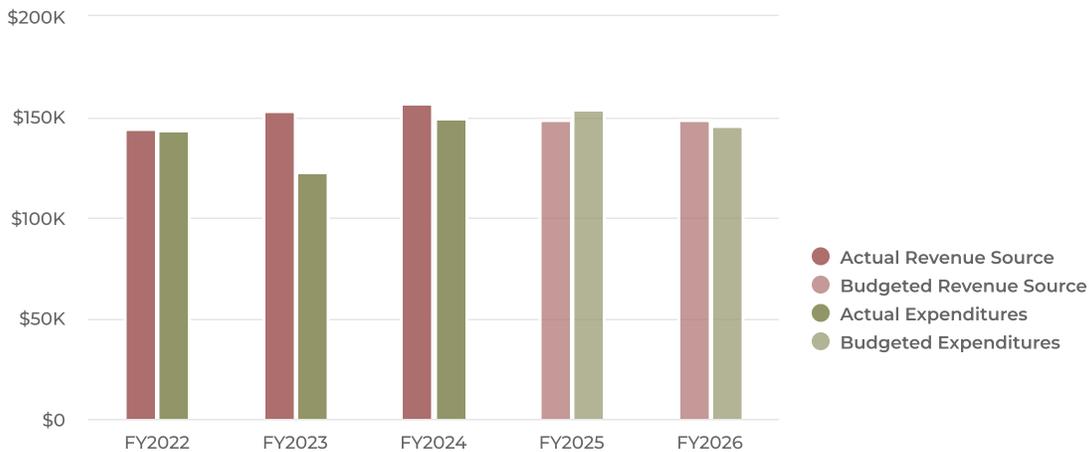
Cloisters Park Maintenance Assessment District (570)

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 **\$145K** in expenditures for FY 2025-26, similar to the prior year.



Revenue by Fund

The City of Morro Bay is projecting **\$148,944** of revenue in FY 2025-26, a 0% increase over the prior year.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Cloisters Park Maint AD	\$144,227	\$153,412	\$157,216	\$148,944	\$148,944	0%
Total Cloisters Park Maint AD:	\$144,227	\$153,412	\$157,216	\$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 2025-26 budget includes funding for a 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. Due to rising personnel costs dedicated to this fund, this budget eliminates the usual transfer out to the General Fund for Cost Allocation Plan (CAP) expenses, which are now being fully subsidized by the General Fund.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$83,919	\$74,834	\$77,508	\$64,765	\$94,247	45.5%
Supplies	\$6,641	\$1,702	\$4,964	\$16,297	\$15,000	-8%
Other Expense	\$0	\$156	\$0	\$0	\$0	0%
Services	\$41,314	\$33,721	\$39,409	\$47,736	\$36,460	-23.6%
Interfund Transfers	\$11,476	\$12,362	\$28,084	\$25,304	\$0	-100%
Total Expense Objects:	\$143,350	\$122,775	\$149,965	\$154,102	\$145,707	-5.4%

Fund Balance

For FY 2025-26, the total projected fund balance is anticipated to be **\$188K**, 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	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Committed	\$0	\$0	\$0	\$0	\$0	0%
Restricted	\$152,199	\$183,375	\$187,813	\$183,962	\$187,199	1.8%
Nonspendable	\$1,653	\$1,115	\$1,307	\$0	\$0	0%
Total Fund Balance:	\$153,852	\$184,490	\$189,120	\$183,962	\$187,199	1.8%

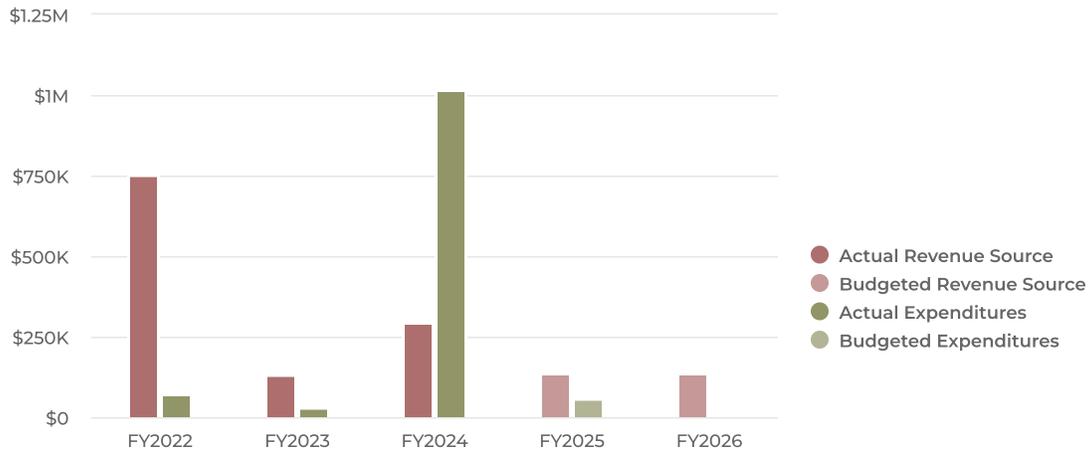


Governmental Impact Fees (900)

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 2025-26, which represents a 0% increase over the prior year. No expenditures are budgeted for FY 2025-26.



Revenue by Fund

Development Impact Fee revenue in FY 2025-26 is projected at approximately **\$141K**, similar to the prior year.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Governmental Impact Fees	\$755,263	\$133,255	\$295,890	\$140,946	\$140,946	0%
Total Governmental Impact Fees:	\$755,263	\$133,255	\$295,890	\$140,946	\$140,946	0%

Expenditures by Fund

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Governmental Impact Fees						
Other Expense	\$0	\$1,238	\$0	\$0	\$0	0%
Interfund Transfers	\$72,947	\$30,000	\$1,017,250	\$58,890	\$0	-100%
Total Governmental Impact Fees:	\$72,947	\$31,238	\$1,017,250	\$58,890	\$0	-100%

Fund Balance

Projected fund balance for FY 2025-26 is anticipated to be approximately **\$1.3 million**.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$1,656,087	\$1,758,104	\$1,036,744	\$1,118,800	\$1,259,746	12.6%
Total Fund Balance:	\$1,656,087	\$1,758,104	\$1,036,744	\$1,118,800	\$1,259,746	12.6%



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 2025-26.

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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Park Fee Fund	\$1,314	\$5,126	\$13,547	\$0	\$0	0%
Total Park Fee Fund:	\$1,314	\$5,126	\$13,547	\$0	\$0	0%

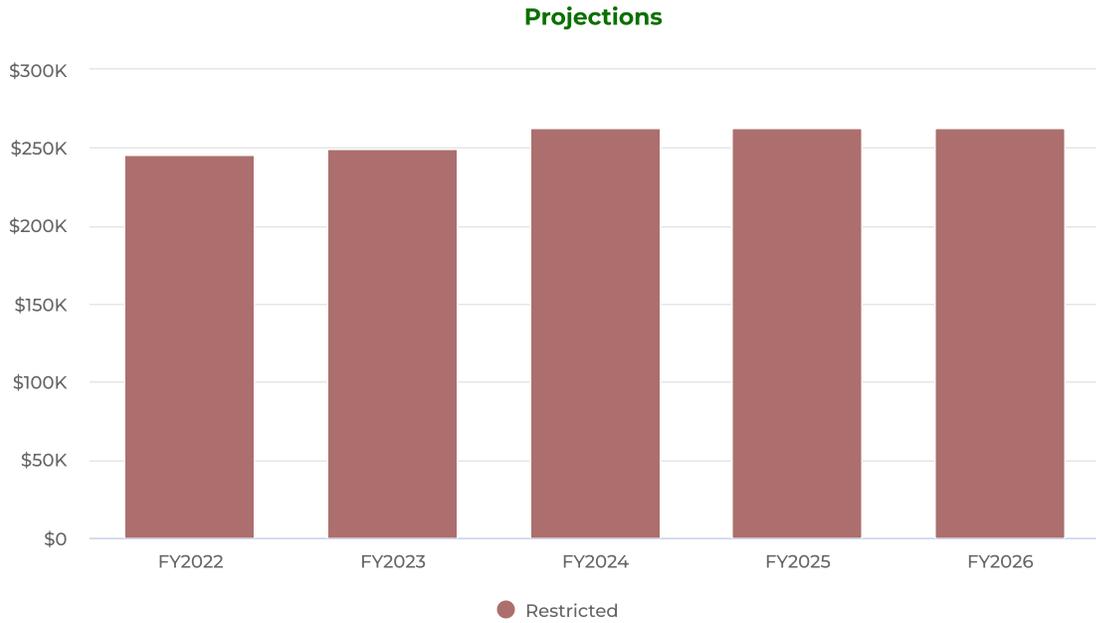
Expenditures by Fund

The City of Morro Bay is not budgeting for any new expenditures in this fund in FY 2025-26.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Park Fee Fund	\$69,500	\$940	\$0	\$0	\$0	0%
Total Park Fee Fund:	\$69,500	\$940	\$0	\$0	\$0	0%

Fund Balance

In FY 2025-26, the projected fund balance is estimated to be approximately **\$263K**.



Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$245,344	\$249,530	\$263,077	\$263,077	\$263,077	0%
Total Fund Balance:	\$245,344	\$249,530	\$263,077	\$263,077	\$263,077	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 2025-26. 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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Community Benefit	\$170,000	\$0	\$0	\$0	\$0	0%
Total Community Benefit:	\$170,000	\$0	\$0	\$0	\$0	0%

Fund Balance

The fund balance for FY 2025-26 is projected to remain **\$80K**.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Committed	\$250,000	\$80,000	\$80,000	\$80,000	\$80,000	0%
Total Fund Balance:	\$250,000	\$80,000	\$80,000	\$80,000	\$80,000	0%

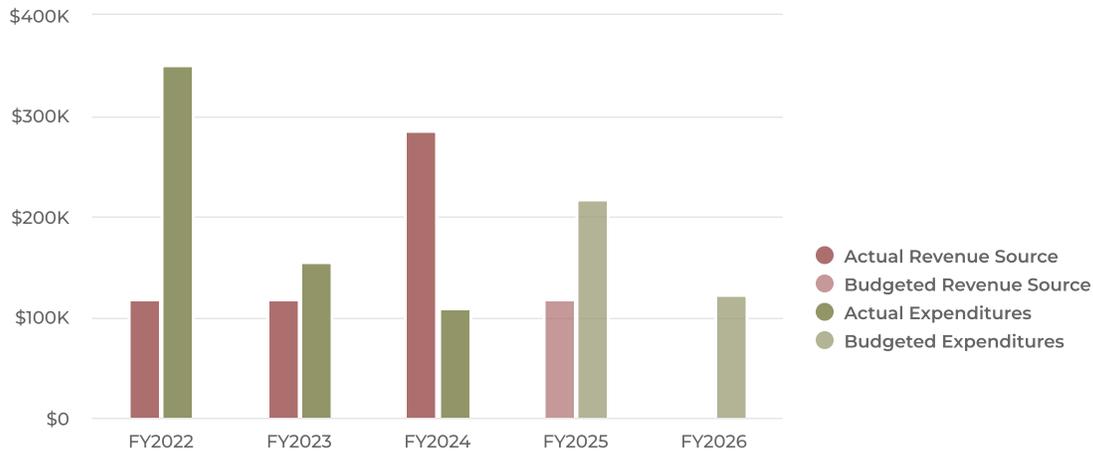


Economic Development Fund (907)

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 **no revenue** and **\$124K** of proposed expenditures for FY 2025-26. 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 is to be received in June 2025, 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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Economic Development Fund	\$117,806	\$117,806	\$286,626	\$117,806	\$0	-100%
Total Economic Development Fund:	\$117,806	\$117,806	\$286,626	\$117,806	\$0	-100%

Expenditures by Fund

The FY 2025-26 Budget uses **\$124K** of SB 1090 Diablo Closure settlement funds, earmarked for economic development purposes, for the following:

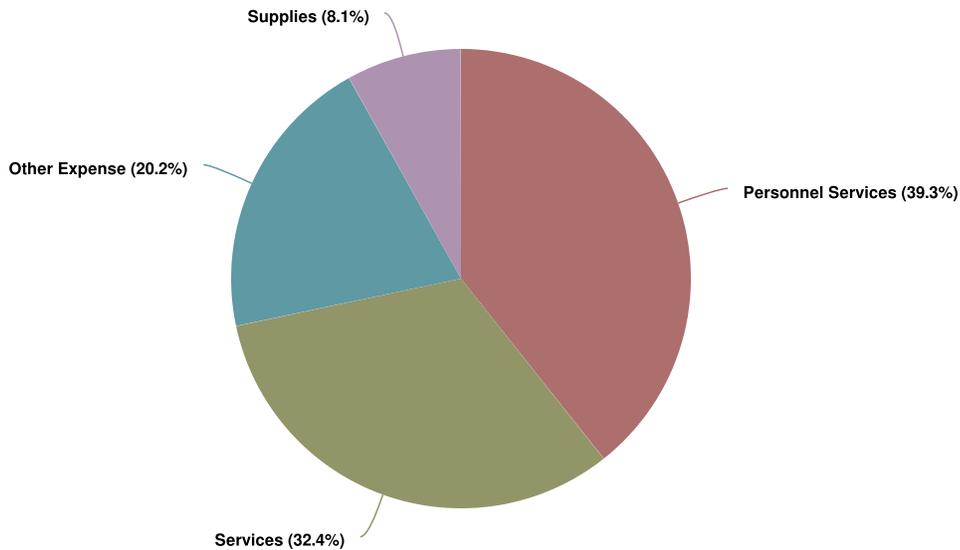
- Annual contract with the Chamber of Commerce for economic development services (\$25,000)
- Funding for as-needed research, peer review, and/or evaluation of ongoing city projects (\$40,000)
- Funding for the Assistant to the City Manager/Public Relations Manager position in the City Manager's Office who will spend a portion of their time on Economic Development activities (approx. \$49,000)
- Miscellaneous supplies, such as banner placements throughout the City (\$10,000)

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Economic Development Fund	\$351,035	\$155,000	\$109,500	\$217,728	\$123,640	-43.2%
Total Economic Development Fund:	\$351,035	\$155,000	\$109,500	\$217,728	\$123,640	-43.2%

Expenditures by Expense Type

The Proposed Economic Development Fund Budget is comprised of 20% other expenses, which consists of payment to the Morro Bay Chamber of Commerce for economic development services, 39% personnel services to partially fund the Assistant to the City Manager/Public Relations Manager position, 32% services expenses for outside consulting, and 8% supplies, for miscellaneous items such as banners for community events.

Budgeted Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$0	\$0	\$0	\$52,728	\$48,640	-7.8%
Supplies	\$0	\$0	\$0	\$10,000	\$10,000	0%
Other Expense	\$0	\$0	\$0	\$50,000	\$25,000	-50%
Services	\$144,015	\$155,000	\$109,500	\$105,000	\$40,000	-61.9%
Interfund Transfers	\$207,020	\$0	\$0	\$0	\$0	0%
Total Expense Objects:	\$351,035	\$155,000	\$109,500	\$217,728	\$123,640	-43.2%

Fund Balance

The projected fund balance at the end of FY 2025-26 is **\$830K**. 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	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$796,000	\$758,918	\$936,044	\$953,850	\$830,210	-13%
Total Fund Balance:	\$796,000	\$758,918	\$936,044	\$953,850	\$830,210	-13%



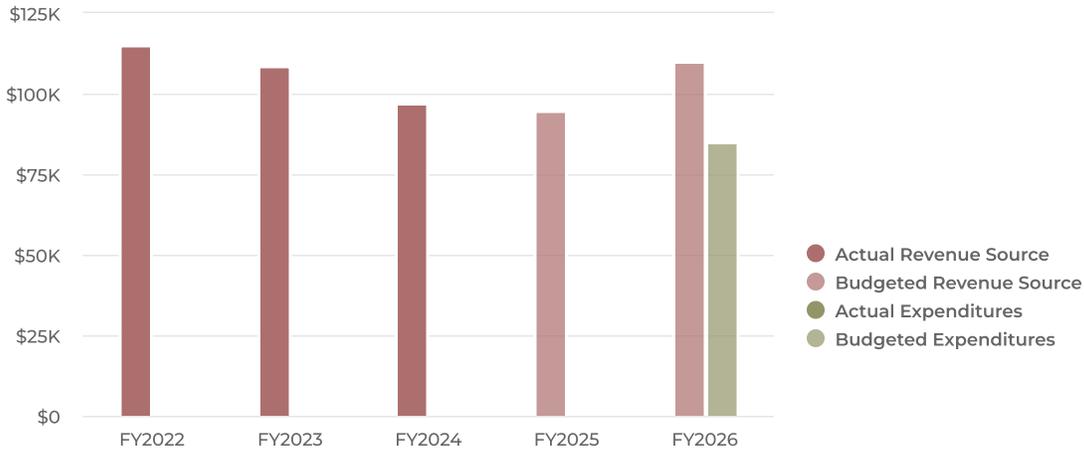


State Park Marina Fund (924)

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 **\$110K** of revenue in FY 2025-26, which represents a 15.8% increase over the prior year. This revenue is consistent with prior years. The City is budgeting \$50K in expenditures for consulting services to prepare for future dredging of the back bay.



Revenue by Fund

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
State Park Marina						
Revenues From Current Services	\$115,289	\$108,821	\$97,141	\$95,000	\$110,000	15.8%
Total State Park Marina:	\$115,289	\$108,821	\$97,141	\$95,000	\$110,000	15.8%

Expenditures by Fund

Expenditures by Expense Type

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$0	\$0	\$0	\$0	\$35,000	N/A
Services	\$0	\$0	\$0	\$0	\$50,000	N/A
Total Expense Objects:	\$0	\$0	\$0	\$0	\$85,000	N/A

Fund Balance

The State Park Marina Fund balance for FY 2025-26 is projected to be approximately **\$1.1 million**. The fund balance will be spent in accordance with the City's agreement with California State Parks.



Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$760,000	\$868,458	\$965,599	\$1,060,599	\$1,085,599	2.4%
Total Fund Balance:	\$760,000	\$868,458	\$965,599	\$1,060,599	\$1,085,599	2.4%

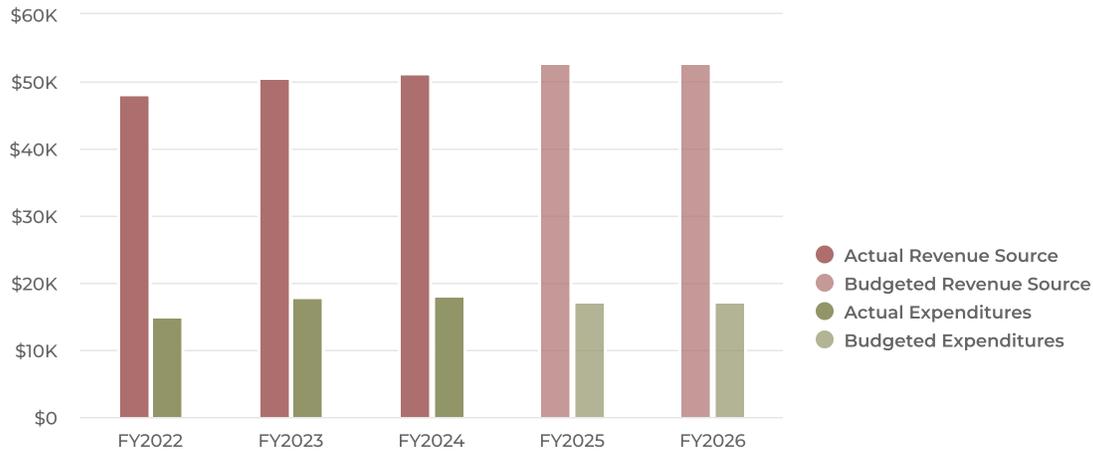


Triangle Lot-Boat Storage Yard (925)

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 2025-26, which is flat over the prior year. Budgeted expenditures are **\$17K** in FY 2025-26, which is also flat over prior year.



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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Triangle Lot - Boat Storage Yard	\$48,174	\$50,601	\$51,416	\$53,000	\$53,000	0%
Total Triangle Lot - Boat Storage Yard:	\$48,174	\$50,601	\$51,416	\$53,000	\$53,000	0%

Expenditures by Expense Type

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$14,963	\$17,378	\$18,199	\$15,225	\$15,225	0%
Supplies	\$36	\$617	\$0	\$2,000	\$2,000	0%
Services	\$28	\$0	\$0	\$0	\$0	0%
Total Expense Objects:	\$15,027	\$17,995	\$18,199	\$17,225	\$17,225	0%

Fund Balance

The fund balance is projected to increase over time, as revenues exceed expenditures annually. At the end of FY 2025-26, it is projected to be approximately **\$197K**.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Committed	\$60,000	\$92,904	\$125,874	\$161,895	\$197,670	22.1%
Nonspendable	\$0	\$0	\$246	\$0	\$0	0%
Total Fund Balance:	\$60,000	\$92,904	\$126,120	\$161,895	\$197,670	22.1%

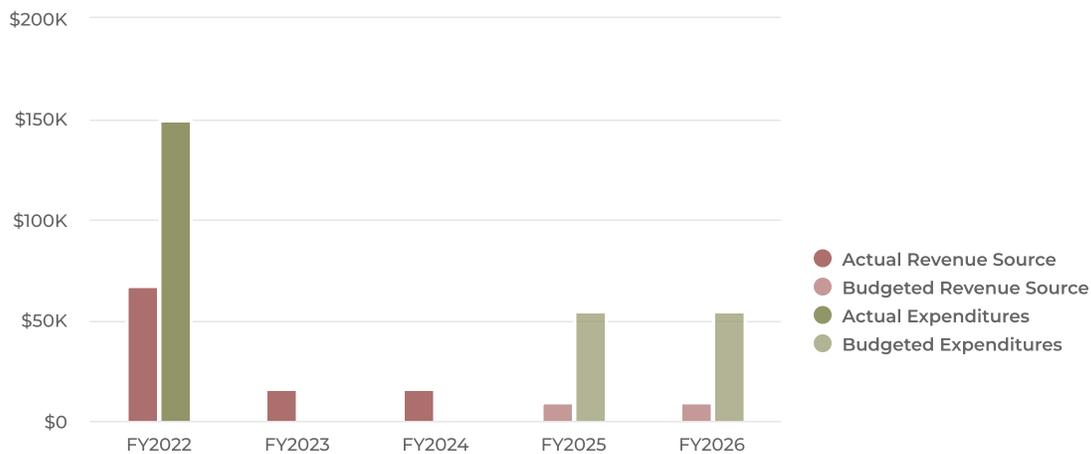


Affordable Housing In-Lieu Fund (941)

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 2025-26, which represents a 0% increase over the prior year. Budgeted expenditures are projected to remain flat at **\$55K** in FY 2025-26.



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 2025-26.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Affordable Housing In-Lieu Fund	\$67,301	\$16,288	\$16,391	\$10,000	\$10,000	0%
Total Affordable Housing In-Lieu Fund:	\$67,301	\$16,288	\$16,391	\$10,000	\$10,000	0%

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** to support a local housing agency should a need arise.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Affordable Housing In-Lieu Fund	\$150,000	\$524	\$0	\$55,000	\$55,000	0%
Total Affordable Housing In-Lieu Fund:	\$150,000	\$524	\$0	\$55,000	\$55,000	0%

Fund Balance

The projected fund balance at the end of FY 2025-26 is approximately **\$115K**. 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	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$173,000	\$188,733	\$205,123	\$218,123	\$173,123	-20.6%
Total Fund Balance:	\$173,000	\$188,733	\$205,123	\$218,123	\$173,123	-20.6%



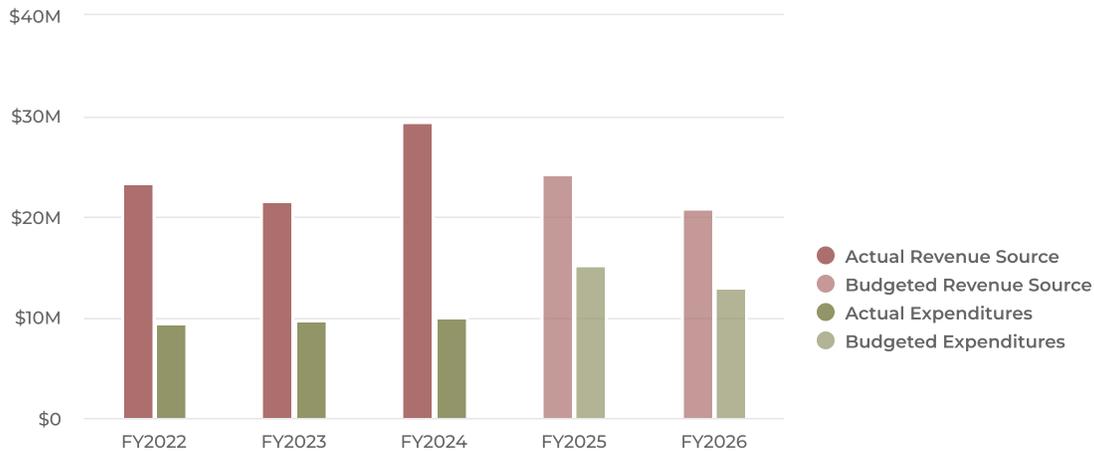
Enterprise Funds

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
- Water Enterprise
 - Water Operating - 311
 - Water Capital - 921
 - Utility Discount Program - 315

Summary

The City of Morro Bay is projecting **\$20.7 million** of combined Enterprise Fund revenue in FY 2025-26 (net of transfers). Budgeted expenditures (net of transfers) are projected to be **\$22.5 million** in FY 2025-26.



Revenue by Fund

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Enterprise Funds						
Transit	\$618,824	\$523,832	\$656,366	\$678,093	\$0	-100%
Harbor	\$3,717,622	\$4,034,824	\$4,655,896	\$2,621,784	\$3,032,846	15.7%
Sewer	\$108,379,533	\$53,174,644	\$30,981,008	\$23,327,671	\$14,037,604	-39.8%
Water	\$28,568,295	\$25,417,111	\$12,145,711	\$10,916,837	\$12,888,822	18.1%
Total Enterprise Funds:	\$141,284,274	\$83,150,411	\$48,438,982	\$37,544,385	\$29,959,272	-20.2%

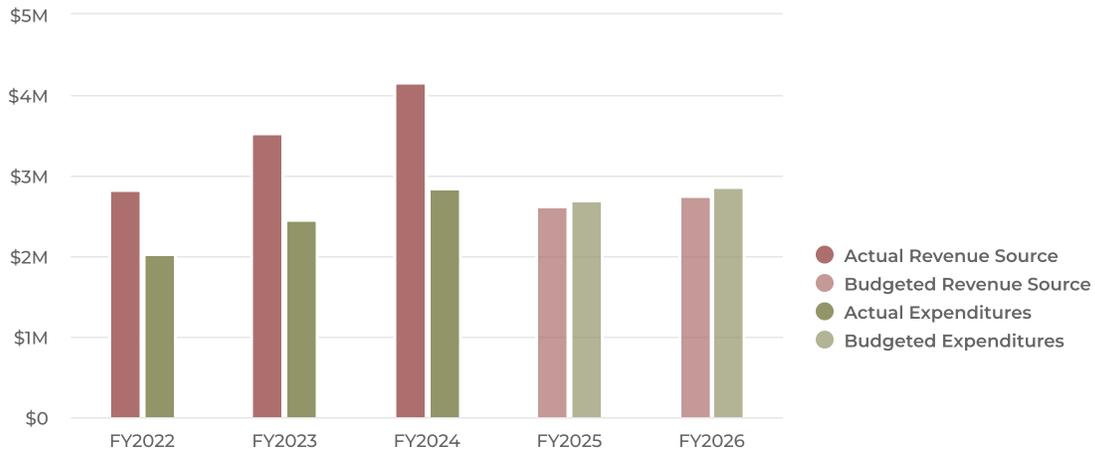


Harbor Operating Fund (331)

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

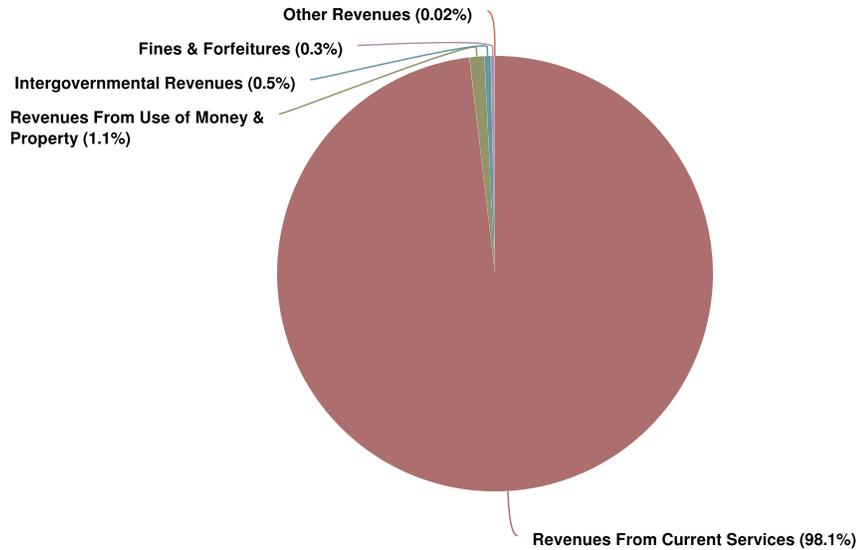
The City of Morro Bay is projecting **\$2.8 million** in revenue for FY 2025-26, **5.4% higher** than the prior year budget. Expenditures are projected to be **6% higher** than prior year, at **\$2.9 million**, or \$2.1 million net of transfers. The Harbor Operating Fund is subsidized by the Measure Q/E Fund, which supports the Harbor Patrol Reserve and Harbor Lifeguard part-time programs.



Revenues by Source

About 98% 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 10% increase in revenues from current services in FY 2025-26 as compared to the prior year budget. This is primarily related to increasing lease revenues and is consistent with recent actuals. In FY 2025-26, the Harbor Operating Fund expects to receive FEMA grant funds as reimbursement for costs related to 2023 storm damage repair costs.

Projected 2026 Revenues by Source



In FY 2022-23, required GASB 87 year-end accounting entries booked harbor lease revenue in a different account, resulting in those funds being presented under the Revenues From Use of Money & Property category instead of Revenues from Current Services.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Intergovernmental Revenues	\$18,127	\$25,198	\$48,000	\$151,000	\$13,000	-91.4%
Revenues From Current Services	\$2,588,282	\$445,650	\$2,807,544	\$2,467,766	\$2,711,821	9.9%
Fines & Forfeitures	\$4,864	\$3,871	\$5,341	\$2,518	\$8,000	217.8%
Other Revenues	\$14,397	\$0	\$46,393	\$500	\$500	0%
Revenues From Use of Money & Property	\$6,837	\$2,762,382	\$1,142,021	\$0	\$30,000	N/A
Interfund Revenue Transfers	\$196,511	\$297,723	\$120,931	\$0	\$0	0%
Total Revenue Source:	\$2,829,018	\$3,534,824	\$4,170,230	\$2,621,784	\$2,763,321	5.4%



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 2025-26, part-time lifeguard and Harbor Reserves staffing is being funded in the Measure Q/E Fund, not the Harbor Fund.

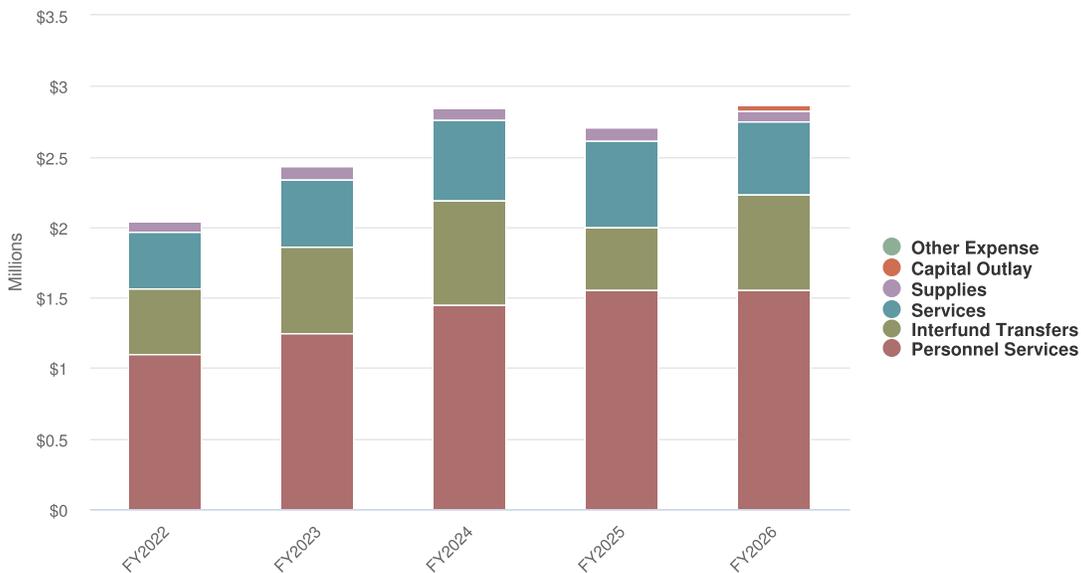
Services - This includes funding for Harbor utilities, Harbor-specific legal services, consultant services, outside equipment repair, and other services.

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

Interfund Transfers - Budgeted transfers total **\$681,080** and include the following:

- o \$447,883 - 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 \$63,672 - Transfer to Internal Services Funds for information technology and risk management services.
- o \$169,525 - Transfer to Harbor Capital Improvement Fund.

Budgeted and Historical Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$1,095,355	\$1,251,838	\$1,447,521	\$1,557,590	\$1,550,340	-0.5%
Supplies	\$72,188	\$100,931	\$81,798	\$91,000	\$81,625	-10.3%
Other Expense	\$0	\$11,629	\$0	\$0	\$0	0%
Services	\$395,864	\$468,484	\$568,287	\$610,000	\$514,111	-15.7%
Capital Outlay	\$0	\$10,623	\$0	\$0	\$34,000	N/A
Interfund Transfers	\$473,082	\$614,394	\$745,150	\$443,199	\$681,080	53.7%
Total Expense Objects:	\$2,036,489	\$2,457,899	\$2,842,756	\$2,701,789	\$2,861,156	5.9%



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 2025-26 is **\$1.75 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 \$356K), as well as the target level of 25% of the prior year's adopted operating budget (approximately \$593K).

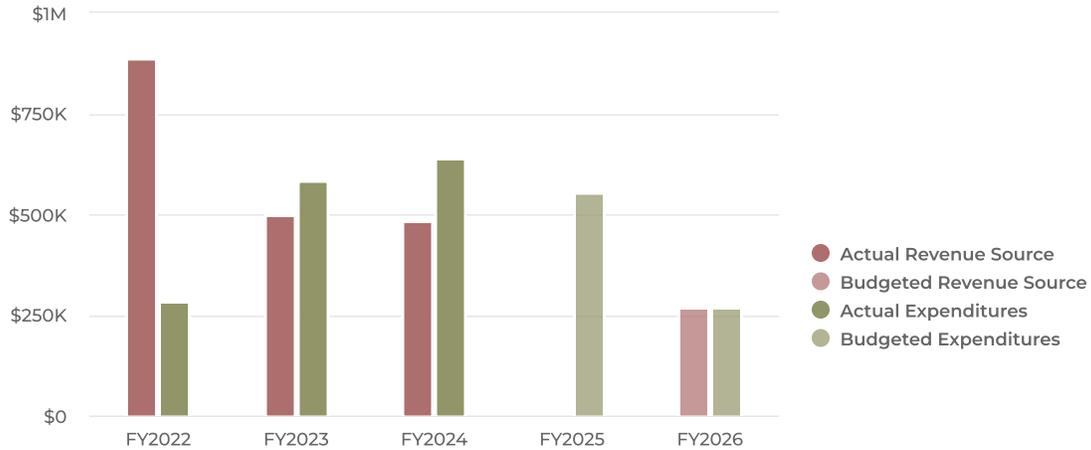
In addition to the minimum reserves required by policy, the Harbor Operating Fund also maintains reserves for planned vehicle, vessel, and equipment replacements. The reserves are tracked via an asset account on the fund's balance sheet. Each year, funds are set aside in this account to support future capital asset acquisitions. For FY 2025-26, the Harbor Operating Fund is setting aside an additional **\$40K**, bringing the total accumulation to approximately **\$151K**. In future years, these reserves can be transferred to the Harbor Capital Improvement Fund (923) to support the acquisition of capital vehicles, vessels, or equipment.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$1,034,000	\$1,353,849	\$1,561,847	\$1,850,288	\$1,752,453	-5.3%
Total Fund Balance:	\$1,034,000	\$1,353,849	\$1,561,847	\$1,850,288	\$1,752,453	-5.3%



Summary

\$269K in boat launch ramp replacement and dock repairs are planned for FY 2025-26. 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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Intergovernmental Revenues	\$0	\$0	\$133,000	\$0	\$100,000	N/A
Other Revenues	\$128,604	\$0	\$0	\$0	\$0	0%
Interfund Revenue Transfers	\$760,000	\$500,000	\$352,666	\$0	\$169,525	N/A
Total Revenue Source:	\$888,604	\$500,000	\$485,666	\$0	\$269,525	N/A

Expenditures by Function

There is **\$269K** in new budget allocation for FY 2025-26 for boat launch ramp replacement and dock repairs. Any remaining FY 2024-25 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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expenditures						
Non-Departmental	\$0	\$292,723	\$0	\$0	\$0	0%
Capital Projects	\$285,463	\$292,723	\$640,068	\$555,042	\$269,525	-51.4%
Total Expenditures:	\$285,463	\$585,447	\$640,068	\$555,042	\$269,525	-51.4%

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 approximately **\$101K** at June 30, 2026, as several capital projects are still ongoing and will have unexpended funds that will be carried forward to FY 2025-26.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Assigned	\$603,000	\$810,417	\$656,016	\$378,495	\$378,498	0%
Nonspendable	\$0	\$0	\$0	\$0	\$0	0%
Total Fund Balance:	\$603,000	\$810,417	\$656,016	\$378,495	\$378,498	0%



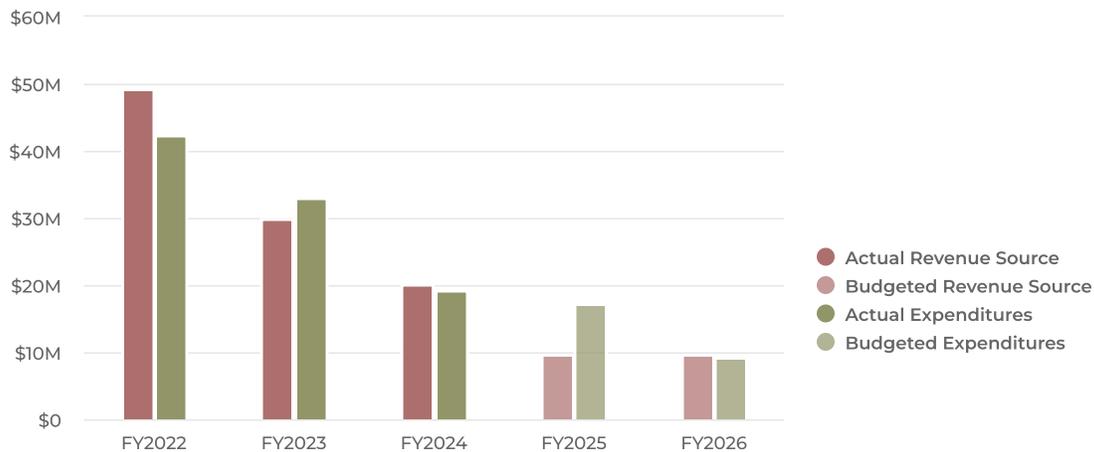
Sewer Operating Fund (321)

The Sewer Operating Fund is a self-supporting enterprise fund that accounts for all income and expenses associated with the City's sewer utility operation. Its primary revenue source is sewer rate payments from residents and businesses. Beginning in FY 2022-23, this fund includes all budget 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 2025-26. Budgeted expenditures are **\$9.4 million** in FY 2025-26, including **\$4.1 million** in transfers for capital costs and the City's cost allocation plan (\$0.5 million). The fund has an operating surplus net of transfers to the Sewer Capital Fund sufficient to fund the budgeted capital costs in FY 2025-26.

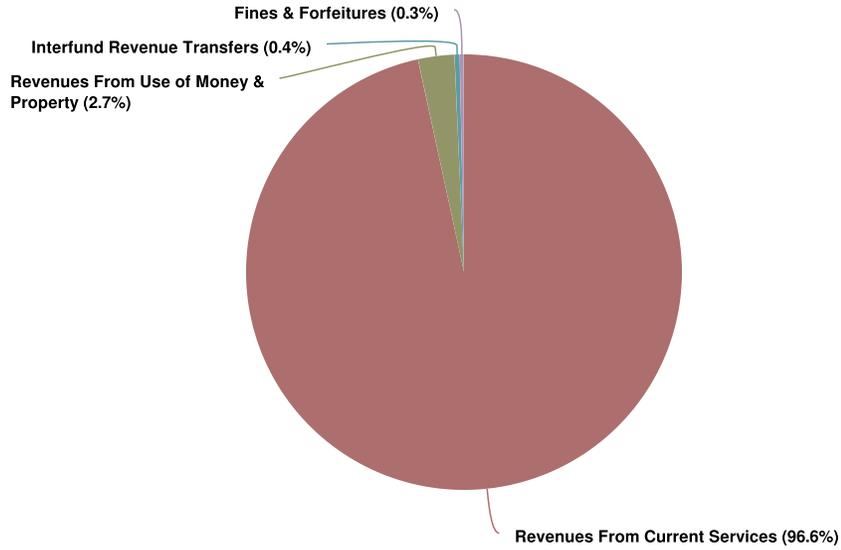
The jump in FY 2021-22 and FY 2022-23 actuals reflects the recording of financing activity for the planning and construction of the Water Reclamation Facility project, as well as loan disbursements to reimburse the fund for up-front project expenditures, which will be repaid in debt service payments 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 2025-26.

Projected 2026 Revenues by Source



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Intergovernmental Revenues	\$90,047	-\$25,621	\$5,088,953	\$0	\$0	0%
Revenues From Current Services	\$9,703,719	\$9,389,382	\$9,518,584	\$9,460,000	\$9,460,000	0%
Fines & Forfeitures	\$34,431	\$58,843	\$52,427	\$30,000	\$30,000	0%
Other Revenues	-\$5,434	\$635	\$31,974	\$0	\$0	0%
Revenues From Use of Money & Property	\$171,431	\$434,397	\$1,585,606	\$263,604	\$263,604	0%
Interfund Revenue Transfers	\$39,316,339	\$20,103,758	\$4,010,839	\$37,000	\$37,000	0%
Total Revenue Source:	\$49,310,532	\$29,961,394	\$20,288,383	\$9,790,604	\$9,790,604	0%

Expenditures by Expense Type

FY 2025-26 will see lower Transfer Out expenditures compared to recent years as the WRF construction project is now complete.

Personnel - Personnel costs are increasing by 7%, reflecting the need to keep employee compensation competitive to attract and retain talent. There is also an addition of a Utilities Project Manager position which would be funded 50% by Sewer Operating Fund and 50% by Water Operating Fund.

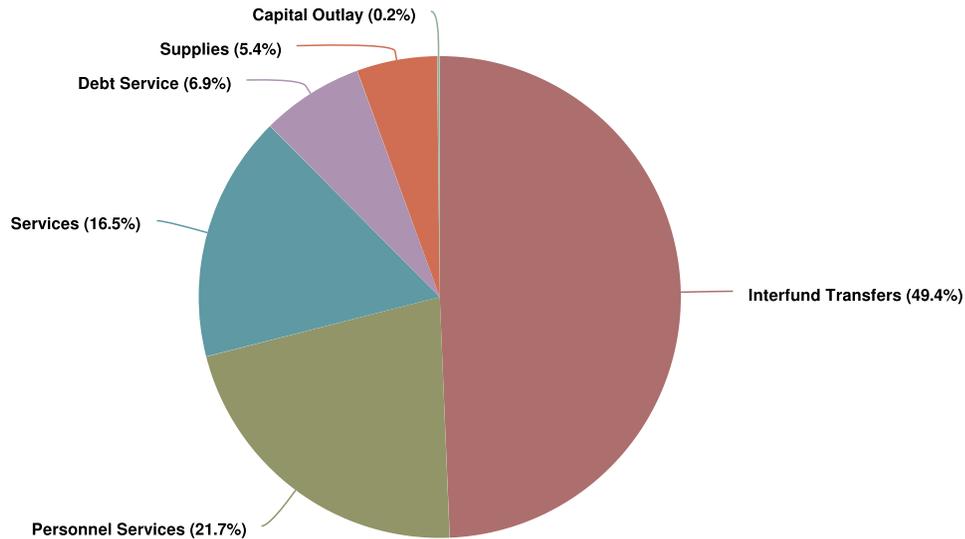
Services and Supplies - Budgeted costs for supplies are decreasing by 7% in FY 2025-26 due to reduced budget in Computer Operating Supplies, Forms Printing, Building Maintenance Supplies, and Machinery/Equipment Supplies. The services budget for FY 2025-26 is decreasing 14%, reflecting reduced anticipated spending in Legal Services, Engineering Services, Digital Services, Natural Gas, Water, Disposal, Property Damage Insurance, and Outside Equipment Repair.

Debt Service - FY 2024-25 budget included anticipated debt service payments to the State Revolving Fund. However, due to staff efforts to amend the loan agreement, debt service payment commencement has been delayed until FY 2027-28. WIFIA debt service commenced in FY 2024-25 and will continue through 2058 with a current annual cost of \$645,652.

Interfund Transfers - Budgeted interfund transfers for FY 2025-26 total **\$4,643,215** and are as follows:

- Transfer to General Fund for Cost Allocation Plan internal services - **\$385,252**
- Transfer to Information Technology and Risk Management Funds - **\$130,963**
- Transfer to Sewer Capital Improvement Fund - **\$4,097,000**
- Transfer to Water Discounts/Rebates Fund - **\$30,000**

Budgeted Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$577,224	\$1,581,436	\$1,707,990	\$1,904,288	\$2,039,386	7.1%
Supplies	\$47,938	\$256,555	\$381,050	\$547,500	\$508,500	-7.1%
Other Expense	\$2,004,214	\$84,415	\$0	\$0	\$0	0%
Services	\$360,558	\$1,226,772	\$1,370,311	\$1,814,881	\$1,555,905	-14.3%
Capital Outlay	\$0	\$0	\$0	\$0	\$15,000	N/A
Debt Service	\$0	\$0	\$0	\$2,555,736	\$645,652	-74.7%
Interfund Transfers	\$39,363,464	\$29,961,074	\$15,872,260	\$10,469,181	\$4,643,215	-55.6%
Total Expense Objects:	\$42,353,398	\$33,110,254	\$19,331,611	\$17,291,586	\$9,407,658	-45.6%

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.

For FY 2025-26, this **meets the City's reserve policies** for this fund, as follows:

- o 25% of operating budget in last adopted operating budget - \$1.8 million
- o 5% of prior year's rates for rate stabilization - \$0.47 million
- o 20% of value of the water fleet - \$0.1 million
- o Debt service coverage ratio - 8.0

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 four of the five reserve policies throughout the forecast period, the exception being the debt service coverage ratio of 1.2 minimum. When SRF loan debt service payments begin in FY 2027-28 the ratio falls to 1.1. Additionally, 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.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$22,767,000	\$23,832,493	\$22,479,626	\$18,542,795	\$18,925,741	2.1%
Total Fund Balance:	\$22,767,000	\$23,832,493	\$22,479,626	\$18,542,795	\$18,925,741	2.1%



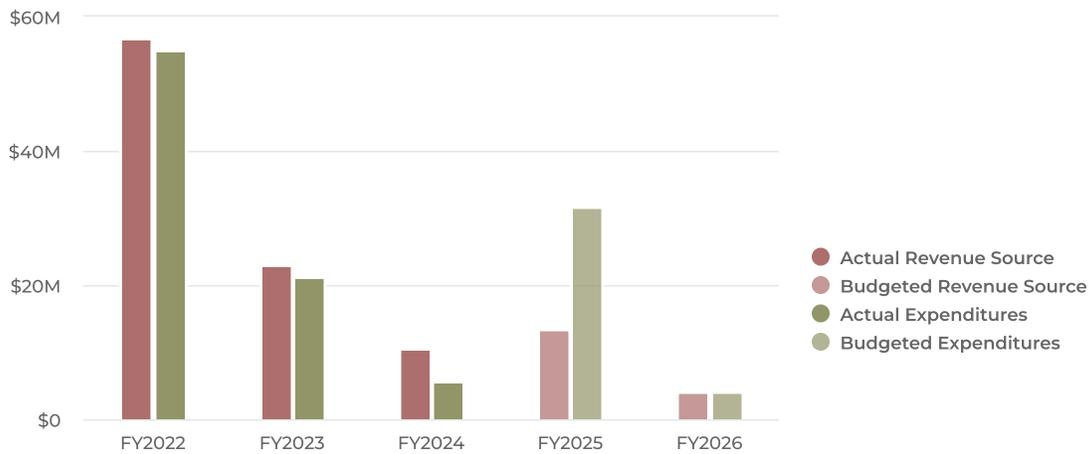
Sewer Capital Improvement Fund (922)

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

Summary

The City of Morro Bay is projecting **\$4.2 million** in revenues and expenditures for FY 2025-26. 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 2025-26 the Sewer CIP budget is **\$4.2 million** (plus any unexpended budget from prior years that will be carried forward with Council approval). Projects will be funded through a **\$4.1 million** transfer in from the Sewer Operating Fund, which is funded by ratepayer revenue, as well as **\$150,000** from fund balance.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Sewer Capital Impv Fund	\$56,890,364	\$23,213,250	\$10,719,015	\$13,537,067	\$4,247,000	-68.6%
Total Sewer Capital Impv Fund:	\$56,890,364	\$23,213,250	\$10,719,015	\$13,537,067	\$4,247,000	-68.6%

Expenditures by Fund

The FY 2025-26 budget includes **\$4.2 million** in CIP budget for **two** Sewer capital improvement projects (CIPs). In addition to **\$4.1** in new FY 2025-26 budget allocation and \$150,000 from fund balance, 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.

The **\$4,247,000** million is broken down as follows. The *Capital Improvements* section of the Budget Book presents each project in great detail.

- o **\$4,097,000** - Wastewater Treatment Plant Decommissioning | Ongoing project
- o **\$150,000** - Crane Truck Replacement | One-time purchase

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Sewer Capital Impv Fund	\$55,220,282	\$21,301,938	\$23,960,793	\$5,814,010	\$31,718,208	\$4,247,000	-86.6%
Total Sewer Capital Impv Fund:	\$55,220,282	\$21,301,938	\$23,960,793	\$5,814,010	\$31,718,208	\$4,247,000	-86.6%

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 **\$6 million** at the end of FY 2025-26, as there are several capital projects that are still ongoing. This assumes that most budgeted funds will be expended by the end of FY 2025-26; if not, the actual fund balance would be higher.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Assigned	\$1,670,000	\$3,581,394	\$8,486,400	\$6,164,363	\$6,164,363	0%
Nonspendable	\$0	\$0	\$0	\$0	\$0	0%
Total Fund Balance:	\$1,670,000	\$3,581,394	\$8,486,400	\$6,164,363	\$6,164,363	0%



Water Operating Fund (311)

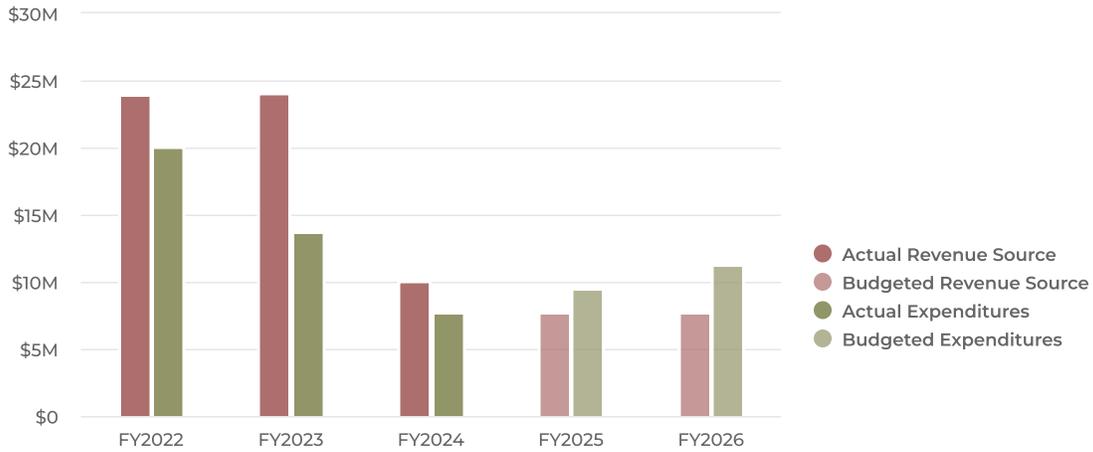
The Water Operating Fund is a self-supporting enterprise fund that accounts for all income and expenses associated with the City's water utility operation. Its primary revenue source is water sales to residents and businesses.

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 2025-26, which represents a 0.0% increase over the prior year. Budgeted expenditures are projected to increase by 17.7% to **\$11.3 million** in FY 2025-26. 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.

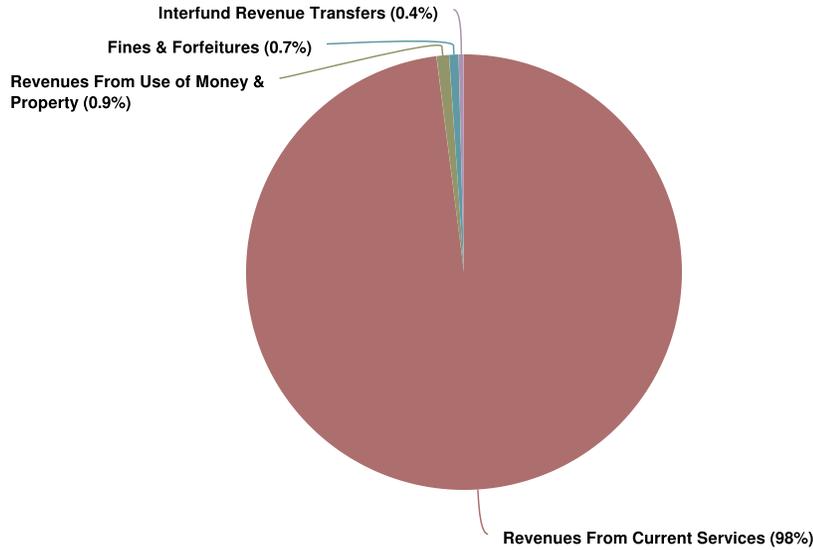
The jump in FY 2021-22 and FY 2022-23 actual expenditures reflects the recording of financing activity to the Sewer CIP fund for the Water Fund's share of the Water Reclamation Facility project costs, as well as loan disbursements to reimburse the fund for up-front project expenditures, which will be repaid in debt service payments over time. WIFIA debt service repayment commenced in FY 2024-25 at \$936,053 annually and will continue through 2058.



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 2025-26.

Projected 2026 Revenues by Source



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Intergovernmental Revenues	\$61,473	\$0	\$43,302	\$0	\$0	0%
Revenues From Current Services	\$7,616,413	\$7,340,604	\$7,426,697	\$7,649,200	\$7,649,200	0%
Fines & Forfeitures	\$25,095	\$45,649	\$43,537	\$55,000	\$55,000	0%
Other Revenues	\$6,583	\$1,189	\$21,960	\$0	\$0	0%
Revenues From Use of Money & Property	\$57,545	\$516,655	\$879,962	\$72,637	\$72,637	0%
Interfund Revenue Transfers	\$16,195,874	\$16,217,707	\$1,649,868	\$30,000	\$30,000	0%
Total Revenue Source:	\$23,962,983	\$24,121,803	\$10,065,326	\$7,806,837	\$7,806,837	0%

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.

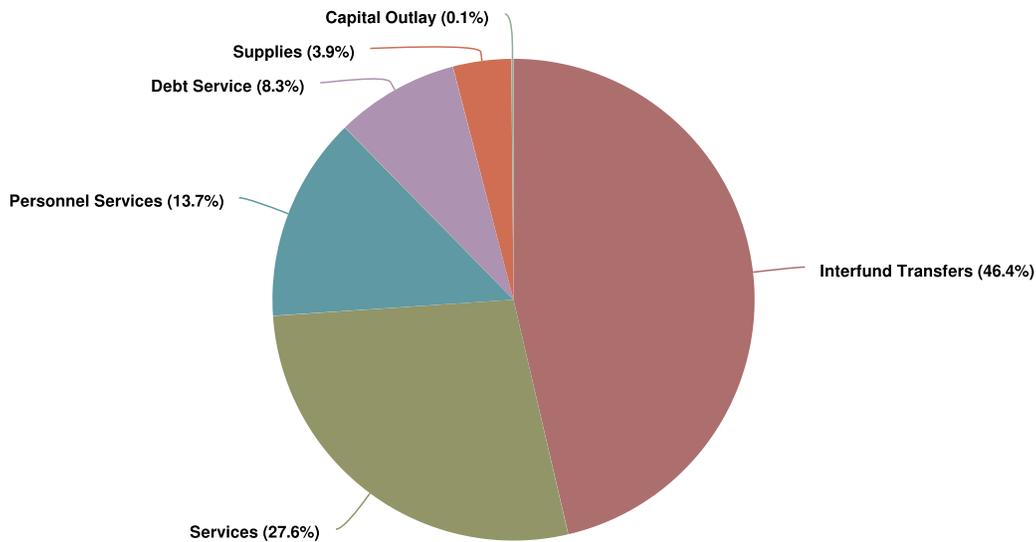
Personnel, Services, and Supplies - Personnel costs are increasing for FY 2025-26 due to the FY 2024-25 through FY 2026-27 collective bargaining contracts.

Debt Service - WIFIA debt service commenced in FY 2024-25 and will continue through 2058, currently \$936,053.

Interfund Transfers - Budgeted interfund transfers in FY 2025-26 total **\$5,240,883** and include the following:

- o **\$4,734,900** - Transfer to the Water Capital Improvements fund for Water projects outlined in CIP budget
- o **\$373,493** - Transfer to General Fund for Cost Allocation Plan internal services
- o **\$102,490** - Transfer to Information Technology and Risk Management Funds for the Water Department's share of those services
- o **\$30,000** - Transfer to the Utility Discounts Fund (315)

Budgeted Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$870,379	\$1,229,772	\$1,294,071	\$1,395,885	\$1,552,747	11.2%
Supplies	\$153,849	\$181,288	\$210,098	\$484,000	\$442,500	-8.6%
Other Expense	\$0	\$146,788	\$0	\$0	\$0	0%
Services	\$1,787,074	\$3,303,569	\$3,037,572	\$3,163,933	\$3,118,483	-1.4%
Capital Outlay	\$0	\$0	\$0	\$0	\$15,000	N/A
Debt Service	\$0	\$46,857	\$26,051	\$936,053	\$936,053	0%
Interfund Transfers	\$17,353,686	\$8,847,065	\$3,187,451	\$3,625,655	\$5,240,883	44.5%
Total Expense Objects:	\$20,164,988	\$13,755,340	\$7,755,243	\$9,605,526	\$11,305,666	17.7%



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 2025-26 is projected to be approximately **\$8.0 million**.

For FY 2025-26, this **meets the City's reserve policies** for this fund, as follows:

- 25% of operating budget in last adopted budget - **\$1.0 million**
- 5% of prior year's rates for rate stabilization - **\$0.4 million**
- 20% of value of the water fleet - **\$0.05 million**
- Debt Coverage Ratio - **2.6**

The five-year forecast in the **Long-Range Financial Plans** section of the budget demonstrates that the Water Fund's complies with Council reserve policies throughout the forecast period.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$9,969,000	\$11,807,246	\$13,308,019	\$11,488,609	\$7,989,780	-30.5%
Total Fund Balance:	\$9,969,000	\$11,807,246	\$13,308,019	\$11,488,609	\$7,989,780	-30.5%

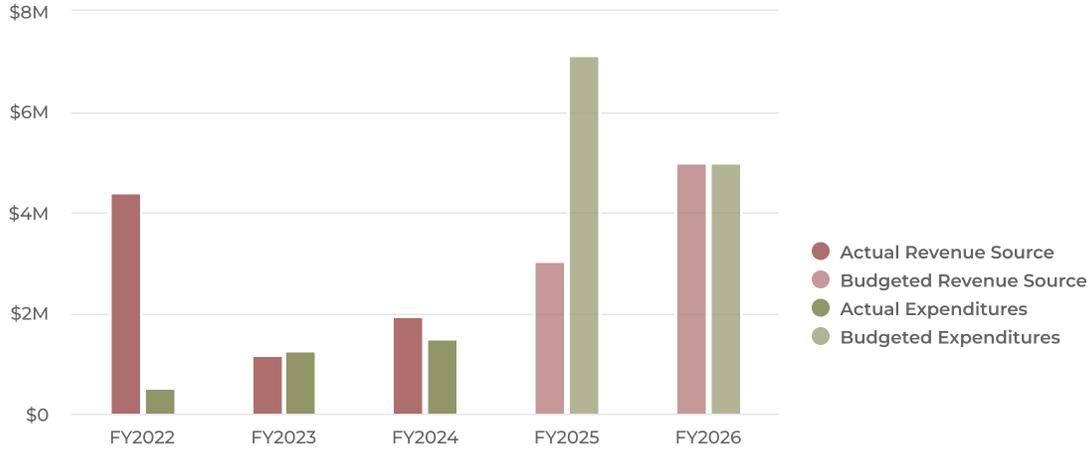


Water Capital Improvement Fund (921)

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

Summary

The City of Morro Bay is projecting **\$5.0 million** in revenues as transfers from Water Operating Fund, and \$287,085 in grant revenue in FY 2025-26 for a total of **\$5,021,985** in new revenue. Additionally, any unexpended budget from FY 2024-25 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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Water Capital Impv Fund	\$4,402,147	\$1,182,512	\$1,962,720	\$3,050,000	\$5,021,985	64.7%
Total Water Capital Impv Fund:	\$4,402,147	\$1,182,512	\$1,962,720	\$3,050,000	\$5,021,985	64.7%

Expenditures by Fund

The FY 2025-26 budget includes **\$5,021,985** 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 \$5,021,985 in new funding allocation is broken down as follows. The *Capital Improvements* section of this budget describes these projects in detail.

- **\$1,734,900** - Morro Basin Wellfield Rehabilitation | Ongoing project
- **\$2,500,000** - Nutmeg Tank and related Pressure Zone Improvements | Ongoing project
- **\$287,085** - Floodproof Reverse Osmosis Water Treatment Facility | One-time project
- **\$500,000** - Water Meter Replacement Project | New ongoing project

Name	FY2022 Actual	FY2023 Actual	FY2024 Amended Budget	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Water Capital Impv Fund	\$529,257	\$1,278,423	\$5,577,441	\$1,510,399	\$7,151,272	\$5,021,985	-29.8%
Total Water Capital Impv Fund:	\$529,257	\$1,278,423	\$5,577,441	\$1,510,399	\$7,151,272	\$5,021,985	-29.8%

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 **\$3.7 million** at June 30, 2025, as several capital projects are still ongoing and will have unexpended funds that will be carried forward to FY 2025-26.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Assigned	\$3,873,000	\$3,776,979	\$4,229,301	\$3,703,665	\$3,703,665	0%
Nonspendable	\$0	\$0	\$0	\$0	\$0	0%
Total Fund Balance:	\$3,873,000	\$3,776,979	\$4,229,301	\$3,703,665	\$3,703,665	0%

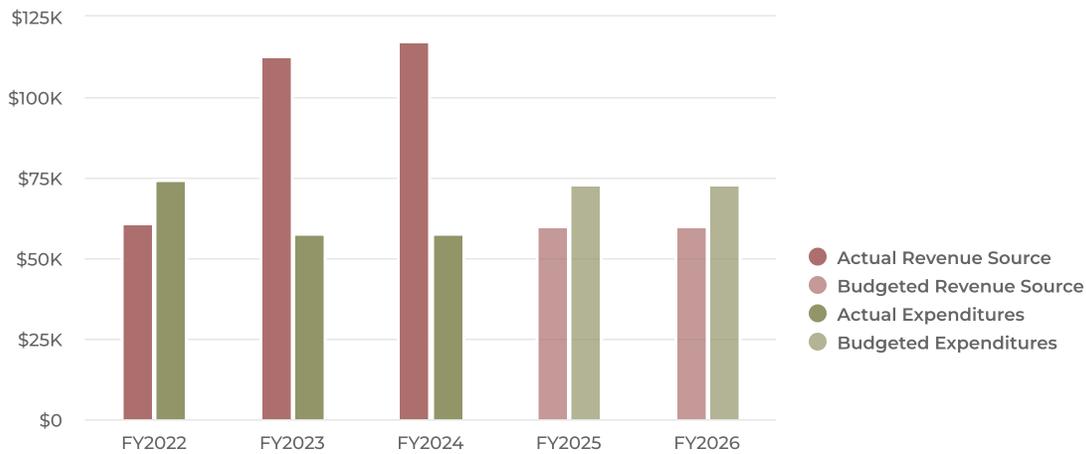


Utility Discount Fund (315)

This Fund tracks the Utility Discount Program, which was established by Council Resolution No. 54-15 on July 14, 2015. Discretionary funds are placed into this account to allow a discount of City utility bills for income-qualifying residents who are participants in the PG&E Care Program. The program is funded not through rates paid, but through late payment penalties, non-sufficient funds fees, and reconnection fees. 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 2025-26, which represents a **0% increase** over the prior year. Budgeted expenditures are projected to **remain flat** in FY 2025-26.



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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Water Discounts/Rebates	\$61,217	\$112,795	\$117,666	\$60,000	\$60,000	0%
Total Water Discounts/Rebates:	\$61,217	\$112,795	\$117,666	\$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 2025-26.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Water Discounts/Rebates						
Other Expense						
Loss on Investment	\$0	\$739	\$0	\$0	\$0	0%
Water Customer Discount	-\$4	\$0	\$0	\$0	\$0	0%
Utility Rebate Program	\$3,705	\$2,610	\$2,340	\$3,000	\$3,000	0%
Water Conservation Rebate	\$4,775	\$1,425	\$1,151	\$3,000	\$3,000	0%
Total Other Expense:	\$8,477	\$4,774	\$3,491	\$6,000	\$6,000	0%
Interfund Transfers						
Transfers Out	\$65,895	\$52,925	\$54,562	\$67,000	\$67,000	0%
Total Interfund Transfers:	\$65,895	\$52,925	\$54,562	\$67,000	\$67,000	0%
Total Water Discounts/Rebates:	\$74,372	\$57,699	\$58,053	\$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 2025-26 is **\$438K**.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Committed	\$349,000	\$404,582	\$464,195	\$451,195	\$438,195	-2.9%
Total Fund Balance:	\$349,000	\$404,582	\$464,195	\$451,195	\$438,195	-2.9%



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.

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 2025-26, the fund balance is expected to be approximately **\$0.97 million**.

Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Fund Balance	—	—	—	—	—	
Restricted	\$1,205,000	\$1,068,101	\$777,373	\$967,373	\$967,373	0%
Total Fund Balance:	\$1,205,000	\$1,068,101	\$777,373	\$967,373	\$967,373	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.

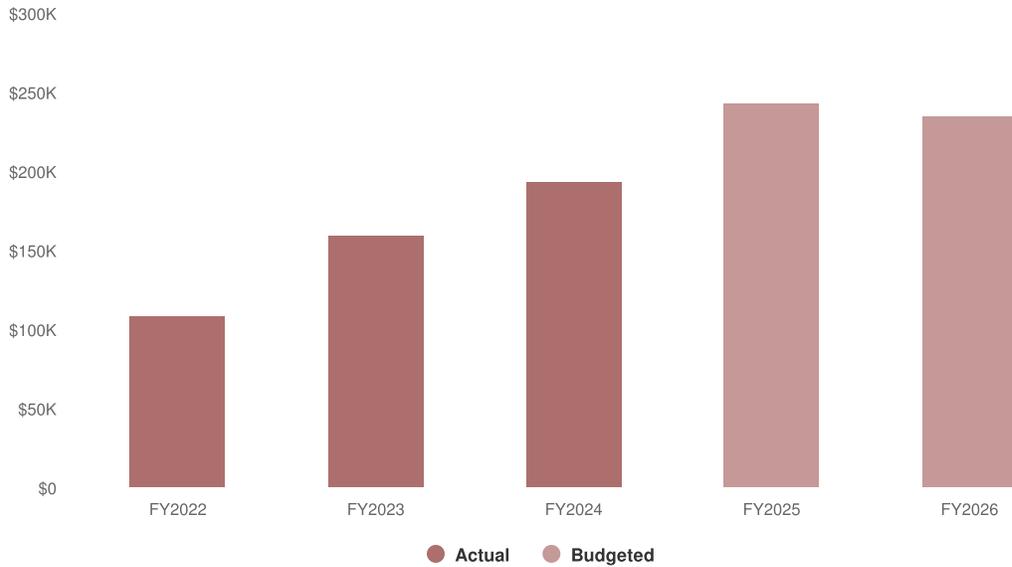
Mayor and Councilmembers

				
Mayor	Mayor Pro Tem	Council Member	Council Member	Council Member
Carla Wixom	Cyndee Edwards	Jeff Eckles	Zara Landrum	Bill Luffee
Term 12/24 - 12/26	Term 12/22 - 12/26	Term 12/24 - 12/28	Term 12/22 - 12/26	Term 12/24 - 12/28

Expenditures Summary

\$235,137
-\$8,528
 (-3.50% vs. prior year)

City Council Proposed and Historical Budget vs. Actual



Expenditures by Function

The FY 2025-26 City Council budget includes a \$35,000 General Fund contribution for the Community Grant Program. This expense (listed under "Other Expense" in the table below) is reduced from prior years due to the full expenditures of ARPA revenue recovery funds in FY 2024-25 provided under the State and Local Fiscal Recovery Funds (SLFRF) Program.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expenditures						
City Council						
Personnel Services	\$47,039	\$79,494	\$100,307	\$103,119	\$126,221	22.4%
Supplies	\$202	\$3,735	\$256	\$3,200	\$1,200	-62.5%
Other Expense	\$26,698	\$36,959	\$59,709	\$61,500	\$35,000	-43.1%
Services	\$34,175	\$39,307	\$33,340	\$75,846	\$72,716	-4.1%
Total City Council:	\$108,114	\$159,494	\$193,612	\$243,665	\$235,137	-3.5%
Total Expenditures:	\$108,114	\$159,494	\$193,612	\$243,665	\$235,137	-3.5%



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, Risk Management, Governmental Impact Fees, and Economic Development. 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

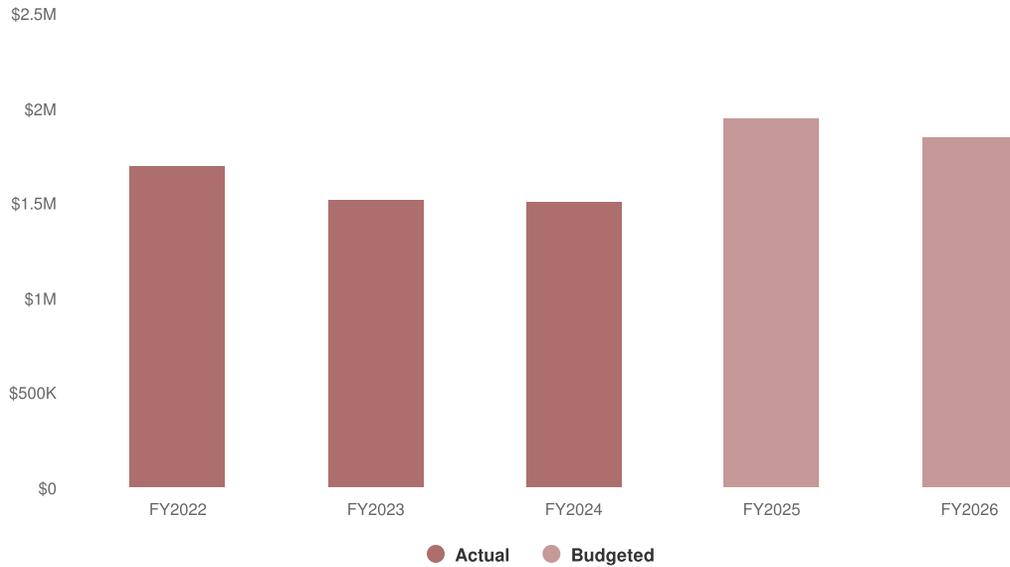
The City of Morro Bay is committed to ensuring a safe environment for our employees, residents, and visitors. The Risk Management Division plays a role in achieving this goal. The California Joint Powers Insurance Authority (CJPIA) is the City's primary provider of risk management services, including 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.

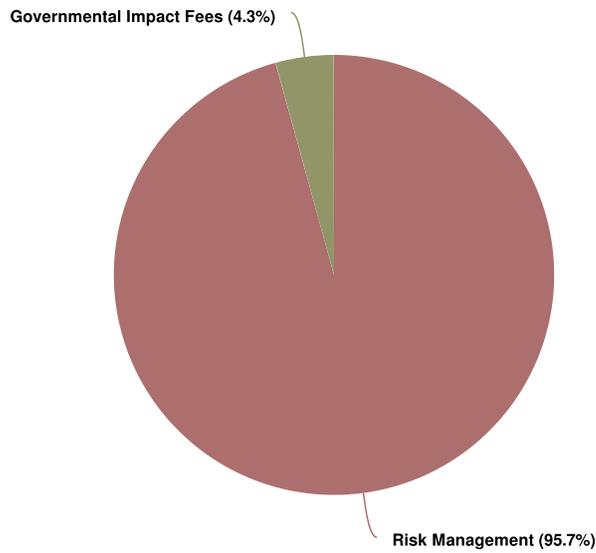
\$1,846,213 **-\$101,221**
(-5.20% vs. prior year)

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



Revenue by Fund

2026 Revenue by Fund



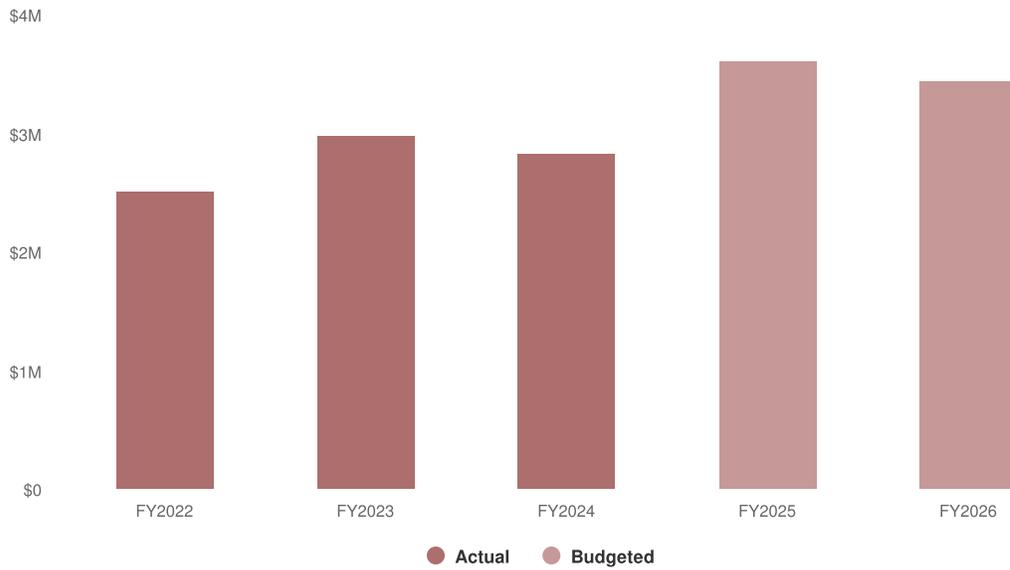
Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
General Fund	\$8,603	\$2,440	-\$140	\$0	\$0	0%
Risk Management	\$1,442,474	\$1,488,704	\$1,472,011	\$1,750,722	\$1,767,307	0.9%
Governmental Impact Fees	\$127,905	\$29,172	\$40,455	\$78,906	\$78,906	0%
Economic Development Fund	\$117,806	\$0	\$0	\$117,806	\$0	-100%
Total:	\$1,696,788	\$1,520,316	\$1,512,326	\$1,947,434	\$1,846,213	-5.2%

Expenditures Summary

For FY 2025-26, 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 (\$56,500), audio/video services for production of Brown Act meetings (\$75,000), and several smaller miscellaneous contracts.

\$3,451,272 **-\$155,583**
(-4.31% vs. prior year)

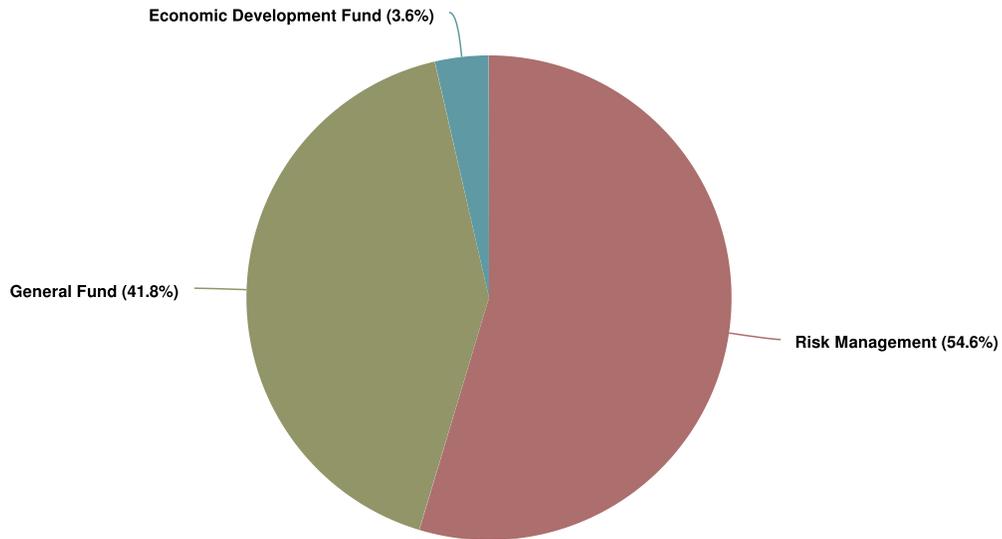
City Manager's Office Proposed and Historical Budget vs. Actual



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.

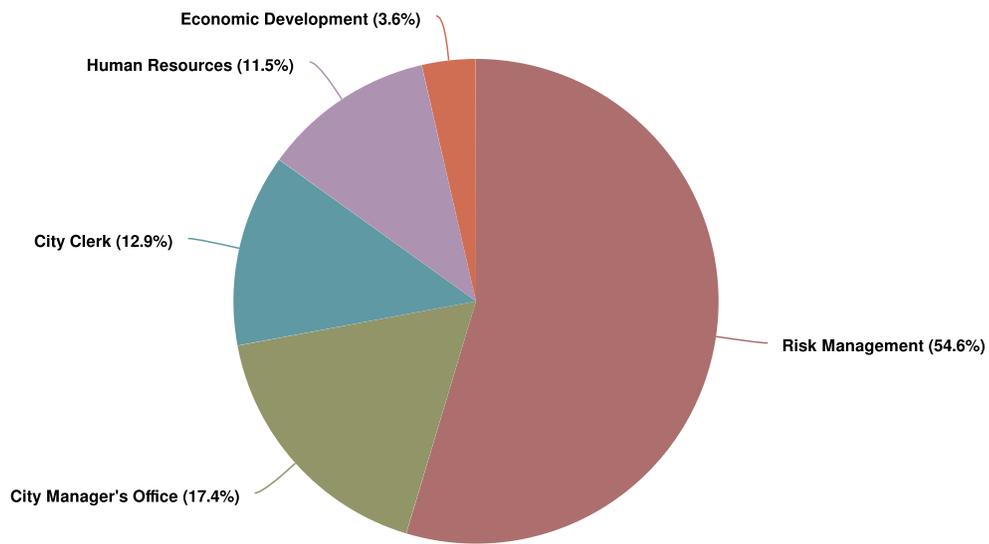
2026 Expenditures by Fund



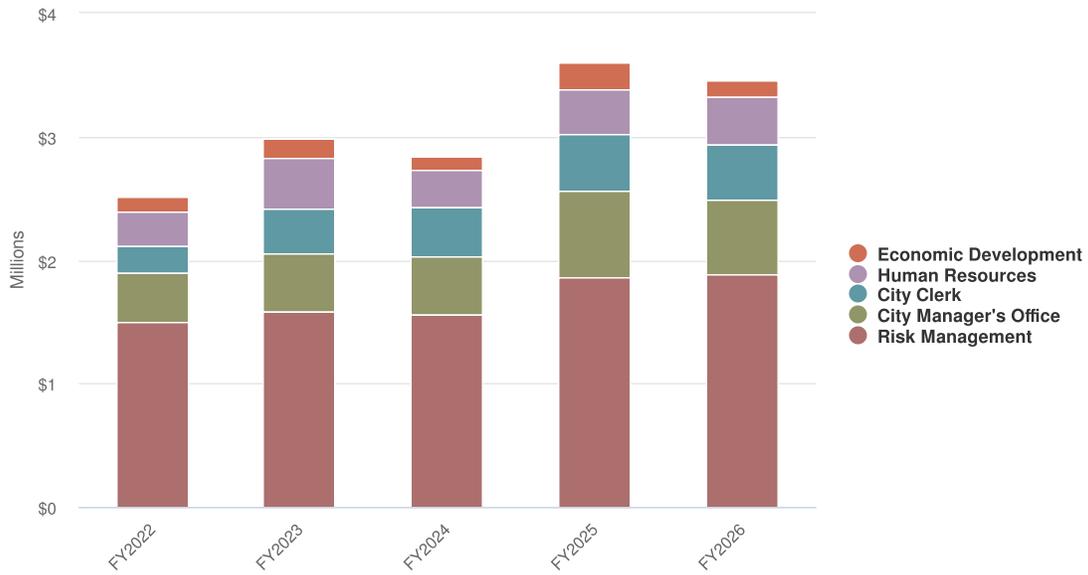
Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
General Fund	\$890,770	\$1,244,805	\$1,162,351	\$1,465,144	\$1,441,730	-1.6%
Risk Management	\$1,504,368	\$1,579,133	\$1,563,716	\$1,865,092	\$1,885,902	1.1%
Governmental Impact Fees	\$0	\$0	\$0	\$58,890	\$0	-100%
Economic Development Fund	\$124,215	\$155,000	\$109,500	\$217,728	\$123,640	-43.2%
Total:	\$2,519,353	\$2,978,938	\$2,835,567	\$3,606,855	\$3,451,272	-4.3%

Expenditures by Function

Budgeted Expenditures by Function



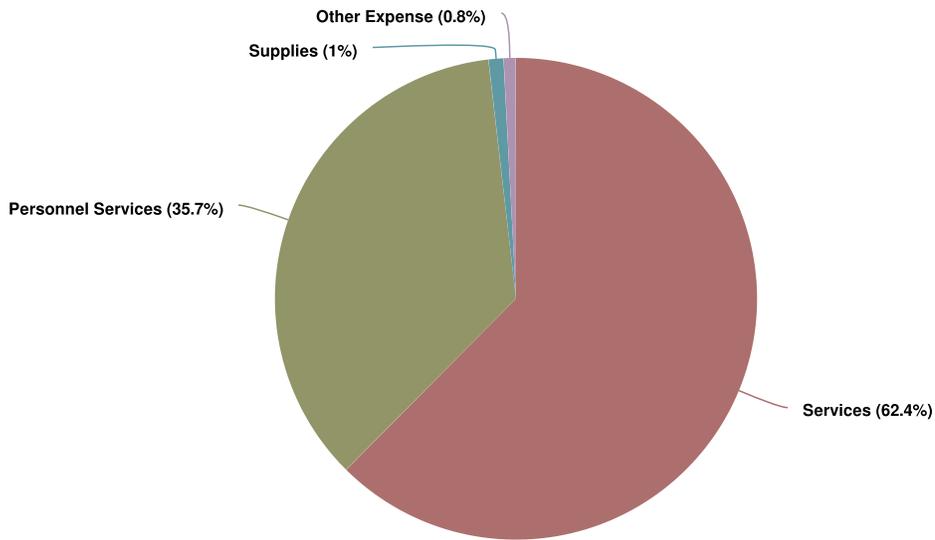
Budgeted and Historical Expenditures by Function



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expenditures						
City Manager's Office						
City Manager's Office	\$394,057	\$480,018	\$463,207	\$696,802	\$601,671	-13.7%
City Clerk	\$219,639	\$360,239	\$399,694	\$461,072	\$443,917	-3.7%
Human Resources	\$277,073	\$404,548	\$299,451	\$366,159	\$396,141	8.2%
Total City Manager's Office:	\$890,770	\$1,244,805	\$1,162,351	\$1,524,034	\$1,441,730	-5.4%
Risk Management						
Risk Management	\$1,504,368	\$1,579,133	\$1,563,716	\$1,865,092	\$1,885,902	1.1%
Total Risk Management:	\$1,504,368	\$1,579,133	\$1,563,716	\$1,865,092	\$1,885,902	1.1%
Economic Development						
Economic Development	\$124,215	\$155,000	\$109,500	\$217,728	\$123,640	-43.2%
Total Economic Development:	\$124,215	\$155,000	\$109,500	\$217,728	\$123,640	-43.2%
Total Expenditures:	\$2,519,353	\$2,978,938	\$2,835,567	\$3,606,855	\$3,451,272	-4.3%

Expenditures by Expense Type

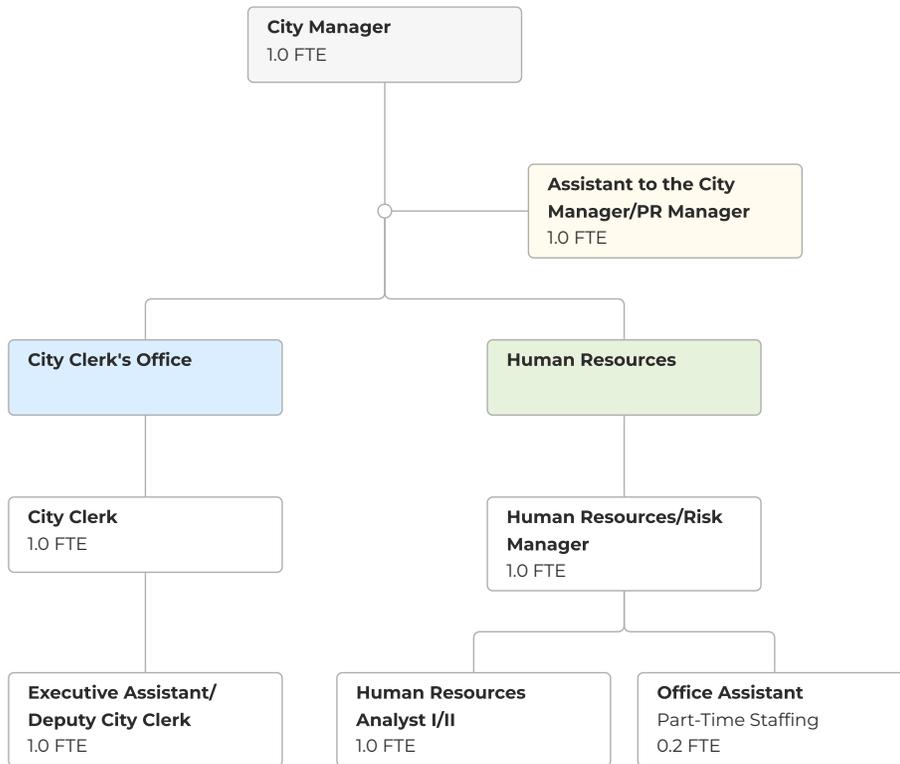
Budgeted Expenditures by Expense Type



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$801,052	\$1,001,904	\$998,847	\$1,203,730	\$1,233,515	2.5%
Supplies	\$11,138	\$8,605	\$7,281	\$19,010	\$34,600	82%
Other Expense	\$1,925	\$2,304	\$220	\$88,000	\$28,000	-68.2%
Services	\$1,703,237	\$1,966,125	\$1,829,219	\$2,237,225	\$2,155,157	-3.7%
Capital Outlay	\$2,001	\$0	\$0	\$0	\$0	0%
Interfund Transfers	\$0	\$0	\$0	\$58,890	\$0	-100%
Total Expense Objects:	\$2,519,353	\$2,978,938	\$2,835,567	\$3,606,855	\$3,451,272	-4.3%

City Manager's Office Organizational Chart

City Manager's Office Organizational Chart



City Manager's Office Staffing List

Full-Time Staffing

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 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/II	1.0	1.0	1.0	1.0	1.0
Assistant to the City Manager/ PR Manager	0.0	0.0	0.0	1.0	1.0
Total Dept. FTEs	4.0	5.0	5.0	6.0	6.0

Part-Time Staffing: Presented as full-time equivalents based on the number of hours budgeted.

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 Budget
City Manager's Office					
Part-Time Office Assistant	0.0	0.0	0.2	0.2	0.2
Total Dept. FTEs	0.0	0.0	0.2	0.2	0.2

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

Goals, Objectives & Action Items

The City Council has adopted the following three goals and associated objectives for FY 2025-26 and FY 2026-27. The **City Manager's Office** plays a vital leadership role in ensuring the City's resources, both financial and organizational, are utilized to advance these goals and objectives.

- **Economic Vitality & Fiscal Health**
 - Downtown Revitalization
 - General Fund Reserve Analysis
 - Revenue Enhancement
 - Planning & Building Permit Services
- **Infrastructure Resiliency**
 - 5-Year Capital Improvement Plan
 - Infrastructure Maintenance
 - Harbor Infrastructure
- **Morro Elementary School (Site)**
 - Acquisition Plan
 - Community Engagement
 - Grants

In addition to Council goals and objectives, the **City Manager's Office** has identified the following priorities for the coming fiscal year.

- 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
- Lead team building and supportive effective training opportunities for City staff
- Continue to work with federal and state lobbyists on seeking funding for the City

Key Ongoing Programs & Services

- Support City Council and implement their direction
- Overall management of the City organization and continuous improvement
- Participate in regional programs and initiatives including economic development and tourism
- Explore options for economic development function while directing and coordinating economic development efforts
- Collaborate with MB tourism business improvement district (TBID) to oversee renewal of TBID
- Fulfill responsibilities of the Central Coast Community Energy (3CE) Operation Board seat and direct exploration of 3CE programs to benefit city operation.
- Conduct fair and impartial local elections; research and recommend best practices on campaign contribution limits.
- 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

2021-22 2022-23 2023-24 2024-25 2025-26
Actuals Actuals Actuals Estimated Projected

City Manager Activity and Workload Highlights

Community Engagement Efforts

CCCE Operations Board Meetings	-	-	-	4	8
Chamber of Commerce Meetings	-	-	-	8	8
Visit Morro Bay Board Meetings	-	-	-	5	7
City Manager Updates	9	20	3	12	12

City Council Support

Council meetings	45	43	40	41	42
City Goals – action items completed	5	15	15	12	15
Legislative Support Letters	-	-	-	7	7

City Staff Support and Development

Council Subcommittee Meetings	-	-	-	14	15
Department/Division Head Evaluations	2	2	3	4	3

2021-22 2022-23 2023-24 2024-25 2025-26
Actuals Actuals Actuals Estimated Projected

City Clerk Activity and Workload Highlights

Number of Legislative Records Indexed					
a. Resolutions	105	83	80	65	65
b. Ordinances	8	6	9	5	6
Commission and Committee applications and appointments processed (applications / appointments)	19 / 13	21 / 11	10 / 6	16 / 8	16 / 10
Legal Notices published within established timelines	19	13	20	13	15
Fair Political Practices Commission (FPPC) Form 700s filed	95	90	90	110	100
City Council Agenda Packets processed (regular / special)	20 / 28	19 / 26	20 / 20	21 / 22	21 / 21
Public Records Act requests processed	118	90	90	100	90

Human Resources Activity and Workload Highlights

	2021-22 Actuals	2022-23 Actuals	2023-24 Actuals	2024-25 Estimated	2025-26 Projected
Full-Time (FT), Part-Time (PT) Employee Count	103 FT 155 PT	98 FT 216 PT	97 FT 214 PT	109 FT 198 PT	117 FT 198 PT
Recruitments Conducted	21 FT 17 PT	18 FT 48 PT	18 FT 78 PT	18 FT 80 PT	N/A N/A
FT Employee Turnover Ratio	10%	14.29%	14.43%	9.17%	N/A
Percentage of labor agreements ratified prior to expiration of existing contracts	100%	67%	100%	N/A	N/A

City Attorney

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.

Expenditures Summary

For City expenditures across all funds and projects paid for by the City, the total legal services budgets for FY 2025-26 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.

\$540,088 **\$27,216**
(5.31% vs. prior year)

Goals, Objectives & 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:**

- 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 2025-26 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
- Legal counsel on safe and sustainable potential reuses of shuttered power plant property
- 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

	2021-22 Actuals	2022-23 Actuals	2023-24 Actuals	2024-25 Estimated	2025-26 Projected
Activity and Workload Highlights					
Staff Reports Reviewed	185	185	185	185	185
Public Records Requests	35	40	45	40	50
Contracts Reviewed/Prepared	30	30	35	35	50
Ordinances/Resolutions Reviewed and/or Prepared	25	25	25	25	25
Personnel Matters	20	20	20	20	20
WRF Issues	40	35	40	14	5
WWTP Issues	25	30	35	40	40
Harbor Leases, Enforcement, Tidelands, etc.	20	20	30	35	35
Phone calls/emails (substantive)	300	325	350	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. Finance provides its employees and the public all financial-related services. 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, payroll functions, business licensing and transient occupancy tax collection, treasury management, and debt management. 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

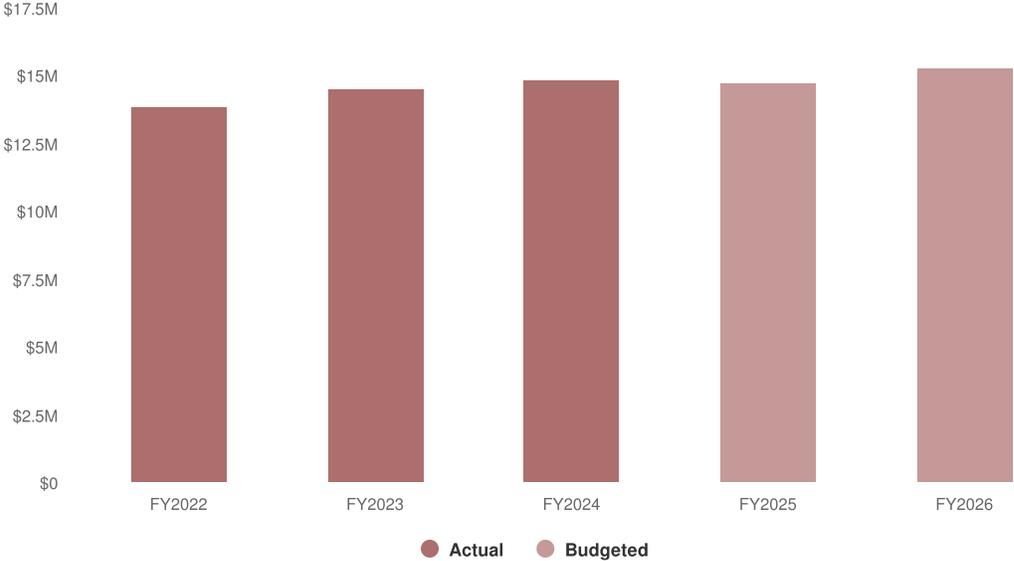
Information Technology (IT) handles all centralized and decentralized City technology services, facilitating the City's ability to deliver effective and efficient service to the public. IT staff performs maintenance and upgrades of the City's IT network system, ensures network security, supports multiple software applications, manages the Citywide IT replacement program, provides technical support for over 100 City staff members and City Council, 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.

\$15,272,291 **\$540,535**
 (3.67% vs. prior year)

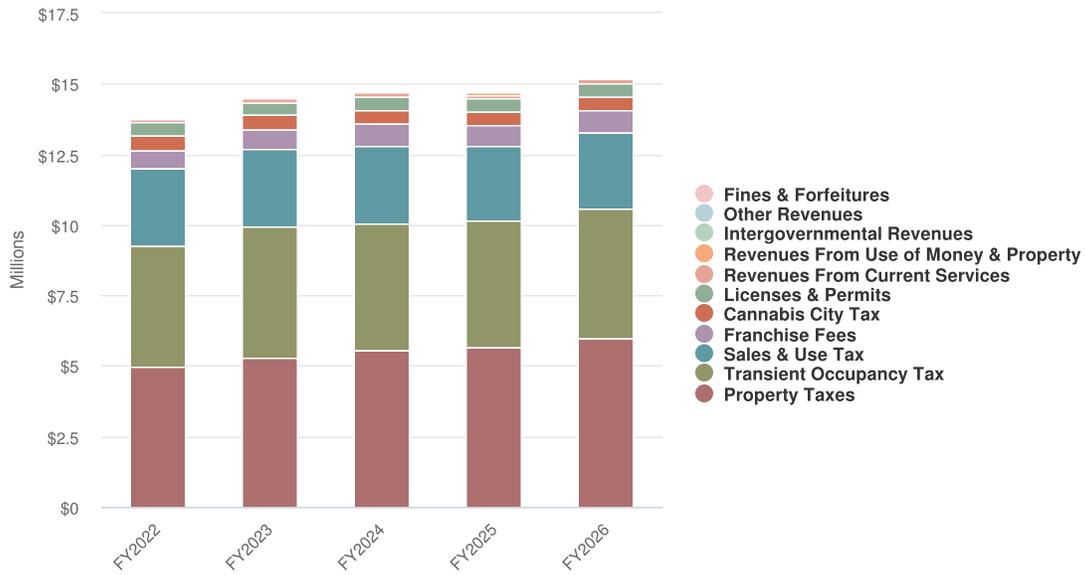
Administrative Services Proposed and Historical Budget vs. Actual



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 Revenues by Source



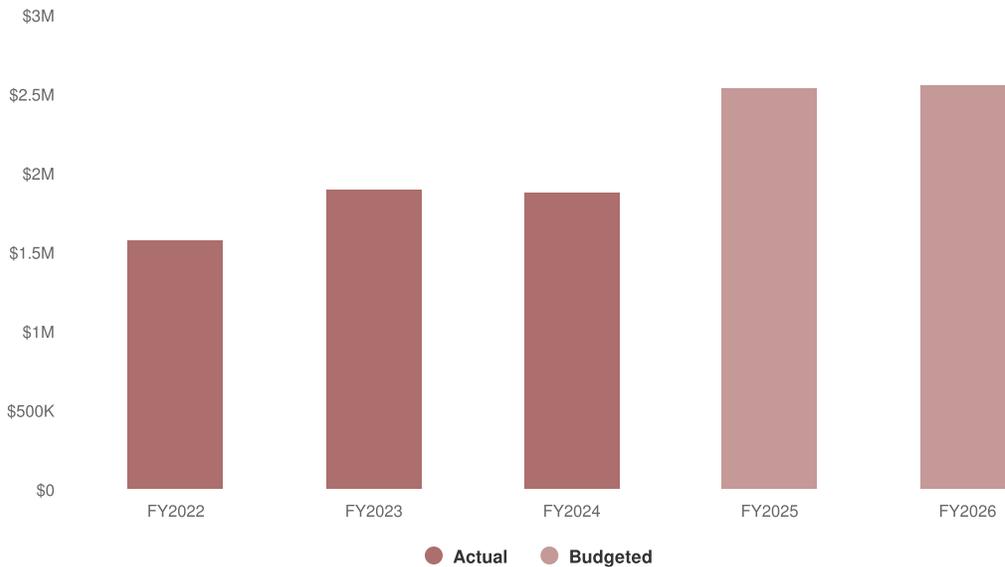
Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Property Taxes	\$4,981,027	\$5,275,945	\$5,554,565	\$5,642,154	\$5,958,944	5.6%
Intergovernmental Revenues	\$30,504	\$29,567	\$32,954	\$27,280	\$33,489	22.8%
Sales & Use Tax	\$2,753,611	\$2,739,864	\$2,777,093	\$2,632,000	\$2,725,761	3.6%
Cannabis City Tax	\$512,944	\$502,149	\$469,133	\$490,000	\$490,000	0%
Transient Occupancy Tax	\$4,255,140	\$4,681,648	\$4,473,923	\$4,500,000	\$4,590,000	2%
Franchise Fees	\$641,869	\$698,791	\$782,158	\$747,380	\$781,155	4.5%
Licenses & Permits	\$487,954	\$426,956	\$477,418	\$477,000	\$477,000	0%
Revenues From Current Services	\$138,489	\$145,290	\$159,670	\$126,350	\$126,350	0%
Fines & Forfeitures	\$3,409	\$17,467	\$36,884	\$7,000	\$7,000	0%
Other Revenues	\$3,118	\$8,417	\$64,376	\$20,000	\$20,000	0%
Revenues From Use of Money & Property	\$36,923	\$13,640	\$8,883	\$62,592	\$62,592	0%
Total Revenue Source:	\$13,844,988	\$14,539,734	\$14,837,056	\$14,731,756	\$15,272,291	3.7%

Expenditures Summary

The Department's budget increased in FY 2025-26 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 having Finance staff provide business licensing and transient occupancy tax administration services. Changes in FY 2025-26 expenditures are explained in detail below.

\$2,557,513
\$21,622
(0.85% 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 The Administrative Services budget is flat over prior year. The Finance budget is decreasing by 1%, and the Information Technology (IT) budget is increasing by 1%. The changes from last year's budget are detailed below.

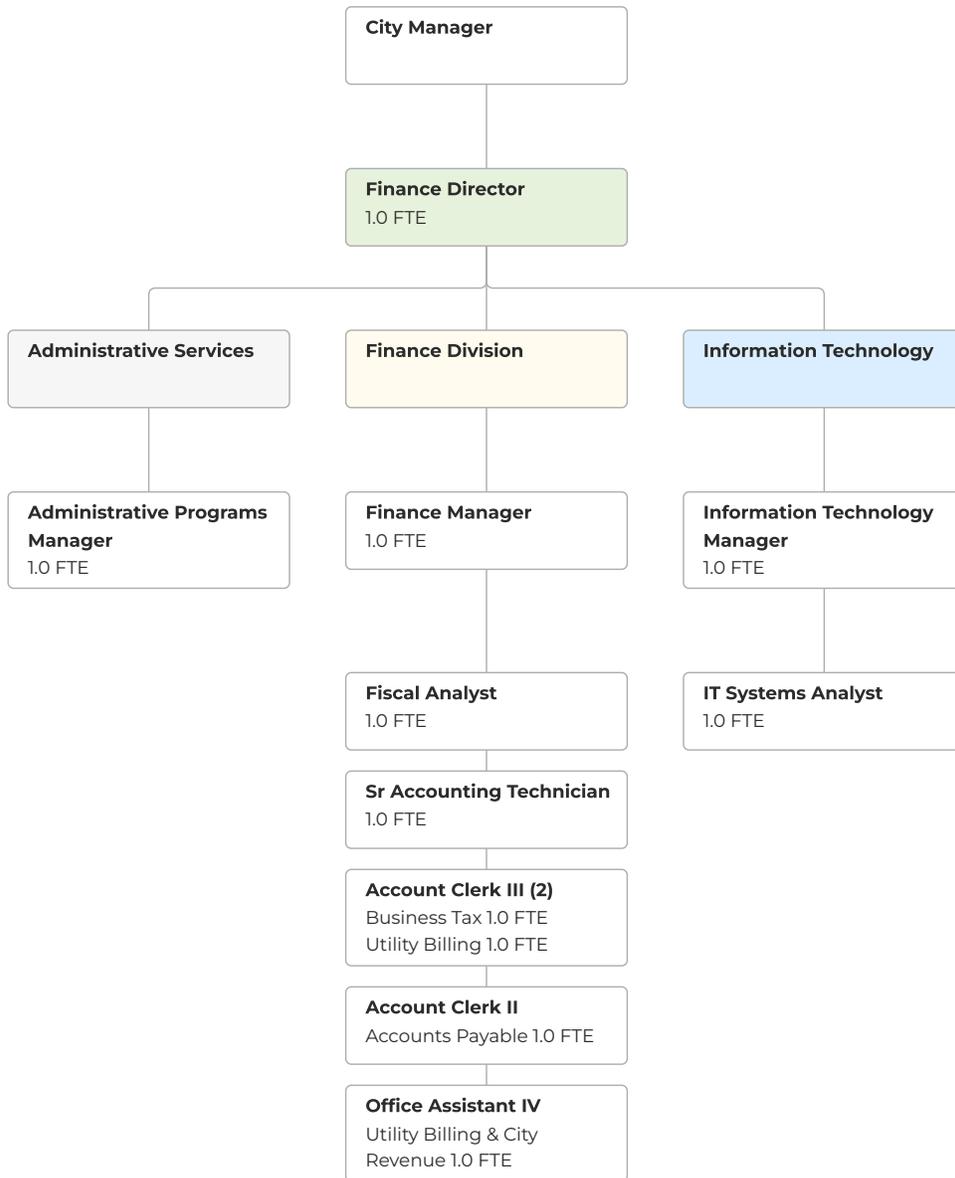
In addition to the scheduled cost of living adjustment, the Personnel Services budget has increased by 1.1 FTE (9.9 FTE to 11.0 FTE). This necessary increase was approved by City Council at midyear to allow the City to provide business licensing and transient occupancy tax (TOT) administration services. The duties of the two existing part-time positions (0.9 FTE) were consolidated into a 1.0 FTE position, and a 1.0 FTE position was added to provide the duties of business licensing and TOT administration services. The staff in that position voluntarily reduced from 40 hours per week to 32 hours per week (0.8 FTE assignment) which provides some budget savings in salary and benefits. So while the department has approval for 11.0 FTE, in actuality it has 10.8 FTE. The Supplies budget decreased in most line items but increased overall by \$400 so that an antiquated desk may be replaced. The Services budget decreased by over 50% due to the removal of the \$58K one-time budget for a development impact fee (DIF) study (completed in FY 2024-25), and the termination of the three-year service contract with HdL Companies for business license and TOT administration services.

The Information Technology (IT), salaries are increasing per the scheduled cost of living adjustment. However, benefits have decreased due to a change in personnel who selected fewer optional benefits. This results in an overall decrease in the Personnel Services budget. The Supplies budget has decreased as the IT team is catching up with hardware replacement. The Services budget increased commensurate with the increased cost of services.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
General Fund						
General Fund						
Personnel Services	\$621,229	\$740,018	\$779,666	\$972,571	\$1,145,228	17.8%
Supplies	\$17,218	\$10,811	\$14,303	\$7,000	\$7,400	5.7%
Services	\$225,198	\$285,539	\$238,430	\$357,352	\$171,508	-52%
Capital Outlay	\$2,001	\$0	\$0	\$0	\$0	0%
Total General Fund:	\$865,646	\$1,036,368	\$1,032,399	\$1,336,923	\$1,324,136	-1%
Total General Fund:	\$865,646	\$1,036,368	\$1,032,399	\$1,336,923	\$1,324,136	-1%
Information Technology Fund						
Personnel Services	\$267,010	\$356,757	\$309,405	\$382,558	\$364,941	-4.6%
Supplies	\$74,897	\$50,273	\$47,477	\$56,038	\$49,038	-12.5%
Services	\$366,342	\$325,043	\$445,653	\$731,673	\$790,698	8.1%
Capital Outlay	\$0	\$0	\$42,058	\$28,700	\$28,700	0%
Debt Service	\$0	\$123,704	\$0	\$0	\$0	0%
Total Information Technology Fund:	\$708,249	\$855,776	\$844,594	\$1,198,968	\$1,233,377	2.9%
Total:	\$1,573,895	\$1,892,144	\$1,876,992	\$2,535,891	\$2,557,513	0.9%

Administrative Services Organizational Chart

Administrative Services Organizational Chart



Administrative Services Staffing List

Full-Time Staffing

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 Budget
Administrative Services					
Asst City Manager/ Admin Services Dir	1.0	1.0	1.0	0.0	0.0
Finance Director	0.0	0.0	0.0	1.0	1.0
Finance Manager	1.0	1.0	1.0	1.0	1.0
Budget/Accounting Manager	0.0	0.0	0.0	0.0	0.0
Administrative Programs Manager	1.0	1.0	1.0	1.0	1.0
Fiscal Analyst	1.0	1.0	1.0	1.0	1.0
Senior Accounting Technician	1.0	1.0	1.0	1.0	1.0
Account Clerk III	2.0	2.0	2.0	2.0	2.0
Account Clerk II	0.0	0.0	0.0	0.0	1.0
Account Clerk I	0.0	0.0	0.0	0.0	0.0
Office Assistant IV Information Technology Manager	1.0	1.0	1.0	1.0	1.0
IT Systems Analyst	1.0	1.0	1.0	1.0	1.0
Total Dept FTEs	9.0	9.0	9.0	9.0	11.0

Part-Time Staffing

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Budget	2025-26 Budget
Administrative Services					
Office Assistant II/III	0.4	0.6	0.9	0.9	0.0
Total Dept FTEs	0.4	0.6	0.9	0.9	0.0

Total Administrative Services Full-Time Equivalents: 11.0

Goals, Objectives & Action Items

The City Council has adopted the following three goals and associated objectives for FY 2025-26 and FY 2026-27. Ways in which the **Administrative Services Department** contributes to these goals & objectives are provided below, where applicable.

- **Economic Vitality & Fiscal Health**
 - Downtown Revitalization
 - Finance staff will support this goal by providing financial information where appropriate.
 - General Fund Reserve Analysis
 - Finance staff will perform a risk-based analysis of the City's Reserve Policy to identify appropriate reserve levels for long-term financial planning. Staff will utilize Government Finance Officers Association (GFOA) resources to determine reserve policy recommendations for Council consideration. Staff will engage the Citizen's Finance Advisory Committee for input.
 - Revenue Enhancement
 - Finance staff will continue to explore options for increasing revenues over time to support the provision of core services to the community.
 - Planning & Building Permit Services
- **Infrastructure Resiliency**
 - 5-Year Capital Improvement Plan
 - Finance staff will collaborate on this goal by evaluating available funding and exploring other capital funding options.
 - Infrastructure Maintenance
 - Harbor Infrastructure
 - Finance staff will support this goal by providing financial information where appropriate.
- **Morro Elementary School (site)**
 - Acquisition Plan
 - Finance staff will support this goal by providing financial information where appropriate.
 - Community Engagement
 - Finance staff will support this goal by providing financial information where appropriate.
 - Grants
 - Finance staff will support this goal by providing financial information where appropriate.

In addition to Council goals and objectives, the **Administrative Services Department** has identified the following priorities for the coming fiscal year.

- **Support Citywide Community Engagement Efforts**
 - 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

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
- Manage the City's investment portfolio
- Manage the City's debt service
- Manage Treasury
- 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

	2021-22 Actuals	2022-23 Actuals	2023-24 Actuals	2024-25 Projected	2025-26 Estimated
Activity and Workload Highlights					
Finance Metrics					
Quarterly Investment Reports	4	4	4	4	4
Accounts Payable checks issued	2,769	3,064	3,195	3,200	3,200
Payroll checks processed	4,985	5,270	6,046	6,050	6,050
Business licenses issued	1,906	1,801	1,895	1,800	1,800
Weighted avg rate of return on investments	0.47%	3.37%	4.27%	4.10%	3.8%
Journal entries written	139	116	158	120	120
Bank account reconciliations completed	132	96	96	96	96
Bank Deposits processed	364	276	295	280	300
CFAC Meetings Supported	7	5	7	6	5
Year End Journal Entries	72	80	56	56	56
Audit Schedules and Document Requests	250	305	300	300	300
Audit Adjusting Entries	4	8	4	2	2
Budget Journal Entries	15	11	19	20	20
Utility Billing Metrics					
Leak Reviews Approved	56	50	100	100	100
Tag Notices Processed	0	150	141	140	140
Turn Off Requests Processed	368	655	458	450	450
Turn On Requests Processed	563	500	454	450	450
Utility Discount Customers Enrolled	214	160	273	200	200
Utility Rebate Customers Enrolled	23	20	13	15	15
Information Technology Metrics					
Devices Supported	445	455	465	465	465
Systems Supported	50	50	52	55	55
Computers Replaced	16	24	30	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.

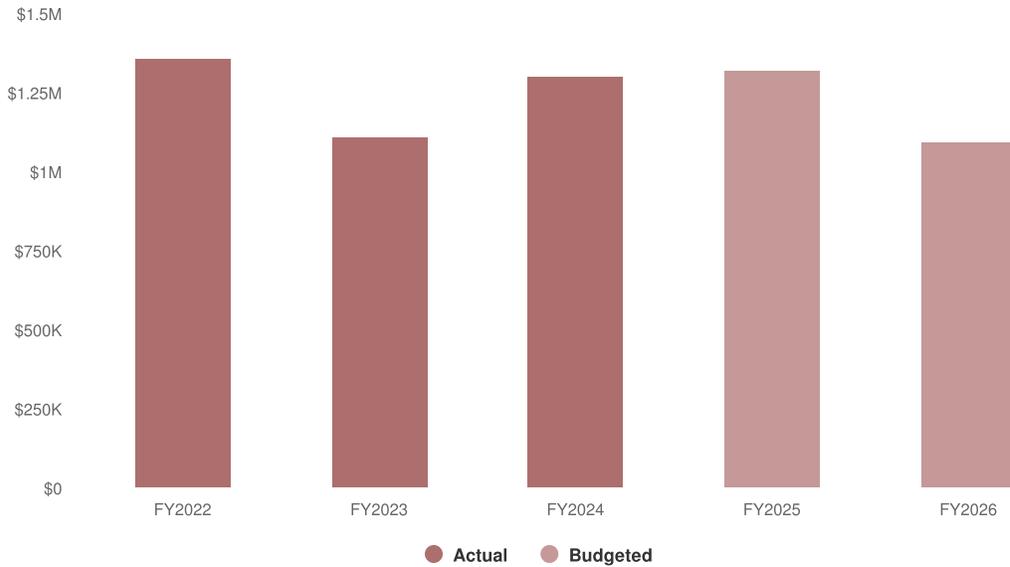


Revenues Summary

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).

\$1,093,818 **-\$225,310**
(-17.08% vs. prior year)

Community Development Proposed and Historical Budget vs. Actual



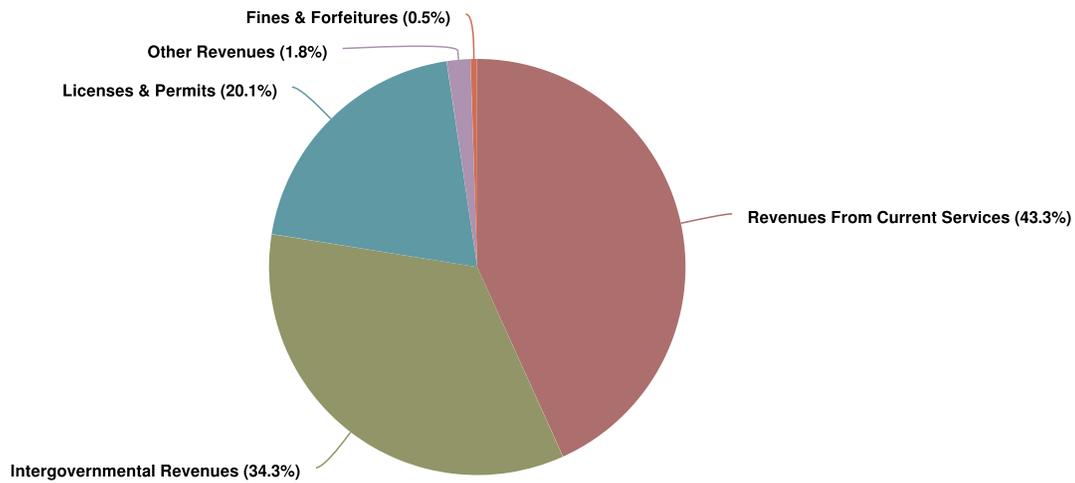
CDD revenues fluctuate from year-to-year based on the volume of services requested, such as planning and building permits.

Revenues by Source

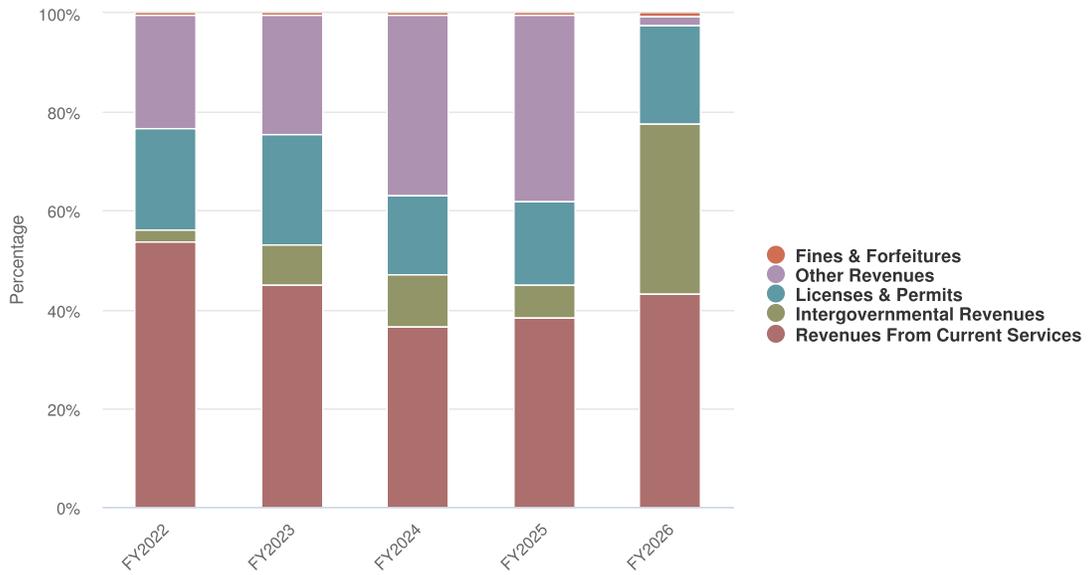
Many of the City's planning and permitting fees are booked to the Community Development Department. The City also received a \$750,000 Local Coastal Program (LCP) planning grant from the California Coastal Commission to update the City's 1996 Waterfront Master Plan. The City is budgeting 50% of the grant revenue (\$375,000) in FY 2025-26. The remainder of the grant revenue will be budgeted in FY 2026-27.

The Development Reimbursement Agreement Fund includes budget for projects at 3300 Panorama, Seashell Estates, and 541 Atascadero Road. The total budgeted revenues and expenditures are \$210,000 each. While the correct amount is budgeted in the fund, due to technical difficulties, the revenue is understated in Community Development Department's Revenue by Source table by \$190,000. The total revenue for Community Development Department is \$1,283,818, a difference of only \$35,310 or 2.7% over prior year.

Projected 2026 Revenues by Source



Budgeted and Historical Revenues by Source



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Intergovernmental Revenues	\$36,273	\$90,350	\$137,634	\$86,667	\$375,000	332.7%
Licenses & Permits	\$277,799	\$247,635	\$208,778	\$224,000	\$220,000	-1.8%
Revenues From Current Services	\$729,516	\$500,022	\$476,770	\$505,371	\$473,191	-6.4%
Fines & Forfeitures	\$5,064	\$3,102	\$3,545	\$3,090	\$5,627	82.1%
Other Revenues	\$309,135	\$268,340	\$476,208	\$500,000	\$20,000	-96%
Total Revenue Source:	\$1,357,787	\$1,109,450	\$1,302,933	\$1,319,128	\$1,093,818	-17.1%

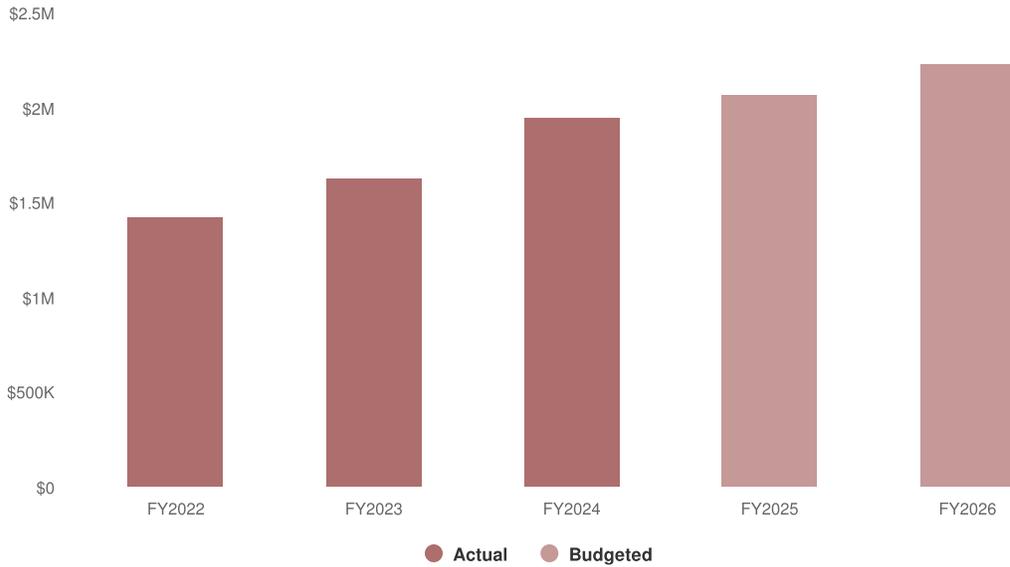
Expenditures Summary

Expenditures in Community Development are expected to increase by 8% over the previous year. This is due to the following factors:

- Cost of living salary increases for all full-time and part-time staff.
- Increased professional services budget to achieve the Council's citywide goal for Morro Elementary.
- Increased professional services budget (grant funded) to update the City Waterfront Master Plan.

\$2,229,166 **\$162,076**
(7.84% vs. prior year)

Community Development Proposed and Historical Budget vs. Actual



Expenditures by Function

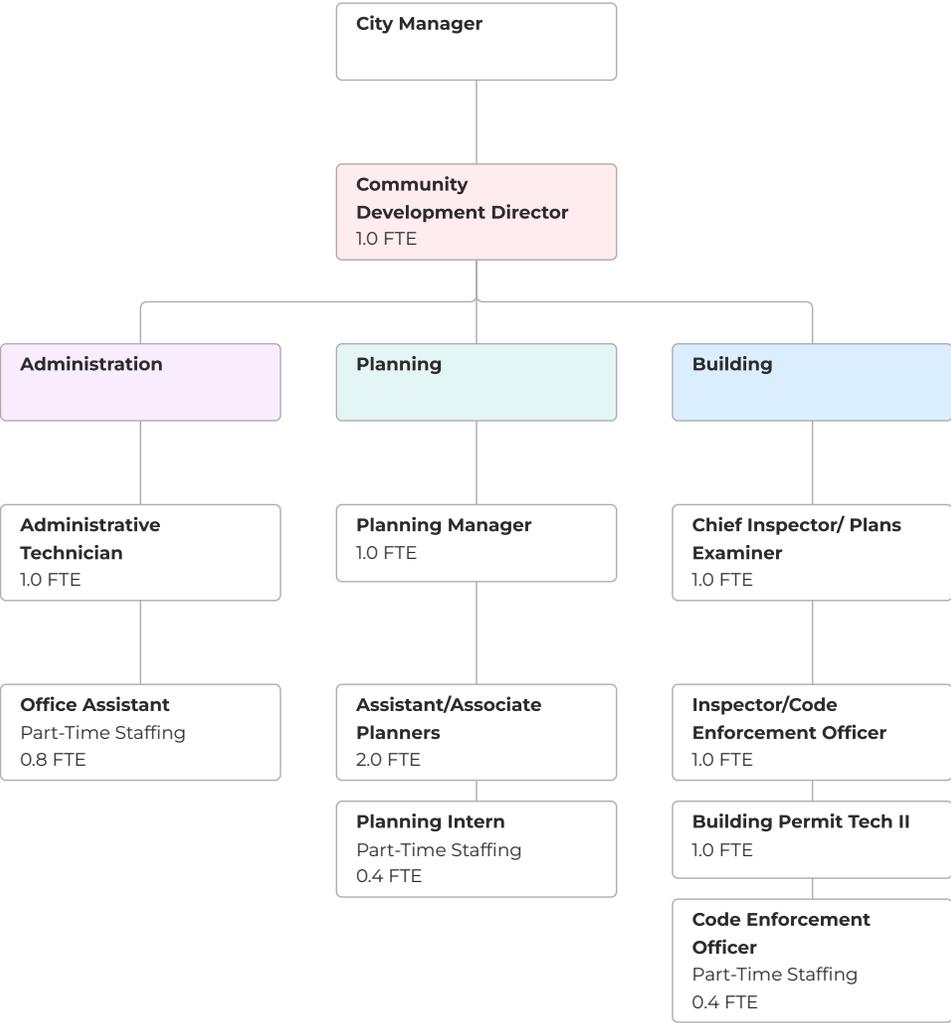
Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expenditures						
Community Development						
Community Development	\$1,421,146	\$1,584,349	\$1,838,651	\$1,593,422	\$2,019,166	26.7%
DRA: 3300 Panorama Drive	\$0	\$35,832	\$94,970	\$140,000	\$140,000	0%
DRA: Seashell Estates	\$0	\$0	\$0	\$40,000	\$50,000	25%
DRA: Market Plaza	\$0	\$0	\$0	\$40,000	\$0	-100%
DRA: 541 Atascadero Rd.	\$0	\$0	\$13,603	\$0	\$0	0%
DRA: 545 Atascadero Rd.	\$0	\$0	\$0	\$0	\$20,000	N/A
DRA: Vistra/BESS	\$0	\$0	\$0	\$250,000	\$0	-100%
County CDBG	\$2,574	\$3,819	\$0	\$3,667	\$0	-100%
Total Community Development:	\$1,423,720	\$1,624,000	\$1,947,225	\$2,067,089	\$2,229,166	7.8%
Total Expenditures:	\$1,423,720	\$1,624,000	\$1,947,225	\$2,067,089	\$2,229,166	7.8%

Expenditures by Expense Type

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$958,078	\$1,095,542	\$1,216,116	\$1,318,950	\$1,424,109	8%
Supplies	\$4,484	\$12,941	\$9,960	\$10,171	\$10,939	7.6%
Services	\$461,158	\$515,517	\$721,149	\$737,968	\$794,118	7.6%
Total Expense Objects:	\$1,423,720	\$1,624,000	\$1,947,225	\$2,067,089	\$2,229,166	7.8%

Community Development Organizational Chart

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

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 Budget
Community Development					
Community Development Director	1.0	1.0	1.0	1.0	1.0
Senior Planner	1.0	1.0	0.0	0.0	0.0
Planning Manager	0.0	0.0	1.0	1.0	1.0
Associate Planner	0.0	0.0	0.0	0.0	1.0
Assistant Planner	1.0	1.0	1.0	2.0	1.0
Building Permit Technician II	1.0	1.0	1.0	1.0	1.0
Building Inspector	1.0	1.0	0.0	0.0	0.0
Chief Building Inspector/ Plans Examiner	0.0	0.0	1.0	1.0	1.0
Administrative Technician	1.0	1.0	1.0	1.0	1.0
Building Inspector/Code Enforcement Officer	0.0	1.0	1.0	1.0	1.0
Total Department FTEs	6.0	7.0	7.0	8.0	8.0

Part-Time Staffing

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 Budget
Community Development					
Office Assistant	0.4	0.5	0.8	0.8	0.8
Contract Planner	0.7	0.8	0.8	0.0	0.0
Planning Intern	0.2	0.3	0.4	0.4	0.4
Code Enforcement	0.2	0.4	0.4	0.4	0.4
Total Dept. FTEs	1.5	2.0	2.4	1.6	1.6

Total Community Development Department Full-Time Equivalents: 9.6

Goals, Objectives & Action Items

The City Council has adopted the following three goals and associated objectives for FY 2025-26 and FY 2026-27. Ways in which the **Community Development Department** contributes to these goals & objectives are provided below, where applicable.

- **Economic Vitality & Fiscal Health**
 - Downtown Revitalization
 - Develop Historic Preservation Ordinance using draft ordinance prepared by Historical Society as a starting point.
 - General Fund Reserve Analysis
 - Revenue Enhancement
 - Review and update the City-owned properties inventory, which will serve as a tool for the City to optimize its real estate portfolio and make strategic economic and fiscal decisions.
 - Increase TOT revenue by implementing and enforcing the City's Short-term Rental Ordinance.
 - Planning & Building Permit Services
 - Continue to streamline permit processing for residential (including ADUs) and commercial development (also supports prior year housing goal).
- **Infrastructure Resiliency**
 - 5-Year Capital Improvement Plan
 - Infrastructure Maintenance
 - Harbor Infrastructure
 - Initiate work on the Waterfront Master Plan utilizing grant funding from the California Coastal Commission. This includes strategies for protecting, maintaining, and enhancing waterfront infrastructure.
- **Morro Elementary School (site)**
 - Acquisition Plan
 - Identify options for preserving the original Morro Elementary schoolhouse building.
 - Explore opportunities to partner with other agencies, school districts, and non-profits to achieve community land use goals for Morro Elementary.
 - Community Engagement
 - Conduct workshops and other community engagement events to define a vision and goals for the future of the Morro Elementary school property.
 - Grants
 - Explore grant opportunities to acquire and/or plan for the Morro Elementary school property.

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

	2021-22 Actuals	2022-23 Actuals	2023-24 Actuals	2024-25 Estimated	2025-26 Projected
Activity and Workload Highlights					
Building Permit Issued – New Single Family	15	6	10	10	10
Accessory Dwelling Unit (ADU) Permits Issued (includes JADU's)	20	17	20	16	22
Building Permits Issued – Residential Additions/Alterations (includes reroofs and solar)	190	173	190	200	250
Building Permits Issued – New Commercial	3	1	2	1	2
Building Permits Issued – Commercial Addition/Alterations	25	21	25	22	20
Building Permits Issued – Multi Family	3	4	3	2	4
Building Permits Issued – Miscellaneous (Includes MEP, Addendums, Demo's & Fire Sprinklers)	140	168	160	170	185
Building Permit Plan Checks Completed	1050	787	900	1000	800
Inspections Conducted	2000	2606	2000	2100	2,700
Encroachment Permits Issued	140	172	150	150	150
Sign Permit Applications	12	6	10	15	10
Conditional Use Permit Applications	18	5	20	15	5
Variance Applications	1	0	1	1	1
Coastal Development Permit Applications	45	28	30	35	30
Subdivision Applications	2	0	2	2	2
Miscellaneous Planning Applications	45	12	20	22	20

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 type 1 engines, one type 3 wildland engine, one aerial ladder truck, one UTV, two utility vehicles, and two command vehicles. The Fire Department members participate regionally in our County Arson Investigation Task Force, Hazardous Material Response Team, Urban Search and Rescue team, Fire Prevention Association, Emergency Medical Care Committee, Fire Training Officer's Association, SLO Critical Incident Stress Team, 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

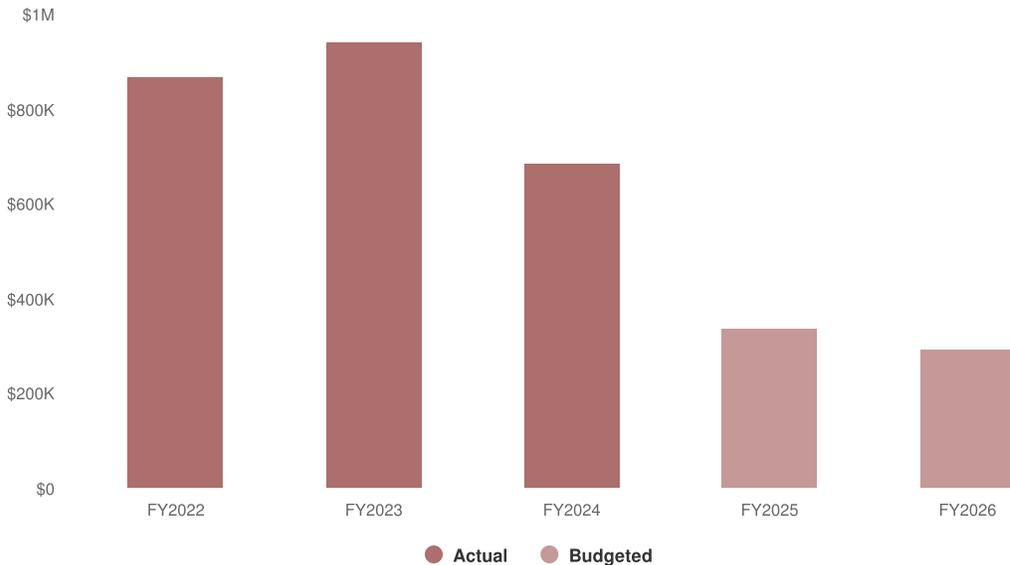
In recent years, Fire Department revenues have exceeded budgeted estimates due to mutual aid reimbursements for Morro Bay Fire Department response to statewide incidents. As part of mutual aid agreements, Fire Department personnel are deployed during the fire season to support fire suppression and other large disaster response efforts throughout the state. For FY 2025-26, the City will delay mutual aid reimbursement 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 reimbursements. This change in procedure was implemented last fiscal year to provide better accountability and tracking of mutual-aid related reimbursement and expenses. For FY 2025-26, 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.

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.

Other reimbursements include plan check and inspection fees that support the Fire Marshal/Fire Prevention program based on fees for services provided for construction and development. The department also receives funding from the nuclear preparedness program grant from the San Luis Obispo County Office of Emergency Services. This NPP program provides funding for agencies within the protective action zones that provide support to Diablo Canyon Nuclear Power Plant in the event of an emergency at the plant.

\$292,273 **-\$44,507**
 (-13.22% vs. prior year)

Fire Proposed and Historical Budget vs. Actual



Revenues by Source

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Intergovernmental Revenues	\$4,707	\$50,546	\$83,447	\$59,556	\$12,000	-79.9%
Licenses & Permits	\$300	\$0	\$0	\$0	\$0	0%
Revenues From Current Services	\$857,240	\$828,596	\$598,998	\$276,624	\$279,673	1.1%
Other Revenues	\$6,693	\$62,505	\$1,692	\$600	\$600	0%
Total Revenue Source:	\$868,941	\$941,647	\$684,137	\$336,780	\$292,273	-13.2%



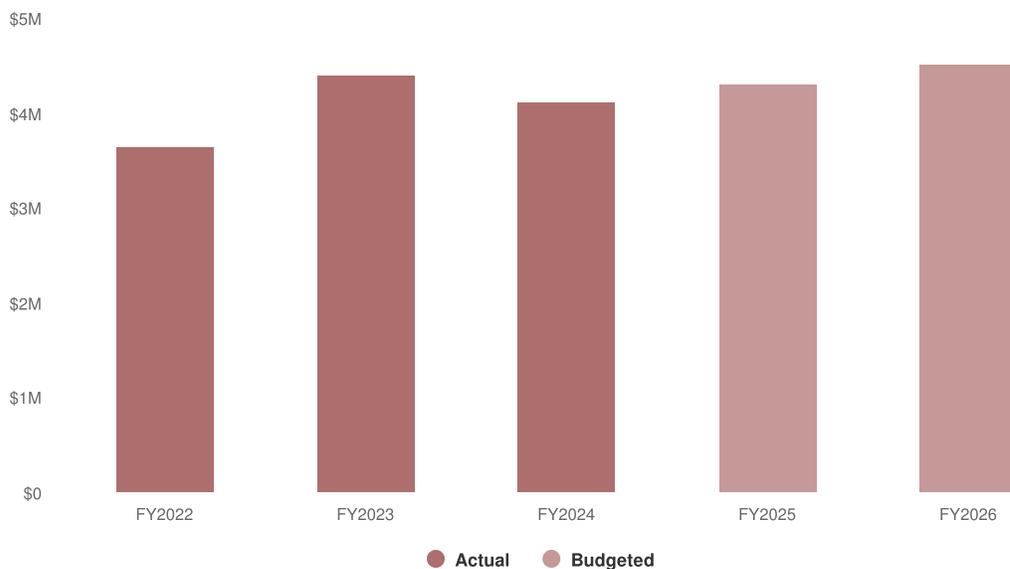
Expenditures Summary

The FY 2025-26 Fire Department expenditures include operating expenses totaling \$644K. 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 \$10,800 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 approximately 86% of expenditures and include salaries and benefits for the entire department.

\$4,520,074 **\$211,860**
(4.92% vs. prior year)

Fire Proposed and Historical Budget vs. Actual

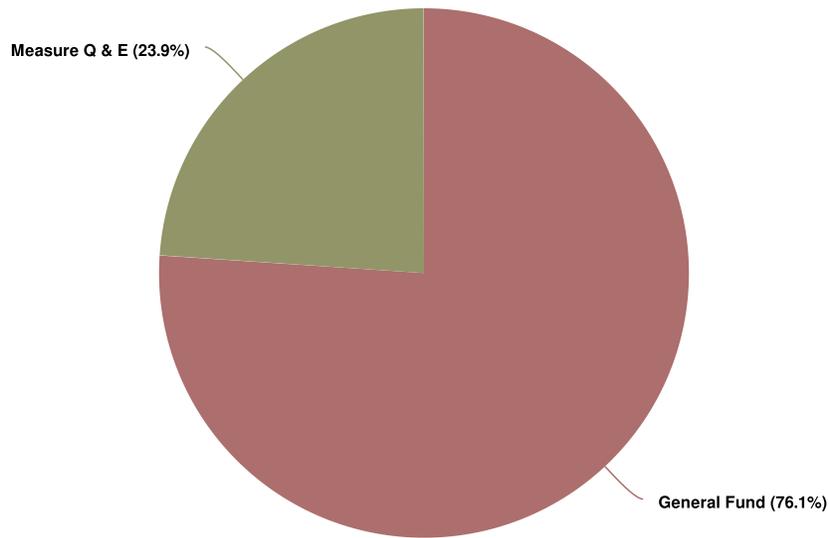


Expenditures by Fund

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 24% 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 76% 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.

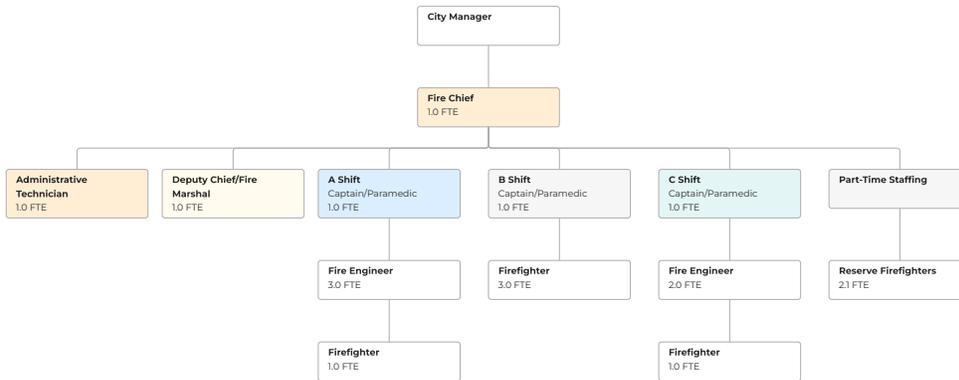
2026 Expenditures by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
General Fund	\$2,764,102	\$3,298,872	\$3,239,564	\$3,243,378	\$3,438,342	6%
Gen. Gov. Vehicle Replacement	\$0	\$35,039	\$0	\$68,000	\$0	-100%
American Rescue Plan (ARP)	\$79,137	\$169,437	\$18,135	\$0	\$0	0%
Measure Q & E	\$799,628	\$898,465	\$855,661	\$996,835	\$1,081,732	8.5%
Total:	\$3,642,867	\$4,401,813	\$4,113,360	\$4,308,213	\$4,520,074	4.9%

Fire Department Organizational Chart

Fire Department Organizational Chart



Fire Department Staffing List

Full-Time Staffing

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 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	8.0	8.0	8.0
Firefighter	2.0	2.0	2.0	2.0	2.0
Administrative Technician	1.0	1.0	1.0	1.0	1.0
Total Department FTEs	15.0	15.0	16.0	16.0	16.0

Part-Time Staffing

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 Budget
Fire Department					
Seasonal Firefighter/Reserves	2.6	4.6	3.2	2.1	2.1
Total Dept. FTEs	2.6	4.6	3.2	2.1	2.1

Total Fire Department Full-Time Equivalents: 18.1

Goals & Objectives

The City Council has adopted the following three goals and associated objectives for FY 2025-26 and FY 2026-27. Ways in which the **Fire Department** contributes to these goals & objectives are provided below, where applicable.

- **Economic Vitality & Fiscal Health**
 - Downtown Revitalization
 - General Fund Reserve Analysis
 - Revenue Enhancement
 - The Fire Department has successfully received two Office of Traffic Safety grants to upgrade the auto extrication tool. The department also receives mutual-aid reimbursement that helps offset the depreciation of equipment utilized to support mutual-aid responses.
 - Planning & Building Permit Services
 - The Fire Department conducts building plan review and inspection services, short-term rental inspections, and annual weed abatement inspections.
- **Infrastructure Resiliency**
 - 5-Year Capital Improvement Plan
 - The Fire Department maintains a capital equipment replacement schedule to track and plan for replacement of critical equipment.
 - Infrastructure Maintenance
 - Harbor Infrastructure
- **Morro Elementary School (site)**
 - Acquisition Plan
 - Community Engagement
 - Grants

In addition to Council goals and objectives, the **Fire Department** has identified the following priorities for the coming fiscal year.

- **Strategic planning**
 - Implement department changes and upgrades recommended by the Standards of Cover report as resources and city finances allow.
 - Improve emergency services delivery through regional projects, partnerships and local improvements.
- **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.
- **Emergency Preparedness**
 - Upgrade Emergency Operations Center for improved disaster management capabilities.

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, short-term rental inspections.
- **Fire Prevention** - Special event permitting, commercial fire and life safety inspections, weed abatement inspections.



Activity & Workload Highlights

	2021-22 Actuals	2022-23 Actuals	2023-24 Actuals	2024-25 Projected	2025-26 Estimated
Activity and Workload Highlights					
Fire Prevention					
Plan Reviews	82	212	134	205	61
Commercial Business Inspections	313	244	206	214	38
Short-term Vacation Rental Inspections	55	55	24	0	16
Weed Abatement Inspections	4,134	4,234	4,163	4,209	0
Calls for Service	63	63	19	21	4
National Incident Reporting System Data Call Volume					
Fires	51	34	33	72	8
Overpressure, Rupture, Explosion, Overheat	1	2	1	2	0
Rescue and Emergency Medical Services Incident	1,184	1,376	1,532	1,550	354
Hazardous Condition	66	65	86	78	11
Service Call	253	194	244	217	61
Good Intent Call	181	215	185	215	42
False Alarm and False Call	121	133	153	141	34
Severe Weather and Natural Disaster	1	0	22	6	0
Special Incident Type	1	2	0	2	0

Harbor Department



Chris Munson
Harbor Vitality Director

The City of Morro Bay Harbor Department is responsible for the management and oversight of approximately 3,300 acres of state-owned and granted tidelands, waterfront, and submerged lands within the City of Morro Bay. Established as an enterprise operation, the department manages the City's harbor facilities in accordance with State trust grant obligations to support commerce, navigation, recreation, and environmental stewardship.

Morro Bay serves as the only all-weather harbor of safe refuge between Monterey and Santa Barbara, supporting a diverse working waterfront that includes approximately 350 recreational vessels, 50-60 commercial fishing vessels, multiple charter operations, heavy service vessels, and thousands of annual transient and trailer-launched vessels.

In addition to managing harbor infrastructure and lease operations, the Harbor Department operates a 24/7 Harbor Patrol providing marine safety services, including law enforcement, search and rescue, emergency response, firefighting, pollution mitigation, and public education within Morro Bay and surrounding coastal waters in mutual aid with regional agencies. The department also oversees seasonal beach lifeguard services to ensure public safety along the City's waterfront beaches during peak visitor months.

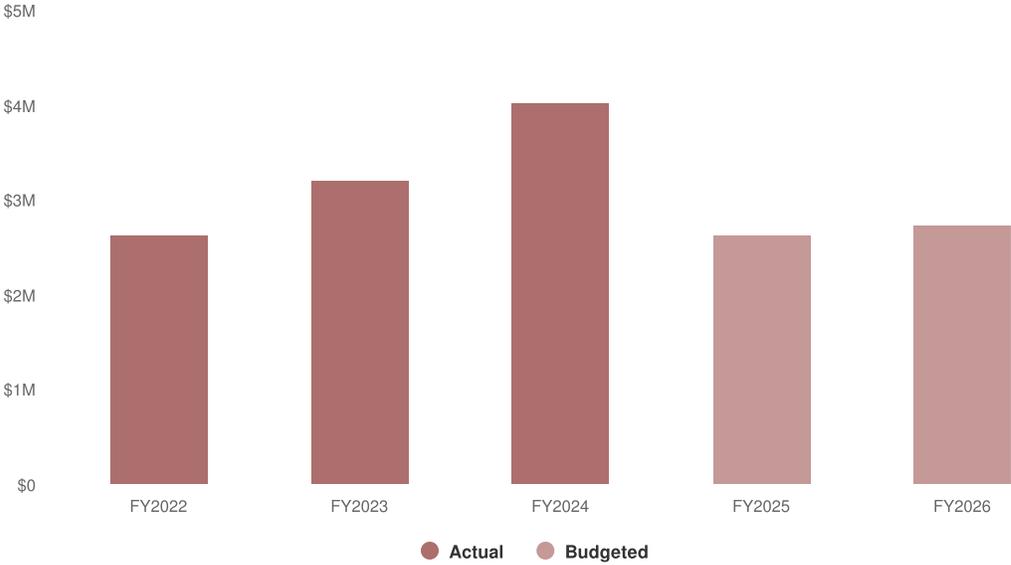
Revenues Summary

The Harbor Operating Fund supports the day-to-day operations of the Harbor Department, with recurring revenues funding core services and operations, while reserves are utilized for capital improvements, infrastructure maintenance, and major equipment purchases. Grant funding continues to play a valuable but limited role in supporting specific projects and safety initiatives.

Existing revenue streams remain insufficient to fully address the department's long-term capital infrastructure and equipment replacement needs. Looking ahead, the most significant fiscal challenges for the Harbor Department will include maintaining appropriate staffing levels to meet operational demands, ensuring competitive compensation to retain and attract qualified personnel, and securing sustainable funding to address critical infrastructure, facility, and waterfront asset improvements necessary for long-term resiliency and service delivery.

\$2,733,321 **\$111,537**
 (4.25% vs. prior year)

Harbor Proposed and Historical Budget vs. Actual

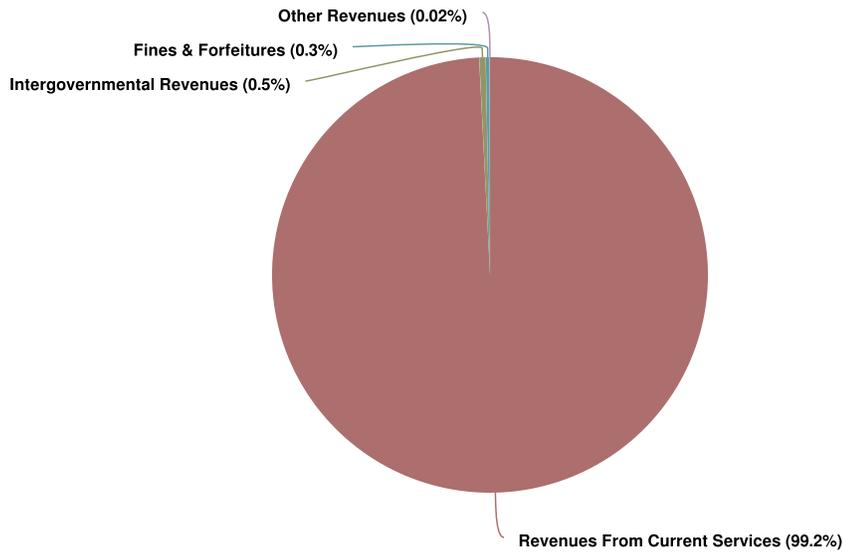


Revenues by Source

The Harbor Department's operating budget revenue sources primarily include lease rent (the largest contributor), commercial slip fees, transient boater fees, mooring rentals, and various charges outlined in the Harbor Fee Schedule. In estimating revenues, department staff employ a conservative and data-informed approach including analyzing historical revenue trends, appraisals of current lease site, and incorporating economic indicators such as the Consumer Price Index (CPI).

Additionally, the Harbor Department collects parking fees at the launch ramp and dry boat storage fees. While the Harbor Department manages the dry storage program, the associated revenues are directed to the City's General Fund rather than to the Harbor Fund.

Projected 2026 Revenues by Source



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Intergovernmental Revenues	\$18,127	\$25,198	\$48,000	\$151,000	\$13,000	-91.4%
Revenues From Current Services	\$2,588,282	\$445,650	\$2,807,544	\$2,467,766	\$2,711,821	9.9%
Fines & Forfeitures	\$4,864	\$3,871	\$5,341	\$2,518	\$8,000	217.8%
Other Revenues	\$14,397	\$0	\$46,393	\$500	\$500	0%
Revenues From Use of Money & Property	\$0	\$2,734,161	\$1,063,371	\$0	\$0	0%
Interfund Revenue Transfers	\$0	\$0	\$53,599	\$0	\$0	0%
Total Revenue Source:	\$2,625,669	\$3,208,880	\$4,024,247	\$2,621,784	\$2,733,321	4.3%

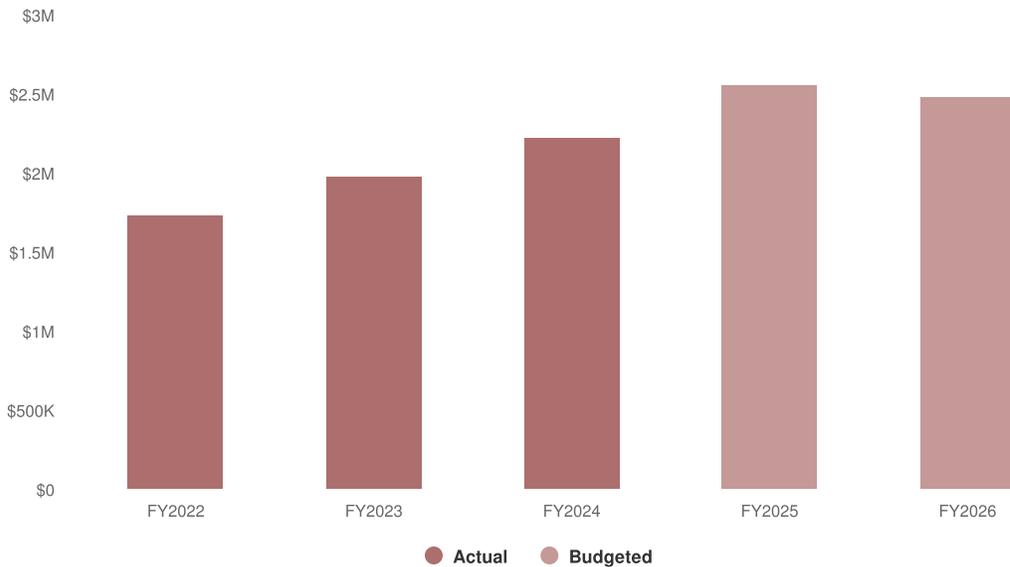
Expenditures Summary

The Harbor Operating Fund supports the day-to-day functions of the Harbor Department, with recurring operational expenses funded through recurring revenues. When available, any surplus revenue is directed toward the Harbor Capital Improvement Fund to support needed capital projects. While grant funding continues to provide a modest but valuable contribution, current revenue streams remain insufficient to fully support the department's long-term capital asset, equipment improvement, and replacement needs.

Looking ahead, the most significant financial pressures on the Harbor Department's budget will include addressing ongoing staffing needs, funding critical unfunded capital improvements along the waterfront, and managing the impact of reduced lease rent from undeveloped properties in the core of the Embarcadero. These challenges will continue to influence both the department's budget planning and overall organizational structure.

\$2,480,993 **-\$73,294**
(-2.87% 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.

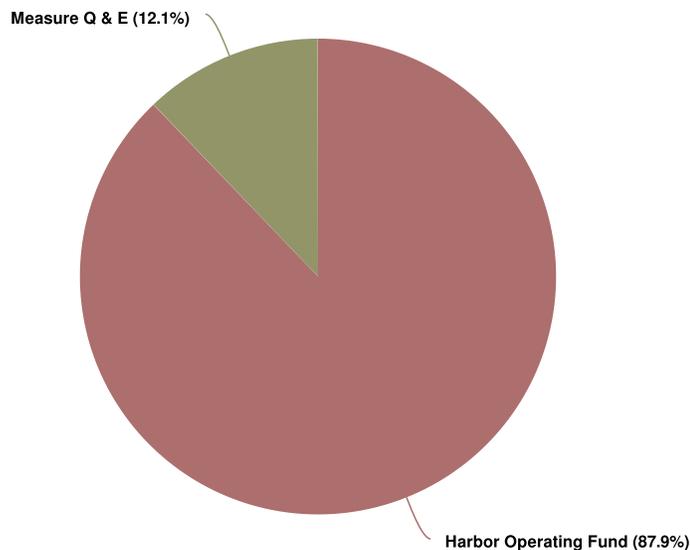
Expenditures by Fund

Historically, all expenses incurred by the Harbor Department have been funded through the Harbor Operating Fund, which draws revenue exclusively from waterfront lease rents and vessel-related fees. The Harbor Department does not receive any direct revenue from transient occupancy tax (TOT) or general sales tax.

However, during the FY 2023-24 budgeting period, the City Council began to allocate a small percentage of local sales tax revenue to the Harbor Department through Measure Q/E funds. These funds continue to support the Harbor Patrol Reserve and seasonal lifeguard program, ensuring adequate staffing during the peak summer months.

While the department remains largely self-funded, it is important to note that tourism—one of the City's primary economic drivers—is closely tied to the Harbor. Visitors are drawn to the waterfront, and the services and infrastructure maintained by the Harbor Department play a critical role in supporting the overall tourism economy that generates TOT and sales tax revenue for the City.

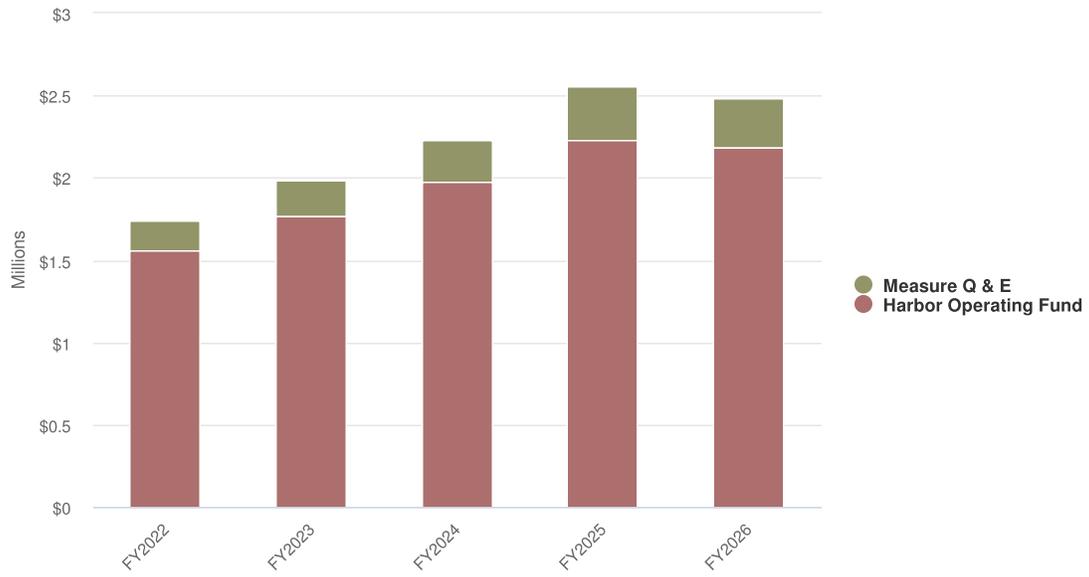
2026 Expenditures by Fund



In recent years, the Harbor Department has experienced a sustained increase in demand for services, supplies, and waterfront infrastructure. This has driven up operational and personnel costs across the board. The COVID-19 pandemic initially accelerated this trend with an unprecedented surge in tourism, placing additional strain on harbor resources.

While that tourism spike began to taper off in FY 2023-24, visitation has remained strong, with continued interest in coastal recreation and waterfront destinations. As the City moves into FY 2025-26, demand for harbor services is expected to remain steady, but the pace of growth has moderated. Accordingly, cost increases are projected to stabilize, although pressures related to inflation, supply chain issues, and competitive construction labor markets continue to impact the department's overall expense outlook.

Budgeted and Historical Expenditures by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Measure Q & E	\$177,157	\$219,473	\$251,635	\$323,697	\$300,917	-7%
Harbor Operating Fund	\$1,563,408	\$1,763,876	\$1,974,902	\$2,230,590	\$2,180,076	-2.3%
Total:	\$1,740,564	\$1,983,349	\$2,226,536	\$2,554,287	\$2,480,993	-2.9%

Expenditures by Function

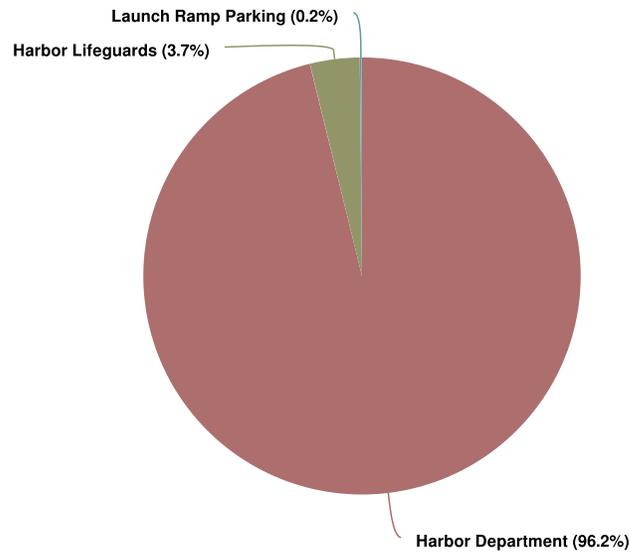
Personnel services remain the largest portion of the Harbor Department's operating expenses. Harbor staff continue to actively pursue funding opportunities while working toward a long-term plan to assess, prioritize, and finance future repairs and replacements for aging waterfront structures. This includes a new maintenance and repair inspection program that will identify needs for improvement on both city and leased properties.

A notable funding milestone in FY 2025-26 includes a \$1.5 million congressional appropriation for repair and restoration work on the North T-Pier—one of the harbor's most heavily used public access and commercial piers, providing an operational hub for the national defense mission of the US Coast Guard, California Fish & Wildlife enforcement vessel, Blue Fin, and Morro Bay Harbor Patrol. This funding marks a significant step forward in addressing critical infrastructure needs.

In addition to infrastructure, the Harbor Department is implementing a new activity permit program for commercial and recreational use within the State Tidelands Trust area. The program is designed to both enhance oversight of waterfront activities and generate additional revenue to support Harbor operations and stewardship responsibilities.

To help manage long-term equipment needs, the department funded a \$40,000 reserve for future vehicle and vessel replacement in the FY 2023-24 budget, with an additional \$40,000 contribution scheduled for FY 2025-26. Unlike in prior years when these funds were categorized under capital expenditures, they are now placed into designated asset reserves managed by the Finance Department and detailed 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 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expenditures						
Harbor Department						
Harbor Department	\$1,652,828	\$1,870,877	\$2,144,270	\$2,438,629	\$2,386,022	-2.2%
Harbor Lifeguards	\$53,981	\$110,968	\$80,965	\$112,258	\$91,071	-18.9%
Recreational Vehicle Camping	\$32,304	\$256	\$0	\$0	\$0	0%

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Launch Ramp Parking	\$1,452	\$1,248	\$1,301	\$3,400	\$3,900	14.7%
Total Harbor Department:	\$1,740,564	\$1,983,349	\$2,226,536	\$2,554,287	\$2,480,993	-2.9%
Total Expenditures:	\$1,740,564	\$1,983,349	\$2,226,536	\$2,554,287	\$2,480,993	-2.9%



Harbor Department Organizational Chart

Harbor Department Staffing List

Full-Time Staffing

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 Budget
Harbor Department					
Harbor Vitality Director*	1.0	1.0	1.0	1.0	1.0
Harbor Business Manager	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	4.0	4.0	4.0
Office Assistant IV	0.0	0.0	0.0	0.0	1.0
Total Dept FTEs	6.0	6.0	7.0	7.0	8.0

Part-Time Staffing

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 Budget
Harbor Department					
Reserve Harbor Patrol Officers	1.1	1.4	1.7	1.7	2.0
Beach Lifeguards	1.8	1.8	2.0	2.3	1.8
Office Assistant	0.0	0.0	0.7	1.3	0.0
Harbor Maintenance	0.0	0.0	0.0	0.0	0.0
Total Dept FTEs	2.9	3.2	4.4	5.3	3.8

Total Harbor Department Full-Time Equivalents: 11.8

*Harbor Director position is replaced with the Harbor Vitality Director position effective Fiscal Year 2024-25.



Goals, Objectives & Action Items

The City Council has adopted the following three goals and associated objectives for FY 2025-26 and FY 2026-27. Ways in which the **Harbor Department** contributes to these goals & objectives are provided below, where applicable.

- **Economic Vitality & Fiscal Health**
 - Downtown Revitalization
 - General Fund Reserve Analysis
 - Revenue Enhancement
 - Stay Engaged in Off-Shore Wind (OSW)
 - Pursue Funding Opportunities for North T-Pier and Revetment
 - Continue Development of Pilot Parking Program at Boat Launch and Rock Parking Lots
 - Planning & Building Permit Services
- **Infrastructure Resiliency**
 - 5-Year Capital Improvement Plan
 - Infrastructure Maintenance
 - Seek Refurbishment or Replacement of Light Posts on Embarcadero and Surrounding Areas
 - Continue Implementing Tidelands Facility Inspections of Public Areas and Lease Sites
 - Harbor Infrastructure
 - Conduct Immediate Repairs to Boat Ramp, Seek Grants for Long-Term Repairs
 - Address Mooring Inspection and Engineering Needs
 - Assess Feasibility of State Park Marina Dredging
- **Morro Elementary School (site)**
 - Acquisition Plan
 - Community Engagement
 - Grants

In addition to Council goals and objectives, the **Harbor Department** has identified the following priorities for the coming fiscal year.

- **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. Update new agreements in accordance with Lease Management Policy
 - Licenses - Develop a process and Request for Proposals (RFP) for licenses within the tidelands.
 - **Good Governance**
 - Property Maintenance and Repair Program - Continue implementing tidelands facility inspections of public areas and lease sites
- **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 & Environmental Protection** - Harbor Patrol and Beach Lifeguards on Morro Bay's waterfront, bay, ocean and beaches. Notable tasks: marine firefighting, medical aid, operation of rescue watercraft in surf lifesaving events, coordination of vessel berthing, towing disabled vessels, emergency oil spill response and pollution mitigation, operation and maintenance of oil recycling center, oil-water separator, and vessel sewage pump-out for boater use. Assistance to other local, state and federal agencies as necessary.
- **Property & Lease Management** - Oversee 35+ waterfront master leases representing over 90 individual businesses and maintenance monitoring.
- **Harbor Administration** - Public office interface & front counter assistance, slip, pier, mooring, dry storage, skiff permit program and liveaboard management, weather monitoring and reporting, Harbor Advisory Board coordination, derelict vessel removal.
- **Harbor Finance** - Billing/accounts receivable, purchasing and accounts payable, budget development/management, grant acquisition and reimbursement management, liens and collections. State Park Marina concession collection.
- **Harbor Infrastructure/Capital & Equipment** - General facility, vehicle and vessel maintenance and repair, capital project planning, contracting and execution.

Activity & Workload Highlights

	2021-22	2022-23	2023-24	2024-25	2025-26
	Actuals	Actuals	Actuals	Estimated	Projected
<i>Activity and Workload Highlights</i>					
Major Lease Actions (new leases, amendments)	6	5	8	7	8
Lease Site Redevelopment Projects	3	5	4	3	4
Grants Administered					5
Harbor Patrol Calls For Service	1300	1193	1144	1212	1672
Emergency Responses	159	139	143	147	199
Assisting Other Agencies	440	313	522	425	662
Enforcement Actions	460	280	370	370	430
Maintenance Actions	2309	1959	2648	2305	2855
Training Contacts/Actions	196	205	238	213	472

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 Commanders, 1.0 Police Chief, 2.0 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.

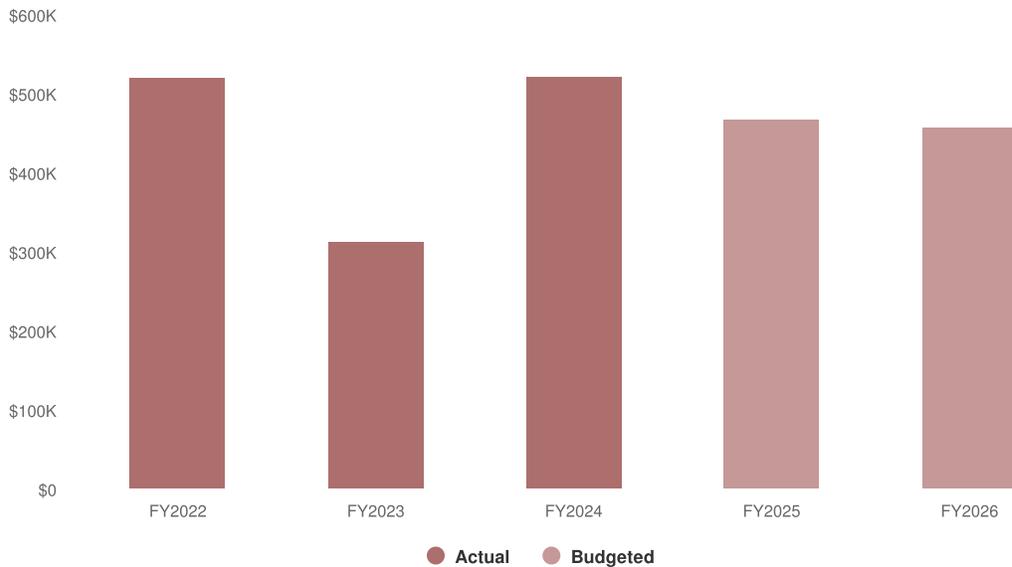
The Morro Bay Police Department continues to be part of a much larger public safety network of First Responders working closely with Morro Bay Fire and Harbor Departments as well as regional and allied agencies, including State Parks, San Luis Obispo (SLO) County Sheriff's Office, California Highway 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 2025-26 total revenue of \$459K across four funds: 57% in General Fund (001), 33% in Special Safety Grants Fund (282), 8% in Governmental Impact Fees Fund (900), and 2% in Traffic Safety Fund (280).

\$458,605 **-\$9,220**
(-1.97% vs. prior year)

Police Proposed and Historical Budget vs. Actual



Revenue by Fund

FY 2025-26 General Fund (001) revenue is budgeted at \$263K, 3.4% lower than the FY 2024-25 budget. Categories of revenue earnings in the General Fund include:

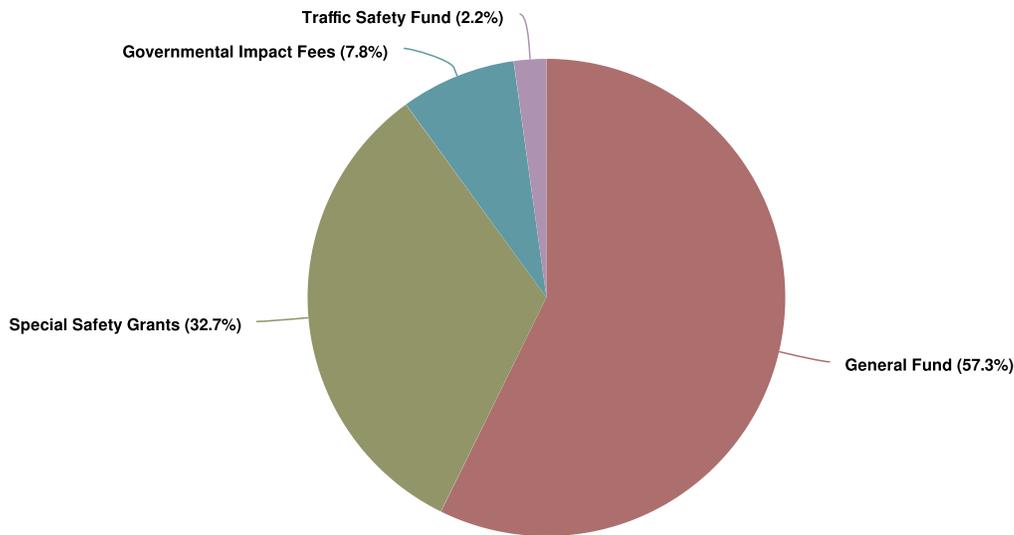
- State Mandated Cost Reimbursement, Police Officer Standards and Training (POST) Subvention, Impound Fees, Copies of Police Crime and Accident Reports, Commercial Cannabis Background Checks, Subpoenas, Fingerprinting Fees, Cost Recovery, Booking Fees, Reimbursement for the cost of the School Resources Officer, Parking Bail and Statutory Violations, Administrative Citations, Auctioned Property, and Refunds.

The Special Safety Grants Fund (282) anticipates \$150K 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 2025-26.

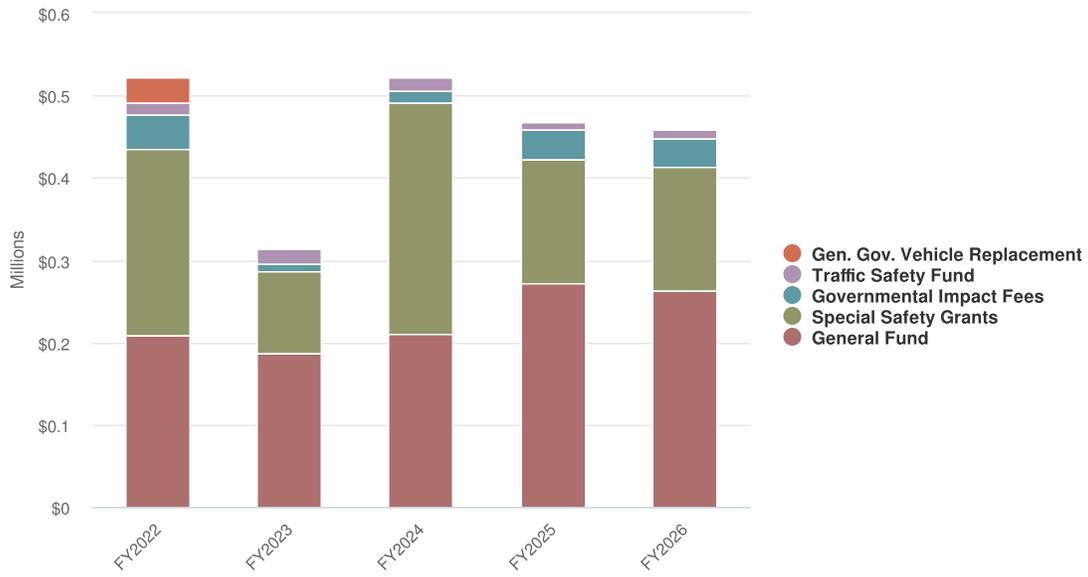
The Governmental Impact Fees Fund (900) anticipated \$36K in revenue from impact fees paid for new development. There is no change to this revenue amount in FY 2025-26.

The Traffic Safety Fund (280) estimates \$10K in Statutory Violations revenue received through San Luis Obispo County. There is no change to this revenue amount in FY 2025-26.

2026 Revenue by Fund



Budgeted and Historical Revenue by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
General Fund	\$209,208	\$186,112	\$210,769	\$271,965	\$262,745	-3.4%
Gen. Gov. Vehicle Replacement	\$30,400	\$0	\$0	\$0	\$0	0%
Traffic Safety Fund	\$14,617	\$18,923	\$17,112	\$10,000	\$10,000	0%
Special Safety Grants	\$226,556	\$100,000	\$280,822	\$150,000	\$150,000	0%
Governmental Impact Fees	\$40,533	\$8,832	\$13,443	\$35,860	\$35,860	0%
Total:	\$521,315	\$313,867	\$522,146	\$467,825	\$458,605	-2%

Expenditures Summary

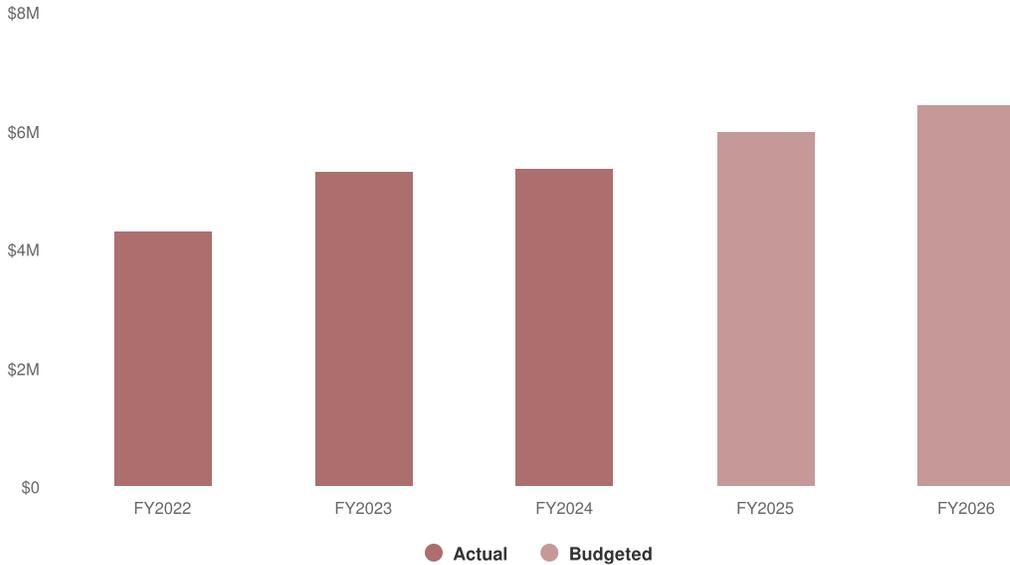
The Police Department's total budget for FY 2025-26 has increased over the previous fiscal year.

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.

\$6,447,341 **\$467,248**
(7.81% vs. prior year)

Police Proposed and Historical Budget vs. Actual



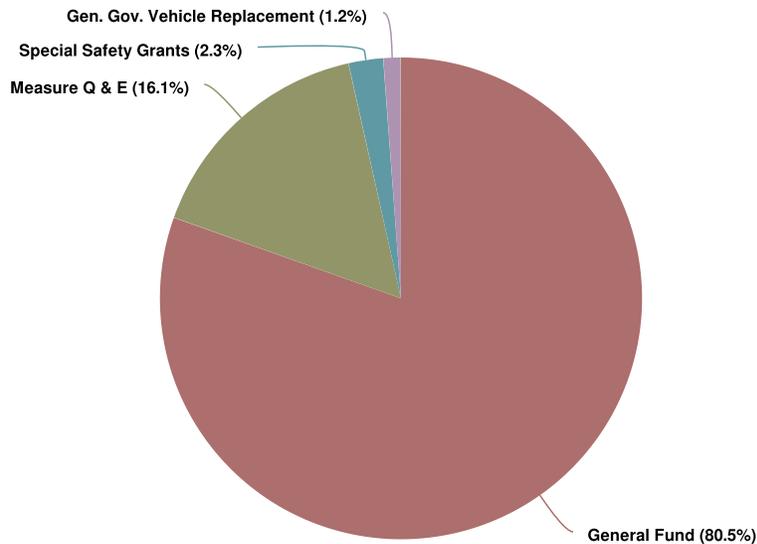
Expenditures by Fund

The Police Department continues into FY 2025-26 with the same sworn staffing levels established in 1986. The FY 2025-26 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.

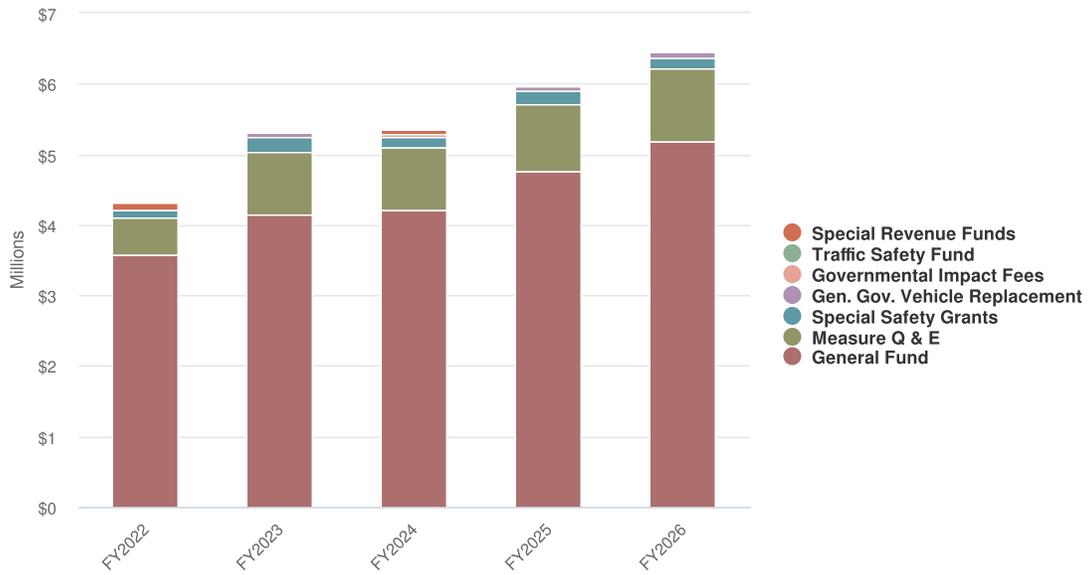
Both Measure E and Special Safety (COPS Grant) funding have continued to be necessary for the Department to maintain all basic functions, which include personnel costs and operational/equipment needs to supplement General Fund support of the Department. Measure E funding resources will be vital to maintain 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 cost of fuel, outside vehicle maintenance and repair, supplies, and equipment.

2026 Expenditures by Fund



Budgeted and Historical Expenditures by Fund



The FY22, FY23, and FY24 actuals under Special Revenue Funds were American Rescue Plan Act (ARPA) funds provided through the State and Local Fiscal Recovery Funds (SLFRF) Program.

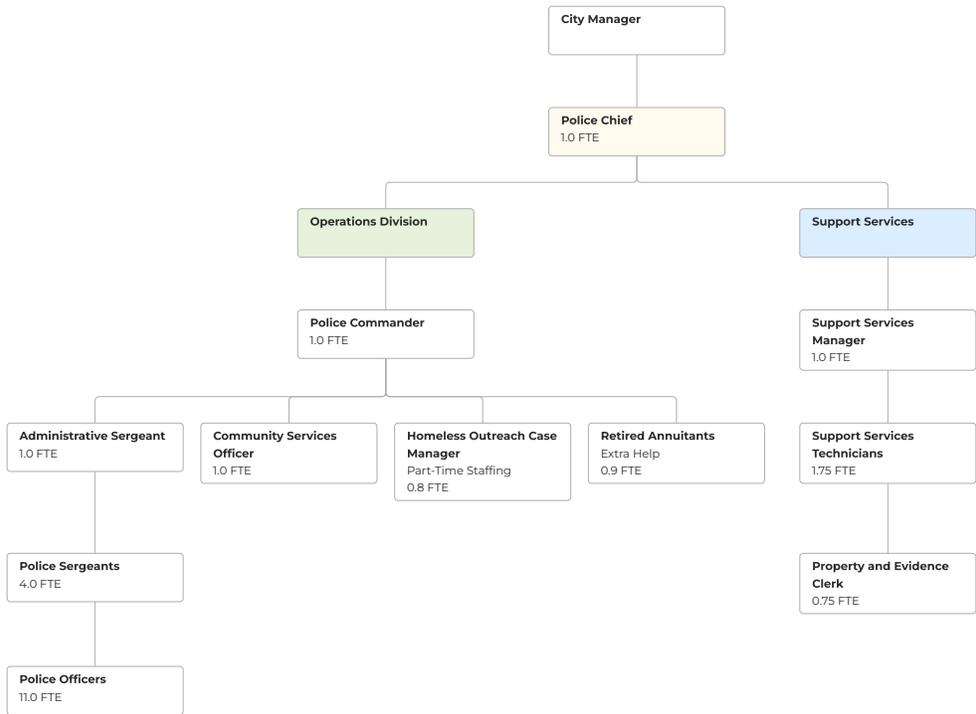
Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
General Fund	\$3,582,230	\$4,143,291	\$4,207,772	\$4,749,875	\$5,186,992	9.2%
Gen. Gov. Vehicle Replacement	\$0	\$74,760	\$0	\$75,000	\$75,000	0%
Special Revenue Funds	\$115,021	\$5,146	\$59,210	\$0	\$0	0%
Measure Q & E	\$524,486	\$895,170	\$878,445	\$960,619	\$1,035,350	7.8%
Traffic Safety Fund	\$0	\$0	\$0	\$10,000	\$0	-100%
Special Safety Grants	\$92,054	\$201,516	\$163,769	\$184,600	\$150,000	-18.7%
Governmental Impact Fees	\$0	\$0	\$47,000	\$0	\$0	0%
Total:	\$4,313,791	\$5,319,883	\$5,356,196	\$5,980,094	\$6,447,341	7.8%

Expenditures by Expense Type

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$3,464,800	\$3,985,560	\$3,867,780	\$4,457,021	\$4,866,127	9.2%
Supplies	\$127,178	\$170,581	\$172,852	\$229,316	\$222,310	-3.1%
Other Expense	\$26,159	\$22,823	\$22,838	\$36,720	\$36,720	0%
Services	\$580,634	\$979,464	\$1,047,314	\$1,097,037	\$1,187,184	8.2%
Capital Outlay	\$115,021	\$161,455	\$198,411	\$160,000	\$135,000	-15.6%
Interfund Transfers	\$0	\$0	\$47,000	\$0	\$0	0%
Total Expense Objects:	\$4,313,791	\$5,319,883	\$5,356,196	\$5,980,094	\$6,447,341	7.8%

Police Department Organizational Chart

Police Department Organizational Chart



Police Department Staffing List

Full-Time Staffing

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 Budget
<i>Police Department</i>					
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	5.0	5.0	5.0	5.0	5.0
Officer - 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	1.0	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	1.75	1.75	1.75	1.75
Property Evidence Clerk	0.75	0.75	0.75	0.75	0.75
Total Department FTEs	21.35	22.5	22.5	22.5	22.5

Part-Time Staffing

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 Budget
<i>Police Department</i>					
Extra Help (Retired Annuitants)	0.0	0.0	0.5	0.9	0.9
Homeless Outreach Case Manager	0.0	0.0	0.5	0.8	0.8
Total Department FTEs	0.0	0.0	1.0	1.7	1.7

Total Police Department Full-Time Equivalents: 24.3

Goals, Objectives & Action Items

The City Council has adopted the following three goals and associated objectives for FY 2025-26 and FY 2026-27. Ways in which the **Police Department** contributes to these goals & objectives are provided below, where applicable.

- **Economic Vitality & Fiscal Health**

- Downtown Revitalization
 - Continue to work closely with businesses on crime prevention strategies to deter crime and limit thefts.
- General Fund Reserve Analysis
- Revenue Enhancement
 - Support City events with event planning/safety management, promoting safe, family-friendly events for residents and visitors.
 - Evaluate, recommend, and implement parking management systems that are conscious of community needs and expectations.
- Planning & Building Permit Services

- **Infrastructure Resiliency**

- 5-Year Capital Improvement Plan
- Infrastructure Maintenance
 - Replace the department radio system, infrastructure, and technology to increase officer safety and comply with CA Department of Justice CLETS mandates protecting sensitive information.
 - Maintain department assets with a replacement schedule. Plan and execute strategies for preserving the value and functionality of assets over their lifecycle, including proactive maintenance, repair, and eventual replacement.
 - Continue to make improvements to the Police Department building to promote a welcoming environment for staff and the community.
- Harbor Infrastructure

- **Morro Elementary School (site)**

- Acquisition Plan
- Community Engagement
- Grants

In addition to Council goals and objectives, the **Police Department** has identified the following priorities for the coming fiscal year.

- **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

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

	2021-22 Actuals	2022-23 Actuals	2023-24 Actuals	2024-25 Estimated	2025-26 Projected
Activity and Workload Highlights					
Average hours of training per sworn Officer	117	101	107	107	107
Average hours of training for non-sworn personnel	25	23	35	35	35
Total Number of Volunteer Hours	1682	1680	2151	2150	2150
Response times (average)	3-5 min	3-5 min	3-5 min	3-5 min	3-5 min
Calls for Service	14900	14,188	12,150	11,400	12,500
Total Arrests	607	620	578	600	570
Total number of reports written	1600	1705	1488	1500	1560
Percentage of reported Traffic Collisions involving drugs or Alcohol	15%	17%	10%	10%	10%
Number of traffic citations issued (excluding courtesy citations)	700	424	398	400	500
Criminal citations issued	317	244	204	250	265
Courtesy citations issued	158	206	224	200	218
DUI Arrests	79	82	66	70	67
Traffic collision reports	70	69	64	65	65
Injury collisions	27	20	30	24	20
Number of Parking Citations Issued	150	193	39	100	100
Number of parking permits issued	N/A	N/A	N/A	N/A	N/A
Number of abandoned vehicles removed from public streets					10
Tows for 72-hour Violations	11	9	1	10	42
Tows for Expired Registration	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	\$3,000	\$5,600	\$9,500	\$7,000	\$1,000

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:

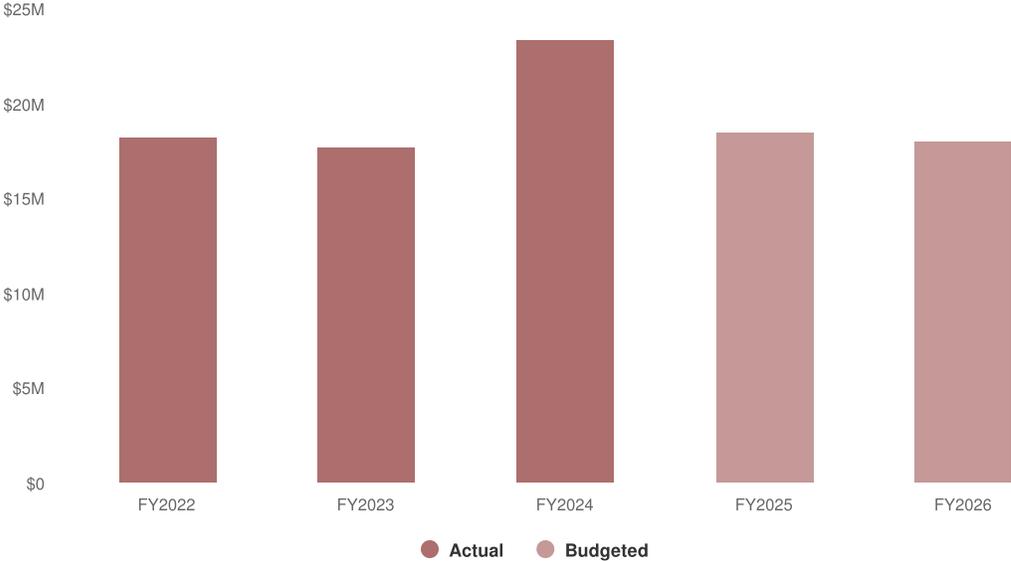
- **Engineering:** encroachment, building, and planning permit reviews; parcel map reviews; capital and maintenance projects; traffic engineering; grant writing
- **Utilities:** water treatment and distribution; wastewater treatment; maintenance of collections system; response and repair of system infrastructure
- **Maintenance:** maintenance of City parks, buildings, facilities, restrooms, medians, and rights-of-way; repair and maintenance of the City streets, curbs, sidewalks, traffic signals, lighting, and storm drains; maintenance of City vehicles
- **Administration:** solid waste, recycling, organics, and 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 Bike Path Fund, LTF Roads Fund, the Curbside Recycling Fund, as well as a variety of grant sources.

Revenues Summary

\$17,983,835 **-\$467,893**
 (-2.54% vs. prior year)

Public Works Proposed and Historical Budget vs. Actual

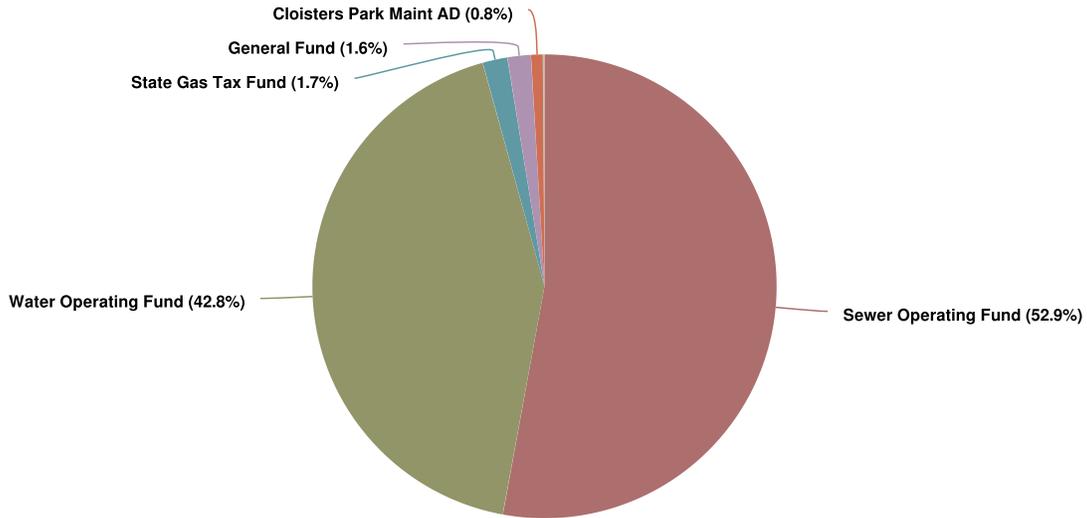


The FY 2023-24 revenues were higher than budgeted mainly due to the State Revolving Fund (SRF) Water Recycling Bonds grant and other smaller reimbursements from 2023 storm damage and the City's review of the garbage company's proposed rate adjustment application from 2023. The FY 2025-26 revenue budget is slightly lower than the previous year due to the San Luis Obispo Regional Transit Authority (RTA) beginning administration, maintenance, and operations of the local transit service on June 1, 2025, as well as there being 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 Engineering Division generates a small portion of revenues from fees for encroachment permits, residential/commercial development, stormwater plan reviews, and inspection fees.

2026 Revenue by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
General Fund	\$51,722	\$163,874	\$399,211	\$309,131	\$292,140	-5.5%
State Gas Tax Fund	\$235,838	\$300,672	\$301,653	\$303,607	\$311,517	2.6%
Bike Path	\$7,720	\$14,219	\$12,909	\$12,108	\$11,389	-5.9%
North Point Assessment	\$5,645	\$5,645	\$5,645	\$5,645	\$5,645	0%
Cloisters Park Maint AD	\$143,350	\$148,944	\$148,944	\$148,944	\$148,944	0%
Transit Fund	\$254,805	\$281,678	\$238,853	\$458,093	\$0	-100%
Sewer Operating Fund	\$9,831,793	\$9,423,239	\$14,711,849	\$9,510,000	\$9,510,000	0%
Water Operating Fund	\$7,709,564	\$7,387,442	\$7,535,496	\$7,704,200	\$7,704,200	0%
Total:	\$18,240,437	\$17,725,713	\$23,354,561	\$18,451,728	\$17,983,835	-2.5%

Expenditures Summary

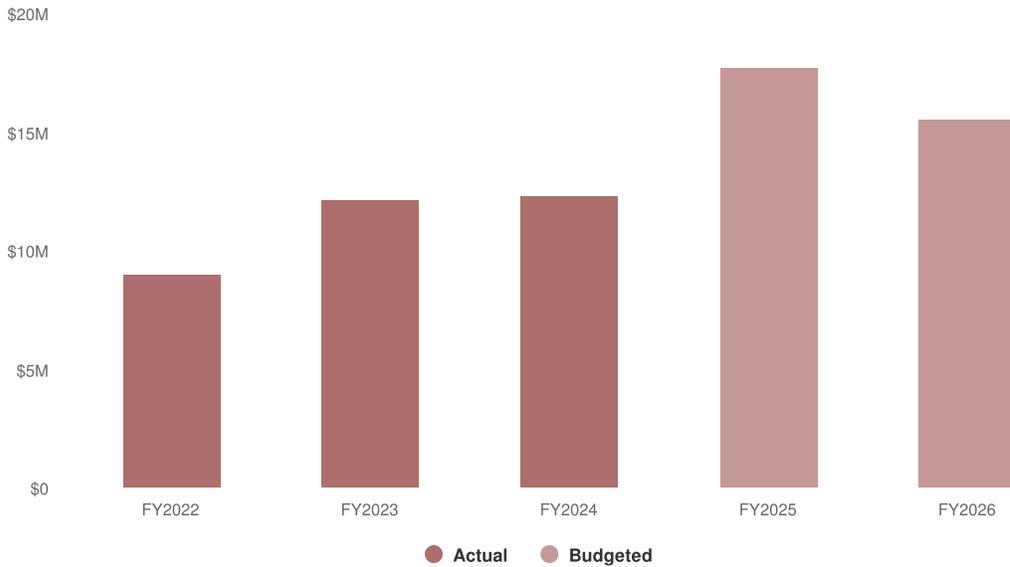
During FY 2024-25, a major increase in spending was the result of debt service payments commencing for the Water Infrastructure Finance and Innovation Act (WIFIA) loan for the Water Reclamation Facility, adding approximately \$3.5 million to the Public Works budget. A loan amendment for the State Revolving Fund (SRF) loan has been executed, which resulted in consolidation of the planning and construction loans, and a restructuring of the loan repayment schedule that would push out payment commencement until FY 2027-28.

For Consolidated Maintenance, due to difficulties with recruitment and retention, 4 part-time Maintenance Worker positions will be eliminated and a new Maintenance Worker III position will be added in FY 2025-26.

For FY 2025-26, there is a decrease in Transit Fund expenditures for local deviated fixed route/Call-A-Ride and trolley services due to the San Luis Obispo Regional Transit Authority (RTA) beginning administration, maintenance, and operations of Morro Bay local transit services on June 1, 2025.

\$15,528,854 **-\$2,235,027**
 (-12.58% vs. prior year)

Public Works Proposed and Historical Budget vs. Actual

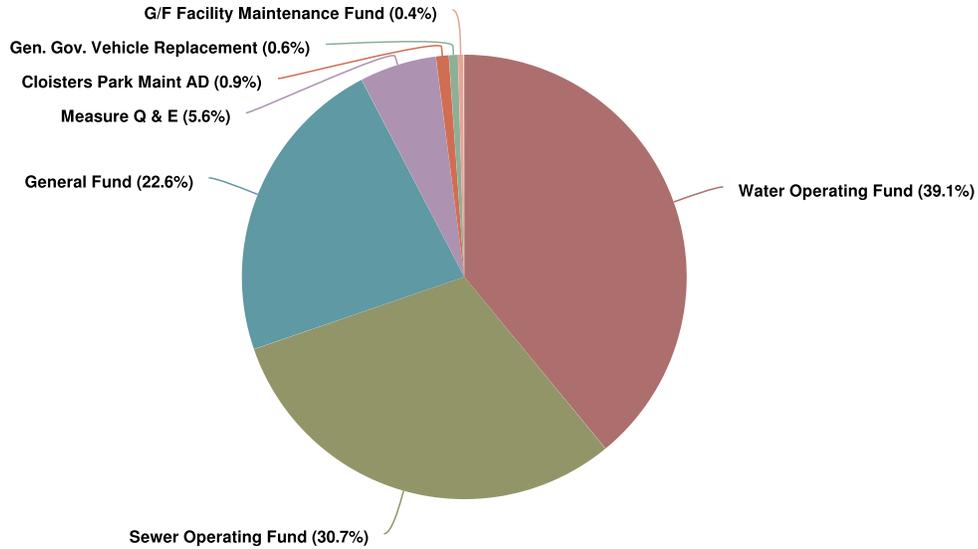


\$3.5 million in new debt service expenditures are included in the Public Works Department, Utilities Division (Water and Sewer).

Expenditures by Fund

Approximately 73% 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. 20% of Department expenditures are from the General Fund, the vast majority of which support the Engineering and Maintenance Divisions. Measure Q/E makes up 5% of expenditures, which also supports the Engineering and Maintenance Divisions in executing the adopted City Council goal to improve infrastructure resiliency.

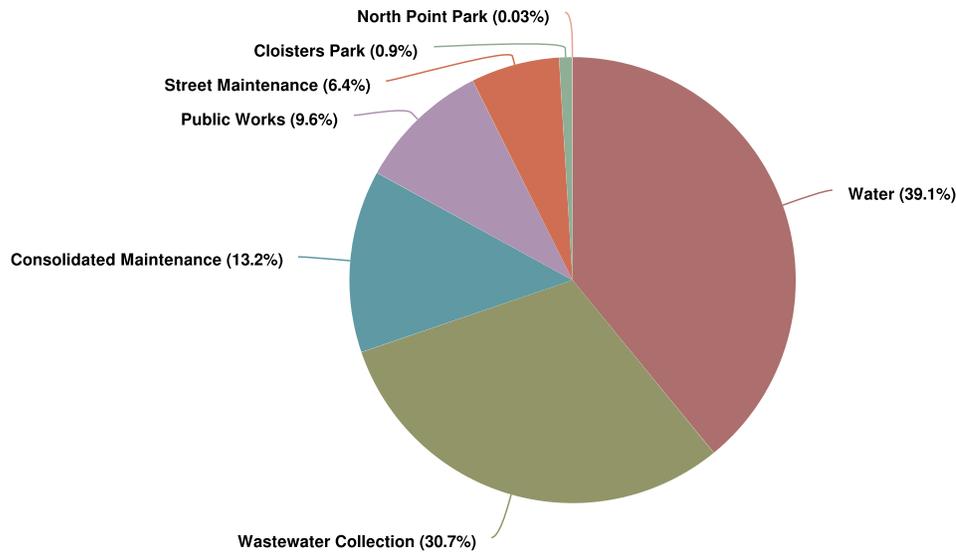
2026 Expenditures by Fund



Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
General Fund	\$2,607,967	\$3,644,219	\$3,171,250	\$3,358,412	\$3,514,088	4.6%
Gen. Gov. Vehicle Replacement	\$0	\$0	\$87,000	\$64,961	\$100,000	53.9%
G/F Facility Maintenance Fund	\$0	\$0	\$0	\$34,000	\$60,000	76.5%
Measure Q & E	\$216,095	\$494,382	\$926,350	\$1,112,756	\$869,086	-21.9%
Bike Path	\$3,500	\$0	\$13,000	\$0	\$0	0%
North Point Assessment	\$4,350	\$3,447	\$4,813	\$5,231	\$4,748	-9.2%
Cloisters Park Maint AD	\$131,874	\$110,257	\$121,881	\$128,798	\$145,707	13.1%
Transit Fund	\$204,210	\$229,021	\$281,850	\$311,448	\$0	-100%
Sewer Operating Fund	\$2,989,934	\$2,968,764	\$3,277,194	\$6,786,405	\$4,764,443	-29.8%
Water Operating Fund	\$2,811,302	\$4,693,543	\$4,437,591	\$5,955,871	\$6,064,783	1.8%
Water Discounts/Rebates	\$8,477	\$4,035	\$3,491	\$6,000	\$6,000	0%
Total:	\$8,977,709	\$12,147,668	\$12,324,421	\$17,763,882	\$15,528,854	-12.6%

Expenditures by Function

Budgeted Expenditures by Function



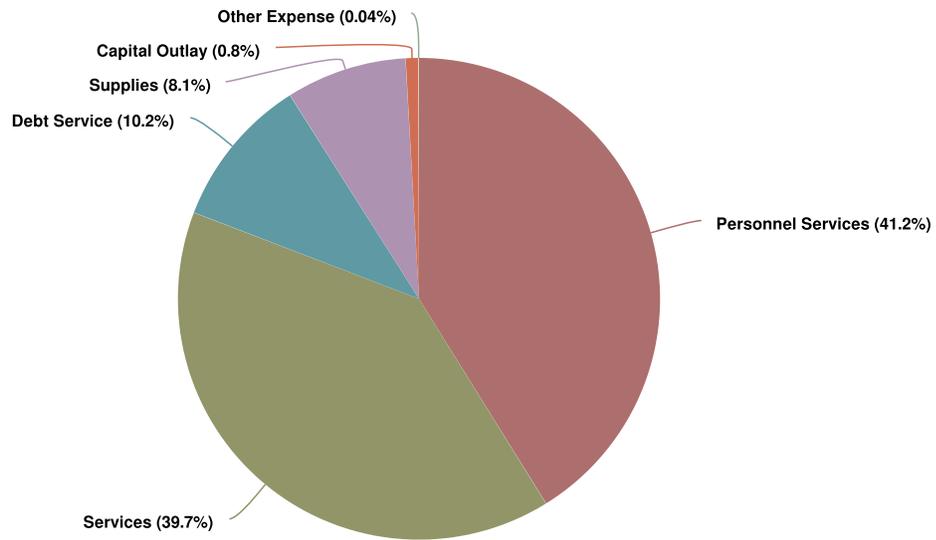
Starting in FY 2022-23, the Vehicle Maintenance, Street Trees, Street Lighting, and Storm Drain/Creek Maintenance functions were merged into the Consolidated Maintenance function for more streamlined reporting of financial activity.

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expenditures						
Public Works						
Public Works	\$749,407	\$1,053,603	\$1,157,528	\$1,431,518	\$1,494,816	4.4%
Consolidated Maintenance	\$1,218,869	\$1,939,014	\$1,875,975	\$2,055,579	\$2,053,062	-0.1%
Vehicle Maintenance	\$157,011	\$0	\$0	\$0	\$0	0%
Street Maintenance	\$305,575	\$1,116,146	\$1,119,246	\$1,083,032	\$995,296	-8.1%
Street Trees	\$150,595	\$0	\$500	\$0	\$0	0%
Street Lighting	\$91,479	\$0	\$0	\$0	\$0	0%
Storm Drain/Creek Maint.	\$119,360	\$0	\$0	\$0	\$0	0%
Water	\$2,819,779	\$4,697,578	\$4,441,082	\$5,961,871	\$6,070,783	1.8%
Wastewater Collection	\$2,989,934	\$2,968,764	\$3,277,194	\$6,786,405	\$4,764,443	-29.8%
MB Transit	\$171,116	\$194,653	\$244,330	\$264,622	\$0	-100%
Bikeway Paths	\$3,500	\$0	\$13,000	\$0	\$0	0%
Trolley	\$33,094	\$34,368	\$37,520	\$46,826	\$0	-100%
Curbside Recycling	\$31,765	\$29,839	\$31,352	\$0	\$0	0%
North Point Park	\$4,350	\$3,447	\$4,813	\$5,231	\$4,748	-9.2%
Cloisters Park	\$131,874	\$110,257	\$121,881	\$128,798	\$145,707	13.1%
Total Public Works:	\$8,977,709	\$12,147,668	\$12,324,421	\$17,763,882	\$15,528,854	-12.6%
Total Expenditures:	\$8,977,709	\$12,147,668	\$12,324,421	\$17,763,882	\$15,528,854	-12.6%



Expenditures by Expense Type

Budgeted Expenditures by Expense Type



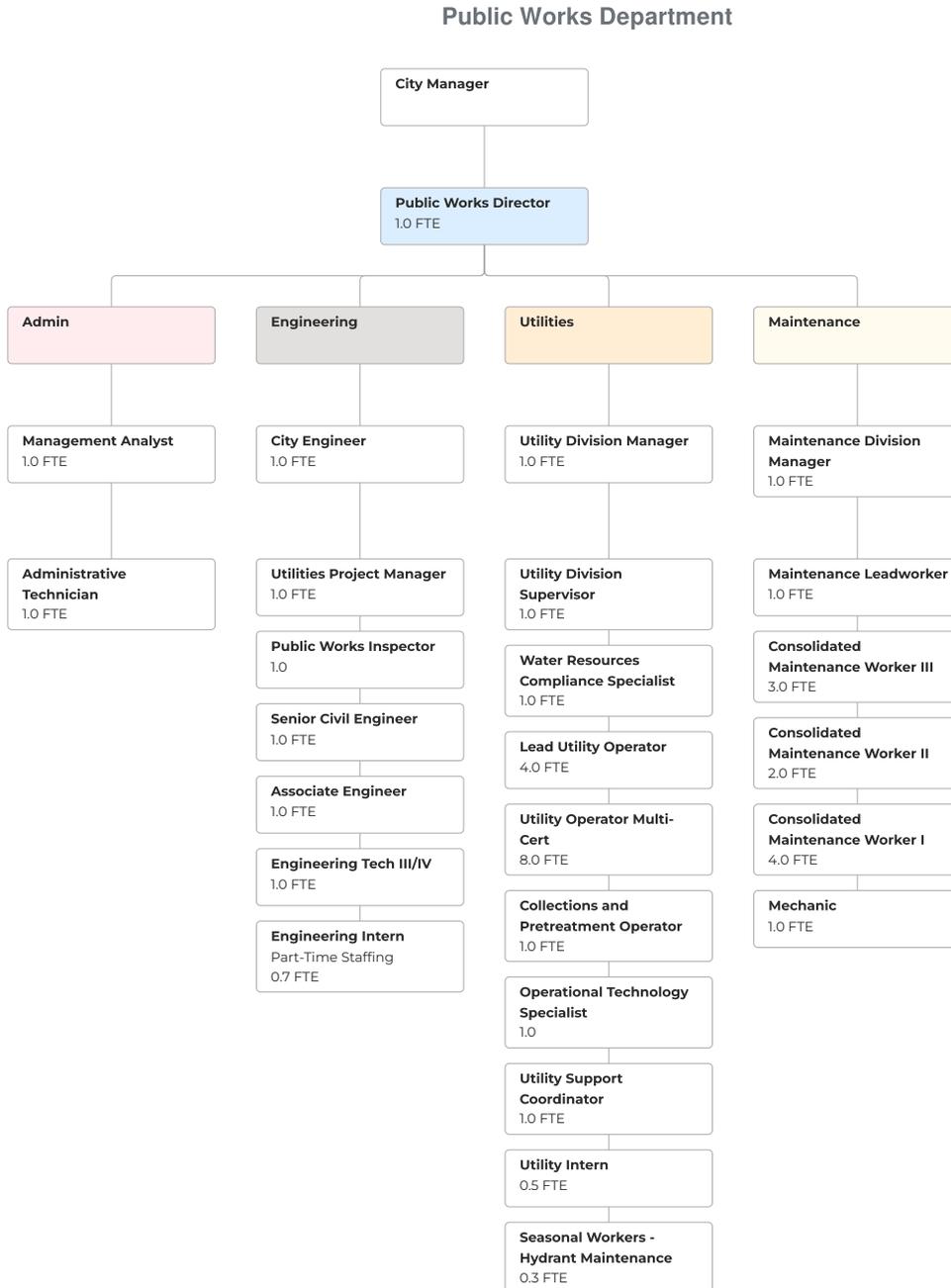
Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expense Objects						
Personnel Services	\$3,402,054	\$4,905,225	\$4,981,617	\$5,862,212	\$6,392,896	9.1%
Supplies	\$445,955	\$792,327	\$906,845	\$1,370,372	\$1,260,036	-8.1%
Other Expense	\$2,012,690	\$6,091	\$3,491	\$6,000	\$6,000	0%
Services	\$3,113,509	\$6,295,426	\$6,143,566	\$6,884,547	\$6,158,217	-10.6%
Capital Outlay	\$0	\$101,742	\$260,637	\$148,961	\$130,000	-12.7%
Debt Service	\$0	\$46,857	\$15,266	\$3,491,789	\$1,581,705	-54.7%
Interfund Transfers	\$3,500	\$0	\$13,000	\$0	\$0	0%
Total Expense Objects:	\$8,977,709	\$12,147,668	\$12,324,421	\$17,763,882	\$15,528,854	-12.6%

Public Works Organizational Chart

For FY 2025-26, the Public Works Department proposes the following staffing changes.

- Eliminate part-time maintenance program (2.0 FTE) to offset the addition of Maintenance Worker III (1.0 FTE)
- New Capital Projects Manager position (1.0 FTE) to increase the Utilities Division's capacity to complete critical capital projects.

Other minor part-time staffing changes are also detailed in the tables below.



Public Works Staffing List

Full-Time Staffing

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 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	3.0
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
Utilities Division Manager	1.0	1.0	1.0	1.0	1.0
Capital Projects Manager	0.0	0.0	0.0	0.0	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	8.0
Utilities Operator	2.0	2.0	2.0	2.0	1.0
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	39.0

Part-Time Staffing

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 Budget
Public Works Department					
Office Assistant	0.0	0.4	0.0	0.0	0.0
Engineering Intern	0.0	0.5	0.5	0.5	0.7
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	0.0
Total Department FTEs	0.7	2.7	2.7	2.5	1.5

Total Public Works Department Full-Time Equivalents: 40.5



Goals, Objectives & Actions Items

The City Council has adopted the following three goals and associated objectives for FY 2025-26 and FY 2026-27. Ways in which the **Public Works Department** contributes to these goals & objectives are provided below, where applicable.

- **Economic Vitality & Fiscal Health**
 - Downtown Revitalization
 - General Fund Reserve Analysis
 - Revenue Enhancement
 - Planning & Building Permit Services
- **Infrastructure Resiliency**
 - 5-Year Capital Improvement Plan
 - Infrastructure Maintenance
 - Initiate 5-year program to replace outdated water meters each year with those that can be read remotely
 - Initiate study assessing Morro Creek flooding and its impacts on critical infrastructure such as the brackish water reverse osmosis facility, Main Street, Errol Street, Preston Lane, and surrounding areas.
 - Continue project delivery of pavement management, storm drain repairs, water, and sewer priority projects
 - Continue replacement of sidewalks, curb and gutter, curb ramps, and portions of roadway where uplifting from street trees has occurred
 - Harbor Infrastructure
 - Develop a repair plan for the North T-Pier to address needed repairs and upgrades to the structure and utilities
 - Replacement of upper section of boat launch ramp located in Tidelands Park
- **Morro Elementary School (site)**
 - Acquisition Plan
 - Community Engagement
 - Grants

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
- **Maintenance:** Maintenance of City streets, sidewalks, facilities, parks, trees, open space, and other City-owned and operated infrastructure
- **Administration:** Management of solid waste, recycling, litter, and smoking



Activity & Workload Highlights

	2021-22 Actuals	2022-23 Actuals	2023-24 Actuals	2024-25 Estimated	2025-26 Projected
Activity and Workload Highlights					
Encroachment Permits Issued	170	221	248	225	230
Special Encroachment Agreements	8	9	12	7	7
Public Works Building Permit Reviews	285	247	240	216	220
Public Works Planning Permit Review	162	110	87	88	90
Stormwater Plan Reviews	53	73	43	48	50
Final/Parcel Map & Public Improvements Reviews	5	5	7	2	2
Misc. Permits Issued (i.e. Flood Hazard, Offer of Dedication, Stormwater Mgmt)	3	1	3	2	2
Encroachment Permit Inspections	112	268	432	390	395
Stormwater Inspections	29	34	35	32	35
Public Works Building Permit Inspections	34	41	79	92	95
Water Consumption (sold) in Million Gallons	345	347	354	320	330
Water Quality Complaints	39	25	17	10	15
Percent of Collection System Cleaned	55%	54%	40%	60%	70%
Reportable Sanitary Sewer Overflows	1	3	5	1	1
MB Transit Ridership	5,270	9,368	9,900	11,300	
MB Trolley	1,523	3,138	4,600	4,000	
Maintenance Work Orders Completed	726	1250	1250	2375	2500
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

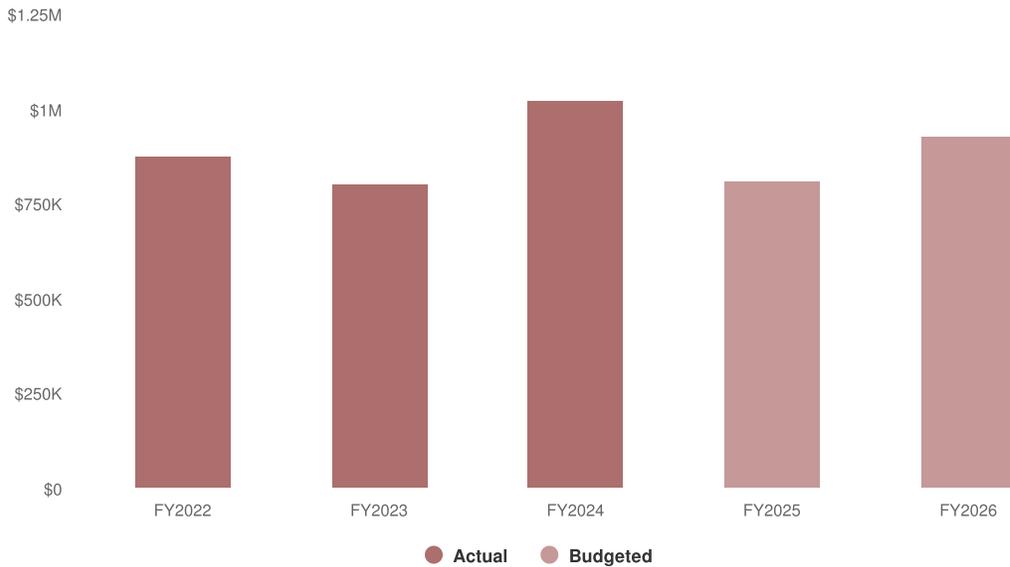
Recreation Services is committed to providing quality recreational programming, services, and opportunities in a responsive and courteous manner. Enhancing the quality of life, building a sense of community, providing positive role models for children and teens, improving self-esteem, and contributing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

Revenues Summary

For FY 2025-26, the Division is projecting an overall increase in budgeted revenue of 14.5%. Over the last three years, the division has come in well over budget, with revenues significantly exceeding our expectations. The projected revenue for FY 2025-26 is much less conservative and more reflective of the trends of previous FY actuals.

\$929,108 **\$118,000**
(14.55% vs. prior year)

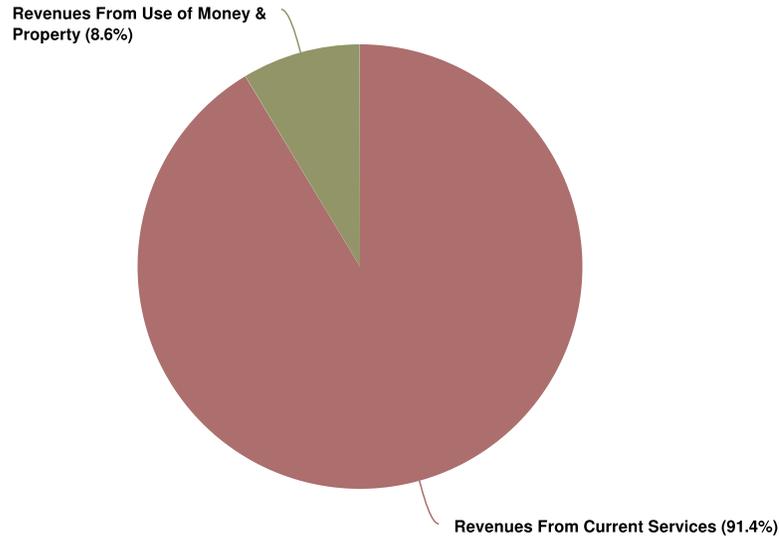
Recreation Proposed and Historical Budget vs. Actual



Revenues by Source

FY 2025-26 is expected to see an increase in overall revenues as our fees found within the City Master Fee Schedule are proposed to increase. Recreation Administration, which manages the use of City property, continues to see an increase in park and facility use. We expect an increase in revenue within our community classes due to 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 2026 Revenues by Source



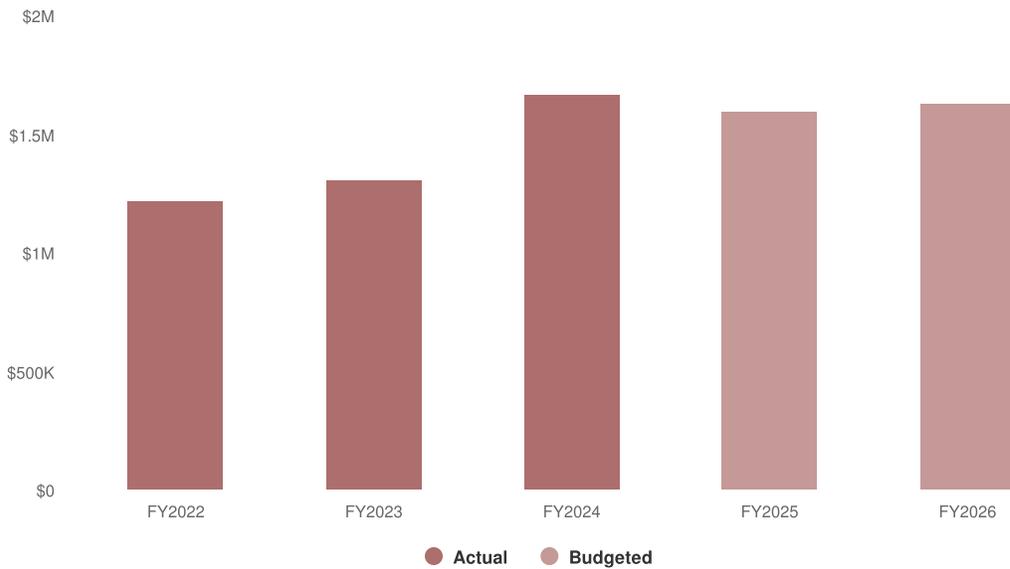
Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Revenue Source						
Intergovernmental Revenues	\$0	\$0	\$29	\$0	\$0	0%
Revenues From Current Services	\$789,106	\$728,533	\$923,076	\$731,108	\$849,108	16.1%
Other Revenues	\$0	\$0	\$0	\$10,000	\$0	-100%
Revenues From Use of Money & Property	\$89,265	\$71,937	\$81,460	\$70,000	\$80,000	14.3%
Interfund Revenue Transfers	\$0	\$0	\$17,430	\$0	\$0	0%
Total Revenue Source:	\$878,370	\$800,470	\$1,021,995	\$811,108	\$929,108	14.5%

Expenditures Summary

FY 2025-26 will see a slight upward adjustment in overall expenditures as we anticipate an increase in the cost of goods and supplies required for our operations. Additionally, we will see a slight increase in salaries as some full-time staff will receive contracted pay raises and part-time staff have received an increase in pay due to the change in minimum wage effective January 2025. 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.

\$1,625,967 **\$28,453**
(1.78% vs. prior year)

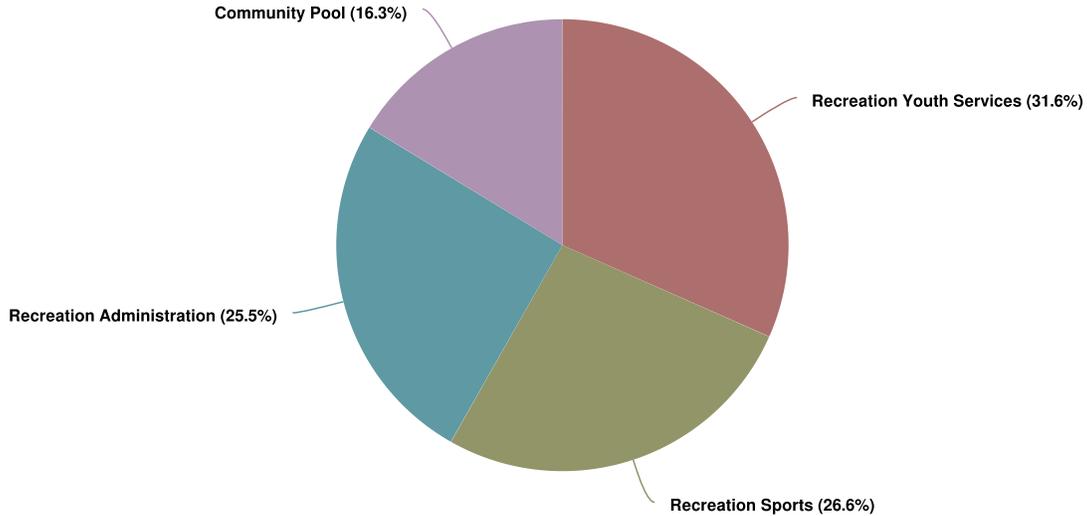
Recreation Proposed and Historical Budget vs. Actual



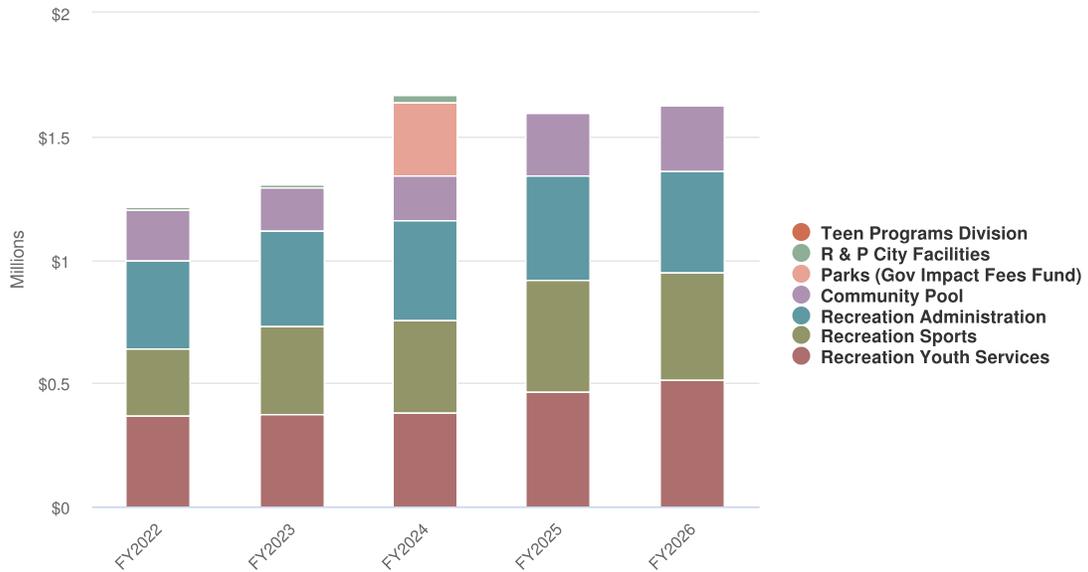
Expenditures by Function

Personnel costs account for the majority of expenditure increases in FY 2025-26. With that exception, Recreation Services will see slight adjustments both up and down within the various areas of the Division.

Budgeted Expenditures by Function



Budgeted and Historical Expenditures by Function



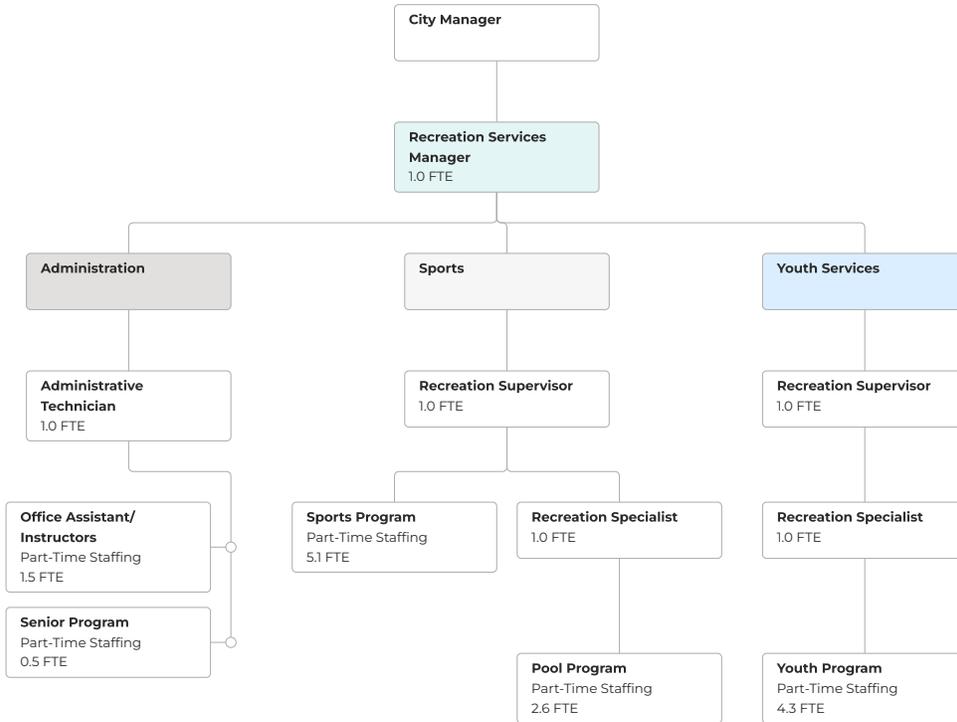
Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Expenditures						

Name	FY2022 Actual	FY2023 Actual	FY2024 Actual	FY2025 Amended Budget	FY2026 Budgeted	FY2025 Amended Budget vs. FY2026 Budgeted (% Change)
Recreation						
Recreation Administration	\$359,286	\$387,848	\$405,527	\$423,628	\$414,818	-2.1%
Recreation Sports	\$272,791	\$356,430	\$375,177	\$456,239	\$432,171	-5.3%
Recreation Youth Services	\$366,171	\$376,138	\$378,217	\$463,189	\$514,521	11.1%
Teen Programs Division	\$5,419	\$4,668	\$0	\$0	\$0	0%
Community Pool	\$206,642	\$173,117	\$183,311	\$254,458	\$264,458	3.9%
R & P City Facilities	\$7,498	\$12,142	\$30,230	\$0	\$0	0%
Parks (Gov Impact Fees Fund)	\$0	\$0	\$292,300	\$0	\$0	0%
Total Recreation:	\$1,217,807	\$1,310,343	\$1,664,762	\$1,597,514	\$1,625,967	1.8%
Total Expenditures:	\$1,217,807	\$1,310,343	\$1,664,762	\$1,597,514	\$1,625,967	1.8%

Recreation Services Organizational Chart

For the last nine years, the Recreation Services Division staffing model has been four full-time staff with over 125 part-time staff on the books. Last year, the Division converted 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 Department Organizational Chart



Recreation Services Staffing List

Full-Time Staffing

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 Budget
Recreation Services Department					
Recreation Services Manager	1.0	1.0	1.0	1.0	1.0
Recreation Supervisor	2.0	2.0	2.0	2.0	2.0
Recreation Coordinator	0.0	0.0	0.0	0.0	0.0
Administrative Technician	1.0	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	2.0	2.0
Total Department FTEs	4.0	4.0	4.0	6.0	6.0

Part-Time Staffing

	2021-22 Amended	2022-23 Funded	2023-24 Funded	2024-25 Funded	2025-26 Budget
Recreation Services Department					
Administration (Office Asst/Instructors)	0.7	1.1	2.0	1.5	1.5
Senior Program	0.5	0.5	0.5	0.5	0.5
Sports Program	3.2	5.8	5.1	5.1	5.1
Pool Program	2.3	3.4	3.2	2.6	2.6
Teen Program	0.0	0.0	0.0	0.0	0.0
Youth Program	4.5	5.0	5.2	4.3	4.3
Total Department FTEs	11.2	15.8	16.1	14.0	14.0

Total Recreation Services Department Full-Time Equivalents: 20.0

Goals, Objectives & Action Items

The City Council has adopted the following three goals and associated objectives for FY 2025-26 and FY 2026-27. Ways in which the **Recreation Services Division** contributes to these goals & objectives are provided below, where applicable.

- **Economic Vitality & Fiscal Health**
 - Downtown Revitalization
 - General Fund Reserve Analysis
 - Revenue Enhancement
 - Partner with SLCUSD to offer before and after-school childcare for the district's Transitional Kindergarten
 - Planning & Building Permit Services
- **Infrastructure Resiliency**
 - 5-Year Capital Improvement Plan
 - Infrastructure Maintenance
 - Harbor Infrastructure
- **Morro Elementary School (site)**
 - Acquisition Plan
 - Community Engagement
 - Grants

In addition to Council goals and objectives, the **Recreation Services Division** has identified the following priorities for the coming fiscal year.

- **Robust Senior Center Programs and Classes**
 - Continue offering, and adding 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**
 - Continue with and expand fall community music series at Tidelands Park, working with the Morro Bay Senior Center, Inc.
 - Step up content and delivery of existing core events to increase attendance at events
 - Work with local service organizations to enhance the winter holiday events
- **Develop a Comprehensive Marketing and Sponsorship Plan**
 - Produce a Community Activity Guide to better market our services
- **Strengthen Community Partnerships**
 - 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**
 - Continue with proactive hiring processes and outreach that addresses and supports diversity, equity, and inclusion (DEI)
 - Work with City Administration to address the organizational structure of the office and how it fits in as a Division as opposed to a Department, and how the office relates to park development and facility maintenance

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

	2021-22	2022-23	2023-24	2024-25	2025-26
	Actuals	Actuals	Actuals	Estimated	Projected
Activity and Workload Highlights					
Number of Permits Processed - internal and external	325	414	597	600	600
Number of Participations in Cuesta College Emeritus Classes	3,000	3,608	4,191	4,250	4500
Youth Basketball Program Registrations	258	257	314	300	300
Youth Soccer Program Registrations	193	142	128	125	125
Junior Lifeguard Program Registrations	291	256	310	325	300
Kids Club Participations (school year care)	15,000	14,725	16,471	17,500	18,000
Kids Camp Participations (summer care)	1,800	2,494	2,158	2,500	2,500
Kids Club Spring Camp	432	328	389	400	400
Year-Round Swim Lessons	1,500	1,001	835	900	1,000
Summer Swim Lessons	1,000	1,350	1,654	1,750	1,800

DEBT

Government-wide Debt Overview

The City's total government-wide debt as of June 30, 2024 totaled \$116,804,075, with approximately \$0.3 million remaining on a loan payable in governmental funds and approximately \$116.5 million in proprietary funds for the Water Reclamation Facility planning and construction financing. Repayment on one financing source began in FY 2024-25.

The long-term liabilities in governmental funds decreased by \$32 thousand over prior year due to regular payments against the loan payable with the State of California for the replacement of HVAC system and replacement and installation of solar panels.

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.

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, 2024, the City's assessed value was \$3,256,974,931, therefore the debt limit for bonded indebtedness payable from tax proceeds was \$122,136,560. 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.

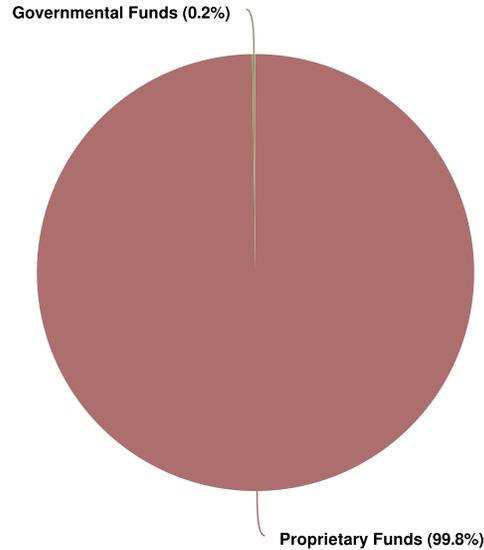
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The FY 2025-26 budget anticipates total interest payments from the general fund of \$2,941 for the State of California note payable for HVAC replacement and solar panel replacement and installation. The principal due on the same note payable is \$32,248.

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.

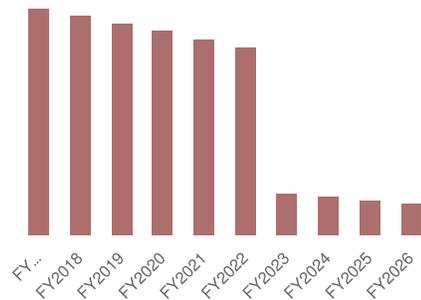
Debt by Fund



Financial Summary	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
All Funds	—	—	—	—	—	—	—	
Governmental Funds	\$1,712,633	\$1,643,953	\$1,574,967	\$365,669	\$334,067	\$302,139	\$269,891	-10.7%
Proprietary Funds	\$1,369,800	\$33,724,696	\$88,901,462	\$116,852,366	\$116,470,007	\$116,556,682	\$115,409,048	-1%
Total All Funds:	\$3,082,433	\$35,368,649	\$90,476,429	\$117,218,035	\$116,804,074	\$116,858,821	\$115,678,939	-1%

Governmental Funds

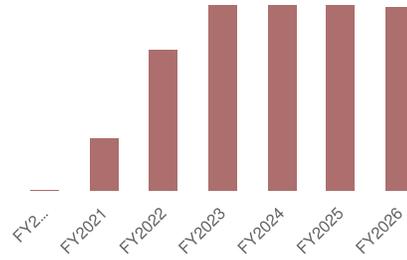
The City's governmental debt as of June 30, 2024 was \$334,067 which was the remaining balance of the loan payable with the State of California for the replacement of HVAC system and replacement and installation of solar panels. The solar panels were financed in June 2017 as part of the Solar Energy 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 of approximately \$40,000 through 2034.



Financial Summary	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Governmental Funds	—	—	—	—	—	—	—	
General Fund	\$1,712,633	\$1,643,953	\$1,574,967	\$365,669	\$334,067	\$302,139	\$269,891	-10.7%
Total Governmental Funds:	\$1,712,633	\$1,643,953	\$1,574,967	\$365,669	\$334,067	\$302,139	\$269,891	-10.7%

Proprietary Funds

The City's debt in proprietary funds as of June 30, 2024 was \$116,470,008 for Water Reclamation Facility planning and construction. Financing for the project was obtained through the California State Water Resources Control Board and the Environmental Protection Agency's Water Infrastructure Finance and Innovation Act (WIFIA). This project involved 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 was 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. Repayment of the loans through the California State Water Resources Control Board will begin in September 2027, and repayment of the loans through the Environmental Protection Agency began in November 2024, with annual payments of approximately \$800,000.



Financial Summary	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Proprietary Funds	—	—	—	—	—	—	—	
Enterprise Funds	\$1,369,800	\$33,724,696	\$88,901,462	\$116,852,366	\$116,470,007	\$116,556,682	\$115,409,048	-1%
Total Proprietary Funds:	\$1,369,800	\$33,724,696	\$88,901,462	\$116,852,366	\$116,470,007	\$116,556,682	\$115,409,048	-1%

Debt Snapshot

The City's total government-wide debt totaled \$116,804,074 as of June 30, 2024, with approximately \$334 thousand in governmental funds and approximately \$116.4 million in proprietary funds. Government-wide debt is projected to be \$116.8 million at 6/30/2025 and \$115.7 million at 6/30/2026, based on the most recent amortization schedules.

The debt in governmental funds decreased by \$32 thousand over prior year due to the annual payment against the loan payable with the State of California for the replacement of HVAC system and replacement and installation of solar panels.

The long-term liabilities in proprietary funds consist of four notes payable for the planning and construction of the new, state of the art 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.

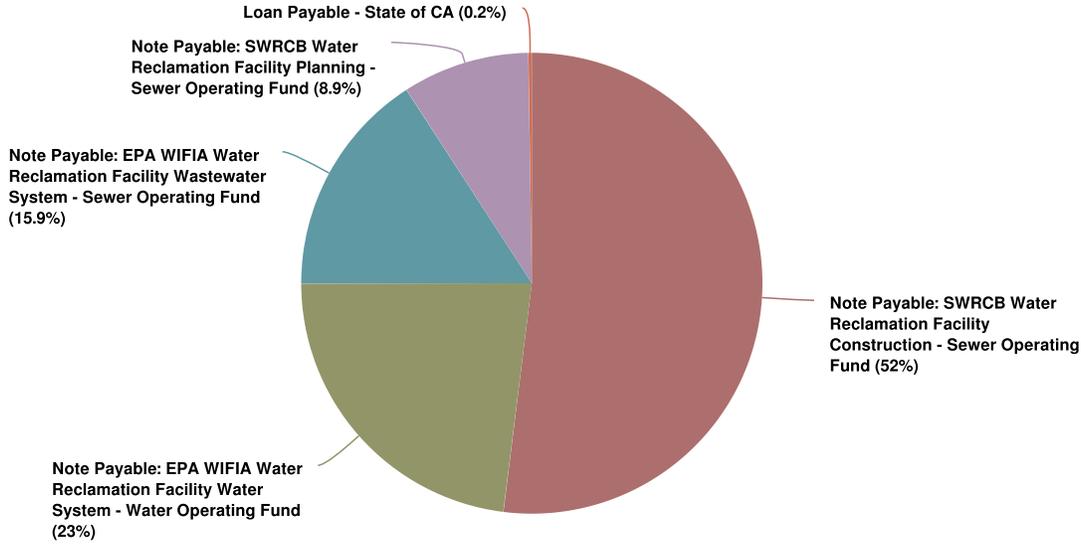
Section 43605 of the State of California Government Code states that a city shall not incur an indebtedness for public improvements which exceeds in the aggregate 15 percent of the assessed value of all real and personal property of the city. Within the meaning of this section, "indebtedness" means bonded indebtedness of the city payable from the proceeds of taxes levied upon taxable property in the city. As of June 30, 2024, the City's assessed value was \$3,256,823,754, therefore the debt limit for bonded indebtedness payable from tax proceeds was \$122,136,560. 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 2025-26 budget anticipates total interest payments from the general fund of \$2,941 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 \$32,248.

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.

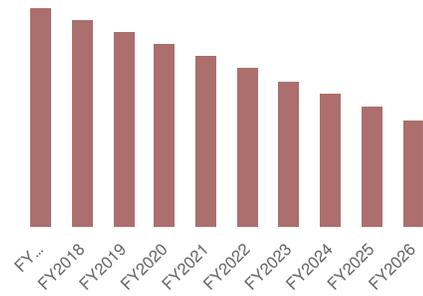
Debt by Type



Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Debt	—	—	—	—	—	
Certificates of Participation - USDA	\$1,178,000	\$0	\$0	\$0	\$0	0%
Loan Payable - State of CA	\$396,967	\$365,669	\$334,067	\$302,139	\$269,891	-10.7%
Note Payable: SWRCB Water Reclamation Facility Planning - Sewer Operating Fund	\$8,430,475	\$10,300,000	\$10,300,000	\$10,300,000	\$10,300,000	0%
Note Payable: EPA WIFIA Water Reclamation Facility Water System - Water Operating Fund	\$23,708,466	\$26,621,967	\$27,376,182	\$27,326,584	\$26,615,869	-2.6%
Note Payable: SWRCB Water Reclamation Facility Construction - Sewer Operating Fund	\$39,573,921	\$61,567,651	\$59,910,850	\$60,081,333	\$60,134,635	0.1%
Note Payable: EPA WIFIA Water Reclamation Facility Wastewater System - Sewer Operating Fund	\$17,188,600	\$18,362,748	\$18,882,975	\$18,848,765	\$18,358,544	-2.6%
Total Debt:	\$90,476,429	\$117,218,035	\$116,804,074	\$116,858,821	\$115,678,939	-1%

Loan Payable - State of CA

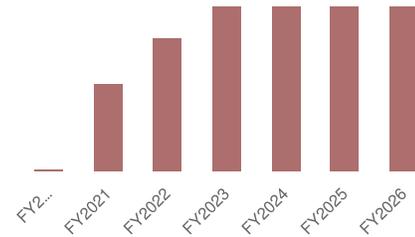
The City entered into a loan payable in the amount of \$546,750 with the State of California, Energy Resources Conservation and Development Commission for the replacement of HVAC system and installation of solar panels on certain City buildings. Loan payments are payable annually beginning December 22, 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	FY2022	FY2023	FY2024	FY2025	FY2026	% Change	\$ Change
Loan Payable - State of CA	—	—	—	—	—		
California Energy Commission - Solar	\$396,967	\$365,669	\$334,067	\$302,139	\$269,891	-10.7%	\$-32,248
Total Loan Payable - State of CA:	\$396,967	\$365,669	\$334,067	\$302,139	\$269,891	-10.7%	\$-32,248

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

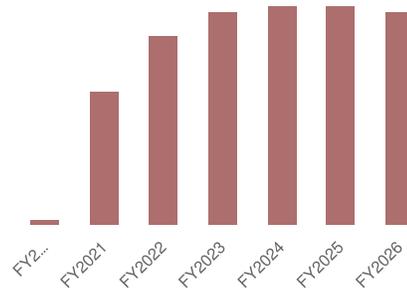
The California State Water Resources Control Board (SWRCB) extended to the City \$10,300,000 in financing at 0.90% interest rate for the Water Reclamation Facility project planning costs. This project involves the planning and construction of a new water reclamation facility, conveyance facilities necessary 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 in September 2027.



Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% Change
Note Payable: SWRCB Water Reclamation Facility Planning - Sewer Operating Fund	—	—	—	—	—	
Note Payable: SWRCB Water Reclamation Facility Planning - Sewer Operating Fund	\$8,430,475	\$10,300,000	\$10,300,000	\$10,300,000	\$10,300,000	0%
Total Note Payable: SWRCB Water Reclamation Facility Planning - Sewer Operating Fund:	\$8,430,475	\$10,300,000	\$10,300,000	\$10,300,000	\$10,300,000	0%

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. Repayment of the loan began November 2024.



Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% 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	\$23,708,466	\$26,621,967	\$27,376,182	\$27,326,584	\$26,615,869	-2.6%
Total Note Payable: EPA WIFIA Water Reclamation Facility Water System - Water Operating Fund:	\$23,708,466	\$26,621,967	\$27,376,182	\$27,326,584	\$26,615,869	-2.6%

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

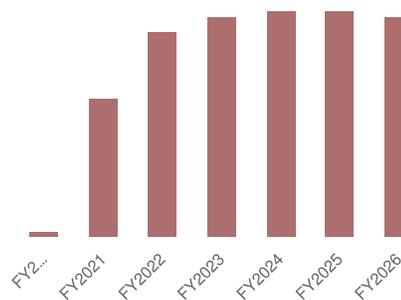
The California State Water Resources Control Board (SWRCB) extended to the City \$66,604,638 in financing at 0.90% interest rate for the Water Resource Center project construction costs. The financing included a \$5,000,000 grant component resulting in a total loan of \$61,604,638. The Water Reclamation 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. Repayment of the loan will begin in September 2027.



Financial Summary	FY2023	FY2024	FY2025	FY2026	% Change
Note Payable: SWRCB Water Reclamation Facility Construction - Sewer Operating Fund	—	—	—	—	
Water Recycling Bonds	\$16,114,152	\$16,114,152	\$16,284,635	\$16,284,635	0%
Clean Water State Revolving Fund	\$45,453,499	\$43,796,698	\$43,796,698	\$43,850,000	0.1%
Total Note Payable: SWRCB Water Reclamation Facility Construction - Sewer Operating Fund:	\$61,567,651	\$59,910,850	\$60,081,333	\$60,134,635	0.1%

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. Repayment of the loan began in November 2024.



Financial Summary	FY2022	FY2023	FY2024	FY2025	FY2026	% 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	\$17,188,600	\$18,362,748	\$18,882,975	\$18,848,765	\$18,358,544	-2.6%
Total Note Payable: EPA WIFIA Water Reclamation Facility Wastewater System - Sewer Operating Fund:	\$17,188,600	\$18,362,748	\$18,882,975	\$18,848,765	\$18,358,544	-2.6%

Amortization Schedule General Fund: State of CA CEC



State of California
 Energy Resources Conservation
 and Development Commission
 1516 Ninth Street
 Sacramento, California 95814-5512

Final Loan Amortization Table

Loan Number: 003-14-ECD	Number of Payments: 34
Recipient: City of Morro Bay	Disbursement Date: 4/14/2015
Loan Amount: \$546,749.98	Project Completion Date: 6/30/2016
Interest Rate: 1.00 %	Annual Energy Savings: \$35,672.00

Transaction Date	Payment Number	Invoice Number	Receipt Number	Disbursement Amount	Billing Invoice Interest Amount	Repay Principal Amount	Repay Interest Amount	Unscheduled Principal Amount	Unscheduled Interest Amount
06/15/2017	18	11508		\$94.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/15/2017	19	11508		\$40,105.97	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
06/07/2017	0			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
03/21/2017	15	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
03/21/2017	16	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
03/21/2017	17	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
02/21/2017	14	0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
02/16/2017	6	10967		\$62,441.60	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
02/16/2017	7	10967		\$36,862.57	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
02/16/2017	8	10967		\$200.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
02/16/2017	9	10967		\$116.62	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
02/16/2017	10	10967		\$3,977.07	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
02/16/2017	11	10967		\$979.38	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
02/16/2017	12	10967		\$225,034.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
02/16/2017	13	10967		\$53,360.90	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/15/2016	3	10354		\$94.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/15/2016	4	10354		\$937.53	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/15/2016	5	10354		\$2,952.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/03/2016	1	10289		\$24,692.04	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
11/03/2016	2	10289		\$93,352.29	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Trans #	Payment Date	Accrued Interest	Payment Amount	Interest Payment	Principal Payment	Principal Balance
Disbursement 1	11/3/2016	\$0.00	(\$24,692.04)	\$0.00	(\$24,692.04)	\$24,692.04
Disbursement 2	11/3/2016	\$0.00	(\$93,352.29)	\$0.00	(\$93,352.29)	\$118,044.33
Disbursement 3	11/15/2016	\$38.81	(\$94.00)	\$0.00	(\$94.00)	\$118,138.33
Disbursement 4	11/15/2016	\$0.00	(\$937.53)	\$0.00	(\$937.53)	\$119,075.86
Disbursement 5	11/15/2016	\$0.00	(\$2,952.00)	\$0.00	(\$2,952.00)	\$122,027.86
Disbursement 6	2/16/2017	\$310.92	(\$62,441.60)	\$0.00	(\$62,441.60)	\$184,469.46
Disbursement 7	2/16/2017	\$0.00	(\$36,862.57)	\$0.00	(\$36,862.57)	\$221,332.03



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Disbursement 8	2/16/2017	\$0.00	(\$200.00)	\$0.00	(\$200.00)	\$221,532.03
Disbursement 9	2/16/2017	\$0.00	(\$116.62)	\$0.00	(\$116.62)	\$221,648.65
Disbursement 10	2/16/2017	\$0.00	(\$3,977.07)	\$0.00	(\$3,977.07)	\$225,625.72
Disbursement 11	2/16/2017	\$0.00	(\$979.38)	\$0.00	(\$979.38)	\$226,605.10
Disbursement 12	2/16/2017	\$0.00	(\$225,834.00)	\$0.00	(\$225,834.00)	\$452,439.10
Disbursement 13	2/16/2017	\$0.00	(\$53,360.90)	\$0.00	(\$53,360.90)	\$505,800.00
Disbursement 14	2/21/2017	\$69.29	\$0.00	\$0.00	\$0.00	\$505,800.00
Disbursement 15	3/21/2017	\$388.01	\$0.00	\$0.00	\$0.00	\$505,800.00
Disbursement 16	3/21/2017	\$0.00	\$0.00	\$0.00	\$0.00	\$505,800.00
Disbursement 17	3/21/2017	\$0.00	\$0.00	\$0.00	\$0.00	\$505,800.00
Disbursement 18	6/15/2017	\$1,191.75	(\$844.01)	\$0.00	(\$844.01)	\$506,644.01
Disbursement 19	6/15/2017	\$0.00	(\$40,105.97)	\$0.00	(\$40,105.97)	\$546,749.98
Payment 1	12/22/2017	\$2,846.10	\$17,594.69	\$4,844.87	\$12,749.82	\$534,000.16
Payment 2	6/22/2018	\$2,662.69	\$17,594.69	\$2,662.69	\$14,932.00	\$519,068.16
Payment 3	12/22/2018	\$2,602.45	\$17,594.69	\$2,602.45	\$14,932.24	\$504,075.92
Payment 4	6/22/2019	\$2,513.47	\$17,594.69	\$2,513.47	\$15,081.22	\$488,994.70
Payment 5	12/22/2019	\$2,451.67	\$17,594.69	\$2,451.67	\$15,143.02	\$473,851.69
Payment 6	6/22/2020	\$2,375.75	\$17,594.69	\$2,375.75	\$15,218.94	\$458,632.74
Payment 7	12/22/2020	\$2,299.45	\$17,594.69	\$2,299.45	\$15,295.24	\$443,337.50
Payment 8	6/22/2021	\$2,210.61	\$17,594.69	\$2,210.61	\$15,384.08	\$427,953.43
Payment 9	12/22/2021	\$2,145.63	\$17,594.69	\$2,145.63	\$15,449.06	\$412,504.37
Payment 10	6/22/2022	\$2,056.87	\$17,594.69	\$2,056.87	\$15,537.82	\$396,966.55
Payment 11	12/22/2022	\$1,990.27	\$17,594.69	\$1,990.27	\$15,604.42	\$381,362.13
Payment 12	6/22/2023	\$1,901.59	\$17,594.69	\$1,901.59	\$15,693.10	\$365,669.02
Payment 13	12/22/2023	\$1,833.35	\$17,594.69	\$1,833.35	\$15,761.34	\$349,907.69
Payment 14	6/22/2024	\$1,754.33	\$17,594.69	\$1,754.33	\$15,840.36	\$334,067.33
Payment 15	12/22/2024	\$1,674.91	\$17,594.69	\$1,674.91	\$15,919.78	\$318,147.55
Payment 16	6/22/2025	\$1,586.38	\$17,594.69	\$1,586.38	\$16,008.31	\$302,139.24
Payment 17	12/22/2025	\$1,514.84	\$17,594.69	\$1,514.84	\$16,079.85	\$286,059.39
Payment 18	6/22/2026	\$1,426.38	\$17,594.69	\$1,426.38	\$16,168.31	\$269,891.08
Payment 19	12/22/2026	\$1,353.15	\$17,594.69	\$1,353.15	\$16,241.54	\$253,649.54
Payment 20	6/22/2027	\$1,264.77	\$17,594.69	\$1,264.77	\$16,329.92	\$237,319.62
Payment 21	12/22/2027	\$1,189.85	\$17,594.69	\$1,189.85	\$16,404.84	\$220,914.78
Payment 22	6/22/2028	\$1,107.60	\$17,594.69	\$1,107.60	\$16,487.09	\$204,427.69
Payment 23	12/22/2028	\$1,024.94	\$17,594.69	\$1,024.94	\$16,569.75	\$187,857.94
Payment 24	6/22/2029	\$936.72	\$17,594.69	\$936.72	\$16,657.97	\$171,199.97
Payment 25	12/22/2029	\$858.35	\$17,594.69	\$858.35	\$16,736.34	\$154,463.62
Payment 26	6/22/2030	\$770.20	\$17,594.69	\$770.20	\$16,824.49	\$137,639.13



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Payment 27	12/22/2030	\$690.08	\$17,594.69	\$690.08	\$16,904.61	\$120,734.52
Payment 28	6/22/2031	\$602.02	\$17,594.69	\$602.02	\$16,992.67	\$103,741.85
Payment 29	12/22/2031	\$520.13	\$17,594.69	\$520.13	\$17,074.56	\$86,667.29
Payment 30	6/22/2032	\$434.52	\$17,594.69	\$434.52	\$17,160.17	\$69,507.13
Payment 31	12/22/2032	\$348.49	\$17,594.69	\$348.49	\$17,246.20	\$52,260.92
Payment 32	6/22/2033	\$260.59	\$17,594.69	\$260.59	\$17,334.10	\$34,926.82
Payment 33	12/22/2033	\$175.11	\$17,594.69	\$175.11	\$17,419.58	\$17,507.25
Payment 34	6/22/2034	\$87.30	\$17,594.54	\$87.30	\$17,507.24	\$0.00

Amortization Schedule Water Fund: WIFIA

N17150CA
WIFIA Loan Amortization Schedule

Closing Date: 03/09/2020
 Loan Amount: \$36,516,525.00
 Interest rate: 0.83%
 Weight Average Life (years-months): 22-2
 Maturity: 11/01/2058

Period Start Date	Period End Date	Period Payment Date	Period Repayment Type	Disbursements in Period	Capitalized Interest	Interest Payment	Principal Repayment	% of Maximum Principal Outstanding	Semi-annual Debt Service Payment	Ending Balance
03/09/2020	04/30/2020	05/01/2020	No Payment	\$0.00	\$0.00	\$0.00	\$0.00	N/A	\$0.00	\$0.00
05/01/2020	11/01/2020	11/01/2020	No Payment	\$4,287,487.11	\$0,012.10	\$0.00	\$0.00	N/A	\$0.00	\$4,296,499.21
11/01/2020	04/30/2021	05/01/2021	No Payment	\$9,651,919.11	\$17,826.87	\$0.00	\$0.00	N/A	\$0.00	\$13,986,245.55
05/01/2021	10/31/2021	11/01/2021	No Payment	\$7,495,250.09	\$75,948.75	\$0.00	\$0.00	N/A	\$0.00	\$21,557,484.41
11/01/2021	04/30/2022	05/01/2022	No Payment	\$1,755,838.98	\$92,805.97	\$0.00	\$0.00	N/A	\$0.00	\$23,406,129.38
05/01/2022	10/31/2022	11/01/2022	No Payment	\$2,619,159.55	\$101,422.17	\$0.00	\$0.00	N/A	\$0.00	\$25,526,711.10
11/01/2022	04/30/2023	05/01/2023	No Payment	\$995,328.16	\$109,006.14	\$0.00	\$0.00	N/A	\$0.00	\$26,621,045.40
05/01/2023	10/31/2023	11/01/2023	No Payment	\$1,181,158.15	\$113,382.79	\$0.00	\$0.00	N/A	\$0.00	\$27,915,586.34
11/01/2023	04/30/2024	05/01/2024	No Payment	\$0.00	\$115,849.69	\$0.00	\$0.00	N/A	\$0.00	\$28,031,436.03
05/01/2024	10/31/2024	11/01/2024	Level Payment (semiannual)	\$0.00	\$0.00	\$116,330.46	\$351,696.25	N/A	\$468,026.75	\$27,679,739.74
11/01/2024	04/30/2025	05/01/2025	Level Payment (semiannual)	\$0.00	\$0.00	\$114,870.92	\$353,155.83	N/A	\$468,026.75	\$27,326,583.91
05/01/2025	10/31/2025	11/01/2025	Level Payment (semiannual)	\$0.00	\$0.00	\$113,405.33	\$354,621.41	N/A	\$468,026.76	\$26,971,962.48
11/01/2025	04/30/2026	05/01/2026	Level Payment (semiannual)	\$0.00	\$0.00	\$111,934.65	\$356,093.11	N/A	\$468,026.76	\$26,613,869.37
05/01/2026	10/31/2026	11/01/2026	Level Payment (semiannual)	\$0.00	\$0.00	\$110,455.86	\$357,570.89	N/A	\$468,026.75	\$26,258,298.48
11/01/2026	04/30/2027	05/01/2027	Level Payment (semiannual)	\$0.00	\$0.00	\$108,977.94	\$359,054.81	N/A	\$468,026.75	\$25,899,243.67
05/01/2027	10/31/2027	11/01/2027	Level Payment (semiannual)	\$0.00	\$0.00	\$107,487.87	\$360,544.88	N/A	\$468,026.76	\$25,538,698.78
11/01/2027	04/30/2028	05/01/2028	Level Payment (semiannual)	\$0.00	\$0.00	\$105,985.69	\$362,041.15	N/A	\$468,026.75	\$25,176,657.63
05/01/2028	10/31/2028	11/01/2028	Level Payment (semiannual)	\$0.00	\$0.00	\$104,483.13	\$363,543.62	N/A	\$468,026.75	\$24,813,114.01
11/01/2028	04/30/2029	05/01/2029	Level Payment (semiannual)	\$0.00	\$0.00	\$102,974.43	\$365,052.31	N/A	\$468,026.76	\$24,448,061.68
05/01/2029	10/31/2029	11/01/2029	Level Payment (semiannual)	\$0.00	\$0.00	\$101,459.46	\$366,567.35	N/A	\$468,026.76	\$24,081,494.38
11/01/2029	04/30/2030	05/01/2030	Level Payment (semiannual)	\$0.00	\$0.00	\$99,938.21	\$368,088.55	N/A	\$468,026.76	\$23,713,405.83
05/01/2030	10/31/2030	11/01/2030	Level Payment (semiannual)	\$0.00	\$0.00	\$98,410.64	\$369,616.12	N/A	\$468,026.76	\$23,343,789.71
11/01/2030	04/30/2031	05/01/2031	Level Payment (semiannual)	\$0.00	\$0.00	\$96,876.75	\$371,150.02	N/A	\$468,026.75	\$22,973,639.69
05/01/2031	10/31/2031	11/01/2031	Level Payment (semiannual)	\$0.00	\$0.00	\$95,336.46	\$372,690.38	N/A	\$468,026.76	\$22,603,949.35
11/01/2031	04/30/2032	05/01/2032	Level Payment (semiannual)	\$0.00	\$0.00	\$93,789.79	\$374,236.94	N/A	\$468,026.75	\$22,235,712.41
05/01/2032	10/31/2032	11/01/2032	Level Payment (semiannual)	\$0.00	\$0.00	\$92,236.71	\$375,790.05	N/A	\$468,026.76	\$21,869,922.38
11/01/2032	04/30/2033	05/01/2033	Level Payment (semiannual)	\$0.00	\$0.00	\$90,677.18	\$377,349.57	N/A	\$468,026.75	\$21,472,572.81
05/01/2033	10/31/2033	11/01/2033	Level Payment (semiannual)	\$0.00	\$0.00	\$89,111.18	\$378,915.57	N/A	\$468,026.75	\$21,093,657.24
11/01/2033	04/30/2034	05/01/2034	Level Payment (semiannual)	\$0.00	\$0.00	\$87,538.68	\$380,488.07	N/A	\$468,026.75	\$20,713,169.17
05/01/2034	10/31/2034	11/01/2034	Level Payment (semiannual)	\$0.00	\$0.00	\$85,959.66	\$382,067.10	N/A	\$468,026.76	\$20,331,102.07

Loan Name: N17150CA
 Borrower Name: CITY OF MORRO BAY
 Project Name: Morro Bay Water Reclamation Facility - Water

Period Start Date	Period End Date	Period Payment Date	Period Repayment Type	Disbursements in Period	Capitalized Interest	Interest Payment	Principal Repayment	% of Maximum Principal Outstanding	Semi-annual Debt Service Payment	Ending Balance
11/01/2034	04/30/2035	05/01/2035	Level Payment (semiannual)	\$0.00	\$0.00	\$84,374.08	\$383,652.08	N/A	\$468,026.76	\$19,947,449.39
05/01/2035	10/31/2035	11/01/2035	Level Payment (semiannual)	\$0.00	\$0.00	\$82,781.92	\$385,244.81	N/A	\$468,026.76	\$19,562,204.55
11/01/2035	04/30/2036	05/01/2036	Level Payment (semiannual)	\$0.00	\$0.00	\$81,183.15	\$386,843.63	N/A	\$468,026.75	\$19,175,360.95
05/01/2036	10/31/2036	11/01/2036	Level Payment (semiannual)	\$0.00	\$0.00	\$79,577.75	\$388,449.00	N/A	\$468,026.75	\$18,786,911.93
11/01/2036	04/30/2037	05/01/2037	Level Payment (semiannual)	\$0.00	\$0.00	\$77,964.69	\$390,061.07	N/A	\$468,026.76	\$18,396,850.88
05/01/2037	10/31/2037	11/01/2037	Level Payment (semiannual)	\$0.00	\$0.00	\$76,346.94	\$391,679.82	N/A	\$468,026.76	\$18,005,171.06
11/01/2037	04/30/2038	05/01/2038	Level Payment (semiannual)	\$0.00	\$0.00	\$74,721.46	\$393,305.28	N/A	\$468,026.75	\$17,611,865.77
05/01/2038	10/31/2038	11/01/2038	Level Payment (semiannual)	\$0.00	\$0.00	\$73,089.25	\$394,937.11	N/A	\$468,026.76	\$17,216,928.26
11/01/2038	04/30/2039	05/01/2039	Level Payment (semiannual)	\$0.00	\$0.00	\$71,450.26	\$396,576.50	N/A	\$468,026.76	\$16,820,351.76
05/01/2039	10/31/2039	11/01/2039	Level Payment (semiannual)	\$0.00	\$0.00	\$69,804.46	\$398,222.29	N/A	\$468,026.75	\$16,422,129.47
11/01/2039	04/30/2040	05/01/2040	Level Payment (semiannual)	\$0.00	\$0.00	\$68,151.84	\$399,874.91	N/A	\$468,026.75	\$16,022,254.56
05/01/2040	10/31/2040	11/01/2040	Level Payment (semiannual)	\$0.00	\$0.00	\$66,492.36	\$401,534.39	N/A	\$468,026.75	\$15,620,720.17
11/01/2040	04/30/2041	05/01/2041	Level Payment (semiannual)	\$0.00	\$0.00	\$64,825.99	\$403,200.76	N/A	\$468,026.75	\$15,217,519.41
05/01/2041	10/31/2041	11/01/2041	Level Payment (semiannual)	\$0.00	\$0.00	\$63,152.71	\$404,874.05	N/A	\$468,026.76	\$14,812,645.36
11/01/2041	04/30/2042	05/01/2042	Level Payment (semiannual)	\$0.00	\$0.00	\$61,472.48	\$406,554.27	N/A	\$468,026.75	\$14,406,091.09
05/01/2042	10/31/2042	11/01/2042	Level Payment (semiannual)	\$0.00	\$0.00	\$59,785.28	\$408,241.47	N/A	\$468,026.75	\$13,997,849.62
11/01/2042	04/30/2043	05/01/2043	Level Payment (semiannual)	\$0.00	\$0.00	\$58,091.08	\$409,935.68	N/A	\$468,026.76	\$13,587,913.94
05/01/2043	10/31/2043	11/01/2043	Level Payment (semiannual)	\$0.00	\$0.00	\$56,389.85	\$411,636.91	N/A	\$468,026.76	\$13,176,277.03
11/01/2043	04/30/2044	05/01/2044	Level Payment (semiannual)	\$0.00	\$0.00	\$54,681.55	\$413,345.25	N/A	\$468,026.75	\$12,762,931.83
05/01/2044	10/31/2044	11/01/2044	Level Payment (semiannual)	\$0.00	\$0.00	\$52,966.17	\$415,060.58	N/A	\$468,026.75	\$12,347,871.25
11/01/2044	04/30/2045	05/01/2045	Level Payment (semiannual)	\$0.00	\$0.00	\$51,243.67	\$416,783.09	N/A	\$468,026.76	\$11,931,088.16
05/01/2045	10/31/2045	11/01/2045	Level Payment (semiannual)	\$0.00	\$0.00	\$49,514.02	\$418,512.74	N/A	\$468,026.76	\$11,512,575.42
11/01/2045	04/30/2046	05/01/2046	Level Payment (semiannual)	\$0.00	\$0.00	\$47,777.19	\$420,249.56	N/A	\$468,026.75	\$11,092,325.86
05/01/2046	10/31/2046	11/01/2046	Level Payment (semiannual)	\$0.00	\$0.00	\$46,033.16	\$421,993.05	N/A	\$468,026.76	\$10,670,332.26
11/01/2046	04/30/2047	05/01/2047	Level Payment (semiannual)	\$0.00	\$0.00	\$44,281.88	\$423,744.87	N/A	\$468,026.75	\$10,246,587.39
05/01/2047	10/31/2047	11/01/2047	Level Payment (semiannual)	\$0.00	\$0.00	\$42,523.34	\$425,503.41	N/A	\$468,026.75	\$9,821,083.95
11/01/2047	04/30/2048	05/01/2048	Level Payment (semiannual)	\$0.00	\$0.00	\$40,757.50	\$427,269.25	N/A	\$468,026.75	\$9,393,818.71
05/01/2048	10/31/2048	11/01/2048	Level Payment (semiannual)	\$0.00	\$0.00	\$38,984.34	\$429,042.42	N/A	\$468,026.76	\$8,964,772.31
11/01/2048	04/30/2049	05/01/2049	Level Payment (semiannual)	\$0.00	\$0.00	\$37,203.81	\$430,822.95	N/A	\$468,026.76	\$8,533,949.36
05/01/2049	10/31/2049	11/01/2049	Level Payment (semiannual)	\$0.00	\$0.00	\$35,415.89	\$432,610.86	N/A	\$468,026.75	\$8,101,338.50
11/01/2049	04/30/2050	05/01/2050	Level Payment (semiannual)	\$0.00	\$0.00	\$33,620.56	\$434,406.29	N/A	\$468,026.76	\$7,666,932.30
05/01/2050	10/31/2050	11/01/2050	Level Payment (semiannual)	\$0.00	\$0.00	\$31,817.77	\$436,208.98	N/A	\$468,026.75	\$7,231,723.32
11/01/2050	04/30/2051	05/01/2051	Level Payment (semiannual)	\$0.00	\$0.00	\$30,007.51	\$438,019.25	N/A	\$468,026.76	\$6,795,704.07
05/01/2051	10/31/2051	11/01/2051	Level Payment (semiannual)	\$0.00	\$0.00	\$28,189.73	\$439,837.03	N/A	\$468,026.76	\$6,352,867.04
11/01/2051	04/30/2052	05/01/2052	Level Payment (semiannual)	\$0.00	\$0.00	\$26,364.40	\$441,662.35	N/A	\$468,026.75	\$5,911,204.69
05/01/2052	10/31/2052	11/01/2052	Level Payment (semiannual)	\$0.00	\$0.00	\$24,531.50	\$443,495.25	N/A	\$468,026.75	\$5,467,709.44
11/01/2052	04/30/2053	05/01/2053	Level Payment (semiannual)	\$0.00	\$0.00	\$22,691.09	\$445,335.78	N/A	\$468,026.76	\$5,022,373.68
05/01/2053	10/31/2053	11/01/2053	Level Payment (semiannual)	\$0.00	\$0.00	\$20,842.86	\$447,183.94	N/A	\$468,026.76	\$4,575,189.78
11/01/2053	04/30/2054	05/01/2054	Level Payment (semiannual)	\$0.00	\$0.00	\$18,987.04	\$449,039.71	N/A	\$468,026.75	\$4,126,150.07
05/01/2054	10/31/2054	11/01/2054	Level Payment (semiannual)	\$0.00	\$0.00	\$17,123.53	\$450,903.23	N/A	\$468,026.76	\$3,673,246.84
11/01/2054	04/30/2055	05/01/2055	Level Payment (semiannual)	\$0.00	\$0.00	\$15,252.28	\$452,774.48	N/A	\$468,026.76	\$3,222,472.36
05/01/2055	10/31/2055	11/01/2055	Level Payment (semiannual)	\$0.00	\$0.00	\$13,373.27	\$454,653.49	N/A	\$468,026.76	\$2,767,818.87
11/01/2055	04/30/2056	05/01/2056	Level Payment (semiannual)	\$0.00	\$0.00	\$11,486.45	\$456,540.30	N/A	\$468,026.75	\$2,311,278.57
05/01/2056	10/31/2056	11/01/2056	Level Payment (semiannual)	\$0.00	\$0.00	\$9,591.81	\$458,434.94	N/A	\$468,026.75	\$1,852,843.63
11/01/2056	04/30/2057	05/01/2057	Level Payment (semiannual)	\$0.00	\$0.00	\$7,689.31	\$460,337.45	N/A	\$468,026.76	\$1,392,506.18
05/01/2057	10/31/2057	11/01/2057	Level Payment (semiannual)	\$0.00	\$0.00	\$5,778.91	\$462,247.85	N/A	\$468,026.76	\$930,258.33

Loan Name: N17150CA
 Borrower Name: CITY OF MORRO BAY
 Project Name: Morro Bay Water Reclamation Facility - Water



Period Start Date	Period End Date	Period Payment Date	Period Repayment Type	Disbursements in Period	Capitalized Interest	Interest Payment	Principal Repayment	% of Maximum Principal Outstanding	Semi-annual Debt Service Payment	Ending Balance
11/01/2017	04/30/2018	05/01/2018	Level Payment (semiannual)	\$0.00	\$0.00	\$3,860.58	\$464,166.18	N/A	\$468,026.76	\$466,092.15
05/01/2018	10/31/2018	11/01/2018	Level Payment (semiannual)	\$0.00	\$0.00	\$1,934.29	\$466,092.15	N/A	\$468,026.44	\$0.00
Total				\$27,376,181.55	\$655,254.48	\$4,262,409.76	\$28,031,436.63		\$32,293,845.79	

Loan Name: N17150CA
 Borrower Name: CITY OF MORRO BAY
 Project Name: Morro Bay Water Reclamation Facility - Water

Amortization Schedule Sewer Fund: WIFIA

N17108CA WIFIA Loan Amortization Schedule

Closing Date: 03/09/2020
 Loan Amount: \$25,183,810.00
 Interest rate: 0.83%
 Weight Average Life (years-months): 22-2
 Maturity: 11/01/2058

Period Start Date	Period End Date	Period Payment Date	Period Repayment Type	Disbursements in Period	Capitalized Interest	Interest Payment	Principal Repayment	% of Maximum Principal Outstanding	Semi-annual Debt Service Payment	Ending Balance
03/09/2020	04/30/2020	05/01/2020	No Payment	\$0.00	\$0.00	\$0.00	\$0.00	N/A	\$0.00	\$0.00
05/01/2020	10/31/2020	11/01/2020	No Payment	\$2,957,337.34	\$6,216.20	\$0.00	\$0.00	N/A	\$0.00	\$2,963,553.54
11/01/2020	04/30/2021	05/01/2021	No Payment	\$6,657,508.52	\$26,091.45	\$0.00	\$0.00	N/A	\$0.00	\$9,647,153.51
05/01/2021	10/31/2021	11/01/2021	No Payment	\$5,169,951.67	\$52,386.43	\$0.00	\$0.00	N/A	\$0.00	\$14,869,491.61
11/01/2021	04/30/2022	05/01/2022	No Payment	\$1,211,107.59	\$64,013.86	\$0.00	\$0.00	N/A	\$0.00	\$16,144,613.06
05/01/2022	10/31/2022	11/01/2022	No Payment	\$1,392,714.90	\$69,956.89	\$0.00	\$0.00	N/A	\$0.00	\$17,607,284.85
11/01/2022	04/30/2023	05/01/2023	No Payment	\$679,640.00	\$75,187.99	\$0.00	\$0.00	N/A	\$0.00	\$18,362,112.84
05/01/2023	10/31/2023	11/01/2023	No Payment	\$814,715.72	\$78,266.84	\$0.00	\$0.00	N/A	\$0.00	\$19,255,035.40
11/01/2023	04/30/2024	05/01/2024	No Payment	\$0.00	\$79,908.49	\$0.00	\$0.00	N/A	\$0.00	\$19,334,943.89
05/01/2024	10/31/2024	11/01/2024	Level Payment (semiannual)	\$0.00	\$0.00	\$80,240.02	\$242,585.78	N/A	\$322,825.81	\$19,092,358.01
11/01/2024	04/30/2025	05/01/2025	Level Payment (semiannual)	\$0.00	\$0.00	\$79,233.29	\$243,592.52	N/A	\$322,825.81	\$18,848,765.49
05/01/2025	10/31/2025	11/01/2025	Level Payment (semiannual)	\$0.00	\$0.00	\$78,222.38	\$244,603.43	N/A	\$322,825.81	\$18,604,162.06
11/01/2025	04/30/2026	05/01/2026	Level Payment (semiannual)	\$0.00	\$0.00	\$77,207.28	\$245,618.54	N/A	\$322,825.82	\$18,358,543.52
05/01/2026	10/31/2026	11/01/2026	Level Payment (semiannual)	\$0.00	\$0.00	\$76,187.96	\$246,637.85	N/A	\$322,825.81	\$18,111,905.67
11/01/2026	04/30/2027	05/01/2027	Level Payment (semiannual)	\$0.00	\$0.00	\$75,164.41	\$247,661.40	N/A	\$322,825.81	\$17,864,244.27
05/01/2027	10/31/2027	11/01/2027	Level Payment (semiannual)	\$0.00	\$0.00	\$74,136.62	\$248,689.19	N/A	\$322,825.81	\$17,615,555.08
11/01/2027	04/30/2028	05/01/2028	Level Payment (semiannual)	\$0.00	\$0.00	\$73,104.56	\$249,721.25	N/A	\$322,825.81	\$17,365,833.83
05/01/2028	10/31/2028	11/01/2028	Level Payment (semiannual)	\$0.00	\$0.00	\$72,068.22	\$250,757.69	N/A	\$322,825.82	\$17,115,076.23
11/01/2028	04/30/2029	05/01/2029	Level Payment (semiannual)	\$0.00	\$0.00	\$71,027.57	\$251,798.24	N/A	\$322,825.81	\$16,863,277.99
05/01/2029	10/31/2029	11/01/2029	Level Payment (semiannual)	\$0.00	\$0.00	\$69,982.61	\$252,843.26	N/A	\$322,825.81	\$16,610,434.78
11/01/2029	04/30/2030	05/01/2030	Level Payment (semiannual)	\$0.00	\$0.00	\$68,933.31	\$253,892.56	N/A	\$322,825.81	\$16,356,542.29
05/01/2030	10/31/2030	11/01/2030	Level Payment (semiannual)	\$0.00	\$0.00	\$67,879.66	\$254,946.14	N/A	\$322,825.82	\$16,101,596.13
11/01/2030	04/30/2031	05/01/2031	Level Payment (semiannual)	\$0.00	\$0.00	\$66,821.63	\$256,004.18	N/A	\$322,825.81	\$15,845,591.95
05/01/2031	10/31/2031	11/01/2031	Level Payment (semiannual)	\$0.00	\$0.00	\$65,759.21	\$257,066.60	N/A	\$322,825.81	\$15,588,525.35
11/01/2031	04/30/2032	05/01/2032	Level Payment (semiannual)	\$0.00	\$0.00	\$64,692.39	\$258,133.41	N/A	\$322,825.82	\$15,330,391.92
05/01/2032	10/31/2032	11/01/2032	Level Payment (semiannual)	\$0.00	\$0.00	\$63,621.13	\$259,204.68	N/A	\$322,825.81	\$15,071,187.24
11/01/2032	04/30/2033	05/01/2033	Level Payment (semiannual)	\$0.00	\$0.00	\$62,545.43	\$260,280.38	N/A	\$322,825.81	\$14,810,906.86
05/01/2033	10/31/2033	11/01/2033	Level Payment (semiannual)	\$0.00	\$0.00	\$61,465.27	\$261,360.54	N/A	\$322,825.81	\$14,549,546.32
11/01/2033	04/30/2034	05/01/2034	Level Payment (semiannual)	\$0.00	\$0.00	\$60,380.62	\$262,445.19	N/A	\$322,825.81	\$14,287,101.13
05/01/2034	10/31/2034	11/01/2034	Level Payment (semiannual)	\$0.00	\$0.00	\$59,291.47	\$263,534.31	N/A	\$322,825.81	\$14,023,566.79

Loan Name: N17108CA
 Borrower Name: CITY OF MORRO BAY
 Project Name: Morro Bay Water Reclamation Facility - Wastewater



Period Start Date	Period End Date	Period Payment Date	Period Repayment Type	Disbursements in Period	Capitalized Interest	Interest Payment	Principal Repayment	% of Maximum Principal Outstanding	Semi-annual Debt Service Payment	Ending Balance
11/01/2034	04/30/2035	05/01/2035	Level Payment (semiannual)	\$0.00	\$0.00	\$58,197.81	\$264,628.01	N/A	\$322,825.82	\$13,758,938.78
05/01/2035	10/31/2035	11/01/2035	Level Payment (semiannual)	\$0.00	\$0.00	\$57,099.68	\$265,726.21	N/A	\$322,825.81	\$13,493,212.57
11/01/2035	04/30/2036	05/01/2036	Level Payment (semiannual)	\$0.00	\$0.00	\$55,996.84	\$266,828.98	N/A	\$322,825.82	\$13,226,383.59
05/01/2036	10/31/2036	11/01/2036	Level Payment (semiannual)	\$0.00	\$0.00	\$54,889.50	\$267,936.32	N/A	\$322,825.82	\$12,958,447.27
11/01/2036	04/30/2037	05/01/2037	Level Payment (semiannual)	\$0.00	\$0.00	\$53,777.56	\$269,048.25	N/A	\$322,825.81	\$12,689,399.02
05/01/2037	10/31/2037	11/01/2037	Level Payment (semiannual)	\$0.00	\$0.00	\$52,661.01	\$270,164.80	N/A	\$322,825.81	\$12,419,234.22
11/01/2037	04/30/2038	05/01/2038	Level Payment (semiannual)	\$0.00	\$0.00	\$51,539.83	\$271,285.95	N/A	\$322,825.82	\$12,147,948.23
05/01/2038	10/31/2038	11/01/2038	Level Payment (semiannual)	\$0.00	\$0.00	\$50,413.99	\$272,411.82	N/A	\$322,825.81	\$11,875,536.41
11/01/2038	04/30/2039	05/01/2039	Level Payment (semiannual)	\$0.00	\$0.00	\$49,285.48	\$273,542.10	N/A	\$322,825.81	\$11,601,994.08
05/01/2039	10/31/2039	11/01/2039	Level Payment (semiannual)	\$0.00	\$0.00	\$48,148.28	\$274,677.53	N/A	\$322,825.81	\$11,327,316.55
11/01/2039	04/30/2040	05/01/2040	Level Payment (semiannual)	\$0.00	\$0.00	\$47,008.37	\$275,817.44	N/A	\$322,825.81	\$11,051,499.11
05/01/2040	10/31/2040	11/01/2040	Level Payment (semiannual)	\$0.00	\$0.00	\$45,863.73	\$276,962.06	N/A	\$322,825.82	\$10,774,537.02
11/01/2040	04/30/2041	05/01/2041	Level Payment (semiannual)	\$0.00	\$0.00	\$44,714.33	\$278,111.48	N/A	\$322,825.81	\$10,496,425.54
05/01/2041	10/31/2041	11/01/2041	Level Payment (semiannual)	\$0.00	\$0.00	\$43,560.17	\$279,265.64	N/A	\$322,825.81	\$10,217,159.90
11/01/2041	04/30/2042	05/01/2042	Level Payment (semiannual)	\$0.00	\$0.00	\$42,402.22	\$280,424.59	N/A	\$322,825.81	\$9,936,735.31
05/01/2042	10/31/2042	11/01/2042	Level Payment (semiannual)	\$0.00	\$0.00	\$41,237.46	\$281,588.34	N/A	\$322,825.82	\$9,655,146.95
11/01/2042	04/30/2043	05/01/2043	Level Payment (semiannual)	\$0.00	\$0.00	\$40,068.86	\$282,756.95	N/A	\$322,825.81	\$9,372,390.00
05/01/2043	10/31/2043	11/01/2043	Level Payment (semiannual)	\$0.00	\$0.00	\$38,895.42	\$283,930.39	N/A	\$322,825.81	\$9,088,459.61
11/01/2043	04/30/2044	05/01/2044	Level Payment (semiannual)	\$0.00	\$0.00	\$37,717.11	\$285,108.70	N/A	\$322,825.81	\$8,803,350.91
05/01/2044	10/31/2044	11/01/2044	Level Payment (semiannual)	\$0.00	\$0.00	\$36,533.91	\$286,291.90	N/A	\$322,825.81	\$8,517,059.01
11/01/2044	04/30/2045	05/01/2045	Level Payment (semiannual)	\$0.00	\$0.00	\$35,345.88	\$287,480.01	N/A	\$322,825.81	\$8,228,579.00
05/01/2045	10/31/2045	11/01/2045	Level Payment (semiannual)	\$0.00	\$0.00	\$34,152.76	\$288,673.05	N/A	\$322,825.81	\$7,940,905.95
11/01/2045	04/30/2046	05/01/2046	Level Payment (semiannual)	\$0.00	\$0.00	\$32,954.76	\$289,871.05	N/A	\$322,825.81	\$7,651,034.90
05/01/2046	10/31/2046	11/01/2046	Level Payment (semiannual)	\$0.00	\$0.00	\$31,751.80	\$291,074.01	N/A	\$322,825.81	\$7,359,960.89
11/01/2046	04/30/2047	05/01/2047	Level Payment (semiannual)	\$0.00	\$0.00	\$30,543.84	\$292,281.97	N/A	\$322,825.81	\$7,067,678.92
05/01/2047	10/31/2047	11/01/2047	Level Payment (semiannual)	\$0.00	\$0.00	\$29,330.87	\$293,494.94	N/A	\$322,825.81	\$6,774,183.98
11/01/2047	04/30/2048	05/01/2048	Level Payment (semiannual)	\$0.00	\$0.00	\$28,112.87	\$294,712.94	N/A	\$322,825.81	\$6,479,471.04
05/01/2048	10/31/2048	11/01/2048	Level Payment (semiannual)	\$0.00	\$0.00	\$26,889.81	\$295,936.00	N/A	\$322,825.81	\$6,183,535.04
11/01/2048	04/30/2049	05/01/2049	Level Payment (semiannual)	\$0.00	\$0.00	\$25,661.68	\$297,164.14	N/A	\$322,825.82	\$5,886,370.90
05/01/2049	10/31/2049	11/01/2049	Level Payment (semiannual)	\$0.00	\$0.00	\$24,428.44	\$298,397.37	N/A	\$322,825.81	\$5,587,973.53
11/01/2049	04/30/2050	05/01/2050	Level Payment (semiannual)	\$0.00	\$0.00	\$23,190.10	\$299,635.72	N/A	\$322,825.82	\$5,288,337.81
05/01/2050	10/31/2050	11/01/2050	Level Payment (semiannual)	\$0.00	\$0.00	\$21,946.61	\$300,879.21	N/A	\$322,825.82	\$4,987,458.66
11/01/2050	04/30/2051	05/01/2051	Level Payment (semiannual)	\$0.00	\$0.00	\$20,697.98	\$302,127.85	N/A	\$322,825.81	\$4,685,330.73
05/01/2051	10/31/2051	11/01/2051	Level Payment (semiannual)	\$0.00	\$0.00	\$19,444.13	\$303,381.68	N/A	\$322,825.81	\$4,381,949.07
11/01/2051	04/30/2052	05/01/2052	Level Payment (semiannual)	\$0.00	\$0.00	\$18,185.09	\$304,640.72	N/A	\$322,825.81	\$4,077,308.35
05/01/2052	10/31/2052	11/01/2052	Level Payment (semiannual)	\$0.00	\$0.00	\$16,920.83	\$305,904.98	N/A	\$322,825.81	\$3,771,403.37
11/01/2052	04/30/2053	05/01/2053	Level Payment (semiannual)	\$0.00	\$0.00	\$15,651.33	\$307,174.48	N/A	\$322,825.81	\$3,464,228.89
05/01/2053	10/31/2053	11/01/2053	Level Payment (semiannual)	\$0.00	\$0.00	\$14,376.55	\$308,449.24	N/A	\$322,825.81	\$3,155,779.63
11/01/2053	04/30/2054	05/01/2054	Level Payment (semiannual)	\$0.00	\$0.00	\$13,096.49	\$309,729.32	N/A	\$322,825.81	\$2,846,050.31
05/01/2054	10/31/2054	11/01/2054	Level Payment (semiannual)	\$0.00	\$0.00	\$11,811.11	\$311,014.70	N/A	\$322,825.81	\$2,535,035.61
11/01/2054	04/30/2055	05/01/2055	Level Payment (semiannual)	\$0.00	\$0.00	\$10,520.40	\$312,305.41	N/A	\$322,825.81	\$2,222,730.20
05/01/2055	10/31/2055	11/01/2055	Level Payment (semiannual)	\$0.00	\$0.00	\$9,224.34	\$313,601.48	N/A	\$322,825.82	\$1,909,128.72
11/01/2055	04/30/2056	05/01/2056	Level Payment (semiannual)	\$0.00	\$0.00	\$7,922.89	\$314,902.92	N/A	\$322,825.81	\$1,594,225.80
05/01/2056	10/31/2056	11/01/2056	Level Payment (semiannual)	\$0.00	\$0.00	\$6,614.04	\$316,209.77	N/A	\$322,825.81	\$1,278,016.01
11/01/2056	04/30/2057	05/01/2057	Level Payment (semiannual)	\$0.00	\$0.00	\$5,303.77	\$317,522.04	N/A	\$322,825.81	\$960,493.90
05/01/2057	10/31/2057	11/01/2057	Level Payment (semiannual)	\$0.00	\$0.00	\$3,986.06	\$318,839.74	N/A	\$322,825.82	\$641,654.23

Loan Name: N17108CA
Borrower Name: CITY OF MORRO BAY
Project Name: Morro Bay Water Reclamation Facility - Wastewater

Period Start Date	Period End Date	Period Payment Date	Period Repayment Type	Disbursements in Period	Capitalized Interest	Interest Payment	Principal Repayment	% of Maximum Principal Outstanding	Semi-annual Debt Service Payment	Ending Balance
11/01/2057	04/30/2058	05/01/2058	Level Payment (semiannual)	\$0.00	\$0.00	\$2,662.87	\$320,162.94	N/A	\$322,825.81	\$321,491.29
05/01/2058	10/31/2058	11/01/2058	Level Payment (semiannual)	\$0.00	\$0.00	\$1,334.19	\$321,491.29	N/A	\$322,825.48	\$0.00
Total				\$18,892,975.74	\$451,968.06	\$2,940,036.91	\$19,334,943.80		\$22,274,960.71	

Loan Name: N17108CA
Borrower Name: CITY OF MORRO BAY
Project Name: Morro Bay Water Reclamation Facility - Wastewater



Amortization Schedule Sewer Fund: State Revolving Fund

California CWSRF Payment Schedule

Project No. 8185-110 - Morro Bay, City of
 Agreement: D1601016 - based on Actual Disbursements
 Water Reclamation Facility Project - Phase I

Principal is paid over: 30 Years
 Interest rate: 0.90000%

Ref Num	Due Date	Date Received	Principal Payment	Interest Rate%	Interest Payment	Total P and I Payment	Total Payment	Ending Balance	CPI Interest
1	9/30/2027		311,314.50	0.900	96,004.19	407,318.69	407,318.69	10,355,817.67	10,714.55
2	9/30/2028		314,116.33	0.900	93,202.36	407,318.69	407,318.69	10,041,701.34	10,810.99
3	9/30/2029		316,943.38	0.900	90,375.31	407,318.69	407,318.69	9,724,757.96	10,908.28
4	9/30/2030		319,795.87	0.900	87,522.82	407,318.69	407,318.69	9,404,962.09	11,006.46
5	9/30/2031		322,674.03	0.900	84,644.66	407,318.69	407,318.69	9,082,288.06	11,105.52
6	9/30/2032		325,578.10	0.900	81,740.59	407,318.69	407,318.69	8,756,709.96	11,205.47
7	9/30/2033		328,508.30	0.900	78,810.39	407,318.69	407,318.69	8,428,201.66	11,306.32
8	9/30/2034		331,464.88	0.900	75,853.81	407,318.69	407,318.69	8,096,736.78	11,408.07
9	9/30/2035		334,448.06	0.900	72,870.63	407,318.69	407,318.69	7,762,288.72	11,510.75
10	9/30/2036		337,458.09	0.900	69,860.60	407,318.69	407,318.69	7,424,830.63	11,614.34
11	9/30/2037		340,495.21	0.900	66,823.48	407,318.69	407,318.69	7,084,335.42	11,718.87
12	9/30/2038		343,559.67	0.900	63,759.02	407,318.69	407,318.69	6,740,775.75	11,824.34
13	9/30/2039		346,651.71	0.900	60,666.98	407,318.69	407,318.69	6,394,124.04	11,930.76
14	9/30/2040		349,771.57	0.900	57,547.12	407,318.69	407,318.69	6,044,352.47	12,038.14
15	9/30/2041		352,919.52	0.900	54,399.17	407,318.69	407,318.69	5,691,432.95	12,146.48
16	9/30/2042		356,095.79	0.900	51,222.90	407,318.69	407,318.69	5,335,337.16	12,255.80
17	9/30/2043		359,300.66	0.900	48,018.03	407,318.69	407,318.69	4,976,036.50	12,366.10
18	9/30/2044		362,534.36	0.900	44,784.33	407,318.69	407,318.69	4,613,502.14	12,477.39
19	9/30/2045		365,797.17	0.900	41,521.52	407,318.69	407,318.69	4,247,704.97	12,589.69
20	9/30/2046		369,089.35	0.900	38,229.34	407,318.69	407,318.69	3,878,615.62	12,703.00
21	9/30/2047		372,411.15	0.900	34,907.54	407,318.69	407,318.69	3,506,204.47	12,817.33
22	9/30/2048		375,762.85	0.900	31,555.84	407,318.69	407,318.69	3,130,441.62	12,932.68
23	9/30/2049		379,144.72	0.900	28,173.97	407,318.69	407,318.69	2,751,296.90	13,049.08
24	9/30/2050		382,557.02	0.900	24,761.67	407,318.69	407,318.69	2,368,739.88	13,166.52
25	9/30/2051		386,000.03	0.900	21,318.66	407,318.69	407,318.69	1,982,739.85	13,285.02
26	9/30/2052		389,474.03	0.900	17,844.66	407,318.69	407,318.69	1,593,265.82	13,404.58
27	9/30/2053		392,979.30	0.900	14,339.39	407,318.69	407,318.69	1,200,286.52	13,525.22
28	9/30/2054		396,516.11	0.900	10,802.58	407,318.69	407,318.69	803,770.41	13,646.95
29	9/30/2055		400,084.76	0.900	7,233.93	407,318.69	407,318.69	403,685.65	13,769.77
30	9/30/2056		403,685.65	0.900	3,633.17	407,318.82	407,318.82	0.00	13,893.70
			10,667,132.17		1,552,428.66	12,219,560.83	12,219,560.83		367,132.17



Amortization Schedule Sewer Fund: State Revolving Fund

State of California - State Water Resources Control Board Water Recycling Bonds Payment Schedule

Recipient: Morro Bay, City of
Project No.: C-06-8185-210
Agreement No.: D2001033-550-0

Date: 9/10/2024
Amount: 16,114,152
Interest rate: 0.9000%
Term: 30 Years

Date	Disbursement/ Payment	No.	Beginning Balance	Draw Amount	Construction Period Interest (CPI)		Annual Interest Accrued	Principal Paid/Due	Interest Paid/Due	Total Payment	Ending Balance
					Amount Accrued	Amt. Trans. to Principal					
12-Nov-2021	Disbursement	1	0.00	592,717.00	0.00					0.00	592,717.00
19-Apr-2022	Disbursement	2	592,717.00	5,443,290.00	2,326.41					0.00	6,036,007.00
19-Apr-2022	Disbursement	3	6,036,007.00	2,731,757.00	0.00					0.00	8,767,764.00
2-May-2022	Disbursement	4	8,767,764.00	2,971,509.00	2,849.52					0.00	11,739,273.00
2-May-2022	Disbursement	5	11,739,273.00	3,047,686.00	0.00					0.00	14,786,959.00
30-Jun-2022	End FY		14,786,959.00		21,441.09					0.00	14,786,959.00
5-Aug-2022	Disbursement	6	14,786,959.00	1,327,193.00	12,938.59					0.00	16,114,152.00
30-Jun-2023	End FY		16,114,152.00		130,927.49					0.00	16,114,152.00
30-Jun-2024	End FY		16,114,152.00		145,027.37					0.00	16,114,152.00
30-Jun-2025	End FY		16,114,152.00		145,027.37					0.00	16,114,152.00
30-Jun-2026	End FY		16,114,152.00		145,027.37					0.00	16,114,152.00
30-Sep-2026	Const. Compl.		16,114,152.00		36,256.84	170,483.10				0.00	16,284,635.10
30-Jun-2027	End FY		16,284,635.10				109,921.29			0.00	16,284,635.10
30-Sep-2027	Payment	1	16,284,635.10				36,640.43	475,258.30	146,561.72	621,820.02	15,809,376.80
30-Sep-2028	Payment	2	15,809,376.80				142,284.39	479,535.63	142,284.39	621,820.02	15,329,841.17
30-Sep-2029	Payment	3	15,329,841.17				137,968.57	483,851.45	137,968.57	621,820.02	14,845,989.72
30-Sep-2030	Payment	4	14,845,989.72				133,613.91	488,206.11	133,613.91	621,820.02	14,357,783.61
30-Sep-2031	Payment	5	14,357,783.61				129,220.05	492,599.97	129,220.05	621,820.02	13,865,183.64
30-Sep-2032	Payment	6	13,865,183.64				124,786.65	497,033.37	124,786.65	621,820.02	13,368,150.27
30-Sep-2033	Payment	7	13,368,150.27				120,313.35	501,506.67	120,313.35	621,820.02	12,866,643.60
30-Sep-2034	Payment	8	12,866,643.60				115,799.79	506,020.23	115,799.79	621,820.02	12,360,623.37
30-Sep-2035	Payment	9	12,360,623.37				111,245.61	510,574.41	111,245.61	621,820.02	11,850,048.96
30-Sep-2036	Payment	10	11,850,048.96				106,650.44	515,169.58	106,650.44	621,820.02	11,334,879.38
30-Sep-2037	Payment	11	11,334,879.38				102,013.91	519,806.11	102,013.91	621,820.02	10,815,073.27
30-Sep-2038	Payment	12	10,815,073.27				97,335.66	524,484.36	97,335.66	621,820.02	10,290,588.91
30-Sep-2039	Payment	13	10,290,588.91				92,615.30	529,204.72	92,615.30	621,820.02	9,761,384.19
30-Sep-2040	Payment	14	9,761,384.19				87,852.46	533,967.56	87,852.46	621,820.02	9,227,416.63
30-Sep-2041	Payment	15	9,227,416.63				83,046.75	538,773.27	83,046.75	621,820.02	8,688,643.36
30-Sep-2042	Payment	16	8,688,643.36				78,197.79	543,622.23	78,197.79	621,820.02	8,145,021.13
30-Sep-2043	Payment	17	8,145,021.13				73,305.19	548,514.83	73,305.19	621,820.02	7,596,506.30
30-Sep-2044	Payment	18	7,596,506.30				68,368.56	553,451.46	68,368.56	621,820.02	7,043,054.84
30-Sep-2045	Payment	19	7,043,054.84				63,387.49	558,432.53	63,387.49	621,820.02	6,484,622.31

**State of California - State Water Resources Control Board
Water Recycling Bonds Payment Schedule**

Recipient: Morro Bay, City of
Project No.: C-06-8185-210
Agreement No.: D2001033-550-0

Date: 9/10/2024
Amount: 16,114,152
Interest rate: 0.9000%
Term: 30 Years

Date	Disbursement/ Payment	No.	Beginning Balance	Draw Amount	Construction Period Interest (CPI)		Annual Interest Accrued	Principal Paid/Due	Interest Paid/Due	Total Payment	Ending Balance
					Amount Accrued	Amt. Trans. to Principal					
30-Sep-2046	Payment	20	6,484,622.31				58,361.60	563,458.42	58,361.60	621,820.02	5,921,163.89
30-Sep-2047	Payment	21	5,921,163.89				53,290.48	568,529.54	53,290.48	621,820.02	5,352,634.35
30-Sep-2048	Payment	22	5,352,634.35				48,173.71	573,646.31	48,173.71	621,820.02	4,778,988.04
30-Sep-2049	Payment	23	4,778,988.04				43,010.89	578,809.13	43,010.89	621,820.02	4,200,178.91
30-Sep-2050	Payment	24	4,200,178.91				37,801.61	584,018.41	37,801.61	621,820.02	3,616,160.50
30-Sep-2051	Payment	25	3,616,160.50				32,545.44	589,274.58	32,545.44	621,820.02	3,026,885.92
30-Sep-2052	Payment	26	3,026,885.92				27,241.97	594,578.05	27,241.97	621,820.02	2,432,307.87
30-Sep-2053	Payment	27	2,432,307.87				21,890.77	599,929.25	21,890.77	621,820.02	1,832,378.62
30-Sep-2054	Payment	28	1,832,378.62				16,491.41	605,328.61	16,491.41	621,820.02	1,227,050.01
30-Sep-2055	Payment	29	1,227,050.01				11,043.45	610,776.57	11,043.45	621,820.02	616,273.44
30-Sep-2056	Payment	30	616,273.44				5,546.46	616,273.44	5,546.46	621,819.90	0.00
				16,114,152.00	641,822.05	170,483.10	2,369,965.38	16,284,635.10	2,369,965.38	18,654,600.48	
Outstanding Disbursement Balance:				0.00							



Amortization Schedule Sewer Fund: State Revolving Fund

California CWSRF Payment Schedule

Project No. 8185-210 - Morro Bay, City of
 Agreement: D2001033 - based on Projected Disbursements
 Morro Bay Water Reclamation Facility

Principal is paid over: 30 Years
 Interest rate: 0.90000%

Ref Num	Due Date	Date Received	Principal Payment	Interest Rate%	Interest Payment	Total P and I Payment	Total Payment	Ending Balance	CPI Interest
1	9/30/2027		1,957,423.12	0.900	603,636.57	2,561,059.69	2,561,059.69	65,113,307.03	11,914.39
2	9/30/2028		1,975,039.93	0.900	586,019.76	2,561,059.69	2,561,059.69	63,138,267.10	12,021.61
3	9/30/2029		1,992,815.29	0.900	568,244.40	2,561,059.69	2,561,059.69	61,145,451.81	12,129.81
4	9/30/2030		2,010,750.62	0.900	550,309.07	2,561,059.69	2,561,059.69	59,134,701.19	12,238.98
5	9/30/2031		2,028,847.38	0.900	532,212.31	2,561,059.69	2,561,059.69	57,105,853.81	12,349.13
6	9/30/2032		2,047,107.01	0.900	513,952.68	2,561,059.69	2,561,059.69	55,058,746.80	12,460.27
7	9/30/2033		2,065,530.97	0.900	495,528.72	2,561,059.69	2,561,059.69	52,993,215.83	12,572.41
8	9/30/2034		2,084,120.75	0.900	476,938.94	2,561,059.69	2,561,059.69	50,909,095.08	12,685.56
9	9/30/2035		2,102,877.83	0.900	458,181.86	2,561,059.69	2,561,059.69	48,806,217.25	12,799.74
10	9/30/2036		2,121,803.73	0.900	439,255.96	2,561,059.69	2,561,059.69	46,684,413.52	12,914.93
11	9/30/2037		2,140,899.97	0.900	420,159.72	2,561,059.69	2,561,059.69	44,543,513.55	13,031.17
12	9/30/2038		2,160,168.07	0.900	400,891.62	2,561,059.69	2,561,059.69	42,383,345.48	13,148.45
13	9/30/2039		2,179,609.58	0.900	381,450.11	2,561,059.69	2,561,059.69	40,203,735.90	13,266.78
14	9/30/2040		2,199,226.07	0.900	361,833.62	2,561,059.69	2,561,059.69	38,004,509.83	13,386.18
15	9/30/2041		2,219,019.10	0.900	342,040.59	2,561,059.69	2,561,059.69	35,785,490.73	13,506.66
16	9/30/2042		2,238,990.27	0.900	322,069.42	2,561,059.69	2,561,059.69	33,546,500.46	13,628.22
17	9/30/2043		2,259,141.19	0.900	301,918.50	2,561,059.69	2,561,059.69	31,287,359.27	13,750.87
18	9/30/2044		2,279,473.46	0.900	281,586.23	2,561,059.69	2,561,059.69	29,007,885.81	13,874.63
19	9/30/2045		2,299,988.72	0.900	261,070.97	2,561,059.69	2,561,059.69	26,707,897.09	13,999.50
20	9/30/2046		2,320,688.62	0.900	240,371.07	2,561,059.69	2,561,059.69	24,387,208.47	14,125.50
21	9/30/2047		2,341,574.81	0.900	219,484.88	2,561,059.69	2,561,059.69	22,045,633.66	14,252.63
22	9/30/2048		2,362,648.99	0.900	198,410.70	2,561,059.69	2,561,059.69	19,682,984.67	14,380.90
23	9/30/2049		2,383,912.83	0.900	177,146.86	2,561,059.69	2,561,059.69	17,299,071.84	14,510.33
24	9/30/2050		2,405,368.04	0.900	155,691.65	2,561,059.69	2,561,059.69	14,893,703.80	14,640.93
25	9/30/2051		2,427,016.36	0.900	134,043.33	2,561,059.69	2,561,059.69	12,466,687.44	14,772.69
26	9/30/2052		2,448,859.50	0.900	112,200.19	2,561,059.69	2,561,059.69	10,017,827.94	14,905.65
27	9/30/2053		2,470,899.24	0.900	90,160.45	2,561,059.69	2,561,059.69	7,546,928.70	15,039.80
28	9/30/2054		2,493,137.33	0.900	67,922.36	2,561,059.69	2,561,059.69	5,053,791.37	15,175.16
29	9/30/2055		2,515,575.57	0.900	45,484.12	2,561,059.69	2,561,059.69	2,538,215.80	15,311.73
30	9/30/2056		2,538,215.80	0.900	22,843.94	2,561,059.74	2,561,059.74	0.00	15,449.54
			67,070,730.15		9,761,060.60	76,831,790.75	76,831,790.75		408,244.15



CAPITAL IMPROVEMENTS

Capital Improvements: One-Year Plan

The capital budget allows the City to invest in critical infrastructure improvements by allocating \$13.8 million of new revenue to 14 capital projects, plus \$150 thousand in programmed use of fund balance in the Sewer Capital Improvement Fund.

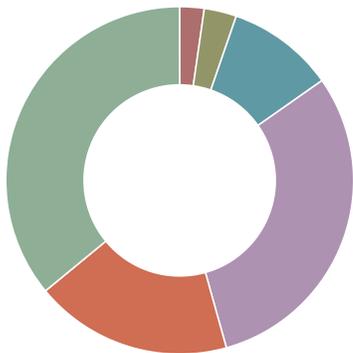
The Capital Improvement Plan (CIP) enables the City to plan, schedule, and fund capital projects to ensure cost-effectiveness and conformance with established plans and policies. The City's budget process guides capital spending priorities through community input, Council goal setting, Measure Q/E expenditure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

Projects included in the CIP must be in excess of \$50,000 and have a useful life of at least ten years, including plans or studies that lead to capital projects meeting this definition. Projects that are considered operational or routine maintenance are excluded from this plan.

Total Capital Requested \$13,967,953

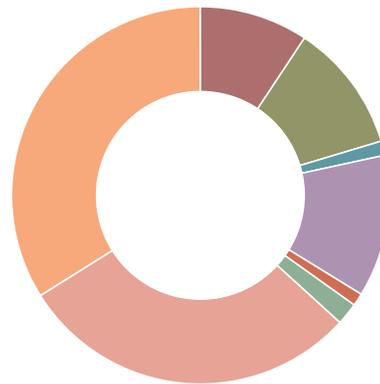
14 Capital Improvement Projects

Total Funding Requested by Department



● General Government CIP (2%)	\$317,687.00
● Harbor CIP (3%)	\$419,525.00
● Parks and Creeks CIP (10%)	\$1,395,200.00
● Sewer CIP (30%)	\$4,247,000.00
● Streets CIP (18%)	\$2,566,556.00
● Water CIP (36%)	\$5,021,985.00
TOTAL	\$13,967,953.00

Total Funding Requested by Source



● General Fund (9%)	\$1,300,000.00
● Grant (11%)	\$1,545,985.00
● Harbor Fund (1%)	\$169,525.00
● Measure Q & E (12%)	\$1,703,987.00
● Other (1%)	\$150,000.00
● RMRA Funding (2%)	\$266,556.00
● Sewer Fund (29%)	\$4,097,000.00
● Water Fund (34%)	\$4,734,900.00
TOTAL	\$13,967,953.00

The total capital expenditure budget requested for FY 2025-26 is approximately **\$14.0 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.

Below is a summary of the investments and supporting initiatives included in the budget for FY 2025-26.

- **Parks and Creeks Projects**
 - \$1.4 million in new funding for a Storm Drain Assessment project utilizing \$1 million of grant funding, \$300K from general fund, and \$86K of city match funds provided by Measure Q/E.
- **City Streets and Roadway Improvements**
 - \$2.26 million in new revenue for the Annual Pavement Management program in FY 2025-26. This represents a continued effort towards the recommended annual investment.
 - Approximately \$0.6 million for sidewalks, street trees, and storm drain improvements.
- **Water and Sewer Projects**
 - \$5 million for water projects including Morro Basin Wellfield Rehabilitation, Nutmeg Tank & Related Pressure Zone Improvements, and Water Meter Replacements.
 - \$4.2 million for sewer projects, including the Wastewater Treatment Plant Decommissioning and a crane truck replacement.
- **Harbor Projects**
 - \$0.4 million for Harbor projects, including continued work on the Boat Launch Ramp, Storm Recovery Repairs, and North T-Pier Improvements.

Parks and Creeks CIP Requests

Itemized Requests for 2026

Annual Storm Drain Replacement and Major Maintenance Project	\$300,000
The heavy storms and floods of 2023 in Morro Bay were 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,...	
Storm Drain Assessment	\$1,095,200
This project will identify the most effective mitigation measures to reduce flooding in the Main Street, Radcliff Avenue, Preston Lane, Errol Street and Atascadero Road areas of Morro Bay. The project will include conducting a hydrologic and...	
Total: \$1,395,200	

Streets CIP Requests

Itemized Requests for 2026

Annual Pavement Management Program	\$2,266,556
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,...	
Sidewalk Improvements and Street Tree Replacements Project	\$300,000
The City has hundreds of City-owned street trees along roadway frontage. Many of the mature street trees were planted years ago and are causing destruction to sidewalks, curbs and gutters, asphalt roadways, and other public...	
Total: \$2,566,556	



General Government CIP Requests

Itemized Requests for 2026

Police Radio Communications Upgrades

\$317,687

Improve the radio communications infrastructure and perform a radio system upgrade to digital repeaters for radio encryption requirements set by CA DOJ and FBI. Utilize city-owned property to update one tower and install two new towers at new...

Total: \$317,687

Water CIP Requests

Itemized Requests for 2026

Floodproof Reverse Osmosis Water Treatment Facility

\$287,085

This project will identify the most effective mitigation measures to protect the City's reverse osmosis water treatment facility from floodwaters in heavy rain events. The project will include conducting a hydrologic and hydraulic (H&H)...

Morro Basin Wellfield Rehabilitation

\$1,734,900

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

\$2,500,000

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...

Water Meter Replacement

\$500,000

This project will modernize the water distribution system by replacing outdated water meters with meters that can be read remotely. The new meters eliminate the need for a water meter reading contract, create efficiencies for City utility...

Total: \$5,021,985

Sewer CIP Requests

Itemized Requests for 2026

Crane Truck Replacement

\$150,000

Replacement of the current Ford F350 utility truck with a crane. Utilities uses the crane truck to lift many different pumps and motors throughout the sewer system and at the Water Resources Center for maintenance of this equipment. ...

Wastewater Treatment Plant Decommissioning

\$4,097,000

This project includes decommissioning of the City's existing Wastewater Treatment Plant (WWTP), which consists of shutdown, demolition and complete removal of all WWTP facilities and infrastructure at the site followed by backfilling,...

Total: \$4,247,000



Harbor CIP Requests

Itemized Requests for 2026

Boat Launch Ramp Replacement**\$69,525**

This is a new construction phase of an existing project, Boat Launch Ramp & Float Replacement Planning, funded in FY 2022-23. The upper third of the boat launch ramp has deteriorated beyond repair and needs to be replaced to maintain safe boat...

North T-Pier Repairs**\$150,000**

This project will include design and construction for substantial repairs and upgrades to the structure and utilities. The entire pier rehabilitation is estimated to cost up to \$8.5M in total to complete all repairs and upgrades. ...

Storm Recovery - Dock Repairs**\$200,000**

The Storm Recovery - Dock Repairs project is designated to aid in the repair or replacement of damage from previous weather events and deferred maintenance. It was originally funded in FY 2023-24 with \$200,000 from the Harbor Operating Fund and...

Total: \$419,525

Prior Year CIP

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

- [FY 2024-25 Capital Improvements: One-Year Plan](#)
- [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.

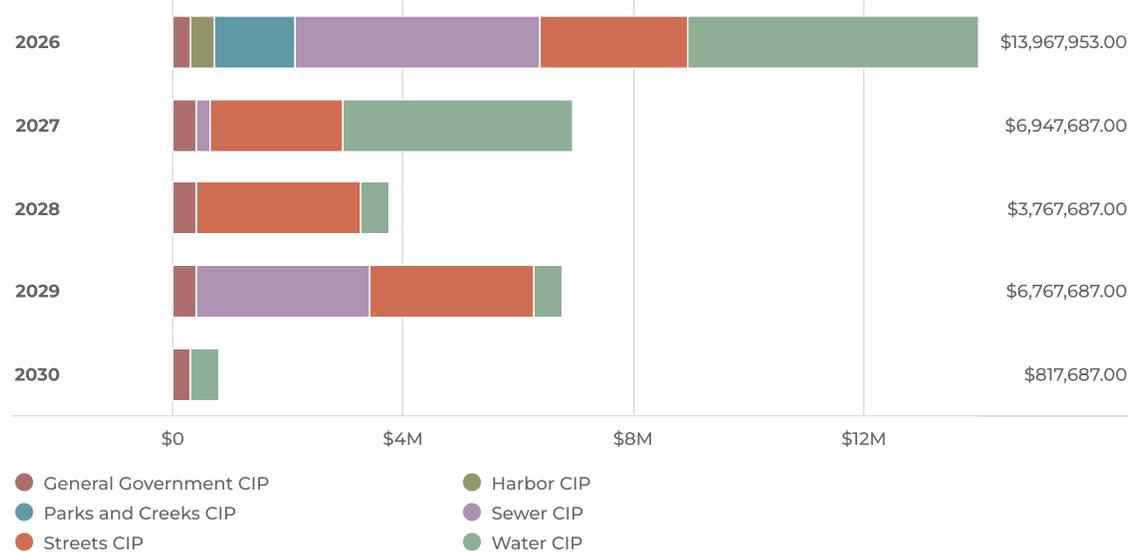
For FY 2025-26, these are the future projects that are identified at this point in time during budget development. Capital projects are approved and funded on an annual basis as part of the budget development in single-year increments. The five-year plan is updated annually with each year's budget. The numbers in this plan are included in the five-year forecasts for the City's major funds.

Total Capital Requested

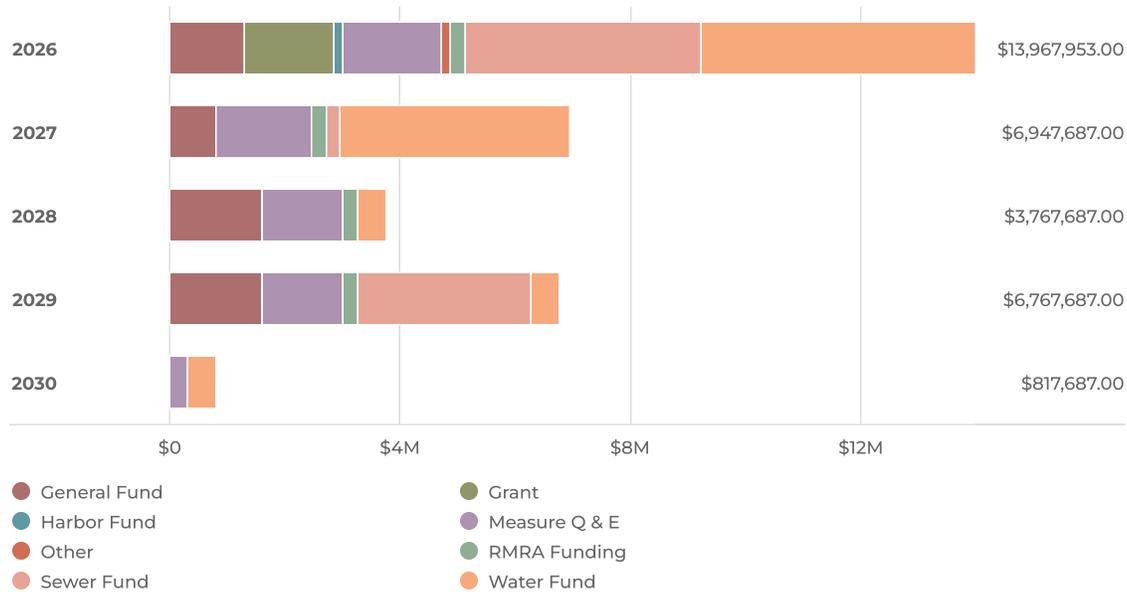
\$32,268,701

17 Capital Improvement Projects

Total Funding Requested by Department



Total Funding Requested by Source



Sewer CIP Requests

Itemized Requests for 2026-2031

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

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...

Crane Truck Replacement **\$150,000**

Replacement of the current Ford F350 utility truck with a crane. Utilities uses the crane truck to lift many different pumps and motors throughout the sewer system and at the Water Resources Center for maintenance of this equipment. ...

Utility Hole (Manhole) Rehabilitation Project **\$230,000**

Background: The city's sewer utility holes facilitate sewer inspection and maintenance, sewer line joining, and sewer line direction changes. The majority of the City's utility holes are constructed from precast concrete with metal rings and lids...

Wastewater Treatment Plant Decommissioning **\$4,097,000**

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: \$7,477,000



Parks and Creeks CIP Requests

Itemized Requests for 2026-2031

Annual Storm Drain Replacement and Major Maintenance Project **\$300,000**

The heavy storms and floods of 2023 in Morro Bay were 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,...

Storm Drain Assessment **\$1,095,200**

This project will identify the most effective mitigation measures to reduce flooding in the Main Street, Radcliff Avenue, Preston Lane, Errol Street and Atascadero Road areas of Morro Bay. The project will include conducting a hydrologic and...

Total: \$1,395,200

Water CIP Requests

Itemized Requests for 2026-2031

Floodproof Reverse Osmosis Water Treatment Facility **\$287,085**

This project will identify the most effective mitigation measures to protect the City's reverse osmosis water treatment facility from floodwaters in heavy rain events. The project will include conducting a hydrologic and hydraulic (H&H)...

Morro Basin Wellfield Rehabilitation **\$1,734,900**

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 **\$6,000,000**

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...

Water Meter Replacement **\$2,500,000**

This project will modernize the water distribution system by replacing outdated water meters with meters that can be read remotely. The new meters eliminate the need for a water meter reading contract, create efficiencies for City utility...

Total: \$10,521,985

General Government CIP Requests

Itemized Requests for 2026-2031

Local Road Safety Plan (LRSP) Implementation and Safety Improvements **\$300,000**

A Local Roadway Safety Plan (LRSP) is a newly required safety document that addresses the 4E's of traffic safety: Engineering, Enforcement, Education, and Emergency Services. An LRSP can be a means for providing local and rural...

Police Radio Communications Upgrades **\$1,588,435**

Improve the radio communications infrastructure and perform a radio system upgrade to digital repeaters for radio encryption requirements set by CA DOJ and FBI. Utilize city-owned property to update one tower and install two new towers at new...

Total: \$1,888,435



Harbor CIP Requests

Itemized Requests for 2026-2031

Boat Launch Ramp Replacement **\$69,525**

This is a new construction phase of an existing project, Boat Launch Ramp & Float Replacement Planning, funded in FY 2022-23. The upper third of the boat launch ramp has deteriorated beyond repair and needs to be replaced to maintain safe boat...

North T-Pier Repairs **\$150,000**

This project will include design and construction for substantial repairs and upgrades to the structure and utilities. The entire pier rehabilitation is estimated to cost up to \$8.5M in total to complete all repairs and upgrades. ...

Storm Recovery - Dock Repairs **\$200,000**

The Storm Recovery - Dock Repairs project is designated to aid in the repair or replacement of damage from previous weather events and deferred maintenance. It was originally funded in FY 2023-24 with \$200,000 from the Harbor Operating Fund and...

Total: \$419,525

Streets CIP Requests

Itemized Requests for 2026-2031

Annual Pavement Management Program **\$10,016,556**

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,...

Sidewalk Improvements and Street Tree Replacements Project **\$550,000**

The City has hundreds of City-owned street trees along roadway frontage. Many of the mature street trees were planted years ago and are causing destruction to sidewalks, curbs and gutters, asphalt roadways, and other public...

Total: \$10,566,556

APPENDIX

GENERAL GOVERNMENT CIP REQUESTS

Local Road Safety Plan (LRSP) Implementation and Safety Improvements

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2024
Est. Completion Date	06/30/2028
Department	General Government CIP
Type	Capital Improvement
Project Number	915-8045

Description

A Local Roadway Safety Plan (LRSP) is a newly required safety document that addresses the 4E's of traffic safety: Engineering, Enforcement, Education, and Emergency Services. An LRSP can be a means for providing local and rural road owners with an opportunity to address unique highway safety needs in their jurisdictions while contributing to the success of the State's Strategic Highway Safety Plan (SHSP). The process of preparing an LRSP creates a framework to systematically identify and analyze safety problems and recommend safety improvements.

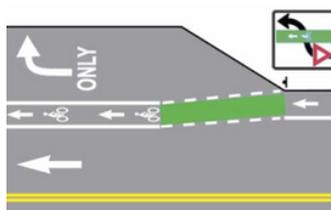
The LRSP was adopted in February 2024. Priority projects will be selected for implementation and presented to PWAB. Some potential projects include crosswalk additions and improvements, traffic calming, and signage and striping improvements. These improvements will likely require design by a traffic engineering consultant followed by procurement for construction. Some preliminary options for analysis have been noted by Public Works including the crosswalk on Morro Bay Boulevard at Kern, addition of crosswalks on Main Street between the State Park and Olive Street, and bicycle lanes on South Bay Boulevard just to name a few. There are many other project ideas that will be explored during the LRSP process.

Within the LRSP plan, funding of \$47,000 is allocated to finish the Police Department Annex pavement project, and also to upgrade the crosswalk on Morro Bay Boulevard in front of the police station. This crosswalk is west of Kern Avenue. Police Department personnel must park in the annex area, and use this crosswalk. To ensure the crossing is as safe as possible for staff and the public, this crosswalk needs improvements to the flashing signals to alert drivers of pedestrians. This project element of the LRSP plan was completed in 2024.

Images



LRSP



Bicycle Conflict Striping

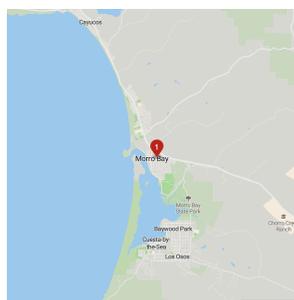


Radar Feedback Sign

Details

Project Location	Citywide
Description	
Project Manager	Cynthia Cecil, City Engineer
Estimated Available Carryforward Budget	\$142,262
Type of Project	New Construction
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
City Council Goal	None

Location



Project Justification

Safety of public infrastructure for the driving, cycling, and walking public is of highest priority. The LRSP will inform the decision makers on project ideas where some of the concerns are greatest, with the goal of reducing the potential for incidents and improving the overall safety of residents. Funds carried forward from prior years will cover FY 2025-26 work. Additional funding requests are anticipated for FY 2026-27.

Positive Fiscal Impact

These improvements would not provide any direct fiscal impact. They are safety improvements that would reduce potential unfunded liability for safety concerns to the driving, walking and cycling public.

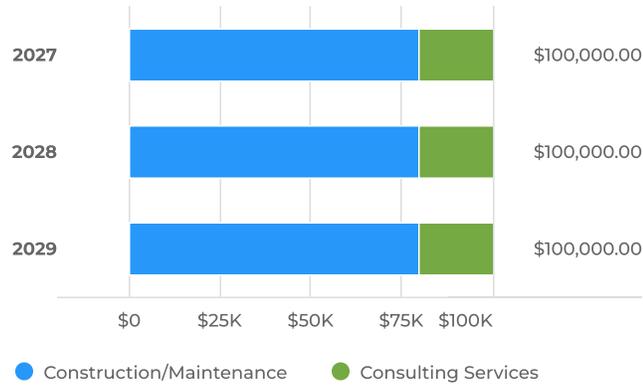
Capital Cost

Total Historical
\$282,000

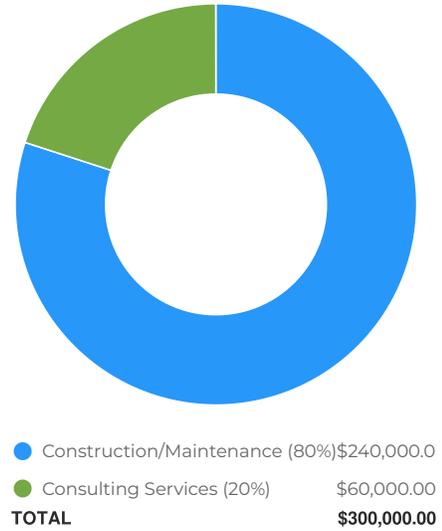
Total Budget (all years)
\$300K

Project Total
\$582K

Capital Cost by Year



Capital Cost for Budgeted Years



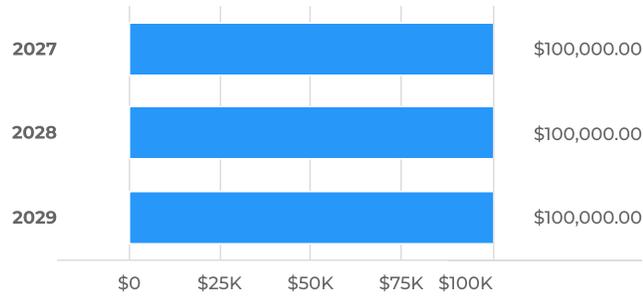
Capital Cost Breakdown

Capital Cost	Historical	FY2027	FY2028	FY2029	Total
Engineering	\$132,000	\$0	\$0	\$0	\$132,000
Construction/Maintenance	\$110,000	\$80,000	\$80,000	\$80,000	\$350,000
Consulting Services	\$40,000	\$20,000	\$20,000	\$20,000	\$100,000
Total	\$282,000	\$100,000	\$100,000	\$100,000	\$582,000

Funding Sources

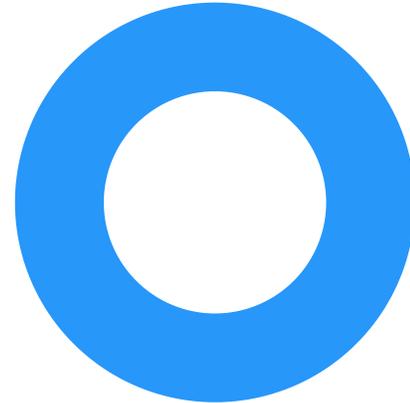
Total Historical **\$282,000** Total Budget (all years) **\$300K** Project Total **\$582K**

Funding Sources by Year



● Measure Q & E

Funding Sources for Budgeted Years



● Measure Q & E (100%) \$300,000.00
TOTAL **\$300,000.00**

Funding Sources Breakdown

Funding Sources	Historical	FY2027	FY2028	FY2029	Total
General Fund	\$10,000	\$0	\$0	\$0	\$10,000
Measure Q & E	\$150,000	\$100,000	\$100,000	\$100,000	\$450,000
Grant	\$40,000	\$0	\$0	\$0	\$40,000
Development Impact Fees (DIF)	\$47,000	\$0	\$0	\$0	\$47,000
Reallocated Prior Year Budget	\$35,000	\$0	\$0	\$0	\$35,000
Total	\$282,000	\$100,000	\$100,000	\$100,000	\$582,000

Police Radio Communications Upgrades

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2025
Est. Completion Date	06/30/2026
Department	General Government CIP
Type	Other
Project Number	New

Description

Improve the radio communications infrastructure and perform a radio system upgrade to digital repeaters for radio encryption requirements set by CA DOJ and FBI. Utilize city-owned property to update one tower and install two new towers at new locations within the city. Improve tower, repeater, and antenna infrastructure to address the aging and outdated radios and repeaters.

- Purchase of new digital/encryption-capable radios for patrol vehicles and handheld radios for officers.
- Purchase and installation of digital repeaters.
- Tower improvements at the Black Hill site and new towers at Water Resource Center and Fire Station 2 on Bonita St.

This project is unfunded and staff are pursuing grants and financing options.

Details

Project Manager	Amy Watkins, Police Chief
Estimated Available Carryforward Budget	\$0
Type of Project	New Construction
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Infrastructure Resiliency

Supplemental Attachments

 [Dailey Wells Quote\(/resource/cg-prod-v2/projects/documents/cb717f9408bfbcbb71e0.pdf\)](/resource/cg-prod-v2/projects/documents/cb717f9408bfbcbb71e0.pdf)

 [Government Capital Corp Financing Term Sheet\(/resource/cg-prod-v2/projects/documents/a3460a9557d8b2f2a237.pdf\)](/resource/cg-prod-v2/projects/documents/a3460a9557d8b2f2a237.pdf)

 [CLETS Information Bulletin\(/resource/cg-prod-v2/projects/documents/e3936349be3de770f9c7.pdf\)](/resource/cg-prod-v2/projects/documents/e3936349be3de770f9c7.pdf)

 [GCC Overview & US General References\(/resource/cg-prod-v2/projects/documents/23f785bb9a764c0f261c.pdf\)](/resource/cg-prod-v2/projects/documents/23f785bb9a764c0f261c.pdf)

 [Additional Project Background and Detail\(/resource/cg-prod-v2/projects/documents/b4965374937b42582530.pdf\)](/resource/cg-prod-v2/projects/documents/b4965374937b42582530.pdf)

Project Justification

The Morro Bay Police Department is requesting funding for radio infrastructure to improve the city's radio system to increase officer safety requirements related to radio clarity and transmission and comply with the California Department of Justice California Law Enforcement Telecommunications System (CLETS) and FBI security policy mandate by directive dated October 12, 2020. Upon completion of this project in FY 2025-26, the new radio system infrastructure will be operational for 30+ years.

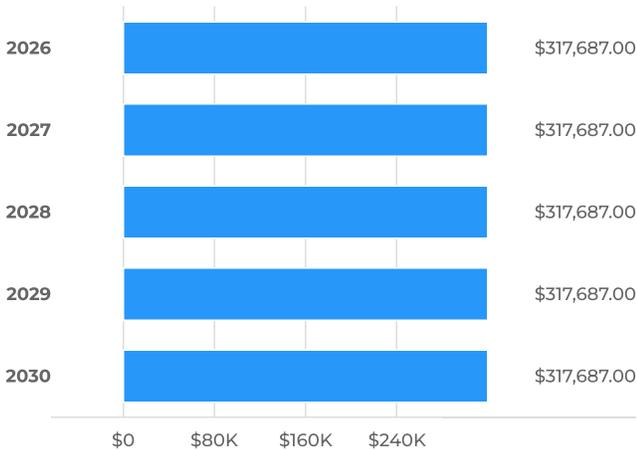
To comply with a directive from the California Department of Justice (DOJ) requiring the transition from clear to encrypted radio operations. The DOJ policy mandates that sensitive, personally identifiable information (PII) transmitted over police radios be encrypted in order to protect individuals' privacy. The purpose of this mandate is to safeguard the privacy and identity of those whose information may be shared over police radio frequencies. Under the present clear radio operations, police radio communications are accessible to anyone equipped with a commercial scanner or smartphone app.

During routine patrol operations, officers often transmit personal details—such as names, dates of birth, addresses, and phone numbers—related to victims, suspects, and witnesses. By encrypting radio transmissions, that sensitive data remains protected, meeting the DOJ mandate, and ensuring the operational security and safety of our first responders while providing for public safety.

Capital Cost

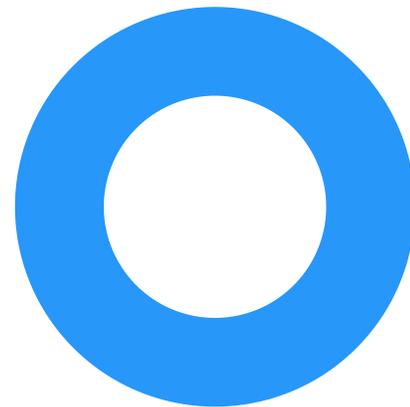
FY2026 Budget	Total Budget (all years)	Project Total
\$317,687	\$1.588M	\$1.588M

Capital Cost by Year



● Repairs/Improvements

Capital Cost for Budgeted Years



● Repairs/Improvements (100%) \$1,588,435.00
TOTAL \$1,588,435.00

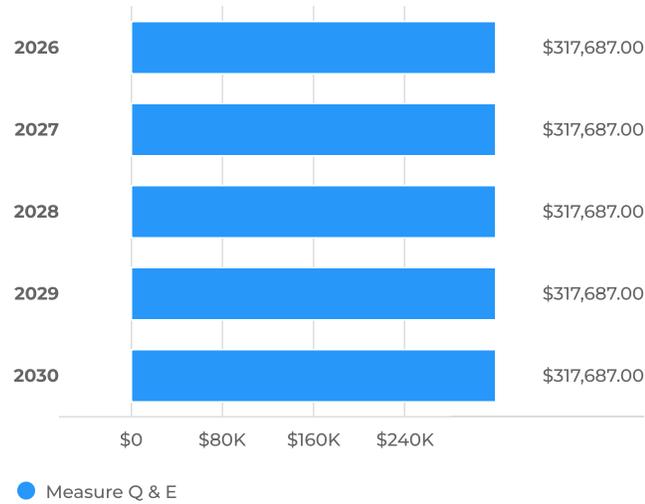
Capital Cost Breakdown

Capital Cost	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Repairs/Improvements	\$317,687	\$317,687	\$317,687	\$317,687	\$317,687	\$1,588,435
Total	\$317,687	\$317,687	\$317,687	\$317,687	\$317,687	\$1,588,435

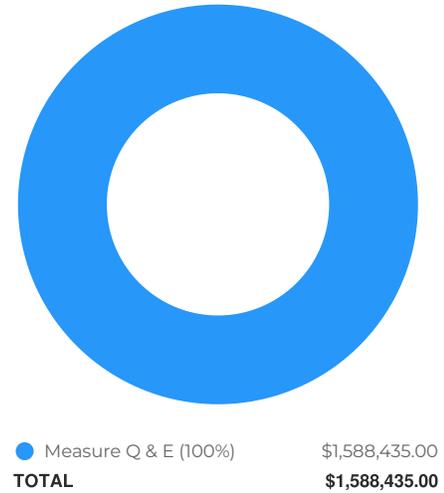
Funding Sources

FY2026 Budget **\$317,687** Total Budget (all years) **\$1.588M** Project Total **\$1.588M**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Measure Q & E	\$317,687	\$317,687	\$317,687	\$317,687	\$317,687	\$1,588,435
Total	\$317,687	\$317,687	\$317,687	\$317,687	\$317,687	\$1,588,435

HARBOR CIP REQUESTS

Boat Launch Ramp Replacement

Overview

Request Owner	Cynthia Cecil, City Engineer
Est. Start Date	09/08/2025
Est. Completion Date	11/21/2025
Department	Harbor CIP
Type	Capital Improvement
Project Number	915-8140

Description

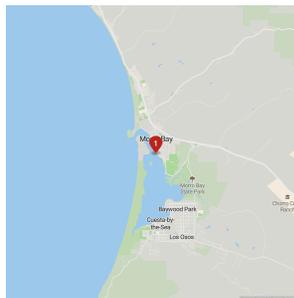
This is a new construction phase of an existing project, Boat Launch Ramp & Float Replacement Planning (<https://city-morro-bay-ca-budget-book.cleargov.com/9620/capital-request/34546/view>), funded in FY 2022-23. The upper third of the boat launch ramp has deteriorated beyond repair and needs to be replaced to maintain safe boat access to the bay.

Of the \$130,000 previously budgeted for the planning phase of this project, \$65,475 remains unspent. This amount will be carried over to FY 2025-26, resulting in a total expenditure budget of \$135,000.

Details

Project Location	South end of the Tideland Park parking lot
Description	lot
Project Manager	Chris Munson, Harbor Director
Estimated Available Carryforward Budget	\$65,475
Type of Project	Replacement
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Infrastructure Resiliency

Location



Project Justification

This boat launch ramp provides bay access for recreational and commercial boats. This is the City's only paved boat launch ramp. If not funded, the ramp will continue to deteriorate and become unusable. Trailered boats would no longer have direct access to the bay.

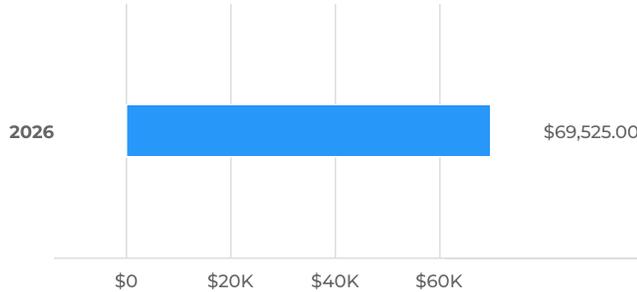
Positive Fiscal Impact

Provide continued boat launch ramp access to the bay, which is an amenity for tourists, leading to increased tourism revenue. Reduction of possible liability for slips and falls on the existing, deteriorated ramp.

Capital Cost

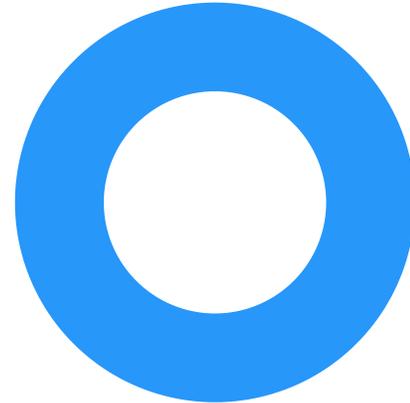
Total Historical	FY2026 Budget	Total Budget (all years)	Project Total
\$130,000	\$69,525	\$69.525K	\$199.525K

Capital Cost by Year



● Construction/Maintenance

Capital Cost for Budgeted Years



● Construction/Maintenance (100%) \$69,525.00
TOTAL \$69,525.00

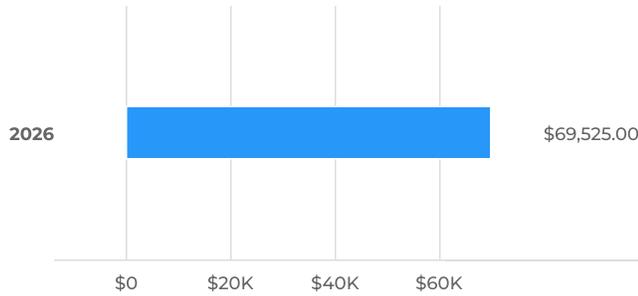
Capital Cost Breakdown

Capital Cost	Historical	FY2026	Total
Planning	\$130,000	\$0	\$130,000
Construction/Maintenance	\$0	\$69,525	\$69,525
Total	\$130,000	\$69,525	\$199,525

Funding Sources

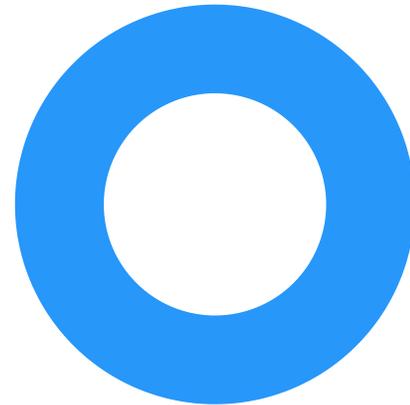
Total Historical	FY2026 Budget	Total Budget (all years)	Project Total
\$130,000	\$69,525	\$69.525K	\$199.525K

Funding Sources by Year



● Harbor Fund

Funding Sources for Budgeted Years



● Harbor Fund (100%) \$69,525.00
TOTAL \$69,525.00

Funding Sources Breakdown

Funding Sources	Historical	FY2026	Total
Measure Q & E	\$130,000	\$0	\$130,000
Harbor Fund	\$0	\$69,525	\$69,525
Total	\$130,000	\$69,525	\$199,525

North T-Pier Repairs

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	03/27/2023
Est. Completion Date	05/03/2032
Department	Harbor CIP
Type	Capital Improvement
Project Number	923-9930

Description

This project will include design and construction for substantial repairs and upgrades to the structure and utilities. The entire pier rehabilitation is estimated to cost up to \$8.5M in total to complete all repairs and upgrades. Currently, \$1.5M has been awarded to the City from a Congressional appropriation for this project. The Harbor department is working with Congressman Carbajal's office to obtain confirmation of this award and details of the reimbursement process. The Harbor has made a follow-up request to Congress for additional funding.

An updated Condition Assessment Report was completed in January 2024 which included an underwater survey of the piles. The scope of the decay was much more widespread than originally anticipated. For this reason, the entire pier needs to be rehabilitated and not just critical items that were first identified. In 2025, the City plans to hire an engineer to develop a repair plans.

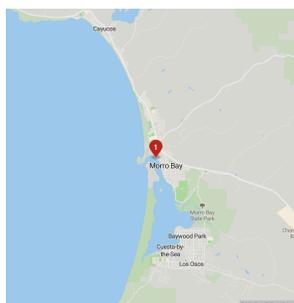
Images



Details

Project Location Description	North T-Pier is adjacent to the Harbor Office
Project Manager	Chris Munson, Harbor Director
Estimated Available Carryforward Budget	\$5,056
Type of Project	Refurbishment
One-Time or Ongoing Project	Ongoing
New or Existing Project	In progress
City Council Goal	Infrastructure Resiliency

Location



Supplemental Attachments

 [North T-Pier\(/resource/cg-prod-v2/projects/documents/f30230756c05fe4f2428.pdf\)](/resource/cg-prod-v2/projects/documents/f30230756c05fe4f2428.pdf)

HUD Grant document

Project Justification

The North T-Pier is an important structure within the Harbor. This pier berths the Coast Guard and Morro Bay Harbor Patrol. The pier is also used to support education, commercial fishing operations, and is used by residents and visitors to fish without a California Fishing License.

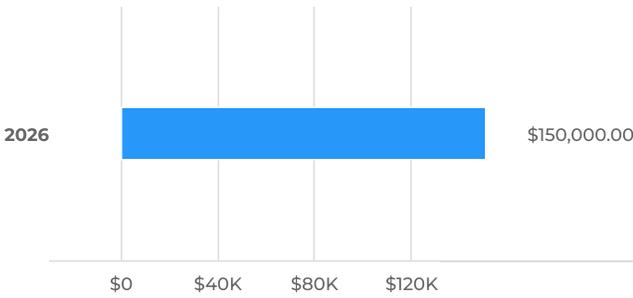
Positive Fiscal Impact

Repairs will preserve the function of this pier for Harbor, Coast Guard, visitor and commercial use.

Capital Cost

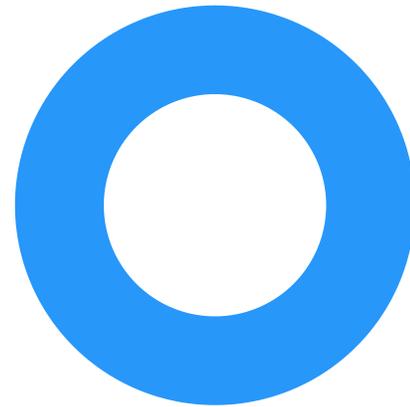
Total Historical	FY2026 Budget	Total Budget (all years)	Project Total
\$111,750	\$150,000	\$150K	\$261.75K

Capital Cost by Year



● Engineering

Capital Cost for Budgeted Years



● Engineering (100%) \$150,000.00
TOTAL \$150,000.00

Capital Cost Breakdown			
Capital Cost	Historical	FY2026	Total
Engineering	\$0	\$150,000	\$150,000
Consulting Services	\$111,750	\$0	\$111,750
Total	\$111,750	\$150,000	\$261,750

Funding Sources

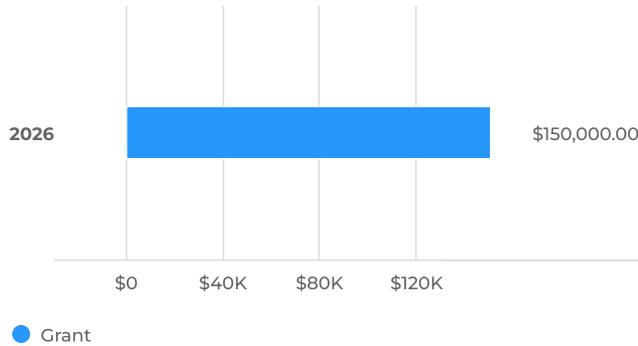
Total Historical
\$111,750

FY2026 Budget
\$150,000

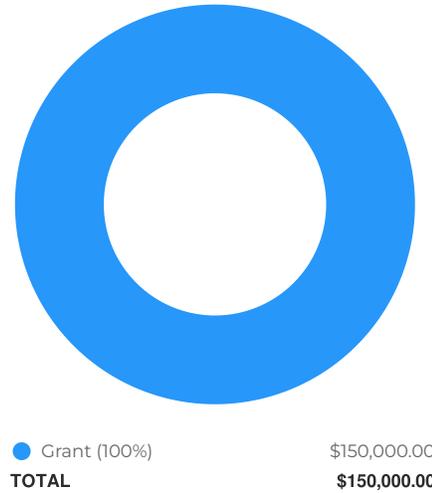
Total Budget (all years)
\$150K

Project Total
\$261.75K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown			
Funding Sources	Historical	FY2026	Total
Grant	\$111,750	\$150,000	\$261,750
Total	\$111,750	\$150,000	\$261,750

Storm Recovery - Dock Repairs

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	04/22/2024
Est. Completion Date	06/30/2026
Department	Harbor CIP
Type	Capital Improvement
Project Number	923-9960

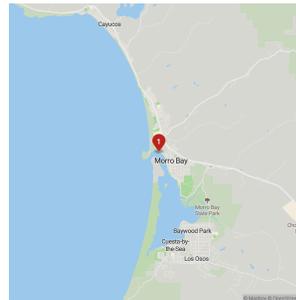
Description

The Storm Recovery - Dock Repairs project is designated to aid in the repair or replacement of damage from previous weather events and deferred maintenance. It was originally funded in FY 2023-24 with \$200,000 from the Harbor Operating Fund and received an additional \$100,000 of grant funding authorized in the FY 2023-24 Mid-Year Budget Report.

Details

Project Location Description	Harbor Docks
Project Manager	Lori Thompson, Harbor Business Manager
Estimated Available Carryforward Budget	\$110,954
Type of Project	Maintenance/Repair
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
City Council Goal	Infrastructure Resiliency

Location



Project Justification

Maintenance of Harbor Docks has been deferred for decades. The storms of January and March 2023 accelerated structural failure, resulting in the need for emergency repairs. These repairs are not a long-term solution but will extend the life of the docks for approximately 10-12 years as the Department develops a much longer-term solution.

Positive Fiscal Impact

This action will boost revenue from both commercial and transient users once the facilities are fully operational after the reconstruction is complete. Reconstruction of the Dune St and North St facilities was completed in 2024. East launch ramp slips and the South Beach St. gang way are to be completed in 2025.

Capital Cost

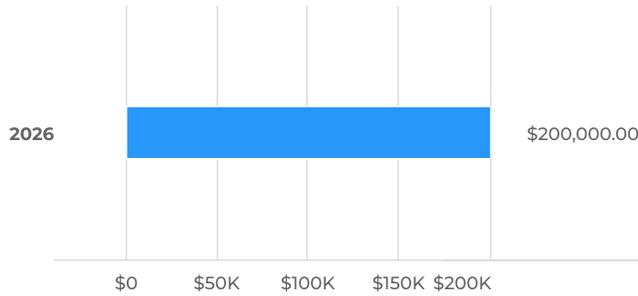
Total Historical
\$640,920

FY2026 Budget
\$200,000

Total Budget (all years)
\$200K

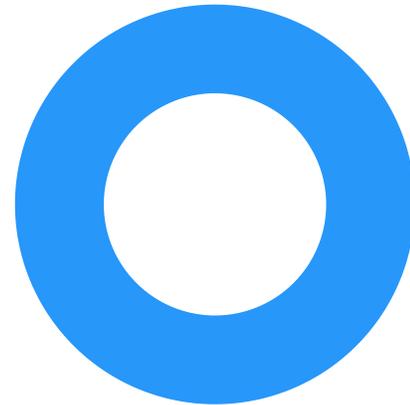
Project Total
\$840.92K

Capital Cost by Year



● Repairs/Improvements

Capital Cost for Budgeted Years



● Repairs/Improvements (100%) \$200,000.00
TOTAL \$200,000.00

Capital Cost Breakdown

Capital Cost	Historical	FY2026	Total
Repairs/Improvements	\$640,920	\$200,000	\$840,920
Total	\$640,920	\$200,000	\$840,920

Funding Sources

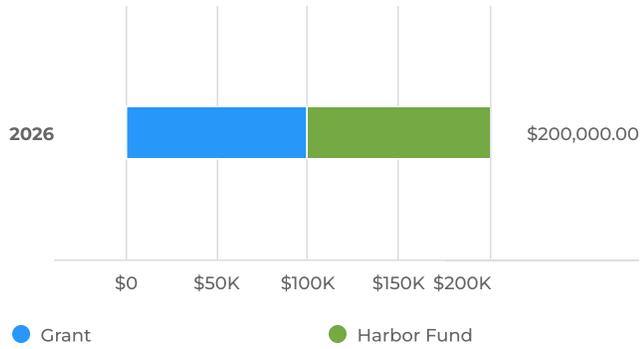
Total Historical
\$640,920

FY2026 Budget
\$200,000

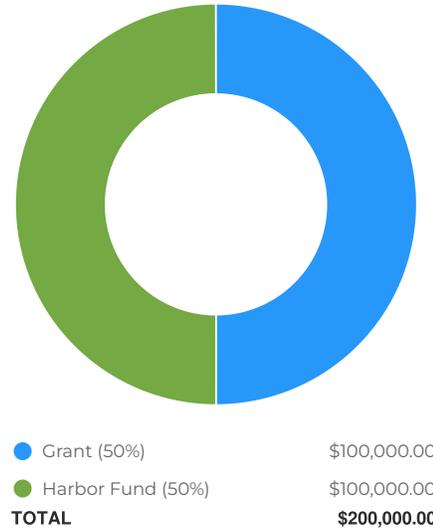
Total Budget (all years)
\$200K

Project Total
\$840.92K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	Historical	FY2026	Total
Harbor Fund	\$200,000	\$100,000	\$300,000
Grant	\$100,000	\$100,000	\$200,000
Other	\$340,920	\$0	\$340,920
Total	\$640,920	\$200,000	\$840,920

PARKS AND CREEKS CIP 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	Parks and Creeks CIP
Type	Capital Improvement
Project Number	915-9641

Description

The heavy storms and floods of 2023 in Morro Bay were 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 continue 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 unfunded capacity storm drain improvements identified in the 2018 OneWater Plan.

Funding Source

\$200,000 of funding 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, City Engineer
Estimated Available Carryforward Budget	\$578,018
Type of Project	Replacement
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
City Council Goal	Infrastructure Resiliency

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.

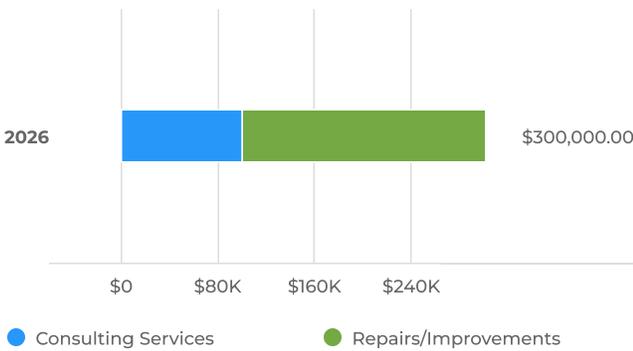
Positive Fiscal Impact

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.

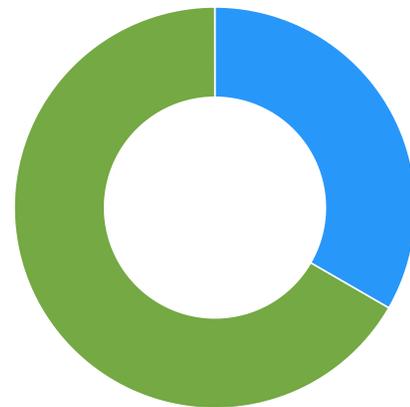
Capital Cost

Total Historical	FY2026 Budget	Total Budget (all years)	Project Total
\$700,000	\$300,000	\$300K	\$1M

Capital Cost by Year



Capital Cost for Budgeted Years



Consulting Services (33%)	\$100,000.00
Repairs/Improvements (67%)	\$200,000.00
TOTAL	\$300,000.00

Capital Cost Breakdown

Capital Cost	Historical	FY2026	Total
Repairs/Improvements	\$550,000	\$200,000	\$750,000
Consulting Services	\$150,000	\$100,000	\$250,000
Total	\$700,000	\$300,000	\$1,000,000

Funding Sources

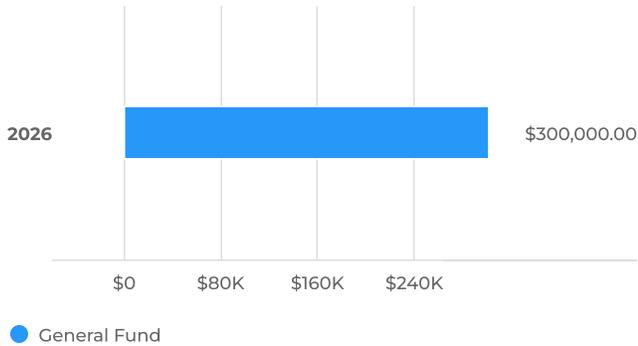
Total Historical
\$700,000

FY2026 Budget
\$300,000

Total Budget (all years)
\$300K

Project Total
\$1M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	Historical	FY2026	Total
General Fund	\$700,000	\$300,000	\$1,000,000
Total	\$700,000	\$300,000	\$1,000,000

Storm Drain Assessment

Overview

Request Owner	Cynthia Cecil, City Engineer
Est. Start Date	04/15/2025
Est. Completion Date	10/15/2027
Department	Parks and Creeks CIP
Type	Capital Improvement
Project Number	New

Description

This project will identify the most effective mitigation measures to reduce flooding in the Main Street, Radcliff Avenue, Preston Lane, Errol Street and Atascadero Road areas of Morro Bay. The project will include conducting a hydrologic and hydraulic (H&H) analysis of the Morro Creek Watershed, developing a watershed management plan, and conducting an alternatives analysis. The project will also include preliminary engineering and design work for the preferred alternative as well as environmental reviews and permitting. No ground disturbing or structural activities are proposed as part of the project.

Funding Sources

The funding source for the City share, listed as "Historical" in the chart below, is the reallocated project budget from the Waterways & Storm Systems Management Plan (<https://city-morro-bay-ca-budget-book.cleargov.com/11742/capital-request/64073/view>) (915-8141) project. This project was originally funded in FY 2023-24 at \$250,000. As of April 2025, no expenditures have been posted to this project.

Details

Project Location Description	Main Street, Radcliff Avenue, Preston Lane, Errol Street and Atascadero Road areas of Morro Bay
Project Manager	Greg Kwolek, Public Works Director
Estimated Available Carryforward Budget	\$250,000 (Reallocated from Project No. 915-8141)
Type of Project	Other
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Infrastructure Resiliency

Location



Project Justification

This project will define the construction project needed to reduce flood damage from potential future extreme rain events.

If the City share (25%) of this project is not funded, this Grant funding would be forfeited. FEMA reimbursement for any future flood damage in these areas would likely not be approved if the City did not use this Grant funding to mitigate flood damage.

Positive Fiscal Impact

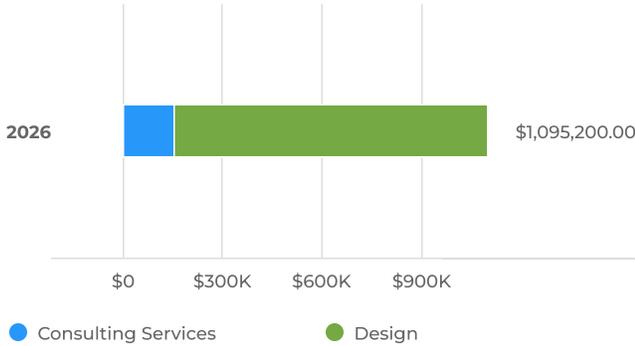


Reduce future funds required for flood damage repairs by improving flood protection infrastructure.

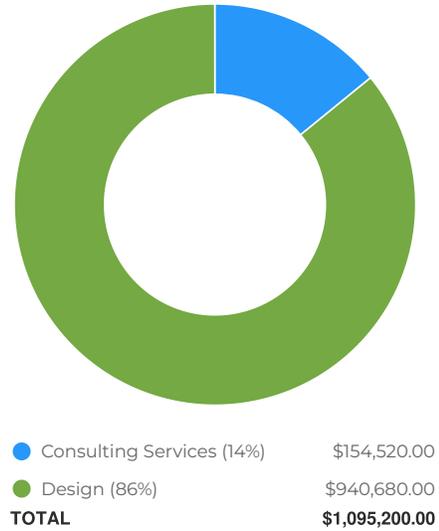
Capital Cost

Total Historical	FY2026 Budget	Total Budget (all years)	Project Total
\$250,000	\$1,095,200	\$1.095M	\$1.345M

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown			
Capital Cost	Historical	FY2026	Total
Design	\$0	\$940,680	\$940,680
Consulting Services	\$250,000	\$154,520	\$404,520
Total	\$250,000	\$1,095,200	\$1,345,200

Funding Sources

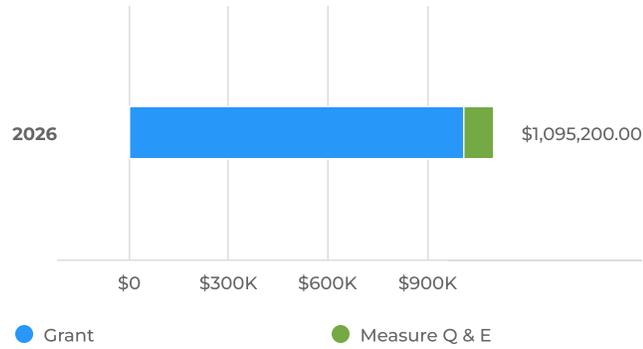
Total Historical
\$250,000

FY2026 Budget
\$1,095,200

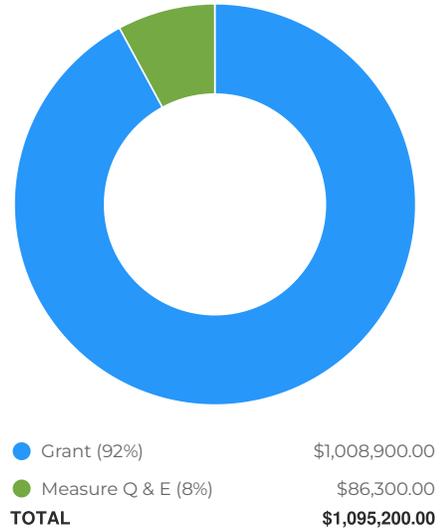
Total Budget (all years)
\$1.095M

Project Total
\$1.345M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown			
Funding Sources	Historical	FY2026	Total
Measure Q & E	\$0	\$86,300	\$86,300
Grant	\$0	\$1,008,900	\$1,008,900
Other	\$250,000	\$0	\$250,000
Total	\$250,000	\$1,095,200	\$1,345,200

SEWER CIP 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	Sewer CIP
Type	Capital Improvement
Project Number	922-8249

Description

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 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 utility hole. Construction costs are speculative and very preliminary at this point and will not be requested until 65-75% design is complete.

Images



Beachcomber Drive

Details

Project Location Description	Beach Tract east of Beachcomber Drive
Project Manager	Damaris Hanson, Utilities Division Manager
Estimated Available Carryforward Budget	\$100,000
Type of Project	Replacement
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Infrastructure Resiliency

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.

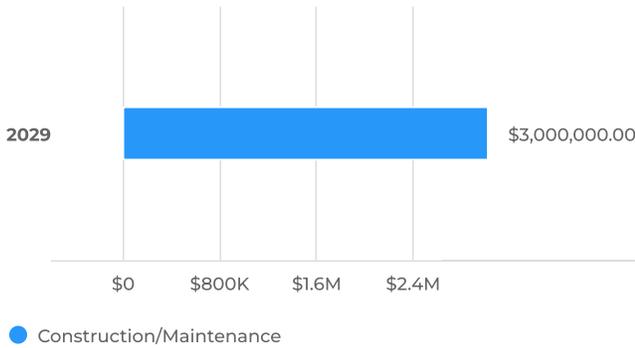
Positive Fiscal Impact

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.

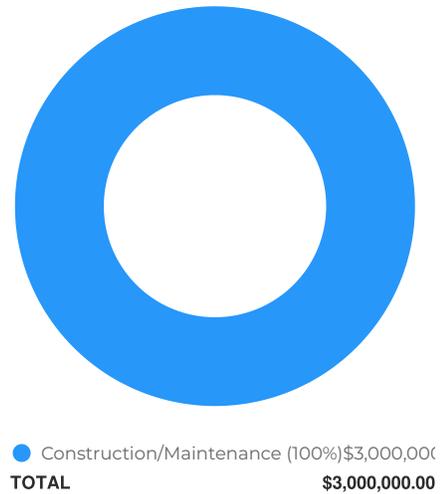
Capital Cost

Total Historical	Total Budget (all years)	Project Total
\$200,000	\$3M	\$3.2M

Capital Cost by Year



Capital Cost for Budgeted Years



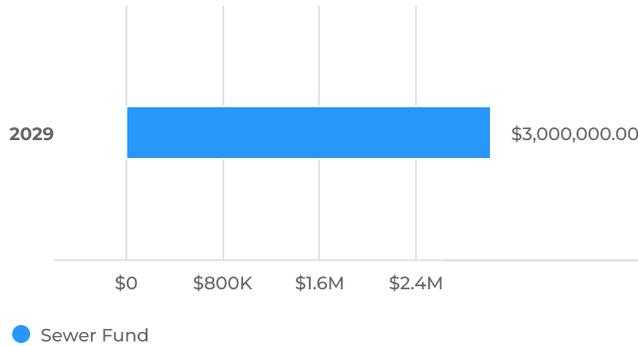
Capital Cost Breakdown

Capital Cost	Historical	FY2029	Total
Construction/Maintenance	\$0	\$3,000,000	\$3,000,000
Consulting Services	\$200,000	\$0	\$200,000
Total	\$200,000	\$3,000,000	\$3,200,000

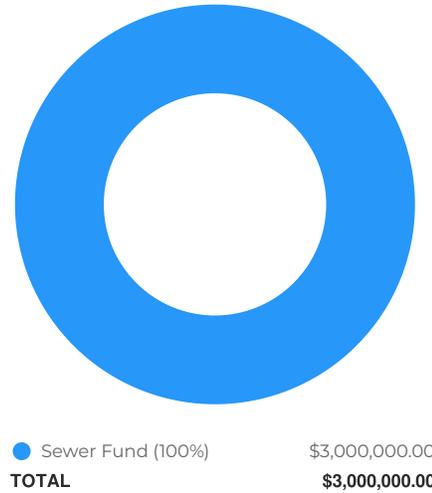
Funding Sources

Total Historical **\$200,000** Total Budget (all years) **\$3M** Project Total **\$3.2M**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown			
Funding Sources	Historical	FY2029	Total
Sewer Fund	\$200,000	\$3,000,000	\$3,200,000
Total	\$200,000	\$3,000,000	\$3,200,000

Crane Truck Replacement

Overview

Request Owner	Damaris Hanson, Utilities Division Manager
Department	Sewer CIP
Type	Capital Equipment

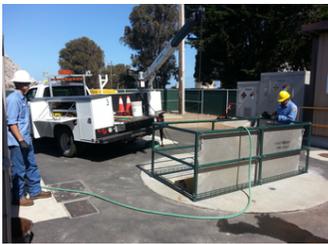
Description

Replacement of the current Ford F350 utility truck with a crane. Utilities uses the crane truck to lift many different pumps and motors throughout the sewer system and at the Water Resources Center for maintenance of this equipment.

Funding Source

The "Other" funding source for this purchase is programmed use of Sewer CIP fund balance, an appropriate use of this reserve.

Images



Details

Project Manager	Damaris Hanson, Utility Division Manager
New Purchase or Replacement	Replacement
New or Used Vehicle	New Vehicle
Useful Life	10 or more years

Project Justification

The crane truck, a 2011 Ford F-350, has been in service for over 15 years. This vehicle is heavily depended on for day-to-day operations and emergency repairs. Due to age, wear, and increasing maintenance requirements, it no longer meets operational needs efficiently or cost-effectively. Replacing the vehicle with a newer model will improve reliability, safety, and productivity while reducing overall maintenance and downtime costs.

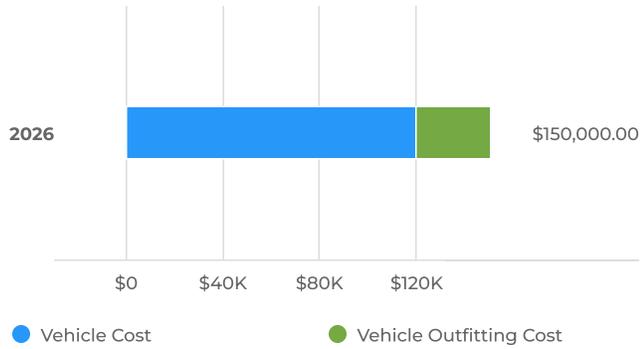
Capital Cost

FY2026 Budget
\$150,000

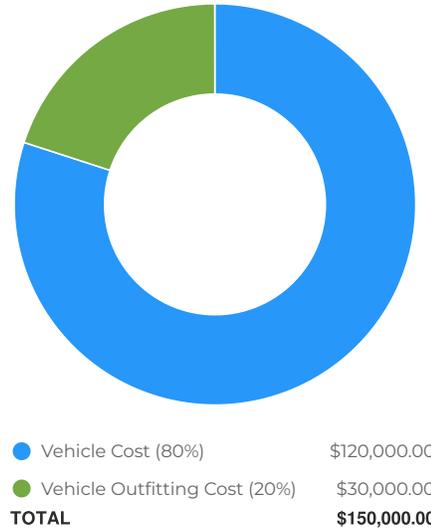
Total Budget (all years)
\$150K

Project Total
\$150K

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

Capital Cost	FY2026	Total
Vehicle Cost	\$120,000	\$120,000
Vehicle Outfitting Cost	\$30,000	\$30,000
Total	\$150,000	\$150,000

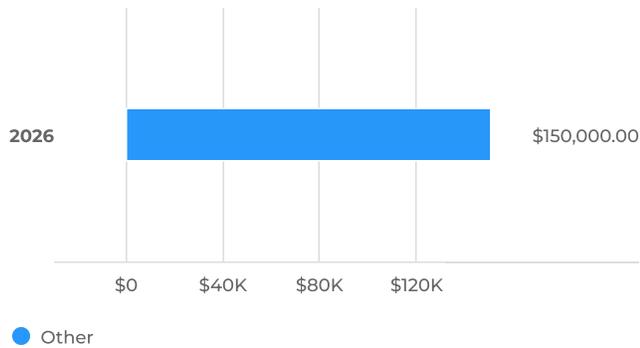
Funding Sources

FY2026 Budget
\$150,000

Total Budget (all years)
\$150K

Project Total
\$150K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2026	Total
Other	\$150,000	\$150,000
Total	\$150,000	\$150,000

Utility Hole (Manhole) Rehabilitation Project

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2027
Department	Sewer CIP
Type	Capital Improvement
Project Number	922-8560

Description

Background:

The city's sewer utility holes facilitate sewer inspection and maintenance, sewer line joining, and sewer line direction changes. The majority of the City's utility holes 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 of this project. The City reserves the right to remove, edit, or add to this list as needed to meet project needs.

1. This section covers repair, structural restoration, and rehabilitation of existing utility holes 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 of the inverts and benches.
6. The elimination of active infiltration.
7. The application of adding a protective coating to the concrete.

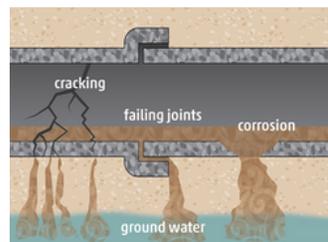
Images



Manholes - before/after



Infiltration

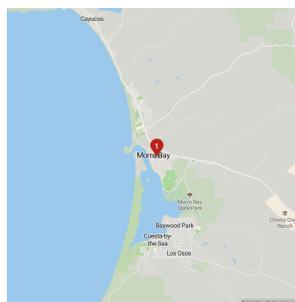


Failures

Details

Project Location	Various - Citywide
Description	
Project Manager	Damaris Hanson, Utilities Division Manager
Estimated Available Carryforward Budget	\$247,147
Type of Project	Maintenance/Repair
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
City Council Goal	Infrastructure Resiliency

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.

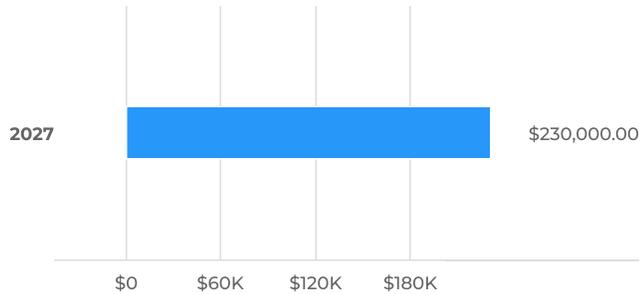
Capital Cost

Total Historical
\$400,000

Total Budget (all years)
\$230K

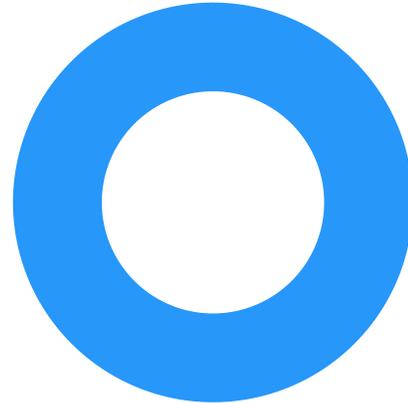
Project Total
\$630K

Capital Cost by Year



● Construction/Maintenance

Capital Cost for Budgeted Years



● Construction/Maintenance (100%) \$230,000.00
TOTAL \$230,000.00

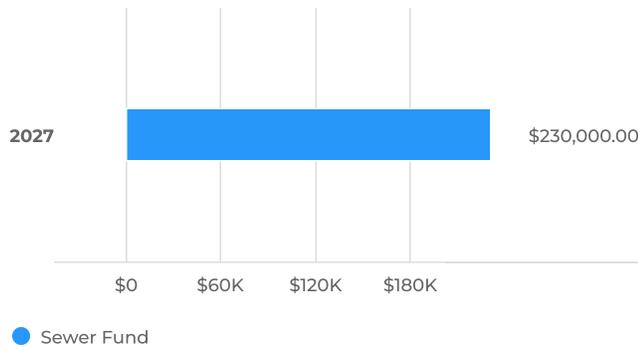
Capital Cost Breakdown

Capital Cost	Historical	FY2027	Total
Construction/Maintenance	\$350,000	\$230,000	\$580,000
Consulting Services	\$50,000	\$0	\$50,000
Total	\$400,000	\$230,000	\$630,000

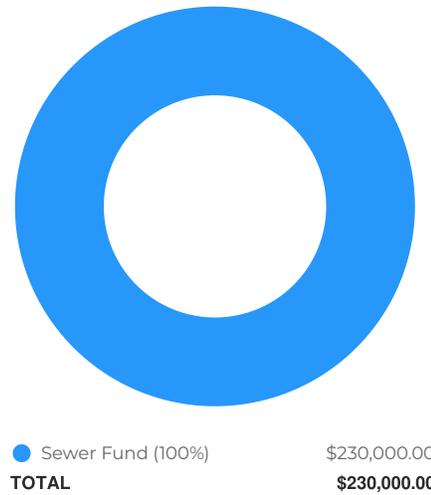
Funding Sources

Total Historical **\$400,000** Total Budget (all years) **\$230K** Project Total **\$630K**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	Historical	FY2027	Total
Sewer Fund	\$400,000	\$230,000	\$630,000
Total	\$400,000	\$230,000	\$630,000

Wastewater Treatment Plant Decommissioning

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2027
Department	Sewer CIP
Type	Capital Improvement
Project Number	922-8501

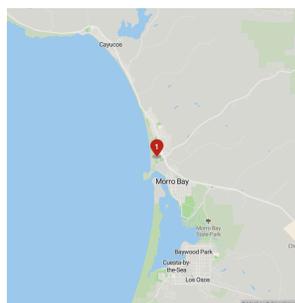
Description

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	Austin Della, Senior Civil Engineer
Estimated Available Carryforward Budget	\$5,039,000
Type of Project	Other
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Economic Vitality & Growth

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

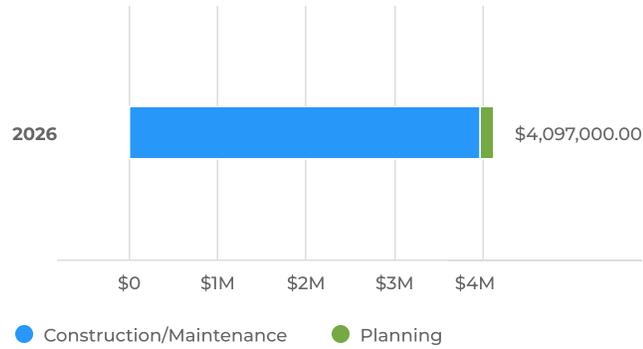
Total Historical
\$5,110,500

FY2026 Budget
\$4,097,000

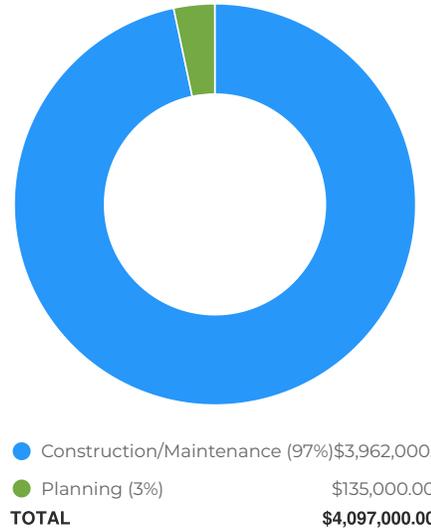
Total Budget (all years)
\$4.097M

Project Total
\$9.208M

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown			
Capital Cost	Historical	FY2026	Total
Planning	\$427,500	\$135,000	\$562,500
Design	\$720,000	\$0	\$720,000
Construction/Maintenance	\$3,963,000	\$3,962,000	\$7,925,000
Total	\$5,110,500	\$4,097,000	\$9,207,500

Funding Sources

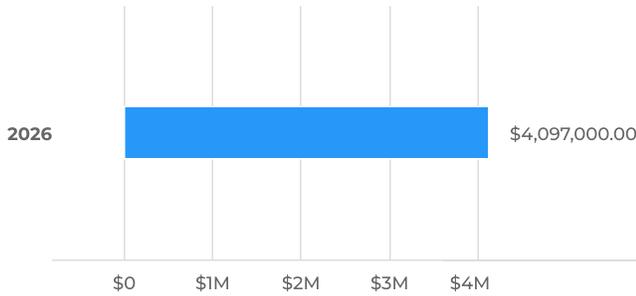
Total Historical
\$5,110,500

FY2026 Budget
\$4,097,000

Total Budget (all years)
\$4.097M

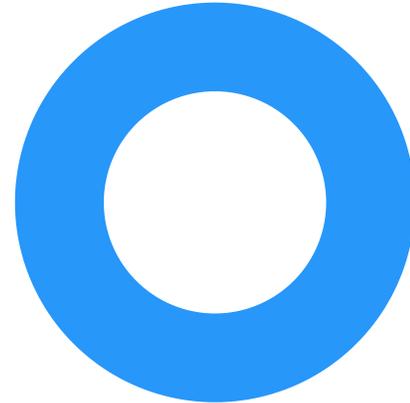
Project Total
\$9.208M

Funding Sources by Year



● Sewer Fund

Funding Sources for Budgeted Years



● Sewer Fund (100%) \$4,097,000.00
TOTAL \$4,097,000.00

Funding Sources Breakdown

Funding Sources	Historical	FY2026	Total
Sewer Fund	\$5,110,500	\$4,097,000	\$9,207,500
Total	\$5,110,500	\$4,097,000	\$9,207,500

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

Images



Digout Paving



Paving / Rolling

Details

Project Location	Various streets
Description	
Project Manager	Austin Della, Senior Civil Engineer
Estimated Available Carryforward Budget	\$232,756
Type of Project	Maintenance/Repair
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
City Council Goal	Infrastructure Resiliency

Location



Project Justification

The 2024 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, \$2.1 million in FY 23/24, and \$1.6 million in FY 24/25. The City was able to fund the recommended \$2.3 million investment in FY 25/26 due to reallocation of funds from another project (Main-Highway 1-Highway 41 intersection).

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 60 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 2024 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 Historical
\$6,792,932

FY2026 Budget
\$2,266,556

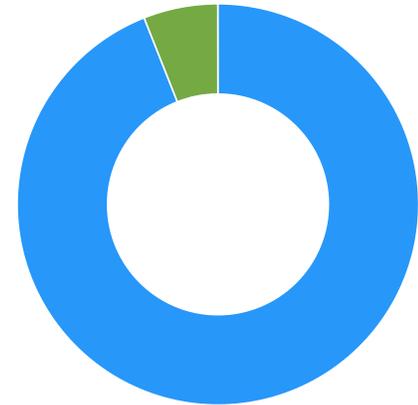
Total Budget (all years)
\$10.017M

Project Total
\$16.809M

Capital Cost by Year



Capital Cost for Budgeted Years



● Construction/Maintenance (94%) \$9,416,556.00
 ● Consulting Services (6%) \$600,000.00
TOTAL \$10,016,556.00

Capital Cost Breakdown

Capital Cost	Historical	FY2026	FY2027	FY2028	FY2029	Total
Construction/Maintenance	\$6,042,932	\$2,116,556	\$1,900,000	\$2,700,000	\$2,700,000	\$15,459,488
Consulting Services	\$750,000	\$150,000	\$150,000	\$150,000	\$150,000	\$1,350,000
Total	\$6,792,932	\$2,266,556	\$2,050,000	\$2,850,000	\$2,850,000	\$16,809,488

Funding Sources

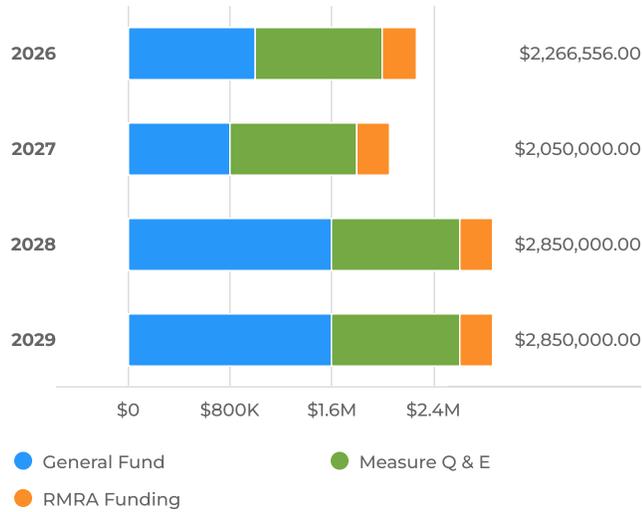
Total Historical
\$6,792,932

FY2026 Budget
\$2,266,556

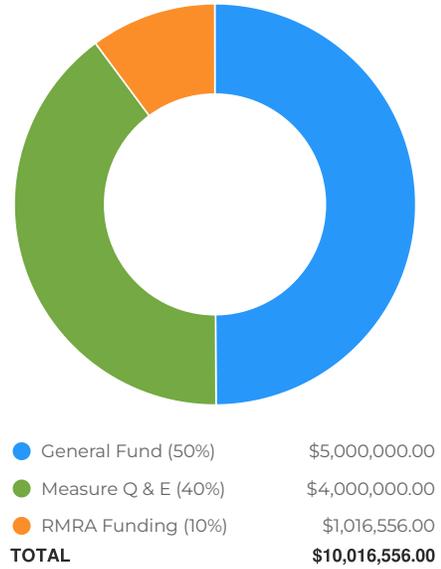
Total Budget (all years)
\$10.017M

Project Total
\$16.809M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	Historical	FY2026	FY2027	FY2028	FY2029	Total
General Fund	\$650,000	\$1,000,000	\$800,000	\$1,600,000	\$1,600,000	\$5,650,000
Measure Q & E	\$4,334,600	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$8,334,600
Grant	\$396,541	\$0	\$0	\$0	\$0	\$396,541
Other	\$350,000	\$0	\$0	\$0	\$0	\$350,000
RMRA Funding	\$1,061,791	\$266,556	\$250,000	\$250,000	\$250,000	\$2,078,347
Total	\$6,792,932	\$2,266,556	\$2,050,000	\$2,850,000	\$2,850,000	\$16,809,488

Sidewalk Improvements and Street Tree Replacements Project

Overview

Request Owner	Janeen Burlingame, Management Analyst
Est. Start Date	07/01/2023
Est. Completion Date	06/30/2026
Department	Streets CIP
Type	Capital Improvement
Project Number	915-9827

Description

The City has hundreds of City-owned street trees along roadway frontage. Many of the mature street trees were planted years ago and are causing destruction to sidewalks, curbs and gutters, asphalt roadways, and other public infrastructure. The damage to city infrastructure is an unfunded liability to the city from a maintenance and safety perspective. In addition, these areas where the uplift of sidewalks has occurred cause areas to be out of compliance with the Americans with Disabilities Act (ADA). This project would be to correct some areas where street trees have caused damage, remove the tree, and replace them with a more appropriate street tree with an underground growing zone so that the roots do minimal damage to the infrastructure. The project would also include the replacement of sidewalks, curb and gutter, curb ramps, and portions of roadway that have been affected by street trees.

Being a tree-friendly city, the City of Morro Bay values public outreach and involvement in determining the areas to make improvements and perform tree replacement. This project would only tackle a small portion and would be a small step towards creating a safer, more walkable city.

No new funding for FY 2024-25 was provided for this project.

Images

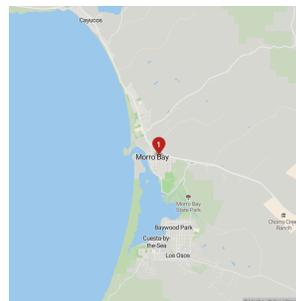


Tree Uplifted Sidewalk

Details

Project Location	Various
Description	
Project Manager	Cynthia Cecil, City Engineer
Estimated Available Carryforward Budget	\$150,000
Type of Project	Maintenance/Repair
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
City Council Goal	Infrastructure Resiliency

Location



Project Justification

Current damage to city infrastructure caused by street trees is an unfunded liability to the city from a maintenance and safety perspective. Areas where the uplift of sidewalks has occurred cause areas to be out of compliance with the Americans with Disabilities Act (ADA). Also, damaged curbs cause water to not flow and pond in areas which, over time, cause further damage to the roadway. The city receives numerous claims every year from parties that trip and fall on sidewalks, and progress toward eliminating these hazards would reduce the use of public funds on sidewalk claims.

The City continues to retain its character as a tree-friendly city with shade and canopy in its downtown area. The desired outcome is gradual tree replacement with more appropriate trees to protect pedestrian surfaces, not the elimination of street trees.

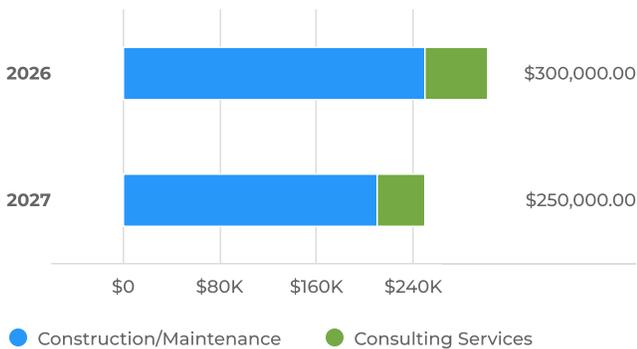
Positive Fiscal Impact

There is no direct positive fiscal impact of this project, but elimination of walking hazards will reduce the City's potential liability for trip and fall claims associated with sidewalks.

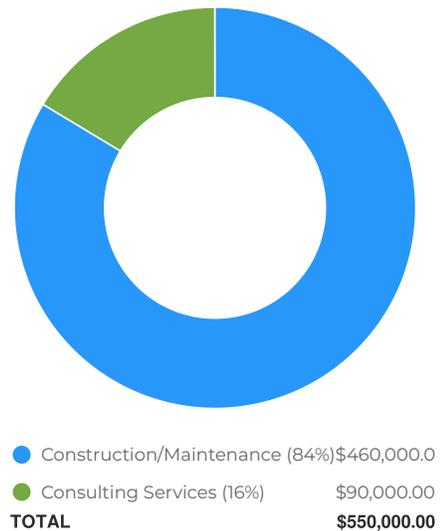
Capital Cost

Total Historical	FY2026 Budget	Total Budget (all years)	Project Total
\$150,000	\$300,000	\$550K	\$700K

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

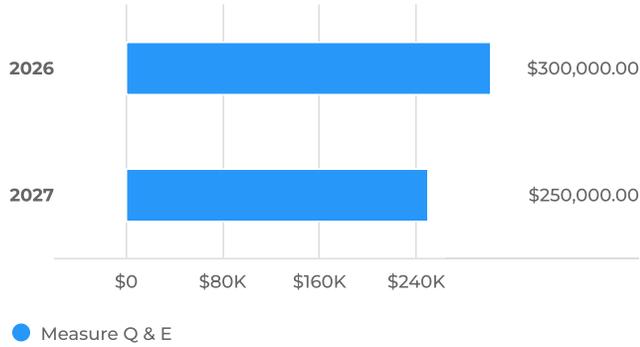
Capital Cost	Historical	FY2026	FY2027	Total
Construction/Maintenance	\$120,000	\$250,000	\$210,000	\$580,000
Consulting Services	\$30,000	\$50,000	\$40,000	\$120,000
Total	\$150,000	\$300,000	\$250,000	\$700,000



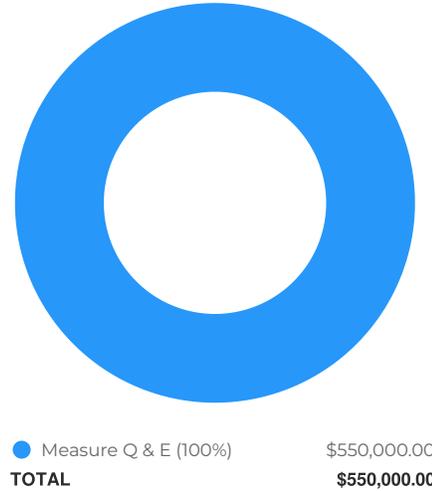
Funding Sources

Total Historical **\$150,000**
 FY2026 Budget **\$300,000**
 Total Budget (all years) **\$550K**
 Project Total **\$700K**

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	Historical	FY2026	FY2027	Total
Measure Q & E	\$150,000	\$300,000	\$250,000	\$700,000
Total	\$150,000	\$300,000	\$250,000	\$700,000

WATER CIP REQUESTS

Floodproof Reverse Osmosis Water Treatment Facility

Overview

Request Owner	Cynthia Cecil, City Engineer
Est. Start Date	04/15/2025
Est. Completion Date	10/07/2027
Department	Water CIP
Type	Capital Improvement
Project Number	New

Description

This project will identify the most effective mitigation measures to protect the City's reverse osmosis water treatment facility from floodwaters in heavy rain events. The project will include conducting a hydrologic and hydraulic (H&H) analysis of the watershed and existing storm drain system, performing an alternatives analysis, and a benefit cost analysis. The project will also include preliminary design and engineering plans for the preferred alternative, as well as environmental reviews and permitting. No ground disturbing or structural activities are proposed as part of this project.

Funding Source

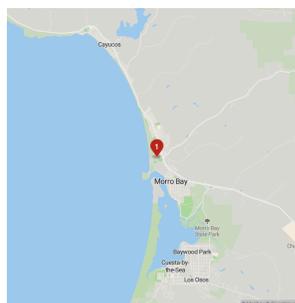
The funding source for the City share, listed as "Historical" in the chart below, is reallocated project budget from the Storm/Flood Repairs-Facilities/Equipment (<https://city-morro-bay-ca-budget-book.cleargov.com/11742/capital-request/64766/view>)project (921-8033). The Storm/Flood Repairs project was originally funded in FY 2023-24 in the amount of \$250,000. No expenditures have posted to this project as of April 2025.

Details

Project Location	170 Atascadero Rd.
Description	
Project Manager	Greg Kwolek, Public Works Director
Estimated Available Carryforward Budget	\$95,695 (Reallocated from Project No. 921-8033)
Type of Project	Other
One-Time or Ongoing	One-Time
New or Existing Project	New
City Council Goal	Infrastructure Resiliency

Location

Address: 170 Atascadero Road



Project Justification

This project will define the construction project needed to reduce flood damage from potential future extreme rain events.

If the City share (25%) of this project is not funded, this Grant funding would be forfeited. FEMA reimbursement for any future flood damage at the RO Facility would likely not be approved if the City did not use this Grant funding to mitigate flood damage.

Positive Fiscal Impact

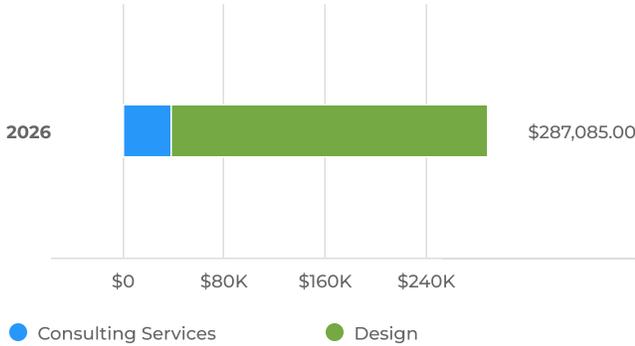


Reduce future funds required for flood damage repairs by improving flood protection of RO facility.

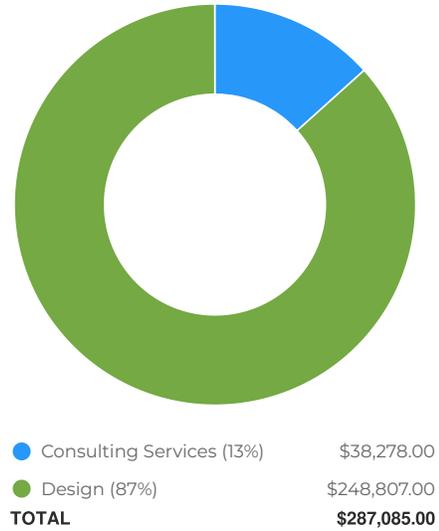
Capital Cost

Total Historical	FY2026 Budget	Total Budget (all years)	Project Total
\$95,695	\$287,085	\$287.085K	\$382.78K

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown			
Capital Cost	Historical	FY2026	Total
Design	\$95,695	\$248,807	\$344,502
Consulting Services	\$0	\$38,278	\$38,278
Total	\$95,695	\$287,085	\$382,780

Funding Sources

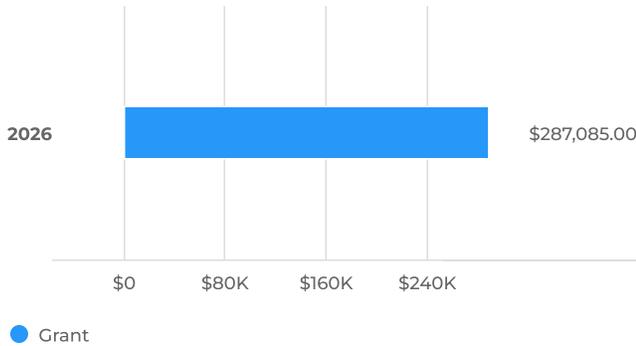
Total Historical
\$95,695

FY2026 Budget
\$287,085

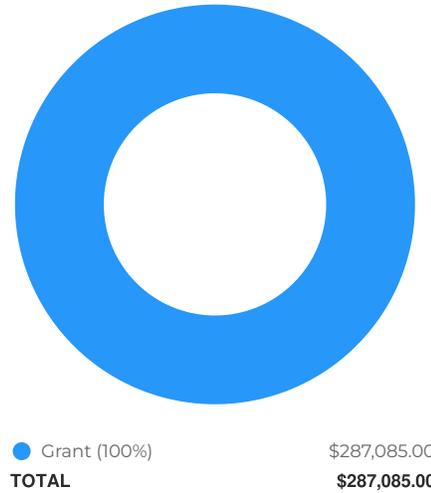
Total Budget (all years)
\$287.085K

Project Total
\$382.78K

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown			
Funding Sources	Historical	FY2026	Total
Grant	\$0	\$287,085	\$287,085
Other	\$95,695	\$0	\$95,695
Total	\$95,695	\$287,085	\$382,780

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 CIP
Type	Capital Improvement
Project Number	921-8036

Description

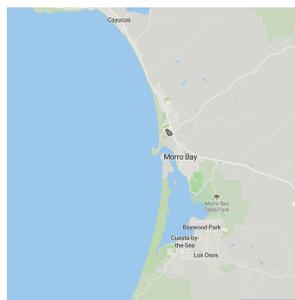
The Morro Wellfield Rehabilitation Project intends to address several potential vulnerabilities of the Morro Wellfield by implementing key infrastructure improvements to increase water production capacity, improve operational efficiency, and provide long-term reliability for the City's water production 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 the grant is obtained, planning/engineering work will begin.

Details

Project Location	Morro Basin
Description	
Project Manager	Damaris Hanson, Utilities Division Manager
Estimated Available Carryforward Budget	\$1,716,550
Type of Project	Maintenance/Repair
One-Time or Ongoing	One-Time
New or Existing Project	In progress
City Council Goal	Infrastructure Resiliency

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.

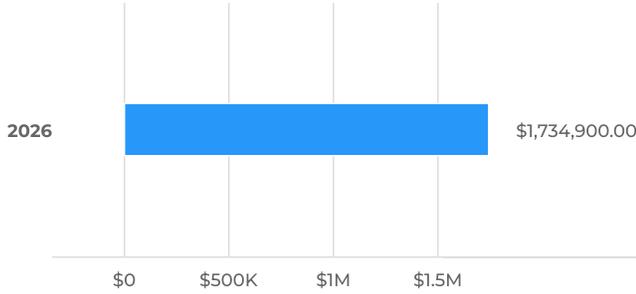
Positive Fiscal Impact

This project will provide for more efficient operations of the Morro Wellfield by reducing operator time and electricity costs.

Capital Cost

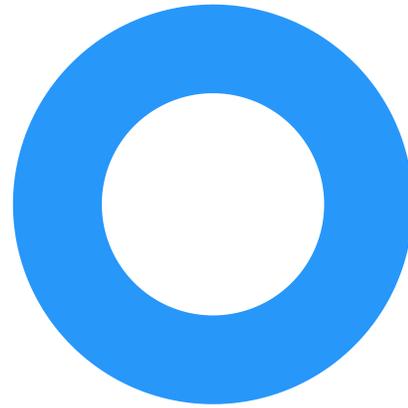
Total Historical	FY2026 Budget	Total Budget (all years)	Project Total
\$1,750,000	\$1,734,900	\$1.735M	\$3.485M

Capital Cost by Year



● Construction/Maintenance

Capital Cost for Budgeted Years



● Construction/Maintenance (100%) \$1,734,900
TOTAL \$1,734,900.00

Capital Cost Breakdown

Capital Cost	Historical	FY2026	Total
Planning	\$250,000	\$0	\$250,000
Design	\$250,000	\$0	\$250,000
Construction/Maintenance	\$1,250,000	\$1,734,900	\$2,984,900
Total	\$1,750,000	\$1,734,900	\$3,484,900

Funding Sources

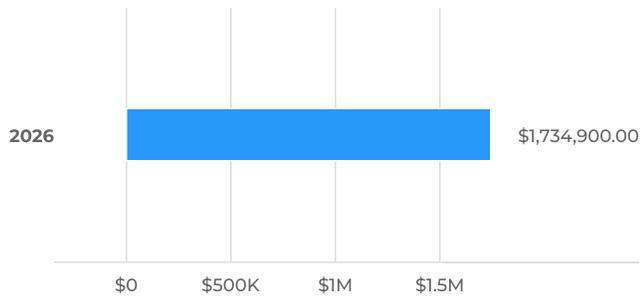
Total Historical
\$1,750,000

FY2026 Budget
\$1,734,900

Total Budget (all years)
\$1.735M

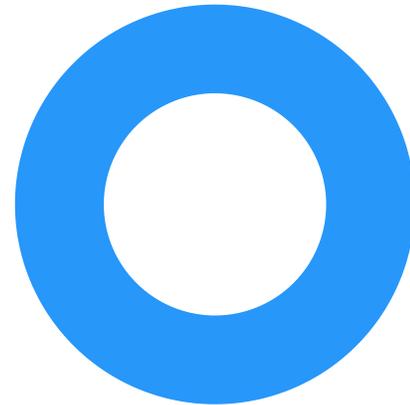
Project Total
\$3.485M

Funding Sources by Year



● Water Fund

Funding Sources for Budgeted Years



● Water Fund (100%) \$1,734,900.00
TOTAL \$1,734,900.00

Funding Sources Breakdown

Funding Sources	Historical	FY2026	Total
Water Fund	\$1,750,000	\$1,734,900	\$3,484,900
Total	\$1,750,000	\$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 CIP
Type	Capital Improvement
Project Number	921-9932

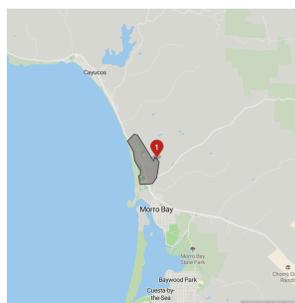
Description

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	Nutmeg Ave. (Tank Location), Elena - Elena and Blanca Pressure Zones
Description	
Project Manager	Damaris Hanson, Utilities Division Manager
Estimated Available Carryforward Budget	\$2,961,800
Type of Project	Replacement
One-Time or Ongoing	Ongoing
New or Existing Project	In progress
City Council Goal	Infrastructure Resiliency

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

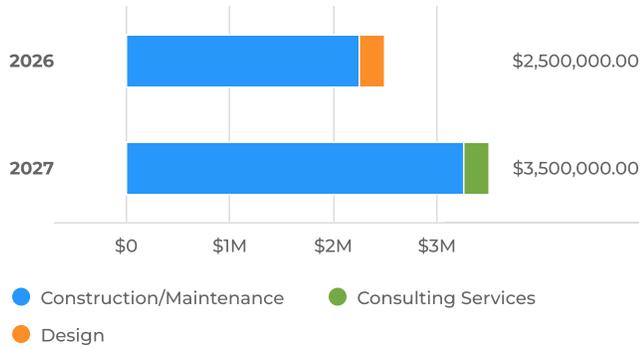
Total Historical
\$3,163,479

FY2026 Budget
\$2,500,000

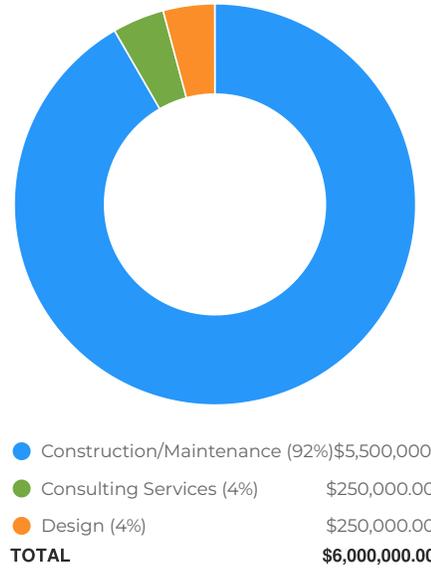
Total Budget (all years)
\$6M

Project Total
\$9.163M

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown				
Capital Cost	Historical	FY2026	FY2027	Total
Design	\$286,348	\$250,000	\$0	\$536,348
Construction/Maintenance	\$2,590,783	\$2,250,000	\$3,250,000	\$8,090,783
Consulting Services	\$286,348	\$0	\$250,000	\$536,348
Total	\$3,163,479	\$2,500,000	\$3,500,000	\$9,163,479

Funding Sources

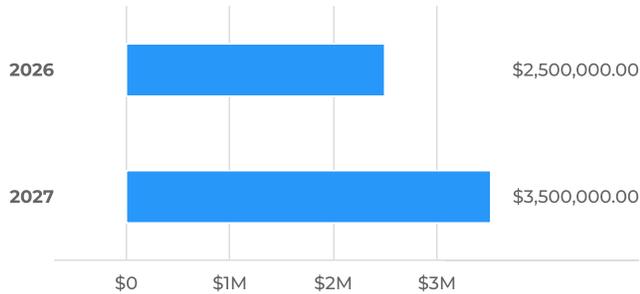
Total Historical
\$3,163,479

FY2026 Budget
\$2,500,000

Total Budget (all years)
\$6M

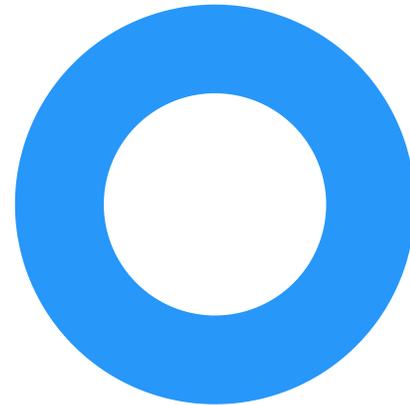
Project Total
\$9.163M

Funding Sources by Year



● Water Fund

Funding Sources for Budgeted Years



● Water Fund (100%) \$6,000,000.00
TOTAL \$6,000,000.00

Funding Sources Breakdown

Funding Sources	Historical	FY2026	FY2027	Total
Water Fund	\$3,163,479	\$2,500,000	\$3,500,000	\$9,163,479
Total	\$3,163,479	\$2,500,000	\$3,500,000	\$9,163,479

Water Meter Replacement

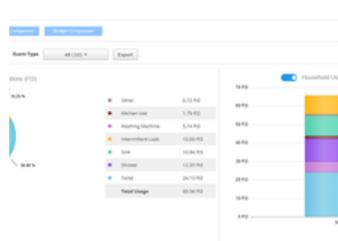
Overview

Request Owner	Damaris Hanson, Utilities Division Manager
Est. Start Date	07/01/2025
Est. Completion Date	07/01/2030
Department	Water CIP
Type	Capital Improvement
Project Number	New

Description

This project will modernize the water distribution system by replacing outdated water meters with meters that can be read remotely. The new meters eliminate the need for a water meter reading contract, create efficiencies for City utility operators, and provide helpful detail and data to water customers. Though the goal is to eventually replace all the City's meters, a phased approach will allow the work to be done over time to spread out the budget impact.

Images



Example water meter software



Example of Customer dashboard

Details

Project Location	Citywide
Description	
Project Manager	Damaris Hanson, Utilities Division Manager
Type of Project	Replacement
One-Time or Ongoing	Ongoing
New or Existing Project	New
City Council Goal	Economic Vitality & Growth

Location



Project Justification

There are many benefits to modernizing the city's water meters. First, new meters address the non-revenue water loss issue. Most city water meters are 15 years old or older. As meters age, they often become inaccurate due to wear and tear, mechanical issues, or other factors. These inaccuracies are particularly evident in low-volume usage readings, leading to

non-revenue water loss. Non-revenue water loss refers to water that has been produced but not billed due to inaccurate meter readings, leaks, or theft. New meters will correct this, and it is expected to a more accurate capture of revenues based on water usage.

Second, modern meters have remote access technologies that offer real-time data useful to both water distribution operations and to the customer. For example, modern meters enable quick detection of issues such as leaks or unusual consumption patterns. Under the current system, it can take a month or longer to detect a leak in some cases. Real-time data helps identify leaks or equipment malfunctions earlier, potentially conserving significant amounts of water and reducing customer costs. Real-time notifications can be established to notify customers of leaks. Customers with vacation homes can set up notifications on water usage while the homes are vacant. Modern metering technologies also enhance the customer experience by providing detailed insights into water usage patterns. These insights empower both utilities and customers to make more informed decisions regarding water usage. And by identifying areas of high consumption or waste, utilities can implement targeted conservation efforts, promoting more sustainable water usage, particularly in areas facing water scarcity or growing demand.

Finally, modern water meters improve utility management by providing rich data that supports strategic decision-making. Unlike traditional meters, which offer limited data, modern meters enable utilities to predict trends, optimize water distribution, and ensure regulatory compliance through more detailed and accurate reporting. This enhanced data capability is crucial for meeting evolving regulatory requirements and improving overall operational efficiency.

Positive Fiscal Impact

At present, all meters are manually read by Alexander's meter readers at an annual cost of \$67,200. There is a high possibility that there will no longer be a company that will facilitate a meter reading contract in the near future, resulting in utilities staff reading meters at a substantially higher cost. Advanced meters, however, automatically capture readings, reducing the need for physical visits, cutting operational costs, saving time, and ensuring more accurate meter readings. Traditional meters often fail to provide immediate insights into abnormal usage, which means leaks and inefficiencies often go unnoticed for extended periods, leading to increased water waste and higher operational costs. Modern meters address these challenges by eliminating misreads, zero reads, and readings compromised by vehicles parked over the meters. Real-time data ensures that customers are billed accurately based on their actual usage, leading to improved revenue collections and financial stability.

Also, the utilities division currently conducts leak reviews as per the approved policy, and over the past five years, the City has issued approximately \$289,000 in leak-related charges and this does not account for the numerous hours it takes staff to investigate the potential leaks and issue a refund.

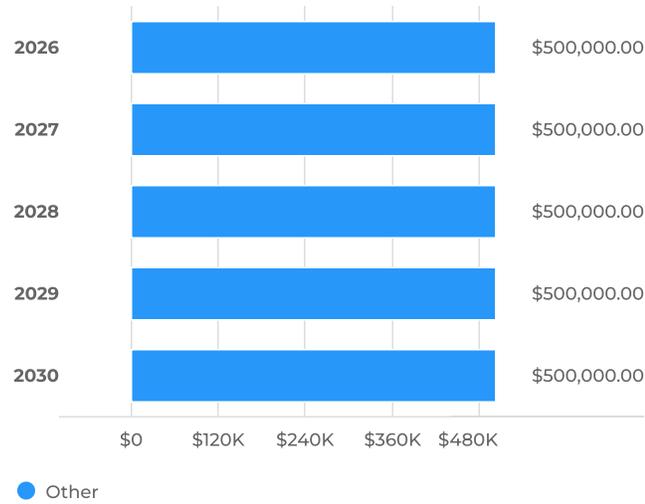
Capital Cost

FY2026 Budget
\$500,000

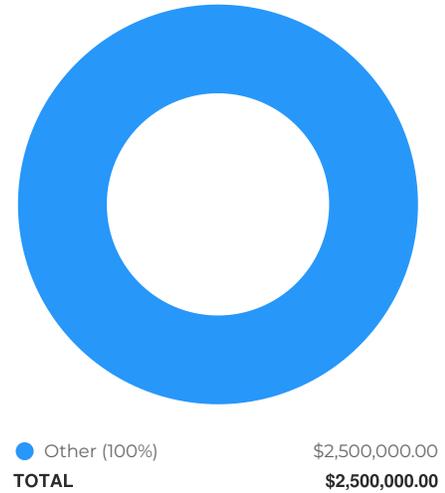
Total Budget (all years)
\$2.5M

Project Total
\$2.5M

Capital Cost by Year



Capital Cost for Budgeted Years



Capital Cost Breakdown

Capital Cost	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Other	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,500,000
Total	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,500,000

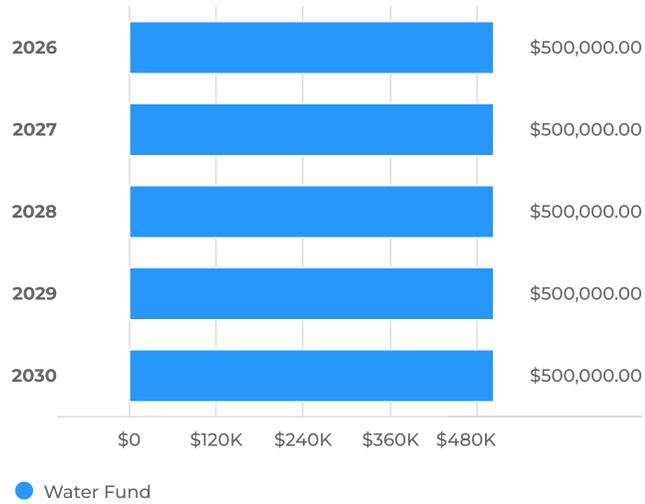
Funding Sources

FY2026 Budget
\$500,000

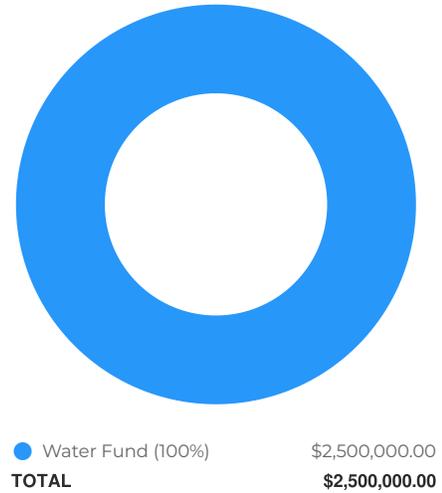
Total Budget (all years)
\$2.5M

Project Total
\$2.5M

Funding Sources by Year



Funding Sources for Budgeted Years



Funding Sources Breakdown

Funding Sources	FY2026	FY2027	FY2028	FY2029	FY2030	Total
Water Fund	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,500,000
Total	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,500,000

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 possibly with surplus reserved for future appropriation.

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 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 10 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 \$5,000.

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) 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, expandable trusts, or for major capital projects) that are legally restricted to expenditure for specified purpose.

Transient Occupancy Tax - Imposed on hotels, motels, inns or other lodging facilities. The rate in Morro Bay is 10%.

Undesignated Fund Balance: Monies in the various government funds as of the end of the fiscal year that are neither encumbered nor reserved, and are therefore available for expenditure once certified as part of free cash.