



CITY OF MORRO BAY CITY COUNCIL NOTICE OF SPECIAL MEETINGS

The City of Morro Bay provides essential public services and infrastructure to maintain a safe, clean and healthy place for residents and visitors to live, work and play.

SPECIAL MEETING AGENDA

Tuesday, May 14, 2019 @ 3:30 PM

AND

Thursday, May 16, 2019 @ 4:00 PM

**Veterans Memorial Hall
209 Surf St., Morro Bay, CA**

ESTABLISH QUORUM AND CALL TO ORDER

PUBLIC COMMENT FOR ITEMS ON THE AGENDA

SPECIAL MEETING AGENDA ITEM:

I. FY 2019/20 BUDGET STUDY SESSION

RECOMMENDATION: Council receive staff presentation and provide direction, as necessary.

MOTION TO CONTINUE to Thursday, May 16, 2019 at 4:00 p.m.

II. FY 2019/20 BUDGET STUDY SESSION

RECOMMENDATION: Council receive staff presentation and provide direction, as necessary.

ADJOURN

DATED: May 17, 2019

John Heading, Mayor

THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 24 HOURS PRIOR TO THE DATE AND TIME SET FOR THE MEETING. PLEASE REFER TO THE AGENDA POSTED AT CITY HALL FOR ANY REVISIONS OR CALL THE CLERK'S OFFICE AT 772-6205 FOR FURTHER INFORMATION.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE CITY CLERK'S OFFICE AT LEAST 24 HOURS PRIOR TO THE MEETING TO INSURE REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.



AGENDA NO: I

MEETING DATE: May 14, 2019

Staff Report

TO: Honorable Mayor and City Council

DATE: May 9, 2019

FROM: Jennifer Callaway, Finance Director

SUBJECT: Consider the City of Morro Bay's Proposed Operating and Capital Budget for Fiscal Year (FY) 2019/20

RECOMMENDATION

Consider the City of Morro Bay's Proposed Operating and Capital Budget for Fiscal Year (FY) 2019/20 and provide direction, as necessary

BACKGROUND

The Proposed Operating and Capital Budget for FY 2019/20 (Attachment 1, previously distributed) is the City Manager's recommended comprehensive financial plan to provide the core services to the City of Morro Bay while addressing the City Council identified goals and priorities. Any changes to the Proposed Operating and Capital Budgets directed by Council at the Budget Study Sessions scheduled for May 14th, 16th and 28th, 2019 will be incorporated into the implementing documents to be presented for Council approval on June 11, 2019.

Compilation of the Proposed FY 2019/20 budget was possible due to the coordination and input received from all Departments. The City's budget team consisted of staff from all Departments and at all levels in the organization. It is only with their efforts that the proposed balanced budget, in the form presented, was possible.

DISCUSSION

The Proposed Operating and Capital Budget was prepared with contributions from all City Departments, staff at all levels of the organization and includes feedback and work completed by the Citizen's Finance Advisory Committee (CFAC). CFAC received the proposed Measure Q and General Fund budgets for discussion on April 24, 2019. CFAC recommended the proposed Measure Q budget and provided direction and guidance to staff regarding future budgets and purchasing practices. In addition, CFAC asked several questions regarding both the general fund and Measure Q proposed budgets. The Committee recommended that those questions and staff's responses be provided to the Council for review as Attachment 2. Staff appreciates CFAC's work and efforts at reviewing the proposed budget document.

For FY 2019/20 the Proposed budget has been enhanced to include a reference section with a list of

Prepared By: JC

Dept Review: _____

City Manager Review: SC

City Attorney Review: _____

City funds, list of acronyms and glossary as well as a City profile section. Staff is continuing to draft a summary of completed 2018 City Council Goals/action items and 2019 – 2020 Council Goals, as well as summary level budget and financial policy information. Added sections to the budget document in FY 2018/19, including program accomplishments and program goals, performance indicators and staffing charts were continued in the proposed FY 2019/20 budget. The inclusion of this information is not only a best budgeting practice but an effort to provide metrics for the Council and Community to identify workload within the departments.

In early 2019, the City Council identified four goals and multiple action items to guide staff work prioritization throughout 2019 and 2020. The proposed budget is based on the following principles:

- Being mindful to achieve financial and economic sustainability;
- Improving the City's Infrastructure – including implementing the Water Reclamation Facility (WRF) and OneWater Plan;
- Updating the City's land use plans and addressing affordable housing issues; and
- Improving community outreach and engagement.

FY 2019/20 Operating Budget

The transmittal letter in the Proposed FY 2019/20 Operating budget provides an executive summary of the budget. The proposed budget includes cost-of-living (COLA) increases that were negotiated with the City's SEIU, Police Officers Association and Morro Bay Firefighters Associations, as well as COLA increases for the Confidential and Management employees. Employees are budgeted at their next projected step within their salary bands and incorporates expected employee benefit cost increases and pension payments and other anticipated expenses.

In recognition of the City's efforts and Council prioritization of economic sustainability, the proposed budget includes a focus in support of economic development and implementation items, including:

- \$65,000 transfer to a newly established Economic Development fund to support general plan and economic development strategic plan implementation items – most notably for FY 2019/20 wayfinding and software to support economic development efforts that can integrate onto the City's website,
- \$62,000 to support economic development efforts through the City Manager's office such as extended collaboration with the Chamber to continue outreach to the City's business community partners and an economic ombudsman contract.

The City Council recognizes that revenue diversification and new revenues, coupled with reduced expenditures is the viable path forward to maintaining service levels to the community and the City's economic vitality. Revenue enhancement items will be brought forward to Council for further consideration and direction following adoption of the FY 2019/20 budget.

The FY 2019/20 budget also includes one-time costs related to safety items, including a weapons simulator for Officer safety training, needed repairs for the black hill repeater site as well as new radios for both Police and Fire for critical emergency response communications.

Taken as a whole, the FY 2019/20 budget proposes to maintain existing service levels while providing an enhanced focus on economic development and partnership with the Chamber of Commerce and business community.

After issuance of the proposed budget staff noted one error that have since been corrected.

1. Financial Summaries (pg. B-4 & B-5): Based on prior year’s feedback, staff broke out revenues as new revenues coming into the City and transfers between funds. In doing so, cash in hand (transfers) and new revenues (grant and loan proceeds) for the Sewer Fund capital projects were included in the transfer section. Staff have corrected this with total sewer capital projects totaling \$33.9 million, \$20.4 million estimated from loan and grant proceeds and \$13.5 million from available cash. Revised pages B-4 and B-5 are provided as Attachment 3. Financial summary pages will adjust accordingly, with total town revenues \$90.4 million (\$58.7 million of revenues and \$31.7 million of transfers in).

How Did the Budget Balance?

During the February 2019 mid-year budget update and status report, City Staff informed the Council of a projected FY 2019/20 budget deficit of \$325,000. To offset this deficit and present a balanced budget for Council consideration, staff defunded contributions to the City’s internal service funds (to later be supplanted with new revenues expected to be derived from cannabis tax revenue per Resolution 19-19). In addition, staff is recommending a reduced General Fund Contribution to the TBID fund of \$60,000, and a reduced contribution to the general plan implementation fund of \$65,000. It is important to note the staff recommendation for General Fund contribution to the TBID was formulated prior to the TBID April 2019 meeting where the TBID Advisory Board recommended to Council a General Fund contribution of \$75,000 for FY 2019/20. With the update to the City’s Fee Schedule and Cost Allocation Plan – to be completed in May/June of 2019 – the City’s contributions from the enterprise fund, in support of administrative oversight costs associated with those funds decreased by \$244,150. This was partially offset by a decreased general fund allocation to the Information Technology Fund (which is due to an increased contribution to this fund from the enterprise funds) as well as salary savings in the police department due to staffing changes and a reduce cost of the regional fire dispatch cost. A summary of budget balancing actions is provided below:

	<u>Forecast Assumption</u>	<u>Proposed Budget</u>	<u>Difference</u>
<i>Vehicle Replacement Fund</i>	\$ 50,000	\$ -	\$ 50,000
<i>Technology Fund</i>	\$ 427,507	\$ 345,970	\$ 81,537
<i>Facilities Fund</i>	\$ 100,000	\$ 10,000	\$ 90,000
<i>Capital Fund</i>	\$ 100,000	\$ -	\$ 100,000
<i>Fire Equipment</i>	\$ 71,344	\$ -	\$ 71,344
<i>TBID Contribution</i>	\$ 160,000	\$ 60,000	\$ 100,000
<i>Economic Development</i>	\$ 100,000	\$ 65,000	\$ 35,000
<i>Police Staffing Savings</i>			\$ 60,000
<i>Fire Dispatch contract</i>	\$ 123,899	\$ 70,000	\$ 53,899
<i>CAP Contributions</i>	\$ 1,180,888	\$ 936,738	\$ (244,150)
<i>Use of Other Funds</i>	\$ 30,000	\$ 30,462	\$ 462
<i>ED Ombudsman</i>	\$ -	\$ 62,000	\$ (62,000)
<i>One-time</i>	\$ 78,855	\$ 64,000	\$ 14,855
<i>Total</i>	\$ 2,422,493	\$ 1,644,170	\$ 778,323

Staff notes that no revenue increases have been included in the proposed budget as a result of the fee study update currently underway and nearing completion.

FY 2019/20 Capital Budget

The proposed FY 2019/20 Capital budget is the first year in which staff had begun to identify a five-year capital plan, including unfunded capital needs. The proposed capital budget identifies a series of projects that are funded through both general fund and non-general fund sources. These projects include renovation of Shasta Street pocket park to include bocce ball courts, a new play structure at City Park, and audio/visual and facility upgrades at the Veterans' hall. Funding for these projects comes from impact fees, donations, PEG access fees and other non-General Fund revenue sources.

Most notably, the proposed capital budget includes \$33.6 million dollars for the new water reclamation facility (WRF). The budget also includes \$300,000 in sewer related capital projects and \$400,000 in water capital projects.

The proposed budget also includes approximately \$670,000 for Harbor related capital needs. While the DBW Launch Ramp renovations will be funded through the waterways grant, the remaining \$420,000 in projects are proposed to be funded through the Harbor Accumulation fund. The Harbor Department has over \$2 million in unfunded capital needs. Staff recognizes these needs and will be working towards revenue enhancements, identification of new revenues and/or funding strategies to address these needs throughout the fiscal year for Council consideration and direction.

For transit related projects, the capital budget includes almost \$500,000 for the purchase of a replacement trolley vehicle, replacement bus, and purchase of route signage and information display cases. Lastly, the Capital Budget includes \$16,000 for funding Cloisters Park Landscape Assessment and \$61,000 for parking lot improvement in the North Point Assessment District.

Special Revenue Funds

The City recognizes the value of Tourism as an economic driver in the City and will continue its support of Tourism through support of the Morro Bay Tourism Business Improvement District (TBID). The TBID funds tourism marketing and promotion for Morro Bay to help increase hotel and motel occupancy rates and transient occupancy tax (TOT) receipts and other related revenues. The FY 2019/20 TBID budget is primarily funded through the bid assessments (3% assessment on all overnight hotel and motel stays) which are estimated at \$823,322 for the fiscal year. In addition, the proposed budget includes a reduced the General Fund contribution in support of tourism activity in order to provide funding to support other economic development activities including enhanced outreach and collaboration with our local business community partners, permitting review and improvements – this is proposed as a one-year reduction to be reassessed during the FY 2020/21 budget process. The City's General Fund budget includes a \$60,000 contribution – the minimum funding level outlined in the TBID establishing resolution. The TBID board discussed the General Fund Contribution in April and recommended a reduced general fund contribution of \$75,000 contribution, \$15,000 more than currently incorporated into the proposed General Fund Budget.

Council Bequests

As in prior years, the City Council is afforded an opportunity to grant award of city funds to non-profits providing a benefit to the community. The FY 2019/20 includes \$16,500 in funds available for the City Council to award. The City has received funding requests thus far, however, staff recommends

that bequests be awarded during the first quarter of FY 2019/20 after a community awards program/policy is formally established and adopted by the City Council.

In addition, as in FY 2018/19, the proposed budget includes \$5,000 in discretionary beautification to support the “Adopt Morro Bay” program.

Budget Hearings and Items for Consideration

At its May 14, 2019 meeting, Council will have an opportunity to listen to the public testimony, ask questions, and direct changes to the Proposed Operating and/or Capital Program Budgets. In particular, staff is seeking Council direction on the following items:

1. General Fund Contribution to TBID: As noted above, the proposed General Fund budget includes a \$60,000 contribution to TBID. The TBID Board, during their April discussion, recommended that Council consider a \$75,000 contribution. Should Council support a \$75,000 contribution, staff recommends the funding difference of \$15,000 be funded through the City’s project accumulation fund which has a fund balance of approximately \$290,000.

Any other changes to the Proposed Operating and Capital Budgets directed by Council or identified by staff (such as “clean-up” items) will be included for Council consideration in the resolution formally adopting the Budgets to be considered by Council in June.

The proposed Capital Budget will be discussed at the May 16, 2019 Budget study session.

COORDINATION

The preparation of this budget document involved participation from all City Departments.

FISCAL IMPACT

The fiscal impact is presented in the summary form in the Financial Summaries chapter of the Proposed Operating and Capital Budgets for FY 2019/20 (page B-1). The total proposed budget is \$94 million for all City Funds and including transfers, a significant increase from FY 2018/19 Adopted Budget, notably due to the planned progression of the WRF project.

ATTACHMENTS

1. Link to [FY 2019/20 Proposed Operating and Capital Budget](#)
2. CFAC Questions and Staff Responses
3. Revised Financial Summary Pages (B-4 & B-5)

Attachment 2 – Proposed FY 2019/20 Operating and Capital Budgets

Questions from CFAC and Staff's Responses

Budget

Do you plan to bring the new fee schedule to the City Council for approval before the 2019/20 budget is finalized? If not when?

Answer: We plan to bring the draft fee schedule to Council at the end of May for discussion and then again in June/July for adoption ... if we are able to stick with this time frame the new master fee schedule would go into effect in September/October. The draft proposed budget as presented includes the most recent draft Cost Allocation Plan figures but does not incorporate any increase to fees that may result from adoption of a new schedule.

Pg C-2 Summary of revenue and expenses has blanks for revenue. Please include revenue

Answer: Page C-2 reflects the City Council budget – typically the City Council program does not generate revenues and that is why none are included for the proposed budget or for 2017/18 actuals or 2018/19 amended and estimated.

Pg C-6 Roll up of revenue is good, but below it should be a roll up of the total expenses, not admin, followed by etc etc

Answer: The expenditures roll-ups include a roll-up by expenditure type, i.e. salary and benefits, supplies, services, etc. and also a roll-up by program within the Administration function, i.e. City Manager, Legal Services, City Clerk, etc. If there is another way to show this that would be more clear we are open to suggestions.

C-14-City Mgr. workload-what do the numbers measure?

Answer: The figures measure the number of the events/meetings/evals/trainings, etc. For example, the City Manager is estimating conducting 10 community forums/meetings during FY 2018/19, completing 5 business walks, issuing 12 monthly manager update newsletters, 25 Council meetings, completing 10 City Council identified goal action items, holding 3 all staff meetings or events, 2 all staff trainings and 5 department head evaluations. We are open to suggestions as to how to make this clearer if it is not.

C-41 Finance Revenue-Who provides the VLF backfill estimate?

Answer: The County provides estimates for current year-end. We have asked the County for estimates for FY 2019/20 but have not received them yet – in lieu of receiving those estimates staff forecasted moderate growth of approximately 1% of the projected year-end estimates.

C-41-City owned property-why is 781 Market St in its own separate fund now that the rent is insignificant?

Answer: Staff's understanding is that Resolution 10-11 dedicated revenue from the proceeds of 781 market avenue to the facilities fund for management of the City's real property assets. When the City repurchased 781 Market avenue in 2015, the tenants lease payments continued to be placed into this fund. While currently a small amount, the revenue generated from the lessees of the property is still

recommended to be dedicated to the facilities fund to help offset costs of repairs that were incurred to make the property usable as well as continue to help fund facilities needs throughout the city.

C-46 Transfers-Cost Allocation-MB/CSD WWTP-is the \$153K MB only? Has the CSD agreed to contribute their 25%?

Answer: The total cost allocation plan contribution from MB/CSD is \$174,681 (\$153,575 to the General Fund and \$21,106 in legal contributions). This is from the most recent draft CAP numbers and may need to be revised a bit after finalization of the CAP. This is the total overhead amount that the WWTP fund owes to the General Fund for administrative support – it is not the City’s 75% share only. CSD has not seen the proposed budget at this point, we will be sending them a copy within the next week or so for review and comment. CSD has the right to refute any charges to the WWTP and we respond to questions from the District each quarter during the billing process. The contribution of the cost allocation plan has not yet been discussed.

MB Tourism Department-Cost Allocation—on the City Council’s agenda of 4/9/19 item C-2 the staff report shows a contribution to overhead of \$51K. I assume the \$51K came from the recent cost allocation study. Why wasn’t it included?

Answer: Staff is proposing to reduce the City’s general fund contribution to TBID to the base funding amount of \$60,000. Staff is not recommending to charge the TBID the Cost Allocation Plan as the resolution establishing the Bid does require that the City will provide administrative overhead, facilities, etc.

C-53 Police-I assume that the significant increase in Service Charges line is the reimbursement for the SRO. Correct?

Answer: That is correct.

C-64 Fire-What is a rough breakdown in the Charge for Service line?

Answer: Please see below:

<i>350-Rev Cursvc - Revenues From Current Services</i>			
001-4210 3401	Sale of Copies & Books	0.0000	
001-4210 3426	Plan Checking Fees	148,500.0000	
001-4210 3427	Building Inspection Fees	16,500.0000	
001-4210 3472	Other Fire Services	0.0000	Mutual Aid funding through CFAA and OES that is addressed during Mid-Year Budget review
001-4210 3473	EMS Service & Transport	93,844.0800	APOC
001-4210 3499	Other Rev/Current Svc	10,000.0000	Sale of 1994 Pierce Lance Fire Engine (Old 5391)
<i>Account Classification Total: 350-Rev Cursvc - Revenues From Current Services</i>		\$268,844.08	

C-121-Electricity-Has the annual savings from installing the solar panels ever been calculated to see if it really offsets the annual debt service expense?

Answer: Staff have done an analysis of this using two different methodologies, dollars paid versus kilowatt saved:

In Year 2 report (3/01/18 to 02/29/19) most recently filed:

1. Actual dollar savings of \$23,981 when comparing bills paid to the base year. Annual debt service is \$35,189, so the city is contributing the extra \$12,324.
2. Barry McLeod of the California Energy Commission advises that we should look at the Kilowatt Hours (KWH) saved on the report of 169,854 multiplied by the current blended rate of .2968 = \$50,413, which is well in excess of annual debt service amount.

Mr. McLeod is looking into the PG&E bills right now to determine why our actual payments were not reduced consistent with the lower KWH total.

Year 1 report (3/01/17 to 02/28/18) Revised for late PG&E corrections:

- 1 There were no actual dollar savings – comparison shows the City paid \$890 more than base year.
- 2 Using the same KWH calculation, the city reduced usage by 48,518 times the blended rate of .2628 = \$12,750. \$22,439 short of annual debt service.

D-22 General Gov Comp leave-have any G.F. employees indicated they plan to retire between now and 6/30/20? If so, was there a reason you didn't include an estimated expense?

Answer: Employees are not asked about potential retirement dates, so we do not budget expense activity in this fund. In some cases, when an employee retiree or separates, there may be salary savings within the general fund that can offset some compensated absences liability owed. Any activity that hits the fund during the fiscal year would be accounted for during the budget performance reports at 1st, 2nd, 3rd and 4th quarters.

D-23/24-Emergency Reserves-Is the official target balance the average of the last three years on operating revenue as explained on D-23 or is it calculated using the description of the targets at the bottom of D-24?

Answer: The methodology of using the average of the last three years of operating revenues was prescribed under Resolution 33-15. Resolution 85-18 was adopted this fiscal year and rescinded Resolution 33-15, prescribing the methodology for calculating target fund levels to be on-going expenditures (minus transfers) from the most recently adopted budget – this is the calculation shown at the bottom of page D-24. We can expand the Program Purpose section on page D-23 to include resolution 85-18 and make this clear.

G-21 Econ Development—I was only able to find \$60K of the \$75K in the 2018/19 budget (Strategic Dev \$12K, Opportunity \$18K & City Mgr. 30K). Where did the other \$15K come from? The transfer in the proposed 2019/20 budget shows \$65K, but in the City Managers Budget Overview and on C-11 the number \$62K, which is correct?

Answer: In the current fiscal year (FY 2018/19) and in past fiscal years, the Community Development Department operating budget has included \$100,000 for economic development and general plan implementation actions. The department was under the impression that unspent money from that \$100,000 was carried forward from year to year – but in fact it was not, it was swept into year-end savings and transferred to the emergency reserves. Staff's recommendation is to set-up a new fund for

economic development – general plan implementation action items that would then carry a fund balance should the annual allotment not be spent. In FY 2018/19 the \$100,000 in the Community Development Department operating budget was allocated for wayfinding. The Department estimates that it will spend about \$25,000 of that \$100,000 by June 30, 2019. The \$75,000 transfer in shown on page G-21 is the remaining balance of the \$100,000 for the Department to complete wayfinding and installation of wayfinding signs.

The \$65,000 reflected on page C-46 is a transfer out to a new economic development fund. This is in lieu of \$100,000 that is annually included in the Community Development Department's General Fund budget for general plan implementation items.

The \$62,000 referred to on page C-11 is separate from and in addition to the \$65,000 described above. The City Manager's general fund budget includes \$62,000 to support continuation of collaboration with the Chamber and an economic development ombudsman contract.

G-34-Spec Safety Grant-Will the P.D. update the breakdown of expenses before the budget is presented to the City Council?

Answer: We will include a breakdown for FY 2018/19 estimated year-end as we have in the past – this was my oversight in completing this page, my apologies. My understanding is that we don't typically include a more detailed breakdown of the proposed budget outside of what is described on Page G-33 – Staffing and emergency operations safety equipment.

On pages C-47 and C-51 (Police), does the next to last sentence on C47 about the part-time Support Services Technician Coordinator match up to the FTE table on C51?

Answer: We will clarify the language on page C-47 – the Records Training Clerk was funded at a 1.0 FTE level with .66 FTE in Police and .34 FTE in support services when the FY 2018/19 budget was adopted. During the Fiscal year the position reduced hours. The language on page C-47 is confusing. Thank you for point this out.

On page C-57, what does "DA claims approx 90% of Mis-filed cases" mean?

Answer: This is short hand for "The District Attorney Office reports filing approx. 90% of all Misdemeanor cases"

On page C-64, why does the Intergov Revenues for the Fire dept drop to \$9K from \$200K+ ?

Answer: The \$9,000 in the proposed budget does not assume any mutual aid reimbursement for wildfire support we may incur during FY 2019/20. Intergovernmental revenues are generally adjusted during one of the budget performance updates throughout the year as mutual aid reimbursements are known due to the level of support required for wildfires. Any mutual aid reimbursements received are recorded as Intergovernmental Revenue. We do not budget for mutual aid support at the beginning of the year.

On pages D-21 and D-22, are we only relying on potential new revenues to fund this compensable leave account to bring it up to \$307K? Will that require a Council resolution, or just be noted in the final budget document?

Answer: This will require Council action – we will likely be tracking new revenues, i.e. cannabis tax, separately and bring a balance back to council during the quarterly updates with a recommendation on what to fund. We are still refining this process at this point. We will be relying on potential new revenues as well as some reduced contributions if possible.

Page G-8, is there no plan to spend the \$9K revenue on the bike path because this is a small amount and will be carried over to the next fiscal year?

Answer: Staff anticipates requesting an appropriation for the ltf bike/per set aside and incorporate into the streets project once we have defined the streets work with the update of the pavement management planning document

Page G-12, why is the \$300K CDBG revenue not included in the 2019/20 proposed budget, is this a timing issue pending receipt from the County?

Answer: The City will not be getting \$300K in FY 19/20. We are still in repayment mode for FY 19/20. Starting in FY 20/21 the City will again receive our normal share which will be in the \$70,000 range.

Page G-47, the \$5K for the City Works software app, is that for the 2018/19 year and should be deleted from this overview description (don't see it referenced on the following page) ?

Answer: Yes, we will make that change for the next distribution.

the payment of the fire station debt, you include last year's comment that the Council wants to use proceeds from the sale of the Cloisters property to retire some of that debt. Has there been any change in that? I recall that you were going to bring something back to CFAC in that regard.

Answer: The project has been held up with the Coastal Commission and no progress has been made to date. Until coastal approval is awarded, and the project can move forward we won't receive the balance of the proceeds. We will bring this back for Committee discussion and recommendation once payment has been received.

Is the total final cost of the new fire truck known? Can you provide the financing terms? (I apologize if you have already done so).

Answer: A PO was approved for the amount of \$678,874.99 pursuant to Council action on August 14, 2018 and resolution No. 59-18. The Loan was made from the General Fund Emergency Reserve and is a four-year repayment of \$56,250 per year. We will correct this in the proposed budget and provide a new one for review at the CFAC meeting. To date \$671,395.48 has been expensed against the PO.

You note that at the end of the five-year contract for the police cameras the city has the option to renew or cancel the contract. Can you provide more information about that? If the city renews, will the cost continue after five years?

Answer: The contract is very similar to a cell phone or vehicle lease. At the end of 5 years, we can continue our contract or enter into a contract with another vendor. The reason we went with this option instead of a purchase option, is that it was significantly cheaper in the long run. More important, technology is changing so rapidly, and they take a lot of abuse. If we owned the cameras, we would have to purchase new ones at the end of 5 years. Again, at a significantly higher cost.

Comments:

The budget document is very well written, I like the consistent format for all of the summary tables, and the Notes at the bottom on the previous years' budgets are very helpful. In addition, the metrics for the various departments comparing last year to the current year are informative and easy to understand, and show progress in key areas such as utility discount enrollment.

There is a phrase with an extra verb in several Budget Overview sections "discretionary revenues are to be treated as one-time revenues for a period of 24 months to establish that they are will be permanent, steady and reliable ongoing revenues." This appears on pages C5, C-45, D9, and D21 that I noticed.

Response: We will correct this in the next issuance – thank you!

On page C17, the ref to the legal fees for 2019-20 budget Note is I-3.

Response: We will correct this in the next issuance – once all the capital projects are added the page number for the WRF budget is likely to change – thank you for reminding us of this.

On page C-77, can you please explain during our meeting what that table and the %s below mean ?

Response: The California Fire Assistance Agreement (CFAA) is the negotiated reimbursement mechanism for local government fire agency responses through the California Fire Service and Rescue Emergency Mutual Aid System. The left side of the graph illustrates the total amount of hours of all personnel that was assigned to incidents for that given year. The right side of the graph illustrates the reimbursement for those incidents. Reimbursement includes actual payroll rates, benefits, administration fees, hourly apparatus rate and fuel costs. California Office of Emergency Services (Cal-OES) has a large fleet of fire engines that are housed in fire departments throughout the state in case of an emergencies. Morro Bay fire department has one of these fire engines called OES 388. Since this engine is owned by the state of California there is no hourly reimbursement rate for this unit when the engine responds to incidents. In the years 2017 and 2018 there was a substantial increase in revenue compared to hours in previous years. One reason for this was that OES 388 was out of service for majority of the time due to repairs. Since OES 388 was in limited use, the department utilized engine 5391 in its place and were able to receive hourly reimbursement rates for 5391 on those incidents.

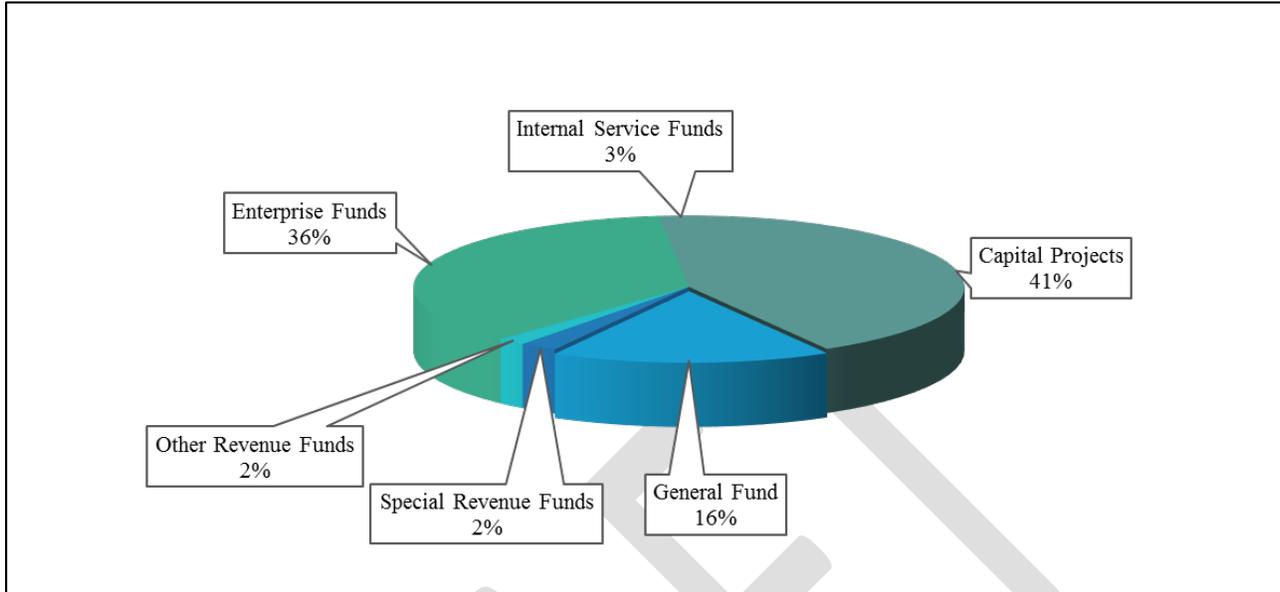
Another factor that determines reimbursement total compared to total hours is the type of incident request. The incident may request fire engines and/or single resources. An example of a single resource is when the incident needs an individual for a specific job duty on the incident. When a single resource is dispatched to an incident, the department receives reimbursement for payroll rates, benefits and administration fees only.

TOTAL CITY REVENUES

BY FUND
(Including Transfers In)

Fund	Fund Name	2015/16	2016/17	2017/18	2018/19	2018/19	2019/20		2019/20		Change from PY
		Actuals	Actuals	Actuals	Adopted	Estimated	Proposed - Revenues	Proposed - Transfers	Total Proposed		
General Fund											
	General Fund	\$ 13,147,471	\$ 13,934,247	\$ 14,578,010	\$ 14,750,150	\$ 14,384,862	\$ 13,435,225	\$ 1,404,999	\$ 14,840,224		0.6%
Special Revenue Funds											
	Measure Q	983,842	1,118,270	1,062,872	1,105,000	1,105,000	1,096,000	-	1,096,000		-0.8%
	Tourism	835,530	935,834	935,691	1,094,135	1,066,497	829,322	75,000	904,322		-17.3%
	Tourism Accumulation	-	-	-	273,521	273,521	-	-	-		-
Other Funds											
	Transit	351,991	379,282	353,463	315,704	315,704	328,014	-	328,014		3.9%
	Bike Path	8,039	7,920	8,178	9,448	9,648	9,395	-	9,395		-0.6%
	LTF Roads	-	170	239	73,292	73,527	-	-	-		-100.0%
	Opportunity Fund	150,745	436	-	-	-	-	-	-		0.0%
	Community Development Grants	51,238	9,030	2,841	-	299,937	-	-	-		0.0%
	Economic Development	-	-	-	75,000	75,000	-	65,000	65,000		0.0%
	Community Benefit	-	-	-	-	250,000	-	-	-		-
	General Plan Maintenance Fee	721,064	17,564	24,343	-	15,500	-	-	-		0.0%
	Housing In-Lieu	19,754	13,754	177,439	-	4,197	10,000	-	10,000		0.0%
	Parking In-Lieu	7,262	58,684	4,080	-	5,200	-	-	-		0.0%
	Government Impact Fees	318,693	201,471	221,325	142,500	39,650	32,650	-	32,650		-77.1%
	Park In-Lieu	103	79	257,821	-	-	-	-	-		0.0%
	Harbor State Park Marina	86,020	84,982	92,227	86,500	86,500	92,000	-	92,000		6.4%
	State Gas Tax	262,781	217,656	228,157	274,103	223,313	274,551	-	274,551		0.2%
	Lower Cost Visitor Accommodations	-	-	-	-	-	-	-	-		-
	Mitigation Fee	16,176	425	595	-	-	-	-	-		0.0%
	Traffic Safety	12,941	10,042	11,410	10,000	10,000	10,000	-	10,000		0.0%
	Special Safety Grants	126,674	130,019	140,512	100,000	121,896	100,000	-	100,000		0.0%
	Fire Donation Fund	269,332	-	25,032	-	-	-	-	-		0.0%
	Jamaica Joint Defense	-	-	15,000	-	-	-	-	-		0.0%
	Strategic Investment Spending Plan	1,318,489	2,010	-	-	-	-	-	-		0.0%
	PEG Access Fees	-	-	65,000	35,830	40,000	45,000	-	45,000		25.6%
	Community Development Plans	-	262	-	-	-	-	-	-		0.0%
	County Tourism	270,585	300,819	412,162	365,393	365,393	369,047	-	369,047		1.0%
	Assessment District	7,628	8,477	8,477	8,619	8,619	8,619	-	8,619		0.0%
	Cloisters Assessment District	163,986	149,915	150,921	148,944	150,444	148,944	-	148,944		0.0%
Enterprise Funds											
	Harbor Operating	2,104,018	1,940,152	2,129,178	1,966,255	1,978,286	2,011,000	-	2,011,000		2.3%
	Harbor Equipment Replacement	918	441	618	26,675	26,675	-	-	-		-100.0%
	Harbor Capital	-	-	-	-	-	-	412,052	412,052		0.0%
	Harbor Accumulation	132,749	34,296	30,505	-	168,002	-	-	-		0.0%
	Water Revenue	4,338,311	4,928,645	5,533,392	5,814,501	5,818,601	7,852,700	-	7,852,700		35.1%
	Water Equipment Replacement	2,335	2,118	2,963	-	-	-	-	-		0.0%
	Water Accumulation	789,912	86,920	149,490	4,554,811	3,680,489	-	3,777,820	3,777,820		-17.1%
	Utility Discount Program	63,853	170,390	124,002	123,200	119,800	-	123,200	123,200		0.0%
	Sewer Revenue	5,118,266	5,690,876	6,379,674	6,719,876	6,719,876	9,487,000	-	9,487,000		41.2%
	Sewer Equipment Replacement	143,814	182,054	183,480	-	32,301	-	-	-		0.0%
	Sewer Accumulation	461,181	103,311	1,471,132	7,419,459	7,393,272	-	6,157,661	6,157,661		-17.0%
	MBCSD WWTP	3,993,056	2,110,458	1,949,984	2,209,233	1,976,741	652,708	1,958,124	2,610,832		18.2%
Internal Service Funds											
	Risk Management	1,431,677	1,452,793	1,397,695	1,582,835	1,592,335	-	1,542,038	1,542,038		-2.6%
	Information Technology	429,817	386,357	354,760	519,245	526,245	111,000	485,812	596,812		14.9%
	Facility Maintenance	54,975	108,745	66,660	9,000	10,400	24,000	10,000	34,000		277.8%
	Vehicle Replacement	100,781	157,035	77,679	121,076	125,602	-	-	-		-100.0%
	Capital Replacement	100,485	101,180	2,240	-	2,300	-	-	-		0.0%
	Project Accumulation	200,000	151,645	3,184	-	3,200	-	-	-		0.0%
	Compensable Leave	-	466,000	50,000	30,000	30,000	-	-	-		-100.0%
	Emergency Reserve	349,599	233,592	35,838	-	236,194	56,250	-	56,250		0.0%
								\$			
TOTAL Fund Rev & Transfers In		\$ 38,946,091	\$ 35,888,356	\$ 38,718,269	\$ 49,964,305	\$ 49,364,727	\$ 36,983,425	\$ 16,393,706	\$ 53,377,131		6.8%
Capital Projects Funds											
	General Government	-	73,600	-	-	-	-	-	-		0.0%
	City Works Implementation	-	139,463	36,718	5,000	-	-	-	-		-100.0%
	Morro Creek Restoration	-	-	7,315	60,894	61,022	292,557	-	292,557		380.4%
	Bocce Ball Court	-	-	-	32,000	-	12,000	17,577	29,577		-7.6%
	Facility/Audio Visual Upgrades - Vet's	-	-	-	65,327	-	-	148,200	148,200		126.9%
	Tidelands Park Play structure	-	30,620	-	-	-	-	-	-		-
	Tidelands Stormwater Pocket Park	-	-	-	-	-	47,000	-	47,000		-
	Fire Engine Replacement for #5391	-	-	-	675,000	-	-	-	-		-100.0%
	Jack LaLanne Memorial Fitness Statio	-	-	-	-	-	-	-	-		0.0%
	San Jacinto Bike Lane	-	25,000	-	-	-	-	-	-		-
	Market and Pacific	-	2,845	-	-	-	-	-	-		-
	Striping for On-Street Angel Parking	-	-	-	83,700	-	-	-	-		-100.0%
	Pickleball Court	-	6,909	-	-	-	-	-	-		-
	City Park	-	-	-	150,000	-	-	150,000	150,000		0.0%
	CDBG Grants	-	300,613	356,484	-	2,496	-	-	-		-
	ADA: Sidewalk Repairs	-	17,300	22,743	143,847	20,508	-	-	-		-100.0%
	Embarcadero Widening	-	43,599	-	-	-	-	-	-		-
	Laurel Ave Easement	-	-	-	-	-	-	-	-		0.0%
	Street Improvements	-	-	-	-	-	-	-	-		0.0%
	State Route (SR)1/SR 41 Interchange	-	98,445	33,164	567,043	45,000	-	-	-		-100.0%
	Pavement Management Plan	-	-	843,634	809,964	809,964	257,341	505,345	762,686		-5.8%
	SD-01A Kern & Anchor Streets	-	-	-	-	-	-	9,900	9,900		-
	SD-01B Kern & Anchr Streets	-	-	-	-	-	-	22,950	22,950		-
	Ironwood Storm Drains	-	14,438	-	-	-	-	-	-		-
	Assessment Districts	-	-	-	-	-	-	77,160	77,160		-
	Transit Fund	-	-	-	329,555	329,555	454,557	32,283	486,840		47.7%
	Enterprise Fund	-	-	-	-	-	-	-	-		0.0%
	Water Capital	22,628	-	221,425	1,269,756	1,269,756	-	382,000	382,000		-69.9%
	Sewer Capital	-	-	2,166,854	10,363,532	9,584,532	20,373,700	13,559,776	33,933,476		227.4%
	Harbor Capital	-	20,330	95,281	345,576	25,000	250,000	422,052	672,052		94.5%
TOTAL Capital Projects		\$ 22,628	\$ 773,162	\$ 3,783,618	\$ 14,901,194	\$ 12,147,833	\$ 21,687,155	\$ 15,327,243	\$ 37,014,398		148.4%
Total Fund Revenues, Transfers-In and Capital		\$ 38,968,719	\$ 36,661,518	\$ 42,501,887	\$ 64,865,499	\$ 61,512,560	\$ 58,670,580	\$ 31,720,949	\$ 90,391,529		39.4%

TOTAL CITY REVENUES BY FUND



FY 2019/20 Revenues By Fund

	2015/16 Actuals	2016/17 Actuals	2017/18 Actuals	2018/19 Adopted	2018/19 Estimated	2019/20 Proposed	% of Total
General Fund	\$ 13,147,471	\$ 13,934,247	\$ 14,578,010	\$ 14,750,150	\$ 14,384,862	\$ 14,840,224	16.4%
Special Revenue Funds	1,819,372	2,054,104	1,998,563	2,472,656	2,445,018	2,000,322	2.2%
Other Revenue Funds	4,163,501	1,592,997	2,199,222	1,645,333	2,094,528	1,493,220	1.7%
Enterprise Funds	17,171,041	15,249,661	17,954,418	28,834,010	27,914,043	32,814,265	36.3%
Internal Service Funds	2,667,334	3,057,347	1,988,056	2,262,156	2,526,276	2,229,100	2.5%
Capital Projects	22,628	773,162	3,783,618	14,901,194	12,147,833	37,014,398	40.9%
Total Rev & Transfers In	\$ 38,991,347	\$ 36,661,518	\$ 42,501,887	\$ 64,865,499	\$ 61,512,560	\$ 90,391,529	60.0%

CITY REVENUE HISTORICAL TREND

(Includes Transfers In)

FY	Total	Status
2015/16	38,991,347	Actuals
2016/17	36,661,518	Actuals
2017/18	42,501,887	Actuals
2018/19	61,512,560	Estimated
2019/20	90,391,529	Projected

