



**CITY OF MORRO BAY**  
**Notice of Special Joint Meeting of the**  
**City Council and Citizens Finance Advisory Committee**  
**Agenda**

Tuesday, April 21, 2026, 3:30 p.m.

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

Public Participation

Public participation is offered in the following ways:

- Community members may attend the meeting in person at the Morro Bay Veterans Hall.
- Alternatively, members of the public may watch the meeting and speak during general Public Comment or on a specific agenda item by logging into the Zoom webinar using the information provided below. Please use the "raise hand" feature to indicate your desire to provide public comment.
- Zoom webinar link: <https://us02web.zoom.us/j/82429164990>
- Or Telephone Attendee: 1 (669) 444-9171 or 1 (669) 900-9128 or 1 (346) 248-7799; Webinar ID: 824 2916 4990. Press \*9 to raise hand for public comment.
- Meetings are also livestreamed on the City's [website](#).
- Community Members are encouraged to submit agenda correspondence via email to the City Council at [council@morrobayca.gov](mailto:council@morrobayca.gov) prior to the meeting. Agenda correspondence received by 10:00 a.m. on the meeting day will be posted on the City website.

Pages

1. ESTABLISH QUORUM AND CALL TO ORDER

2. PUBLIC COMMENT FOR ITEMS ON THE AGENDA

3. SPECIAL MEETING AGENDA ITEMS

3.a **Review 2026 Workplan:**

- Subcommittee Update - Revenue Policy
- Subcommittee Update - Measure Q/E Accounting and Reporting

Recommended Action

Staff recommends the City Council and Citizens Oversight/Finance Advisory Committee (CFAC):

1. Receive and file review of City Council-assigned 2026 Workplan;
2. Discuss potential additional assignments.

3.b **Fiscal Year 2026-27 Measure Q/E Budget Requests**

Recommended Action

Staff recommends the City Council and Citizens Oversight/Finance Advisory

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Committee review Fiscal Year (FY) 2026-27 Measure Q/E Budget Requests and provide feedback to staff.

4. **ADJOURNMENT**

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, 595 Harbor Street, Morro Bay, CA 93442 for any revisions or call the Clerk's office at (805) 772-6205 for further information.

Materials related to an item on this agenda submitted to the City Council after distribution of the agenda packet are available for public inspection upon request by calling the City Clerk's office at (805) 772-6205.

In compliance with the Americans Disability Act, if you need special assistance to participate in a City meeting, please contact the Clerk's office 24 hours prior to the meeting to insure reasonable arrangements can be made to provide accessibility to the meeting.



AGENDA NO: 3a

MEETING DATE: April 21, 2026

# Staff Report

**TO:** CFAC Chair and Committee Members

**DATE:** April 14, 2026

**FROM:** John Craig, City Manager  
Emily Conrad, Finance Director

**SUBJECT:** Review 2026 Workplan:  
• Subcommittee Update – Revenue Policy  
• Subcommittee Update – Measure Q/E Accounting and Reporting

## **RECOMMENDED ACTION**

Staff recommends the City Council and Citizens Oversight/Finance Advisory Committee (CFAC):

1. Receive and file review of City Council-assigned 2026 Workplan;
2. Discuss potential additional assignments.

## **BACKGROUND**

Consistent with the Advisory Body Handbook, CFAC’s purpose is to provide citizen input to the City Council regarding specified financial policy issues such as City budgets or other items designated by City Council. Additionally, the Committee’s role is to help promote citizen participation with, and understanding of, governmental financial information and process. The CFAC’s duties include special financial projects, as directed by the City Council, City Manager, or City Treasurer.

On October 21, 2025, a joint City Council-CFAC meeting was held in lieu of the regular CFAC meeting. At this meeting, potential special assignments for the committee were discussed. Based on that discussion, CFAC’s 2026 Workplan was determined.

## **DISCUSSION**

Following a thorough discussion, City Council, CFAC, and staff agreed on two special assignments for 2026:

- Revenue Policy Review and Revision
- Measure Q/E Accounting and Reporting

At the regular meeting on February 17, 2026, CFAC established two subcommittees, one for each of the special assignments.

Members Branin and Beckman were appointed to the subcommittee to review the revenue policy and make recommendations to City Council. The initial task was identified as meeting with City Council members to identify the scope of the issue and then develop and bring a work program and timeline back to the next available meeting for CFAC review and adoption.

Chair Peck and Member Johnson were appointed to the subcommittee to review and make

Prepared By: EC

Dept Review: EC

City Manager Review: JC

City Attorney Review: \_\_\_\_\_

recommendations to simplify Measure Q/E accounting and reporting. The initial task was identified as meeting with City staff to develop deliverables and timeline.

**ATTACHMENT(S)**

1. Subcommittee Workplan for Review of Measure Q/E Accounting & Reporting

## Work Program for Allocation/Expenditure Plan

In October, the City Council asked the CFAC to consider an alternative method of allocating Q/E revenues to simplify the accounting. In January City staff presented one option for simplifying the accounting and allocation of Q/E funds which was based on the number of positions. Following that meeting in late January, in CFAC's annual report to Council, CFAC expressed its support for any efforts to be more cost effective in the administration of the Q/E revenues, subject to the requirement that any modification of the accounting enable the City to efficiently report the expenditures, uses and activities funded from the Q/E revenues received in the current and prior fiscal years.

CFAC stated that a longer term "allocation plan" is a good idea. An allocation methodology should be developed based on a historical review of Q/E expenditures, Q/E revenue projections, projections of future departmental and capital needs, and robust public participation and CFAC review. It also recommended that this change result in a more formalized and consistent method of reporting "activities funded" from Q/E funds, and that the annual reports be more simplified, approachable and transparent presentation of the material to the public.

A multi-year allocation plan would enable the city to anticipate and budget for activities that need to spread over multiple years, identify changes in departmental needs, identify capital improvements that would be and won't be funded by this revenue source, and develop a consensus around the current and future use of such funds. It would also address authorized activities that have not been funded in the past.

Virtually all cities in the County now have some form of special sales tax measures, and there are varying levels of longer-term planning, various types of reporting and various levels of "oversight". There are undoubtedly best practices that can be adopted from others.

Also, as the history and context of Measure Q and E get farther away in the rear-view mirror, there is a varying degree of institutional knowledge about what the funds "can" and "can't" be used for, and the legislative intent. Are there two measures (Q and E), or one measure (E replaced Q)? Are portion of the funds from the Q 0.5% to be applied to Q activities and the 1% from Measure E to be applied to Measure E activities, is there one composite list of activities? This work effort can review that history and answer these questions.

The final product of the effort would be a multi-year "allocation plan" or "expenditure plan" for Q/E funds that would be categorized by the activities authorized by the voters when Q and E were approved. A multi-year allocation plan would take

some concentrated effort now (including this study and report), but would simplify reporting and accounting during the term of the plan.

As with the Revenue Policy Review, this effort will require the formation of a subcommittee to work between the meetings and develop work products.

### **Suggested Work Program**

1. Meet with staff to review “accounting” and reporting issues. Identify current systems used to track activities, and potential systems needed.
2. Review legislative history of Q and E, including adopted ordinances and resolutions directing how the funds are to be used.
3. Summarize Q and E expenditures by activity since adoption of Measure Q to the current year. Identify percentages of Q/E funds spent on each activity and note changes and trends. Identify areas where there has been limited expenditures and activities in categories not explicitly set forth in the ballot measures.
4. Identify the types of expenditures that fall into each defined activity.
5. Identify trends and needs for each activity by department; recommend initial allocations by activity and by department. Identify extent of revenues to be programmed over the plan term, the amount of “contingency” to be reserved to be allocated to special needs, and the amount and type of capital to be funded from Q/E.
6. Identify methods to track usage of Q and E revenues when expensed or budgeted over multiple years.
7. Complete a report for the City Council.

### **Timeline and Schedule**

City staff has expressed some urgency of completing this task to possibly apply it to the 2026/27 budget document. That seems unlikely, given the extent of staff help and support that will be necessary, and the need to go through this in a deliberative manner with appropriate opportunities for departmental comment, and for public input. The following is recommended for Committee review and comment:

#### **May Meeting (May 19<sup>th</sup>; report due for packet on May 13<sup>th</sup>)**

1. Meet with staff to review “accounting” and reporting issues. Identify current systems used to track activities, and potential systems needed.

2. Review legislative history of Q and E, including adopted ordinances and resolutions directing how the funds are to be used.
3. Review oversight methods used by other communities.
4. Identify the types of expenditures that fall into each defined activity.
5. Summarize Q and E expenditures by activity since adoption of Measure Q to the current year. Identify percentages of Q/E funds spent on each activity and note changes and trends. Identify areas where there has been limited expenditures and activities in categories not explicitly set forth in the ballot measures.

August Meeting (August 18th; report due for packet on August 12th)

1. Identify trends and needs for each activity by department; recommend initial allocations by activity and by department. Identify extent of revenues to be programmed over the plan term, the amount of “contingency” to be reserved to be allocated to special needs, and the amount and type of capital to be funded from Q/E.
2. Identify methods to track usage of Q and E revenues when expensed or budgeted over multiple years.
3. Public review and comment on draft allocations and methodology.

October Meeting (October 20<sup>th</sup>; agenda report due October 14<sup>th</sup>)

1. Identify final recommended trends and needs for each activity by department; recommend allocations by activity and by department. Identify extent of revenues to be programmed over the plan term, the amount of “contingency” to be reserved to be allocated to special needs, and the amount and type of capital to be funded from Q/E.
2. Identify methods to track usage of Q and E revenues when expensed or budgeted over multiple years. Need for additional systems.
3. Recommend annual, simplified reporting format.
4. Complete report for the City Council.



AGENDA NO: 3.b

MEETING DATE: April 21, 2026

# Staff Report

**TO: CFAC Chair and Committee Members**

**DATE: April 16, 2026**

**FROM: John Craig, City Manager  
Emily Conrad, Finance Director**

**SUBJECT: Fiscal Year 2026-27 Measure Q/E Budget Requests**

## **RECOMMENDED ACTION**

Staff recommends the City Council and Citizens Oversight/Finance Advisory Committee review Fiscal Year (FY) 2026-27 Measure Q/E Budget Requests and provide feedback to staff.

## **BACKGROUND**

The Citizens' Oversight Committee was established in accordance with the passage of Measures Q and E. The responsibilities of the committee are to review revenues and expenditures of Measure Q/E semi-annually to ensure expenditures align with the activities intended to be funded with the specific revenue source, and to present findings and conclusions to City Council within eight months of fiscal year end.

The Citizens' Oversight Committee also acts in the capacity of a Citizens' Finance Advisory Committee (CFAC) and as such, per the scope of work outlined in the [Advisory Body Handbook](#) (page 35), the City Council invites CFAC input on the Measure Q/E Proposed Budget and the broader Citywide budget as time permits.

At the February 24, 2026 City Council meeting, City Council requested a joint City Council-CFAC meeting to be held in April 2026 to review budget requests and potentially make changes to those requests, as this timeline would allow staff the time to make adjustments to the draft budget prior to the annual budget workshop in May. Subsequent discussions prior to the meeting date clarified the focus was Measure Q/E budget requests.

On April 13, 2021 by 5-0 vote, City Council directed staff to allocate Measure Q/E revenues to four principles (activities):

1. Maintain public safety services by funding staff positions that are most closely aligned with the purposes of the Measures Q and E. Expenses include costs associated with Morro Bay Fire Department, Morro Bay Police Department, and Morro Bay Harbor Department personnel and equipment, in addition to the Fire Headquarter Debt service and the Fire engine loan repayment.

Prepared By: EC

Dept Review: EC

City Manager Review: JC

City Attorney Review: \_\_\_\_\_

2. Maintain or enhance 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.

Budget requests have been categorized for presentation according to the above four principles/activities and are presented in the following section.

**DISCUSSION**

The Measure Q/E Fund's proposed revenue budget is \$4,505,000 for FY 2026-27, consistent with the actual tax revenues received in FY 2023-24 and FY 2024-25 and tax revenues projected for FY 2025-26. There is some indication revenues could exceed this estimate, however, in consideration of current economic uncertainty and prior three years of actual receipts, staff finds it prudent to keep estimates flat at this time.

Measure Q/E budget requests total \$5,211,787 for FY 2026-27.

<b>1. Maintain Public Safety Services</b>	<b>\$2,546,642</b>
Maintain 24/7 Fire Department and Paramedic Services	\$1,021,707
Maintain 24/7 Police Department Services	\$991,936
Maintain 24/7 911 Emergency Response	\$533,000
<b>2. Maintain or Enhance Cleanliness and Safety of Public Spaces</b>	<b>\$988,922</b>
Public Space Cleanliness and Facility Maintenance	\$630,256
Waterfront Safety	\$173,666
Waterfront Maintenance	\$185,000
<b>3. Invest in Infrastructure and Equipment</b>	<b>\$1,676,223</b>
Infrastructure Maintenance	\$1,358,536
Equipment	\$317,687
<b>TOTAL: \$5,211,787</b>	

The FY 2026-27 Measure Q/E budget requests outlined above can be viewed in Attachment 1.

Spending at this level results in a structurally unbalanced budget, meaning anticipated revenues are insufficient to fund budget requests and utilization of remaining prior year revenues, or fund balance, in the amount of \$706,787, would be required. At the time of FY 2025-26 budget adoption, the ending fund balance at June 30, 2026 was estimated to be \$1,548,149, indicating the \$706,787 is available for budgeting in FY 2026-27. An alternative would be to reduce spending for FY 2026-27 down to the anticipated revenue amount.

**ATTACHMENT(S)**

1. FY 2026-27 Measure Q/E Budget Requests

## FY 2026-27 MEASURE Q/E BUDGET REQUESTS

### Maintain Public Safety Services 2,546,642

Maintain 24/7 Fire Department & Paramedic Services	
Fire Personnel	1,021,707
Maintain 24/7 Police Department Services	
Police Personnel	817,069
Safety Equipment Upkeep	52,487
Crime Reporting and Communications Software	46,220
County Contributions to Community Safety Services	76,160
Maintain 24/7 911 Emergency Response	
Dispatch Services	533,000

### Maintain or Enhance Cleanliness and Safety of Public Spaces 988,922

Public Space Cleanliness & Facility Maintenance	
Maintenance Personnel	380,256
Street Sweeping	125,000
Facility Maintenance	25,000
Cerrito Peak Fire Risk Reduction	100,000
Waterfront Safety	
Harbor Lifeguard Program	87,995
Harbor Patrol Reserve Program	85,671
Waterfront Maintenance	
Maintenance of Waterfront Areas	40,000
Disposal Contract	145,000

### Invest in Infrastructure and Equipment 1,676,223

Maintain and Replace Infrastructure and Equipment	
Project Management: Engineering Personnel	158,536
Pavement Management Contribution	1,000,000
Street Repair	200,000
Infrastructure Maintenance	
Police Radio Communications Upgrade Contribution	317,687

### Maintain Financial Health of the City -

No requests

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**TOTAL    5,211,787**

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