

FY 2024-25 Budget Adoption

Morro Bay City Council

Item 9.a
June 25, 2024





City Council Goals Foundation

PUBLIC INFRASTRUCTURE



ECONOMIC VITALITY



HOUSING HOMELESSNESS RESPONSE



COMMUNITY ENGAGEMENT





Budget Timeline

Feb 20
Midyear Budget
Presentation to
CFAC

Feb 27
Midyear
Budget &
Fiscal Update
to Council

Apr 17
PWAB
Review of
Capital
Projects

May 21
CFAC budget
review,
emphasis on
Measure E

May 28
Budget
Study
Session
#1

May 29
Budget
Study
Session
#2

June 25
Budget
Adoption



Actions for Budget Adoption

1. Adopt the Fiscal Year (FY) 2024-25 Operating and Capital Budgets
2. Approve the FY 2024-25, FY 2025-26, and FY 2026-27 Salary Schedules
3. Approve the Recreation Specialist and Assistant to the City Manager/Public Relations Manager Job Classifications
4. Readopt the City's Investment Policy
5. Set the FY 2024-25 GANN Appropriations Limit



1. Citywide Budget Adoption

- Authority to spend and to collect revenue
 - Expenditure budget totals \$60.6 million (net of transfers)
 - \$41.6 million for Operations
 - \$19 million for Capital Projects (net of transfers)
 - Revenue budget totals \$50.3 million (net of transfers)
 - Difference between revenues and expenditures comes from available fund balance to fund one-time capital needs and pension trust contributions
- Authority to carry forward unspent CIP budget and to complete transfers as required by adopted reserve policies



1. Citywide Budget Adoption (cont)

- Budget changes from Proposed Budget presented at Budget Study sessions
 - Personnel Costs: Updated costs to align with revised salary schedule
 - Added \$1 million to Annual Pavement Management Program, plus CFAC recommended Measure E contributions
 - Decreased Chamber of Commerce Contract
 - Added revenue and expenditure budget to reflect Visit Morro Bay's donation to the City's 60th Anniversary celebrations
 - Other non-substantive corrections and updates



1. Citywide Budget Adoption (cont)

- Added carryforward budget in Measure E for the Standards of Cover Study in-progress (approved in the FY 2023-24 budget)
- Decreased the Water Operating Fund budget for water and electricity costs, more in line with actuals
- Added budget for Utility Discount Program (equal to prior year)
- Added ARPA-funded Community Grants and Professional Goals Facilitator to City Council budget
- Updated IT Fund for needed software



2. FY25-FY27 Salary Schedules

- FY 2024-25, FY 2025-26, and FY 2026-27 salary schedules
 - Reflect 3-year tentative agreements approved by Council & built into budget
 - Reflect 3-year authorized increases for unrepresented groups



3. New Job Classifications

- Council approval is required for new job classifications
- One proposed new classification for Recreation (partially offset by part-time salary reduction)
 - Recreation Specialist – two positions converted from part-time to full-time (Aquatics and Kids Club)
- One proposed new classification for Assistant to the City Manager/Public Relations Manager (split between General Fund and Economic Development Fund)
- New positions are included in the Final FY 2024-25 Budget



4. Readopt City Investment Policy

- Annual review required by State law
- Minor change in policy: update changed position titles for Finance Director and Accounting Manager
- Consistent with State law and industry best practices
 - Outlines safety, liquidity, and yield as key objectives
 - Identifies positions permitted to invest funds
 - Identifies internal controls, standards of care
 - Outlines allowable investment types (governed by State law)
- All City fiscal policies are on the City's website and referenced and summarized in the budget document



5. Set GANN Limit

- Annual process required by State law
- Intent is to limit the appropriation of tax proceeds to limit the growth of tax-funded programs
- Figure is based on 1979 base year limit, adjusted for inflation since

FY 2024-25 GANN Limit & Projected Tax Revenue

- Legal limit for taxes we can collect & spend: \$35.6 million
- Projected tax revenues: \$17.7 million
- Well below the limit and consistent with State law (at 49.99% of limit)



Recommendation

1. Adopt Resolution No. 47-24 adopting the Fiscal Year FY 2024-25 Operating and Capital Budgets
2. Adopt Resolution No. 48-24 approving the FY 2024-25, FY 2025-26, and FY 2026-27 Salary Schedules
3. Adopt Resolution No. 49-24 approving Recreation Specialist and Assistant to the City Manager/Public Relations Manager Job Classifications
4. Adopt Resolution No. 50-24 readopting the City's Investment Policy
5. Adopt Resolution No. 51-24 setting the FY 2024-25 GANN Appropriations Limit at \$35,461,193

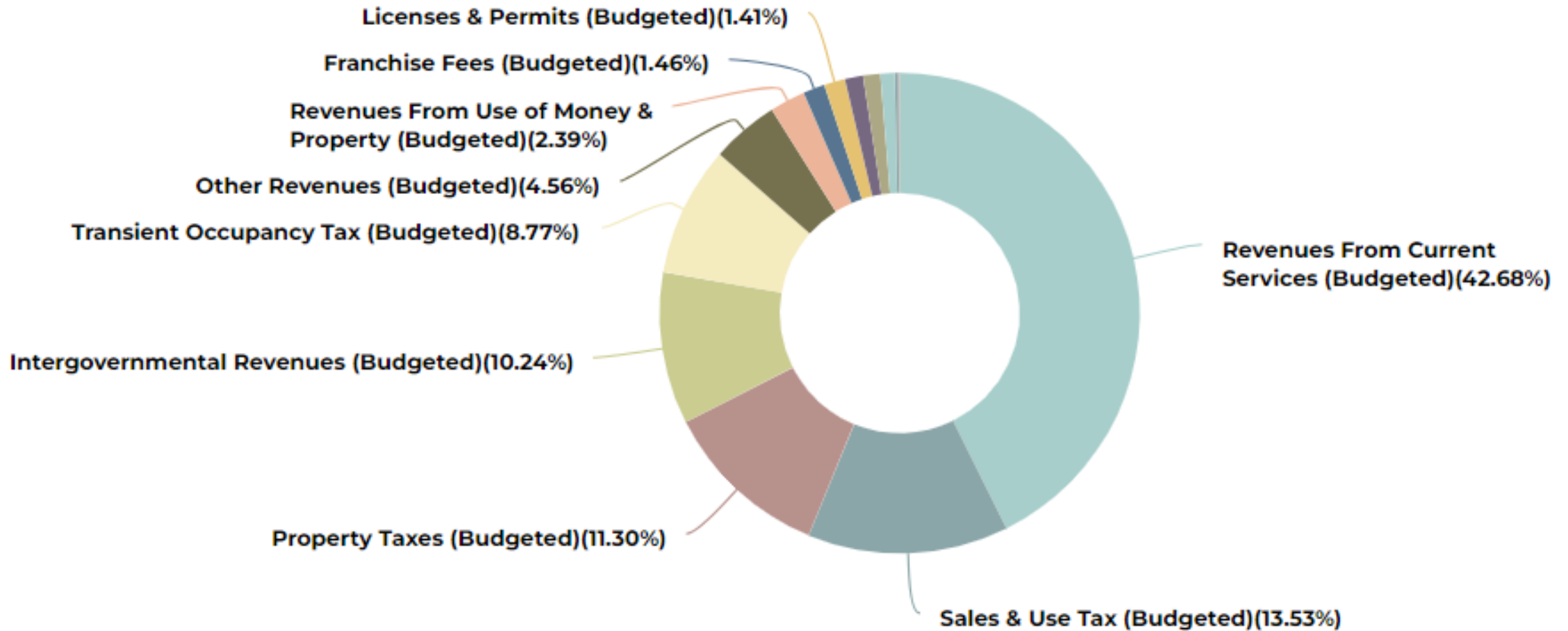


Presentation Outline

- Citywide Budget Summary
 - Departmental Goals/Objectives
 - Personnel Changes
 - Capital Projects
- Forecasts, Reserves, and Takeaways
- Discussion and Recommendation

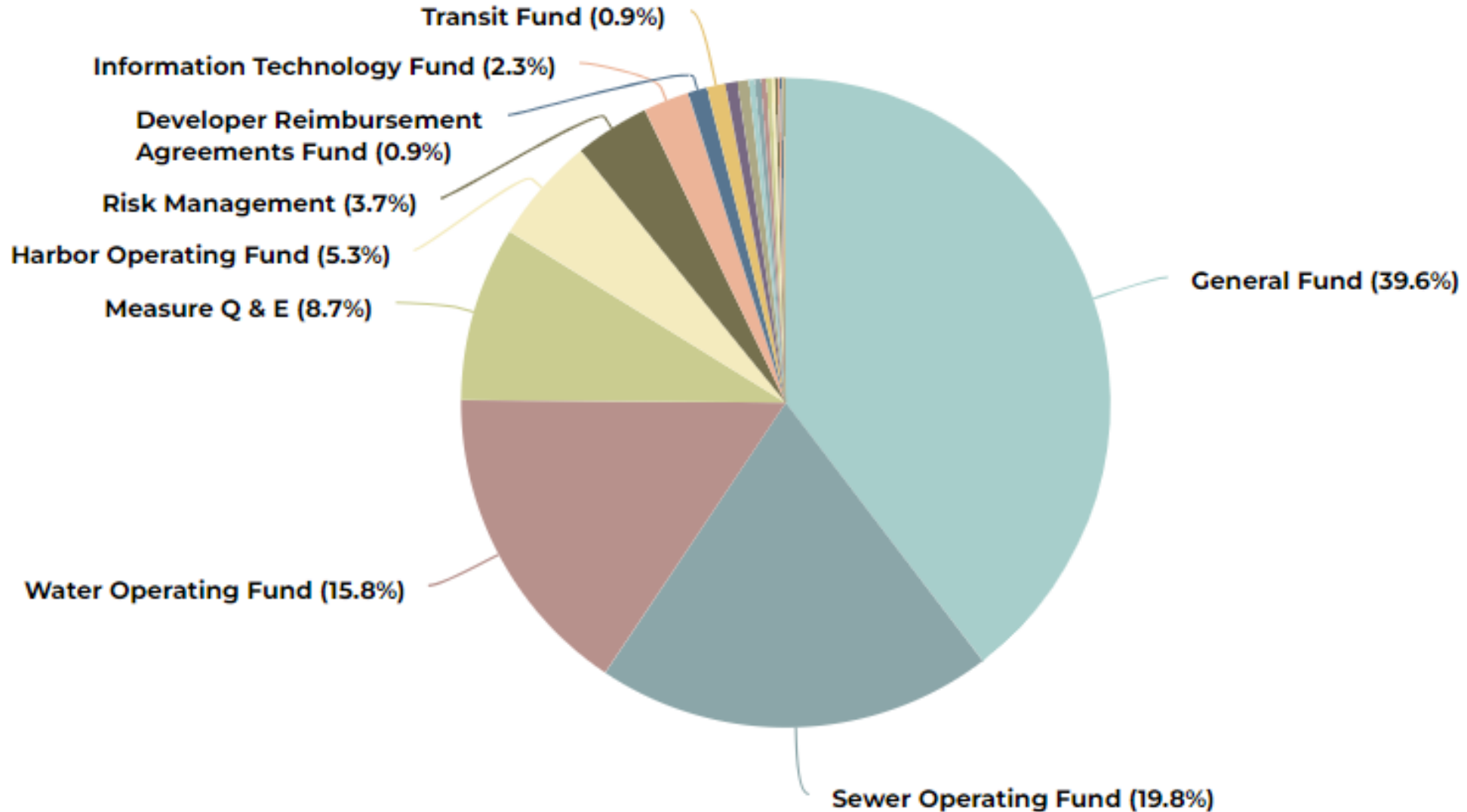


Citywide Revenue by Type



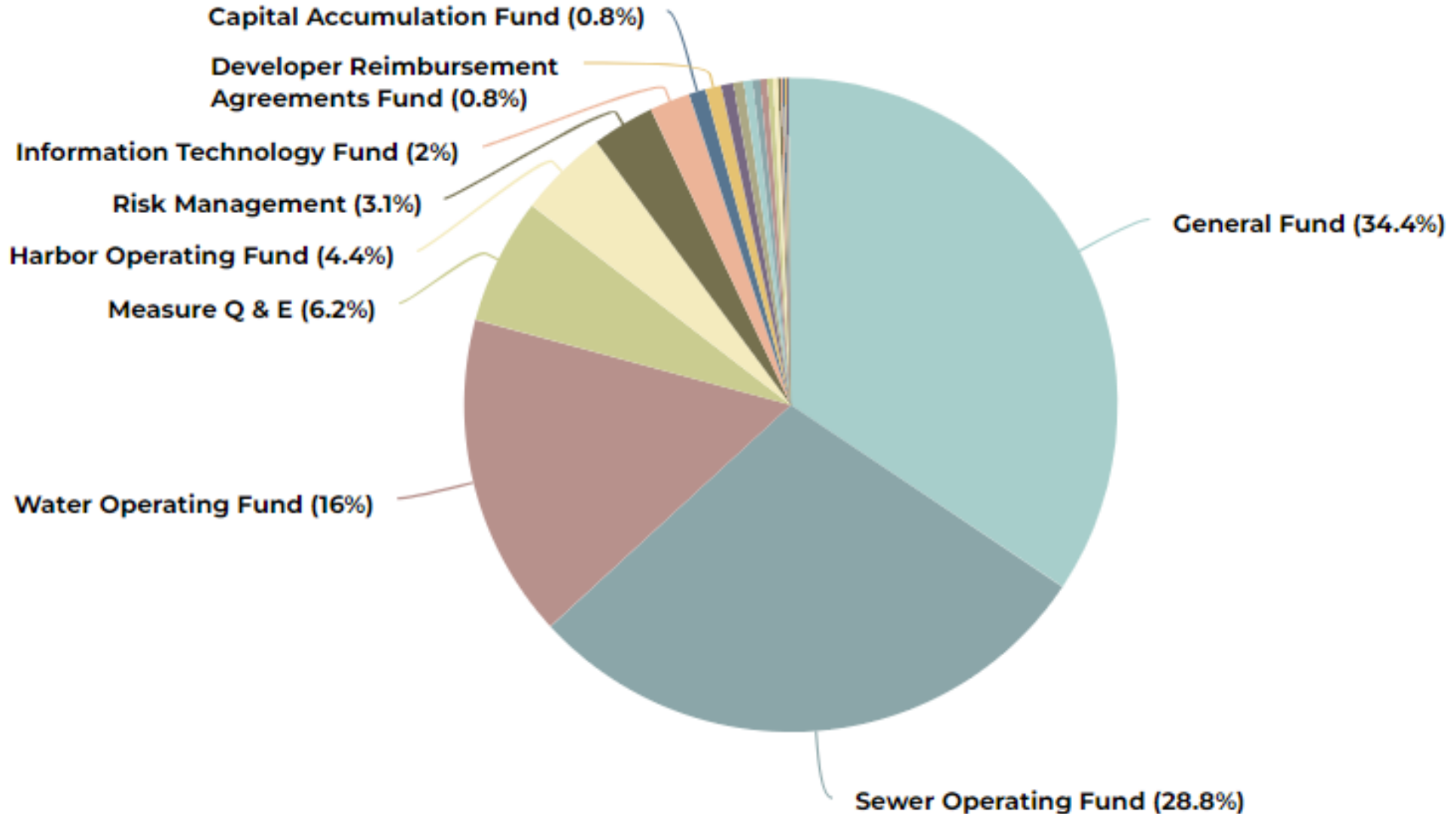


Citywide Operating Revenues by Fund



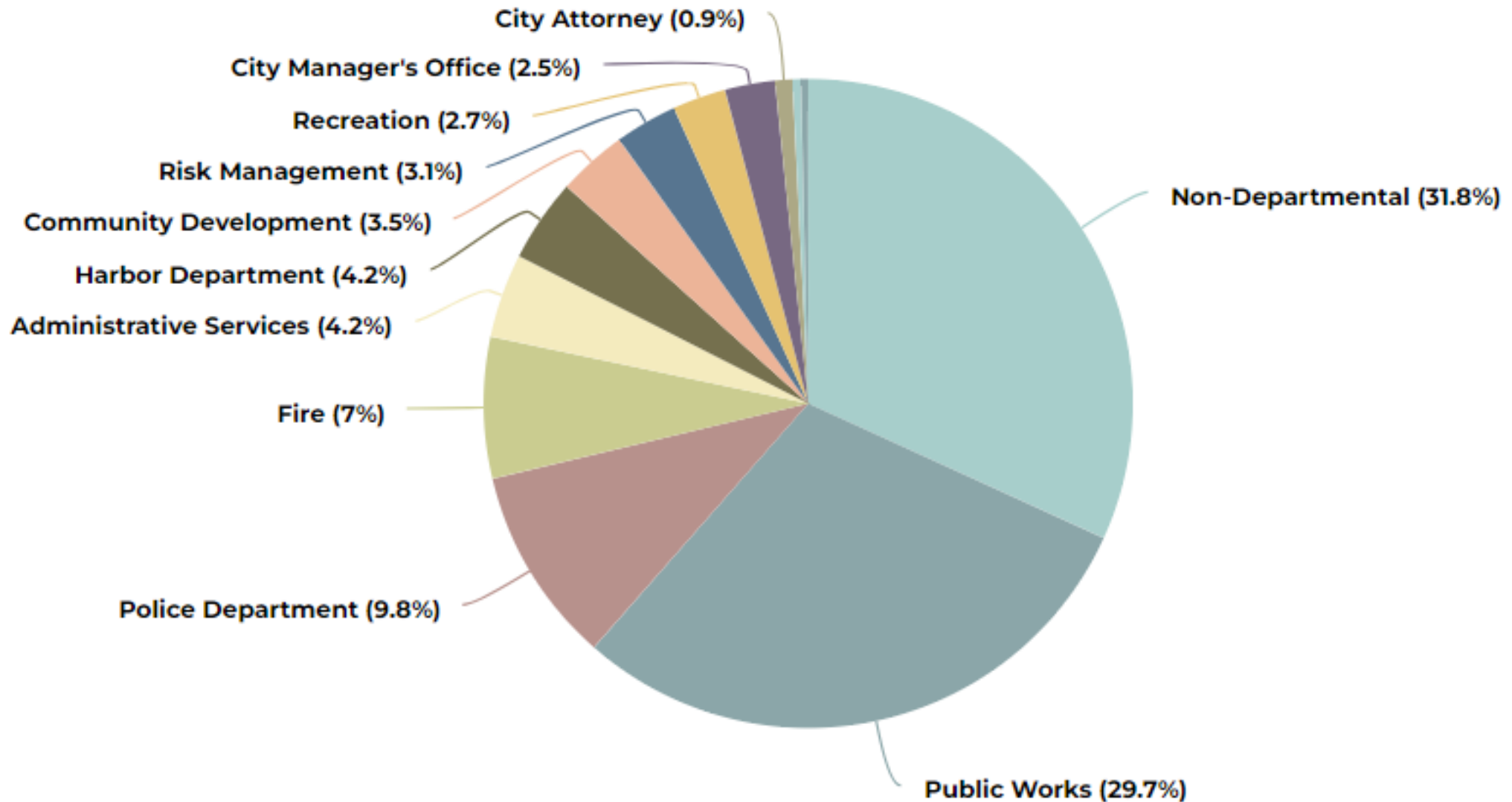


Citywide Operating Expenditures by Fund

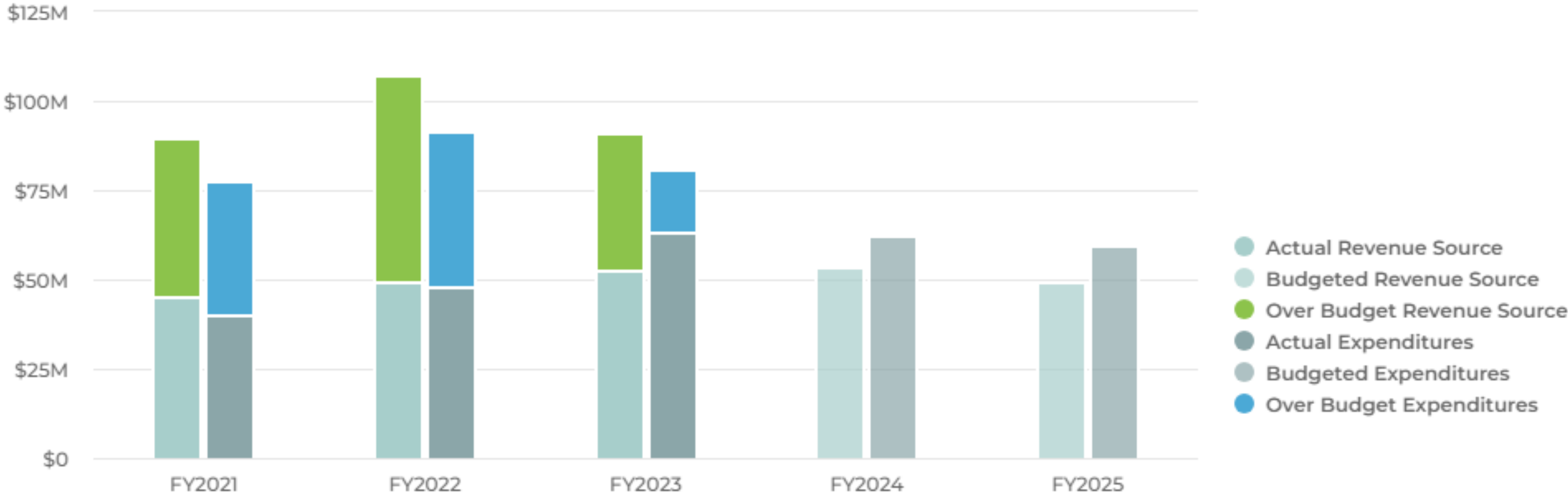




Expenditure Budget by Department



Citywide Operating Budget to Actuals



The City Budget at Work

Department Goals & Objectives

City Council

- Maintain Additional Community Grant funding of \$25,000 (\$60K total)
- New Council Orientation

City Manager's Office

- Expand team building and training opportunities for staff
- Enhance public outreach
- Onboard new Council

Administrative Services

- In-House Analysis:
 - Business License and TOT Service
 - Risk-Based Reserves
- Business Process Automation

Community Development

- Continue to Implement Short-Term Rental Ordinance
- Large Scale Projects
 - BESS
 - Offshore Wind

Fire Department

- Complete Standard of Cover Study/Community Risk Assessment
- Invest in Emergency Preparedness

Harbor Department

- Implement new revenue management system
- Continue work on Offshore Wind regional collaboration

Police Department

- Build community partnerships and connect resources to the unhoused
- Continue to promote Citizen engagement programs

Public Works

- Complete major pavement management contract in Fall 2024
- Begin Council Chambers Upgrade

Recreation Services

- Produce Community Activity Guide
- Support 60th Anniversary Celebration
- Continue to Enhance Community Events and Wellness Programs



Personnel Changes

Adding 4 full-time positions; 3 are conversions from PT to FT

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



Personnel Changes

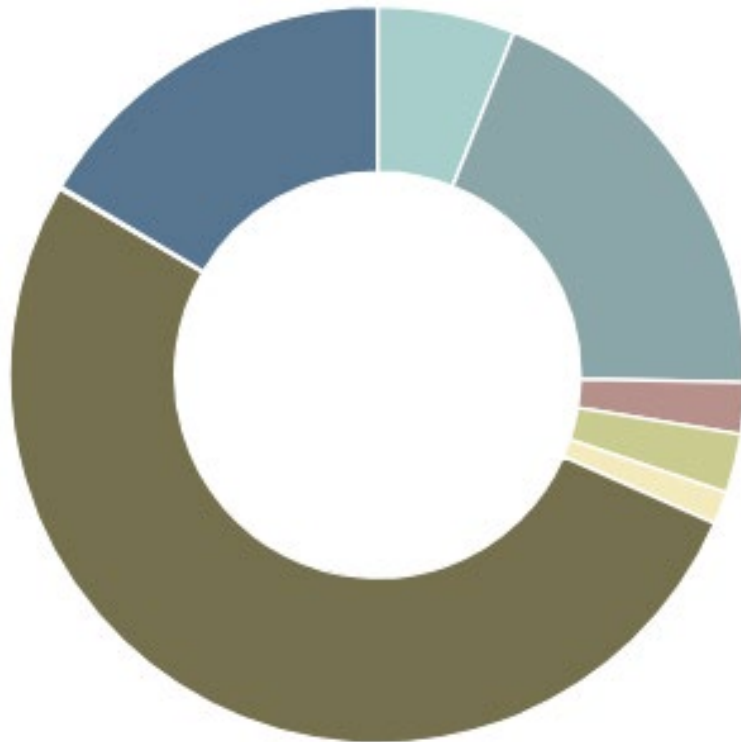
Reducing overall part-time FTE count by 1.7

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



Capital Projects: One-Year Plan

- Investing total of **\$19M** in critical infrastructure - **12 projects**

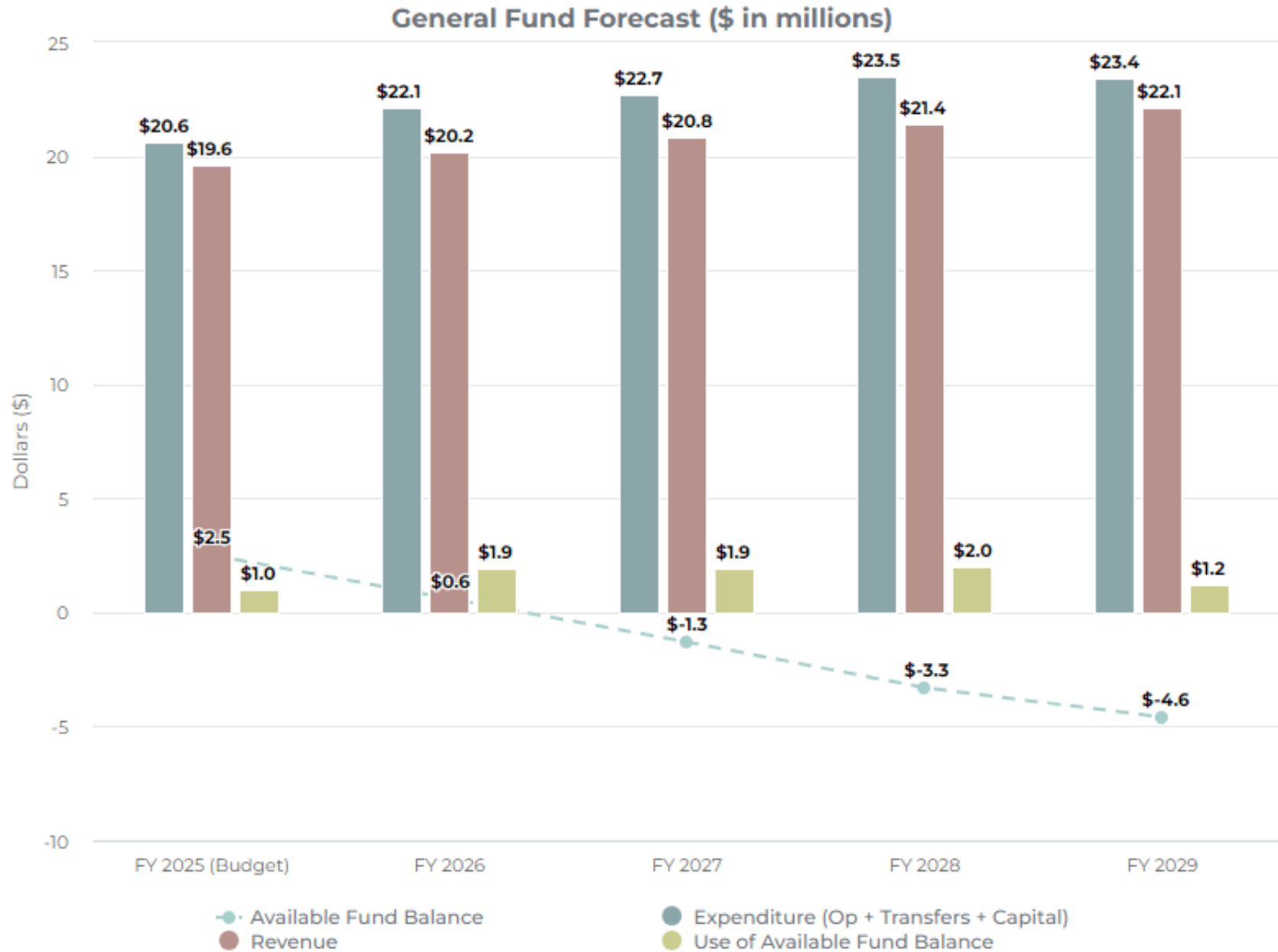


General Fund (6%)	\$1,150,000.00
Grant (19%)	\$3,668,324.00
Measure Q & E (2%)	\$430,000.00
Other (3%)	\$494,579.00
RMRA Funding (1%)	\$269,999.00
Sewer Fund (52%)	\$9,856,860.00
Transit Fund (0%)	\$19,200.00
Water Fund (16%)	\$3,133,115.00
TOTAL	\$19,022,077.00



Assumes

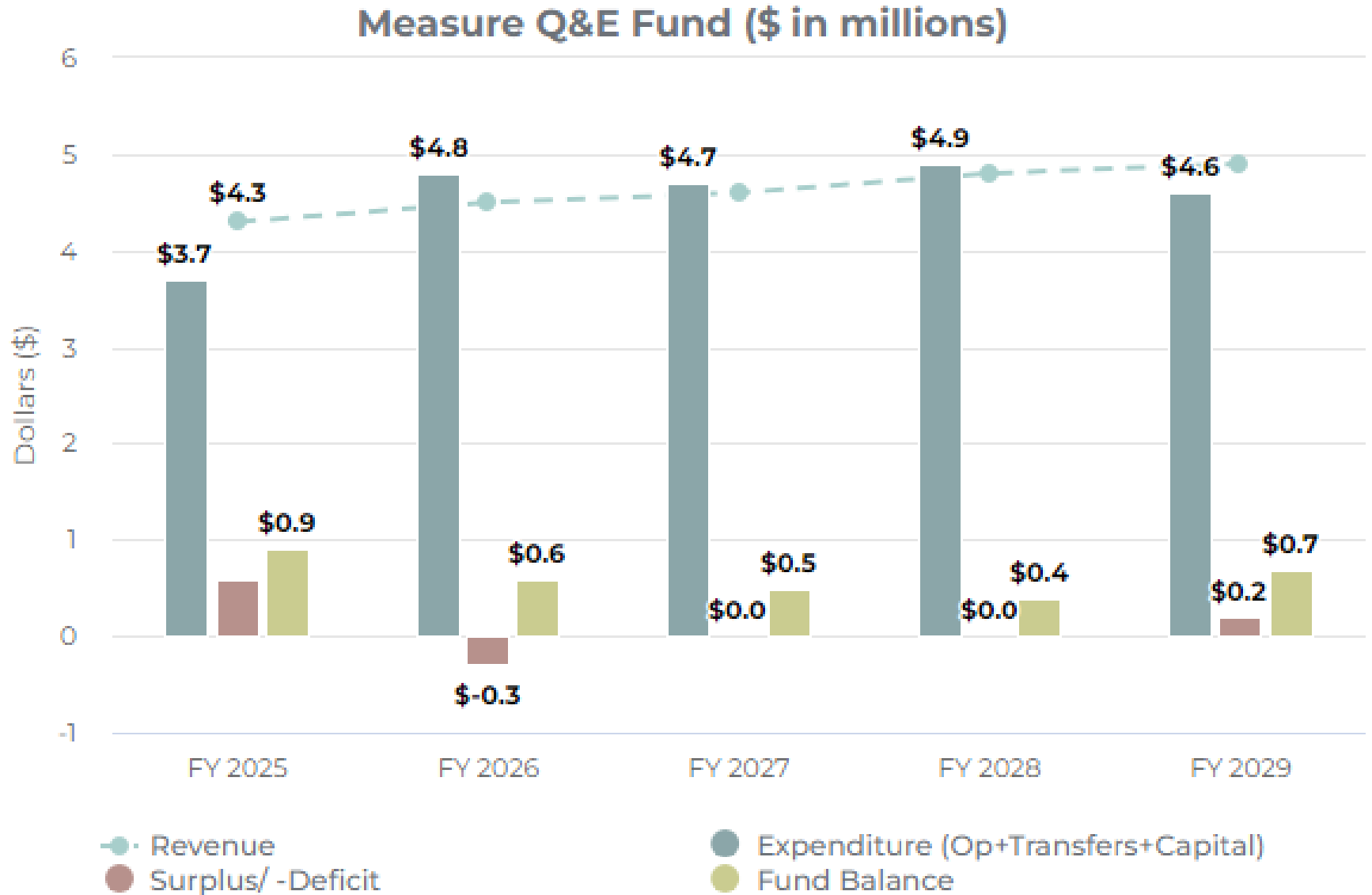
- 33% minimum reserves
- 3-5% expenditure increase
- 2-4% revenue increase
- COLAs/Equity Adjustments per tentative agreements





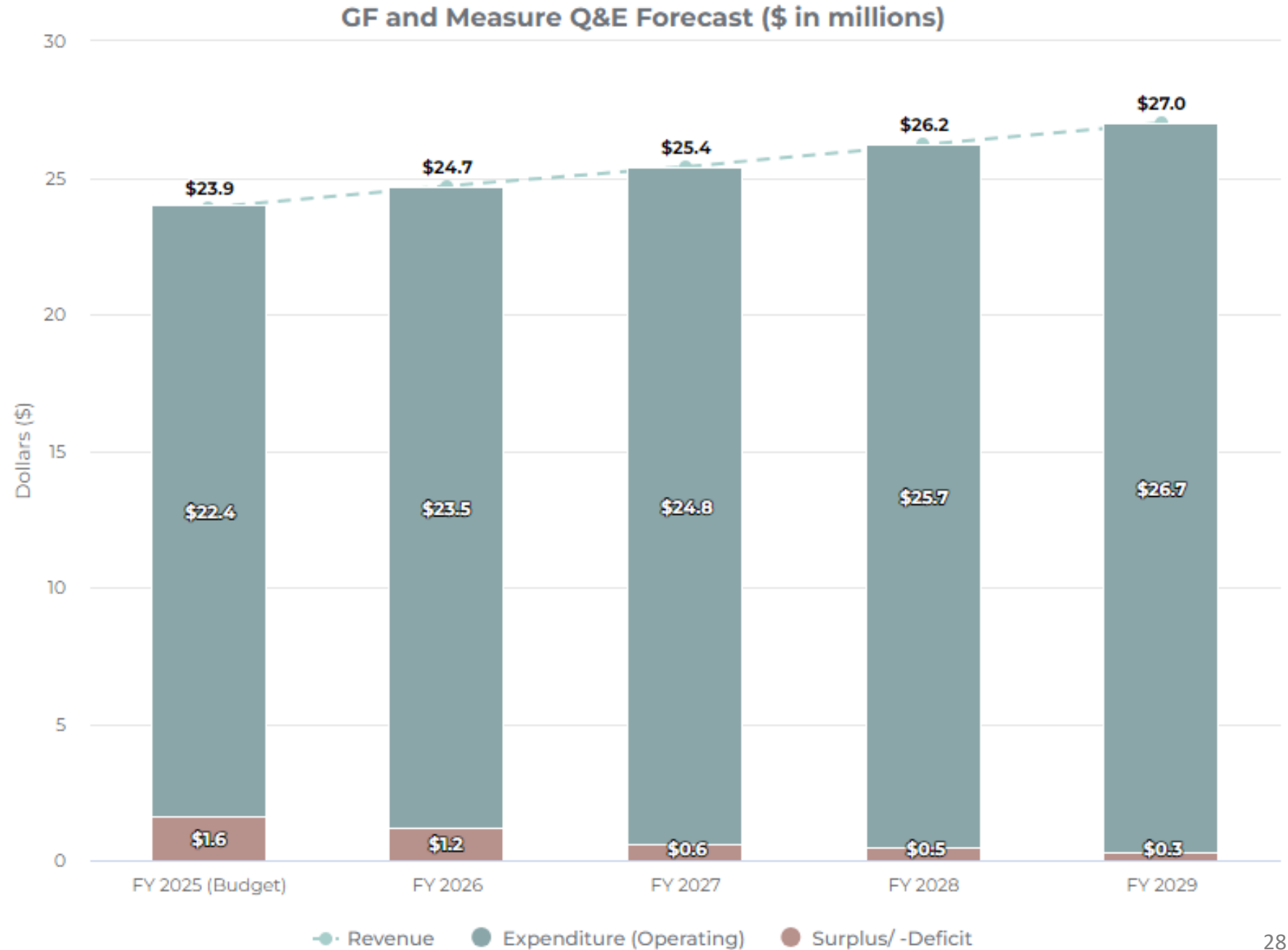
Assumes

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- 2-3% revenue increase
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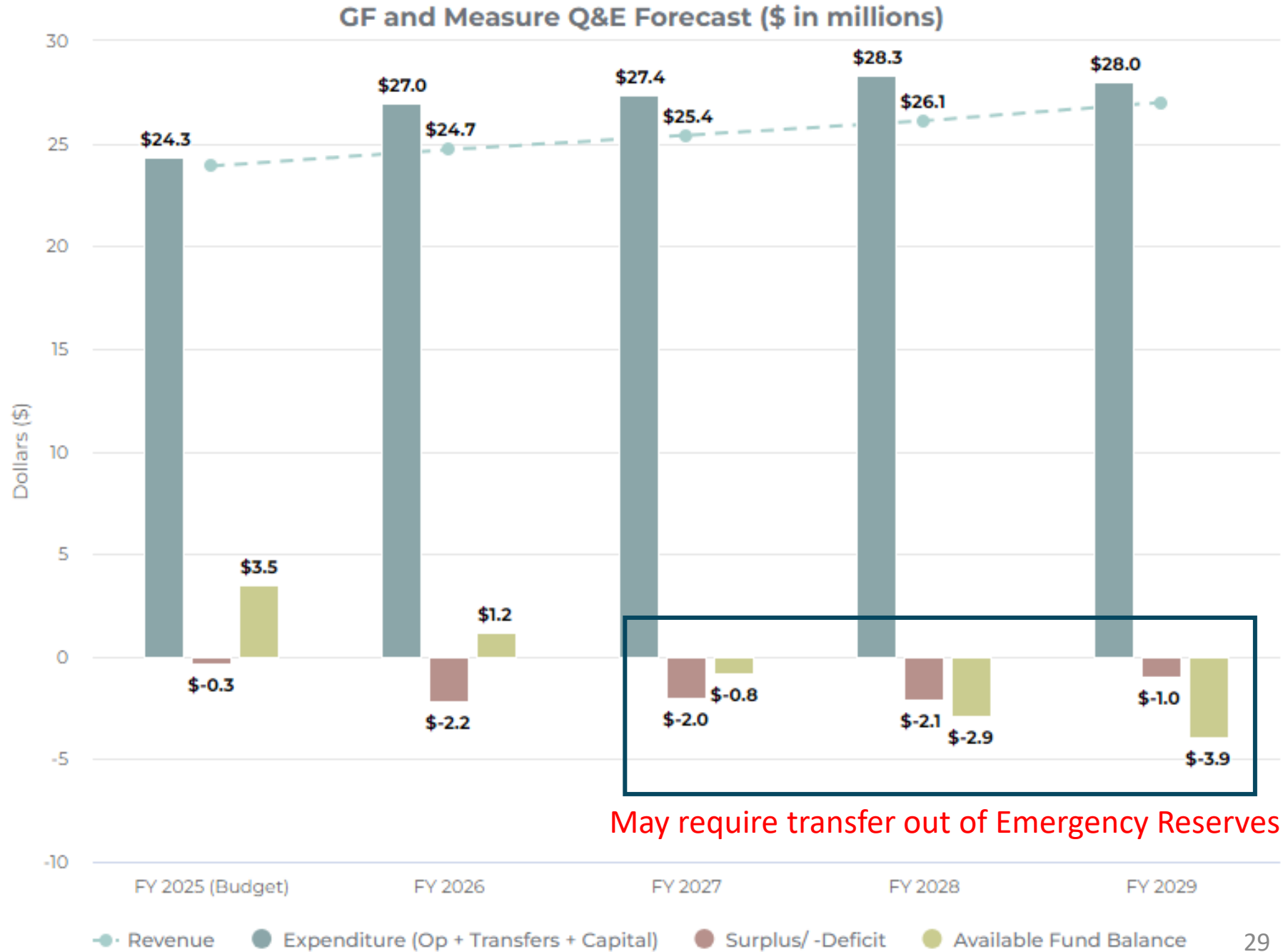


Declining but
positive
operating
balance



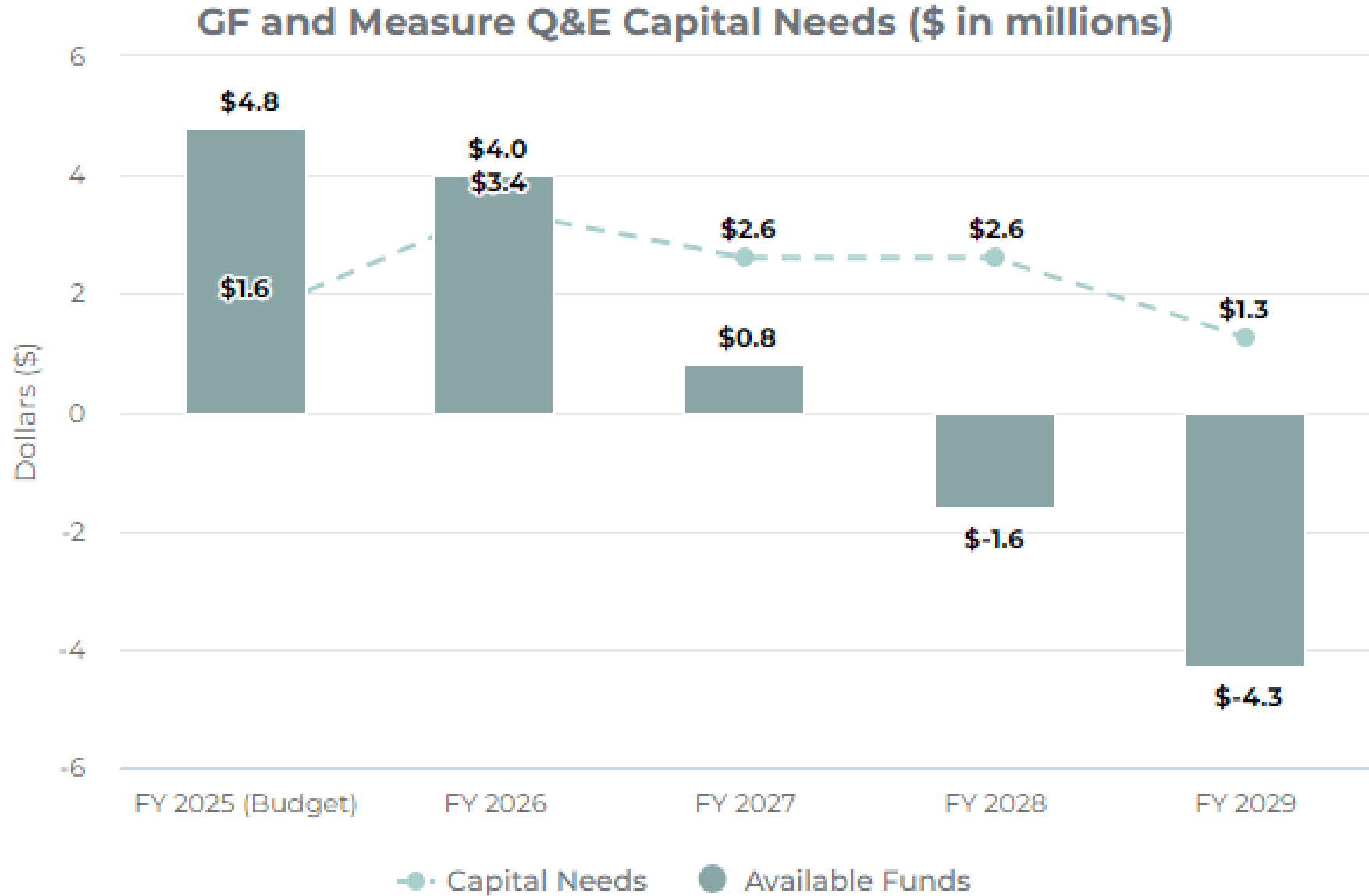


Combined operating, transfers, and capital costs are projected to exceed revenues and reduce reserves



Assumes

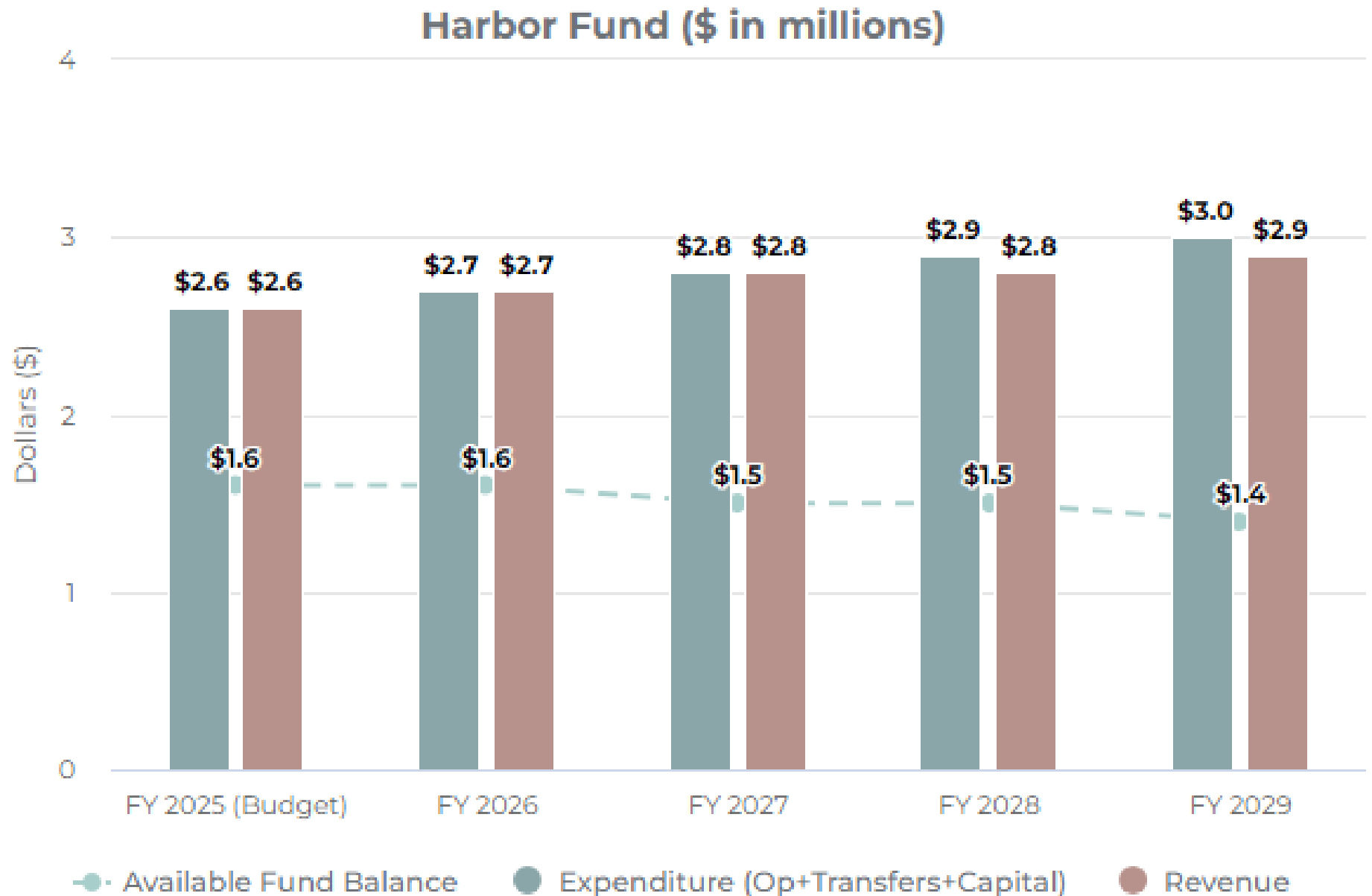
- \$1-3M in CIP spending each year
- 33% reserves





Assumes

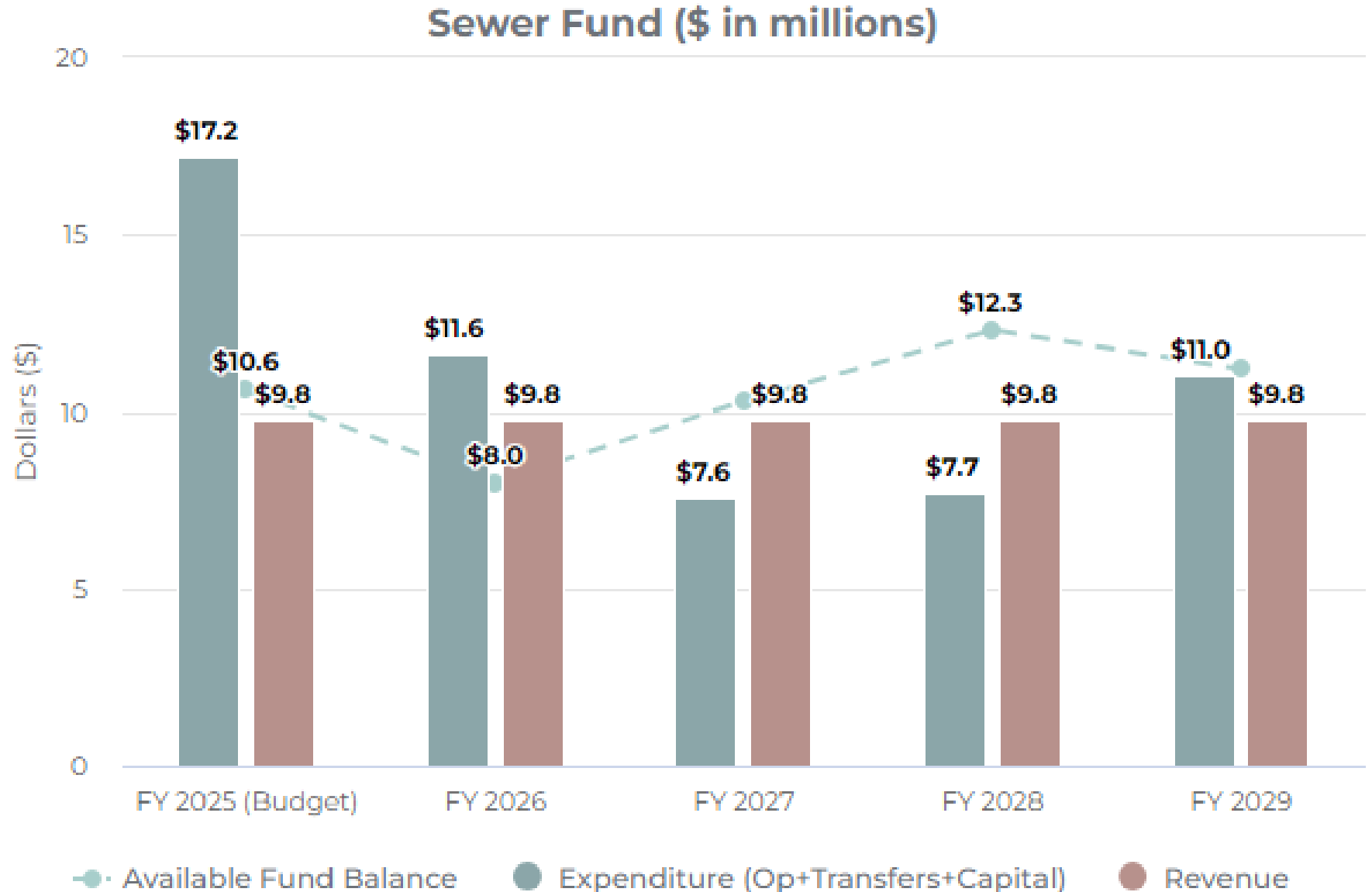
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Assumes

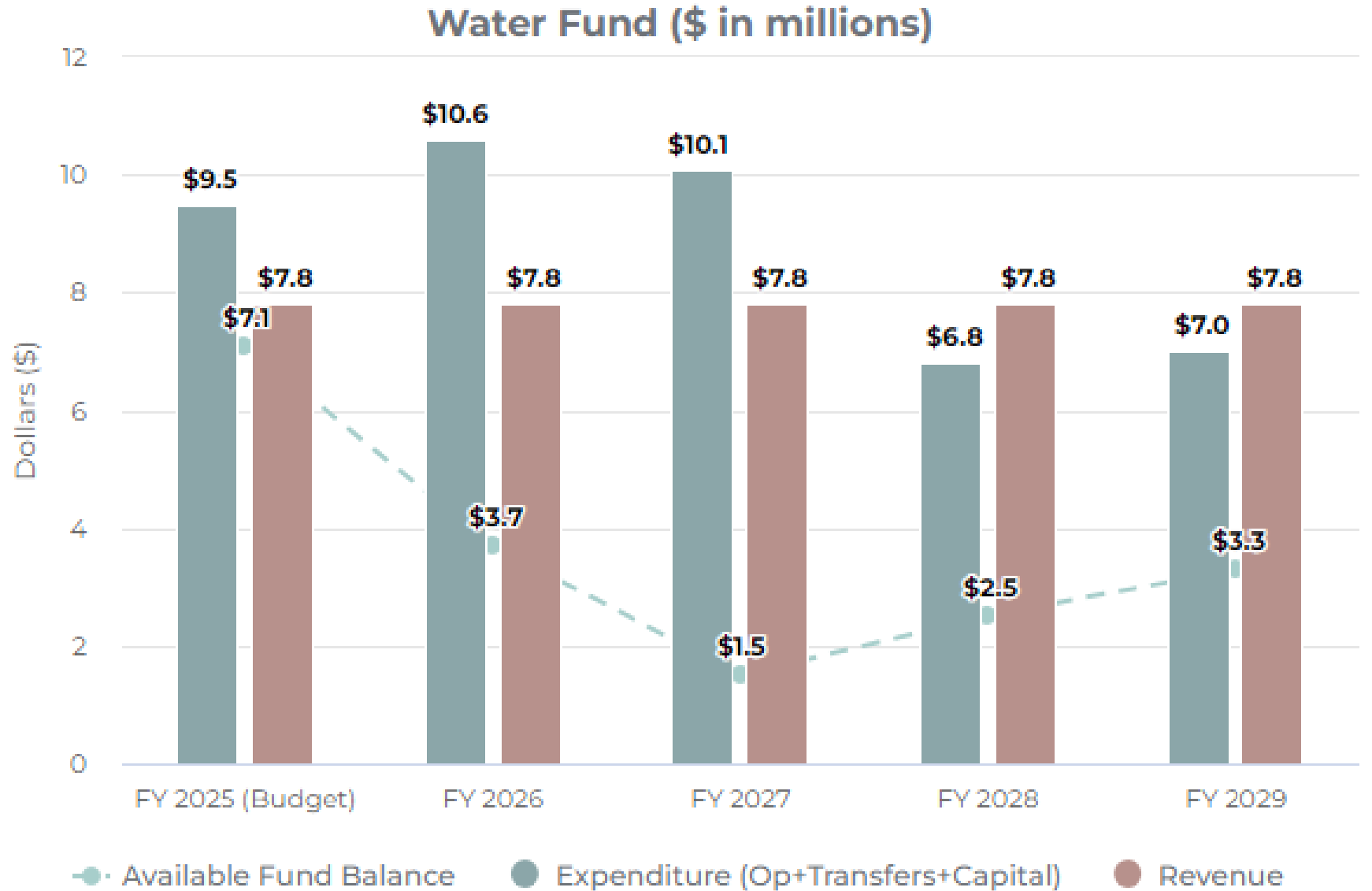
- 3% expenditure increase
- 0% revenue increase
- COLAs/Equity Adjustments per tentative agreements





Assumes

- 3% expenditure increase
- 0% revenue increase
- COLAs/Equity Adjustments per tentative agreements





Citywide Reserve Levels

General Fund (001) [includes Measure E Fund (003)]	\$3.9 million
General Government Compensable Leave Fund (005)	\$0.3 million
General Fund Vehicle Replacement Fund (050)	\$0.6 million
General Fund Emergency Reserve Fund (051)	\$7.2 million
General Fund Facility Maintenance Fund (052)	\$0.1 million
General Fund Capital Accumulation Fund (460)	\$0.1 million
Total General Fund Reserves Projected at FY 2023-24 Year-End	\$12.2 million
Risk Management Fund (minimum level)	\$0.7 million
Information Technology Fund (minimum level)	\$0.2 million
Water Fund (minimum level)	\$1.4 million
Sewer Fund (minimum level)	\$1.7 million
Harbor Fund (minimum level)	\$0.3 million
Citywide Estimated FY 2023-24 Year-End Reserves Total	\$16.5 million

Meets
General
Fund
Emergency
Reserve
Policy

Total
equates to
40% of the
Citywide
Operating
Budget



Key Budget Takeaways

Pandemic travel surge over (plateauing tax revenues)

Expenditure growth outpacing revenue growth (inflation)

Measure E helping maintain services, address some capital

Significant unfunded capital needs

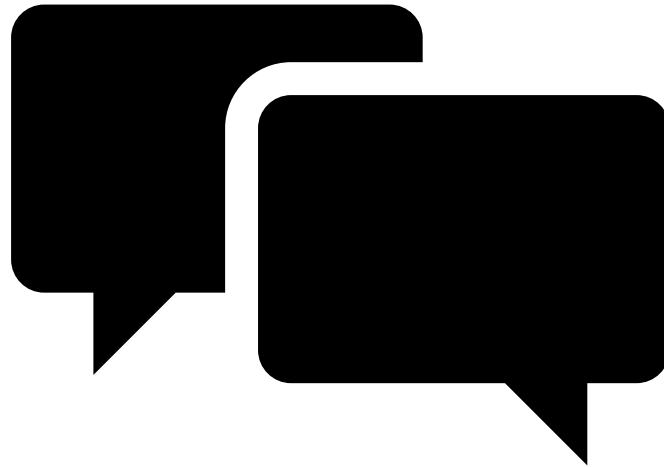
Ongoing revenues needed to support near & long-term CIP

Looming pension challenges

Decreasing reserves in out-years



Discussion





Recommendation

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