



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.

1. Maintain Public Safety Services	\$2,546,642
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
2. Maintain or Enhance Cleanliness and Safety of Public Spaces	\$988,922
Public Space Cleanliness and Facility Maintenance	\$630,256
Waterfront Safety	\$173,666
Waterfront Maintenance	\$185,000
3. Invest in Infrastructure and Equipment	\$1,676,223
Infrastructure Maintenance	\$1,358,536
Equipment	\$317,687
TOTAL: \$5,211,787	

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