AGENDA NO: I

MEETING DATE: June 28, 2018

THE FOLLOWING PUBLIC CORRESPONDENCE WAS RECEIVED BY THE CITY COUNCIL FOLLOWING POSTING OF THE AGENDA

Lori Kudzma

From: Bart Beckman
Sent: Sunday, June 24, 2018 6:26 PM
To: Lori Kudzma
Subject: Fwd: comments for Joint Meeting and Council Meeting
Attachments: Comments to the Joint Meeting on June 25 2018.docx

Please incl for Monday and Tuesday meetings

Sent from my iPhone

Begin forwarded message:

> **From:** Bart Beckman
> **Date:** June 24, 2018 at 11:44:29 AM PDT
> **To:** Barbara Spagnola <bspagnola@morrobayca.gov>, Jennifer Callaway <jcallaway@morrobayca.gov>, Scott Collins <scollins@morrobayca.gov>
> **Cc:** Council <council@morrobayca.gov>, Barry Branin , Jeffrey Heller
>
> **Subject: comments for Joint Meeting and Council Meeting**
>
> Barbara/Scott,
>
> Please include these comments/questions in the packet for Monday and Tuesday.
>
> I didn't know where to send them since Dana is on vacation.
>
> thanks
>
> See you in a few weeks.

June 26, 2018

Comments/Questions for June 25, 2018 Joint CFAC, WRFCAC, PWAB meeting

Submitted by Bart Beckman – Citizens Finance Advisory Committee member

I am unable to attend this meeting, which is unfortunate as I had suggested such a meeting at least 6 months ago – that recommendation was rejected at that time. Regardless, I am herewith attaching the comments/questions I would appreciate being addressed.

First, I would like to commend the Blue Ribbon Commission. While I may take some issue with aspects of the final product, those issues may very well be with staff. Clearly, the BRC put in A LOT OF WORK. And were very thorough. As Scott indicated, the City is very lucky to have such capable and dedicated citizens.

1. WIFIA Terms
   A 35-year term was used for this part of the debt calculation or 49% of the total loan required. It is requested that the values for the reduction in the monthly rate and the increase in total payments be made available to this joint meeting.

   In particular, I believe the CFAC should make a recommendation as to what term loan should be considered – we would be pushing these payments further down the road with the 35-year loan. If the monthly payment amount reduced is minimal, why then extend the loan for 5 more years.

   Why were the terms of this loan not spelled out in the distributed documents? Had I not heard somewhere this was being considered, I would not have known to inquire.
2. Capital Improvement Projects/Reserves – Comment only
   The $12 Million set aside for this is fully accounted for with the identified Projects. Thus, it should be noted that if Reserves are needed, then some of these CIPs will not be accomplished.

   I applaud that these issues will be reviewed on an annual basis, noting that the $16 Million in issues like this in the 2015 218 vote were almost totally ignored.
3. Sewer Line Repairs
   In providing the basis for why the Morro Bay Project seems proportionally more than Cayucos, the Project Manager said that a major reason for this was the large volume needed to be treated even with storms – up to 8 MGD. It is noted that his position on this changed to saying the design is based on average flow.

So, I am conflicted with these answers**. It seems logical that accelerated sewer line repairs could help strengthen our infrastructure which is greatly taxed with large rainfall.**

4. Operational Personnel

   Was the bid provided by the successful DB contract used for the costs associated with this expense item. It seemed as if the City was asked as to what the personnel would be – the Life Cycle Cost Study conducted in the selection process would have used the suggested personnel requirements in the bid documents.

   The reason I bring this up is that members of WRFCAC visited similar facilities and found they were almost totally automated. I do understand this is a sensitive union issue, but we must make tough decisions. I also get that one could argue if we actually need fewer personnel, we would have more Reserve funds, but I would not want to argue that myself.

5. Demolition

   Other than to keep the 218 under some potentially arbitrary number, this should be in the calculations. The discretionary funds are fully accounted for and more if Reserves are needed.

   I would vote for including demolition in the 218 OR clearly state that we know another 218 will be needed at least for this.

6. Future 218

   I am still a little unclear on the 218 meaning over time. We know that in year 6, rates will still be going up even with nothing else being done. I suggest the citizens should be advised of 218 votes in future years in clear terms.

7. Road

   Is the South Bay Boulevard road to the plant included in the costs? I recall I saw that somewhere as a separate CIP, but it is only needed for the WRF Project and thus should be included. I could not find detail to answer this question.

8. Quintana Road

   What allowances were included in the analysis that at the very least recognized the disruption to those businesses which bring in a lot of revenue to the City.

   And this is to say nothing of the concern that there is significant underground congestion in that area. A member of WRFCAC who was employed to lay the water pipes there suggests this is very problematic.

9. How is City engaging the community?

   The handout at the Saturday workshop misrepresented CFAC involvement. CFAC very specifically as a group decided against being involved in the financial review of this Project because WRFCAC already had a citizen financial review voice as a WRFCAC subcommittee. Yes, it is true that two members of CFAC were selected for the BRC, but not as CFAC members, but rather as knowledgeable citizens and to that end, they have their own separate bubble.

   And this Monday meeting would not in my opinion change that perception – virtually all discussions and decisions have been made. **Thus the CFAC "bubble" needs to be removed from any further representation of this Project.**

10. Proposed rate represents a 27.3% increase over the maximum rate approved by voters in 2015 While technically this is true, it is dis-ingenuine to depict this. The 2015 218 “vote” included $16 million of issues in addition to the base plant or the $75 Million. As noted by a BRC member, only $2 Million of this was spent as earlier prescribed. The other collected funds either went to a holding account or paid for the consultant studies.

    As an example, the 2015 rate increase included $3.5 Million for Automated Meters. That work was not done and is not planned to be done, yet the $3.5 Million is in the base from which the 27.3% was calculated and some of the other items are basically double counted such as line repairs.

    Please recalculate the true increase from the previous 218 authorized rate increases.

From: Lori Kudzma
Sent: Monday, June 25, 2018 8:49 AM
To:
Subject: RE: Letter for 6/26 meeting

Good morning, Ms. Anderson,
Is it your intent to submit this letter as agenda correspondence?
If so, upon your agreement, I believe it would be more appropriate to include this as agenda correspondence for the June 28th City Council Special Meeting, which has a WRF related item.

Sincerely,

Lori Kudzma
Legal Assistant/Deputy City Clerk
City of Morro Bay
595 Harbor Street | Morro Bay, CA 93442
Phone 805.772.6568
www.morrobayca.gov

From:
Sent: Sunday, June 24, 2018 11:04 AM
To: Council <council@morrobayca.gov>
Subject: Letter for 6/26 meeting

Dear City mgr, mayor and council,
Throughout this entire nightmare, I have tried to stay in the "middle" territory and although I have attended a few CAL meetings, I have also met with most of you. After over three hours at the meeting on Sat. The 23rd, I felt defeated. This thing is now a runaway train in my opinion. I spent a lot of time reading the pile of propaganda I picked up, from both sides, at the meeting. Both sides have misrepresented facts, in my opinion. The meeting was a lot of the history again and these meetings are always like this....on and on until the last hour when the real "meat" of the issue is finally addressed. The new rates were announced and they are not as bad as I had expected. The problem is that there was no explanation really about the cost that MIGHT go on the property taxes since that is still being decided. So, if you go in that direction, this presentation will CHANGE again and the utility bills will be different, only reflecting the 2015 scheduled increases. I urge you to keep it straightforward....keep it on the utility bills....I have told you all that people will LOSE THEIR HOMES if you put this on the property tax bills...I spoke with Jamie and he was talking about things being fair and making sure that the 20% of people who have second homes here, pay their fair share. He seemed to think that putting it on the property taxes would accomplish that. No offense to Jamie, but I feel that he is just complicating the issue....the $41 sewer fee will be paid either way....let's keep this thing SIMPLE and Clear for the

public. People will see that the utility bills are going up and then they will see that the property taxes are going up....if you choose to go that direction...and they will feel that they have been hit from all sides. Most people do not follow this thing; it appears to be the same people at every meeting with maybe one or two new citizens. Just to be clear, also , Scott has mentioned that the amount could go down with the yearly review...how do you handle that on property bills?   Finally, just to be crystal clear,   I feel that this project is being put at the WRONG location and the project is too LARGE for this small community....taking everything else aside...that is the BASIC FACT of the matter. But we are so deep into this thing that I suspect that there is NO GOING BACK. I would have much preferred the Hanson site or a location near the exisiting site....I would have hoped you would FIGHT for our community in regards to the CC and water board....I never heard a hard NO from them....I heard a firm MAYBE. We should have gone to them with a well planned project for a closer location and truly exhausted that avenue. Now we are stuck with this monster that may exceed the EPA's affordability index, regarding the rates.....not good...this is admitted in the blue ribbon committee report. In closing I again ask that you keep the new fees on the ulitity bills and NOT on the property taxes.....I realize that putting it on the property taxes is more of a guarantee of getting the money but again you will make it MORE CONFUSING for the public. Most of the people that I talk to just want this thing SETTLED...myself included. Sincerely, Patti Anderson

Sent from AOL Mobile Mail

Lori Kudzma

From: Linda Stedjee
Sent: Saturday, June 23, 2018 10:32 AM
To: Dana Swanson; Lori Kudzma; Laurie Goforth
Subject: Please include the attached document in the correspondence for the June 28, 2018 Special City Council meeting
Attachments: proposedrateincreases.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Hi,

Please include the attached in the June 28, 2018 meeting correspondence. Thank you.

Linda Stedjee

In 2015, the City assured residents that the water and sewer rate increases it proposed would cover the WRF project and other critical water and sewer infrastructure improvements. Residents accepted those increases. Now, just three years later, the City wants a lot more money.

There is good reason to suspect that the City is attempting to deceive and trick Morro Bay residents into approving new water and sewer rate increases by making false and misleading statements, and by concealing facts. Is that what happened in 2015? Or, did mismanagement waste tens of millions of taxpayer dollars? Or, is it "all of the above"?

Regarding the City's current attempt to raise rates – again - the rate increases suggested in the June 22, 2018 staff report certainly appear to have been set at artificially-low levels in an effort to get residents to accept them. That means that in two or three years, the City would be back for a <u>third</u> time, asking for <u>more</u> money in order to complete the WRF project.

Major concerns are raised by a comparison of information from the June 15, 2015 Tribune story, "Morro Bay's water, sewer rates to begin five years of increases" and statements made in the June 22, 2018 staff report on water/sewer rate increases. The Tribune article is online at http://www.sanluisobispo.com/news/local/article39055197.html

<u>Artificially-low figures for water and sewer infrastructure repairs/upgrades</u>

According to the 2015 Tribune article, there were specific water and sewer expenses that the rate increases approved at that time were supposed to cover. There are major and very concerning differences between those expenses and the ones that the City says the currently-proposed, higher rates are to supposed to cover. The higher rate would evidently cover far less!

As stated in the 6/15/2015 Tribune article, the increases approved in 2015 were to have covered the following:

- $10,000,000 for water facilities including upgrades to desal plant
- $75,000,000 for new plant
- $25,000,000 for water reclamation facility
- $10,000,000 to fix the sewer lines
- $2,300,000 to fix existing plant

Did they? How much of this this work has been done, and what did it cost? How much remains to be done?

The June 22, 2018 staff report, under the heading, "Key Rate Assumptions" indicates that the new, higher proposed rate ($191 per month for the "typical water customer") would cover:

- WRF Program Costs
- $1,000,000 per year for 5 years each for water and sewer capital projects. That's a total of $5,000,000 sewer capital projects, and a total of $5,000,000 for capital water projects.

The 2015 rate increase was supposed to provide $10,000,000 to fix the sewer lines AND $10,000,000 for water facilities, including desal plant upgrades. Now it's down to $5,000,000 each.   Has the City already invested $5,000,000 to fix the sewer lines and $5,000,000 to fix the water infrastructure?

No. It has not. We know the sewer lines have not been repaired at all, and we know they are in terrible condition. Has the desal plant been fully renovated? Is it even close?

We know that the water and sewer infrastructure work that was to be covered by the 2015 increases has not been done. So, why have the amounts earmarked for water and sewer infrastructure in the currently proposed rate increases been cut in half? The systems clearly have not repaired themselves and deterioration over time means they need even more work than they did in 2015.

It appears that the City plans to take the very dangerous step of deferring maintenance on critical infrastructure for even longer than it has already, and/or that it is using artificially-low figures to create an artificially-low rate increase it thinks it can sell to residents – with the hidden agenda of coming back and asking for more in two or three years.

Artificially-low WRF project cost

It is certain that the City will soon be back asking for another increase simply to fund demolition of the old plant. The staff report says, "*In addition, on the advisement of the Blue Ribbon Commission, the City removed the current wastewater treatment plant demolition from the program costs, as that component is years away from being realized, and the City will need to negotiate cost sharing with the Cayucos Sanitation District. As there are no immediate plans for that area, there isn't a need to include this component in the cost, and as a result, in the proposed rate increases."*

This task is clearly a part of the WRF project, and its costs have obviously been removed temporarily to create the illusion of a lower total project cost.

In addition, the vendor has not guaranteed a final price for the new plant. What happens when the plant is half done, and the money has run out? The City will be back asking for another rate increase. At least one qualified vendor does guarantee final cost, but that vendor's proposals have been ignored by the City – even though that vendor has offered to provide a sewer plant delivering tertiary-treated water for the money approved in 2015 – no new rate increase needed!

Furthermore, it must be remembered that the City has thus far been completely irresponsible in handling the WRF project funds. The City has been unable to respond to numerous and continued requests for an accounting of funds spent on the WRF project because it simply did not keep track of how it was spending taxpayer money from the last rate increase.

Potentially-unwarranted assumption that the WIFIA loan will be granted

The City's rate increase assumptions are based on the hope that the WIFIA loan will be granted. The City has NOT secured the loan. It has only been authorized to apply for it.

In its Letter of Interest to WIFIA, the City seriously misrepresented some key facts.

- Misleading statements in the Letter imply that replacing the current plant will resolve problems with pollution in the Bay. It will not. Monitoring reports for the existing plant indicate that it is causing absolutely no pollution. That pollution is from some other source.
- Misleading statements imply that reclamation would significantly improve the City's water supply. In fact, it will not. The increase in supply would be minimal, and the cost astronomically high compared to the cost of water from other sources.
- Information about major city finance problems was left out.
- Information on major community opposition to the project was left out.

When the City actually applies for the WIFIA loan, if it does not clarify and correct the misleading statements and the omissions from its Letter of Interest, it could reasonably be accused of loan fraud, which is a crime.

If the City tells the truth, and corrects the misleading Letter of Interest, will WIFIA still be interested in granting a loan? The truth includes the following facts:

- Replacing the current plant will NOT fix any problems with pollution in the Bay, the ocean or the Estuary. As noted in its annual NPDES permit monitoring reports, the plant has been found to have no negative impacts whatsoever on the environment.
- For a variety of technical reasons, such as soil types and geological formations, reclamation is not practical at this time. Attempts to reclaim water from the sewer plant would do very little to enhance the City's water supply and the water would be prohibitively expensive.
- The City is in poor financial health and has an embarrassingly-bad track record when it comes to keeping track of taxpayer money spent on the WRF project. Some residents have referred to the City's money "management" method as a "shell game".
- There is major community opposition to the project as designed.

Knowing these facts, along with the fact that the City obviously attempted to mislead with its Letter of Interest, would WIFIA still want to grant the loan?

If the WIFIA loan is not granted, the currently proposed rate increase will not be even close to being enough for the WRF project the City is pushing.

Conclusions

The City is NOT providing residents with a true and complete picture of the situation. The staff report is seriously deceptive and misleading. No rate increase should be approved based on this nonsense.

Clearly, ethics demand that the City tell WIFIA and Morro Bay residents the truth. The City must provide residents with a true and realistic picture of what the project would cost both with and without the WIFIA loan, and what the real, final rate increases for the currently-proposed project would be in both cases.

Furthermore, if the City accepted the detailed, viable proposal of the vendor that offered to build a plant at a cost covered by the 2015 rate increases, there would be no reason to ask for more increases now, and no need to burden taxpayers with a huge WIFIA federal loan.

SEWER CHARGE

AGENDA CORRESPONDENCE

Many residences in M.B. do NOT pay the FIXED monthly fee because they are not in the billing system, e.g. split homes becoming duplexes/triplexes; guest homes, etc.

It would be better therefore to adopt a system like the city of SLO which has a 'per unit of water' sewer fee:
currently the rate is $7.85 for each unit of water.

This is a much more equitable system and creates a level playing field, which we do not have because ALL residences are not being assessed.

LAURIE

Not sure what format this is supposed to be in - you can call me @ later
thanks.