

| | | |
|----------|-------------------|---|
| PRESENT: | Jamie Irons | Mayor |
| | Robert Davis | Council Member |
| | John Headding | Council Member (<i>participated via teleconference</i>) |
| | Matt Makowetski | Council Member |
| | Marlys McPherson | Council Member |
| STAFF: | Scott Collins | City Manager |
| | Joseph Pannone | City Attorney |
| | Dana Swanson | City Clerk |
| | Jennifer Callaway | Finance Director |
| | Scot Graham | Community Development Director |
| | Steve Knuckles | Fire Chief |
| | Eric Casares | WRF Program Manager (Carollo Engineering) |

ESTABLISH QUORUM AND CALL TO ORDER

The meeting was called to order at 6:02 p.m., with all but Council Member Headding present. Mayor Irons announced Mr. Headding will be participating via teleconference for Item C-1, as noted on the meeting agenda.

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

RECOGNITION - None

CLOSED SESSION REPORT – No Closed Session meeting was held.

MAYOR AND COUNCIL MEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/oxgTw9I52Z0?t=4m7s>

CITY MANAGER REPORTS, ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/oxgTw9I52Z0?t=10m48s>

PRESENTATIONS

- Presentation by SLO County Energy Watch Partnership on the SLO Green Challenge Program
<https://youtu.be/oxgTw9I52Z0?t=15m59s>

PUBLIC COMMENT

<https://youtu.be/oxgTw9I52Z0?t=24m10s>

Farris Zoe of Farris Zoe Design provided the business spot. Ms. Zoe provides home design services and relocated her business from Cambria to Morro Bay seven years ago. For more information visit <https://www.ferriszoesdesign.com>.

Fred Collins, Northern Chumash Tribal Council, commented on the WRF Final EIR, expressing concerns about potential impacts to cultural resources, disagreeing with the suggested mitigation measures regarding potential burial sites.

Aaron Ochs, Save Morro Bay, agreed with comments by the previous speaker and urged the Council to review Brown Act meeting requirements.

Anne-Marie Schnetzler, Morro Bay Action Team, opposed the water reclamation facility project and urged eligible residents to cast a no vote on the Prop. 218.

Larry Truesdale, Morro Bay, attended joint meeting of CFAC / WRFCAC and found the vote to support the recommendations of the Blue-Ribbon Committee intriguing as they were based on the desire for water independence. He questioned staff qualifications and hoped the Council's standards going forward are higher.

Erica Crawford, Morro Bay Chamber of Commerce, announced a membership mixer tomorrow at Haven Realty, provided an update on the 4MB Economic Development Program, and announced an opportunity for business owners to meet with City staff to understand how the proposed rate increase might impact their businesses.

Richard Sadowski, Morro Bay, announced his church will be serving food at the Rock to Pier Run and asked those who removed Prop. 218 protest signs to return them.

Marla Jo Sadowski, Morro Bay, appreciated the SLO Green Challenge presentation and expressed disappointment in the energy use analysis provided in the WRF draft EIR.

Carolyn Brinkman, Morro Bay, requested clarification on a statement in a recent WRF flyer regarding the water supply capabilities and asked how the City would make use of that offset.

Meredith Bates, Morro Bay, suggested Council motions be read back prior to voting and be reflected as accurately as possible in the meeting minutes.

Renn Strong, Cayucos, expressed concern about chemical trails and 5G towers. For more information visit zero5g.com or primarywater.org.

Bill Martony, Morro Bay, spoke regarding the upcoming LCP update and urged the Council to carefully consider zoning and ESHA designations in the bay.

David Nelson, Morro Bay, inquired about lack of recycling stations and suggested the Council had not fully considered alternatives to the proposed sewer project.

Betty Winholtz, Morro Bay, announced CAL will be offering a presentation on sewer plant alternatives Sunday, July 15th, from 1:00 – 3:00 p.m. at the Inn at Morro Bay.

Steve Stevens, Morro Bay, spoke regarding the importance of accurate meeting minutes, compliance with the Brown Act and asked for a response to his questions regarding the vetting process for Black & Veatch.

Fran expressed concern about water rates, suggested the City sell the property on Highway 1 / San Jacinto and restaurant near the Embarcadero to help pay for the sewer project. She also suggested the recycling component of the WRF be delayed in order to reduce monthly water payments.

The following spoke to Item C-1:

Carol Swain, Morro Bay, spoke of the importance of future water security and shared her support for the proposed water reclamation facility project.

Bob Swain, Morro Bay, stated recycled water is necessary and will reduce the City's need for State water. He also urged others to consider energy savings measures suggested in the SLO Green Challenge presentation.

The Public Comment period was closed.

At Council's request, staff responded to issues raised during Public Comment.

- A. CONSENT AGENDA
<https://youtu.be/oxgTw9I52Z0?t=1h28m24s>

Unless an item is pulled for separate action by the City Council, the following actions are approved without discussion.

- A-1 APPROVAL OF MINUTES FOR THE JUNE 12, 2018 CITY COUNCIL MEETING;
(ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

- A-2 APPROVAL OF MINUTES FOR THE JUNE 18, 2018, CITY COUNCIL SPECIAL CLOSED
SESSION MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

- A-3 APPROVAL OF MINUTES FOR THE JUNE 27, 2018, CITY COUNCIL SPECIAL CLOSED
SESSION MEETING; (ADMINISTRATION)

RECOMMENDATION: Approve as submitted.

- A-4 ADOPTION OF RESOLUTION NO. 55-18 APPROVING ADDENDUM TO THE CITY OF
MORRO BAY'S DRUG-FREE WORKPLACE POLICY AND RESOLUTION NO. 56-18
ACCEPTING THE DRUG AND ALCOHOL POLICY FOR ITS TRANSIT CONTRACTOR MV
TRANSPORATION, INC.; (PUBLIC WORKS/ADMINISTRATION)

RECOMMENDATION: City Council adopt Resolution No. 55-18 and No. 56-18

- A-5 RECEIVE AND FILE CITY RESPONSE TO LINDA STEDJEE REGARDING BROWN ACT
VIOLATION, AND PROVIDE COMMENT AS DEEMED APPROPRIATE; (CITY
ATTORNEY)

RECOMMENDATION: Receive and file.

- A-6 ADOPTION OF RESOLUTION NO. 57-18 IMPEMETING THE TENTATIVE AGREEMENT
FOR A SUCCESSOR MEMORANDUM OF UNDERSTANDING WITH THE MORRO BAY
PEACE OFFICERS' ASSOCIATION AND RELATED COMPENSATION FOR THE PERIOD
JULY 1, 2018 THROUGH JUNE 30, 2020; (ADMINISTRATION/FINANCE)

RECOMMENDATION: Council adopt Resolution No. 57-18, implementing the Tentative Agreement for a Successor Memorandum of Understanding between the City of Morro Bay and the Morro Bay Peace Officers' Association. The term of the MOU is from July 1, 2018 through June 30, 2020.

- A-7 APPROVAL OF FISCAL YEAR 2018-19 UPDATED COMBINED SALARY SCHEDULE
AND JOB DESCRIPTIONS FOR SUPPORT SERVICES TECHNICIAN, PROPERTY AND
EVIDENCE CLERK; (ADMINISTRATION/FINANCE)

RECOMMENDATION: Council formally approve the Updated FY 2018-19 Combined Salary Schedule and job descriptions for Support Services Technician and Property and Evidence Clerk.

- A-8 ADOPTION OF RESOLUTION NO. 58-18 APPROVING AMENDMENT NO. 2 TO THE
NEW MASTER LEASE AGREEMENT BETWEEN THE CITY OF MORRO BAY AND

BOATYARD LLC FOR LEASE SITE 89/89W, LOCATED AT 845 EMBARCADERO, AND COMMONLY KNOWN AS "THE BOATYARD"; (HARBOR/CITY ATTORNEY)

RECOMMENDATION: Council adopt Resolution No. 58-18, approving Amendment No. 2 to the new Master Lease Agreement for Lease Site 89/89W, as proposed.

The public comment period for the Consent Agenda was opened.

Marla Jo Sadowski, Morro Bay, requested the Council pull Item A-5 and disagreed with the City Attorney's opinion in the matter.

Steve Stevens, Morro Bay, expressed confusion regarding Item A-5 as he believed this item was on the agenda previously.

The public comment period for the Consent Agenda was closed.

Council Member McPherson pulled Item A-5.

MOTION: Council Member Davis moved the Council approve all items on the Consent Agenda with the exception of Item A-5. The motion was seconded by Council Member McPherson and carried unanimously, 4-0-1, with Council Member Heading absent.

A-5 RECEIVE AND FILE CITY RESPONSE TO LINDA STEDJEE REGARDING BROWN ACT VIOLATION, AND PROVIDE COMMENT AS DEEMED APPROPRIATE; (CITY ATTORNEY)
<https://youtu.be/oxgTw9I52Z0?t=1h34m26s>

At Council's request, Mr. Pannone reviewed the process followed by the Council to respond to Ms. Stedjee's complaint.

MOTION: Council Member McPherson moved the Council approve Item A-5. The motion was seconded by Council Member Davis and carried 4-0-1 with Council Member Heading absent.

B. PUBLIC HEARINGS - NONE

The Council took a brief recess at 7:39 p.m. The meeting reconvened at 7:47 p.m. Council Member Heading joined the meeting via teleconference at 7:48 p.m.

C. BUSINESS ITEMS

C-1 REVIEW PRELIMINARY RECOMMENDATIONS FOR WATER AND SEWER RATES, APPROVE THE PROPOSITION 218 NOTICE AND SET AUGUST 28, 2018, AS THE DATE FOR A PUBLIC HEARING AND TO ESTABLISH NEW WATER AND SEWER RATES; (PUBLIC WORKS)
https://youtu.be/u_aY9K_H4F4?t=18s

City Manager Collins presented the staff report and, along with Mr. Casares and Mr. Livick, responded to Council inquiries.

The public comment period for Item C-1 was opened.

Kathy Quigley, Morro Bay, asked why the word "surcharge" was added in the draft notice which is different than previous documents.

Aaron Ochs, Morro Bay, suggested the proposed project was too expensive and the Prop 218 process should be delayed until the new Council is elected.

Barry Branin, Morro Bay, appreciated a protest form was provided in the Prop. 218 Notice but suggested the language regarding request for comments be placed elsewhere and not on the sample ballot.

Dan Sedley, Morro Bay, spoke regarding the need to find a more economical project.

Carole Truesdale, Morro Bay, expressed frustration residents are being asked to consider another rate increase three years after the last Prop. 218 process and concern this may not be the last.

Eric Foor, Morro Bay, asked for clarification on current plant capacity, maximum design volume of the proposed facility, rate structure and total cost of the project.

Carolyn Brinkman, Morro Bay, suggested the certification language on the protest form be changed to, "I certify that all the information I have provided on the ballot is true and correct."

Glenn Silloway, Morro Bay, provided historical background on water reclamation facility project, including Coastal Commission action in 2012-13, and stated his support for the proposed project.

Ahmed Kassem, Morro Bay, shared his support for the WRF project and suggested it's time to let the rate payers decide.

David Nelson, Morro Bay, stated the City must determine cost of construction and operation before the Prop 218 process can begin.

Betty Winholtz, Morro Bay, asked for responses to questions submitted as agenda correspondence and expressed concern about construction impacts on Quintana Avenue businesses.

Cynthia Hawley suggested the record of proceedings at the April 25, 2017, Council meeting had been changed behind closed doors to bring water reclamation back into the project.

David Betonte, Morro Bay, spoke in support of the proposed WRF at the South Bay Blvd. location and concern delaying the project to consider alternate locations and technologies would increase project costs.

Bill Martony, Morro Bay, asked for clarification on how the number of parcels would be determined and suggested the project costs can be reduced.

Kristen Headland, Morro Bay, suggested the Notice be simplified and commented the proposed rates are too high.

Kerrigan Mahan, Morro Bay, spoke in opposition to the project and suggested the Hanson and Giannini sites are the best choice.

Nancy Bast, Morro Bay, expressed concern about how the proposed rates were determined and potential noise and pollution for residents on Teresa Drive.

Bob Keller, Morro Bay, shared his support for the project and urged the Council to approve the 218 notice.

Linda Donnelly, Morro Bay, expressed concern about the process outlined for signature verification and tabulation of votes.

Tina Metzger, Morro Bay, asked what the Council will do if the Prop 218 protest vote prevails.

Steve Stevens, Morro Bay, asked for clarification on eligible parcels and rate payers.

The public comment period for Item C-1 was closed.

Council Member Headding spoke in support of staff recommendation and desire to protect residents from future rates that will be untenable due to construction cost escalation, debt service and fines levied by the Water Board. He thanked the Blue-Ribbon Commission for their work scrutinizing every aspect of costs associated with the proposed rate increases and predicted rates will come in lower upon receipt of SRF funding.

MOTION: Council Member Headding moved staff recommendation for approval. The motion was seconded by Council Member Davis for discussion.

Mr. Pannone commented the staff recommendation does not include approval of the Proposition 218 Notice and requested Council Member Headding clarify whether it was intent to approve the Notice provided in the packet.

Council Member Davis provided comments and read the following statement into the record:

“Fact 1 - On June 27, 2018, the Regional Water Quality Control Board wrote to the City stating that, ‘the existing treatment plant infrastructure cannot achieve full secondary treatment for the loading/flow rates of the service area.’

Fact 2 - A Time Schedule Order (TSO) issued by Water Board on June 27 requires, ‘full compliance with final effluent limitations no later than February 28, 2023.’ Between now and then, the following milestones must be met:

- *A Proposition 218 hearing – no later than Aug 30, 2018,*
- *Award of contract for water reclamation facility onsite improvements no later than Sept. 30, 2018, which is 2 ½ months from now,*
- *Award contract for lift station and offsite pipelines no later than Nov. 30, 2019, which is next year, and*
- *Completion of water reclamation facility improvements no later than Dec. 30, 2022.*

If the City fails to comply with any provision of this TSO, it would liable for mandatory minimum penalties. And here are the words of Harvey Packard, a Supervising Engineer with the Central Coast Water Board, in an email sent June 27, 2018, to Barry Branin, with a copy to the City, ‘Certain violations of the NPDES permit trigger mandatory penalties of at least \$3,000 per violation. It’s likely that there will be several violations per month if the plant isn’t upgraded by January 2023. So mandatory penalties would be about \$15,000 per month. However, the Water Board has the discretion to increase the penalty on each violation up to \$10,000, which could cost the City up to about \$50,000 per month.’ Those are mandatory penalties.

Fact 3 - On January 10, 2013, the California Coastal Commission unanimously denied the City’s request to rebuild a wastewater treatment plant west of Highway 1.

Fact 4 - Dan Carl, Central Coast District Director for the Coastal Commission, wrote to the City on September 22, 2017, making the following points regarding any attempt to build or upgrade on the west side of Highway 1, and these are his words that I’m quoting: ‘These sites would pose significant regulatory hurdles and challenges that would take more time and resources to address than would the inland sites; the Commission already denied the City’s proposed project west of Highway 1 in 2013; the Commission has recently not given authorization for permanent infrastructure in these types of more hazardous shoreline areas; sites inland of Highway 1, including at South Bay

Boulevard, would not be subject to these types of conditions and restrictions, and thus would be able to meet the primary objective of finding a long-term home for the City's critical wastewater infrastructure in the shortest period of time with the most certainty in outcome; both any potential Local Coastal Program amendments and any Coastal Development Permit applications would have to work through the same types of coastal hazards issues that eventually led to denial of the City's 2013 proposal after two years of process.'

Fact 5 - Through a State-regulated RFP process, the City has selected the least-cost proposal that meets all the community goals for the WRF project.

Fact 6 - The City is now asking ratepayers to approve water & sewer surcharges that add up to but no more than \$41 to the monthly bill for the average household that uses 125 gallons of water per day. Those surcharges could be less if we get a State Revolving Fund loan or any of the grants that the City is applying for.

Fact 7 - The City has an established Utilities Discount Program to assist low-income residents to pay their monthly bills. Only two cities in the County have programs that help low-income ratepayers.

So those are basic facts that we have to deal with. So what will happen if the rate increase is defeated? And here is what I see as the probable effects of a defeat of the rate increase. The City will certainly lose low-cost loans from WIFIA and State Revolving Fund; the Regional Water Quality Control Board will very likely levy mandatory fines; the preferred contractor will withdraw its guaranteed maximum contract proposal to build the WRF project; and then Council will look for a way to reduce rates, with very limited options.

With beachfront sites denied by the Coastal Commission and Righetti ruled out by neighborhood protest, the only way I can think of to reduce project cost is to eliminate water recycling and re-design the project. During this time the construction cost index will continue to rise; bond interest rates will continue to go up. Eventually the City will still have to ask ratepayers to approve rate increases to build a more expensive plant that does not add recycled water to the community's drinking water portfolio.

The bottom line is, if a majority of we ratepayers vote against a rate increase now, we may well end up paying more later.

So here are some final true facts – the City is planning to build a WRF project that meets requirements of the Water Quality Control Board and the Coastal Commission. It is a project that satisfies community goals and is intended to provide a drought-proof water supply. The proposed surcharge has been reviewed by a Blue-Ribbon Commission of Morro Bay residents and business owners and they consider it reasonable. The project cost for the Los Osos water treatment plant and piping infrastructure in 1988 was \$57 million. Thirty years and a community bankruptcy later, Los Osos residents are paying off \$193.7 million. If we don't learn from Los Osos' history, then we will repeat their story."

Council Members Makowetski, McPherson and Mayor Irons provided comments in support of the staff recommendation, clarifying the number of parcels to be counted, stressing the importance of providing adequate notice to Spanish speaking residents, the importance of the water recycling component, and the efforts to date to reduce the cost of the project from \$167M to \$126M with further opportunity to reduce rates based on WIFIA and SRF funding.

Mayor Irons restated the motion on the table: "Approve the proposed Water Reclamation Facility sewer and water surcharges and set August 28, 2018, for the public hearing to consider and establish new water and sewer rates."

Mr. Pannone suggested the motion could include approval of the Proposition 218 Notice. Council Member Heading agreed to make that friendly amendment. There was no second to the amended motion.

For clarification, Mayor Irons restated the motion on the table: "Approve the proposed Water Reclamation Facility sewer and water surcharges and set August 28, 2018, for the public hearing to consider and establish new water and sewer rates." The motion carried unanimously, 5-0, by roll call vote.

Mr. Pannone commented the Council was taking a roll call vote because the law requires that when a member is participating via teleconference.

The Council discussed the Proposition 218 Notice and agreed on the following changes:

- As suggested during public comment, certification language on the protest form will state, "I certify the information I provided on this ballot is true and correct."
- The Notice will be published and sent in both English and Spanish to all residents.
- The last sentence in the first and third paragraphs on page 3 to be in bold print: **"The City may be able to reduce the surcharges if it can further reduce WRF Project costs or obtain additional grants or low-interest-rate financing."**
- Edit the last sentence on page 3 to clarify 5 units = five hundred cubic feet per month which is the equivalent of 125 gallons per day.

The proposed changes were illustrated on the projector screen for clarification.

MOTION: Council Member McPherson moved to approve the 218 notice, as amended, and produce a Spanish, along with an English version, and eliminate the box that says, "if you want it in Spanish." The motion was seconded by Council Member Heading and carried unanimously, 5-0, by roll call vote.

Council Member Heading confirmed the meeting notice was in place at his location and there was no public comment. The call was disconnected and he left the meeting at 10:18 p.m.

C-2 CONSIDERATION AND DIRECTION REGARDING INSTALLATION OF ADDITIONAL FIRE PITS IN THE NORTH MORRO BAY ROCK PARKING LOT; (CITY MANAGER)
https://youtu.be/u_aY9K_H4F4?t=2h32m9s

Mr. Collins presented the staff report and responded to Council inquiries.

The public comment period for Item C-2 was opened; seeing none, the public comment period was closed.

Following discussion, there was consensus to install two fire pits that were purchased previously at or near the locations near the beach, as shown in the staff report. Mayor Irons cautioned against installing fire pits on the bay side as it is a frequent otter viewing area.

MOTION: Council Member Makowetski moved to place these additional two fire pits on the north side of the Rock parking lot, as designated, or close to the arrows provided on our picture. The motion was seconded by Council Member McPherson and carried 4-0-1 with Council Member Heading absent.

C-3 2018 CITY GOALS AND OBJECTIVES STATUS UPDATE; (CITY MANAGER)
https://youtu.be/u_aY9K_H4F4?t=2h48m21s

Mr. Collins presented the staff report and responded to Council inquiries.

The proposed completion date for Goal #4 b) related to vacation rental ordinance was corrected to Fall 2018.

MOTION: Mayor Irons moved the meeting go past 11:00 p.m. to finish this item. The motion was seconded by Council Member Makowetski and carried 3-1-1 with Council Member Davis voting no and Council Member Heading absent.

The public comment period for Item C-3 was opened; seeing none, the public comment period was closed.

MOTION: Council Member Davis moved to formally adopt the goals and objectives for 2018. The motion was seconded by Council Member McPherson.

Council Member Makowetski asked for confirmation staff would provide quarterly updates to Council.

The motion carried 4-0-1 with Council Member Heading absent.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS
https://youtu.be/u_aY9K_H4F4?t=3h14m7s
None

E. ADJOURNMENT

The meeting adjourned at 11:01p.m. The next Regular Meeting will be held on Tuesday, August 14, 2018, at 6:00 p.m. at the Veteran's Memorial Hall located at 209 Surf Street, Morro Bay, California.

Recorded by:

Dana Swanson
City Clerk