



CITY OF MORRO BAY HARBOR ADVISORY BOARD A G E N D A

The City of Morro Bay provides essential public services and infrastructure to maintain a safe, clean and healthy place for residents and visitors to live, work and play.

**Meeting - Thursday, August 1, 2019
Veteran's Memorial Building – 5:30 P.M.
209 Surf Street, Morro Bay, CA**

Ron Reisner, Chair	Marine Oriented Business
Mark Blackford, Vice Chair	Member at Large
Lynn Meissen,	Member at Large
Gene Doughty	South Bay/Los Osos
Cherise Hansson	Waterfront Leaseholders
Dana McClish	Recreational Boating
Jeremiah O'Brien	Morro Bay Commercial Fishermen's Organization
Peter Griffin	Alternate to Jeremiah O'Brien (MBCFO)
Owen Hackleman	Alternate to Jeremiah O'Brien (MBCFO)

ESTABLISH QUORUM AND CALL TO ORDER

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

CHAIR, ADVISORY BOARD MEMBER & LIAISON ANNOUNCEMENTS & PRESENTATIONS

PUBLIC COMMENT PERIOD

Members of the audience wishing to address the Board on City business matters not on the agenda may do so at this time. For those desiring to speak on items on the agenda, but unable to stay for the item, may also address the Board at this time.

Public comment is an opportunity for members of the public to provide input to the advisory body. To increase the effectiveness of the Public Comment Period, the City respectfully requests the following guidelines and expectations be followed:

- When recognized by the Chair, please come forward to the podium to speak. Though not required, it is helpful if you state your name, city of residence and whether you represent a business or group. Unless otherwise established by the Chair, comments are to be limited to three minutes.
- All remarks should be addressed to Board, as a whole, and not to any individual member thereof.
- The Board respectfully requests that you refrain from making slanderous, profane or personal remarks against any elected official, commission and/or staff.
- Please refrain from public displays or outbursts such as unsolicited applause, comments or cheering.
- Any disruptive activities that substantially interfere with the ability of the Board to carry out its meeting will not be permitted, and offenders will be requested to leave the meeting.
- Your participation in Board meetings is welcome and your courtesy will be appreciated.
- The Board in turn agrees to abide by its best practices of civility and civil discourse according to Resolution No. 07-19.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Harbor Department's Office Assistant at (805) 772-6254. Notification 24 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

A. CONSENT CALENDAR

A-1 Harbor Department Status Report.

B. BUSINESS ITEMS

B-1 Update from the Boatyard/Marine Services Facility Ad-Hoc Committee on Committee's Recent Activities, and Recommended Next Steps for Seeking Feasibility Study Grant Funding

Staff Recommendation: Receive and file committee report, if any, and discuss next steps to seek grant funding for a financial feasibility study as per City Council 2019-2020 Goals and Objectives, Goal 2, Action 4.

B-2 Update from the Finance & Budget Ad-Hoc Committee on Committee's Recent Activities; Presentation on Adopted Harbor Fund Budget; and Continued Discussion of Potential New Revenue Sources for the Harbor Fund

Staff Recommendation: Receive and file reports and presentations, and provide staff input and recommendations as deemed appropriate on revenue-generating ideas as-proposed.

B-3 Update from the Eelgrass Ad-Hoc Committee on Committee's Recent Activities

Staff Recommendation: Receive and file report.

B-4 Update on Harbor Department Lease Management Policy Update Process, and Appointment to Fill Resignation of One Harbor Advisory Board Member from the Lease Management Policy Update Group

Staff Recommendation: Receive and file report, and fill vacant seat in the lease policy update group representing the Harbor Advisory Board.

B-5 Presentation on Master Fee Schedule Study Results and Recommendation on Fee Recovery Rates for Harbor Department Fees

Staff Recommendation: Receive presentation and provide input and recommendations to Council on fee recovery rates for Harbor Department fees.

C. DECLARATION OF FUTURE AGENDA ITEMS

Pending items previously declared:

- Goals and Objectives – Working Waterfront Designation
- Measure D
- Explore Benefits of Becoming a Harbor or Port District
- Wind Energy Generation off the Coast of Morro Bay
- Creation of an Embarcadero Business District to Fund Harbor Infrastructure
- Review of TBID Assessment funding
- Identify/review responsible parties for cleanliness of waterfront ground lease sites, public restrooms, light posts, and concern for public safety
- Report for Morro Bay Quota Fund in September or October of 2019

D. ADJOURNMENT

This agenda is subject to amendment up to 72 hours prior to the date and time set for the meeting. Please refer to the agenda posted at the Morro Bay Harbor Department, 1275 Embarcadero, for any revisions or call the department at 772-6254 for further information.

Materials related to an item on this Agenda are available for public inspection during normal business hours at the Harbor Department and at Mill's/ASAP, 495 Morro Bay Boulevard, or online at www.morrobayca.gov. Materials related to an item on this Agenda submitted to the Board after publication of the Agenda packet are available for inspection at the Harbor Department during normal business hours or at the scheduled meeting.



AGENDA NO: A-1

MEETING DATE: August 1, 2019

Staff Report

TO: Harbor Advisory Board
FROM: Eric Endersby, Harbor Director
SUBJECT: Harbor Department Status Report

DATE: July 26, 2019

RECOMMENDATION

Receive and file.

DISCUSSION

Recent Department Activity:

Harbor Patrol statistics to date since the June Harbor Advisory Board meeting were 17 emergency responses, 213 calls for service, 79 assists of other agencies, 73 enforcement contacts, and 16 weather warnings. There were no Hazardous Bar Warnings.

Harbor Patrol Officer Retirement

Harbor Patrol Officer Scott Mather recently announced his retirement from the department, effective in mid-September. Scott started as a Reserve Harbor Patrol Officer back in 1996, and was promoted to full-time in 2011 when he decided public service was a steadier job than avocado farming. Scott has no doubt saved numerous lives and countless thousands of dollars of property in an outstanding 23 year run with the department. His good humor and decades of maritime experience will be missed, and we wish him well.

Harbor Patrol Officer Hiring

In light of Officer Mather's pending retirement, the department is seeking recruits to join the Harbor Patrol team. A recruitment is currently underway, and the deadline for applying is August 29, 2019. More information and an application form can be found on the City's website.

In addition to a full-time position, the department is also seeking recruits for part-time Reserve positions. The deadline to apply for this position is August 8, 2019.

Annual Corps of Engineers Dredging

During the dredge ship *Yaquina's* tour to Morro Bay this spring, the unofficial ship logs indicate 170,187 cubic yards of material were removed. 83,954 yards of that came from the harbor entrance area, and 86,233 yards were from the main channel from the harbor entrance to about Target Rock. Official amounts will be determined once the pre-and post-dredging survey results are calculated. Post-dredge surveying was only recently completed.

Coast Guard Change of Command

A well-attended Change of Command Ceremony took place at the North T-Pier on June 26, 2019. Chief Tim Crochet was relieved by Chief Ryan Widdows. We thank Chief Crochet for his excellent service in Morro Bay, wish him farewell, and welcome Chief Widdows.

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____

Upcoming Events:

Oct 4,5 & 6 Morro Bay Harbor Festival
 Dec 7 Lighted Boat Parade

Status of Pending HAB Recommendations:

	HAB Recommendation	Date	Status
1	Staff draft letter to Council encouraging the City to pursue negotiating with State Parks the City assume both marina and café concessions.	5/7/15	<p>Staff's last contact with Parks indicated no Parks interest in giving up the café concession. Since that time, all of Parks' key personnel on the SPM have either retired or positions turned over. Staff's current thinking is we're at a "start-over" point with Parks to begin talks anew, and are acting accordingly before taking anything back to the Council.</p> <p>11/1/17. Staff have reached out to Parks to renew discussions.</p> <p>12/20/17. Spoke with office of Director for State Parks; tentative meeting set for week of January 8-12.</p> <p>2/13/18. Spoke with office of Director of Concessions office left message with assistant for our concession specialist to set up conference call. No response. 2/22/18 Called again left message.</p> <p>2/23/18. new Parks concession specialist contacted department.</p> <p>4/23/18. Harbor Director email sent to Parks.</p> <p>4/27/18. Contacted Parks staff, discussions underway.</p> <p>5/17/18. Harbor Director met with Dan Falat, District Superintendent, regarding reviving discussions, putting concessions out to bid and prospects for City taking over operation and management of the marina.</p> <p>Staff was recently informed by the district superintendent that State Parks in Sacramento is potentially bringing this item off the back burner.</p> <p>4/26/19 Meeting still pending.</p>
2	Staff provide Council with modified sections of MBMC 15.24 (harbor sanitation) and develop environmental BMP's.	7/22/15	<p>Staff have incorporated this BMP effort into the ongoing Rules & Regs/MBMC updating project.</p> <p>11/1/17. Work ongoing; tentatively scheduled to come to HAB Feb or March 2018.</p> <p>1/18/18. Review at HAB 2/1/18 meeting item C7.</p> <p>4/27/18. Pending Council consideration.</p> <p>No new updates.</p>

3	City Council to approve issuance of the final draft Marine Services Facility/Boatyard Request for Qualifications document.	2/2/17	<p>2/14/17. Council approved the release of a Request for Qualifications (RFQ) document as-proposed. RFQ is out, and responses due July 14, 2017.</p> <p>7/27/17. No responses to RFQ.</p> <p>8/3/17. HAB meeting to consider next steps.</p> <p>11/3/17. Put together a RFP for a financial feasibility study to go to Council for approval.</p> <p>12/1/17. Draft proposal in process for HAB review 2/2018.</p> <p>12/18/17. Tentatively on Council agenda for 1/23/18. to lay out scope of work and get authorization for a financial feasibility study.</p> <p>1/18/18. Discussing at HAB meeting 2/1/18 during item C1.</p> <p>4/27/18. Working on draft RFP to go to Council. Tentatively on 6/26/18 City Council agenda for consideration of issuance.</p> <p>Tentatively on 8/28/18 City Council agenda for consideration of issuance.</p> <p>8/28/18. Council approved issuance of a financial feasibility RFP. RFP to be issues asap.</p> <p>Request for Proposals issued for financial feasibility study services for the proposed boatyard. RFP due February 1, 2019.</p> <p>No proposal submissions received. HAB to consider next steps 3/13/19.</p> <p>4/26/19 Staff not recommending any further expenses be undertaken on boatyard financial feasibility study at this time.</p> <p>5/31/19 Boatyard/Marine Services Facility remains on the City Council's goals.</p>
4	City to use a consultant to update the cost allocation plan, if feasible, if not, then direct staff to do an internal check.	6/1/17	<p>Approved Council Goal Objective Work Plan Item – Internal “gut check” Goal 1(e).</p> <p>11/2/17. On HAB agenda for process consideration. Staff/Committee analysis review calendar 2017. To new Finance Director January 2018. Consideration of findings into development of FY 18/19 budget.</p> <p>1/18/18. Staff currently engaging in internal check. Staff met 3/2 with new Finance Director. Lighting issue “gut check” in Cost Allocation resolved in draft FY 18/19 budget.</p> <p>4/13/18. issued RFP for Comprehensive Fee Study & Cost Allocation Plan – closes 5/11/18.</p> <p>Multiple proposals received; have gone through initial staff review and evaluation. Interviews of top candidates pending in first half of June.</p> <p>Tentatively on 8/14/18 City Council agenda to award contract for comprehensive fee study.</p> <p>8/14/18 Council authorized the City Manager to execute an agreement with Consultant to update the City's user fees, cost allocation, and</p>

			development impact fee study's. Consultant currently working with staff on studies. Studies are well underway.
5	City to share tax revenues that are collected in the Harbor fund (and not currently going to the Harbor Fund) and used for Harbor Capitol maintenance and improvements.	6/1/17	Pending until a new Finance Director and City Manager are in place. 10/30/17. Per the SLC it is normal for these taxes to go into the City's General municipal funds. 4/5/18. Chair Reisner requesting City Manager to provide a memorandum on this item. Chair Reisner met with the City Manager. No new updates.
6	City Council to include proposed eelgrass language into General Plan/Local Coastal Plan updates, and to review the proposed outline for the eelgrass policy to decide if the elements are appropriate.	6/7/17	7/28/17. Consultant Anchor QEA is developing a proposal to review existing information and documentation, research typical projects that have eelgrass issues, interview NEP personnel, and meet with Eelgrass Ad-Hoc committee members to discuss Newport Beach management plan. 11/1/17. Staff engaged with Anchor on eelgrass proposal. 12/1/17. Update to HAB on 12/7/17 on revised consultant contract scope of work. 12/18/17. Draft eelgrass consultant agreement submitted to legal for review and approval. 1/18/18. executed contract with Anchor QEA. 4/27/18. Anchor QEA beginning project. 4/25/18. Eelgrass Ad-Hoc committee met with Anchor QEA reps in Morro Bay Draft Anchor QEA eelgrass mitigation report on HAB agenda for consideration 8/2/18. 8/18 final Morro Bay Conceptual Eelgrass Plan report issued by Anchor QEA for ad-hoc and HAB consideration. Next step of hiring Anchor QEA to approach pertinent regulators with Morro Bay eelgrass mitigation plan concept pending Council consideration on January 8, 2019. 2/19/19. staff, eelgrass committee and MBNEP exploring new possible in-lieu mitigation path, as Morro Bay Eelgrass Plan as currently outlined by Anchor QEA is likely not viable. No new updates.
7	Incorporate Working Waterfront land area and uses into General Plan/Local Coastal Plan updates. In General Plan/Local Coastal Plan updates, consideration be given to a list of uses provided, and that the Measure D area and its uses be incorporated into Morro Bay's Working Waterfront.	6/1/17	Tentatively on the July 11, 2017 City Council agenda for consideration with Measure D recommendation above. 7/27/17. City Council on 7/11/17 authorized PC subcommittee to jointly work with HAB ad-hoc committee on Measure D ambiguities and Working Waterfront policy language for consideration of incorporation into GP/LCP update process. 9/1/17. First joint HAB/PC subcommittee meeting to consider Measure D and Working Waterfronts scheduled for September 8, 2017, at the Community Center Studio room from 3:00-5:00

			<p>pm. 9/8/17. First joint subcommittee meeting held. General discussion and public input. Second meeting TBD, likely late October or early November. 12/18/17. 1/11/18. PC/HAB joint meeting, recommendations made to GPAC. 4/27/18. Pending GPAC action. Currently at Coastal for comments. Document link on City's Website: https://www.morrobayca.gov/943/PlanMB No new updates. See HAB 5/2/29 agenda item B-6</p>
8	Paid parking be established on and around the Embarcadero, and recommended list of issues to be addressed when considering establishment of same.	7/6/17	<p>7/18/17. letter from HAB Chairman provided to Planning Commission and copied to City Council, Public Works Advisory Board and Community Development Director with HAB's recommendations. 10/9/17. Once CD Director gets additional input from PC, it will be brought to Council to obtain direction on parking initiatives. PC to the lead on policy development. 11/7/17. Discussed at the Planning Commission Meeting. 12/1/17. Per CD Director also discussed with PWAB and tentatively going to Council in Jan or Feb 2018 for direction. 12/19/17. Per CD Director PC and Council will be provided with HABs recommendations. 4/27/18. Pending consideration by PC and Council. No new updates. 5/28/19 City Council directed staff to begin looking at paid parking as a possible new revenue source, to bring research back to Council for consideration.</p>



AGENDA NO: B-1

MEETING DATE: August 1, 2019

Staff Report

TO: Harbor Advisory Board

DATE: July 24, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Update from the Boatyard/Marine Services Facility Ad-Hoc Committee on Committee's Recent Activities, and Recommended Next Steps for Seeking Feasibility Study Grant Funding

RECOMMENDATION

Receive and file committee report, if any, and discuss next steps to seek grant funding for a financial feasibility study as per City Council 2019-2020 Goals and Objectives, Goal 2, Action 4.

BACKGROUND

The Boatyard/Marine Services Facility Ad-Hoc Committee will be presenting an oral update on their activities, if any. This is a standing committee report agenda item.

Goal 2 of the City Council's adopted 2019-2020 Goals and Objectives is "Improve Public Infrastructure." Although still deemed a worthy goal by the Harbor Advisory Board, staff and Council, because there is not adequate funding currently identified in the Harbor Fund for a full financial feasibility study for a marine services facility as-envisoned in the City's "Triangle" lot, Action 4 of Goal 2 is "Direct Harbor Advisory Board to pursue grants for a request for proposal (RFP) for a marine services facility (boatyard) feasibility study and bring forward information to City Council for next steps."

DISCUSSION & CONCLUSION

Previously staff provided the ad-hoc committee information on Federal maritime grant opportunities, and some committee research was conducted. With further staff input and assistance, staff request the committee, under this goal action item, to continue that Federal grant research, in addition to other possible grant opportunities, in the following general manner:

1. Research and identify promising grant sources with targeted research. Key information to obtain includes:
 - a. Grant title and administrator
 - b. Allowed uses/applicability
 - c. Total amount in grant program and any minimum or maximum individual grant amounts
 - d. Funding source
 - e. Grant term

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____

- f. Cycle, application window/deadline
 - g. Restrictions, qualifiers, prerequisites
 - h. Application process
 - i. Short- and long-term administrative/reporting requirements
 - j. Reimbursable and non-reimbursable costs, and is grant administration a reimbursable cost
 - k. Payment type: in-arrears or up-front
2. Contact grant administrators for additional information and guidance.
 3. Contact past grant recipients or current grant applicants for information and guidance.
 4. Research and identify potential grant writers/administrators.

Research results will be brought back monthly to the Harbor Advisory Board during this standing committee item, and recommendations to the Council for next steps made accordingly. It is recommended the board and ad-hoc committee establish a timeline by which to prosecute this goal action item, with the expectation the ad-hoc committee will assist with any grants applied for, should any be identified and Council approval to pursue them obtained.



AGENDA NO: B-2

MEETING DATE: August 1, 2019

Staff Report

TO: Harbor Advisory Board

DATE: July 25, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Update from the Finance & Budget Ad-Hoc Committee on Committee's Recent Activities; Presentation on Adopted Harbor Fund Budget; and Continued Discussion of Potential New Revenue Sources for the Harbor Fund

RECOMMENDATION

Receive and file reports and presentations, and provide staff input and recommendations as deemed appropriate on revenue-generating ideas as-proposed.

BACKGROUND

At their June 11, 2019 regular meeting, the City Council adopted the 2019-2020 Operating, Capital and Other Budgets for all of the City funds.

Funds pertinent to the Harbor Department are as follows:

Operating Fund Revenues: \$2,011,000
Operating Fund Expenses: \$1,991,246
Net Revenues: \$19,754

Harbor Capital Fund Projects: \$682,052

- \$250,000 Launch Ramp grant - DBW
- \$370,000 Beach Street slips – Accumulation Fund
- \$42,052 South T-Pier repairs – Accumulation Fund
- \$10,000 North T-Pier repairs – Accumulation Fund
- \$10,000 Ice Machine maintenance – Accumulation Fund

State Park Marina Fund 924 Revenues: \$92,000
State Park Marina Fund 924 Expenses: \$5,000

Triangle Lot Boat Storage Fund 925 Revenues: \$21,000
Triangle Lot Boat Storage Fund 925 Expenses: \$13,475

Castle Wind Community Benefit Fund 906 Balance: \$250,000
Castle Wind Community Benefit Fund 906 Expenses: \$0

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____

DISCUSSION

Harbor Operating Budget and Capital Funding Needs

With a net annual revenue surplus of ~\$20,000, and the ten-year budget forecast predicting a net annual deficit of \$13,000 in the Harbor Operating Fund for FY 20/21, then modest net annual surpluses in FY 21/22 and beyond, the Harbor Fund is in need of either significant revenue enhancements, or cuts in services. With FY 20/21 being the last year that the \$135,000 annual South T-Pier loan payment is due, this will be the first major break for the Harbor Fund.

Subsequent years show modest increases over the long term, with a \$190,000 annual surplus forecast in FY 28/29. In sum, according to the budget forecast model, the total accumulated net annual long-term HF revenue surplus *from FY 19/20 through FY 28/29*, a ten-year period, is \$1,031,000.

By contrast, the total current projected funding needs for capital replacement, capital major maintenance and capital equipment *averages approximately \$878,000 per year over the next five fiscal years*.

Short of cutting services or further significant departmental reorganization, the Harbor Department has done about everything possible to reduce expenses, streamline operations and maximize efficiencies, including not replacing the full-time Administrative Technician position vacated late last year. Given this is the case, revenue enhancement and/or new revenue development appear the only fiscally viable options forward for the Harbor Department.

Of existing HF revenues, preliminary lease policy update group work on fair market lease values indicate the City of Morro Bay's Tidelands Trust leases are not out of the statewide norm for fair market rent values. As such, no significant under-market rent issues are anticipated to be addressed, and hence, no significant revenue relief seen from lease rents either short- or long-term.

The City's recently completed Master Fee Study, addressed in agenda item B-5 tonight, indicates Harbor fee rates being below full cost-recovery levels and/or at under-market rates in most instances. While this sort of fee "subsidy" may have been viable when the Harbor Fund was receiving \$275,000/year from the power plant outfall lease and employee and other costs were much lower, this is simply no longer the case.

Thus, new and/or improved revenue sources are a must for the Harbor Fund.

Potential New Revenue Sources

Regarding potential new revenues, on May 28, 2019 the Council considered RV camping, paid parking and assessment districts as potential revenue-generating options applicable to the Harbor Fund. Although the Council did not indicate interest in RV camping at that meeting, staff believe the concept and proposal was not sufficiently developed for an informed decision, and therefore are bringing a more developed concept and proposal to the Harbor Advisory Board (HAB) for their additional review and input as staff still believe it is a worthwhile revenue source to pursue.

Although on May 28 staff was directed to research and bring back to Council for consideration analysis on paid parking and assessment districts, staff have yet to fully formulate the manner and process by which these two issues will be researched, analyzed and brought back to Council.

RV Camping

The RV camping proposal developed by Harbor Patrol staff over the past several months is included with this report in Attachment 1. Staff are seeking HAB input and recommendation on this proposal.

Other Revenue-Generating Ideas

The HAB's stated primary 2019/2020 goal was fiscal sustainability and seeking new and/or improved revenue sources for the Harbor Fund and harbor infrastructure capital funding. In addition, the City Council's Goal #1, "Achieve Financial Sustainability and Economic Sustainability" has as Action Item #5, "Bring forward a comprehensive set of revenue enhancement options for City Council consideration."

In addition to input on RV camping as a revenue-generating option as outlined above and in the attached report, staff are bringing forward for initial HAB discussion the following ideas:

- A. Concerts in Tidelands Park
- B. Licensed food truck vendors in prime waterfront locations

For these two items, staff are requesting of the HAB:

1. An initial thumbs-up or thumbs-down to the concept.
2. If thumbs-up, items and issues to be considered when developing such a program as was done by the HAB regarding paid parking on the waterfront.

CONCLUSION

Any HAB input or recommendations proffered will be routed to the City Council through the normal channels and processes.

ATTACHMENTS

1. Morro Bay Harbor Patrol RV "Dry" Camping Proposal

Morro Bay Harbor Department

RV “Dry” Camping

Executive Summary:

A pilot program for first-come, first-served dry (no hookups) recreational vehicle (RV) camping in small designated locations within the waterfront area in order to generate much-needed revenues for the Harbor Department. At a conservative 50% annual occupancy rate, this program could generate gross revenues of approximately \$164,000 per year. Start-up costs are estimated at approximately \$15,000, and total operating costs (direct and Citywide overhead) are estimated at approximately \$30,000 annually. The net revenues will greatly assist the Harbor Department with its significant unfunded liability issues.

Problem Statement:

The Harbor Department has struggled with tight budgets and shrinking capital reserves due primarily to the combination of increasing employee and other costs, coupled with the loss of revenue (\$275,000 annually) from the power plant outfall lease. This modest camping program would generate significant revenues for a relatively small investment and ongoing costs.

In addition, this program would also help address the issue of numerous RV’s already illegally camping throughout the waterfront area; a phenomenon that illustrates there is a demand for a RV camping experience not currently available in Morro Bay (see attached recent photo). Since most private campgrounds in Morro Bay offer some degree of services (hook-ups), coupled with the facts that the private campgrounds cannot provide a waterfront camping experience and the waterfront is already being utilized by illegal RV campers, this program would not be expected to have a significant negative impact on the private sector.

Proposal:

A first-come, first-served dry RV camping pilot program in these four areas, as shown in the attached illustrations:

- “Rock Camping Area:” four spots near the fenced power plant outfall area in a section of the parking lot seldom utilized.
- “Coleman Camping Area:” four spots on the east side of the dirt parking lot between the Coleman restroom and basketball court.
- “Harbor Yard Area:” four spots at the end of the Embarcadero dirt extension road between the bike bridge and the Harbor Department maintenance yard.
- “Launch Ramp Lot:” allowance for up to six of the 42 available truck/trailer parking stalls for overnight camping by users actively utilizing their vessels out of Morro Bay Harbor. RV tow vehicle or in-vessel camping would be allowed during the annual rockfish fishing season (currently April through December), and up to six RV’s only (without boats) would be allowed during the annual rockfish fishing closure (currently January through March) when less than three to five users per week use the parking lot for boat launching purposes.

The camp sites will be roughly 50 feet long by 15 feet wide. Minimal improvements would include grading to fill potholes and provide a smooth parking surface and ADA accessibility, delineation of camping spaces, signage, picnic tables and a pay station. These improvements would be quite similar to what is seen in State Park or Forest Service campgrounds.

Harbor Department staff will operate and maintain the camping areas at current staffing levels. Officers will monitor the areas during morning rounds and assist any new arrivals during the night with payment and information. Officers will conduct camping area rounds during the afternoons and evenings for any arrivals during the day, and for dealing with any issues.

If this pilot program is successful, a standard “camp host” type system could be utilized to take the majority of the management burden off City staff. These camp hosts could also assist with trash clean-up and beautification efforts in the areas around the camping grounds, in addition to cleaning and stocking the nearby public restrooms as part of their duties.

Enforcement would come primarily from Harbor Department staff during daytime hours, with assistance from the Police Department, primarily to enforce RV camping in illegal areas, during nighttime hours. Some new municipal codes would be required for regulation and enforcement of this program.

Financial:

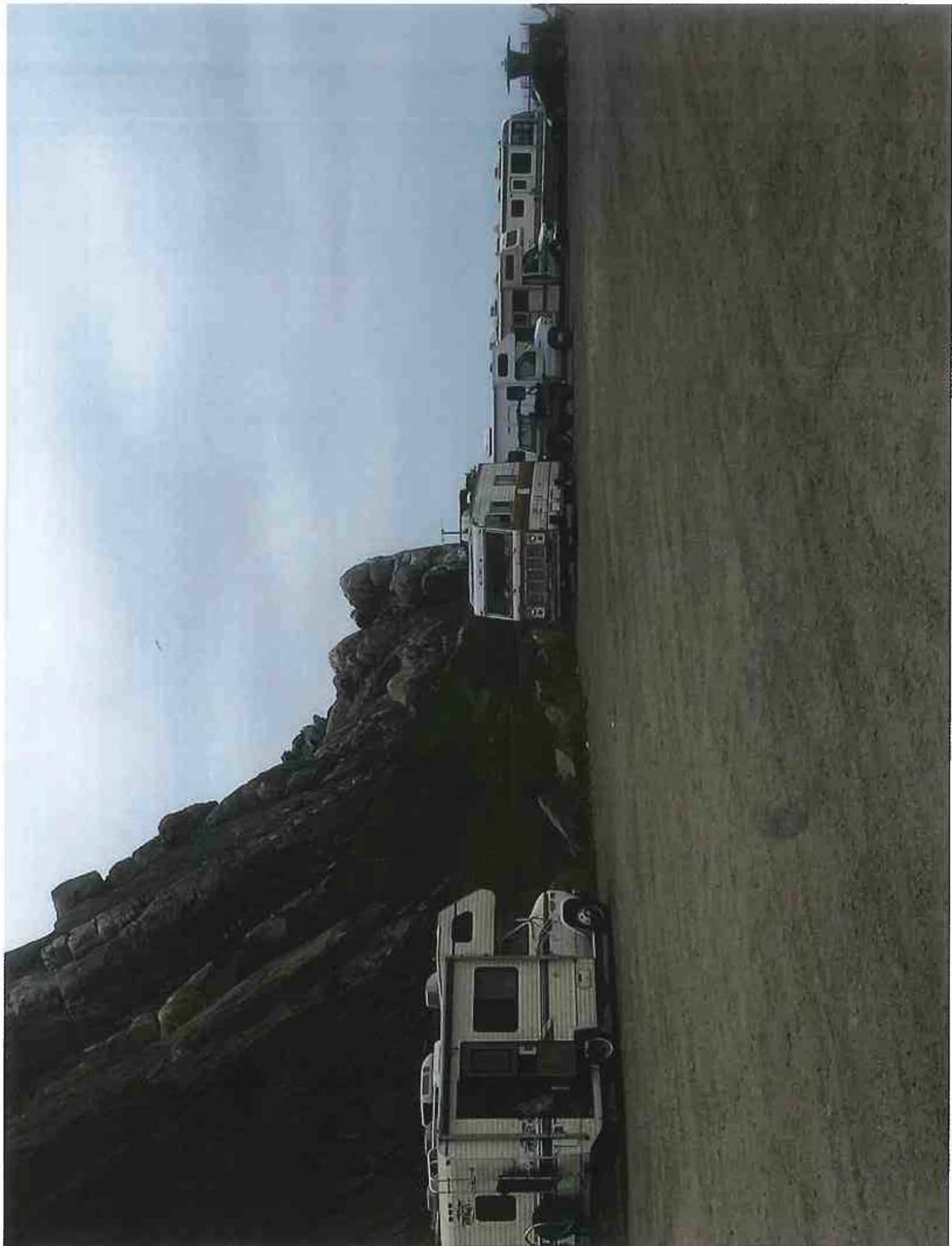
The 12 dry RV camping sites would be priced at \$50 per night, which is comparable to Port San Luis Harbor District’s program, and slightly above the private campgrounds in Morro Bay with comparable sites from a service standpoint.

The trailer boat camping area will allow up to six of the 42 available trailer parking stalls for overnight camping at a rate of \$50 per night. This will not affect the amount of available boat trailer parking, as the six spaces would still be used for the same intended boating purpose with the allowance of overnight occupancy during the high-use (rockfish season) season, and utilize unused spaces from a boating standpoint during the low-use (rockfish closure) season.

Conclusion

A modest waterfront RV dry camping program could bring much needed and significant additional revenues to the Harbor Department at nominal costs, satisfy an unfulfilled tourist demand in Morro Bay with a unique camping experience nobody else can offer and help solve an illegal RV camping issue in town. The Harbor Department is prepared to pursue any necessary permits for a pilot program, and work with the MBPD and other departments for its establishment should it be approved.

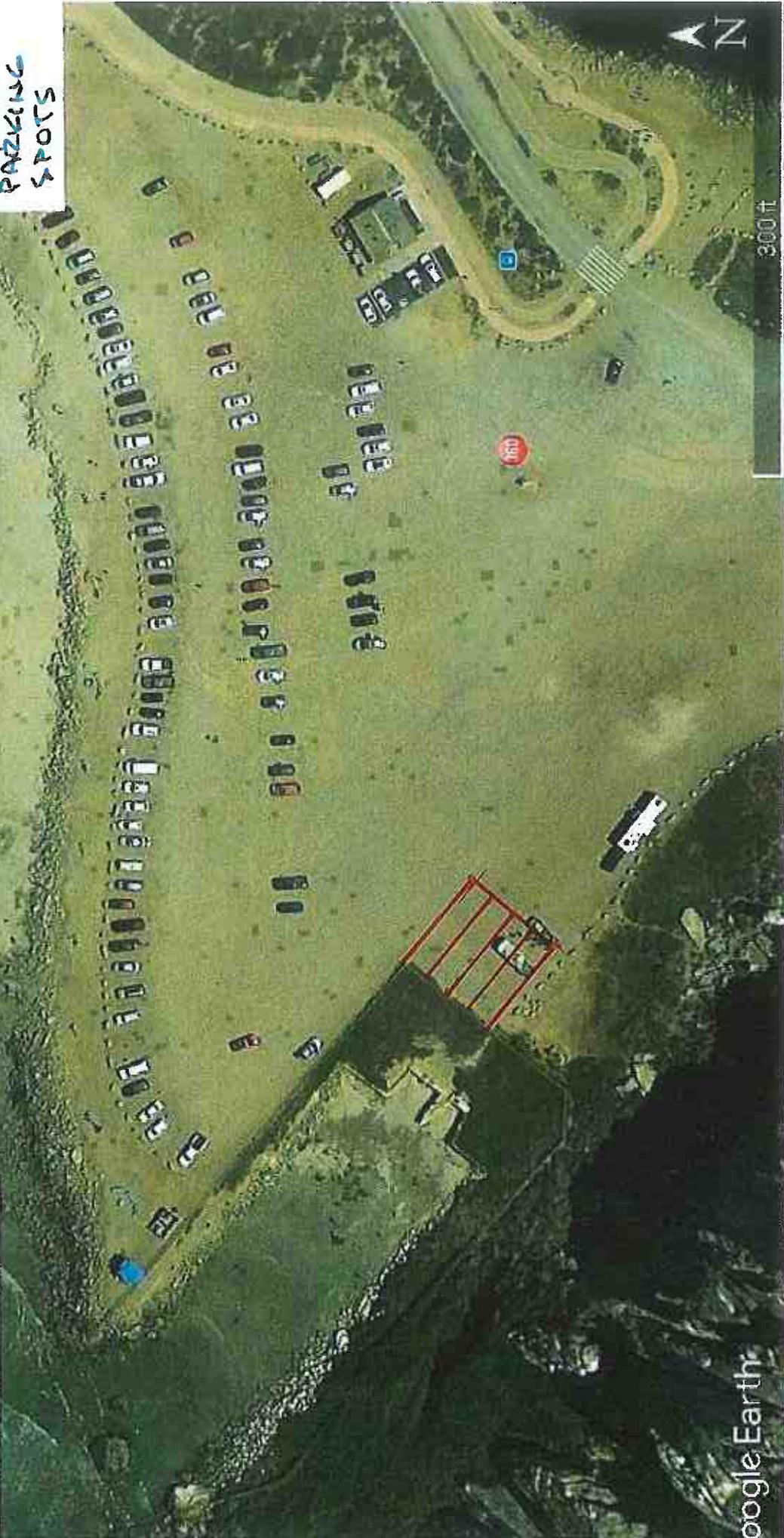
Attachments:/



The Rock Parking Lot

1

Four APN's.
12'-15' X 50'
DRY CAMPING
PARKING
SPOTS



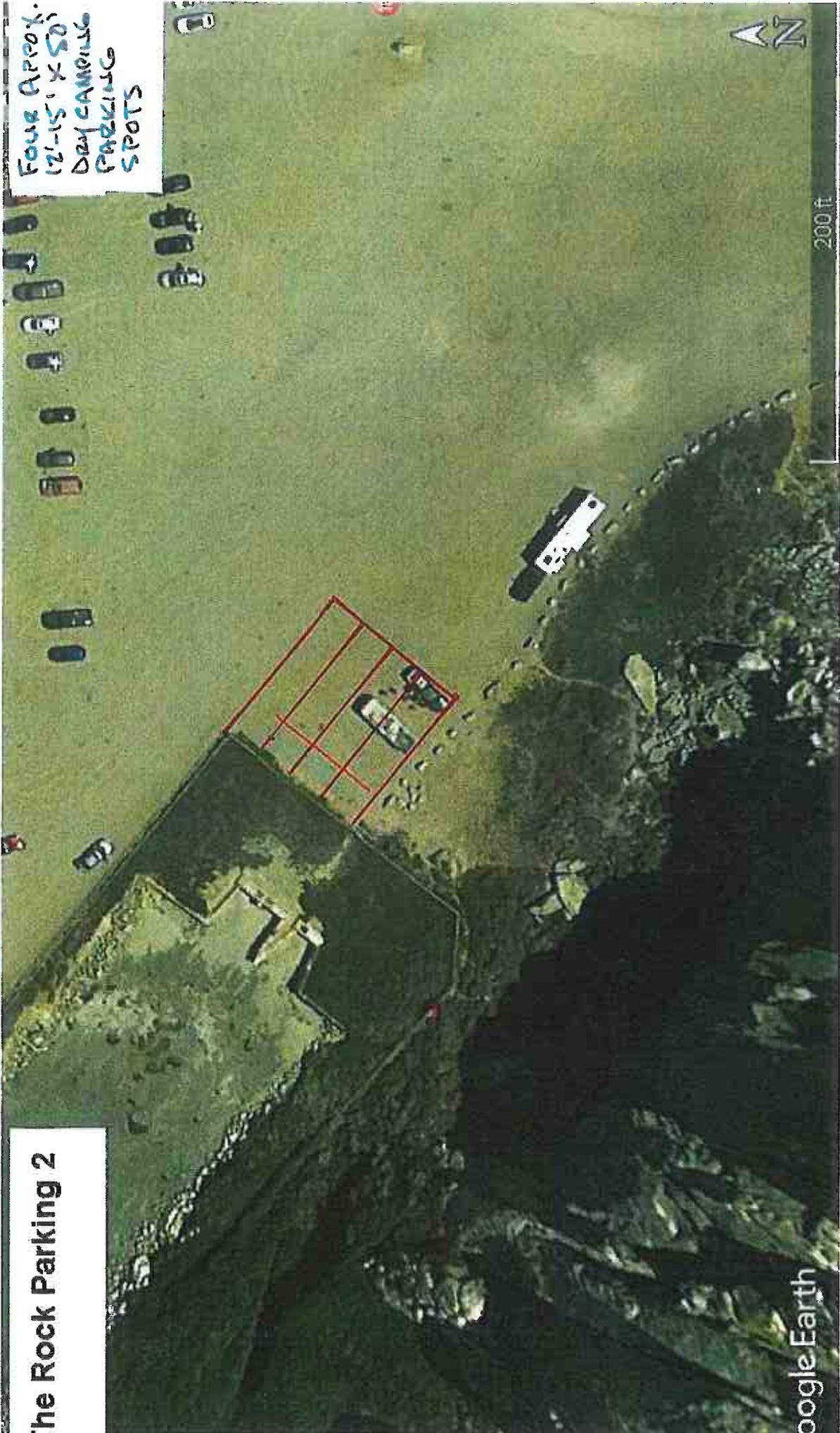
FOUR APPROX.
12'-15' X 50'
DAY CAMPING
PARKING
SPOTS

200 ft



The Rock Parking 2

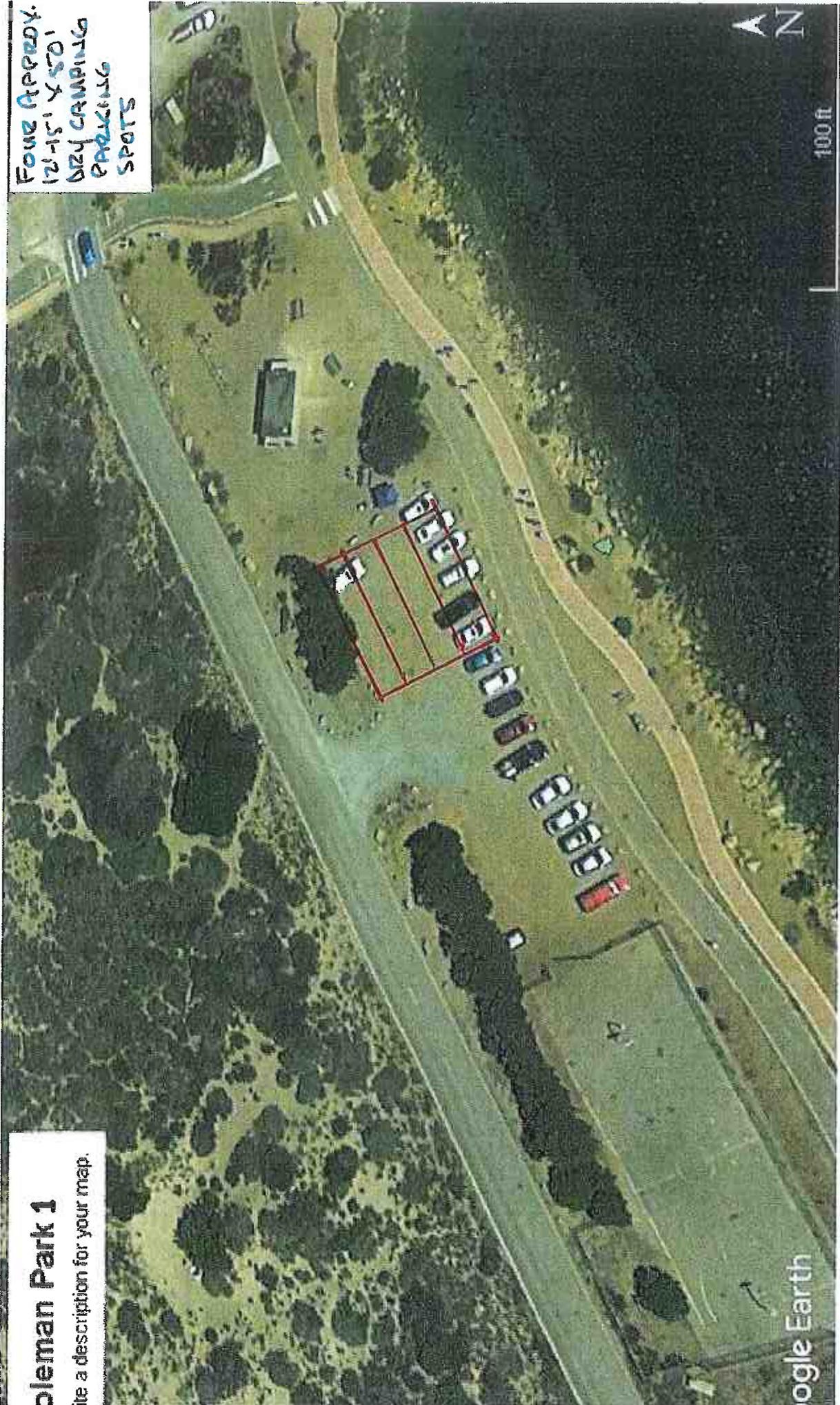
Google Earth



Cleman Park 1

Write a description for your map.

FOUR APPROX.
12-15' X 50'
DZLY CAMPING
PARKING
SPOTS



100 ft



Google Earth

Coleman Park 2

Four Approx.
12' x 15' x 50'
Dry Camping
Parking
Spots



Google Earth

Harbor Yard Site

Write a description for your map.

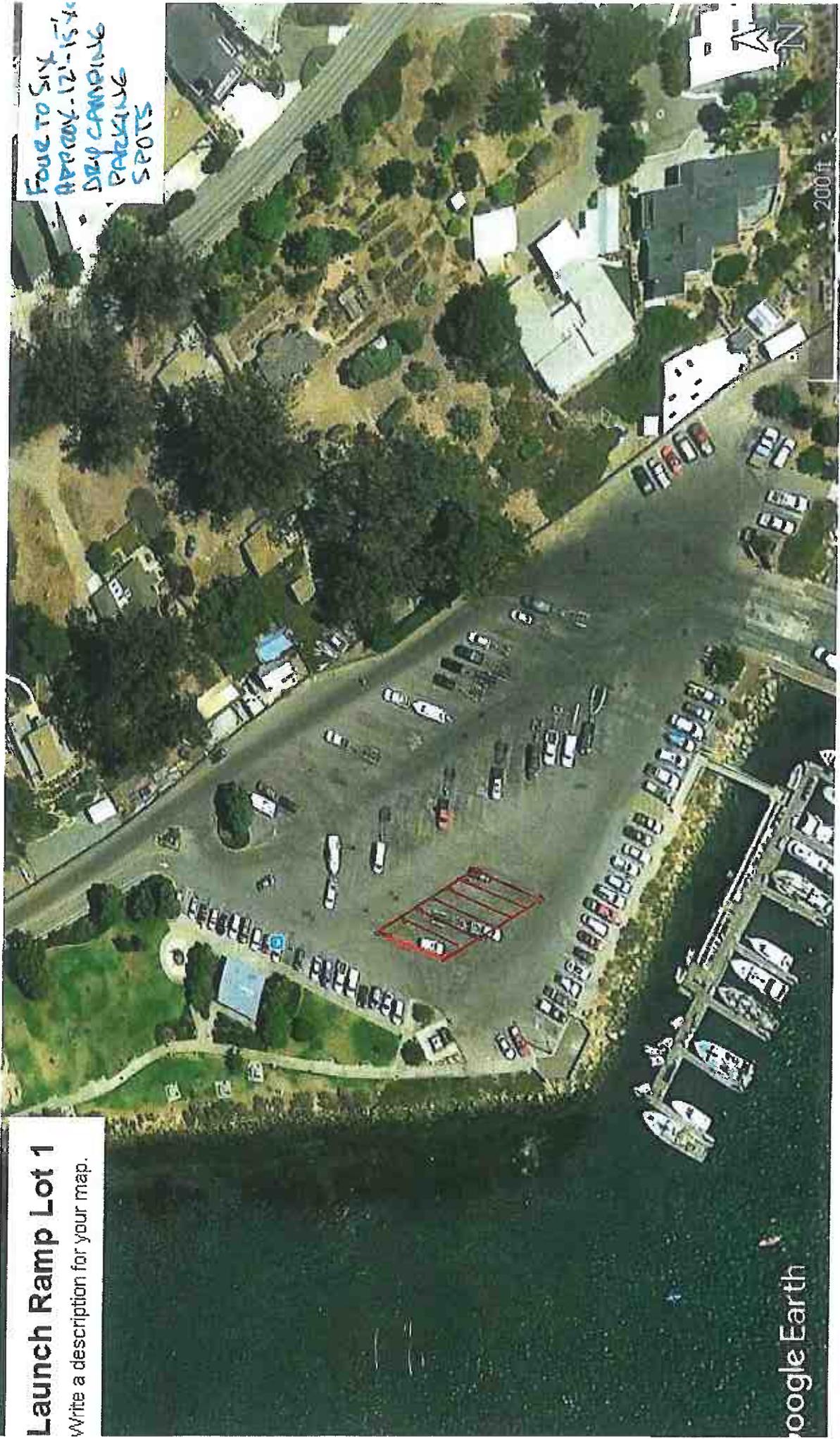
Legend



Launch Ramp Lot 1

Write a description for your map.

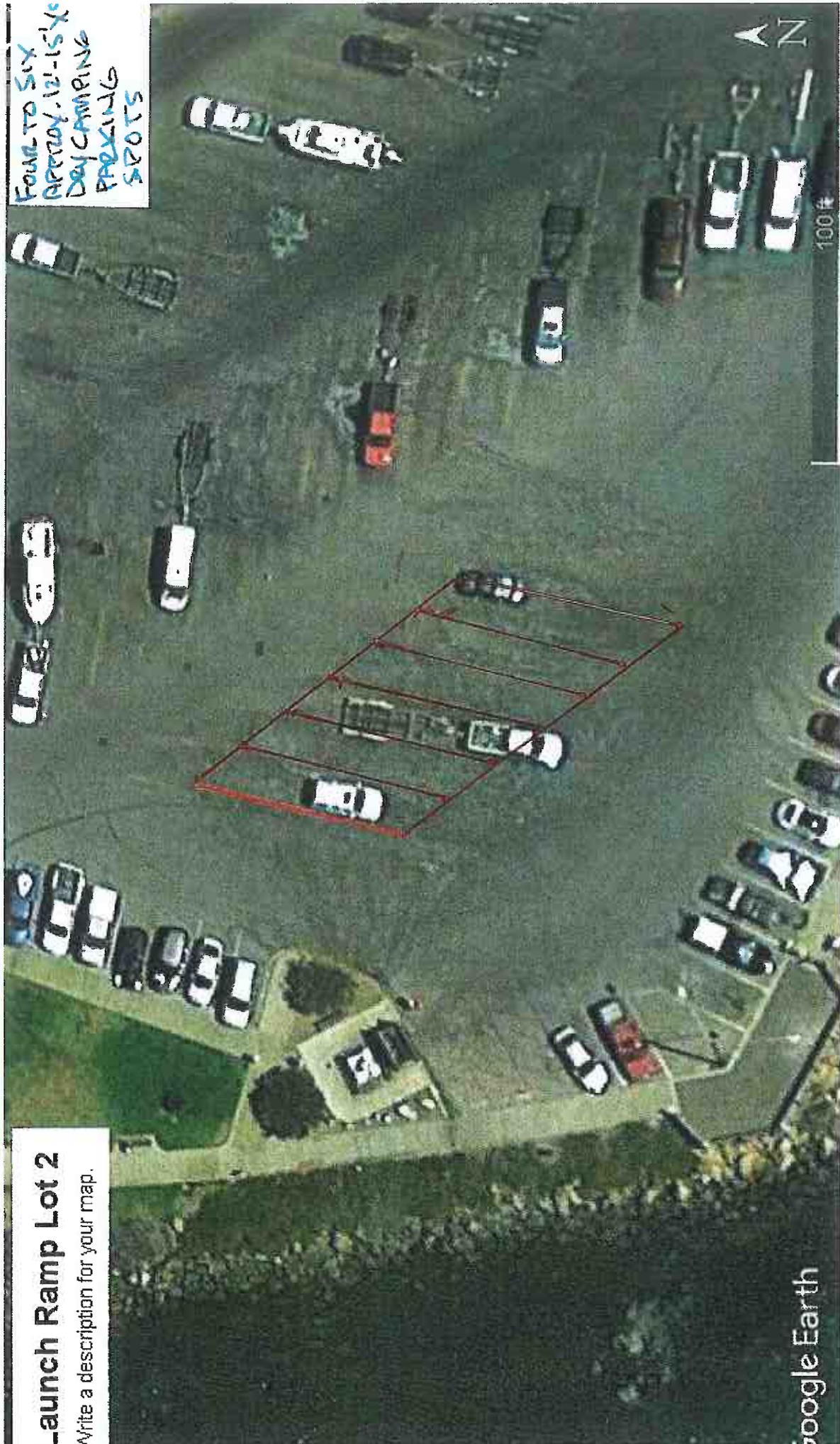
FOUR TO SIX
APPROX. 12'-15' x
DAY CAMPING
PARKING
SPOTS



Launch Ramp Lot 2

Write a description for your map.

FOUR TO SIX
APPROX. 12-15' X
DAY CAMPING
PARKING
SPOTS





AGENDA NO: B-3

MEETING DATE: August 1, 2019

Staff Report

TO: Harbor Advisory Board

DATE: July 24, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Update from the Eelgrass Ad-Hoc Committee on Committee's Recent Activities

RECOMMENDATION

Receive and file report.

BACKGROUND & DISCUSSION

The Eelgrass Ad-Hoc Committee will be presenting an oral update on their activities, if any. This is a standing committee report agenda item.

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____



AGENDA NO: B-4

MEETING DATE: August 1, 2019

Staff Report

TO: Harbor Advisory Board

DATE: July 26, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Update on Harbor Department Lease Management Policy Update Process, and Appointment to Fill Resignation of One Harbor Advisory Board Member from the Lease Management Policy Update Group

RECOMMENDATION

Receive and file report, and fill vacant seat in the lease policy update group representing the Harbor Advisory Board.

BACKGROUND & DISCUSSION

Policy Process Update

The Lease Management Policy Update Group continues its work on various sections of the policy. The last group meeting was on July 25, 2019. Although approximately 1/3 of the way through the document, currently there are no updated materials to present the Harbor Advisory Board (HAB) for review. This section of the report, therefore, is an informational update from the policy update group members and staff.

Policy Group Resignations

Over the past few months, the group has seen two resignations, both for personal reasons: Harbor Leaseholder representative Smith Held, and HAB representative Mark Blackford. With HAB representative to the group Cherise Hansson also representative of Harbor Leaseholders, being a leaseholder herself, staff and the group facilitator, Marty Lomeli, see no need to replace Mr. Held's position at this stage of the process.

HAB Chairman Ron Reisner stepped forward and attended the July 25 meeting in anticipation of Mr. Blackford's seat being filled, and intends to volunteer for it. Should he be nominated by the full HAB and approved, he will officially join the group.

CONCLUSION

Staff request the HAB to nominate a new member and fill the currently vacant HAB-representative seat on the lease policy update group.

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____



AGENDA NO: B-5

MEETING DATE: August 1, 2019

Staff Report

TO: Harbor Advisory Board

DATE: July 25, 2019

FROM: Eric Endersby, Harbor Director

SUBJECT: Presentation on Master Fee Schedule Study Results and Recommendation on Fee Recovery Rates for Harbor Department Fees

RECOMMENDATION

Receive presentation and provide input and recommendations to Council on fee recovery rates for Harbor Department fees.

BACKGROUND

By way of consultant Revenue and Cost Specialists (RCS), the City recently completed a detailed Comprehensive Fee Study, Cost Allocation Plan and Optional Development Impact Fee Study. RCS recently completed the Cost Allocation and Fee Study portions, and the fee study was brought to Council on July 9 for initial review and direction. Although completed and implemented, the final Cost Allocation Plan will be brought back to the Council at a later date. The Impact Fee Study is still a work in progress.

The July 9, 2019 Council staff report on the Fee Study is included with this staff report as Attachment 1. It should be noted that only the Harbor-related fee pages of the fee study are included with this attachment. The full study is available on the City's website.

In addition, City Council Resolution No. 63-15, which established a fee subsidy and cost recovery policy for the City's various funds, is included with this report as Attachment 2. That resolution established 100% recovery for all Harbor rates, with the exception of slip and pier rates, which shall be at 85%.

In addition to taking input on the Fee Study at this meeting, additional opportunities for public input are:

- July 30, 2019 community outreach meeting at the Vet's Hall from 5:30 p.m. to 7:00 p.m.
- August 8, 2019 community outreach meeting at the Vet's Hall from 4:00 p.m. to 6:00 p.m.
- August 27, 2019 tentatively-scheduled presentation to the City Council on community outreach meetings, which would include input from this Harbor Advisory Board meeting
- September 10, 2019 tentatively-scheduled City Council adoption of new Master Fee Schedule for FY 2019/2020

The current Master Fee Schedule for FY 2018/2019 was previously carried-forward by the Council for this fiscal year essentially unchanged until the fee study is completed, and new schedule adopted by the Council. One exception to this carry-forward was the ten percent discount for Harbor

Prepared By: EE

Dept Review: EE

City Manager Review: _____

City Attorney Review: _____

mooring owners and slip holders for paying one full year in advance. This provision was not carried forward because this discount is literally a “gift of public funds” and will not be recommended for continuance in the new fee schedule.

DISCUSSION

The methodology in which the various fee program costs were derived is explained in detail in RCS’s report included in Attachment 1. In short, RCS spent considerable time with various staff members from the executive team to line personnel in all departments and divisions determining program employee time, equipment, supplies and services spent on the various City services, Citywide overhead costs (those costs other departments and divisions incur providing services to departments and divisions not their own) and capital replacement and improvement costs to derive overall total costs of services provided.

In the case of the Harbor Department, those services ,or “business lines” (basically, a service for which there is a cost and an associated fee to provide it), including their current fee versus cost recovery percent rates, according to the study are (rounded):

Lease Administration	492%
Slip/Dock Administration	26%
T-Pier Administration	20%
Mooring Administration	185%
Liveaboard Administration	19%
Launch Ramp	74%
Misc. Fees	271%

The last page of Attachment 1 is a summary of the cost/revenue analysis and fee recovery rates on the upper half of the page, and a summary of the possible new revenues and cost recovery if the fees rates recommended in the RCS study are implemented.

It should be noted that, unlike the General Fund where fees cannot exceed the costs to provide them, the Tidelands Trust is an enterprise zone where fair market value in rents and fees charged is mandated, with certain exceptions allowed (such as temporary business incentives or for providing public benefits), in order to turn a “profit” that is to be rolled back into the enterprise zone for management, public safety, maintenance, improvements and enhancements in that zone.

While it is abundantly clear that the City’s waterfront leases have historically “carried the load” with regard to the Harbor Department, it is equally clear, given the current budget situation and backlog of capital infrastructure needs, the waterfront leases cannot continue to do so. Therefore, increased revenues and/or cuts to services are absolutely necessary, and the reality is that fees structured to recover the costs to provide them are equally necessary.

CONCLUSION

Other options for the under-performing business lines, aside from simply raising rates, could be direct charging for electricity and water, eliminating trash services currently provided or charging higher transient rates to subsidize lower permanent slip holder rates, to name a few. Metering electricity and water, of course, would come at significant capital cost and would incur additional ongoing administrative costs. There currently is a flat per-day convenience fee for electrical use at the T-Piers.

Finally, regarding the fee rates of other coastal California harbors and marinas, such rates would be considered comparable *market* rates only, as these other harbors and marinas would be considered Morro Bay’s coastal market competitors. Morro Bay’s costs are our costs, irregardless

of what other harbors and marinas are charging, and thus any comparison of Morro Bay's rates to other rates would only be considered a comparison of *competitive market values*, not cost recovery values.

With Resolution 63-15 and current fees and recovery rates in mind, staff are seeking HAB input on a path to the recovery rates dictated in Resolution No. 63-15. Any HAB input or recommendations proffered will be routed to the City Council through the meeting process noted above, with the City Council ultimately deciding to what degree fee cost recovery will go and by what means it will get there.

ATTACHMENT

1. July 9, 2019 City Council agenda item C-1 on Comprehensive Cost Allocation Plan and Fee Study Update
2. City Council Resolution No. 63-15



AGENDA NO: C-1

MEETING DATE: July 9, 2019

Staff Report

TO: Honorable Mayor and City Council

DATE: June 26, 2019

FROM: Jennifer Callaway, Finance Director

SUBJECT: Comprehensive Cost Allocation Plan and Fee Study Update

RECOMMENDATION

Council receive staff presentation and provide direction, as necessary.

FISCAL IMPACT

The fee study has identified approximately up to \$1,000,000 in annual fee increases, across all City funds, which the City is entitled lawfully to recover for purposes of cost recovery. These fee increases would provide sufficient revenues to provide services on a full cost recovery basis. The proposed fees in the draft study (Attachment 1) represent the actual cost to deliver services and thus, decrease the City's subsidy of private activity.

BACKGROUND

At the April 10, 2018 Council meeting, the City Council authorized staff to release a Request for Proposal (RFP) to seek qualified consulting firms to perform a Comprehensive Fee Study, Cost Allocation Plan and Optional Development Impact Fee Study. Staff published the RFP on April 13, 2018 with a closing date of May 11, 2018. The City received seven proposals in response to the RFP.

City staff assembled an evaluation panel to review the proposals and conduct finalist interviews. The panels consisted of members of City staff representing general fund departments and the enterprise funds of water, sewer and harbor. In addition, staff invited a member of the Public Works Advisory Committee, Planning Commission, Recreation and Parks Commission, Citizen's Finance Advisory Committee, and Harbor Advisory Committee to participate in the evaluation of proposals. A member of the Public Works Advisory Committee participated in the proposal review process and a member of the Planning Commission participated in the oral interviews of finalists. In addition, the Finance Director for the City of Grover Beach served as a panelist for the oral interviews.

The City conducted a tiered evaluation approach, with the first round of evaluations being technical in nature and focused on the firm's approach, background and experience, communication and quality of proposal submitted, ability to meet City's timeline and reputation. The Cost proposals were opened separate and were reviewed as a separate phase of the process, upon completion of the technical evaluation. The evaluation panel recommended the top three finalists be invited to participate in oral interviews.

An evaluation panel conducted oral interviews of the top three proposers on Thursday, June 14, 2018 and recommended that the City proceed with contract negotiations with Revenue and Cost Specialists, LLC (RCS). The panelist felt that RCS was the most responsive to the presentation

Prepared By: JC

Dept Review:

City Manager Review: SC

City Attorney Review: CFN

request that was asked of the finalists. RCS demonstrated a commitment to work with the City, as the company representatives clearly spent time researching Morro Bay, the City's current fee structure and services, and also valued the approach of the team as well as the inclusion of a Master Facilities Plan (MFP). The panelists unanimously agreed that RCS would best meet the needs of the City.

Based on this recommendation, in August of 2018, the Council authorized the engagement of RCS, to conduct a comprehensive cost allocation plan, fee study and development impact fee update. The scope of the study was to review the City's current fee schedule, calculate the total cost of fee-generating services, analyze the cost recovery levels for each fee, survey other cities, and provide recommendations on how to adjust fees. The study also included a Development Impact Fee Study, a Master Facilities Plan and a comprehensive cost allocation study all of which will be provided with the Final Proposed Master Fee Schedule, tentatively scheduled for August 27, 2019 Council Meeting.

DISCUSSION

RCS conducted a detailed cost analysis of City user fees and prepared an indirect cost allocation plan. The analysis evaluated current service delivery costs and updated staffing and cost assumptions, including labor costs. The indirect cost allocation plan provided a method to assign City-wide overhead costs to direct service departments and their services to ensure that the full cost of service, including City administrative overhead, could be recovered through the fees charged for service. This evaluation helped to better inform the full cost to provide City services, including Planning, Building, Engineering, Police, Fire, Recreation and other services.

The fee study revealed that the City's fee structure is not capturing the current costs of providing services in most areas. This is not surprising, given that the City, as a matter of policy, has elected to not charge full cost recovery for certain fees, such as for recreation, , the City did not include a Consumer Price Index (CPI) in the most recently adopted fee schedule in lieu of adopting a revised Master Fee Schedule later in the fiscal year, and the existing fee schedule does not reflect the current City labor costs of providing services. For those fees that are not at full cost recovery, the General Fund or Enterprise Fund (depending on the fee) subsidizes the cost of providing services.

While cost analysis data plays a role in determining the level of fees to charge, it must be balanced with several other factors, such as affordability, parity with surrounding jurisdictions, past Council actions, the desire for partnership and sponsorship policies, etc. Keeping these factors in mind, staff recommends the following actions be taken to obtain community/user group input related to the draft proposed fees:

- July 9, 2019 – Council discussion of draft proposed fee schedule and input provided to staff.
- July 30, 2019 – Community outreach meeting at the Vet's Hall: 5:30 p.m. – 7:00 p.m.
- August 8, 2019 – Community outreach meeting at the Vet's Hall: 4:00 p.m. – 6:00 p.m.
- August 27, 2019 – Presentation to Council on community outreach meetings, feedback and staff recommendation for fees. Tentative Council date for review and consideration of adoption of new Master Fee Schedule.

There is a 60-day waiting period between Council adoption of the Master Fee Schedule and when the new schedule can go into effect. Should a new Master Fee Schedule be adopted on August 27, 2019 it could go into effect as early as November 1, 2019 or later as determined by Council.

During the proposed timeframe staff recommends the City partner with the Chamber of Commerce to reach affected businesses, in addition to City staff reaching out to local non-profits, special event promoters, and other user groups who may be impacted by a change in the Master Fee Schedule. Staff will also be working to draft partnership and sponsorship policies for Council consideration as those policies would likely impact fees to partnering organizations and agencies.

Staff welcome initial feedback and discussion from Council regarding the proposed draft Master Fee Schedule as well as the proposed timeline for community outreach.

CONCLUSION

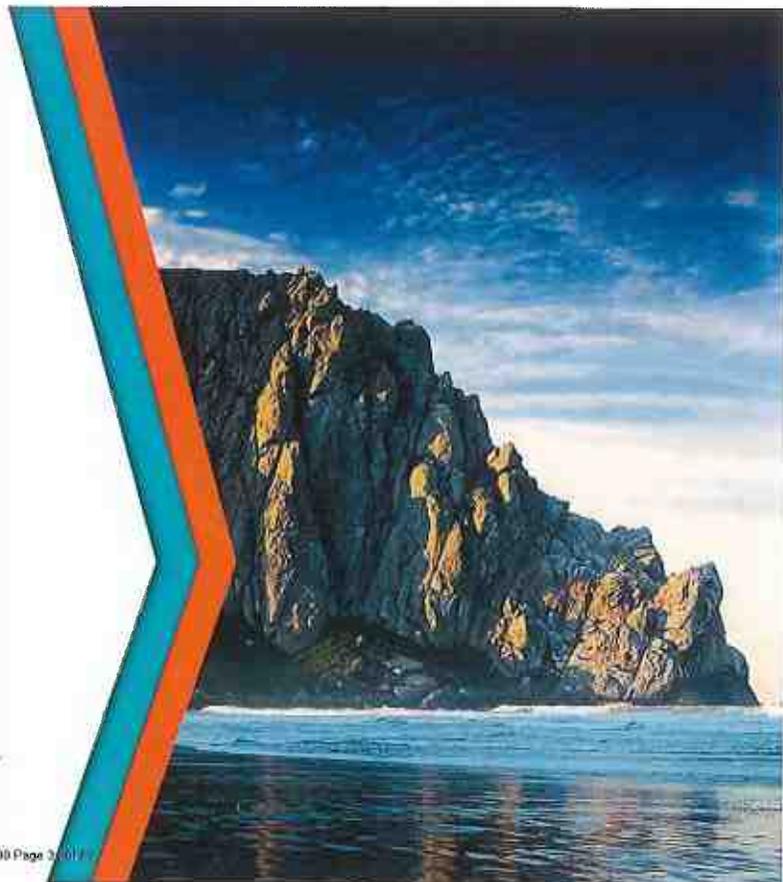
Staff recommends that the Council provided direction, as necessary, related to the proposed community outreach schedule and draft Master Fee Schedule.

ATTACHMENTS

1. Link to Cost of Services Study for the City of Morro Bay
2. July 9, 2019 PowerPoint Presentation

Cost Allocation Plan & User Fee Update

City of Morro Bay
July 9, 2019



Background of RCS

- Revenue & Cost Specialists (RCS) founded in 1980 by two City Managers & a Finance Director
- Pioneered concept of matching fee revenues with the cost of service
- Performed 1,100 reports, 250 public agencies, 5 states
- Chu Thai, Vice President – 22 years of services for 8 cities

What Have We Done?

Recast the City Budget with a Business Orientation

- Identified the cost of services provided to it's customers (e.g. there is no City Council service)
- Matched Revenues to those Costs

Methodology

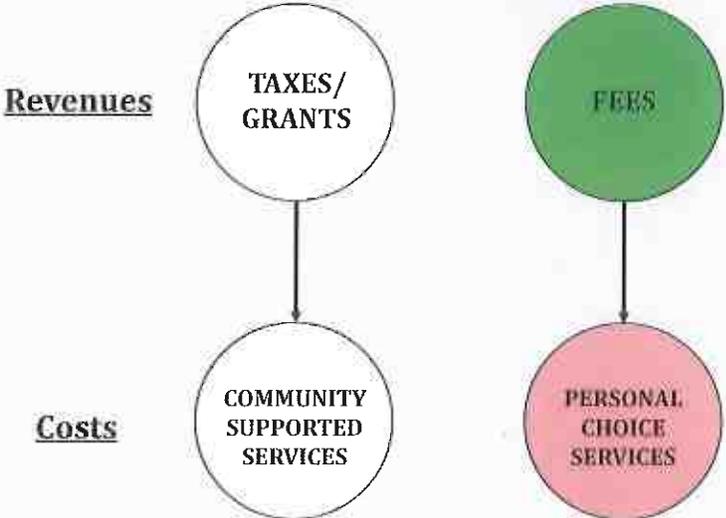
- Meet with Departments to establish services & time spent
- Review budget and calculate overhead rates
- Review services to categorize between Community Supported and Personal Choice services
- Review recovery percentages & make recommendations



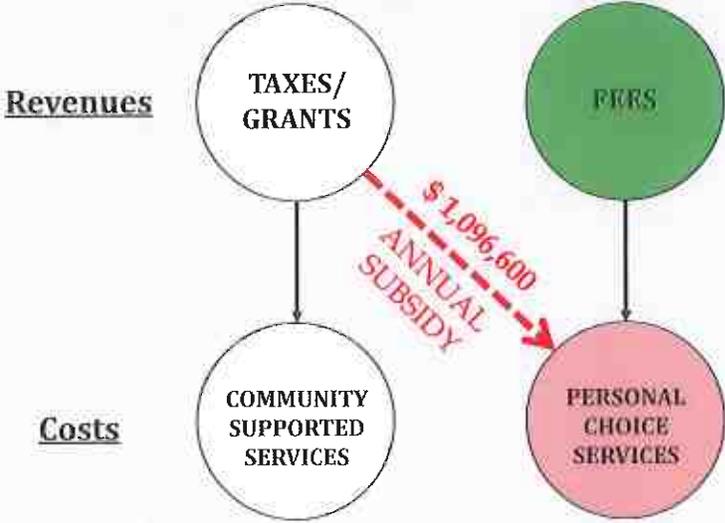
Community Supported vs. Personal Choice

- Community Supported (Tax Services)
 - ✓ Typically benefits community as a whole
 - ✓ 100% supported by tax dollars
 - ✓ E.g. Police and Street Maintenance Services
- Personal Choice (Fee Services)
 - ✓ The Customer is identifiable and the Service is measurable
 - ✓ Benefits an individual or group
 - ✓ Subsidy levels may be based on social, safety or welfare reasons (e.g. Development Services and Recreation)

Matching Revenues to Costs



Possible New Revenues



Cost Recovery Summary

Project was to identify full costs for city services

USER FEES	TOTAL FEE REVENUE	TOTAL SERVICE COST	TOTAL PROFIT/ (SUBSIDY)	PCT. RECOVERY FROM FEES		POSSIBLE NEW REVENUE
				ACTUAL	SUGGEST	
SUBTOTAL - COMMUNITY DEVELOPMENT	\$656,303	\$1,285,597	(\$629,294)	51.1%	VAR.	\$623,900
SUBTOTAL - PUBLIC WORKS	\$106,431	\$161,445	(\$55,014)	65.9%	VAR.	\$54,900
SUBTOTAL - WATER/WASTEWATER	\$114,144	\$113,865	\$279	100.2%	VAR.	\$100
SUBTOTAL - POLICE	\$37,584	\$137,561	(\$99,977)	27.3%	VAR.	\$12,200
SUBTOTAL - FIRE/EMS	\$183,260	\$425,657	(\$242,397)	43.1%	VAR.	\$160,200
SUBTOTAL - HARBOR	\$2,016,375	\$2,731,306	(\$714,931)	73.8%	VAR.	\$179,700
SUBTOTAL - MB TRANSIT/TROLLEY	\$306,704	\$388,632	(\$81,928)	78.9%	VAR.	\$0
SUBTOTAL - RECREATION	\$689,133	\$2,867,768	(\$2,178,635)	24.0%	VAR.	\$8,300
SUBTOTAL - ADMINISTRATION	\$1,448	\$64,746	(\$63,298)	2.2%	VAR.	\$57,300
	\$4,111,382	\$8,176,577	(\$4,065,195)	50.3%		\$1,096,600

\$4,065,195 in service subsidy
\$1,096,600 possible cost recovery

City Council Makes Final Tax Subsidy Decision

- The project goal is to identify the full costs for the various services
- RCS and City Staff have made fee recommendations for every service
- It is now up to the City Council to decide which services should be charged the full costs and which services should be subsidized with tax dollars

How to Read the Report

- **Appendix A – Summary of Current Fees and Proposed Fees**
 - ✓ Each fee has unique reference number (S-###)

- **Appendix B – Detailed Revenue & Cost Sheets**
 - ✓ Summary (Left Side) – Responsible Department, Description of Service, Current Fee Structure, Suggested Fee, Revenue & Cost Comparison.
 - ✓ Cost Detail (Right Side) – Staff Position, Unit Time, Unit Cost, Annual Number of Units, Total Cost

- **Appendix C, D & E – Additional Cost Analysis**
 - ✓ Appendix C – Harbor Fees & Analysis
 - ✓ Appendix D – MB Transit/Trolley Fees & Analysis
 - ✓ Appendix E – Recreation Fees & Analysis

Next Steps: Community Input

July 9, 2019: Council discussion of Draft Proposed Fee Schedule

July 30, 2019: Community Outreach Meeting @ Vet's Hall –
5:30 p.m. – 7:00 p.m.

August 8, 2019: Community Outreach Meeting @ Vet's Hall – 4:00 p.m. –
6:00 p.m.

August 27, 2019: Council discussion, hear feedback from Community Outreach Meetings, and Recommendations. Tentative Adoption of new Master Fee Schedule.

Questions?

Chu Thai - Vice President
Revenue & Cost Specialists
chu@revenuecost.com
(714) 996-9024



Cost of Services Study for the City of Morro Bay

July 2019

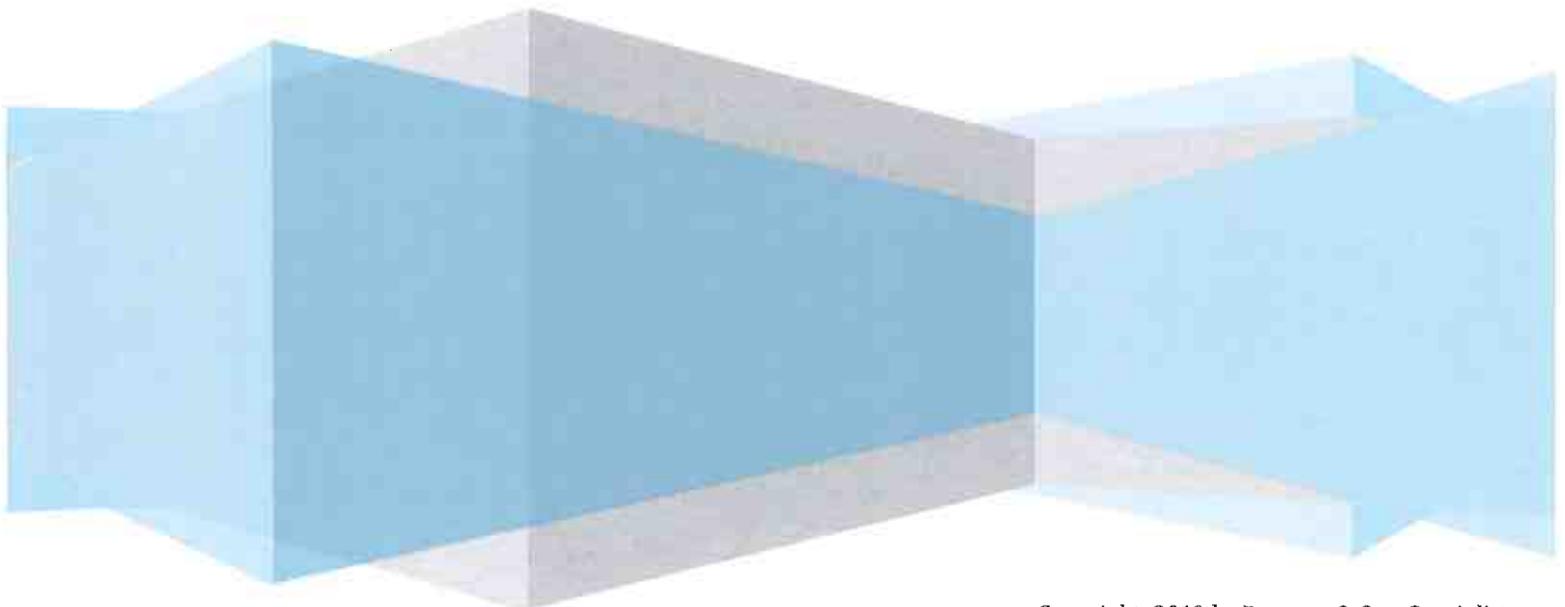
Prepared by:
Revenue & Cost Specialists, LLC

1519 E Chapman Ave, Ste C

Fullerton, CA 92831

www.revenuecost.com

(714) 992-9020





Serving Local Governments Since 1975

July 1, 2019

Honorable Mayor and City Council
via City Manager Scott Collins
City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442

Honorable Mayor, City Council and Mr. Collins:

This Report is submitted pursuant to our contract with the City of Morro Bay to perform a revenue and cost analysis and to develop a computerized cost distribution and cost control system for the City for its services.

The motivation for this study is the need of both the City Council and City staff to maintain City's services at a level commensurate with the standards previously set by the City Council, and to maintain effective policy and management control of City services.

This Report provides currently useful information about the City's status on recovery of costs for all City services. In addition, it will assist in projecting and determining the future level and equity of these City services.

RCS wishes to thank all City department heads and staff for their assistance and cooperation extended to us during the accomplishment of our work, without whose aid this Report could not have been produced. The response, awareness and information gathered and supplied by numerous City employees make this Report the sound one we believe it to be.

We also believe that your constituents will appreciate your subjecting the City's operations to business costing methodologies, and your willingness to be informed of the true and full costs of those services which you have decided the City should provide its citizens.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "CHU THAI".

CHU THAI
Vice President

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APPENDIX A - SUMMARY OF CURRENT FEES AND PROPOSED FEES

APPENDIX B - REVENUE AND COST SUMMARY WORKSHEETS MATCHED WITH COST
DETAIL WORKSHEETS

APPENDIX C – HARBOR FEES AND ANALYSIS

APPENDIX D – MB TRANSIT/TROLLEY FEES AND ANALYSIS

APPENDIX E – RECREATION FEES AND ANALYSIS

EXECUTIVE SUMMARY

Revenue & Cost Specialists (RCS) has subjected the City's operations to a detailed analysis seeking alternate and more equitable ways to finance its services. This report presents the analytical advantages which are available to the City through the institution of a comprehensive system designed by RCS to implement Article XIII B of the California Constitution.

Based on data presented in this report, the City Council can better respond to the limits on tax revenues available to the City as well as the constant demand for higher and more operational services and capital improvements. Due to demands made of the City, it is essential that the Council and City management have additional information upon which to assist in charting a future financial course that will preserve the quality of life which its citizens have come to expect.

Systematic and Documented Approach. This analysis was designed to provide the City with a systematic and documented approach to understand, control, and recapture the costs which are forced on it by normal service demands, growth and general economic inflation.

Constitutional Methodology. The methodology used for this analysis is the "costs reasonably borne" test established by Section 8(c) of Proposition 4, now Article XIII B of the California Constitution. In following that process, RCS has analyzed the ways in which City services can be financed more equitably to assure the City's future financial viability.

Full Business Costs Determined. The methodology followed by both the Authors of Proposition 4, and consequently by RCS, determines the full business cost of providing the reported City services. It also identifies the beneficiaries of those services and determines if they are paying in relationship to benefits derived or if they are deserving of a subsidy paid from the taxes paid by all local citizens and businesses. Thus, the City Council will have full knowledge of costs which are actually occurring.

Financial Integrity Established. This report summarizes the work accomplished and presents recommendations. These recommendations, if implemented, would establish the financial integrity of the analyzed City services and would establish a continuing cost control system following the business principles which are generally espoused for government, but often are ignored in application.

Identifying Service Center

There are three basic steps in the process used by RCS. The first step is to identify the services offered by the City. Next, the service costs are calculated. Finally, the revenue currently received is matched to the cost of providing the service to determine if there is a subsidy from taxes.

Refinement Process. In a series of meetings held with City staff, department by department, we developed a list of services, and then allocated staff time to the appropriate services. This service time was refined over the course of these meetings until all available staff time was allocated and represented an accurate allocation.

Personal Choice versus Community Supported Services

Personal Choice Services are those offered to identifiable customers at a measured level. They are also services that can be withheld for non-payment. These services are not precisely likened to fee-based services to the extent that policy makers may have decided to subsidize them in full or part. These services are distinguished from Community Supported Services that carry an implicit requirement and rationale for setting a level of subsidization typically based on social, safety or general community welfare.

Summary of Results

If all the recommendations and suggestions made in this Report are adopted, the City would increase cost recovery by **\$1,096,600** on an annual basis. By taking such actions, far more equity between taxpayers and fee-payers would be gained, and the City's financial picture would be improved.

Policy Review Information

As the Council conducts its policy review of each of the revenue-cost match-ups, it should refer to Appendix A and also to the text in Chapter IV to assist in that review.

The policy review should assess the tax revenues used to subsidize each service and address the following options available to the City for each service center:

1. Reduce costs and thereby the tax subsidy by reducing the level of service or restructuring the service to provide it differently.
2. Adjust or institute a fee or charge to recover all of the "costs reasonably borne".
3. Eliminate a tax subsidy to another "less deserving" service to utilize the taxes in order to provide this service.

Result of Acceptance of Fee Suggestions

If the suggestions in Chapter IV and in the fee recommendations in Appendix A are adopted in full then a significant amount of added revenues will be available to the City, which would provide taxpayer equity. Most of these new revenues will be from fee increases to replace tax monies used to make up the difference between fees collected and costs incurred in providing the services, which will then be available for those services which can only be funded from taxes.

These tax "diversions" are the now-documented tax subsidies to potentially self-supporting City services. Thus, additional monies could be made available for police services, infrastructure maintenance, and other City services which are not generally conducive to service charges, thereby achieving much closer equity between benefits and associated payments.

Policy Guidance. More importantly, the Council would be able to make its decisions based on business principles as much as is possible.

Understanding of Equitable Charging for Government. The City Council now has to assist its constituents to understand that under the California Constitution the intent is that:

- Taxes finance services for which there is no alternative way to finance them.
- Service charges should be utilized to finance those things for which benefits can be determined.
- Beneficiaries of such services be charged in direct relationship to the benefits derived.

CHAPTER I

BACKGROUND OF STUDY

Revenue & Cost Specialist has subjected the City's operations to a detailed analysis seeking alternate and more equitable ways to finance its services. This report presents the analytical advantages which are available to the City through the institution of a comprehensive system designed by RCS to implement Article XIII B of the California Constitution.

Based on data presented in this report, the City Council can better respond to the limits on tax revenues available to the City as well as the constant demand for higher and more operational services and capital improvements. Due to demands made of the City, it is essential that the Council and City management have additional information upon which to assist in charting future financial course that will preserve the quality of life which its citizens have come to expect.

Systematic and Documented Approach. This analysis was designed to provide the City with a systematic and documented approach to understand, control, and recapture the costs which are forced on it by normal service demands, growth and general economic inflation.

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Full Business Costs Determined. The methodology followed by both the Authors of Proposition 4, and consequently by RCS, determines the full business cost of providing the reported City services. It also identifies the beneficiaries of those services and determines if they are paying in relationship to benefits derived or if they are deserving of a subsidy paid from the taxes paid by all local citizens and businesses. Thus, the City Council will have full knowledge and cannot ignore costs which are actually occurring.

Financial Integrity Established. This text summarizes the work accomplished and presents recommendations. These recommendations, if implemented, would firmly establish the financial integrity of the analyzed City services and would establish a continuing cost control system following the business principles which are generally espoused for government, but often are ignored in application.

Financing Adjustments Pursuant to Proposition 4

Proposition 4, which is more commonly referred to as the "Gann Spirit of 13 'Let's Finish the Job' Initiative", was adopted by 74.3% of the voters of California on November 6, 1979. It became effective on July 1, 1980, retroactive to Fiscal Year 1978-1979. Statutes clarifying certain provisions of the Proposition, which is now Article XIII B of the California Constitution, became effective January 1, 1981.

This report provides data to the City for reviewing the reported fee-financed services based on full-costing information and for implementing the "costs reasonably borne" provision of this Constitutional Article, within presently known legal parameters and the authors' pronounced and published intent.

Adjustments to Financing. As a result of this analysis, the City now possesses the basis for making necessary adjustments to its methods of financing services for those services reported on herein. It can achieve a more equitable and fair mix for financing those services and capital needs, using taxes and service charges, in the direction pointed by passage of Article XIII B, and the business methodologies inherent in that Article.

It should be remembered from the start that taxes are now limited and controlled, and therefore the capability of using these taxes to subsidize "special" services which are wholly or partially fee-financed is also limited.

The "Costs Reasonably Borne" Test. The "costs reasonably borne" process as envisioned by the Authors of Proposition 4 implies a direct relationship between payment of fees and charges and receipt of services. It also implies the use of taxes for financing those governmental activities which humanely and properly cannot be financed other than by taxes.

Desirability of Direct Relationship between Payment and Service

This direct fee-for-service and tax equity relationship does not exist when tax monies are used to subsidize services which are received by only a small portion of the taxpaying public or by non-residents. A major underlying goal of this project is to provide information and guidance to the Council on how the City can continue as a viable financial entity, finance the services and facilities that its citizens and business enterprises have come to expect, and yet in the long run be able to live within the limits imposed by Article XIII B and Propositions 13 and 218.

At the same time, the City can re-establish basic fairness and equity between users of City services and those who pay for them and control those costs on a continuing basis.

Impact of Propositions 4, 13, 26, and 218

Initiative 4 of November 1979, coupled with its immediate predecessor -- Proposition 13 of a year earlier -- wrought the greatest changes in California governmental financing in a century. Proposition 218, passed in 1996 and becoming Articles XIII C & D, further limited local governments' revenue source options. Those propositions have had, and will continue to have, a profound effect on California governments.

Effects on the City. One effect of these propositions has been a constant search for new revenue sources to finance services required by the City. However, at the same time, State and Federal program revenues continue to decrease. Consequently, the City faces the prospect of declining revenue with which to fund City services.

Costs Exceeding Revenues. The full costs of delivering the City's defined fee-financed services -- as defined in business terms by the authors of Article XIII B, and as applied by the business methods of this analysis as based on that Constitutional Article -- are running at an annual rate beyond current or expected fee revenues. The result is the diversion of tax monies to make up the difference between fee revenues collected and full business costs incurred.

Variety of Equitable Revenue Sources. This analysis presents a wide variety of ways in which revenue can surely and legally be raised and as important, more equitably raised than at present. The amount of new revenues to be raised is dependent upon the Council's determination of the level of support for essential services.

Proposition 26. With the passage of Proposition 26 in 2010, the voters of California put limits on fees for which there is no direct benefit provided to the fee payer. This proposition also contains numerous exemptions, therefore, there are no fees or proposed fees included in this report which come under the limitations of Proposition 26.

Text Topics

The remaining Chapters of this text address the following topics:

- II. Identifying and Costing Service Centers
- III. Overview of Service Revenues Matched Against Costs
- IV. Service Revenue Recommendations
- V. Conclusion

CHAPTER II

IDENTIFYING AND COSTING SERVICE CENTERS

There are three basic steps in the process used by RCS. The first step is to identify the services offered by the City. Next, the service costs are calculated. Finally, the revenue currently received is matched to the cost of providing the service to determine if there is a subsidy from taxes. This chapter covers the first two steps and Chapter III shows the match-up of revenues and costs.

Identifying Service Centers

Two techniques were utilized to identify the service centers for which revenue and cost data were gathered and around which the service cost analysis of this Report is built.

Revenue Analysis

The first technique involved gathering revenue information for the past fiscal year, and then updating and revising the budget estimates for the same revenue sources for the fiscal year during which the analysis was performed by RCS.

Budgets and Financial Reports Used. The Budget for the current fiscal year was secured and analyzed. Budgeted and received revenues for all fee-supported services were extracted from those reports, where such information was available.

Division of Revenue Sources. RCS has divided services into far smaller "service centers" than the City has traditionally designated.

Service Center Identification

The second technique involved several scheduled meetings with City staff to identify each type of service being provided with or without charge.

Refinement Process. In a series of meetings held with City staff, department by department, we developed a list of services, and then allocated staff time to the appropriate services. This service time was refined over the course of these meetings until all available staff time was allocated and represented an accurate allocation.

Resultant Service Centers

"Service Center" Defined. The "service revenue" -- fee or charge for a service -- and the related "service cost" comprise a "service center". Each service center has a unique "Revenue and Cost Summary Worksheet" and a matching "Cost Detail Worksheet", which are found in Appendix B of this Report. These "Service Center Worksheets" are matched to one another on facing pages.

Detailed Back-Up Workpapers. The costs are backed up by detailed analyses, which have been turned over to the City in several volumes of work papers and detailed cost distribution reports.

Constitutional Basis for Cost of Services

The costs determined by RCS for the various service centers are based on the definitions of "costs reasonably borne" as utilized in Article XIII B (Proposition 4) and as further defined by its Authors in their background documents. The Authors of Proposition 4 intended their full business costing definitions to be used by California governments. Thus, the City can know and control its costs, using those Constitutionally-set business principles and legally set elements and definitions of "costs reasonably borne".

Listing of Detailed Full Business Cost Definitions. Thus, the following are put forward by the Authors as the accepted elements of "costs reasonably borne":

1. Labor costs.
2. Employee benefit costs.
3. Operational services and supply expenses.
4. Overhead expense.
5. Administrative costs.
6. Start-up costs.
7. Future capital expenses.
8. Capital replacement expense.
9. Costs of expansion of services.
10. Repayment of debt.

Authors' Background. It is not surprising that the authors used such business definitions and elements of "cost" as quoted herein. They represented several known business organizations:

- The California Taxpayers Association
- The California Chamber of Commerce

- The National Tax Limitation Committee
- The California Association of Realtors

In effect, the pillars of California business and their thinking were represented, and their ideas were adopted overwhelmingly by the electorate of California at referendum. Thus, by definition, the premises of this report process have a California electoral mandate.

Principle Involved. A basic principle involved in this report was the recognition of those full business costs as used and as defined by the authors of the Constitutional amendment.

Types of Costs

The following costs, identified above as part of "costs reasonably borne" by the Authors of Proposition 4, make up the cost detail found on the right-hand page in Appendix B for each service center.

Salaries and Wages

City government is in fact a service industry, and therefore, it is natural that salaries make up the largest single element of cost for most services.

Interview Process. In order to allocate the salaries, lengthy interviews were held, documents sought and researched, and reports and accounting records examined by RCS. The result was, in most cases, a percentage or hours distribution of individual employee personal services costs.

One hundred percent of the time of all City employees was distributed. In other words, everyone had to be someplace all of their time. No judgments were made about what personnel should or might be doing. Their time was distributed to those service centers where the time was expended.

Employee Fringe Benefits

Since fractional time -- to as low as three minutes per unit of service or one-twentieth of a percent of the annual time of an employee has been allocated to service centers, fringe benefit costs also must be fractionalized to carefully and accurately distribute those ancillary personnel costs.

The City finances numerous benefits for its employees, thereby incurring measurable costs for these items, including:

- PERS Retirement
- Health, Dental, and Life Benefits
- Medicare Insurance
- Workers Compensation Insurance
- Deferred Compensation

All of these costs are current operating expenses, and the amounts were isolated. Actual costs were determined and reduced to a percentage of salary for each of the positions.

Available Work-Hours. After the individual elements of cost for positions were compiled, the total cost for each position was divided by the number of available work-hours. Available work hours were calculated as the total possible work-hours in a year, 2,080, less the following away-from-work benefit hours:

- Holidays
- Vacations
- Personal Leave
- Sick Leave
- Morning/Afternoon Breaks
- Start Up/Down Time

Maintenance and Operation Costs

All maintenance and operation costs, including non-personnel expenses such as professional services, insurance, operating supplies etc., were derived from the current year Council-approved budget and allocated via percentages or through actual allocation to each of the service centers identified in a department or division.

General and Departmental Overhead Costs

Overhead costs provide the vital glue that holds an organization together operationally and provide important coordinating capabilities. They also provide the day-to-day support services and facilities required for the organization to function effectively. RCS has used a detailed Cost Allocation Plan (CAP) to identify and allocate these costs to the remainder of the City organization. In the CAP, costs were allocated to end-user departments and divisions by applying an agreed-upon overhead allocation factor. Each factor was related to the work effort of its particular overhead element and was assessed for relevance and reasonableness.

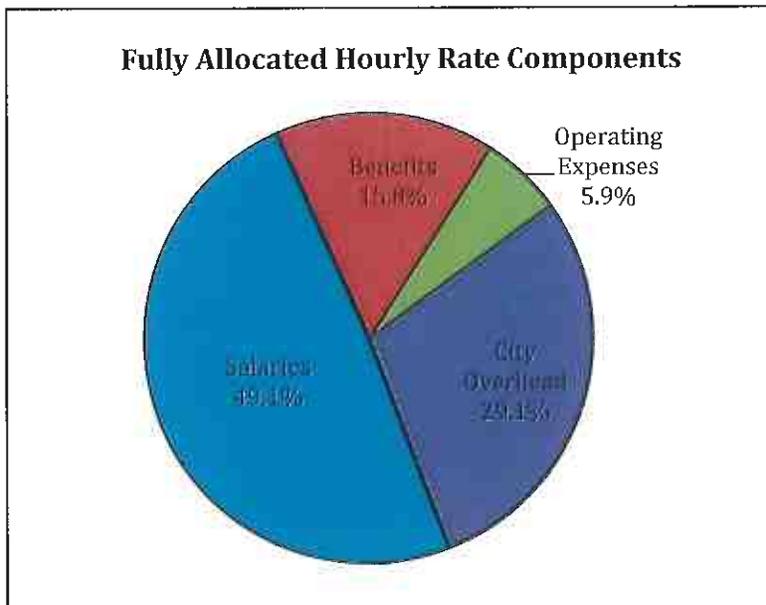
Full Cost Distribution. The purpose of deriving overhead costs to apportion these amounts to direct service program costs. By adopting this method, the City will be aware of its true costs and be able to emulate business methods. Article XIII B's (Proposition 4 of 1979) authors intended this, defining as part of "costs reasonably borne" a calculated "reasonable allocation for overhead and administration."

General City Overhead. These services primarily set policy and support other departments without providing a deliverable service to the public. Where they do perform an end-user service, such costs have not been allocated to other departments.

Departmental Administration. Costs in this category involve intra-departmental support functions, outside the above listed general City overhead functions, and involve the allocation of staff time within and among departmental functions. These services also do not provide end-user deliverables to the public, but instead provide vital administrative support within specific departments.

Fully Allocated Hourly Rates

All of the above items make up the fully allocated hourly rate which is calculated for each position in the City. The makeup of each component of the City-wide average fully allocated hourly rate is detailed in the chart below.



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CHAPTER III

OVERVIEW OF SERVICE REVENUES MATCHED AGAINST COSTS

In the last chapter the method of calculating the costs for all City services was identified. This chapter begins with a Summary that itemizes the revenues and costs by service center. Then, an overview is presented of what will be presented in the following chapter, which shows that there is no one solution to the City's financial challenge.

Accounting for All Revenues – Fees and Taxes

Local government funding comes from a multitude of revenue sources such as taxes, fines, grants, use of property, user fees, utility rates, etc. Our Study accounts for all revenues, and focuses on the relationship between fees and taxes. As an example, S-001 Conditional Use Permit (CUP) estimates the full costs at \$94,820. These expenses are offset by current fee revenues of \$39,571 and tax revenues of \$55,249 must pay for the remaining. This subsidy can be eliminated by raising the relevant fees. To the extent that the fees are NOT increased, general City taxes paid by all taxpayers are the only alternative revenue source.

**CITY OF MORRO BAY
SUMMARY OF FEE SERVICES AND CURRENT FINANCING
FISCAL YEAR 2018-19**

SCHEDULE 2

REF# (1)	SERVICE (2)	TOTAL SERVICE COST (3)	RESOURCES USED TO FINANCE SERVICE	
			FEES (4)	TAXES (5)
COMMUNITY DEVELOPMENT SERVICES				
S-001	Conditional Use Permit (CUP)	\$94,820	\$39,571	\$55,249
S-002	CUP - Concept Plan	\$14,888	\$8,697	\$6,191
S-003	CUP - Precise Plan	\$10,234	\$3,261	\$6,973
S-004	CUP - Combined Concept/Precise Plan	\$14,888	\$8,697	\$6,191
S-005	CUP - SFR 25% or Less of Orig Area	\$0	\$0	\$0
S-006	CUP - SFR in Planned Dev/Bluff Area	\$6,761	\$16,315	(\$9,554)
S-007	CUP - Occup Change in Comm/Ind Zone	\$5,744	\$871	\$4,873
S-008	CUP - Addition to Non-Confirm Struct	\$35,872	\$12,780	\$23,092
S-009	Special Use Permit - Minor PC	\$5,666	\$2,174	\$3,492
S-010	Special Use Permit - Major PC	\$13,189	\$5,653	\$7,536
S-011	Minor Use Prmt - Res, Comm & Indust	\$13,820	\$3,714	\$10,106
S-012	Use Permit - Commercial Outdoor Use	\$1,725	\$988	\$737
S-013	Temporary Use Permit - 10 days+	\$1,725	\$1,088	\$637
S-014	Temporary Use Permit - Administrati	\$1,861	\$489	\$1,372
S-015	Coastal Dev Permit - With CUP	\$0	\$0	\$0
S-016	Coastal Dev Permit - Administrative	\$15,536	\$8,866	\$6,670
S-017	Coastal Dev Permit - Commercial	\$40,637	\$16,959	\$23,678
S-018	Coastal Dev Permit - Residential	\$24,742	\$22,612	\$2,130

City of Morro Bay Cost of Services Study

REF# (1)	SERVICE (2)	TOTAL SERVICE COST (3)	RESOURCES USED TO FINANCE SERVICE	
			FEES (4)	TAXES (5)
S-187	Excessive or Malicious False Alarms	\$0	\$0	\$0
S-188	Malicious False Alarms	\$0	\$0	\$0
S-189	Fire Alarm System Malfunction	\$0	\$0	\$0
S-190	Fire Response Report	\$1,482	\$336	\$1,146
S-191	Cause & Origin Investigation Report	\$10,732	\$3,480	\$7,252
S-192	Non-Renewal of Required Fire Permit	\$0	\$0	\$0
S-193	Failure to Obtain Fire Permit	\$0	\$0	\$0
S-194	Missed Site Inspection Appointment	\$1,150	\$438	\$712
S-195	Fire Reinspection	\$575	\$219	\$356

SUBTOTAL - FIRE/EMS **\$425,657** **\$183,260** **\$242,397**

HARBOR SERVICES

S-196	Harbor Enterprise	\$2,701,488	\$2,001,255	\$700,233
S-197	Master Lease Approval	\$12,411	\$8,800	\$3,611
S-198	Actions Requiring Council Approval	\$12,070	\$4,200	\$7,870
S-199	Actions Requiring Admin Approval	\$5,337	\$2,120	\$3,217

SUBTOTAL - HARBOR **\$2,731,306** **\$2,016,375** **\$714,931**

MB TRANSIT/TROLLEY SERVICES

S-200	Morro Bay Transit	\$288,536	\$232,121	\$56,415
S-201	Morro Bay Trolley	\$100,096	\$74,583	\$25,513

SUBTOTAL - MB TRANSIT/TROLLEY **\$388,632** **\$306,704** **\$81,928**

RECREATION SERVICES

S-202	Recreation Programs and Services	\$2,865,126	\$686,773	\$2,178,353
S-203	Recreation Processing Fee	\$104	\$40	\$64
S-204	Banner Placement	\$453	\$2,140	(\$1,687)
S-205	Special Event/Festival Permit	\$2,085	\$180	\$1,905

SUBTOTAL - RECREATION **\$2,867,768** **\$689,133** **\$2,178,635**

Policy Review Information

As the Council conducts its policy review of each of the revenue-cost match-ups in the next chapter, it should refer to comments on the bottom of the service center worksheets in Appendix B and also in the text in the next chapter to assist in that review. The policy review should assess the tax revenues used to subsidize each service and address the following options available to the City for each service center:

1. Reduce costs and thereby the tax subsidy by reducing the level of service or restructuring the service to provide it differently.
2. Adjust or institute a fee or charge to recover all of the "costs reasonably borne".
3. Eliminate a tax subsidy to another "less deserving" service to utilize the taxes in order to provide this service.

Result of Acceptance of Fee Suggestions

If the suggestions in the following Chapter and on the Service Center Worksheets are adopted in full then a significant amount of added revenues will be available to the City. Most of these new revenues will be from fee increases to replace tax monies used to make up the difference between fees collected and costs incurred in providing the services, which will then be available for those services which can only be funded from taxes.

These tax "diversions" are the now-documented tax subsidies to potentially self-supporting City services. Thus, additional monies could be made available for police services, infrastructure maintenance, and other City services which are not generally conducive to service charges, thereby achieving much closer equity between benefits and associated payments. More importantly, the Council would be able to make its decisions based on business principles as much as is possible.

Understanding of Equitable Charging for Government. The City Council now has to assist its constituents to understand that under the California Constitution the intent is:

- That taxes finance those services for which there is no other alternative way to finance them.
- That service charges and special assessments should be utilized to finance those things for which benefits can be determined.
- That the beneficiaries of such services be charged in direct relationship to the benefits derived.

Then there no longer will be a feeling that the old definitional saw of "a good tax" being "the one which you pay and from which I get the benefits" exists in the City.

CHAPTER IV

SERVICE REVENUE RECOMMENDATIONS

The purpose of this Chapter is to present the services which RCS has initially labeled as Personal Choice and to suggest the magnitude of tax revenues that could be diverted from these services to Community Supported Services.

City Council has Final Judgment. It must be understood that considerable judgment--albeit experienced--was exercised by RCS in suggesting what services were Personal Choice as opposed to Community Supported Services and in suggesting that most Personal Choice Services should be paid for by the service requestor rather than subsidized by the entire community. However, the final decision on the nature of the service and whether it deserves to be subsidized will have to be made by the City Council.

Service Groups

RCS has organized Personal Choice Services into the following five service groups for purposes of discussion:

- Community Development Services
- Public Works Services
- Water/Wastewater Services
- Police Services
- Fire/EMS Services
- Harbor Services
- MB Transit/Trolley Services
- Recreation Services
- Administration Services

These groups, explained in turn, are program oriented. Each group includes a table summarizing the revenues and costs of each service. A Table summarizing the group tables (Table 10) is found at the end of this Chapter.

Appendix A – Current and Suggested Fees

Following the text, summarizes the current fees and the proposed fees for each of the Personal Choice service centers

Appendix B – Service Center Details

Appendix B, which is in sequence by the Reference Number (Column 1 on each of the following Tables), includes detail information for each service on two facing pages. The left page has textual and summary information including RCS's suggested service fee. The right page has the service cost detail. Each table has eight columns, explained here:

Column 1 is the Report Reference Number.

Column 2 is the title of the service.

Columns 3, 4 & 5 are the same amounts for revenue, cost and profit (subsidy) found on the left page of the detail service sheets in Appendix B.

Column 6 is the current percentage of costs recovered from the user fees and charges with the difference being subsidized by taxes.

Column 7 is the percentage of user fee cost recovery which might be obtainable without tax subsidy. Of course, decisions regarding tax subsidies to a service are a City Council policy decision on how to allocate its tax and general revenues.

Column 8 contains the estimated amount of revenues which RCS suggests could be raised or reduced.

Special Circumstances

The table also footnotes which identify special circumstances for some fees. A service that is marked (a) is suggested to be removed from the City's fee schedule, because the service is no longer provided or now included within another service. Services marked (b) are deposit-based fees, and (c) occurs infrequently; and, therefore, RCS does not project any possible new revenue for the service. When a service is marked (d), the fee is restricted by law, and cannot be adjusted for full cost recovery. For services marked (e), City staff recommends the service fee remaining subsidized.

Community Development Services

When basic City development services are supported by general taxes, there is little reason for taxes to also finance those Personal Choice services which mainly benefit a developer or specific property owner. Thus, the expenses distributed across these service centers are primarily the incremental additional expenses caused by community development. Were no development to take place, most of these costs could be eliminated, or at least significantly reduced.

**Table 1
Community Development Services**

REF # (1)	SERVICE (2)	TOTAL FEE REVENUE (3)	TOTAL SERVICE COST (4)	TOTAL PROFIT/ (SUBSIDY) (5)	PCT. RECOVERY FROM FEES		POSSIBLE NEW REVENUE (8)
					ACTUAL (6)	SUGGEST (7)	
S-001	Conditional Use Permit (CUP)	\$39,571	\$94,820	(\$55,249)	41.7%	100%	\$55,200
S-002	CUP - Concept Plan	\$8,697	\$14,888	(\$6,191)	58.4%	100%	\$6,200
S-003	CUP - Precise Plan	\$3,261	\$10,234	(\$6,973)	31.9%	100%	\$7,000
S-004	CUP - Combined Concept/Precise Plan	\$8,697	\$14,888	(\$6,191)	58.4%	100%	\$6,200
S-005	CUP - SFR 25% or Less of Orig Area	\$0	\$0	\$0	0.0%	100%	\$0
S-006	CUP - SFR in Planned Dev/Bluff Area	\$16,315	\$6,761	\$9,554	241.3%	100%	(\$9,600)
S-007	CUP - Occup Change in Comm/Ind Zone	\$871	\$5,744	(\$4,873)	15.2%	100%	\$4,900
S-008	CUP - Addition to Non-Confrm Struct	\$12,780	\$35,872	(\$23,092)	35.6%	100%	\$23,100
S-009	Special Use Permit - Minor PC	\$2,174	\$5,666	(\$3,492)	38.4%	100%	\$3,500
S-010	Special Use Permit - Major PC	\$5,653	\$13,189	(\$7,536)	42.9%	100%	\$7,500
S-011	Minor Use Prmt - Res, Comm & Indust	\$3,714	\$13,820	(\$10,106)	26.9%	100%	\$10,100
S-012	Use Permit - Commercial Outdoor Use	\$988	\$1,725	(\$737)	57.3%	100%	\$700
S-013	Temporary Use Permit - 10 days+	\$1,088	\$1,725	(\$637)	63.1%	100%	\$600
S-014	Temporary Use Permit - Administrati	\$489	\$1,861	(\$1,372)	26.3%	100%	\$1,400
S-015	Coastal Dev Permit - With CUP	\$0	\$0	\$0	0.0%	100%	\$0
S-016	Coastal Dev Permit - Administrative	\$8,866	\$15,536	(\$6,670)	57.1%	100%	\$6,700
S-017	Coastal Dev Permit - Commercial	\$16,959	\$40,637	(\$23,678)	41.7%	100%	\$23,700
S-018	Coastal Dev Permit - Residential	\$22,612	\$24,742	(\$2,130)	91.4%	100%	\$2,100
S-019	Coastal Dev Permit - Resid 10%-25%	\$17,392	\$46,910	(\$29,518)	37.1%	100%	\$29,500
S-020	Coastal Dev Permit - Emergency	\$726	\$1,009	(\$283)	72.0%	100%	\$300
S-021	Categorical Exemption	\$6,076	\$3,878	\$2,198	156.7%	100%	(\$2,200)
S-022	Negative Declaration	\$1,575	\$4,037	(\$2,462)	39.0%	100%	\$2,500
S-023	Mitigated Negative Declaration	\$7,688	\$13,319	(\$5,631)	57.7%	100%	\$5,600
S-024	Environmental Document Filing	\$400	\$375	\$25	106.7%	100%	\$0
S-025	Environmental Impact Report Review	\$0	\$0	\$0	0.0%	100%	\$0
S-026	Archaeology Research Fee	\$500	\$1,251	(\$751)	40.0%	100%	\$800
S-027	Sign Permit	\$868	\$2,377	(\$1,509)	36.5%	100%	\$1,500
S-028	Sign Program	\$0	\$1,282	(\$1,282)	0.0%	100%	\$1,300
S-029	Sign Exception (CUP)	\$979	\$3,450	(\$2,471)	28.4%	100%	\$2,500
S-030	Pole Sign (CUP)	\$979	\$3,450	(\$2,471)	28.4%	100%	\$2,500
S-031	Conceptual Review	\$1,543	\$4,353	(\$2,810)	35.5%	100%	\$2,800
S-032	Telecomm Facility - Administrative	\$0	\$151	(\$151)	0.0%	100%	\$200
S-033	Street Name/Rename Processing	\$461	\$344	\$117	134.0%	100%	(\$100)
S-034	Development Agreement	\$0	\$0	\$0	0.0%	100%	\$0
S-035	Land Use Confirmation Letter	\$490	\$782	(\$292)	62.7%	100%	\$300
S-036	Tree Removal	\$277	\$568	(\$291)	48.8%	100%	\$300
S-037	Parking Exception	\$2,556	\$12,009	(\$9,453)	21.3%	100%	\$9,500
S-038	Special Events Review	\$0	\$0	\$0	0.0%	100%	\$0

Harbor Services

These service centers are identified for those who use the City's Harbor services disproportionately from others.

**Table 6
Harbor Services**

REF # (1)	SERVICE (2)	TOTAL FEE REVENUE (3)	TOTAL SERVICE COST (4)	TOTAL PROFIT/ (SUBSIDY) (5)	PCT. RECOVERY FROM FEES		POSSIBLE NEW REVENUE (8)
					ACTUAL (6)	SUGGEST (7)	
S-196	Harbor Enterprise	\$2,001,255	\$2,701,488	(\$700,233)	74.1%	80%	\$165,000 (e)
S-197	Master Lease Approval	\$8,800	\$12,411	(\$3,611)	70.9%	100%	\$3,600
S-198	Actions Requiring Council Approval	\$4,200	\$12,070	(\$7,870)	34.8%	100%	\$7,900
S-199	Actions Requiring Admin Approval	\$2,120	\$5,337	(\$3,217)	39.7%	100%	\$3,200
SUBTOTAL - HARBOR		\$2,016,375	\$2,731,306	(\$714,931)	73.8%		\$179,700

- (a) Deletion of service/fee
- (b) Deposit based service/fee
- (c) Insufficient data to determine financial impact
- (d) Fee restricted by Law
- (e) Staff recommended subsidy

Conclusion of Harbor. Consideration of the above suggestions would result in more equitable fees among the group of users of these services.

Summary of Personal Choice Services

The following table summarizes the recommendations and suggestions made in this Chapter.

**Table 10
Summary**

SERVICE	TOTAL FEE REVENUE	TOTAL SERVICE COST	TOTAL PROFIT/ (SUBSIDY)	PCT. RECOVERY FROM FEES		POSSIBLE NEW REVENUE
				ACTUAL	SUGGEST	
SUBTOTAL - COMMUNITY DEVELOPMENT	\$656,303	\$1,285,597	(\$629,294)	51.1%	VAR.	\$623,900
SUBTOTAL - PUBLIC WORKS	\$106,431	\$161,445	(\$55,014)	65.9%	VAR.	\$54,900
SUBTOTAL - WATER/WASTEWATER	\$114,144	\$113,865	\$279	100.2%	VAR.	\$100
SUBTOTAL - POLICE	\$37,584	\$137,561	(\$99,977)	27.3%	VAR.	\$12,200
SUBTOTAL - FIRE/EMS	\$183,260	\$425,657	(\$242,397)	43.1%	VAR.	\$160,200
SUBTOTAL - HARBOR	\$2,016,375	\$2,731,306	(\$714,931)	73.8%	VAR.	\$179,700
SUBTOTAL - MB TRANSIT/TROLLEY	\$306,704	\$388,632	(\$81,928)	78.9%	VAR.	\$0
SUBTOTAL - RECREATION	\$689,133	\$2,867,768	(\$2,178,635)	24.0%	VAR.	\$8,300
SUBTOTAL - ADMINISTRATION	\$1,448	\$64,746	(\$63,298)	2.2%	VAR.	\$57,300
	\$4,111,382	\$8,176,577	(\$4,065,195)	50.3%		\$1,096,600

If all the recommendations and suggestions made in this Chapter and in Appendix A are adopted, the City would raise **\$1,096,600** on an annual basis.

When calculating the possible new revenue, we want this number to be as realistic as possible. Therefore, the Possible New Revenue is less than the Total Subsidies in the above schedule. This occurs for the following reasons:

- Some services are restricted by the State on how much the City can charge in fees.
- Some services occur infrequently and so no revenue is projected.
- Other services are market sensitive, and therefore the fees and possible new revenues are projected to be less than the subsidies so that the fees fit into the market.

Taxpayer Equity Achieved. By taking such positive actions, the City's financial picture would be improved, far more equity between taxpayers and fee-payers could be gained, and fairness between property-related and non-property-related services could be secured.

The above table shows that the City is subsidizing \$4,065,195 of Personal Choice Services with City tax dollars. Should the City Council feel that tax dollars are insufficient, or use for different purposes? This chapter has shown that there are opportunities to either increase the user fees or lower the cost of Personal Choice Services.

A Master Fee Resolution

RCS recommends that the City adopt a Master Fee Resolution which the Finance Department updates and the City Council adopts annually. RCS will work with Finance to help implement this Resolution.

Policy Regarding “New” Services

RCS also recommends that the City Council adopt a policy of not starting any new service without a cost analysis, using the costing approach utilized in this Report, so as to determine ways in which the service could be fee-financed, if at all possible. This approach could be used when considering new parks or public buildings, improved police protection, or any other desired function or service.

CHAPTER V

CONCLUSION

Elimination of Subsidies

This Report highlights and recommends that most tax subsidies be eliminated as being unintentional. Service users thus can vote with their dollars and not use a service for which they are unwilling or unable to pay. Hidden subsidies, which have existed for many of the City's supposedly self-financed and self-supporting services, can now be re-evaluated.

Issues Involved

The basic issue involved in viewing the results of the analysis presented by this text is to what degree fees should be expected to support the costs of the services.

Or viewed another way, to what extent should general taxes be utilized to subsidize the difference between the costs of each service center and the revenue produced from fees paid by the user of that service'?

Pressure on Tax Money Use. The opposite side of this issue is the increasing pressure on the use of public tax monies. Tax monies have severely decreased for local government in California. If fees do not pay all costs, then taxes must make up the differences not paid for by fees generated by users of specific services, or those services are threatened with extinction.

Addressing of Issues by City Council

The City Council should address the principles and issues enumerated herein to determine where, and to what extent, taxes will be utilized to cover costs incurred in the provision of special services. This is the current nature of competition between deserving public services for the scarce tax dollar. Who gets the dollars -- Police or Public Works? City streets or persons wanting zone changes? Code Enforcement or Animal Control? This is the nature of the tough policy questions involved in being an elected official in local government today.

Specific Policy Alternatives to Be Answered. Once the above cost issues are determined then the City Council has four clear policy alternatives available as to the revenue/cost mix of each service center:

- Continue any tax subsidy which might be found.
- Eliminate the tax subsidy by increasing fees to cover all "costs reasonably borne".
- Reduce costs by reducing the level of service.
- Decide on an appropriate level of tax subsidy, being aware that taxes are now limited in rate, base and, consequently, in amounts yielded and available.

Final Words

The City has appropriately responded to the mandate and spirit of Proposition 4. It is utilizing the passage of Propositions 4, 13 and 218 and the attention given to them as an opportunity to review its financial structure and philosophy, and to institute a businesslike cost control system, tailored to the City's needs, to supplement its governmental accounting and budgeting systems.

The cooperation, excellent support and data provided in accomplishment of the work reported herein speaks well of the way in which a City organization can adapt to the so-called "new realities" of California governmental finance.

RCS is available to discuss the process and results with the City Council. In addition, we can share our experience of doing this for over two hundred cities as the City Council determines what action to take.

~ END ~

**CITY OF MORRO BAY
FEE COMPARISON REPORT
FY 2018-19**

REF #: S-197 **TITLE: Master Lease Approval**

CURRENT FEE

\$2,136 per lease agreement

RECOMMENDED FEE

\$3,100 per lease agreement

REF #: S-198 **TITLE: Actions Requiring Council Approval**

CURRENT FEE

\$700 per application

RECOMMENDED FEE

\$2,010 per application

REF #: S-199 **TITLE: Actions Requiring Admin Approval**

CURRENT FEE

\$265 per application

RECOMMENDED FEE

\$665 per application

REF #: S-200 **TITLE: Morro Bay Transit**

CURRENT FEE

See Appendix

RECOMMENDED FEE

Refer to 2018 Morro Bay SRTP study in Appendix for program based fare adjustments.

REF #: S-201 **TITLE: Morro Bay Trolley**

CURRENT FEE

See Appendix

RECOMMENDED FEE

Refer to 2018 Morro Bay SRTP study in Appendix for program based fare adjustments.

REF #: S-202 **TITLE: Recreation Programs and Services**

CURRENT FEE

See Appendix

RECOMMENDED FEE

See Appendix

July 1, 2019

APPENDIX C – HARBOR FEES AND ANALYSIS

CURRENT HARBOR DEPARTMENT FEES

1. All fees are due in advance. At the Harbor Department's discretion, billing in arrears for qualified and registered vessels with current account status may be allowed.

2. Any account past due over 10 days will be charged a \$35 late fee on a monthly basis. Accounts are due and payable by the 10th of every month.

SUGGESTED FEES

VESSEL FEES

1. All vessel fees based on the length of the vessel or the length of the slip, whichever is greater, with a 36-foot minimum.

2. The Harbor Director may waive dockage fees for "tall ships" visiting Morro Bay Harbor for any period less than 30 days with written notice.

3. Transient Slip fees will be charged by the day or by the month, whichever is less.

4. Transient Slip monthly subleases shall be limited to 3 months in any slip as long as there are vessels appropriate to the slip size on the sublease waiting list.

5. Floating Dock and Anchorage stay limited to 30 days in any 6 month period.

~~6. A 10% discount is available for assigned Commercial Fishing Vessel slips when paid one full year in advance during the first month of the fiscal year after adoption of the Master Fee Schedule for that fiscal year.~~

VESSEL FEES

Commercial Fishing Slips - monthly rate per foot	\$5.10
Commercial Fishing Slip Waiting List Deposit	\$435.00
Head Float Berth - monthly rate	\$205.00
Transient Slips - monthly sublease rate per foot	\$10.00
Transient Slips - daily rate per foot	\$1.00
T-Piers - daily rate per foot	\$0.30
Floating Dock - daily rate per foot	\$0.30
A1-5 Anchorage Area - first 5 days	\$0.00
A1-5 Anchorage Area - daily rate/foot over 5 days	\$0.25
Temporary Moorage - large vessels or equipment requiring	\$182.00
Impound Fee	\$213.00
Impounded Vessels - daily storage rate per foot	\$1.50

	\$7.65
	\$256.25
	\$15.00
	\$1.50
	\$0.45
	\$0.45
	\$0.00
	\$0.38
	\$273.00
	\$2.25

MOORING FEES	
1. A 10% discount is available for Private and City mooring fees when paid one full year in advance during the first month of the fiscal year after adoption of the Master Fee Schedule for that fiscal year.	
2.1. Guest Mooring stay limited to 30 days in any 6 month period without prior approval of the Harbor Department.	
City Moorings - monthly rate	\$260.00
Private Moorings - monthly rate	\$90.00
Guest Moorings - daily rate per foot	\$0.30
Mooring Ownership Transfer - private moorings	\$1,205.00

MOORING FEES	
	\$275.00
	\$94.00
	\$0.45
	\$1,259.00

SERVICE FEES	
1. South T-Pier Hoist may only be used for fish unloading in certain cases; see Harbor Department Rules and Regulations.	
2. Dry Storage fee for use of each designated approximate 9-foot by 20-foot space, minimum monthly increments.	
T-Pier Electrical - daily rate	\$2.85
South T-Pier Hoist - rate per use	\$15.40
South T-Pier Hoist Fish Unloading - per hour	\$80.50
Wharfage - rate per ton	\$1.05
Loaned Electric Cord or Adaptor Replacement	\$175.00
Dry Storage - monthly rate	\$97.00
Triangle Lot Trailer/Boat Storage - monthly rate	No current fee

SERVICE FEES	
	\$3.00
	\$16.10
	\$84.10
	\$1.10
	\$183.00
	\$101.00
	\$100.00

LIVEABOARD FEES	
1. Liveaboard permits are valid for 2 fiscal years. Any Liveaboard application, submitted during the period January 1 through June 30, is valid only for that fiscal year and the following fiscal year, but will be prorated by reducing the Liveaboard application fee, stated herein, by 25%. Any Liveaboard application, submitted July 1 through December 31, will not be prorated.	
2. Liveaboard Permit Inspections may be conducted by the Harbor Patrol or by a qualified Marine Surveyor acceptable to the City.	
Liveaboard Permit Administration - biennial	\$184.00
Liveaboard Permit Inspection - biennial (if done by Harbor Patrol)	\$88.00
Service Fee, Moorings - monthly	\$17.40
Service Fee, City Slips - monthly	\$35.80

LIVEABOARD FEES	
	\$165.00
	\$150.00
	\$90.00
	\$100.00

EQUIPMENT & PERSONNEL CHARGES	
1. Vessels requiring non-emergency assistance more than once in any 12-month period may be charged at the rates established herein.	
2. Officers and vessels charged on an hourly basis with a 1-hour minimum.	
3. Officers and vehicles charged on an hourly basis with a 1-hour minimum.	
One Patrol Officer + Patrol Vessel – per hour	\$213.00
Each Additional Patrol Officer – per hour	\$88.00
One Patrol Officer + Vehicle – per hour	\$130.00
Lifeguard	\$25.00

EQUIP/PERSONNEL

\$150.00
\$27.00

LAUNCH RAMP PARKING FEES	
1. Launch Ramp Parking fees apply to the extended yellow-striped truck and trailer parking spaces at the Launch Ramp parking lot and Tidelands	
2. Annual Parking Permits are valid for one calendar year and may be prorated to the nearest month.	
Daily (or any part thereof)	\$5.00
Annual Permit	\$115.00
Failure to Pay Established Fee	\$60.00
Failure to Visibly Display Receipt	\$60.00

LAUNCH RAMP

\$6.70
\$155.00

LEASE ADMINISTRATION FEES	
Master Lease Approval	\$2,200.00
Actions Requiring City Council Approval	\$700.00
Actions Requiring Administrative Approval	\$265.00

LEASE ADMIN

\$3,105.00
\$2,010.00
\$665.00

Ref #	Service	Direct Costs			Citywide Overhead Costs	Capital Rep/Imprv	Total Costs	Total Revenues	Direct Cost Recovery	Total Cost Recovery
		Employee Costs	Program Costs	Subtotal Direct Costs						
	Lease Administration	188,070	73,680	261,750	49,540	311,290	1,532,080	583.32%	492.17%	
	Slip/Dock Administration	38,492	30,553	69,044	13,068	82,112	156,450	226.59%	25.97%	
	T Pier Administration	33,032	33,878	66,909	12,663	79,572	77,725	116.17%	20.35%	
	Mooring Administration	31,821	13,347	45,168	8,549	53,716	99,500	226.29%	185.23%	
	Liveaboard Administration	25,573	7,190	32,764	6,201	38,965	7,500	22.89%	19.25%	
	Launch Ramps	18,532	15,451	33,983	6,432	40,415	30,000	88.38%	74.23%	
	Misc Revenues & Fees	15,729	4,422	20,151	3,814	23,965	65,000	322.56%	271.23%	
	Business Operations	\$ 351,248	\$ 178,521	\$ 529,769	\$ 100,266	\$ 629,779	\$ 1,968,255	371.53%	135.49%	
	General Administration	77,614	\$ 123,813	201,427	38,123	282,050	33,000	16.38%	11.70%	
	Harbor/Equipment Maint	112,574	\$ 31,653	144,227	27,297	171,524	-	0.00%	0.00%	
	Capital Program Admin	30,170	\$ 8,483	38,653	7,316	45,968	-	0.00%	0.00%	
	General Harbor Operations	\$ 220,358	\$ 163,949	\$ 384,307	\$ 72,735	\$ 457,042	\$ 33,000	8.59%	5.73%	
	Harbor Patrol	367,654	\$ 103,374	471,028	89,148	560,176	-	0.00%	0.00%	
	Lifeguard Program	71,962	\$ 22,934	94,896	17,960	112,856	-	0.00%	0.00%	
	Harbor Patrol	\$ 439,616	\$ 126,308	\$ 565,924	\$ 107,109	\$ 673,033	\$ -	0.00%	0.00%	
	HARBOR SERVICES	\$ 1,011,221	\$ 468,778	\$ 1,479,999	\$ 280,110	\$ 1,760,109	\$ 2,001,255	135.22%	74.08%	

Possible New Revenues and Cost Recovery		Direct Cost Recovery	Total Cost Recovery
Lease Administration	14,698	590.94%	496.89%
Slip/Dock Administration	70,403	328.56%	37.66%
T Pier Administration	34,976	168.44%	29.51%
Mooring Administration	3,084	227.12%	190.98%
Liveaboard Administration	31,465	118.93%	100.00%
Launch Ramps	10,415	118.93%	100.00%
Misc Revenues & Fees	322,566	322.56%	271.23%
Business Operations	\$ 165,041	402.68%	146.85%

General Administration	16.38%	11.70%
Harbor/Equipment Maint	0.00%	0.00%
Capital Program Admin	0.00%	0.00%
General Harbor Operations	8.59%	5.73%
Harbor Patrol	0.00%	0.00%
Lifeguard Program	0.00%	0.00%
Harbor Patrol	0.00%	0.00%
HARBOR SERVICES	146.37%	80.19%

RESOLUTION NO. 63-15

**RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF MORRO BAY, CALIFORNIA,
ESTABLISHING A FEE SUBSIDY AND COST RECECOVERY POLICY**

**THE CITY COUNCIL
City of Morro Bay, California**

WHEREAS, the City Council of the City of Morro Bay recognizes the importance of collecting fees sufficient to cover program/activity costs; and

WHEREAS, the City Council of the City of Morro Bay also recognizes the importance of offering affordable fees for programs and activities to some segments of the citizenry through established cost subsidies; and

WHEREAS, the City Council of the City of Morro Bay recognizes the value and importance of the providing services, programs and activities to Morro Bay residents as well as the broader Estero Bay area.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California, hereby establishes the following fee subsidy policy and cost recovery guidelines for each service category:

1. General Fees

No subsidy.

2. Community Development and Engineering Services
 Planning and Building Services
 Engineering Services
 Appeals

No subsidy.

3. Recreation and Facility Rental Fees

Facility rental charges shall remain at the existing cost recovery rate of 100%. Recreation programming cost recovery shall be pursuant to the attached Exhibit A.

4. Harbor Enterprise Fund Fees

All fees except the slip fee and T-pier fee shall recover costs of service at 100%. The slip fee and T-pier fee shall recover 85% of costs.

5. Water and Sewer Enterprise Fund Fees

No subsidy.

PASSED AND ADOPTED, by the City Council of the City of Morro Bay, at a regular meeting thereof held on the 13th day of October, 2015, by the following vote:

AYES: Irons, Headding, Johnson, Smukler

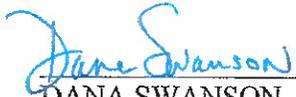
NOES: None

ABSENT: Makowetski



JAMIE L. IRONS, Mayor

ATTEST:



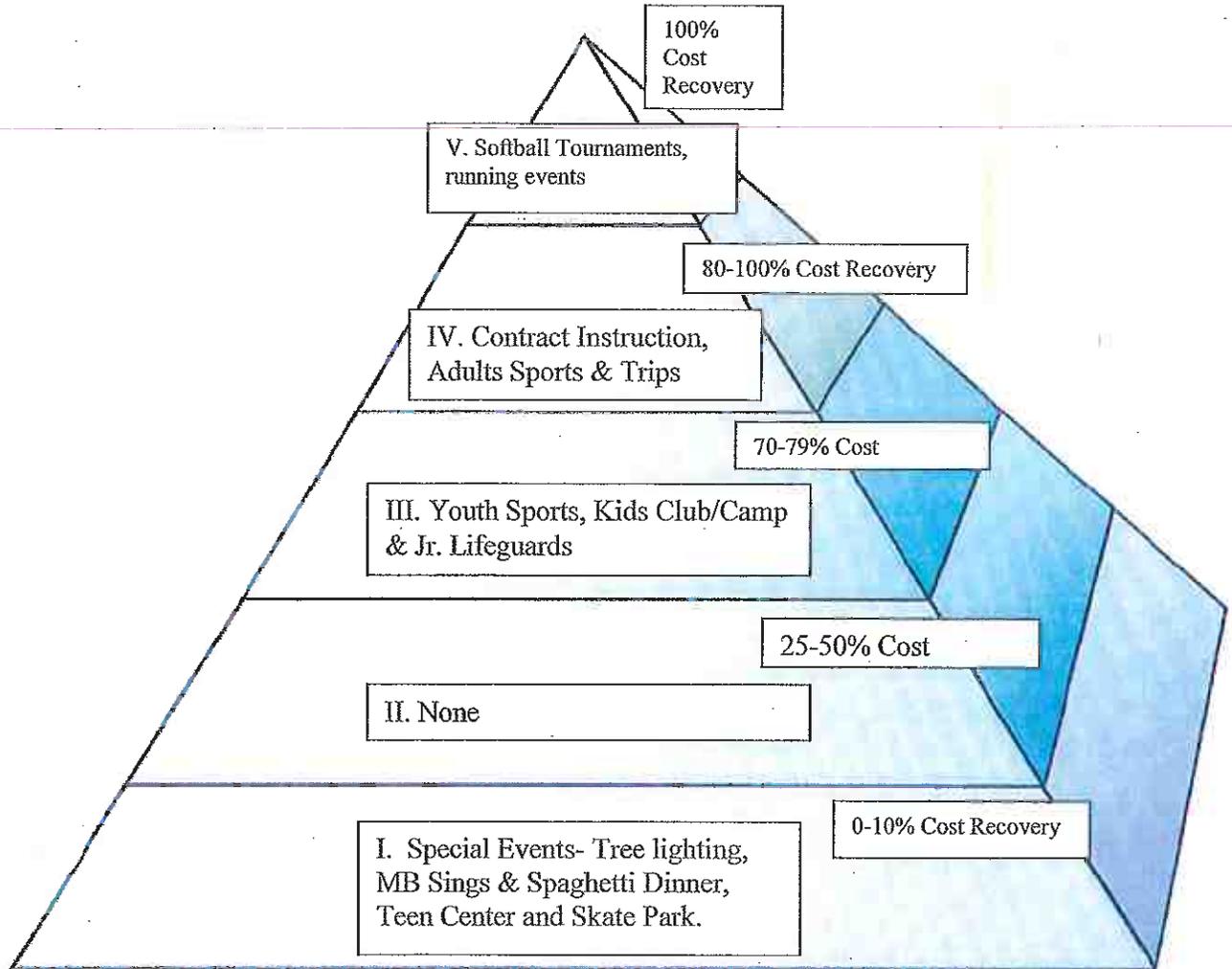
DANA SWANSON, City Clerk

EXHIBIT A

2015

Morro Bay Recreation and Parks: Cost Recovery and Subsidy Allocation

This Pyramid shows the Community Benefit and Individual benefit of the programs and services that Morro Bay Recreation and Parks offers. As well as the cost recovery level these programs and services have been set at.



Pyramid Level
V- Mostly Individual (Enterprise Service)
IV- Considerable Individual Benefit (Private Service)
III. Individual/Community Benefit (Merit Service)
II. Considerable Community Benefit (Enhanced Service)
I. Mostly Community Benefit (Basic Service)