



CITY OF MORRO BAY CITY COUNCIL AMENDED AGENDA

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.

Regular Meeting Tuesday, March 14, 2023 – 5:30 P.M. Veterans Memorial Hall 209 Surf St., Morro Bay, CA

Public Participation:

Public participation is allowed in the following ways:

- Community members may attend the meeting in person at the Morro Bay Veterans Hall.
- Alternatively, members of the public may watch the meeting and speak during general Public Comment or on a specific agenda item by logging in to the Zoom webinar using the information provided below. Please use the “raise hand” feature to indicate your desire to provide public comment.

Please click the link below to join the webinar:

- <https://us02web.zoom.us/j/82722747698?pwd=aWZpTzcwTHlRTk9xaTlmWVNW/RWFUQT09>
Password: 135692
 - Or Telephone Attendee: 1 (408) 638-0968 or 1 (669) 900 6833 or 1 (346) 248 7799; Webinar ID: 827 2274 7698; Password: 135692; Press * 9 to “Raise Hand” for Public Comment
- Members of the public may watch the meeting either on cable Channel 20 or as streamed on the City [website](#).
 - Community members are encouraged to submit agenda correspondence in advance of the meeting via email to the City Council at council@morrobayca.gov prior to the meeting. Agenda Correspondence received at council@morrobayca.gov by 10 a.m. on the meeting day will be posted on the City website.

ESTABLISH QUORUM AND CALL TO ORDER
MOMENT OF SILENCE
PLEDGE OF ALLEGIANCE
RECOGNITION
CLOSED SESSION REPORT
MAYOR & COUNCILMEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS
CITY MANAGER REPORTS, ANNOUNCEMENTS AND PRESENTATIONS

PRESENTATIONS

- Morro Bay Chamber of Commerce Quarterly Update by Erica Crawford
- San Luis Obispo Council of Governments (SLOCOG) 2023 Regional Transportation Plan Presentation by SLOCOG staff

PUBLIC COMMENT

Members of the audience wishing to address the Council 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 Council at this time.

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

- Those desiring to speak are asked to complete a speaker slip, which are located at the entrance, and submit it to the City Clerk. However, speaker slips are not required to provide public comment.
- When recognized by the Mayor, 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 Mayor, comments are to be limited to three minutes.
- All remarks should be addressed to Council, as a whole, and not to any individual member thereof.
- The Council 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 City Council to carry out its meeting will not be permitted and offenders will be requested to leave the meeting.
- Your participation in City Council meetings is welcome and your courtesy will be appreciated.
- The Council in turn agrees to abide by its best practices of civility and civil discourse according to Resolution No. 07-19.

A. CONSENT AGENDA

Unless an item is pulled for separate action by the City Council, the following actions are approved without discussion. The public will also be provided an opportunity to comment on consent agenda items.

A-1 APPROVAL OF MINUTES FOR THE FEBRUARY 28, 2023, CITY COUNCIL SPECIAL CLOSED SESSION MEETING; (CITY CLERK)

RECOMMENDATION: Approve as submitted.

A-2 APPROVAL OF MINUTES FOR THE FEBRUARY 28, 2023, CITY COUNCIL MEETING; (CITY CLERK)

RECOMMENDATION: Approve as submitted.

B. PUBLIC HEARING ITEMS

- B-1 REVIEW AND ADOPT FINAL FUNDING RECOMMENDATIONS FOR THE 2023 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM; (COMMUNITY DEVELOPMENT DEPARTMENT)

RECOMMENDATION: Staff recommends the City Council conduct a public hearing to review and adopt Resolution No. 12-23 approving final funding recommendations for the 2023 Community Development Block Grant (CDBG) funds and forward recommendations to the San Luis Obispo County Board of Supervisors for inclusion with the other final funding requests from the Urban County Consortium. The funding recommendation is for the two applications received from 5 Cities Homeless Coalition and the City Public Works Department along with City program administration of \$3,667 for a total 2023 funding allocation of \$89,860. Additionally, staff recommends the City Council authorize the City Manager to make pro rata adjustments to the allocation based on the final funding amount from San Luis Obispo County based on the approval of the federal budget and HUD's final grant amount to the County.

C. BUSINESS ITEMS

- C-1 LEGISLATIVE AND FUNDING ADVOCACY UPDATE; (ACTING CITY MANAGER)

RECOMMENDATION: Staff recommends that the Council receive an informational update from The Ferguson Group regarding federal legislative and funding advocacy activities on the City's behalf and from Townsend Public Affairs regarding state legislative and funding advocacy activities on the City's behalf.

- C-2 PRESENTATION AND DISCUSSION OF THE FISCAL YEAR (FY) 2021-22 ANNUAL COMPREHENSIVE FINANCIAL REPORT; (ADMINISTRATIVE SERVICES DEPARTMENT)

RECOMMENDATION: 1). Receive the presentation and provide feedback on the FY 2021-22 Annual Comprehensive Financial Report (ACFR) for the period of July 1, 2021 through June 30, 2022; and 2) Receive FY 2021-22 Annual Streets Report, FY 2021-22 Annual Transit Report, FY 2022-23 Prop 172 Maintenance of Effort Certification, and FY 2020-21 Morro Bay Cayucos Wastewater Treatment Facility Joint Powers Agreement Financial Statements.

- C-3 ADOPT RESOLUTION NO. 13-23 PROCLAIMING AND AFFIRMING THE EXISTENCE OF A LOCAL EMERGENCY, AND CONFIRMING AND RATIFYING PROCLAMATION BY CITY'S DIRECTOR OF EMERGENCY SERVICES OF EXISTENCE OF A LOCAL EMERGENCY, IN RESPONSE TO MARCH 2023 WINTER STORM SURGE; (INTERIM CITY MANAGER/ADMINISTRATIVE SERVICES DEPARTMENT)

RECOMMENDATION: Staff recommends the City Council adopt Resolution No. 13-23 Proclaiming and Affirming the Existence of a Local Emergency, and Confirming and Ratifying the Proclamation by the City's Director of Emergency Services of Existence of a Local Emergency In response to March 2023 Winter Storm Surge.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS

E. ADJOURNMENT

The next Regular Meeting will be held on **Tuesday, March 28, 2023 at 5:30 p.m.**

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 CITY HALL, 595 HARBOR ST, MORRO BAY, CA 93442 FOR ANY REVISIONS OR CALL THE CLERK'S OFFICE AT 805-772-6205 FOR FURTHER INFORMATION.

MATERIALS RELATED TO AN ITEM ON THIS AGENDA SUBMITTED TO THE CITY COUNCIL AFTER DISTRIBUTION OF THE AGENDA PACKET ARE AVAILABLE FOR PUBLIC INSPECTION UPON REQUEST BY CALLING THE CITY CLERK'S OFFICE AT 805-772-6205.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE CITY CLERK'S OFFICE AT LEAST 24 HOURS PRIOR TO THE MEETING TO INSURE REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.

This Page Intentionally Left Blank

PRESENT: Carla Wixom Mayor (*via teleconference per AB 2449*)
Laurel Barton Council Member
Cyndee Edwards Council Member
Jennifer Ford Council Member
Zara Landrum Council Member

ABSENT: None

STAFF: Scott Collins City Manager
Sarah Johnson-Rios Assistant City Manager/Admin Services Director
Chris Neumeyer City Attorney
Scot Graham Community Development Director

ESTABLISH QUORUM AND CALL TO ORDER

Mayor Wixom called the meeting to order at 3:30 p.m. with all members present.

SUMMARY OF CLOSED SESSION ITEMS – The Mayor read a summary of Closed Session items.

CLOSED SESSION PUBLIC COMMENT – Mayor Wixom opened public comment for items on the agenda.

Bill Martony, Morro Bay, commented on Item CS-1, asking the City to pause and explore ways to repurpose the existing building at 781 Market Avenue.

Bernadette Pekarek, Morro Bay, commented on its history and agreed the building at 781 Market Avenue should be preserved.

The public comment period was closed.

The City Council moved to Closed Session and heard the following items:

There was Council consensus to hear item CS-2 first.

Council Member Ford recused herself from Item CS-2 due to a conflict of interest and left the meeting at 3:35 p.m.

CS-2 CONFERENCE WITH REAL PROPERTY NEGOTIATOR - GOVERNMENT CODE SECTION 54956.8

Property: Morro Bay Maritime Museum site, located at 1210 Embarcadero, adjacent to Front Street Parking Lot
Property Negotiator: Scott Mather, President; Bonnie Jones, Treasurer; on behalf of Central Coast Maritime Museum Association
Agency Negotiators: Scott Collins, City Manager; Scot Graham, Community Development Director; and Chris Neumeyer, City Attorney
Negotiation: Price and Terms of Payment

Council Member Ford rejoined the meeting at 3:53 p.m.

CS-1 CONFERENCE WITH REAL PROPERTY NEGOTIATOR - GOVERNMENT CODE SECTION 54956.8

Property: 714 Embarcadero, 781 Market Street and parking lot; APNs 066-321-028, 066-321-027, 066-321-026, 066-321-025, 066-112-007, 006-321-008
Property Negotiator: Hemant Patel
Agency Negotiators: Scott Collins, City Manager; Scot Graham, Community Development Director; and Chris Neumeyer, City Attorney
Negotiation: Price and Terms of Payment

RECONVENE IN OPEN SESSION – The City Council reconvened in Open Session. The Council did not take any reportable action in accordance with the Brown Act.

ADJOURNMENT - The meeting adjourned at 5:06 p.m.

Recorded by:

Dana Swanson
City Clerk

PRESENT:	Carla Wixom Laurel Barton Cyndee Edwards Jennifer Ford Zara Landrum	Mayor (<i>via teleconference per AB 2449</i>) Council Member Council Member Council Member Council Member
ABSENT:	None	
STAFF:	Scott Collins Chris Neumeyer Dana Swanson Sarah Johnson-Rios Greg Kwolek Scot Graham Daniel McCrain Amy Watkins Paul Amico Dan Heimel	City Manager City Attorney City Clerk Assistant City Manager/Admin Services Dir. Public Works Director Community Development Director Fire Chief Police Chief WRF Program Manager, Carollo Engineering Contract Engineer, Confluence Engineering

ESTABLISH QUORUM AND CALL TO ORDER

Mayor Wixom called the meeting to order at 5:36 p.m., with all members present.

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

RECOGNITION – None

Mayor Wixom announced she was traveling on City business and participating via teleconference from the California Marine Affairs and Navigation Conference (C-MANC) in Washington D.C.

<https://youtu.be/yBclwE2Cj50?t=95>

CLOSED SESSION REPORT – City Attorney Neumeyer stated no reportable action was taken by the City Council in accordance with the Brown Act.

MAYOR & COUNCILMEMBERS' REPORTS, ANNOUNCEMENTS & PRESENTATIONS

<https://youtu.be/yBclwE2Cj50?t=133>

CITY MANAGER REPORTS, ANNOUNCEMENTS AND PRESENTATIONS

<https://youtu.be/yBclwE2Cj50?t=544>

PRESENTATIONS

<https://youtu.be/yBclwE2Cj50?t=816>

- Measure Q/E Report by CFAC Vice Chair Stephen Peck

PUBLIC COMMENT

<https://youtu.be/yBclwE2Cj50?t=1261>

Mary Ann Britton, Morro Bay, commented on differences between hosted home share vacation rentals versus un-hosted vacation rentals and asked the Council to consider a fee structure more proportioned to the amount of income received.

Jeanne Marie Colby, Morro Bay, commented on hosted versus un-hosted vacation rentals and requested reconsideration of the fee structure.

Terry Simons, Morro Bay, shared his appreciation for Mr. Collins, concurred with previous speakers' request to review hosted vacation rental fees, and asked that the City Attorney explain the process being moved through closed session regarding Market Plaza.

Rachel Wilson, Cayucos, urged caution with regard to potential harbor development associated with offshore wind energy.

Aaron Ochs, Morro Bay, thanked Mr. Collins for his contribution to the City and posed questions regarding Council negotiations related to proposed offshore wind and battery storage projects.

Ed Spera, Morro Bay, commented on traffic and safety concerns along Main Street, particularly from Olive Street to Piney Way.

Ray Riordan, Chair of the Morro Bay Chamber Board of Directors, announced the Annual Awards Gala event honoring Citizen of the Year, Living Treasure, Business of the Year and Non-Profit of the Year will be held Friday, April 21st.

Cherise Hansson, Vice-Chair of the Morro Bay Chamber Board of Directors, thanked City staff for participating in the Chamber of Commerce Squeaky Wheel event.

Shell Vorhees, Morro Bay resident and business owner, expressed appreciation for Chamber support and relationships with member businesses.

Erica Crawford, Morro Bay Chamber of Commerce President & CEO, commented on the role of the Chamber Board of Directors to advocate for and represent business interests to government agencies.

Barry Branin, Morro Bay, commented on the potential sale of Market Street property and need for a parking structure.

Bill Martony, Morro Bay, urged the City to pause on the sale of the Market Street property to develop a concept plan that would preserve and repurpose the Breakers building.

Lisa Marie, Morro Bay, advocated for a warming shelter for the unsheltered community during extreme weather events.

Karen Aguilar, Morro Bay Beautiful Board President, announced the organization will donate 25% of the profits from the sale of license plate holders to the Morro Bay National Estuary Program. Visit morrobaybeautiful.org for more information.

Nattalia Merzoyan, Morro Bay, commented on need to preserve the Giant Chessboard built by Morro Bay residents.

Betty Winholtz, Morro Bay, acknowledged the need for a warming shelter, commented on the Water Reclamation Center open house and Board of Supervisors' approval of a consolidated permit for the Pismo Beach recycled water project.

Paul Donnelly, Morro Bay, commented on paving issues and opposed Los Osos CSD's efforts to connect to the State Water pipeline.

Linda Donnelly, Morro Bay, requested an update on missing street signs, street striping, planting plan for the bike path, and reported a potential water main leak near Morro Shores Hotel.

Carole Truesdale, Morro Bay, thanked Mr. Collins for his service and inquired as to the amount of sewer surcharge funds collected and how those funds were being spent.

Linda Winters, Morro Bay, congratulated Police Chief Watkins and shared her appreciation for Mr. Collins, particularly his support for mobile home residents.

Mayor Wixom closed public comment.

The Council and staff responded to issues raised during public comment.

A. CONSENT AGENDA
<https://youtu.be/yBclwE2Cj50?t=4847>

Unless an item is pulled for separate action by the City Council, the following actions are approved without discussion. The public will also be provided an opportunity to comment on consent agenda items.

A-1 APPROVAL OF MINUTES FOR THE FEBRUARY 14, 2023, CITY COUNCIL SPECIAL CLOSED SESSION MEETING; (CITY CLERK)

RECOMMENDATION: Approve as submitted.

A-2 APPROVAL OF MINUTES FOR THE FEBRUARY 14, 2023, CITY COUNCIL MEETING; (CITY CLERK)

RECOMMENDATION: Approve as submitted.

A-3 FISCAL YEAR (FY) 2021-22 STATUS REPORT ON RECEIPT AND USE OF DEVELOPMENT IMPACT FEES; (ADMINISTRATIVE SERVICES DEPARTMENT)

RECOMMENDATION: Staff recommends the Council adopt Resolution No. 08-23 accepting Fiscal Year (FY) 2021-22 status report on receipt and use of Development Impact Fees.

A-4 AUTHORIZATION TO APPLY FOR AND ACCEPT THE GRANT, IF AWARDED, FROM THE DEPARTMENT OF HOMELAND SECURITY AND FEDERAL EMERGENCY MANAGEMENT AGENCY FOR FUNDING UNDER THE STAFFING FOR ADEQUATE FIRE AND EMERGENCY RESPONSE (SAFER) GRANT; (FIRE DEPARTMENT)

RECOMMENDATION: Staff recommends the Council authorize the Fire Department to apply for and accept the grant if awarded from the Department of Homeland Security and Federal Emergency Management Agency for funding under the Staffing for Adequate Fire and Emergency Response (SAFER) Grant for the hiring of limited term firefighters.

A-5 APPOINTMENT OF REPRESENTATIVES ON DISCRETIONARY BOARDS AND APPROVAL OF REVISED COUNCIL SUB-COMMITTEES; (MAYOR WIXOM / CITY CLERK)

RECOMMENDATION: Staff recommends the City Council:
1) Accept the appointment of Council Member Edwards as the City's representative to the REACH Central Coast Economic Development Roundtable; and; 2) Designate the Mayor as the official representative of the City of Morro Bay on the California Joint Powers Insurance Authority (CJPIA) Board of Directors,

designate the Human Resources Manager as first alternate, and designate the City Manager as second alternate; and 3) Approve revised Council Sub-Committees for Chevron Property and BOEM Interagency Task Force / Wind Energy, as shown on the attached appointment list.

- A-6 ADOPTION OF RESOLUTION NO. 10-23 AUTHORIZING SUBMISSION OF RURAL TRANSIT FUND (RTF) GRANT APPLICATION AND EXECUTION OF RELATED DOCUMENTS UPON AWARD; (PUBLIC WORKS DEPARTMENT)

RECOMMENDATION: Staff recommends the City Council adopt Resolution No. 10-23 authorizing submission of the Rural Transit Fund Grant Application and execution of related documents upon award.

- A-7 SECOND QUARTER INVESTMENT REPORT FOR FISCAL YEAR (FY) 2022-23 (PERIOD ENDING DECEMBER 31, 2022); (ADMINISTRATIVE SERVICES DEPARTMENT)

RECOMMENDATION: Staff recommends the City Council receive the First Quarter Investment Report for FY 2022-23 (period ending December 31, 2022).

- A-8 PRESENTATION TO THE CITY COUNCIL REGARDING CFAC'S REVIEW OF FY 2021-22 UNAUDITED TRANSACTIONS FROM THE COLLECTION OF THE GENERAL PURPOSE LOCAL SALES TAX, COMMONLY KNOWN AS "MEASURE Q AND E"; (CFAC VICE CHAIRMAN STEPHEN PECK)

RECOMMENDATION: Receive and file.

Mayor Wixom opened public comment for the Consent Agenda.

<https://youtu.be/yBclwE2Cj50?t=4864>

Barry Branin, Morro Bay, commented on Item A-7.

Betty Winholtz, Morro Bay, requested the Council pull and discuss questions raised regarding earmarked projects outlined in Item A-3.

Nattalia Merzoyan, Morro Bay, commented on need for road repairs on Little Morro Creek Road.

Terry Simons, Morro Bay, suggested the community may be better served to use excess reserve funds for capital improvements.

The public comment period was closed.

Council Member Landrum pulled Items A-3 and A-7.

MOTION: Council Member Barton moved approval of all items on Consent except Items A-3 and A-7. The motion was seconded by Council Member Ford and carried 5-0 by roll call vote.

- A-3 FISCAL YEAR (FY) 2021-22 STATUS REPORT ON RECEIPT AND USE OF DEVELOPMENT IMPACT FEES; (ADMINISTRATIVE SERVICES DEPARTMENT)
<https://youtu.be/yBclwE2Cj50?t=5731>

Staff responded to questions raised during public comment.

MOTION: Council Member Landrum moved approval of Item A-3. The motion was seconded by Council Member Ford and carried 5-0 by roll call vote.

- A-7 SECOND QUARTER INVESTMENT REPORT FOR FISCAL YEAR (FY) 2022-23 (PERIOD ENDING DECEMBER 31, 2022); (ADMINISTRATIVE SERVICES DEPARTMENT)
<https://youtu.be/yBclwE2Cj50?t=5935>

Staff responded to questions raised during public comment.

MOTION: Council Member Ford moved approval of Item A-7. The motion was seconded by Council Member Barton and carried 5-0 by roll call vote.

B. PUBLIC HEARINGS - NONE

C. BUSINESS ITEMS

- C-1 CONSIDERATION OF CONDITIONAL APPOINTMENT OF GREG CARPENTER AS INTERIM CITY MANAGER AND CONDITIONAL APPROVAL OF EMPLOYMENT AGREEMENT BETWEEN THE CITY OF MORRO BAY AND GREG CARPENTER; (HUMAN RESOURCES)
<https://youtu.be/yBclwE2Cj50?t=5969>

City Manager Collins provided the report and responded to Council inquiries.

The public comment period for Item C-1 was opened; seeing none, the public comment period was closed.

MOTION: Council Member Barton moved appoint Greg Carpenter as the Interim City Manager contingent upon successfully passing the City's background check, and authorize the Mayor to execute the attached employment agreement following the same. The motion was seconded by Council Member Edwards and carried 5-0 by roll call vote.

- C-2 FISCAL YEAR 2022-23 MIDYEAR BUDGET AND FINANCIAL UPDATE; (CITY MANAGER/ADMINISTRATIVE SERVICES DEPARTMENT)
<https://youtu.be/yBclwE2Cj50?t=6633>

City Manager Collins and Assistant City Manager/Administrative Services Director Johnson-Rios provided the report and responded to Council inquiries.

The public comment period for Item C-2 was opened.
<https://youtu.be/yBclwE2Cj50?t=9027>

Paul Donnelly, Morro Bay, questioned annual funding obligations for WRF financing.

The public comment period for Item C-2 was closed.

MOTION: Council Member Ford moved to adopt Resolution No. 11-23 authorizing the attached Budget Amendments. The motion was seconded by Council Member Edwards and carried 5-0 by roll call vote.

The Council took a brief recess at 8:12 p.m. The meeting reconvened 8:20 p.m. with all members present.

C-3 APPROVE WRF CONTRACT AMENDMENTS, AUTHORIZE AN INCREASE IN THE ANVIL CONTRACT BUDGET AND REVIEW AND COMMENT ON FISCAL YEAR 2023 QUARTER 2 WRF QUARTERLY REPORT; (PUBLIC WORKS DEPARTMENT)
<https://youtu.be/yBclwE2Cj50?t=9915>

Public Works Director Kwolek, WRF Program Manager Amico, and Contract Engineer Heimel provided the report and responded to Council inquiries.

The public comment period for Item C-3 was opened.

<https://youtu.be/yBclwE2Cj50?t=12735>

Jeff Heller, Morro Bay, stressed the importance of having a report that provides information the Council needs, agreed cost per acre foot for IPR is an important factor, and suggested Table 1 include the estimated cost to complete project.

Terry Simons, Morro Bay, expressed concern about operational costs and would like to see an analysis that compares the cost of full treatment to indirect potable reuse.

Linda Donnelly, Morro Bay, opposed approval of the Rincon contract and suggested the U.S. Bureau of Reclamation should accept the current environmental documents to satisfy NEPA.

Paul Donnelly, Morro Bay, raised several questions regarding the proposed contract amendments and construction.

Betty Winholtz, Morro Bay, suggested changing the nomenclature for City projects as it was causing confusion.

The public comment period for Item C-3 was closed.

There was Council consensus to continue the meeting past 9:30 p.m. but no later than 10:00 p.m.

Staff responded to questions raised during public comment.

The Mayor and Council Members provided individual comments.

MOTION: Council Member Ford moved to approve 1) Amendment No. 7 to the agreement with Anvil Builders, Inc. (Anvil) for the WRF Lift Stations and Offsite Pipelines construction for \$124,970, which results in a total not to exceed contract value for Anvil of \$34,968,314 and increase of the Anvil contract budget to that new contract value; and 2) approve Amendment No. 5 to the agreement with Waterworks Engineers (WWE) to continue to provide professional engineering services during construction for the Conveyance Facilities Project for \$75,000, which increases the total not-to-exceed contract value for WWE to \$2,615,113; and 3) Execute a new contract for Rincon Consultants, Inc. to provide professional environmental permitting consulting services for the Recycled Water component of the WRF Program in the amount of \$43,532. The motion was seconded by Council Member Barton and carried 5-0 by roll call vote.

D. COUNCIL DECLARATION OF FUTURE AGENDA ITEMS
<https://youtube.com/watch?v=yBclwE2Cj50&feature=shares&t=15027>
None

E. ADJOURNMENT

The meeting adjourned at 9:46 p.m.

Recorded by:

Dana Swanson
City Clerk

This Page Intentionally Left Blank



AGENDA NO: B-1

MEETING DATE: March 14, 2023

Staff Report

TO: Honorable Mayor and City Council **DATE:** February 17, 2023

FROM: Cindy Jacinth, Senior Planner

SUBJECT: Review and Adopt Final Funding Recommendations for the 2023 Community Development Block Grant (CDBG) Program

RECOMMENDATION

Staff recommends the City Council conduct a public hearing to review and adopt Resolution No. 12-23 approving final funding recommendations for the 2023 Community Development Block Grant (CDBG) funds and forward recommendations to the San Luis Obispo County Board of Supervisors for inclusion with the other final funding requests from the Urban County Consortium. The funding recommendation is for the two applications received from 5 Cities Homeless Coalition and the City Public Works Department along with City program administration of \$3,667 for a total 2023 funding allocation of \$89,860. Additionally, staff recommends the City Council authorize the City Manager to make pro rata adjustments to the allocation based on the final funding amount from San Luis Obispo County based on the approval of the federal budget and HUD's final grant amount to the County.

ALTERNATIVES

The City Council may move to change the draft funding recommendations made at its December 13, 2022 meeting to increase funding to 5 Cities Homeless Coalition beyond their requested \$3,500 up to a maximum of \$7,857 to match the 15 percent maximum federal expenditure for public services activities with a corresponding reduction in funding to the Public Works Department ADA Accessibility application.

FISCAL IMPACT

Approving staff recommendations includes an application for administrative funds as allowed by HUD in the amount of \$3,667. If awarded, this amount would offset City administrative costs which are expected to be minimal. The majority of CDBG administration, including coordination with HUD staff and reporting, is performed by County staff pursuant to the City's 2021-2023 Urban County Participation Agreement executed July 7, 2020.

SUMMARY

On December 13, 2022, the City Council approved draft CDBG funding recommendations for the 2023 CDBG Program year. As noted in the table on the next page, the funding recommendations included funding for 5 Cities Homeless Coalition's Rapid Rehousing Program and Public Works Department ADA Accessibility Upgrade Project for a total funding allocation of \$89,860 which include a prior year rollover amount of \$37,477. This also included a recommendation for \$3,667 for City administrative costs (Resolution 107-22, Attachment 2). The draft funding recommendations were forwarded to the County Board of Supervisors for inclusion in the 2023 Draft Action Plan.

Prepared By: <u> CJ </u>	Dept Review: <u> SG </u>
City Manager Review: _____	City Attorney Review: <u> CFN </u>

BACKGROUND:

The 2023 CDBG award process began earlier this fall with the release of the annual Notice of Funding Availability, application workshop, and needs hearing held in September 2022 with applications due by October 14, 2022. The City received two applications during this funding cycle (Online Link #1 below), and the City Council at its December 13, 2022 meeting voted to forward draft funding recommendations to the County Board of Supervisors for funding and incorporation into the 2023 Action Plan.

Total Morro Bay funding is anticipated to be approximately \$89,860 for the 2023 program year which includes an unallocated rollover of approximately \$37,477 of 2022 program year funding. Final funding amounts are subject to change and will likely be released by the Department of Housing and Urban Development (HUD) in April 2023.

DISCUSSION

The recommended projects for the 2023 CDBG Program Year are included in the table below with a project description for the grant activity included.

<i>Federal Funding Category / Applications Received</i>	<i>Amount Requested</i>	<i>Amount Recommended By Council on 12/13/2022 (includes both current and rollover amount)</i>
<i>Public Services – Limited to 15% of 2023 Allocation (or a maximum of \$7,857)</i>		
<p><u>1. Project Name:</u> Rapid Rehousing and Homeless Prevention Program Applicant: 5 Cities Homeless Coalition (5CHC)</p> <p>Project Description: 5CHC proposes continued and expanded comprehensive homeless services of their Rapid-Rehousing Program, which includes connecting families and individuals with time-limited financial assistance and targeted supportive services, and housing stabilization services.</p>	<p>\$3,500 CDBG funding request to Morro Bay <i>(Total request is \$92,333 combined to all jurisdictions) countywide)</i></p>	<p>\$3,500</p>
<i>Public Facilities</i>		
<p><u>2. Project Name:</u> ADA Accessibility Upgrade at Quintana and Main Streets.</p> <p>Applicant: Public Works Department, City of Morro Bay. This includes request for unallocated 2022 amount of \$37,477 along with the anticipated 2023 CDBG allocation.</p> <p>Project Description: Installation of an audible signal crossing and ADA compliant pedestrian push button at the intersection of Main & Quintana Streets, the primary traffic signal in the city, and the installation of ADA curb ramps with detectable surfaces. Goal of program is to increase safety and facilitate improved</p>	<p>\$100,000</p>	<p>\$75,884 <i>(\$38,407 of 2023 funding plus 2022 rollover amount of \$37,477)</i></p>

accessibility for senior residents and persons with disabilities.		
Administration – Limited to 20% of 2023 Allocation: \$10,476 (per County agreement: City=35% / County =65%)		
City Program Administration Costs: (Required County Administration Costs):	\$3,667 (\$6,809)	\$3,667 (\$6,809)
Total Funds Requested	\$113,976	
Total Funds Recommended		\$89,860
Rollover funding from 2022 Program year		\$37,477
Estimated Total 2023 Funding Available		+ \$52,383
Combined Total Available of 2022 & 2023 Funding		= \$89,860

As stated in the December 13, 2022 Council staff report (link below), the approved draft funding recommendations were forwarded to the County along with recommendations from all participating jurisdictions. Every funding year this results in an annual Action Plan which includes funding recommendations and funding priorities developed using community input. The program criteria includes consistency with federal regulations and laws, community support, seriousness of community development needs, degree to which the project benefits low-income and very low-income families or persons, project feasibility, cost effectiveness, and organization’s experience or knowledge regarding program requirements.

The funding applications received are limited by federal regulations in how much funding they can receive. As noted in the table above, the 5 Cities Homeless Coalition application is considered a public service activity which is limited to no more than 15% of a jurisdiction’s allocation. Based on this year’s anticipated funding, that 15% cap equates to a maximum amount available of \$7,857. The application from the Public Works Department ADA Accessibility improvement project for the intersection of Quintana and Main is considered a public facilities application with no federal percentage limitation on funding. The funding recommendation is for \$75,884 which includes the prior year’s unallocated rollover amount of \$37,477. The CDBG funding award will be utilized in combination with a San Luis Obispo Council of Governments (SLOCOG) Community Betterments Grant award to fully fund and complete the project.

Upon City Council review of CDBG funding requests, the final funding recommendations will be forwarded to the County Board of Supervisors in order to adopt the 2023 Action Plan in April 2023.

PUBLIC NOTICE

Notice of a public hearing of this item was published in the San Luis Obispo Tribune newspaper on March 3, 2023, and posted in public kiosks at City Hall, the Community Development Department building, and the Morro Bay Public Library. In addition, notice of the City Council public hearing was posted on the City website.

CONCLUSION

Staff is recommending Council approve the 2023 Final Funding Recommendation for the requests from the 5 Cities Homeless Coalition and the City Public Works Department along with the City application of \$3,667 for program administration by adopting Resolution No. 12-23.

ATTACHMENTS

1. Resolution No. 12-23
2. Council Resolution 107-22 adopted 12/13/2022
3. Powerpoint presentation

ONLINE LINKS:

1. [December 13, 2022 Council Staff Report & Applications, Agenda Item B-1](#)

RESOLUTION NO. 12-23

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
APPROVING COMMUNITY DEVELOPMENT BLOCK GRANT
PROJECTS FOR YEAR 2023**

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

WHEREAS, via a Cooperation Agreement with County of San Luis Obispo (hereafter referred to as “County”), a political subdivision of the State of California, executed by the City of Morro Bay (hereafter referred to as “City”) a municipal corporation, on July 7, 2020, the City agreed to become a participant for a period of three years with the County and other cities therein as an “Urban County” under the U.S. Department of Housing and Urban Development (HUD); and

WHEREAS, under the Cooperation Agreement, the City retains the authority to determine which projects are to be funded with its allotment of CDBG Program funds; and

WHEREAS, the CDBG Program promotes the public health, safety, and welfare by providing grant funds to be used by the City and County to improve housing opportunities for low- and moderate- income households, to encourage economic reinvestment, to improve community facilities and public services, and to provide other housing-related facilities, or services; and

WHEREAS, the City expects to receive \$52,383 in CDBG funds in 2023; and

WHEREAS, the City rolled over \$37,477 of CDBG funds from the 2022 Program Year which is funds available for allocation in addition to 2023 CDBG funds for a total of \$89,860; and

WHEREAS, in 2022, the County published a “Notice of Funding Availability” for projects to be funded under the 2023 CDBG Programs, which provided proposals were to be submitted by October 14, 2022; and

WHEREAS, at a duly noticed public hearing on December 13, 2022, the City Council gave approval for draft funding recommendations to be forwarded to the County Board of Supervisors for 2023 CDBG projects.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California:

1. City will timely submit final funding recommendations for the current CDBG funding cycle to the Board of Supervisors for the County of San Luis Obispo consistent with the programs and allocations listed in Exhibit “A,” attached hereto and incorporated herein by this reference, to be funded with the City’s allocation of CDBG Program funds.
2. City Manager is authorized for the current CDBG funding cycle to make pro rata adjustments to the allocation based on the final funding amount from San Luis Obispo County based on the approval of the federal budget and HUD’s final grant amount to San Luis Obispo County

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a special meeting thereof held on the 14th day of March 2023 on the following vote:

AYES:
NOES:
ABSENT:
RECUSED:

CARLA WIXOM, Mayor

ATTEST:

DANA SWANSON, City Clerk

EXHIBIT "A"
 FINAL FUNDING RECOMMENDATIONS
 TO FORWARD TO THE
 COUNTY BOARD OF SUPERVISORS

Public Services – Limited to 15% of 2023 Allocation (or a maximum of \$7,857)	Amount Requested	Amount Recommended
1. Project Name: Rapid Re-Housing and Homeless Prevention Program Applicant: 5 Cities Homeless Coalition (5CHC)	\$3,500	\$3,500
Public Facilities Project:		
2. Project Name: ADA Accessibility Upgrade at Quintana and Main Streets Applicant: Public Works Department, City of Morro Bay	\$100,000	\$38,407 of 2023 funds + \$37,477 2022 rollover = \$75,884
Administration – Limited to 20% of 2023 Allocation, \$10,476 (per County agreement City=35% / County =65%)		
City Program Administration Costs (Required County Administration Costs)	\$3,667 (\$6,809)	\$3,667 (\$6,809)
Total Funds Requested	\$113,976	
Total Funds Recommended		\$89,860
Rollover funding from 2022 Program Year		\$37,477
Estimated Total 2023 Funding Available		+ \$52,383
Combined Total Available of 2022 & 2023 Funding		= \$89,860

RESOLUTION NO. 107-22

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA
APPROVING COMMUNITY DEVELOPMENT BLOCK GRANT
PROJECTS FOR YEAR 2023**

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

WHEREAS, via a Cooperation Agreement with County of San Luis Obispo (hereafter referred to as "County"), a political subdivision of the State of California, executed by the City of Morro Bay (hereafter referred to as "City") a municipal corporation, on July 7, 2020, the City agreed to become a participant for a period of three years with the County and other cities therein as an "Urban County" under the U.S. Department of Housing and Urban Development (HUD); and

WHEREAS, under the Cooperation Agreement, the City retains the authority to determine which projects are to be funded with its allotment of CDBG Program funds; and

WHEREAS, the CDBG Program promotes the public health, safety and welfare by providing grant funds to be used by the City and County to improve housing opportunities for low- and moderate-income households, to encourage economic reinvestment, to improve community facilities and public services, and to provide other housing-related facilities, or services; and

WHEREAS, the City expects to receive \$52,383 in CDBG funds in 2023; and

WHEREAS, the City rolled over \$37,477 of CDBG funds from the 2022 Program Year which is funds available for allocation in addition to 2023 CDBG funds for a total of \$89,860; and

WHEREAS, in 2022, the County published a "Notice of Funding Availability" for projects to be funded under the 2023 CDBG Programs, which provided proposals were to be submitted by October 14, 2022; and

WHEREAS, at a duly noticed public hearing on December 13, 2022, the City Council gave approval for draft funding recommendations to be forwarded to the County Board of Supervisors for 2023 CDBG projects.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California:

1. City will timely submit final funding recommendations for the current CDBG funding cycle to the Board of Supervisors for the County of San Luis Obispo consistent with the programs and allocations listed in Exhibit "A," attached hereto and incorporated herein by this reference, to be funded with the City's allocation of CDBG Program funds.

//

//

//

//

//

//

2. City Manager is authorized for the current CDBG funding cycle to make pro rata adjustments to the allocation based on the final funding amount from San Luis Obispo County based on the approval of the federal budget and HUD's final grant amount to San Luis Obispo County

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a regular meeting thereof held on the 13th day of December 2022 on the following vote:

AYES: Headding, Barton, Ford, Heller
NOES: None
ABSENT: None
ABSTAIN: None
RECUSE: None



JOHN HEADDING, Mayor

ATTEST:



DANA SWANSON, City Clerk

EXHIBIT "A"
DRAFT FUNDING RECOMMENDATIONS
TO FORWARD TO THE
COUNTY BOARD OF SUPERVISORS

Public Services – Limited to 15% of 2022 Allocation (or a maximum of \$7,857)	Amount Requested	Amount Recommended
1. Project Name: Rapid Re-Housing and Homeless Prevention Program Applicant: 5 Cities Homeless Coalition (5CHC)	\$3,500	\$3,500
Public Facilities		
2. Project Name: ADA Accessibility Upgrade at Quintana and Main Streets Applicant: Public Works Department, City of Morro Bay	\$100,000	\$38,407 of 2023 funds + \$37,477 2022 rollover = \$75,884
Administration – Limited to 20% of 2023 Allocation, \$10,476 (per County agreement City=35% / County =65%)		
City Program Administration Costs	\$3,667	\$3,667
(Required County Administration Costs)	(\$6,809)	(\$6,809)
Total Funds Requested	\$113,976	
Rollover funding from 2022 Program Year		\$37,477
Estimated Total 2023 Funding Available		\$52,383
Total Funds Recommended		\$89,860



City of Morro Bay City Council

Community Development Block Grant (CDBG) Program

Review and Adopt Final Funding
Recommendations for 2023 Program Year

CDBG Program

- Federal entitlement funding via participation with the Urban County consortium
- Funding availability for 2023 year is \$52,383 plus of \$37,477 of 2022 rollover funding.
- Funding recommendations are forwarded to County Board of Supervisors from all participating cities for development of annual Action Plan which includes funding recommendations and priorities based on community input and consistent with federal CDBG regulations.
- Two applications for funding received under the Public Services & Public Facilities categories.

CDBG Program

Application Name <i>(includes funding limits)</i>	Brief Project Description	Amount Requested	Amount Recommended
Rapid Re-Housing & Homeless Prevention Program by 5CHC <i>(limited to 15% of allocation)</i>	Provide continued services of their countywide Rapid Re-housing program, targeted supportive services with assistance for homeless or people at risk of homelessness	\$3,500	\$3,500
City Public Works Department	ADA accessibility upgrades to signalized intersection at Quintana & Main Streets and upgrades ADA curb ramps to benefit seniors and persons with disabilities providing improved pedestrian access at a heavy traffic intersection.	\$100,000	\$75,884 <i>(breakdown is: \$38,407 of 2023 funds and \$37,477 of 2022 rollover)</i>
General administration costs <i>(limited to 20% of allocation)</i>	CDBG allowed administration for program costs / staff time	\$3,667	\$3,667

CDBG Staff Recommendation

- Recommendation: Fund the request by 5 Cities Homeless Coalition, Public Works ADA Upgrade Project, and City administration at \$3,667 using 2022 rollover allocation along with 2023 CDBG funding allocation for a total recommendation of \$89,860.
- Additionally, authorize the City Manager to make pro rata adjustments to the allocation based on any HUD budgetary changes to the approved final 2023 CDBG funding amount from San Luis Obispo County.

This Page Intentionally Left Blank



AGENDA NO: C-1

MEETING DATE: March 14, 2023

Staff Report

TO: Honorable Mayor and City Council
FROM: Sarah Johnson-Rios, Acting City Manager
SUBJECT: Legislative and Funding Advocacy Update

DATE: March 9, 2023

RECOMMENDATION

Staff recommends that the Council receive an informational update from The Ferguson Group regarding federal legislative and funding advocacy activities on the City's behalf and from Townsend Public Affairs regarding state legislative and funding advocacy activities on the City's behalf.

ALTERNATIVES

The City Council could choose not to receive an update on legislative advocacy activities.

FISCAL IMPACT

There is no fiscal impact associated with receiving an update on legislative advocacy activities. The total combined annual costs for the two State and Federal representation service agreements is \$101,600, which is already included in the Adopted Fiscal Year 2022-23 budget; half of the total is funded by the General Fund, and the other half is split between the water and sewer funds.

BACKGROUND

Based on their expertise and proven value in representing local governments at the state and federal level, and the amount of funds available in the state and federal budgets for local governments, in June 2022, the Council directed staff to enter into agreements with Townsend Public Affairs (Townsend) and The Ferguson Group (Ferguson) to represent the City at the state and federal levels on key City projects and initiatives.

DISCUSSION

Federal Representation

The City has had federal representation through The Ferguson Group (Ferguson), for the WRF program, offshore wind, COVID-19 funding, and other infrastructure and economic development initiatives since 2016. That representation has been effective for the City, when considering the important role Ferguson representatives played in securing a \$62 million low-interest loan from the U.S. Environmental Protection Agency (Water Innovation and Finance Infrastructure Act loan – commonly referred to as WIFIA). That will save the community approximately \$800,000 - \$900,000 per year in debt payments when compared to a commercial loan. Ferguson has supported the City in the following ways:

- Supported City with obtaining \$9.3 million in Bureau of Reclamation grant funding for recycled water,

Prepared By: SJR City Attorney Review: CFN

City Manager Review: **SJR**

- Obtained \$1.5 million in federal funds for the North T-Pier Project,
- Ongoing support for WIFIA funding,
- Supported the City for several Grant submittals to FEMA for Fire related needs,
- Seeking federal grants and other funding for the Wastewater Reclamation Facility (WRF) project, OneWater infrastructure projects, and other infrastructure projects, and
- Keeping the City apprised of other relevant federal legislation and funding opportunities.

The City also has federal representation for other projects. Our membership in CMANC, the California Marine Affairs and Navigation Conference, is, in effect, a federal advocacy group for our Harbor in general and dredging support in particular. Our \$1,350 annual membership in CMANC is an important investment in advocating for Federal funding for our dredging program of our Army Corps of Engineers-maintained channels. The City also pays into the CMANC pool to cover representation by Carpi and Clay, a government relations firm that specializes in harbor issues. Those costs are pooled between the CMANC represented harbors districts and cities like Morro Bay, at a cost of \$8,400 per year to the City. Annual dredging of our harbor entrance area at a cost of \$3 million, and every 5-7 years dredging of other bay channels at a cost of \$4 to \$6 million, represents a significant return on a modest annual investment. These Harbor specific representation service expenses are covered by the Harbor Fund.

State Representation

The City has state representation through Townsend Public Affairs. Townsend supports the City in the following ways:

- Reviews state legislation impacting local governments, and those supported by City Council goals and recommended City positions on several specific pieces of legislation,
- Provided grant writing and editing support for several California Department of Parks Proposition 68 grant submittals by the City for Coleman Park area projects as well as other relevant grants such as water resiliency. The Coleman Park project application was successful and the City was awarded \$600,000 in State funding,
- Provided support for potential funding from the projected State FY22/23 Budget surplus and arranged meetings with the City's representatives at the state level and with relevant state agencies,
- Continues to seek state grants for the Wastewater Reclamation Facility (WRF) project, OneWater infrastructure projects, and other infrastructure projects,
- Set up and facilitated a site tour of the WRF facility with the Chair of the State Water Resources Control Board (E. Joaquin Esquivel) and State Senator John Laird – in an effort to educate them on the project and seek opportunities for loan forgiveness on the project, and
- Keeps the City apprised of other relevant state legislation and funding opportunities.

The City is also a paying member of the League of California Cities, which among several other services, provides representation services for Morro Bay at the State government level. The total annual fee to be a member is \$6,170 per year to Morro Bay, which is covered by the General Fund. While League support is helpful at the general level for Morro Bay and the other 400+ cities in California, they do not have the capacity to address very specific funding needs and legislative priorities for Morro Bay. Thus, continuing support from Townsend is necessary.

CONCLUSION

Support from Ferguson and Townsend helps keep the City apprised of legislative developments that may have an impact locally and has brought grant revenues and low-interest financing to the City to advance critical capital needs. Representatives from Ferguson and Townsend will present a verbal presentation to Council and the community regarding their specific efforts on Morro Bay's behalf.

ATTACHMENT
None

This Page Intentionally Left Blank



AGENDA NO: C-2
MEETING DATE: March 14, 2023

Staff Report

TO: Honorable Mayor and City Council **DATE:** March 8, 2023
FROM: Sarah Johnson-Rios, Assistant City Manager & Admin Services Director
Emily Conrad, Finance Manager
SUBJECT: Presentation and Discussion of the Fiscal Year (FY) 2021-22 Annual Comprehensive Financial Report

RECOMMENDATION

1. Receive the presentation and provide feedback on the FY 2021-22 Annual Comprehensive Financial Report (ACFR) for the period of July 1, 2021 through June 30, 2022, and
2. Receive FY 2021-22 Annual Streets Report, FY 2021-22 Annual Transit Report, FY 2022-23 Prop 172 Maintenance of Effort Certification, and FY 2020-21 Morro Bay Cayucos Wastewater Treatment Facility Joint Powers Agreement Financial Statements.

BACKGROUND

In the City’s ongoing commitment to transparency and fiscal accountability, in 2021 the City issued a Request for Proposal (RFP) for auditing services and Brown Armstrong Accountancy Corporation (Brown Armstrong) was selected as the most responsive proposer. The City entered into agreement with Brown Armstrong to perform auditing services for the fiscal years ending June 30, 2021, 2022, 2023, 2024, and 2025, with the option to renew for two additional fiscal years (2026 through 2027). The auditors performed remote review of expenditures, revenues, contracts, and general accounting processes for both accuracy and internal controls (fraud prevention).

DISCUSSION

Lindsey Zimmerman, Certified Public Accountant (CPA) and Partner at Brown Armstrong, was the partner-in-charge of this year’s audit. Ms. Zimmerman has over 16 years of auditing experience including over 8 years of governmental auditing experience. She will present the FY 2021-22 auditor’s report to the City Council on March 14th, including highlights from the Annual Comprehensive Financial Report (ACFR).

Highlights of the FY 2021-22 ACFR results include the following:

Independent Auditor’s Report (pages 1-3)

The auditors have given reasonable assurance that the City’s financial statements for the year ended June 30, 2022 “present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with

Prepared By: <u> EC </u>	Department Review: <u> SJR </u>
City Manager Review: <u> </u>	City Attorney Review: <u> CFN </u>

accounting principles generally accepted in the United States of America.”

Management’s Discussion and Analysis (MD&A) (pages 5-13)

This section provides an explanation of what is included in the City’s basic financial statements and provides supplementary information in addition to the financial statements. It outlines financial highlights for the fiscal year and presents summary data for the City on an entity-wide basis. Information is provided in this section with a year-to-year view, explaining how net position and fund balances have changed between fiscal years ending June 30, 2021 and June 30, 2022. This section outlines what is reported as part of the General Fund, Nonmajor Governmental Funds, and Proprietary Funds throughout the report. The section also breaks down the unassigned fund balance in the General Fund’s components, including the operating fund (\$6.4 million), Emergency Reserve (\$4.2 million), Capital Accumulation Fund (\$0.6 million), and Vehicle Replacement Fund (\$0.6 million). This total unassigned fund balance of \$11.8 million is a significant improvement over the prior fiscal year when the total unassigned fund balance across all components of the General Fund was \$6.3 million. This section also highlights the ending balances in the City’s other major funds, including Measure E at \$1.9 million, the Water Fund at \$24.8 million, the Sewer Fund at \$44.7 million, and the Harbor Fund at \$(1.0 million).

Statement of Net Position (pages 18-19)

The Statement of Net Position serves as a useful indicator of a government’s financial position. On June 30, 2022, the City’s net position increased by \$16.2 million, primarily due to the Business-Type Activities increase to the net position of \$9.9 million while Governmental Activities net position increased by \$6.1 million. The increase in Business-Type Activities is due to the implementation of the Water Reclamation Facility (WRF) Surcharge for both Water and Sewer Funds, as well as continued loan draws from the U.S. Environmental Protection Agency and State Water Resources Control Board loans secured to partially fund the planning and construction of the WRF. During FY 2021-22 the City received reimbursement for expenditures already paid from operating cash flow in both the current and prior fiscal years. The increase in Governmental Activities net position is largely due to increased sales tax revenues from the newly passed Measure E and Cannabis City Tax as well as increased revenues for transient occupancy tax.

Basic Financial Statements (pages 18-81)

This section contains basic financial statements, including the “Government-Wide” statement of Net Position and Statement of Activities, financial statements for the fund types including Governmental Funds, Proprietary Funds and Fiduciary Funds. The footnotes portion of this section provides details on significant items such as the City’s cash and investments, its long-term obligations related to loan payables, pension related debt and compensated absences, the net pension liability for both the City’s miscellaneous and public safety pension plans, and a discussion of the City’s other post-employment benefit plans.

The Citywide total pension liability was approximately \$17.5 million as of June 30, 2022, \$15.9 million as of June 30, 2021, a decrease of approximately \$9.6 million since June 30, 2021. That reflects the positive returns CalPERS realized in FY 2020-21. Unfortunately, due to CalPERS’s losses in FY 2021-22, the City’s pension liability will grow significantly again next year when valuations are again updated to reflect more recent market losses. The Citywide Other Post-Employment Benefit (OPEB) liability was approximately \$1.0 million as of June 30, 2022, a decrease of approximately \$0.2 million since June 30, 2021. In FY 2022-23, the City established a Section 115 Trust to build funds for future pension contribution increases, beginning with a contribution of \$1.06 million.

Required Supplementary Information (pages 85-91)

The Budgetary Comparison Schedule for the General Fund and Pension Plan Contributions are provided in this section.

Supplementary Information (pages 94-123)

This section lists the nonmajor governmental special revenue funds (pages 96-123) and provides balance sheets and budget to actual information and changes in fund balance for nonmajor governmental funds. These funds each represent less than 10% of the City's total governmental fund assets/liabilities/revenues or expenditures and less than 5% of the City's total assets/liabilities/revenues or expenditures across all funds.

Statistical Section (pages 127-177)

This section presents ten-year historical financial data for the City to help the reader understand how the City's financial well-being has changed over time, the City's revenue and debt capacity, demographic and economic information to provide context for the City's financial activities.

Actions to Address Prior Year's Finding

In order to address last year's audit finding, which was based largely on 100% staff turnover in the Finance Department during the FY 2020-21 audited year, management committed to several improvement measures to take and has kept those commitments as outlined below.

These actions resulted in a clean audit with no findings for FY 2021-22.

- **Commitment:** First, management will continue to follow robust existing City Council-adopted Accounting and Financial Reporting Policies related to financial management, unclaimed property, fraud, waste and abuse, disposal of surplus property and equipment, and will suggest updates to these policies as warranted.
 - **Status:** Continued to follow existing policies and made progress toward updating and improving some policies, particularly in the areas of purchasing and pension reserves. Further policy review is ongoing.
- **Commitment:** Second, management will continue to use existing year-end internal processes and checklists and will update and enhance those procedures to include additional narrative guidance and timelines with the aim of ensuring a timelier year-end close and audit process in future years. Adding detailed timelines to the year-end checklists will ensure that year-end entries are completed in time to allow for sufficient management review and any needed reconciliation prior to auditor review.
 - **Status:** Staff completed these efforts for the FY 2021-22 audit year, resulting in improved early communication to staff in other departments and more timely invoice receipt for FY 2021-22; an updated year-end preparation schedule for Finance was distributed to all departments; task assignments and timelines to staff; and, implementation of a shared tracking system for monitoring and communicating progress. In addition, staff was able to start on year-end close and audit preparation much earlier than in the prior year because all positions were filled this year, unlike the prior year.
- **Commitment:** Third, management will review existing desk manuals and update them as time permits to prevent future difficulties in the event of future widespread finance staffing turnover, which hopefully will not occur.
 - **Status:** As new staff has come on board, they have utilized documentation where it exists, updated it, and improved it in several areas such as payroll, accounts

payable, accounts receivable, and utility billing desk manuals and staff training materials.

- **Commitment:** Fourth, management will endeavor to adequately resource both in terms of budget and staff time resources, continuing education and continued governmental accounting training for all finance staff members working on year-end.
 - **Status:** The Finance team remains a lean staff team compared to cities of comparable size and complexity. However, progress was made during FY 2021-22 to restore budget for positions that were eliminated due to COVID-19 and to fill those positions. Effort was also made to find process efficiencies in a few key areas such as utility billing, business licensing, and transient occupancy tax collection. This has helped in part to reduce unsustainable workloads, but resource challenges remain if Morro Bay wants to be able to implement industry best practices.
- **Commitment:** Fifth, given that inadequate levels of finance staffing have been documented in several prior year internal controls reports from the City's prior auditor and in an independent management report, and given that the City must now comply with additional financial reporting and oversight related to federal and state funding for the Water Resources Center and COVID-19 relief funding, management will continue to evaluate whether additional staffing resources are warranted. Management will make recommendations to Council as appropriate to address ongoing staffing deficiencies as resources permit. Adequate citywide financial management and oversight may also require evaluating staff resources in key operating departments to ensure that there is sufficient knowledge and capacity throughout the organization to facilitate effective financial management in all areas, and coordination with centralized finance staff.
 - **Status:** This analysis is ongoing. Staff's priority in FY 2021-22 was to recruit for and fill budgeted positions, implement efficiencies where possible, and to give the staff time to stabilize. Assessment regarding whether additional staffing resources are required is ongoing, though no additional positions are being sought at this time. Recruitment and retention remain challenges in this tight labor market, particularly in the public finance field.

CONCLUSION

Lindsey Zimmerman from Brown Armstrong will present the FY 2021-22 audit report to the City Council. The FY 2021-22 audit report resulted in a clean audit with no findings.

Last year's annual financial report, from FY 2020-21, did receive a Certificate of Achievement for Excellence in Financial Reporting. The FY 2021-22 ACFR will also be submitted to the Government Finance Officers Association (GFOA) for consideration for excellence in financial reporting.

The following annual reports are required by the State Controller's Office and have been completed and attached for your review:

- FY2021-22 Annual Streets Report
- Transit Report
- Prop 172 MOE Report

Additionally, the FY2020-21 Morro Bay-Cayucos Wastewater Treatment Facility Joint Powers Agreement Financial Statements are attached for review.

Weblinks and Attachments

1. [FY 2021-22 Annual Comprehensive Financial Report](#)
2. [FY 2021-22 Annual Streets Report](#)
3. [FY 2021-22 Annual Transit Report](#)
4. [FY 2022-23 Prop 172 Maintenance of Effort Certification](#)
5. [FY 2020-21 MB-CSD JPA Audited Financial Statements](#)

safety of persons and property within the City have already included rising water levels throughout the San Luis Obispo Creek system, flooding, major street and highway closures; and damage or threatened damage to City infrastructure presenting imminent peril to the health, safety and welfare of City residents and businesses and to City staff and operations.

DISCUSSION

After consideration of the facts reasonably available at the time, on March 10, 2023 at approximately 9:15 a.m., the Acting City Manager acting as the Director of Emergency Services proclaimed the existence of a state of local emergency to make additional resources available to address the conditions of disaster or extreme period caused by severe winter storms, rising water levels along Morro Creek and throughout other areas of the city and damage or threatened damage to City infrastructure.

Pursuant to [Government Code § 8630](#) a local emergency throughout the City declared by the Director of Emergency Services shall not remain in effect for a period in excess of seven (7) days unless it has been ratified by the City Council; therefore, the Director of Emergency Services requests the City Council ratify and affirm the existence of a local emergency throughout the City of Morro Bay.

CONCLUSION

Staff recommends that Council adopt Resolution No. 13-23 and provide other direction as deemed appropriate by a majority of the Council.

ATTACHMENTS:

1. Resolution No. 13-23 Proclaiming and Affirming the Existence of a Local Emergency
 - a. Proclamation of the Existence of a Local Emergency (March 10, 2023)
2. [Link](#) to Morro Bay Municipal Code Chapter 8.08
3. Resolution No. 24-20 Establishing the City's Emergency and Disaster Purchasing Policy

RESOLUTION NO. 13-23

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORRO BAY, STATE OF CALIFORNIA, PROCLAIMING AND AFFIRMING THE EXISTENCE OF A LOCAL EMERGENCY, AND CONFIRMING AND RATIFYING PROCLAMATION BY CITY'S DIRECTOR OF EMERGENCY SERVICES OF EXISTENCE OF A LOCAL EMERGENCY, IN RESPONSE TO MARCH 2023 WINTER STORM SURGE

WHEREAS, the California Emergency Services Act, Government Code sections 8550 *et seq.*, including sections 8558(c) and 8630, authorize the proclamation of a local emergency, when conditions of a disaster or extreme peril to the safety of persons and property exist within the territorial limits of a city; and

WHEREAS, pursuant to the provisions of Government Code section 8558(b), on March 1, 2023 the Governor of the State of California issued a "Proclamation of a State of Emergency" ("Governor's Proclamation") to exist in multiple California counties, including San Luis Obispo County, to support disaster response and relief related to severe winter storms that struck California in late February, bringing damaging winds, and historic precipitation, and that it was forecasted that additional storms would continue to threaten counties across California, bringing strong winds, above normal precipitation, and unusually cold temperatures. The Governor's Proclamation declared that conditions of extreme peril to the safety of persons and property exist due to these storms, ordering and finding, in part, as follows:

- A. **(i)** All agencies of the state government utilize and employ state personnel, equipment, and facilities for the performance of any and all activities consistent with the direction of the Office of Emergency Services and the State Emergency Plan. Also, all residents are to obey the direction of emergency officials with regard to this emergency in order to protect their safety; **(ii)** The Office of Emergency Services shall provide assistance to local governments, if appropriate, under the authority of the California Disaster Assistance Act, Government Code section 8680 *et seq.*, and California Code of Regulations, Title 19, section 2900 *et seq.*; **(iii)** As necessary to assist local governments and for the protection of public health and the environment, State agencies shall enter into contracts to arrange for the procurement of materials, goods, and services necessary to quickly assist with the response to and recovery from the impacts of these storms. Applicable provisions of the Government Code and the Public Contract Code, including but not limited to travel, advertising, and competitive bidding requirements, are suspended to the extent necessary to address the effects of these storms;
- B. The Governor's Proclamation conclusively found that **(i)** the conditions caused by these storms, by reason of their magnitude, are or are likely to be beyond the control of the services, personnel, equipment, and facilities of any single local government and require the combined forces of a mutual aid region or regions to appropriately respond; **(ii)** local authority is inadequate to cope with the magnitude of the damage caused by these storms pursuant to the provisions of Government Code section 8625(c); and **(iii)** under the provisions of Government Code section 8571, strict compliance with various statutes and regulations specified in his Proclamation would prevent, hinder, or delay the mitigation of the effects of these storms.

- C. The recitals and findings of the Governor's Proclamation are referenced and incorporated herein as though set forth in full and are hereby adopted as the recitals and findings of this Resolution; and

WHEREAS, Government Code section 8558(c) defines "local emergency" conditions to include flood, storm, hazardous materials incident, sudden and severe energy shortage, or other conditions that are or are likely to be, beyond the control of the services, personnel, equipment and facilities of this City, requiring the combined forces of other political subdivisions to combat; and

WHEREAS, due to the series of atmospheric river systems continuously impacting counties throughout the State, counties and local governments have not had time to mitigate the cascading impacts of these storms resulting in the above-described damages already being incurred throughout the State; and

WHEREAS, the City of Morro Bay has specifically been, and is under continued threat to be, adversely impacted by the above-referenced winter storms in a manner that threatens local infrastructure and public health and safety, and which exceeds the capacity of the City to address with its own personnel, resources, or in a timely manner to protect life and property, particularly if bound by strict compliance with various statutes and regulations. Commencing on or about 9:00 a.m. on March 10, 2023 conditions of disaster or extreme peril to the safety of persons and property within the City have already included rising water levels throughout the San Luis Obispo Creek system and flooding; and damage or threatened damage to City infrastructure presenting imminent peril to the health, safety and welfare of City residents and businesses and to City staff and operations; and

WHEREAS, the Morro Bay Municipal ("MBMC") Code appoints the City Manager as the Director of Emergency Services and MBMC Code section 8.08.060(A)(1) empowers the Director to issue an emergency proclamation if the City Council is not in session; and

WHEREAS, after consideration of all facts reasonably available presently then for review and all items, on March 10, 2023 the City's Director of Emergency Services declared a local emergency, and thereby activated the Emergency Operations Center; and

WHEREAS, pursuant to Government Code section 8630 and MBMC section 8.08.060, a local emergency declared by the Director of Emergency Services shall not remain in effect for a period in excess of seven (7) days unless it has been ratified by the City Council; and

WHEREAS, the health, safety and welfare of City residents, businesses, visitors and staff are of utmost importance to the City and additional future measures may be needed to protect the community. The mobilization of local resources, ability to coordinate interagency response, accelerate procurement of vital supplies, use mutual aid, and allow for future reimbursement by the state and federal governments will be critical to successfully responding to the present storm-related state of emergency. The City may require additional assistance in the future, and proclamation of local emergency allows additional resources to flow to the City in a timely manner; and

WHEREAS, the Director of Emergency Services requests that the City Council of the City of Morro Bay proclaim and affirm the existence of a local emergency throughout the City and ratify the proclamation on March 10, 2023 by the Director of Emergency Services of the existence of a state of local emergency; and

WHEREAS, after consideration of all facts reasonably available for review and all items, the City Council of the City of Morro Bay now desires to proclaim and affirm the existence of a state of emergency throughout the City to make additional resources available to address the disaster impacts of the above-described March 2023 winter storm surge, ratify the proclamation of the Director of Emergency Services made on March 10, 2023, and affirm the existence of a state of local emergency for the City of Morro Bay.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MORRO BAY, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

1. **Recitals.** The City Council hereby finds and believes that the above recitals are true and correct and incorporate them herein by this reference.
2. **Proclamation of Local Emergency.** The actual existence of conditions of extreme peril to the safety of persons and property have arisen within the City of Morro Bay, caused by the effects of the above-described March 2023 winter storm surge. The City Council, based upon the foregoing, now does proclaim, declare, and affirm the existence of a local emergency throughout the City.
3. **Ratification.** The aforementioned conditions of extreme peril warranted and necessitated the proclamation of the existence of a local emergency throughout the City of Morro Bay by the City's Director of Emergency Services on March 10, 2023. The City Council of the City of Morro Bay does hereby ratify and affirm the proclamation of a local emergency throughout the City of Morro Bay by the City's Director of Emergency Services on March 10, 2023 (attached hereto and incorporated herein by reference).
4. **Authority.** During the existence of said local emergency, the powers, authority, functions and duties of the Director of Emergency Services and the City's emergency services organizations shall be those prescribed by state law, all applicable law, City ordinances, resolutions, and approved plans of the City in order to mitigate the effects of said local emergency. In this regard, the Council desires to make clear the powers, functions, and duties of the Emergency Services Director include, but are not limited to, the authority provided for in Chapter 8.08 (Emergency Services Organization) of the MBMC, which provides, in part, the authority of the Emergency Services Director to both make and issue rules and regulations on matters reasonably related to the protection of life and property as affected by such emergency (MBMC § 8.08.060(A)(6)(a)), as well as to obtain vital supplies, equipment, and such other properties found lacking and needed for the protection of life and property and to bind the City for the fair value thereof and, if required immediately, to commandeer the same for public use (MBMC § 8.08.060(A)(6)(b)).
5. **Duration.** The City Council shall review the need for continuing the local emergency at least once every 60 days until the governing body terminates the local emergency. The City Council shall proclaim the termination of the local emergency at the earliest possible date that conditions warrant. (Government Code § 8630.)
6. **Severability.** If any subsection, sentence, clause, phrase, or word of this Resolution or any application of it to any person, structure, gathering, or circumstance is held to be invalid or unconstitutional by a decision of a court of competent jurisdiction, then such decision will not affect the validity of the remaining portions or applications of this Resolution.

7. **Effective Date of Resolution.** This Resolution shall be effective immediately upon passage and adoption. The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.
8. **Publication.** This Resolution and its contents will be published and promulgated in as widespread a manner as is reasonably feasible under the conditions prevailing during this local emergency.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Morro Bay, California, at a regular meeting thereof held on the 14th day of March 2023 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

RECUSED:

CARLA WIXOM, Mayor

ATTEST:

DANA SWANSON, City Clerk

PROCLAMATION OF THE EXISTENCE OF A LOCAL EMERGENCY

WHEREAS, California Government Code Section 8630 empowers the Morro Bay City Council to proclaim the existence or threatened existence of a local emergency when the City of Morro Bay is affected or likely to be affected by a public calamity; and,

WHEREAS, Morro Bay Municipal Code ("MBMC") § 8.08.050(A) appoints the City Manager as the Director of Emergency Services ("Director"); and

WHEREAS, MBMC § 8.08.060(A)(1) empowers the Director to proclaim the existence or threatened existence of a local emergency if the City Council is not in session; and

WHEREAS, Government Code Section 8558 (c) defines such conditions to include flood, storm, hazardous materials incident, sudden and severe energy shortage, or other conditions that are or are likely to be, beyond the control of the services, personnel, equipment and facilities of this city, requiring the combined forces of other political subdivisions to combat and,

WHEREAS, on March 1, 2023 the Governor of the State of California issued a Proclamation of a State of Emergency to exist in multiple California counties, including San Luis Obispo County, related to severe winter storms that struck California, bringing damaging winds, and historic precipitation, and that it was forecasted that additional storms will continue to threaten counties across California, bringing strong winds, above normal precipitation, and unusually cold temperatures, the recitals and findings of which are referenced and incorporated herein as though set forth in full and are hereby adopted as the recitals and findings of the Emergency Services Director; and

WHEREAS, the City of Morro Bay has been adversely impacted by the above-referenced winter storms in a manner that threatens local infrastructure and public health and safety, and which exceeds the capacity of the City to address with its own personnel and resources; and

WHEREAS, the City Manager, as Emergency Services Director of the City of Morro Bay, does hereby find that:

1. Conditions of disaster or extreme peril to the safety of persons and property have arisen within the City of Morro Bay, caused by severe winter storms, rising water levels in the Creek areas, and damage or threatened damage to City infrastructure presenting immediate peril to the health, safety and welfare of the residents and businesses of the City of Morro Bay and to City staff and operations commencing on or about 9:15 A.M. on the 10th day of March, 2023; and
2. Such conditions are, or are likely to be, beyond the control of the services, personnel, equipment, and facilities of the City of Morro Bay; and

3. The City Council of the City of Morro Bay is not in session and cannot be immediately called into session.

NOW, THEREFORE, IT IS HEREBY PROCLAIMED, that a local emergency now exists throughout the City; and

IT IS FURTHER PROCLAIMED AND ORDERED that during the existence of said local emergency the powers, functions, and duties of the emergency organization of this City shall be those prescribed by state law, ordinances, and resolutions of this City, and by the City of Morro Bay Emergency Plan.

IT IS FURTHER PROCLAIMED AND ORDERED that as soon as hereafter possible, this Proclamation be filed in the Office of the City Clerk of the City of Morro Bay and that widespread publicity and notice be given of this Proclamation.

IT IS FURTHER PROCLAIMED AND ORDERED that said local emergency shall be deemed to continue to exist for the next seven (7) days, and hereafter by ratification of the City Council, or until its termination is proclaimed by the Morro Bay City Council.

The foregoing Proclamation was approved this 10th day of March 2023 at 9:25 A.M..

Sarah Johnson-Rios
Sarah Johnson-Rios (Mar 10, 2023 09:56 PST)

Sarah Johnson-Rios,
Acting Emergency Services Director

ATTEST:

Dana Swanson
Dana Swanson, City Clerk

APPROVED AS TO FORM:

Chris F. Neumeyer
Chris F. Neumeyer (Mar 10, 2023 09:59 PST)
Chris F. Neumeyer,
City Attorney

IN WITNESS WHEREOF, I have hereunto set my hand affixed the Official seal of the City of Morro Bay, California, this 10th day of March 2023.

Dana Swanson
Dana Swanson,
City Clerk

RESOLUTION NO. 24-20

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF MORRO BAY, CALIFORNIA,
ESTABLISHING THE CITY OF MORRO BAY'S EMERGENCY
AND DISASTER PURCHASING POLICY**

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

WHEREAS, the City of Morro Bay wishes to establish an emergency and disaster purchasing policy; and

WHEREAS, the emergency and disaster purchasing policy is activated when a local state of emergency has been declared by the City Manager; and

WHEREAS, the emergency and disaster purchasing policy provides more latitude to allow for expedited purchases when there is an immediate threat to health, safety or improved property; and

WHEREAS, the City Manager on March 14, 2020 declared a local state of emergency in response to the COVID-19 crisis.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morro Bay, California, the "Emergency and Disaster Purchasing Policy," as set forth in Exhibit A, attached hereto and incorporated herein, is hereby approved.

PASSED AND ADOPTED by the City Council of the City of Morro Bay at a special meeting thereof held on the 19th day of March, 2020, by the following vote:

AYES: Headding, Addis, Davis, Heller, McPherson
NOES: None
ABSENT: None



JOHN HEADDING, Mayor

ATTEST:



DANA SWANSON, City Clerk



COUNCIL POLICY

EMERGENCY AND DISASTER PURCHASING POLICY

Policy Statement

The City of Morro Bay (City) is a full-service City, providing police, fire protection, public works, harbor, recreation and development services. In addition, the City manages the City's Tourism function for promotion of Morro Bay as a tourist destination. As such, it is the City's responsibility to establish policies for prudent financial oversight and accountability.

The City Council sets legislative financial management policies, as recommended by staff and advisory committees. During declared states of emergency, the City may be required to invoke emergency purchasing practices to maintain core public services. These emergency practices are only authorized when the City of Morro Bay declares a local state of emergency.

Purpose

When the City of Morro Bay has declared a local state of emergency, any official or employee who is required to purchase materials, supplies or services on behalf of the City for their department shall use purchasing practices set forth in this document until such time as the state of emergency has been lifted.

This Policy modifies the City's normal purchasing practices to assure that, in exigent circumstances caused by a proclaimed disaster or emergency, the City is able to acquire the goods and services required to address an immediate threat to health, safety or improved property while still maintaining an effective purchasing process and complying with applicable local and state purchasing laws. Where the City is included in a major disaster or emergency declared by the President of the United States, this Policy also assures that City procurements comply with federal regulations applicable to FEMA disaster grant reimbursement.

Definitions

For purposes of this Policy, (a) a proclaimed disaster or emergency exists if (i) the Governor has declared a state of emergency for an area which includes the geographic territory of the City; or (ii) the Chief Executive Officer of the City has declared an emergency in the City; (b) "Exigent Circumstances" are situations in which (i) a disaster or emergency has been proclaimed, and (ii) the public exigency for goods and services required to address an immediate threat to health, safety, or improved property will not permit competitive solicitation.

Emergency and Disaster Purchasing Policy

Disaster purchasing has a number of facets, first emergency spending limits are expanded and authorized by council without the need to obtain their prior approval. There can be individual limits and aggregate limits which give emergency managers the necessary authority to act quickly under exigent circumstances.

The concept of emergency purchases regards purchases made under "crisis" conditions, where there is an immediate threat to health, safety or improved property. When this condition (an immediate threat to health, safety or improved property) exists, the city has wider latitude to do what is necessary to save lives and prevent further damage to improved property. Given this, and operating under the understanding that when an emergency is in place, the City will be in need of supplies, goods and services as quickly as possible, local vendors within the City and County will be contacted first to obtain the quickest possible acquisition to preserve immediate health and safety for the Morro Bay Community. This is consistent with the policy directives outlined below.

Section 1 - Delegations of Purchasing Authority in Exigent Circumstances.

- (a) if the City Manager determines that goods and services must be procured before the City Council is able to assemble and approve purchases, the City Manager has authority, subject to the limitations set forth in sub-paragraphs (a)(i) and (a)(ii), to approve the immediate rental or purchase of any equipment, supplies, services or other items necessary to respond to an immediate threat to health, safety or improved property.
 - (i) Limits of Single Purchase Authority. The City Manager shall have the authority to make individual purchases up to \$250,000 on his or her signature alone. The City Manager shall have the authority to make purchases in excess of \$250,000 up to a maximum of \$500,000 when countersigned by the Mayor or in the Mayor's absence countersigned by another council member.
 - (ii) Limits of Aggregate Purchase Authority. The City Manager shall have the authority to make aggregate purchases up to \$500,000 on his or her signature alone. The City Manager shall have the authority to make purchases in excess of \$500,000 up to a maximum of \$1,500,000 when countersigned by the Mayor or in the Mayor's absence countersigned by another council member.
- (b) Sub-delegation to EOC Director. The EOC Director shall be a designee of the City Manager at any time that the City Manager is not available to approve purchases as allowed in this section.
- (c) Sub-delegation of Purchasing Authority to Department Heads. If neither the City Manager nor the EOC Director is available, the police department watch commander, duty fire battalion chief, and/or duty public works department manager have authority to rent or purchase from the nearest available source any equipment, supplies, services, or other items necessary for his or her department to respond to an immediate threat to health, safety, or improved property, up to a maximum of \$500,000.
- (d) Administrative Procedures: Reporting Requirements.
 - (i) As soon as possible after purchases are made under this section 1, the City Manager, EOC Director, or department head shall submit to the Purchasing Officer a requisition and a notation that the commodity has been ordered on an emergency basis from the vendor designated.
 - (ii) The Purchasing Officer will inform the City Manager and the City Council of any individual purchase under this section with a contract amount greater than \$125,000, and also whenever the aggregate of purchases under this section is greater than \$200,000 dollars.

- (iii) The Purchasing Officer will obtain the City Manager's (or EOC Director as the City Manager's designee) approval prior to any purchase by a department head if the amount is \$150,000 dollars or more.
- (iv) If the City Manager/EOC Director is unavailable, and the delay in getting his/her signature would imperil life, safety or improved property, the police department watch commander, duty fire battalion chief, and/or duty public works department manager or his/her designee may approve the emergency purchase of \$150,000 dollars or more.
- (v) The Purchasing Officer shall have the authority to approve all disaster related purchases under \$150,000 thousand dollars.
- (vi) The Purchasing Officer will expedite the verification of funds available and complete the preparation of the purchase order.

Section 2 - Procurement Procedures in Exigent Circumstances.

Upon receipt of requisitions under Section 1 above, the Purchasing Officer shall prepare purchase orders for the emergency equipment, supplies, services or other items in accordance with the requirements of this section.

- (a) *Exempt Purchases.* Purchases below \$200,000 shall not be required to be formally bid. Purchases greater than \$200,000 may be made following the procedures specified in this section. The signature(s) of the City Manager, Purchasing Officer and/or Department Head are still required as provided in Section 1.
- (b) Justification of "Sole Source" or "No-bid" Contracts. Where exigent circumstances require immediate procurement from the nearest available source:
 - (i) the Procurement Officer shall use the "Justification Form For Emergency Sole Source or No-Bid Purchase."
 - (ii) procurement should be limited to that portion of the work that must be performed immediately, allowing subsequent procurement by competitive proposals of the remainder of the work.
 - (iii) "Sole source" or "no-bid" acquisitions shall be necessary for one of the following reasons: placement of emergency protective measures; procurement of a scarce commodities, goods, or services; or acquisition or rental of emergency equipment , emergency consulting services, emergency road clearance or other emergency requirements. This is consistent with Morro Bay Municipal Code Section 3.06.070(B)(1) which states as follows:

3.08.070 - Bidding.

A. Except as otherwise provided in subsection B of this section, by this Chapter, or pursuant to applicable law, the purchase of supplies, equipment, materials and public works projects, shall be by bid procedures pursuant to Sections 3.08.100 and 3.08.110.

B. Bidding or open market procedure may be dispensed with only when:

- 1. An emergency requires that an order be placed with the nearest available source of supply;
- 2. The amount involved is less than five hundred dollars.

3. The commodity can be obtained from only one vendor; or
4. Competitive bidding or proposal procedures, substantially similar to the competitive bidding or proposal procedures in this code, have already been utilized either by a federal, state, county, city or special district government agency, or by a legitimate cooperative purchasing agency; and, that the supplies, equipment, materials or public works project provided to the city are at the same or better price, terms and conditions, as was obtained through such prior competitive bidding or proposal procedures.

(Ord. No. 608, § 1, 9-27-16)

- (c) *Provision for Alternate Bid Solicitation Procedures.* The City's normal requirements for sealed bids shall not apply to acquisitions under Section 1. However, the Procurement Officer shall conduct telephonic or other electronic bid solicitation from potential vendors or suppliers, in lieu of written and/or sealed bids, in an effort to obtain multiple competitive proposals when and if time allows in light of the exigent circumstances.
- (d) *Locations of Postings for Requests for Proposals or Solicitation of Bids.* The Procurement Officer may waive normal requirements for public posting of requests for proposals or solicitation of bids. Notices soliciting bids or requests for proposals shall be posted at the Emergency Operations Center or Alternate Emergency Operations Center, if the Primary Emergency Operations Center is not being used.
- (e) *Length of Time for Posting Requests for Proposals or Solicitation of Bids.* The Procurement Officer may shorten the normal bid period to expedite the award of contracts for emergency equipment, goods, or services. The Procurement Officer should seek to assure that the shortened bid period allows multiple suppliers to submit bids.
- (f) *Number of Bids Required.* Solicited bids that are non-responsive shall count towards the minimum numbers of bids required when there is a declared emergency or disaster in the City.

Section 3 - Notification and Ratification

- (a) *Posting of Contract Awards.* Under this section, all contracts awarded that exceed \$750,000 shall be presented to the City Council for ratification and shall be publicly posted within sixty (60) days of the award.
- (b) *Authority to Cancel Emergency Procurements.* As a provision of this policy, the City has the absolute authority to rescind a contract for non-performance within 24 hours when a contractor or vendor, once awarded a contract, is unable to perform under the terms of the contract and the resulting delay or non-performance presents an immediate threat to life, safety or improved property.
- (c) *Notification Requirement for Emergency Purchases.* For any purchase in excess of \$150,000, the City Manager shall report all such purchases to the City Council within thirty (30) days.
- (d) *Requirement for Separate Invoicing.* All purchases or rentals made during proclaimed emergency or disaster conditions shall require separate invoicing from routine (non-disaster related) purchases. All invoices shall state the goods, services or equipment provided and shall specify where the goods or services were delivered and be coded to the designated disaster project code.

- (e) *Auditing of Invoices for Debris Clearance Prior to Payment.* All invoices for debris clearance and removal shall be audited by the City prior to payment to the vendor. Vendors shall be notified of this requirement prior to the awarding of any contract for debris clearance and/or removal. Audits shall be in accordance with procedures for debris removal monitoring specified in FEMA's Publication 325, Debris Management Guide.
- (f) *Limitations of Disaster Purchasing Policy.* For the purposes of this section, an emergency or disaster shall be deemed to exist when a condition exists that presents an immediate threat to health, safety or improved property and a local emergency or disaster has been proclaimed. Any purchases that do not meet the standard of being necessary for responding to an immediate threat to health, safety or improved property shall follow the City's regular purchasing provisions.